



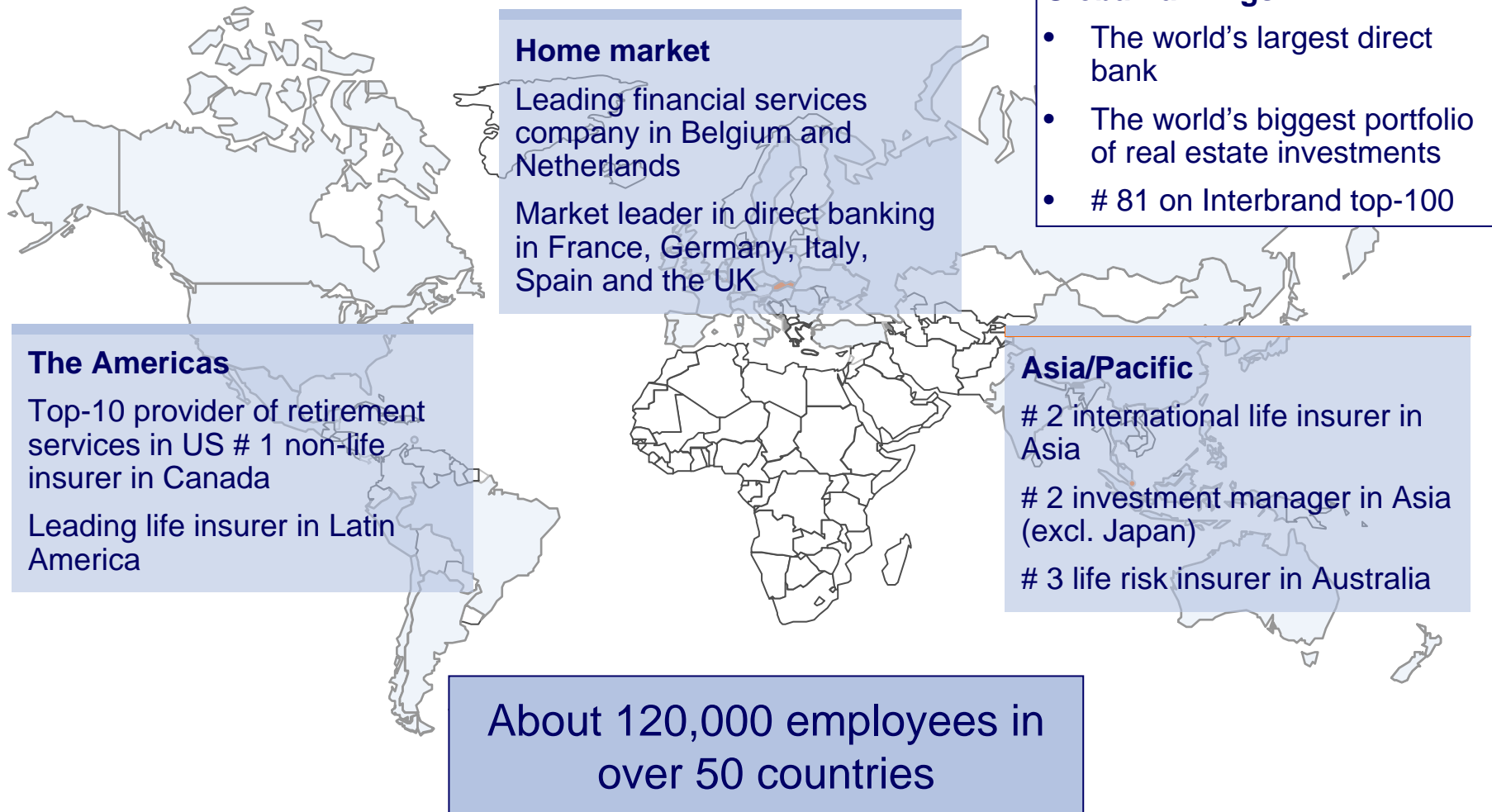
Risk Challenges in the current environment

Koos Timmermans
Executive Board/Chief Risk Officer

Amsterdam – November 8th , 2007
www.ing.com

ING a well-positioned global financial services company

Banking - Insurance - Asset Management



Risk management gives us an edge...

**Leading
wealth management
product offering**

**Strong
distribution
reach**

Leading brand

**Risk
management**

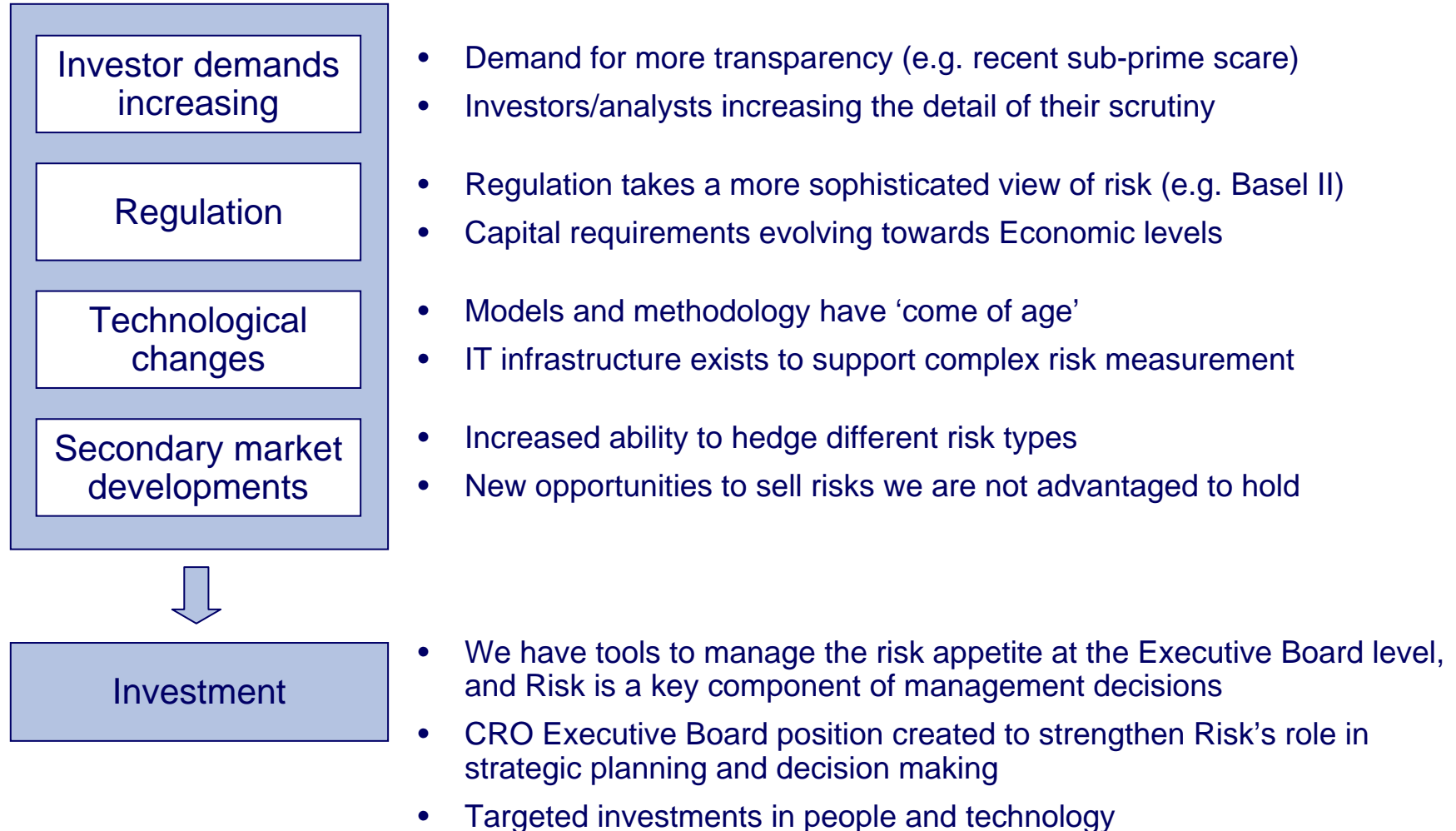
- **Spanning savings, investments, mortgages, asset management and life insurance**
- **Broad customer base in more than 50 countries**
- **Full distribution range with more than 90,000 tied agents, 250,000 brokers and 4,000 bank branches**
- **1 of 12 financial services brands in global top 100**
- **Marketing excellence driving customer acquisition and product design**
- **ING a leader in risk management and applying economic capital in product development and return measurement**

Key points

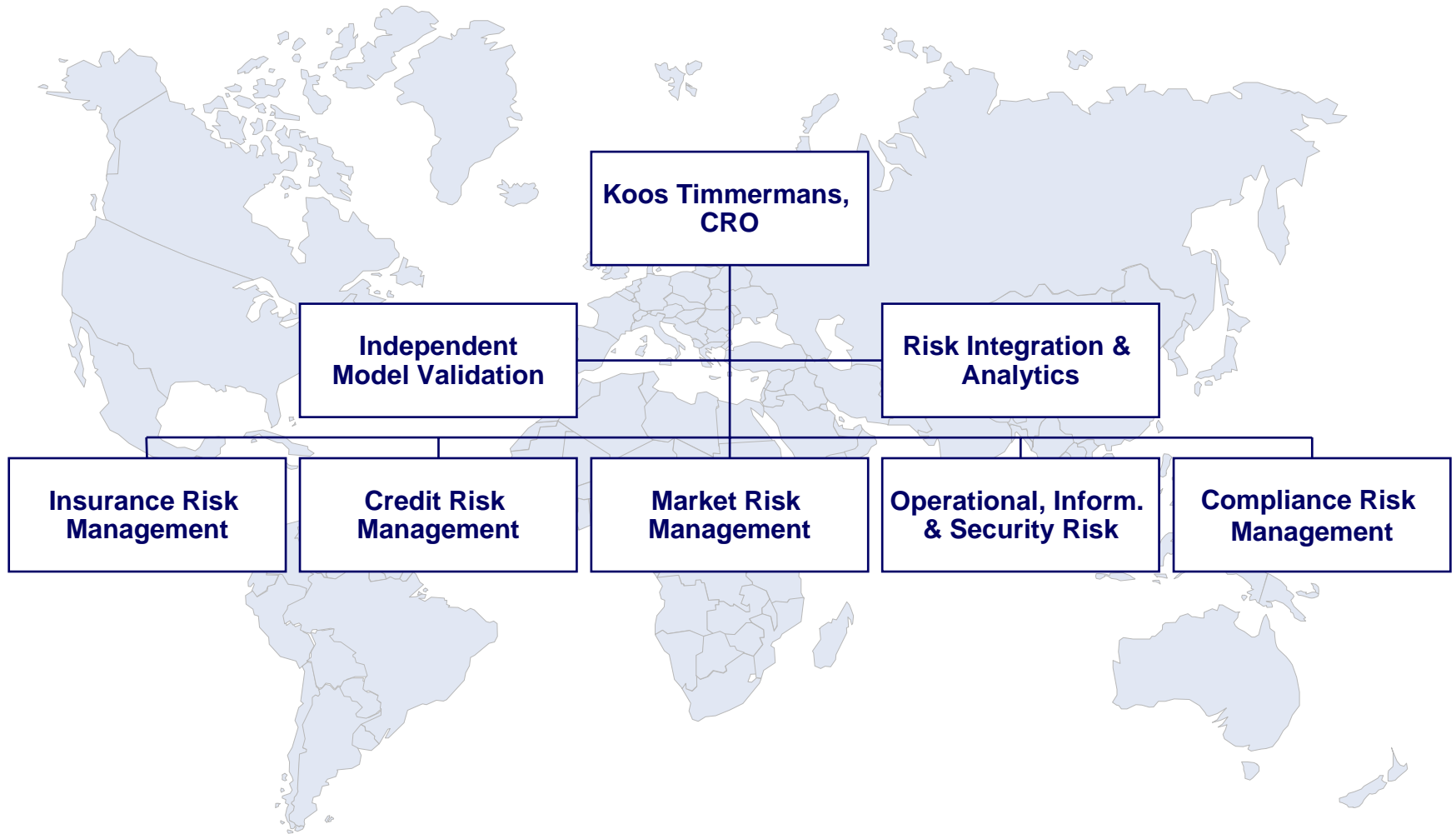
- Risk management supports the Executive Board in strategic decision making by comparing risk appetite with actual risk taking, both during strategic planning as well as markets develop
- Risks are measured together in the Risk Dashboard which shows the concentrations and impact of diversification across the Group
- Taking measured risks is our business and we are comfortable with our current exposure and going forward we will include lessons learned from recent credit crisis into our risk management

ING has invested in advanced risk management capabilities

Drivers of our investment in risk management



Risk management organization



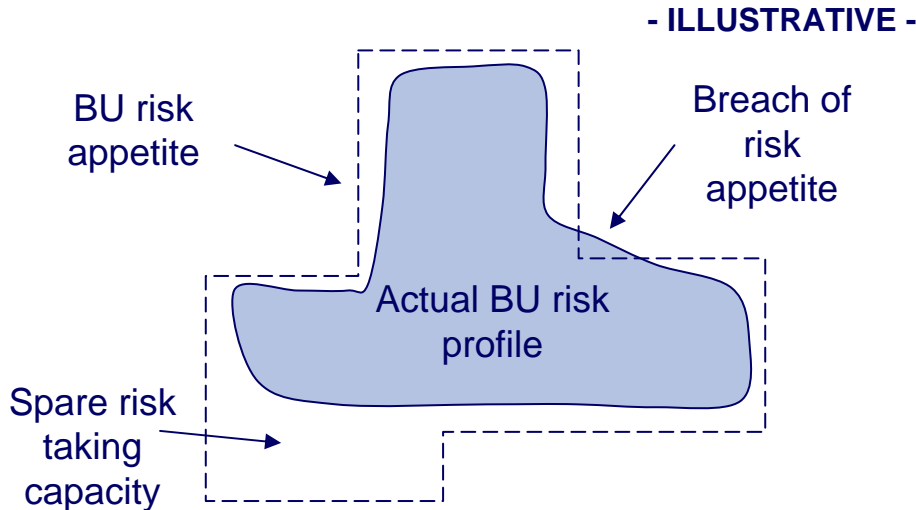
Our mission is embedded throughout the company

Mission Statement: *Build sustainable competitive advantage by fully integrating risk management in our daily business activities and strategic planning*



The Executive Board has defined ING's risk appetite

Risk appetite sets boundaries...



- Actual risk profile is monitored against the risk appetite (in part through the dashboard)
 - The role of the business is to maximise value within these bounds
 - Group intervenes when there are material breaches
- Risk appetite is a core consideration in the strategic planning process

...across multiple dimensions

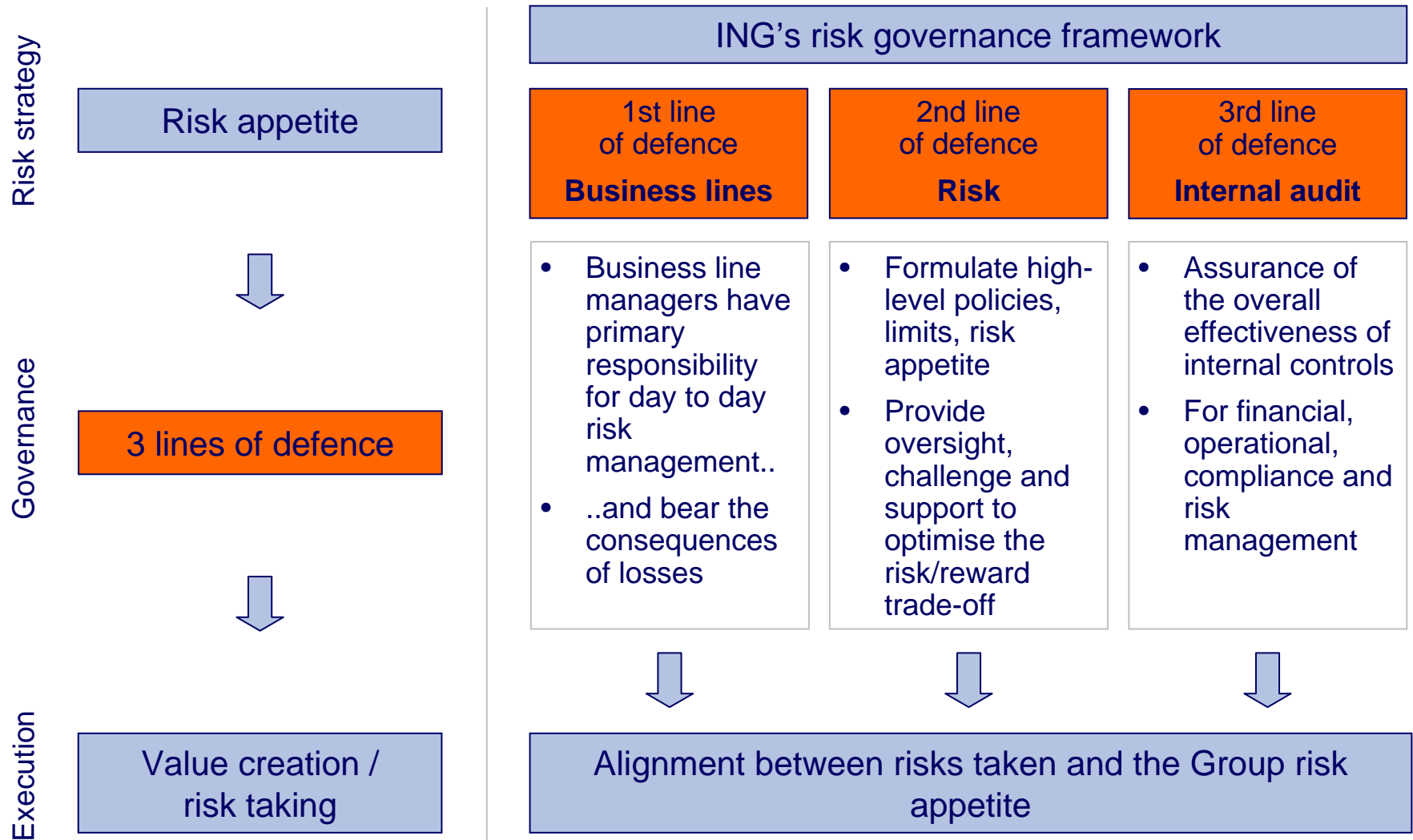
Earnings at Risk (EaR) Capital at Risk (CaR)

- Based on stressed scenarios
- Risk management metrics presented in the Risk Dashboard

Economic Capital

- Based on 'extreme' stress scenarios
- Defines internal view of solvency capital requirements

Our risk governance framework ensures the risk appetite is cascaded through the Group



The Risk Dashboard provides an overview of risks in the Group

Role of the Risk Dashboard

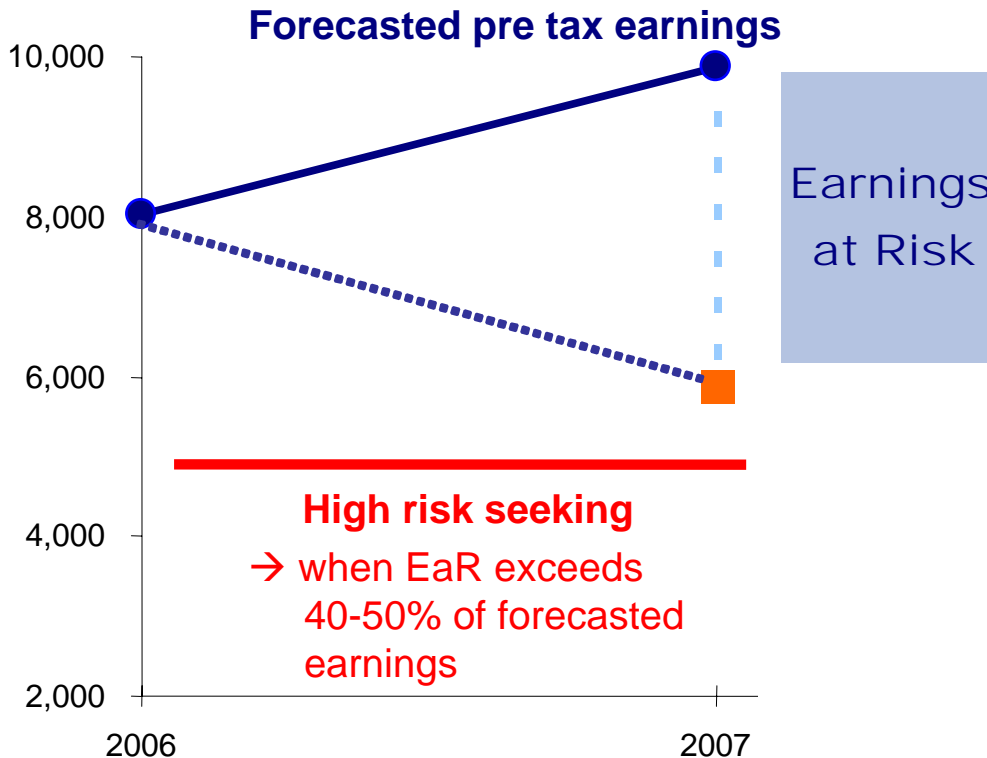
- The dashboard allows the Executive Board to take strategic decisions using comparable risk measures
 - E.g. 1 unit of equity risk can be compared to 1 unit of Insurance Risk
- This is a powerful management tool
 - Allows risk vs. return trade-offs to be made
 - Shows how risk taking cascades through the Group
 - Aids in identifying 'hotspots'
 - Ensures management focus is on more material risks/portfolios

Practical use of the Risk Dashboard

- Risk metrics presented in the Risk Dashboard to the Executive Board on quarterly basis
- Key tool in monitoring the adherence of risk taking to the risk appetite
- Risk issues are an integral part of the strategic planning process
- Risk increasingly supporting strategic decision making, rather than simply being 'budgeted'
- Dashboard will be audited and reported annually, as part of the normal IFRS disclosure process

Risk Appetite: Forecasted Earnings versus Earnings at Risk

Illustrative example



To compare example HSBC

- Profit warning due US\$ 1.8 bln risk provision for expected defaults in sub-prime mortgage
- Subsequent dismissal of US top executives
- The US\$ 1.8 bln profit warning is ~40% reduction of the expected pre-tax profit of US operations

The Risk Dashboard summarises our risk position against the risk appetite triggers

Risk dashboard results – YE 2006

ING Current risk profile
– YE 06 –

Earnings at Risk

2006 Q4 € MM	MARKET RISKS							Total	Earnings 06 (pre tax)	EaR / Earnings 2006
	Credit & transfer	Interest rate	Equity	Real Estate	FX	Insurance	Non financial risks			
Total Wholesale								1,283	2,525	51%
Total Retail								542	1,932	28%
Total ING Direct								259	717	36%
Corporate line (Bank)								25	(102)	NA
Total ING Bank	1,226	288	49	274	21	-	251	2,110	5,072	42%
Insurance Americas								281	1,992	14%
Insurance Asia Pacific								140	621	23%
Insurance Europe								485	2,328	21%
Corporate line (Insurance)								108	(55)	NA
Total ING Insurance	107	79	100	378	146	44	160	1,014	4,886	21%
Total ING Group	1,332	367	149	652	167	44	411	3,123	9,958	31%

Capital at Risk

2006 Q4 € MM	MARKET RISKS							Total	Available Financial Resources	CaR / Available Financial Resources
	Credit & transfer	Interest rate	Equity	Real Estate	FX	Insurance	Non financial risks			
Total Wholesale								1,259		
Total Retail								591		
Total ING Direct								502		
Corporate line (Bank)								57		
Total ING Bank	1,252	451	176	293	63	-	176	2,410	25,822	9%
Insurance Americas								1,346		
Insurance Asia Pacific								2,131		
Insurance Europe								1,642		
Corporate line (Insurance)								817		
Total ING Insurance	382	2,730	1,394	350	572	348	161	5,936	27,200	22%
Total ING Group	1,634	3,180	1,569	644	634	348	338	8,347	48,812	17%

- The level of detail presented above will be disclosed on an ongoing basis

EaR compared to Earnings

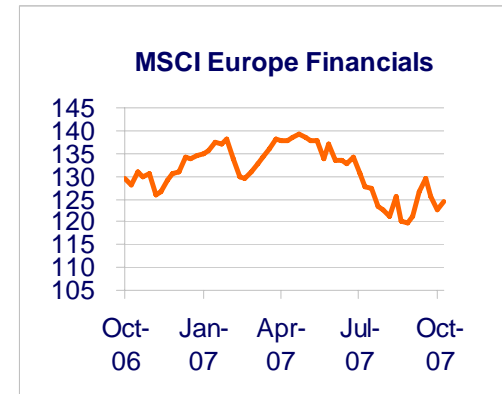
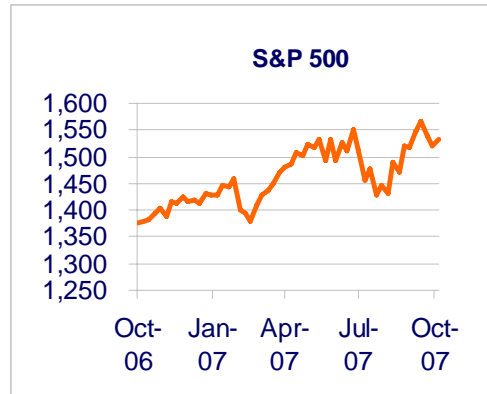
- Reduction from forecast profits is possible...
- ...but 1-in-10 events do not result in ING making an accounting loss
- Note: Internally, EaR is compared to forecast earnings for the next 12 months

CaR compared to AFR

- Value reduction is possible...
- ...but 1-in-10 events do not result in solvency problems

Current market environment

Since start of the credit crisis in August financial markets remain highly volatile and nervous



- Equity markets in general recovered substantially in Q3 with financials trading at much lower levels since end-of Q2; volatility is still on a high level
- Liquidity is slowly coming back to the market as current credit spreads are lower than at the beginning of the crisis. But, money markets still show anomalies and credit spreads remain high (especially for Financials)
- Credit market prices for leveraged finance loans and CDOs/CLSs stay pressurised as current (risk) appetite is insufficient to absorb potential assets available to the market

Credit risk is managed with common policies and frameworks across Banking and Insurance

ING Bank

- Conservative credit risk portfolio demonstrated through time
- Loans originated under ING's strict underwriting practices, or thoroughly analysed before being bought for the Investment portfolio
- Majority originated to hold on the balance sheet...
 - Credit decisions are all made with buy-and-hold level of analysis
- ...with simple risk transfer instruments used as appropriate for large exposures/deals, such as:
 - Syndications
 - Single name CDS

ING Insurance

- High credit quality book
 - 50% AA or better
 - 24% AAA
- ING Group level management of credit exposures
 - Managed locally but under one common group framework; i.e. single names vs policies
 - Use of banking Economic Capital tools and analytics
- We expect Solvency II regulations to give us recognition for the quality of our book, as we have seen using Basel II in banking

ING overview on pressurised markets

Limited US subprime mortgage exposure

- ~ 0.2% of total group assets
- Subprime exposure of relatively high quality
- ING does not originate subprime mortgages
- Investment decisions based on extensive internal research

Limited exposure to leveraged finance loans and CDOs/CLOs

- Leveraged Finance (~0.2% of total assets)
 - Tightened underwriting standards (1Q07) and leverage limits
 - Hold book comprised over 217 deals (~0.4% assets) vs. 13 deals in pipeline (~0.2% assets)
- CDOs/CLOs (~ 0.1% of total assets)
 - Tiny subprime component

ING manages liquidity crisis comfortably and unwinds conduits

- Daily monitoring of liquidity strategy and markets
- Large liquidity buffers have been retained
- Contingency plan in place – though not required thus far

Lessons learned from recent liquidity crunch

- **TRUST** is the key word in times of crisis and the bank's **reputation** must therefore be protected with great care
- Highly transparent markets may lead to overreaction, e.g. drawing under Lombard rate
- Adequate and timely management information must be available
- Communication with the outside world (central bank/regulator, rating agencies, investors, etc) is essential
- **Basic market mechanics cannot be taken for granted:**
 - The ABCP market almost completely dried up
 - The EUR/USD swap market did not work for weeks
 - The professional repo market was only available for treasuries as collateral

Key points

- Risk management supports the Executive Board in strategic decision making by comparing risk appetite with actual risk taking, both during strategic planning as well as markets develop
- Risks are measured together in the Risk Dashboard which shows the concentrations and impact of diversification across the Group
- Taking measured risks is our business and we are comfortable with our current exposure and going forward we will include lessons learned from recent credit crisis into our risk management

Disclaimer

Certain of the statements contained herein are statements of future expectations and other forward-looking statements. These expectations are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those in such statements due to, among other things, (i) general economic conditions, in particular economic conditions in ING's core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) interest rate levels, (vii) currency exchange rates (viii) general competitive factors, (ix) changes in laws and regulations, (x) changes in the policies of governments and regulatory authorities. ING assumes no obligation to update any forward-looking information contained in this document