

# Results 2010

Shaping our future

Jan Hommen  
CEO

Amsterdam – 9 May 2011  
[www.ing.com](http://www.ing.com)

**BANKING - INVESTMENTS - LIFE INSURANCE - RETIREMENT SERVICES**



# 2010 in short

# 2010: a transition year for ING (1)

- 2010 was a year of ...
  - (fragile) economic recovery
  - continued volatility on the financial markets
  - proposals for new regulations (Basel III and Solvency II)
  - start & completion of operational separation of Bank and Insurance/IM
- ING reported a net result of EUR 3,220 million in 2010 (EUR -935 million in 2009)
- an underlying net profit of EUR 3,893 million in 2010 (EUR 974 million in 2009)

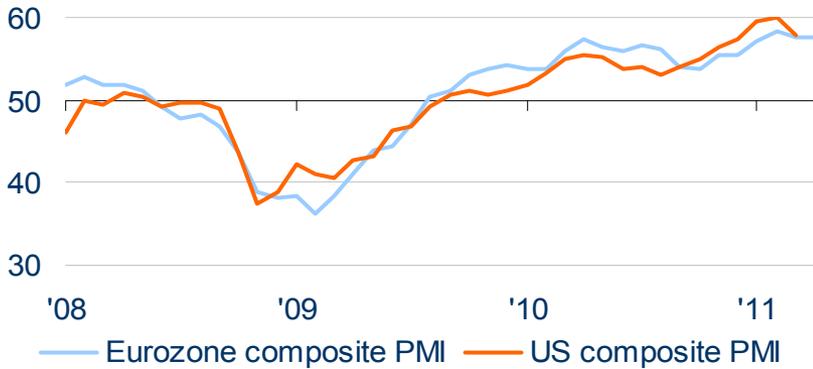
# 2010: a transition year for ING (2)

- 'Back to Basics' in 2009 and 2010 was successful:
  - complexity & costs reduced
  - the size of the balance sheet reduced
  - increased focus
  - ING's capital position and profitability strengthened  
=> Therefore ING's starting point for 2011 is good
- Priorities for 2011:
  - Further improvement of results
  - Preparations for two IPOs for insurance businesses (US and Eur/Asia)
  - Repayment second tranche to Dutch State
  - Creation of strong, independent companies

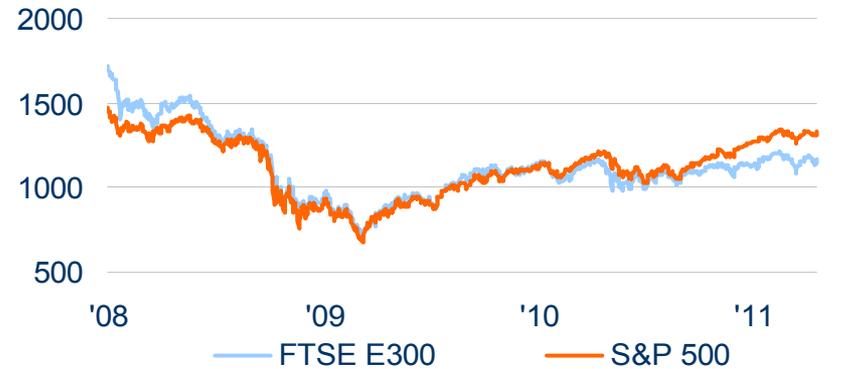
# External environment

# Economy and markets for now shock-resistant

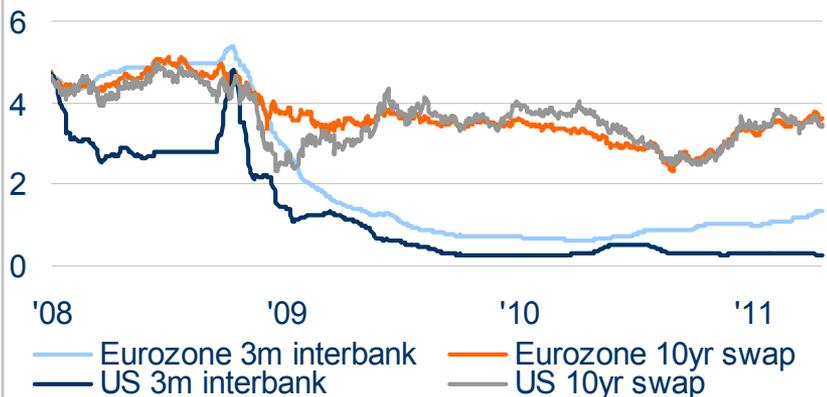
## Economic activity (index)



## Share markets (index)



## Yield curve (%)



## Credit markets (basis points)



# External environment in 2010

- World economy recovers, but major imbalances and downward risks persist
- Consequence: fragile economic recovery and continuous volatile financial markets
- Important regulations:
  - especially Basel III (banks)
  - Solvency II (insurers)
  - Capital Requirements Directive III
- Important event:
  - CEBS stress test 2010 (ING complies)

# Strategic measures

# Back to Basics in 2009 and 2010 has led to a stronger position for 2011 and beyond

Lowering risks ...	...by better managing activities	...and through further focus
<p>Lowering ...</p> <ul style="list-style-type: none"><li>• Risks and capital exposure</li><li>• Costs</li><li>• Complexity</li><li>• Leverage =&gt; deleveraging</li><li>• Size of balance sheet</li></ul>	<p>Better managing ...</p> <ul style="list-style-type: none"><li>• Risks</li><li>• ING's various activities</li><li>• Businesses/business units</li></ul>	<p>Focus on ...</p> <ul style="list-style-type: none"><li>• Customer needs</li><li>• Operational &amp; commercial excellence</li><li>• Reliability</li><li>• Transparency and accountability</li><li>• Simplicity</li><li>• Sustainability</li></ul>



- Sound profitability
- Stronger capital position

Much progress was made in a very short time and in a complex (external) environment



Better equipped in 2011 for challenges regarding regulations (Basel III, Solvency II and CRD III and IV) and financial markets

# Progress in portfolio to reduce complexity & risk, to sharpen the focus and improve results

## Major divestments in 2009 and 2010

- ING Life Taiwan
- ING Insurance Canada
- Annuity and mortgage business Chile
- Insurance Australia & New Zealand
- Private Banking Asia
- Private Banking Switzerland
- ING Summit Industrial Fund
- Total proceeds: EUR 4.8 billion\*



\* Proceeds exclude non-major divestments such as three US retail broker-dealers, Reinsurance US and Annuity business in Argentina

- Important issues were and are: Steering on better margins and improving capital position
- Significant steps were made towards further optimisation of portfolio to sharpen focus of the business
- For Insurance/IM priorities for 2011 include to prepare for two IPOs when market conditions are favourable

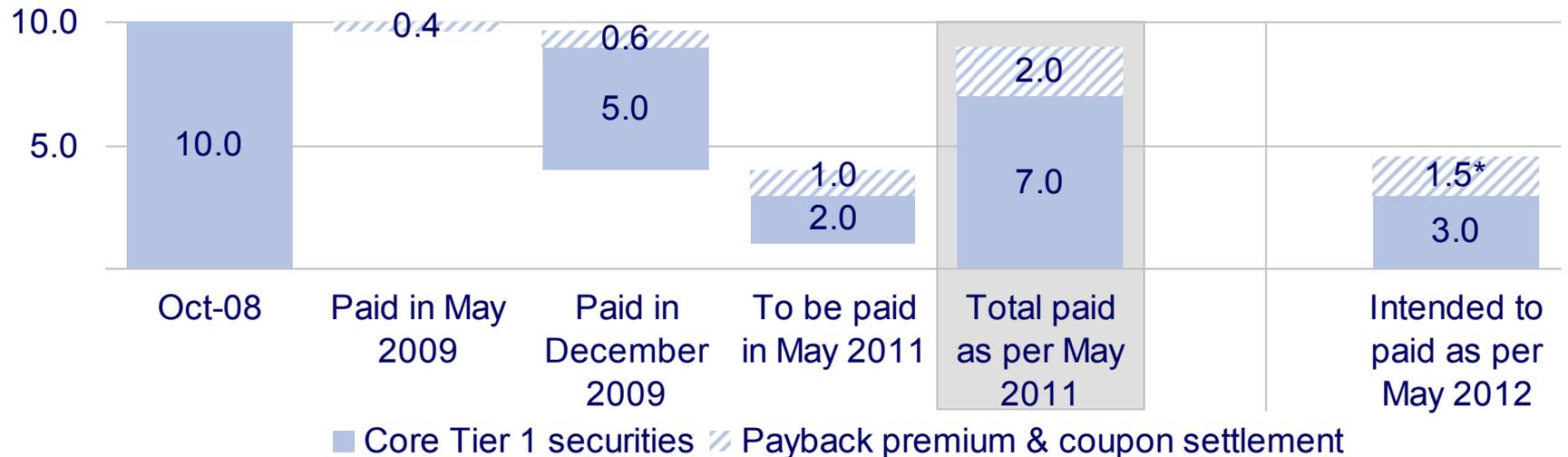
# Divestment process on track



\* Excluding rebranding

# Repurchase of second tranche of core Tier I securities from Dutch State will bring total payment to EUR 9.0 bln

## Core Tier 1 securities from Dutch State (in EUR billion)



- The rights issue in 2009 allowed ING to repay half of the funds received from the Dutch State
- ING will exercise its option for early repurchase of EUR 2 billion of the core Tier 1 securities at the next coupon reset date, i.e. 13 May 2011
- Provided that the strong capital generation continues, ING intends to repurchase the remaining EUR 3 billion core Tier 1 securities from retained earnings ultimately by May 2012. This is conditional: no material changes regarding ING's capital requirements, no material changes in ING's outlook on external market circumstances + Dutch Central Bank approval

\* Indication, based on 50% buy-back premium

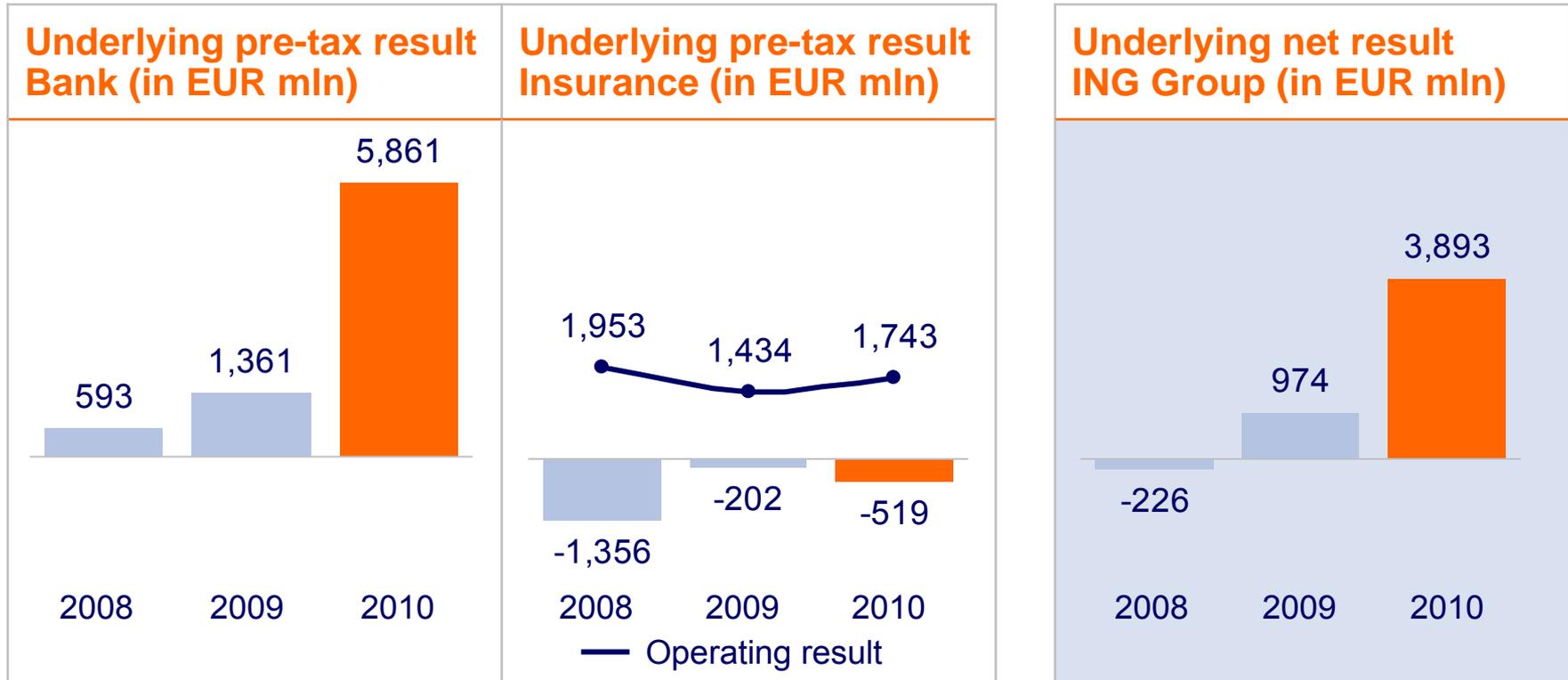
# ING's business focus going forward

- ING Bank: building on strong presence in Europe and in a number of growth areas in the world
- ING Insurance: strong positions of businesses as global providers of life insurance and retirement and investment services (US and Europe/Asia)
- Both the Bank and the Insurance businesses will focus on earning our customers' trust through good service, transparent products and respect for all stakeholders

# Financial results

as recorded in the 2010 annual accounts

# ING Group posted solid 2010 results, driven by strong recovery of Bank profit



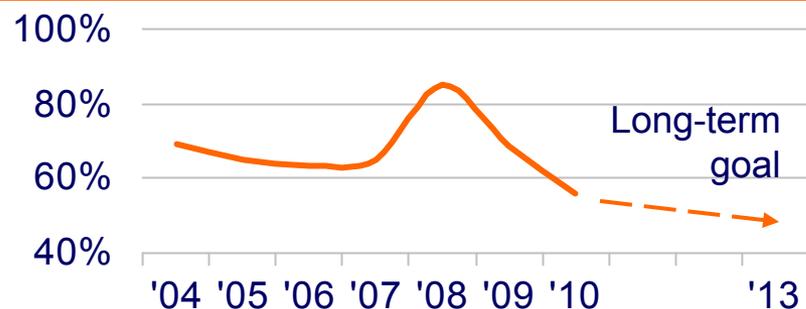
- Group Full Year 2010 net result was EUR 3,220 million versus a loss of EUR 935 million in 2009

# Ambitions ING Bank 2013: continued focus on growth, efficiency and return

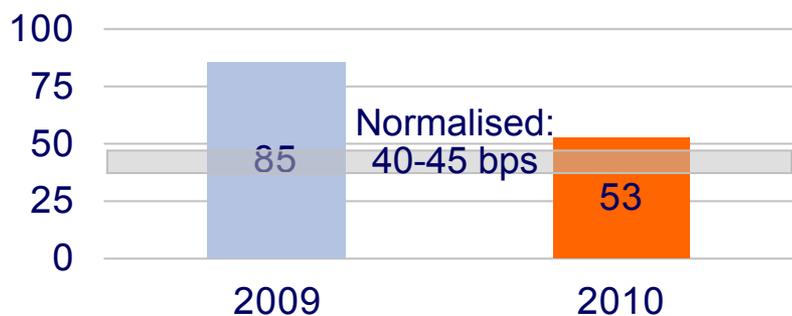
Perfectly on track with ambition of 5% annual underlying sales growth



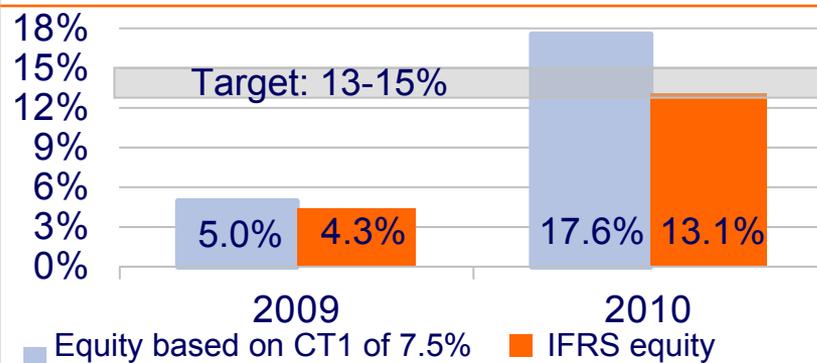
Well on track with targeted cost/income ratio of 50%



Underlying risk costs in bps of average risk-weighted assets



Return on Equity\*\* (%)

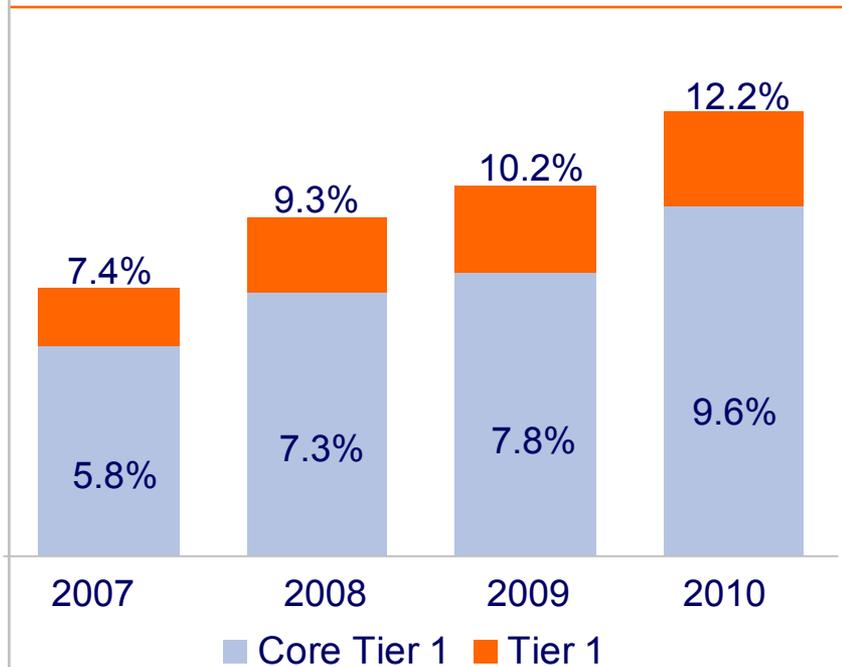


\* Excluding ABS/impairments Real Estate and changes in market value of real estate 2004-2007 on the basis of Basel I CRWA

\*\* Based on core tier-1 target of 7.5%, 2004-2007 based on IFRS-equity

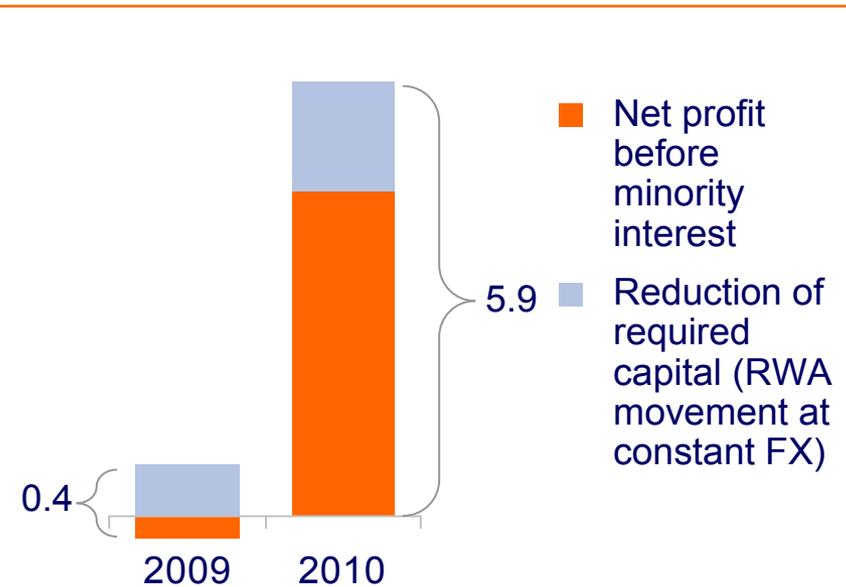
# Bank core Tier 1 ratio increased to 9.6% as a result of strong capital generation

## ING Bank (core) Tier 1 ratio



- Core Tier 1 ratio increased to 9.6% at end of year 2010, from 5.8% at end of year 2007

## Core Tier 1 capital surplus\* (in EUR bln)

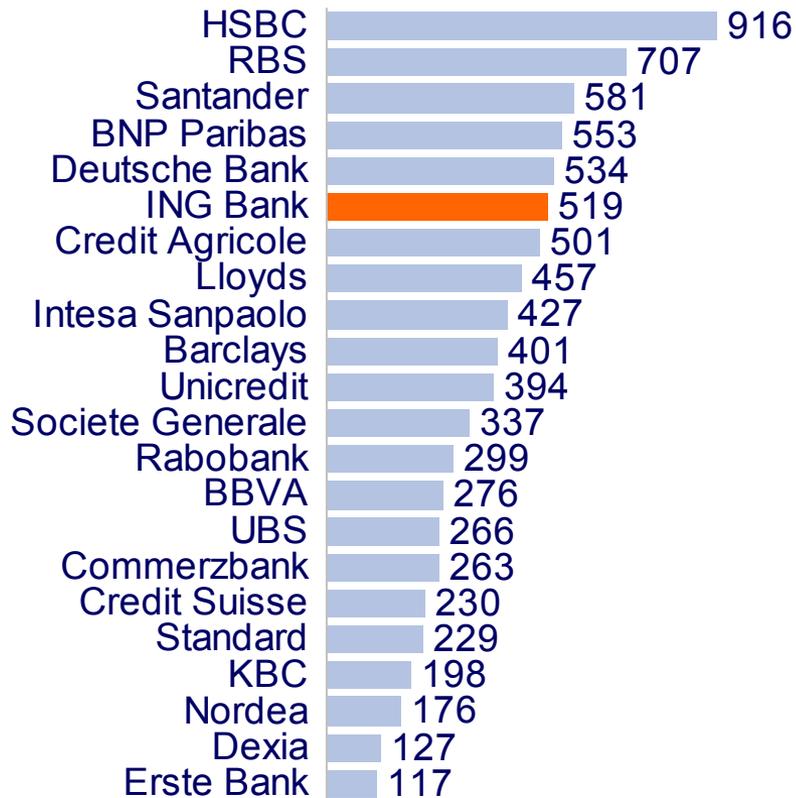


\* Core-Tier-1 capital generated is defined as net result before minority interest minus 7.5% \* RWA growth at constant FX

- Bank generated EUR 5.9 bln core Tier 1 capital at constant FX in 2010, driven by higher profit and lower RWA

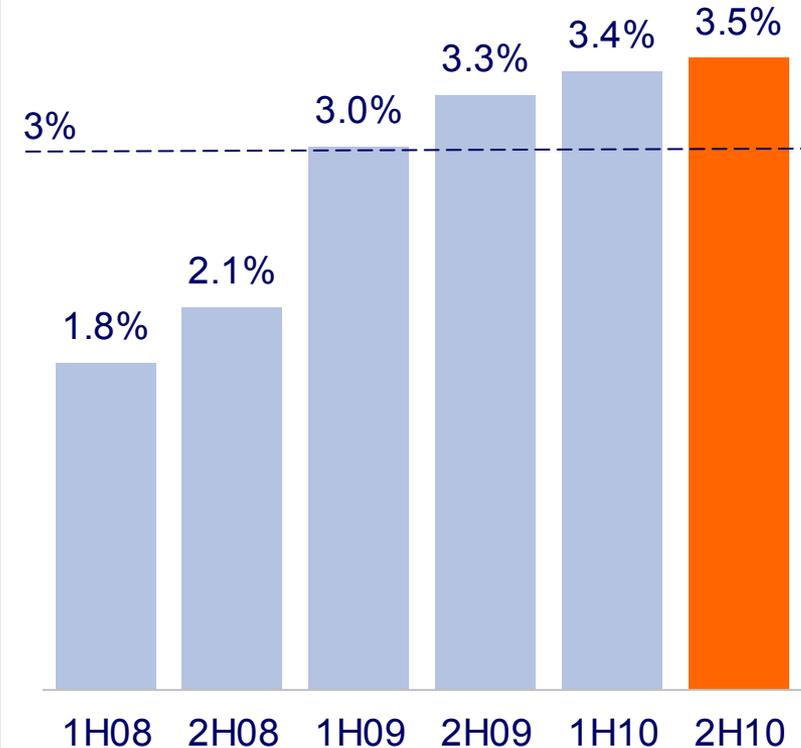
# ING Bank is well-positioned for Basel III

## Large deposit base (31 Dec 2010, EUR bln)



## Asset leverage ratio improved in 2008-2010 (end-of-period)

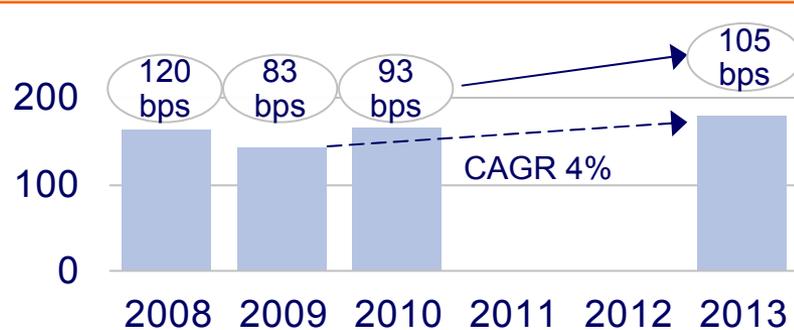
Basel III asset leverage = Tier 1 capital / total assets plus off-balance sheet



Source: Latest available company financials and results presentation

# ING Insurance aims for improved margins, growth and efficiency to increase Return on Equity (RoE)

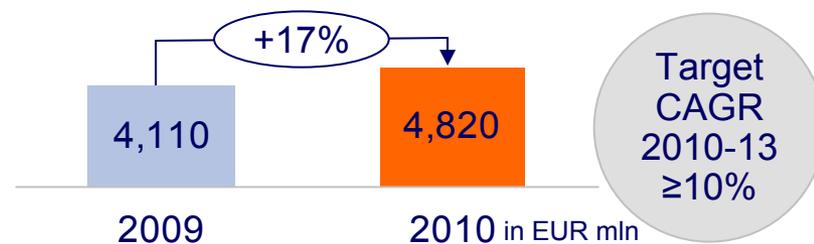
Investment spread increases by 12 bps when life general account assets increase by 4% (in EUR billion)



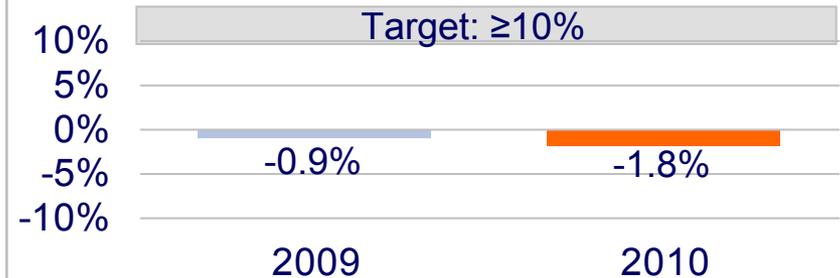
Target: Reducing administrative expenses/operational income ratio to 35%



Well on track with target to increase new sales premium\* +10% annually



Return on Equity\*\* (%)



\* Excluding closed blocks in the US and Japan. Sales excluding closed blocks and at constant FX rates increased 9.8% in FY10 versus FY09

\*\* FY underlying net result adjusted for the after-tax allocated cost of Group core debt injected as equity into Insurance divided by average IFRS-EU equity

# ING's stock: *outperformer* in 2010 & Q1 2011

## Relative performance 2010 and Q1 2011



## Stock price change 1 Jan. 2011 – 31 March 2011 (%)



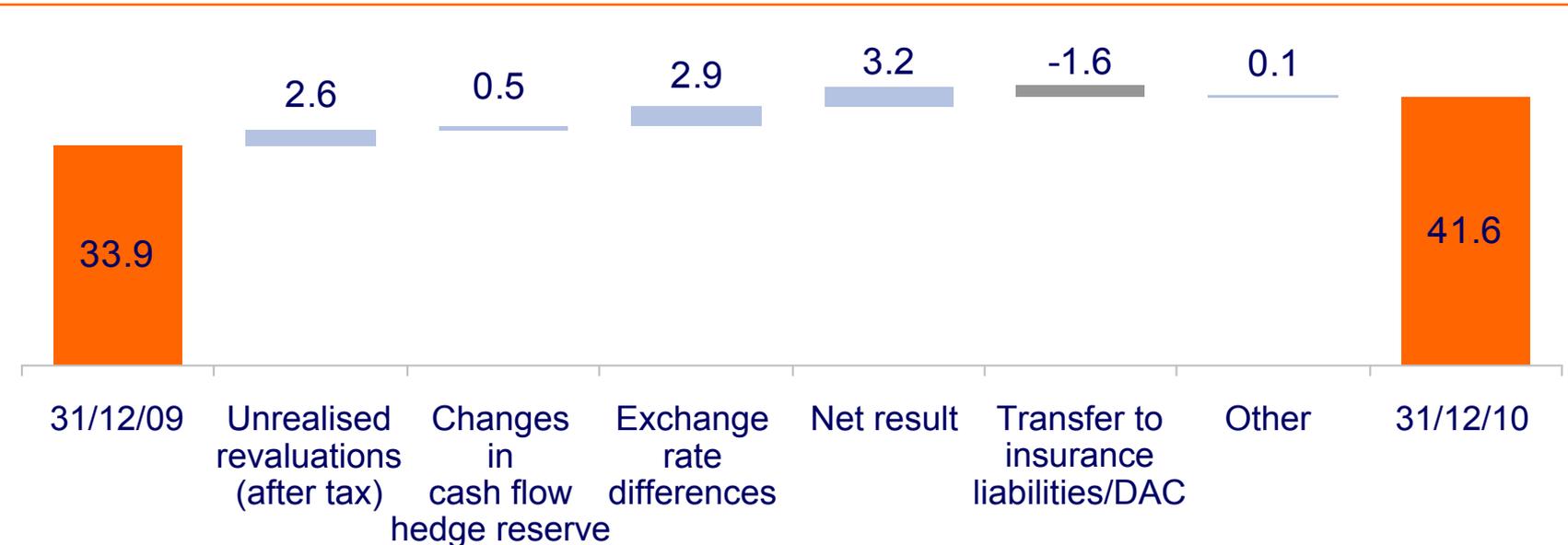
- ING's stock price has outperformed its peers both in 2010 and in Q1 2011
- Stock price went up 6% in 2010: a much better performance than other banks (-10%) and insurers (-1%)
- Similar picture for 1st quarter of 2011: 22.7%, compared to other banks: 2% and insurers: 12%

Source: Bloomberg



# Shareholders' equity EUR 41.6 billion or EUR 10.99 per share

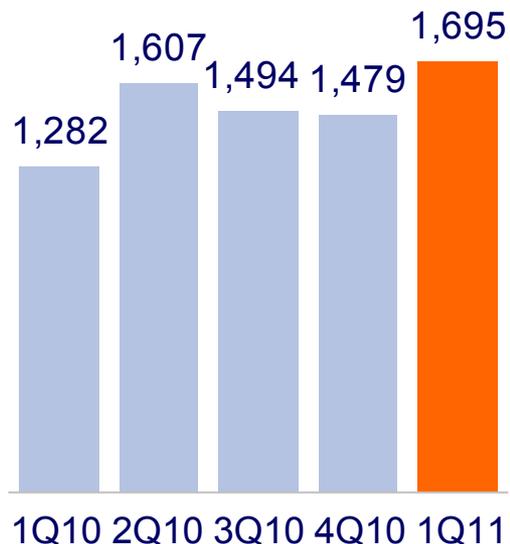
## Shareholders' equity increased by 23% in 2010 (in EUR billion)



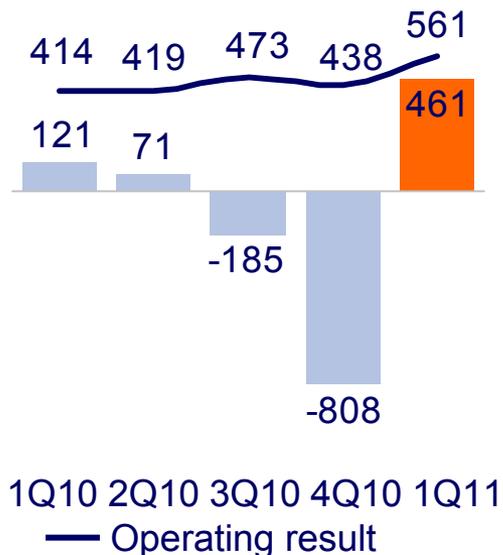
- Shareholders' equity improved to EUR 41.6 billion, driven by positive net result, exchange rate differences and unrealised revaluations (after tax)
- Shareholders' equity per ordinary share EUR 10.99

# First quarter 2011 showed continued progress on all fronts

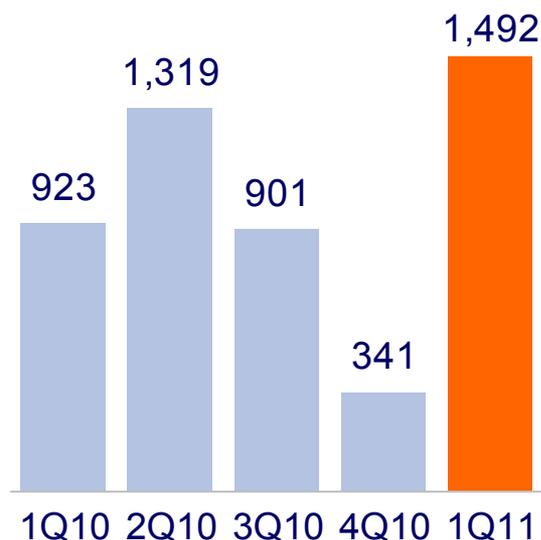
**Underlying pre-tax result Bank (in EUR mln)**



**Underlying pre-tax result Insurance (in EUR mln)**



**Underlying net result ING Group (in EUR mln)**

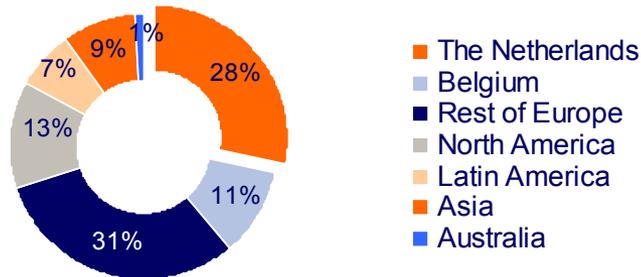


- Group net result in 1Q11 amounted to EUR 1,381 mln versus EUR 1,230 mln in 1Q10 and a net result of EUR 130 mln in 4Q10
- Insurance shows strong improvement

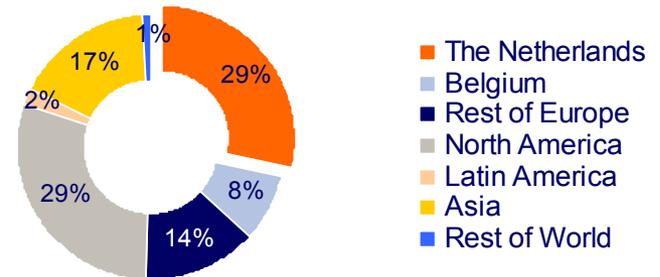
# Non-financial results

# ING plays an important role in Dutch economy

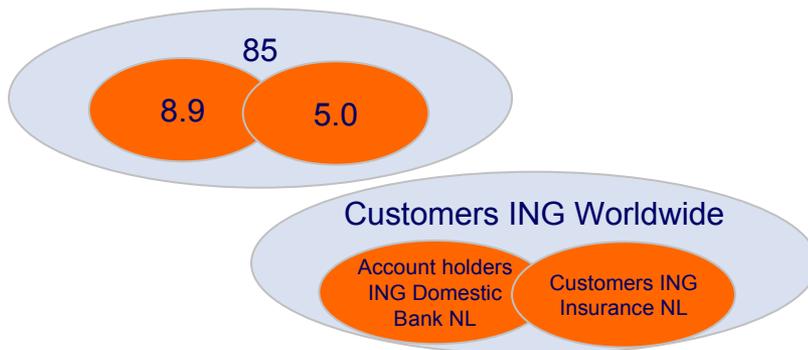
## Employees, FTEs 2010



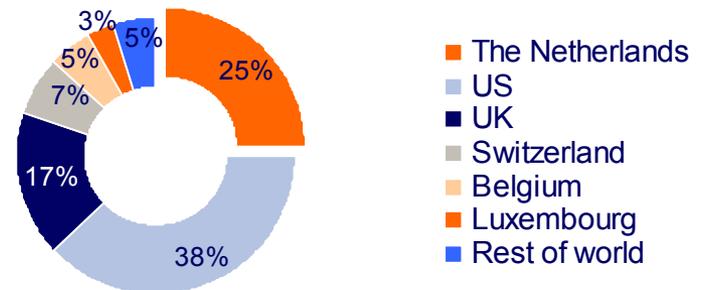
## Income, 2010



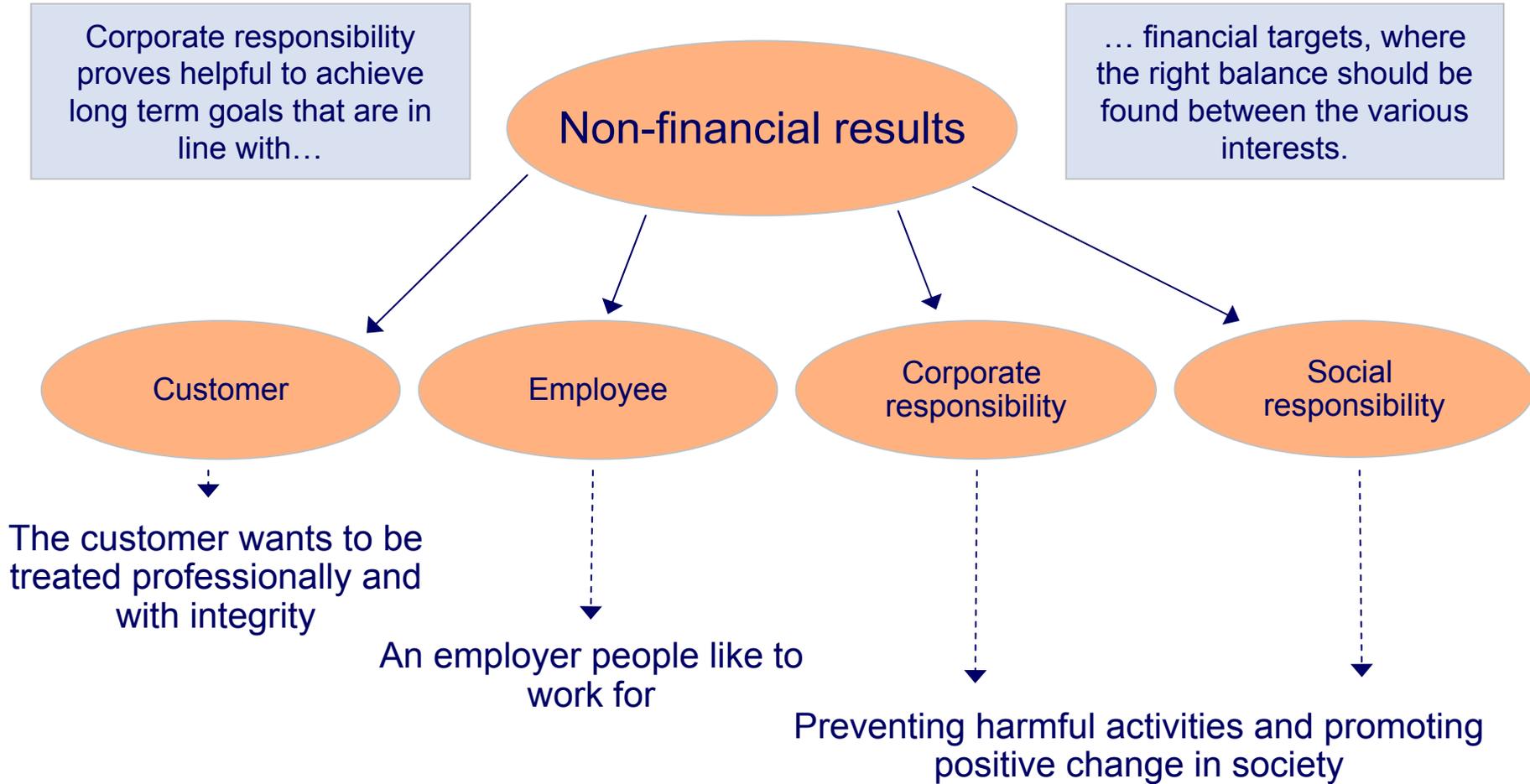
## Number of customers 2010 (in mln)



## Shareholdings 2010



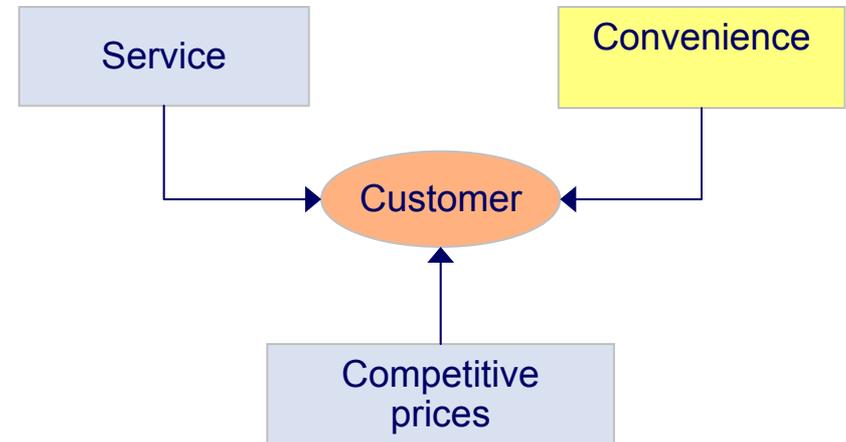
# Progress with non-financial results



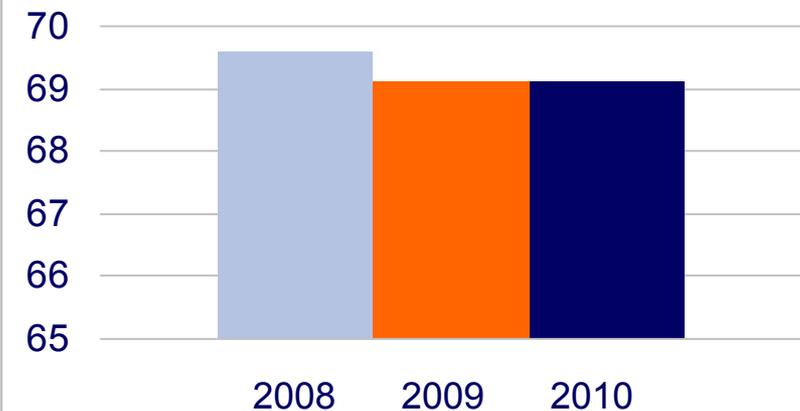
# Focus on the interests of the customer

## Client initiatives

- Improving customer suitability programmes for products
- Helping our customers manage their financial future
- Net Promoter Score introduced across 24 business lines
- Improving bank customer accessibility by easier account opening and introduction of new channels
- Insurance initiatives to make customer information more transparent and easier to understand
- Actively seek and maintain an ongoing dialogue with our customers
- Focus on earning our customers' trust through transparent products, value for money and superior service



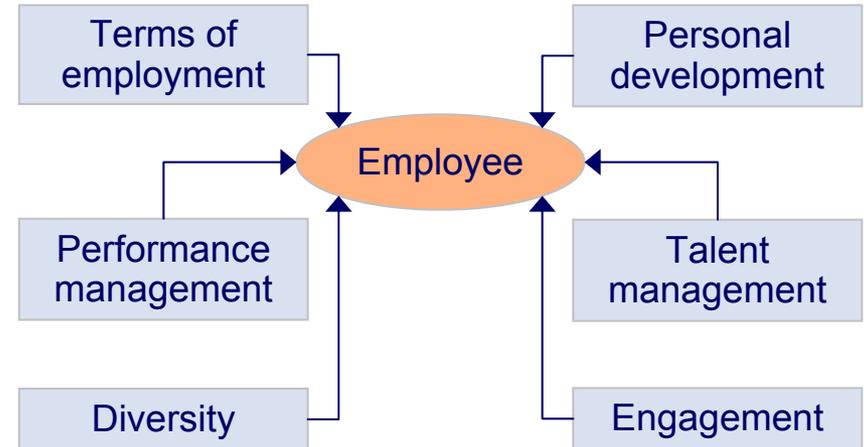
## Customer satisfaction (%)



# Employee engagement

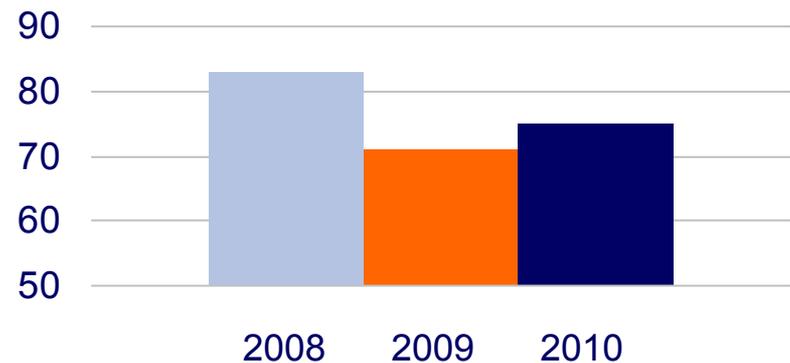
## Employee engagement

- In annual survey amongst all ING employees, percentage of employees that is proud to work for ING rose by 4% to 75%
- Training module based on the ING Business Principles rolled out globally in 2010
- 93% of ING employees indicated that living up to the Business Principles is important. 81% feels that principles guide them in everyday decisions at work
- Employee engagement cascaded as a key performance indicator in objectives of senior management
- Both Bank and Insurance/IM attach great importance to making the organisation a better place to work for current and new employees



## Employee engagement (%)

### 'Proud to be working at ING'



# Sustainable business practices and social commitment

## Sustainable business practices

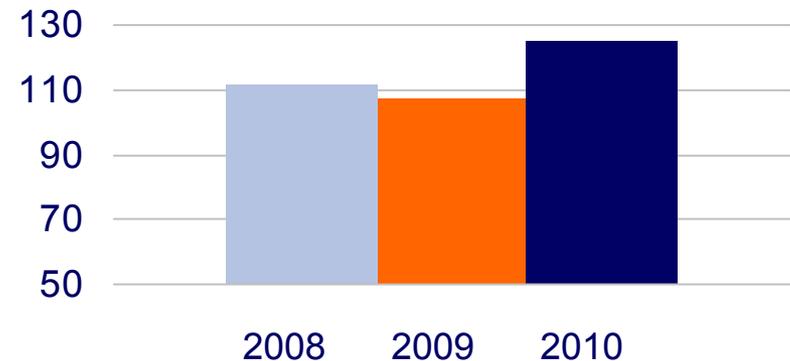
- Sustainable AuM increased by 5% in 2010
- Again included in FTSE4Good and Dow Jones Sustainability index
- 100% carbon neutral for fourth consecutive year
- Sustainability targets included in objectives of senior management

## Social commitment

- Over 125,000 children provided with access to primary education under Chances for Children programme with UNICEF
- Participation in 2010 Global Challenge: a record number of 38 countries and about 20,000 ING employees

## ING Chances for Children (x 1,000)

'Number of children with access to primary education'



# Wrap-up

- Sound profitability and strong capital position of ING Group ('Back to Basics programme') provide a good basis to face the challenges in regulations, financial markets and other external factors successfully
- ING Bank has strong market positions and good growth opportunities => further up-side for investors as an independent company
- Strong capital generation at the Bank, enabling repayment to the Dutch State through retained earnings – creates strategic flexibility as ING executes divestments and continues Group restructuring
- ING Insurance: well on its way to further improve margins, growth and efficiency as well as with the preparations for the IPOs
- Good progress on non-financial objectives, such as customer centricity, employee engagement, sustainability and corporate responsibility

# Disclaimer

ING Group's Annual Accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU').

The financial information in this document is partly derived from audited 2010 Annual Accounts and partly from unaudited 1Q2011 Interim Accounts. Financial information not derived from these documents is also unaudited. Small differences are possible due to rounding.

Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in ING's core markets, (2) changes in performance of financial markets, including developing markets, (3) the implementation of ING's restructuring plan to separate banking and insurance operations, (4) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness, (5) the frequency and severity of insured loss events, (6) changes affecting mortality and morbidity levels and trends, (7) changes affecting persistency levels, (8) changes affecting interest rate levels, (9) changes affecting currency exchange rates, (10) changes in general competitive factors, (11) changes in laws and regulations, (12) changes in the policies of governments and/or regulatory authorities, (13) conclusions with regard to purchase accounting assumptions and methodologies, (14) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, and (15) ING's ability to achieve projected operational synergies. ING assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason.

[www.ing.com](http://www.ing.com)