ING Group

The transformation into a liability-driven bank

Morgan Stanley Conference

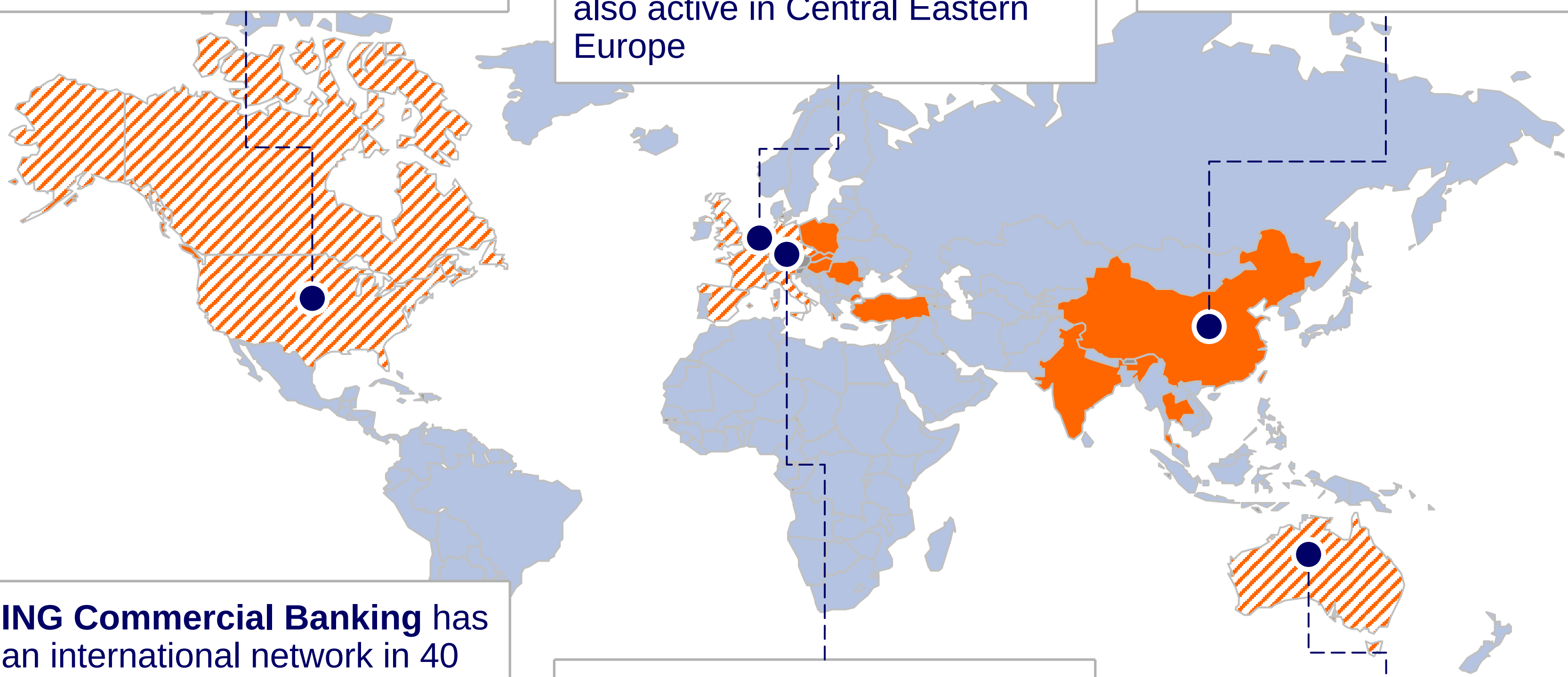
Koos Timmermans
CRO

London – 30 March 2011
www.ing.com

ING: the transformation into a liability driven Bank

- ING Bank has strong market positions and ample growth opportunities to create further up-side for investors on a stand-alone basis
- Strong capital generation at the Bank is enabling repayment to the Dutch State through retained earnings which creates strategic flexibility as ING executes divestments and the restructuring of the Group
- Relative to peers, ING Bank is well positioned for Basel III, with a limited impact on capital ratios and a unique funding vehicle with ING Direct
- Basel III is also a catalyst to manage the Bank's balance sheet more efficiently to ensure an attractive return for shareholders despite higher required capital ratios

ING Bank has a European footprint and strong growth potential



ING Direct active in the United States and Canada

ING Retail is #2 bank in Netherlands and #4 in Belgium, also active in Central Eastern Europe

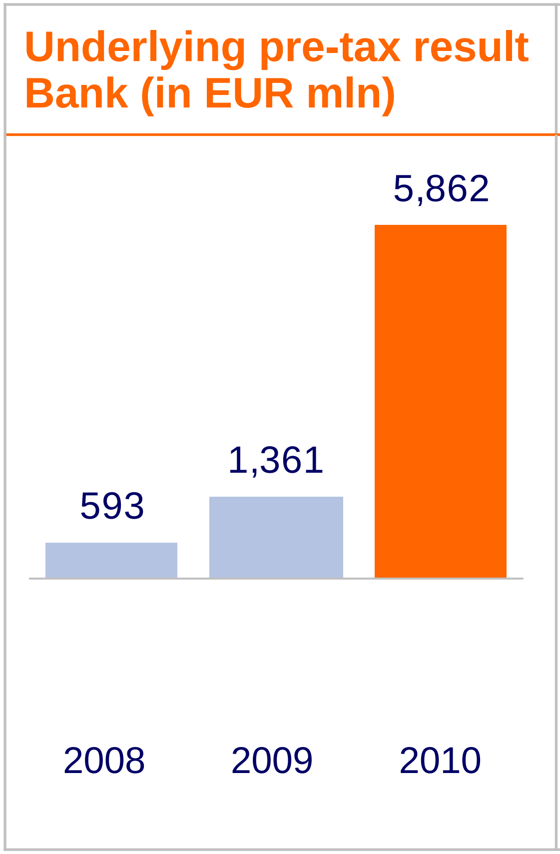
ING Retail active in China, India and Thailand

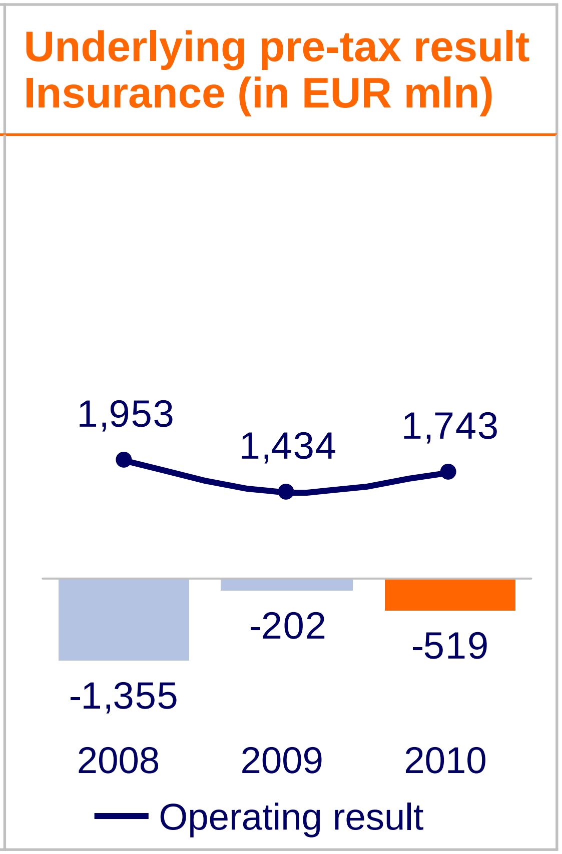
ING Commercial Banking has an international network in 40 countries with key positions in Structured Finance and Financial Markets

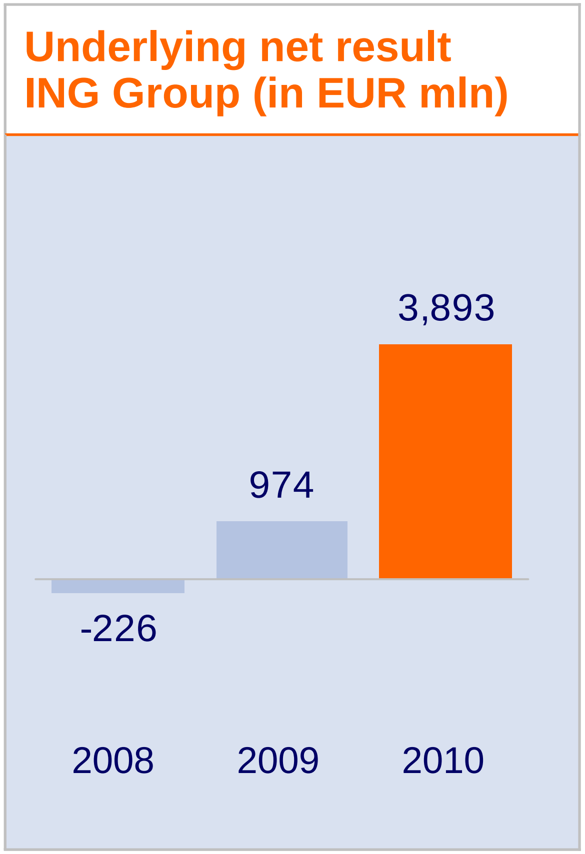
ING Direct active in Austria, France, Germany, Spain, Italy and the UK

ING Direct in Australia

Full-year 2010 profit ING Group driven by strong recovery of Bank results



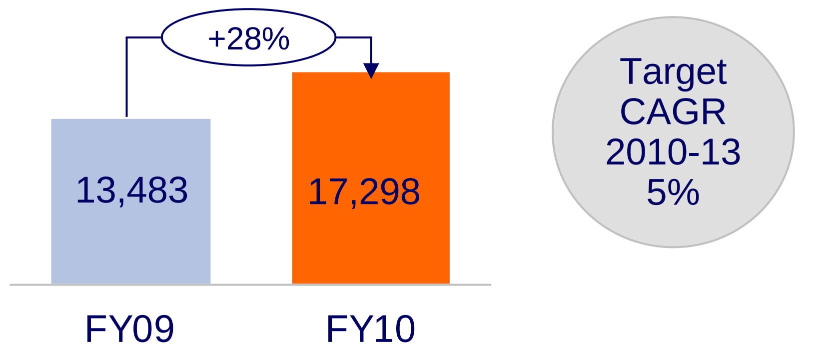




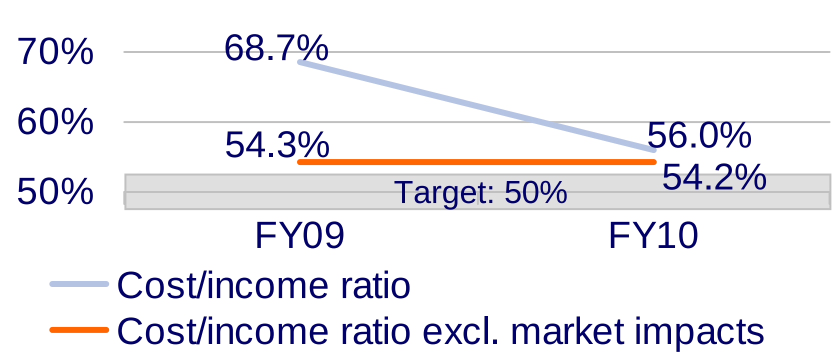
- Group Full Year 2010 net result was EUR 3,220 mln versus a loss of EUR 935 mln in 2009

Bank is making good progress on Ambition 2013

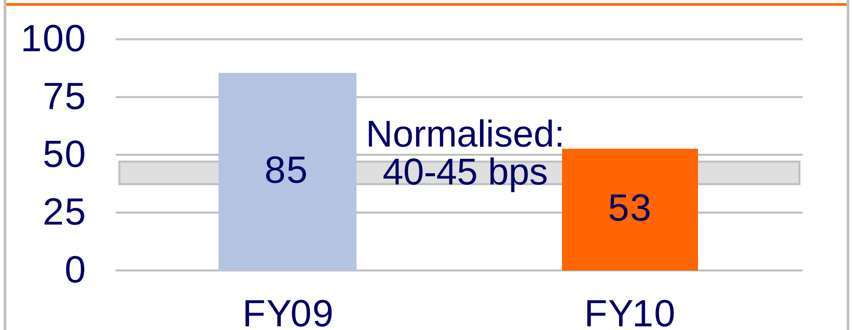
Underlying income* (EUR million)



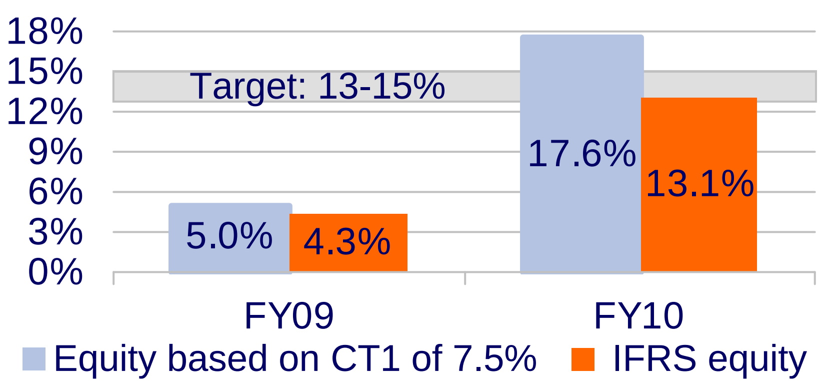
Underlying cost/income ratio (%)



Underlying risk costs in bps of average RWA



RoE** (%)

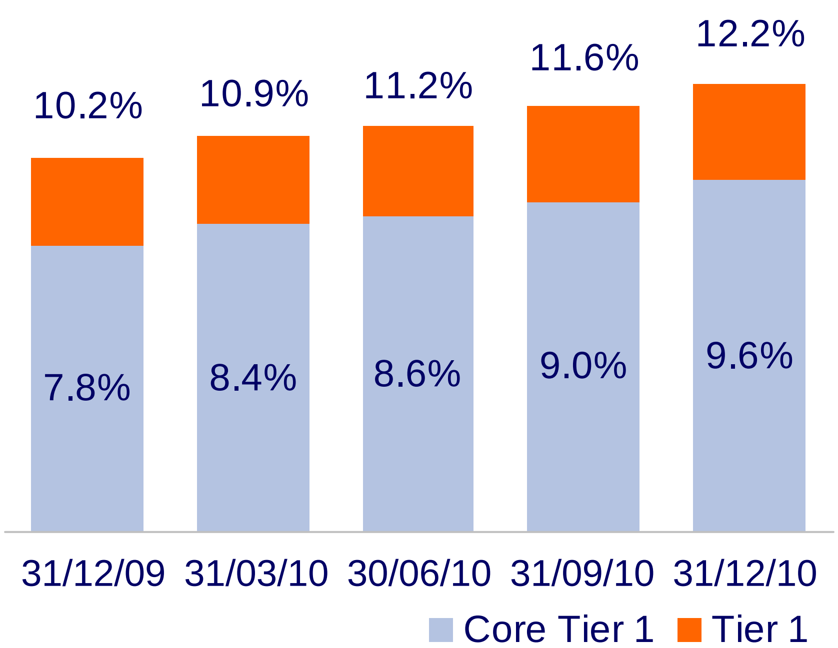


* Underlying income excluding market-related impacts increased 7.4% in FY10 versus FY09

** Average equity based on core Tier 1 ratio of 7.5%. Return on IFRS-EU equity of 13.1% in FY10 (4.3% in FY 09)

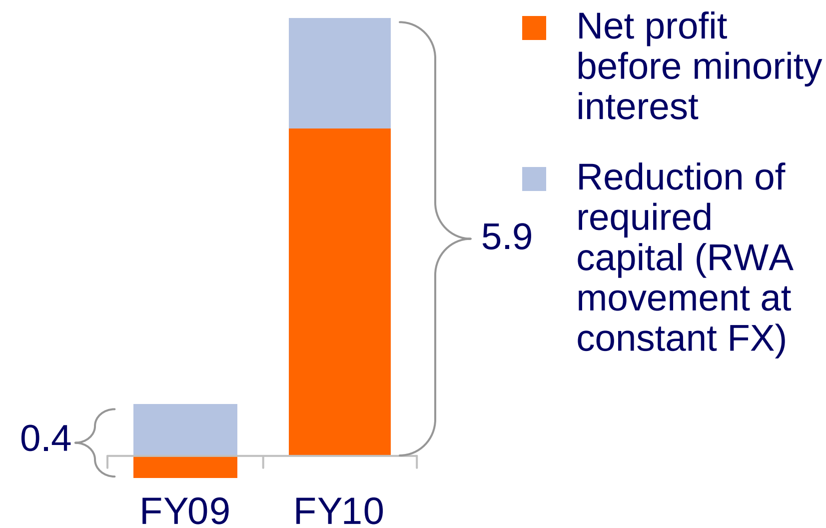
Strong Bank results led to robust capital generation and increase of Bank core Tier 1 ratio to 9.6%

ING Bank Tier 1 ratio



- Core Tier 1 ratio increased to 9.6%, from 7.8% at 31 Dec 09 and 9.0% at 30 Sept 10

Core Tier 1 capital surplus generation* (in EUR bln)



* Core-Tier-1 capital generated is defined as net result before minority interest minus 7.5% * RWA growth at constant FX

- Bank generated EUR 5.9 bln core Tier 1 capital at constant FX in 2010, driven by higher profit and lower RWA

Strong capital generation should enable repayment of state from own resources

Core Tier 1 Capital Ratio simulation under Basel II (in %)*

ING to repurchase EUR 5 bln core Tier 1 securities in 2 tranches

- On 7 March 2011, ING announced its intention to repurchase EUR 2 billion core Tier 1 securities from the state on 13 May 2011
- The total payment will be EUR 3 billion and includes a 50% repurchase premium. ING will fund this repurchase from retained earnings
- Based on ING's capital position on 31 December 2010 (9.6%), the intended repurchase in May would reduce the core Tier 1 ratio by 90 basis points
- Provided that the strong capital generation continues, ultimately by May 2012 ING intends to repurchase the remaining EUR 3 billion core Tier 1 securities from retained earnings

* Core Tier 1 simulation is used for illustrative purposes only. Actual figures may differ significantly and additional divestments are excluded; Consensus net profit estimates based on analyst forecasts: Repayment state 2012 assumes a 50% exit premium

ING

Divestment process on track

2010	2011	2012	2013
Separation Bank/Insurance • As of 1/1/11, Bank and Insurance/IM operate legally at arm's length from each other • Operational separation includes end state and interim solutions • ING will replace interim solutions with permanent solutions	**Preparation for two IPOs for Insurance** • ING will implement operational disentanglement between the US and EurAsia Insurance/IM operations to prepare for the base case of 2 IPOs • No final decision yet on Latin America: exploring strategic options	**Ready for IPOs when market conditions are favourable**	**Restructuring to be completed**

Divestments required by the EC

- ING Insurance
- ING Direct US
- Westland Utrecht Bank

ING

Basel III

Basel III implementation will be phased

Timelines Basel III implementation

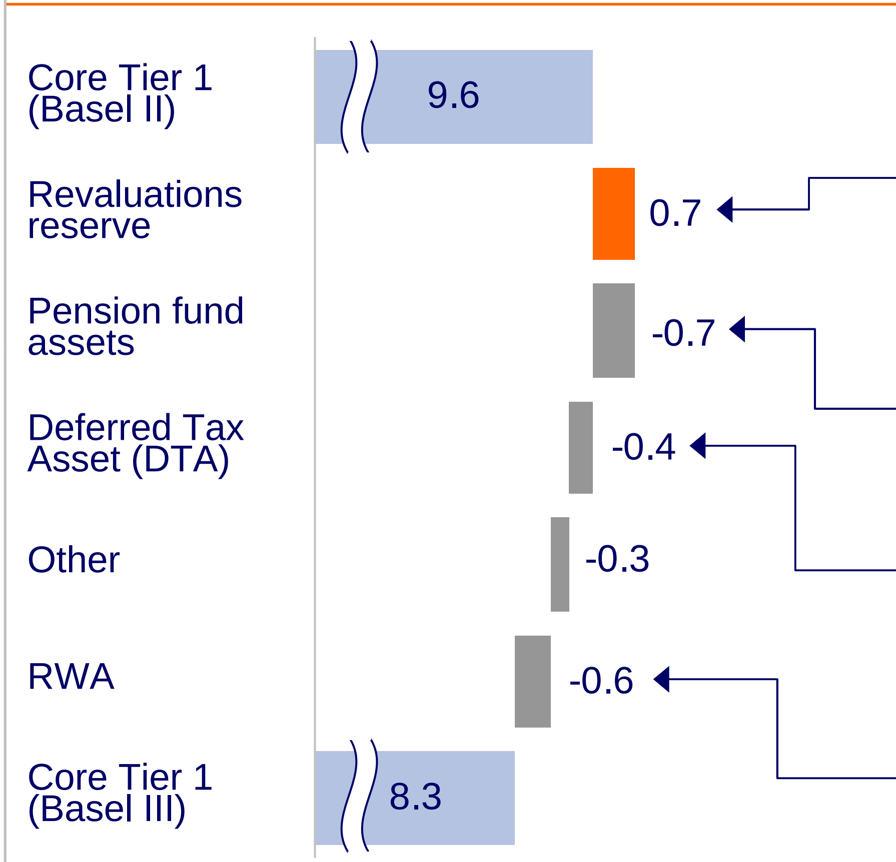
As of 1 January	2011	2012	2013	2014	2015	2016	2017	2018	2019
Leverage Ratio	Supervisory monitoring		Parallel run 1 Jan 2013 – 1 Jan 2017 Disclosure starts 1 Jan 2015					Migration to Pillar 1	
Minimum Common Equity Capital Ratio			3.5%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%
Capital Conservation Buffer						0.625%	1.25%	1.875%	2.50%
Minimum common equity plus capital conservation buffer			3.5%	4.0%	4.5%	5.125%	5.75%	6.375%	7.0%
Phase-in of deductions from CT1 (including amounts exceeding the limit for DTAs, MSRs and financials)				20%	40%	60%	80%	100%	100%
Minimum Tier 1 Capital			4.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Minimum Total Capital			8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Minimum Total Capital plus conservation buffer			8.0%	8.0%	8.0%	8.625%	9.25%	9.875%	10.5%
Capital instruments that no longer qualify as non-Core Tier 1 capital or Tier 2 capital					Phased out over 10 years horizon beginning 2013				

- Required minimum common equity plus capital conservation buffer is 7%
- It's not yet clear whether ING will be earmarked as a systemically important bank and what the required additional buffer would possibly be

ING

Spot implementation of Basel III today would be manageable

Full impact 'spot implementation' Basel III (at 31 December 2010) currently estimated at - 130 bps Core Tier 1 ratio*

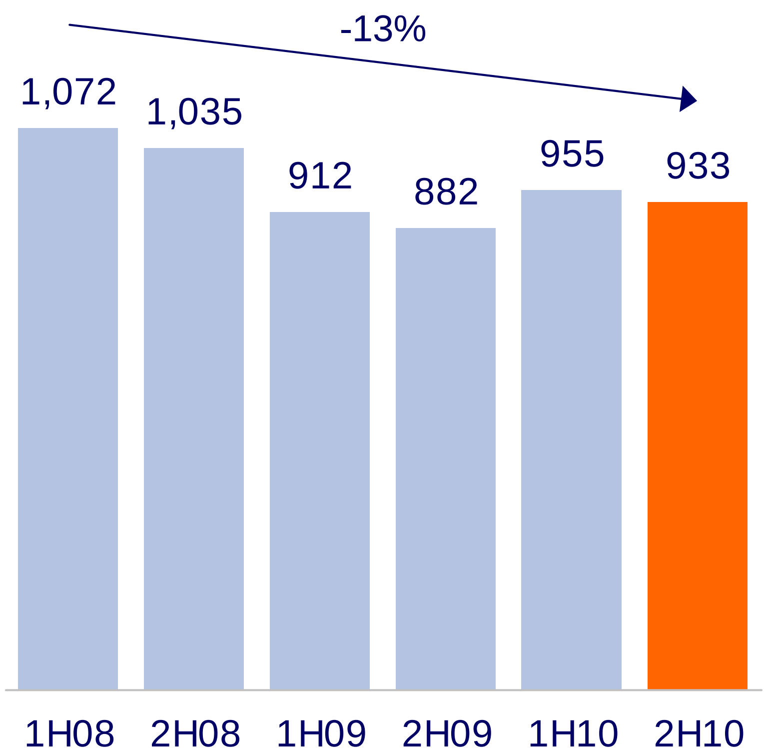


- The final Basel III framework does not require an adjustment to remove unrealised gains or losses on the B/S. This rule will create volatility if IFRS9 is not implemented (e.g. revaluation reserve debt securities decreased in 4Q10 due to higher interest rates).**
- Defined benefit pension fund assets have to be deducted under Basel III
- Loss carry forward DTA impact has to be deducted under Basel III. Large part of DTA is expected to be consumed before the end of 2012
- RWA increase related to Counterparty Credit Risk and items that are not deducted in calculations of Equity Tier I will be risk weighted at 250%

*The full impact 'spot implementation' Basel III excludes the impact of Basel 2.5 (~20 bps)
** If IFRS9 gets endorsed by 2013, the revaluation reserve on debt securities will disappear which will reduce volatility in the CT I number

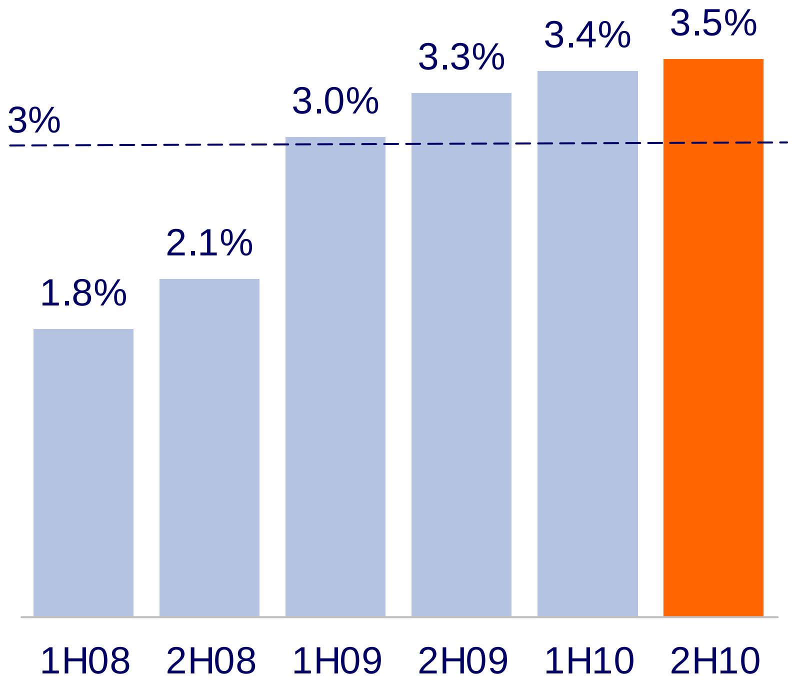
ING Bank already meets Basel III asset leverage ratio after significant de-leveraging

Balance sheet size is reduced (in EUR billion)



Asset leverage ratio improved in 2008-10

Basel III asset leverage = Tier 1 capital / total assets plus off-balance sheet



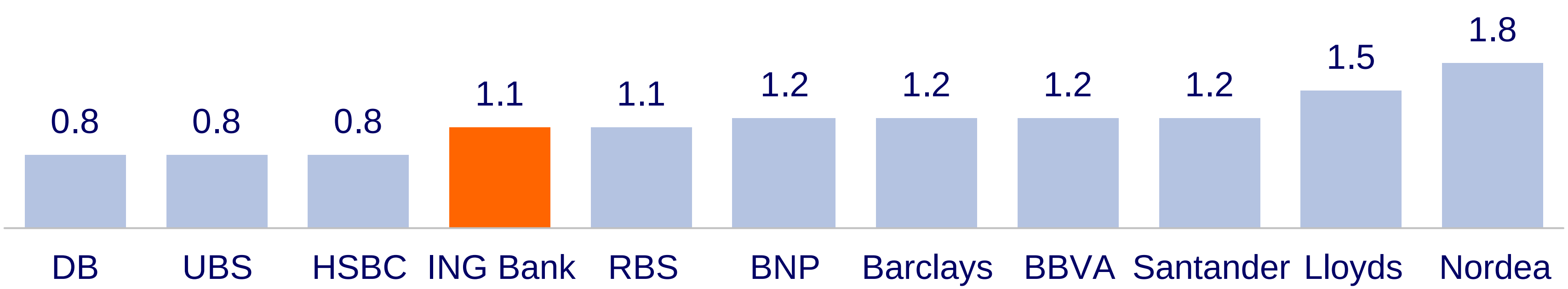
NSFR and LCR under Basel III are stringent

Liquidity ratios	
Net Stable Funding Ratio	• December Basel III rules give more favourable long-term funding recognition for customer deposits and lower funding requirements for high quality mortgages. Both changes are favourable for ING • Even for ING with a favourable loan-to-deposit ratio and a large holding of mortgages, the NSFR ratio is short of the 100% hurdle (~90%). This triggers the question on the validity of the calibration of this metric • NSFR is scheduled to be implemented with a binding minimum ratio as of January 2018
Liquidity coverage ratio	• Very similar to measure already used by DNB to monitor liquidity • However, liquid asset definition is currently very restrictive • Rule will force banks to hold more liquid assets such as cash and government bonds which will put pressure on margins • Regulatory observation period begins 1 January 2011. Revisions to LCR to be made by mid-2013. Implemented in 2015

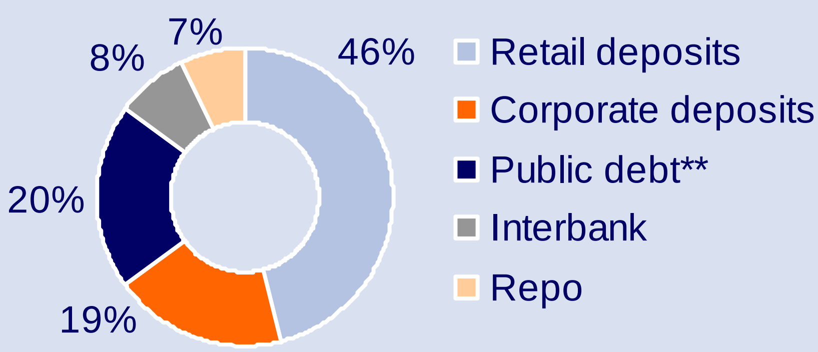
ING

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

Favourable loan-to-deposit ratio (4Q10)



Favourable funding mix (4Q10)*



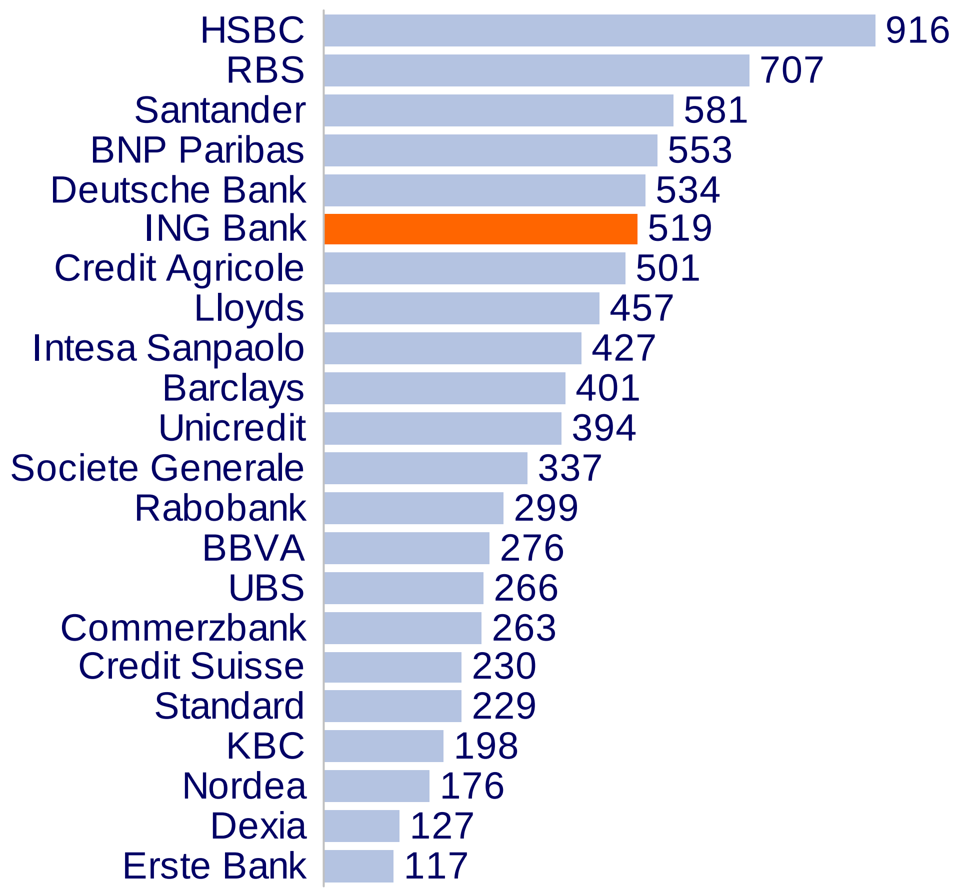
- ING's loan-to-deposit ratio amounts to 1.05 at the end of 2010
- Funding mix dominated by deposits (65%) and long-term debt (20%)
- Long-term funding: ING Bank's 2011 refinancing need almost already met. More than EUR 9 billion raised year to-date

* Liabilities excluding IFRS equity, trading and other **Including subordinated long-term debt (3%) and CP/CD (5%)

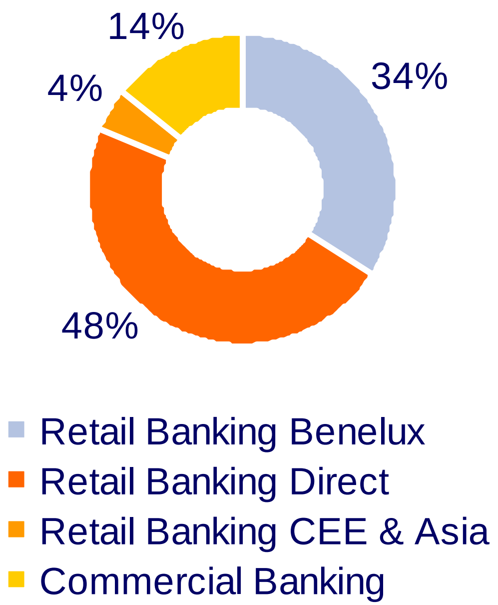
ING: a liability driven Bank

In a Basel III world, access to funding will determine a Bank's ability to grow

Large deposit base (31 Dec 2010, EUR bln)



Funds Entrusted (31 Dec 2010)



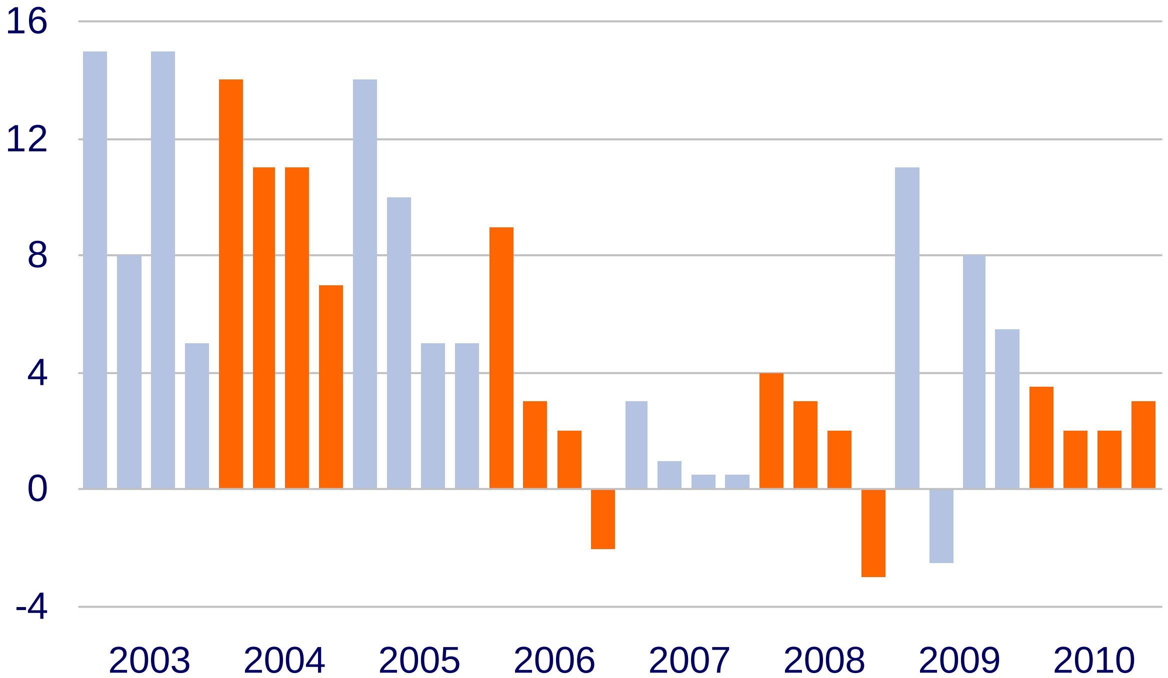
- ING's deposit base is among the largest in Europe
- Almost 50% of total funds entrusted is from ING Direct

Source: Latest available company financials and results presentation

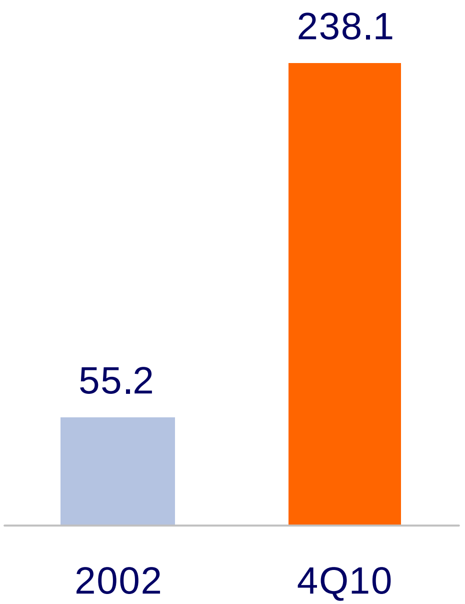
ING

ING Direct is a strategic advantage and deposits have been sticky even at peak of crisis

ING Direct's net inflow in funds entrusted (in EUR billion at constant FX)



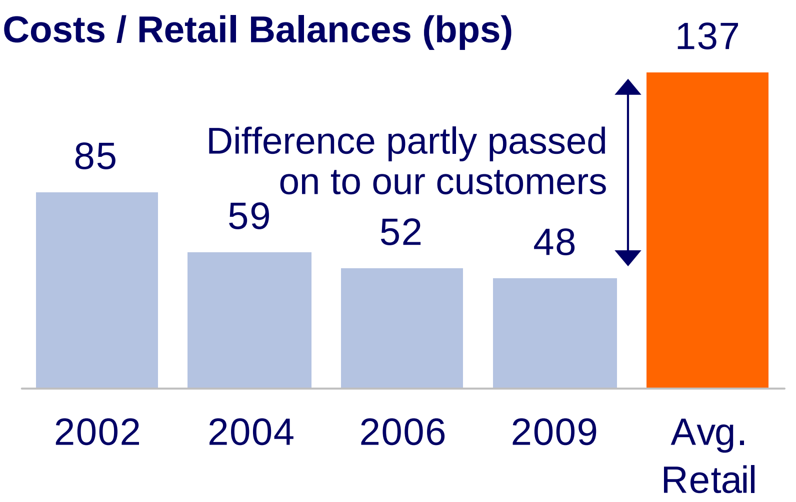
Funds entrusted (in EUR billion)



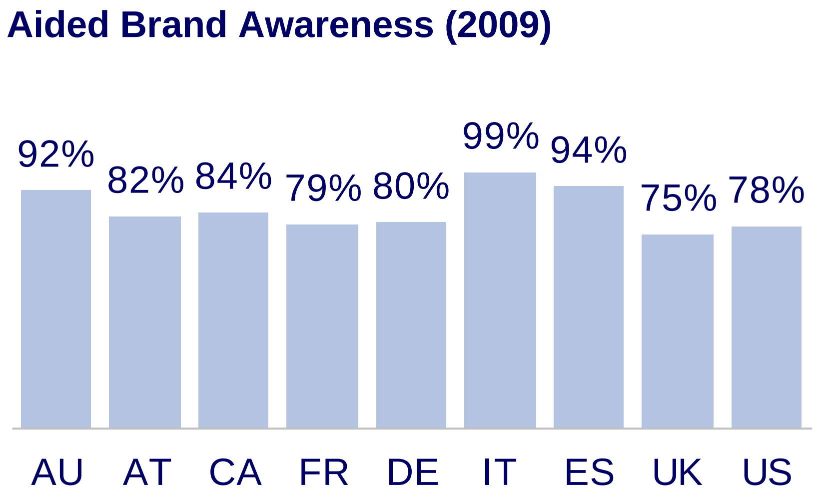
- Net inflow of EUR 5.5 billion on average per quarter since 2003
- Biggest net outflow limited to 1.6% funds entrusted (EUR 3 bln) in 4Q08

ING Direct has low cost advantage and strong customer loyalty

Low cost advantage



A leading brand

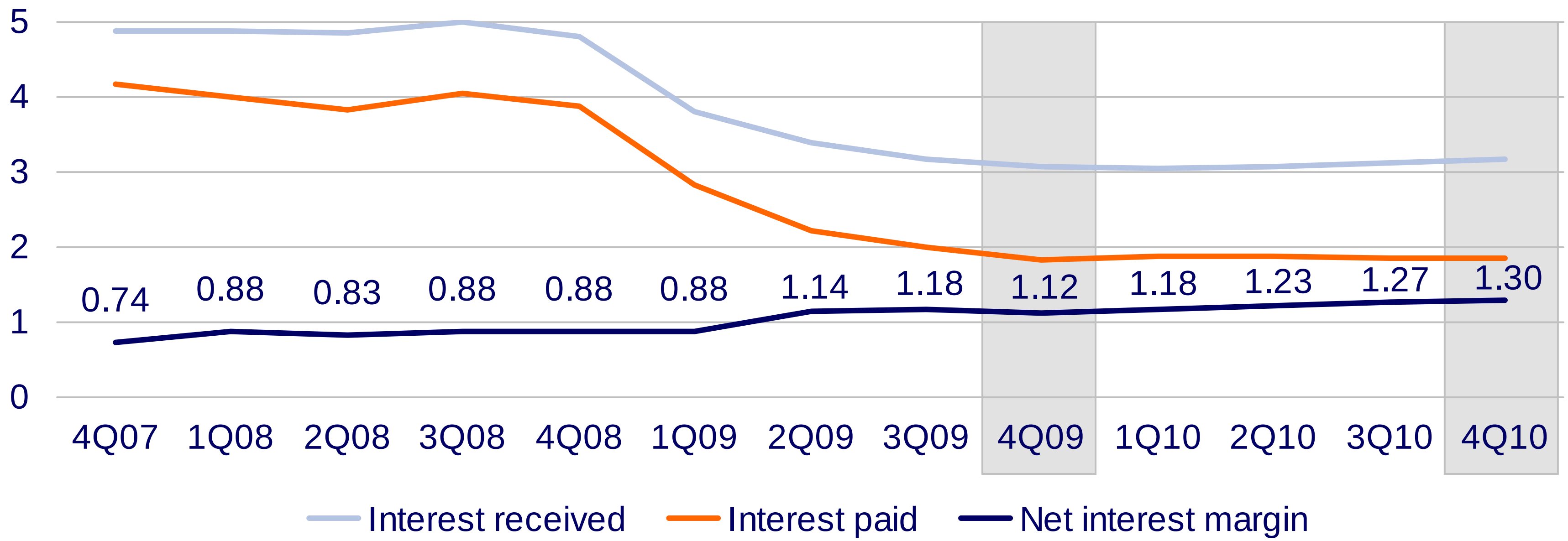


Customer centricity:

- Simple products at a fair price
- Cutting edge distribution
- Market leading customer satisfaction (NPS)

Limited duration mismatch allows for flexible pricing

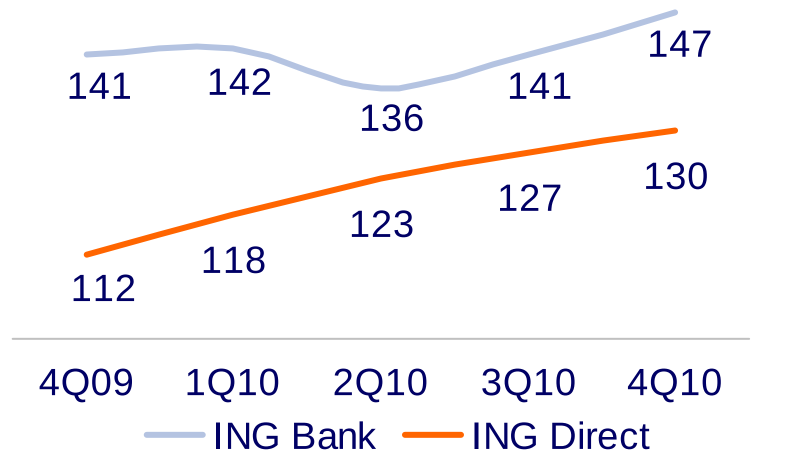
Interest margin of ING Direct Total (in %)



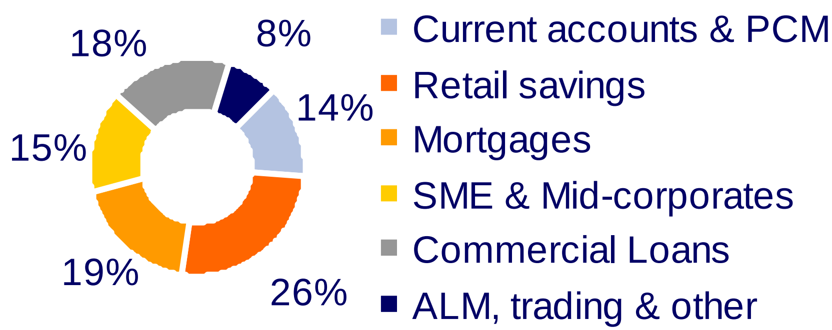
- Approximately 50% of assets re-price within 1 year
- Duration mismatch is restricted
- Restriction set on variable rate savings being invested too long

Net interest margin rose to 147 bps in 4Q10

Interest margin by quarter* (in bps)



Composition of interest result 2010 (EUR 13,5 bln)



Interest rate margin sensitivity

- NIM resilient under various yield curve scenarios
- In 2011, approximately 50% of the commercial portfolio that matures is from 2008 and before, when credit spreads were still very low

* Interest margin is defined as the Bank's total interest result divided by average total Bank assets

NIM resilient under adverse yield curve scenarios

NIM sensitivity for yield curve (1-yr horizon)

Scenario	Yield curve	NIM impact
1. Upward shift	+200 bps parallel shift (gradual)	-4 bps
2. Upward shock	+100 bps parallel shift (very rapid)	-2 bps
3. Flattening	+200 bps overnight short-term rates	-5 bps

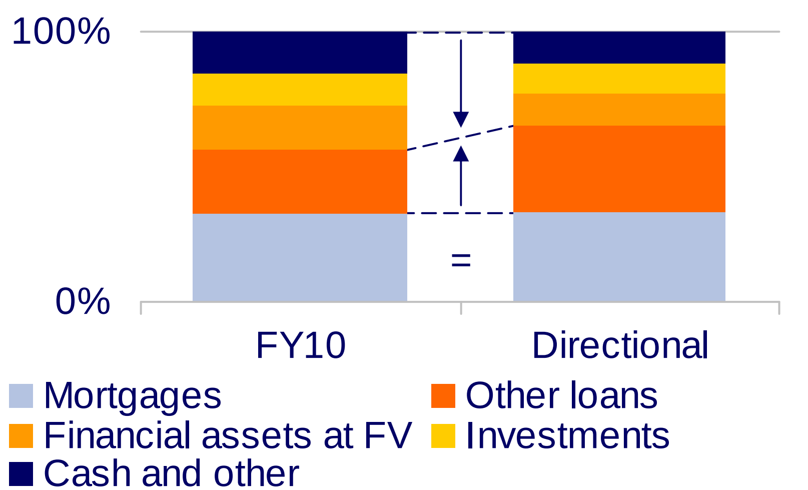
- When short-term rates go up, client saving rates go up quicker than interest maturing assets re-price. This would lead to a lower NIM
- NIM remains relatively insensitive to adverse movements of yield curve
- However, changes in credit spreads also affect the NIM

ING

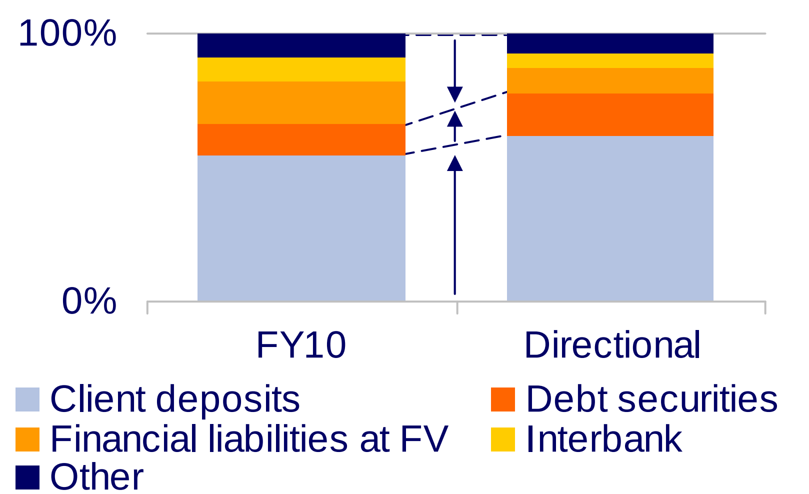
One balance sheet

Basel III is a catalyst to manage the balance sheet more efficiently

Total assets (EUR bln)



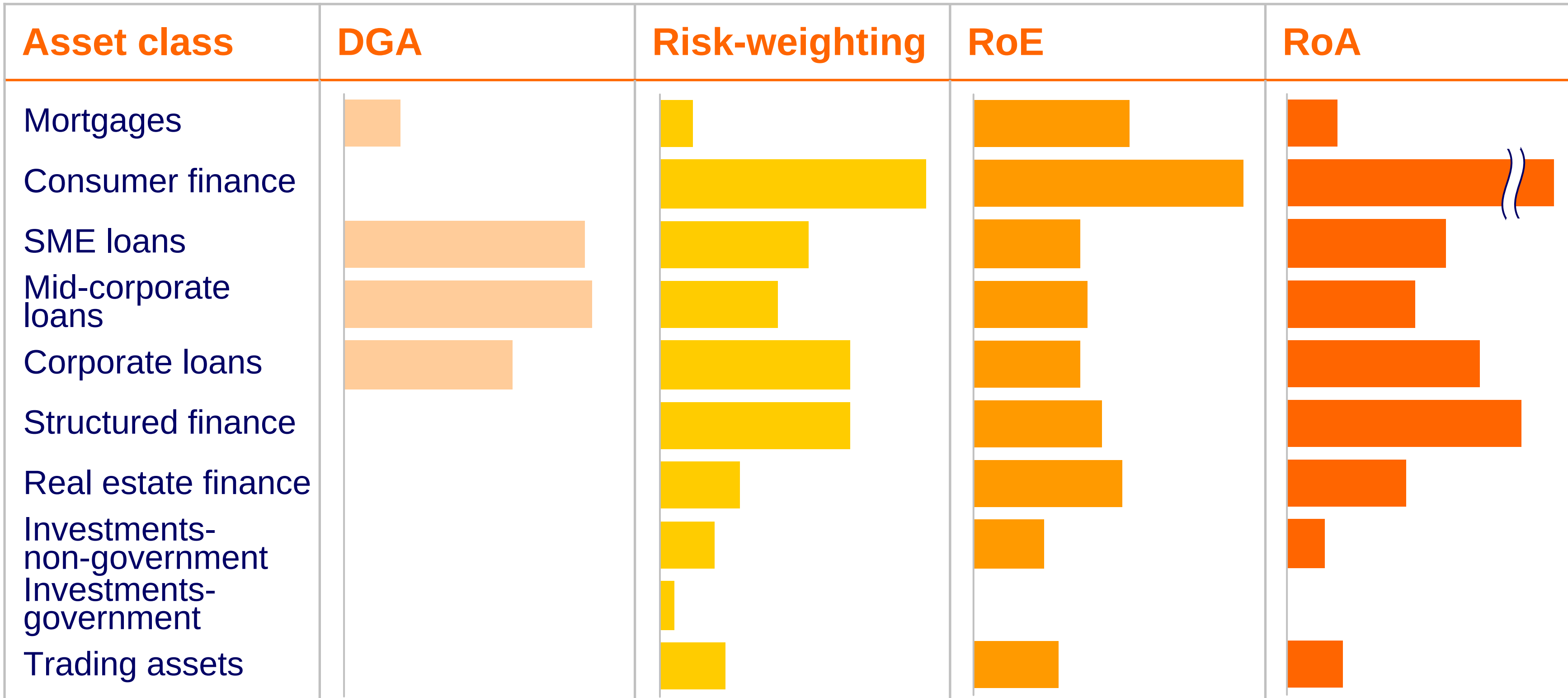
Total liabilities (EUR bln)



Directional balance sheet

- Investment portfolio will be shifted more to government bonds to meet liquidity requirements
- Balance sheet integration started: taking own assets to match ING Direct deposits
- Loan portfolio will grow, but impetus to put less emphasis on mortgages due to low RoA

Loan book will be managed to optimise ROE under competing Basel III requirements



Basel III brings multiple constraints but the advantage is that a bank like ING has multiple products to allow the right mix that optimises ROE

- Mortgages provide attractive RoE, but RoA can be constraint if leverage ratio begins to bind
- SME, MidCorp and Corporate Loans are preferred due to deposit gathering potential for cross-sell
- Structured Finance provides an attractive RoA but limited deposit gathering ability

Multiple waves of balance sheet integration

ING Bank's funding position	1st wave: internal securitisations	2nd wave: mortgages	3rd wave: CB assets	4th wave: domestic banks
• Funding gap in the Netherlands can be reduced through more efficient Balance Sheet management • ING Belgium and ING Direct are funding rich	• Units with excess funding invest in internally ringfenced and packaged mortgages	• Transfer own-originated mortgages directly to funding-rich units	• Transfer selected Commercial Banking assets to funding rich units	• In selected ING Direct countries, merge ING and CB activities into one legal entity

- By better matching the own originated assets with liabilities, ING can limit the investment portfolio
- Balance sheet integration progressing in close cooperation with local regulators
- Internal transactions delivered EUR 6 bln balance sheet integration until the end of 2010
- Pipeline of internal transactions expected to deliver approximately EUR 20 bln integration in 2011

Wrap-up

Wrap-up

- ING Bank has strong market positions and ample growth opportunities to create further up-side for investors on a stand-alone basis
- Strong capital generation at the Bank is enabling repayment to the Dutch State through retained earnings which creates strategic flexibility as ING executes divestments and the restructuring of the Group
- Relative to peers, ING Bank is well positioned for Basel III, with a limited impact on capital ratios and a unique funding vehicle with ING Direct
- Basel III is also a catalyst to manage the Bank's balance sheet more efficiently to ensure an attractive return for shareholders despite higher required capital ratios

Disclaimer

ING Group's Annual Accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU').

In preparing the financial information in this document, the same accounting principles are applied as in the 2010 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.

www.ing.com