



# Second Quarter 2008 Results

ING posts EUR 1.9 billion underlying net profit

## Analyst Presentation

Amsterdam – 13 August 2008

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BANKING · INVESTMENTS · LIFE INSURANCE · RETIREMENT SERVICES



# Second Quarter 2008: Agenda

**Overview**

**Michel Tilmant, CEO**

Financial Highlights

John Hele, CFO

Risk Management

Koos Timmermans, CRO

Closing Remarks

Michel Tilmant, CEO

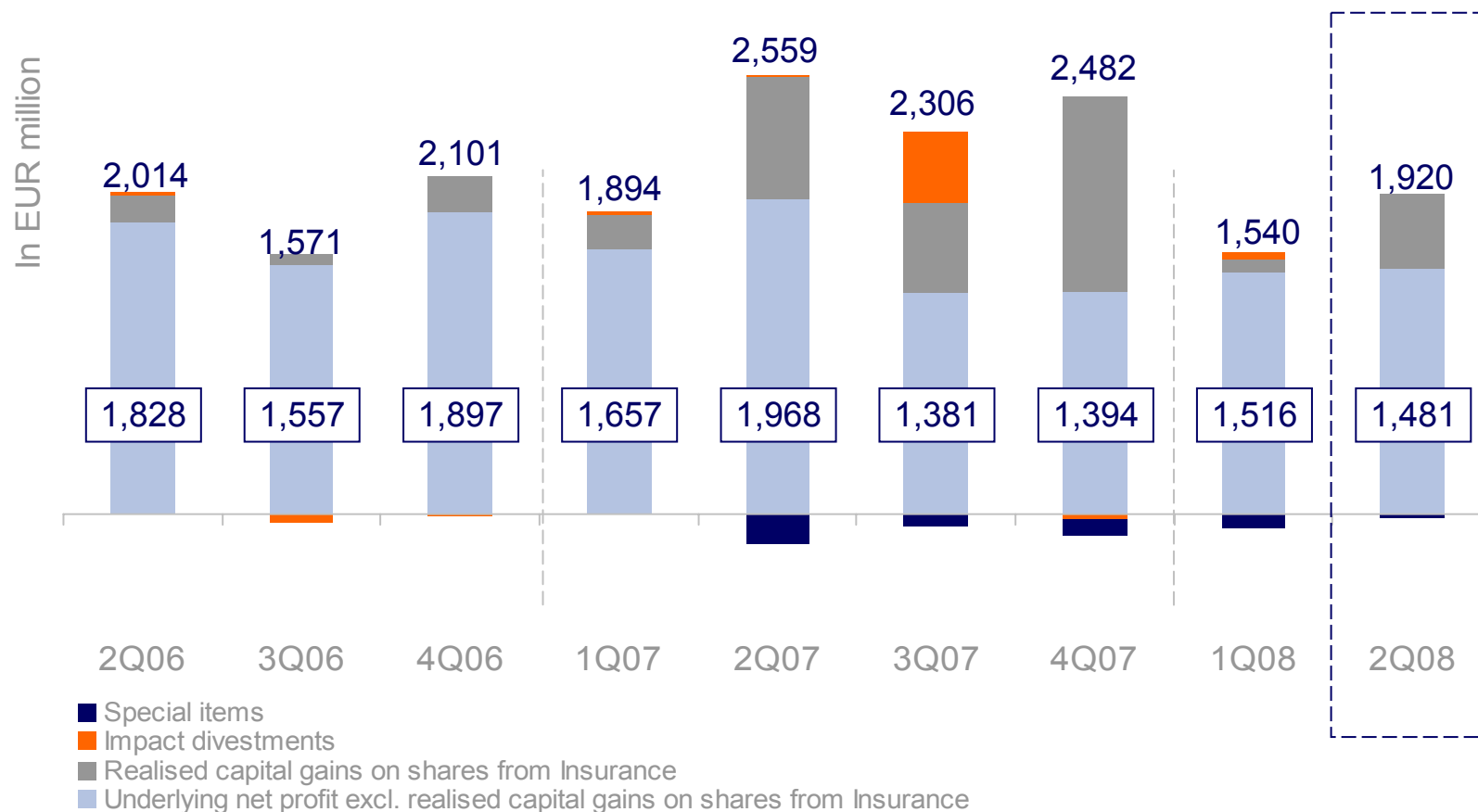
# Key points second quarter 2008 developments

- Underlying net profit of EUR 1,946 million, down 28.8% from 2Q07 on lower investment income
- Limited direct impact from credit and liquidity crisis in the second quarter
- We are not immune to the challenging environment around us
- All capital and leverage ratios well within target
- Commercial growth continued despite increasingly competitive markets

All figures compare 2Q08 with 2Q07 unless indicated otherwise

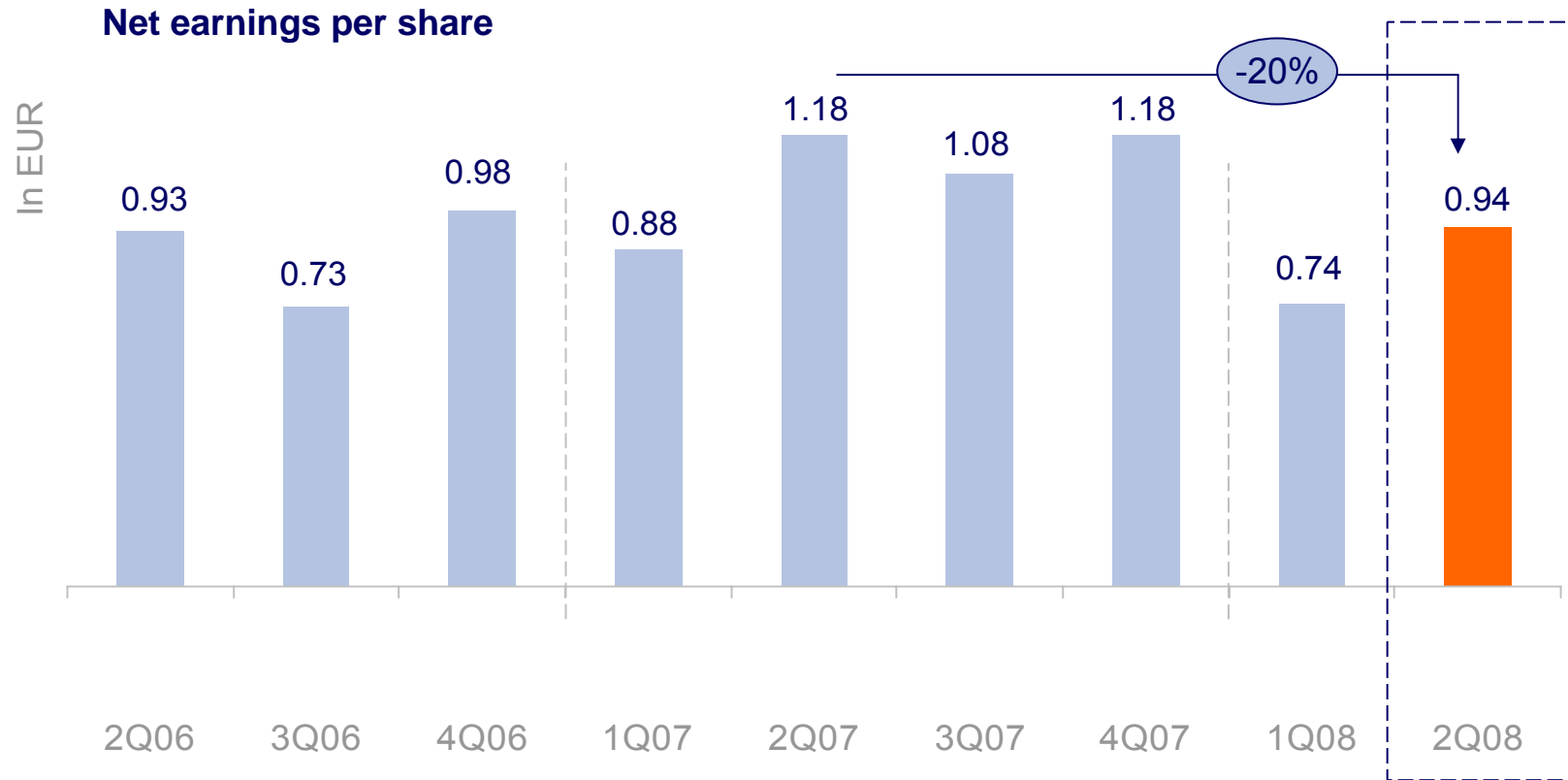


# Net profit in second quarter holding up



- ING realised EUR 727 mln in capital gains, offset by EUR 291 mln in equity impairments
- Net gains in 2Q07 totalled EUR 849 million, including a EUR 573 mln gain on part of ING's stake in ABN Amro

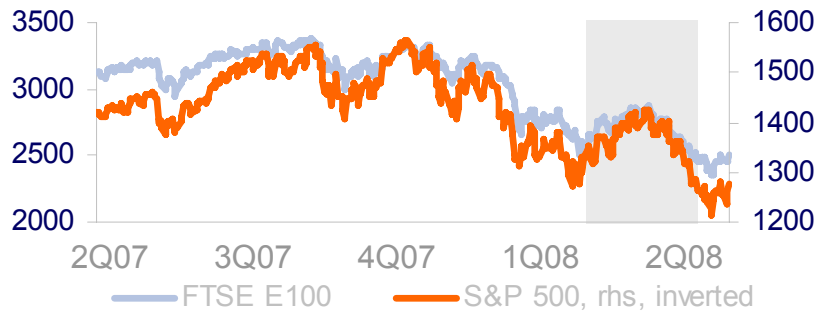
# As also evidenced in EPS development



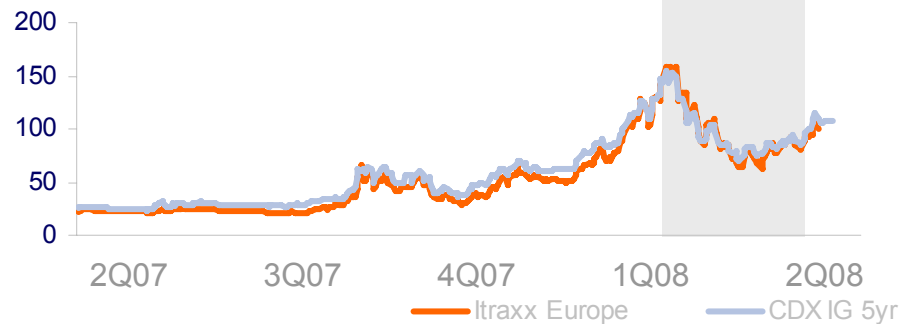
- EPS of EUR 0.94, down 20% against 2Q07, up 27% vs 1Q08
- Share buyback lifts EPS by 5 cents a share

# Despite challenging market circumstances...

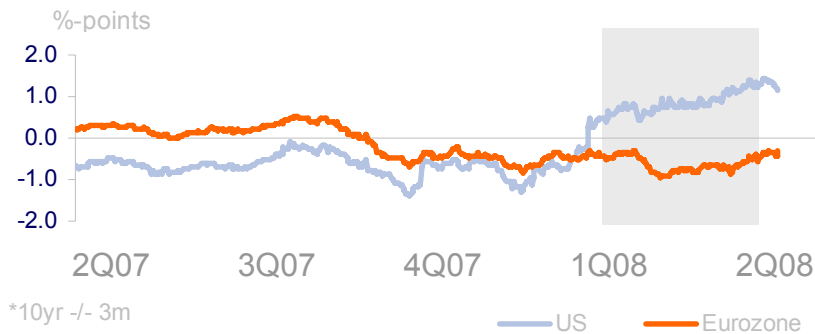
## Stock markets



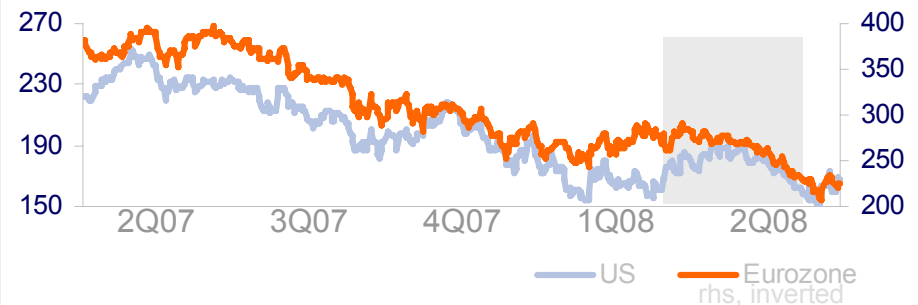
## Credit spreads



## Yield curve\*



## MSCI Real Estate



# ...the direct impact from the credit and liquidity crisis was limited

Direct P&L impact of credit and liquidity crisis in 2Q08 limited to EUR 44 million after tax (EUR 60 million before tax)

## Impairments on pressurised assets:

US subprime RMBS	EUR 5 mln
US Alt-A RMBS	EUR 26 mln
CDOs/CLOs	EUR 4 mln
Investments in SIV's, ABCP	EUR 1 mln

## Fair value adjustments and trading losses:

CDOs/CLOs	EUR 4 mln
Monolines	EUR 4 mln

Impact on shareholders' equity in 2Q08 of EUR -260 mln in after tax revaluations (EUR -398 million before tax)

US subprime RMBS	EUR -21 mln
US Alt-A RMBS	EUR -223 mln
CDOs/CLOs	EUR -16 mln

# Earnings were affected by the volatility in the financial markets

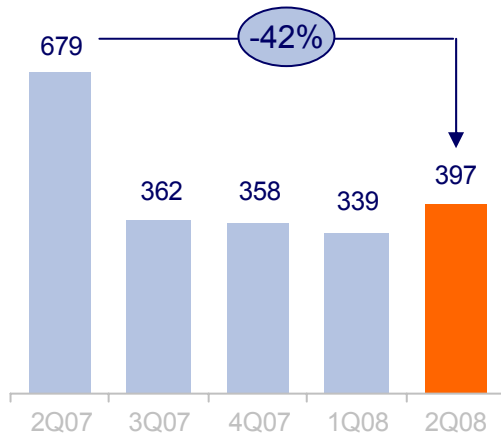
	Net			Before tax		
in EUR million	2Q08	2Q07	Change	2Q08	2Q07	Change
<b>Underlying profit</b>	<b>1,946</b>	<b>2,735</b>	<b>-28.8%</b>	<b>2,246</b>	<b>3,285</b>	<b>-31.6%</b>
Impairments and fair value adjustments on pressurised assets	-44	0	-44	-60	0	-60
Capital gains, net of impairments	436	849	-413	380	887	-507
Hedges on equities	46	-10	+56	61	-13	+74
Fair value changes real estate	-180	117	-297	-285	156	-441
Private equity, alternative assets	12	140	-128	25	163	-138
P&L impact FX hedges	139	0	+139	186	0	+186
Foreign exchange effect	0	67	-67	0	90	-90
Subtotal adjustments	409	1,163	-754	307	1,283	-977
<b>Underlying profit adjusted</b>	<b>1,537</b>	<b>1,572</b>	<b>-2.2%</b>	<b>1,939</b>	<b>2,002</b>	<b>-3.1%</b>



# Insurance: Financial markets downturn reduces investment income

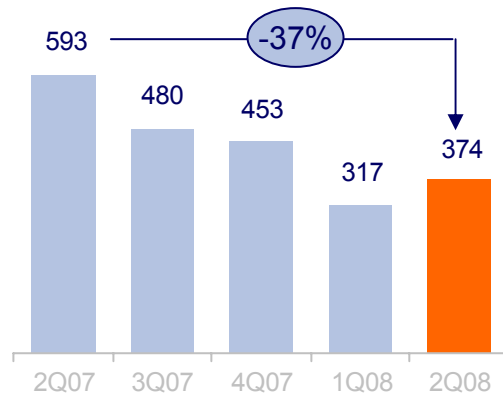
Underlying profit before tax (in EUR million)

## Insurance Europe



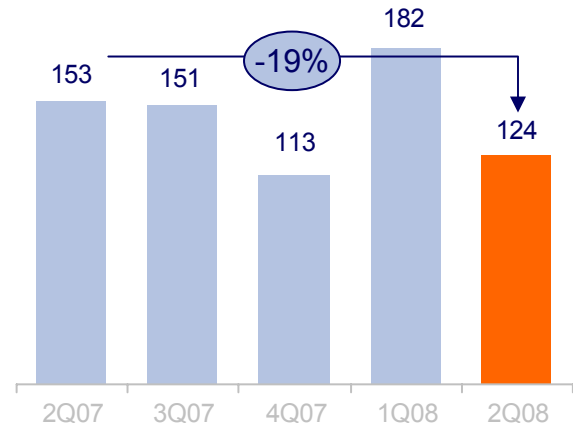
- Underlying profit -41.5% on weaker investment income
- Sales +21.4% led by solid growth in Central Europe
- Expenses in Benelux decline

## Insurance Americas



- Earnings decline 28.8% excluding FX on credit-related losses and lower investment income
- Life sales +21.5% excluding FX
- VNB +86.7% excluding FX

## Insurance Asia/Pacific

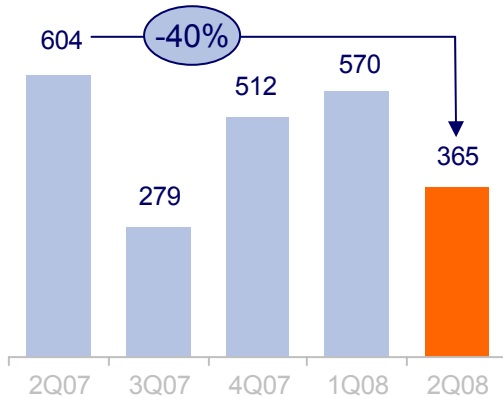


- Profit up 0.8% excluding FX
- Sales down 10.9% excluding FX
- VNB up 3.3% excluding FX on more profitable product mix

# Banking: Commercial growth despite increased competition

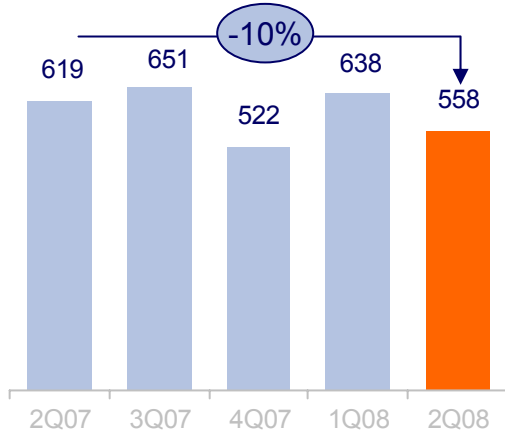
Underlying profit before tax (in EUR million)

## Wholesale Banking



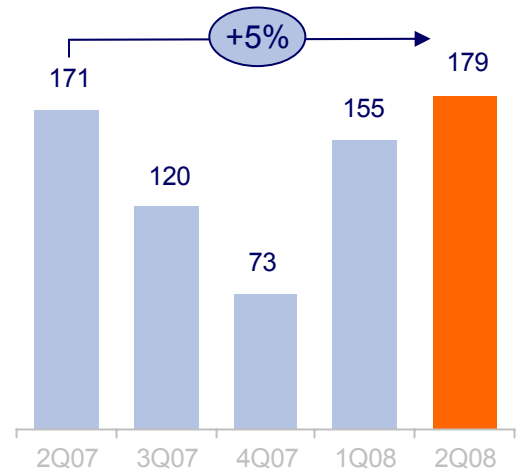
- Excluding ING Real Estate, profit increased 24.1%
- Revaluations of ING Real Estate amount to EUR - 238 million before minority interests
- Client balances +4.3% vs. 1Q08 on lending growth

## Retail Banking



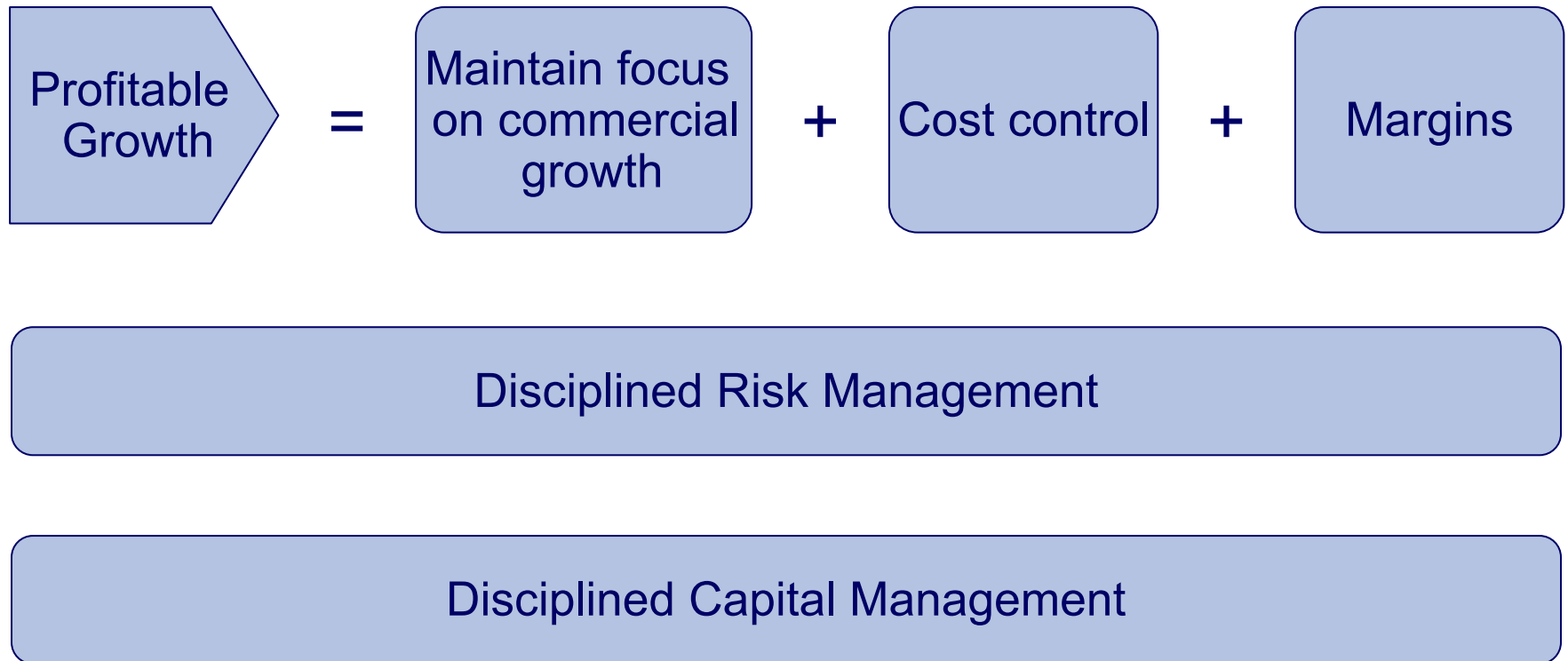
- Profit declined 9.9% as margins remain under pressure
- Client balances up EUR 8.6 billion in second quarter despite competition vs 1Q08
- Operating expenses declined in the Netherlands

## ING Direct

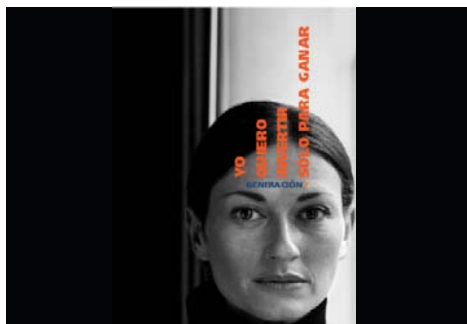


- Client retail balances +EUR 8.2 billion in 2Q08 vs 1Q08, excluding currency effects
- Interest margin rises to 93 bps
- Outflows stopped in UK

# Management priorities in current environment



# Managing the business fundamentals: Insurance



## Insurance Europe

- Reduced equity exposure in the Netherlands and expense reductions progressing well
- New generation life insurance product to be launched in the Netherlands in 2H 08
- Creating a single operating platform for Central & Rest of Europe to leverage scale and accelerate growth
- Investing for growth through add-on acquisition of Oyak Emeklilik in Turkey
- Received approval to start life insurance operations in the attractive emerging market of Ukraine



## Insurance Americas

- Product development focus on reducing tail risk while maintaining competitive position
- Continuous review of risk appetite, asset allocation, ALM guidelines and expansion of hedging programs
- Retail Life sales outgrowing market, reducing volatility of US product portfolio and reducing policy cost
- Super-senior CLO programme implemented to take advantage of historically high credit spreads
- Capturing strategic acquisition opportunities: CitiStreet and Santander pension business in Latin America



## Insurance Asia/Pacific

- Product innovation compensated for the negative impact of the market downturn with new products launched in Australia, Taiwan and South Korea
- Continued expansion of bank distribution: with sales started through Japan Post and TMB
- ING Australia extended its distribution through the acquisition of Pinnacle Partners and Financial Lifestyle Solutions

# Managing the business fundamentals: Bank



## Wholesale Banking

- Advertising and marketing drive to increase market penetration in the Netherlands
- Selective hiring of key staff to increase skills
- Cost initiatives to bring cost/income ratio to 55% for Wholesale excluding ING Real Estate
- Transfer pricing adjusted to reflect higher market costs for funding in new lending
- Reducing asset duration to increase flexibility in current interest rate environment



## Retail Banking

- New savings products introduced in NL (1Q08) and Belgium (2Q08) in increasingly competitive environment
- Increased focus on cost containment in mature markets
- Transformation programmes underway in Benelux retail businesses
- Transfer pricing adjusted to encourage deposit growth
- Mid-corporate business increasing sales and marketing efforts in NL
- Investing in growth by expanding distribution in Poland, Romania, Turkey and India
- New greenfield in Ukraine launched in June



## ING Direct

- Targeted pricing and marketing actions to acquire new customers and retain/increase share of wallet of existing customers
- Shortening duration of assets to increase repricing flexibility
- Continued rollout of product pillars to increase customer stickiness, whilst diversifying income streams
- Selective acquisitions such as Interhyp, which increases distribution of mortgages
- Sharpening of mortgage acceptance policy, strengthened arrears and collection management in US

# Managing Risk and Capital

## Risk Management

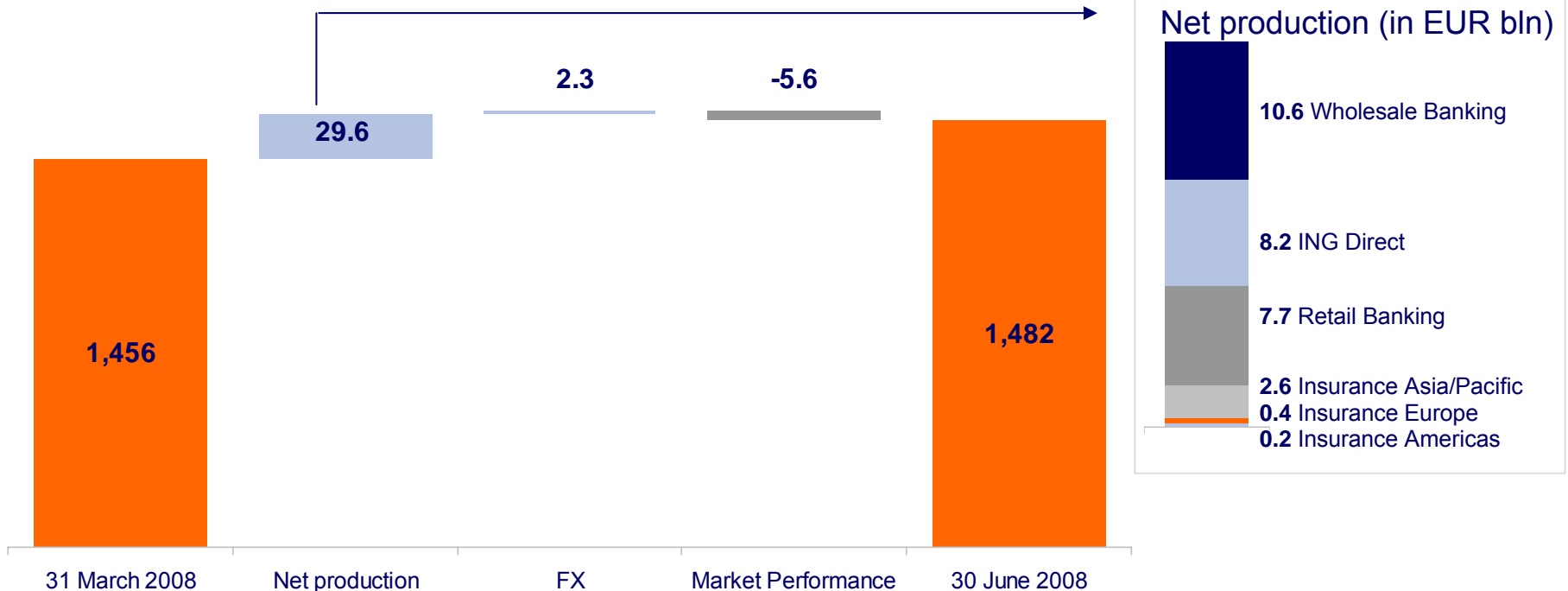
- Lowering market risk (reducing equity exposure, implementing additional hedges)
- Tightening of underwriting standards
- Controlling balance sheet growth and liquidity
- Further focus on disciplined execution of internally agreed risk mitigating actions
- Close monitoring of risk profile developments e.g. controlled portfolio growth Bank lending

## Capital Management

- ING Group raised EUR 2.8 billion of hybrid capital in the second quarter, with EUR 1.1 billion on-lent to Bank and EUR 1.7 billion to Insurance
- ING Bank raised EUR 4 billion of senior unsecured debt, EUR 2 billion of lower Tier-2 capital, EUR 2 billion of covered bonds and more than EUR 1.2 billion in other transactions
- Completion of EUR 5 billion share buyback

# Net production of EUR 29.6 billion in client balances...

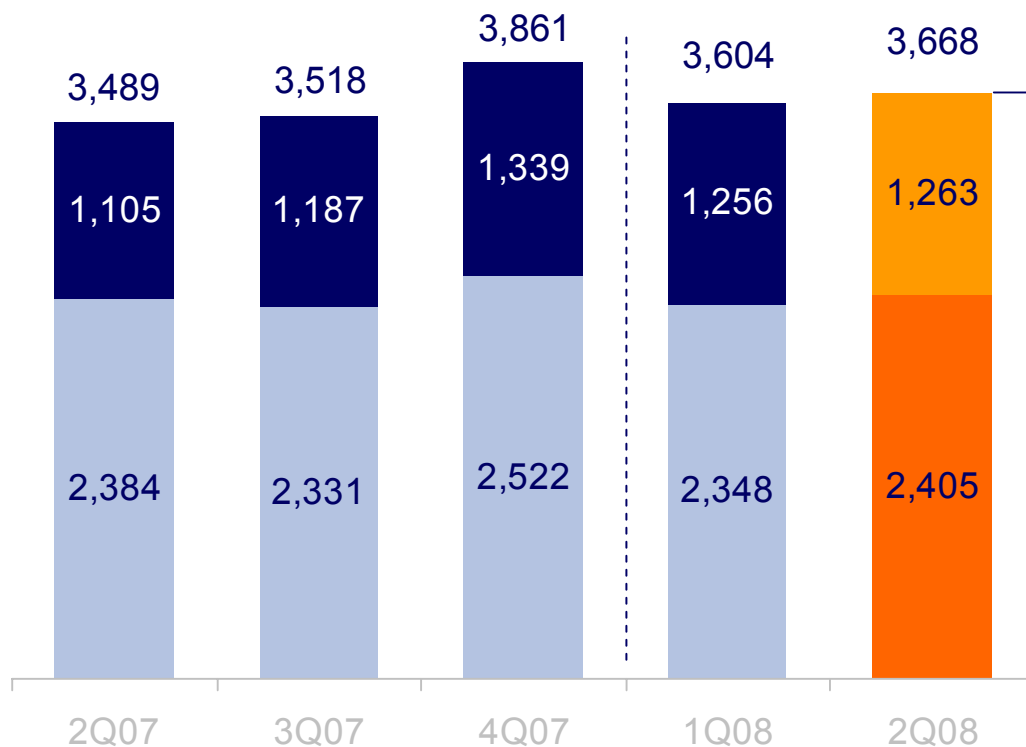
Client balances, Group (in EUR billion)



- Client balances grew by EUR 29.6 billion, driven by Wholesale Banking
- Solid growth in Retail Banking and ING Direct despite increased competition for savings

# Expenses remain under control

## Recurring operating expenses (EUR million)



### Recurring operating expenses (2Q08 vs 2Q07):

- Up 5.1% ING Group
- Up 0.9% in mature businesses
- Up 14.4% in growth businesses

■ Growth businesses  
■ Mature businesses

\* Insurance Europe (Benelux); Insurance Americas (excl. US Wealth Management); Corporate Line Insurance; Wholesale Banking (excl. ING Real Estate); Retail Banking (Benelux); Corporate Line Banking

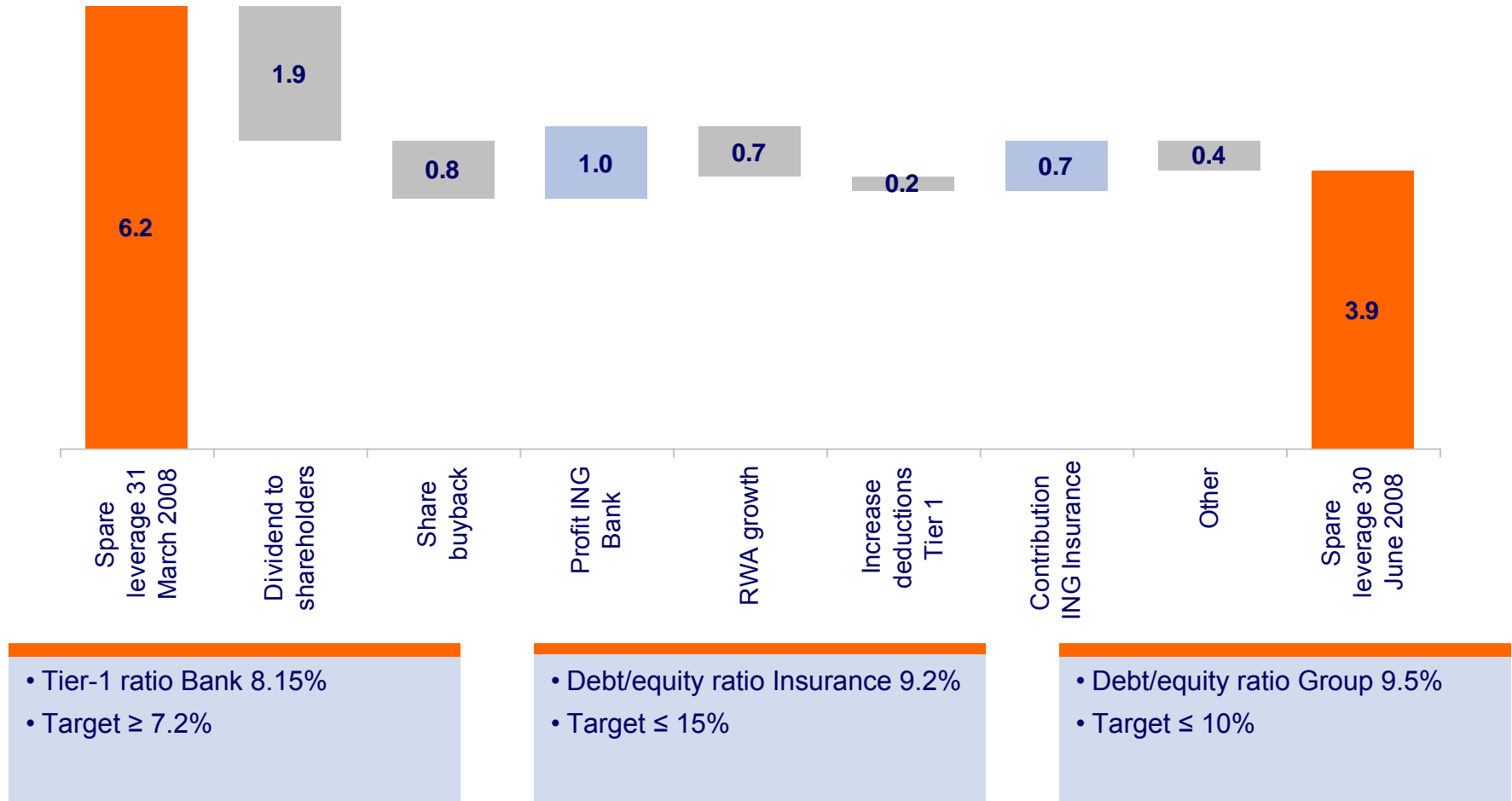
\*\* Insurance Central Europe; US Wealth Management; Insurance Asia/Pacific; ING Real Estate; ING Direct; Retail Banking (outside Benelux)





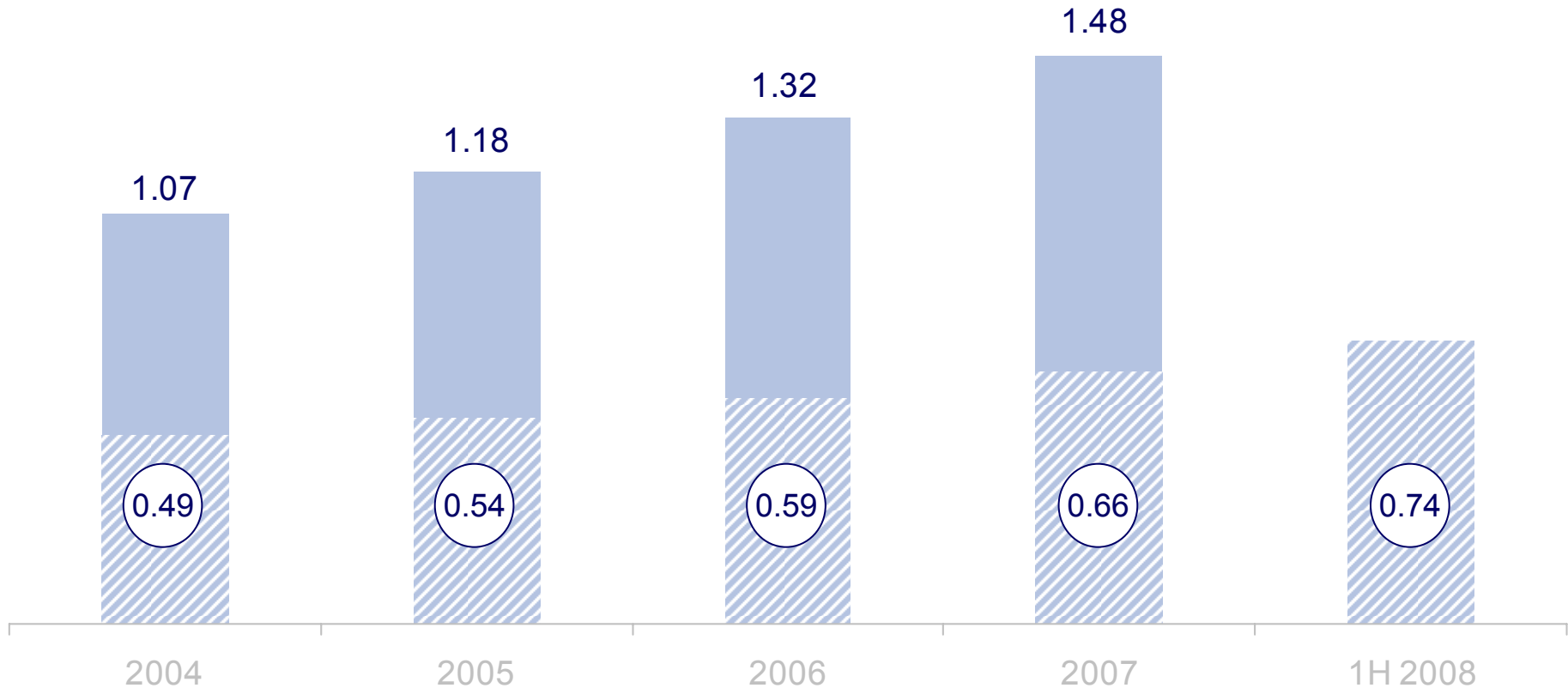
# All capital ratios are within target, with spare leverage capacity of EUR 3.9 billion

ING Group (in EUR billion)



# In line with previous practice, interim cash dividend set at half of last year's total dividend

Dividend per share (in EUR)



# Looking forward

- Financial services companies are facing unprecedented market volatility, limited liquidity, and intensified competition for deposits, which we see continuing into 2009.
- We are executing our strategy in the context of this challenging environment by focussing on growing client balances, while keeping a close eye on margins and expenses.
- We continue to adapt our product range to meet our customers' changing needs.
- We invest to expand our distribution in growth markets.
- We are containing our costs in mature markets.

As markets remain volatile, we will continue to manage our risk and capital with discipline. While financial markets are expected to put pressure on results in the short term, we are confident that ING will continue to create profitable growth for our shareholders over the long term through the breadth of our business and the strength of our franchise.

# Second Quarter 2008: Agenda

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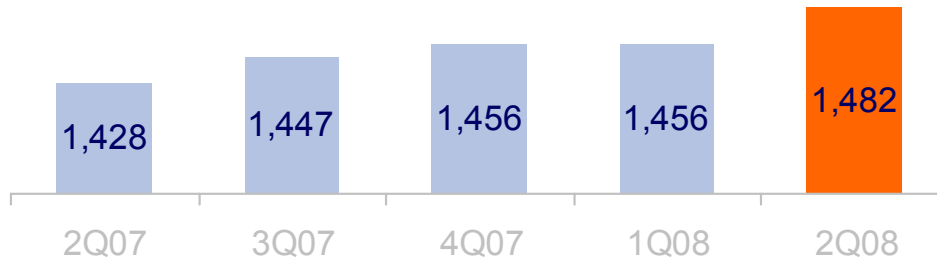
# Financial highlights Second Quarter 2008

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- Key Performance Indicators
- Market environment and impact on results
- Margin analysis
- Capital Management

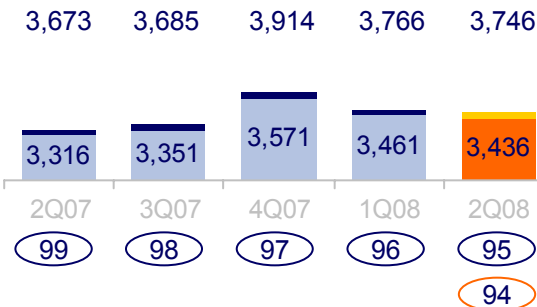
# ING Group KPIs: Solid commercial growth despite market turmoil

Client balances<sup>1</sup> (in EUR bln)



- Net production of client balances of EUR 29.6 billion in 2Q08 driven by growth in Wholesale Banking, Retail Banking and ING Direct
- Changes in foreign exchange rates had a limited impact on client balances in 2Q08

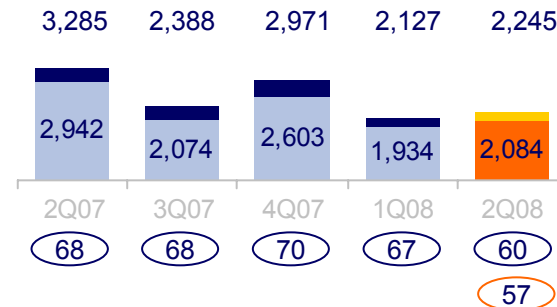
Operating Expenses (in EUR mln)



(bps) Operating Expenses / Client Balances<sup>2</sup>

- Downward trend continues
- Moderate growth of expenses

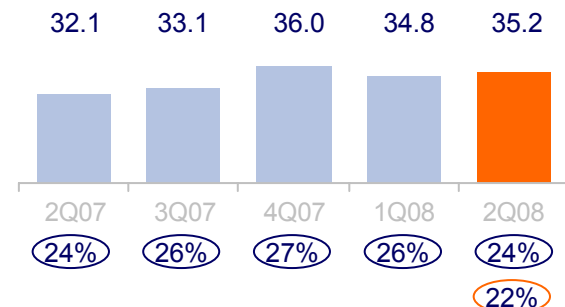
Underlying Profit before Tax (EUR mln)



(bps) Underlying Profit before Tax / Client Balances<sup>2</sup>

- Downward trend due to
- Extra capital gains on equities in 2007
  - Deteriorating financial markets

Economic Capital<sup>3</sup> (in EUR bln)



(bps) ROEC (based on Underlying Net Profit)<sup>4</sup>

- ROEC declining
- Influence of the extra capital gains on equities in 2007 is fading away

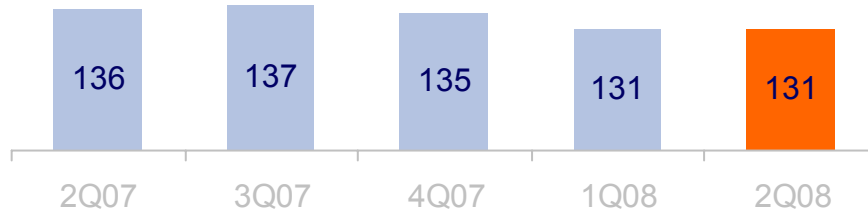
○ Ratios are based on rolling 4 quarter.  
 ○ Ratio for the current quarter.  
 1-4 Please turn to the Appendix

■ Non-life ■ Banking, Investments, Life insurance, Retirement Services



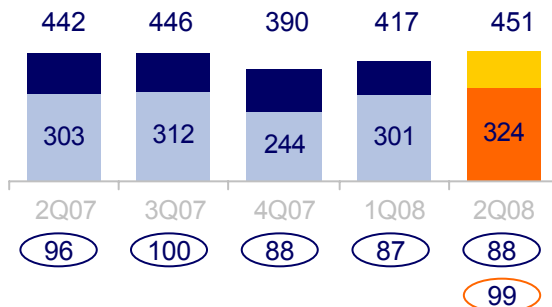
# Insurance Europe KPIs: Robust sales despite weaker markets

## Client balances<sup>1</sup> (in EUR bln)



- Positive net production of client balances of EUR 366 million
- Strong inflows in Central Europe pension funds and ING Investment Management partially offset by the discontinuation of low-margin Group pension products in the Netherlands

## Operating Expenses (in EUR mln)

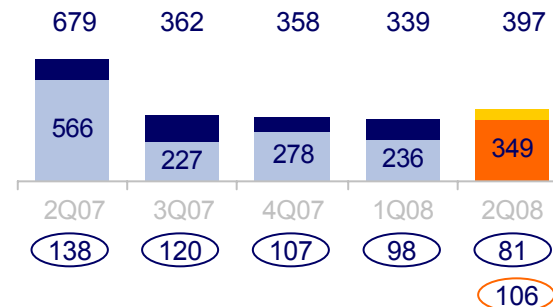


(bps) Operating Expenses / Client Balances<sup>2</sup>

- +2% due to business growth in Central Europe
- Lower pension costs and increased operational efficiency in the Netherlands

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 ○ Ratio for the current quarter.  
 1-4 Please turn to the Appendix

## Underlying Profit before Tax (EUR mln)

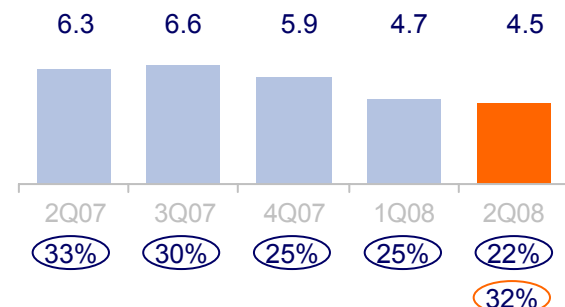


(bps) Underlying Profit before Tax / Client Balances<sup>2</sup>

- -41.5% due to weak equity and real estate markets
- Profit was also affected by the upstream of surplus capital by the Dutch insurance companies in 2007/2008

■ Non-life ■ Investments, Life insurance, Retirement Services

## Economic Capital<sup>3</sup> (in EUR bln)



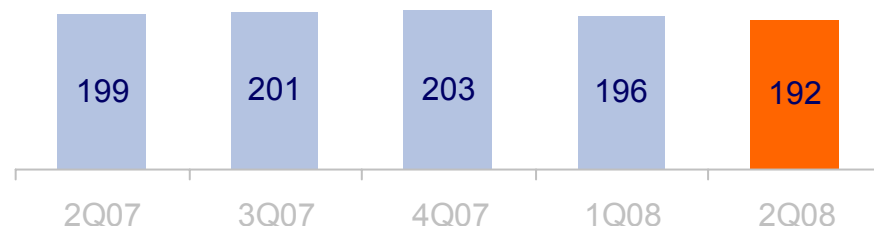
(bps) ROEC (based on Underlying Net Profit)<sup>4</sup>

- Economic capital -3.4% vs. 1Q08 due to lower equity and interest rate risk
- ROEC decreased 2.6%-points vs. 1Q08



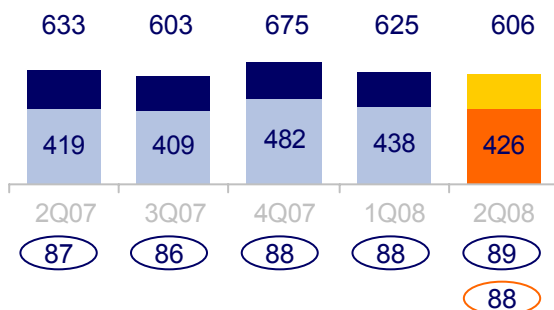
# Insurance Americas KPIs: Strong sales despite volatility in financial markets

## Client balances<sup>1</sup> (in EUR bln)



- Positive net production of client balances of EUR 199 mln boosted by EUR 1,364 mln from VA and Retirement Services
- Partially offset by higher withdrawals from US Asset Management and LA Wealth Management
- Net production in client balances more than offset by negative market performance and exchange rate movements

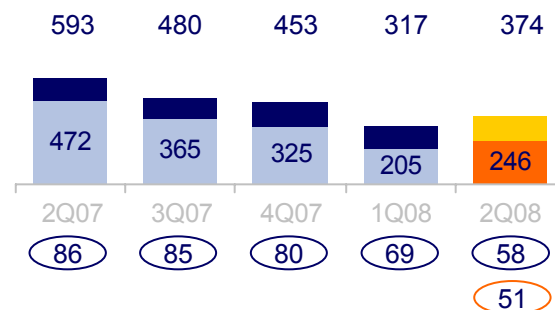
## Operating Expenses (in EUR mln)



(bps) Operating Expenses / Client Balances<sup>2</sup>

- -4.3% but increased 8.2% excluding currencies
- Due to integration and operating expenses in Latin America and higher US production

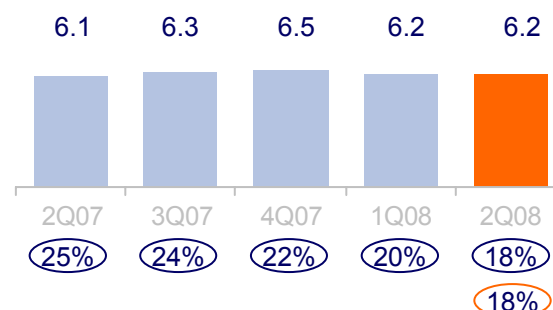
## Underlying Profit before Tax (EUR mln)



(bps) Underlying Profit before Tax / Client Balances<sup>2</sup>

- -36.9% or -28.8% excluding currencies
- Due to poor credit and equity market conditions in the US and higher claims in Canada

## Economic Capital<sup>3</sup> (in EUR bln)



(bps) ROEC (based on Underlying Net Profit)<sup>4</sup>

- Economic capital -0.4% vs. 1Q08 as slightly higher equity risk is offset by slightly lower operational risk
- ROEC decreased by 2.0%-points vs. 1Q08

■ Non-life ■ Investments, Life insurance, Retirement Services



○ Ratios are based on rolling 4 quarter.

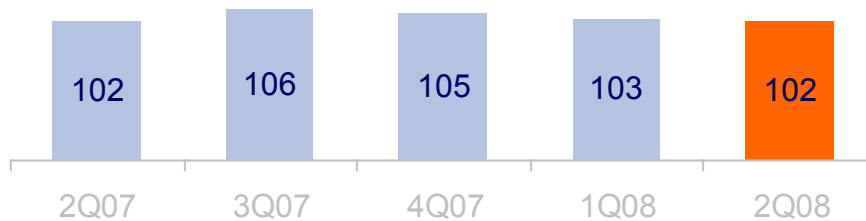
○ Ratio for the current quarter.

<sup>1-4</sup> Please turn to the Appendix



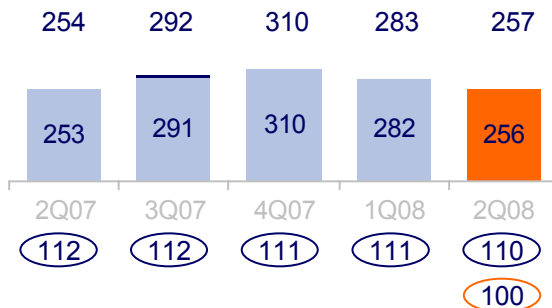
# Insurance Asia/Pacific KPIs: Strong impact of currency declines across region

## Client balances<sup>1</sup> (in EUR bln)



- Net production of client balances EUR 2.6 billion as strong life and retirement inflows partially offset by mutual fund outflows in Australia
- Offset by negative market performance and negative exchange rate movements

## Operating Expenses (in EUR mln)

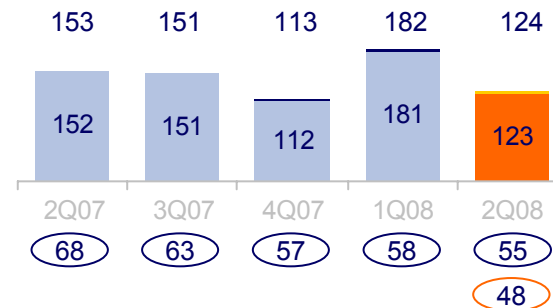


(bps) Operating Expenses / Client Balances ratio<sup>2</sup>

- +1.2% (or 10.8% excluding currencies) in line with the ongoing expansion of the branch network, agency force and the inclusion of Landmark in South Korea

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 ○ Ratio for the current quarter.  
 1-4 Please turn to the Appendix

## Underlying Profit before Tax (EUR mln)

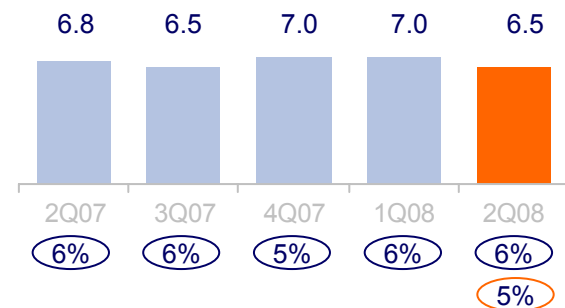


(bps) Underlying Profit before Tax / Client Balances<sup>2</sup>

- -19.0%, or +0.8% excluding currencies
- Higher results in Japan were offset by declines in Australia/New Zealand and South Korea

■ Non-life ■ Investments, Life insurance, Retirement Services

## Economic Capital<sup>3</sup> (in EUR bln)



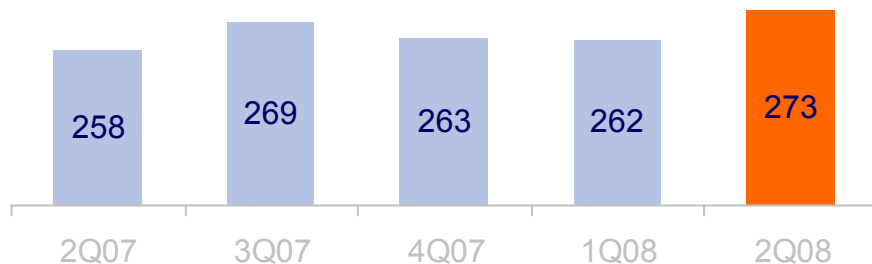
(bps) ROEC (based on Underlying Net Profit)<sup>4</sup>

- Economic capital decreased 7.8% vs. 1Q08 mainly due to lower interest rate and insurance risks
- ROEC remained stable and was 18.3% excluding Taiwan in 2Q08



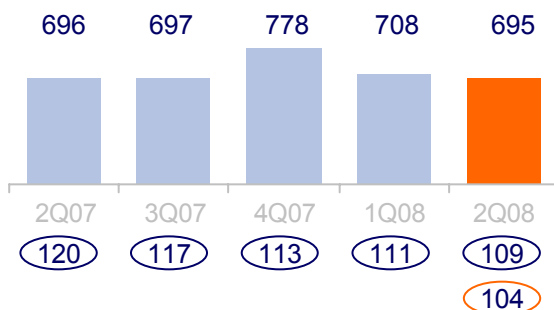
# Wholesale Banking KPIs: Results impacted by real estate revaluations

Client balances<sup>1</sup> (in EUR bln)



- Strong net production of client balances of EUR 10.6 billion as volumes in General Lending and Structured Finance increased

Operating Expenses (in EUR mln)



(bps) Operating Expenses / Client Balances ratio<sup>2</sup>

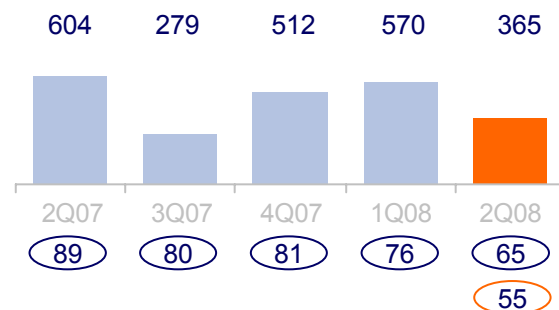
- Operating expenses under control in challenging environment
- Expense ratio continued to improve in basis points of client balances

○ Ratios are based on rolling 4 quarter.

○ Ratio for the current quarter.

<sup>1-4</sup> Please turn to the Appendix

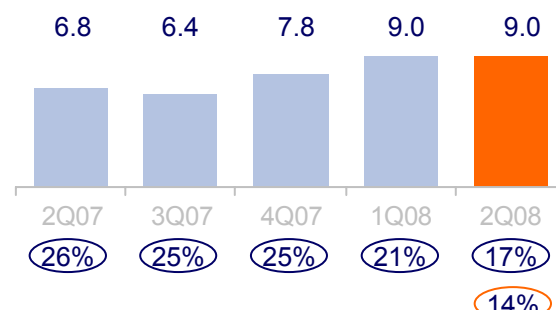
Underlying Profit before Tax (EUR mln)



(bps) Underlying Profit before Tax / Client Balances<sup>2</sup>

- Fair value changes real estate impact result strongly
- Excluding ING Real Estate reflect increased volume and margins

Economic Capital<sup>3</sup> (in EUR bln)

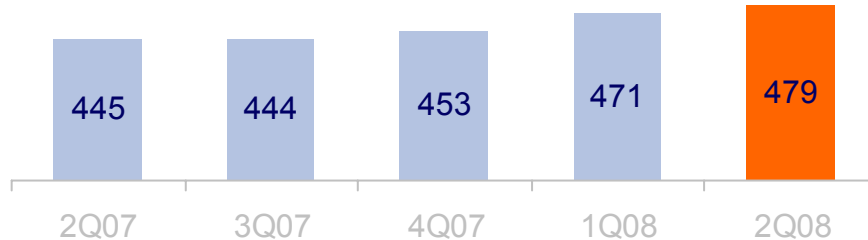


(bps) ROEC (based on Underlying Net Profit)<sup>4</sup>

- Economic capital increased, to a large extent impacted by model refinements caused by the implementation of Basel II

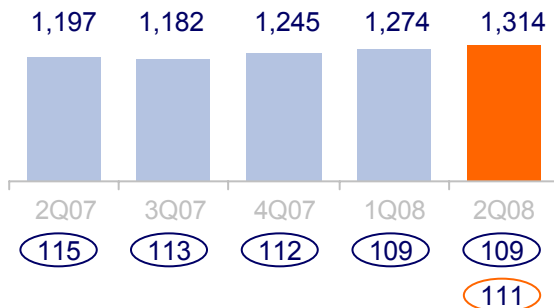
# Retail Banking KPIs: Commercial growth in competitive markets

Client balances<sup>1</sup> (in EUR bln)



- Quarter on quarter, net production of client balances of EUR 7.7 billion with growth in the Netherlands, Poland and Asia
- Compared with 2Q07, growth is impacted by acquisition of ING Bank Turkey adding EUR 10.3 billion to client balances

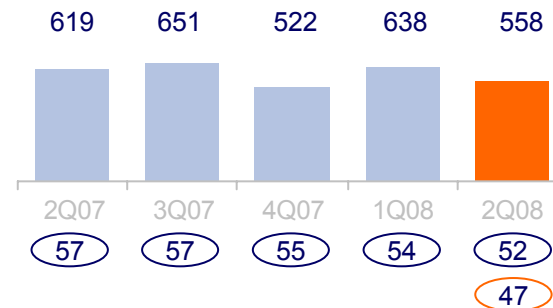
Operating Expenses (in EUR mln)



(bps) Operating Expenses / Client Balances ratio<sup>2</sup>

- Investments in emerging markets result in higher operating expenses
- Efficiency steps in the Netherlands are taking effect

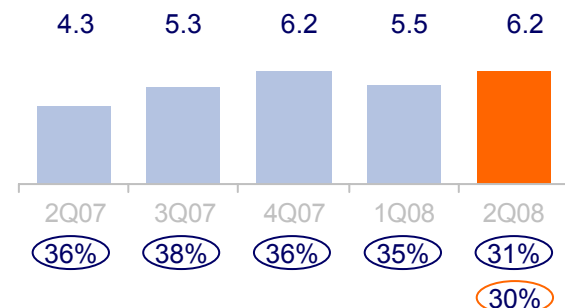
Underlying Profit before Tax (EUR mln)



(bps) Underlying Profit before Tax / Client Balances<sup>2</sup>

- Changing environment results in lower savings margins and fee income

Economic Capital<sup>3</sup> (in EUR bln)



(bps) ROEC (based on Underlying Net Profit)<sup>4</sup>

- Economic capital increased compared with 2Q07 mainly due to ING Bank Turkey and increased value of Bank of Beijing

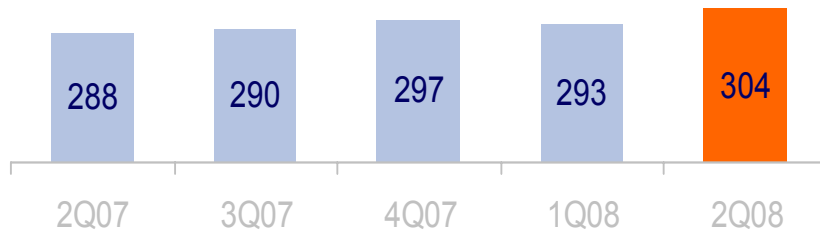
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○ Ratio for the current quarter.

<sup>1-4</sup> Please turn to the Appendix

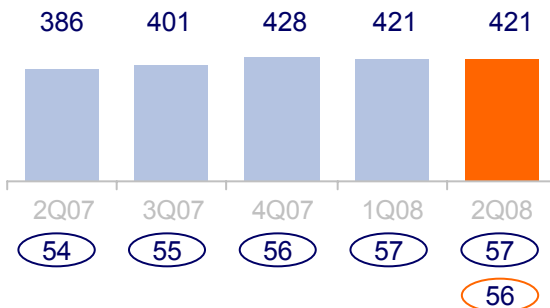
# ING Direct KPIs: Solid inflows despite increased competition

## Client balances<sup>1,5</sup> (in EUR bln)



- Strong net production of client balances of EUR 8.2 billion was driven by both mortgages and funds entrusted, including stabilisation in the UK
- UK losses narrow to EUR 21 million in 2Q

## Operating Expenses (in EUR mln)



(bps) Operating Expenses / Client Balances ratio<sup>2</sup>

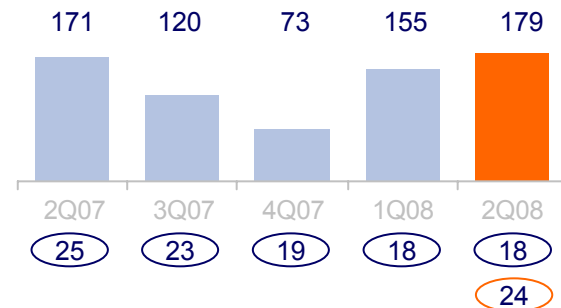
- Increase in staff numbers to support customer growth
- Growth in mortgages, payment accounts, investment products

○ Ratios are based on rolling 4 quarter.

○ Ratio for the current quarter.

<sup>1-5</sup> Please turn to the Appendix

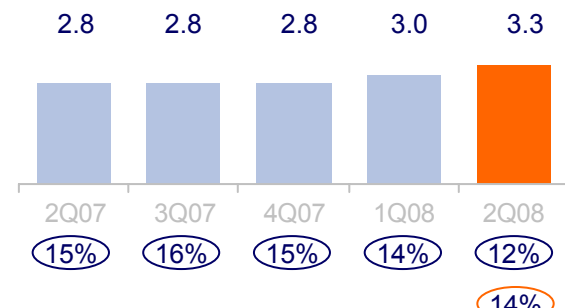
## Underlying Profit before Tax (EUR mln)



(bps) Underlying Profit before Tax / Client Balances<sup>2</sup>

- Underlying profit before tax +4.7% (+15.5 vs. 1Q08) driven by improving interest rate environments in the US and Canada
- Also driven by narrowing losses in the UK vs 1Q08

## Economic Capital<sup>3</sup> (in EUR bln)

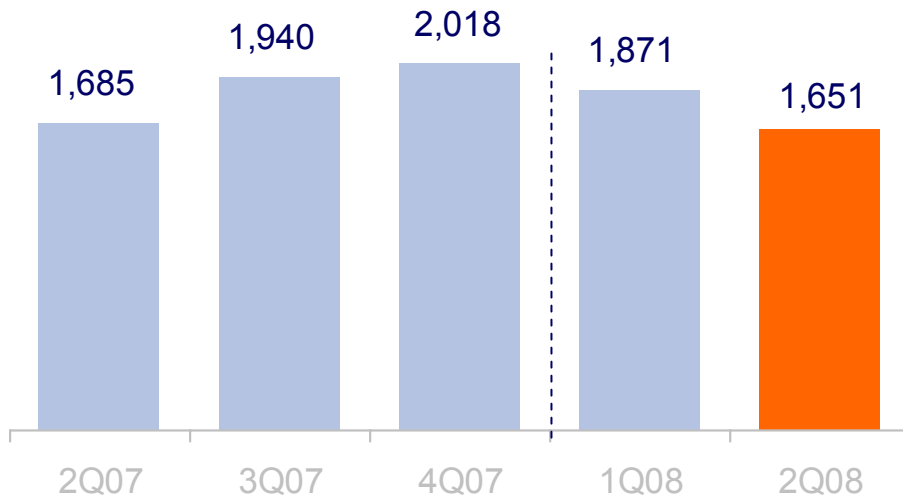


(bps) ROEC (based on Underlying Net Profit)<sup>4</sup>

- Higher economic capital as a result of model refinements primary reason for lower ROEC

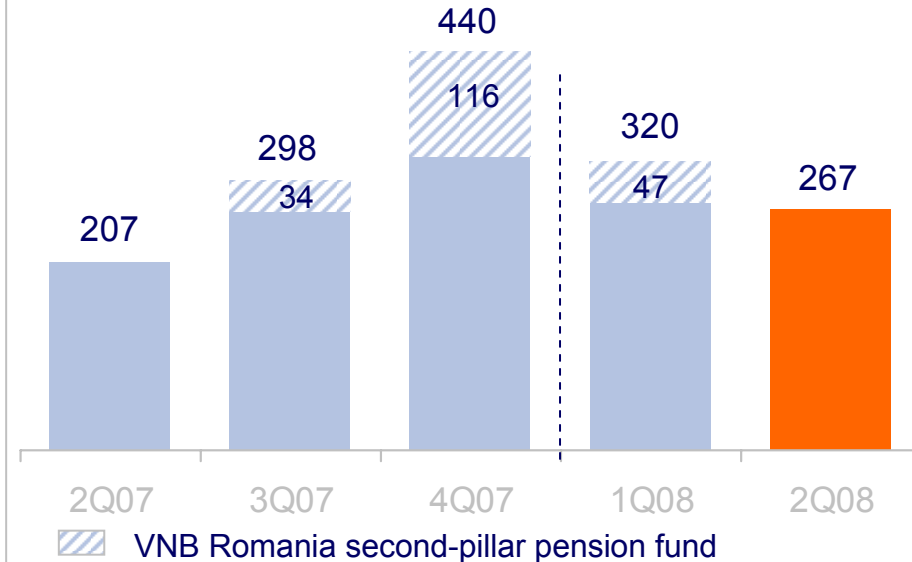
# Value of new business climbs 29% on more profitable product mix

New sales (APE, in EUR million)



- New sales up 8.8% on a constant currency basis
- Increased distribution capacity and new product launches helped offset reduced demand for investment-linked products in some markets
- Continued success with LifePay variable annuity product in the US
- Strong growth in Central Europe

Value new business (in EUR million)



- VNB up 29.0% to EUR 267 million, and 39.8% on a constant currency basis
- Continued growth in Central Europe
- US and Latin America made notable gains
- Changes in methodology in expense allocation and Group life contract renewals had positive impact of EUR 31 million

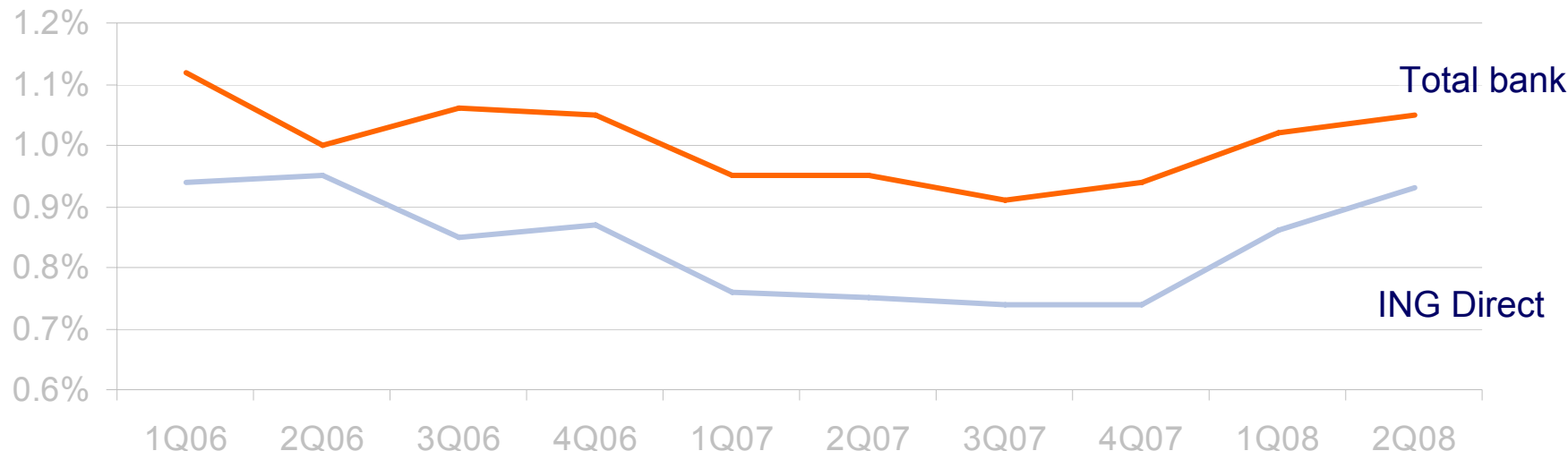
# Financial highlights Second Quarter 2008

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- Key Performance Indicators
- Market environment and impact on results
- Margin analysis
- Capital Management

# Interest margin recovers to 1.05%

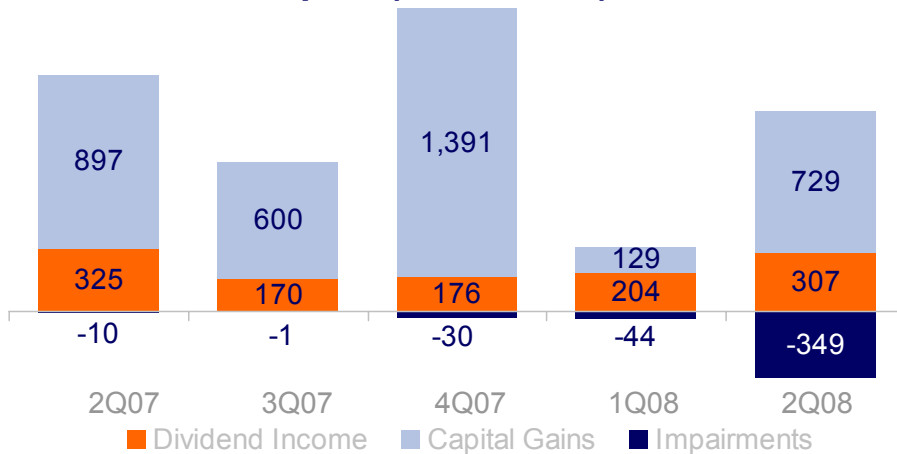
## ING Interest margins by quarter



- Improvement in the US interest rate environment drives recovery in interest margin at ING Direct to 0.93% from 0.86% in previous quarter, as client rates were repriced faster than assets
- Compared with 2Q07 total interest margin improved 10 bps to 1.05% mainly due to a higher margin at ING Direct and inclusion of ING Bank Turkey

# Sustained equity market declines trigger impairments

Pre-tax P&L impact (in EUR mln)



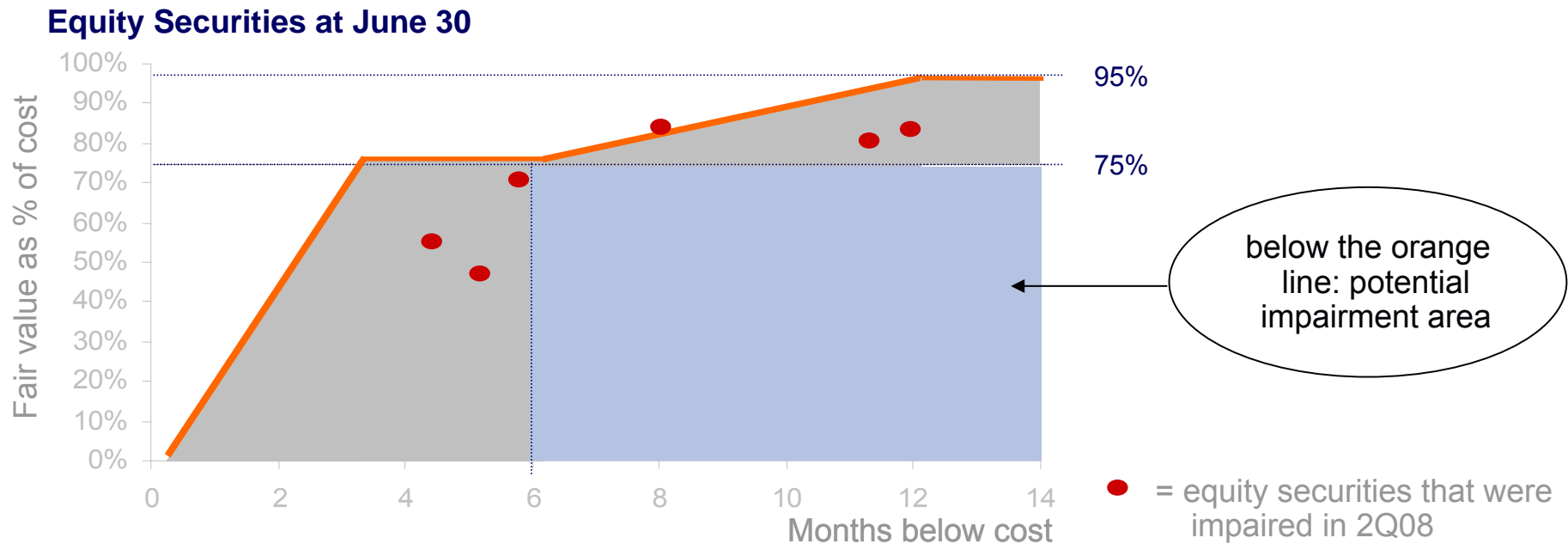
## Market value shares at 30 June 2008

In EUR million	Insurance	Bank	Total
Shares with direct public equity exposure	8,503	2,649	11,152
Hedged	5,000	0	5,000
Net exposure shares	3,503	2,649	6,152
Revaluation reserve	1,223	1,509	2,732

- ING realised some EUR 729 million in pre-tax capital gains in 2Q08, mainly at the Insurance business, as we took advantage of the brief rally in April to reduce our equity exposure
- That was offset partially by EUR 349 million of impairments on equities as markets sustained their declines
- 2Q07 included EUR 897 million in equity capital gains including EUR 573 million on part of ING's stake in ABN Amro
- Dividends show seasonal increase in 2Q08, roughly in line with 2Q07

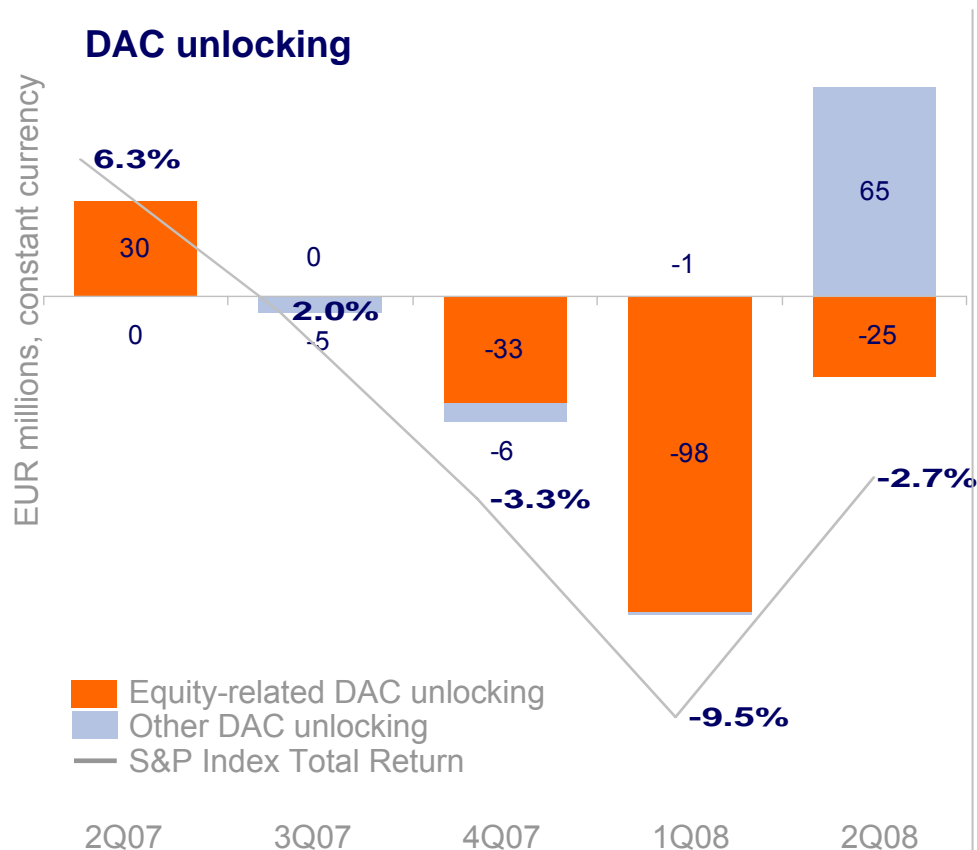


# Sustained equity market declines trigger impairments (2)



- The impairment review of equity securities is based on a full evaluation of recoverability of the investment, including qualitative and quantitative criteria
- For the quantitative criteria, IFRS determines that a “prolonged” or “significant” decline of fair value below cost is evidence of impairment
- ING uses two “triggers” to evaluate impairments based on quantitative criteria:
  - fair value below cost for more than 6 months
  - fair value less than 75% of cost
- An equity security that meets both triggers is considered impaired, unless there is very strong counter-evidence

# P&L impact due to US DAC unlocking



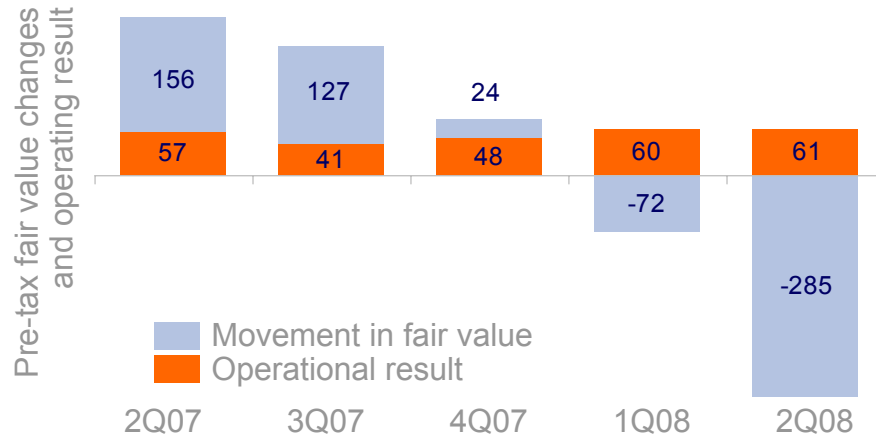
- In 2Q08, negative equity-related DAC unlocking was offset by EUR 65 million in favourable DAC unlocking. That was due to assumption changes, primarily related to improved persistency in retirement services and annuity

## Equity-related DAC unlocking:

- DAC is charged to expense in proportion to the actual and future Estimated Gross Profits (EGP) over the life of the block of business
- Current (actual) and future separate-account fund performance are critical inputs to EGP
- Equity-related DAC unlocking arises when fund performance differs from long-term equity market growth assumption of approx. 2.25% per quarter
- ING US uses full DAC unlocking, which can result in volatile DAC unlocking from quarter to quarter
- S&P 500 index performance is a good indicator of the P&L volatility caused by equity-related DAC unlocking

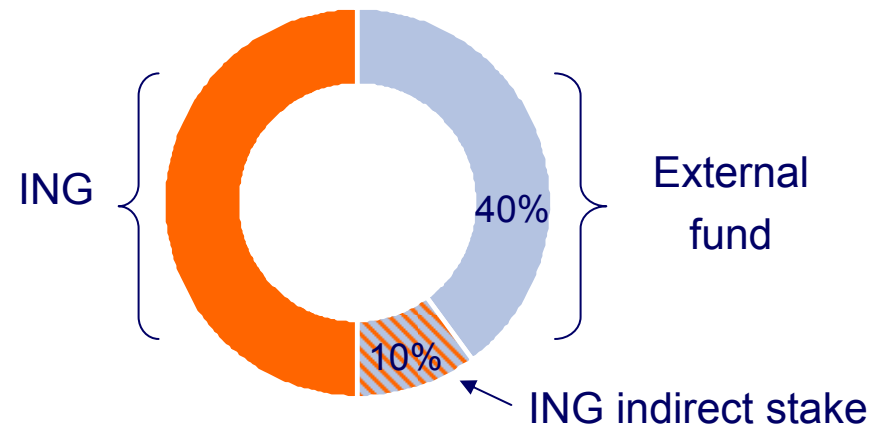
# Negative revaluations on real estate mainly related to Summit REIT portfolio

Real estate investments (in EUR mln)



- Negative revaluations of EUR 285 million before tax in 2Q08 vs positive EUR 156 million in 2Q07
- In 2Q08, EUR - 195 million before tax and minorities related to Summit portfolio in Canada
- Other negative revaluations most notably in Australia and UK

Summit REIT Ownership Structure



- ING has a direct 50% stake in Summit REIT and indirect 10% through ING Industrial Fund
- As only 60% is owned by ING, EUR 78 million of revaluations was charged to minorities
- Summit REIT maintains a high-quality portfolio with occupancy rate of 96%
- Underlying performance of the assets is still good

# Loan-loss provisions trending toward more normalised levels



As a result of the move to Basel II as from 2008, the net risk costs expected over-the-cycle have increased from 25-30 bps of average Basel I CRWAs to 40-45 bps of Basel II CRWAs

# Loan-loss provisions trending toward more normalised levels (2)

## Underlying Net Additions to Provision for Loan Losses

In EUR million	2Q08	1Q08	2Q07
Wholesale Banking	117	30	-32
Retail Banking	66	35	43
ING Direct	50	33	13
<b>Total additions</b>	<b>234</b>	<b>98</b>	<b>25</b>

- **Retail Banking** increase driven by growth of the lending portfolio, the shift of midcorps from Wholesale Banking to Retail Banking in the Netherlands, and the inclusion of ING Bank Turkey

- **Wholesale Banking** release potential of past provisions has been depleted over the last two years
- Increase is driven by 3 files in Structured Finance
- We have not yet witnessed material deterioration in the corporate loan book

- **ING Direct** increase driven by the US as we see downward migration in US housing market related portfolios
- ING Direct USA's own-originated mortgages continue to perform better than the market

# Capital gains on equities for Insurance are reflected in the Corporate Line

## Corporate Line Insurance

In EUR million	2Q08	2Q07	1Q08	
Interest on hybrids and core debt	-218	-174	-167	Funding costs increased in 2Q08 due to new issuance
Capital gains equities	669	803	93	Gains realised in 2Q08 to reduce equity exposure
Impairments equities	-197	-1	-37	Impairments increased on sustained equity market declines
Notional income equities	-112	-112	-114	3% of equity portfolio allocated to business units regardless of realised gains or impairments
Fair value changes derivatives	99	2	83	Higher results from equity hedges and on swaps related to core debt America
Other	9	14	25	
<b>Underlying profit before tax</b>	<b>250</b>	<b>532</b>	<b>-117</b>	

# Capital management activities and certain expenses are reflected in Corporate Line Banking

## Corporate Line Banking

In EUR million	2Q08	2Q07	1Q08	
Income on capital surplus	-7	52	69	Declined as gap between Tier-1 and Economic Capital narrowed
Solvency costs	-16	-9	-16	Represents spread of capital funding over LIBOR
Financing charges	-22	-23	-38	
Amortisation intangible assets Oyak Bank	-7	n/a	-8	
FX-results, fair value changes and other	71	-47	76	
Other	-21	-38	-41	
<b>Underlying profit before tax</b>	<b>-2</b>	<b>-65</b>	<b>43</b>	

# Financial highlights Second Quarter 2008

- Key Performance Indicators
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# Insurance: Margin analysis for Insurance Total

## Insurance Total

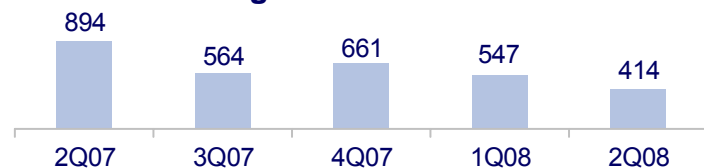
in EUR million	2Q08	1Q08	4Q07	3Q07	2Q07
Investment margin	414	547	661	564	894
Fees and premium-based revenues*	1,148	1,189	1,217	1,159	1,178
Technical margin	285	196	95	185	235
Expenses (including commission & DAC)	-1,143	-1,343	-1,253	-1,172	-1,157
<b>Underlying profit before tax – modeled business</b>	<b>703</b>	<b>589</b>	<b>720</b>	<b>736</b>	<b>1,150</b>
Corporate Line – Life	265	-93	736	229	423
Unmodeled Life business	15	33	-5	17	40
<b>Underlying profit before tax – Life insurance</b>	<b>984</b>	<b>529</b>	<b>1,451</b>	<b>972</b>	<b>1,613</b>
Non-life insurance (incl. Corporate Line Non-life)	161	193	368	314	343
<b>Underlying profit before tax</b>	<b>1,145</b>	<b>722</b>	<b>1,819</b>	<b>1,285</b>	<b>1,956</b>

\* = Including other items

# Quarterly development of margin components

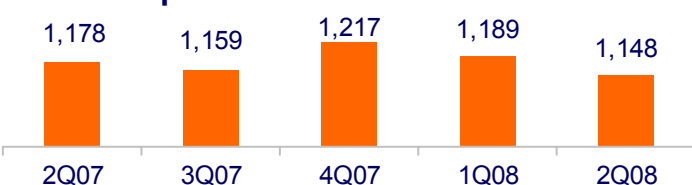
## Considerations

### Investment margin



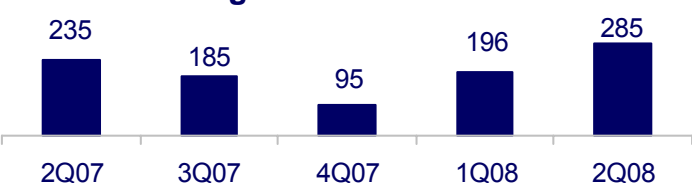
- Investment margin under pressure in 2Q08 largely due to losses on debt securities in Americas and Europe.
- In addition lower returns on private equity, alternative assets and real estate negatively affected this margin
- Investment margins in 2Q08 and 2Q07 include seasonally-higher dividends on equities in the Netherlands

### Fees and premium-based revenues\*



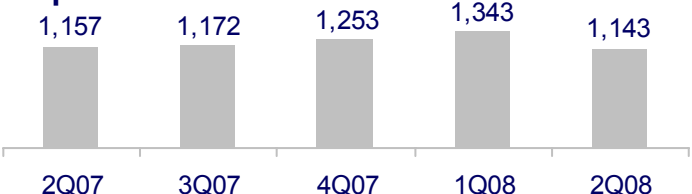
- Fees and premium-based revenues decrease in 2Q08 mainly due to lower fees across the Asia/Pacific region due to lower premiums and currency impact. In other regions the fees and revenues were rather stable
- Increase in 4Q07 partly reflects increase in Latin American assets under management fees and growth in client balances in the US

### Technical margin



- Improved technical margin in 2Q08 is reflection of one-off morbidity provision releases partly offset by additional provisioning for possible claims on unit-linked policies in the Netherlands. This provision was established in 4Q07 and negatively affected the technical margin in that period
- The technical margin will be volatile depending on claims experience, and market- and non-market related one-off impacts to provisions

### Expenses

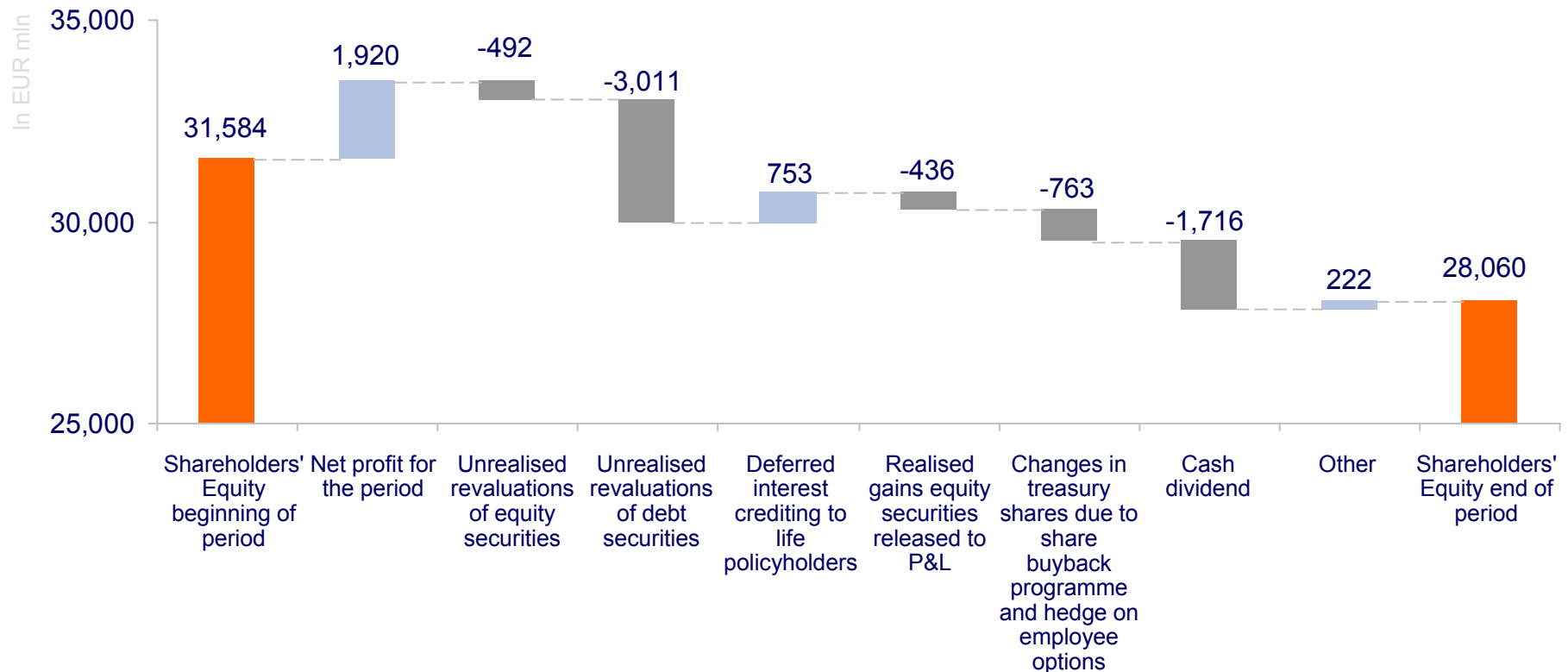


- Expenses for 2Q08 include lower expenses in the Americas, primarily due to equity-related DAC unlocking and favourable DAC unlocking from assumption changes and DAC offset of investment losses
- Note that higher expenses for 4Q07 and 1Q08 were caused by higher expenses in USFS, partly equity-related DAC unlocking, and expansion in Latin America

# Financial highlights Second Quarter 2008

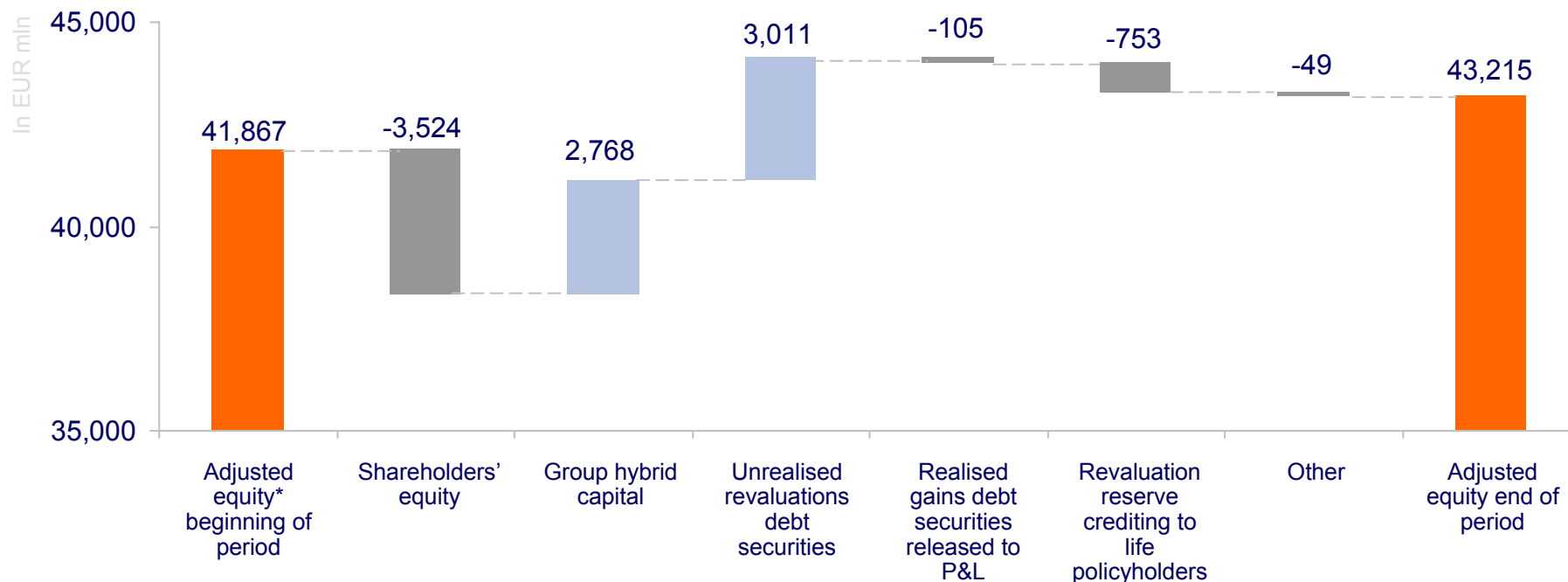
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# ING Group's shareholders' equity movement in 2Q 2008



- ING Group's shareholders' equity declined EUR 3.5 billion mainly due to:
  - higher interest rates pushing down the market prices of fixed income assets
  - the pay-out of the final 2007 dividend to shareholders

# ING Group's adjusted equity movement in 2Q 2008



- ING Group's adjusted equity increased in 2Q 2008 driven by the issuance of EUR 2.8 billion hybrid issuance

\* Adjusted equity = Shareholders' equity + hybrid capital - revaluation reserves (fixed income securities etc.)

# Second Quarter 2008: Agenda

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Overview

Michel Tilmant, CEO

Financial Highlights

John Hele, CFO

**Risk Management**

**Koos Timmermans, CRO**

Closing Remarks

Michel Tilmant, CEO

- Pressurised asset classes: subprime, Alt-A, CDOs/CLOs
- Real Estate exposure
- Own-originated mortgage portfolios
- Loan loss provisioning
- Liquidity

# Risk Management: key points 2Q 2008

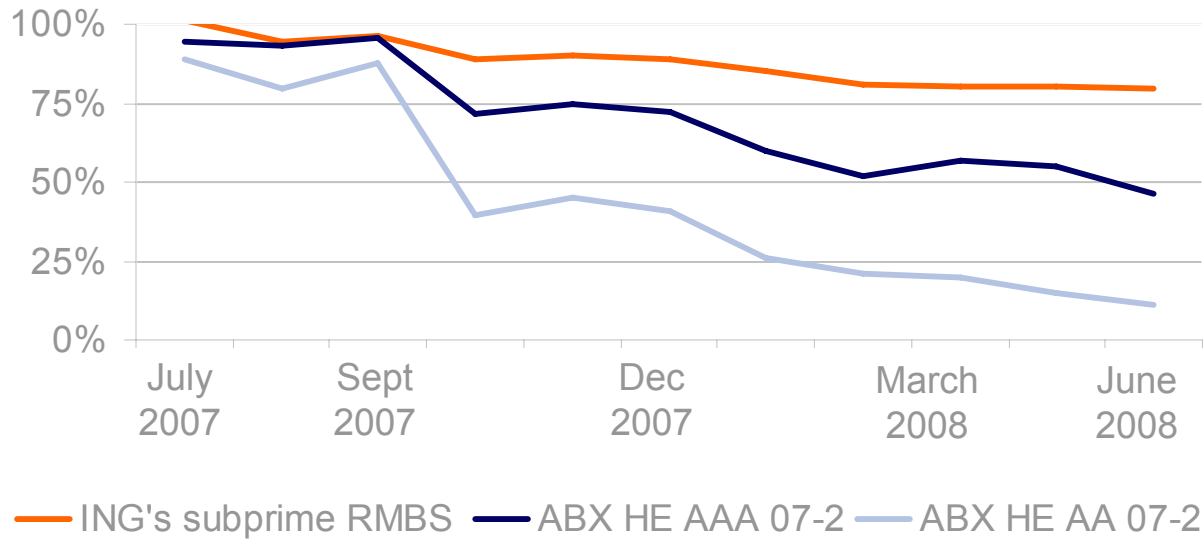
1. Limited direct impact of credit crisis and deteriorating US housing market: after-tax P&L impact EUR 44 million
2. Impairments on US Alt-A RMBS limited to EUR 35 million pre-tax as cash flows tests continued to be met, but mortgage delinquencies increased
3. As a *sensitivity test* we applied S&P's ultimate *loss projections* to ING Direct's Alt-A RMBS: this would result in a potential credit loss of around EUR 200 million *over several years*. Timing and magnitude of any potential pre-tax P&L impairment would depend on the credit loss distribution over RMBS and the market values of the impaired RMBS
4. Own-originated mortgages continued to perform well
5. ING continued to benefit from its sound liquidity profile



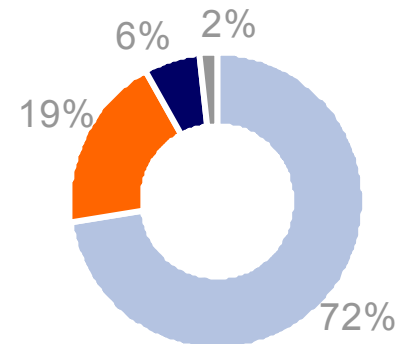
# ING's US subprime RMBS holds up relatively well

- Portfolio has market value of EUR 2.2 billion, of which 72% AAA rated after EUR 415 million were downgraded in 2Q 2008, bringing the total cumulative downgrades to EUR 927 million (at amortised cost)
- Fair value 79.7% at 30 June 2008, versus 81.4% at 31 March 2008
- Pre-tax P&L loss on US subprime RMBS limited to EUR 7 million impairments in Insurance Americas

## ING's US subprime RMBS outperforms the ABX



## Credit ratings (2Q08)

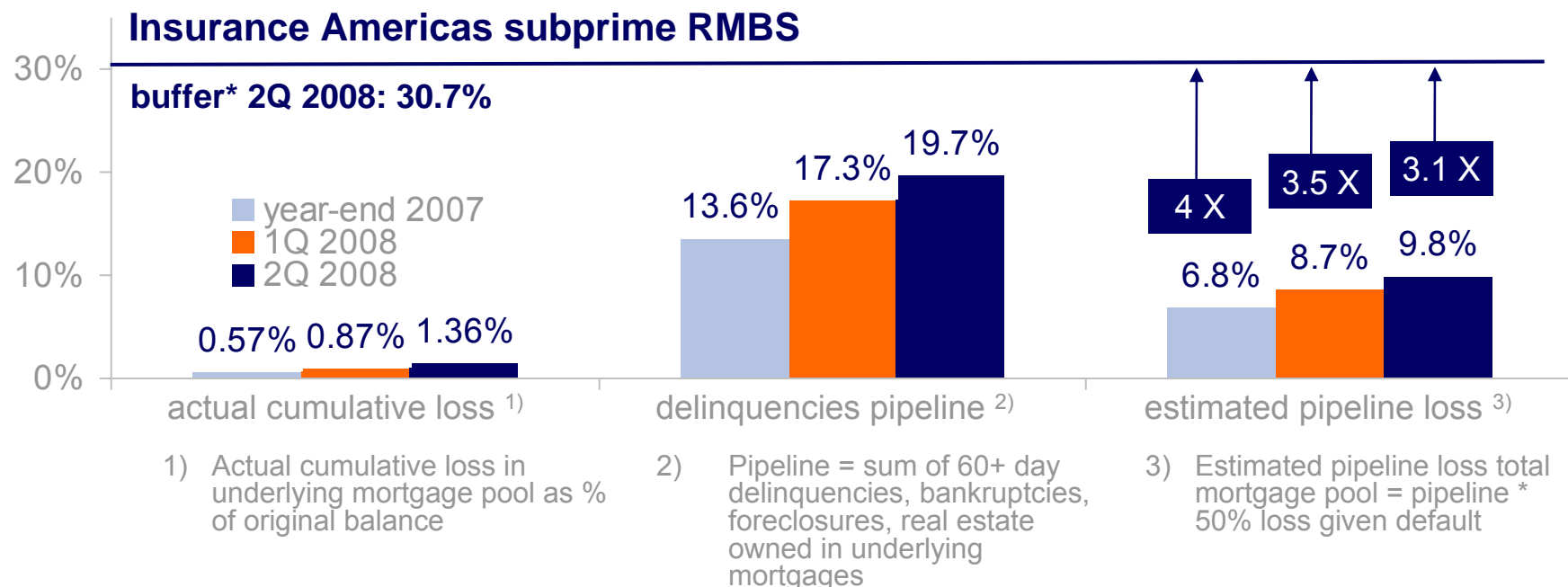


■ AAA ■ AA ■ A ■ BBB/BB



# Average credit enhancement can absorb 3x current pipeline losses in underlying subprime mortgages

- Insurance Americas' subprime RMBS has average credit enhancement of 30.7%, covering *current* 9.8% estimated pipeline losses in underlying mortgages by 3.1 times
- S&P and Fitch estimate *final* losses for 2006/07 vintages at ~25% of current mortgage balances, which is lower than the average credit enhancement in Insurance Americas portfolio



\* Buffer = average credit enhancement as % of current mortgage pool = average attachment point



# ING's Alt-A RMBS mainly within ING Direct

- ING holds EUR 22.0 billion (market value) in US Alt-A RMBS: ING Direct EUR 18.7 billion, Insurance Americas EUR 2.9 billion and other units EUR 0.5 billion
- Market value declined to 82.7% of amortised costs at 30 June 2008, compared to 84.3% at 31 March 2008. This decline is mainly due to higher interest rates as credit spreads tightened in 2Q
- As of 30 June 2008, 99% was AAA rated although the rating agencies had downgraded EUR 183 million (at amortised costs), of which EUR 101 million in 2Q. EUR 1.6 billion of ING's Alt-A RMBS was on credit watch at 30 June

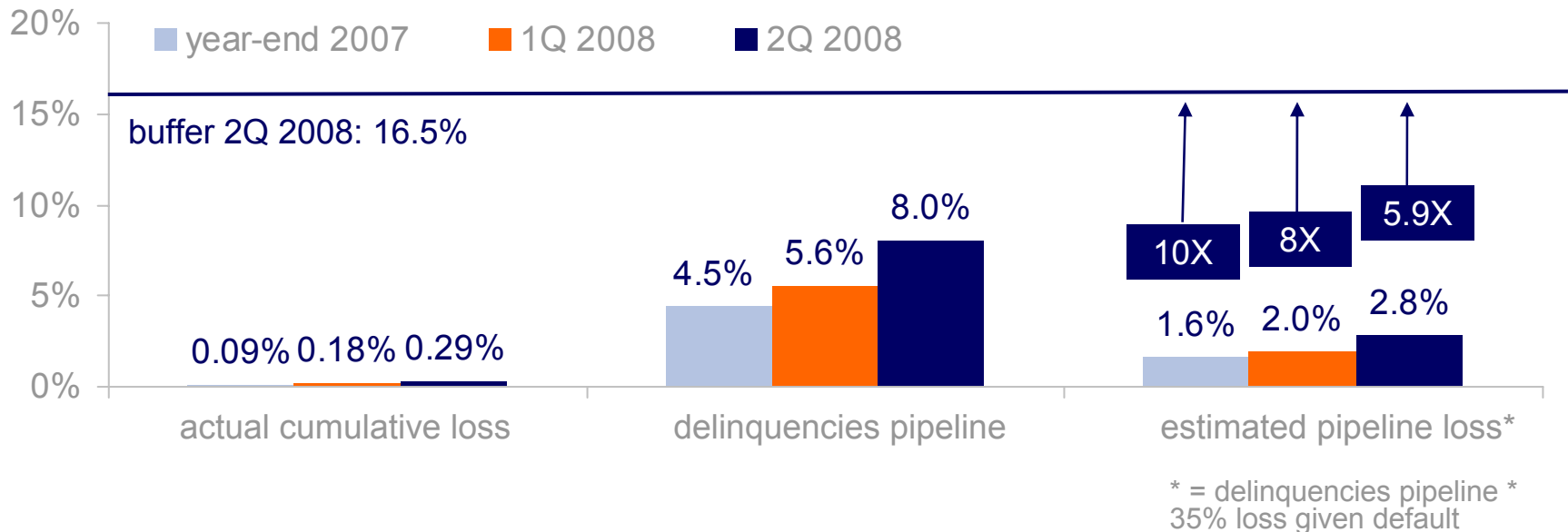
## Alt-A ING Group

	ING Direct	Insurance Americas	other units	ING Group
Market value (EUR million)	18,707	2,860	464	22,031
Fair value	82%	84%	90%	82.7%
Impairments (EUR million)	0	35	0	35
Average LTV	71	72		71
Average FICO	723	715		722
Credit ratings				
AAA	99.7%	98.6%	82%	99.4%
AA	0.2%	0.8%	16%	0.5%
<AA	0.1%	0.6%	2%	0.1%

# Insurance Americas: average credit enhancement can absorb 5.9x current pipeline losses in underlying Alt-A mortgages

- Insurance Americas EUR 2.9 billion Alt-A RMBS portfolio faced higher delinquencies in the underlying mortgage portfolio in the second quarter
- On average, the credit enhancement covered the current pipeline losses 5.9 times, down from 8 times at 1Q 2008 and 10 times at 2007 year-end
- In the tail of the portfolio, 12 bonds were impaired to their market value, for a total of EUR 35 million. These bonds had a low credit enhancement coverage

## ING Insurance Americas Alt-A RMBS and underlying mortgages



# ING's Direct's Alt-A RMBS portfolio

- EUR 18.7 billion Alt-A RMBS, of which 99.7% was AAA-rated as of 30 June 2008.
- The underlying mortgages pools predominantly contain first lien loans:
  - 70% are fixed and long-dated hybrid mortgages. These RMBS have an average market price just above 90%
  - 28% are adjustable rate mortgages (ARMs) with a payment option to negatively amortise ("NegAm"). These RMBS have an average market price of 63%

## ING Direct's Alt-A RMBS portfolio at 30 June 2008

EUR million	pre-2005	2005	2006	2007	Total	%	LTV	FICO	CE	FV
Notional value	2,841	5,932	4,773	9,200	22,746					
Unrealised gains / losses	(264)	(813)	(773)	(2,189)	(4,039)					
Market value	<b>2,577</b>	<b>5,119</b>	<b>4,000</b>	<b>7,011</b>	<b>18,707</b>		<b>71</b>	<b>723</b>	<b>15.4%</b>	<b>81.9%</b>
vintage in % total	14%	27%	21%	37%	100%					
Fixed rate	1,069	1,755	1,416	1,629	5,869	31%	67	730	7.8%	90.6%
Long-dated hybrid	1,279	2,764	1,542	1,744	7,328	39%	68	732	10.3%	93.7%
Short-dated hybrid, ARMs	93	-	-	258	352	2%	70	715	19.7%	76.0%
Option ARMs (NegAm)	136	601	1,042	3,379	5,158	28%	79	711	26.9%	63.3%
<b>Market value</b>	<b>2,577</b>	<b>5,119</b>	<b>4,000</b>	<b>7,011</b>	<b>18,707</b>	<b>100%</b>	<b>71</b>	<b>723</b>	<b>15.4%</b>	<b>81.9%</b>

Note: EUR 18.4 billion is classified as Available-for-Sale and EUR 0.3 billion as Held-to-Maturity

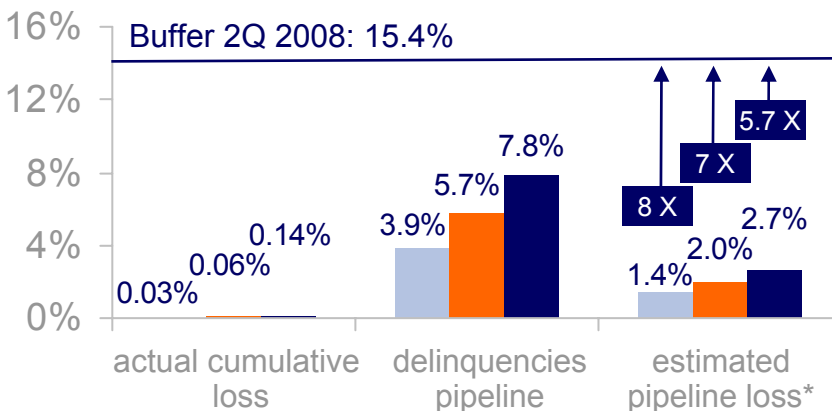
# At ING Direct, average credit enhancement can absorb 5.7x pipeline losses in underlying Alt-A mortgages

US Alt-A delinquencies have risen and as a result:

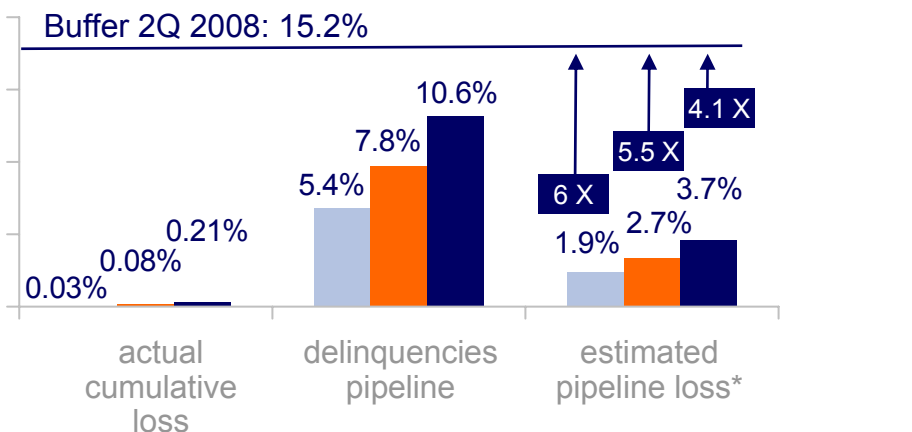
- The average coverage ratio of credit enhancement over estimated pipeline loss declined from 7 times at 31 March 2008, to 5.7 times at 30 June 2008. For the 2006 vintage, this coverage ratio declined from 5.5 times at 31 March 2008, to 4.1 times at 30 June 2008
- ING Direct did not impair any Alt-A RMBS. However, impairment testing showed negative migration for a limited number of bonds

## ING Direct's Alt-A RMBS and underlying mortgages

### Total portfolio



### 2006 vintage



\* = delinquencies pipeline \* 35% loss given default

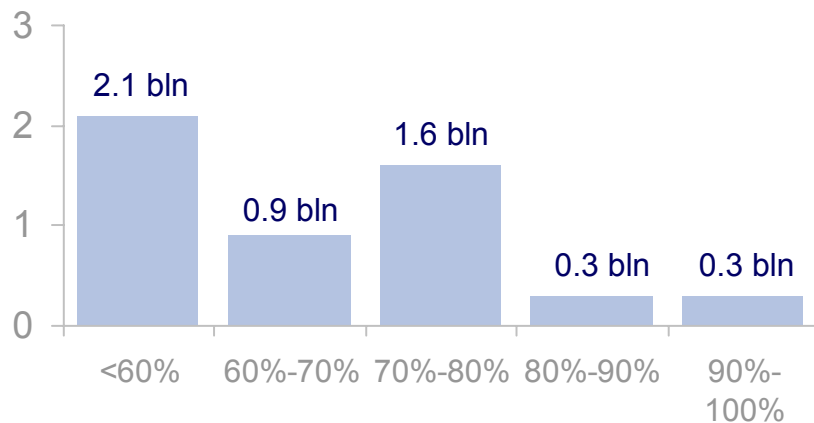


# Delinquencies on mortgages underlying ING Direct's NegAm Alt-A RMBS increased

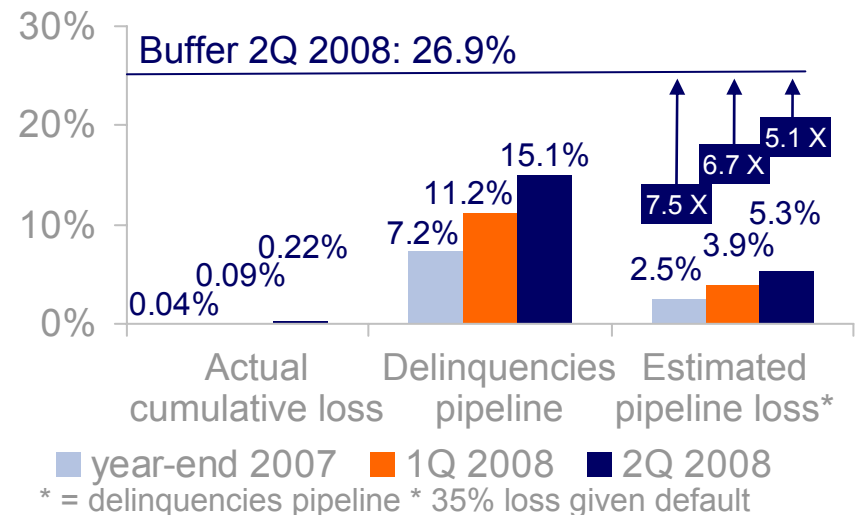
US payment option ARMs Alt-A ("NegAm") delinquencies rose to 15.1% and as a result:

- the average coverage ratio of credit enhancement over estimated pipeline loss declined from 6.7 times at 31 March 2008, to 5.1 times at 30 June 2008.
- the market value of ING Direct's NegAm Alt-A RMBS was 63.3% at 30 June 2008. EUR 2.1 billion of these bonds are valued at less than 60%
- S&P recently doubled its loss estimates for 2006/07 vintages of (option) up to 15%. However, the *average* buffer in ING Direct's payment option ARMs is 26.9%

**ING Direct Negative Amortisation Alt-A RMBS: market price distribution at 30 June 2008**



**ING Direct's NegAm Alt-A RMBS**

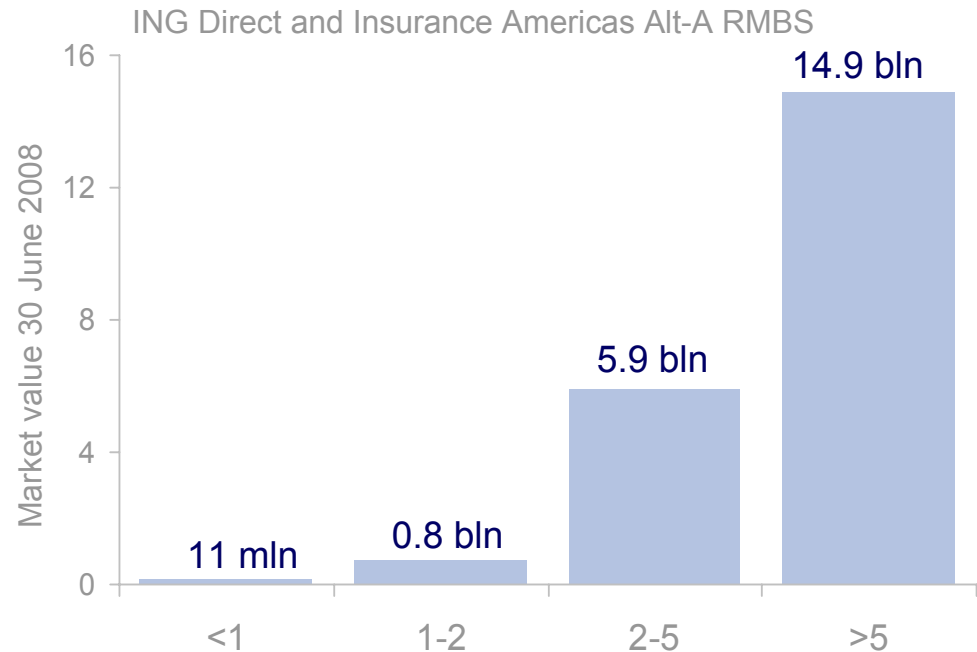


# Impairment test on Alt-A RMBS led to EUR 35 million pre-tax impairments through P&L in 2Q

Impairment testing: coverage ratio of credit enhancement over pipeline

Expected loss AfS bonds = credit enhancement / estimated pipeline loss

1	Coverage ratio < 1: bond should be impaired to the market value <u>unless</u> there is compelling objective evidence to the contrary
2	$1 \leq$ Coverage ratio < 2: watchlist, detailed cash flow and RMBS structure analysis to conclude “unlikely to pay” criterion
3	Coverage ratio $\geq$ 2: no quantitative impairment trigger unless qualitative trigger considerations for impairment apply



This impairment test resulted in EUR 35 million impairments on Alt-A RMBS

Estimated pipeline loss = LGD x weighted defaulted loans = LGD x (100% \* foreclosures and RE owned + 90% \* 90+ days delinquencies + 60% \* 60+ days delinquencies); LGD = 50% for subprime, 35% for Alt-A





# Market expectation for ultimate losses on Alt-A mortgages increased and show wide range

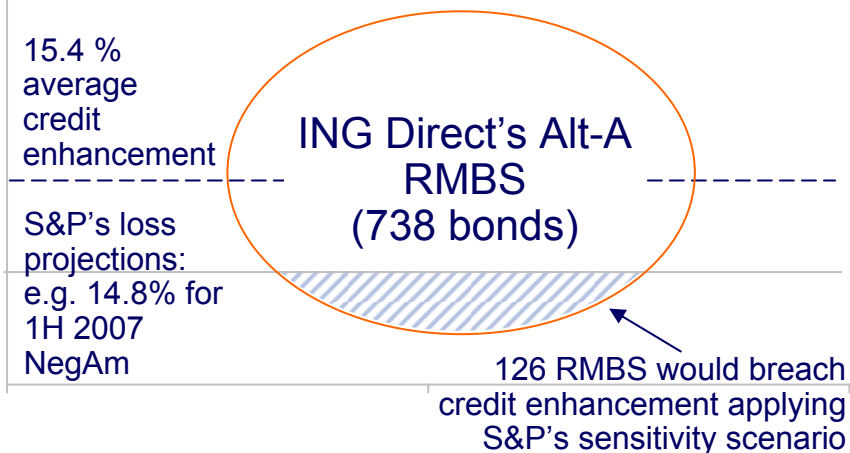
## Rating Agencies adjust loss projections to reflect higher Alt-A delinquencies

- At 30 July 2008, S&P's increased its ultimate loss projections for US Alt-A mortgages. Ultimate loss projections were increased for payment option ARMs to 11% for the 2006 vintage and to 14.8% for the 1H 2007 vintage. Previously the expected loss for these RMBS were ~8%. The increase in ultimate loss projections is due to modifications to the default curve and higher assumed LGD for (payment option) ARMs, from 35% to 40%
- Fitch Ratings adapted its default analysis by including the % of mortgages that are, each month, migrating to 30+ day delinquencies. Applying this new methodology triggered a range of downgrades between August 1 and August 8
- In total the ratings agencies downgraded a further EUR 1.4 billion of ING's Alt-A RMBS since 30 June 2008. In addition, at August 8, EUR 4.6 billion of ING's Alt-A RMBS was on credit watch
- Some investment banks expect losses on option ARMs 2006 vintage of 25-30% depending on the magnitude of house price declines. The payment shock at recast date for payment option ARMs could trigger weaker credit performance. The peak in recast is expected in 2010-2011

# Sensitivity test: applying S&P's ultimate loss projections on ING Direct's Alt-A RMBS

- As a scenario analysis, we applied S&P's ultimate loss projections for fixed, hybrid and option ARM's Alt-A to ING Direct's Alt-A RMBS portfolio. S&P's projections assume a further deterioration of losses on Alt-A mortgages going forward

## Illustration: applying S&P's loss projections



- Outcome: the projected loss would exceed the credit enhancement by a total of approx. EUR 200 million before tax. This projected "credit loss" would trigger impairments spread out over several years
- In case of a credit loss, the RMBS would be impaired to its market value through the P&L.
- Based on 30 June market prices for those RMBS the pre-tax impairment would be approximately EUR 400 million over several years
- Magnitude and timing of impairments would mainly depend on:
  - delinquency development mortgages
  - RMBS nominal size
  - RMBS market prices
  - RMBS structure (convexity)

# Conclusion on ING Direct's Alt-A RMBS: higher delinquencies may trigger impairments

1. Current cumulative loss in the Alt-A mortgage pools of 0.14% is negligible compared to current credit enhancement of 15.4% in ING Direct's Alt-A RMBS portfolio
2. Estimated losses on ING Direct's Alt-A RMBS based on *current* delinquencies are more than adequately covered, despite the deterioration in delinquencies in the underlying mortgage pools
3. Risk is in future trending of delinquencies and loss-given-default (LGD) as e.g. outlined by revised S&P's projections: these ultimate loss projections would trigger limited credit enhancement breaches over the coming years

# ING continues to make investments in CDO/CLO, while the CMBS perform well

## CDOs/CLOs

- Net exposure EUR 4.3 billion, up from EUR 2.1 billion at 31 March 2008
- Only EUR 8 million exposure to CDOs backed by US subprime mortgages
- Insurance Americas wrote protection on EUR 1.5 billion super-senior tranches of investment-grade corporate credit indices and customised corporate credit portfolios
- Wholesale Banking added EUR 0.9 billion of exposure to AAA iTraxx tranches in 2Q
- Negative pre-tax P&L impact EUR 12 million in 2Q 2008: EUR 4 million in Insurance Korea, EUR 2 million in the US and EUR 6 million in Wholesale Banking
- Portfolio fair valued at 94.6% up from 90.3% at 31 March 2008

## CMBS

- CMBS portfolio roughly stable at EUR 9.2 billion versus EUR 9.0 billion at 1Q 2008.
- CMBS portfolio has fair value of 94.6% at 2Q 2008, flat from 1Q 2008
- Around 75% is US CMBS:
  - ~ EUR 6 billion in Insurance America
  - ~ EUR 1 billion in ING Direct
- US CMBS:
  - fair value 93%
  - 90% AAA rated
  - 22.7% average credit enhancement
  - average LTV 68%

- Pressurised Asset classes: subprime, Alt-A, CDOs/CLOs
- Real Estate exposure
- Own-originated mortgage portfolios
- Loan loss provisioning
- Liquidity

# ING reduced its Real Estate exposure that is revalued through the P&L

- ING reduced its Real Estate exposure that is subject to revaluation through the P&L to EUR 11.6 billion, from EUR 12.7 billion in 1Q2008. ING Insurance's exposure declined by EUR 0.9 billion to EUR 5.9 billion due to divestments of participations
- All exposures, except for Australia, are each year revalued by an external party
- Exposure is well-diversified over sectors and geographies and held for the long-term

## Real Estate exposure accounted for through P&L

	Residential	Office	Retail	Industrial	Other	Total
<b>Netherlands</b>	332	1464	437	18	101	<b>2,352</b>
<b>Spain</b>	14	63	495	124	16	<b>712</b>
<b>UK</b>	41	288	397	72	147	<b>944</b>
<b>Other EU</b>	132	1102	1744	450	79	<b>3,507</b>
<b>USA</b>	217	166	67	301	198	<b>949</b>
<b>Australia</b>	0	77	383	242	54	<b>756</b>
<b>Asia</b>	251	70	351	9	174	<b>856</b>
<b>Canada</b>	-	-	161	1,036	226	<b>1,423</b>
<b>Other</b>	-	-	11	7	102	<b>121</b>
<b>Total</b>	<b>986</b>	<b>3,230</b>	<b>4,046</b>	<b>2,259</b>	<b>1,099</b>	<b>11,619</b>

EUR 195 million  
negative  
revaluation  
in 2Q2008

- Pressurised Asset classes: subprime, Alt-A, CDOs/CLOs
- Real Estate exposure
- Own-originated mortgage portfolios
- Loan loss provisioning
- Liquidity

# Own-originated mortgages: increase in non-performing loans only apparent in the US

- Serious delinquencies of 90+ days or non-performing loans (NPLs) are relatively stable in ING's own originated mortgage portfolio, except for the US where NPLs increased to 1.4%

## ING Bank's residential mortgages portfolio

	Residential Mortgages (EUR bn), Q2 2008	Average LTV, Q2 2008	NPL (%), Q2 2008	NPL (%), Q1 2008
Netherlands	125.0	72%	1.0%	1.0%
Germany	38.7	74%	0.7%	0.7%
Australia	20.3	68%	0.4%	0.4%
Belgium, Lux	20.0	85%	1.8% *	1.8% *
United States	19.0	70%	1.4%	0.9%
Canada	12.9	77%	0.2%	0.2%
Spain	7.4	56%	0.1%	0.1%
Italy	4.1	57%	0.1%	0.0%
United Kingdom	1.7	37%	0.0%	0.0%
Poland	0.9	74%	0.3%	0.3%
Turkey	0.8	48%	0.5%	0.5%
Romania	0.4	63%	0.1%	0.0%
<b>TOTAL</b>	<b>251.2</b>	<b>72%</b>		

\* The percentage of non-performing mortgage loans in Belgium is higher than in other countries. In most other countries delinquent mortgage loans are written down after 3 years, as per ING policy. In Belgium, this period is longer.

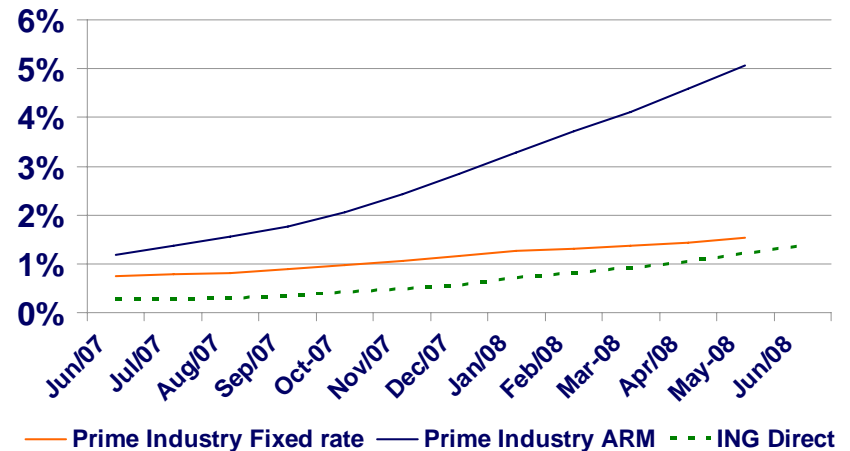


# US mortgages: non-performing loans have risen, but ING Direct's originated loans outperform

- EUR 19 billion US residential mortgages of which majority is hybrid ARMs (5/1)
- ING Direct applies strict underwriting and monitoring policies, resulting in quality customers:
  - average loan: EUR 250,000
  - LTV: 70% <sup>(1)</sup>
  - average FICO: 743
  - 98% owner-occupied
- In ING Direct's mortgage book non-performing loans (= 90+ day delinquencies, June 2008) have risen to 1.4%
- The US prime ARMs market had 5.1% non-performing loans (May 2008)

(1) Based on current loan balance and original home price

US mortgages NPLs (90 day+ delinquencies)  
ING Direct portfolio versus the industry

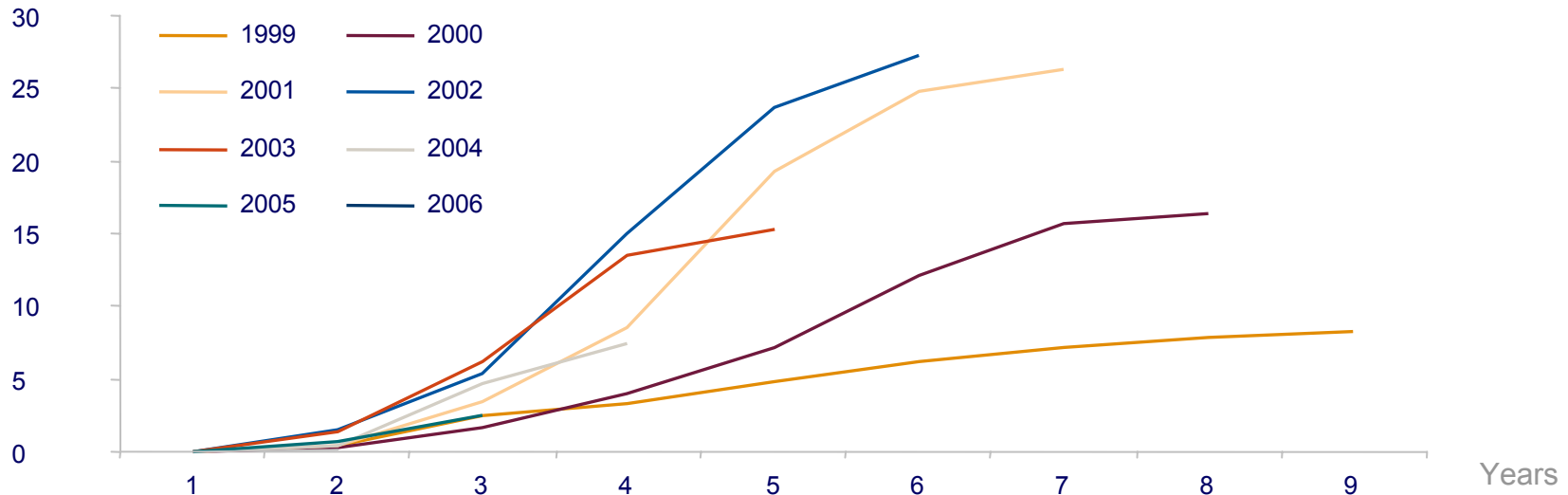


Source: ING, Loan Performance

Note: USA's own originated portfolio is 100% Hybrid ARMs, with the majority being 5-yr hybrids (5-year fixed rate and 25 year variable with annual resets).

# Dutch mortgages: strong loan performance explained by market and product characteristics

Cumulative losses per vintage (bps)



Note: ING Bank Netherlands portfolio, expressed as % of originations

- Residential mortgage debt to GDP in the Netherlands is relatively high 98.5% because interest paid on mortgages is fully tax deductible from income tax
- Modest house price appreciation supported by geographical constraints
- In ING's portfolio, the actual LGD on Dutch mortgages is around 2%. In ING Bank Netherlands' portfolio the cumulative losses are around 20 basis points

- Pressurised Asset classes: subprime, Alt-A, CDOs/CLOs
- Real Estate exposure
- Own-originated mortgage portfolios
- Loan loss provisioning
- Liquidity

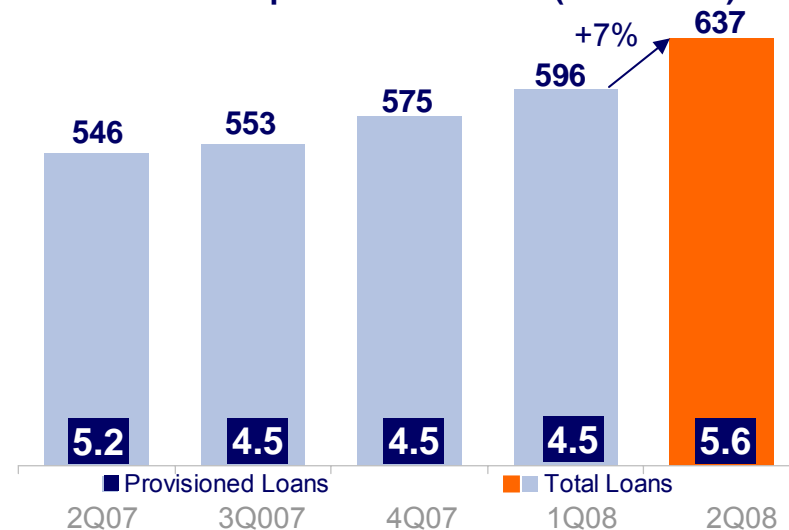
# Stock of loan loss provisions and lending volume grow in sync in 2Q 2008

## Stock of loan loss provisions

In EUR million	2Q08	1Q08	2Q07
Incurred But Not Reported (IBNR)	668	614	481
Specific provisions (small exposures, INSFA)	712	698	722
Specific provisions (larger exposures, ISFA)	617	555	1,284
<b>Total</b>	<b>1,997</b>	<b>+7% 1,867</b>	<b>2,487</b>

- Modest credit migration has driven loan loss provisions towards more normalized LLP-levels, in line with expectations
- Portfolio growth: we have seen attractive risk-adjusted propositions in which we selectively choose to participate
- The decline in specific provisions seen in the last years highlights limited release potential, notably within Wholesale Banking

## Total loans and provisioned loans (in EUR bln)



- Pressurised Asset classes: subprime, Alt-A, CDOs/CLOs
- Real Estate exposure
- Own-originated mortgage portfolios
- Loan loss provisioning
- Liquidity

# ING Bank's favourable liquidity position enables loan growth to modestly outpace deposit growth

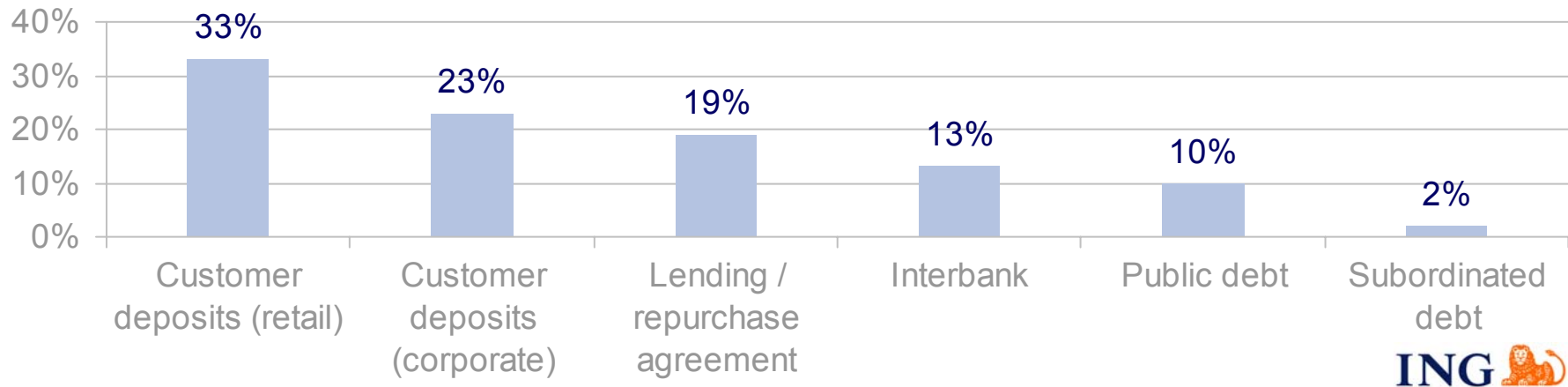
## Favourable funding base

- Customer deposits provide 56% of ING Bank's total funding base, down from 60% of funding base in 1Q due to growth in bonds outstanding and higher repos
- In absolute terms, customer deposits increased, albeit less than loan growth. As a result, the loan-to-deposit ratio slightly increased from 1.02 at 1Q 2008 to 1.05 at 2Q 2008

## Funding costs remain low

- ING has a strong balance sheet (no large funding requirements) and capital position. Fixed income markets recognize this: ING Bank's short term funding costs in the money market are well below LIBOR
- ING Bank issued roughly EUR 10 billion of bonds during 2Q 2008, which further enhanced the profile of ING Bank's already favourable liquidity position

## ING Bank: well diversified funding base (2Q 2008)



# Risk Management: key points 2Q 2008

1. Limited direct impact of credit crisis and deteriorating US housing market: after-tax P&L impact EUR 44 million
2. Impairments on US Alt-A RMBS limited to EUR 35 million pre-tax as cash flows tests continued to be met, but mortgage delinquencies increased
3. As a *sensitivity test* we applied S&P's ultimate *loss projections* to ING Direct's Alt-A RMBS: this would result in a potential credit loss of around EUR 200 million *over several years*. Timing and magnitude of any potential pre-tax P&L impairment would depend on the credit loss distribution over RMBS and the market values of the impaired RMBS
4. Own-originated mortgages continued to perform well
5. ING continued to benefit from its sound liquidity profile

# Second Quarter 2008: Agenda

Overview

Michel Tilmant, CEO

Financial Highlights

John Hele, CFO

Risk Management

Koos Timmermans, CRO

**Closing Remarks**

**Michel Tilmant, CEO**



# Closing remarks

## Second Quarter Developments

- Underlying net profit of EUR 1,946 million, down 28.8% from 2Q07 on lower investment income
- Limited direct impact from credit and liquidity crisis in the second quarter
- All capital and leverage ratios well within target
- Commercial growth continued despite increasingly competitive markets

## Looking Forward

As markets remain volatile, we will continue to manage our risk and capital with discipline. While financial markets are expected to put pressure on results in the short term, we are confident that ING will continue to create profitable growth for our shareholders over the long term through the breadth of our business and the strength of our franchise.

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) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness, (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.

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# Appendix I: Capital Management

# Contents

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**Managing Capital for three different stakeholders**

**Bringing these three perspectives into two key metrics**

# Capital Management

Mission: to ensure required capital is available at all times to support profitable business activities

- Different stakeholders have different requirements
  - There are multiple definitions of required capital
  - There are multiple definitions of available capital
  - Available capital comes in different forms
  - Holding too much capital is expensive
- ING has many legal entities run as one company:
    - ING Group
    - ING Insurance
    - ING Bank
  - Each stakeholder has different requirements
    - for the three entities above and their subsidiaries
    - both for required capital and available capital

Capital Management is a continuous balancing act in this multidimensional environment

# 3 views of capital from different stakeholders

1

Regulators

- Safeguard the interests of the public (consumers)
- Aim to avoid bankruptcy
- Diverse, but converging with Basel II, Solvency II

Based on IFRS Balance Sheet

2

Rating Agencies

- Safeguard the interests of bondholders
- Aim to avoid deferral or cancellation of payments
- Different rating agencies have different methodologies

3

ING Management

- Managing on Economic Capital
- Aims to balance risk and return
- Pricing tool
- Fair and comparable between businesses

Based on Market Value Balance Sheet

- ING Bank and the Insurance operating subsidiaries are regulated entities
- ING Group is not a regulated entity although it has to comply with the requirements of the Financial Conglomerates directive (FiCo)
- Generally regulatory requirements are not the primary constraint on the capital position because capital requirements from the rating agencies are higher for AA-rated companies

## ING's Capital Base

In EUR million	ING Insurance	
	30 Jun 08	31 Mar 08
① Shareholders' equity	14,179	16,999
② Group hybrid capital	4,667	2,959
Core debt		
<b>Total capitalisation</b>	<b>18,846</b>	<b>19,958</b>
<b>Adjustments to equity:</b>		
④ • revaluation reserve debt securities	3,673	1,845
⑥ • revaluation reserve crediting to life policyholders	-1,088	-335
⑤ • Revaluation reserve cashflow hedge	86	-39
⑦ • goodwill	-1,224	-1,264
Revaluation reserves fixed income securities etc.	1,447	207
Rev. reserves equity and real estate excluded from Tier-1		
② Insurance hybrid capital	2,250	2,250
③ Minorities	789	823
Deductions tier-1	0	0
<b>Regulatory capital</b>	<b>23,332</b>	<b>23,238</b>
Other qualifying capital		
DAC/ViF adjustment (50%)	3,953	3,851
Group leverage (core debt)		
<b>Adjusted equity</b>	<b>27,285</b>	<b>27,090</b>

## Available regulatory capital is calculated as:

- IFRS equity ①
- + Hybrids ②
- + Minorities ③
- Revaluation reserve fixed income ④
- Revaluation reserve cash flow hedging ⑤
- Deferred profit sharing ⑥
- Goodwill ⑦

- Required capital: EU solvency = 4% life reserves + 16% non-life premiums
- ING target: 150% EU solvency ratio
- As of 2012 Solvency II will be introduced, which is more market based



## ING's Capital Base

In EUR million	ING Bank	
	30 Jun 08	31 Mar 08
① Shareholders' equity	19,348	20,367
Group hybrid capital	6,279	5,201
⑧ Core debt		
<b>Total capitalisation</b>	<b>25,627</b>	<b>25,568</b>
<b>Adjustments to equity:</b>		
③ • revaluation reserve debt securities	4,455	3,375
• revaluation reserve crediting to life policyholders		
④ • Revaluation reserve cashflow hedge	-411	-352
⑤ • goodwill	-1,306	-1,212
Revaluation reserves fixed income securities etc.	2,738	1,811
⑥ Rev. reserves equity and real estate excluded from Tier-1	-2,136	-2,126
Insurance hybrid capital		
② Minorities	1,288	1,360
⑦ Deductions tier-1	-1,213	-1,066
<b>Regulatory capital</b>	<b>26,303</b>	<b>25,547</b>
Other qualifying capital	11,942	10,027
DAC/ViF adjustment (50%)		
Group leverage (core debt)		
<b>Adjusted equity</b>	<b>38,245</b>	<b>35,574</b>

## Core Tier-1 capital is calculated as:

- IFRS equity ①
- + Minorities ②
- Revaluation reserve debt securities ③
- Revaluation reserve cash flow hedge ④
- Goodwill and (selected) intangibles ⑤
- Revaluation reserves equities, real estate and participations (e.g. Bank of Beijing) ⑥
- Regulatory deductions 50/50 Tier 1 and Tier 2 (holdings in financial institutions, provision shortfall) ⑦

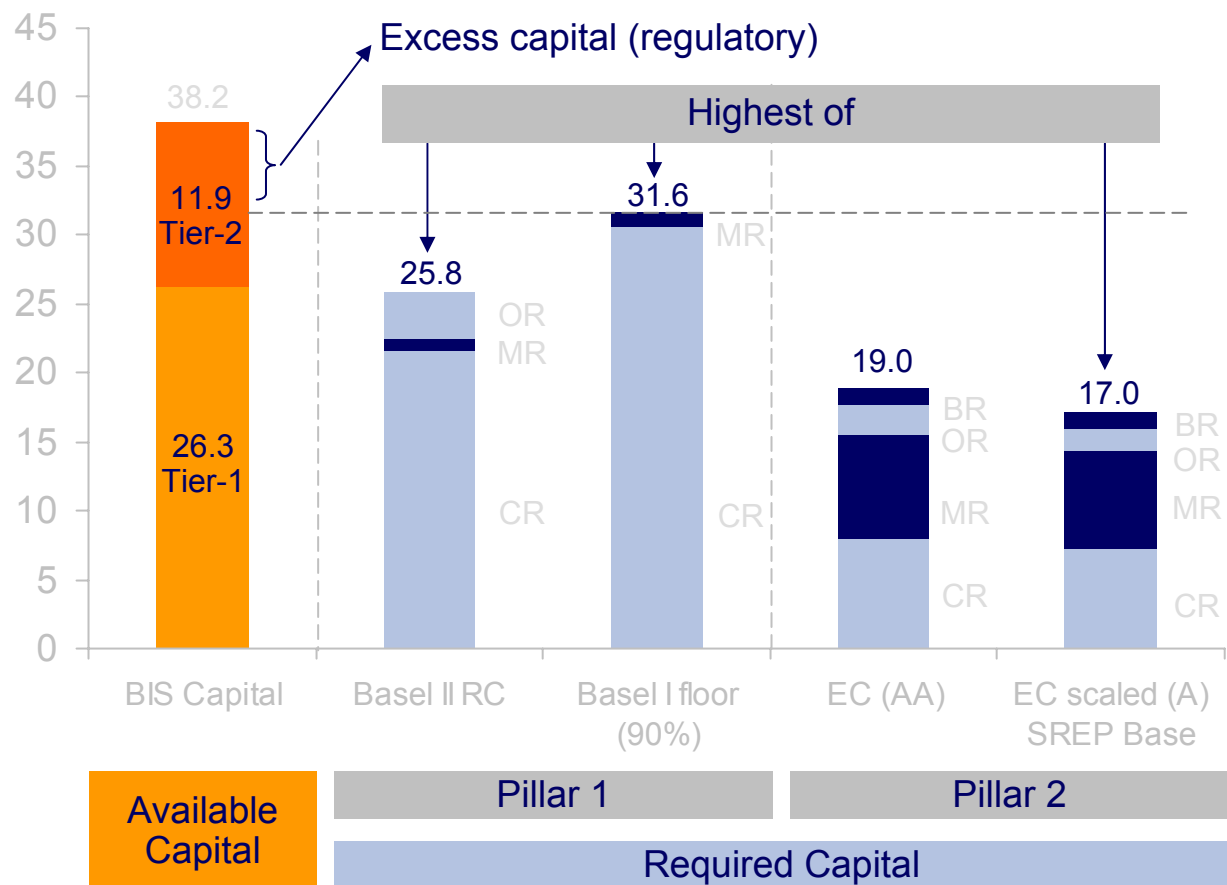
## Tier 1 capital consists of core Tier-1 and hybrid capital ⑧

Regulatory minimum requirements: Tier 1 Capital > 4% of Risk-Weighted Assets

Hybrid ratio = Hybrid capital / Tier 1 capital = Limited to 25%

# Regulatory perspective: Basel II

**ING Bank: Regulatory Capital (Basel II, 30/6/08) (in EUR billion)**



## Pillar 1

- Regulatory models & parameters
- Basel II method, but no lower than 90% of Basel I (80% in 2009)

## Pillar 2

- Own models & parameters
- Scaled to single-A rating
- Regulatory add-on

**BIS Capital > the highest of Pillar 1 and Pillar 2 Capitals**

## ING's Capital Base

In EUR million	ING Group	
	30 Jun 08	31 Mar 08
① Shareholders' equity	28,060	31,584
② Group hybrid capital	10,948	8,180
Core debt	4,553	4,521
<b>Total capitalisation</b>	<b>43,561</b>	<b>44,285</b>
<b>Adjustments to equity:</b>		
③ • revaluation reserve debt securities	8,128	5,222
④ • revaluation reserve crediting to life policyholders	-1,088	-335
⑤ • Revaluation reserve cashflow hedge	-382	-352
⑥ • goodwill	-2,451	-2,391
Revaluation reserves fixed income securities etc.	4,207	2,103
Rev. reserves equity and real estate excluded from Tier-1		
Insurance hybrid capital		
Minorities		
Deductions tier-1		
<b>Regulatory capital</b>		
Other qualifying capital		
DAC/IF adjustment (50%)		
Group leverage (core debt)	-4,553	-4,521
<b>⑦ Adjusted equity</b>	<b>43,215</b>	<b>41,867</b>

**Adjusted Equity** is used to filter IFRS volatility from key solvency ratios. It is calculated as follows:

- Shareholders' equity ①
- + Group hybrid capital ②
- Revaluation reserve debt securities ③
- Revaluation reserve crediting to life policy holders ④
- Revaluation reserve cashflow hedge ⑤
- Goodwill ⑥

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Adjusted equity ⑦

**Capital base: ING Group**

In EUR million	30 Jun 08
Shareholders' equity	28,060
+ Group hybrid capital	10,948
① + Group leverage (core debt)	4,553
Total capitalisation (Bank + Insurance)	43,561
-/- Revaluation reserves fixed income & other	-4,207
-/- Group leverage (core debt) (d)	4,553
② Adjusted equity (e)	43,215
Debt/equity ratio (d/(d+e))	9.5%
Economic Capital	
EC ING Group	35,216
AFR ING Group	45,020
AFR/EC ratio	128%

**Rating agencies look at the leverage ratio for ING Group**

$$\text{Leverage Ratio} = \frac{\text{Core Debt ①}}{\text{Core Debt ① + Adjusted Equity ②}}$$

**Core debt** is the value of investment in subsidiaries minus equity of holding company

**ING target: D/E ratio ING Group limited to 10%**

The D/E ratio for ING Group can potentially be extended to 15% if needed for acquisitions or exceptional market circumstances

# Simplified illustration of core debt calculation

## Core debt Group (EUR billion):

IFRS equity Bank (20)  
 + IFRS equity Insurance (18)  
- IFRS equity Group (33)  
 = Core debt Group (5)

ING Group (Holding) (30/6/2008)			
ING Bank	20	Equity	33
Insurance	18	Core Debt	5
Hybrids <sub>B</sub>	6	Hybrids	11
Hybrids <sub>I</sub>	5		
	<u>49</u>		<u>49</u>

Equity = adjusted  
equity excluding  
hybrids

ING Bank (30/6/2008)			
RWA	323	Equity	20
		Hybrids	6
		tier 1	26
		tier 2	12
			<u>38</u>

ING Insurance (Holding) (30/6/2008)			
Equity <sub>S</sub>	30	Equity	18
		adjustments	2
		Hybrids	5
		Debt <sub>S</sub>	2
		Equity <sub>A</sub>	27
		Core Debt	3
			<u>30</u>

## Core debt Insurance (EUR billion):

IFRS equity subsidiaries (30)  
- IFRS equity Insurance (27)  
 = Core debt Insurance (3)

Insurance Subsidiaries

## Capital ratios: ING Insurance

In EUR million	30 Jun 08
② Adjusted equity (e)	27,285
① Core debt (d)	2,779
Debt/equity ratio (d/(d+e))	9.2%
③ Available regulatory capital (a)	23,332
EU required regulatory capital (b)	8,313
Capital coverage ratio (a/b)	281%
Economic Capital	
EC ING Insurance	21,277
AFR ING Insurance	21,505

Rating agencies look at the leverage ratio (D/E ratio)

$$\text{Leverage Ratio} = \frac{\text{Core Debt ①}}{\text{Core Debt ①} + \text{Adjusted Equity ②}}$$

**Core debt** equals the value of investment in subsidiaries minus equity of holding company

**Adjusted equity ②** = available regulatory capital ③ + 50% of (ViF-DAC)

$$\text{Hybrid Ratio} = \frac{\text{Insurance hybrid capital (② slide 80)}}{\text{Adjusted Equity ②}}$$

**ING target: D/E ratio limited to 15%**

**ING target: Hybrid ratio limited to 25%**

**These targets are in line with a AA rating**

**Capital ratios: ING Bank**

In EUR million	30 Jun 08
④ Core Tier-1	20,025
③ Hybrid Tier-1	6,279
① Total Tier-1 capital	26,303
Other capital	11,942
BIS Capital	38,245
② Risk-weighted assets Basel II	322,582
Required capital Basel II	25,807
Required capital floor based on Basel I	31,591
Tier-1 ratio	8.15%
BIS ratio	11.86%
Economic Capital	
EC ING Bank	18,977
AFR ING Bank	28,068

**ING target Tier-1 ratio: 7.2%**

**Hybrid ratio limited to 25%**

**ING core Tier 1 target: 5.4%**

**ING BIS target: 10.8%**

**Tier-1 capital** is calculated as for regulatory capital (see slide 81)

To maintain a AA rating ING holds a buffer over the 4% minimum regulatory capital requirement

$$\text{Tier-1 Ratio} = \frac{\text{Total Tier-1 Capital ①}}{\text{Risk-weighted assets ②}}$$

$$\text{Hybrid Ratio} = \frac{\text{Hybrid Capital ③}}{\text{Total Tier-1 Capital ①}}$$

$$\text{Core Tier-1 Ratio} = \frac{\text{Core Tier-1 capital ④}}{\text{Risk-weighted assets ②}}$$

- Economic Capital is the amount of capital that is required to absorb unexpected losses in times of severe stress
- Given ING Group's AA target rating, ING calculates economic capital at a 99.95% level of confidence over a 1-year time horizon
- As EC is market value based, we also calculate available financial resources (AFR) on a market-value basis
- The Economic Capital calculation includes diversification effects



## Capital ratios: ING Insurance

In EUR million	30 Jun 08
Adjusted equity (e)	27,285
Core debt (d)	2,779
Debt/equity ratio (d/(d+e))	9.2%
Available regulatory capital (a)	23,332
EU required regulatory capital (b)	8,313
Capital coverage ratio (a/b)	281%
Economic Capital	
EC ING Insurance	21,277
AFR ING Insurance	21,505

- **AFR** at ING Insurance is measured as the market value of assets minus the market value of liabilities.
- AFR includes **hybrid capital**, which is not counted as a liability
- **Policy liabilities** are valued flat to the swap curve
- Economic Capital is calculated using replicating portfolios in ECAPS

**ING target: AFR should exceed EC**

## Capital ratios: ING Bank

In EUR million	30 Jun 08
Core Tier-1	20,025
Hybrid Tier-1	6,279
<b>Total Tier-1 capital</b>	<b>26,303</b>
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<b>Tier-1 ratio</b>	<b>8.15%</b>
<b>BIS ratio</b>	<b>11.86%</b>
<b>Economic Capital</b>	
EC ING Bank	18,977
<b>AFR ING Bank</b>	<b>28,068</b>

**ING target: AFR should exceed EC**

In absence of a full market value balance sheet for ING Bank, **AFR at ING Bank** is defined as

- IFRS equity
- + minorities
- + hybrid capital
- revaluation reserve fixed income securities
- revaluation reserve cash flow hedging
- goodwill and (selected) intangibles
- provisions minus expected loss

The revaluation reserves participations, real estate and equities are included in AFR as the risks on these assets are also included in EC

## Capital base: ING Group

In EUR million	30 Jun 08
Shareholders' equity	28,060
+ Group hybrid capital	10,948
+ Group leverage (core debt)	4,553
<b>Total capitalisation (Bank + Insurance)</b>	<b>43,561</b>
-/- Revaluation reserves fixed income & other	-4,207
-/- Group leverage (core debt) (d)	4,553
<b>Adjusted equity (e)</b>	<b>43,215</b>
<b>Debt/equity ratio (d/(d+e))</b>	<b>9.5%</b>
<b>Economic Capital</b>	
EC ING Group	35,216
AFR ING Group	45,020
<b>AFR/EC ratio</b>	<b>128%</b>

As AFR and EC are relatively new measures, and because AFR is volatile, ING targets a 20% buffer of AFR/EC at ING Group level

ING calculates both Economic Capital and Available Financial Resources bottom-up from banking and insurance

**Economic Capital ING Group** is calculated as:

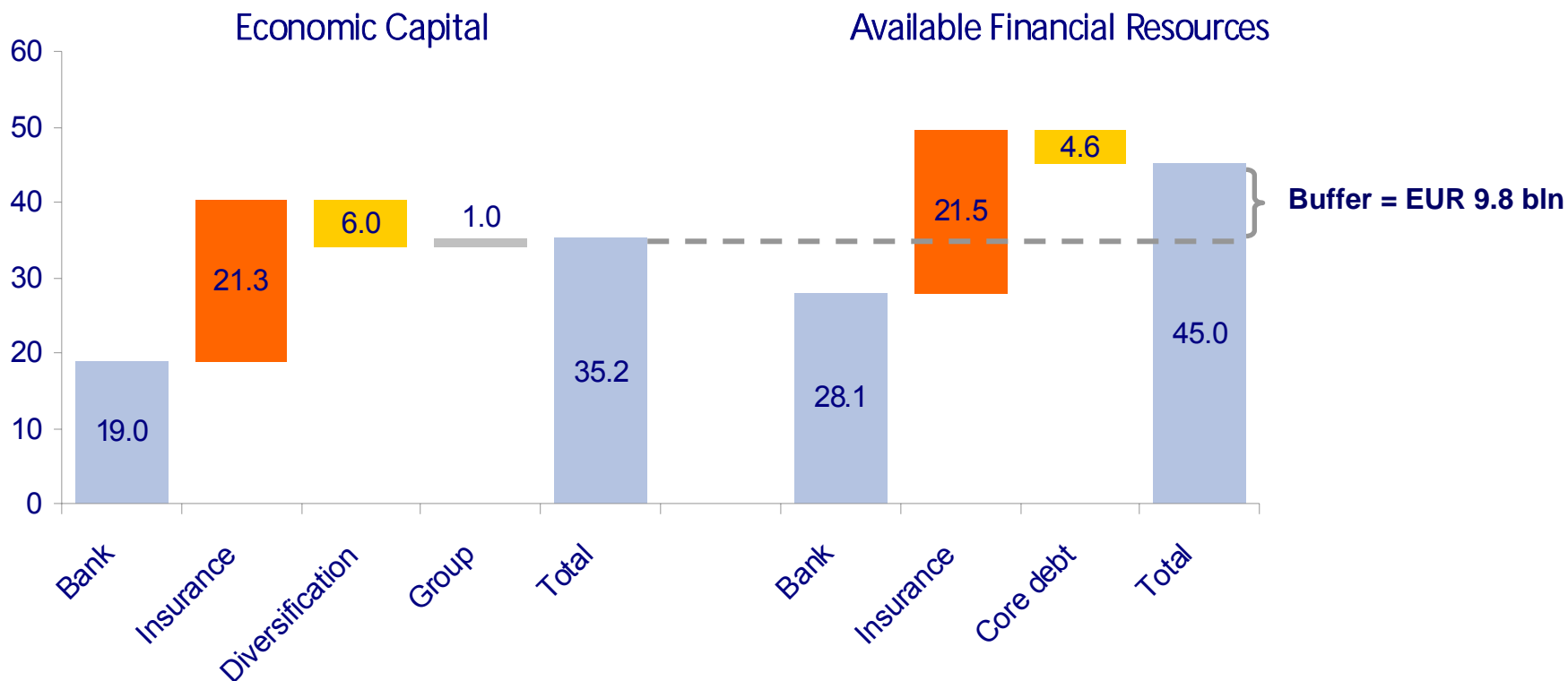
- EC ING Bank
- + EC ING Insurance
- 15% diversification benefit
- + ING Group items (e.g. share-based payment plans)

**AFR ING Group** is calculated as:

- AFR ING Bank
- + AFR ING Insurance
- Core debt ING Group

# ING Group has sufficient “economic buffer”

ING's excess capital on an economic basis: AFR - EC (EUR bln, 2008Q2 full IFRS)



Group EC = EC Insurance (21.3) + EC Bank (19.0) - 15% diversification + EC Group (1.0)

EC Group = EC ING Group unconsolidated (0.25) + Market risk on the assets backing ING Bank equity (0.75)

# Diversification between risk types at Group level justifies up to 15% double leverage

- Aggregation of fully capitalised subsidiaries results in overcapitalised Group as a diversified Group requires less capital than the sum of the parts
- ING Group has a 15% diversification benefit in terms of required economic capital, driven by diversification between risk types and the inherent interest rate risk netting between ING Bank and ING Insurance
- Regulators and rating agencies acknowledge diversification, which is conservatively reflected in a 10% Group D/E-ratio (= core debt / (adjusted equity + core debt))

Risk Types 2007 YE (EUR B)	Bank	Insurance	Sum		Group
<i>Credit &amp; Transfer</i>	8.2	1.9	10.1	Bank- Insurance diversification per risk type  12% →	10.0
<i>Market</i>	8.1	18.4	26.5		23.0
<i>Insurance</i>	0.0	4.1	4.1		4.1
<i>Business</i>	2.0	4.7	6.7		5.5
<i>Operational</i>	3.9	2.7	6.6		4.7
Sum	22.2	31.8	54.0		47.3
Inter-Risk Type Diversification					
	19% ↓	27% ↓			26% ↓
Diversified EC (reported)	17.9	23.2	41.1	15% →	35.0
Add-on EC Group items					1.0
Total EC ING Group					36.0

# Contents

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**Managing Capital for three different stakeholders**

**Bringing these three perspectives into two key metrics**

# Combining all perspectives in two key metrics

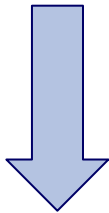
## Regulatory and rating agency solvency metrics

- EU solvency
- Basel II and rating agencies: tier 1
- S&P's capital model: adjusted equity
- D/E ratios, hybrid ratio's (S&P requirements)

Solvency targets are related to rating agency AA requirements, but we manage our business mainly on economic measures

Basel II, Solvency II and rating agency requirements will converge towards ING's EC

IFRS



**SPARE LEVERAGE**

## Economic solvency metrics

- Available Financial Resources (AFR): AFR should exceed EC
- EC / MVaR (for Insurance)
- EC / RAROC (for Bank)
- ROEC (for Insurance)



Market value

**AFR versus EC**

Leaves two key metrics to measure capital adequacy:  
spare leverage and AFR vs EC

# Simplified illustration of spare leverage calculation

② Upstream capital in excess of 7.2% to Group: EUR 1 bln

ING Group (Holding) (31/12/2007)					
ING Bank	23	-1	Equity	37	
Insurance	19	-3	Debt	5	-4
Hybrids <sub>B</sub>	6	+1	Hybrids	8	+4
Hybrids <sub>I</sub>	2	+3			
	<u>50</u>			<u>50</u>	

④ Upstream capital in excess of 15% D/E-ratio to Group: EUR 3 bln

① Issue hybrid capital until you reach 25% of tier-1: EUR 1 bln

ING Bank (31/12/2007)					
RWA	403*		Equity	23	-1 ②
			Hybrids	6	+1 ①
			tier 1	29	
			tier 2	<u>12</u>	
				41	

**Spare leverage =**  
available capital when all capital ratios are brought to their AA target = 4 bln

ING Insurance (Holding) (31/12/2007)					
Equity <sub>S</sub>	31		Equity	19	-3 ④
			Adjustments	4	③
			Hybrids	2	+3
			Debt <sub>S</sub>	<u>2</u>	0
			Equity <sub>A</sub>	27	
			Core Debt	<u>4</u>	
				31	

③ Issue hybrid capital until you reach 25% hybrid-ratio: EUR 3 bln hybrid

Insurance Subsidiaries







# Appendix II

# Contents

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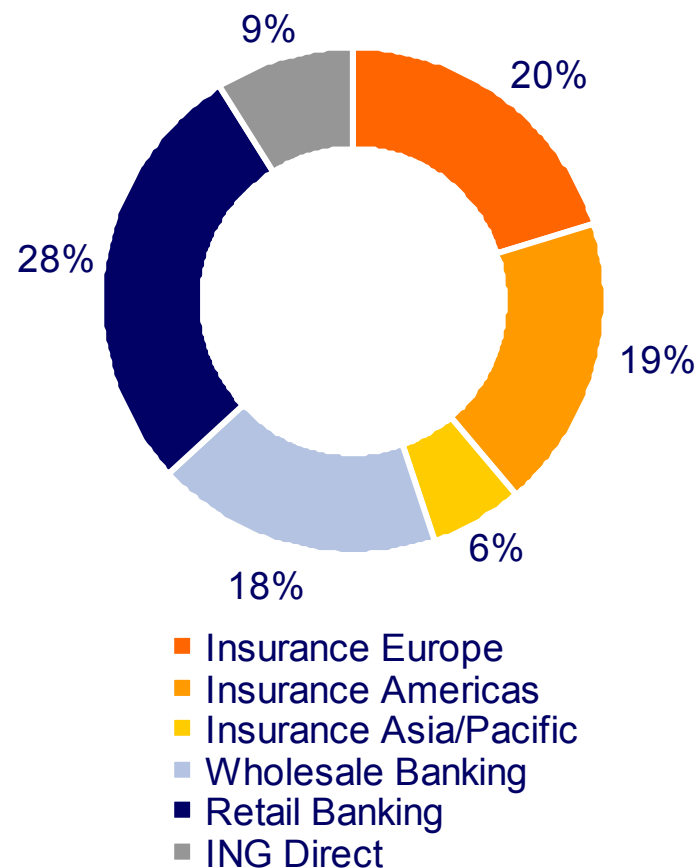
1. Profit distribution
2. Capital position
3. Breakdown of ING Investments and ABS
4. Capital charges and benefits at ING Bank
5. Insurance: margin analysis for Insurance
6. Key Performance Indicators - Footnotes

# Profit distribution

## Underlying profit before tax (In EUR million)

	2Q08	2Q07	% Change
<b>Insurance</b>	1,145	1,956	-41.5
Europe	397	679	-41.5
Americas	374	593	-36.9
Asia / Pacific	124	153	-19.0
Corporate Line Insurance	250	531	
<b>Banking</b>	1,101	1,329	-17.2
Wholesale Banking	365	604	-39.6
Retail Banking	558	619	-9.9
ING Direct	179	171	4.7
Corporate Line Banking	-2	-65	
<b>Total ING Group</b>	<b>2,246</b>	<b>3,285</b>	<b>-31.6</b>

## Contribution of business lines in 2Q08\*



\* Excludes Corporate Lines

# Continued strong capital position

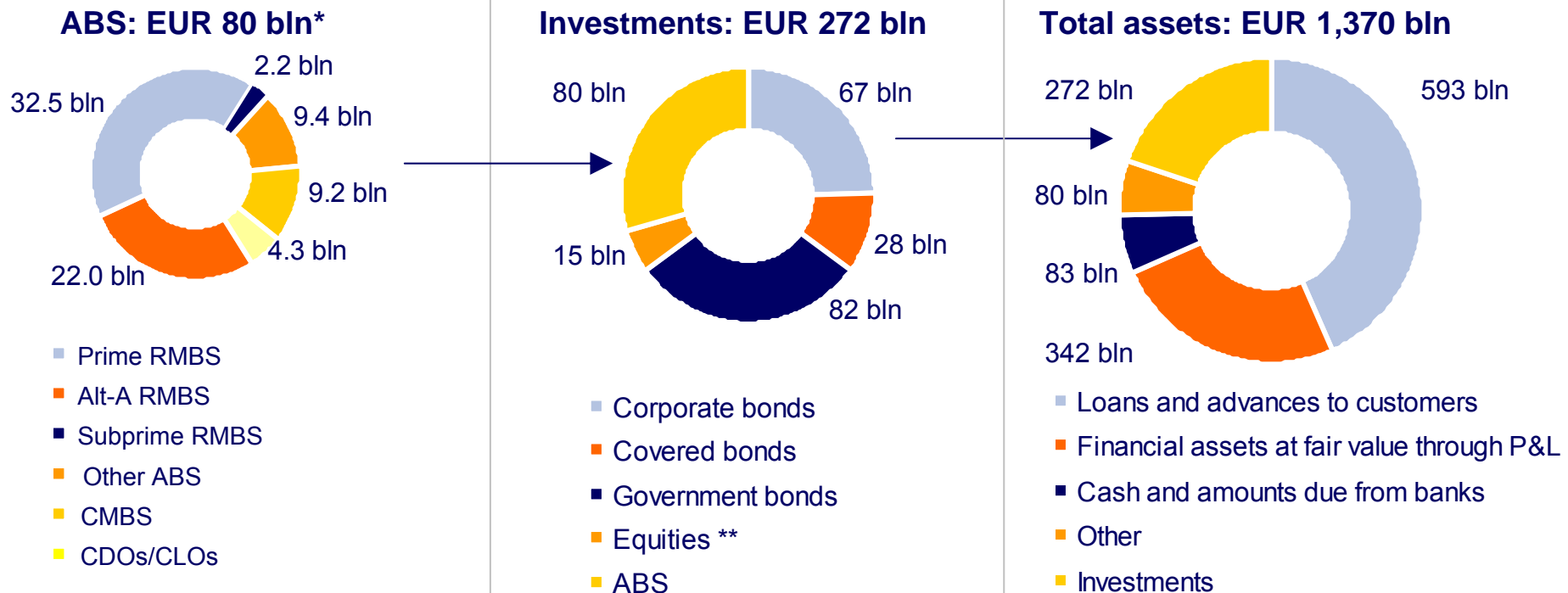
	30/06/2008	31/03/2008	31/12/2007
<b>ING Group</b>			
Balance sheet total (EUR bln)	1,370	1,303	1,313
Shareholders' equity (EUR bln)	28	32	37
Shareholders' equity per share (EUR)	13.85	15.35	17.73
Debt/equity ratio Group	9.5%	9.7%	9.5%
Net revaluation reserve (EUR bln)			
Shares	2.7	3.6	5.8
Fixed income securities	-8.1	-7.3	-1.9
<b>Insurance</b>			
Debt/equity ratio Insurance	9.2%	12.3%	13.6%
Capital coverage ratio	281%	254%	244%
<b>Banking</b>			
Basel II BIS ratio	11.86%	11.52%	10.3%(*)
Basel II Tier-1 ratio	8.15%	8.27%	7.4%(*)
Basel II RWAs (EUR bln)	323	309	293

(\*) Basel I figures



# Risk Management and business profile shield ING from direct impact of credit and liquidity crisis

- ING is primarily a retail house: we collect customer balances and invest them
- ING invests to match liabilities, we're a long-term investor and aim to hold most assets to maturity
- ING is not an originator of CDOs or a manufacturer of RMBS
- Conservative selection of assets with a high structural credit protection



\* = Loans and advances to customers includes an additional EUR 13.3 billion in European Asset-backed products

\*\* = Equities include EUR 2.6 billion of real estate and fixed income mutual funds



# Capital charges and benefits at ING Bank

(in EUR million)	Wholesale Banking	Retail Banking	ING Direct	Corporate Line	Total Bank
<b>Underlying Profit Before Tax, Before Capital Charge and Benefits</b>	<b>438</b>	<b>587</b>	<b>213</b>	<b>5</b>	<b>1,243</b>
<b>Capital Charge and Benefits</b>					
Capital Charge (local interest rate on local capital)	-187	-71	-66	323	0
Capital Benefit (Euro rate on average EC)	115	42	31	-188	0
Other (mainly FX hedges and leverage impacts)	0	0	0	-142	-142
<b>Sub-Total Capital Charge and Benefits</b>	<b>-72</b>	<b>-29</b>	<b>-34</b>	<b>-7</b>	<b>-142</b>
<b>Underlying Profit Before Tax, After Capital Charge and Benefit</b>	<b>365</b>	<b>558</b>	<b>179</b>	<b>-2</b>	<b>1,101</b>

# To measure performance for life insurance business ING introduces Margin Analysis

Decomposition of IFRS earnings for life insurance businesses into a more useful and meaningful presentation



## + Investment Margin

- Spread between investment income and interest credited to policyholder reserves
- Includes return on capital and free surplus

## + Fee and premium-based revenue

- Fee revenues and margins on life insurance premiums available to cover expenses, cost of capital and profit margin

## + Technical margin

- Margin between costs charged for benefits and incurred claims, including surrenders
- Mortality profits are the major component generally followed by surrenders

## - Expenses

- Operating expenses and commissions paid
- Less: Capitalisation of acquisition expenses and commission linked to new business
- Plus: Amortisation of acquisition expenses and commission on current and prior years new business, and VOBA amortisation

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## = Underlying profit before tax

# Margin analysis for Insurance Europe

## Insurance Europe (in EUR million)

	2Q08	1Q08	4Q07	3Q07	2Q07
Investment margin	205	183	258	179	496
Fees and premium-based revenues*	351	345	336	325	348
Technical margin	181	104	8	113	90
Expenses (including commission & DAC)	-386	-389	-307	-375	-373
<b>Underlying profit before tax – modeled business</b>	<b>352</b>	<b>243</b>	<b>295</b>	<b>242</b>	<b>561</b>
Unmodeled Life business	-3	-7	-18	-15	5
Underlying profit before tax – Life insurance	349	236	278	227	566
Non-life insurance	48	104	80	135	113
<b>Underlying profit before tax</b>	<b>397</b>	<b>339</b>	<b>358</b>	<b>362</b>	<b>679</b>

\* = Including other items



# Margin analysis for Insurance Americas

## Insurance Americas (in EUR million)

	2Q08	1Q08	4Q07	3Q07	2Q07
Investment margin	208	354	407	381	397
Fees and premium-based revenues*	503	507	556	515	525
Technical margin	71	54	53	21	91
Expenses (including commission & DAC)	-536	-713	-703	-561	-562
<b>Underlying profit before tax – modeled business</b>	<b>247</b>	<b>202</b>	<b>313</b>	<b>357</b>	<b>450</b>
Unmodeled Life business	0	3	12	8	22
Underlying profit before tax – Life insurance	246	205	325	365	472
Non-life insurance	128	113	128	115	120
<b>Underlying profit before tax</b>	<b>374</b>	<b>317</b>	<b>453</b>	<b>480</b>	<b>593</b>

\* = Including other items

# Margin analysis for Insurance Asia/Pacific

## Insurance Asia/Pacific (in EUR million)

	2Q08	1Q08	4Q07	3Q07	2Q07
Investment margin	0	9	-3	4	1
Fees and premium-based revenues*	294	337	324	319	305
Technical margin	32	38	34	51	54
Expenses (including commission & DAC)	-221	-241	-243	-236	-221
<b>Underlying profit before tax – modeled business</b>	<b>105</b>	<b>143</b>	<b>112</b>	<b>137</b>	<b>139</b>
Unmodeled Life business	18	38	0	13	13
Underlying profit before tax – Life insurance	123	181	112	151	152
Non-life insurance	1	1	1	1	1
<b>Underlying profit before tax</b>	<b>124</b>	<b>182</b>	<b>113</b>	<b>151</b>	<b>153</b>

\* = Including other items

# Key Performance Indicators - Footnotes

## Footnotes for KPI slides:

1. Client Balances are based on end of period figures
2. Client Balance ratios are rolling 4 quarter based on average client balances for the same period
3. Economic capital figures are end of period
4. ROEC is 4 quarter rolling Underlying Net Profit based on average Economic Capital
5. ING Direct 'Client Balances' is defined as the disclosed ING Direct 'Client Retail Balances' excluding bought mortgage pools and e-Brokerage