



ING to strengthen core capital by EUR 10 billion

- ING to issue EUR 10 billion of core Tier-1 securities to Dutch State
- Transaction boosts Bank core Tier-1 ratio to 8%, strengthens Insurance balance sheet and reduces Group Debt/Equity ratio to 10%
- Core capital issue is non-dilutive to outstanding share capital
- ING to pass over final dividend for 2008

ING announced today that it has reached an agreement with the Dutch government to strengthen its capital position, creating a strong buffer to navigate the current market and economic environment. ING will issue non-voting core Tier-1 securities for a total consideration of EUR 10 billion to the Dutch State. The transaction will bring ING Bank's core Tier-1 ratio to around 8%, will strengthen the insurance balance sheet and will reduce ING Group's Debt/Equity ratio to around 10%.

The strengthening of ING's capital follows the plans the Dutch government announced on 9 October to make capital available to financial enterprises that are fundamentally sound and viable. ING appreciates the measures the Dutch government is taking to boost confidence and stability in the Dutch financial system.

"Our capital position was in line with previously targeted levels and regulatory requirements. However, market conditions have changed dramatically in recent weeks and have led to an internationally recognised belief that going forward, in this market environment, capital requirements for financial institutions should be higher," said Michel Tilmant, CEO of ING. "We feel that at this time it is prudent to raise our core capital to reinforce our strong competitive position in this changing landscape.

"This transaction does not dilute our existing shareholders while providing additional security to our 85 million customers. It reinforces our commitment to our strategy, management of our business portfolio and disciplined approach towards risk and capital management. ING will continue to build its franchise in the long-term interests of all stakeholders," added Michel Tilmant.

FINANCIAL DETAILS

ING will issue 1 billion non-voting core Tier-1 securities to the Dutch State at a price of EUR 10 per security. The Dutch Central Bank classifies the securities as core tier-1 capital. The securities are pari passu with ordinary common equity meaning the Dutch State will rank exactly the same as common shareholders. The structure of the transaction is designed to avoid dilution of existing shareholders. The security is only transferable with the permission of ING and the Dutch Central Bank.

ING has the right to buy back all or some of the securities at any time at 150% of the issue price. Further, ING has the right to convert all or some of the securities into (depository receipts for) ordinary shares on a one-for-one basis, from three years after the issuance onwards. If ING chooses to do so, the Dutch State can opt for repayment of the securities at EUR 10 in cash.

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The coupon on the core Tier-1 securities is only payable if a dividend - either interim or final - is paid on common shares over the financial year preceding the coupon date. The annual coupon per security will be the higher of EUR 0.85 or an amount equal to 110% of the dividend paid on ordinary shares for the year 2008, 120% for 2009 and 125% from 2010 and onwards.

Given the exceptional circumstances, ING has decided to pass over the final dividend for 2008, leaving the total 2008 dividend at the EUR 0.74 per share that was already paid as interim dividend.

ING Group will use the proceeds of the transaction to increase shareholders' equity in ING Bank by EUR 5 billion and to strengthen the balance sheet of ING Insurance by EUR 2 billion. The remaining EUR 3 billion will be used to reduce the Debt/Equity ratio at ING Group from 15% to around 10%. After this transaction, ING Bank's core Tier-1 ratio will be around 8%, with ING Bank's Tier-1 ratio above 10%.

CORPORATE GOVERNANCE

Under the terms of the agreement, the Dutch State obtains the right to nominate two members for the ING Group Supervisory Board, to be elected at the ING General Meeting of Shareholders in 2009. These nominees will be represented on the Audit Committee, Corporate Governance Committee and Remuneration and Nomination Committee of the Supervisory Board and will have approval rights for decisions concerning equity issuance or buyback (except in connection with this transaction) and strategic transactions with a value equalling more than one quarter of ING's share capital and reserves.

The ING Supervisory Board will review the remuneration policy for the Executive Board and senior management to align it with new international standards. This will include linking incentive schemes to long-term value creation and risk. All members of the ING Executive Board have volunteered to forego all bonuses – either in cash, options or shares – relating to the performance in 2008 and limit exit-arrangements to a maximum of one year's fixed salary.

The capital strengthening transaction is expected to be settled by 12 November 2008.

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ING Profile

ING is a global financial institution of Dutch origin offering banking, investments, life insurance and retirement services to over 85 million private, corporate and institutional clients in more than 50 countries. With a diverse workforce of about 130,000 people, ING is dedicated to setting the standard in helping our clients manage their financial future.

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