Progressing towards our financial ambitions

Investor Day 2019

Tanate Phutrakul, CFO
• Completed restructuring and repayment of State aid
• NIM supported by asset mix change and savings rate cuts
• Liability-long position used to increase own-originated lending
• Fee income driven by several bank-wide initiatives
• Risk costs below through-the-cycle levels
• Underlying operating expenses well-controlled; increasing regulatory and compliance related costs
• Good CET1 development towards our ambition

• Interest rates expected to remain at current low levels for foreseeable future
• More efficient balance sheet usage required due to new regulation (BIV, TRIM, leverage ratio, MREL, LCR)
• WB growth expected to slow given the cycle
• Further focus on income diversification (incl. fees)
• Strict cost discipline across the bank
• Increased investments in our compliance programmes
Think Forward has consistently delivered strong financial results

Strong underlying income growth... (in € bln)

- CAGR +4.3%

...disciplined cost growth... (in € bln)

- CAGR +23.4%
- 2014: 8.6, 2015: 8.6, 2016: 8.6, 2017: 8.9, 2018: 9.0

...and below-average risk costs... (in € bln and bps of average RWA)

- CAGR +1.1%

...led to higher underlying net result... (in € bln)

- CAGR +12.0%
- 2014: 3.4, 2015: 4.2, 2016: 5.0, 2017: 5.0, 2018: 5.4

...and 2018 underlying ROE of 11.2% despite higher CET1 ratio

Underlying expenses (excl. regulatory costs)

Regulatory costs

* Underlying ROE is calculated using ING Group's IFRS-EU shareholders' equity after excluding ‘interim profit not included in CET1 capital' as from end-1Q17 onwards

** Basel III CET1 ratio of 14.5% as per 1 January 2018 due to IFRS 9 adoption
NII increase reflects lending growth at resilient margins...

Robust customer lending growth since 2014 (in € bln)...

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIM (4-quarter rolling average)</td>
<td>147</td>
<td>151</td>
<td>149</td>
<td>148</td>
<td>152</td>
</tr>
</tbody>
</table>

...as net interest margin improved (in bps)...

...has supported growth in NII (excl. FM, in € bln)...

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAGR +3.9%</td>
<td>11.6</td>
<td>12.2</td>
<td>12.8</td>
<td>13.3</td>
<td>13.6</td>
</tr>
</tbody>
</table>

...despite the challenging interest rate environment (in %)

* Growth in customer lending adjusted for currency impacts and excluding Bank Treasury and the WUB and Lease run-off portfolios
Potential upside dependent on market circumstances:

- Ability to re-price WB lending on the back of rising credit spreads. Also selective opportunities for mortgage re-pricing.
- If rates increase, better margins on customer deposits due to the slower expected tracking of core savings rate increases.
- Furthermore, Payments & Cash Management should over time improve in a higher rate environment.
- We will keep changing the lending mix with an increasing contribution from our Challengers & Growth Markets.

Lower replicating portfolio yield still expected…

…while liability NII reduced, partly offset by several levers

Net interest income by type (in % of total NII)

<table>
<thead>
<tr>
<th>Year</th>
<th>Savings &amp; deposits (incl. PCM)</th>
<th>Lending</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>5%</td>
<td>60%</td>
<td>35%</td>
</tr>
<tr>
<td>2015</td>
<td>3%</td>
<td>62%</td>
<td>35%</td>
</tr>
<tr>
<td>2016</td>
<td>6%</td>
<td>61%</td>
<td>33%</td>
</tr>
<tr>
<td>2017</td>
<td>8%</td>
<td>61%</td>
<td>31%</td>
</tr>
<tr>
<td>2018</td>
<td>7%</td>
<td>63%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Average client rate vs Average deposit FTP rate*

* Future years depend on interest rate trajectory; FTP – Funds Transfer Pricing
Balance sheet mix steered towards profitable customer lending

ING successfully replaced liquid investments with own-originated lending...

Balance sheet by type (in % of total assets)

- Residential mortgages
- Retail Banking non-mortgages
- Industry Lending
- GL&TS* / Other

...while we gradually changed our asset mix towards higher margin lending

Customer lending by type (in € bln and % of total customer lending)

- Residential mortgages
- Retail Banking non-mortgages
- Industry Lending
- GL&TS* / Other

Several factors will drive asset allocation decisions in foreseeable future

- Lending growth improved loan-to-deposit ratios
- Focus remains on originating profitable and disciplined loan growth, also post-Basel IV
- WB loan growth expected to slow given risk-return parameters and more cautious approach to certain segments
- Leverage ratio, MREL and other regulatory requirements may constrain businesses with high balance sheet usage

* GL&TS is General Lending & Transaction Services within Wholesale Banking
Robust organic growth, especially in Challengers & Growth Markets

Customer lending (in € bln and % of total)

- 2014: 514 bln, 10% Netherlands, 18% BeLux, 16% Germany, 40% Other Challengers & Growth Markets
- 2016: 561 bln, 11% Netherlands, 19% BeLux, 18% Germany, 35% Other Challengers & Growth Markets
- 2018: 597 bln, 11% Netherlands, 21% BeLux, 20% Germany, 31% Other Challengers & Growth Markets

Underlying income (in € bln and % of total)

- 2014: 15.3 bln, 14% Netherlands, 20% BeLux, 12% Germany, 37% Other Challengers & Growth Markets
- 2016: 17.5 bln, 13% Netherlands, 21% BeLux, 13% Germany, 33% Other Challengers & Growth Markets
- 2018: 18.1 bln, 13% Netherlands, 23% BeLux, 14% Germany, 32% Other Challengers & Growth Markets

* Segment “Other” consists of Corporate Line and the Real Estate run-off portfolio
Upside potential driven by attractive funding and lending mix

Balance sheet ING Group (in € bln)
Balance sheet size ING Group 31 December 2018: €887 bln

<table>
<thead>
<tr>
<th>Assets</th>
<th>Own funds &amp; liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to customers***</td>
<td>592</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>198</td>
</tr>
<tr>
<td>CD/CP &amp; long-term debt</td>
<td>133</td>
</tr>
<tr>
<td>Other*</td>
<td>295</td>
</tr>
<tr>
<td>Other**</td>
<td>198</td>
</tr>
</tbody>
</table>

ING benefits from wider credit spreads
- Favourable exposure to credit spreads: loans to customers is credit spread receiver, wholesale funding is credit spread payer

Attractive funding profile
- 63% of balance sheet is funded by sticky and stable customer deposits
- Attractive loan-to-deposit ratio of 107% at end-2018

Manageable dependence on wholesale funding
- Strong rating and well-established wholesale funding profile lay the foundation for comparatively low spreads

* Includes cash and balances with central banks, loans and advances to banks, financial assets at FV through P&L/OCI and other
** Includes deposits from banks, financial liabilities at FV through P&L and other
*** Loans and advances to customers equals customer lending (€597 bln) minus the provision for loan losses (€-4.5 bln)
Think Forward accelerates growth in fee income

We have met ambition to grow fee income at 5-10% p.a. (in € bln)

<table>
<thead>
<tr>
<th>Year</th>
<th>Fee income</th>
<th>From Investments &amp; Insurance</th>
<th>From Payments</th>
<th>From Lending</th>
<th>From Other</th>
<th>2018*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>30%</td>
</tr>
<tr>
<td>2015</td>
<td>2.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>27%</td>
</tr>
<tr>
<td>2016</td>
<td>2.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>40%</td>
</tr>
<tr>
<td>2017</td>
<td>2.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3%</td>
</tr>
<tr>
<td>2018*</td>
<td>2.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Peer comparison confirms large upside for fee income*

<table>
<thead>
<tr>
<th>Year</th>
<th>CAGR</th>
<th>ING</th>
<th>Average Benelux banks</th>
<th>Average Eurozone banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-2018</td>
<td>CAGR +5.2%</td>
<td>15.5%</td>
<td>19.2%</td>
<td>26.7%</td>
</tr>
<tr>
<td>2014-2018</td>
<td>CAGR +0.2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014-2018</td>
<td>CAGR +1.1%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Source: Factset, company disclosures

- Fee income ambition going forward remains 5-10% growth per annum
- Peer comparison confirms further growth potential, especially in Retail markets
- Eurozone average is influenced by different business models of many Eurozone peers
Underlying expense base stable; regulatory expenses increased

- Expenses excluding regulatory costs were well-controlled despite higher transformation investments and higher expenses related to compliance and KYC enhancement programme
- This enabled positive jaws at operating level for 2014-2018 since underlying income had a 4% CAGR over the same period
- Regulatory costs have gone up meaningfully, mostly from the introduction of bank levies in several countries

* DGS – Deposit Guarantee Schemes; NRF / SRF – until end-2015 National Resolution Funds which were merged into EC Single Resolution Fund as per 2016. Formal build-up phase of DGS and SRF should be completed by 2024
Cost increases in those areas where we see growth

- In Retail Benelux, expenses excl. regulatory costs have gone down as transformation programmes have started delivering cost savings, while in Retail Challengers & Growth Markets higher expenses reflect our growth strategy.

Note: Difference between ING total underlying expenses on previous slide and sum of three main business segments on this slide are explained by Corporate Line
Efficiency and transformation programmes achieve cost savings

<table>
<thead>
<tr>
<th>Status of investments, cost savings and impact on FTEs (2016 – 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td><em><em>Cumulative investments</em> (in € mln)</em>*</td>
</tr>
<tr>
<td>199</td>
</tr>
<tr>
<td>575</td>
</tr>
<tr>
<td>774</td>
</tr>
<tr>
<td><strong>Gross annual cost savings (in € mln)</strong></td>
</tr>
<tr>
<td>380</td>
</tr>
<tr>
<td>235</td>
</tr>
<tr>
<td>615</td>
</tr>
<tr>
<td><strong>Gross staff reduction</strong> (in FTE)**</td>
</tr>
<tr>
<td>-2,300</td>
</tr>
<tr>
<td>-2,900</td>
</tr>
<tr>
<td>-5,200</td>
</tr>
</tbody>
</table>

* Defined as incremental expenses from efficiency programmes initiated before 2016 and the Accelerating Think Forward transformation programmes (as announced in 2016) and includes project expenses, depreciation and amortisation of new IT assets, as well as impacts from impairments of legacy IT systems and other assets

** Internal and external FTEs excluding temporary backfill staffing

- Efficiency programmes initiated before 2016
- Accelerating Think Forward transformation programmes
We continue to improve our operational efficiency

Strong operating leverage in recent years

<table>
<thead>
<tr>
<th>Year</th>
<th>Customer balances* (indexed)</th>
<th>Underlying expenses excl. regulatory costs (indexed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>2015</td>
<td>+15%</td>
<td>+5%</td>
</tr>
<tr>
<td>2016</td>
<td>115</td>
<td>105</td>
</tr>
<tr>
<td>2017</td>
<td>120</td>
<td>110</td>
</tr>
<tr>
<td>2018</td>
<td>120</td>
<td>110</td>
</tr>
</tbody>
</table>

Excluding regulatory costs, C/I ratio already below 50%

<table>
<thead>
<tr>
<th>Year</th>
<th>Underlying cost/income ratio</th>
<th>Underlying cost/income ratio excl. regulatory costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>58.7%</td>
<td>56.0%</td>
</tr>
<tr>
<td>2015</td>
<td>55.9%</td>
<td>52.1%</td>
</tr>
<tr>
<td>2016</td>
<td>54.2%</td>
<td>49.3%</td>
</tr>
<tr>
<td>2017</td>
<td>55.5%</td>
<td>50.4%</td>
</tr>
<tr>
<td>2018</td>
<td>54.8%</td>
<td>49.5%</td>
</tr>
</tbody>
</table>

Looking forward, achieving 50-52% C/I ratio will remain our ambition

- Further cost discipline required due to slower expected WB loan growth, further risk management related investments (incl. KYC/compliance), increasing regulatory costs and low-for-longer interest rate environment
- At the same time, benefits from digital transformation programmes should start to materialise, but these are likely to be more back-ended than initially anticipated

* Customer balances is sum of customer lending and customer deposits
Good CET1 ratio development towards our ambition

Capital allocation framework in theory, and...

- **Business growth**
  - Supporting profitable loan growth

Net result

- **Profit retention**
  - Capital build
  - Regulatory impacts

Capital return
- **Progressive dividend**

...in practice

<table>
<thead>
<tr>
<th>4Q15</th>
<th>Net result</th>
<th>Dividend</th>
<th>Model updates</th>
<th>Volume growth</th>
<th>Risk migration</th>
<th>FX &amp; Other*</th>
<th>4Q18</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12.7%</td>
<td>-4.4%</td>
<td>-2.4%</td>
<td>-0.6%</td>
<td>-1.4%</td>
<td>1.2%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

- We have been paying a progressive dividend while being able to grow and retain capital
- If risk migration were to reverse, loan re-pricing will help to offset some of the impacts. To a certain extent, Basel IV and TRIM are also expected to reduce RWA variability

* Includes -0.2% point impact of IFRS 9 adoption as per 1 January 2018
Basel IV and other RWA impacts are being actively managed

Pro-forma RWA impact from Basel IV and model changes

- Most impact is expected from revisions to internal models stemming from Basel IV (effective as per Jan-2022). Other regulatory developments (e.g. TRIM) are uncertain with respect to magnitude and timing.
- ING Group's 2018 underlying net profit was ~170 bps** of RWA with roughly half set aside for progressive dividend, leaving sufficient surplus capital for regulation and growth taking into account the strong 14.5% CET1 ratio at end-2018.

Limited amount of CET1 capital build required until 2027

* 2019 SREP requirement equals 11.83%
** Underlying net profit excludes €775 mln settlement with the Dutch authorities (recorded as a special item) and net result Insurance Other
Management actions to partly mitigate RWA impacts

**Product Features, Data Quality and Regulations**
- We see opportunities to adjust certain product features (e.g., collateral) and increase the scope of external rating coverage.
- Together with the industry, ING is putting forward proposals to tailor Basel IV (BIV) to European context.
- New data fields are required to use preferential treatments under BIV.

**Income Enhancement**
- Some pricing opportunities exist in retail, mainly for mortgages and business lending.
- The internal pricing hurdle is being updated to reflect the higher RWA from BIV.
- Ability to re-price will depend on competitive environment and how BIV affects it.

**Disintermediation and Capital Relief**
- ING developed its distribution capabilities with different types of transactions:
  I. Significant risk transfers
  II. Future flow transactions
  III. Block sales
- Distribution techniques can be scaled to mitigate impact from TRIM or BIV.

**Portfolio mix**
- All businesses will need to make internal hurdles, also after BIV.
- If repricing is required to remain above hurdle, future growth may be affected.
- Given regulatory uncertainty and the potential from other management actions, it is too early to draw conclusions on the portfolio mix.

*No regret*  
*Contingent upon regulations and other actions*
### ING Group financial ambitions

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• CET1 ratio (%)</td>
<td>10.5%</td>
<td>12.7%</td>
<td>14.2%</td>
<td>14.7%</td>
<td>14.5%</td>
<td>~13.5%* (Basel IV)</td>
</tr>
<tr>
<td>• Leverage ratio** (%)</td>
<td>-</td>
<td>4.4%</td>
<td>4.8%</td>
<td>4.7%</td>
<td>4.4%</td>
<td>&gt;4%</td>
</tr>
<tr>
<td>Profitability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Underlying ROE (%) (IFRS-EU Equity)***</td>
<td>7.2%</td>
<td>8.6%</td>
<td>10.1%</td>
<td>10.2%</td>
<td>11.2%</td>
<td>10-12%</td>
</tr>
<tr>
<td>• Underlying C/I ratio (%)</td>
<td>58.7%</td>
<td>55.9%</td>
<td>54.2%</td>
<td>55.5%</td>
<td>54.8%</td>
<td>50-52%</td>
</tr>
<tr>
<td>Dividend</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Dividend (per share)****</td>
<td>€0.12</td>
<td>€0.65</td>
<td>€0.66</td>
<td>€0.67</td>
<td>€0.68</td>
<td>Progressive dividend</td>
</tr>
</tbody>
</table>

* Implies management buffer (incl. Pillar 2 Guidance) of 170 bps over prevailing fully loaded CET1 requirements (currently 11.8%)
** No reporting requirement for ING Group leverage ratio in 2014
*** The ING Group ROE is calculated using IFRS-EU shareholders’ equity after excluding ‘interim profit not included in CET1 capital’
**** Dividend payments were reinstated in 2014
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 2018 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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