Progressing towards our financial ambitions

Investor Day 2019

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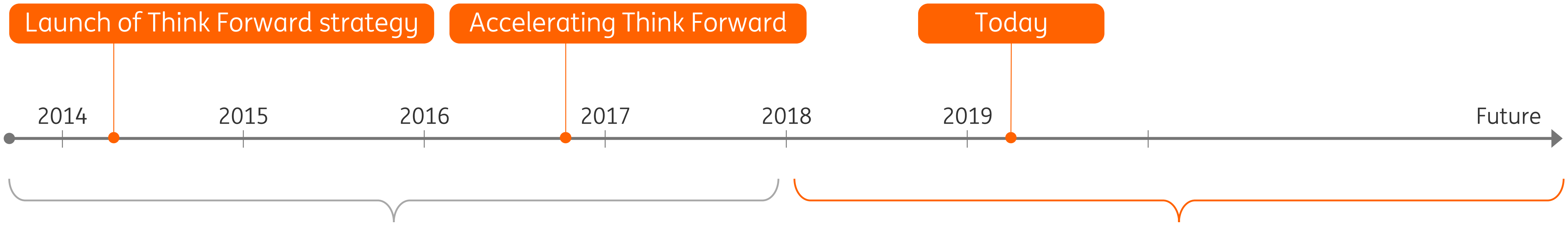
Frankfurt ▪ 25 March 2019

thinkforward

ING

ING's journey through a CFO lens

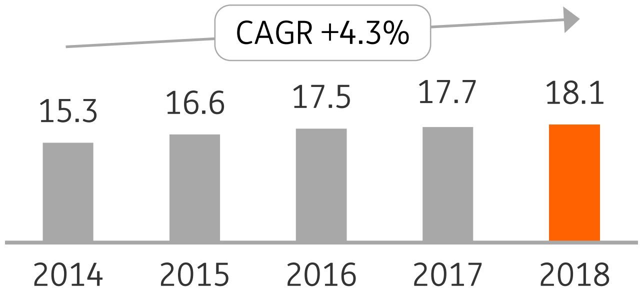


- Completed restructuring and repayment of State aid
- NIM supported by asset mix change and savings rate cuts
- Liability-long position used to increase own-originated lending
- Fee income driven by several bank-wide initiatives
- Risk costs below through-the-cycle levels
- Underlying operating expenses well-controlled; increasing regulatory and compliance related costs
- Good CET1 development towards our ambition

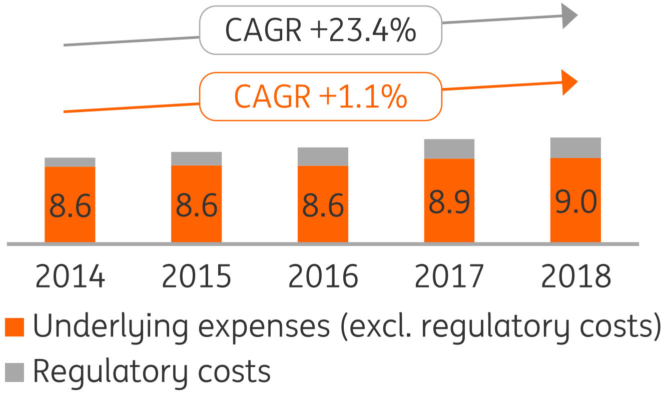
- Interest rates expected to remain at current low levels for foreseeable future
- More efficient balance sheet usage required due to new regulation (BIV, TRIM, leverage ratio, MREL, LCR)
- WB growth expected to slow given the cycle
- Further focus on income diversification (incl. fees)
- Strict cost discipline across the bank
- Increased investments in our compliance programmes

Think Forward has consistently delivered strong financial results

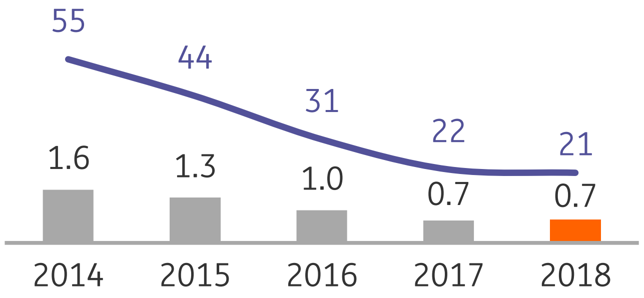
Strong underlying income growth…
(in € bln)



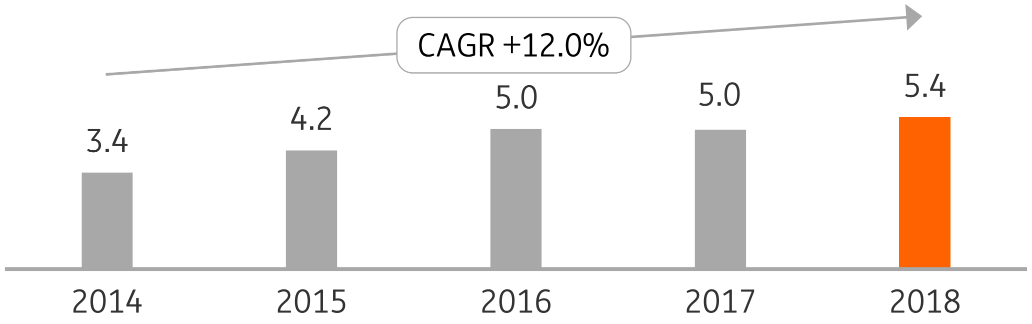
…disciplined cost growth…
(in € bln)



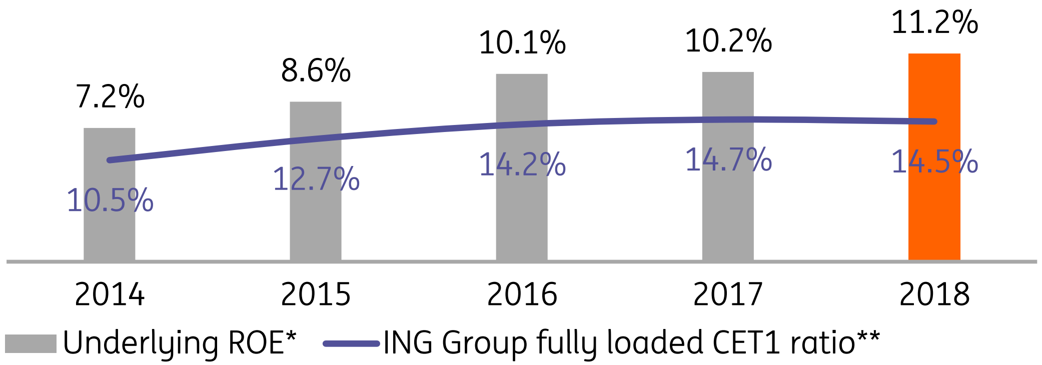
…and below-average risk costs…
(in € bln and bps of average RWA)



…led to higher underlying net result…
(in € bln)



…and 2018 underlying ROE of 11.2% despite higher CET1 ratio



* Underlying ROE is calculated using ING Group's IFRS-EU shareholders' equity after excluding 'interim profit not included in CET1 capital' as from end-1Q17 onwards
** Basel III CET1 ratio of 14.5% as per 1 January 2018 due to IFRS 9 adoption

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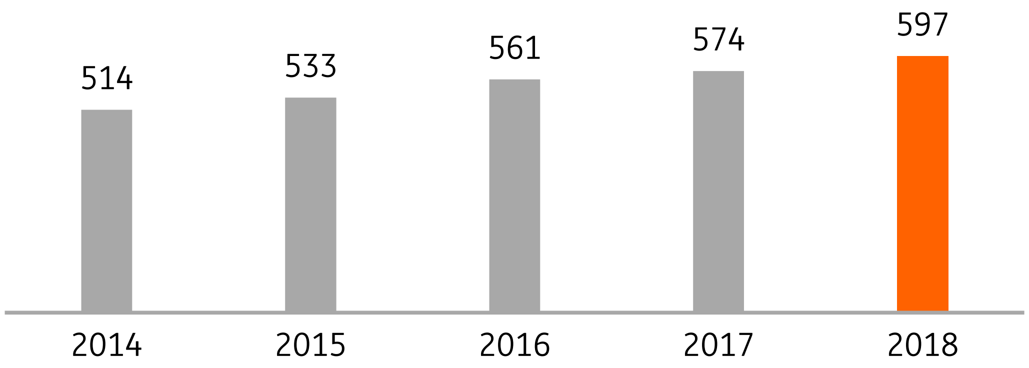
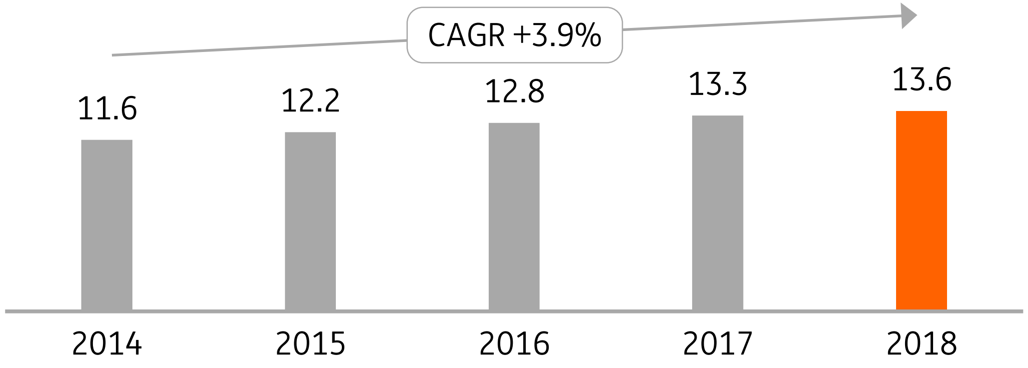
NII increase reflects lending growth at resilient margins…

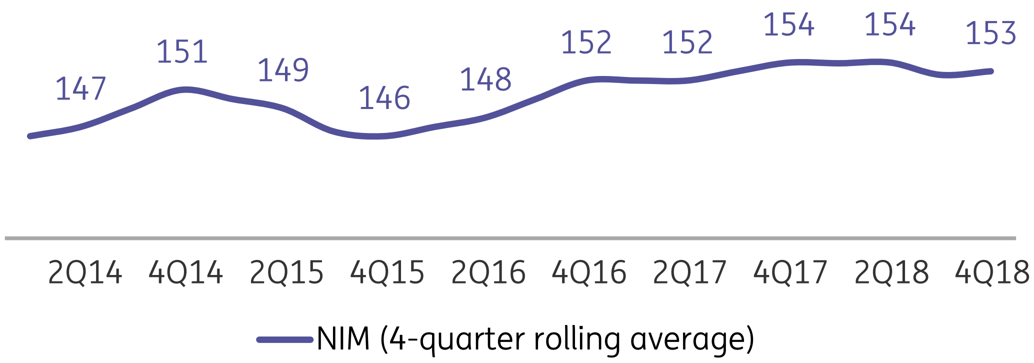
Robust customer lending growth since 2014 (in € bln)…



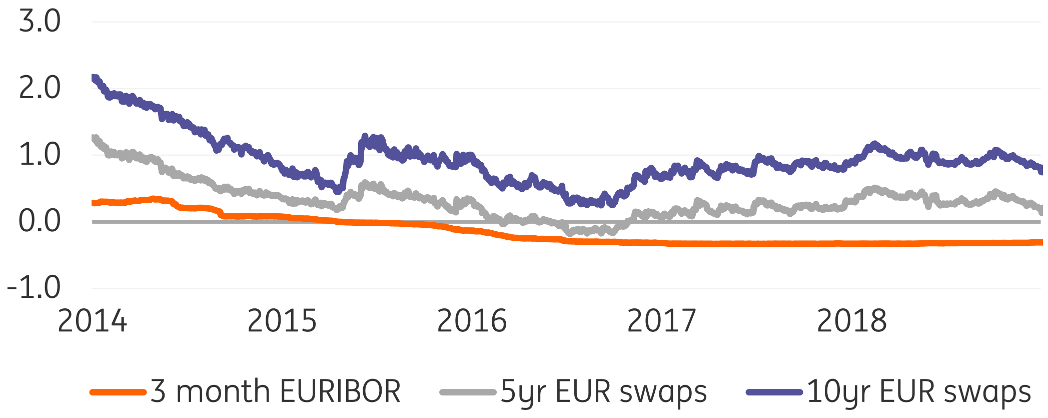
…has supported growth in NII (excl. FM, in € bln)…



…as net interest margin improved (in bps)…



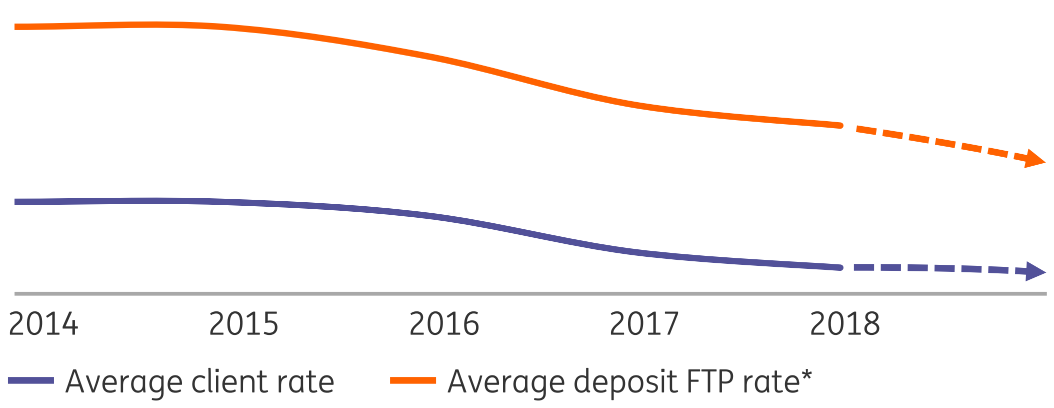
…despite the challenging interest rate environment (in %)



* Growth in customer lending adjusted for currency impacts and excluding Bank Treasury and the WUB and Lease run-off portfolios

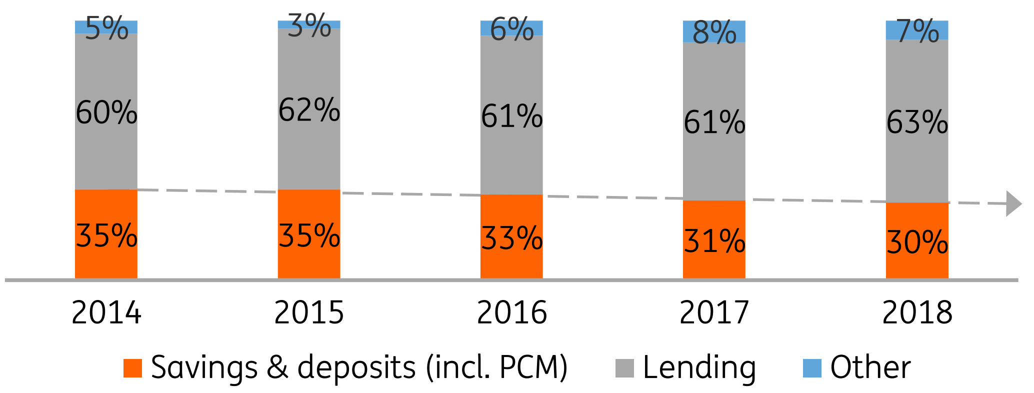
...while liability NII reduced, partly offset by several levers

Lower replicating portfolio yield still expected...



...which is likely to keep pressurising liability NII

Net interest income by type (in % of total NII)



Potential upside dependent on market circumstances:

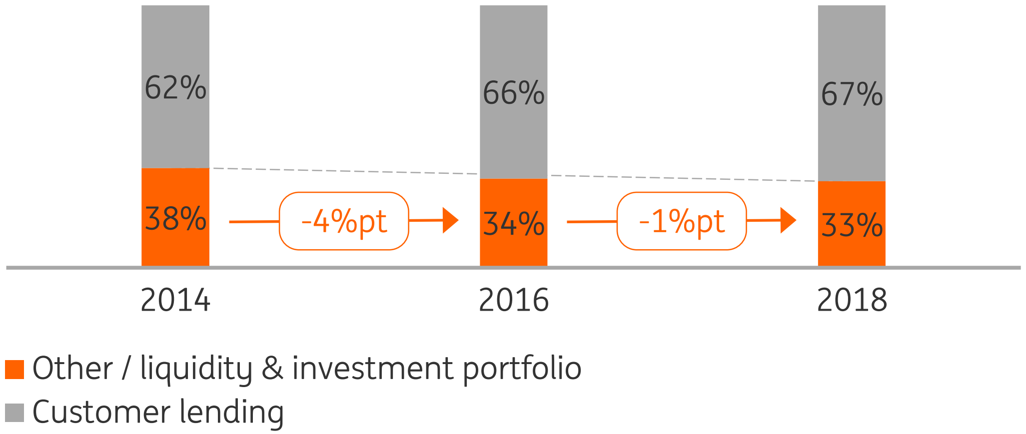
- Ability to re-price WB lending on the back of rising credit spreads. Also selective opportunities for mortgage re-pricing
- If rates increase, better margins on customer deposits due to the slower expected tracking of core savings rate increases
- Furthermore, Payments & Cash Management should over time improve in higher rate environment
- We will keep changing the lending mix with an increasing contribution from our Challengers & Growth Markets

* Future years depend on interest rate trajectory; FTP – Funds Transfer Pricing

Balance sheet mix steered towards profitable customer lending

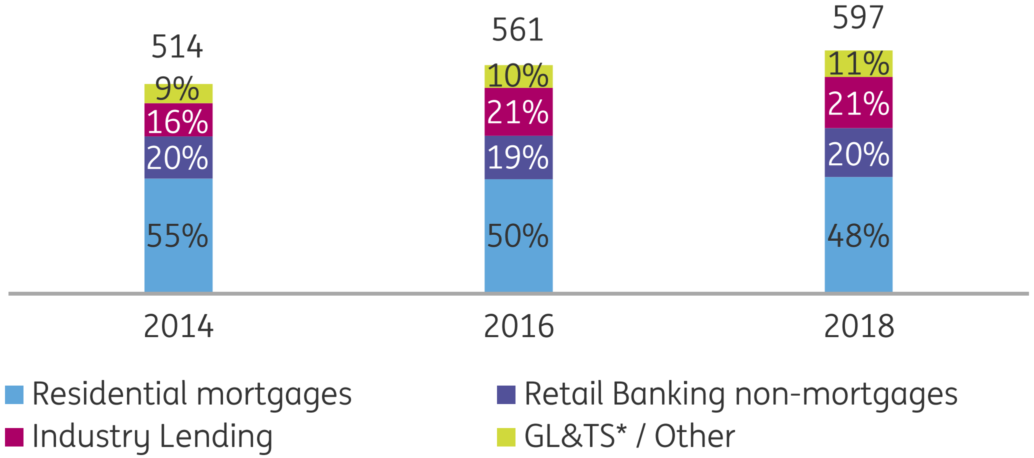
ING successfully replaced liquid investments with own-originated lending...

Balance sheet by type (in % of total assets)



...while we gradually changed our asset mix towards higher margin lending

Customer lending by type (in € bln and % of total customer lending)



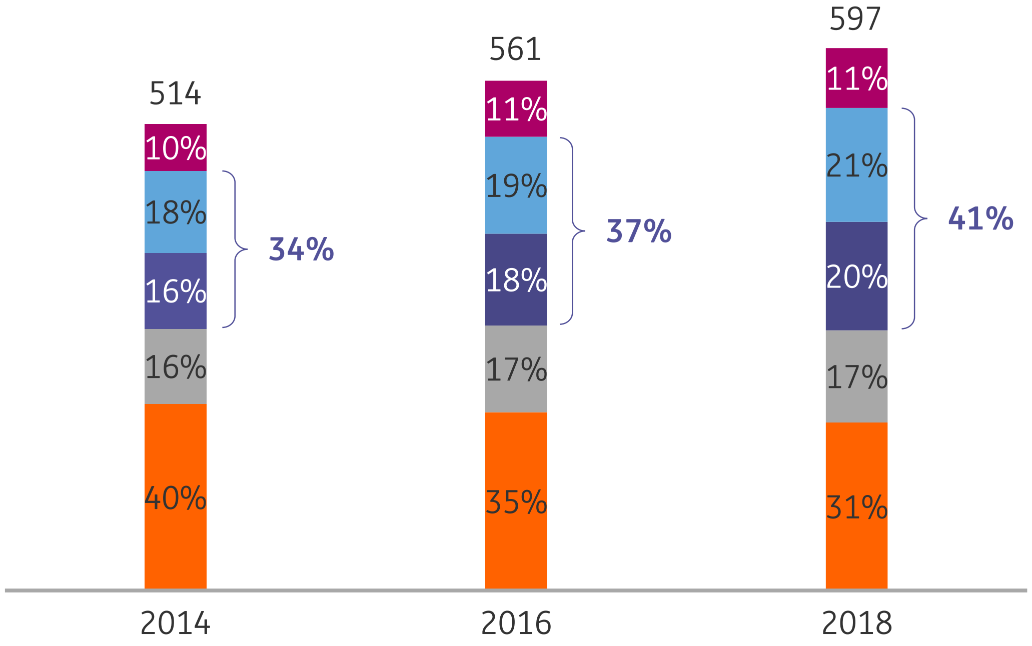
Several factors will drive asset allocation decisions in foreseeable future

- Lending growth improved loan-to-deposit ratios
- Focus remains on originating profitable and disciplined loan growth, also post-Basel IV
- WB loan growth expected to slow given risk-return parameters and more cautious approach to certain segments
- Leverage ratio, MREL and other regulatory requirements may constrain businesses with high balance sheet usage

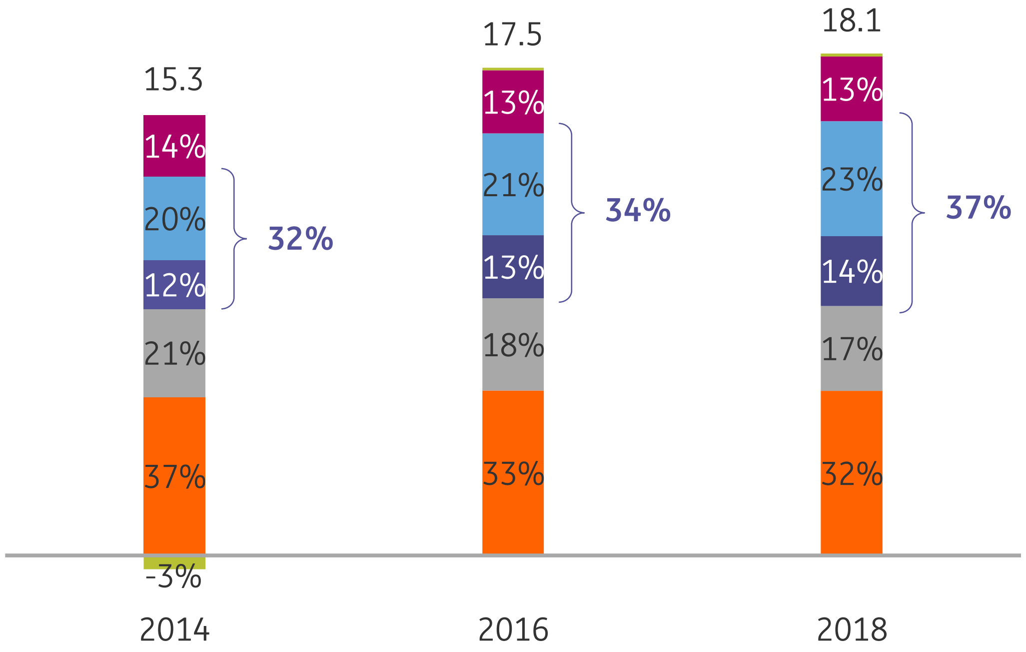
* GL&TS is General Lending & Transaction Services within Wholesale Banking

Robust organic growth, especially in Challengers & Growth Markets

Customer lending (in € bln and % of total)



Underlying income (in € bln and % of total)



* Segment "Other" consists of Corporate Line and the Real Estate run-off portfolio

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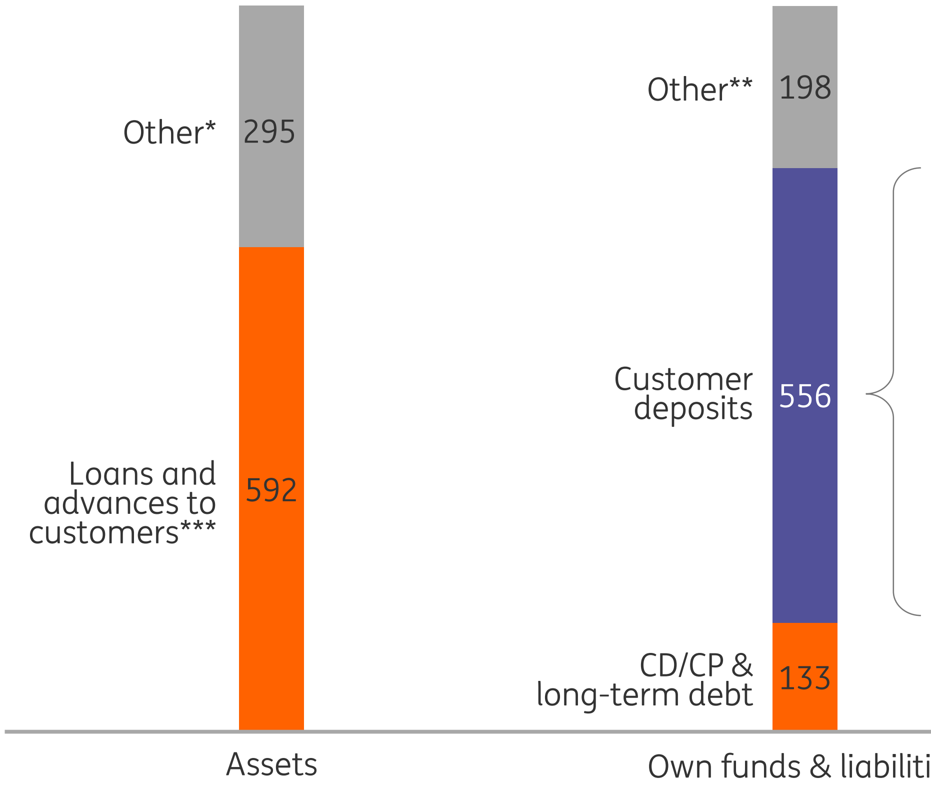
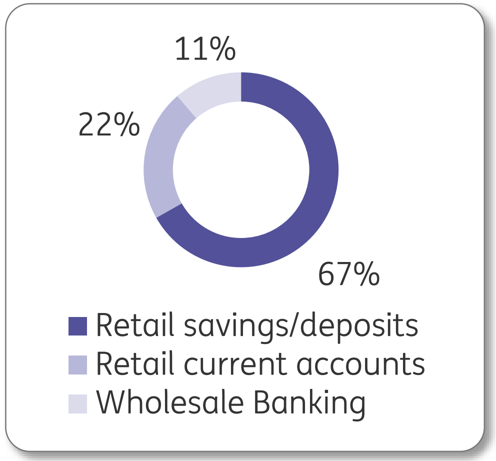
Upside potential driven by attractive funding and lending mix

Balance sheet ING Group (in € bln)

Balance sheet size ING Group 31 December 2018: €887 bln





* Includes cash and balances with central banks, loans and advances to banks, financial assets at FV through P&L/OCI and other
** Includes deposits from banks, financial liabilities at FV through P&L and other
*** Loans and advances to customers equals customer lending (€597 bln) minus the provision for loan losses (€-4.5 bln)

ING benefits from wider credit spreads

- Favourable exposure to credit spreads: loans to customers is credit spread receiver, wholesale funding is credit spread payer

Attractive funding profile

- 63% of balance sheet is funded by sticky and stable customer deposits
- Attractive loan-to-deposit ratio of 107% at end-2018

Manageable dependence on wholesale funding

- Strong rating and well-established wholesale funding profile lay the foundation for comparatively low spreads

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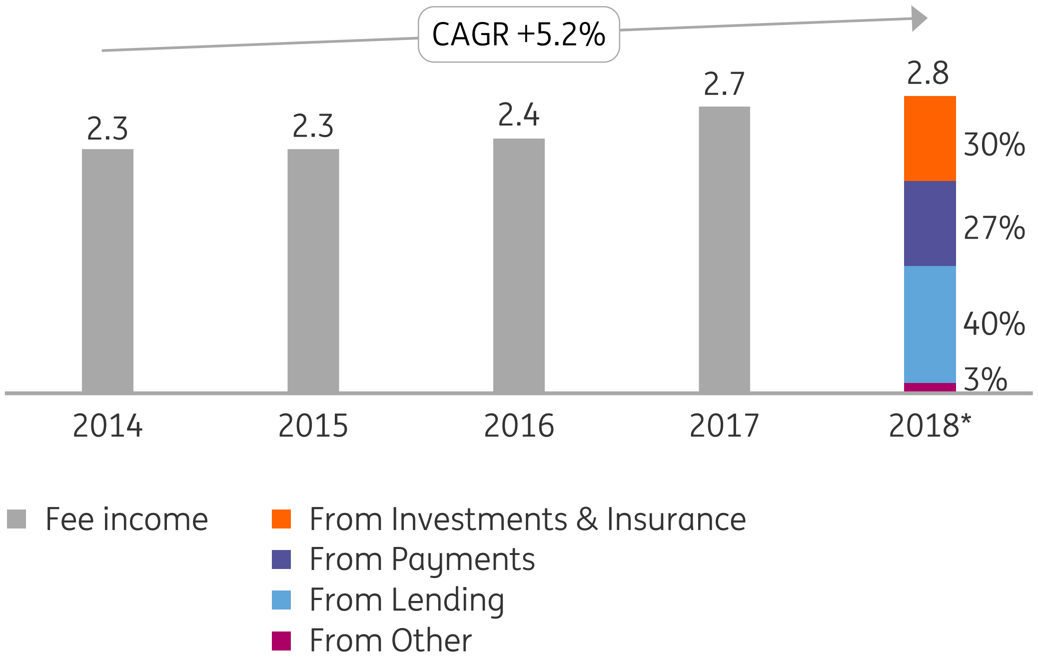
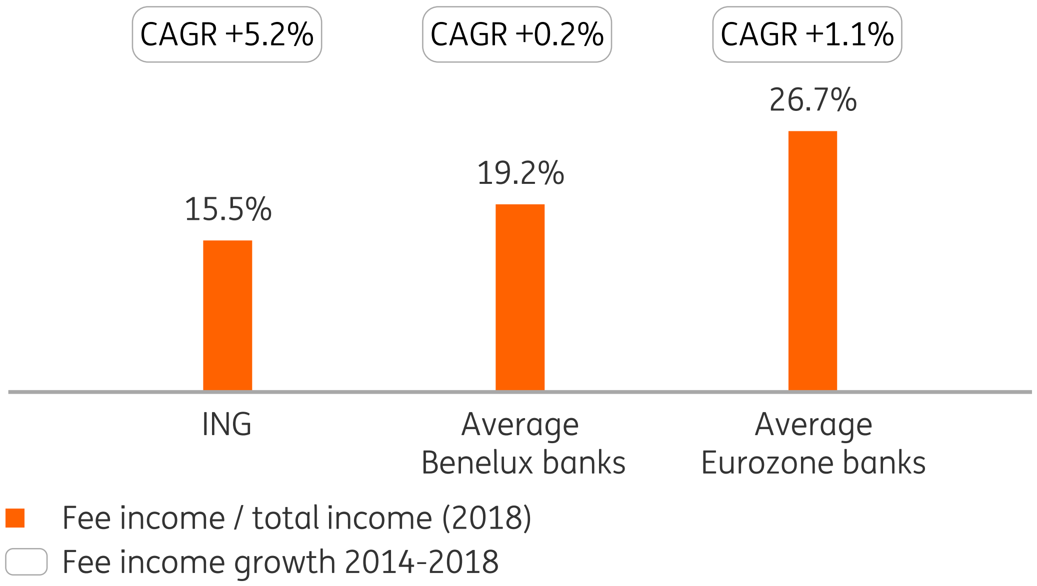
Think Forward accelerates growth in fee income

We have met ambition to grow fee income at 5-10% p.a. (in € bln)



Peer comparison confirms large upside for fee income*

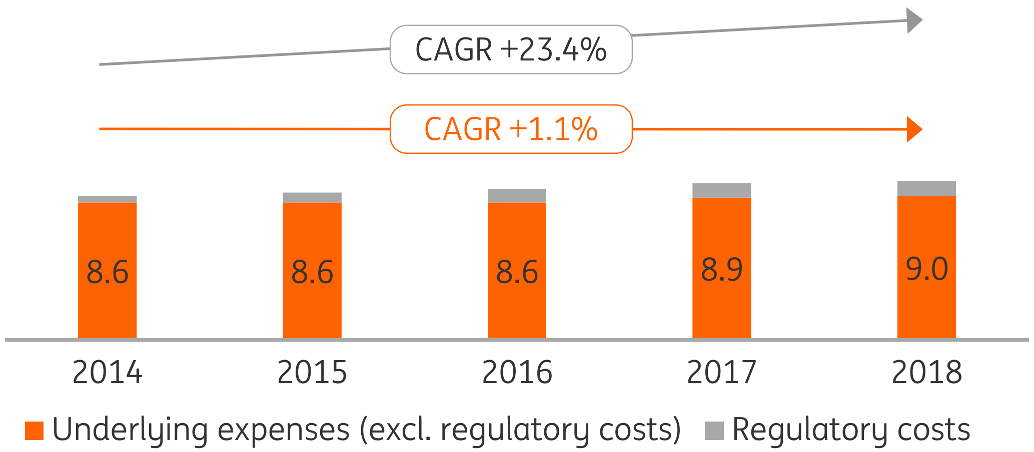


- Fee income ambition going forward remains 5-10% growth per annum
- Peer comparison confirms further growth potential, especially in Retail markets
- Eurozone average is influenced by different business models of many Eurozone peers

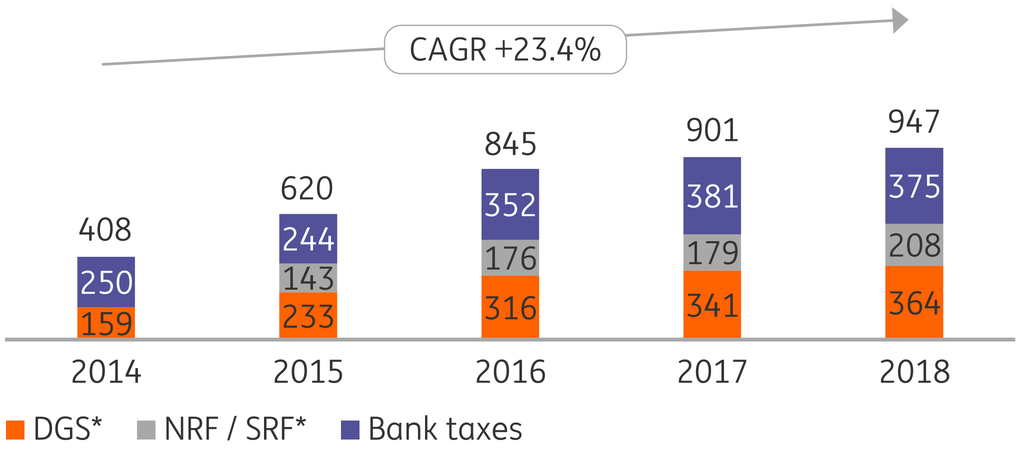
* Source: Factset, company disclosures

Underlying expense base stable; regulatory expenses increased

ING total underlying expenses (in € bln)



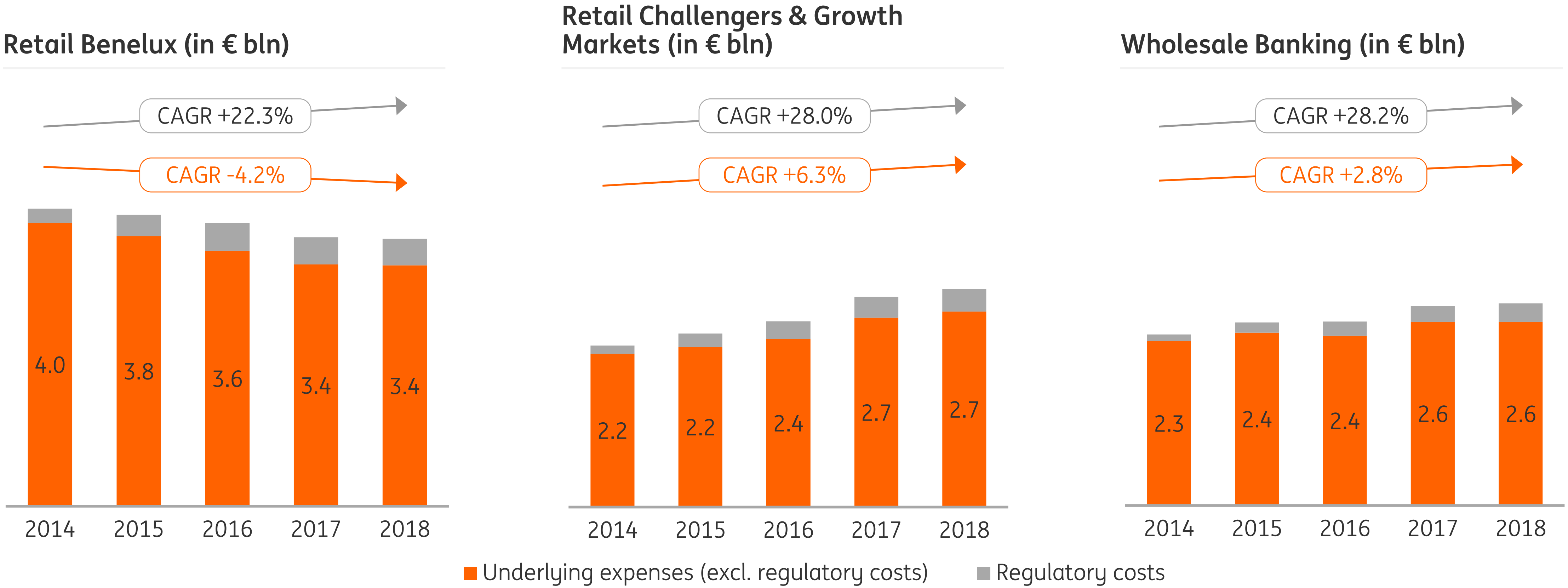
Regulatory costs split by type (in € mln)



- Expenses excluding regulatory costs were well-controlled despite higher transformation investments and higher expenses related to compliance and KYC enhancement programme
- This enabled positive jaws at operating level for 2014-2018 since underlying income had a 4% CAGR over the same period
- Regulatory costs have gone up meaningfully, mostly from the introduction of bank levies in several countries

* DGS – Deposit Guarantee Schemes; NRF / SRF – until end-2015 National Resolution Funds which were merged into EC Single Resolution Fund as per 2016. Formal build-up phase of DGS and SRF should be completed by 2024

Cost increases in those areas where we see growth

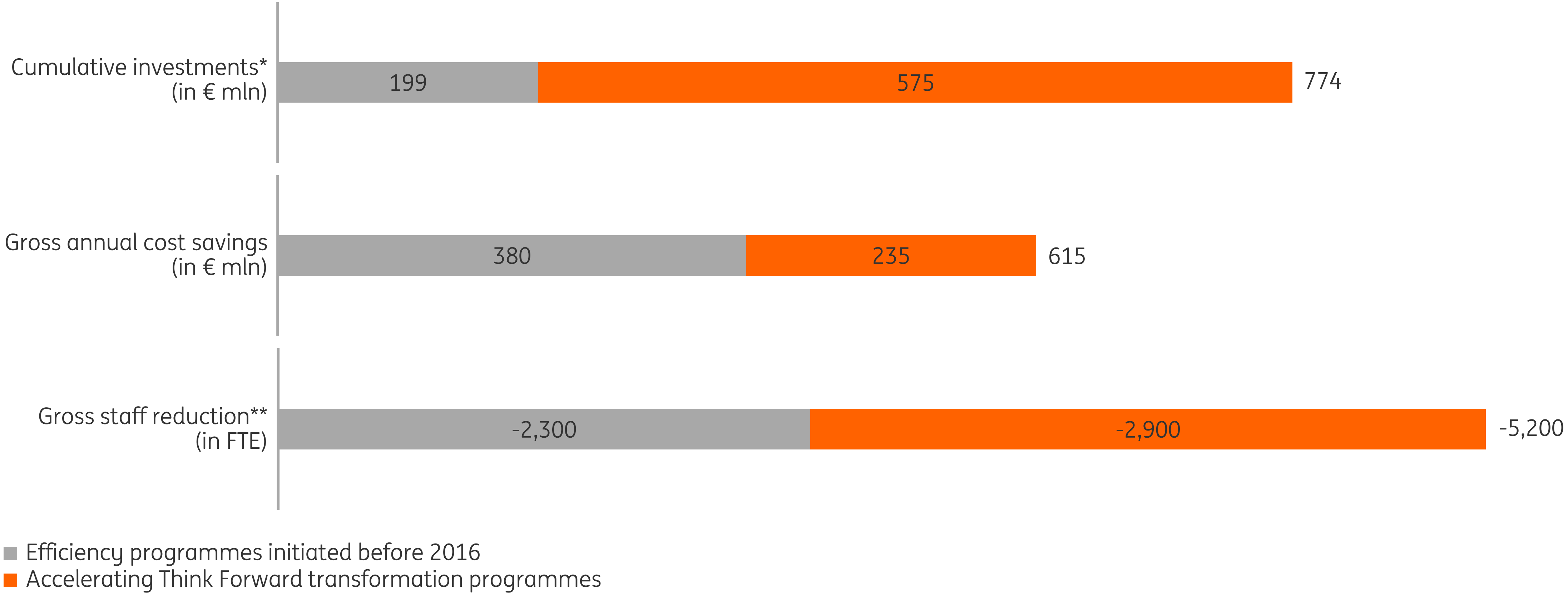


- In Retail Benelux, expenses excl. regulatory costs have gone down as transformation programmes have started delivering cost savings, while in Retail Challengers & Growth Markets higher expenses reflect our growth strategy

Note: Difference between ING total underlying expenses on previous slide and sum of three main business segments on this slide are explained by Corporate Line

Efficiency and transformation programmes achieve cost savings

Status of investments, cost savings and impact on FTEs (2016 – 2018)



* Defined as incremental expenses from efficiency programmes initiated before 2016 and the Accelerating Think Forward transformation programmes (as announced in 2016) and includes project expenses, depreciation and amortisation of new IT assets, as well as impacts from impairments of legacy IT systems and other assets
** Internal and external FTEs excluding temporary backfill staffing

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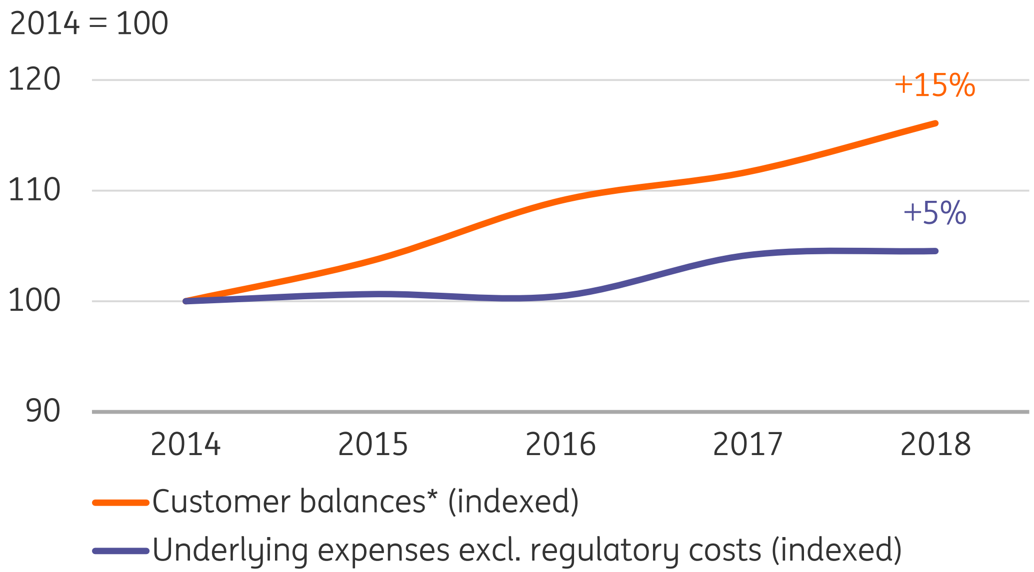
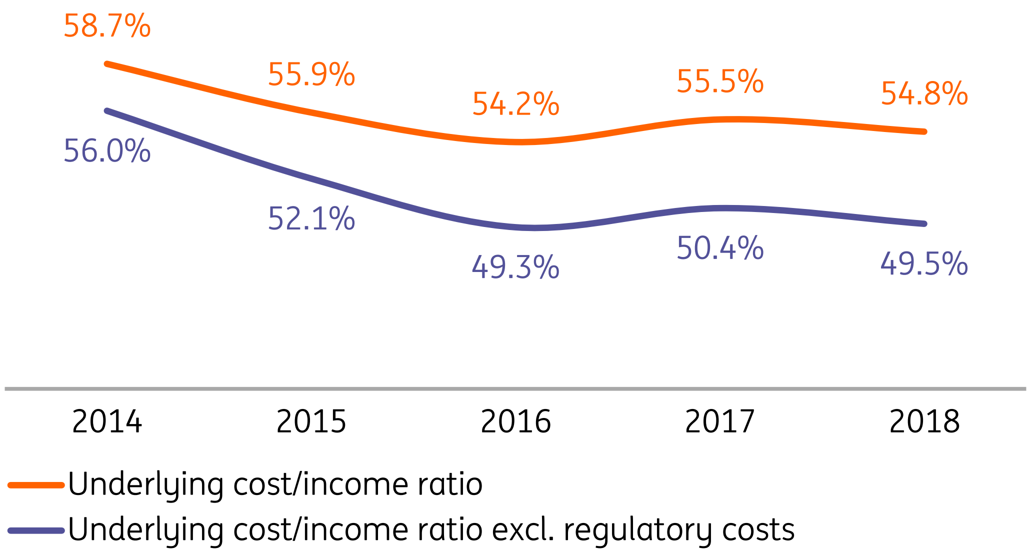
We continue to improve our operational efficiency

Strong operating leverage in recent years



Excluding regulatory costs, C/I ratio already below 50%



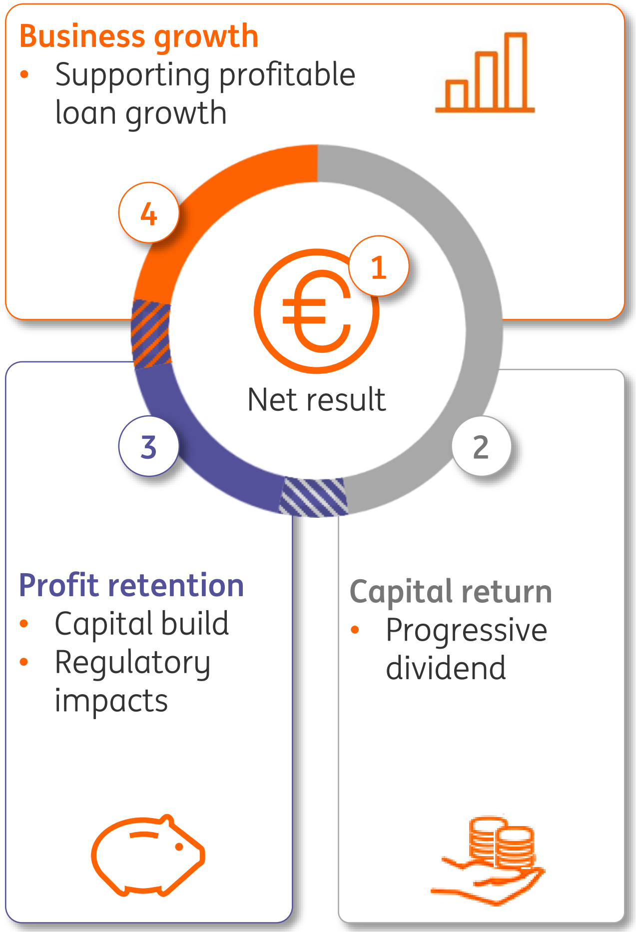
Looking forward, achieving 50-52% C/I ratio will remain our ambition

- Further cost discipline required due to slower expected WB loan growth, further risk management related investments (incl. KYC/compliance), increasing regulatory costs and low-for-longer interest rate environment
- At the same time, benefits from digital transformation programmes should start to materialise, but these are likely to be more back-ended than initially anticipated

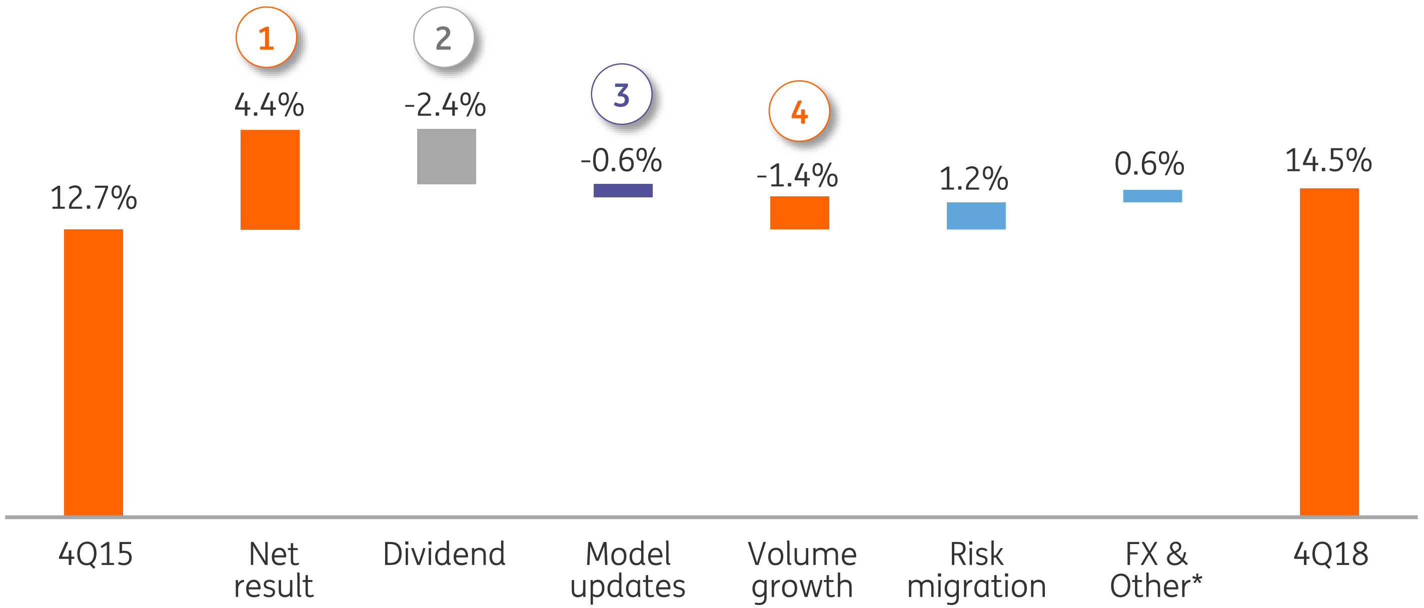
* Customer balances is sum of customer lending and customer deposits

Good CET1 ratio development towards our ambition

Capital allocation framework in theory, and…



…in practice

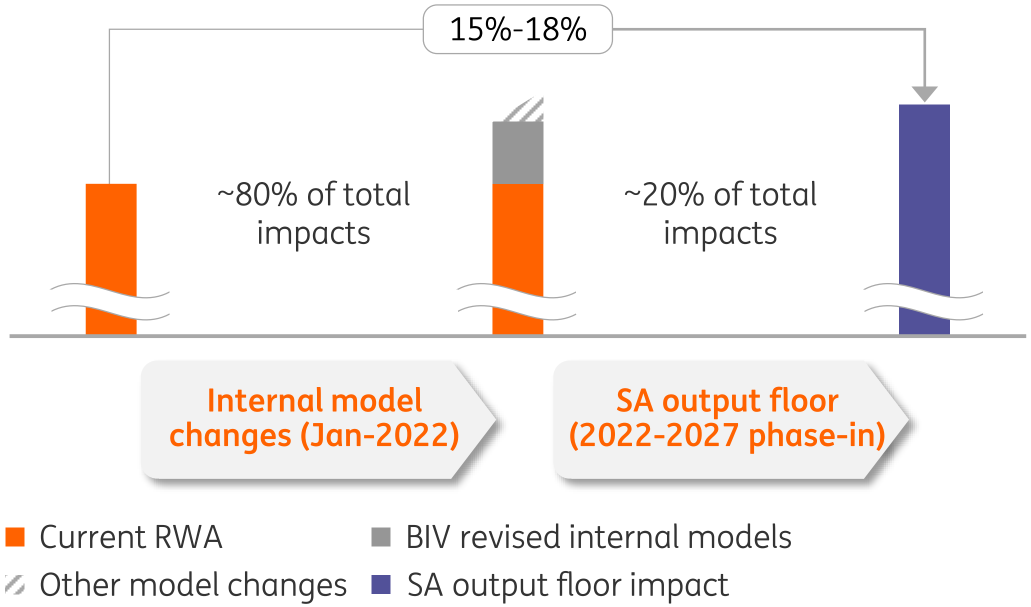


- We have been paying a progressive dividend while being able to grow and retain capital
- If risk migration were to reverse, loan re-pricing will help to offset some of the impacts. To a certain extent, Basel IV and TRIM are also expected to reduce RWA variability

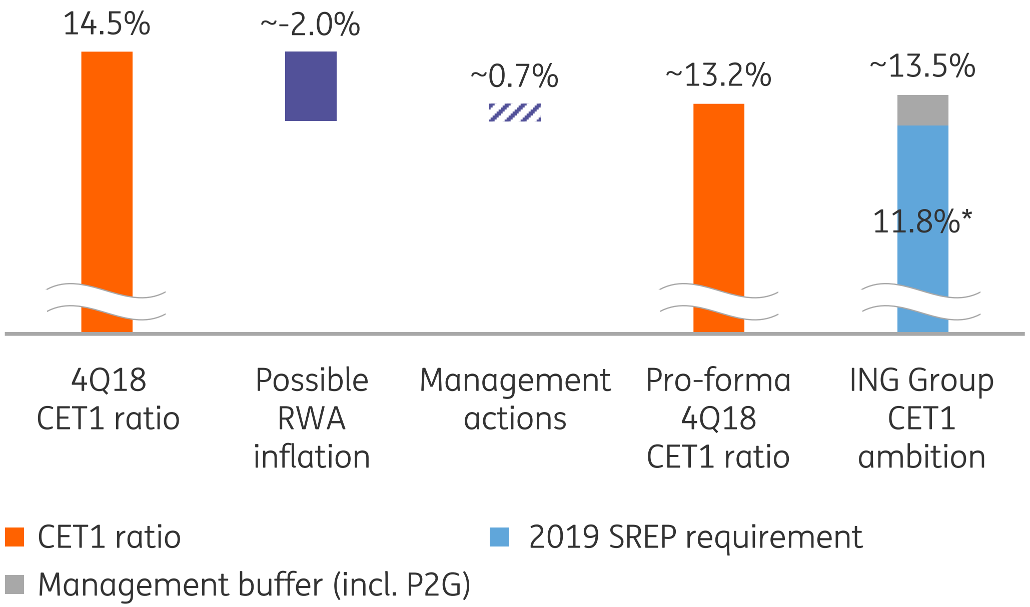
* Includes -0.2% point impact of IFRS 9 adoption as per 1 January 2018

Basel IV and other RWA impacts are being actively managed

Pro-forma RWA impact from Basel IV and model changes



Limited amount of CET1 capital build required until 2027



- Most impact is expected from revisions to internal models stemming from Basel IV (effective as per Jan-2022). Other regulatory developments (e.g. TRIM) are uncertain with respect to magnitude and timing
- ING Group's 2018 underlying net profit was ~170 bps** of RWA with roughly half set aside for progressive dividend, leaving sufficient surplus capital for regulation and growth taking into account the strong 14.5% CET1 ratio at end-2018

* 2019 SREP requirement equals 11.83%
** Underlying net profit excludes €775 mln settlement with the Dutch authorities (recorded as a special item) and net result Insurance Other

Management actions to partly mitigate RWA impacts

Product Features, Data Quality and Regulations

- We see opportunities to adjust certain product features (e.g. collateral) and increase the scope of external rating coverage
- Together with the industry, ING is putting forward proposals to tailor Basel IV (BIV) to European context
- New data fields are required to use preferential treatments under BIV

Started

Income Enhancement

- Some pricing opportunities exist in retail, mainly for mortgages and business lending
- The internal pricing hurdle is being updated to reflect the higher RWA from BIV
- Ability to re-price will depend on competitive environment and how BIV affects it

Started

Disintermediation and Capital Relief

- ING developed its distribution capabilities with different types of transactions:
  - I. Significant risk transfers
  - II. Future flow transactions
  - III. Block sales
- Distribution techniques can be scaled to mitigate impact from TRIM or BIV

Prepared & ready

Portfolio mix

- All businesses will need to make internal hurdles, also after BIV
- If repricing is required to remain above hurdle, future growth may be affected
- Given regulatory uncertainty and the potential from other management actions, it is too early to draw conclusions on the portfolio mix

Preparing

No regret → Contingent upon regulations and other actions

ING Group financial ambitions

		2014	2015	2016	2017	**2018**	Financial ambitions
Capital	• CET1 ratio (%)	10.5%	12.7%	14.2%	14.7%	**14.5%**	~13.5%* (Basel IV)
	• Leverage ratio** (%)	-	4.4%	4.8%	4.7%	**4.4%**	>4%
Profitability	• Underlying ROE (%) (IFRS-EU Equity)***	7.2%	8.6%	10.1%	10.2%	**11.2%**	10-12%
	• *Underlying C/I ratio (%)*	*58.7%*	*55.9%*	*54.2%*	*55.5%*	***54.8%***	*50-52%*
Dividend	• Dividend (per share)****	€0.12	€0.65	€0.66	€0.67	**€0.68**	Progressive dividend

* Implies management buffer (incl. Pillar 2 Guidance) of 170 bps over prevailing fully loaded CET1 requirements (currently 11.8%)
** No reporting requirement for ING Group leverage ratio in 2014
*** The ING Group ROE is calculated using IFRS-EU shareholders' equity after excluding 'interim profit not included in CET1 capital'
**** Dividend payments were reinstated in 2014

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 2018 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 a number of factors, including, 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) potential consequences of the United Kingdom leaving the European Union or a break-up of the euro, (4) changes in the fiscal position and the future economic performance of the US including potential consequences of a downgrade of the sovereign credit rating of the US government, (5) potential consequences of a European sovereign debt crisis, (6) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, (7) changes in conditions in the credit and capital markets generally, including changes in borrower and counterparty creditworthiness, (8) changes affecting interest rate levels, (9) inflation and deflation in our principal markets, (10) changes affecting currency exchange rates, (11) changes in investor and customer behaviour, (12) changes in general competitive factors, (13) changes in or discontinuation of 'benchmark' indices, (14) changes in laws and regulations and the interpretation and application thereof, (15) changes in compliance obligations including, but not limited to, those posed by the implementation of DAC6, (16) geopolitical risks, political instabilities and policies and actions of governmental and regulatory authorities, (17) changes in standards and interpretations under International Financial Reporting Standards (IFRS) and the application thereof, (18) conclusions with regard to purchase accounting assumptions and methodologies, and other changes in accounting assumptions and methodologies including changes in valuation of issued securities and credit market exposure, (19) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (20) changes in credit ratings, (21) the outcome of current and future legal and regulatory proceedings, (22) operational risks, such as system disruptions or failures, breaches of security, cyber-attacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which we do business, (23) risks and challenges related to cybercrime including the effects of cyber-attacks and changes in legislation and regulation related to cybersecurity and data privacy, (24) the inability to protect our intellectual property and infringement claims by third parties, (25) the inability to retain key personnel, (26) business, operational, regulatory, reputation and other risks in connection with climate change, (27) ING's ability to achieve its strategy, including projected operational synergies and cost-saving programmes and (28) the other risks and uncertainties detailed in this 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. (29) This document may contain inactive textual addresses to internet websites operated by us and third parties. Reference to such websites is made for information purposes only, and information found at such websites is not incorporated by reference into this document. ING does not make any representation or warranty with respect to the accuracy or completeness of, or take any responsibility for, any information found at any websites operated by third parties. ING specifically disclaims any liability with respect to any information found at websites operated by third parties. ING cannot guarantee that websites operated by third parties remain available following the publication of this document, or that any information found at such websites will not change following the filing of this document. Many of those factors are beyond ING's control

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