



Presentation to Analysts
2005 Embedded Value of ING's Life Operations
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Agenda

This presentation is an overview of the key elements of the ING Embedded Value Report for 2005

- Key Messages
- Key Changes in Disclosure/Assumptions
- Embedded Value & New Business Highlights
- Economic Assumptions
- Embedded Value movement analysis from 2004
- Sensitivity Analyses
- Economic Capital and MCEV

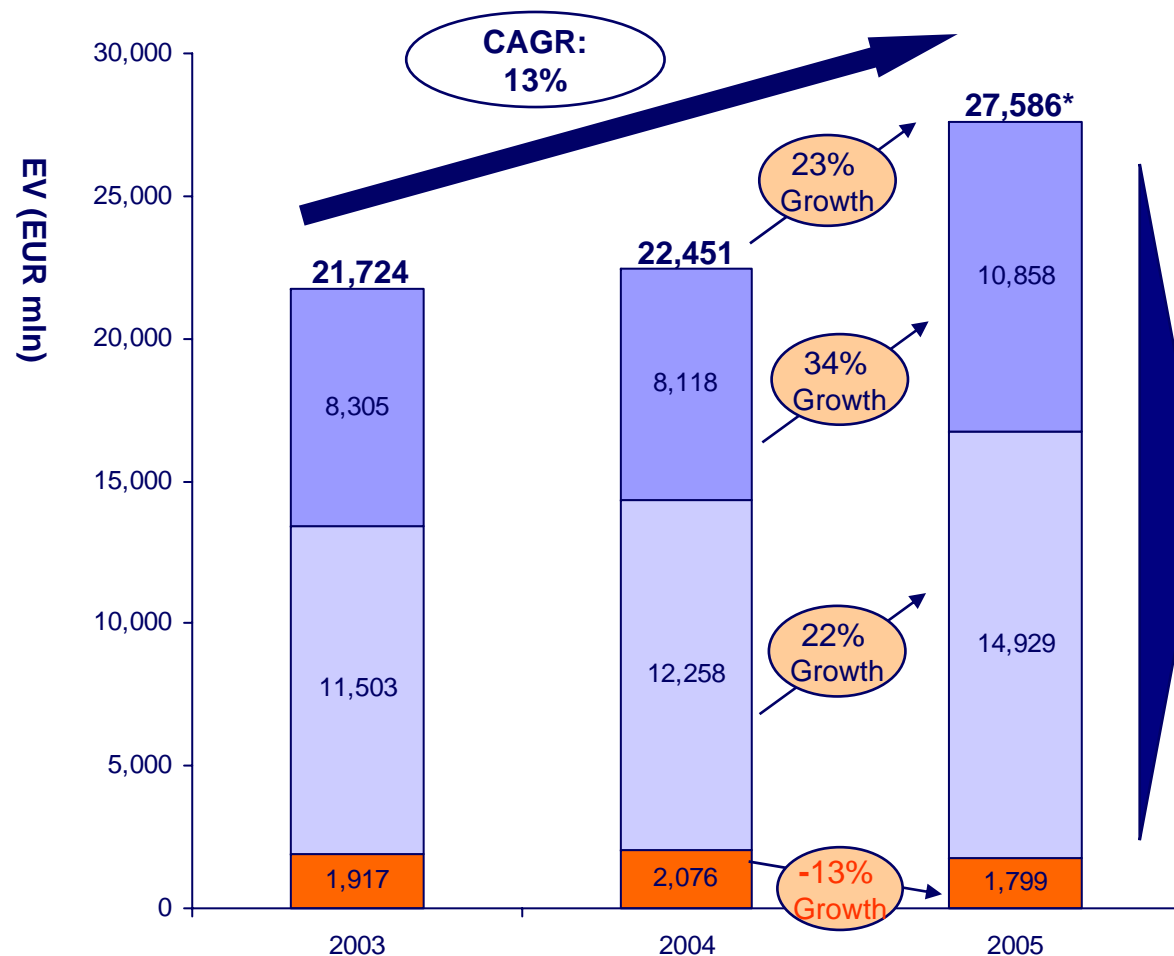
Key Messages

- **Strong value creation in 2005 reflecting management focus on managing for value at ING:**
 - Embedded Value of covered life businesses increases 25.0% to EUR 28,061 million before capital injections/(dividends)
 - Value of New Business rises 27.4% to EUR 805 million particularly due to strong growth in Central Europe, South Korea, US and Netherlands
 - EV Profit up 262% to EUR 2,254 million particularly due to improvement in Netherlands
- **More profitable sales growth**
 - Higher sales (APE up 27%) at higher margins (IRR up to 13.2% from 12.1% in 2004)
 - More profitable product mix in US and Asia/Pacific
- **Economic Assumptions were revised in 2005**
 - Net impact on the Embedded Value of EUR 1,226 million negative, primarily due to downward adjusted assumptions in Taiwan
 - Disclosed sensitivity to implied market forward rates as of October 31, 2005 for key territories
- **ING continues to explore and develop its Market-Consistent Embedded Value framework**

Key Changes in Disclosure/Assumptions

- **More granular disclosure by key territories**
 - Full EV movement analysis of major business units
 - New business margins, Value of in-Force, Free Surplus movement
 - Key sensitivities are disclosed including 10% fall in market value of equity & real estate investments and local regulatory minimum capital requirement
- **Disclosure of Required Capital by key territories**
- **Revised Economic Assumptions**
 - Lowered initial risk free rates which are now more aligned with observable market rates
 - Extended the grading period to 2017 to reach ultimate level for major territories excluding Taiwan; Taiwan grades to ultimate levels in 2025
 - Disclosed risk free and new money curves used in EV
- **Implied forward sensitivity**
 - Disclosed net impact of implied market forward rates as of October 31, 2005 with corresponding discount rate adjustments by major business units
 - Strictly speaking not market-consistent but a major step in that direction

Strong Embedded Value growth in 2005 driven by US and Netherlands



* EV after capital injections/(dividends)

■ Insurance Americas ■ Insurance Europe ■ Insurance Asia/Pacific

Americas

- EV up strongly in Americas driven by favorable currency movements, VNB growth and opening adjustments to EV in US

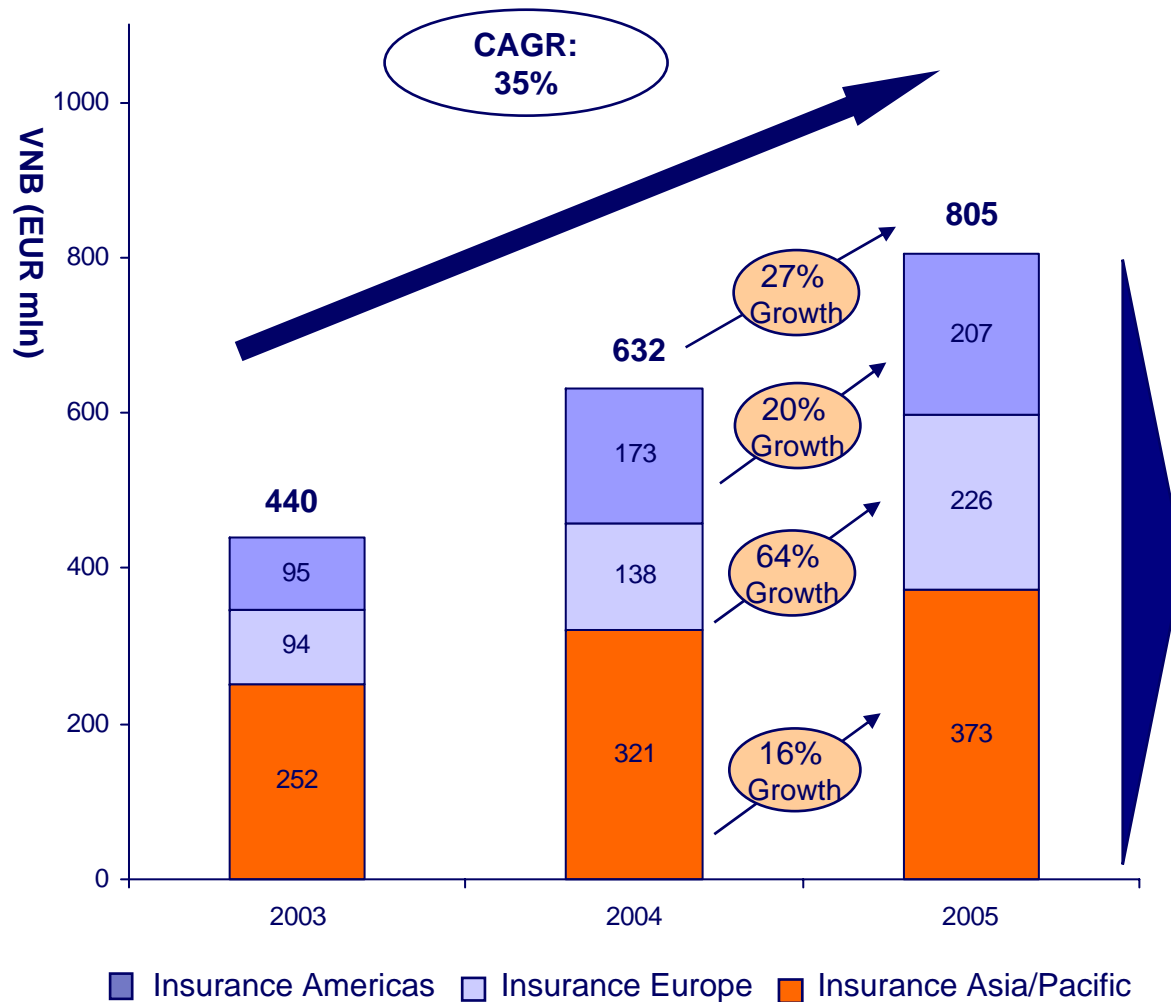
Europe

- Strong growth in EV due to favorable experience variances, especially due to investment performance, and VNB growth in Central Europe and Netherlands

Asia/Pacific

- EV decreased by 13% (8.3% before capital injections/(dividends) due to the negative impact from revised economic assumptions, particularly in Taiwan, offset partly by VNB growth in South Korea

VNB continues to grow strongly in 2005 across all regions



Americas

- USFS VNB grew strongly (despite sizeable increase in expense overruns due to one-off expenses) due to profitable product mix and higher sales

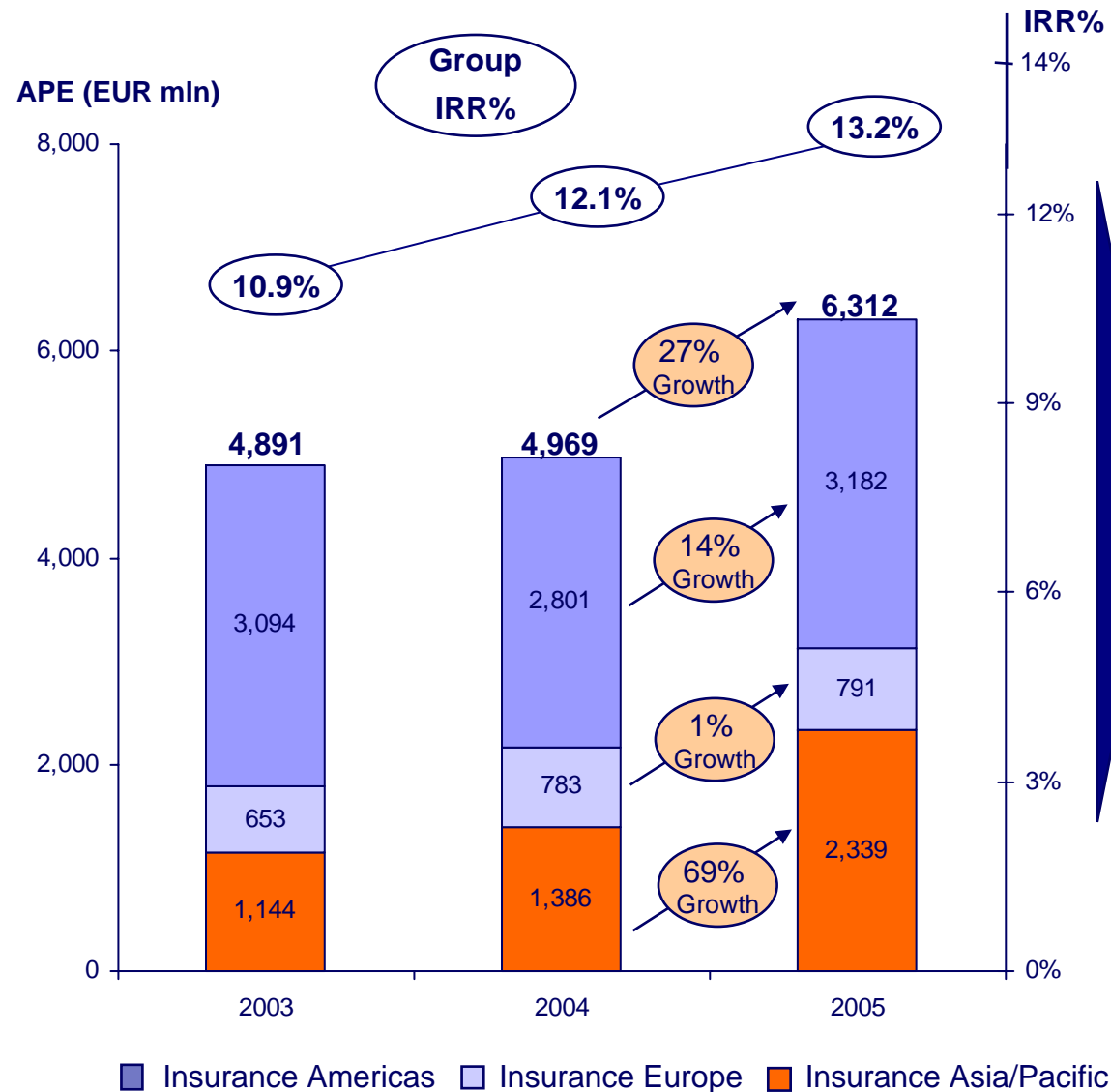
Europe

- Continued VNB growth in Central Europe and noticeable improvement in Netherlands

Asia/Pacific

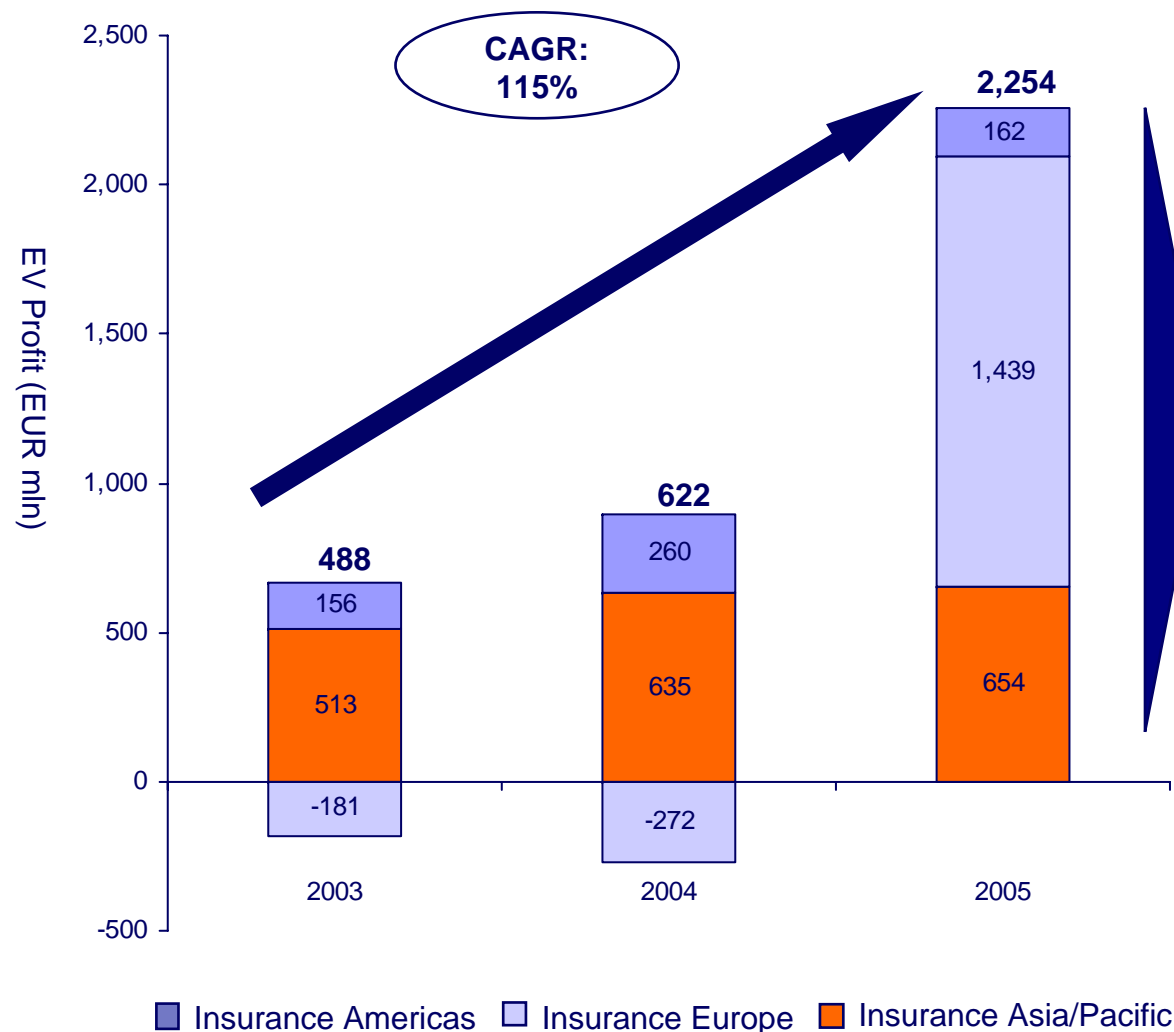
- VNB up strongly in South Korea due to higher sales and more profitable product mix with the addition of unit-linked product
- Taiwan continues to generate steady new business growth while Japan VNB fell YoY due to one-time lapse assumption changes on the COLI product

Higher sales at higher margins in 2005



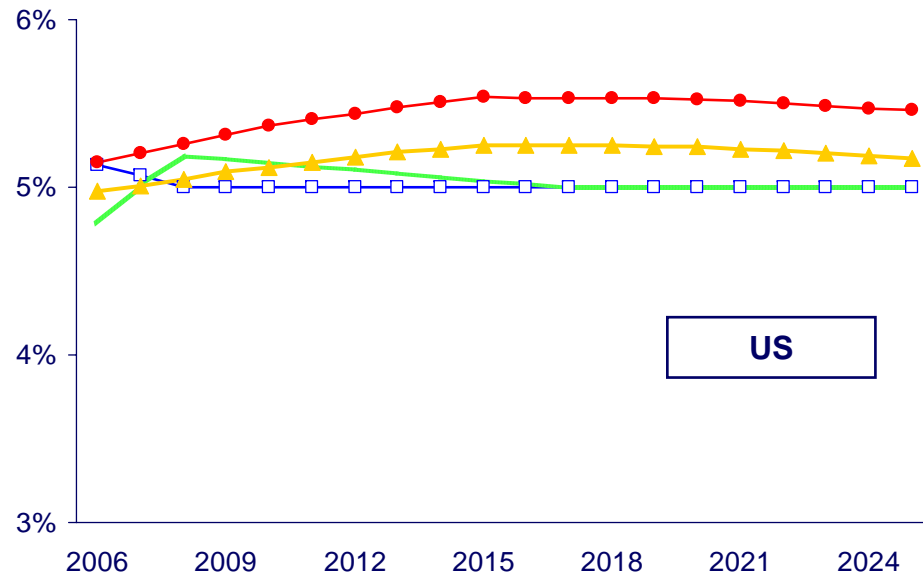
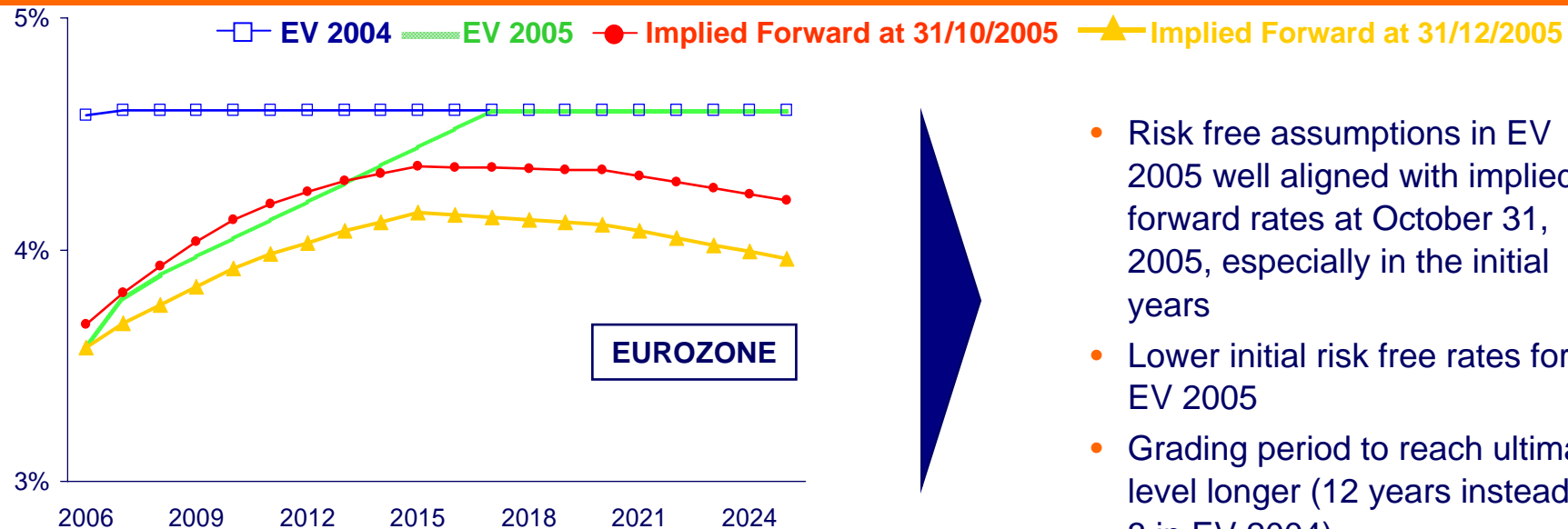
- IRR up strongly in 2005 led by margin improvements in Netherlands and Asia/Pacific
- Noticeable margin improvement at Nationale Nederlanden (NN) and more profitable sales at RVS/Postbank
- Strong sales growth at USFS (APE up 15%) led by Retirement Services which saw a 23% increase in APE
- Sales continue to grow in Asia/Pacific driven by SPVA in Japan, and annual premium increases in South Korea and Taiwan

Strong EV Profit growth reflects management focus and emphasis on value creation



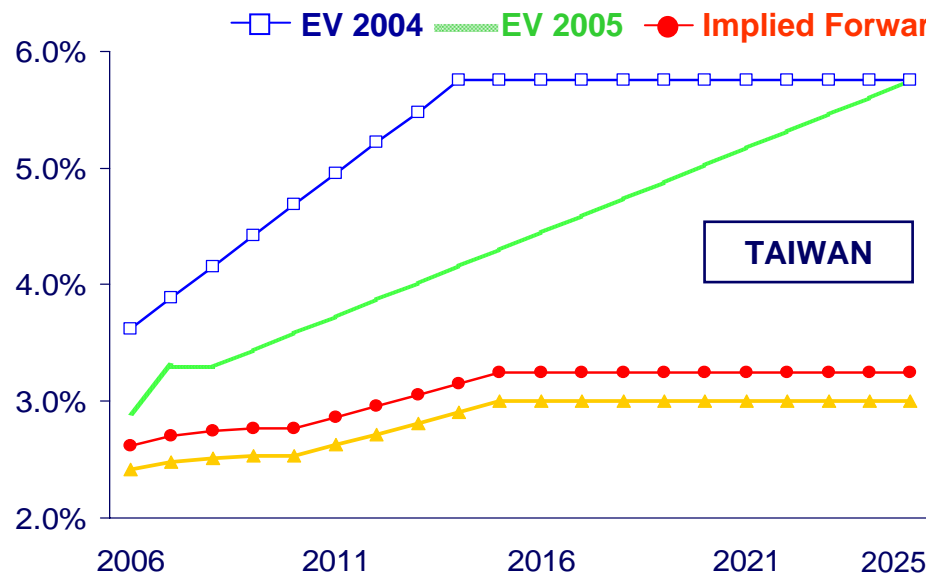
- EV Profit is defined as the change in value during the year in excess of the required return which arises from only those items in EV that business line management can influence
- EV Profit strongly correlated with Total Shareholder Return (TSR)
- Strong VNB growth in South Korea, Central Europe, US and noticeable improvement in Netherlands
- Strong investment performance in Netherlands
- Favorable operational experience resulting in positive variances
- 2004 EV profit negatively impacted by expense restructuring at NN, the impact of which in 2005 is minimal

Economic Assumptions were revised in 2005

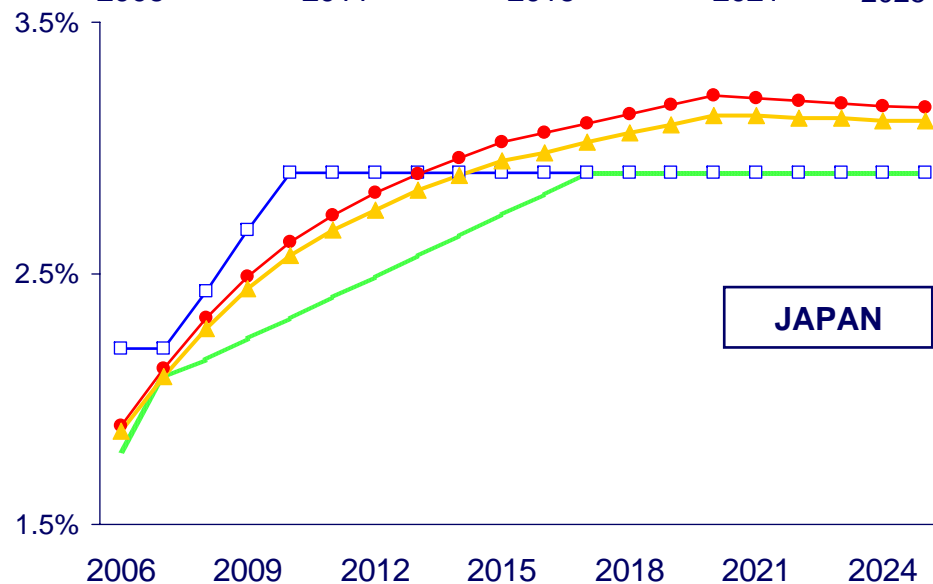


- Risk free assumptions in EV 2005 well aligned with implied forward rates at October 31, 2005, especially in the initial years
- Lower initial risk free rates for EV 2005
- Grading period to reach ultimate level longer (12 years instead of 3 in EV 2004)
- EV 2005 US risk free assumptions more conservative compared to implied forward rates at October 31, 2005
- Lower initial risk free rates in EV 2005, then rising and ultimately converging to same long term rate as in EV 2004

Economic Assumptions (cont'd)...

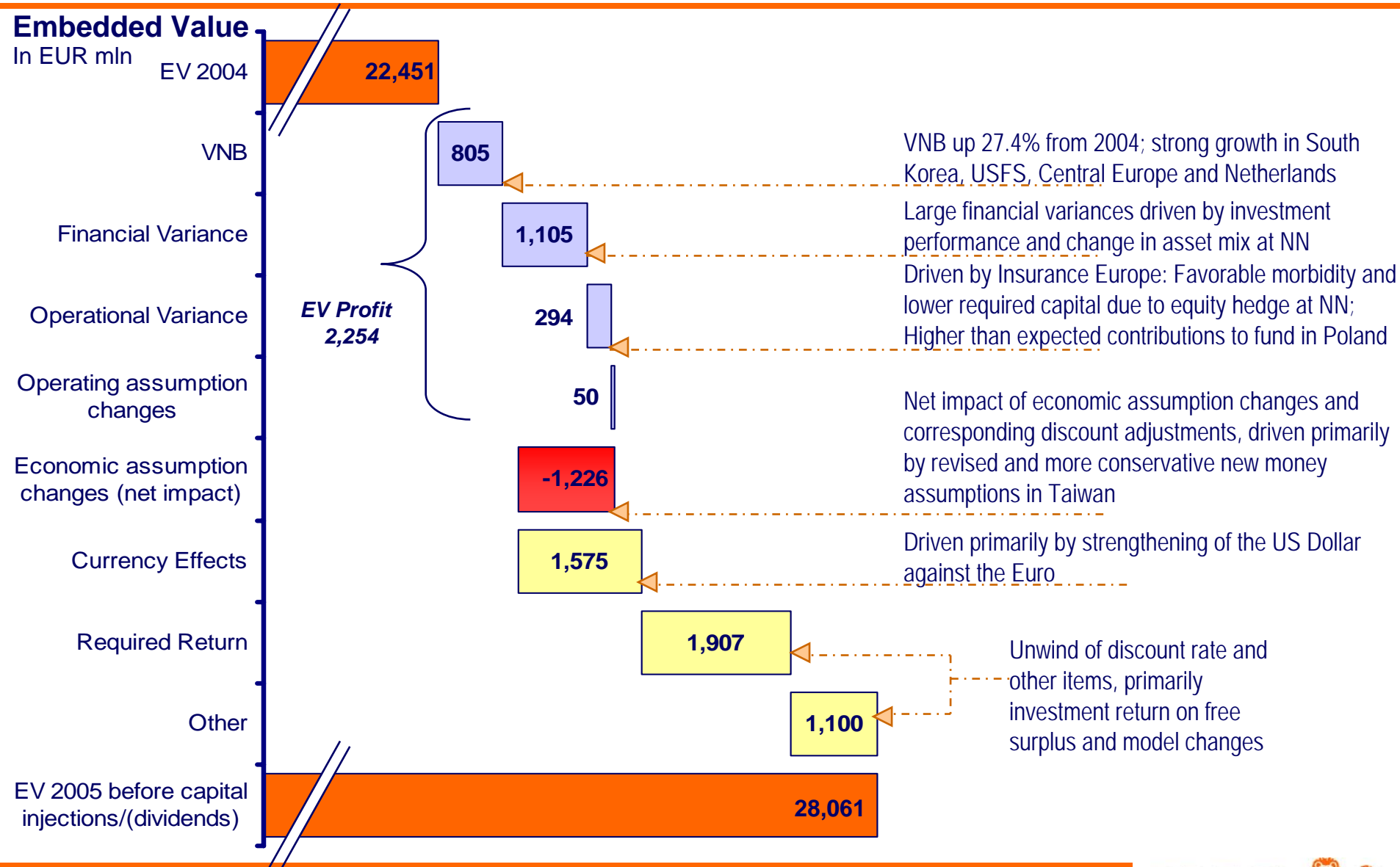


- Lower initial risk free rates in EV 2005
- Grading period to reach ultimate level longer (20 years instead of 10 in EV 2004)
- Flatter rise to ultimate level

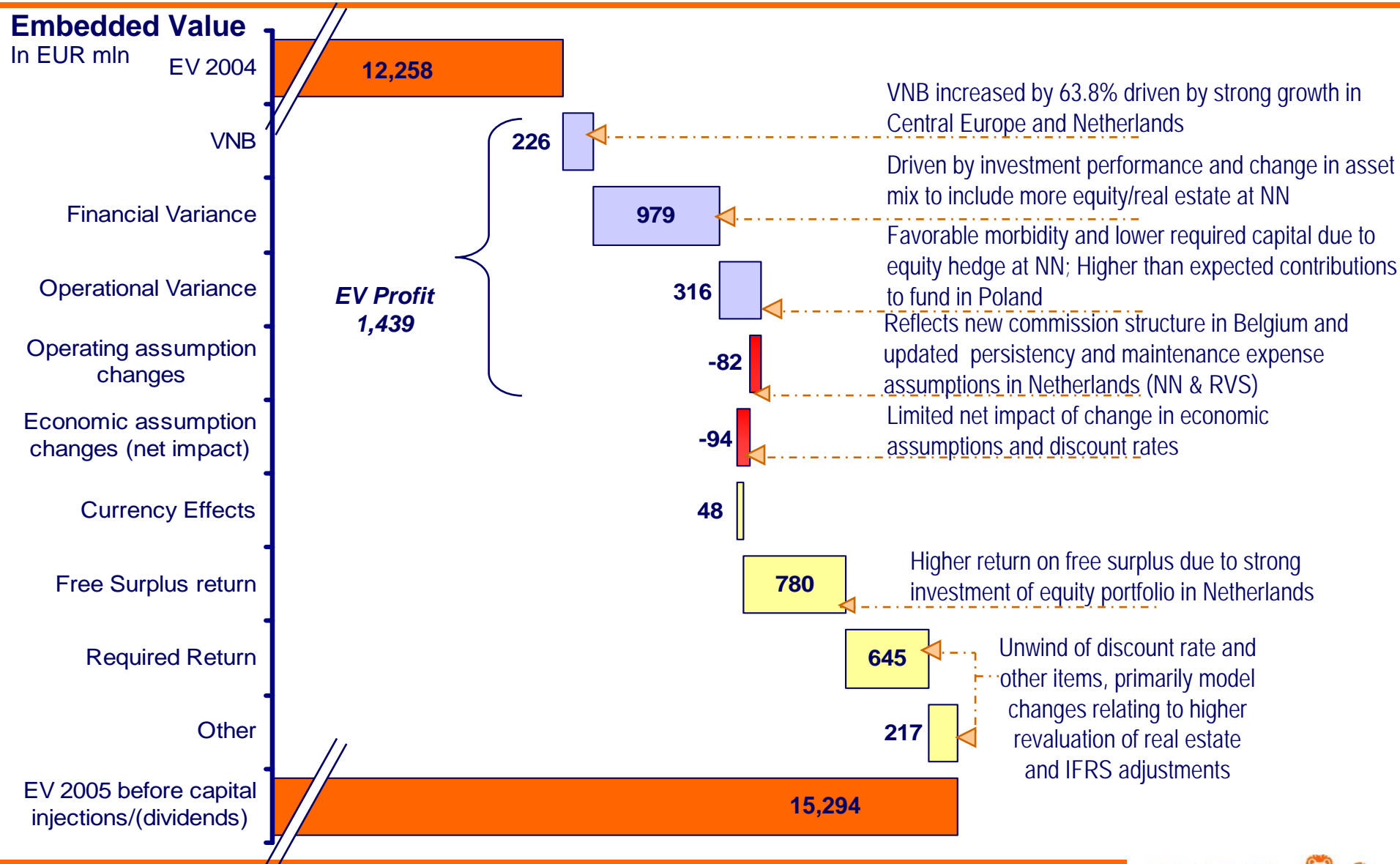


- Lower initial risk free rates for EV 2005
- Grading period to reach ultimate level longer (12 years instead of 6 in EV 2004)
- Risk free assumptions in EV 2005 more conservative compared to implied forward rates at October 31, 2005

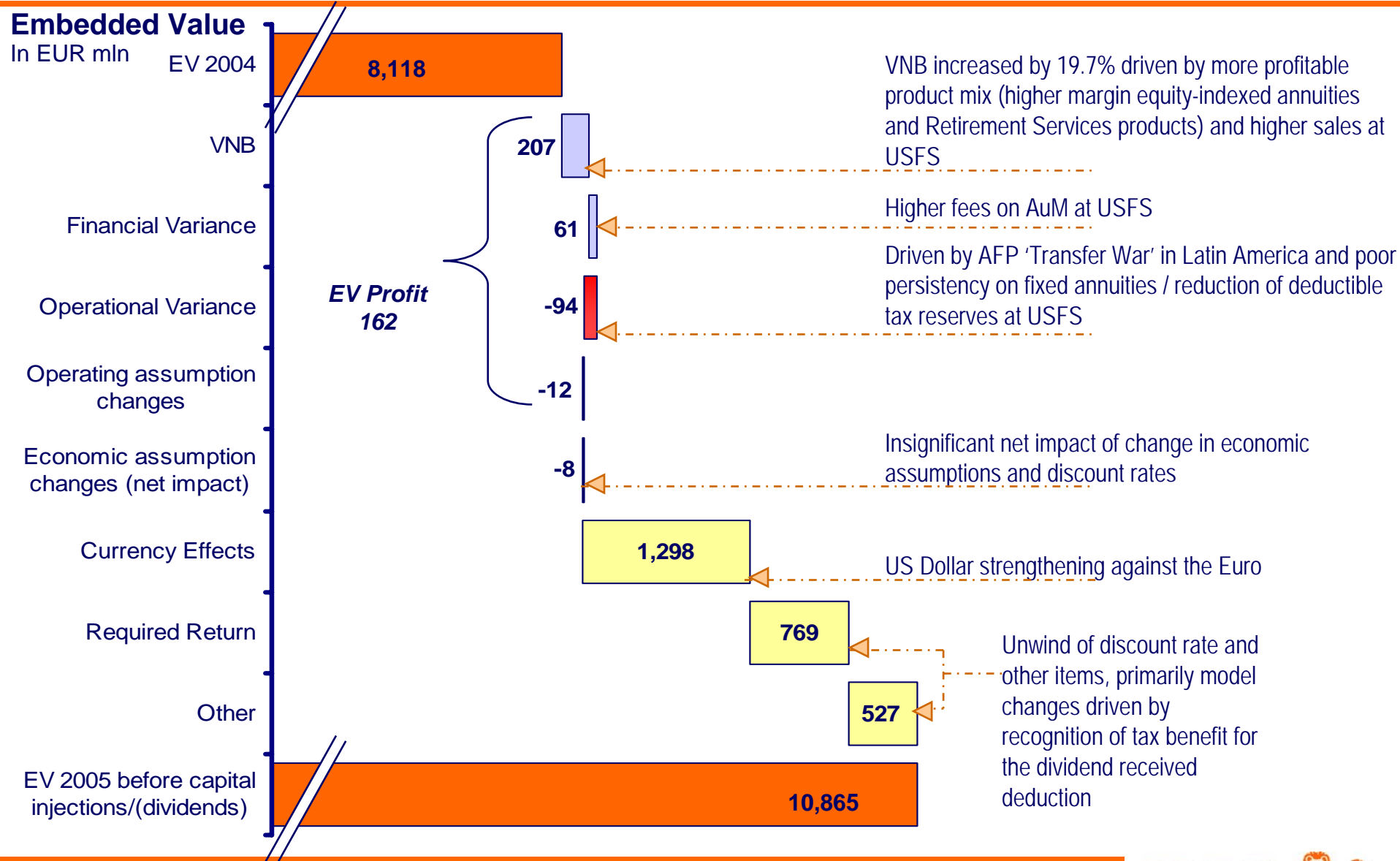
ING Group: EV rises 25.0% before capital injections/(dividends); VNB rises by 27.4%



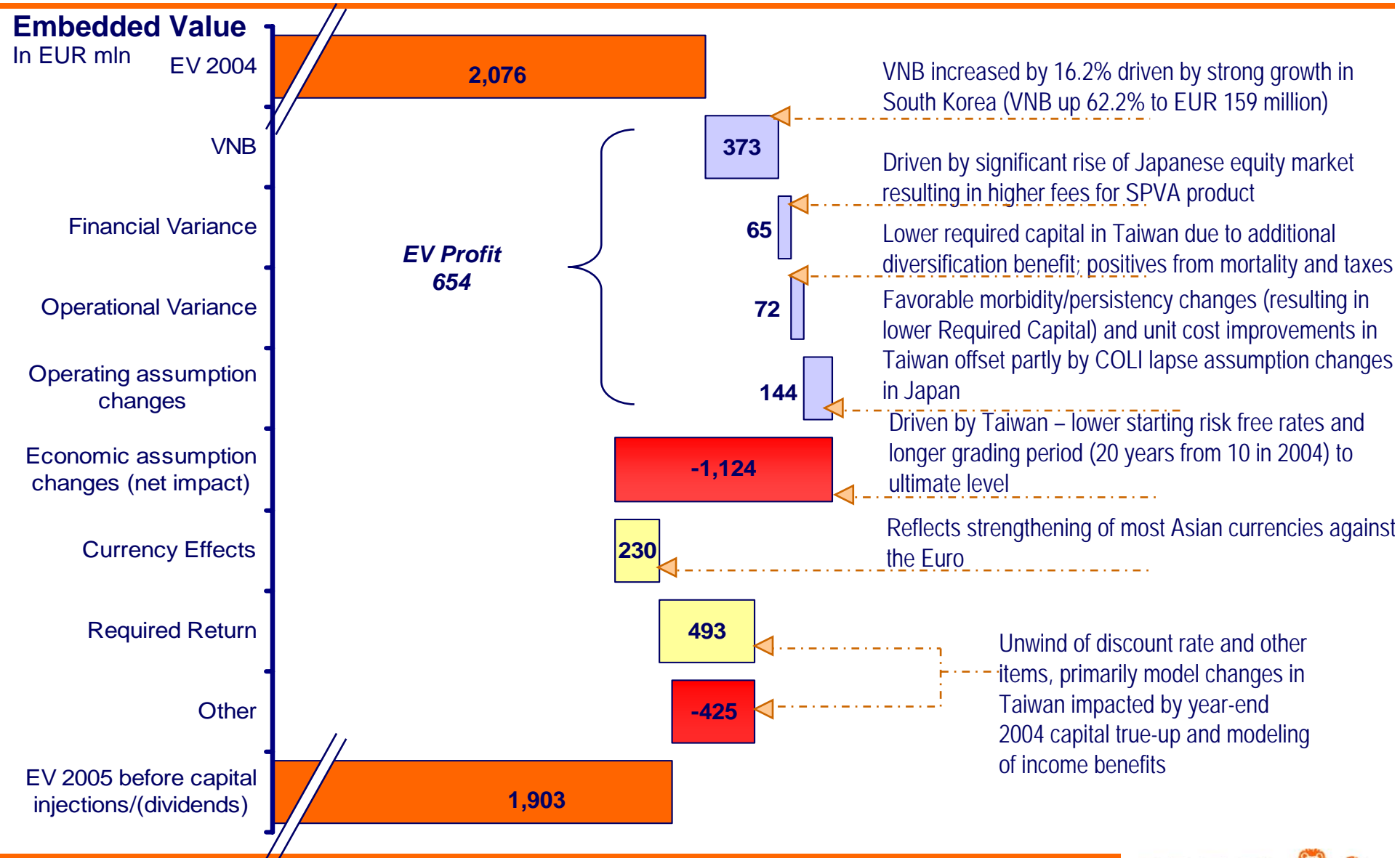
Insurance Europe: EV rises 24.8% before capital injections/ (dividends); VNB rises by 63.8%



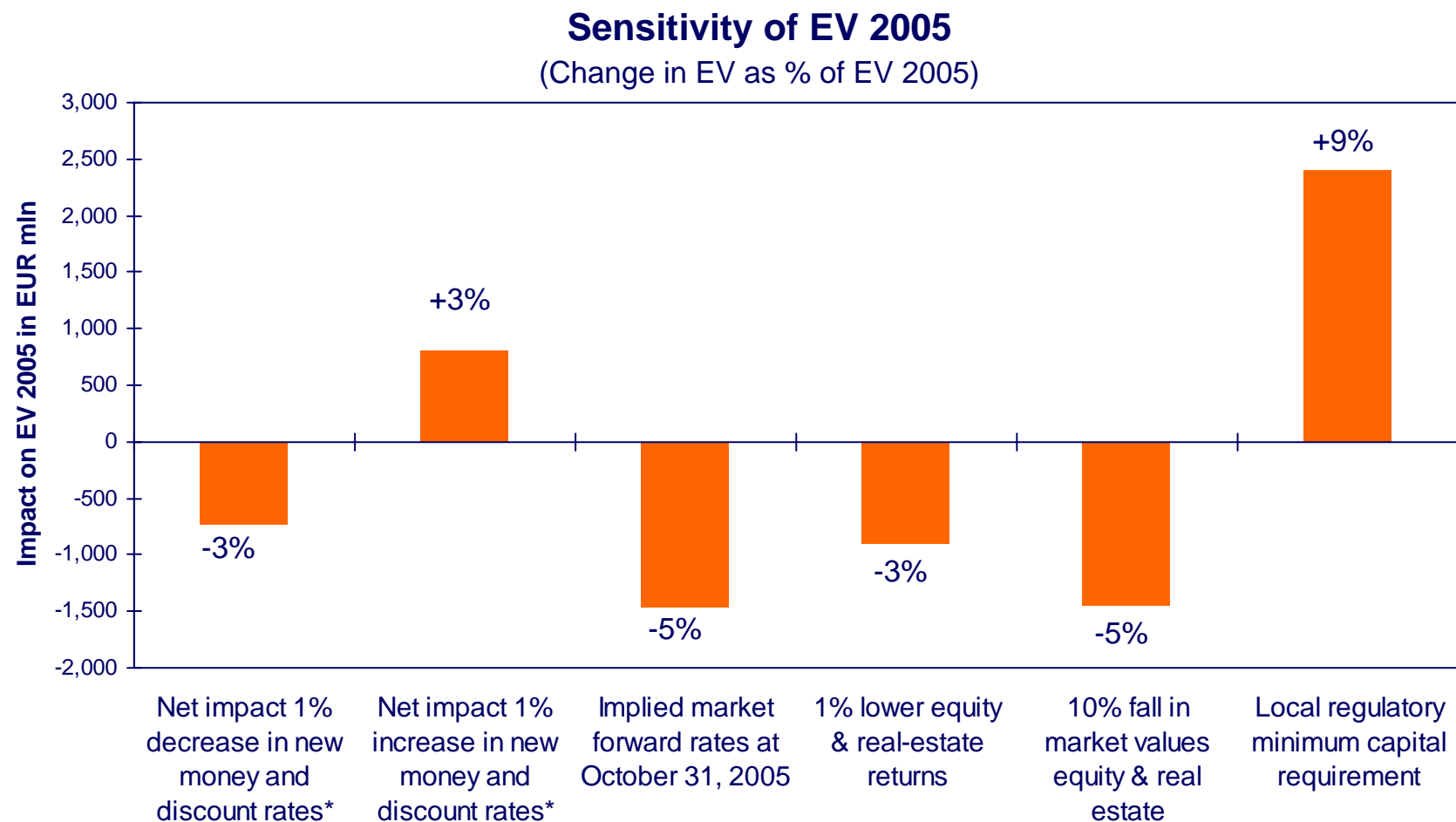
Insurance Americas: EV rises 33.8% before capital injections/ (dividends); VNB rises by 19.7%



Insurance Asia/Pacific: EV decreases by 8.3% before capital injections/(dividends); VNB rises by 16.2%

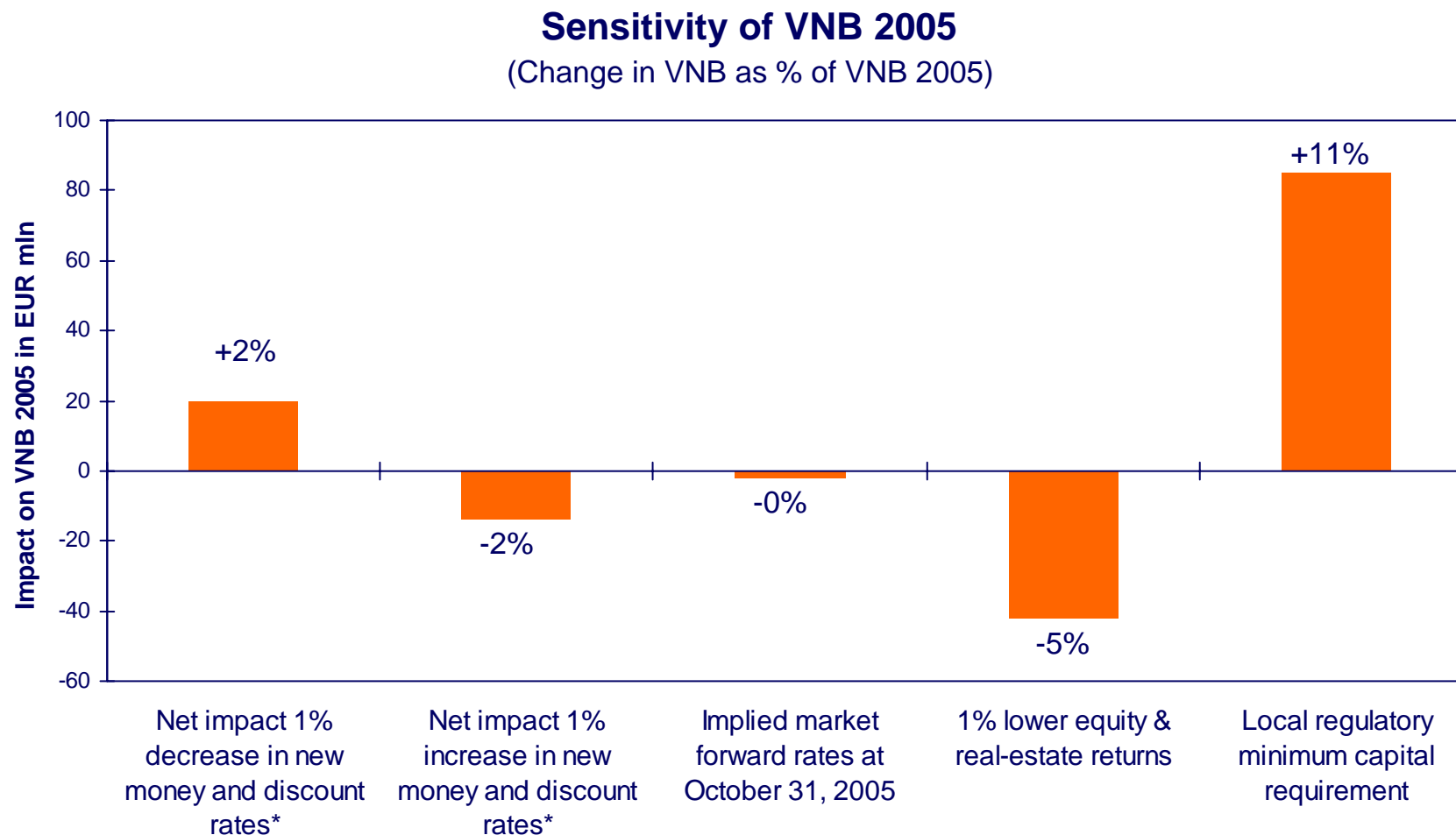


Sensitivity Embedded Value to Economic Assumptions



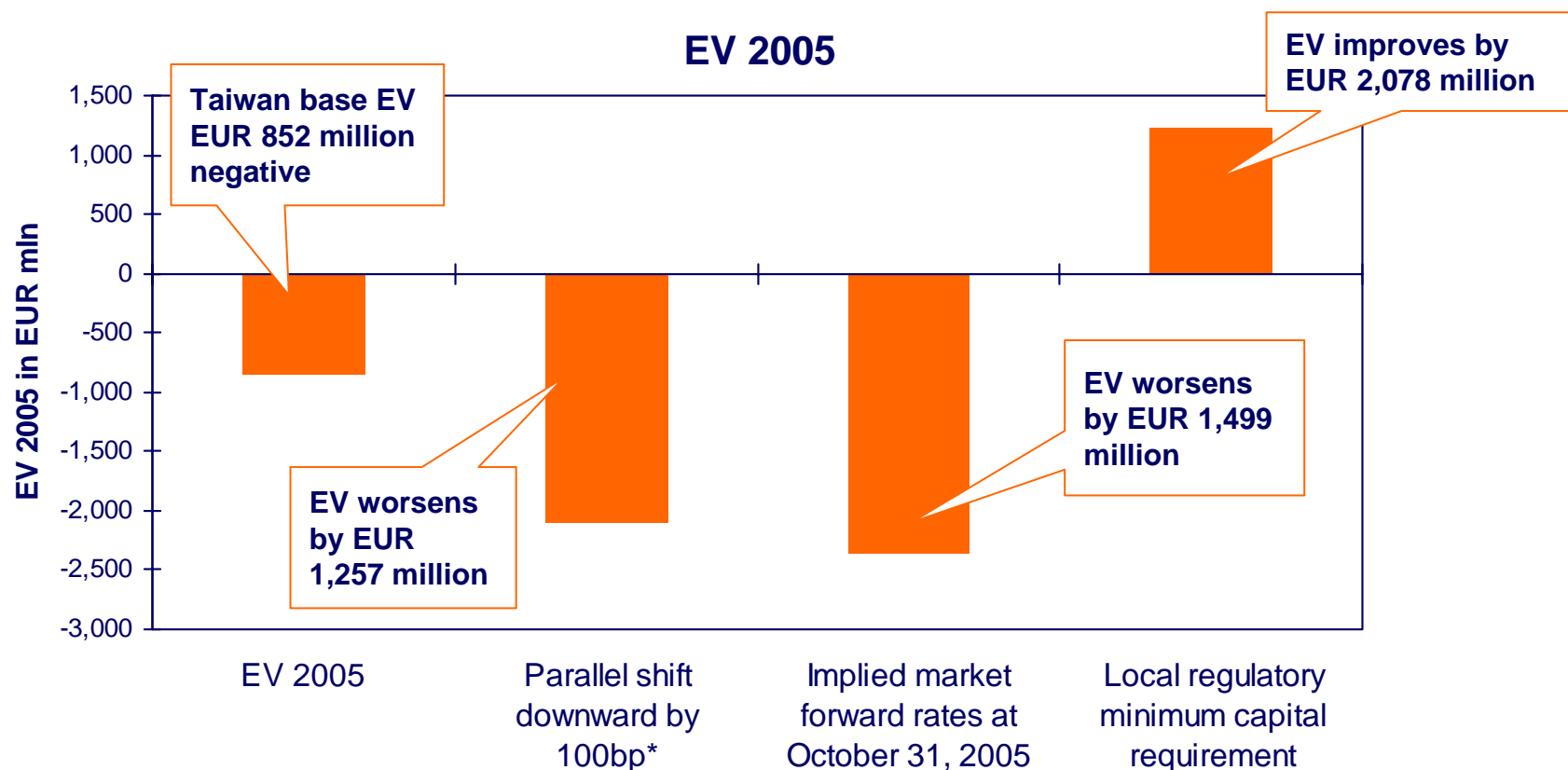
* Note that the 100bp change in new money and discount rates is based on the estimated combined impact of the individual sensitivities

Sensitivity Value of New Business to Economic Assumptions



* Note that the 100bp change in new money and discount rates is based on the estimated combined impact of the individual sensitivities

Taiwan EV 2005 is sensitive to the long-term interest rate assumption and capital requirements



Starting 10y rate:	2.90%	1.90%	2.62%	n/a
Ultimate rate:	5.75%	4.75%	3.25%	n/a

* Note that the 100bp downward parallel shift is based on the combined impact of the new money and discount rate sensitivities

Economic Capital and Market Consistent Embedded Value

- **ING is implementing an Economic Capital framework**
- **Economic Capital results were used to calibrate the ING Capital Model used for Embedded Value reporting**
- **MVaR limits implemented in 2005**
- **Market Consistent Pricing is part of the pricing process for pricing new products in order to better capture value of the risk at product level**
- **MCEV results being developed: MCEV will give a new perspective on value within the widely accepted and used Embedded Value framework**
- **ING has adopted the MVL approach in line with the methodology from the CEA/CRO Forum for Solvency II**

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