



# Report of the Executive Board for 2016

Annual General Meeting - Accelerate

Ralph Hamers, CEO ING Group  
Amsterdam • 8 May 2017

thinkforward

ING 

# Think Forward: creating a differentiating customer experience

## ▶ 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

# 35.8 million customers in more than 40 countries (end 2016)

## Net Promoter Score (NPS)

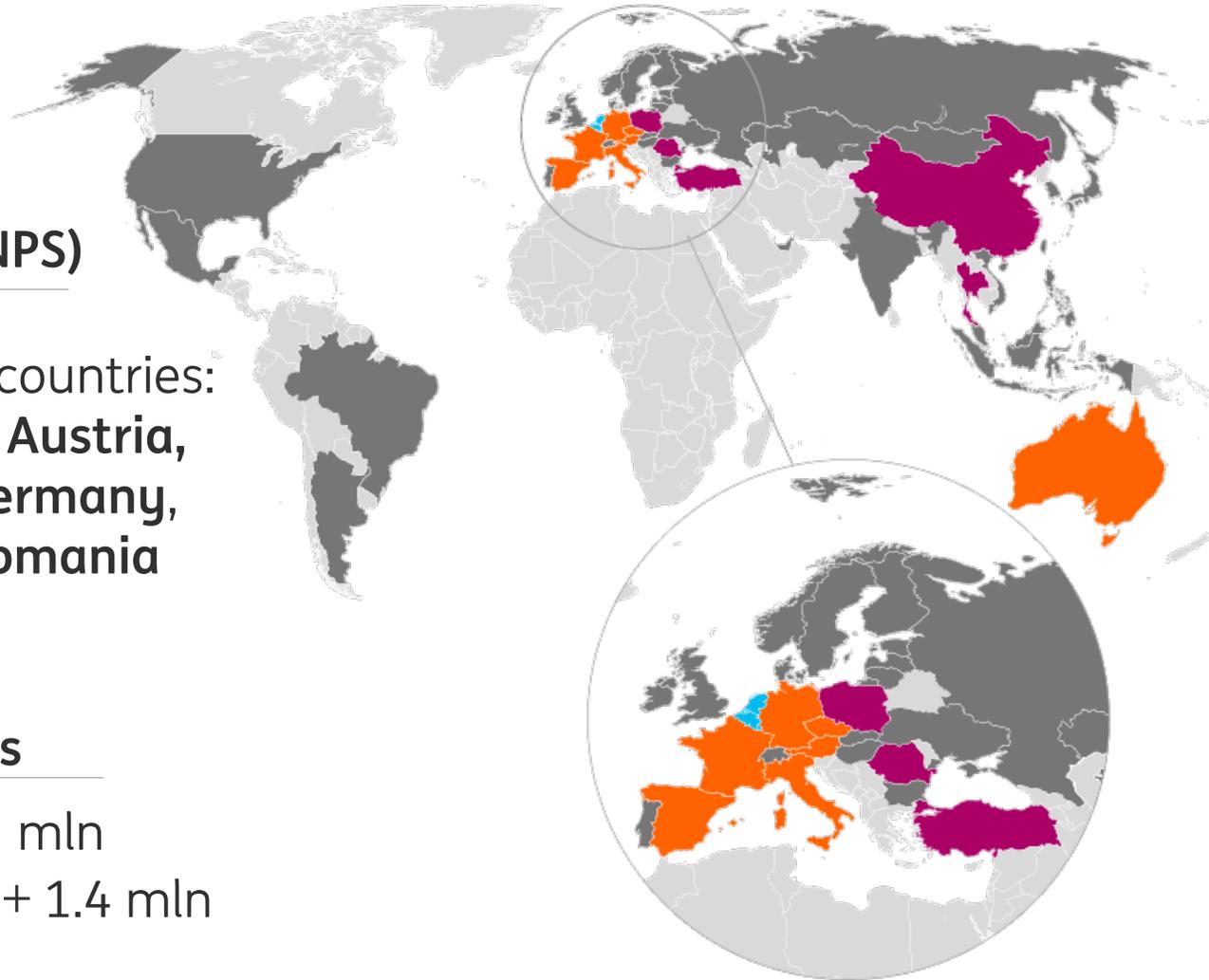


in 7 of 13 countries:  
**Australia, Austria,  
France, Germany,  
Poland, Romania  
and Spain**



## Customers

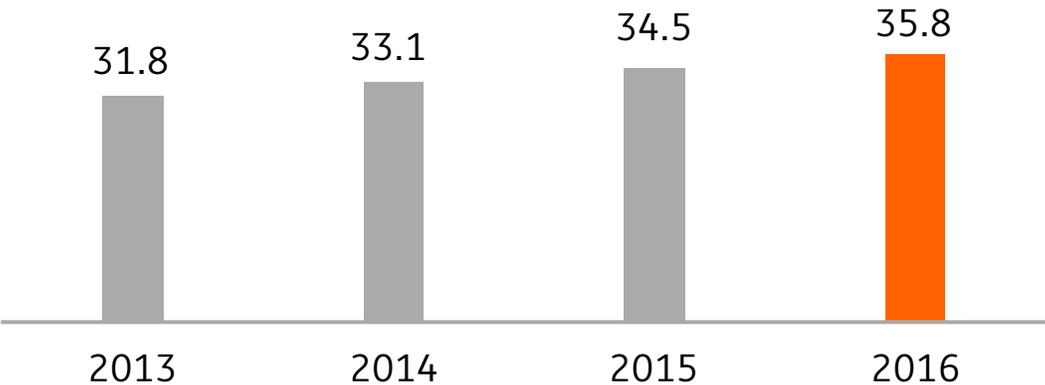
**35.8** mln  
+ 1.4 mln



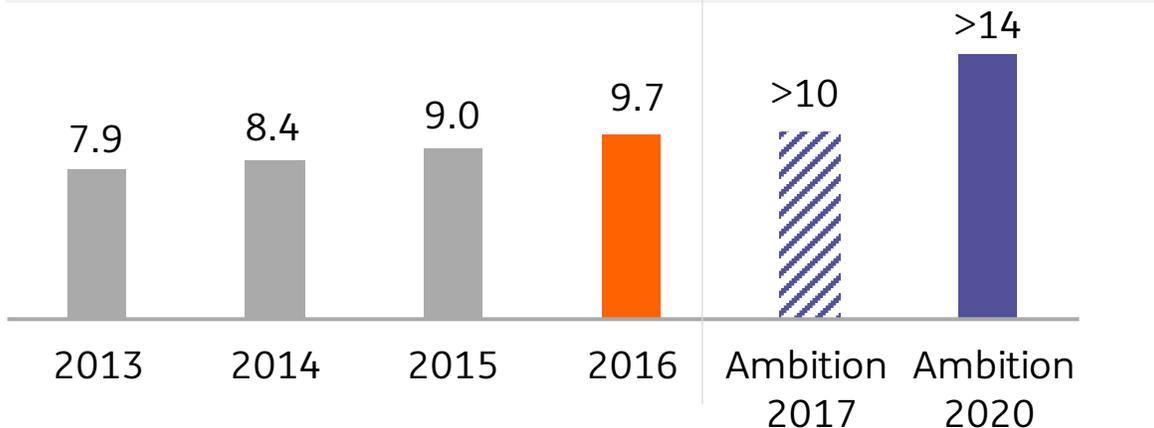
-  Market Leaders
-  Challengers
-  Growth Markets
-  Wholesale Banking activities only

# Our focus on primary customer relationships drives value

ING currently serves ~36 mln retail customers (in mln)



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



## ING Bank core lending

2016 net growth



EUR **+34.8** bln

## ING Bank customer deposits

2016 net growth

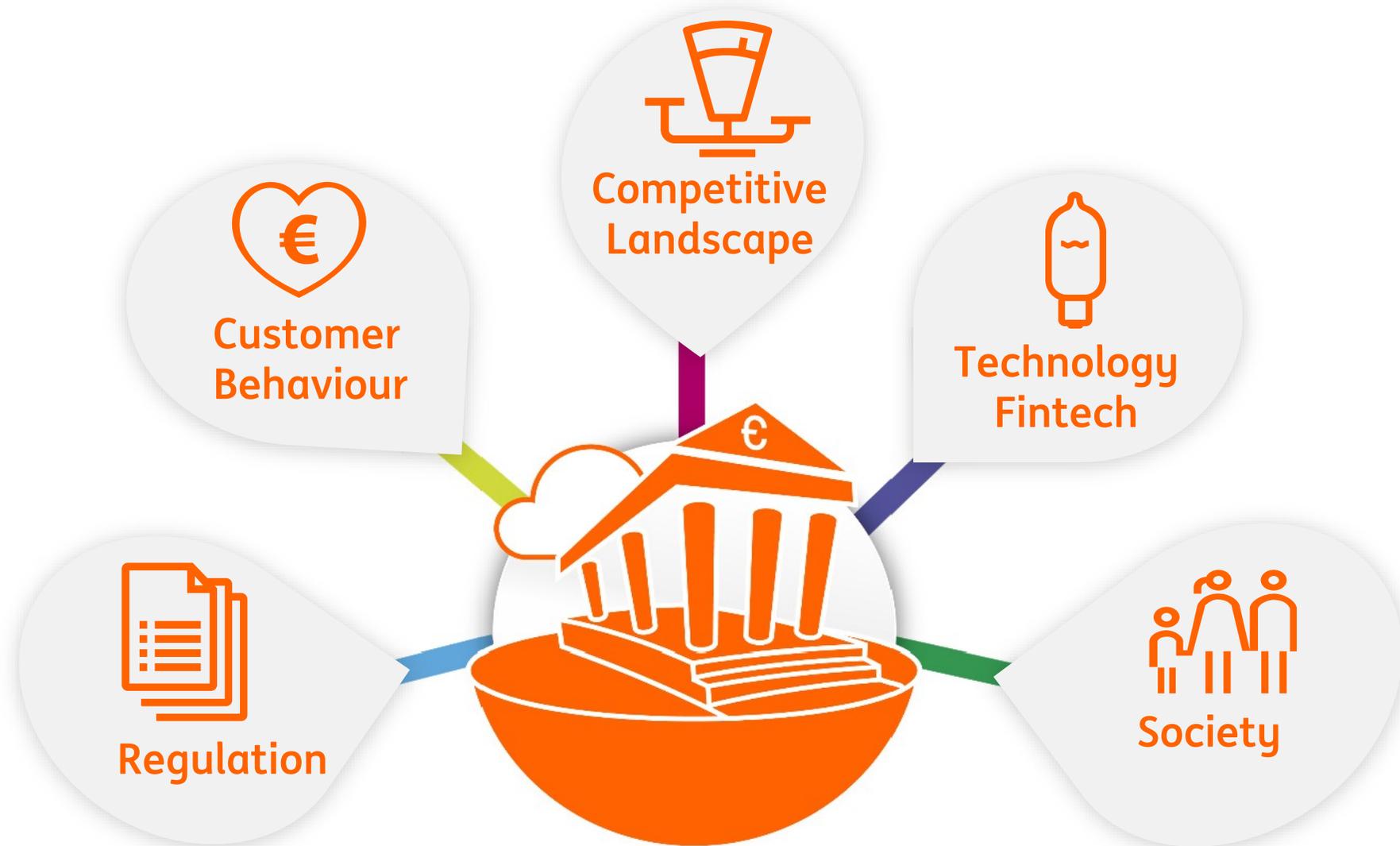


EUR **+28.5** bln

## Primary relationships



# Trends in the banking landscape continue to evolve



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



# ...and connected to the ecosystems of others



# Convergence and standardisation improves customer experience...

## Four major digital transformation programmes

“Orange Bridge”\*



- Integrated universal banking platform in Belgium and the Netherlands
- Reached an agreement on a Social Plan with trade union partners in Belgium

“Model Bank”



- Joint best-in-class digital platform and expansion of product capabilities
- Strategy and scope of first release agreed between countries
  - Established project team in Spain

“Welcome”



- In Germany, delivery of new omnichannel digital capabilities
- Introduced Multibanking App
  - First processes digitized

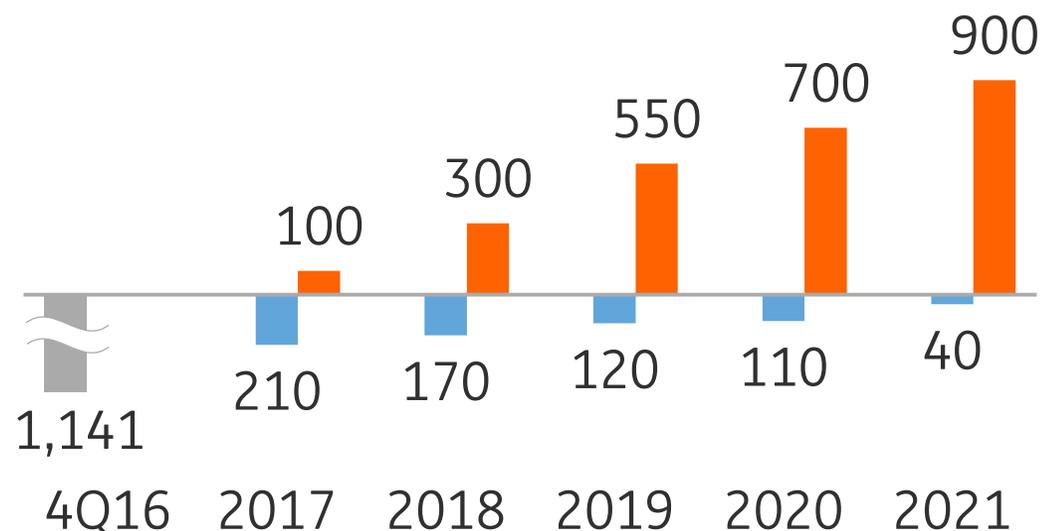
“WTOM”

- Single global platform for Wholesale
- Further roll-out of InsideBusiness, increased use of Global Services & Operations

\*Initiatives have been submitted to the relevant regulatory authorities and are under review.

## ...and brings further efficiency gains

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



- EUR 1,141 mln pre-tax restructuring provisions booked as special items in line with previous guidance
- Estimated annual gross cost savings of EUR 900 mln by 2021
- Around 7,000 jobs impacted

■ Restructuring Provision\*   ■ Investments\*\*   ■ Accumulated savings

All projects described are proposed intentions of ING. No formal decisions will be taken until the information and consultation phases with the Work Councils have been properly finalised

\* Special items pre-tax of EUR -1,141 mln (EUR -787 mln after tax), consisting of a pre-tax restructuring provision of EUR 1,032 mln and impairments on legacy IT systems and real estate of EUR 109 mln pre-tax. The remaining EUR 0.1 bln of restructuring provisions will be booked later as a special item

\*\* 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

# Our approach to innovation

## Customer experience



+ 25,000  
merchants



275,000  
registered  
users in Spain



+ 70% consumer  
loans in Romania  
+45% digital  
loans in Poland



Fourfold  
increase in users

## Culture



2,000  
professionals  
trained

7 Business Units  
trained



4 Bootcamps  
organised

~800 ideas  
submitted per  
annum

23 countries  
involved

## Connect



80 fintech  
partnerships

13 partnerships  
stopped in 2016



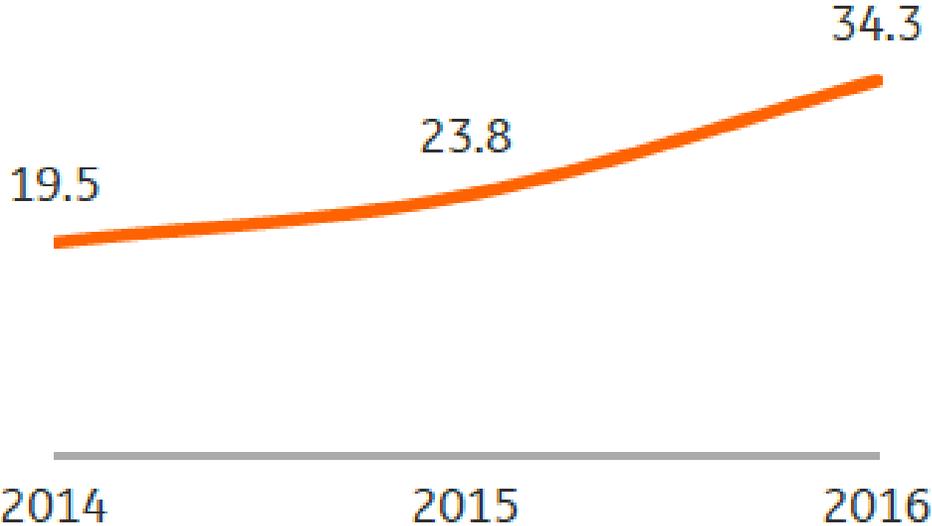
4 start-ups  
in incubation at  
Innovation Studio



2<sup>nd</sup> season FinTech  
Village launched in  
Belgium

# Sustainability is embedded throughout our business

## Sustainable Transitions Financed\* (in EUR bln)



## Recognition



- #1 out of 395 publicly listed banks



- Scored 90 out of 100 and ahead of industry average

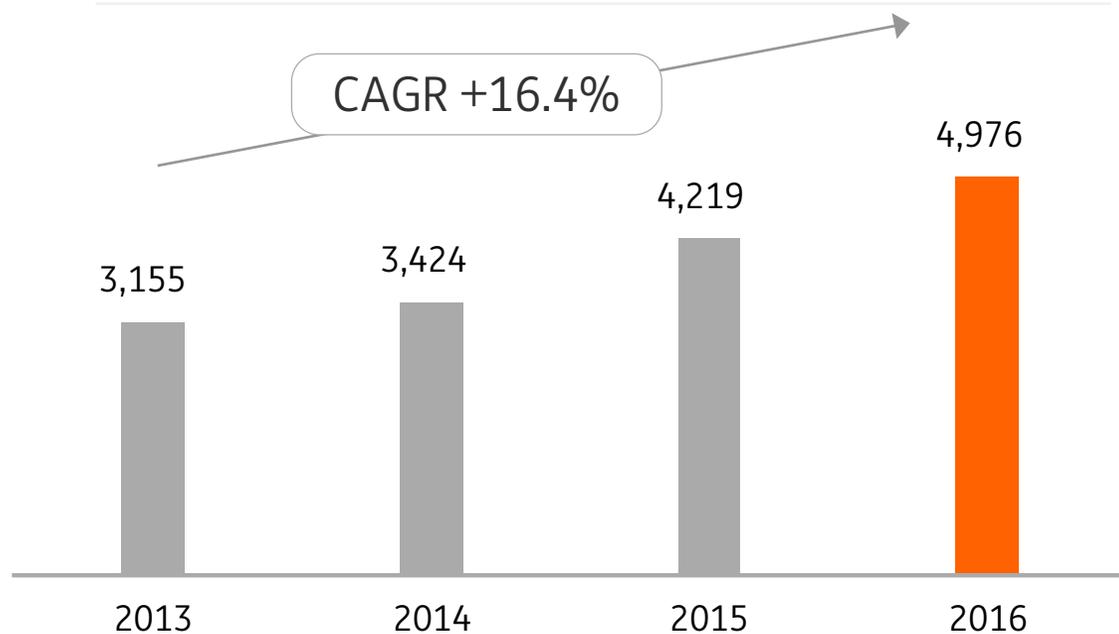


- Top 10% of 'A-list'

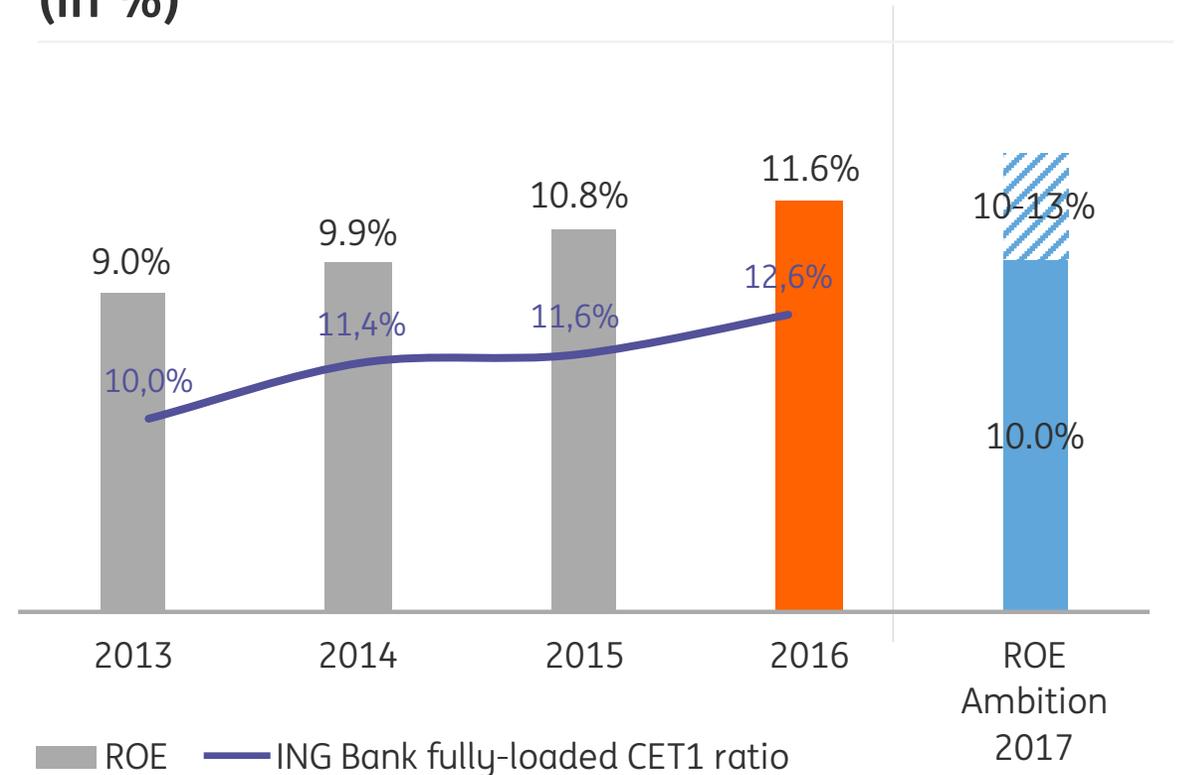
\* Sustainable transitions financed (STF): measures lending to clients who are environmental and/or social outperformers or financing of transactions for sustainable projects (i.e. renewable energy, low-carbon transport, social welfare).

# Think Forward strategy delivered strong results in 2016

Underlying net result ING Bank  
(in EUR mln)



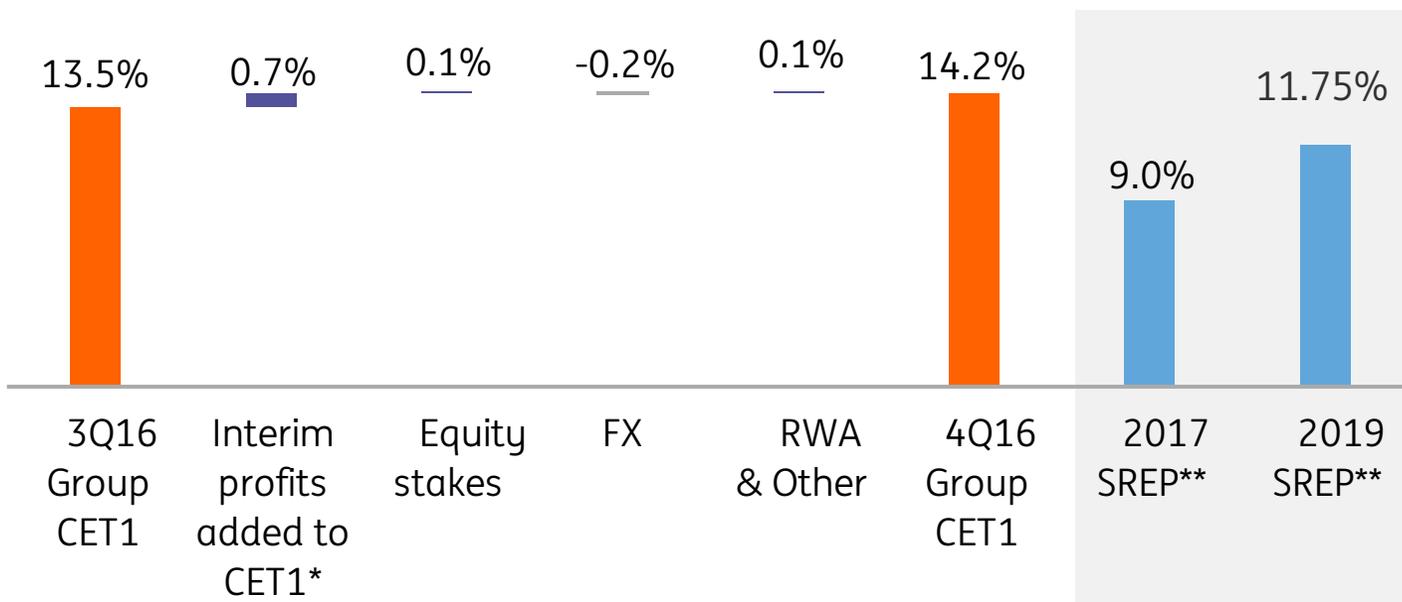
Underlying ROE ING Bank within target range  
(in %)



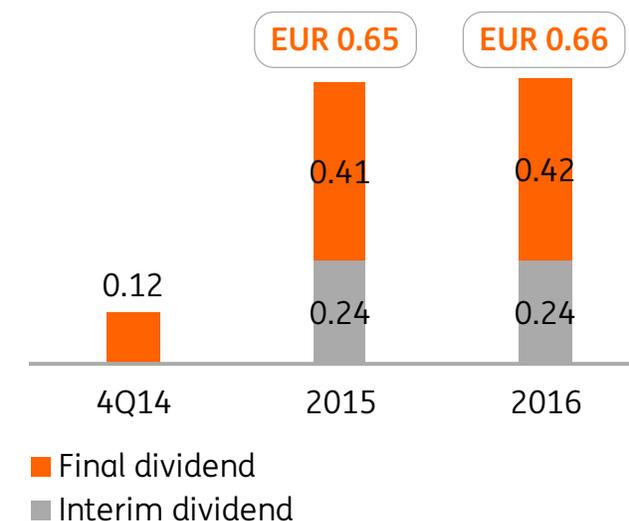
- Underlying net profit rose to EUR 4,976 mln, up 17.9% from 2015, notwithstanding headwinds from lower reinvestment yields
- ING Bank's underlying return on equity in 2016 improved to 11.6%, despite higher ING Bank CET1 capital

# ING Group CET1 ratio 14.2%; ING proposes EUR 0.66 dividend

## ING Group fully-loaded CET1 ratio development



We propose to pay a full-year dividend of EUR 0.66 per share



- ING Group's 4Q16 fully-loaded CET1 ratio rose to 14.2% mainly due to interim profits added to capital (excl. EUR 1,629 mln set aside for final dividend)
- ING's 2017 SREP (CET1) requirement has been reduced to 9.0% (including phased-in SRB) and is expected to be 11.75% fully-loaded by 2019, excluding Pillar 2 Guidance

- The full-year dividend proposal is EUR 0.66 per share which reflects regulatory uncertainty and growth opportunities

\* Group interim profits at end-3Q16 (EUR 2,970 mln) and 4Q16 Group net profit (EUR 750 mln) after deduction of proposed final dividend payment (EUR 1,629 mln) have been included in Group CET1 capital

\*\* Plus a comfortable management buffer (to include Pillar 2 Guidance)

# Ambition 2020 – ING Group Financial Targets

|                      |                                       | Actual 2015 | Actual 2016 | Ambition 2020*                           |
|----------------------|---------------------------------------|-------------|-------------|--|
| <b>Capital</b>       | • CET1 ratio (%)                      | 12.7%       | 14.2%       | > Prevailing fully-loaded requirements** |
|                      | • Leverage ratio (%)                  | 4.4%        | 4.8%        | > 4%                                     |
| <b>Profitability</b> | • Underlying C/I ratio (%)            | 55.9%       | 54.2%       | 50-52%                                   |
|                      | • Underlying ROE (%) (IFRS-EU Equity) | 8.6%        | 10.1%       | Awaiting regulatory clarity              |
| <b>Dividend</b>      | • Dividend (per share)                | EUR 0.65    | EUR 0.66    | Progressive dividend over time           |

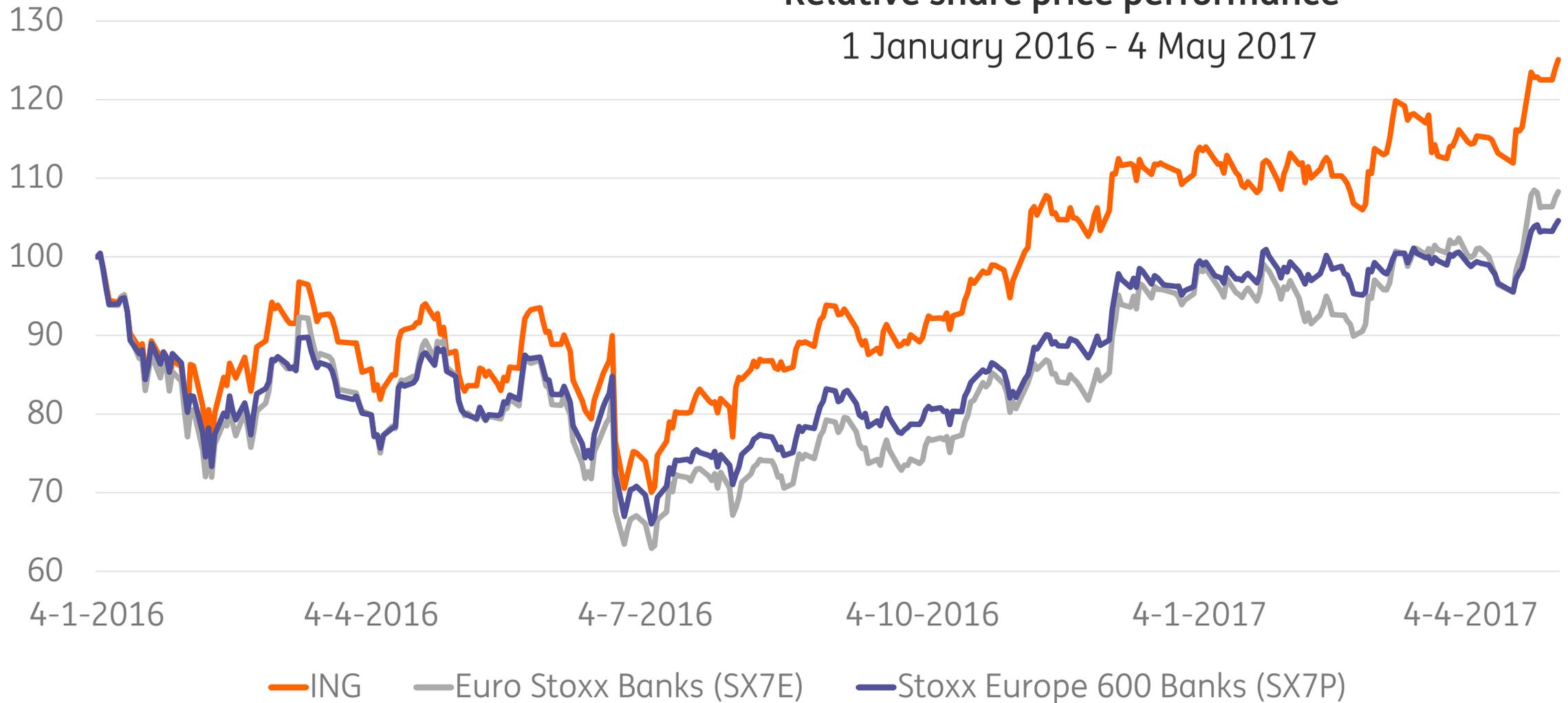
\* Ambition 2020 financial targets based on assumption of low-for-longer interest rate environment in the eurozone

\*\* Currently estimated to be 11.75%, plus a comfortable management buffer (to include Pillar 2 Guidance)

# ING share performance

## Relative share price performance

1 January 2016 - 4 May 2017



# Recognition from experts and customers



- Global Bank of the Year
- Bank of the Year (Belgium, the Netherlands & Western Europe)
- Financial Institution of the Year (Australia)
- Best Bank for Customer Experience (Spain)



- Best Digital Bank (Western Europe)
- Most Innovative Bank of the Year (Romania)



Best Cash Management Solution  
in Technology & Innovations



Biggest Issuer and Bond of the Year  
(Environmental Finance Green Awards)

# Follow us to stay a step ahead

ING.com



@ING\_News



LinkedIn.com/company/ING



SlideShare.net/ING



Facebook.com/ING



YouTube.com/ING



Flickr.com/INGGroup

# 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 2016 ING Group consolidated annual accounts. All figures in this document are unaudited. Small differences are possible in the tables due to rounding. Projects may be subject to regulatory approvals. Insofar as they could have an impact in Belgium, all projects described are proposed intentions of the bank. No formal decisions will be taken until the information and consultation phases with the Work Council have been properly finalised.

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 European Union countries leaving the European Union or a break-up of the euro, (4) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit and capital markets generally, including changes in borrower and counterparty creditworthiness, (5) changes affecting interest rate levels, (6) changes affecting currency exchange rates, (7) changes in investor and customer behaviour, (8) changes in general competitive factors, (9) changes in laws and regulations and the interpretation and application thereof, (10) geopolitical risks and policies and actions of governmental and regulatory authorities, (11) changes in standards and interpretations under International Financial Reporting Standards (IFRS) and the application thereof, (12) 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, (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) the outcome of current and future legal and regulatory proceedings, (16) ING's ability to achieve its strategy, including projected operational synergies and cost-saving programmes and (17) 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](http://www.ING.com). Many of those factors are beyond ING's control.

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. This document does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities in the United States or any other jurisdiction.