# ING is managing through the current market turmoil

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# Key points

**1. ING's business model is about savings**

- ING is in the business of collecting retail savings and pensions
- ING is a buy and hold investor
- ING is not in the business of originating structured US products

**2. ING is carefully managing through the market turmoil but is not immune**

- As a consequence of ING's business model, ING has carefully selected its investments after a thorough credit analysis
- Diversified investment portfolio

**3. ING has prudent capital management**

- ING targets AA rating
- Entire spare leverage on balance sheet

# ING is managing its risk exposures in the current market environment but is not immune

- ING carefully manages its counterparty risks
- In ING's fixed-income portfolio, higher credit spreads were partially offset by lower interest rates in July and August
- Diversified, well-collateralised Benelux corporate and retail loan books
- Controlling balance sheet growth and liquidity: selective lending growth at appropriate returns
- ING is not in the business of structurally providing credit protection to the market
- Risk mitigating actions:
  - ✓ less equity exposure
  - ✓ implementing hedges
  - ✓ reduced EC limits in the Insurance company
  - ✓ disciplined execution of risk mitigating actions

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# ING targets to be AA rated and is more than adequately capitalised

## ING's capital ratios

| | target | June 30, 2008 |
|---|---|---|
| ING Group D/E | <10% (<15% in exceptional circumstances) | 9.53% |
| Bank Tier 1 | >7.2% | 8.15% |
| Core Tier 1 | >5.4% | 6.21% |
| EU Solvency | >150% | 281% |

## ING reports Solvency II type of capital reflecting economic capital position

| | target | June 30, 2008 |
|---|---|---|
| AFR/EC ING Group | >120% | 128% |
| AFR/EC ING Bank | >100% | 148% |
| AFR/EC ING Insurance | >100% | 101% |

## S&P's, Moody's and Fitch ratings have all affirmed ING's AA rating during 3Q 2008

| | ING Group | ING Bank | ING Insurance | Date last affirmed |
|---|---|---|---|---|
| S&P | AA- | AA | AA- | 13 August 2008 |
| Moody's | Aa2 | Aa1 | Aa3 | 16 September 2008 |
| Fitch | AA- | AA | AA- | 01 September 2008 |

AFR less EC = EUR 10 billion (30 June 2008)

# Entire spare leverage of EUR 3.9 billion is already on ING's balance sheet

**ING Group (2Q08)**

| D/E | Target |
|---|---|
| 9.53% | 10% |

Spare leverage contribution: EUR 0.3 billion in cash

ING Group and Insurance can potentially inject this cash (raised by senior debt) as equity in its subsidiaries. This would increase the D/E-ratio up to 10% at Group and 15% at Insurance

**ING Bank (2Q08)**

| Tier 1 | Target |
|---|---|
| 8.15% | 7.2% |

Spare leverage contribution: EUR 2.5 billion in equity

**ING Insurance (2Q08)**

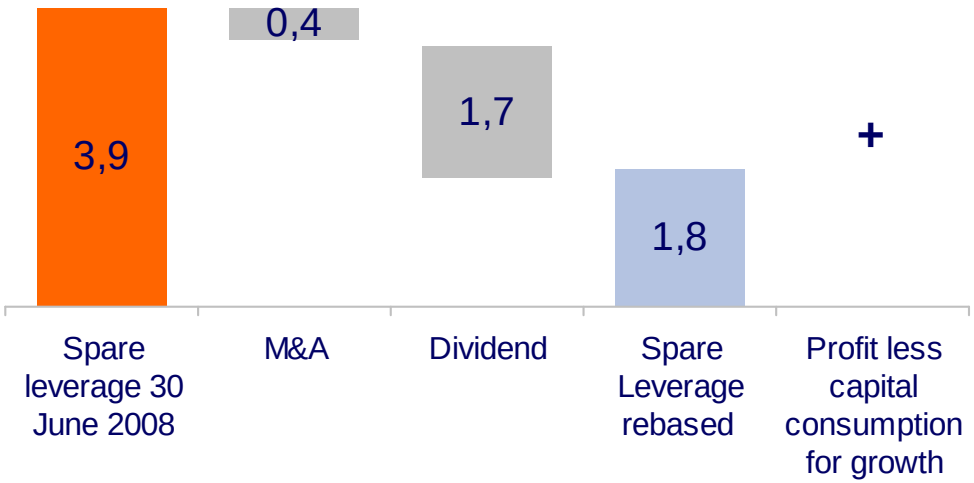
| D/E | Target |
|---|---|
| 9.24% | 15% |

Spare leverage contribution: EUR 1.1 billion in cash

ING has pre-emptively issued hybrid capital and core debt in 1H 2008. Hybrid ratios of ING Bank and ING Insurance are at 25% limit. Therefore ING does not have to tap the capital markets under these turbulent market conditions

# Spare leverage reduced by dividend payment and closing of recent acquisitions

**ING's Spare Leverage: a rebased starting point for Q3 2008 (EUR billion)**




Spare Leverage is cash at Group level assuming full usage of tier-1 and hybrid limits at ING Bank, Debt/Equity ratio and hybrid limits at ING Insurance and the Debt/Equity ratio limit at ING Group

**Dividend policy adds seasonality**

ING's dividend policy: ING intends to pay dividends in relation to the longer-term underlying development of cash earnings following the introduction of International Financial Reporting Standards (IFRS), which are expected to increase volatility in net profit

Interim dividend equals 50% of the previous year's dividend

As dividends are paid out in the second quarter (final dividend) and third quarter (interim dividend) of each year, spare leverage has a seasonal pattern with the lowest point at the end of the third quarter

# ING's capital management tools provide the flexibility to fine-tune the capital position over time

**Capital Management toolkit**

- Earnings each quarter
- Possible divestments/acquisitions
- Measured pace of RWA growth ING Bank
- De-risking: reduce risk
- Capital is fungible: internal dividends between Group, Insurance and Bank can enhance key capital ratios
- ING Group and ING Insurance currently hold cash, which is available for injection into Bank, Insurance and its subsidiaries. This would effectively increase the D/E-ratios to the current limits
- ING Group's D/E-ratio can be temporarily increased up to 15%, reflecting 15% diversification at Group level between risks in the Bank and Insurance

ING has the capacity to increase its capital base without affecting its core business

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