Challengers & Growth Markets

ING Group Investor Day 2016

Aris Bogdaneris, Head of Challengers & Growth Markets, Member Management Board Banking

Amsterdam, 3 October 2016
Key points

• We have a strong franchise in the Challengers & Growth Markets built on highly satisfied clients

• ING is recognised as an NPS leader in most markets and primary customers are growing fast

• Challengers & Growth Markets are an increasingly important profit contributor:
  • Core lending growth with an increased focus on Consumer, SME and WB lending
  • Further balance sheet optimisation
  • Stronger fee income on primary customer growth and new product origination

• Convergence to scalable digital banking platforms to improve the customer experience and growth

• We continue to deliver innovations and remain a digital banking leader
Think Forward strategy at work
C&GM serves 25 million customers in 10 different countries

Challengers & Growth Markets footprint*

Equity stakes  ING share
TMB, Thailand  30%
Bank of Beijing, China  14%
Kotak Mahindra, India  4%

* Challengers: Universal banks whose retail activities are mainly in the form of direct banking services, no Retail Banking in Portugal
Growth Markets: Strong positions in fast-growing countries where ING offers a full range of branch-based Retail and Wholesale Banking services
We’ve expanded rapidly and have highly satisfied customers

We are rapidly adding clients...
Individual clients
Challengers & Growth Markets
(in mln)

<table>
<thead>
<tr>
<th>Year</th>
<th>CAGR +6%</th>
<th>+103k customers per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>21.5</td>
<td></td>
</tr>
<tr>
<td>1H16</td>
<td>24.6</td>
<td></td>
</tr>
</tbody>
</table>

...and we are highly recommended...
Net Promotor Score Rank 2Q16

#1 in 6 C&G countries
- Austria
- Australia
- Germany
- Poland
- Romania
- Spain

#2 in 2 C&G countries
- France
- Italy

...which increasingly earns us the primary relationship
Primary customers*
Challengers & Growth Markets
(in mln)

<table>
<thead>
<tr>
<th>Year</th>
<th>CAGR +13%</th>
<th>+1,300 customers per day</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>3.1</td>
<td></td>
</tr>
<tr>
<td>1H16</td>
<td>4.4</td>
<td></td>
</tr>
</tbody>
</table>

* Primary customers: active payment customers, which additionally have recurrent income on the payment account and are active in at least one extra product category
Ongoing investments to attract primary clients are paying off

Virtuous circle of primary bank relationships
Primary vs. non-primary customers in Challengers & Growth Markets

- More # contacts per customer
- Better customer experience
- More cross-product

Customer value = Number of customers × Share of Primary × Cross-buy × Product value

Significant growth potential in primary customers
Evolution of primary customers by buckets (in mln)

- % primary bank customers / active customers
  - >30%
  - 15-30%
  - <15%

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>1H16</th>
</tr>
</thead>
<tbody>
<tr>
<td>PL</td>
<td>0.9</td>
<td>2.4</td>
</tr>
<tr>
<td>RO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT</td>
<td>1.4</td>
<td>1.1</td>
</tr>
<tr>
<td>TR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FR</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>AU</td>
<td></td>
<td>0.9</td>
</tr>
<tr>
<td>DE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CZ</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AT</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total 3.1
Total 4.4
Sustainable profit growth reflects balance sheet optimisation

**Total assets* (in EUR bln)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Other / Liquidity &amp; investment portfolio</th>
<th>Mortgages</th>
<th>WB lending</th>
<th>Retail Banking non-mortgages</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>246</td>
<td>82</td>
<td>111</td>
<td>27</td>
</tr>
<tr>
<td>2014</td>
<td>260</td>
<td>86</td>
<td>114</td>
<td>30</td>
</tr>
<tr>
<td>2015</td>
<td>266</td>
<td>76</td>
<td>117</td>
<td>41</td>
</tr>
<tr>
<td>1H16</td>
<td>271</td>
<td>73</td>
<td>120</td>
<td>33</td>
</tr>
</tbody>
</table>

* Based on external assets (i.e. excl. intercompany assets)

**Consumer & SME lending growth**

- Value proposition focuses on speed and digital delivery on the back of pre-approved offers
- Increased attention to attract "new-to-bank" customers
- Risk-based pricing to increase approval rates

**...as well as growth in Wholesale Banking lending**

- Driven by commercial growth and balance sheet optimisation (including asset transfers) in the Challengers

**...and reductions in the liquidity & investment portfolio**

- Resulting in more optimal use of the balance sheet as lending assets are more margin accretive

**...lead to further improvement in the loan-to-assets ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>1H16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>67%</td>
<td>67%</td>
<td>71%</td>
<td>73%</td>
</tr>
</tbody>
</table>

In the remainder of the slide deck, all financials have been restated to exclude ING Vysya
Low interest rates are not impacting savings volumes

<table>
<thead>
<tr>
<th>Country</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>1H16</th>
<th>Core savings rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany*</td>
<td>99</td>
<td>106</td>
<td>113</td>
<td>115</td>
<td>1.00%</td>
</tr>
<tr>
<td>Spain</td>
<td>23</td>
<td>25</td>
<td>29</td>
<td>30</td>
<td>1.00%</td>
</tr>
<tr>
<td>Italy</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>1.00%</td>
</tr>
<tr>
<td>France</td>
<td>11</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>1.10%</td>
</tr>
</tbody>
</table>

* Excluding Austria

Retail customer deposits by country (in EUR bln)

Total customer deposits (in EUR bln)

Challengers & Growth Markets

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>1H16</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>206</td>
<td>220</td>
<td>233</td>
<td>239</td>
<td>+6%</td>
</tr>
<tr>
<td>Spain</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>15</td>
<td>19</td>
<td>22</td>
<td>22</td>
<td>+15%</td>
</tr>
</tbody>
</table>

Total investment products (in EUR bln)

Challengers & Growth Markets

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>1H16</th>
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<td>Italy</td>
<td>15</td>
<td>19</td>
<td>22</td>
<td>22</td>
<td>+15%</td>
</tr>
</tbody>
</table>
NII and NIM are growing despite low interest rate environment

Net interest income and net interest margin
Challengers & Growth Markets

- **NII (in EUR mln)**
  - 2013: 3,476
  - 2014: 3,841
  - 2015: 4,227
  - 1H15: 2,052
  - 1H16: 2,289

- **NIM (in bps)**
  - CAGR +10%

Focus on relatively higher-yielding lending (in EUR bln)...
Challengers & Growth Markets

- **CAGR +24%**
  - 2013: 27
  - 1H16: 46

- **CAGR +9%**
  - 2013: 27
  - 1H16: 33

...which is strongly margin accretive
Challengers & Growth Markets

- **Average NIM**
  - Mortgages
  - Retail Banking non-mortgages
  - WB lending

Average NIM
Good underlying fee trend with potential for improvement

Commission income distribution* (in EUR mln)

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* Other fees not included

Fee growth > NII growth

Lending fees
Investments, insurance
Payment fees

2013
2014
2015
1H15
1H16
2020

499
556
561
282
295

131
108
69
37
29

188
216
263
139
121

180
232
229
106
145

131
108
69
37
29

188
216
263
139
121

180
232
229
106
145

25%
40%
35%

CAGR +6% +5%

Fee growth > NII growth

Comments

• Regulatory caps on interchange fees negatively impacting payment fees
• Strong loan production continues to support fee growth
• Simplified product offer, pilots for digital financial advisors and planned Robo advice introduction to drive higher investment volume
• International roll-out of insurance linked to mortgages and consumer loans planned as well as digital stand-alone sales
Improving cost efficiency and prudent risk profile support results

Cost efficiency continues to develop favourably...

<table>
<thead>
<tr>
<th>Year</th>
<th>C/I excl. Regulatory costs</th>
<th>C/I incl. Regulatory costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>57%</td>
<td>54%</td>
</tr>
<tr>
<td>2014</td>
<td>54%</td>
<td>51%</td>
</tr>
<tr>
<td>2015</td>
<td>53%</td>
<td>49%</td>
</tr>
<tr>
<td>1H16</td>
<td>52%</td>
<td>45%</td>
</tr>
</tbody>
</table>

...while risk costs stay around the through-the-cycle average (in EUR mln)

<table>
<thead>
<tr>
<th>Year</th>
<th>Risk costs (in EUR mln)</th>
<th>Risk costs in bps of average RWA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>673</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>41</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>1H16</td>
<td>36</td>
<td>36</td>
</tr>
</tbody>
</table>

Comments

- Regulatory costs continue to increase and weigh heavily on the expense base (from 4% of total costs in 2013 to 14% in 1H16)
- We are actively managing the cost base by:
  - Building modular systems that are agile and scalable across both customer interaction layers and products (i.e. Model Bank)
  - We are investing heavily in Germany (Welcome) to further digitise the business
  - Eliminate, digitise, move and manage internal operations and risk processes
C&GM generates an increasing contribution to ING Group profits

Underlying result before risk costs (in EUR mln)

Challengers & Growth Markets

% of total Bank

2013

CAGR +15%

2015

+19%

1H16

CAGR +15%

C&GM generates an increasing contribution to ING Group profits

1,902 2,184 2,522 1,199 1,433

2013 2014 2015 1H15 1H16

Germany*

CAGR+29%

2013 2014 2015 1H15 1H16

744 934 1,229 600 629

+5%

CAGR+6%

2013 2014 2015 1H15 1H16

545 643 610 278 372

+34%

CAGR+6%

2013 2014 2015 1H15 1H16

612 607 683 321 431

+34%

* Includes ING Germany, Austria and Interhyp

CAGR+6%

CAGR+6%
Driving business model convergence
We 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

All projects described are proposed intentions of ING. No formal decisions will be taken until the information & consultation with the Work Councils have been properly finalised. Subject to regulatory approval.
Convergence in customer behaviour trends in C&GM

Mobile interactions picking up pace...
Total contacts per channel (in mln) per quarter

+ 24%

51%

...and it is evolving fast across our different markets
% active customers with mobile contacts
Spain leveraging increased mobile traffic to grow sales

Mobile contacts picking up pace...
Total contacts per channel (in mln)

- 2013: 142 (35% Branch, 62% Mobile)
- 2014: 177 (45% Branch, 52% Mobile)
- 2015: 212 (55% Branch, 42% Mobile)
- FC 2016: 260 (63% Branch, 35% Mobile)

...leading to more sales via mobile...
% Mobile / Total contacts

- 2Q13: 14%
- 2Q14: 20%
- 2Q15: 28%
- 2Q16: 60%

...including product diversification

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Jun '15</th>
<th>Jun '16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal loans production</td>
<td>9%</td>
<td>28%</td>
</tr>
<tr>
<td>Brokerage production</td>
<td>7%</td>
<td>17%</td>
</tr>
<tr>
<td>Investment Products production</td>
<td>5%</td>
<td>7%</td>
</tr>
</tbody>
</table>

% Mobile / Total sales

- Branch: 62% 52% 42% 35%
- Call: 35% 45% 55% 63%
- Web: 17% 7% 5% 35%
- Mobile: 9% 20% 28% 60%

CAGR +27%
Spanish-inspired digital platform in Poland had immediate impact

Leveraging Spain’s digital platform contributes to reduced time to market and cost of development...

- Accelerating time to market - saves up to one year of work
- Lower cost of development – more efficient FTE usage

...as well as quick adoption and growth realisation in an early stage

Spain Genoma
Poland Moje

21% 74%
4Q15 2Q16

Poland
Moje adoption, % of primary clients

Poland
Digital loan sales, in thousands

<table>
<thead>
<tr>
<th></th>
<th>Apr</th>
<th>Jun</th>
<th>Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old platform</td>
<td>8.3</td>
<td>9.0</td>
<td>9.3</td>
</tr>
<tr>
<td>Moje</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

45% 55%
Model Bank delivers standardised banking platform for the Challengers

Model Bank platform

- 6 million customers
- Common front-end / Central platform
- Harmonised value proposition
- Shared delivery organisation (Madrid)
- Standardised back-end (Bucharest)
- Centralised infrastructure (ING Private Cloud)

Enhanced digital capabilities and increased agility...
- To capture digital traffic and convert to sales
- To enable the launch of new products and segments
  - France: consumer lending, Robo advice
  - Italy: SME, pensions, Robo advice
  - Czech Republic: consumer lending, insurance

...will help enable primary customer growth plans (in mln)

- 2013: 3.1
- 2014: 3.5
- 2015: 4.0
- 1H16: 4.4
- Ambition 2020: ~8

CAGR +15%
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**
- Digitisation of existing processes
- Further leverage operational scale
- Avoid cost growth as business reaches further scale

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

**Innovations**
- (“Wow” the customer)
- Invest in customer experience
- Focus on mobile first
- Drive forward Omnichannel approach
- Facilitate multi-product sales

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.
Moreover, we continue to deliver innovative solutions...

**Instant lending and pre-approved offers**

- Use of advanced analytics to pre-approve existing customers in order to get a consumer loan offer in minutes
- Uncommitted lines of credit with personalised, risk-based pricing based on behavioural information

**Video identification**

- ING is first major German bank to offer video identification
- More than 15% of customers already use the video option
...and develop new platforms to empower all ING customers

Payment innovation: Twyp, Twyp Cash

• Peer-to-peer payments app Twyp has more than 220,000 users in Spain. Twyp Cash launched a new service to offer cash in retail outlets in Spain

Investment products: My Money Coach, Robo advice

• My Money Coach is a new Digital Financial Advisor for customers in Spain launched in June 2016
• While Robo advice is developed to enable ING to deliver IP solutions to more affluent customers on a much larger scale
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.

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