Building the Bank of the Future

Growing the Franchise without Growing the Balance Sheet

Morgan Stanley Conference

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Vice Chairman ING Bank

London – 28 March 2012
www.ing.com

BANKING - INVESTMENTS - LIFE INSURANCE - RETIREMENT SERVICES

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European banks are facing far-reaching changes

Regulatory Changes

- Higher capital requirements
- Lower balance sheet leverage
- More conservative funding & liquidity
- Focus on size of banks relative to GDP

Limit banks' ability to grow

Societal Drivers

- Households and governments need to reduce debt
- More customer scrutiny of banks
- Increasing demand for transparency

Put pressure on margins

Economic Drivers

- Weaker economic environment
- Reticence among companies to invest
- Deleveraging across banking industry

Limit demand

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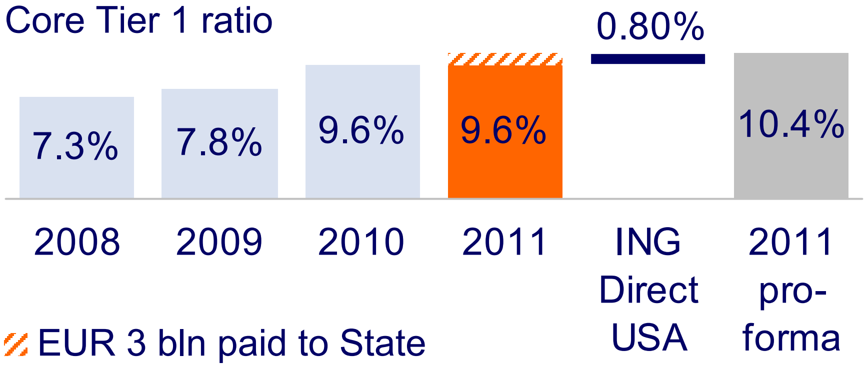
Which banks will succeed in this environment?

Regulatory Changes	Banks with ability to generate capital and meet Basel III requirements quickly
	Banks with ability to attract funding, both through deposits and professional markets
Societal Drivers	Banks that offer fair value for money, transparent and simple products, easy access, excellent service and appealing brand
	Banks with operational excellence, low-cost producers
Economic Drivers	Banks with strong funding will be able to lend at better margins while others deleverage
	Banks with strong market positions will be able to re-price

ING has key strengths to support our success…

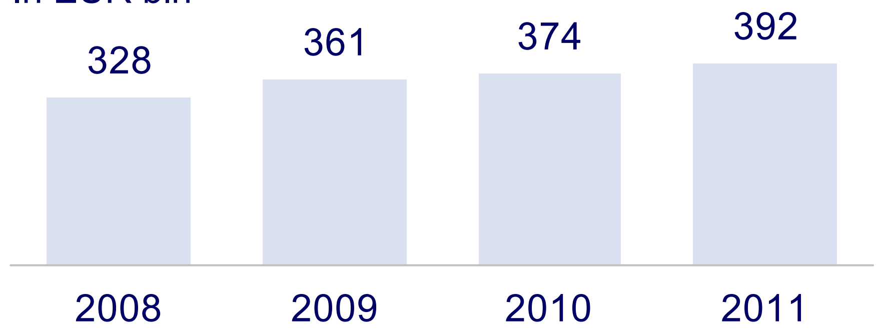
Strong capital generation

Core Tier 1 ratio



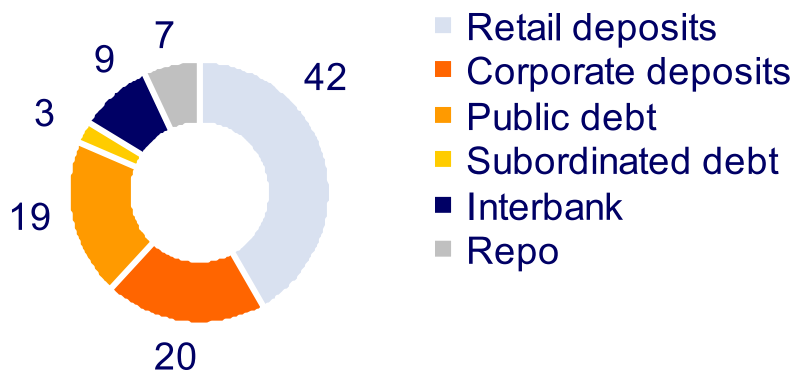
Strong retail deposit gathering ability*

In EUR bln



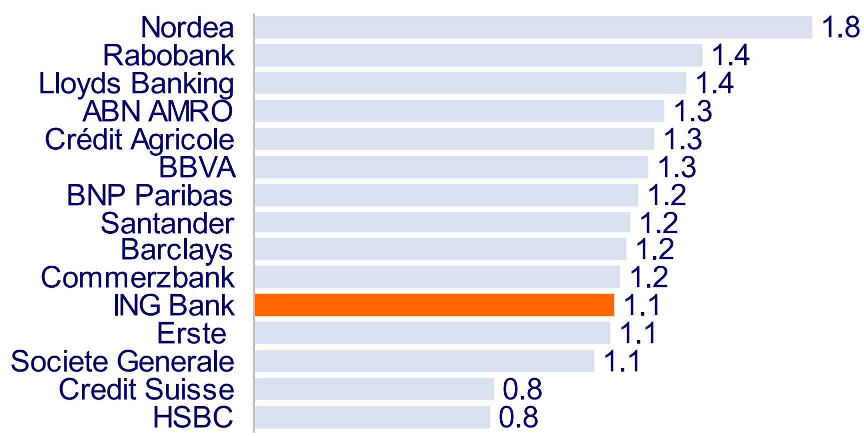
Conservative funding mix*

Per 31 December 2011 (%)



Attractive Loan-to-Deposit Ratio

31 December 2011*



* Excludes ING Direct USA.

Sources: Public company data

We have strong positions in attractive northern European home markets

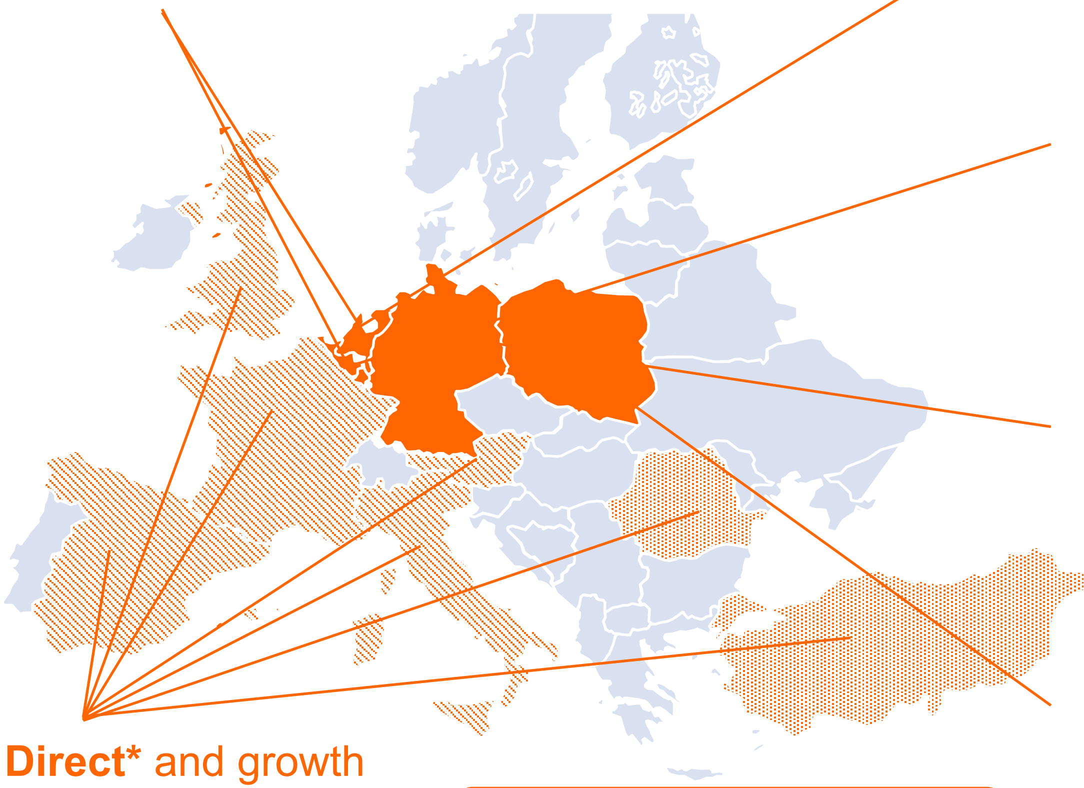
Leading **Commercial Bank** in the Benelux and **CEE**
Top 10 global player in Structured Finance
EUR 204 bln in client balances
of which EUR 91 bln outside the home markets

No. 2 Bank in the **Netherlands**
EUR 389 bln in client balances

No. 4 Bank in **Belgium**
EUR 179 bln in client balances

No. 3 Retail Bank in **Germany**
EUR 156 bln in client balances

No. 4 Bank in **Poland**
EUR 22 bln in client balances



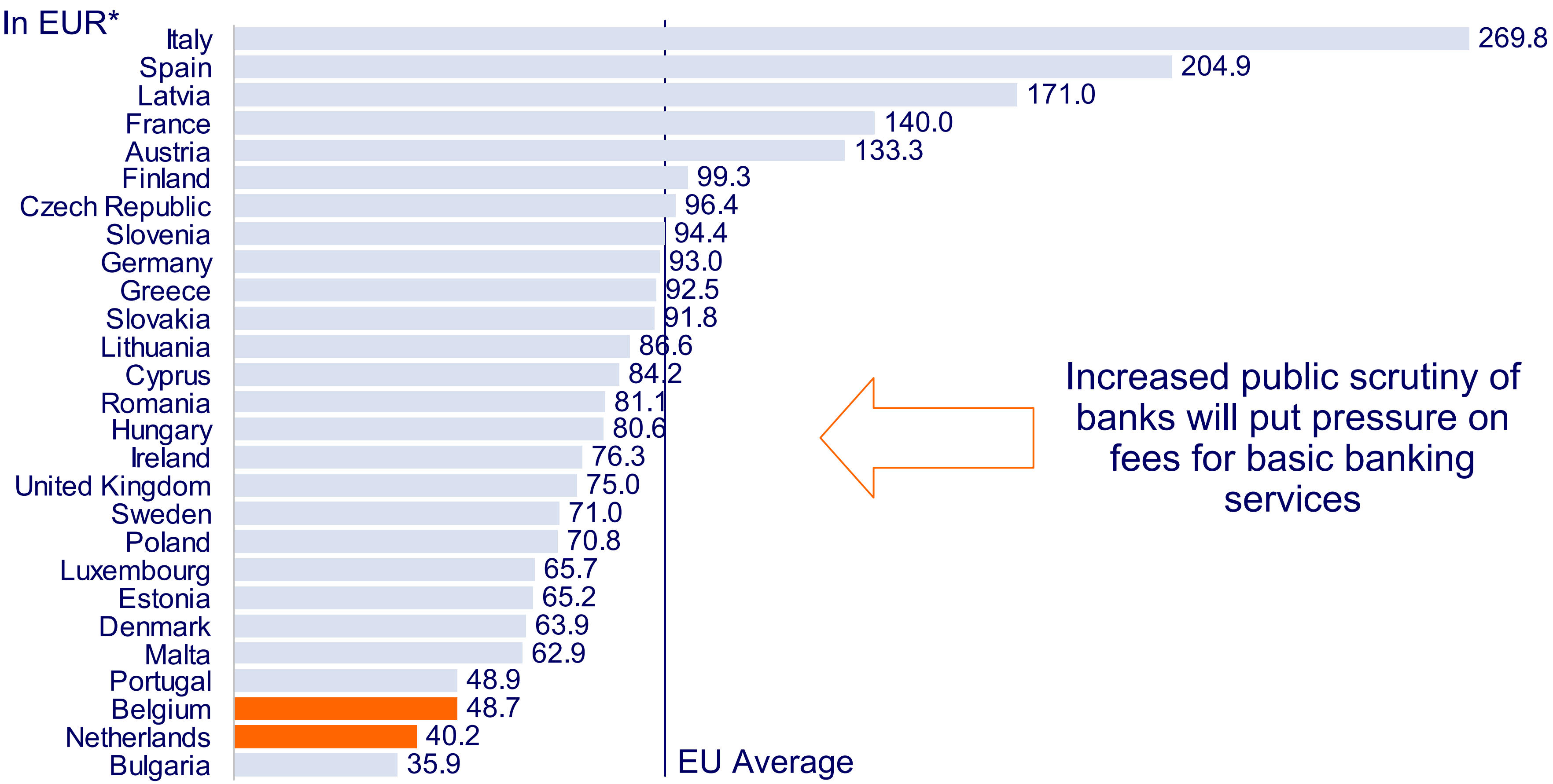
…Plus **ING Direct*** and growth options in **CEE** and **Asia**
EUR 210 bln in client balances

Total Client Balances ING Bank*
EUR 1,047 bln

* Excludes ING Direct USA

We are used to operating in lean, competitive markets

Average price per year of current account provided to consumers per country

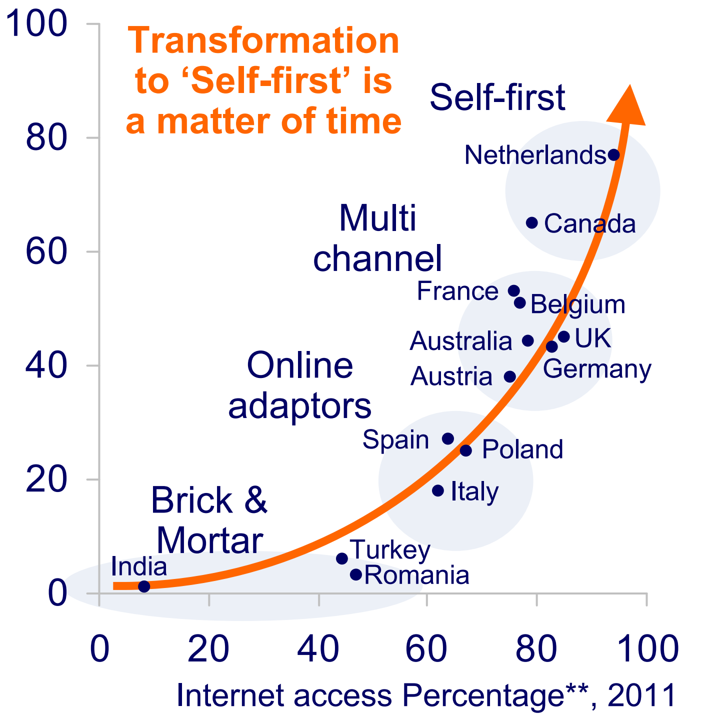


* Source: European Commission Directorate-General for Health and Consumers, "Data collection for prices of current accounts provided to consumers" published 2009. The objective of this survey was to produce statistically reliable data on the prices and tariffs for using the services linked to a current bank account in the EU Member States.

Which has made us leaders in innovative distribution…

NL is a leader in online banking

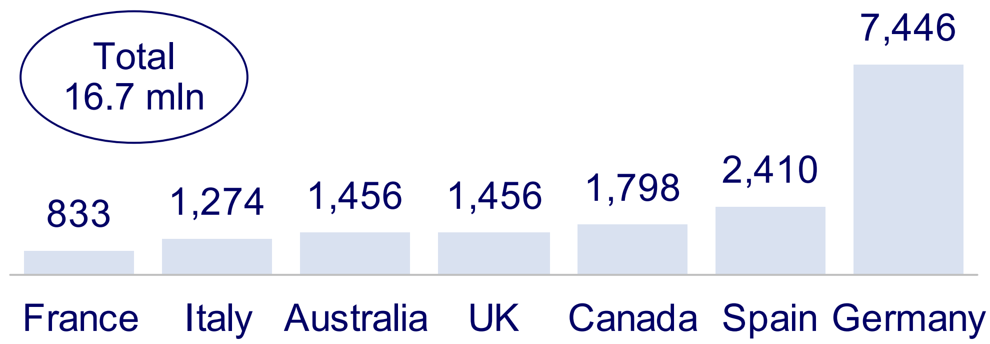
Online banking usage Percentage*, 2010



* Percentage of adults using internet
** Percentage of households with internet access
Source: data published by Eurostat, EFMA, comScore. Internet World Stats (Nielsen Online, International Telecommunications Union, Official country reports, and other research sources).

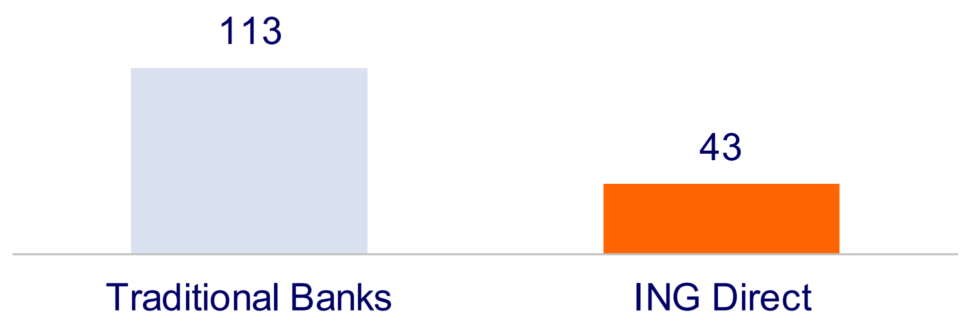
Which ING has exported successfully

ING Direct customers 31 Dec. 2011 (x 1,000)



Giving us a structural cost advantage

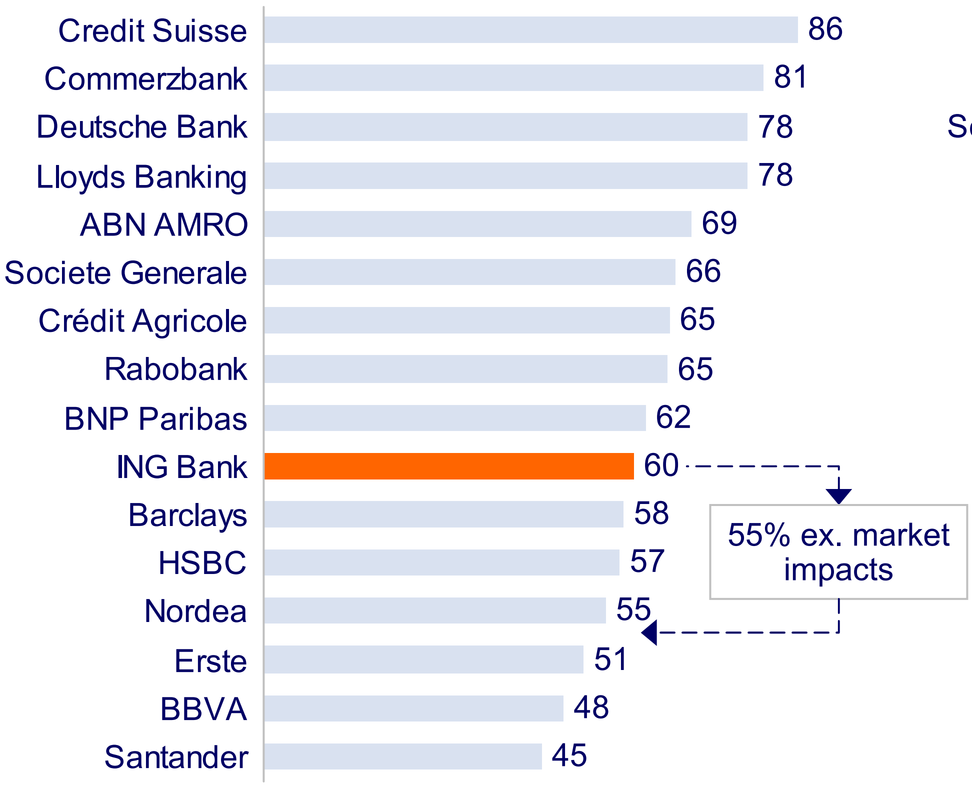
Operating expenses/Retail balances 2010 (bps)



…and a cost leader among European Banks

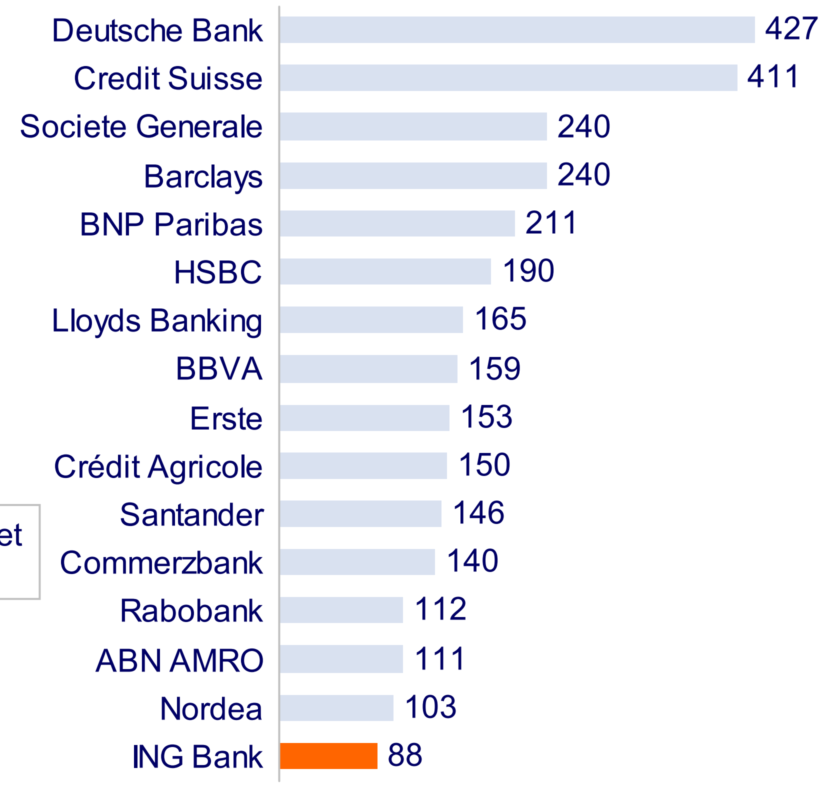
Cost / Income

FY 2011



Cost / Client Balances

bps as per 31 December 2011



Notes:
- Cost = Total Operating Expenses; Client Balances = average Customer Loans plus average Customer Deposits
- Sources: Public company data, ING company data

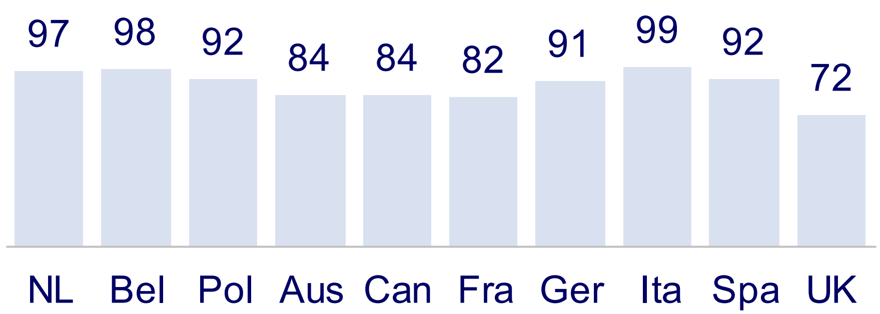
…while championing fair, transparent pricing for our customers

Customer proposition

- Limited number of products
- Consistent, transparent, fair pricing
- Customer-centric process management
- Break-through simplicity

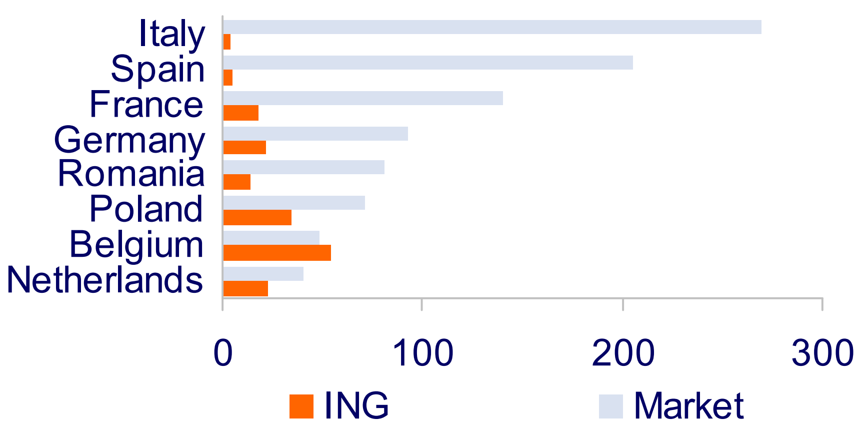
Strong brand position

Total aided brand awareness (2010)



The lowest fees in most markets

Costs for current account



And a loyal customer base

Net Promoter Score

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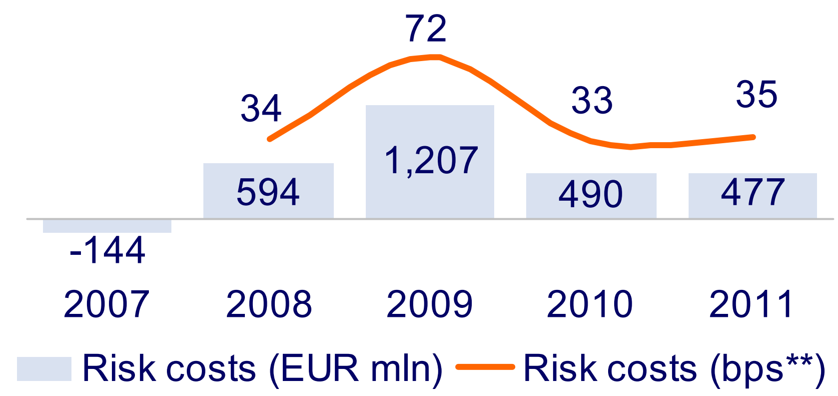
…and with a strongly performing Commercial Banking franchise providing attractive returns

Underlying income*

In EUR mln

Risk costs*



Underlying result before tax*

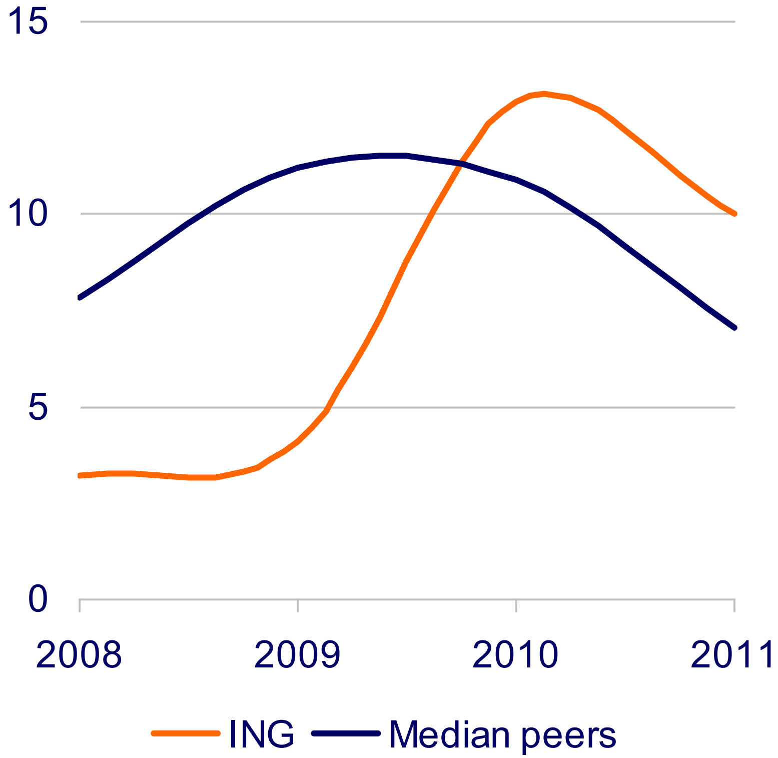
In EUR mln

- Commercial Banking has performed strongly throughout the crisis and continues to perform well
- Risk costs remained under control
- The result in 2008/2009 was negatively impacted by FV changes and impairments on Real Estate investments and development projects but Real Estate exposure has since been reduced sharply

* Adjusted for sale of Car Lease and REIM
** Risk costs as percentage of average RWA

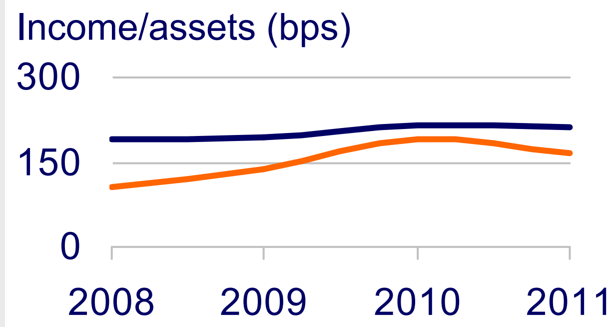
…and producing a competitive ROE through low costs and low risk

ING Bank produces a better Return on Equity than peers…

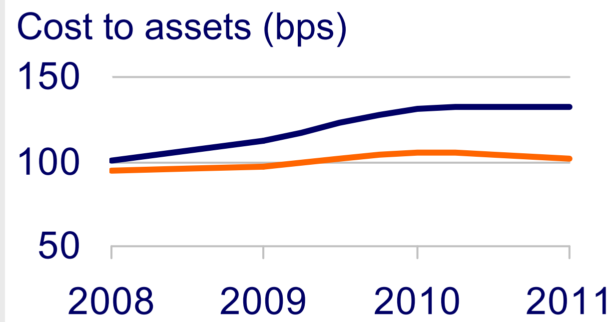


Notes: Peers are BNP Paribas, Credit Agricole, Lloyds Banking Group, Nordea and Santander
Source: Annual reports, Public company data

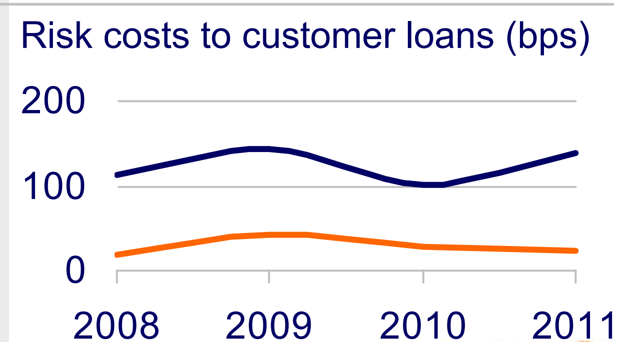
…despite lower income and fees to clients



…because we are efficient…



…and have a low risk profile



Transition to Basel III

ING has a good starting position to reach Basel III capital targets by 2013

		Targets	Actions
Core Tier 1	3Q08: 6.5% 4Q11: 9.6%	≥10%	• To be reached in 2013 • Strong continued capital generation and RWA containment
Leverage ratio*	3Q08: 57 4Q11**: 26	< 25	• To be reached in 2013 • Further reduction via balance sheet optimisation
LCR**	3Q11: ~90%	> 100%	• To be reached in 2015 • Further optimising the investment portfolio • Implementation as of 2015
NSFR**	3Q11: ~85%	> 100%	• Implementation expected as of 2018 • Uncertainty around definitions

* The reported asset leverage ratio is defined as Total Assets / Shareholders Equity while the Basel 3 leverage ratio target is defined as Tier 1 capital / on- and off-balance sheet exposure
** Excluding ING direct USA

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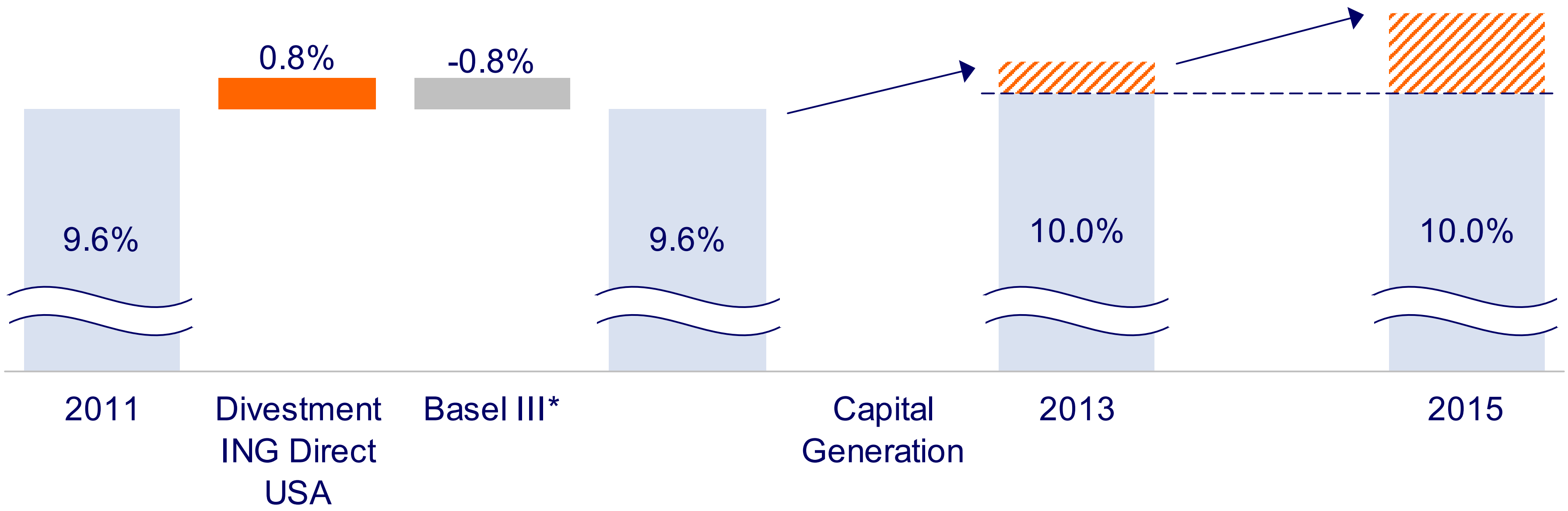
Core Tier 1 ratio target of >10% to be reached in 2013



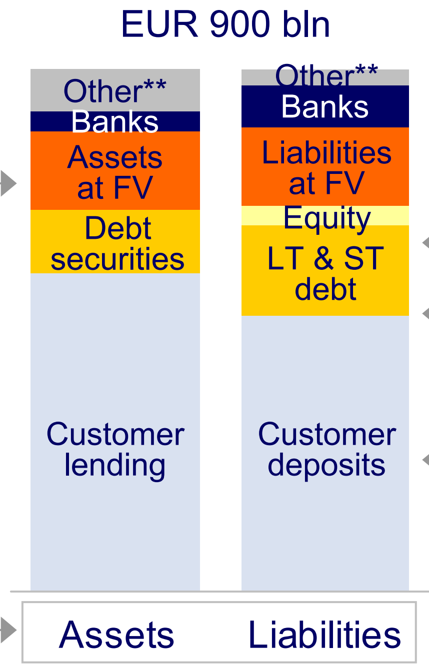
Strong focus on core Tier 1

- Strong earnings generation should enable ING to grow into Basel III targets before the end of 2013
- A further review of non-core assets in the Bank may also accelerate repayment of the State
- Dividend payments can be resumed post State repayment and restructuring

* Estimated impact based on figures as of 30 September 2011 (source ING IR Day, 13 January 2012)

Basel III is a catalyst to manage our balance sheet more efficiently

31 December 2011*



Liquidity Coverage Ratio requires larger holdings of government bonds and other liquid assets

Limits on total asset leverage introduced

Increasing capital requirements will put pressure on returns

NSFR requires more long-term funding, putting pressure on margins

Increasing competition for savings will put pressure on margins

- Regulatory changes will put pressure on earnings and returns
- We can offset part of the impact of Basel III by managing our balance sheet more efficiently

* Pro-forma excluding ING Direct USA
** Other includes among others asset/liabilities held for sale

Balance sheet can be optimised geographically to improve efficiency

	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

* Excluding Germany

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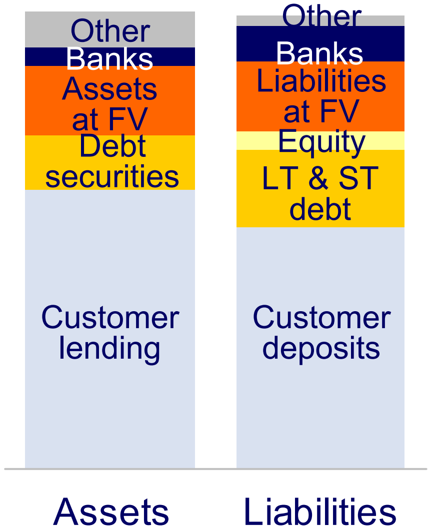
Optimisation will allow us to grow lending without growing the balance sheet

31 December 2011[1]

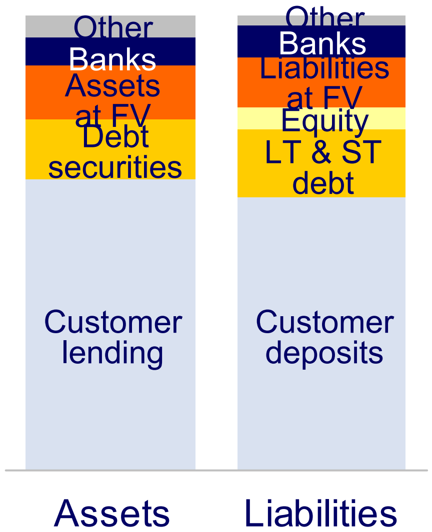
~ EUR 900 bln



CT1[1]	10.4%
RoE[2, 3]	10.0%
LtD	1.14
Leverage[4]	26

Indicative 2015

~ EUR 900 bln



CT1	≥10%
RoE[3]	10-13%
LtD	<1.1
Leverage[4]	<25

Optimisation

Liabilities

- Continue strong deposit growth
- Reduce short-term funding
- Conservative approach in long-term funding

Assets

- Replace low yielding assets with customer lending
- Transform investment book into liquidity portfolio
- Reduce (non strategic) trading assets

1 Pro-forma excluding ING Direct US
2 Including ING Direct USA
3 Based on underlying net results and IFRS equity
4 31 December 2011 asset leverage ratio is excluding ING Direct USA and defined as Total Assets / Shareholders Equity. The indicative 2015 Basel 3 leverage ratio is defined as Tier 1 capital / on- and off-balance sheet exposure

Key priorities for balance sheet optimisation

Continue strong deposit growth	• Continue strong deposit growth at ING Direct and Retail Banking units • Increase market share in corporate and mid-corporate deposits by investing to improve Payments & Cash Management offering
Reduce short-term funding	• Structurally reduce use of short-term professional funding • Continue to increase and term out long-term funding as market conditions permit • Maintain diversified funding mix and conservative maturity ladder
Replace low-yielding assets with customer lending	• Reduce non-strategic trading assets to make room for growth in customer lending • Evolve customer loan book towards higher-return businesses while keeping low risk profile • Prudently re-price lending to reflect the higher cost of capital
Transform investment book into liquidity portfolio	• Maintain investment portfolio only as required for liquidity purposes • Further shift to high-quality liquid assets driven by favourable maturity profile
Balance sheet integration	• Eliminate cross-border inefficiencies by creating self-sustainable balance sheets which are locally funded • Income diversification enabling a more competitive offering for retail liabilities

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Reduction of short-term funding

Reduce short-term professional funding

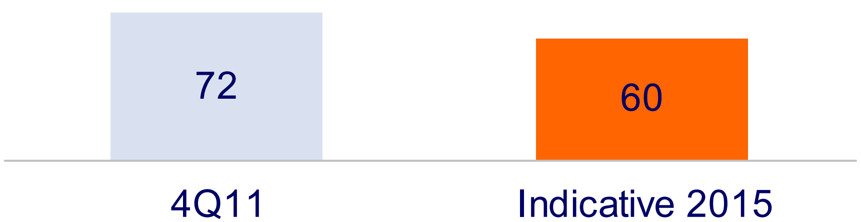
In EUR bln

Short-term debt in issue

- Short-term funding partly opportunistically used for short-term assets
- Reliance on short-term funding is modest in relation to size and duration of total balance sheet (~5%) and versus EUR 155 bln eligible assets*
- Both short-term assets and short-term funding will be reduced as we optimise our balance sheet:
  - Reduction of opportunistic trading opportunities
  - Further increase of client deposits and long-term debt issuance

Lowering amounts due to banks

In EUR bln



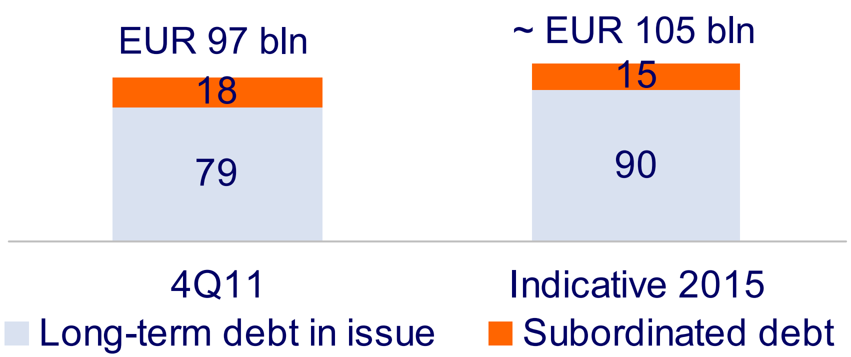
Amounts due to banks

- ING Bank is seen as a safe haven and strong credit, which is why other Financial Institutions deposited money with ING
- The excess versus EUR 45 bln 'Amounts due from banks' was largely placed with Central Banks
- Exposure will be reduced to optimise the balance sheet and reduce leverage

* 30 September 2011

…and increase long-term funding as market conditions permit

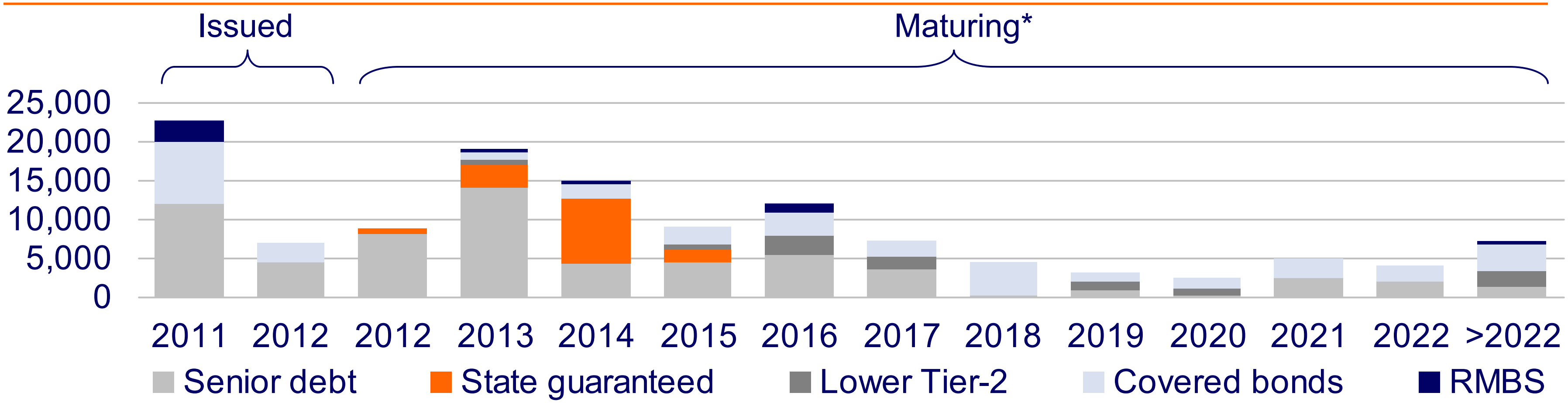
Long-term funding increase reflects conservative approach



Maintaining a diversified funding mix and conservative maturity ladder

- ING Bank partly pre-financed 2012 funding needs by issuing EUR 23 bln in 2011 versus EUR 10.7 bln maturing in full-year 2011
- ING Bank has EUR 18.2 bln of debt with tenor longer than 1 year maturing in 2012*
- Year-to-date, ING Bank has already successfully issued EUR 7.2 bln

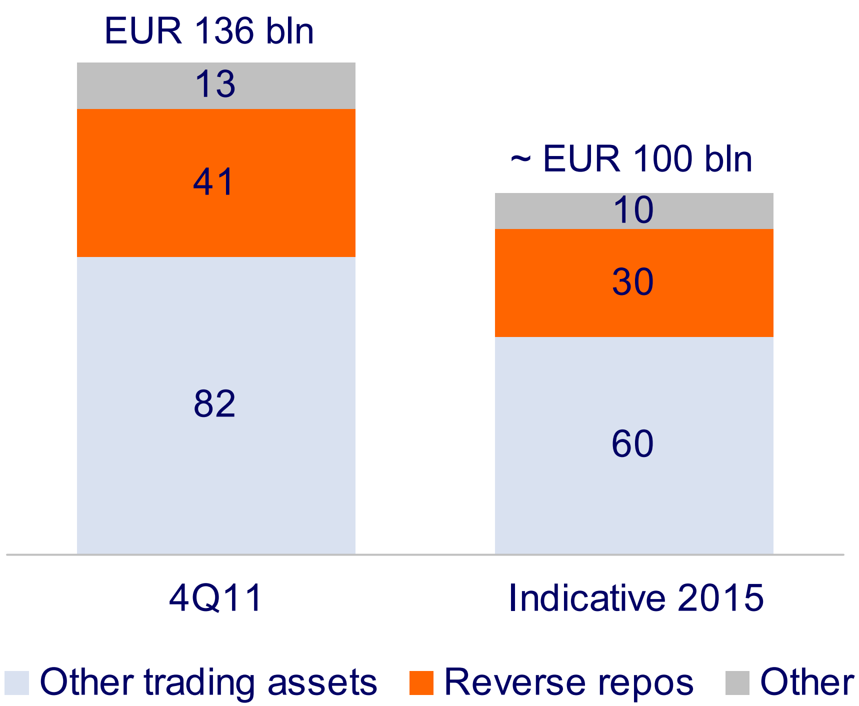
Limiting refinancing needs (EUR mln)



* Year-to-date, EUR 9 bln of debt has matured. The remaining amount maturing in 2012 is EUR 9 bln

Reduce non-strategic assets

Assets at fair value



Reduce repo exposure

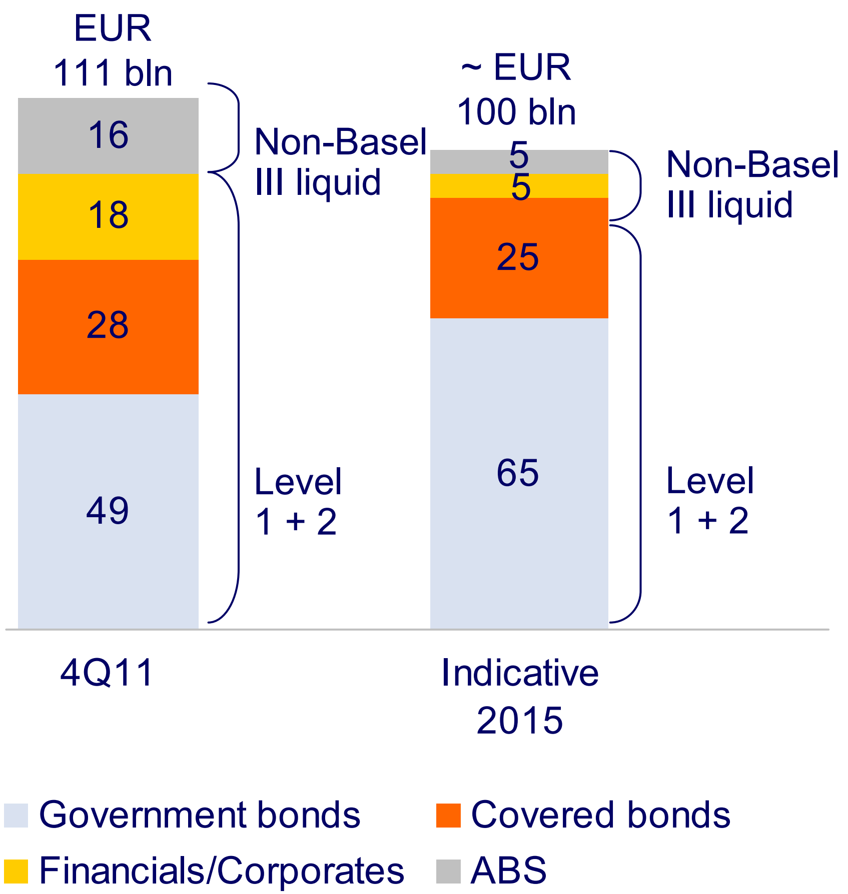
- Focus on client-driven business
- Lowering exposure to professional markets by reducing repo intermediation
- Impacts both assets and liabilities

Reduce derivative exposure

- Regulatory changes impose a stricter capital regime for CVA under Basel III
- Product re-design can help mitigate the adverse impact which will result in lower use of derivatives
- Interest rates expected to increase post-crisis in the coming years to 2015 (more normalised circumstances), which will reduce the market value of the derivatives
- Impacts both assets and liabilities

Transforming the investment book into a liquidity portfolio

Investment portfolio to be maintained for liquidity purposes only



NIM not significantly affected while liquidity values improve

- NIM preserved due to low historical credit spread
- EUR 68 bln will mature before 2016
- Re-investments in liquid assets deliver higher liquidity value

Investment portfolio actively transformed

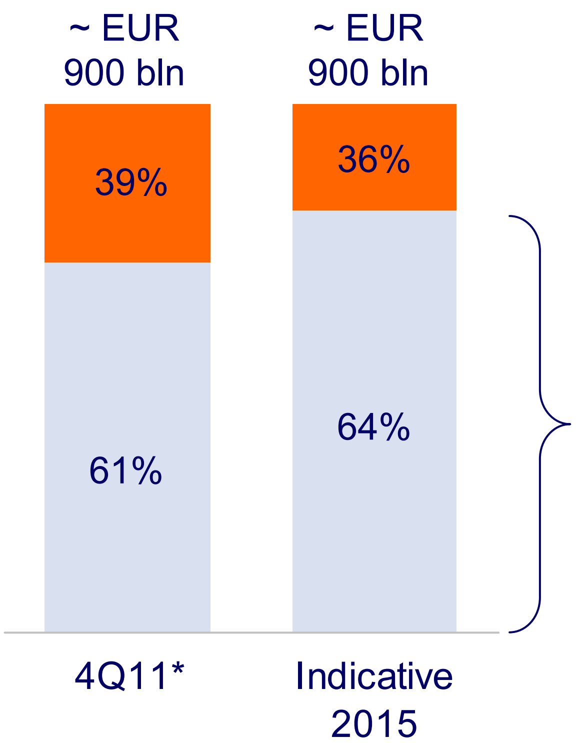
- Proceeds used to:
  - Fund client business
  - Redeem wholesale funding
  - Re-invest in covered bonds

Pro-actively reduced periphery sovereign exposure and ABS

- EUR 4 bln GIIPS sovereign sold in 2011
- EUR 4 bln ABS matured in 2011
- EUR 0.6 bln ABS sold, preventing EUR 2.5 bln RWA migration

Grow customer lending

Proportion customer lending increasing



Replacing non-strategic trading assets by higher-yielding customer lending

* Excluding ING Direct USA

Selective shift to higher-yielding assets

- Balance sheet optimisation will allow us to continue to support our customers and grow our loan portfolio without growing the balance sheet
- Targeting growth in long-term assets at shorter durations
- Mortgages:
  - Mainly grow in our home markets
  - Divestment of WestlandUtrecht Bank should reduce mortgage portfolio of ING Bank
- Focus on growing in key market and product positions with high return businesses and attractive risk / reward characteristics such as Structured Finance
- Continue growth in SME and mid-corporate markets by leveraging our international network

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Balance sheet integration to result in higher return

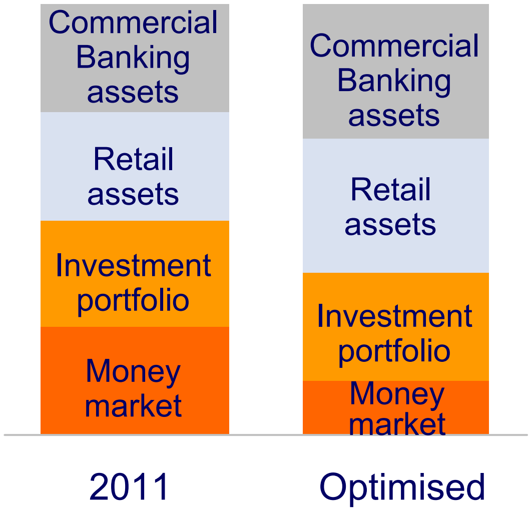
Balance sheet integration

- Align capital, assets and liabilities
- Reducing low-yielding investments with own-originated assets to optimise returns
- Balanced growth in Commercial Banking assets via organic growth and selected portfolio transfers

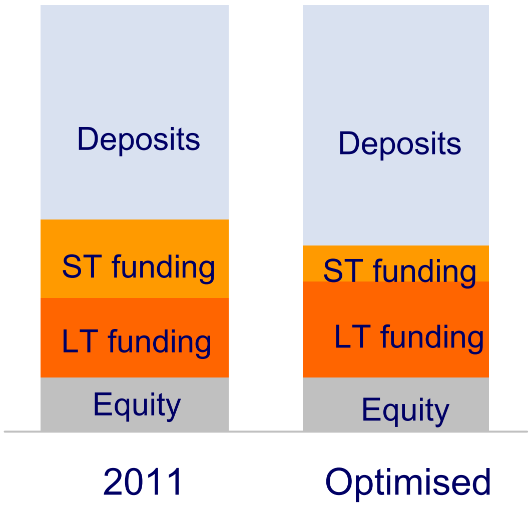
Eliminate cross-border inefficiencies

- Asset and liability generation to create locally sustainable balance sheets
- Income diversification enables more competitive offering for retail liabilities
- Diversified income drivers offering the full Retail and Commercial Banking product range

Assets



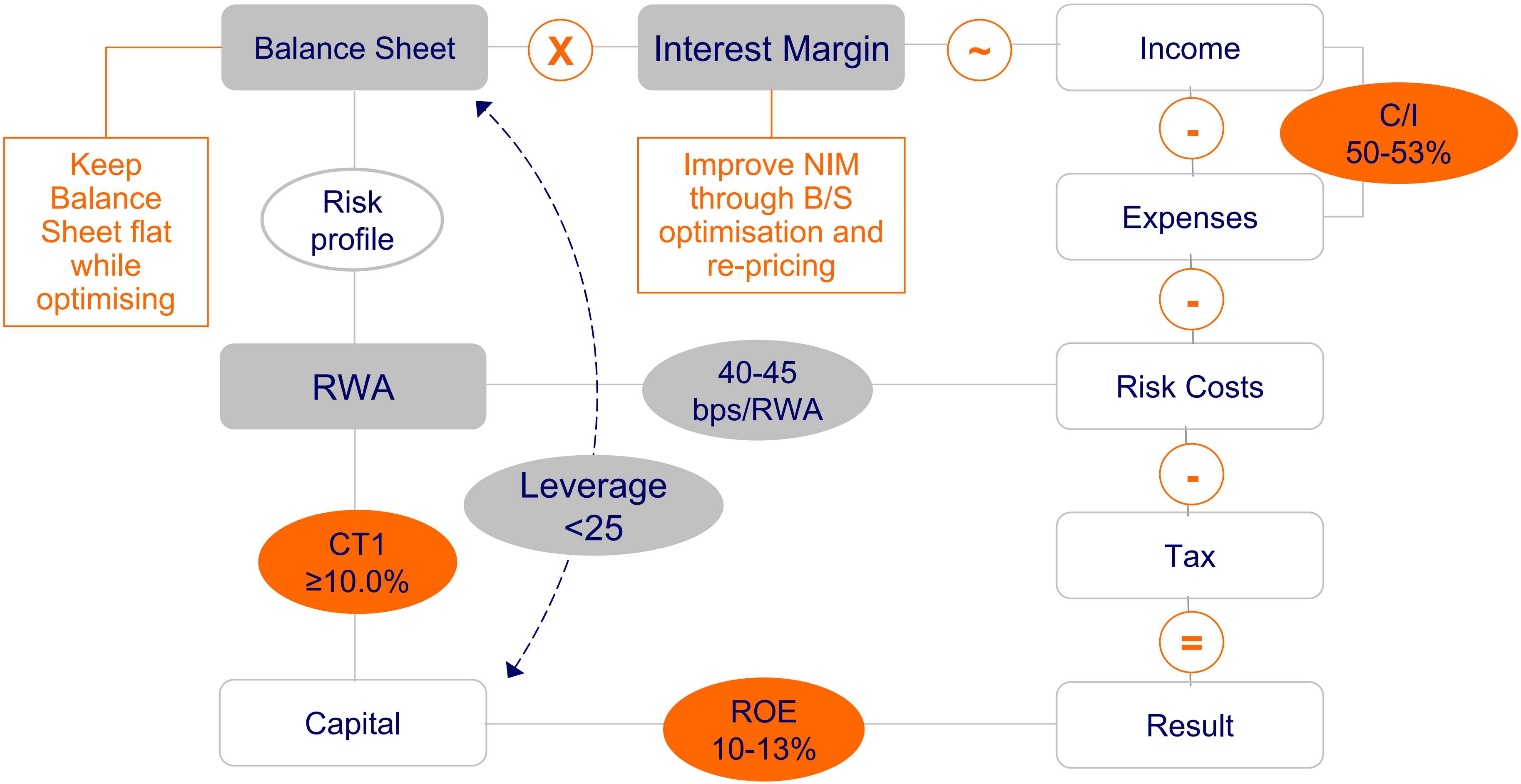
Liabilities



- Balance sheet integration initiatives have delivered EUR 23 bln and a further EUR 30 bln targeted
- An optimised balance sheet should result in a higher return on assets
- Within regulatory constraints

Ambition 2015

An optimised balance sheet should result in an attractive ROE of 10-13% under Basel III



Repricing and deleveraging are supportive for NIM

Replacing low yielding trading assets with higher yielding customer lending

- Historically, repos and derivatives are generating 2-3 bps of net interest income
- Replacing (part of) these activities with customer lending will result in an estimated 6 bps net interest margin uplift

Other positive factors

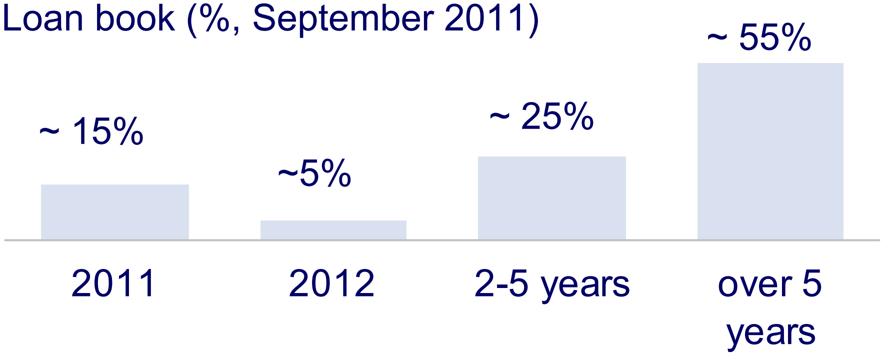
- The investment book was largely built up in years where yields were low (~ 11 bps on average)
- Replacing these assets will result in a comparable spread and higher liquidity values
- Higher retained earnings to meet higher capital requirements will earn an additional margin

Re-pricing mostly in business lending

- Pricing discipline (centralised pricing model) for new production and existing portfolio
- Review of non-core (low returning) client relations
- In Structured Finance, pricing is increasing again since June 2011

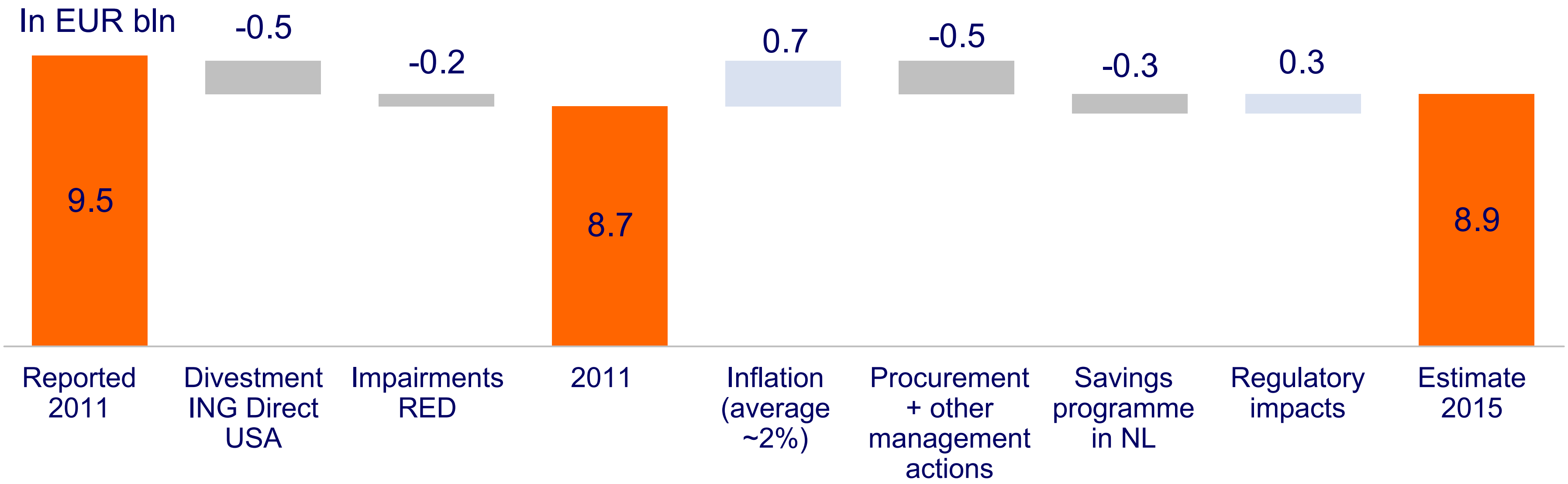
Run-off loan book (by contractual maturity)

Loan book (%, September 2011)



…and will continue to focus on costs to reach a cost/income ratio of 50-53% by 2015

Underlying operating expenses



…but structural improvements are needed to reach long-term cost target

- We are striving to offset rising costs to reach a cost/income ratio of 50-53% by 2015
- Cost reduction plans recently announced in the Netherlands will deliver EUR 300 mln in annual savings
- Procurement initiatives are expected to save EUR 300 mln per year by 2015
- Further structural efficiency improvements in processes and investments in IT will be needed to reach the long-term cost/income ratio target of 50%

An optimised balance sheet would have higher earnings and less leverage

Assets	• Balance sheet to remain stable
NIM/assets	• Re-pricing and deleveraging to support NIM to 140-145 bps
C/I	• Cost/income ratio to decline to 50-53% in 2015
Core Tier 1	• At least ≥10% in 2013
RoE*	• Return on Equity to be in the range of 10-13% over the cycle
LtD	• Loan to Deposit ratio to decline to below 1.10
LCR	• Liquidity coverage ratio to move >100% in 2015
Leverage	• Leverage to decline below 25

* Based on IFRS equity

Disclaimer

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