



**ING Groep N.V.**

*(incorporated in the Netherlands with its statutory seat in Amsterdam)*

(the “**Issuer**”)

**£600,000,000 ING Perpetual Securities**

**Issue price: 100 per cent.**

Unless expressly indicated otherwise, the terms and expressions used herein have the same meaning as given to them in the terms and conditions (the “**Terms and Conditions**”)

The £600,000,000 Perpetual Securities (the “**Securities**”) are perpetual securities and have no fixed redemption date. However, the Securities may be redeemed in whole but not in part at the option of the Issuer, at their principal amount, together with any Outstanding Payments on the Coupon Payment Date falling on 17 March 2016 or any Coupon Payment Date thereafter. Prior redemption in case of tax events or for regulatory purposes may apply, subject to Condition 8.

The Securities will bear fixed interest from (and including) the Issue Date to (but excluding) 17 March 2016 at a rate of 5.140 per cent. per annum payable semi-annually in arrear on 17 March and 17 September in each year starting 17 September 2006, subject to Condition 4 and 5. Thereafter the Securities will bear floating interest at a rate of 1.62 per cent. above Three Month £LIBOR (as defined in Condition 5) payable quarterly in arrear on 17 June, 17 September, 17 December and 17 March in each year starting 17 June 2016 subject to Condition 4 and 5. Payments (such term does not include principal) may be deferred, as more fully described in Condition 4, but any Deferred Coupon Payment will immediately become due if the Issuer makes payments on or purchases or redeems its Junior Securities or Parity Securities or makes any payment on a Parity Guarantee. Investors will always receive cash but the moneys to satisfy such Deferred Coupon Payments may only be raised by the issue of its Ordinary Shares, which, when sold, will provide the cash amount due in respect of Deferred Coupon Payments. Upon the occurrence of a Regulatory Event, the terms of the Securities will be automatically altered, as described in Condition 7.

The Securities constitute direct, unsecured and subordinated securities of the Issuer as described in Condition 2.

The Securities are expected to be assigned, on issue, a rating of ‘A2’ by Moody’s Investors Service, Inc. (“**Moody’s**”). As defined by Moody’s, obligations rated ‘A’ are considered upper-medium grade and are subject to low credit risk. The Securities are expected to be assigned, on issue, a rating of ‘A’ by Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies, Inc. (“**Standard & Poor’s**”). As defined by Standard & Poor’s, an obligation rated ‘A’ is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor’s capacity to meet its commitment of the obligation is still strong. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

The Securities shall have denominations of £50,000 each. The Securities will be represented by a Temporary Global Security in bearer form without interest coupons, in the principal amount of £600,000,000. The Temporary Global Security will be deposited with a common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream**”). Interests in the Temporary Global Security will be exchangeable for interests in the Permanent Global Security without interest coupons, on or after 26 April 2006 upon certification of non-U.S. beneficial ownership. The Permanent Global Security will not be exchangeable for definitive Securities in bearer form. Whilst the Securities are in global form, the Securities may be traded in the clearing systems in an amount equal to £50,000 per Security and in integral multiples of £1,000 thereafter.

This Prospectus has been approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (the “**AFM**”), which is the Dutch competent authority for the purpose of Directive 2003/71/EC (the “**Prospectus Directive**”) and relevant implementing measures in the Netherlands, as a Prospectus issued in compliance with the Prospectus Directive and the Prospectus Regulation and relevant implementing measures in the Netherlands for the purpose of giving information with regard to the issue of the Securities during the period of twelve months after the date hereof. Application has been made for the listing of the Securities on the Luxembourg Stock Exchange. It is anticipated that the Securities will be quoted as a percentage of their principal amount.

The AFM may be further requested to provide other competent authorities in the European Economic Area (EEA) with a certificate of approval so that the Securities may be offered in the relevant other EEA jurisdictions.

*Lead Managers*

**ING Wholesale Banking  
Lehman Brothers  
UBS Investment Bank**

The date of this Prospectus is 15 March 2006.

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## RISK FACTORS

*Prospective investors should read the entire Prospectus.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Securities, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Securities may occur for other reasons. The risks described below are not the only risks the Issuer faces. Additional risks and uncertainties not presently known to the Issuer or additional risks and uncertainties that the Issuer currently believes to be immaterial could also have a material impact on its business operations. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

*Words and expressions defined in the “Terms and Conditions of the Securities” below or elsewhere in this Prospectus have the same meanings in this section, unless otherwise stated. Prospective investors should consider, among other things, the following.*

### **Factors that may affect the Issuer’s ability to fulfil its obligations under the Securities**

*Because the Issuer is an integrated financial services company conducting business on a global basis, the revenues and earnings of the Issuer are affected by the volatility and strength of the economic, business and capital markets environments specific to the geographic regions in which the Issuer conducts business and changes in such factors may adversely affect the profitability of its insurance, banking and asset management business.*

Factors such as interest rates, exchange rates, consumer spending, business investment, government spending, the volatility and strength of the capital markets, and terrorism all impact the business and economic environment and, ultimately, the amount and profitability of business the Issuer conducts in a specific geographic region. For example, in an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment and consumer spending, the demand for banking and insurance products would be adversely affected and the Issuer’s reserves and provisions would likely increase, resulting in lower earnings. Similarly, a downturn in the equity markets could cause a reduction in commission income the Issuer earns from managing portfolios for third parties, as well as income generated from its own proprietary portfolios, each of which is generally tied to the performance and value of such portfolios. The Issuer also offers a number of insurance and financial products that expose the Issuer to risks associated with fluctuations in interest rates, securities prices or the value of real estate assets. In addition, a mismatch of interest-earning assets and interest-bearing liabilities in any given period may, in the event of changes in interest rates, have a material effect on the financial condition or result from operations of the banking businesses of the Issuer.

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

In its life and non-life insurance and reinsurance businesses, the Issuer is subject to losses from natural and man-made catastrophic events. Such events include, without limitation, weather and other natural catastrophes such as hurricanes, floods and earthquakes, as well as events such as terrorist attacks. The frequency and severity of such events, and the losses associated with them, are inherently unpredictable and can not always be adequately reserved for. In accordance with industry practices, reserves are established based on estimates using actuarial projection techniques. The process of estimating is based on information available at the time the reserves are originally established. Although the Issuer continually reviews the adequacy of the established claim reserves, and based on current information, the Issuer believes its claim reserves are sufficient, there can be no assurances that its actual claims experience will not exceed its estimated claim reserves. If actual claim amounts exceed the estimated claim reserves, its earnings may be reduced and its net profits may be adversely affected. In addition, because unforeseeable and/or catastrophic events can lead to abrupt interruption of activities, its banking and insurance operations may be subject to losses resulting from such disruptions. Losses can relate to property, financial assets, trading positions and also to key personnel. If its business continuity plans are not able to be put into action or do not take such events into account, losses may further increase.

*Because the Issuer operates in highly regulated industries, changes in statutes, regulations and regulatory policies that govern activities in its various business lines could have an effect on its operations and its net profits.*

The insurance and banking operations of the Issuer are subject to insurance, banking and financial services statutes, regulations and regulatory policies that govern what products the Issuer sells and how the Issuer manages its business. Changes in existing statutes, regulations and regulatory policies, as well as changes in the implementation of such statutes, regulations and regulatory policies may affect the way the Issuer does business, its ability to sell new policies, products or services and its claims exposure on existing policies. In addition, changes in tax laws may affect its tax position and/or the attractiveness of certain of its products, some of which currently have favourable tax treatment.

*Because the Issuer operates in highly competitive markets, including in its home market, the Issuer may not be able to further increase, or even maintain, its market share, which may have an adverse effect on its results of operations.*

There is substantial competition in the Netherlands and the other countries in which the Issuer does business for the types of insurance, commercial banking, investment banking and other products and services the Issuer provides. Customer loyalty and retention can be influenced by a number of factors, including relative service levels, the prices and attributes of products and services, and actions taken by competitors. If the Issuer is not able to match or compete with the products and services offered by its competitors, it could adversely impact its ability to maintain or further increase its market share, which would adversely affect its results of operations. Such competition is most pronounced in its more mature markets of the Netherlands, Belgium, the other countries in Europe, the United States, Canada and Australia. In recent years, however, competition in emerging markets, such as South America, Asia and Central and Eastern Europe, has also increased as large insurance and banking industry participants from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and have sought alliances, mergers or strategic relationships with its competitors. Based on geographic division of its operating profit, the Netherlands is the Issuer's largest market for both its banking and insurance operations. The United States is the Issuer's second largest market for the insurance operations. Increasing competition in these or any of its other markets may significantly impact the results if the Issuer is unable to match the products and services offered by its competitors.

*Because its reinsurance arrangements are with a limited number of reinsurers, the inability of one or more of these reinsurers to meet their financial obligations could have an adverse effect on the results of operations of the Issuer.*

The insurance operations of the Issuer have bought protection for risks that exceed certain risk tolerance levels set for both its life and non-life business. This protection is bought through reinsurance arrangements in order to reduce possible losses. Because in most cases the Issuer must pay the policyholders first, and then collect from the reinsurer, the Issuer is subject to credit risk with respect to each reinsurer for all such amounts. The inability of any one of these reinsurers to meet its financial obligations to the Issuer could have a material adverse effect on the net profits and financial results of the Issuer.

*Because the Issuer also operates in markets with less developed judiciary and dispute resolution systems, proceedings could have an adverse effect on its operations and net result.*

In the less developed markets in which the Issuer operates, judiciary and dispute resolution systems may be less developed. In case of a breach of contract the Issuer may have difficulties in making and enforcing claims against contractual counter parties. On the other hand, if claims are made against the Issuer, the Issuer might encounter difficulties in mounting a defence against such allegations. If the Issuer becomes party to legal proceedings in a market with an insufficiently developed judiciary system, it could have an adverse effect on its operations and net result. Because the Issuer is a financial services company and its group companies are continually developing new financial products, the Issuer might be faced with claims that could have an adverse effect on its operations and net result if clients' expectations are not met. When new financial products are brought to the market, communication and marketing is focussed on potential advantages for the customers. If the products do not generate the expected profit, or result in a loss, customers may file claims against the Issuer or any of its affiliates for not fulfilling its potential duty of care. Potential claims could have an adverse effect on its operations and net result.

### **The Issuer's obligations under the Securities are subordinated**

The Issuer's obligations under the Securities will be unsecured and subordinated and will rank junior in priority of payment to Senior Creditors. "Senior Creditors" means creditors of the Issuer (a) who are unsubordinated creditors of the Issuer, or (b) whose claims are, or are expressed to be, subordinated (whether only in the event of the liquidation (upon dissolution or otherwise) of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise, or (c) who are subordinated creditors of the Issuer other than those whose claims are, or are expressed to rank, *pari passu* with, or junior to, the claims of the Holders (which subordinated creditors do not include, for the avoidance of doubt, holders of Parity Securities or of Parity Guarantees, with which the holders of the Securities rank *pari passu*).

### **Deferral**

The Issuer may elect to defer any Payment (such term does not include principal) on the Securities for any period of time subject to suspension of payment on Junior Securities, Parity Securities and Parity Guarantees, as more particularly described in "Terms and Conditions of the Securities – 4. Deferrals". Unless deferral is required as described under "Terms and Conditions of the Securities – 4. Deferrals – (a) Required Deferral of Payments", any deferred payment will bear interest at the Applicable Coupon Rate.

### **Perpetual securities**

The Issuer is under no obligation to redeem the Securities at any time and the Holders have no right to call for their redemption.

### **Redemption risk**

Upon the occurrence of certain specified tax or regulatory events, the Securities may be redeemed at a redemption price equal to either (i) their principal amount, together with any Outstanding Payments (as defined in "Terms and Conditions of the Securities – 21. Definitions") or (ii) the higher of their principal amount, together with any Outstanding Payments and their Make Whole Redemption Price (as defined in "Terms and Conditions of the Securities – 21. Definitions"), as the case may be, subject as provided in "Terms and Conditions of the Securities – 8. Redemption and Purchases". In addition, on the Coupon Payment Date falling on 17 March 2016 or any Coupon Payment Date thereafter, the Securities may be redeemed at their principal amount, together with any Outstanding Payments.

### **Alteration of terms upon a Regulatory Event**

Upon the occurrence of a Regulatory Event, the terms of the Securities will be automatically altered so to reflect that they have become Capital Securities which for International Financial Reporting Standards ("IFRS") purposes are classified as equity applying the current IFRS standards. See "Terms and Conditions of the Securities – 7. Alteration of terms upon a Regulatory Event".

If the terms of the Securities are so altered, the Capital Securities that a Holder will then hold will have different rights than those applicable to the Securities and such rights are less favourable to Holders than those that apply to the Securities, provided that in a winding-up of the Issuer the Capital Securities will in any case, like the Securities, rank *pari passu* with the most senior preference shares issued by the Issuer.

### **No limitation on issuing debt**

Save as provided in "Terms and Conditions of the Securities – 2. Status – (b)(iii) Senior Instruments", there is no restriction on the amount of debt which the Issuer may issue which ranks senior to the Securities or on the amount of securities which the Issuer may issue which ranks *pari passu* with the Securities. The issue of any such debt or securities may reduce the amount recoverable by Holders on a liquidation (upon dissolution or otherwise), moratorium of payments or bankruptcy of the Issuer or may increase the likelihood of a deferral of Payments under the Securities.

### **Availability of shares**

If the Issuer is to make a payment using the Alternative Coupon Satisfaction Mechanism and has an insufficient number of Ordinary Shares available for issue, then the Issuer's payment obligation shall be suspended to the extent of such insufficiency until such time as sufficient shares are available to satisfy all or part of the suspended payment obligation, as more particularly

described in “Terms and Conditions of the Securities – 6. Alternative Coupon Satisfaction Mechanism – (d) Insufficiency”.

#### **Market Disruption Event**

If, following a decision by the Issuer to satisfy a payment using the Alternative Coupon Satisfaction Mechanism, in the opinion of the Issuer a Market Disruption Event in respect of its Ordinary Shares exists, the payment to Holders may be deferred until the cessation of such market disruption, as more particularly described in “Terms and Conditions of the Securities – 6. Alternative Coupon Satisfaction Mechanism – (e) Market Disruption”. Any such deferred payments shall bear interest at the Applicable Coupon Rate if the Market Disruption Event continues for 14 days or more.

#### **Restricted remedy for non-payment**

The sole remedy against the Issuer available to the Trustee or any Holder for recovery of amounts owing in respect of any Payment or principal in respect of the Securities will be the institution of proceedings for the bankruptcy of the Issuer. Although there is some doubt under Dutch law whether a trustee, such as the Trustee would be permitted to commence a bankruptcy proceeding in the Netherlands, in all cases any holder of the Securities with a due and payable claim would be permitted to commence such proceedings in accordance with Dutch Bankruptcy law.

#### **Set-off**

Subject to mandatory applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities and each Holder shall, by virtue of being the bearer of any Security, be deemed to have waived all such rights of set-off.

#### **Absence of prior public markets**

The Securities constitute an issue of new securities by the Issuer. Prior to this issue, there will have been no public market for the Securities. Although application has been made for the Securities to be listed on the Luxembourg Stock Exchange, there can be no assurance that an active public market for the Securities will develop and, if such a market were to develop, the Lead Managers are under no obligation to maintain such a market. The liquidity and the market prices for the Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Issuer and other factors that generally influence the market prices of securities.

#### **Currency risk**

The Issuer will pay principal (if any) and interest on the Securities in pound sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the “**Investor's Currency**”) other than pound sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of the pound sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the pound sterling would decrease (a) the Investor's Currency-equivalent yield on the Securities, (b) the Investor's Currency-equivalent value of the principal payable on the Securities and (c) the Investor's Currency-equivalent market value of the Securities.

#### **Integral multiples of less than £50,000**

It is possible that the Securities may be traded in the clearing systems in amounts in excess of £50,000 that are not integral multiples of £50,000. Should definitive Securities be required to be issued, Holders who hold Securities in the relevant clearing system in amounts that are not integral multiples of £50,000 may need to purchase or sell, on or before the relevant exchange date, a principal amount of Securities such that their holding is an integral multiple of £50,000.

## IMPORTANT NOTICE

### **Responsibility**

*The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Securities and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Trustee or the Lead Managers (as defined under “Subscription and Sale” below). Neither the delivery of this document nor any sale made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer and its subsidiaries since the date hereof. This document does not constitute an offer of, or an invitation by, or on behalf of, the Issuer, the Trustee or the Lead managers to subscribe for, or purchase, any of the Securities. This document does not constitute an offer, and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.*

*Neither the Lead managers nor the Trustee have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Lead managers, the Trustee or any of them as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection with the Securities or their distribution.*

### **Offering and Selling Restrictions**

*This Prospectus should not be considered as a recommendation by the Issuer or the Lead managers that any recipient of this Prospectus should purchase any of the Securities. Each investor contemplating purchasing Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.*

*The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended, (the “**Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Securities may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Securities and on distribution of this document, see “Subscription and Sale” below.*

### **STABILISATION**

*IN CONNECTION WITH THE ISSUE OF THE SECURITIES, LEHMAN BROTHERS INTERNATIONAL (EUROPE) (THE “**STABILISING MANAGER**”) (OR ANY PERSON ACTING FOR THE STABILISING MANAGER) MAY OVER-ALLOT (PROVIDED THAT THE AGGREGATE PRINCIPAL AMOUNT OF SECURITIES ALLOTTED DOES NOT EXCEED 105% OF THE AGGREGATE LIQUIDATION PREFERENCE OF THE SECURITIES) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR ANY AGENT OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISING ACTION. ANY STABILISING ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE SECURITIES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN 30 DAYS AFTER THE CLOSING DATE AND 60 DAYS AFTER THE ALLOTMENT OF THE SECURITIES. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.*

### **Miscellaneous**

*All references in this document to “euro”, “euros”, “EUR” and “€” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community (signed in Rome on 25th March, 1957) as amended by the Treaty on European Union (signed in Maastricht on 7th February, 1992).*

*n this Prospectus, unless otherwise specified or the context otherwise requires, all references to “GBP”, “pound sterling”, “sterling” and “£” are to the currency of the United Kingdom of Great Britain and Northern Ireland.*

*In this Prospectus, “we”, “our”, “us” or the Issuer refers to ING Groep N.V. and its consolidated subsidiaries (unless the context requires otherwise).*



## KEY FEATURES

*The following section must be read as an introduction to this Prospectus and any decision to invest in the Securities should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference.*

*The following refers to certain provisions of the Terms and Conditions of the Securities and the Trust Deed and insofar as it refers to the Terms and Conditions of the Securities is qualified by the more detailed information contained elsewhere in this Prospectus. Defined terms used herein have the meaning given to them in “Terms and Conditions of the Securities”.*

*Words and expressions defined elsewhere in this Prospectus shall have the same meanings in this section.*

|                                 |   |
|---------------------------------|---|
| <b>Issuer</b>                   | ING Groep N.V.<br><br>ING Groep N.V. is the holding company of a broad spectrum of companies (together called ING), providing a wide array of banking, insurance and asset management services in over 50 countries. Based on market capitalisation, ING Groep N.V. is one of the 20 largest financial institutions worldwide and in the top-10 in Europe. Further information in relation to the Issuer is set out under “ING Groep N.V.”  |
| <b>Risk Factors</b>             | There are certain factors that may affect the Issuer’s ability to fulfil its obligations under the Securities, including the fact that the Issuer’s results can be adversely affected by (i) general economic conditions and other business conditions, (ii) competition, (iii) regulatory change and (iv) standard banking risks including changes in interest and foreign exchange rates and operational, credit, market, liquidity and legal risks. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Securities. See “Risk Factors” in this Prospectus. |
| <b>Trustee</b>                  | Amsterdamsch Trustee’s Kantoor B.V.   |
| <b>Issue Size</b>               | £600,000,000  |
| <b>Issue Price</b>              | 100 per cent.   |
| <b>Redemption</b>               | The Securities are perpetual securities and have no maturity date. The Securities may be redeemed in whole but not in part at the option of the Issuer, at their principal amount, together with any Outstanding Payments on the Coupon Payment Date falling on 17 March 2016 or any Coupon Payment Date thereafter.  |
| <b>Interest</b>                 | The Securities will bear interest from (and including) the Issue Date to (but excluding) 17 March 2016 (the “ <b>First Reset Date</b> ”) at a rate of 5.140 per cent. per annum payable semi-annually in arrear and thereafter at a rate of 1.62 per cent. above Three Month £LIBOR payable quarterly in arrear on 17 March, 17 June, 17 September and 17 December.   |
| <b>Coupon Payment Dates</b>     | Subject as described below, Coupon Payments will be payable semi-annually in arrear on 17 March and 17 September in each year from (and including) 17 September 2006 to 17 March 2016 and quarterly in arrear on 17 June, 17 September, 17 December and 17 March in each year thereafter.   |
| <b>Status and subordination</b> | The Securities constitute direct, unsecured and subordinated obligations of the Issuer. The rights and claims of the Holders under the Securities are subordinated to the claims of Senior Creditors. No payment in respect of the Securities shall be due and payable except to the extent that the Issuer is solvent and could make such payment and still be solvent immediately thereafter.   |

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| <b>Winding-up Claims</b>                         | In the event of the liquidation (upon dissolution or otherwise), moratorium of payments or bankruptcy of the Issuer, the Holders will be treated – effectively from a financial point of view – as if they were the Holders of the most senior class of preference shares outstanding from time to time with a notional amount equal to the principal amount of the relevant Security plus Outstanding Payments, and otherwise having an equal right to a return of the assets of the Issuer in such liquidation (upon dissolution or otherwise), moratorium of payments or bankruptcy to the holders of the Securities. Such class would rank junior to the claims of Senior Creditors and <i>pari passu</i> with Parity Securities and Parity Guarantees.  |
| <b>Required Deferral of Payments</b>             | <p>If the Issuer determines, on the 20th Business Day prior to the date on which any Payment (such term does not include principal) would, in the absence of deferral in accordance with Condition 4 of the Terms and Conditions of the Securities, be due and payable, that payment of the relevant Payment will result in the Issuer being insolvent, the Issuer must defer such Payment.</p> <p>Such required deferred payment may be satisfied by the Issuer giving not less than 16 Business Days notice of such satisfaction. Unless the Issuer elects to defer such Payment pursuant to its general right to defer referred to below, such required deferred payment must be satisfied on the Coupon Payment Date next following the 19th Business Day after the Issuer determines that it will meet the solvency test referred to in “Terms and Conditions of the Securities – 2. Status – (b)(i) Condition of Payment by the Issuer”. No interest will accrue on required Deferred Coupon Payments.</p> |
| <b>Optional Deferral of Payments</b>             | The Issuer may elect to defer any Payment (such term does not include principal) on the Securities for any period of time. However if the Issuer makes this election, the deferred payment will bear interest at the Applicable Coupon Rate for the full period of deferral.   |
| <b>Deferred and Future Interest Payment</b>      | Any Payment on the Securities which has been deferred will become immediately due and payable if the Issuer makes payments on or purchases or redeems any Junior Securities or Parity Securities or makes any payment on a Parity Guarantee. Furthermore any payment on Ordinary Shares or any other Junior Securities will result in full mandatory payments for the next two coupon periods or, after the First Reset Date, next four coupon periods, assuming such payment to be for a full year. Any payment on any Parity Securities or under any Parity Guarantees will result in a proportional mandatory payment for the relevant number of consecutive coupon periods following the payment on such Parity Securities or such Parity Guarantees.  |
| <b>Alternative Coupon Satisfaction Mechanism</b> | Any Deferred Coupon Payment (with any interest accrued on such Deferred Coupon Payment, as applicable) will be satisfied using the Alternative Coupon Satisfaction Mechanism. Investors will always receive payments made in respect of Securities in cash. However, the Issuer may elect at any time to satisfy its obligation to make any Payment (other than a payment of principal) to Holders by the issue of its Ordinary Shares in such amount that, when the Ordinary Shares are sold, will provide enough cash for the Issuer to make full payments on the Securities in respect of the relevant Payment. The Calculation Agent will calculate in advance the number of Ordinary Shares that must be issued to raise the full amount of money due on the Securities on the Relevant Date to the Holders.  |
| <b>Insufficiency</b>                             | The Issuer is required to keep available for issue enough Ordinary Shares as it reasonably considers would be required to satisfy from time to time the next year’s Coupon Payment or Payments using the Alternative Coupon Satisfaction Mechanism.  |

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| <b>Market Disruption Event</b>                     | If, in the opinion of the Issuer, a Market Disruption Event in respect of its shares exists on or after the 15th Business Day preceding any date upon which the Issuer is due to satisfy a Payment using the Alternative Coupon Satisfaction Mechanism, the payment to Holders may be deferred until the Market Disruption Event no longer exists. Any such deferred payments shall bear interest at the Coupon Rate if the Market Disruption Event continues for 14 days or more.   |
| <b>Alteration of Terms upon a Regulatory Event</b> | If a Regulatory Event occurs, then the terms of the Securities will be automatically altered so that they become Capital Securities, as more fully described in Condition 7 of the Terms and Conditions.   |
| <b>Additional Amounts</b>                          | The Issuer will pay additional amounts to Holders of the Securities to gross up Payments upon the imposition of Dutch withholding tax, subject to customary exceptions. Distributions on the Capital Securities will be made without deduction of, and withholding for, any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Netherlands or any political subdivision thereof or by any authority therein or thereof having power to tax.  |
| <b>Redemption for Taxation Reasons</b>             | Upon the occurrence of certain changes in the treatment of the Securities for taxation purposes as described below, the Issuer may redeem all but not some only of the Securities at a redemption price equal to the higher of their principal amount together with any Outstanding Payments and their Make Whole Redemption Price.  |
| <b>Redemption for Regulatory Reasons</b>           | If at any time following the Issuer becoming subject to capital adequacy regulations, securities of the nature of the Securities or the Capital Securities cease to qualify as Tier 1 Capital (or instruments of a similar nature which qualify as core capital) for the purposes of such capital adequacy regulations, then the Issuer may (subject to the prior consent of the relevant regulator) redeem all, but not some only, of the Securities or the Capital Securities at a redemption price equal to the higher of their principal amount together with any Outstanding Payments and their Make Whole Redemption Price.  |
| <b>Remedy for Non-Payment</b>                      | The sole remedy against the Issuer available to the Trustee or any Holder of Securities for recovery of amounts owing in respect of the Securities will be the institution of proceedings for the bankruptcy of the Issuer. Although there is some doubt under Dutch law whether a trustee, such as the Trustee would be permitted to commence a bankruptcy proceeding in the Netherlands, in all cases any holder of the Securities with a due and payable claim would be permitted to commence such proceedings in accordance with Dutch Bankruptcy law.   |
| <b>Form</b>  | <p>The Securities will be represented initially by a Temporary Global Security in bearer form without coupons, in the principal amount of £600,000,000. The Temporary Global Security will be deposited with a common depository for Euroclear and Clearstream. Interests in the Temporary Global Security will be exchangeable for interest in the Permanent Global Security without coupons on or after 26 April 2006 upon certification of non- U.S. beneficial ownership as required by U.S. Treasury Regulations and as described in the Temporary Global Security. The Permanent Global Security will not be exchangeable for definitive Securities in bearer form.</p> <p>Whilst the Securities are in global form, the Securities may be traded in the clearing systems in an amount equal to £50,000 per Security and in integral multiples of £1,000 thereafter.</p> |

|                             |   |
|-----------------------------|---|
| <b>Clearing Systems</b>     | Clearstream and Euroclear.  |
| <b>Selling Restrictions</b> | The offering and sale of the Securities are subject to all applicable selling restrictions. See “Subscription and Sale” on page 52.   |
| <b>Listing</b>              | Application has been made to list the Securities on the Luxembourg Stock Exchange. It is anticipated that the Securities will be quoted as a percentage of their principal amount.  |
| <b>Ratings</b>              | <p>The Securities are expected to be assigned, on issue, a rating of ‘A2’ by Moody’s Investors Service, Inc. (“<b>Moody’s</b>”). As defined by Moody’s, obligations rated ‘A’ are considered upper-medium grade and are subject to low credit risk.</p> <p>The Securities are expected to be assigned, on issue, a rating of ‘A’ by Standard &amp; Poor’s Rating Services, a division of the McGraw-Hill Companies, Inc. (“<b>Standard &amp; Poor’s</b>”). As defined by Standard &amp; Poor’s, an obligation rated ‘A’ is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor’s capacity to meet its commitment of the obligation is still strong.</p> <p>A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.</p> |
| <b>Governing Law</b>        | The Securities will be governed by, and construed in accordance with the laws of the Netherlands.   |

## **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents shall be incorporated in, and to form part of, this Prospectus:

- (a) the articles of association (*statuten*) of the Issuer; and
- (b) the annual reports and the annual accounts of the Issuer in respect of the financial year ended 31st December 2004 and 31st December 2005.

## TERMS AND CONDITIONS OF THE SECURITIES

*The following, subject to alteration (as set forth in Condition 7), are the terms and conditions of the Securities which will be endorsed on the Global Security:*

The Securities are constituted by the Trust Deed. The issue of the Securities was authorised pursuant to resolutions of the Executive Board of the Issuer passed on 14 February 2006. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed, the Agency Agreement and the Calculation Agency Agreement are available for inspection during normal business hours by the Holders at the registered office of the Trustee, being at Olympic Plaza, Fred Roeskestraat 123, 1076 EE Amsterdam and at the specified office of each of the Paying Agents. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Agency Agreement and the Calculation Agency Agreement applicable to them.

### 1. Form, Denomination and Title

#### (a) *Form and Denomination*

The Securities are in bearer form and shall be in denominations of £50,000 each. The Securities will be represented by a global security (the “**Global Security**”) without Coupons, in the principal amount of £600,000,000.

#### (b) *Transfer and Title*

Interests in the Permanent Global Security will be transferable in book-entry form only in accordance with the laws, rules and procedures for the time being applicable to Euroclear and Clearstream.

#### (c) *Trading in increments*

Whilst the Securities are in global form, the Securities may be traded in the clearing systems in an amount equal to £50,000 per Security and in integral multiples of £1,000 thereafter.

### 2. Status

#### (a) *Status and Subordination of the Securities*

The Securities constitute direct, unsecured, subordinated securities of the Issuer and rank *pari passu* without any preference among themselves.

- (b) (i) *Condition of Payment by the Issuer:* The rights and claims of the holders under the Securities are subordinated to the claims of Senior Creditors, in that payments in respect of the Securities are conditional upon the Issuer being solvent at the time of payment by the Issuer and in that no principal or Payments shall be due and payable in respect of the Securities except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. The Issuer shall be solvent if (a) it is able to pay its debts to Senior Creditors as they fall due and (b) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Senior Creditors). For the purposes of this Condition 2(b)(i) any reference to a payment by the Issuer in respect of a Security shall be deemed to include a purchase or redemption of such Security by the Issuer.
- (ii) *Winding-Up Claims of the Issuer:* Amounts in respect of principal or Payments in respect of which the conditions referred to in Condition 2(b)(i) are not satisfied on the date upon which the same would otherwise be due and payable (“**Winding-Up Claims**”) will be due and payable by the Issuer in a liquidation (upon dissolution or otherwise), moratorium of payments or bankruptcy of the Issuer as provided in Condition 3. A Winding-Up Claim shall not bear interest.
- (iii) *Senior Instruments:* So long as any of the Securities remains outstanding, the Issuer agrees that it will not issue any preference shares (or other securities regardless of name or designation which are akin to preference shares as regards distributions on a return of assets on a liquidation (upon dissolution or otherwise) of the Issuer or in respect of distribution or payment of dividends and/or any other amounts thereunder by the Issuer) or create any guarantee of or provide any contractual support arrangement in respect of any of its preference shares or such securities or in respect

of such preference shares or securities issued by any other entity if such preference shares, preferred securities, guarantees or contractual support arrangements would rank (as regards distributions on a return of assets on a liquidation (upon dissolution or otherwise) of the Issuer or in respect of distribution or payment of dividends and/or any other amounts thereunder by the Issuer) senior to the Securities. This prohibition will not apply if the Trust Deed and the Securities are amended to ensure that the Trustee and the Holders obtain such of those rights and entitlements as are contained in or attached to such preference shares or preferred securities or under such guarantee or contractual support arrangements are required so as to ensure that the Securities rank *pari passu* with, and contain substantially equivalent rights of priority as to distributions or payments on, such preference shares or preferred securities or under such guarantee or contractual support arrangement as the Trustee shall in its absolute discretion determine to be not materially less beneficial to the interests of the Holders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed).

- (iv) *Set-off*: Subject to mandatory applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities and each Holder shall, by virtue of being the bearer of any Security, be deemed to have waived all such rights of set-off.

### 3. Winding-up

If at any time an order is made, or an effective resolution is passed, for the liquidation (upon dissolution or otherwise), moratorium of payments or bankruptcy of the Issuer (except in any such case a solvent liquidation (upon dissolution or otherwise), moratorium of payments or bankruptcy solely for the purpose of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business (as defined in the Trust Deed) of the Issuer, the terms of which reconstruction, amalgamation or substitution have previously been approved in writing by the Trustee or by an Extraordinary Resolution), there shall be payable (notwithstanding, for the avoidance of doubt Condition 2(b)(i)) by the Issuer in respect of each Security (in lieu of any other payment by the Issuer), such amount, if any, as if such Holder were the holder of one of a class of the most senior preference shares in the capital of the Issuer (the “**Notional Preference Shares**”) having an equal right to a return of assets in the liquidation (upon dissolution or otherwise), moratorium of payments or bankruptcy to and so ranking *pari passu* with the holders of the most senior class or classes of preference shares (if any) from time to time issued by the Issuer which have a preferential right to a return of assets in the liquidation (upon dissolution or otherwise) over and so rank ahead of the holders of all other classes of issued shares for the time being in the capital of the Issuer, but ranking junior to the claims of Senior Creditors on the assumption that the amount that such Holder was entitled to receive in respect of each Notional Preference Share on a return of assets in such liquidation (upon dissolution or otherwise), were an amount equal to the principal amount of the relevant Security and any other Outstanding Payments.

For the avoidance of doubt, on any liquidation (upon dissolution or otherwise) of the Issuer, Holders are only entitled to receive in respect of each Security, any amount equal to the principal amount of such Security and any other Outstanding Payments.

In a liquidation (upon dissolution or otherwise), moratorium of payments or bankruptcy of the Issuer, Holders of the Securities will only have a claim for payment in full or part of principal and Outstanding Payments, if any, to the extent that distributable assets of the Issuer are sufficient to pay in full or part such amount of principal and such Outstanding Payments.

### 4. Deferrals

The Issuer must make each Coupon Payment on the relevant Coupon Payment Date subject to and in accordance with these Terms and Conditions. However, subject to Condition 4(c), the Issuer shall or may defer a Coupon Payment and any other Payment in the following circumstances:

#### (a) *Required Deferral of Payments*

- (i) Subject to Condition 4(c), if, on the 20th Business Day preceding the date on which any Payment would, in the absence of the Issuer not becoming solvent and of deferral in accordance with this Condition 4, be due and payable, the Required Deferral Condition is met, any such Payment must (subject to Condition 6) be

deferred by the Issuer giving notice (a “**Deferral Notice**”) to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to such date. Subject to Condition 4(c), if, following the deferral of a Payment by the Issuer under this Condition 4(a)(i), the Required Deferral Condition is no longer met on the 20th Business Day preceding a Coupon Payment Date, then the Issuer shall satisfy such Payment on the relevant Deferred Coupon Satisfaction Date having given, not less than 16 Business Days prior to the Deferred Coupon Satisfaction Date, notice to the Trustee, the Holders and the Calculation Agent that it will satisfy such Payment on such date.

- (ii) The Issuer shall not satisfy such Payment on the relevant Deferred Coupon Satisfaction Date referred to in Condition 4(a)(i) above, if:
  - (A) it has previously elected to satisfy such Payment earlier (provided that, at the time of satisfying such payment, the Required Deferral Condition fails to be met) by delivering a notice to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to the relevant Deferred Coupon Satisfaction Date that it will satisfy such Payment on such date; or
  - (B) it validly elects to defer under Condition 4(b) the Payment which would otherwise have been satisfied under Condition 4(a)(i).
- (iii) If any Payment is deferred pursuant to this Condition 4(a) then no amount will be payable by way of interest on any such deferred Payment, save as provided in Condition 6(e).

Any such deferred Payment shall be satisfied by means (and, unless the prior consent of the relevant regulator obtained, only by means) of the issue of Ordinary Shares in accordance with Condition 6.

(b) *Optional Deferral of Payments*

- (i) Subject to Condition 4(c), the Issuer may in respect of any Payment which would, in the absence of deferral in accordance with this Condition 4, be due and payable, defer all or part of such Payment by giving a notice (also a “**Deferral Notice**”) to the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders not less than 16 Business Days prior to the relevant due date. Subject to Condition 4(c), the Issuer may then satisfy any such Payment at any time by means (and, unless the prior consent of the relevant regulator is obtained, only by means) of an issue of Ordinary Shares in accordance with Condition 6 upon delivery of a notice to the Trustee, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to the relevant Deferred Coupon Satisfaction Date informing them of its election to so satisfy such Payment and specifying the relevant Deferred Coupon Satisfaction Date.
- (ii) If any Payment is deferred pursuant to this Condition 4(b) then such deferred Payment shall bear interest at the Applicable Coupon Rate from (and including) the date on which (but for such deferral) the Deferred Coupon Payment would otherwise have been due to be made to (but excluding) the relevant Deferred Coupon Satisfaction Date.

(c) *Dividend Pusher; Mandatory Payments and Mandatory Partial Payments*

The Issuer may give a Deferral Notice under Condition 4(a) and 4(b) above in its sole discretion and for any reason, except that a Deferral Notice as to a Payment required to be paid pursuant to (i), (ii) or (iii) below shall have no force or effect.

The Issuer agrees that, beginning on the day the Issuer gives a Deferral Notice until all Deferred Coupon Payments are paid or satisfied in full, the Issuer will not recommend to its shareholders, and to the fullest extent permitted by applicable law will otherwise act to prevent, any action which would constitute a Mandatory Payment Event or a Mandatory Partial Payment Event.



The Issuer will be required to make payments on the Securities in the following circumstances:

- (i) If a Mandatory Payment Event or a Mandatory Partial Payment Event occurs then all Deferred Coupon Payments will become mandatorily due and payable in full on the date of the Mandatory Payment Event or Mandatory Partial Payment Event, notwithstanding any further Deferral Notice or an occurrence or continuance of the Required Deferral Condition.

Unless the prior consent of the relevant regulator is obtained, the Issuer may satisfy its obligations to pay such Deferred Coupon Payment only in accordance with the Alternative Coupon Satisfaction Mechanism. For the avoidance of doubt the Issuer will not be required to utilise the Alternative Coupon Satisfaction Mechanism in order to satisfy its obligation to pay any Mandatory Partial Payment payable on a Mandatory Partial Payment Date that coincides with the date on which such Deferred Coupon Payment has become mandatory due and payable in full.

- (ii) If a Mandatory Payment Event occurs, then subject as provided in the next sentence, the Coupon Payments payable on the next two Coupon Payment Dates (or after the First Reset Date, each of the four Coupon Payment Dates) will be mandatorily due and payable in full on such next two Coupon Payment Dates (or, after the First Reset Date, the next four Coupon Payment Dates), notwithstanding any Deferral Notice as to such Coupon Payments or the occurrence or continuance of any Required Deferral Condition. If, after the First Reset Date, the Mandatory Payment Event is a payment on a Junior Security or on a Junior Guarantee or on a security benefiting from a Junior Guarantee which in each case is in respect of a semi-annual dividend, then the Coupon Payments payable on only the next two Coupon Payment Dates (instead of the next four Coupon Payment Dates) will be mandatorily due and payable in full on such Coupon Payment Dates, notwithstanding any Deferral Notice as to such Coupon Payments or the occurrence or continuance of any Required Deferral Condition. The Issuer is permitted, but shall not be required, to satisfy its obligation to make the Coupon Payment payable on such Coupon Payment Date in accordance with the Alternative Coupon Satisfaction Mechanism.
- (iii) If a Mandatory Partial Payment Event occurs, then Mandatory Partial Payments will be mandatorily due and payable in respect of each Security, notwithstanding any Deferral Notice or an occurrence of the Required Deferral Condition. Such Mandatory Partial Payments shall be payable on the immediately next two Coupon Payment Dates or the immediately next Coupon Payment Date depending on whether the Parity Securities pay dividends or income distributions on an annual basis, or on a semi-annual or quarterly basis, as the case may be (or, after the First Reset Date, such Mandatory Partial Payments shall be payable on each of the next four consecutive Coupon Payment Dates, the immediately next two consecutive Coupon Payment Dates or the immediately next Coupon Payment Date, as the case may be, after the occurrence of such Mandatory Partial Payment Event, depending on whether the Parity Securities pay dividends or income distributions on an annual basis, or on a semi-annual basis or quarterly basis, as the case may be). The Issuer is permitted, but shall not be required, to satisfy its obligation to pay any Mandatory Partial Payments in accordance with the Alternative Coupon Satisfaction Mechanism.

## **5. Coupon Payments**

### **(a) *Coupon Payment Dates***

Subject to Condition 4(b)(ii), the Securities bear interest at the Fixed Coupon Rate from (and including) the Issue Date to (but excluding) the First Reset Date and at the Floating Coupon Rate from (and including) the First Reset Date. Such interest will (subject to Conditions 2(b)(i), 4(a), 4(b), 6(d) and 6(e)) be payable on each Coupon Payment Date. Each Security will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest at the prevailing rate in accordance with this Condition (both before and after judgment) as provided in the Trust Deed.

If any Coupon Payment Date falling on or after the First Reset Date would otherwise fall on a day which is not a Business Day it shall be postponed to the next Business Day unless it would then fall into the next calendar month in which event the Coupon Payment Date shall be brought forward to the preceding Business Day.

(b) *Coupon Rate*

- (i) The Fixed Coupon Rate in respect of the period from (and including) the Issue Date to (but excluding) the First Reset Date is 5.140 per cent. per annum.
- (ii) The Floating Coupon Rate in respect of each Coupon Period commencing on any Reset Date shall be the aggregate of 1.62 per cent. per annum and Three Month £LIBOR in respect of such Coupon Period (as determined by the Principal Paying Agent).

(c) *Determination and Publication of Floating Coupon Rate and Coupon Amounts*

The Calculation Agent will, upon the determination of each Floating Coupon Rate pursuant to Condition 5(b)(ii), calculate the Coupon Amount and cause the Floating Coupon Rate and each Coupon Amount payable in respect of a Coupon Period to be notified to the Trustee, the Issuer, the Principal Paying Agent, the Luxembourg Stock Exchange, and the Holders and to be published on the website of the Issuer as soon as possible after their determination but in no event later than the fourth Business Day thereafter (and in the case of the Luxembourg Stock Exchange no later than the first day of the relevant Coupon Period).

Whenever it is necessary to calculate an amount of interest in respect of any Security for a period and such period ends prior to the First Reset Date, such interest shall be calculated by applying the Fixed Coupon Rate to the principal amount of such Security, multiplying such sum by the Fixed Day Count Fraction and rounding the resultant figure to the nearest cent, half a cent being rounded upwards.

Whenever it is necessary to calculate an amount of interest in respect of any Security for a period and such period begins on or after the First Reset Date, such interest shall be calculated by applying the Coupon Rate prevailing for such period to the principal amount of such Security, multiplying such sum by the actual number of days in the relevant period divided by 365 or, in the case of a period falling in a leap year, 366, and rounding the resultant figure to the nearest cent, half a cent being rounded upwards.

(d) *Determination or Calculation by Trustee*

If the Calculation Agent does not at any time for any reason (i) determine the Coupon Rate in accordance with Condition 5(b)(ii), or (ii) calculate a Coupon Amount in accordance with Condition 5(c), the Trustee or an agent on its behalf shall do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee or such agent shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it or such agent can do so, and in all other respects it or such agent shall do so in such manner as it shall deem fair and reasonable in all the circumstances. All determinations or calculations made or obtained for the purposes of the provisions of this Condition 5(d) by or on behalf of the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the Paying Agents and all Holders and (in the absence of wilful default or bad faith) no liability to the Issuer or, the Holders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**6. Alternative Coupon Satisfaction Mechanism**

(a) *Alternative Coupon Satisfaction Mechanism*

The Issuer may elect to satisfy any Payment in full or in part (in which case any reference in this Condition 6 to a "Payment" shall be construed accordingly) through the issue of Ordinary Shares, which, when sold, will provide a cash amount sufficient to make payments due in respect of the relevant Payment in accordance with this Condition 6, in which case the Issuer shall notify the Trustee, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to the relevant Coupon Payment Date. In the absence of or save to the extent of such election and issue, subject to

Condition 4(a) (Required Deferral of Payments) and Condition 4(b) (Optional Deferral of Payments), Payments must be satisfied in accordance with Condition 9(a), provided that if under Condition 4(a) (Required Deferral of Payments) the Required Deferral Condition is met the relevant Payment must be deferred unless (i) the Issuer is solvent again or (ii) a Mandatory Payment Event or a Mandatory Partial Payment Event occurs.

(b) *Issue of shares*

If any Payment is to be satisfied in accordance with the Alternative Coupon Satisfaction Mechanism then, subject to Conditions 6(d) and 6(e):

- (i) by close of business on or before the seventh Business Day prior to the relevant Coupon Payment Date or Deferred Coupon Satisfaction Date the Issuer will have authorised for issue such number of Ordinary Shares (the “**Payment Ordinary Shares**”) as, in the determination of the Calculation Agent, have a market value of not less than the relevant Payment to be satisfied in accordance with this Condition 6;
- (ii) the Calculation Agent will procure purchasers for such Ordinary Shares as soon as after above-mentioned authorisation for the issue of Ordinary Shares, but not later than the fourth Business day prior to the Relevant Date;
- (iii) if, after the operation of the above procedures, there would in the opinion of the Calculation Agent be a shortfall on the date on which the relevant Payment is due, the Issuer shall issue further Ordinary Shares in accordance with the provisions of the Trust Deed to ensure that a sum at least equal to the relevant Payment is available to make the Payment in full on the relevant due date provided that if, despite the operation of the aforementioned provisions, such a shortfall exists on the relevant due date the Issuer may, in accordance with the provisions of the Trust Deed either pay an amount equal to such shortfall as soon as practicable to the Trustee or continue, to issue Ordinary Shares until the Principal Paying Agent shall have received funds equal to the full amount of such shortfall.

(c) *Receipt of cash proceeds in respect of Issue of Ordinary Shares satisfies Payment*

Where the Issuer either elects or is required to make a Payment hereunder by issuing Ordinary Shares and in accordance with its obligations under the Trust Deed issues such shares, the Issuer will sell such shares in the market as instructed by the Calculation Agent. Receipt of the cash proceeds by the Issuer on the sale of the Ordinary Shares in the market by the Issuer shall, subject to Condition 6(b)(iii) and 6(e), be used to satisfy the relevant Payment or, as the case may be, in the circumstances referred to in (d) below, the relevant part of such Payment. The proceeds of sale of Ordinary Shares in accordance with this Condition 6 shall be paid by the Principal Paying Agent to the Holders in respect of the relevant Payment.

(d) *Insufficiency*

- (i) If the Issuer is to satisfy a Payment in accordance with this Condition 6 and does not, on the date when the number of Ordinary Shares required to be issued is determined in accordance with this Condition 6, have sufficient number of Ordinary Shares available for issue, then the Issuer shall notify the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders that all or part, as the case may be, of the relevant Payment cannot be so satisfied due to the events described in this paragraph. In this case the Payment or part thereof shall be satisfied following the date of the next annual general meeting or extraordinary general meeting of shareholders of the Issuer at which a resolution is passed making a sufficient number of Ordinary Shares available to satisfy all or such part of the relevant Payment provided that if the number of Ordinary Shares authorised to be issued at any such meeting is insufficient to satisfy all or such part of the relevant Payment then those Ordinary Shares so issued shall be applied by the Issuer in part satisfaction of all or such part of the relevant Payment. Following the passage of any such resolution, the Issuer shall notify the Trustee, the Paying Agent, the Calculation Agent and the Holders of the date upon which the relevant Payment or, as the case may be, the part thereof is to be made in accordance herewith on not less than 16 Business Days’ notice. The relevant Payment or, as the case may be, the part thereof which is not so satisfied shall, unless it is a required Deferred Coupon Payment which had been deferred under Condition 4(a) and has not been subsequently either satisfied or

deferred in accordance with Condition 4(b), continue to accrue interest at the rate specified in Condition 4(b)(ii) from (and including) the date on which Payment would otherwise have been due to (but excluding) the date on which such Payment or part thereof is satisfied or, in the event of a Market Disruption Event, the date on which such Payment or part thereof would, but for the occurrence of such Market Disruption Event, have been satisfied (from which date interest (if any) will accrue on such Payment as provided in Condition 6(e)).

- (ii) If, in the case of an insufficiency of Ordinary Shares, the Issuer does not hold an annual general meeting within 6 months of giving the above first-mentioned notice, at which a resolution to make a sufficient number of Ordinary Shares so available is proposed, the Trustee shall by notice require the Issuer to convene an extraordinary general meeting at which such a resolution shall be proposed on a date falling within 10 weeks of such notice from the Trustee.
- (iii) In the event that any such resolution proposed at any such annual general meeting or extraordinary general meeting of the Issuer is rejected, such resolution will be proposed at each annual general meeting or any extraordinary general meeting of the Issuer thereafter until such time as such resolution has been passed by the shareholders of the Issuer.

(e) *Market Disruption*

Notwithstanding the provisions of Condition 6(b), if there exists, in the opinion of the Issuer (subject, where necessary, to determinations made by the Calculation Agent), a Market Disruption Event on or after the 15th Business Day preceding any date upon which a Payment or, in the case of an insufficiency as provided in paragraph (d) above, part thereof is due to be made or satisfied in accordance with this Condition 6, then the Issuer may give a notice to the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders as soon as possible after the Market Disruption Event has arisen or occurred, whereupon the relevant Payment shall be deferred until such time as (in the opinion of the Issuer) the Market Disruption Event no longer exists.

Any such deferred Payment or part thereof will be satisfied as soon as practicable following such time as the Market Disruption Event no longer exists. Interest shall not accrue on such deferred Payment or part thereof unless, as a consequence of the existence of a Market Disruption Event, the Issuer does not make the relevant Payment or part thereof for a period of 14 days or more after the due date therefor, in which case interest shall accrue on such deferred Payment or part thereof from (and including) the date on which the relevant Payment or part thereof was due to be made to (but excluding) the date on which such Payment or part thereof is made. Any such interest shall accrue at the rate provided for in Condition 5 and shall be satisfied only in accordance with this Condition 6 and as soon as reasonably practicable after the relevant deferred Payment is made. No liability shall attach to the Trustee or its agents if, as a result of a Market Disruption Event or any other event outside the control of the Trustee or any such agent, the Trustee or any such agent is unable to comply with the provisions of Condition 6(b).

(f) *Agents*

The Issuer will certify to the Trustee that the proceeds used to make any Deferred Coupon Payment have been funded through the issue of Ordinary Shares which will provide the cash amount due in respect of the Deferred Coupon Payment.

The Calculation Agent will agree to use its reasonable endeavours to procure purchasers for such number of Ordinary Shares that would be required, in its determination, to be issued and allotted to raise the proceeds of an amount not less than the relevant Deferred Coupon Payment to be satisfied.

The Calculation Agent will undertake the above mentioned role no less than 14 days prior to a Deferred Coupon Payment Date.

## **7. Alteration of terms upon a Regulatory Event**

Upon the occurrence of a Regulatory Event Condition 4(c) will no longer apply to the Securities to the extent such Condition refers to Mandatory Partial Payments and Mandatory Partial Payment Events. The Securities thus altered will be referred to as the “**Capital Securities**”. After the Alteration

Date the Issuer will be allowed to defer Coupon Payments on the Capital Securities, subject to the suspension of payments on the Issuer's ordinary shares and/or other instruments which are classified as equity for IFRS purposes. Subject to the above, following a Regulatory Event the Capital Securities will remain outstanding on the Conditions applicable to the Securities as of the Alteration Date.

## **8. Redemption and Purchases**

### **(a) *No Fixed Redemption Date***

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Conditions 2 and 3 and without prejudice to the provisions of Condition 13) only have the right to repay them in accordance with the following provisions of this Condition 8.

### **(b) *Issuer's Call Option***

Subject to Condition 2(b)(i), the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 17 and to the Principal Paying Agent and the Trustee, which notice shall be irrevocable, elect to redeem all, but not some only, of the Securities on the Coupon Payment Date falling on 17 March 2016 or any Coupon Payment Date thereafter at their principal amount together with any Outstanding Payments.

### **(c) *Redemption due to Taxation***

Subject to Condition 2(b)(i), the Securities may be redeemed at the option of the Issuer in whole, but not in part, (A) at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), at their principal amount per Security together with any Outstanding Payments (if any), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 as a result of any change in, or amendment to, the laws or regulations of the Netherlands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 17 March 2006, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Securities then due and (B) at any time prior to 17 March 2016, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), at the higher of (x) their principal amount per Security together with any Outstanding Payments (if any) and (y) their Make Whole Redemption Price if the Issuer shall no longer be permitted, as a result of any change in, or amendment to, the laws or regulations of the Netherlands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes official on or after 17 March 2006, to deduct for corporate income tax purposes interest payments made on the Securities, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which such payments would cease to be so deductible were a payment in respect of the Securities then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two managing directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts, or has lost the right to deduct for corporate income tax purposes interest payments made on the Securities (as the case may be), as a result of such change or amendment.

### **(d) *Redemption for Regulatory Purposes***

At any time upon or after the Issuer becoming subject to capital adequacy regulations, if the Issuer notifies the Trustee immediately prior to the giving of the notice referred to below that the relevant supervisor has determined that securities of the nature of the Securities can no longer qualify as Tier 1 Capital (or instruments of a similar nature which

qualify as core capital) for the purposes of such capital adequacy regulations, then the Issuer may (subject to the prior consent of the relevant supervisor and Condition 2(b)(i)), having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) redeem, in accordance with these Terms and Conditions, at any time all, but not some only, of the Securities at the higher of (x) their principal amount per Security together with any Outstanding Payments (if any) and (y) their Make Whole Redemption Price.

(e) *Purchases*

The Issuer, may (subject to Condition 2(b)(i)) at any time purchase Securities in any manner and at any price.

(f) *Cancellation*

Cancellation of any Securities so redeemed by the Issuer will be effected by reduction in the principal amount of the Global Security and may not be reissued or resold. Securities purchased by the Issuer, may be held, reissued, resold or, at the option of the Issuer, be cancelled by decreasing the number of Securities represented by the Global Security by an equal number. Any Securities so cancelled may not be reissued or resold and the obligations of the Issuer in respect of any such Securities shall be discharged.

## 9. **Payments**

(a) *Method of Payment*

(i) Payments of principal and Coupon Amounts and all other payments on or in respect of the Securities will be in pound sterling and will be calculated by the Calculation Agent and effected through the Paying Agents. Payments of redemption amounts and interest in respect of the Securities will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Securities, surrender of the Global Security to the order of the Paying Agent. A record of each payment will be endorsed on the appropriate part of the schedule to the Global Security by or on behalf of the Paying Agent, which endorsement shall be prima facie evidence that such payment has been made in respect of the Securities.

(ii) The names of the initial Paying Agents and their initial specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that it will at all times maintain (aa) a Paying Agent having a specified office in the Netherlands (bb) for so long as the Securities are listed on the Luxembourg Stock Exchange or any other stock exchange or regulated securities market and the rules of such exchange or securities market so require, a Paying Agent having a specified office in such location as the rules of such exchange or securities market may require and (cc) a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to the Council Directive of 3 June 2003 on taxation of savings income in the form of interest payments (2003/48/EC). Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Holders in accordance with Condition 17.

(b) *Payments subject to fiscal laws*

All payments made in accordance with these Terms and Conditions will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 12.

(c) *Payments on Payment Business Days*

A Global Security may only be presented for payment on a day (other than a Saturday or a Sunday) on which (i) commercial banks are open for general business in Amsterdam and, if different, in the place of the specified office of the relevant Paying Agent to whom the Global Security is presented for payment and (ii) the Trans-European Real-time Gross settlement Express Transfer (TARGET) System is operating. No further interest or other payment will be made as a consequence of the day on which the Global Security may be presented for payment under this paragraph falling after the due date.

## 10. Pre-emption

The Issuer shall, from time to time, keep available for issue such number of Ordinary Shares as it reasonably considers would be required to be issued in order to satisfy the requirement to issue Payment Ordinary Shares in accordance with Condition 6 in connection with the next four Coupon Payments.

No damages will be payable for breach of this covenant but, in the event of breach by the Issuer of this Condition 10, the Trustee may require that the Issuer holds as soon as practicable an extraordinary general meeting of the shareholders of the Issuer at which a resolution is passed to remedy the breach.

The Trustee shall not be obliged to monitor compliance by the Issuer with this Condition and shall be entitled to assume, unless it has actual knowledge to be contrary, that the Issuer is complying with its obligations under this Condition.

## 11. Non-payment when due

*Notwithstanding any of the provisions below in this Condition 11, the right to institute bankruptcy proceedings is limited to circumstances where payment has become due. Pursuant to Condition 2(b) no principal or Payment will be due by the Issuer if the Issuer is not solvent or would not be solvent if payment of such principal or Payment was made, except as provided in Condition 3. Also, in the case of any Payment, such Payment will not be due if the Issuer has notified to defer that Payment pursuant to Condition 4(a) or 4(b) or if the circumstances referred to in any of Conditions 6(d) or 6(e) then apply. The Trust Deed contains provisions entitling the Trustee to claim from the Issuer, inter alia, the fees, expenses and liabilities incurred by it in carrying out its duties under the Trust Deed. The restrictions on commencing proceedings described below will not apply to any such claim.*

- (a) If the Issuer shall not make payment in respect of the Securities for a period of 14 days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed, and the holders of the Securities and the Trustee may, notwithstanding the provisions of paragraph (b) of this Condition 11, institute proceedings in the Netherlands (but not elsewhere) for the bankruptcy of the Issuer. Although there is some doubt under Dutch law whether a trustee, such as the Trustee would be permitted to commence a bankruptcy proceeding in the Netherlands, in all cases any holder of the Securities with a due and payable claim would be permitted to commence such proceedings in accordance with Dutch Bankruptcy law.
- (b) Subject as provided in Condition 10, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Securities (other than for the payment of any principal or satisfaction of any Payments in respect of the Securities, including any payment under Clause 2.6 of the Trust Deed) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.
- (c) The Trustee shall not be bound to take any of the actions referred to in paragraph (a) or (b) above against the Issuer to enforce the terms of the Trust Deed or the Securities unless (i) it shall have been so requested by an Extraordinary Resolution or in writing by the holders of at least one fifth in principal amount of the Securities then outstanding and (ii) it shall have been indemnified to its satisfaction.
- (d) No Holder shall be entitled to proceed directly against the Issuer, or to institute proceedings for the bankruptcy of the Issuer unless the Trustee, having become so bound to proceed or being able to prove in such bankruptcy, fails to do so within a reasonable period and such failure shall be continuing. Subject to Condition 3, no remedy against the Issuer shall be available to the Trustee or any Holder (i) for the recovery of amounts owing in respect of the Securities (including any payment under Clause 2.6 of the Trust Deed), other than the institution of bankruptcy proceedings in the Netherlands (but not elsewhere) for the bankruptcy of the Issuer and (ii) for the breach of any other term under the Trust Deed or the Securities other than as provided in paragraph (b) above.

## **12. Taxation**

- (a) All payments by the Issuer of principal, Coupon Amounts, Deferred Coupon Payments, Mandatory Partial Payments, Accrued Coupon Payments and Winding-Up Claims in respect of the Securities will be made without withholding of or deduction for, or on any account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the Netherlands or any political subdivision thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by Holders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Securities in the absence of such withholding or deduction, except that no such additional amounts shall be payable in relation to any payment with respect to any Security:
- (i) to, or to a third party on behalf of, a Holder who is liable for such taxes, duties, assessments or governmental charges in respect of such Security by reason of such Holder being a resident or deemed resident of the Netherlands or, as the case may be, having some connection with the Netherlands other than the mere holding of such Security; or
  - (ii) to, or to a third party on behalf of, a Holder if such withholding or deduction may be avoided by complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
  - (iii) to, or to a third party on behalf of, a Holder, that is a partnership, or a Holder, that is not the sole beneficial owner of the Security or which holds the Security in a fiduciary capacity, to the extent that any of the members of the partnership, the beneficial owner or the settlor or beneficiary with respect to the fiduciary would not have been entitled to the payment of an additional amount had each of the members of the partnership, the beneficial owner, settlor or beneficiary (as the case may be) received directly his beneficial or distributive share of the payment; or
  - (iv) presented for payment more than 30 days after the Relevant Date except to the extent that the Holder would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or
  - (v) where such withholding or deduction is required to be made pursuant to the Council Directive of 3 June 2003 on the taxation of savings income in the form of interest payments (2003/48/EC) or any law implementing or complying with, or introduced in order to conform to, this Directive; or
  - (vi) presented for payment in the Netherlands.

References in these Terms and Conditions to principal, Coupon Amounts, Deferred Coupon Payments, Mandatory Partial Payments and/or Accrued Coupon Payments shall be deemed to include any additional amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefore pursuant to the Trust Deed.

In the event that any payment is satisfied through the issue of Ordinary Shares pursuant to Condition 6, then any additional amounts which are payable shall also be satisfied through the issue of Ordinary Shares.

- (b) All payments by the Issuer in respect of the Capital Securities shall be made without deduction of, and withholding for, any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Netherlands or any political subdivision thereof or by any authority therein or thereof having power to tax.

## **13. Prescription**

Claims for payment in relation to Securities will become void unless exercised within a period of 5 years from the first date of existence of such claims.

## **14. Meetings of Holders, Modification, Waiver and Substitution**

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests including the modification by Extraordinary Resolution of a modification of any of these Terms and Conditions or any of the provisions of the Securities, or the Trust Deed. Any



Extraordinary Resolution duly passed shall be binding on all Holders (whether or not they were present at the meeting at which such resolution was passed). The Trustee may agree, without the consent of the Holders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Holders. Any such modification, authorisation or waiver shall be binding on the Holders and, if the Trustee so requires, such modification shall be notified to the Holders as soon as practicable thereafter in accordance with Condition 17.

As provided in the Trust Deed, the Trustee may agree with the Issuer, without the consent of the Holders to substitution on a subordinated basis equivalent to that referred to in these Terms and Conditions of any holding company of the Issuer, any subsidiary of such holding company, any Subsidiary, any successor in business of the Issuer or any subsidiary of any successor in business of the Issuer (the “**Substituted Issuer**”) in place of the Issuer (or any previous Substituted Issuer under this Condition 14) as a new issuing party under the Trust Deed, the Securities and the Coupons. In connection with any proposed substitution as aforesaid and in connection with the exercise of its functions, the trustee shall have regard to the interests of the Holders as a class and the Trustee shall not have regard to the consequences of such substitution for individual Holders resulting from in particular their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the general interests of the Holders as a class and shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent already provided for in Condition 12 and/or any undertaking given in addition thereto or in substitution therefor under the Trust Deed.

#### **15. Replacement of the Securities**

Should the Global Security, be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (or such other place of which notice shall have been given in accordance with Condition 17) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity and/or as the Issuer may reasonably require. The mutilated or defaced Global Security must be surrendered before any replacement Global Securities will be issued.

#### **16. The Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking any action unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, without accounting for any profit resulting therefrom.

#### **17. Notices**

Notices to Holders may be given by the delivery of the relevant notice to Euroclear and Clearstream except that for so long as the Securities are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices shall also be published in a leading Luxembourg daily newspaper, which is expected to be “d’Wort”. Any such notice shall be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Any Notice delivered to Euroclear or Clearstream shall be deemed to have been given to the Holders on the day on which such notice is so delivered.

## 18. Further Issues

The Issuer is at liberty from time to time without the consent of the Holders to create and issue further Securities ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further Securities) and so that the same shall be consolidated and form a single series with the outstanding Securities. Any such Securities shall be constituted by a deed supplemental to the Trust Deed.

## 19. Agents

The Issuer will procure that there shall at all times be a Calculation Agent and a Principal Paying Agent so long as any Security is outstanding. If either the Calculation Agent or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Terms and Conditions or the Calculation Agency Agreement or the Agency Agreement, as appropriate, the Issuer shall appoint, on terms acceptable to the Trustee, an independent investment bank acceptable to the Trustee to act as such in its place. Neither the termination of the appointment of a Calculation Agent or the Principal Paying Agent nor the resignation of either will be effective without a successor having been appointed.

All calculations and determinations made by the Calculation Agent or the Principal Paying Agent in relation to the Securities shall (save in the case of manifest error) be final and binding on the Issuer, the Trustee, the Paying Agents and the Holders. None of the Issuer, the Trustee and the Paying Agents shall have any responsibility to any person for any errors or omissions in any calculation by the Calculation Agent.

## 20. Governing Law and Jurisdiction

- (a) The Trust Deed and the Securities, are governed by, and shall be construed in accordance with, the laws of the Netherlands.
- (b) The Courts of the Netherlands are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed and the Securities, and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, and the Securities may be brought in such courts.

## 21. Definitions

In these Terms and Conditions:

“**Accrued Coupon Payment**” means, as at any time, where these Terms and Conditions provide that interest shall continue to accrue after a Coupon Payment Date in respect of a Security the amount of interest accrued thereon in accordance with Conditions 4(b), 5, 6(d) and 6(e);

“**Agency Agreement**” means the agency agreement dated 15 March 2006 between the Issuer, the Trustee and the Paying Agents relating to the Securities under which each Paying Agent agrees to perform the duties required of it under these Terms and Conditions;

“**Alteration Date**” means the date the terms of the Securities are altered in accordance with Condition 7;

“**Applicable Coupon Rate**” means in relation to any Payment deferred pursuant to Condition 4(b) or Condition 6(e), either the Fixed Coupon Rate or Floating Coupon Rate payable on the Securities as determined by the Calculation Agent in accordance with Condition 5(b)(ii) for the Coupon Periods during which such Payment is deferred;

“**Assets**” means the non-consolidated gross assets of the Issuer as shown by the then latest published audited balance sheet of the Issuer but adjusted for contingencies and for subsequent events and to such extent as the directors or, as the case may be, the liquidator may determine to be appropriate;

“**Business Day**” means a day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets are open for general business in London;

“**Calculation Agency Agreement**” means the calculation agency agreement dated 15 March 2006 between the Issuer, the Trustee and the Calculation Agent, relating to the Securities under which the Calculation Agent agrees to perform the duties required of it under these Terms and Conditions;

**“Calculation Agent”** means, as calculation agent in relation to the Securities, or its successor or successors for the time being appointed under the Calculation Agency Agreement;

**“Calculation Date”** means the third TARGET Business Day prior to the Special Optional Redemption Date;

**“Capital Securities”** has the meaning ascribed to in Condition 7;

**“Coupon Amount”** means (i) in respect of a Coupon Payment, the amount of interest payable on a Security for the relevant Coupon Period in accordance with Condition 5 and (ii) for the purposes of Conditions 8(c) and 8(d), any interest accrued from (and including) the preceding Coupon Payment Date (or, if none, the Issue Date) to (but excluding) the due date for redemption if not a Coupon Payment Date as provided for in Condition 5(b);

**“Coupon Payment”** means, in respect of a Coupon Payment Date, the aggregate Coupon Amounts for the Coupon Period ending on such Coupon Payment Date;

**“Coupon Payment Date”** means for the period from (and including) 17 March 2006 to (but excluding) 17 March 2016, 17 March and 17 September in each year (starting 17 September 2006), and thereafter, 17 March, 17 June, 17 September and 17 December in each year;

**“Coupon Period”** means the period commencing on (and including) the Issue Date and ending on (but excluding) the first Coupon Payment Date and each successive period commencing on (and including) a Coupon Payment Date and ending on (but excluding) the next succeeding Coupon Payment Date;

**“Coupon Rate”** means either the Fixed Coupon Rate or the prevailing Floating Coupon Rate each as described in Condition 5(b);

**“Deferred Coupon Payment”** means:

- (i) any Payment, or part thereof, which has been deferred in accordance with Condition 4(a) (Required Deferral of Payments) and has not subsequently been either (x) satisfied or (y) deferred in accordance with Condition 4(b) (Optional Deferral of Payments); or
- (ii) any Payment, or part thereof, which, pursuant to Condition 4(b) the Issuer has elected to defer and which has not been satisfied;

**“Deferred Coupon Satisfaction Date”** means:

- (i) with respect to a deferral under Condition 4(a)(i), the Coupon Payment Date following the 19th Business Day after the Required Deferral Condition fails to be met or, if earlier, the date on which the Issuer has resolved to satisfy a Deferred Coupon Payment, as notified by the Issuer to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent in accordance with Condition 4(a)(ii); or
- (ii) the date on which the Issuer has resolved to satisfy a Deferred Coupon Payment, as notified by the Issuer to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent in accordance with Condition 4(b); or
- (iii) the date on which the Issuer is required to satisfy all Deferred Coupon Payments pursuant to Condition 4(c);

**“First Reset Date”** means 17 March 2016;

**“Fixed Coupon Rate”** means 5.140 per cent. per annum;

**“Fixed Day Count Fraction”** means the actual number of days in the period from and including the date from which interest begins to accrue for the relevant period of calculation (the **“Accrual Date”**) to but excluding the date on which it falls due divided by the actual number of days from and including the Accrual Date to but excluding the next following Coupon Payment Date;

**“Floating Coupon Rate”** has the meaning ascribed to in Condition 5(b)(ii);

**“Global Security”** has the meaning ascribed to in Condition 1(a);

**“Gross Redemption Yield”** means, with respect to a security, the gross redemption yield on such security (as calculated by the Calculation Agent on the basis set out in the United Kingdom Debt Management Office in the paper “Formulae for Calculating Gilt Prices from Yields” page 4, Section One: Price/Yield Formulae “Conventional Gilts; Double-dated and Undated

Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published on 8 June 1998 and updated on 15 January 2002 and as further updated or amended) on an annual compounding basis (and rounded up (if necessary) to four decimal places);

“**Holder**” means the bearer of any Security or Capital Security;

“**Interest**” shall, where appropriate, include Coupon Amounts, Deferred Coupon Payments and Accrued Coupon Payments;

“**Interest Determination Date**” means the second Business Day before the commencement of each Coupon Period;

“**Issue Date**” means 17 March 2006, being the date of initial issue of the Securities;

“**Issuer**” means ING Groep N.V.;

“**Junior Guarantee**” means any guarantee, indemnity or other contractual support arrangement entered into by the Issuer in respect of securities (regardless of name or designation) issued by a Subsidiary or Undertaking and ranking on a liquidation (upon dissolution or otherwise) of the Issuer or in respect of distributions or payment of dividends or any other payment thereon after the Securities;

“**Junior Securities**” means the Ordinary Shares or any other securities of the Issuer which rank as regards distributions on a return of assets on a liquidation (upon dissolution or otherwise) of the Issuer or in respect of distributions or payment of dividends or any other payments thereon, after the Securities;

“**Liabilities**” means the non-consolidated gross liabilities of the Issuer as shown by the then latest published audited balance sheet of the Issuer, but adjusted for contingencies and for subsequent events and to such extent as the directors, the auditors or, as the case may be, the liquidator may determine;

“**Make Whole Redemption Price**” means, in respect of each Security, the price, expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards), at which the Gross Redemption Yield on the Security on the Reference Date (assuming for this purpose that the Securities are to be redeemed at their principal amount on the First Reset Date) is equal to the Gross Redemption Yield (determined by reference to the middle market price) at 11.00 a.m. (London time) on the Reference Date of the Reference Bond plus 0.40 per cent., all as determined by the Calculation Agent;

“**Mandatory Partial Payment**” payable on any Coupon Payment Date means a payment in respect of each Security in an amount that results in payment of a proportion of a full Coupon Payment on the Security on such Coupon Payment Date equal to the proportion of a full dividend on the relevant Parity Securities and/or payment on the relevant Parity Guarantee paid on the dividend or payment date in respect of the relevant Parity Securities and/or Parity Guarantee immediately preceding;

A “**Mandatory Payment Event**” shall occur if any of the following occurs:

- (i) the Issuer declares, pays or distributes a dividend or makes a payment (other than a dividend in the form of Ordinary Shares) on any of its Junior Securities or makes any payment on a Junior Guarantee;
- (ii) any Subsidiary or Undertaking declares, pays or distributes a dividend on any security issued by it benefiting from a Junior Guarantee or makes a payment (other than a dividend in the form of Ordinary Shares) on any security issued by it benefiting from a Junior Guarantee; or
- (iii) the Issuer or any Subsidiary or Undertaking redeems, purchases or otherwise acquires any of the Issuer’s Junior Securities, any Parity Securities or any securities issued by any Subsidiary or Undertaking benefiting from a Junior Guarantee or Parity Guarantee (other than (1) by conversion into or in exchange for Ordinary Shares, (2) in connection with transactions effected by or for the account of customers of the Issuer or any Subsidiary or in connection with the distribution, trading or market making in respect of those securities, (3) in connection with the satisfaction by the Issuer or any Subsidiary of its obligations under any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants, (4) as a result of a reclassification of the Issuer or any Subsidiary or the exchange or conversion of one class or series of capital stock for another class or series of capital stock, or (5) the purchase of fractional interests

in shares of the capital stock of the Issuer or any Subsidiary pursuant to the conversion or exchange provisions of that capital stock or the security being converted or exchanged) for any consideration, or any moneys are paid to or made available for a sinking fund or for redemption of any of any Junior Securities, Parity Securities or any securities issued by any Subsidiary or Undertaking benefiting from a Junior Guarantee or Parity Guarantee;

A “**Mandatory Partial Payment Event**” shall occur if any of the following occurs:

- (i) the Issuer declares, pays or distributes a dividend or makes a payment on any of its Parity Securities or makes any payment on a Parity Guarantee; or
- (ii) any Subsidiary or Undertaking declares, pays or distributes a dividend on any security issued by it benefiting from a Parity Guarantee or makes a payment on any security issued by it benefiting from a Parity Guarantee;

“**Market Disruption Event**” means (i) the occurrence or existence of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by Euronext Amsterdam N.V. or on settlement procedures for transactions in the Ordinary Shares on Euronext Amsterdam N.V. if, in any such case, that suspension or limitation is, in the determination of the Calculation Agent, material in the context of the sale of the Ordinary Shares), or (ii) in the opinion of the Issuer, there has been a substantial deterioration in the price and/or value of the Ordinary Shares or circumstances are such as to prevent or to a material extent restrict the issue or delivery of the Payment Ordinary Shares, or (iii) where, pursuant to these Terms and Conditions, moneys are required to be converted from one currency into another currency in respect of any Payment, the occurrence of any event that makes it impracticable to effect such conversion;

“**Ordinary Shares**” means ordinary shares of the Issuer or depository receipts issued in respect of such Ordinary Shares as the context may require;

“**Outstanding Payment**” means:

- (i) in relation to any Coupon Payment, Deferred Coupon Payment or Coupon Amount not falling within the definition of Coupon Payment, that such payment (a) has either become due and payable or would have become due and payable except for the non-satisfaction on the relevant date of the conditions referred to in Condition 2(b)(i) or the deferral, postponement or suspension of such payment in accordance with any of Conditions 4(a), 4(b), 6(d) or 6(e) and (b) in any such case has not been satisfied and;
- (ii) in relation to any Accrued Coupon Payment, any amount thereof which has not been satisfied whether or not payment has become due;

“**Parity Securities**” means, in respect of the Issuer any of the most senior preference shares of the Issuer or other securities regardless of name or designation which are akin to such preference shares of the Issuer as regards distributions on a return of assets on a liquidation (upon dissolution or otherwise), moratorium of payments or bankruptcy of the Issuer or in respect of distribution or payment of dividends and/or any other amounts thereunder by the Issuer and which rank *pari passu* with the Securities as regards such distributions or payments;

“**Parity Guarantee**” means any guarantee, indemnity or other contractual support arrangement entered into by the Issuer in respect of securities (regardless of name or designation) issued by a Subsidiary or an Undertaking which are akin to the most senior preference shares of the Issuer or other securities (regardless of name or designation) of the Issuer or such Subsidiary or Undertaking and ranking on a liquidation (upon dissolution or otherwise), moratorium of payments or bankruptcy of the Issuer or in respect of distributions or payment of dividends or any other payments thereon *pari passu* with the Securities;

“**Paying Agents**” means the paying agents appointed pursuant to the Agency Agreement and such term shall, unless the context otherwise requires, include the Principal Paying Agent;

“**Payment**” means any Coupon Payment, Deferred Coupon Payment, Accrued Coupon Payment or Coupon Amount not falling within the definition of Coupon Payment;

“**Payment Ordinary Shares**” has the meaning ascribed to it in Condition 6(b);

“**Principal Paying Agent**” means the principal paying agent appointed pursuant to the Agency Agreement;

**“Reference Banks”** means the five major banks in the London interbank market as selected by the Principal Paying Agent;

**“Reference Bond”** means the 4.75 per cent. Treasury Stock due 7 September 2015, or if such stock is no longer in issue such other United Kingdom government stock with a maturity date as near as possible to the First Reset Date, as the Calculation Agent may, with the advice of the Reference Market Makers, determine to be appropriate;

**“Reference Date”** means the date which is three Business Days prior to the date fixed for redemption pursuant to Condition 8;

**“Reference Market Makers”** means three brokers or market makers of gilts selected by the Calculation Agent in consultation with the Issuer and approved for this purpose by the Trustee or such other three persons operating in the gilt-edged market as are selected by the Calculation Agent in consultation with the Issuer and approved for this purpose by the Trustee;

**“Regulatory Event”** means that the Issuer, after becoming subject to capital adequacy regulations, shall have been notified by the Dutch Central Bank to the effect that at any Coupon Payment Date or Distribution Payment Date, as applicable, the Issuer’s capital adequacy ratio would after payment of the Coupon Payment or distributions on the capital securities, as applicable, be less than the minimum capital adequacy requirements as be applied and enforced by the Dutch Central Bank or any other appropriate regulator;

**“Relevant Date”** means (i) in respect of any payment other than a Winding-Up Claim, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the “Relevant Date” means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders in accordance with Condition 17, and (ii) in respect of a Winding-Up Claim, the date which is one day prior to the commencement of the winding-up;

**“Relevant Screen Page”** means the Moneyline Telerate Monitor page 3750 (or such replacement page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to Three Month £LIBOR);

the **“Required Deferral Condition”** in respect of the Securities or Capital Securities will be met if, in the determination of the Issuer, on the relevant date, the Issuer is, or payment of the relevant Payment by the Issuer will result in the Issuer being insolvent;

**“Reset Date”** means the First Reset Date and each Coupon Payment Date thereafter;

**“Securities”** means the ING Perpetual Securities, and such expression shall include, unless the context otherwise requires, any further Securities issued pursuant to Condition 18 and forming a single series with the Securities;

**“Senior Creditors”** means creditors of the Issuer (a) who are unsubordinated creditors of the Issuer, or (b) whose claims are, or are expressed to be, subordinated (whether only in the event of the liquidation (upon dissolution or otherwise)) of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise, or (c) who are subordinated creditors of the Issuer other than those whose claims are, or are expressed to rank, *pari passu* with, or junior to, the claims of the Holders (which subordinated creditors do not include, for the avoidance of doubt, holders of Parity Securities or of Parity Guarantees, with which the holders of the Securities rank *pari passu*);

**“Special Optional Redemption Date”** means the date fixed for redemption of the Securities under Condition 8(b), 8(c) or 8(d);

**“Subsidiary”** means a subsidiary of the Issuer within the meaning of Section 2:24a of the Dutch Civil Code;

**“Three Month £LIBOR”** means in relation to a Coupon Period commencing on any Reset Date, the rate for deposits in sterling for a period of three months, to be determined by the Principal Paying Agent on the basis of the following provisions:

- (i) On each Reset Date, the Principal Paying Agent will determine the offered rate (expressed as a rate per annum) for three month pound sterling deposits as at 11.00 a.m. (London time) on such Reset Date, as displayed on the display designated as Page 3750 on the Moneyline Telerate Monitor (or such other page or pages as may replace it for the purpose of displaying such information);

- (ii) If such offered rate does not so appear, or if the relevant page is unavailable, the Principal Paying Agent will, on such date, request the principal London office of the Reference Banks to provide the Principal Paying Agent with its offered quotation to leading banks in the London inter bank market for three month pound sterling deposits as at 11.00 a.m. (London time) on the Reset Date in question. If at least two of the Reference Banks provide the Principal Paying Agent with such offered quotations, Three Month £LIBOR for such Coupon Period shall be the arithmetic mean of such quotations (rounded upwards if necessary to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards));
- (iii) If on any Reset Date to which the provisions of sub-paragraph (ii) above apply, one only or none of the Reference Banks provides the Principal Paying Agent with such a quotation, Three Month £LIBOR for the Coupon Period commencing on such Reset Date shall be the rate which the Principal Paying Agent determines to be the arithmetic mean (rounded upwards, if necessary, to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of the pound sterling lending rates which leading banks in London selected by the Principal Paying Agent are quoting, on the relevant Reset Date, to leading banks in London for a period of three months, except that, if the banks so selected by the Principal Paying Agent are not quoting as mentioned above, Three Month £LIBOR for such Coupon Period shall be either (1) the Floating Coupon Rate in effect for the last preceding Coupon Period to which one of the preceding paragraphs of this definition of Three Month £LIBOR shall have applied or (2) if none, the Fixed Coupon;

**“Trust Deed”** means the trust deed dated 17 March 2006 between the Issuer and the Trustee;

**“Trustee”** means Amsterdamsch Trustee’s Kantoor B.V.;

**“Undertaking”** means a body corporate, partnership, limited partnership, Cooperative or an incorporated association carrying on a trade or business with or without a view to profit in which the Issuer has a direct or indirect financial, commercial or contractual majority interest; and

**“Winding-Up Claim”** has the meaning ascribed to it in Condition 2(b)(ii).

## ING GROEP N.V.

### Profile

ING Groep N.V. (the “**Issuer**”), also called “**ING Group**”, is the holding company of a broad spectrum of companies (together called “**ING**”), offering banking, insurance and asset-management products to more than 60 million private, corporate and institutional clients in over 50 countries. Originating from the Netherlands, ING now has a workforce of more than 115,000 people worldwide. ING Groep N.V. is a listed company and holds all shares of ING Bank N.V. and ING Verzekeringen N.V., which are non-listed 100% subsidiaries of ING Groep N.V.

ING Bank N.V. is globally active through several business units, among others ING Bank, Postbank and Regio Bank in the Netherlands and mainly ING Direct, ING Belgium (formerly known as BBL), ING Bank Slaski (participation of 75%), ING Wholesale and ING Real Estate outside the Netherlands.

ING Verzekeringen N.V. (ING Insurance) is represented in some 25 countries around the world through a variety of insurance companies, offering life insurance and – in a selected number of countries – non-life insurance, as well as asset management. In the Netherlands, ING Insurance is market leader in life insurance and pensions and a prominent company in non-life insurance and as an asset manager (sources: the 2004 figures published in the assurance magazine 2005 (*AM Jaarboek 2005*) and figures published by the Dutch Association of Insurers (*het Verbond van Verzekeraars*, “Verzekerd van Cijfers 2005”) on its website ([www.verbondvanverzekeraars.nl](http://www.verbondvanverzekeraars.nl)). The United States and Canada are other important insurance markets for ING. In around 20 countries ING started life-insurance companies from scratch during the eighties, in Europe (particularly Poland, Czech Republic and Hungary), in Asia (particularly Japan, Taiwan, Korea and Malaysia) and in Latin America (particularly Mexico and Chile). India and China are also being targeted as important growth markets.

### Incorporation and history

ING Groep N.V. was incorporated under Dutch law in the Netherlands on 21 January 1991 for an indefinite duration in the form of a public limited company (*naamloze vennootschap*) as Internationale Nederlanden Groep N.V., also known as ING Group. ING Groep N.V. operates under Dutch law.

ING Group is the result of the merger between NMB Postbank Group and Nationale-Nederlanden in 1991. NMB Bank and Postbank, two leading Dutch banks, merged in 1989. The legal name of NMB Bank as holding company for the merged entities was changed into NMB Postbank Groep N.V. On 4 March 1991 NMB Postbank Groep N.V. merged with Nationale-Nederlanden N.V., the largest Dutch insurance group. On that date the newly formed holding company Internationale Nederlanden Groep N.V. honoured its offer to exchange the shares of NMB Postbank Groep N.V. and of Nationale-Nederlanden N.V. NMB Postbank Groep N.V. and Nationale-Nederlanden N.V. continued as sub-holding companies of Internationale Nederlanden Groep N.V. An operational management structure ensures a close co-operation between the banking and insurance activities, strategically as well as commercially. The sub-holding companies remain legally separate. After interim changes of names the statutory names of the above-mentioned companies have been changed into ING Groep N.V., ING Bank N.V. and ING Verzekeringen N.V. on 1 December 1995.

The registered office is at Amstelveenseweg 500 (ING House), 1081 KL Amsterdam, the Netherlands, telephone number +31 20 5415411. ING Groep N.V. is registered at the Chamber of Commerce and Industry of Amsterdam under no. 33231073. The Articles of Association were last amended by notarial deed executed on 7 July 2004. According to article 3 of the Articles of Association, the object of ING Groep N.V. is to participate in, manage, finance, personal or real security for the obligations of and provide services to other enterprises and institutions of any kind, but in particular enterprises and institutions which are active in the field of insurance, lending, investment and/or other financial services, and to engage in any activity which may be related or conducive to the foregoing.

ING's implementation of the Dutch Corporate Governance Code (the so-called Tabaksblat Code) has been approved at the General Meeting of Shareholders on 26 April 2005. Given this approval, ING is deemed to be in full compliance with the Code.



## **Supervisory Board and Executive Board**

ING Group has a two-tier board system, consisting of a Supervisory Board and an Executive Board. The Supervisory Board consists of independent non-executives. Its task is to supervise the policy of the Executive Board and the general course of events in the company and to assist the Executive Board by providing advice. The Executive Board is responsible for the daily management of the company. The composition of the Supervisory Board and the Executive Board is as follows:

- Supervisory Board: Cor Herkströter (chairman), Eric Bourdais de Charbonnière (vice-chairman), Luella Gross Goldberg, Paul van der Heijden, Claus Dieter Hoffmann, Jan Hommen, Aad Jacobs, Wim Kok, Godfried van der Lugt, Paul Baron de Meester, Karel Vuursteen;
- Executive Board: Michel Tilmant (chairman), Cees Maas (vice-chairman and chief financial officer), Eric Boyer de la Giroday, Fred Hubbell, Eli Leenaars, Alexander Rinnooy Kan, Hans Verkoren.

Fred Hubbell and Hans Verkoren have elected to retire from the ING Group Executive Board as of the Annual General Meeting of Shareholders on 25 April 2006. Alexander Rinnooy Kan will step down from the Executive Board as of the same date following his appointment as Chairman of the Social and Economic Council of the Netherlands (SER). The Supervisory Board of ING Group will propose to the Annual General Meeting of Shareholders on 25 April 2006 to appoint Dick Harryvan, Tom McInerney, Hans van der Noordaa and Jacques de Vaucleeroy as members of the Executive Board of ING Group as of that date.

The business address of all members of the Supervisory Board and the Executive Board is: ING Groep N.V., P.O. Box 810, 1000 AV Amsterdam, the Netherlands.

In order to avoid potential conflicts of interest, ING Group has a policy that members of its Executive Board do not accept corporate directorships with listed companies outside ING. The only exception is the membership of Fred Hubbell of the Board of Directors of The Macerich Company in the U.S., a real-estate company. He already held this position prior to his employment with ING.

Details of relationships that members of the Executive Board may have with ING Group subsidiaries as ordinary, private individuals are not reported, with the exception of information on any loans that may have been granted to them. In all these cases, the company complies with the best-practice provisions of the Tabaksblat Code.

Listed below are the principal activities performed by members of the Supervisory Board outside ING Group. None of the members of the Supervisory Board have any conflict between their duties to ING Group and their other principal activities as listed below.

### **Herkströter, C.A.J.**

- Chairman of the Supervisory Board of Royal DSM N.V.
- Member of the Advisory Committee, Robert Bosch GmbH.
- Trustee of the International Accounting Standards Committee Foundation.
- Chairman of the Social Advisory Council, Tinbergen Institute.
- Professor of International Management, University of Amsterdam.
- Chairman of the Advisory Committee Royal NIVRA (Netherlands Institute of Chartered Accountants).
- Member Committee Capital Market, Authority Financial Markets, Amsterdam.

### **Bourdais de Charbonnière, E.**

- Chairman of the Supervisory Board of Michelin.
- Member of the Supervisory Board of Thomson.

### **Gross Goldberg, L.**

- Member of the Supervisory Board of TCF Financial Corporation.
- Member of the Supervisory Board of Hormel Foods Corporation.
- Member of the Supervisory Board of Communications Systems Inc.
- Member of the Supervisory Board of Hector Communications Corporation.

- Member of the Advisory Board of Carlson School of Management, University of Minnesota.

**Van der Heijden, P.F.**

- Rector Magnificus and professor of labour law and industrial relations at the University of Amsterdam.
- Member of the Supervisory Board of NUON N.V.
- Member of the Supervisory Board of Buhrmann Nederland B.V.
- Crown-appointed member of the Social and Economic Council, the Netherlands.
- President of the ILO Governing Body, Committee on Freedom of Association (United Nations).

**Hoffmann, C.D.**

- Managing partner of H+H Senior Advisors, Stuttgart.
- Member of the Supervisory Board of EnBW AG.
- Member of the Supervisory Board of Bauerfeind AG.
- Member of the Supervisory Board of Jowat AG.

**Hommen, J.**

- Chairman of the Supervisory Board of Reed Elsevier.
- Chairman of the Supervisory Board of TNT N.V.
- Member of the Supervisory Board of Koninklijke Ahold N.V.
- Chairman Supervisory Board Academisch Ziekenhuis Maastricht (hospital).
- Chairman Supervisory Board TIAS Business School.

**Jacobs, A.G.**

- Chairman of the Supervisory Board of Royal Dutch Shell plc.
- Chairman of the Supervisory Board of Imtech N.V.
- Chairman of the Supervisory Board of N.V. Verenigd Bezit VNU.
- Vice-chairman of the Supervisory Board of SBM Offshore N.V.
- Vice-chairman of the Supervisory Board of Buhrmann N.V.
- Chairman of the Supervisory Board of Johan Enschede.

**Kok, W.**

- Member of the Supervisory Board of Royal Dutch Shell plc.
- Member of the Supervisory Board of TNT N.V.
- Member of the Supervisory Board of KLM Royal Dutch Airlines N.V.
- Chairman of the Supervisory Board of the Anne Frank Foundation.
- Member of the Supervisory Board of the Rijksmuseum, Amsterdam.
- Member of the Supervisory Board of The National Ballet and The Music Theatre, Amsterdam.
- Member of the Supervisory Board of AGO Foundation.
- Member of the Board of Start Foundation.
- Member of the Supervisory Board of the Netherlands Cancer Institute, Antoni van Leeuwenhoek Hospital.

**Van der Lugt, G.J.A.**

- Chairman of the Supervisory Board of Siemens Nederland N.V.
- Chairman of the Supervisory Board of Stadsherstel Amsterdam N.V.

- Vice-chairman of the Supervisory Board of Univeristair Medisch Centrum Groningen (academic hospital).
- Treasurer of the *Vereniging Natuurmonumenten* (Dutch foundation for nature conservation).

**Baron de Meester, P.J.A.**

- Member of the Supervisory Board of Tessenderlo Chemie N.V.
- Member of the Supervisory Board of ETEX N.V.
- Chairman of the International Chamber of Commerce Belgium.
- Member of the Supervisory Board of Regionaal Ziekenhuis H. Hart (hospital).

**Vuursteen, K.**

- Chairman of the Supervisory Board of Petroplus International N.V.
- Member of the Supervisory Board of Akzo Nobel N.V.
- Member of the Supervisory Board of AB Electrolux.
- Member of the Supervisory Board of Henkel KGaA.
- Member of the Board of Directors of Heineken Holding N.V.

There are no potential conflicts of interest between any duties owed by the members of the Supervisory Board or the Executive Board to the Issuer and any private interests or other duties which such persons may have.

**Audit Committee**

The Audit Committee is a committee of the Supervisory Board. It meets at least four times a year, of which at least one meeting a year with the external auditors, without the members of the Executive Board being present. The Committee consists of Aad Jacobs (chairman), Claus Dieter Hoffman, Jan Hommen and Godfried van der Lugt. The meetings are attended by the chairman and vice-chairman/CFO of the Executive Board. The general manager(s) of Corporate Control & Finance responsible for financing and accounting, the Group Actuary, the General Counsel and the internal auditor and the external auditors also attend its meetings.

The Audit Committee advises the Supervisory Board in observing its responsibility for ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position and that the Group's published financial statements represent a true and fair reflection of this position. It also advises the Supervisory Board in ensuring that appropriate accounting policies, internal controls, risk management, compliance procedures and tax policy are in place.

## Key figures

ING Group's key figures for the last five years were as follows\*:

|   | <i>IFRS</i>    |                |                | <i>Dutch GAAP</i> |                |                |
|---|----------------|----------------|----------------|-------------------|----------------|----------------|
|   | <i>FY 2005</i> | <i>FY 2004</i> | <i>FY 2004</i> | <i>FY 2003</i>    | <i>FY 2002</i> | <i>FY 2001</i> |
| <b>Balance sheet</b> (EUR x billion)  |                |                |                |                   |                |                |
| Total assets <sup>1</sup>   | 1,159          | 964            | 866            | 779               | 716            | 705            |
| Capital and reserves <sup>1</sup>   | 37             | 28             | 26             | 21                | 18             | 22             |
| <b>Assets under management</b> (EUR x billion)                                | 547            | 492            | 492            | 463               | 449            | 513            |
| <b>Market capitalisation</b> (EUR x billion)                                  | 65             | 49             | 49             | 39                | 32             | 57             |
| <b>Income</b> (EUR x million)   |                |                |                |                   |                |                |
| Insurance operations  | 57,424         | 55,602         | 55,398         | 53,233            | 59,449         | 55,274         |
| Banking operations  | 13,848         | 12,678         | 12,537         | 11,680            | 11,201         | 11,111         |
| <b>Expenses</b> (EUR x million)   |                |                |                |                   |                |                |
| Insurance operations  | 5,195          | 4,746          | 4,837          | 4,897             | 5,203          | 5,583          |
| Banking operations  | 8,844          | 8,795          | 8,658          | 8,184             | 8,298          | 8,186          |
| <b>Impairments/additions to the provision for loan losses</b> (EUR x million) | 119            | 475            | 497            | 1,288             | 2,099          | 907            |
| <b>Profit</b> (EUR x million)   |                |                |                |                   |                |                |
| Insurance operations  | 3,978          | 4,322          | 4,005          | 3,486             | 3,170          | 2,792          |
| Banking operations  | 4,916          | 3,418          | 3,414          | 2,371             | 1,468          | 2,170          |
| Profit before tax   | 8,894          | 7,740          | 7,419          | 5,857             | 4,638          | 4,962          |
| Underlying (IFRS)/operating net profit (Dutch GAAP)                           | 6,196          | 4,959          | 5,389          | 4,053             | 3,433          | 3,539          |
| Divestments & special items (IFRS)/non-operating net profit (Dutch GAAP)      | 1,014          | 796            | 579            | -10               | 1,067          | 1,038          |
| Net profit  | 7,210          | 5,755          | 5,968          | 4,043             | 4,500          | 4,577          |
| Distributable net profit  | 7,210          | 5,755          | 5,968          | 4,043             | 4,253          | 4,252          |
| <b>Figures per ordinary share of EUR 0.24 nominal value</b>                   |                |                |                |                   |                |                |
| Net profit  | 3.32           | 2.71           | 2.80           | 2.00              | 2.32           | 2.37           |
| Distributable net profit  | 3.32           | 2.71           | 2.80           | 2.00              | 2.20           | 2.20           |
| Dividend  | 1.18           | 1.07           | 1.07           | 0.97              | 0.97           | 0.97           |
| Capital and reserves <sup>1</sup>   | 16.96          | 12.95          | 11.76          | 10.08             | 9.14           | 11.03          |
| <b>Ratios</b> (in %)  |                |                |                |                   |                |                |
| ING Group   |                |                |                |                   |                |                |
| (Operating) return on equity (ROE)  | 26.6           | 25.4           | 22.9           | 21.5              | 17.4           | 15.3           |
| (Operating) net profit growth   | 25             | n/a            | 33             | 18                | -3             | 4              |
| Insurance operations  |                |                |                |                   |                |                |
| Combined ratio  | 95             | 94             | 94             | 98                | 102            | 103            |
| Capital coverage ratio <sup>1</sup>   | 255            | 204            | 210            | 180               | 169            | 180            |
| Banking operations  |                |                |                |                   |                |                |
| BIS ratio ING Bank <sup>1</sup>   | 10.86          | 10.46          | 11.47          | 11.34             | 10.98          | 10.57          |
| Tier-1 ratio ING Bank <sup>1</sup>  | 7.32           | 6.92           | 7.71           | 7.59              | 7.31           | 7.03           |
| Cost/income ratio   | 63.9           | 69.4           | 69.1           | 70.1              | 74.1           | 73.7           |
| <b>Employees</b> (average FTEs)   | 115,300        | 113,000        | 113,000        | 115,200           | 113,060        | 112,000        |

\* These figures were derived from the annual reports which include the audited annual accounts in respect of the financial years ended 31 December 2001-2005.

1. Comparable figures shown under FY 2004 are IFRS-based figures at 1 January 2005; figures restated due to adjustments to the opening balance sheet under IFRS.

## Share capital

The authorised share capital of ING Groep N.V. amounts to EUR 2,160 million, consisting of (a) 3,000 million ordinary shares with a nominal value of EUR 0.24 each, (b) 100 million 'A' preference shares with a nominal value of EUR 1.20 each, (c) 200 million 'B' preference shares with a nominal value of EUR 1.20 each, (d) 900 million cumulative preference shares, with a nominal value of EUR 1.20 each. The issued and paid-up capital amounted to EUR 633.7 million, consisting of 2,204.9 million ordinary shares and 87.1 million 'A' preference shares.

Preference shares rank before ordinary shares in entitlement to dividends and distributions upon liquidation of ING Groep N.V., but are subordinated to cumulative preference shares. Holders of "A" and "B" preference shares rank *pari passu* among themselves. If the profit or amount available for distribution to the holders of preference shares is not sufficient to make such distribution in full, the holders will receive a distribution in proportion to the amount they would have received if the distribution could have been made in full. The "A" preference shares and "B" preference shares are not cumulative and their holders will not be compensated in subsequent years for a shortfall in a prior year. The dividend on the "A" preference shares is equal to a percentage of the amount (including share premium) for which the "A" preference shares were originally issued.

The cumulative preference shares rank before the preference shares and the ordinary shares in entitlement to dividend and to distributions upon liquidation of ING Groep N.V. The dividend on the cumulative preference shares will be equal to a percentage, calculated on the amount compulsorily paid up or yet to be paid up. This percentage shall be equal to the average of the Euro OverNight Index Average (EONIA) as calculated by the European Central Bank. During the financial year for which the distribution is made, this percentage is weighted on the basis of the number of days for which it applies, increased by two and a half percentage points.

A right to acquire cumulative preference shares has been granted to the ING Continuity Foundation. The purpose of the cumulative preference shares is to protect the company against a hostile takeover, while the ordinary shares and the preference shares are used solely for funding purposes.

The cumulative preference shares, the ordinary shares and the preference shares are all registered shares, thus not listed on a stock exchange. More than 99% of the issued ordinary shares and preference shares are held by Stichting ING Aandelen (ING Trust Office). Stichting ING Aandelen has issued bearer depositary receipts in exchange for these shares. The depositary receipts are listed on several stock exchanges, including Euronext Amsterdam and the New York Stock Exchange. The depositary receipts can be exchanged, without any restrictions, for the relevant types of shares. Holders of depositary receipts attending a meeting of shareholders, either personally or represented by a proxy, have full voting rights on behalf of Stichting ING Aandelen, related to the shares held by Stichting ING Aandelen. Holders of depositary receipts not attending a meeting can also issue binding voting instructions to Stichting ING Aandelen. Stichting ING Aandelen has made it easier for votes to be cast in this way by putting arrangements in place for proxy voting and e-voting. Stichting ING Aandelen decides for itself how to vote in the case of shares for which it has not issued proxy votes to holders of depositary receipts and has not received any voting instructions. The way in which Stichting ING Aandelen votes will reflect the interests of the holders of depositary receipts, but will also take account of the interests of ING Groep N.V., the businesses of ING Group and all other ING Group stakeholders, so as to ensure that all these interests are given as much consideration and protection as possible. The structure outlined above means that depositary receipts are used to prevent a small minority of shareholders, which coincidentally may form the majority in the meeting, from taking decisions purely to suit themselves in the absence of other parties at the General Meeting of Shareholders.

Under the Dutch Act on the Disclosure of Significant Interests, three holders of depositary receipts with an interest or potential interest of between 5% and 10% in ING Group were known. They were ABN AMRO, Aegon and Fortis.

## Main events in 2005

On 4 January 2005, ING finalised the transaction with Scottish Re on its life reinsurance business in the United States of America. On 18 October 2004, ING Group announced it decided to exit the individual life reinsurance business in the U.S. as part of its ongoing strategy to focus on core businesses. As a result, ING signed a co-insurance agreement with Scottish Re.

On 13 January 2005, the underwriters have exercised their option to buy 5.2 million common shares of ING Canada for the initial public offering price of CAD 26 per share. After the completion of the IPO and the exercise of the over-allotment option, ING Groep N.V. holds 70.0% of the 133,732,000 issued and outstanding common shares of ING Canada.

On 20 January 2005, ING Group announced that it had received an offer from Barclays Bank PLC ("Barclays") to acquire the wealth business of ING Securities Bank (France), consisting of ING Ferri and ING Private Banking. The acquisition would combine two complementary affluent banking businesses in France and create an operation with over 50 branches, 140,000 clients and €10bn of assets under management. On 2 June, 2005 the transaction had received all appropriate approvals and the transfer of the business took place in July 2005.

On 3 February 2005, ING Wholesale Banking signed an agreement to outsource ING's London cash equities clearing and settlement operations to Société Générale.

On 17 March 2005, ING Group announced that it had priced its stake of 1,661,141 common shares in ING Bank Slaski held by ING Bank N.V., a 100% subsidiary of ING Groep N.V. The shares have been priced at PLN 440 per common share. By reducing the stake in ING Bank Slaski, ING Group is fulfilling requirements set by the Polish regulator in 2001. ING Group has no intention to further reduce its stake of 75% in ING Bank Slaski.

On 23 March 2005, ING Groep N.V.'s wholly owned subsidiary, ING Bank N.V. announced an agreement with the Bank of Beijing to acquire up to a 19.9 per cent holding for a consideration of approximately EUR 166 million as part of a broader strategic alliance.

On 30 March 2005, ING closed its transaction, announced October 2004, to transfer all outstanding life insurance policies and other assets of its Argentine life insurance subsidiary, ING Insurance Argentine, to Zurich Financial Services. The wholesale banking activities on ING in Argentina are not affected by this sale.

On 31 March 2005, ING finalized the sale of Baring Asset Management, as agreed on November 2004, to MassMutual Financial Group and Northern Trust Corporation.

On 13 April 2005, ING sold its ING Seguros Generales it's Chile's property & casualty insurance operation, to Boston-based Liberty Mutual Group. Terms of the transaction were not disclosed, but the agreement does not have a material impact for ING.

On 19 May 2005, ING closed the transaction to sell its subsidiary Life Insurance Company of Georgia (Atlanta, USA), to Prudential PLC's subsidiary, Jackson National Life Insurance Company. The transaction, which was announced on 18 November 2004, has received all appropriate regulatory approvals.

On 6 June 2005, ING acquired VSP Tatry Sympatia, the management company of a private pension fund in the Slovak Republic. The value of the transaction is approximately EUR 35 million. Tatry Sympatia is a prominent company for managing voluntary private pensions in the Slovak Republic, serving over 300,000 clients. Its assets under management total EUR 181 million and its market share is 44%. The acquisition of Tatry Sympatia considerably strengthens ING's position in the Slovak Republic, where it currently has 200,000 clients in life insurance and mandatory pensions.

On 7 June 2005, ING Clarion Partners, a wholly-owned subsidiary of Amsterdam-based ING Group, formed a private equity joint venture to purchase Gables Residential Trust, a U.S.-based real estate investment trust (REIT). The transaction represents the largest public-to-private REIT transaction to date in the multi-family property sector. The purchase will expand and complement ING Clarion's existing portfolio, which consists primarily of office, industrial and retail properties and is underweight in multi-family property compared with U.S. benchmarks.

On 8 June 2005, ING Capital Life Insurance Company Ltd. (ING Capital Life), ING Groep N.V.'s joint venture with Beijing Capital Group, received a separate license to set-up a second branch in Shenyang. It will be the first Sino-foreign joint venture to begin operations in the city. ING Capital Life had also secured authorisation to underwrite group insurance and also to market its business across Liaoning Province, including the city of Shenyang. This latest license will allow the set-up of the ING Capital Life Shenyang Branch and will also speed up the company's expansion in Liaoning Province and later to other markets in North China. ING Capital Life in Dalian is now the third largest provider of individual insurance in terms of new business premiums. ING Capital Life Beijing Branch began selling policies in the capital in January 2005 and on 16th May started selling bancassurance products through Bank of Beijing, in which ING Group has a 19.9% stake.

On 17 June 2005, ING and GE Commercial Finance finalised the restructuring of the companies' working capital finance joint venture, NMB-Heller. Under the terms of the agreement, originally announced on 22 December 2004, ING has purchased GE Commercial Finance's 50% stake in NMB-Heller's Dutch and Belgian factoring business. The factoring business will be transferred into a new company, which will operate under the name ING Commercial Finance. GE Commercial Finance has purchased ING's 50% stake in NMB-Heller's German unit, Heller GmbH. Both purchases will take effect retroactively from 1 January 2005.

On 13 July 2005, ING announced that it intends to further streamline the processes and organisation of ING's Operations & IT division. Streamlining fits in ING's strategy of continually looking for ways to reduce costs and improve efficiency to preserve its competitive position, particularly in the mature Benelux market. As a result of the streamlining 450 positions will become redundant. It involves employees who work in IT Infrastructure for both ING's banking and insurance activities. In the Netherlands 400 positions will become redundant before the end of 2005. In Belgium 50 redundancies will be realised.

On 14 July 2005, ING Comercial América, the insurance company of ING in Mexico, was notified by a local court in Mexico City about a ruling in the judicial process with regard to a civil claim involving the Mexican company Grupo Fertinal S.A. and certain affiliates. According to this ruling, regardless of the actual damage sustained that resulted in the underlying claim, Grupo Fertinal has been awarded approximately USD 275 million under the policy, plus consequential damages of USD 25 million. ING expects that, after the final outcome of this judicial procedure, the risk in the policy will be adequately covered by provisions taken as well as reinsurance coverage.

On 7 September 2005, ING announced that it agreed to sell its 70% stake in one of its Swiss private banking units, Banque Baring Brothers (Suisse) SA, to the unit's chief executive officer and 30% shareholder, Eric Sturdza. The transaction was completed on 10 October 2005. Financial terms of the sale were not disclosed.

On 2 December 2005, ING announced that the Mexican Court of Appeal has reversed a previous ruling by a lower local court in Mexico City against ING Comercial América, part of ING Group's operations in Mexico. The appellate court has ruled that ING Comercial América should pay the insurance claims based on the actual damages suffered by the insured and covered under the catastrophic insurance policy. The court found that the Mexican company Grupo Fertinal S.A. incurred covered damages of about \$94 million. The initial ruling would have required ING Comercial América to pay Grupo Fertinal S.A., and certain affiliates, the insurance policy limits of USD 300 million. This amount would have greatly exceeded the actual damages to Fertinal's insured properties by hurricane Juliette. ING Comercial América is examining the decision and considering its options. ING Comercial América expects that after the final outcome of all judicial proceedings, the risk in the policy will be adequately

## **Results full year 2005, as published on 16 February 2006 (unaudited)**

### **General**

ING produced strong results in 2005, driven by double-digit top-line growth, higher returns, and an improvement in the efficiency ratios for both banking and insurance.

ING has focused on creating value for shareholders through a stringent approach to capital allocation, investing for growth, improving execution and increasing returns at all of our businesses. Returns have increased in both banking and insurance, with all business lines performing above ING's hurdles. ING's three key growth areas – ING Direct, retirement services, and life insurance in developing markets – continued their strong performance, while the banking businesses in the Benelux also made a solid contribution to growth. ING took important steps to improve efficiency going forward, and recurring expenses remained under control in 2005.

As a result of this strong performance, ING will propose to increase the total dividend by 10.3% to EUR 1.18 per share.

Although ING was confronted with low interest rates and a flattening yield curve, ING also benefited from some favourable market conditions in 2005, including strong equity and real estate markets, historically low credit losses for both bank lending and fixed-income investments, low claims at most non-life insurance units, and low taxes. Looking ahead, the interest rate environment will remain challenging, while risk costs and non-life claims are expected to return gradually to more normal levels. However, ING has confidence in the growth of the underlying business and in the Group's ability to continue creating value for its shareholders.

## ING Group key figures (unaudited)\*

| <i>IFRS (unless stated otherwise)</i>              |              |                           |                 |
|--|--------------|---------------------------|-----------------|
| <i>In EUR x million</i>                            | <i>2005</i>  | <i>Full Year<br/>2004</i> | <i>% change</i> |
| <b>Underlying profit before tax<sup>1</sup>:</b>   |              |                           |                 |
| – Insurance Europe                                 | 2,021        | 1,612                     | 25.4            |
| – Insurance Americas                               | 1,979        | 1,601                     | 23.6            |
| – Insurance Asia/Pacific                           | 447          | 475                       | -5.9            |
| – Other <sup>2</sup>                               | -472         | -124                      |                 |
| <b>Underlying profit before tax from Insurance</b> | <b>3,975</b> | <b>3,564</b>              | <b>11.5</b>     |
| – Wholesale Banking                                | 2,276        | 2,092                     | 8.8             |
| – Retail Banking                                   | 1,815        | 1,168                     | 55.4            |
| – ING Direct                                       | 617          | 435                       | 41.8            |
| – Other <sup>3</sup>                               | -177         | -134                      |                 |
| <b>Underlying profit before tax from Banking</b>   | <b>4,531</b> | <b>3,561</b>              | <b>27.2</b>     |
| <b>Total underlying profit before tax</b>          | <b>8,506</b> | <b>7,125</b>              | <b>19.4</b>     |
| Gains/losses on divestments                        | 366          | 55                        |                 |
| Profit before tax from divested units              | 22           | 218                       |                 |
| Special items                                      |              | 342                       |                 |
| <b>Total profit before tax</b>                     | <b>8,894</b> | <b>7,740</b>              | <b>14.9</b>     |
| Taxation   | 1,379        | 1,709                     | -19.3           |
| Profit before third-party interests                | 7,515        | 6,031                     | 24.6            |
| Third-party interests                              | 305          | 276                       | 10.5            |
| <b>Net profit (attributable to shareholders)</b>   | <b>7,210</b> | <b>5,755</b>              | <b>25.3</b>     |
| Net profit from Insurance                          | 3,268        | 3,349                     | -2.4            |
| Net profit from Banking                            | 3,942        | 2,406                     | 63.8            |
| <b>Earnings per share (in EUR)</b>                 | <b>3.32</b>  | <b>2.71</b>               | <b>22.7</b>     |
| <b>Key figures</b>                                 |              |                           |                 |
| Net return on capital and reserves <sup>4</sup>    | 26.6%        | 25.4%                     |                 |
| Debt/equity ratio <sup>5</sup>                     | 9.3%         | 11.9%                     |                 |
| Total staff (average FTEs)                         | 115,300      | 113,000                   | 2.0             |

\* These figures have been derived from the unaudited full-year figures in respect of the financial year ended 31 December 2005, as published on 16 February 2006.

1. Underlying profit before tax is a non-GAAP measure for profit before tax excluding divestments and special items.
2. Other insurance results are mainly interest on core debt and gains on equity investments that are not allocated to the three business lines
3. Other banking results consist mainly of interest expenses that are not allocated to the business lines
4. 2004 figures are on Dutch GAAP basis; 2005 figures exclude revaluation reserves for available-for-sale securities
5. Comparable figure is based on IFRS at 1 January 2005

### Full-year profit

In 2005 ING Group continued to focus on delivering value to shareholders by increasing returns, investing for growth, and improving the execution of the business fundamentals. The emphasis on managing for value has resulted in a sharper attention to product pricing and a more stringent approach to capital allocation within the Group. As a result, returns have improved across the company, with net total return on capital & reserves increasing to 26.6%. ING has also been investing in future growth, by attributing capital to fast-growing businesses like ING Direct, retirement services, and the life insurance activities in developing markets. At the same time, ING has taken steps to improve execution throughout the company by focusing on the business fundamentals, including cost reduction and customer satisfaction, which has resulted in improvements in the efficiency ratios for both banking and insurance.



Total underlying profit before tax increased 19.4% to EUR 8,506 million in 2005. The increase was driven by strong growth from Retail Banking and ING Direct as well as the insurance activities in the Americas and Europe, supported by growth in retirement services and favourable results from non-life insurance. Including the impact of divestments and special items, total profit before tax increased 14.9% to EUR 8,894 million. Net profit rose 25.3% to EUR 7,210 million, due in part to a lower effective tax rate. Earnings per share rose to EUR 3.32 from EUR 2.71.

## **Insurance**

ING's insurance operations continued to benefit from strong growth in retirement services and life insurance in developing markets, as well as strong investment results and an exceptionally favourable claims environment for non-life insurance. Underlying profit before tax from the insurance operations increased 11.5% to EUR 3,975 million. The life insurance activities posted a 7.4% increase in underlying profit before tax, driven by the U.S., Central Europe, South Korea and the Netherlands, supported by higher sales, growth in assets under management, and investment gains. Life premium income rose 12.5% excluding divestments and reclassifications as a result of IFRS. The efficiency ratios for life and investment products both improved. The non-life insurance units continued to benefit from an exceptionally favourable claims environment, particularly in Canada, resulting in a 21.3% increase in underlying profit before tax from non-life. Continued emphasis on value creation has resulted in a 27.4% increase in the value of new life business, and a 22.9% increase in the embedded value of the life insurance business to EUR 27,586 million, driven by higher sales and improved margins. The internal rate of return on new life business increased to 13.2%.

Insurance Europe showed a 25.4% increase in underlying profit before tax to EUR 2,021 million, driven by a 48.3% increase in life results from Central Europe as well as strong underwriting results at the non-life businesses in Belgium and the Netherlands. Underlying life results in the Netherlands increased 20.0%, as a result of higher investment income, positive fair value changes under IFRS, and releases of disability provisions and employee benefit provisions triggered by changes in legislation in the Netherlands.

Insurance Americas posted a 23.6% increase in underlying profit before tax to EUR 1,979 million, driven by strong growth in the U.S. and Canada. Underlying profit from insurance in the U.S. increased 27.4%, led by higher results from retirement services and annuities due to growth in assets, improved investment performance, and higher margins as the company continued to focus on the most attractive market segments. The Canadian non-life business posted a 35.8% increase in underlying profit before tax, supported by a favourable claims environment and the acquisition of Allianz Canada. Growth was moderated by lower results from Latin America, due in part to an active hurricane season in Mexico in the second half of 2005.

Insurance Asia/Pacific posted a 5.9% decline in underlying profit before tax to EUR 447 million due to continued reserve strengthening in Taiwan. Excluding Taiwan, underlying profit before tax from the rest of Asia/Pacific increased 15.8%, led by South Korea. The value of new life business rose 16.2% to EUR 373 million driven by strong sales in South Korea. The internal rate of return increased to 15.0%.

Other Insurance results declined to EUR -472 million from EUR -124 million, mainly due to high realised gains on shares in 2004. Other results in 2004 included EUR 398 million in realised gains on equities, compared with EUR 190 million of realised gains in 2005. In addition, the buy-back of legacy debt in the U.S. in the fourth quarter of 2005 resulted in a pre-tax loss of EUR 102 million which was included under Other.

## **Banking**

ING's banking operations showed a strong profit increase in 2005, driven by solid growth at ING Direct and Retail Banking as well as historically low risk costs. Total underlying profit before tax from the banking operations increased 27.2% to EUR 4,531 million. Income rose 11.4% on an underlying basis, driven by growth at Retail Banking and ING Direct. Risk costs remained at historically low levels, supported by releases of provisions at Wholesale Banking, and total risk costs amounted to 3 basis points of average credit-risk-weighted assets. Continued attention on cost control as well as the strong growth in income resulted in an improvement in the cost/income ratio to 65.6% from 66.6% on an underlying basis, despite continued investments for growth at ING Direct and other units. The focus on value creation resulted in an increase in the underlying risk-adjusted return on capital after tax to 18.8% from 16.4%.

Wholesale Banking posted an 8.8% increase in underlying profit before tax to EUR 2,276 million supported by a release of risk costs and an improvement in the profitability of the international network outside the Benelux following a programme to realign the operating model and focus on key clients and products. Growth in underlying income was driven by Structured Finance, Leasing and ING Real Estate. Continued emphasis on managing for value resulted in an improvement in the underlying risk-adjusted return on capital after tax to 16.7%.

Retail Banking posted a 55.4% increase in underlying profit before tax to EUR 1,815 million, driven by strong growth, particularly in the home markets of the Benelux. Income increased 11.1% on a comparable basis, supported by growth in savings and mortgages, including higher prepayment penalties on mortgages in the Netherlands as clients refinanced to take advantage of low interest rates. Risk costs declined as a result of the benign credit environment as well as releases in Belgium and Poland as the quality of the credit portfolio improved. The cost/income ratio improved to 66.1%, supported in part by cost-containment measures, while continued focus on profitable growth led to a further increase in the underlying risk-adjusted return on capital after tax to 34.1%.

ING Direct posted a 41.8% increase in profit before tax to EUR 617 million as it continued to add new clients, grow funds entrusted and increase the mortgage portfolio. ING Direct added 3.2 million new customers in 2005 and welcomed the 15 millionth customer in January 2006. Funds entrusted increased 29.3% to EUR 188.0 billion. The mortgage portfolio grew 65.9% to EUR 54.9 billion. Strong profit growth was achieved despite the challenging interest rate environment. The interest margin narrowed to 0.86% from 0.98% in 2004; however it improved slightly to 0.89% in the fourth quarter of 2005. The impact of the narrower interest margin was offset by improvements in efficiency. The operational cost base (excluding marketing costs) improved to 0.40% of total assets from 0.44% in 2004.

#### **Divestments & special items**

Divestments resulted in a pre-tax gain of EUR 366 million in 2005 compared with EUR 55 million in 2004. Divested units contributed EUR 22 million to profit before tax in 2005, down from EUR 218 million a year earlier. Special items include a gain of EUR 287 million on the U.S. dollar hedge, a EUR 96 million gain on old reinsurance business and restructuring provisions of EUR 41 million at Wholesale Banking, all in 2004. Including the impact of divestments and special items, total profit before tax increased 14.9% to EUR 8,894 million. Special items also include releases of tax provisions in both years. Excluding divestments and special items after tax, net profit rose 24.9% to EUR 6,196 million from EUR 4,959 million.

#### **Taxes & net profit**

The effective tax rate declined to 15.5% in 2005 from 22.1% in 2004 due to a lower statutory tax rate in the Netherlands, high tax-exempt gains on divestments, and EUR 583 million from the creation of tax assets and net releases from tax provisions compared with EUR 161 million in releases in 2004. The effective tax rate is expected to return to a normalised level of 20% to 25%.

#### **Currency impact**

Currency rate differences had a positive impact of EUR 81 million on net profit and EUR 116 million on total profit before tax, mainly due to strengthening of the Canadian and Australian dollars, Polish zloty and South Korean won.

#### **Impact of IFRS**

The application of IAS 32, 39 and IFRS 4 from 1 January 2005 had a positive impact on ING Group's results in 2005, however the change in accounting standards has led to increased volatility on a quarterly basis, mainly due to value adjustments on non-trading derivatives. In total, IAS 32, 39 and IFRS 4 had a positive impact of approximately EUR 455 million on total profit before tax, or EUR 392 million after tax. The estimated impact on the insurance operations was EUR 238 million before tax, mainly due to realised gains on the sale of bonds and the revaluation of embedded derivatives, which were offset by the absence of amortised income from gains on fixed interest securities, and negative valuation changes on fixed-income investment derivatives. The estimated impact on the banking operations was EUR 217 million before tax, mainly due to valuation adjustments on non-trading derivatives and prepayment penalties. On a quarterly basis, the accounting standards had a total positive impact of EUR 148 million before tax in the fourth quarter compared with a positive impact of EUR 242 million in the third quarter of 2005, a negative impact

of EUR 24 million in the second quarter, and a positive impact of EUR 89 million in the first quarter.

## Balance Sheet & Capital and reserves

### Key Balance Sheet Figures\*

| <i>In EUR billion</i>                                   | <i>31 December</i> | <i>IFRS</i>           | <i>Excl. IAS 32, 39 &amp; IFRS 4</i> |                         |               |
|---|--------------------|-----------------------|--------------------------------------|-------------------------|---------------|
|   | <i>2005</i>        | <i>1 January 2005</i> | <i>Change</i>                        | <i>31 December 2004</i> | <i>Change</i> |
| <b>Capital &amp; reserves</b>                           | 36.7               | 28.2                  | 30.4%                                | 24.1                    | 52.3%         |
| – insurance operations                                  | 20.6               | 15.3                  | 34.6%                                | 13.2                    | 56.1%         |
| – banking operations                                    | 20.9               | 17.2                  | 21.5%                                | 14.4                    | 45.1%         |
| – eliminations <sup>1</sup>                             | -4.8               | -4.3                  |                                      | -3.5                    |               |
| <b>Total assets</b>                                     | 1,158.6            | 964.5                 | 20.1%                                | 876.4                   | 32.2%         |
| <b>Net return on capital &amp; reserves<sup>2</sup></b> | 26.6%              | 25.4%                 |                                      |                         |               |
| – insurance operations                                  | 21.1%              | 27.0%                 |                                      |                         |               |
| – banking operations                                    | 24.2%              | 15.8%                 |                                      |                         |               |

\* These figures have been derived from the unaudited full-year figures in respect of the financial year ended 31 December 2005, as published on 16 February 2006.

1. Own shares, subordinated loans, third-party interests, debenture loans and other eliminations

2. The comparable figures shown under 1 January 2005 are FY 2004 figures based on net profit and average capital and reserves under Dutch GAAP

## Capital & Reserves

Total capital & reserves of ING Group were further strengthened in 2005 with an increase of EUR 8.6 billion to EUR 36.7 billion on 31 December 2005, compared with EUR 28.2 billion on 1 January 2005. The increase resulted primarily from the strong growth in net profit to EUR 7.2 billion. Unrealised revaluations on investments added EUR 1.6 billion to capital & reserves, currency effects had a positive effect of EUR 2.1 billion, primarily due to the appreciation of the U.S., Canadian and Australian dollars against the euro, and a change in cash-flow/net investment hedge of EUR 0.8 billion. This increase was partially offset by capital gains released to the profit & loss account of EUR 0.7 billion and the total cash dividend payout of EUR 2.5 billion. The balance sheet per 1 January 2005 and 31 December 2004 have been restated due to changes in the impact of implementing IFRS. There was no material impact on capital & reserves.

## Capital Ratios

The growth in capital & reserves further strengthened ING's solvency position, with all ratios in line with ING Group's targets. ING calculates these ratios on the basis of adjusted capital, which differs from total capital & reserves in that it excludes unrealised gains on fixed-interest investments and includes hybrid capital. On this basis, the debt/equity ratio of ING Group improved to 9.3% compared with 11.9% at 1 January 2005, supported by growth in capital & reserves. The capital coverage ratio for ING Verzekeringen N.V. increased to 259% of E.U. regulatory requirements at the end of December, compared with 200% at 1 January 2005. The Tier-1 ratio of ING Bank N.V. stood at 7.32% at the end of 2005, up from 6.92% on 1 January 2005, as growth in capital was partially offset by strong growth in risk-weighted assets. The solvency ratio (BIS ratio) for the bank improved to 10.86% at the end of December from 10.46% on 1 January 2005. Total risk-weighted assets of the banking operations increased by EUR 45.6 billion, or 16.6%, to EUR 319.7 billion at the end of December, driven by growth in all three banking business lines.

## Credit Ratings

Both ING Groep N.V. and ING Verzekeringen N.V. have an AA- rating from Standard & Poor's and an Aa3 rating from Moody's. ING Bank N.V. has an Aa2 rating from Moody's and an AA from Standard & Poor's. All ratings from S&P were upgraded in August 2005 and the ratings from Moody's were confirmed in May 2005. All ratings have a stable outlook.

**Return on Capital & Reserves**

The net return on capital & reserves increased to 26.6% in 2005 from 25.4% in 2004. The insurance operations posted a 21.1% net return on capital & reserves in 2005, down from 27.0% in 2004, due to an increase in capital & reserves. The banking operations posted an increase to 24.2% from 15.8%. The 2004 figures for net return on capital & reserves are based on net profit and average capital & reserves under Dutch GAAP and the 2005 figures are based on IFRS.

**Consolidated balance sheet of ING Groep N.V. (unaudited)\***  
(before profit appropriation)

| <i>In EUR million</i>                                      | <i>IFRS<br/>31 December<br/>2005</i> | <i>IFRS excl.<br/>IAS 32/39<br/>and IFRS 4<br/>31 December<br/>2004</i> |
|--|--------------------------------------|---|
| <b>Assets</b>  |                                      |   |
| Cash and balances with central banks                       | 13,084                               | 9,113   |
| Amounts due from banks                                     | 47,466                               | 45,084  |
| Financial assets at fair value through profit or loss      |                                      |   |
| – trading assets   | 149,187                              | 79,649  |
| – investments for risk of policyholders                    | 100,961                              | 77,662  |
| – non-trading derivatives                                  | 7,766                                |   |
| – designated as at fair value through profit or loss       | 10,230                               |   |
| – other  |                                      | 3,334   |
| Investments  |                                      |   |
| – available-for-sale                                       | 305,707                              | 276,331   |
| – held-to-maturity   | 18,937                               |   |
| Loans and advances to customers                            | 439,181                              | 330,458   |
| Reinsurance contracts                                      | 8,285                                | 6,744   |
| Investments in associates                                  | 3,622                                | 2,663   |
| Investment property  | 5,031                                | 7,151   |
| Property and equipment                                     | 5,757                                | 5,783   |
| Intangible assets  | 3,661                                | 594   |
| Deferred acquisition costs                                 | 9,604                                | 10,428  |
| Other assets   | 30,160                               | 21,397  |
| <b>Total assets</b>  | <b>1,158,639</b>                     | <b>876,391</b>  |
| <b>Equity</b>  |                                      |   |
| Equity attributable to equity holders of the Issuer        | 36,736                               | 24,069  |
| Third-party interests                                      | 1,689                                | 3,481   |
| Group equity   | 38,425                               | 27,550  |
| <b>Liabilities</b>   |                                      |   |
| Preference shares  | 296                                  |   |
| Subordinated loans   | 6,096                                | 4,109   |
| Debt securities in issue                                   | 81,262                               | 79,012  |
| Other borrowed funds                                       | 32,252                               | 23,712  |
| Insurance and investment contracts                         | 263,487                              | 216,851   |
| Amounts due to banks                                       | 122,234                              | 95,878  |
| Customer deposits and other funds on deposit               | 465,712                              | 349,241   |
| Financial liabilities at fair value through profit or loss |                                      |   |
| – trading liabilities                                      | 92,058                               | 53,841  |
| – non-trading derivatives                                  | 6,248                                |   |
| – designated as at fair value through profit or loss       | 11,562                               |   |
| Other liabilities  | 39,007                               | 26,197  |
| <b>Total liabilities</b>                                   | <b>1,120,214</b>                     | <b>848,841</b>  |
| <b>Total equity and liabilities</b>                        | <b>1,158,639</b>                     | <b>876,391</b>  |

\* These figures have been derived from the audited annual accounts of ING Groep N.V. in respect of the financial year ended 31 December 2005.

**Consolidated profit & loss account of ING Groep N.V. (unaudited)\***

| <i>In EUR million</i>                                    | <i>IFRS<br/>2005</i> | <i>IFRS excl.<br/>IAS 32/39<br/>and IFRS 4<br/>2004</i> |
|--|----------------------|---|
| <b>Income</b>  |                      |   |
| Interest income banking operations                       | 48,176               | 25,448  |
| Interest expense banking operations                      | 39,109               | 16,707  |
| Interest result banking operations                       | 9,067                | 8,741   |
| Premium income   | 45,758               | 43,617  |
| Income from investments                                  | 9,915                | 9,730   |
| Gains and losses from investments                        | 930                  | 649   |
| Commission income  | 3,747                | 3,779   |
| Valuation results from non-trading derivatives           | 47                   |   |
| Net trading income                                       | 426                  | 888   |
| Other income   | 1,251                | 755   |
| <b>Total income</b>                                      | <b>71,141</b>        | <b>68,159</b>   |
| <b>Expenses</b>  |                      |   |
| Underwriting expenditure                                 | 47,120               | 45,384  |
| Additions to the provision for loan losses               | 109                  | 453   |
| Other impairments  | 76                   | 22  |
| Staff costs  | 7,646                | 7,667   |
| Other interest expenses                                  | 969                  | 1,019   |
| Other operating expenses                                 | 6,327                | 5,874   |
| <b>Total expenditure</b>                                 | <b>62,247</b>        | <b>60,419</b>   |
| Profit before tax  | 8,894                | 7,740   |
| Taxation   | 1,379                | 1,709   |
| Profit for the period (before third-party interests)     | 7,515                | 6,031   |
| Attribution:   |                      |   |
| Net profit attributable to equity holders of the Company | 7,210                | 5,755   |
| Third-party interests                                    | 305                  | 276   |
| <b>Profit for the period</b>                             | <b>7,515</b>         | <b>6,031</b>  |

\* These figures have been derived from the audited annual accounts of ING Groep N.V. in respect of the financial year ended 31 December 2005.

## **AUDITORS' STATEMENT**

The consolidated balance sheets as set out on page 45 and the consolidated profit and loss accounts as set out on page 46 of ING Groep N.V. have been derived from the annual accounts for the year 2005 of ING Groep N.V., Amsterdam, as audited by us. The consolidated balance sheets and the consolidated profit and loss accounts are the responsibility of the company's management.

For an understanding of the company's financial position and results and for an adequate understanding of the scope of our audit, the consolidated balance sheets and the consolidated profit and loss accounts should be read in conjunction with the annual accounts from which the consolidated balance sheets and the consolidated profit and loss accounts have been derived and our unqualified auditor's reports thereon dated 6 March 2006.

We have not audited the accompanying consolidated balance sheets and the consolidated profit and loss accounts or other abbreviated financial statements in this Prospectus.

Amsterdam, 15 March 2006

**Ernst & Young Accountants**

## **USE OF PROCEEDS**

The net proceeds from the Securities will be applied by the Issuer for the capital requirements of the Issuer and/or its Subsidiaries.



# NETHERLANDS TAXATION

## General

This section provides a general summary of the material Netherlands tax issues and consequences of acquiring, holding, redeeming and/or disposing of the Securities. This summary provides general information only and is restricted to the matters of Netherlands taxation stated herein. The information given below is neither intended as tax advice nor purports to describe all of the tax considerations that may be relevant to a prospective purchaser of the Securities and a prospective owner of the Securities. The prospective purchaser should consult his or her own tax advisor regarding the Netherlands tax consequences of acquiring, holding, redeeming and/or disposing of the Securities.

This summary is based on the tax legislation, published case law, and other regulations in force as at 15 March 2006, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

We assume that the holders of the Securities do not hold a substantial interest in ING Groep N.V. Generally speaking, an interest in the share capital of ING Groep N.V. should not be considered a substantial interest if the holder of such interest, and, if the holder is a natural person, his or her spouse, (registered) partner, certain other relatives or certain persons sharing the holder's household, alone or together, does or do not hold, whether directly or indirectly, the ownership of, or certain rights over, shares or rights resembling shares representing five percent or more of the total issued and outstanding capital, or the issued and outstanding capital of any class of shares, of ING Groep N.V. Furthermore, we assume that the Securities and income received or capital gains derived therefrom, are not attributable to employment activities of the holder of the Securities.

## Withholding tax

All payments by ING Groep N.V. in respect of the Securities can be made without withholdings or deductions for or on account of any taxes, duties or charges of any nature whatsoever that are or may be withheld or assessed by the Netherlands tax authorities, any political subdivision thereof or therein or any of their representatives, agents or delegates.

## Taxes on income and capital gains

### *Residents of the Netherlands*

Income derived from a Security or a gain realized on the disposal or redemption of a Security by a holder of a Security who is a resident of the Netherlands and who is subject to Netherlands corporate income tax, is generally taxable in the Netherlands. Income derived from a Security or a gain realized on the disposal or redemption of a Security by a holder of a Security who is an individual who is a resident or a deemed resident of the Netherlands or has opted to be treated as a resident of the Netherlands, may, among others, be subject to Netherlands income tax at progressive individual income tax rates up to 52 per cent. (2006 rate) if:

- (i) the individual has an enterprise, or is deemed to have an enterprise, or an interest in an enterprise to which such Security is attributable, or
- (ii) such income or gain qualifies as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include activities with respect to the Security that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If the conditions set out in paragraphs i. and ii. above do not apply to an individual holder of a Security, income derived from a Security or gains realised on the disposal or redemption of a Security are, in general, not taxable as such. Instead, such holder of a Security will be taxed at a flat rate of 30 per cent. (2006 rate) on deemed income from "savings and investments" (*sparen en beleggen*). This deemed income amounts to 4 per cent. (2006 rate) of the average value of the individual's net worth (*rendementsgrondslag*) at the beginning and end of the calendar year to the extent it exceeds a certain threshold. The fair market value of the Security will be included in the individual's net worth.

### *Non-residents of the Netherlands*

A holder of a Security who is neither resident nor deemed to be resident in the Netherlands nor has opted to be taxed as a resident of the Netherlands who derives income from a Security, or who

realizes a gain on the disposal or redemption of the Security, will not be subject to Netherlands taxation on income or capital gains, unless:

- (i) such holder derives such income or gain from an enterprise whether as an entrepreneur (*ondernemer*) or pursuant to the co-entitlement to the net worth of such enterprise, other than as an entrepreneur or a shareholder, which enterprise is in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands, to which the Security is attributable;
- (ii) the holder is an individual, and such income or gain qualifies as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in the Netherlands, which include activities with respect to the Security that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

### **Taxation of gifts and inheritances**

#### *Residents of the Netherlands*

Generally, gift and inheritance tax will be due in the Netherlands in respect of the acquisition of a Security by way of a gift by, or on the death of, a holder of a Security who is a resident or deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax at the date of the gift or his or her death. An individual of Netherlands nationality is deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax if he or she has been resident in the Netherlands at any time during the 10 years preceding the date of the gift or his or her death. An individual of any other nationality is deemed to be a resident of the Netherlands for the purposes of Netherlands gift tax only if he or she has been resident in the Netherlands at any time during the 12 months preceding the date of the gift.

#### *Non-residents of the Netherlands*

No gift or inheritance tax arises in the Netherlands on the transfer by way of gift by, or on the death of, a holder of a Security if the holder at the time of the gift or time of death is neither a resident nor a deemed resident of the Netherlands, unless:

- (i) at the time of the gift or death, such holder has an enterprise (or an interest in an enterprise) which is, in whole or in part carried on through a permanent establishment or a permanent representative in the Netherlands, to which the Security is attributable; or
- (ii) the holder of a Security dies within 180 days of making the gift, and at the time of death is a resident or deemed resident of the Netherlands.

### **Value added tax**

No value added tax will be due in the Netherlands in respect of payments made in consideration for the issue of a Security, in respect of payments of interest and principal or in respect of the transfer of a Security.

### **Other taxes**

There will be no registration tax, capital contribution tax, customs duty, stamp duty, real estate transfer tax or any other similar tax or duty due in the Netherlands in respect of or in connection with the issue, transfer, execution or delivery by legal proceedings of the Securities of ING Groep N.V.'s obligations under the relevant documents.

### **Residency**

A holder of a Security will not become, and will not be deemed to be, resident in the Netherlands merely by virtue of holding such Security or the execution, performance and/or delivery of any relevant documents.

### **European Union Savings Directive**

Pursuant to the Council Directive of 3 June 2003 on the taxation of savings income in the form of interest payments (2003/48/EC), as amended by a decision of the Council dated 19 July 2004, a Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect to provide information as described

above) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

## SUBSCRIPTION AND SALE

Under a subscription agreement entered into by the Issuer on 15 March 2006 (the “**Subscription Agreement**”), ING Wholesale Banking, Lehman Brothers International (Europe), UBS Limited (the “**Lead Managers**”) have agreed to subscribe for the Securities at the issue price of 100 per cent. The Subscription Agreement is subject to termination in certain circumstances prior to payment to the Issuer.

The Issuer expects that the Securities will be admitted to trading on the Luxembourg Stock Exchange on or about 17 March 2006. As the Securities are being issued in global form, all trades will be settled in the applicable clearing systems on their usual basis for secondary market transactions. Total expenses relating to the admission to trading of the Securities amount to €15,000.

Other than the Issue Price of the Securities, each prospective investor shall not be required to pay any expenses to the Issuer in order to subscribe for the Securities. Upon payment of the issue price of the Securities, the Securities are delivered to the investor.

### United States

The Securities have not been and will not be registered under the US Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from or not subject to the registration requirements of the Securities Act.

Each Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver Securities (i) as part of their distribution at any time, and (ii) otherwise until 40 days after the completion of the distribution of the Securities within the United States or to, or for the account or benefit of, US persons, and that it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of US persons. The terms used in the preceding paragraph and in this paragraph have the meaning assigned to them by Regulation S under the Securities Act.

The Securities are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a US person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings assigned to them by the US Internal Revenue Code of 1986, as amended and US Treasury regulations issued thereunder.

In addition, until 40 days after the completion of the distribution of all Securities, an offer or sale of Securities within the United States by any Lead Manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### United Kingdom

Each Lead Manager has represented and agreed that:

- (i) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (FSMA) with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom; and
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

### European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Lead Manager has represented and agreed, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Securities to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Securities to the public in that Relevant Member State:

- (a) in the period beginning on the date of publication of a prospectus in relation to those Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000 and (3) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Securities to the public” in relation to any Securities in any Relevant Member State means the communication to persons in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

#### Republic of Italy

The offering of the Securities has not been registered pursuant to Italian securities legislation and, accordingly, no Securities may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Securities be distributed in the Republic of Italy, except:

- (i) to professional investors (*operatori qualificati*) (the “**Professional Investors**”), as defined in Article 31, second paragraph, of CONSOB (the Italian Securities Exchange Commission) Regulation No. 11522 of 1 July 1998, as amended (“**Regulation No. 11522**”); or
- (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “**Consolidated Finance Law**”) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Any offer, sale or delivery of the Securities or distribution of copies of the Prospectus or any other document relating to the Securities in the Republic of Italy under (i) or (ii) above must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree no. 385 of 1 September 1993 (the “**Banking Law**”), the Consolidated Financial Law, Regulation No. 11522 and any other applicable laws and regulations;
- (b) in compliance with article 129 of the Banking Law and the implementing instructions of the Bank of Italy, pursuant to which the issue or placement of securities in Italy is subject to prior notification to the Bank of Italy, unless an exemption, depending *inter alia*, on the amount of the issue and the characteristics of the securities, applies; and
- (c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

#### France

Each Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any Securities to the public in France and that offers and sales of Securities in France will be made only to qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in Articles L.411-2 and D.411-1 of the *Code monétaire et financier*.

In addition, each Lead Manager has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in France the Prospectus or

any other offering material relating to the Securities other than to investors to whom offers and sales of Securities in France may be made as described above.

#### **General**

Each Lead Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Securities or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and neither the Issuer nor any Lead Manager shall have any responsibility therefore.

Neither the Issuer nor any of the Lead Managers represents that the Securities may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## GENERAL INFORMATION

### Authorisation

1. The issue of the Securities was duly authorised by a resolution of the Executive Board of the Issuer dated 14 February 2006. All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of the Netherlands have been given for the issue of the Securities and for the Issuer to undertake and perform its obligations under the Securities.

### Listing

2. Application has been made to list the Securities on the Luxembourg Stock Exchange. The constitutional documents of the Issuer and the legal notice relating to the issue of the Securities have been registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés, Luxembourg*), where copies of these documents may be obtained upon request.

### Clearing Systems

3. The Securities have been accepted for clearance through Euroclear Bank S.A./N.V., as operator of the Euroclear System (its address being 3 Boulevard de Roi Albert II, B.1210 Brussels, Belgium) and Clearstream Banking, société anonyme (its address being 42 Avenue J.F. Kennedy L-1855 Luxembourg). The ISIN Code for this issue is XS0246487705 and the Common Code is 024648770.

### No material adverse change

4. There has been no material adverse change in the prospects or financial or trading position of the Issuer since 31 December 2005.

### Use of Proceeds

5. The net proceeds of the issue of the Securities, amounting to approximately £594,000,000 will be applied by the Issuer for the capital requirements of the Issuer and/or its Subsidiaries.

### Website

6. Up to date (investment) information and press releases are freely available for download from the Issuer's website: [www.ing.com](http://www.ing.com).

### Interests of natural and legal persons involved in the issue of the Securities

7. Save for any fees payable to the Lead Managers, so far as the Issuer is aware, no person involved in the issue of the Securities has a potential conflict of interest (between any duties to the Issuer and their private interests and/or other duties) or an interest material to the offer. As far as the Issuer is aware, no member of the Supervisory Board of the Issuer or of the Executive Board of the Issuer has a potential conflict of interest between any duties to the Issuer and their private interests and/or other duties.

### Litigation

8. The Issuer and its consolidated subsidiaries are involved in governmental, legal and arbitration proceedings in the Netherlands and in a number of other countries relating to claims by or against these companies arising in the course of ordinary activities, and also from acquisitions, including the activities as lenders, employers, investors and taxpayers. Several of these cases involve claims for either very large or indefinite amounts. Governmental, legal and arbitration proceedings have not had significant effects on the Issuer's and/or ING group's financial position or profitability in the previous 12 months. Although it is not feasible to predict or to determine the outcome of all current or pending governmental, legal or arbitration proceedings, the Executive Board is of opinion that the outcome is unlikely to have any significant effects on the Issuer's and/or ING group's financial position or profitability.

### Auditors

9. Ernst & Young Accountants have acted as the auditors of the annual accounts of the Issuer for the financial years ending 31st December 2003, 2004 and 2005, respectively. Ernst & Young Accountants issued an unqualified opinion on the annual accounts for 2004 on 7 March 2005.

Ernst & Young Accountants issued an unqualified opinion on the annual accounts for 2005 on 6 March 2006. The registered auditors of Ernst & Young Accountants are a member of the Royal Dutch Institute for registered accountants (*Koninklijk Nederlands Instituut voor register accountants*).

**Documents available**

10. Copies of the following documents will be available, for the life of the Prospectus, free of charge, from the registered office of the Issuer and from the specified office of the Fiscal and Paying Agent for the time being as long as any of the Securities remains outstanding:
  - (a) the English translation of the articles of association (*statuten*) of the Issuer;
  - (b) the audited consolidated and non consolidated financial statements of the Issuer (in English) in respect of the years ended 31st December 2003, 2004 and 2005;
  - (c) the published audited consolidated and non consolidated annual financial statements of the Issuer for each financial year ending after the date of this Prospectus and any consolidated unaudited quarterly statements published after the date of this Prospectus;
  - (d) copies of the Trust Deed, the Agency Agreement and the Calculation Agency Agreement.



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