Second quarter 2017 Results

ING Group 2Q17 net profit of EUR 1,371 million

Ralph Hamers, CEO ING Group

Amsterdam ▪ 2 August 2017

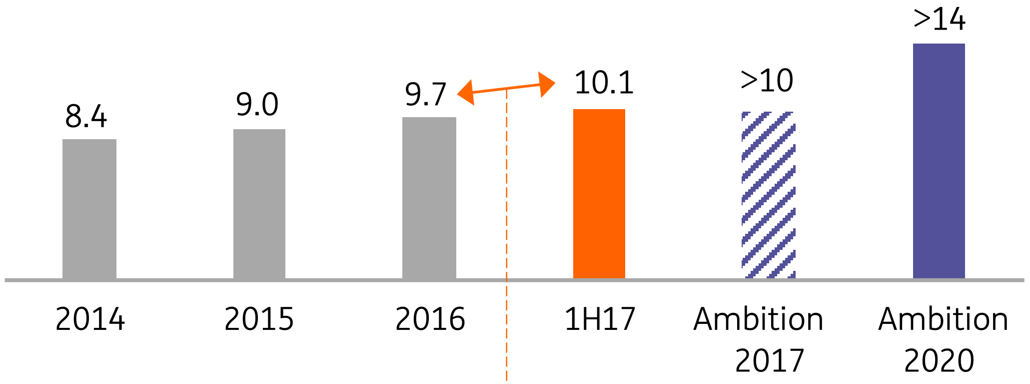
thinkforward

Key points

- ING recorded 2Q17 net profit of EUR 1,371 mln, up 5.9% from the same period last year
- Strong results reflect continued loan growth at resilient margins and relatively low risk costs
- Our geographic footprint and product diversity enable us to continue to capture profitable growth
- Think Forward strategy a strong boost for fees; 2Q17 commission income up 17.0% versus 2Q16
- In the quarter, we welcomed our 10 millionth primary bank customer
- On a four-quarter rolling average basis, ING Group's underlying return on equity was stable at a robust 10.8%
- Fully loaded CET1 ratio constant at 14.5%; ING declares 2017 interim cash dividend of EUR 0.24 per ordinary share

Our focus on primary customer relationships drives value

10 mln primary customers; many countries contributing



+107k
+43k
+26k
+71k
+34k
Other*: +126k

Core lending

1H17 net growth

EUR **+12.1** bln

Customer deposits

1H17 net growth

EUR **+12.1** bln

Commission income

1H17

EUR **1.4** bln

+14.7% YoY

Net Promoter Scores (NPS)

1H17

#1 in

7 of 13 retail countries

Customer value = Number of customers × Share of primary × Cross-buy × Product value

* Of which Netherlands 37k and BeLux 35k

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Transformation programmes – important steps taken in 2Q17

Four major digital transformation programmes

Orange Bridge*

- Shared delivery organisation and shift to 'Agile' way of working in Belgium in progress
- Target segment-service-channel matrices agreed to come to shared customer proposition

Model Bank

- Internal beta release of digital platform for Czech Republic which includes 4 key products
- Agreement on scope of first release in France

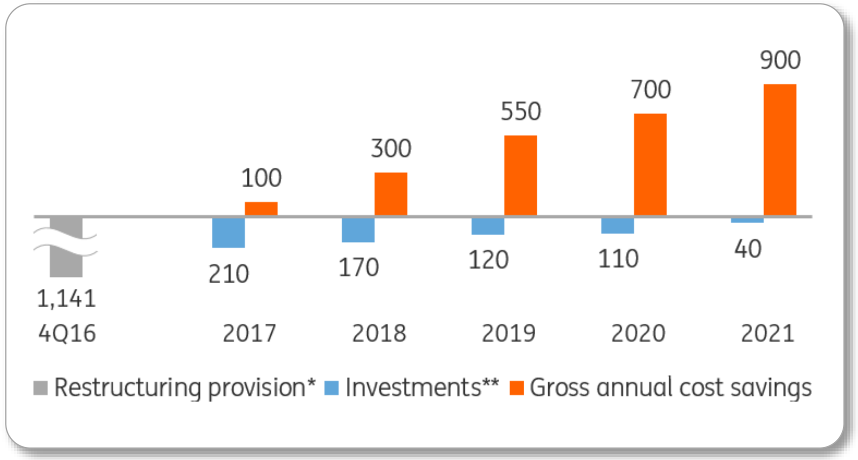
Welcome

- Online tool (Yareto) for car loans released to support dealer channel
- Use of predictive analytics helps customers with locked Internet accounts

WTOM

- InsideBusiness, the WB client portal, now available to 4,600 clients in all 20 European countries

Estimated impact of digital transformation programmes (in EUR mln)



* Subject to and under relevant regulatory review
** Booked in 4Q16 as a special item
*** Defined as incremental expenses from newly announced programmes on 3 October 2016

Becoming the go-to platform for all financial needs

Yolt now available for testing

- Yolt is our money management platform in the UK, developed in-house, now **available for testing** in Apple and Android stores
- **Thousands of users** are now testing the app, moving the UK one step closer to open banking and new ways of managing money
- Yolt will also offer users the ability to take action on e.g. saving on their energy bill

Strategic investment in Fintonic

- In addition to Yolt, ING made **an investment** in Fintonic in Spain
- Fintonic aggregates transactions across banks with a single app
- The app also provides **financial advice** to empower customers in their financial planning and decision making

Innovation is in our DNA

786 ideas submitted from employees in 22 countries

This year's winners:

- **Banking of Things**: banking solution leveraging on Internet of Things (most disruptive idea)
- **FlexiLiving**: solution on housing challenges of the millennials generation (best beyond banking idea)
- **Covered**: aggregator for insurance products (best platform idea)

Innovative financing structures support our sustainability vision

Energy Transition	Circular Economy	Water
ING Economics Department publishes report named "Breakthrough of electric vehicle threatens European car industry", July 2017	*"Asset ownership will be replaced by pay-per-use models, which in turn will require a new type of owner and infrastructure. We will need to create new companies and new entities that own, manage and finance these assets."* ING at the first ever World Circular Economy Forum, June 2017	ING was the only commercial bank globally at the OECD Roundtable for Financing Water. Recognising our commitment, we are now the only bank on the advisory board

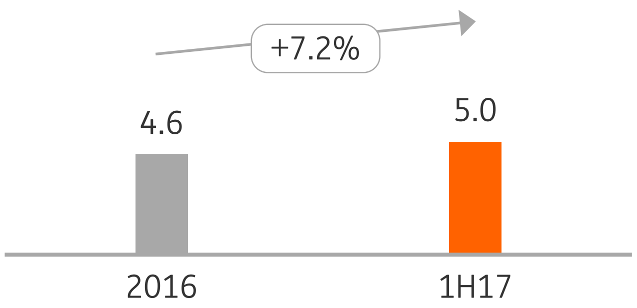
Innovative sustainable financing solutions for our clients

Sustainability improvement loans	Green / sustainable loans	Green / social bonds
BARRY CALLEBAUT, EDF, LafargeHolcim, gasNatural	H MARINE CONTRACTORS	KOMMUNAL KREDIT, DBS

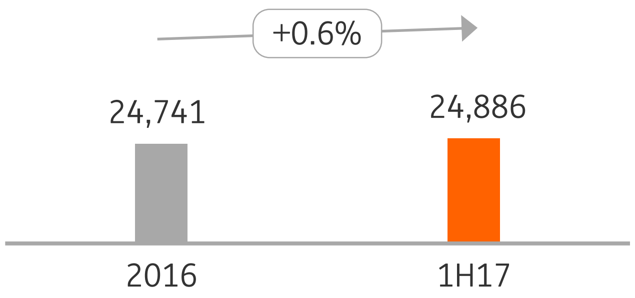
ING

Think Forward delivers on growth and cross-buy in C&GM

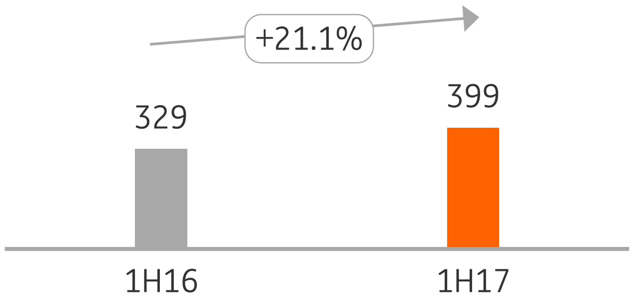
Primary customers (in mln)



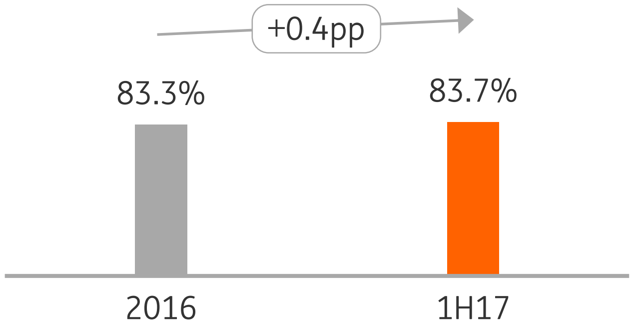
Headcount (FTEs)



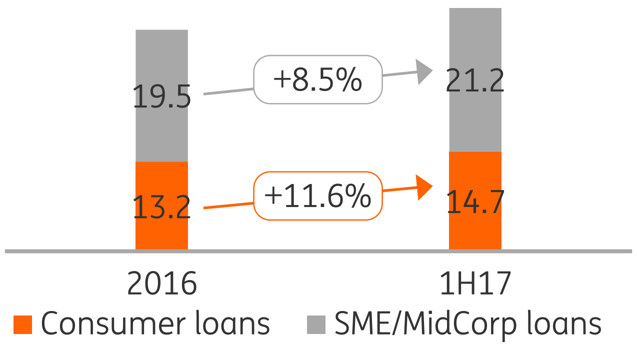
Commission income (in EUR mln)



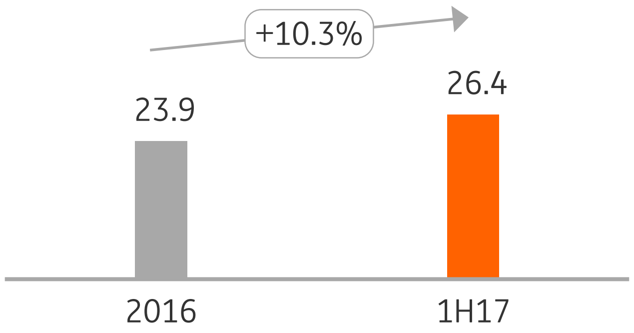
Loan-to-deposit ratio (in %)



Consumer & SME lending (in EUR bln)



Asset under Management* (in EUR bln)



All numbers based on Challengers & Growth Markets (Retail Banking and Wholesale Banking)
* Mutual funds only

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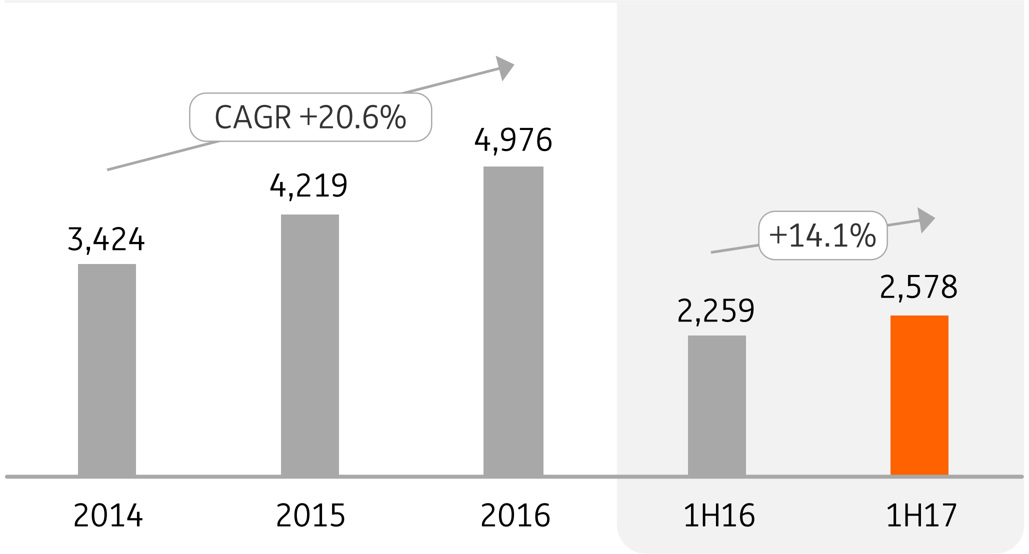
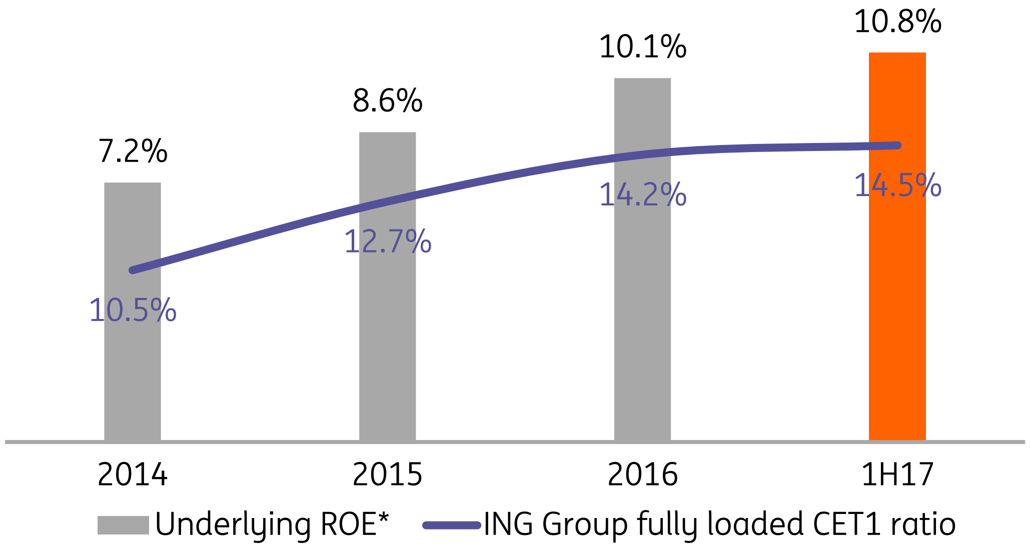
Strong results deliver > 10% underlying ROE at Group level...

Underlying net result improves further (in EUR mln)



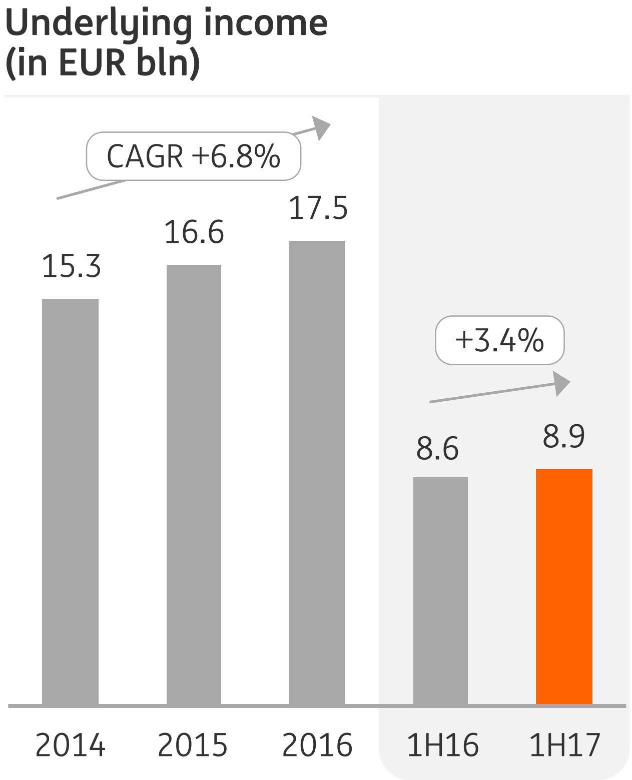
Underlying ROE progression despite higher CET1 capital

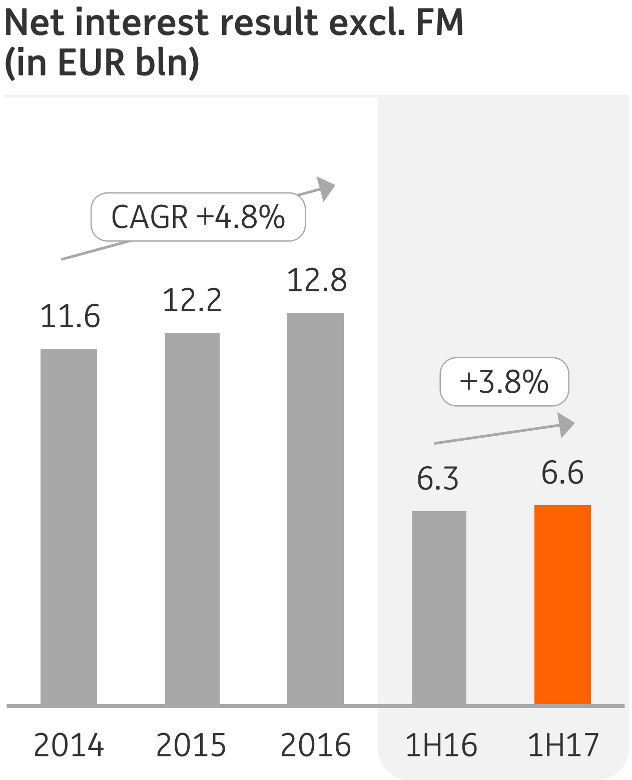


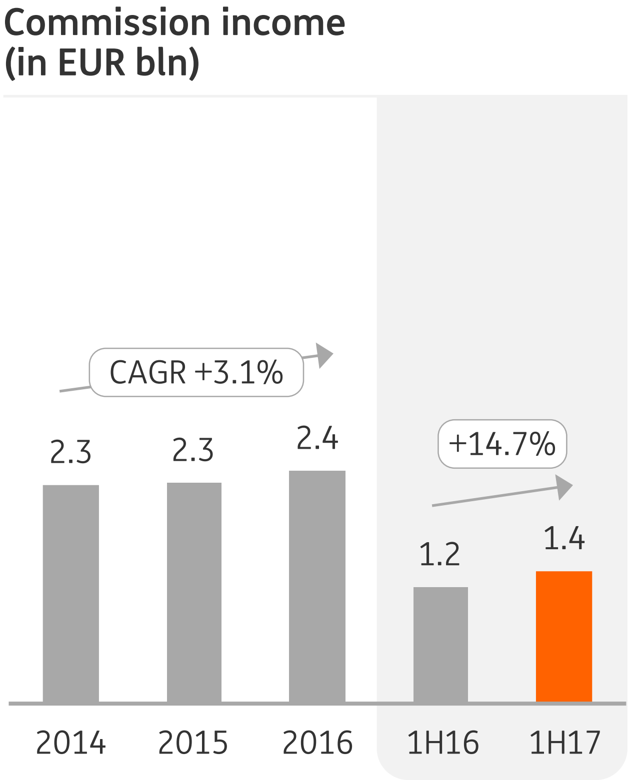
- ING recorded underlying net profit for the first six months of 2017 of EUR 2,578 mln, up 14.1% on 1H16
- Despite a higher fully loaded ING Group CET1 ratio of 14.5%, the four-quarter rolling underlying return on equity rose to 10.8%

* 1H17 underlying ROE based on four-quarter rolling average

…supported by healthy NII and fee income growth





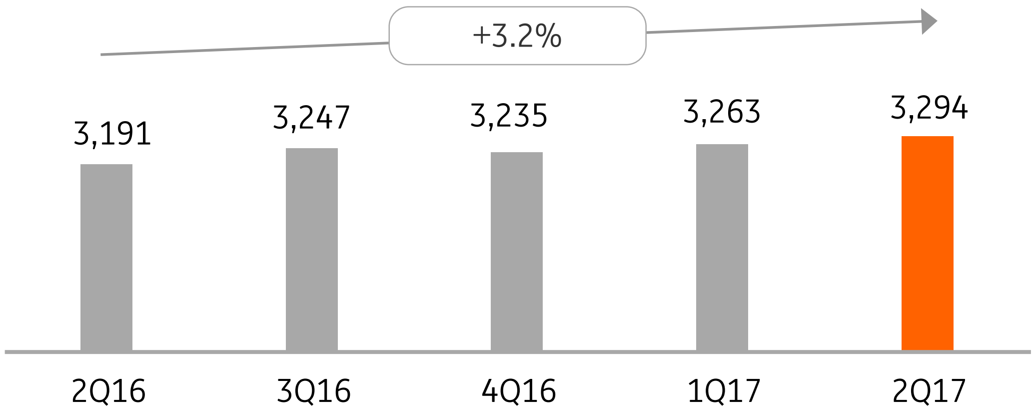


- Underlying income grew 3.4% in 1H17 versus 1H16 largely driven by a steady increase in NII
- Our primary customer focus is underpinning strong 1H17 growth in commissions which are up 14.7% year-on-year

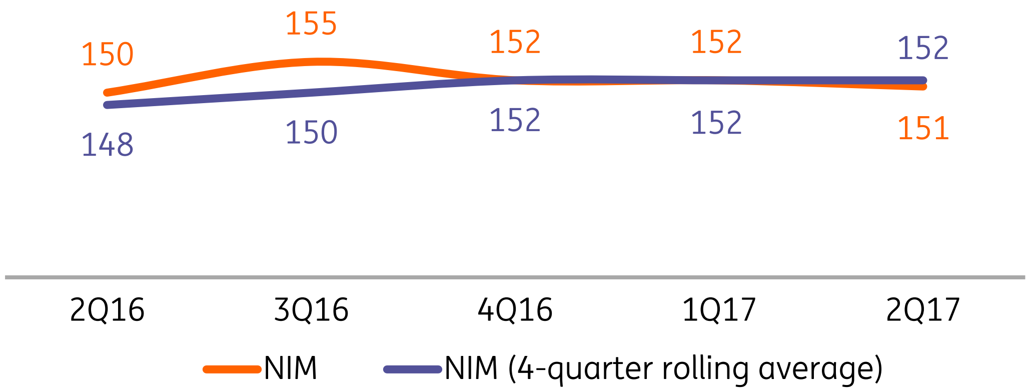
2Q17 results

Robust NII supported by volume growth and margin resilience

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



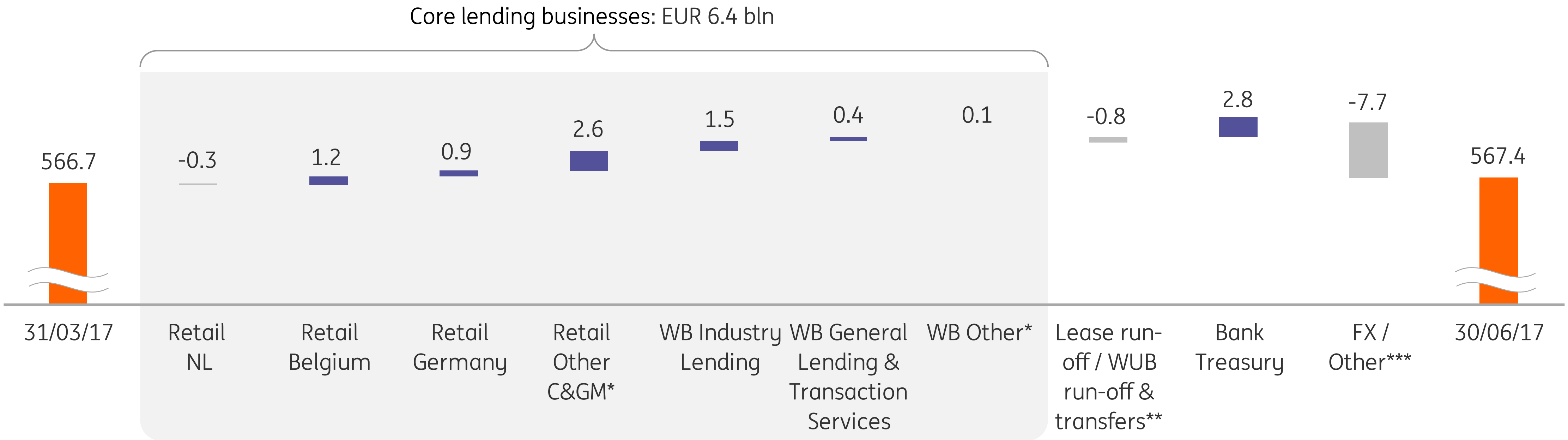
Net interest margin remains broadly stable (in bps)



- Net interest income excluding Financial Markets was up 3.2% versus 2Q16 and up slightly on the previous quarter:
  - Continued volume growth in mortgages as well as other Retail and Wholesale Bank lending
  - Retail lending margins narrowed somewhat sequentially; savings margin improved supported by further core savings rate adjustments
- Net interest margin down slightly quarter-on-quarter, caused by a 1 bp negative impact from lower net interest income within Financial Markets

Our core lending franchises grew by EUR 6.4 bln in 2Q17

Customer lending ING Group 2Q17 (in EUR bln)

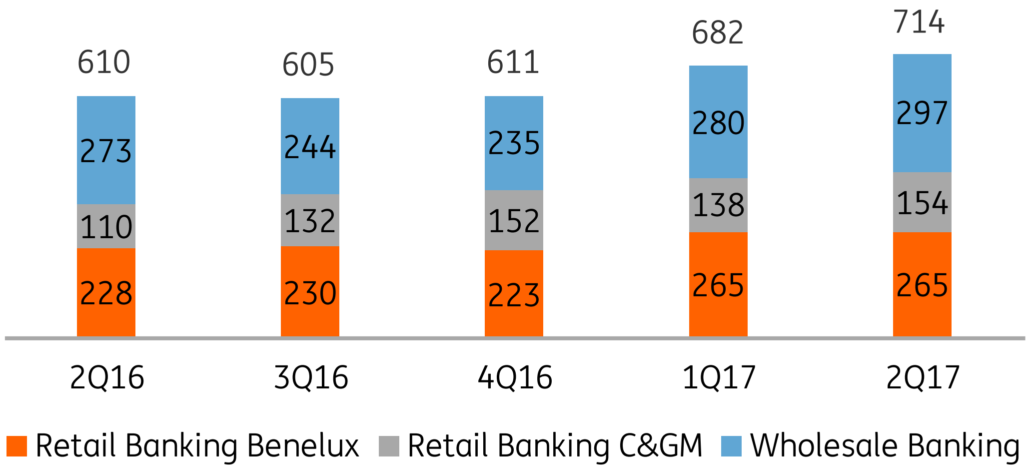


- Our core lending franchises grew by EUR 6.4 bln in 2Q17:
  - Retail Banking increased by EUR 4.4 bln, mainly in the Other Challengers & Growth Markets and skewed towards non-mortgage lending
  - Wholesale Banking increased by EUR 2.0 bln, largely attributable to Industry Lending

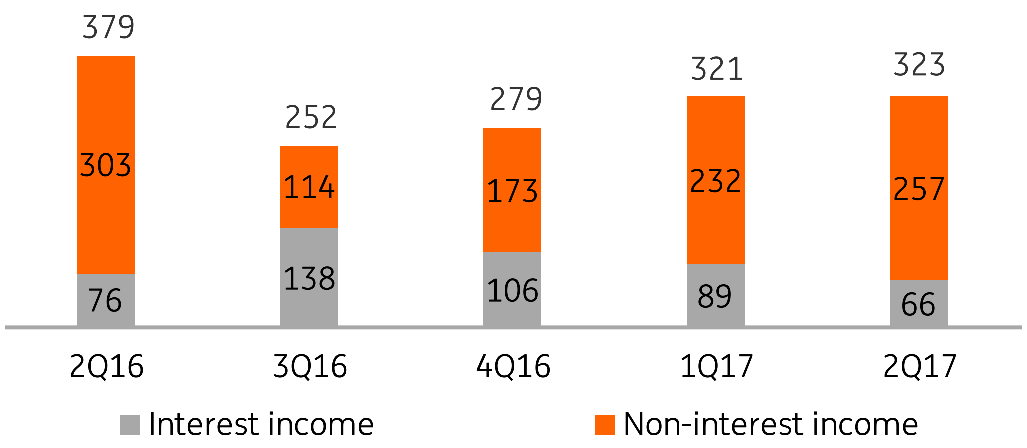
* C&GM is Challengers & Growth Markets; WB Other includes Financial Markets
** Lease run-off was EUR -0.1 bln, WUB run-off was EUR -0.4 bln and WUB transfer to NN was EUR -0.3 bln
*** FX impact was EUR -7.3 bln and Other EUR -0.4 bln

Commission income growth continues

Commission income strong across segments (in EUR mln)



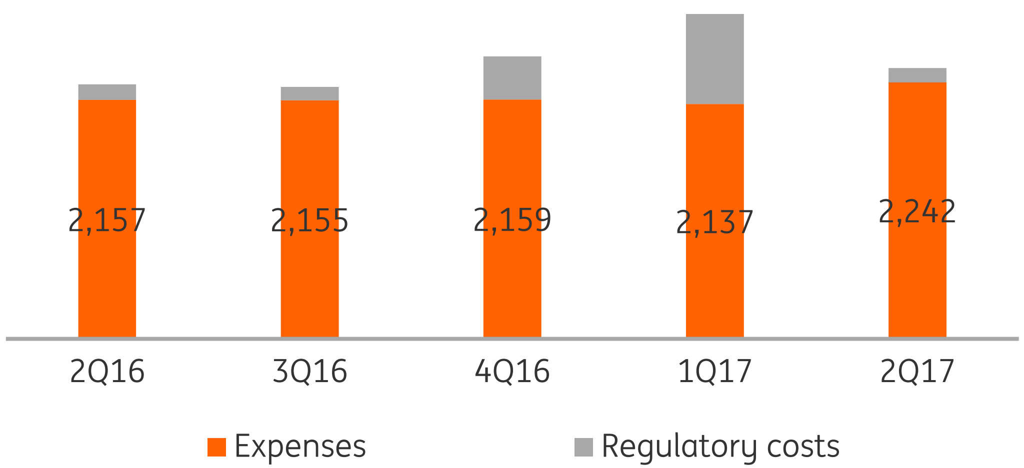
Underlying income Financial Markets excl. CVA/DVA (in EUR mln)



- Commission income rose 17.0% year-on-year to EUR 714 mln. The increase was driven by almost all segments and products, with the strongest percentage growth in Retail Challengers & Growth Markets
- Financial Markets income held up well with higher income sequentially in the Structured Rates, Corporate Finance and Securitisation businesses. Compared to a very strong 2Q16 revenues were down, largely due to lower market volatility

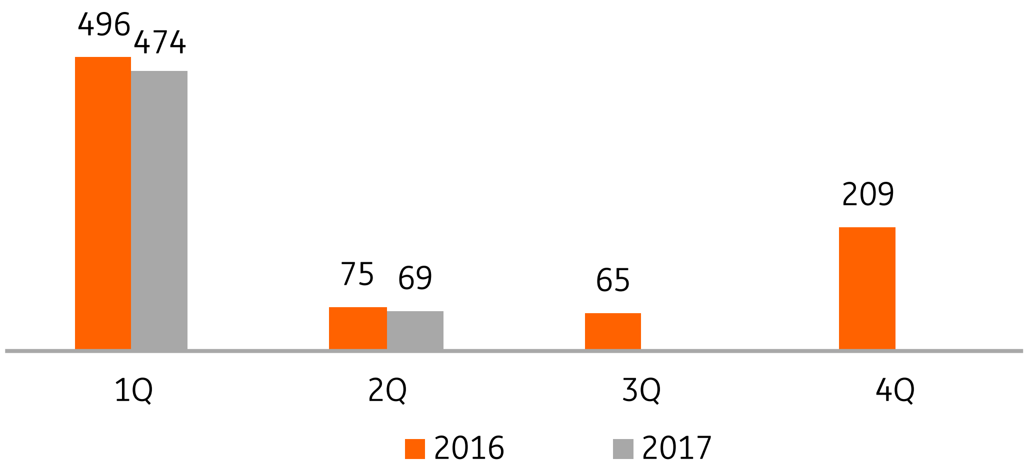
Operating expenses up modestly; regulatory costs stable YoY

Underlying operating expenses (in EUR mln)

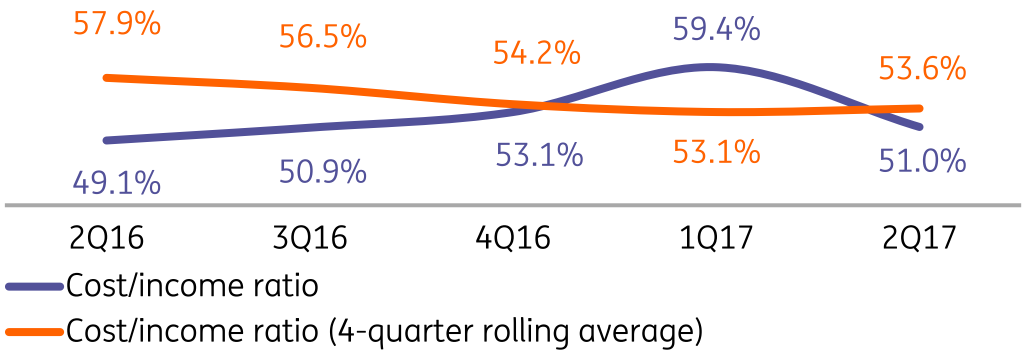


- Expense increase significantly impacted by a provision for a litigation related to a business that was discontinued in Luxembourg around the year 2000
- Excluding the legal provision, underlying expenses edged up as higher expenses to support business growth and transformation were only partly offset by ongoing cost-saving initiatives
- 2Q17 regulatory costs in line with last year and benefited from a downward adjustment of Belgian DGS contribution

Regulatory costs experience seasonality (in EUR mln)



4-quarter rolling cost/income ratio broadly stable



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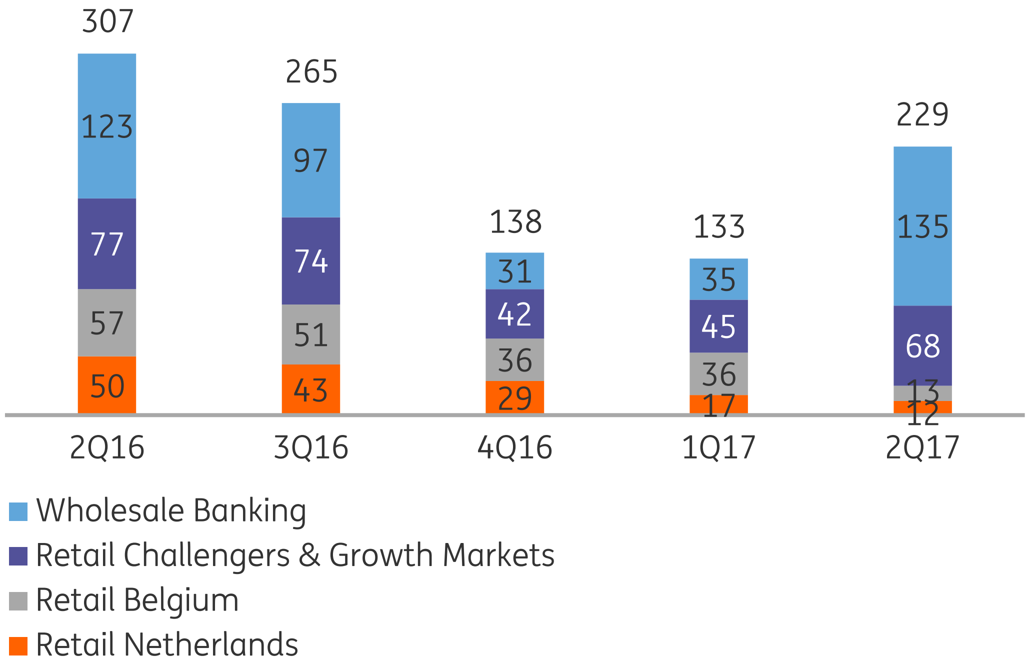
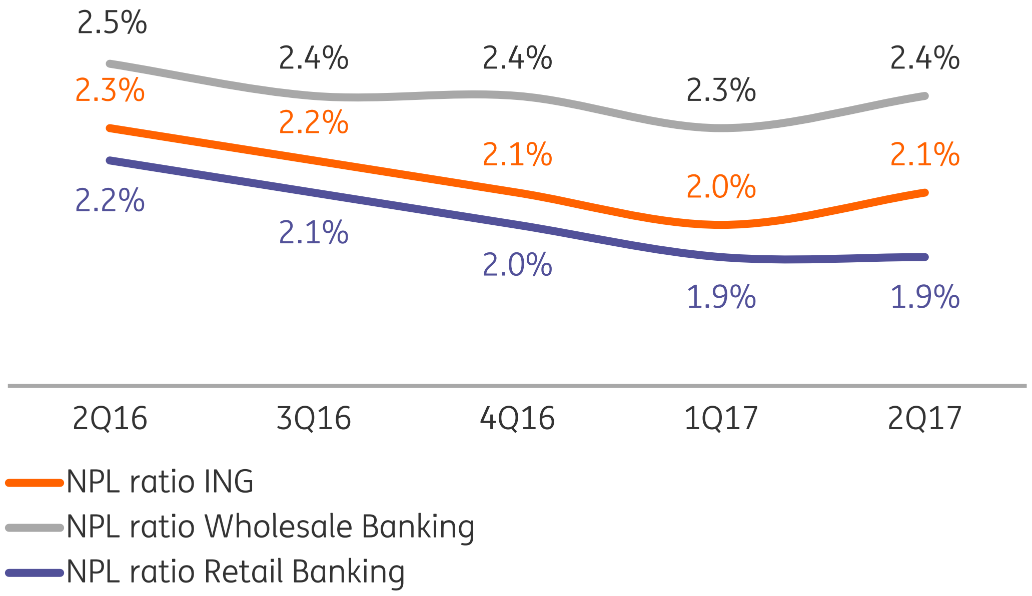
Risk costs up due to fewer releases; NPLs remain favourably low

Risk costs (in EUR mln)



NPL ratio

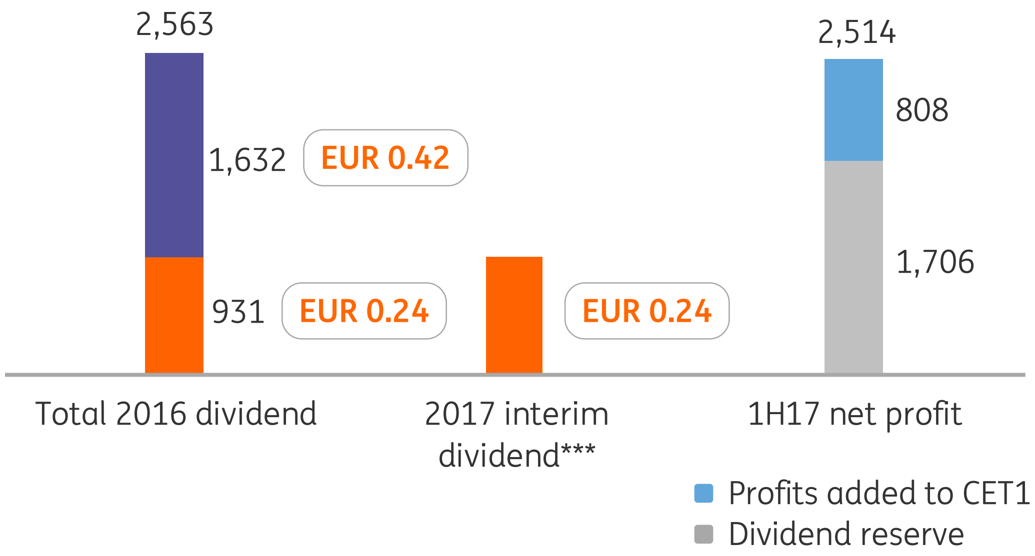


- 2Q17 risk costs were EUR 229 mln, or 30 bps of average RWA, well below the 40-45 bps through-the-cycle average
- Retail Benelux risk costs were substantially lower again due to improved macro-economic and housing market conditions
- In Wholesale Banking, there were higher risk costs for some larger files in Structured Finance

Group CET1 ratio stable at 14.5%; interim dividend of EUR 0.24

ING Group 2Q17 fully loaded CET1 ratio*

Interim profit of EUR 0.24 per share (in EUR mln)



- ING Group's 2Q17 fully loaded CET1 ratio was stable at 14.5% as the inclusion of EUR 0.5 bln of net profit as well as FX impacts were largely offset by an increase in risk-weighted assets due to lending growth and model updates
- ING reserves an amount equal to one third of the 2016 total dividend in each of the first three quarters of 2017
- Interim cash dividend of EUR 0.24 per ordinary share, unchanged from the 2016 interim cash dividend

* 2Q17 Group net profit of EUR 1,371 mln of which EUR 853 mln set aside for dividends and the remainder (EUR 518 mln) added to CET1 capital
** FX impact includes both FX impact on revaluation reserves and RWA
*** Interim dividend to be paid in August 2017

Ambition 2020 – ING Group Financial Targets

		Actual 2016	**Actual 1H17**	Ambition 2020*
Capital	• CET1 ratio (%)	14.2%	**14.5%**	> Prevailing fully loaded requirements**
	• Leverage ratio (%)	4.8%	**4.6%**	> 4%
Profitability	• Underlying C/I ratio (%)***	54.2%	**53.6%**	50-52%
	• Underlying ROE (%)*** (IFRS-EU Equity)	10.1%	**10.8%**	Awaiting regulatory clarity
Dividend	• Dividend (per share)	EUR 0.66		Progressive dividend over time
Of which interim		EUR 0.24	**EUR 0.24**	

* Ambition 2020 financial targets based on assumption of low-for-longer interest rate environment in the Eurozone
** Currently estimated to be 11.8%, plus a comfortable management buffer (to include Pillar 2 Guidance)
*** Based on 4-quarter rolling average; the ING Group ROE is calculated using IFRS-EU shareholders' equity after excluding 'interim profit not included in CET1 capital'. As at 30 June 2017, this comprised the 1H17 interim profits not included in CET1 capital of EUR 1,706 mln

Wrap up

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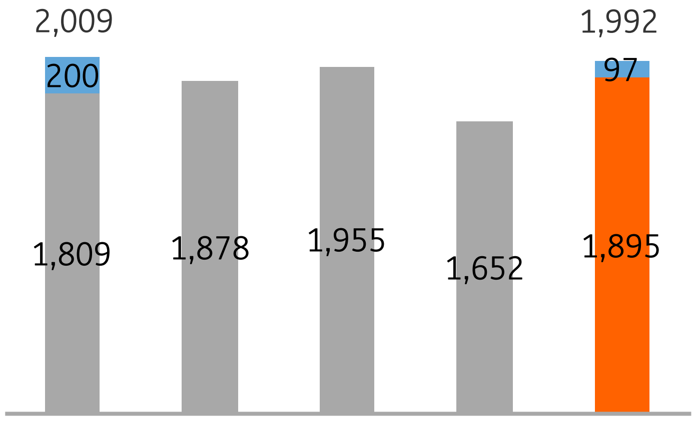
- Strong results reflect continued loan growth at resilient margins and relatively low risk costs
- Our geographic footprint and product diversity enable us to continue to capture profitable growth
- Think Forward strategy a strong boost for fees; 2Q17 commission income up 17.0% versus 2Q16
- In the quarter, we welcomed our 10 millionth primary bank customer
- On a four-quarter rolling average basis, ING Group's underlying return on equity was stable at a robust 10.8%
- Fully loaded CET1 ratio constant at 14.5%; ING declares 2017 interim cash dividend of EUR 0.24 per ordinary share

Appendix

Strong 2Q17 result; regulatory costs offset by volatile items

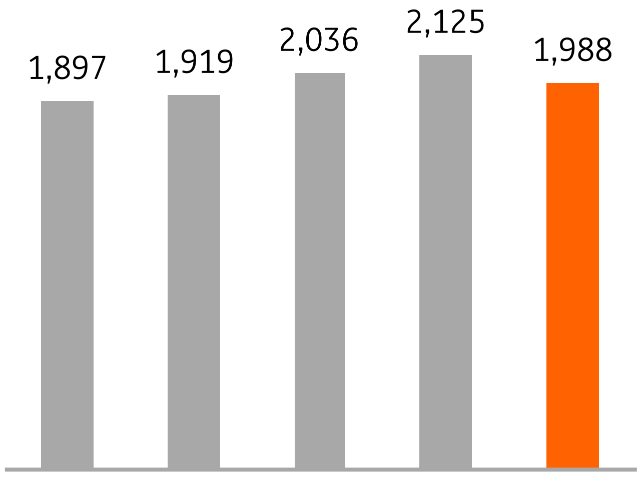
Underlying pre-tax result (in EUR mln)



Volatile items and regulatory costs (in EUR mln)

	2Q16	3Q16	4Q16	1Q17	2Q17
CVA/DVA	-54	-72	14	30	-42
Capital gains/losses	165	66	36	45	25
Hedge ineffectiveness	59	30	78	-74	-7
Other items**	17				97
Total volatile items	187	24	128	1	73
Regulatory costs	-75	-65	-209	-474	-69

Pre-tax result excl. volatile items and regulatory costs (in EUR mln)



- Excluding volatile items and regulatory costs, 2Q17 pre-tax result up 4.8% from 2Q16 but down on the previous quarter:
  - Broadly stable net interest income and strong fee income progression
  - Higher underlying expenses and a more normalised level of risk costs of EUR 229 mln or 30 bps of average RWA

* 2Q16 relates to a one-time gain on the sale of Visa shares; 2Q17 relates to a one-time gain on the sale of an equity stake in the real-estate run-off portfolio (EUR 97 mln)
** Other items in 2Q16 consisted of procured cost savings in Belgium (EUR 116 mln), addition to provision for SME and REF clients in the Netherlands with interest rate derivatives (EUR -137 mln) and of Visa gains recorded under Other income (EUR 38 mln); Other items in 2Q17 fully relate to the aforementioned one-off gain on the sale of an equity stake

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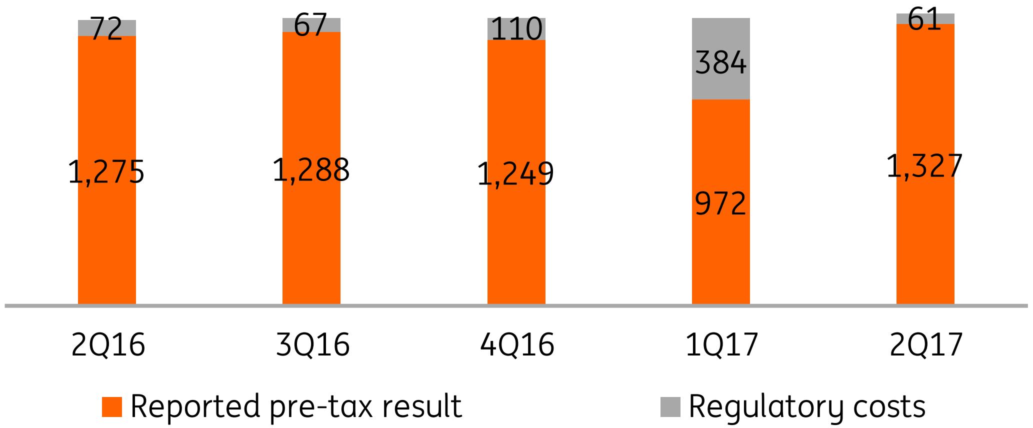
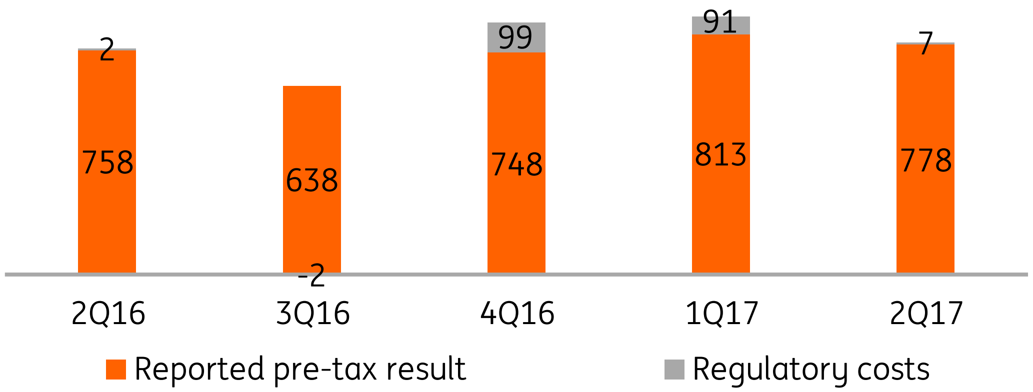
Robust interim results for both Retail and Wholesale Banking

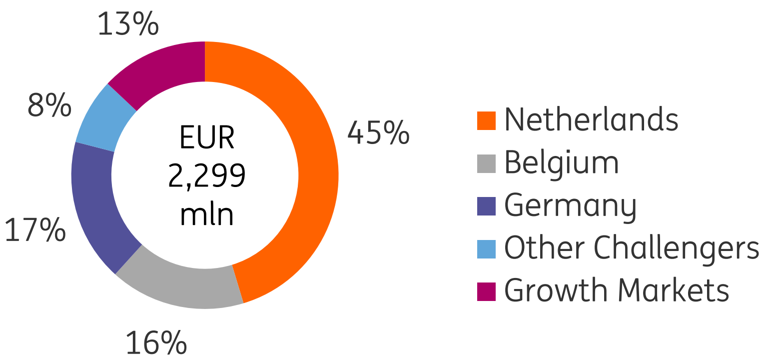
Underlying pre-tax result Retail Banking (in EUR mln)



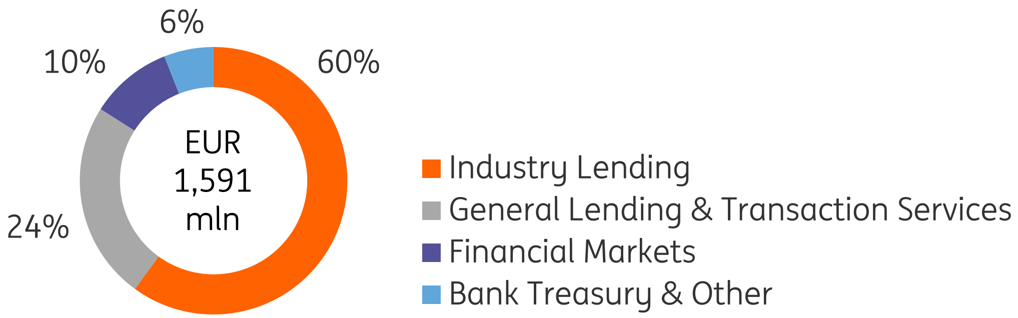
Underlying pre-tax result Wholesale Banking (in EUR mln)



1H17 underlying pre-tax result by Retail Banking segment



1H17 underlying pre-tax result by Wholesale Banking segment



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Group CET1 ratio at 14.5% and Group ROE at 10.8%

Group fully loaded CET1 ratio development during 2Q17 (amounts in EUR bln and %)

	Capital	RWA	Ratio	Change
Actuals March 2017	45.0	309.8	14.5%	
Net profit included in CET1*	0.5			+0.17%
Equity stakes	-0.2	-0.8		-0.01%
FX	-0.4	-4.5		+0.08%
RWA & Other**		5.9		-0.29%
Actuals June 2017	44.9	310.3	14.5%	-0.06%

Changes to Group ROE calculation in 2Q17 (in EUR mln)

As of 30 June 2017	
IFRS-EU shareholders' equity	49,685
deduct: Interim profit not included in CET1 capital***	1,706
Adjusted shareholders' equity	**47,979**
Adjusted shareholders' equity (4Q-rolling average)	49,007
Underlying net result (last four quarters)	5,296
Group ROE (4Q-rolling average)****	10.8%

* 2Q17 Group net profit (EUR 1,371 mln) partly reserved for dividends (EUR 853 mln) and remainder included in Group CET1 capital (EUR 518 mln)
** Group CET1 includes the negative impact of volume growth (-11 bps), model updates (-25 bps) and other items (-4 bps) which were only partly offset by the positive impact from risk migration (+8 bps) and lower Market RWA (+4 bps)
*** The 1H17 interim profit not included in CET1 amounts to EUR 1,706 million, which is two-thirds of the dividend paid over 2016
**** Impact of the adjustment of shareholders' equity, by deducting interim profit not included in CET1 capital in 2Q17, is approx. 18 bps on the 4Q-rolling average Group ROE

Further client savings rate adjustments in our home markets

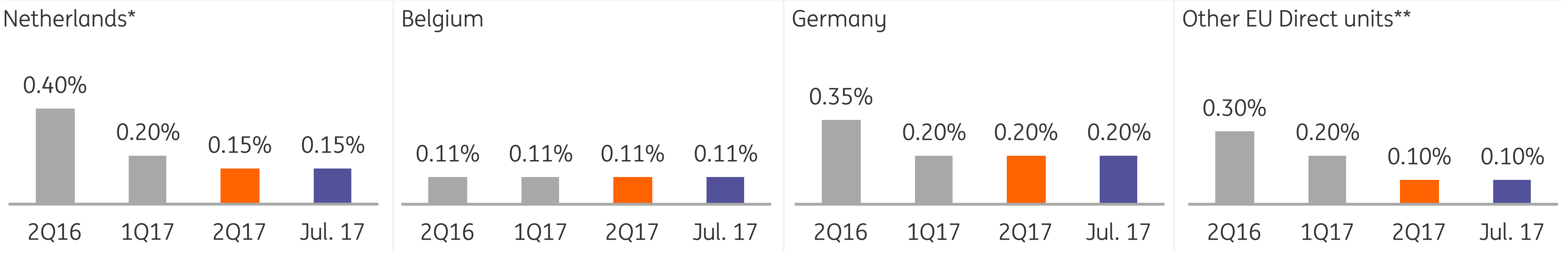
Few more savings rate adjustments in the quarter…

- In 2Q17, we reduced Dutch savings rates by 5 bps after earlier adjustments in 1Q17
- In addition, there were core savings rate adjustments in Italy (-20 bps), Australia (-10 bps) and France (-10 bps) during the quarter

…and we have several other levers to stabilise NIM

- Continue growth in higher margin lending without changing our risk appetite
- Further balance sheet optimisation
- Asset repricing may provide support in future years

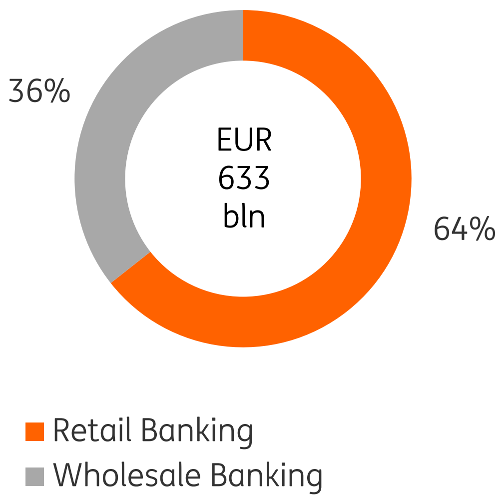
Core client savings rates



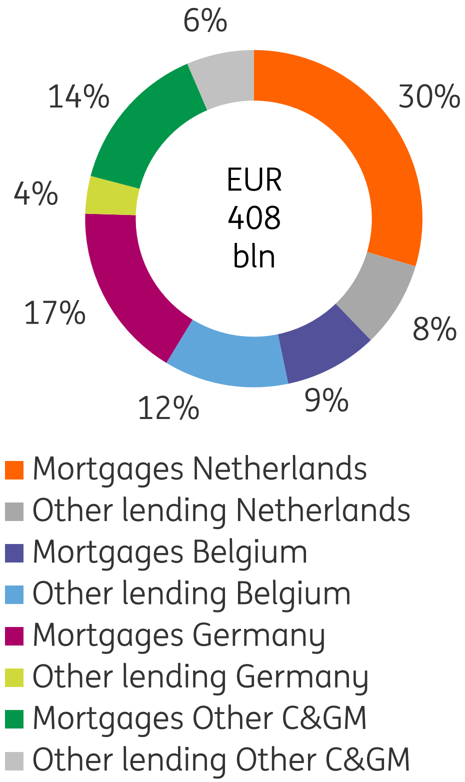
* Rate for savings up to EUR 75,000 is 15 bps, for savings volumes between EUR 75,000 and EUR 1,000,000 it is 20 bps
** Unweighted average core savings rates in France, Italy and Spain

Lending credit outstandings are well-diversified

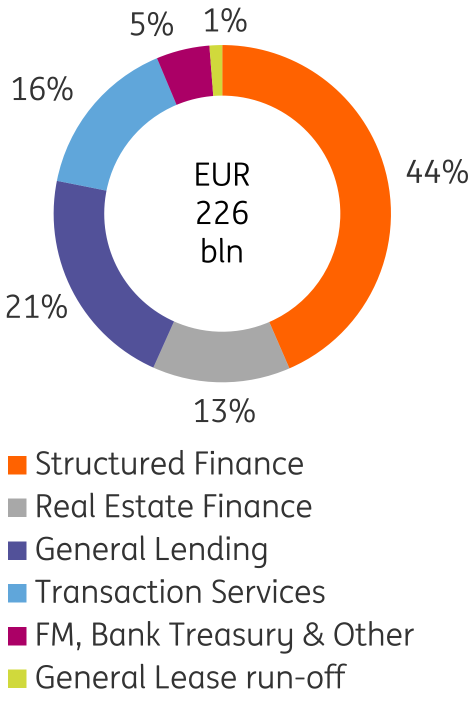
ING Group*



Retail Banking*



Wholesale Banking*



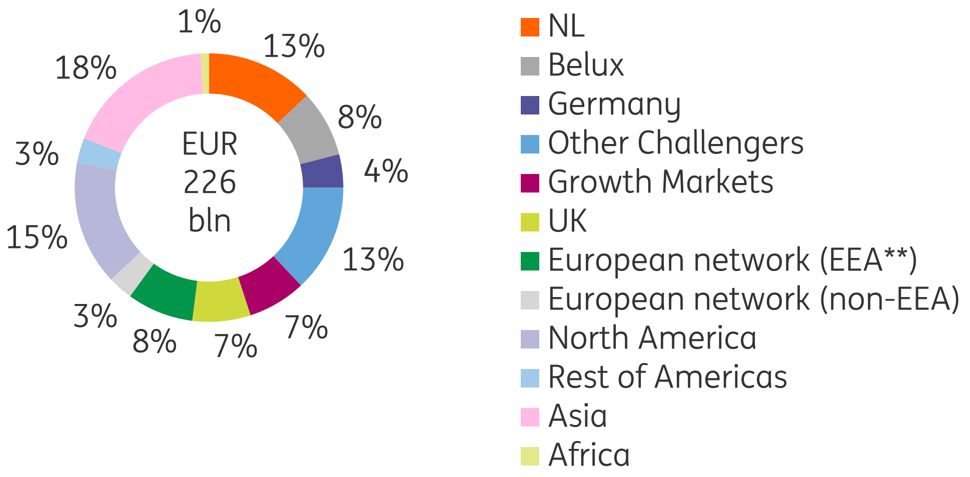
- ING has a well-diversified and collateralised loan book with a strong focus on own-originated mortgages
- 64% of the portfolio is retail-based

* 30 June 2017 lending and money market credit outstandings, including guarantees and letters of credit, but excluding undrawn committed exposures (off-balance sheet positions)

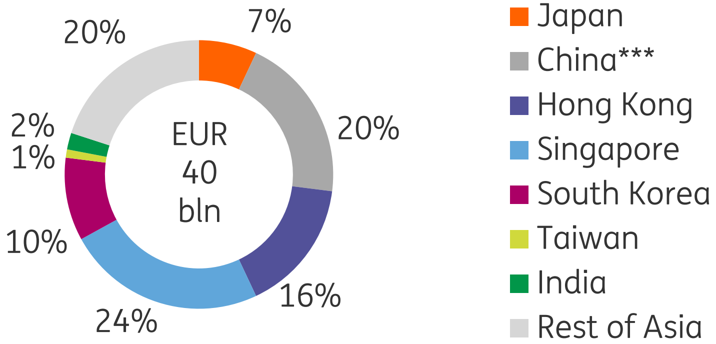
Wholesale Banking lending credit outstandings well-diversified by geography and sector

Loan portfolio is well diversified across geographies…

Lending Credit O/S Wholesale Banking (2Q17)*

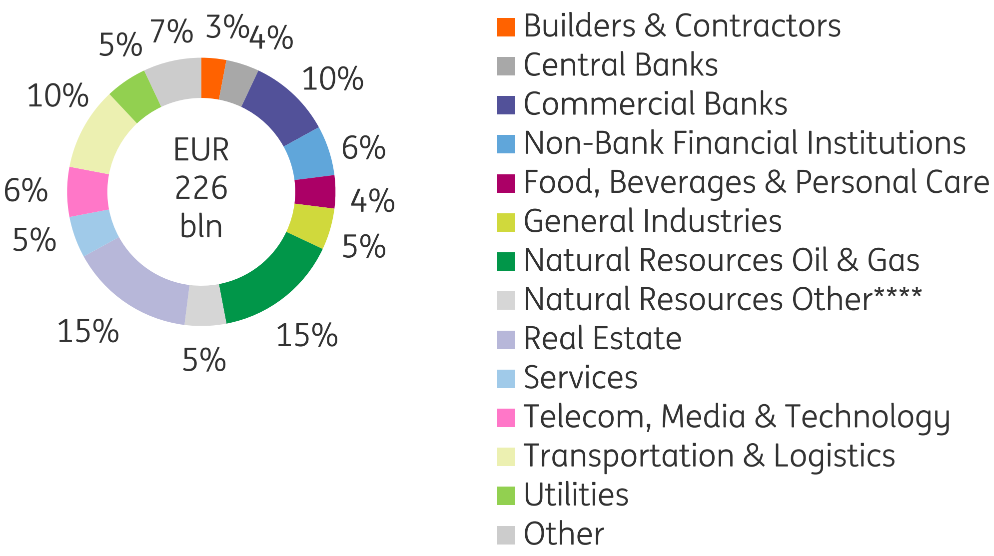


Lending Credit O/S Asia (2Q17)*



…and sectors

Lending Credit O/S Wholesale Banking (2Q17)*



* Data is based on country of residence; Lending Credit O/S include guarantees and letters of credit
** Member countries of the European Economic Area (EEA)
*** Excluding our stake in Bank of Beijing (EUR 2.6 bln at 30 June 2017)
**** Mainly Metals & Mining

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Detailed NPL disclosure on selected lending portfolios

Selected lending portfolios

	Lending credit O/S 2Q17	NPL ratio 2Q17	Lending credit O/S 1Q17	NPL ratio 1Q17	Lending credit O/S 2Q16	NPL ratio 2Q16
Wholesale Banking	**225,566**	**2.4%**	**234,175**	**2.3%**	**214,059**	**2.5%**
Industry Lending	127,907	2.6%	131,979	2.4%	119,120	2.5%
Of which Structured Finance	98,084	2.8%	102,826	2.4%	91,909	2.4%
Of which Real Estate Finance	29,823	1.9%	29,153	2.4%	27,211	3.0%
Selected industries*						
Oil & Gas related	34,287	3.6%	36,495	2.7%	30,746	2.8%
Metals & Mining**	14,529	5.0%	15,485	4.4%	14,541	5.9%
Shipping & Ports***	13,452	6.8%	14,384	6.6%	12,857	4.4%
Selected countries						
Turkey****	17,035	2.5%	17,524	2.4%	19,917	2.0%
China*****	7,934	0.0%	8,544	0.0%	6,719	0.0%
Russia	4,946	3.0%	5,117	3.1%	5,851	3.0%
Ukraine	953	51.6%	1,077	48.5%	1,223	57.0%

* Includes WB Industry Lending, General Lending (CFIL) and Transaction Services
** Excluding Ukrainian and Russian Metals & Mining exposure, the NPL ratio would be 1.7%
*** Shipping & Ports includes Coastal and Inland Water Freight which is booked within Retail Netherlands. Excluding this portfolio, NPL ratio is 3.6%
**** Turkey includes Retail Banking activities (EUR 9.3 bln)
***** China exposure is excluding Bank of Beijing stake

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Important legal information

Projects may be subject to regulatory approvals.

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 2016 ING Group consolidated annual accounts. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

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