

Our leading franchise in the Benelux

ING Group Investor Day 2016

Koos Timmermans,
Member and vice-chairman Management Board Banking

Amsterdam, 3 October 2016



Key points

- ING has a leading franchise and high customer satisfaction ratings in the wealthy Benelux region
- Commercial and financial performance has been strong
- But digital innovators are constantly raising the bar for customer experience
- It is therefore our intention to additionally invest ~ EUR 450 million in the coming years:
 - To transform ING Belgium into an Omnichannel bank; and
 - To move to an integrated banking platform in Belgium & The Netherlands
- By leveraging combined strengths and scale, the combination would:
 - Bring a best-in-class experience to 11 mln current customers and to our prospects
 - Help us to meet our target efficiency ratios
- The objective for the Benelux region is to improve returns and keep generating capital for ING

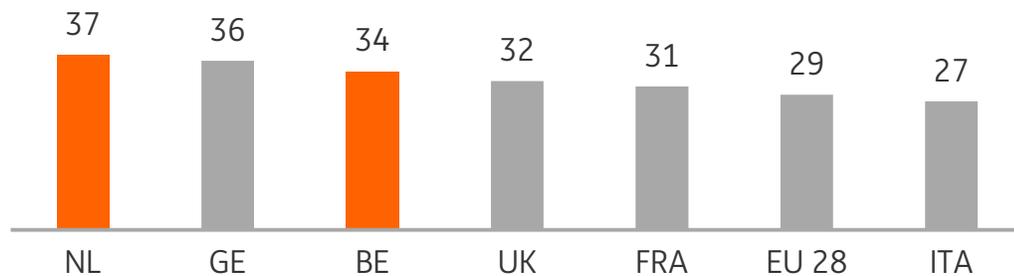
**All projects described are proposed intentions of the bank. No formal decisions will be taken until the information & consultation with the Work Council have been properly finalised.
Subject also to regulatory approval.**

ING has a strong position in the wealthy Benelux region

ING is the #1 Bank in the Benelux...*



GDP per capita, 2015 (PPS**)

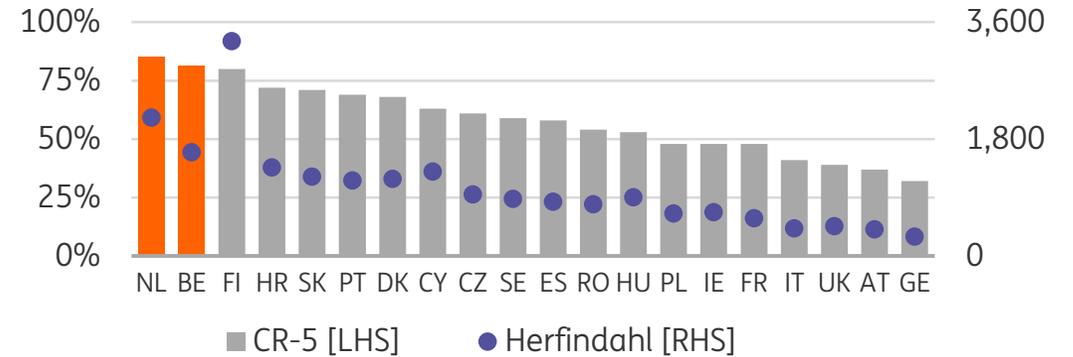


* Based on number of customers

** The PPS (purchasing power standard) is an artificial currency that takes into account differences in national price levels (Eurostat)

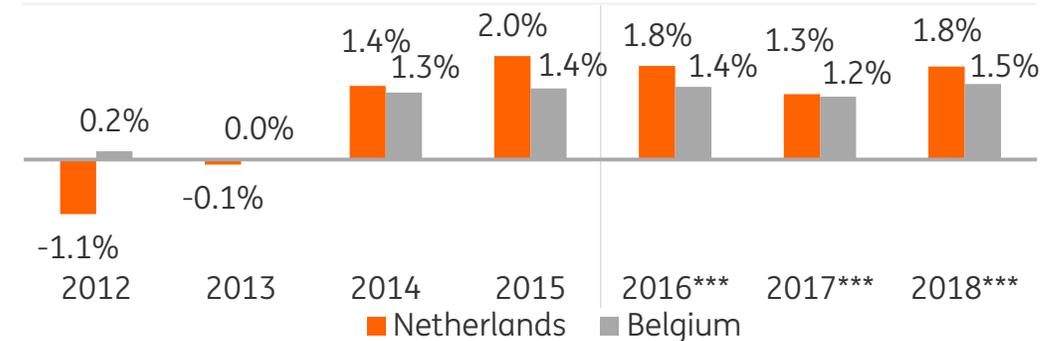
*** Forecast ING Economics Department

...a highly concentrated market for banking activities



CR-5 is the concentration ratio of the top-5 banks, the Herfindahl Index <1,000 indicates low concentration while the index >1,800 indicates high concentration, Source: ECB, Autonomous Research Analysis

GDP: steady growth expected



We have the market leading position in the Benelux

Netherlands*

-  # 1 NPS score
-  8.0 mln individual customers
-  3.9 mln primary customers
-  246 branches

Belgium*

-  # 2 NPS score
-  3.2 mln individual customers**
-  1.3 mln primary customers**
-  709 ING branches
(251 independent)
-  536 Record branches

Source: ING Bank, TNS Nipo, Greenwich, UPC and BVK

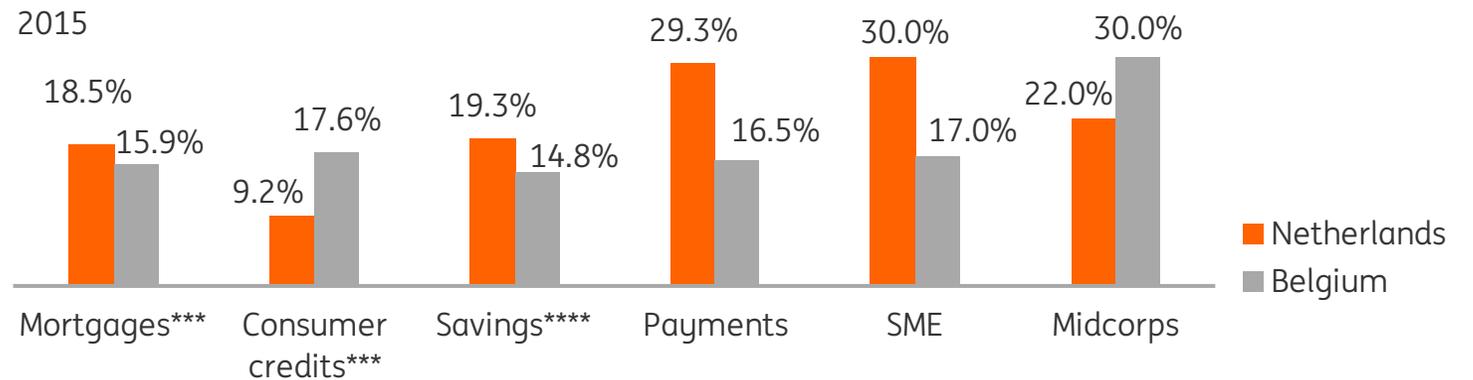
* Concerns 2Q16 figures

** Of which for Record Bank 0.6 mln individual customers and 0.2 mln primary customers

*** BE Mortgages and BE consumer credits concern respectively 3Q15 and 2Q15 figures

**** BE savings concern regulated savings

Retail market shares in Belgium and the Netherlands



WB syndicated loan league tables

1H 2016 Bookrunner Benelux

Position	Bank	# Deals	Amount (EUR mln)
1	ING	19	2,548
2	Rabobank	9	5,559
3	BNP Paribas	9	1,203

WB ECM league tables

2012 - 1H16 Bookrunner Benelux

Position	Bank	# Deals	Amount (EUR mln)
1	ING	50	3,966
2	JP Morgan	35	5,899
3	Goldman Sachs	34	7,001

ING NL is the frontrunner in building an Omnichannel bank

Moving to 'Omnichannel'...



An agile way of working to react faster to customers' changing needs



...offering our customers convenient daily banking services

- 100% digital
- First time fix and no handovers
- Proactive and surprising



...and growing advisory capabilities

- Individualized & relevant
- Seamlessly switching channels
- Local & hybrid



...resulting in high customer satisfaction



Best digital bank of Western Europe
(Euromoney)



iCulture
BESTE NEDERLANDSE APP
Juryprijs 2015

Best rated Mobile App NL

ING BE has strong advice capabilities and high cross-buy rates

ING Belgium advice capabilities ensure that we meet customer expectations...



Tailored, 360° approach towards **private individuals** supported by online channels & close proximity branches



Award winning service and #1 NPS score in the market for **Private Banking** segment



Broad spectrum of advice capabilities for **companies**
#1 NPS score in the market for **Mid Corporates** segment

ING BE introduced new advisors to better serve customers



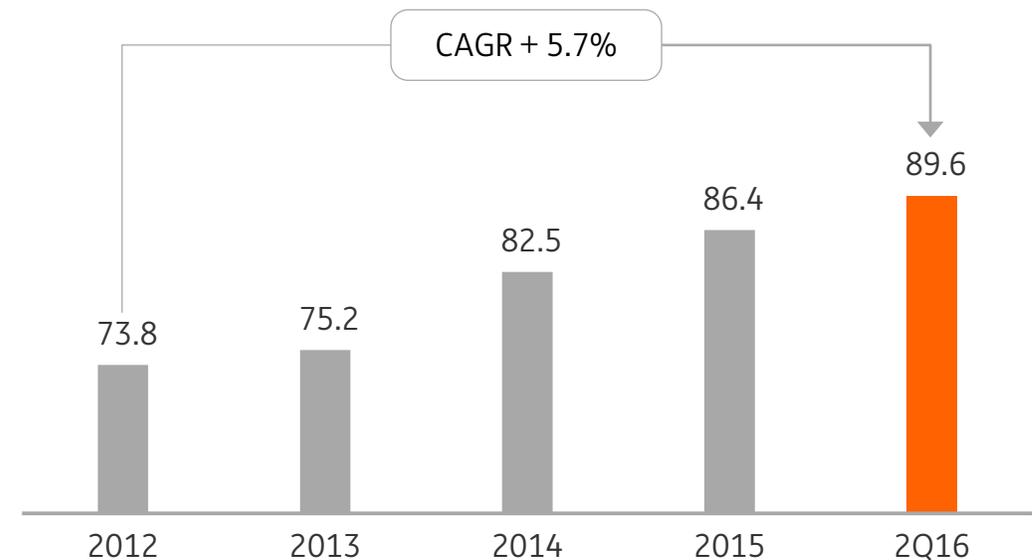
Innovation bankers help companies in developing new business models

Business bankers assist smaller-sized companies with tailored advice

...and earns us high cross-buy

On average, ING Bank primary customers* have products in **3.5 product categories****

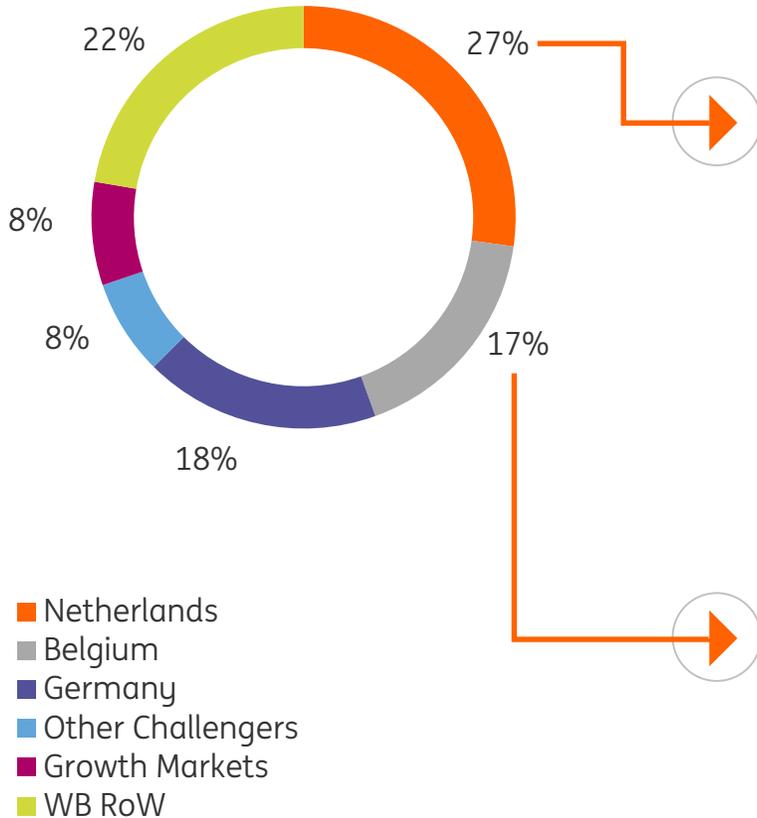
Customer lending (in EUR bln)***



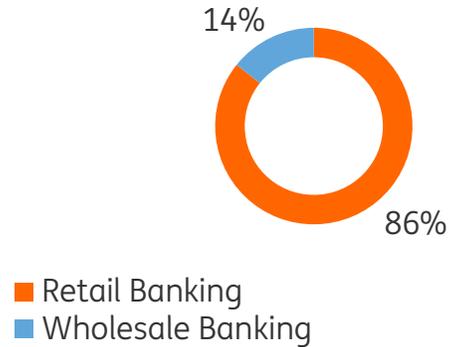
* Defined as customers with active payment account and recurring income **Product categories: payments, savings, investments, mortgages, other lending, credit cards, life insurance and other insurance. A customer with a current account, debit card and internet banking has products in 1 category (payments), ***All financials in this presentation relating to Belgium include Luxembourg as well

Benelux contributes around 44% of ING Bank result before tax

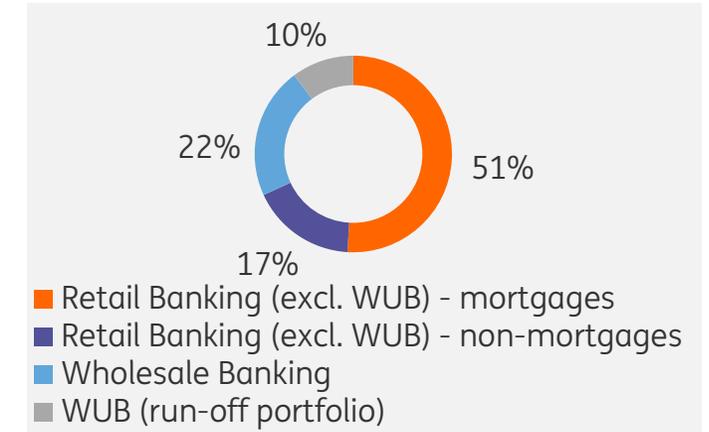
Result before tax ING Bank FY15*



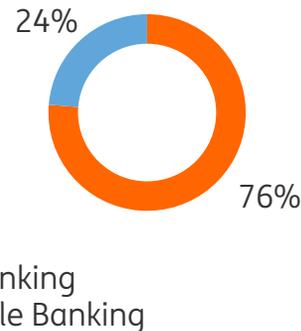
Result before tax Netherlands



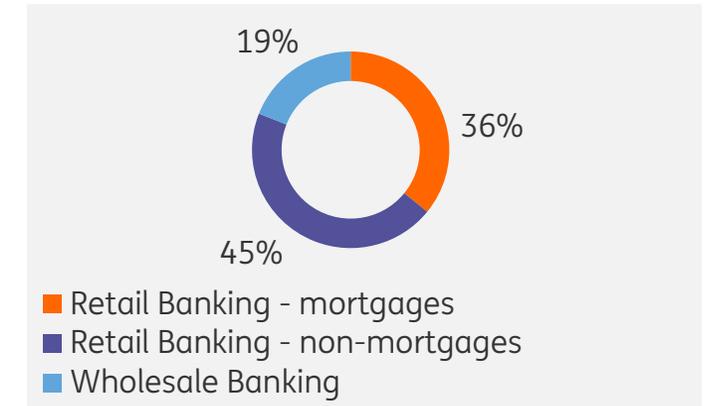
Loan book Netherlands**



Result before tax Belgium



Loan book Belgium**

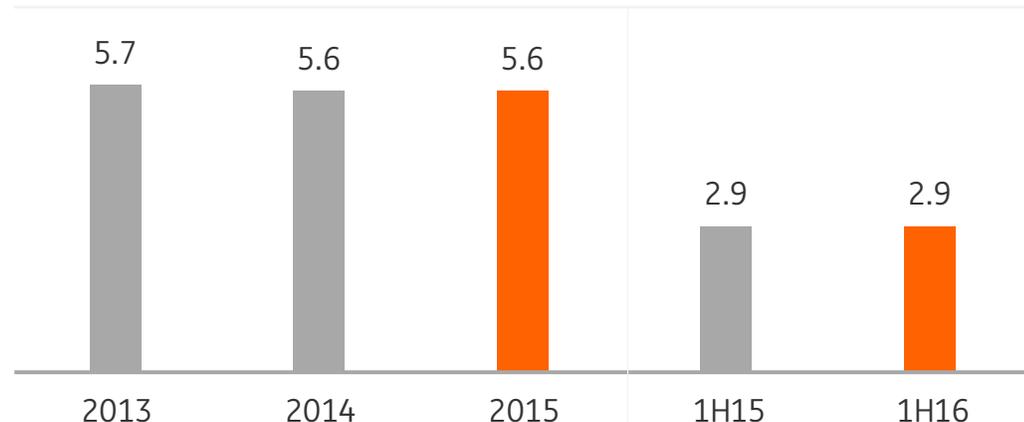


* Excluding 'Other' which consists of Corporate Line and Real Estate run-off portfolio,

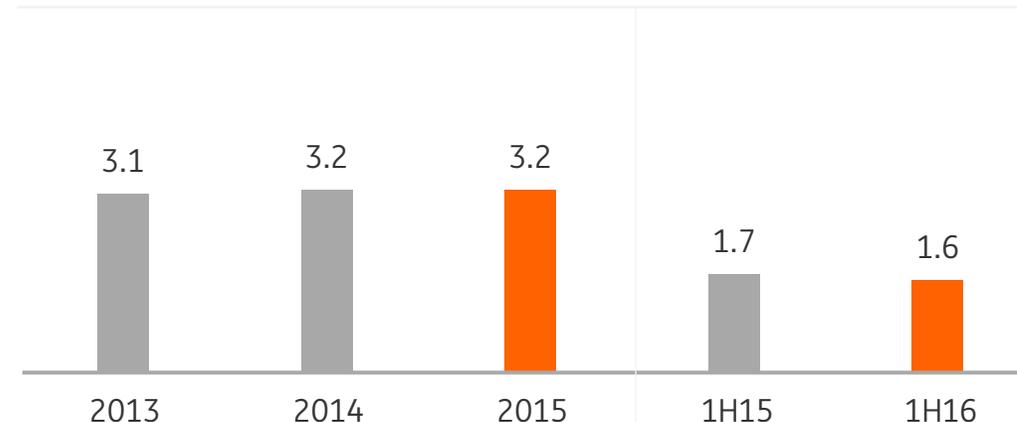
** Based on lending credit outstandings, including guarantees and letters of credit, but excluding undrawn committed exposures (off-balance sheet positions)

Income generation has been resilient, but it is difficult to achieve income growth in the current environment

Income ING Netherlands (In EUR bln)

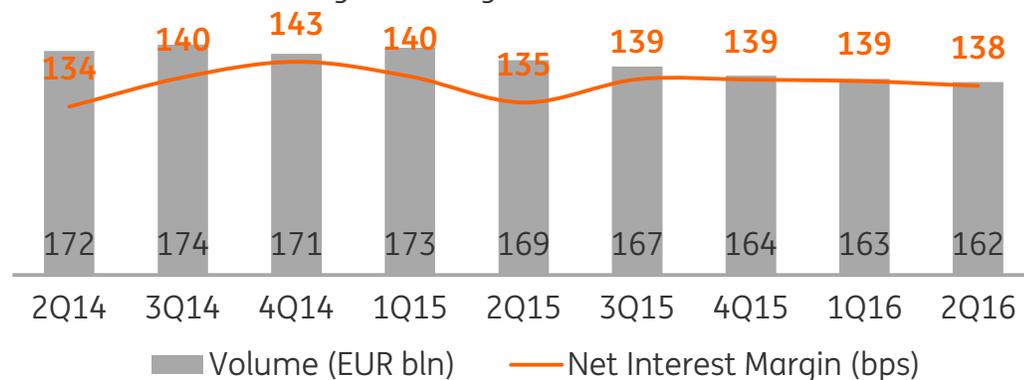


Income ING Belgium (In EUR bln)



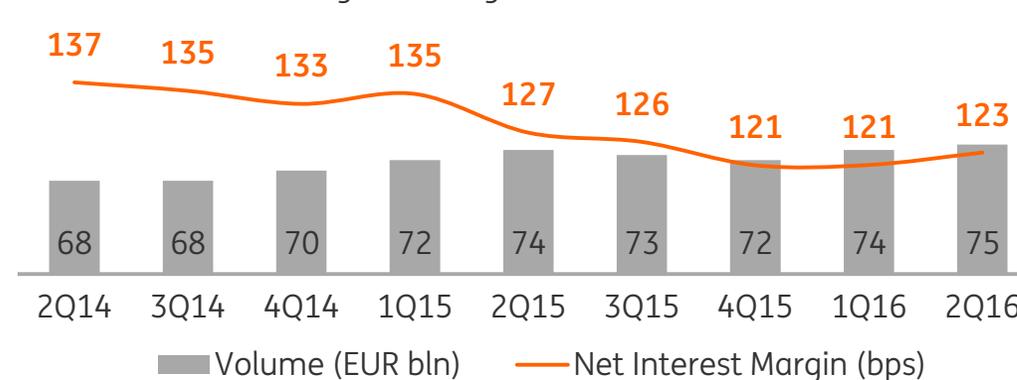
In NL, we manage for reduced volumes, in large part due to WUB run-offs and risk appetite, but see stable margins

Retail customer lending and margin on customer balances



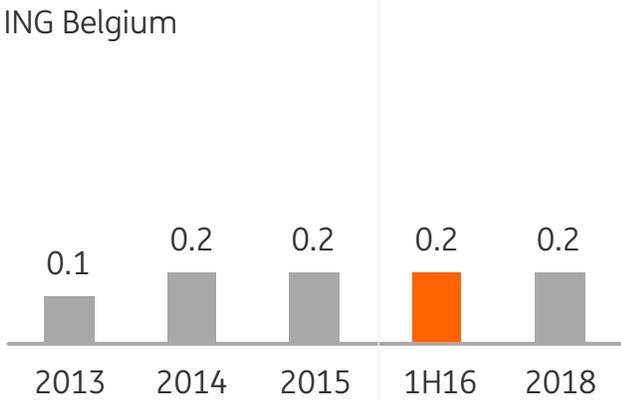
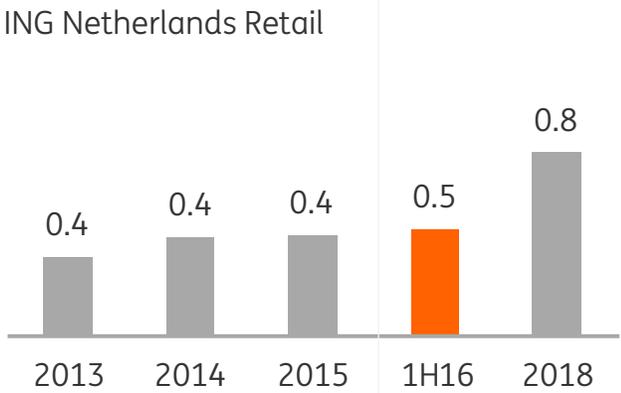
In BE, we maintain volume growth but see falling margins

Retail customer lending and margin on customer balances

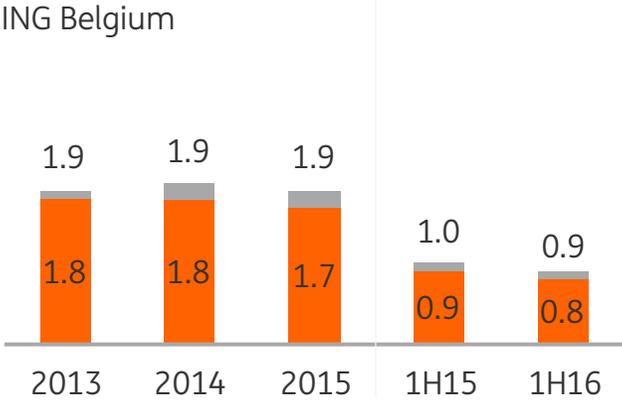
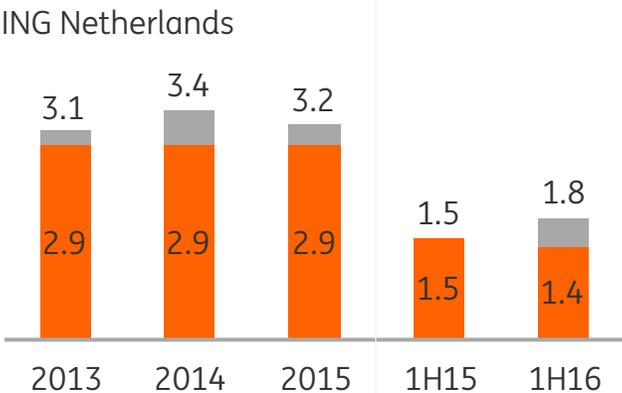


We delivered on cost containment but the cost income ratio was impacted by provisions and regulatory costs

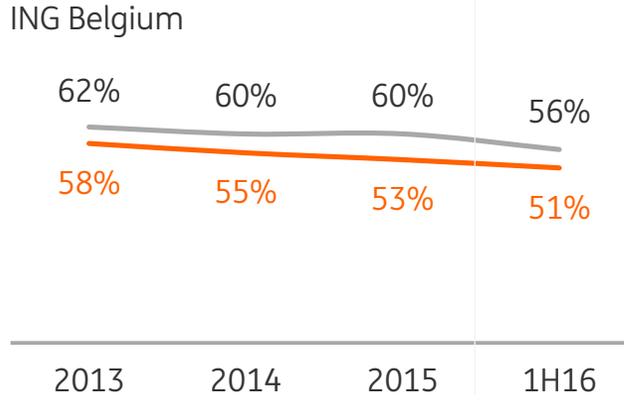
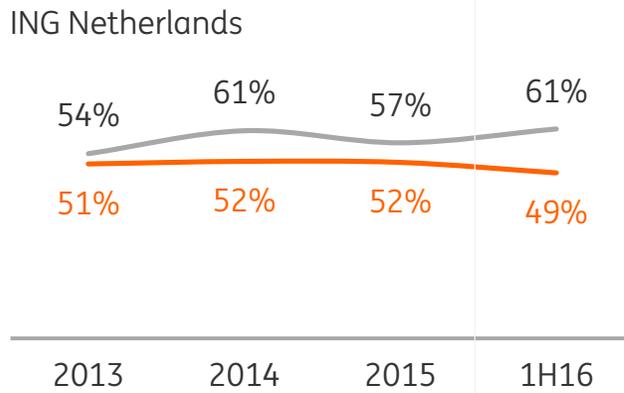
Cost savings (in EUR mln)



Expenses (in EUR bln)



C/I ratio (in %)



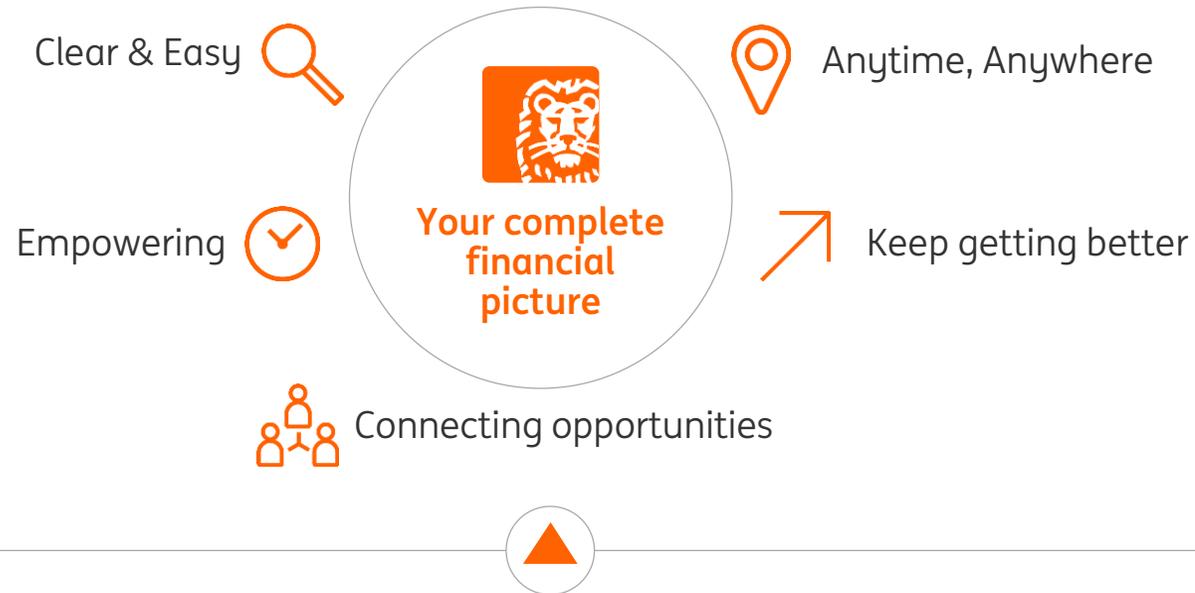
■ Non-recurring items & Reg. Costs*
■ Costs excl. Non-recurring items & Reg. Costs

— CIR excl. Non-recurring items & Reg. Costs*
— CIR Total

* Excluding large non-recurrent items, e.g. redundancy provisions, SME derivatives provisions NL and the one-off procured cost saving BE



Our challenge: keep meeting raised customer expectations...

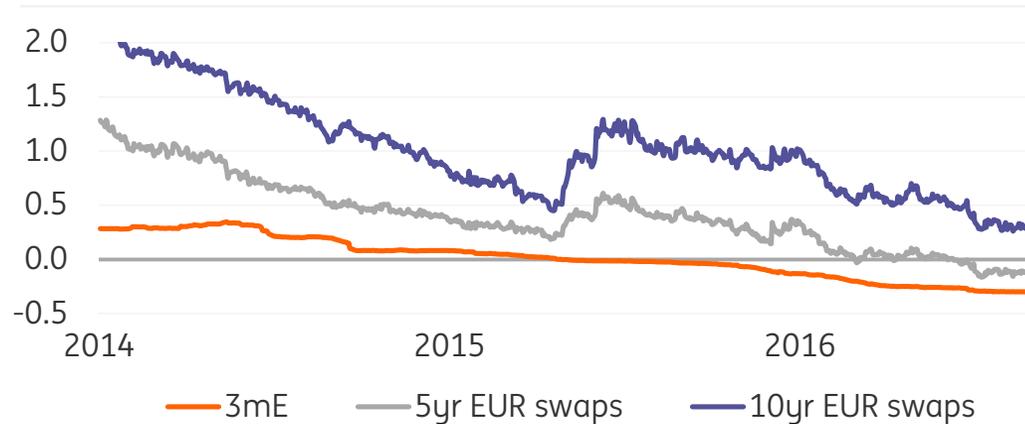


Digital innovators are constantly raising the bar for customer experience and channel preferences

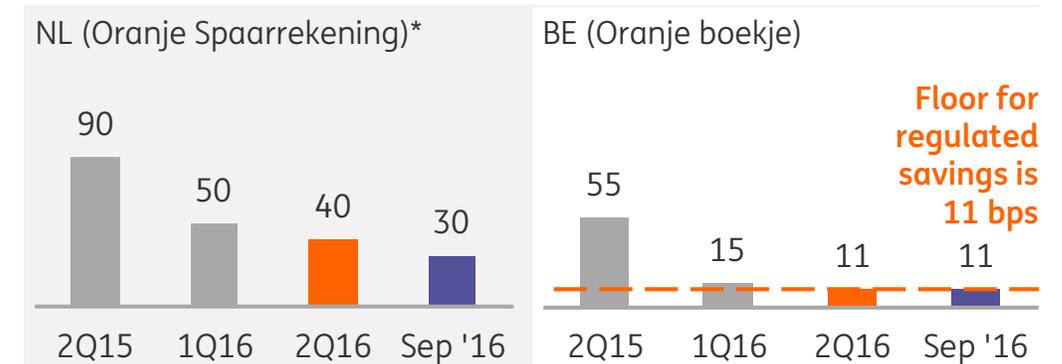


...while we need cost efficiencies to mitigate margin pressure

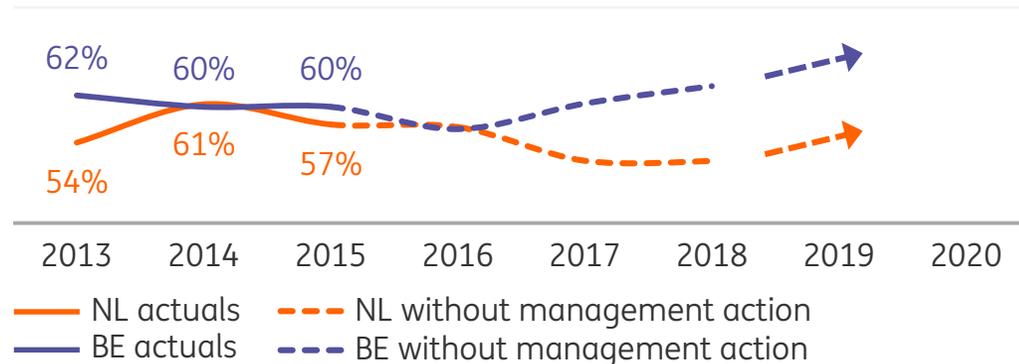
We are facing a persistent low interest rate environment



Client savings rates



Underlying C/I ratios not expected to meet our 2020 Ambition without further management action



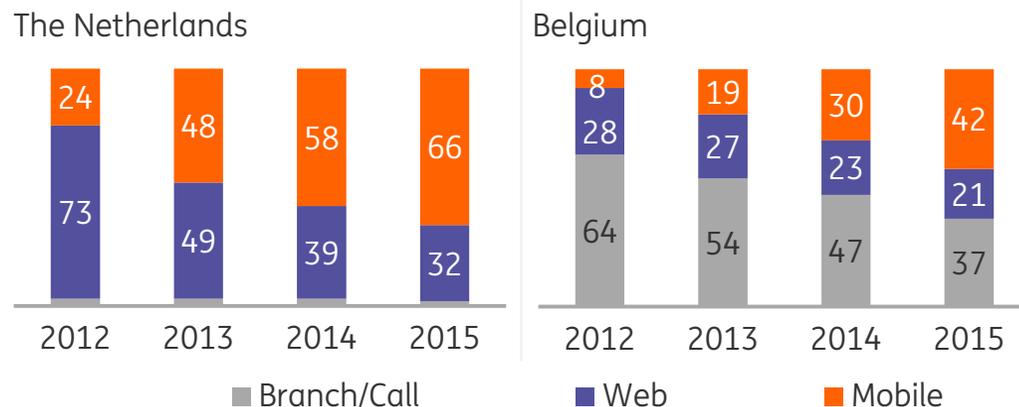
- Margins on customer deposits under pressure due to a low interest rate environment
- No room left for client rate adjustments in Belgium, while rates are still at a higher level in the Netherlands
- Asset re-pricing may provide support for NIM in future years

* Rate for savings up to EUR 25,000 is 30 bps, for savings between EUR 25,000-75,000 is 40 bps and for savings higher than EUR 75,000 is 50 bps

ING Belgium intends to adopt Omnichannel approach

Customer behaviour	<ul style="list-style-type: none"> Shift in customer behaviour towards digital banking 1 mln additional mobile subscriptions per year, over the last two years
IT lifecycle management	<ul style="list-style-type: none"> Important IT components are at end-of-lifecycle <ul style="list-style-type: none"> Branch bank applications (TPA/TPK) Internet banking platform
Sub-optimal distribution network	<ul style="list-style-type: none"> Operating with 2 brands in market with excess capacity Sub-optimal network coverage in Flanders: too many small branches with limited opening hours

Share of contacts by channel (in % of total contacts)



* Concerns 2Q16 figures

1 Intention to integrate Record network into ING Belgium



2 Intention to right-size branch network

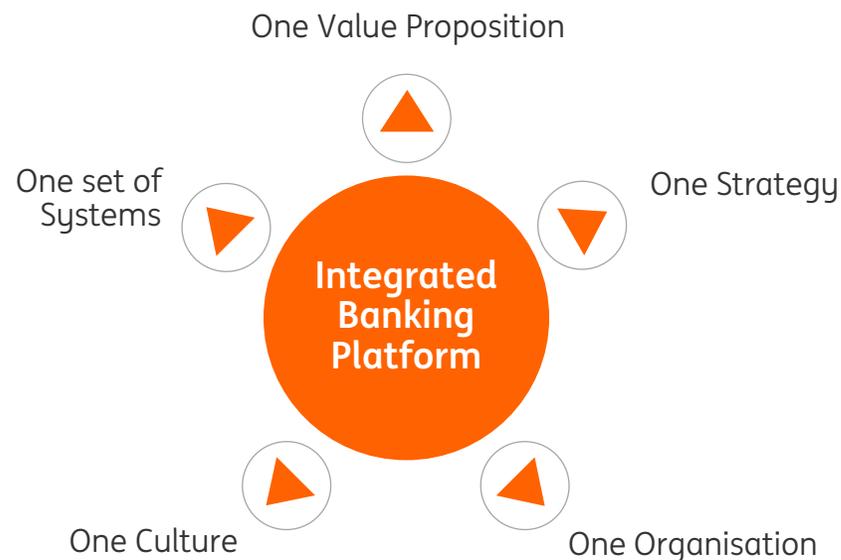
709 ING Branches*  ~ 650 ING Branches
536 Record Branches*

3 Intention to engage in investment program to transform to Omnichannel bank

- Replacing end-of-lifecycle IT components

We intend to move to an integrated banking platform in Belgium and the Netherlands to leverage combined strengths...

One integrated banking platform to serve > 11 million customers and 17 mln prospects



...but with **2 legal entities**
2 balance sheets
2 ledgers

We propose to invest ~ EUR 450 mln in the coming years to provide a best-in-class customer experience

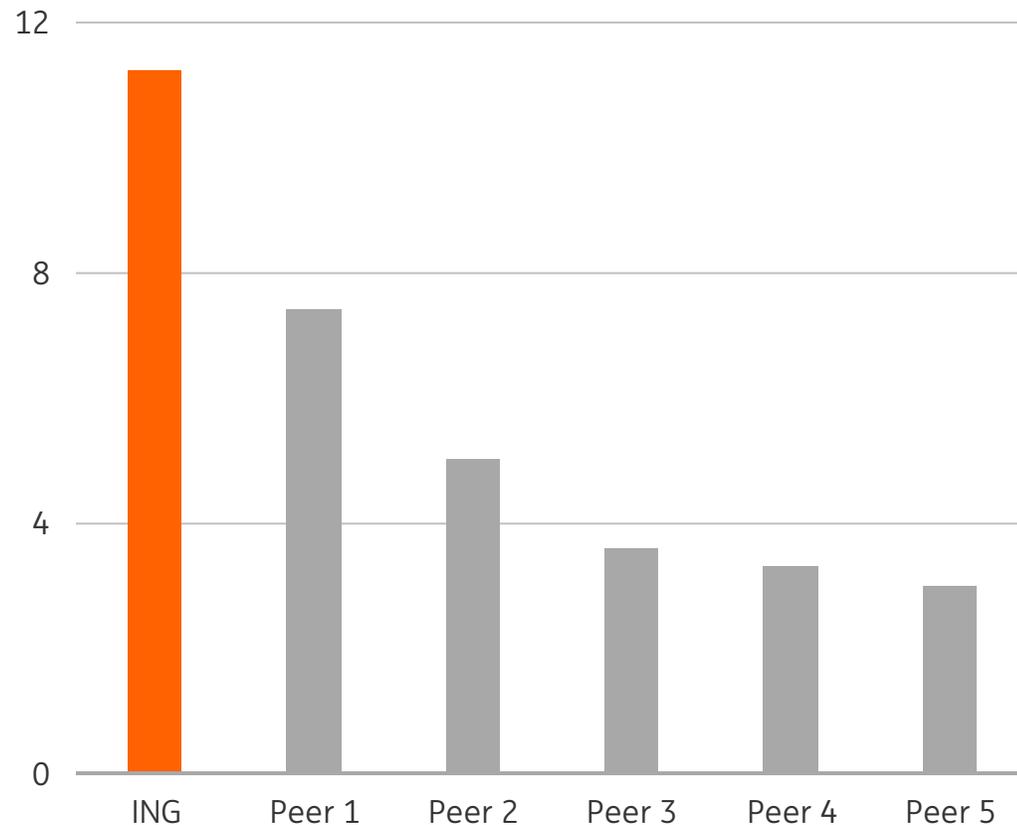
All our customers:

- Experience “one ING” across Belgium and the Netherlands
- Can perform all of their daily banking activities online
- Benefit from the best-rated banking app
- Experience an increased pace of innovation
- Receive pro-active contacts through use of analytics skills
- Get a first-time-right response for their queries without handovers
- Retain branch access, with staff fully focused on advice
- Experience multi-language online capabilities

...and scale, while mitigating execution risks

We are the #1 bank in the Benelux in terms of customers...

Customers (in millions)



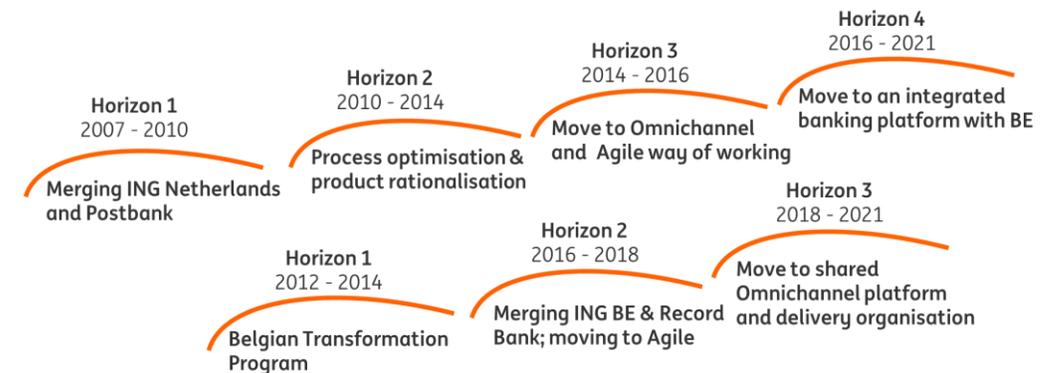
Source: company annual reports and websites

...and intend to leverage that scale

- Combined scale and high level of standardization across countries will allow us:
 - to amortize IT and other investments over 11 mln customers
 - bring innovations faster to the market

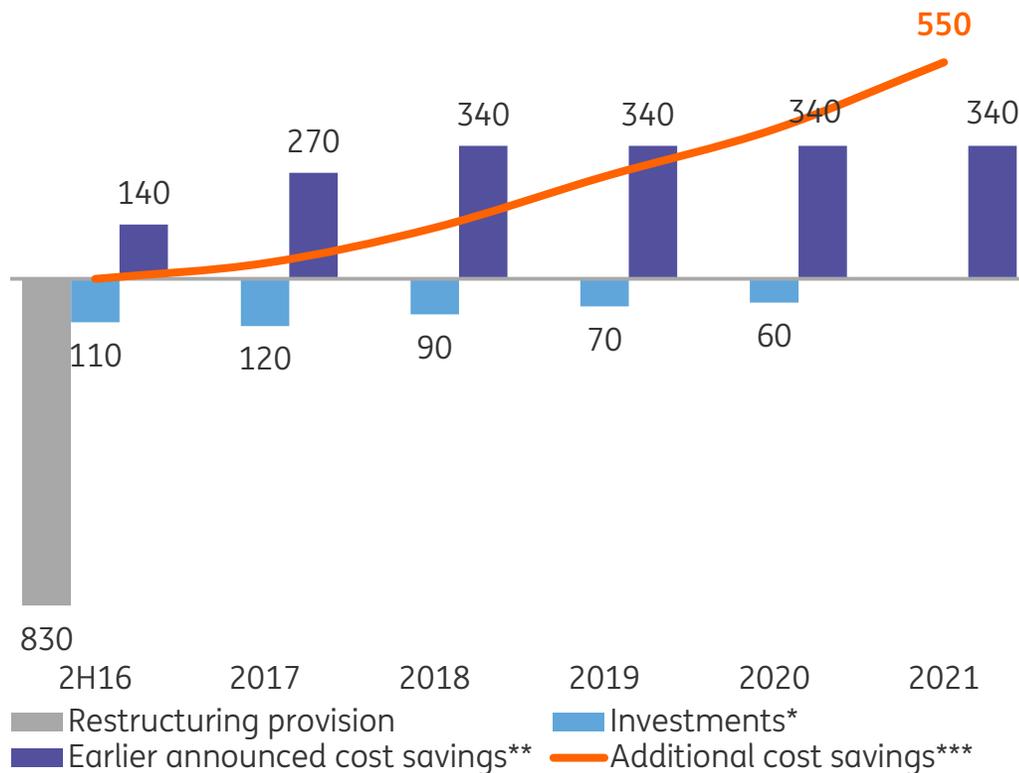
Execution risk mitigated by experience

- Building on experience of ING NL in large scale IT projects
- Adopting agile way of working and Omnichannel approach



The combination would improve cost efficiency...

Potential financial impact for ING BE and ING NL of intended integration (in EUR mln)

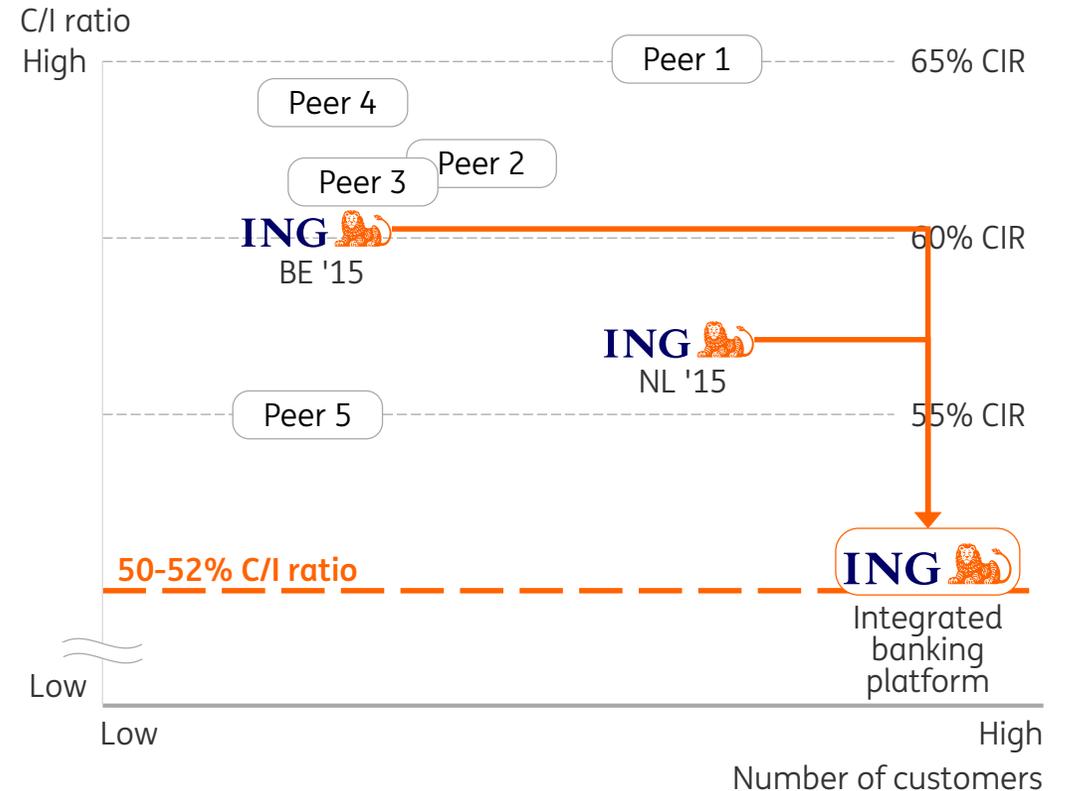


* Defined as incremental expenses from new announced programmes and includes project expenses, depreciation and amortisation of new IT assets, as well as impacts from impairments of legacy IT systems and other assets

**Excl. WB savings for ING NL

***Timing of realization cost savings & investments in first years subject to legal and social negotiations

We aim to improve cost efficiency



...and improve ROE and generate capital for ING

2016 – 2020 roadmap

	Market Leaders	Challengers & Growth Markets	Wholesale Banking	Ambition 2020
Income	-	↑↑	↑	Focus on higher margin lending and fees
Costs	↓	↑	-	Up in countries where we grow, supported by efficiency programmes
Underlying C/I ratio	↓	↓	↓	50-52%
Underlying ROE	↑	↑	↑	Awaiting regulatory clarity

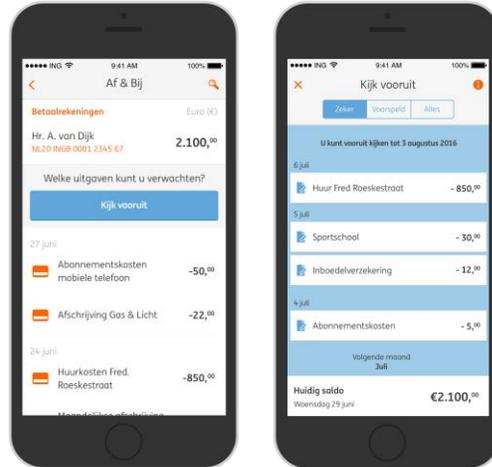


Appendix

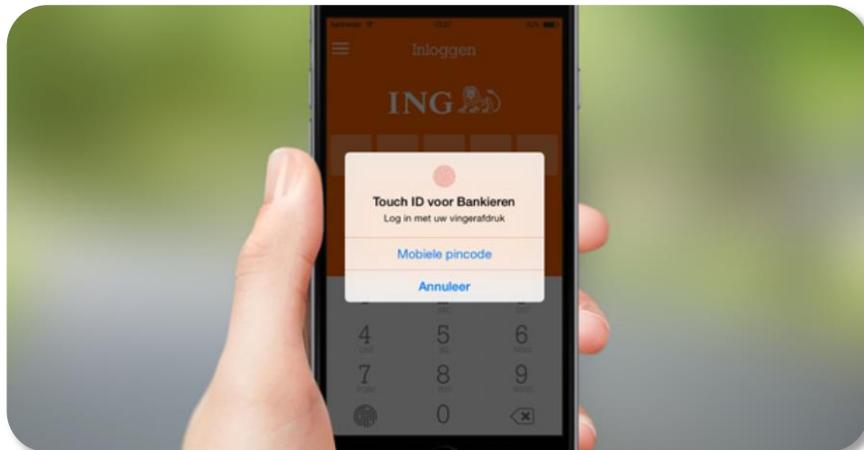
Continuous innovation empowers our clients to stay a step ahead



'Kijk Vooruit' – forecasting feature for our Dutch mobile banking app with an overview of planned and predicted transactions



Combining payments services and customer loyalty programs in BE



Paying by means of voice and finger print recognition



InsideBusiness
Wholesale Banking platform

The NL Omnichannel transformation has yielded significant benefits

Tango (2007-2010)

- Full integration Postbank and ING Bank, > 8 mln customers in scope
- One IT platform, one product portfolio, one organisation, one brand
- Branch reductions of ~400 and product portfolio rationalised

Case for Change (2010 – 2014)

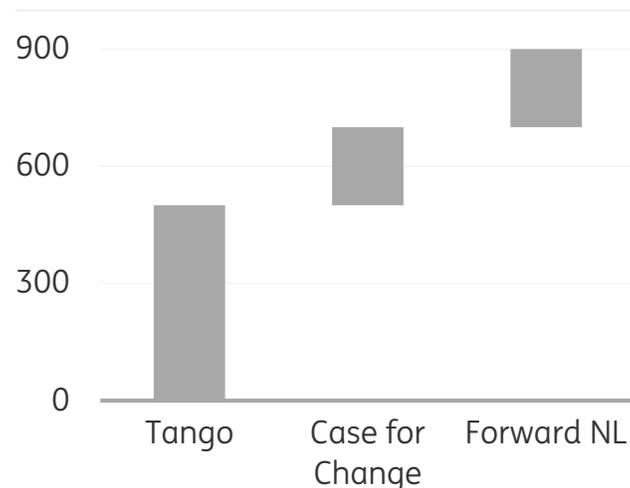
- Process optimisations, > 85% of daily banking processes redesigned
- Further rationalisation of products
- Advice capabilities strengthened

Forward NL (2014 – today)

- Omnichannel approach to create consistent customer service
- End-to-end agile way of working across business and IT
- Simplification of IT landscape, introduction cloud



Cumulative IT investments (in EUR mln, 2007 – 2016)

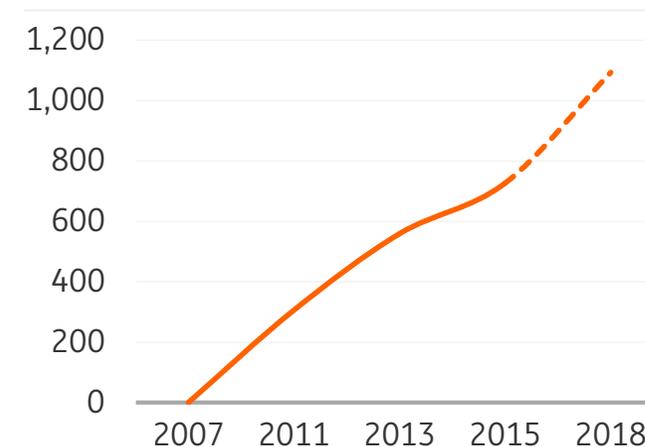


Resulting in highly satisfied clients...

Net Promotor Score Rank NL 2Q16



...and material gross annual cost savings (in EUR mln, 2007 – 2018)



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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