

# New disclosure and margin analysis

ING Investor Day

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BANKING - INVESTMENTS - LIFE INSURANCE - RETIREMENT SERVICES



# Key messages

## Highlights new disclosure

- New grouping lines of business Bank and Insurance to align with new management structure
- Working towards better alignment with peers and improved analysis of results on both the Banking and Insurance side:
  - Banking: More risk metrics
  - Insurance: Margin analysis
- Allocation changes:
  - ING IM profit reporting
  - Abolishment notional income concept for Insurance
  - Reporting of non-core Japan SPVA hedging results on Corporate line insurance
- We aligned our historical results to reflect the new reporting structure and the changed allocation

# Banking: New reporting structure



## New reporting structure

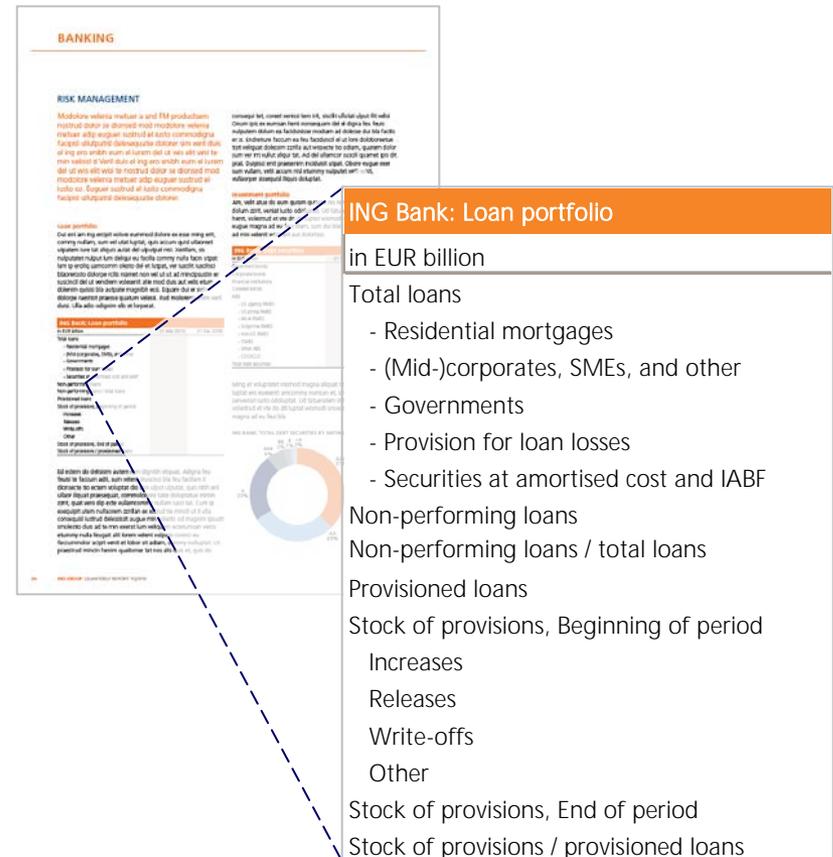
- Different grouping of business lines, but no loss of information
- Less duplication of information: direct analysis at country / product level

# Banking: Working towards better alignment with peers

## Highlights of new quarterly disclosure

- Re-introduce disclosure of RWA on a country level (Retail Banking) or product level (Commercial Banking)
- Report Economic Capital and Underlying RAROC after tax, based on New RAC 2, only on total Bank level
- Report ROE (based on 7.5% core tier-1 ratio) on the total Bank, business line and business unit level to align with Ambition level 2013
- Improved disclosure of risk metrics, e.g.:
  - More detailed breakdown of “Loans and advances to customers”
  - NPL's, NPLs / total loans ratio, Provisioned loans, stock of provisions / provisioned loans ratio, movements in the provisions

## Example: Risk disclosure in 1Q 2010 QR



# Insurance: Highlights of new quarterly disclosure

## New reporting structure

### Insurance

Insurance Benelux

Insurance CRE

Insurance US

Insurance Latin America

Insurance Asia / Pacific

ING IM

Corporate Line Insurance

- Reporting has been aligned with the new management structure with five regional blocks, ING IM and the Corporate Line

## Main disclosure changes

- Margin analysis fully integrated in the Quarterly Report and Group Statistical Supplement (GSS)
- Only *one* statistical supplement: key information of US Statistical Supplement integrated into GSS
- Reserve adequacy testing update:
  - As from 1Q 2010, we will not increase DAC for US VA closed block due to amortisation/unlocking as long as adequacy is below 90%
- Allocation changes:
  - ING IM profit reporting
  - Reporting of non-core Japan SPVA hedging results on Corporate line insurance
  - Abolishment notional income concept

# Alignment of historical results with the new reporting basis (2009)

<b>Underlying result before tax, 2009 (EUR million)</b>										
	<b>Benelux</b>	<b>CRE</b>	<b>US</b>	<b>Latin Am.</b>	<b>Asia/Pacific</b>	<b>ING IM</b>	<b>CL Ins.</b>	<b>Total Ins.</b>	<b>Bank</b>	<b>Group</b>
Underlying result before tax - before changes	331	319	-219	280	220		-1,122	-191	900	709
Re-allocation ING IM result <sup>1</sup>	-41	-30	-50	-9	-24	169	-3	12	-12	
Underlying result before tax – after re-allocation ING IM result	290	289	-269	272	196	169	-1,125	-179	888	709
<b>Other changes:</b>										
Abolishing notional impact concept			-6	6	-10		10			
Move non-core SPVA to Corp. Line					195		-195			
Divestments <sup>2</sup>			-23	-5	3			-25	72	48
<b>Underlying result before tax – new reporting basis</b>	<b>290</b>	<b>290</b>	<b>-298</b>	<b>273</b>	<b>383</b>	<b>169</b>	<b>-1,310</b>	<b>-203</b>	<b>960</b>	<b>757</b>

1. Carve out ING IM and Arms Length Pricing impact

2. In Insurance corrected for divestments in US (Advisors Network and Group Reinsurance; effected as of 1Q 2010). In Banking corrected for Private Banking Asia and Switzerland (effected as of 1Q 2010)

# Alignment of historical results with the new reporting basis (2008)

<b>Underlying result before tax, 2008 (EUR million)</b>										
	<b>Benelux</b>	<b>CRE</b>	<b>US</b>	<b>Latin Am.</b>	<b>Asia/Pacific</b>	<b>ING IM</b>	<b>CL Ins.</b>	<b>Total Ins.</b>	<b>Bank</b>	<b>Group</b>
Underlying result before tax - before changes	322	329	-1,117	159	-1		-1,073	-1,380	449	-931
Re-allocation ING IM result <sup>1</sup>	-19	-47	-67	-6	-4	192	-7	43	-43	
Underlying result before tax – after re-allocation ING IM result	303	283	-1,184	154	-5	192	-1,080	-1,337	406	-931
<b>Other changes:</b>										
Abolishing notional impact concept	-210	-101	-153	-1	-244	-13	723			
Move non-core SPVA to Corp. Line					208		-208			
Divestments <sup>2</sup>			-61		38			-23	-34	-56
<b>Underlying result before tax – new reporting basis</b>	<b>93</b>	<b>182</b>	<b>-1,398</b>	<b>153</b>	<b>-3</b>	<b>179</b>	<b>-566</b>	<b>-1360</b>	<b>373</b>	<b>-987</b>

1. Carve out ING IM and Arms Length Pricing impact
2. In Insurance corrected for divestments in US (Advisors Network and Group Reinsurance; effected as of 1Q 2010). In Banking corrected for Private Banking Asia and Switzerland (effected as of 1Q 2010)

# In summary, we aligned our historical results with the new reporting basis

## Basis for alignment of historical results

- New grouping lines of business Bank and Insurance
- Formation of ING IM as 6th business line within Insurance
  - Financial carve out from Insurance regions
  - Implementation of Arm's Length Pricing for ING Insurance and ING Bank
- Abolishing 'Notional income' concept for the Insurer
- Reporting of non-core Japan SPVA hedging results on Corporate line insurance Adjustments for divestments



Historical Trend Document reflecting the above changes will be provided to the participants of today's Investor Day and can be found on the investor relations section of ING Group's website

# Operating Result and Margin Analysis

# A more intuitive way to understand the IFRS results for Insurance and Investment Management

<b>Insurance profit and loss (EUR million)</b>	
	<b>2009</b>
Gross premium income	30,179
Commission income	1,747
Total investment and other income	3,203
<b>Total underlying income</b>	<b>35,129</b>
Reinsurance and retrocession premiums	1,898
Net benefits Life insurance for risk company and Non-life claims incurred	23,154
Changes in Life insurance provisions for risk company	3,383
Result sharing and rebates	1,048
Change in deferred acquisition costs	-1,135
Other underwriting expenditure (incl. change in provision unearned premiums)	2,083
<b>Underwriting expenditure</b>	<b>30,432</b>
Operating expenses	2,045
Staff expenses	1,735
Interest expenses	1,051
Other	70
<b>Total underlying expenditure</b>	<b>35,332</b>
<b>Underlying result before tax</b>	<b>-203</b>

<b>Insurance margin analysis (EUR million)</b>	
	<b>2009</b>
<b>Margin analysis</b>	
Investment margin	1,196
Fees and Premium based revenues	4,362
Technical margin	902
Income non-modeled life business	123
<b>Operating income (Life &amp; ING IM)</b>	<b>6,583</b>
Administrative expenses	2,916
DAC amortisation and trail commissions	1,654
<b>Expenses (Life &amp; ING IM)</b>	<b>4,570</b>
<b>Operating result (Life &amp; ING IM)</b>	<b>2,013</b>
Non-life Operating result	312
Corporate line Operating result	-893
<b>Operating result before tax</b>	<b>1,433</b>
Gains/losses and impairments	-544
Revaluations	-346
Market & other impacts	-746
<b>Underlying result before tax</b>	<b>-203</b>

# Operating margins Total

<b>In EUR million</b>					
	<b>4Q09</b>	<b>3Q09</b>	<b>2Q09</b>	<b>1Q09</b>	<b>4Q08</b>
Investment margin	268	274	356	298	441
Fees and Premium based revenues	1,102	1,124	1,055	1,081	1,108
Technical margin	228	201	300	173	221
Income non-modeled life business*	43	28	25	27	44
<b>Operating income (Life &amp; ING IM)</b>	<b>1,641</b>	<b>1,627</b>	<b>1,737</b>	<b>1,578</b>	<b>1,814</b>
Administrative expenses	731	721	722	742	901
DAC amortisation and trail commissions	430	426	387	412	445
<b>Expenses (Life &amp; ING IM)</b>	<b>1,161</b>	<b>1,147</b>	<b>1,109</b>	<b>1,154</b>	<b>1,346</b>
<b>Operating result (Life &amp; ING IM)</b>	<b>480</b>	<b>480</b>	<b>628</b>	<b>425</b>	<b>468</b>
Non-life Operating result	68	141	70	34	94
Corporate line Operating result	-244	-229	-216	-203	-204
<b>Operating result before tax</b>	<b>304</b>	<b>392</b>	<b>482</b>	<b>255</b>	<b>358</b>
Gains/losses and impairments	-177	68	-34	-401	-1,190
Revaluations	-12	-50	-305	20	-605
Market & Other impacts	-157	140	100	-829	-1,053
<b>Non-operating impacts</b>	<b>-346</b>	<b>159</b>	<b>-239</b>	<b>-1,210</b>	<b>-2,847</b>
<b>Underlying result before tax</b>	<b>-42</b>	<b>551</b>	<b>242</b>	<b>-954</b>	<b>-2,489</b>

Note: Non-modeled business include Netherlands servicing & brokerage (including AZL, IPS, NN Assurantiekantoren, NN HB), Luxembourg, Bulgaria, Russia, Turkey, Ukraine, KB Life, Australia Holding, China and India (2008)



# Operating result ING Insurance defined

## Operating result eliminates most market volatility and is defined as follows

### Operating result before tax

+

- **Realised Capital Gains/Losses and Impairments on Available for Sale securities**  
including Debt securities, Fixed income Funds, Public Equity, Private Equity (with <20% ownership) & Real Estate funds (classified as equity securities)
- **Revaluations on assets marked to market through the P&L**  
including Real Estate (property and investments in associates), private equity (between 20% and 50% ownership), other alternative assets, derivatives unrelated to product hedging programs (equity, interest and foreign exchange hedges), and direct equity hedges
- **Market & Other impacts**
  - US VAFIA DAC and guaranteed benefit unlocking net of hedging
  - US DAC offsets on realized gains/losses, impairments, and revaluations
  - US short-term equity hedge net of DAC
  - Nationale-Nederlanden Separate Account Shortfall net of hedging
  - Old block Japan SPVA reinsured result

= Underlying result before tax

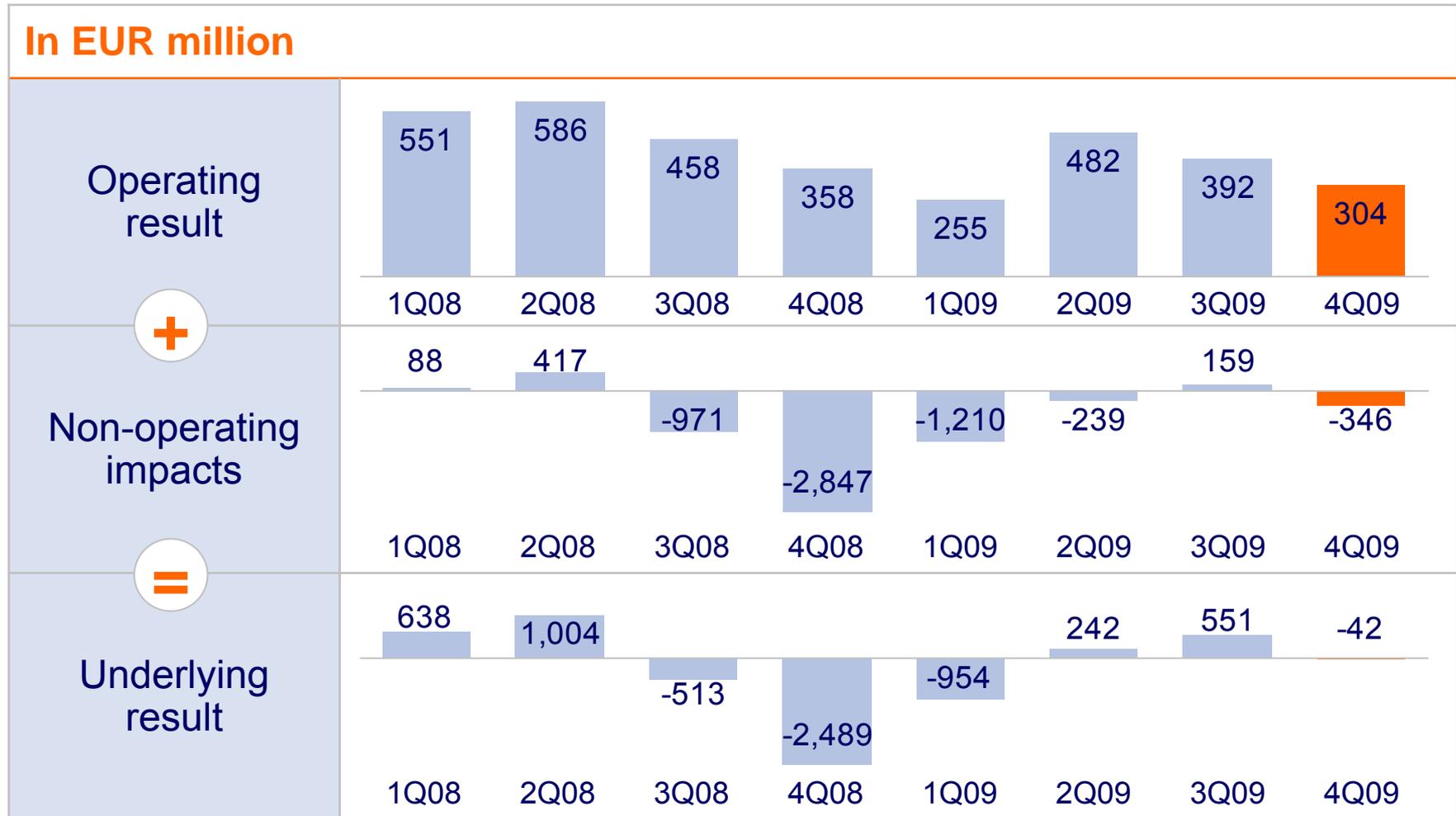
Note that there is no normalisation of investment returns

# Margin analysis – Understanding underlying profit drivers

## The Margin analysis ties to the operating result and is defined as follows:

Investment margin	<p><b>Investment margin:</b></p> <ul style="list-style-type: none"> <li>• Spread between investment income earned and interest credited to policyholder reserves (excluding market impacts, including dividends &amp; coupons)</li> </ul> <p><b>Fees and Premium based revenues:</b></p> <ul style="list-style-type: none"> <li>• Portion of life insurance premiums available to cover expenses and profit</li> <li>• Fees on deposits</li> <li>• Fee income on assets under management (net of guaranteed benefit costs)</li> </ul> <p><b>Technical margin:</b></p> <ul style="list-style-type: none"> <li>• Margin between charges for benefits and incurred benefits</li> <li>• Includes mortality, morbidity and surrender profits</li> </ul> <p><b>Expenses:</b></p> <ul style="list-style-type: none"> <li>• Administrative expenses equal that part of operating expense which is not capitalized as acquisition expense through DAC</li> <li>• DAC amortisation and trail commissions includes acquisition expenses and commissions which are not capitalized through DAC, and normal DAC amortization</li> </ul>
Fees and Premium based revenues	
Technical margin	
Income non-modeled life business	
<b>+ Operating income (Life &amp; ING IM)</b>	
Administrative expenses	<p><b>Technical margin:</b></p> <ul style="list-style-type: none"> <li>• Margin between charges for benefits and incurred benefits</li> <li>• Includes mortality, morbidity and surrender profits</li> </ul> <p><b>Expenses:</b></p> <ul style="list-style-type: none"> <li>• Administrative expenses equal that part of operating expense which is not capitalized as acquisition expense through DAC</li> <li>• DAC amortisation and trail commissions includes acquisition expenses and commissions which are not capitalized through DAC, and normal DAC amortization</li> </ul>
DAC amortisation and trail commissions	
<b>- Expenses (Life &amp; ING IM)</b>	
<b>= Operating result (Life &amp; ING IM)</b>	
+ Non-life Operating result	
+ Corporate line Operating result	<p><b>Expenses:</b></p> <ul style="list-style-type: none"> <li>• Administrative expenses equal that part of operating expense which is not capitalized as acquisition expense through DAC</li> <li>• DAC amortisation and trail commissions includes acquisition expenses and commissions which are not capitalized through DAC, and normal DAC amortization</li> </ul>
<b>= Operating result before tax</b>	

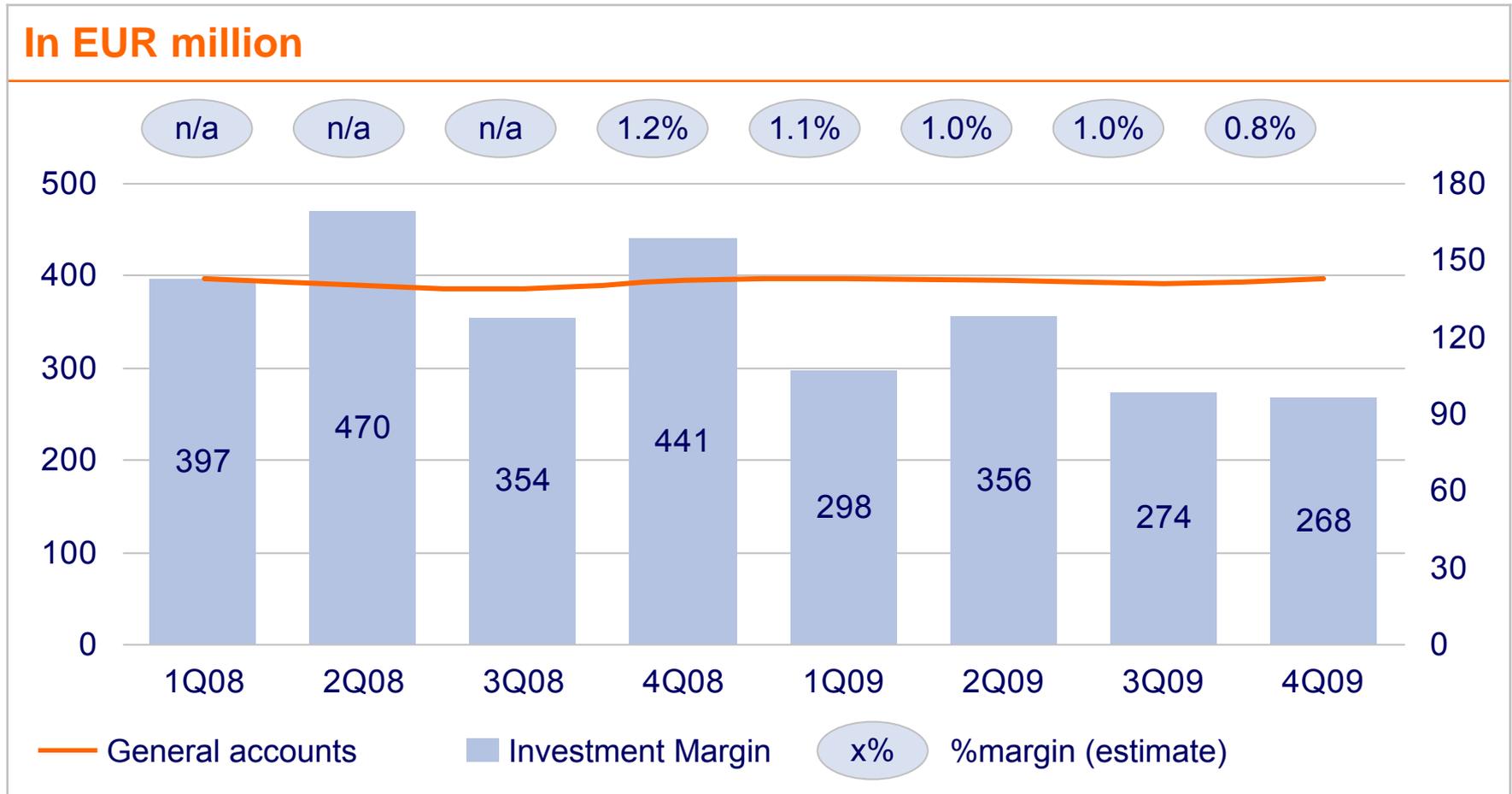
# Operating result shows more stable pattern due to elimination of market impacts



# Operating Result Life Insurance and Investment Management

In EUR million		FY09 figure	Δ FY08
<b>Operating Result</b>	2,013	-12%	
	-		
<b>Operating Income</b>	6,583	-10%	
	+		
<b>Expenses</b>	4,570	-9%	
	+		
<b>Investment margin</b>	1,196	-28%	
	<b>Fees and Premium based revenues</b>	4,362	-8%
<b>Technical margin</b>		902	16%
	<b>Non-modeled life business</b>	123	-24%
<b>Administrative expenses</b>		2,916	-11%
	<b>DAC amortisation &amp; trail commissions</b>	1,654	-6%

# Investment margin as a % of general account assets has declined

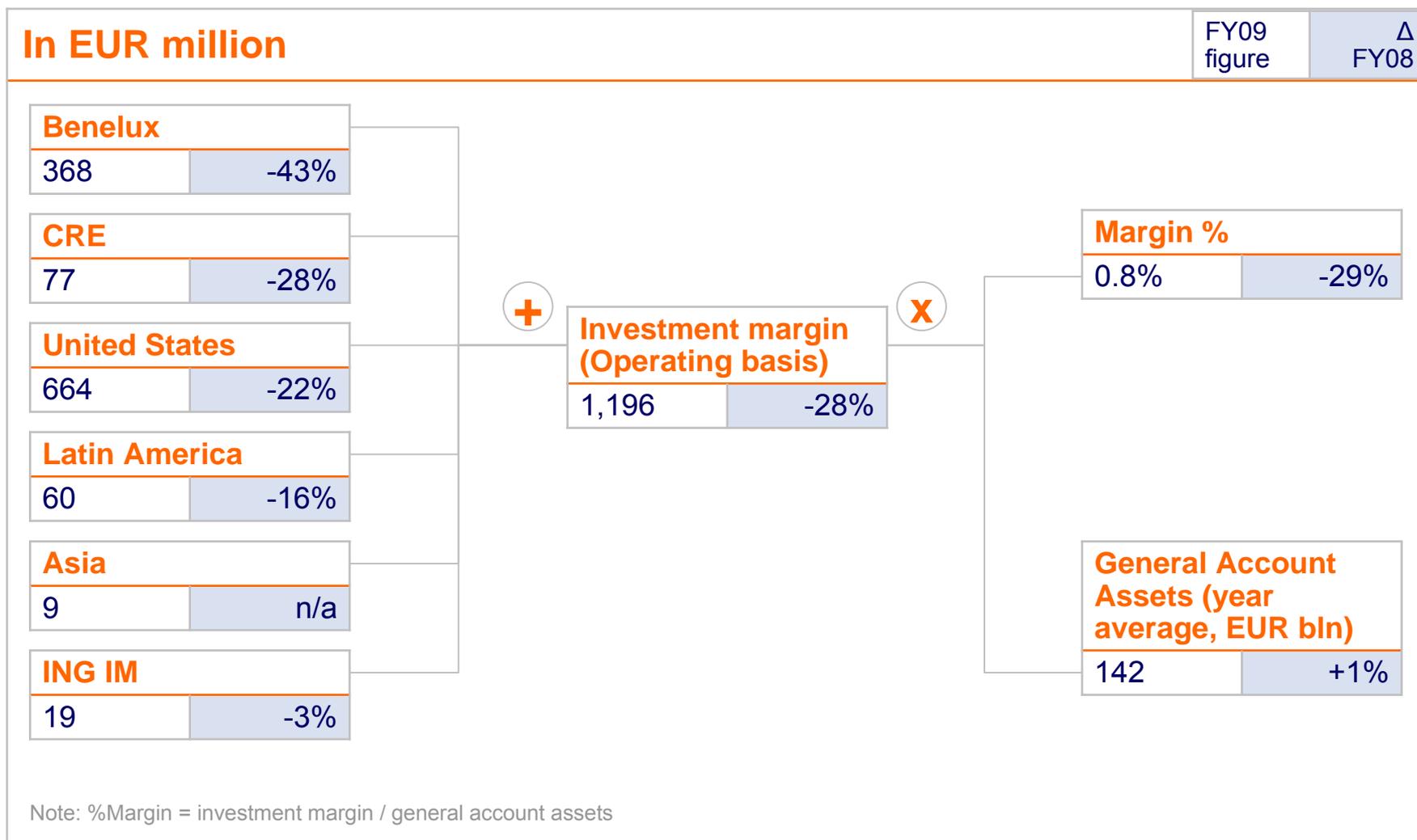


Note: %Margin is a Full year estimate (4QRolling Average<sup>4</sup>)

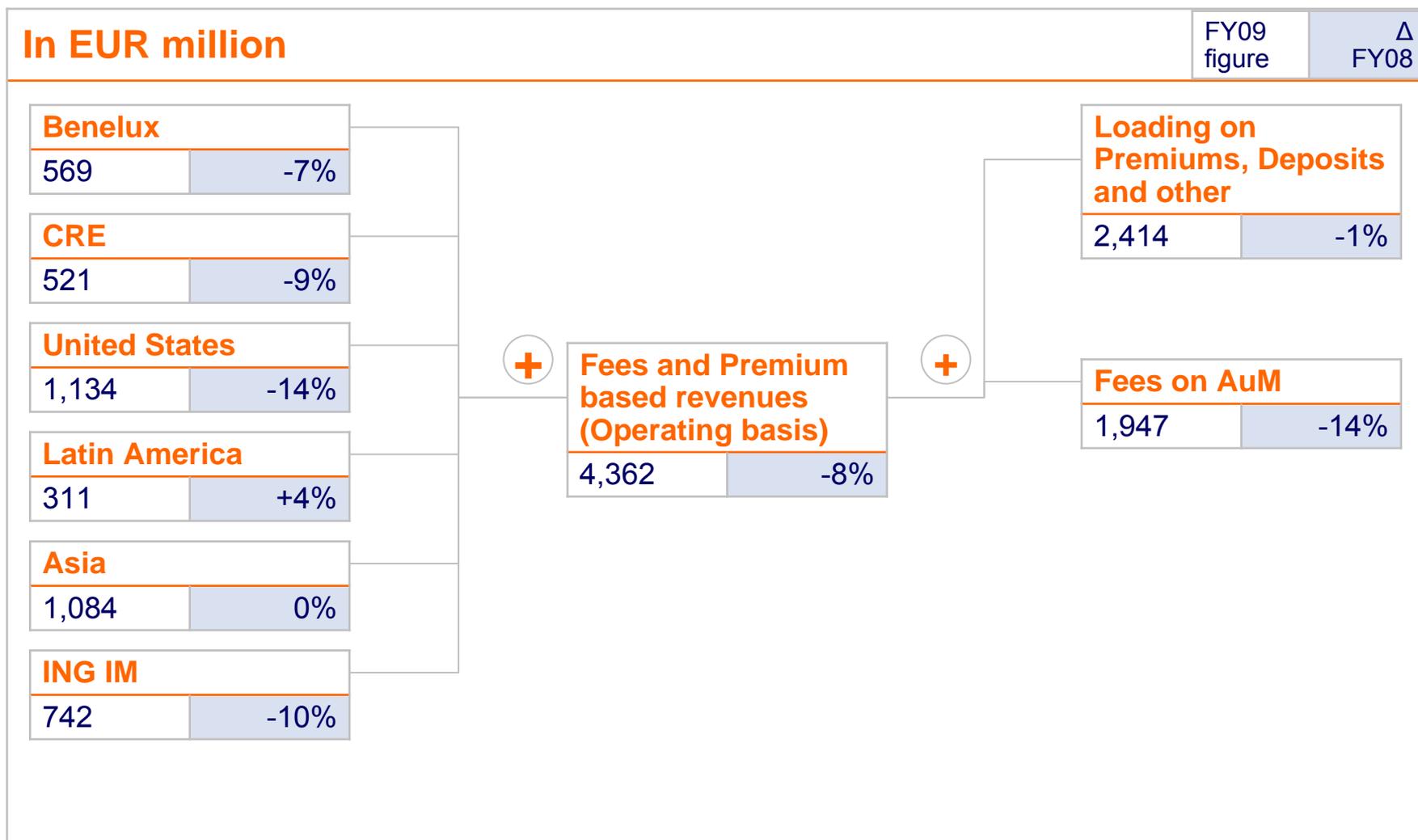
General accounts at end of Quarter, in EUR billion



# The decline in the investment margin in absolute numbers is primarily attributable to the Benelux and the United States



# Fees and Premium based revenues declined 8%, held up by stable premium and deposit based revenues



# Fees and premium based revenue is driven by both premiums and assets under management

<b>In EUR million</b>								
	<b>4Q09</b>	<b>3Q09</b>	<b>2Q09</b>	<b>1Q09</b>	<b>4Q08</b>	<b>3Q08</b>	<b>2Q08</b>	<b>1Q08</b>
<b>Loadings on Premiums Deposits &amp; Other</b>	<b>583</b>	<b>591</b>	<b>592</b>	<b>648</b>	<b>592</b>	<b>606</b>	<b>609</b>	<b>635</b>
Gross fees	684	681	636	615	675	694	647	654
VA cost of guarantees	-165	-149	-173	-182	-159	-94	-69	-72
<b>Fees on AuM</b>	<b>518</b>	<b>533</b>	<b>463</b>	<b>433</b>	<b>517</b>	<b>600</b>	<b>579</b>	<b>581</b>
<b>Fees and Premium based revenues</b>	<b>1,102</b>	<b>1,124</b>	<b>1,055</b>	<b>1,081</b>	<b>1,108</b>	<b>1,206</b>	<b>1,188</b>	<b>1,216</b>

- Loadings on premiums and deposits include loadings on traditional life insurance premiums and pension and other deposits
- Gross fees on assets under management have increased with the recovery in stock markets, but net fees have lagged due to higher VA cost of guarantees

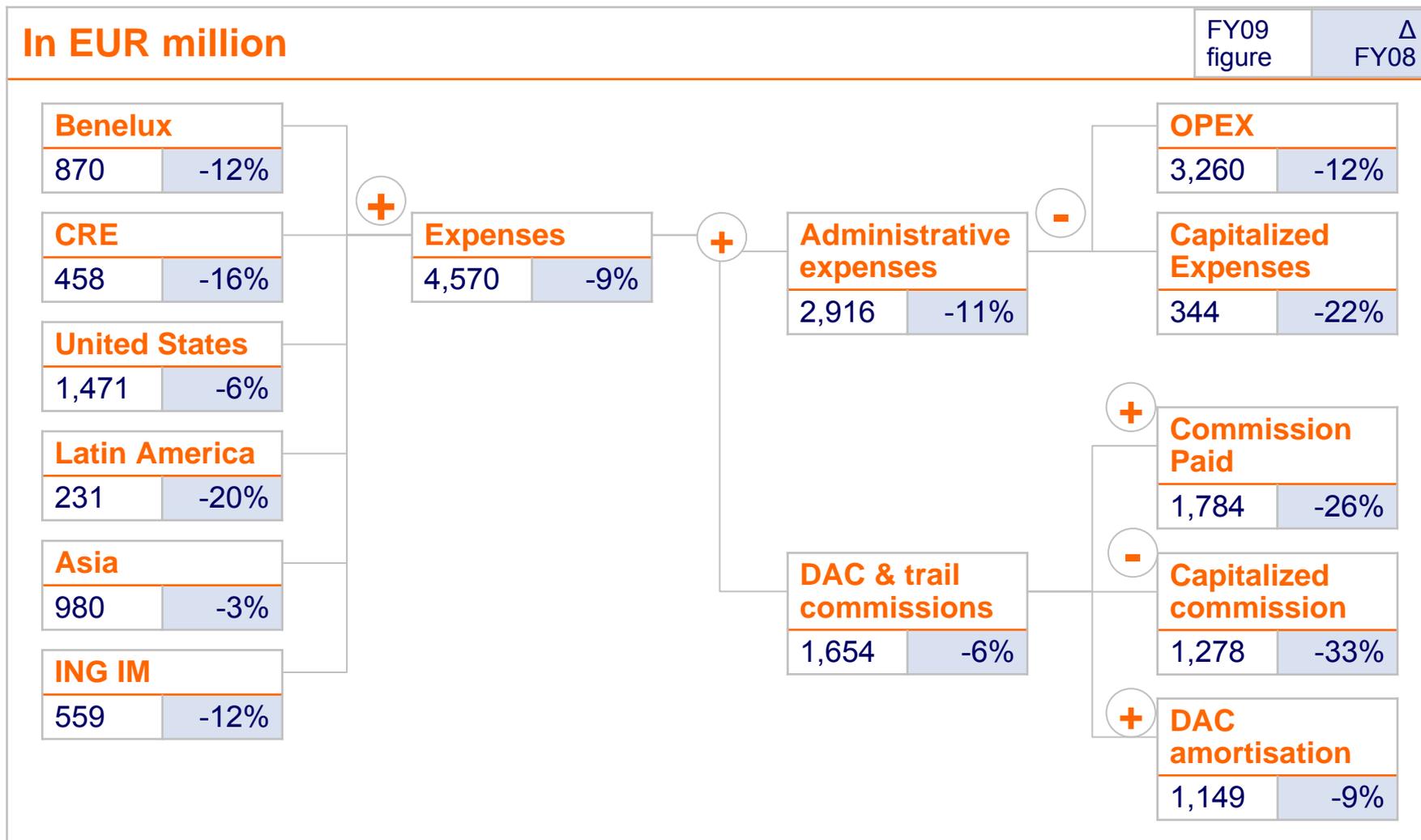
# Technical margin

In EUR million	FY09 figure	Δ FY08
<b>Benelux</b>	286	-17%
<b>CRE</b>	175	+24%
<b>United States</b>	263	+167%
<b>Latin America</b>	15	+15%
<b>Asia</b>	162	-9%
<b>ING IM</b>	-	n/a
<b>Technical margin (Operating basis)</b>	902	+16%

## Technical margin

- Margin between risk charges for benefits and incurred benefits
- Includes mortality, morbidity and surrender results
- Technical margin may include volatility due to provision releases or setting up of special provisions
- Surrender results, are reflected in the technical margin, however offsetting DAC impacts are shown under Expenses.
- Assumption changes linked to market impacts and associated DAC impacts are eliminated

# Life insurance and ING IM Expenses



# Bridging from Operating to Underlying Result

# Operating was significantly better than underlying result in 2008 and 2009 because of market impacts

## In EUR million

	Benelux		Central & Rest of Europe		United States		Latin America		Asia / Pacific		ING IM		Corporate line	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
<b>Total operating result</b>	<b>623</b>	<b>981</b>	<b>334</b>	<b>286</b>	<b>590</b>	<b>703</b>	<b>211</b>	<b>181</b>	<b>365</b>	<b>364</b>	<b>201</b>	<b>210</b>	<b>-893</b>	<b>-771</b>
Gains/losses and Impairments	-44	-91	-45	-104	-476	-1,079	3	5	26	-239	0	-30	-8	154
Revaluations	-356	-673	0	0	206	-75	59	-34	-9	-54	-33	-1	-213	259
Market & Other impacts	66	-124	0	0	-618	-946	0	0	1	-73	0	0	-195	-208
<b>Underlying result before tax</b>	<b>290</b>	<b>93</b>	<b>290</b>	<b>182</b>	<b>-298</b>	<b>-1,398</b>	<b>273</b>	<b>153</b>	<b>383</b>	<b>-3</b>	<b>169</b>	<b>179</b>	<b>-1,309</b>	<b>-566</b>

Note: Includes Non-life

# Appendix

# Operating margins Benelux

<b>In EUR million</b>					
	<b>4Q09</b>	<b>3Q09</b>	<b>2Q09</b>	<b>1Q09</b>	<b>4Q08</b>
Investment margin	79	71	152	66	166
Fees and Premium based revenues	128	143	141	156	155
Technical margin	54	58	126	48	65
Income non-modeled life business	4	4	8	7	2
<b>Operating income (Life)</b>	<b>265</b>	<b>276</b>	<b>428</b>	<b>277</b>	<b>389</b>
Administrative expenses	185	127	148	174	203
DAC amortisation and trail commissions	64	53	53	65	54
<b>Expenses (Life)</b>	<b>249</b>	<b>180</b>	<b>201</b>	<b>240</b>	<b>258</b>
<b>Operating result (Life)</b>	<b>16</b>	<b>96</b>	<b>227</b>	<b>37</b>	<b>131</b>
Non-life Operating result	51	123	54	20	79
<b>Operating result before tax</b>	<b>67</b>	<b>219</b>	<b>281</b>	<b>56</b>	<b>210</b>
Gains/losses and impairments	-11	129	-26	-136	-384
Revaluations	-13	-142	-293	93	-430
Market & Other impacts	81	66	82	-164	-25
<b>Non-operating impacts</b>	<b>57</b>	<b>52</b>	<b>-237</b>	<b>-207</b>	<b>-839</b>
<b>Underlying result before tax</b>	<b>124</b>	<b>272</b>	<b>44</b>	<b>-150</b>	<b>-629</b>

Note: Non-modeled business include:  
Netherlands servicing & brokerage (including AZL, IPS, NN Assurantiekantoren, NN HB)

## Comments

- Investment margin negatively impacted by de-risking and lower margins. 4Q08 result was higher due to reversal of provision for profit-sharing. 2Q09 is seasonally higher due to dividends on equities
- Fees and premium based revenues have a seasonal pattern with a spike in 1Q
- Technical margin in 2Q09 higher due to release of morbidity provision
- Administrative expenses increased in 4Q09 mainly due to IT related projects

# Operating margins Central & Rest of Europe

<b>In EUR million</b>					
	<b>4Q09</b>	<b>3Q09</b>	<b>2Q09</b>	<b>1Q09</b>	<b>4Q08</b>
Investment margin	18	21	20	18	37
Fees and Premium based revenues	139	130	130	122	134
Technical margin	56	40	46	33	33
Income non-modeled life business	7	2	3	2	7
<b>Operating income (Life)</b>	<b>220</b>	<b>193</b>	<b>200</b>	<b>175</b>	<b>211</b>
Administrative expenses	67	71	58	65	97
DAC amortisation and trail commissions	41	50	57	49	59
<b>Expenses (Life)</b>	<b>107</b>	<b>121</b>	<b>115</b>	<b>114</b>	<b>156</b>
<b>Operating result (Life)</b>	<b>112</b>	<b>72</b>	<b>84</b>	<b>61</b>	<b>55</b>
Non-life Operating result	4	1	0	1	2
<b>Operating result before tax</b>	<b>116</b>	<b>73</b>	<b>84</b>	<b>62</b>	<b>57</b>
Gains/losses and impairments	-35	-5	-6	2	-95
Revaluations	-	-	-	-	-
Market & Other impacts	-	-	-	-	-
<b>Non-operating impacts</b>	<b>-35</b>	<b>-5</b>	<b>-6</b>	<b>2</b>	<b>-95</b>
<b>Underlying result before tax</b>	<b>81</b>	<b>67</b>	<b>78</b>	<b>64</b>	<b>-38</b>

Note: Non-modeled business include Bulgaria, Russia, Turkey, Ukrain

## Comments

- The primary driver of operating income - fees and premium based revenues - stable throughout the market crisis
- Technical margins increased included impact of higher surrenders and rider provision releases in 4Q09
- Administrative expenses under control; 4Q 2008 included higher Vision4Growth expenses
- Non-operating impacts were relatively muted throughout 2009

# Operating margins United States

## In EUR million

	4Q09	3Q09	2Q09	1Q09	4Q08
Investment margin	141	155	161	207	229
Fees and Premium based revenues	291	308	280	255	288
Technical margin	74	64	79	46	21
Income non-modeled life business	-	-	-	-	-
<b>Operating income (Life)</b>	<b>507</b>	<b>526</b>	<b>521</b>	<b>508</b>	<b>537</b>
Administrative expenses	212	215	227	224	255
DAC amortisation and trail commissions	167	174	121	131	127
<b>Expenses (Life)</b>	<b>379</b>	<b>389</b>	<b>348</b>	<b>354</b>	<b>382</b>
<b>Operating result (Life)</b>	<b>127</b>	<b>137</b>	<b>173</b>	<b>154</b>	<b>156</b>
Non-life operating result	-	-	-	-	-
<b>Operating result before tax</b>	<b>127</b>	<b>137</b>	<b>173</b>	<b>154</b>	<b>156</b>
Gains/losses and impairments	-146	-79	-13	-237	-559
Revaluations	30	165	92	-81	-79
Market & Other impacts	-86	4	-68	-468	-750
<b>Non-operating impacts</b>	<b>-202</b>	<b>90</b>	<b>11</b>	<b>-786</b>	<b>-1,388</b>
<b>Underlying result before tax</b>	<b>-75</b>	<b>226</b>	<b>183</b>	<b>-633</b>	<b>-1,233</b>

## Comments

- Investment margin has been adversely affected by general account de-risking
- Net fees on AuM have increased more slowly than the recovery in AuM due to increased variable annuity cost of guaranteed benefits
- Lower expenses help offset lower investment margin

# Operating margins Latin America

## In EUR million

	4Q09	3Q09	2Q09	1Q09	4Q08
Investment margin	18	17	15	10	18
Fees and Premium based revenues	81	78	75	76	70
Technical margin	3	4	3	5	-4
Income non-modeled life business	0	0	-5	4	1
<b>Operating income (Life)</b>	<b>102</b>	<b>100</b>	<b>88</b>	<b>96</b>	<b>85</b>
Administrative expenses	49	44	44	39	51
DAC amortisation and trail commissions	15	14	12	14	14
<b>Expenses (Life)</b>	<b>64</b>	<b>58</b>	<b>56</b>	<b>53</b>	<b>66</b>
<b>Operating result (Life)</b>	<b>38</b>	<b>42</b>	<b>32</b>	<b>42</b>	<b>19</b>
Non-life operating result	13	16	15	12	11
<b>Operating result before tax</b>	<b>51</b>	<b>58</b>	<b>48</b>	<b>54</b>	<b>31</b>
Gains/losses and impairments	0	0	-1	3	0
Revaluations	8	23	22	6	-14
Market & Other impacts	-	-	-	-	-
<b>Non-operating impacts</b>	<b>8</b>	<b>23</b>	<b>20</b>	<b>9</b>	<b>-14</b>
<b>Underlying result before tax</b>	<b>59</b>	<b>81</b>	<b>69</b>	<b>63</b>	<b>17</b>

## Comments

- Strong positive trend in fee income from Pension Fund collections and growth in Assets Under Management
- Strong market recovery in 2009 positively impacted the investment returns on the Pension Fund legal reserve (from loss in 4Q08)
- Administrative expenses under control (quarterly comparisons distorted by timing issues); FY 09 17% below FY 08

# Operating margins Asia/Pacific

In EUR million					
	4Q09	3Q09	2Q09	1Q09	4Q08
Investment margin	7	3	2	-4	-12
Fees and Premium based revenues	263	272	253	296	276
Technical margin	41	35	45	41	105
Income non-modeled life business	32	22	19	13	33
<b>Operating income (Life)</b>	<b>345</b>	<b>332</b>	<b>319</b>	<b>346</b>	<b>402</b>
Administrative expenses	94	109	102	105	131
DAC amortisation and trail commissions	142	134	143	152	187
<b>Expenses (Life)</b>	<b>236</b>	<b>242</b>	<b>245</b>	<b>257</b>	<b>318</b>
<b>Operating result (Life)</b>	<b>109</b>	<b>90</b>	<b>74</b>	<b>89</b>	<b>84</b>
Non-life operating result	0	1	1	1	1
<b>Operating result before tax</b>	<b>109</b>	<b>91</b>	<b>75</b>	<b>90</b>	<b>85</b>
Gains/losses and impairments	4	9	17	-3	-122
Revaluations	-1	2	-2	-9	-23
Market & Other impacts	5	5	6	-15	-18
<b>Non-operating impacts</b>	<b>8</b>	<b>16</b>	<b>21</b>	<b>-27</b>	<b>-163</b>
<b>Underlying result before tax</b>	<b>117</b>	<b>107</b>	<b>96</b>	<b>63</b>	<b>-78</b>

Note: Non-modeled business include KB Life, Australia Holding, China and India (2008)

## Comments

- Fees and Premium based revenues are primary and solid source of income; portfolio mainly premium-loading driven products
- Technical margin is healthy and driven by growth in the reserve base
- Spike in 4Q08 technical margin mainly due to impact of assumption updates with offset in DAC
- Declining pattern in administrative expenses reflecting emphasis on cost control in 2009

# Operating margins ING IM

<b>In EUR million</b>					
	<b>4Q09</b>	<b>3Q09</b>	<b>2Q09</b>	<b>1Q09</b>	<b>4Q08</b>
Investment margin	5	8	6	1	3
Fees and Premium based revenues	199	192	176	176	186
Technical margin	-	-	-	-	-
Income non-modeled life business	-	-	-	-	-
<b>Operating income</b>	<b>203</b>	<b>200</b>	<b>181</b>	<b>177</b>	<b>189</b>
Administrative expenses	125	155	143	134	163
DAC amortisation and trail commissions	1	1	1	1	3
<b>Expenses</b>	<b>125</b>	<b>156</b>	<b>143</b>	<b>135</b>	<b>166</b>
<b>Operating result before tax</b>	<b>78</b>	<b>44</b>	<b>38</b>	<b>42</b>	<b>23</b>
Gains/losses and impairments	9	13	1	-23	-19
Revaluations	-8	-4	-29	8	-7
Market & Other impacts	-	-	-	-	-
<b>Non-operating impacts</b>	<b>1</b>	<b>9</b>	<b>-28</b>	<b>-15</b>	<b>-26</b>
<b>Underlying result before tax</b>	<b>79</b>	<b>53</b>	<b>10</b>	<b>27</b>	<b>-4</b>

## Comments

- Recovery in fee levels in second half of 2009
- Income fell in line with the AuM levels and some mix effect towards lower risk, lower margin products
- Changes in remuneration policy caused the expense level in 4Q09 to be flattered by EUR 50 million

# Reconciliation Administrative expenses

## Administrative expenses (Life & ING IM) (EUR million)

	4Q09	3Q09	2Q09	1Q09	4Q08
Operating expenses (Life & ING IM)	806	798	812	843	1011
- Capitalized expenses	75	77	90	101	110
<b>Administrative expenses (Life &amp; ING IM)</b>	<b>731</b>	<b>721</b>	<b>722</b>	<b>742</b>	<b>901</b>

## Total Administrative expenses (EUR million)

	4Q09	3Q09	2Q09	1Q09	4Q08
Life & ING IM	731	721	722	742	901
Non-life	99	90	100	107	126
Corporate line	38	35	21	30	21
<b>Total Administrative expenses</b>	<b>868</b>	<b>845</b>	<b>843</b>	<b>879</b>	<b>1,047</b>

# Corporate line Insurance

In EUR million				
	4Q09	3Q09	2Q09	1Q09
Interest on hybrids and core debt	-181	-194	-182	-166
Amortisation intangible assets	-17	-17	-17	-17
Other	-47	-17	-17	-20
<b>Operating result before tax</b>	<b>-244</b>	<b>-228</b>	<b>-216</b>	<b>-203</b>
Gains / losses and impairments	2	2	-6	-7
Revaluations	-28	-94	-96	4
Market & Other impacts	-157	65	80	-183
<b>Underlying result before tax</b>	<b>-428</b>	<b>-255</b>	<b>-238</b>	<b>-389</b>

## Comments

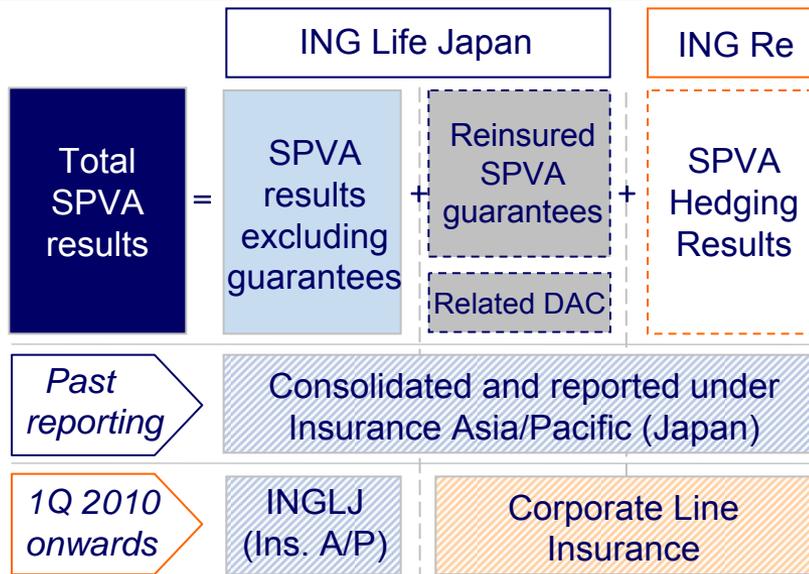
- Interest on hybrid and core debt relates to funding costs for hybrids and core debt
- Other relates to shareholders expenses (about EUR 100 million per year) and results of ING Corporate Reinsurance
- Mainly revaluations on equity hedge and hedge related to interest on core debt hedges
- ING Re results on the closed block Japan SPVA guarantees (and associated hedging) is shown as "Market & Other impacts"

# Japan SPVA

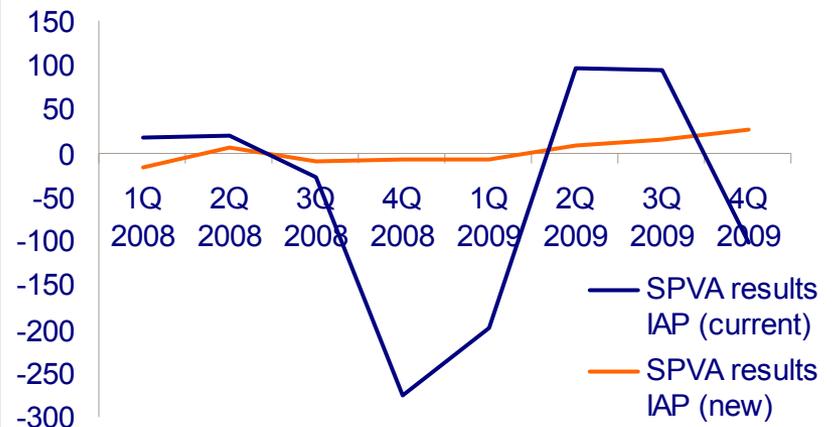
# Reporting of non-core Japan SPVA hedging results on Corporate line insurance

## Background

- ING Life Japan reinsures guaranteed benefits associated with SPVA contracts to ING Re.
- ING Re hedges the guaranteed benefits associated with the SPVA contracts.
- ING Re results related to the assumed SPVA business have historically been consolidated and reported under Insurance Asia/Pacific (Japan).
- From 1Q 2010, ING Re NL's results on the assumed SPVA guarantees will be transferred to the Corporate Line for reporting purposes.
- ING Life Japan's results will include the SPVA results, excluding the reinsured guarantees/hedging of the guarantees.



Japan SPVA results - Underlying result before tax (EUR million)



# De-risking initiatives on Japan SPVA will reduce volatility going forward

## Japan SPVA Guarantees

- In-force portfolio of policies sold until July 2009, guarantees continues to be reinsured to ING Re
- VA Japan economic balance sheet is fully hedged against changes in the value of the underlying funds

## De-risking initiatives

<b>Improved basis risk modeling</b> (Q1 2009)	Basis risk volatility estimated to be reduced by 20%
<b>Move Minimum Guaranteed Death Benefit part of Survivor Benefit products to Fair Value</b> (Q1 2009)	Accounting aligned with hedge target
<b>Hedging Minimum Guaranteed Survivor Benefit option fee</b> (Q1 2009)	Fee income (as % of AuM) allocated to pay for option costs is hedged.
<b>Fund replacement</b> (Q4 2009)	80 billion JPY Japanese equity fund replaced by fund with lower tracking error: 5% vs 1.5%.
<b>Gamma/vega exposure hedging</b> (as of December 2009)	Strategically timed option trades to reduce P&L volatility due to non-linear exposures in the VA Guarantees
<b>Fund strategy adjustment</b> (Q1 2010)	Agreement secured to change the Investment Strategy of mainly external Global Bond funds to improve hedge-ability. This includes a more passive investment strategy, avoiding use of bond futures and the taking of f/x positions.

\*INGLJ results not affected by hedging outcomes, however, these results are reflected in INGLJ's IFRS results for Management Accounting.



# Disclaimer

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

In preparing the financial information in this document, the same accounting principles are applied as in the 2009 ING Group Annual Accounts. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

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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