Full Year 2012 Results

ING posts 2012 underlying net profit EUR 2,603 million

Jan Hommen
CEO

Amsterdam - 13 February 2013
www.ing.com

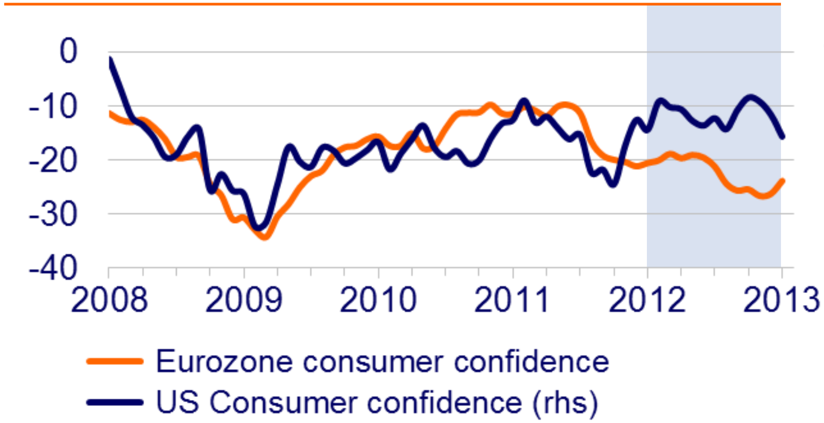
BANKING - INVESTMENTS - LIFE INSURANCE - RETIREMENT SERVICES

Key points

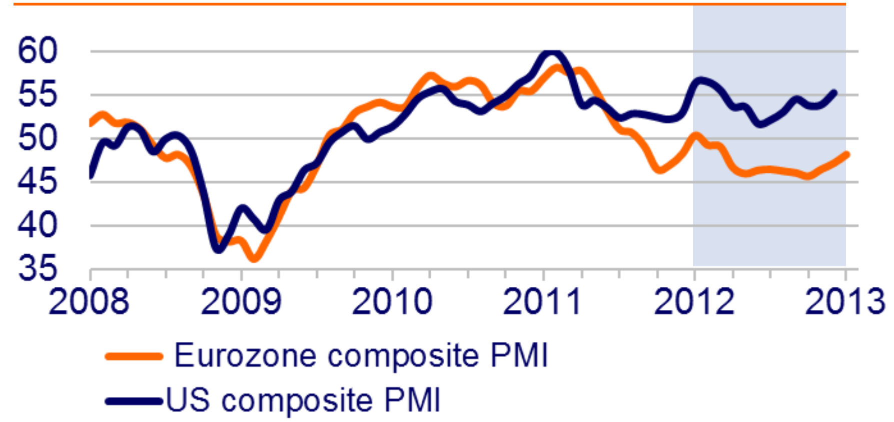
- ING Group's results held up well in 2012 amid weak environment in Europe: underlying net profit declined 5.2% to EUR 2,603 mln
- ING continues to take actions to complete its restructuring and de-risk the balance sheet, and we are preparing our businesses for the future
- The Group 4Q12 results were impacted by the Dutch bank tax, and various market related items: underlying net profit EUR 373 mln
- Bank 4Q12 underlying result before tax was EUR 184 mln, reflecting negative credit adjustments, de-risking losses and the Dutch bank tax
- Insurance 4Q12 operating result improved versus 3Q12 to EUR 296 mln as the investment spread strengthened to 132 bps. Underlying result before tax rose to EUR 272 mln

Economic environment remained challenging

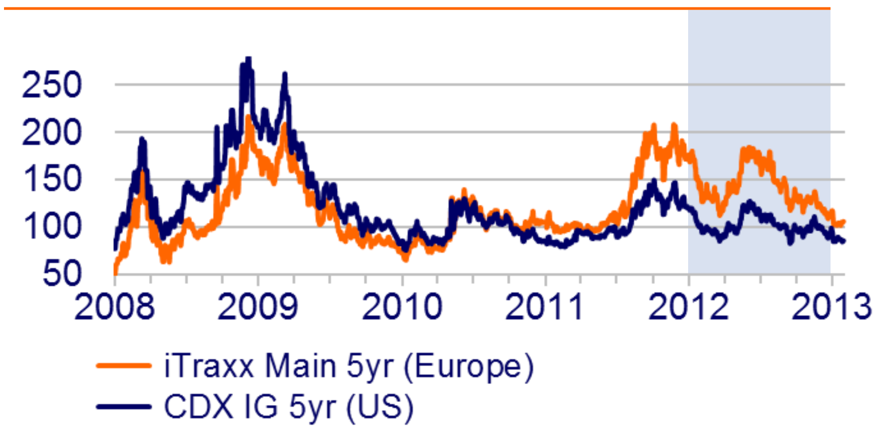
Consumer confidence



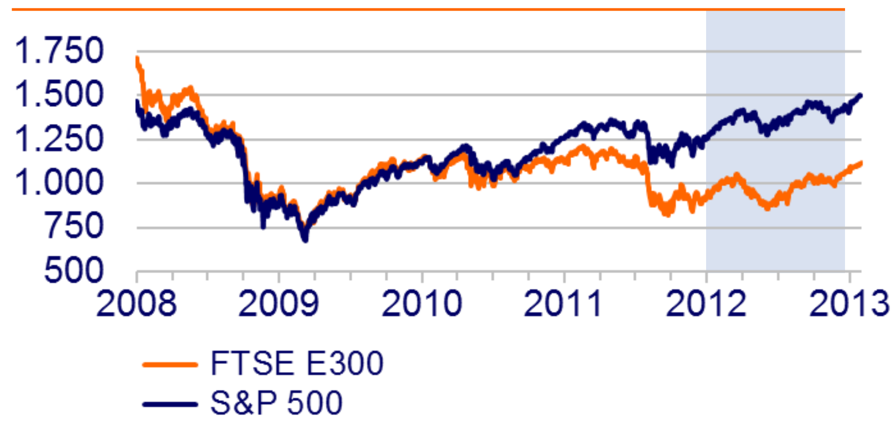
Economic activity



Credit markets (in bps)

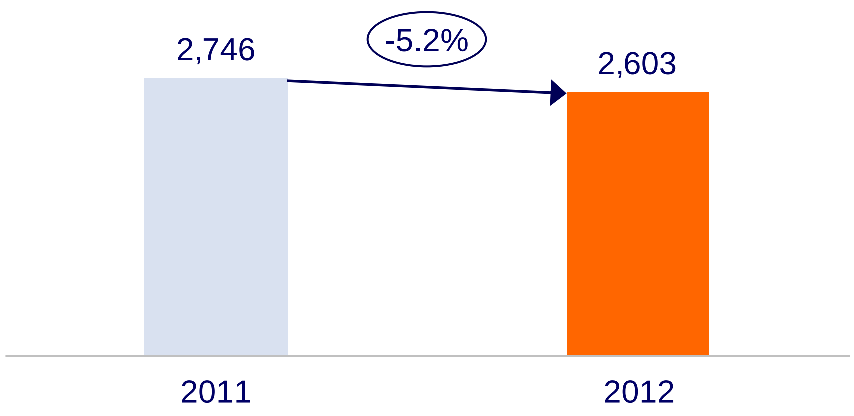


Stock markets

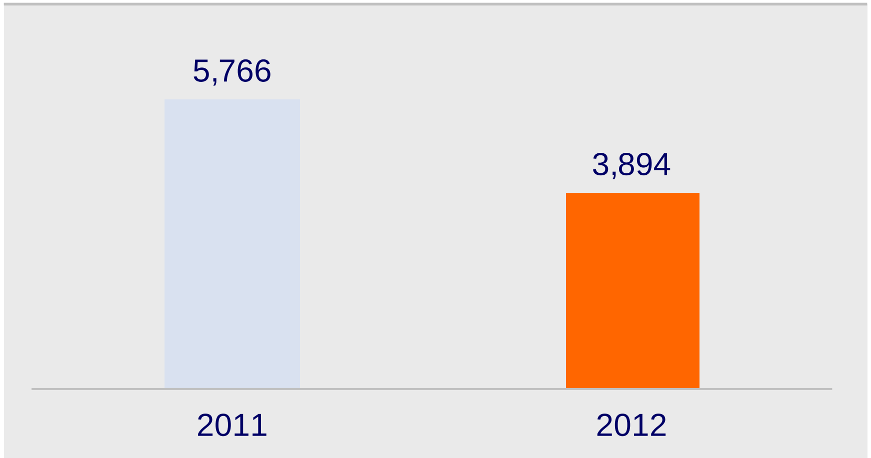


Full year 2012 underlying net profit declined 5.2% to EUR 2,603 mln

Underlying net result ING Group (in EUR mln)



Net result ING Group (in EUR mln)



Divestments, discontinued operations and special items (after tax, in EUR mln)

	2012
Underlying net result Group	**2,603**
Gains/losses on divestments	1,714
Results from divested units	87
Result from discontinued operations	550
Special items	
- Restructuring costs	-452
- Other special items	-608
Net result Group	**3,894**

Structural developments in 2012 and before

More capital, less risk

- Shareholders' equity has more than doubled since 3Q08; +16% in 2012
- Bank core Tier 1 ratio of 11,9% is 83% higher than 3Q08
- Repaid over EUR 10 billion to Dutch State, with another EUR 3 billion scheduled
- Significantly reduced exposure to European periphery: -25% since 2010
- Lowered Real Estate exposure: wound down/sold significant parts of RED/ REIM

Reduced size and complexity

- Operational separation and disentanglement of Bank and Insurance
- Integrated bank balance sheets, created domestic banks including Retail and CB
- Balance sheet reduced vs 3Q08 by 20% or EUR 285 billion
- Over 25 divestments with EUR 20 bn in proceeds, involving 30,000 employees
- Workforce reduced by divestments and restructuring from 130,000 to 85,000

Culture and role in society

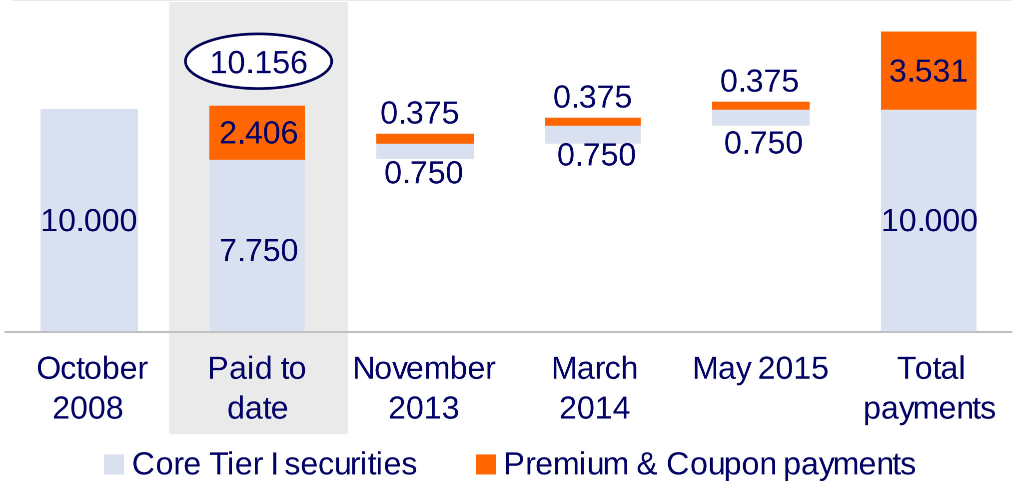
- Increased customer focus throughout the organisation
- Intensified and more integrated dialogue with all stakeholders
- Adapted remuneration policies to new standards and regulations
- Further enhanced social, ethical and environmental policies
- Support initiatives to stimulate vitality of the Dutch economy

ING is maintaining momentum in restructuring

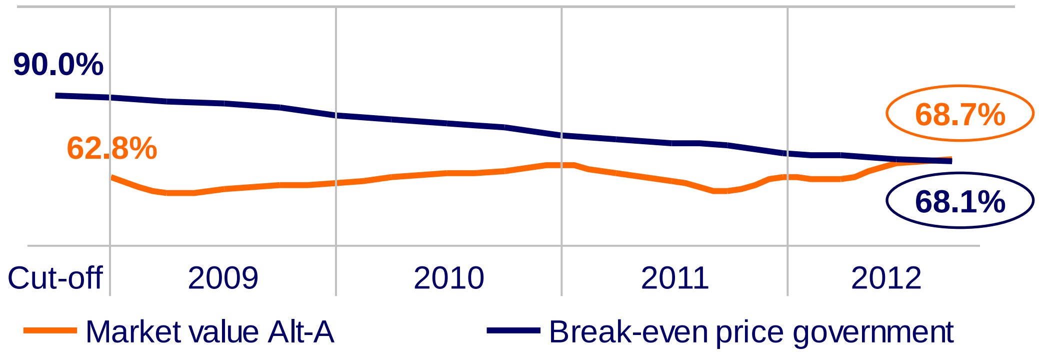
Delivering on EC restructuring in 2012

- ✓ Sale of ING Direct USA
- ✓ Sale of Insurance Malaysia
- ✓ Sale of Insurance Hong Kong and Thailand
- ✓ S-1 filed for US Insurance IPO
- ✓ Solution agreed with EC on WUB sale
- ✓ Extended deadlines agreed with EC
- ✓ Repaid EUR 1.125 bln core Tier 1 securities
- ✓ Reduced core debt by EUR 1 bln
- Sales process Insurance Korea and Japan ongoing
- Insurance US preparing for IPO in 2013
- Insurance Europe preparing for base case IPO

More than EUR 10 bln paid to the Dutch State (in EUR bln)



Average market value of Alt-A above break-even price government



Restructuring programmes will lead to structural savings of more than EUR 1 bln by 2015

Restructuring programmes (in EUR mln)

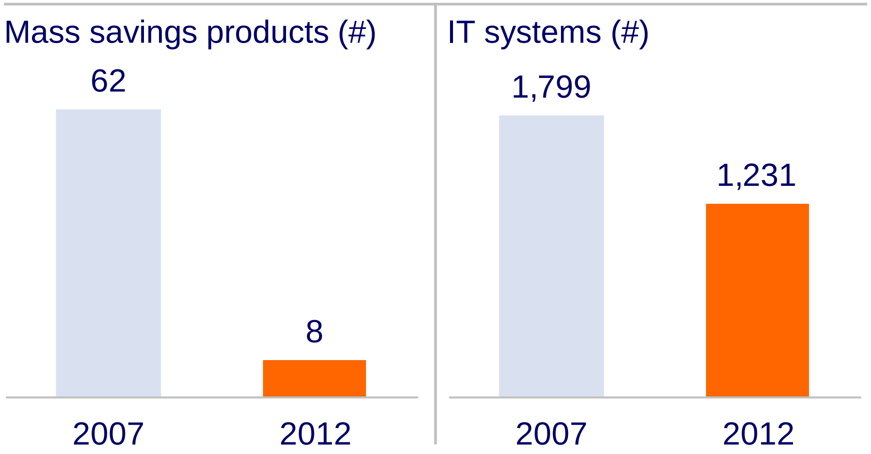
		Announced	Cost savings by 2015	Total cost savings	FTE reduction	After-tax restructuring provisioning
Bank	Retail Banking NL (1)	3Q11	330	330	2,700	232
	Retail Banking NL (2)	4Q12	100	120	1,400	111
	ING Bank Belgium	4Q12	150	150	1,000	0
	Commercial Banking	3Q12	260	315	1,000	129
	Total Bank		840	915	6,100	472
Insurance	Insurance Europe (NN)	3Q12	200	200	1,350	148
ING Group			1,040	1,115	7,450	620

- ING has taken a total of EUR 452 mln after tax restructuring costs in 2012 for Retail NL, Commercial Banking and Insurance Europe to drive future performance and reduce annual expenses by a combined EUR 1 bln by 2015
- Retail Netherlands has already achieved EUR 162 mln of savings, so cost savings still to be achieved by 2015 amounts to EUR 880 mln for ING Group, of which EUR 680 mln for the Bank
- The strategic review in Commercial Banking is ongoing and may lead to further changes in the future

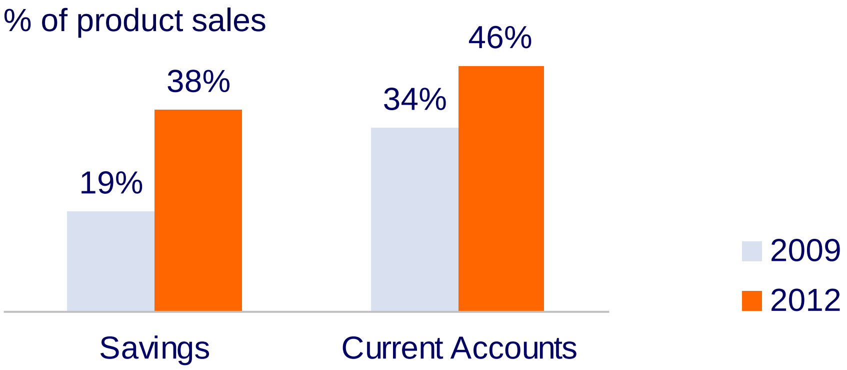
Retail Benelux is adapting to customer preferences, and investing in operational excellence ….

- New technologies have been embraced faster than anticipated
- In the Netherlands, internet is the leading channel with 60% of sales and mobile traffic increased from 9 mln to 25 mln visits per month in just one year
- IT systems in the Netherlands are phased out as processes are optimised
  - 568 applications out of 1,800 have already been de-commissioned since 2007
  - Total IT applications will be reduced by 50% by year-end 2013
- Product offering being simplified

Netherlands: Simplifying products and systems



Belgium: Greater use of digital services



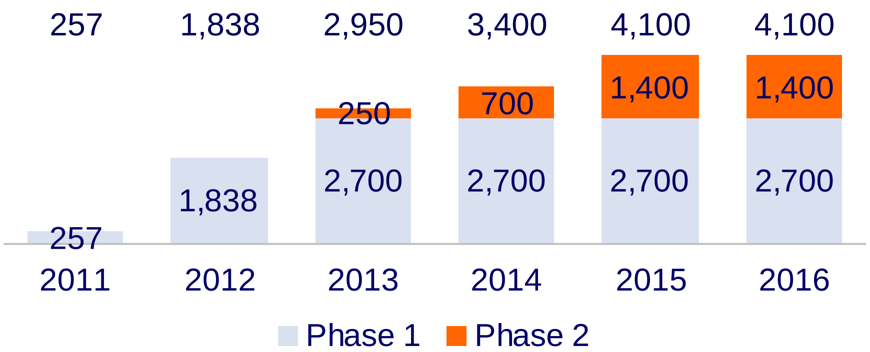
Netherlands: Customer preferences are changing

...resulting in further cost savings in the Netherlands

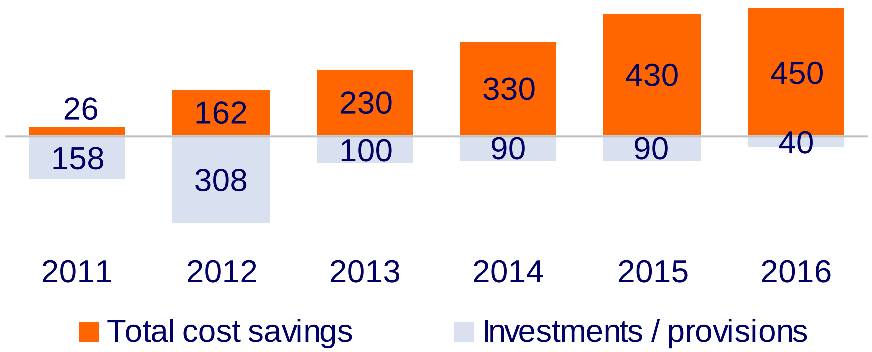
- In November 2011, we announced measures to decrease overhead and improve efficiency resulting in EUR 330 mln of structural cost savings. To date EUR 162 mln has already been realised
- A second phase of optimisation has begun through additional streamlining of IT, integration of mobile banking offerings as well as responding to lower volumes in certain products
- The second phase will add another EUR 100 mln structural cost savings from 2015 (EUR 120 mln from 2016) through a reduction of 1,400 FTEs
- EUR 100 mln of additional IT-investments in the coming three years to support these initiatives
- Combined further cost savings estimated at EUR 430 mln by 2015

Strong reduction in operating expenses (in EUR mln)

FTE reductions



Cumulative cost savings (in EUR mln)



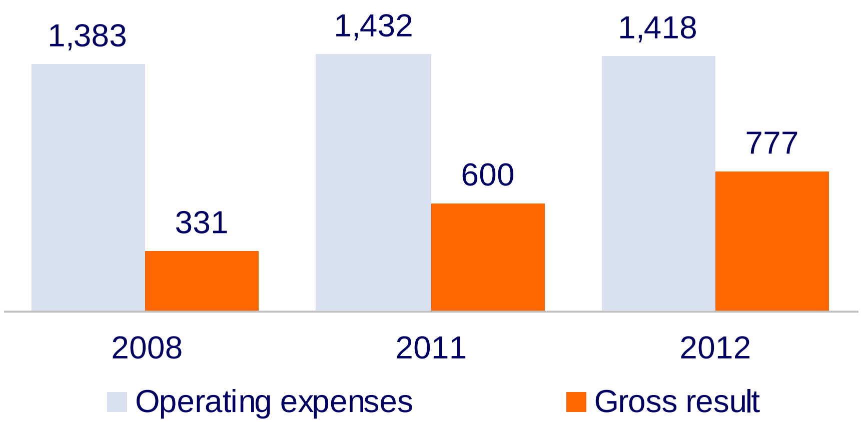
...and EUR 150 mln of cost savings in Belgium

- ING Bank Belgium is accelerating strategic projects further aligning its products and services with the new mobile banking environment
- New technologies have been embraced faster than anticipated
- Employment to be reduced by 1,000 FTEs by the end of 2015, through natural attrition
- Leading to EUR 150 mln in cost savings by 2015

Structural cost savings of EUR 150 mln by 2015

		2013	2014	2015
P&L impact	FTE	300	700	1,000
	Cost savings	35	90	150

Gross result up while keeping operating expenses stable*
(in EUR mln)



As client balances continued to increase*
(in EUR bln)

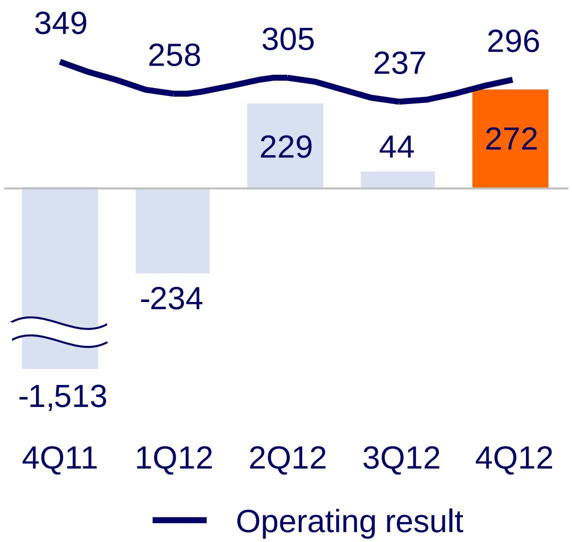
* Retail Belgium

Fourth quarter 2012 results

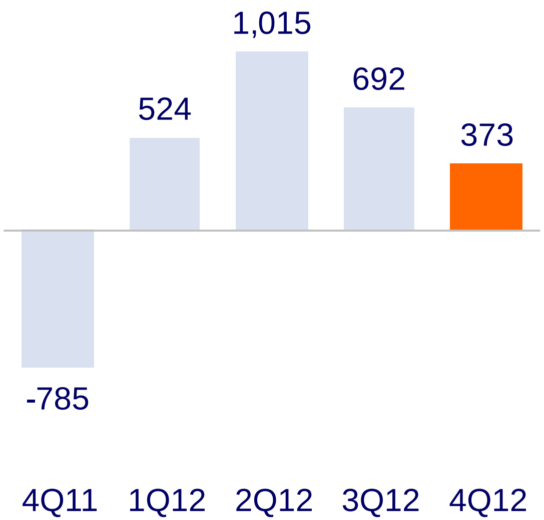
Fourth quarter results impacted by incidental items

Bank underlying pre-tax result
(in EUR mln)

Insurance underlying pre-tax result
(in EUR mln)



ING Group underlying net result
(in EUR mln)



- ING Bank recorded a fourth-quarter underlying result before tax of EUR 184 mln, including EUR 175 mln for the Dutch bank tax, EUR 188 mln of negative credit adjustments, and EUR 126 mln in losses from de-risking of mainly southern European debt securities.
- The 4Q12 operating result of Insurance increased 24.9% to EUR 296 mln compared with EUR 237 mln in the third quarter of 2012, supported by a higher investment margin

ING Bank

Bank adjusted gross result down 2.2% year-on-year

Gross result (in EUR mln)

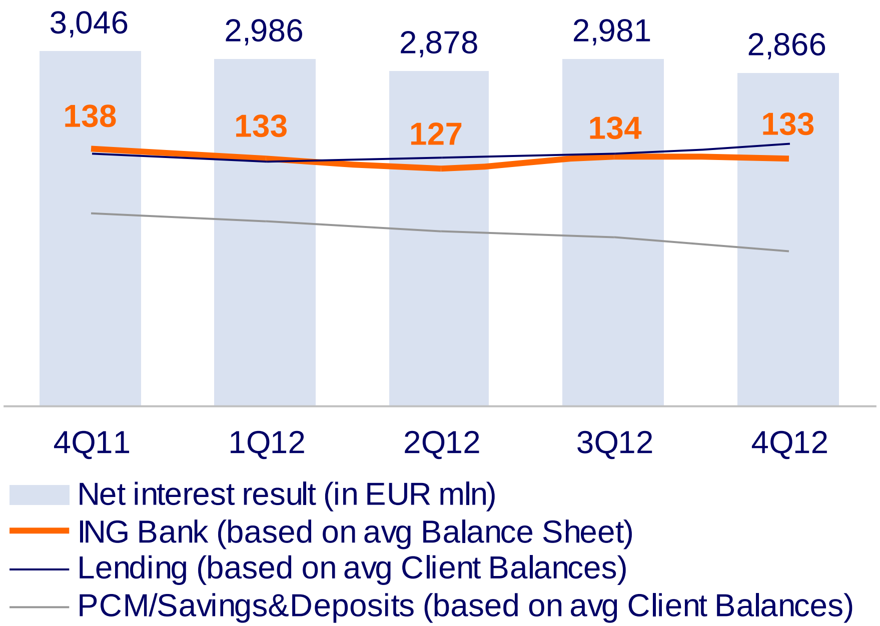
	4Q2012	4Q2011	% Change	3Q2012	% Change
Reported gross result	772	1,109	-30.4%	1,537	-49.8%
Impairments					
Impairments on Greek government bonds	0	-133		0	
Other impairments on debt / equity securities	-7	-32		-10	
RED development projects	-15	-55		-37	
De-risking					
Realised losses on de-risking bonds investments	-126	-79		-258	
Realised losses on de-risking RE investments	-25	-30		0	
Other					
Dutch bank tax	-175	0		0	
Credit Adjustments Commercial Banking	-131	116		-107	
Credit Adjustments Corporate Line	-56	4		-66	
Gain on sale equity stake in Capital One	0	0		323	
Other market impacts	32	15		63	
Adjusted gross result	1,275	1,304	-2.2%	1,631	-21.8%

- Adjusted income increased 1.0% year-on-year and decreased 8.2% quarter-on-quarter
- Adjusted expenses increased 2.9% year-on-year and were up 2.1% quarter-on-quarter

ING

Net interest margin held up well at 133 bps

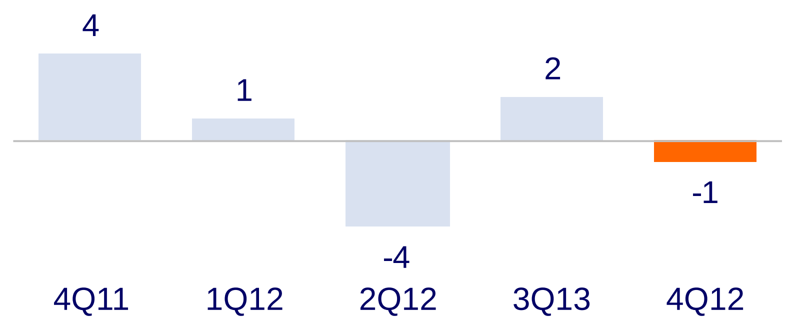
Underlying interest margin by quarter (in bps)



- Decline in net interest result versus 3Q12 driven by Financial Markets and Bank Treasury
- Lending margin up despite higher funding costs
- Savings margins declined slightly due to lower re-investment return and de-risking

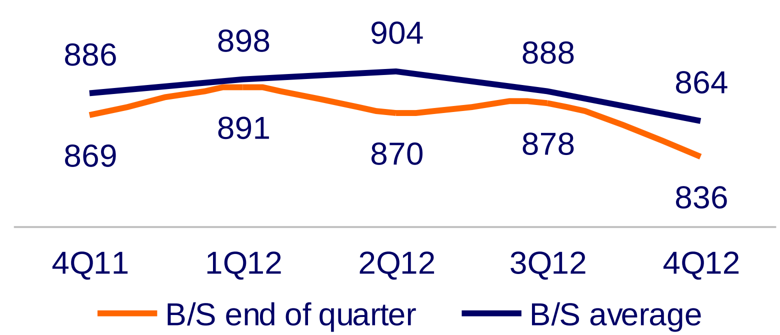
FM contribution to NIM can be volatile

Financial markets impact on NIM Q-on-Q (in bps)



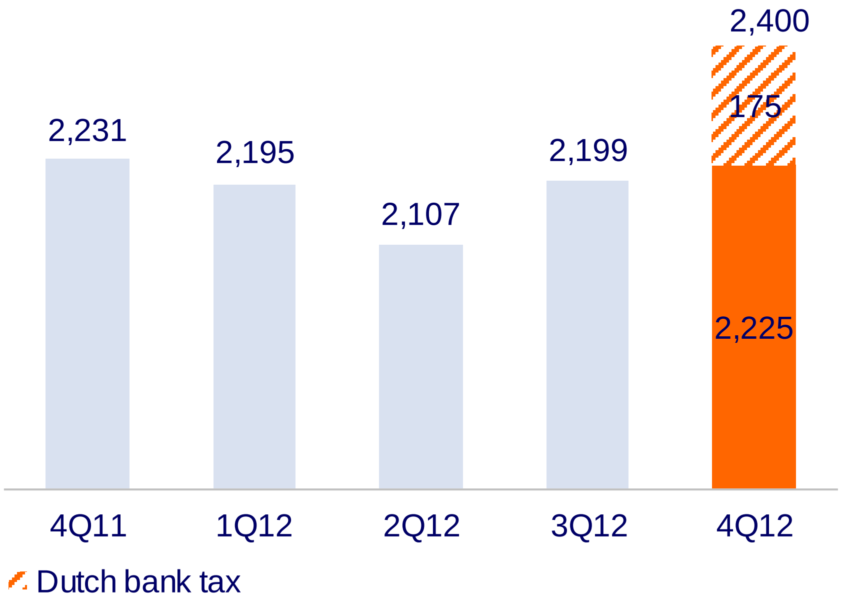
NIM supported by lower average B/S in Q412

Bank Balance Sheet (in EUR bln)

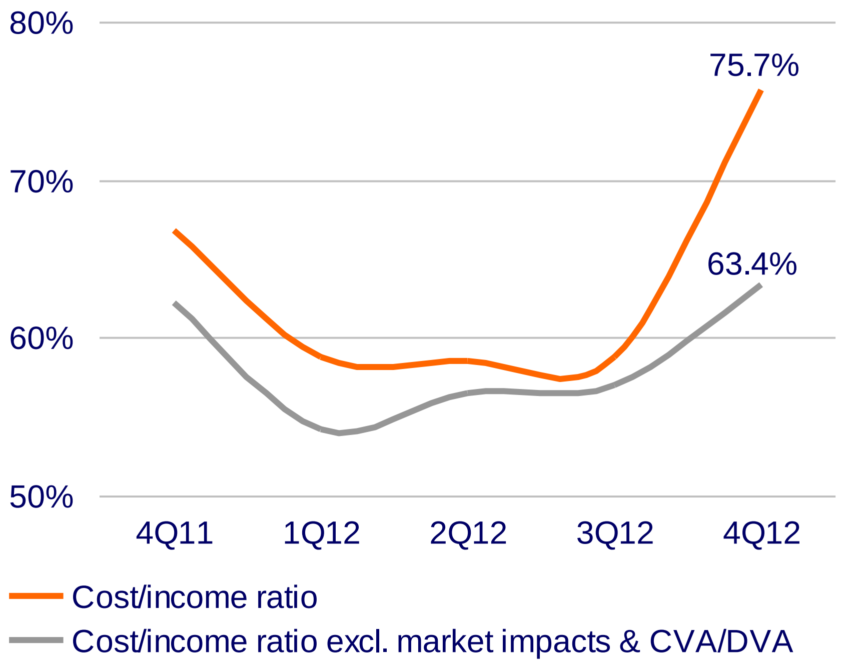


Operating expenses, excluding bank tax, flat y-o-y

Operating expenses (in EUR mln)



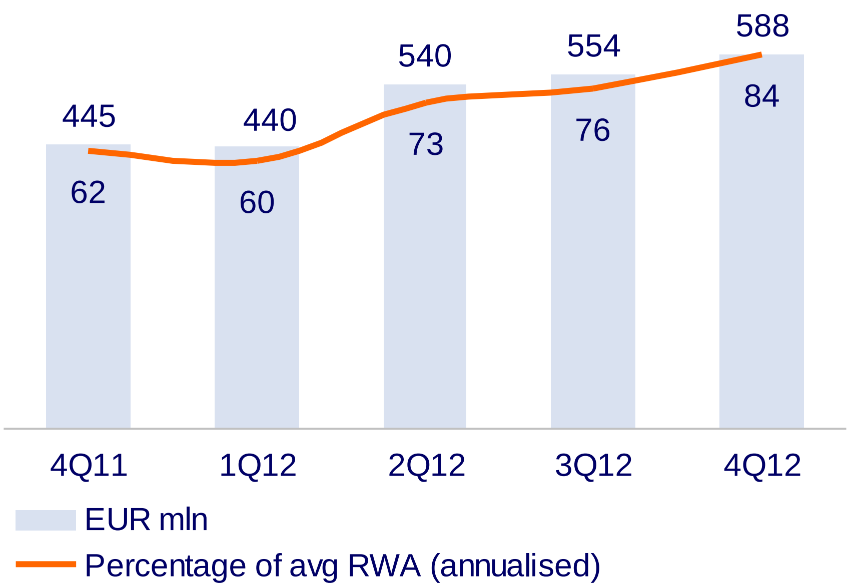
Underlying cost/income ratio (in %)



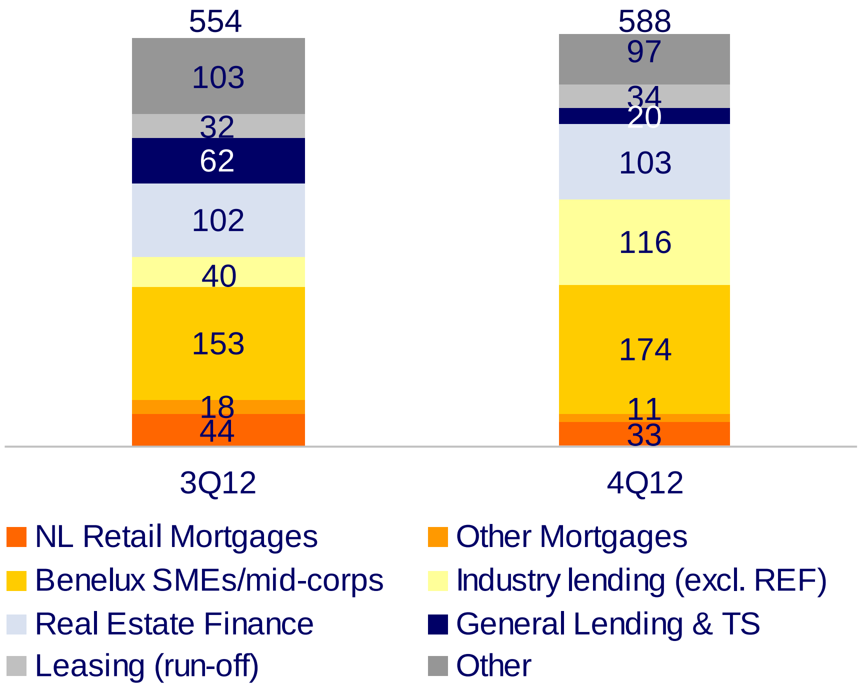
- Operating expenses negatively impacted by Dutch bank tax of EUR 175 mln
- Operating expenses, excluding bank tax, down 0.3% year-on-year and up 1.2% quarter-on-quarter, mainly due to marketing expenditures
- Cost/income ratio was 75.7%, or 63.4% excluding market impacts, Dutch bank tax and credit adjustments

Risk costs increased as economy weakened

Underlying additions to loan loss provisions
(in EUR mln and bps of avg RWA)



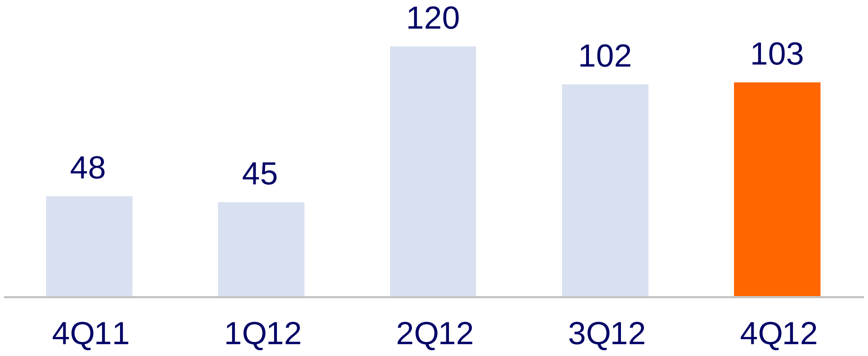
Underlying additions to loan loss provisions
(in EUR mln)



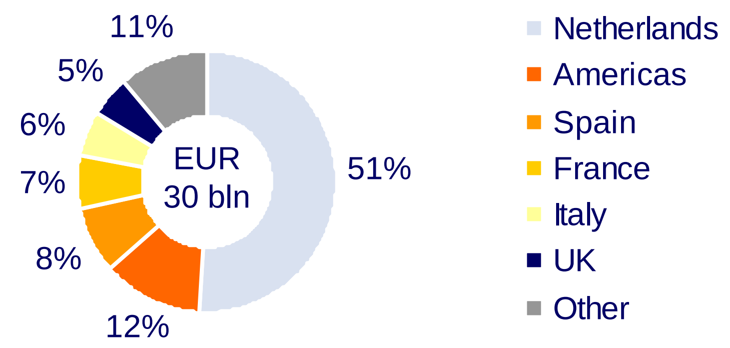
- Increase in risk costs versus 3Q12 driven by Industry Lending
- Risk costs at Industry Lending rose by EUR 77 mln from 3Q12, mainly at Structured Finance, where provisions were concentrated in the relatively small Acquisition Finance portfolio
- ING expects risk costs to remain elevated amid weak economic climate

Risk costs of Real Estate Finance remain elevated

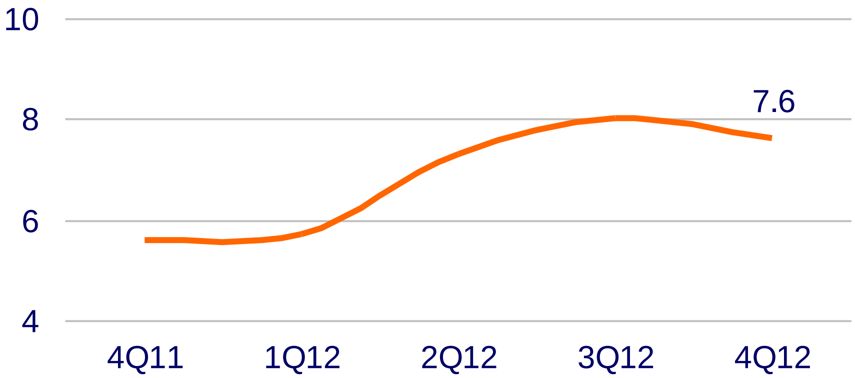
Risk costs (in EUR mln)



Real Estate Finance portfolio by country of residence (Dec 12)



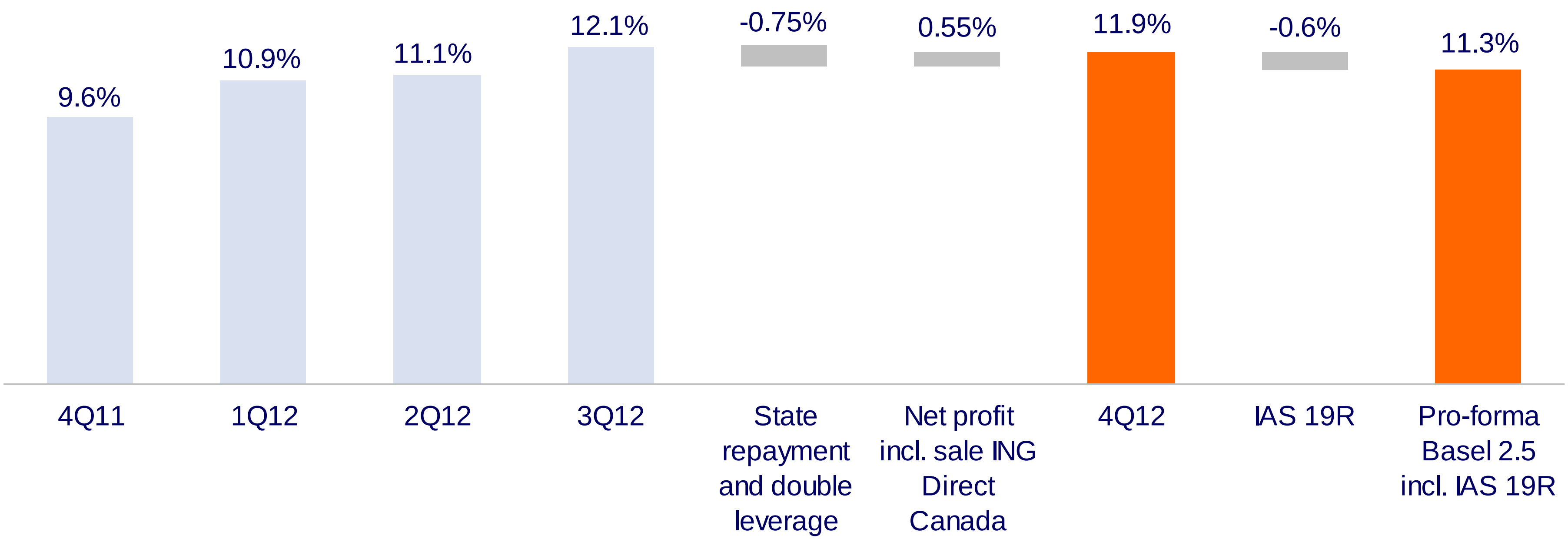
Non-performing loans ratio (in %)



- Risk costs Real Estate Finance remained stable versus 3Q12 and were concentrated in the Netherlands and Spain
- NPL ratio declined slightly to 7.6%, down from 8.0%
- The NPL ratio in Spain remained high at 19%, but risk costs on this portfolio declined to EUR 30 mln. Provisioning is fully aligned with Bank of Spain requirements for local banks
- Construction is less than 1% of total REF portfolio
- Risk costs in REF are expected to remain elevated given deteriorating European commercial real estate markets

Core Tier 1 ratio of 11.9% after state repayment

ING Bank core Tier 1 ratio (in %)



- IAS 19R on pensions came into effect on 1 January 2013 requiring immediate recognition of actuarial gains and losses through equity
- Based on 31 December figures, this would have an impact of -60 bps on the Bank's core Tier 1 ratio
- This deduction was already included in the fully loaded Basel III pension impact

ING Insurance

Insurance results up both y-o-y and sequentially

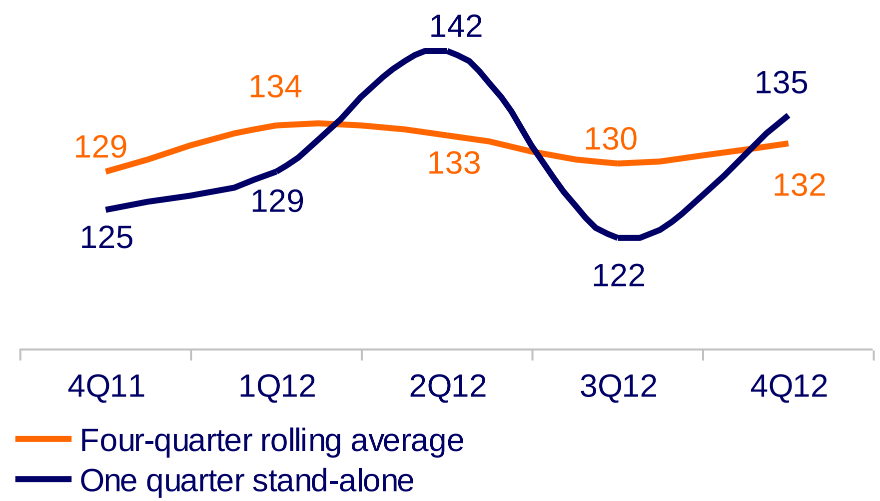
Insurance result (in EUR mln)

- Operating results from Insurance improved from the third quarter, supported by a higher investment margin
- Underlying results improved sharply from 4Q11, which included a charge for assumption changes in the US VA, and from 3Q12, driven by gains on hedges as US VA maintained its focus on protecting regulatory capital

Investment margin improved significantly

Investment Margin (in EUR mln)

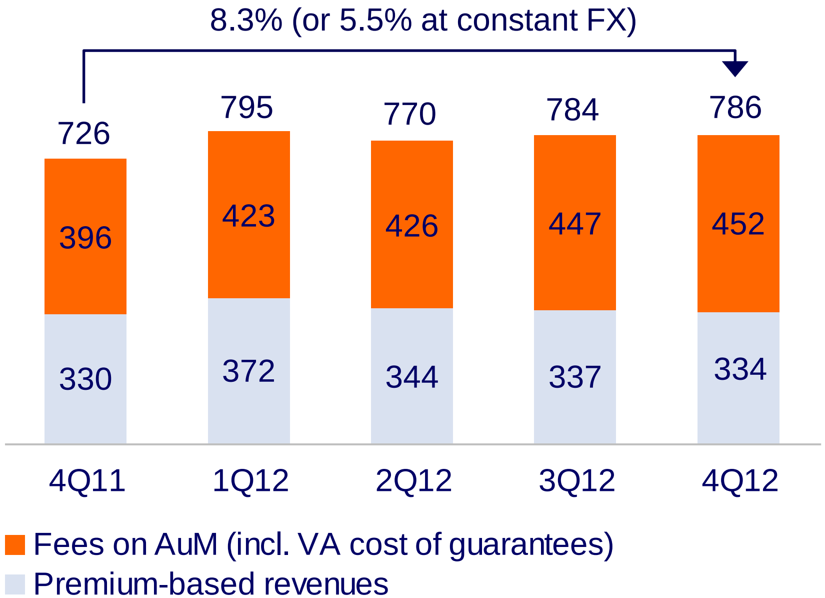
Investment spread (in bps) Life GA



- The investment margin rose 8.2% from a year ago and 9.0% from the third quarter to EUR 447 mln, reflecting a release of EUR 51 mln from the provision for profit sharing in the Netherlands as well as growth in the general account invested assets in the US Retirement business
- The four-quarter rolling average investment spread strengthened to 132 basis points as the higher average investment margin outweighed the average growth in Life general account invested assets

Fees & premium-based revenues up on both quarters

Fees and premium-based revenues (in EUR mln)



- Fees and premium-based revenues totalled EUR 786 mln, up 5.5% excluding currency effects compared with 4Q11 and up 2.3% from the 3Q12
- The increase versus 4Q11 was driven by the US, mainly as a result of the improvement in equity markets, higher inflows in the Retirement business, and higher fees in IM

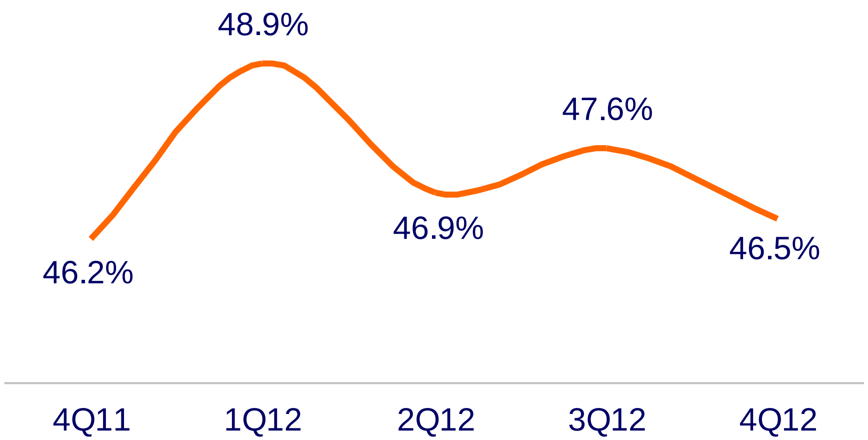
Technical margin (in EUR mln)

- Technical margin stable versus 4Q11, as decline in Benelux was offset by improvement in the US
- Results declined slightly from 3Q12, reflecting lower mortality results in the Benelux in 4Q12 and non-recurring reserve releases in the US Closed Block VA in 3Q12

Administrative expenses remained under control

Life & IM administrative expenses (in EUR mln)

Life & IM administrative expenses/operating income ratio (%)



- Life & Investment Management administrative expenses rose 5.5% year-on-year, excluding currency effects, primarily due to a EUR 45 mln non-recurring reduction in pension plan liabilities in the US in 4Q11. Expenses were lower in the Benelux and Central and Rest of Europe
- Compared with the third quarter, administrative expenses were up 2.4%, driven by higher staff expenses in ING Investment Management, and restructuring costs

Wrap up

Wrap up

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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 2011 ING Group Annual Accounts. The Financial statements for 2012 are in progress and may be subject to adjustments from subsequent events. 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) consequences of a potential (partial) break-up of the euro, (4) the implementation of ING's restructuring plan to separate banking and insurance operations, (5) 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, (6) the frequency and severity of insured loss events, (7) changes affecting mortality and morbidity levels and trends, (8) changes affecting persistency levels, (9) changes affecting interest rate levels, (10) changes affecting currency exchange rates, (11) changes in investor, customer and policyholder behaviour, (12) changes in general competitive factors, (13) changes in laws and regulations, (14) changes in the policies of governments and/or regulatory authorities, (15) conclusions with regard to purchase accounting assumptions and methodologies, (16) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (17) changes in credit-ratings, (18) ING's ability to achieve projected operational synergies and (19) the other risks and uncertainties detailed in the Risk Factors section contained in the most recent annual report of ING Groep N.V. Any forward-looking statements made by or on behalf of ING speak only as of the date they are made, and, 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. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities.

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