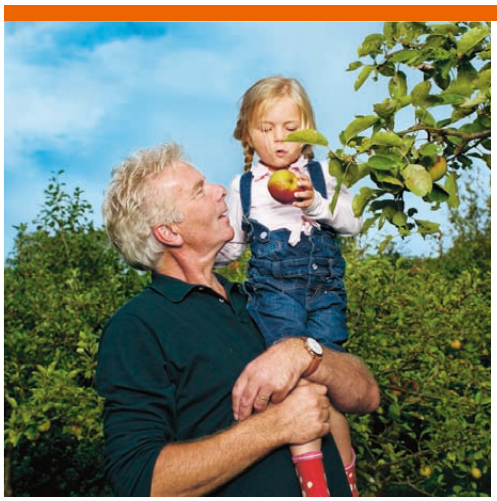
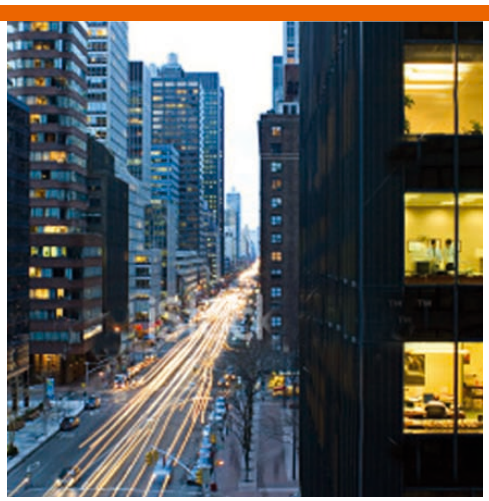
ING GROUP QUARTERLY REPORT

# First quarter 2010

ING

## SHARE INFORMATION

### Financial calendar

| | |
|---|---|
| Publication results 2Q 2010 | Wednesday, 11 August 2010 |
| Publication results 3Q 2010 | Wednesday, 10 November 2010 |

(All dates are provisional)

### Investor relations

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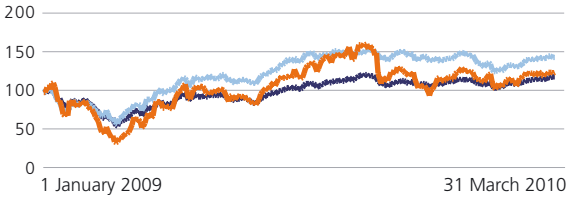
### Listing information

ING ordinary shares are registered shares with a par value of EUR 0.24 per share. The (depositary receipts for) ordinary shares of ING Group are listed on the exchanges of Amsterdam, Brussels, and New York (NYSE).

| Stock exchanges | Tickers (Bloomberg, Reuters) | Security codes (ISIN, SEDOL1) |
|---|---|---|
| Euronext Amsterdam | INGA NA, ING.AS | NL0000303600, 7154782 NL |
| New York Stock Exchange | ING, ING.N | US456837103, 2452643 US |

### Comparative performance of share price

1 JANUARY 2009 TO 31 MARCH 2010




ING
DJ Stoxx Banks Europe index
DJ Stoxx Insurance Europe index

### American Depositary Receipts (ADRs)

For questions regarding your ADRs please contact the JP Morgan Depositary Receipts Team:

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## OUR QUARTERLY PUBLICATIONS

This ING Group Quarterly Report contains our quarterly financial reporting and analysis, including comment on the progress of our businesses and key strategic initiatives.

The following other quarterly financial publications are available on the internet at www.ing.com/investorrelations in the Quarterly Results section.

### Press release

The press release on ING's quarterly results contains the Chairman's Statement, financial highlights and key developments on the balance sheet and capital management.

### Analyst presentation

The analyst presentation of ING's quarterly results contains a detailed review of the drivers of results and addresses key issues raised by analysts and investors.

### ING Group Statistical Supplement

The Group Statistical Supplement contains quarterly financial data and should be read in conjunction with the ING Group Quarterly Report. The supplement is available in both PDF and Excel format.

### ING Group Historical Trend Data

In addition to the Group Statistical Supplement, this document, available in PDF and Excel format, includes historical trend data and details of restatements.

### ING Group Interim Accounts

These condensed consolidated interim accounts have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". ING publishes Interim Accounts under IAS 34, including a review report of Ernst & Young, on a quarterly basis.

## CHANGES TO DISCLOSURE

This Quarterly Report is aligned with ING's new grouping of lines of business for Bank and Insurance as of 1 January 2010. An Insurance margin analysis for Life Insurance and ING Investment Management (ING IM) is now included in the Quarterly Report. The following allocation changes were made: profit reporting for ING IM, abolishment of the notional income concept at ING Insurance and the reporting of non-core Japan SPVA hedging results on the Corporate line Insurance. Historical underlying figures have been adjusted for the following divestments: Swiss Private Banking business, Asian Private Banking business, US Advisors Network and US Group Reinsurance.

An Historical Trend Document reflecting the above changes has been provided at the Investor Day in April 2010 and can be found on www.ing.com/investorday.

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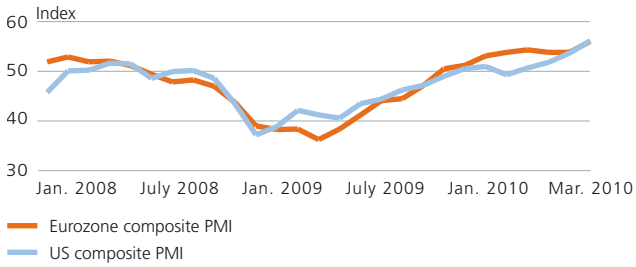
# ECONOMIC ENVIRONMENT

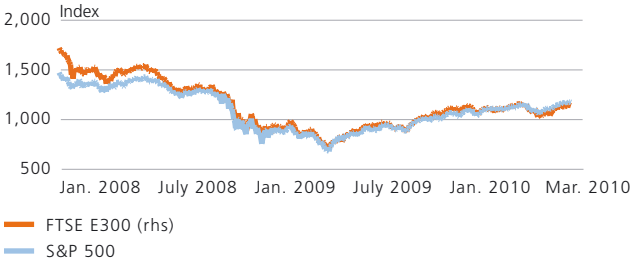
## ECONOMIC ACTIVITY

- The purchasing managers' indices (PMIs), regarded as timely indicators of underlying trends in economic activity, continued to trend higher both in the US and the eurozone, indicating the recovery remained on track in the first quarter.



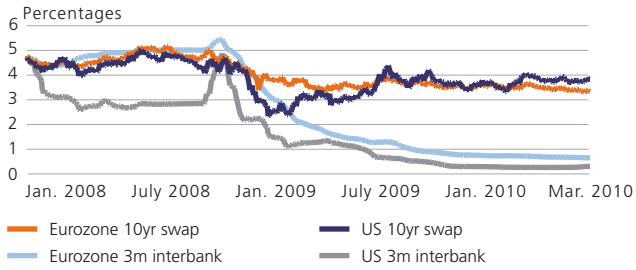

## STOCK MARKETS

- Equity indices in the United States and the eurozone dipped in the early part of this year, but resumed their upward trend in the latter part of the first quarter.



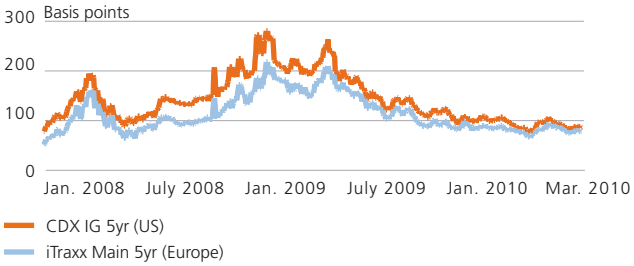

## YIELD CURVE

- The yield curve in the United States and the eurozone remained steep during the first quarter of 2010.
- Both short- and long-term interest rates remained more or less stable.



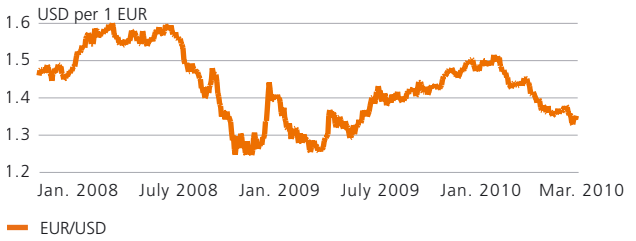

## CREDIT MARKETS

- The improvement in credit market sentiment stalled during the first quarter. Credit spreads, as measured by the CDX and iTraxx indices of investment-grade borrowers' credit-default swaps, on balance remained more or less unchanged.




## CURRENCY MARKETS

- The euro weakened further against the US dollar during the first quarter of this year, but remained above the 1.25 level seen in early March 2009 and November 2008. The euro weakness appears to have been mainly driven by concerns about debt problems in the Eurozone periphery.




Source: ING Economics Department

# CHAIRMAN'S STATEMENT

"ING made a strong start in 2010 with earnings recovering in both banking and insurance," said Jan Hommen, CEO of ING Group. "The performance of both businesses improved, while market-related impacts diminished in the first quarter as markets generally improved. Insurance sales regained momentum from the fourth quarter, and savings volumes increased although loan growth remained muted. The return on equity for the Group improved substantially to 11.3%."

"The bank has made good progress on the performance improvement initiatives announced in October, posting an underlying profit before tax of EUR 1,278 million. Income rebounded to pre-crisis levels, surpassing the first quarter of 2008, as savings and mortgage volumes increased and margins improved, particularly in Retail Banking. The cost/income ratio has been reduced to 53.5% excluding impairments and other market impacts, illustrating ongoing cost containment following the significant cuts made last year. Loan loss provisions declined from previous quarters, as provisioned loans were restructured and the US housing market stabilised. However risk costs on the Benelux mid-corporate segment remained elevated given the weak economic environment."

"The insurance operations also showed early results on their performance improvement plans announced in April. Cost containment and improving investment margins drove a strong increase in operating profit, which rose 62.7% to EUR 415 million. Sales momentum also gained pace, up 20.5% from the fourth quarter and matching the sales volumes from the first quarter last year. The market recovery helped reduce the impact of impairments and revaluations, leading to an improvement in the underlying result before tax to EUR 269 million, up from losses in the previous quarters."

"The results to date are clearly encouraging, and they serve as evidence of the commitment of our management and employees to drive performance improvements while keeping a sharp eye on costs. We will work hard to build on these successes in the coming quarters, but we must remain vigilant as markets are still volatile and the economic recovery could prove fragile, as we have seen in recent weeks with severe market volatility amid concerns about sovereign risk. As we work to increase the value of our banking and insurance franchises coming out of this crisis, our primary focus must remain on our customers and we aim to differentiate ourselves by providing simpler and more transparent products, reliable advice, efficient processes and better customer service."

"Our priorities for this year are to ensure an orderly operational separation of banking and insurance and to improve the performance of both organisations to create strong independent companies going forward – and we are making good progress on all fronts."

"In the first quarter we also completed an inventory of all integration issues that need to be addressed in the separation project. Now we are designing solutions that aim to keep restructuring costs to a minimum while at the same time ensuring that both the bank and insurer benefit from lower operating expenses going forward."

# KEY FIGURES

## Group

| | 1Q2010 | 1Q2009 | Change | 4Q2009 | Change |
|---|---|---|---|---|---|
| **Profit and loss (in EUR million)** | | | | | |
| Underlying result before tax | 1,547 | -185 | | 86 | n.a. |
| Underlying net result | 1,018 | -236 | | 74 | n.a. |
| Taxation | 511 | 70 | 630% | 20 | n.a. |
| Divestments & Special items | 306 | -558 | | -785 | |
| Net result | 1,326 | -793 | | -712 | |
| **Balance sheet data (end of period, in EUR billion)** | | | | | |
| Total assets | 1,236 | 1,272 | -3% | 1,164 | 6% |
| Shareholders' equity | 38 | 19 | 100% | 34 | 13% |
| **Capital ratios (end of period)** | | | | | |
| ING Group debt/equity ratio | 11.8% | 13.5% | | 12.4% | |
| Bank core Tier 1 ratio | 8.4% | 7.5% | | 7.8% | |
| Insurance IGD Solvency I ratio | 261% | | | 251% | |
| **Share information** | | | | | |
| Net result per share (in EUR) | 0.35 | -0.39 | | -0.33 | |
| Shareholders' equity per share (end of period, in EUR) | 10.10 | 9.59 | 5% | 8.95 | 13% |
| Shares outstanding in the market (average, for EPS calculation, in million) | 3,785 | 2,026 | 87% | 2,103 | 80% |
| **Other data** | | | | | |
| Return on equity [1] | 11.3% | -5.1% | | 3.3% | |
| Employees (FTEs, year-end) | 105,140 | 111,073 | -5% | 105,811 | -1% |

[1] Underlying net result (year-to-date) divided by average IFRS equity (annualised)

## Banking operations

| | 1Q2010 | 1Q2009 | Change | 4Q2009 | Change |
|---|---|---|---|---|---|
| **Profit and loss (in EUR million)** | | | | | |
| Interest result | 3,254 | 3,022 | 8% | 3,139 | 4% |
| Total underlying income | 4,176 | 3,762 | 11% | 3,313 | 26% |
| Operating expenses | 2,401 | 2,312 | 4% | 2,496 | -4% |
| Addition to loan loss provision | 497 | 682 | -27% | 689 | -28% |
| Underlying result before tax | 1,278 | 769 | 66% | 128 | 898% |
| **Key figures** | | | | | |
| Interest margin | 1.42% | 1.17% | | 1.41% | |
| Underlying cost/income ratio | 57.5% | 61.4% | | 75.4% | |
| Underlying risk costs in bp of average RWA | 59 | 80 | | 83 | |
| Risk-weighted assets (end of period, in EUR billion, adj. for divestm.) | 333 | 338 | -2% | 331 | 0% |
| Return on equity [2] | 14.9% | 8.6% | | 2.9% | |

[2] Underlying, after-tax return divided by average equity based on 7.5% core Tier-1 ratio (annualised); ROE (year-to-date) based on average IFRS equity was 11.7% in 1Q2010, 9.3% in 1Q2009, 3.7% in 4Q2009

## Insurance operations

| | 1Q2010 | 1Q2009 | Change | 4Q2009 | Change |
|---|---|---|---|---|---|
| **Margin analysis (in EUR million)** | | | | | |
| Investment margin | 329 | 298 | 10% | 268 | 23% |
| Fees and premium based revenues | 1,200 | 1,081 | 11% | 1,102 | 9% |
| Technical margin | 182 | 173 | 5% | 228 | -20% |
| Income non-modelled life business | 32 | 27 | 19% | 47 | -32% |
| **Life & ING IM operating income** | **1,744** | **1,578** | **11%** | **1,645** | **6%** |
| Administrative expenses | 757 | 742 | 2% | 735 | 3% |
| DAC amortisation and trail commissions | 434 | 412 | 5% | 430 | 1% |
| **Life & ING IM expenses** | **1,191** | **1,154** | **3%** | **1,165** | **2%** |
| **Life & ING IM operating result** | **552** | **425** | **30%** | **480** | **15%** |
| Non-life operating result | 48 | 34 | 41% | 69 | -30% |
| Corporate line operating result | -185 | -203 | | -244 | |
| **Operating result** | **415** | **255** | **63%** | **304** | **37%** |
| Non-operating items | -146 | -1,210 | | -346 | |
| **Underlying result before tax** | **269** | **-954** | | **-42** | |
| **Key figures** | | | | | |
| Administrative expenses / operating income (Life & ING IM) | 43.4% | 47.0% | | 44.7% | |
| Life general account assets (end of period, in EUR billion) | 153 | 148 | 3% | 143 | 7% |
| Investment margin / life general account assets[3] (in bps) | 84 | 109 | | 83 | |
| ING IM Assets under Management (end of period, in EUR billion) | 362 | 312 | 16% | 343 | 6% |
| Return on equity[4] | 3.0% | -28.1% | | -0.9% | |

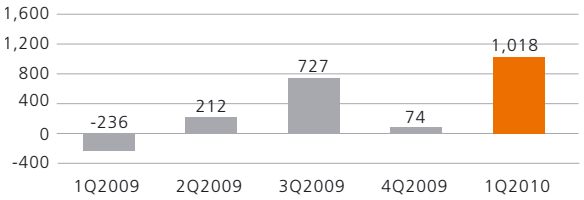
[3] Four quarters rolling average
[4] Underlying net result (year-to-date), adjusted for the after-tax allocated cost of Group core debt injected as equity into Insurance by the Group, divided by average IFRS equity (annualised); ROE (year-to-date) based on average IFRS equity was 2.5% in 1Q2010, -28.9% in 1Q2009, -1.7% in 4Q2009

Underlying figures are non-GAAP measures and are derived from figures according to IFRS-EU by excluding impact from divestments and special items.
Result per share differs from IFRS Earnings per share in respect of attributions to the Core Tier 1 securities and the recalculation of the number of outstanding shares due to the rights issue. The IFRS EPS for 1Q2010 is EUR 0.24. A reconciliation between RPS and EPS is provided in the ING Group Interim Accounts.

## CONSOLIDATED RESULTS

ING Group posted an underlying net profit of EUR 1,018 million in the first quarter, up from a loss of EUR 236 million in the same period last year and a profit of EUR 74 million in the fourth quarter as market conditions improved and volume growth in both Banking and Insurance remained healthy. Net profit for the Group increased to EUR 1,326 million including EUR 306 million from gains on divestments and special items. The underlying net return on equity increased significantly to 11.3%.

UNDERLYING NET RESULT (in EUR million)




Client balances increased across the Group. Banking growth in the quarter was driven by a EUR 6.1 billion net inflow in funds entrusted at Retail Banking, while mortgages grew at a slower EUR 3.4 billion. Funds entrusted at Commercial Banking showed a net outflow of EUR 5.8 billion and commercial lending stabilised after declining in 2009 as economies contracted. Insurance sales recovered to levels last seen in the first quarter of 2009. They were up 20.5% compared with the fourth quarter as the business regained momentum thanks to new product introductions, broader bank distribution and efforts to strengthen the tied agency channel. Excluding the US closed block and the discontinued annuity products in Japan, sales were up 15.2% compared with the first quarter last year.

Market conditions continued to improve, reducing the negative impacts that weighed on results for the past six quarters. Credit losses and impairments on debt securities declined as the US insurance business took advantage of improving market prices to reduce its exposure. Real estate markets began to stabilise in most countries, reducing the impact of negative fair value changes. However real estate impairments, mainly on development projects, remained elevated as ING scaled down several projects. The stabilisation of real estate markets also resulted in lower loan loss provisions for the US residential mortgage book.

### Banking

The banking activities showed a strong recovery, driven by higher volumes and margins, cost containment measures, lower risk costs and lower negative market-related impacts. The underlying result before tax increased to EUR 1,278 million from EUR 769 million in the first quarter of 2009 and EUR 128 million in the fourth quarter.

Total underlying income from banking rose 11.0% compared with the first quarter of 2009 and 26.0% from the fourth quarter. This was driven by a higher interest result, lower impairments and lower negative revaluations. The interest result increased 7.7%, driven by a 25 basis point improvement in the interest margin to 1.42%. Margins in Retail Banking increased reflecting healthier margins for savings in the Netherlands and the reduction of client rates at ING Direct in some countries.

As market conditions improved, impairments and other market-related impacts declined to EUR -181 million compared with EUR -219 million in the first quarter of 2009 and EUR -992 million in the previous quarter. Impairments on debt and equity securities were EUR 83 million in the first quarter of 2010 versus EUR 200 million in the first quarter of 2009 and EUR 284 million in the fourth quarter of 2009, mainly reflecting lower impairments in the US residential mortgage-backed securities portfolio. Real estate markets showed signs of stabilising. This resulted in EUR 38 million of negative fair value changes on ING Real Estate's direct real estate investments and listed funds compared with EUR 182 million in the same quarter last year and EUR 161 million in the previous quarter. Real estate impairments, mainly on development projects, were EUR 151 million compared with EUR 22 million in the same quarter of last year and EUR 296 million in the previous quarter. The fair value change on the Bank's own Tier 2 debt was EUR -18 million compared with EUR 182 million in the same quarter last year and EUR -23 million in the previous quarter.

Efficiency improved, reflecting the impact of cost containment measures taken in 2009. The cost/income ratio fell to 57.5% from 61.4% a year earlier, and was 53.5% excluding impairments, revaluations and other market-related impacts. Underlying operating expenses declined 1.8%, excluding real estate impairments, as cost savings made under the Back to Basics programme more than offset higher deposit insurance premiums in several markets, an accrual adjustment and the impact of currency exchange rates.

Additions to the loan loss provisions declined in the first quarter but remained at elevated levels. The Bank added EUR 497 million to the provision for loan losses in the first quarter, down from EUR 682 million in the first quarter of 2009 and EUR 689 million in the fourth quarter (adjusted for divestments). The decline was driven by lower gross additions, notably in Structured Finance. Risk costs at ING Direct also declined as the US housing market began to stabilise. Loan loss provisioning for the Benelux mid-corporate and SME sector declined, but remained elevated, reflecting the weaker economic climate in the region. Risk costs for the Bank appear to be trending down and are expected to be below the levels seen in the second half of last year in the coming quarters.

Underlying profit before tax from the Retail Banking activities more than tripled to EUR 867 million, driven by strong income growth on higher volumes and margins as well as lower impairments at ING Direct USA. Profit from Retail Netherlands climbed to EUR 359 million from EUR 117 million a year ago, reflecting healthier margins on savings and a 21.2% decline in operating expenses following the merger of ING Bank and

Postbank and the impact of cost-containment measures implemented in 2009. Retail Belgium reported an underlying profit before tax of EUR 174 million, up 50% from a year earlier. This was driven by higher commission income, an 8.0% decline in operating expenses and lower risk costs. ING Direct's results improved strongly to EUR 269 million from EUR 44 million a year ago as interest income increased on higher volumes and margins, risk costs declined and impairments on debt securities declined sharply. Retail Central Europe posted a profit of EUR 45 million compared with a loss of EUR 25 million a year ago; all countries contributed to the increase. Underlying profit before tax of Retail Asia was EUR 19 million compared with a loss of EUR 4 million in the first quarter of 2009.

Underlying profit before tax from Commercial Banking increased 11.3% from a year earlier and rose sevenfold from the fourth quarter as the impact of real estate revaluations and impairments was lower while commercial performance remained strong. Commercial Banking excluding ING Real Estate posted an underlying profit before tax of EUR 683 million, up 77.9% from the fourth quarter and just 2.7% below the record result booked in the first quarter last year. ING Real Estate reported a loss of EUR 113 million, narrowing from losses of EUR 190 million in the first quarter of 2009 and EUR 310 million in the fourth quarter as market values for real estate began to stabilise.

The Corporate Line Banking posted a loss of EUR 159 million compared with a profit of EUR 9 million in the first quarter last year which included a positive revaluation of EUR 182 million on ING Bank's own Tier 2 debt. In the first quarter of 2010, that revaluation was a negative EUR 18 million.

### Insurance

ING's insurance results recovered as negative market-related impacts continued to diminish and operating results improved on higher margins and continued cost control. The underlying result before tax from Insurance increased to EUR 269 million in the first quarter versus EUR -954 million in the same quarter last year and EUR -42 million in the fourth quarter. Gains/losses and impairments on investments improved from EUR -401 million in the first quarter of 2009 to EUR -200 million. Negative DAC unlocking in the United States improved from EUR -615 million to EUR -41 million, while lower volatility resulted in a lower negative impact on the internally reinsured Japanese SPVA book (EUR -10 million compared to EUR -183 million in the same quarter last year). The impact of the change of the provision for guarantees on separate account pension contracts (net of hedging) turned to a positive result of EUR 66 million in the first quarter of 2010.

Improvements in investment margins and strong cost control drove the solid increase in operating profit from the life insurance and investment management businesses, which rose to EUR 552 million from EUR 425 million in the first quarter of 2009 and EUR 480 million in the fourth quarter. The investment margin increased 10.4% from the first quarter last year and rose 22.8% from the fourth quarter, as cash in the general account was partly reinvested in highly rated bonds. The life insurance general account portfolio increased to EUR 153 billion from EUR 143 billion at year-end 2009, while the investment margin improved slightly to 84 basis points of the life insurance general account, from 83 basis points in the fourth quarter, although the margin is still down from 109 basis points of the life insurance general account in the first quarter last year.

Fees and premium-based revenues rose 11.0% from the first quarter of 2009 due to higher fees as markets rebounded in the course of 2009, which led to higher fund values. This increase was partly offset by higher costs of variable annuity guaranteed benefits in the United States. The technical margin rose 5.2% from the first quarter of 2009.

Expenses for life insurance and ING IM increased 3.2% versus the first quarter of last year and 2.2% from the fourth quarter. Administrative expenses were up 2.0% from the same period last year and 3.0% from the fourth quarter due to accrual adjustments. The ratio of administrative expenses to operating income improved to 43.4% from 47.0% a year ago. DAC amortisation and trail commissions were up 5.3% on higher operating income.

The operating profit of Insurance Benelux improved strongly in the first quarter to EUR 151 million from EUR 56 million a year ago. This was mainly driven by higher investment margins, lower expenses due to an ongoing focus on cost reductions as well as higher fees and premium-based revenues. Fees and premium-based revenues were up due to a change in premium recognition in the Netherlands as well as higher sales of annuity products in Belgium and Luxembourg. Life administrative expenses declined 13.8% to EUR 150 million, improving the efficiency ratio of administrative expenses to operating income to 44.9% from 62.8% in the first quarter last year.

Insurance Central and Rest of Europe posted an operating profit of EUR 75 million, up from EUR 62 million in the first quarter last year, supported by a higher technical margin as well as a reduction in administrative expenses.

Operating profit from the US insurance business was EUR 148 million, down from EUR 154 million a year earlier, reflecting lower investment margins on the closed block of business due to derisking. Profit from the continuing life and retirement services businesses increased 18.9% to EUR 132 million. Administrative expenses increased due to accrual adjustments in both quarters. Excluding that impact, the efficiency ratio improved slightly to 43.8%.

Insurance Latin America posted an operating profit of EUR 66 million, up from EUR 54 million a year ago. This was mainly due to higher fee income from pensions and positive currency impacts.

Insurance Asia/Pacific's operating profit increased to EUR 115 million from EUR 90 million. This was driven by higher premium-based revenues as a result of strong sales of corporate-owned life insurance in Japan as well as growth in assets under management on the in-force single-premium variable annuity book. Administrative expenses declined 8.6% and the ratio of

administrative expenses to operating income remained well below the 35% overall target. ING Investment Management posted an operating profit of EUR 45 million, up 7.1% from a year earlier. Fee income grew broadly in line with assets under management, which increased by EUR 18.4 billion in the first quarter to EUR 361.1 billion at the end of March. Expenses rose due to accrual adjustments and ING's ongoing programme to develop the ING IM business.

The Non-life operating result jumped 41.2% to EUR 48 million thanks to higher investment income and lower expenses. The loss ratio for the Benelux non-life business remains relatively high due to unfavourable disability claims experience and weather related claims in the quarter. The combined ratio for the Benelux improved to 104.8% in the quarter from 109.6% a year ago primarily due to an improvement in the expense ratio.

The operating result for the Corporate Line Insurance improved to EUR -185 million from EUR -203 million due to the termination of the Formula 1 sponsorship as well as lower interest on hybrids following the transfer of a USD 1.5 billion hybrid security to the Bank.

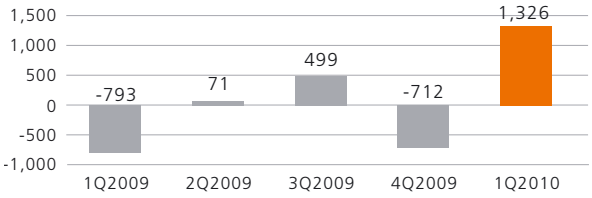
New sales (APE) of life insurance were up 1.9% versus the first quarter last year, and up 15.2% excluding sales from the closed blocks in the US and Japan. Compared to the fourth quarter, sales increased by 20.5% as ING regained sales momentum, particularly in Asia and Latin America.

The sales increase versus the first quarter of 2009 was attributable to the Benelux, Asia, and Latin America. Sales in Asia rose 21.0% at constant currencies. This was driven by higher corporate-owned life insurance sales in Japan, while sales in Hong Kong more than doubled. In Latin America, sales rose 31.8% at constant currencies, driven by higher pension sales in Mexico as well as the first-time inclusion of tax-favoured voluntary pension sales in Colombia. The 56.0% growth in life insurance sales in the Benelux was mainly due to the change in the recognition of premiums in the Netherlands, higher sales of the Optima life insurance product and higher sales of variable annuities in Belgium and Luxembourg. Sales in Central and Rest of Europe fell 13.0% on a constant currency basis due to lower sales in Poland and Greece. Lower sales of variable annuities were mainly responsible for the 19.5% sales decline in the United States, while sales of full-service retirement plans increased.

## Net profit

Net profit for ING Group was EUR 1,326 million, up from a loss of EUR 793 million in the first quarter of 2009 and a loss of EUR 712 million in the fourth quarter. Net results in the first quarter included EUR 403 million in net gains on divestments, which mainly related to the sale of ING's private banking businesses in Asia and Switzerland. Special items included a charge of EUR 97 million after tax mainly related to restructuring costs for combining ING Bank and Postbank in the Netherlands, the Vision for Growth programme in Insurance Central Europe, headcount reductions and separation project costs.

NET PROFIT

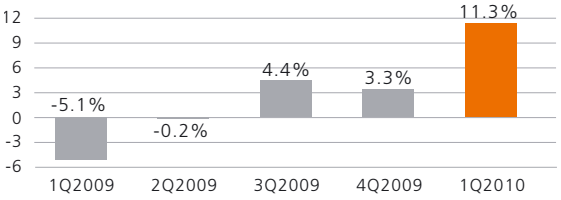



The underlying effective tax rate of 33.0% was down slightly from the first quarter of last year but remained elevated, mainly due to the fact that no tax benefit was booked on part of the investment losses and impairments in the US.

## Return on equity

The underlying return on equity for the Group improved significantly to 11.3% in the first quarter from -5.1% a year earlier and 3.3% for the full year 2009. The return on equity for the bank jumped to 14.9% from 8.6% based on a 7.5% core Tier 1 ratio as earnings rebounded and risk-weighted assets were little changed. The insurance return on equity of 3.0% showed early signs of improvement.

RETURN ON EQUITY (year-to-date)



## CONSOLIDATED BALANCE SHEET

**ING Group: Consolidated balance sheet**

| in EUR million | 31 Mar. 10 | 31 Dec. 09 | 31 Mar. 09 |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with central banks | 17,957 | 15,390 | 19,696 |
| Amounts due from banks | 61,624 | 43,397 | 57,011 |
| Financial assets at fair value through P&L | 262,536 | 233,190 | 255,586 |
| Investments | 227,497 | 212,112 | 214,225 |
| Loans and advances to customers | 590,316 | 578,946 | 641,075 |
| Reinsurance contracts | 5,937 | 5,480 | 5,729 |
| Investments in associates | 3,865 | 3,699 | 4,064 |
| Real estate investments | 3,683 | 3,638 | 4,228 |
| Property and equipment | 6,099 | 6,119 | 6,386 |
| Intangible assets | 6,186 | 6,021 | 6,822 |
| Deferred acquisition costs | 12,110 | 11,398 | 11,615 |
| Assets held for sale | 307 | 5,024 | |
| Other assets | 38,101 | 39,229 | 45,400 |
| **Total assets** | **1,236,218** | **1,163,643** | **1,271,836** |

| | 31 Mar. 10 | 31 Dec. 09 | 31 Mar. 09 |
|---|---|---|---|
| **Equity** | | | |
| Shareholders' equity | 38,235 | 33,863 | 19,370 |
| Minority interests | 997 | 915 | 1,137 |
| Non-voting equity securities | 5,000 | 5,000 | 10,000 |
| **Total equity** | **44,232** | **39,778** | **30,507** |
| **Liabilities** | | | |
| Subordinated loans | 10,535 | 10,099 | 10,619 |
| Debt securities in issue | 129,628 | 119,981 | 114,131 |
| Other borrowed funds | 25,173 | 23,151 | 29,531 |
| Insurance and investment contracts | 258,825 | 240,858 | 236,386 |
| Amounts due to banks | 96,564 | 84,235 | 123,538 |
| Customer deposits | 488,076 | 469,508 | 516,629 |
| Financial liabilities at fair value through P&L | 142,811 | 129,789 | 164,353 |
| Liabilities held for sale | 227 | 4,890 | |
| Other liabilities | 40,147 | 41,354 | 46,143 |
| **Total liabilities** | **1,191,986** | **1,123,865** | **1,241,329** |
| **Total equity and liabilities** | **1,236,218** | **1,163,643** | **1,271,836** |

ING Group's balance sheet increased by EUR 73 billion to EUR 1,236 billion compared to year-end 2009. Foreign exchange movements caused EUR 31 billion of this increase. Shareholders' equity increased by EUR 4.4 billion to EUR 38.2 billion (or EUR 10.10 per share) and was driven by a EUR 2.3 billion improvement in the revaluation reserve for debt securities. Compared with a year ago, shareholders' equity has almost doubled.

### Assets

Amounts due from banks increased by EUR 18 billion in the first quarter, due to increased unsettled balances from securities transactions, higher call money and higher normal money market activity.

Financial assets at fair value through P&L increased by EUR 29 billion to EUR 263 billion. At ING Bank the increase was EUR 19 billion due to increased securities borrowing and normal money market activity as well as somewhat higher trading assets. At ING Insurance, investments for the risk of policyholders increased by EUR 10 billion as markets recovered and the euro weakened.

Investments rose by EUR 15 billion to EUR 227 billion. Investments at ING Bank increased by EUR 7 billion, largely attributable to ING Direct (up EUR 5 billion, of which EUR 3 billion due to currency effects). Investments at ING Insurance grew by EUR 8 billion as equity and debt securities increased due to positive revaluations and exchange rates.

Loans and advances to customers increased by EUR 11 billion compared with year-end 2009, almost entirely at ING Bank. Foreign exchange movements contributed EUR 10 billion to the total increase of which roughly EUR 6 billion in mortgages. Residential mortgages increased while demand for corporate lending was low in the current economic environment.

### Liabilities

ING Bank issued EUR 8.7 billion senior debt and covered bonds during the quarter, together with amongst other FX changes, leading to an increase in debt securities in issue of EUR 10 billion.

Insurance and investment contracts increased by EUR 18 billion due to additions in the life insurance provisions, exchange rate differences and the effect of the increased investments for risk of policyholders.

Amounts due to banks rose by EUR 12 billion. This was mainly attributable to higher unsettled balances from securities transactions and an increase in call money.

Customer deposits and other funds on deposits increased by EUR 19 billion, of which EUR 9 billion related to exchange rate variances. The remainder of the increase was due to growth in individual savings accounts (mainly at ING Direct), corporate savings and current accounts.

Financial liabilities at fair value through P&L increased by EUR 13 billion; this was mainly due to normal money market activity and trading derivatives.

### Shareholders' equity

Shareholders' equity increased by EUR 4.4 billion, or 13%, to EUR 38.2 billion. The increase was mainly due to a EUR 2.3 billion improvement in the revaluation reserve for debt securities, EUR 2.1 billion in positive FX changes and the net profit of EUR 1.3 billion, partly offset by EUR 1.0 billion negative deferred interest crediting to life policyholders. Compared with 31 March 2009 shareholders' equity has almost doubled. This increase was mainly

| ING Group: Change in shareholders' equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | ING Group | | ING Bank N.V. | | ING Verzekeringen N.V. | | Holdings/Eliminations | |
| in EUR million | 1Q 2010 | 4Q 2009 | 1Q 2010 | 4Q 2009 | 1Q 2010 | 4Q 2009 | 1Q 2010 | 4Q 2009 |
| **Shareholders' equity beginning of period** | **33,863** | **26,515** | **30,222** | **29,441** | **15,887** | **14,530** | **-12,246** | **-17,456** |
| Net result for the period | 1,326 | -712 | 1,270 | 129 | 105 | 114 | -49 | -955 |
| Unrealised revaluations of equity securities | 111 | 555 | -171 | 271 | 282 | 287 | | -3 |
| Unrealised revaluations of debt securities | 2,133 | -116 | 399 | -21 | 1,734 | -97 | | 2 |
| Deferred interest crediting to life policyholders | -1,027 | -4 | | | -1,027 | -4 | | |
| Realised gains/losses equity securities released to P&L | -9 | -36 | 5 | -7 | -14 | -29 | | |
| Realised gains/losses debt securities released to P&L | 197 | 409 | -23 | 232 | 220 | 177 | | |
| Change in cashflow hedge reserve | 205 | 201 | -76 | 107 | 298 | 87 | -17 | 7 |
| Other revaluations | -681 | 15 | -278 | -138 | -394 | 101 | -9 | 52 |
| Exchange rate differences | 2,110 | 431 | 771 | 196 | 1,316 | 226 | 23 | 9 |
| Dividend/Repayment premium and accrued coupon State repayment | | -605 | | | | | | -605 |
| Excercise of warrants/capital injections | 15 | | 13 | | 9 | 550 | -7 | -550 |
| Proceeds from rights issue | | 7,276 | | | | | | 7,276 |
| Other | -8 | -66 | 7 | 12 | | -55 | -15 | -23 |
| **Total changes** | **4,372** | **7,348** | **1,917** | **781** | **2,529** | **1,357** | **-74** | **5,210** |
| **Shareholders' equity end of period** | **38,235** | **33,863** | **32,139** | **30,222** | **18,416** | **15,887** | **-12,320** | **-12,246** |

| ING Group: Shareholders' equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | ING Group | | ING Bank N.V. | | ING Verzekeringen N.V. | | Holdings/Eliminations | |
| in EUR million | 31 Mar 10 | 31 Dec 09 | 31 Mar 10 | 31 Dec 09 | 31 Mar 10 | 31 Dec 09 | 31 Mar 10 | 31 Dec 09 |
| Share premium/capital | 16,953 | 16,953 | 17,067 | 17,067 | 10,548 | 10,548 | -10,662 | -10,662 |
| Revaluation reserve equity securities | 3,851 | 3,749 | 2,370 | 2,537 | 1,439 | 1,171 | 42 | 41 |
| Revaluation reserve debt securities | -151 | -2,481 | 253 | -123 | -380 | -2,334 | -24 | -24 |
| Revaluation reserve crediting to life policyholders | -871 | 156 | | | -871 | 156 | | |
| Revaluation reserve cashflow hedge | 577 | 372 | -549 | -472 | 1,224 | 926 | -98 | -82 |
| Other revaluation reserves | 647 | 670 | 373 | 387 | 279 | 288 | -5 | -5 |
| Currency translation reserve | -458 | -2,008 | 267 | -241 | -487 | -1,511 | -238 | -256 |
| Treasury shares | -736 | -737 | | | | | -736 | -737 |
| Retained earnings and other reserves | 18,423 | 17,189 | 12,359 | 11,069 | 6,664 | 6,643 | -600 | -523 |
| **Total** | **38,235** | **33,863** | **32,139** | **30,222** | **18,416** | **15,887** | **-12,320** | **-12,246** |

driven by the rights issue (EUR 7.3 billion) and an increase in the revaluation reserve debt securities (EUR 11.6 billion).

## Revaluation reserves

The revaluation reserve of equity securities improved slightly in the first quarter, from EUR 3.7 billion at the end of December 2009 to EUR 3.9 billion at the end of March 2010.

In the first quarter, the revaluation reserve of debt securities improved by EUR 2.3 billion to EUR -0.2 billion after tax from EUR - 2.5 billion at the end of December 2009. ABS improved by EUR 0.8 billion while government, corporate and financial bonds improved by EUR 1.5 billion.

The currency translation reserve increased by EUR 1.6 billion to EUR -0.5 billion at the end of March 2010 due to the appreciation of the US dollar and British pound versus the euro.

## Number of shares

The total number of shares outstanding in the market remained stable at 3,784 million shares at the end of March 2010. Shareholders' equity per share increased from EUR 8.95 at 31 December 2009 to EUR 10.10 at 31 March 2010.

The total number of shares equals the 3,784 million outstanding in the market plus treasury shares, which rose from 47.0 million to 47.6 million in the first quarter of 2010.

## CAPITAL MANAGEMENT

| ING Group: Capital base | | |
|---|---|---|
| In EUR million unless stated otherwise | 31 Mar 2010 | 31 Dec 2009 |
| Shareholders' equity (a) | 38,235 | 33,863 |
| Core Tier 1 securities (b) | 5,000 | 5,000 |
| Group hybrid capital (c) | 11,959 | 11,478 |
| Group leverage (core debt) (d) | 6,969 | 6,916 |
| **Total capitalisation (Bank + Insurance)** | **62,163** | **57,257** |
| Required regulatory adjustments (f) | -2,967 | -1,291 |
| Group leverage (core debt) | -6,969 | -6,916 |
| **Adjusted equity (e = a + b + c + f)** | **52,227** | **49,050** |
| **Debt/equity ratio (d/(d+e))** | **11.8%** | **12.4%** |
| Total required capital (h+max(k,m)) | 37,554 | 36,484 |
| FiCo ratio (g+j-d)/(h+max(k,m)) | 162% | 157% |

| ING Bank: Capital ratios | | |
|---|---|---|
| In EUR million unless stated otherwise | 31 Mar 2010 | 31 Dec 2009 |
| Shareholders' equity | 32,139 | 30,222 |
| Core Tier 1 | 27,917 | 25,958 |
| Hybrid Tier 1 | 8,378 | 8,057 |
| Required regulatory adjustments | -4,222 | -4,264 |
| **Total Tier 1 capital** | **36,295** | **34,015** |
| Other capital | 10,360 | 10,716 |
| **BIS Capital (j)** | **46,655** | **44,731** |
| Risk-weighted assets | 332,505 | 332,375 |
| Required capital Basel II (k) | 26,600 | 26,590 |
| Required capital based on Basel I floor (m) | 29,407 | 28,709 |
| **Basel II core Tier 1 ratio** | **8.4%** | **7.8%** |
| **Basel II Tier 1 ratio** | **10.9%** | **10.2%** |
| **Basel II BIS ratio[1]** | **14.0%** | **13.5%** |

[1] pre-floor

| ING Insurance: Capital ratios | | |
|---|---|---|
| In EUR million unless stated otherwise | 31 Mar 2010 | 31 Dec 2009 |
| Shareholders' equity | 18,416 | 15,887 |
| Hybrids issued by ING Group | 3,572 | 3,410 |
| Hybrids issued by ING Insurance | 2,250 | 2,250 |
| Required regulatory adjustments | -2,972 | -2,052 |
| **Total capital base (g)** | **21,266** | **19,495** |
| EU required capital (h) | 8,147 | 7,774 |
| **IGD Solvency I ratio (g/h)** | **261%** | **251%** |

**Main credit ratings of ING at 10 May 2010**

| | Standard & Poor's | | Moody's | | Fitch | |
|---|---|---|---|---|---|---|
| | Rating | Outlook | Rating | Outlook | Rating | Outlook |
| ING Groep N.V. | A | Stable | A1 | Stable | A | Stable |
| ING Bank N.V. | A+ | Stable | Aa3 | Stable | A+ | Stable |
| ING Verzekeringen NV | A- | Negative | Baa1 | Developing | A- | Negative |

ING's capital position improved further in the first quarter, supported by the reported profit and the market recovery.

The Group debt/equity ratio improved from 12.4% to 11.8% during the first quarter. The adjusted equity of ING Group increased strongly by EUR 3.2 billion; this was mainly due to the net result (EUR 1.3 billion) and positive currency effects (EUR 2.1 billion). Group core debt was stable as there were no capital flows between ING Group, ING Bank and ING Insurance.

The Financial Conglomerates Directives (FiCo) capital ratio increased to 162% at the end of the first quarter from 157% at the end of 2009. This ratio adds the separate regulatory available and required capital of ING Bank and ING Insurance and deducts the Group core debt from total available capital.

The core Tier 1 ratio for ING Bank increased from 7.8% to 8.4%, well above the 7.5% target. This increase was driven by an increase in core Tier 1 available capital of EUR 2 billion due to the retained earnings and positive currency effects (EUR 0.8 billion). Total risk-weighted assets (RWA) were essentially unchanged, ending the quarter at EUR 332.5 billion. Adjusted for the divestment of ING's private banking businesses in Asia and Switzerland RWA rose by about EUR 1 billion. FX impacts added about EUR 7 billion, but this was almost offset by a EUR 5 billion decrease in operational RWA. As part of ING's ratio hedge policy the FX changes in available capital and RWA mostly offset each other.

The Insurance Groups Directive (IGD) Solvency I ratio for ING Insurance improved from 251% at the end of 2009 to 261%. This was mainly due to changes in revaluation reserves on debt securities. The IGD ratio does not allow for any adjustment to available capital with respect to revaluation reserves on debt securities, in contrast to the previously reported capital coverage ratio.

ING Bank was active in the capital markets during the quarter, issuing EUR 8.7 billion in total. This includes EUR 1.25 billion 10 year covered bonds, EUR 1.5 billion 7 year covered bonds, EUR 1.25 billion 5 year senior unsecured debt and EUR 1.75 billion 2 and 3 year senior unsecured debt.

On 16 February 2010, Moody's confirmed the Aa3 rating of ING Bank with a stable outlook.

# Banking

## CONSOLIDATED RESULTS

| Banking: Consolidated profit and loss account | | | | | |
|---|---|---|---|---|---|
| In EUR million | 1Q2010 | 1Q2009 | Change | 4Q2009 | Change |
| Interest result | 3,254 | 3,022 | 7.7% | 3,139 | 3.7% |
| Commission income | 655 | 574 | 14.1% | 654 | 0.2% |
| Investment income | 37 | -150 | | -422 | |
| Other income | 230 | 316 | -27.2% | -58 | |
| **Total underlying income** | **4,176** | **3,762** | **11.0%** | **3,313** | **26.0%** |
| Staff expenses | 1,344 | 1,358 | -1.0% | 1,154 | 16.5% |
| Other expenses | 887 | 922 | -3.8% | 1,079 | -17.8% |
| Intangibles amortisation and impairments | 169 | 32 | 428.1% | 264 | -36.0% |
| Operating expenses | 2,401 | 2,312 | 3.8% | 2,496 | -3.8% |
| **Gross result** | **1,775** | **1,451** | **22.3%** | **816** | **117.5%** |
| Addition to loan loss provision | 497 | 682 | -27.1% | 689 | -27.9% |
| **Underlying result before tax** | **1,278** | **769** | **66.2%** | **128** | **898.4%** |
| Taxation | 351 | 221 | 58.8% | -55 | |
| Minority interests | 17 | -24 | | -16 | |
| **Underlying net result** | **910** | **571** | **59.4%** | **200** | **355.0%** |
| Net gains/losses on divestments | 405 | 0 | | 0 | |
| Net result from divested units | 1 | -54 | | 1 | |
| Special items after tax | -75 | -170 | | -923 | |
| **Net result from Banking** | **1,241** | **348** | **256.6%** | **-722** | |
| **Client balances (in EUR billion)** | | | | | |
| Residential Mortgages | 292.3 | 265.2 | 10.2% | 283.4 | 3.1% |
| Other Lending | 220.2 | 238.6 | -7.7% | 220.0 | 0.1% |
| Funds Entrusted | 475.6 | 459.4 | 3.5% | 472.1 | 0.7% |
| AUM/Mutual Funds | 122.7 | 125.6 | -2.3% | 132.8 | -7.6% |
| **Profitability and efficiency[1)]** | | | | | |
| Interest margin | 1.42% | 1.17% | | 1.41% | |
| Cost/income ratio | 57.5% | 61.4% | | 75.4% | |
| Return on Equity[2)] | 14.9% | 8.6% | | 2.9% | |
| Return on RWA | 1.12% | 0.65% | | 0.22% | |
| Staff (FTEs end of period) | 70,480 | 72,865 | -3.3% | 70,345 | 0.2% |
| **Risk[1)]** | | | | | |
| Non-performing loans/total loans | 2.1% | 1.6% | | 2.0% | |
| Stock of provisions/provisioned loans | 36.8% | 30.3% | | 36.1% | |
| Risk costs in bp of average RWA | 59 | 80 | -26.3% | 83 | -28.9% |
| Risk-weighted assets (end of period) | 332,505 | 337,572 | -1.5% | 331,150 | 0.4% |
| RAROC after tax | 12.8% | 13.3% | | 6.0% | |
| Economic Capital (average over period) | 28,303 | 22,310 | 26.9% | 22,755 | 24.4% |

[1)] Key figures based on underlying figures except interest margin and loans figures

[2)] Underlying after-tax return divided by average equity based on 7.5% core Tier 1 ratio (annualised)

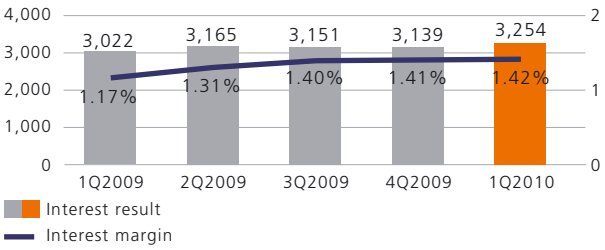
ING's banking results improved strongly in the first quarter. This was driven by higher margins and volumes, especially in Retail Banking, as well as lower impairments on debt and equity securities. The cost/income ratio further improved to 57.5%, or 53.5% excluding market market impacts. Risk costs declined on previous quarters, but remained elevated. The return on equity increased to 14.9%.

### Total underlying income

Total underlying income rose 11.0% compared with the first quarter of 2009 and 26.0% from the fourth quarter of 2009 and returned to pre-crisis level, surpassing the first quarter of 2008. This was driven by higher interest results, lower impairments on debt and equity securities and lower negative revaluations on real estate.

Market-related impacts included under income totalled EUR -29 million compared with EUR -198 million in the first quarter of 2009 and EUR -563 million in the previous quarter. Excluding these impacts, underlying income rose to EUR 4,205 million, up 6.2% on the first quarter last year and 8.5% from the fourth quarter.

INTEREST RESULT (in EUR million) AND INTEREST MARGIN (in %)



The interest result increased 7.7% to EUR 3,254 million thanks to an improved interest margin and higher client balances. The total interest margin rose to 1.42%, up 25 basis points compared with the first quarter of 2009 (partly supported by the deleveraging of the balance sheet in the first half of 2009). The interest margin was up 1 basis point on the fourth quarter. The increase in the interest result was mainly attributable to higher margins in Retail Banking, reflecting healthier margins for savings in the Netherlands and the reduction of client rates at ING Direct in some countries during the quarter. This was partly offset by lower reinvestment returns in Belgium due to the low interest rate environment. Volumes in residential mortgages and funds entrusted grew. The increase of the interest result was partly offset by a lower interest result in Commercial Banking due to relatively high interest results in the Financial Markets activities in the first quarter of last year. Excluding Financial Markets, the interest result of Commercial Banking rose despite continued lower demand for credit.

Commission income rose 14.1% to EUR 655 million and was stable compared with the fourth quarter. The increase compared with the first quarter of 2009 is due to stronger appetite for asset management-related products following improved equity markets and higher transaction fees (mainly in Structured Finance).

Investment income improved to EUR 37 million from EUR -150 million in the first quarter of 2009 and EUR -422 million in the fourth quarter. Impairments on debt and equity securities were EUR 83 million in the first quarter of 2010 versus EUR 200 million in the first quarter of 2009 and EUR 284 million in the fourth quarter, mainly reflecting a slower increase of delinquencies in the US RMBS portfolio. Real estate markets showed signs of stabilising, resulting in EUR 21 million of negative fair value changes on ING Real Estate's direct real estate investments compared with EUR 80 million in the same quarter last year and EUR 81 million in the previous quarter. Furthermore, gains on the sale of bonds and equities were EUR 109 million in the quarter.

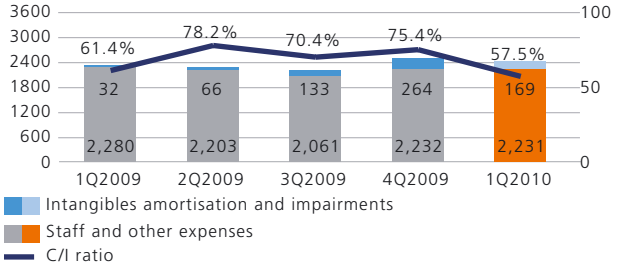
Other income declined from EUR 316 million in the first quarter of 2009 to EUR 230 million in this quarter. This decrease was mainly due to EUR 18 million of negative fair value changes on the Bank's own Tier 2 debt compared with a EUR 182 million positive impact in the first quarter of 2009 (which is reflected in the Corporate Line). Negative revaluations of ING Real Estate's listed funds were EUR 17 million compared with EUR 103 million in the first quarter of 2009. Compared with the fourth quarter of 2009, other income improved by EUR 288 million, attributable primarily to the Financial Markets activities of Commercial Banking.

## Operating expenses

Underlying operating expenses rose 3.8% to EUR 2,401 million, including EUR 151 million of impairments on real estate development projects. Excluding impairments, operating expenses declined 1.8% as the impact of cost containment under the Back to Basics programme was partly offset by an accrual adjustments, an increase in deposit insurance premiums and the impact of foreign currencies.

Compared with the fourth quarter, operating expenses fell 3.8%. However, excluding impairments on development projects and the provision for DSB Bank taken in the previous quarter, operating expenses were up 8.8%, driven by Commercial Banking. This is mainly related to accrual adjustments in the fourth quarter.

OPERATING EXPENSES (in EUR million) AND COST/INCOME RATIO (in %)



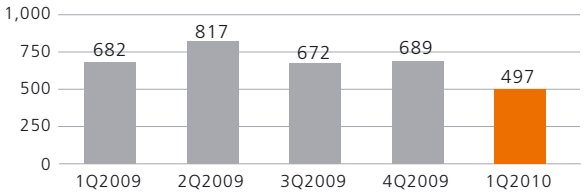

In the first quarter of 2010, the number of internal staff adjusted for the impact of divestments rose by 135 FTEs to 70,480. The biggest increase was in India. Compared with a year ago, the number of internal staff declined by 2,385 FTEs, or 3.3%.

The underlying cost/income ratio improved to 57.5% compared with 61.4% in the first quarter of 2009 and 75.4% in the fourth quarter, driven by lower negative market-related impacts. Excluding negative market-related impacts, the cost/income ratio was 53.5% in the first quarter of 2010, 57.8% in the first quarter of last year and 53.3% in the fourth quarter of 2009.

## Loan loss provisions

ING Bank added EUR 497 million to the loan loss provisions in the first quarter compared with EUR 682 million in the first quarter of 2009 and EUR 689 million in the fourth quarter (adjusted for divestments). Gross additions to the loan loss provisions were EUR 637 million. Releases amounted to EUR 140 million. The decline in risk costs was visible in most business units, but was especially pronounced in Structured Finance and at ING Direct USA as the US housing market began to stabilise. Risk costs for the Bank appear to be trending down. For the coming quarters, ING expects risk costs to be below the levels of the second half of last year.

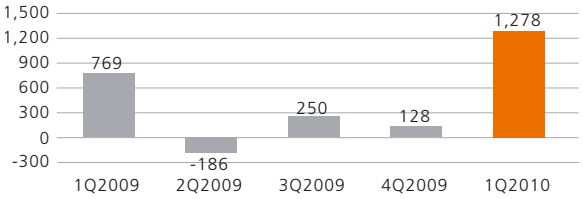
ADDITIONS TO LOAN LOSS PROVISIONS (in EUR million)



## Underlying result before tax

The underlying result before tax increased to EUR 1,278 million compared with EUR 769 million in the first quarter of 2009 and EUR 128 million in the fourth quarter. This increase was driven by higher volumes and margins in Retail Banking, cost containment measures, lower risk costs and lower negative market-related impacts.

UNDERLYING RESULT BEFORE TAX (in EUR million)




## Net result

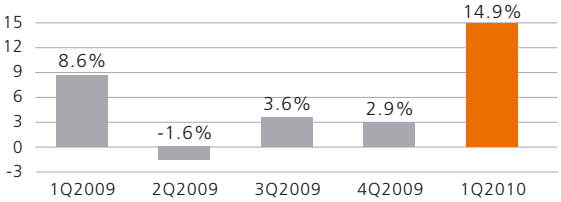
The underlying net result rose 59.4% to EUR 910 million from EUR 571 million in the first quarter of 2009. The effective tax rate was 27.4% compared with 28.8% in the same quarter last year.

The total net result of the banking operations was EUR 1,241 million. This includes EUR 405 million in gains from the sale of Private Banking Switzerland and Asia and EUR -75 million of special items, after tax, related to the combination of the Dutch retail activities, the Belgian retail transformation programme and additional restructuring costs.

## Key metrics

Risk-weighted assets (RWA), adjusted for divestments, remained almost flat at EUR 332.5 billion compared to EUR 331.2 billion at year-end 2009, but were down from EUR 337.6 billion compared with a year earlier.

RETURN ON EQUITY




The return on equity, which is calculated as the underlying after-tax result divided by average equity based on a 7.5% core Tier 1 ratio, rose to an annualised 14.9% from 8.6% in the first quarter of 2009. The increase was driven by the strong improvement in underlying result combined with a 1.5% decline in risk-weighted assets.

The underlying risk-adjusted return on capital (RAROC) after tax was 12.8% compared with 13.3% in the first quarter of 2009. The impact of the higher underlying results was more than offset by the impact of the new credit risk methodology, which resulted in an increase of average economic capital by 27%, or EUR 6.0 billion, to EUR 28.3 billion. In the new methodology, the same principles are used as for Basel II, making the measurement and management of credit risk more transparent and brings economic capital more into line with regulatory capital.

## RETAIL BANKING

**Retail Banking: Consolidated profit and loss account**

| | Total Retail Banking | | Retail Banking Benelux | | | | Retail Direct & International | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Netherlands | | Belgium[1] | | Direct | | Central Europe | | Asia | |
| In EUR million | 1Q 2010 | 1Q 2009 | 1Q 2010 | 1Q 2009 | 1Q 2010 | 1Q 2009 | 1Q 2010 | 1Q 2009 | 1Q 2010 | 1Q 2009 | 1Q 2010 | 1Q 2009 |
| Interest result | 2,387 | 2,090 | 912 | 796 | 391 | 408 | 867 | 706 | 175 | 158 | 42 | 22 |
| Commission income | 359 | 318 | 143 | 142 | 96 | 77 | 37 | 31 | 71 | 58 | 13 | 9 |
| Investment income | -11 | -54 | 0 | 0 | 9 | 9 | -20 | -67 | 1 | 4 | 0 | 0 |
| Other income | 7 | -70 | -1 | 8 | 28 | 14 | -28 | -55 | -2 | -42 | 10 | 4 |
| **Total underlying income** | **2,742** | **2,284** | **1,054** | **946** | **523** | **508** | **856** | **615** | **244** | **178** | **65** | **36** |
| Staff and other expenses | 1,532 | 1,633 | 548 | 702 | 310 | 338 | 455 | 410 | 182 | 151 | 37 | 32 |
| Intangibles amortisation and impairments | 9 | 2 | 6 | -1 | 0 | -1 | 3 | 3 | 0 | 0 | 0 | 0 |
| Operating expenses | 1,540 | 1,635 | 553 | 702 | 310 | 337 | 458 | 413 | 182 | 151 | 37 | 32 |
| **Gross result** | **1,202** | **649** | **500** | **245** | **213** | **171** | **398** | **202** | **62** | **27** | **28** | **4** |
| Addition to loan loss provision | 335 | 401 | 141 | 128 | 39 | 55 | 129 | 158 | 16 | 52 | 9 | 8 |
| **Underlying result before tax** | **867** | **248** | **359** | **117** | **174** | **116** | **269** | **44** | **45** | **-25** | **19** | **-4** |
| **Client balances (in EUR billion)** | | | | | | | | | | | | |
| Residential mortgages | 292.3 | 265.2 | 133.5 | 128.5 | 23.6 | 21.8 | 131.5 | 112.2 | 3.2 | 2.4 | 0.6 | 0.5 |
| Other lending | 84.5 | 87.5 | 43.0 | 43.6 | 26.1 | 27.7 | 3.3 | 2.9 | 9.4 | 7.7 | 2.7 | 5.6 |
| Funds entrusted | 420.9 | 397.4 | 104.6 | 102.1 | 67.7 | 67.5 | 227.2 | 205.7 | 18.1 | 15.0 | 3.4 | 7.0 |
| AuM/Mutual Funds | 56.3 | 60.0 | 16.8 | 13.1 | 27.4 | 31.7 | 10.3 | 6.3 | 1.5 | 1.2 | 0.3 | 7.8 |
| **Profitability and efficiency[2]** | | | | | | | | | | | | |
| Cost/income ratio | 56.2% | 71.6% | 52.5% | 74.1% | 59.3% | 66.3% | 53.5% | 67.2% | 74.8% | 84.7% | 56.6% | 88.5% |
| Return on equity[3] | 19.8% | 5.7% | 28.7% | 9.8% | 36.6% | 24.0% | 13.9% | 1.5% | 9.5% | -6.4% | 7.2% | -2.3% |
| **Risk[2]** | | | | | | | | | | | | |
| Risk costs in bp of average RWA | 77 | 101 | 112 | 107 | 83 | 112 | 70 | 96 | 31 | 121 | 43 | 39 |
| Risk-weighted assets (end of period) | 175,012 | 156,449 | 51,175 | 47,526 | 18,799 | 20,016 | 74,918 | 63,742 | 21,316 | 17,183 | 8,804 | 7,982 |

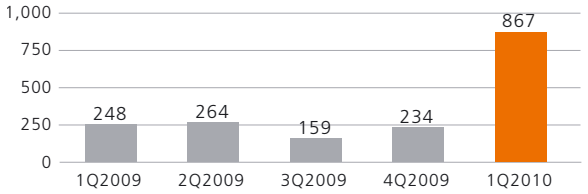
1) Includes Luxembourg
2) Key figures based on underlying figures
3) Underlying after-tax return divided by average equity based on 7.5% core Tier-1 ratio (annualised)

Retail Banking's underlying result before tax more than tripled thanks to strong income growth on higher volumes and margins and lower impairments on US debt securities. Operating expenses decreased due to cost containment measures. Risk costs are still elevated, but declined on previous quarters.

Total underlying income of Retail Banking rose 20.1% compared with the same quarter last year, mainly driven by a strong increase in the interest result and lower impairments at ING Direct USA.

The interest result increased 14.2% to EUR 2,387 million. This was supported by higher volumes and improved margins, especially in the Netherlands and at ING Direct. Net production in residential mortgages was EUR 3.4 billion in this quarter versus EUR 3.7 billion in previous quarter. Net production in funds entrusted rose to EUR 6.1 billion from EUR 3.1 billion in the fourth quarter of 2009.

UNDERLYING RESULT BEFORE TAX - RETAIL BANKING (in EUR million)




Commission income increased 12.9% to EUR 359 million on higher fees for asset management and securities products. Investment income increased by EUR 43 million to EUR -11 million, mainly due to lower impairments on the US investment portfolio (which were partly offset by lower capital gains on investment securities). Other income increased by EUR 77 million to EUR 7 million, as the first quarter of last year included substantial losses on financial markets-related products in the mid-corporate segment and losses due to hedge ineffectiveness at ING Direct.

Operating expenses declined 5.8%. This was driven by the Benelux thanks to cost-reduction programmes and other efficiency measures which commenced in 2009. Operating expenses outside the Benelux increased 13.6%, mainly due to currency effects and higher deposit insurance premiums.

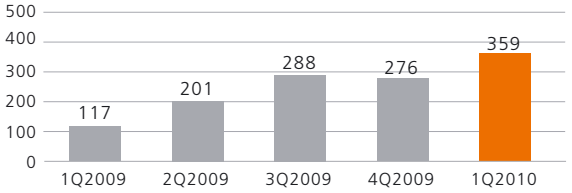
Risk costs, still at elevated levels, were EUR 335 million. That is lower than last year and can be attributed to the US, where the housing market began to stabilise, and lower risk costs at ING Bank Turkey.

The total underlying result before tax more than tripled to EUR 867 million compared with the same quarter of last year as all businesses posted higher results.

Risk-weighted assets increased by EUR 18.6 billion from a year ago to EUR 175.0 billion, and EUR 8.1 billion in the first quarter. Return on equity rose to 19.8% from 5.7% in the first quarter of 2009, driven by the improved underlying result.

## RETAIL NETHERLANDS

UNDERLYING RESULT BEFORE TAX - NETHERLANDS (in EUR million)




Retail Netherlands' underlying result before tax rose to EUR 359 million compared with EUR 117 million in the same quarter of last year and EUR 276 million in the previous quarter. Performance was solid, driven by lower operating expenses as a result of cost containment measures started in 2009 as well as higher income.

Underlying income was EUR 1,054 million, 11.4% higher than the first quarter of 2009. This was mainly due to higher volumes and increased margins on savings. Margins have improved substantially compared with the first quarter of last year as rates on savings and deposits have been reduced. Margins are stabilising compared with the previous quarter. Volume growth in lending was supported by mortgages, while demand for business lending was low in light of the slow economic recovery. Funds entrusted continued to increase, driven by growth in savings and a shift in demand from fixed to variable-rate products. Current account volumes declined slightly, especially in the mid-corporate and SME segments due to the economic downturn.

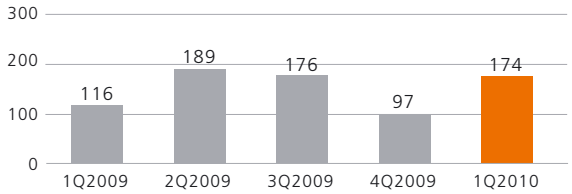
Operating expenses fell 21.2% compared with the first quarter of 2009 due to the cost containment programme started in 2009, a release of an employee benefits provision and efficiency improvements related to the merger of ING Bank with Postbank.

Risk costs increased 10.2% to EUR 141 million. The increases were mainly in the mid-corporate and SME segments following the economic downturn. Compared with the previous quarter, risk costs declined by EUR 28 million.

The return on equity rose to 28.7% from 9.8% in the first quarter of 2009 as the sharp increase in results outpaced a 7.7% increase in risk-weighted assets.

## RETAIL BELGIUM

UNDERLYING RESULT BEFORE TAX - BELGIUM (in EUR million)




Retail Belgium reported an underlying profit before tax of EUR 174 million compared with EUR 116 million in the same quarter last year and EUR 97 million in the previous quarter. This strong improvement was supported by higher commission income, an ongoing focus on cost efficiency and lower risk costs.

Underlying income was EUR 523 million, up 3.0% on the first quarter of 2009. This increase was driven by higher commissions in the asset management and securities business combined with higher income on financial market related products for the mid-corporate segment. Volumes continued to increase, especially in funds entrusted which had a net inflow this quarter of EUR 1.6 billion due to successful commercial campaigns. Lending grew at a slower pace, especially in the mid-corporate segment, as a result of stronger competition in the market and lower demand. Nevertheless, the net production in lending was EUR 0.6 billion in the quarter, mainly in mortgages. The interest result declined 4.2% as higher volumes could not fully compensate for the lower reinvestment returns on funds entrusted due to the low interest rate environment.

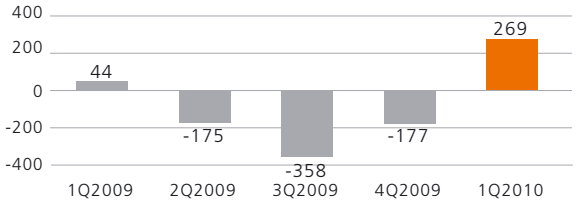
Operating expenses declined 8.0% as a result of cost containment measures taken in 2009 and the benefits of the transformation programme.

Risk costs were 29.1% lower than the same quarter last year, but they remained elevated, driven by the mid-corporate segment. In the previous quarter, risk costs were EUR 28 million higher, mainly as a result of files in specific sectors combined with the impact of the new Belgian law regarding the continuity of companies.

The return on equity rose to 36.6% from 24.0% in the first quarter of 2009, driven by higher results and a 6.1% decline in risk-weighted assets.

## ING DIRECT

UNDERLYING RESULT BEFORE TAX - ING DIRECT (in EUR million)




ING Direct's results improved strongly, with an underlying profit before tax of EUR 269 million versus a profit of EUR 44 million in the first quarter of last year and a loss of EUR 177 million in the previous quarter. The increase was mainly due to higher interest results, lower impairments on debt securities and lower risk costs.

Commercial performance remained solid. At comparable exchange rates, the production of funds entrusted was EUR 3.5 billion, driven by the United States and Germany. The net production in own-originated mortgages was EUR 2.0 billion. ING Direct continues to be selective in its lending policy in order to originate high-quality residential mortgages. Assets under management grew by EUR 1.0 billion to EUR 10.3 billion, driven

by positive stock market performance and net inflow (mainly in Germany). ING Direct added 208,000 clients during the first quarter, passing the 23 million mark worldwide.

Total underlying income was EUR 856 million, up 39.2% compared with the first quarter last year. This was mainly driven by improved interest result and lower impairments. The interest result was EUR 867 million, 22.8% higher than the first quarter of last year and driven by higher volumes and improved margins. The interest margin rose to 1.18% from 0.98% in the first quarter of 2009, driven by the United States, Germany, Canada and Italy but partly offset by the UK. During the first quarter, ING Direct lowered the client rates in France, the United States and Austria, but increased it in Australia following a central bank rate increase. Commission income rose by EUR 6 million to EUR 37 million due to higher e-brokerage and mutual fund volumes.

Investment income was EUR -20 million, an improvement from EUR -67 million in the first quarter of 2009 and due to lower impairments on the investment portfolio. Impairments were EUR 51 million compared with EUR 129 million last year. Other income was EUR -28 million, due to losses from a reduction in wholesale funding to deleverage the balance sheet as well as negative effects of prepayments of fixed-term mortgages.

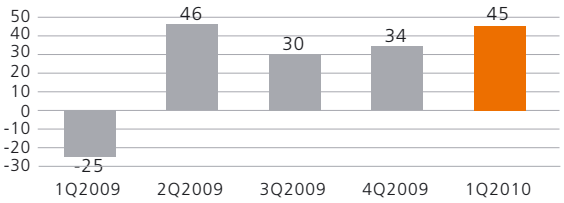
Operating expenses increased 10.9% to EUR 458 million, partly due to higher deposit insurance premiums and negative currency effects. Excluding these impacts, operating expenses increased 4%, mainly due to expenses related to the launch of payment accounts in Australia and France. The cost/income ratio improved to 53.5% from 67.2%. Excluding impairments, the cost/income ratio improved to 50.5% from 55.5% in the year-ago quarter.

Risk costs were lower than last year, but remained at elevated levels. The net addition to the loan loss provisions was EUR 129 million, down EUR 29 million from the same quarter last year and down EUR 71 million compared with the previous quarter. The decline was driven by the United States, where the housing market began to stabilise.

The return on equity improved to 13.9% from 1.5% in the first quarter of last year. Risk-weighted assets increased to EUR 74.9 billion, up EUR 5.6 billion from the end of 2009 due to a model update, risk migration and negative currency effects.

## RETAIL CENTRAL EUROPE

UNDERLYING RESULT BEFORE TAX - CE (in EUR million)




The underlying profit before tax of Retail Central Europe was EUR 45 million compared to a loss of EUR 25 million in the same quarter last year. All countries contributed to the improvement.

Total underlying income rose 37.1% compared with the first quarter of 2009, supported by higher margins, volume growth in lending and favourable currency effects. In Poland, higher underlying income was also driven by improved results on financial markets-related products, while underlying income at ING Bank Turkey was supported by lower negative fair value changes on derivatives not eligible for hedge accounting.

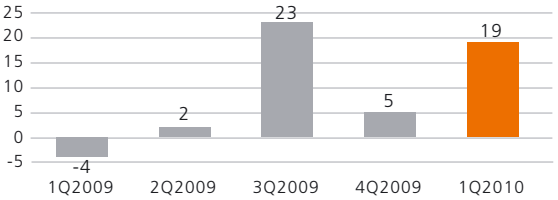
Operating expenses increased 20.5% (or 13.4% excluding currency impacts) compared with the same quarter last year. This was mainly due to business growth and higher marketing costs.

Risk costs declined by EUR 36 million to EUR 16 million. The decline was almost entirely at ING Bank Turkey due to a model update to reflect country risk and some specific files in the first quarter of 2009.

The return on equity improved to 9.5% from -6.4% in the first quarter of 2009. Risk-weighted assets rose by EUR 4.1 billion compared with a year earlier to EUR 21.3 billion, of which EUR 0.5 billion was in the first quarter.

## RETAIL ASIA

UNDERLYING RESULT BEFORE TAX - ASIA (in EUR million)




The underlying profit before tax of Retail Asia was EUR 19 million compared to a loss of EUR 4 million in the first quarter of 2009.

Income at ING Vysya Bank in India improved as a result of higher volumes and favourable funding rates combined with higher sales of third- party mutual funds and life insurance products. The increase in other income was driven by ING Bank's share in the result of TMB in Thailand, which was negative in the first quarter of 2009.

Operating expenses increased 15.6% compared with the same quarter of last year. This was driven by currency effects and an addition to an employee benefits provision. The addition to the loan loss provision remained almost at the same level as it was in the first quarter of last year.

Return on equity rose from -2.3% in the first quarter of 2009 to 7.2% in this quarter.

## COMMERCIAL BANKING

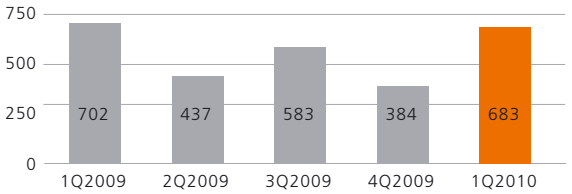
**Commercial Banking excl. Real Estate: Consolidated profit and loss account**

| | Total Commercial Banking excl. RE | | GL & PCM | | Structured Finance | | Leasing & Factoring | | Financial Markets | | Other products | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| In EUR million | 1Q 2010 | 1Q 2009 | 1Q 2010 | 1Q 2009 | 1Q 2010 | 1Q 2009 | 1Q 2010 | 1Q 2009 | 1Q 2010 | 1Q 2009 | 1Q 2010 | 1Q 2009 |
| Interest result | 814 | 904 | 236 | 231 | 262 | 226 | 43 | 35 | 276 | 432 | -2 | -21 |
| Commission income | 204 | 168 | 54 | 49 | 87 | 58 | 8 | 7 | 6 | 9 | 49 | 44 |
| Investment income | 39 | -52 | 0 | 1 | -2 | -3 | 0 | 0 | 43 | -45 | -1 | -5 |
| Other income | 271 | 401 | 5 | 1 | -20 | -16 | 53 | 50 | 244 | 357 | -11 | 9 |
| **Total underlying income** | **1,328** | **1,422** | **296** | **283** | **327** | **265** | **103** | **92** | **568** | **754** | **34** | **28** |
| Staff and other expenses | 540 | 521 | 126 | 139 | 98 | 80 | 55 | 52 | 190 | 185 | 72 | 65 |
| Intangibles amortisation and impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating expenses | 541 | 521 | 126 | 139 | 98 | 80 | 55 | 53 | 190 | 185 | 72 | 65 |
| **Gross result** | **787** | **900** | **169** | **143** | **229** | **186** | **48** | **39** | **378** | **569** | **-38** | **-37** |
| Addition to loan loss provision | 104 | 198 | 42 | 37 | 31 | 139 | 30 | 24 | 2 | -1 | 0 | 0 |
| **Underlying result before tax** | **683** | **702** | **127** | **107** | **199** | **47** | **18** | **15** | **376** | **570** | **-37** | **-37** |
| **Client balances (in EUR billion)** | | | | | | | | | | | | |
| Residential mortgages | | | | | | | | | | | | |
| Other lending | 101.8 | 114.9 | 35.8 | 48.2 | 45.8 | 46.9 | 16.3 | 16.8 | 3.8 | 2.9 | 0.0 | 0.1 |
| Funds entrusted | 54.7 | 62.0 | 31.8 | 32.3 | 3.0 | 2.2 | 0.0 | 0.1 | 19.2 | 26.7 | 0.7 | 0.8 |
| AuM/Mutual Funds | | | | | | | | | | | | |
| **Profitability and efficiency[1)]** | | | | | | | | | | | | |
| Cost/income ratio | 40.7% | 36.7% | 42.8% | 49.2% | 29.8% | 30.0% | 53.2% | 57.4% | 33.5% | 24.5% | 210.6% | 231.4% |
| Return on equity[2)] | 19.8% | 17.2% | 10.2% | 8.2% | 18.3% | 4.8% | 6.7% | 4.7% | 44.9% | 53.5% | -30.7% | -62.4% |
| **Risk[1)]** | | | | | | | | | | | | |
| Risk costs in bp of average RWA | 30 | 50 | 36 | 26 | 28 | 129 | 138 | 88 | 2 | -1 | -2 | -1 |
| Risk-weighted assets (end of period) | 133,701 | 158,310 | 43,734 | 57,488 | 41,489 | 44,623 | 8,252 | 10,345 | 35,614 | 41,642 | 4,612 | 4,212 |

1) Key figures based on underlying figures
2) Underlying after-tax return divided by average equity based on 7.5% core Tier-1 ratio (annualised)

Commercial Banking excluding Real Estate posted an underlying result before tax of EUR 683 million, just 2.7% below the strong result it booked in the first quarter of 2009 and up 77.9% from the fourth quarter. Compared to a year ago, higher income in Structured Finance and General Lending partly compensated for the decrease in Financial Markets. Including Real Estate, results before tax rose 11.3% to EUR 570 million as negative fair value changes on real estate diminished and risk costs declined. ING Real Estate reported a loss of EUR 113 million, but the loss narrowed from previous quarters.

UNDERLYING RESULT BEFORE TAX - COMMERCIAL BANKING EXCL. REAL ESTATE (in EUR million)




### COMMERCIAL BANKING EXCL. REAL ESTATE

Volumes in corporate lending picked up slightly in the first quarter following a gradual decline throughout 2009. Market recovery is already visible in international trade and export finance, where demand for credit has increased. Asia is the first region where trade volumes are picking up, while Europe is lagging as companies are still cautious to invest or make use of the bond market for financing. Lending margins remained at elevated levels and were higher than in the first quarter of 2009.

Financial Markets had a strong start of the year but could not match its record first quarter last year, which was characterised by wide margins, strong customer flows and a steepening of the yield curve (which offered good sales and trading conditions). Particularly in interest rate products, results were down from their very strong performance in the first quarter of 2009.

Total underlying income decreased 6.6% compared with the first quarter of 2009, mainly due to lower results in Financial Markets. The interest result of Commercial Banking declined 10.0% from a year ago. Despite lower volumes, the interest result increased strongly in General Lending, Structured Finance and Leasing, supported by higher margins. However, this was offset by lower interest results in Payments & Cash Management (PCM) and Financial Markets. For PCM, margins remained under pressure due to the low interest rate environment.

Commission income climbed 21.4%, fuelled by higher fees in Structured Finance, which came mainly from international trade & export finance and utilities & infrastructure deals.

Investment income was EUR 39 million in the first quarter of 2010. This amount contained EUR 61 million of capital gains and EUR 30 million of impairments on debt and equity securities. In the first quarter last year, investment income was a negative EUR 52 million, including EUR 59 million of impairments. Other income declined 32.4% compared with the first quarter of 2009, mainly due to lower results in Financial Markets.

Operating expenses were up 3.8% from the first quarter of 2009, driven by higher performance related staff costs in Structured Finance. The cost/income ratio of Commercial Banking excluding Real Estate increased to 40.7% in the first quarter of 2010 from 36.7% in the first quarter of 2009 and 40.1% in the fourth quarter.

Net additions to loan loss provisions dropped 47.5% to EUR 104 million, or 30 basis points of average risk-weighted assets. This decline was entirely attributable to Structured Finance. Particularly in the Leveraged Finance portfolio, which accounted for the vast majority of the risk costs last year, net additions were limited this quarter.

Total risk-weighted assets (RWA) declined in the quarter by EUR 6.3 billion, from EUR 140.0 billion at year-end 2009 to EUR 133.7 billion. Currency effects added EUR 3 billion in RWA. Higher provisioning and restructuring of defaulted loans resulted in EUR 5 billion lower credit risk-weighted assets. Market RWA was up EUR 1 billion on the previous quarter, driven by increased volumes within Financial Markets. Model changes, largely operational risk related, reduced RWA by EUR 5 billion.

## GENERAL LENDING & PCM

General Lending & PCM posted a result before tax of EUR 127 million, up 18.7% from the first quarter of 2009 but down 5.9% compared with the fourth quarter. Income for General Lending increased from a year ago on higher margins. Volumes have been gradually decreasing since the beginning of 2009 as clients have been cautious to invest or have found alternatives to plain vanilla lending. Compared with the fourth quarter of 2009, margins were slightly higher and lending volumes stabilised. Income from Payments & Cash Management declined from one year ago as low money market rates continued to put pressure on interest margins. Net additions to loan loss provisions amounted to EUR 42 million, mainly in Central & Eastern Europe. This was partly offset by a few releases from prior provisions. In the Benelux, addition to loan loss provisions were minimal.

## STRUCTURED FINANCE

Structured Finance booked a result before tax of EUR 199 million, up 323.4% on the first quarter of 2009 and up 84.3% compared with the fourth quarter. The very strong improvement in the result compared with the first quarter of 2009 was driven by EUR 108 million lower risk costs, which dropped from EUR 139 million in the first quarter of 2009 to EUR 31 million. This mainly reflected significantly lower net additions for Leveraged Finance following the restructuring of some large files in 2009. Income increased 23.4%, fuelled by higher margins and higher fee income than a year ago. In the first quarter of 2010, margins stabilised but volumes of lending assets began to pick up in line with the increase in international trade & export finance. Expenses rose 22.5%, mainly reflecting higher performance related staff costs. The cost/income ratio of Structured Finance improved slightly to 29.8% from 30.0% in the first quarter of 2009.

## LEASING & FACTORING

Underlying result before tax for Leasing & Factoring increased 20.0% to EUR 18 million, driven by higher income for Car Lease. The vehicle leasing market in Europe further recovered during the first quarter after the sharp deterioration in the first half of 2009. Income for General Lease and Commercial Finance remained stable. Additions to loan loss provisions in General Lease remained at an elevated level. In the first quarter of 2010, risk costs were mainly related to the portfolios in Italy and the UK.

## FINANCIAL MARKETS

Financial Markets had a strong first quarter of 2010, with a result before tax of EUR 376 million. This could not match the record results booked in the first quarter of 2009, but increased fourfold from the fourth quarter of 2009. Income decreased 24.7% compared with the first quarter of 2009, mainly because lower market volatilities had a negative impact on trading results. Client spreads have returned to more normalised levels compared with the prior year. Income from Asset & Liability Management increased compared with the first quarter of 2009, supported by EUR 53 million of capital gains on bonds. The sharp performance increase from the fourth quarter can largely be explained by seasonality in client flows and higher income from Asset & Liability Management.

## OTHER PRODUCTS

The result before tax for Other Products was flat. Income from Mergers & Acquisitions was higher, particularly in the Netherlands. Income from Securities Services increased in both the Netherlands and Belgium, but this was partly offset by lower income from Equity Markets.

## ING REAL ESTATE

| ING Real Estate: Consolidated profit and loss account | | |
|---|---|---|
| In EUR million | 1Q 2010 | 1Q 2009 |
| Interest result | 100 | 79 |
| Commission income | 95 | 89 |
| Investment income | 4 | -34 |
| Other income | 19 | -110 |
| **Total underlying income** | **217** | **23** |
| Staff and other expenses | 120 | 108 |
| Intangibles amortisation and impairments | 152 | 23 |
| Operating expenses | 272 | 131 |
| **Gross result** | **-55** | **-108** |
| Addition to loan loss provision | 58 | 82 |
| **Underlying result before tax** | **-113** | **-190** |
| of which Investment Management (REIM) | 12 | 22 |
| of which Investment Portfolio | -39 | -204 |
| of which Finance | 54 | 15 |
| of which Development | -140 | -23 |
| **Profitability and efficiency[1)]** | | |
| Underlying cost/income ratio | 125.4% | 563.0% |
| Return on equity[2)] | -28.3% | -35.1% |
| **Risk[1)]** | | |
| Risk costs in bp of average RWA | 117 | 158 |
| Risk-weighted assets (end of period) | 19,451 | 20,301 |
| **Portfolio (in EUR billion)** | | |
| Investment management | 66.4 | 65.6 |
| Development AuM | 2.2 | 3.1 |
| Real Estate Finance Portfolio | 35.5 | 37.2 |

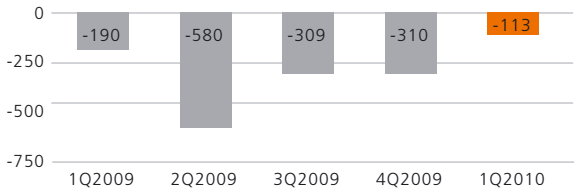
1) Key figures based on underlying figures
2) Underlying after-tax return divided by average equity based on 7.5% core Tier1 ratio (annualised)

ING Real Estate reported a loss before tax of EUR 113 million compared with a loss of EUR 190 million in the first quarter of 2009. Real estate markets stabilised somewhat, resulting in lower negative fair value changes, and the first signs of increased business activities were visible.

The negative fair value changes and impairments, booked in income, improved to EUR 38 million, from EUR 182 million in the first quarter of 2009 and EUR 203 million in the fourth quarter of 2009. The impairments, booked in expenses and largely related to real estate development, were EUR 151 million, up from EUR 22 million in the first quarter of last year and down from EUR 254 million in the fourth quarter of 2009.

Excluding total revaluations and impairments, the result before tax rose to EUR 76 million from EUR 14 million in the same quarter last year. This increase was mainly due to higher income and lower risk costs. Underlying income, excluding fair value changes and impairments, climbed 24% on last year due to higher margins at Real Estate Finance and higher sales results in Real Estate Development. Expenses, excluding impairments, increased to EUR 121 million from EUR 109 million in the first quarter of 2009.

UNDERLYING RESULT BEFORE TAX - ING REAL ESTATE (in EUR million)




Real Estate Investment Management reported an underlying result before tax of EUR 12 million compared with EUR 22 million in the first quarter last year. Income decreased by EUR 5 million due to lower management fees.

Real Estate's investment portfolio recorded an underlying loss before tax of EUR 39 million due to EUR 38 million of negative fair value changes. The result improved by EUR 165 million compared with the same quarter last year, which contained EUR 182 million of negative fair value changes and EUR 14 million of impairments. Excluding fair value changes and impairments, the result improved from a negative EUR 8 million to a negative EUR 1 million, attributable to lower interest expenses.

Real Estate Finance benefited from improved margins and positive loan restructuring outcomes. The underlying result before tax was EUR 54 million, up from EUR 15 million in the first quarter of 2009. Income increased by EUR 16 million, driven by higher margins and commissions, despite a decline in the loan portfolio. Risk costs declined from EUR 82 million to EUR 58 million in this quarter.

Real Estate Development continued its focus on reducing risk and capital exposure. Assets under management declined 12.0%, from EUR 2.5 billion at the end of 2009 to EUR 2.2 billion at the end of March 2010. This decline was almost entirely due to sales of investment properties. Real Estate Development reported a loss of EUR 140 million versus a loss of EUR 23 million in the same quarter last year due to higher impairments. Impairments were EUR 151 million compared with EUR 8 million in the first quarter of 2009.

## CORPORATE LINE BANKING

| Corporate Line Banking: Underlying result before tax | | |
|---|---|---|
| In EUR million | 1Q2010 | 1Q2009 |
| Income on capital surplus | 23 | 12 |
| Solvency costs | -37 | -27 |
| Financing charges | -50 | -52 |
| Amortisation intangible assets | -8 | -8 |
| FX-results, fair value changes and other | -38 | 95 |
| Total Capital Management | -109 | 20 |
| Other | -50 | -10 |
| **Underlying result before tax** | **-159** | **9** |

The Corporate Line Banking reported an underlying result before tax of EUR -159 million compared with EUR 9 million in the first quarter of 2009.

Income on capital surplus improved by EUR 11 million despite higher benefits paid to business units following a 26.9% increase of average economic capital due to the introduction of the new credit risk methodology, and a decline in capital charges received due to lower short-term interest rates. These effects were offset by higher results from interest rate hedges.

Financing charges were EUR 2 million lower. Solvency costs rose by EUR 9 million due to higher volumes following the transfer of hybrid capital from ING Insurance to ING Bank in the last quarter of 2009.

The result on FX results, fair value changes and other dropped by EUR 133 million to EUR -38 million in the first quarter of 2010. Fair value changes on part of ING Bank's own Tier 2 debt declined by EUR 200 million from EUR 182 million in the first quarter of 2009 to EUR -18 million. Liquidity costs were EUR 11 million higher. This was partly offset by the impact of a EUR 89 million loss on a FX hedge due to the strengthening of the US dollar in the same quarter last year.

The result of Other was EUR 40 million lower, mainly attributable to high interest benefits on corporate income tax restitutions received in the same quarter last year.

## CONSOLIDATED BALANCE SHEET

**ING Bank N.V.: Consolidated balance sheet**

| in EUR million | 31 Mar 10 | 31 Dec 09 | 31 Mar 09 |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with central banks | 14,421 | 12,602 | 15,811 |
| Amounts due from banks | 61,624 | 43,397 | 57,011 |
| Financial assets at fair value through P&L | 141,391 | 122,770 | 155,251 |
| - trading assets | 127,990 | 110,981 | 138,961 |
| - non-trading derivatives | 9,497 | 8,610 | 11,707 |
| - other | 3,904 | 3,178 | 4,583 |
| Investments | 113,754 | 106,591 | 107,875 |
| - debt securities available-for-sale | 96,362 | 88,500 | 90,659 |
| - debt securities held-to-maturity | 13,811 | 14,409 | 14,854 |
| - equity securities available-for-sale | 3,580 | 3,682 | 2,362 |
| Loans and advances to customers | 563,055 | 551,774 | 616,958 |
| - securities at amortized cost and IABF | 45,580 | 46,615 | 54,061 |
| - customer lending | 517,475 | 505,159 | 562,896 |
| Investments in associates | 1,496 | 1,396 | 1,709 |
| Real estate investments | 2,343 | 2,283 | 2,803 |
| Property and equipment | 5,544 | 5,567 | 5,757 |
| Intangible assets | 2,401 | 2,377 | 2,443 |
| Assets held for sale | 9 | 4,583 | |
| Other assets | 26,735 | 28,780 | 31,714 |
| **Total assets** | **932,772** | **882,119** | **997,331** |

| | 31 Mar 10 | 31 Dec 09 | 31 Mar 09 |
|---|---|---|---|
| **Equity** | | | |
| Shareholders' equity | 32,139 | 30,222 | 26,475 |
| Minority interests | 1,095 | 995 | 1,236 |
| **Total equity** | **33,234** | **31,217** | **27,711** |
| **Liabilities** | | | |
| Subordinated loans | 22,796 | 21,193 | 21,465 |
| Debt securities in issue | 119,150 | 109,357 | 102,441 |
| Amounts due to banks | 96,564 | 84,235 | 123,538 |
| Customer deposits and other funds on deposits | 496,560 | 477,602 | 530,609 |
| - savings accounts | 314,191 | 304,104 | 292,244 |
| - credit balances on customer accounts | 119,031 | 111,502 | 151,447 |
| - corporate deposits | 49,847 | 53,271 | 75,661 |
| - other | 13,491 | 8,724 | 11,256 |
| Financial liabilities at fair value through P&L | 139,212 | 126,496 | 160,447 |
| - trading liabilities | 109,051 | 98,245 | 127,704 |
| - non-trading derivatives | 18,268 | 16,777 | 20,404 |
| - other | 11,893 | 11,474 | 12,338 |
| Liabilities held for sale | 2 | 4,631 | |
| Other liabilities | 25,253 | 27,388 | 31,120 |
| **Total liabilities** | **899,537** | **850,902** | **969,620** |
| **Total equity and liabilities** | **932,772** | **882,119** | **997,331** |

ING Bank's balance sheet increased by EUR 51 billion compared to year-end 2009. Foreign exchange movements caused EUR 18 billion of this increase. The loan-to-deposit ratio (excluding securities and IABF receivable) improved from 1.06 to 1.04 at the end of March.The asset leverage ratio increased to 29.3 from 27.8 including EUR -0.3 billion from adjusting ING Bank's own debt to market valuations.

### Assets

Amounts due from banks rose by EUR 18 billion due to a EUR 7 billion increase in short-term deposits held with banks and EUR 8 billion higher unsettled balances from securities transactions.

Financial assets at fair value through P&L were up EUR 19 billion to EUR 141 billion. Trading assets increased by EUR 17 billion, of which EUR 11 billion was in securities borrowing and other money market activity, largely reflecting seasonality, while trading derivatives and securities were up EUR 7 billion due to lower activities at year-end.

Investments rose EUR 7 billion, including EUR 3 billion currency effect. The increase was mainly at ING Direct due to the continued investment of deposits in debt securities, and at ING Bank Slaski.

Loans and advances to customers increased by EUR 11 billion to EUR 563 billion. Foreign exchange impacts contributed EUR 10 billion to the total increase of which roughly EUR 6 billion in mortgages. Residential mortgages increased by EUR 10 billion, mainly at ING Direct and in the Netherlands. Loans to '(mid)-corporates, SMEs and other' rose by EUR 2 billion as demand for credit was low.

### Liabilities

Debt securities in issue increased by EUR 10 billion, of which EUR 8.7 billion attributable to the issuance of senior debt and covered bonds extending the funding profile of the Bank.

Amounts due to banks rose EUR 12 billion, mainly due to EUR 8 billion higher unsettled balances from securities transactions and a EUR 5 billion increase in short-term funds.

ING Bank's customer deposits and other funds on deposits increased by EUR 19 billion to EUR 497 billion at the end of the first quarter of which EUR 9 billion relates to foreign exchange. Individual savings increased by EUR 10 billion, of which EUR 8 billion at ING Direct (FX-adjusted EUR 3 billion). Current accounts were up EUR 3 billion and corporate savings increased by EUR 3 billion.

Financial liabilities at fair value through P&L increased by EUR 13 billion, mainly attributable to money market activity, where short-term deposits placed as collateral for securities lending and repos increased by EUR 7 billion and trading derivatives by EUR 3 billion.

### Shareholders' equity

Shareholders' equity increased by EUR 2 billion, or 6.3%, to EUR 32.1 billion. The increase was driven by a net profit of EUR 1.3 billion. The revaluation reserve debt securities improved by EUR 0.4 billion after tax to EUR 0.3 billion. The currency translation reserve increased by EUR 0.5 billion to EUR 0.3 billion at the end of March 2010, driven by the appreciation of the US dollar and British pound versus the euro.

## RISK MANAGEMENT

ING Bank's loan book showed signs of stabilisation in the first quarter. Risk costs decreased by EUR 192 million from the fourth quarter of last year to EUR 497 million, or 59 basis points of average risk-weighted assets. The decline was broadly based as almost all loan portfolios showed an improvement versus the previous quarters. The debt securities portfolio increased by EUR 6 billion to EUR 150 billion, mainly driven by an increase in government bonds, bonds from financial institutions and currency impact.

### Loan portfolio

| ING Bank: Loan portfolio | | |
|---|---|---|
| in EUR million | 31 Mar 2010 | 31 Dec 2009 |
| Residential mortgages | 301,147 | 291,068 |
| (Mid)-Corporates, SMEs and other | 212,752 | 210,530 |
| Governments | 8,338 | 7,914 |
| Securtiries at amortised cost and IABF | 45,580 | 46,615 |
| Provision for loan losses (loans and advances) | -4,762 | -4,353 |
| **Total loans and advances to customers** | **563,055** | **551,774** |

ING's total loan book increased from EUR 551.8 billion at the end of 2009 to EUR 563.1 billion at the end of March 2010, due to foreign currency effects and an increase in residential mortgages.

| ING Bank: Stock of provisions | | |
|---|---|---|
| in EUR million | 1Q 2010 | 4Q 2009 |
| Stock of provisions, Beginning of period | 4,399 | 4,260 |
| Increases | 637 | 958 |
| Releases | -140 | -274 |
| Write-offs | -208 | -514 |
| Other | 122 | -31 |
| **Stock of provisions, End of period*** | **4,810** | **4,399** |

* Stock of provisions includes provisions for amounts due from banks (EUR 48 million end of March 2010)

Risk costs were EUR 497 million in the first quarter of 2010, a decline of EUR 185 million compared with the first quarter of 2009 and down EUR 192 million compared with the fourth quarter of 2009 (adjusted for divestments). Gross additions in the first quarter of 2010 were EUR 637 million, while releases amounted to EUR 140 million. This translated into (annualised) 59 basis points of average risk-weighted assets (RWA) versus 80 basis points a year ago and 83 basis points in the previous quarter.

Risk costs declined across all businesses, compared with both the first quarter of 2009 and the fourth quarter of 2009. Compared with the fourth quarter of last year, ING Direct showed the most profound improvement as risk costs declined by EUR 71 million to EUR 129 million. This was mainly due to lower provisioning for mortgages as the US housing market began to stabilise. At Retail Netherlands, risk costs decreased by EUR 28 million to EUR 141 million, mainly due to lower provisioning in the mid-corporate and SME segments. Risk costs for Dutch mortgages remained low, EUR 21 million of net additions in the first quarter of 2010.

In Commercial Banking, risk costs declined to EUR 162 million from EUR 217 million in the fourth quarter. The EUR 55 million decline was mainly due to lower risk costs in Structured Finance. Risk costs declined particularly in the leveraged finance portfolio, which accounted for the majority of the risk costs last year.

Non-performing loans as a percentage of total loans only slightly increased to 2.1% in the first quarter of this year, from 2.0% in the last quarter of last year, mainly due to an increase in non-performing loans in ING Real Estate Finance as well as in the mid-corporate/SME portfolio in ING Retail. Consequently, we continue to monitor the Real Estate and mid-corporate/SME portfolio very closely. The credit environment for US mortgages remains challenging, but seem to be stabilising. Default rates for ING Direct's US residential mortgages portfolio, as measured by non-performing loans (90+ days past due), stabilised at 4.7% and loss severities did not worsen during the first quarter.

To conclude, risk costs for the Bank appear to be trending lower. For the coming quarters we expect that risk costs will be below the levels of the second half of last year.

### Securities portfolio

| ING Bank: Debt securities[1)] | | |
|---|---|---|
| in EUR billion | 31 Mar 2010 | 31 Dec 2009 |
| Government bonds | 50.9 | 48.0 |
| Covered bonds | 30.9 | 32.0 |
| Financial Institutions | 28.9 | 25.7 |
| Corporate bonds | 0.9 | 1.0 |
| ABS | 38.3 | 37.2 |
| - US agency RMBS | 9.7 | 8.3 |
| - US prime RMBS | 0.9 | 0.9 |
| - US Alt-A RMBS | 2.7 | 2.6 |
| - US Subprime RMBS | 0.1 | 0.1 |
| - Non-US RMBS | 16.6 | 16.8 |
| - CMBS | 2.6 | 2.5 |
| - CDO/CLO | 0.6 | 0.6 |
| - Other ABS | 5.2 | 5.5 |
| **Total** | **150.0** | **143.9** |

1) Figures exclude trading positions and include securities booked under Loans&Advances

The value of the securities portfolio was EUR 153.6 billion at the 31 March 2010, of which EUR 3.6 billion was equity-related and EUR 150 billion debt securities. The EUR 6.1 billion increase in the debt portfolio since the end of 2009 was mainly due to an increase in government bonds, US agency RMBS and bonds from financial institutions. Most of the increase in government bonds was due to currency effects, while the new investments were mainly in US and Australian government bonds. The exposure to Portugese, Greek and Spanish government bonds are respectively EUR 1.4 billion, EUR 1.9 billion and 1.8 billion. The revaluation reserve after tax on the total debt securities portfolio turned into a positive EUR 253 million in the first quarter of 2010, from a negative EUR 123 million in the fourth quarter of 2009. 96% of the total debt securities portfolio is investment grade.

ING's asset-backed securities (ABS) portfolio increased from EUR 37.2 billion at the end of December 2009 to EUR 38.3 billion at 31 March 2010, driven by currency effects, a positive revaluation of EUR 0.3 billion and selective purchases of US agency RMBS.

ING's Alt-A RMBS portfolio increased marginally from EUR 2.6 billion to EUR 2.7 billion at the end of the first quarter due to currency effects and a slight increase in market values to 61% at 31 March 2010, up 1%-point versus 31 December 2009. The market price of ING Direct's Option ARMs went up to 39%, while fixed and hybrids were marked at 77% at 31 March 2010. Delinquency rates in the underlying Alt-A mortgages are still increasing, from 25.9% in the fourth quarter of 2009 to 28.9% in the first quarter 2010. Overall, estimated credit losses for ING Bank's Alt-A RMBS portfolio remained stable. At the end of March 2010, the remaining negative revaluation reserve on Alt-A RMBS amounted to EUR 26 million after tax. This small revaluation reserve is comprised of EUR 122 million negative revaluations on unimpaired bonds and EUR 96 million positive revaluations on previously impaired bonds.

The remaining negative revaluation reserve after tax on the ING Bank total ABS portfolio improved to EUR 0.7 billion at end of the first quarter.

## Real Estate

**ING Bank: Real Estate**

| in EUR billion | 31 Mar 2010 | 31 Dec 2009 |
|---|---|---|
| Real Estate investments (FV through the P&L) | 3.1 | 3.3 |
| Real Estate property in own use (FV through equity) | 1.4 | 1.4 |
| Development projects Real Estate | 2.2 | 2.3 |
| **Exposure ING Bank** | **6.7** | **7.0** |

ING Bank reduced its direct real estate exposure to EUR 6.7 billion at 31 March 2010 from EUR 7.0 billion at the end of 2009. The sale of EUR 0.3 billion real estate investments reduced the real estate investments that are subject to revaluation through the P&L to EUR 3.1 billion at the end of the first quarter. The total fair value changes of the real estate investments that are subject to fair value changes through the P&L were limited to a negative EUR 38 million in the first quarter. The fair value changes were driven by small reductions in projected rental income while discount rates remained relatively stable.

ING Bank has investments of EUR 2.2 billion in real estate development projects, for which an impairment of EUR 151 million was taken in the first quarter. Impairments were mainly taken on the Dutch portfolio following deteriorating market expectations and management decisions to scale down projects.

## Market risk

In the first quarter of 2010, the overnight Value-at-Risk (VaR) for ING Bank's trading portfolio ranged from EUR 21 million to EUR 30 million. No limit excess was observed during the quarter.

The trading activities in Commercial Banking are concentrated on interest rate products. This is reflected in the composition of the VaR. The interest rate market, which includes both the general interest rate and credit spread exposures, provided the largest contribution to the trading VaR. Equities have a relatively limited contribution to the VaR. The average VaR in the fourth quarter of 2009 was EUR 30 million, while the average VaR in the first quarter of 2010 was EUR 26 million. The EUR 4 million decline was largely a result of lower volatility in the market.

**Consolidated VaR trading books: ING Commercial Bank**

| in EUR million | Minimum | Maximum | Average | Quarter-end |
|---|---|---|---|---|
| Foreign exchange | 1 | 4 | 2 | 3 |
| Equities | 4 | 9 | 6 | 6 |
| Interest rate/ Credit spread | 18 | 26 | 22 | 20 |
| Diversification | | | -4 | -4 |
| **Total VaR[1)]** | **21** | **30** | **26** | **25** |

(1) The total VaR for the columns Minimum and Maximum cannot be calculated by taking the sum of the individual components since the observations for both the individual markets as well as for total VaR may occur on different dates.

## Liquidity risk

Throughout the credit and liquidity crisis, ING has maintained its liquidity position within conservative internal targets. ING Bank's loan-to-deposit ratio, excluding securities that are recorded at amortised costs in the loans and advances and the IABF government receivable, improved from 1.06 at 31 December 2009 to 1.04 at 31 March 2010.

## Risk-weighted assets

Total risk-weighted assets (RWA) were stable at EUR 332.5 billion compared with EUR 332.4 billion in the previous quarter. The divestment of private banking in Asia and Switzerland reduced RWA by EUR 1 billion. Credit RWA were EUR 1 billion lower compared to 31 December 2009 at comparable FX, while operational RWA were reduced by EUR 5 billion. These factors offset the EUR 7 billion upward impact on RWA from currency effects. Market RWA were up EUR 1 billion on the previous quarter, driven by increased volumes within Financial Markets.

The composition of ING Bank's RWA at 31 March 2010 was as follows: Credit RWA: 87%; Operational RWA: 11%; and Market RWA: 2%.

# Insurance

## CONSOLIDATED RESULTS

| Insurance: Consolidated profit and loss account | | | | | |
|---|---|---|---|---|---|
| In EUR million | 1Q2010 | 1Q2009 | Change | 4Q2009 | Change |
| Gross premium income | 8,262 | 8,835 | -6.5% | 6,667 | 23.9% |
| Commission income | 432 | 422 | 2.4% | 456 | -5.3% |
| Total investment and other income | 1,236 | 1,799 | -31.3% | 993 | 24.5% |
| **Total underlying income** | **9,930** | **11,056** | **-10.2%** | **8,116** | **22.4%** |
| Underwriting expenditure | 8,487 | 10,731 | -20.9% | 6,935 | 22.4% |
| Operating expenses | 943 | 981 | -3.9% | 939 | 0.4% |
| Interest expenses | 215 | 282 | -23.8% | 265 | -18.9% |
| Other | 16 | 17 | -5.9% | 18 | -11.1% |
| **Total underlying expenditure** | **9,661** | **12,011** | **-19.6%** | **8,158** | **18.4%** |
| **Underlying result before tax** | **269** | **-954** | **n.a.** | **-42** | **n.a.** |
| of which life insurance | 401 | -611 | n.a. | 237 | 69.2% |
| of which non-life insurance | 44 | 19 | 131.6% | 69 | -36.2% |
| of which investment management | 49 | 27 | 81.5% | 79 | -38.0% |
| of which corporate line | -225 | -389 | n.a. | -428 | n.a. |
| Taxation | 160 | -151 | n.a. | 75 | 113.3% |
| Minority interests | 1 | 3 | -66.7% | 9 | -88.9% |
| **Underlying net result** | **108** | **-807** | **n.a.** | **-126** | **n.a.** |
| Net gains/losses on divestments | -2 | -56 | n.a. | 273 | -100.7% |
| Net results from divested units | -1 | -10 | n.a. | -4 | n.a. |
| Special items after tax | -22 | -268 | n.a. | -132 | n.a. |
| **Net result** | **84** | **-1,141** | **n.a.** | **11** | **663.6%** |
| **Insurance - Margin analysis** | | | | | |
| Investment margin | 329 | 298 | 10.4% | 268 | 22.8% |
| Fees and premium based revenues | 1,200 | 1,081 | 11.0% | 1,102 | 8.9% |
| Technical margin | 182 | 173 | 5.2% | 228 | -20.2% |
| Income non-modelled life business | 32 | 27 | 18.5% | 47 | -31.9% |
| **Life & ING IM operating income** | **1,744** | **1,578** | **10.5%** | **1,645** | **6.0%** |
| Administrative expenses | 757 | 742 | 2.0% | 735 | 3.0% |
| DAC amortisation and trail commissions | 434 | 412 | 5.3% | 430 | 0.9% |
| **Life & ING IM expenses** | **1,191** | **1,154** | **3.2%** | **1,165** | **2.2%** |
| **Life & ING IM operating result** | **552** | **425** | **29.9%** | **480** | **15.0%** |
| Non-life operating result | 48 | 34 | 41.2% | 69 | -30.4% |
| Corporate line operating result | -185 | -203 | n.a. | -244 | n.a. |
| **Operating result** | **415** | **255** | **62.7%** | **304** | **36.5%** |
| Gains/losses and impairments | -200 | -401 | n.a. | -177 | n.a. |
| Revaluations | 53 | 20 | 165.0% | -12 | n.a. |
| Market & other impacts | 0 | -829 | n.a. | -157 | n.a. |
| **Underlying result before tax** | **269** | **-954** | **n.a.** | **-42** | **n.a.** |
| **Life Insurance - New business figures** | | | | | |
| Single premiums | 3,153 | 3,736 | -15.6% | 3,140 | 0.4% |
| Annual premiums | 926 | 846 | 9.5% | 717 | 29.1% |
| New sales (APE) | 1,242 | 1,219 | 1.9% | 1,031 | 20.5% |
| **Life & ING IM - Key figures** | | | | | |
| Administrative expenses / operating income | 43.4% | 47.0% | | 44.7% | |
| Life general account assets (end of period, in EUR billion) | 153 | 148 | 3.4% | 143 | 7.0% |
| Investment margin / Life general account assets[1] (in bps) | 84 | 109 | | 83 | |
| Client balances (end of period, in EUR billion) | 426 | 378 | 12.7% | 408 | 4.4% |
| ING IM Assets under Management (end of period, in EUR billion) | 362 | 312 | 16.0% | 343 | 5.5% |
| **Other key figures** | | | | | |
| Administrative expenses (total) | 870 | 879 | -1.0% | 868 | 0.2% |
| Return on equity[2] | 3.0% | -28.1% | | -0.9% | |
| Employees (FTEs, end of period) | 34,660 | 38,208 | -9.3% | 35,466 | -2.3% |

1) Four quarters rolling average

2) Underlying, after-tax return, adjusted for the after-tax allocated cost of Group core debt injected as equity into Insurance by the Group, divided by average IFRS equity (annualised)

# INSURANCE

Operating results for Life Insurance and ING Investment Management increased significantly. Operating income improved over the first and fourth quarter of 2009 due to higher investment margins as cash was partly reinvested in highly rated bonds. Fees and premium-based revenues rose on positive equity market performance. Cost controls have kept administrative expenses at levels marginally above the first and fourth quarter of 2009. Sales improved in the developing markets of Asia/Pacific and Latin America.

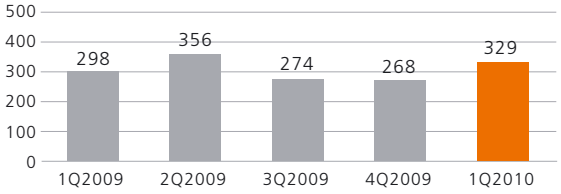
### Operating result

The operating result increased to EUR 415 million from EUR 255 million in the first quarter of 2009 and EUR 304 million in the fourth quarter of last year. Higher life insurance results were driven by improved investment margins on higher general account assets and higher fees and premium-based revenues on higher assets under management. The Corporate Line Insurance also recorded a lower loss.

### Life insurance and investment management

The life insurance and investment management operating result improved to EUR 552 million versus EUR 425 million in the first quarter of 2009 and EUR 480 million in the fourth quarter of 2009.

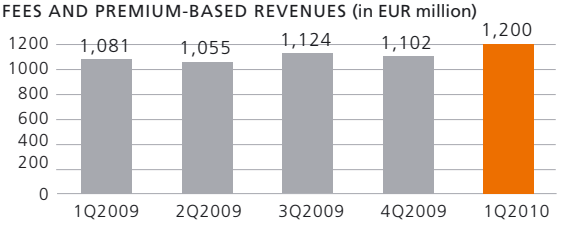
INVESTMENT MARGIN (in EUR million)




The investment margin of EUR 329 million was up 10.4% compared with EUR 298 million in the same quarter last year and improved 22.8% from the fourth quarter. The increase over a year ago is mainly attributable to the Benelux and Asia. In the Benelux, interest income increased as cash and other liquid assets were partly reinvested in highly rated bonds. Investment margins in Asia were up mainly due to asset growth in the life general account, improved yields in South Korea and increased interest spreads in Hong Kong. Investment margins in the United States declined from the first quarter last year due to derisking activities in the closed blocks of business, including faster run-off of the spread-lending business. This was partly offset by improved investment margins in the ongoing businesses. Although the US investment margin was lower than a year ago, it has increased from the fourth quarter, primarily driven by higher interest spreads.

The life insurance general account portfolio increased to EUR 153 billion from EUR 143 billion at year-end 2009 and from EUR 148 billion in the first quarter of 2009. The investment spread in the first quarter was 84 basis points of the life insurance general account compared with 83 basis points in the fourth quarter and 109 basis points in the first quarter of 2009.

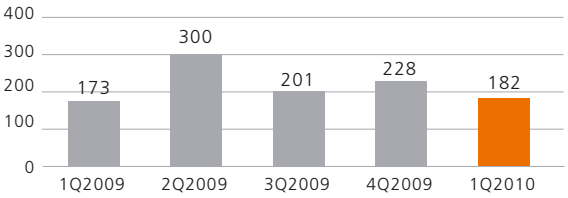
FEES AND PREMIUM-BASED REVENUES (in EUR million)




Fees and premium-based revenues increased 11.0% versus the first quarter of 2009 to EUR 1,200 million. Fees increased as markets rebounded in the course of 2009; this led to higher fund values. In the United States, higher gross fees were partly offset by higher costs of variable annuity guaranteed benefits. Premium-based revenues from traditional life insurance increased on higher premiums in Asia, especially in the Japanese COLI business.

Compared with the fourth quarter of 2009, fees and premium-based revenues grew 8.9% mainly due to traditional premiums in the Benelux and Asia, primarily due to seasonal effects.

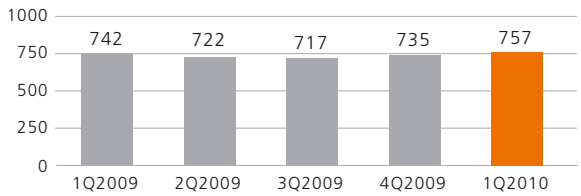
TECHNICAL MARGIN (in EUR million)




The technical margin was EUR 182 million versus EUR 173 million in the first quarter of 2009. Improved mortality results in the United States and the Benelux were partially offset by a lower technical margin in Asia due to improved persistency in Japan and Hong Kong, resulting in smaller surrender gains.

Compared with the fourth quarter last year, the technical margin decreased 20.2% from EUR 228 million due to the one-off release of technical provisions in the United States, Central and Rest of Europe, and Asia in the fourth quarter.

ADMINISTRATIVE EXPENSES (in EUR million)




Expenses for life insurance and ING IM edged up 3.2% versus the first quarter of last year and were up 2.2% from the fourth quarter. Life and ING IM administrative expenses rose 2.0% from the same period last year and 3.0% from the fourth quarter due to accrual adjustments in the first and fourth quarter of 2009. The

ratio of administrative expenses to operating income improved to 43.4% from 47.0% in the previous-year quarter.

DAC amortisation & trail commissions increased 5.3% on higher operating income. Compared with the fourth quarter, DAC amortisation & trail commissions were essentially flat.

### Non-life insurance

The Non-life operating result before tax jumped 41.2%, from EUR 34 million in the first quarter of 2009 to EUR 48 million in 2010 due to higher investment income and lower expenses. The loss ratio for the Benelux remains relatively high due to unfavourable disability claims experience and weather-related claims in the quarter, but declined to 69.3% from 70.6% in the year ago quarter, when there was an elevated incidence of fire claims. The combined ratio of 104.8% improved from 109.6% in the year-ago quarter primarily due to an improvement in the expense ratio.

Compared with the fourth quarter last year, the Non-life operating result declined 30.4% from EUR 69 million to EUR 48 million. This was due to a higher claims ratio, which was partly offset by higher investment income in the Benelux.

### Corporate Line

The operating result for the Corporate Line Insurance improved to EUR -185 million from EUR -203 million in the year-ago quarter and EUR -244 million in the fourth quarter due to the termination of the Formula 1 sponsorship as well as lower interest on hybrids following transfer of a USD 1.5 billion hybrid security to ING Bank.

### Underlying result before tax

Market-related impacts, while elevated, continued to diminish. This led to a further improvement in the underlying result before tax, which increased to EUR 269 million in the first quarter versus EUR -954 million in the year-ago quarter and EUR -42 million in the fourth quarter.

Gains/losses and impairments on investments improved from EUR -401 million to EUR -200 million; this was driven by lower impairments on debt securities and public equity. The United States recorded EUR 206 million in losses and impairments in the first quarter of 2010. These mainly related to impairments on RMBS and CMBS and realised losses on CMBS. ING took advantage of improved market conditions to reduce its CMBS exposure in the United States by EUR 750 million in the quarter, resulting in a loss of EUR 75 million.

Negative DAC unlocking in the United States improved from EUR -615 million to EUR -41 million. Results from the internally reinsured Japanese SPVA business improved from EUR -183 million in the first quarter of 2009 to EUR -10 million. The impact of the change of the provision for guarantees on separate account pension contracts (net of hedging) turned from a loss of 164 million in the first quarter of 2009 to a positive result of EUR 66 million in the first quarter of 2010.

### Net result

The net result of EUR 84 million contained EUR 22 million in after-tax charges related to the One Insurance NL and Vision for Growth (Central and Rest of Europe) programmes, as well as ongoing restructuring programmes in ING IM and in the United States.

The 59.5% effective tax rate is mainly due to the fact that no tax benefit was booked on part of the investment losses and impairments in the United States.

### Sales

New sales (APE) edged up 1.9% versus the first quarter last year and by 15.2% excluding the US closed block and the Japan SPVA closed block. The increase is attributable to the Benelux, Asia and Latin America.

The 56.0% growth in the Benelux was mainly caused by the change in the recognition of premiums in the Netherlands, higher sales of the Optima product and higher sales of variable annuities in Belgium and Luxembourg.

In Asia, all countries contributed to the 21.0% sales increase, excluding currency effects. The biggest contributors were Japan (33.9%), due to higher corporate-owned life insurance (COLI) sales, and Hong Kong, where sales more than doubled due to increased bancassurance sales and sales of investment products through the tied agency channel.

The 31.8% sales growth in Latin America (excluding currency effects) was driven by increased pension sales in Mexico as well as the inclusion of tax-favoured voluntary pension sales in Colombia, which were not included in the sales figures prior to the first quarter of 2010.

New sales in Central and Rest of Europe declined 13.0% on a constant currency basis due to lower sales in Poland and Greece.

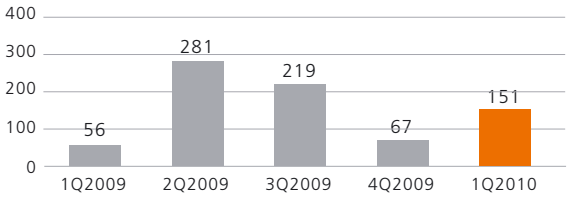
In the United States, new sales shrank 19.5%, excluding currency effects. This was largely due to management actions taken to reduce sales of variable annuities. For the ongoing businesses, sales declined 9.1% from the first quarter last year, with sales of full-service retirement plans increasing when measured on a US basis.

| Insurance: Breakdown by business area[3] | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Benelux | | Central & Rest of Europe | | United States | | Latin America[4] | | Asia/Pacific[1] | | ING IM | |
| In EUR million | 1Q2010 | 1Q2009 | 1Q2010 | 1Q2009 | 1Q2010 | 1Q2009 | 1Q2010 | 1Q2009 | 1Q2010 | 1Q2009 | 1Q2010 | 1Q2009 |
| Investment margin | 98 | 66 | 17 | 18 | 188 | 207 | 15 | 10 | 9 | -4 | 2 | 1 |
| Fees and premium based revenues | 167 | 156 | 123 | 122 | 293 | 255 | 92 | 76 | 321 | 296 | 204 | 176 |
| Technical margin | 54 | 48 | 36 | 33 | 60 | 46 | 6 | 5 | 27 | 41 | - | - |
| Income non-modelled life business | 14 | 7 | 3 | 2 | 0 | 0 | 0 | 4 | 14 | 13 | -0 | -0 |
| **Life & ING IM operating income** | **334** | **277** | **179** | **175** | **541** | **508** | **113** | **96** | **371** | **346** | **206** | **177** |
| Administrative expenses | 150 | 174 | 61 | 65 | 246 | 224 | 45 | 39 | 96 | 105 | 160 | 134 |
| DAC amortisation and trail commissions | 65 | 65 | 46 | 49 | 146 | 131 | 15 | 14 | 162 | 152 | 1 | 1 |
| **Life & ING IM expenses** | **215** | **240** | **106** | **114** | **392** | **354** | **60** | **53** | **257** | **257** | **161** | **135** |
| **Life & ING IM operating result** | **119** | **37** | **73** | **61** | **148** | **154** | **53** | **42** | **114** | **89** | **45** | **42** |
| Non-life operating result | 32 | 20 | 2 | 1 | - | - | 13 | 12 | 1 | 1 | - | - |
| **Operating result** | **151** | **56** | **75** | **62** | **148** | **154** | **66** | **54** | **115** | **90** | **45** | **42** |
| Gains/losses and impairments | -10 | -136 | -4 | 2 | -206 | -237 | 0 | 3 | 15 | -3 | 5 | -23 |
| Revaluations | -21 | 93 | - | - | 94 | -81 | 12 | 6 | 0 | -9 | -1 | 8 |
| Market & other impacts | 66 | -164 | - | - | -63 | -468 | - | - | 6 | -15 | - | - |
| **Underlying result before tax** | **186** | **-150** | **71** | **64** | **-27** | **-633** | **79** | **63** | **136** | **63** | **49** | **27** |
| **Life Insurance - New business figures** | | | | | | | | | | | | |
| Single premiums | 658 | 563 | 171 | 145 | 1,702 | 2,156 | 478 | 251 | 143 | 622 | - | - |
| Annual premiums | 90 | 44 | 82 | 94 | 307 | 409 | 98 | 75 | 349 | 224 | - | - |
| New sales (APE) | 156 | 100 | 100 | 108 | 478 | 624 | 145 | 101 | 363 | 286 | - | - |
| **Key figures** | | | | | | | | | | | | |
| Gross premium income | 2,997 | 2,432 | 542 | 518 | 3,066 | 3,908 | 32 | 55 | 1,619 | 1,911 | - | - |
| Adm. expenses / operating income (Life & ING IM) | 44.9% | 62.8% | 34.1% | 37.1% | 45.5% | 44.1% | 39.8% | 40.6% | 25.9% | 30.3% | 77.7% | 75.7% |
| Life general account assets (end of period, in EUR billion) | 58 | 55 | 8 | 7 | 64 | 65 | 3 | 5 | 20 | 16 | 1 | 1 |
| Investment margin / Life general account assets[2] (in bps) | 72 | 100 | 99 | 141 | 104 | 142 | 199 | 115 | 13 | -8 | 358 | 122 |
| Prov. for life insurance & investm. contracts for risk policyholder (end of period, in EUR billion) | 22.7 | 16.9 | 3.6 | 2.5 | 68.1 | 51.6 | 0.1 | 0.1 | 20.5 | 22.2 | - | - |
| Net production Client balances (in EUR billion) | 0.7 | -0.7 | 0.3 | 0.4 | -1.3 | -0.4 | 0.6 | 0.3 | 0.1 | 0.4 | -5.4 | -1.3 |
| Client balances (end of period, in EUR billion) | 69.8 | 65.0 | 26.8 | 18.8 | 128.7 | 113.9 | 40.7 | 29.5 | 39.1 | 42.8 | 121.0 | 107.9 |
| Administrative expenses (total) | 239 | 279 | 62 | 67 | 246 | 224 | 45 | 39 | 96 | 106 | 160 | 134 |

1) 1Q09 client balances, net production and provisions shown in the table include Australia and New Zealand
2) Four quarters rolling average
3) Table excluding Corporate Line, explained on page 35.
4) As from 1Q2010, ING's share in Sul America is presented with one quarter delay.

## INSURANCE BENELUX

OPERATING RESULT - BENELUX (in EUR million)




The performance of Insurance Benelux improved in the first quarter of 2010. The operating result improved strongly and market-related impacts declined compared with the first quarter of 2009, while life administrative expenses declined 14% in the same period.

Operating result for the first quarter of 2010 more than doubled to EUR 151 million from EUR 56 million a year earlier and EUR 67 million in the fourth quarter. The increase was mainly driven by higher investment margins, lower expenses due to an ongoing strong focus on cost reductions as well as higher fees and premium-based revenues.

The investment margin improved to EUR 98 million compared with EUR 66 million in the first quarter of 2009 and EUR 79 million in the fourth quarter. This increase was supported by a higher fixed income result as high cash balances were reinvested over the course of 2009. This increase in the investment margin is not directly reflected in the investment spread as the general account grew from EUR 55 billion in the first quarter of 2009 to EUR 58 billion. This increase is mainly driven by volatile increases in market values of the bond and equity portfolios. However, these market value increases are not reflected in the operating investment margin which makes this spread rather volatile on a quarterly basis. Furthermore, the investment margin in the fourth quarter of 2008 included a one-off release of a provision for profit-sharing. Therefore the investment spread, calculated as a four- quarter moving average, decreased from 100 basis points in the first quarter of 2009 to 72 basis points.

Fees and premium-based revenues rose to EUR 167 million compared with EUR 156 million a year earlier and EUR 128 million in the fourth quarter. The increase is attributable to higher premiums due to a change in the recognition of group life premiums in the Netherlands in the third quarter of 2009. Furthermore, sales were higher in Belgium and Luxembourg due

to the Optima and the variable annuity products. Annual premiums of group contracts are primarily received and recognised in the first quarter of the year resulting in a seasonal effect in fees and premium-based revenues.

The technical margin improved to EUR 54 million compared with EUR 48 million in the first quarter of 2009 due to a higher mortality result. The technical margin was in line with the fourth quarter of 2009.

Life administrative expenses declined to EUR 150 million from EUR 174 million in the first quarter of 2009 due to reductions in internal and external staff as a result of several cost containment programmes in 2009 and lower pension expenses. Administrative expenses in the first quarter of 2010 were impacted by lower pension charges and low marketing expenses in preparation for the second-quarter launch of Nationale-Nederlanden's marketing campaign. Administrative expenses in the fourth quarter of 2009 (EUR 185 million) were higher due to a high number of IT-related projects. The ratio of life administrative expenses to operating income improved to 44.9% from 62.8% a year ago, supported by higher income due to the one-off change in premium recognition and seasonal annual premiums. DAC amortisation & trail commissions were stable at EUR 65 million.

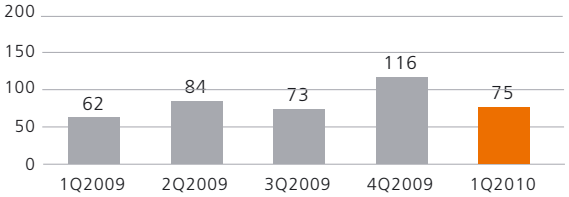
The non-life operating result rose to EUR 32 million compared with EUR 20 million in the first quarter of 2009. The increase was mainly due to lower expenses. As a consequence, the combined ratio improved from 110% in the first quarter of 2009 to 105% in the first quarter of 2010. The operating result decreased from EUR 51 million in the fourth quarter of 2009 due to higher claims as a result of recession effects (higher disability, lower recovery) and bad weather conditions in the first quarter of 2010, which resulted in higher motor claims.

Thanks to improved market conditions, the underlying result before tax improved strongly to a EUR 186 million profit compared to a loss of EUR 150 million in the year-ago quarter. The impact of the change of the provision for guarantees on separate account pension contracts (net of hedging) turned from a loss of 164 million in the first quarter of 2009 to a positive result of EUR 66 million in the first quarter of 2010.

New sales (APE) were EUR 156 million versus EUR 100 million a year ago. This increase was mainly due to premium acceleration effects (EUR 32 million) in the Netherlands. Compared with the fourth-quarter APE of EUR 196 million, the decrease was caused by high renewals in the fourth quarter of 2009.

## INSURANCE CENTRAL AND REST OF EUROPE

OPERATING RESULT - CRE (in EUR million)




In the first quarter of 2010, sales from Insurance Central and Rest of Europe (CRE) remained under pressure due to the economic crisis. Good cost control led to a further improvement in the administrative expenses to operating income ratio, while the prudent risk profile was reflected in low market impacts.

Insurance CRE realised an operating result of EUR 75 million, up from EUR 62 million in the first quarter of 2009 but down from EUR 116 million in the fourth quarter. The increase compared with the first quarter of 2009 was mainly driven by a decrease in expenses (both administrative expenses and DAC amortisation and trail commissions) and a higher technical margin.

The investment margin was flat at EUR 17 million. Fees and premium-based revenues were also flat at EUR 123 million. A EUR 6 million reduction in pension revenues in Poland due to regulatory changes was fully offset by higher fees on AuM and the appreciation of the Polish zloty. The Polish regulator increased the maximum monthly cap on AuM fees from 10 million Polish zloty to 15.5 million Polish zloty.

The technical margin increased by EUR 3 million to EUR 36 million, driven by a significant improvement in the loss ratio of the Greek health business. Nevertheless, the loss ratio remains poor.

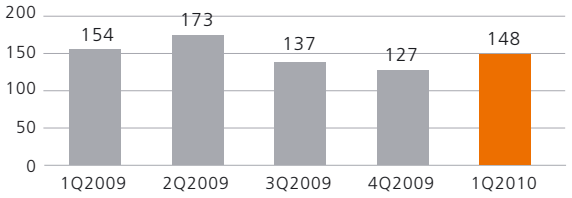
Life administrative expenses fell from EUR 65 million to EUR 61 million. This was mainly due to the discontinuation of the life insurance activities in Russia. The ratio of life administrative expenses to operating income improved to 34.1% from 37.1% in the first quarter of 2009. DAC amortisation and trail commissions decreased from EUR 49 million to EUR 46 million, due to lower sales (especially of unit-linked single and regular premium business in the Czech Republic) and lower commission paid in Slovakia as riders were the main source of sales in the first quarter.

The underlying result before tax improved from EUR 64 million to EUR 71 million. Market-related impacts included EUR 4 million of impairments on debt securities versus EUR 2 million of capital gains in the first quarter of 2009.

New sales (APE) slipped to EUR 100 million from EUR 108 million in the first quarter of 2009. In Greece, sales decreased due to the discontinuation of health sales and lower bancassurance sales. Polish pension sales fell as the number of new contracts declined. Sales in Spain recovered, especially of variable annuities. AuM inflows decreased compared with the first quarter of 2009 due to lower inflows in the Hungarian and Polish pension funds.

## INSURANCE UNITED STATES*

OPERATING RESULT - UNITED STATES (in EUR million)




ING continues to reposition its US business to focus more on Retirement and Life Insurance, with Legacy Variable Annuity (i.e., SPVA sold through 31 March 2010) closed to new business, and the spread-lending business, ING Financial Products, in run-off in order to limit earnings volatility. The operating result of the ongoing Retirement and Life Insurance business improved from the first quarter last year for the US as a whole. The ratio of administrative expenses to operating income improved when the effect of one-off accrual adjustments in 2009 is eliminated. Overall, sales declined from the first quarter of 2009 but improved for full-service retirement plans.

The operating result from the Insurance US was EUR 148 million, down from EUR 154 million in the first quarter of 2009. Excluding currency impacts and the results of the closed blocks, the operating result was EUR 132 million, up 18.9% from EUR 111 million a year earlier and up 1.5% from the fourth quarter of 2009. The increase in profit from the ongoing retirement and insurance businesses was primarily driven by improved investment margins and higher fee income. The operating result for the closed blocks of business decreased, primarily due to lower investment margins from derisking initiatives.

The investment margin declined to EUR 188 million from EUR 207 million in the first quarter of 2009, driven by derisking activities in the closed blocks, including faster run-off of the spread-lending business. However, the investment margin for the ongoing businesses improved by EUR 34 million, excluding currency impacts, to EUR 196 million. Overall, the interest spread decreased to 104 basis points of general account assets from 142 basis points in the year ago quarter. General account assets of EUR 64 billion are down 1.5% from the first quarter of 2009, primarily due to the run-off of ING Financial Products.

Fees and premium-based revenues increased to EUR 293 million compared with EUR 255 million the prior year. Higher gross fee income was driven by growth in separate account assets, with provisions life insurance and investments for risk policyholder increasing 31.8% from the first quarter of 2009. These higher gross fees were partially offset by the higher cost of guaranteed benefits in the closed variable annuity block.

Technical margins reflect improvements over the first quarter of 2009, but are lower than the fourth quarter of 2009, which included favourable development of claim reserves in the individual life business.

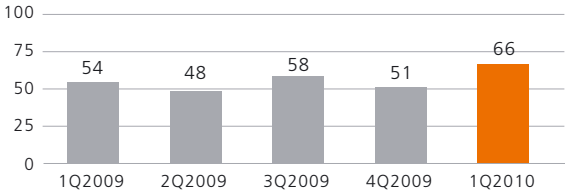
Expenses rose to EUR 392 million from EUR 354 million in the first quarter of 2009, primarily due to accrual adjustments, which lowered expenses in both the first and fourth quarter of 2009. Excluding these accrual adjustments, life insurance administrative expenses declined to 43.8% of operating income from 45.5% in the first quarter of 2009. DAC amortisation was higher than in the first quarter of 2009 due to higher operating income in the ongoing businesses.

The underlying result before tax for Insurance US was EUR -27 million, reflecting market-related impacts such as DAC unlocking, revaluations, impairments and net capital losses. This represents an improvement from a loss of EUR 633 million in first quarter of 2009 and a loss of EUR 75 million in the fourth quarter of 2009. Investment losses and impairments decreased to EUR 206 million from EUR 237 million in the first quarter of 2009. In the current quarter, the losses and impairments were primarily due to derisking actions taken to reduce the size of the CMBS portfolio. EUR 750 million of assets were sold from the CMBS portfolio during the quarter, resulting in a pre-tax loss of EUR 75 million. In addition, CMBS and subprime impairments totalled EUR 108 million. Results for the first quarter of 2010 were also influenced by steps taken related to the IFRS reserve adequacy testing policy, which now prevents the legacy variable annuity DAC balance from increasing due to equity market increases or changes in assumptions.

Overall, new sales (APE) declined to EUR 478 million from EUR 624 million in the first quarter of 2009 due to the deliberate reduction in sales of variable annuities and a repricing of individual life products in mid-2009. Sales of full-service retirement plans increased 4.8% (on a US basis) from the first quarter of 2009 on continued strong results in the small/medium corporate segment.

## INSURANCE LATIN AMERICA

OPERATING RESULT - LATIN AMERICA (in EUR million)




Insurance Latin America continues to benefit from the improved market conditions. For the first quarter, this resulted in higher pension fund assets and pension fund deposits due to a higher salary base.

The operating result for Latin America increased to EUR 66 million from EUR 54 million a year ago and from EUR 51 million in the fourth quarter of 2009, driven by higher fee income from pensions and the strengthening of local currencies against the euro.

* US specific figures can be found in the Group Statistical Supplement

The investment margin increased to EUR 15 million from EUR 10 million a year earlier. This was mainly due to the positive impact of higher inflation and higher investment returns in the Chilean Life business.

Fees and premium-based revenues grew to EUR 92 million from EUR 76 million a year ago as a higher salary base led to higher deposits. In Mexico, where revenues are related to fees on assets, the increase was driven by pension fund asset growth, which more than offset a decrease in the fee level agreed with the regulator.

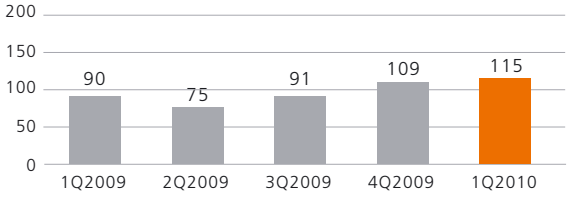
Life administrative expenses were EUR 45 million compared with EUR 39 million in the first quarter last year. This increase is related to the strengthening of local currencies against the euro, local inflation adjustments applied to salaries as well as some limited earthquake-related expenses in Chile (the latter mainly due to a donation campaign). Administrative expenses in the fourth quarter of 2009 were higher at EUR 49 million due to project Wealth Management spending and accrual adjustments. This, in turn, resulted in a ratio of life administrative expenses to operating income of 39.8% (or 41.4% excluding the effect of the accrual adjustments).

The underlying result before tax rose to EUR 79 million from EUR 63 million a year ago, reflecting the better operating result and revaluations pertaining to the assets in the pension fund legal reserves. These revaluations doubled from EUR 6 million in the first quarter of 2009 to EUR 12 million in the current quarter.

New sales (APE) rose to EUR 145 million from EUR 101 million in the previous-year quarter. This increase was mainly due to higher sales in Mexico, currency strengthening against the euro, and the addition of tax-favoured voluntary pension sales in Colombia which were not previously included in the sales figures. These factors more than offset a decrease in commercial activity in Peru.

## INSURANCE ASIA/PACIFIC

OPERATING RESULT - ASIA/PACIFIC (in EUR million)




Sales gained momentum during the quarter, driven by the introduction of new products and successful bancassurance partnerships. Operating result rose due to an increase in investment margins and higher premium-based revenues. Administrative expenses were down, resulting in a further improvement of the efficiency ratio, well below the overall target of 35%.

Operating result before tax for the quarter increased to EUR 115 million from EUR 90 million in the same quarter last year and EUR 109 million in the previous quarter. Higher fees and premium-based revenue and improved investment margin more than offset a decline in the technical margin, while life insurance expenses remained stable compared with the same quarter last year.

The investment margin for the first quarter of 2010 was EUR 9 million compared to a loss of EUR 4 million in the same quarter last year. This was mainly due to growth in general account assets coupled with an increase in investment returns. The investment margin improved by EUR 6 million at ING Life Korea and by EUR 5 million in Hong Kong.

Fees and premium-based revenue rose to EUR 321 million from EUR 296 million in the same quarter last year. Growth was primarily driven by ING Life Japan, where strong COLI sales and higher fees from assets under management in the SPVA in-force business led to an EUR 8 million increase in fees and premium-based revenue. The result was further supported by the inclusion of KB Life as a modelled business as of the first quarter of 2010, which contributed EUR 9 million, with a corresponding reduction in non-modelled income. The regular premium base for the region rose to EUR 1,475 million from EUR 1,329 million in the same quarter last year.

The technical margin declined to EUR 27 million compared with EUR 41 million in the first quarter of 2009. The decline was mainly driven by lower mortality results in Japan due to an increase in death claims and lower surrender results, before DAC write-off, in Japan and Hong Kong.

Life insurance expenses were stable at EUR 257 million. Life administrative expenses declined from EUR 105 million in the first quarter of 2009 to EUR 96 million in this quarter, reflecting cost management. The ratio of life administrative expenses to operating income improved as a result of the strong sales momentum and cost containment. DAC amortisation rose from EUR 152 million in the same quarter last year to EUR 162 million in the first quarter of 2010, mainly due to Malaysia and KB Life.

The underlying result before tax was EUR 136 million compared with EUR 63 million in the first quarter of 2009 and EUR 117 million in the previous quarter. The results from market-related volatile items rose to EUR 22 million compared to a loss of EUR 27 million in the same quarter last year. The improvement was driven by higher equity capital gains and improved revaluation results, partly offset by lower gains on debt and fixed income securities. 'Market & other impacts', which represent the residual SPVA market volatility in Japan, improved to EUR 6 million from a loss of EUR 15 million.

New sales (APE) rose 27% to EUR 363 million from EUR 286 million in the same quarter last year. The improvement was primarily driven by the launch of a new COLI cancer product in time for the March fiscal year end sales in Japan. New COLI sales in the first quarter of 2010 totalled EUR 150 million. New sales also rose in South Korea, Malaysia and the Rest of Asia compared with the first quarter of 2009. Sales benefited from distribution through ING's selected bank partnerships.

## ING INVESTMENT MANAGEMENT

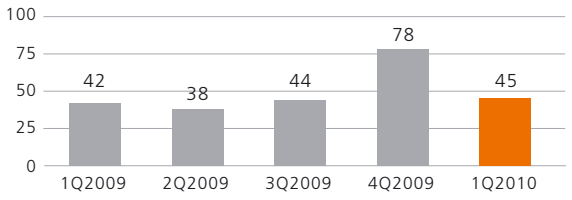
| ING Investment Management: Key figures | | | |
|---|---|---|---|
| In EUR billion | 1Q2010 | 4Q2009 | 1Q2009 |
| Assets under Management | 361.6 | 343.2 | 311.9 |
| of which Proprietary | 132.6 | 124.0 | 122.4 |
| of which Retail | 141.9 | 127.6 | 106.1 |
| of which Institutional | 87.0 | 91.6 | 83.4 |
| Net inflow AuM | -2.9 | -4.6 | -0.4 |
| Fees / average AuM (annualised in bps) | 23 | 23 | 23 |
| Administrative expenses / operating income | 77.6% | 62.3% | 75.9% |

In the first quarter of 2010, ING Investment Management (ING IM) benefited from strong growth in assets under management (AuM) as equity markets recovered and the euro depreciated. AuM increased to EUR 361.6 billion at the end of March 2010, up EUR 18.4 billion compared with year-end 2009. This increase was driven by a positive market impact of EUR 8.5 billion and a positive exchange rate impact of EUR 14.9 billion. Net flows were negative EUR 2.9 billion as new mandates and fund launches did not make up for the expiration of a mandate related to the former ING Life Taiwan business, which was sold in 2009.

In the first quarter, assets managed for the general account (proprietary) and retail clients increased to 37% and 39% of total AuM respectively, while institutional AuM balances were down to 24%. The split between equity and fixed income remained almost unchanged at 27% and 66% of AuM, with money markets accounting for the balance.

ING IM continues to enhance its investment capabilities and business development opportunities by adopting a globally coordinated model. New products were launched in the first quarter, such as the 'Infrastructure, Industrials and Materials' Fund in the Americas and the ING Brazil Fund at the global ING IM level. In addition, the first global sales campaign was launched.

OPERATING RESULT - ING IM (in EUR million)



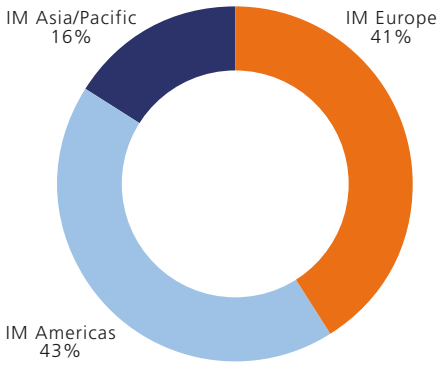

The operating result was EUR 45 million in the first quarter of 2010, up from EUR 42 million in the same quarter a year ago. Fees grew broadly in line with AuM, while expenses, corrected for accrual adjustments, increased 5%.

Fees increased 16% to EUR 204 million compared with the first quarter of 2009, driven by 12% higher average AuM. Despite changes in client and product mix, the annualised ratio of fees to average AuM remained largely unchanged at 23 basis points.

Administrative expenses increased to EUR 160 million from EUR 134 million in the first quarter of 2009. Comparisons are impacted by accrual adjustments, which deflated the expense level in the first and fourth quarter of 2009. Excluding these adjustments, administrative expenses rose 5% compared with the first quarter of 2009, with the increase reflecting ING's ongoing programme to develop the ING IM business. The ratio of administrative expenses to operating income, corrected for accrual adjustments, improved to 77.2% from 85.3% in the first quarter of 2009 and 78.7% in the fourth quarter of 2009.

The underlying result before tax increased to EUR 49 million versus EUR 27 million in the first quarter of 2009, which included impairments on assets in India which were mostly reversed in the remainder of the year.

ING IM: AUM BY REGION




## CORPORATE LINE INSURANCE

| Corporate Line Insurance | | |
|---|---|---|
| in EUR million | 1Q2010 | 1Q2009 |
| Interest on hybrids and core debt | -176 | -166 |
| Amortisation intangible assets | -16 | -17 |
| Investment income & fees (ING Insurance holding) | 11 | 3 |
| Capital Management | -181 | -180 |
| Results from reinsurance run-off portfolios | 0 | 0 |
| Other | -4 | -24 |
| **Operating result before tax** | **-185** | **-203** |
| Gains/losses and impairments | 1 | -7 |
| Revaluations | -31 | 4 |
| Market and other impacts | -10 | -183 |
| **Underlying result before tax** | **-225** | **-389** |

The Corporate Line Insurance mainly consists of items related to capital management, results from run-off portfolios as well as some other insurance-related results. The capital management portion of the result comprises interest on hybrids and core debt. Included in the interest on core debt is the cost of the core debt directly held by ING Insurance and the cost of equity leverage at ING Group that is allocated to ING Insurance.

Insurance-related results include reinsurance to ING Re of ING Life Japan guaranteed benefits associated with SPVA contracts, along

with the corresponding SPVA hedging results. The results of this reinsured business have been historically reported under Insurance Asia/Pacific. From the first quarter of 2010, the results are reported in the Corporate Line.

The Corporate Line had an operating loss of EUR 185 million in the first quarter versus a EUR 203 million loss in the first quarter of last year, with capital management contributing EUR 181 million to the operating loss, which is flat compared to EUR 180 million in the first quarter of 2009. The capital management contribution reflects the positive impact from lower interest on hybrids following the transfer of a USD 1.5 billion hybrid to ING Bank and lower interest on core debt offset by lower interest income on intercompany current accounts.

A reduction in expenses allocated to the Corporate Line is reflected in the 'other' line, which improved by EUR 20 million to EUR -4 million.

Non-operating volatile items of EUR -40 million improved from EUR -186 million in the prior-year quarter, despite revaluations of EUR -31 million versus EUR 4 million in the first quarter of 2009. The improvement is due to the internally reinsured Japanese SPVA results, which increased to EUR -10 million from EUR -183 million in the year ago period. This result is reflected in 'market and other impacts'. Mainly due to these non-operating volatile items, the underlying result before tax of the first quarter improved to EUR -225 million from EUR -389 million in the first quarter of 2009.

## CONSOLIDATED BALANCE SHEET

**ING Verzekeringen N.V.: Consolidated balance sheet**

| in EUR million | 31 Mar 10 | 31 Dec 09 | 31 Mar 09 |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with central banks | 9,956 | 9,425 | 11,426 |
| Financial assets at fair value | 121,833 | 111,117 | 101,072 |
| - trading assets | 482 | 474 | 416 |
| - non-trading derivatives | 4,340 | 3,668 | 5,422 |
| - investments for risk of policyholders | 114,479 | 104,597 | 92,702 |
| - other | 2,532 | 2,378 | 2,532 |
| Investments | 113,743 | 105,521 | 106,350 |
| - debt securities available-for-sale | 107,593 | 100,350 | 101,248 |
| - equity securities available-for-sale | 6,150 | 5,171 | 5,102 |
| Loans and advances to customers | 29,925 | 29,014 | 30,423 |
| Reinsurance contracts | 5,937 | 5,480 | 5,729 |
| Investments in associates | 2,549 | 2,486 | 2,539 |
| Real estate investments | 1,065 | 1,069 | 1,128 |
| Property and equipment | 555 | 552 | 629 |
| Intangible assets | 4,026 | 3,875 | 4,614 |
| Deferred acquisition costs | 12,110 | 11,398 | 11,615 |
| Assets held for sale | 298 | 441 | |
| Other assets | 10,756 | 10,031 | 13,575 |
| **Total assets** | **312,754** | **290,409** | **289,098** |

| | 31 Mar 10 | 31 Dec 09 | 31 Mar 09 |
|---|---|---|---|
| **Equity** | | | |
| Shareholders' equity | 18,416 | 15,887 | 10,451 |
| Minority interests | 81 | 80 | 74 |
| **Total equity** | **18,497** | **15,967** | **10,525** |
| **Liabilities** | | | |
| Subordinated loans | 5,906 | 5,743 | 7,101 |
| Debt securities in issue | 3,888 | 4,079 | 4,132 |
| Other borrowed funds | 7,825 | 7,036 | 11,822 |
| Insurance and investment contracts | 258,825 | 240,857 | 236,386 |
| - life insurance provisions | 133,927 | 126,343 | 130,390 |
| - non-life insurance provisions | 3,947 | 3,538 | 4,001 |
| - provision for risk of policyholders | 114,962 | 105,080 | 93,269 |
| - other | 5,989 | 5,896 | 8,725 |
| Financial liabilities at fair value | 4,258 | 3,921 | 4,617 |
| - non-trading derivatives | 4,258 | 3,921 | 4,617 |
| Liabilities held for sale | 225 | 258 | |
| Other liabilities | 13,330 | 12,547 | 14,515 |
| **Total liabilities** | **294,257** | **274,442** | **278,573** |
| | | | |
| **Total equity and liabilities** | **312,754** | **290,409** | **289,098** |

ING Insurance's balance sheet increased EUR 22 billion to EUR 313 billion compared to year-end 2009. Foreign exchange movements caused EUR 13 billion of this increase. Shareholders' equity rose by EUR 2.5 billion or 16%, to EUR 18.4 billion.

### Assets

Total assets increased by EUR 22 billion, or 8%, to EUR 313 billion at the end of March 2010 compared with EUR 290 billion at year-end 2009. EUR 13 million of this increase was due to to the weakening euro, with increasing market values of investments also contributing.

Financial assets at fair value through P&L increased by EUR 11 billion. This was mainly a result of increased investments for risk of policyholders of EUR 10 billion caused by positive revaluations of EUR 5 billion and currency effects of EUR 5 billion.

Investments grew by EUR 8 billion to EUR 114 billion due to an increase of debt securities of EUR 7 billion due to positive revaluations and currency effects.

### Liabilities

Insurance and investment contracts increased by EUR 18 billion to EUR 259 billion as a result of increased life insurance provisions of EUR 8 billion (due to additions and currency effects) and the increase of EUR 10 billion in the provision for risk of policyholders, which mirrors the increase in the investments for risk of policyholders on the asset side of the balance sheet.

### Shareholders' equity

Shareholders' equity increased by EUR 2.5 billion, driven by positive revaluations on available-for-sale investments of EUR 2 billion, which is offset by an increase in deferred profit-sharing liability of EUR 1 billion. Exchange rate differences amounted to EUR 1.3 billion.

## RISK MANAGEMENT

Further market recovery and derisking measures improved ING Insurance risk profile, but US RMBS and CMBS impairment risk remains high.

### Credit risk

**ING Insurance: General account**

| in EUR billion | 31 Mar 2010 | 31 Dec 2009 |
|---|---|---|
| Government bonds | 43.5 | 41.4 |
| Corporate bonds | 35.5 | 31.3 |
| Financial Institutions | 14.1 | 13.7 |
| ABS | 20.9 | 20.5 |
| - US agency RMBS | 4.4 | 4.5 |
| - US prime RMBS | 1.4 | 1.3 |
| - US Alt-A RMBS | 0.4 | 0.3 |
| - US Subprime RMBS | 1.5 | 1.4 |
| - Non-US RMBS | 4.8 | 4.6 |
| - CMBS | 5.2 | 5.1 |
| - CDO/CLO | 0.7 | 0.9 |
| - Other ABS | 2.5 | 2.4 |
| Public equities | 3.5 | 3.0 |
| Real Estate | 3.2 | 3.2 |
| Cash and Bank balances | 10.0 | 9.4 |
| Mortgages | 14.3 | 14.0 |
| Other loans | 9.5 | 8.9 |
| Other | 9.7 | 8.2 |
| **Total** | **164.2** | **153.6** |

The general account increased by EUR 10.6 billion in the quarter to EUR 164.2 billion. The main drivers for this increase were the further recovery of the credit markets and the appreciation of the dollar and Asian currencies against the euro. Despite the mild recovery of the markets, the credit environment remains challenging, with EUR 165 million of impairments in the first quarter of 2010. Impairments were largely driven by US RMBS. However, the unrealised losses in US RMBS decreased from EUR 840 million to EUR 571 million, showing further recovery.

The United States disposed of EUR 750 million of CMBS in the quarter in order to reduce exposure to this asset class. Despite these disposals, the balance sheet value of CMBS increased slightly to EUR 5.2 billion through euro depreciation and positive revaluations, mainly in the AAA rating class. Due to these positive revaluations and the decrease in underlying exposure, unrealised losses on CMBS improved from EUR 1.3 billion at year-end 2009 to EUR 748 million.

Despite manageable levels of CMBS impairments in the quarter of EUR 28 million, the impairment risk remains high, mainly in the lower quality classes (subs and junior).

The balance sheet value of Financial Institutions exposures increased by EUR 400 million to EUR 14.1 billion as a result of the depreciation of the euro. Financial exposures in hybrid securities have been actively managed through sales in the quarter totalling EUR 378 million. The underlying risk for these securities has been mitigated significantly over the last few quarters, supported by further stabilisation of the markets and the progress that has been made with the restructurings that financial institutions agreed to with the European Commission.

ING Insurance holds EUR 1.3 billion in sovereign debt of Greece. For Spain and Portugal, the sovereign debt holding of ING Insurance is EUR 1.0 billion and EUR 0.2 billion, respectively.

### Market risk

**Earnings sensitivities for market risks (full year impact)**

| In EUR million | 1Q2010 | 4Q2009 |
|---|---|---|
| Interest rates +100bps | -316 | -222 |
| Interest rates -100bps | 396 | 270 |
| Equity -15% | -849 | -813 |
| Real Estate -8% | -436 | -434 |
| Foreign exchange -10% | -241 | -224 |

Interest rate earnings sensitivities are dominated by the Dutch separate account business where hedging is done on an economic basis, resulting in a mismatch for earnings due to asymmetric accounting. The value of existing swap and swaption hedges increased due to lower eurozone interest rates, leading to higher earnings sensitivities. As a result, on an economic basis, higher interest rates have a positive effect, but earnings are impacted slowly over time.

Equity-related earnings sensitivities reflect direct equity exposure, primarily in the Benelux, and indirect equity exposure that arises primarily from US DAC unlocking. In the quarter, direct equity-related earnings sensitivity increased due to higher markets, small new direct equity positions, and a reduction in hedges in the Netherlands from EUR 2 billion notional at year-end 2009 to EUR 1 billion.

For the indirect equity exposure, action steps taken related to the IFRS reserve adequacy testing policy should have the effect of ameliorating US Legacy Variable Annuity reserve inadequacy by reducing the DAC balance over time.

Real Estate exposure relates to direct holdings plus real estate investment funds, which combined were stable at EUR 5.5 billion in the first quarter of 2010.

Foreign exchange exposure mainly relates to translation risk on earnings from outside the eurozone. During the first quarter of 2010 the euro depreciated against most currencies, resulting in an increased earnings sensitivity.

### Insurance risks

Insurance risks such as mortality, longevity, morbidity and adverse P&C claims result from the pricing and acceptance of insurance contracts.

Through scenario analyses, ING Insurance measures the sensitivity of pre-tax earnings of the insurance operations to an adverse

change of the insurance risk factors over a one year period. Earnings sensitivities in this section are defined on a shock scenario at the 90% confidence level on pre-tax IFRS earnings, projected one year forward from the calculation date.

| Earnings sensitivities for Insurance risks (full year impact) | | |
|---|---|---|
| In EUR million | 1Q2010 | 4Q2009 |
| Mortality | -42 | -39 |
| Morbidity | -117 | -113 |
| P&C | -42 | -42 |

Earnings sensitivity to mortality risk is mainly arising in Asia/Pacific with smaller contributions from the remaining regions. Earnings sensitivity to morbidity risk (sickness, disability, accidental death, workers compensation, medical insurance and long-term care insurance) is more evenly spread over the regions, with the largest impact from the Benelux. Earnings sensitivity to P&C risk is highly concentrated in the Benelux. Overall exposure to insurance risks did not change during the first quarter of 2010 other than through currency effects.

### Reserve adequacy testing

In the first quarter of 2010, an action step under the ING Group IFRS reserve adequacy testing policy was implemented to address the reserve inadequacy on the closed block Legacy Variable Annuity business. This prohibits increasing DAC and VOBA for this business resulting from negative amortisation and unlocking as long as the the net IFRS liabilitity for the Legacy Variable Annuity business is below the internally established 90% adequacy level of the reserve adequacy test. The United States continued to be adequate at the 50% confidence level by EUR 2.0 billion and inadequate at the 90% confidence level by EUR 1.6 billion at the end of the first quarter of 2010.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

**ING Group: Consolidated profit and loss account**

| | Total Group[1] | | Total Banking | | Total Insurance | |
|---|---|---|---|---|---|---|
| in EUR million | 1Q 2010 | 1Q 2009 | 1Q 2010 | 1Q 2009 | 1Q 2010 | 1Q 2009 |
| Gross premium income | 8,262 | 8,835 | | | 8,262 | 8,835 |
| Interest result Banking operations | 3,217 | 3,018 | 3,254 | 3,022 | | |
| Commission income | 1,087 | 996 | 655 | 574 | 432 | 422 |
| Total investment & other income | 1,483 | 1,880 | 267 | 166 | 1,236 | 1,799 |
| **Total underlying income** | **14,049** | **14,729** | **4,176** | **3,762** | **9,930** | **11,056** |
| Underwriting expenditure | 8,487 | 10,731 | | | 8,487 | 10,731 |
| Staff expenses | 1,854 | 1,948 | 1,334 | 1,358 | 520 | 590 |
| Other expenses[2] | 1,489 | 1,345 | 1,066 | 954 | 423 | 391 |
| Operating expenses | 3,344 | 3,293 | 2,401 | 2,312 | 943 | 981 |
| Interest expenses Insurance operations | 158 | 193 | | | 215 | 282 |
| Addition to loan loss provision | 497 | 682 | 497 | 682 | | |
| Other | 16 | 17 | | | 16 | 17 |
| **Total underlying expenditure** | **12,502** | **14,916** | **2,898** | **2,994** | **9,661** | **12,011** |
| **Underlying result before tax** | **1,547** | **-185** | **1,278** | **769** | **269** | **-954** |
| Taxation | 511 | 70 | 351 | 221 | 160 | -151 |
| Minority interests | 18 | -21 | 17 | -24 | 1 | 3 |
| **Underlying net result** | **1,018** | **-236** | **910** | **571** | **108** | **-807** |
| Net gains/losses on divestments | 403 | -56 | 405 | | -2 | -56 |
| Net result from divested units | | -64 | 1 | -54 | -1 | -10 |
| Special items after tax | -97 | -438 | -75 | -170 | -22 | -268 |
| **Net result** | **1,326** | **-793** | **1,241** | **348** | **84** | **-1,141** |

[1] Including intercompany eliminations
[2] Other expenses within Banking includes "intangibles amortisation and impairments".

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.

Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in ING's core markets, (2) changes in performance of financial markets, including developing markets, (3) the implementation of ING's restructuring plan to separate banking and insurance operations, (4) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness, (5) the frequency and severity of insured loss events, (6) changes affecting mortality and morbidity levels and trends, (7) changes affecting persistency levels, (8) changes affecting interest rate levels, (9) changes affecting currency exchange rates, (10) changes in general competitive factors, (11) changes in laws and regulations, (12) changes in the policies of governments and/or regulatory authorities, (13) conclusions with regard to purchase accounting assumptions and methodologies, (14) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, and (15) ING's ability to achieve projected operational synergies. ING assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason.

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