

# Think Forward: staying a step ahead

Investor Day 2019

Ralph Hamers, CEO

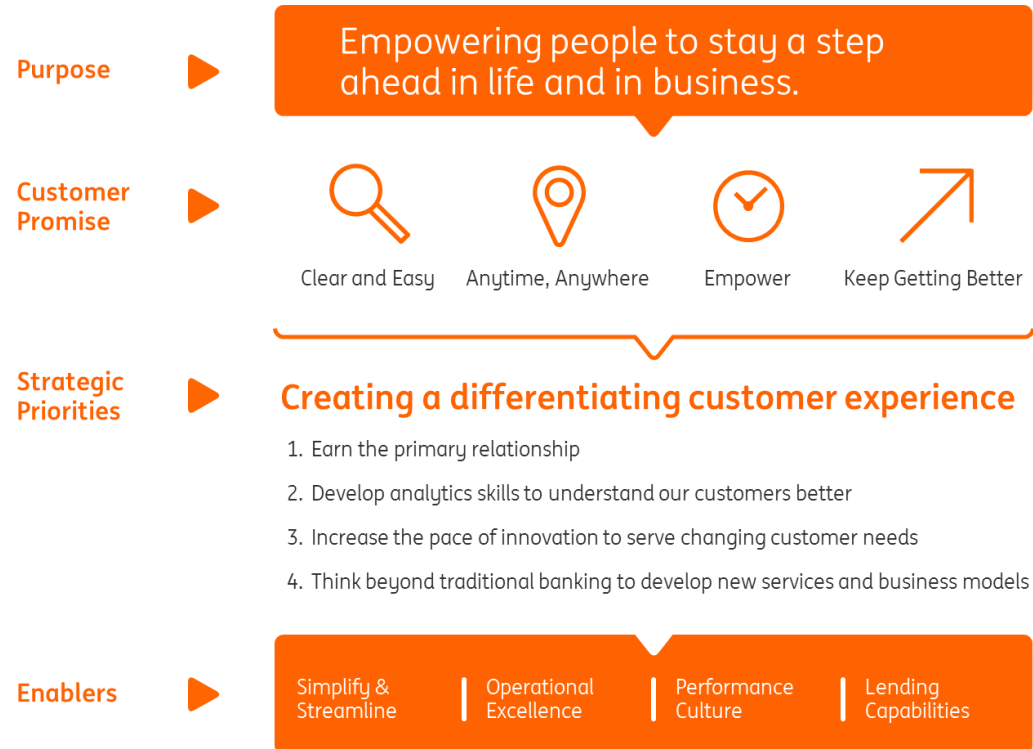
Frankfurt • 25 March 2019

thinkforward

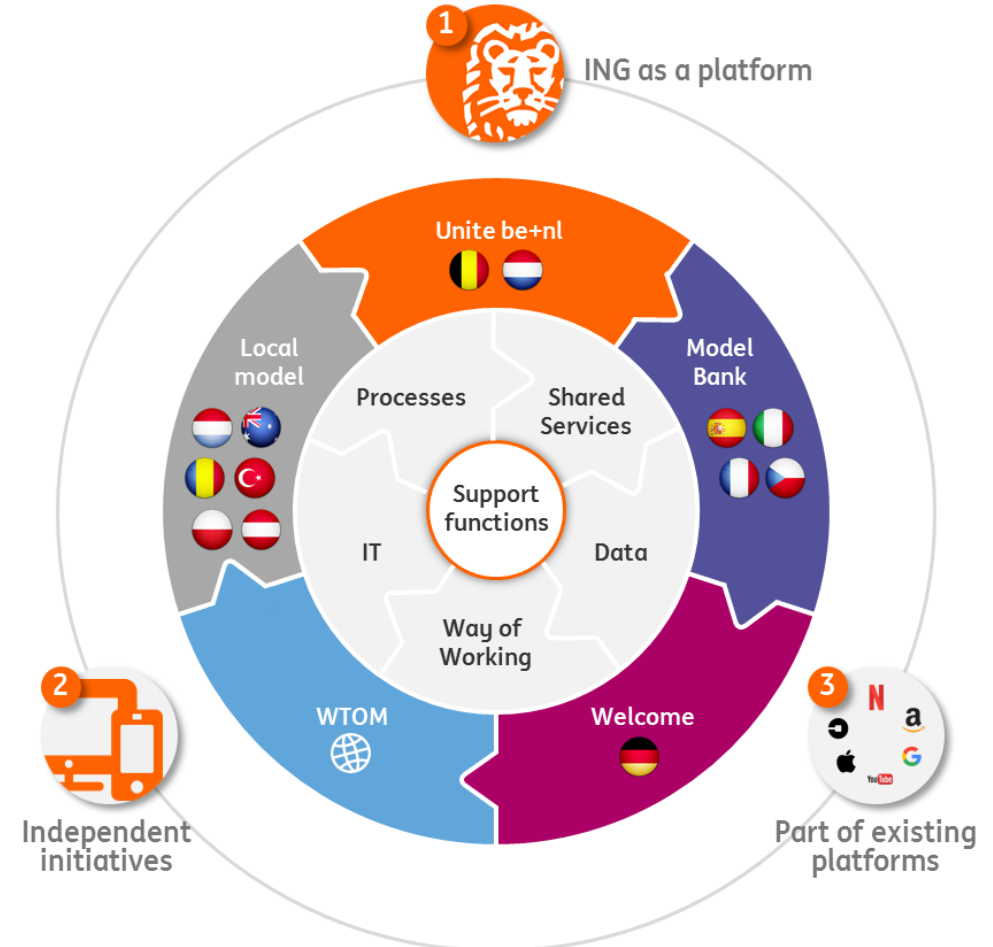


# Think Forward has been accelerated through structural changes

## Think Forward strategy on a page









## Transformation and platform programmes



# Consistent delivery of a differentiated customer experience

## Results support relevance of Think Forward strategy

Strategic Priorities 	Creating a differentiated customer experience	Earn the primary relationship	Develop analytical skills	Increase pace of innovation	Think beyond traditional banking
	<p><b>#1</b> in <b>7</b> of 13 Retail countries, Net Promoter Score (NPS), 2018</p>	<p><b>+49%</b> Primary customer growth, Retail, 2014-2018</p>	<p><b>46%</b> Personalised digital interactions (Retail, 4Q18)*</p>	<p><b>#5</b> Blockchain-related stock (2019)  re-ality shares</p>	<p>Shopping <b>+€30 mln</b> Customer discounts delivered by ING Shop (2018, NL)</p>
	<p><b>+14%</b> NPS increase among Wholesale customers, 2018 vs. 2017</p>	<p><b>+50%</b> Payment volume growth, 2018 vs. 2017, Payvision</p>	<p><b>25%</b> Reduction in bond trading pricing error costs by AI-tool Katana</p>	<p><b>30+</b> Corporate start-ups and scale-ups in portfolio</p>	<p>Housing <b>2 mln</b> Interactions via Makelaarsland (2018)</p>
				<p><b>150+</b> Active fintech partners</p>	<p>Identity One digital identity</p>
				<p><b>€300 mln</b> ING Ventures, fund size</p>	
					<p>Trade Blockchain energy trading platform</p>
					

\* Percentage of personalised interactions over total digital interactions

# Sustainability is embedded in our purpose

## Sustainability direction 2018-2022 focuses on two themes



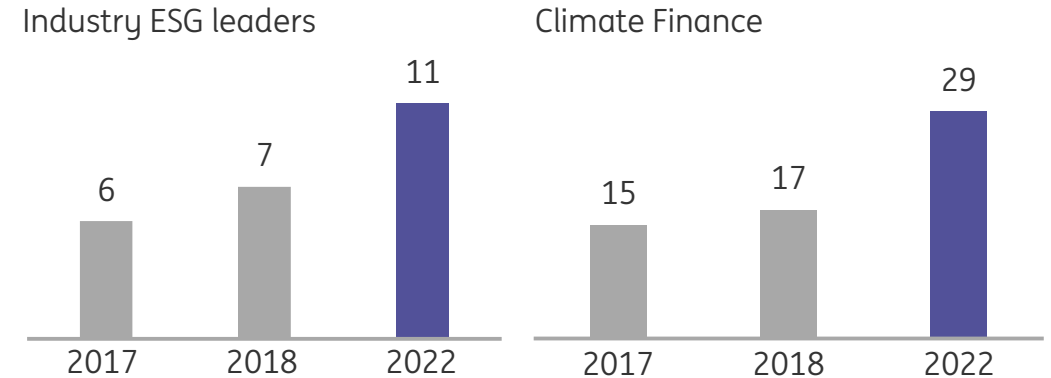
## We have a leading sustainability role among banks



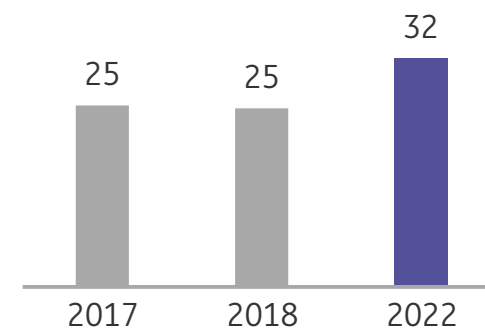
\* The amounts reported under the categories Industry ESG Leaders and Climate Finance may overlap with one another. Totals should not be added up

## We are empowering customers and society at large

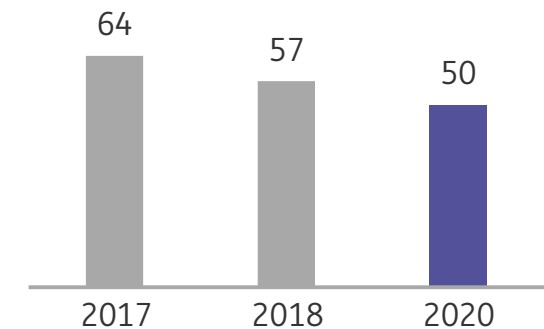
### Responsible Finance portfolio (in € bln)\*



### Customers feeling financially empowered (in mln, Retail)



### Our own environmental impact CO2 emissions (in kilotons)



■ Ambitions

# Key accelerators



Grow **primary customers**  
in Retail and Wholesale



Increase **cross-buy**  
leveraging own, partners'  
and third parties' products



Improve cross-border **scalability**



Faster **time-to-volume**



Benefit from attractive  
funding and lending **mix**

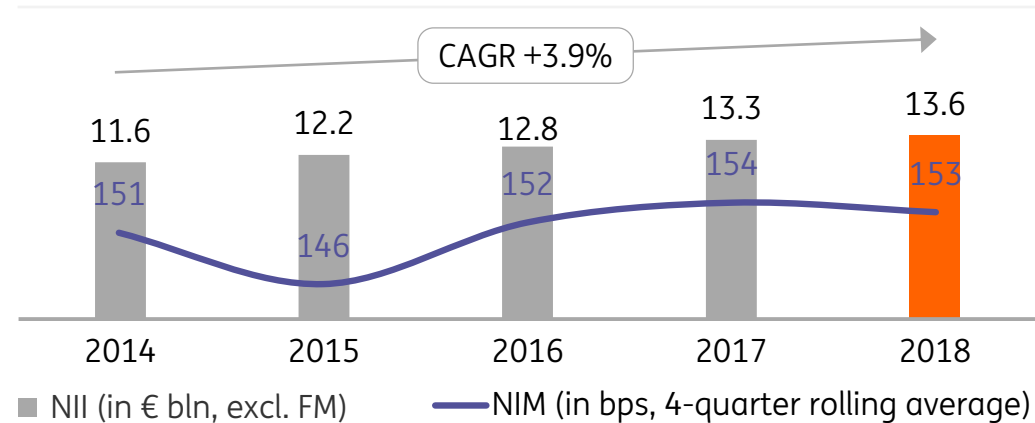


Enhance **sustainability** profile  
to increase opportunities

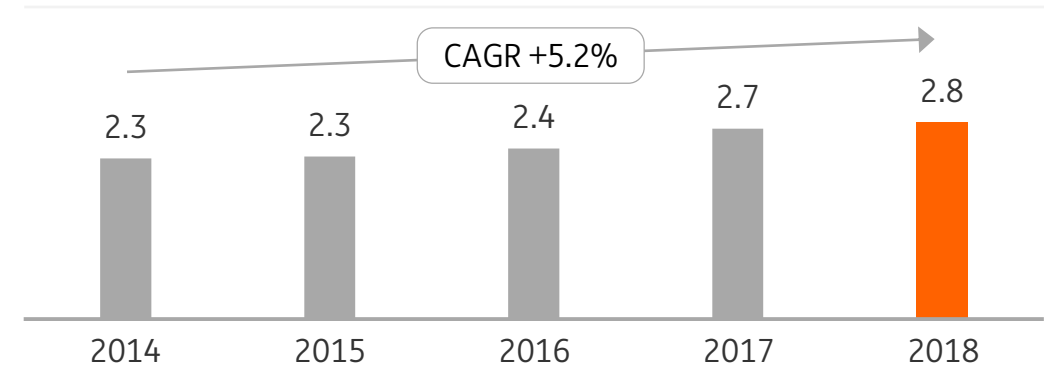
# Progress on Think Forward strategy

# Think Forward strategy continues to deliver profitable growth

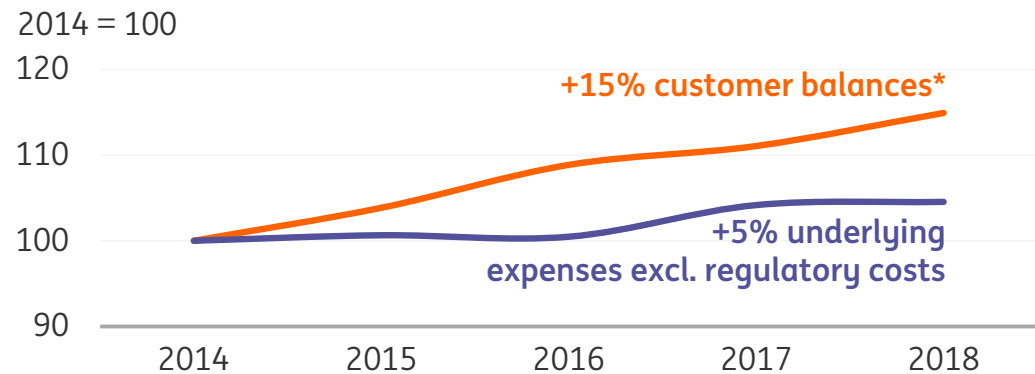
## Net interest income and net interest margin



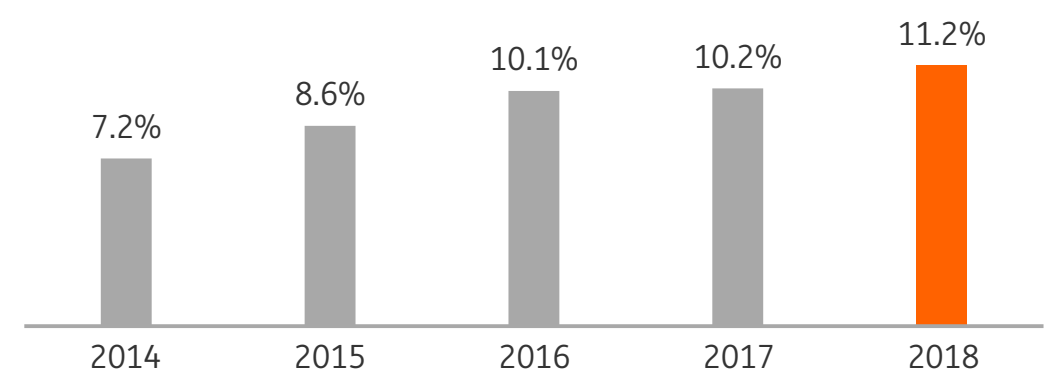
## Net fee and commission income (in € bln)



## Operating leverage



## Underlying return on equity (ROE)\*\*

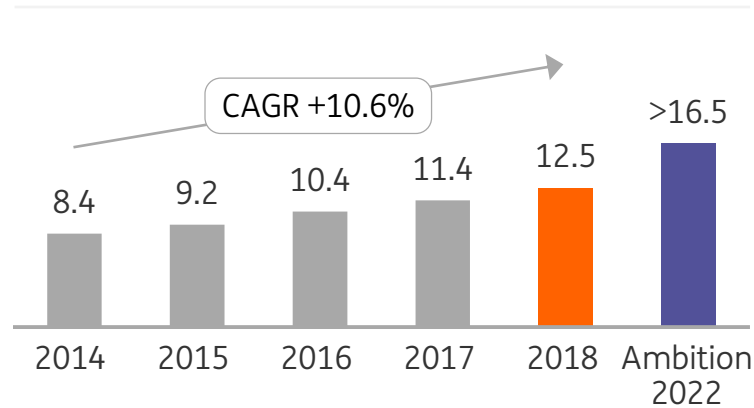


\* Customer balances is sum of customer lending and customer deposits

\*\* 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

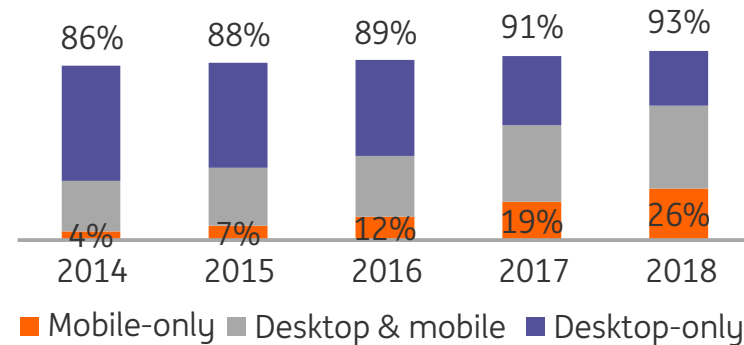
# Retail Banking successfully grows and engages with customers

## Primary Retail customers\* (in mln)



## Use of digital channels

Digital channels penetration (% active Retail customers who contact us, in 4Q)



## Higher revenues

**+120%**

Additional income per customer generated by primary vs. non-primary customers (2017, private individuals)



## Mobile app

**#10**

Rank of ING Retail banking app by penetration among mobile users in NL\*\*

## Interactions

**+17%**

CAGR in monthly interactions per active Retail customer (4Q14-4Q18, all channels)

## Payments

**+7%**

CAGR in monthly number of outgoing transactions per active payment customer (2016-2018, private individuals)\*\*\*

## Better ROE

**42%**

ROE\*\*\*\* for primary customers vs. 17% for non-primary (2017, private individuals)

\* Active payment customers with recurring income and at least one extra active product category

\*\* 2018, Stichting Domeinregistratie Nederland

\*\*\* Considers countries where we offer payments to private individuals, excl. Turkey

\*\*\*\* Based on a 12% CET1 ratio



# Wholesale Banking leverages its client centricity and efficiency

## ING Wholesale Banking strengths



### Focused on primary clients\*

- 16% of total clients
- +13%, 2017 vs. 2018



### Sector expertise

- Front-office and risk sector specialisation



### Cost efficiency

- One of the most efficient wholesale banks



### Power of diversification

- Multiple sectors
- 40+ countries
- Wide range of products



### Platform innovator

- Building (e.g. Katana)
- Buying (e.g. Payvision)
- Partnering (e.g. Distributed Ledger Technologies)

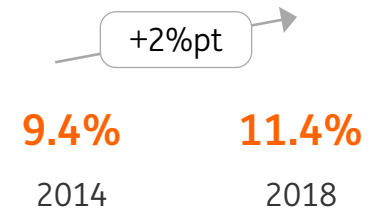


### Conservative risk profile

- Largely senior and secured lender
- Prudent credit risk and underwriting policy

## Strong performance

Underlying ROE\*\*

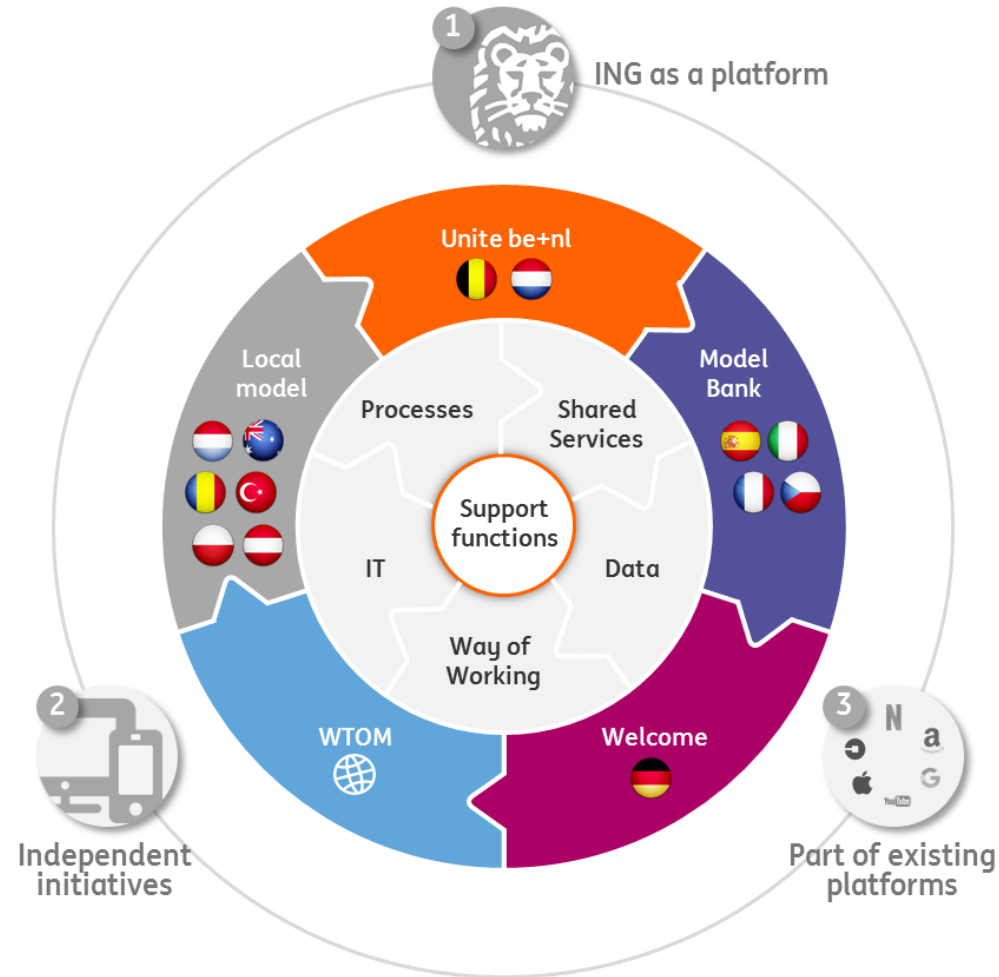


## Creating synergies

- Reinvestment of Retail deposits
- Risk diversification
- Partially shared Risk, IT & Ops and Support functions
- Higher brand awareness

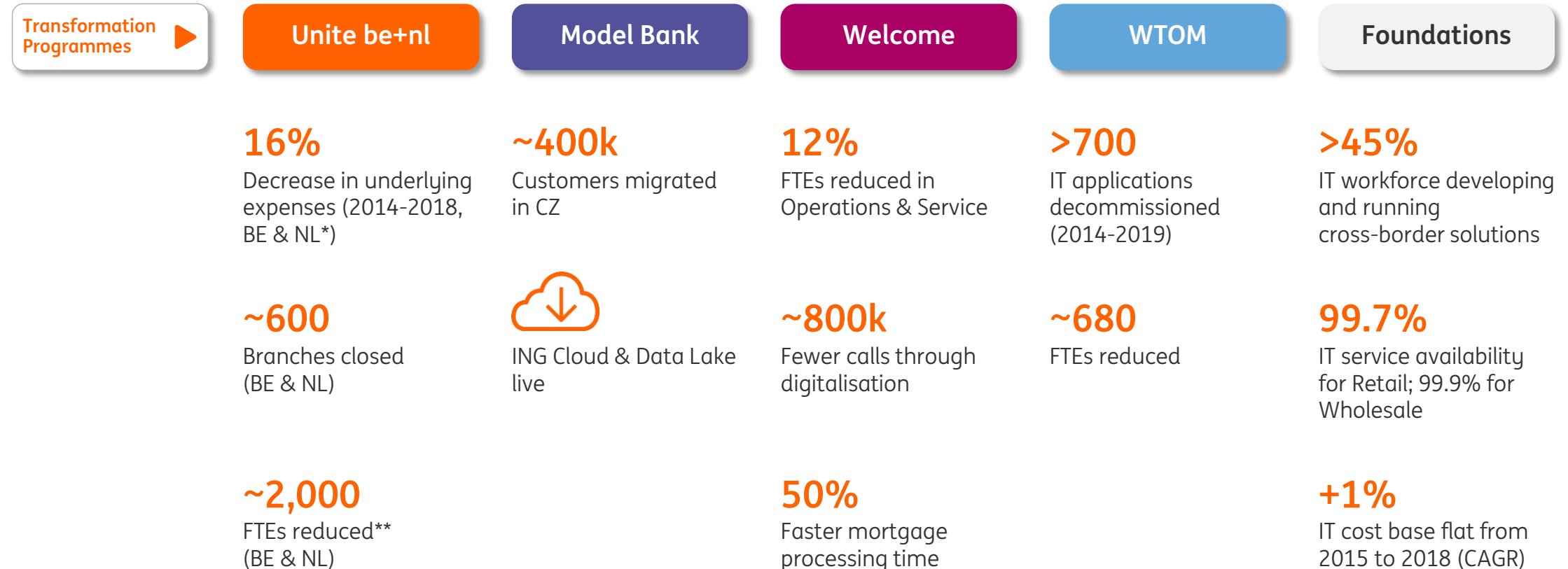
\* Established client relationships with more than one product and in more than one location  
\*\* ROE based on a 12% CET1 ratio

# Progress in transformation continues, despite challenges



# Transformation programmes are delivering results

Transformation is improving efficiencies and cross-border scalability (2016-2018)

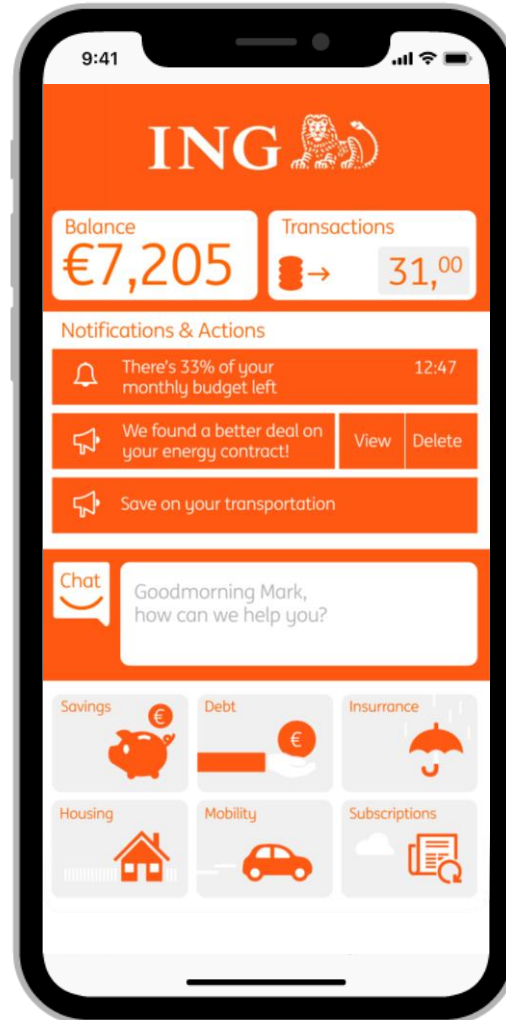


\* Underlying expenses including digital investments and excluding regulatory costs

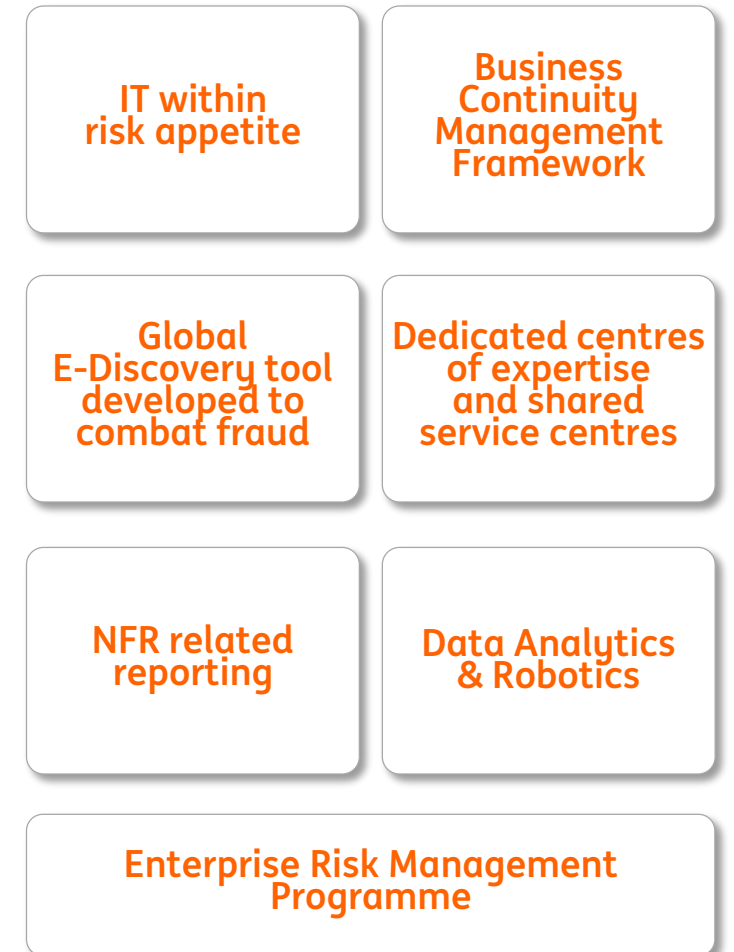
\*\* Internal and external FTEs excluding temporary backfill staffing and in scope of Accelerating Think Forward plans

# Reputation and trust are paramount

## Non-Financial Risk framework



## Non-Financial Risk highlights



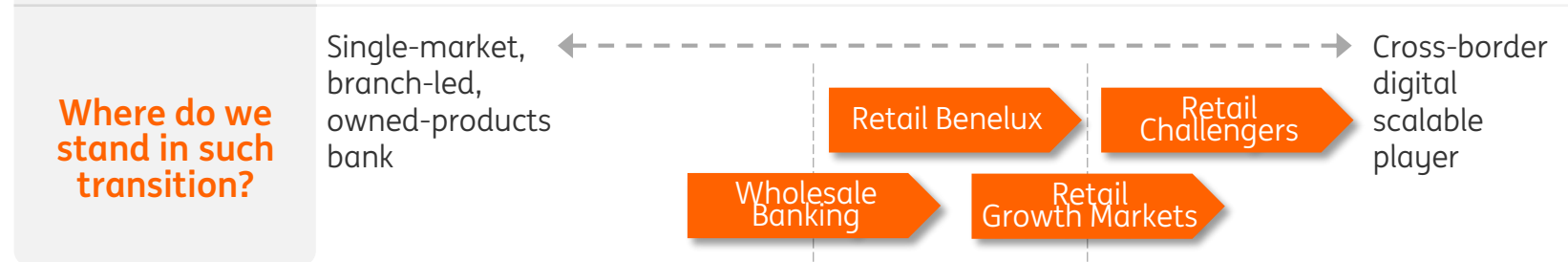
# Opportunities ahead

# We keep redefining banking in a fast-changing world



# We are transforming into a dynamic digital player

	Classic bank	Dynamic digital player
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Mature, established</li> </ul>	<ul style="list-style-type: none"> <li>• Explorers, change-oriented</li> </ul>
<b>Products</b>	<ul style="list-style-type: none"> <li>• Owned</li> </ul>	<ul style="list-style-type: none"> <li>• Open architecture where relevant</li> </ul>
<b>Strategy</b>	<ul style="list-style-type: none"> <li>• Defensive, cost efficiency-focused</li> </ul>	<ul style="list-style-type: none"> <li>• Offensive, differentiation-focused</li> </ul>
<b>Time-to-volume</b>	<ul style="list-style-type: none"> <li>• Long</li> </ul>	<ul style="list-style-type: none"> <li>• Short</li> </ul>
<b>Footprint</b>	<ul style="list-style-type: none"> <li>• Regional</li> </ul>	<ul style="list-style-type: none"> <li>• Global</li> </ul>
<b>Resources</b>	<ul style="list-style-type: none"> <li>• Branches</li> <li>• Relationship managers</li> <li>• Tailored, country-specific, legacy systems</li> </ul>	<ul style="list-style-type: none"> <li>• Mobile/digital applications</li> <li>• Customer service teams</li> <li>• Modular, scalable, cutting-edge systems</li> </ul>
<b>Funding source</b>	<ul style="list-style-type: none"> <li>• Depositors</li> </ul>	<ul style="list-style-type: none"> <li>• Diversified, incl. directly from third parties</li> </ul>
<b>Fee model</b>	<ul style="list-style-type: none"> <li>• Multiple (high) fees (under threat)</li> </ul>	<ul style="list-style-type: none"> <li>• Relationship contribution fee</li> </ul>
<b>Cost drivers</b>	<ul style="list-style-type: none"> <li>• Personnel, loan loss provisions</li> </ul>	<ul style="list-style-type: none"> <li>• IT infrastructure</li> </ul>



**Digital DNA and experience creating cross-border scalability are advantages**

**20+** years of experience as **direct banking pioneer**

**1<sup>st</sup>** bank to implement **agile** way of working

**200+** **fintechs** we founded, partnered with and invested in

**<9** months to launch **mobile-only** bank in the **Philippines**

**Cross-border scalability:** reduction of

**~600** branches and

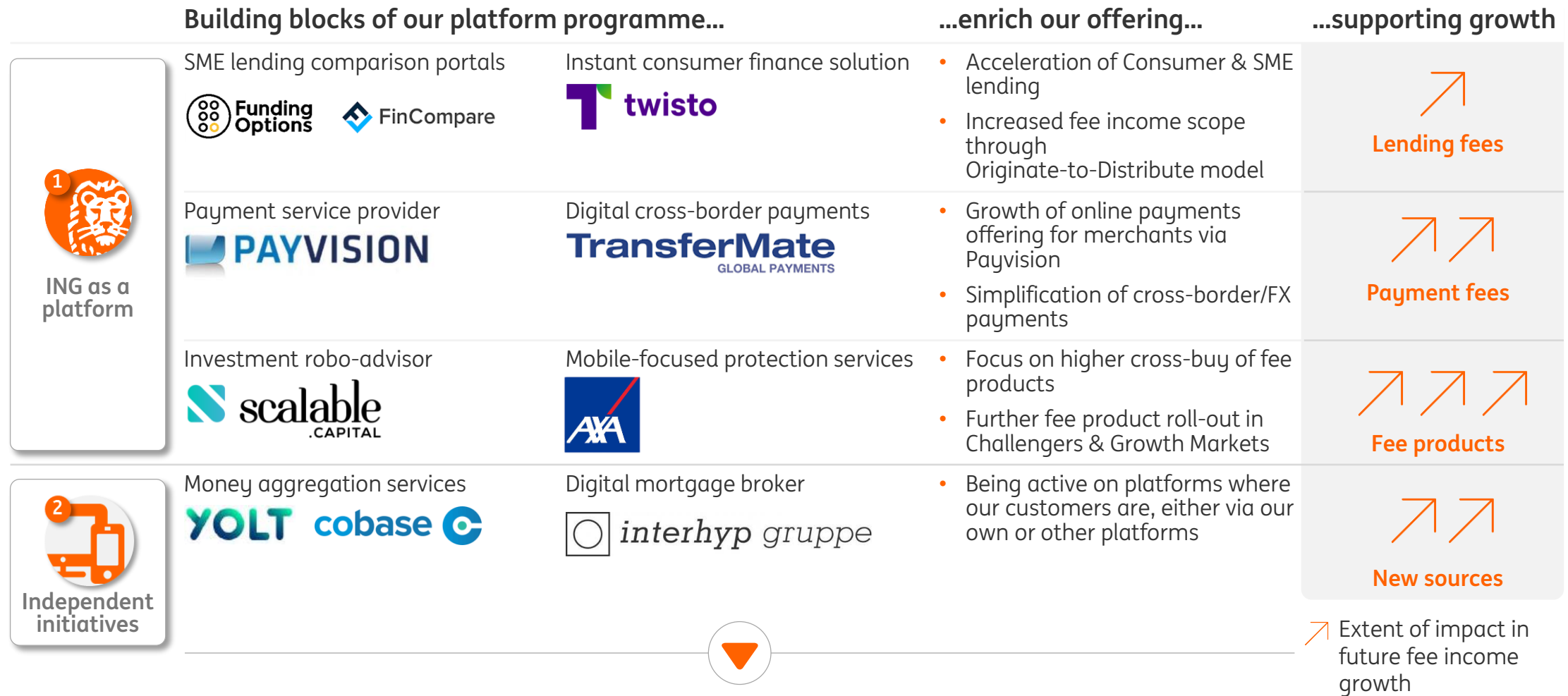
**~2,000** FTEs uniting BE & NL


# Our platform will drive opportunities in banking and beyond





# New services and business models to support 5-10% fee growth

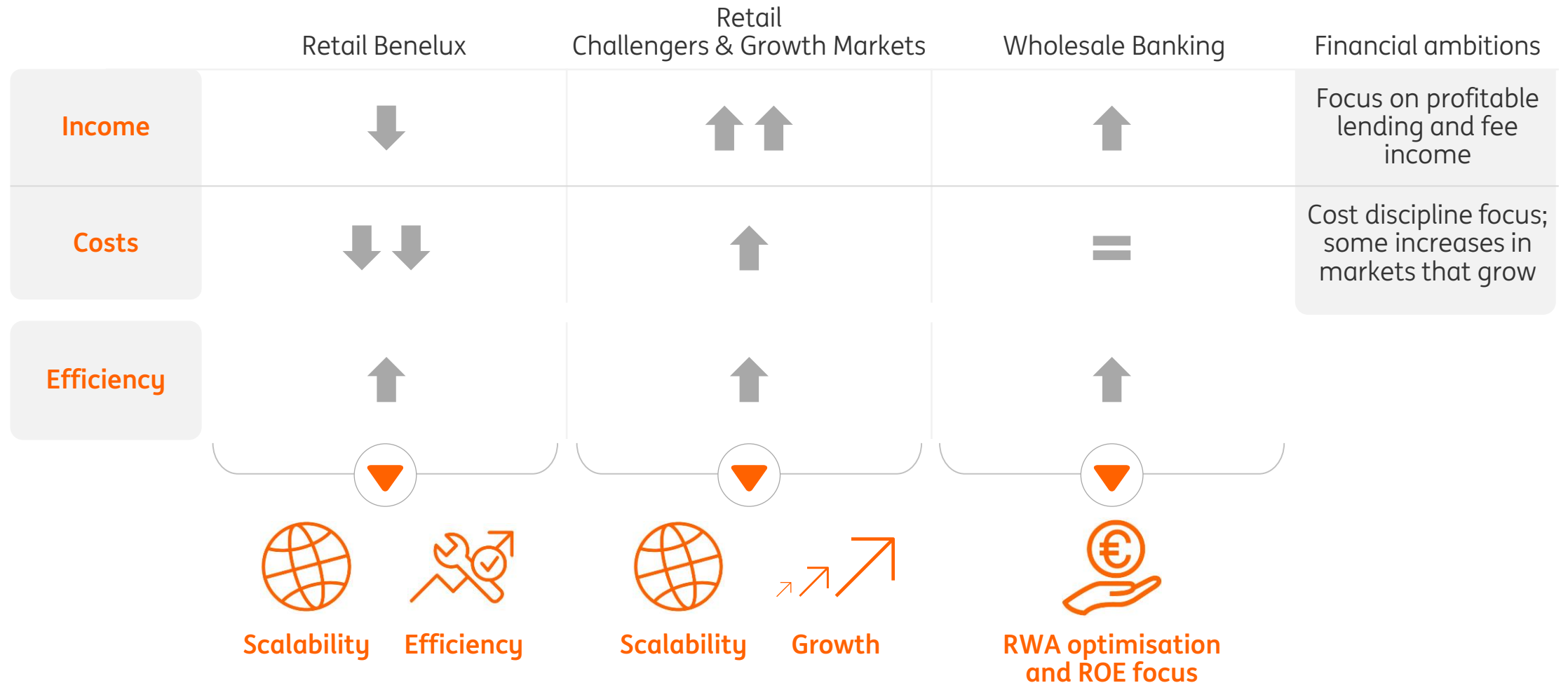


 Extent of impact in future fee income growth

5-10% fee income CAGR

# Ambitions

# Roadmap from current market positions



# ING Group financial ambitions

		Actual 2018	Financial ambitions
Capital	• CET1 ratio (%)	14.5%	~13.5%* (Basel IV)
	• Leverage ratio (%)	4.4%	>4%
Profitability	• Underlying ROE (%)** (IFRS-EU Equity)	11.2%	10-12%
	• <i>Underlying C/I ratio (%)</i>	54.8%	50-52%
Dividend	• Dividend (per share)	€0.68	Progressive dividend

\* Implies management buffer (incl. Pillar 2 Guidance) of 170 bps over prevailing fully loaded CET1 requirements (currently 11.8%)

\*\* The ING Group ROE is calculated using IFRS-EU shareholders' equity after excluding 'interim profit not included in CET1 capital'. As at 31 December 2018, this equated to €1,712 mln which is the amount set aside for the 2018 final dividend to be paid out after approval at the AGM in April 2019

# Closing remarks

- We are embedding non-financial risk management in our DNA
- We are delivering on the right strategy and continuing our transformation into a dynamic digital player
- We will:
  - Capture the value embedded in our platform and unlock value through our key accelerators
  - Profitably grow our primary customer base in Retail and Wholesale Banking
  - Maintain a strong capital position
  - Deliver a healthy return on equity and pay an attractive dividend

# 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.

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 a number of factors, including, 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) potential consequences of the United Kingdom leaving the European Union or a break-up of the euro, (4) changes in the fiscal position and the future economic performance of the US including potential consequences of a downgrade of the sovereign credit rating of the US government, (5) potential consequences of a European sovereign debt crisis, (6) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, (7) changes in conditions in the credit and capital markets generally, including changes in borrower and counterparty creditworthiness, (8) changes affecting interest rate levels, (9) inflation and deflation in our principal markets, (10) changes affecting currency exchange rates, (11) changes in investor and customer behaviour, (12) changes in general competitive factors, (13) changes in or discontinuation of 'benchmark' indices, (14) changes in laws and regulations and the interpretation and application thereof, (15) changes in compliance obligations including, but not limited to, those posed by the implementation of DAC6, (16) geopolitical risks, political instabilities and policies and actions of governmental and regulatory authorities, (17) changes in standards and interpretations under International Financial Reporting Standards (IFRS) and the application thereof, (18) conclusions with regard to purchase accounting assumptions and methodologies, and other changes in accounting assumptions and methodologies including changes in valuation of issued securities and credit market exposure, (19) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (20) changes in credit ratings, (21) the outcome of current and future legal and regulatory proceedings, (22) operational risks, such as system disruptions or failures, breaches of security, cyber-attacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which we do business, (23) risks and challenges related to cybercrime including the effects of cyber-attacks and changes in legislation and regulation related to cybersecurity and data privacy, (24) the inability to protect our intellectual property and infringement claims by third parties, (25) the inability to retain key personnel, (26) business, operational, regulatory, reputation and other risks in connection with climate change, (27) ING's ability to achieve its strategy, including projected operational synergies and cost-saving programmes and (28) the other risks and uncertainties detailed in this annual report of ING Groep N.V. (including the Risk Factors contained therein) and ING's more recent disclosures, including press releases, which are available on [www.ING.com](http://www.ING.com). (29) This document may contain inactive textual addresses to internet websites operated by us and third parties. Reference to such websites is made for information purposes only, and information found at such websites is not incorporated by reference into this document. ING does not make any representation or warranty with respect to the accuracy or completeness of, or take any responsibility for, any information found at any websites operated by third parties. ING specifically disclaims any liability with respect to any information found at websites operated by third parties. ING cannot guarantee that websites operated by third parties remain available following the publication of this document, or that any information found at such websites will not change following the filing of this document. Many of those factors are beyond ING's control

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