
# Fourth Quarter 2008 Results

## Navigating through the crisis

Press Presentation

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# 4Q results 2008

## Agenda

| Jan Hommen | John Hele | Koos Timmermans | Jan Hommen |
|---|---|---|---|

**Navigating through the crisis**

- Lessons learned from the financial crisis
- Short-term objectives to address concerns head-on
- Measures to strengthen ING
- Change programme to build ING into a stronger organisation

# Lessons learned from the financial crisis

- The financial crisis has had an unprecedented impact on our industry and the magnitude of the crisis has left few companies untouched
- The need for many companies to seek government support has raised important issues about capital requirements, risk management, regulation and the role of banks in society
- Crisis has damaged confidence in the financial industry, and although our customer base has remained stable, we know we must work to earn our customers' trust every day

**We must live up to our responsibilities to all stakeholders:**

- Provide stability to **clients** and be a trusted financial partner
- Give clarity to **employees** to keep staff motivated and focused on the customer
- Partner with **regulators**, **governments** and **society** to build a strong financial sector
- Continue to make credit available to sustain a healthy **economy**
- Strengthen the financial position and improve earnings capacity for **investors**

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# Lessons learned for ING

## Looking back we must also draw on some important lessons for ING:

- Take more selective approach to growth within risk and capital constraints
- Further reduce risk and leverage
- Reduce volatility in equity by shrinking the AFS portfolio
- Maintain capital in line with market expectations
- Bring costs into line with leaner operating environment
- Be more outwardly focused and alert to changes in market
- Increase accountability within the organisation
- Reduce complexity and focus on the basics

**Addressing these lessons is our top priority**

# We have taken important steps to strengthen ING

| | |
|---|---|
| Illiquid Assets Back-up Facility | **Dutch State offers full economic protection on 80% of ING's Alt-A RMBS portfolio**<br>• Strengthens IFRS equity by EUR 4.6 bln<br>• Reduces RWAs by ~ EUR 13 bln, adding approx. 37 bps to Tier-1 ratio<br>• Reduces potential future Alt-A impairments by 80% |
| Sale of Taiwanese life insurance business | **ING completed sale of Taiwanese life insurance business**<br>• The transaction reduces the economic capital requirements for insurance<br>• The sale significantly reduces interest-rate risk in the insurance company<br>• Resulting loss of EUR 292 million was booked in 4Q2008 |
| Sale of Canadian P&C insurance business | **ING divested its total stake in ING Canada**<br>• ING Group sold its shares for a total of CAD 2.2 bln (EUR 1.4 bln)<br>• Sale is part of ING's increased focus on core businesses<br>• Transaction reduces debt/equity ratio of ING Insurance by more than 4%-points |

Capital ratios have been strengthened but we remain vigilant

# Top priorities going forward

| | |
|---|---|
| Further reduce risk and leverage | **We are reducing exposure to market volatility**<br>• Reducing the size of the available for sale portfolio<br>• Hedging direct public equity exposure<br>• Disposed EUR 900 mln of Real Estate and EUR 500 mln of Private Equity<br>• Reducing size of bank balance sheet by 10% by decreasing the non-lending part by 25% |
| Take out costs | **We are cutting operating expenses by EUR 1 bln in 2009**<br>• Reduction of costs also from head office, marketing, Formula 1, third-party staff<br>• Number of full-time positions will be reduced by 7,000 worldwide in 2009<br>• Restructuring provision of approximately EUR 450 mln after tax<br>• Expense reduction will lead to annual savings of EUR 1.1 bln starting 2010<br>• Modesty must prevail |
| Preserve capital | **We will continue to work to preserve capital**<br>• Focus the organisation and divest non-core activities<br>• Stop setting up new businesses<br>• Work to buy back Core Tier-1 securities from Dutch State once current crisis abates |
| Putting customers first | **We will work to earn our customers' trust every day**<br>• Deliver an easier experience with transparency and accountability<br>• Adapt product portfolio to accommodate changing customer needs |

Go back to basics and make choices to emerge from crisis as a stronger company

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# Change programme for 2009-2010

**Strengthen financials and navigate through the crisis**

- Reduce costs
- Manage and reduce risk and capital exposures
- De-leverage balance sheet (reduce assets, preserve equity)

**Focus on fewer, coherent and strong businesses**

- Review portfolio of businesses
- Reduce number of markets in which ING operates
- Simplify the group

**Invest to reinforce franchises in markets we focus on**

- Drive operational and commercial excellence
- Consolidate positions using acquisitions where needed
- Continue to adapt to customers' needs

**Build a stronger organisation**

- Steer on operational and commercial performance with clear accountability
- Outward-looking and responsive to customer needs
- Simplify governance, further strengthen finance & risk, and reduce complexity

# Impact of the crisis evident in fourth-quarter financials

- **4Q2008 underlying net loss of EUR 3,101 million driven by market volatility and declining asset prices**
  - Banking underlying net loss of EUR 1,065 mln in 4Q2008; full-year remained profitable at EUR 722 mln
  - Insurance underlying net loss of EUR 2,036 mln from investment losses and DAC unlocking
  - Divestments and special items totaled EUR -611 mln, bringing the quarterly net loss to EUR 3,711 mln
  - Net loss per share of EUR 1.82, compared to a net profit per share of EUR 1.18 in fourth quarter of 2007

- **Commercial performance resilient during 2008, despite headwinds in the fourth quarter**
  - Full-year 2008 net production of client balances of EUR 93 billion, excluding the impact of currencies
  - Client savings and deposits contributed EUR 21 bln to the net production, excluding currency effects
  - VNB down 8.1% for the full-year 2008, as weakness in the second half of 2008 offset solid first half results

# 4Q results 2008

**Agenda**

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|---|---|---|---|

**4Q2008 Financial Results**

- Results impacted by market turmoil
- Commercial performance resilient in 2008 despite headwinds in 4Q2008
- ING is reducing expenses in line with leaner operating environment
- Capital ratios have been strengthened but we remain vigilant

# ING posts small loss in 2008; banking remains profitable

| | FY08 | | | 4Q08 | | |
|---|---|---|---|---|---|---|
| (in EUR million) | Bank | Insurance | Group | Bank | Insurance | Group |
| **Commercial result before risk costs** | **5,263** | **2,057** | **7,319** | **998** | **348** | **1,345** |
| Impairments, etc on pressurised assets | -2,039 | -560 | -2,599 | -1,734 | -315 | -2,049 |
| Impairments on equity securities | -331 | -1,376 | -1,707 | -43 | -643 | -686 |
| Impairments on other debt securities | -255 | -520 | -775 | -84 | -185 | -269 |
| **Impairments and losses** | **-2,625** | **-2,455** | **-5,081** | **-1,861** | **-1,143** | **-3,004** |
| Revaluations on real estate | -732 | -452 | -1,184 | -332 | -280 | -612 |
| Revaluations on private equity | | -399 | -399 | | -267 | -267 |
| **Revaluations** | **-732** | **-851** | **-1,583** | **-332** | **-547** | **-879** |
| Equity capital gains/ equity hedge | 30 | 1,181 | 1,211 | -69 | -145 | -214 |
| Equity related DAC unlocking | | -567 | -567 | | -313 | -313 |
| FX hedge/Other* | -206 | -600 | -806 | | -736 | -736 |
| **Other market impacts** | **-176** | **14** | **-162** | **-69** | **-1,194** | **-1,263** |
| **Risk costs Bank** | **-1,280** | | **-1,280** | **-576** | | **-576** |
| **Underlying result before tax** | **449** | **-1,235** | **-787** | **-1,841** | **-2,536** | **-4,377** |
| Tax and third-party interests | 273 | 343 | 615 | 776 | 500 | 1,276 |
| **Underlying net result** | **722** | **-893** | **-171** | **-1,065** | **-2,036** | **-3,101** |
| Divestments and special items | -267 | -291 | -558 | -119 | -493 | -612 |
| **Total net result** | **454** | **-1,183** | **-729** | **-1,184** | **-2,527** | **-3,711** |

* Other includes FX hedges and other market-to-market valuations

Numbers may not add up due to rounding

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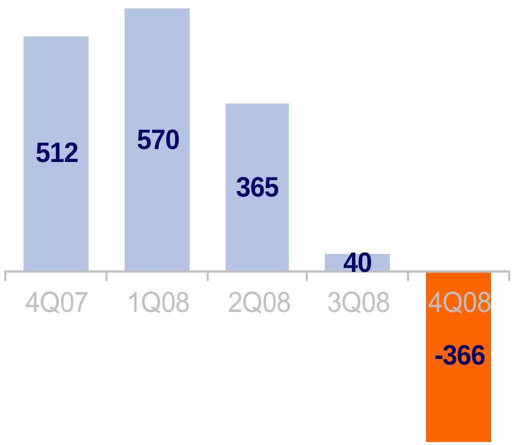
# Banking: Lower result driven by impairments, negative revaluations and risk costs

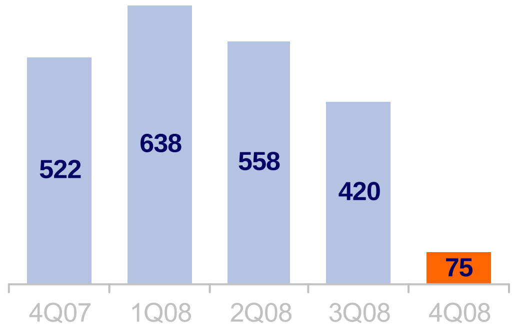
## Underlying result before tax (in EUR million)

### Wholesale Banking



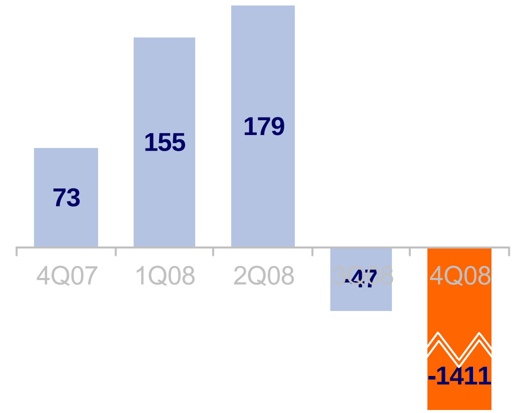

- Result before tax down to EUR -366 mln due to real estate revaluations (EUR -332 mln) and credit related markdowns and impairments (EUR -171 mln)
- Commercial performance in General Lending and Structured Finance was resilient
- Risk costs rose to EUR 254 mln due to worsening economic conditions

### Retail Banking




- Market turmoil puts pressure on commission income
- Intense competition for savings and deposits continues
- Losses in mid-corporates on financial market products
- Accelerated costs due to Dutch retail banking integration
- Risk costs up to EUR 207 mln driven by private banking and mid-corporates

### ING Direct




- Loss before tax due to EUR 1,670 mln in impairments, mainly on Alt-A
- Interest margin up to 0.99% following rate reductions
- 472,000 new clients added
- Illiquid Assets Back-up Facility reduces future Alt-A exposure
- Risk costs rose to EUR 115 mln, driven by the US

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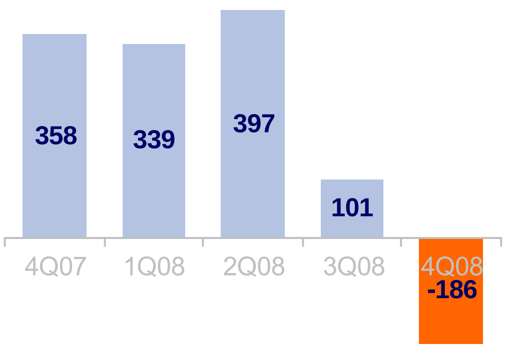
# Insurance: Financial markets downturn and volatility reduces earnings

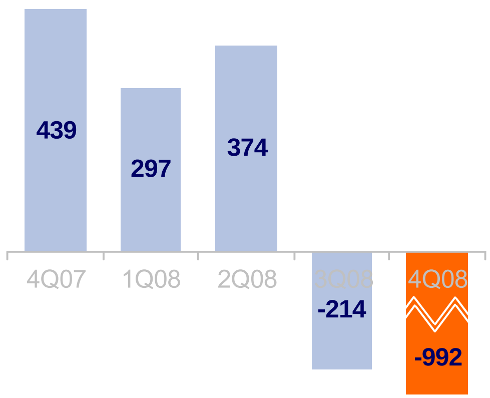
## Underlying result before tax (in EUR million)

### Insurance Europe



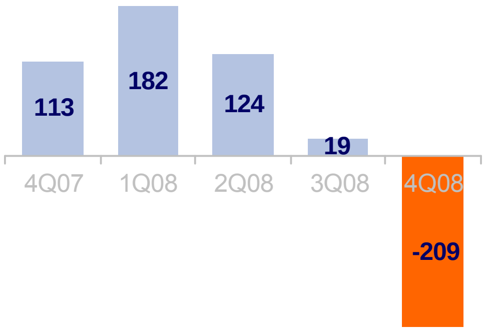

- Underlying result before tax declines to EUR -186 mln due to investment losses across asset classes
- Gross premium income increased 3.6% due to solid sales of single premium products in NL
- Derisking efforts include sale of proprietary equities and RE

### Insurance Americas




- Market turmoil triggers underlying loss of EUR 992 mln
- Result driven by EUR 442 mln investment losses and EUR 838 mln negative DAC unlocking
- Net flows in retirement services and variable annuity declined 35.3% but remained solidly positive at EUR 1,208 mln

### Insurance Asia/Pacific




- Underlying result before tax down to EUR -209 mln due to sharp declines in equity markets
- Japan: EUR 269 mln SPVA market-related hedge losses
- Despite lower sales, ING Insurance Asia/Pacific either maintained or improved market positions across the region

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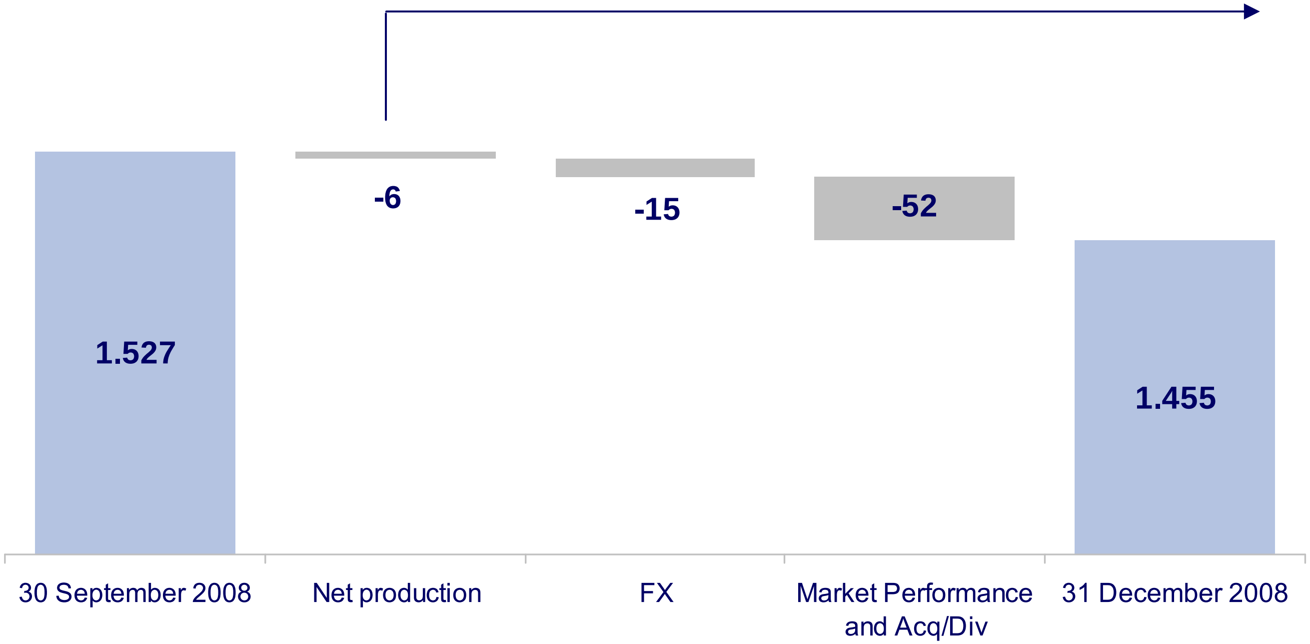
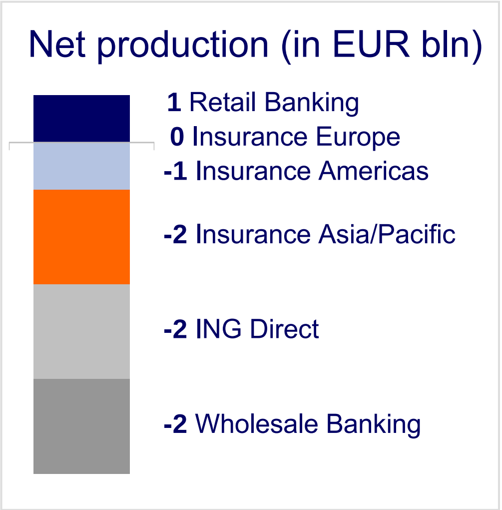
# Client balances production EUR -6 billion in 4Q2008 but FY production resilient at EUR 93 bln

**Client balances, ING Group (in EUR billion)**

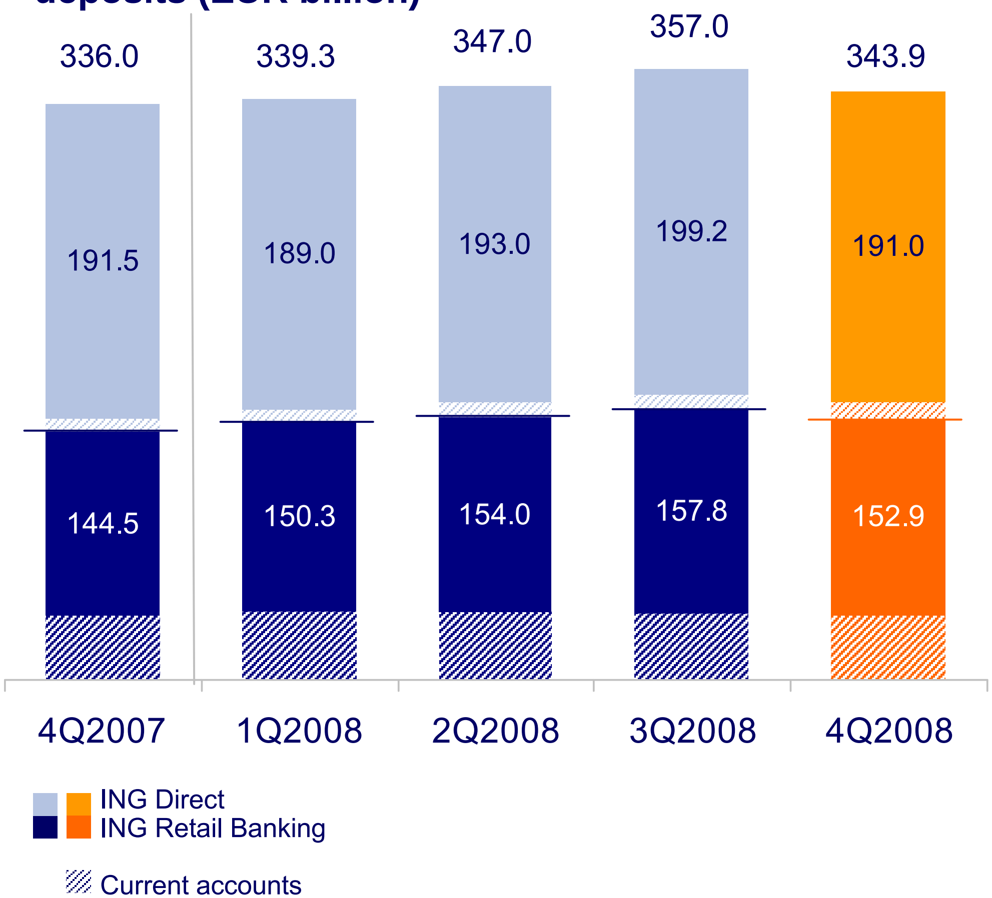



- In 4Q2008, client balance production was EUR -6 billion
- Over 2008, the net production of client balances, excluding currency impacts, was EUR 93 billion
- Clients savings and deposits accounted for EUR 21 billion of the net production in 2008 (excluding currency effects), of which EUR 12 billion was from retail customers

# Retail savings inflows in January 2009 compensate for outflows in 4Q2008

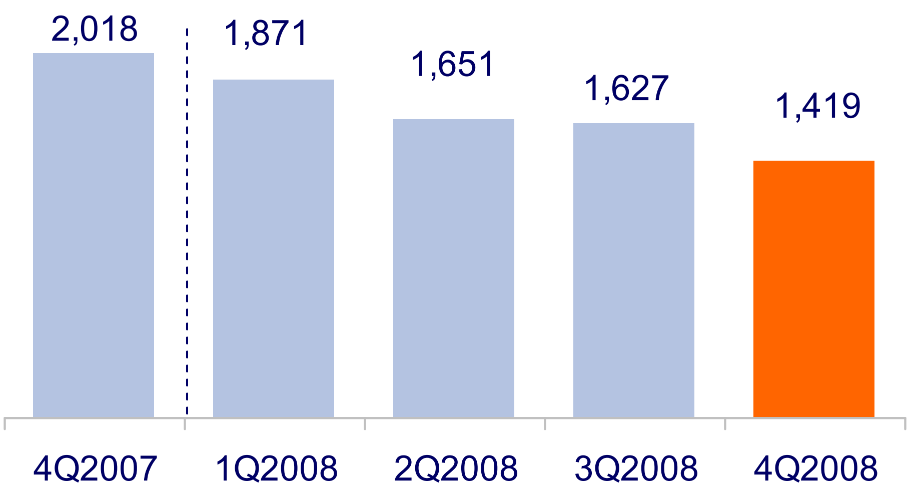
**ING Direct and ING Retail Banking savings and deposits (EUR billion)**




- Retail deposits declined by EUR 4.9 billion in 4Q2008 due to account rebalancing related to government deposit guarantees and seasonal impact
- FX contributed a further EUR 8.2 billion to the decline
- Net inflows resumed in the second half of the quarter
- In January 2009, savings inflow amounted to around EUR 5 billion, compensating for outflows in 4Q2008

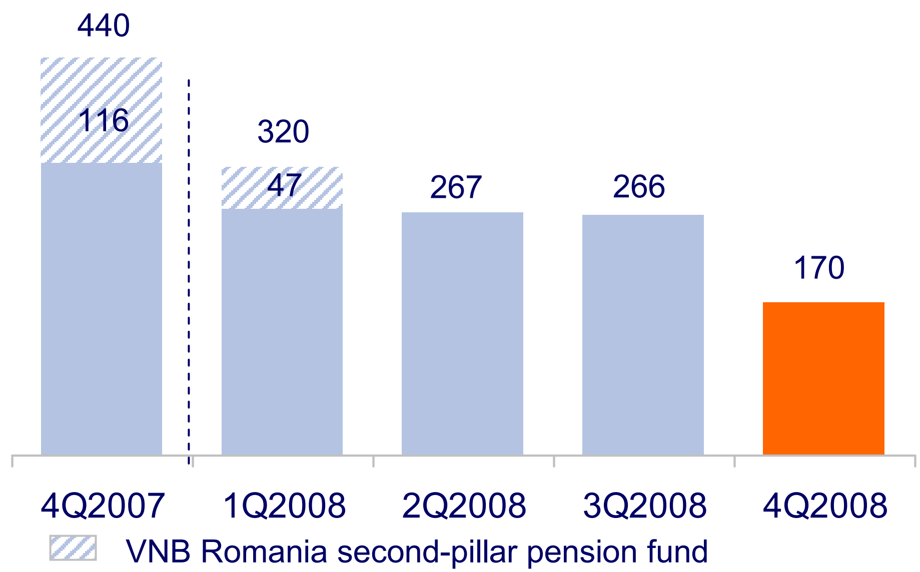
# New life sales impacted by lower demand for investment-related products

## New sales (APE, in EUR million)




- Relative to 3Q2008, sales were down 12.8%
- New life sales (APE) down 26.3%, excluding Taiwan and currency effects, on lower sales of investment linked products in the Americas and Asia/Pacific

## Value new business (in EUR million)




- VNB decreased 61.4% (54.1% on a constant currency basis, and excluding ING Life Taiwan)
- Lower VNB due to lower sales and margin pressure on variable annuity products (higher hedge costs caused by lower interest rates)

# ING to reduce costs by EUR 1 bln in 2009

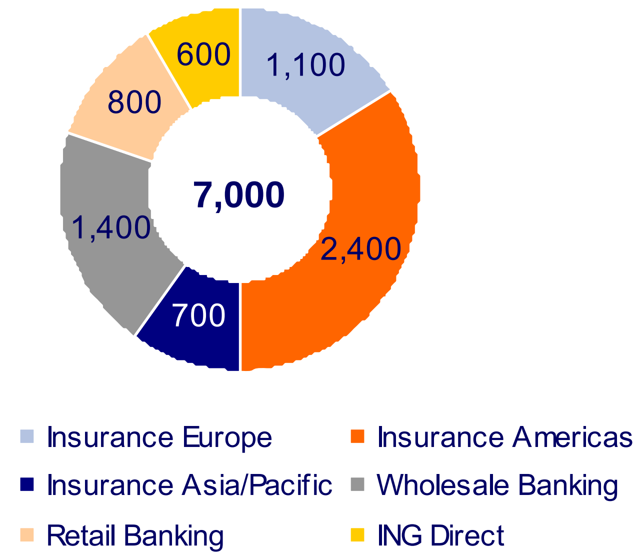
- ING to cut operating expenses by EUR 1 bln in 2009 (35% FTEs, 65% other expenses)
- Reduction of costs also from head office, marketing, Formula 1, third-party staff
- The number of full-time positions will be reduced by 7,000 worldwide in 2009
- Restructuring provision of approximately EUR 450 mln after tax of which approximately 2/3 will be booked in 1Q2009 and the remainder in 2Q2009
- Structural expense reduction will lead to annual savings of EUR 1.1 bln per year from 2010

## Indicative cost reduction by business line

| In EUR mln | Cost reductions* |
|---|---|
| Insurance Europe | 100 |
| Insurance Americas | 175 |
| Insurance Asia/Pacific | 75 |
| Corporate line insurance | - |
| **Total Insurance** | **350** |
| Wholesale Banking | 350 |
| Retail Banking | 150 |
| ING Direct | 150 |
| Corporate line Bank | - |
| **Total Bank** | **650** |
| **ING Group** | **1,000** |

*Compared with 2008, excluding FX, divestments, acquisition of CitiStreet and Interhyp

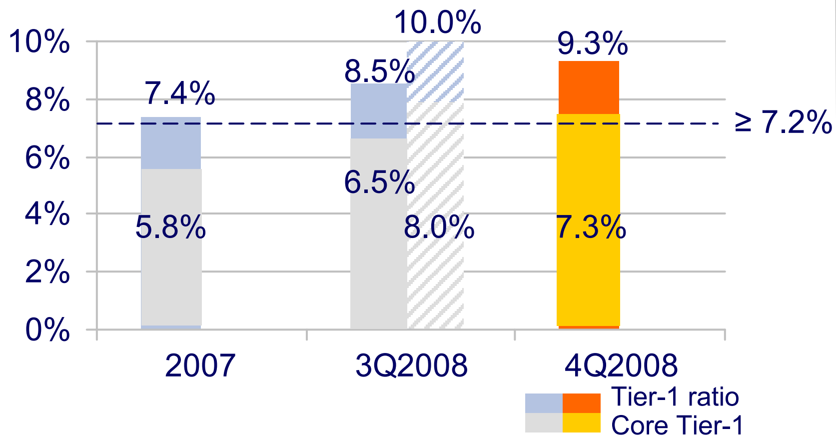
## FTE reduction by business line**



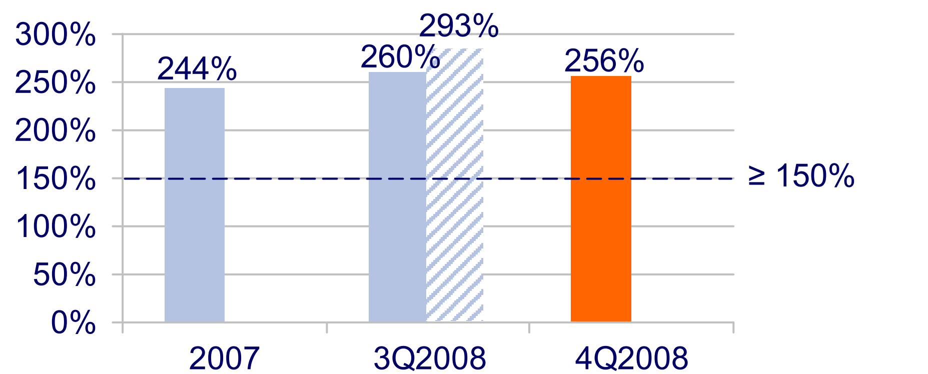

**Including Group staff reductions

# ING's key capital and solvency ratios strengthened in 4Q2008 despite challenging markets

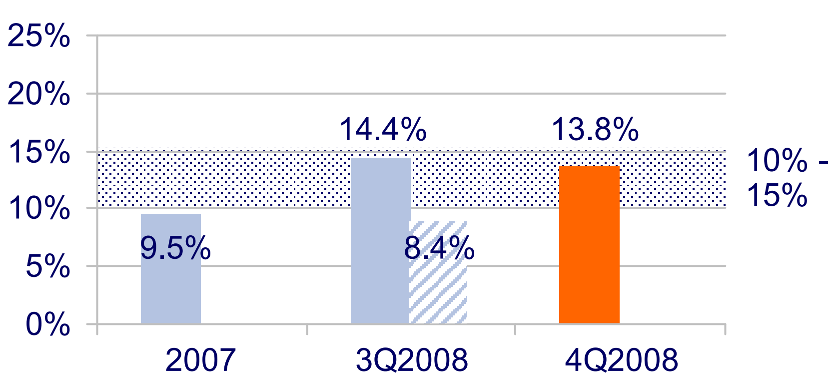
### ING Bank Tier-1 ratio



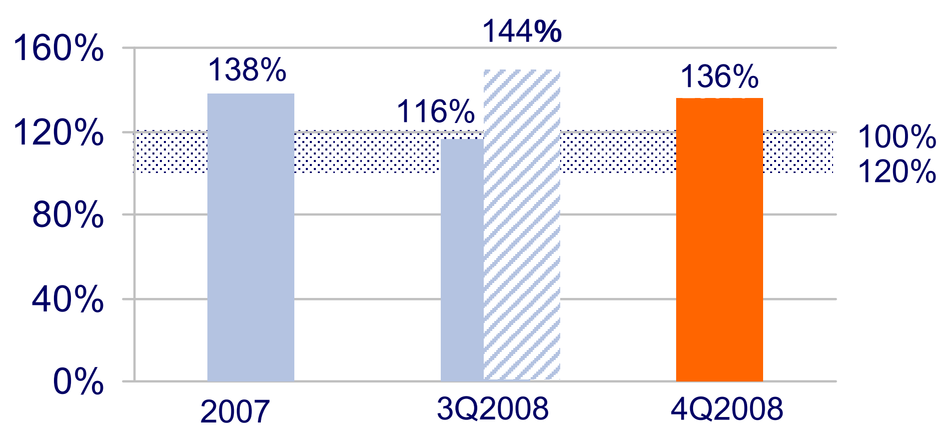

### ING Insurance capital coverage ratio




### ING Group D/E ratio



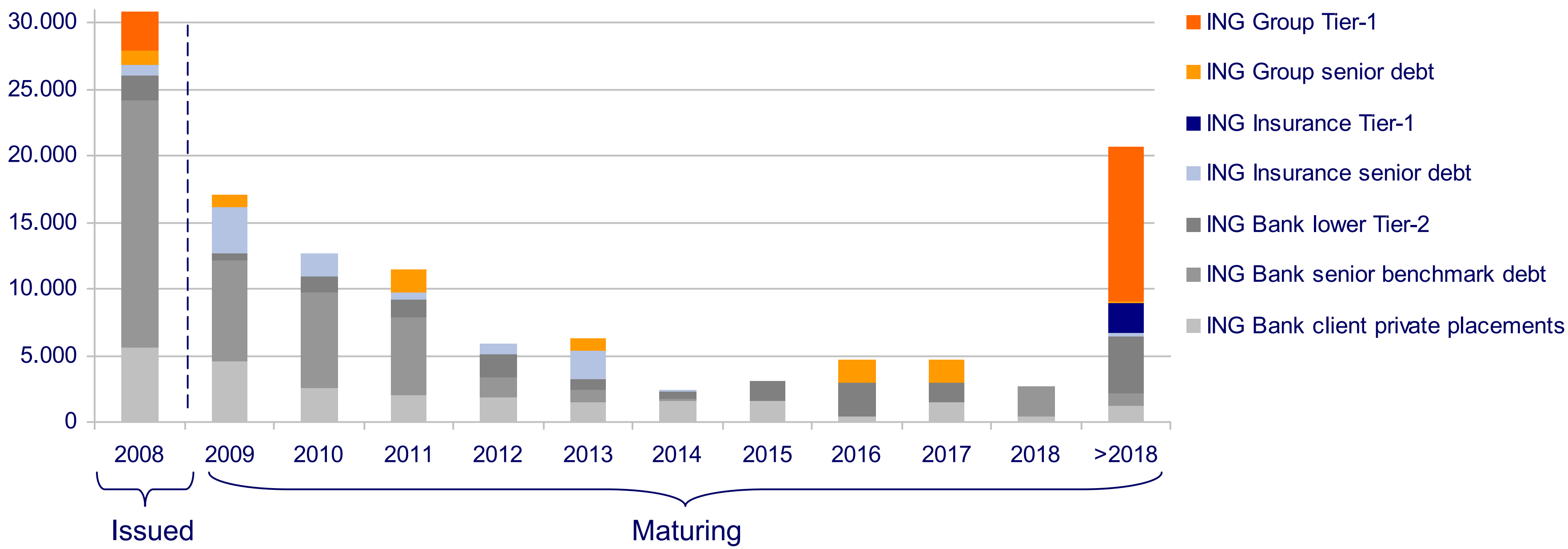

### ING AFR/EC




Target    pro forma including capital injection

# ING currently has a manageable funding profile for 2009

## Maturity ladder ING's issued and outstanding long term debt (EUR million)




- ING successfully tapped the capital markets in 2008 despite ongoing market turmoil
- ING has manageable funding needs for 2009 and the vast majority of long term debt maturing are private placements to clients and ING Bank senior bonds
- ING's funding needs in 2009 will be offset by maturing assets
- In 1Q2009 ING successfully raised USD 6 billion senior debt under the Dutch guarantee programme

# Fourth quarter results 2008

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|---|---|---|---|

**ING is reducing risk**

Alt-A RMBS:

- In 4Q2008, US mortgage delinquencies and outlook deteriorated, leading to EUR 303 mln estimated credit losses that triggered EUR 1.8 bln pre-tax impairments
- In 1Q2009, 80% of future Alt-A RMBS cash flows and risk is transferred to the Dutch State

ING is de-risking its balance sheet

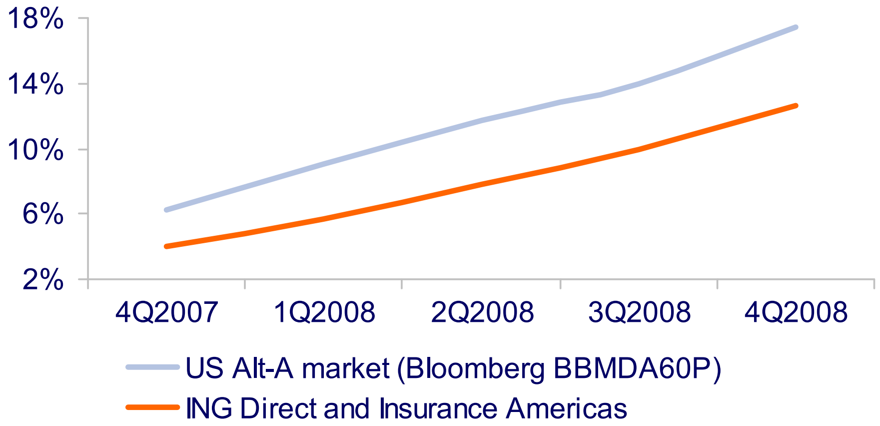
- Exposures to interest rates, equities and ABS reduced
- Asset re-allocation to government bonds and originated loans
- ING Bank is reducing its balance sheet

Loan loss provisions increased to 81 bps in 4Q2008

- Increase driven by Structured Finance, US mortgages and Private Banking Asia
- NPL rates originated mortgages remain stable, except for US mortgages

# Alt-A mortgage delinquencies and projected cash flows deteriorated in 4Q 2008

**Alt-A mortgage delinquency rates**
(% 60+ days, foreclosures, bankruptcy and real estate owned)




- Delinquencies on mortgages underlying Alt-A RMBS increased at an accelerated pace in 4Q2008. At ING Direct, Alt-A delinquencies increased from 9.7% in 3Q2008 to 12.7% in 4Q2008
- On 22 January Moody's revised its cumulative ultimate loss projections for Alt-A RMBS from 4-8% to 20-24% for 2006/07 vintages

- Every quarter, ING estimates the credit loss for Alt-A RMBS based on projected cash flows and qualitative analysis until the maturity of the bond.
- In 4Q2008, this analysis resulted in an additional estimated credit loss of EUR 303 million for ING's Alt-A RMBS
- Alt-A RMBS: EUR 303 mln estimated credit loss triggered EUR 1.8 billion pre-tax impairments

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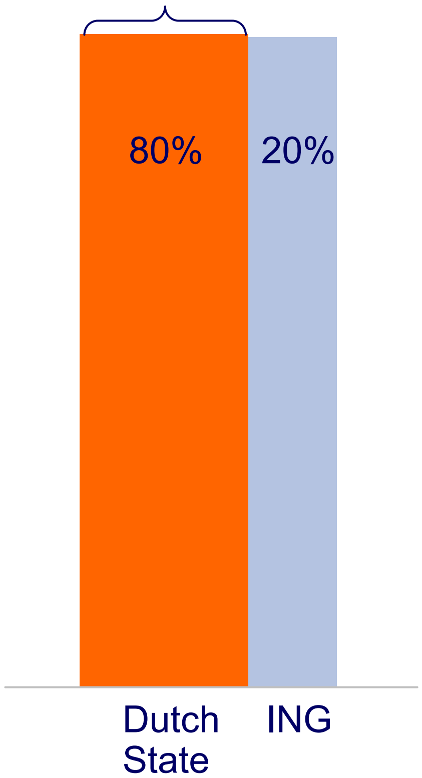
# Transfer of 80% Alt-A RMBS to Dutch State reduces risk and has limited P&L impact

**Illiquid Assets Back-up Facility: Dutch state economically owns 80% of each Alt-A RMBS**

EUR 21.9 billion amortised cost or EUR 15 billion market price




## Illiquid Assets Back-up Facility

- 26 Jan 2009: ING transfers 80% economic ownership of each Alt-A RMBS ING Direct and Insurance US to the Dutch State
- State has no funding and no IFRS accounting obligation
- Transaction is P&L neutral in 1Q2009

## Capital impact

- Tier-1 ratio up 37 bps as the Facility reduces RWAs by EUR 13 bln

## P&L impact going forward

- State receives coupon on Alt-A RMBS of ~ 4.5%. ING receives coupon on Receivable of 3% (fixed RMBS) and US 1-month LIBOR (floating RMBS)
- Reduced risk of future impairments, while the coupon differential will reduce interest income by approx. EUR 100 mln per quarter. This impact gradually diminishes due to redemptions

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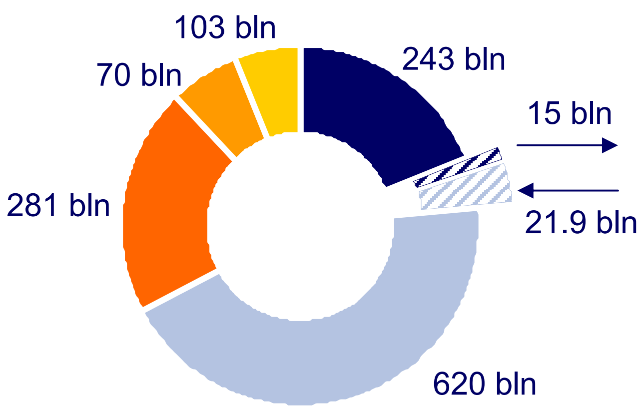
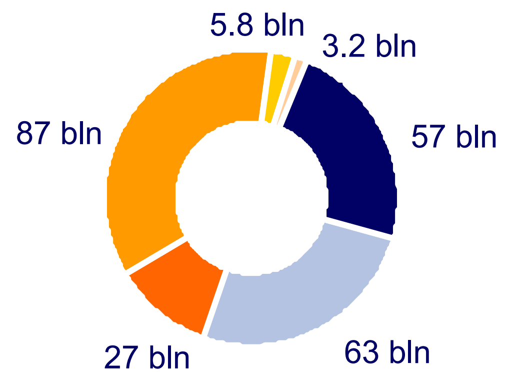
# ING's pro-forma balance sheet at 2008 year-end

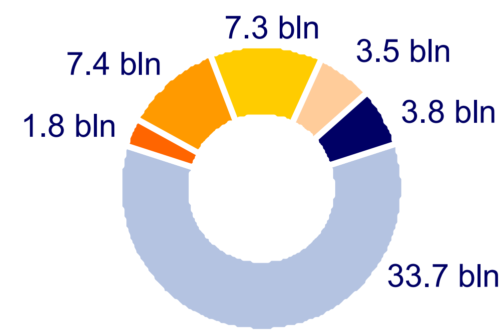
**Total assets: EUR 1,339 bln**




**Investments: EUR 243 bln****




**ABS: EUR 57.5 bln**




Illiquid Asset Back-up Facility adds Government Receivable of EUR 21.9 bln to loans and receivables and reduces Alt-A RMBS by EUR 15 bln (80% of EUR 18.8 bln)

On the liability side, EUR 7 bln revaluation reserve fixed income is reversed, increasing shareholders' equity by EUR 4.6 bln after-tax

- Loans and receivables*
- Financial assets at fair value through P&L
- Cash and amounts due from banks
- Other
- Investments

* Loans and receivables to customers includes EUR 12 billion European asset-backed products

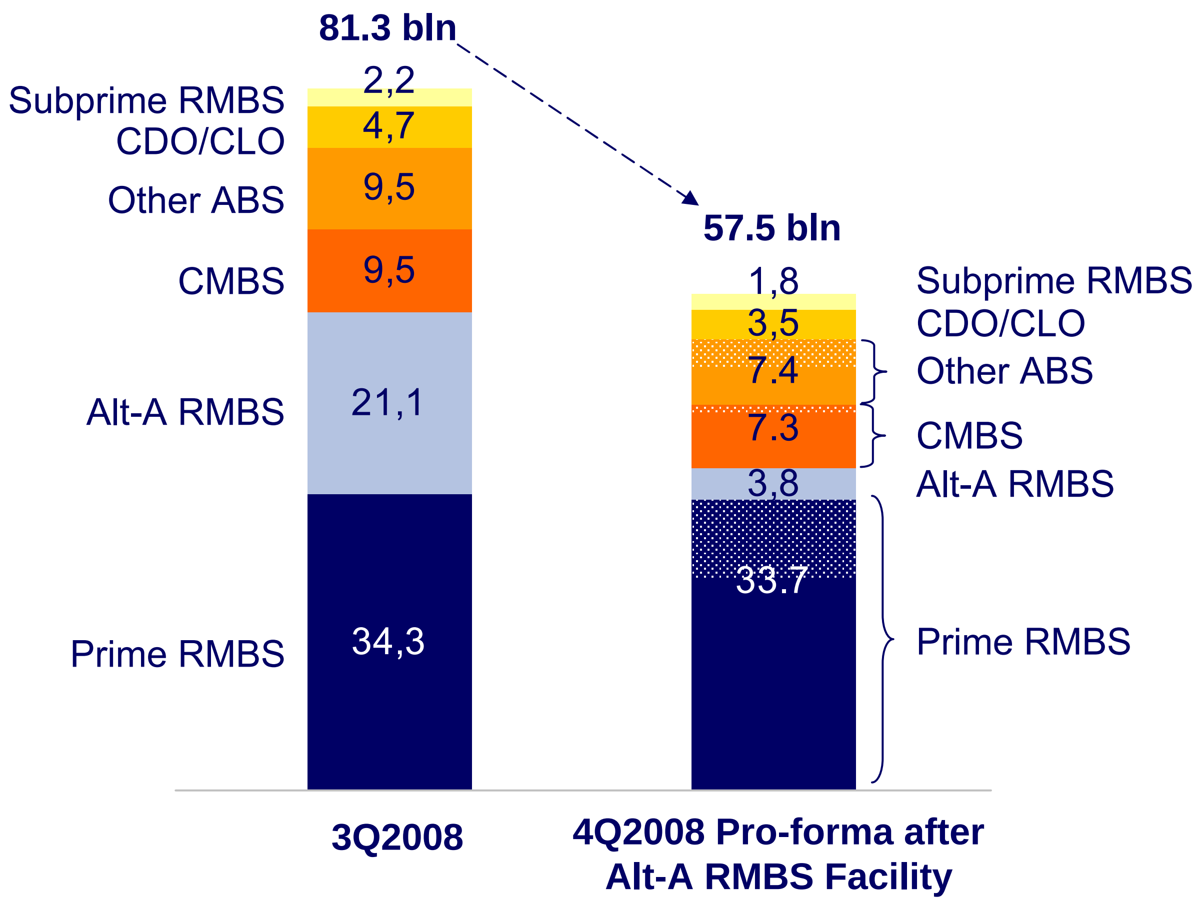
- Corporate bonds
- Covered bonds
- Government bonds
- Equities
- Other
- ABS

**EUR 228 bln AFS and EUR 15 bln HtM

- Prime RMBS (US and non-US)
- Subprime RMBS
- Other ABS
- CMBS
- CDOs/CLOs
- Alt-A RMBS

# ABS portfolio declines EUR 24 billion largely due to Illiquid Assets Back-up Facility

**ING's Asset Backed Securities portfolio (EUR billion)**

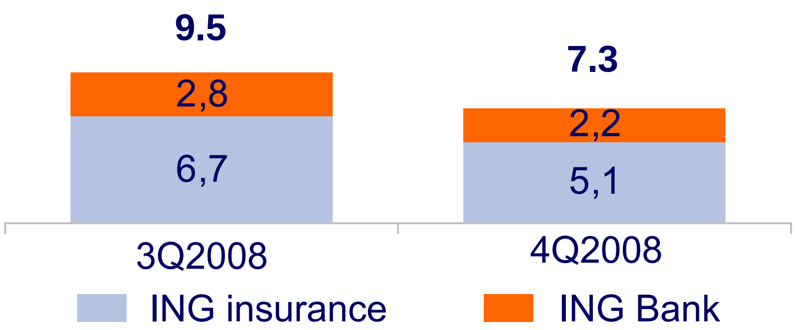



- ABS book has fair value 79% at 4Q2008 with 83% AAA and 9% AA rated
- ABS portfolio reduced by EUR 24 bln, mainly due to Illiquid Assets Back-up Facility and negative revaluations
- On 12 January 2009 ING Direct reclassified EUR 13.3 bln European ABS from Investments AFS to Loans and Receivables, mitigating further volatility in IFRS equity

On 12 January 2009 ING reclassified EUR 22.8 bln from Investments AFS to Loans and Receivables, of which EUR 9.5 bln European covered bonds and EUR 13.3 bln European ABS. Composition ABS: EUR 9.2 prime RMBS, EUR 1 bln CMBS, EUR 3.1 bln other ABS

# CMBS portfolio declined after negative revaluations

**ING's CMBS exposure (EUR bln)**



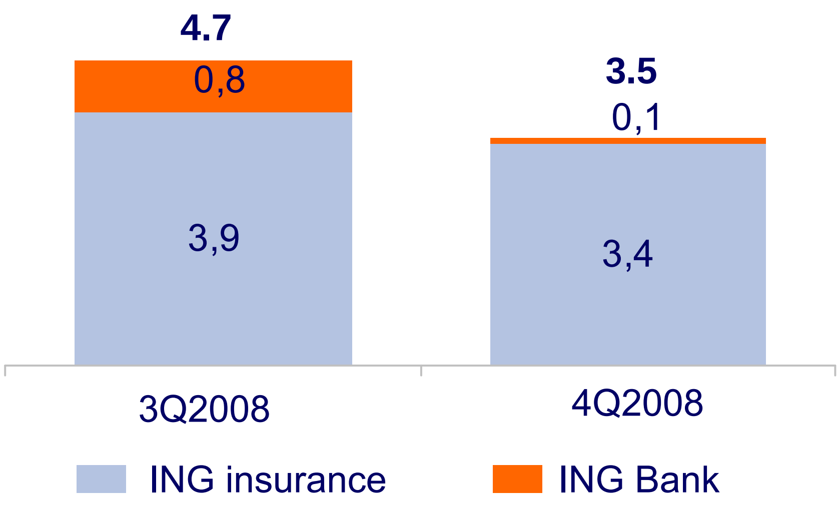

- ING's CMBS portfolio declined to EUR 7.3 billion at the end of 4Q2008, mainly due to negative revaluations: the fair value declined from 87% at 3Q to 71% at 4Q2008

**Insurance US CMBS portfolio**

- Insurance US holds EUR 4.6 bln of the EUR 5.1 bln CMBS portfolio
- Diversified portfolio: 430 bonds, 26,911 underlying commercial mortgages in 184 distinct CMBS Trusts
- Credit ratings: 92% AAA, 5% AA, 3% A. One bond downgraded in 2008, but 52 bonds downgraded in 2009 to date
- AAA exposure is concentrated in either seasoned senior positions or newer 20% and 30% credit enhanced bonds
- Weighted Average Credit Enhancement was 22%
- Debt Service Coverage Ratio is relatively stable:1.56 in 3Q2008 and 1.54 in 4Q2008

# ING is reducing CDO/CLO exposure

## ING's CDO/CLO exposure (EUR bln)



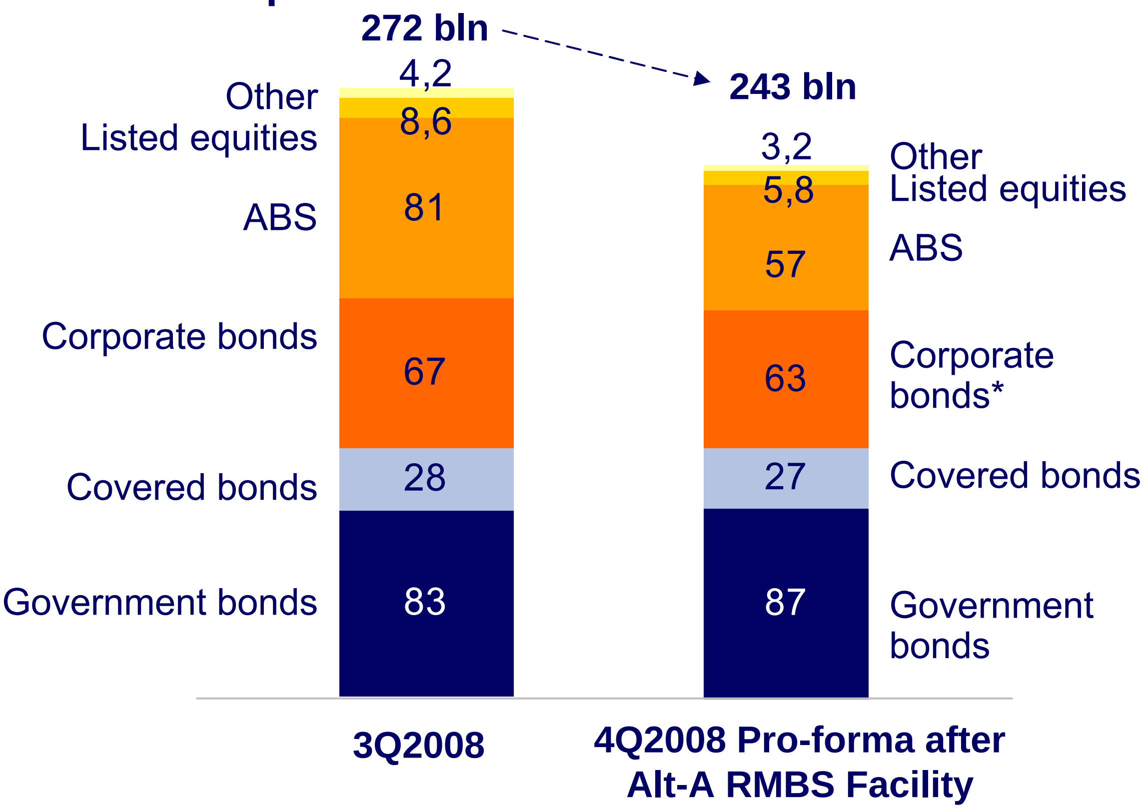

- Underlying assets are predominantly referenced to investment-grade corporate credits. Only EUR 1 million exposure to CDOs backed by US subprime mortgages

## Changes CDO portfolio in 4Q2008

- Portfolio declined from EUR 4.7 billion at 3Q4008 to EUR 3.5 billion. The fair value decreased to 77.8% at 31 December 2008, down from 91.5% at 3Q2008
- Negative pre-tax P&L impact EUR 185 mln in 4Q2008, mainly due to EUR 147 mln negative fair value change in Insurance US
- Wholesale Banking closed most of its net open exposure in CDOs in 4Q2008: only EUR 0.1 bln remaining
- Insurance Americas closed EUR 650 million of its written protection on super-senior tranches of investment-grade corporate credit in 4Q2008

# Investment portfolio: Asset allocation is shifting to government bonds

**Investment portfolio: EUR 243 bln**




- ING decreased its investment portfolio, notably in:
  ABS EUR -24 bln
  Listed equity EUR -2.8 bln
- Weight government bonds increased from 31% in 3Q2008 to 34% in 4Q2008 and 36% in 4Q2008 on a pro-forma basis
- After-tax revaluation reserve fixed income deteriorated from EUR -11.4 bln in 3Q2008 to EUR -13.5 bln in 4Q2008
- ING Direct intends to de-leverage its balance sheet and scale down its investment portfolio in 2009 by reinvesting in ING originated assets

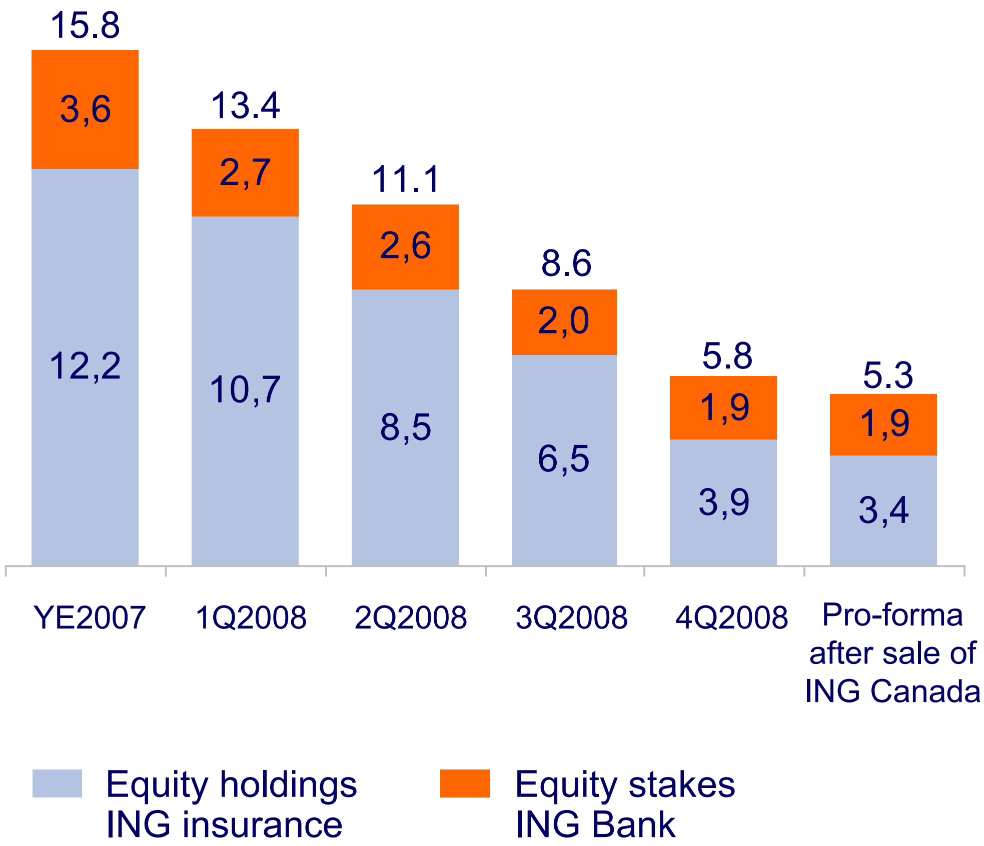
Other = fixed income and real estate mutual funds, preference shares and private equity

* Incl. EUR 1.7 bln bank tier-1 debt

**Asset re-allocation aims to limit volatility in shareholders' equity**

# Direct exposure to listed equity further reduced

**Total listed equity portfolio (in EUR bln)**




## ING Insurance

- Exposure partially hedged via out-of-the-money index put options, with EUR 3.1 bln underlying notional value
- If equity markets remain at current levels, equities trading below par can become impaired. The revaluation reserve was EUR -0.2 bln at 4Q2008
- In 1Q2009, the divestment of ING Canada will further reduce direct equity exposure by EUR 490 million
- Less indirect equity exposure after hedging DAC unlocking in the US

## ING Bank

- Mainly strategic equity stakes in Bank of Beijing and Kookmin Bank
- Revaluation reserve EUR 1 bln at 4Q2008

# ING's Real Estate exposure declined in 4Q, limited funding requirements Real Estate funds

## Real Estate exposure revalued via P&L

- ING has EUR 9.8 bln investments and seed capital in Real Estate Funds that are revalued through the P&L. ING Insurance and Wholesale Banking both hold EUR 4.9 bln
- Real Estate exposure revalued through the P&L declined EUR 1.7 bln in 4Q2008: divestments EUR –0.4 bln, revaluations EUR –0.6 bln, FX EUR –0.7 bln

**Real Estate accounted for through the P&L (EUR mln)**

| | Residential | Office | Retail | Industrial | Other | Total |
|---|---|---|---|---|---|---|
| Netherlands | 294 | 1286 | 378 | 17 | 21 | 1,996 |
| Spain | 3 | 56 | 468 | 165 | 0 | 692 |
| UK | 27 | 139 | 227 | 48 | 72 | 513 |
| Other EU | 115 | 1020 | 1589 | 425 | 33 | 3,183 |
| USA | 234 | 141 | 69 | 337 | 170 | 951 |
| Australia | 3 | 93 | 261 | 126 | 51 | 534 |
| Asia | 244 | 99 | 277 | 7 | 19 | 647 |
| Canada | 0 | 30 | 119 | 854 | 120 | 1,123 |
| Other | 3 | 1 | 46 | 8 | 98 | 156 |
| Total | 924 | 2,866 | 3,434 | 1,987 | 584 | 9,795 |

## Real Estate Funds

- ING Real Estate managed EUR 66.5 bln in Real Estate assets at 4Q2008
- There were no net outflows in 4Q2008. The AuM declined by 10.6% in 4Q largely due to lower values of the listed securities and investments
- Investors are generally institutional
- Debt financing in the funds was EUR 22 bln, of which less than EUR 4 bln funded by ING
- Limited refinancing requirements: 10% of the EUR 22 bln debt financing will mature in 2009

# ING Insurance reduced interest rate risk in 4Q2008

**Sale ING Life Taiwan**

- Sale of ING Life Taiwan closed on 11 February 2009
- Reduction of EC: EUR 5.7 billion
- Increase of AFR: EUR 3.4 billion
- Total net loss on the transaction EUR 292 million (book loss EUR 214 million and net loss from divestment EUR 77 million)
- Favourable tax treatment explains the difference with earlier stated expectation of a EUR 427 mln after-tax loss

**Asset duration lengthened**

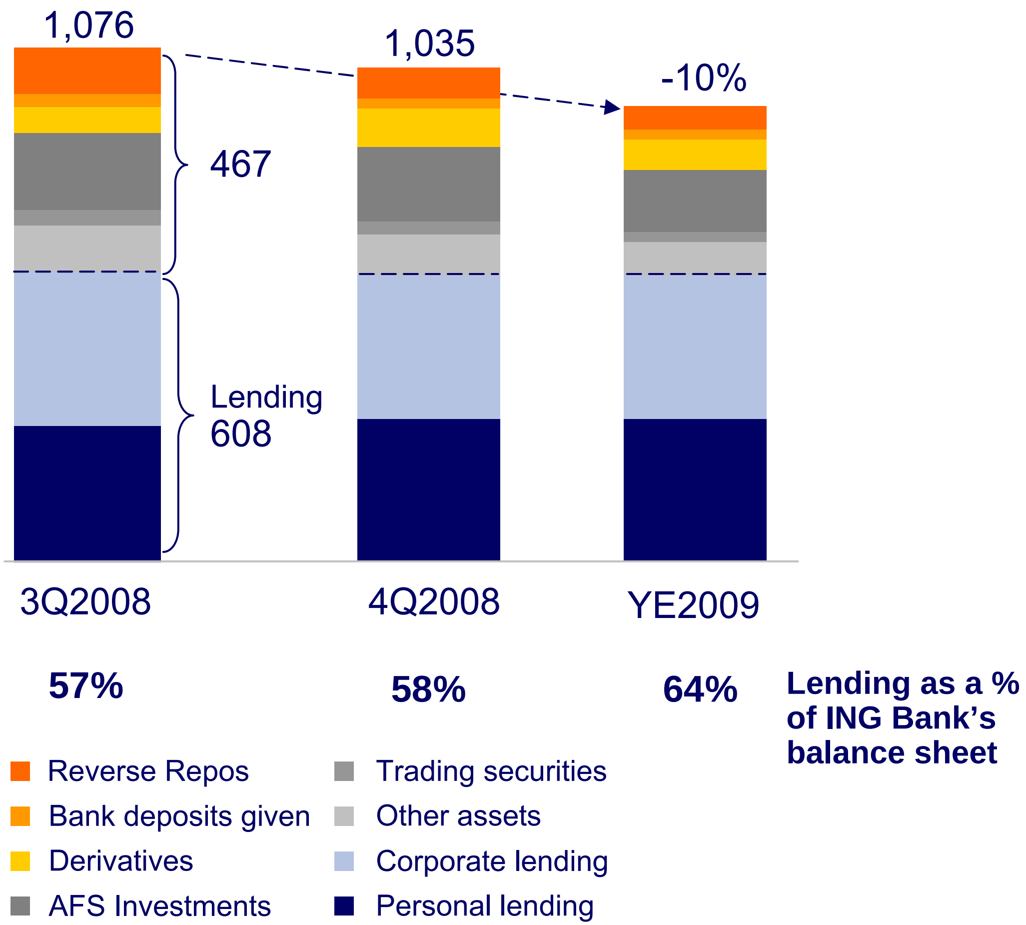
- ING Insurance lengthened the asset duration in 4Q2008 to hedge the impact of declining interest rates
- ING Insurance increased the use of long-term government bonds, interest rate swaps and swaptions

**ING Insurance balance sheet is now less sensitive to interest rates**

ING

# ING Bank is reducing its balance sheet

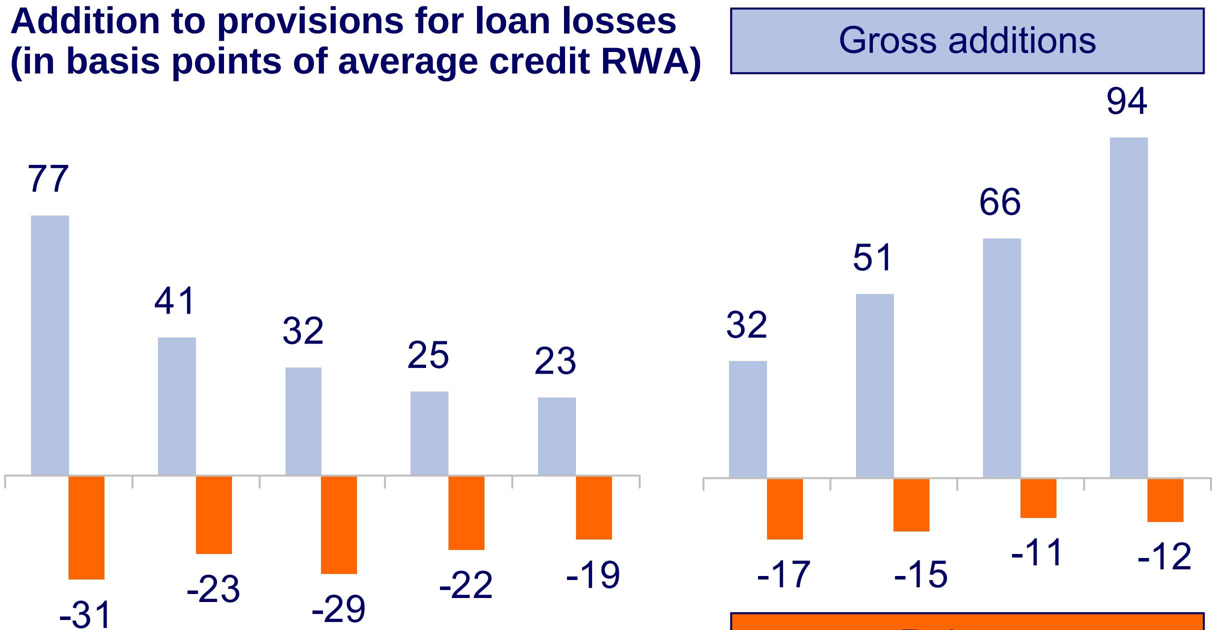
**Total Assets ING Bank (In EUR bln)**




- ING Bank aims to reduce its balance sheet by 10% from 3Q2008 to year-end 2009 excluding FX
- In 4Q2008 ING Bank cut its balance sheet by EUR 41 bln. A further reduction of EUR 70 bln is anticipated in 2009
- Reductions are concentrated in the reverse repo and interbank activities in Wholesale. ING continues to lend to core clients
- Reductions in 2009 will further bring down investments, trading, reverse repo and interbank positions.
- Balance sheet reduction will gradually impact revenues over the course of 2009. Expected impact to remain limited to EUR 130 mln in 2009

# Net addition to loan loss provisions 81 bps in 4Q, due to deterioration across loan book

**Addition to provisions for loan losses (in basis points of average credit RWA)**




**Net additions (basis points)**

| | 2003 | 2004 | 2005 | 2006 | 2007 | 1Q08 | 2Q08 | 3Q08 | 4Q08 |
|---|---|---|---|---|---|---|---|---|---|
| Net additions | 46 | 18 | 3 | 3 | 4 | 16 | 36 | 54 | 81 |

| Basel I: expected over the cycle risk costs 20-25 bps | Basel II: 40-45 bps |
|---|---|

- Risk cost were 48 bps of CRWA over 2008, but increased to 81 bps in 4Q2008
- Mortgage risk costs up on higher delinquencies in the US
- Increase in risk costs in Private Banking Asia
- Structured Finance risk costs rise in Leveraged Finance and Trade & Commodity Finance
- Corporate loan risk costs increase on Real Estate and Leasing, but other sectors hold up well in 4Q2008

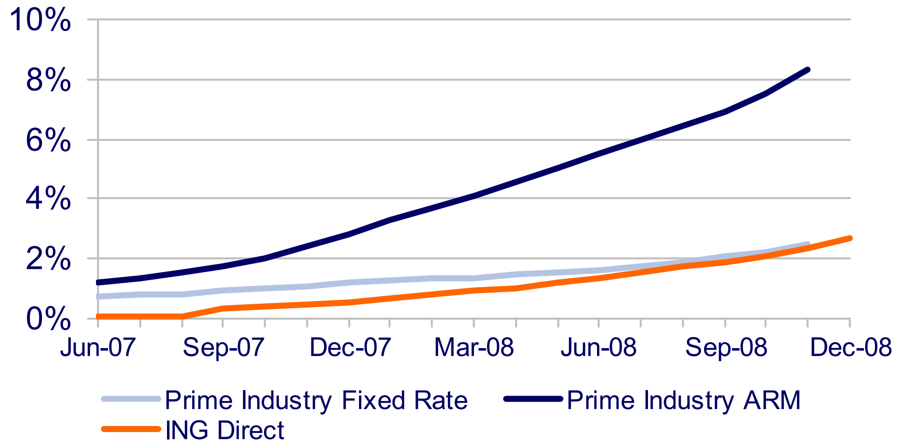
# Originated mortgages: NPLs remain relatively stable, despite significant increase in US

### ING Bank's originated mortgages

| | Outstanding 4Q2008 | NPL 4Q2008 | NPL 3Q2008 |
|---|---|---|---|
| Netherlands | 132.5 | 1.0% | 0.9% |
| Germany | 42.1 | 0.8% | 0.8% |
| United States | 25.1 | 2.7% | 1.9% |
| Belgium, Lux | 21.0 | 2.0%* | 1.8%* |
| Australia | 17.5 | 0.6% | 0.5% |
| Canada | 13.3 | 0.3% | 0.2% |
| Spain | 7.1 | 0.2% | 0.2% |
| Italy | 5.0 | 0.2% | 0.1% |
| UK | 1.3 | 0.0% | 0.0% |
| Poland | 1.1 | 0.2% | 0.2% |
| Turkey | 0.7 | 0.9% | 0.7% |
| Romania | 0.4 | 0.1% | 0.1% |
| Total / average | 267.4 | 1.1% | 0.9% |

Note: NPLs in Belgium remain on the book longer than 3 years, while in most countries NPLs are written down after 3 years

### US mortgages: NPLs ING Direct vs industry




Source: ING, True Standing / Loan Performance

Note: ING Direct's own-originated mortgages are hybrid ARMs, the majority is 5-year hybrids (5-year fixed rate and 25 year variable with annual resets)

- 4Q production mainly in NL (EUR 2 bln), Germany (EUR 1.6 bn) and US (EUR 1.5 bln)
- Non-performing mortgage loans (NPLs, or 90+ days delinquencies) increased from 0.9% to 1.1%, mainly driven by the US where NPLs rose from 1.9% in 3Q2008 to 2.7% in 4Q2008. This compares to US industry average of 8.3% for prime ARMs (per Nov. 2008)
- ING Direct US applies strict underwriting: average LTV 75% (indexed for property values), 97% owner-occupied, new production has interest margin of ~150 bps in 4Q2008

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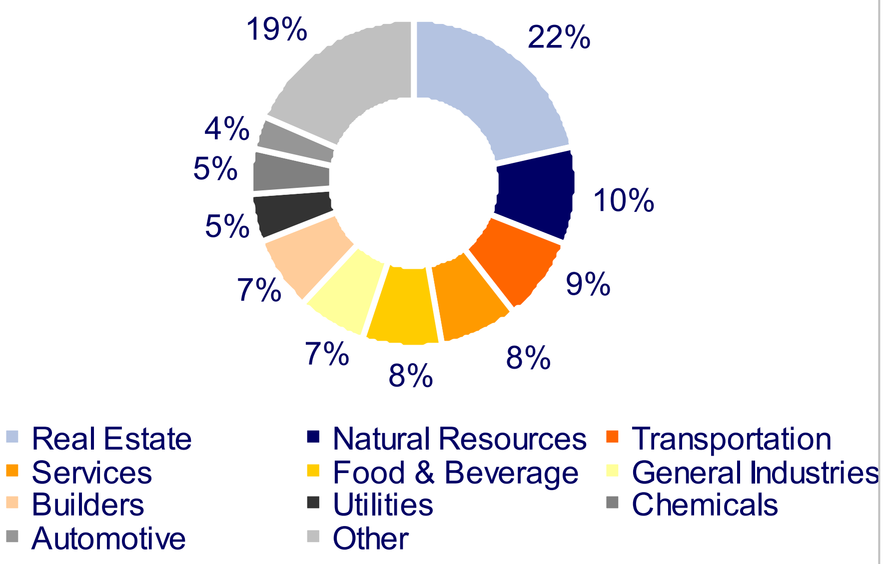
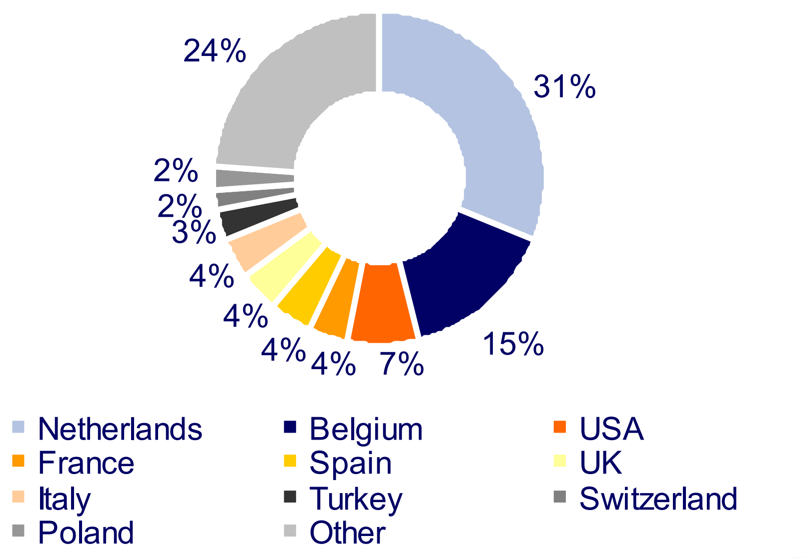
# ING Bank's commercial loan book is diversified across sectors and concentrated in the Benelux

- General policy: borrower has a high rating and/or a high degree of high-quality collateral
- Commercial loan book (corporates, mid-corporates, SMEs) is diversified over 20 sectors, of which Real Estate and Natural Resources are the largest exposures
- Strong geographic focus on the Benelux
- NPLs increased from 1% towards 2% of the commercial loan book in 2008, mainly due to Real Estate, Builders and Automotives

**Commercial lending by industry**




**Commercial lending by geography**



# Risk Management: Key points 4Q2008

**ING is de-risking**

1. Alt-A RMBS:
   - In 4Q2008, US mortgage delinquencies and outlook deteriorated, leading to EUR 303 mln estimated credit losses that triggered EUR 1.8 bln pre-tax impairments
   - In 1Q2009, 80% of future Alt-A RMBS cash flows and risk is transferred to the Dutch State

2. ING is de-risking its balance sheet:
   - Exposures to interest rates, equities and ABS reduced
   - Asset re-allocation to government bonds and originated loans
   - ING Bank is reducing its balance sheet

3. Risk costs increased to 81 bps in 4Q2008
   - Driven by Structured Finance, US mortgages and Private Banking Asia
   - NPL rates originated mortgages relatively stable, except US mortgages

# 4Q results 2008

**Agenda**

| Jan Hommen | John Hele | Koos Timmermans | Jan Hommen |
|---|---|---|---|

**Closing remarks:**

- Short-term objective is to navigate through the crisis: reduce risks & costs
- Review the portfolio of businesses and reduce complexity
- Strengthen the culture to deliver on objectives

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# Closing remarks

**Short term objectives**

**Strengthen ING and deal with the impact of the crisis by:**

- Reducing costs
- Monitoring and reducing risk and capital exposures
- De-leveraging the balance sheet (reduce assets and preserve equity)
- Putting customers first

**Focus on fewer businesses**

**Reduce complexity of the Group by:**

- Reviewing our portfolio of businesses in light of the changes shaping our industry
- Focusing on fewer businesses and markets

**Strengthen the culture to deliver these objectives**

**We can only strengthen the institution if we have a culture that delivers and invests in its people and clients:**

- A performance culture with clear accountability
- Simplifying of governance
- Being outward looking and responsive to customer needs

Single-minded focus on delivery