

Accelerating Think Forward

ING Group Investor Day 2016

Ralph Hamers, CEO and chairman Executive Board ING Group

Amsterdam, 3 October 2016



Key points





- ING has delivered on its Think Forward strategy since 2014
 - 3.3 mln new customers on the back of improved customer experience
 - Strong earnings growth, robust capital position and an attractive dividend
- We now announce the acceleration of our Think Forward strategy
 - EUR 800 mln to be invested over 5 years in our digital transformation
 - Scalable banking platform to improve the customer experience and cater for growth
 - EUR 900 mln of gross cost savings to be realised by 2021
- Ambition 2020 financial targets to be set at Group level; progressive dividend confirmed

Progress on Think Forward strategy

Think Forward continues to drive customer growth





Our Think Forward strategy on a page

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**

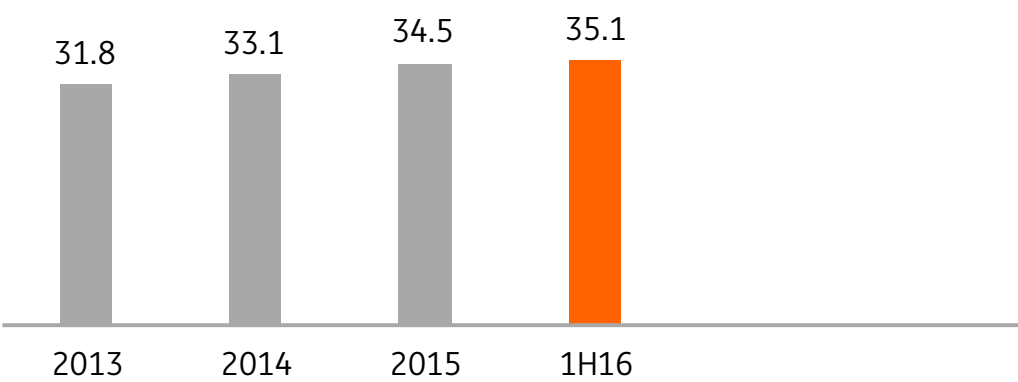
1. Earn the primary relationship
2. Develop analytics skills to understand our customers better
3. Increase the pace of innovation to serve changing customer needs
4. Think beyond traditional banking to develop new services and business models

Enablers ▶  Simplify & Streamline  Operational Excellence  Performance Culture  Lending Capabilities

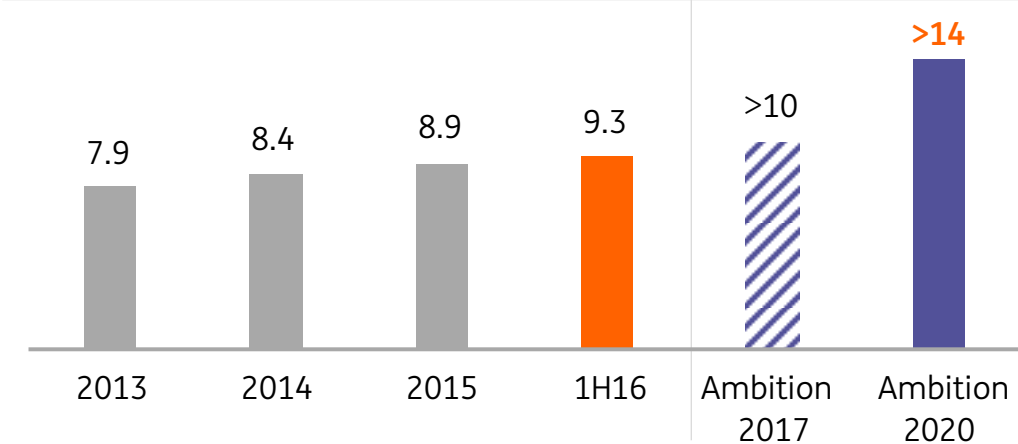
Net Promoter Scores (NPS)

 **#1** in 7 of 13 countries

3.3 mln new individual customers since 2013 (in mln)

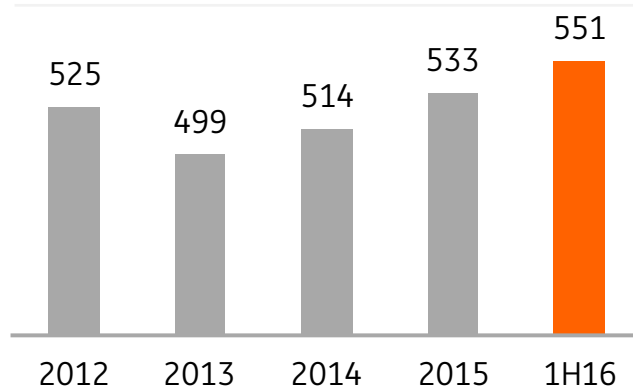


Targeting > 14 mln primary customers by 2020 (in mln)

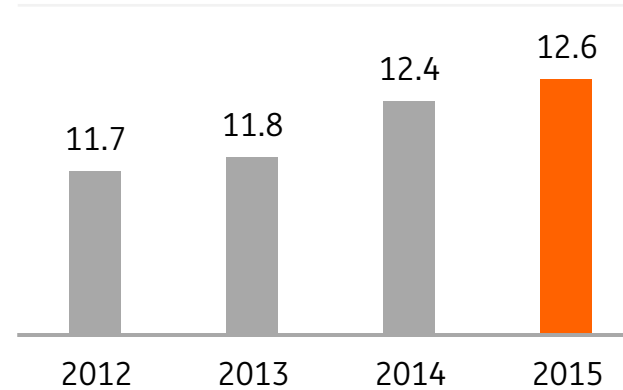


We have delivered strong results

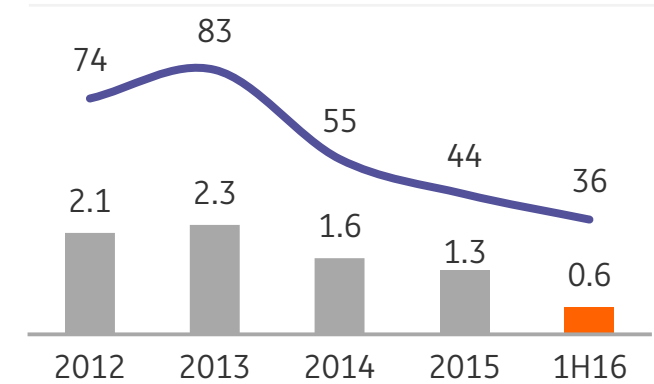
Customer lending
(in EUR bln)



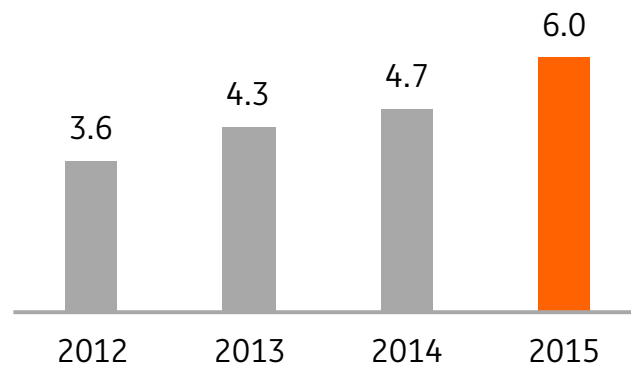
Net interest income
(in EUR bln)



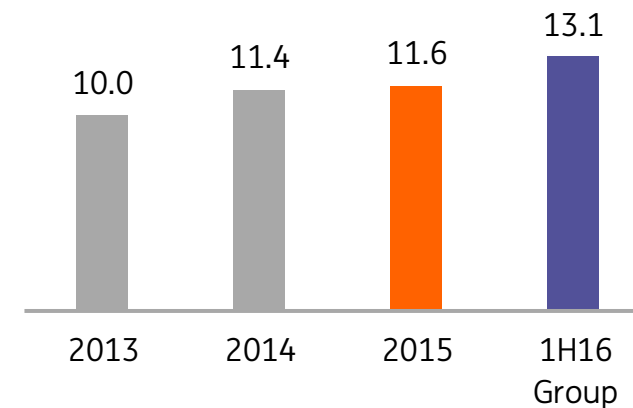
Risk costs
(in EUR bln and bps of RWA)



Underlying result before tax
(in EUR bln)



Fully-loaded Bank CET1 ratio*
(in %)



* Only Core Tier 1 ratios available for 2012, which is not comparable with fully-loaded CET1 ratios

We have a well-diversified portfolio with strong profitability

Retail Banking

- We use technology to offer a differentiating experience to our customers
- Distribution increasingly through mobile devices which requires simple product offering

Market Leaders

Netherlands,
Belgium / Luxembourg

Challengers

Germany / Austria, Czech Republic, Spain, Italy, France and Australia

Growth Markets

Poland, Turkey, Romania and Asian bank stakes

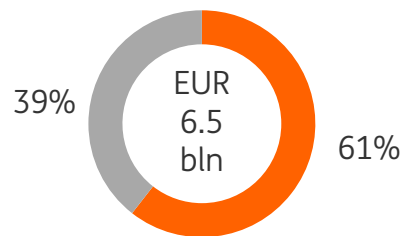
Wholesale Banking International Network

Wholesale Banking

- Our business model is the same throughout our global WB franchise of more than 40 countries
- We focus on top-end corporates, including domestic blue chips and multinationals, and Financial Institutions

Underlying result before tax*

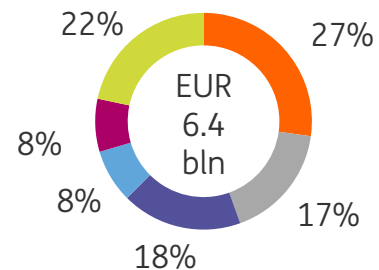
2015



- Retail Banking
- Wholesale Banking

Underlying result before tax**

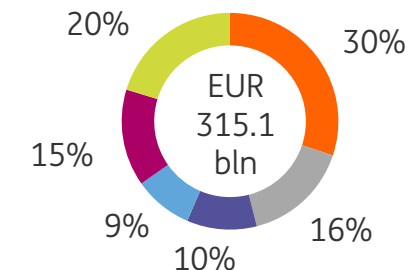
2015



- Netherlands
- Belgium
- Germany
- Other Challengers
- Growth Markets
- WB Rest of World

RWA (end of period)

2015

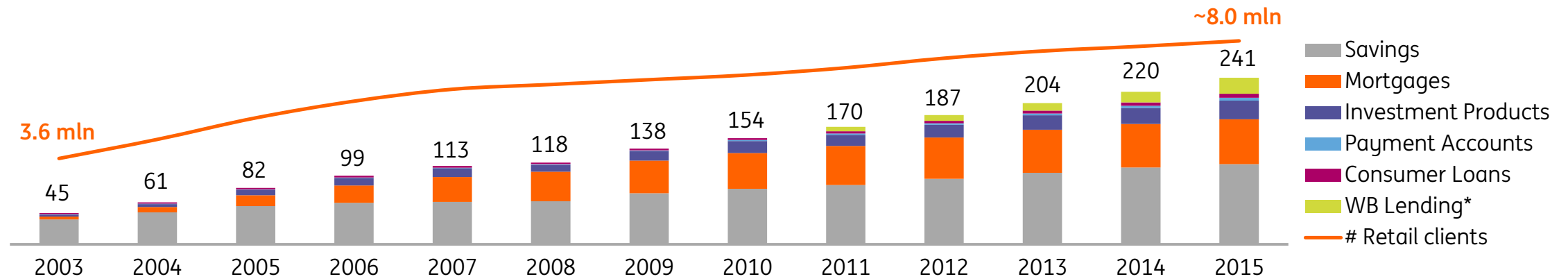


* As per business line split; segment "Corporate Line" not shown on slide. The underlying RBT for this segment was EUR -530 mln in 2015

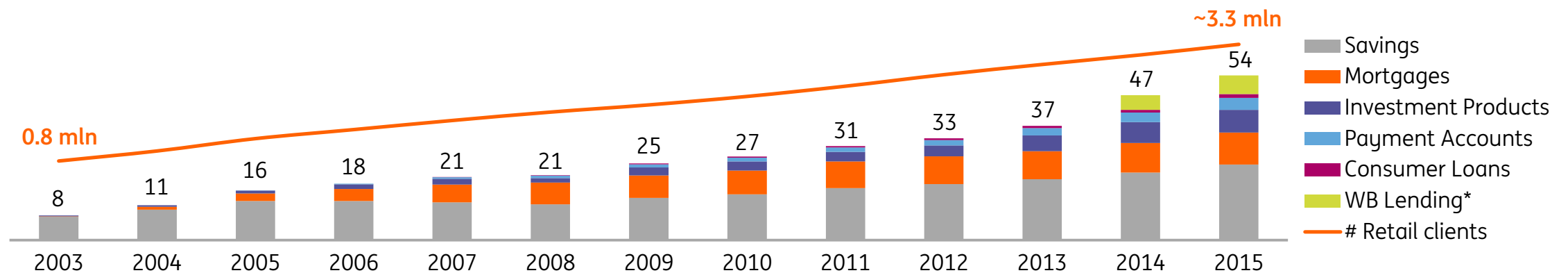
** As per geographical split; segment "Other" not shown on slide. The underlying RBT for this segment (Corporate Line and Real Estate run-off portfolio) was EUR -451 mln in 2015

Consistent profitable growth in Germany and Spain...

Customer balances Germany (in EUR bln) and customer numbers (in mln)



Customer balances Spain (in EUR bln) and customer numbers (in mln)



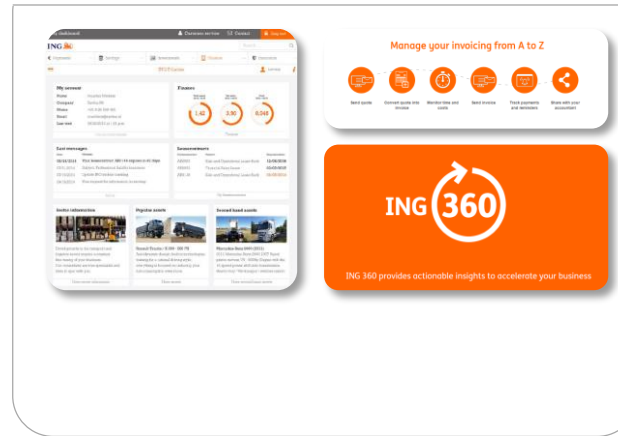
* WB lending only visible upon introduction of One Bank strategy

... reflecting our innovative solutions for customers

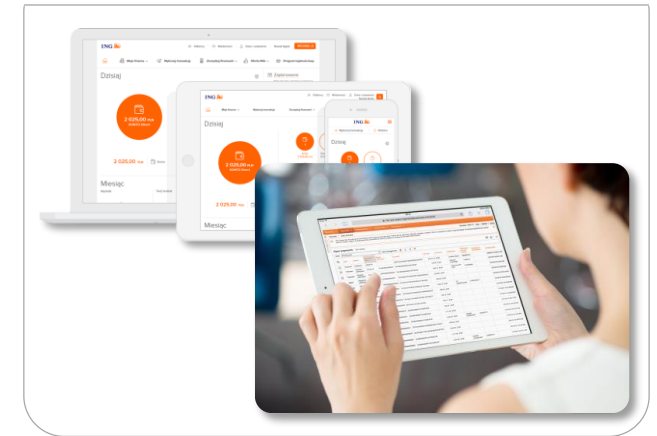
Digital Financial Advisor



Digital services for SMEs



Digital platforms



Payments

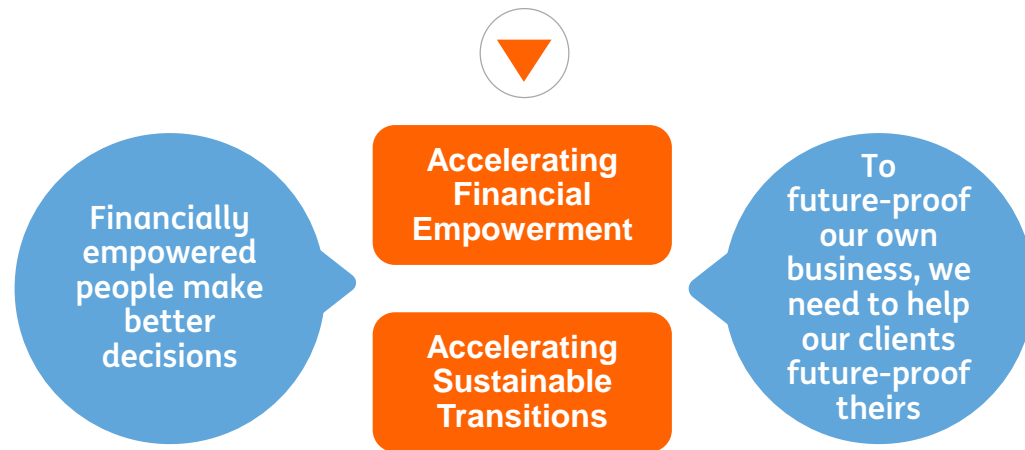


Instant Lending



Sustainability is embedded throughout our business

Sustainability Direction focuses on two themes



Progress in executing the Sustainability Direction

- Reducing our own environmental impact versus 2014

Result 2015	6%	86%	■ Reduction of CO2
Ambition 2020	20%	100%	■ Renewable energy

- Help customers make smarter financial decisions (measured through customers feeling financially empowered by ING)



- Sustainable Transitions Financed



Ranked #1 at Sustainalytics



- Ranked 1st and Industry Leader of 395 banks

90/100 at DJSI



- ING named among world leaders in its category

We are well-placed to generate profitable growth

Restructured to a pure bank ✓

- Insurance divestments completed
- Fully repaid the Dutch State on 7 November 2014
- Included in banking indices



Think Forward, Act Now (March 2014)

Restructure to a pure bank Ongoing	Accelerate 2014-2015	Unlock full potential 2016 onwards
<ul style="list-style-type: none"> • Complete Insurance divestments • Repay the Dutch State • Relentless customer focus 	<ul style="list-style-type: none"> • Increase primary relationships • Upgrade analytical skills • Increase pace of innovation • Deliver current cost savings programmes • Invest to expand lending capabilities 	<ul style="list-style-type: none"> • Increase cross-buy • Deliver next wave of IT savings • Expand lending and NIM • Leverage our European franchise when Banking Union is in place
<ul style="list-style-type: none"> • Start cost savings programmes 	<ul style="list-style-type: none"> • Reduce bureaucracy • Appoint new Chief Operating Officer and Chief Innovation Officer 	

Accelerating Think Forward →

- Move to Omnichannel in all markets
- 14 mln primary customers by 2020 and increase cross-buy
- Invest EUR 800 mln in digital banking to improve customer experience and generate EUR 900 mln of annual cost savings by 2021
- Sustainable growth in Industry Lending
- Implement instant lending platforms for SME/Consumer Lending in all countries
- Standardisation to support further convergence

Implemented Think Forward strategy ✓

- 1.4 mln new primary relationships since 2013
- New innovations launched every quarter
- EUR 56 bln of new core lending since 2013
- Chief Operations Officer and Chief Innovation Officer appointed

Ambition 2020 - Financial Targets

		Ambition 2017 - Bank	Ambition 2020 – Group*
Capital	• CET1 ratio (%)	> 10%	> Prevailing fully-loaded requirements**
	• Leverage ratio (%)	~ 4%	> 4%
Profitability	• Underlying C/I ratio (%)	50-53%	50-52%
	• Underlying ROE (%) (IFRS-EU Equity)	10-13%	Awaiting regulatory clarity
Dividend	• Dividend (per share)	Pay-out > 40%	Progressive dividend over time; > EUR 0.65 per share

* Ambition 2020 financial targets based on assumption of low-for-longer interest rate environment in the Eurozone

** Currently 12.5%

Digitalisation is accelerating

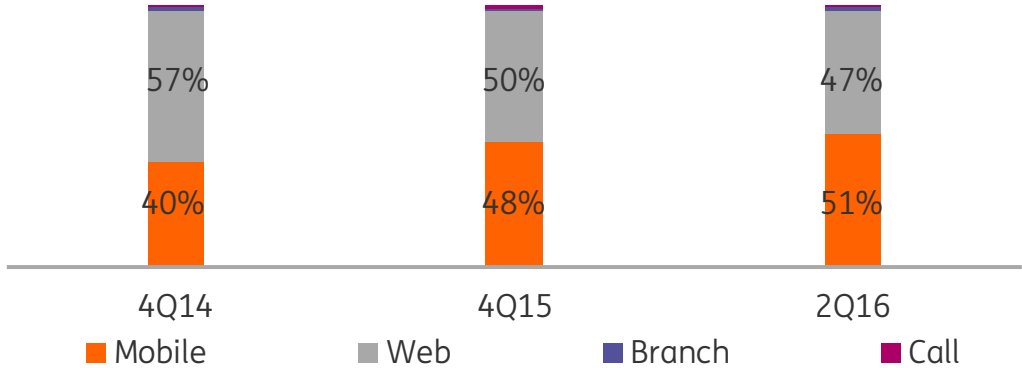
Trends in the banking landscape continue to evolve



Technology and digitalisation trends are moving even faster...

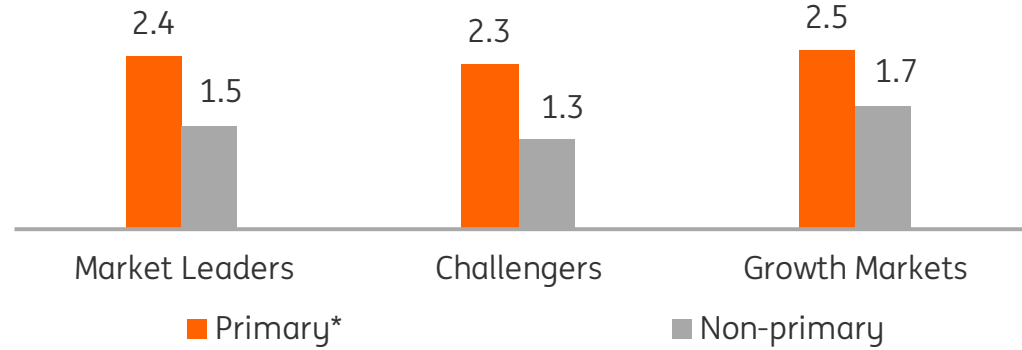
Share of mobile contacts growing fast

Based on all ING retail contacts per channel



Cross-buy substantially higher for primary customers*

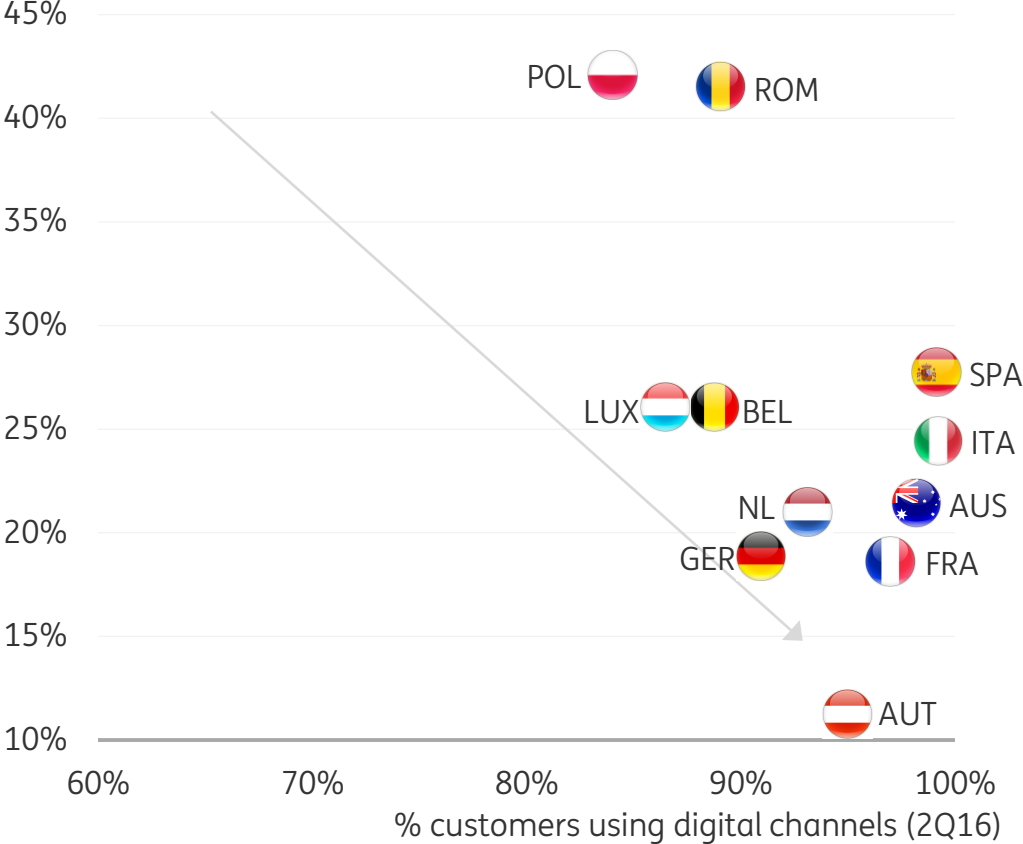
Average number of products per active customer



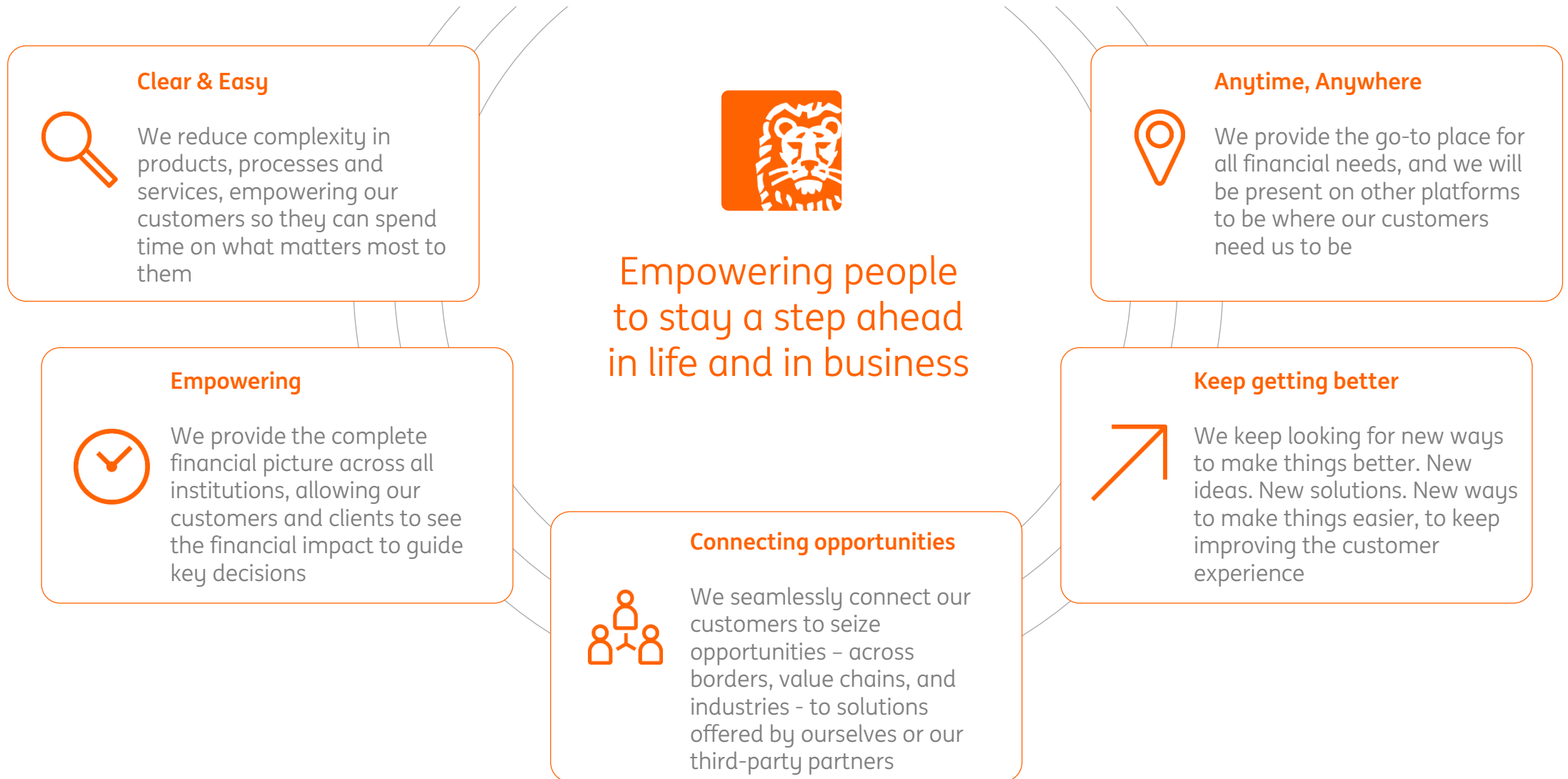
* Defined as customers with active payment account and recurring income

Use of digital channels is consistent across our markets

% customers using assisted channels (2Q16)



...so we are creating an ecosystem that extends beyond banking...



...and will be part of the platforms of others

Being there where our customers are so they do not need to spend time looking for our solutions



But we need to accelerate on our path to convergence

The winners we see in banking share key attributes...



Own the customer interaction

The primary relationship will be all about contact frequency



Frictionless and personal digital experience

The bar is being set by players outside of the financial industry



Connecting value chains

Leveraging data across value chains to provide true insight



Open platforms

Connecting buyers and sellers, including third-party product offerings

...but we need to get closer to our desired end-state

ING has important strengths:

- Strong brand
- Pan-European presence
- Digital leadership
- High customer satisfaction

But the challenge is to reduce:

- Diversity of banking models
- Multiple banking interfaces
- Variety of customer experiences



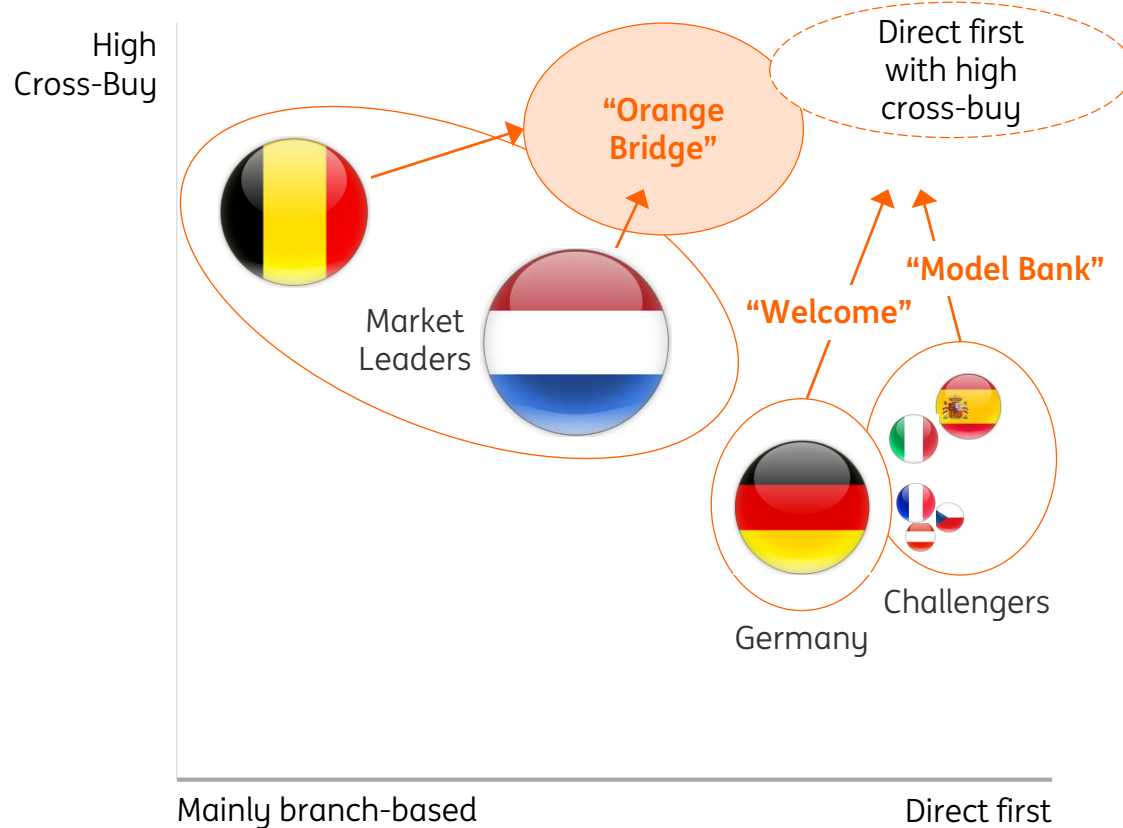
ING receives 2016 award for best digital bank of Western Europe

(Euromoney)

Convergence and standardisation

ING will invest EUR 800 mln in digital transformation to 2021

Converging and optimising operating models...



Bubble size = ING retail client balances as of 2015
 Cross-buy = average # of products per active customer
 All projects described are proposed intentions of ING. No formal decisions will be taken until the information and consultation with the Work Councils have been properly finalised
 Subject to regulatory approval

...with a significant investment in digital



EUR 800 mln to be invested in our digital transformation from 2016 to 2021



This investment will allow us to build a **scalable platform** to cater for continued customer growth and **an improved customer experience** as we deliver new products quicker

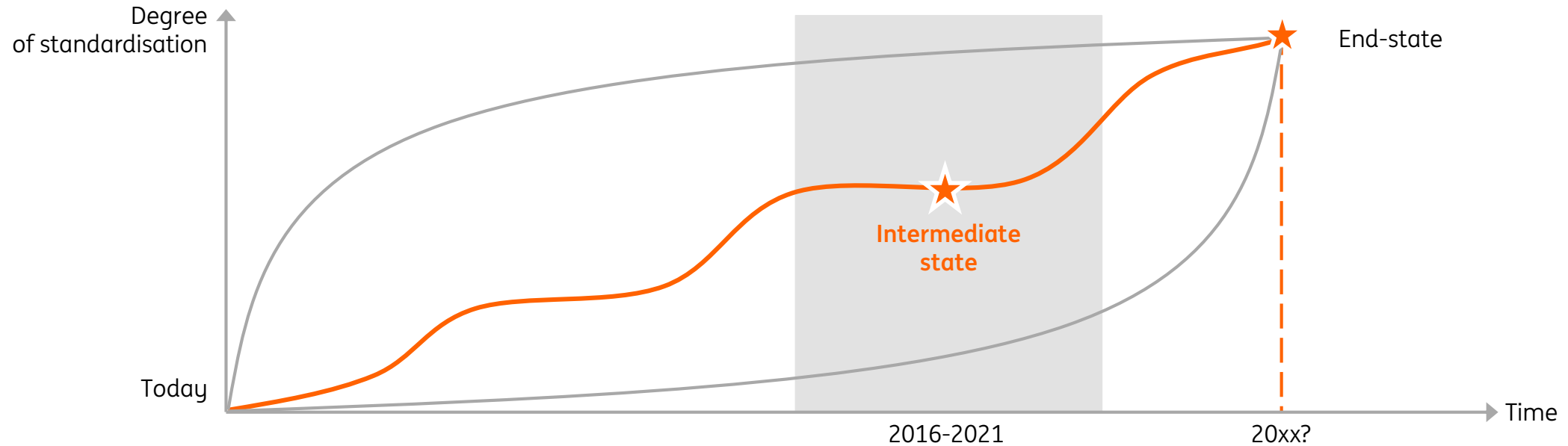


We will continue to **grow our client franchise** and **diversify our income** through a range of fee initiatives



Gross cost savings of EUR 900 mln by 2021. We will take a **restructuring provision of approx. EUR 1.1 bln** of which approx. EUR 1.0 bln in 4Q16; **around 7,000 FTEs impacted**

We have defined a pragmatic approach for convergence...



- We strongly believe in **converging towards one single model** (our desired **end-state**) to provide the best client experience in all of our countries
- However, implementation through one large programme would lead to high operational risks and significant up-front costs
- This is why **we have defined our intermediate state** (2016-2021) where we will **converge by cluster**, developing harmonised business models and shared operating models

...and 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

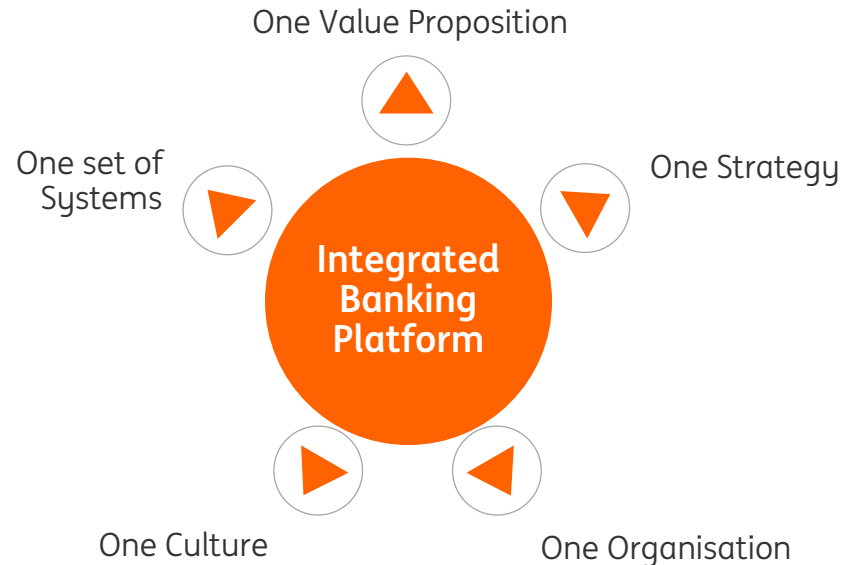
Bank-wide Shared Services

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

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1 We intend to create an integrated banking platform in Belgium and the Netherlands...

One integrated bank to serve > 11 mln customers...



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

...providing a best-in-class customer experience

All of 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 queries without handovers
- Retain branch access, with staff fully focused on advice
- Experience multi-language online capabilities

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...to deliver a better customer experience at lower cost

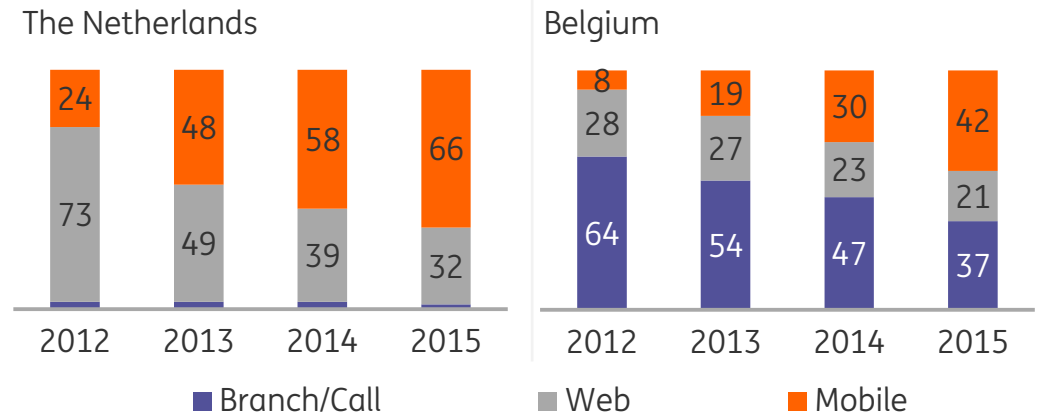
Belgium is ready for the next transformation...

Customer behaviour	<ul style="list-style-type: none"> Shift in customer behaviour towards digital
IT lifecycle management	<ul style="list-style-type: none"> Important IT components are at end-of-lifecycle
Sub-optimal distribution network	<ul style="list-style-type: none"> Two brands (ING & Record Bank) in market with excess capacity and too many small branches



...and needs to invest in a digital Omnichannel bank

...as we adapt to changing customer interactions (in %)



Netherlands is successfully building a real-time digital Omnichannel bank

ING Bank + Postbank

Cost efficiencies

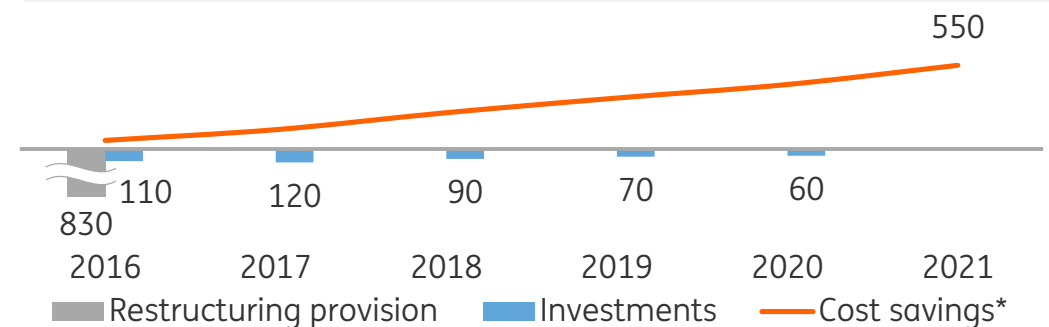
Agile + Omnichannel



...but needs to strengthen cross-buy and advice capabilities

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

Orange Bridge expected to deliver substantial cost savings by 2021 (in EUR mln)



2 Standardised banking platform for the Challengers

What is Model Bank?

Model Bank

One Retail Strategy

Harmonised Retail Proposition

Shared Delivery Organisation



Spain



Italy



France



Czech
Republic



Austria



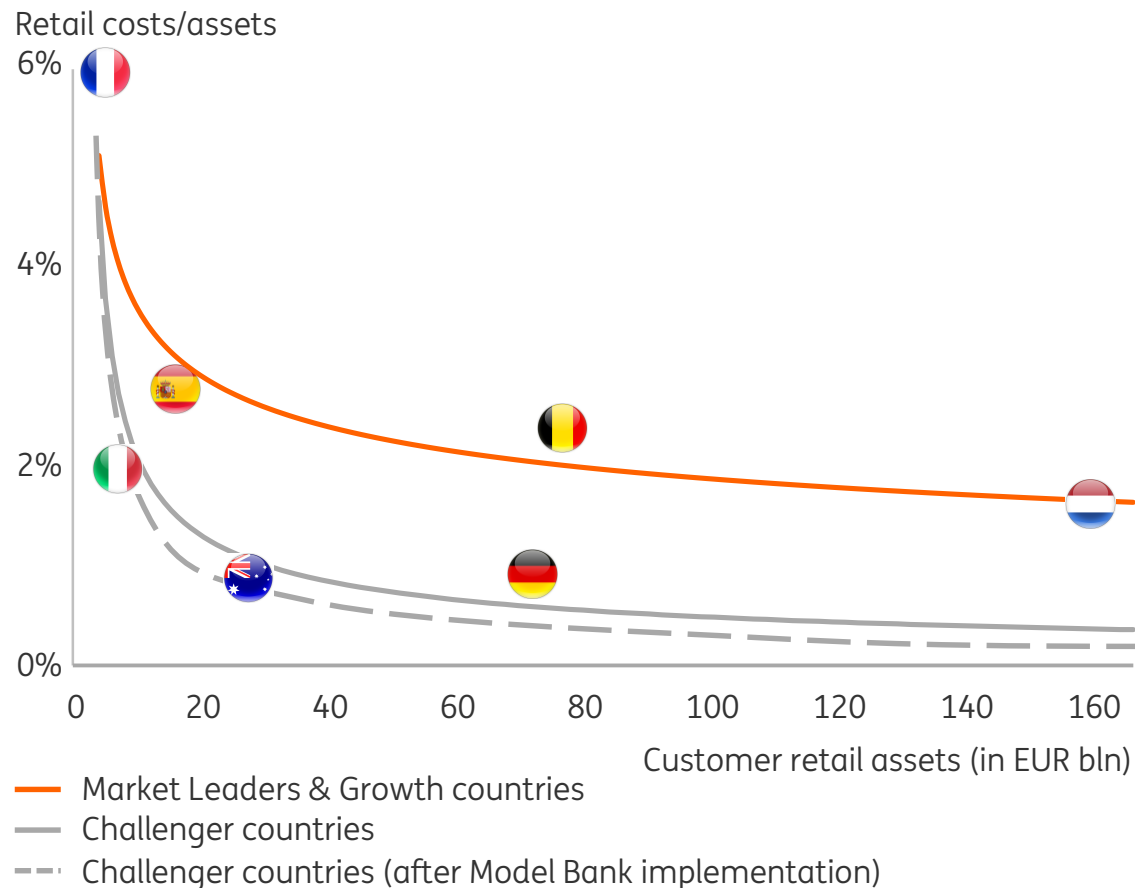
What will Model Bank deliver?

- **A harmonised Retail strategy and capabilities**, fully focused on increasing customer interaction, improving customer satisfaction and increasing sales while allowing for local business management
- **A scalable platform for initially 5 countries**, which can be extended to additional countries, products and services in the future
- **An agile, central IT shared service centre** that can develop, maintain and run all needed digital requirements going forward
- **A high level of standardisation and centralisation across systems, processes, data and way of working** aligned with Enterprise Architecture, Global Process Management, Global Data Management and Bank Infrastructure

2 Our Challenger model allows us to reach scale at smaller size

Cost benefits of realising scale are evident for our retail entities

Cost efficiency curve for ING retail entities (2012 - 2015)



Source: SNL Database, McKinsey, ING

Model Bank offers better platform for our customers...

- All countries will have access to the product engines and tools developed in the platform
- This will lead to a shorter time-to-market and increased income

Products

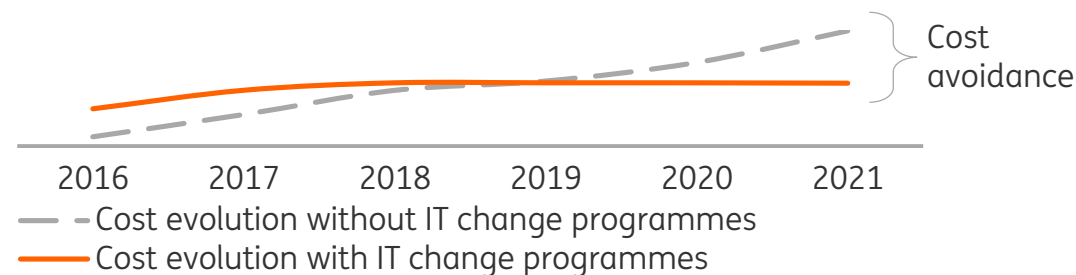
- Current accounts
- Savings
- Consumer/SME lending
- Investment products
- Mortgages

Tools

- PFM "digital coach"
- Customer analytics
- Cross-sell campaigns
- Simulators

...at a lower cost by leveraging scale

- By sharing Genoma (Spain) and other core banking systems across countries, we will avoid having to make further purely local investments



3 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

The diagram shows 'Operational Efficiency' at the center, with four surrounding boxes: 'Standardisation' (top), 'Automation 100% straight through' (right), 'Increasing Self Service' (bottom), and 'Call Volume Reduction' (left). A central diamond icon contains a right-pointing arrow and the word 'Process'.

- Digitisation of existing processes
- Further invest in operational efficiency
- Drive forward scalability

Technical Enablers

The diagram features a central circle with a handshake icon at the top, the text 'ING TOUCHPOINT ARCHITECTURE' on the left, and 'WELCOME' on the right. Below the circle are icons representing a document, a key, a double-headed arrow, a person, and a checkmark.

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

Innovations

(“Wow” the customer)

The diagram shows a sequence of three mobile phones connected by arrows. The first phone shows a document icon and a '1'. The second phone shows a user profile and a '2'. The third phone shows a 'Success!' message with a green checkmark and a '3'.

- Invest in customer experience
- Focus on mobile first
- Drive forward Omnichannel approach

4 WB is continuing the TOM journey to deliver one model

WB TOM* is our overarching transformation programme...



Simplification

- Creating **InsideBusiness**, ING's **digital** platform empowering clients to do business throughout the network
- And enabling **front-to-back process improvement initiatives**; helping our clients and ensuring internal consistency



Innovation

- **Decommissioning legacy** systems and migrating to **Global Services & Operations (GSOs)**

...aiming to provide clients a multi-country, multi-product, multi-device offering...



Multi-Country

International reach, multiple languages and support

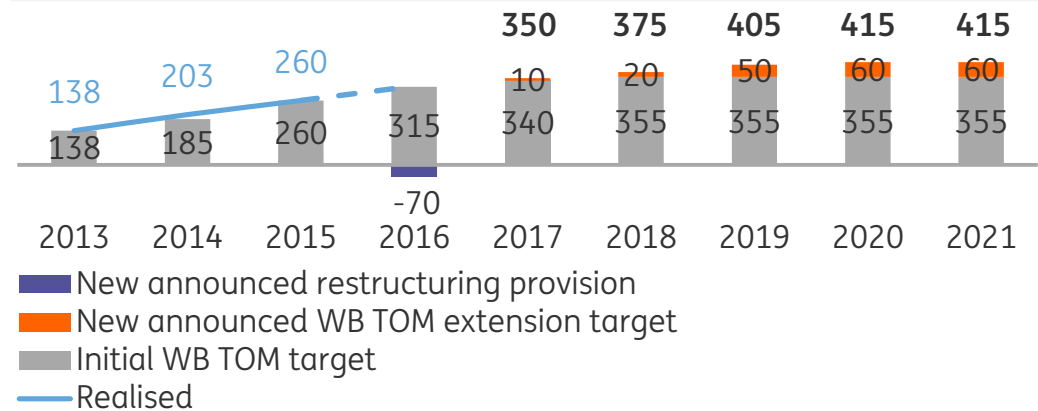


Multi-Product

Online client interactions in an integrated platform

* TOM = Target Operating Model

...which drives further cost savings by 2021 (in EUR mln)



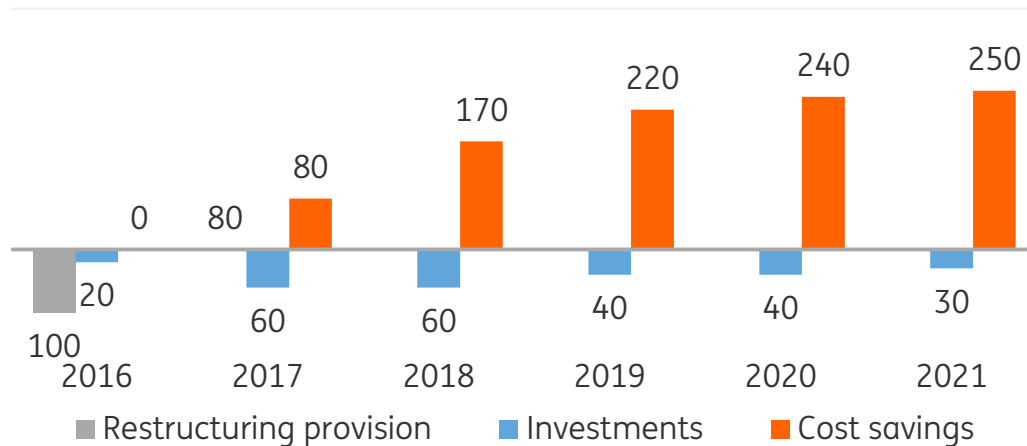
Multi-Device

Platform accessible via web and app

Support Function TOMs lay the foundation for convergence



Estimated financial impact of streamlining and standardisation (in EUR mln)



<p>95% of core data in standard terms</p>	<p>80% of globally scalable components available across countries</p>	<p>10x faster deployment time: from days to minutes</p>
<p>50% faster delivery times</p>	<p>4 centres offering 24/7 IT & OPS support</p>	<p>20-25% efficiency improvement</p>

* TOM = Target Operating Model

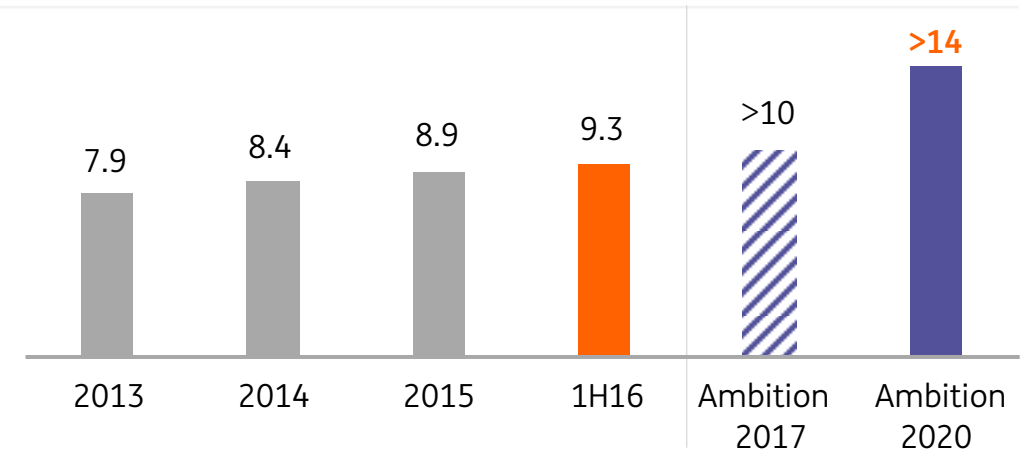
Maintaining our business momentum

Our focus on primary customer relationships drives value



Primary customers generate 2.5x more value...	...are 8x more loyal...
...have 2x more cross-buy...	...and increase their value by 3x during their first years at ING

Targeting > 14 mln primary customers by 2020 (in mln)



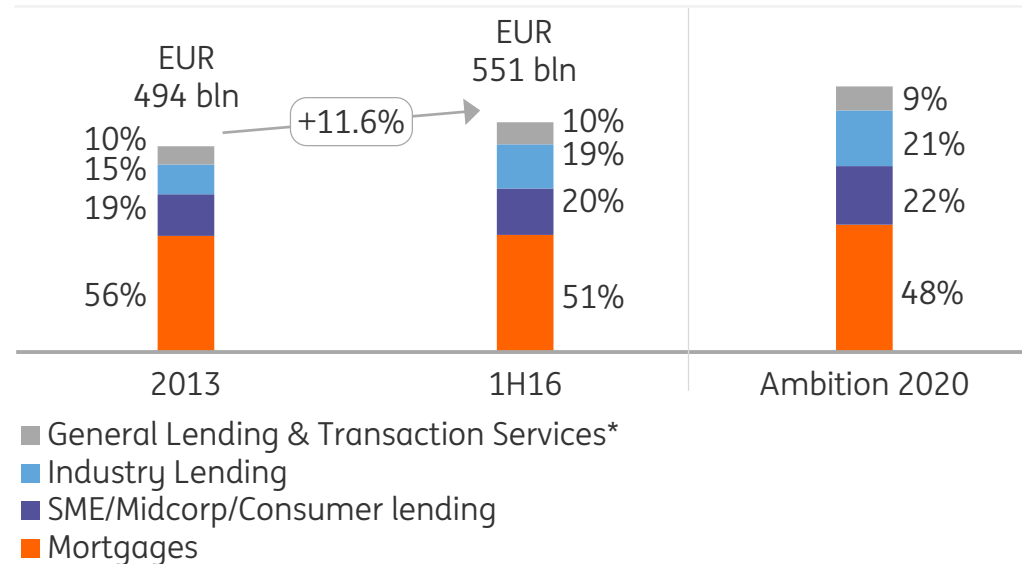
Source: ING client data over 2013-2015 from 2 C&G countries and 1 Market Leader (N=5 mln clients)

Bank-wide initiatives will drive fee income and asset growth

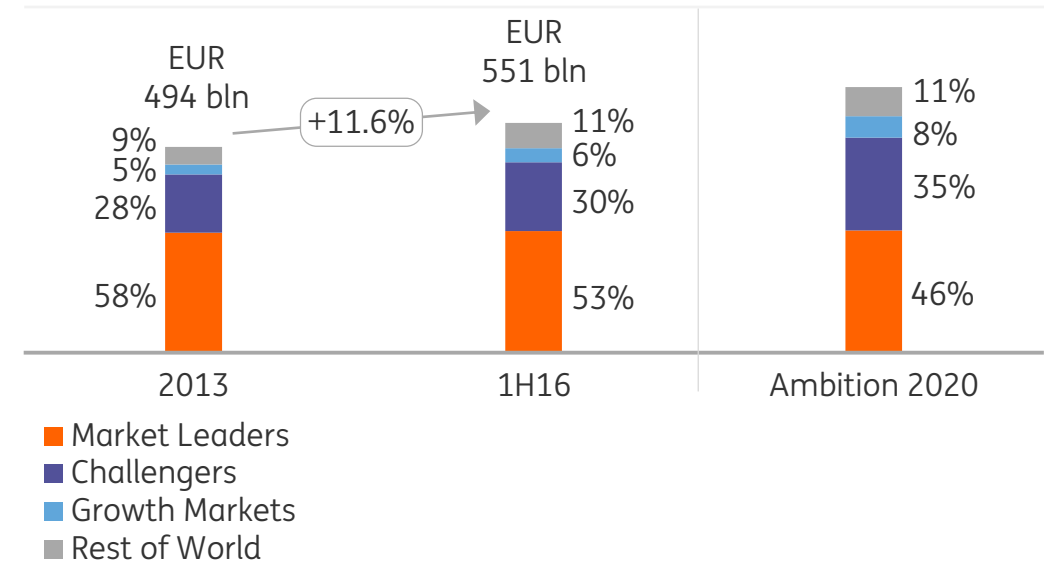
Distribution model	<ul style="list-style-type: none">• Higher conversion of mobile traffic to increase cross-buy
Asset growth / re-pricing	<ul style="list-style-type: none">• Wholesale Banking growth in General and Industry Lending• Acceleration of Consumer Lending• Volume and margin growth for SME/MidCorp
Liability costs	<ul style="list-style-type: none">• Retail savings rates decline on falling market rates• Further implementation of negative rates for corporate clients
Fee products	<ul style="list-style-type: none">• Offer more investment products, e.g. via Robo advice• Insurance distribution linked to lending and stand-alone via mobile• Increasing Financial Markets cross-sell with Debt Capital Markets
Payment fees	<ul style="list-style-type: none">• Selectively increase lending and payment fees to corporate clients• Review of daily banking fees across our different markets
New sources	<ul style="list-style-type: none">• E.g. referral of loans to third parties, comparison engines, attracting third parties to our platforms

We also continue growth in higher margin lending

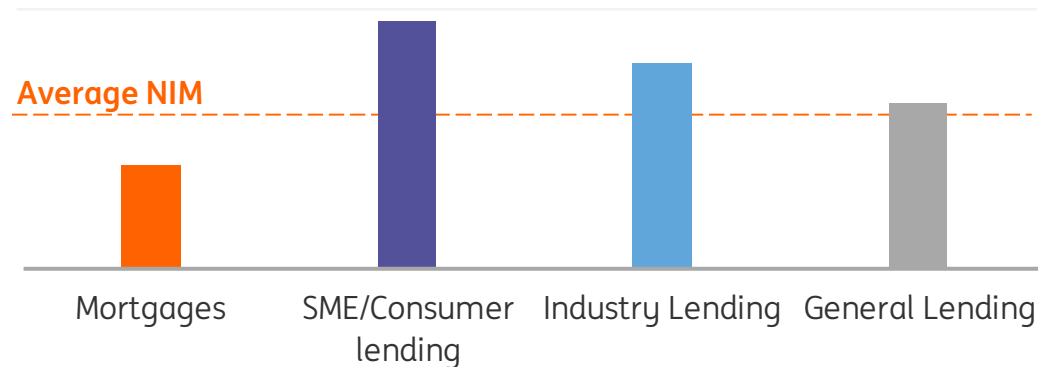
Concentration in mortgages steadily reducing



More diversified lending mix by geography



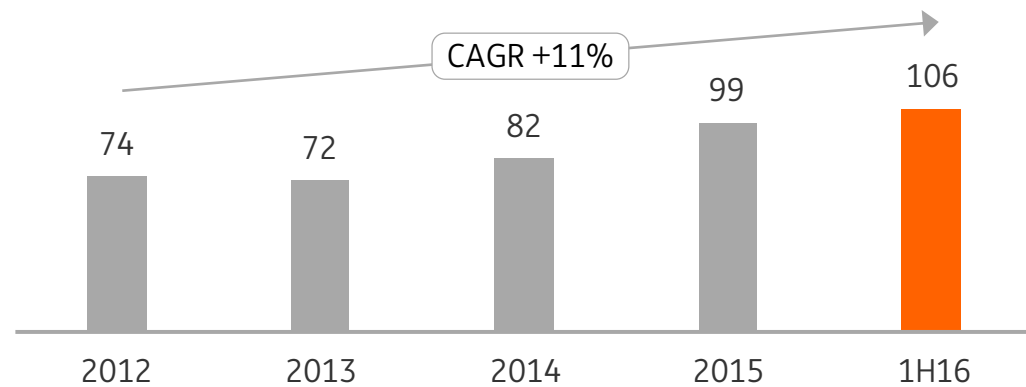
Focus on relatively higher margin products



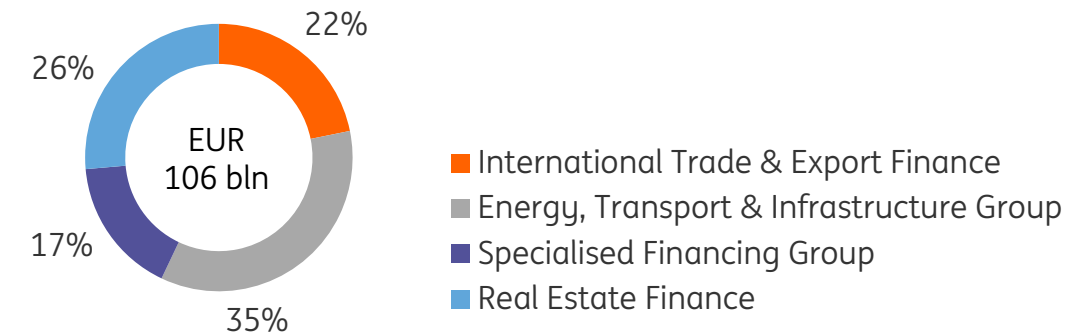
* General Lending & Transaction Services includes Other WB lending

Industry Lending, a strong engine for profitable growth

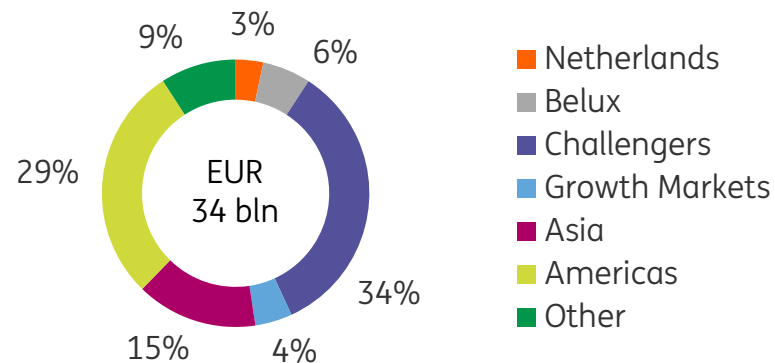
Lending growth in Industry Lending (in EUR bln)



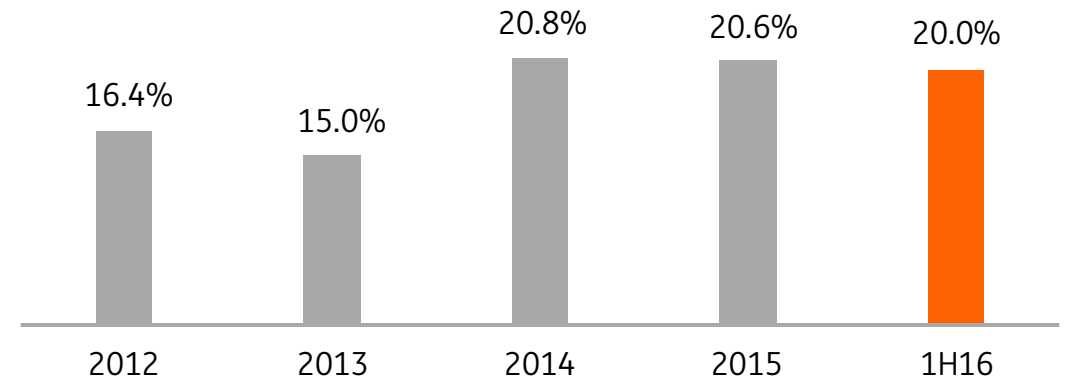
Industry Lending by segment (customer lending 1H16)



Industry Lending growth by region since end-2013



Return on Equity*

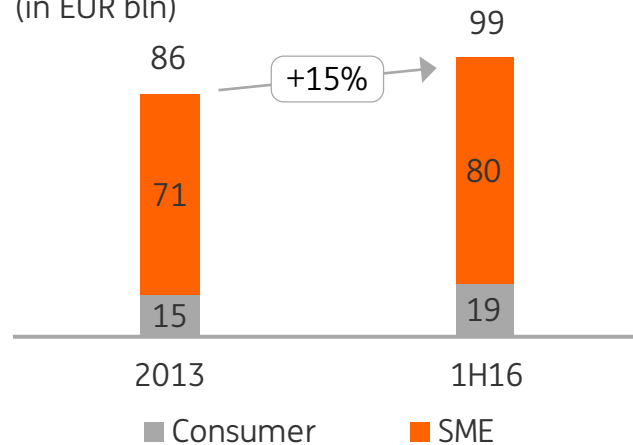


* Based on 10% of RWA

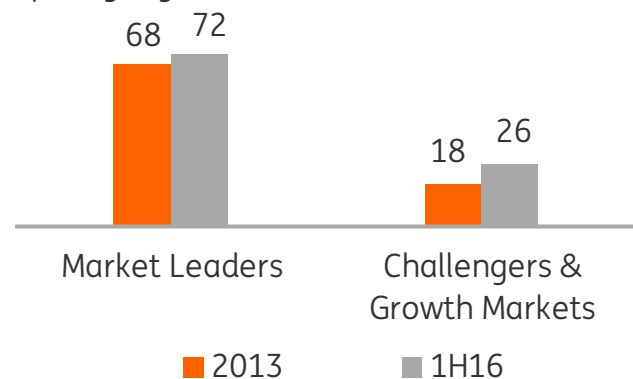
Consumer and SME Lending are making good progress

Growth is broad-based...

Split of Consumer & SME Lending
(in EUR bln)

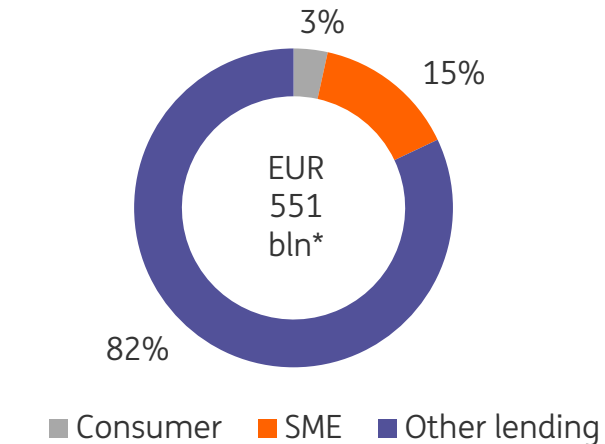


Split by region (in EUR bln)



* Total customer lending as of 30 June 2016

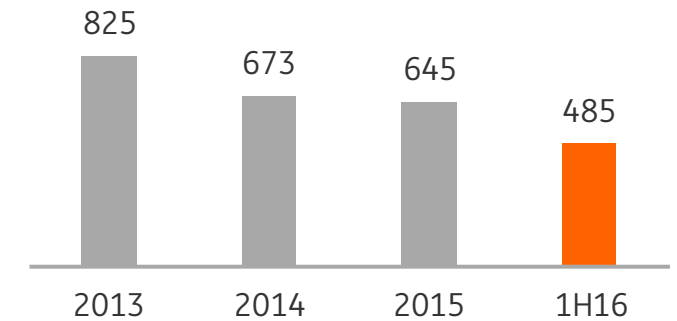
...while SME/Consumer is still fairly small compared to overall book...



- Significant portfolio growth in spite of very low growth environment
- Still developing new markets and new propositions to accelerate growth
- Digital focus for future growth within Consumer & SME lending

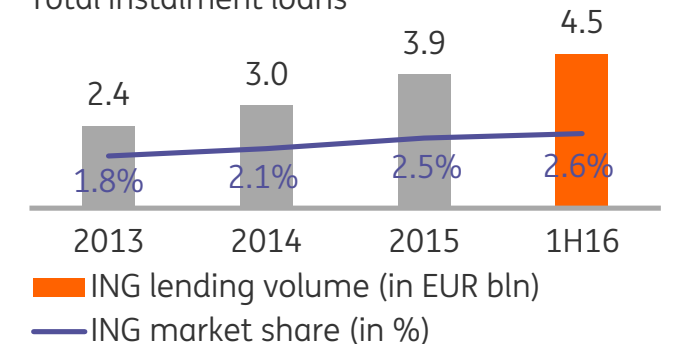
...and risk costs remain well within our appetite

Consumer & SME lending risk costs
(in EUR mln)



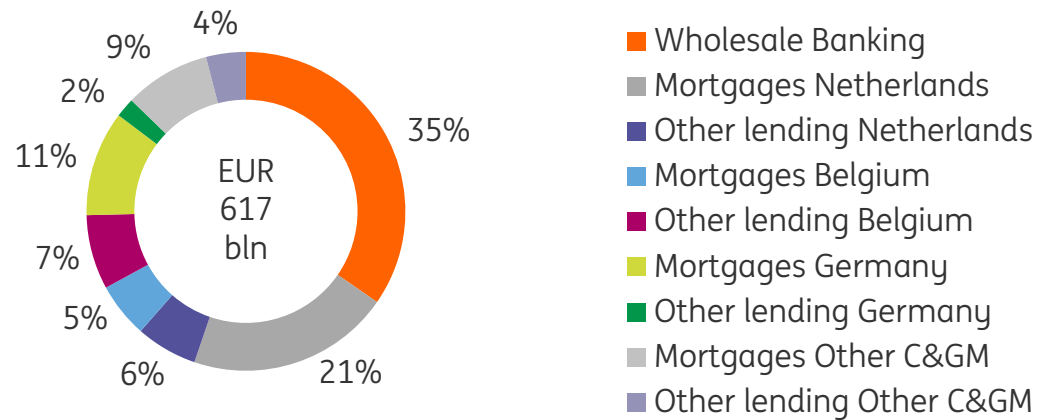
Consumer lending growth – case study Germany

Total instalment loans

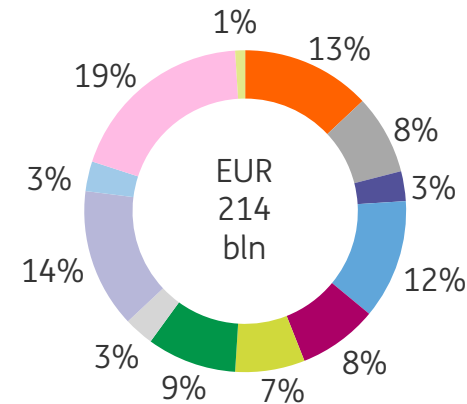


Diversified lending policy is reflected in manageable risk costs

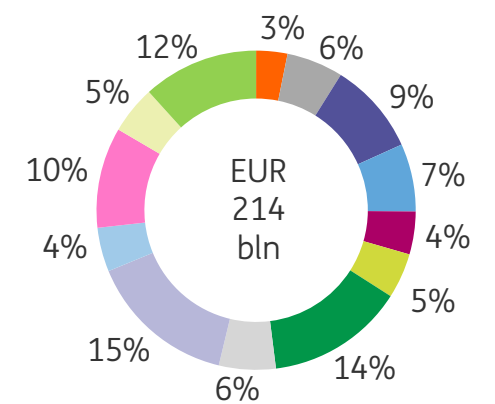
Lending credit outstandings as of 1H16



Wholesale Banking split by region as of 1H16*

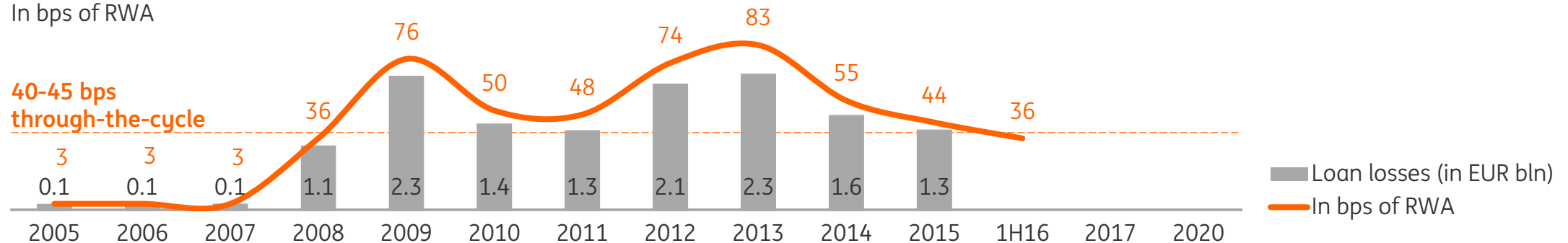


Wholesale Banking split by sector as of 1H16*



Risk costs to stay around the through-the-cycle average

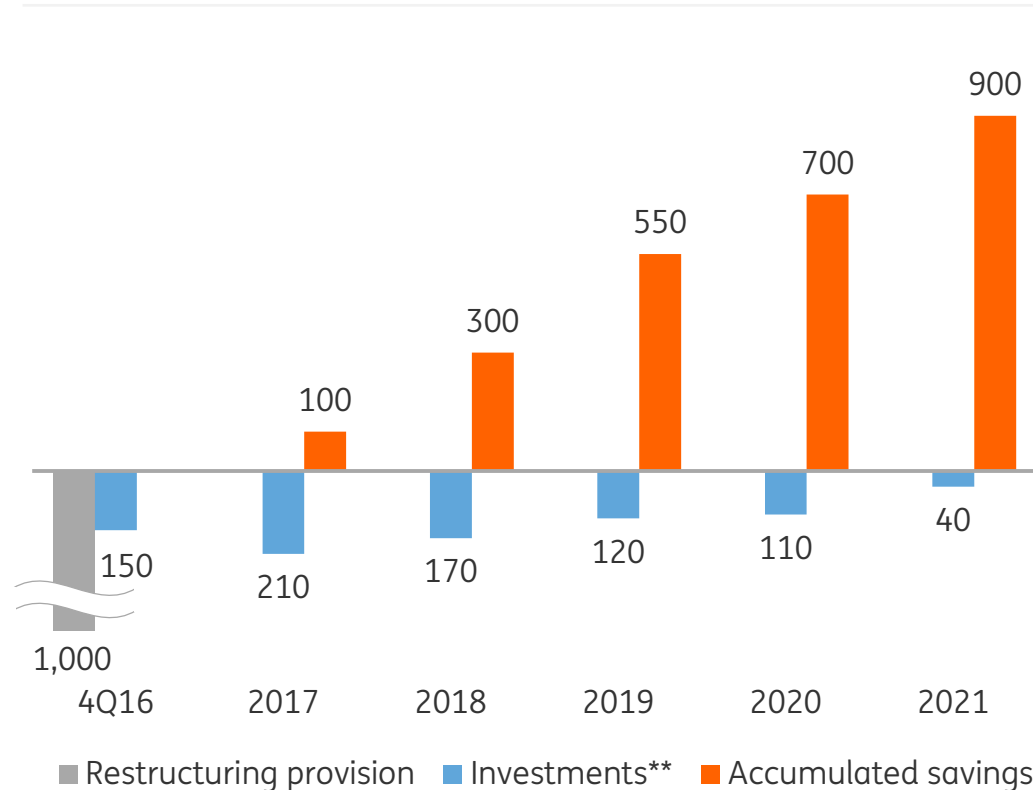
In bps of RWA



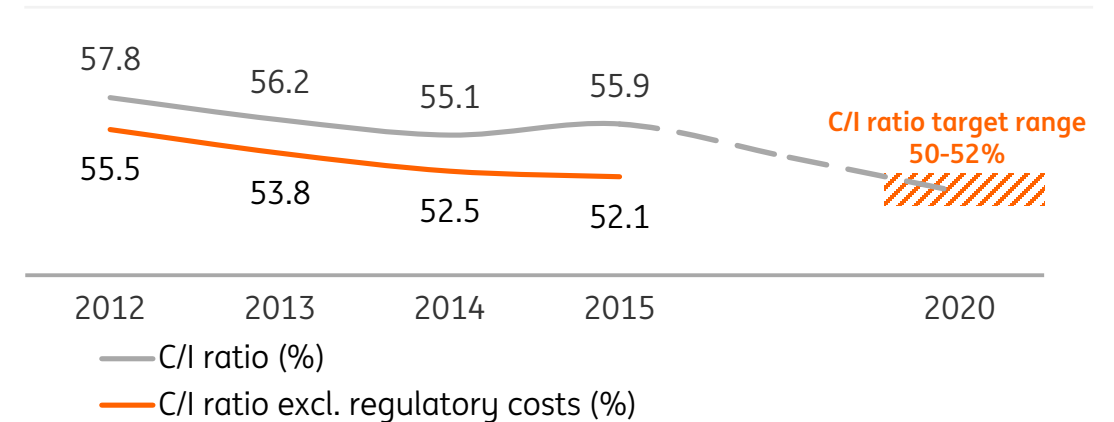
* For more detailed description of WB lending portfolios, please see ING Group 2Q16 Analyst Presentation, slide 31

Digital transformation will bring further efficiency gains

Estimated impact of digital transformation programmes*
(in EUR mln)



C/I ratio to steadily fall towards 50-52% by 2020***



- We intend to invest c. EUR 800 mln in digital capabilities
- Build scalable platform to facilitate customer growth
- Enhanced customer experience as we bring new products to market more quickly and efficiently
- These investments should deliver gross cost savings of EUR 900 mln by 2021 to achieve 50-52% cost/income ratio
- We will take a restructuring provision of approx. EUR 1.1 bln of which approx. EUR 1.0 bln in 4Q16; around 7,000 FTEs impacted

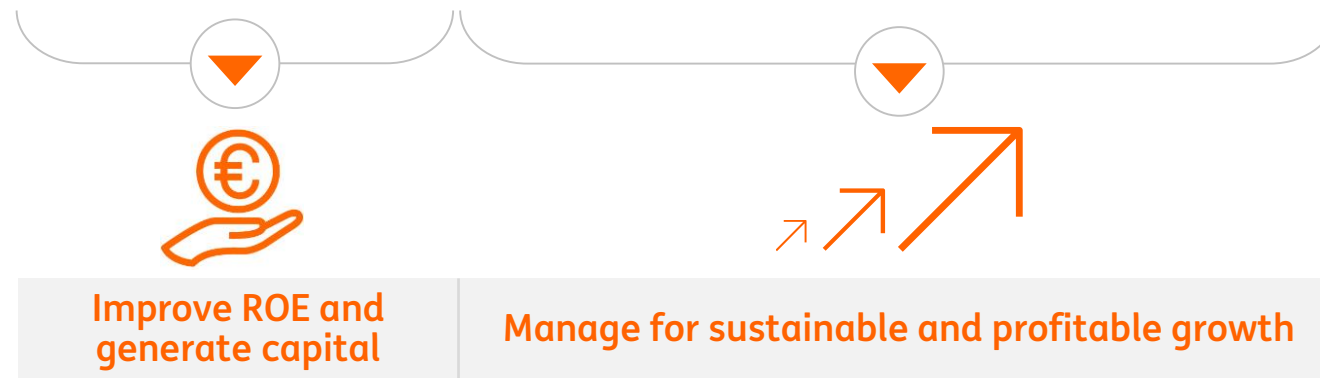
* Figures do not match sum of programmes shown on previous slide due to rounding and small impact from Model Bank and Germany; ** Defined as incremental expenses from new announced programmes and includes project expenses, depreciation and amortisation of new IT assets, as well as impacts from impairments of legacy IT systems. Approx. EUR 90 mln to be taken as a special item in 2016; *** Excluding CVA/DVA (all years) and disclosed redundancy provisions in 2013, 2014 and 4Q15

Ambition 2020

Roadmap from current market positions

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
C/I ratio	↓	↓	↓	50-52%
ROE	↑	↑	↑	Awaiting regulatory clarity



Ambition 2020 - Financial Targets

		Ambition 2017 - Bank	Ambition 2020 – Group*
Capital	• CET1 ratio (%)	> 10%	> Prevailing fully-loaded requirements**
	• Leverage ratio (%)	~ 4%	> 4%
Profitability	• Underlying C/I ratio (%)	50-53%	50-52%
	• Underlying ROE (%) (IFRS-EU Equity)	10-13%	Awaiting regulatory clarity
Dividend	• Dividend (per share)	Pay-out > 40%	Progressive dividend over time; > EUR 0.65 per share

* Ambition 2020 financial targets based on assumption of low-for-longer interest rate environment in the Eurozone

** Currently 12.5%

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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