



# Strong progress on strategic priorities

Jan Hommen CEO

Goldman Sachs Conference – 9 June 2010  
[www.ing.com](http://www.ing.com)

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



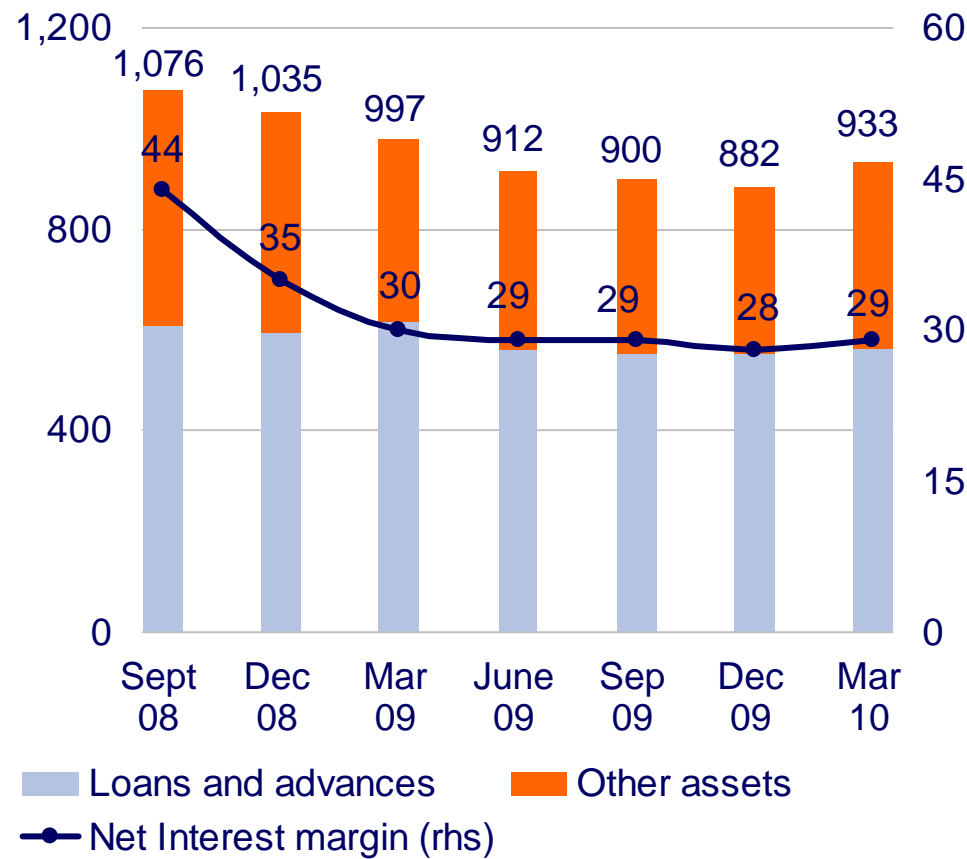
# ING is making good progress on strategic priorities, while actively managing our exposures

- ING has made substantial progress in reducing leverage and risk
- ING is actively managing its sovereign debt portfolio
- The separation process of banking and insurance is on track
- ING has set clear targets to improve the performance of Banking and Insurance
- First quarter 2010 results show encouraging progress

# Deleveraging and de-risking

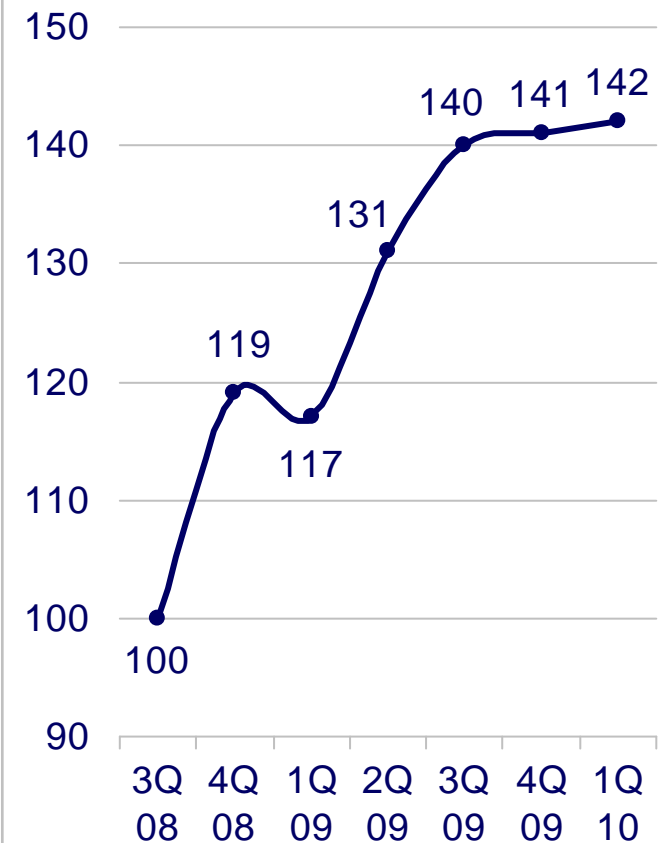
# Balance sheet shortened while margins increased

**Total assets ING Bank (in EUR billion) and asset leverage ratio\***



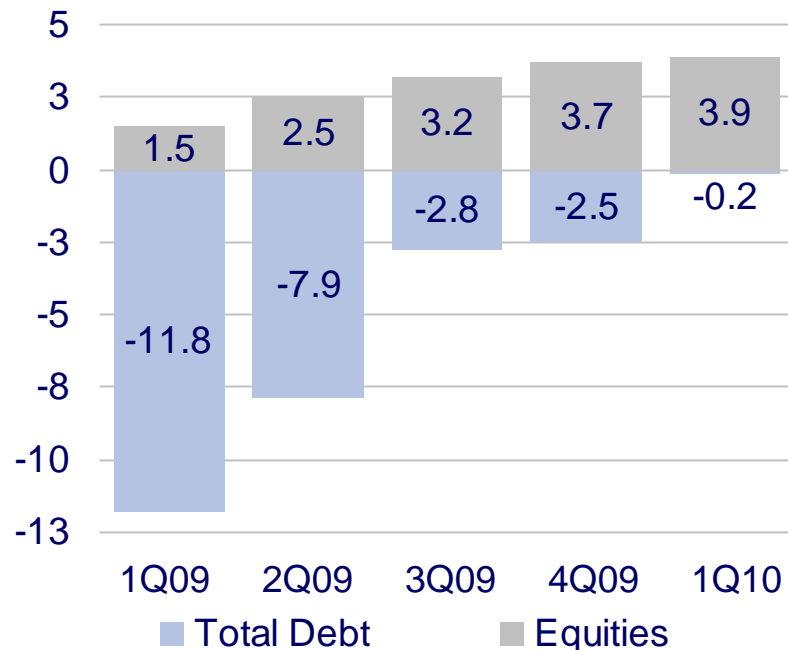
\* total assets / shareholders equity (adjusted for mtm own debt)

**Net interest margin (in bps)**



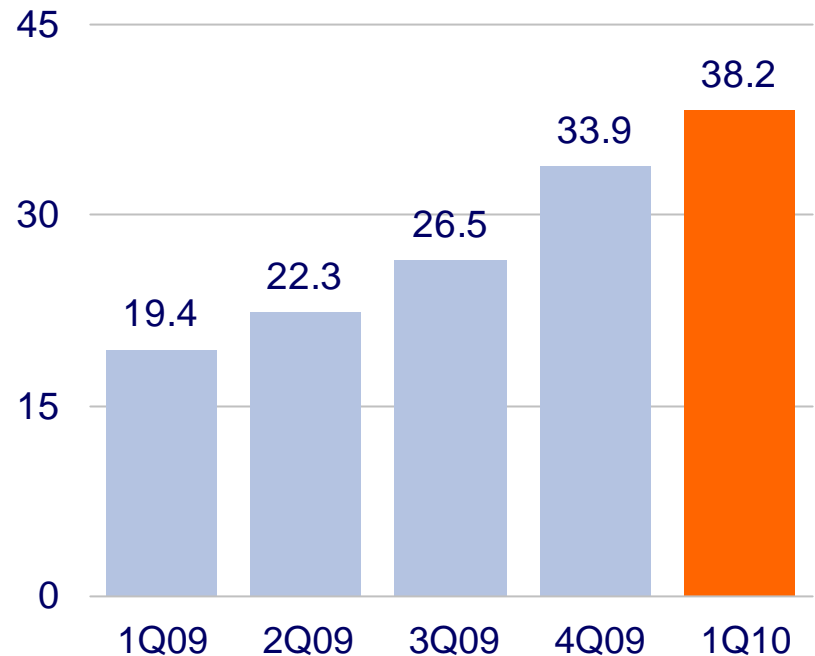
# Shareholders' Equity doubled, driven by a strong improvement of revaluation reserve

## ING Group: after tax revaluations (in EUR billion)



- Improvement driven by positive ABS revaluations

## Shareholders' equity (in EUR billion)



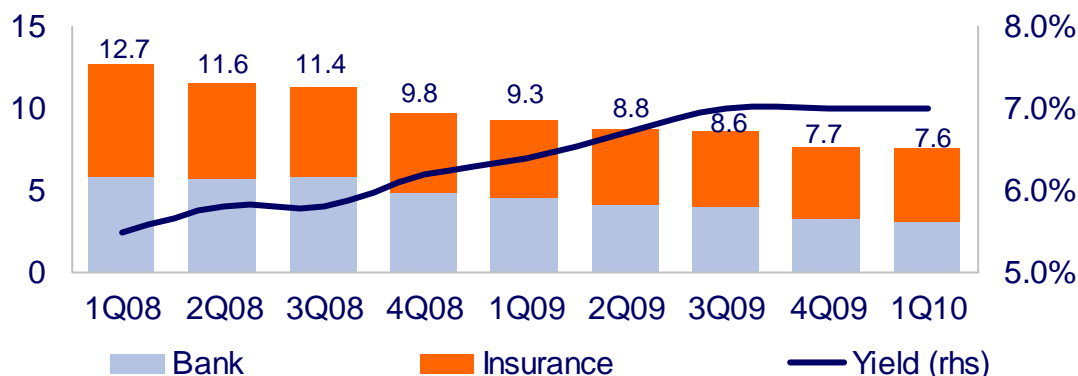
- Shareholders' equity per share EUR 10.10 and tangible equity\* per share EUR 9.25 at 31 March 2010

\*Shareholders' Equity excluding Goodwill



# Real Estate exposure is being steadily reduced

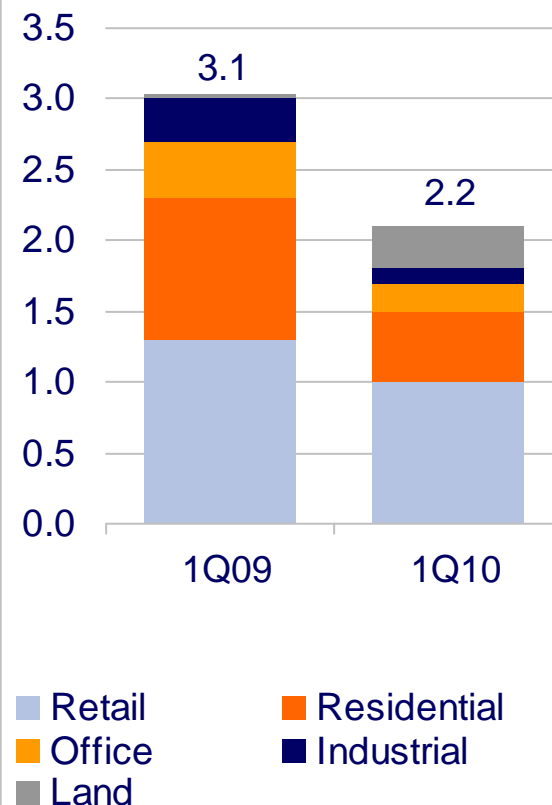
## Real Estate revalued via P&L (In EUR billion)



## Decreasing Real Estate exposure

- Part being revalued through the P&L decreased 40% to EUR 7.6 billion
- ING Bank is now conducting an evaluation of the position of REIM within the Banking business
- Review of RED projects started in 4Q09 and several projects scaled back in 4Q09 and 1Q10

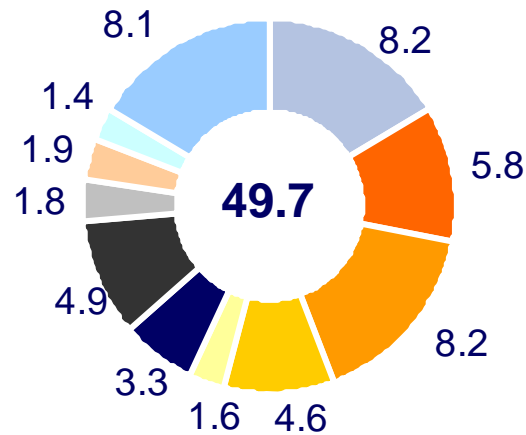
## Real Estate development projects (in EUR billion)



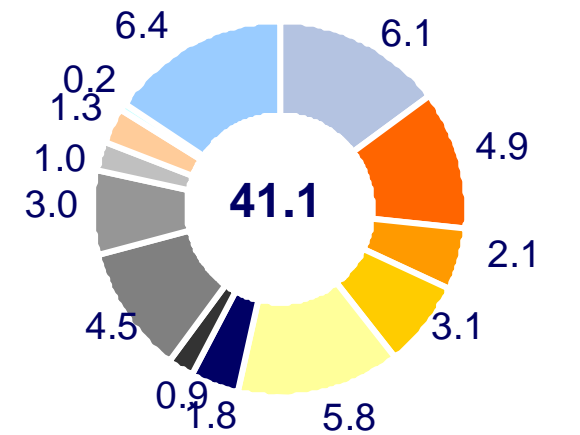
# ING is actively managing its sovereign debt portfolio

## Government bonds: EUR 91 billion at 31 March 2010\*

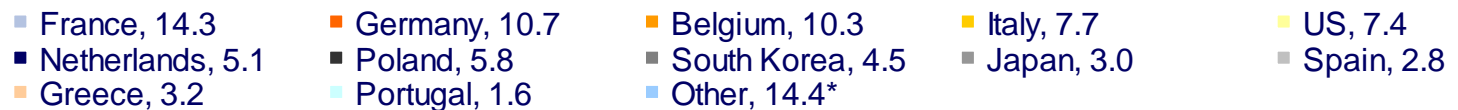
### Banking



### Insurance



### Total Group



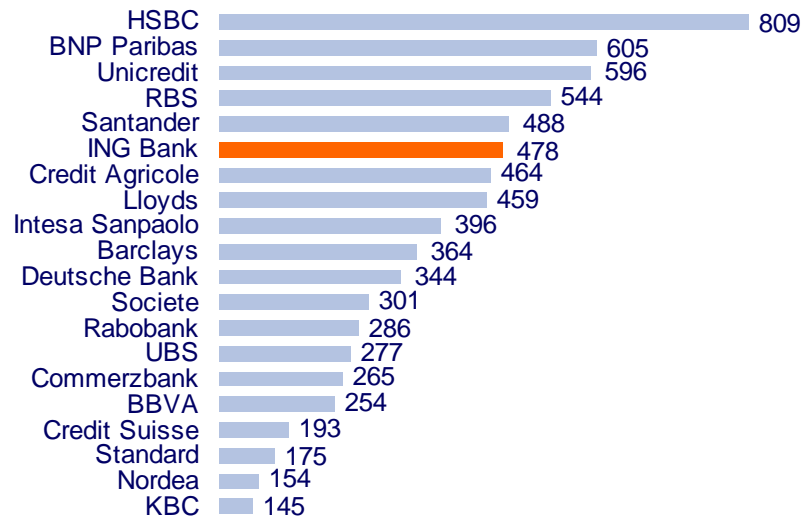
\* Investment portfolio (HTM and AFS) based on amortised costs

\*\* other includes EUR 41 million Irish government bonds

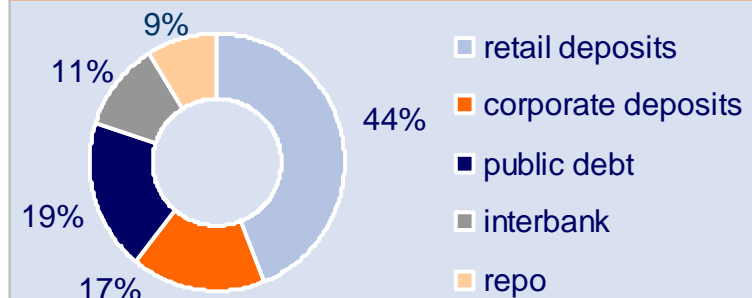
- EUR 1.8 billion after-tax positive revaluation reserve at 31 March 2010
- In 2Q10 ING reduced its Southern European sovereign debt exposure

# ING Bank benefits from favourable funding profile and prudent liquidity management

## Large deposit base (31 Dec 09, EUR bln)



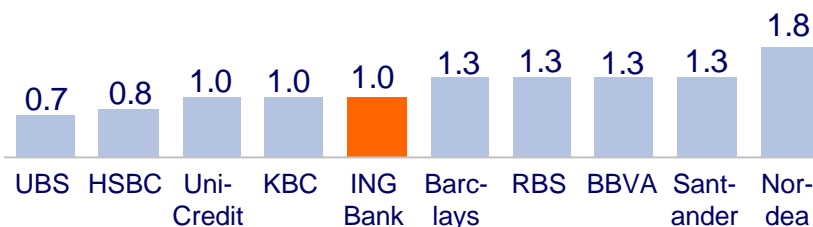
## Favourable funding mix (1Q10)



## 2010 refinancing need already met

- Long-term funding: ING Bank's 2010 refinancing need already met: EUR 9.7 billion raised year to-date versus EUR 9.5 billion maturing in full year 2010
- Short-term: USD refinancing need is limited and can be met in money markets at normal costs

## Favourable loan-to-deposit ratio\*



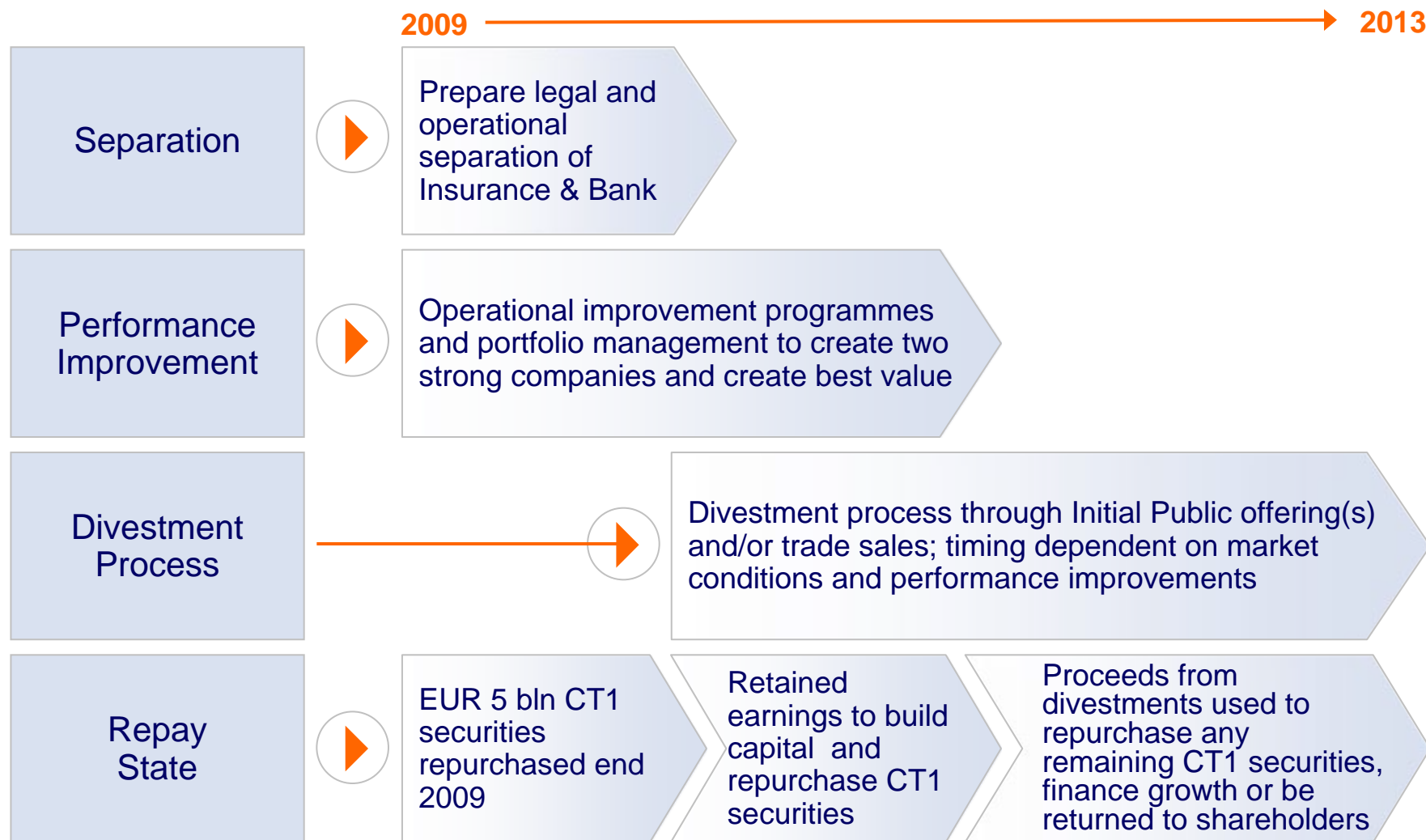
\* 31 March 2010, except for HSBC and Barclays (31 Dec 2009)





# Priorities 2010

# We are on track on our priorities for 2010



# Progress continues on portfolio management

## Divestments completed in 2009 and 1Q10

- ING Canada
- Annuity and mortgage business Chile
- Annuity Argentina
- Insurance Australia & New Zealand
- Private Banking Switzerland
- Private Banking Asia
- Reinsurance US
- Three US retail Broker-dealers



Total proceeds: EUR 4.2 billion

Total Capital release: EUR 3.1 billion

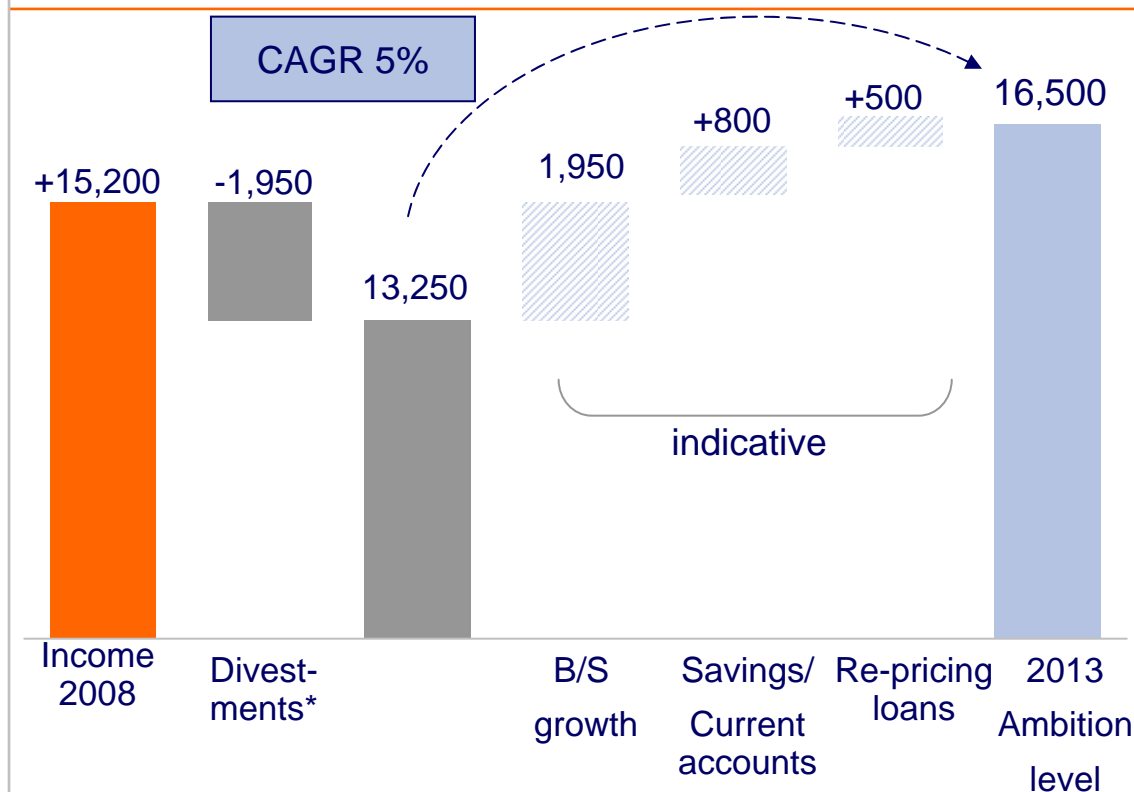
- Significant steps made to sharpen focus of the business
- Improve returns and reduce capital
- We will continue to optimise the portfolio to bring more focus and ensure an attractive combination for the IPO(s)

# Creating two strong companies

# ING Bank

# Ambition 2013: Top-line CAGR 5%

## Income before market impact (in EUR million)

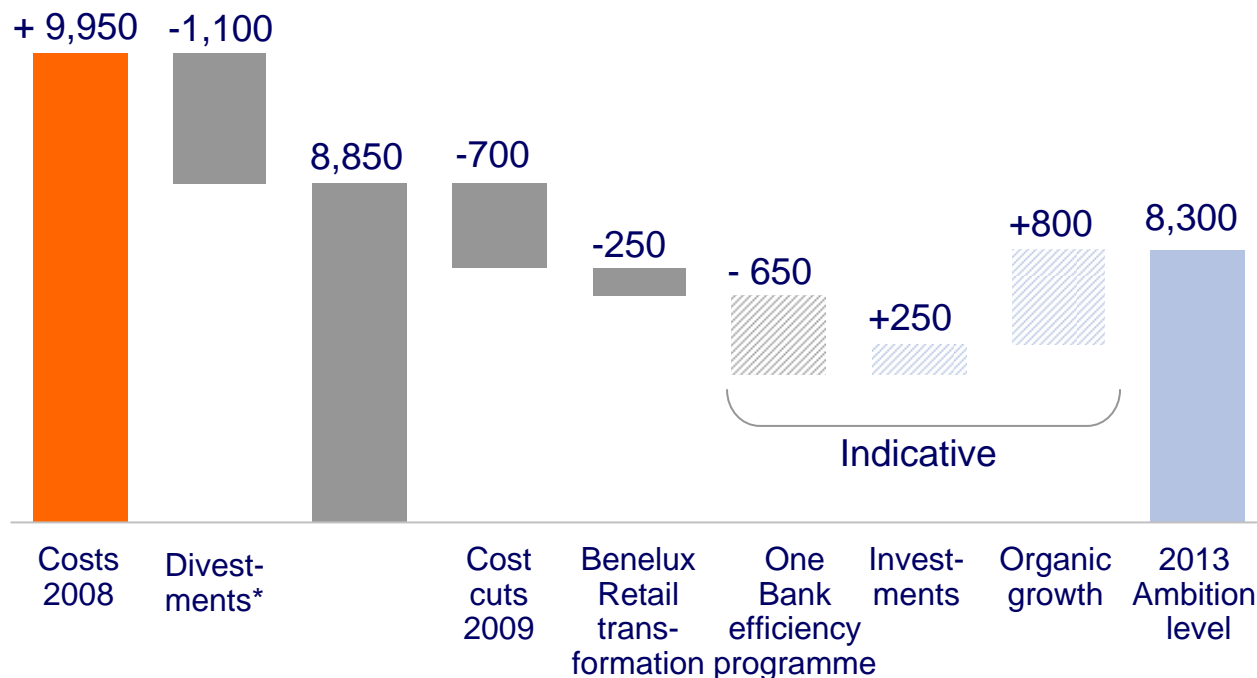


- Divestments estimated to result in EUR 2 bln lower income by 2013
- Estimated annual balance sheet growth of 5%
- Improved margin expected on savings and current accounts, including result of steeper yield curve
- Re-pricing of the loan book and increased cross sell

\* Include divestments completed since 2009 as well as committed investments of ING Direct US and Interadvies

# Ambition 2013: Reduce C/I-ratio to 50%

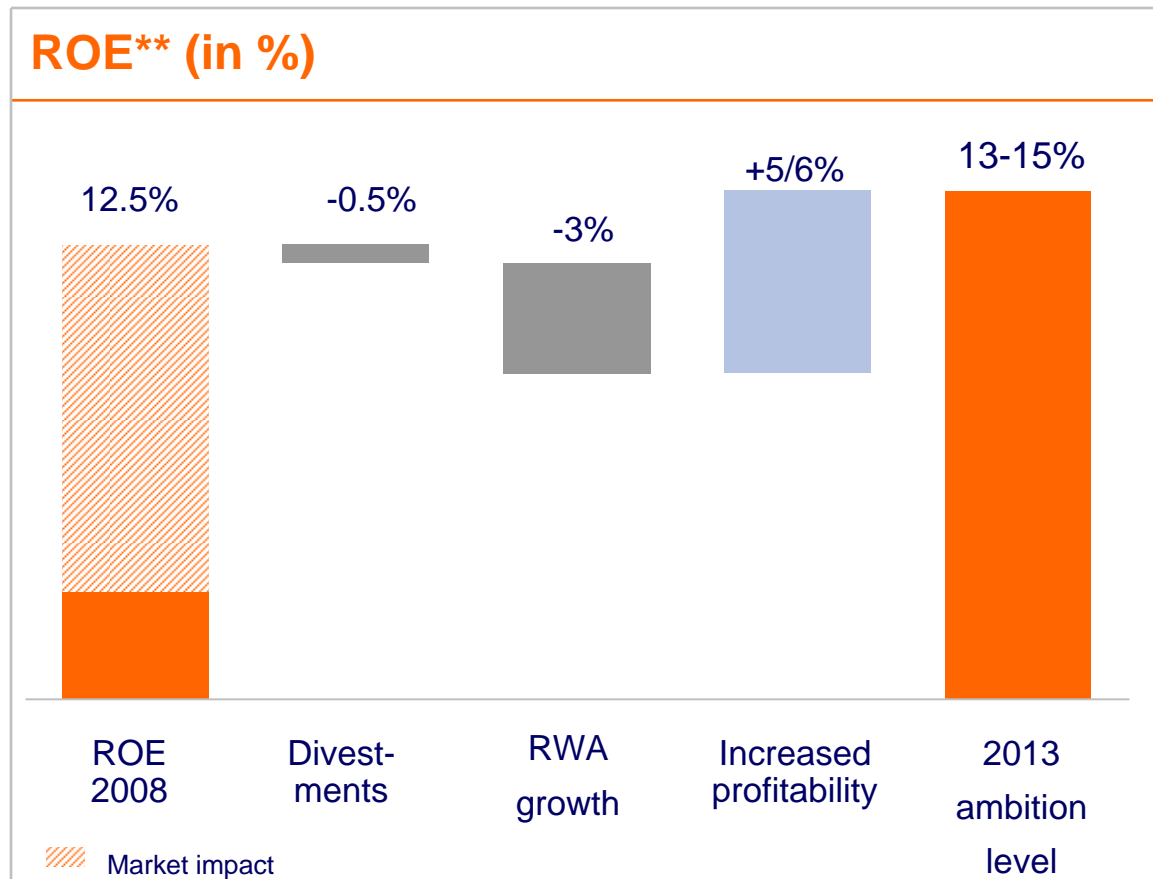
## Cost development (in EUR million)



• Include divestments completed since 2009 as well as committed investments of ING Direct US and Interadvies. Divestments include part of the announced EUR 725 million of cost reductions for the Bank

- Announced divestments reduce the expense base by EUR 1.1 billion
- Cost reduction 2009 of EUR 700 mln
- Remaining Benelux Retail transformation of EUR 250 mln
- One Bank efficiency programmes includes procurements /IT
- Further investments to upgrade internet banking platforms
- Cost increase to support business growth estimated at 2% per annum

# Ambition 2013: Return on Equity 13-15%



\* Include divestments completed since 2009 as well as committed investments of ING Direct US and Interadvies

\*\* Return on equity calculated on core Tier 1 target of 7.5% and excluding special items

## ROE 2008 (excl market impact)

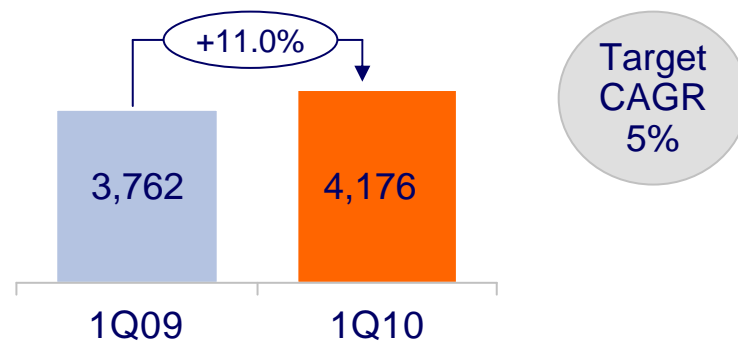
Total Bank	13%
Retail Benelux	25%
International Retail and Direct	10%
Commercial Banking	9%

- Attractive returns achieved in the Benelux
- International Retail and Direct should benefit from maturing operations and additional product offering
- Commercial Banking should benefit from re-pricing and additional cross-selling

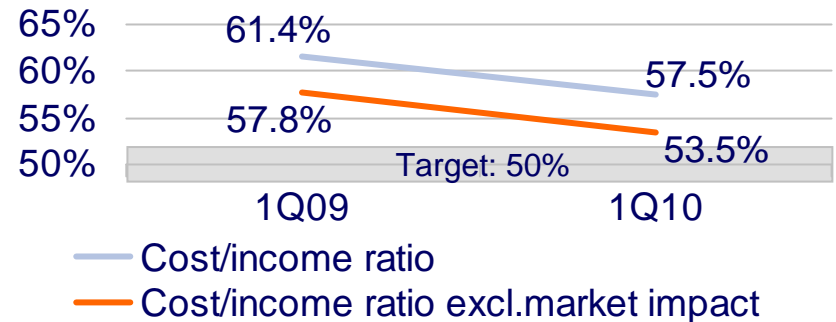


# The bank is making progress on its Ambition 2013 plan to improve growth, efficiency and returns

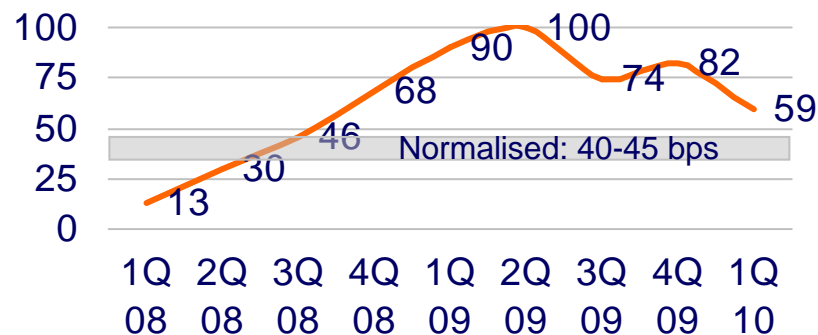
## Underlying income (EUR million)



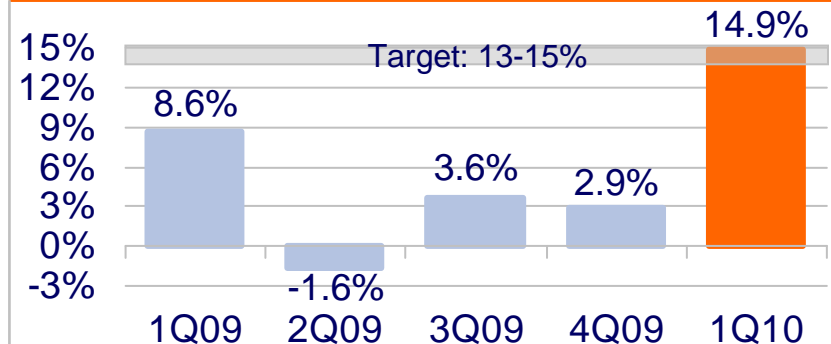
## Underlying cost/income ratio (%)



## Risk costs in bps of average RWA



## RoE\* (%)



\*Average equity based on core tier-1 target of 7.5%

# ING Insurance

# ING Insurance: Strong footprint in attractive markets

**2009**

## # 3 US Retirement services

GWP = € 13.8 bln  
VNB = € 132 mln

## # 1 Benelux Insurer # 1 Benelux Pensions

GWP = € 7.7 bln  
VNB = € 43 mln

## # 1 CRE Life Insurer # 1 CRE Pensions

GWP = € 2.0 bln  
VNB = € 143 mln

## #4 Foreign Life Insurer Asia

GWP = € 6.4 bln  
VNB = € 127 mln

## #2 Latin America Pensions

AuM = € 37 bln  
VNB = € 57 mln

## ING Investment Management

AuM = € 343 bln  
FTE: 3,400  
Countries: 34

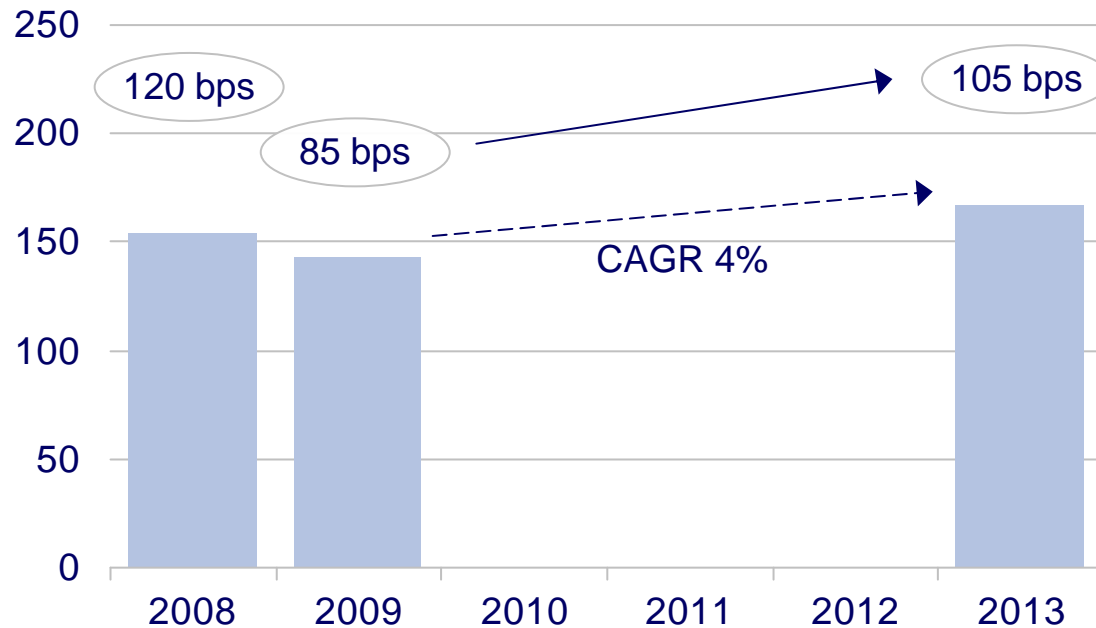
## ING Insurance has global scale

#3 Assets  
#7 GWP  
Life GWP: € 28.4 bln  
Non-Life GWP € 1.7 bln

# Re-investing should improve investment margins over time

## Life & ING IM general account assets and investment spread (bps)

General account assets (EUR billion)



- General account is assumed to grow at about 4% per year
- Re-investing should allow ING to increase investment spread by 20 bps, in line with historical levels

# Cost containment while growing the business

## Admin expenses/operating income for Life & ING IM (%)



## Cost initiatives

### Regional expense control initiatives

- One NL
- Central & Rest of Europe Vision 4 Growth

Initiatives beyond Back to Basics to reduce costs by about EUR 300 million within three years

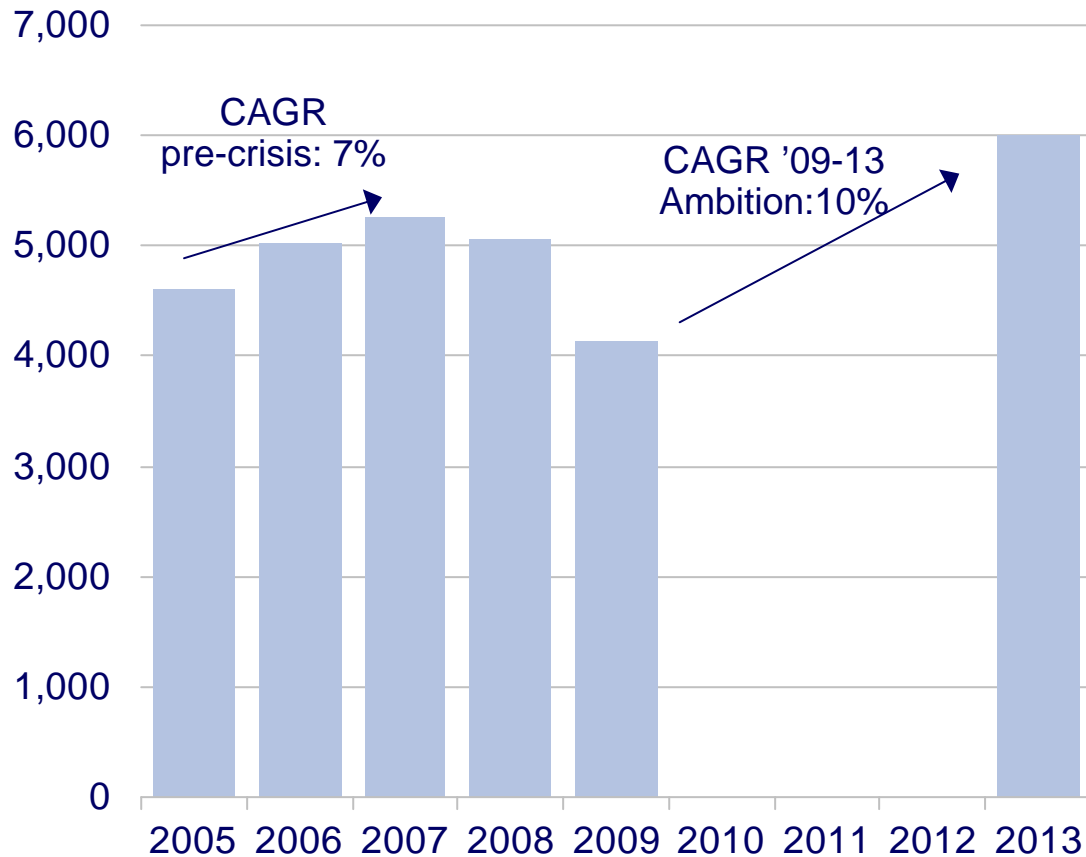
Our aim is to keep life administrative expenses flat while increasing the life operating income

DAC amortisation and trail commissions are expected to grow in line with operating income



# Sales are expected to grow, led by increases in developing markets and US Retirement

## Sales, APE (EUR million)



Note: historical CAGR excludes VA sales

## 2009-2013 annual sales growth range

### Benelux (0-2%)

- One NL and Luxembourg VA

### CRE (10-12%)

- Tied agent overhaul in a high growth market

### United States (8-10%)

- Rollover product suite and improving Life insurance market shares

### Latin America (6-8%)

- Wealth Management aimed at the affluent market
- Plus mutual fund growth of 25 to 30%

### Asia/Pacific (18-20%)

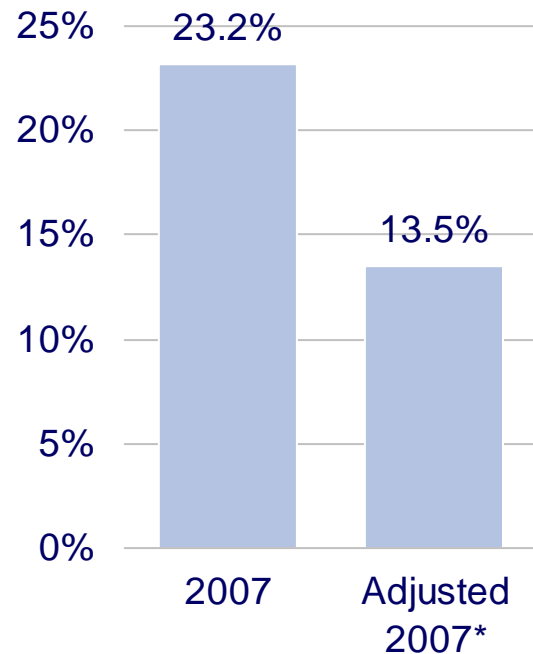
- Generating new commercial momentum by enhancing distribution



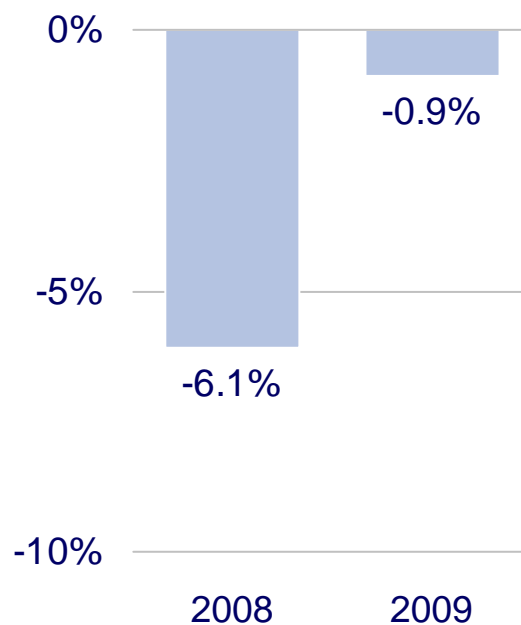
# ING Insurance aims to increase ROE through improved margins and cost containment

## ING Insurance Return on Equity (%)

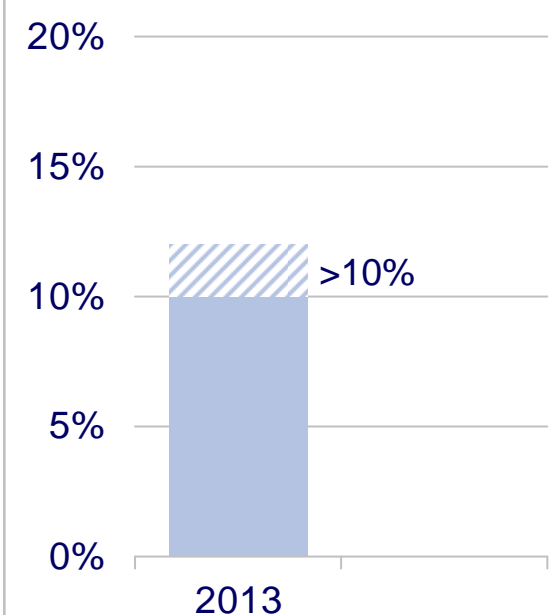
### Pre-market crisis



### Market crisis



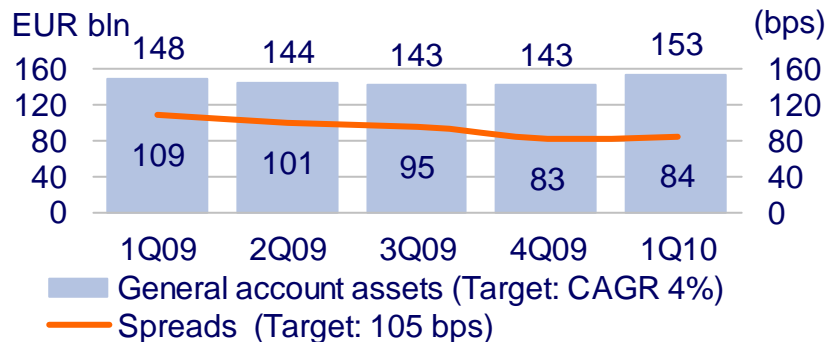
### Post-market crisis



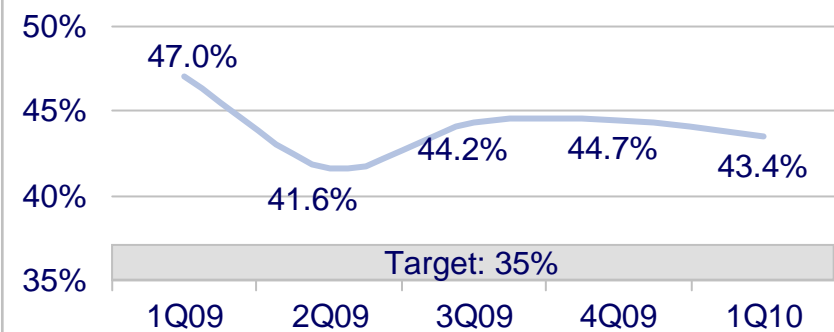
\* Adjustments to remove realised gain on sale of Numico and ABN AMRO

# The insurance operations show early progress on performance improvements

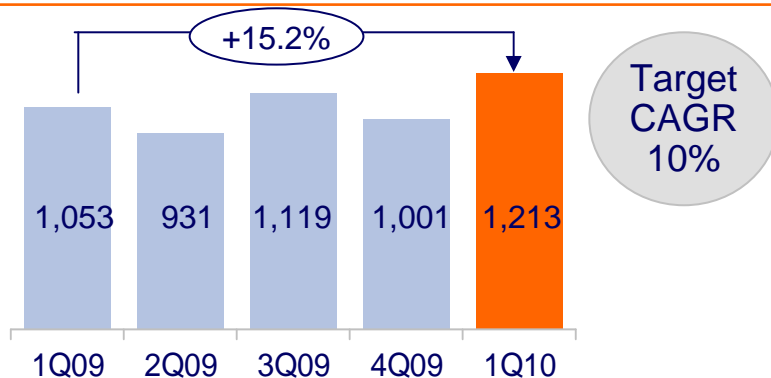
## Life general account (EUR bln) and spreads (bps)



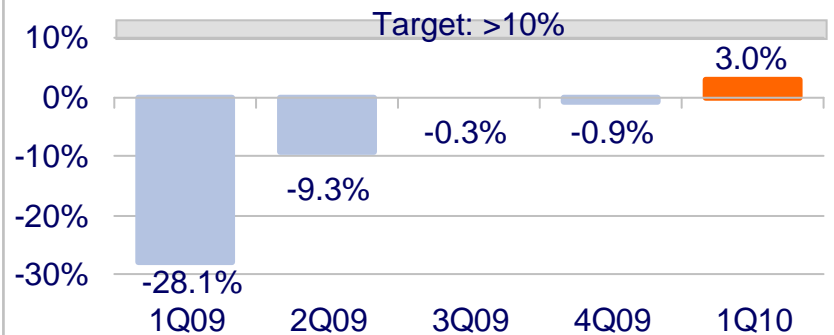
## Life admin expense/Life operating income



## APE\* (EUR million)



## RoE\*\* (Year-to-date, %)



\* Excluding closed blocks

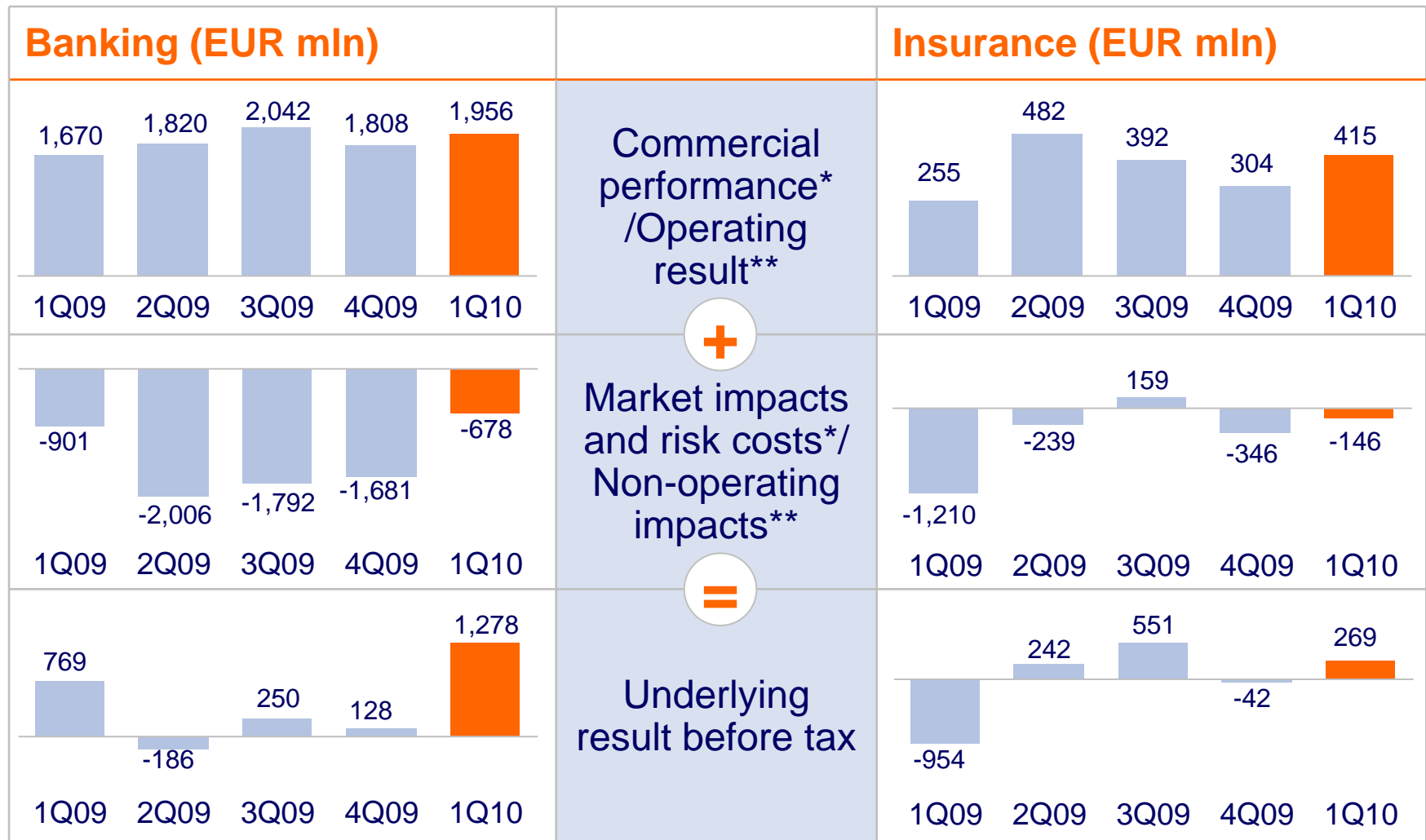
\*\*Underlying net result (YTD), adjusted for after-tax allocated cost of Group core debt injected as equity into insurance, divided by average IFRS equity (annualised)





# First Quarter 2010 Results

# ING's 1Q results show strong improvement



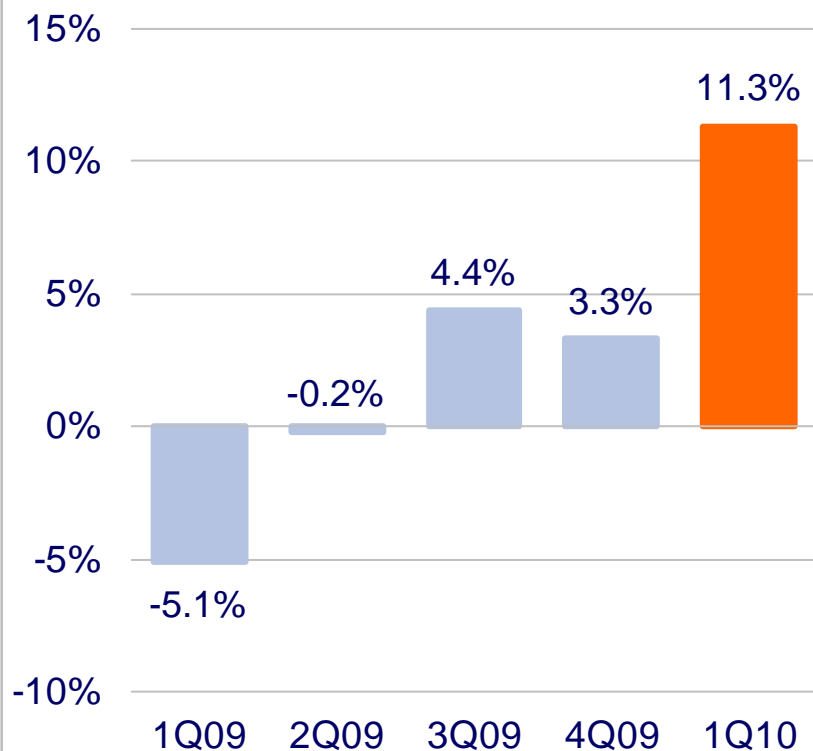
\*Bank commercial performance = underlying result before tax excluding market impact and risk costs.

\*\* Insurance

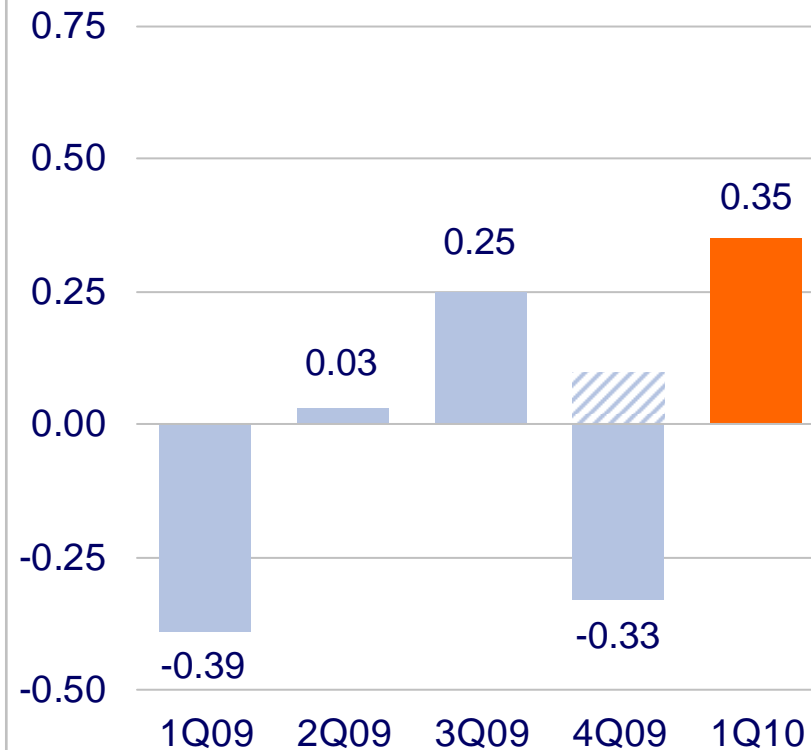


# RoE and net result per share started to improve

## Return on Equity (year to date, %)



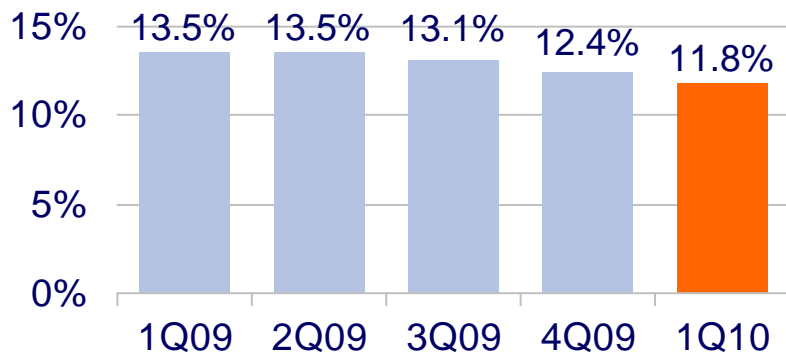
## Net result per share (in EUR)



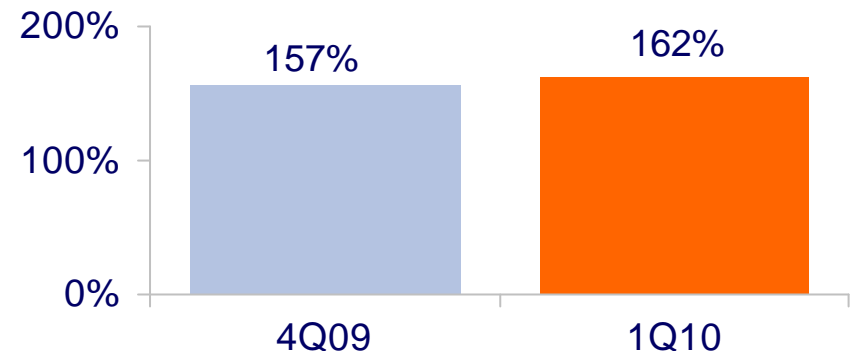
▨ 4Q09 net result per share (0.10) excluding additional IABF payments (-0.43)

# All capital ratios improved in the first quarter

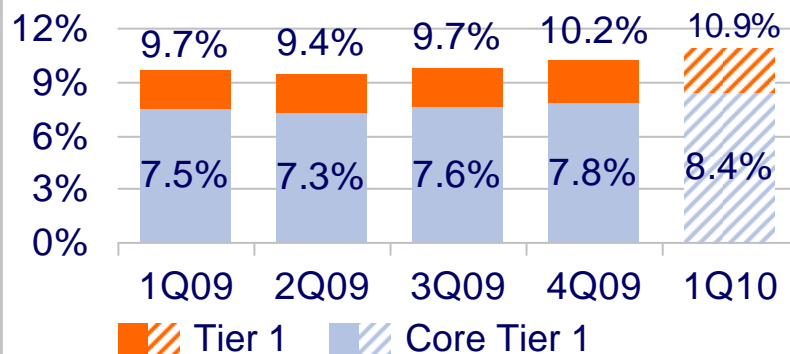
## ING Group D/E ratio



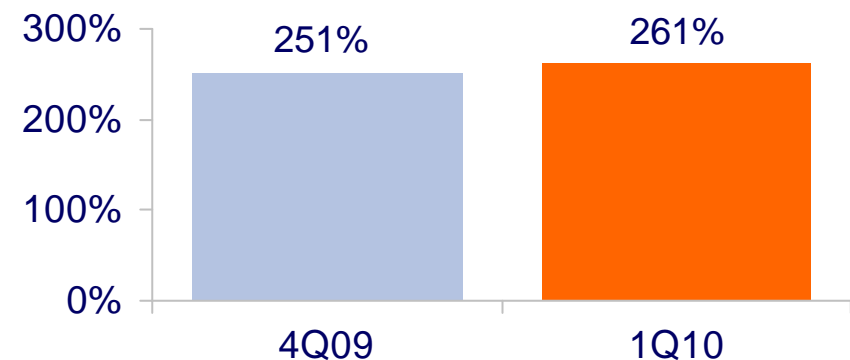
## ING Group FiCo ratio



## ING Bank Tier 1 ratio



## ING Insurance Solvency I ratio



# ING Insurance book value increased to EUR 18 billion

## ING Group 31 March 2010

ING Bank	32	Equity	38
Insurance	18	CT1	5
Hybrids <sup>B</sup>	8	securities	7
Hybrids <sup>I</sup>	4	Core Debt	<u>12</u>
	62	Hybrids	<u>62</u>

## ING Bank 31 March 2010

RWA	332	Equity	32
		Hybrids	8

## ING Insurance 31 March 2010

Equity <sub>s</sub>	27	Equity	<u>18</u>
		Group Hybrids	4
		Subordinated	2
		Debt	3
		Other	

Insurance Subsidiaries



# Insurance proceeds should be sufficient to repay Dutch State and eliminate double leverage

## Impact of scenario of a divestment at 1.0x book

- (1) Group double leverage is EUR 7 billion, the remaining Dutch government CT1 EUR 5 billion (with maximum premium 50%)
- (2) If ING were to divest ING Insurance today at 1x book, ING Bank's pro-forma core Tier 1 ratio would be 11.7%\*

### Group after Insurance divestment and Bank/Group merger

Bank	32	Equity	38
Cash	18	CT1	5
		Core Debt	7

- (3) Assuming repaying the CT1 securities at the maximum 50% premium would leave the Bank/Group well capitalised with a core Tier 1 ratio of 9.5%\*

### Bank after Bank/Group merger and CT1 redemption

RWA	332	Equity	35.5
Cash	10.5	CT1	0

- (4) After the Group/Bank merger "core debt" becomes part of regular funding (senior debt that is not used as equity)
- (5) In addition to these pro-forma illustrations, ING and its core Tier-1 ratio will benefit from retained earnings up to the actual divestment

\* assuming core tier-1 capital equals shareholders' equity minus EUR 4 billion (as is the case per 1Q10)

# Summary

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- ING is actively managing its sovereign debt portfolio
- The separation process of banking and insurance is on track
- ING has set clear targets to improve the performance of Banking and Insurance
- First quarter 2010 results show encouraging progress



# 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 2009 ING Group Annual Accounts. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

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