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Dear ING investor, dear depositary receipt holder,

ING Group ended 2009 with a loss of EUR 935 million and, for this reason, there will be no dividend paid for that year. The credit crunch seems to have bottomed out, and now that the dust is settling it has become apparent that ING was hit hard by the crisis. In 2008 the Dutch state had to come to ING's rescue and bought ING special securities worth EUR 10 billion. While it is true that, in 2009, half of these were bought back, the transaction had to be financed by a strongly diluting issue of shares. This is why, by the end of 2009, the number of shares (with ING: depositary receipts) had risen by 84 percent compared with 2008.

State funding

Sadly the extensive state support turned out to be ineffective. In 2009 the Dutch state took over 80 percent of the substantial 'Alt-A' mortgage portfolio risk (worth well over USD 40 billion). This reduced the company's risk profile, but also meant that a possible recovery would flatten out somewhere else. Moreover, ING is obliged to pay a substantial annual fee to the state as European Commission rules dictate. In addition the Commission has ordered that, for various markets, ING can no longer be price leader, which results in a competitive disadvantage. Depositary receipt holders had to face the fact that ING entered the downturn without sufficient capital and did not have an adequate risk strategy.

In the fourth quarter of 2009 ING made an underlying net profit of EUR 74 million. Against this net profit ING had to write off almost EUR 1 billion due to unfavourable market circumstances. On an operational level ING figures improved. The underlying profit amounted EUR 748 million last year, whereas ING presented a loss of EUR 304 million in 2008. However, ING's banking activities were solely responsible for this profit - the insurance activities made an operational loss. Due to some non-recurring expenses and impairments ING Group finished 2009 with a loss of EUR 935 million.

Balance reduction started up

According to ING at the end of 2009 the Tier-1 ratio stood at 10.2 percent and the core Tier-1 ratio at 7.8 percent, an improvement compared with the 2008 ratios of 9.3 percent and 7.3 percent respectively. By the end of 2009 ING's shareholders' equity was EUR 33.9 billion, almost double the 2008 shareholder's equity. Due to the dilution, the shareholders' equity base per depositary receipt barely improved.

The sustained shareholders' equity is still just 3 percent of ING's enormous balance total of EUR 1164 billion. This is disproportionate. In 2010 the bank-insurer is planning to split off its insurance activities, reducing the balance sheet of the current partnership considerably. However, the re-structuring will take some time. The VEB is of the opinion that, for the coming quarters, it is desirable to reduce the balance still further. For the sake of its investors ING should be transparent about how the company is going to bring about this reduction.

Splitting the business into two companies with stronger individual focuses will reduce risks and will be a sensible option. ING has announced that, when the re-structuring proposals become clear, they will not have to be approved of by ING's depositary receipt holders. Unfortunately this means that capital suppliers will not be able to give their opinion about the selling price in case ING activities are sold off. Separation might be brought about by means of quoted shares which will be allocated to ING's current depositary receipt holders. However, the disadvantage of this would be that there will not be any proceeds from the sale to settle any debts at group level. Depending on the debts that need to be cleared at group level and the Dutch state debts, a listing of the insurer may have to be combined with an issue of shares, i.e. a capital injection in the bank, in the insurer or in both. Another option would be conversion of the state's capital injection into depositary receipts or in shares.

Depositary receipt structure to be ended

Another factor that has an adverse effect on ING's market capitalisation is that capital suppliers lack effective voting power. ING shares are depositary receipts, which means that, in practice, the 'allied' ING Trust Office determines the voting results at shareholders' meetings. It is remarkable that this foundation has never voted against any item on the agenda, nor ever abstained from voting.

ING had earlier announced that the depositary receipt structure will be ended if for three consecutive years, attendance at shareholders' meetings (apart from the foundation's attendance) is higher than 35 percent. This percentage was reached at the 2007, 2008 and 2009 Annual General Meetings. Therefore, the VEB urges ING to honour their promise and to end this undemocratic construction as soon as possible. Also, if the split-off is to be realised by listing ING's insurance activities, the VEB will insist that ING should not certify shares in their insurance activities.

The VEB recommends you to exercise your voting rights and you are requested to take the above issues into consideration when you cast your votes.

On behalf of the VEB NCVB



Jan Maarten Slagter, managing director

If you would like to respond to this letter, please email info@veb.net

Note: On submitting this letter, neither the annual report for 2009 nor the agenda for the shareholders' meeting was yet available