First Quarter 2012 Results

ING posts 1Q12 underlying net profit of EUR 705 million

Jan Hommen
CEO

Amsterdam - 9 May 2012
www.ing.com

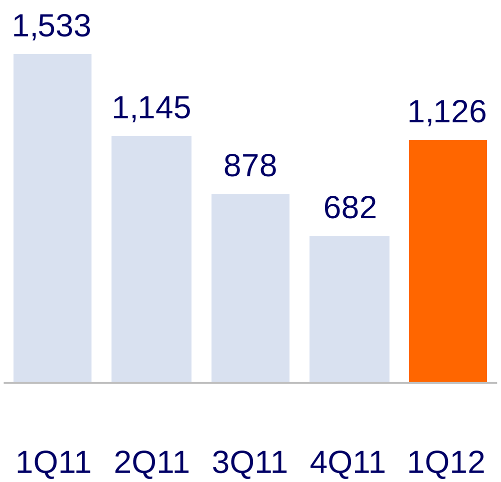
BANKING - INVESTMENTS - LIFE INSURANCE - RETIREMENT SERVICES

Key messages

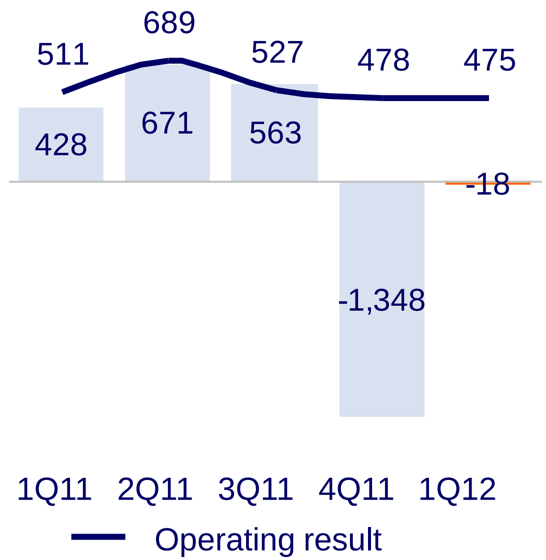
- Group underlying net result of EUR 705 mln improved from the previous quarter but declined from a strong first quarter last year
- Bank underlying pre-tax result rose 65.1% from the fourth quarter to EUR 1,126 mln, supported by lower impairments and lower de-risking losses, despite a negative credit adjustment of EUR 304 mln
- Insurance results recovered from the fourth quarter and operating results remain robust at EUR 475 mln. Underlying results continued to be heavily impacted by mark-to-market losses on hedges in place to protect regulatory capital
- Group net profit totaled EUR 680 million, including a gain on the sale of ING Direct USA, restructuring costs, and a provision for a potential settlement with US authorities
- Capital ratios remained strong: ING Bank core Tier 1 ratio strengthened to 10.9% and the Insurance IGD ratio was stable at 225%

Strong improvement from the fourth quarter at both Bank and Insurance

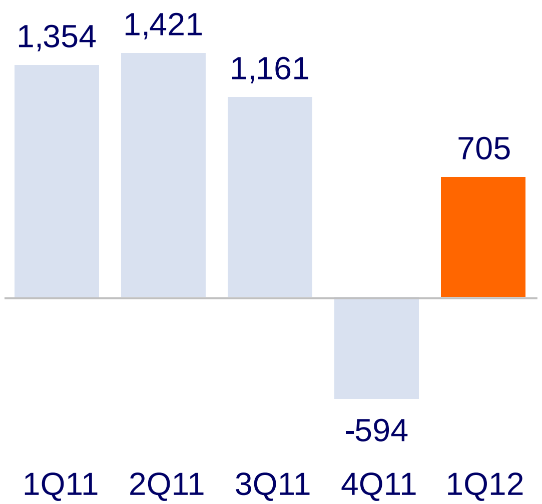
Underlying pre-tax result Bank (in EUR mln)



Underlying pre-tax result Insurance (in EUR mln)



Underlying net result ING Group (in EUR mln)



- Bank results included negative credit adjustments* of EUR 304 mln in 1Q12. Excluding these adjustments, Bank results were down just 6.8% from a very strong 1Q11
- Insurance operating results remained solid, but underlying earnings continue to be impacted by mark-to-market losses on hedges to protect regulatory capital

*Credit adjustments refer to Credit Valuation Adjustments (CVA), Debt Valuation Adjustments (DVA) and fair value changes on own Tier 2 debt

ING

Market-related impacts diminish from the fourth quarter but continue to weigh on results

	Bank			Insurance			Group		
	1Q12	4Q11	% Change	1Q12	4Q11	% Change	1Q12	4Q11	% Change
Reported underlying result before tax	1,126	682	65.1%	-18	-1,348	n.a.	1,108	-666	n.a.
Impairments									
Greek government bonds		-133		-1	-66		-1	-199	
Other impairments	-64	-119		-5	-65		-69	-184	
De-risking									
Realised gains/losses on de-risking	-39	-109		80	179		41	70	
Hedging to protect regulatory capital									
Insurance Benelux				-191	-222		-191	-222	
Insurance US Closed Block VA*				-379	-258		-379	-258	
Other									
Credit adjustments**	-304	155					-304	155	
US Closed block VA charge					-1,099			-1,099	
Separate account pension contracts				17	-207		17	-207	
Other	119	44		-14	-88		105	-44	
Adjusted underlying result before tax* **	1,413	845	67.2%	475	478	-0.6%	1,889	1,323	42.8%
Addition to Loan Loss provision	441	447							
Adjusted gross result	1,854	1,292	43.5%						

* The liability hedge result of EUR -132 mln for the US Closed Block VA in 1Q12 was included in "Other" in the 4Q11 results presentation and is now included in "Insurance US Closed Block VA"
** Credit adjustments refer to Credit Valuation Adjustments (CVA), Debt Valuation Adjustments (DVA) and Fair value changes on own Tier 2 debt
*** Is equal to Insurance operating result

ING

ING is making good progress on EC restructuring

Delivering on EC restructuring

	Action
• Separation Bank/Insurance	✓
• Sell ING Direct USA	✓
• Sell Insurance Latin America*	✓
• Insurance/IM Asia	Exploring sale
• Insurance/IM US	Base case IPO
• Insurance/IM Europe	Standalone future
• Divesting WestlandUtrecht Bank	Exploring alternatives

Progress 2012 YTD

- Liability management transaction pro-actively addressed change of control clause in most ING Insurance debt
- ING Insurance US completed a USD 5 bln senior unsecured credit facility agreement. This credit facility relies on ING Insurance US's standalone credit and does not have credit support from ING Group

Discussions Dutch State and EC

- ING has begun discussions with Dutch State, and together with the State will soon start discussions with the EC following favourable court ruling on ING's appeal
- We remain committed to the decision to separate Bank and Insurance and we are making progress in preparing the Insurance businesses for a stand alone future
- ING remains committed to repay the Dutch State as soon as possible under terms acceptable to all stakeholders

* ING's Latin American pension, life insurance and investment management operations. Sul America is not included in this transaction

ING

ING Bank

Bank results improved strongly from 4Q11, but declined versus 1Q11 due to credit adjustments

Bank results (in EUR mln)

- Results included negative credit adjustments* of EUR 304 mln in 1Q12. Excluding these adjustments, results were down just 6.8% from a strong 1Q11
- Risk costs declined slightly from 4Q11 but are expected to remain elevated

* Credit adjustments refer to Credit Valuation Adjustments (CVA), Debt Valuation Adjustments (DVA) and fair value changes on own Tier 2 debt

Market impacts and de-risking diminished from the fourth quarter but continue to impact results

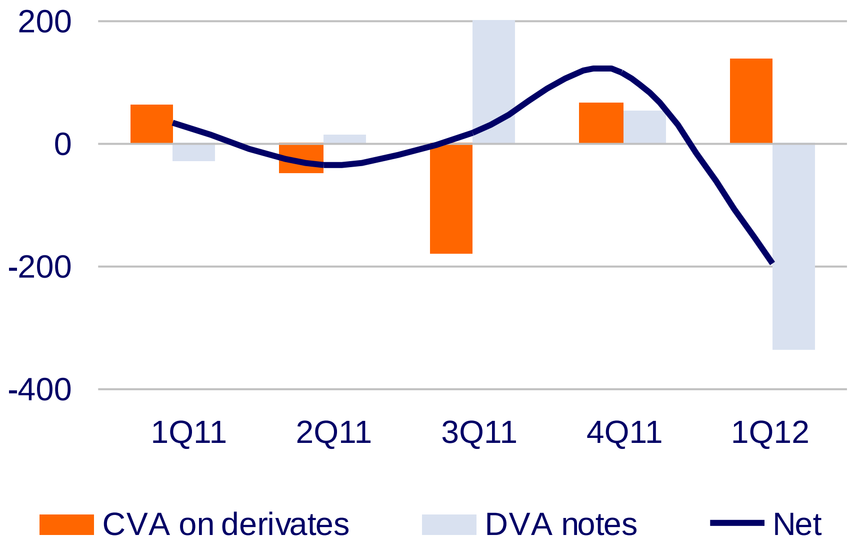
Gross result (EUR mln)

	1Q2012	1Q2011	% Change	4Q2011	% Change
Reported gross result	1,567	1,775	-11.7%	1,129	38.8%
Impairments					
Greek impairments	0	0		-133	
Other impairments on debt / equity securities	-5	40		-32	
RED development projects	-59	-59		-55	
Goodwill impairment RED	0	0		-32	
De-risking					
Realised losses on de-risking RB Int'l	-39	0		-79	
Realised losses on de-risking RE Investments	0	0		-30	
Other					
Credit Adjustments Commercial Banking*	-198	32		116	
Fair value changes own Tier 2 debt	-106	-34		39	
Other market impacts	119	23		44	
Adjusted gross result	1,854	1,773	4.6%	1,292	43.5%

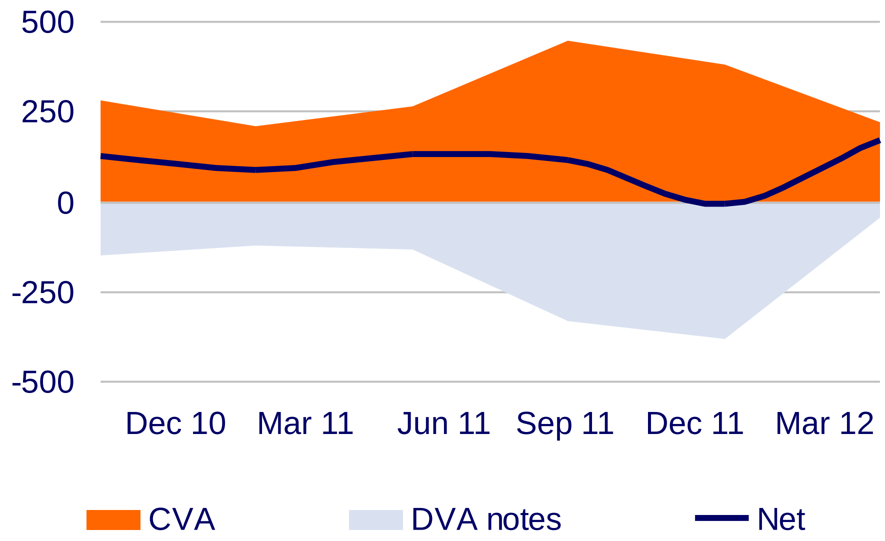
* Credit adjustments Commercial Banking refer to Credit Valuation Adjustments (CVA) and Debt Valuation Adjustments (DVA)

Credit adjustments at Commercial banking had net negative impact of EUR - 198 mln in 1Q12

P/L impact credit adjustments* (EUR mln)



Cumulative CVA/DVA (EUR mln)

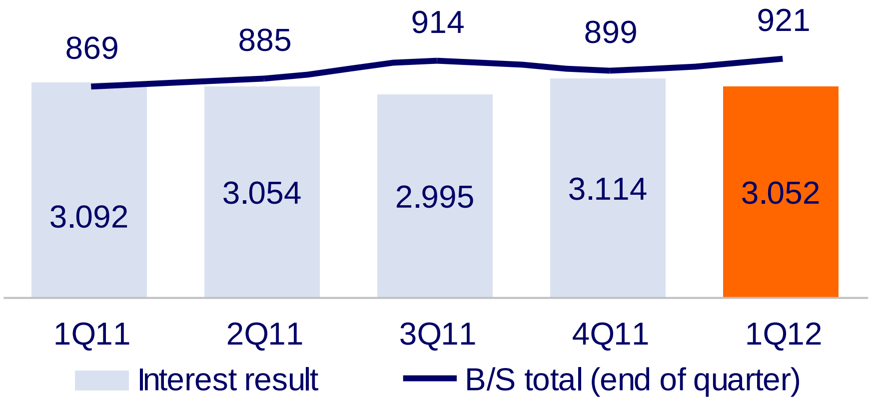


- The tightening of spreads on ING's own structured notes led to a DVA loss of EUR –337 mln, partly offset by a positive gain on credit revaluations on derivatives of EUR 139 mln
- Under normal circumstances, CVA and DVA move in opposite directions and loosely offset each other
- Credit adjustments are changes in the valuation, but not a realised loss/gain unless a real credit event occurs

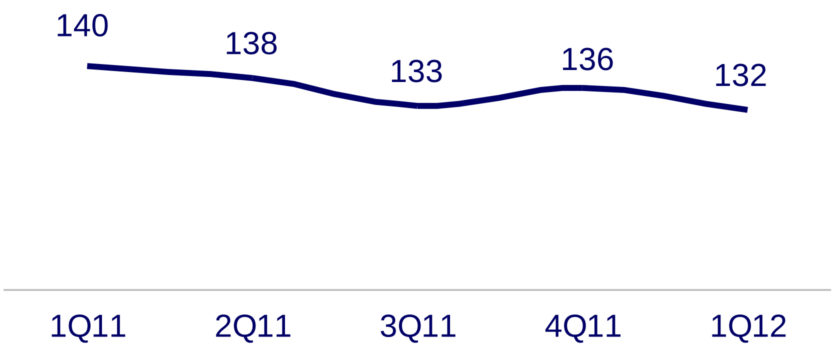
* Credit adjustments Commercial Banking refer to net Credit Valuation Adjustments (CVA) and Debt Valuation Adjustments (DVA)

Interest result has remained steady as volume growth offsets lower interest margin

Interest result (in EUR bln)



Interest margin by quarter* (in bps)

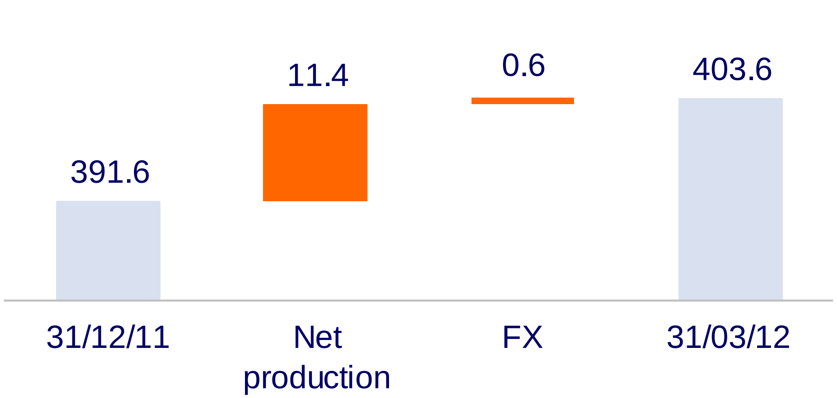


- Net interest margin declined to 132 bps in the first quarter driven by ongoing competition for savings and balance sheet extension
- Approximately 3 bps of the decline in the interest margin was caused by higher balances with central banks as the majority of excess cash received from clients was placed at the ECB

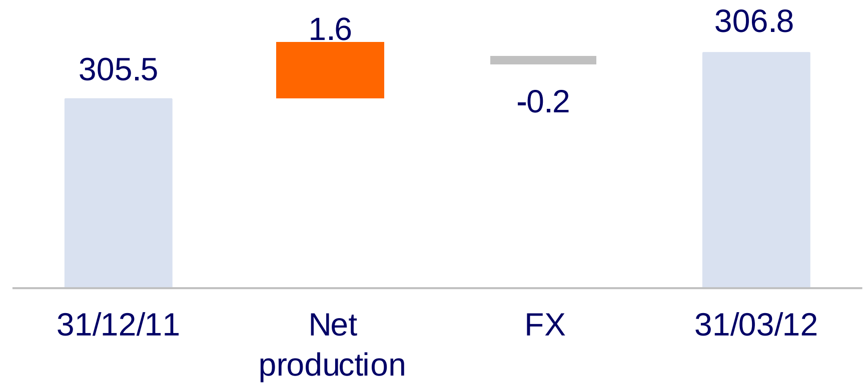
* Interest margin is defined as the Bank's underlying interest result divided by average Bank assets (excl. assets held for sale)

Strong deposit growth in 1Q12 despite ongoing competition for savings

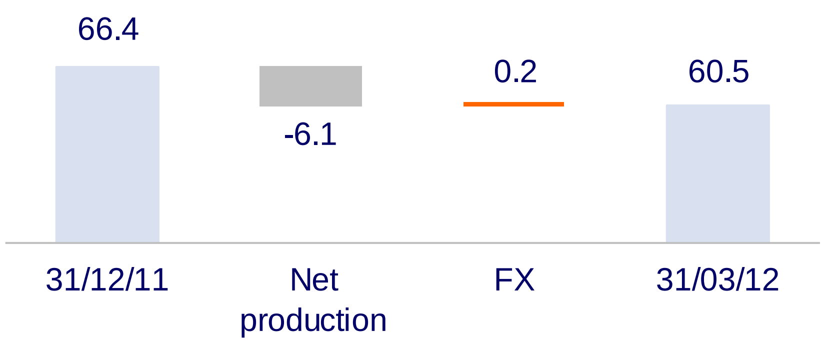
Funds entrusted Retail Bank (EUR bln)*



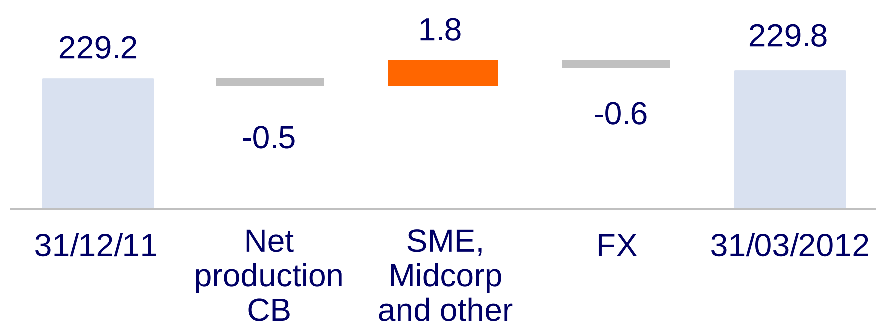
Residential mortgages (EUR bln)*



Funds entrusted Commercial Bank (EUR bln)



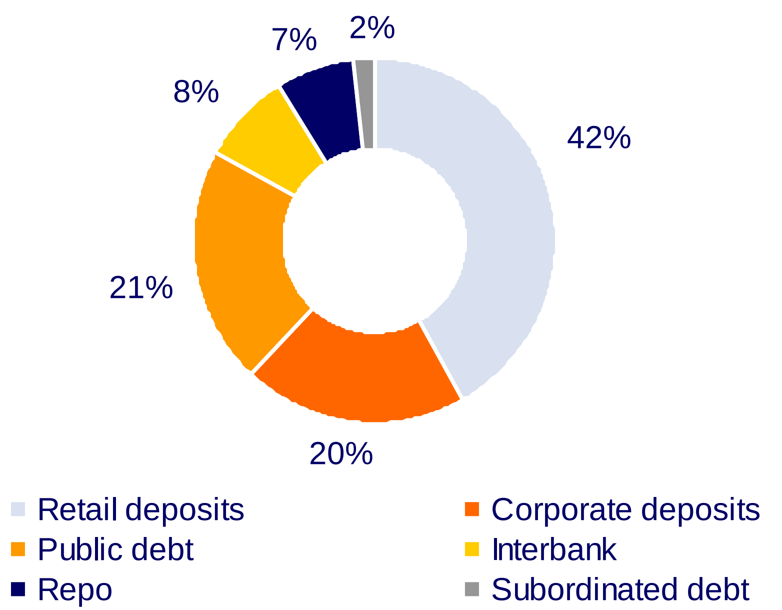
Corporate and other lending (EUR bln)*



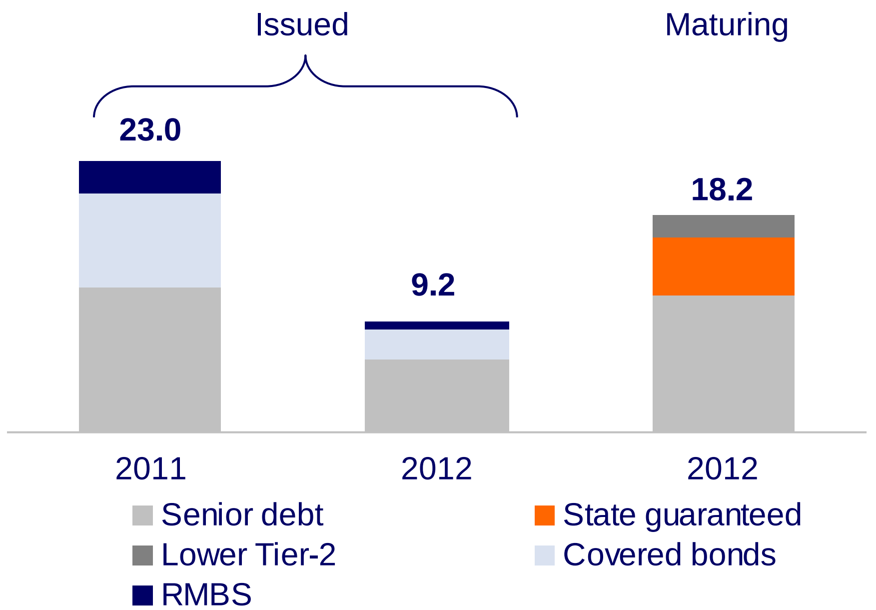
* Adjusted for divestments

ING Bank has a favourable funding mix and long-term funding is increasing

Favourable funding mix (31 March 2012)



Limiting refinancing needs (EUR bln)

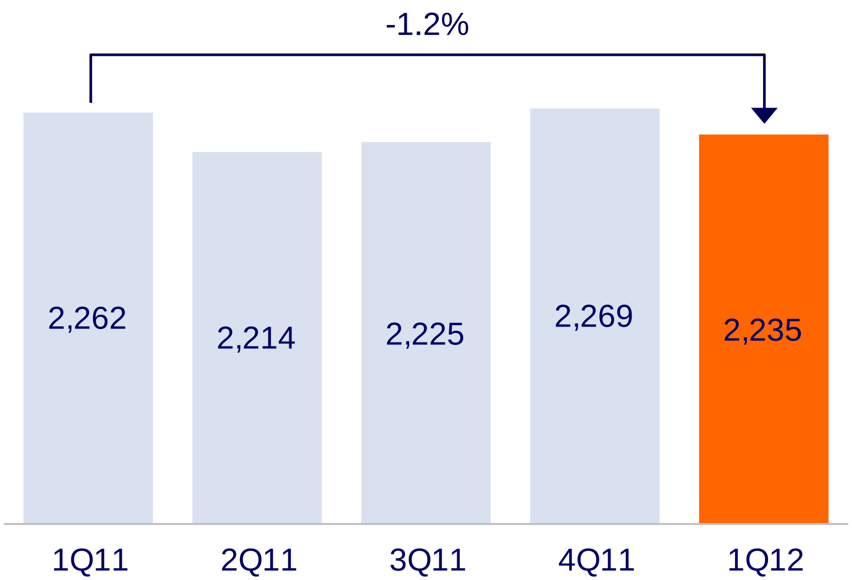


Maintaining a diversified funding mix and conservative maturity ladder

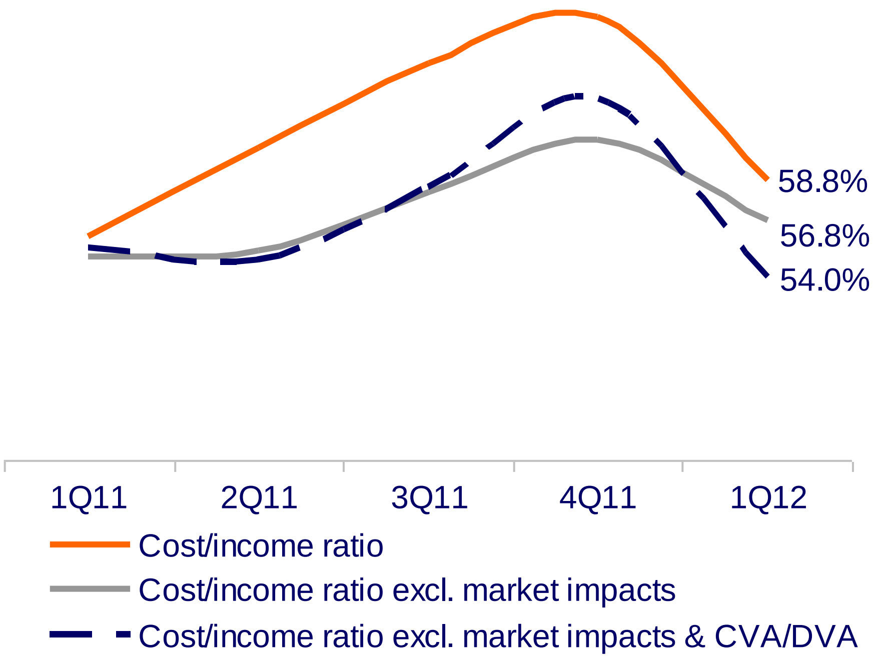
- In 1Q12, ING Bank has already successfully issued EUR 9.2 bln of long-term debt, covering a significant part of its 2012 refinancing needs
- Decline in corporate deposits were more than offset by increase of issued commercial paper and certificates of deposits. The net cash proceeds were largely placed with central banks

Operating expenses declined on both quarters reflecting ongoing cost-containment measures

Operating expenses (EUR mln)



Underlying cost/income ratio (%)



- Expenses declined on both 1Q11 and 4Q11 reflecting ongoing cost-containment
- Operating expenses declined mainly in Commercial Banking and at Retail Netherlands

Retail Netherlands cost program on track

Financial impact cost program (in EUR)

Headcount reduction (2012-2013):	
Internal	2,000 FTE
External	700 FTE
IT investments (coming two years)	200 mln
Special item in 4Q11	235 mln
Of which redundancy provision:	215 mln
Structural reduction in cost savings as of 2014	300 mln

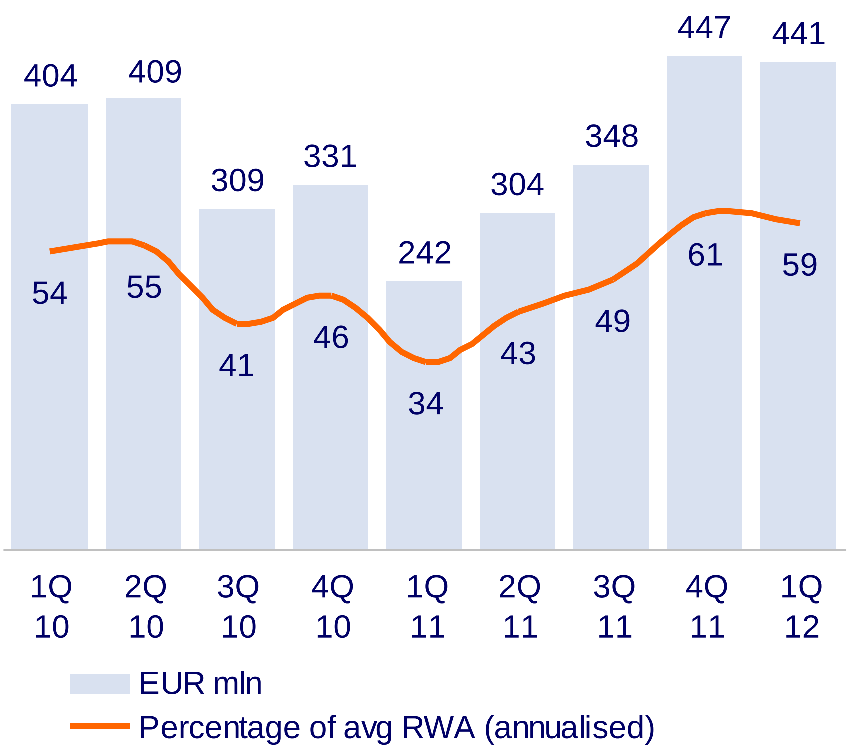
Implementation of DGS systems and/or Bank tax

- In the Netherlands, the new Deposit Guarantee Scheme (DGS), initially expected to partially start in July 2012, is still being discussed.
- Dutch Bank tax, based on wholesale funding, has been agreed on by the government on 26 April. Costs for the industry expected to be EUR 600 mln of which ING's share is approximately one third

- Retail Netherlands is taking measures to reduce costs, improve processes and operational excellence
- Progress in 1Q12 was ahead of schedule with 775 FTE reduction (of which 525 internal)

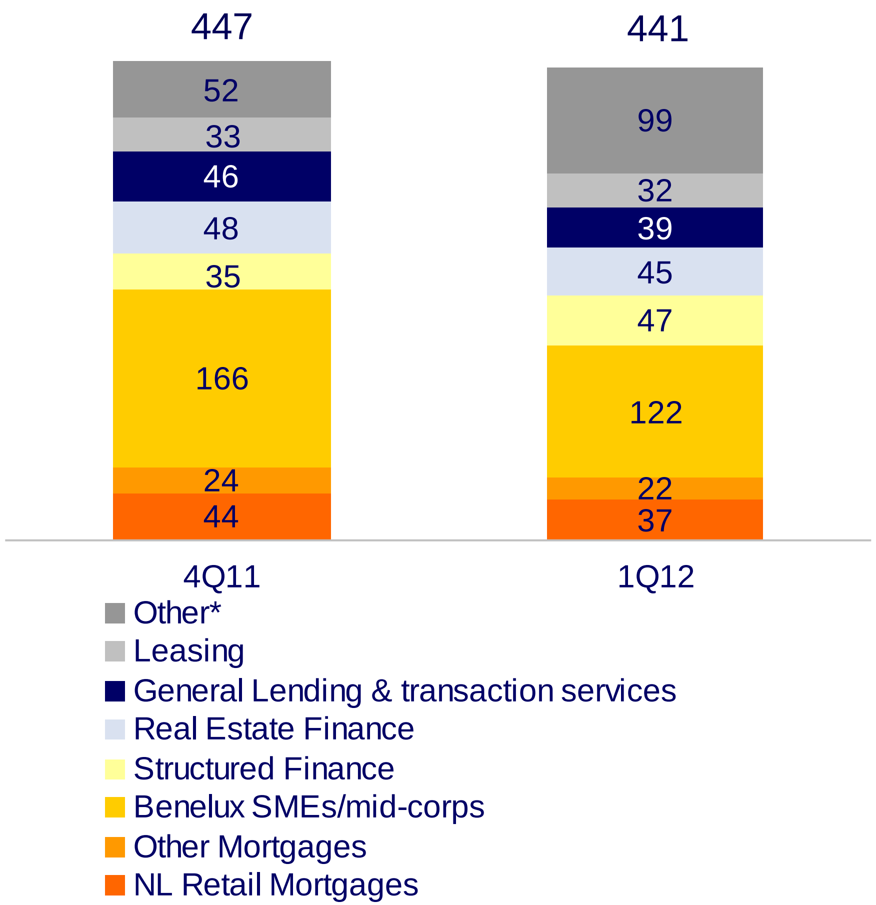
Risk costs declined slightly from 4Q11 but are expected to remain elevated

Underlying additions to loan loss provisions (EUR mln and bps avg RWA)



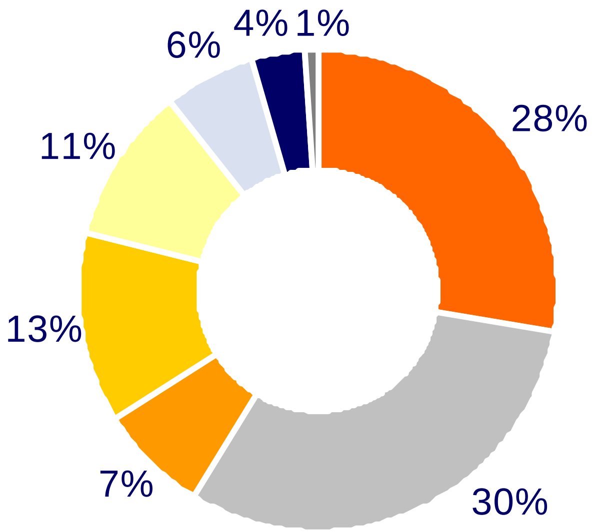
* The EUR 47 mln increase of risk costs in "Other" can largely be explained by a CMBS position at ING Direct UK

Underlying additions to loan loss provisions (EUR mln)



NPL ratio up slightly to 2.1%

ING Bank's loan book (in %)*



NPL ratio

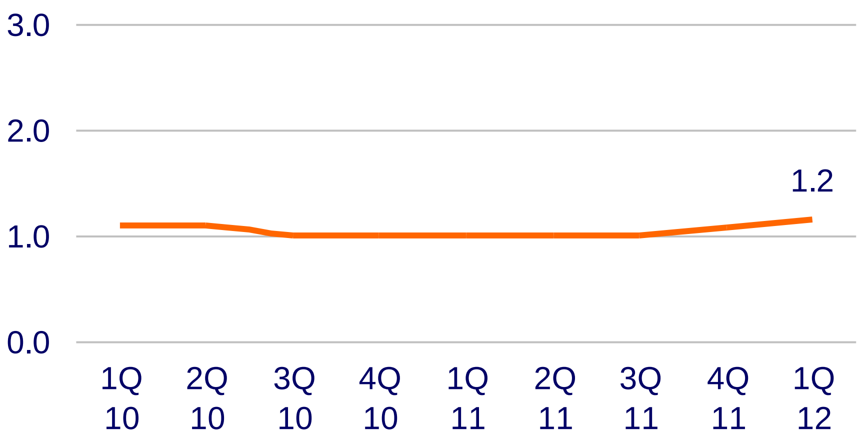
	NPL% 1Q12	NPL% 4Q11
Residential mortgages		
- Netherlands	1.2	1.1
- Other	1.0	1.0
Commercial lending		
- Corporate loans	2.6	2.3
- Mid-corps/SMEs**	4.4	4.4
- Structured Finance	2.5	2.1
- RE Finance	5.7	5.6
- Leasing	6.3	5.9
- Other	0.4	1.0
Total / average	**2.1**	**2.0**

- The NPL ratios of Mid-corps/SMEs and Real Estate Finance remained elevated

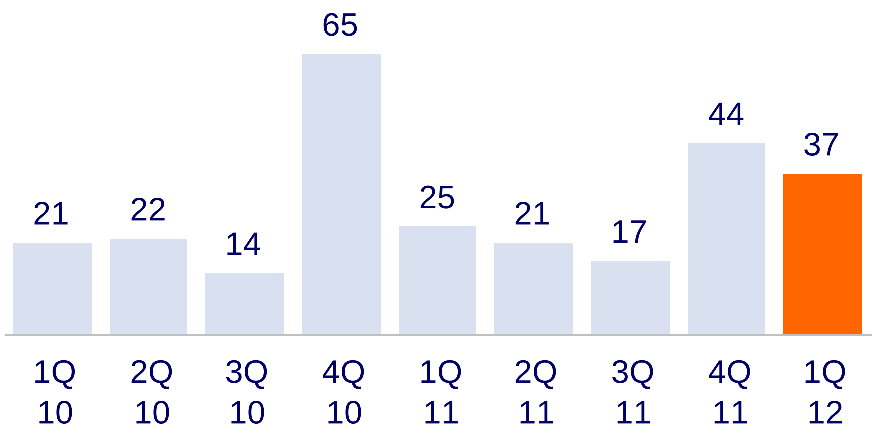
* Based on credit outstanding
** NPLs = 90+ days delinquencies plus uncured delinquencies
Loan book includes guarantees, but excludes governments, Financials and other personal lending

NPL ratio of Dutch mortgages just 1.2%, despite house price declines of 12% since 2008

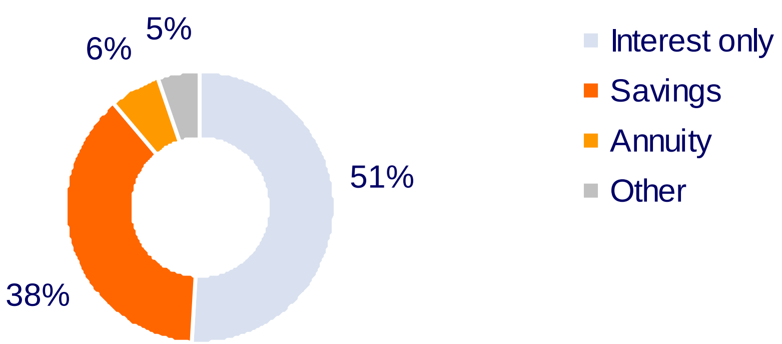
Non-performing loans ratio (%)



Risk costs (EUR mln)



Breakdown by mortgage type (new production, 1Q12)



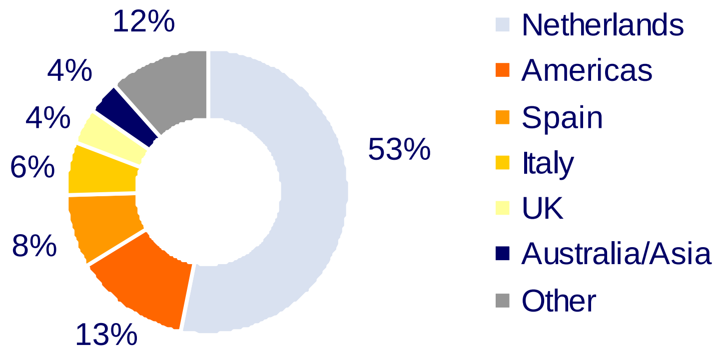
Risk costs expected to remain elevated

- Risk costs down from 4Q11, but up vs 1Q11 reflecting house price declines
- Further decline in house prices and increase in unemployment would to lead to higher risk costs on mortgages in 2012, but we do not expect a dramatic increase
- The Dutch government budget 2013 includes housing market reforms, including gradual reduction of tax deductability on new mortgages

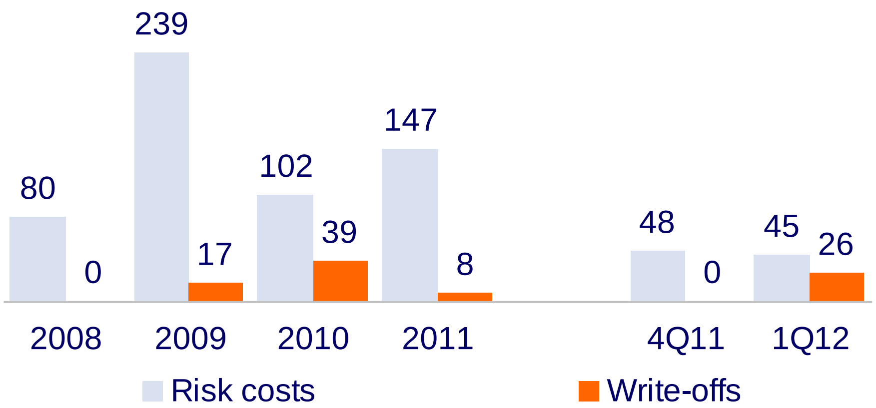
ING

Risk costs ING Real Estate Finance have increased but actual losses have been limited

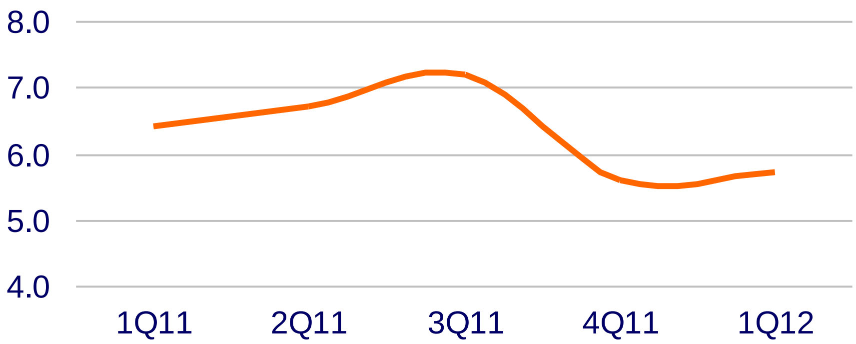
Real Estate Finance portfolio by country of residence



Risk costs and write-offs (EUR mln)



Non-performing loans ratio (%)

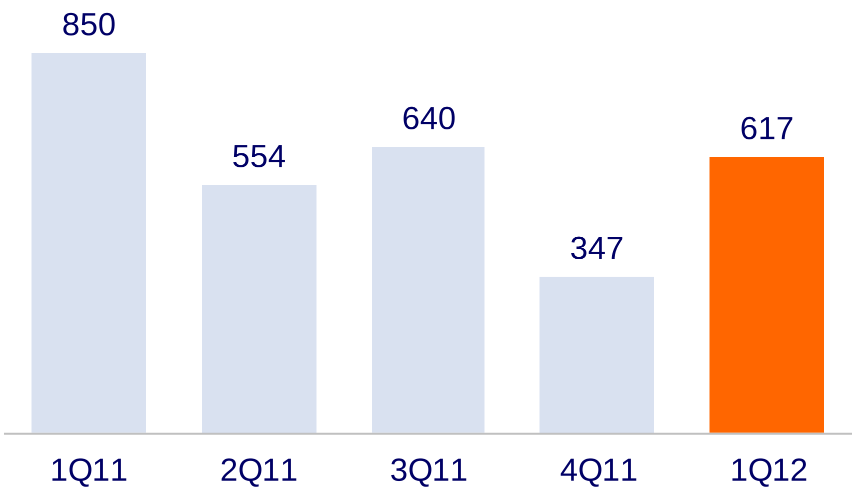


Risk costs expected to remain elevated

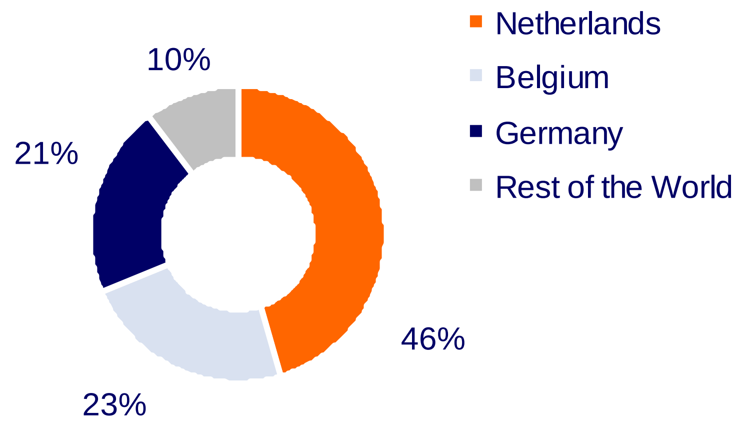
- REF risk costs have remained elevated, but actual losses have been limited
- ING REF has a conservative approach to new lending and will mainly serve existing clients with high quality Real Estate collateral
- Given the uncertain economic environment, risk costs are expected to remain elevated

Retail Banking results down from 1Q11, but strongly improved from 4Q11

Pre-tax profit Retail Bank (EUR mln)



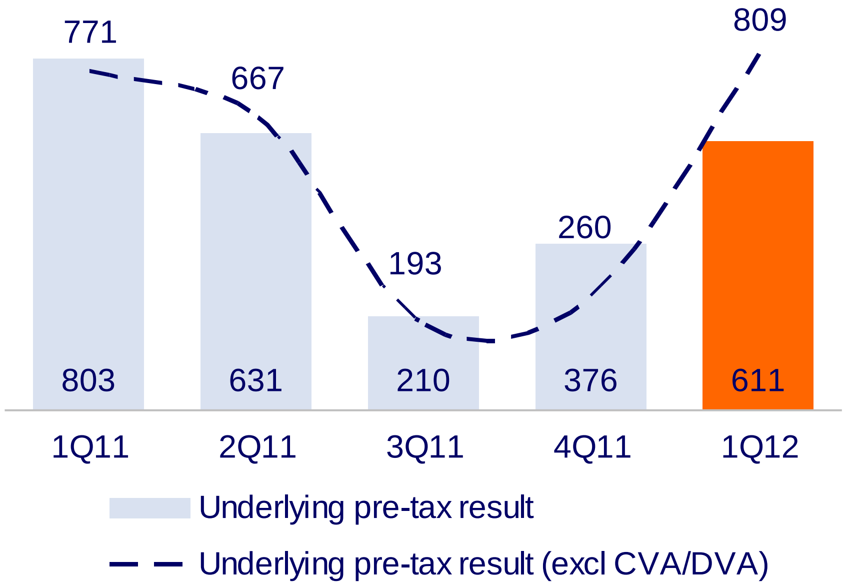
Pre-tax profit Retail Bank 1Q12 (EUR 617 mln)



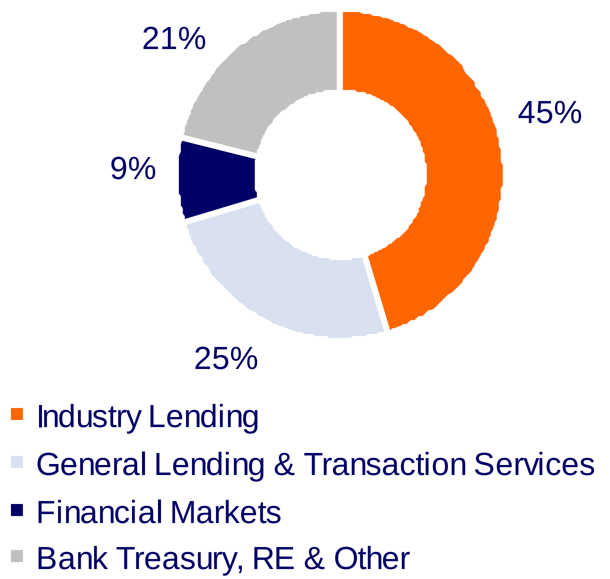
- Results from Retail Banking improved to EUR 617 mln from EUR 347 mln in 4Q11 due to lower impairments and de-risking losses
- Interest result declined as competition for savings intensified
- Loan losses remained elevated, but declined from 4Q11, mainly in the Netherlands

Commercial Banking showed a strong performance despite CVA/DVA impact

Pre-tax profit Commercial Bank (EUR mln)



Pre-tax profit Commercial Bank 1Q12 (EUR 611 mln)

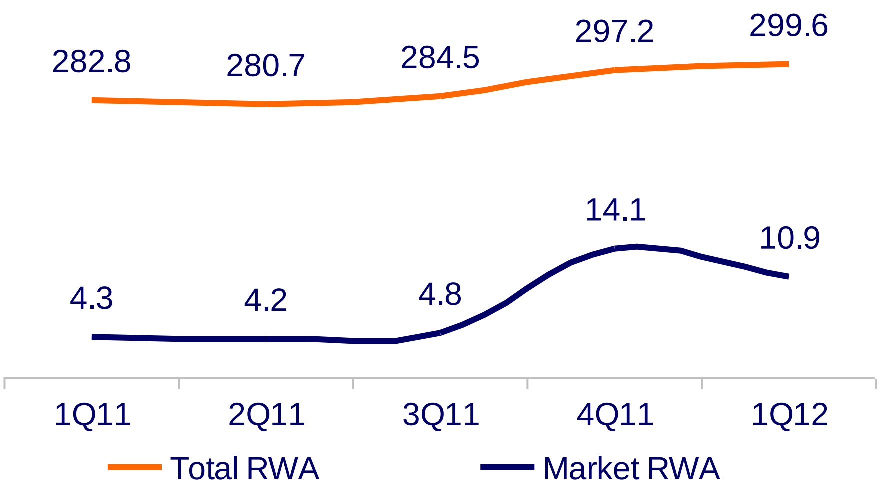


- Excluding CVA/DVA impacts, results were up 4.9% versus 1Q11 and by EUR 549 mln versus 4Q11
- Financial Markets posted strong quarter (ex CVA/DVA), up 29.5% from 1Q11

Core Tier 1 ratio increased to 10.9%

ING Bank core Tier 1 ratio (%)

RWA, adjusted for divestments (EUR bln)



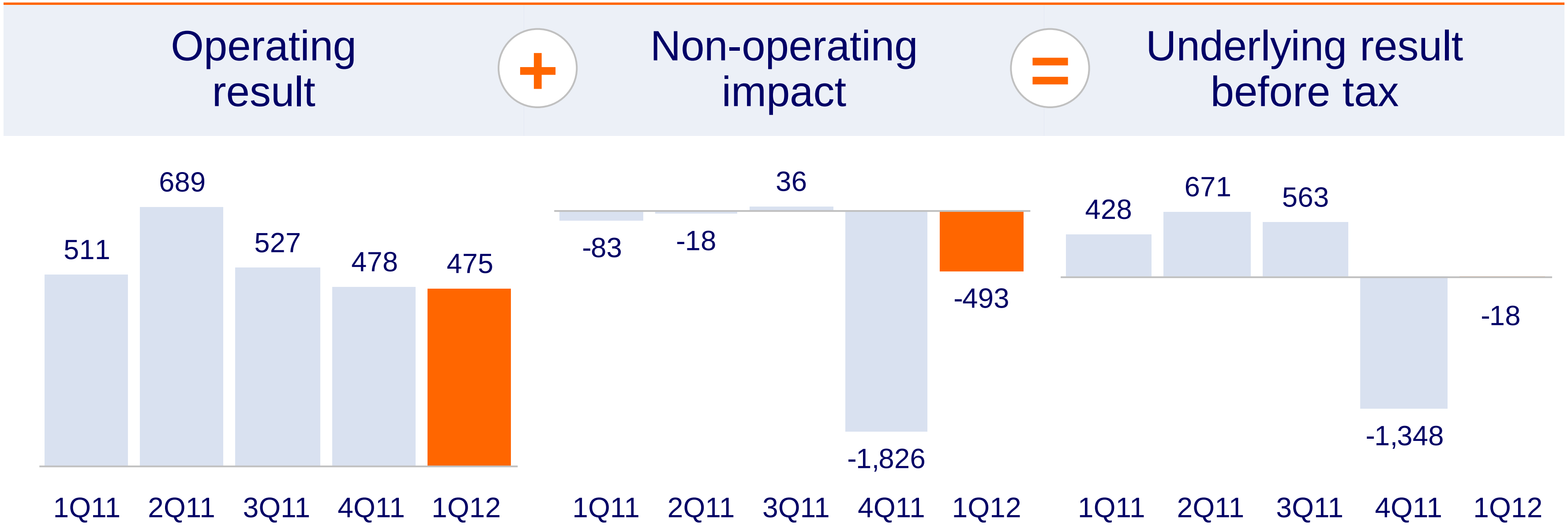
Further strengthening of core Tier 1 ratio

- The sale of ING Direct USA added 0.8%-point to the core Tier 1 ratio
- RWA increased by EUR 2.4 bln from 4Q11 due to the stake in CapOne and the counter-guarantee to the Dutch State on the IABF, offset by lower volumes in Commercial Banking and mitigating measures
- Management actions reduced market RWA by EUR 3.2 bln to offset part of the impact of Basel 2.5 in Financial Markets

ING Insurance

Insurance operating result robust while underlying result continues to be impacted by MtM losses on hedges

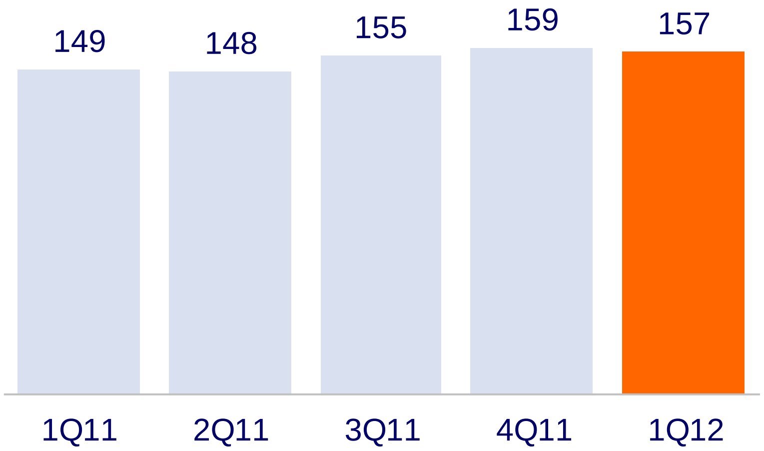
Insurance result (in EUR mln)



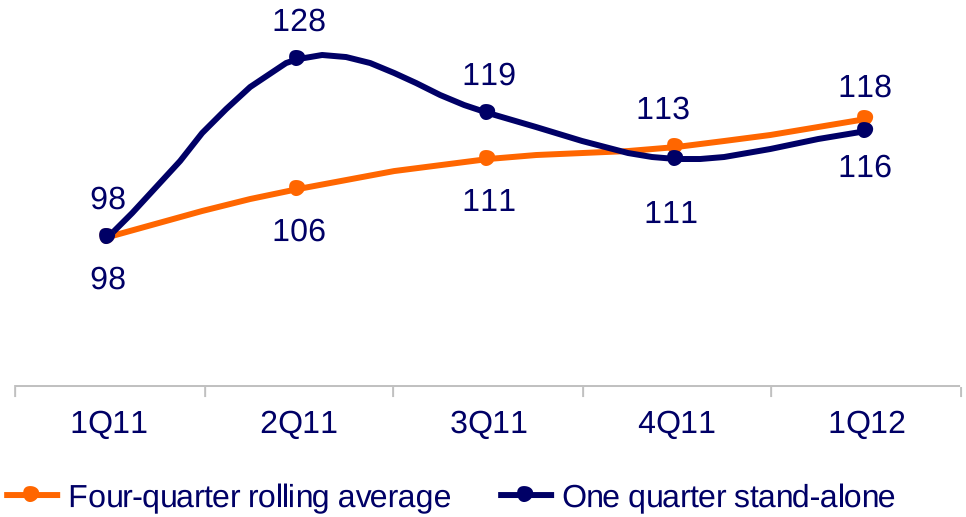
- Operating result remained robust, driven by a strong investment margin and higher fees and premium-based revenues
- Underlying result continued to be impacted by market-related items, including negative results on hedges, as ING continued to focus on protecting regulatory capital against the impact of volatile financial markets

Investment spread remained resilient

Life general account invested assets (EUR bln)



Investment spread (in bps)* Life GA

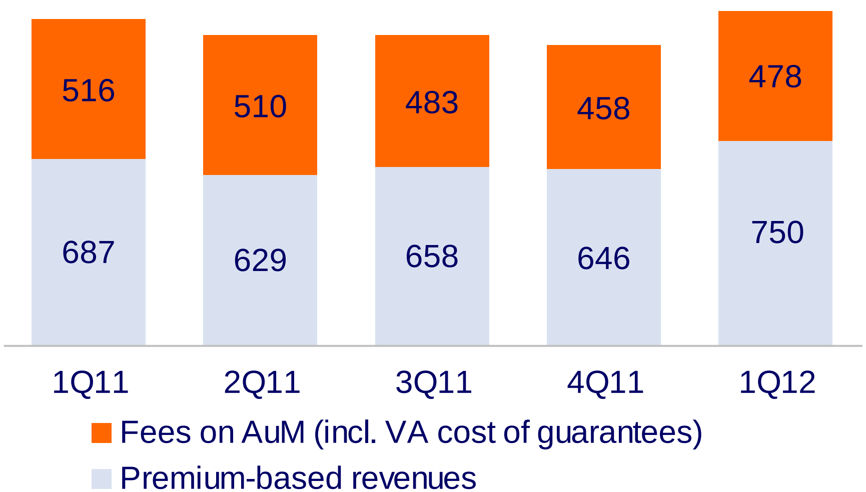


- Investment spread increased to 118 bps, from 113 bps in 4Q11, mainly due to higher results in Insurance US
- Despite the increase in the first quarter, the de-risking actions, mainly taken in the second half of 2011 are expected to reduce the full-year investment spread

* The calculation of the investment spread has been rebased, reflecting a revision in the definition of the Life general account invested assets to better align with the investment margin on an operating basis by, amongst others, excluding revaluations on debt securities and non-trading derivatives. All prior quarters have been restated.

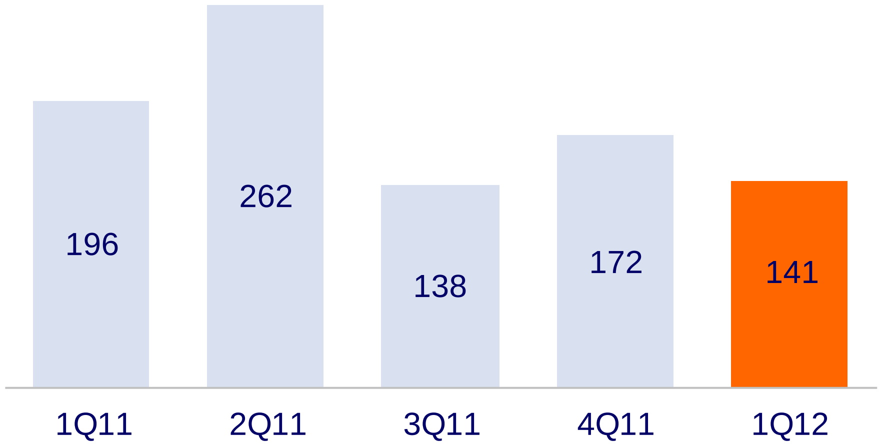
Fees and premium-based revenues were up, while the technical margin was down

Fees and premium-based revenues (in EUR mln)



- Fees and premium-based revenues rose 2.1% from 1Q11 driven by strong sales in Asia and the US, offset by lower pension fees in CRE
- Fees and premium-based revenues rose 11.2% from 4Q11, driven by seasonally higher sales

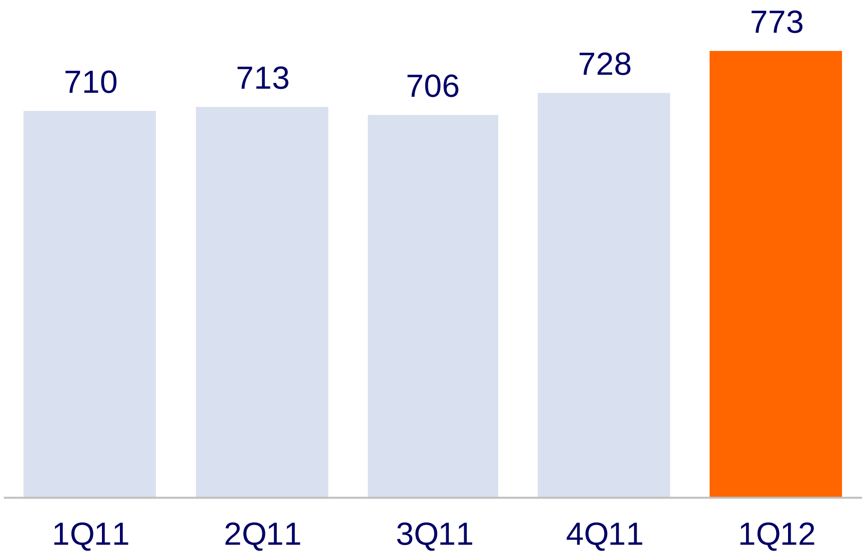
Technical margin (in EUR mln)



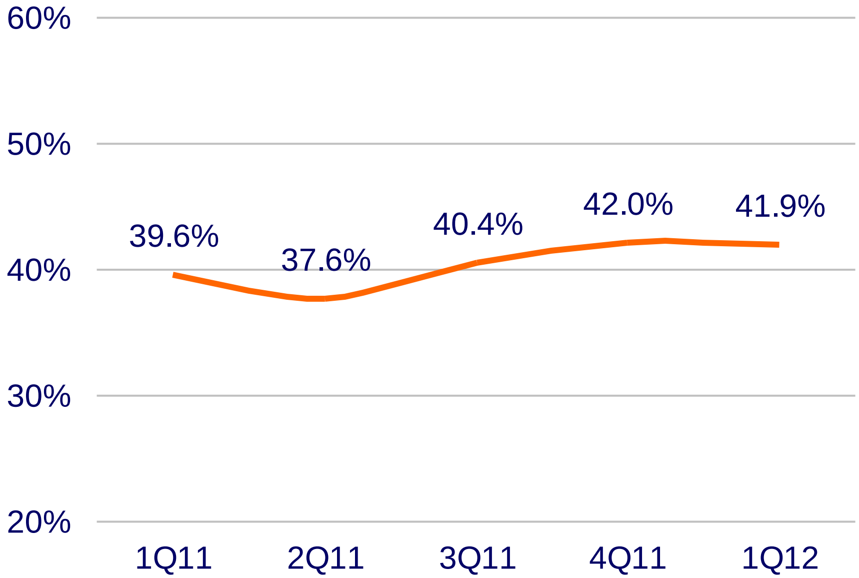
- Technical margin decreased, mainly due to an addition to group life provisions in the Benelux, and lower reinsurance recoveries on individual life claims in the US.

Administrative expenses/operating income remained stable at 41.9%

Life & IM administrative expenses (EUR mln)



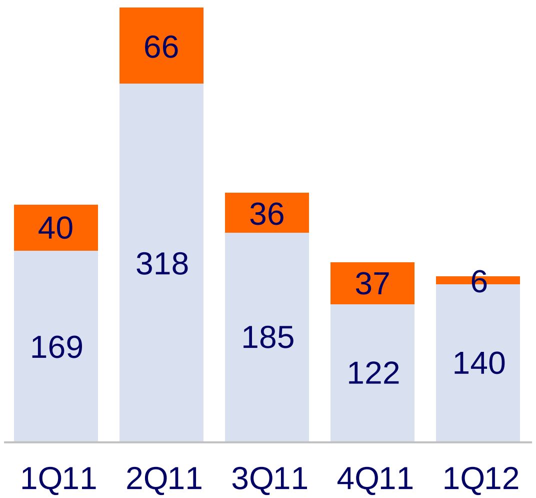
Life & IM administrative expenses/operating income ratio (%)



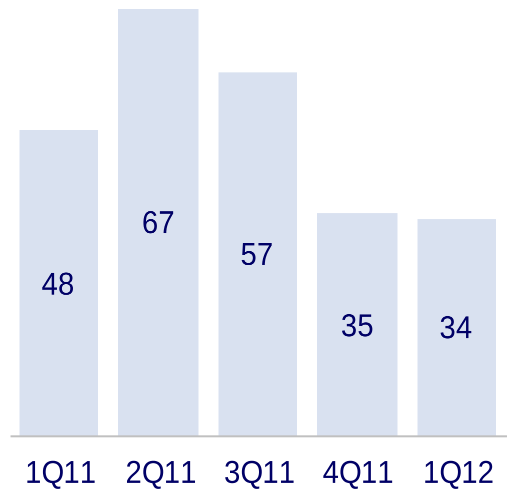
- Administrative expenses were up 8.9% from 1Q11, which included a non-recurring EUR 22 million reduction in accruals in the US
- Excluding that item, expenses rose 5.6%, due to higher project costs for Solvency II and a reallocation of expenses in the Benelux from Non-life to Life

Operating result solid in EurAsia, with exceptionally strong results in Asia

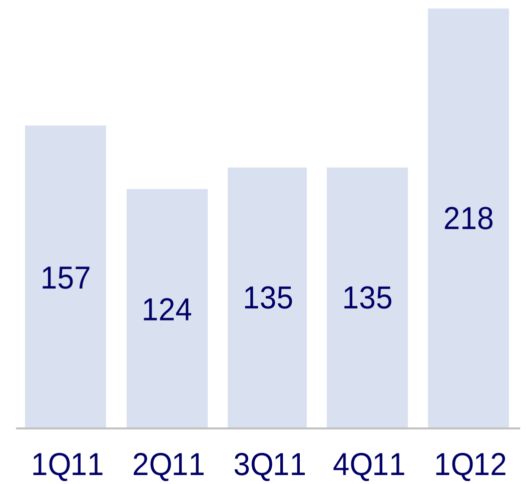
Benelux (EUR mln)



CRE (EUR mln)



Asia/Pacific (EUR mln)



Life & IIM operating result   Non-life operating result

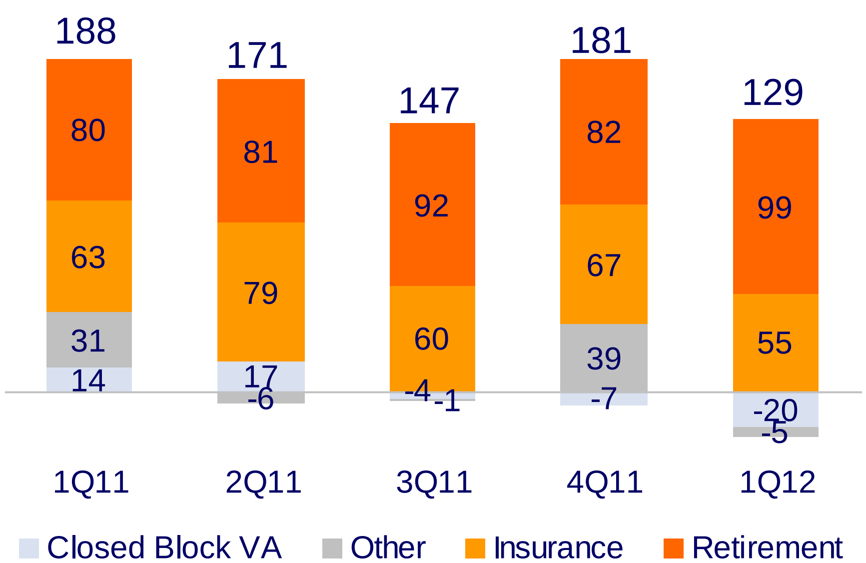
- Benelux Life operating result improved from 4Q11 offset by lower non-Life result
- Underlying results continued to be impacted by de-risking measures and hedge results

- Operating result CRE steady on 4Q11 as higher Life sales help offset regulatory impact on pensions

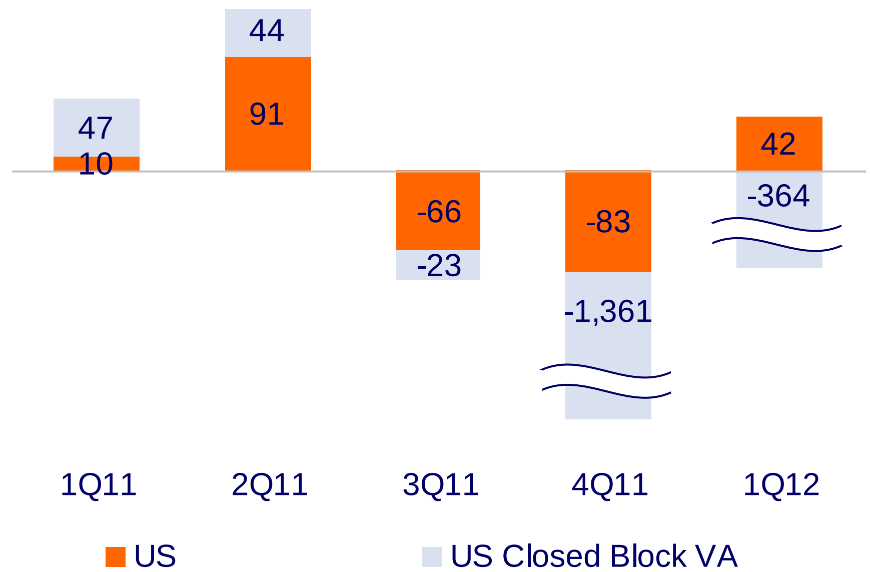
- Insurance Asia posted a very strong increase compared with both 1Q11 and 4Q11 in the operating result, driven by higher sales and favourable non-recurring items

Steady performance at Insurance US while Closed Block VA was impacted by losses on hedges to protect capital

Operating result US (EUR mln)



Non-operating impacts US (EUR)



- Insurance US delivered solid operating results, driven by strong results from the Retirement business
- The underlying result reflects a EUR 379 million loss on hedges, focused on protecting regulatory capital

US Closed Block VA Earnings Sensitivities Reflect Improved Reserve Adequacy

Estimated earnings sensitivities for 2Q2012

Equity Market	EUR million*
-25%	450
-15%	450
-5%	100
+5%	-350
+15%	-750
+25%	-1,100

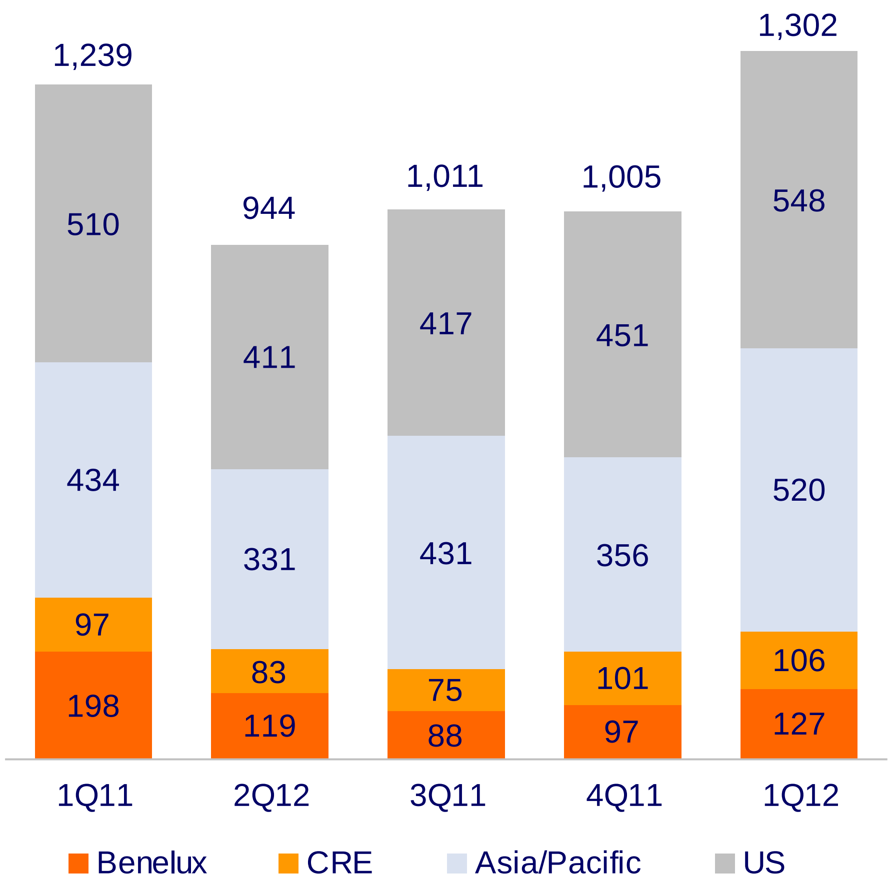
- Reserve adequacy improved to the 64% confidence level during the first quarter
- Falling equity scenarios now lead to IFRS gains rather than losses as there is now a buffer above the RAT 50 requirement
- Rising equity scenarios lead to IFRS P/L losses but also improvements in reserve adequacy
- Economically, rising equity scenarios are preferred as they reduce the in-the-moneyness of policyholder guarantees

* Estimated underlying pre-tax result for the US Closed Block VA in 2Q2012 for various equity return scenarios. Actual result will vary given that sensitivities are estimates and given other factors which influence the underlying result.

ING

New sales gained momentum in the first quarter

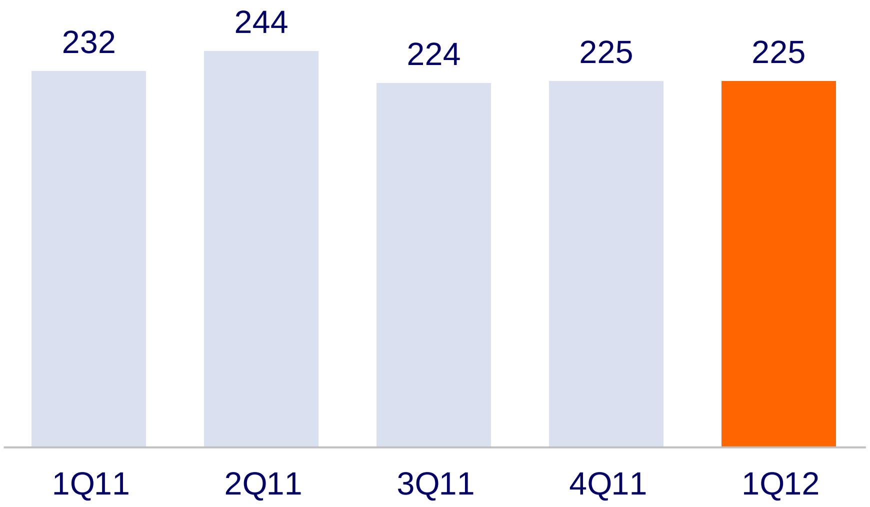
Sales (APE, in EUR million)



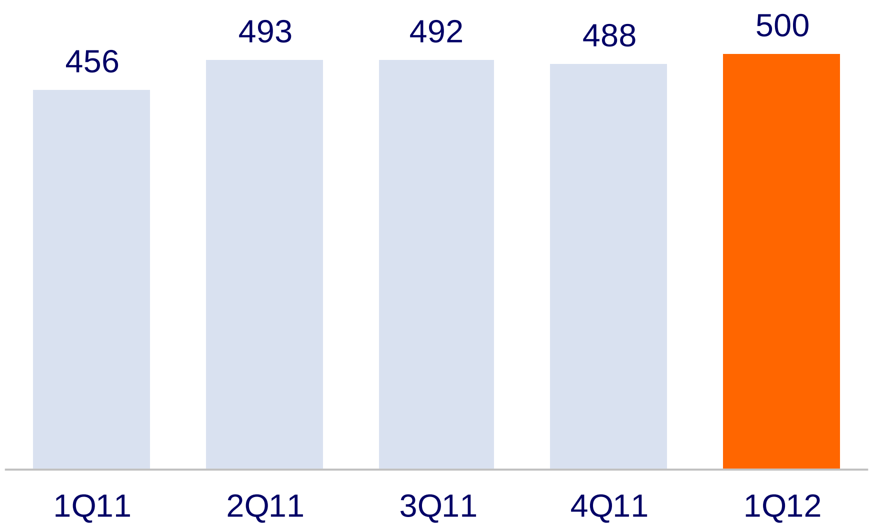
- New sales increased 5.1% compared with 1Q11 due to higher sales in Asia/Pacific, the US and CRE, and were partly offset by lower sales in the Benelux
- Compared with 4Q11, sales rose 29.6%, mainly attributable to seasonally higher sales in Asia/Pacific and the Benelux, as well as higher Full Service Retirement Plan and Employee Benefits sales in the US

Capital position improves as Insurance focuses on protecting regulatory capital

ING Insurance Solvency I ratio* (in %)



Regulatory capital US operating companies** (RBC in %)



- The Insurance Group Directive ratio (IGD) was stable at 225% as the total capital base and EU required capital decreased slightly
- The RBC ratio for Insurance US increased to 500%

* In the fourth quarter of 2011, several changes have been made in the calculation of the IGD ratio. The comparable IGD numbers have been adjusted
** ING's US domiciled regulated insurance business: 1Q12 RBC ratio is preliminary and subject to change.

Wrap up

Key messages

- Group underlying net result of EUR 705 mln improved from the previous quarter but declined from a strong first quarter last year
- Bank underlying pre-tax result rose 65.1% from the fourth quarter to EUR 1,126 mln, supported by lower impairments and lower de-risking losses, despite a negative credit adjustment of EUR 304 mln
- Insurance results recovered from the fourth quarter and operating results remain robust at EUR 475 mln. Underlying results continued to be heavily impacted by mark-to-market losses on hedges in place to protect regulatory capital
- Group net profit totaled EUR 680 million, including a gain on the sale of ING Direct USA, restructuring costs, and a provision for a potential settlement with US authorities
- Capital ratios remained strong: ING Bank core Tier 1 ratio strengthened to 10.9% and the Insurance IGD ratio was stable at 225%

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 2011 ING Group Annual 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) consequences of a potential (partial) break-up of the euro, (4) the implementation of ING's restructuring plan to separate banking and insurance operations, (5) 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, (6) the frequency and severity of insured loss events, (7) changes affecting mortality and morbidity levels and trends, (8) changes affecting persistency levels, (9) changes affecting interest rate levels, (10) changes affecting currency exchange rates, (11) changes in investor, customer and policyholder behaviour, (12) changes in general competitive factors, (13) changes in laws and regulations, (14) changes in the policies of governments and/or regulatory authorities, (15) conclusions with regard to purchase accounting assumptions and methodologies, (16) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (17) changes in credit-ratings, (18) ING's ability to achieve projected operational synergies and (19) the other risks and uncertainties detailed in the Risk Factors section contained in the most recent annual report of ING Groep N.V. Any forward-looking statements made by or on behalf of ING speak only as of the date they are made, and, 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. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities.

www.ing.com