Balance sheet management

ING Investor Day

Koos Timmermans
Vice-chairman Management Board Banking

Amsterdam - 31 March 2014
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

Back to Basics
Deleveraging
ROE +4%

ROE +8%
Transition to CRR / CRD IV
Optimisation

ROE +9%
Develop asset generation capabilities

2008
2011
2013

Customer lending / deposits  FV assets / liabilities  Banks  Equity  Debt securities  Debt in issue / sub debt  Other assets / liabilities
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)

- 2009: 390
- 2013: 475

**Customer lending increased** (in EUR bln)

- 2009: 445
- 2013: 493

**Investment portfolio changed into liquidity portfolio** (in EUR bln)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government bonds</td>
<td>17</td>
<td>2</td>
</tr>
<tr>
<td>Financial Inst.</td>
<td>20</td>
<td>3</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>32</td>
<td>18</td>
</tr>
<tr>
<td>Covered bonds</td>
<td>46</td>
<td>56</td>
</tr>
<tr>
<td>RMBS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other ABS</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Short-term funding was reduced** (in EUR bln)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interbank</td>
<td>65</td>
<td>84</td>
</tr>
<tr>
<td>CD/CP</td>
<td>37</td>
<td>27</td>
</tr>
</tbody>
</table>

**2009 2013**

**Government bonds**

**Corporate bonds**

**Covered bonds**

**RMBS**

**Other ABS**
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)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>438</td>
</tr>
<tr>
<td>2013</td>
<td>475</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>1.18</th>
<th>1.04</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CRD IV ratios met

<table>
<thead>
<tr>
<th>Ratio</th>
<th>2011</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully-loaded common equity Tier 1 ratio</td>
<td>7.9%</td>
<td>10.0%</td>
</tr>
<tr>
<td>LCR</td>
<td>90%</td>
<td>&gt;100%</td>
</tr>
<tr>
<td>Leverage ratio</td>
<td>3.5%</td>
<td>3.9%</td>
</tr>
</tbody>
</table>
Regulatory framework limits the degrees of freedom for balance sheet optimisation

- Leverage ratio (fully-loaded and including off-balance sheet items) puts cap on balance sheet size
- MREL requirements (8%) put floor on long-term debt securities
- CET1 target determines risk weighted assets
- Amount of funds entrusted will drive the size of the investment portfolio that is required to meet LCR

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

Percentages represent ING Bank balance sheet at year-end 2013
Capital structure is strong

Total liabilities (31 December 2013)

Common equity Tier 1 ratio (fully-loaded)

<table>
<thead>
<tr>
<th>2013</th>
<th>Minimum CET 1 requirement</th>
<th>Capital conservation buffer</th>
<th>Global sifi buffer</th>
<th>Potential domestic/systemic risk buffer</th>
<th>CET1 ambition</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.0%</td>
<td>4.5%</td>
<td>2.5%</td>
<td>1.0%</td>
<td>2.0%</td>
<td>&gt;10%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Customer deposits</th>
<th>FV liabilities</th>
<th>Banks</th>
<th>Equity</th>
<th>Professional funding</th>
<th>Other liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>63</td>
<td>41</td>
<td>15</td>
<td>33</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Senior &gt; 1 year</th>
<th>Subordinated debt</th>
<th>Shareholders equity</th>
<th>MREL requirement</th>
<th>Additional Tier 1</th>
<th>Fully-loaded CET1</th>
<th>Leverage requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>37</td>
<td>35</td>
<td>5</td>
<td>30</td>
<td>4.0%</td>
<td>3.9%</td>
<td></td>
</tr>
</tbody>
</table>

Customer deposits FV liabilities
Banks Equity
Professional funding Other liabilities
Continue to grow customer deposits

Customer deposits remain key
- Supported by retail franchise and PCM activities

Customer deposits (in EUR bln)
- 2013: 475
- Indicative 2017: ~540
- CAGR +3%

Total long-term debt (including sub-debt) maturing will be replaced by new issuance (in EUR mln)
- 2014-2022
- Tier 2
- State guaranteed
- RMBS
- Covered bonds
- Senior debt

Total liabilities (31 December 2013)
- Customer deposits
- FV liabilities
- Banks
- Equity
- Professional funding
- Other liabilities

Total liabilities
- (31 December 2013)
Focus on asset generating capabilities

Lending vs. total 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 Ambition 2017 (2013)

- Mortgages
- Other retail lending
- Industry lending
- General Lending & Transaction Services
- Other lending

Customer lending 63%
Other assets 7%
Growth potential customer lending 30%
FV assets 16%
Investment portfolio 23%
Other assets 10%
Growth potential customer lending 1%
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

<table>
<thead>
<tr>
<th>Country</th>
<th>Date</th>
<th>Lending</th>
<th>Funds entrusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>31 Dec 2013</td>
<td>71</td>
<td>107</td>
</tr>
<tr>
<td>Belgium</td>
<td>31 Dec 2013</td>
<td>75</td>
<td>91</td>
</tr>
<tr>
<td>Spain</td>
<td>31 Dec 2013</td>
<td>15</td>
<td>23</td>
</tr>
<tr>
<td>Italy</td>
<td>31 Dec 2013</td>
<td>10</td>
<td>15</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Country</th>
<th>Date</th>
<th>Lending</th>
<th>Funds entrusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>31 Dec 2013</td>
<td>204</td>
<td>157</td>
</tr>
</tbody>
</table>
### ING Bank's relative position

<table>
<thead>
<tr>
<th>SRM</th>
<th>ING is supportive of the Single European Resolution Mechanism and Fund which will be set-up as of 2015</th>
</tr>
</thead>
</table>
| Bail-in debt | ING is in favour of applying single-point-of-entry (SPE) approach  
| | ING has sufficient long term debt (>1 year) available to meet bail-in debt requirements |
| Resolution | ING believes that its current structure, capitalisation and availability of bail-in able liabilities provides for a credible SPE strategy  
| | It will be apparent to debt and capital providers what the likelihood and impact of a resolution event on their claims would be  
| | This provides them with the necessary mechanism to adequately estimate, calculate and price ING risk |
| Structural Reform Banking Sector | ING has very limited proprietary trading activities  
| | Impact on ING unclear given the supervisory discretion to separate trading activities |
| European Banking Union | ING would be a strong beneficiary of an European Banking Union  
| | Driven by its strong deposit generating capabilities |
Banking Union will further enhance capital and liquidity efficiencies

- 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

ING Bank has a strong pan-European funds entrusted base...
(in EUR bln)

<table>
<thead>
<tr>
<th>2013</th>
<th>EUR 465 bln</th>
</tr>
</thead>
<tbody>
<tr>
<td>84</td>
<td>Netherlands</td>
</tr>
<tr>
<td>107</td>
<td>Belgium</td>
</tr>
<tr>
<td>157</td>
<td>Germany</td>
</tr>
<tr>
<td>26</td>
<td>Rest of Europe</td>
</tr>
<tr>
<td>91</td>
<td>Outside Europe</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>2013</th>
<th>EUR 489 bln</th>
</tr>
</thead>
<tbody>
<tr>
<td>82</td>
<td>Netherlands</td>
</tr>
<tr>
<td>71</td>
<td>Belgium</td>
</tr>
<tr>
<td>75</td>
<td>Germany</td>
</tr>
<tr>
<td>204</td>
<td>Rest of Europe</td>
</tr>
<tr>
<td>75</td>
<td>Outside Europe</td>
</tr>
</tbody>
</table>
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
ING has limited asset encumbrance and a sizeable liquidity buffer

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

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
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