

ING Group

Think Forward, Act Now

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CEO, ING Group

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www.ing.com

thinkforward



Key points

- ING Bank has strong financials, a unique business model and an attractive portfolio
- We are well positioned to take advantage of the transformation in the banking landscape
- ING Bank posted a strong first half 2014 with an underlying RoE of 10.7%
- We will start paying a dividend over financial year 2015

ING Bank has a unique starting position

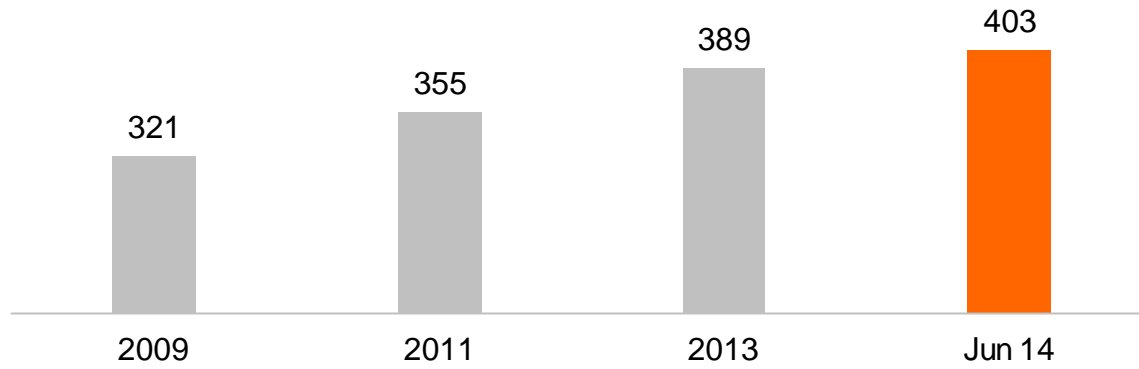
Effective business model	<ul style="list-style-type: none">• Strong deposit gatherer across Europe• Leading 'direct first' bank in Europe• Client-focused Commercial Bank supported by leading Industry Lending franchise
Track record of delivery	<ul style="list-style-type: none">• Disciplined cost management• Solid balance sheet• Consistent capital generator
Significant upside potential	<ul style="list-style-type: none">• Mix of mature and growth businesses• Increasingly strong positions in "Challenger" countries• Well placed to benefit from the European Banking Union

Market Leaders	Challengers	Growth Markets
Netherlands, Belgium/Luxembourg	Germany/Austria, Spain, Italy, France and Australia	Poland, Turkey, Romania and Asian stakes

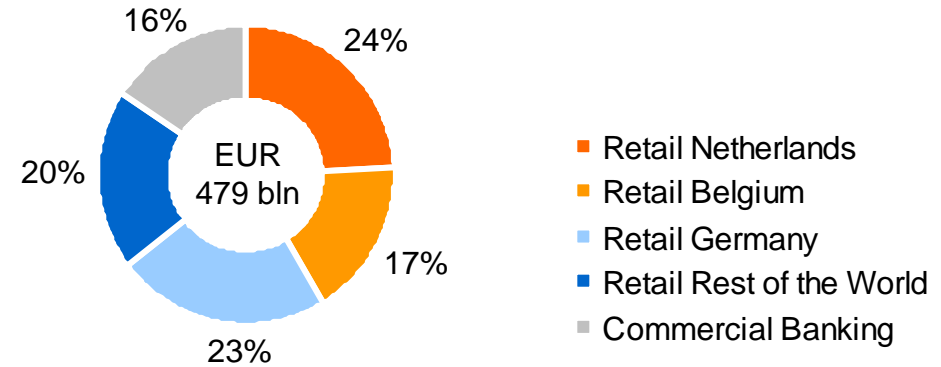
Commercial Banking International Network

We have a large, growing deposit base which positions us well to support customers with lending

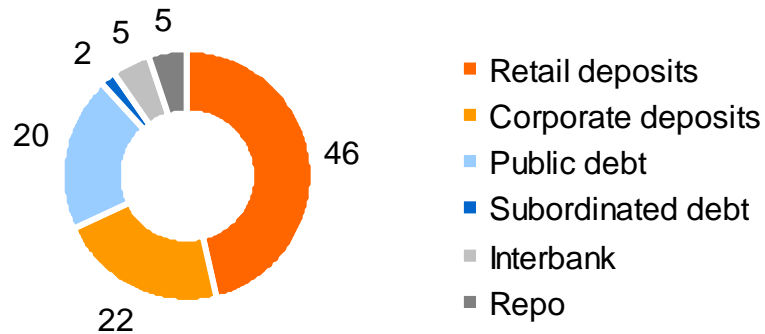
Strong retail deposits gathering ability (in EUR bln, 1H14)



Funds Entrusted, breakdown by business segment (in %, 1H14)



Conservative funding mix (in %, 1H14)

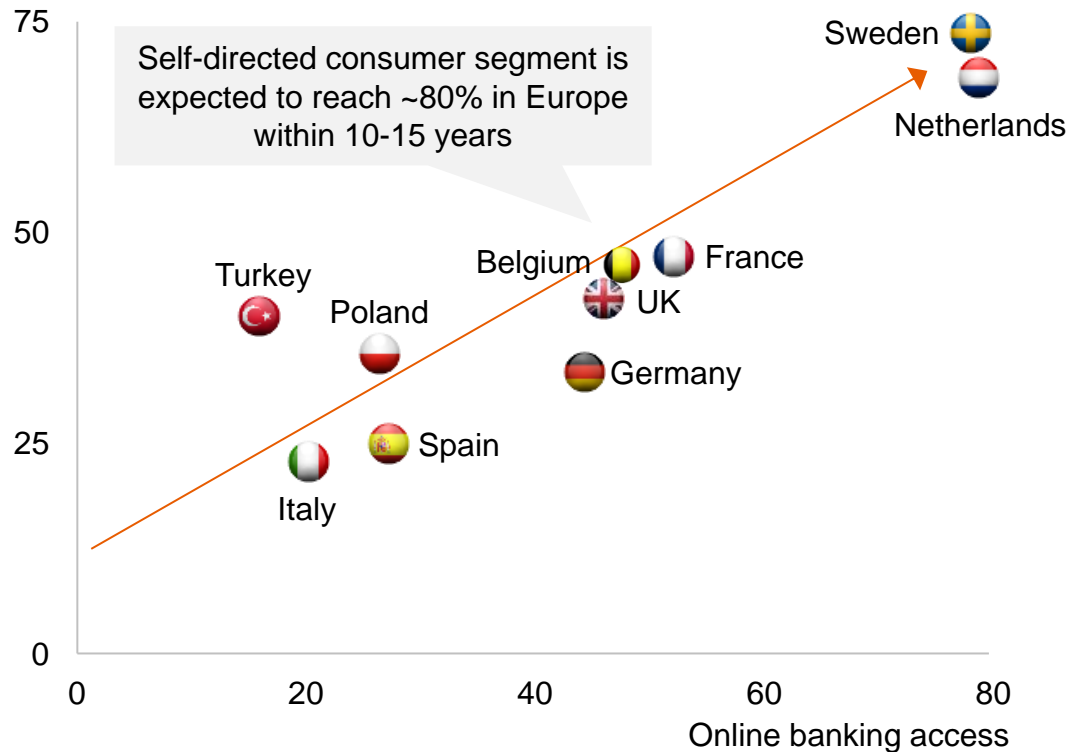


- ING's deposit base is among the largest in Europe
- ING continued to grow its deposit base even in crisis years
- Deposit base is well spread across Europe, with leading positions in the Netherlands, Belgium and Germany
- Attractive loan-to-deposit ratio of 1.03 in June 2014

Our 'direct first' business model is focused on the self-directed customer

Customers in Northern Europe are most self-directed today

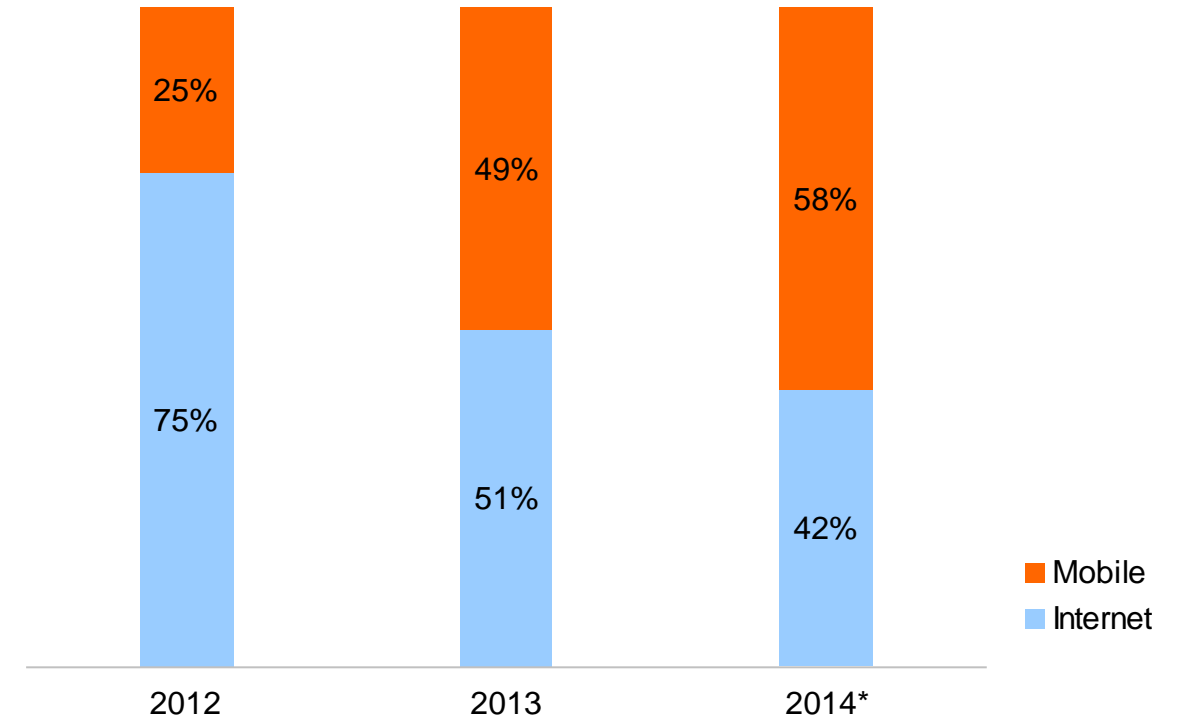
Level of self-directed consumers (in %)



Source: McKinsey

Mobile customers have much more frequent contact with their bank

ING NL, number of contacts (in %)

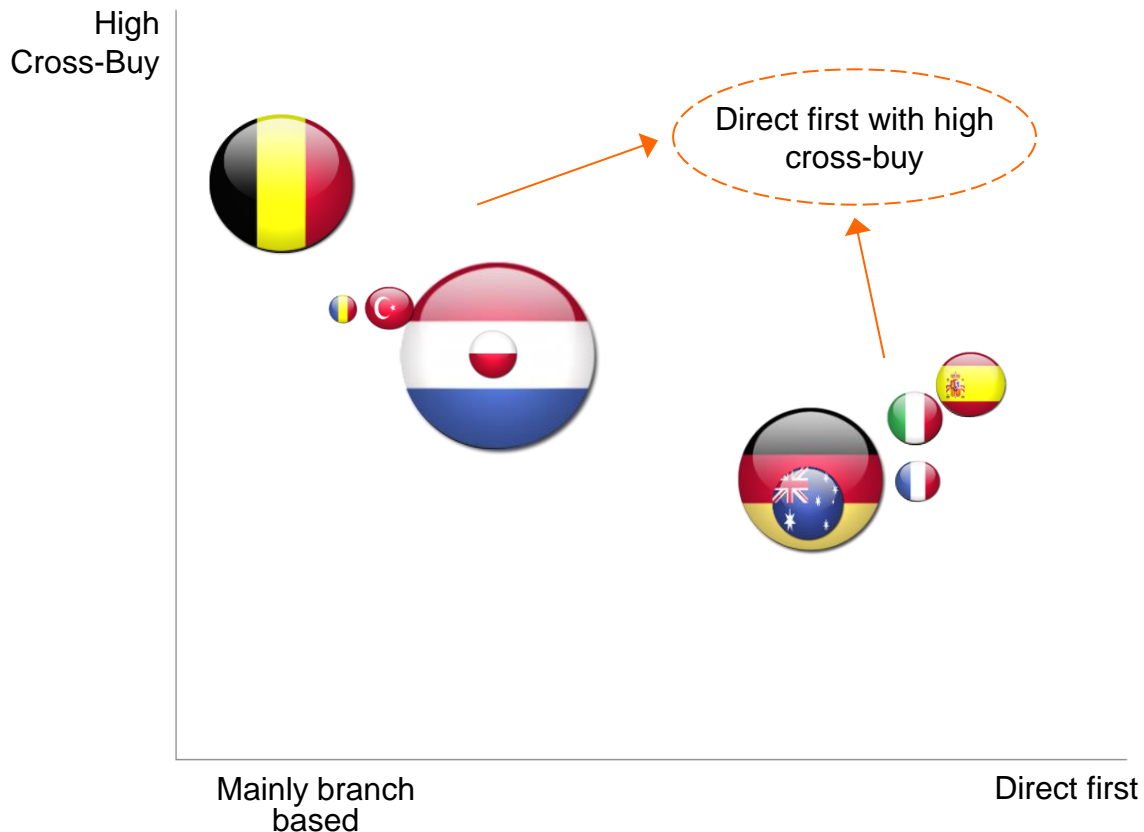


Source: ING Bank Netherlands

* August 2014 YTD annualised

We continue to converge towards a 'direct first' business model

Converging to a 'direct first' model with high cross-buy...



Bubble size = ING Client Balances 2013

Cross-buy = average # of products per active customer 2013

* Based on CET1 ratio of 10% on RWA

Belgium and Germany prove the model is working

ING Belgium – leading market position

- Product sales through direct channels increasing, while branches still dominate cross-buy
- C/I ratio improved to 55.5% in 2Q14, supported by reduction of branches
- RoE* of 21.5% in 2Q14 and 21.7% in 1H14

ING Germany – Challenger position

- Diversifying product offering to customers to increase cross-buy, while maintaining low cost base
- C/I ratio improved to 46.3% in 2Q14 as scale benefits come through
- Germany reported record high pre-tax profit of EUR 227 mln in 2Q14
- RoE* of 20.7% in 2Q14 and 19.5% in 1H14

ING Bank strategy

Purpose

EMPOWERING PEOPLE TO STAY A STEP AHEAD IN LIFE AND IN BUSINESS

Customer Promise



CLEAR AND EASY



ANYTIME, ANYWHERE



EMPOWER



KEEP GETTING BETTER

Strategic Priorities

CREATING A DIFFERENTIATING CUSTOMER EXPERIENCE

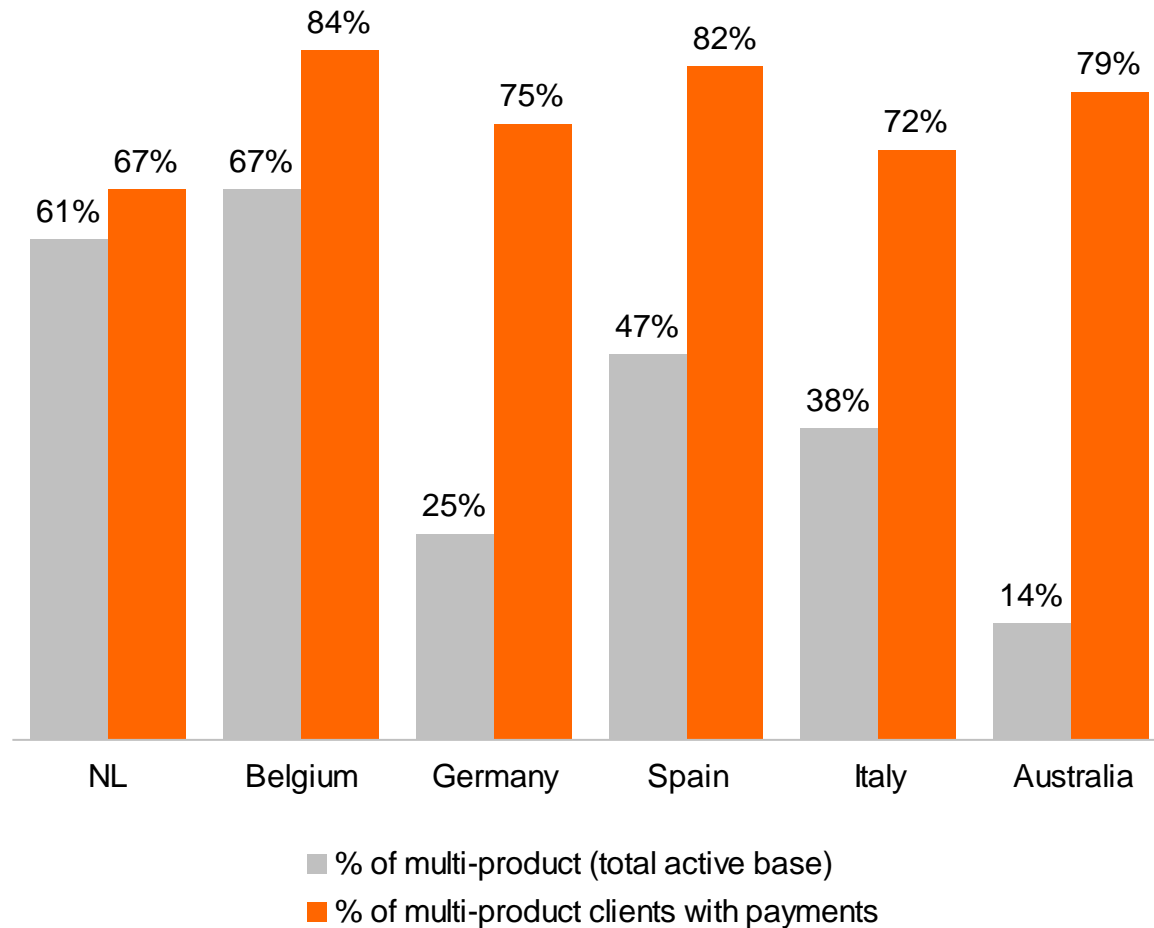
- 1 EARN THE PRIMARY RELATIONSHIP
- 2 DEVELOP ANALYTIC SKILLS TO UNDERSTAND OUR CUSTOMERS BETTER
- 3 INCREASE THE PACE OF INNOVATION TO SERVE CHANGING CUSTOMER NEEDS
- 4 THINK BEYOND TRADITIONAL BANKING TO DEVELOP NEW SERVICES AND BUSINESS MODELS

Enablers

SIMPLIFY & STREAMLINE	OPERATIONAL EXCELLENCE	PERFORMANCE CULTURE	LENDING CAPABILITIES
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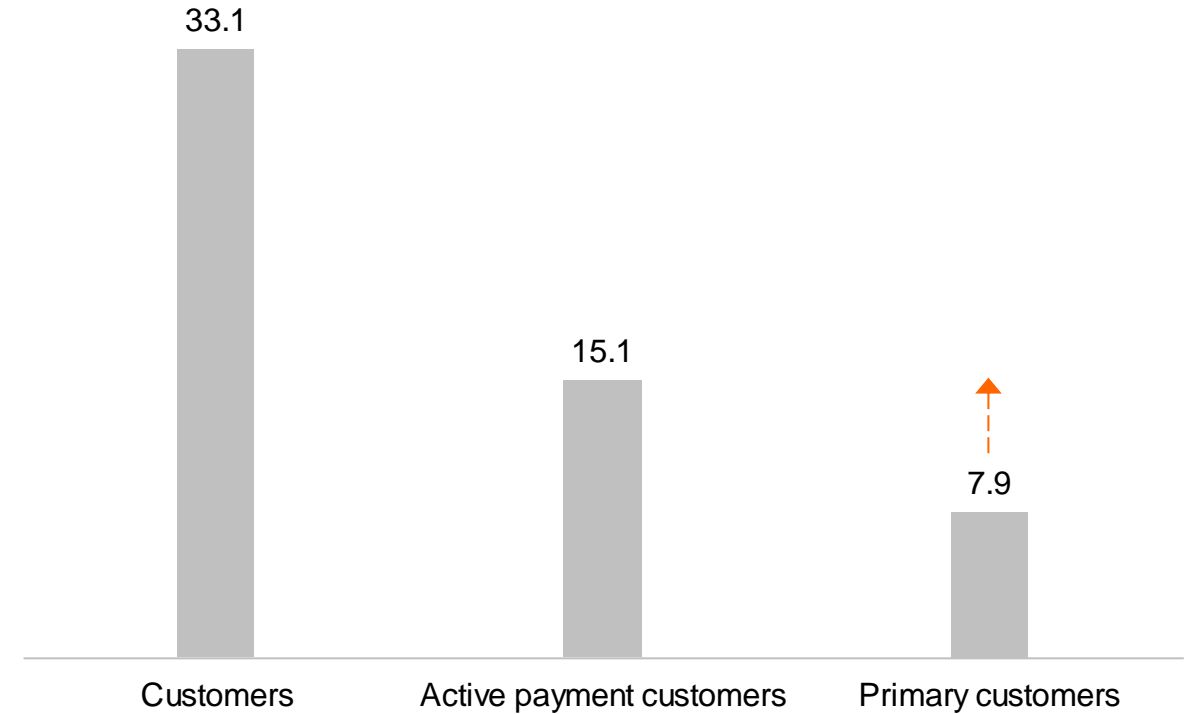
Growing our share of payment accounts is crucial to winning the primary relationship and increasing cross-buy

Payment accounts customers have more products



ING aims to increase the number of primary customers to 10 mln in 2017

Total Individual Retail Customers (in mln, 2Q14)



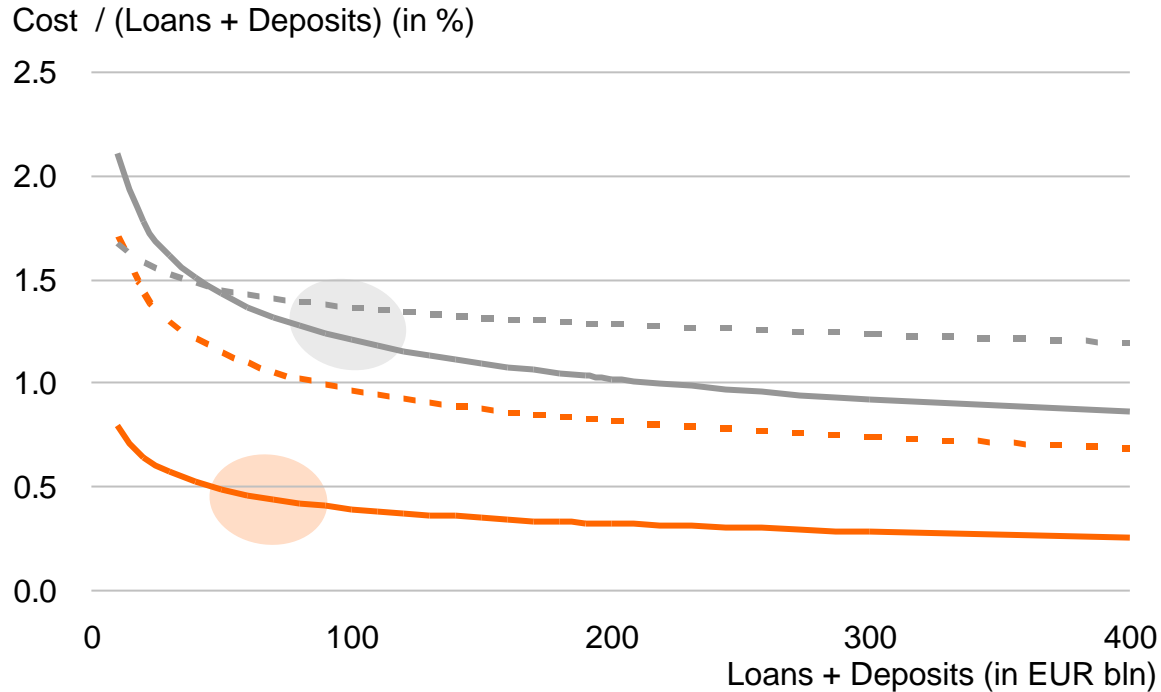
Primary customer: active payment customers, which additionally have recurrent income on the payment account + are active in at least one extra product category

Improving customer service by further developing analytical skills

Improving customer service	<ul style="list-style-type: none">• Provide an integrated, personalised and easy to use omni-channel offering• Cater to individual customer preferences of channel and mode of interaction
Countering fraud and cybercrime	<ul style="list-style-type: none">• Detect and prevent fraudulent activity (e.g., suspicious credit card activity and money laundering)
Operational excellence	<ul style="list-style-type: none">• Optimise ATM and branch locations, cash handling and branch staffing
Risk Management	<ul style="list-style-type: none">• Optimise underwriting to increase consumer lending and reduce the time it takes to obtain a loan• Detect and prevent future defaults through early-warning systems and processes
Creating commercial opportunities	<ul style="list-style-type: none">• Maximise retail banking campaign reactions using digital redesign and response modeling• Define cross-buy opportunities in Commercial Banking by embedding next-product-to-buy modeling into (automated) account planning

Low cost model provides competitive advantage

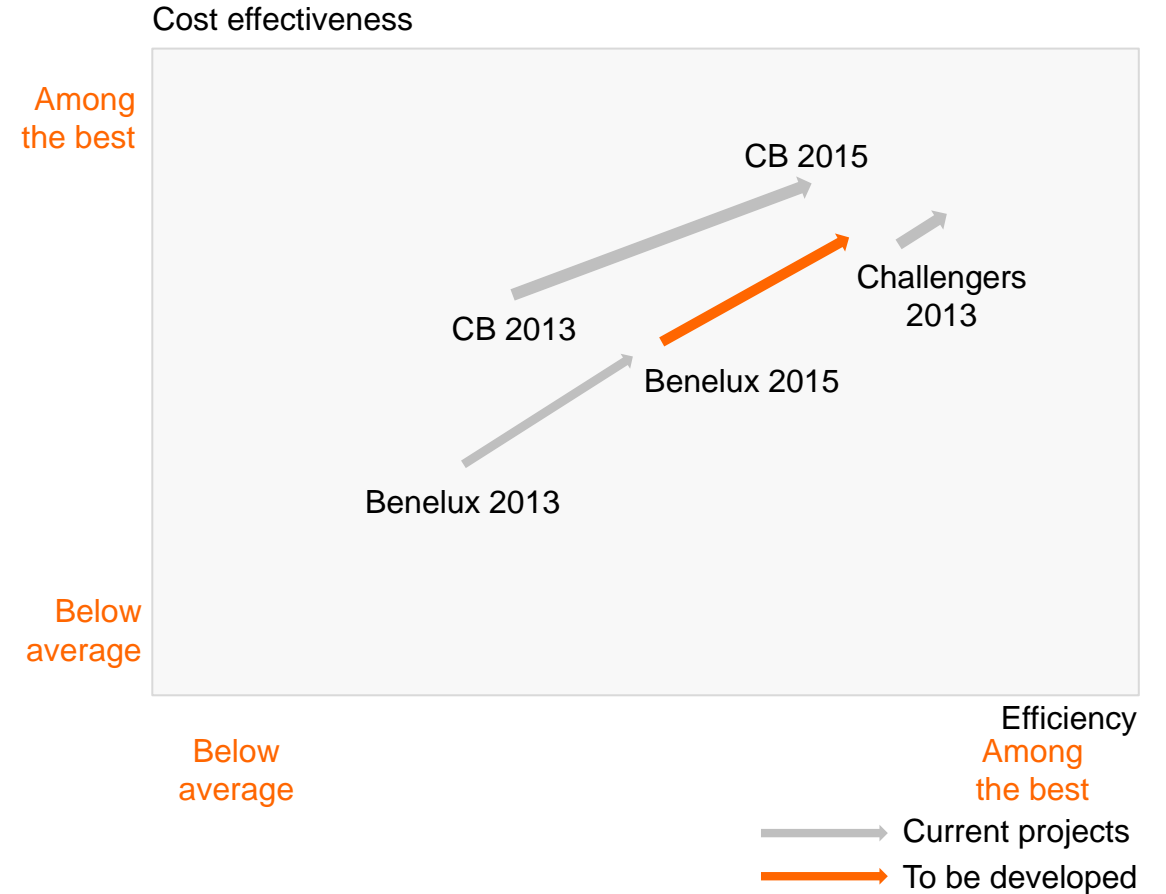
Light branch network enables us to reach scale faster



- ING Direct trendline
- - - Other Direct trendline
- ING non Direct trendline
- - - Universal banks trendline
- Economies of scale in non-Direct model
- Economies of scale in Direct model

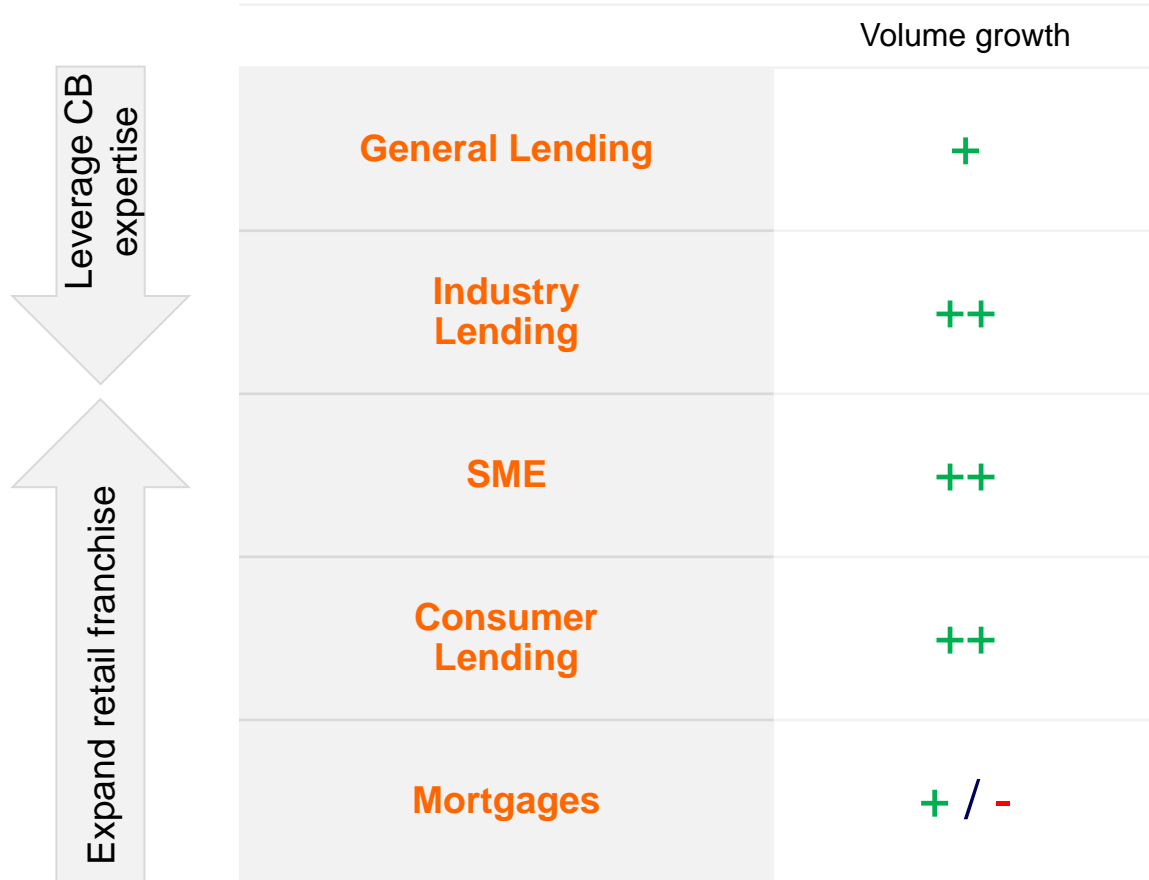
Source: McKinsey Bank Explorer, SNL, Capital IQ, consolidated annual reports, ING

Further reduction of complexity of IT platforms mainly required in the Benelux



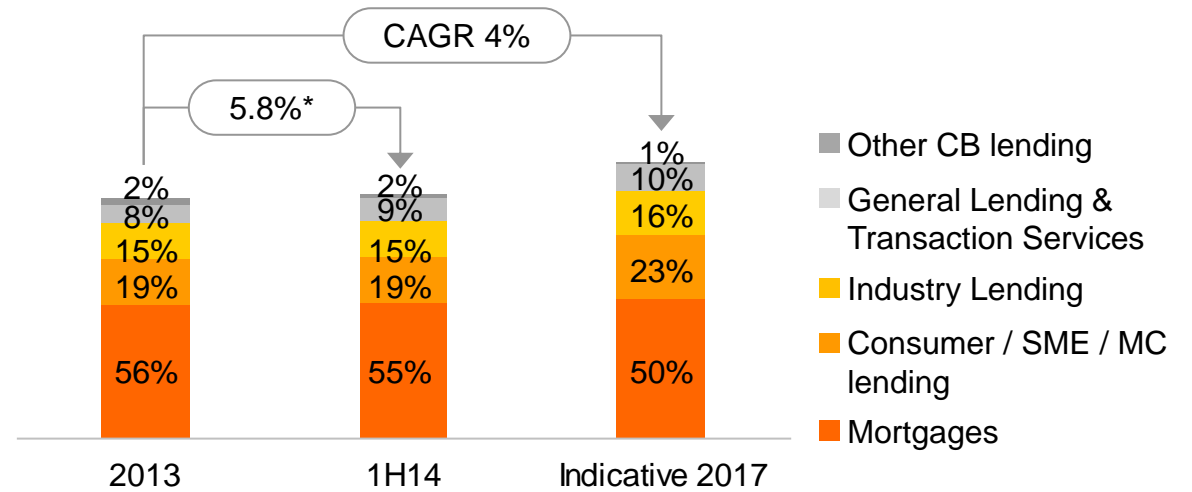
A more diversified lending mix to result in higher NIM

We aim to grow customer lending by approximately 4% per annum

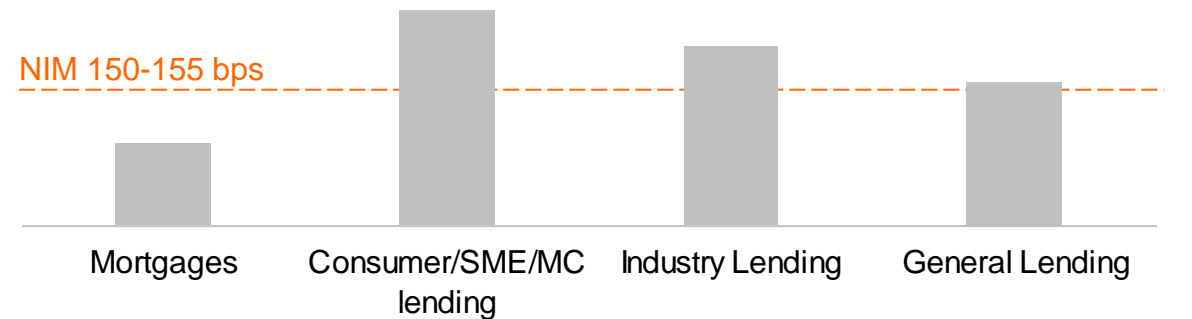


* Annualised 2013 excluding Vysya (deconsolidated after 1Q14)

Lending to be more diversified



Focus on relatively higher margin lending products

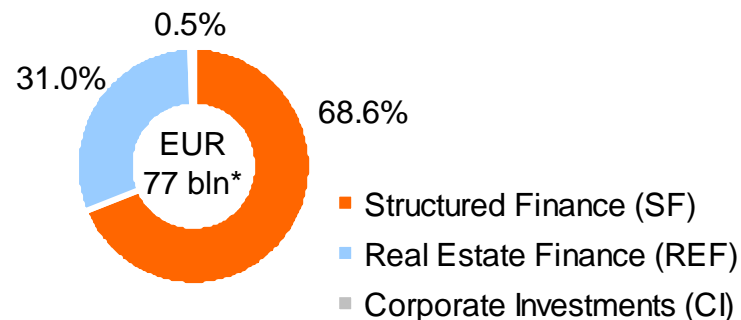


Industry Lending: growth in Structured Finance to provide high returns

Industry Lending

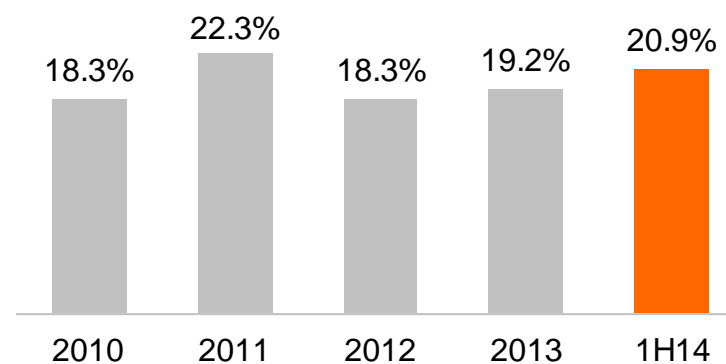
- Industry Lending dominated by Structured Finance, which is traditional lending based on specialised Industry knowledge
- ING is a top 10 player globally in Structured Finance. Franchise built over 20 years
 - Deep-rooted relationships, with over 90% repeat business in 2013 and 1H14
- Selected industries: Oil & Gas, Metals & Mining, Power & Infra, Transportation, Commodities, Telecom & Media
- Strong risk management and structuring capabilities - focused on providing lending to clients needs
 - Risk costs Structured Finance 40-45 bps of RWA over the cycle

Industry Lending dominated by Structured Finance...

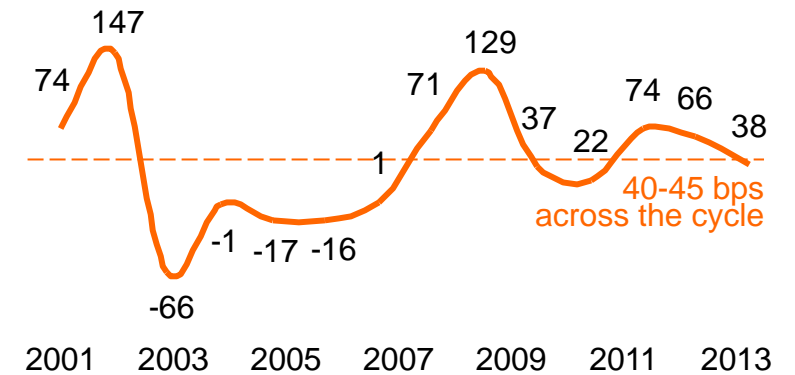


* Lending assets
 ** Based on CET1 ratio of 10% on RWA

...which generates a high RoE**



...and risk costs across the cycle in line with total bank



We will selectively expand our offer in Consumer and SME Lending

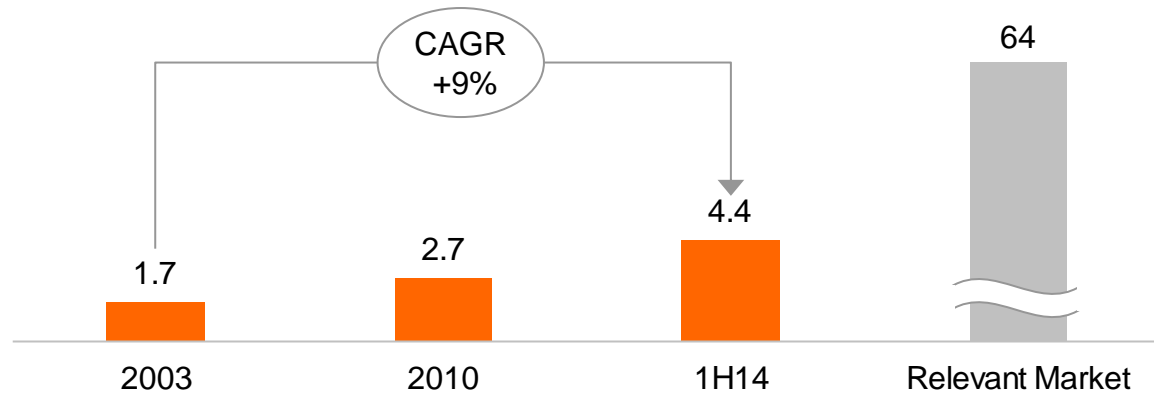
Successfully continue building our Consumer Lending portfolio...

- Consumer lending proposition offered in Germany and Spain mainly via direct model. Similar offering was launched in Italy in 2013
- Increase the usage of mobile as additional sales channel providing instant approval
- Use analytical skills to speed up approval process, particularly for payment clients

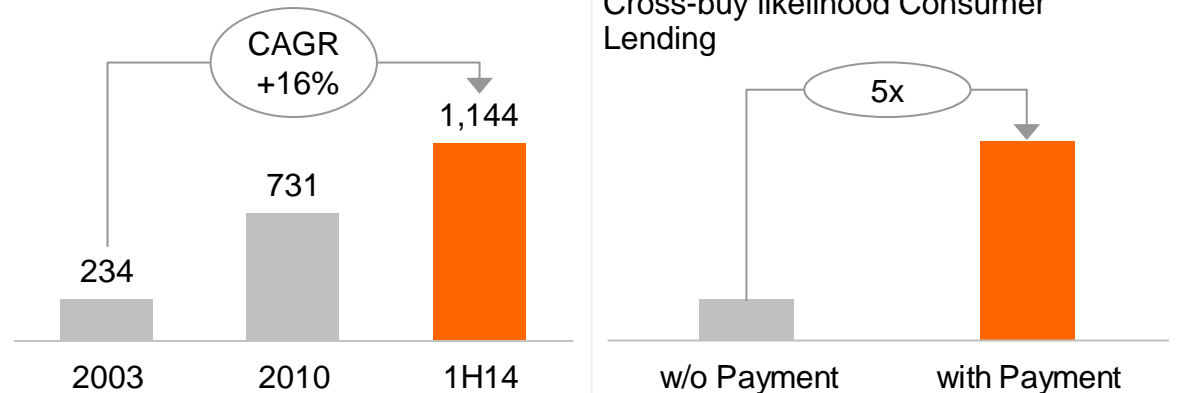
...ready to explore new segment: SME/self-employed with Direct offer

- SME direct proposition launched in Spain in 2013
- Model with focus on self-employed being investigated in Germany
- Leverage strength in direct retail banking to move into self-employed/micro-business segments in Challenger countries
- Straight-through-processing

Consumer Lending volume Germany (in EUR bln)



...supported by payment accounts Germany (in thousands)



Progress on strategic initiatives

Earning the primary relationship	<ul style="list-style-type: none">• Number of primary accounts is increasing in all countries
Developing analytical skills	<ul style="list-style-type: none">• Kim Verhaaf appointed Head of Advanced Analytics in August 2014<ul style="list-style-type: none">• Responsible for increasing ING's advanced analytical skills by setting up a centre of excellence in data science, to support ING units with technology, education, knowledge and hands-on capacity in advanced analytics
Increase the pace of innovation	<ul style="list-style-type: none">• Brunon Bartkiewicz appointed Chief Innovation Officer in July 2014<ul style="list-style-type: none">• Responsible for driving ING's strategic agenda, developing and promoting innovative ideas and solutions, applying new technologies and delivering speed-to-market of successful ideas
Operational excellence	<ul style="list-style-type: none">• Roel Louwhoff appointed Chief Operations Officer and member of the MBB in April 2014<ul style="list-style-type: none">• Responsible for Operations & IT, change management and procurement and will intensify the focus on operational excellence• Transformation Program Commercial Banking on plan and new CB portal has started on-boarding clients
Lending capabilities	<ul style="list-style-type: none">• Joe Katz appointed Head of Consumer and SME lending in August 2014<ul style="list-style-type: none">• Responsible for steering the commercial strategy and development across the bank for consumer and SME Lending• Primary focus will be on innovative client propositions and distribution with a focus on mobile• Net lending assets increased by 2.9% in 1H14, or 5.8% annualised, in line with the Ambition 2017 target of 4% CAGR

Ambition 2017

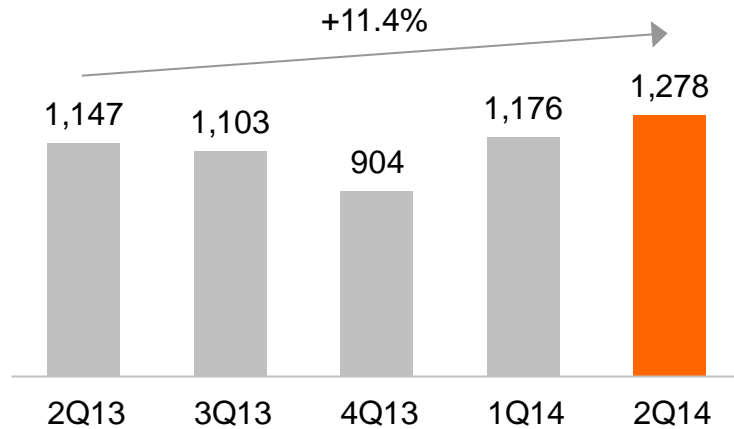
We intend to resume dividend payments over the financial year 2015

	Ambition 2017	1H 2014	Guidance
CET1 (CRD IV)	>10%	10.5%	<ul style="list-style-type: none"> Target fully-loaded CET1 ratio remains >10%, but it is prudent to maintain a comfortable buffer above the minimum to absorb regulatory changes and potential volatility
Leverage	~4%	3.7%	<ul style="list-style-type: none"> Approximately 4% leverage ratio; awaiting final regulations
C/I	50-53%	56.2%	<ul style="list-style-type: none"> Aim to reach 50-53% cost/income ratio in 2016. Over time, improve further towards the lower-end of the range
RoE (IFRS-EU equity)	10-13%	10.7%	<ul style="list-style-type: none"> RoE target range maintained at 10-13% based on IFRS-EU equity (absorbing capital buffer)
Dividend pay-out	>40%		<ul style="list-style-type: none"> Target dividend pay-out >40% First payment over the financial year 2015

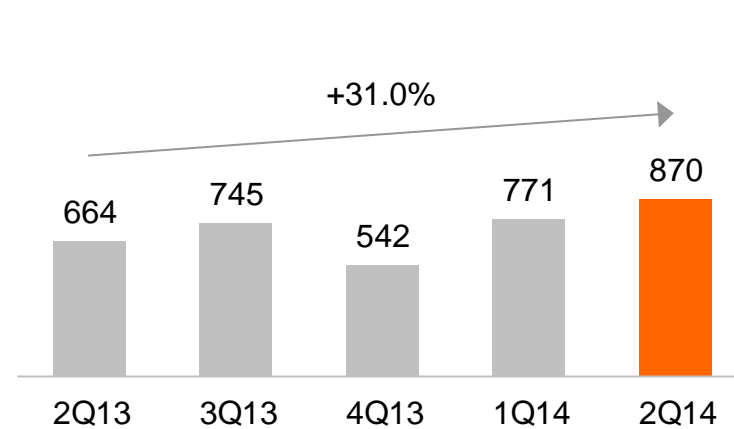
2Q14 results

ING Bank posted a strong second quarter...

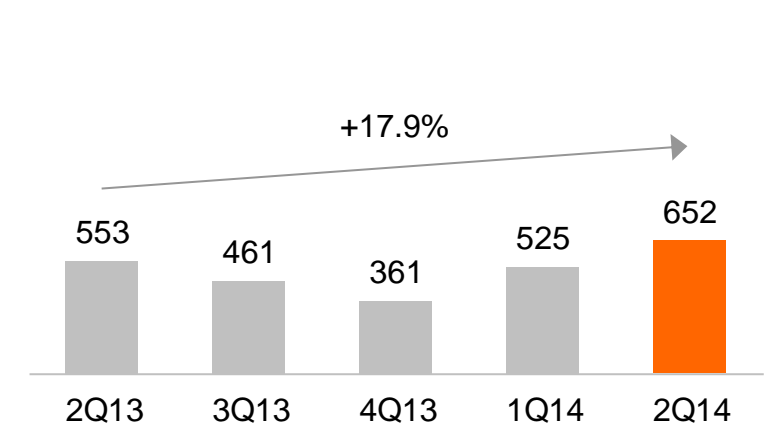
Pre-tax result ING Bank
(in EUR mln)



Pre-tax result Retail Banking
(in EUR mln)



Pre-tax result Commercial Banking,
excluding CVA/DVA (in EUR mln)

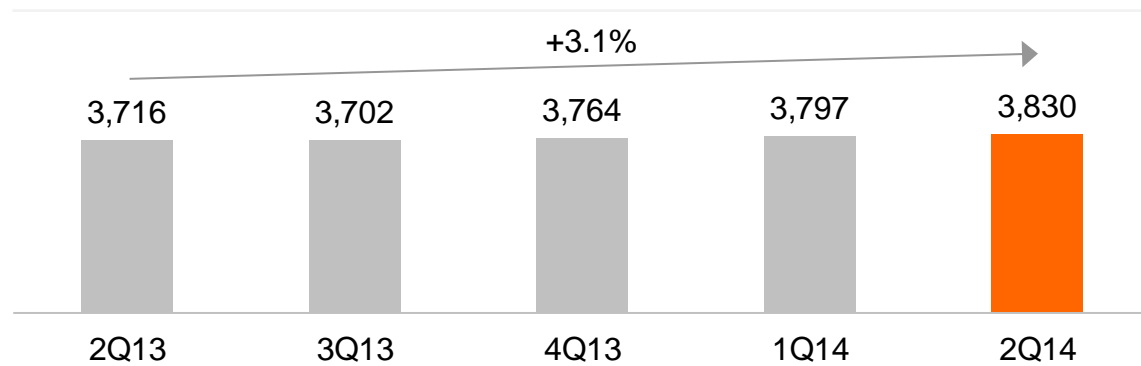


- Underlying pre-tax result was EUR 1,278 mln, up 11.4% from 2Q13 and 8.7% from 1Q14, driven by both Retail Banking and Commercial Banking
 - Strong volume growth in lending and deposits
 - Healthy income development
 - Lower risk costs
 - Capital position further strengthened

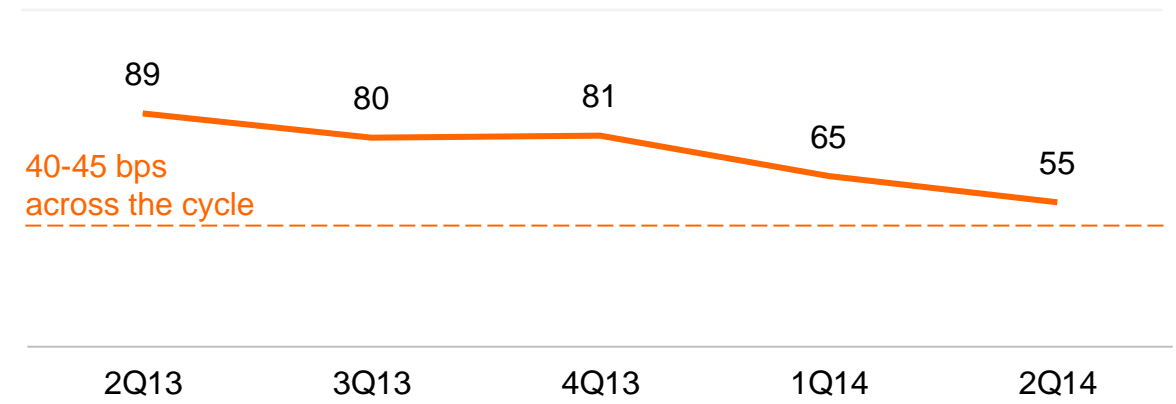
* Pre-tax result Commercial Banking including CVA/DVA was EUR 605 mln in 2Q14, EUR 471 mln in 1Q14 and EUR 632 mln in 2Q13

...supported by healthy income and lower risk costs, as well as strong volume growth in lending and deposits...

Underlying income excluding CVA/DVA and deconsolidation Vysya* (in EUR mln)

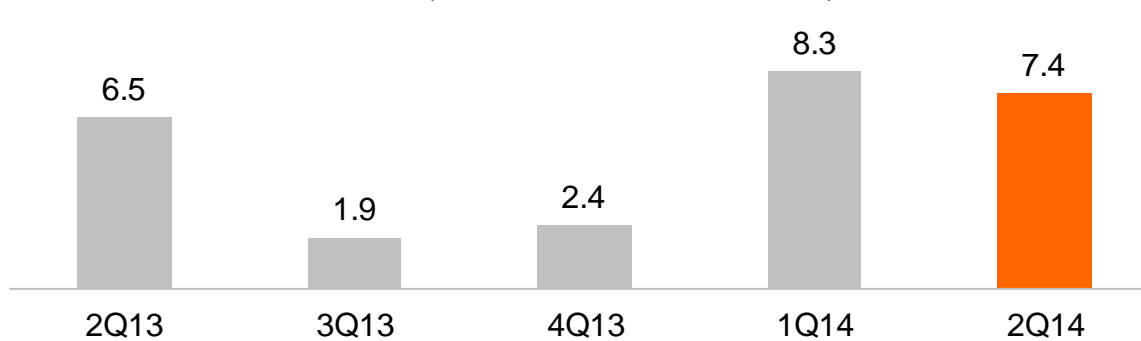


Risk costs started to decline from 2013 (bps of RWA)



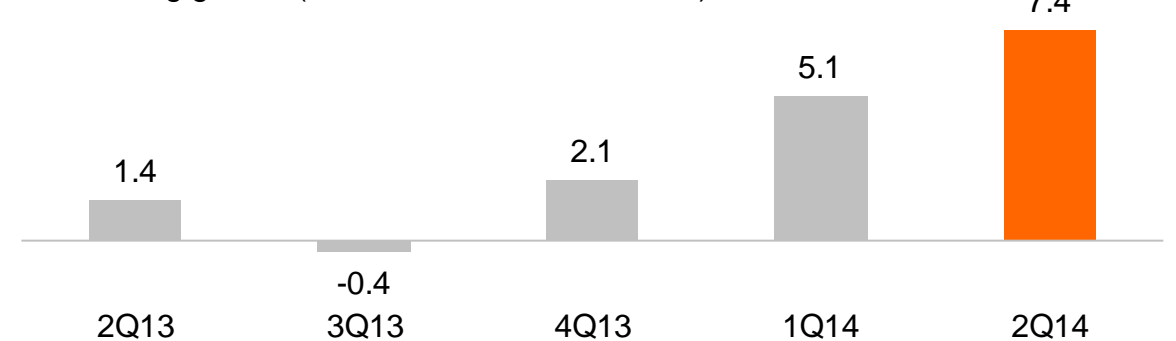
Strong deposit growth...

Net inflow in funds entrusted (Client Balances, in EUR bln)



... and increase in net loan growth

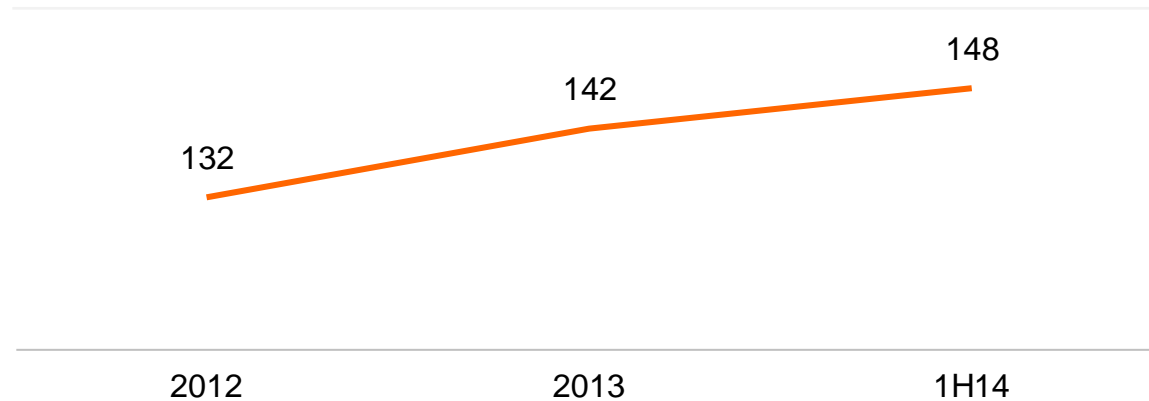
Net lending growth (Client Balances, in EUR bln)



* Reported underlying income was EUR 3,781 mln in 2Q14, EUR 3,818 mln in 1Q14 and EUR 3,853 mln in 2Q13

...with a NIM improvement supported by lower funding costs...

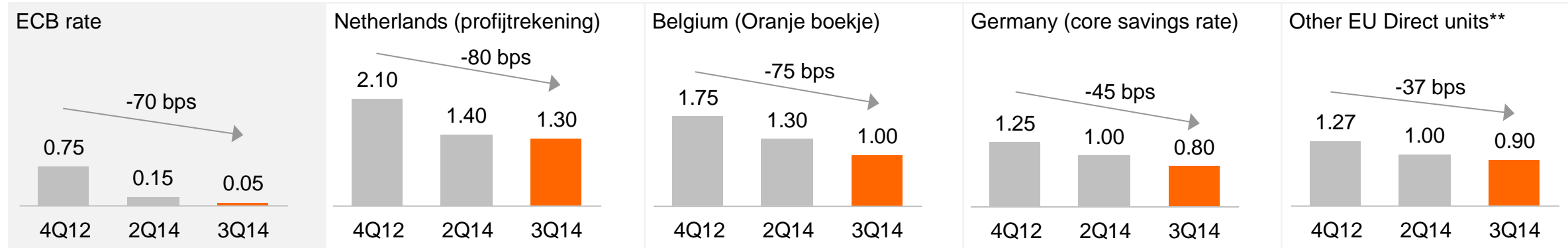
Net interest margin (bps)



NIM supported by re-pricing and lower funding costs

- NIM has increased from 132 bps in 2012 to 148 bps in 1H14, supported by re-pricing and lower funding costs
- Funding costs are decreasing as a result of lower clients savings rates and lower coupon rates on new issued debt
- ING further reduced the client savings rates in 3Q14 in Germany, Netherlands, Belgium and Spain
- Re-pricing, asset growth and lower funding costs will support the NIM, offsetting pressure from the low interest rate environment

Deposit rates have come down following a reduction in ECB rates*

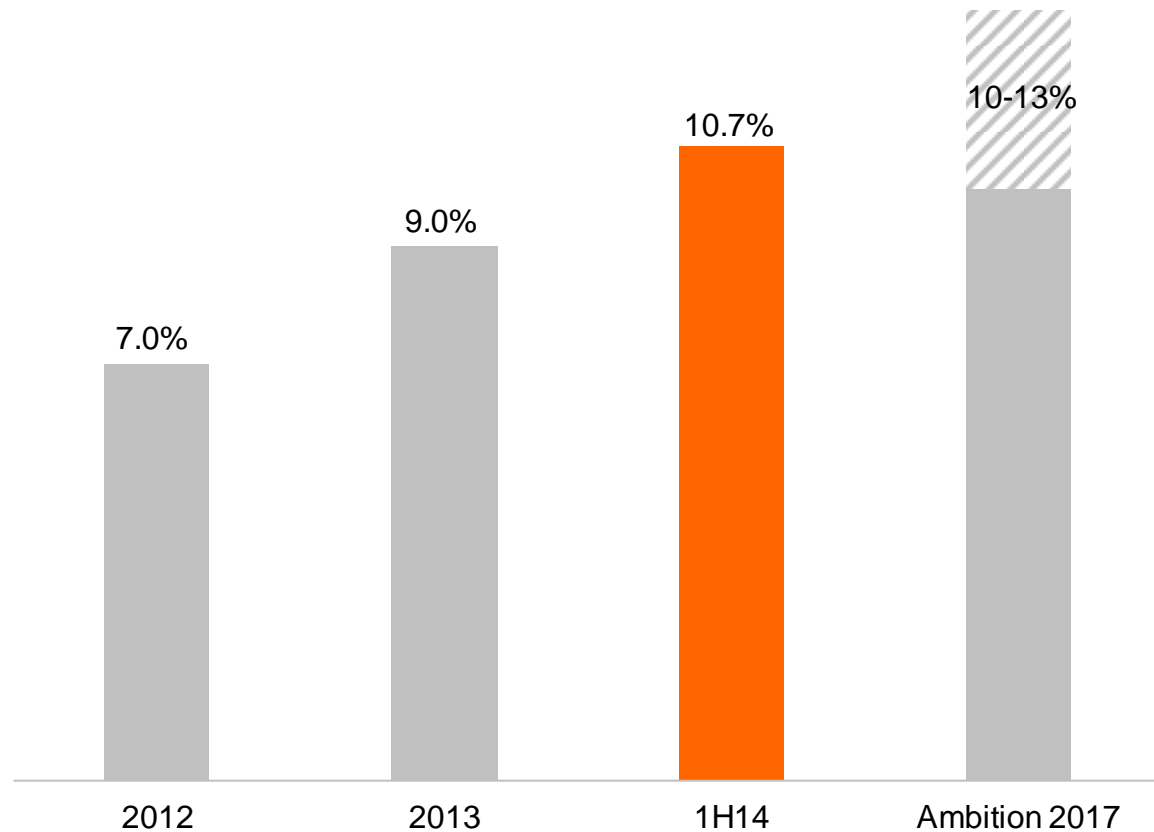


* End of period

** Unweighted average core savings rates France, Italy and Spain

...resulting in a Return on Equity of 11.1% in 2Q14 and 10.7% YTD

ING committed to deliver target RoE* of 10-13% in 2017

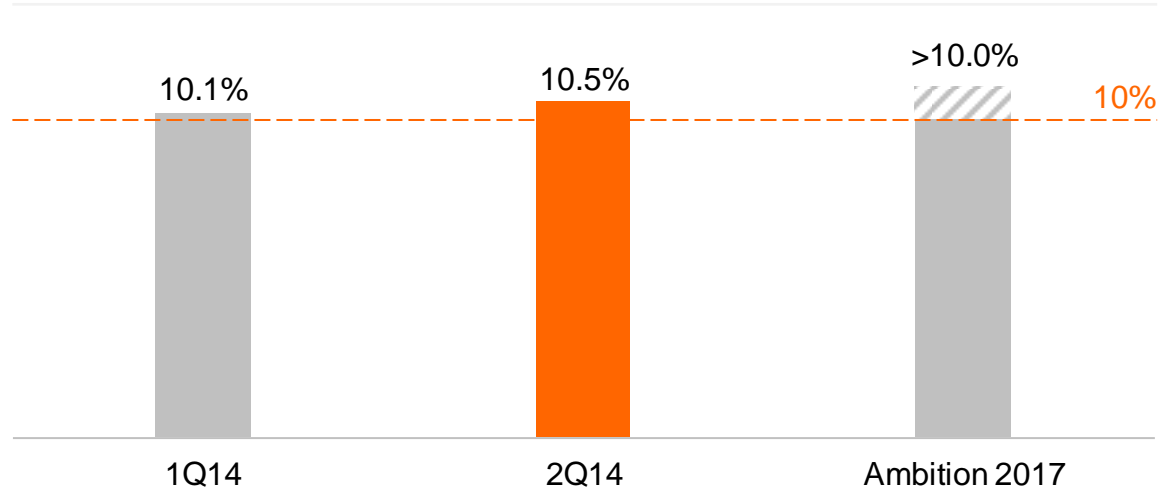


- The underlying return on IFRS-EU equity was 11.1% in 2Q14 and 10.7% year-to-date
- ING committed to deliver target RoE of 10-13%
 - New business must be RoE accretive
 - Normalisation of risk costs supports RoE growth
 - Capital buffer to withstand volatility will impact RoE

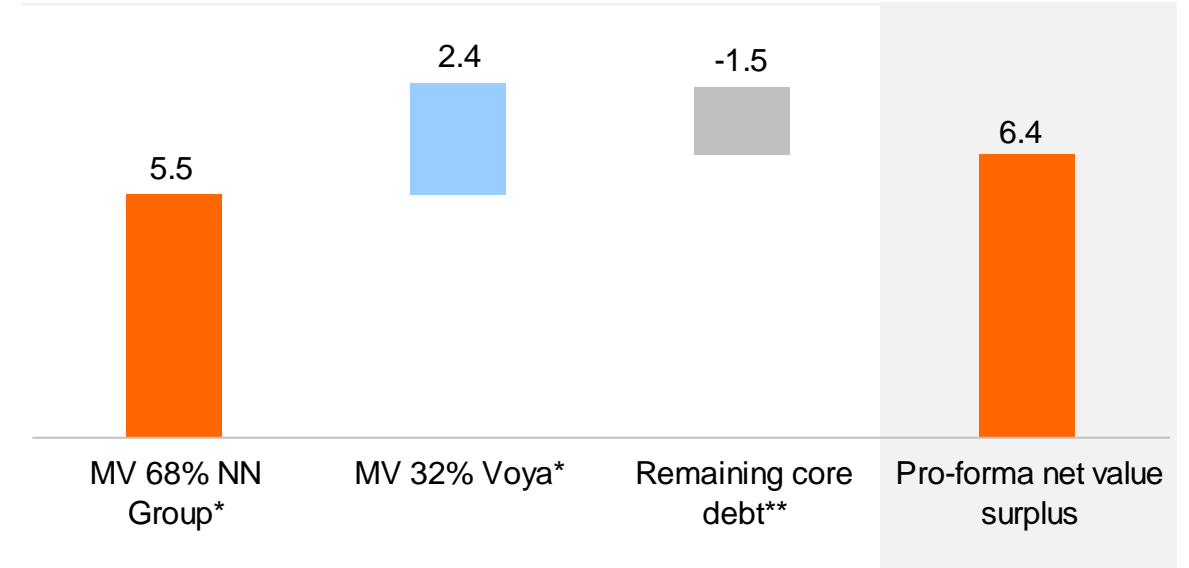
* Based on IFRS-EU Equity

Bank CET1 ratio of 10.5% and surplus of EUR 6.4 bln at Group level

Fully-loaded CET1 ratio increased to 10.5%



Comfortable surplus of EUR 6.4 bln at ING Group level



- ING Bank's pro-forma CET1 ratio on a fully-loaded basis increased to 10.5% due to retained earnings and higher revaluation and FX reserves
- At Group level, pro-forma net value surplus of EUR 6.4 bln
- Given the strong capital position of the Bank and at Group level, a possible early repayment to the Dutch State will be considered after outcome of AQR and stress test

* Market value of remaining stakes in NN Group and Voya are based on market prices at 29 September

** Remaining core debt of approximately EUR 1.5 bln following the IPO (including green shoe) of NN Group in July 2014 and the sale of 11% stake in Voya in September 2014

Wrap up

Wrap up

- ING Bank has strong financials, a unique business model and an attractive portfolio
- We are well positioned to take advantage of the transformation in the banking landscape
- ING Bank posted a strong first half 2014 with an underlying RoE of 10.7%
- We will start paying a dividend over financial year 2015

Appendix

Strategic Framework ING Bank for Decision Making

Strategic Review

Market Attractiveness
Strategic Fit
Connectivity



High
Medium / Low

Sustainable Share

Relevance to Customers
Market Position
Sustainable Balance Sheet
Financial Hurdles



Market leader
Challengers
Growth markets
Sub-scale

Business Action Plan

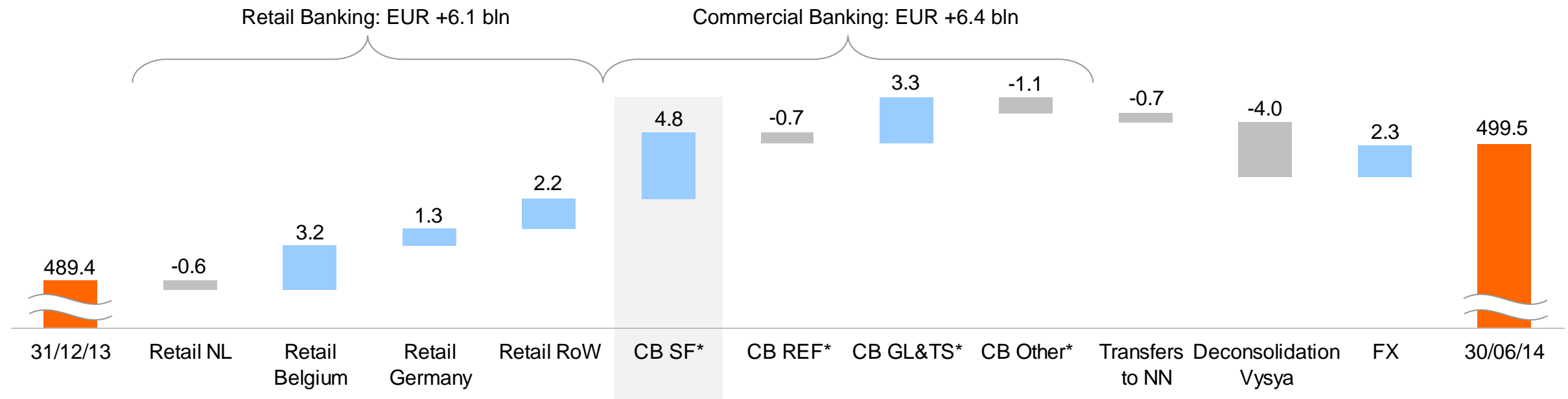
For every business, we will execute one of these four options



Grow / build scale
Maintain
Repair
Consolidate / Exit

Net lending increased in both Retail Banking and Commercial Banking

Lending Assets ING Bank, 1H14 (Client Balances, in EUR bln)



Net lending, excluding the impact of FX and asset transfers, increased by EUR 12.5 bln

- Net lending in Retail Banking increased by EUR 6.1 bln driven by Retail Belgium, Retail Germany and Retail RoW
- Net lending in Commercial Banking increased by EUR 6.4 bln driven by Structured Finance and General Lending & Transaction Services
- Strong increase in Structured Finance across all products and geographies

* SF is Structured Finance; REF is Real Estate Finance; GL&TS is General Lending & Transaction Services; Other includes Lease run-off

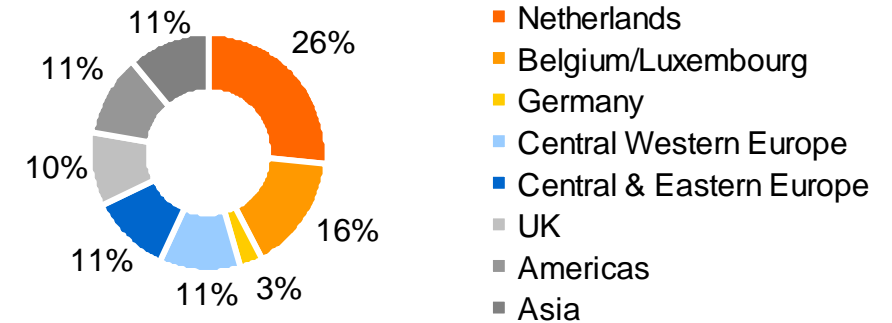
Solid Commercial Banking results from a consistent strategy and strong client franchises

Client Focused Commercial Bank

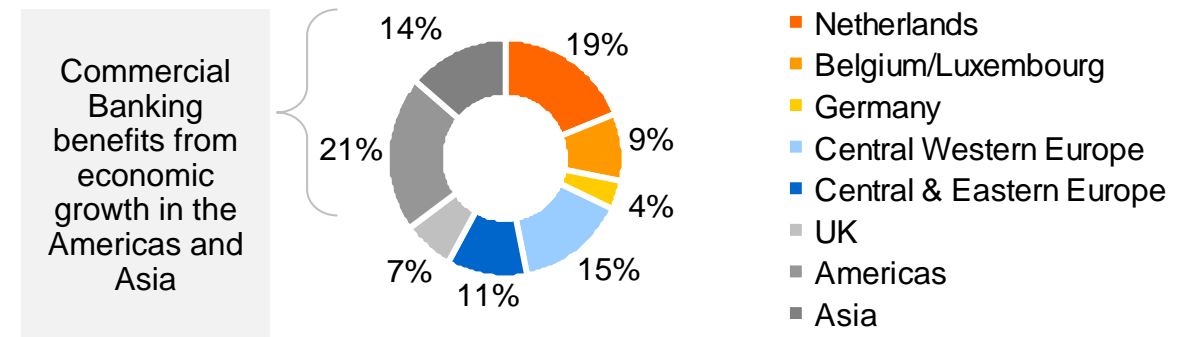
- Solid results through the cycle and strong 1H14 results
 - Risk costs reached their peak in 2Q13
 - Strong volume growth, particularly in Structured Finance
- A strong, Europe-focused Commercial Bank with global reach
 - Extensive international network with strengths across Europe, Asia Pacific and the US
 - Supporting our global client base with a comprehensive European banking offering
 - And our global franchises in:
 - Industry Lending and Financial Markets
 - Trade Finance Services and Cash-Pooling (BMG)
- Consistent client focus
 - Targeting a seamless, differentiating client experience
 - With new technologies and further standardisation
 - Supporting growth in our domestic and international client franchises

A strong, Europe-focused Commercial Bank with global reach

Income by country / region based on country booking*, 1H14 (excl. CVA/DVA)



Income by country /region based on country of residence**, 1H14 (excl. CVA/DVA)



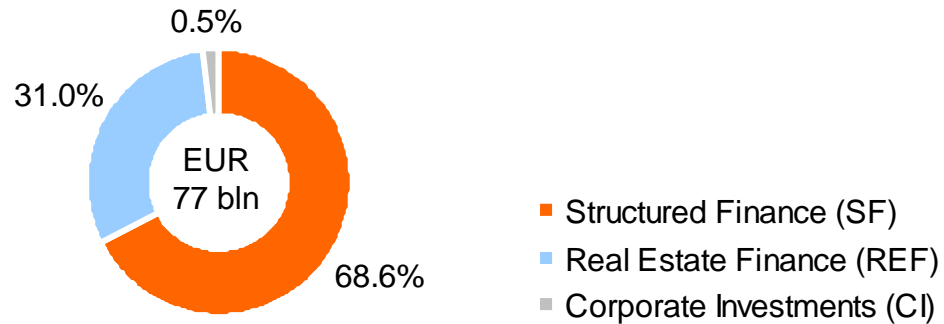
* Data is based on country of booking, which includes non domestic business booked on the domestic balance sheets

** Data is based on country of residence. From the perspective of a given country, a resident is a legal entity or branch (or individual) that has its major operations in the given country

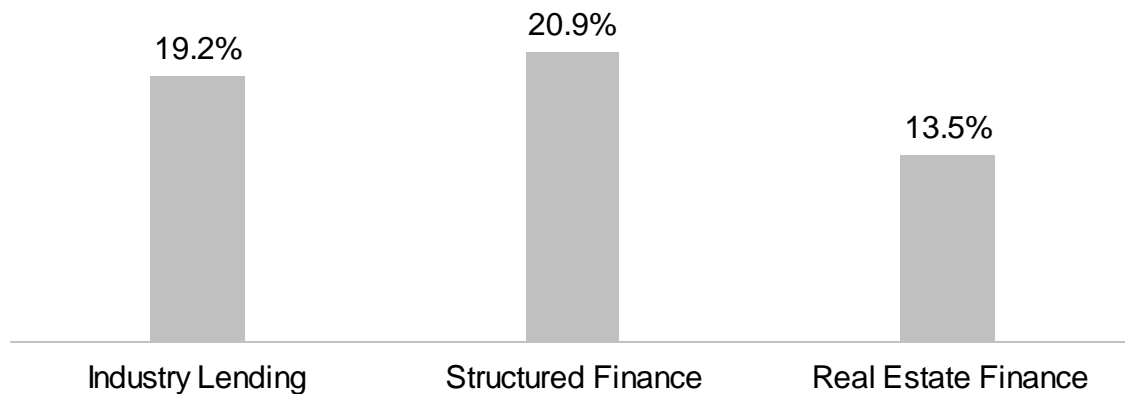
Please note that the numbers have been adjusted from a previous version in the ING Benelux conference presentation of September 2014 to more accurately reflect the breakdown by country/geography

Industry Lending generates diversified, secure, high return assets

Lending assets Industry Lending (in %, 2Q14)

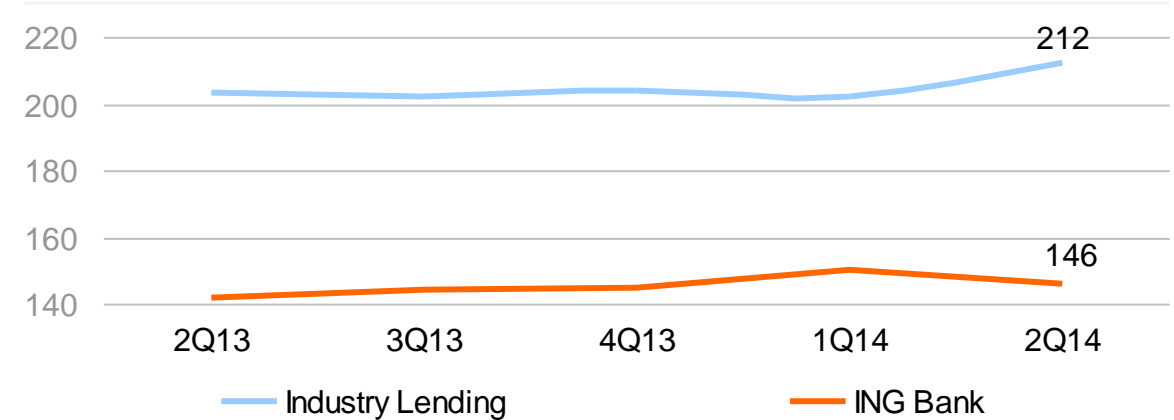


Return on Equity based on CET 1 of 10% (in %, 1H14)



* Increase in the NIM in 2Q14 partly due to one-off interest income

Net interest margin Industry Lending* (in bps)



- Industry Lending generates diversified, high return assets, making this attractive for balance sheet integration
- Financing based on industry knowledge
- In recent years, ING's Real Estate Finance portfolio has been reduced. The planned de-risking of our Real Estate Finance portfolio has been finalised
- Focus of growth going forward will be Structured Finance

Structured Finance is a top 10 player globally generating a consistent high RoE

Structured Finance

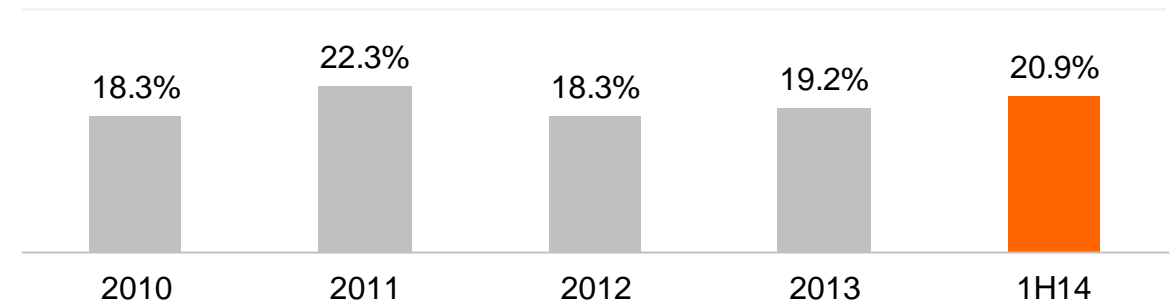
- Structured Finance business is a traditional lending business based on specialised industry knowledge
- ING is a top 10 player in this area
- Mature franchise built over 20 years
 - Expertise through experienced, long-serving teams
- Well diversified loan portfolio across segments and geography
- Strong risk management and structuring capabilities - focused on providing lending solutions to clients needs
 - Risk costs Structured Finance 40-45 bps of RWA over the cycle
- Ability to select the right clients/businesses in the sector
- Centres of expertise around the world to support our local and global clients
- Structured Finance has generated a RoE at around 20% in the past 4.5 years

Leading global player Industry Lending excl. REF 1H14: MLA by number of deals

No.		Deals
1	Bank of America Merrill Lynch	181
2	Deutsche Bank	138
3	JP Morgan	128
4	Credit Suisse	121
5	Barclays	108
6	Mitsubishi UFJ	107
7	BNP Paribas	103
8	Citi	97
9	ING	96
10	Goldman Sachs & Co	92

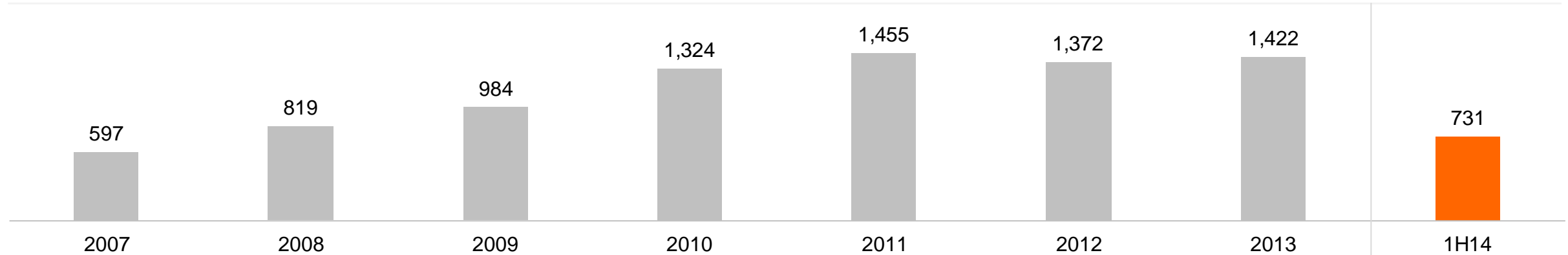
Source: Thomson Reuters

Structured Finance – RoE (based on CET1 of 10%)



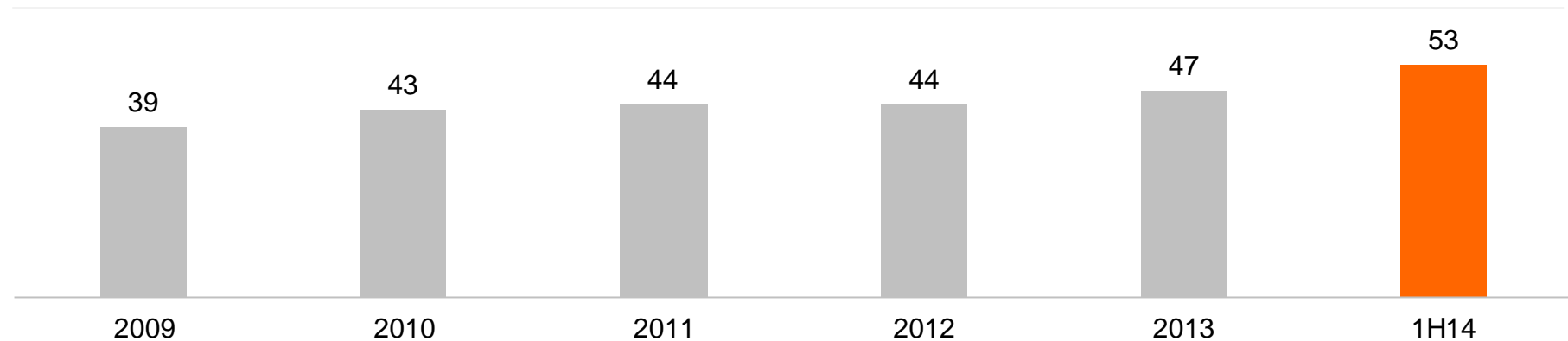
Structured Finance has a long record of organic growth...

Structured Finance total revenues (in EUR mln)



- Mature franchise built over 20 years
- Expertise through experienced, long-serving teams
- Deep-rooted relationships, with over 90% repeat business in 2013 and 1H14

Structured Finance lending assets (in EUR bln)



...while diversification and prudent risk management resulted in well controlled risk costs

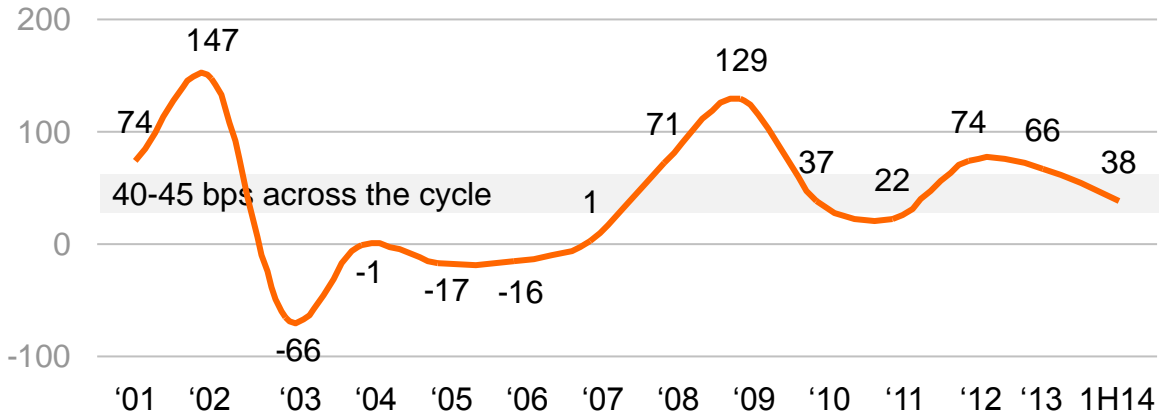
Structured Finance is well diversified by product...

Lending assets (in %, 2Q14)



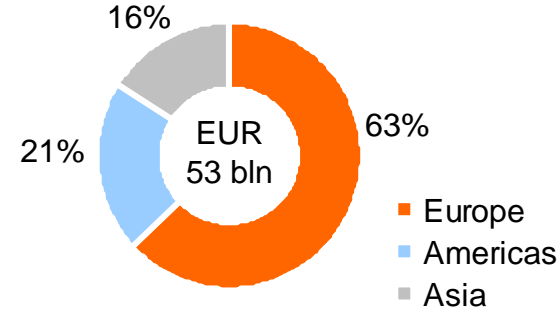
...resulting in well controlled risk costs

Risk costs in bps of average RWA

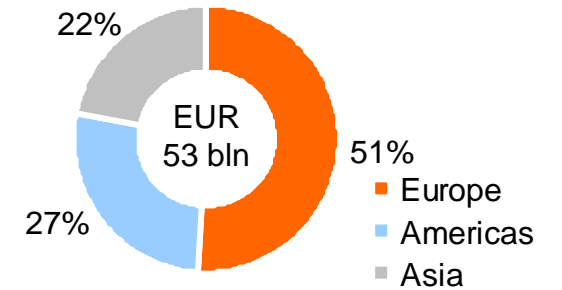


...and geography

Lending assets based on country of booking*



Lending assets based on country of residence**



* Data is based on country of booking, which includes non-domestic business booked on the domestic balance sheets

** Data is based on country of residence. Please note that the numbers have been adjusted from a previous version in the ING Benelux conference presentation of September 2014 to more accurately reflect the breakdown by country/geography

- Structured Finance is well diversified in terms of products and geography
- Diversification, strong collateral and prudent risk management resulted in well controlled risk costs
- Strong cooperation between the front office and Risk Management, Legal and Compliance
- Risk profile Structured Finance is in line with the total bank (40-45 bps across the cycle)

Structured Finance is a well diversified mix of financing based on specialised industry knowledge

Structured Finance	Sub-segments (% of total lending assets SF)	A diversified lending business
Energy, Transport and Infrastructure Group (ETIG)	<ul style="list-style-type: none"> • Natural Resources (13%) • Utilities-Power (5%) • Infrastructure (8%) • Transportation Finance (12%) • Structured Metals & Energy (7%) 	<ul style="list-style-type: none"> • Structured Finance business is a traditional lending business based on specialised industry knowledge • Core strengths: <ul style="list-style-type: none"> • The ability to select clients and business segments, based on a consistent long-term focus on the industry sectors covered • The ability to structure lending solutions tailored to the needs of each industry segment • Aiming for lead roles in lending transactions to build client relationship, to optimize revenues and to maximize cross-sell opportunity • Broad range of industry sectors (Oil & Gas, Mining, Power-Utilities, Renewables, Infrastructure, Transportation, Commodities, Telecommunication, Media) • Diverse lending structures and financing purposes (e.g. project finance, acquisition finance, pre-export finance, borrowing base financing, reserve based lending, trade finance, etc.) • Tenors range from very short term (1-3 months in trade finance) to very long term (up to 15 years in export finance, typically 95% credit insured by ECAs) • Risk mitigation by way of client selection and appropriate lending structures, which includes asset security, credit insurance, covenants, borrowing base, etc. • RoE roughly similar across the different sectors despite differences in margins and tenors
International Trade and Export Finance (ITEF)	<ul style="list-style-type: none"> • Trade and Commodity Finance (23%) • Structured Export Finance (8%) 	
Specialised Financing Group (SFG)	<ul style="list-style-type: none"> • Telecom and Media Finance (7%) • Structured Acquisition Finance (6%) • Local Structured Finance (7%) • Other (4%) 	

Important legal information

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

In preparing the financial information in this document, the same accounting principles are applied as in the 2Q2014 ING Group Interim Accounts. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

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.

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