

Commercial Banking

Adaptation to the new regulatory environment

Barclays Global Financials Conference

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BANKING - INVESTMENTS - LIFE INSURANCE - RETIREMENT SERVICES



ING Commercial Bank is able to adapt to the new regulatory environment

- ING Bank continues to show solid results, supported by strong Commercial Banking results
- Commercial Banking has strong regional positions, particularly in the Benelux, and a strong global Structured Finance and Financial Markets franchise
- Management actions will offset RWA impact of new regulation
- Commercial Banking is integral to ING's balance sheet optimisation through its ability to grow Funds Entrusted and generate high yielding assets
- New regulation requires business model adaptations, but overall strategy remains the same, building on our strengths

ING Bank posted robust results despite higher provisioning

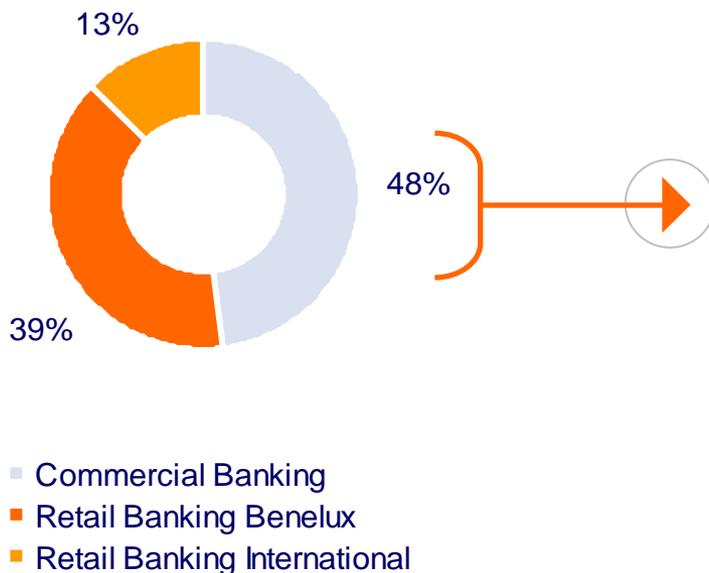
Bank results (in EUR mln)



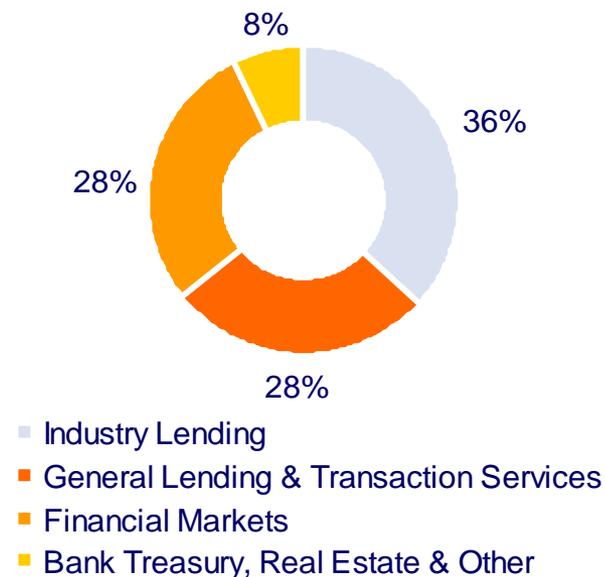
- Gross results held up well in 1H12 as lower income was partly offset by lower expenses
- Risk costs increased from 1H11, driven by higher risk costs in Commercial Banking and to a lesser extent Retail NL

ING Commercial Banking contributed almost 50% of total bank pre-tax result in 1H12

Bank: Pre-tax result in 1H12 (%)



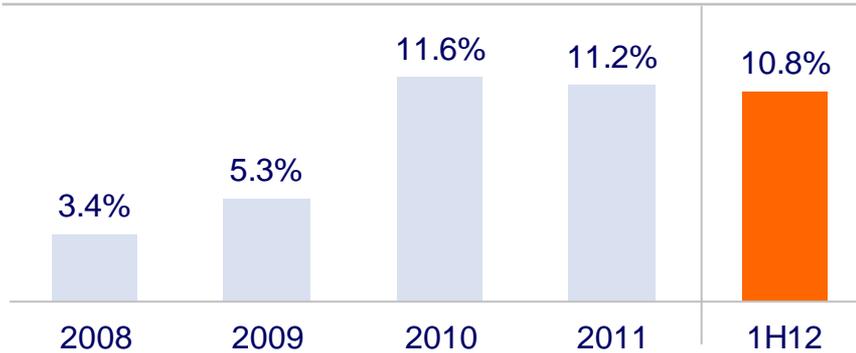
Commercial Bank: Pre-tax result in 1H12 by product (%)



- ING Commercial Banking has leadership positions in the Benelux & CEE and a strong international network in 40 countries
- Strong focus on the global franchises Structured Finance & Financial Markets
- ING Commercial Banking continues to invest in Transaction Services

Commercial Banking RoE remained above 10% despite implementation of Basel 2.5 and higher risk costs

Return on Equity (based on CT-1 ratio of 10%)



Gross result (In EUR mln)



Addition to loan loss provisions

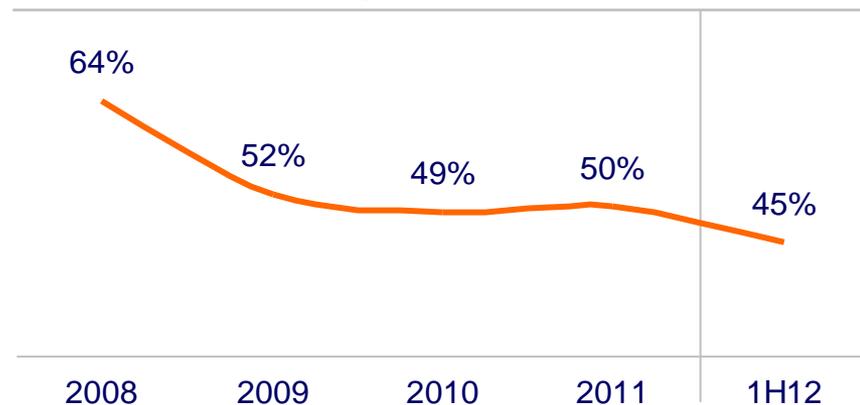


- Commercial banking RoE was 10.8% in 1H12
- Gross result slightly down as lower income was partly offset by lower expenses
- Increase in risk costs from 1H11 driven by Industry Lending

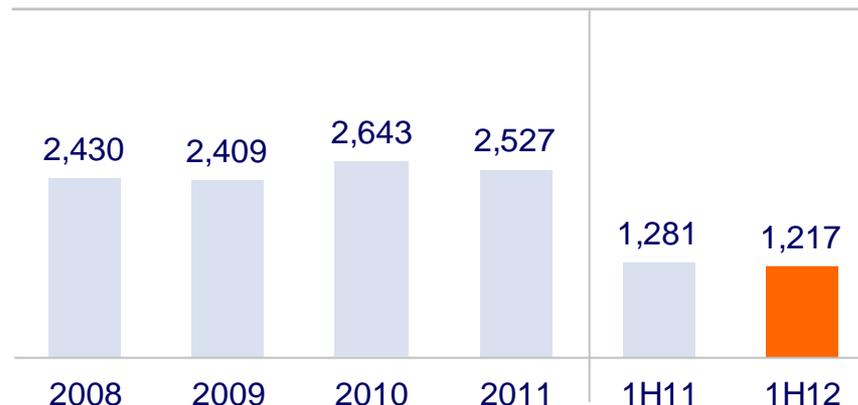


Strict cost discipline resulted in efficiency which is among the best in the industry

ING Commercial Banking cost / income ratio



ING Commercial Banking operating expenses (EUR mln)



Cost / Income ratio CIB activities (1H12)



- Operating expenses have declined since 2010
- Cost/income ratio improved to 45%
- ING Commercial Banking will continue to optimise its cost structure and aims to keep its cost/income ratio below 50%



Commercial Banking has strong regional positions and world-class franchises

Leading Commercial Bank in the Benelux with a strong position in CEE

- Leading Benelux bank – market penetration and lead relationships (Greenwich Survey, 2011)
- Best Overall Broker in the Benelux and CEE (Extel Survey, 2012)
- Voted “Best Bank in the Netherlands 2012” (Euromoney, 2012)



Extensive global network with special focus in Europe

- ING Commercial Banking is the only Dutch bank with a large international network, spanning 40 countries
- Recognised as the leading bank servicing our Benelux clients in CEE and Western Europe (Greenwich Survey, 2011)

Global franchises in Specialised Finance and Financial Markets

- Leading Specialised Finance franchise (#10 MLA, Thomson Reuters/Dealogic, 2007-1H12)
- FM has leading position in the Benelux DCM corporate market (Thomson Reuters, YtD 2012)
- Best Trade Finance Bank award (Global Finance magazine, 2012)

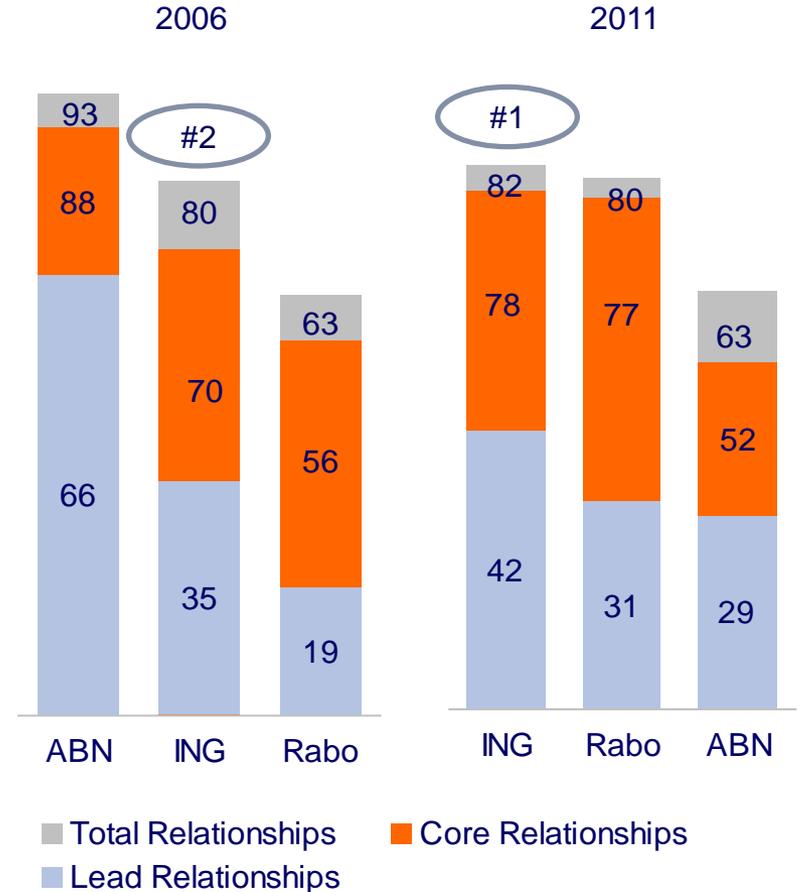


ING has improved its market position in the Netherlands and is now the leading Commercial Bank

Leading Commercial Bank in the Netherlands

- ING has improved its market position in the Netherlands and is now the leading Commercial Bank in the Netherlands for the 3rd consecutive year
- ING's focus on its service offering and product capabilities has resulted in a leading position. Commercial Banking will continue to invest in Transaction Services
- ING is a full-service Commercial Bank in the Netherlands, supporting client needs from payments through to strategic advice
- ING Commercial Banking remains well positioned for further growth

ING has become the nr 1 bank



Source: Greenwich



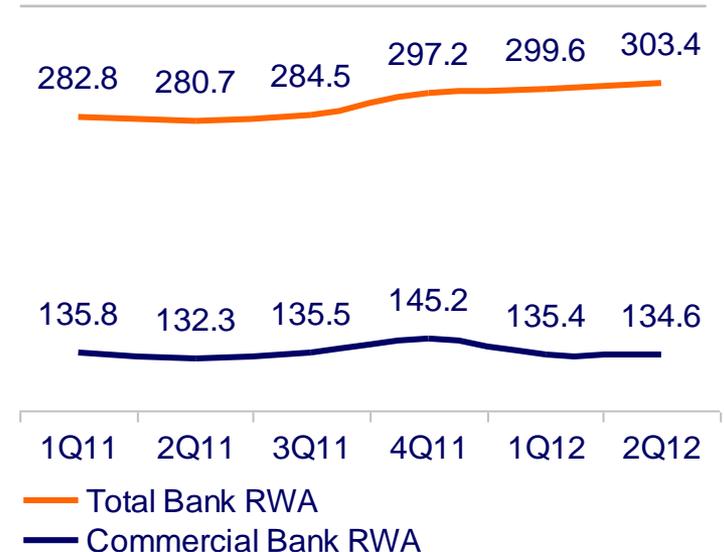
Strong bank results led to robust capital generation

ING Bank has shown strong capital generation

ING Bank core Tier 1 ratio (%)



RWA, adjusted for divestments (in EUR bln)



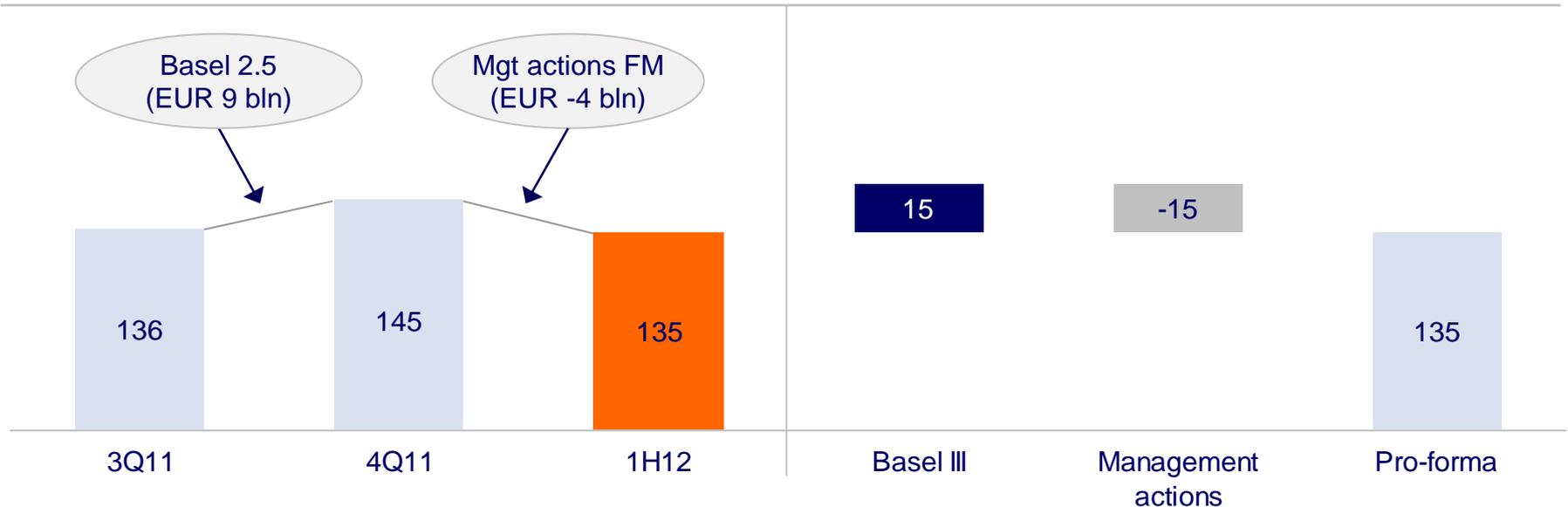
Further strengthening of core Tier 1 ratio

- Core Tier 1 ratio increased by 150 bps in 1H12 to 11.1%, due to the sale of ING Direct USA (~80 bps) and retained earnings (~70 bps), despite increase in RWA
- The announced sale of ING Direct Canada (CT1 impact of approximately 47 bps) and Capital One stake (CT1 impact of approximately 35 bps) will lead to a pro-forma core Tier 1 ratio of 11.9%



Commercial Banking can mitigate impact of Basel III

RWA Commercial Banking (in EUR bln)



- Basel 2.5 RWA impact of EUR 9 bln led to RWA increase in 4Q11, which has been fully offset by lower RWA in Financial Markets (EUR -4 bln), lower volumes (EUR -3 bln) and other (EUR -3 bln)
- Basel III RWA impact is estimated at around EUR 15 bln
- Management actions will lead to a further RWA reduction of EUR 15 bln, offsetting the estimated Basel III impact

Management actions to offset impact of new regulation



Commercial Banking plays important role in balance sheet optimisation

Basel 3 is a catalyst to manage Bank Balance Sheet more efficiently

Balance Sheet stable at EUR 900 bln

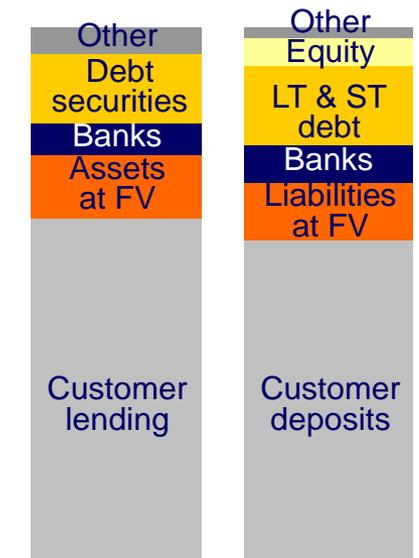
Evolve investment portfolio into liquidity portfolio and continue to de-risk

Reduce non-strategic trading assets and redesign products to mitigate CVA impact

Grow customer lending and selectively shift towards higher margin areas; re-price to reflect increasing cost of capital

Ambition 2015

~ EUR 900 bln



Strong capital generation to grow into Basel III requirements

Extend long-term debt profile and reduce reliance on short-term professional funding

Continue to build on strong deposit gathering ability as primary source of funding

Assets Liabilities

CT1	≥10%
RoE*	10-13%
LCR	>> 100%
NSFR	> 100%
LtD	< 1.1
Leverage	<25

* Based on IFRS-EU Equity



Transfer assets to funding rich entities

	Netherlands NV	Belgium	Germany	ING Direct
Funding	Funding gap due in part to international assets being booked in Dutch NV	Funding surplus	Funding surplus	Funding surplus
Liquidity (CRDII)	Long liquidity in domestic bank compensating for shorter liquidity in international banking activities	Long liquidity	Long liquidity	Long liquidity
Capital	Adequate capital on stand-alone basis	Higher capital on local statutory basis	Higher capital on local statutory basis	Branches low; Subsidiaries high

Commercial Banking is making a strong contribution to ING Bank's balance sheet optimisation

Focus on deposit growth

- Commercial Banking will focus on gathering liabilities to support the funding and liquidity restrictions in the Dutch NV
- Clear targets for commercial sales force
- Targeting deposits with high liquidity value

Balance sheet integration

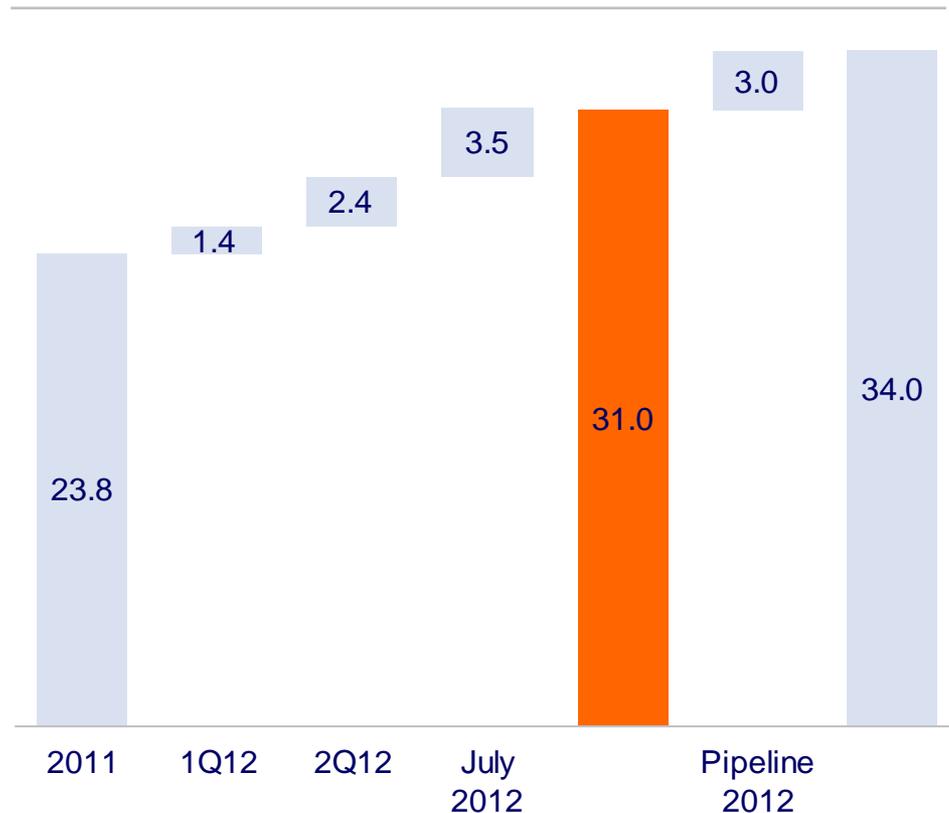
- Transfer selected existing Commercial Banking assets to funding-rich entities (Direct and Belgium)
- Structured Finance will grow its lending assets in the funding rich entities

Replace low-yielding assets with customer lending

- Sell/reduce non-core assets
- Reduce non-strategic assets in the business line 'Bank Treasury, Real Estate & Other' to make room for growth in customer lending
- Evolve customer loan book towards higher-return businesses such as Structured Finance while maintaining a prudent risk/return profile
- Re-price lending to reflect the higher cost of capital

Significant part of EUR 31.0 bln balance sheet integration completed is Commercial Banking related

Balance Sheet integration progressing



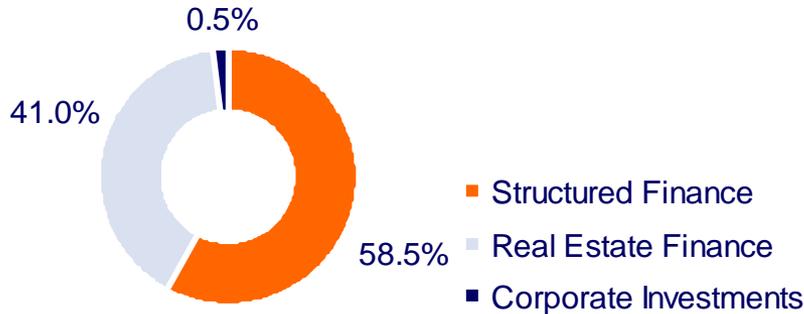
Recent initiatives

- EUR 2.4 bln achieved in 2Q12 through transfer of EUR 1.7 bln of Real Estate Finance assets and EUR 0.7 bln of Commercial Banking lending assets from NL legal entity to funding rich entities
- EUR 3.5 bln achieved in July through transfer of EUR 0.2 bln of CB lending assets, EUR 1.4 bln of Lease assets and EUR 1.9 bln of securitised Dutch mortgages from NL legal entity to other countries.
- Pipeline remainder of 2012: EUR 3.0 bln
- Our success to date gives us comfort that we can do more

Industry Lending generating high yielding assets

Industry Lending combines our strong Structured Finance and Real Estate Finance franchises

Lending assets (in %, 1H12)



Lending assets: REF assets decreasing, being redeployed in Structured Finance assets (in EUR bln)



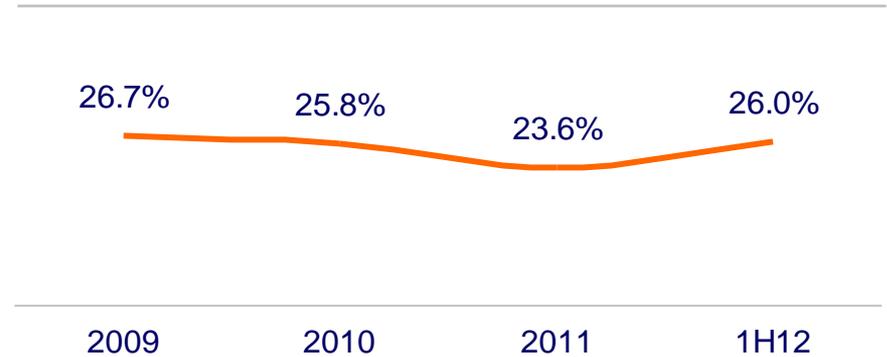
- Industry lending generates good (diversified) assets with repricing power, making this good for balance sheet integration
- Industry Lending portfolio dominated by Structured Finance (58.5%)
- Over the last years, ING's Real Estate Finance portfolio has selectively been reduced
- Going forward, ING will further reduce its Real Estate Finance portfolio and redeploy these assets in Structured Finance assets
- ING Real Estate Finance remains integral to the strategy of the Commercial Bank

Structured Finance: efficient business with high ROE

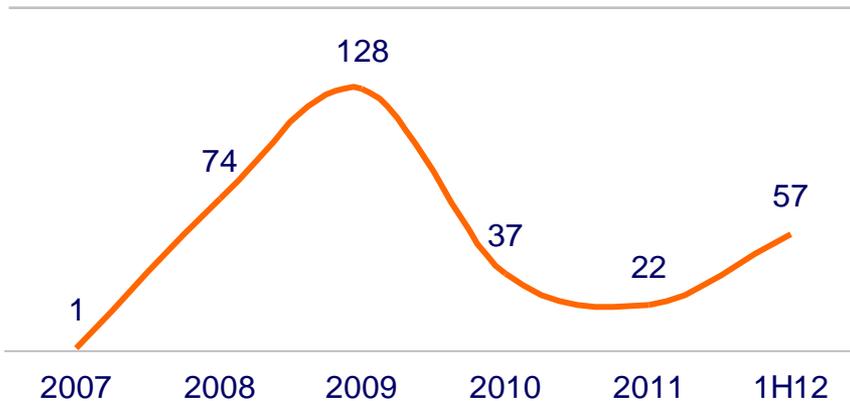
Structured Finance income (EUR mln)



Underlying cost/income ratio (%)



Underlying loan loss provisions in bps of average RWA



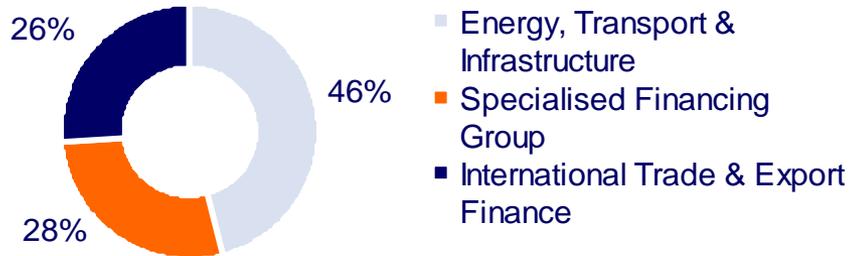
RoE (based on CT-1 ratio of 10%)



Structured Finance portfolio is well diversified both geographically and by sector

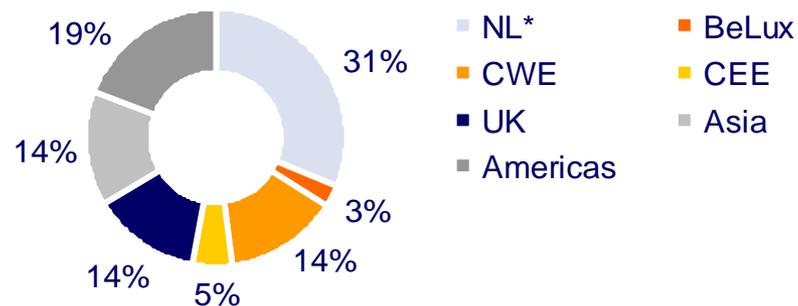
SF lending by sector

EUR 45 bln 1H12



SF lending by region of booking

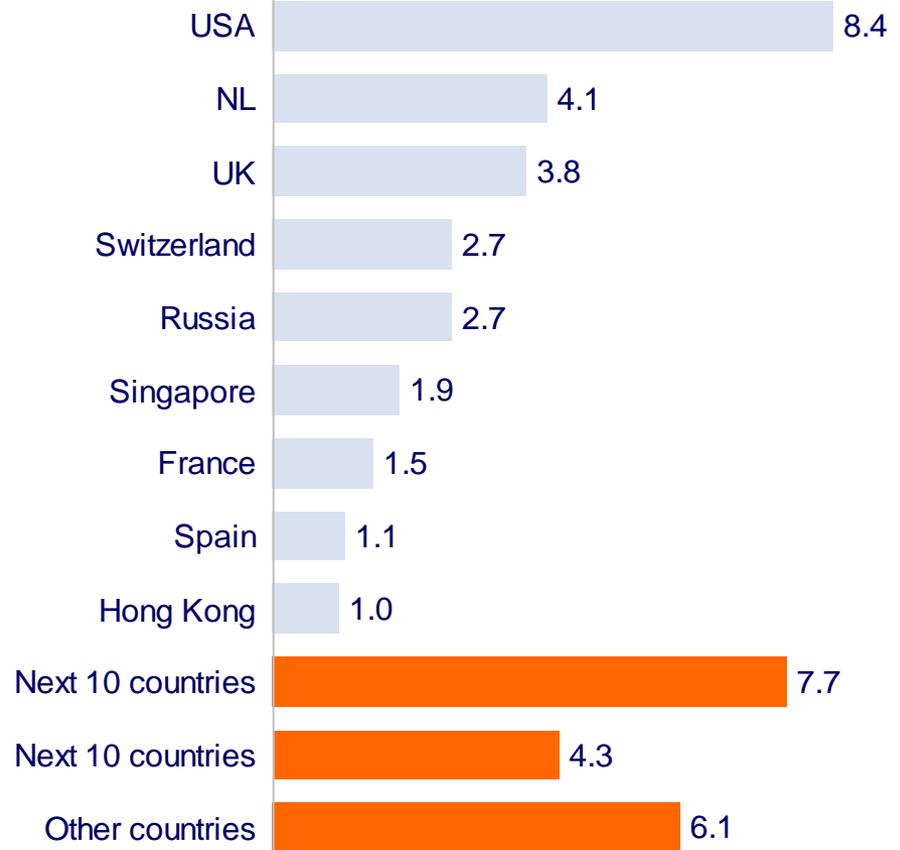
EUR 45 bln 1H12



* Including non-Dutch CB activities booked in the Netherlands

SF Exposure by country of residence

EUR 45 bln 1H12



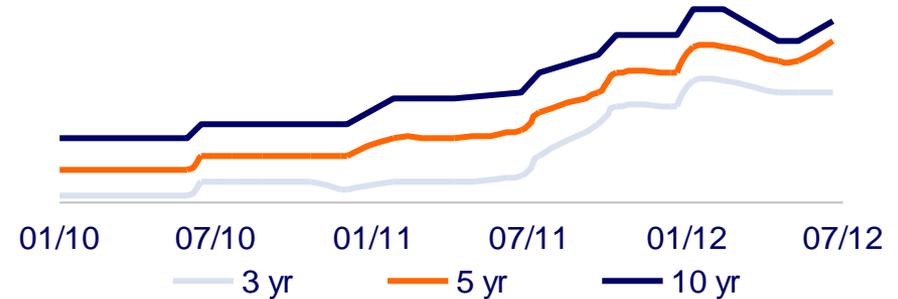
Repricing yet to be fully realised but accelerating

Illustrative return (bps)

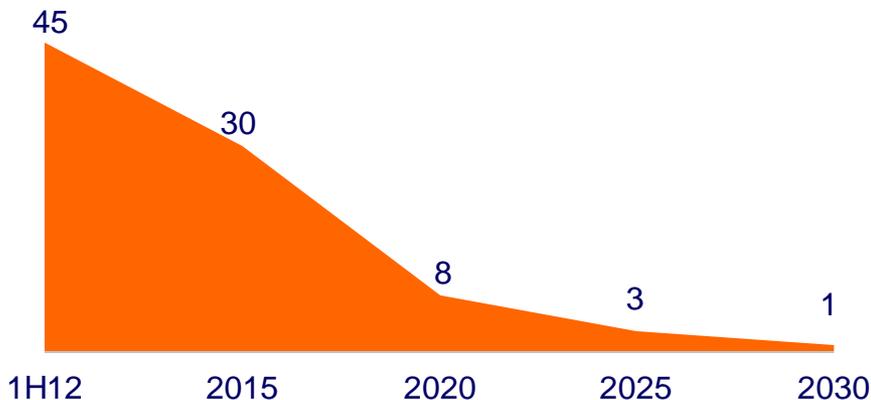
	Mid 2010	Mid 2011	Mid 2012
A-rated Investment Grade Corporate Facilities Drawn Margin	90	70	105
Project Finance	120	175	250
LBO (TLA/RCF)	415	400	475
Offshore	250	230	300

Funding costs (in bps)

EUR, above swap per tenor



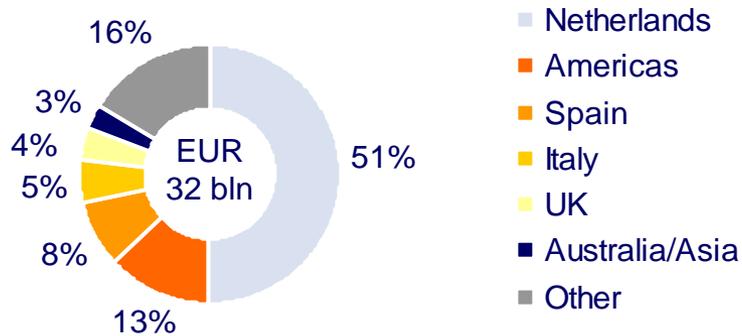
Structured Finance – run off lending assets (EUR 45 bln)



- Pricing has increased slowly over the past year and at different rates across different markets.
- Net interest margins on new businesses have increased despite higher funding costs due to increase in pricing
- When future Structured Finance assets run-off, it will create further repricing opportunities

Risk costs in Real Estate Finance have increased

Real Estate Finance portfolio by country of residence



Additions to loan loss provisions (in EUR mln)



Non-performing loans ratio (%)

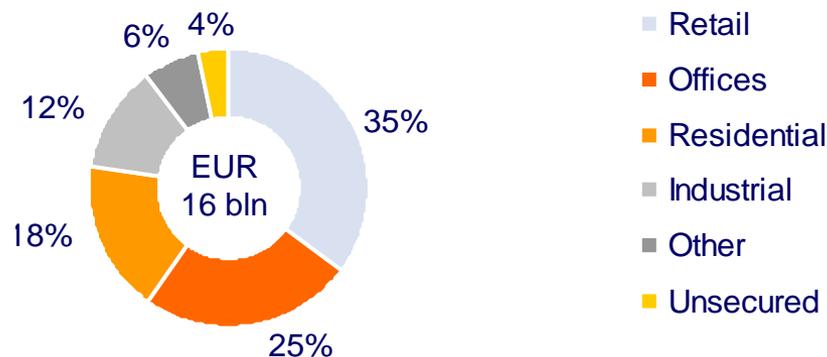


Risk costs expected to remain elevated

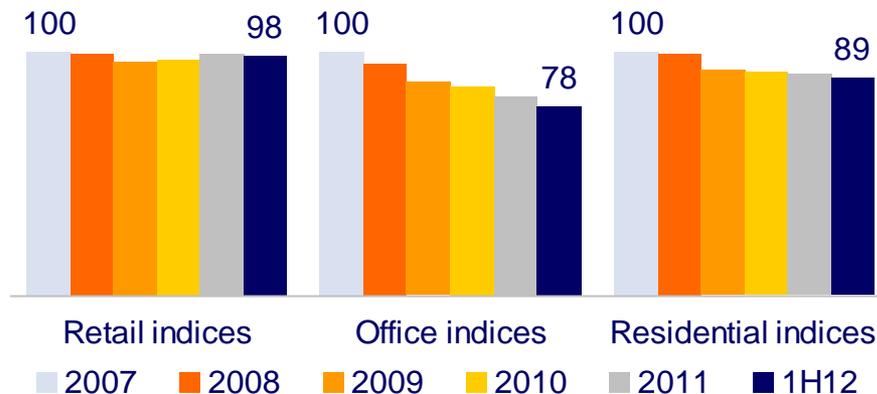
- Additions to loan loss provisions Real Estate Finance driven by NL, UK and Australia
- NPL ratio increased to 7.3% in 2Q12, driven by the Netherlands and the UK
- Construction is only 2% of total REF portfolio
- Risk costs in REF are expected to remain elevated given uncertainty in European commercial real estate markets

Dutch REF portfolio is diversified with EUR 4 bln exposure to offices

REF NL Lending Assets by sector (1H12)



Price development NL (ROZ/IPD indices)



REF NL Risk costs and NPL by sector (1H12)

	Risk Costs (EUR mln)	NPL (%)
Retail	2	1.0%
Offices	38	10.2%
Residential	7	9.8%
Industrial	19	6.0%
Total	66	5.9%

The REF portfolio in the Netherlands is well diversified

- The REF portfolio in the Netherlands is well diversified. We are most concerned about the office sector
- REF primarily finances prime real estate properties with diversified rent rolls and quality tenants
- Decline in asset values was partly offset by repayments, keeping the LTV relatively stable at around 70%
- Given limited amount of transactions, the valuation of collateral is difficult. Therefore, ING focuses on cash flow and less on LTV



Commercial Banking strategy going forward

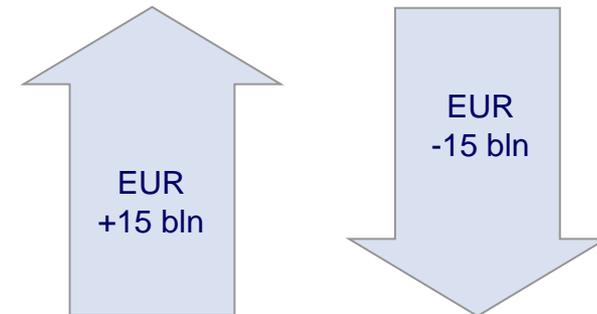
New regulation requires business model adaptations, but overall strategy stable, building on our strengths

Increase returns

- Maintain leadership positions in core markets
 - Benelux & CEE
 - Germany – opportunity to develop as core market franchise
- Maintain leadership in core products
 - Top 10 player in Structured Finance globally
 - Top 3 FM player in the Benelux corporate market as well as strong position in Emerging Market niches
- Continue to invest in Transaction Services
- Re-price lending to reflect higher cost of capital
- Continue to optimise our cost structure

Management actions to offset impact of new regulation

RWA (in EUR bln)



- Capital will continue to be allocated to core markets and high return businesses with attractive risk / reward characteristics

This provides a robust platform for further developing our business leading to an ROE target for ING Commercial Banking of 13%

RoE is based on CT-1 ratio of 10%



Disclaimer

ING Group's Annual Accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU').

In preparing the financial information in this document, the same accounting principles are applied as in the 2011 ING Group Annual Accounts. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in ING's core markets, (2) changes in performance of financial markets, including developing markets, (3) consequences of a potential (partial) break-up of the euro, (4) the implementation of ING's restructuring plan to separate banking and insurance operations, (5) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness, (6) the frequency and severity of insured loss events, (7) changes affecting mortality and morbidity levels and trends, (8) changes affecting persistency levels, (9) changes affecting interest rate levels, (10) changes affecting currency exchange rates, (11) changes in investor, customer and policyholder behaviour, (12) changes in general competitive factors, (13) changes in laws and regulations, (14) changes in the policies of governments and/or regulatory authorities, (15) conclusions with regard to purchase accounting assumptions and methodologies, (16) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (17) changes in credit-ratings, (18) ING's ability to achieve projected operational synergies and (19) the other risks and uncertainties detailed in the Risk Factors section contained in the most recent annual report of ING Groep N.V. Any forward-looking statements made by or on behalf of ING speak only as of the date they are made, and, ING assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities.

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