



# ING Group

ING is strategically well positioned and delivering on its priorities

Bernstein Pan European Strategic Decisions Conference

Koos Timmermans  
Chief Risk Officer

London – 21 September 2011  
[www.ing.com](http://www.ing.com)

BANKING - INVESTMENTS - LIFE INSURANCE - RETIREMENT SERVICES



# ING is strategically well positioned and delivering on its priorities

2009

2013

Strengthening  
financial position



- Solid earnings recovery
- Strong capital ratios and funding
- De-risked balance sheet

Delivering on  
restructuring



- Decisive execution of EC restructuring
- Repayment to Dutch State
- Separation process on track

Building a  
stronger bank

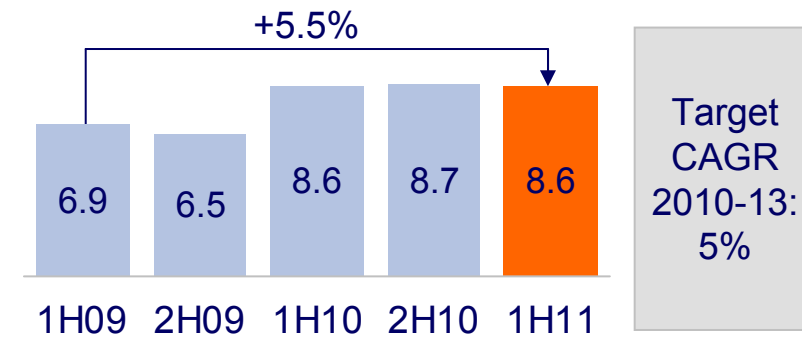


- Balance sheet integration
- Loan book optimisation

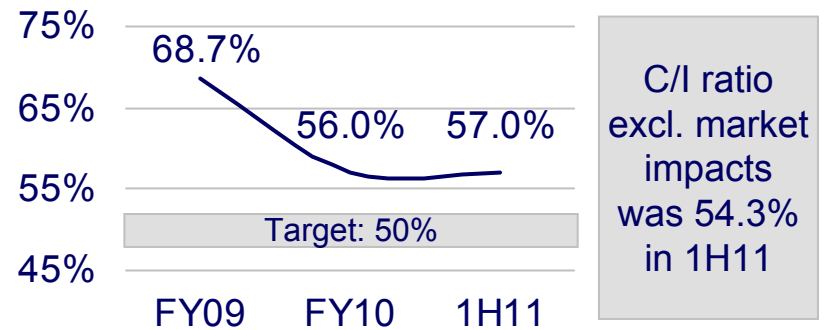
# Strengthening financial position

# Bank is making good progress on Ambition 2013

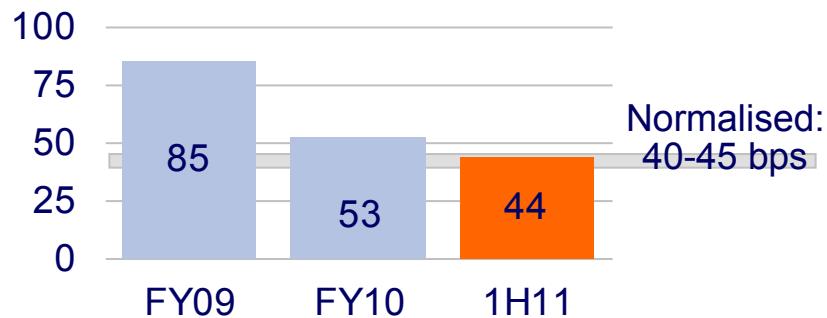
## Underlying income (EUR billion)



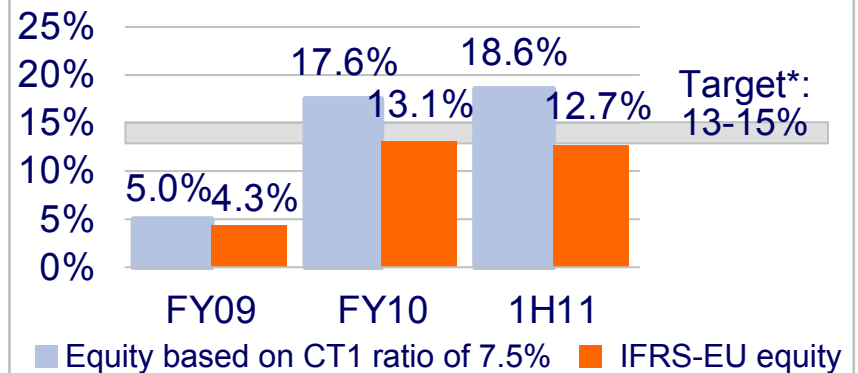
## Underlying cost/income ratio (%)



## Underlying risk costs in bps of average RWA



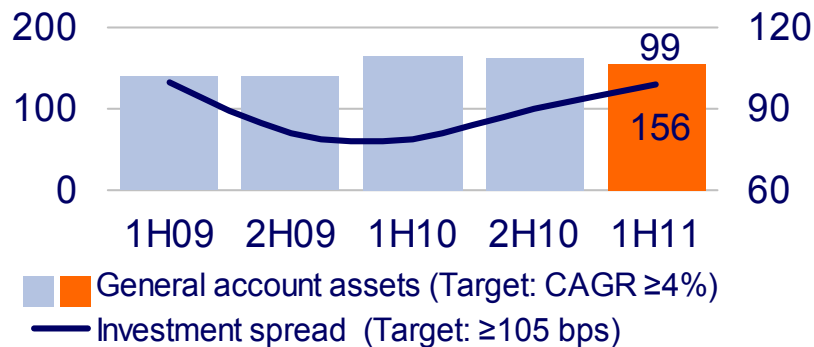
## RoE (YTD, %)



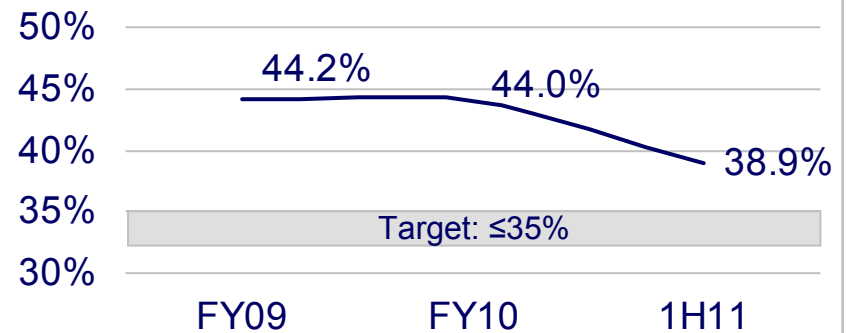
\* Target assumes average equity based on core Tier 1 ratio of 7.5%.

# Insurance operations showing clear progress on Ambition 2013

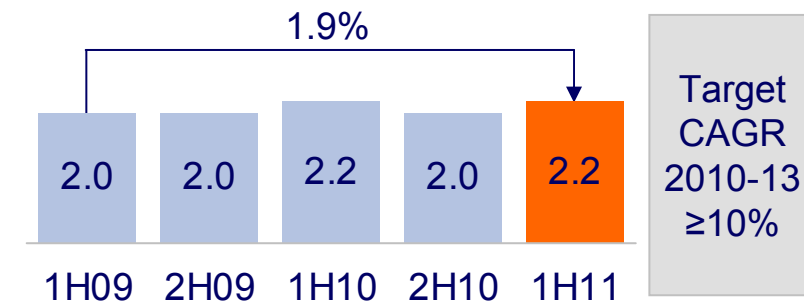
## Life general account (EUR bln) and investment spread<sup>\*,\*\*</sup> (bps)



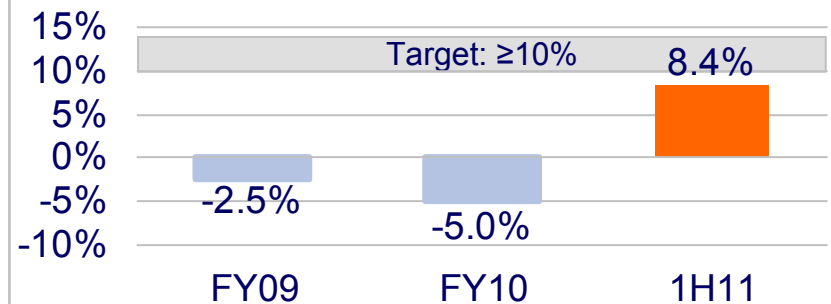
## Life & ILM administrative expenses / Life & ILM operating income<sup>\*\*</sup> (%)



## APE<sup>\*\*</sup> (EUR bln)



## RoE<sup>\*\*,\*\*\*</sup> (YTD, %)

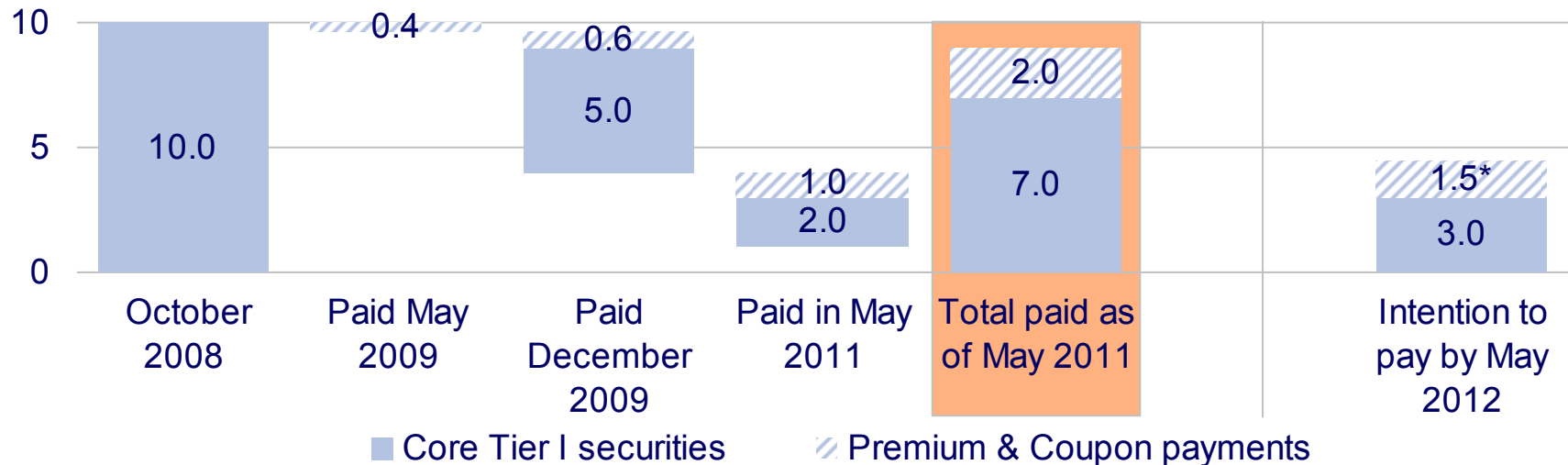


\* Four-quarter rolling average \*\* Insurance 2009, 2010 and 1Q11 figures have been restated to reflect the sale of ING Insurance Latin America which is booked in discontinued operations until closing. \*\*\* Annualised underlying net result divided by average IFRS-EU equity. (For Insurance, the 2010 quarterly results are adjusted for the after tax allocated cost of Group core debt.).



# Second tranche of state aid has been repaid out of retained earnings from the Bank

## Core Tier I securities from Dutch State (EUR bln)

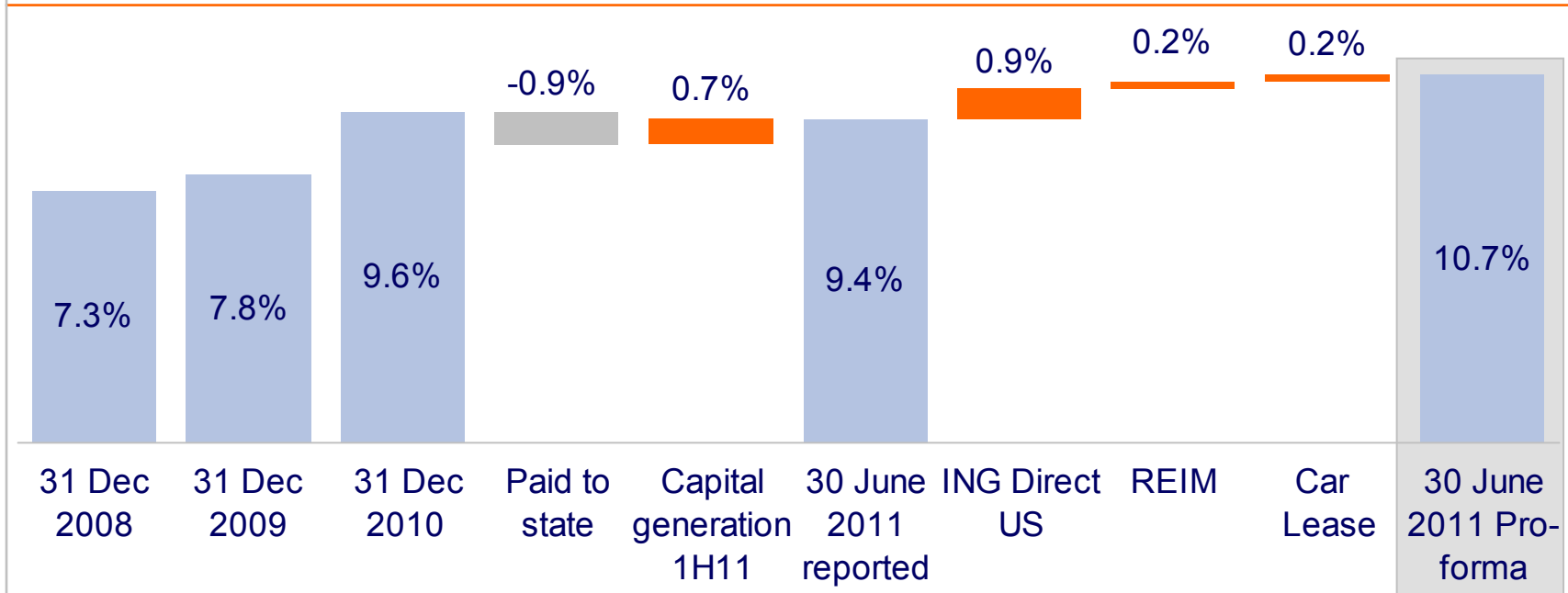


- On 13 May 2011, ING repurchased EUR 2 bln core Tier 1 securities from Dutch State
- The total payment was EUR 3 bln and included a 50% repurchase premium
- Provided that the strong capital generation continues, ING aims to repurchase the remaining EUR 3 bln core Tier 1 securities by May 2012, on terms that are acceptable to all stakeholders

\* Indicative, based on 50% premium

# Core Tier 1 ratio at 10.7% including impact of announced divestitures

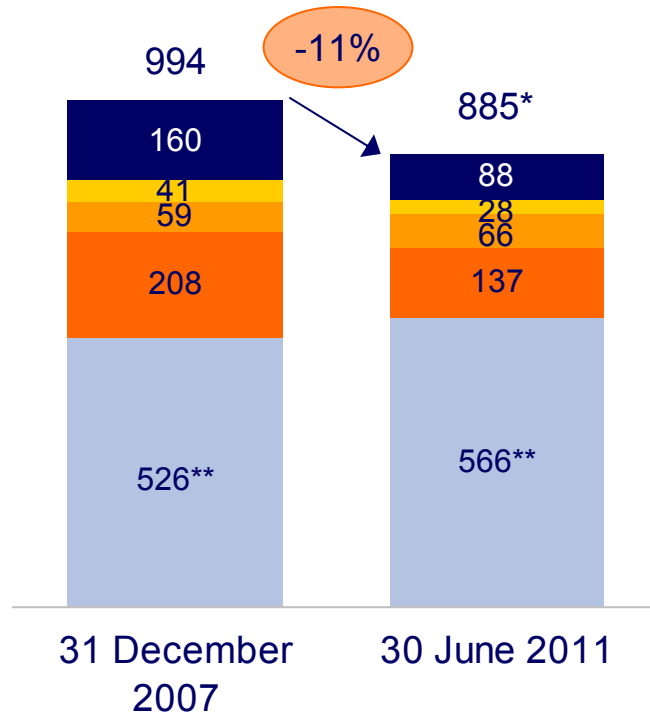
## Core Tier I ratio



- The Core Tier 1 ratio was 9.4% at 30 June 2011. The EUR 3 bln payment to the Dutch State was largely offset by the strong capital generation in 1H11
- Including the positive impact of the announced sales of ING Direct US, REIM and Car Lease, the pro-forma core Tier 1 ratio is 10.7%

# ING Bank's asset base carefully managed down

## Total assets (in EUR billion)



- Balance sheet reduction achieved primarily through reduction of investment portfolio and trading assets

- Investments
- Other
- Cash and amounts due from banks
- Financial assets at fair value through P&L
- Loans and advances to customers

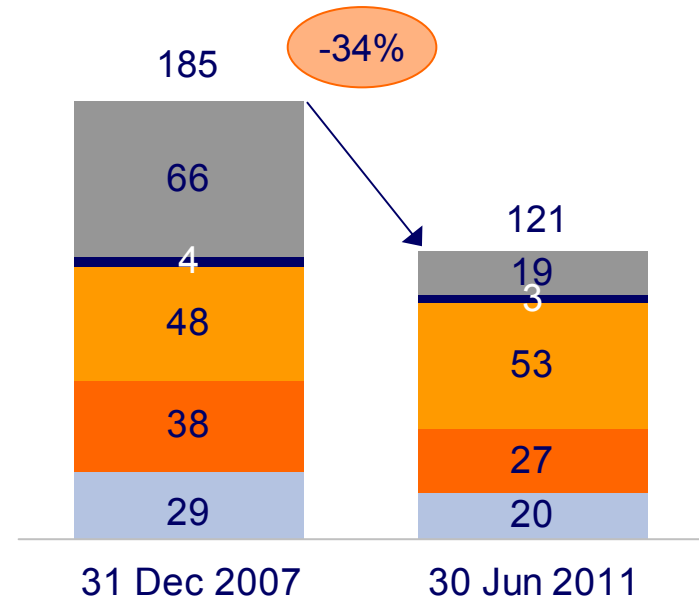
\* Excluding Assets held for sale (ING Direct USA, ING Real Estate Investment Management and ING Car Lease).

\*\* Includes IABF (for 2011) and reclassified debt securities.



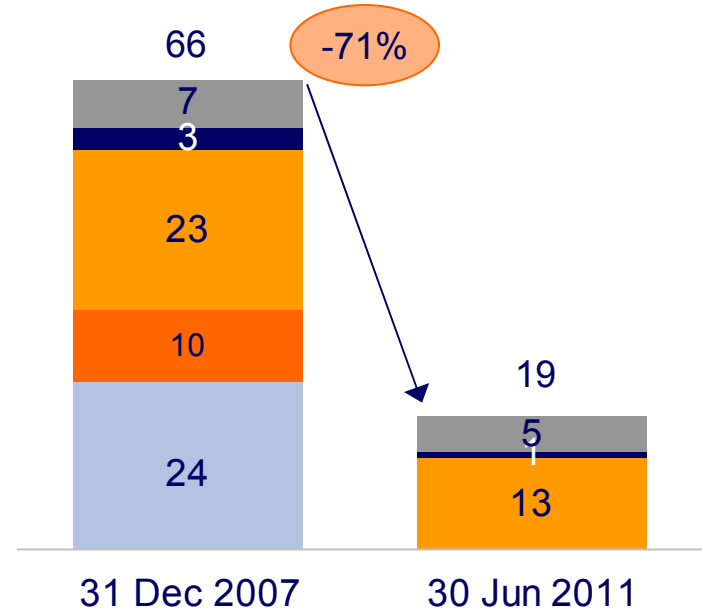
# ING Bank's total investment book is de-risked; ABS exposure declined strongly

## Total Investments\* (in EUR bln)



- Corporate bonds\*\*
- Covered bonds
- Government bonds
- Equities
- ABS

## ABS (in EUR bln)



- US Alt-A RMBS
- US RMBS Other
- Non-US RMBS
- CMBS
- Other ABS

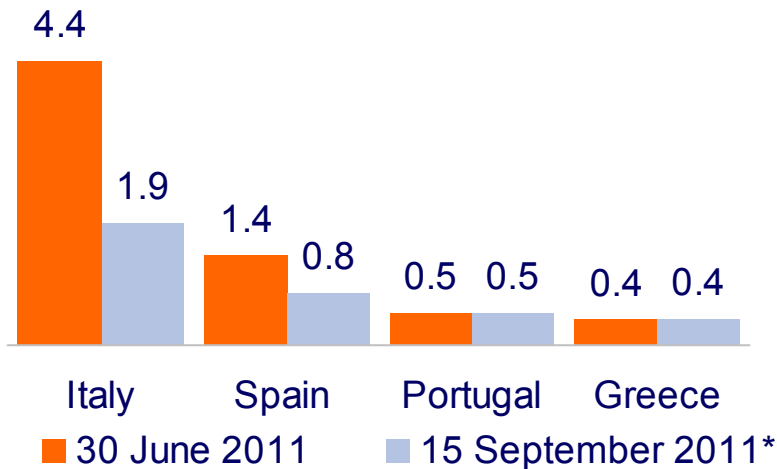
\* Total investments includes securities in 'Amounts due from Banks' and 'Loans and advances' totalling EUR 33 billion as of 30 Jun 2011 and excludes Securities held for sale.

\*\* Includes financial institutions

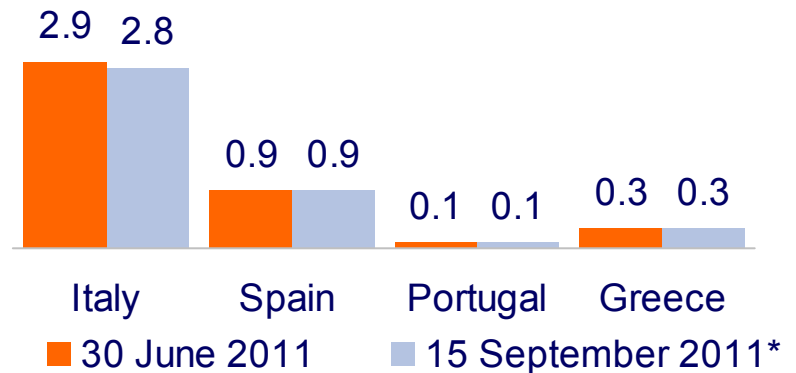


# Exposure to Southern European sovereigns further reduced

## Bank: Government bond exposure (in EUR bln, B/S value)



## Insurance: Government bond exposure (in EUR bln, B/S value)



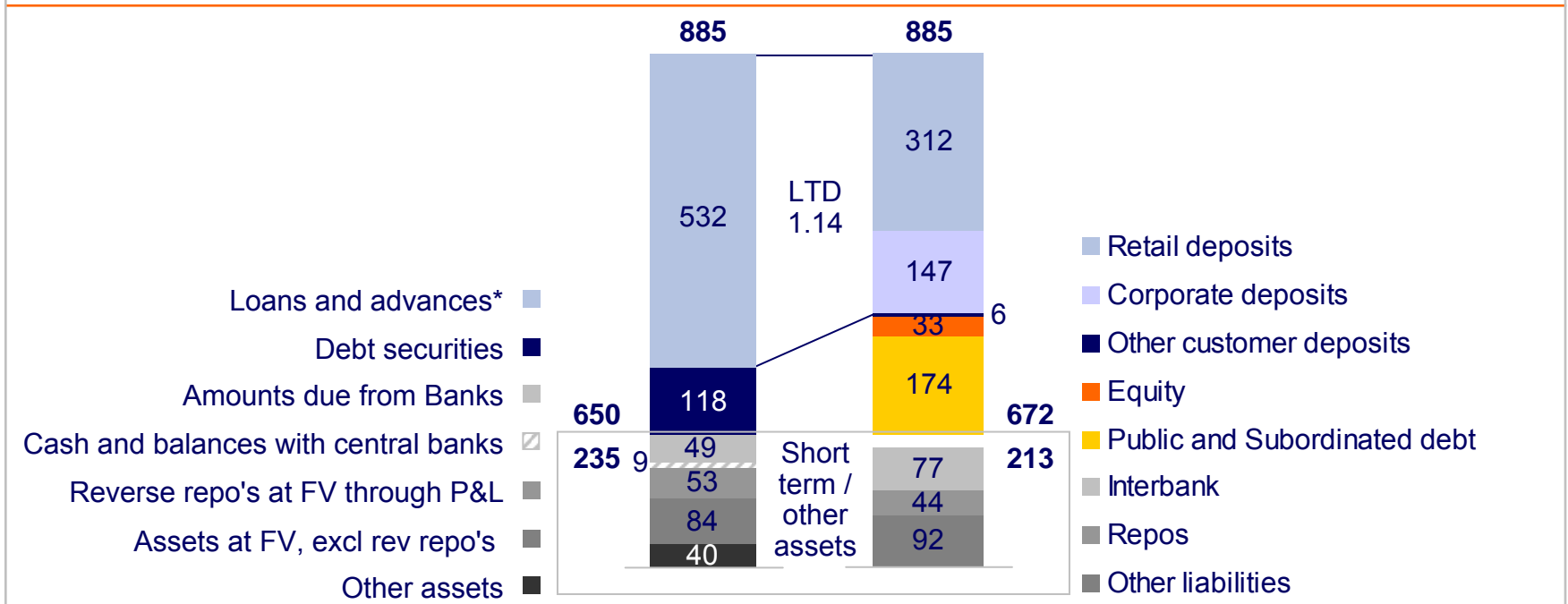
## Southern European sovereign exposure selectively reduced

- Exposures were reduced in Italy and Spain through maturing positions and management actions
- Italian exposure was reduced by EUR 2.5 billion in the Bank and EUR 0.1 billion at Insurance
- Spanish exposure was reduced by EUR 0.6 billion in the Bank

\* Does not include changes in pricing and re-impairments since 30 June 2011

# ING Bank maintains a strong funding structure

## ING Bank Balance Sheet 1H11 (in EUR billion)



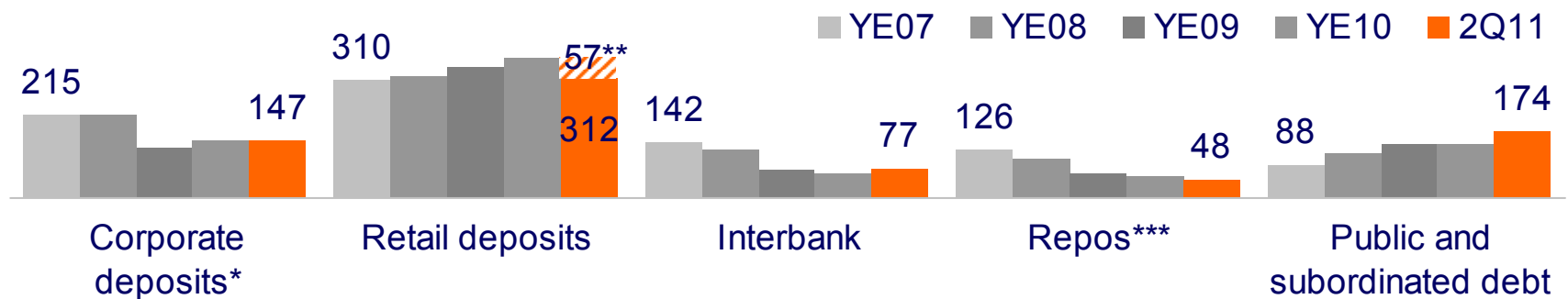
- ING's loan-to-deposit ratio amounts to 1.14 at the end of 2Q11
- ING unencumbered eligible assets (at market value and after haircut) amounts to more than EUR 140 bn at the end of 2Q11

\* Excludes securities at amortised cost and IABF



# Funding mix dominated by deposits (61%) while increasing long-term funding

## ING Bank's funding mix 2007-2011



## Balance sheet management

- Structurally reducing reliance on short-term professional funding since start of credit crisis through:
  - Strong increase long-term debt issuance
  - Integration of balance sheets
  - Divestments
- Resulted in excess of short-term funding employed for short-term asset generation.

## USD funding

- Reduction of US MMF exposure towards European banks.
- ING has opted for the prudent approach by avoiding replacing these funds with very short term funds nor using its liquidity buffers:
  - Alternative funding sources with similar or longer tenors and;
  - Reduction of short-term assets
- ING's longer term USD lending activities are largely matched funded by long term USD debt issuance

\* Decrease in corporate deposits after 2008 due to netting of debit and credit balances in current accounts

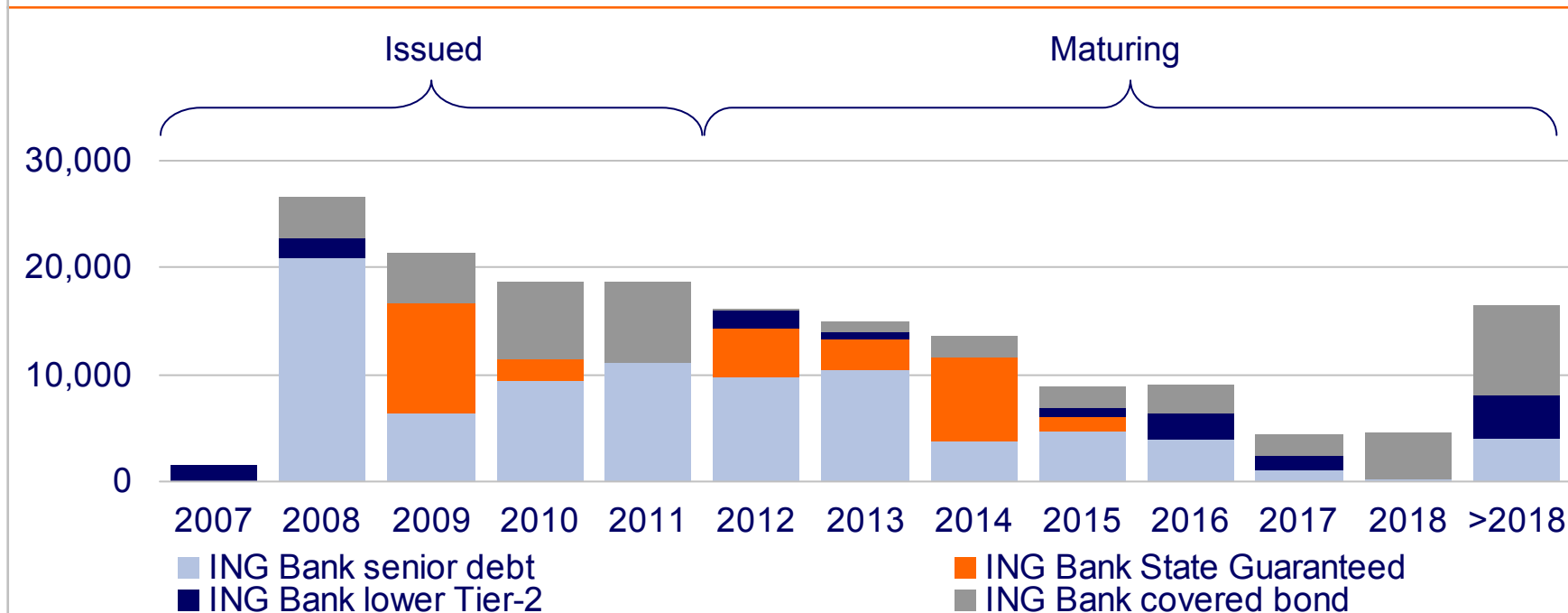
\*\* Retail deposits ING Direct US, classified as liabilities held for sale

\*\*\* Including repo's classified as Other customer deposits



# ING Bank has modest long-term funding needs

## Maturity ladder outstanding long-term debt (EUR million)



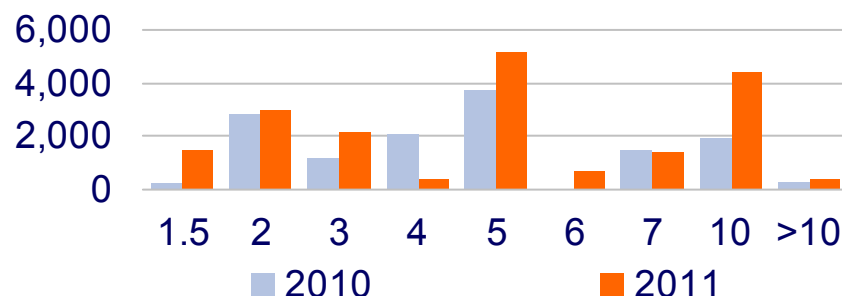
- ING Bank's 2011 refinancing need already met: EUR 19.5 billion raised at 31 August, versus EUR 10.7 billion maturing in full year 2011

# Diversified Issuance – August YTD 2011

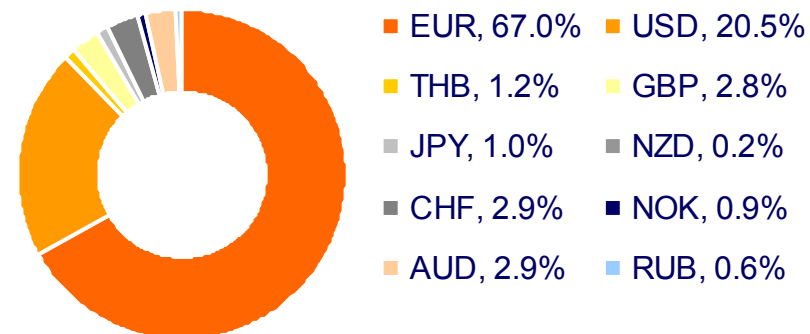
## Total Issuance, ING Bank August YTD 2011 (in EUR million)

Format	Public	%	Private	%	Total	%
Covered Bond	6,350	36%	1,300	66%	7,650	39%
Senior Unsecured	10,587	60%	665	34%	11,252	58%
RMBS Public	589	4%	-	-	589	3%
<b>Total</b>	<b>17,526</b>	<b>100%</b>	<b>1,965</b>	<b>100%</b>	<b>19,491</b>	<b>100%</b>

## Issued Tenors Aug 2011 vs Aug 2010 (in EUR mln)

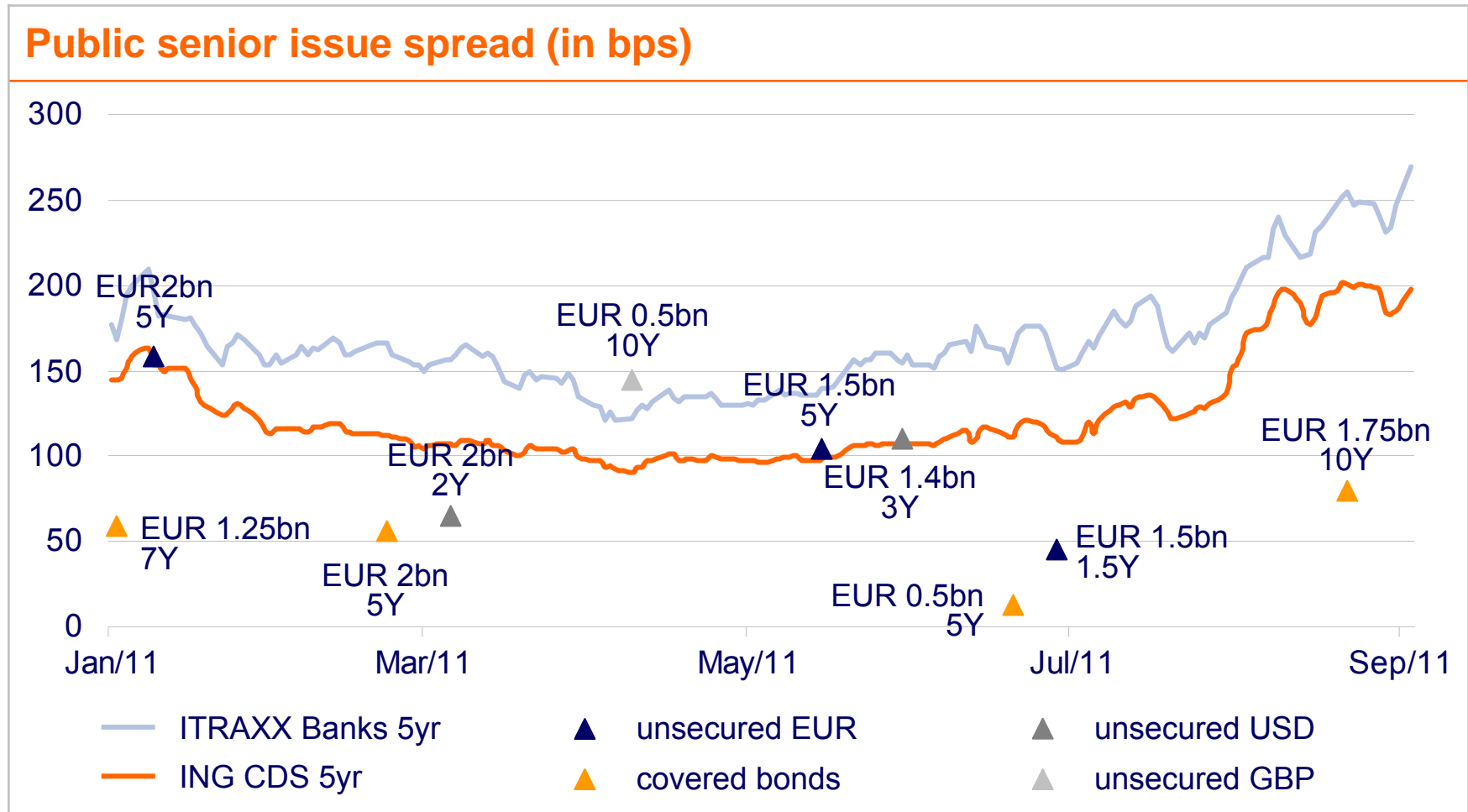


## Issuance over Currencies, YTD 2011



- Weighted average tenor of issues in 2010/11 increased from 5.5 years in 2010 to 5.7 years in 2011
- The average spread per end August 2011 is 3m Euribor +90 bps

# ING issues well below ITRAXX and ING CDS 5Y level



# Delivering on restructuring



# Taking decisive steps to complete EC restructuring and streamline portfolio

## Delivering on EU restructuring

	Action	Proceeds	Expected closing
• Sell ING Direct USA	✓ Announced	USD 9.0 billion	End of 2011
• Sell Insurance Latin America	✓ Announced	EUR 2.7 billion	End of 2011
• IPO USA	In preparation		
• IPO Eur/Asia	In preparation		
• Divesting WestlandUtrecht Bank	Operationally split; exploring further options		

## Further streamlining into 2011

	Action	Proceeds	Expected closing
• Sell ING Real Estate Investment Management (REIM)	✓ Announced	USD 1.0 billion	2H11
• Sell ING Car Lease	✓ Announced	EUR 700 million	End of 2011

# Own resources Bank will be used to repay remaining state aid and Insurance proceeds will be used to reduce leverage

**Bank**  
Retained earnings from the Bank being used to repay the Dutch State

## ING Group 30 June 2011

ING Bank	32	Equity	40
ING Insurance	19	CT1 securities	3
Hybrids <sup>B</sup>	8	Core Debt	8
Hybrids <sup>I</sup>	2	Hybrids	11
Other	2		
	63		63

## ING Bank (30 June 2011)

RWA	315	Equity	32
		Hybrids	8

## ING Insurance 30 June 2011

Equity <sub>s</sub>	30	Equity	19
		Hybrids	2
		Debt <sub>Sub ord</sub>	2
		Financial Debt	6
			30

Benelux	8.1	US	8.2
CRE	1.4	US VA	2.5
Asia/Pacific	4.9	LatAm*	1.6
ING IM	1.0	CL/other**	2.4

**Insurance**  
proceeds will be used to reduce leverage in the Group and Insurance holding companies

\* Reflects pension and insurance businesses (1.5) as well as separately sold Mexican leasing business (0.05)

\*\* Includes Sul America (0.4), ING Re, DTA's, and misc



# Separation process on track; preparation for 2 IPOs will be executed decisively but prudently

## Separation Bank / Insurance: 2011 - 2013

- As of 1/1/11, Bank and Insurance/IM operate at arm's length from each other
- ING is replacing transitional service agreements with permanent solutions

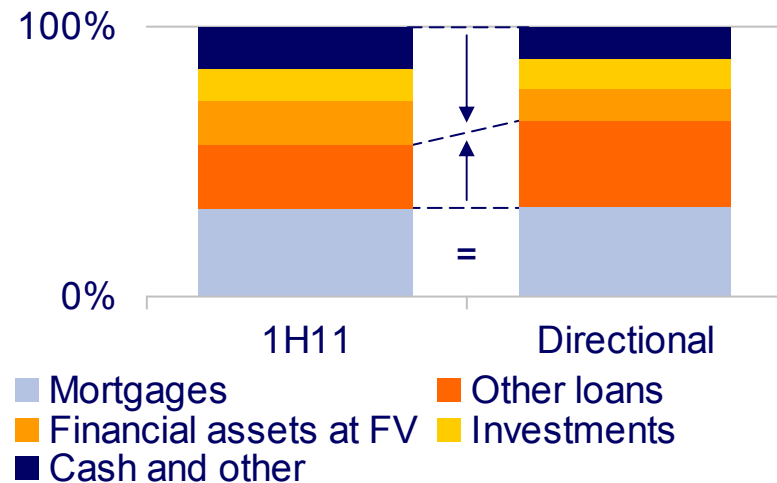
## Insurance separation and preparation for the base case of two IPOs: 2011 - 2013

- Operational disentanglement of US and Eur/Asia Insurance and Investment Management operations is limited:
  - Split ING Investment Management mainly centered around a limited number of investment capabilities
  - Stand-alone HQ capabilities, including the replacement of applications currently provided by the Group
- Preparation for the base case 2 IPOs mainly involves:
  - Implementation US GAAP for US stand-alone capabilities
  - Legal entity restructuring
  - Capital restructuring
  - Regulatory approvals
  - Solvency II and impact on IPO

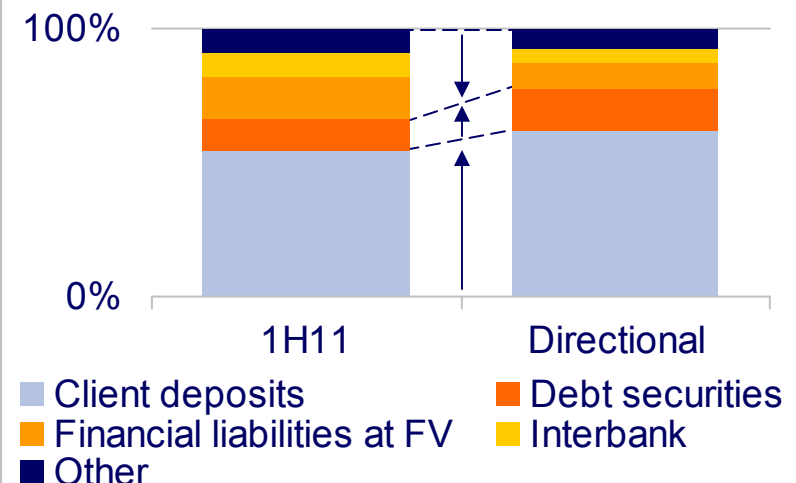
# Building a stronger bank

# Basel III is a catalyst to manage the balance sheet more efficiently

## Total assets (EUR bln)



































## Total liabilities (EUR bln)



## Directional balance sheet

- Investment portfolio will be shifted more to government bonds to meet liquidity requirements
- Balance sheet integration started: taking own assets to match ING Direct deposits
- Loan portfolio will grow, but impetus to put less emphasis on mortgages due to low RoA


# Loan book will be managed to optimise ROE under competing Basel III requirements

Asset class	DGA	Risk-weighting	RoE	RoA
Mortgages				
Consumer finance				
SME loans				
Mid-corporate loans				
Corporate loans				
Structured finance				
Real estate finance				
Investments-non-government				
Investments-government				
Trading assets				

Basel III brings multiple constraints but the advantage is that a bank like ING has multiple products to allow the right mix that optimises ROE

- Mortgages provide attractive RoE, but RoA can be constraint if leverage ratio begins to bind
- SME, MidCorp and Corporate Loans are preferred due to deposit gathering potential for cross-sell
- Structured Finance provides an attractive RoA but limited deposit gathering ability

# Multiple waves of balance sheet integration



ING Bank's funding position	1st wave: internal securitisations	2nd wave: mortgages	3rd wave: CB assets	4th wave: domestic banks
<ul style="list-style-type: none"> <li>Funding position in the Netherlands can be improved through more efficient Balance Sheet management</li> <li>ING Belgium and ING Direct are funding rich</li> </ul>	<ul style="list-style-type: none"> <li>Units with excess funding invest in internally ringfenced and packaged mortgages</li> </ul>	<ul style="list-style-type: none"> <li>Transfer own-originated mortgages directly to funding-rich units</li> </ul>	<ul style="list-style-type: none"> <li>Transfer selected Commercial Banking assets to funding rich units</li> </ul>	<ul style="list-style-type: none"> <li>In selected ING Direct countries, merge ING and CB activities into one legal entity*</li> </ul>

- By better matching the own originated assets with liabilities, ING can limit the investment portfolio
- Balance sheet integration progressing in close cooperation with local regulators
- Internal transactions delivered EUR 6 bln balance sheet integration until the end of 2010
- Pipeline of internal transactions expected to deliver approximately EUR 20 bln integration in 2011

\* Subject to regulatory approval

# ING is strategically well positioned and delivering on its priorities

## Strengthening financial position

- Solid earnings recovery
- Strong capital ratios and funding
- De-risked balance sheet

## Delivering on restructuring

- Decisive execution of EC restructuring
- Repayment to Dutch State
- Separation process on track

## Building a stronger bank

- Balance sheet integration
- Loan book optimisation



# Disclaimer

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

In preparing the financial information in this document, the same accounting principles are applied as in the 2Q2011 ING Group Interim Accounts. All figures in this document are unaudited. Small differences are possible in the tables 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)