



Measuring performance

Update to Insurance Key Performance Indicators

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BANKING - INVESTMENTS - LIFE INSURANCE - RETIREMENT SERVICES



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Performance Indicators: Background

Operating Profit Insurance: Introduction 2009

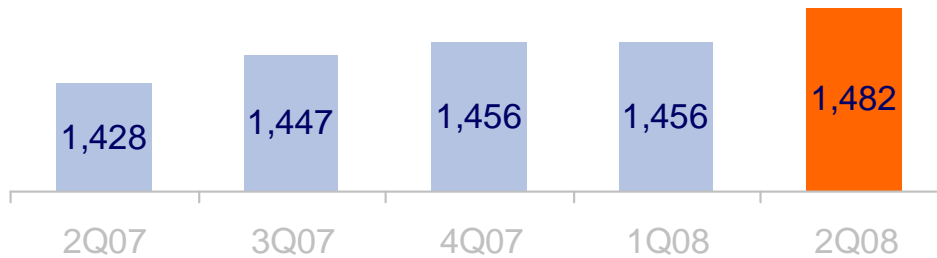
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Appendix: Explanatory notes for KPIs

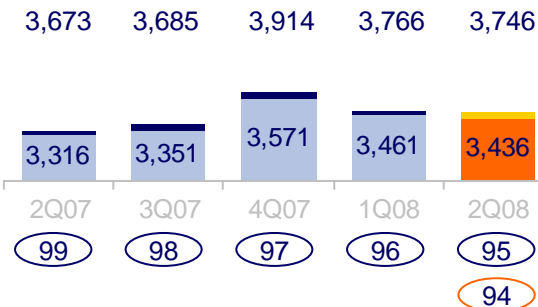
4 KPIs were introduced to measure our performance across the Group

Client balances¹ (in EUR bln)



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

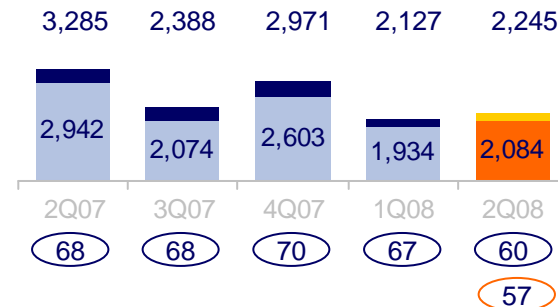
Operating Expenses (in EUR mln)



(bps) Operating Expenses / Client Balances²

- Downward trend continues
- Moderate growth of expenses

Underlying Profit before Tax (EUR mln)

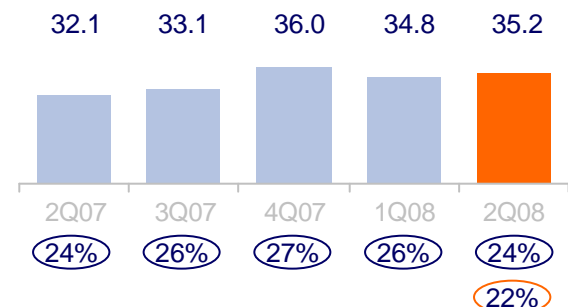


(bps) Underlying Profit before Tax / Client Balances²

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

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

Economic Capital³ (in EUR bln)



(bps) ROEC (based on Underlying Net Profit)⁴

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

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



At the April IR Symposium, we discussed a framework for Insurance profit that removes volatility

Underlying Profit Before Tax includes a number of volatile items, such as investment variances and accounting volatility. A framework that removes the volatility would simplify the analysis of our figures and would better reflect the long-term nature of our business.

Insurance underlying profit: investment variances & volatile items	FY 2007	FY 2006
Underlying profit before tax	6,110	4,807
Capital gains/losses on debt securities	196	9
Public equity (in excess of long-term assumption)	2,318	158
Real estate (in excess of long-term assumption)	8	180
Private equity & alternative assets (in excess of long-term assumption)	161	152
Mark-to-market on derivatives unrelated to product hedging programs	-240	152
Investment variances	2,443	651
Underlying profit before tax excluding investment variances	3,667	4,156
Market-related product, reserve, DAC hedging impacts	-149	99
Non-market related changes to provisions, reserves, DAC	99	225
Non-recurring expenses	21	-5
Currency impact	4	128
Other	27	29
Underlying profit before tax excluding investment variances & volatile items	3,665	3,680

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New Operating Profit definition removes Investment Variances from Insurance results

Realised capital gains/losses on debt securities

- Relates to gains/losses of debt securities at sale or at impairment. It includes bonds, other debt securities such as asset backed securities and preferred stock

Results on public equity securities, real estate and private equity in excess of long-term assumption

- Long-term assumptions are on a high level consistent with the assumptions used in our embedded value calculations
- All returns (dividends + realised gains) in excess of long-term assumptions are excluded ¹

Mark-to-market on derivatives unrelated to product hedging programs

- Relates to hedges which are not immediately product related
- Mainly covers hedges which are put in place at a relatively high level (Corporate Line) to cover e.g. the risks related to interest rate, currency, and equity exposure

1. Alternative assets (hedge funds, limited partnerships, etc.) are included under private equity

Normalising investment returns for Insurance

(in EUR mln)

Insurance total: Equity & real estate returns	1H 2008	1H 2007
Public equity		
Total return (before normalisation)	838	1,264
Normalised return (amount) – based on 8%	428	490
Public equity return in excess of long-term assumption	410	774
Private equity		
Total return (before normalisation)	(2)	290
Normalised return (amount) – based on 8%	122	87
Private equity return in excess of long-term assumption	(125)	203
Real estate		
Total return (before normalisation)	43	314
Normalised return (amount) – based on 7%	163	198
Real estate return in excess of long-term assumption	(121)	116

Investment variances will also be removed from the margin analysis for Life Insurance

	1H 2008	1H 2007
+ Investment Margin	1,230	1,331
+ Fee and premium-based revenue	2,337	2,347
<i>of which on traditional life insurance premiums</i>		
<i>of which on deposits</i>		
<i>of which on assets</i>		
<i>of which on other</i>		
	Splits provided in 1Q 2009	
+ Technical Margin	480	447
+ Income non-modelled business	183	237
= Operating Income	4,231	4,361
- Expenses	3,011	2,883
<i>of which administrative</i>	1,801	1,813
<i>of which commission, acquisition expense, and other</i>	1,211	1,071
= Operating Profit before tax	1,219	1,478
+ Investment Variances	294	967
<i>of which on public equity</i>	439	653
<i>of which on private equity</i>	(113)	191
<i>of which on real estate</i>	(112)	108
<i>of which other¹</i>	80	15
= Underlying Profit before tax	1,513	2,445

1. Capital gains/losses on debt securities and MtM on derivatives unrelated to product hedging programs

Volumes related to the Life Insurance operating income will be provided

Margin Component	Volume Drivers ¹
<p>Investment Margin</p> <p>Spread between investment income and interest credited to policyholder reserves</p> <p>Includes return on capital and free surplus</p>	<p>Client Balances</p>
<p>Fees and premium-based revenues</p> <p>Fee revenues and margins on life insurance premiums available to cover expenses, cost of capital and profit margin</p> <ul style="list-style-type: none"> • of which on traditional life insurance premiums • of which on deposits • of which on assets • of which other 	<p>Client Balances lead with Gross Premiums and Deposits as supplementary measures</p> <ul style="list-style-type: none"> • gross premiums • deposits • client balances • n/a
<p>Technical margin</p> <p>Margin between costs charged for benefits and incurred claims, including surrenders</p> <p>Mortality profits are the major component generally followed by surrenders</p>	<p>Client Balances</p>

1. Volume drivers will be provided both on a historical basis and on constant fx

2009 Operating Income and Profit for Non-life Insurance will also separate investment variances

	1H 2008	1H 2007
+ Investment Income	376	395
+ Net Earned Premiums (including commission income)	2,596	2,816
- Incurred Claims and other items	1,688	1,795
= Operating Income	1,284	1,415
- Expenses	877	997
of which administrative	617	694
of which commission, acquisition expense, and other	260	303
= Operating profit before tax	407	418
+ Investment Variances	(53)	142
= Underlying Profit before tax	354	560

Most of the 2009 changes to improve disclosures will affect Life Insurance reporting. Non-life is largely unchanged.

Revised margin analysis and new KPIs provide a better view of the business

- Operating Income and Operating Profit will be added as new KPIs
- Operating Income and Profit remove the largest source of Insurance P&L volatility – Investment Variances
- Refinements in the margin analysis, splitting *fees and premium based revenues* and *expenses* for additional insight
- The most significant driver of Life Insurance profitability – Client Balances – remains the primary volume measure. Other significant volume measures will also be provided
 - Volume measures for Life Insurance will be given both on a historical basis and a fixed currency basis
- The quarterly report and group statistical supplement will be modified to include a Life Insurance margin analysis based on Operating Profit

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Operating Profit Insurance: Introduction 2009

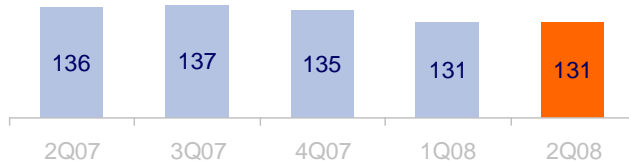
Changes in the Analyst presentation for 2H 2008

Understanding the corporate lines

Appendix: Explanatory notes for KPIs

ING Europe KPIs: Robust sales despite weaker markets

Client balances (in EUR bln)



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

○ Ratios are based on rolling 4 quarter.
 ○ Ratio for the current quarter.

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

Operating Income (EUR mln)

- Includes release of life provisions for disability and profit guarantees at Nationale-Nederlanden, which was partly offset by a strengthening for the unit-linked provision. The net result was positive EUR 70 million

Operating Expenses (EUR mln)

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

Operating Profit before tax (EUR mln)

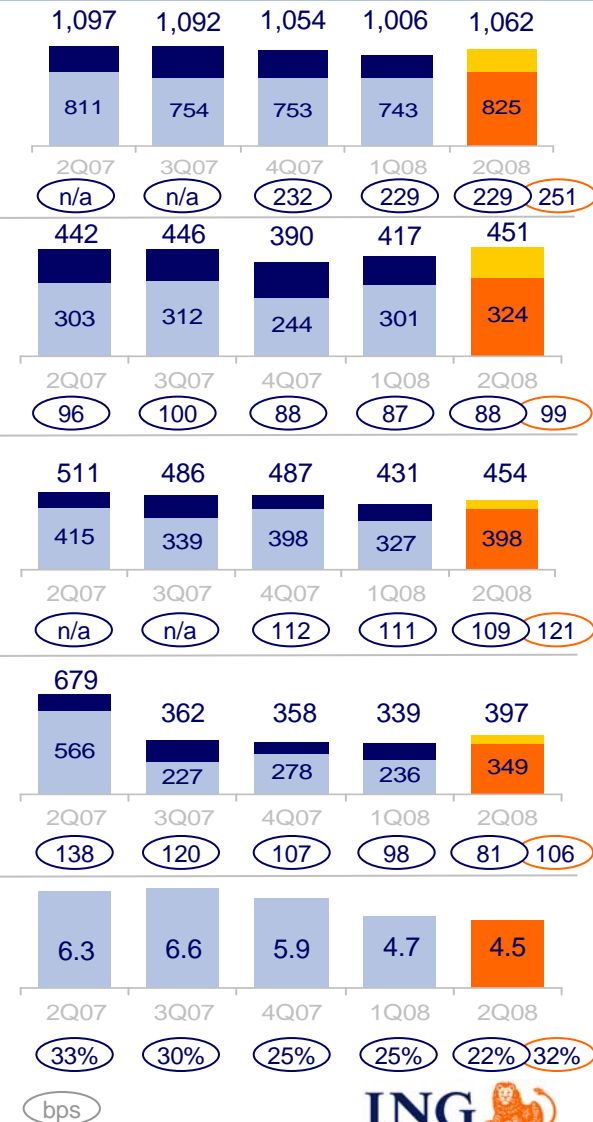
- Reflects higher Operating Income, partially offset by higher greenfield expenses in Central Europe
- Affected by the upstream of surplus capital by the Dutch insurance companies in 2007/08

Underlying Profit before tax (EUR mln)

- -41.5% due to weak equity and real estate markets
- Also affected by the upstream of surplus capital

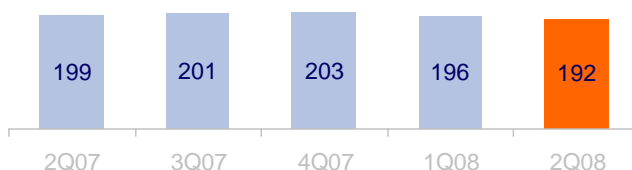
Economic Capital (EUR bln)

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



ING Americas KPIs: Strong sales despite volatility in financial markets

Client balances (in EUR bln)



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

○ Ratios are based on rolling 4 quarter.
 ○ Ratio for the current quarter.

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

Operating Income (EUR mln)

- Adversely impacted by currency effects, Operating Income -9.9% in total and -7.7% for Life Insurance

Operating Expenses (EUR mln)

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

Operating Profit before tax (EUR mln)

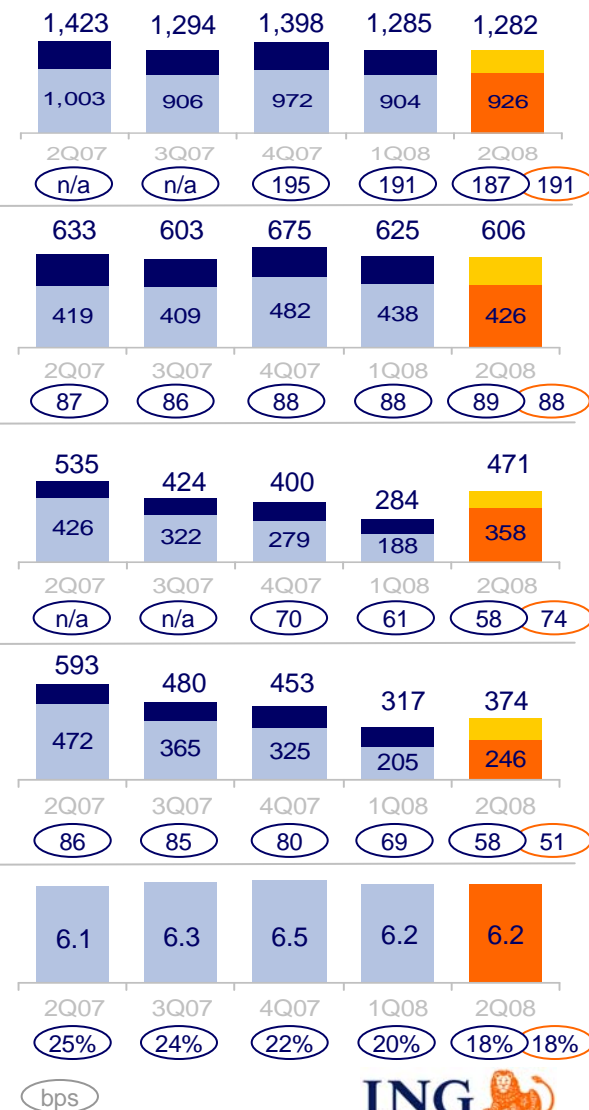
- Both 2Q 2008 and 2Q 2007 positively impacted by DAC unlocking
- Adversely impacted by currency effects, lower Wealth Management fee income and higher hedge costs

Underlying Profit before tax (EUR mln)

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

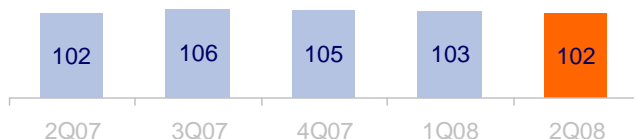
Economic Capital (EUR bln)

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



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

Client balances (in EUR bln)



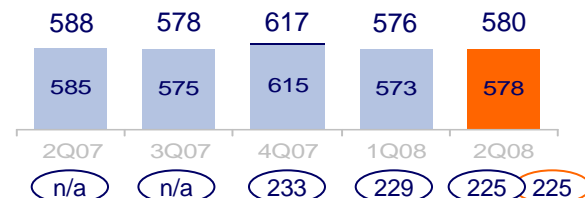
- Net production of client balances EUR 2.6 billion as strong life and retirement flows partially offset by mutual fund outflows in Australia
- Offset by negative market performance and negative exchange rate movements

○ Ratios are based on rolling 4 quarter.
 ○ Ratio for the current quarter.

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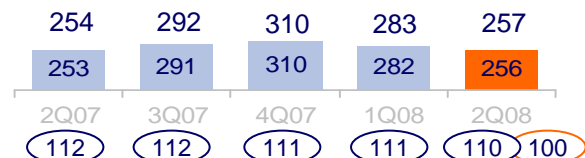
Operating Income (EUR mln)

- Reflects steady client balances and margins on premium income



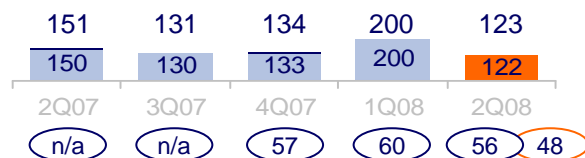
Operating Expenses (EUR mln)

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



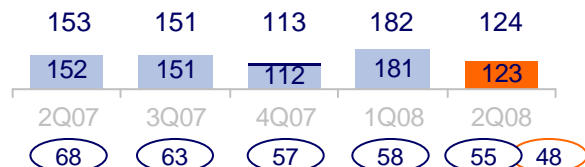
Operating Profit before tax (EUR mln)

- Adversely impacted by currency effects
- Margins squeezed on higher expenses due to the branch and agency force expansion



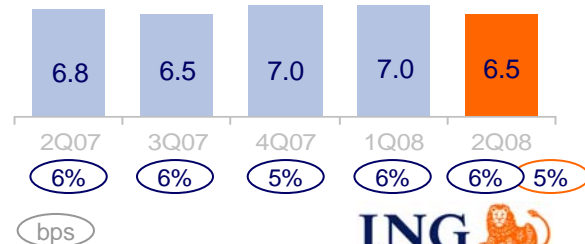
Underlying Profit before tax (EUR mln)

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

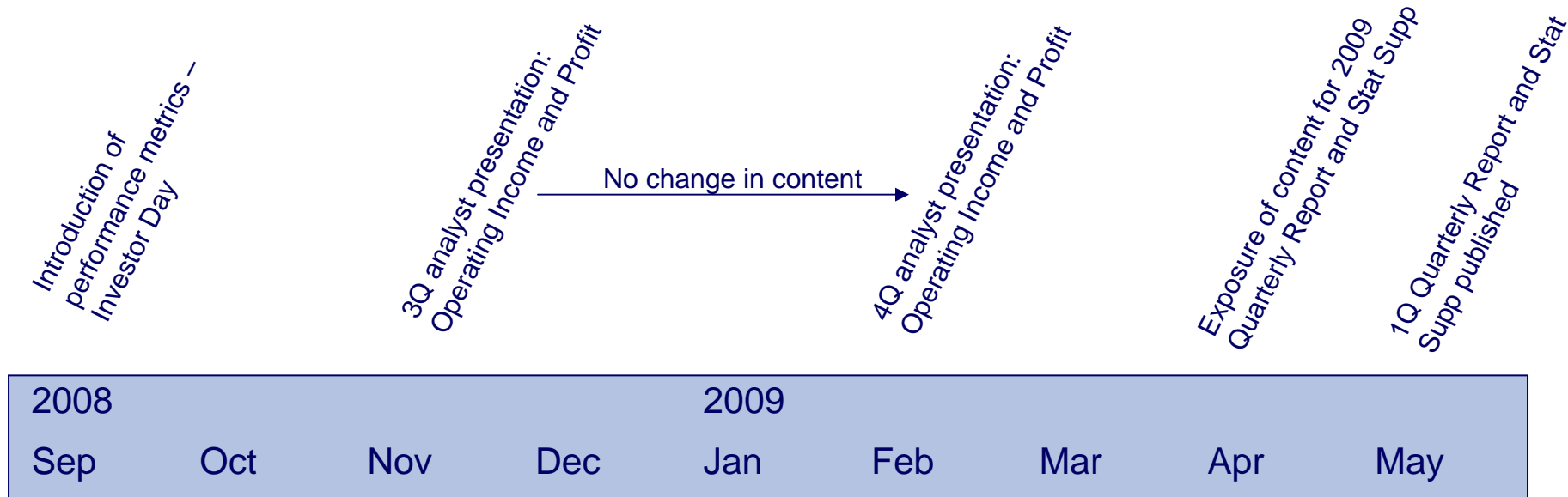


Economic Capital (EUR bln)

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



Implementing new performance metrics



- ING is working toward a revised Quarterly Report and Group Statistical Supplement for 2009
 - Operating Income and Profit, as well as the Life margin analysis will be incorporated
- Content will be finalised and presented at Investor Day in April 2009
- In 3Q and 4Q 2008, the analyst presentation will include the additional KPIs

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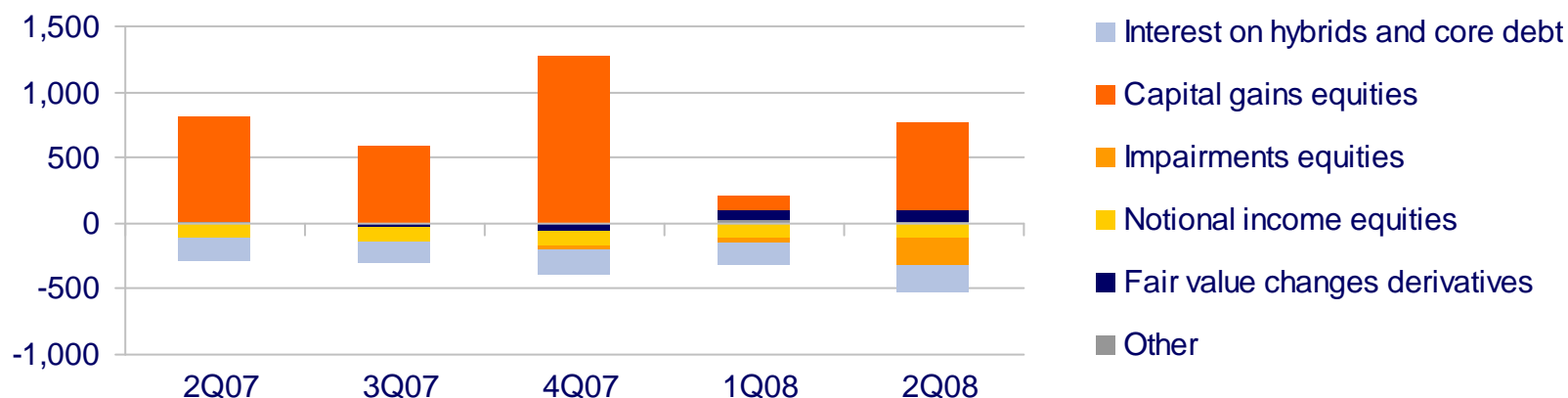
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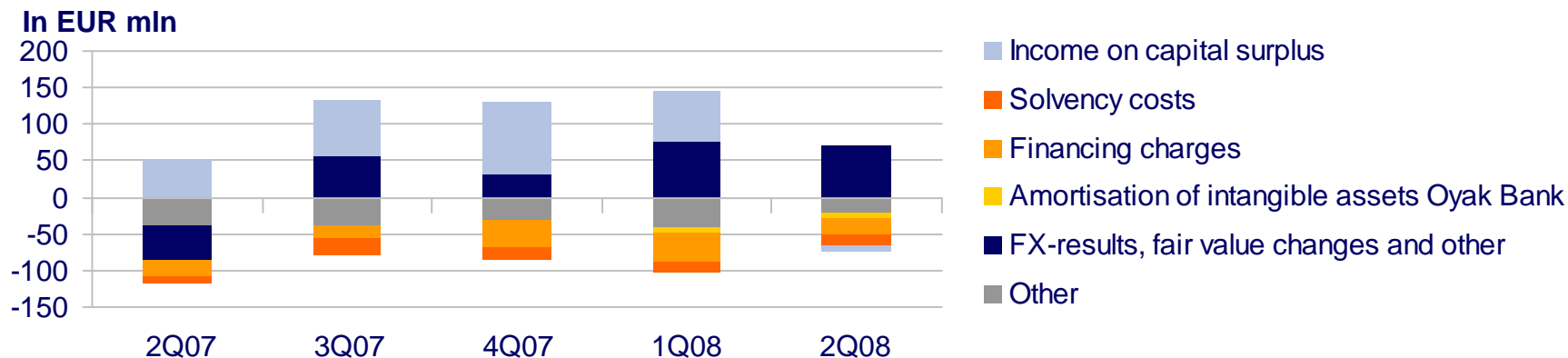
Dynamics of the Corporate Line: Insurance



Corporate Line Insurance

In EUR million	2Q07	3Q07	4Q07	1Q08	2Q08	
Interest on hybrids and core debt	-174	-157	-196	-167	-218	Funding costs increased in 2Q08 due to new issuance
Capital gains equities	803	589	1,281	93	669	Gains realised in 2Q08 to reduce equity exposure
Impairments equities	-1	-1	-24	-37	-197	Impairments increased on sustained equity market declines
Notional income equities	-112	-103	-104	-114	-112	3% of equity portfolio allocated to business units regardless of realised gains or impairments
Fair value changes derivatives	2	-38	-61	83	99	Higher results from equity hedges and on swaps related to core debt America
Other	14	0	0	25	9	
Underlying profit before tax	532	291	896	-117	250	

Dynamics of the Corporate Line: Bank



Corporate Line Banking

In EUR million	2Q07	3Q07	4Q07	1Q08	2Q08	
Income on capital surplus	52	76	98	69	-7	Declined as gap between Tier-1 and Economic Capital narrowed
Solvency costs	-9	-23	-18	-16	-16	Represents spread of capital funding over LIBOR
Financing charges	-23	-17	-37	-38	-22	
Amortisation intangible assets Oyak Bank	n/a	n/a	n/a	-8	-7	
FX-results, fair value changes and other	-47	57	32	76	71	
Other	-38	-40	-30	-41	-21	
Underlying profit before tax	-65	53	45	43	-2	

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Key Performance Indicators

Explanatory notes for KPIs:

1. Client Balances are based on end of period figures
2. Client Balance ratios are rolling 4 quarter based on average client balances for the same period
3. Economic capital figures are end of period
4. ROEC is 4 quarter rolling Underlying Net Profit based on average Economic Capital

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