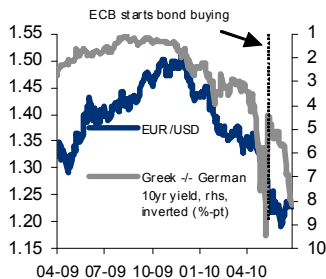


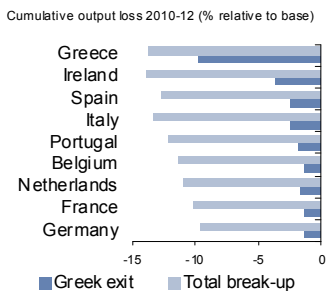
Global Economics
7 July 2010

Euro and Greek Bond Spread



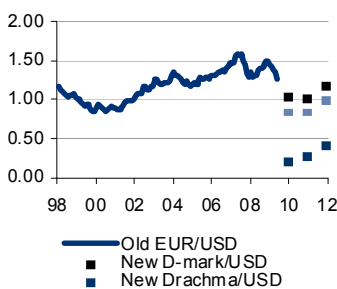
Source: EcoWin, ING

Output drop on EMU Break-up



Source: EcoWin, ING

New currencies would plunge



Source: EcoWin

Mark Cliffe

Global Head of Financial Markets
Research
London +44 20 7767 6283
mark.cliffe@uk.ing.com

Maarten Leen

Peter Vanden Houte

Chris Turner

Padhraic Garvey

Jeroen van den Broek

EMU Break-up

Quantifying the Unthinkable

Suddenly the unthinkable is thinkable. The possibility that one or more of the members of European Monetary Union (EMU) might leave is no longer being dismissed, even by Eurozone politicians. In this report, we discuss not the probability of this – readers will doubtless have their own views – but rather its potential economic and financial market impact. Complete break-up would have effects that dwarf the post Lehman Brothers collapse.

EMU was designed to be irreversible. The sovereign debt crisis has set the markets thinking that this may no longer be so. German politicians are talking openly of EMU exit being an option. But given the political dimension of decisions to leave EMU, there is no definitive way of assessing their probability, although this does not stop commentators debating it endlessly.

Our purpose in this report is rather different; we assess not the probability of EMU break-up, but its impact. Calibrating the impact is especially challenging, given the unprecedented scale and ambition of EMU. Indeed, it might be said that this is trying to “quantify the unquantifiable”. Nevertheless, faced with this risk, investors need to take a view.

We evaluate two boundary cases: a Greek exit and a complete break-up. Although there are many permutations in between, our results should give some indication of their potential impact as well.

While the initial economic damage of a Greek exit is naturally focused on Greece itself, the effects elsewhere are non-trivial. While Greek output falls by 7½% relative to our base case, the remaining Eurozone economies could see their output fall by as much as 1%. Losses on Greek assets spread the pain across Europe and beyond.

By comparison, the impact of complete break-up is dramatic and traumatic. In the first year, output falls by between 5% and 9% across the various former member states, and asset prices plummet. With their new currencies falling by 50% or more, the peripheral economies such as Spain and Portugal see their inflation rates soar towards double-digits. Meanwhile, Germany and other core countries suffer a deflationary shock. Indeed, with the US dollar surging on safe haven flows to the equivalent of 0.85 EUR/USD, the US also suffers a bout of deflation.

As a result, the break-up scenario leads to massive divergence in both interest rates and bond yields. Ten year bond yields in Germany fall below 1% while those in the peripheral markets might soar into a 7-12% range.

Some argue that the current sovereign debt crisis has exposed EMU as not being what economists would call an optimal currency area. We do not address the potential long-term pros and cons of dismantling EMU here. However, the initial trauma outlined in this report is sufficiently grave to give pause for thought to those who blithely propose EMU exit as policy option.

Contents

Thinking the Unthinkable	3
<hr/>	
Quantifying the Unquantifiable	5
<hr/>	
Quantifying the Unthinkable	6
<hr/>	
Conclusion – Thinkable, but Unpalatable	16
<hr/>	
Appendix - Scenario Tables	17
EMU Greek exit scenario	18
– <i>Absolute numbers</i>	18
– <i>Differences to base</i>	21
EMU Complete euro break up.....	24
– <i>Absolute numbers</i>	24
– <i>Differences to base</i>	27
<hr/>	
Disclosures Appendix	31
<hr/>	

The sovereign debt crisis has cast doubt on the sustainability of EMU

German politicians are openly talking of EMU exit as a policy option

Is this populist rhetoric?

Or shock tactics?

The stakes are high

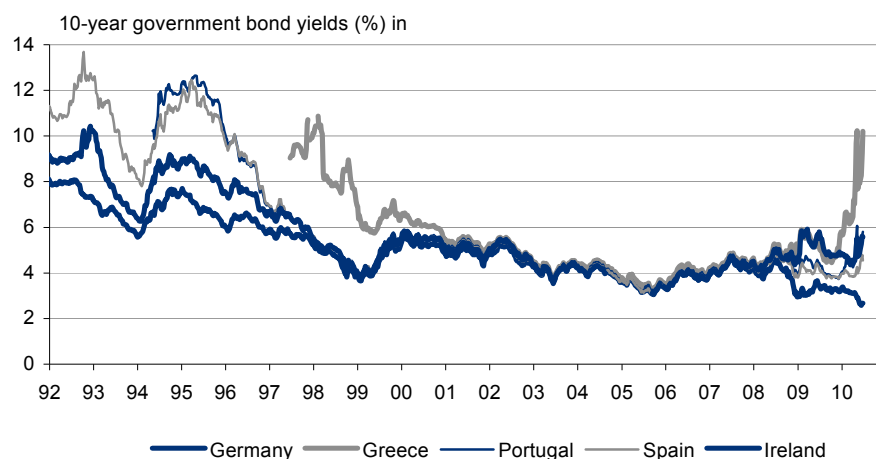
Thinking the Unthinkable

Suddenly the unthinkable is thinkable. European Monetary Union (EMU) was designed to be irreversible. Until this year, it was treated as such by the financial markets. But with the emergence of the sovereign debt crisis in the Eurozone, the possibility of members leaving EMU is being taken seriously by the financial markets. Even the complete break-up of EMU is talked about.

Crucially, this is no longer just a figment of fevered Anglo-Saxon imaginations. There has been a distinct change of tone from Eurozone policy-makers. They no longer rule out the possibility that some members may have to leave. Crucially, German politicians, responding to the popular anger of voters appalled at the prospect of bailing-out Greece and other struggling EMU members, suggest that departure of the profligate should be an option. Failing that, Germany itself may consider leaving, which would surely be the death knell of EMU in anything like its current form.

But should we take German politicians' talk of EMU exits literally? It might be dismissed as populist rhetoric designed to reassure the electorate that continued fiscal ill-discipline will not be tolerated. Or it could be portrayed as shock tactics designed to scare the Southern Europeans into accepting the harsh medicine of fiscal austerity being prescribed, and practiced, by Germany. In the end, Germany is committed to the survival of EMU, isn't it? After all, Chancellor Merkel herself said in May, "If the euro fails, it is not only the currency that fails. Then Europe fails. The idea of European unity fails."

Fig 1 Eurozone bond yields diverge again



Source: EcoWin

EMU exit would not, in itself, help fiscal solvency...

Meanwhile, politics aside, it could be argued that the economics of EMU break-up do not stack up. After all, if Greece or other Southern European members were to leave, the ensuing currency depreciation would not directly help improve their fiscal solvency problems. In fact, unless they re-denominated their existing debts into their newly-depreciating currencies, their debt-to-GDP ratios would soar. Moreover, even if they did re-denominate, this would, in the first instance, merely leave their debt-to-GDP ratio unchanged.

Box 1: The Mechanics of Sovereign Debt Sustainability

Following the Greek government's difficulties in financing its debt, the financial markets have become sensitive to the ability of all governments to put their finances on a sustainable footing. Countries with outstanding public debts in excess of annual GDP have come in for particular scrutiny. In the long term, markets want to see the public debt to GDP ratios stabilise and then fall from the elevated levels sparked by the financial crisis.

The key drivers of the change in Public Debt (as %GDP) over time can be derived from the following equation:

$$\text{Change in Debt} = \text{Primary Budget Deficit} + [(\text{Interest rate} - \text{GDP growth}) \times \text{Debt}]$$

Note: public debt and deficits expressed as %GDP, primary budget deficit excludes debt interest

Accordingly, the growth in public debt can be reduced in the following ways:

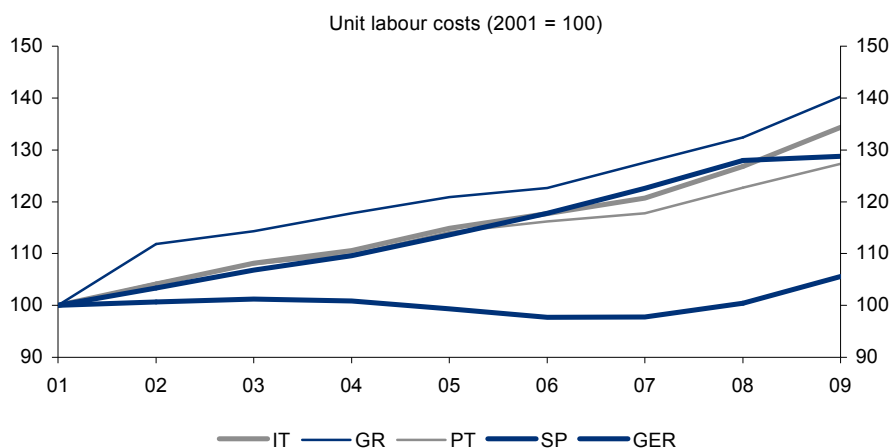
1. Improved primary budget balance = either lower expenditure or higher taxes
2. Lower interest rates
3. Faster nominal GDP growth = either faster real growth or higher inflation
4. Reduce existing debt = either sell-off assets or restructure/default on existing debt

For the peripheral Eurozone economies that are struggling with their government debts, departure from EMU is not a straightforward solution. Indeed, in the short term, it would make matters worse. The immediate depreciation in the new domestic currency would increase the cost of servicing their euro-denominated debts. Even if, as we believe most likely, they chose to address this by re-denominating these debts into their new currency, their solvency would be challenged initially by higher interest rates and higher primary deficits. The calculation is that currency depreciation would in the longer term fuel stronger nominal growth and, as result, lower primary deficits. This combination would allow them to reduce their debt to GDP ratios.

...the real story is about how to boost growth

However, this story is not just about fiscal solvency. It's also about growth. While a post-EMU depreciation would not in itself lower the leaving country's debt-to-GDP ratio, it would give it a chance to grow more rapidly by regaining price competitiveness (see Fig 2). Faster nominal growth would, over time, reduce the country's budget deficits and raise its GDP, thereby lowering the debt-to-GDP ratio.

Fig 2 Competitiveness needs to be restored



Source: EcoWin

Depreciation is seen as an alternative to grinding fiscal austerity

Even Europhiles have to concede that the probability of exits is not zero

Given the politics, putting a probability on exit is tricky

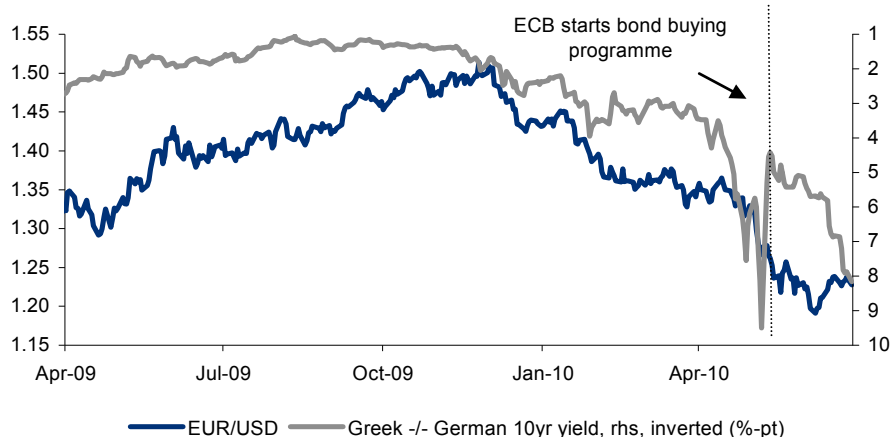
Thus EMU break-up is being viewed as an alternative to the years of sluggish growth that is threatened by the fiscal austerity that is now being seen as the price of continued EMU membership. The hope that EMU would be an engine of prosperity and of a 'levelling-up' convergence is now looking distinctly tarnished.

Quantifying the Unquantifiable

The events of the past few months mean that even the most ardent Europhiles have to concede that the probability of EMU departures or break-up is no longer zero. It may not be imminent, but the political and economic climate is such that the possibility that the membership will fall from its current level of 16 (or 17 as it is set to be in January 2011 with Estonia's entry) in coming years is clear.

However, the very fact that the fate of EMU is as much a political as an economic question means that there is no definitive way of putting a probability on EMU departures or break-up. Readers will doubtless have opinions of their own on this. Indeed, given its political dimension, this is a topic that rouses understandable passions on all sides of the debate.

Fig 3 Eurozone debt worries weigh on the euro



Source: EcoWin

Bond spreads and the euro do not give clear signals...

...although surveys show expectations of exits are high

BUT our focus is on the impact NOT the probability...

We can get some clues as to the financial markets' opinions on the probability of EMU break-up. The rise in intra-Eurozone government bond yield spreads and the general decline in the value of the euro itself are both indicative of the declining confidence in the sustainability of EMU. But they are hardly definitive: rising spreads could straightforwardly reflect the rising risk of sovereign restructuring or default. Meanwhile, the decline in the euro could also reflect the Eurozone's fiscal woes and the relatively lacklustre performance of the Eurozone economy: neither necessarily implies that EMU will fall apart.

Another way of assessing the probability of EMU break-up is via polls and surveys of professional and popular opinion. One such survey, conducted by the Economist Intelligence Unit commissioned by RBC Capital Markets, found that half of the 440 chief executives and heads of banks questioned believe that by 2013 there is a greater than 50% chance of one or more countries exiting EMU, while 36% see at least a 25% chance of a complete breakup.¹

However, our main purpose here is not to debate the **probability** of EMU break-up. We will confine ourselves merely to the observation that it is not zero, and that it has risen.

¹ Reported in the Financial Times, June 28th 2010 http://www.ft.com/cms/s/0/27a86056-8216-11df-938f-00144feabdc0,dwp_uid=79cadde4-5c1b-11df-95f9-00144feab49a.html

Our purpose is rather to attempt to **quantify the impact**. As any good scenario or credit analyst will tell you, the importance of an event depends not just on its likelihood, but also its impact.

...unlike other commentators

Remarkably, commentators are still obsessed with debating the 'will they, won't they' question of whether EMU will break up, rather than examining its implications. Yet with the EMU at serious risk, investors need to give careful consideration to calibrating the impact.

Quantifying the unquantifiable?

That said, quantifying the impact is a massive challenge. Indeed, it could be said that we are moving from 'thinking the unthinkable' to 'quantifying the unquantifiable'. True, there is a case history of failed monetary unions to work from. But EMU is a monetary union like no other in terms of its scale and ambition. It has pulled together 16 nations, the world's largest trading bloc. It has done so without political or fiscal union, indeed, for some, its express aim was to push the members in that direction. Its designers hoped too that it would become a currency to rival the US dollar, a goal that it looked well on the way to achieving, at least until a few months ago.

EMU is a monetary union like no other in its scale and ambition

Past break ups probably don't give us much guidance

So while monetary unions have broken up before, the consequences of even a partial break-up of EMU would be unprecedented. Throw in heavy doses of political friction and recrimination, and it is easy to see that any quantification of the economic and financial market consequences is fraught with uncertainty. The margins of uncertainty around what follows are unavoidably huge. However, while this is dirty work, someone has got to do it.

Quantifying the Unthinkable

1. Setting the boundaries

What's the story?

The first problem that we face in contemplating the possibility of existing members leaving EMU is to specify the story. Would just one member leave, a group, or would it break up completely? When would it happen? How would it happen? There are clearly a wide range of possible scenarios.

Who? When? How?

We outline two boundary cases

In order to cut through the innumerable possibilities, our economists and strategists decided to focus on two boundary cases. The idea is simply to give to some sense of the range of possible economic and financial market impacts.

Timing at end 2010 is a simplifying assumption, NOT a forecast!

Further, since forecasting beyond the near term is difficult enough, we chose to assume that break-up would happen just before the end of this year. This is not so much because we believe that this is the most likely scenario (indeed, our feeling is that exit or break-up is arguably more likely later in 2011 or beyond), but rather because this simplifies matters. In any case, since our main purpose is to examine what *difference* EMU exits would make, the precise timing does not make a material difference to our analysis. Within reasonable bounds, the resulting differences can be overlaid on alternative baseline forecasts².

² For more details on our Eurozone forecasts, please see Eurozone Economics Update: 3Q10 - Saving the euro?

Our two boundary cases are as follows:

The mild option:

Greek exit

1. Scenario I: a 'stage-managed' exit of Greece

- At the mild end of the spectrum, the most plausible scenario is that Greece is the only country to exit the Eurozone.
- Greece is the most challenged from a solvency and a competitiveness perspective, and it is most observers' favourite candidate for leaving EMU.
- The modest size of the Greek economy means that its departure would be far less disruptive than if one of the bigger economies were to leave.
- Our assumption is that Greece's exit does not happen in a chaotic manner. The Eurozone and IMF would provide medium-term funding to ease the pain of Greece's exit.
- The Greek exit gives further impetus for reforms in other highly-indebted countries such as Spain and Portugal

The extreme option: complete breakup

2. Scenario II: a complete break up of the Eurozone

- At the extreme end of the spectrum, Eurozone countries and the financial markets conclude that the monetary union has failed. Members decide to revert to national currencies and monetary policy.

Intermediate permutations can be inferred from our results

- Clearly, there are many intermediate cases involving a variety of periphery or core countries leaving. However, in these cases, there would be protracted economic, political and financial tensions that would leave open the possibility of further departures or a complete break-up at a later date.
- The complete break-up scenario also has the analytical advantage of allowing us to specify where each member might stand in terms of the economic and market impact of their exit from EMU. Readers might want to use our results as a rough guide to the potential viability of intermediate scenarios involving either weaker or stronger members trying to stick together either with the euro or some new successor currency. For example, one might envisage a German-led core group wishing to persevere with the euro, or alternatively a 'two-tier' euro whereby the core group uses a 'strong euro' and the peripheral group a 'weak euro'.
- In our complete break-up scenario, governments decide to convert all assets and liabilities into their new national currencies. Capital controls are temporarily introduced in an effort to stem capital flight from the weaker members. New notes and coins are reintroduced as quickly as possible.
- As a very extreme case, as we shall describe in the next section, the macroeconomic and financial market consequences of scenario II are a multiple of those of scenario I.
- As described earlier, EMU exit and reversion to national currencies does not directly improve fiscal solvency. Indeed, we assume the conversion of all existing debt into local currencies in order to prevent an immediate deterioration in debt-to-GDP ratios. Debt restructuring in some highly-indebted countries would remain a key risk: the calculation is that currency depreciation would eventually help these countries 'grow out of their problems'. However, as we shall see, the initial impact on output is severely negative.
- Even in the absence of restructuring, foreign investors will still bear huge losses as a result of leavers' currencies depreciating and asset prices plummeting. Liquidity problems are addressed through quantitative easing, and IMF and EU support. Clearly, it is possible to conceive of even gloomier versions of this scenario in which such support is not forthcoming, causing even greater systemic dislocation.

Even without restructuring, creditors would suffer FX losses

The margins for error are huge...

...but hopefully the broad orders of magnitude are plausible

Five blows to activity:

Logistical and legal problems would be severe

Capital flight and financial systematic distress

Plunging consumer and business confidence

Further fiscal tightening

Non-Eurozone economies hit also by currency appreciation

Greek exit might slice 7½% off GDP in 2011

2. Assessing the impact

For each scenario, we have assessed the potential impact on the economy and financial markets, both inside and outside the Eurozone. As noted earlier, the unprecedented nature of these scenarios means that the margins of error on our calibrations are necessarily wide; they involve a larger than usual element of art rather than science. Nevertheless, we believe that what follows gives some guidance of the broad orders of magnitude of the economic and market consequences that would ensue were our scenarios to play out.

The detailed results are contained at the end of this report. The following sections will briefly summarise the impact through to 2012 on:

- The real economy
- The financial sector
- Interest rates and government bonds
- Exchange rates
- Corporate bond spreads and ABS
- Real estate and stock market

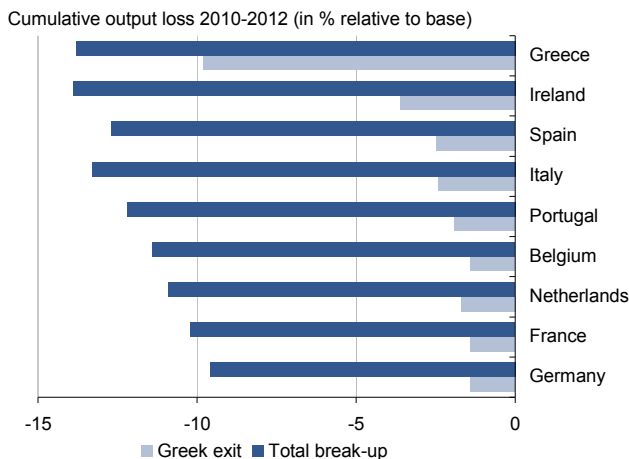
2a. The real economy – a hammer blow

Both scenarios would depress economy activity. There are several factors that would hurt economic activity:

- 1) Even with some advance planning, the logistical and legal problems of reintroducing national currencies, while transitional, would be severe and protracted.
- 2) Given the likelihood of sharp currency movements, capital flight and distress in the financial system would disrupt trade and investment. The dive in the global economy that followed the collapse of Lehman Brothers in September 2008 gives us a taste of how damaging this could be.
- 3) A plunge in business and consumer confidence would likely be accompanied by a renewed dive in asset prices inside and outside the Eurozone. Indeed, since it is unlikely that EMU exit or break-up would be entirely unexpected, these effects might begin to build up in advance of the event itself.
- 4) The challenge of maintaining fiscal credibility and securing government funding would be intensified. This would call for yet more fiscal tightening measures, particularly for the weaker peripheral Eurozone countries.
- 5) While non-Eurozone economies would be spared the worst of the disruption of the creation of one or more new currencies, they would suffer more in one respect: their currencies would appreciate strongly, compounding the damage to their export growth.

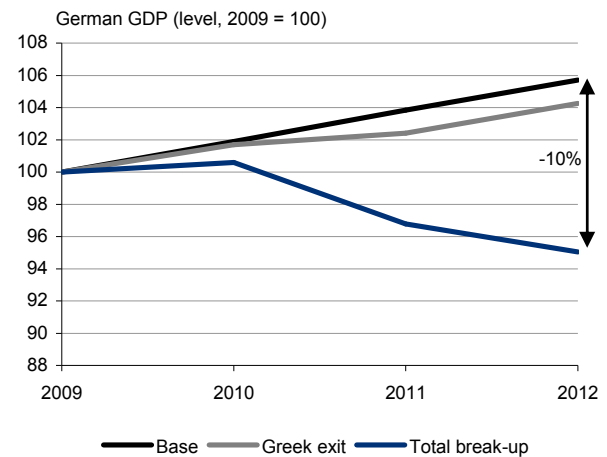
Although in scenario 1, Greek exit, the impact is clearly heaviest in Greece itself, there would be non-trivial effects on the rest of Europe. Greece suffers a deeper recession in 2011 than in our baseline, with GDP 7½% lower. Other Eurozone countries suffer falls in output of up to 1% (see Fig 4).

Fig 4 Output losses exceed 10% after break-up



Source: ING

Fig 5 Impact on GDP exceeds that of the credit crisis



Source: ING

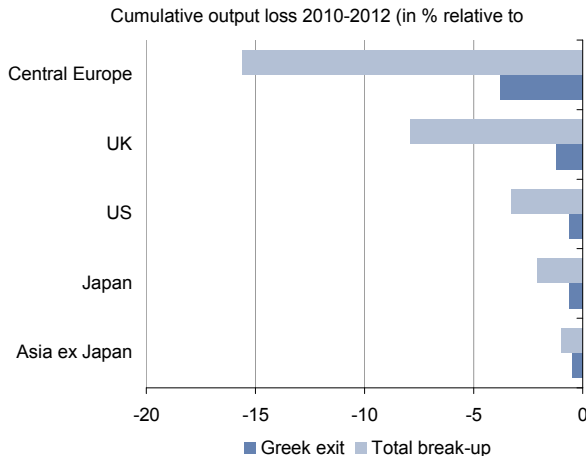
Break-up could depress GDP by between 4% and 9%

Neighbours such as the UK would be hard hit, too

US could flirt with recession

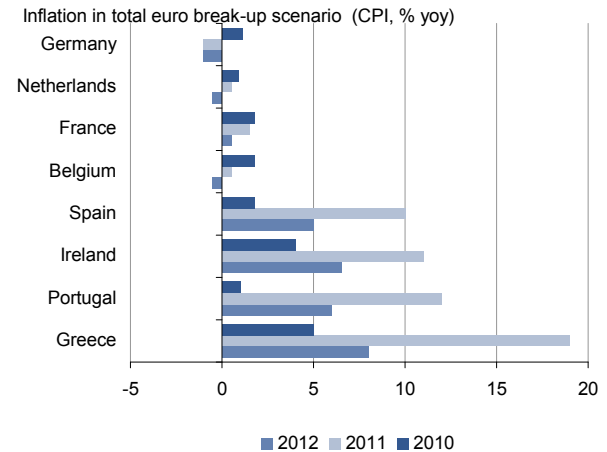
However, the broader impact under scenario II, the complete break-up of EMU, is much larger. In 2011 a deep recession across the Eurozone emerges, dragging down the global economy. In the Eurozone output falls range from -4% in Germany to -9% in Greece. Elsewhere the impact is particularly large in neighbouring European economies. Thus GDP falls 3% in the UK and 5% in Central and Eastern Europe. While the US would be less adversely affected, the combination of lower global growth and a strongly appreciating US dollar would see it flirting with outright recession in 2011.

Fig 6 Global impact: "Beggars the neighbours"



Source: ING

Fig 7 Deflation for the core, inflation for the periphery



Source: ING

Markets will seek a new equilibrium. A weaker exchange rate will benefit exports to the rest the world. However, this will not compensate for the domestic demand collapse.

Weaker leavers could see inflation hit double digits as their currencies plunge

Core Europe and the US have a deflationary shock

While the impact on activity would be negative across the board, the impact on inflation would be more varied (see Fig 7). In scenario I the drop in activity depresses inflation in general, apart from Greece where currency depreciation will push up inflation into double-digit numbers. In scenario II, the currency depreciation effect would extend to all the peripheral countries, in some cases pushing inflation rates to double digits. By contrast, the massive drop in activity might lead core European countries to suffer from deflation. A soaring US dollar would also impart a deflationary shock to the US economy.

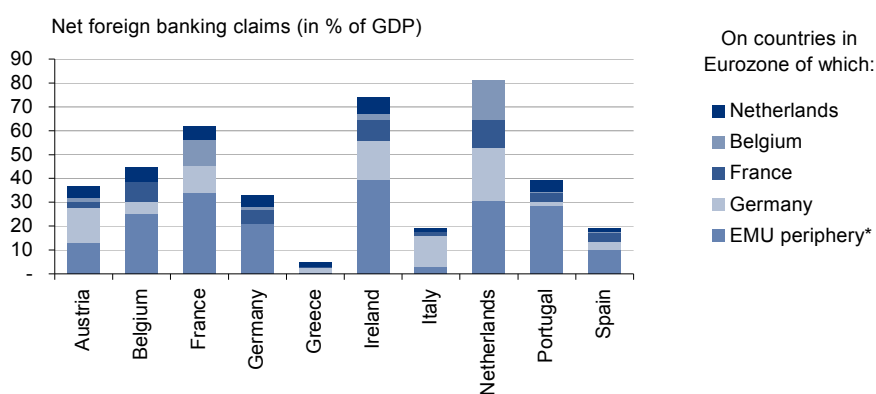
The financial sector will suffer from plummeting asset prices

The Netherlands and UK would suffer big losses on their pension schemes

2b. Financial sector – fresh systemic distress

The financial sector suffers in both scenarios. In scenario I, the effects are clearly smaller, although the fact that a high proportion of Greek assets are held outside Greece spreads the pain. In both scenarios, asset prices initially plummet (all the more so to the extent that the event is unexpected). Aside from stock prices, house prices will drop sharply in markets where mortgage debt was already high and rates go up relatively sharply. The plunge in economic activity and corporate profitability also leads to a sharp rise in defaults on corporate bonds and loans, compounding the problems for the banks and other financial institutions. Banks and pension funds in surplus countries and/or countries with mature funded pension schemes, such as the Netherlands and the UK, face immediate currency losses on their assets in deficit countries. In all, governments would find themselves having to bail out banks again, worsening already fragile government finances.

Fig 8 Banks' Eurozone exposure: core vs periphery



*Greece, Italy, Spain, Portugal, Ireland

Source: BIS, ING calculations

Core countries, as creditors, will suffer big losses

Peripheral economies will eventually benefit from depreciation, if credible policies are put in place

Nominal central banks of weak leaders would have to tackle inflation

Greek interest rates might hit the mid-teens

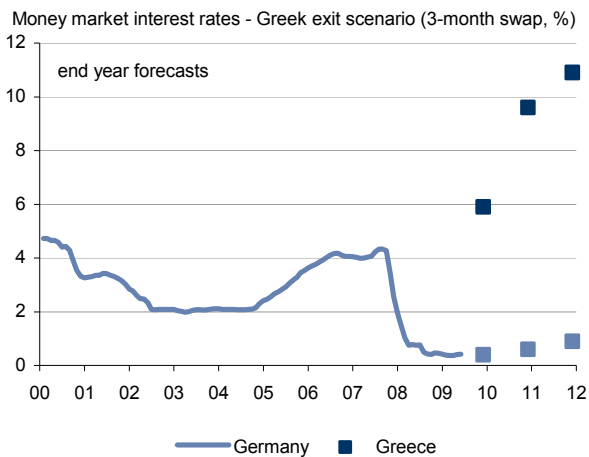
Especially in the break-up scenario, severe balance sheet problems in the financial sector will arise depending on cross-border imbalances between assets and liabilities. Indeed, the same will apply to the corporate sector. In general the core countries are creditors to the peripheral countries, leaving them exposed to serious losses. As a result, adjustment to a new equilibrium will be bumpier for core countries than for peripheral countries which will benefit from currency devaluation. However, the ability of peripheral countries to benefit from a break up will depend partly on their ability to convince market participants that they are implementing credible and sustainable policies to both contain inflation and restore fiscal solvency.

2c. Interest rates and bond yields – dramatic divergence

The restoration of national control over monetary policy will turn the responsibility of dealing with the economic and financial consequences of EMU exit back to the national central banks. For Greece, and in the break up scenario, the other peripheral economies, this means dealing with the inflationary consequences of sharp currency depreciation (see section 2d below). At the same time, this will have to be balanced against the pressures arising from economic and financial dislocation, not to mention a new wave of fiscal austerity. For the core countries, the main threat is deflation, albeit partially offset by a currency depreciation against non-Eurozone currencies.

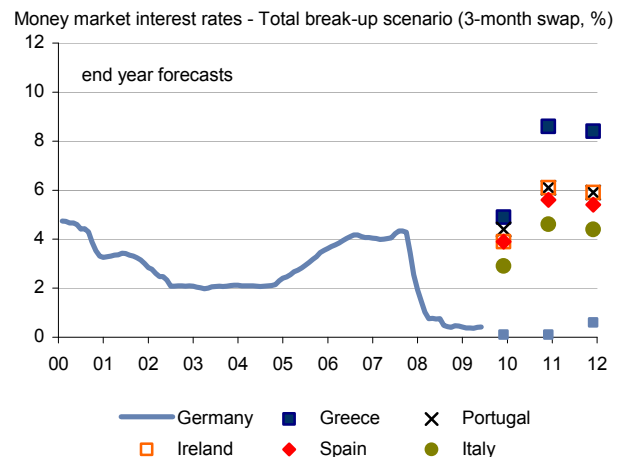
In the Greek exit scenario, money market rates will, with the exception of Greece, generally decline. We see Greek market rates quickly heading to the 10-15% area (see Fig 9). Yield curves in general steepen but most notably in Greece and – although to a lesser extent – in the other peripheral countries.

Fig 9 Greek exit = sharply higher Greek interest rates



Source: EcoWin, ING projections

Fig 10 Break-up...general interest rate divergence

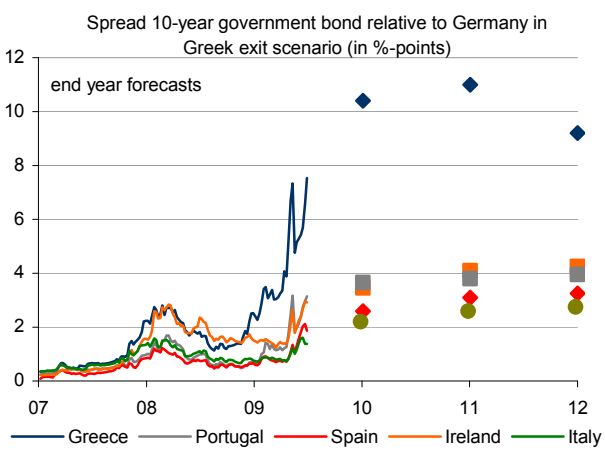


Source: EcoWin, ING projections

Core bond yields could fall below 1%

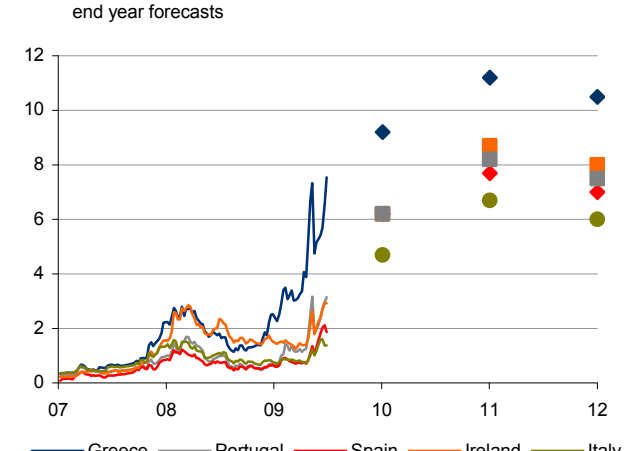
In the EMU break up scenario, interest rates in the core countries will fall even more than in scenario I. Ten-year government bond yields in Germany and the Netherlands may even fall below 1%. This reflects not just the massive deflationary shock, but also a significant capital flight from the periphery, capital controls notwithstanding. Peripheral long-dated yields will by contrast rise sharply to levels in a range between 7-12% (see Fig 10).

Fig 11 Spread widening in the Greek exit scenario



Source: EcoWin, ING projections

Fig 12 Break up leads bond spreads to explode



Source: EcoWin, ING projections

Massive divergences would subside once the periphery rebuilds credibility

Overall, significant interest rate differentials between the core and the peripheral countries emerge. These may diminish after 2011 as peripheral central banks seek to rebuild credibility and the initial currency depreciation and inflation impulse fades.

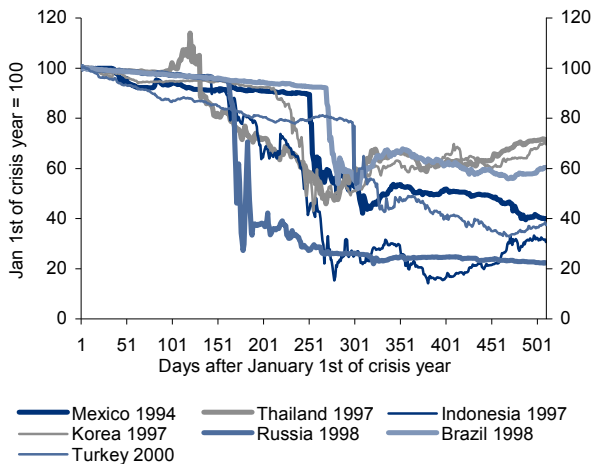
2d. Exchange rates – reality bites

Greek exit alone would permanently change perceptions of the euro

EUR/USD could test the previous low of 0.85

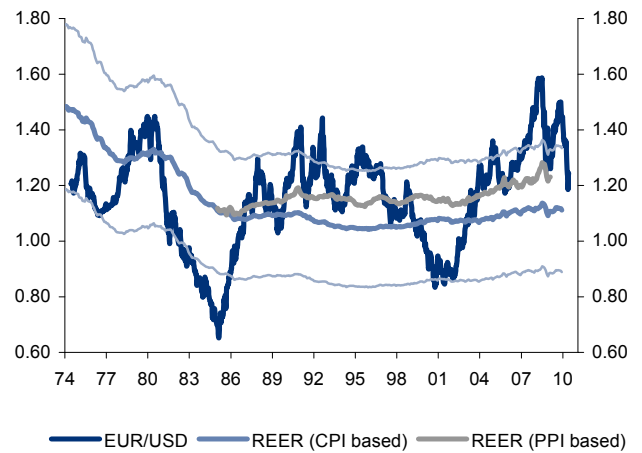
The departure of Greece alone would be a major blow to the financial markets' confidence in the sustainability of EMU. In establishing the principle that members could exit, the notion of the irreversibility of EMU would be shattered forever. Add to that the economic and financial hiatus that would ensue, and it is easy to see the euro plunging in both scenarios. Indeed, we see EUR/USD slumping to 0.85, close to its previous low in 2001 (see Fig 14). In scenario II, there might be a temporary overshoot to the 0.70/75 area. This compares with a current low of 1.10 in our baseline forecast.

Fig 13 FX performance after failed currency regimes



Source: EcoWin, ING calculations

Fig 14 EUR/USD long-term fair value

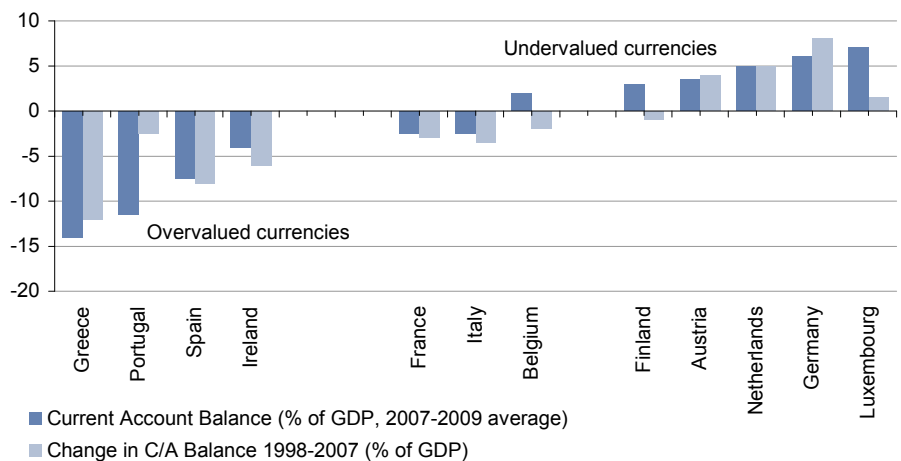


Source: EcoWin, ING calculations

High volatility and 'overshooting' would be likely

On top of this, we would expect huge volatility in the successor currencies. The markets would face enormous uncertainty about the consequences of departure, as well as the policy responses of domestic policy-makers. Until the credibility of the latter was established, currencies would be liable to overshoot.

Fig 15 Current account positions and changes 1998-2007



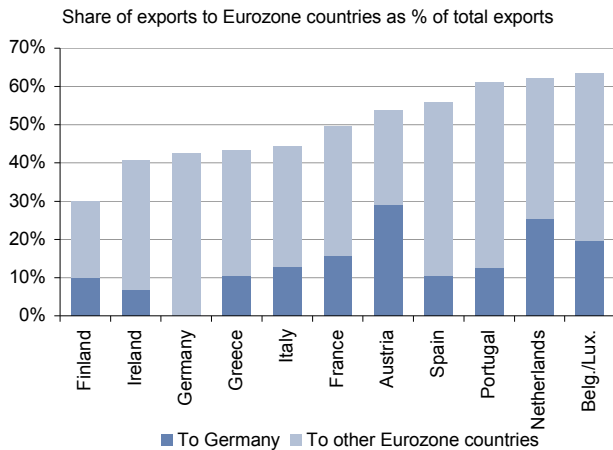
Source: EcoWin, ING calculations

Movements would be structural, not just cyclical

Fiscal and external solvency as well as competitiveness would be in focus

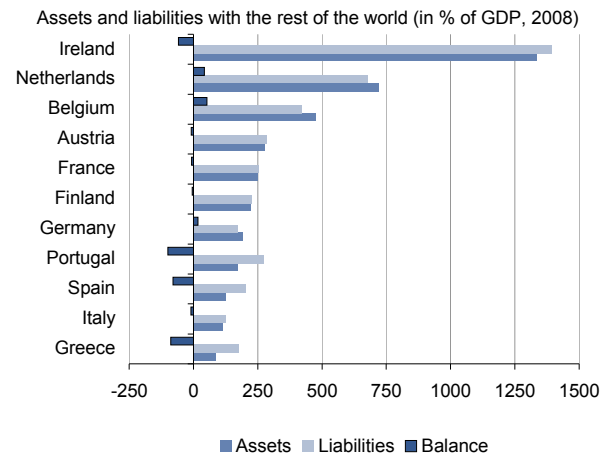
In assessing the scale of the currency movements, we have examined a number of considerations. Aside from immediate cyclical consequences and the policy responses, we have examined structural issues. These include the members' fiscal solvency, their international competitiveness and external balance sheet positions. Given the divergent performance of different asset classes, we have taken into account the members' gross as well as net foreign asset and liability positions.

Fig 16 Eurozone trade exposure highest for Benelux



Source: Eurostat, ING calculations

Fig 17 High exposure to global assets for Ireland, the Netherlands and Belgium



Source: European Commission

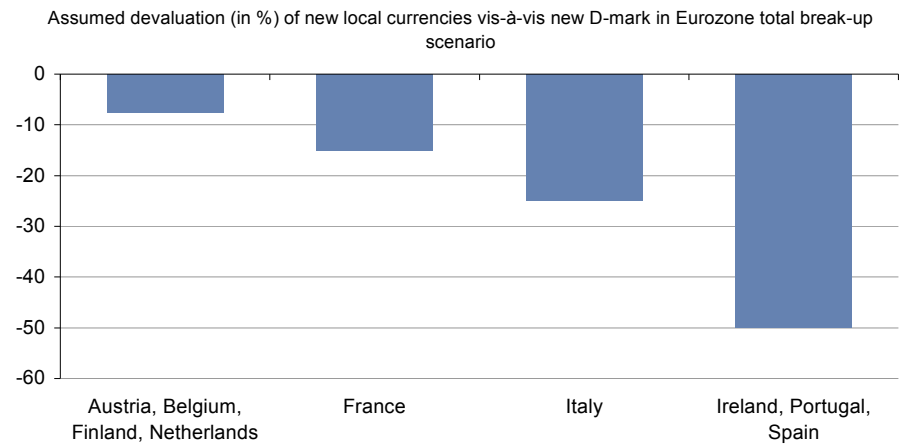
Our scenarios assume the initial movements:

New Greek Drachma could fall as much as 80%

Scenario I – Greek exit

- Given Greece's large twin deficits we see the new Greek Drachma falling 80% against the EUR.

Fig 18 Devaluations ranging from 7.5% to 50%



Source: ING

Peseta, Escudo and Punt by 50% vs DEM

Lira by 25%

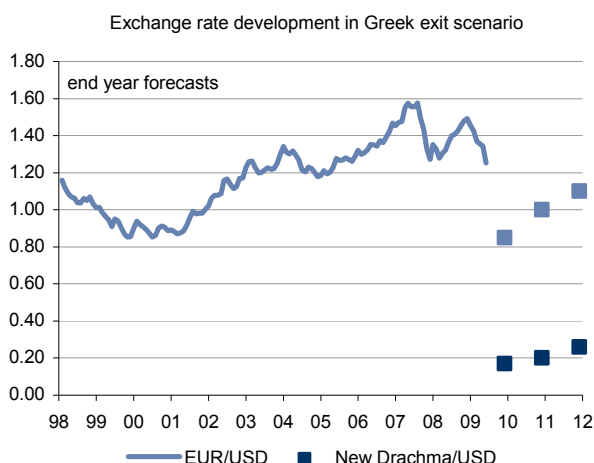
F. Franc by 15%

Other core by 7½%

Scenario II – Complete break up

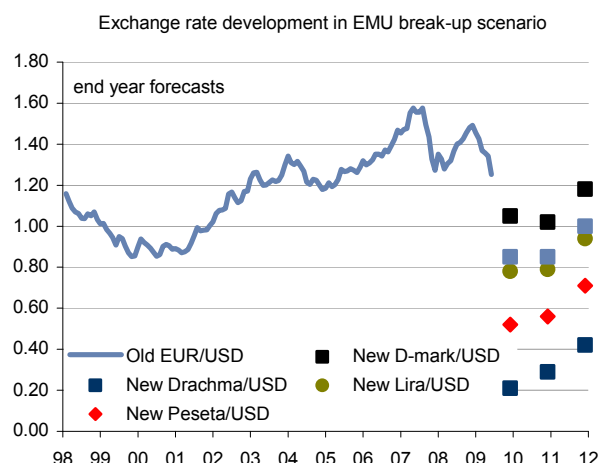
- Spain, Portugal and Ireland devalue 50% against the new Deutschmark (DEM)
- Italy devalues 25% against the DEM
- France devalues 15% against the DEM
- Benelux, Austria, Finland devalue 7.5% against the DEM

Fig 19 New Greek Drachma may fall 80% against EUR



Source: EcoWin, ING projections

Fig 20 New D-mark stronger than old euro



Source: ING

2012 could see partial recovery as credibility is rebuilt

Corporate defaults and distress selling could see credit spreads balloon

Break up would likely see spreads target 2008 peaks

Following the initial dramatic divergence, we assume that there would be some retracement going into 2012 (see Fig 20). This reflects the weaker former EMU members re-establishing policy credibility as well as expectations that the initial economic and financial shock will be wearing off. However, given the need for these economies to restore growth, this retracement would only be partial.

2e. Credit spreads – revisiting the peaks

Our scenarios would also lead to substantial volatility in credit spreads on corporate bonds and asset-backed securities (ABS). Lower economic activity, coupled with financial system distress could well force distress selling, which might again lead to credit prices to fall disproportionately.

We assume the following effects:

Scenario I - Greek exit

- Credit spreads in core countries widen but less than their periphery counterparts. General spread widening is muted in comparison to the credit crisis of 2008.
- Nonetheless, even core German corporate credit spreads widen by 90bp in 2010.
- Contagion sees spreads rise by some 130bp in other peripheral markets for A rated corporate debt. In terms of BBB ABS the periphery sees spreads blow but by 200bp in RMBS, 400bp in credit cards and 700bp in auto loans.
- But none get close to credit crisis peaks. Later in 2011 there is some retracement, but not towards current levels.

Scenario II – Complete break up

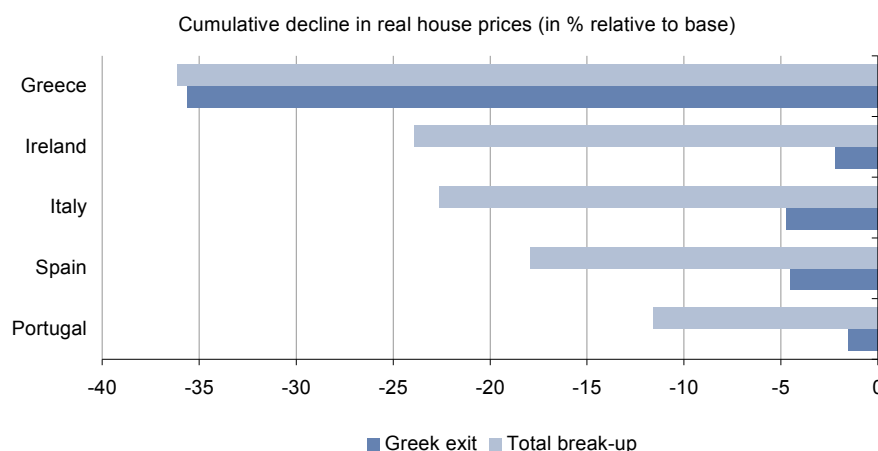
- Spreads re-target credit crisis peaks with A rated corporate debt hitting a massive 230bp widening for the core. A rated spreads move above 400bp, a widening of some 300bp.
- ABS credit crisis peaks revisited with spreads at least twice as high as they would be now, eg all BBB auto loan ABS to trade above 3000bp.

2f. Real estate and stock markets – further downside

Although the real estate and stock markets have already fallen significantly in recent months, our scenarios call for further substantial declines. In the case of the peripheral economies, apparently modest declines in nominal prices on leaving EMU conceal sharper falls in real terms, given the general surge in inflation resulting from currency

depreciation. For example, Spanish house prices in 2011 are only 4% lower than in our base case in the break up scenario, but given that consumer price inflation is nearly 9% higher, this implies a much sharper fall of 12% in real terms.

Fig 21 House prices under pressure in EMU periphery



Source: ING

Real estate developments

- Although residential real estate markets already corrected in the 2007- 2009 period, a further decline still looks likely.
- With a deflationary climate prevailing in core countries, real estate prices are expected to remain depressed over the 2010-2012 period. Given the rise in general (CPI) inflation in the peripheral economies, house prices fall substantially further in real terms (see Fig 21)
- In peripheral countries, nominal real estate prices might recover earlier on the back of higher inflation, though in real terms no recovery is expected before 2013.

Stock market developments

- The EMU break up will lead to a strong stock market correction in 2010, with the peripheral countries suffering most, as capital flight will be hard to contain.
- However, as central banks try reflate their economies in core countries some recovery might be expected later in 2011.
- The rebound will be much stronger in peripheral countries benefitting from currency depreciation. However, initial huge currency losses will only be partially recouped.

The numbers are debatable, but the impact would undoubtedly be traumatic

Some argue that leaving EMU behind would have long-term benefits...

...but these have to be weighed against the huge initial damage

Conclusion – Thinkable, but Unpalatable

Assessing the consequences of Greece leaving EMU, let alone EMU breaking up completely, is fraught with uncertainty. However, while there is ample scope to debate the precise numbers presented in this report, the essential message is clear: the impact would be traumatic. Indeed, without extended preparations for EMU exit, the risk of at least a temporary breakdown in payments systems would be enormous. In our complete EMU break up scenario, the cumulative loss of output in the first two years is close to 10%, dwarfing the loss that followed the collapse after the demise of Lehman Brothers in September 2008.

Recent events have made it more fashionable to argue that the Eurozone is not what economists call an 'optimal currency area'. In other words, its membership is not ideal for a sustainable monetary union. The implication is that Europe – at least economically - would be better off without EMU. Interesting though this debate may be, it is not the purpose of this report to address the long term potential pros and cons of EMU being partly or wholly dismantled. Rather, we seek to point out that the initial impact would be enormously painful. Indeed, the scale of the economic damage in the first two years would weigh heavily against any supposed long-run benefits. This is perhaps something that policy-makers may care to reflect upon when they blithely talk of exit from EMU as being a policy option.

mark.cliffe@uk.ing.com

Appendix - Scenario Tables

Contents

Greek exit scenario – absolute numbers 2010.....	page 18
Greek exit scenario – absolute numbers 2011.....	page 19
Greek exit scenario – absolute numbers 2012.....	page 20
Greek exit scenario – differences to base 2010.....	page 21
Greek exit scenario – differences to base 2011.....	page 22
Greek exit scenario – differences to base 2012.....	page 23
Complete euro break up – absolute numbers 2010.....	page 24
Complete euro break up – absolute numbers 2011.....	page 25
Complete euro break up – absolute numbers 2012.....	page 26
Complete euro break up – difference to base 2010.....	page 27
Complete euro break up – difference to base 2011.....	page 28
Complete euro break up – difference to base 2012.....	page 29

EMU Greek exit scenario

Absolute numbers (financial market variables all year-end)

Fig 22 EMU break up scenarios - Greek exit 2010

	EA16	DEU	FRA	NLD	BEL	LUX	AUT	FIN	GRC	IRL	ITA	PRT	ESP	UK	Central Europe	USA	Asia ex Japan	Japan
Macro economic drivers																		
GDP, %YoY	0.8	1.7	1.1	0.9	1.1	1.8	1.5	1.2	-4.8	-1.2	0.6	0.3	-0.5	0.8	1.5	2.9	8.7	3.2
Unemployment, %	10.2	8.2	10.3	4.6	8.6	6.3	5.5	9.7	14.5	14.1	9.1	10.6	19.8	8.3	11.0	10.0		4.8
CPI, %YoY	1.5	1.1	1.8	1.0	1.8	2.5	1.3	1.7	4.9	-1.3	1.5	0.7	1.6	3.1	3.3	1.9	2.5	-0.7
Interest rates - SWAP (%)																		
3M		0.4	0.4	0.4	0.4	0.4	0.4	0.4	5.9	0.4	0.4	0.4	0.4	0.4	0.4	0.2		0.2
2Y		1.0	1.0	1.0	1.0	1.0	1.0	1.0	8.3	1.0	1.0	1.0	1.0	1.0	1.0	1.0		0.3
10Y		3.1	3.1	3.1	3.1	3.1	3.1	3.1	13.3	3.1	3.1	3.1	3.1	3.4	3.1	3.2		1.6
30Y		3.6	3.6	3.6	3.6	3.6	3.6	3.6	12.7	3.6	3.6	3.6	3.6	3.9	3.6	4.3		2.3
Equity, %YoY																		
	-20													5	3	4		4
FX (local currencies per USD)																		
Local currency/USD (USD per local currency)	1.18	1.18	1.18	1.18	1.18	1.18	1.18	1.18	5.88	1.18	1.18	1.18	1.18	0.73				98.046
(local currencies per DEM)	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.17	0.85	0.85	0.85	0.85	1.37				0.01
Government bond yields (%)																		
2Y		0.30	0.65	0.40	0.90	0.65	0.65	0.60	9.80	3.50	2.50	4.25	3.50	0.60	3.50	0.50		0.30
5Y		1.55	1.90	1.80	2.85	1.90	2.10	1.90	12.90	4.50	3.75	6.00	4.75	2.05	4.50	1.75		1.00
10Y		2.60	3.05	2.95	3.70	3.00	3.25	3.05	15.30	6.30	4.80	7.05	5.55	3.20	6.30	2.80		1.50
Credit spreads corporate bonds (bp)																		
AAA		40	42	41	40	40	42	40	60	50	45	50	50	35	50	30	30	30
AA		120	125	125	120	120	125	120	220	170	145	170	170	110	170	100	100	100
A		180	190	185	180	180	190	180	300	240	210	240	240	170	240	150	150	150
BBB		300	340	320	300	300	340	300	500	400	350	400	400	270	400	250	250	250
BB		800	860	830	800	800	860	800	1,300	1,050	925	1,050	1,050	750	1,050	700	650	650
B		1,200	1,300	1,250	1,200	1,200	1,300	1,200	1,900	1,550	1,375	1,550	1,550	1,100	1,550	1,000	1,000	1,000
Credit spreads ABS (bp)																		
BBB RMBS		800	840	820	800	800	840	800	1,200	1,000	900	1,000	1,000	1,700	1,000	750	750	750
BBB Credit Cards		900	938	938	900	900	938	900	1,650	1,275	1,088	1,275	1,275	900	1,275	850	850	850
BBB Auto loans		2,000	2,111	2,056	2,000	2,000	2,111	2,000	3,333	2,667	2,333	2,667	2,667	2,000	2,667	1,800	1,800	1,800
BBB CMBS		2,500	2,833	2,667	2,500	2,500	2,833	2,500	4,167	3,333	2,917	3,333	3,333	3,500	3,333	2,300	2,300	2,300
Real estate																		
Residential, %YoY		0.0	0.0	-3.0	3.0	0.5	0.0	-2.0	-3.5	-7.0	-1.0	2.0	-7.0	5.0		1.4		-1.5
Commercial, %YoY		1.0	5.5	3.0	0.0	2.9	3.0	4.5	-28.0	1.5	0.0	2.0	-1.0	7.0		2.0		-16.0

Source: ING

EMU Greek exit scenario

Absolute numbers (financial market variables all year-end)

Fig 23 EMU break up scenarios - Greek exit 2011

	EA17	DEU	FRA	NLD	BEL	LUX	AUT	FIN	GRC	IRL	ITA	PRT	ESP	UK	Central Europe	USA ex Japan	Asia Japan	
Macro economic drivers																		
GDP, %YoY	0.3	0.7	0.5	0.4	0.4	1.2	0.5	0.8	-7.6	-1.0	-0.6	-0.7	-1.1	0.6	1.3	1.6	6.4	1.7
Unemployment, %	10.5	8.4	10.6	5.2	9.3	6.8	5.8	9.9	18.5	14.5	9.7	11.3	20.5	9.0	11.5	9.4	4.6	4.6
CPI, %YoY	1.2	1.6	1.9	0.9	1.8	1.8	1.4	1.8	20.2	0.0	1.5	-0.2	0.5	1.9	2.5	0.9	2.0	0.3
Interest rates - SWAP (%)																		
3M		0.6	0.6	0.6	0.6	0.6	0.6	0.6	9.6	0.6	0.6	0.6	0.6	0.9	0.6	0.8		0.2
2Y		1.2	1.2	1.2	1.2	1.2	1.2	1.2	11.1	1.2	1.2	1.2	1.2	2.1	1.2	1.6		0.3
10Y		2.9	2.9	2.9	2.9	2.9	2.9	2.9	13.6	2.9	2.9	2.9	2.9	4.3	2.9	3.8		2.1
30Y		3.4	3.4	3.4	3.4	3.4	3.4	3.4	13.0	3.4	3.4	3.4	3.4	4.4	3.4	4.6		2.6
Equity, %YoY	20													17	30	12		12
FX (local currencies per USD)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	5.00	1.00	1.00	1.00	1.00	0.71				90
Local currency/USD (USD per local currency)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.20	1.00	1.00	1.00	1.00	1.42				0.01
(local currencies per DEM)		1.00	1.00	1.00	1.00	1.00	1.00	1.00	4.60	1.00	1.00	1.00	1.00	0.7				88
Government bond yields (%)																		
2Y		0.70	1.10	0.80	1.25	1.10	1.10	1.05	11.90	4.25	3.30	4.50	4.10	1.70	4.25	1.20		0.30
5Y		1.60	2.00	1.85	2.70	2.00	2.10	2.00	13.20	5.00	4.10	5.40	4.75	2.85	5.00	2.25		1.20
10Y		2.30	2.80	2.65	3.20	2.75	2.85	2.80	14.30	6.35	4.85	6.05	5.35	3.90	6.35	3.20		1.90
Credit spreads corporate bonds (bp)																		
AAA		30	32	31	30	30	32	30	45	38	34	38	38	26	38	23	23	23
AA		90	94	94	90	90	94	90	165	128	109	128	128	83	128	75	75	75
A		135	143	139	135	135	143	135	225	180	158	180	180	128	180	113	113	113
BBB		225	255	240	225	225	255	225	375	300	263	300	300	203	300	188	188	188
BB		600	645	623	600	600	645	600	975	788	694	788	788	563	788	525	488	488
B		900	975	938	900	900	975	900	1,425	1,163	1,031	1,163	1,163	825	1,163	750	750	750
Credit spreads ABS (bp)																		
BBB RMBS		600	630	615	600	600	630	600	900	750	675	750	850	1,275	750	563	563	563
BBB Credit Cards		675	703	703	675	675	703	675	1,238	956	816	956	956	675	956	638	638	638
BBB Auto loans		1,500	1,583	1,542	1,500	1,500	1,583	1,500	2,500	2,000	1,750	2,000	2,000	1,500	2,000	1,350	1,350	1,350
BBB CMBS		1,875	2,125	2,000	1,875	1,875	2,125	1,875	3,125	2,500	2,188	2,500	2,500	2,625	2,500	1,725	1,725	1,725
Real estate																		
Residential, %YoY		-0.5	2.0	-2.0	2.0	1.5	-0.5	-1.0	-10.0	-3.0	-2.5	-0.5	-7.0	-3.0		2.5		-1.0
Commercial, %YoY		2.0	3.0	3.0	4.0	3.0	3.0	3.0	-25.0	1.0	2.0	0.0	-2.0	-5.0		8.0		-1.0

Source: ING

EMU Greek exit scenario

Absolute numbers (financial market variables all year-end)

Fig 24 EMU break up scenarios - Greek exit 2012

	EA17	DEU	FRA	NLD	BEL	LUX	AUT	FIN	GRC	IRL	ITA	PRT	ESP	UK	Central Europe	USA	Asia ex Japan	Japan
Macro economic drivers																		
GDP, %YoY	1.5	1.8	1.6	1.4	1.7	2.5	1.7	2.3	-2.1	2.0	0.5	1.0	1.3	1.4	2.5	1.7	10.5	2.4
Unemployment, %	10.3	8.1	9.7	5.2	9.1	6.6	5.4	9.6	17.0	14.0	9.2	11.2	20.3	8.8	11.0	8.6		4.2
CPI, %YoY	1.3	1.7	2.0	1.1	2.0	2.2	1.5	1.8	7.2	1.1	1.3	0.6	1.3	1.5	2.5	1.8	2.5	0.0
Interest rates - SWAP (%)																		
3M		0.9	0.9	0.9	0.9	0.9	0.9	0.9	10.9	0.9	0.9	0.9	0.9	2.0	0.9	1.2		0.2
2Y		1.5	1.5	1.5	1.5	1.5	1.5	1.5	11.4	1.5	1.5	1.5	1.5	3.0	1.5	2.1		0.4
10Y		3.2	3.2	3.2	3.2	3.2	3.2	3.2	11.9	3.2	3.2	3.2	3.2	4.7	3.2	4.0		2.3
30Y		3.6	3.6	3.6	3.6	3.6	3.6	3.6	11.7	3.6	3.6	3.6	3.6	4.6	3.6	4.7		2.7
Equity, %YoY																		
	11													10	12	9		6
FX (local currencies per USD)																		
Local Currency/USD (USD per local currency)	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	3.82	0.91	0.91	0.91	0.91	0.73				95.3848
(local currencies per DEM)	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	0.26	1.10	1.10	1.10	1.10	1.38				104
Government bond yields (%)																		
2Y		0.80	1.40	1.00	1.55	1.40	1.40	1.25	11.20	4.55	3.60	4.80	4.40	2.70	4.55	1.70		0.30
5Y		1.70	2.30	2.05	3.00	2.30	2.40	2.20	12.00	5.30	4.40	5.70	5.05	3.55	5.30	2.65		1.30
10Y		2.40	3.10	2.85	3.50	3.05	3.15	3.00	11.60	6.65	5.15	6.35	5.65	4.30	6.65	3.40		2.10
Credit spreads corporate bonds (bp)																		
AAA		24	25	25	24	24	25	24	36	30	27	30	30	21	30	18	18	18
AA		72	75	75	72	72	75	72	132	102	87	102	102	66	102	60	60	60
A		108	114	111	108	108	114	108	180	144	126	144	144	102	144	90	90	90
BBB		180	204	192	180	180	204	180	300	240	210	240	240	162	240	150	150	150
BB		480	516	498	480	480	516	480	780	630	555	630	630	450	630	420	390	390
B		720	780	750	720	720	780	720	1,140	930	825	930	930	660	930	600	600	600
Credit spreads ABS (bp)																		
BBB RMBS		480	504	492	480	480	504	480	720	600	540	600	750	1,020	600	450	450	450
BBB Credit Cards		540	563	563	540	540	563	540	990	765	653	765	765	540	765	510	510	510
BBB Auto loans		1,200	1,267	1,233	1,200	1,200	1,267	1,200	2,000	1,600	1,400	1,600	1,600	1,200	1,600	1,080	1,080	1,080
BBB CMBS		1,500	1,700	1,600	1,500	1,500	1,700	1,500	2,500	2,000	1,750	2,000	2,000	2,100	2,000	1,380	1,380	1,380
Real estate																		
Residential, %YoY		0.5	3.0	2.0	4.0	4.0	0.5	1.0	-5.0	1.5	0.8	1.0	-0.5	-1.0		2.5		0.0
Commercial, %YoY		3.0	4.0	2.8	5.0	4.0	4.0	4.5	9.0	3.0	3.0	3.0	3.0	1.0		5.0		2.0

Source: ING

EMU Greek exit scenario

Differences to base (financial market variables all year-end)

Fig 25 EMU break up scenarios - Greek exit 2010

	EA16	DEU	FRA	NLD	BEL	LUX	AUT	FIN	GRC	IRL	ITA	PRT	ESP	UK	Central Europe	USA	Asia ex Japan	Japan
Macro economic drivers																		
GDP, %YoY	-0.4	-0.2	-0.2	-0.4	-0.2	-0.2	-0.1	-0.2	-1.1	-0.3	-0.4	-0.4	-0.4	-0.2	-0.2	-0.1	-0.5	-0.2
Unemployment, %	0.2	0.2	0.3	0.3	0.3	0.2	0.4	0.2	2.0	0.3	0.2	0.3	0.3	0.1	0.3	0.0	0.0	0.1
CPI, %YoY	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.5	-0.3	-0.1	0.0	0.0	-0.1	0.0	-0.1	0.0	-0.1
Interest rates - SWAP (%)																		
3M		-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	5.0	-0.5	-0.5	-0.5	-0.5	-0.3	-0.5	-0.2		-0.1
2Y		-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	7.0	-0.3	-0.3	-0.3	-0.3	-0.2	-0.3	-0.2		-0.1
10Y		-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	10.0	-0.2	-0.2	-0.2	-0.2	-0.1	-0.2	-0.1		-0.1
30Y		-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	9.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1		-0.1
Equity, %YoY	-12.0													-10.0	-11.0	-2.0		-3.0
FX (local currencies per USD)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	5.0	0.3	0.3	0.3	0.3	0.0				5.8
Local Currency/USD (USD per local currency)	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-1.0	-0.3	-0.3	-0.3	-0.3	0.0				0.0
(local currencies per DEM)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0	0.0	0.0	0.0	0.0	-0.2				-25.0
Government bond yields (%)																		
2Y		-0.50	-0.35	-0.40	-0.30	-0.35	-0.35	-0.35	0.00	0.70	0.20	0.95	0.45	-0.30	0.70	-0.40		0.00
5Y		-0.45	-0.30	-0.35	-0.25	-0.30	-0.30	-0.30	2.40	0.75	0.25	1.00	0.50	-0.25	0.75	-0.35		0.00
10Y		-0.40	-0.25	-0.30	-0.20	-0.25	-0.25	-0.25	4.80	0.80	0.30	1.05	0.55	-0.20	0.80	-0.30		0.00
Credit spreads corporate bonds (bp)																		
AAA		25	27	26	25	25	27	25	45	35	30	35	35	20	35	15	15	15
AA		52	57	57	52	52	57	52	152	102	77	102	102	42	102	32	32	32
A		91	101	96	91	91	101	91	211	151	121	151	151	81	151	61	61	61
BBB		139	179	159	139	139	179	139	339	239	189	239	239	109	239	89	89	89
BB		341	401	371	341	341	401	341	841	591	466	591	591	291	591	241	191	191
B		563	663	613	563	563	663	563	1,263	913	738	913	913	463	913	363	363	363
Credit spreads ABS (bp)																		
BBB RMBS		275	315	295	275	275	315	275	675	475	375	475	100	850	475	225	225	225
BBB Credit Cards		600	638	638	600	600	638	600	1,350	975	788	975	975	600	975	550	550	550
BBB Auto loans		800	911	856	800	800	911	800	2,133	1,467	1,133	1,467	1,467	800	1,467	600	600	600
BBB CMBS		625	958	792	625	625	958	625	2,292	1,458	1,042	1,458	1,458	1,625	1,458	425	425	425
Real estate																		
Residential, %YoY		0.0	0.0	-1.0	-1.0	-0.5	0.0	0.0	-0.5	0.0	0.0	-2.0	-1.0	-3.0		0.0		0.0
Commercial, %YoY		-1.0	-1.5	-1.0	0.0	-0.1	0.0	-0.5	-30.0	-0.5	-1.0	0.0	-3.0	-1.0		3.0	-3.0	-2.0

Source: ING

EMU Greek exit scenario

Differences to base (financial market variables all year-end)

Fig 26 EMU break up scenarios - Greek exit 2011

	EA17	DEU	FRA	NLD	BEL	LUX	AUT	FIN	GRC	IRL	ITA	PRT	ESP	UK	Central Europe	USA	Asia ex Japan	Japan	
Macro economic drivers																			
GDP, %YoY	-1.2	-1.2	-1.2	-1.3	-1.2	-1.2	-1.2	-1.3	-6.2	-2.8	-1.5	-1.5	-2.1	-0.9	-1.6	-0.4	-2.0	-0.3	
Unemployment, %	1.0	0.6	0.8	0.5	0.9	0.4	0.8	0.7	4.8	1.1	1.3	1.1	1.0	0.3	1.5	0.4	0.1	0.1	
CPI, %YoY	-0.3	-0.1	-0.2	-0.5	-0.1	-0.2	-0.1	-0.1	17.9	-0.8	-0.4	-0.7	-0.9	-0.4	-0.7	-0.9	-1.0	-0.4	
Interest rates - SWAP (%)																			
3M		-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	8.0	-1.0	-1.0	-1.0	-1.0	-0.7	-1.0	-0.5		-0.1	
2Y		-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	9.0	-0.9	-0.9	-0.9	-0.9	-0.4	-0.9	-0.3		-0.1	
10Y		-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	10.0	-0.7	-0.7	-0.7	-0.7	-0.3	-0.7	-0.2		-0.1	
30Y		-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	9.0	-0.6	-0.6	-0.6	-0.6	-0.3	-0.6	-0.2		-0.1	
Equity, %YoY																			
	5.0													5.0	12.0	4.0		5.0	
FX (local currencies per USD)																			
FX (local currencies per USD)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	4.2	0.2	0.2	0.2	0.2	0.0					-15.0
Local Currency/USD (USD per local currency)	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-1.0	-0.2	-0.2	-0.2	-0.2	-0.1					0.0
(local currencies per DEM)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.6	0.0	0.0	0.0	0.0	-0.1					-38.0
Government bond yields (%)																			
2Y		-1.20	-1.00	-1.10	-0.90	-1.00	-1.00	-1.00	2.00	0.60	-0.15	0.35	0.10	-0.50	0.60	-0.50			0.00
5Y		-1.10	-0.90	-1.00	-0.80	-0.90	-0.90	-0.90	3.50	0.70	-0.05	0.45	0.20	-0.45	0.70	-0.45			0.00
10Y		-1.00	-0.80	-0.90	-0.70	-0.80	-0.80	-0.80	5.00	0.80	0.05	0.55	0.30	-0.40	0.80	-0.40			0.00
Credit spreads corporate bonds (bp)																			
AAA		17	18	17	17	17	18	17	32	24	20	24	24	13	24	9	9	9	
AA		30	34	34	30	30	34	30	105	68	49	68	68	23	68	15	15	15	
A		56	64	60	56	56	64	56	146	101	79	101	101	49	101	34	34	34	
BBB		83	113	98	83	83	113	83	233	158	120	158	158	60	158	45	45	45	
BB		195	240	218	195	195	240	195	570	383	289	383	383	158	383	120	83	83	
B		338	413	375	338	338	413	338	863	600	469	600	600	263	600	188	188	188	
Credit spreads ABS (bp)																			
BBB RMBS		180	210	195	180	180	210	180	480	330	255	330	50	575	330	143	143	143	
BBB Credit Cards		435	463	463	435	435	463	435	998	716	576	716	716	475	716	438	438	438	
BBB Auto loans		540	623	582	540	540	623	540	1,540	1,040	790	1,040	1,040	600	1,040	450	450	450	
BBB CMBS		375	625	500	375	375	625	375	1,625	1,000	688	1,000	1,000	1,325	1,000	425	425	425	
Real estate																			
Residential, %YoY	-1.0	-1.0	-2.0	-2.0	-0.5	-1.0	-1.0	-1.0	-7.5	-3.0	-2.5	-2.5	-4.0	-6.7		-0.8		0.0	
Commercial, %YoY	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-2.0	-28.0	-2.0	-2.0	-4.0	-6.0	2.0		3.0	2.0	1.0	

Source: ING

EMU Greek exit scenario

Differences to base (financial market variables all year-end)

Fig 27 EMU break up scenarios - Greek exit 2012

	EA17	DEU	FRA	NLD	BEL	LUX	AUT	FIN	GRC	IRL	ITA	PRT	ESP	UK	Central Europe	USA	Asia ex Japan	Japan	
Macro economic drivers																			
GDP, %YoY	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.3	-2.5	-0.5	-0.5	0.0	0.0	-0.1	-1.8	-0.1	2.0	-0.1	
Unemployment, %	1.3	0.5	0.8	0.9	0.9	0.6	0.5	0.9	3.8	1.0	1.4	1.3	1.3	0.4	2.5	0.6	0.6	0.0	
CPI, %YoY	-0.5	0.0	0.0	-0.2	0.0	-0.1	0.0	-0.3	5.2	-0.2	-0.5	-0.1	-0.1	-0.1	-0.5	-0.3	-0.5	-1.0	
Interest rates - SWAP (%)																			
3M		-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	9.0	-1.0	-1.0	-1.0	-1.0	-0.7	-1.0	-0.5		-0.1	
2Y		-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	9.0	-0.9	-0.9	-0.9	-0.9	-0.4	-0.9	-0.3		-0.1	
10Y		-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	8.0	-0.7	-0.7	-0.7	-0.7	-0.3	-0.7	-0.2		-0.1	
30Y		-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	7.5	-0.6	-0.6	-0.6	-0.6	-0.3	-0.6	-0.2		-0.1	
Equity, %YoY																			
	3.0													1.0	0.0	-1.0		0.0	
FX (local currencies per USD)																			
Local Currency/USD (USD per local currency)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	3.0	0.1	0.1	0.1	0.1	0.1					-10.0
(local currencies per DEM)	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-1.0	-0.2	-0.2	-0.2	-0.2	-0.2					-33.0
Government bond yields (%)																			
2Y		-1.40	-1.00	-1.20	-0.90	-1.00	-1.00	-1.10	2.00	0.60	-0.15	0.35	0.10	-0.50	0.60	-0.50			0.00
5Y		-1.30	-0.90	-1.10	-0.80	-0.90	-0.90	-1.00	2.50	0.70	-0.05	0.45	0.20	-0.45	0.70	-0.45			0.00
10Y		-1.20	-0.80	-1.00	-0.70	-0.80	-0.80	-0.90	3.00	0.80	0.05	0.55	0.30	-0.40	0.80	-0.40			0.00
Credit spreads corporate bonds (bp)																			
AAA		11	13	12	11	11	13	11	23	17	14	17	17	8	17	5	5	5	
AA		16	19	19	16	16	19	16	76	46	31	46	46	10	46	4	4	4	
A		35	41	38	35	35	41	35	107	71	53	71	71	29	71	17	17	17	
BBB		47	71	59	47	47	71	47	167	107	77	107	107	29	107	17	17	17	
BB		102	138	120	102	102	138	102	402	252	177	252	252	72	252	42	12	12	
B		195	255	225	195	195	255	195	615	405	300	405	405	135	405	75	75	75	
Credit spreads ABS (bp)																			
BBB RMBS		95	119	107	95	95	119	95	335	215	155	215	150	420	215	65	65	65	
BBB Credit Cards		320	343	343	320	320	343	320	770	545	433	545	545	320	545	290	290	290	
BBB Auto loans		320	387	353	320	320	387	320	1,120	720	520	720	720	320	720	200	200	200	
BBB CMBS		125	325	225	125	125	325	125	1,125	625	375	625	625	725	625	5	5	5	
Real estate																			
Residential, %YoY		0.0	0.0	0.0	0.0	0.0	0.0	0.0	-4.0	-0.5	0.0	-1.0	-0.5	-1.0		-0.5		0.0	
Commercial, %YoY		0.0	0.0	-0.2	0.0	0.0	0.0	-0.5	6.0	0.0	-1.0	-2.0	-1.0	-2.0		-2.0	0.0	0.0	

Source: ING

EMU Complete euro break up

Absolute numbers (financial market variables all year-end)

Fig 28 Break up scenarios – Total break up 2010

	EA16	DEU	FRA	NLD	BEL	LUX	AUT	FIN	GRC	IRL	ITA	PRT	ESP	UK	Central Europe	USA	Asia ex Japan	Japan
Macro economic drivers																		
GDP, %YoY		1.6	0.9	0.5	0.8	1.6	1.4	1.0	-5.8	-1.5	-0.1	-0.2	-1.0	0.6	1.0	2.7	8.2	2.6
Unemployment, %		8.3	10.4	4.7	8.8	6.5	5.4	9.9	15.5	14.4	9.4	10.9	20.3	8.4	11.5	10.0	5.2	5.2
CPI, %YoY		1.1	1.8	0.9	1.8	2.6	1.3	1.7	5.4	4.0	2.4	1.0	1.8	2.9	3.3	1.8	2.0	-2.0
Interest rates - SWAP (%)																		
3M		0.1	0.4	0.2	0.1	0.2	0.4	0.2	4.9	3.9	2.9	4.4	3.9	0.2	3.9	-1.6		0.0
2Y		0.3	0.6	0.4	0.3	0.4	0.6	0.4	6.3	4.3	3.3	4.8	4.3	0.7	4.3	-1.0		0.1
10Y		0.8	1.1	0.9	1.3	0.9	1.1	0.9	10.3	7.3	5.8	7.3	7.3	2.8	7.3	1.0		1.4
30Y		1.7	2.0	1.5	2.2	2.0	2.0	2.0	9.7	7.7	6.7	8.2	7.7	3.2	7.7	1.9		2.1
Equity, %YoY	-33													-19	-28	-13		-10
FX (local currencies per USD)	1.18	0.95	1.12	1.03	1.03	1.03	1.03	1.03	4.76	1.92	1.28	1.92	1.92	0.73				98.046
Local Currency/USD (USD per local currency)	0.85	1.05	0.89	0.97	0.97	0.97	0.97	0.97	0.21	0.52	0.78	0.52	0.52	1.37				0.01
(local currencies per DEM)		1.00	1.18	1.08	1.08	1.08	1.08	1.08	5.00	2.00	1.33	2.00	2.00	0.61				81
Government bond yields (%)																		
2Y		-0.20	0.10	-0.10	-0.05	-0.15	0.10	-0.15	7.80	4.05	2.75	4.55	3.95	0.30	4.05	-1.55		0.10
5Y		0.25	0.50	0.38	1.18	0.28	0.68	0.28	10.40	5.25	4.23	6.53	5.88	1.60	5.25	-0.40		0.80
10Y		0.50	0.80	0.60	1.30	0.55	0.95	0.55	12.30	7.25	5.50	7.80	7.35	2.60	7.25	0.55		1.30
Credit spreads corporate bonds (bp)																		
AAA		72	76	74	72	72	76	72	108	90	81	90	90	63	90	56	53	53
AA		216	225	225	216	216	225	216	396	306	261	306	306	198	306	168	160	160
A		324	342	333	324	324	342	324	540	432	378	432	432	306	432	253	240	240
BBB		540	612	576	540	540	612	540	900	720	630	720	720	486	720	421	400	400
BB		1,440	1,548	1,494	1,440	1,440	1,548	1,440	2,340	1,890	1,665	1,890	1,890	1,350	1,890	1,123	1,067	1,067
B		2,160	2,340	2,250	2,160	2,160	2,340	2,160	3,420	2,790	2,475	2,790	2,790	1,980	2,790	1,685	1,601	1,601
Credit spreads ABS (bp)																		
BBB RMBS		1,200	1,260	1,230	1,200	1,200	1,260	1,200	1,800	1,500	1,350	1,500	1,500	2,550	1,500	1,125	1,125	1,125
BBB Credit Cards		1,350	1,406	1,406	1,350	1,350	1,406	1,350	2,475	1,913	1,631	1,913	1,913	1,350	1,913	1,275	1,275	1,275
BBB Auto loans		3,000	3,167	3,083	3,000	3,000	3,167	3,000	5,000	4,000	3,500	4,000	4,000	3,000	4,000	2,700	2,700	2,700
BBB CMBS		3,750	4,250	4,000	3,750	3,750	4,250	3,750	6,250	5,000	4,375	5,000	5,000	5,250	5,000	3,450	3,450	3,450
Real estate																		
Residential, %YoY		0.0	0.0	-3.0	3.0	0.5	0.0	-2.0	-3.5	-7.0	-1.0	2.0	-7.0	5.0		1.4		-1.5
Commercial, %YoY		1.0	5.5	3.0	0.0	2.9	3.0	4.5	-28.0	1.5	0.0	2.0	-1.0	-4.0		3.0		-18.0

Source: ING

EMU Complete euro break up

Absolute numbers (financial market variables all year-end)

Fig 29 Break up scenarios – Total break up 2011

	EA17	DEU	FRA	NLD	BEL	LUX	AUT	FIN	GRC	IRL	ITA	PRT	ESP	UK	Central Europe	USA	Asia ex Japan	Japan
Macro economic drivers																		
GDP, %YoY		-3.8	-4.0	-4.5	-4.5	-4.0	-4.0	-4.3	-9.1	-6.0	-6.6	-6.5	-6.5	-3.0	-5.0	0.0	5.4	1.4
Unemployment, %		11.0	13.5	7.0	12.5	8.5	7.5	12.5	19.5	18.0	13.5	14.5	23.5	10.7	14.0	10.5	4.7	4.7
CPI, %YoY		-1.0	1.5	0.5	0.5	0.6	0.4	0.7	19.2	11.0	8.1	12.0	10.0	1.5	2.0	-2.1	1.0	-0.1
Interest rates - SWAP (%)																		
3M		0.1	0.4	0.2	0.1	0.2	0.4	0.2	8.6	6.1	4.6	6.1	5.6	1.1	6.1	-0.7		0.0
2Y		0.4	0.7	0.5	0.4	0.5	0.7	0.5	10.1	7.1	5.1	6.6	6.1	2.0	7.1	-0.3		0.1
10Y		0.4	0.7	0.5	0.9	0.5	0.7	0.5	11.6	9.1	7.1	8.6	8.1	3.9	9.1	1.7		1.9
30Y		1.3	1.6	1.1	1.8	1.6	1.6	1.6	11.0	9.5	8.0	9.5	9.0	3.9	9.5	2.3		2.4
Equity, %YoY (in local currency)	23													25	54	24		13
FX (local currencies per USD)	1.18	0.98	1.14	1.05	1.05	1.05	1.05	1.05	3.45	1.79	1.27	1.79	1.79	0.72				95.876
Local Currency/USD (USD per local currency)	0.85	1.02	0.88	0.95	0.95	0.95	0.95	0.95	0.29	0.56	0.79	0.56	0.56	1.40				0.01
(local currencies per DEM)		1.00	1.16	1.07	1.07	1.07	1.07	1.07	4.60	1.90	1.30	1.90	1.90	0.6				78
Government bond yields (%)																		
2Y		0.20	0.50	0.30	0.20	0.25	0.50	0.25	10.90	6.90	4.90	6.40	5.90	1.60	6.90	-0.75		0.10
5Y		0.25	0.50	0.38	0.88	0.28	0.58	0.28	11.70	7.55	5.88	7.48	6.88	2.60	7.55	0.20		1.00
10Y		0.10	0.40	0.20	0.60	0.15	0.40	0.15	12.30	8.80	6.80	8.30	7.80	3.50	8.80	1.05		1.70
Credit spreads corporate bonds (bp)																		
AAA		36	38	37	36	36	38	36	54	45	41	45	45	32	45	28	27	27
AA		108	113	113	108	108	113	108	198	153	131	153	153	99	153	84	80	80
A		162	171	167	162	162	171	162	270	216	189	216	216	153	216	126	120	120
BBB		270	306	288	270	270	306	270	450	360	315	360	360	243	360	211	200	200
BB		720	774	747	720	720	774	720	1,170	945	833	945	945	675	945	562	534	534
B		1,080	1,170	1,125	1,080	1,080	1,170	1,080	1,710	1,395	1,238	1,395	1,395	990	1,395	842	800	800
Credit spreads ABS (bp)																		
BBB RMBS		900	945	923	900	900	945	900	1,350	1,125	1,013	1,125	1,125	1,913	1,125	844	844	844
BBB Credit Cards		1,013	1,055	1,055	1,013	1,013	1,055	1,013	1,856	1,434	1,223	1,434	1,434	1,013	1,434	956	956	956
BBB Auto loans		2,250	2,375	2,313	2,250	2,250	2,375	2,250	3,750	3,000	2,625	3,000	3,000	2,250	3,000	2,025	2,025	2,025
BBB CMBS		2,813	3,188	3,000	2,813	2,813	3,188	2,813	4,688	3,750	3,281	3,750	3,750	3,938	3,750	2,588	2,588	2,588
Real estate																		
Residential, %YoY		-0.5	2.0	-2.0	2.0	1.5	-0.5	-1.0	-10.0	-3.0	-2.5	-0.5	-7.0	-3.0		2.5		-1.0
Commercial, %YoY		2.0	3.0	3.0	4.0	3.0	3.0	3.0	-25.0	1.0	2.0	0.0	-2.0	-19.0		11.0		-5.0

Source: ING

EMU Complete euro break up

Absolute numbers (financial market variables all year-end)

Fig 30 EMU break up scenarios - Total break up 2012

	EA17	DEU	FRA	NLD	BEL	LUX	AUT	FIN	GRC	IRL	ITA	PRT	ESP	UK	Central Europe	USA	Asia ex Japan	Japan
Macro economic drivers																		
GDP, %YoY		-1.8	-2.5	-2.5	-3.1	-2.5	-2.0	-2.3	-3.6	-3.0	-3.7	-3.0	-3.0	-1.5	-2.7	0.8	11.5	1.8
Unemployment, %		12.5	13.8	8.5	14.0	10.0	9.0	14.0	21.0	19.0	15.0	15.5	25.5	11.4	15.5	10.5	4.5	4.5
CPI, %YoY		-1.0	0.3	-0.5	-0.6	0.0	-0.3	-0.5	8.2	6.5	3.9	6.0	5.0	1.0	1.5	1.0	2.5	0.0
Interest rates - SWAP (%)																		
3M		0.6	0.9	0.7	0.6	0.7	0.9	0.7	8.4	5.9	4.4	5.9	5.4	2.2	5.9	0.0		0.0
2Y		0.9	1.2	1.0	0.9	1.0	1.2	1.0	9.9	6.9	4.9	6.4	5.9	2.9	6.9	0.6		0.2
10Y		0.9	1.2	1.0	1.4	1.0	1.2	1.0	11.4	8.9	6.9	8.4	7.9	4.3	8.9	2.3		2.1
30Y		1.7	2.0	1.5	2.2	2.0	2.0	2.0	10.7	9.2	7.7	9.2	8.7	4.1	9.2	2.9		2.5
Equity, %YoY (in local currency)																		
	4													22	20	10		6
FX (local currencies per USD)																		
	1.00	0.85	0.96	0.90	0.90	0.90	0.90	0.90	2.38	1.41	1.06	1.41	1.41	0.75				95.3848
Local Currency/USD (USD per local currency)																		
	1.00	1.18	1.04	1.11	1.11	1.11	1.11	1.11	0.42	0.71	0.94	0.71	0.71	1.33				0.01
(local currencies per DEM)																		
		1.00	1.14	1.06	1.06	1.06	1.06	1.06	4.20	1.80	1.26	1.80	1.80	0.75				94
Government bond yields (%)																		
2Y		0.70	1.00	0.80	0.70	0.75	1.00	0.75	9.70	6.70	4.70	6.20	5.70	2.60	6.70	0.15		0.10
5Y		0.75	1.00	0.88	1.38	0.78	1.08	0.78	11.00	7.35	5.68	7.28	6.68	3.30	7.35	1.00		1.10
10Y		0.60	0.90	0.70	1.10	0.65	0.90	0.65	11.10	8.60	6.60	8.10	7.60	3.90	8.60	1.65		1.90
Credit spreads corporate bonds (bp)																		
AAA		40	40	40	40	40	40	40	60	50	45	50	50	35	50	30	30	30
AA		120	120	120	120	120	120	120	180	160	140	160	160	110	160	100	100	100
A		180	180	180	180	180	180	180	250	230	200	230	230	170	230	150	150	150
BBB		300	300	300	300	300	300	300	400	360	320	360	360	270	360	250	250	250
BB		700	700	700	700	700	700	700	850	800	740	800	800	600	800	580	580	580
B		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,250	1,180	1,100	1,180	1,180	900	1,180	850	850	850
Credit spreads ABS (bp)																		
BBB RMBS		720	756	738	720	720	756	720	1,080	900	810	900	1,050	1,530	900	675	675	675
BBB Credit Cards		810	844	844	810	810	844	810	1,485	1,148	979	1,148	1,148	810	1,148	765	765	765
BBB Auto loans		1,800	1,900	1,850	1,800	1,800	1,900	1,800	3,000	2,400	2,100	2,400	2,400	1,800	2,400	1,620	1,620	1,620
BBB CMBS		2,250	2,550	2,400	2,250	2,250	2,550	2,250	3,750	3,000	2,625	3,000	3,000	3,150	3,000	2,070	2,070	2,070
Real estate																		
Residential, %YoY		0.5	3.0	2.0	4.0	4.0	0.5	1.0	-5.0	1.5	0.8	1.0	-0.5	-1.0		2.5		0.0
Commercial, %YoY		3.0	4.0	2.8	5.0	4.0	4.0	4.5	9.0	3.0	3.0	3.0	3.0	-3.0		3.0		2.0

Source: ING

EMU Complete euro break up

Differences to base (financial market variables all year-end)

Fig 31 EMU break up scenarios - Total break up 2010

	EA16	DEU	FRA	NLD	BEL	LUX	AUT	FIN	GRC	IRL	ITA	PRT	ESP	UK	Central Europe	USA ex Japan	Asia Japan	
Macro economic drivers																		
GDP, %YoY		-0.3	-0.4	-0.8	-0.5	-0.4	-0.2	-0.4	-2.1	-0.6	-1.1	-0.9	-0.9	-0.4	-0.7	-0.3	-1.0	-0.8
Unemployment, %		0.3	0.4	0.4	0.5	0.4	0.3	0.4	3.0	0.6	0.5	0.6	0.8	0.2	0.8	0.0	0.5	0.5
CPI, %YoY		0.0	0.0	-0.1	0.0	0.0	0.0	0.0	1.0	5.0	0.8	0.3	0.2	-0.3	0.0	-0.2	-0.5	-1.4
Interest rates - SWAP (%)																		
3M		-0.8	-0.5	-0.7	-0.8	-0.8	-0.5	-0.8	4.0	3.0	2.0	3.5	3.0	-0.5	3.0	-2.0		-0.3
2Y		-1.0	-0.7	-0.9	-1.0	-1.0	-0.7	-1.0	5.0	3.0	2.0	3.5	3.0	-0.5	3.0	-2.2		-0.3
10Y		-2.5	-2.2	-2.4	-2.0	-2.5	-2.2	-2.5	7.0	4.0	2.5	4.0	4.0	-0.7	4.0	-2.3		-0.3
30Y		-2.0	-1.7	-2.2	-1.5	-1.7	-1.7	-1.7	6.0	4.0	3.0	4.5	4.0	-0.8	4.0	-2.5		-0.3
Equity, %YoY (in local currency)																		
	-25.0													-34.0	-42.0	-19.0		-17.0
FX (local currencies per USD)																		
	0.3	0.1	0.3	0.2	0.2	0.2	0.2	0.2	3.9	1.1	0.4	1.1	1.1	0.0				5.8
Local Currency/USD (USD per local currency)																		
	-0.3	-0.1	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.9	-0.6	-0.4	-0.6	-0.6	0.0				0.0
(local currencies per DEM)																		
		0.0	0.2	0.1	0.1	0.1	0.1	0.1	4.0	1.0	0.3	1.0	1.0	-0.2				-25.0
Government bond yields (%)																		
2Y		-1.00	-0.90	-0.90	-1.25	-1.15	-0.90	-1.10	-2.00	1.25	0.45	1.25	0.90	-0.60	1.25	-2.45		-0.20
5Y		-1.75	-1.70	-1.78	-1.93	-1.93	-1.73	-1.93	-0.10	1.50	0.73	1.53	1.63	-0.70	1.50	-2.50		-0.20
10Y		-2.50	-2.50	-2.65	-2.60	-2.70	-2.55	-2.75	1.80	1.75	1.00	1.80	2.35	-0.80	1.75	-2.55		-0.20
Credit spreads corporate bonds (bp)																		
AAA		57	60	59	57	57	60	57	93	75	66	75	75	48	75	41	38	38
AA		148	157	157	148	148	157	148	328	238	193	238	238	130	238	100	92	92
A		235	253	244	235	235	253	235	451	343	289	343	343	217	343	163	151	151
BBB		379	451	415	379	379	451	379	739	559	469	559	559	325	559	260	239	239
BB		981	1,089	1,035	981	981	1,089	981	1,881	1,431	1,206	1,431	1,431	891	1,431	664	608	608
B		1,523	1,703	1,613	1,523	1,523	1,703	1,523	2,783	2,153	1,838	2,153	2,153	1,343	2,153	1,047	963	963
Credit spreads ABS (bp)																		
BBB RMBS		675	735	705	675	675	735	675	1,275	975	825	975	600	1,700	975	600	600	600
BBB Credit Cards		1,050	1,106	1,106	1,050	1,050	1,106	1,050	2,175	1,613	1,331	1,613	1,613	1,050	1,613	975	975	975
BBB Auto loans		1,800	1,967	1,883	1,800	1,800	1,967	1,800	3,800	2,800	2,300	2,800	2,800	1,800	2,800	1,500	1,500	1,500
BBB CMBS		1,875	2,375	2,125	1,875	1,875	2,375	1,875	4,375	3,125	2,500	3,125	3,125	3,375	3,125	1,575	1,575	1,575
Real estate																		
Residential, %YoY		0.0	0.0	-1.0	-1.0	-0.5	0.0	0.0	-0.5	0.0	0.0	-2.0	-1.0	-3.0		0.0		0.0
Commercial, %YoY		-1.0	-1.5	-1.0	0.0	-0.1	0.0	-0.5	-30.0	-0.5	-1.0	0.0	-3.0	-12.0		4.0	-5.0	-4.0

Source: ING

EMU Complete euro break up

Differences to base (financial market variables all year-end)

Fig 32 EMU break up scenarios - Total break up 2011

	EA17	DEU	FRA	NLD	BEL	LUX	AUT	FIN	GRC	IRL	ITA	PRT	ESP	UK	Central Europe	USA ex Japan	Asia Japan		
Macro economic drivers																			
GDP, %YoY		-5.7	-5.7	-6.2	-6.1	-6.4	-5.7	-6.4	-7.7	-7.8	-7.5	-7.3	-7.5	-4.5	-7.9	-2.0	-3.0	-0.6	
Unemployment, %		3.2	3.7	2.3	4.1	2.1	2.5	3.3	5.8	4.6	5.1	4.3	4.0	2.0	4.0	1.5	0.2	0.2	
CPI, %YoY		-2.7	-0.6	-0.9	-1.4	-1.4	-1.1	-1.2	16.9	10.2	6.2	11.5	8.6	-0.8	-1.2	-3.9	-2.0	-0.8	
Interest rates - SWAP (%)																			
3M		-1.5	-1.2	-1.4	-1.5	-1.5	-1.2	-1.5	7.0	4.5	3.0	4.5	4.0	-0.5	4.5	-2.0		-0.3	
2Y		-1.7	-1.4	-1.6	-1.7	-1.7	-1.4	-1.7	8.0	5.0	3.0	4.5	4.0	-0.5	5.0	-2.2		-0.3	
10Y		-3.2	-2.9	-3.1	-2.7	-3.2	-2.9	-3.2	8.0	5.5	3.5	5.0	4.5	-0.7	5.5	-2.3		-0.3	
30Y		-2.7	-2.4	-2.9	-2.2	-2.4	-2.4	-2.4	7.0	5.5	4.0	5.5	5.0	-0.8	5.5	-2.5		-0.3	
Equity, %YoY (in local currency)																			
	8.0													13.0	36.0	16.0		6.0	
FX (local currencies per USD)																			
	0.3	0.1	0.3	0.2	0.2	0.2	0.2	0.2	2.6	1.0	0.4	1.0	1.0	0.1					-9.1
Local Currency/USD (USD per local currency)																			
	-0.3	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.9	-0.6	-0.4	-0.6	-0.6	-0.1					0.0
(local currencies per DEM)																			
		0.0	0.2	0.1	0.1	0.1	0.1	0.1	3.6	0.9	0.3	0.9	0.9	-0.2					-48.0
Government bond yields (%)																			
2Y		-1.70	-1.60	-1.60	-1.95	-1.85	-1.60	-1.80	1.00	3.25	1.45	2.25	1.90	-0.60	3.25	-2.45			-0.20
5Y		-2.45	-2.40	-2.48	-2.63	-2.63	-2.43	-2.63	2.00	3.25	1.73	2.53	2.33	-0.70	3.25	-2.50			-0.20
10Y		-3.20	-3.20	-3.35	-3.30	-3.40	-3.25	-3.45	3.00	3.25	2.00	2.80	2.75	-0.80	3.25	-2.55			-0.20
Credit spreads corporate bonds (bp)																			
AAA		23	24	23	23	23	24	23	41	32	27	32	32	18	32	15	13		13
AA		48	53	53	48	48	53	48	138	93	71	93	93	39	93	24	20		20
A		83	92	88	83	83	92	83	191	137	110	137	137	74	137	48	41		41
BBB		128	164	146	128	128	164	128	308	218	173	218	218	101	218	68	58		58
BB		315	369	342	315	315	369	315	765	540	428	540	540	270	540	157	129		129
B		518	608	563	518	518	608	518	1,148	833	675	833	833	428	833	280	238		238
Credit spreads ABS (bp)																			
BBB RMBS		480	525	503	480	480	525	480	930	705	593	705	325	1,213	705	424	424		424
BBB Credit Cards		773	815	815	773	773	815	773	1,616	1,194	983	1,194	1,194	813	1,194	756	756		756
BBB Auto loans		1,290	1,415	1,353	1,290	1,290	1,415	1,290	2,790	2,040	1,665	2,040	2,040	1,350	2,040	1,125	1,125		1,125
BBB CMBS		1,313	1,688	1,500	1,313	1,313	1,688	1,313	3,188	2,250	1,781	2,250	2,250	2,638	2,250	1,288	1,288		1,288
Real estate																			
Residential, %YoY		-1.0	-1.0	-2.0	-2.0	-0.5	-1.0	-1.0	-7.5	-3.0	-2.5	-2.5	-4.0	-6.7		-0.8			0.0
Commercial, %YoY		-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-2.0	-28.0	-2.0	-2.0	-4.0	-6.0	-12.0		6.0	4.0		-3.0

Source: ING

EMU Complete euro break up

Differences to base (financial market variables all year-end)

Fig 33 EMU break up scenarios - Total break up 2012

	EA17	DEU	FRA	NLD	BEL	LUX	AUT	FIN	GRC	IRL	ITA	PRT	ESP	UK	Central Europe	USA	Asia ex Japan	Japan	
Macro economic drivers																			
GDP, %YoY		-3.6	-4.1	-3.9	-4.8	-5.1	-3.7	-4.9	-4.0	-5.5	-4.7	-4.0	-4.3	-3.0	-7.0	-1.0	3.0	-0.7	
Unemployment, %		4.9	4.9	4.2	5.8	4.0	4.1	5.3	7.8	6.0	7.2	5.6	6.5	3.0	7.0	2.5		0.3	
CPI, %YoY		-2.7	-1.7	-1.8	-2.6	-2.3	-1.8	-2.6	6.2	5.2	2.1	5.3	3.6	-0.6	-1.5	-1.1	-0.5	-1.0	
Interest rates - SWAP (%)																			
3M		-1.3	-1.0	-1.2	-1.3	-1.3	-1.0	-1.3	6.5	4.0	2.5	4.0	3.5	-0.5	4.0	-1.7		-0.3	
2Y		-1.5	-1.2	-1.4	-1.5	-1.5	-1.2	-1.5	7.5	4.5	2.5	4.0	3.5	-0.5	4.5	-1.8		-0.3	
10Y		-3.0	-2.7	-2.9	-2.5	-3.0	-2.7	-3.0	7.5	5.0	3.0	4.5	4.0	-0.7	5.0	-1.9		-0.3	
30Y		-2.5	-2.2	-2.7	-2.0	-2.2	-2.2	-2.2	6.5	5.0	3.5	5.0	4.5	-0.8	5.0	-2.0		-0.3	
Equity, %YoY (in local currency)																			
	-4.0													13.0	8.0	0.0		0.0	
FX (local currencies per USD)																			
	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	1.6	0.6	0.3	0.6	0.6	0.1					-10.0
Local Currency/USD (USD per local currency)																			
	-0.3	-0.1	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.9	-0.6	-0.4	-0.6	-0.6	-0.2					0.0
(local currencies per DEM)																			
		0.0	0.1	0.1	0.1	0.1	0.1	0.1	3.2	0.8	0.3	0.8	0.8	-0.1					-43.0
Government bond yields (%)																			
2Y		-1.50	-1.40	-1.40	-1.75	-1.65	-1.40	-1.60	0.50	2.75	0.95	1.75	1.40	-0.60	2.75	-2.05			-0.20
5Y		-2.25	-2.20	-2.28	-2.43	-2.43	-2.23	-2.43	1.50	2.75	1.23	2.03	1.83	-0.70	2.75	-2.10			-0.20
10Y		-3.00	-3.00	-3.15	-3.10	-3.20	-3.05	-3.25	2.50	2.75	1.50	2.30	2.25	-0.80	2.75	-2.15			-0.20
Credit spreads corporate bonds (bp)																			
AAA		27	27	27	27	27	27	27	47	37	32	37	37	22	37	17	17	17	17
AA		64	64	64	64	64	64	64	124	104	84	104	104	54	104	44	44	44	44
A		107	107	107	107	107	107	107	177	157	127	157	157	97	157	77	77	77	77
BBB		167	167	167	167	167	167	167	267	227	187	227	227	137	227	117	117	117	117
BB		322	322	322	322	322	322	322	472	422	362	422	422	222	422	202	202	202	202
B		475	475	475	475	475	475	475	725	655	575	655	655	375	655	325	325	325	325
Credit spreads ABS (bp)																			
BBB RMBS		335	371	353	335	335	371	335	695	515	425	515	450	930	515	290	290	290	290
BBB Credit Cards		590	624	624	590	590	624	590	1,265	928	759	928	928	590	928	545	545	545	545
BBB Auto loans		920	1,020	970	920	920	1,020	920	2,120	1,520	1,220	1,520	1,520	920	1,520	740	740	740	740
BBB CMBS		875	1,175	1,025	875	875	1,175	875	2,375	1,625	1,250	1,625	1,625	1,775	1,625	695	695	695	695
Real estate																			
Residential, %YoY		0.0	0.0	0.0	0.0	0.0	0.0	0.0	-4.0	-0.5	0.0	-1.0	-0.5	-1.0		-0.5			0.0
Commercial, %YoY		0.0	0.0	-0.2	0.0	0.0	0.0	-0.5	6.0	0.0	-1.0	-2.0	-1.0	-6.0		-4.0	0.0		0.0

Source: ING

Contacts

Developed Markets		Title	Telephone	Email
London	Mark Cliffe	Global Head of Financial Markets Research	(44 20) 7767 6283	mark.cliffe@uk.ing.com
	Rob Carnell	Chief International Economist	(44 20) 7767 6909	rob.carnell@uk.ing.com
	James Knightley	Senior Economist, UK, US, Scandinavia	(44 20) 7767 6614	james.knightley@uk.ing.com
	Chris Turner	Head of Foreign Exchange Strategy	(44 20) 7767 1610	christopher.turner@uk.ing.com
	Tom Levinson	Foreign Exchange Strategist	(44 20) 7767 8057	tom.levinson@uk.ing.com
	Shaunn Griffiths	Senior Credit Analyst	(44 20) 7767 6535	shaunn.griffiths@uk.ing.com
Amsterdam	Maarten Leen	Principal Economist	(31 20) 563 4406	maarten.leen@ing.nl
	Martin van Vliet	Senior Economist, Eurozone	(31 20) 563 9528	martin.van.vliet@ing.nl
	Teunis Brosens	Senior Economist, US	(31 20) 563 6167	teunis.brosens@ing.nl
	Dimitry Fleming	Economist, Netherlands, US	(31 20) 563 9497	dimitry.fleming@ing.nl
	Padhraic Garvey	Head of Developed Markets Debt Strategy	(31 20) 563 8955	padhraic.garvey@ingbank.com
	Jeroen van den Broek	Head of Developed Markets Credit Strategy	(31 20) 563 8959	jeroen.van.den.broek@ingbank.com
	Wilson Chin	Senior Debt Strategist	(31 20) 563 8956	wilson.chin@ingbank.com
	Maureen Schuller	Senior Credit Strategist	(31 20) 563 8941	maureen.schuller@ingbank.com
	Han Tong	Quantitative Strategist	(31 20) 563 8957	han.tong@ingbank.com
	Mark Harmer	Head of Developed Markets Credit Research	(31 20) 563 8964	mark.harmer@ingbank.com
	Eleonore Lamberty	Senior Credit Analyst	(31 20) 563 8976	eleonore.lamberty@ingbank.com
	Roelof-Jan van den Akker	Technical Analyst	(31 20) 563 8178	roelof-jan.van.den.akker@ingbank.com
Brussels	Peter Vanden Houte	Chief Economist, Belgium, Eurozone	(32 2) 547 8009	peter.vandenhoute@ing.be
	Carsten Brzeski	Senior Economist, Germany, Eurozone	(32 2) 547 8652	carsten.brzeski@ing.be
	Oscar Bernal	Economist, France	(32 2) 547 3995	oscar.bernal@ing.be
	Julien Manceaux	Economist, Switzerland	(32 2) 547 3350	julien.manceaux@ing.be
	Philippe Ledent	Economist, Belgium	(32 2) 547 3161	philippe.ledent@ing.be
Milan	Paolo Pizzoli	Senior Economist, EMU, Italy, Greece	(39 02) 89629 3630	paolo.pizzoli@ing.it
Emerging Markets		Title	Telephone	Email
London	Charles Robertson	Head of Research & Chief Economist, EMEA	(44 20) 7767 5310	charles.robertson@uk.ing.com
	Agata Urbanska	Senior Economist, Emerging Europe	(44 20) 7767 6970	agata.urbanska@uk.ing.com
	Dorothee Gasser-Châteauvieux	Senior Economist, Middle East and Africa	(44 20) 7767 6023	dorothee.gasser@uk.ing.com
	Courtney Ruesch	Research Assistant	(44 20) 7767 5567	courtney.ruesch@uk.ing.com
New York	H David Spiegel	Global Head of Emerging Markets Strategy	(1 646) 424 6464	david.spiegel@americas.ing.com
	Natalia Corfield	Corporate Debt Strategist	(1 646) 424 6086	natalia.corfield@americas.ing.com
Brazil	Zeina Abdel Latif	Chief Economist, Brazil	(55 11) 4504 6131	zeina.latif@americas.ing.com
Czech Rep	Vojtech Benda	Senior Economist, Czech Republic	(420 2) 5747 4432	vojtech.benda@ing.cz
Hungary	David Nemeth	Senior Economist, Hungary	(36 1) 255 5581	nemeth.david@ing.hu
India	Deepali Bhargava	Economist, India	(91 22) 2499 8114	deepali.bhargava@ingvysyabank.com
Mexico	Ezequiel Garcia	Economist, Mexico	(52 55) 5258 2064	ezequiel.garcia@americas.ing.com
Philippines	Joey Cuyegkeng	Economist, Philippines	(632) 479 8855	joey.cuyegkeng@asia.ing.com
Poland	Mateusz Szczurek	Chief Economist, Poland	(48 22) 820 4698	mateusz.szczurek@ingbank.pl
	Rafal Benecki	Senior Economist, Poland	(48 22) 820 4696	rafal.benecki@ingbank.pl
	Grzegorz Ogonek	Economist, Poland	(48 22) 820 4608	grzegorz.ogonek@ingbank.pl
Romania	Nicolaie Alexandru-Chidesciuc	Chief Economist, Romania	(40 21) 209 1294	nicolaie.alexandru@ing.ro
	Vlad Muscalu	Economist, Romania	(40 21) 209 1393	vlad.muscalu@ing.ro
Russia	Stanislav Ponomarenko	Head of Research, Russia	(7 495) 755 5480	stanislav.ponomarenko@ingbank.com
Singapore	Tim Condon	Head of Research & Chief Economist, Asia	(65) 6232 6020	tim.condon@asia.ing.com
	Prakash Sakpal	Economist, Asia	(65) 6232 6181	prakashb.sakpal@asia.ing.com
Slovakia	Eduard Hagara	Senior Economist, Slovakia	(421 2) 5934 6392	eduard.hagara@ing.sk
Turkey	Sengül Dağdeviren	Head of Research & Chief Economist, Turkey	(90 212) 329 0752	sengul.dagdeviren@ingbank.com.tr
	Pinar Uslu	Senior Economist, Turkey	(90 212) 329 0751	pinar.uslu@ingbank.com.tr
	Ezgi Gülbaş	Economist, Turkey	(90 212) 329 0753	ezgi.gulbas@ingbank.com.tr
Ukraine	Alexander Pecherytsyn	Head of Research, Ukraine	(38 044) 230 3017	alexander.pecherytsyn@ingbank.com

Disclosures Appendix

ANALYST CERTIFICATION

The analyst(s) who prepared this report hereby certifies that the views expressed in this report accurately reflect his/her personal views about the subject securities or issuers and no part of his/her compensation was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this report.

IMPORTANT DISCLOSURES

Company disclosures are available from the disclosures page on our website at <http://research.ing.com>.

The *remuneration of research analysts* is not tied to specific investment banking transactions performed by ING Group although it is based in part on overall revenues, to which investment banking contribute.

Securities prices: Prices are taken as of the previous day's close on the home market unless otherwise stated.

Conflicts of interest policy. ING manages conflicts of interest arising as a result of the preparation and publication of research through its use of internal databases, notifications by the relevant employees and Chinese walls as monitored by ING Compliance. For further details see our research policies page at <http://research.ing.com>.

FOREIGN AFFILIATES DISCLOSURES

Each ING legal entity which produces research is a subsidiary, branch or affiliate of ING Bank N.V. See back page for the addresses and primary securities regulator for each of these entities.

AMSTERDAM Tel: 31 20 563 9111	BRUSSELS Tel: 32 2 547 2111	LONDON Tel: 44 20 7767 1000	NEW YORK Tel: 1 646 424 6000	SINGAPORE Tel: 65 6535 3688
Bratislava Tel: 421 2 5934 6111	Geneva Tel: 41 22 593 8050	Manila Tel: 63 2 479 8888	Prague Tel: 420 257 473 111	Sofia Tel: 359 2 917 6400
Bucharest Tel: 40 21 222 1600	Hong Kong Tel: 852 2848 8488	Mexico City Tel: 52 55 5258 2199	Santiago Tel: 56 2 659 2700	Taipei Tel: 886 2 2734 7600
Budapest Tel: 36 1 235 8800	Istanbul Tel: 90 212 367 7011	Milan Tel: 39 02 89629 3610	Sao Paulo Tel: 55 11 4504 6000	Tokyo Tel: 81 3 5210 0100
Buenos Aires Tel: 54 11 4310 4700	Kiev Tel: 380 44 230 3030	Moscow Tel: 7 495 755 5400	Seoul Tel: 82 2 317 1800	Warsaw Tel: 48 22 820 5018
Dublin Tel: 353 1 638 4000	Madrid Tel: 34 91 789 8880	Paris Tel: 33 1 56 39 32 84	Shanghai Tel: 86 21 6841 3355	

Research offices: legal entity/address/primary securities regulator

Amsterdam	ING Bank N.V., Foppingadreef 7, Amsterdam, Netherlands, 1102BD. <i>Netherlands Authority for the Financial Markets</i>
Bratislava	ING Bank N.V., pobočka zahraničnej banky, Jesenskeho 4/C, 811 02 Bratislava, Slovak Republic. <i>National Bank of Slovakia</i>
Brussels	ING Belgium S.A./N.V., Avenue Marnix 24, Brussels, Belgium, B-1000. <i>Banking Finance and Insurance Commission</i>
Bucharest	ING Bank N.V. Bucharest Branch, 11-13 Kiseleff Avenue, PO Box 2-208, 011342, Bucharest 1, Romania <i>Romanian National Securities and Exchange Commission</i>
Budapest	ING Bank N.V. Hungary Branch, Dozsa Gyorgy ut 84/B, H - 1068 Budapest, Hungary. <i>Hungarian Financial Supervisory Authority</i>
Hong Kong	ING Bank N.V. Hong Kong Branch, 39/F, One International Finance Centre, Central Hong Kong. <i>Hong Kong Monetary Authority</i>
Istanbul	ING Bank A.S, ING Bank Headquarters, Eski Buyukdere Cad, Ayazaga Koyyolu No:6, Maslak 34467, Istanbul, Turkey. <i>Capital Markets Board</i>
Kiev	ING Bank Ukraine JSC, 30-a, Spaska Street, Kiev, Ukraine, 04070 <i>Ukrainian Securities and Stock Commission</i>
London	ING Bank N.V. London Branch, 60 London Wall, London EC2M 5TQ, United Kingdom. <i>Authorised by the Dutch Central Bank</i>
Manila	ING Bank N.V. Manila Branch, 21/F Tower I, Ayala Avenue, 1226 Makati City, Philippines. <i>Philippine Securities and Exchange Commission</i>
Mexico City	ING Bank (Mexico) SA, Bosques de Alisos 45-B, Piso 4, Bosques de Las Lomas, 05120, Mexico City, Mexico. <i>Comisión Nacional Bancaria y de Valores</i>
Milan	ING Bank N.V. Milano, Via Paleocapa, 5, Milano, Italy, 20121. <i>Commissione Nazionale per le Società e la Borsa</i>
Moscow	ING Bank (Eurasia) ZAO, 36, Krasnoproletarskaya ulitsa, 127473 Moscow, Russia. <i>Federal Financial Markets Service</i>
Mumbai	ING Vysya Bank Limited, A Wing, Shivsagar Estate, 2nd Floor, South Wing, Dr. Annie Besant Road, Worli, Mumbai, 400 018. India <i>Securities and Exchange Board of India</i>
New York	ING Financial Markets LLC, 1325 Avenue of the Americas, New York, United States, 10019. <i>Securities and Exchange Commission</i>
Prague	ING Bank N.V. Prague Branch, Nadrazni 25, 150 00 Prague 5, Czech Republic. <i>Czech National Bank</i>
Sao Paulo	ING Bank N.V. Sao Paulo Branch, Ave. Presidente Juscelino Kubistchek, 510, 3rd floor, Sao Paulo, Brazil 04543-000. <i>Securities and Exchange Commission of Brazil</i>
Singapore	ING Bank N.V. Singapore Branch, 19/F Republic Plaza, 9 Raffles Place, #19-02, Singapore, 048619. <i>Monetary Authority of Singapore</i>
Sofia	ING Bank N.V. Sofia Branch, 49B Bulgaria Blvd, Sofia 1404 Bulgaria. <i>Financial Supervision Commission</i>
Warsaw	ING Bank Slaski S.A, Plac Trzech Krzyzy, 10/14, Warsaw, Poland, 00-499. <i>Polish Financial Supervision Authority</i>

Disclaimer

This report has been prepared on behalf of ING (being for this purpose the wholesale and investment banking business of ING Bank NV and certain of its subsidiary companies) solely for the information of its clients. ING forms part of ING Group (being for this purpose ING Groep NV and its subsidiary and affiliated companies). It is not investment advice or an offer or solicitation for the purchase or sale of any financial instrument. While reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, ING makes no representation that it is accurate or complete. The information contained herein is subject to change without notice. ING Group and any of its officers, employees, related and discretionary accounts may, to the extent not disclosed above and to the extent permitted by law, have long or short positions or may otherwise be interested in any transactions or investments (including derivatives) referred to in this report. In addition, ING Group may provide banking, insurance or asset management services for, or solicit such business from, any company referred to in this report. Neither ING Group nor any of its officers or employees accepts any liability for any direct or consequential loss arising from any use of this report or its contents. Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. Any investments referred to herein may involve significant risk, are not necessarily available in all jurisdictions, may be illiquid and may not be suitable for all investors. The value of, or income from, any investments referred to herein may fluctuate and/or be affected by changes in exchange rates. Past performance is not indicative of future results. Investors should make their own investigations and investment decisions without relying on this report. Only investors with sufficient knowledge and experience in financial matters to evaluate the merits and risks should consider an investment in any issuer or market discussed herein and other persons should not take any action on the basis of this report. This report is issued: 1) in the United Kingdom only to persons described in Articles 19, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and is not intended to be distributed, directly or indirectly, to any other class of persons (including private investors); 2) in Italy only to persons described in Article No. 31 of Consob Regulation No. 11522/98. Clients should contact analysts at, and execute transactions through, an ING entity in their home jurisdiction unless governing law permits otherwise. ING Bank N.V. London Branch is authorised by the Dutch Central Bank. It is incorporated in the Netherlands and its London Branch is registered in the UK (number BR000341) at 60 London Wall, London EC2M 5TQ. ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, has accepted responsibility for the distribution of this report in the United States under applicable requirements. ING Vysya Bank Ltd is responsible for the distribution of this report in India.