

Transform, innovate, diversify

Case study Italy, Spain, Poland

ING Investor Day

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www.ing.com

thinkforward



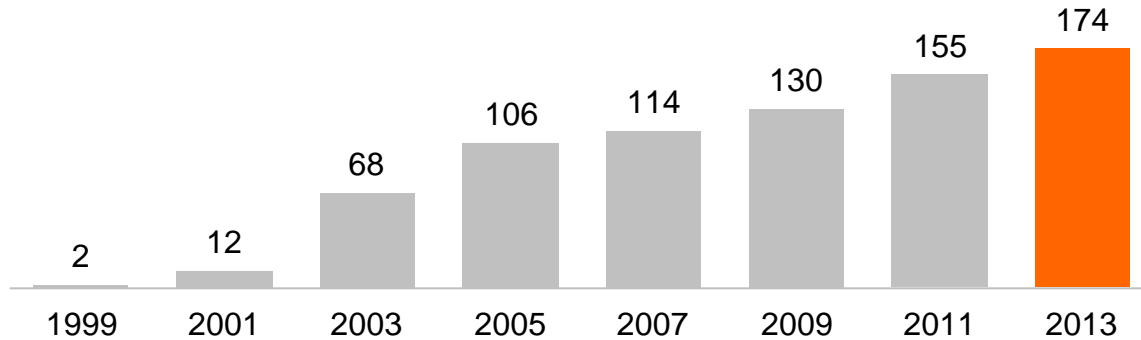
Key messages

- A Focus on becoming the primary bank for our customers
- B Innovation-driven fulfilling relevant customer needs
- C This will allow us to grow customer lending and diversify the asset base

A Shifting business models

Franchise is built on strong savings proposition

Funds entrusted in ING Direct* (in EUR bln)



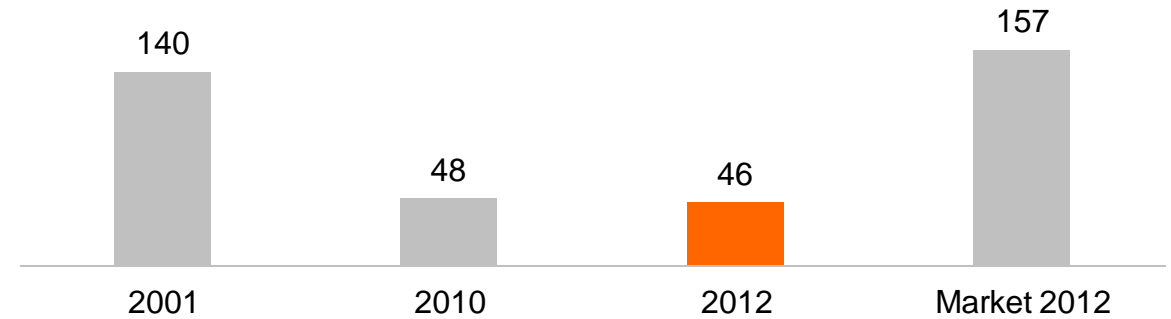
International Retail strategy was based on an innovative savings offer

- Optimise the product offering and make the process easier for the customer
- We had a successful business model built on lower NIM, low RoA while achieving an adequate ROE driven by investing in low-risk securities. We have adapted the business model based on Basel III / CRD IV constraints

* Historical figures restated for divested units

Low-cost position allows us to share part of the benefits with clients

ING Direct*, cost-over-client balances (in bps)



We have shifted to a business model based on sustainable balance sheets and primary banks

- Focus on transaction needs of customers while quality remains the differentiator
- Enhanced product offering while maintaining 'less is more'
- Maintain operational excellence and low-cost provider profile
- Reduction of cost of funding
- Transformation on asset side – investment portfolio reduced to liquidity pool and focus on own-originated asset generation

A All units are well-positioned to serve the customer needs

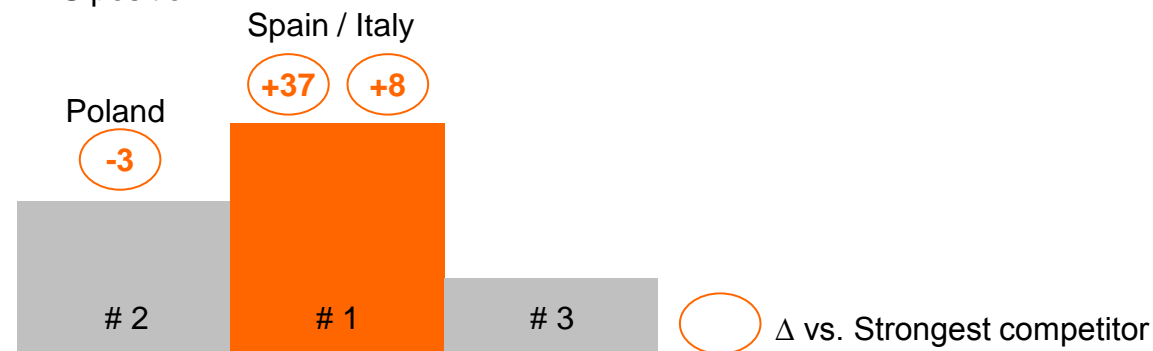
We are well positioned in Spain, Italy and Poland

2014	Spain	Italy	Poland
Product categories			
Retail			
Savings	✓	✓	✓
Payment accounts	✓	✓	✓
Mortgages	✓	✓	✓
Investment Products	✓	✓	✓
Consumer Loans	✓	✓	✓
Insurance	✓	✓	✓
Self-employed / SME	✓	-	✓
Midcorps	-	-	✓
Commercial Banking	✓	✓	✓

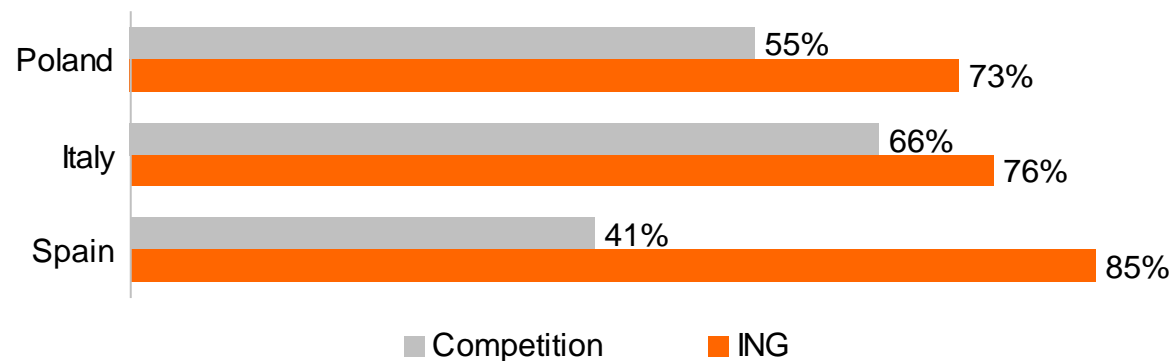
- ✓ Product in place
- ✓ Product launch in preparation phases
- Not launched

We continue to focus on providing a superior customer experience

NPS position



Our customers view us as an innovative player

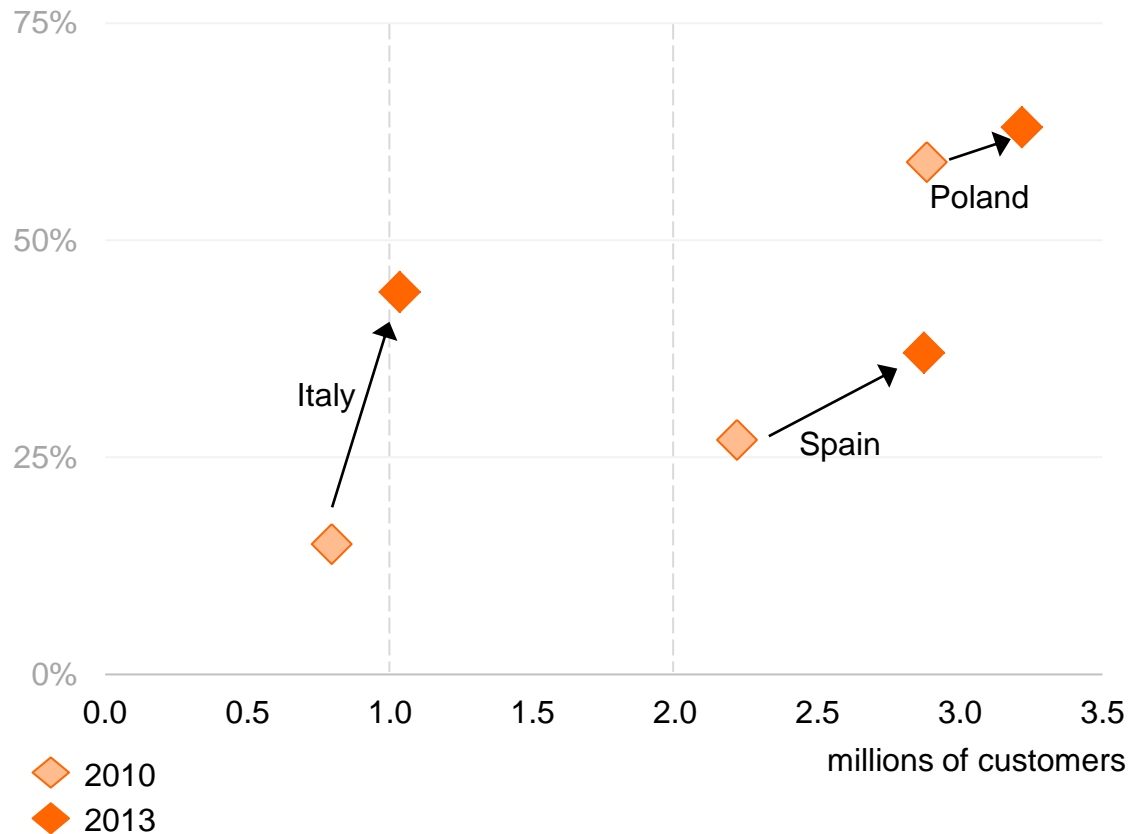


Source: ING, annual brand tracking 2012

A Solid commercial growth with a focus on payment account clients

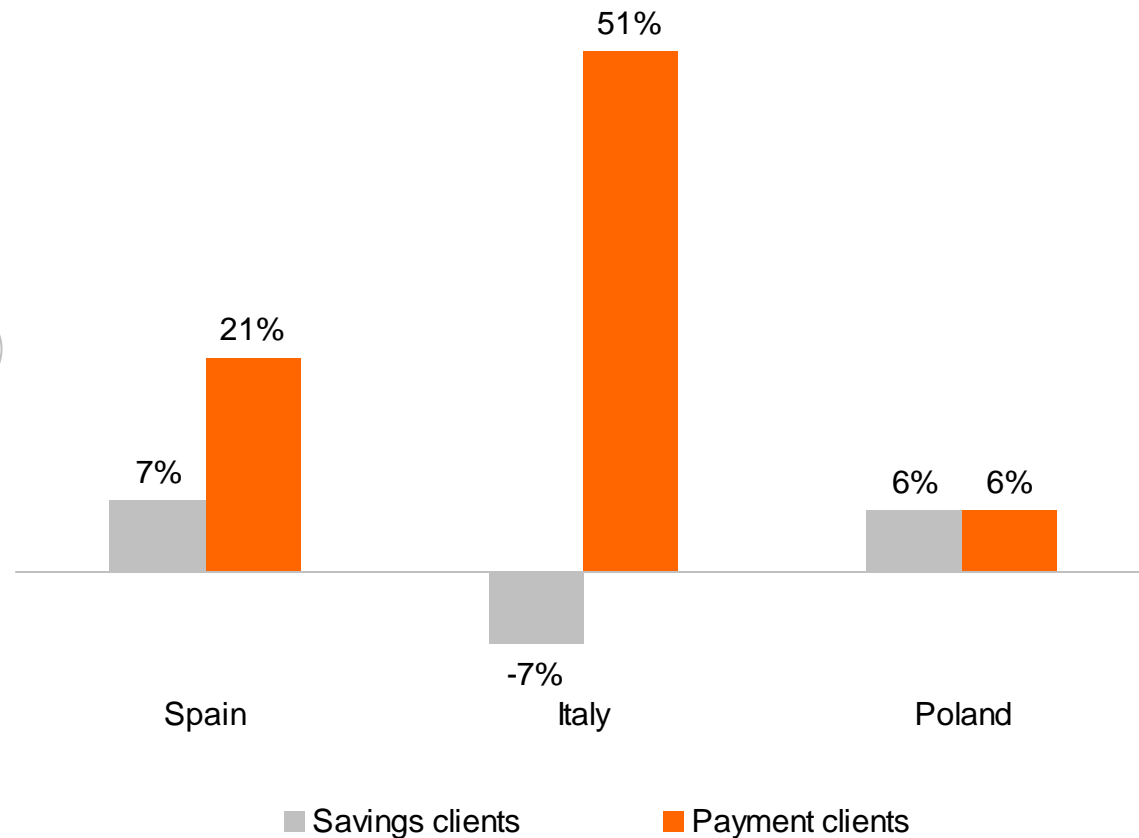
We continue to grow our client base...

% payment account customers over total customers



...with an increased role of payment accounts as entry product

CAGR 2010 - 2013

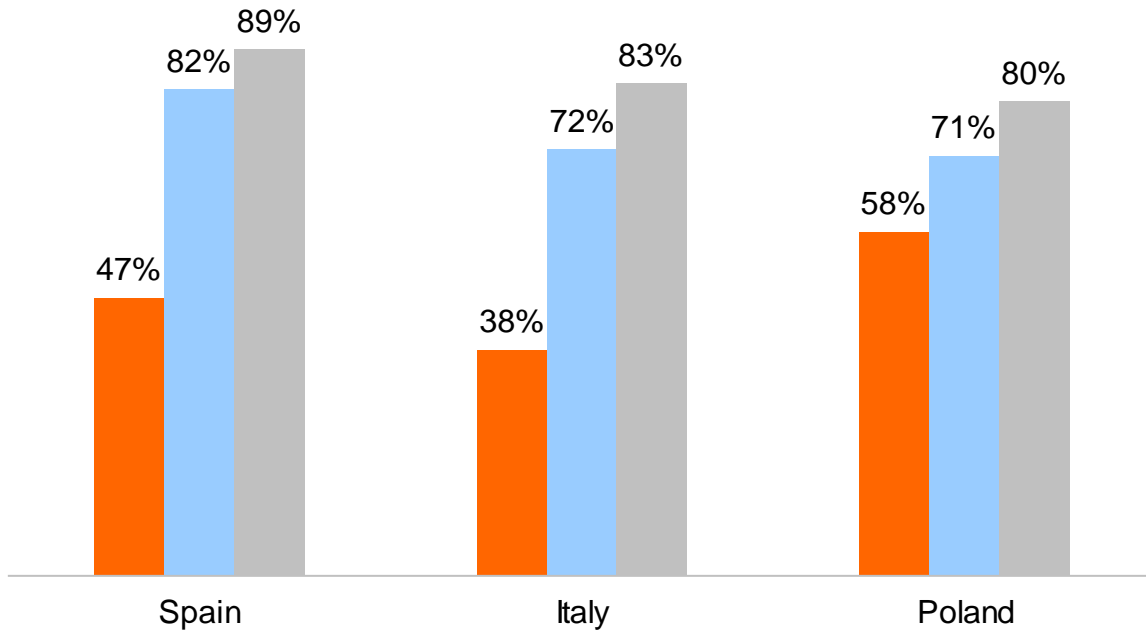


A

Payment accounts an important driver for increased cross-buy and the primary banking relationship

Payment accounts customers have more propensity to buy

% multi-product customers



- Total active customers
- Of which payment customers
- Of which payment customers with recurrent income

Strong potential to increase the share of primary bank relationships

% of primary bank customers (of total active customers)



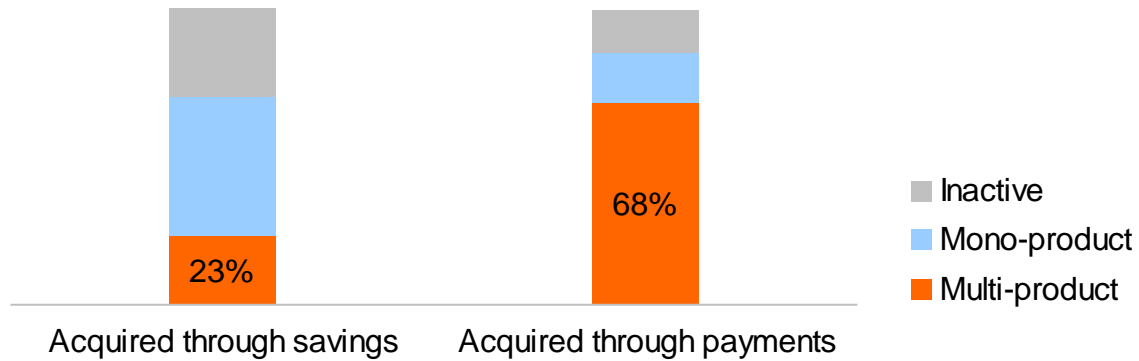
Growing the primary relationship based on core competencies

- An attractive value proposition for payment accounts in all units
- High customer satisfaction levels
- More frequent interactions create reference
- Omni-channel distribution composition – easy to deal with

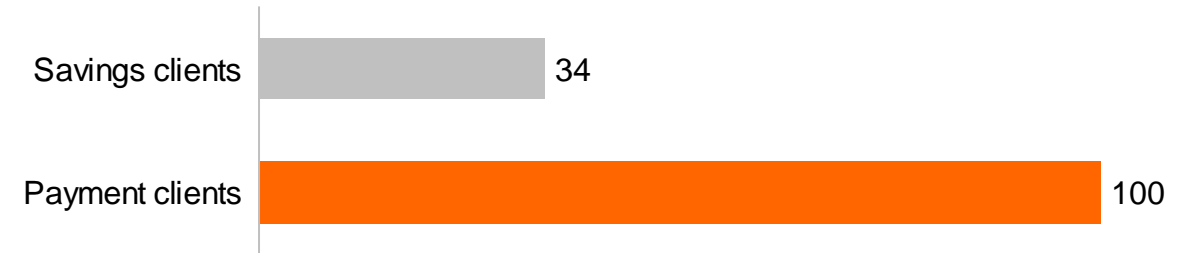
A

Case study Spain: payment account customers have more products, are more satisfied and have more lending with us

After 3 years, clients acquired through payments have more products



...and have more annual contact moments with the bank

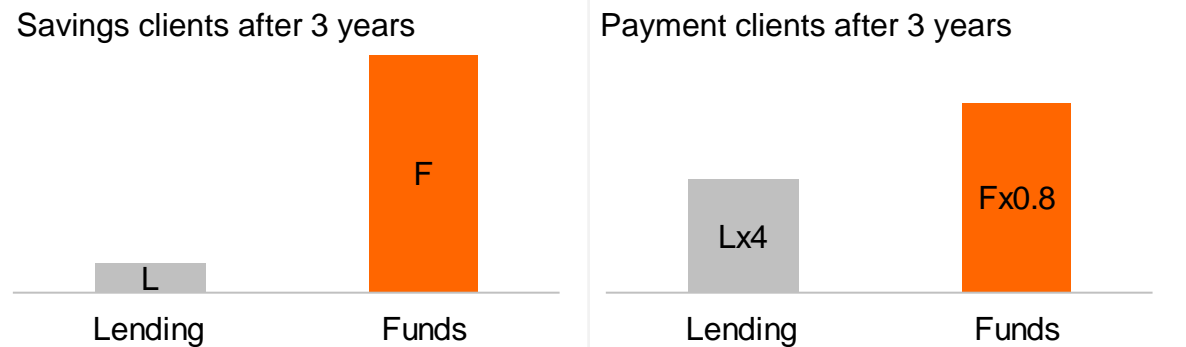


More contact with the bank leads to more satisfaction

NPS scores (average)

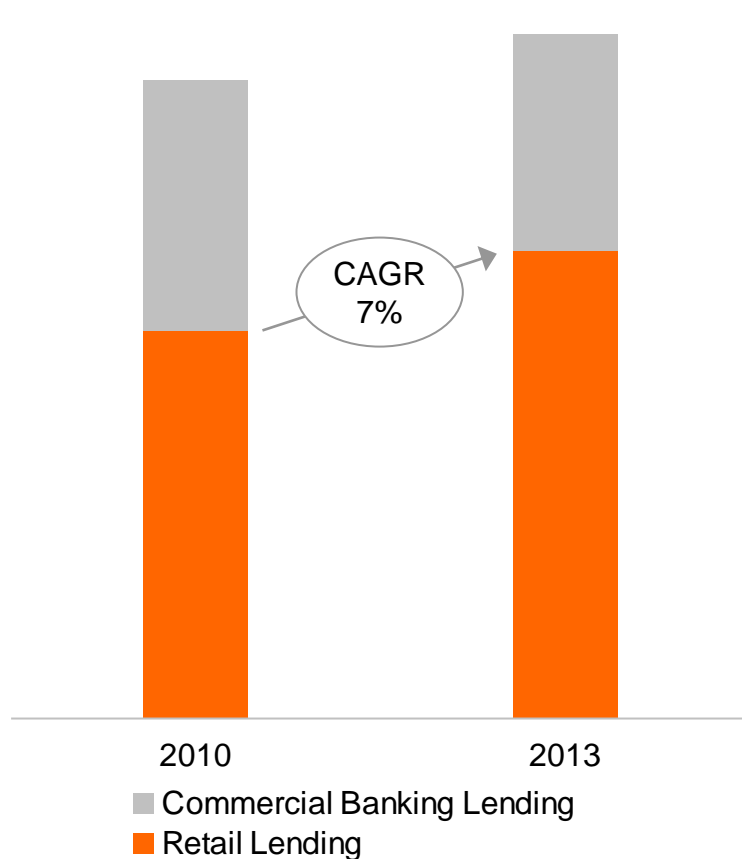


...while holding 4 times more lending balances after 3 years

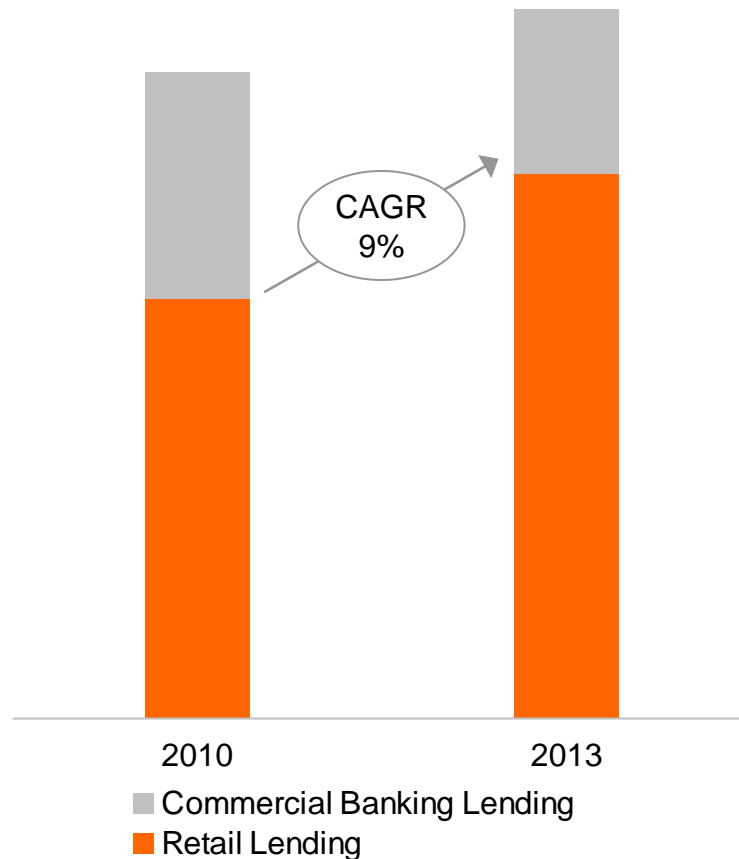


A Retail lending outpaced market growth

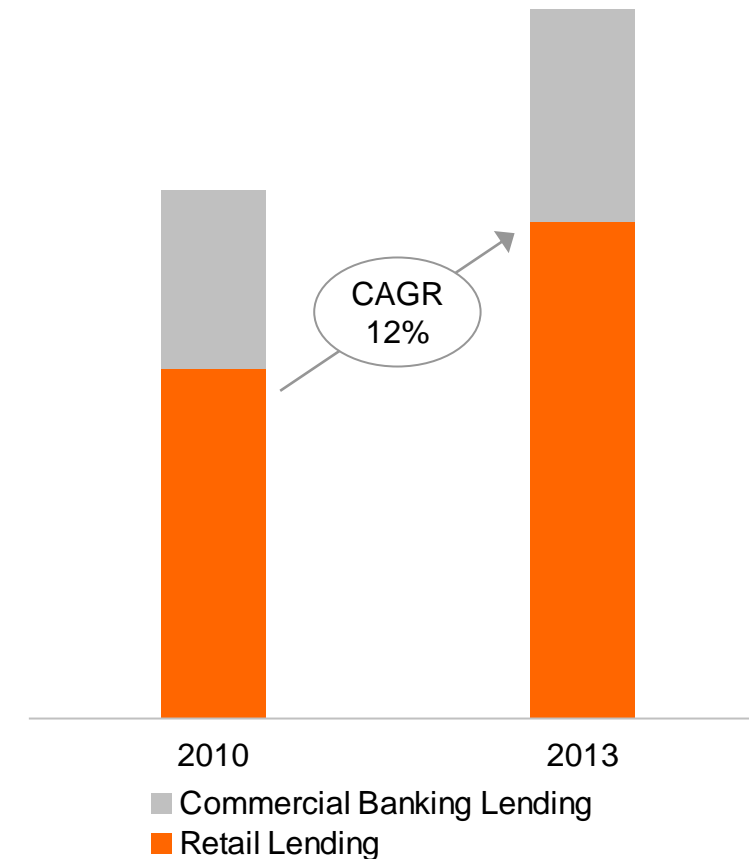
Spain increased retail lending by 7% in a shrinking market



Retail lending growth in Italy driven by new mortgage production with attractive margins



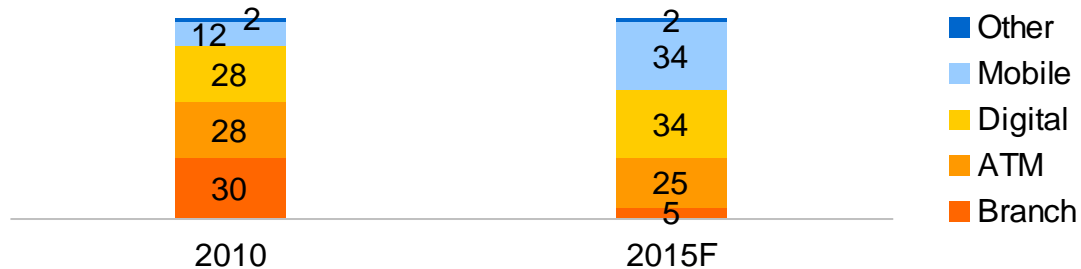
In Poland, we demonstrated the highest organic growth among Polish banks



B Innovation in distribution: mobile-first everywhere

Massive shift to mobile and direct channels expected in EU...

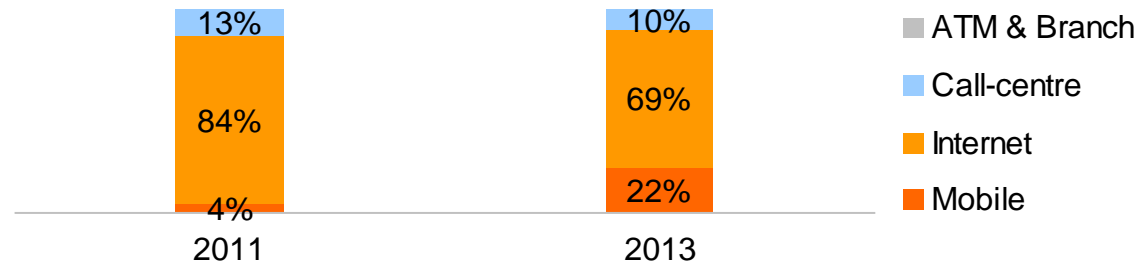
Percent of interaction



Source: McKinsey European consumer and banking research; Consumer Distribution Research, Iconsumer 2010-2012

...which is already observed in ING's client base

Example Italy: % of client service contacts per channel



ING's mobile app is valued by customers

App store rating*



* Most apps are available on both iTunes App Store and Google Play Store, the rating from most downloaded platform is used

While also serving business clients (example Poland Business App)

- Accounts: View and manage all available accounts
- Order Review: View and manage all orders
- Transfers: Enter domestic and internal transfers use existing templates
- Operations history: View history of all operations
- Order history: View history of all order types
- Beneficiaries: List of domestic beneficiaries
- Currencies: Currency rates table
- Geolocation: ATM, branches and CDM location
- Settings: Security settings (PIN code change, etc.)
- FX Trader: FX transactions

B Innovation in distribution: a “Bank Shop” model

Italy



Spain



Poland



B Bank shops – successfully different

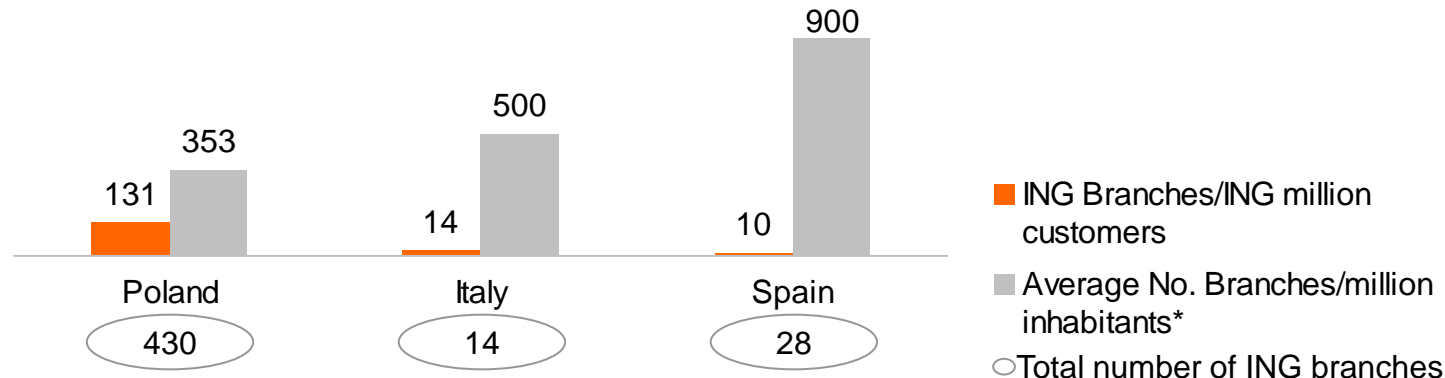
Physical network is still valid...

- Selective location
- Very limited number
- New drivers (e.g. easy access)
- Network size suitable for sales optimisation, not for servicing optimisation

...and supporting client acquisition

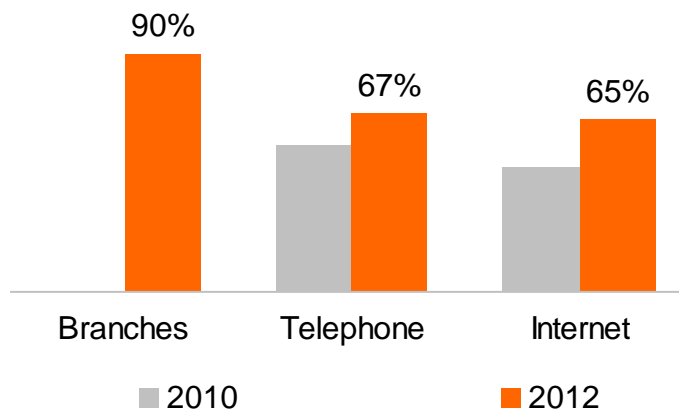
- Payment account activation
- Advice/help essential in mortgage/ wealth management
- Support for self service
- Marketing activator

Differentiating model, significantly more efficient than the market average

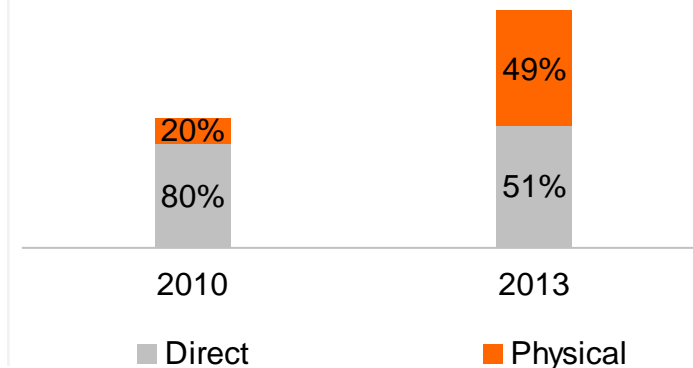


Source: McKinsey& Company 2012, for Italy and Spain; Polish Banking Association

Conversion to active customer in Spain



Payment accounts acquisition boosted via physical channel in Italy



B

Case study Spain: the essentials to build a strong relationship in the new digital era

New customer needs

New digital solutions

1

- Universal access to all functionality from anywhere.



- Responsive web design: one single application for all devices & channels > Traffic (control cost and complexity).

2

- From reporting to helping: redesigned end-to-end services from a customer point of view.



- Real time Personal Finance Management embedded in the application, use data to create value for the client. > Relevance

3

- Personalized and proactive dialogue in digital channels.

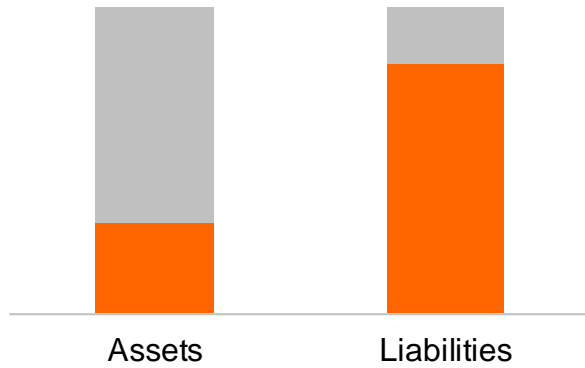


- Customisable solution, built to change with agile development methodologies. > Experience

C Multi-segment balance sheet management – consolidation

Stand-alone balance sheets...
Example Italy

ING Direct



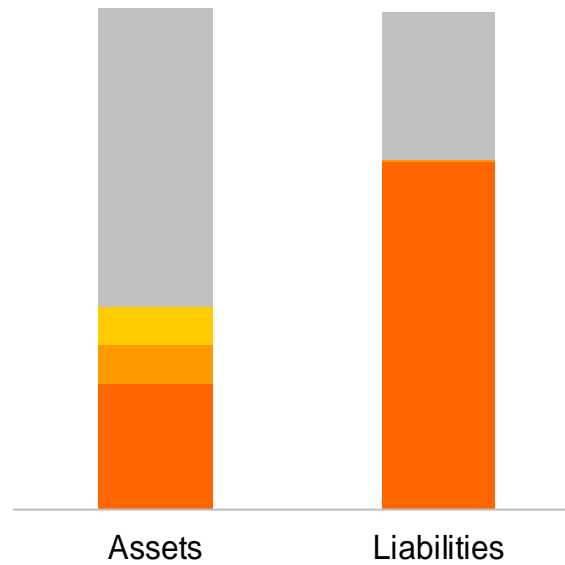
Commercial Banking



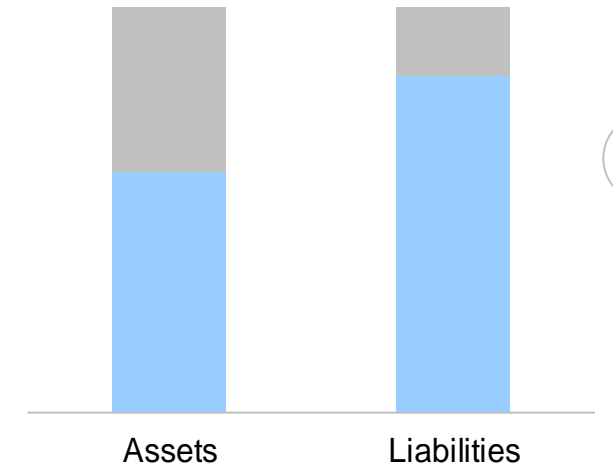
REF



...became One Bank balance sheets...



...which are consolidated to a large extent

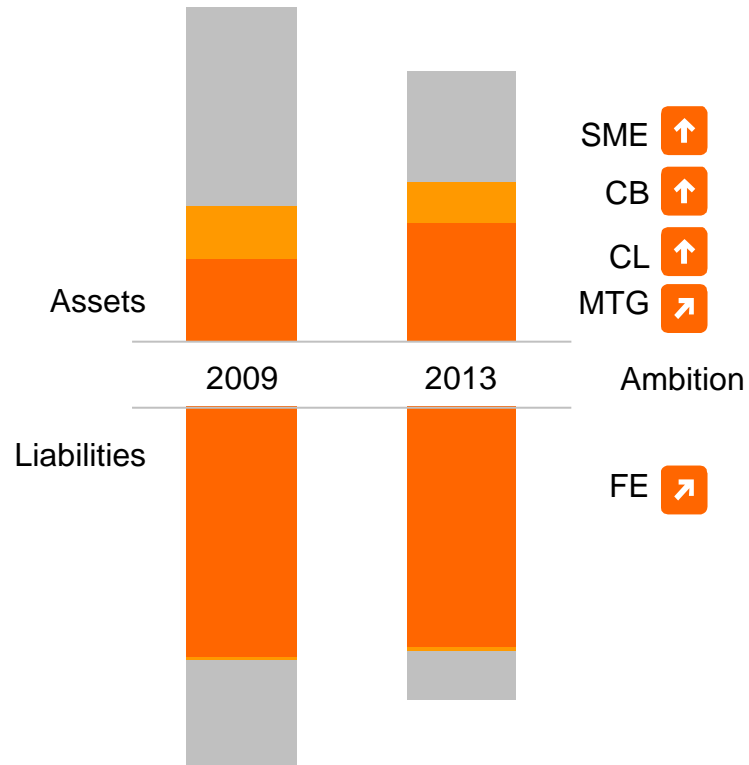


■ Retail client balances
 ■ Commercial Banking client balances
 ■ REF
 ■ Non-client balances
 ■ Client balances

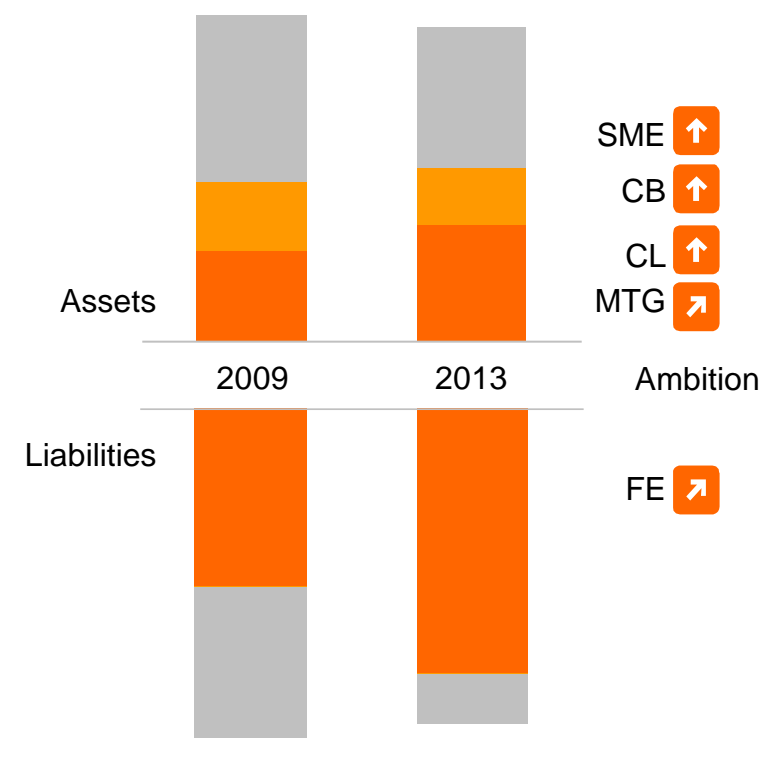
C

Focus on diversifying the balance sheet through high-yielding asset growth

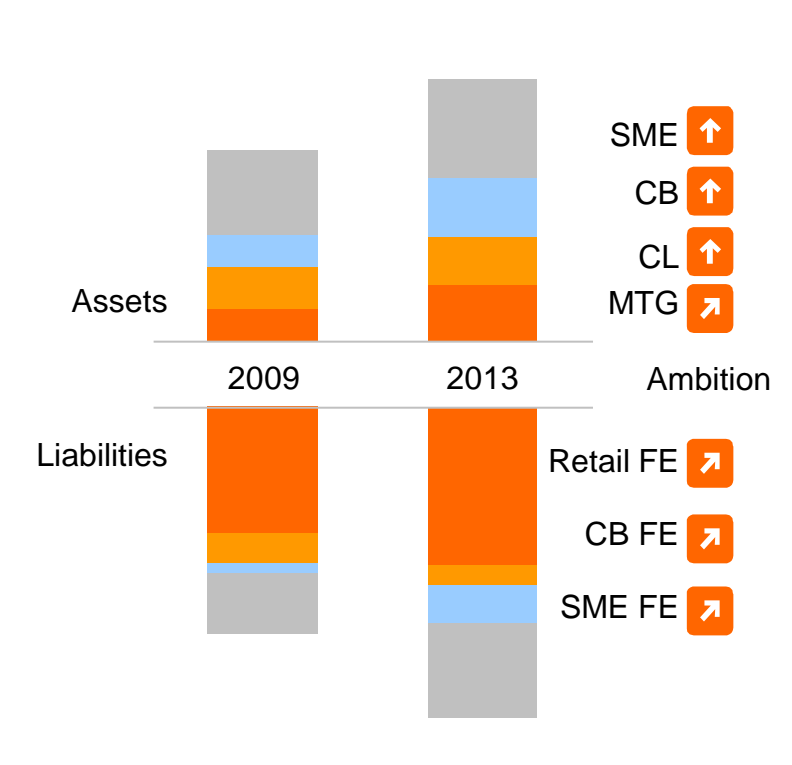
In **Italy**, total assets decreased by 21% while increasing customer lending by 13%



In **Spain**, fast lending growth was achieved in a shrinking market



ING in **Poland** grew twice the market further supporting balance sheet diversification

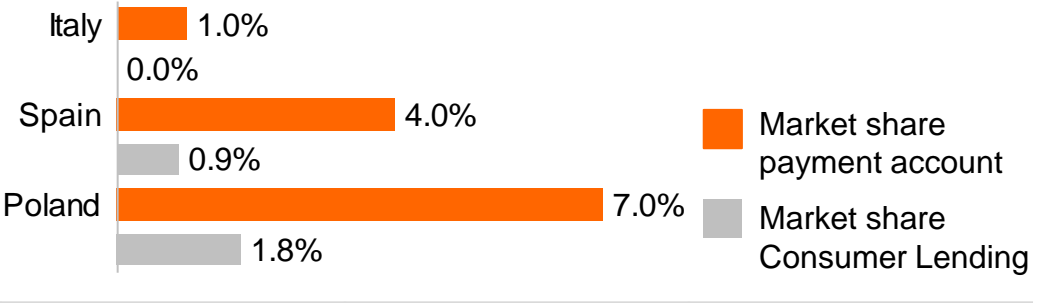


■ Retail client balances (CL – Consumer Lending / MTG – Mortgages / FE – Funds Entrusted)
■ CB client balances ■ SME client balances ■ Non-client balances

C Accelerating asset generation capabilities

Consumer Lending - potential to exploit payment accounts

- Accelerate responsible lending growth in line with our brand values
- Embracing potential of existing customers and brand attributes
- Mobile leadership as advantage for new customers



Self-employed / SME: opportunity to enter based on a differentiated Direct offer

- Build capabilities and develop lending engines in Spain and Italy through the self-employed segment; already a leading position in Poland
- Use potential of word-of-mouth with a trade / exchange financing offer
- Capitalise process management and simplification capabilities

Country	Market size (self-employed and micro) (in mln clients*)	Estimated existing small business clients (in '000s)	(Implied) Market Share (in %)
Italy	3.6	150	4.2%
Spain	3.4	220	6.5%
Poland	3.2	300	9.4%

Commercial Banking

- Leverage ING's sector knowledge and international network
- Grow the client base domestically for local and international business
- Diversify assets through Industry Lending, General Lending and Transaction Services. Additional front-office being hired

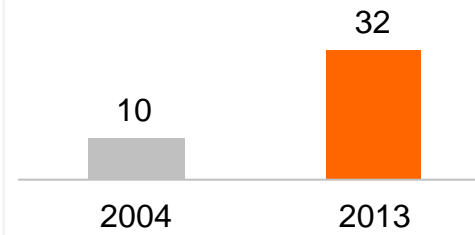
* Micro companies are defined as up to 10 employees and up to EUR 2 mln turnover or up to EUR 2 mln overall balance sheet of an enterprise; Source: Eurostat

C Case study Poland: SME and Midcorps as the 'third engine'

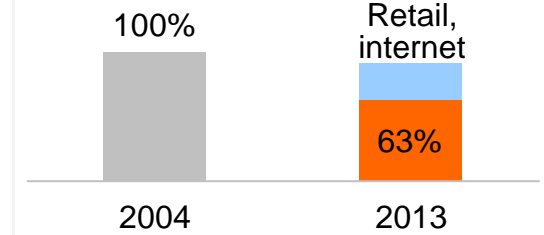
Distribution

- Creation of dedicated sales network
- Separation of duties: Relationship Manager focuses on sales activities and the Account Manager on credit analysis
- Development of distribution channels (Mid-corp and retail network, internet)

Strong client growth ('000s)



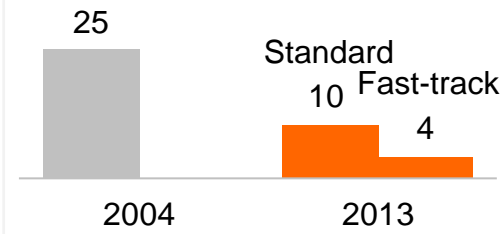
Trending towards digital channels
(% of Mid-corp network in acquisition)



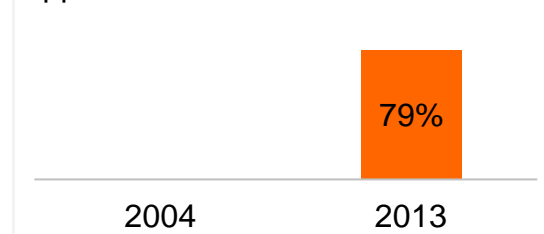
Operational Excellence & Digitalization

- End-to-end credit process redesign with an automated process for lower exposures – Fast Track
- Migration to electronic applications and elimination of paper documents
- All products and processes available in internet and mobile channels

More efficient lending process (days)

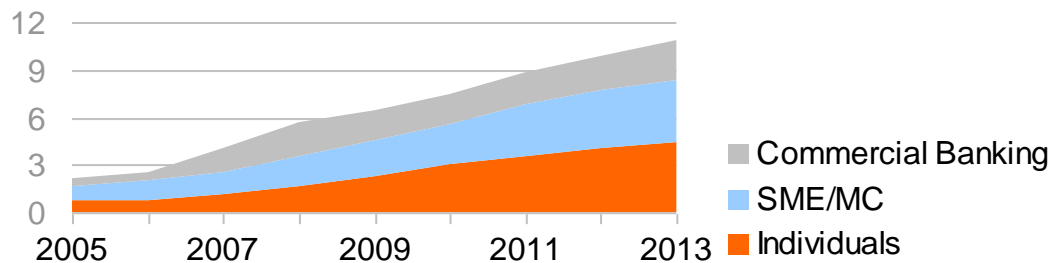


Increasing electronic credit applications

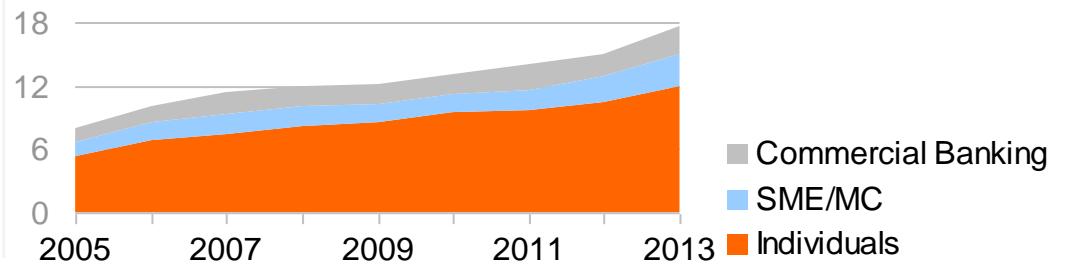


Leading to Balance Sheet diversification

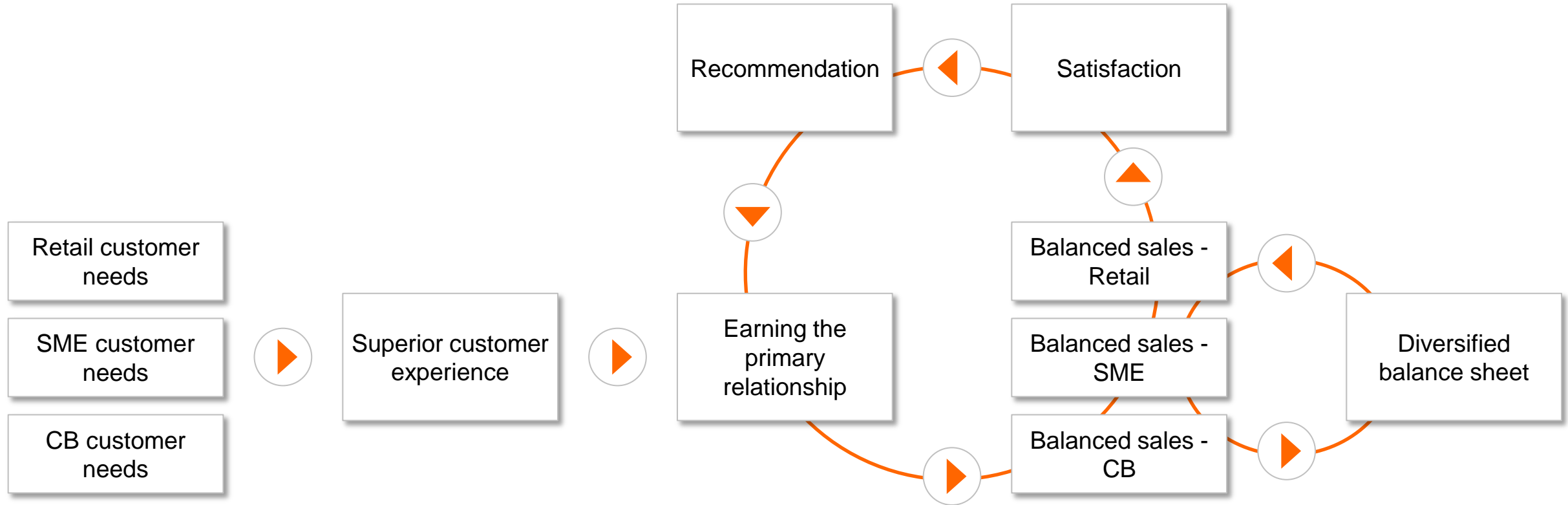
Diversifying assets (in EUR bln)...



...and liabilities (in EUR bln)



Wrap-up



- Innovation-driven fulfilling relevant customer needs
- Focus on becoming the primary bank for our customers
- This will allow us to grow customer lending and diversify the asset base

Disclaimer

ING Group's Annual Accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU').

All figures in this document are based on the 2013 ING Group Annual Accounts. This document is unaudited.

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