

ING CANADA INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

ING CANADA INC.

CONSOLIDATED BALANCE SHEETS (unaudited)

(In thousands of dollars)

	As at	
	December 31 2005	December 31 2004
ASSETS		
Cash and cash equivalents (note 1)	\$ 341,138	\$ 82,473
Investments (note 2)	6,720,965	6,285,145
Accrued investment income	50,100	43,266
Due from affiliated companies (note 5)	230	-
Premium and other receivables	1,518,511	1,642,362
Reinsurers' share of unpaid claims and loss adjustment expenses (note 4)	330,519	687,201
Reinsurers' share of unearned premiums (note 4)	17,279	78,199
Deferred acquisition costs	381,992	389,688
Income taxes receivable	55,684	2,591
Other assets	182,119	127,543
Long-term investments	41,587	48,108
Future income taxes	141,101	148,488
Intangible assets	36,948	36,944
Goodwill	108,362	91,116
	\$9,926,535	\$9,663,124
LIABILITIES		
Payables and other liabilities	\$ 815,674	\$ 669,604
Due to affiliated companies (note 5)	2,968	3,025
Income taxes payable	67,705	100,913
Unpaid claims and loss adjustment expenses (note 4)	3,821,609	4,222,961
Unearned premiums (note 4)	2,194,837	2,340,997
Unearned reinsurance commissions	4,129	9,785
Debt outstanding (note 8)	127,000	256,230
	7,033,922	7,603,515
SHAREHOLDERS' EQUITY		
Share capital (note 9)	1,183,846	1,052,290
Contributed surplus	89,713	83,336
Retained earnings	1,619,054	923,983
	2,892,613	2,059,609
	\$9,926,535	\$9,663,124

See accompanying notes to the interim consolidated financial statements

ING CANADA INC.

INTERIM CONSOLIDATED STATEMENTS OF INCOME (unaudited)

(In thousands of dollars except for per share amounts)

	For the three months ended		For the twelve months ended	
	December 31 2005	December 31 2004	December 31 2005	December 31 2004
Direct premiums written	\$ 905,018	\$ 883,010	\$3,904,901	\$3,575,900
Net premiums written	\$ 875,355	\$ 866,839	\$3,754,937	\$3,608,990
REVENUE				
Net premiums earned	\$ 961,318	\$ 888,215	\$3,840,176	\$3,364,563
Investment income	78,526	75,251	338,493	267,000
Realized investment and other gains	67,164	36,332	223,471	132,418
Commission and advisory fees	4,541	4,919	43,928	16,905
	1,111,549	1,004,717	4,446,068	3,780,886
EXPENSES				
Claims and loss adjustment expenses	539,293	498,142	2,161,755	1,905,545
Commissions (note 5)	158,140	170,583	646,344	614,379
Premium taxes	32,743	30,633	133,704	116,794
General expenses	110,077	72,516	405,349	276,681
	840,253	771,874	3,347,152	2,913,399
Interest on debt outstanding	1,991	3,108	7,963	11,715
INCOME BEFORE INCOME TAXES	269,305	229,735	1,090,953	855,772
Income taxes (note 6)	72,423	56,662	309,170	231,620
NET INCOME	\$ 196,882	\$ 173,073	\$ 781,783	\$ 624,152
Earnings per share (note 11)				
Basic	\$1.47	\$1.69	\$5.85	\$6.51
Diluted	\$1.47	\$1.67	\$5.85	\$6.49

See accompanying notes to the interim consolidated financial statements

ING CANADA INC.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

(In thousands of dollars)

	For the three months ended		For the twelve months ended	
	December 31 2005	December 31 2004	December 31 2005	December 31 2004
Share capital				
Balance, beginning of period	\$1,183,846	\$ 605,905	\$1,052,290	\$ 605,905
Capital issued (notes 1 and 9)	-	906,880	136,032	906,880
Reduction of capital	-	(428,684)	-	(428,684)
Share issuance costs, net of income taxes	-	(31,811)	(4,476)	(31,811)
Balance, end of period	1,183,846	1,052,290	1,183,846	1,052,290
Contributed surplus				
Balance, beginning of period	84,443	83,336	83,336	83,336
Stock-based compensation (note 10)	5,270	-	6,377	-
Balance, end of period	89,713	83,336	89,713	83,336
Retained earnings				
Balance, beginning of period	1,443,904	750,910	923,983	299,831
Net income	196,882	173,073	781,783	624,152
Dividends paid	(21,732)	-	(86,926)	-
Other	-	-	214	-
Balance, end of period	1,619,054	923,983	1,619,054	923,983
TOTAL SHAREHOLDERS' EQUITY	\$2,892,613	\$2,059,609	\$2,892,613	\$2,059,609

See accompanying notes to the interim consolidated financial statements

ING CANADA INC.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(In thousands of dollars)

	For the three months ended		For the twelve months ended	
	December 31 2005	December 31 2004	December 31 2005	December 2004
OPERATING ACTIVITIES				
Net income	\$ 196,882	\$ 173,073	\$ 781,783	\$ 624,152
Adjustments to determine cash provided by operating activities:				
Amortization of property and equipment	6,106	3,582	18,121	12,685
Amortization of intangible assets	1,081	305	3,854	305
Amortization of net premiums on fixed income securities	4,587	4,169	16,274	16,813
Net income from long-term investments	(2,320)	(2,687)	(8,428)	(8,098)
Dividends received from long-term investments	2,652	5,674	6,710	7,795
Realized investment and other gains	(67,164)	(36,332)	(223,471)	(132,418)
Decrease in loan provision	(1,160)	-	(5,660)	-
Deferred acquisition costs, net	7,268	3,405	(669)	(64,571)
Future income taxes, net	(8,191)	(49,943)	9,572	(38,135)
Unpaid claims and loss adjustment expenses, net	(46,208)	(21,067)	(44,670)	573,537
Unearned premiums, net	(85,969)	(58,757)	(85,240)	244,427
Changes in other operating assets and liabilities	173,435	84,405	162,893	155,756
Stock-based compensation	5,270	-	6,377	-
Cash provided by operating activities	186,269	105,827	637,446	1,392,248
INVESTING ACTIVITIES				
Proceeds from sale of investments	4,057,452	3,713,970	12,509,278	12,601,021
Purchase of investments	(4,304,772)	(3,739,876)	(12,740,836)	(13,701,019)
Purchase of property and equipment, net	(19,530)	(7,589)	(57,143)	(14,215)
Purchase of brokerages and books of business	(2,503)	-	(14,894)	-
Sale of brokerages and books of business	1,777	-	1,777	-
Net cash used in the acquisition of Allianz	-	(359,312)	-	(359,312)
Proceeds from sale of long-term investments and other, net	(436)	(18,384)	9,963	6,615
Cash used in investing activities	(268,012)	(411,191)	(291,855)	(1,466,910)
FINANCING ACTIVITIES				
Dividends paid	(21,732)	-	(86,926)	-
Debt repayment	-	(204,852)	(129,230)	(226,852)
Proceeds from capital issuance	-	906,880	136,032	906,880
Share issuance costs	-	(48,344)	(6,802)	(48,344)
Reduction of capital	-	(428,684)	-	(428,684)
Cash (used in) provided by financing activities	(21,732)	225,000	(86,926)	203,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	(103,475)	(80,364)	258,665	128,338
CASH AND CASH EQUIVALENTS (OVERDRAFT), BEGINNING OF PERIOD	444,613	162,837	82,473	(45,865)
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 341,138	\$ 82,473	\$ 341,138	\$ 82,473
SUPPLEMENTAL CASH FLOW INFORMATION:				
Income taxes paid	\$ 68,336	\$ 125,752	\$ 385,956	\$ 243,781
Interest paid on debt outstanding	-	2,899	7,963	13,433

See accompanying notes to the interim consolidated financial statements

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(In thousands of dollars except for per share amounts)

1. BASIS OF PRESENTATION

ING Canada Inc. (the "Company") is the resulting corporation from the amalgamation on December 10, 2004 of ING Canada Holdings Inc. and its former subsidiary, ING Canada Inc. The amalgamation is presented on a continuity of interest basis, as if the historical financial position and operating results of these companies had always been amalgamated.

The Company entered into a share and loan purchase agreement dated October 7, 2004 with Allianz AG and Allianz of America, Inc. to acquire most of their operations in Canada ("Allianz"). The transaction was effective November 30, 2004 and was completed on December 8, 2004. Consequently, the Company's interim consolidated statements of income for the three and twelve months ended December 31, 2004 include the results of Allianz only for the month of December 2004.

The Company completed an initial public offering on December 15, 2004. As a result of the offering, 34,880,000 common shares were issued. Pursuant to the underwriters' agreement for the prospectus dated December 9, 2004, the underwriters were granted an over-allotment option to purchase up to 5,232,000 additional common shares at the offering price of \$26.00 per share within thirty days from the date of the closing of the offering. The option was exercised in full in January 2005.

Subsequent to the closing of the offering and the exercise of the over-allotment option, ING Groep N.V. ("ING Groep"), both as the owner of 70% of the common shares and the Special Share (note 9), and as a party to the Co-Operation Agreement (the "Agreement"), has substantial influence over the ongoing business and operation of the Company. The Agreement provides, among other things, that for so long as ING Groep holds not less than one-third of the Company's outstanding common shares, the Company may not carry out certain corporate acts, including entering into business combinations with unaffiliated third parties or making acquisitions or dispositions above certain monetary thresholds or changing the dividend policy without the prior written approval of ING Groep.

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Except as described below, these interim consolidated financial statements use the same accounting policies as were used for the Company's consolidated financial statements for the year ended December 31, 2004 and should be read in conjunction with the Company's annual consolidated financial statements for the year then ended.

Significant accounting changes

(a) Stock-based compensation

In 2005, as a result of the adoption of a Long-Term Incentive Plan for certain employees and a Deferred Stock Unit Plan for independent directors (note 10), the Company adopted the recommendations of the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments", which requires that stock-based compensation awards to non-employees, direct awards of stock, awards that call for settlement in cash or other assets or stock appreciation right awards to employees be recognized on a fair value basis as an expense. Under this policy, the fair value of the earned or awarded amounts is estimated on the grant date and such amount is recorded as a compensation expense over the related vesting period with a corresponding increase to contributed surplus for those awards granted to employees and to liabilities for directors.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(In thousands of dollars except for per share amounts)

1. BASIS OF PRESENTATION (continued)

(b) Rate regulation

In 2005, the Company implemented the requirements of the CICA's Accounting Guideline 19 "Disclosures by Entities Subject to Rate Regulation". The objective of this guideline is to ensure that users of the financial statements of entities providing services or products for which customer rates are established, or subject to approval, by a regulator or a governing body empowered by statute or contract to set rates, are better informed about the existence, nature and effects of all forms of rate regulation. The guideline requires companies to disclose general information useful to an understanding of the nature and economic effects of rate regulation (note 14) and, if applicable, specific information when rate regulation has affected the accounting for a transaction or event.

(c) Cash and cash equivalents

In 2005, the Company changed its definition of cash equivalents in order to better align itself with prevailing industry practice. The Company now defines cash equivalents as highly liquid investments which are readily convertible into a known amount of cash, are subject to an insignificant risk of changes in value and have a maturity date of three months or less from the date of acquisition. Previously, cash equivalents were defined in reference to a maturity date of three months or less from the consolidated balance sheet dates. The change has no impact on the Company's interim consolidated statements of income but results in a reclassification of \$274,740 between cash equivalents and investments in the 2004 consolidated balance sheet. The impact of this change on the interim consolidated statements of cash flows for the three-month and twelve-month periods ended December 31, 2004 is as follows:

	Three months ended December 31, 2004			Twelve months ended December 31, 2004		
	Previously reported	Restated amount	Impact of restatement	Previously reported	Restated amount	Impact of restatement
Amortization of net premiums on fixed income securities	\$ 4,873	\$ 4,169	\$ (704)	\$ 19,224	\$ 16,813	\$ (2,411)
Proceeds from sale of investments	3,161,027	3,713,970	552,943	10,743,137	12,601,021	1,857,884
Purchase of investments	(3,028,484)	(3,739,876)	<u>(711,392)</u>	(11,721,330)	(13,701,019)	<u>(1,979,689)</u>
Net increase (decrease) in cash and cash equivalents	78,789	(80,364)	<u>(159,153)</u>	252,554	128,338	<u>(124,216)</u>

Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities at the dates of these interim consolidated financial statements, the reported amounts of revenue and expenses for the periods, as well as the disclosure of contingent assets and liabilities. These estimates are subject to uncertainty. Changes in estimates are recorded in the accounting period in which these changes are determined.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(In thousands of dollars except for per share amounts)

2. INVESTMENTS

Tables 2.1 and 2.2 reflect the Company's investments. Fixed income securities and preferred shares are classified by investment grade and type of issuer.

Table 2.1	As at December 31, 2005			
	Book value	Fair value	Gross unrealized gains	Gross unrealized losses
Short-term notes ^(a)	\$ 440,435	\$ 440,435	\$ -	\$ -
Fixed income securities ^(b)				
Investment grade ^(c)				
Government and government-guaranteed	2,043,548	2,091,519	52,545	4,574
Corporate	1,147,059	1,173,535	29,565	3,089
Asset-backed	326,174	327,780	2,910	1,304
Below investment grade ^(c)	3,983	2,950	-	1,033
Not rated ^(d)	-	-	-	-
Total fixed income securities	3,520,764	3,595,784	85,020	10,000
Mortgage loans	70,347	73,108	2,761	-
Preferred shares ^(e)				
Investment grade	1,245,117	1,304,977	65,306	5,446
Below investment grade	12,149	14,905	2,796	40
Total preferred shares	1,257,266	1,319,882	68,102	5,486
Common shares ^{(d) and (f)}	1,266,550	1,430,440	183,641	19,751
Other investments ^(g)	165,603	165,603	-	-
	\$6,720,965	\$7,025,252	\$339,524	\$35,237

Table 2.2	As at December 31, 2004			
	Book value	Fair value	Gross unrealized gains	Gross unrealized losses
Short-term notes ^(a)	\$ 274,740	\$ 274,740	\$ -	\$ -
Fixed income securities ^(b)				
Investment grade ^(c)				
Government and government-guaranteed	1,805,736	1,854,940	49,348	144
Corporate	1,330,893	1,365,032	34,924	785
Asset-backed	523,381	531,900	8,550	31
Below investment grade ^(c)	8,771	7,666	22	1,127
Not rated ^(d)	16,318	17,009	691	-
Total fixed income securities	3,685,099	3,776,547	93,535	2,087
Mortgage loans	78,699	83,287	4,588	-
Preferred shares ^(e)				
Investment grade	1,051,792	1,115,442	66,566	2,916
Below investment grade	17,837	20,895	3,174	116
Total preferred shares	1,069,629	1,136,337	69,740	3,032
Common shares ^{(d) and (f)}	997,707	1,077,195	90,622	11,134
Other investments ^(g)	179,271	179,271	-	-
	\$6,285,145	\$6,527,377	\$258,485	\$16,253

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**(In thousands of dollars except for per share amounts)****2. INVESTMENTS (continued)**

- (a) Short-term notes have a maturity date of more than three months from the date of acquisition.
- (b) Fixed income securities include private placements. The book value of the private placements was \$31,618 at December 31, 2005 (2004 - \$38,764) and their fair value was \$30,081 at December 31, 2005 (2004 - \$38,366).
- (c) The Company uses Dominion Bond Rating Services ("DBRS") and Standard & Poor's ("S&P") to rate fixed income securities. Under the Company's updated practice, as of January 1, 2005, fixed income securities with a rating equal to or above BBB- (previously A-) are classified as investment grade and other rated fixed income securities are classified as below investment grade. Comparative figures have been reclassified to conform to the presentation adopted in 2005.
- (d) Subsequent to the sale transaction of mutual funds described in note 13, the Company no longer has any investment in funds under the ING brand name. At December 31, 2004, the book value of the ING fixed income fund units was \$16,318 and their fair value was \$17,009. At that date, the book value of the ING equity fund units was \$138,730 and their fair value was \$150,980.
- (e) The Company uses DBRS and S&P to rate preferred shares. Under the Company's updated practice, as of January 1, 2005, preferred shares with a rating equal to or above P3 low (previously P2 low) are classified as investment grade and other rated preferred shares are classified as below investment grade. Comparative figures have been reclassified to conform to the presentation adopted in 2005.
- (f) The common share category includes common shares as well as mutual fund and income trust units.
- (g) Other investments include loans (note 5) and strategic investments.

The Company has investments in certain common shares and income trust units pursuant to a market neutral strategy. The objective of this strategy, which consists of having both long and short equity positions, is to maximize the value added from active management. Long and short positions are accounted for at cost. Long positions are included in "investments". Short positions are presented as other liabilities.

Table 2.3 summarizes the Company's long and short positions pursuant to the market neutral strategy.

Table 2.3	As at December 31, 2005		As at December 31, 2004	
	Book value	Fair value	Book value	Fair value
Long	\$30,401	\$34,180	\$41,266	\$42,082
Short	30,233	34,220	38,035	41,587

The Company provides collateral for securities borrowed and delivered pursuant to the sale of short securities. At December 31, 2005, the book value of the collateral was \$32,041 (2004 - \$39,641).

To assess impairment, management reviews available current information for investments with fair values below their book values to ascertain whether the book values are expected to be recovered. The impairment losses recorded for the three and twelve-month periods ended December 31, 2005 were \$4,359 and \$10,470, respectively (2004 - \$6,116 and \$6,950, respectively).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(In thousands of dollars except for per share amounts)

3. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments to manage financial risks arising from fluctuations in foreign exchange rates and cash flows. The Company's policy is to not utilize derivative financial instruments for trading or speculative purposes.

Table 3.1 summarizes the derivatives used by the Company, their notional amount and their fair value. Positive fair values are recorded as other assets and negative fair values as other liabilities.

	As at December 31, 2005			As at December 31, 2004		
	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
Foreign exchange risk						
Forwards sold	\$28,605	\$ 86	\$ -	\$39,680	\$ -	\$39
Forwards bought	5,922	-	18	540	-	-
Cash flow risk						
Foreign currency swaps	14,542	3,003	-	14,972	2,406	-
	\$49,069	\$3,089	\$18	\$55,192	\$2,406	\$39

Table 3.2 summarizes the remaining terms to maturity of the derivatives.

	As at December 31, 2005			As at December 31, 2004		
	Term to maturity (notional amount)			Term to maturity (notional amount)		
	One year or less	One year to five years	Over five years	One year or less	One year to five years	Over five years
Forwards	\$34,527	\$ -	\$ -	\$40,220	\$ -	\$ -
Foreign currency swaps	4,320	1,718	8,504	-	6,468	8,504
	\$38,847	\$1,718	\$8,504	\$40,220	\$6,468	\$8,504

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(In thousands of dollars except for per share amounts)

4. POLICY LIABILITIES

Policy liabilities are established to reflect the estimate of the full amount of all liabilities associated with the insurance policies at the consolidated balance sheet dates, including claims incurred but not reported. The ultimate cost of these liabilities will vary from the best estimate made for a variety of reasons, including additional information with respect to the facts and circumstances of the claims incurred.

Unpaid claims and loss adjustment expenses

Table 4.1	As at December 31, 2005			As at December 31, 2004		
	Direct ^(a)	Assumed ^(a)	Ceded ^(b)	Direct ^(a)	Assumed ^(a)	Ceded ^(b)
Auto : liability	\$1,754,126	\$-	\$ 42,401	\$1,850,330	\$ -	\$ 77,039
Auto : personal accident	717,743	-	29,557	770,297	-	32,153
Auto : other	86,594	-	1,124	101,582	-	161
Property	504,521	-	136,948	610,309	1,827	314,450
Liability	754,257	-	119,636	818,824	763	199,007
Other	4,368	-	853	58,692	10,337	64,391
	\$3,821,609	\$-	\$330,519	\$4,210,034	\$12,927	\$687,201

(a) The aggregate of direct and assumed unpaid claims and loss adjustment expenses of \$3,821,609 (2004 - \$4,222,961) is shown as unpaid claims and loss adjustment expenses in the consolidated balance sheets.

(b) Ceded unpaid claims are referred to as reinsurers' share of unpaid claims and loss adjustment expenses in the consolidated balance sheets.

Unpaid claims and loss adjustment expenses are first determined on a case-by-case basis as claims are reported and then reassessed as additional information becomes known. Included in unpaid claims and loss adjustment expenses is a provision to account for the future development of these claims including claims incurred but not reported, as well as a provision for adverse deviations, as required by accepted actuarial practice in Canada. Unpaid claims and loss adjustment expenses are discounted to take into account the time value of money.

In estimating unpaid claims and loss adjustment expenses, standard actuarial techniques are used. These techniques are based on historical loss development factors and payment patterns. They require the use of assumptions such as loss and payment development factors, future rates of claims frequency and severity, inflation, reinsurance recoveries, expenses, changes in the legal environment, changes in the regulatory environment and other matters, taking into consideration the circumstances of the Company and the nature of the insurance policies.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(In thousands of dollars except for per share amounts)

4. POLICY LIABILITIES (continued)

Unearned premiums

	As at December 31, 2005			As at December 31, 2004		
	Direct ^(c)	Assumed ^(c)	Ceded ^(d)	Direct ^(c)	Assumed ^(c)	Ceded ^(d)
Auto : liability	\$ 572,700	\$-	\$ 647	\$ 620,367	\$ 50	\$ 3,108
Auto : personal accident	186,665	-	60	198,619	-	665
Auto : other	520,354	-	7	547,998	-	908
Property	730,386	-	3,680	764,420	3,259	40,099
Liability	158,876	-	3,238	167,253	2,394	14,838
Other	25,856	-	9,647	36,386	251	18,581
	\$2,194,837	\$-	\$17,279	\$2,335,043	\$5,954	\$78,199

(c) The aggregate of direct and assumed unearned premiums of \$2,194,837 (2004 - \$2,340,997) is shown as unearned premiums in the consolidated balance sheets.

(d) Ceded unearned premiums are referred to as reinsurers' share of unearned premiums in the consolidated balance sheets.

Unearned premiums are calculated on a pro rata basis from the unexpired portion of the premiums written. The unearned premiums estimate is validated through standard actuarial techniques to ensure that these premiums are sufficient to cover the estimated future costs of servicing these policies and related claims. In estimating these costs, the Company uses discounting techniques to take into account the time value of money and a provision for adverse deviations is added to the discounted amount. There was no premium deficiency at the consolidated balance sheet dates.

The Company estimates that the fair value of unpaid claims and loss adjustment expenses, as well as the fair value of unearned premiums, approximate their book values.

Pursuant to the acquisition of Allianz (note 1), a series of restructuring transactions requiring Allianz to transfer a portion of its business (the "AGR Business") to the Canadian branch of Allianz Global Risks US Insurance Company was completed as of September 1, 2005. Prior to this date, the AGR Business was subject to a quota share agreement with Allianz Global Risks Rückversicherungs AG and therefore had no impact on the Company's net income.

Table 4.3 shows the impact of the AGR Business on the consolidated balance sheets.

	As at December 31, 2005		As at December 31, 2004	
	Assumed	Ceded	Assumed	Ceded
Unpaid claims and loss adjustment expenses	\$-	\$-	\$12,927	\$447,102
Unearned premiums	-	-	5,954	61,523

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(In thousands of dollars except for per share amounts)

5. RELATED PARTY TRANSACTIONS

The Company enters into transactions with the controlling shareholder, ING Groep, and entities that are subject to common control or management. These transactions consist of reinsurance, management and advisory expenses, financing charges, as well as advisory fee income. These transactions are carried out in the normal course of operations. Accordingly, they are measured at the amount of consideration paid or received established and agreed to by the related parties and are settled on a regular basis.

Table 5.1 summarizes the impact of reinsurance ceded to entities that are subject to common control or management on the interim consolidated statements of income.

Table 5.1	For the three months ended December 31		For the twelve months ended December 31	
	2005	2004	2005	2004
Ceded premiums earned	\$11,777	\$12,801	\$ 48,707	\$56,038
Ceded claims and loss adjustment expenses	8,803	6,742	80,641	31,655
Loss (income) before income taxes	\$2,974	\$6,059	\$(31,934)	\$24,383

Table 5.2 summarizes the other types of transactions with entities that are subject to common control or management.

Table 5.2	For the three months ended December 31		For the twelve months ended December 31	
	2005	2004	2005	2004
Advisory fee income	\$ 171	\$2,177	\$ 5,992	\$ 8,347
Management and advisory expenses	4,608	5,129	17,885	17,853
Interest expense	1,991	2,027	7,963	9,509

Table 5.3 summarizes the Company's balances with entities that are subject to common control or management.

Table 5.3	As at December 31, 2005	As at December 31, 2004
Reinsurance (receivable) payable	\$ (230)	\$ 65
Interest and other payables	2,968	2,960
	\$2,738	\$3,025

The financial statements of the investees presented as long-term investments included the following balances with the Company.

Table 5.4	As at December 31, 2005	As at December 31, 2004
Loans payable	\$63,386	\$66,586
Premiums and other receivables	5,900	7,100
Payables and other liabilities	2,800	4,700

Commission revenue recognized by investees accounted for as long-term investments totaled \$28,200 for the twelve months ended December 31, 2005 (2004 - \$29,800).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(In thousands of dollars except for per share amounts)

5. RELATED PARTY TRANSACTIONS (continued)

Effective January 1, 2004, the Company commuted a quota share agreement with an affiliated company. As a result, the Company assumed \$665,000 in previously ceded policy liabilities and received an equivalent amount of investment assets.

In 2000, a subsidiary of the Company launched a series of mutual funds under the ING brand name for distribution in Canada and acted as the funds' manager and advisor. Other subsidiaries of the Company had investments in the units of these funds (note 2). As described in note 13, the Company has exited its fund management activities and, as a result, held no such fund units at December 31, 2005. The fair value of the units held by the Company in these funds represented 45.9% of the funds' total fair value at December 31, 2004.

6. INCOME TAXES

Table 6.1 explains the difference, expressed in percentage terms, between the income tax expense and the amount that would have been computed if the federal and provincial statutory tax rates had been applied to income before income taxes:

Table 6.1	For the three months ended December 31		For the twelve months ended December 31	
	2005 %	2004 %	2005 %	2004 %
Income tax expense calculated at statutory tax rates	34.5	34.6	34.5	34.3
Increase (decrease) in income tax rates resulting from:				
Non-taxable dividends	(4.5)	(4.4)	(3.6)	(3.8)
Non-deductible accounting write-down	-	(0.2)	-	-
Non-deductible expenses	0.4	(1.6)	0.4	0.7
Non-taxable net income from subsidiaries	-	-	(0.2)	-
Tax-asset recovery not previously recorded	(0.4)	(1.3)	(1.2)	-
Non-taxable portion of capital gains	(0.6)	(0.9)	(1.1)	(1.1)
Impact of tax rate changes	(0.8)	-	(0.2)	-
Other (net)	(1.7)	(1.5)	(0.3)	(3.0)
Effective income tax rate	26.9	24.7	28.3	27.1

7. EMPLOYEE FUTURE BENEFITS

The Company has several defined benefit pension plans, as well as defined contribution pension plans. The Company recorded defined benefit pension income of \$1,175 and \$3,234 for the three and twelve-month periods ended December 31, 2005, respectively (2004 - \$407 and \$1,623). For the defined contribution plans, the expense and the employer contributions were \$722 and \$2,202 for the three and twelve-month periods ended December 31, 2005 (2004 - nil and nil).

The Company partly finances several other retirement plans offering life insurance and health benefits which are closed to active employees. For these other plans, the Company recorded an expense of \$9 and \$658 for the three and twelve-month periods ended December 31, 2005, respectively (2004 - \$218 and \$871).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(In thousands of dollars except for per share amounts)

8. DEBT OUTSTANDING

Table 8.1 summarizes the Company's loans and line of credit.

Table 8.1

Issuer	Maturity	Rate	As at December 31, 2005	As at December 31, 2004
ING Verzekeringen, N.V.	August 27, 2006	6.27%	\$127,000	\$127,000
ING Insurance International, N.V. ^(a)		-	-	129,230
Royal Bank of Canada ^(b)		-	-	-
			\$127,000	\$256,230

- (a) Non-interest bearing promissory note, representing the outstanding balance arising from the redemption of preferred shares in 2004. The note was fully repaid in January 2005, following the exercise of the over-allotment option granted to the underwriters as a result of the initial public offering (note 1).
- (b) Uncommitted revolving credit facility in the amount of \$50,000, which may be drawn as primary loans at the prime rate or as bankers' acceptances at the bankers' acceptance rate.

9. SHARE CAPITAL

Pursuant to the underwriters' agreement for the prospectus, the underwriters were granted an over-allotment option to purchase up to 5,232,000 additional common shares at the offering price of \$26.00 per share within thirty days from the date of the closing of the offering. The option was exercised in full on January 13, 2005, generating net proceeds of \$129,230 and increasing share capital by \$131,556 after taxes.

Table 9.1 summarizes the Company's share capital.

Classes of shares	As at December 31, 2005			As at December 31, 2004		
	Authorized (shares)	Issued and outstanding (shares)	Amount	Authorized (shares)	Issued and outstanding (shares)	Amount
Common	Unlimited	133,732,000	\$1,183,846	Unlimited	128,500,000	\$1,052,290
Class A ^(a)	Unlimited	-	-	Unlimited	-	-
Special ^(b)	One	1	-	One	1	-
			<u>\$1,183,846</u>			<u>\$1,052,290</u>

- (a) Issued and outstanding Class A shares would rank both with regards to dividends and return on capital in priority to the common shares.
- (b) The Special Share is convertible into one common share. The beneficial owner of the Special Share is entitled to nominate and elect a certain number of directors to the Board and to appoint the Chief Executive Officer, as determined by the number of common shares that the holder of the Special Share beneficially owns.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(In thousands of dollars except for per share amounts)

10. STOCK-BASED COMPENSATION

On February 16, 2005, the Board of Directors of the Company approved a Long-Term Incentive Plan for certain employees. Under that plan, these employees are awarded performance units (one performance unit equals one common share of the Company) as a portion of their compensation. Each award vests and pays out at the end of a three-year performance cycle. The payout varies based on a performance target driven by the Company's three-year average return on equity relative to that of the Canadian property and casualty insurance industry. The payout may only be in common shares. Accordingly, this type of compensation is recognized as an expense with a corresponding increase to contributed surplus. The Company re-estimates the number of performance units that are expected to vest at each reporting period. The estimate was 363,700 units at December 31, 2005.

Members of the Company's Board of Directors who are not officers or employees of the Company or its affiliates receive compensation in the form of Deferred Share Units ("DSU") and may elect to receive other compensation in the form of DSU or cash. A DSU represents an amount owed by the Company to the directors and has the same value as one share of the Company at the date of the grant. These DSU may not be paid out until such time that the director leaves the Board. Payment may be in cash or common shares of the Company, at the option of the directors. Accordingly, director compensation is recognized both as an expense and a liability.

At the time of the payout, the Company intends to purchase shares in the market in an amount equal to the number of vested shares.

The aggregate amounts charged to compensation expense for these plans were \$5,288 and \$6,447 for the three and twelve-month periods ended December 31, 2005, respectively. The expense is based on the fair value of the awards at the dates of the grants and represents management's estimate of the payout by reference to the achievement of an expected performance target.

11. EARNINGS PER SHARE

Table 11.1	For the three months ended December 31		For the twelve months ended December 31	
	2005	2004	2005	2004 ^(a)
Basic earnings per share				
Net income available to common shareholders	\$196,882	\$173,073	\$781,783	\$624,152
Average number of common shares (in thousands)	133,732	102,340	133,546	95,818
Basic earnings per share	\$1.47	\$1.69	\$5.85	\$6.51
Diluted earnings per share				
Net income available to common shareholders	\$196,882	\$173,073	\$781,783	\$624,152
Net interest income on proceeds of over-allotment option	-	114	-	114
Adjusted net income available to common shareholders	\$196,882	\$173,187	\$781,783	\$624,266
Average number of common shares (in thousands)	133,732	102,340	133,546	95,818
Common shares granted in over-allotment ^(b) (in thousands)	-	1,308	-	330
Average number of diluted common shares (in thousands)	133,732	103,648	133,546	96,148
Diluted earnings per share	\$1.47	\$1.67	\$5.85	\$6.49

(a) For comparative purposes, the number of common shares reflects the reorganization of capital as if it had occurred on January 1, 2004 (note 9).

(b) Note 9.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(In thousands of dollars except for per share amounts)

12. INTEGRATION COSTS

In connection with the acquisition of Allianz, the Company recorded integration costs as part of the purchase price. These costs represent the amounts the Company expects to incur in relation to the integration of the operations of Allianz and consist of provisions for involuntary employee terminations, redundant lease space, discontinuance of information systems and regulatory policyholder notification requirements.

The outstanding balance of these integration costs was \$20,556 at December 31, 2005 (2004 - \$34,518).

13. ACQUISITIONS AND DIVESTITURES

During 2005, goodwill and intangible assets increased by \$17,246 and \$3,858, respectively, as a result of acquisitions made by subsidiaries of the Company for cash consideration of \$14,894 and dispositions for \$1,777. Where the acquisitions give the Company control over investees which were previously accounted for as long-term investments under the equity method, the investees are consolidated, resulting in an increase of, and a reallocation to, assets and liabilities.

On July 8, 2005, the Company terminated five ING funds. Remaining investments were switched into the ING Canadian Money Market Fund. On August 5, 2005, this fund, along with twelve other ING funds, were merged into AGF funds pursuant to the agreement with AGF Funds Inc., which also acquired the ING Canadian Dividend Income Fund. The Company did not incur significant incremental expenses or asset impairment charges as a result of these transactions. Furthermore, the exiting of fund management activities has had no material impact on the Company's results and will have no material impact on the Company's future results.

Effective September 1, 2005, the Company sold the renewal rights of \$13,000 of commercial marine insurance business.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(In thousands of dollars except for per share amounts)

14. DISCLOSURES ON RATE REGULATION

The Company's insurance subsidiaries are licensed under insurance legislation in each of the provinces and territories in which they conduct business. Automobile insurance is a compulsory product and is subject to different regulations across the provinces and territories in Canada, including those with respect to rate setting. Rate setting mechanisms vary across the provinces and territories in Canada, but they generally fall under three categories: "use and file", "file and use" and "file and approve". Under "use and file", rates are filed following use. Under "file and use", insurers file their rates with the relevant authorities and wait for a prescribed period of time and then implement the proposed rates. Under "file and approve", insurers must wait for specific approval of filed rates before they may be used.

Table 14.1 lists the provincial authorities which regulate automobile insurance rates. Automobile direct written premiums in these provinces totaled \$2,166,541 in 2005 (2004 - \$1,974,964) and represented approximately 98.2% (2004 - 98.0%) of direct automobile premiums written.

Table 14.1

Province/territory	Rate filing	Regulatory authority
Alberta	File and approve or file and use ^(a)	Alberta Automobile Insurance Rate Board
Ontario	File and approve	Financial Services Commission of Ontario
Quebec	Use and file	L'Autorité des marchés financiers
Nova Scotia	File and approve	Nova Scotia Insurance Review Board
New Brunswick	File and approve	New Brunswick Insurance Board
Prince Edward Island	File and approve	Island Regulatory Appeals Commission
Newfoundland	File and approve	Board of Commissioners of Public Utilities

(a) For mandatory coverage, the rate regulation mechanisms are "file and approve" or "file and use", depending on the filing; for optional coverage, the rate regulation mechanism is "file and use".

Relevant regulatory authorities may, in some circumstances, require retroactive rate adjustments, which could result in a regulatory asset or liability. At December 31, 2005, the Company had no regulatory asset or liability.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(In thousands of dollars except for per share amounts)

15. SEGMENTED INFORMATION

The Company's core business activity is property and casualty ("P&C") insurance. P&C operations include two manufacturing segments and the investment segment. The manufacturing segments are personal lines and commercial lines. Classes in the personal lines segment include automobile and property. Classes in the commercial lines segment encompass commercial property and liability, automobile, surety, marine, as well as niche products that are targeted towards limited markets requiring specialized underwriting and claim settlement. The effect of reinsurance is reflected in the revenue and results of the manufacturing segments. The investment activities consist of managing the investment portfolio for the Company as a whole. Investment income is shown net of investment expenses. Non-property and casualty segments include corporate and other activities, as well as realized investment and other gains. Corporate and other activities include miscellaneous sources of income such as commissions and advisory fees and related expenses, the Company's share of net income from long-term investments and expenses pertaining to non-recurring items such as acquisitions whose effects are not allocated to any other segment.

Table 15.1	For the three months ended December 31		For the twelve months ended December 31	
	2005	2004	2005	2004
Revenue				
Net premiums earned				
Personal insurance	\$ 670,909	\$ 622,143	\$2,680,698	\$2,343,448
Commercial insurance	290,409	266,072	1,159,478	1,021,115
Investments	73,961	73,261	323,255	256,692
Total P&C insurance	1,035,279	961,476	4,163,431	3,621,255
Corporate and other	9,106	6,909	59,166	27,213
Realized investment and other gains	67,164	36,332	223,471	132,418
Total revenue	\$1,111,549	\$1,004,717	\$4,446,068	\$3,780,886
Income before income taxes				
Underwriting income				
Personal insurance	\$ 113,289	\$ 121,735	\$ 382,120	\$ 339,228
Commercial insurance	12,962	(3,384)	155,592	130,802
Investments	68,340	71,039	300,732	246,964
Total P&C insurance	194,591	189,390	838,444	716,994
Corporate and other	7,550	4,013	29,038	6,360
Realized investment and other gains	67,164	36,332	223,471	132,418
Total income before income taxes	\$ 269,305	\$ 229,735	\$1,090,953	\$ 855,772
As at December 31				
			2005	2004
Assets				
P&C insurance ^(a)			\$9,066,267	\$9,230,609
Corporate and other ^(b)			860,268	432,515
Total assets			\$9,926,535	\$9,663,124
For the three months ended December 31, 2005				
			For the three months ended December 31, 2005	For the twelve months ended December 31, 2005
Increase of goodwill				
P&C insurance		\$ -	\$ -	\$32,525
Corporate and other		3,305	17,246	14,229
Total increase of goodwill		\$3,305	\$17,246	\$46,754

(a) Includes goodwill of \$74,411 at December 31, 2005 and 2004.

(b) Includes goodwill of \$33,951 at December 31, 2005 and \$16,705 at December 31, 2004.

(c) Goodwill in the amount of \$46,754 was acquired during the three-month period ended December 31, 2004.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(In thousands of dollars except for per share amounts)

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current periods.

17. SUBSEQUENT EVENT

The Company entered into an agreement dated December 15, 2005 to sell certain office buildings to Whiterock Real Estate Investment Trust for approximately \$29,700 and to lease back these buildings for a term of 20 years with four, five-year extensions. Due diligence by the purchaser was completed in February 2006. The transaction will generate a gain of approximately \$3,000 which will be deferred and amortized over the lease term in accordance with the provisions of the CICA Handbook Section 3065. The lease agreement qualifies as an operating lease with minimum annual lease payments of \$2,200.