

A photograph of two young women with long dark hair, smiling and taking a selfie in a park. One woman is holding a purple smartphone up to take the picture. They are outdoors with green trees and a path in the background.

ING Bank

Digital Revolution in Banking

Dorothy Hillenius, Director of Corporate Strategy
London • 13 May 2015

thinkforward

ING 

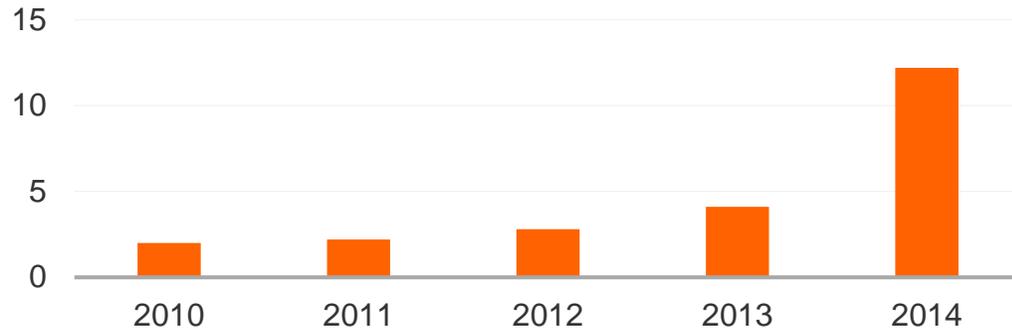
Key points

- Transformation of the banking landscape
- Data is the new oil
- Digital revolution requires a new way of interacting with customers
- Distribution: banks need to re-engineer their cost base

Digital Revolution in Banking?

- Global investment in fintech ventures tripled to **\$12.2 bln** in 2014

Source: Accenture and CB Insights



- There are an estimated **12,000+** startups in the FinTech space globally

Source: McKinsey

- **1/10** of all payments in China are made with **Alipay**

Source: Goldman Sachs research

- Annual volume of bitcoin transactions rose to **\$15.4 bln** in 2014

Source: blockchain.org

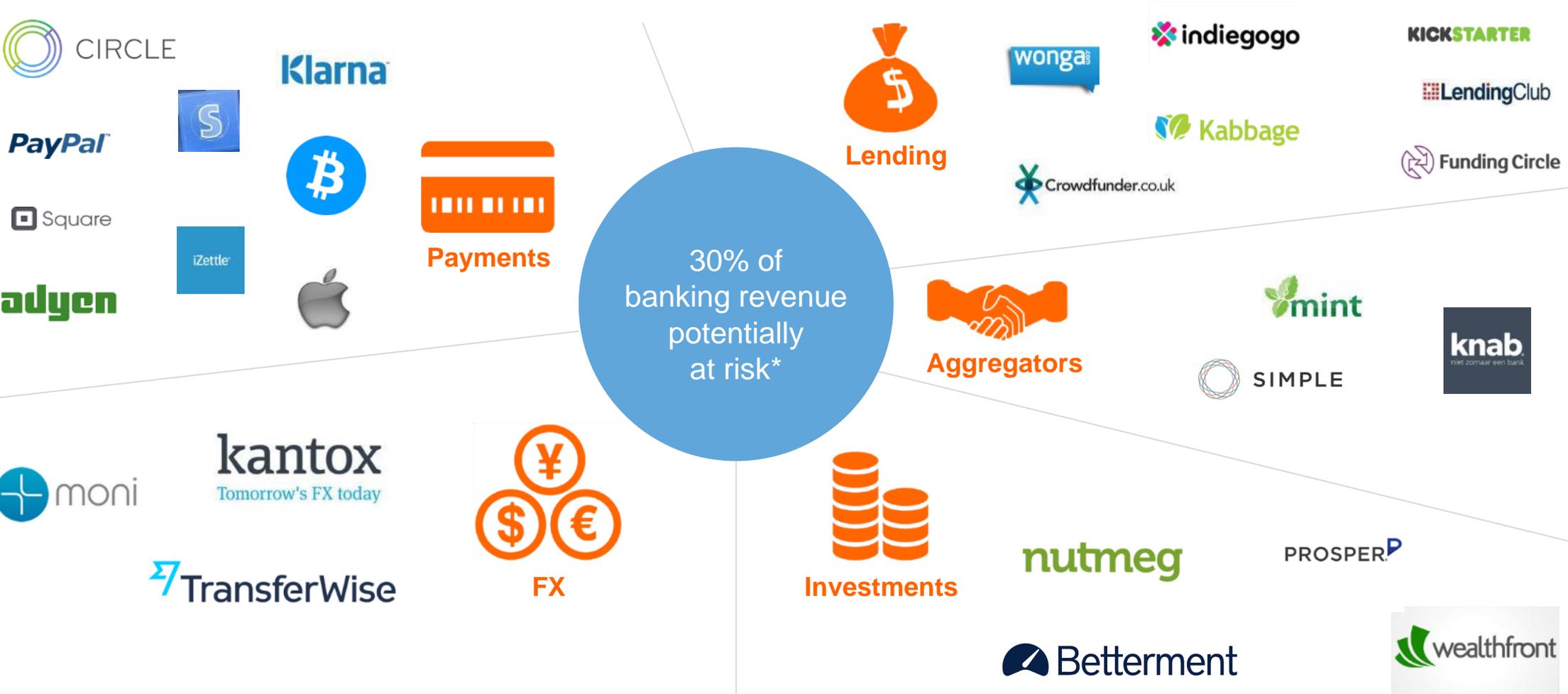


- Peer-to-peer lending in the US grew to **\$5.5 bln** in 2014

Source: PWC



The De-bundling of Financial Services?



* Source: Accenture

Disruption of the banking industry?

What type of Innovation is it?

- Disruptive or sustaining?
- Is the bank at risk of disintermediation?
- Unserved market segment, or competing head-on?
- Competing on customer experience, lower fees?

It's the banks' game to win or lose ...so we need to change our game

- We have the scale
- Customer base
- Data that others are after
- Ability to adapt, copy, partner, buy...

1. Data
2. Digital
3. Distribution

What is the customer need?

How can banks adapt to meet it?

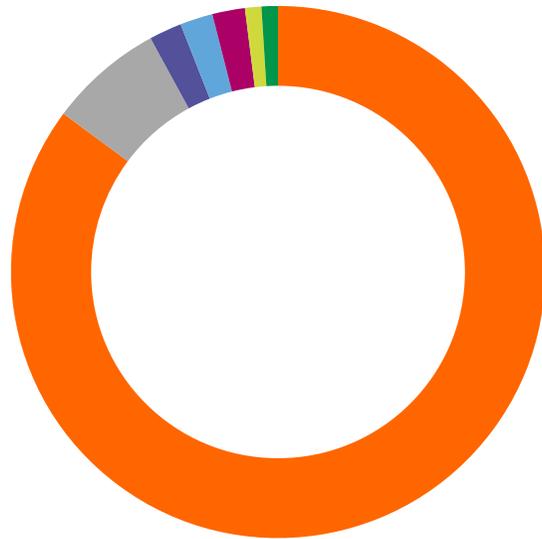
1 Data is the new oil...



Banks are the most trusted to securely manage personal data

Which type of company do you trust most to securely manage your data?

Accenture 2015



- Banks and Financial Institutions
- Payments provider
- Mobile phone network provider
- Online retailer
- Consumer technology company
- Internet provider
- Social media provider

Keys to using data successfully in financial services

1. Trust
2. Relevance
3. Empowering the customer

▶ **Purpose**

Empowering people to stay a step ahead in life and in business.

▶ **Customer Promise**



Clear and Easy



Anytime, Anywhere



Empower



Keep Getting Better

▶ **Strategic Priorities**

Creating a differentiating customer experience

- 1 Earn the primary relationship
- 2 Develop analytics skills to understand our customers better
- 3 Increase the pace of innovation to serve changing customer needs
- 4 Think beyond traditional banking to develop new services and business models

▶ **Enablers**

Simplify & Streamline

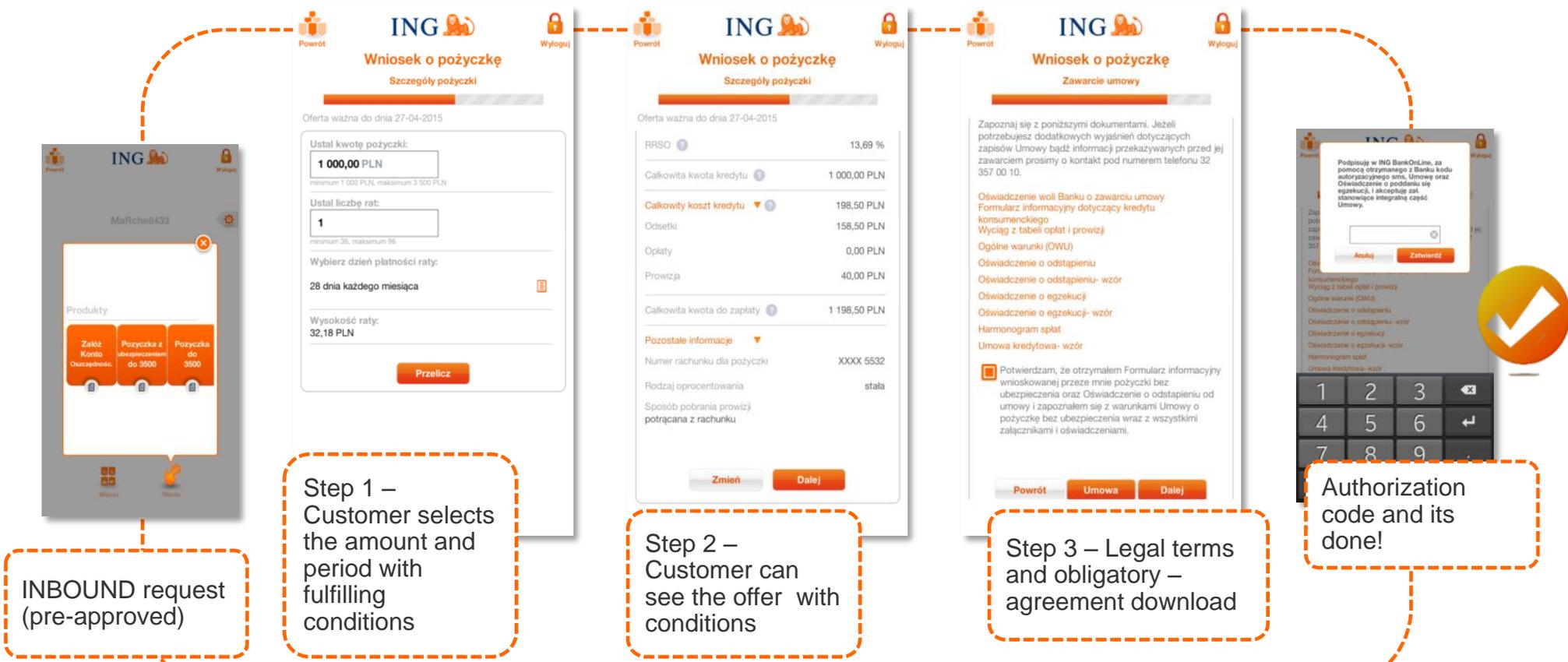
Operational Excellence

Performance Culture

Lending Capabilities

Using data to empower customers: Consumer Lending Poland

Advanced analytics used to pre-approve existing customers so they can get a consumer loan in minutes...



ING Bazar



ING Bazar launched in Romania

- Mobile wallet combining payments, merchant loyalty cards and targeted offers from retailers
- Launched in April to ING customers
- 20 merchants participating
- Within 3 days 24,900 unique users enrolled, 3,900 users had claimed discounts

2

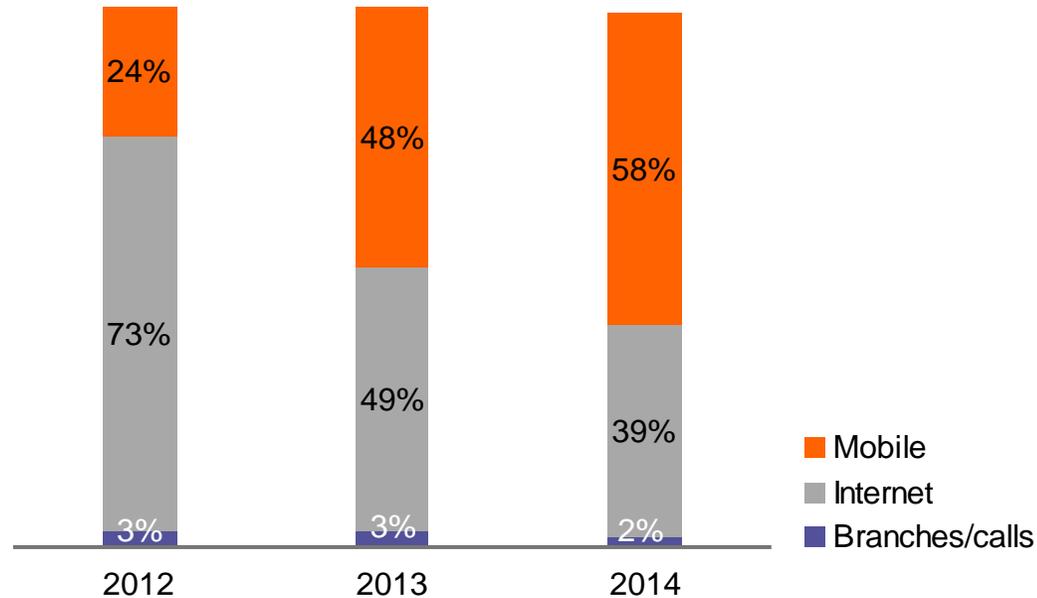
Digital revolution requires a new way of interacting with customers...



Interactions with customers are moving quickly to mobile...

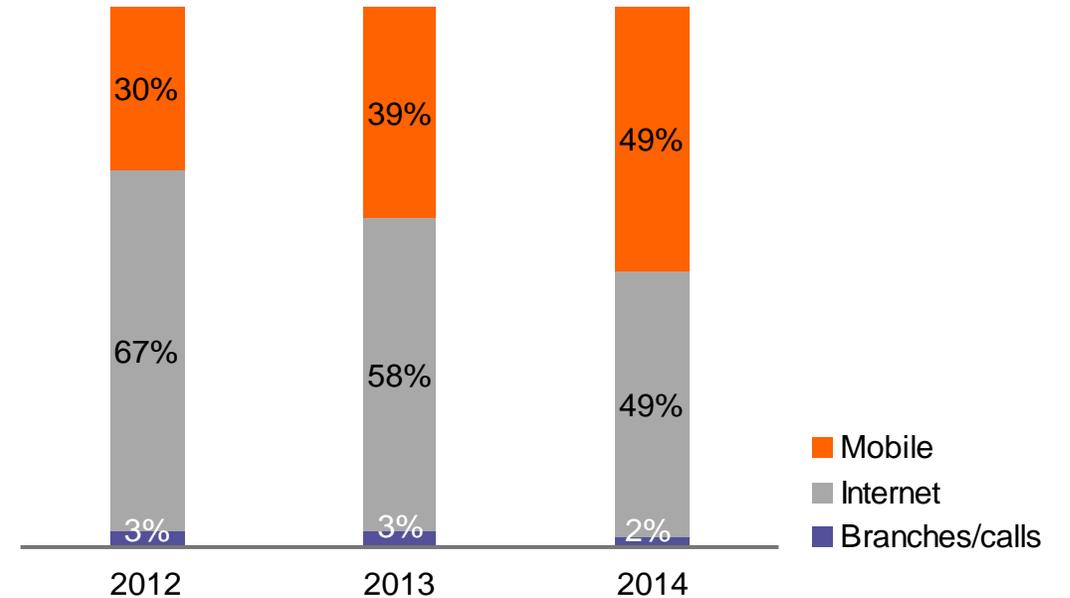
- Customers have much more digital contact with their bank, both in our Challenger countries as well as in our Market Leaders

ING NL, number of contacts (in %)



Source: ING Bank Netherlands

ING Direct Spain, number of contacts (in %)



Source: ING Bank Spain

Earning the primary relationship is essential to be relevant to customers

Payment account customers buy more products

15%
of **non-payment**
account customers
are multi-product



80%
of **payment**
account customers
are multi-product

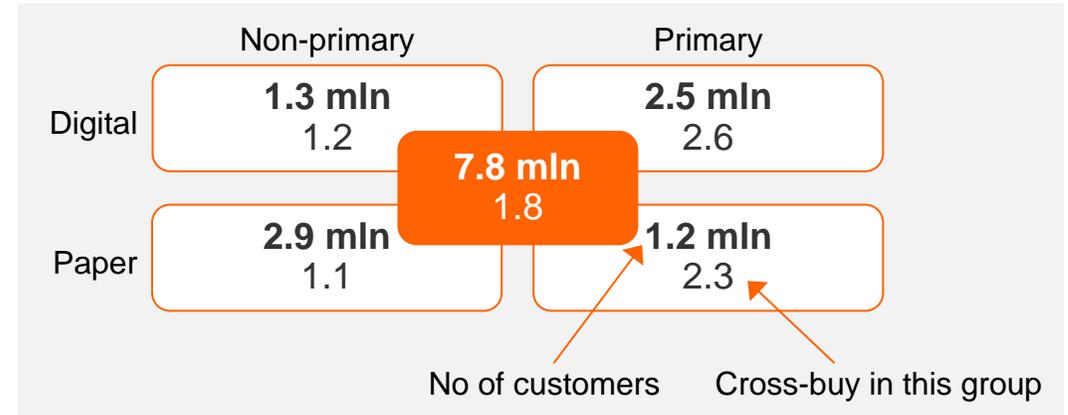
Primary bank customers have more contact with the bank

Non-primary
customers contact the
bank on average
4 days per month

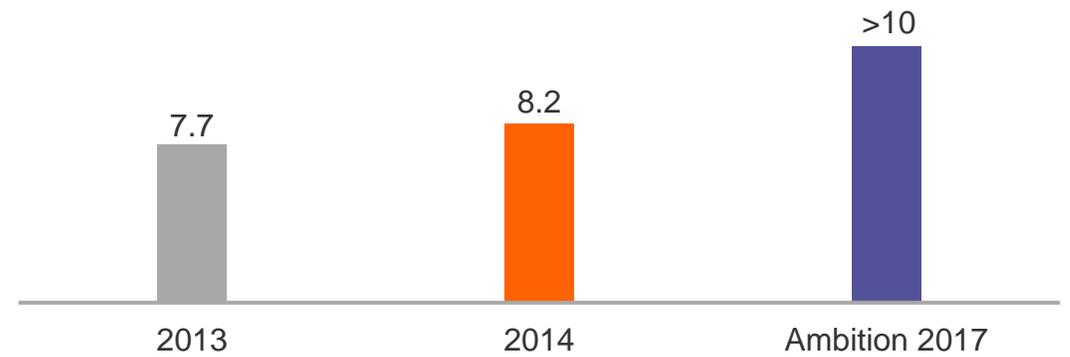


Primary bank
customers contact the
bank on average
10 days per month

Primary, Digital customers are more profitable (example NL)



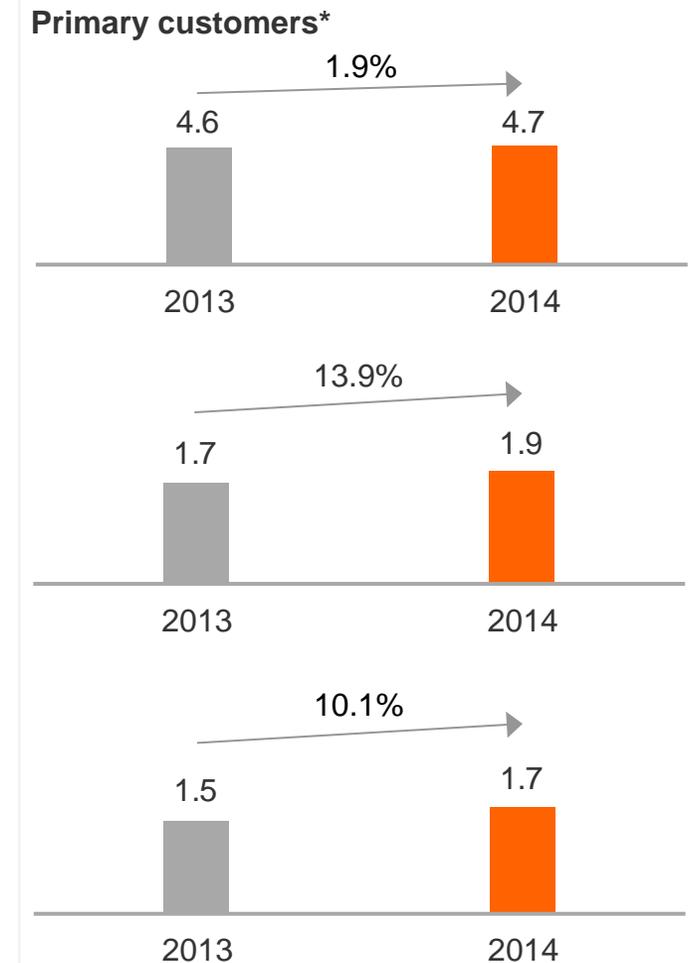
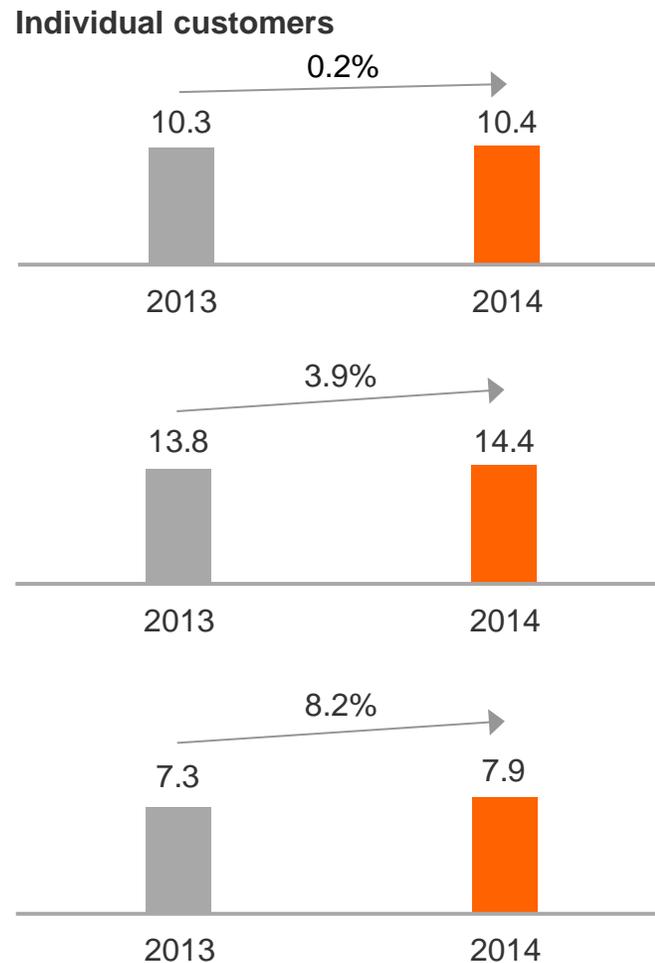
ING is on track to reach 10 million primary customers



Source: ING Bank Netherlands

Primary customers grew particularly strongly in the Challengers and Growth Markets

<p>Market Leaders</p>	<ul style="list-style-type: none"> • Leading Retail and Commercial Bank in the Benelux • Evolving into 'direct first' banks
<p>Challengers</p>	<ul style="list-style-type: none"> • Organically-built leading direct retail bank in Germany/Austria, Spain, Italy, France and Australia • Retail Banking franchises have been integrated with Commercial Banking franchises into domestic banks • Gaining market share organically
<p>Growth Markets</p>	<ul style="list-style-type: none"> • Strong positions in fast-growing countries in Europe • Evolving into 'direct first' banks • Options for growth in Asia



* Primary customers: active payment customers, which additionally have recurrent income on the payment account and are active in at least one extra product category

Simplicity and Transparency key to The Orange Promise



We make banking clear and easy

We believe banking doesn't have to be difficult and time consuming. Less is more. Clear products. Plain language. Fair prices. Simple processes. That saves both of us time and money.



We are there for you anytime, anywhere

We promise to make banking possible anytime, anywhere. And at those moments when you would like more expertise, we're there to help, because many big decisions are also financial decisions.



We empower you to make smart financial decisions

We promise to provide you with relevant information, at the right time, so you can understand your choices, for today and the future, and make the best financial decisions.



We'll keep getting better

Life and business are about moving forward. We will keep looking for new ways to make things better. New ideas. New solutions. New ways to make things easier for you, so we can both stay a step ahead.

Transforming the digital customer experience in Spain



Project started in 2013

- Fully functional mobile bank with all products
- Complete redesign of customer interface, IT middleware and internal processes, including omnichannel experience and real-time transaction data
- Relevant and visual dialogue with customers to empower people to make smart financial decisions
- Major simplification of processes to make banking easier:
- New customer account opening process via mobile in just 5 steps; mobile already represents 11% of new client acquisition
- Consumer loans from application to funds received in 2 minutes based on pre-approved limits for existing customers

Transforming the digital customer experience in Spain (2)

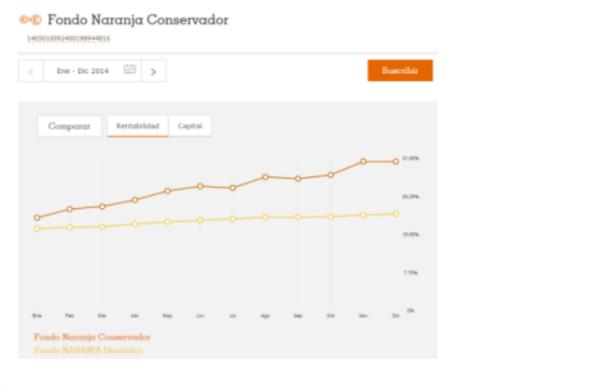
Direct Debits

Comparison per month & per issuer



Mutual funds

Your mutual fund compared with others



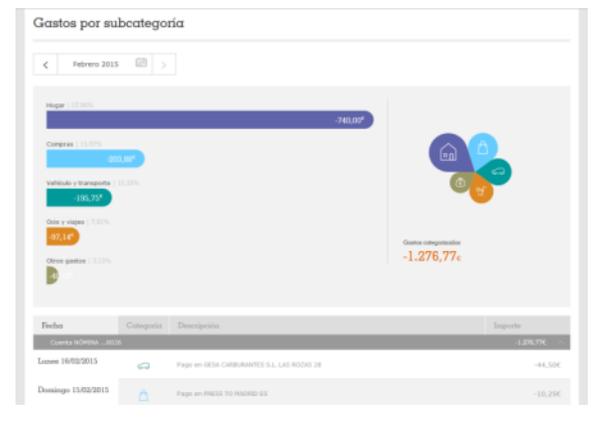
Broker

Others like you...



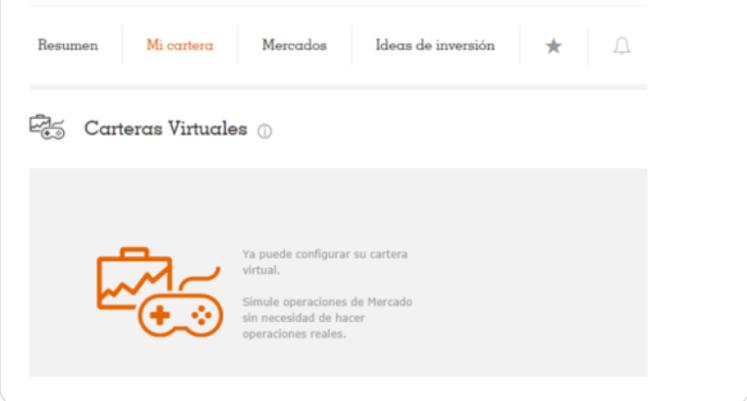
Expenses

Clients expenses, budgets and finance management



Virtual Broker...

Cuenta de valores

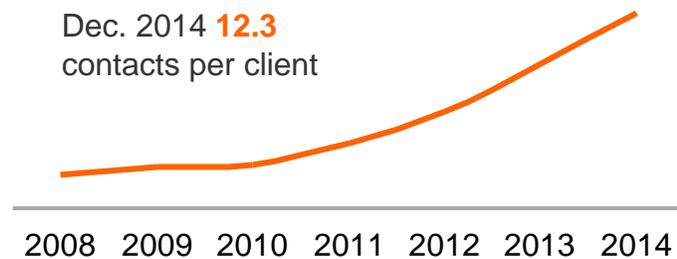


Spain in numbers

More frequent contact



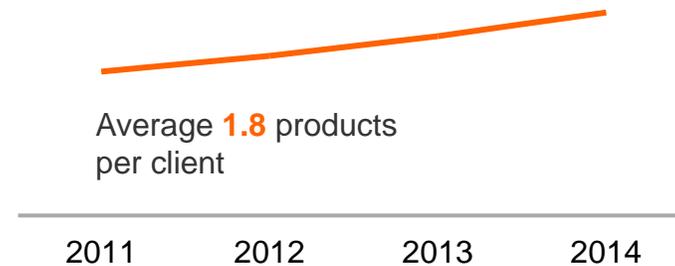
17.8 contacts per month for users of new mobile platform compared with 10.9 for other customers



Higher cross-buy



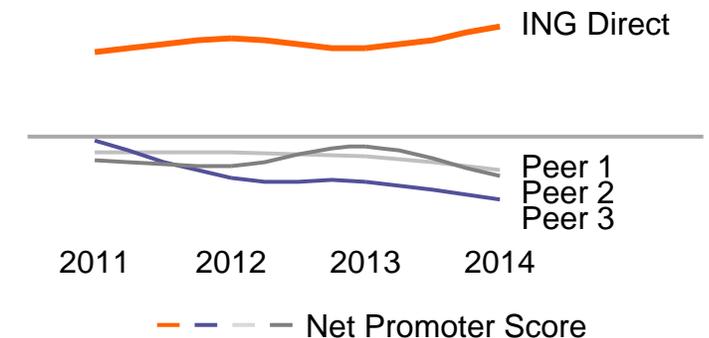
New mobile platform users are outpacing cross-buy of other users by about **2x**



Higher Satisfaction



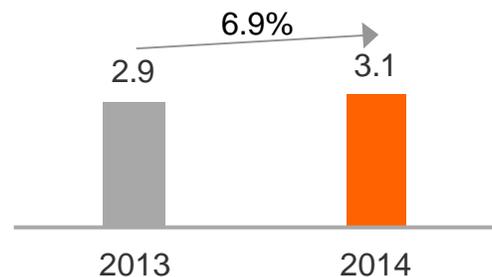
Users of new mobile platform report higher satisfaction than other users



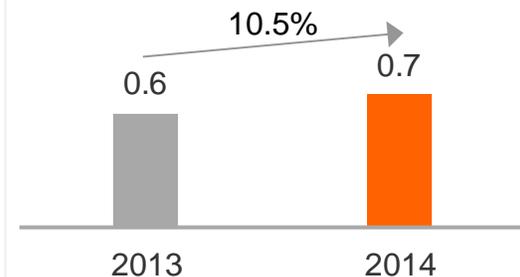
ING Spain is a good example of our Think Forward strategy at work

Growing (primary) customer base

Individual customers (in EUR mln)

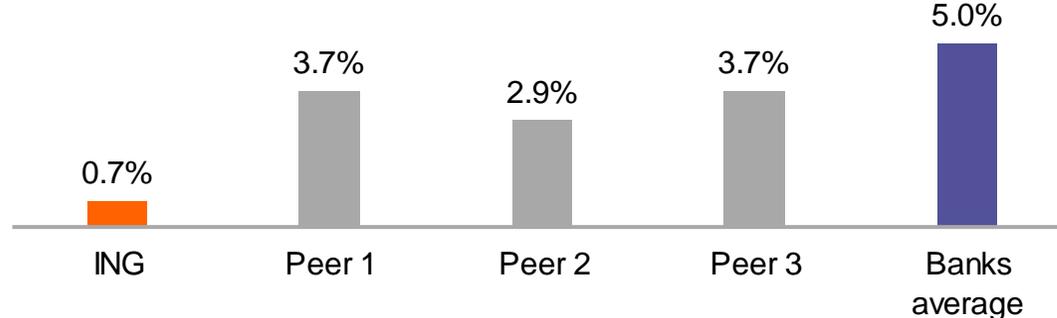


Primary customers (in EUR mln)

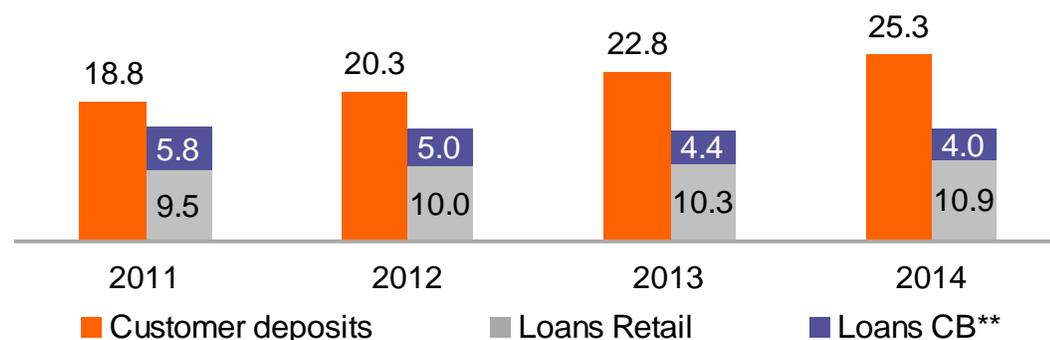


...with high loyalty

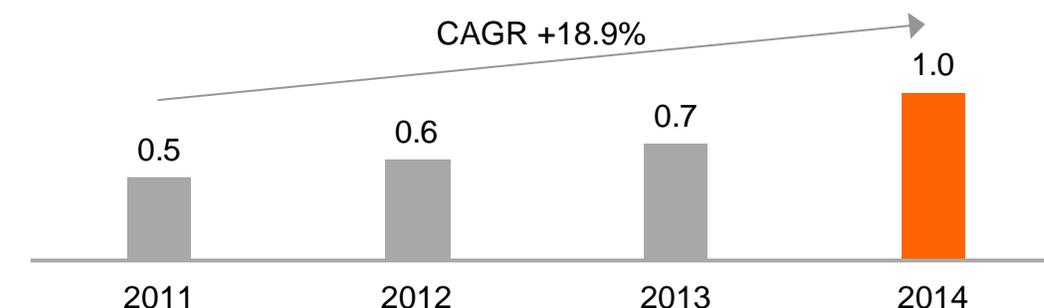
7 times lower attrition rate than market average*



Customer deposits and loans continue to grow, driven by Retail Banking...



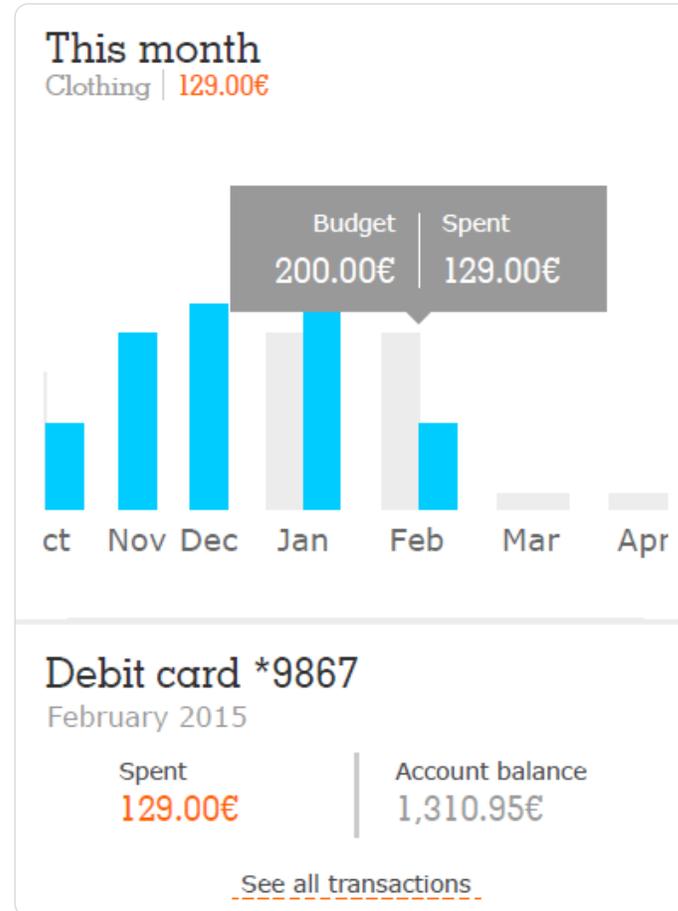
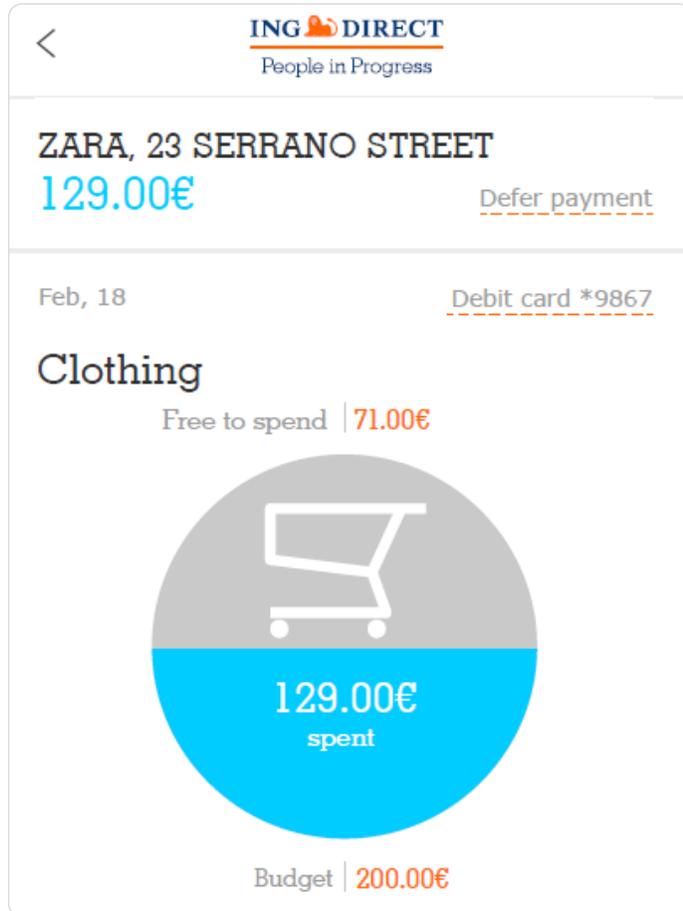
...including strong growth of personal loans... (In EUR bln)



* Source: FRS - Retail Financial Behaviour 2013

** Decline of CB loans mainly due to reduction in Real Estate Finance, General Lending and Lease Run-off, partly offset by an increase in Structured Finance

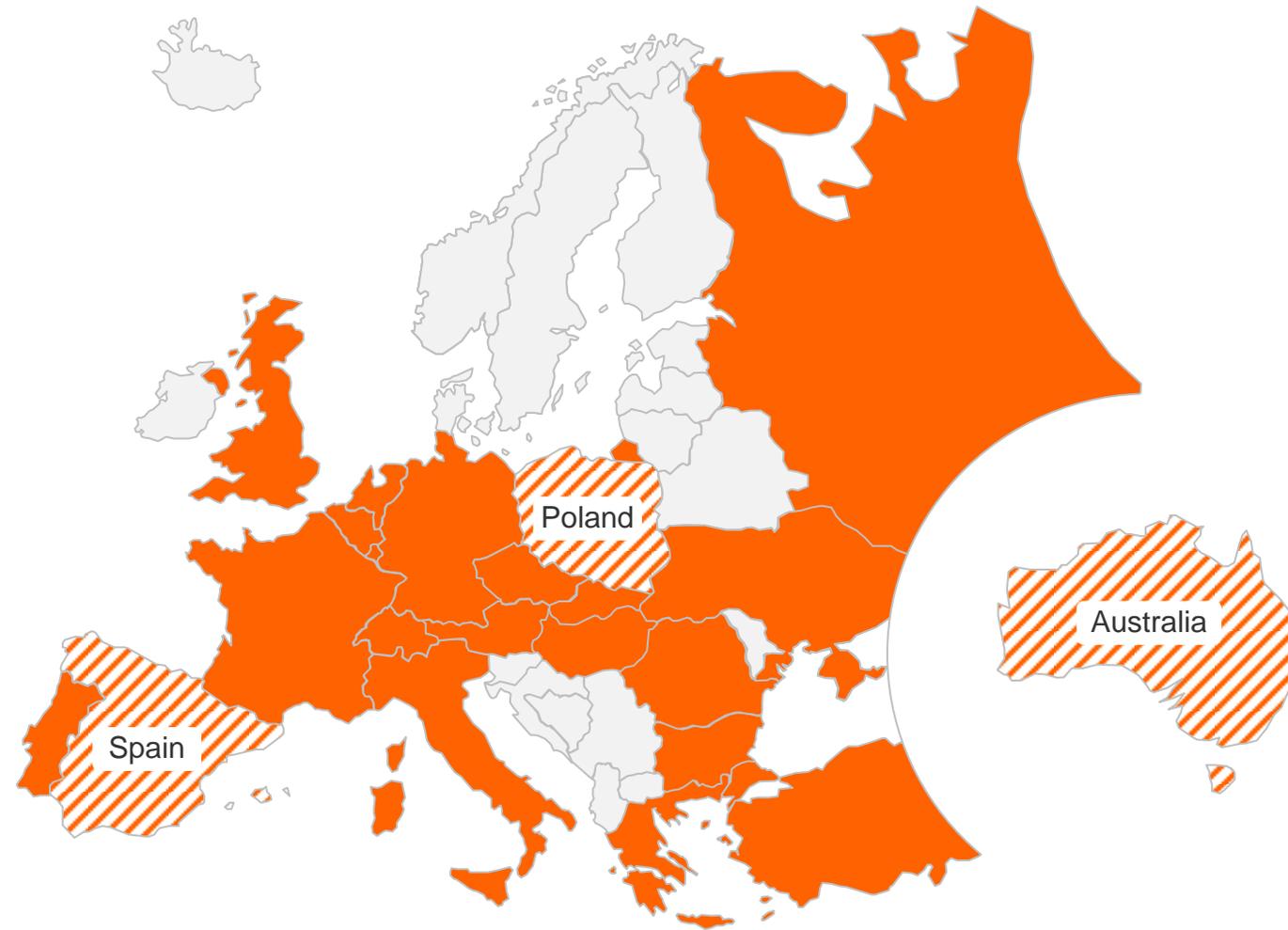
Next step in Spain: Connecting Insights



New communication channel for mobile

- Provide real-time alerts to create value or the customer at the right time and place
- Allows customers to set budgets and track spending in easy overview
- Customers can defer payment on purchases onto their credit card in one easy step
- Increases customer engagement
- Improves cross-buy potential
- Pilot to launch this week and rollout to all customers to start end-May

Leveraging our international footprint



International rollout of Spanish mobile platform

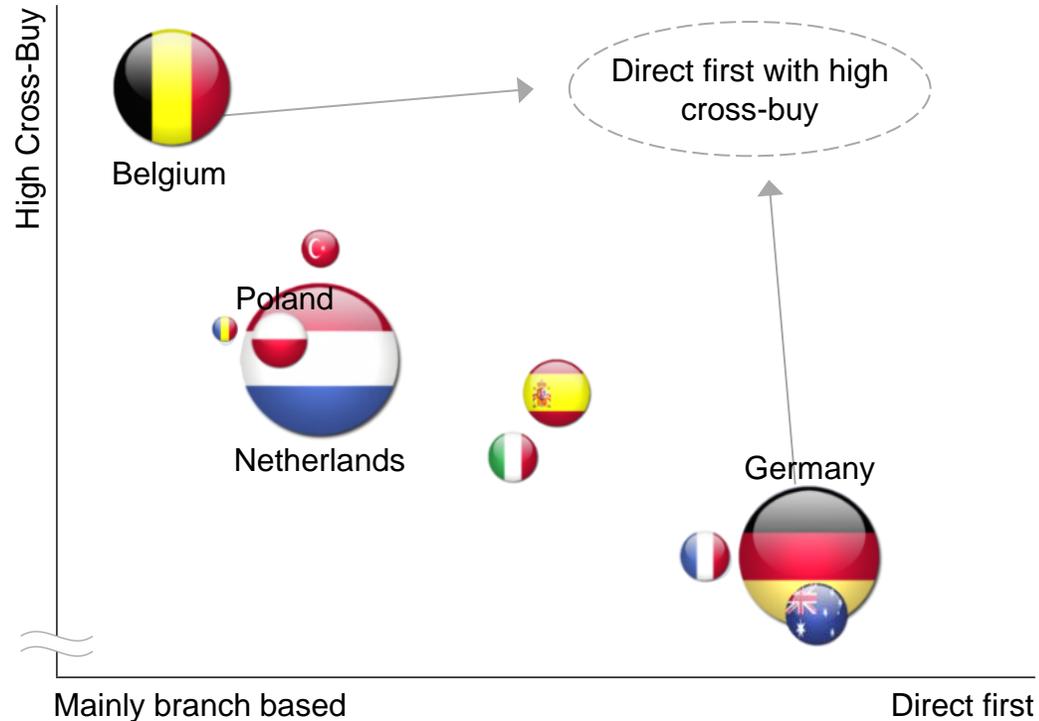
- Pilot in Poland started in 4Q. Official launch planned for 3Q2015 and full rollout in 2016
- Australia to launch new platform in 4Q2015
- Further countries to follow...
- Strong international cooperation reduces development costs and speeds the pace of rollout
- Increased standardisation will help increase the pace of innovation across the bank

3 Distribution: banks need to re-engineer their cost base...



ING is a leader in digital distribution

Converging to a 'direct first' model with high cross-buy...

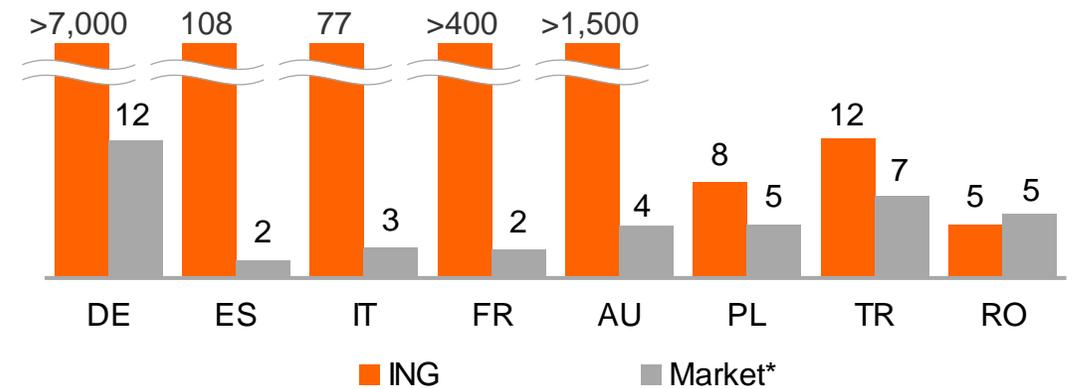


Bubble size = ING Retail funds entrusted year end 2014
 Cross-buy = average # of products per active customer 2014
 1) Source: McK Global Banking Pools, SNL

* Source: SNL for market (based on total inhabitants); ING actuals (based on customers)

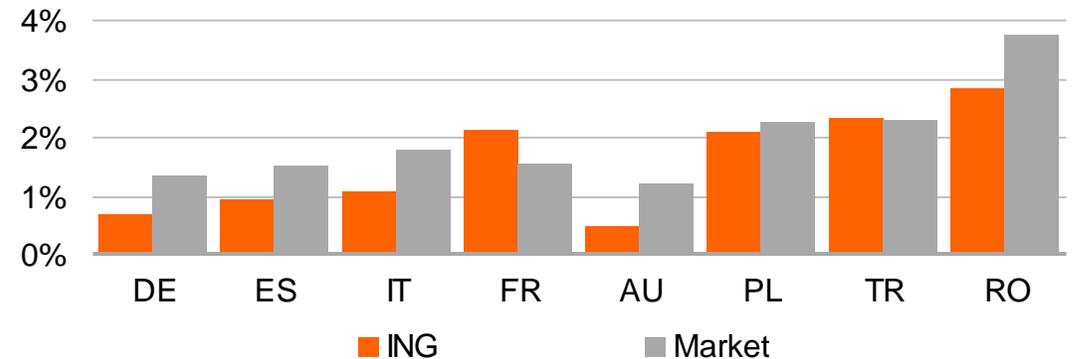
Direct first model allows us to grow without a large branch network in Challenger and Growth Markets

Number of customers (in thousands) per branch of ING versus the market

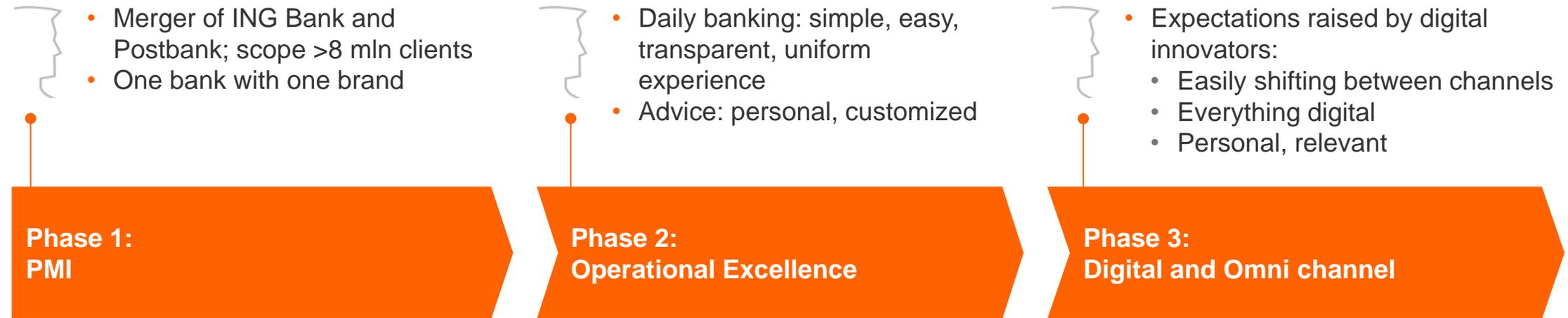


...and results in a structural cost advantage over peers

Costs / total assets



Transformation in the Netherlands is in Phase 3



2007- 2010

- Improved multi-channel service concept and leverage economies of scale
- Migration of more than 1.1 mln individual, private banking and business clients to one IT platform
- IT investments: EUR 500 mln
- 2,500 FTE reduction
- Annual cost savings EUR 280 mln by 2011

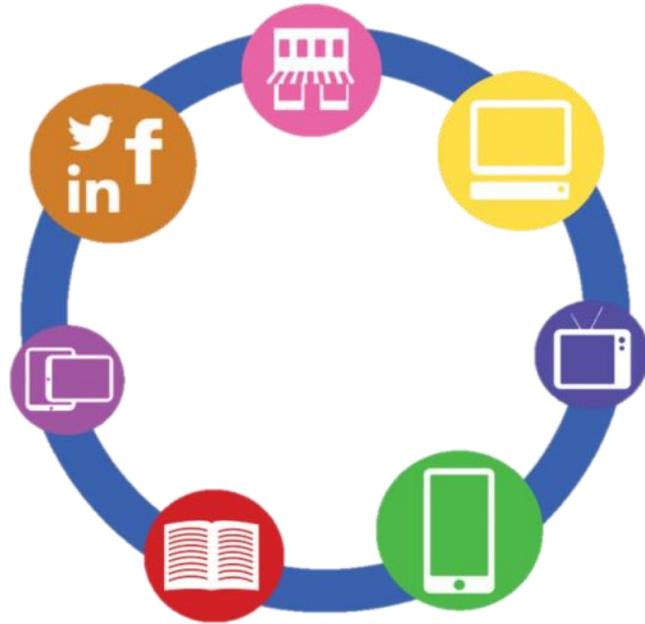
2010 – 2014

- Standardised 'direct-first' service model
- Process optimisation: More than 85% of daily banking processes fully redesigned
- Rationalisation of product offering
- IT investments EUR 200 mln
- 4,400 FTE reduction
- Annual cost savings EUR 460 mln by 2015

2015 – 2017

- Distinctive omnichannel experience
- IT investments EUR 200 mln
- Agile way of working for more than 280 teams
- 1,700 internal and 1,075 external FTE reduction
- Annual cost savings EUR 270 mln by 2018

Next steps in Netherlands: Omnichannel



Omnichannel plan announced end 2014

- Deliver distinctive customer experience across all channels for retail and SME
- Based on dynamic customer profile updated real time, enabling customers to switch seamlessly between channels
- Daily banking: 100% digital and first-time right
- Advice: Individual, proactive and relevant
- Entire organisation moving to agile way of working, with multidisciplinary teams responsible for end-to-end processes
- Investment of EUR 200 mln to further simplify, standardise and automate IT:
 - Decommissioning 40% of application landscape
 - Moving 80% of applications to zero-touch private cloud
- Annual gross savings of around EUR 270 mln from 2018

Digital transformation for Commercial Banking clients

Multi Country

International reach, multiple languages and support

Multi Product

Online client interactions in an integrated platform



Multi Device

Platform accessible via Web and App

Anytime, anywhere



Digital Transformation started in 2013

- One target operating model being rolled out across all countries
- “One Bank” experience with seamless client experience, standardised products, contracts, documentation
- 700 client processes being completely re-engineered
- 1,050 different systems being reduced to 100
- Global technology platform to support international business across products: cash management, payments, lending services, trade finance, financial markets
- Rollout of online/mobile portal called “InsideBusiness” started in May in NL and Belgium to commence in June
- Initial launch provides clients a single view across all countries and products, with real-time information, transaction monitoring, liquidity and MTM position and ability to transact FX products
- Global rollout with all relevant products and services to be completed by 2017
- Overall programme to produce annual cost savings of EUR 340 million by 2017

Conclusions

ING is well positioned, with a clear customer value proposition, simple, transparent products and fair pricing



ING is a leader in digital, with a low-cost model and low branch density, well positioned for a digital future



ING embarked on a digital transformation in mature businesses years ago. We are reinventing our interaction with customers for a mobile environment, leveraging our international footprint to speed up innovation across the bank



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, the same accounting principles are applied as in the 2014 ING Group 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) the implementation of ING's restructuring plan to separate banking and insurance operations, (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) the frequency and severity of insured loss events, (7) changes affecting mortality and morbidity levels and trends, (8) changes affecting persistency levels, (9) changes affecting interest rate levels, (10) changes affecting currency exchange rates, (11) changes in investor, customer and policyholder behaviour, (12) changes in general competitive factors, (13) changes in laws and regulations, (14) changes in the policies of governments and/or regulatory authorities, (15) conclusions with regard to purchase accounting assumptions and methodologies, (16) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (17) changes in credit ratings, (18) ING's ability to achieve projected operational synergies and (19) the other risks and uncertainties detailed in the Risk Factors section contained in the most recent annual report of ING Groep N.V. 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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