

ING Challengers & Growth Markets

Goldman Sachs European Financials Conference

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Paris • 9 June 2016

thinkforward



Key points

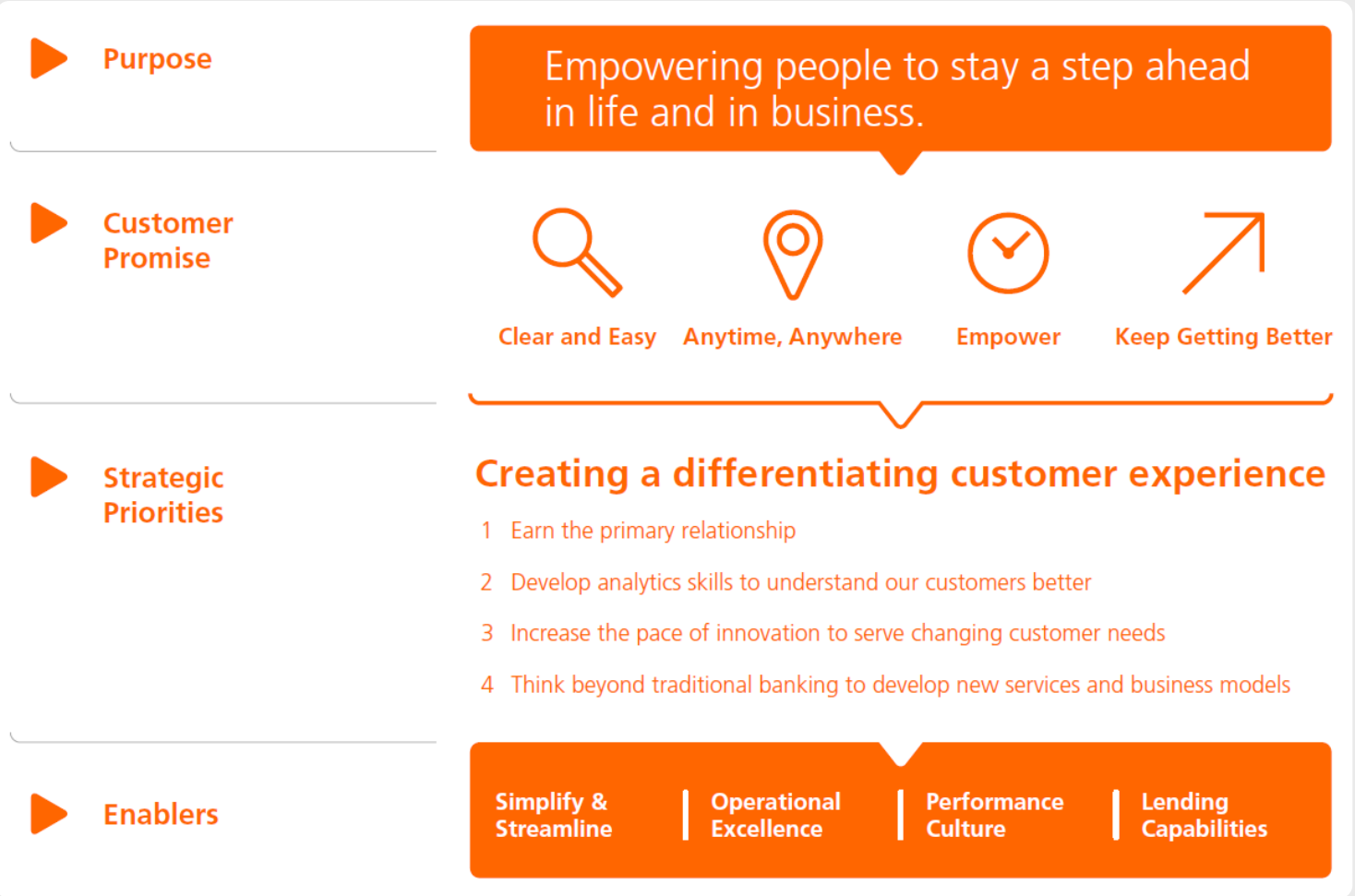
- Think Forward strategy at work in Challengers & Growth Markets:
 - We have a strong franchise built on satisfied clients; primary bank relationships are growing fast
 - Innovations help to improve the customer experience and to maintain a leading position in digital banking
- We have delivered on our financial priorities in the past two years:
 - Challengers & Growth Markets are already an important profit contributor and offer significant growth opportunities
 - Core lending growth is robust which supports NII and NIM in combination with client savings rate adjustments
 - The cost/income ratio is improving, despite higher regulatory cost, and profit before tax growth is strong
- We have a clear set of priorities to further improve results in the coming period

ING's Think Forward strategy

Think Forward strategy continues to improve customer experience and drive commercial growth

Progress made on Think Forward strategy. Some examples:

- Moving to 'omnichannel' in the Netherlands
- Introduction of agile way of working allowing us to react faster and more effectively to changing client needs
- Introduction of new innovations empowering our clients to stay a step ahead
- Cooperation with fintechs to support our strategy and innovation priorities
- Our customer focus is reflected in high NPS scores
- Strong increase in lending is resulting in more diversified balance sheets

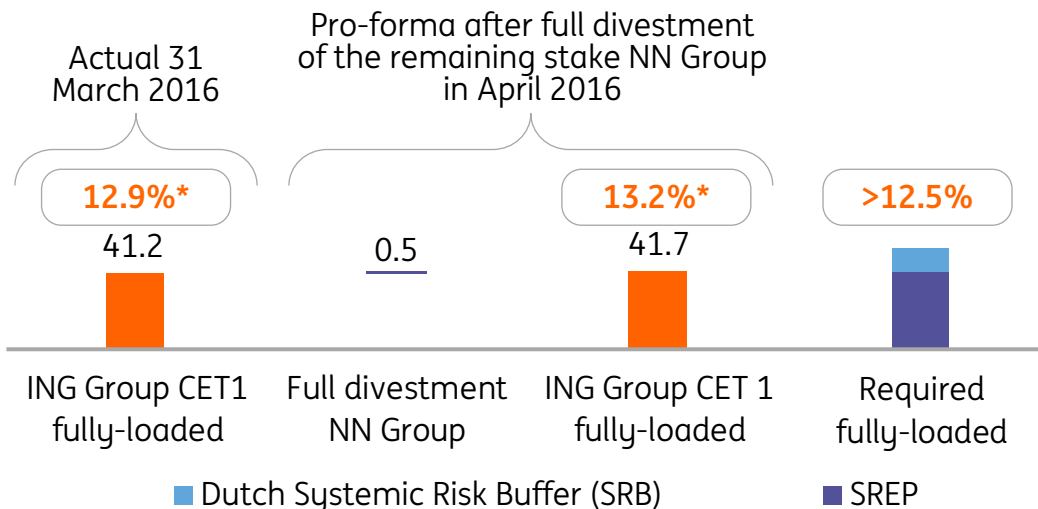


First quarter 2016 results

Net underlying result Banking and net result ING Group

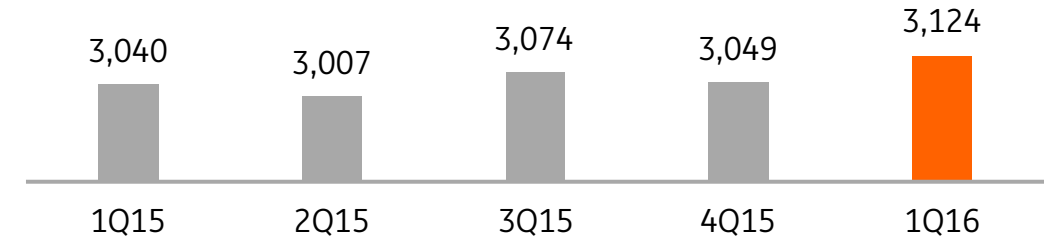
- ING Bank 1Q16 underlying net result EUR 842 million despite significant increase in regulatory expenses
- ING Group 1Q16 net result EUR 1,257 million including profit on sales of NN Group shares in January
- ING Bank recorded EUR 7.1 billion of net core lending growth in 1Q16

Fully-loaded common equity Tier 1 capital (in EUR bln and %)

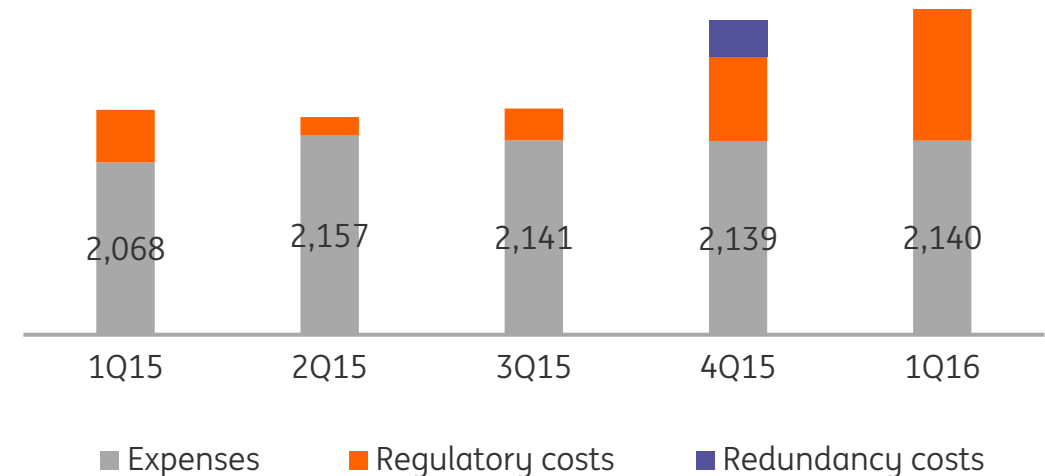


* ING Group fully-loaded CET1 ratio is based on RWAs of EUR 318 bln; Pro-forma for full divestments is based on RWAs of EUR 316 bln

Net interest income excl. Financial Markets (in EUR mln)



Underlying operating expenses (in EUR mln)



On track to deliver on our Ambition 2017

ING Group

	2014	2015	1Q16	Guidance
CET1 (CRD IV)	10.5%	12.7%	12.9%	<ul style="list-style-type: none"> We will grow into a comfortable buffer over time above the prevailing fully-loaded requirements
Leverage ratio*	3.4%	4.4%	4.3%	
Group dividend	EUR 0.12	EUR 0.65		<ul style="list-style-type: none"> We are committed to maintaining a healthy Group CET1 ratio in excess of prevailing fully-loaded CET1 requirements, currently 12.5%, and to returning capital to our shareholders We aim to pay a progressive dividend over time

ING Bank

	2014	2015	1Q16	Ambition 2017	Guidance
CET1 (CRD IV)	11.4%	11.6%	11.8%	>10%	<ul style="list-style-type: none"> Bank capital levels will gradually migrate towards Group capital levels
Leverage ratio*	3.6%	4.1%	4.0%	~4%	
C/I**	58.7%	55.9%	64.5%	50-53%	<ul style="list-style-type: none"> If the expected 2016 regulatory costs were equally distributed over the 4 quarters of 2016, then the 1Q16 cost/income ratio would have been 58.2%
RoE** (IFRS-EU equity)	9.9%	10.8%	8.2%	10-13%	<ul style="list-style-type: none"> If the regulatory costs were equally distributed over the 4 quarters of 2016, then the 1Q16 RoE would have been 10.0%

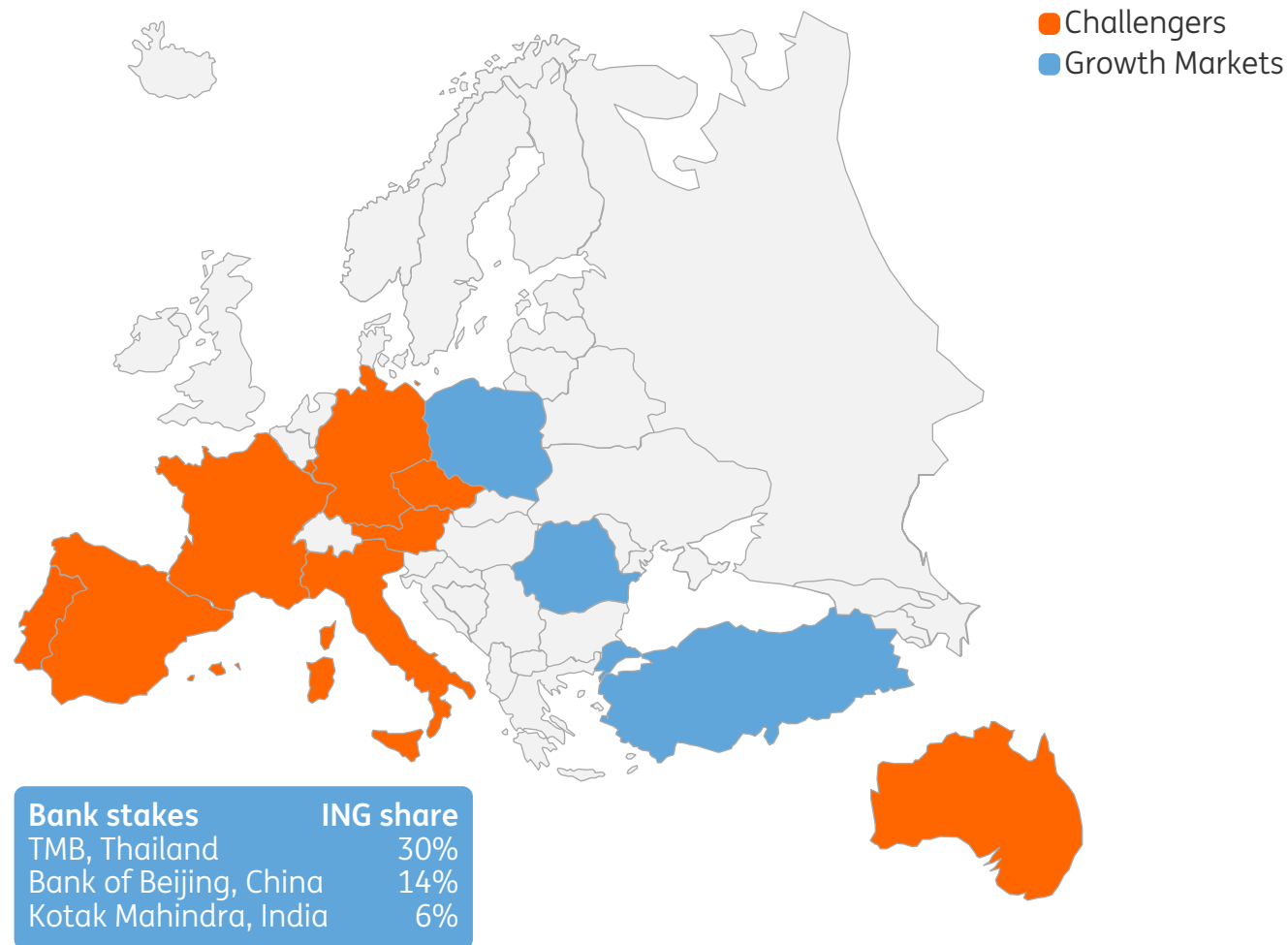
* The leverage exposure of 4.3% for ING Group and 4.0% for ING Bank at 31 March 2016 is based on the Delegated Act. The leverage ratio based on the published IFRS-EU balance sheet is 4.4% for ING Bank at 31 March 2016

** The reported cost/income and RoE in the first quarter 2016 are significantly impacted by regulatory costs that are to a large extent booked in the first quarter

ING Challengers & Growth Markets

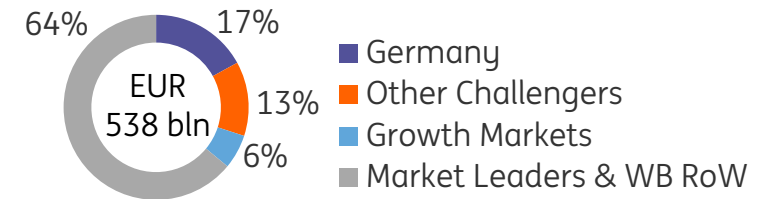
Footprint Challengers & Growth Markets

Challengers & Growth Markets serve 24 million individual customers

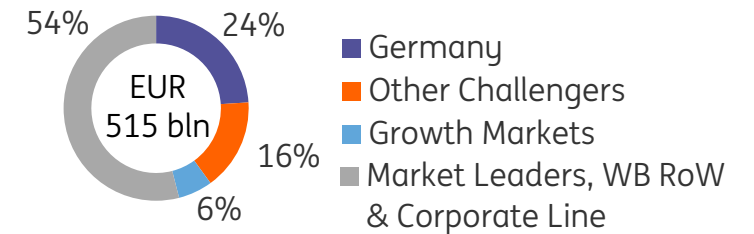


C&GM share in totals 1Q16

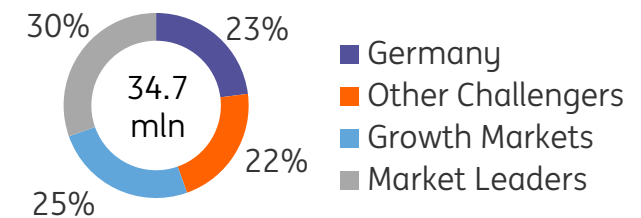
Customer lending



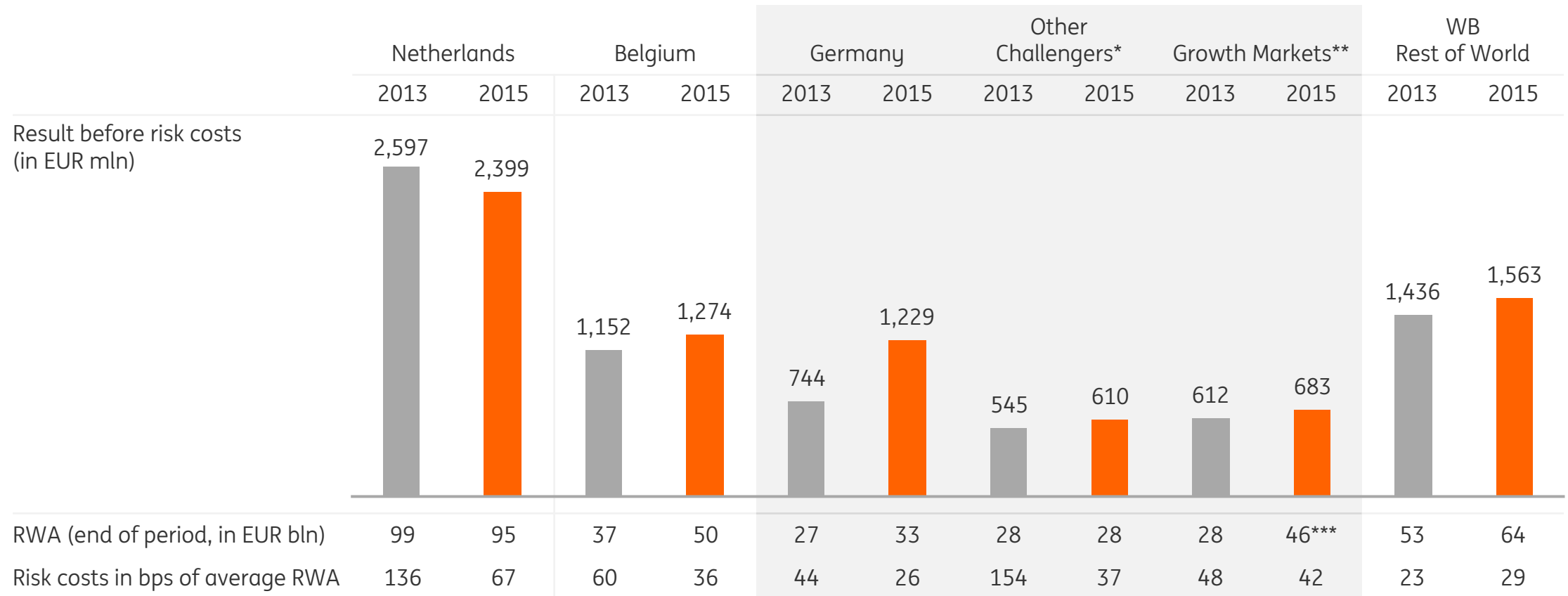
Customer deposits



Number of individual customers



Challengers & Growth Markets are already an important profit contributor for ING...



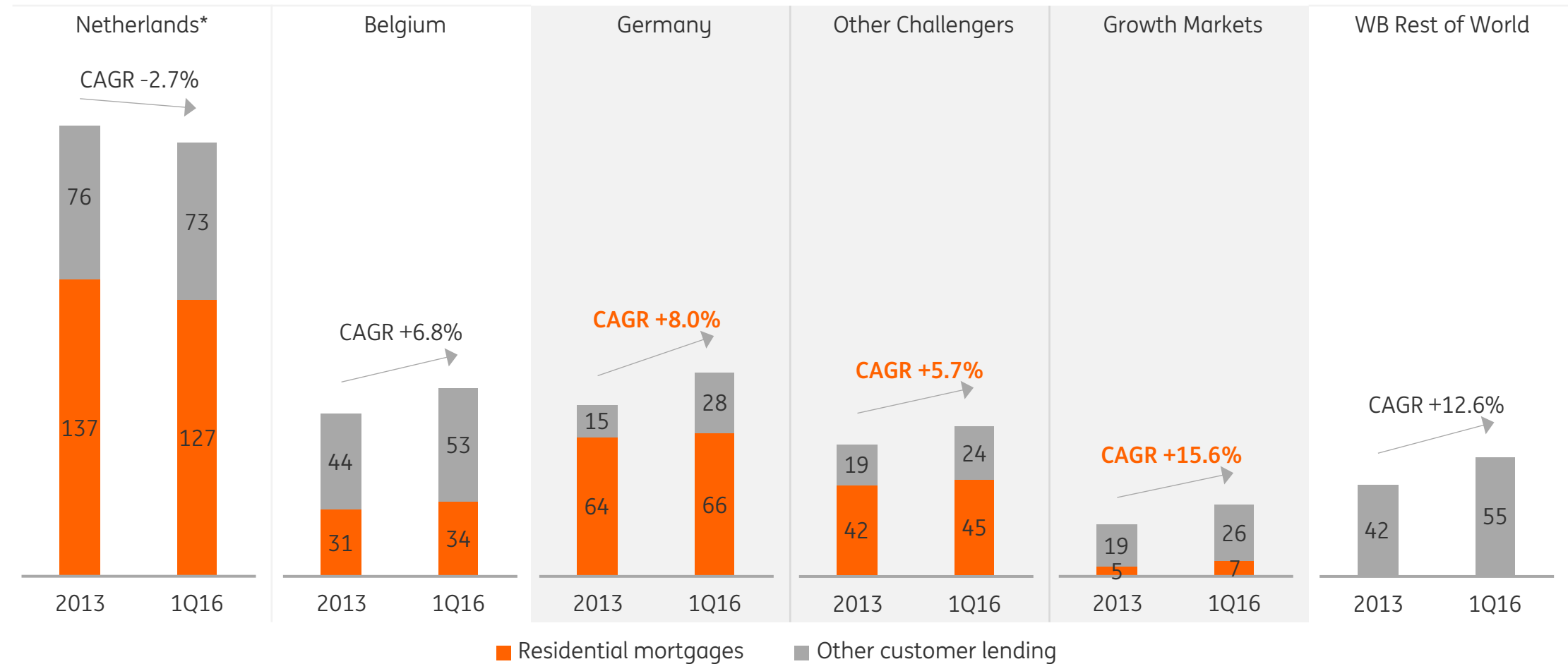
* Including Australia, Czech Republic, France, Italy, Portugal, Spain, UK Legacy run-off portfolio

** Including Poland, Romania, Turkey, Asian stakes. Excluding Vysya. In the remainder of the slide deck, all financials have been restated to exclude Vysya

*** Including EUR 12 bln of impact from Basel III implementation where bank stakes are risk-weighted instead of being deducted from capital (as was the case in 2013 under Basel II)

...that provide diversification benefits and significant growth opportunities

Customer lending (in EUR bln)



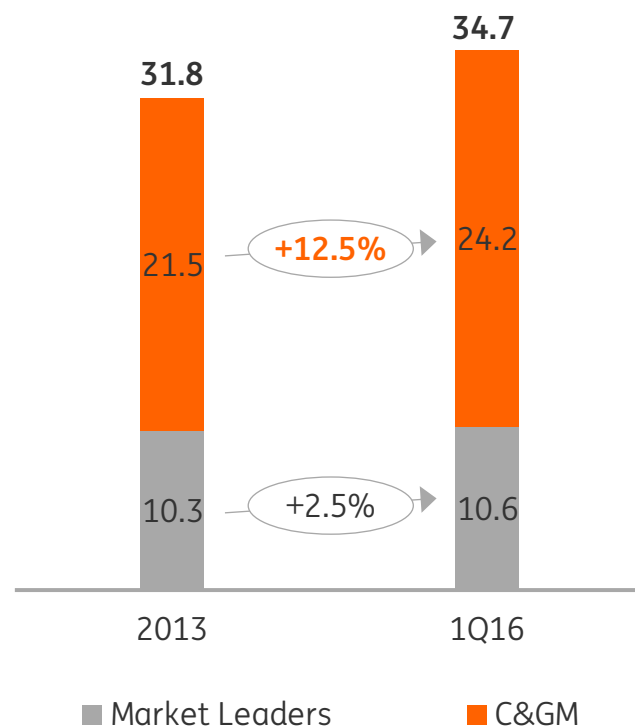
* EUR 7 bln of the decrease is explained by the run-off and transfer of WUB mortgages to NN

Think Forward strategy at work in Challengers & Growth Markets

We have a strong franchise in C&GM built on satisfied clients, many of whom are promoters of ING

We are rapidly adding clients...

Individual clients in million



...and we are highly recommended...

Net Promotor Score Rank 1Q16



#1 in 7 countries

- Austria
- Australia
- France
- Germany
- Romania
- Spain
- Netherlands

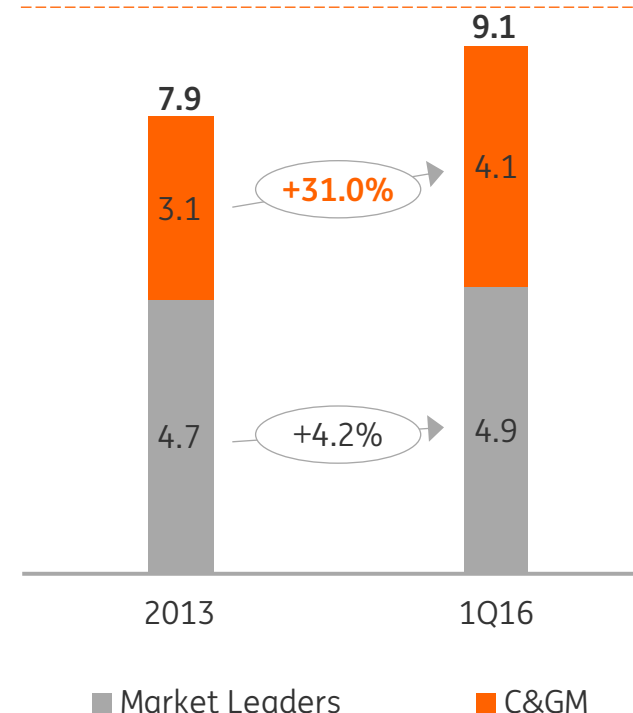
#2 in 3 countries

- Italy
- Poland
- Belgium

...which increasingly earns us the primary relationship with clients

Primary customers* in million

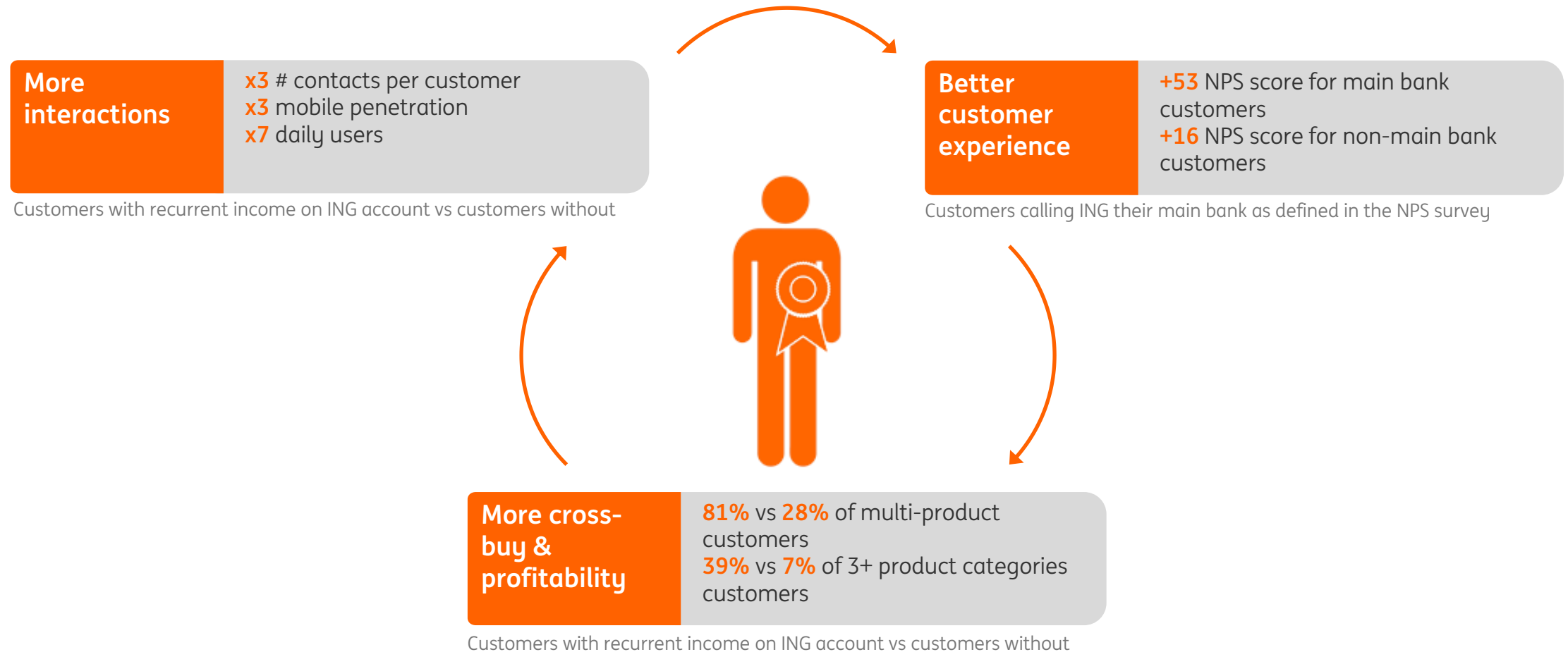
Ambition 2017 > 10 million



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

Our focus on growing primary customers is paying off

Comparison of average metrics between primary and non-primary customers in the Challengers & Growth Markets

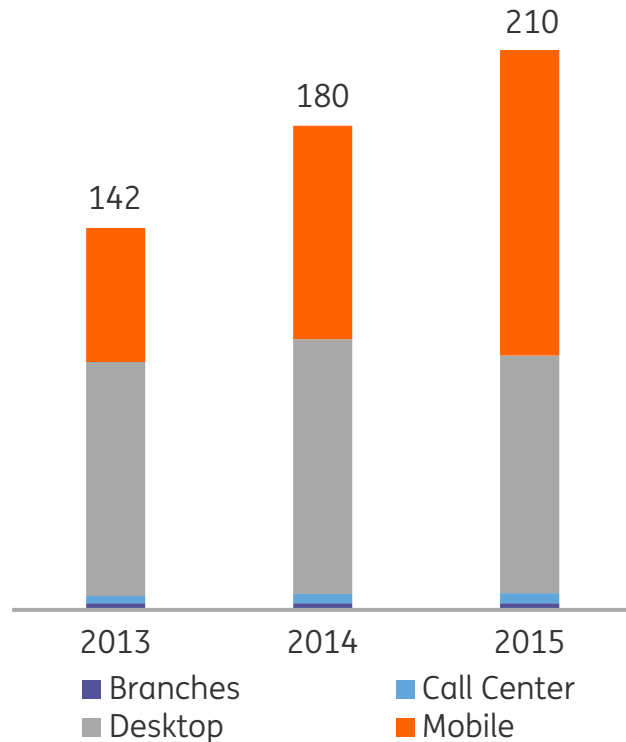


Source: ING data

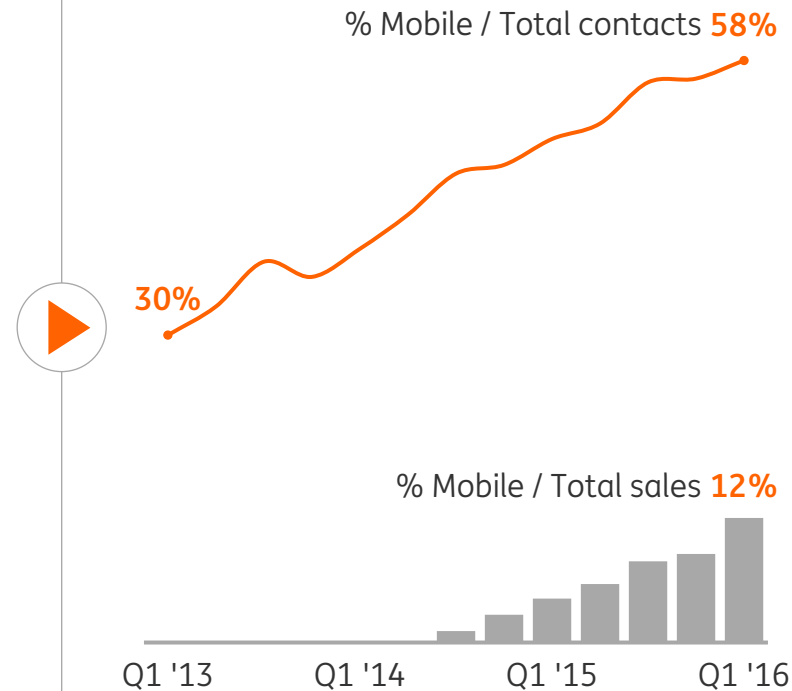
We are leveraging on the mobile revolution - case study Spain

Mobile interactions picking up pace...

Contacts per channel in millions

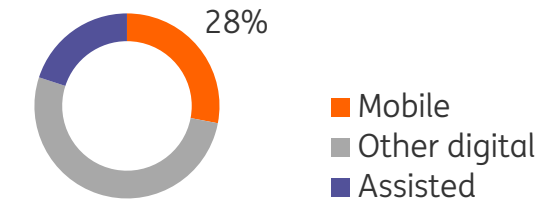


...leading to more sales on mobile channel...

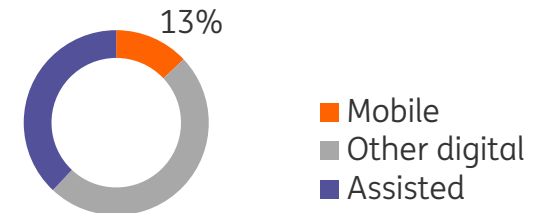


...including complex products

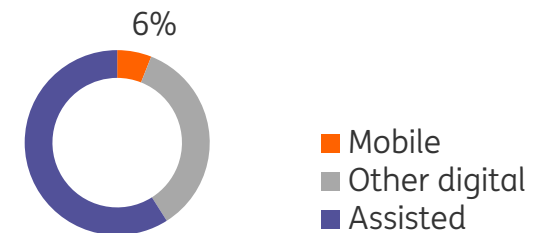
Personal loans production (March '16)



Brokerage (% Sales / Total (March '16))



Investment Products (% Sales / Total (March '16))



In 1Q16, 17% of new customers were acquired purely through mobile, and 25% of all clients are mobile-only

Innovations help us to continuously improve the customer experience and to maintain a leading position in digital banking

Instant Lending: Pre-approved offers and Kabbage

The screenshot displays the 'Instant Lending' process. It includes sections for 'Loan origination', 'Simulation', 'Information collection', and 'Offer'. A prominent 'To get cash' section provides a 'Your loan is available!' notification with a 1445 9100 96 1800076664 ID. Below this, it lists loan details: Amount (20,000 €), Type (12 months), Fee (2,100.00 €), Type of interest (4.99% TIN (3.25% TAEG)), and Opening commission (2.00% / 500.00 €).

Money Management and Aggregation: Genoma

The Genoma dashboard provides a comprehensive overview of a user's financial health. Key sections include:

- Overall position:** A central summary of assets and liabilities.
- Savings goals:** Visual progress indicators for various financial objectives.
- Budgets:** Tools to track and manage monthly expenses.
- Broker:** Performance metrics for investment accounts.
- Mutual Funds:** Comparative analysis of fund performance against benchmarks.
- Direct debits:** Monthly comparison of automatic payments.

Payment innovation: Payconiq, Twyp

The image shows a sequence of six smartphone screens illustrating the user experience for contactless payments. The screens depict:

- Initiating a payment via a chat interface.
- Scanning a QR code to authorize the transaction.
- Confirmation screens showing the payment amount and merchant details.
- Final confirmation and receipt generation.

Investments and Robo Advice: My Money Coach / Coach Epargne

The My Money Coach dashboard provides personalized financial advice. Key components include:

- Situación Económica (Economic Situation):** A table showing assets and liabilities.

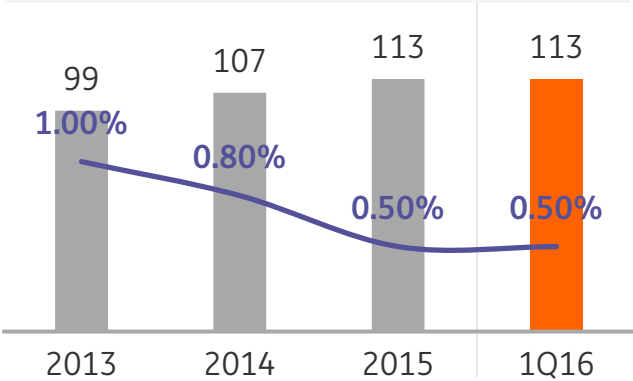
Categoría	Valor
Plus a más	2.300€/mes
En cuentas corrientes	3.500€/mes
Ingresos	1.500€/mes
Gastos	1.500€/mes
Plus dinero	31.000€
Ahorro	31.000€
Inversión	31.000€
- Situación Personal (Personal Situation):** Details on mortgages, loans, and other financial commitments.
- Investment Recommendations:** Visual charts and sliders for adjusting investment strategies based on risk tolerance and goals.

Delivering on financial priorities

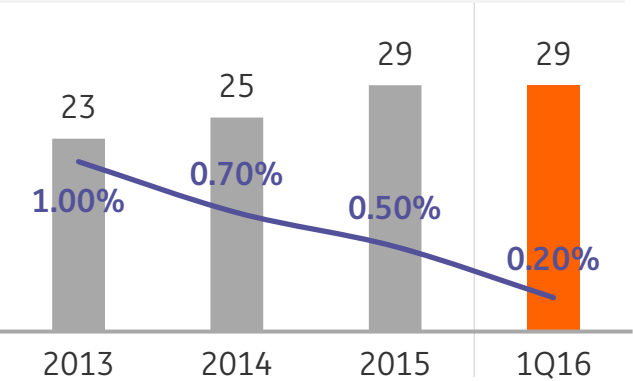
Client savings rates adjustments without major impact on retail customer deposits

Euro markets

Germany*

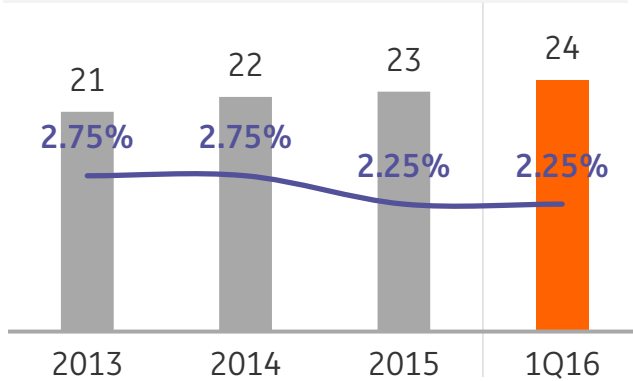


Spain

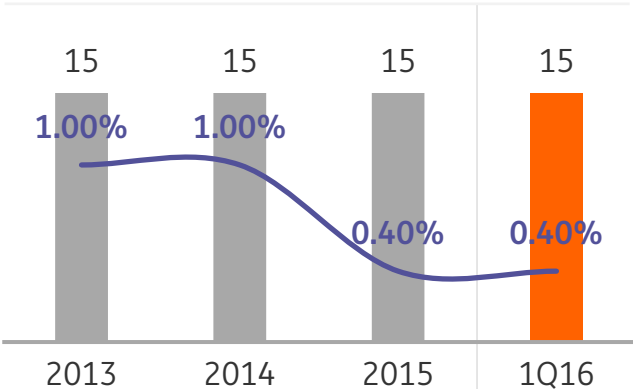


Non-euro markets

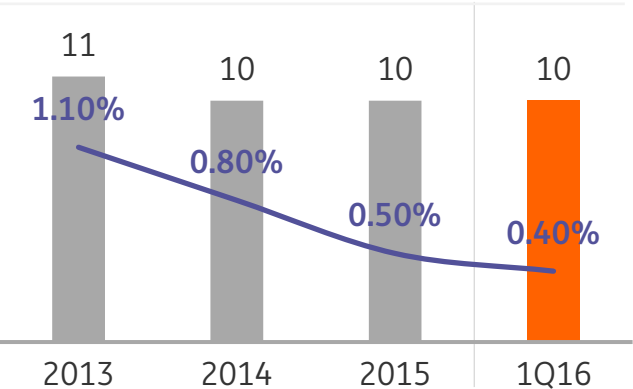
Australia



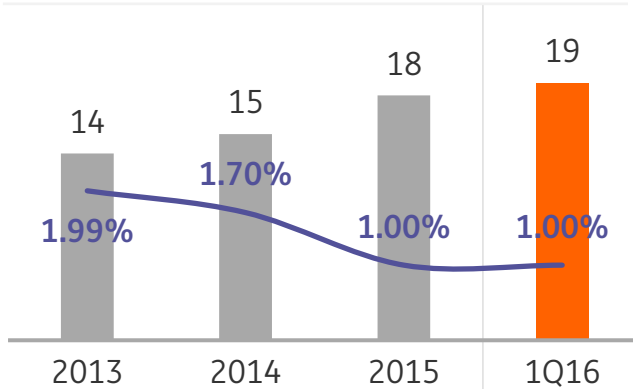
Italy



France



Poland



* Excluding Austria

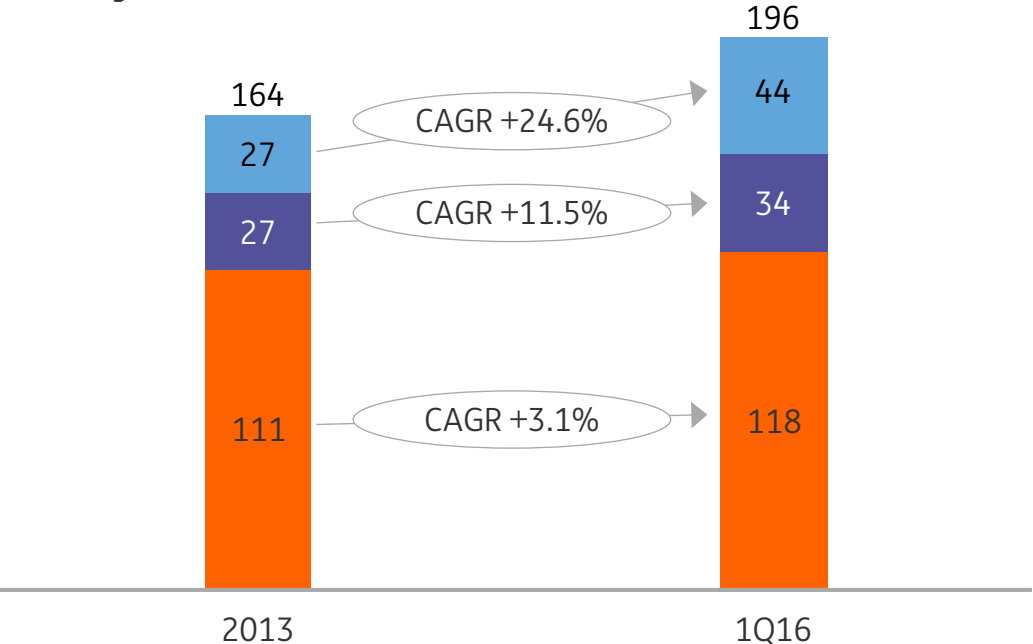
■ Retail customer deposits (in EUR bln) — Core savings rate



Core lending growth is strong, particularly non-mortgage lending

Customer lending increasingly diversified with the proportion of mortgages declining

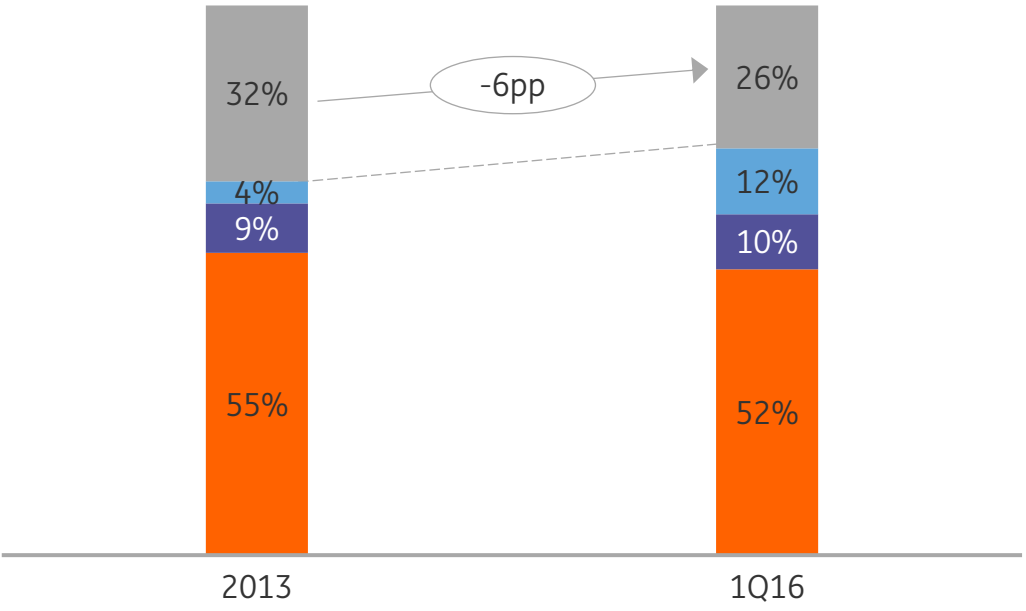
Challengers & Growth Markets (in EUR bln)



- Wholesale Banking lending
- Retail Banking non-mortgages
- Mortgages

Balance sheet optimization from liquidity & investment portfolio to higher yielding own originated lending

Germany (based on external assets)

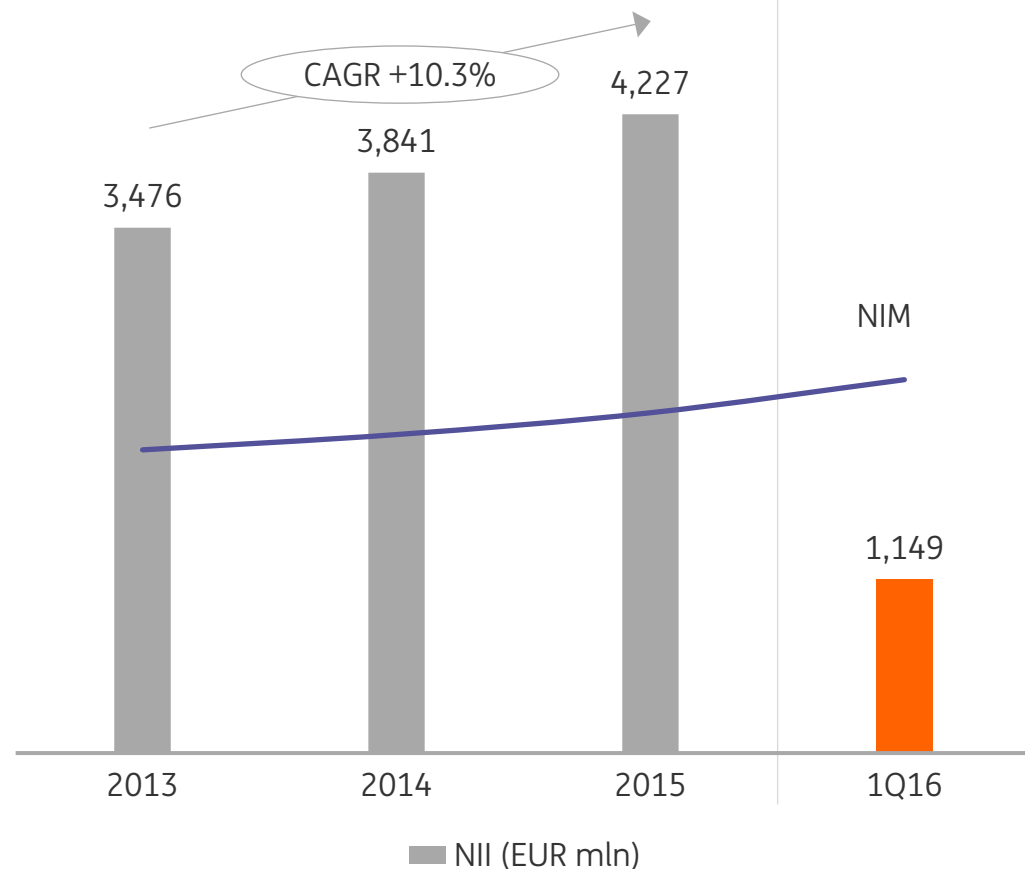


- Other / liquidity & investment portfolio
- Wholesale Banking lending
- Retail Banking non-mortgages
- Mortgages

Client savings rate adjustments, changing asset mix and balance sheet optimization are supporting NII and NIM

Net Interest Income and Net Interest Margin

Challengers & Growth Markets

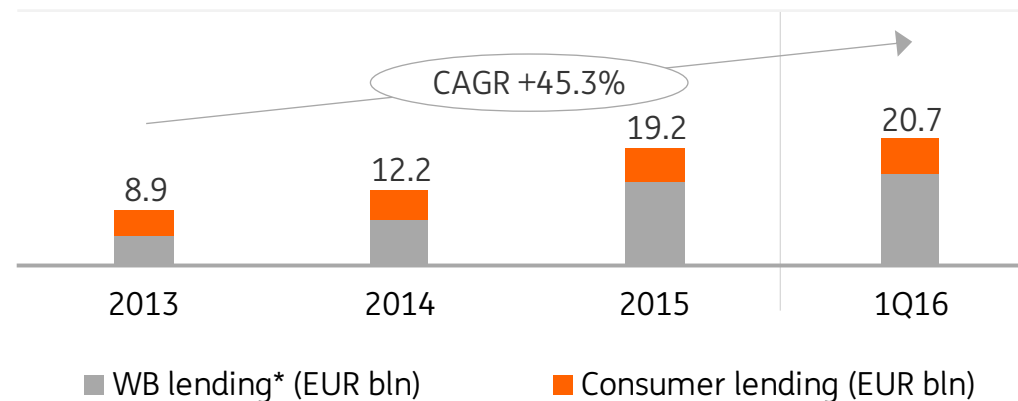


* Excluding Bank Treasury

Comments

- Reduced client savings rates have supported the development in NIM while having negligible impact on customer deposit balances
- Change in asset mix with greater focus on consumer finance, SME and WB underpin NIM and NII trends, further aided by underlying loan growth
- Excess funding position, particularly in Germany, has given scope for balance sheet optimisation, including through WB asset transfers

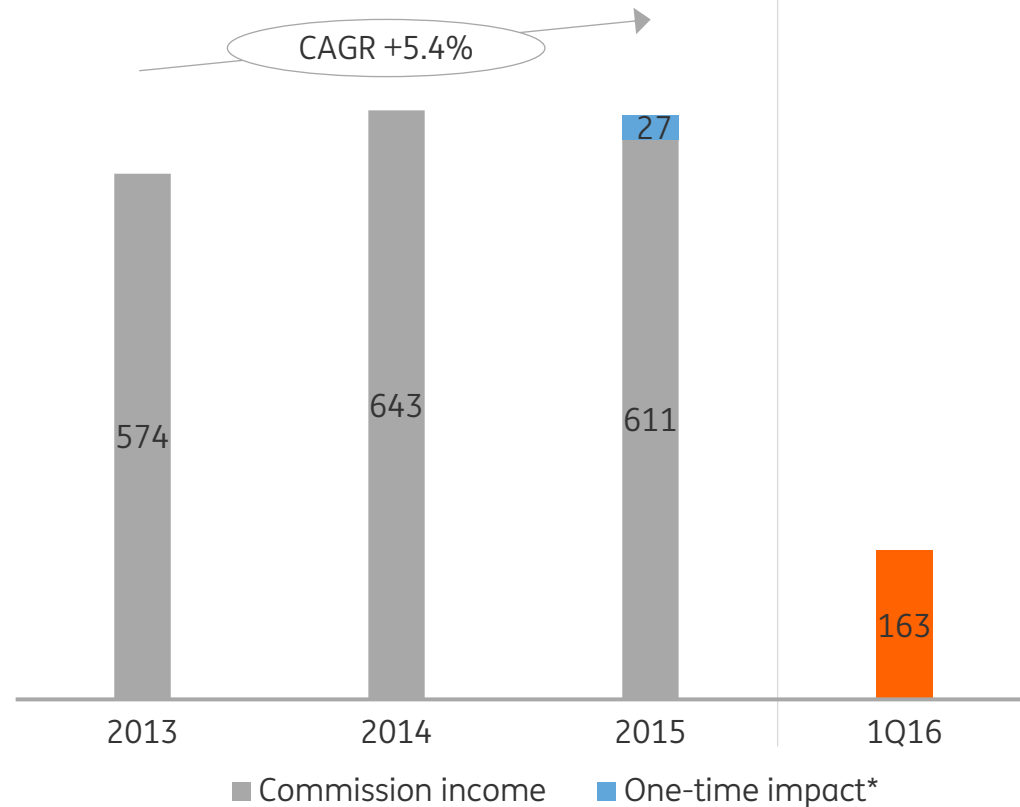
Strong increase in higher margin lending products – case study Germany



Exciting opportunity to grow commission income

Commission income (in EUR mln)

Challengers & Growth Markets



* Positive one-time impact on consumer loan origination in Germany

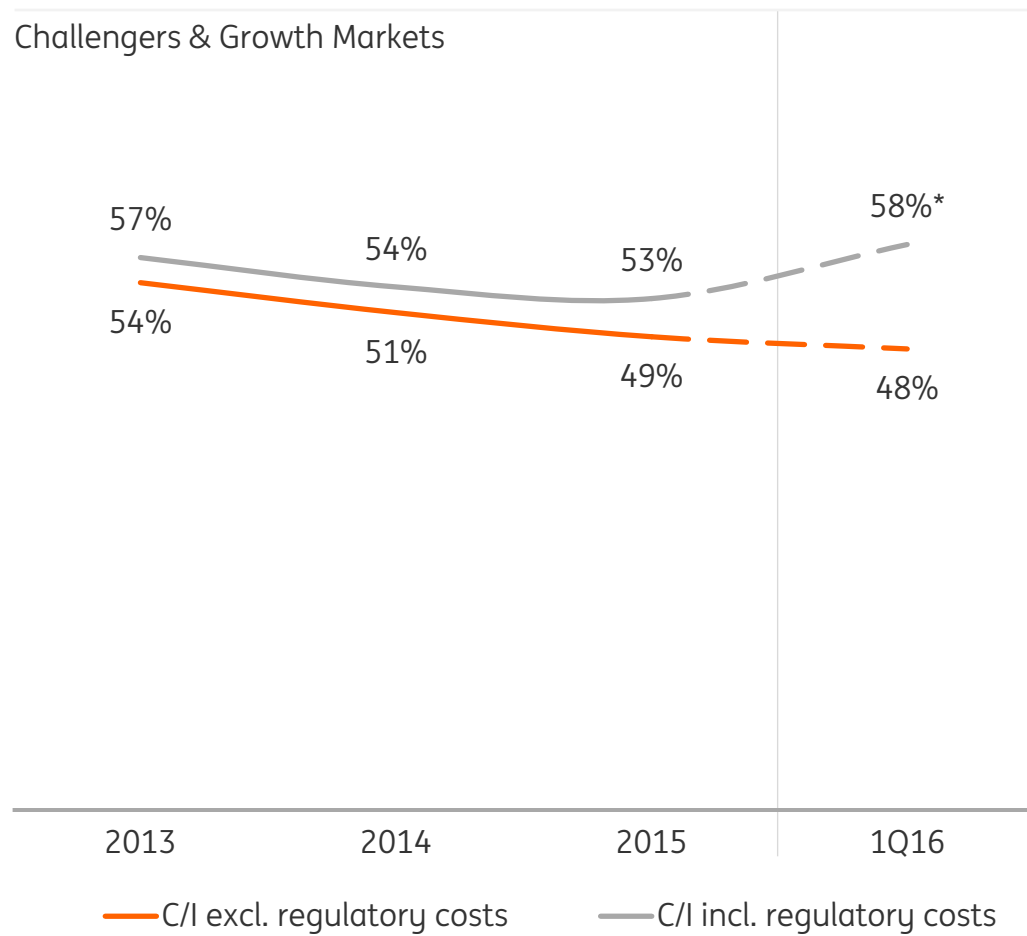
Initiatives to increase commission income

- Investment products
 - Digital advice pilots in Spain and France
 - Simplified product offer rolled out internationally
- Insurance
 - International roll-out of insurance linked to mortgages and consumer loans
- Payments
 - Pilots for differential pricing
- Lending
 - Strong production growth increases upfront commission income

Underlying efficiency continues to improve, and underlying pre-tax profit growth remains strong

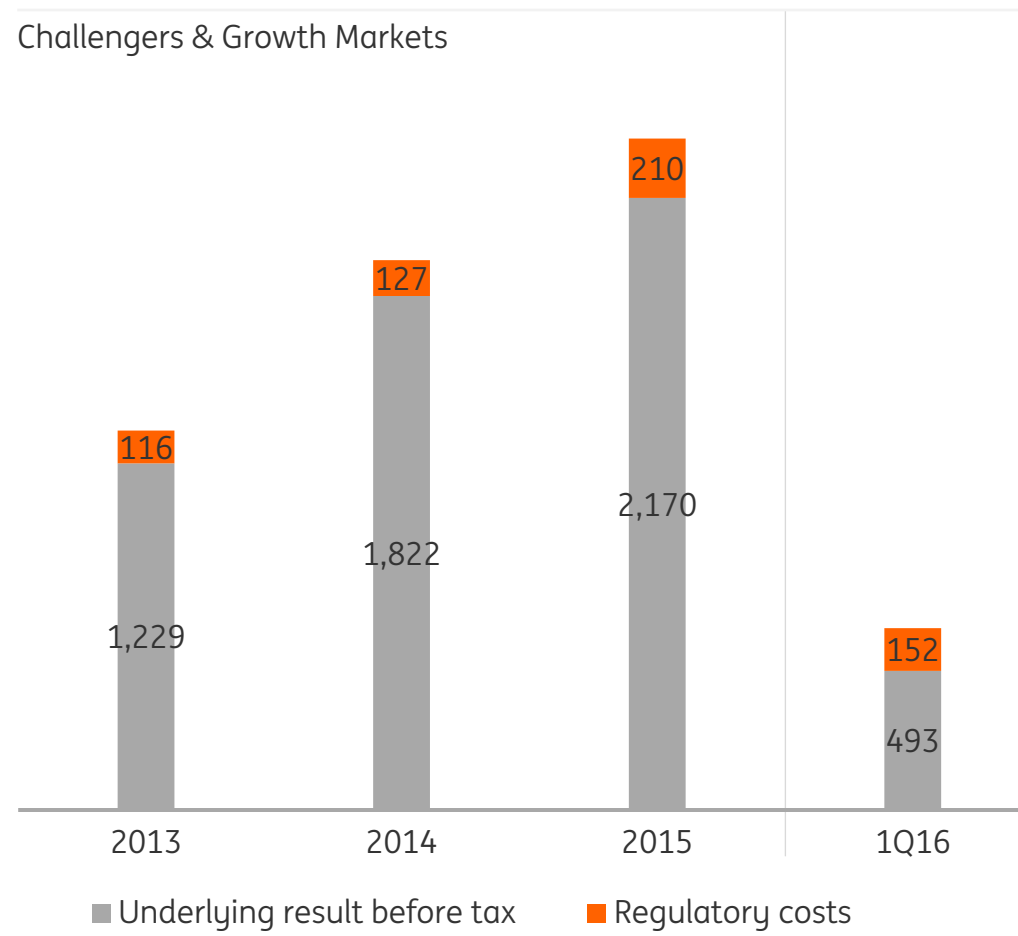
Cost/income ratio

Challengers & Growth Markets



Underlying result before tax (in EUR mln)

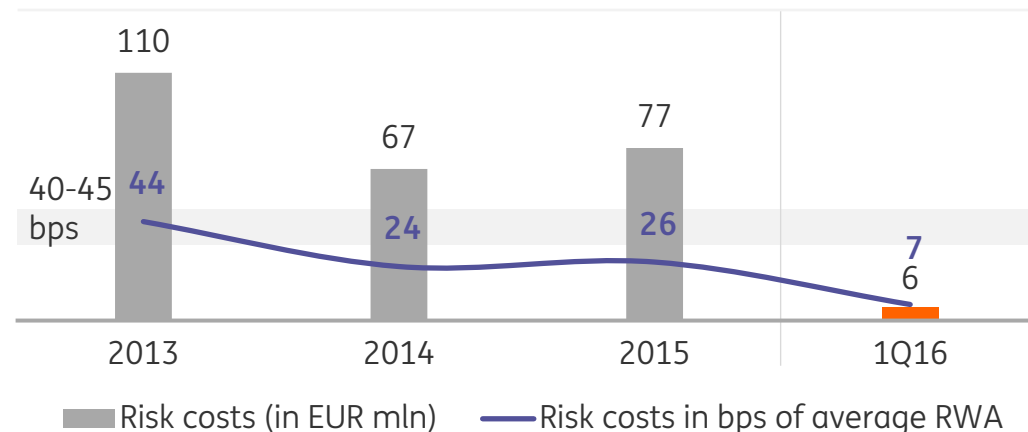
Challengers & Growth Markets



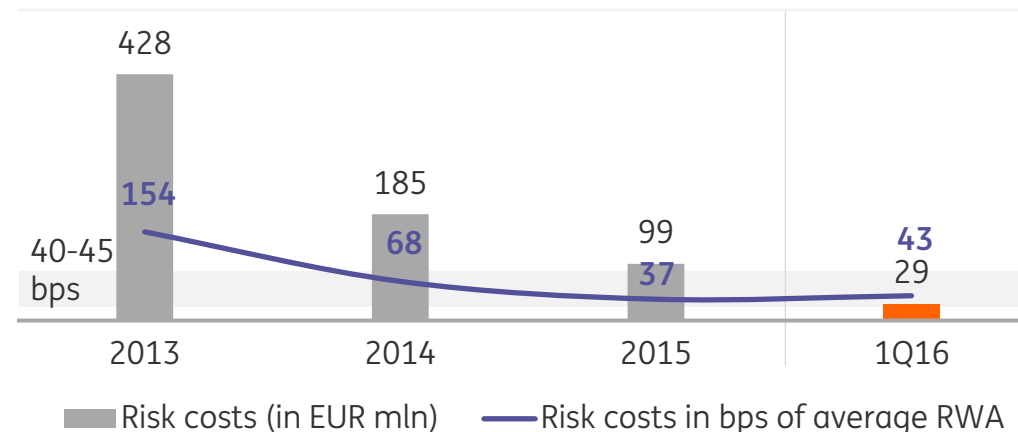
* If the expected 2016 regulatory costs were equally distributed over the 4 quarters of 2016, then the 1Q16 cost/income ratio would have been 54%

Risk costs of C&GM sub-segments are at or below the through-the-cycle-average of the bank

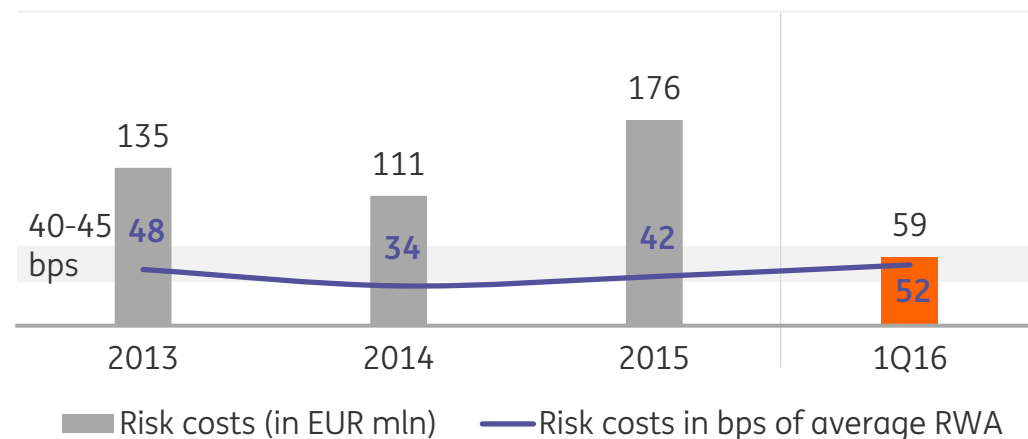
Germany



Other Challengers



Growth Markets

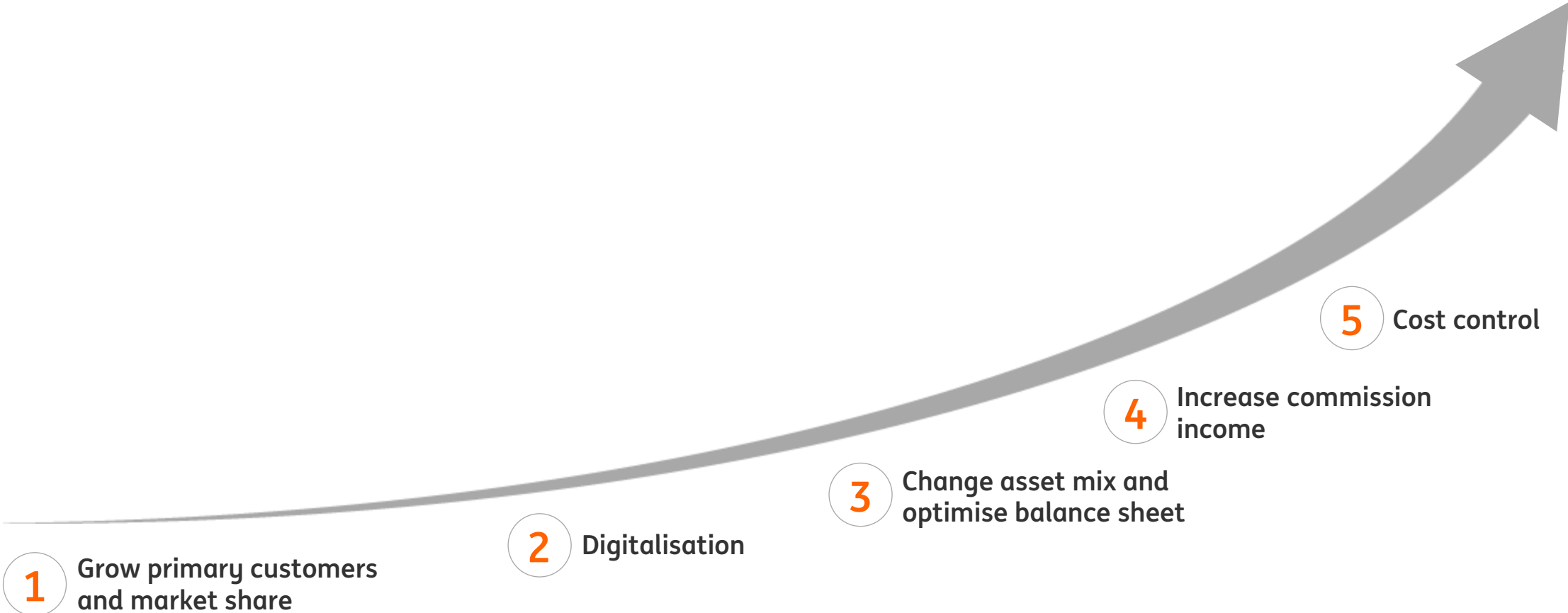


Comments

- In 2015, risk costs for C&GM moved back to a more normalised level. Germany has shown lower than average risk costs and exceptionally low WB risk costs in 4Q15 and 1Q16
- 1Q16 Growth Markets risk costs went up due to our continued growth in higher-risk lending categories (consumer and SME lending) as well as more challenging market conditions in Turkey
- For 2013, Other Challengers were particularly impacted by elevated risk costs at Real Estate Finance Spain

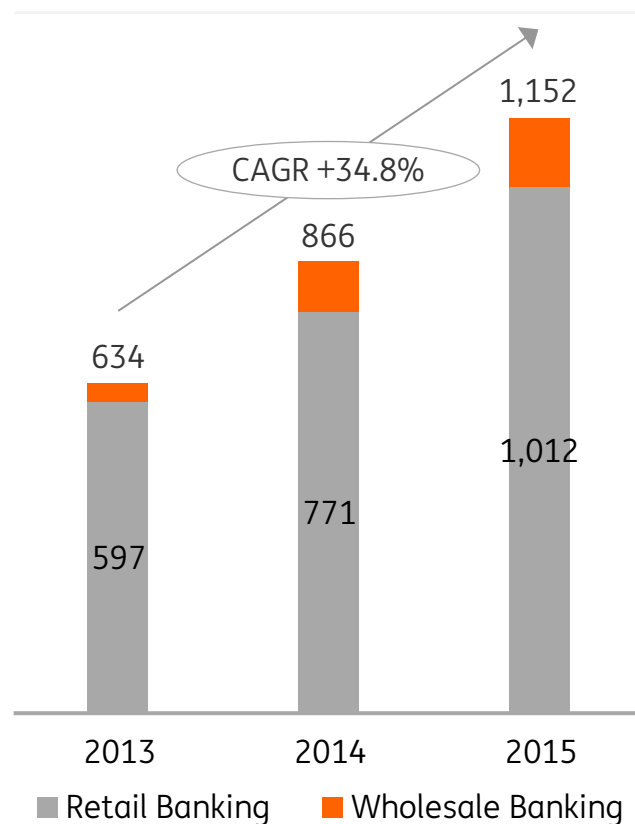
Priorities going forward

We are executing on a clear set of priorities to further improve C&GM performance

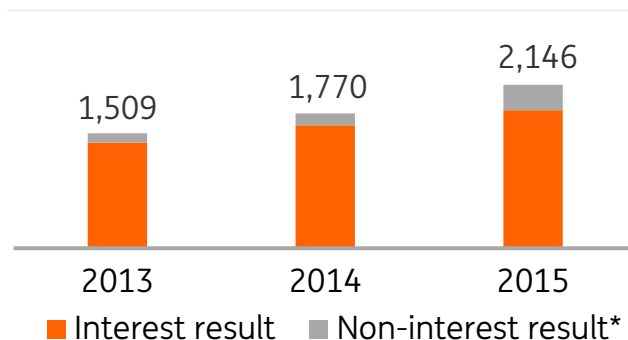


Germany is an excellent example of our Think Forward strategy at work

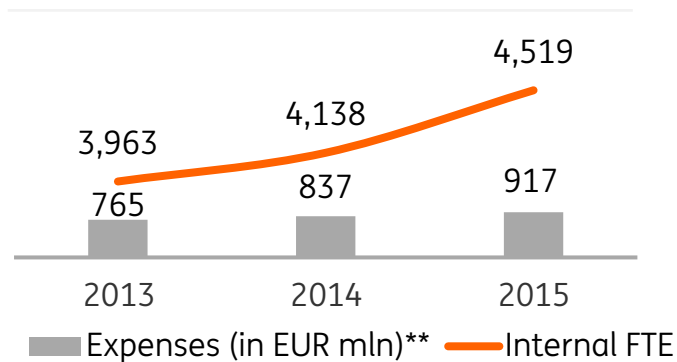
Pre-tax profit ING Germany above EUR 1 bln for the first time (in EUR mln)



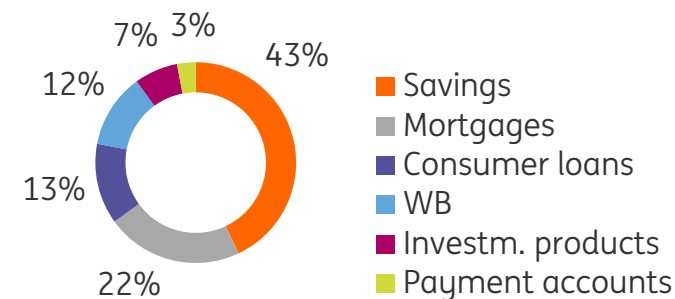
Strong income growth... (in EUR mln)



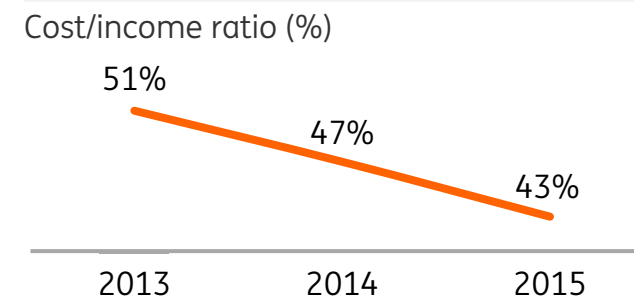
We have selectively invested in the business...



...and increasingly diversified



...while improving the cost/income ratio



* Non-interest result in 2015 positively impacted by capital gains and EUR 27 mln one-time impact on consumer loan origination in 4Q15
 ** The EUR 80 mln increase in expenses in 2015 versus 2014 includes EUR 25 mln of higher regulatory costs

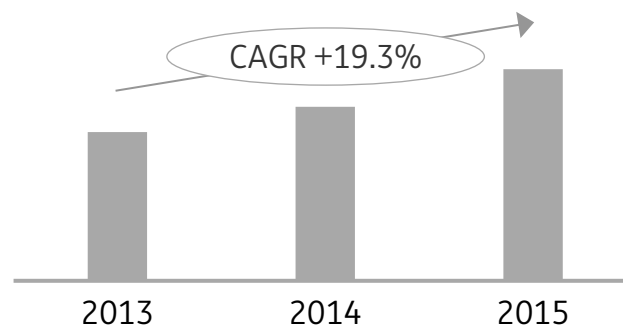
Romania is showing strong commercial momentum through digitalisation

ING has high customer satisfaction in Romania...

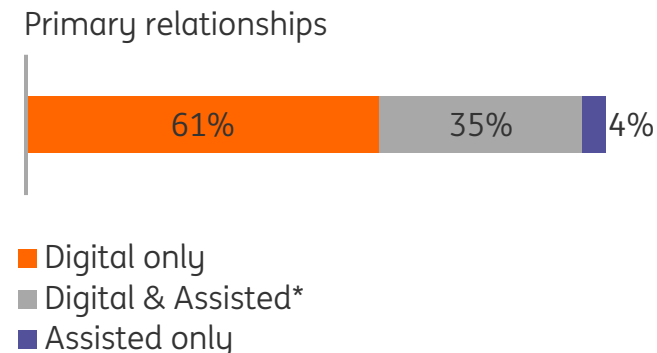


#1 NPS Score in Romania

...and is rapidly adding primary relationships

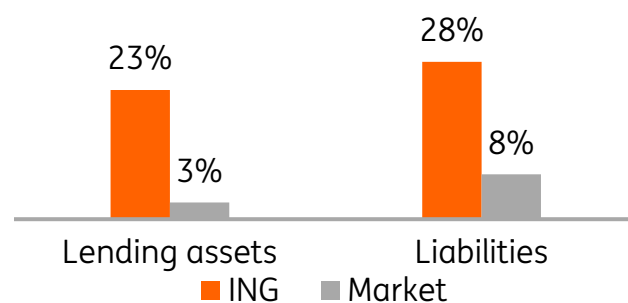


The business model has evolved to 'digital first' (1Q16)



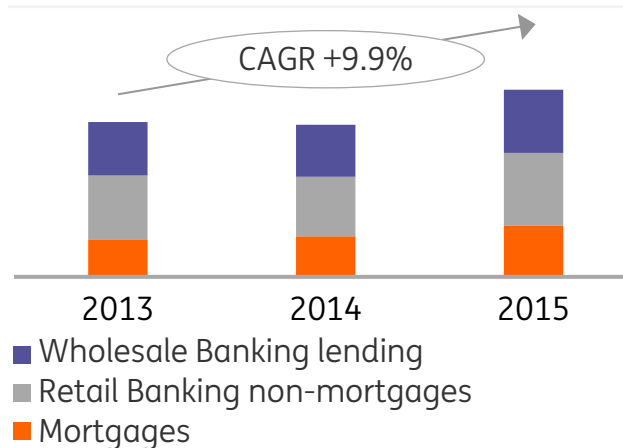
ING Romania is growing faster than the market...

2015 vs 2014

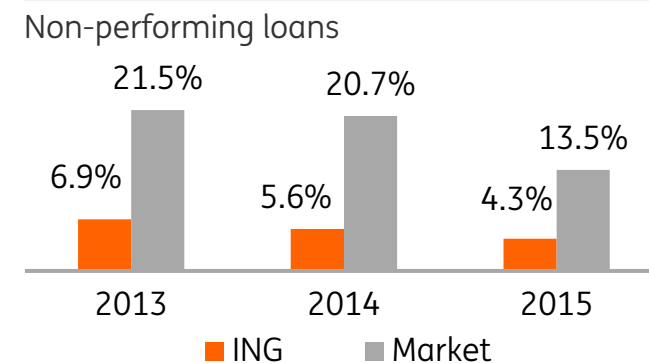


Source: ING data, NBR for market data
* 'Assisted' refers to contacts via branch and / or call centre

...with strong lending growth in all segments...



...and the risk profile is well controlled



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 2015 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, 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) 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, (5) changes affecting interest rate levels, (6) changes affecting currency exchange rates, (7) changes in investor and customer behaviour, (8) changes in general competitive factors, (9) changes in laws and regulations, (10) changes in the policies of governments and/or regulatory authorities, (11) conclusions with regard to purchase accounting assumptions and methodologies, (12) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (13) changes in credit ratings, (14) ING's ability to achieve projected operational synergies and (15) the other risks and uncertainties detailed in the most recent 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. 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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