Q2 2014 results

Analyst Call Presentation

Investor Relations
22 August 2014

Q2 results highlights

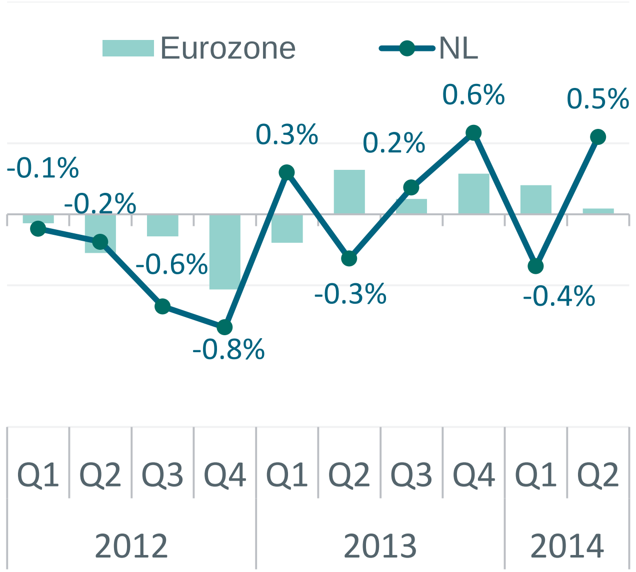
Q2 profit increased by 47% compared to last year

- Underlying net profit for Q2 2014 amounted to EUR 322m, compared to EUR 220m for Q2 2013, an increase of 47%
- Interest income up 6%, fee income flat, lower other operating income
- Lower loan impairments - down by 32% - especially for mortgages and Commercial Banking
- Reported profit amounted to EUR 39m due to a EUR 216m impact of a new pension system and EUR 67m levy for SNS Reaal
- CET1 ratio amounted to 12.8%

Economic indicators

GDP

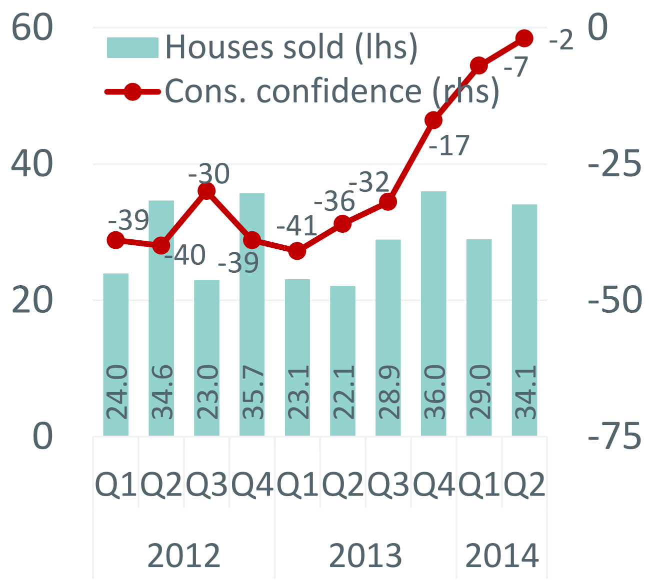
Q-o-Q, source Thomson Reuters Datastream, CBS



- Weak Q1 GDP result due to exceptionally mild winter (and hence lower natural gas revenues)

Housing & confidence

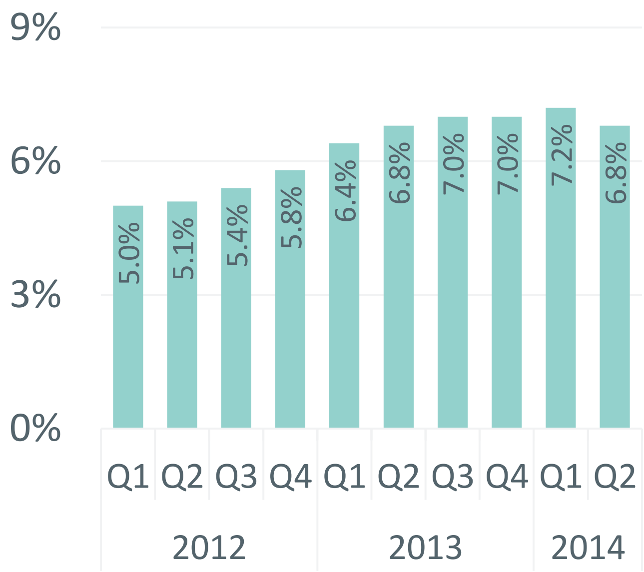
The Netherlands, seasonally adjusted confidence, house sales in '000, source CBS



- Dutch house sales picked up y-o-y
- Dutch consumer confidence at -6 per August 2014

Unemployment

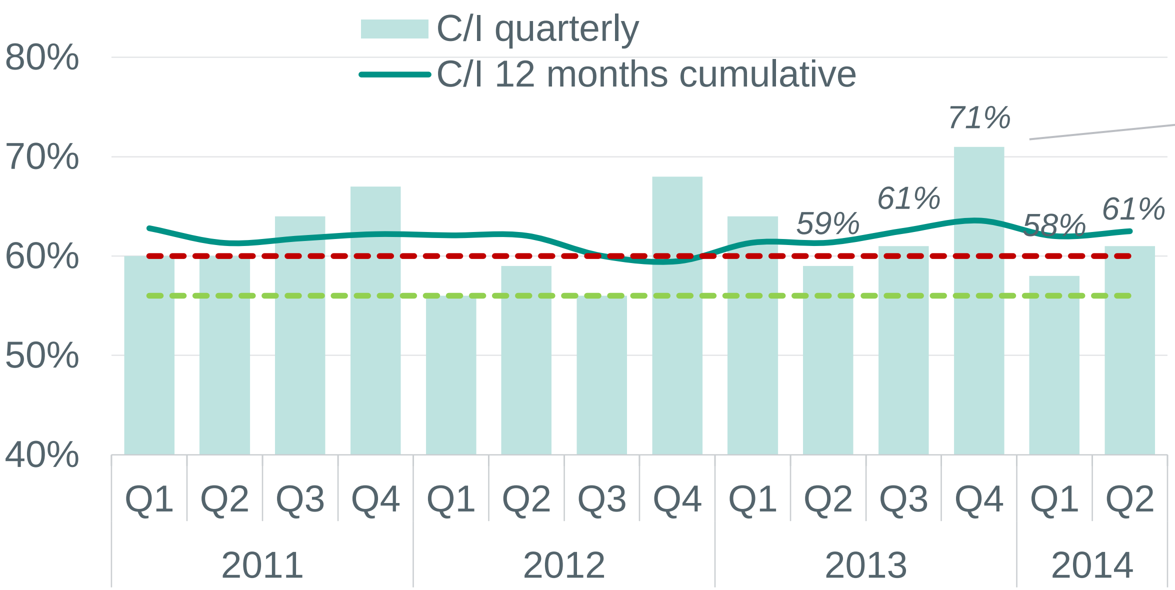
The Netherlands, source Eurostat



- Dutch unemployment appears to have peaked

Cost Income target

Cost / Income ratio over H1 2014 lower compared with last year



The bank tax is due in Q4. If booked on a linear basis the Q1 – Q3 cost/income would be higher by 1.3% - 1.5%

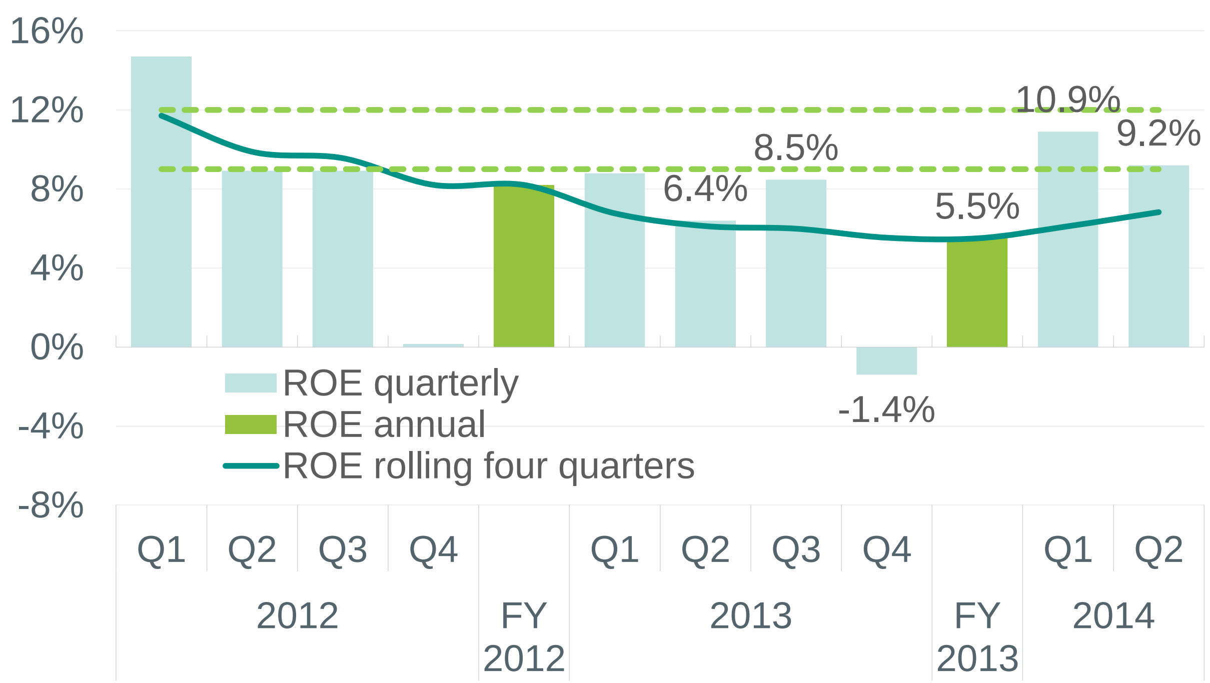
Target range 2017: 56%-60%

- Cost / income impacted by the annual bank tax as of Q4 2012 and low pension costs in 2012
- Next few years EUR 0.7 billion to be invested in modernising the core IT systems and corresponding processes
- Towards 2017 these efficiency gains are expected to offset wage drift

Return on Equity target

ROE is rising thanks to improving results

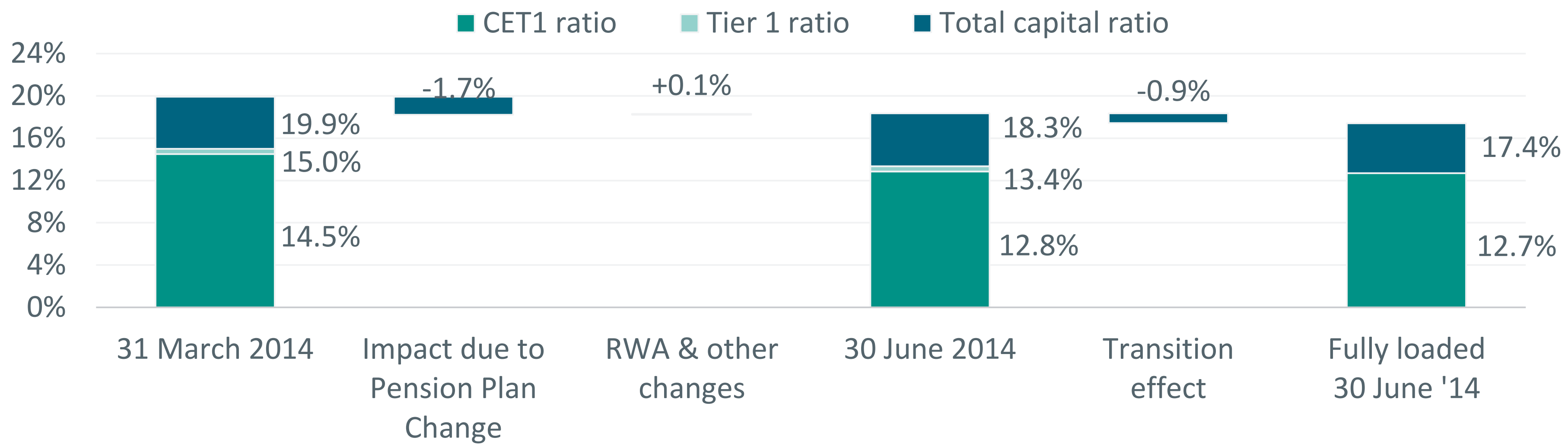
- ROE over first half was 10.1%, however bank tax will be due in fourth quarter (if booked on a linear basis, YTD ROE would have amounted to 9.5%)
- Private Banking and especially Retail are performing well above target ROE
- Commercial Banking will benefit strongly from pick-up in Dutch economy



Target range 2017: 9% - 12%

CET1 capital target

Capital position strong and already above target level on a fully-loaded basis



- CET1 ratio declined due to pension agreement. In future, revaluations of pension liabilities will no longer directly impact CET1
- Fully loaded CET1 already above target of 11.5% - 12.5% for 2017
- Leverage ratio amounted to 3.6% as of Q2 2014 on a fully loaded (IFRS) basis

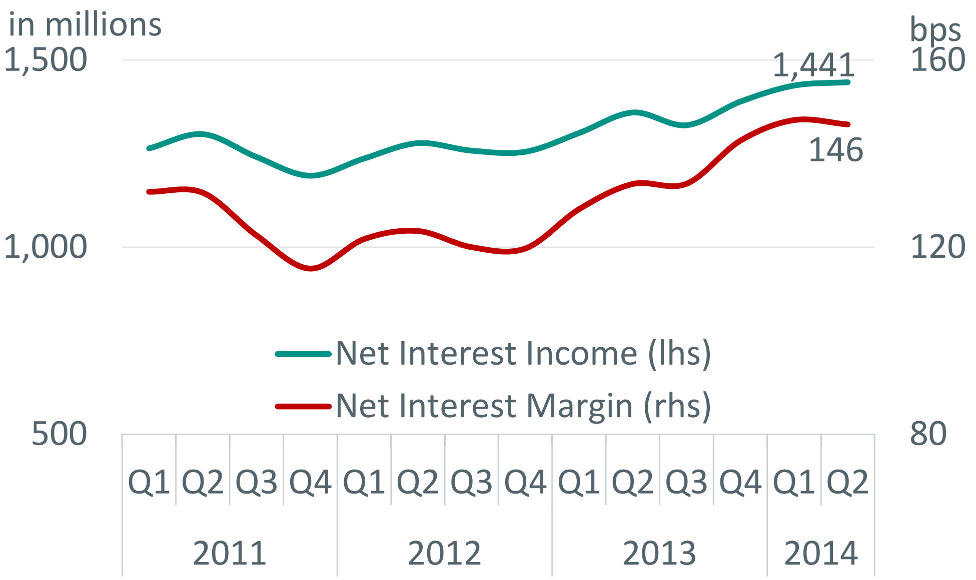
Quarterly result

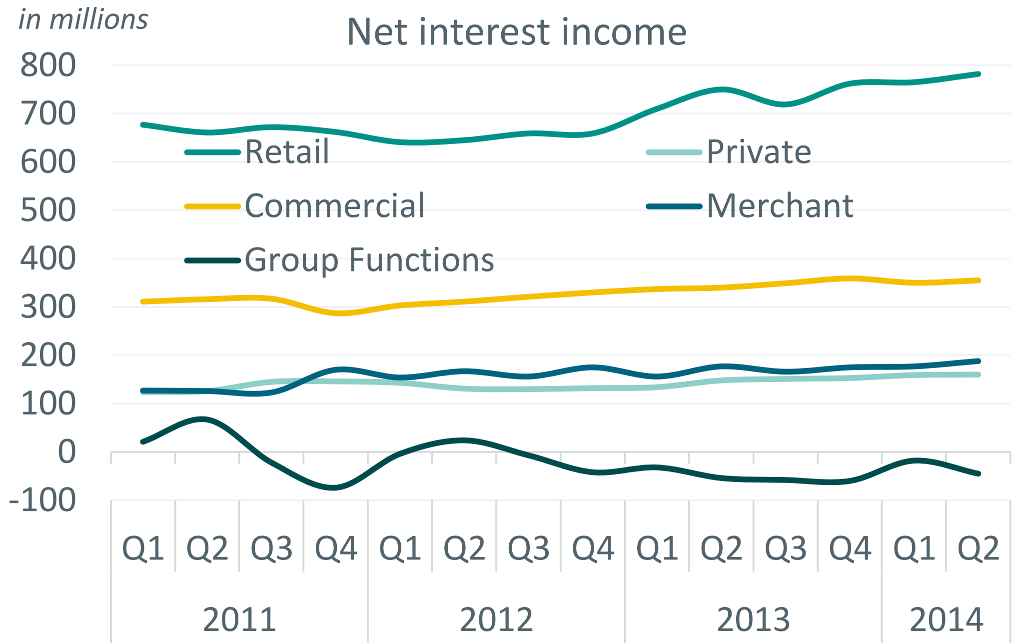
Lower loan impairments drive profit improvement

In EUR m	Q2 2014	Q2 2013	*Delta*	Q1 2014	*Delta*
Net interest income	1,441	1,360	*6%*	1,432	*1%*
Net fee and commission income	420	417	*1%*	421	*0%*
Other operating income	56	167	*-66%*	129	*-57%*
Operating income	**1,917**	**1,944**	*-1%*	**1,983**	*-3%*
Operating expenses	1,162	1,141	*2%*	1,143	*2%*
Operating result	**755**	**803**	*-6%*	**840**	*-10%*
Impairment charges	342	506	*-32%*	361	*-5%*
Income tax expenses	91	77	*19%*	101	*-10%*
Underlying profit for the period	**322**	**220**	*47%*	**378**	*-15%*
Special items and divestments	- 283	182		- 67	
Reported profit for the period	**39**	**402**		**311**	
Underlying cost/income ratio (%)	61%	59%		58%	
Underlying return on avg. IFRS equity (%)	9.2%	6.4%		10.9%	
Net interest margin (bps)	146	134		148	

Interest Income

Interest income growing further due to higher margins and continuing increase in deposits





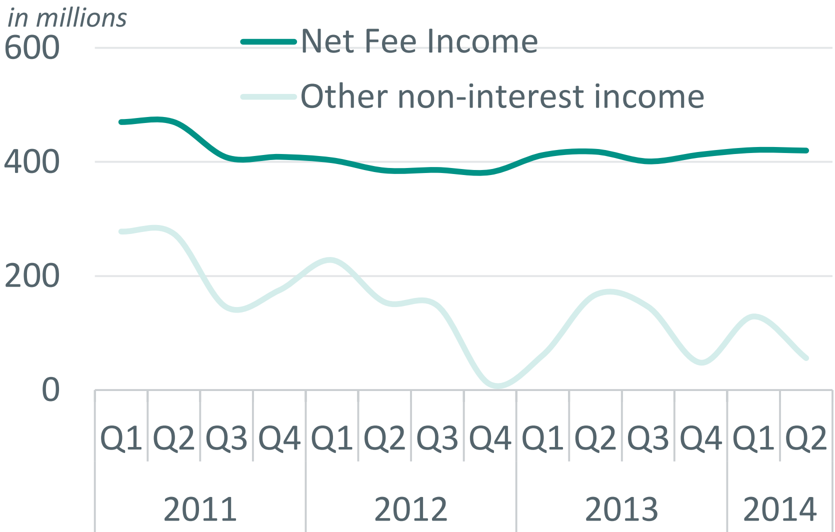
- NII showing a steady increase (CAGR[1] Retail +8.4%, Commercial Banking +6.4%)
- New production margins above average portfolio margin for mortgages and commercial loans leading to steady improvement of overall margin
- Deposits continuing to show decent volume growth (CAGR[1] 4.1%)
- Mortgage volume decline slowing down as a result of house price developments

1. *CAGR over period 2012 through 2014 Q2*

Fee and other income

Stable fee income but results for Markets are declining

- Fee income has been stable over the last few years
- Other operating income for Q2 2014 declined compared to last year due to lower results within markets and high positive CVA/DVA in Q2 2013
- Declining trend in other operating income mainly due to lower income within Markets



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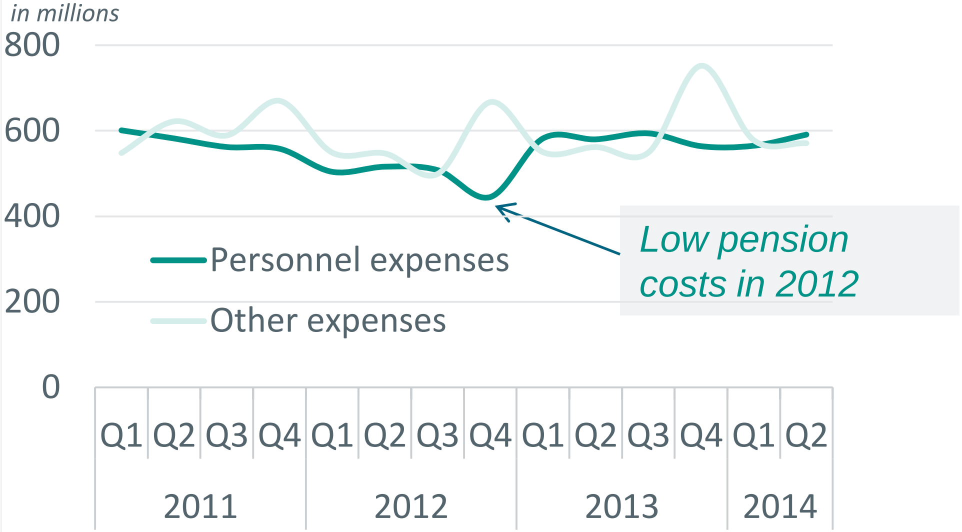
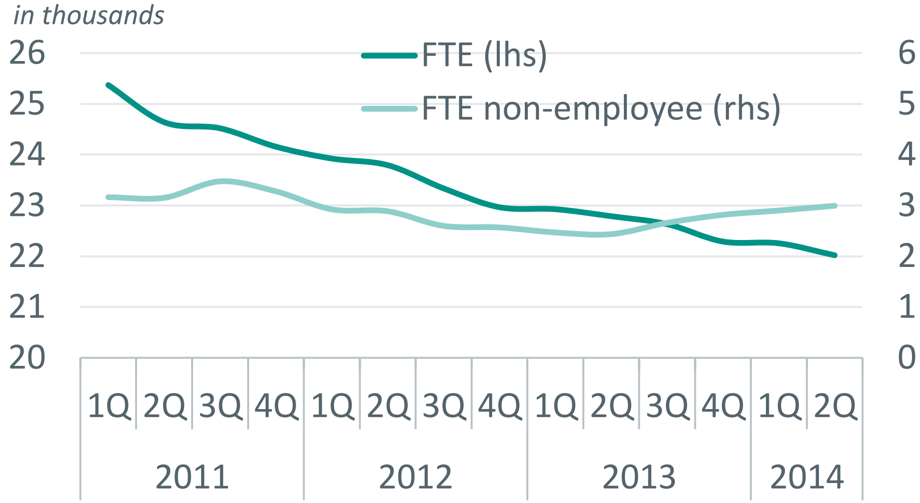
Expenses

Expenses are under control

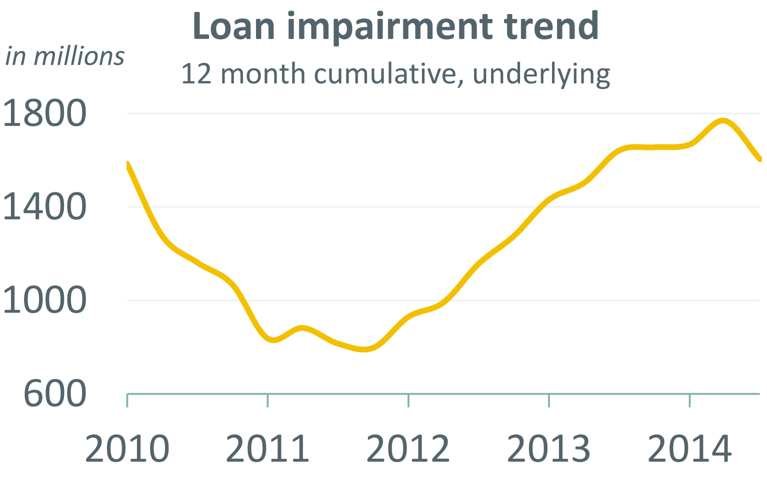


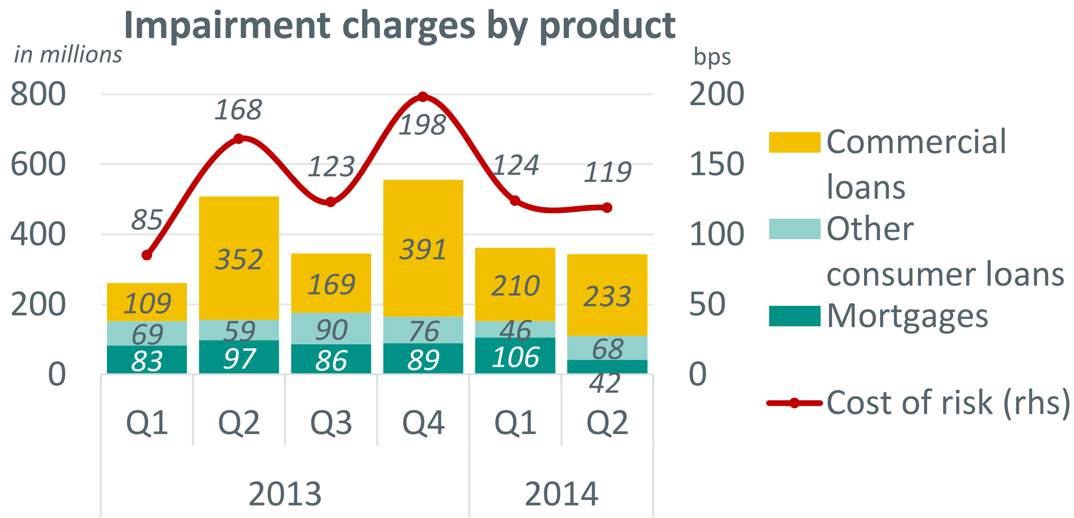


- Personnel expenses at similar level to 2011 as declining FTEs have compensated for wage drift and move towards higher-grade workforce
- Trend distorted by much lower pension costs in 2012
- Other expenses clearly show the impact of the bank tax (as of 2012) which is due in the fourth quarter

Loan impairments

Return of loan impairments to normal levels will take some time

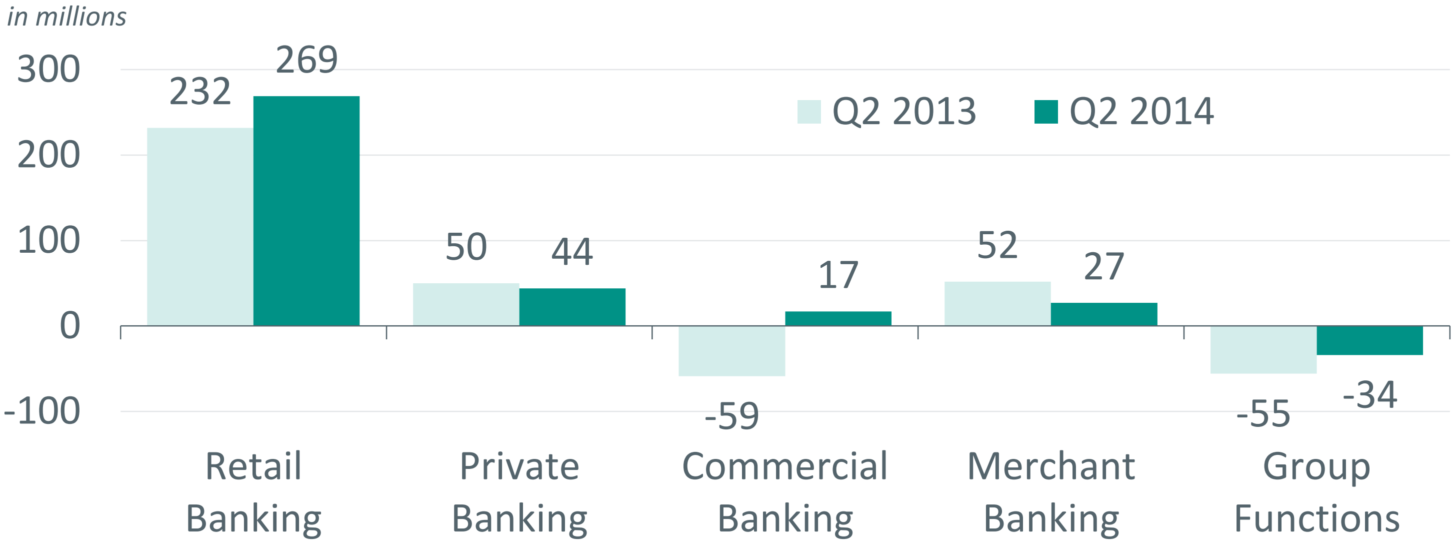




- Loan impairments remain heightened, but first signs of the recovery of the Dutch economy are visible
- Impairments for mortgages in Q2 were significantly below previous quarters

Segment results

Net profit by business

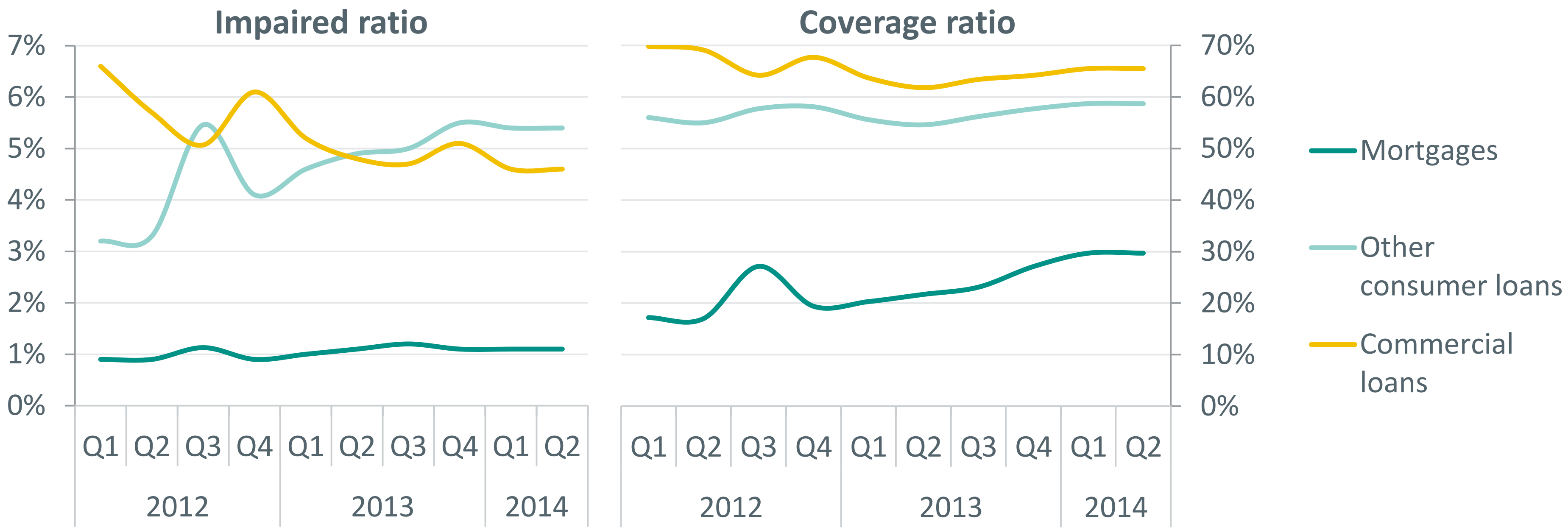


- Retail improvement predominantly as a result of higher margins and lower impairments
- Private Banking operating result unchanged
- Decreasing (but still high) loan impairments and further improved operating efficiency drive the higher result for Commercial Banking
- Merchant Banking has lower results from Markets and Private Equity
- As of 2014 the cost of the liquidity buffer made within Group Functions and a higher proportion of overhead expenses are passed on to the businesses

Risk ratios

Impaired and coverage ratios stabilising at heightened levels

- Coverage ratio for mortgages is flattening-off in line with house price developments

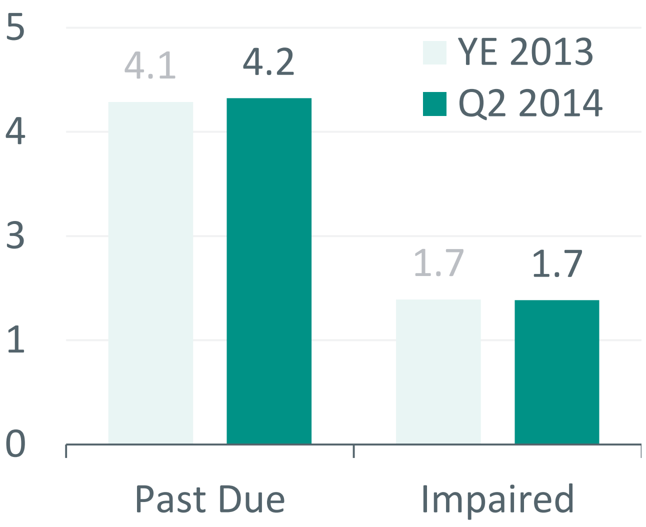


- Note that disposals of Greek loans and Madoff collateral in 2012-2013 have had a positive effect on the coverage and impaired ratio for commercial loans

Mortgage loans

Past due & impaired

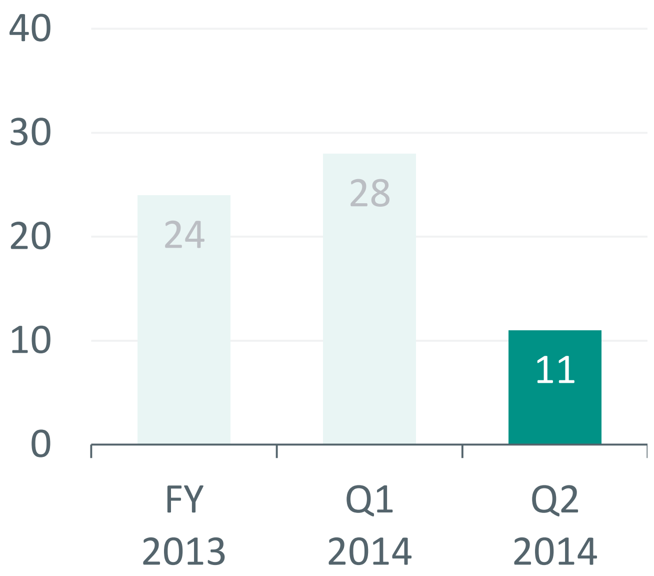
In billions



- Past due ratio and impaired ratio remained unchanged at 2.7% and 1.1%

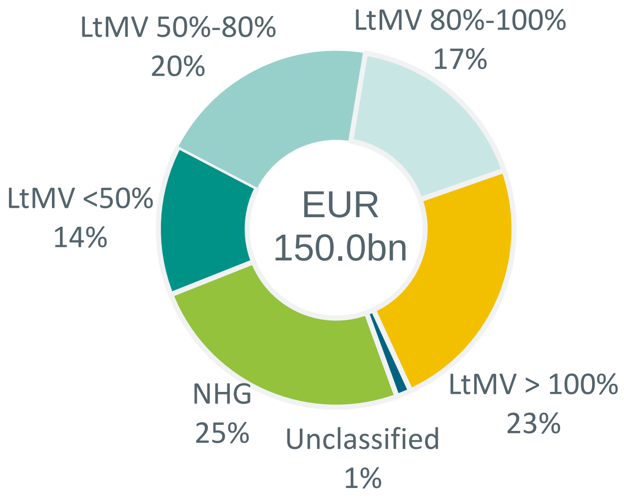
Impairments

In bps, loan impairments over mortgage loan book



- Q2 impairments significantly lower

Loan to Value



- Average LtMV 85% as of 30 June 2014 (Q1 84%)

Key take-aways

Clear signs of a turnaround in Dutch economy, strategic ambitions on track

- Continued optimism about developments seen in Dutch economy and housing market
- Strategic ambitions and 2017 targets on track; H1 2014 - ROE 10.1%, C/I 59%, CET1 12.8%
- Interest income continued the steady rise, stable fee income
- Costs flat compared with 2011 notwithstanding additional bank tax
- ROE and Cost/Income improved 2 - 2.5 percentage points compared with first half last year
- Fully loaded CET1 above Basel III requirements and above 2017 target

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