

## Insurance Americas

Making it easier to do business with us

## Key points

- > Pre-tax profit up for fifth consecutive year
- > US records solid results under challenging conditions
- > Leading positions established in Latin America
- > Growth to be driven organically but also supported through acquisitions

## Profit and loss account (underlying)

in EUR million	2007	2006	change
Premium income	23,537	24,118	-2.4%
Operating expenses	2,519	2,490	1.2%
Underlying profit before tax	2,059	1,992	3.4%
Total profit before tax*	2,152	1,992	8.0%

\* Total profit before tax is defined as profit before tax including divestments and special items.

## Key figures

	2007	2006
Value of new life business (EUR million)	270	167
Internal rate of return	11.8%	10.3%
Embedded value of life business (EUR million)	10,633	10,272
Economic capital (EUR billion)	6.5	6.0

## UNDERLYING PROFIT BEFORE TAX

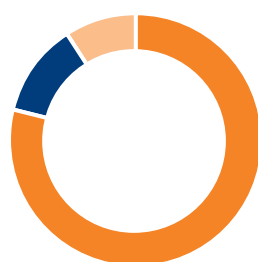
in percentages



Insurance Americas	22%
Rest	78%

## GEOGRAPHICAL BREAKDOWN OF PREMIUM INCOME

in percentages



US	79%	18,677
Canada	12%	2,788
Latin America*	9%	2,072
Total	100%	23,537

\* Mexico, Chile and Peru; not including ING's joint venture in Brazil because it is a minority interest.

Insurance Americas achieved growth in pre-tax profit and value of new business in 2007 for the fifth consecutive year, despite challenging market conditions. This strong performance was led by better results across all business lines in the US, and by very good results in Latin America life insurance. During the year, Insurance Americas continued to hone its strategy, focusing resources on higher-growth markets including those for investment products, life insurance and retirement services in the US and Latin America. Through the purchase of pension businesses in Latin America, ING has established a market-leading position to further expand its activities in the region.

### FINANCIAL DEVELOPMENTS

Underlying profit before tax rose 3.4% to EUR 2,059 million during a period of difficult financial market conditions in the US and an adverse currency trend. The result was also impacted by lower non-life profits in Canada and Mexico following lower underwriting results. Excluding currency effects, underlying profit before tax rose 11% led by strong results in the US and Latin America.

Premium income at Insurance Americas fell 2.4% to EUR 23,537 million, although excluding currency effects, premium income grew 6.0% through higher life and non-life sales across all countries.

Premiums from life insurance increased 6.6%, whereas non-life premium income increased 3.0%, both excluding currency impacts. In the United States premiums grew by 6.7%, driven by higher variable annuity and retirement services sales, partially offset by lower premiums from fixed annuities. Record variable annuity production in the United States was led by strong sales of LifePay Plus, a withdrawal benefit rider introduced in August 2007. Life premiums in Latin America grew 3.8%, following higher group life business in Mexico as well as higher annuity sales in Chile, which more than offset lower sales in Mexico's annuity business due to weaker market conditions. In Canada, non-life premiums advanced 2.7% on an increase in the number of insured risks, partially offset by lower average premium rates. Non-life premiums in Latin America grew 3.4% through higher health premiums in Chile and Mexico, offsetting lower sales in Mexico's property and casualty business.

Operating expenses in the Americas increased 1.2% to EUR 2,519 million, or 9.2% excluding currencies. This expense growth was related to the acquisition of the pension and annuity businesses in Latin America, higher sales, strategic investments in technology and distribution as well as organic business growth, especially in the United States.

#### Life insurance

Life underlying profit before tax rose 19.1% to EUR 1,572 million or 29.9% excluding currency impacts. In the United States, underlying profit before tax increased 12.7%, to EUR 1,356 million, or 23.2% excluding currencies. Net investment gains, including the EUR 21 million gain on the disposition of a minority equity investment, contributed EUR 83 million to the profit growth in the United States. Interest related gains more than offset credit related losses and impairments related to the credit crisis. Results also included EUR 3 million in positive equity-related deferred acquisition cost (DAC) and reserve unlocking, a EUR 52 million decrease from the favourable unlocking in 2006. Excluding investment gains,

underlying life profit before tax increased 5.5% to EUR 1,316 million, or 15.0% before currency impacts. Fee income growth driven by higher assets under management related to core retirement services and variable annuities as well as higher investment returns from alternative assets, were partly offset by increased operating expenses. Operating expenses in the United States grew 10.4% excluding currency impacts, driven by higher sales, the expansion of distribution capacity, growth of the business in-force, technology investments as well as higher reorganisation and benefits charges.

In Latin America life insurance, underlying profit before tax increased 84.6% to EUR 216 million, following higher underwriting results across the region and investment gains in Mexico. Latin America's operating expenses rose 19.0%, or 28.2% excluding currency impacts, primarily due to the integration of the new pension businesses and operating costs and business growth in Mexico.

The embedded value of the life insurance business in the Americas increased 3.5% to EUR 10,633 million, due to strong sales and favourable operational variances, despite unfavourable currency movements and negative financial variances reflecting adverse equity market performance in the second half of 2007. The value of new business increased 61.7% to EUR 270 million, due to positive developments in both the United States and Latin America. Last year's value of new business was depressed by an increase in the discount rate, the impact of redundant reserves in the US individual life insurance business and assumption changes in Mexico. In the United States the value of new business increased 48.3% to EUR 215 million, following product introductions and distribution initiatives related to the individual life and variable annuity segments as well as strong institutional sales in the second half of 2007. The value of new business in Latin America increased 154.5% to EUR 56 million, mainly due to higher volumes and returns in Mexico pensions, including EUR 10 million from acquired pension operations.

Insurance Americas' internal rate of return (IRR) climbed 150 basis points to 11.8%, representing solid improvements across the region. In the United States, individual life IRR improved significantly, benefiting from higher sales that enhanced the per unit cost efficiency as well as from the implementation of solutions that addressed the non-economic regulatory reserves.

#### Non-life insurance

Non-life underlying profit before tax in the Americas fell 27.4% to EUR 487 million, or 24.5% excluding currency impacts in 2007, with lower results in both Canada and Latin America. While organic business growth in Canada remained solid during 2007, profitability was down significantly against 2006. Lower underwriting results, reflecting the continuing softening of the underwriting cycle, and losses on investments contributed to the profit decline. Underwriting results decreased in 2007 because of deterioration in the automobile insurance business and higher property insurance losses. While investment activities generated higher interest and dividend income, disappointing capital market conditions resulted in investment losses on debt securities. ING Canada continues to outperform the property/casualty industry on combined ratios, top-line growth and Return on Equity (ROE). The business is the country's largest property/casualty insurer and has a strong reputation for effectively managing its business through the insurance cycle.