

# Balance sheet management

ING Investor Day

Koos Timmermans

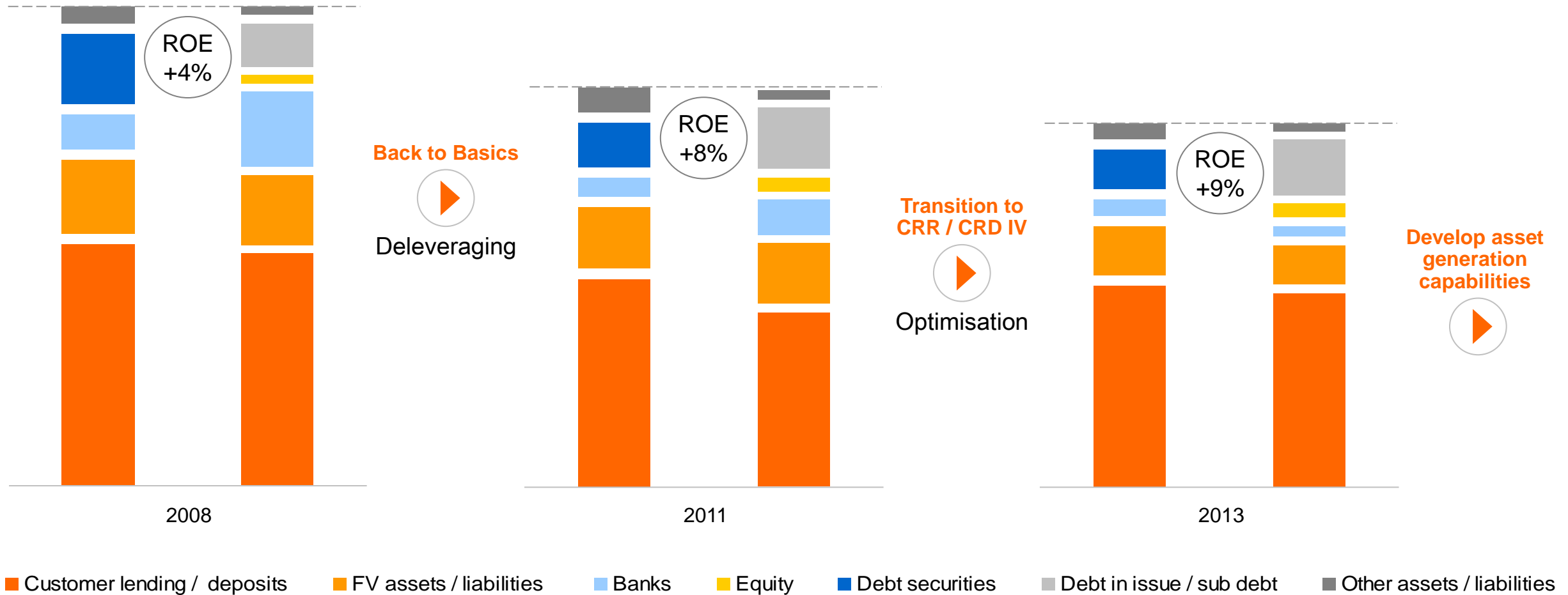
Vice-chairman Management Board Banking

Amsterdam - 31 March 2014  
[www.ing.com](http://www.ing.com)

# Key messages

- ING is consistently executing its balance sheet optimisation
- Balance sheet ratios are CRD IV compliant
- We are creating sustainable domestic banks
- Asset generation capabilities will optimise use of untapped funding potential
- ING is well positioned for a European Banking Union

# Enhancing returns by deploying local balance sheets



# We delivered on our balance sheet optimisation programme

- Continue strong deposit growth
- Replace low-yielding assets with customer lending
- Transform investment book into liquidity portfolio
- Reduce short-term funding

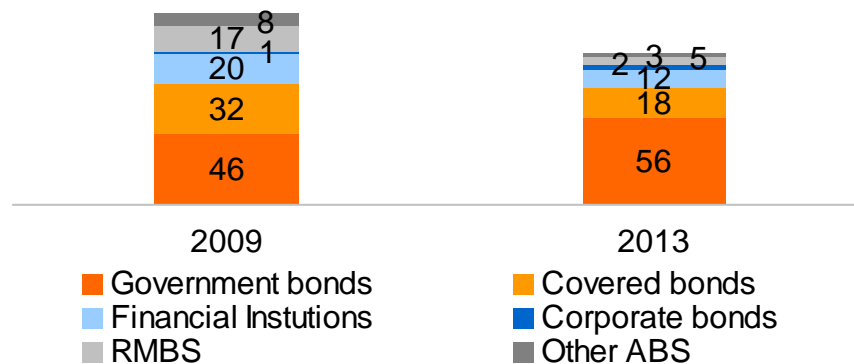
Strong customer deposit gathering ability (in EUR bln)



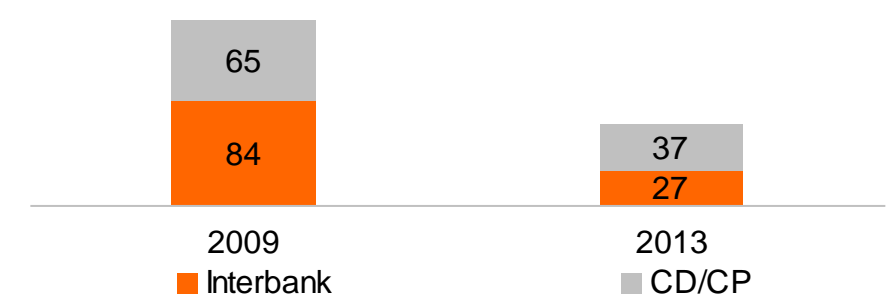
Customer lending increased (in EUR bln)



Investment portfolio changed into liquidity portfolio (in EUR bln)

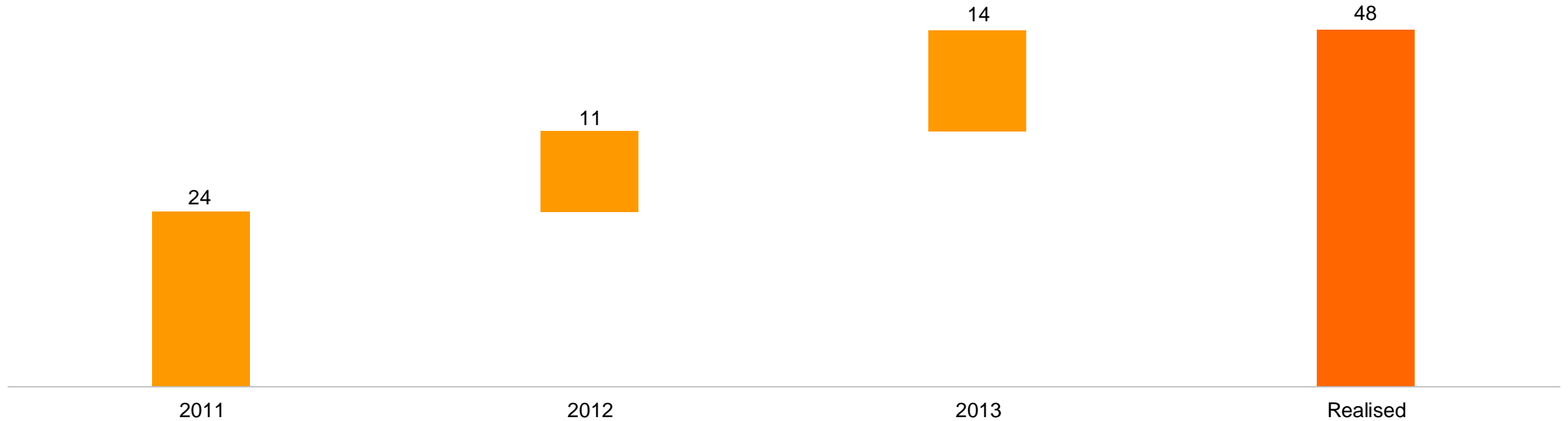


Short-term funding was reduced (in EUR bln)



# Balance sheet integration has been significant

Balance sheet integration has progressed well (in EUR bln)



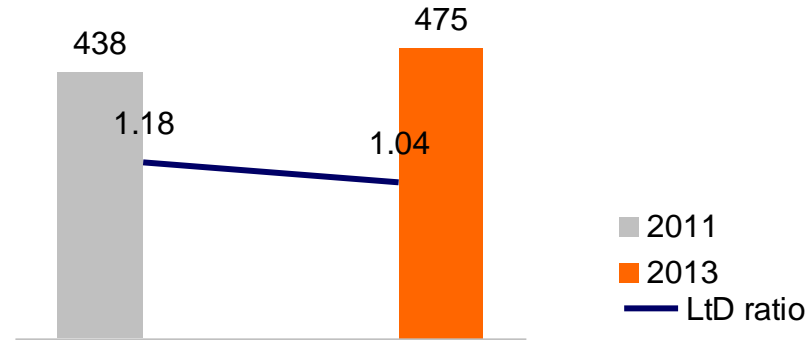
- Further optimisation by creating One Banks in Italy and Spain
- Building Industry Lending expertise centres in Germany and Belgium

# ING Bank already meets CRD IV requirements

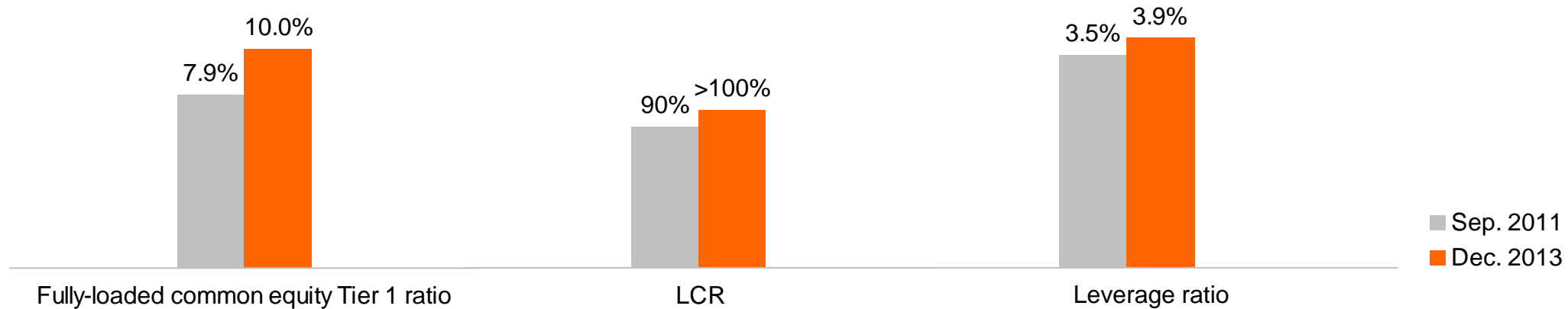
Priorities for 2012-2013 set at the IR Day in January 2012

- ✓ Accelerate transition to CRD IV
- ✓ Limit balance sheet growth
- ✓ Execute balance sheet optimisation
- ✓ Further simplify the business portfolio
- ✓ Prudent approach to capital and funding

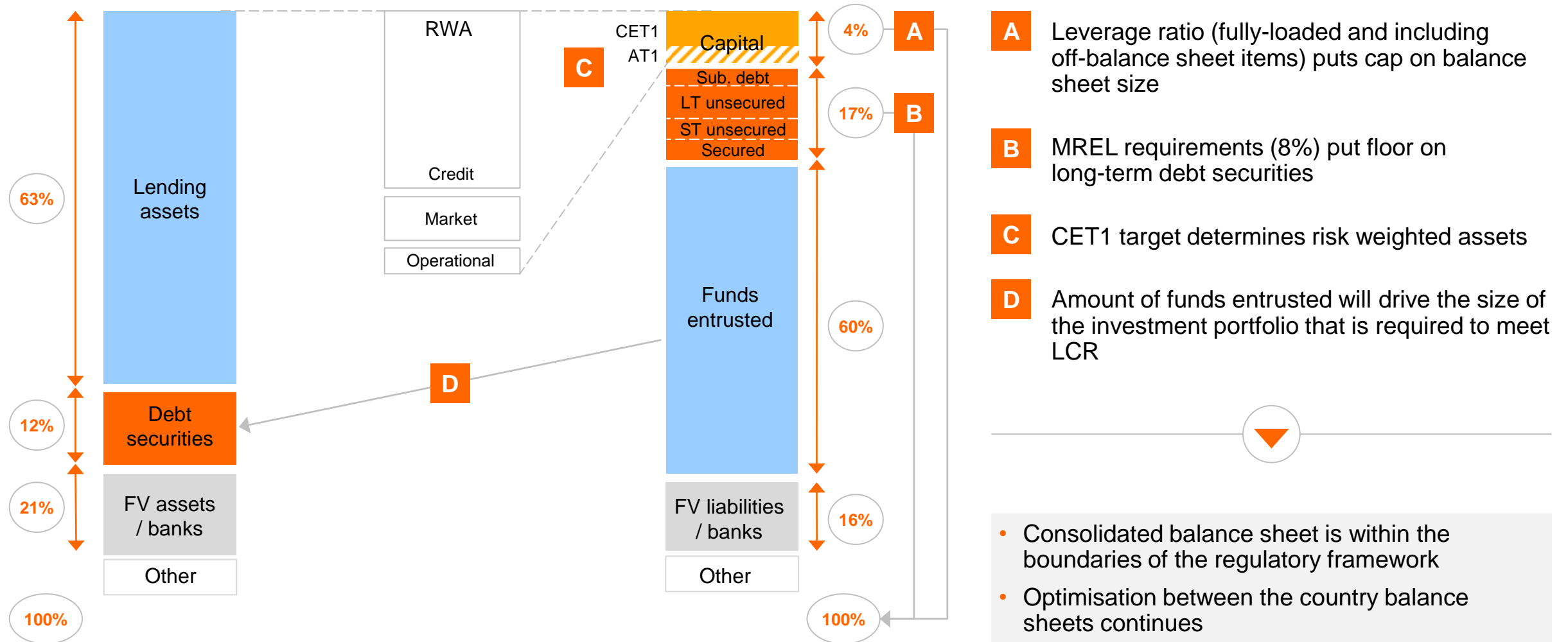
Strong customer deposit gathering (in EUR bln)



CRD IV ratios met



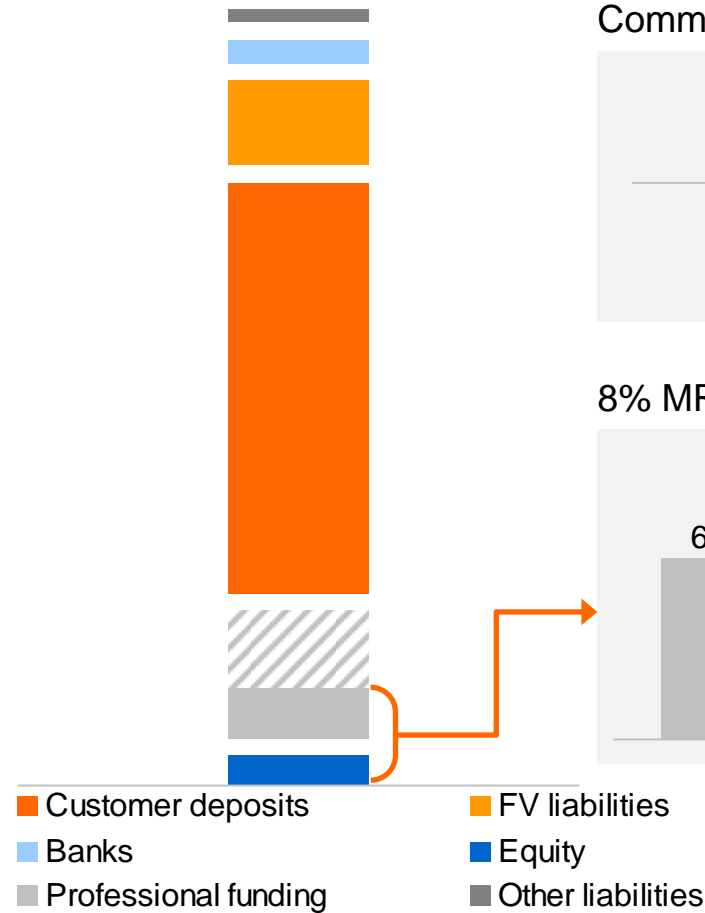
# Regulatory framework limits the degrees of freedom for balance sheet optimisation



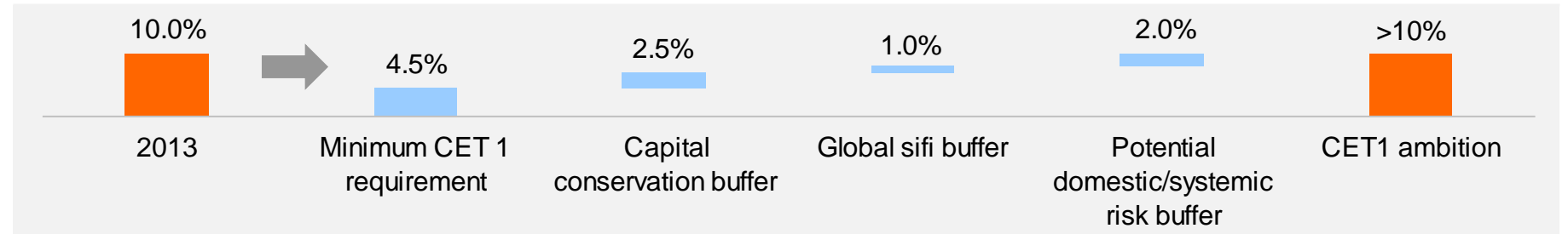
- Consolidated balance sheet is within the boundaries of the regulatory framework
- Optimisation between the country balance sheets continues

# Capital structure is strong

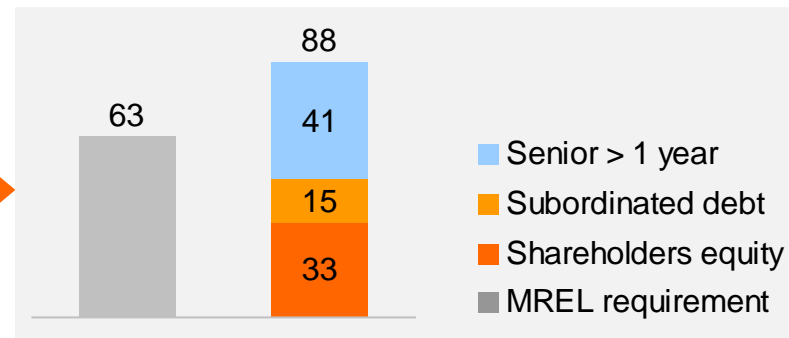
Total liabilities (31 December 2013)



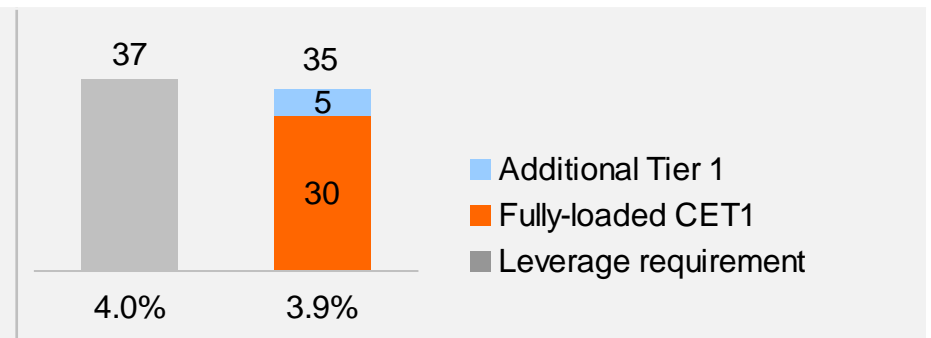
## Common equity Tier 1 ratio (fully-loaded)



## 8% MREL requirements more than covered (in EUR bln)



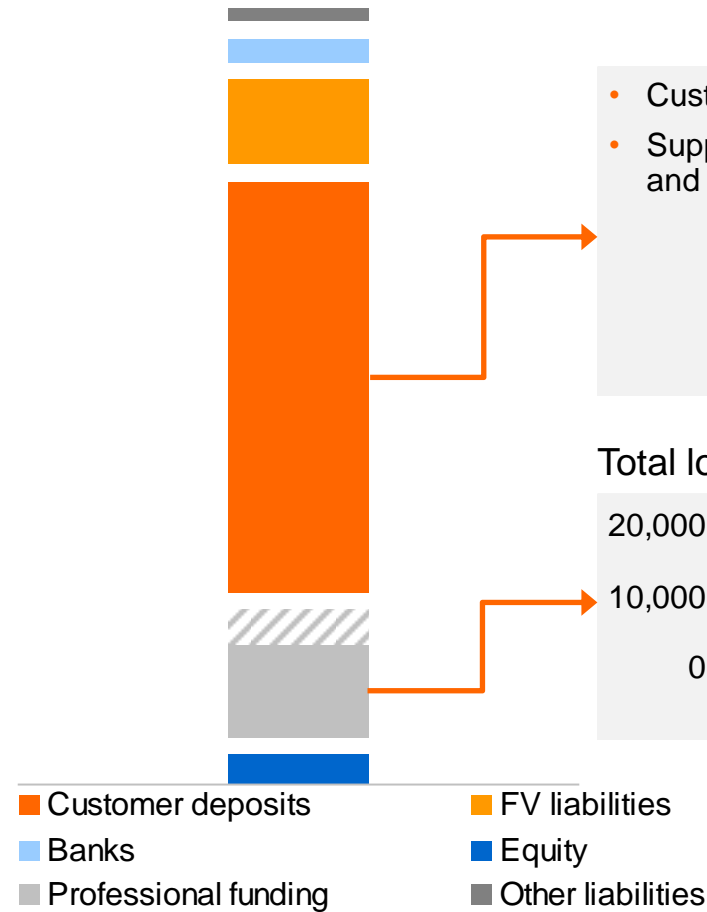
## Leverage in line with ~4% target (in EUR bln)



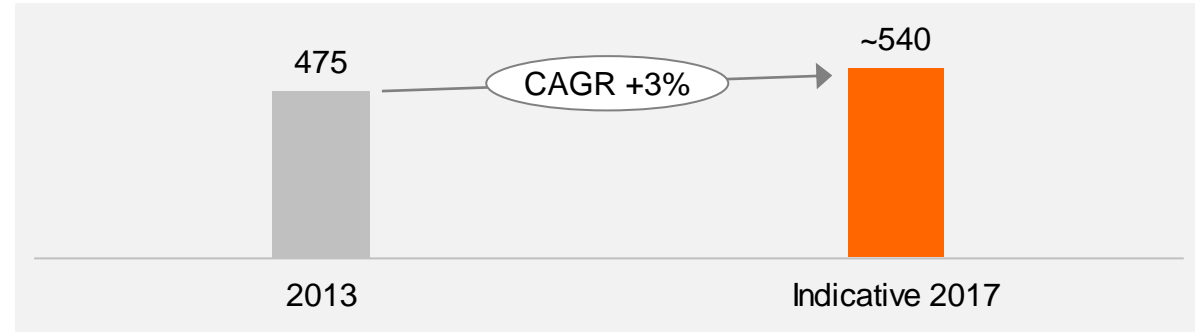


# Continue to grow customer deposits

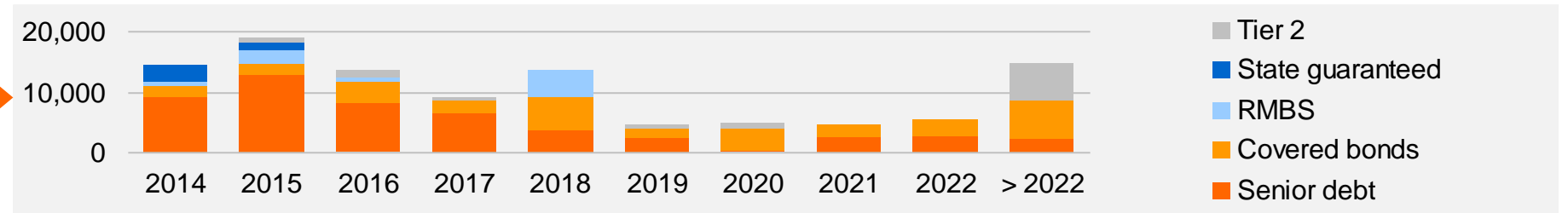
Total liabilities (31 December 2013)



Customer deposits (in EUR bln)



Total long-term debt (including sub-debt) maturing will be replaced by new issuance (in EUR mln)



# Focus on asset generating capabilities

Total assets (31 December 2013)

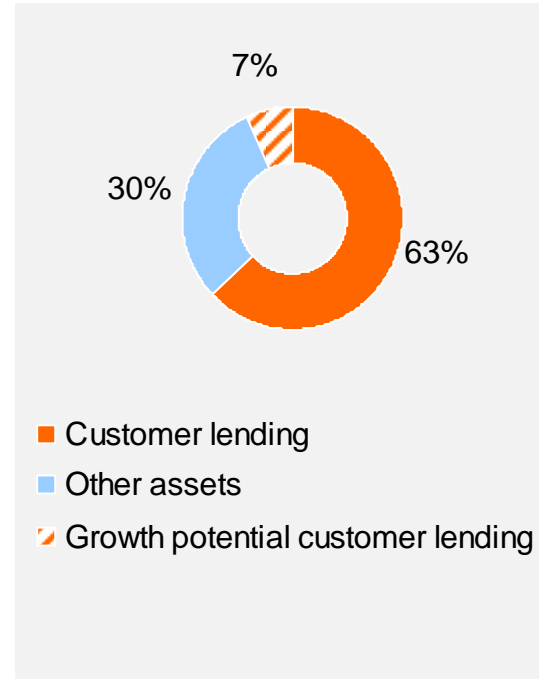


- Customer lending
- FV assets
- Banks
- Investment portfolio
- Other assets

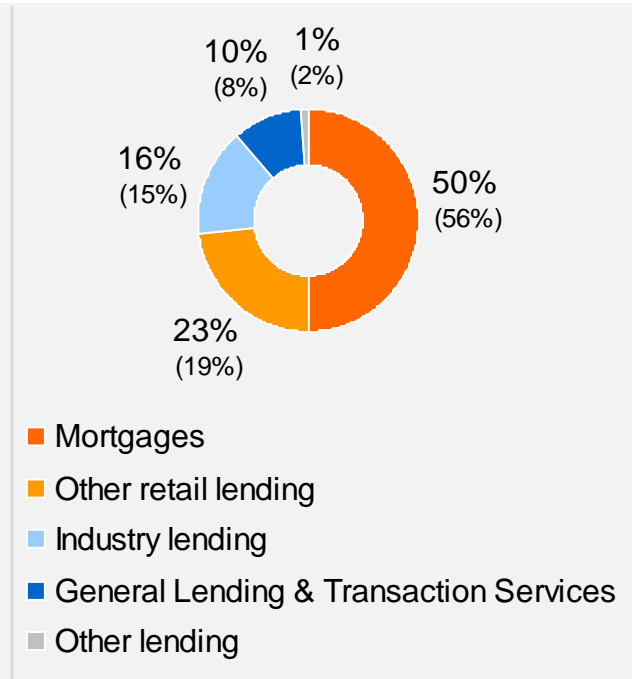
- Lending as a % of total assets to further increase
- Lending diversification: moving gradually to higher yielding assets
- Grow lending book by ~4% per year



Lending vs. total assets



Lending Ambition 2017 (2013)

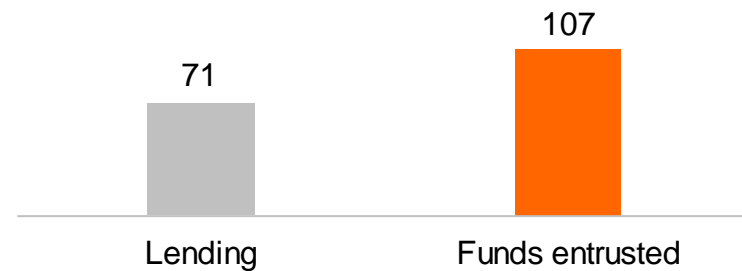


# Funding rich units to use untapped potential

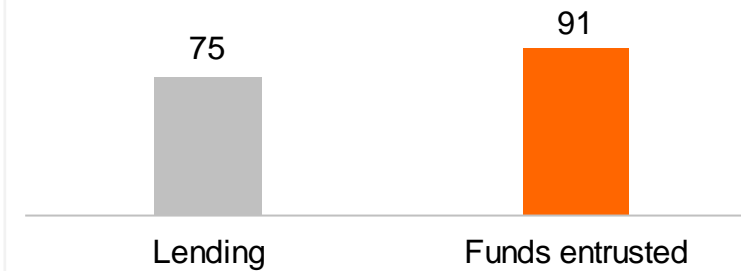
## Funding rich countries

- Continue to grow in mortgages for primary customers
- Focus on Consumer Lending and SME
- Focus on Industry Lending, International Trade Finance (General Lending) and Working Capital Solutions

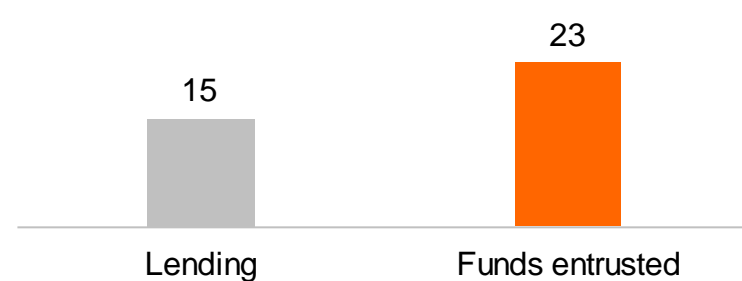
Germany - 31 December 2013 (in EUR bln)



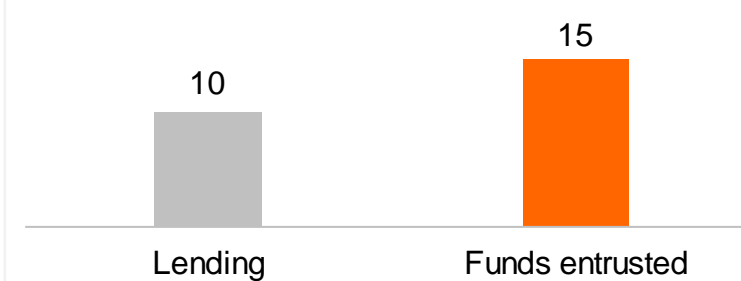
Belgium - 31 December 2013 (in EUR bln)



Spain - 31 December 2013 (in EUR bln)



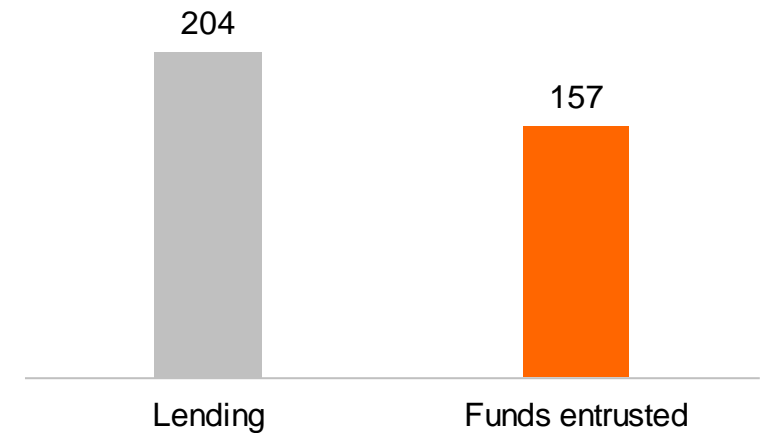
Italy - 31 December 2013 (in EUR bln)



## Netherlands

- Mortgage origination to focus on primary customers
- Gradual run-off of WestlandUtrecht Bank mortgages (EUR 27 billion) to be partly replaced by new origination
- Selective growth in consumer lending, mid-corporate and SME segment and corporate clients

Netherlands - 31 December 2013 (in EUR bln)



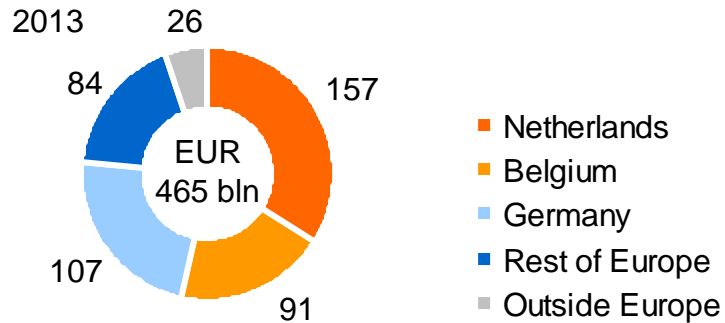
# No final decisions on evolving regulation have been taken

		ING Bank's relative position
<b>SRM</b>	<ul style="list-style-type: none"> <li>ING is supportive of the Single European Resolution Mechanism and Fund which will be set-up as of 2015</li> </ul>	
<b>Bail-in debt</b>	<ul style="list-style-type: none"> <li>ING is in favour of applying single-point-of-entry (SPE) approach</li> <li>ING has sufficient long term debt (&gt;1 year) available to meet bail-in debt requirements</li> </ul>	
<b>Resolution</b>	<ul style="list-style-type: none"> <li>ING believes that its current structure, capitalisation and availability of bail-inable liabilities provides for a credible SPE strategy</li> <li>It will be apparent to debt and capital providers what the likelihood and impact of a resolution event on their claims would be</li> <li>This provides them with the necessary mechanism to adequately estimate, calculate and price ING risk</li> </ul>	
<b>Structural Reform Banking Sector</b>	<ul style="list-style-type: none"> <li>ING has very limited proprietary trading activities</li> <li>Impact on ING unclear given the supervisory discretion to separate trading activities</li> </ul>	
<b>European Banking Union</b>	<ul style="list-style-type: none"> <li>ING would be a strong beneficiary of an European Banking Union</li> <li>Driven by its strong deposit generating capabilities</li> </ul>	

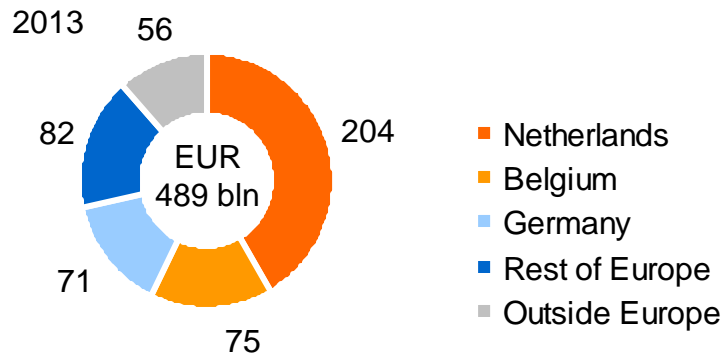
# Banking Union will further enhance capital and liquidity efficiencies

## ING Bank has a strong pan-European funds entrusted base...

(in EUR bln)



## ...and diversified lending book (in EUR bln)



- ING Bank is uniquely positioned as a Pan-European bank with geographically diversified deposit-taking and lending franchises
  - Scope for margin expansion for ING from matching deposits and attractive margins on loans across geographical presence
  - Transferability of liquidity and capital to provide room for growing lending assets, reducing the investment portfolio or reducing professional funding
  - This will result in a higher net interest result and further ROE accretion
- ▶
- ING's strategy keeps options open as far as direction and timing of a true European Banking Union is concerned
  - Our strategy to develop local asset generating capabilities is therefore a 'no regret' decision
  - Pan-European regulatory supervision and resolution could reduce incremental regulatory burden currently faced by ING in the Netherlands

# Key messages

- ING is consistently executing its balance sheet optimisation
- Balance sheet ratios are CRD IV compliant
- We are creating sustainable domestic banks
- Asset generation capabilities will optimise use of untapped funding potential
- ING is well positioned for a European Banking Union

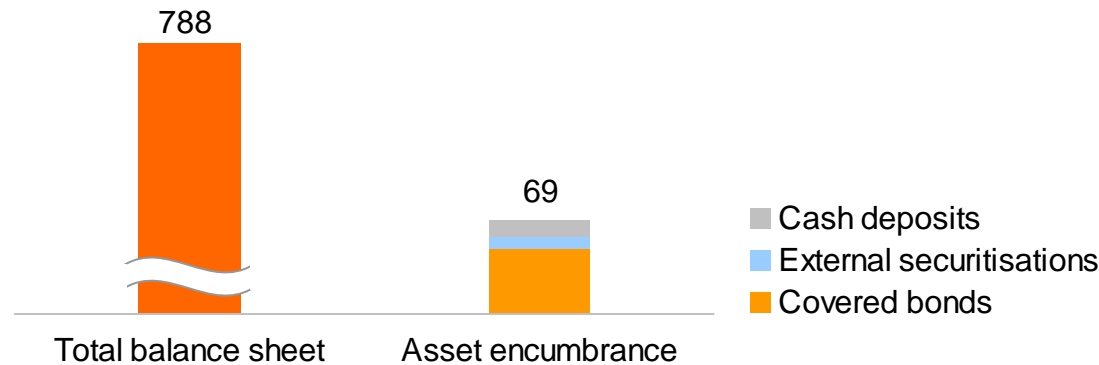


A person in a blue shirt and shorts stands on a dirt road, holding a large map. Two bicycles are parked in front of them. The scene is set in a rural, hilly area with a clear sky. An orange semi-transparent banner is overlaid across the middle of the image.

# Appendix

# ING has limited asset encumbrance and a sizeable liquidity buffer

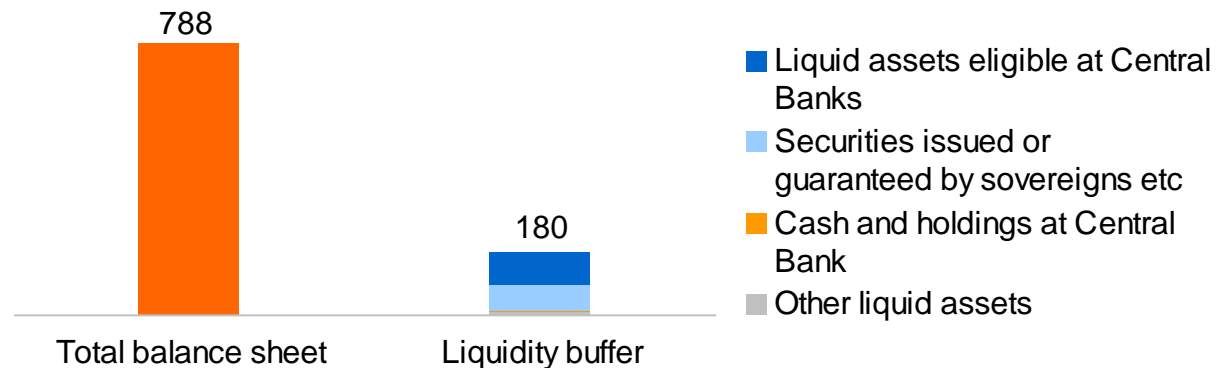
Asset encumbrance ING Bank, December 2013 (in EUR bln)



## Asset encumbrance is low

- ING Bank NV has EUR 69 billion of encumbered assets (excluding repos)
- This is relatively low at <10% of the total balance sheet at year-end 2013
- Encumbered assets relating to collateralised funding is limited at EUR 56 billion related to
  - EUR 31 billion covered bonds outstanding
  - EUR 8 billion RMBS with Dutch and Australian mortgages

Liquidity buffer ING Bank, December 2013 (in EUR bln)



## A sizeable liquidity buffer

- ING has a sizeable liquidity buffer of EUR 180 billion
- This compares favourably to a balance sheet of EUR 788 billion
- LCR is >100%, already meeting CRR/CRD IV requirements already



# Disclaimer

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

All figures in this document are based on the 2013 ING Group Annual Accounts. This document is unaudited.

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

[www.ing.com](http://www.ing.com)