Financial Ambition 2017

ING Investor Day

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CFO, Member Executive Board ING Group

Amsterdam - 31 March 2014
www.ing.com

thinkforward

We entered the final phase to become a pure Bank

2009 - 2011

- Prepare legal and operational separation of Insurance and Bank
- Create two strong standalone companies and create best value
- Repay Dutch State

2012 - 2013

- Transition to CRD IV
- Optimise balance sheet
- Further simplify the business portfolio
- Repay Dutch State

2014 - 2017

- Complete restructuring
- Return to growth reflecting improved GDP
- Build sustainable local franchises
- Higher ROE through NIM expansion and normalisation of risk costs
- Resume dividend payments

Key messages

- ING successfully transitioned to CRD IV while strengthening returns
- ROE ambition of 10-13% within reach
  - Income to increase driven by modest asset growth and NIM expansion
  - Continued focus on operational excellence and cost control
  - Risk costs trending down
- ING to resume paying dividends once Dutch State fully repaid
- Dividend pay out ratio of >40%

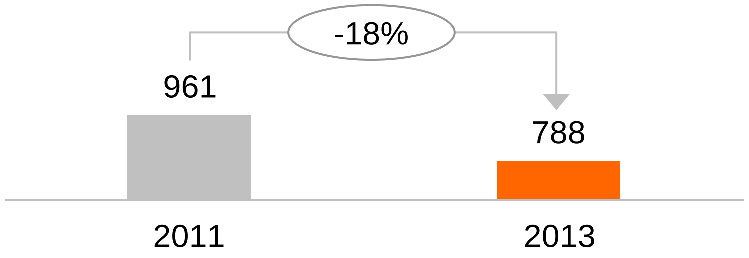
Strengthening returns

ING Bank successfully transitioned to CRD IV

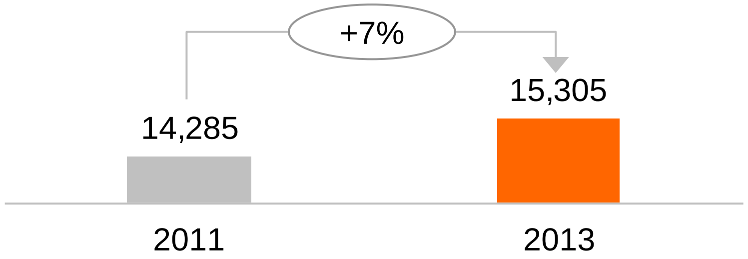
		Ambition 2015	Actual 2013	
Transition to CRD IV	Balance Sheet	• Fully-loaded common equity Tier 1 ≥ 10%	10.0%	✓
		• Loan to Deposit ratio <1.1	1.04	✓
		• LCR > 100%	>100%	✓
		• Leverage ~ 4%	3.9%	✓
		• BS to remain stable at EUR 870 billion	EUR 788 billion	
	Profitability	• NIM 140-145 bps	142 bps	✓
		• C/I ratio 50-53%	56.8%	
		• LLP 40-45 bps (over the cycle)	83 bps	
Bank standalone	Return on Equity	• RoE 10-13% (IFRS-EU equity)	9.0%	
	Dividend	• ING Bank up-streamed approximately EUR 8 billion of capital to ING Group in the period 2011-2013		

We improved the operational performance significantly

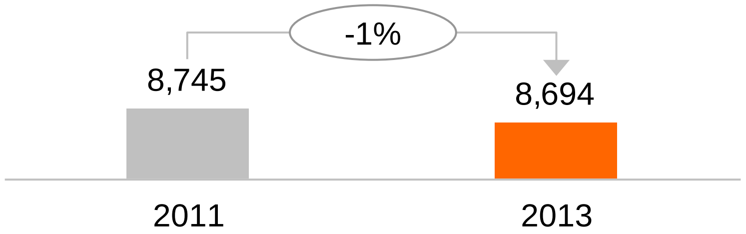
Total balance sheet (in EUR bln)



Total income (in EUR mln)



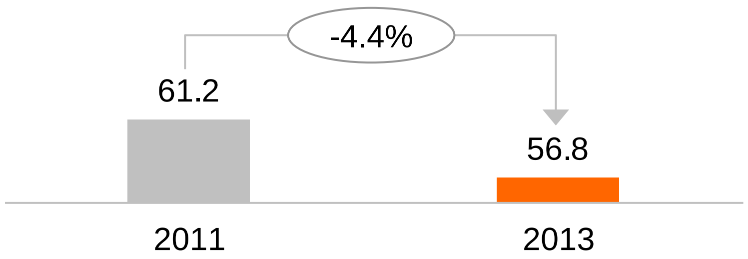
Total expenses (in EUR mln)



Based on underlying figures except for the Balance sheet

NIM (in bps)

C/I ratio (in %)



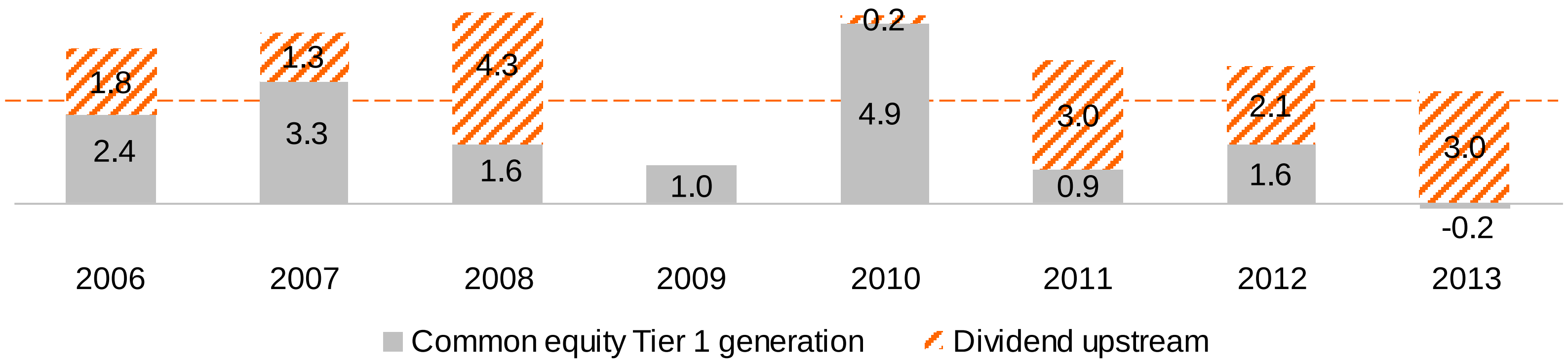
- ING Bank's balance sheet came down due to divestment, low demand for credit and asset transfers
- Total income increased as ING re-priced assets and reduced client savings rates
- NIM increased to 142 bps in FY13 in the mid-point of our Ambition 2015

- Operating expenses remained flat as pressure on the cost base (including regulatory cost) offset the impact from cost-saving programmes
- Cost/income ratio improved to 56.8% with further room to improve to get to the targeted range of 50-53%

We have a strong profitability track record

Net profit (in EUR bln)

Common equity Tier 1 generation (in EUR bln)



A strong profitability track record

- ING Bank reported only one small loss in history
- Average annual profitability of EUR 2.8 billion over the last 8 years, including during the 6 years of financial crisis
- A normalisation of credit losses will further improve the profitability

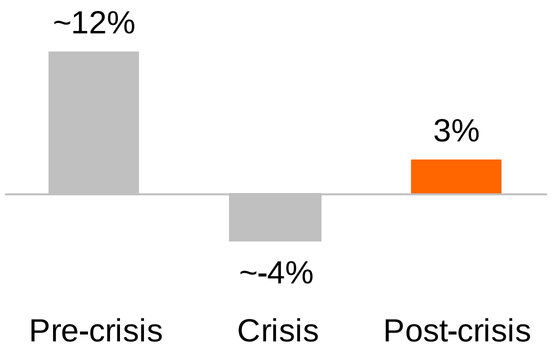
Consistently generating capital

- Average annual capital generation EUR 3.9 billion over the last 8 years
- Allowing EUR 8 billion of dividend up streams since 2011 to support the Group restructuring

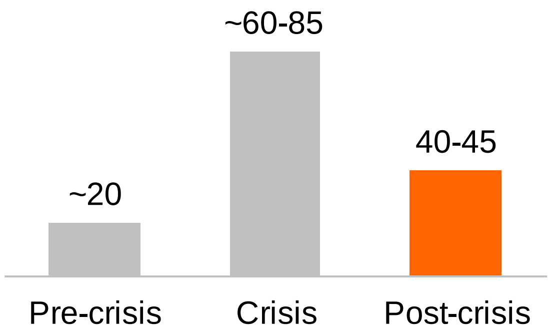
Think forward

ING Bank: resuming dividends to shareholders

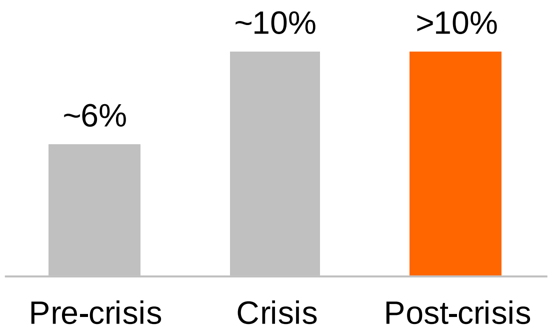
Asset growth (in %)



Loan loss provisions (in bps of RWA)



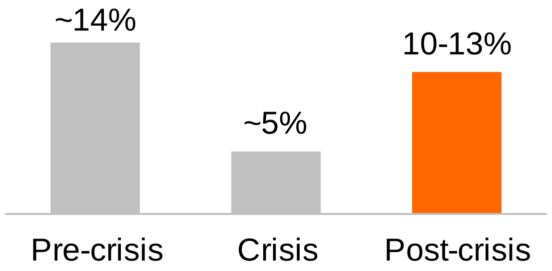
Capital ratio (fully-loaded post-crisis, in %)



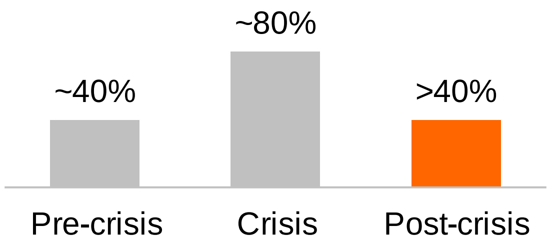
Modest asset growth and decrease in loan loss provisions are drivers for increase in ROE

Capital ratio on target, capital generation used to grow lending and pay dividends

Return on IFRS-EU equity (in %)



Dividend upstream/pay-out (in %)

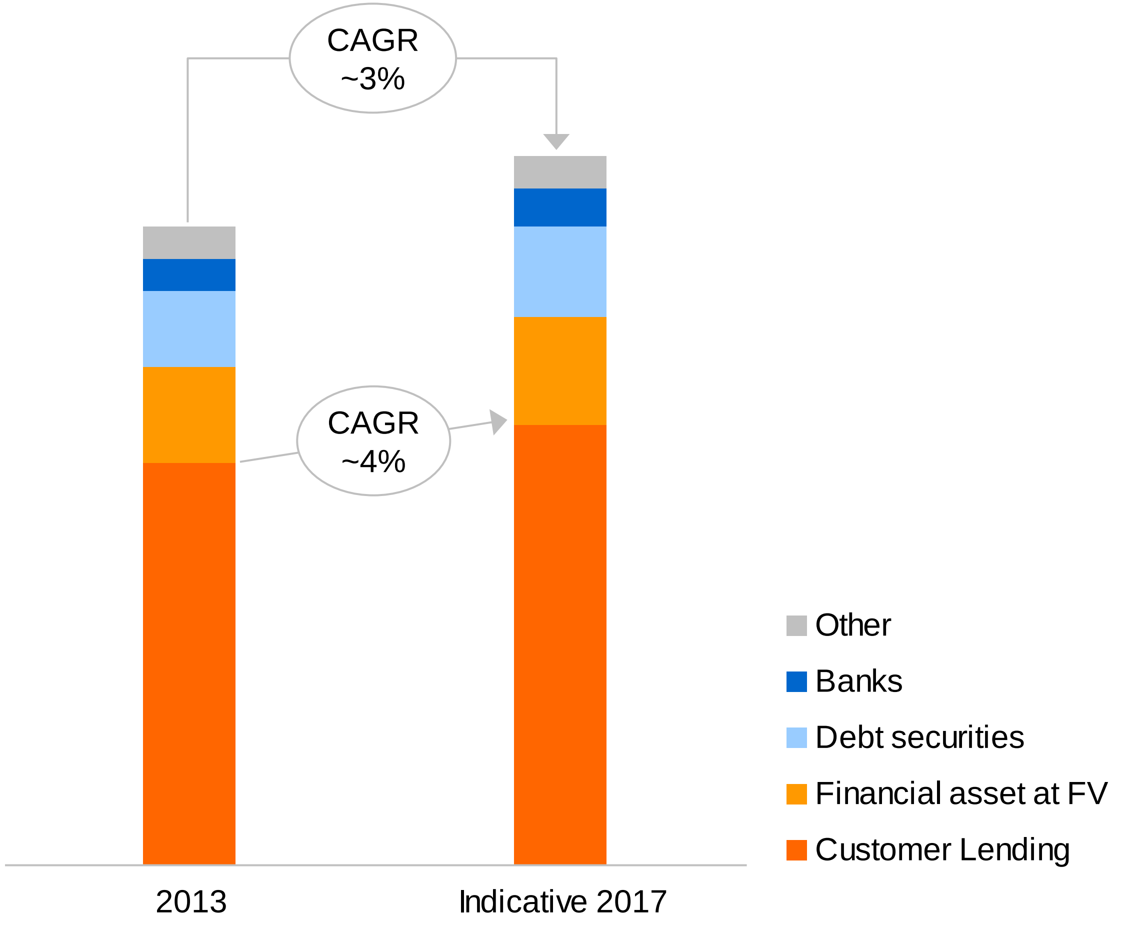


- ING Bank has the ability to capture growth in selected markets
- A normalisation of the credit cycle to further enhance Return on Equity

- Return on Equity (based on IFRS-EU Equity) is close to pre-crisis years while capital ratios have almost doubled
- At the same time, the transition from Basel II to CRD IV has been absorbed
- ING Bank to grow into >40% dividend pay-out ratio

Focus on lending growth

Balance sheet growth

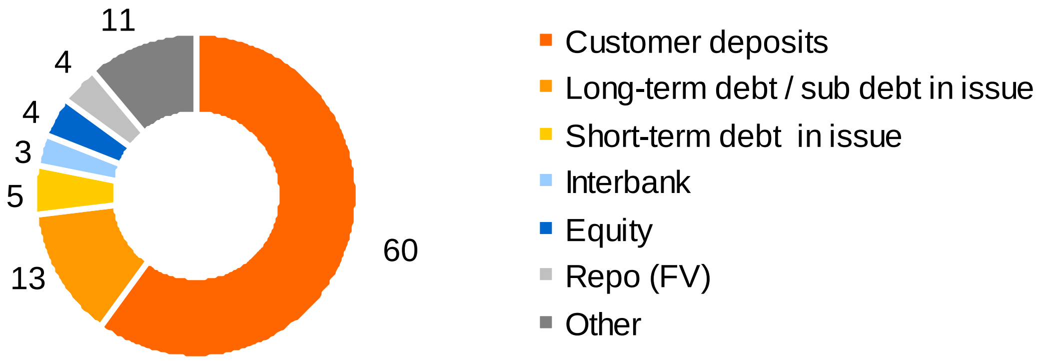


Optimising the asset side

- We aim to grow the Balance sheet by ~3% per year
- This is supported by new initiatives in lending which will also diversify the lending mix
- Growth will be primarily funded through customer deposits

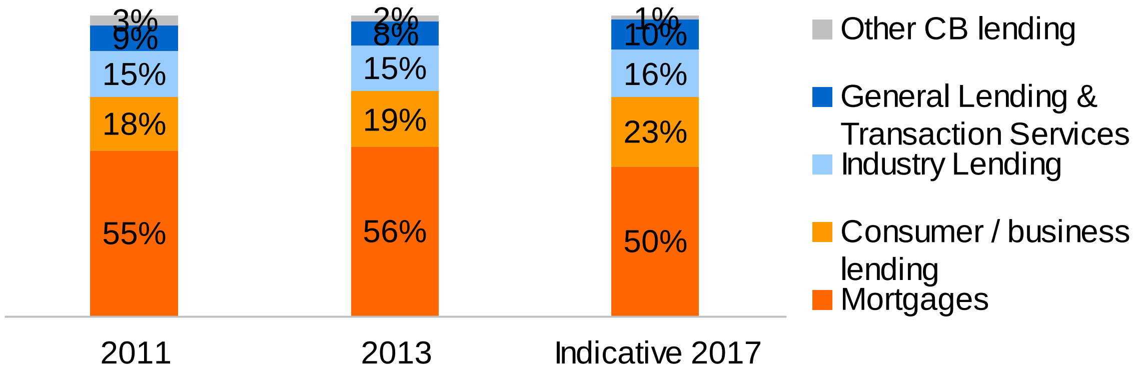
Funding mix to remain relatively stable (in %)

2013

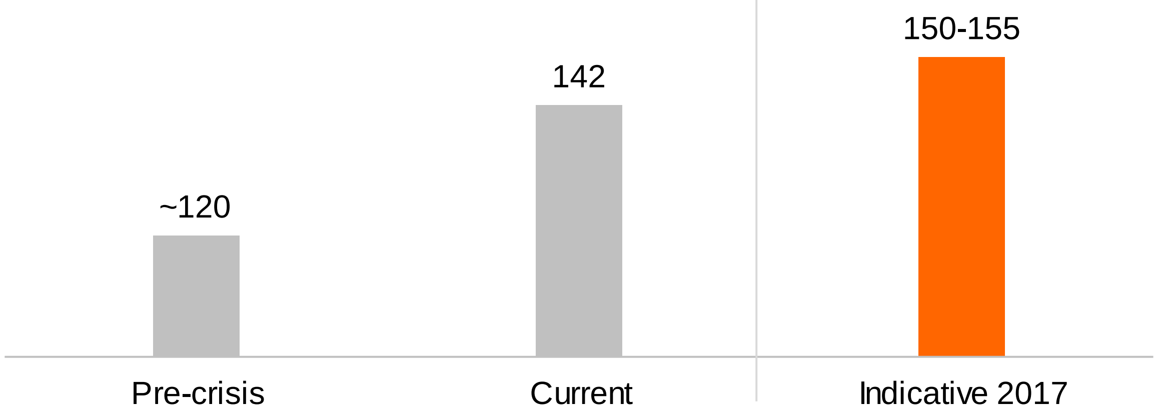


A more diversified lending mix to result in higher NIM…

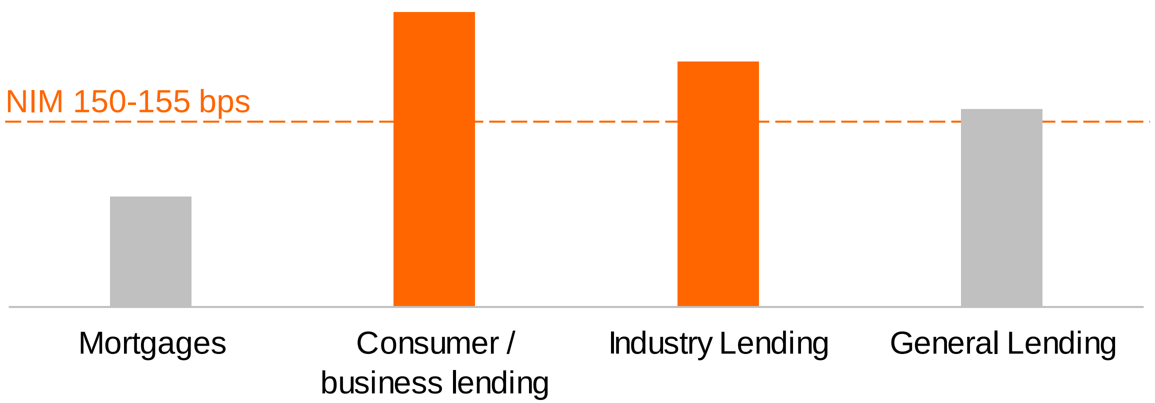
Lending to be more diversified



Net interest margin to increase (in bps)



Net interest margin on major lending products

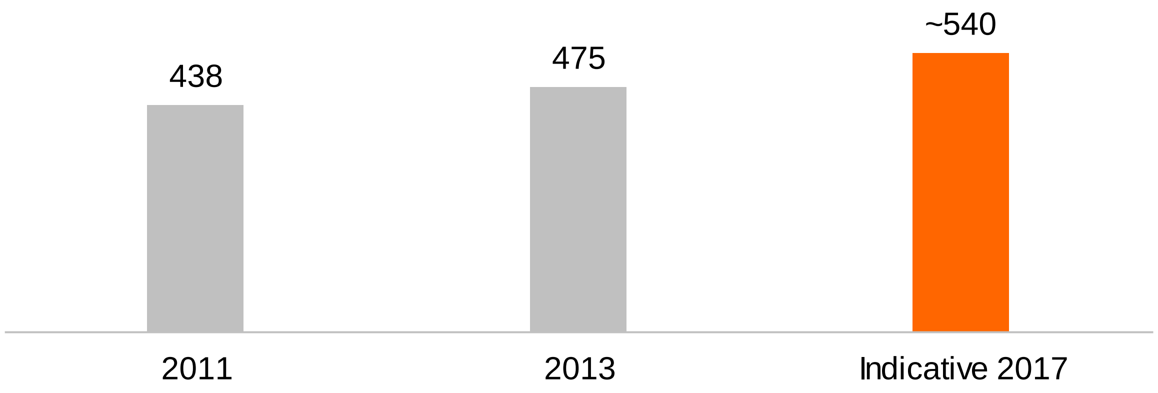


- To optimise local balance sheets, we are rolling out lending initiatives in Germany, Spain and Italy focused on SME and Consumer Lending
- Growth in Industry Lending is supported by our leading global franchise and will be geographically balanced

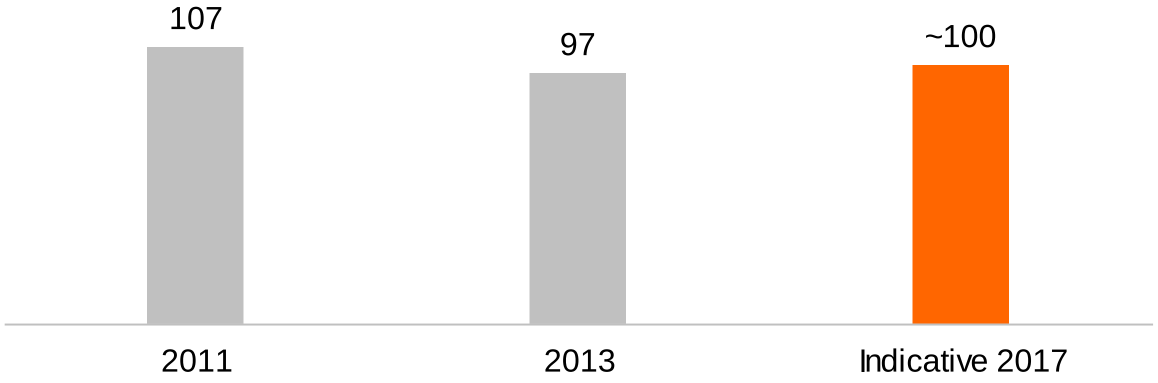
- The net interest margin is expected to increase to 150-155 bps supported by:
  - Growth in higher yielding asset classes
  - Savings margins may increase further

...supported by improved margins on customer deposits

Customer deposits increased (in EUR bln)



Investment portfolio (in EUR bln)



Adjusted for divestments

Customer deposits

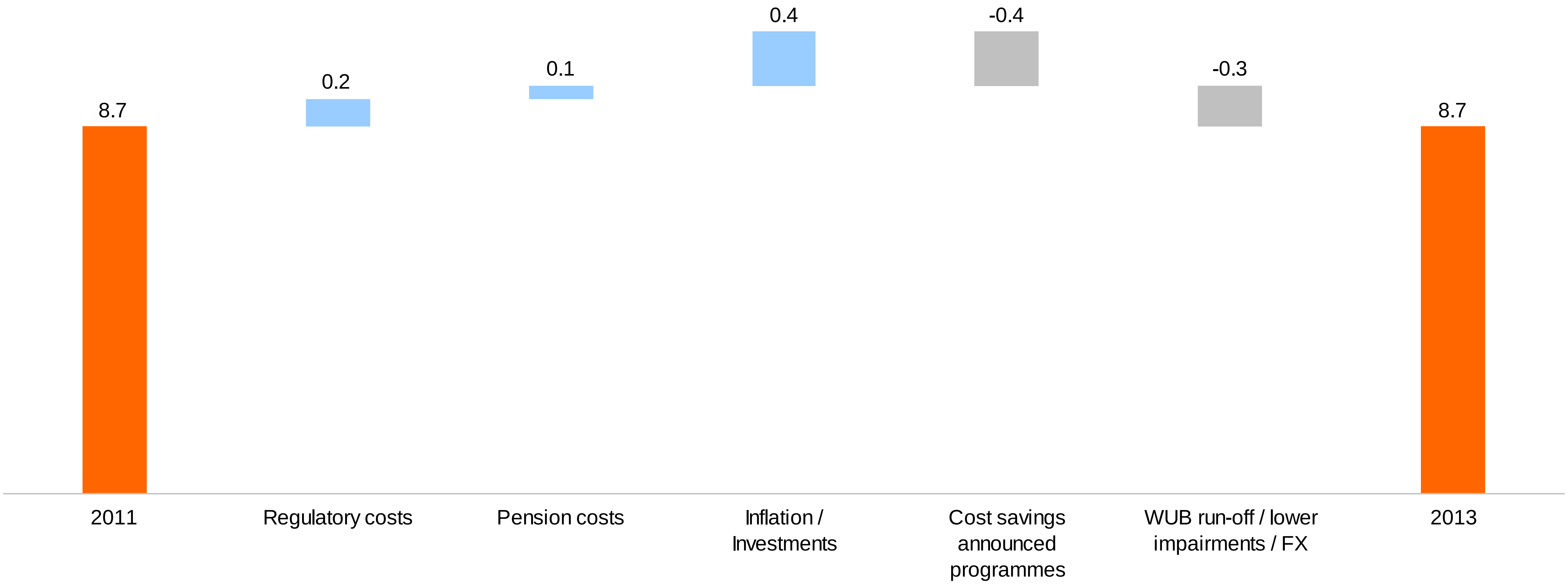
- Deposit gathering ability is key strength of our franchise
- Savings margin may increase further as savings rates trend down

Investment portfolio

- A pick-up in interest rates will be marginally positive for the yield on the investment portfolio due to duration and replication
- Investment portfolio primarily kept for liquidity purposes

Efficiency programmes absorbed significant pressure on the cost base

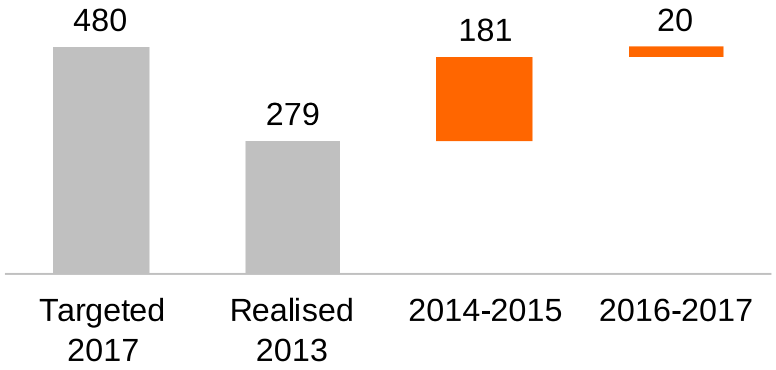
Operating expenses remained flat despite higher regulatory costs, pension costs and inflation (in EUR bln)



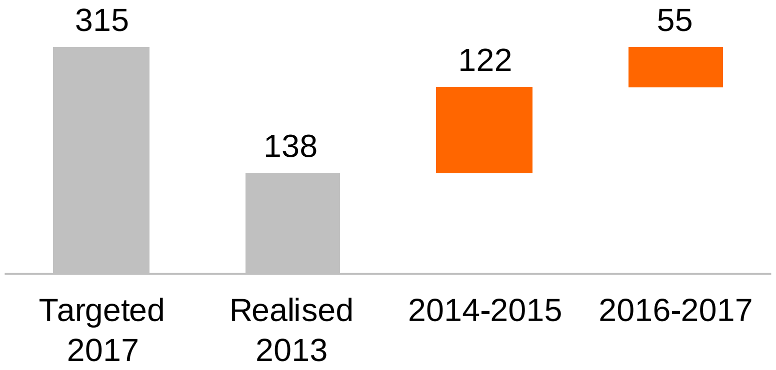
Efficiency programmes on track; costs to stay flat for next two years

Ongoing cost reduction is on track (in EUR mln)

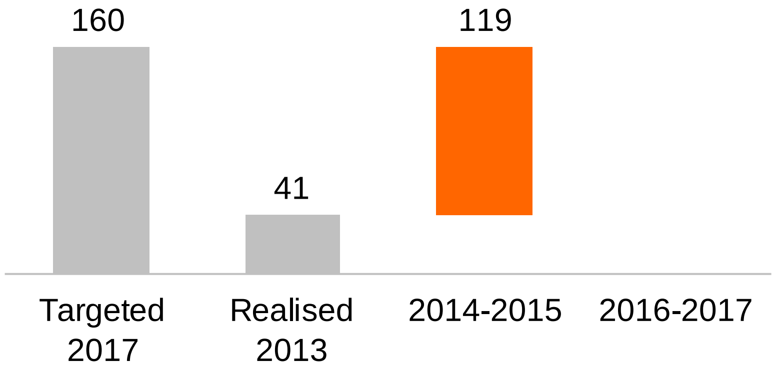
Retail Netherlands



Commercial Bank initiatives

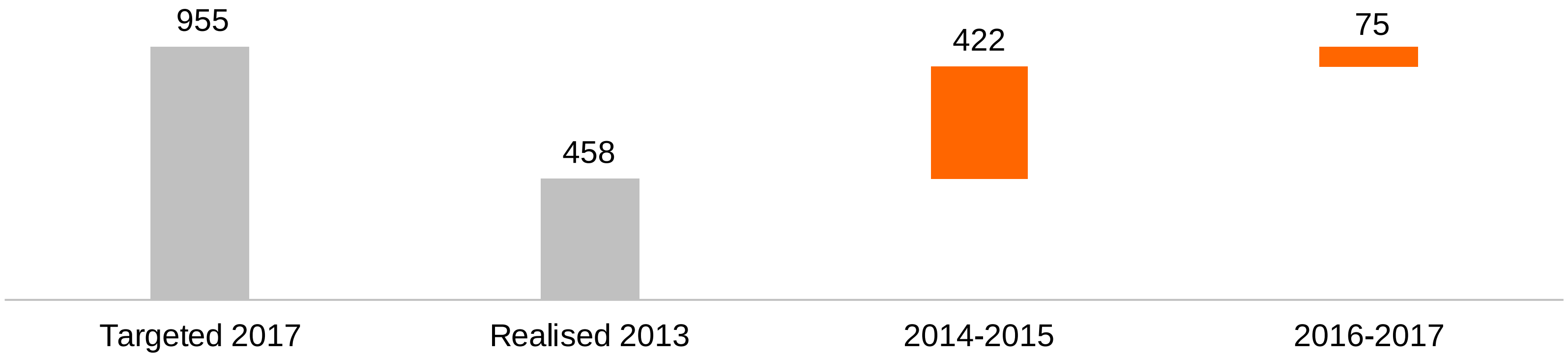


Belgian transformation plan



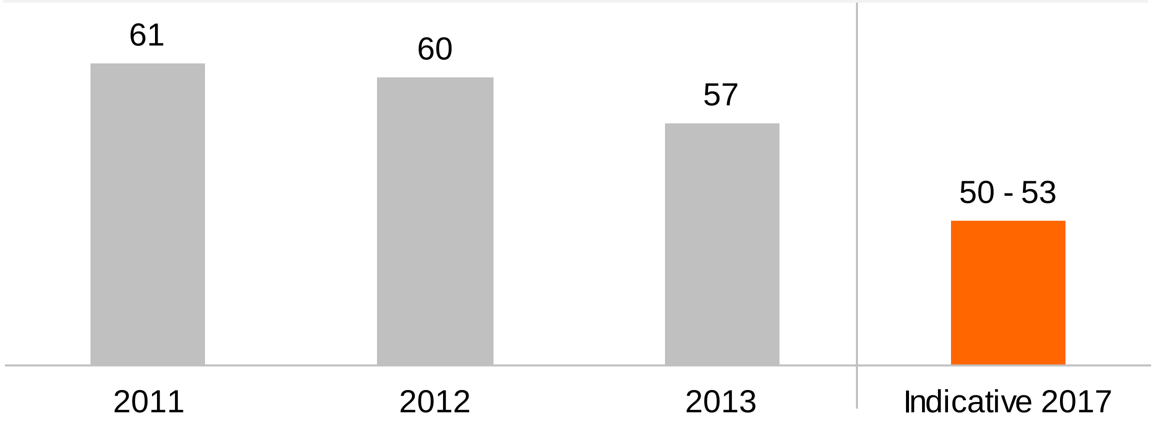
- Efficiency programmes will reduce expenses by EUR 0.4 billion by 2015 and EUR 0.5 billion by end 2017
- Regulatory expenses may increase, driven by the new Dutch deposit guarantee scheme and contributions for a Single Resolution Mechanism

Total cost reduction (in EUR mln)

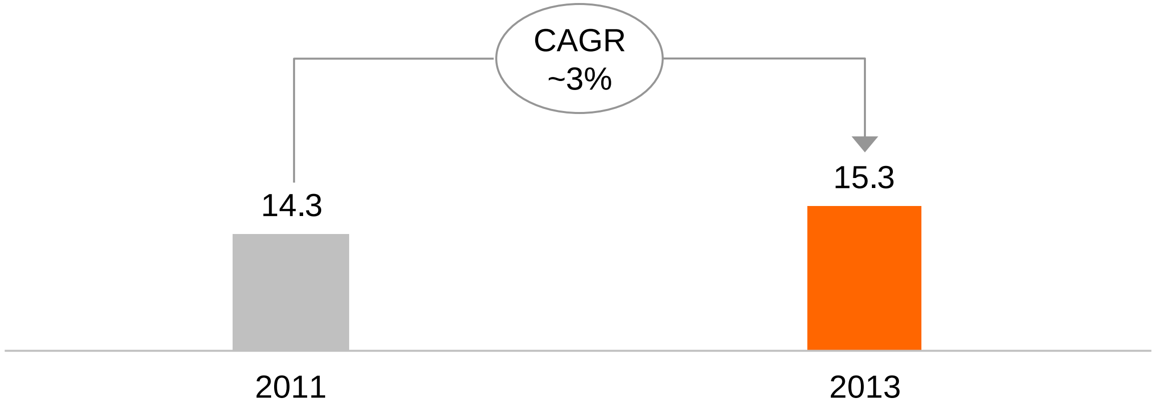


Still on track for 50 - 53% cost/income ratio

Cost/income ratio (in %)

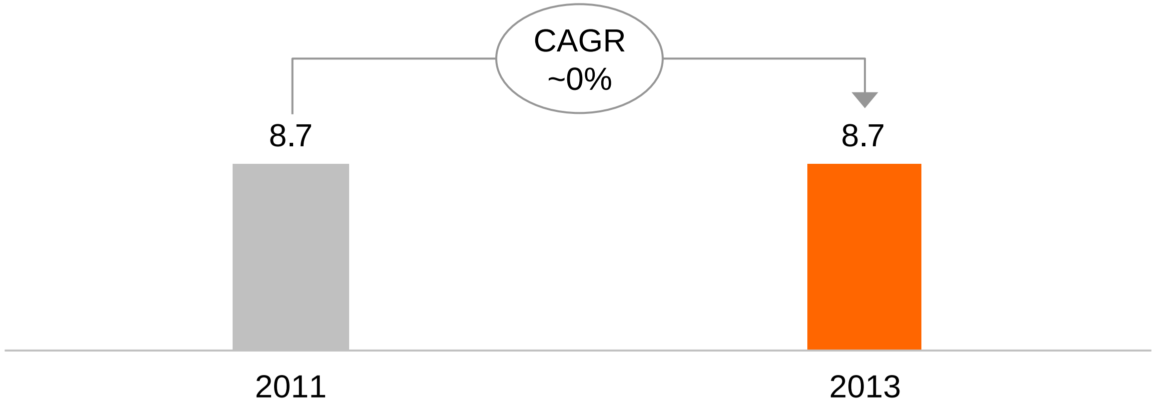


Income (in EUR bln)



- As we grew our income, we have kept expenses flat resulting in a strongly improved cost/income ratio
- New lending initiatives support a 53% cost/income ratio by 2016
- Further income growth will bring us towards the lower end of the targeted cost/income range
- Investments will only be made when supporting an improvement of the cost/income ratio through income growth
- We will continue to seek further efficiency gains in IT and procurement

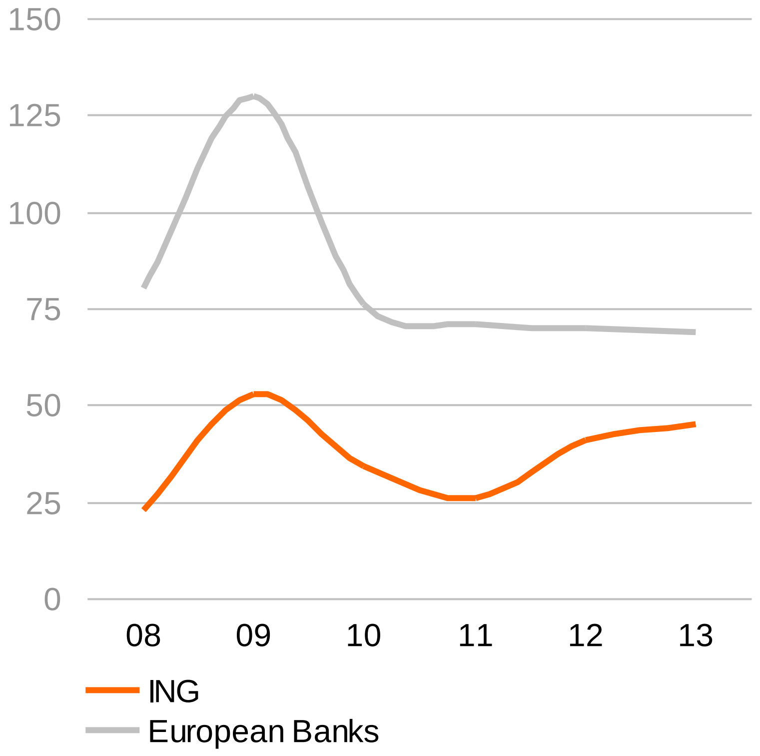
Operating expenses (in EUR bln)



ING Bank has a low risk profile

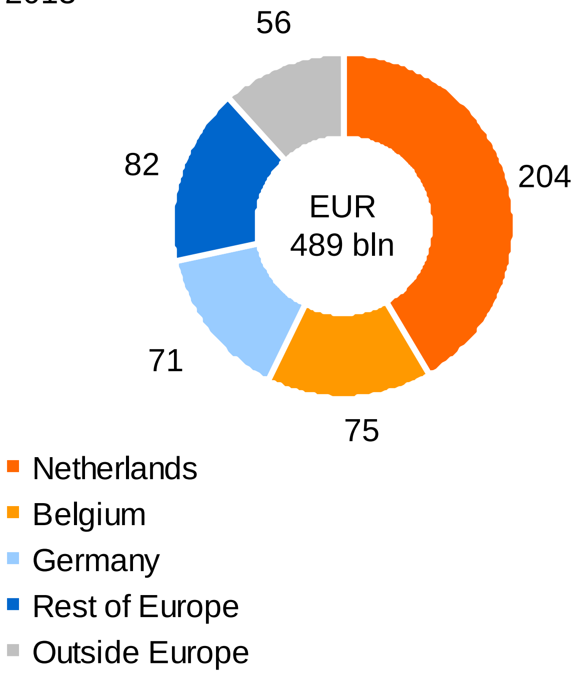
Lower risk costs compared to European banks (in bps)

Average 2008-2013 risk costs / net customer loans*

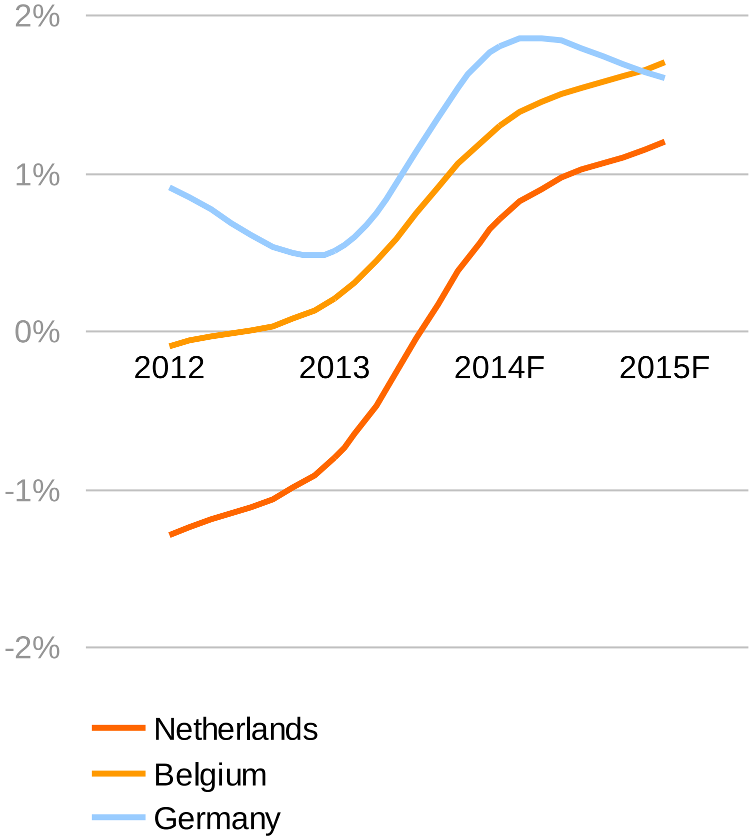


Lending geographically well diversified (in EUR bln)

2013



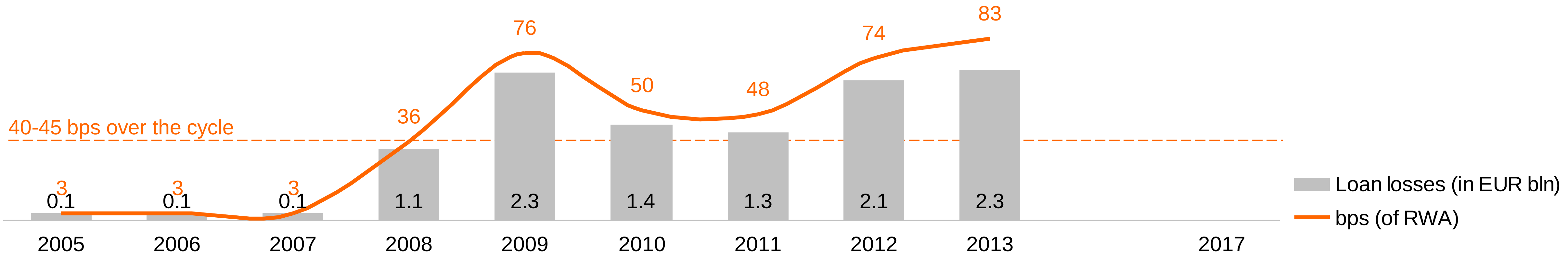
While GDP growth should improve in main countries** (in %)



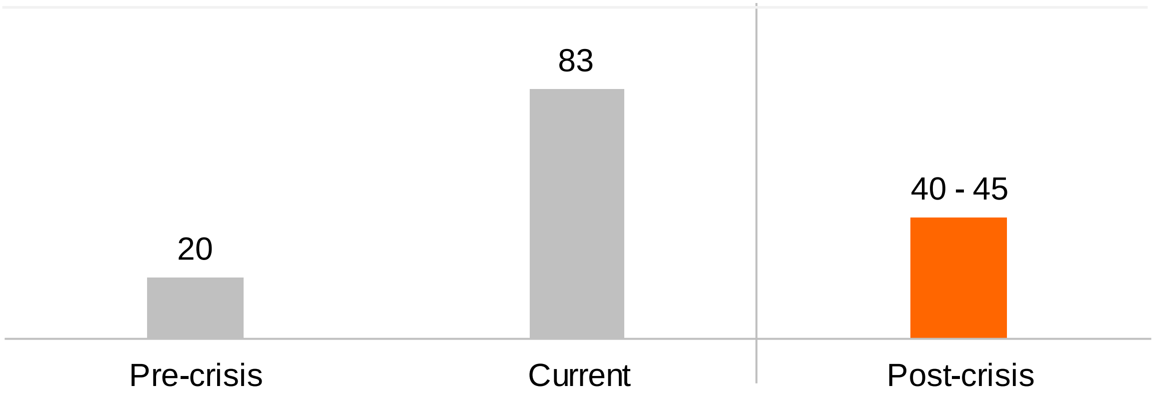
* Average of 25 European banks
** Source: ING Economic Bureau

Risk costs to trend down as the economic recovery progresses

ING Bank over-the-cycle risk costs of 40-45 bps (underlying)



Risk costs (actuals / guidance, in bps)

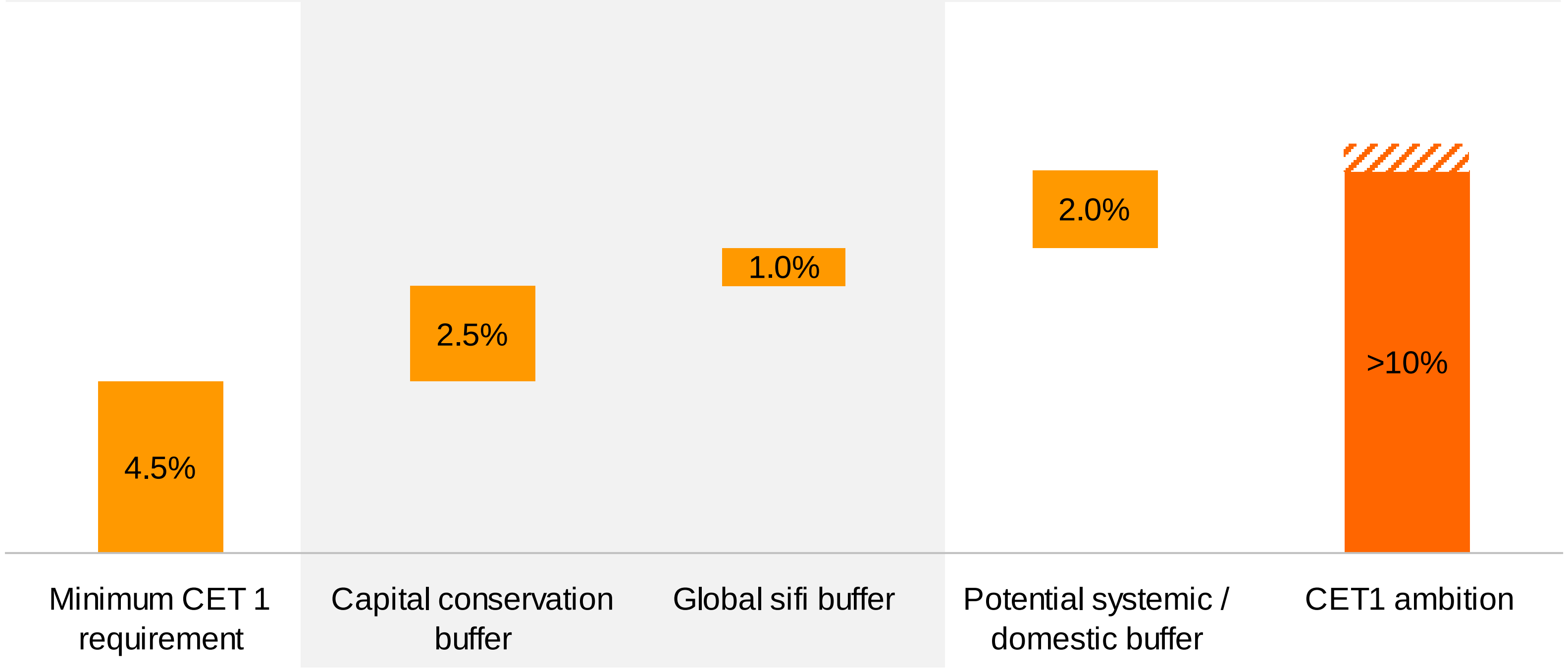


- Risk costs in 2013 were back at peak-level of 2009 but are expected to decline modestly in 2014:
  - Commercial Banking showing improving trend
  - Retail Benelux to remain elevated in coming quarters
  - Risk costs on Retail Lending portfolio may increase over time due to growth in the Consumer Lending portfolio
- Long-term guidance remains around 40-45 bps on RWA over the cycle

ROE & Dividend

We are well capitalised

Capital is managed prudently



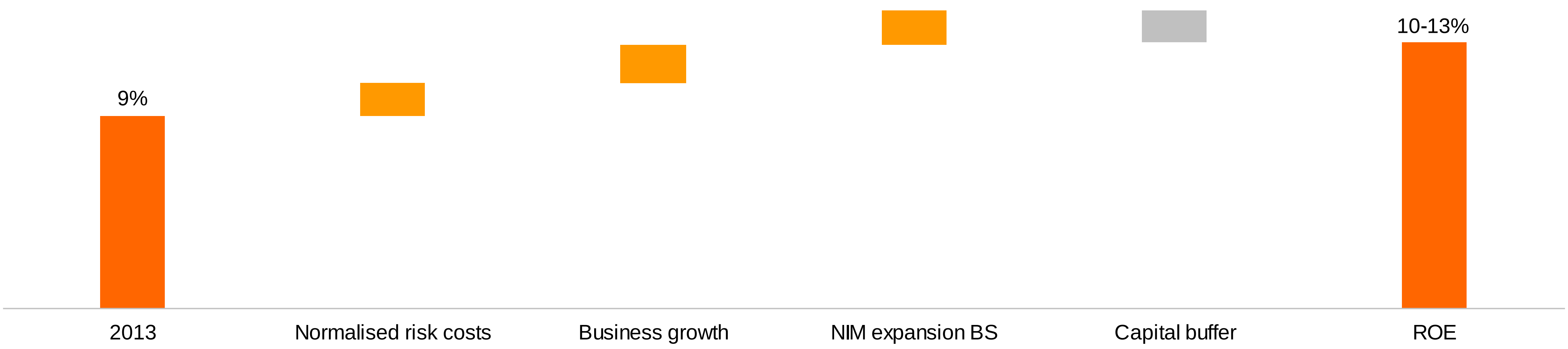
Common equity Tier 1 ratio is strong

Fully-loaded

- The fully-loaded common equity Tier 1 ratio at year-end 2013 was 10.0%, exceeding the current regulatory requirements
- We will manage to the required capital level with a comfortable buffer on top to allow for volatility in the revaluation reserves and risk weightings, as well as build up capital for a sustainable dividend policy and potential countercyclical buffer
- Regulatory uncertainty related to capital targets remains

ROE ambition of 10-13% within reach

Flexibility to grow into the ROE target (based on IFRS-EU equity)



Return on Equity Ambition

- Normalisation of risk costs supports ROE growth
- New business is ROE accretive
- Re-pricing of the current balance sheet at the targeted net interest margin will have a further uplift
- Capital buffer to withstand volatility will impact ROE

Strong capital generation allows us to grow into a pay out ratio of >40%

Capital generation	**Earnings**	• Since 2006, ING Bank has generated on average EUR 2.8 billion per annum of net profit • Translating into capital generation of approximately 90 bps per year • Profitability will increase in the coming years as we move into the targeted ROE range
Capital deployment	**Organic growth**	• Organic lending growth ~4% per annum • CRD IV RWA to increase ~4% from a lower base and reflecting asset growth and due to a changing asset mix
	+ **Dividends**	• ING will grow into a targeted pay-out ratio of >40% • First dividend to be paid over the financial year 2015
	+ **Volatility buffer**	• Comfortable buffer on top of 10% minimum target to manage volatility and build up capital for sustainable dividend policy

ING Bank Ambition 2017

		Actual 2013	Ambition 2017
Balance Sheet	• Fully-loaded common equity Tier 1	10.0%	>10%
	• Leverage (fully-loaded)	3.9%	~4%
Profitability	• Cost/income ratio	56.8%	50-53%
	• Return on IFRS-EU Equity	9.0%	10-13%
Dividend	• Pay-out ratio		>40%

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.

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