How our customer focus drives shareholder value in Retail

Investor Day 2019

Ignacio Juliá Vilar, Head of Retail

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Key points

• ING Retail has been successful in growing primary relationships, which accelerates long-term value creation in our retail franchise
  • Growth in customers and digital traffic translates into sales, higher revenues and strong financial results
  • Digital leadership is reflected in the success of the digital model as we know how to engage with our customers also in a mobile-first world
• There is still a lot of value potential within the Retail countries
• To tap into this potential and keep up with customer expectations, we need to offer a best-in-class digital customer experience and move to a more efficient and scalable model
Sustained primary customer growth in Retail

Primary customers* ING Retail (in mln)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2016</th>
<th>2018</th>
<th>Ambition 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>8.4</td>
<td>10.4</td>
<td>12.5</td>
<td>&gt;16.5</td>
</tr>
</tbody>
</table>

Growing by ~1 mln primary customers per year

* Definition: active payment customers with recurring income and at least one extra active product category
Customers increasingly expect more in a mobile-only world

Mobile is becoming the primary channel, also in banking...

...and in mobile other players set customer expectations

26% of customers is already mobile-only and growing fast*

* Based on active customers with at least one contact with ING in 4Q18
The key to grow primary relationships and create value, is to reinforce a ‘virtuous circle’ of customer engagement

- Each customer interaction is an opportunity to offer a relevant product or service to our customer...
- ...and to get to know the customer better
- A superior digital and personalised customer experience is the differentiating factor for continuous engagement
- This drives how successful we are in deepening our relationships and cross-buy, and growing our primary customer base
We convert growth in digital interactions into digital sales...

Customer behaviour changes drastically...
Channel mix* among active customers who contact us

...mobile interactions grow fast...
Customer interactions with ING per channel (in bln)

...which we convert into digital sales
Annual non-deposit sales per 1,000 active customers

* Definition: customers who used the channel at least once in the last quarter
...resulting in income diversification and higher ROE

Diversification is driving income growth...
Retail income (in € bln, private individuals only)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2018</th>
<th>Δ € mln (CAGR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net fee and commission income</td>
<td>8.2</td>
<td>9.0</td>
<td>+310 (8%)</td>
</tr>
<tr>
<td>Non-mortgage lending NII</td>
<td>0.9</td>
<td>1.2</td>
<td>+410 (8%)</td>
</tr>
<tr>
<td>Mortgage NII</td>
<td>1.1</td>
<td>1.5</td>
<td>+180 (2%)</td>
</tr>
<tr>
<td>Liability NII</td>
<td>2.7</td>
<td>2.9</td>
<td>-30 (0%)</td>
</tr>
<tr>
<td>Diversified income</td>
<td>3.5</td>
<td>3.4</td>
<td></td>
</tr>
</tbody>
</table>

...leading to strong growth in profitability and returns
Retail underlying profit before tax (in € bln, private individuals only)

- 2014: 2.7 bln
- 2018: 3.5 bln

CAGR: +7%

Return on Equity*
- 2014: 19%
- 2018: 23%

* Based on a 12% CET1 ratio
Note: scope of financials in this presentation is Retail Banking excl. SME/Midcorps, Asian bank stakes and Bank Treasury, based on flexed FX rates
Primary customer relationships reinforce the ‘virtuous circle’…

**Primary customers interact more...**
Average number of interactions per customer, 2017

- Non-Primary: 47
- Primary: 198

**...buy more products...**
Average number of products per customer, 2017

- Non-Primary: 1.4
- Primary: 2.9

**...and are more sticky**
% of active customers that left ING per segment, 2017

- Non-Primary
- Primary: 10x
Digital customer engagement enables strong returns and low costs to serve

Primary customers generate superior returns
Profit before tax, per average private individual customer, 2017 (in €)

<table>
<thead>
<tr>
<th></th>
<th>Non-Primary</th>
<th>Primary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Equity*</td>
<td>17%</td>
<td>42%</td>
</tr>
<tr>
<td>Cost/income ratio</td>
<td>61%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Digital customer engagement enables strong returns and low costs to serve
Income per average private individual customer, 2017 (in €)

<table>
<thead>
<tr>
<th></th>
<th>Non-Primary</th>
<th>Primary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs per average customer, 2017 (in €)</td>
<td>1.5x</td>
<td>2.2x</td>
</tr>
</tbody>
</table>

...which drives profitability, reinforced by our digital model

* Based on a 12% CET1 ratio
We have successfully extended relationships into the digital world

Digital sales are picking up strongly across countries – also for more complex products

Channel mix for non-deposit sales (in % of total)

Digital model
Example: ING Spain

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Payment accounts</td>
<td>58%</td>
<td>42%</td>
</tr>
<tr>
<td>Consumer loans</td>
<td>32%</td>
<td>88%</td>
</tr>
<tr>
<td>Investment products</td>
<td>33%</td>
<td>67%</td>
</tr>
<tr>
<td>Mortgages</td>
<td>62%</td>
<td>38%</td>
</tr>
</tbody>
</table>

% Digital

% Digital for 2016 and 2018:

- Total Sales: 100%
- Payment accounts: 58%
- Consumer loans: 32%
- Investment products: 33%
- Mortgages: 62%

Note: Channel mix per product is based on 4Q18

Former branch model
Example: ING Poland

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<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Payment accounts</td>
<td>30%</td>
<td>9%</td>
</tr>
<tr>
<td>Consumer loans</td>
<td>22%</td>
<td>9%</td>
</tr>
<tr>
<td>Investment products</td>
<td>28%</td>
<td>9%</td>
</tr>
<tr>
<td>Mortgages</td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>

% Digital

% Digital for 2016 and 2018:

- Total Sales: 100%
- Payment accounts: 30%
- Consumer loans: 22%
- Investment products: 28%
- Mortgages: 3%

Note: Channel mix per product is based on 4Q18
We will capture significant untapped value across retail markets

Across markets, we are at different stages...

High Value from primary relationship (% of primary customers and cross-buy)

- Retail Benelux
- Retail Growth Markets
- Retail Challengers

...with different key accelerators to capture value potential

- Provide best-in-class customer experience to grow (primary) customers
- Expand product and service capabilities to increase cross-buy and fees
- Leverage cross-border scalability and digital model to improve cost efficiency and reduce time-to-volume
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