

Shareholder 03

Behind the figures

Quarterly Magazine ING Group

August 2007

**A new era in
retail banking**

2Q: A record quarter

**Acquisitions fire up
growth strategy**



Dear reader,

In the past few months, ING has been in the news with several major announcements about acquisitions, divestments and a major investment in the Dutch retail banking market. They are all part of ING's strategy of efficiently using capital to create long term growth. In this issue, we take a look at some of these projects and discuss the strategy underlying them. In the Netherlands, the Postbank and ING Bank combination was indeed big news. As our story explains, it is all about bringing together the best of both entities and building a bank with the best selected range of products and services. We talk to the key people in the project and explain what customers can expect.

Oyak Bank in Turkey, Santander's Latin American pension businesses and Landmark Investment Management in South Korea are three major acquisitions announced since our last issue of ING Shareholder. On page 12, we detail ING's recent acquisitions and discuss why they are important for ING.

ING's goal is to be a leading global provider of wealth accumulation and retirement services for individuals. ING's three insurance executive board members, Jacques de Vaucleroy, Tom McInerney and Hans van der Noordaa explain how insurance is changing and how companies such as ING have the capacity to play a major role in wealth accumulation.

In the ten years ING Direct has been in business, the direct bank has become the largest direct bank in the world. We profile one of ING Direct's most successful businesses: ING DiBa in Germany, which has grown into the country's third-largest retail bank. Their secret to success: engaged employees and satisfied customers.

And finally, the holiday period offers plenty of time for taking pictures. But good photos are an art. In our regular art column, you'll read about a new photographic award, supported by ING Real Estate to promote contemporary international photography.

The editorial team

This magazine is a quarterly publication by ING Group for shareholders and others interested in ING.

Subscribe to ING Shareholder
Fax (+31) 411 65 21 25
Mail P.O. Box 258, 5280 AG Boxtel
The Netherlands
Internet: www.ing.com

Editorial office
ING Group, Corporate Communications
Investor Relations Department
P.O. Box 810, 1000 AV Amsterdam
The Netherlands
Tel. (+31) 20 541 54 60
Fax (+31) 20 541 54 54
communication@ing.com
ISSN 1874-0472

Design
VisualSpace

Photography
Cover photo by Marco Sweering (Nick Jue and Bart Schlatmann on the Borneo-Sporenburg island bridge in Amsterdam). Other photos by Ad Bogaard, Hans van den Heuvel, Imagebank Hollandse Hoogte and Corbis.

Print
Thieme Amsterdam

© 2007 ING Groep N.V.

All rights reserved. While every care was taken in the preparation of this magazine, no responsibility can be accepted for any inaccuracies.

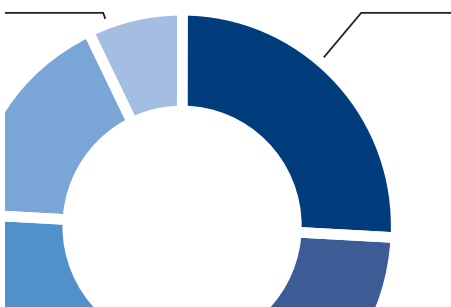


- 5 **Cover story:**
Postbank and ING Bank - "We will use the best of two worlds"

Business & Markets



- 12 **ING acquires several important high-growth businesses**



- 14 **Second quarter demonstrates strong commercial momentum**

Strategy & Results



- 19 **Insurance is in evolution, as the baby boomers hit retirement**

Views & Analysis



- 23 **Reality in Art**



Nick Jue, Bart Schlatmann:
"We're bringing the best
of the two banks together"

Postbank and ING Bank join forces two becomes one

It was big news in the media: Postbank and ING Bank to combine activities to operate under the single ING brand name. The initial reaction was one of surprise, but also support. The new bank holds great promise for customers as ING is making a significant investment in the Dutch retail banking market.

With seven million retail customers, Postbank has a dominant position in retail banking in the Netherlands. On the surface, it appears ING is taking a bold gamble by removing the well known Postbank brand. But according to Executive Board member Eli Leenaars, the decision was based on very sound, compelling reasons. "We're not dropping Postbank, on the contrary we are taking the highly successful Postbank business model as the basis for the new bank combination. We're making a substantial investment in the Dutch retail banking market." Leenaars says ING made the move after a comprehensive study. "Increasingly, customers want more choice and they're becoming more and more critical. They demand transparency and low costs. They are the ones who determine the rules of the game and they know what they want.

Technology also offers new possibilities and has led to many changes. Internet is now a fixed component in retail banking. We know this because Postbank's website Mijn Postbank.nl has one million hits a day and is one of the most frequently visited websites in the Netherlands. Young people especially use the internet for their banking affairs." Leenaars says the structure of the banking industry is also changing. "Boundaries are disappearing. Competition is increasing. There are new players and non-traditional competitors, for example retailers that offer financial products. The number of specialist parties, such as online brokers, is also on the rise."

He says it was very important to stay ahead in this changing environment. "Our retail business is doing well. In the past few

years, our Dutch retail activities have achieved good results. But we want to stay ahead of our rivals. We looked at what would be the best strategy in order to secure a sustainable future in the Dutch retail market. And that turns out to be combining the strengths of our two banks. It offers the best opportunity to meeting three objectives: improved customer service, creating better prospects for future growth and enhanced efficiency."

The best of both worlds

Nick Jue, chairman of ING Retail Nederland, will head up the new bank. He explains: "We will use the best of both worlds. There's the successful direct operating model of Postbank. Postbank is all about being accessible, providing quick delivery and value for money. And then there's ING Bank. The strength of ING Bank is its expertise and personal advice.

"Despite its strong brand image, Postbank's market share has been declining among young people in recent years. Many don't recognise Postbank as a bank that also offers advice on investments or mortgages. Sales of different products to a customer could also be improved. ING Bank is much more successful in this area. However, when compared with Postbank, ING Bank has relatively few retail customers. The bank offers a full range of products and services, combined with a large branch office network. Due to the limited number of retail customers this network is not being used to its full potential. This is where combining the two banks makes a lot of sense. We are taking the best features

of the two banks and are bringing them together. If we had opted to maintain the two labels separately and only integrate the back offices, then we would still be faced with Postbank's relatively unknown reputation as a bank that also offers advice. The ING brand name offers a chance to change this image. Our Postbank customers can benefit from ING Bank's strong personal advice capabilities and ING Bank customers can profit from the strong direct banking formula of Postbank. All our customers will be able to do their banking affairs fast and easy, pay low fees and will have direct access to professional advisors whenever and wherever they have a need for that. Our high-quality processes and increased customer service will result in more loyal customers who will use more of our product offering under the new combination. And this in turn will result in growth."

Different distribution channels

The new bank will serve about eight million retail customers and 600,000 business clients. Nick Jue says low fees will remain a priority, but the new bank will not profile itself as a "price fighter". "It will neither be a branch-office driven traditional bank, nor solely a direct bank like ING Direct." He says the bank would focus fully on convenience, value for money and expertise. "It will be a bank that offers all distribution channels customers expect: direct channels, such as the internet, call centres with specialised units for certain products and services, direct mail or e-mail. Customers can also get advice through the direct channels. We will develop special internet advice modules. Apart from the direct distribution channels, there are advice channels, such as the product or branch sales forces for the retail and corporate sector, account managers for private banking customers and small and medium-sized companies and intermediaries."

Nick Jue says these channels will be carefully aligned and will use the same processes as much as possible. "We're going to invest strongly in all channels. The direct channels account for

90% of customer contact. The physical channels such as branch offices will remain important. Customers have a need for personal contact, more so with complex products. We aim for nationwide modern bank shops with long opening hours, service desks, advice opportunities and services for cash transactions, such as depositing or withdrawing money. Our current experience with

"We will use the best of both worlds"

Postbank shops in two big Dutch cities will certainly help. We will also set up ING service points that could be located in post offices or local stores. "

Managing the transition

In the coming years, a reduction of 2,500 FTEs in overall headcount is expected due to the integration. Jue says ING will make every effort to help employees from 'work to work'. "We spend a lot of time and effort on informing people about the changes. There are information sessions throughout the country that offer a platform for staff and management to exchange thoughts. There's a special newspaper and an intranet site. Most employees understand our decision and the reasons behind it. The responses I get are positive.

"Research shows that our customers are pretty impartial about the change of the brand. Far more important is that we maintain our high service levels and that the changes will not be a cause for concern. That's what we aim for. ING already has experience with re-branding operations. BBL in Belgium, Bank Slaski in Poland and Aetna in the US are all examples of well-known brands that have transitioned successfully to the ING name. The Netherlands has long been one of the exceptions. ING invests strongly in its

Snapshot of the financials

- ING will invest EUR 890 million over a five-year period.
- The new bank is expected to make a positive contribution to profit from 2009.
- From 2011 onward, it will yield an additional annual profit before tax of EUR 440 million.
- This additional profit will be realised through improved product and distribution capabilities, economies of scale and enhanced efficiency.
- The new bank aims for a cost/income ratio of less than 50% in 2011.
- As a result the combination will be the most efficient and most competitive bank of the Netherlands.

Profit development ING Retail Netherlands 2002–2006 (EUR m)

2002	939	
2003	917	
2004	1,092	
2005	1,387	
2006	1,409	

(CAGR: 11%)

What customers want

Recently, researchers Capgemini conducted a survey among retail banks in the Netherlands. They looked into what customers appreciate most. Researchers Manfred van Gurchom and Sander van Geffen said: "We found that ING's integration strategy fits well with our findings. Our report supports a number of choices ING made. Customers look for convenience and simplicity. They want to bank whenever and wherever they want, supported by excellent customer service. They don't care that much for innovative products, but they do appreciate an innovative approach. Innovation in the field of access to direct channels will be the key in the coming years."

🔗 www.nl.capgemini.com



Marjon Boerman, retail customer at Postbank:

"I have been a customer at Postbank ever since my first pay cheque. I'm not worried about Postbank joining forces with ING Bank. I mean, it's been one company for a long time, hasn't it? I did consider switching to another bank at some time, to ABN Amro, for example. Only because that's a full services bank. But there's no need for it now. What frustrates me about Postbank, is the fuss

with transfers. If I transfer money from my standard account to my internet savings account, it takes two days. That's crazy. If the new combination avoids that from happening, I'll certainly stay."



Prof. Wil Reijnders, retail expert and professor TiasNimbas Business School:

"From a marketing perspective, you could say that a strong brand is wasted. The chances of the new bank becoming a success are pretty high, I feel, provided it meets a number of key conditions. The most important one is that the new bank maintains the service level – at Postbank level that is to say. Or even better, that customer service is even improved. I think

Postbank's systems and products should be leading. They're simply good and suited for the internet. With appealing advertising campaigns and a successful merger of the back offices, customers will be used to the new label within 18 months once the introduction of the ING brand in 2009 takes place."

brand name. Take for example the sponsoring of the Formula 1. Postbank did not benefit from it. The new bank will."

Step by step

Chief operating officer Bart Schlatmann will lead the integration. Quite a challenge, given the fact that it involves an operation in which several change processes now run parallel, but ultimately will have to be integrated. "We decided for a phased approach. We're fully committed to maintaining the high customer service level. That's why we are thoroughly preparing everything, so there is no customer disruption. Account numbers will not change and that's very important to our customers."

Schlatmann said the first major milestone along the path to the new bank takes place next year. "In early 2008, the three current head offices of ING Bank, Postbank and ING Retail will be

merged into a single new head office, which will house all central functions and management. We're also working on integrating the systems, products and channels. We aim for single systems and processes and a uniform product portfolio. Special product teams are looking into a uniform product offering. Another team is dealing with the integration of internet, call, mail and branch offices. Yet another team is focusing on the various customer segments. Superior execution is the key. We want to distinguish ourselves from other banks with our state-of-the-art processes. Also in 2008, a number of pilot bank shops will open to build up experience with the new shop formula. In 2009, retail customers will switch to the new bank. Our larger corporate clients and customers in the small and medium-sized sector will follow a year later." It will take a little while, but from 2009, everything will be ready. By then, the new bank will be reality. ■

Trailblazer

In Central Europe, ING has captured the Award for Regional Insurer of the Year from the international magazine *Life & Pensions*. At a special ceremony in London, the monthly magazine presented 12 awards to recognise excellence by the leading insurance and pensions providers in the field of risk, capital and financial management. According to the jury: "ING Insurance Central Europe has shown itself to be consistently ahead of the game. It has displayed a healthy appetite for risk, in return for being the first to enter these high-growth markets."

ING won the Regional Insurer Award for being a pioneer, innovator and leader in the insurance and pension markets in Central Europe

for over 15 years. Combining an entrepreneurial approach with sound risk management, ING built a strong position in the region in both life insurance and pensions. ING Insurance Central Europe has operations in nine countries. Its 3,800 employees and over 13,000 agents serve more than six million clients and manage total assets of EUR 19 billion.

Tom Kliphuis, CEO of Insurance Central Europe, said: "The award is a token of recognition for our employees and agents who work hard every day to help our clients manage their financial future. The needs and wishes of our clients are the driving forces for remaining a trailblazer in Central Europe."

An advertisement for a voluntary pensions campaign from ING Romania, part of ING's award-winning Central European insurance operations

Dealing in carbon credits

ING established an Emissions Products team earlier this year to engage in the growing market of reducing greenhouse gas emissions resulting from the United Nations' Kyoto Protocol on climate change. Countries that ratify this protocol commit to reduce their emissions of carbon dioxide and other greenhouse gases, or engage in emissions trading if they maintain or increase their emissions. Countries are broadly separated into two categories: developed countries, who have accepted emission reduction obligations; and developing countries, who have no obligations but have an incentive to invest in emission reduction projects. Kyoto provides for

parties in developed countries to meet their obligations by trading emission reduction allowances. These can be bought through recognised financial exchanges or from projects which produce certified emission reduction. Such projects can be in developing countries or in certain developed countries with 'economies in transition'. These emission reduction allowances are also known as 'carbon credits'. The Emissions Products team uses ING's international network and client relationships to identify emission reduction opportunities. The team advises projects on the technical and regulatory aspects of the UN process and also acts as intermediary in the sale of

resulting carbon credits to buyers in developed countries. Mandates to date include renewable energy, waste heat utilisation and energy efficiency projects in China, Russia and Ukraine. Stephen Hibbert, who heads the team says: "The combination of ING's expertise in relevant business sectors and our established client relationships in developed and developing markets positions us well for the opportunities in this new market."

► See: www.ing.com/carboncredits

Ballast Nedam chooses ING IM

After an extensive survey of several asset managers, Dutch construction company Ballast Nedam has selected ING Investment Management to manage the equity portfolio of its pension fund. The complete portfolio with a value of EUR 190 million will be invested in the ING Multi Manager Global Equity Fund.

A multi-manager strategy offers clear benefits for the pension fund. It aims for broad diversification in global shares by investing in a select number of the world's best fund managers, each with their own investment style. As a result of

this diversification, the fund is less vulnerable to market volatility. According to Arthur van der Wal, managing director and head of Institutional Clients at ING IM, the decisive factor was the strong track record – dating back to 1989 – of the ING Multi Manager Global Equity Fund, combined with its excellent service. ING IM has had a very good relationship with Ballast Nedam for many years now.

► www.ingim.com



Ballast Nedam industrial equipment at work

ING partnership in Greece

ING has entered into a Memorandum of Understanding with Piraeus Bank, the fourth largest bank in Greece, for a 10-year exclusive distribution partnership covering life, employee benefits and pension insurances. In addition, ING will acquire full ownership of ING Piraeus Life, the joint venture between ING and Piraeus Bank. The new partnership follows the current agreement, which was signed in 2002. The distribution partnership will give ING exclusive access to Piraeus Bank's network of 305 branch offices in Greece for the distribution of life insurance and pension products. The new distribution partnership is in line with ING's growth strategy in Central Europe, which has a strong focus on extending and broaden-

ing distribution channels. Jacques de Vaucleroy, ING Executive Board member responsible for Insurance Europe, said: "We are pleased that we will be able to continue the fruitful co-operation with Piraeus Bank. The 10-year term of this distribution agreement confirms ING's firm commitment to the Greek insurance market." ING Greece ranks 5th in the Greek life market with a market share of 8.4%. Combined, ING Greece and ING Piraeus Life occupy the 3rd position in the Greek life insurance market.

Powering up Poland

ING's experience in the power industry and skills in complex financing were rewarded in Poland when the Group was chosen among 35 banks to finance the largest power plant in Europe. The state-run BOT Group is in charge of over a fifth of the country's electric power needs. It appointed ING as lead arranger and joint bookrunner along with Citibank for EUR 879 million in financing the expansion and modernisation of BOT Elektrownia Belchatów SA (EBSA), its 4,400MW lignite-fired power plant. The modernisation is part of the government's push to upgrade its electricity generation to meet EU environmental standards. It was a complex deal

due to its size and nature - the largest in Poland's power industry - and the evolving and uncertain local power markets. Ultimately, it required cooperation between multilateral institutions and commercial banks. The deal is now likely to prove the standard bearer for other plants throughout the region that will also require modernising. "This is a key deal to have," says Clara Alvarez, head of power finance at ING. "It has high visibility and showcases our expertise in the sector and our leading skills. We are well positioned to play a leading role as the market opens up."

Satisfied employees drive results

ING Direct has challenged the status quo in the finance industry by offering value for money and putting the customer first. In this article we take a close look at ING Direct in Germany, ING-DiBa, which was recently named 'Germany's best bank' for the third consecutive year.

"ING-DiBa snaps up the German banking market," the German business magazine *Wirtschaftswoche* wrote on 21 May 2007. The facts are indeed convincing: Its clientele has grown from less than one million to over six million in five years time. Funds entrusted rose from EUR 19.2 billion to over EUR 59 billion. ING-DiBa is now the largest business unit of ING Direct by funds entrusted. In April, renowned German financial magazine *Euro* named ING-DiBa 'Germany's best bank' for the third year in a row. So what is their secret to success? Happy employees give good service. ING-DiBa managed to grow from an all but invisible savings bank to become

"Customers should get a good and fair deal"

Germany's third-ranking retail bank after Deutsche Postbank and Deutsche Bank. Germany still has around 2,400 banks, many with local status. Ben Tellings, CEO of ING-DiBa since 2003: "Five years ago, bankers didn't regard the retail business as very interesting. But consumers were ready for our concept. Our high volumes and low costs give us a much better profit margin. But the fact that we pass on part of that to our customers does not make us a discount bank. Our product offering includes 14 clear and convenient products. We're especially successful in savings, mortgages and online brokerage. We offer fast, friendly, top-quality service."

Happy employees

Banking is first and foremost a people's business. The absolute key to ING Direct's overall success is its employees, who are highly engaged and motivated and bring their positive attitude to work each day. It is often the staff on the phones at the call centres with their skills and attitude who determine if a customer feels at home

with ING Direct. They bring the energy, enthusiasm and drive to continually meet customer expectations. As such they provide a very important personal touch in the relationship. Tellings believes that: "Happy employees give good service, so that is the best guarantee of a happy and satisfied customer. Good service pushes up the profits, and the employees, in turn, benefit. That's why I always say 'Start with the staff'."

ING Direct puts a lot of time and effort into the quality of its workforce. And ING-DiBa is no exception. "We keep building on a high performance environment and culture which recognises the importance of performance execution and behavioural standards. But first our people need to feel comfortable," Tellings adds. "So we offer good working conditions such as the atmosphere, the workplace and flexible working hours, so that they still have time for children, studies or hobbies. We also give employees a chance to get in-depth training." And the material rewards are good. ING-DiBa just concluded a new collective labour agreement.

Gudrun Schmidt, representative of the German trade union Ver.di, finds this labour agreement "an example for the entire direct banking and call centre sector". She continues: "The working hours schedule fits the needs of ING-DiBa as a direct bank but also takes into consideration the private interests of employees, in particular with regard to the balance of work life and family life. There are bonuses in time and money in case of overtime, like in weekends. And ING-DiBa lets employees share its success through bonuses. These bonuses make costs increase, but I can tell that employees who are respected also perform better."

Sense of belonging

"Apart from material rewards, what matters is the sense of belonging," Tellings explains. "We work hard to foster the strong ING Direct spirit that is critical to our success. That's really part of our corporate strategy to put our own staff first, and we do it with conviction." There is a long list of joint sports activities, and there



Erfolgreich:

Deutschlands „Beste Bank“!

■ **Durch überzeugende Leistung zum Erfolg**

Was über fünf Millionen zufriedene Kunden bereits wissen, wurde nun zum dritten Mal von Experten des Magazins *€uro* bestätigt: Die ING-DiBa ist Deutschlands „Beste Bank“. Profitieren auch Sie von der Leistungsstärke und Zuverlässigkeit des Testsiegers.

Wir freuen uns auf Sie!

Rund um die Uhr:
0180 2 / 29 29 29
(0 € für fixe und mobile – inklusive der 0 €-Telefonat)

www.ing-diba.de

Die neue Generation Bank

ING DiBa

Beste Bank Gesamtsieger 2005–2007
Ausgabe 02/2007

Basketball star Dirk Nowitzki features in ING-DiBa's 2007 image campaign

Key figures

- ING-DiBa's three call centres are located in Hannover, Frankfurt and Nuremberg.
- Around 800 agents take calls from customers 24/7.
- Some eight million incoming calls a year; often more than 30,000 a day.
- Funds entrusted amount to EUR 59.2 billion, off-balance funds to EUR 12.7 billion.
- Residential mortgages: EUR 28.1 billion.

are parties every year at various locations, as well as for the entire company every few years. And it does not stop there. The 'We care' programme as part of ING-DiBa's corporate social responsibility programme enables employees to donate a cash sum to a charitable organisation themselves, on behalf of ING-DiBa. It works. The working atmosphere at ING-DiBa is really good. The usual annual staff turnover at call centres is 15% to 20%. At ING-DiBa, it is less than 5%. In the '2007 Great Place to Work' staff satisfaction survey, ING-DiBa climbed to 26th place among 198 German companies last year and ranked as the best financial services provider.

Copy cat operators

Naturally, such a successful newcomer tends to be eyed closely by the competition. The established order counters with similar offers, and sometimes seemingly better ones. Some advertisements are almost identical to those of ING-DiBa. Tellings: "We don't watch the competition too closely. They are the ones watching us. Customers who go to rival savings banks and tell them what our rates are immediately get offered the same. The difference is that they don't have our business model. So the question is how long our rivals can afford to give their customers those rates."

The bank faces more of a challenge from interest rate developments. "If interest rates recover, then I predict a second growth wave," Tellings says. "Online banking is the trend, and we're simply the best at that. We have a 5% market share at the moment, and we want to grow it to 15 to 20%."

Stay true

But those customers will have to be won over. ING-DiBa has to stay true to low-cost banking. And it has to prove continually that customers get a good and fair deal. Tellings: "When we started, we offered twice as much interest as the other banks. And we have shown that those were not fly-by-night offers. We do not

always have the highest rates any more, but we do have the trust of our customers, because we are reliable." ING-DiBa makes no secret of how much it invests in marketing each year: around EUR 100 million. Each year, around 60 million letters are sent to customers. But no-one gets more than one letter a month. Advertising goes on day in and day out, on TV and in print, always with a sports metaphor and often with basketball star Dirk Nowitzki. "You have to be extremely consistent, otherwise people no longer recognise you," Tellings adds.

Proud customers

"People are often really proud to be our customers," adds former marketing manager Katharina Herrmann, now CEO and general manager of ING-DiBa Austria. And she knows that satisfied customers are a good advertisement. That is why ING-DiBa runs the so-called Member-get-Member programme: Every ING-DiBa customer who introduces a new customer for ING-DiBa's savings account receives a reward. Today, 40% of new customers are won over in this way. For ING Direct as a whole, on average 94% of customers are likely to recommend ING Direct to friends, relatives and colleagues – evidenced by customer satisfaction surveys (April 2006).

But how do you create proud customers? "Better terms and great service are essential, and being rated 'Germany's Best Bank' also helps," Herrmann tells. "All working processes are examined from start to finish, entirely from the customer's point of view. When there have been complaints, we analyse the details of the customer's complaint thoroughly. And when there's room for improvement, follow-up is given." Because first class service is what ING Direct aims for. Not only in Germany, but in all of the other countries where it is active: Canada, Spain, Australia, France, the US, the UK, Italy and Austria. ■

A consistent strategy to invest in growth

ING has a clear and consistent strategy of creating value for its shareholders. We maintain a well-balanced portfolio of businesses that are strong and successful within their own right.



Oyak Bank's headquarters in Istanbul, Turkey

We anticipate the needs of our customers, and consistently allocate capital to those businesses and client segments that generate high returns and growth. We have taken a number of steps in the last quarter that complement our strategy to seek out the best growth for our shareholders. This includes add-on acquisitions that complement our strategy in the high-potential growth markets of Turkey, South Korea and Latin America and growth initiatives in Central Europe and Asia.

The Group raises capital through business profits, capital gains on shares, divestments and external capital funding. We have used this capital very efficiently in the last few years and this has given us the opportunity to invest in additional organic growth, to engage in bolt-on acquisitions and to return capital to shareholders, either through good dividends or by buying back shares.

Big investment in Turkey

We recently bought Oyak Bank in Turkey, giving us a sound platform for growth in the important Turkish market and underscoring our ability to allocate capital to high growth markets. The deal will be entirely financed from existing internal resources and would provide us with 100% of the shares in Oyak Bank. We expect to close the

transaction in the second half of 2007.

Michel Tilmant, chairman of the Executive Board of ING Group, said at a presentation in Istanbul that Oyak Bank is a high quality bank with a strong position in the rapidly growing Turkish market. "The acquisition is in line with our strategy of supporting our strong organic growth with suitable bolt-on acquisitions and will provide ING with a solid banking platform with significant further growth potential. It also provides the opportunity to distribute wealth management products in the future as the market grows."

Founded in 1984, Oyak Bank is a top-ten bank in the Turkish market with more than 5,500 employees and a market share of 3%. It offers a full range of banking services with a focus on retail banking. The bank has about 1.2 million active retail customers and 10,000 small and medium-sized business customers. In total it has 360 branches throughout Turkey with a good representation in all major cities.

Eli Leenaars, Executive Board member responsible for ING's global retail banking activities, said: "Oyak Bank is a strong bank with an excellent management team. By further leveraging ING's retail banking expertise, especially in internet banking, marketing and risk management in combination with Oyak Bank's strong

distribution and knowledge of the market, we are in a good position to rapidly expand our position in Turkey."

Oyak Bank will be integrated in the retail banking business of ING Group and will be re-branded under the ING brand within the first year of the purchase.

A Landmark opportunity

ING reached an agreement with Morgan Stanley Private Equity Asia to acquire Landmark Investment Management in South Korea, the country's 12th largest asset manager. The acquisition of Landmark will give ING a solid asset management presence in one of the most important markets in Asia. South Korea is one of Asia's largest asset management markets with an annual growth rate of 20%. The acquisition complements ING's existing presence as the leading foreign life insurer in South Korea. Landmark had approximately EUR 6.9 billion in assets under management as of 31 May 2007. ING intends to integrate Landmark with its recently established asset management business in the country. The acquisition will position ING among the top-ten asset managers in the market with combined assets under management of over EUR 10 billion and a market share of 3.7%.



Recent acquisitions

- Landmark Investment Management in South Korea
- Oyak Bank in Turkey
- Santander pension businesses in Latin America

Recent divestments

- ING Trust, Nationale Borg and Regio Bank in the Netherlands
- Broker and Employee Benefits Insurance business in Belgium
- Degussa Bank in Germany

Buyback details

Given the total buyback value, the maximum number of ordinary shares (or depository receipts for such shares) that can be repurchased under this programme will be around 150.6 million, based on the closing share price of 15 May. This represents 6.8% of shares outstanding. ING intends to cancel the shares that it receives upon cancellation of the depository receipts acquired, for which it will seek shareholder approval at the next Annual General Meeting of Shareholders.

and CEO for ING Insurance Americas. "ING's financial strength, global brand recognition, retirement services and investment management capabilities comprise the foundation for our growth strategy."

Investing in organic growth

In addition to bolt-on acquisitions, ING continues to invest in organic growth, both in mature and high growth markets. In May it was announced that Postbank and ING Bank are joining forces under a single ING brand in The Netherlands. This reinforces our position as the leading Dutch retail bank with more than 8 million customers. Regarding Central and Eastern Europe, several initiatives are being taken. On the insurance side, ING received approval from the Russian regulatory authorities in June to start life insurance activities in Russia, while in Romania we are preparing for the launch of a mandatory second-pillar pension fund following pension fund reform.

With regards to banking, ING focuses on large countries with significant growth potential in the region: Poland, Turkey, Romania, Russia and Ukraine. Together these countries hold 76% of Central and Eastern Europe's GDP and 81% of its population. In Poland and Turkey, the entry strategy is through add-on acquisitions, respectively Bank Slaski (1994) and Oyak Bank (see above). In Romania a retail banking greenfield operation was started in 2005. Based on the favourable experiences in this country, ING intends to launch this concept in Ukraine in 2008. As regards direct banking, ING is in the process of obtaining a banking licence in Japan for ING Direct. The aim is to launch direct banking in the Japanese market in the second half of 2007. ING Direct is transforming from a savings into a direct consumer bank and maintains a global strategy to enter large and mature mar-

kets with a developed infrastructure for direct banking. Japan is therefore of key strategic importance as it represents large potential with a savings market worth EUR 5.6 trillion.

EUR 5 billion share buyback

While ING continues to reinvest to support the strong growth momentum of the business, the combination of strong earnings, refinancings and Basel II are expected to create a capital surplus in 2007. After funding the growth of the business ING will remain within its target capital and leverage ratios in 2007 and 2008. Against this background, ING announced in May that part of its capital would be used to reward shareholders with a EUR 5 billion buyback programme. In May ING started to purchase ordinary shares, or depository receipts for such shares, with a total value of EUR 5 billion over a period of approximately 12 months. The programme is expected to run until June 2008.

"The buyback plan illustrates ING's disciplined approach to capital management in the interest of maximising shareholder value," said Tilmant. "The buyback will optimise the capital structure of the Group, reduce the cost of capital and improve earnings per share."

Interim dividend

Because of efficient capital management ING is able to reward shareholders with an interim cash dividend of EUR 0.66 per ordinary share, up from last year's interim dividend of EUR 0.59, and equal to half of the total dividend paid over the book-year 2006 (EUR 1.32). ING's overall ambition is to create value for our shareholders. We know that we are well positioned to do so due to our strong business model, well-balanced portfolio of companies, diverse range of products and services, efficient capital management and disciplined risk management. ■

Latin American pensions

We also reached an agreement with Santander to acquire its Latin American pension businesses in Mexico, Chile, Colombia and Uruguay, further strengthening our position in this fast growing region. The mandatory pension fund management companies will make ING the second largest pension fund manager in Latin America. We will acquire 100 percent of Santander's shares of these pension businesses and the deal will be financed entirely from existing internal resources. ING and Santander are also in separate discussions regarding Santander's pension and annuities business in Argentina, which was not included in the acquisition at that stage.

Santander's Latin American pension business (excluding Argentina) currently has more than 5.5 million customers and 5,084 employees and distributes its products primarily through a network of tied agents. In 2006 its Latin American pension businesses reported EUR 13.8 billion of assets under management by year end and after tax profits of EUR 64 million.

"This transaction represents an attractive opportunity for long-term growth in Latin America as ING expands its wealth accumulation core competency in the region," said Tom McInerney, ING Executive Board member

Strong commercial momentum and continued value creation

Record quarterly profits



Michel Tilmant (r) and John Hele at the press conference in Amsterdam

On Wednesday 8 August, Michel Tilmant, chairman of ING Group, John Hele, CFO, and Koos Timmermans, CRO, presented ING's second-quarter 2007 results. Underlying net profit increased 36.7% to EUR 2,747 million compared to the second quarter of 2006. This result was boosted by a gain of EUR 573 million on the sale of part of ING's stake in ABN AMRO. Excluding that gain, underlying net profit increased 8.2% to a record EUR 2,174 million.

Michel Tilmant said: "ING posted strong results in the second quarter as the business continued to benefit from solid economic and market conditions. At the banking business, volume growth in mortgages and current accounts continued

to help offset pressure from flat yield curves. Risk costs remained low, and there is no sign of deterioration in the credit portfolio. The life insurance businesses benefited from growth in assets under management and higher investment gains as stock markets rallied. New life sales were dominated by strong growth in single-premium products as ING capitalises on a global shift from traditional life insurance products to unit-linked wealth accumulation products."

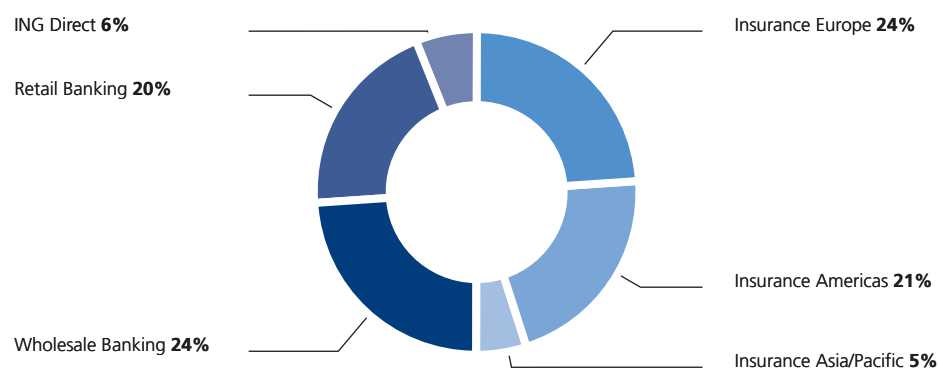
Michel Tilmant continued to explain that "ING is taking new initiatives to accelerate growth organically and through bolt-on acquisitions. The recent agreements to buy Oyak Bank in Turkey, the Latin American pension business of Santander

and Landmark Investment Management in South Korea will build scale and give ING access to attractive new markets. Preparations continue for the launch of ING Direct in Japan later this year.

Update share buyback programme (as per 3 August 2007)

- 21.9% of programme completed
- Total number of shares repurchased is 33.6 m
- Amount repurchased: EUR 1,097 m
- Average price of repurchased shares is EUR 32.63

Underlying profit contribution of business lines 2Q



* excluding corporate line

Additional investments of EUR 65 million are anticipated in the second half to accelerate the commercial growth of ING Direct. Next year we will launch a retail bank in Ukraine as we continue to expand ING's retail distribution franchise eastward into the largest markets in the Central European region."

Looking forward, Michel Tilmant said that: "ING's proprietary investment portfolio is expected to produce substantial gains in the second half which we will partially reinvest to support further organic growth. Credit markets have very recently become more turbulent, however based on today's market circumstances we expect no material impact on 2007 earnings. The commercial performance of the business remains robust and we are confident that ING's risk profile and the diversification of our businesses will enable ING to continue to create value for shareholders while focusing on long-term growth."

Earnings analysis second quarter

ING posted strong earnings in the second quarter as the company benefited from a healthy economic climate, including relatively low risk costs as well as strong equity markets. ING benefited from a low effective tax rate in the second quarter, mainly due to substantial tax-exempt

capital gains on equities. The underlying effective tax rate declined from 21.0% to 14.4%, and is expected to be in the 15-20% range for the full year, significantly below a normalised level of 20-25%.

Net profit increased 27.1% to EUR 2,559 million after a charge of EUR 188 million (EUR 252 before tax) for combining Postbank and ING Bank in the Netherlands.

Operating expenses for the Group remained under control, with underlying expenses up 4.2% including additional expenses to grow the business.

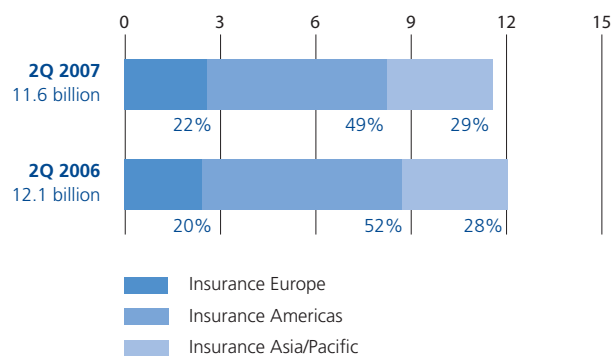
Insurance

Underlying profit before tax from insurance rose 49.8% to EUR 1,971 million, including EUR 802 million in realised gains on equities, including the sale of part of ING's stake in ABN AMRO. Life results increased 69.9% to EUR 1,626 million and non-life insurance results declined 3.9%, driven by lower results in Canada and Mexico as the businesses continued to experience more challenging underwriting conditions.

Gross premium income increased 1.5% excluding currency effects as growth in Belgium, South Korea and Central & Rest of Europe was largely offset by declines in US fixed annuities, Japan and the Netherlands. Total single-premium sales increased 16.8%, and were up 22.8% from the first quarter, driven by strong growth in Japan, Australia, Korea, Taiwan, Central Europe, and in US variable annuities.

The value of new business (VNB) improved strongly in the second quarter from the first, up 23.2% to EUR 207 million, driven by strong sales in Japan after a new product was introduced in April. Compared with the second quarter last year, VNB declined 9.6%, or EUR 22 million.

Premium income*



*including inter-company eliminations

Insurance Europe

Strong growth in Central & Rest of Europe continued to drive sales and new business growth at Insurance Europe. Underlying profit before tax at Insurance Europe declined slightly to EUR 694 million from a very strong second quarter of 2006. Profit in the second quarter last year included a EUR 135 million positive revaluation of the provision for guarantees on separate account pension contracts in the Netherlands. That compares with a EUR 19 million negative revaluation in the second quarter this year. Excluding this impact, underlying profit before tax for Insurance Europe increased 25.3% to EUR 713 million. Total premium income grew 5.7% driven by higher life sales in Belgium and Central & Rest of Europe. Operating expenses were flat despite a 4.5% increase in Central & Rest of Europe. VNB was unchanged at EUR 55 million as a 30.8% increase in Central & Rest of Europe was offset by a decline of 34.6% in the Netherlands.

Insurance Americas

Strong growth in assets under management and favourable investment results in the US drove profit growth at Insurance Americas in the second quarter. Underlying profit before tax climbed 29.8% to EUR 593 million, and was up 37.3% excluding currency effects.

Premium income declined 4.1% (excluding currency effects), mainly due to lower sales of fixed annuities in the US. Operating expenses increased 6.0% (excluding currency effects) as staff was added to support customer service and the expansion of distribution in the US businesses. VNB increased strongly to EUR 53 million from EUR 33 million in the first quarter. The figures include EUR 28 million from the establishment of two on-shore captives to address the redundant regulatory reserves in the US individual life business. Compared with the second quarter of last year, VNB declined 18.5%, reflecting currency effects and the increase in the discount rate at year-end 2006, as well as lower annuity margins and lower fixed annuity sales.

Insurance Asia/Pacific

Underlying profit before tax from Insurance Asia/Pacific declined slightly to EUR 153 million as higher results in Australia were offset by declines in Japan and South Korea. Results in Japan were negatively impacted by EUR 32 million from SP-VAs, mainly because of volatility from unhedged positions related to an increase in implied market

Key figures ING Group

In EUR million	Quarterly results		
	2Q 2007	2Q 2006	change
Underlying profit before tax¹			
– Insurance Europe	694	704	-1.4%
– Insurance Americas	593	457	29.8%
– Insurance Asia/Pacific	153	157	-2.5%
– Corporate Line Insurance	531	-2	
Underlying profit before tax from Insurance	1,971	1,316	49.8%
– Wholesale Banking	668	717	-6.8%
– Retail Banking	555	454	22.2%
– ING Direct	171	190	-10.0%
– Corporate Line Banking	-65	-25	
Underlying profit before tax from Banking	1,329	1,336	-0.5%
Underlying profit before tax	3,300	2,652	24.4%
Taxation	476	557	-14.5%
Profit before minority interests	2,824	2,095	34.8%
Minority interests	76	86	-11.6%
Underlying net profit	2,747	2,009	36.7%
Net gains/losses on divestments		-9	
Net profit from divested units		14	
Special items after tax	-188		
Net profit (attributable to shareholders)	2,559	2,014	27.1%
Earnings per share (in EUR)	1.18	0.93	26.9%
Net return on equity ²	23.9%	25.0%	
Assets under management (end of period)	636,700	546,200	16.6%
Total staff (FTEs end of period)	119,097	119,409	-0.3%

1. Underlying profit before tax and underlying net profit are non-GAAP measures for profit excluding divestments and special items.

2. Year to date.

Note: Small differences are possible in the tables due to rounding.

volatility. Excluding this volatility in Japan, underlying profit before tax from Insurance Asia/Pacific increased 19.3% to EUR 173 million.

Total premium income rose 9.4% (excluding currency effects), driven mainly by growth of 24.9% in South Korea and 9.2% in Taiwan. Operating expenses increased 20.9% (excluding currency effects), reflecting investments to support the growth of the business.

Compared with the first quarter, VNB rose 20.7%. Sales of single-premium products dominated new production as ING capitalises on a shift across the region from traditional life to wealth accumulation products. VNB was down 9.2% from the second quarter last year, reflecting unfavourable currency effects, slower sales and margins in the COLI business in Japan, as well as a lower IRR.

Interim dividend

- ING will pay an interim cash dividend of EUR 0.66 per ordinary share
- Equals half of the total dividend paid over the book-year 2006 (EUR 1.32)
- Up 11.9% from the interim dividend in 2006 (EUR 0.59)
- ING's shares will be quoted ex-interim dividend from 9 August 2007 and the dividend will be made payable on 16 August 2007 for NYSE Euronext.

Banking

Strong commercial growth in current accounts and mortgages continued to help offset the impact of flat yield curves at ING's banking businesses. Total underlying profit before tax declined slightly by 0.5% compared with strong results in the second quarter of 2006.

Volume growth was led by strong sales of mortgages at ING Direct, growth of current accounts and term deposits at Retail Banking, as well as the continued growth of ING Real Estate. Net risk costs swung to an addition to the provision for loan losses from a release of provisions in the second quarter last year, however risk costs remained low and there was no indication of a deterioration in the quality of the credit portfolio.

Pricing discipline and an emphasis on capital efficiency led to a further improvement in returns with the underlying risk-adjusted return on capital (RAROC) after tax up to 24.8% from 22.0% in the first half of 2006.

Wholesale Banking

Wholesale Banking continued to benefit from strong growth at ING Real Estate, as well as volume growth in Payments & Cash Management (PCM) and Leasing, which helped offset margin compression. Underlying profit before tax of Wholesale Banking declined 6.8% to EUR 668 million, reflecting a smaller net release from the provision for loan losses. The profit development was obscured by the asymmetrical tax treatment embedded in the equity derivative trading activities and their related cash equity hedges. Corrected for that impact, the gross result rose 15.2% and underlying profit before tax was up 5.2%.

Operating expenses declined 1.7% from the first quarter but increased 5.7% compared with the second quarter last year, driven by increases to support growth at ING Real Estate and investments to prepare for the Single European Payment Area (SEPA). Returns continued to improve with the underlying RAROC after tax at 25.9%, up from 22.4% in the first half last year.

Retail Banking

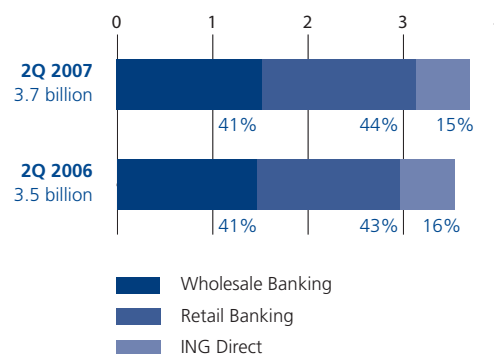
Retail Banking posted solid earnings growth in the second quarter, despite the challenging interest rate environment, as continued volume growth more than offset margin pressure. Underlying profit before tax rose 22.2% from the second quarter last year, when profit was impacted by a litigation provision and a catch-up of risk

costs. The gross result, before risk costs, was up 14.4%. Growth was driven by an 11.4% increase in the Netherlands, where substantial volume growth was achieved in all product groups. Total underlying income increased 6.7%, outpacing a 2.7% increase in operating expenses. Continued pricing discipline helped Retail Banking sustain high returns, with a total risk-adjusted return on capital after tax of 42.8%, up from 34.2% in the first half of 2006.

ING Direct

ING Direct results remained solid in the second quarter while it continued to make substantial investments to build the business by rolling out new products. Underlying profit before tax was EUR 171 million, up 3.6% from the first quarter, and down 10.0% from the second quarter last year. The challenging interest rate environment continued with flat or inverted yield curves in most currency zones, and interest rates continued to rise. Total client retail balances, including funds entrusted, off-balance sheet funds, residential mortgages and consumer loans, increased to EUR 302.0 billion, up from EUR 290.5 billion at the end of March. A record EUR 7.0 billion in own-originated mortgages was added in the second quarter excluding currency effects, taking the total mortgage portfolio to EUR 82.8 billion at the end of June. ING Direct added almost half a million new customers, bringing the total to 18.7 million. Returns improved, with the after-tax risk-adjusted return on capital at 16.7%, up from 11.7% in the first half of 2006, partly due to lower tax charges.

Income banking operations



Assets under Management

Assets under management increased by EUR 17.3 billion, or 2.8%, in the second quarter to reach EUR 636.7 billion at the end of June. Growth was driven mainly by a solid net inflow of EUR 10.4 billion. ■

Risk Management

- Credit markets have recently become more turbulent amid concerns about US subprime mortgages, collateralised debt obligations (CDOs), collateralised loan obligations (CLOs) and leveraged finance.
- To date this market disruption has had a limited impact on ING.
- ING does not originate subprime mortgages in the US.
- The Group's total exposure of EUR 3.2 billion to subprime mortgages via asset-backed securities represents just 0.25% of total assets. Of these assets, 93% are rated AAA or AA. The market value at 31 July 2007 was a mere EUR 58 million lower than the book value.
- ING's total exposure to CDOs and CLOs is EUR 0.9 billion, or 0.07% of assets, and the market value at 31 July 2007 was some EUR 35 million below book value.
- Overall, ING considers its subprime and CDO/CLO exposure to be of limited size and of relatively high quality.



Left to right:
Hans van der Noordaa,
Tom McInerney and
Jacques de Vaucleroy

Insuring a long retirement

Living to age 90 and beyond will become a reality for many people in the not too distant future. Although this is good news for many, anyone faced with this prospect will need to accumulate enough retirement income to cover the cost of their extended lifetime. This is where financial companies can play a prominent role.

In many countries, demographic trends all point in the same direction. People are having fewer children and they are living longer than any generation before. According to the United Nations, a Japanese person born in 1950 can expect to live 63.9 years. Born in 2050, this figure will have risen to 87.1 years. For the US and Europe, the same story applies (see graph). The result: the world population is ageing at a rapid pace. And as there are fewer and fewer wage earners to finance the pensions of a growing number of retirees, many government financed pensions are becoming increasingly unsustainable. What opportunities and challenges does this pose to the finance industry? We ask the three Executive Board members responsible for ING's insurance activities: Tom McInerney (Insurance Americas), Hans van der Noordaa (Insurance Asia/Pacific) and Jacques de Vaucleroy (Insurance Europe).

The era of guarantees

"Basically, it is very simple," says de Vaucleroy. "The insurance industry has to be less and less focused on insuring mortality risk and increasingly on insuring longevity risk, as this is the topic that people are focusing on. This implies that we have to provide accumulation solutions that help customers to create the capital that later can be transformed into sufficient retirement income. This holds for the younger client segment. With respect to people who are retiring, a lot of them are looking for security and are trying to get life-long retirement income. Insurers can aid these retirees by offering guarantees, which protect them from the risk of outliving their savings. In the past, insurance companies were just focusing on investment solutions, now they have to provide

guarantees as well."

"I always like to call the period 1980-2005 the era of the mutual funds," adds McInerney. "The baby boomer generation concentrated on accumulating assets, through savings and investing in mutual funds. Now, this generation is approaching retirement and we are entering the era of guarantees: customers want to be sure they have sufficient guaranteed income to last through their retirement. At the same time, though, they want to retain the flexibility to withdraw money from their pension plans at their convenience. That's why I think the next twenty five years will be fantastic for insurers who are focused on wealth management and retirement services."

Annuity products

The ageing of the population creates strong demand for products offering customers protection against longevity risk, such as savings, mutual funds, mortgages, retirement services, real estate funds, private banking and other wealth accumulation products. A key solution the insurance industry is offering is the variable annuity product. This also holds for ING. After years of proven success in the US and Japan, ING has introduced variable annuities to Europe. In return for a single premium payment, ING offers the customer a regular stream of income or a lump-sum payment when the contract ends. Within the variable annuity, customers can choose from a range of equity and fixed-income funds. The variable annuity product offers both guarantees for the invested capital and a benefit in case of premature death. Currently, ING is also working on a regular premium version.

Specialist skills required

By offering such protection to its customers, it may seem that insurance companies are taking a potentially significant risk exposure on their books. Customers may live longer than expected, for instance, or the equity market might collapse. "That's why it's so important to have the right risk management in place," says Van der Noordaa. "We take on the risks associated with these guarantees, aggregate them in a position, which we subsequently hedge in the capital markets. So that's why at this stage there are not many insurance companies entering this market, as you need to have the risk management capabilities in place to provide this hedging programme and you'll need to have the capital to support these guarantees."

"We are mixing the risk management techniques that you traditionally need to have in insurance, with capital market hedging solutions, which are more traditional investment bank and asset manager risk management skills," McInerney explains. "You have to be at the fine line of these converging industries." But here also lies the challenge, as de Vaucleroy explains. "You need to have people that have the capabilities to understand and manage the risks that are more traditional for insurance companies and at the same time build expertise of the capital market side. So what we increasingly need are people that are able to understand both sides of the balance sheet, i.e. the risks associated with the liabilities and the asset side."

Simplicity

Research shows that, increasingly, customers want simple and straightforward products that deliver the features they expect. By their very nature, though, many insurance products are quite complex. Does this also apply to these guarantee products? de Vaucleroy explains: "A lot of insurance products are complex in the sense that they are covering needs that by nature are also

complex. This arises because everybody has a different financial situation, requires different financial planning, and has to deal with issues like taxes and legislation. "On top of that, we have a complex business in the sense that we have products with a 20 or 30 year lifetime," adds McInerney. "By nature these products are more complex to administer. Products may remain the same, but the legislation may change two or three times, the tax system may

Research shows that, increasingly customers want simple and straightforward products that deliver the features they expect

change three times, and people may switch employers. We need to adapt to that. So the product may have been quite simple and straightforward at the origin, but 20 or 30 years later the situation can be totally different."

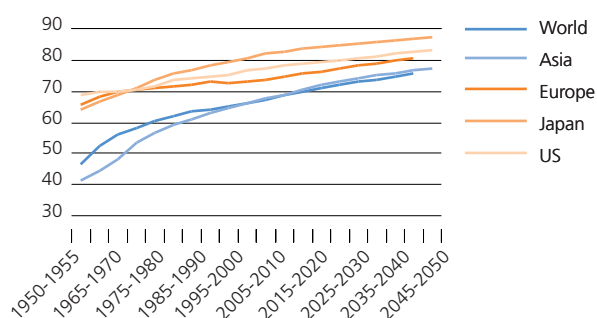
Having said this, simplifying products so that they are straightforward, self-explanatory, and transparent in terms of cost structure remains on the top of the agenda of the insurance industry. Van der Noordaa: "In these fields we continuously need to make progress. This means investing in systems to foster straight through processing, and training your sales force is also crucial. Intermediaries and brokers have to make sure that if their clients step into a product, such as a variable annuity, they understand what the pros and cons of this product are."

Distribution challenge

The nature and relative complexity of post-retirement planning is such that it seems unlikely that sales could easily take place

Retirees are increasingly looking for the security of guarantees that protect them from the risk of outliving their savings

Life expectancy at birth



Source: United Nations, World population prospects, 2006 revision



A trend you cannot afford to miss

Steve Aldersley, Partner at Ernst & Young, and Robert Stein, Global Vice Chair of Ernst & Young's Global Financial Services

People are increasingly afraid of outliving their savings. This leads to a huge demand for retirement services products. How does this affect the insurance industry?

"The retirement services market should be viewed upon in two sections: the pre-retirement and the post-retirement section. During the pre-retirement phase, people are looking for opportunities to accumulate assets and to create wealth. There is severe competition between companies offering services in this area and there is no question that top-notch asset and investment management skills over a very broad range of products is going to be needed to be competitive. In the post-retirement segment, we're beginning to see competition between financial services organisations, with several trillion of assets at stake in terms of a transfer of wealth from one generation to the next. We see companies really ramping up their investments. Clearly, as individuals reach their retirement age, as the post-war baby boomer generation is now doing, they are wealthier, have more assets to protect, and they are more concerned about health and disability care in their senior years. So there is a wide range of protection needs. The leaders in the industry are generally focusing on multiple product offerings to achieve

consumers' more complicated needs during this retirement period. For people who are retiring in their early 60s, we are looking at 25-30 years of a relatively active life.

It is a trend you cannot afford to miss. If you're left out of the area of offering post-retirement products and services, you'll see assets leaving your institution rapidly. At the time of retirement, people will re-evaluate where they are going to place their money and which products to buy. And if you don't have a competitive and comprehensive post-retirement services product offer, that money is going to go some place else as there is stiff competition."

What challenges does this pose to the risk management of insurers?

"The products in the pre- and post-retirement area are increasingly complex, they have all kinds of embedded guarantees and benefits. When you couple that with growing diversity and challenging asset classes, you end up with a need for high quality risk management and product capabilities. But the risk management development is certainly picking up in the insurance field. In Europe, it is driven by Solvency II, the planned reform of prudential regulation for European insurers. To some degree, the European insurers seem to be ahead of the game a little bit more than in the US. Looking forward, as people live longer and longevity risks are getting increasingly bigger, we are going to a situation where the investment strategy backing

these products will become quite challenging, as asset classes to match the duration of these long term retirement based products are not going to be available in the market place."

What does it take to grow an insurance business successfully?

"When you look at what it's going to take to run a competitive insurance operation, you get quickly to a recognition that the big companies are going to have a competitive advantage: you have the complexity of the product side, the asset strategy, the risk management, the regulatory requirements and compliance burden, and the need to effectively manage multiple distribution channels, because no single company will survive on one single distribution channel. Underneath that you will see a wide variety of high-quality specialist companies, usually focused on specialist product plays in a more limited geographical setting. They may ultimately become product suppliers to some of the larger companies that won't be expert product manufacturers in all areas. So we'll slowly be moving towards a somewhat more open architectural structure like in the asset management world. Scale is very important and will continue to be a competitive element within the insurance industry and is one of the factors causing a further bifurcation in the financial services industry, between the large players and the rest. You see it in banking and you will increasingly see it in asset management and insurance."

through direct channels such as the internet or the telephone. This fits within a broader trend where insurance companies are moving towards a multi-distribution model. This is certainly also the case for ING. McInerney: "There are not many countries where we are selling through only one channel. So in the majority of countries in which we operate, we have our own agents sales force, we have a number of bank-insurance agreements, and we operate through brokers, while in some countries we also have direct sales. ING US Wealth Management, with access to more than 200,000 distribution points covering this whole range of distribution channels, is a case in point." The same holds for the Asia/Pacific region where ING makes use of well diversified distribution channels creating strong growth in revenues.

The challenge, however, is to focus the product offering on the right channel. This will depend on the type of product, but also on customer demands, as de Vaucleroy explains "Customers are not uni-dimensional. There are things that they do on the internet, and there are things for which they are still willing to drive 30 minutes for an appointment. So you have to offer an internet solution for products that are easily sold via internet, such as fire and car insurance, while at the same time making sure that customers have access to face to face channels for solutions for which expert

advice is needed. For these latter products you need people who can explain the product and, if needed, are accessible for further advice and information." This, however, does not imply that the internet cannot play a role in the distribution of these advisory products. "The added value of the internet for these products," says Van der Noordaa, "is that it is an excellent lead generator for arranging a follow-up appointment with an advisor or a broker. And I can imagine we will be able to come up with simple, standardised annuity products which could be an interesting product to sell on-line."

Scale

One might come to the conclusion that scale is an important factor for insurers, given for instance the need to create an appropriate risk management organisation, to build a multi-distribution framework and to exchange best practices in areas such as product design. "True," says de Vaucleroy, "but although individual customers are facing the same trends and similar needs, they are reacting differently from country to country, as the social security, the pension and the tax system will vary. So it is all about applying universal rules and practices and at the same time keeping the local touch." ■

Equities to lead the way

Following recent volatility on world sharemarkets, many investors may wonder what the outlook for equities is over the next 12 months. ING Investment Management's chief investment officer Maes van Lanschot gives his view.

Equities should outperform bonds and real estate over the next 12 months, provided the current problems in the US subprime mortgage market don't result in a global liquidity squeeze. Van Lanschot said world equity markets should continue to be supported by ongoing huge share buyback programmes and mergers and acquisitions activity, provided interest rates remain reasonably stable. "We are currently overweight equities, looking 12 months ahead. The expected return we have on equities is something like eight per cent which is more than what you would get from bonds," Van Lanschot said. He said all four major regions (US, Europe, Japan and Asia) were performing strongly.

"In Europe, the economy has maintained its strong growth momentum at 3 per cent, the US growth outlook has improved somewhat and Japan is likely to continue forging ahead at a decent pace. In addition, the Asian markets including China are demonstrating continued, less volatile growth."

"China and Asia (ex Japan) have become so important we now have four blocs where we used to have three (US, Europe and Japan). And now Asia along with the others means there is more chance of continued stable global growth, more stabilisers." And after several years of real estate outperforming equities, Van Lanschot believes the positions will be reversed in the coming year. "Real estate has seen an outstanding performance over the past couple of years. It is very interest rate sensitive, and interest rates have

risen so it will be more difficult for real estate to outperform. We have seen (real estate) performance changing over the past couple of months versus the various equity blocs. We don't think it will plunge but we also don't think it will be as good as equities." Despite the strong rise in sharemarkets, Van Lanschot believes equities are not overvalued as an asset class. "Equities are relatively fairly priced. If you look at historical P/Es (price to earnings ratios), values are not overstretched at this point in time. In comparison to bond yields, equities are also still attractively valued." He said corporate profit margins are at historically high levels, due to companies rationalising their operations early this decade and because of strong global growth. Furthermore, corporate debt levels are fairly low, as a result of low levels of new investment in recent years, which means that they will be able to increase leverage going forward.

However, as we have recently seen, there are some dark clouds on the investment horizon that could threaten sharemarket growth and two in particular stand out. Van Lanschot lists these as the current troubles in the US subprime mortgage market (loans made to home owners with shaky credit histories), and secondly, banks and other major lenders causing a liquidity squeeze by overreacting to either higher interest rates or the US subprime problems by unduly restricting lending. He believes any protracted worsening of the problems in US subprime sector having a twofold impact. The first impact could be on global investors. "The subprime in the US is still lingering on, we haven't seen it all yet and there is a lot of money involved. It is very difficult to assess who ultimately holds all the risks, what have the banks managed to get off their balance sheets by repackaging loans, and who is the ultimate holder of that risk." He sees the second impact on US consumption. "If people lose their homes it will have a very negative effect on consumer confi-

dence in the US. We haven't seen the whole fall out yet, nor how big the issue really is. As long as the US labour market remains strong, the overall impact should be limited."

"Up to now, you see the issue flare up and the market has a scare and moves on, but it shows how sensitive investors are to this theme." In the equities universe, ING IM expects large cap companies to outperform their small to medium sized counterparts. This is because the prices of small to medium sized companies have been bid up strongly on possible interest from private equity and management buy-out syndicates. It is expected that this type of interest which has supported share prices will reduce. Large cap prices rose relatively less and are now trading at the biggest discount ever to mid and small caps (25 per cent) despite their lower risk profile. Among the various stockmarket sectors, ING IM favours the energy, consumer staples, information technology and utilities industries to outperform the world and European sharemarkets over the next 12 months. This is because of higher oil prices in the case of energy, continued M&A activity in utilities, above market growth prospects for information technology companies and good defensive growth prospects for consumer staples companies.

► For more information on ING IM's global outlook and its comprehensive range of funds, please go to www.ingim.com.

Global market returns (%)				
	First half 2007	1-year	3-years ¹	5-years ¹
Global Bonds ²	-1.98	-0.91	0.54	-0.17
Global Equities ³	6.90	17.58	13.28	7.60
Global Real Estate ⁴	-2.40	18.30	22.80	17.20
Cash ⁵	1.90	3.54	2.67	2.63

¹ Annualised ² Lehman Brothers Global Aggregate in euro unhedged. ³ MSCI World (gross. in euro)

⁴ Global Property Research (GPR) 250 Global index (gross. in euro) ⁵ Eonia (Euro Overnight Index Average)



New and exclusive photography award



Matthias Hoch (1958) Rotterdam #23
2007 © Beeldrecht Amsterdam, courtesy Galerie Akinci, Amsterdam
ING Collection Real Estate



Frans Stuurman (1952)
Antwerpen Centraal, 1996
oil painting on canvas 65 x 80 cm,
ING Collection Netherlands

Nature, development and architecture: the integration of all three is the theme of the REAL Photography Award which has been initiated by ING Real Estate.

Artists from all over the world have been invited to submit their photographic interpretation of the award theme before 1 September 2007. ING Real Estate's business focus is the successful integration of all three elements. Through the award, ING Real Estate also demonstrates its support for contemporary photography.

Exclusive travelling exhibition

In September, an international jury with members that have earned their spurs in modern art, architecture or photography, will select the winning entry from among the thirty that will be nominated for the first prize. All thirty entries will be included in an exclusive travelling exhibition. The winner will be announced during the exhibition's

opening in the Netherlands towards the end of this year and the prize money will be a substantial amount of EUR 50,000.

Inspiration

Inspiring artists to take part in this unique photography competition was the reason the REAL Photography Award commissioned artists Caroline Pricse (Dutch, 1969) and Matthias Hoch (German, 1958) to produce a photograph which links in with the overall theme. For Caroline Pricse, this resulted in the photograph *Constructing Meaning*, which was presented at the launch of this award at the international Real Estate fair MIPIM 2007. Her main theme is the relation between nature, human beings and technique which she studied extensively while working from her studio located in the new Amsterdam business district, Zuidas, which is partially complete. The German artist Matthias Hoch made the

photograph *Rotterdam #23*. Hoch has been exploring contemporary urban structures and spaces. Not the city itself, but its perfect geometry of freeways, parking decks, playgrounds and building facades are the subjects of his work. Both photographs will be presented during the exhibition of the nominees.

Corporate photo collection

ING Real Estate, which is the world's leading real estate group, is very much interested in contemporary photography. The REAL Photography Award ties in with the ING Real Estate Collection, which was started more than a year ago. This collection has now grown into a serious corporate photography collection of more than 60 photographs by international artists with a focus on the same themes of nature, development and architecture.

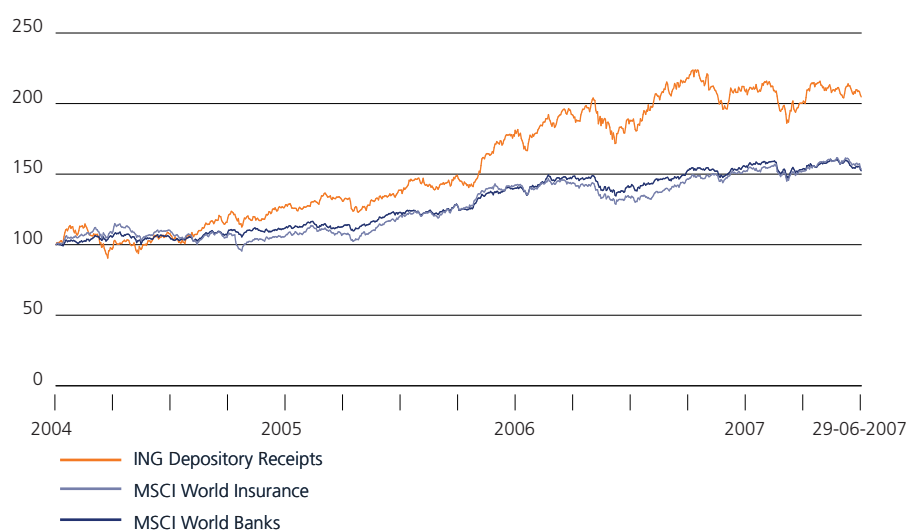
Reality or illusion

Looking at reality and depicting it are two completely different things. And then again, all artists have their own view on reality. Especially for the exhibition 'Another reality: between figurative and abstract art', artworks by eight Belgian and eight Dutch realists have been selected to hang side by side.

Throughout the centuries, artists have presented their own idea of reality. Realistic painting is far more than imitating reality. In fact, the viewer gets to see an illusion, just like on stage. Reality, however, remains the starting point. ING has loaned several of its works of art to this exhibition, which will be held in the Belgian city of Sint-Niklaas between 23 September and 9 December of this year. ■

► www.realphotographyaward.com
www.eenanderewerkelijkheid.be
www.ingartcollection.com

Total return index



Global financials top 20 (based on market value in EUR billion)

1	Citigroup Inc	186.2
2	Bank of America Corp	161.4
3	HSBC Holdings	157.5
4	Amer Intl Group	134.8
5	JPM Chase	124.2
6	UBS	93.6
7	Royal Bank of Scotland	88.9
8	Mitsubishi UFJ Financial	87.8
9	Wells Fargo	87.3
10	Banco Santander	85.6
11	BNP Paribas	82.4
12	Allianz	78.6
13	ING	72.3
14	Wachovia Corp	72.3
15	Unicredit	69.1
16	Barclays	67.6
17	AXA	67.0
18	Goldman Sachs	66.3
19	Morgan Stanley	66.1
20	Intesa Sanpaolo Ord	65.5

Source: MSCI, Bloomberg, 29 June 2007

2007 Best Global Brands

1	Coca-Cola	81	ING
2	Microsoft	82	Kodak
3	IBM	83	Cartier
4	General Electric	84	BP
5	Nokia	85	Moet & Chandon
6	Toyota	86	Kraft
7	Intel	87	Hennessy
8	McDonald's	88	Starbucks
9	Disney	89	Duracell
10	Mercedes	90	Johnson & Johnson

(ranked by brand value = net present value of the earnings the brand is expected to generate)
(Source: Interbrand, BusinessWeek, July 2007, www.interbrand.com)

Fortune Global 500

1	Wal-Mart Stores	11	General Electric
2	Exxon Mobil	12	Ford Motor
3	Royal Dutch Shell	13	ING
4	British Petroleum	14	Citigroup
5	General Motors	15	AXA
6	Toyota Motor	16	Volkswagen
7	Chevron	17	Sinopec
8	DaimlerChrysler	18	Crédit Agricole
9	ConocoPhillips	19	Allianz
10	Total	20	Fortis

(Source: Fortune, July 2007, <http://money.cnn.com/magazines/fortune>)
(based on several parameters, including revenues, net profit, shareholder value and number of employees)

Key dates in 2007 and 2008

Wednesday, 7 November 2007

Publication results Q3 2007

Wednesday, 20 February 2008

Publication results Q4 2007

Tuesday, 22 April 2008

Annual General Meeting of Shareholders

Wednesday, 23 April 2008

Record date (NYSE)

Thursday, 24 April 2008

ING share quotation ex final dividend 2007
(NYSE Euronext and NYSE)

Monday, 28 April 2008

Record date (NYSE Euronext)

Monday, 5 May 2008

Payment date final dividend 2007
(NYSE Euronext)

Monday, 12 May 2008

Payment date final dividend 2007 (NYSE)

(All dates are provisional)



Disclaimer

The ING Group Condensed consolidated interim accounts for the period ended 30 June 2007 (in accordance with IAS 34 "Interim Financial reporting" and including the review report from Ernst & Young) are included in the ING Group Statistical Supplement, which is available on www.ing.com. In preparing the financial information in this press release, the same accounting principles are applied as in the 2Q 2007 interim accounts. All figures in this document are unaudited. Small differences are possible in the tables due to rounding. Certain of the statements contained in this release are statements of future expectations and other forward-looking statements. These expectations are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those in such statements due to, among other things, (i) general economic conditions, in particular economic conditions in ING's core markets, (ii) performance of financial markets, including developing markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) interest rate levels, (vii) currency exchange rates, (viii) general competitive factors, (ix) changes in laws and regulations, and (x) changes in the policies of governments and/or regulatory authorities. ING assumes no obligation to update any forward-looking information contained in this document.