

Challengers & Growth Markets

ING Group Investor Day 2016

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Member Management Board Banking

Amsterdam, 3 October 2016

thinkforward



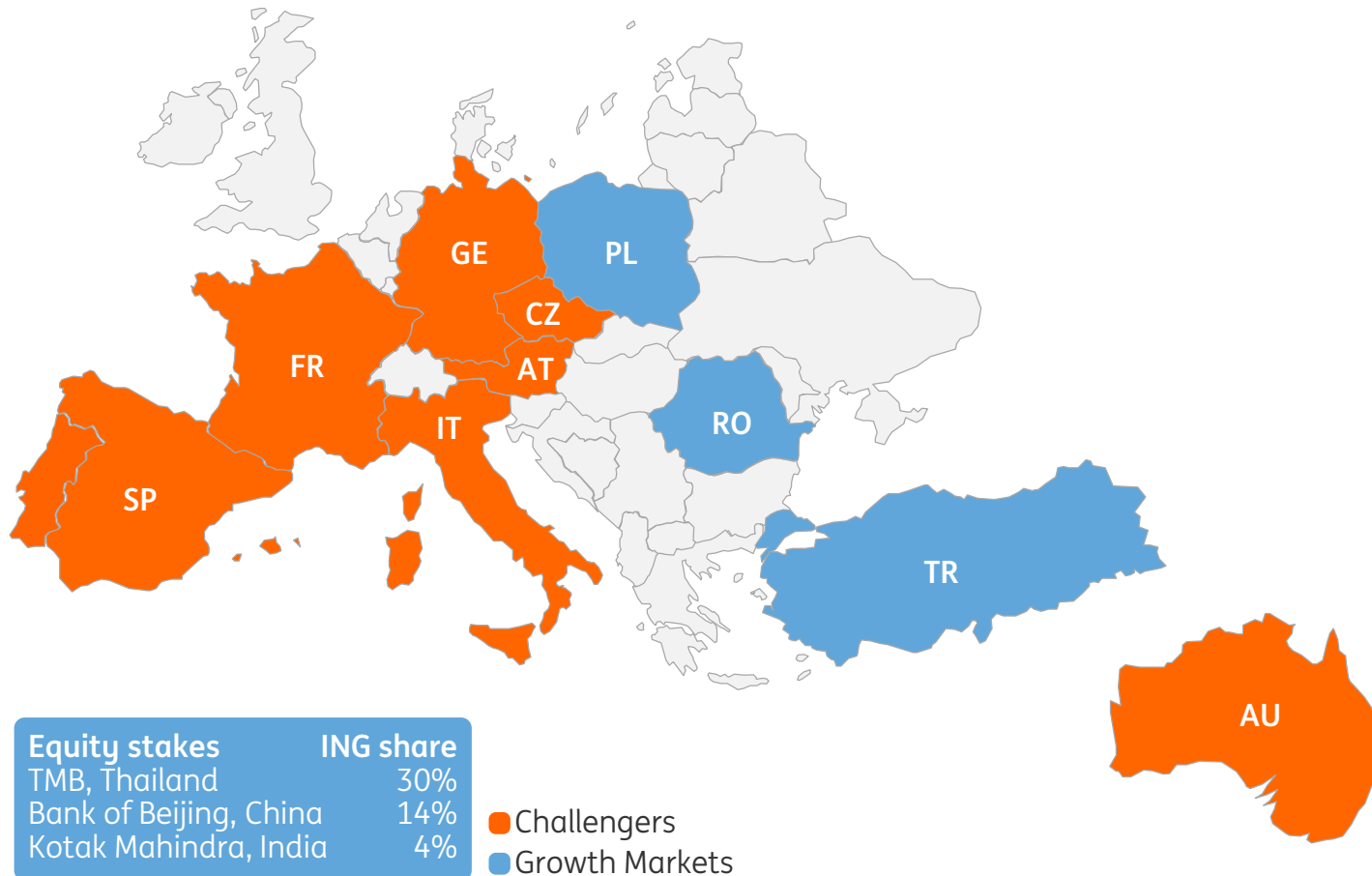
Key points

- We have a strong franchise in the Challengers & Growth Markets built on highly satisfied clients
- ING is recognised as an NPS leader in most markets and primary customers are growing fast
- Challengers & Growth Markets are an increasingly important profit contributor:
 - Core lending growth with an increased focus on Consumer, SME and WB lending
 - Further balance sheet optimisation
 - Stronger fee income on primary customer growth and new product origination
- Convergence to scalable digital banking platforms to improve the customer experience and growth
- We continue to deliver innovations and remain a digital banking leader

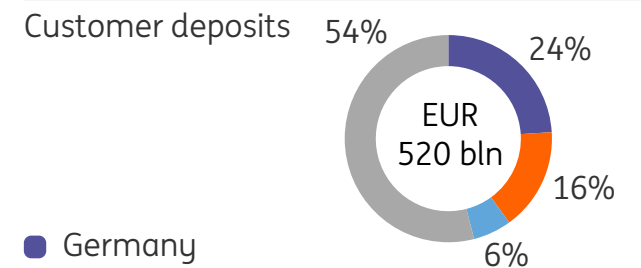
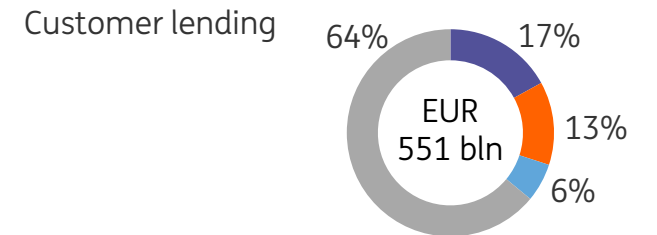
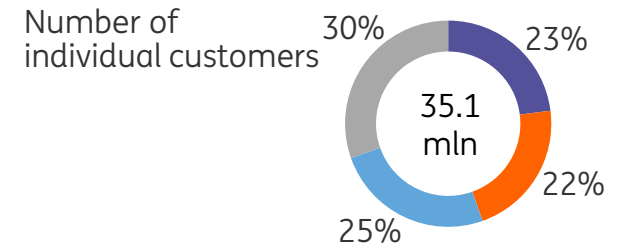
Think Forward strategy at work

C&GM serves 25 million customers in 10 different countries

Challengers & Growth Markets footprint*



C&GM share in Bank totals (1H16)



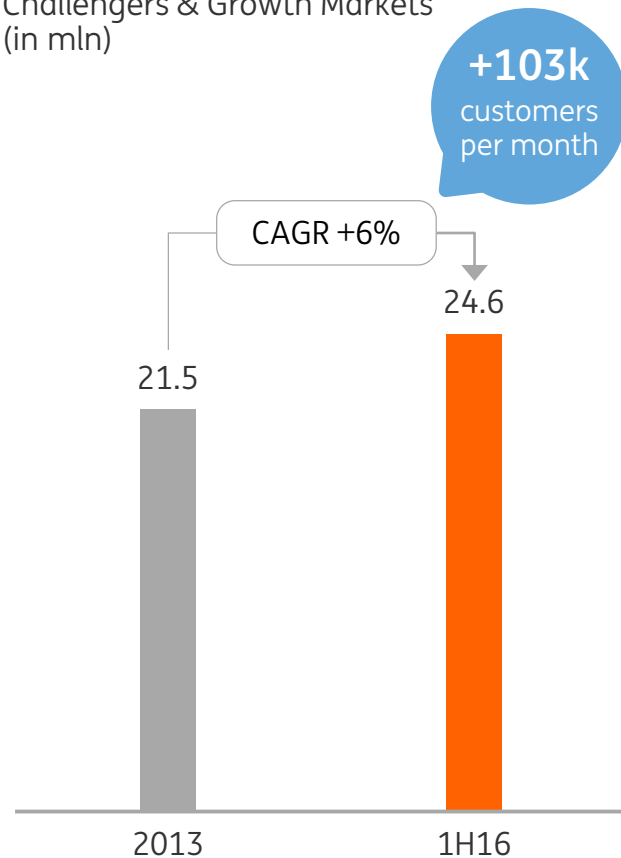
- Germany
- Other Challengers
- Growth Markets
- Market Leaders & WB RoW

* Challengers: Universal banks whose retail activities are mainly in the form of direct banking services, no Retail Banking in Portugal
 Growth Markets: Strong positions in fast-growing countries where ING offers a full range of branch-based Retail and Wholesale Banking services

We've expanded rapidly and have highly satisfied customers

We are rapidly adding clients...

Individual clients
Challengers & Growth Markets
(in mln)



...and we are highly recommended...

Net Promotor Score Rank 2Q16



#1 in **6** C&G countries

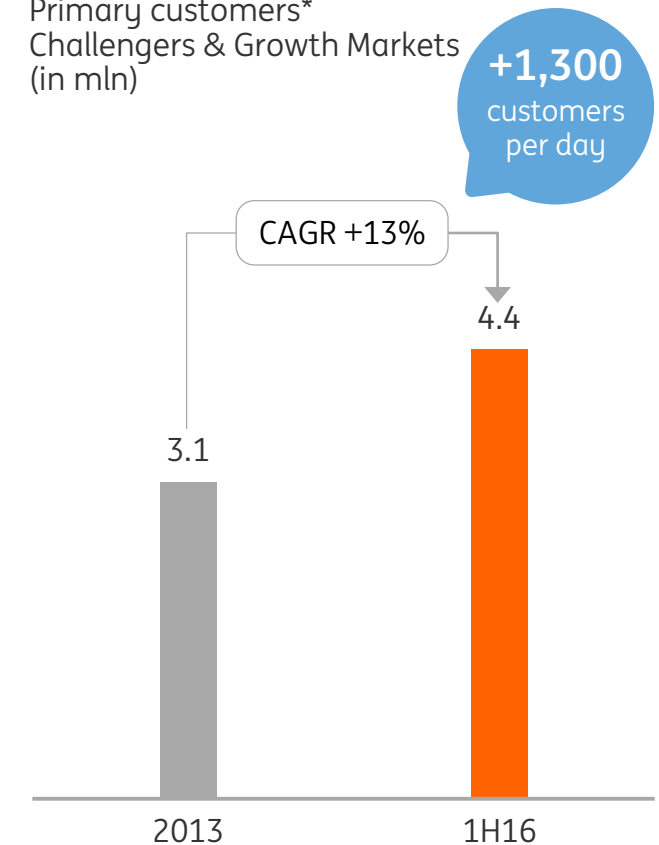
- Austria
- Australia
- Germany
- Poland
- Romania
- Spain

#2 in **2** C&G countries

- France
- Italy

...which increasingly earns us the primary relationship

Primary customers*
Challengers & Growth Markets
(in mln)



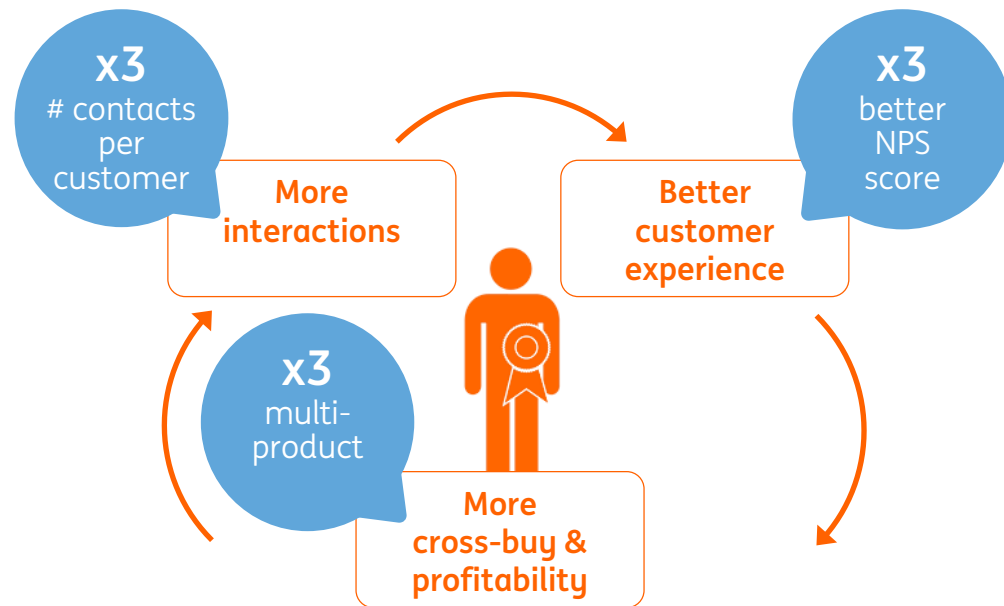
* Primary customers: active payment customers, which additionally have recurrent income on the payment account and are active in at least one extra product category

Ongoing investments to attract primary clients are paying off



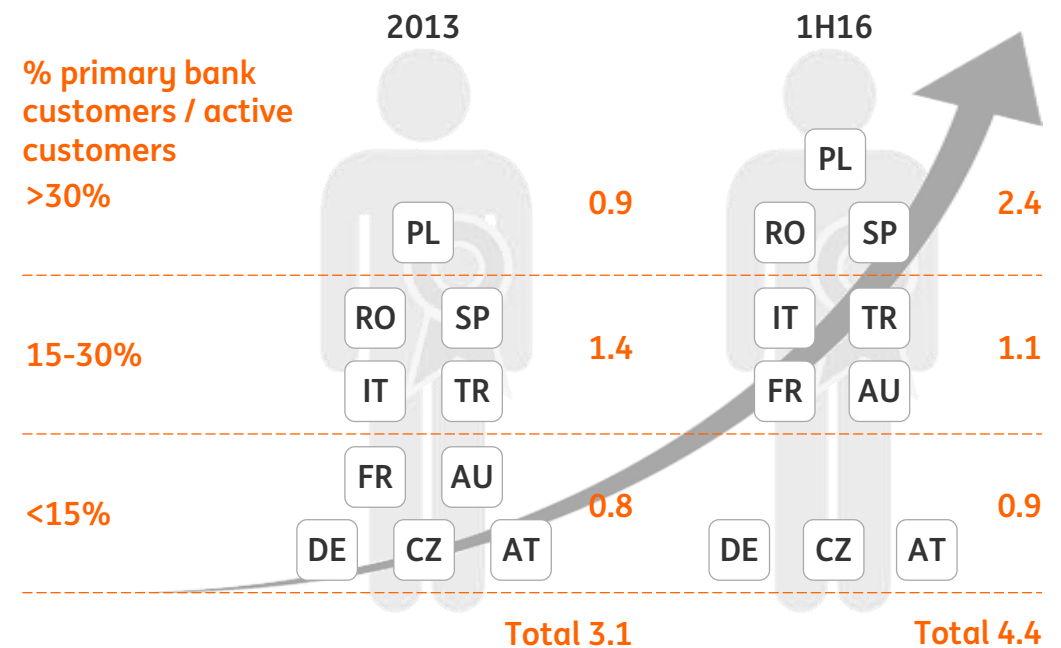
Virtuous circle of primary bank relationships

Primary vs. non-primary customers in Challengers & Growth Markets



Significant growth potential in primary customers

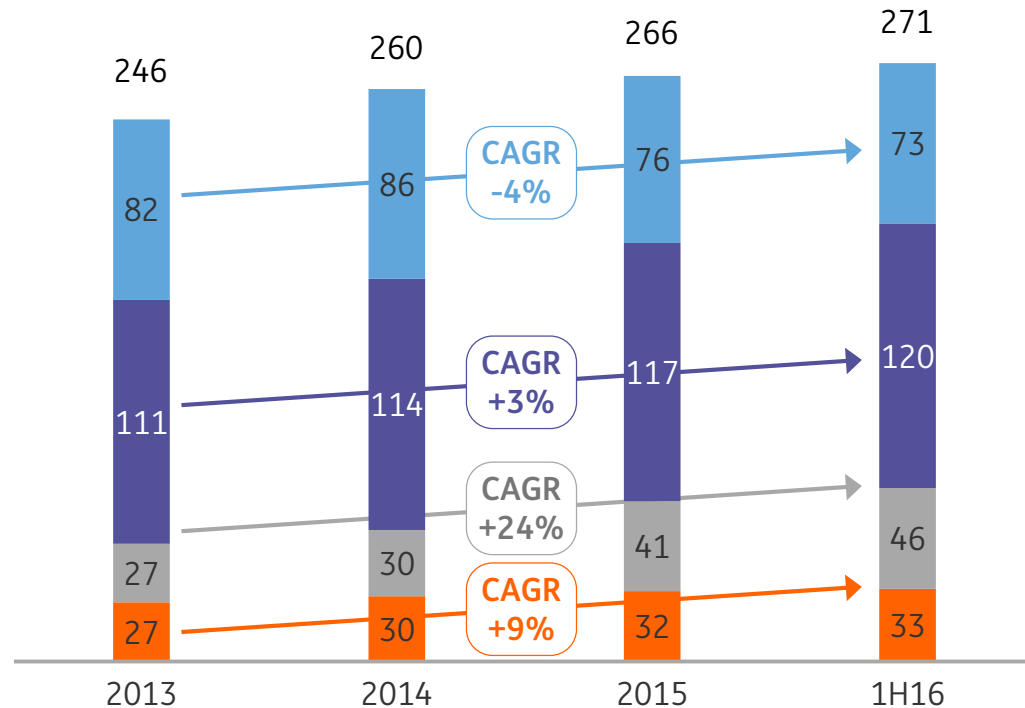
Evolution of primary customers by buckets (in mln)



Sustainable profit growth reflects balance sheet optimisation

Total assets* (in EUR bln)

Challengers & Growth Markets



- Other / Liquidity & investment portfolio
- Mortgages
- WB lending
- Retail Banking non-mortgages

In the remainder of the slide deck, all financials have been restated to exclude ING Vysya
 * Based on external assets (i.e. excl. intercompany assets)

Consumer & SME lending growth...

- Value proposition focuses on speed and digital delivery on the back of pre-approved offers
- Increased attention to attract "new-to-bank" customers
- Risk-based pricing to increase approval rates

...as well as growth in Wholesale Banking lending...

- Driven by commercial growth and balance sheet optimisation (including asset transfers) in the Challengers

...and reductions in the liquidity & investment portfolio...

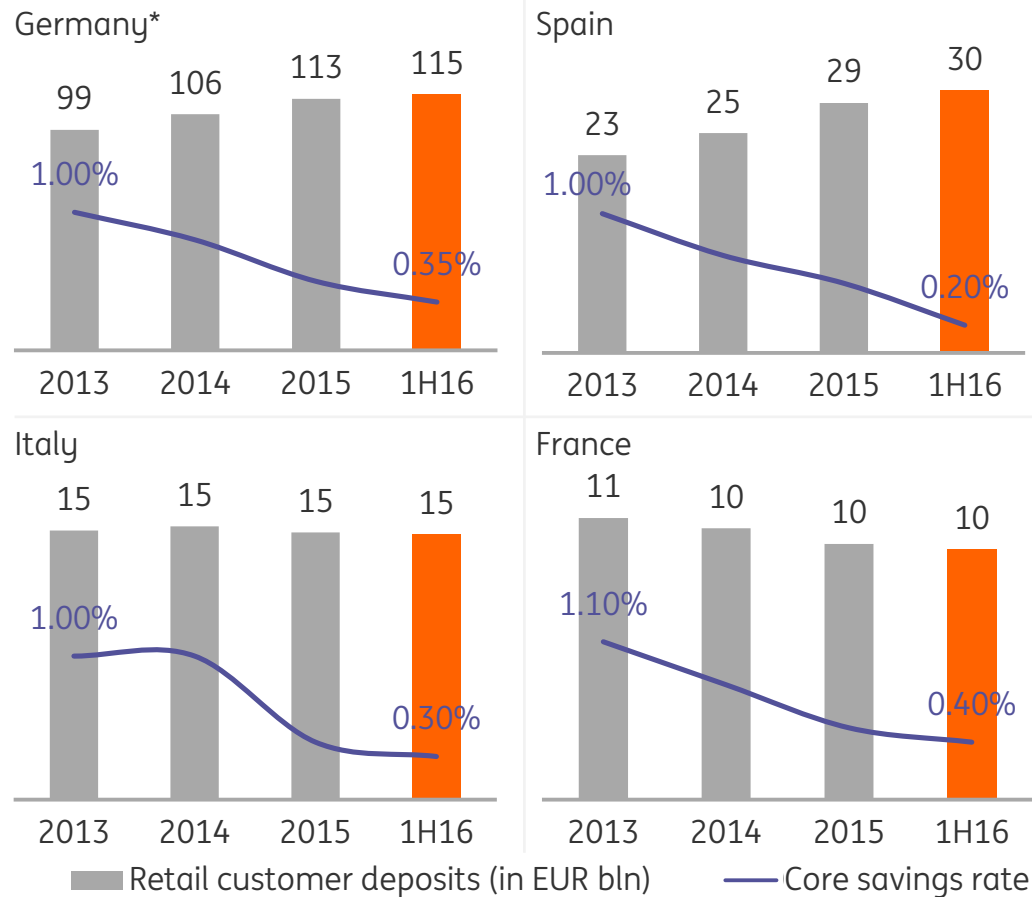
- Resulting in more optimal use of the balance sheet as lending assets are more margin accretive

...lead to further improvement in the loan-to-assets ratio

2013	2014	2015	1H16
67%	67%	71%	73%

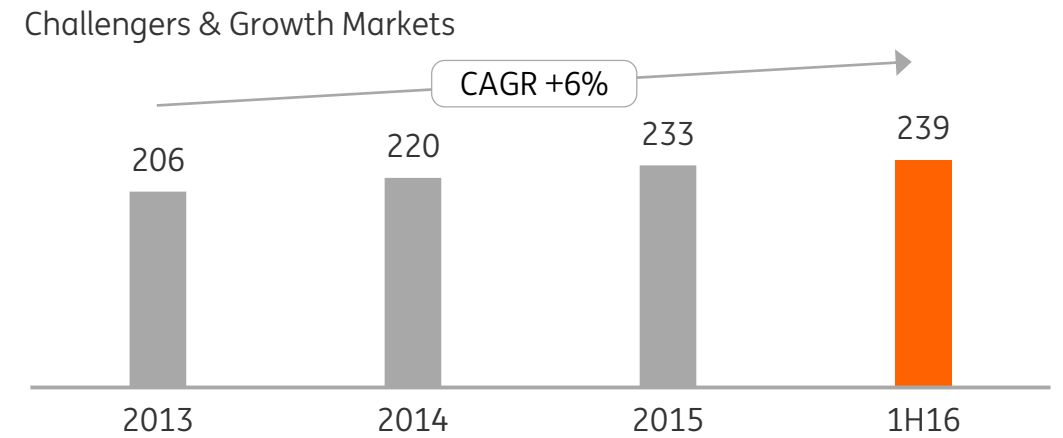
Low interest rates are not impacting savings volumes

Retail customer deposits by country (in EUR bln)

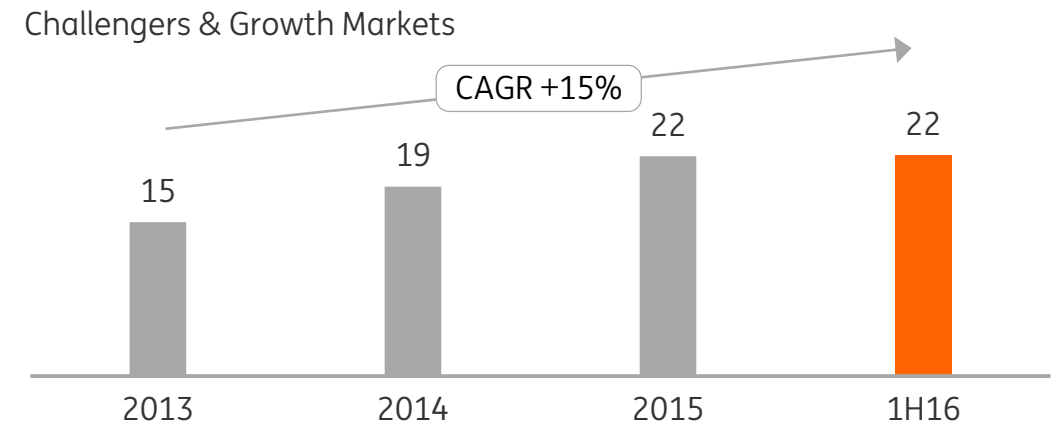


* Excluding Austria

Total customer deposits (in EUR bln)



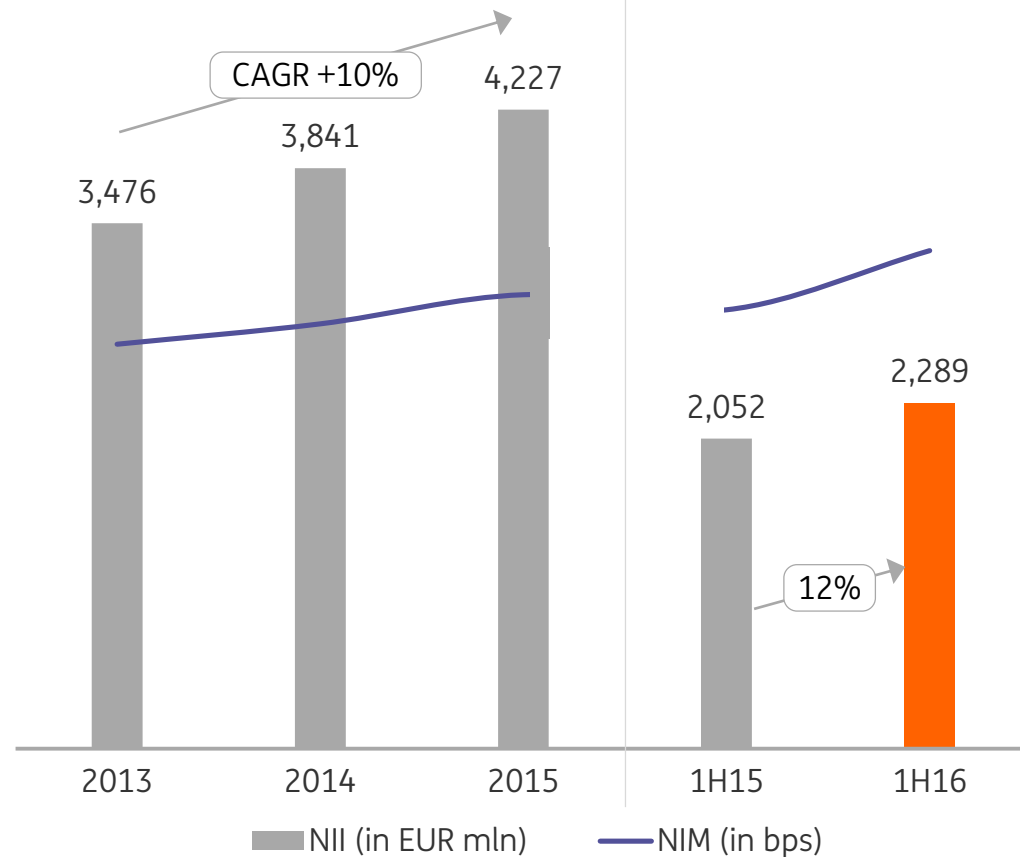
Total investment products (in EUR bln)



NII and NIM are growing despite low interest rate environment

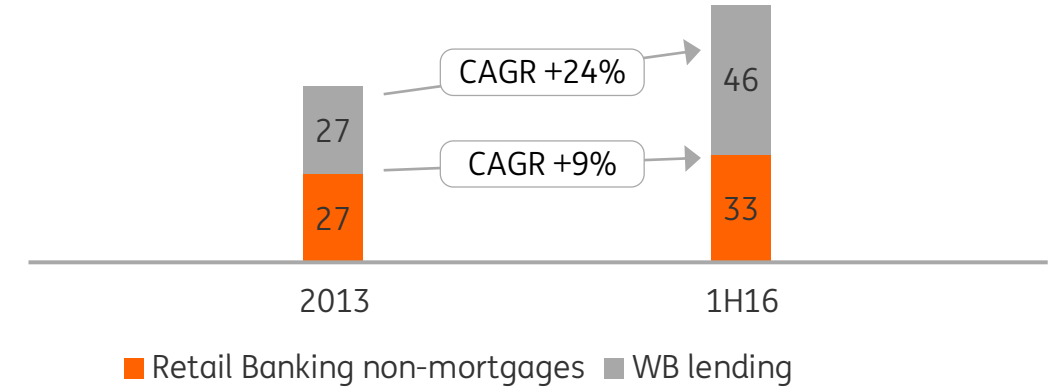
Net interest income and net interest margin

Challengers & Growth Markets



Focus on relatively higher-yielding lending (in EUR bln)...

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...which is strongly margin accretive

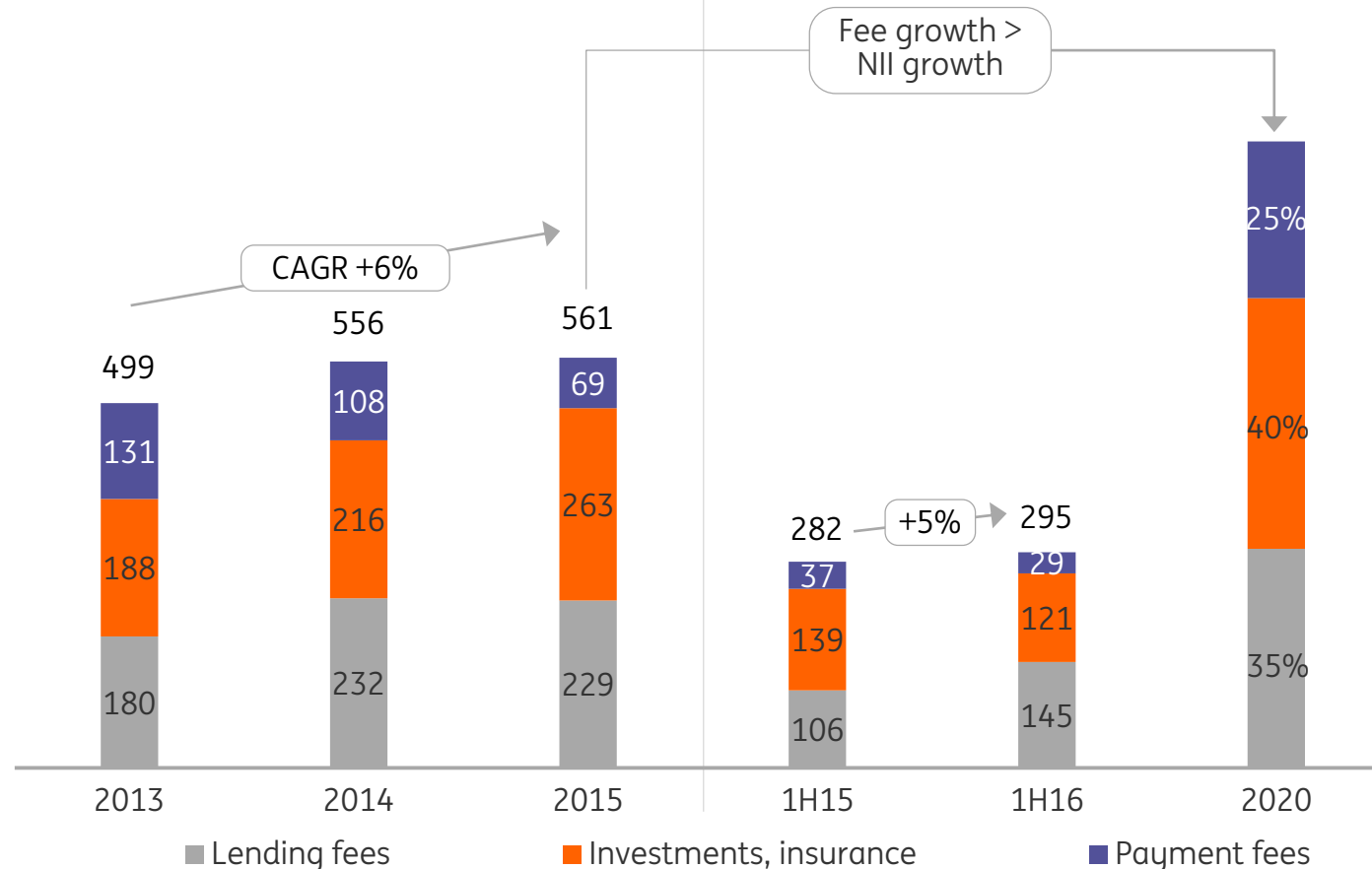
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Good underlying fee trend with potential for improvement

Commission income distribution* (in EUR mln)

Challengers & Growth Markets



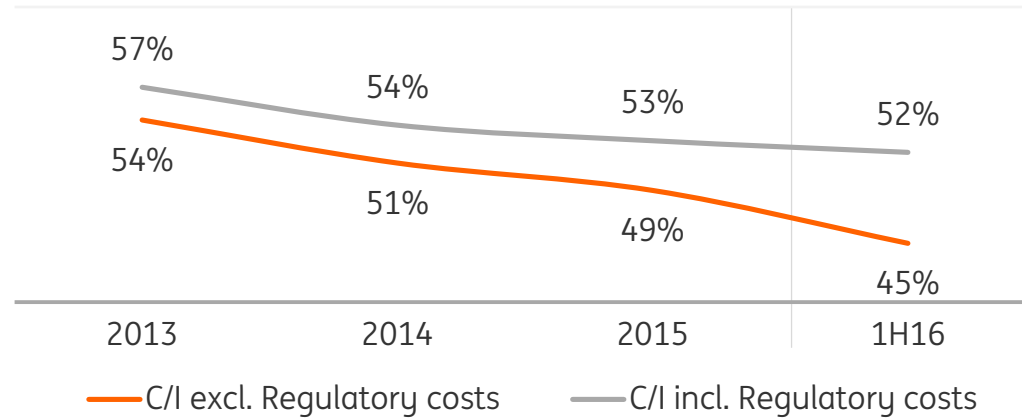
Comments

- Regulatory caps on interchange fees negatively impacting payment fees
- Strong loan production continues to support fee growth
- Simplified product offer, pilots for digital financial advisors and planned Robo advice introduction to drive higher investment volume
- International roll-out of insurance linked to mortgages and consumer loans planned as well as digital stand-alone sales

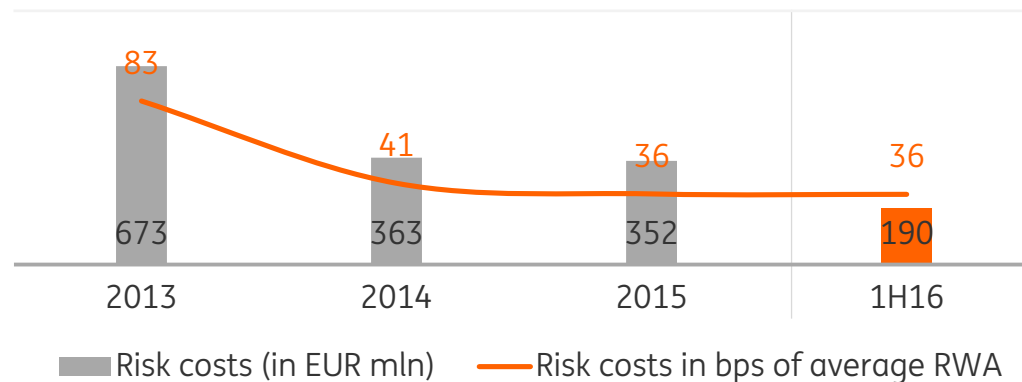
* Other fees not included

Improving cost efficiency and prudent risk profile support results

Cost efficiency continues to develop favourably...



...while risk costs stay around the through-the-cycle average (in EUR mln)



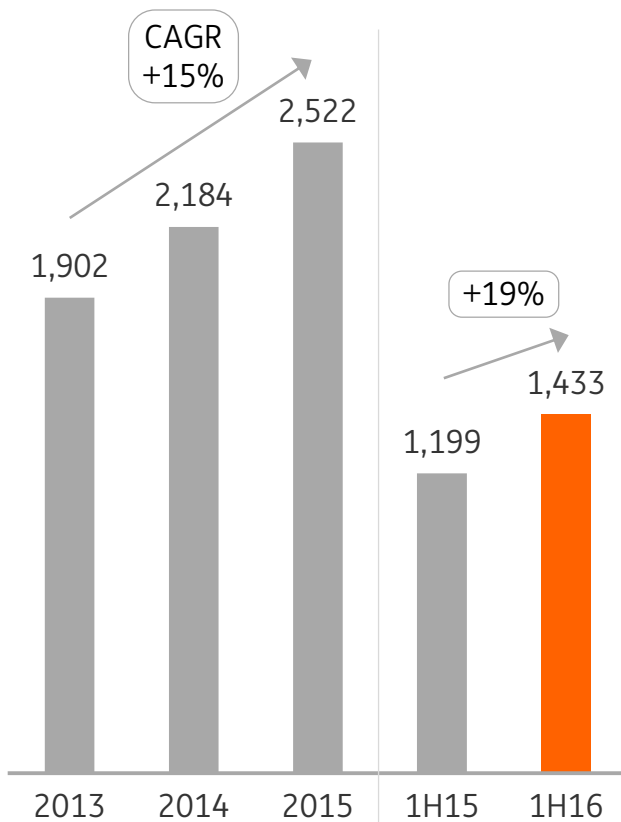
Comments

- Regulatory costs continue to increase and weigh heavily on the expense base (from 4% of total costs in 2013 to 14% in 1H16)
- We are actively managing the cost base by:
 - Building modular systems that are agile and scalable across both customer interaction layers and products (i.e. Model Bank)
 - We are investing heavily in Germany (Welcome) to further digitise the business
 - Eliminate, digitise, move and manage internal operations and risk processes

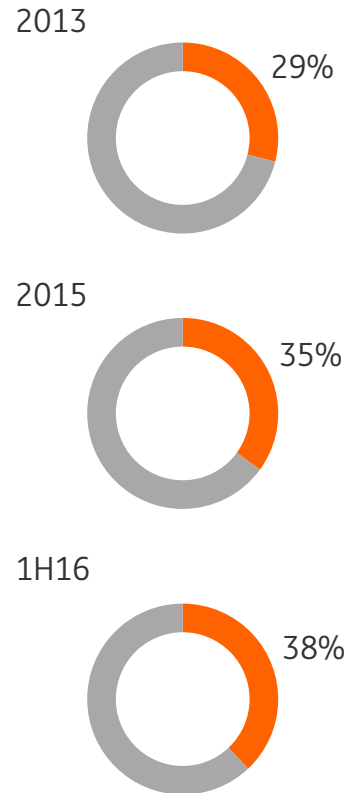
C&GM generates an increasing contribution to ING Group profits

Underlying result before risk costs (in EUR mln)

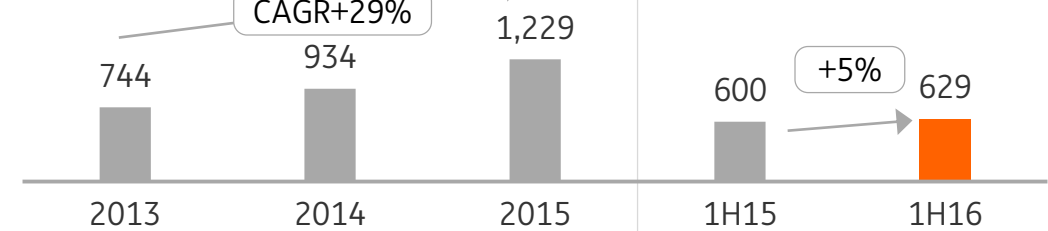
Challengers & Growth Markets



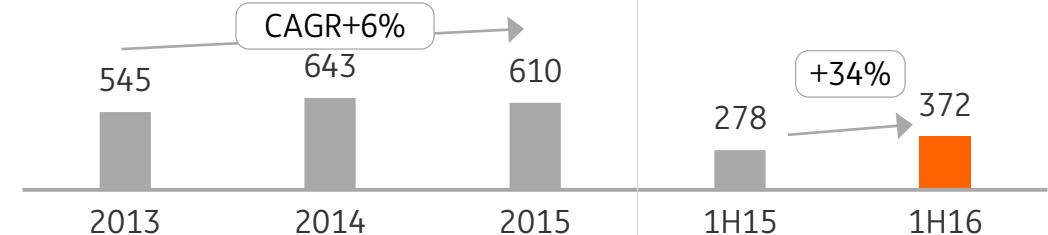
% of total Bank



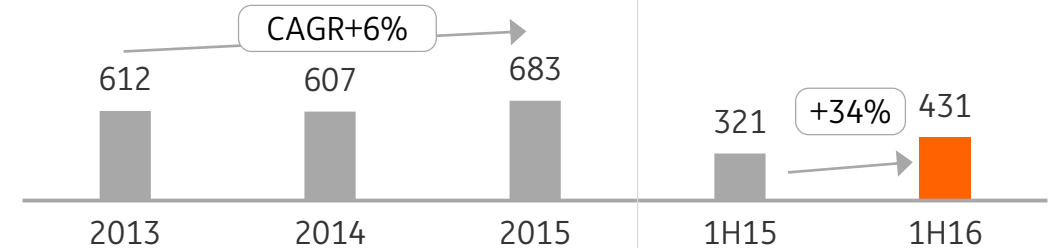
Germany*



Other Challengers



Growth Markets



* Includes ING Germany, Austria and Interhyp

Driving business model convergence

We will move towards a globally scalable banking platform

Empowering people to stay a step ahead in life and in business

The ING brand

Creating a differentiating customer experience

1 Market Leaders "Orange Bridge"

- Best-in-class Omnichannel proposition
- Largest bank in the Benelux
- Intention to move to integrated universal banking platform in Belgium and Netherlands

2 Challengers "Model Bank"

- Best-in-class digital financial platform
- Expanded product and digital capabilities
- Leverage scale across 5 countries

3 Germany "Welcome"

- Best client experience and best offer principle
- Banking platform open for non-clients and 3rd parties
- Supported by standardisation and automation

4 Wholesale "WB TOM" (already running)

- Digital platform to empower clients
- Single global platform for wholesale clients
- Front-to-back process improvement

Laying the foundation for further convergence

Global Data Management

Global Process Management

ING Private Cloud

Modular Architecture

Bank-wide Shared Services

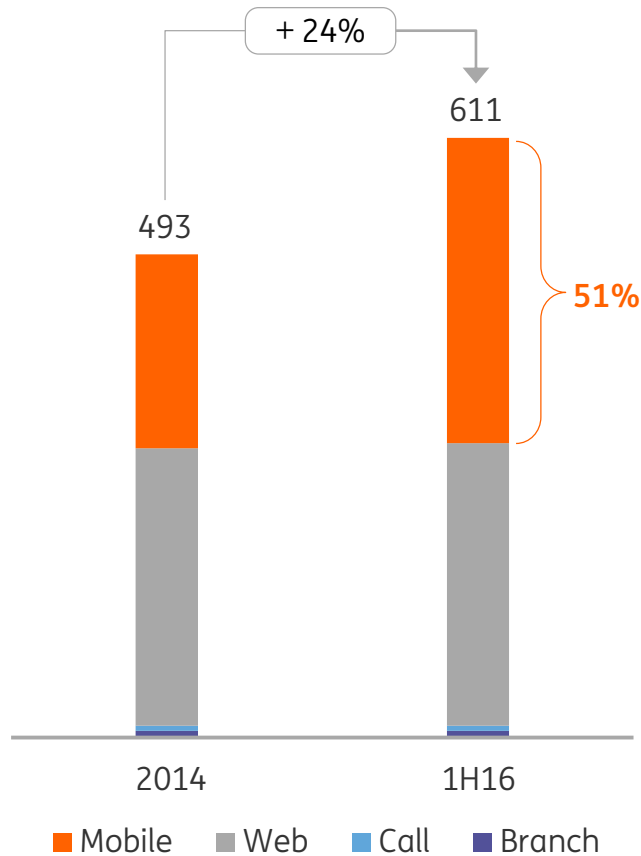
Support Function TOMs: Finance, Risk, HR, Procurement, IT

All projects described are proposed intentions of ING. No formal decisions will be taken until the information & consultation with the Work Councils have been properly finalised
Subject to regulatory approval

Convergence in customer behaviour trends in C&GM

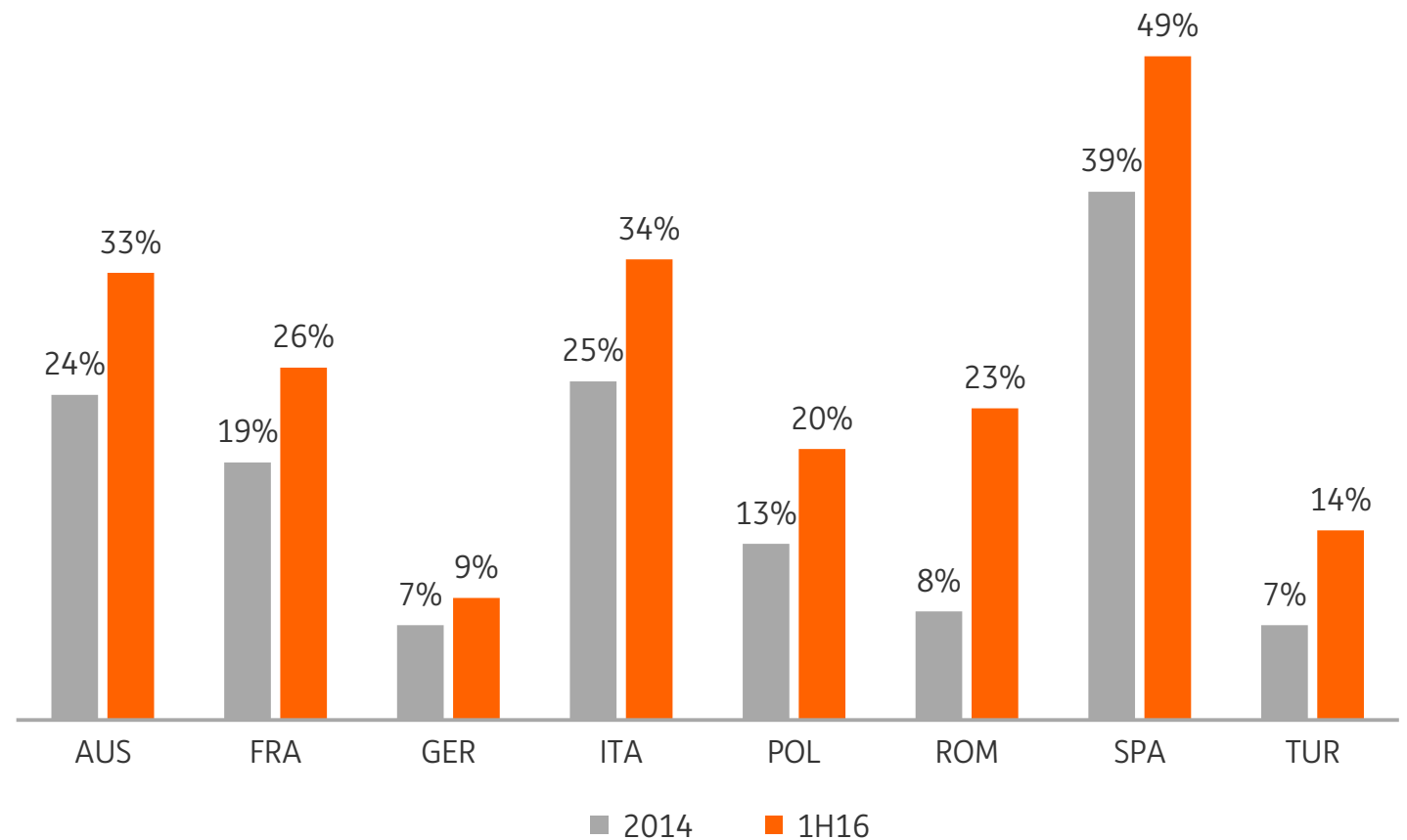
Mobile interactions picking up pace...

Total contacts per channel (in mln) per quarter



...and it is evolving fast across our different markets

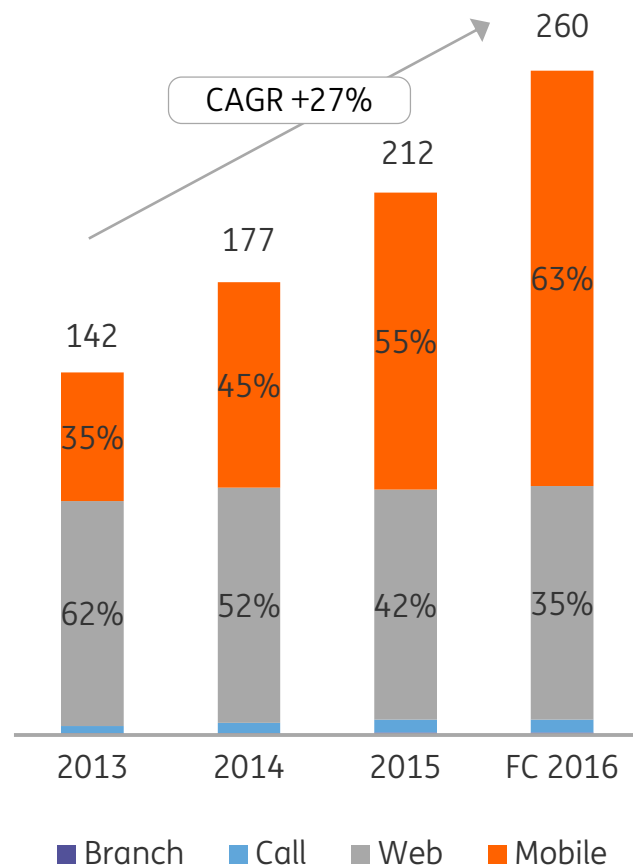
% active customers with mobile contacts



Spain leveraging increased mobile traffic to grow sales

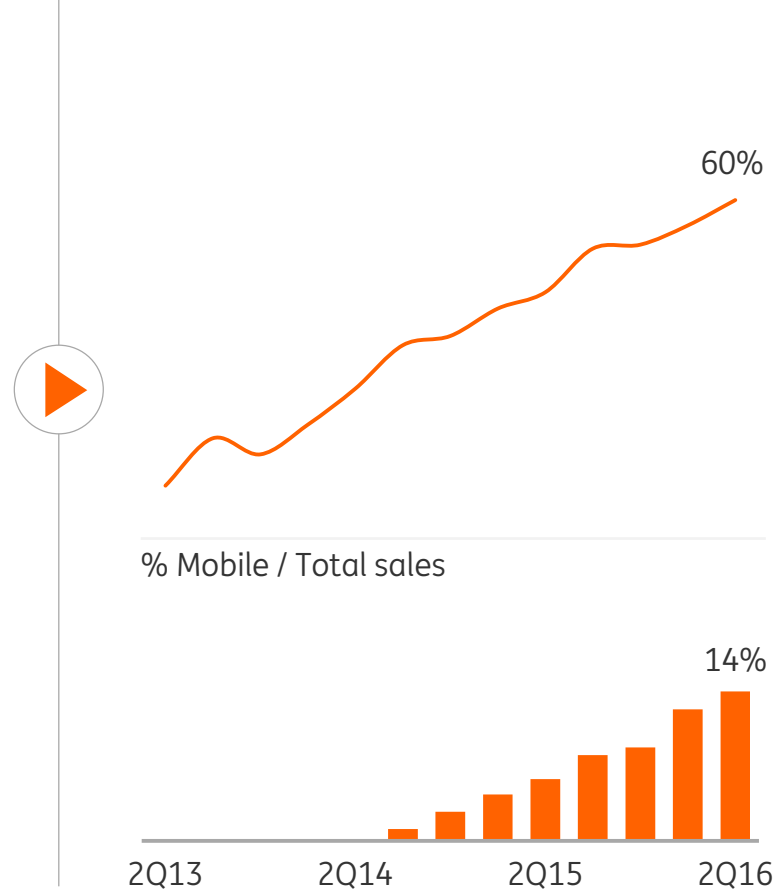
Mobile contacts picking up pace...

Total contacts per channel (in mln)



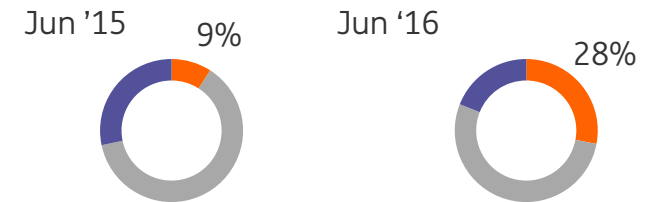
...leading to more sales via mobile...

% Mobile / Total contacts

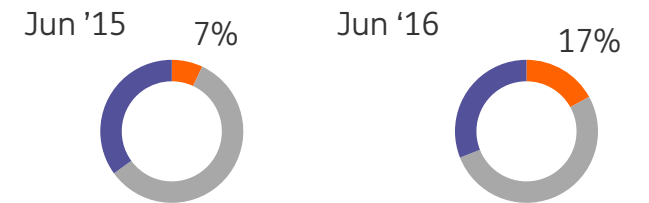


...including product diversification

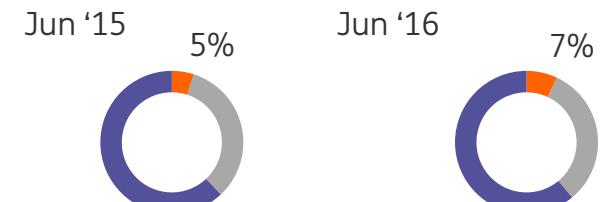
Personal loans production



Brokerage production



Investment Products production



Legend: Mobile (orange), Other digital (grey), Assisted (blue)

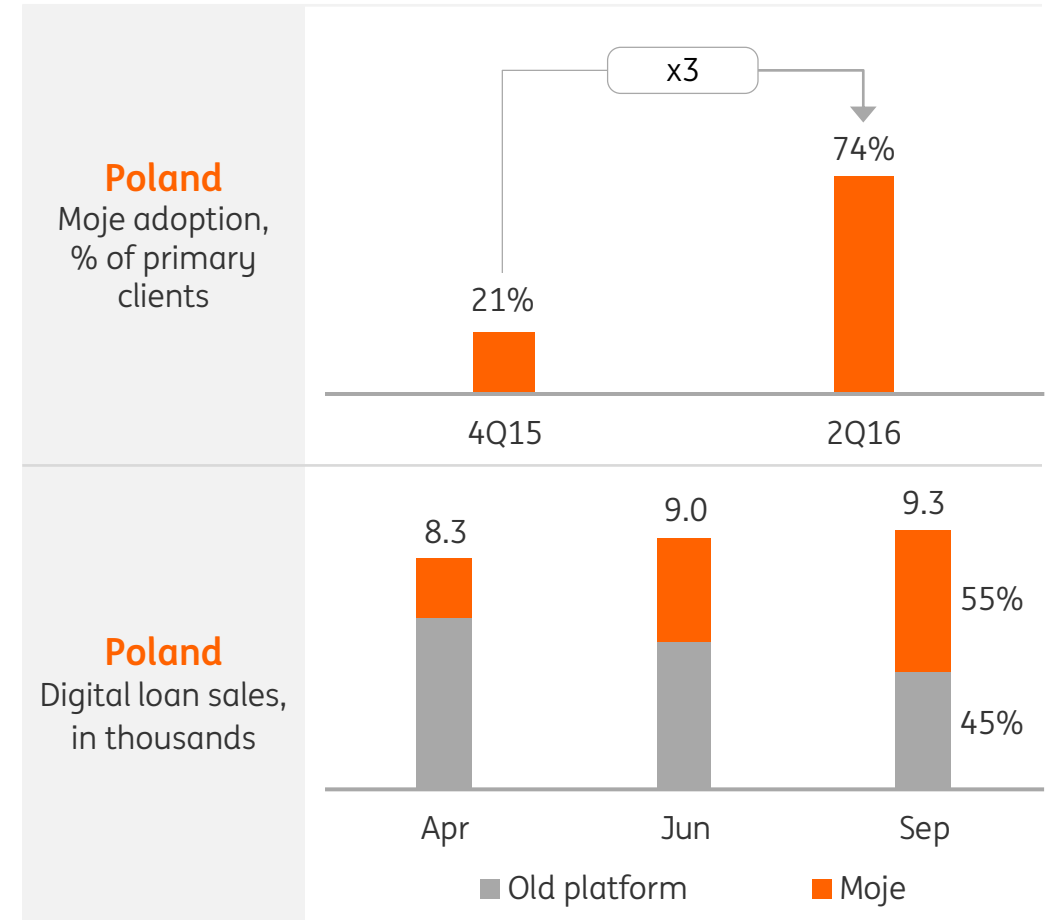
Spanish-inspired digital platform in Poland had immediate impact

Leveraging Spain's digital platform contributes to reduced time to market and cost of development...



- **Accelerating time to market** - saves up to one year of work
- **Lower cost of development** - more efficient FTE usage

...as well as quick adoption and growth realisation in an early stage



Model Bank delivers standardised banking platform for the Challengers

Model Bank platform

6 million customers

Common front-end / Central platform

Harmonised value proposition

Shared delivery organisation (Madrid)

Standardised back-end (Bucharest)

Centralised infrastructure (ING Private Cloud)



Spain



Italy



France



Czech Republic

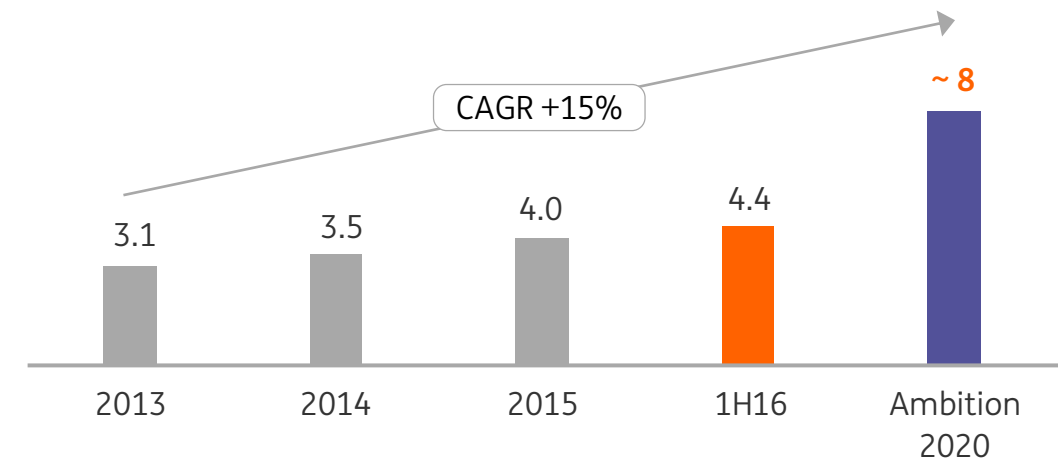


Austria

Enhanced digital capabilities and increased agility...

- To capture digital traffic and convert to sales
- To enable the launch of new products and segments
 - France: consumer lending, Robo advice
 - Italy: SME, pensions, Robo advice
 - Czech Republic: consumer lending, insurance

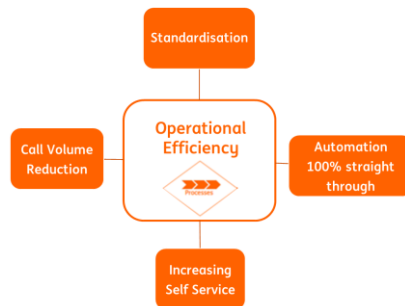
...will help enable primary customer growth plans (in mln)



Germany will take integrated approach to digital leadership

- Project Welcome digitises Germany's banking platform and gives ING Germany room for business growth
- This is achieved through digital investment and builds scalable growth capacity

Operational Efficiency



- Digitisation of existing processes
- Further leverage operational scale
- Avoid cost growth as business reaches further scale

Technical Enablers



- Collaborate to build standardised technical enablers
- Maximise ING Group benefits
- Flexibility of core IT and new IT stack

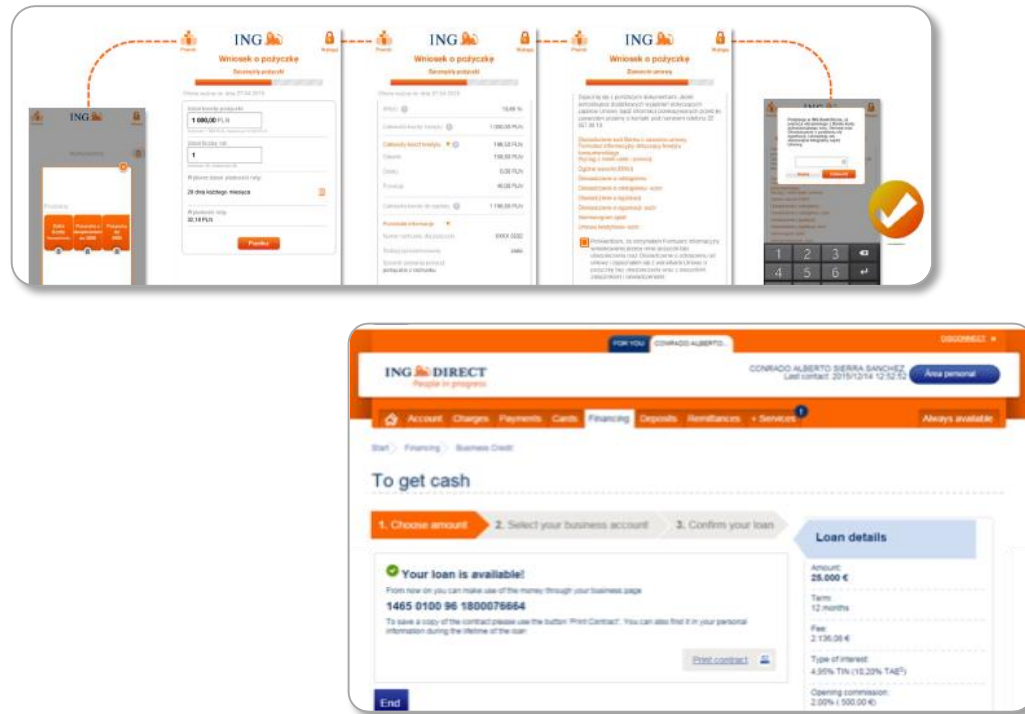
Innovations ("Wow" the customer)



- Invest in customer experience
- Focus on mobile first
- Drive forward Omnichannel approach
- Facilitate multi-product sales

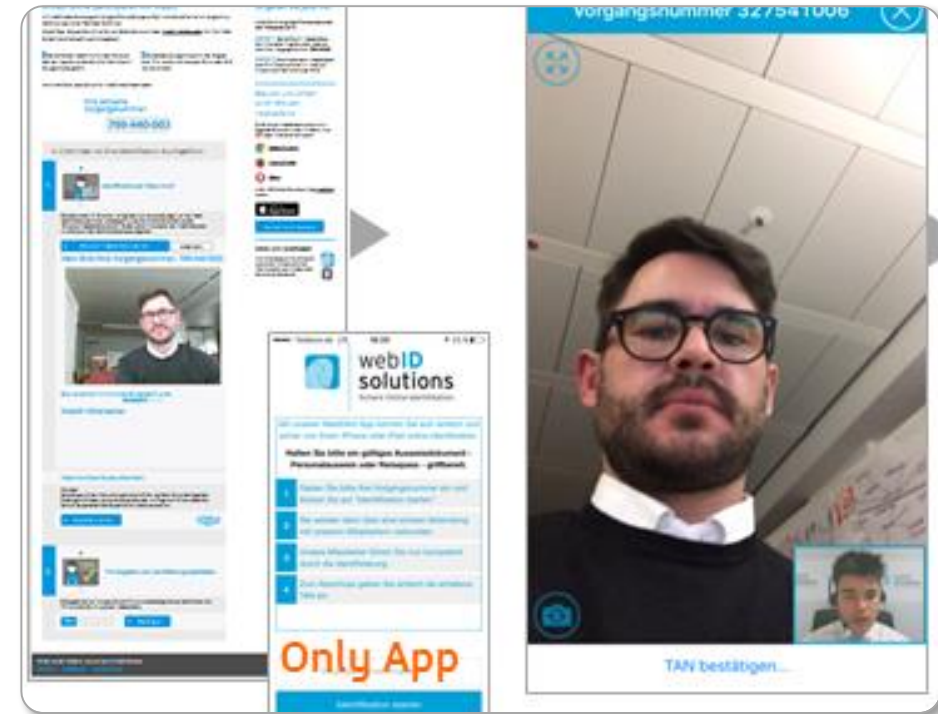
Moreover, we continue to deliver innovative solutions...

Instant lending and pre-approved offers



- Use of advanced analytics to pre-approve existing customers in order to get a consumer loan offer in minutes
- Uncommitted lines of credit with personalised, risk-based pricing based on behavioural information

Video identification



- ING is first major German bank to offer video identification
- More than 15% of customers already use the video option

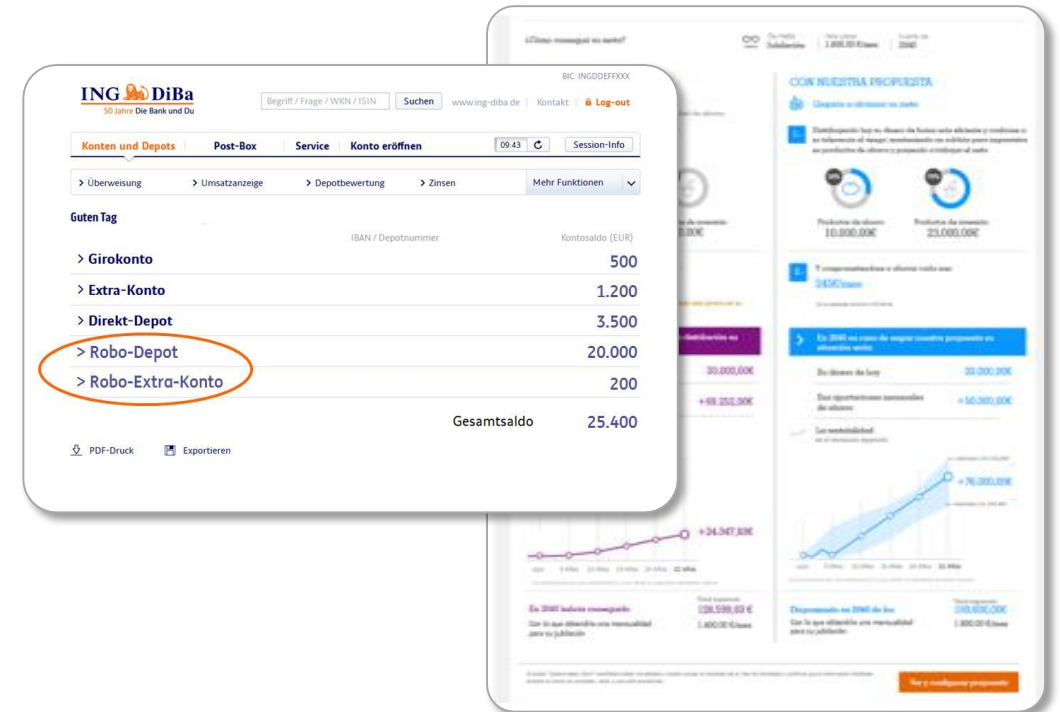
...and develop new platforms to empower all ING customers

Payment innovation: Twyp, Twyp Cash



- Peer-to-peer payments app Twyp has more than 220,000 users in Spain. Twyp Cash launched a new service to offer cash in retail outlets in Spain

Investment products: My Money Coach, Robo advice



- My Money Coach is a new Digital Financial Advisor for customers in Spain launched in June 2016
- While Robo advice is developed to enable ING to deliver IP solutions to more affluent customers on a much larger scale

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, except as described otherwise, the same accounting principles are applied as in the 2015 ING Group consolidated annual 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) potential consequences of European Union countries leaving the European Union, (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) changes affecting interest rate levels, (7) changes affecting currency exchange rates, (8) changes in investor and customer behaviour, (9) changes in general competitive factors, (10) changes in laws and regulations, (11) changes in the policies of governments and/or regulatory authorities, (12) conclusions with regard to purchase accounting assumptions and methodologies, (13) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (14) changes in credit ratings, (15) ING's ability to achieve projected operational synergies and (16) the other risks and uncertainties detailed in the most recent annual report of ING Groep N.V. (including the Risk Factors contained therein) and ING's more recent disclosures, including press releases, which are available on www.ING.com. 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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