ING Group Credit Update

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Amsterdam ▪ 30 November 2016

thinkforward

ING

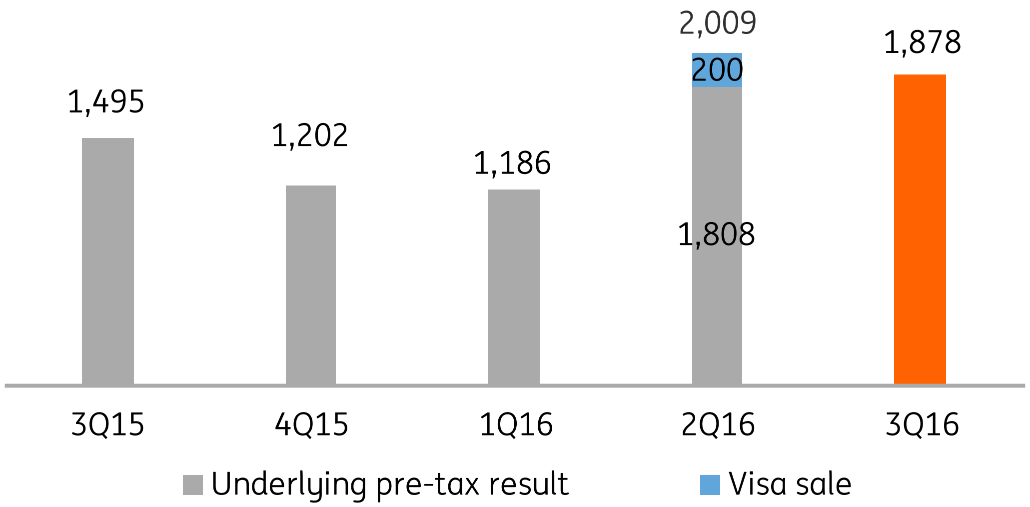
Executive summary

ING Bank/ ING Group	• ING Bank recorded underlying 3Q16 net profit of EUR 1,336 million • Strong results boosted by steady growth in primary customers (> 400,000 year-to-date), higher net interest income and a relatively low level of risk costs • ING Bank underlying return on equity was 11.3% for the first nine months of 2016 • ING Bank's fully-loaded CET1 ratio was 12.6% at 30 September 2016 • ING Group's fully-loaded CET1 ratio stood at 13.5% per end-September 2016
HoldCo resolution strategy	• On 3 November 2016, ING announced that we have concluded that ING Group should be our designated resolution entity. This is still subject to confirmation from the Single Resolution Board (SRB) • Capital instruments and TLAC/MREL-eligible debt will be issued by ING Group (HoldCo) going forward • ING Group intends to issue at least EUR 16 billion of senior unsecured bonds over the next 2-3 years • ING Bank has EUR 42.5 billion of long-term senior unsecured debt maturing from 2017 until 2022 of which EUR 18.8 billion (6.0% of RWA) is maturing in 2017/2018

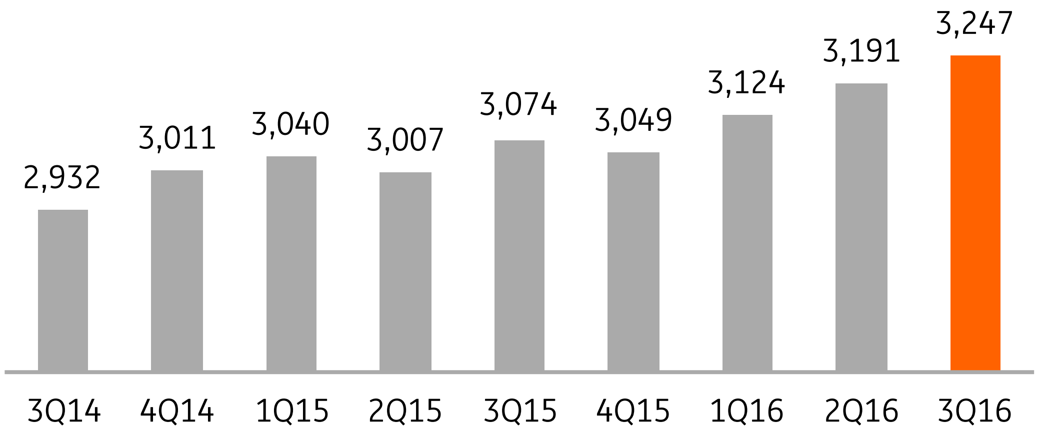
ING Bank

Strong third-quarter results reflecting NII growth

Underlying pre-tax result ING Bank (in EUR mln)



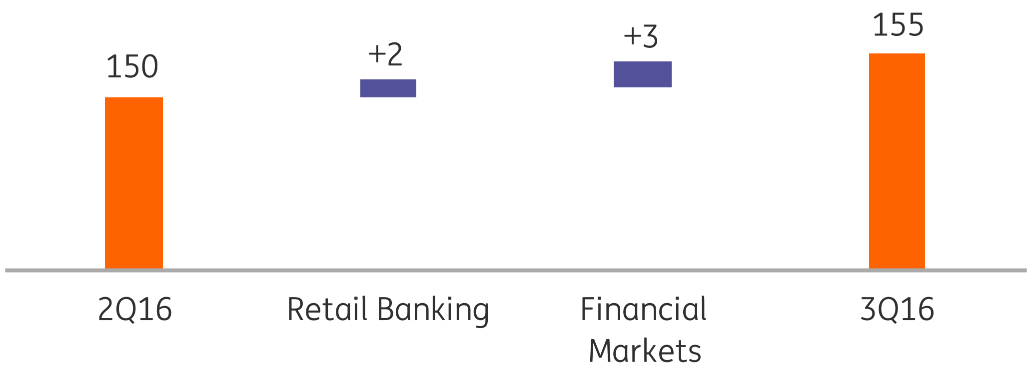
Net interest income excl. Financial Markets (in EUR mln)



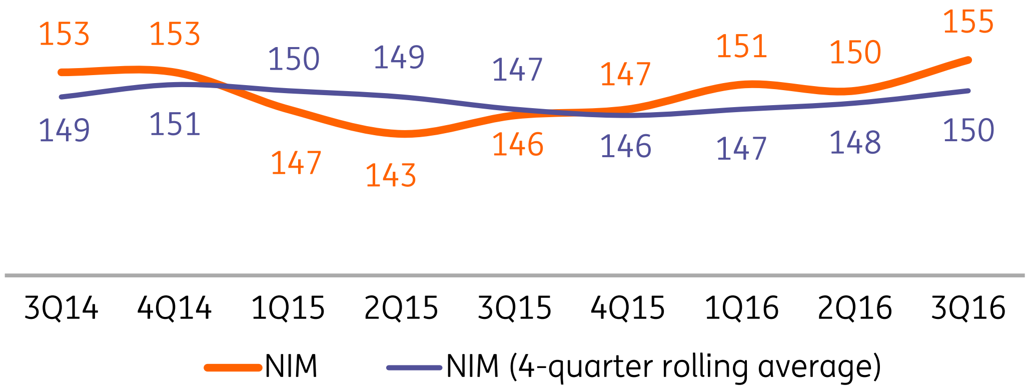
- 3Q16 underlying pre-tax profit up 25.6% year-on-year. Excluding Visa gain in 2Q16, pre-tax result also up 3.9% sequentially
- The overall result driven by net interest income (excl. Financial Markets) which showed a 1.8% increase versus 2Q16 due to:
  - Higher volumes in both mortgages and non-mortgage lending
  - Slightly higher lending and savings margins, though interest margin on current accounts further declined

Net interest margin up from 2Q16

Business segment contribution to NIM (in bps)



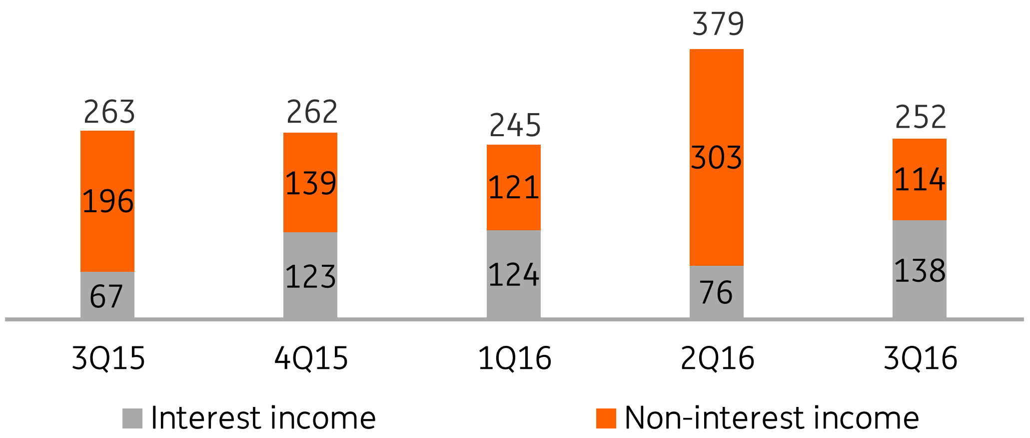
NIM trend reflects volatility in FM interest result (in bps)



Net interest margin up from 2Q16

- Interest margin up from 2Q16 by 5 bps, mostly driven by Financial Markets as well as Retail Germany and Retail Other Challengers & Growth Markets
- Savings margins up from 2Q16, reflecting the reduction in client savings rates in several countries, offset by lower margins on current accounts
- Lending margins slightly up on the prior quarter

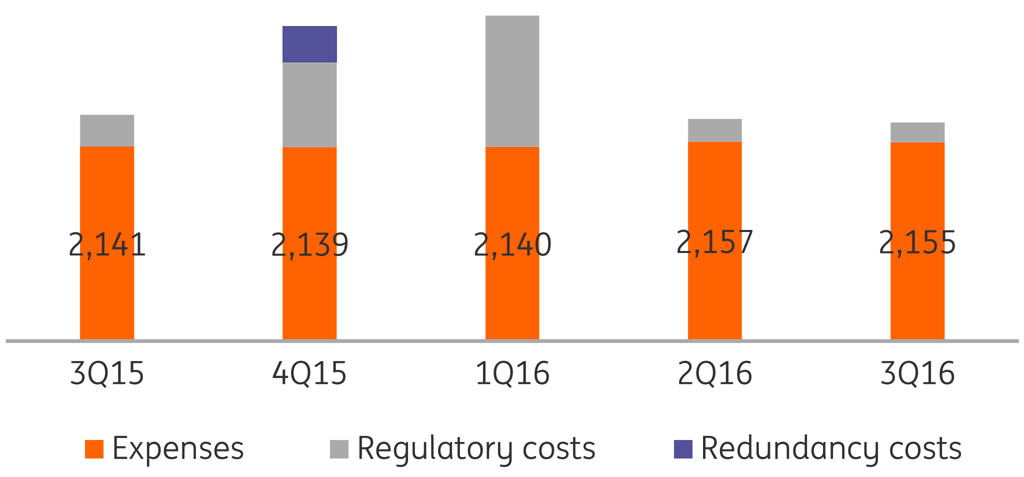
Underlying income Financial Markets* (in EUR mln)



* Excl. CVA/DVA

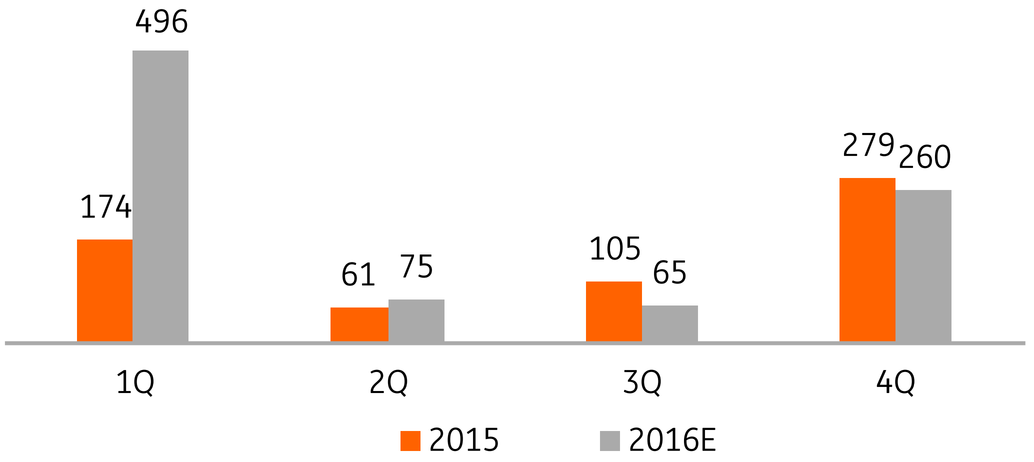
Underlying operating expenses remained stable

Underlying operating expenses
(in EUR mln)

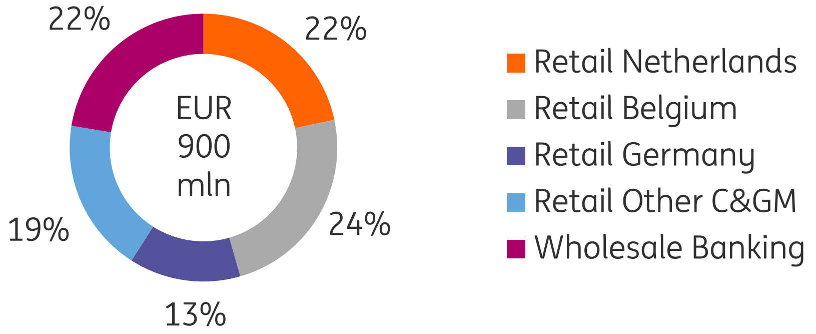


- Underlying expenses remained broadly flat year-on-year
- 2016 regulatory costs estimated at approximately EUR 900 mln, down slightly from previous estimate of EUR 940 mln
- Lower regulatory costs in Germany on decision to fulfil some DGS contributions via Irrevocable Payment Commitments

Regulatory costs skewed to first and fourth quarters*
(in EUR mln)



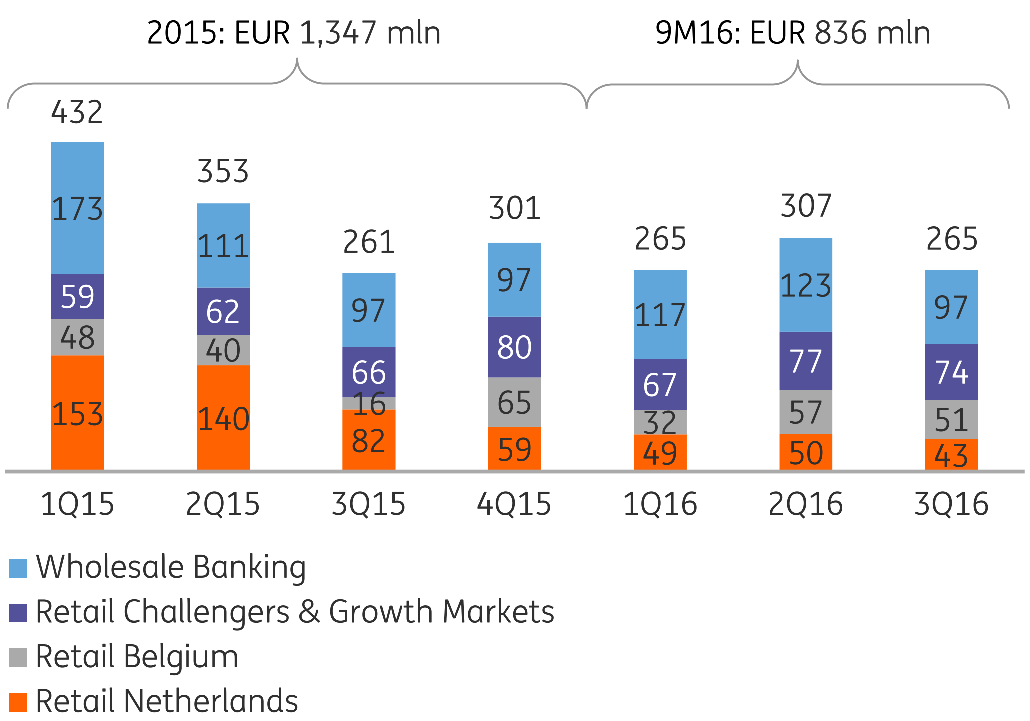
Estimated regulatory costs by segment (2016)*



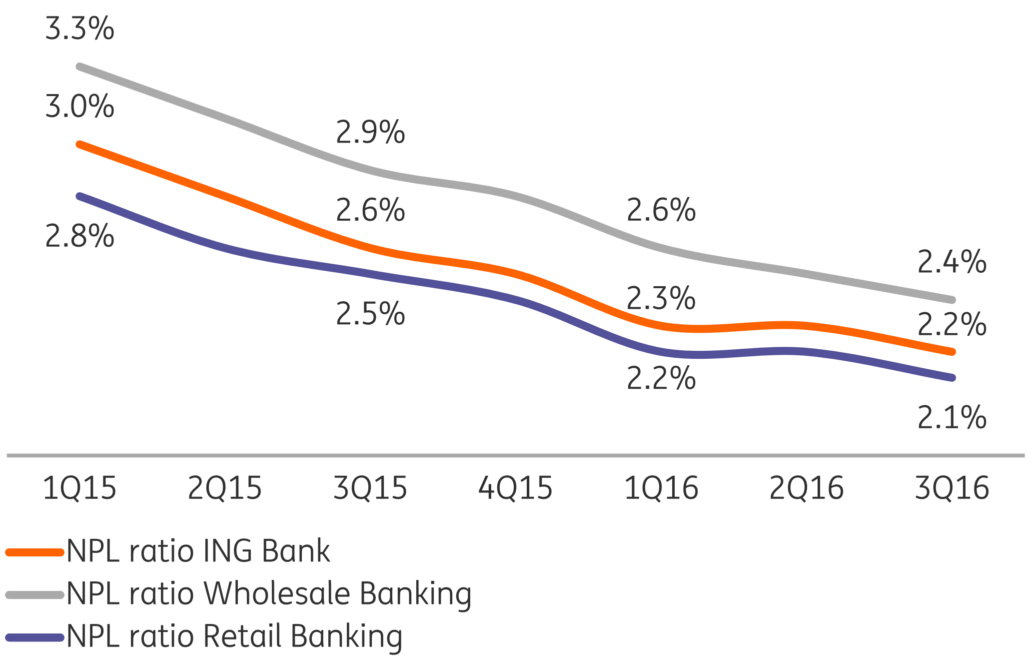
* 4Q16 numbers are estimates and subject to change

Risk environment benign; NPLs keep trending down

Risk costs (in EUR mln)



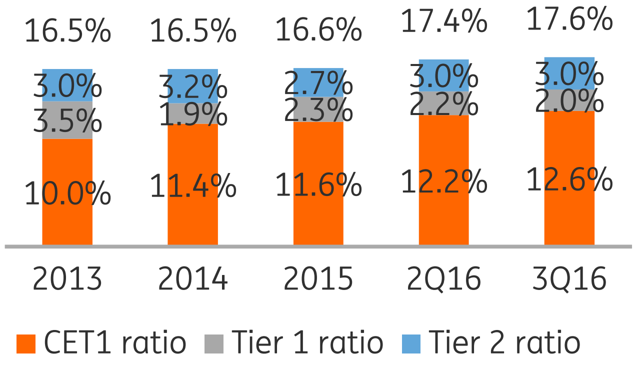
NPL ratio



- Risk costs were EUR 265 mln, or 34 bps of RWA, well below 40-45 bps through-the-cycle average
- NPL ratio down slightly to 2.2%, with improvements in both Retail Banking and Wholesale Banking
- NPL ratio of Oil & Gas related exposure dropped to 2.5%, from 2.8% in 2Q16

ING Bank capital ratios and risk-weighted assets

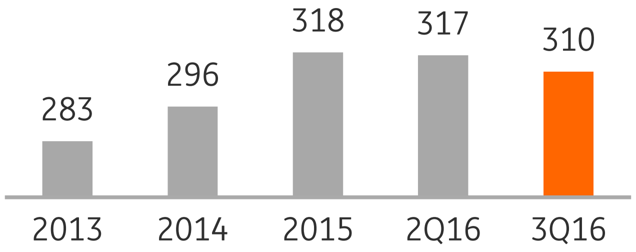
ING Bank capital ratios* (fully-loaded)



Regulatory capital* and liquidity (in EUR bln)

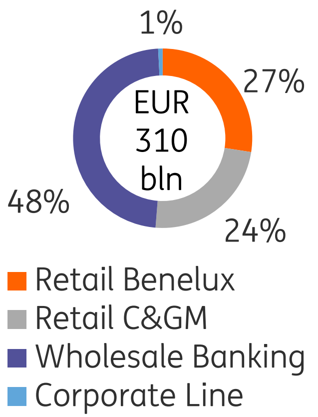
		30-Sep 2016	30-Jun 2016	Change
Fully-loaded ratios	CET1 ratio	12.6%	12.2%	0.3%
	Tier 1 ratio	14.6%	14.5%	0.1%
	Total capital ratio	17.6%	17.4%	0.2%
	Leverage ratio**	4.1%	4.1%	0.0%
	Shareholders' equity***	44.7	43.4	1.3
	CET1 capital	39.0	38.8	0.2
	Risk-weighted assets	310.5	317.0	-6.5
Liquidity	LCR	> 100%	> 100%	

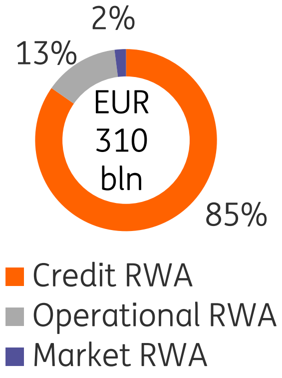
ING Bank total risk-weighted assets (fully-loaded, in EUR bln)



* Including grandfathered securities, excluding 3Q16 interim profits of EUR 1.3 bln not included in capital
** According to the Delegated Act
*** EUR 1.3 bln of dividend to be upstreamed to ING Group

ING Bank total risk-weighted assets 3Q16





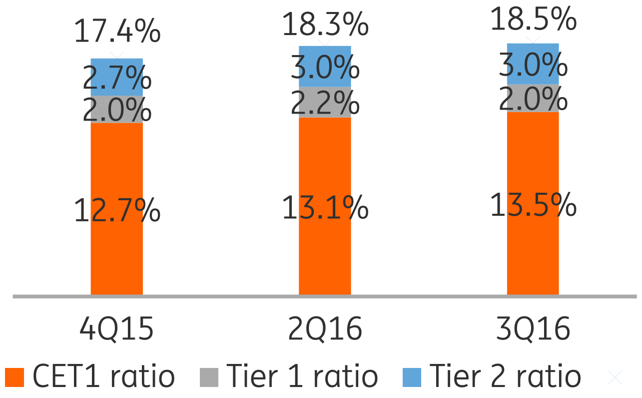
RWA development

- At 3Q16, ING Bank's total RWA were EUR 6.5 bln lower vs. 2Q16, reflecting positive impacts from risk migration, partial sale of ING's stake in Kotak, FX movements and lower positions in FM
- Regulatory uncertainty on the future applicable framework, particularly the proposal of a revised standardised approach plus floors ('Basel IV'), could have a material impact

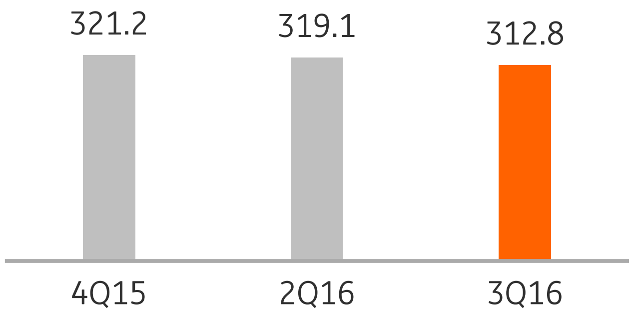
ING Group

ING Group capital ratios and risk-weighted assets

ING Group capital ratios* (fully-loaded)



ING Group total risk-weighted assets (fully-loaded, in EUR bln)



Regulatory capital* (in EUR bln)

		30-Sep 2016	30-Jun 2016	Change
Fully-loaded ratios	CET1 ratio	13.5%	13.1%	0.3%
	Tier 1 ratio	15.5%	15.4%	0.1%
	Total capital ratio	18.5%	18.3%	0.2%
	Leverage ratio**	4.4%	4.4%	0.0%
	Shareholders' equity	49.4	49.1	0.4
	CET1 capital	42.1	41.9	0.2
	Risk-weighted assets	312.8	319.1	-6.3

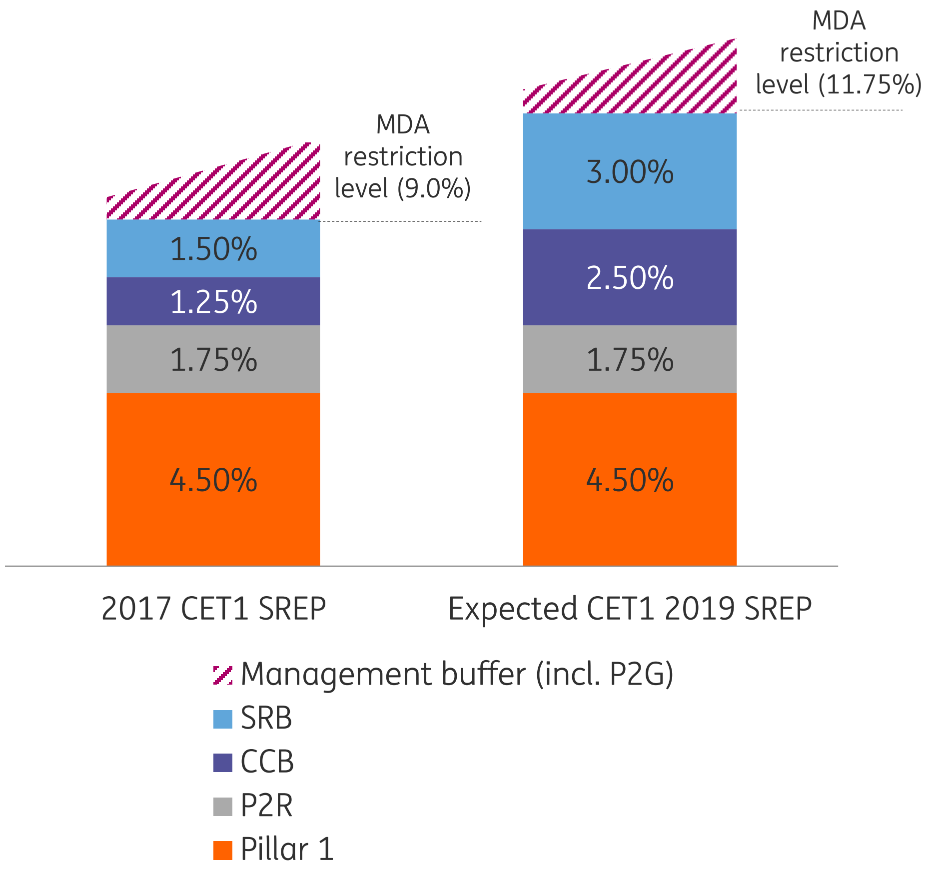
RWA development

- Risk-weighted assets at Group level reflect developments at the Bank

* Including grandfathered securities, excluding year-to-date Group interim profits of EUR 3.0 bln not included in capital
** According to the Delegated Act

ING Group's 2016 SREP process completed

ING Group SREP

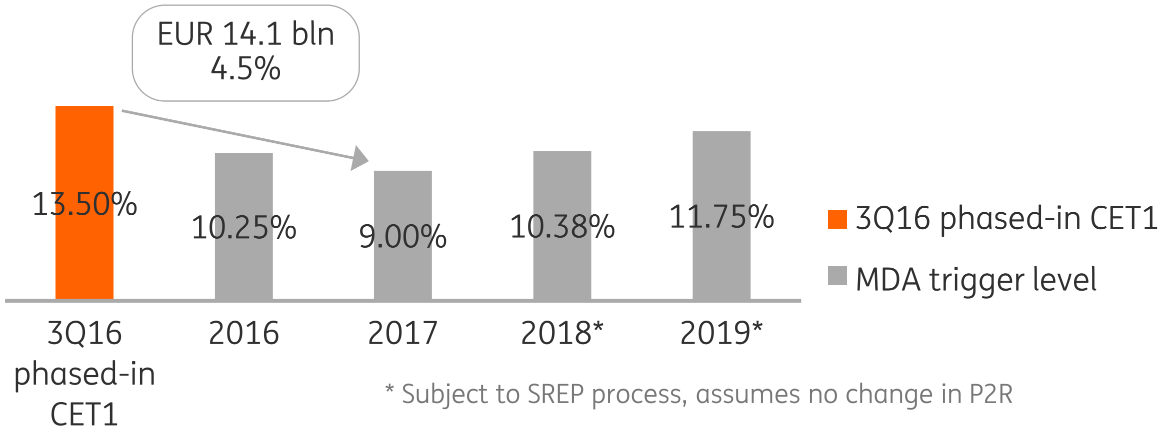


2016 SREP (Supervisory Review and Evaluation Process)

- ING Group has been notified of the European Central Bank (ECB) decision on the 2016 SREP which will set the capital requirements for 2017
- A 9.0% phased-in CET1 requirement for 2017, of which:
  - 4.50% Pillar 1 minimum (P1)
  - 1.75% Pillar 2 requirement (P2R)
  - 1.25% Capital Conservation Buffer (CCB)
  - 1.50% Systemic Risk Buffer (SRB)
  - Excluding Pillar 2 Guidance (P2G)
- A fully-loaded 11.75% CET1 requirement expected by 2019 as the CCB and SRB are scheduled to phase-in over the coming years to 2.5% and 3.0%, and assuming no change in P2R
- ING Group's CET1 Ambition to remain above the prevailing fully-loaded requirements, plus a comfortable management buffer (to include Pillar 2 Guidance)

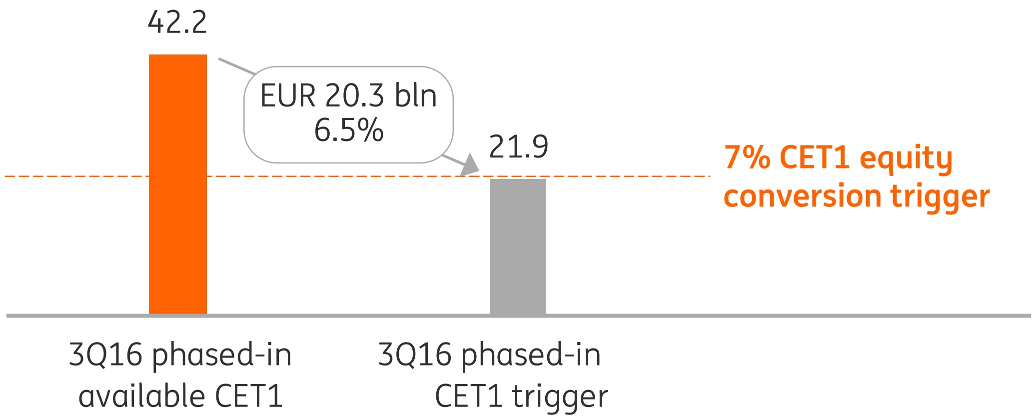
Additional Tier 1: comfortable buffers to triggers

Buffer to MDA 3Q16



* Subject to SREP process, assumes no change in P2R

Buffer to Conversion Trigger 3Q16 (in EUR bln)



Buffer to MDA	• MDA restrictions will apply if ING Group breaches Combined Buffer Requirements (CBR) • Under the new MDA framework, ING's trigger level will decline from 10.25% in 2016 to 9.0% in 2017 and is expected to rise to 11.75% in 2019 under the assumption Pillar 2 requirements will remain the same. This includes 1.75% Pillar 2 requirement and excludes Pillar 2 guidance • As per end-September 2016, the buffer to the 2017 MDA restriction level is EUR 14.1 bln or 4.5% of RWAs • This excludes year-to-date Group interim profits of EUR 3.0 bln not included in capital
Buffer to Conversion Trigger	• The ING Group phased-in capital buffer to conversion trigger (7% CET1) is high at EUR 20.3 bln
Available Distributable Items	• AT1 discretionary distributions may only be paid out of distributable items • As per end-2015, ING Group had EUR 36.2 bln of distributable items (~80x the FY15 coupon payments on Tier 1 capital), largely stable compared to the EUR 36.0 bln at end-2014

Ambition 2020 - Financial Targets

		Actual 9M16 - Group	Ambition 2020 – Group*
Capital	• CET1 ratio (%)	13.5%	> Prevailing fully-loaded requirements**
	• Leverage ratio (%)	4.4%	> 4%
Profitability	• Underlying C/I ratio (%)	54.5%	50-52%
	• Underlying ROE (%) (IFRS-EU Equity)	9.8%	Awaiting regulatory clarity
Dividend	• Dividend (per share)	EUR 0.24; 2016 interim dividend paid in August	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 estimated to be 11.75%, plus a comfortable buffer (to include Pillar 2 Guidance)

HoldCo resolution strategy

New legislation focuses on loss absorbing capacity

Loss absorbing capacity

- Regulators have added total loss absorbing capacity (TLAC) and (in the EU) minimum own funds and eligible liabilities (MREL) to the post-crisis regulatory reform aimed at ending too-big-to-fail
- Regulators are now looking to ensure that banks' liability structures provide sufficient TLAC and MREL to absorb losses and facilitate the recapitalisation of the bank in resolution

TLAC

- Scope: G-SIBs
- Implementation:
  - 1/1/2019: the higher of 16% RWA or 6% of BIII leverage exposures
  - 1/1/2022: the higher of 18% RWA or 6.75% of BIII leverage exposures
- Buffer requirements will come on top of the RWA requirement*:
  - ING Group: 2.5% Capital Conservation Buffer + 3% Systemic Risk Buffer
- Home authorities of resolution entities could apply additional firm-specific requirements
- TLAC instruments should be subordinated to excluded liabilities

MREL

- Scope: EU banks
- Two components:
  - Loss absorption amount
  - Recapitalisation amount
- Implementation timeline pending
- MREL instruments are not currently required to be subordinated to operational liabilities
- MREL requirements could be subject to change pending new regulations

* Minimum RWA requirement currently more constraining than minimum leverage requirement

Loss absorption and recapitalisation overview

Pre-resolution tools			Resolution tools	Insolvency tools
Going concern	**Recovery**	**PONV**	**Resolution**	**Liquidation**
• Dividend payments • AT1 coupon payments	• Dividends, AT1 coupons and variable remuneration subject to MDA restrictions • AT1 instruments convert into equity upon a breach of CET1 trigger	• Capital instruments • Conversion or write-down of these capital instruments at the point of non-viability (“PONV”)	• Remaining instruments, including senior unsecured* • Application of resolution tools	• Liquidation through normal insolvency proceedings

- There are a number of resolution tools granted to the relevant Resolution Authority under the BRRD, including (a) sale of a business, (b) bridge institution, (c) asset separation and (d) bail-in
- The resolution tools can only be applied when the relevant entity is put into resolution
- In resolution the Resolution Authority could require a Business Reorganization Plan

* Certain exemptions may apply

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ING's preferred approach to resolution

Current status

ING Group

- External senior unsecured
- External Additional Tier 1
- Common Equity Tier 1

ING Bank

- External senior unsecured
- External Tier 2
- Intra-group Additional Tier 1
- Intra-group Common Equity Tier 1

Resolution entity

- ING has always benefitted from the optionality of having both a HoldCo and an OpCo in place
- Both ING Group and ING Bank are issuing entities
- Historically, ING Group has issued Additional Tier 1 instruments as well as senior unsecured notes
- ING Bank has issued Tier 2 instruments as well as long and short-term senior funding
- On 3 November 2016, ING announced that we have concluded that ING Group should be our designated resolution entity
- This is still subject to confirmation from the Single Resolution Board (SRB)

Benefits

- Simplification of the resolution structure
- Consistent with the approach taken by G-SIBs that have HoldCos
- From an issuance perspective, HoldCo senior is a proven concept being an existing asset class with deep and well established markets

Simplified indicative transition and end-state issuance structures

Transition structure

ING Group creditor hierarchy

- Senior unsecured (to be issued over time)
- Tier 2 (to be issued over time)
- Additional Tier 1
- Common Equity Tier 1

Downstreaming

ING Bank creditor hierarchy

- Intra-group senior unsecured | External senior unsecured
- Intra-group Tier 2 | External Tier 2*
- Intra-group Additional Tier 1
- Intra-group Common Equity Tier 1

End-state structure

ING Group creditor hierarchy

- Senior unsecured
- Tier 2
- Additional Tier 1
- Common Equity Tier 1

Downstreaming

ING Bank creditor hierarchy

- External senior unsecured
- Intra-group TLAC/MREL senior unsecured
- Intra-group Tier 2
- Intra-group Additional Tier 1
- Intra-group Common Equity Tier 1

HoldCo issuance strategy

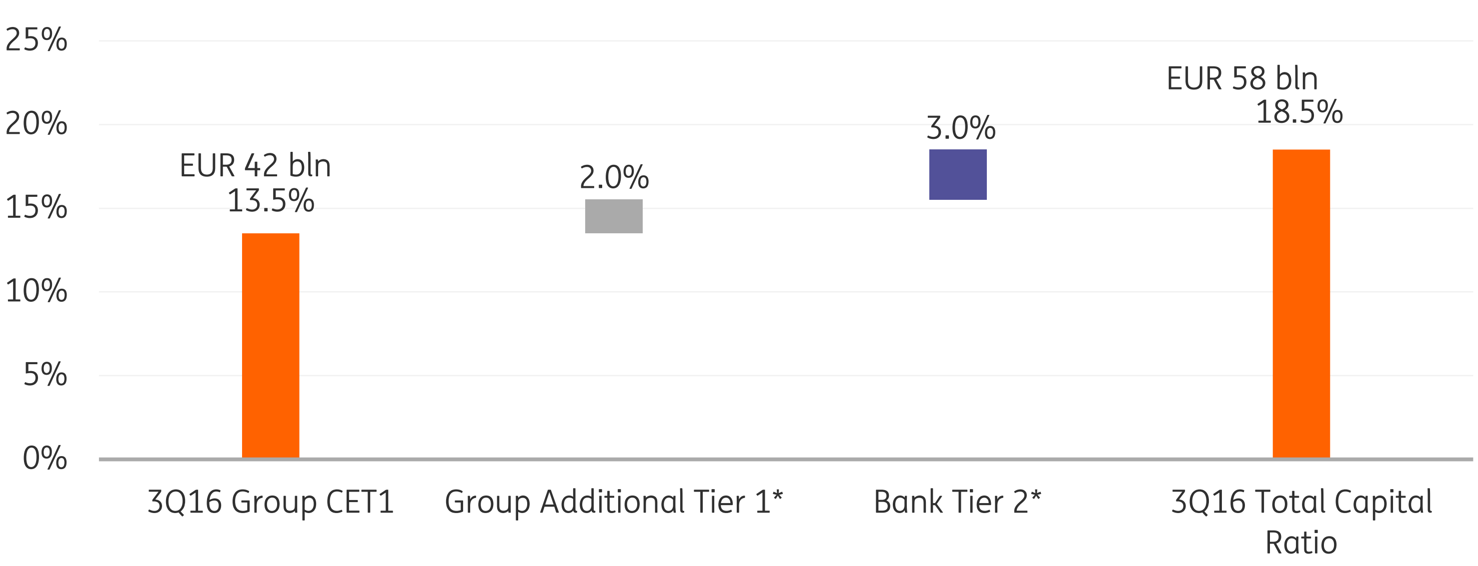
- All external TLAC/MREL-eligible debt will be issued by ING Group (HoldCo) going forward
- ING Group capital will be downstreamed to ING Bank like-for-like in both the transition and end-state structures
- ING Group senior unsecured will be downstreamed as ING Bank (a) senior unsecured, initially, and (b) intra-group TLAC/MREL senior unsecured, once the regulations for internal TLAC/MREL have been finalised**
- Losses arise at 'OpCo' level, and consequently apply at 'HoldCo' level

* ING has the option to replace the ING Bank EUR 1 bln Tier 2 notes issued in April 2016 with a first call date in April 2023 for ING Group Tier 2 notes up until April 2018

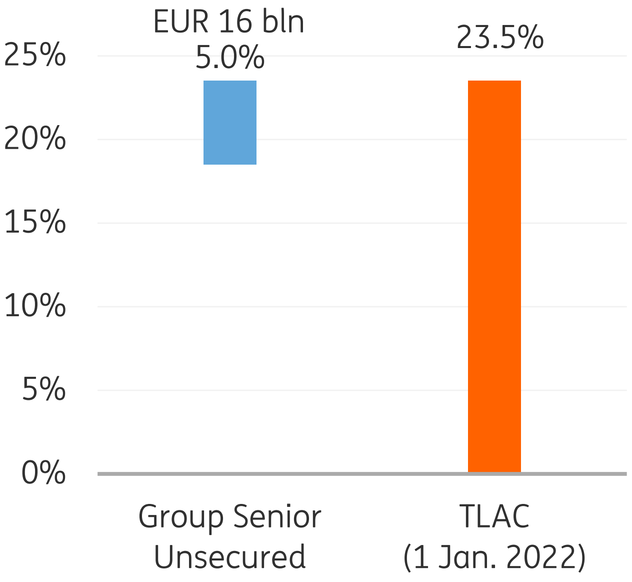
**: The terms of securities already downstreamed as senior unsecured will be amended to become intra-group TLAC/MREL senior unsecured

TLAC requirements are manageable…

ING Group 3Q16 capital position



"Gap" bridged with ING Group senior unsecured issuance

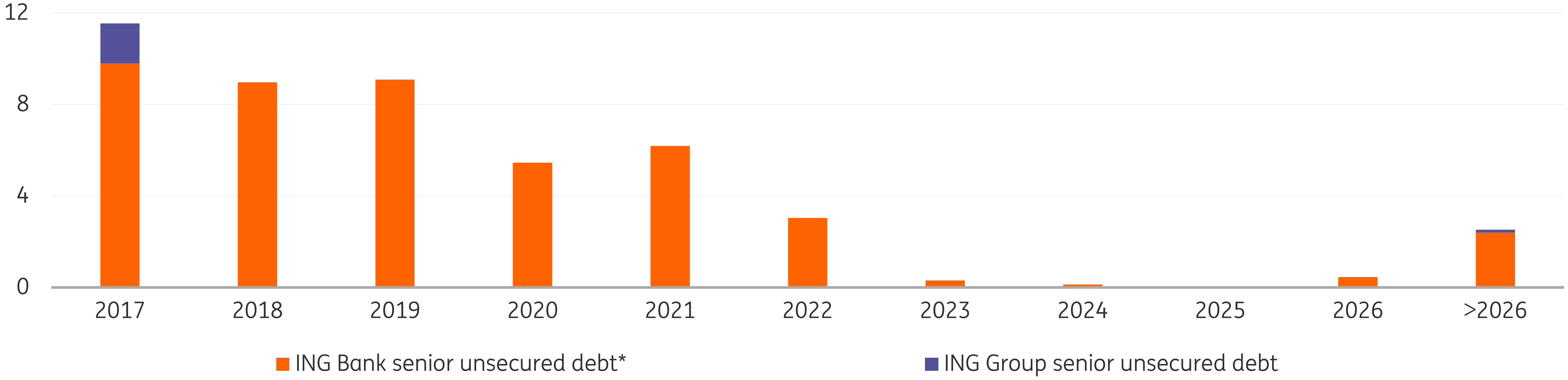


- ING Group intends to issue at least EUR 16 billion of senior unsecured bonds over the next 2-3 years
- This will allow us to comfortably grow into the minimum TLAC requirement of 23.5% from 1 January 2022 at an early stage
- MREL requirements have yet to be determined and could well be higher
- Any potential shortfall related to MREL, new regulatory requirements or balance sheet growth will be met with additional Group issuance

* Including grandfathered securities

...supported by a recycling strategy of ING Bank instruments

Outstanding long-term senior unsecured debt (in EUR bln)



- ING Bank has EUR 42.5 billion of long-term senior unsecured debt maturing from 2017 until 2022 of which EUR 18.8 billion (6.0% of RWA) is maturing in 2017/2018
- In addition, EUR 1.75 billion of ING Group senior unsecured will mature in 2017
- Consequently, recycling these maturing notes will give us ample flexibility to comply with TLAC requirements

* As per Credit Update 3Q16; ING Bank NV consolidated figures shown for issued senior bonds are included with a tenor ≥ 1 year

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Issuance entities under our proposed approach to resolution

Issuance entities	Instruments
ING Group	• Capital instruments • Senior unsecured debt (TLAC / MREL eligible)
ING Bank	• Covered Bonds / secured funding • Senior unsecured debt (TLAC / MREL ineligible)
Various ING subsidiaries	• Covered Bonds / secured funding • Senior unsecured debt (TLAC / MREL ineligible)

Appendix I
(overview capital instruments)

Outstanding capital securities

(Additional) Tier 1 securities issued by Group

Currency	Issue date	First call date	Coupon	Issued	Outstanding**
USD	Dec-00	Dec-10	3M Libor + 360	1,500	522
USD	Dec-02	Dec-07	7.200%	1,100	1,100
EUR	Jun-03	Jun-13	10yr DSL +50	750	432
USD	Oct-03	Jan-09	6.200%	500	500
EUR	Jun-04	Jun-14	10yr DSL +10	1,000	563
USD	Sep-05	Jan-11	6.125%	700	700
USD	Jun-07	Jun-12	6.375%	1,045	1,045
USD (compliant)	Apr-15	Apr-25	6.500%	1,250	1,250
USD (compliant)	Apr-15	Apr-20	6.000%	1,000	1,000
USD (compliant)	Nov-16	Apr-22	6.875%	1,000	1,000

Tier 2 securities issued by Bank

Currency	Issue date	First call date	Maturity	Coupon	Outstanding**
EUR	Jul-07	Jul-22	Jul-27	10yr CMS +4	150
EUR	May-08	May-18	May-23	6.125%	1,000
GBP	May-08	May-18	May-23	6.875%	800
USD (compliant)	Sep-13	n/a	Sep-23	5.80%	2,000
EUR (compliant)	Nov-13	Nov-18	Nov-23	3.50%	1,057
USD (compliant)	Nov-13	Nov-18	Nov-23	4.13%	2,058
EUR (compliant)	Feb-14	Feb-21	Feb-26	3.63%	1,500
EUR (compliant)*	Apr-16	Apr-23	Nov-28	3.00%	1,000

* ING has the option to replace the ING Bank EUR 1 bln Tier 2 notes issued in April 2016 with a first call date in April 2023 for ING Group Tier 2 notes up until April 2018

** Amount outstanding in original currency

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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