

# ING Credit Update 4Q18

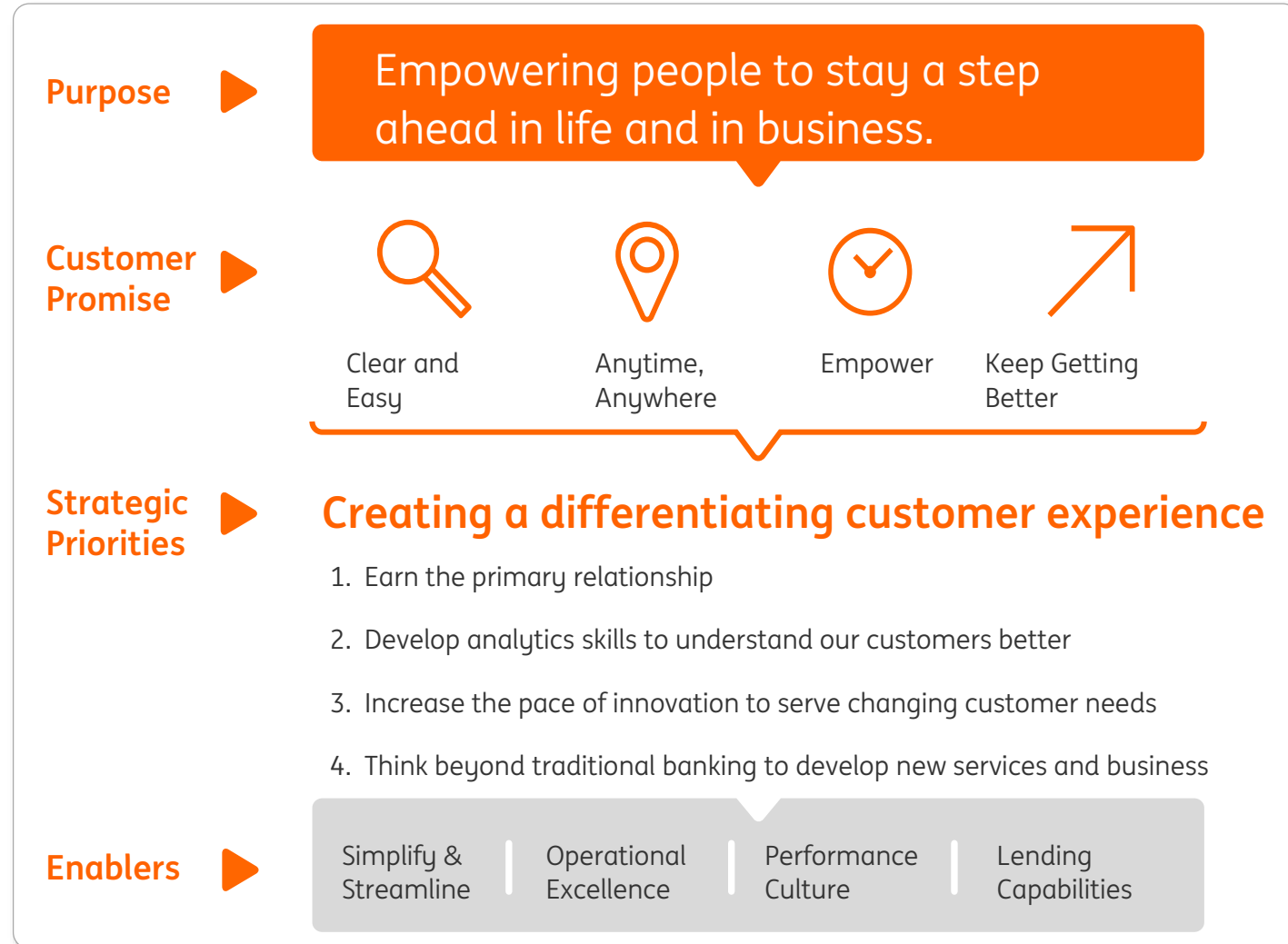
Amsterdam • 15 February 2019

# Key points

- ING posted 2018 net profit of €4,703 mln, down 4.1% on 2017 due to the settlement impact of €775 mln
- On an underlying basis, 2018 net profit was €5,389 mln, while return on equity equalled 11.2%
- Regulatory compliance remains the key priority; we are continuing work on the KYC enhancement programme
- Our primary customer base, a driver of future growth and value, increased by 1.1 mln (or 9.9%) to 12.5 mln in 2018; total customer base at 38.4 mln
- We recorded net core lending growth of €36.6 bln (or 6.4%) in 2018; net interest margin remained resilient
- Fully loaded CET1 ratio improved in 4Q18 to 14.5% reflecting net profit addition and lower RWA
- Our ambition is to grow profitably within our risk appetite, but given market dynamics lower growth in Wholesale Banking is to be expected; cost discipline remains in focus, however we see regulatory expenses increasing
- ING has progressed well with its HoldCo issuance strategy in 2018

# Business profile and strategy

# Our Think Forward Strategy on a page



- Think Forward Strategy was launched in 2014
- Focus on earning primary relationship
- Creating a differentiating customer experience with customer promise of clear and easy banking
- Building sustainable balance sheets in the countries and focus on own-originated lending

# Well-diversified business mix with many profitable growth drivers

## Retail Banking

- Focus on earning the primary relationship
- We use technology to offer a differentiating experience to our customers
- Distribution increasingly through mobile devices which requires simple product offering

## Market Leaders

Netherlands,  
Belgium / Luxembourg

## Challengers

Germany / Austria, Czech Republic, Spain, Italy, France and Australia

## Growth Markets

Poland, Turkey, Romania and Asian bank stakes

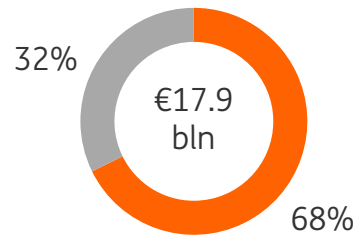
## Wholesale Banking International Network

## Wholesale Banking

- Our business model is similar throughout our global WB franchise of more than 40 countries
- With a sector and client-driven strategy, our global franchises serve corporates, multinational corporations, financial institutions, governments and supranational bodies

## Underlying income\*

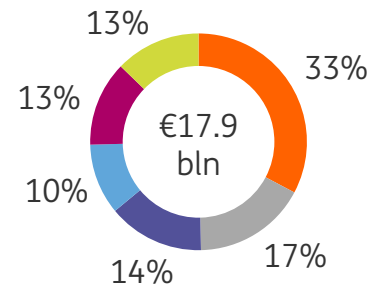
FY18



- Retail Banking
- Wholesale Banking

## Underlying income\*

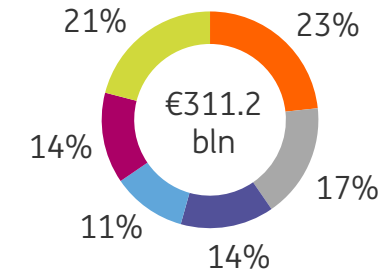
FY18



- Netherlands
- Belgium
- Germany
- Other Challengers
- Growth Markets
- WB Rest of World

## RWA (end of period)\*

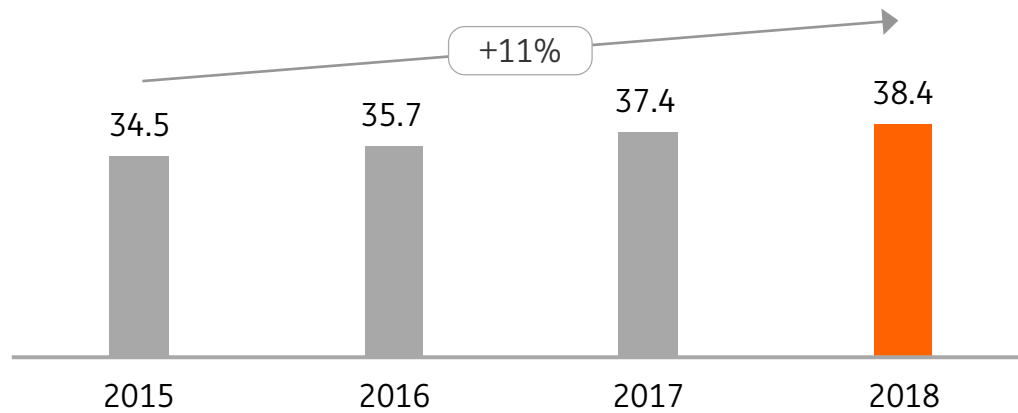
FY18



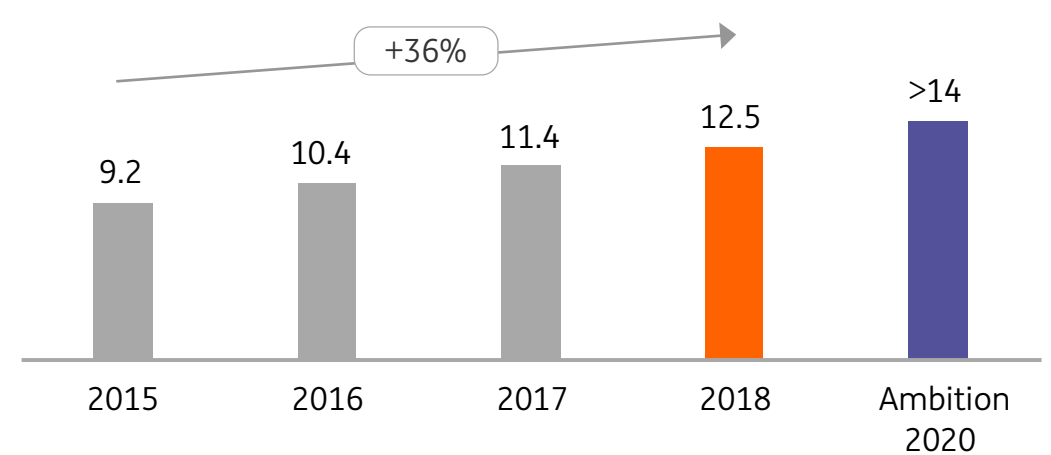
\* Segment "Other" not shown on the slide. For this segment (Corporate Line and Real Estate run-off portfolio), the underlying income was €177 mln in FY18 and RWA was €2.9 bln as per 31 December 2018

# Think Forward strategy delivers on commercial growth

ING currently serves > 38 mln retail customers (in mln)



Targeting > 14 mln primary customers by 2020 (in mln)



## Core lending

2018 net growth



€ **+36.6** bln

## Customer deposits

2018 net growth



€ **+19.3** bln

## Net Promoter Scores (NPS)

As per 4Q18



**#1** in **6** out of 13 retail countries

# Transformation programmes – milestones achieved in 4Q18

## Four major digital transformation programmes

### Unite be+nl



- In 4Q18, we launched a combined IT organisation and IT management team for Belgium and the Netherlands, which will facilitate further cross-border collaboration
- In Belgium, we migrated all former Record Bank mortgages and consumer loans which is an important step towards the decommissioning of systems

### Model Bank



- In the Czech Republic, we migrated over 400,000 customers to the new Retail platform that will later be used in most of our Challenger countries. This new environment will ultimately offer 7 million customers a better experience across all channels with improved cost efficiency
- The new platform is truly modular and makes use of ING's global IT building blocks (e.g. TouchPoint Architecture, ING Private Cloud)

### Welcome



- In Germany, we continued our digitalisation and operational excellence initiatives with the introduction of new features for mortgages disbursements and the automating of back-office dispute handling. We also started testing new Money Management features such as "categorisation" of transactions (e.g. shopping) in the online current account overview

### Wholesale

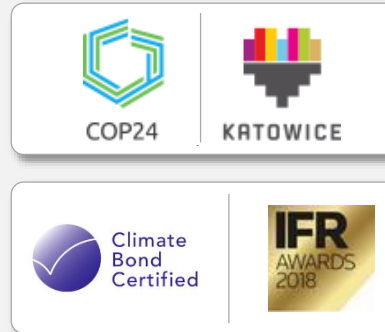


- We now offer the same standardised contract for account opening for the vast majority of all account opening requests globally
- Sharpened control and faster response through real-time transaction monitoring

# Sustainability and innovation highlights in 4Q18

## Key sustainability achievements in the quarter

- During the climate conference in Katowice, four major European banks joined ING in pledging to align their loan portfolios with global climate goals
- ING successfully issued a 12 year €1.5 bln and a 7 year \$1.25 bln green bond. This marks our second own green bond transaction, the largest to date under the Climate Bonds Standard, and was awarded 2018 SRI Bond of the Year by IFR



## Further investment in our platform strategy for Wholesale

- ING Ventures invested in Cobase, a multibank platform that helps international customers to manage multiple bank accounts. It offers payments, cash management and treasury services in one place



## ATM partnership in the Netherlands

- In the Netherlands, we have joined with ABN AMRO, Rabobank and Geldservice Nederland to launch shared ATMs under the brand Geldmaat
- This partnership will ensure that cash is easily accessible to customers via an efficient independent network of ATMs



## Artificial Intelligence to improve syndicated loan decisions

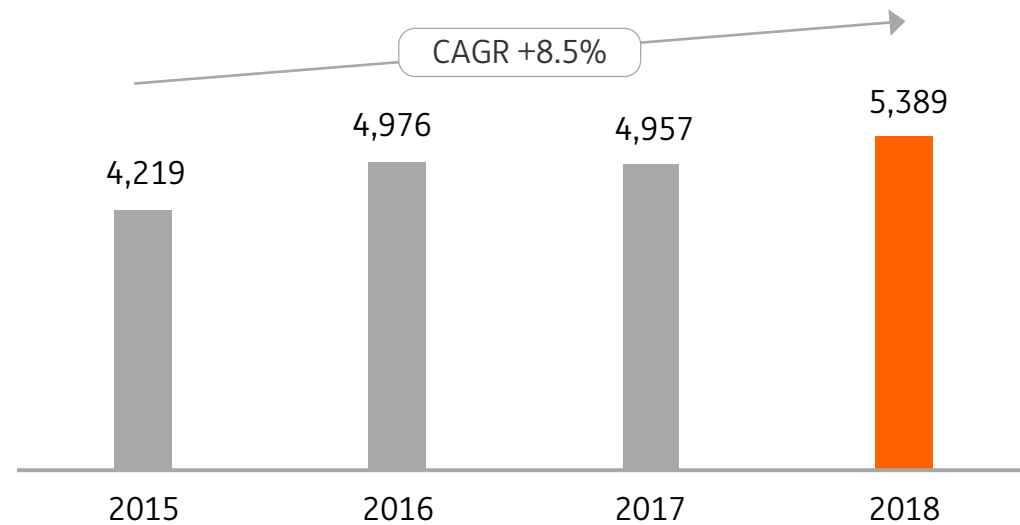
- ING and another leading European bank have invested in Italian fintech Axyon AI to apply the power of artificial intelligence in among others the syndicated loans market



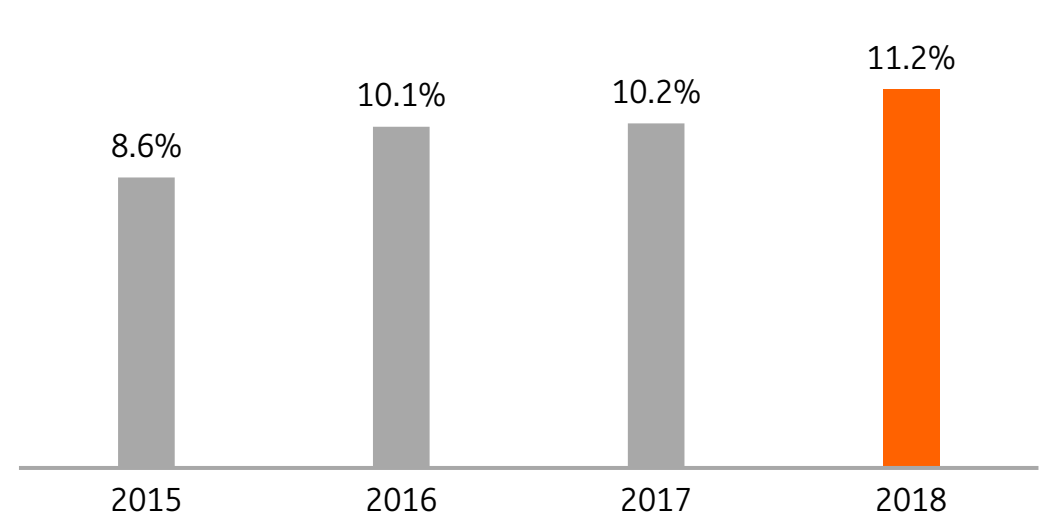
# FY18 results

# Underlying result up 8.7% in 2018; ROE at 11.2% for the year

Underlying net result improved further\* (in € mln)



Underlying return on equity above 11%\*

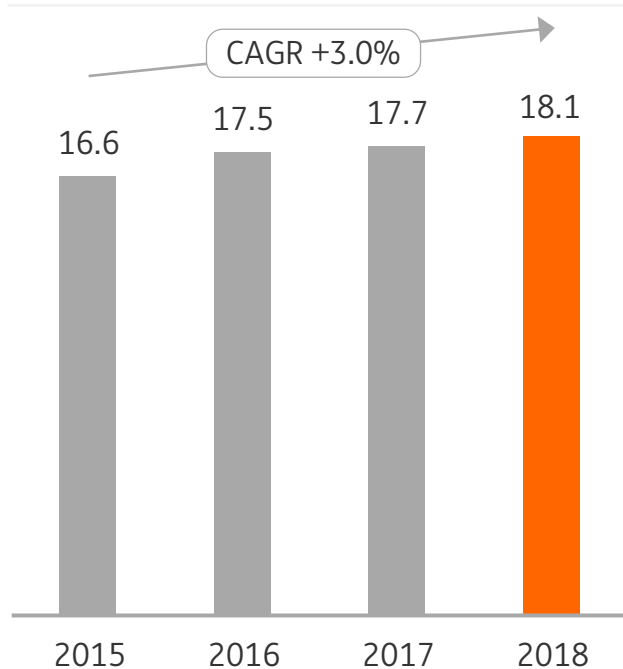


- ING recorded underlying 2018 net profit of €5,389 mln, up 8.7% on 2017, mainly supported by higher income and a lower effective tax rate
- The 2018 underlying return on equity\* improved further to 11.2% compared to 10.2% a year earlier

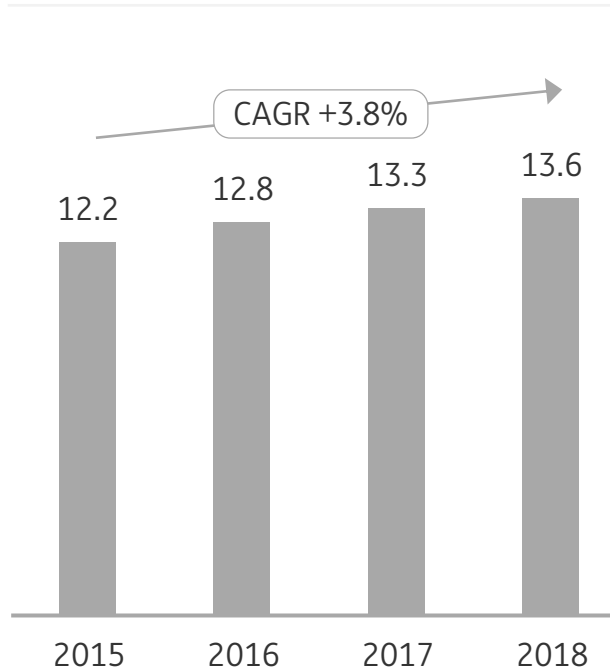
\* Including the settlement impact of €775 mln recorded in 3Q18, ING's 2018 net result was €4,703 mln (versus €4,905 mln) while ING's 2018 total return on average IFRS-EU equity excluding 'interim profit not included in CET1 capital' was 9.8% (versus 10.1% in 2017)

# Income growth driven by higher NII and fees

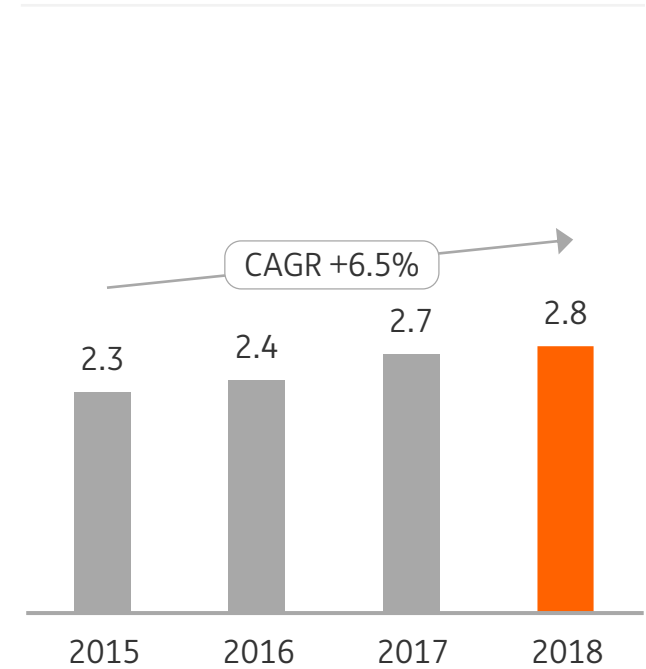
Total underlying income  
(in € bln)



Net interest result excl. FM  
(in € bln)



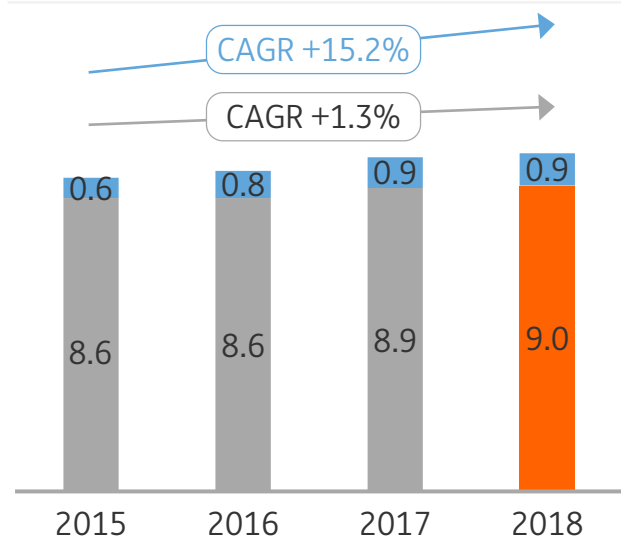
Net fee and commission income  
(in € bln)



- Underlying income grew 2.2% in 2018, largely driven by stronger NII in the Retail Challengers & Growth Markets, Industry Lending and General Lending & Transaction Services as well as a marked improvement in the Corporate Line. These items were partly offset by weaker Financial Markets results
- Our Think Forward strategy generated a 3.3% year-on-year increase in net fee and commission income despite a more volatile equity markets backdrop, which put some pressure on investment product fees

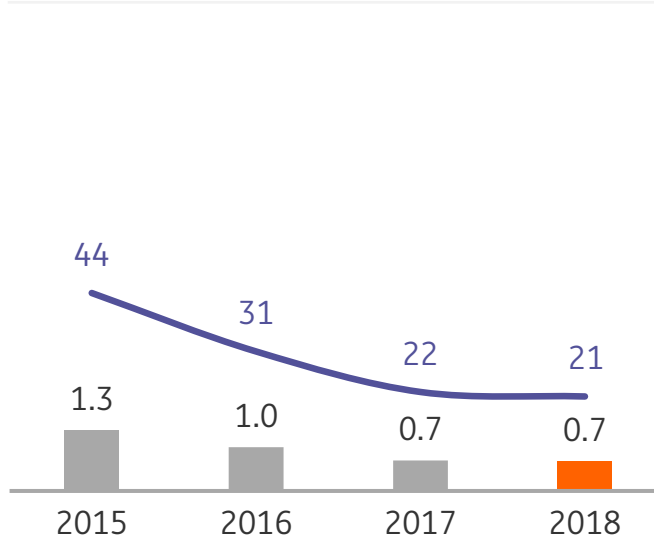
# Underlying expenses well-controlled despite a further increase in regulatory costs, risk costs remained low

Underlying operating expenses  
(in € bln)

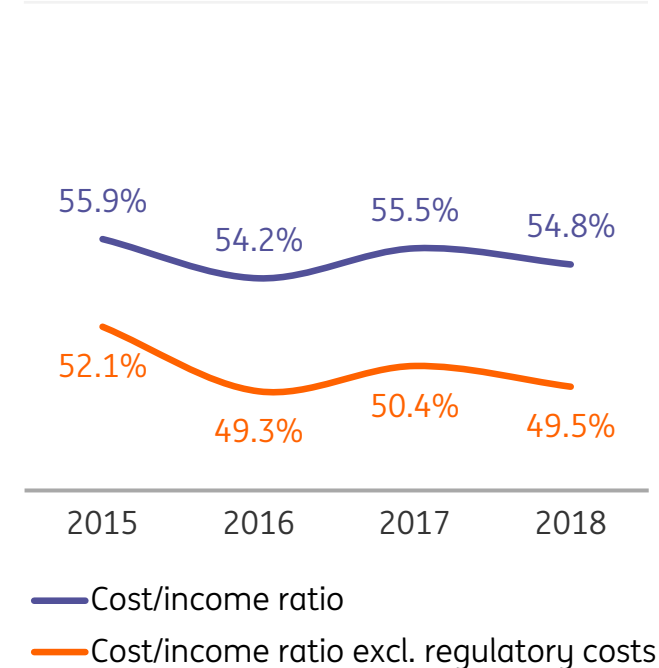


■ Regulatory costs  
■ Expenses (excl. regulatory costs)

Risk costs  
(in € bln and bps of average RWA)



Underlying cost/income ratio



- Underlying operating expenses have remained broadly flat as a combination of a higher regulatory expenses and digital investments were largely offset by ongoing cost discipline
- Risk costs remained broadly stable at a low level of €656 mln, or 21 bps of average RWA
- Cost/income ratio improved to 54.8% in 2018 (49.5% excluding regulatory costs) compared to 55.5% in the prior year

# ING Group financial ambitions

|                      |                                             | Actual 2017 | Actual 2018  | Financial ambitions    |
|----------------------|---------------------------------------------|-------------|--------------|------------------------|
| <b>Capital</b>       | • CET1 ratio (%)                            | 14.7%*      | <b>14.5%</b> | ~13.5%**<br>(Basel IV) |
|                      | • Leverage ratio (%)                        | 4.7%        | <b>4.4%</b>  | >4%                    |
| <b>Profitability</b> | • Underlying C/I ratio (%)                  | 55.5%       | <b>54.8%</b> | 50-52% (by 2020)       |
|                      | • Underlying ROE (%)***<br>(IFRS-EU Equity) | 10.2%       | <b>11.2%</b> | 10-12%                 |
| <b>Dividend</b>      | • Dividend (per share)                      | €0.67       | <b>€0.68</b> | Progressive dividend   |

\* Basel III CET1 ratio of 14.5% as per 1 January 2018 due to IFRS 9 adoption

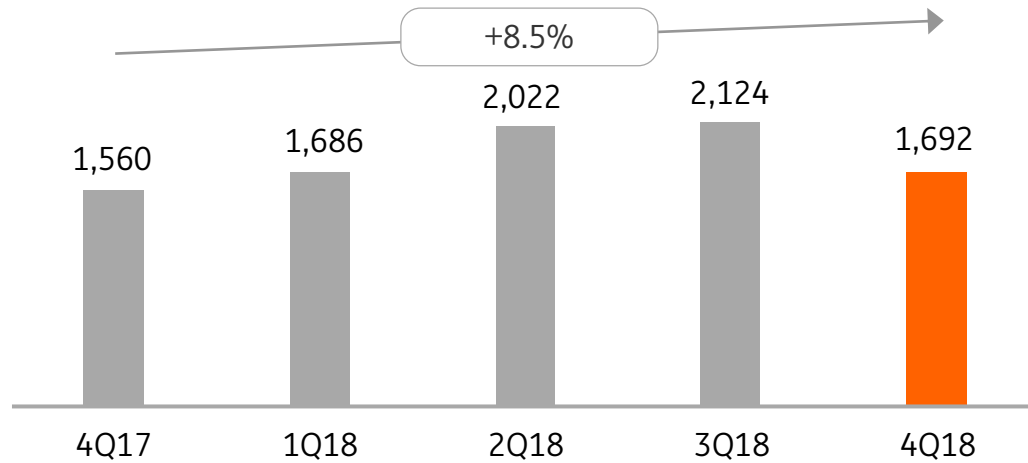
\*\* Implies management buffer (incl. Pillar 2 Guidance) of 170 bps over prevailing fully loaded CET1 requirements (currently 11.8%)

\*\*\* 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

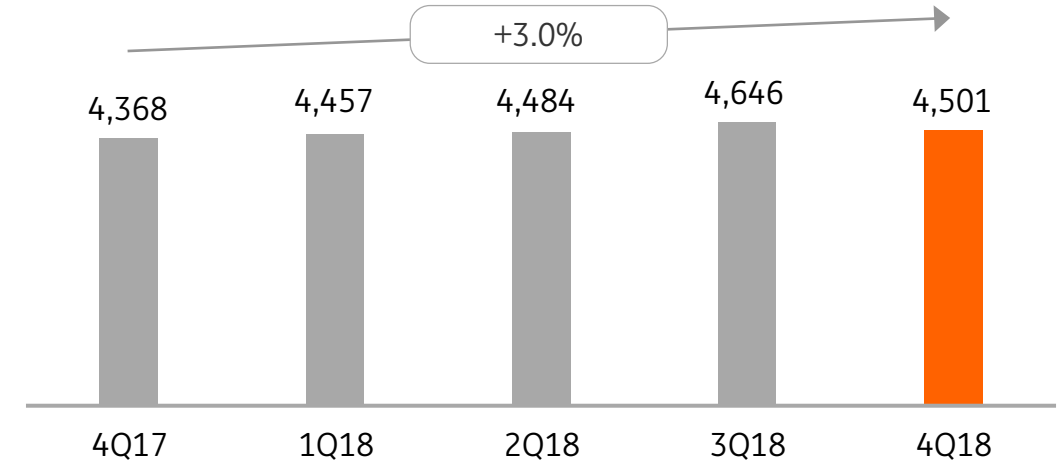
# 4Q18 results

# Underlying pre-tax result up 8.5% versus 4Q17

Underlying pre-tax result (in € mln)



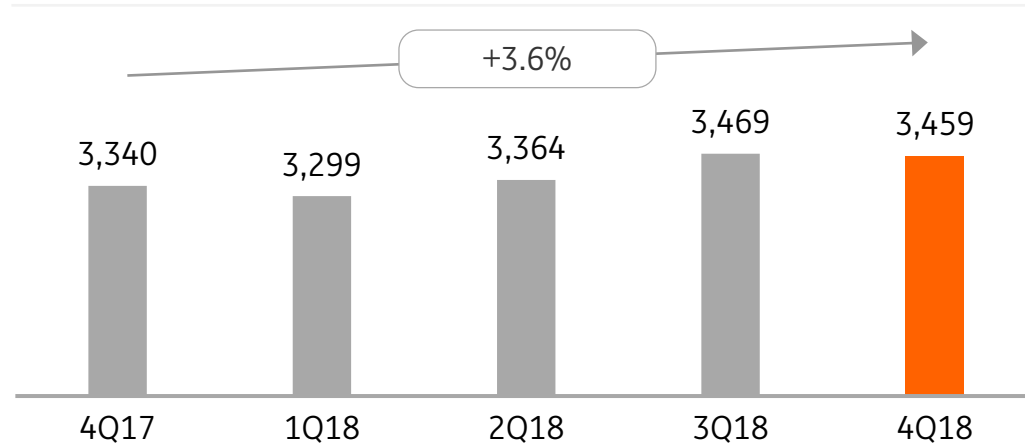
Total underlying income (in € mln)



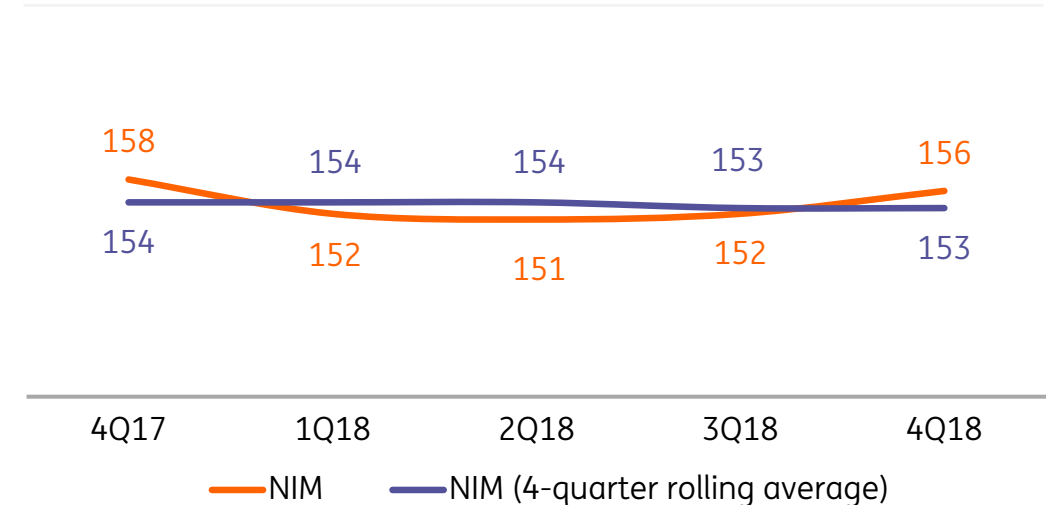
- The 4Q18 underlying result before tax of €1,692 million was mainly attributable to strong net interest income supported by resilient margins, solid net fee and commission income, and a higher contribution from our stake in TMB, while risk costs remained well below ING's through-the-cycle average
- Sequentially, the pre-tax result was affected by higher expenses, mainly due to the annual Dutch bank tax which is fully recorded in the fourth quarter, as well as lower Bank Treasury-related income and the Bank of Beijing dividend which is recorded in 3Q18
- The 4Q18 underlying result before tax included two larger one-offs which are largely offsetting: a €101 mln gain on an equity-linked bond transaction in Belgium (reported under other income) and a €-123 mln loss on the intended sale of an Italian lease run-off portfolio (reported under investment income)

# Year-on-year NII improvement; 4-quarter rolling NIM at 153 bps

Net interest income excl. Financial Markets (FM)  
(in € mln)



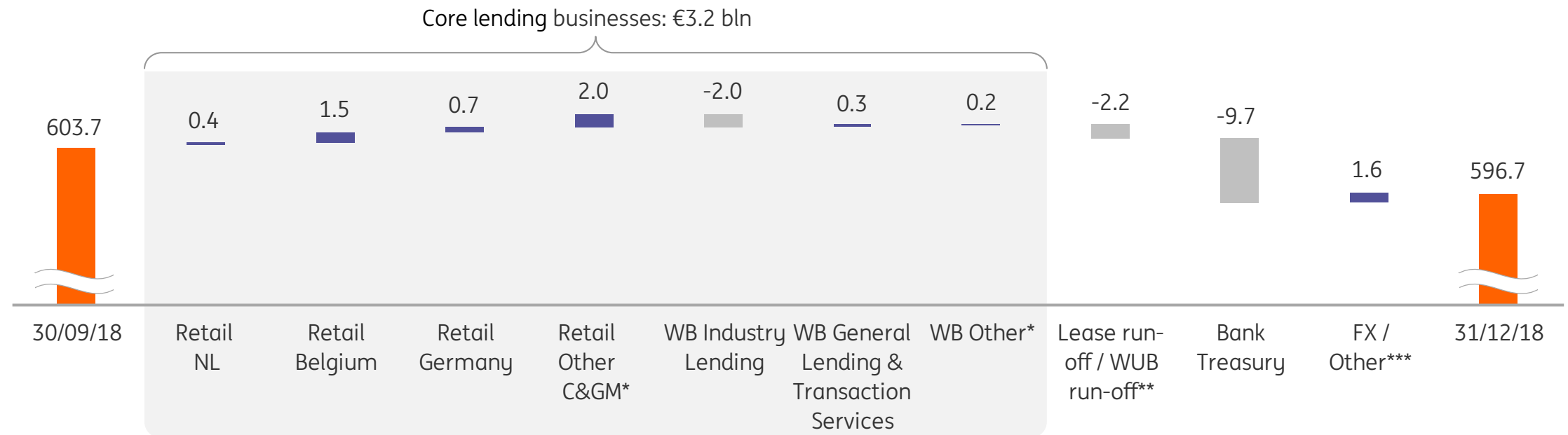
4Q18 NIM increase fully explained by higher NII in FM  
(in bps)



- Net interest income, excluding Financial Markets, increased 3.6% versus 4Q17. The increase was driven by higher interest results on customer lending, whereas the overall lending margin remained stable compared with a year ago
- The interest result on customer deposits declined slightly compared with 4Q17, largely explained by lower margins on both savings and current accounts
- The 4Q18 NIM was 156 bps, which is up four basis points on the previous quarter, fully attributable to higher (volatile) interest results in Financial Markets. Excluding this impact, the NIM would have been stable at 152 bps

# 4Q18 core lending growth fully driven by Retail Banking; less WB growth, partly due to lower TCF volumes

## Customer lending ING Group 4Q18 (in € bln)



- Our core lending franchises grew by €3.2 bln in 4Q18:
  - Retail Banking increased by €4.7 bln of which €3.5 bln was mortgage growth in most countries and €1.2 bln was other lending growth, mostly in Retail Belgium
  - WB reported a decline of €1.5 bln, predominantly in Industry Lending (oil-price related Trade & Commodity Finance (TCF))

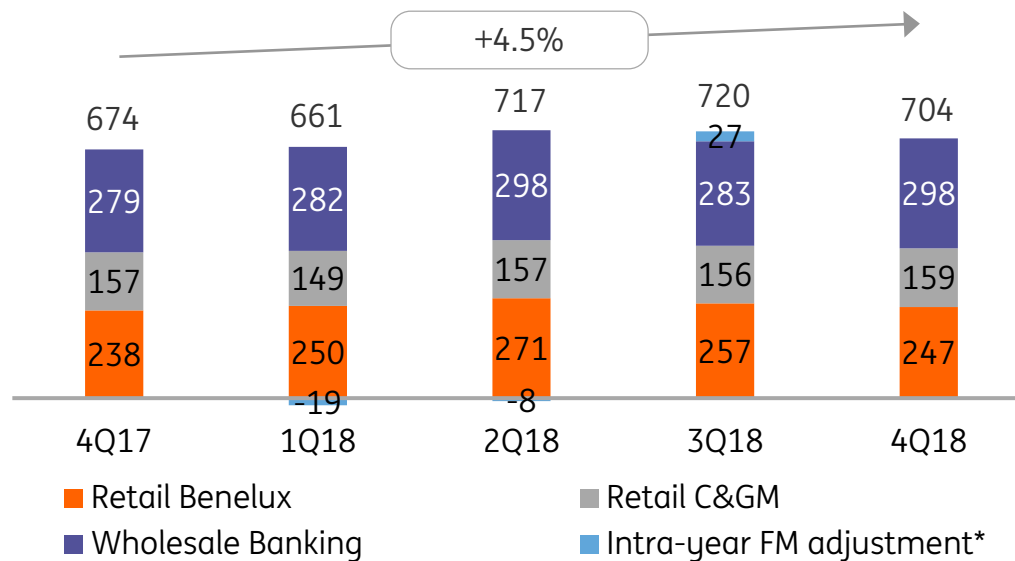
\* C&GM is Challengers & Growth Markets; WB Other includes Financial Markets

\*\* Lease run-off was €-1.8 bln (of which €-1.7 bln was due to the reclassification following the intended sale of an Italian lease portfolio), WUB run-off was €-0.3 bln

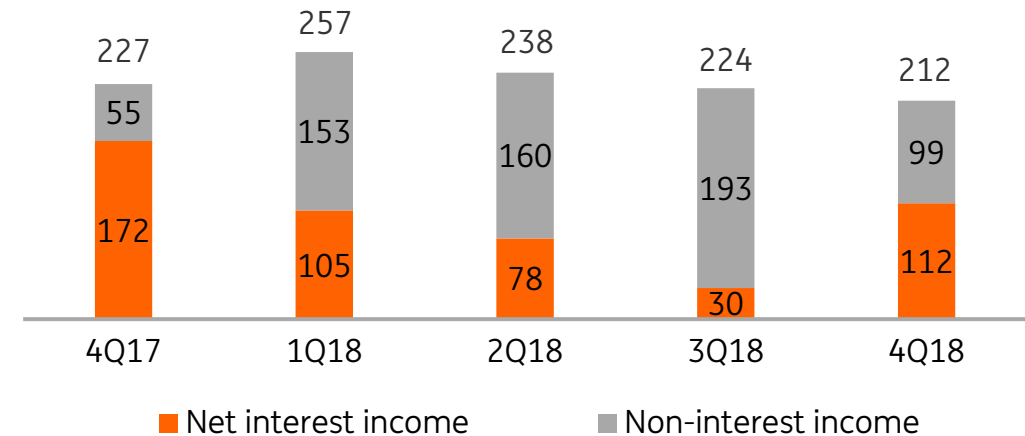
\*\*\* FX impact was €1.3 bln and Other €0.3 bln

# Resilient fee income development; lower quarter for FM

Net fee and commission income  
(in € mln)



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

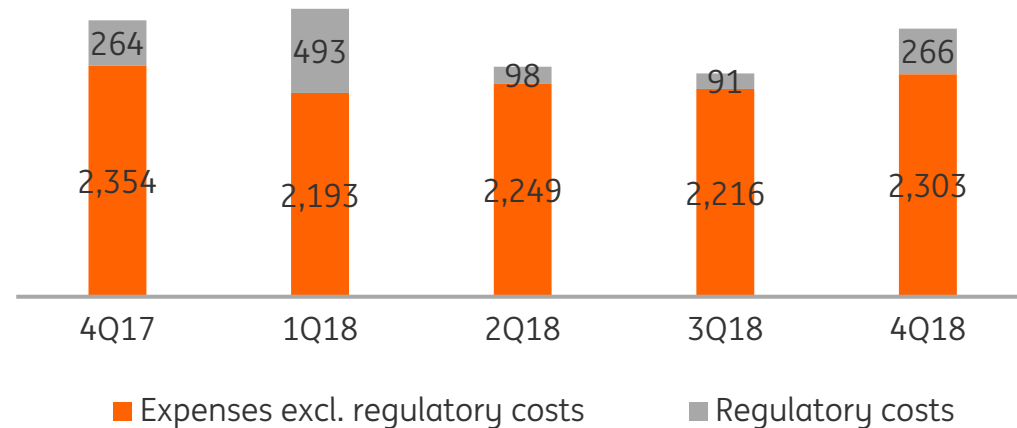


- Net fee and commission income rose to €704 mln from €674 mln one year ago. In Retail Banking, this was mainly visible in the Netherlands and Germany, while fees declined in other countries including Turkey and Belgium
- Total fee income growth in Wholesale Banking, both year-on-year and sequentially\*, was supported by higher fees in Industry Lending. Compared to 4Q17, fee income growth also benefited from the inclusion of Payvision as of 2Q18
- Financial Markets' total income excluding CVA/DVA was down on both comparable quarters, in line with most of our peers, as this quarter was again impacted by challenging market conditions, reduced client activity and low interest rates in Europe

\* Increase in Wholesale Banking fees in 3Q18 included €27 mln of income related to Global Capital Markets activities that was recorded under 'other income' in 1H18

# Expenses down year-on-year due to strict cost management

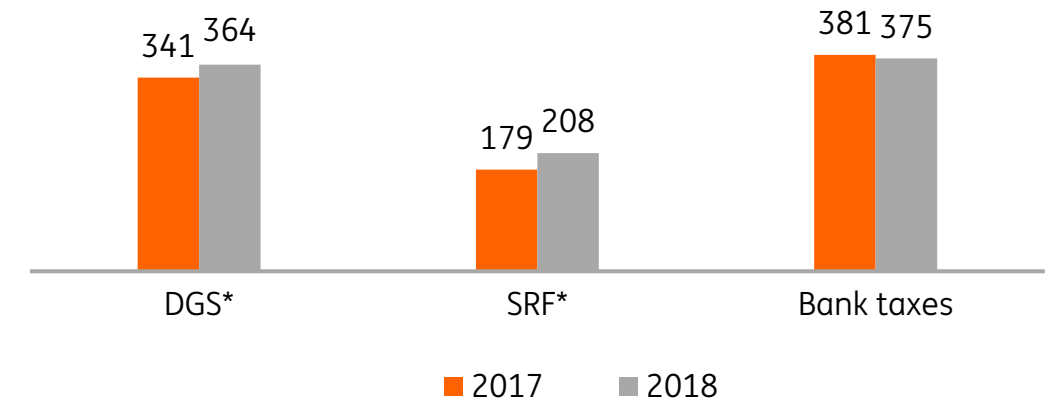
Underlying operating expenses (in € mln)



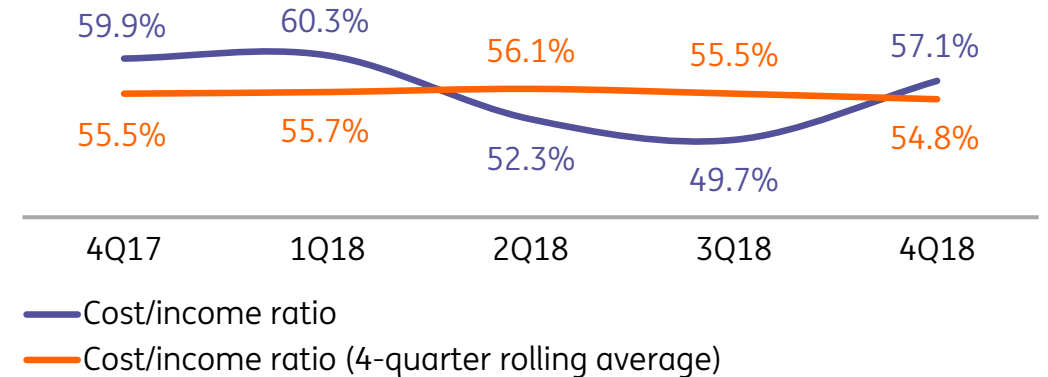
- Expenses excluding regulatory costs declined by 2.2% compared with a year ago due to strict cost management and despite the inclusion of Payvision
- 4Q17 included some additional restructuring costs and additions to legal provisions
- Sequentially, expenses excluding regulatory costs were up 3.9%. This was visible in most segments except for Retail Germany and 4Q18 also included higher expenses for compliance and the KYC enhancement programme

\* Deposit Guarantee Schemes (DGS) and Single Resolution Fund (SRF)

Regulatory costs (in € mln)

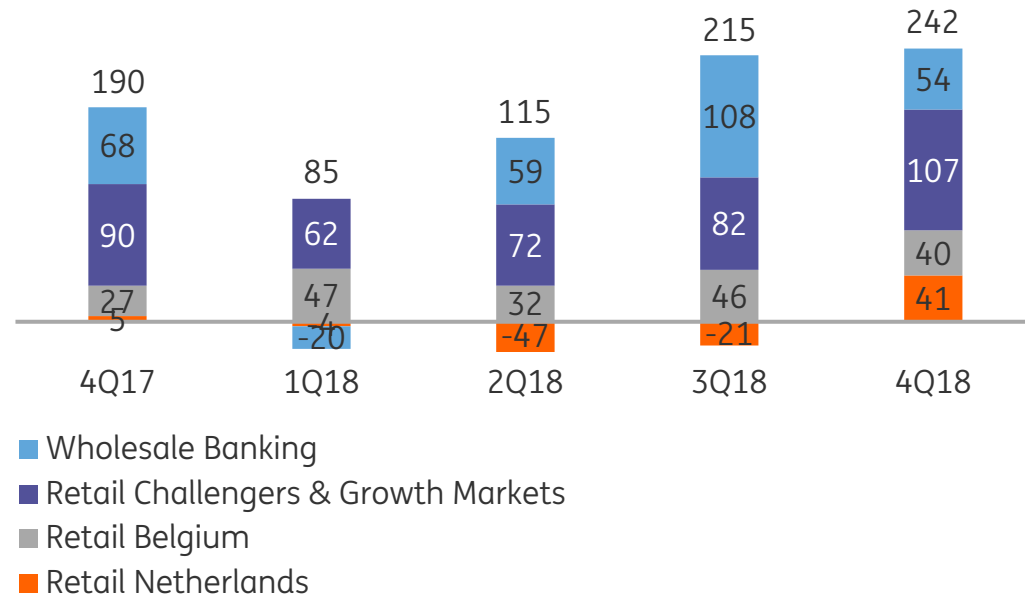


Underlying cost/income ratio

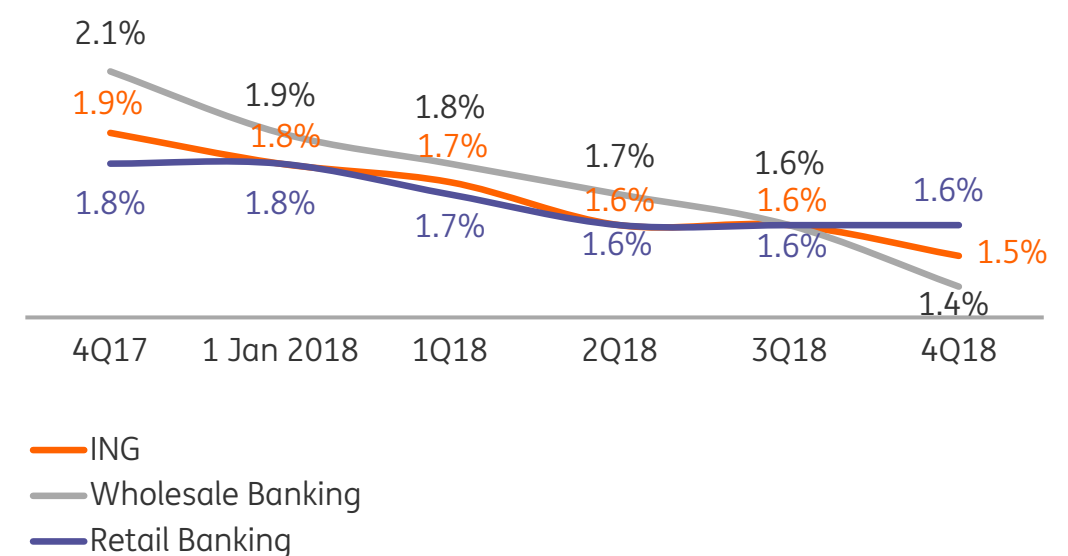


# Risk costs up, but remain well below through-the-cycle average

Risk costs (in € mln)



Stage 3 ratio\*



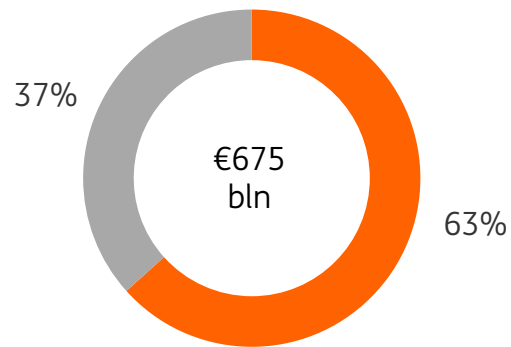
- 4Q18 risk costs were €242 mln, or 31 bps of average RWA, below the 40-45 bps through-the-cycle average
- Retail Netherlands recorded €41 mln of risk costs in the quarter, primarily caused by a more prudent approach for part of the mortgage portfolio. Risk costs in the Retail Challengers & Growth Markets were recorded mainly in Turkey, Spain and Poland, while Germany recorded a €45 mln net release reflecting a review of the consumer lending portfolio
- Wholesale Banking risk costs were down at €54 mln, mainly caused by a few individual Stage 3 provisions in the Americas and Italy

\* Prior to 1 January 2018, Stage 3 ratio was known as NPL ratio as per IAS 39 guidelines

# Asset quality

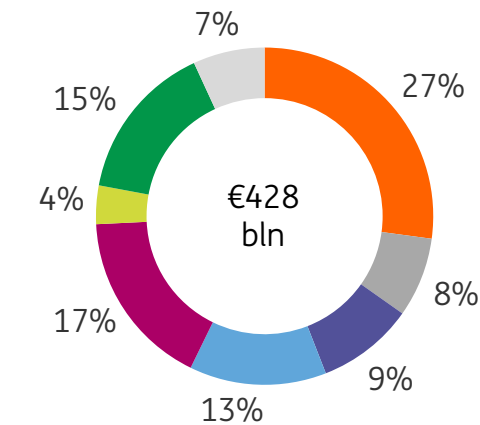
# Well-diversified lending credit outstandings by activity

ING Group\*



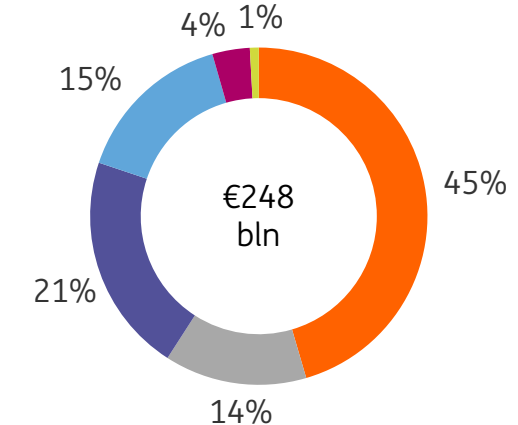
- Retail Banking
- Wholesale Banking

Retail Banking\*



- Mortgages Netherlands
- Other lending Netherlands
- Mortgages Belgium
- Other lending Belgium
- Mortgages Germany
- Other lending Germany
- Mortgages Other C&GM
- Other lending Other C&GM

Wholesale Banking\*



- Project & Asset-based Finance
- Real Estate Finance
- General Lending
- Transaction Services
- FM, Bank Treasury & Other
- General Lease run-off

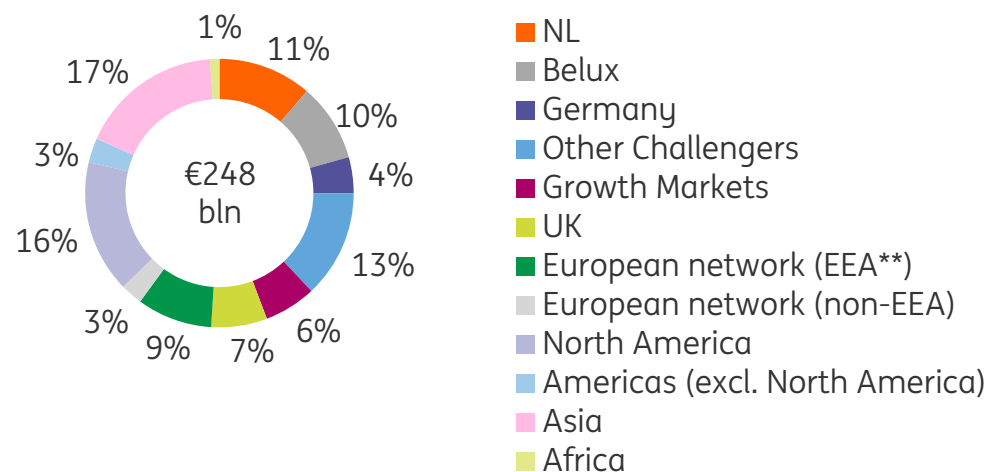
- ING has a well-diversified and well-collateralised loan book with a strong focus on own-originated mortgages
- 63% of the portfolio is retail-based

\* 31 December 2018 lending and money market credit outstandings, including guarantees and letters of credit, but excluding undrawn committed exposures (off-balance sheet positions)

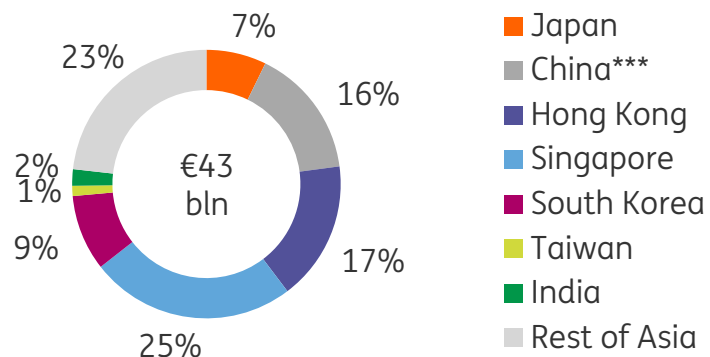
# Granular Wholesale Banking lending credit outstandings by geography and sector

## Loan portfolio is well diversified across geographies...

Lending Credit O/S Wholesale Banking (4Q18)\*

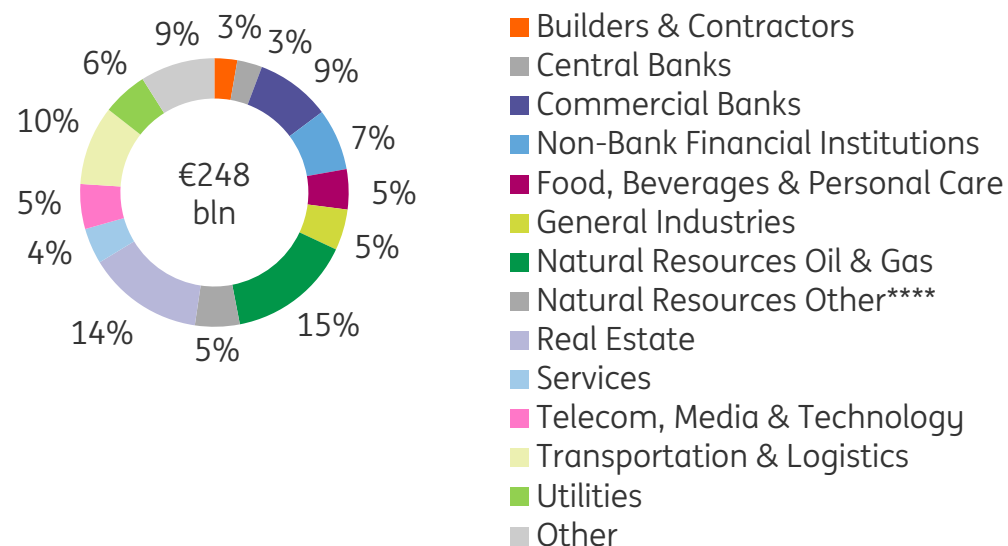


Lending Credit O/S Asia (4Q18)\*



## ...and sectors

Lending Credit O/S Wholesale Banking (4Q18)\*



\* Data is based on country/region 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 (€2.0 bln at 31 December 2018)

\*\*\*\* Mainly Metals & Mining

# Detailed Stage 3 / NPL disclosure on selected lending portfolios

## Selected lending portfolios (in € mln)

|                                        | Lending credit<br>O/S 4Q18 | Stage 3 ratio<br>4Q18 | Lending credit<br>O/S 3Q18 | Stage 3 ratio<br>3Q18 | Lending credit<br>O/S 4Q17 | NPL ratio<br>4Q17 |
|----------------------------------------|----------------------------|-----------------------|----------------------------|-----------------------|----------------------------|-------------------|
| <b>Wholesale Banking</b>               | <b>247,620</b>             | <b>1.4%</b>           | <b>252,657</b>             | <b>1.6%</b>           | <b>232,521</b>             | <b>2.1%</b>       |
| Industry Lending                       | 146,309                    | 1.4%                  | 147,697                    | 1.7%                  | 132,425                    | 2.4%              |
| Of which Project & Asset-based Finance | 112,558                    | 1.5%                  | 113,952                    | 1.7%                  | 101,265                    | 2.5%              |
| Of which Real Estate Finance           | 33,751                     | 1.2%                  | 33,745                     | 1.5%                  | 31,161                     | 2.0%              |
| <b>Selected industries*</b>            |                            |                       |                            |                       |                            |                   |
| Oil & Gas related**                    | 38,000                     | 1.6%                  | 41,348                     | 1.9%                  | 36,708                     | 3.3%              |
| Metals & Mining                        | 16,249                     | 2.2%                  | 16,430                     | 2.5%                  | 14,899                     | 4.3%              |
| Shipping & Ports***                    | 14,605                     | 3.7%                  | 14,649                     | 4.1%                  | 13,175                     | 5.9%              |
| <b>Selected countries</b>              |                            |                       |                            |                       |                            |                   |
| Turkey****                             | 13,011                     | 2.8%                  | 13,318                     | 2.3%                  | 15,941                     | 2.5%              |
| Russia                                 | 5,700                      | 0.2%                  | 5,049                      | 0.2%                  | 4,594                      | 2.8%              |
| Ukraine                                | 876                        | 21.6%                 | 789                        | 24.6%                 | 785                        | 43.2%             |

\* Includes WB Industry Lending, General Lending (CFIL) and Transaction Services

\*\* Of which €3.1 bln (or 8% of Oil & Gas related exposures) are reserve-based lending activities

\*\*\* Shipping & Ports includes Coastal and Inland Water Freight which is booked within Retail Netherlands. Excluding this portfolio, Stage 3 ratio is 2.5%

\*\*\*\* Turkey includes Retail Banking activities (€5.7 bln)

# Overview Turkey exposure

## Total exposure ING to Turkey\* (in € mln)

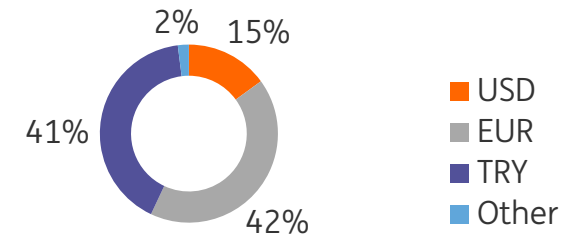
|                                             | 4Q18          | 4Q17          | Change        |
|---------------------------------------------|---------------|---------------|---------------|
| <b>Lending Credit O/S Retail Banking</b>    | <b>5,709</b>  | <b>8,290</b>  | <b>-31.1%</b> |
| Residential mortgages                       | 595           | 925           | -35.7%        |
| Consumer lending                            | 1,355         | 1,930         | -29.8%        |
| SME/Midcorp                                 | 3,760         | 5,436         | -30.8%        |
| <b>Lending Credit O/S Wholesale Banking</b> | <b>7,301</b>  | <b>7,650</b>  | <b>-4.6%</b>  |
| <b>Total Lending Credit O/S*</b>            | <b>13,011</b> | <b>15,941</b> | <b>-18.4%</b> |

- Amortisation of FX loan book being used to reduce intra-group funding (from €4.1 bln at end-4Q17 to €3.0 bln at end-4Q18)
- Total outstandings to Turkey reduced rapidly, mostly due to Turkish lira depreciation
- ING only provides FX lending to corporate customers with proven FX revenues; only limited rolling-over of FX lending facilities
- ECA-insured lending (Export Credit Agencies) is approx. €1.8 bln; approx. €0.9 bln of SME/Midcorp lending benefits from KGF cover (Turkish Credit Guarantee Fund)
- Quality of the portfolio remains strong with Stage 3 ratio of 2.8%

\* Data based on country of residence. Lending credit outstandings, including guarantees and letters of credit, but excluding undrawn committed exposures (off-balance sheet positions)

\*\* Excludes residential mortgages, which have an average remaining maturity of ~6 years

## Lending Credit O/S by currency



## Lending Credit O/S by remaining maturity

|       |          |
|-------|----------|
| TRY** | ~1 year  |
| FX    | ~2 years |

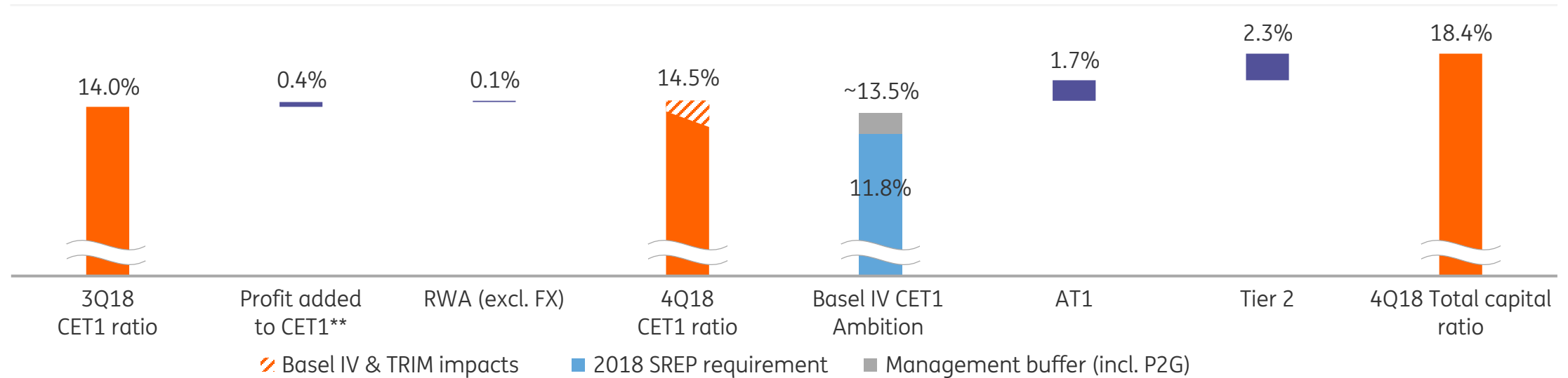
## Stage 3 ratio and coverage ratio

|                | 4Q18 | 4Q17 |
|----------------|------|------|
| Stage 3 ratio  | 2.8% | 2.5% |
| Coverage ratio | 51%  | 69%  |

# Group capital, funding & liquidity

# ING Group Total capital ratio at 18.4%

## ING Group fully loaded Total capital ratio development\*



- 4Q18 fully-loaded CET1 ratio rose to 14.5% as a result of the addition of the quarterly net profit. Risk-weighted assets were slightly lower at €314.1 bln, mostly due to positive risk migration
- With a long implementation phase, potential management actions and the pending transposition of Basel IV into EU law, we are well positioned to achieve our CET1 ratio ambition of around 13.5%
- Management actions include asset distribution, data enrichment to avoid punitive risk weights (e.g. external ratings, collateral features) as well as commercial actions related to product features, pricing, and lending mix optimisation
- Total capital remains strong supported by healthy AT1 and Tier 2 ratios and the improvement in the CET1 ratio

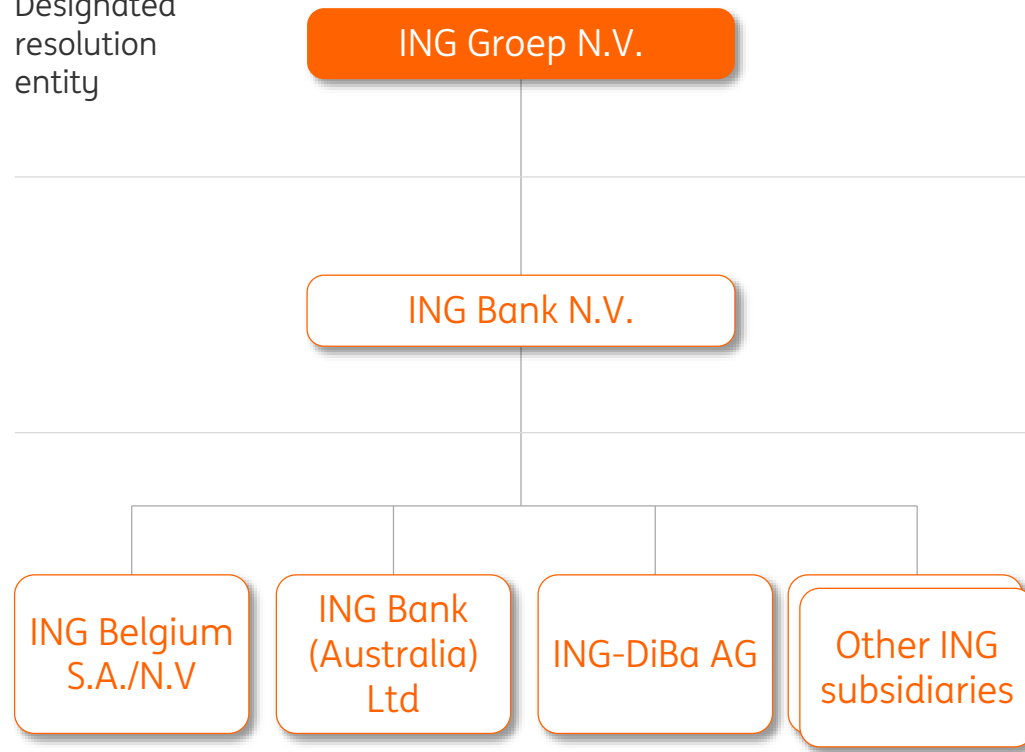
\* ING Group's 4Q18 fully loaded capital ratio is based on RWAs of €314.1 bln

\*\* €1,138 mln which consists of 4Q18 Group net profit of €1,273 mln minus €135 mln set aside for the final dividend

# Issuance entities under our approach to resolution

## Issuance entities

Designated  
resolution  
entity



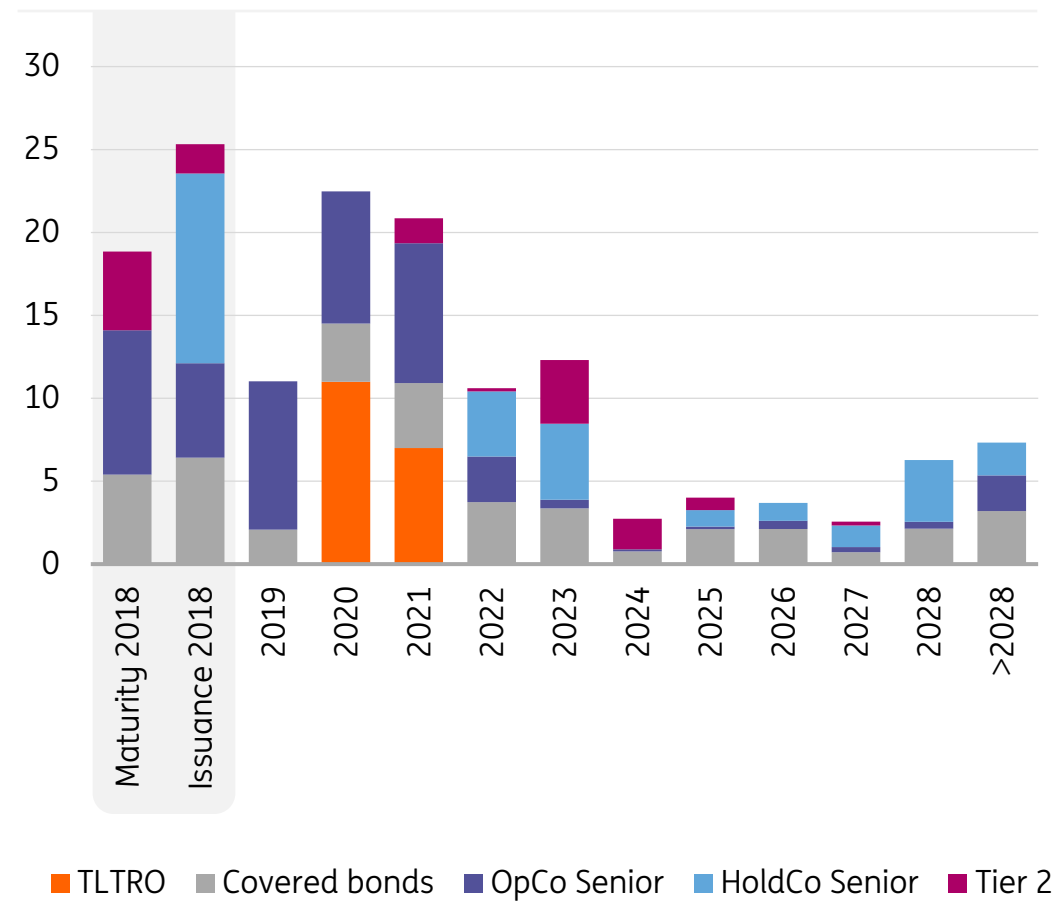
## Eligible instruments for TLAC/MREL

|                                                  | TLAC | Current<br>MREL req. | Future<br>MREL req.* |
|--------------------------------------------------|------|----------------------|----------------------|
| • Own funds                                      | ✓    | ✓                    | ✓                    |
| • Subordinated debt (AT1 / T2)                   | ✓    | ✓                    | ✓                    |
| • Senior unsecured debt (> 1 yr)                 | ✓    | ✓                    | ✓                    |
| • Own funds                                      | ✓    | ✓                    | ✓                    |
| • Senior unsecured debt (> 1 yr)                 | ✗    | ✓                    | ✗                    |
| • Secured funding                                | ✗    | ✗                    | ✗                    |
| • Operational funding needs<br>(un)-secured debt | ✗    | ✗                    | ✗                    |

\* As per the SRB MREL policy from 16 January 2019

# Long-term debt maturity ladder and issuance activity in 2018

Long-term debt maturity ladder (in € bln)\*



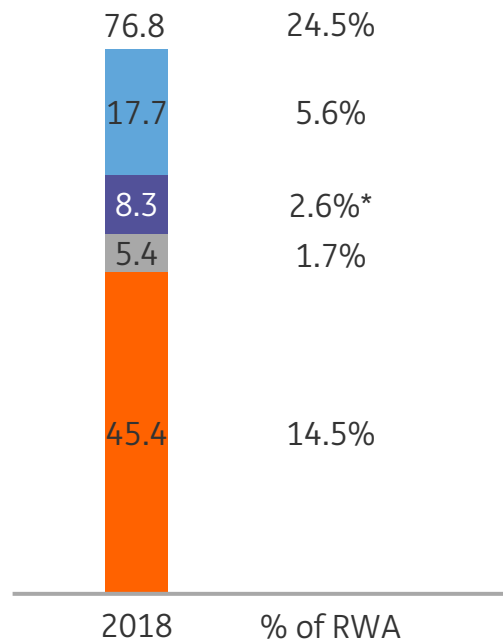
Issuance activity in 2018

- Total issuance in 2018 was ~€25.3 bln against redemptions and maturities of ~€19 bln
- ~€1.8 bln of Tier 2 was issued in 10NC5 and 12NC7 formats
- ~€11.5 bln of HoldCo Senior debt was issued across various currencies (EUR, USD, JPY, AUD)
- ~€5.7 bln of OpCo Senior funding was raised through public and private channels
- ~€6.4 bln of covered bonds was issued through various entities
  - ING Bank N.V. - ~€2 bln
  - ING DiBa - €1.5bln
  - ING Bank Australia - ~€0.6 bln
  - ING Belgium - ~€2.3 bln
- ~€9 bln of OpCo Senior debt matured in 2018, €4.7 bln of Tier 2 was called
- ING Bank has ~€28 bln of long-term senior debt maturing from 2019 until 2022 of which ~€9 bln is maturing in 2019

\* As per 31 December 2018; Tier 2 maturities based on 1<sup>st</sup> call date for callable bonds and contractual maturity for bullets

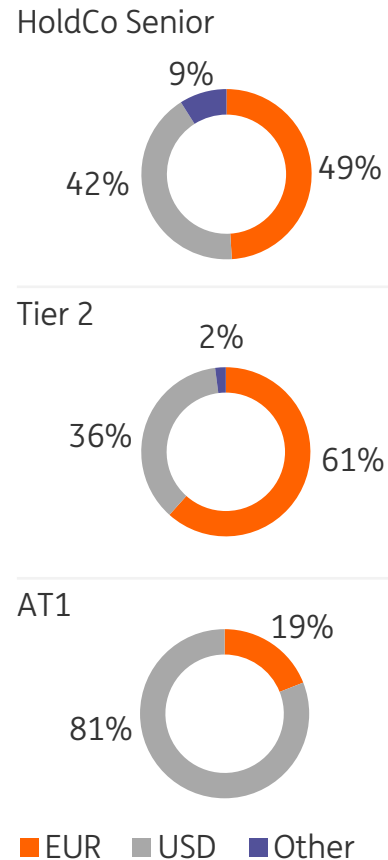
# ING's debt issuance programme in 2019

## ING Group instruments\* (in € bln)



■ HoldCo Senior  
■ Tier 2  
■ AT1  
■ CET1

## Currency split\*



## Group / Bank issuance plan\*\*

### Senior debt issuance

- ~€7-9 bln of HoldCo Senior planned for 2019, tenors ≥ 5 yrs
- OpCo Senior with tenors ≤ 4 yrs, for internal ratio management
- Maturing OpCo Senior will be mostly recycled as HoldCo Senior to further build the TLAC/MREL position

### Tier 2

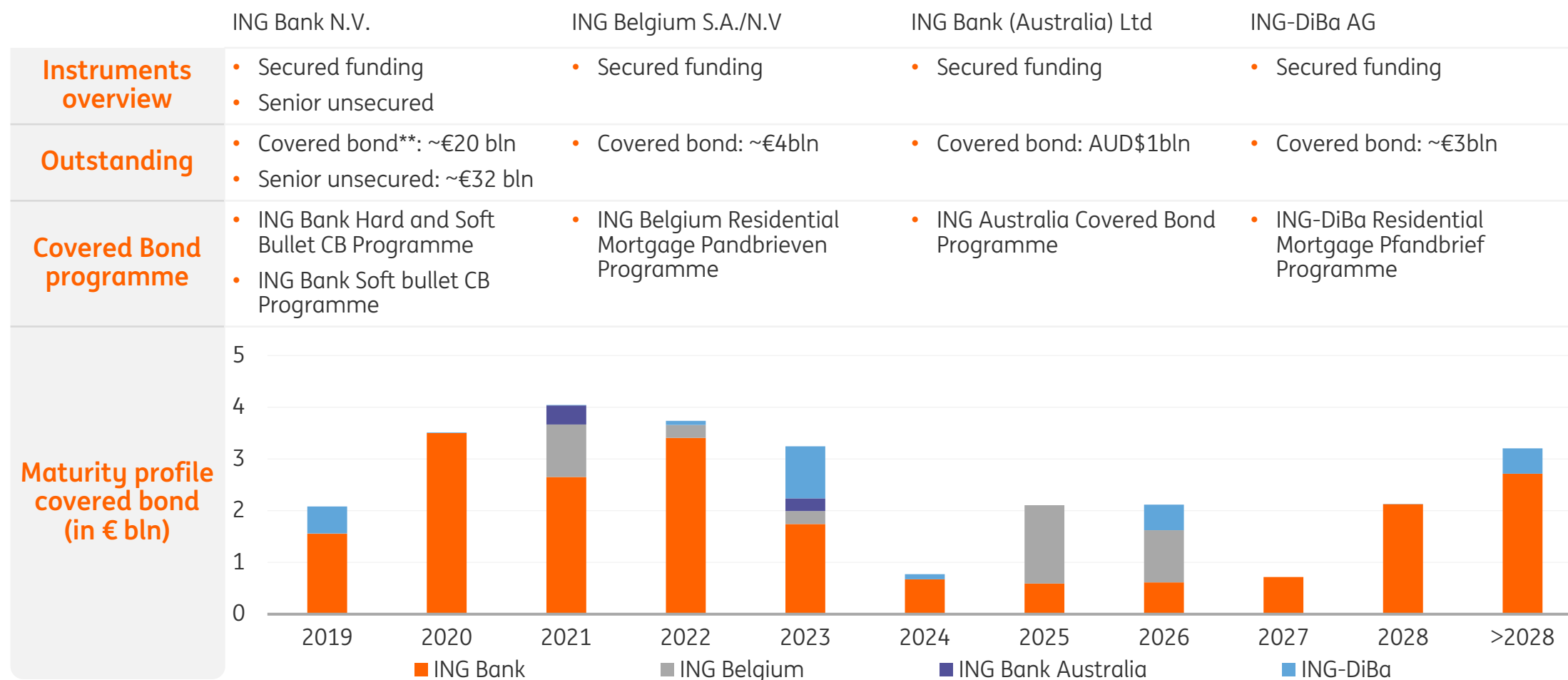
- Outstanding Tier 2 of ~€8 bln meets regulatory requirement of min. 2%
- We intend to refinance Bank Tier 2 with Group instruments
  - ~€5 bln is Group Tier 2 and ~€3 bln is Bank Tier 2

### AT1

- Outstanding AT1 of ~€5bln meets regulatory requirement of min. 1.5%
- ~€2.5 bln grandfathered until 31 Dec 2021 following the grandfathering rules
- ~€2.8 bln CRD IV compliant

\* As per 31 December 2018; Not taking into account regulatory adjustments  
 \*\* Does not take into account RWA and balance sheet developments

# Other subsidiaries remain active mainly through their covered bond programmes

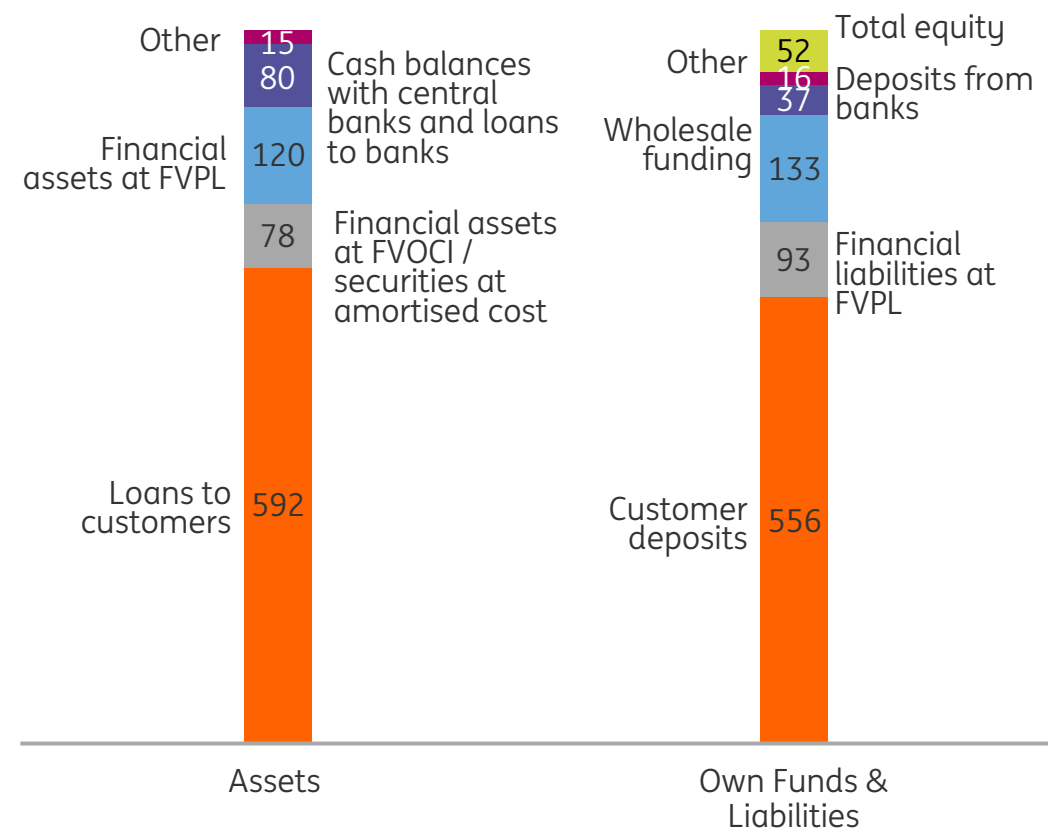


\* As per 31 December 2018; Maturity ladder as per contractual maturity  
 \*\* Outstanding for the ING Bank Hard and Soft Bullet CB Programme

# ING balance sheet: strong and conservative with customer deposits as the primary source of funding

## Balance sheet ING Group (in € bln)

Balance sheet size ING Group 31 December 2018: €887 bln



## High quality customer loan book

- See “Asset Quality” section of the presentation

## Attractive funding profile

- 63% of the balance sheet is funded by customer deposits
- 89% of total customer deposits is Retail Banking based
- Attractive loan-to-deposit ratio of 107% as per 31 December 2018\*

## Conservative trading profile

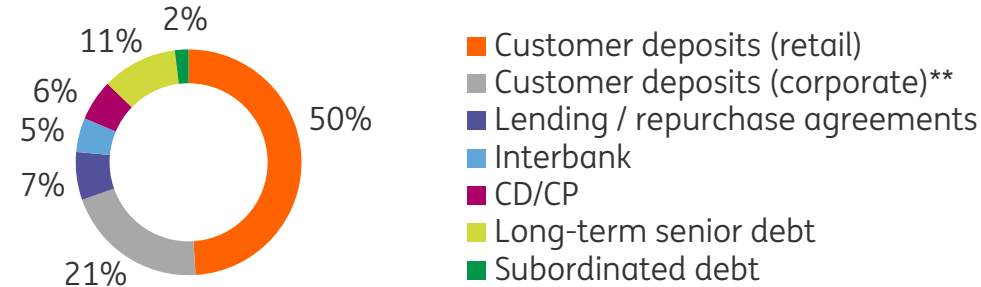
- Majority of our Financial Markets business is customer flow based where we largely hedge out positions, reflected in large but often offsetting assets and liabilities at FV positions
- Average VaR for ING’s trading portfolio during 4Q18 increased to €12 mln from €8 mln in the previous quarter due to market volatility

\* Loan-to-deposit ratio is customer lending including provision for loan losses divided by customer deposits

# Robust liquidity position

## Funding mix\*

31 December 2018



## Liquidity buffer

- Level 1: mainly core European sovereign bonds, SSA, US Treasuries and core European and Nordic covered bonds
- Level 2A: mainly Canadian covered bonds
- Level 2B: mainly short-dated German Auto ABS and high-quality German corporate bonds
- ING currently does not have any Italian government, SSA or covered bonds in the investment portfolio

## ING holds sizeable liquidity buffer

- ING's funding consists mainly of retail deposits, corporate deposits and public debt
- ING's 12-month moving average LCR increased from 119% to 123% in 4Q18
- Besides the HQLA buffer, ING maintains large pools of ECB-eligible assets, in the form of internal securitisations and credit claims

## LCR 12-month moving average (in € bln)

|                   | 31 Dec. 18   | 30 Sep. 18   |
|-------------------|--------------|--------------|
| Level 1           | 124.0        | 118.5        |
| Level 2A          | 4.6          | 4.8          |
| Level 2B          | 7.1          | 8.3          |
| <b>Total HQLA</b> | <b>135.6</b> | <b>131.6</b> |
| <b>Outflow</b>    | <b>200.3</b> | <b>199.0</b> |
| <b>Inflow</b>     | <b>89.7</b>  | <b>88.6</b>  |
| <b>LCR</b>        | <b>123%</b>  | <b>119%</b>  |

\* Liabilities excluding trading securities and IFRS equity

\*\* Includes SME/Midcorp from Retail Banking

# Strong rating profile at both Group and Bank level

## Main credit ratings of ING on 15 February 2019

|                     | S&P     | Moody's   | Fitch |
|---------------------|---------|-----------|-------|
| Stand-alone rating  | a       | baa1      | a+    |
| Government support  | -       | 1 notch   | -     |
| Junior debt support | 1 notch | N/A       | -     |
| Moody's LGF support | N/A     | 3 notches | N/A   |

### ING Bank NV (OpCo)

|                       |        |        |        |
|-----------------------|--------|--------|--------|
| Bank senior LT rating | A+     | Aa3    | AA-    |
| Outlook               | Stable | Stable | Stable |
| Bank senior ST rating | A-1    | P-1    | F1+    |
| Tier 2                | BBB+   | Baa2   | A      |

### ING Groep NV (HoldCo)

|                        |     |      |      |
|------------------------|-----|------|------|
| Group senior LT rating | A-  | Baa1 | A+   |
| AT1                    | BB  | Ba1  | BBB- |
| Tier 2                 | BBB | Baa2 | A    |

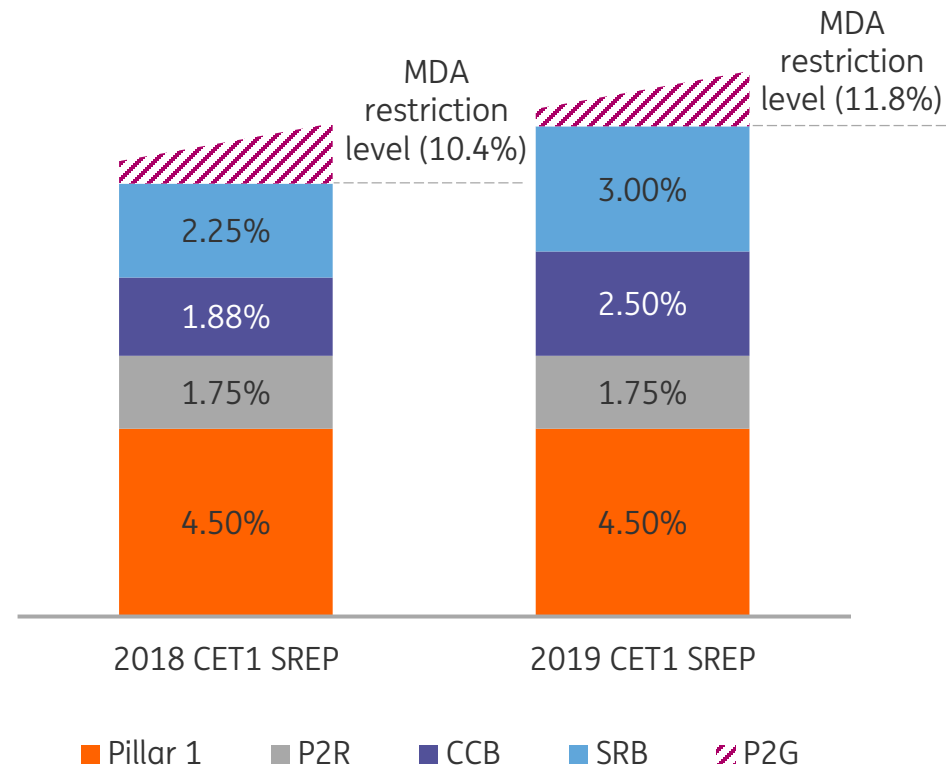
## Latest ING Bank rating actions

- Fitch: Feb-2019 ING Bank was upgraded to AA- from A+ with a stable outlook. The upgrade reflects the build-up of a significant and sustainable buffer of junior debt at the bank that could be made available to protect its senior third-party creditors from default, in case of failure
- Moody's: Sep-2017 ING Bank was upgraded to Aa3 from A1 with a stable outlook. The improvement was driven by resilient profitability, low asset risk, a strengthening capital position, as well as the expected build-up of loss-absorbing capital at ING Group
- S&P: Jul-2017 ING Bank was upgraded to A+ reflecting the expectation that in the coming years ING will build a sizable buffer of bail-in-able debt, while maintaining strong capital adequacy metrics thanks to resilient financial performance, supportive internal capital generation, and a broadly similar risk profile

# Appendix

# Managing the capital above the regulatory requirement

## ING Group SREP\*



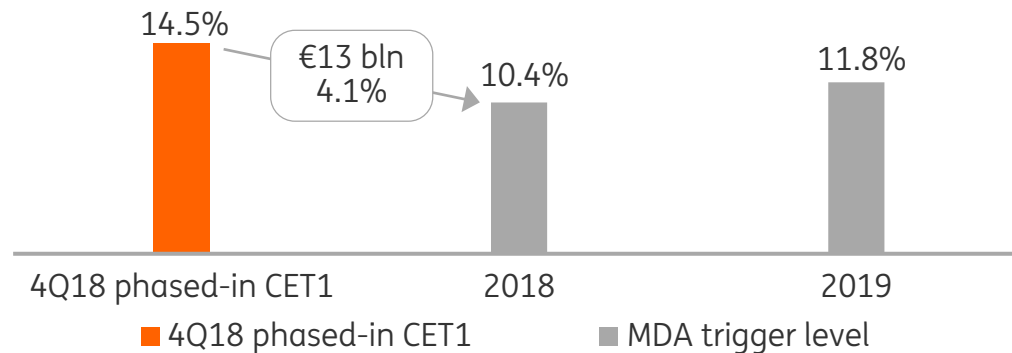
## 2018 SREP (Supervisory Review and Evaluation Process)

- Following the conclusion of the annual SREP process in February 2019, the European Central Bank has set ING Group's capital requirements for 2019
- A 11.8% CET1 ratio requirement applies for 2019, of which:
  - 4.50% Pillar 1 minimum (P1)
  - 1.75% Pillar 2 Requirement (P2R)
  - 2.50% Capital Conservation Buffer (CCB)
  - 3.00% Systemic Risk Buffer (SRB)
  - 0.08% Countercyclical Buffer (CCyB)
  - This excludes Pillar 2 Guidance (P2G)
- We have set a Basel IV CET1 ambition of around 13.5% implying a management buffer (including P2G) of 1.7%

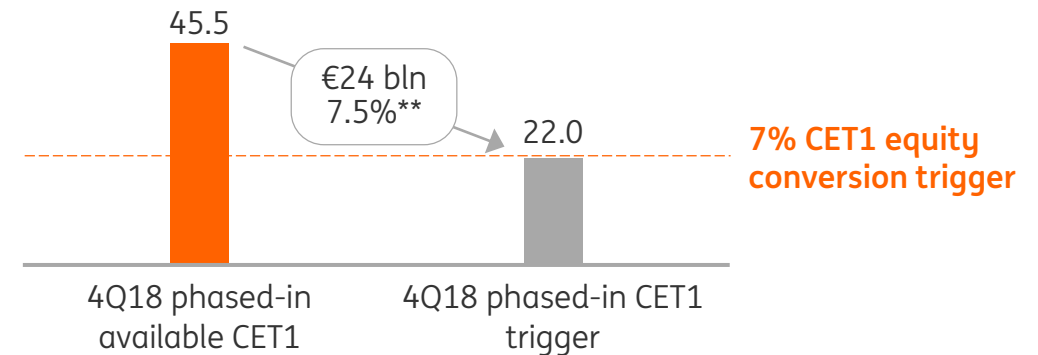
\* Including Countercyclical buffer of 0.06% for 2018 and 0.08% for 2019

# Additional Tier 1: comfortable buffers to triggers

Buffer to MDA 4Q18\*



Buffer to Conversion Trigger 4Q18 (in € bln)



## Buffer to MDA

- MDA restrictions will apply if ING Group breaches Combined Buffer Requirements (CBR)
- Under the MDA framework, ING's trigger level was 10.4% in 2018 and will be 11.8% in 2019. This includes the 1.75% P2R and excludes P2G
- As per 4Q18, the buffer to the 2018 MDA restriction level is €13 bln or 4.1% of RWAs
- This excludes €1,712 mln of profits that we have set aside for dividend payment

## Buffer to Conversion Trigger

- The ING Group phased-in capital buffer to conversion trigger (7% CET1) is high at €24bln
- This excludes €1,712 mln of profits that we have set aside for dividend payment

## Available Distributable Items

- AT1 discretionary distributions may only be paid out of distributable items
- As per year-end 2017, ING Group had approx. €43 bln of available distributable items following the CRDIV definition

\* Including Countercyclical buffer of 0.06% for 2018 and 0.08% for 2019

\*\* Difference between 14.5% ING Group phased-in CET1 ratio in 4Q18 and 7% CET1 equity conversion trigger

# Outstanding benchmark capital securities

## (Additional) Tier 1 securities issued by Group

| Currency                   | Issue date | First call date | Coupon       | Issued | Outstanding** |
|----------------------------|------------|-----------------|--------------|--------|---------------|
| USD (CRR/CRDIV compliant)  | Nov-16     | Apr-22          | 6.875%       | 1,000  | 1,000         |
| USD (CRR/CRDIV compliant)* | Apr-15     | Apr-20          | 6.000%       | 1,000  | 1,000         |
| USD (CRR/CRDIV compliant)* | Apr-15     | Apr-25          | 6.500%       | 1,250  | 1,250         |
| USD                        | Jun-07     | Jun-12          | 6.375%       | 1,045  | 1,045         |
| USD                        | Sep-05     | Jan-11          | 6.125%       | 700    | 700           |
| EUR                        | Jun-04     | Jun-14          | 10yr DSL +10 | 1,000  | 563           |
| EUR                        | Jun-03     | Jun-13          | 10yr DSL +50 | 750    | 432           |

## Tier 2 securities issued by Group

| Currency                  | Issue date | First call date | Maturity | Coupon | Outstanding** |
|---------------------------|------------|-----------------|----------|--------|---------------|
| USD (CRR/CRDIV compliant) | Mar-18     | Mar-23          | Mar-28   | 4.70%  | 1,250         |
| EUR (CRR/CRDIV compliant) | Mar-18     | Mar-25          | Mar-30   | 2.00%  | 750           |
| EUR (CRR/CRDIV compliant) | Sep-17     | Sep-24          | Sep-29   | 1,625% | 1,000         |
| EUR (CRR/CRDIV compliant) | Feb-17     | Feb-24          | Feb-29   | 2.50%  | 750           |
| EUR (CRR/CRDIV compliant) | Apr-16***  | Apr-23          | Apr-28   | 3.00%  | 1,000         |

## Tier 2 securities issued by Bank

| Currency                  | Issue date | First call date | Maturity | Coupon | Outstanding** |
|---------------------------|------------|-----------------|----------|--------|---------------|
| EUR (CRR/CRDIV compliant) | Feb-14     | Feb-21          | Feb-26   | 3.63%  | 1,500         |
| USD (CRR/CRDIV compliant) | Sep-13     | n/a             | Sep-23   | 5.80%  | 2,000         |

\* CRR/CRDIV compliant AT1 USD instruments issued in 2015 are SEC registered

\*\* Amount outstanding in original currency

\*\*\* ING has exercised the option to replace the ING Bank €1 bln Tier 2 notes issued in April 2016 for ING Group Tier 2 notes in April 2017

# Outstanding HoldCo Senior benchmarks

## HoldCo Senior Unsecured, EUR issuances

| ISIN                                                                                           | Issue date | Maturity | Tenor | Coupon   | Currency | Issued | Spread    |
|------------------------------------------------------------------------------------------------|------------|----------|-------|----------|----------|--------|-----------|
| XS1909186451  | Nov-18     | Nov-30   | 12yr  | 2.500%   | EUR      | 1,500  | m/s +135  |
| XS1882544973                                                                                   | Sep-18     | Sep-28   | 10yr  | 2.000%   | EUR      | 1,500  | m/s + 110 |
| XS1882544205                                                                                   | Sep-18     | Sep-23   | 5yr   | 3mE + 85 | EUR      | 1,000  | 3mE + 85  |
| XS1882544627                                                                                   | Sep-18     | Sep-23   | 5yr   | 1.000%   | EUR      | 1,000  | m/s + 80  |
| XS1771838494                                                                                   | Feb-18     | Feb-25   | 7yr   | 1.125%   | EUR      | 1,000  | m/s + 42  |
| XS1730885073                                                                                   | Dec-17     | Jan-28   | 10yr  | 1.375%   | EUR      | 1,000  | m/s + 57  |
| XS1576220484                                                                                   | Mar-17     | Mar-22   | 5yr   | 0.75%    | EUR      | 1,500  | m/s + 70  |

## HoldCo Senior Unsecured, USD issuances\*

| ISIN                                                                                           | Issue date | Maturity | Tenor | Coupon    | Currency | Issued | Spread    |
|------------------------------------------------------------------------------------------------|------------|----------|-------|-----------|----------|--------|-----------|
| US45685NAA46  | Nov-18     | Jan-26   | 7yr   | 4.625     | USD      | 1,250  | T + 150   |
| US456837AM56                                                                                   | Oct-18     | Oct-28   | 10yr  | 4.550%    | USD      | 1,250  | T + 150   |
| US456837AK90                                                                                   | Oct-18     | Oct-23   | 5yr   | 4.100%    | USD      | 1,500  | T + 112.5 |
| US456837AL73                                                                                   | Oct-18     | Oct-23   | 5yr   | 3mL + 100 | USD      | 500    | 3mL + 100 |
| US456837AG8                                                                                    | Mar-17     | Mar-22   | 5yr   | 3.15%     | USD      | 1,500  | T + 125   |
| US456837AH6                                                                                    | Mar-17     | Mar-27   | 10yr  | 3.95%     | USD      | 1,500  | T + 155   |
| US456837AJ28                                                                                   | Mar-17     | Mar-22   | 5yr   | 3mL + 115 | USD      | 1,000  | 3mL + 115 |

## HoldCo Senior Unsecured, \$AUD and JPY issuances

| ISIN         | Issue date | Maturity | Tenor  | Coupon     | Currency | Issued  | Spread       |
|--------------|------------|----------|--------|------------|----------|---------|--------------|
| JP552843AJQ6 | Dec-18     | Dec-23   | 5yr    | 0.848%     | JPY      | 107,500 | YSO + 75     |
| JP552843BJQ4 | Dec-18     | Dec-28   | 10yr   | 1.169%     | JPY      | 19,200  | YSO + 90     |
| XS1917902196 | Dec-18     | Jun-29   | 10.5yr | 5.00%      | AUD      | 175     | ASW + 226    |
| XS1917901974 | Dec-18     | Dec-22   | 4yr    | 3mBBSW+155 | AUD      | 400     | 3mBBSW + 155 |

\* HoldCo USD issues are SEC registered

 Green bond

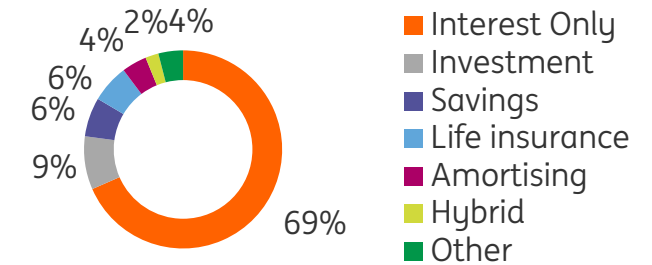
# ING Bank's covered bond programme...

- ING Bank NV €30 bln Hard and Soft Bullet Covered Bonds programme
  - UCITS, CRR and ECBC Label compliant. Rated Aaa/AAA/AAA (Moody's/S&P/Fitch)
  - Programme is used for external issuance purposes; separate €15 bln Soft Bullet Covered Bonds programme for internal transactions only
  - Cover pool consists of 100% prime Dutch residential mortgage loans, all owner occupied and in euro only. As per 31 December 2018, no arrears > 90 days in the cover pool
  - Strong Dutch legislation with minimum legally required over collateralisation (OC) of 5% and LTV cut-off rate of 80%
  - Successfully issued €1.75 bln 10 year covered bond in April 2018
- Latest investor reports are available on [www.ing.com/ir](http://www.ing.com/ir)

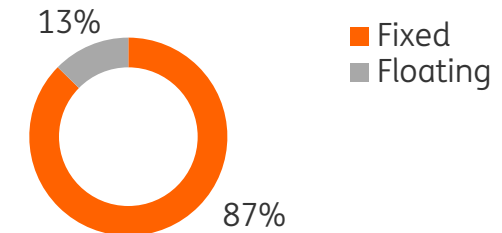
## Portfolio characteristics (as per 31 December 2018)

|                                       |             |
|---------------------------------------|-------------|
| Net principal balance                 | €25,450 mln |
| Outstanding bonds                     | €20,314 mln |
| # of loans                            | 156,174     |
| Avg. principal balance (per borrower) | €162,958    |
| WA current interest rate              | 2.90%       |
| WA remaining maturity                 | 17.05 years |
| WA remaining time to interest reset   | 5.58 years  |
| WA seasoning                          | 12.65 years |
| WA current indexed LTV                | 64.0%       |
| Min. documented OC                    | 5.26%       |
| Nominal OC                            | 25.3%       |

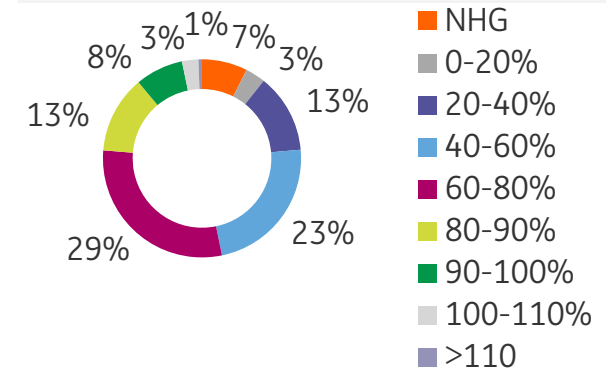
## Repayment type



## Interest rate type

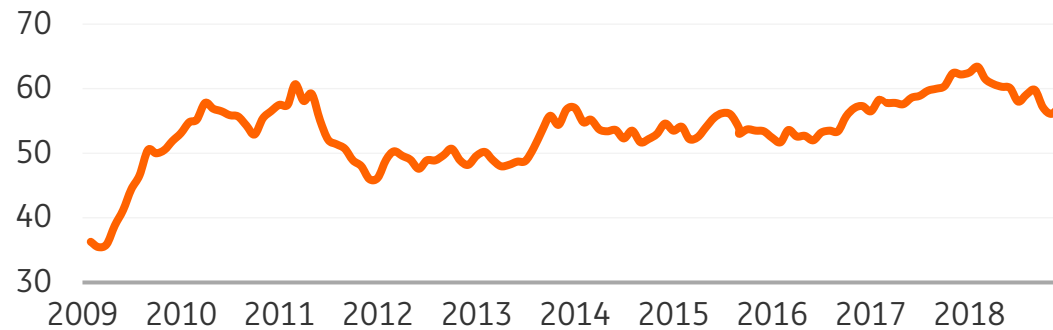


## Current Indexed LTVs

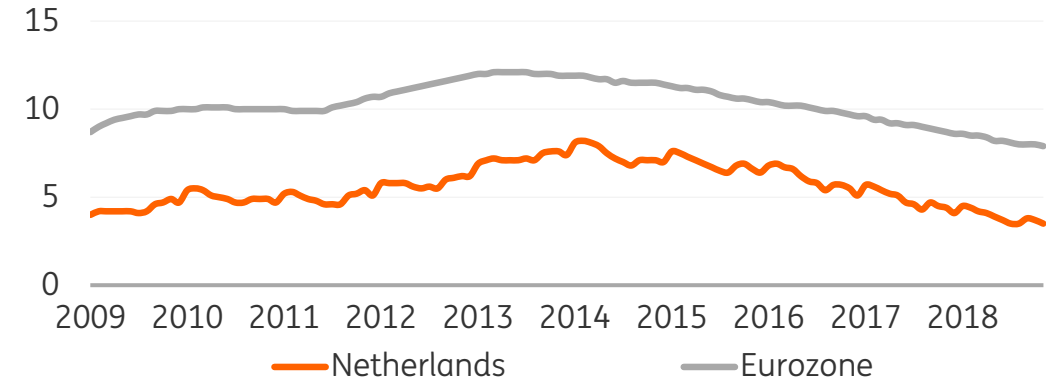


# ...benefiting from a continued strong Dutch economy and housing market

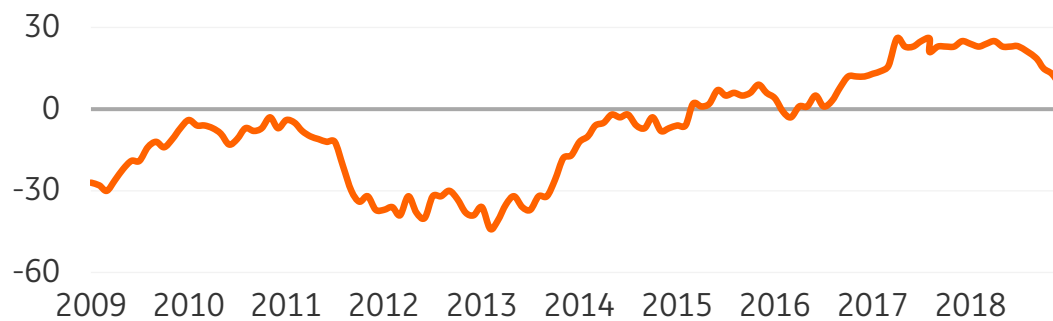
Dutch Purchasing Managers Index (PMI) was 57.2 as of Dec-2018, which indicates positive industrial growth



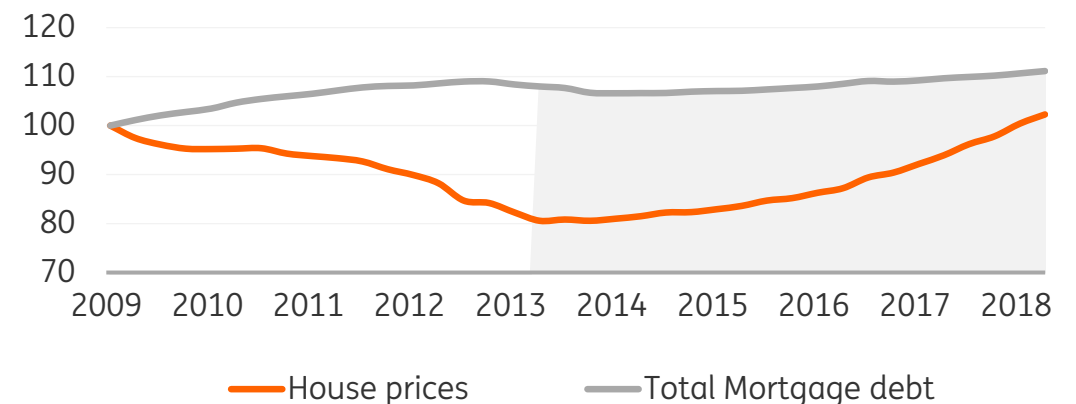
Dutch unemployment rate (%) continues to decline



Dutch consumer confidence slides down at the end-2018



Dutch house price increases in the last five years are not credit-driven\*



Source: Central Bureau for Statistics for all data besides Dutch PMI (IHS Markit) and Eurozone unemployment (Eurostat)  
\* Latest data 3Q18

# 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 2017 ING Group consolidated annual accounts. The Financial statements for 2018 are in progress and may be subject to adjustments from subsequent events. 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 European Union countries leaving the European Union or a 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 and capital 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 and the interpretation and application thereof, (10) geopolitical risks and policies and actions of governmental and regulatory authorities, (11) changes in standards and interpretations under International Financial Reporting Standards (IFRS) and the application thereof, (12) 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, (13) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (14) changes in credit ratings, (15) the outcome of current and future legal and regulatory proceedings, (16) operational risks, such as system disruptions or failures, breaches of security, cyberattacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which we do business, (17) the inability to protect our intellectual property and infringement claims by third parties, (18) the inability to retain key personnel, (19) business, operational, regulatory, reputation and other risks in connection with climate change, (20) ING's ability to achieve its strategy, including projected operational synergies and cost-saving programmes and (21) the other risks and uncertainties detailed in the 2017 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). Many of those factors are beyond ING's control.

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