

Full year 2019 results

ING posts 2019 net result of €4,781 mln; 4Q2019 net result of €880 mln

Ralph Hamers, CEO ING

Amsterdam • 6 February 2020

thinkforward

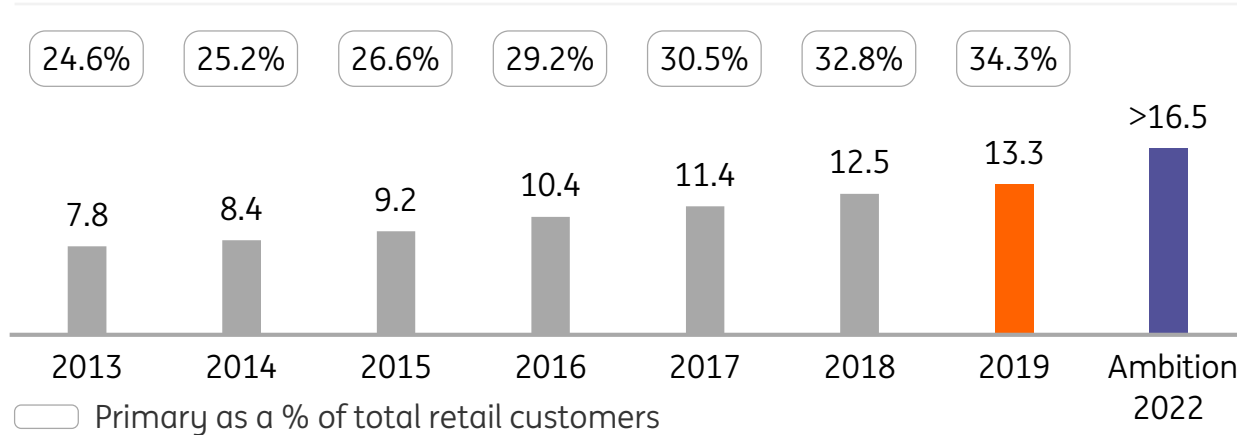


Key points

- ING posted 2019 net profit of €4,781 mln, up 1.7% on 2018
- Our primary customer base, a driver of future value, increased by more than 830,000, to 13.3 mln in 2019
- We recorded net core lending growth of €17.2 bln in 2019, or 2.9%, primarily in Retail Banking which grew by €16.1 bln while growth in Wholesale Banking slowed down to €1.1 bln
- Results were supported by disciplined pricing, especially in mortgages, and higher fee income, which partly countered margin pressure on customer deposits, higher KYC costs and increasing regulatory expenses
- Risk costs were higher in 2019, but remain below the through-the-cycle average and we do not see an indication of a deterioration of the loan book
- Return on equity for 2019 was 9.4%
- CET1 ratio in 4Q2019 was robust at 14.6%, with €13.2 bln of expected supervisory impact on RWA already taken in 4Q2019
- We expect to see further effects on capital from banking regulation and model reviews in the coming quarters
- Our drive to be innovative leads to impressive results, such as Yolt and Katana
- Countering financial and economic crime remains a priority and we made further progress in improving our KYC analytical skills and the effectiveness of our non-financial risk management
- We propose to pay a full-year 2019 cash dividend of €2,689 bln, or €0.69 per share, of which €0.24 was already paid in August 2019

Primary customer growth underpins commercial momentum

Target to reach >16.5 mln primary customers* by 2022



2019 primary customer growth across Retail segments



Core lending

2019 net growth

€ **+16.1** bln
Retail Banking

€ **+1.1** bln
Wholesale Banking

Customer deposits

2019 net growth

€ **+23.4** bln

Net promoter scores (NPS)

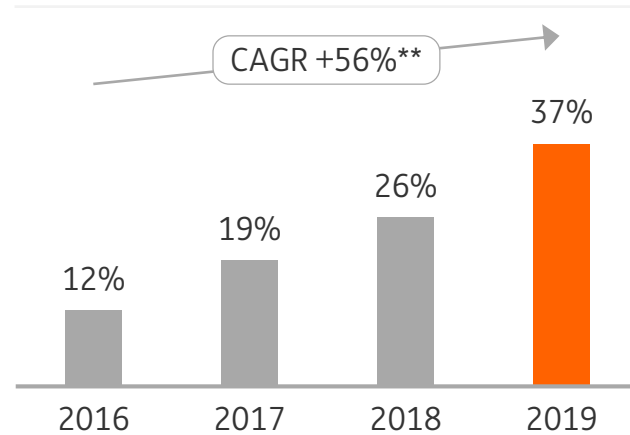
4Q2019

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

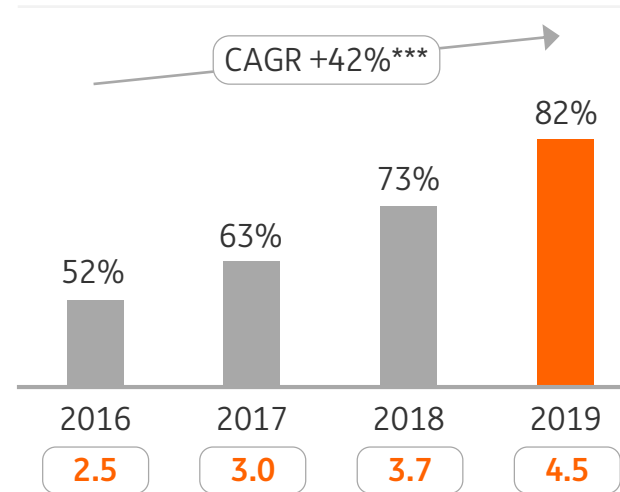
* Definition: active payment customers with recurring income and at least one extra active product category

In Retail our mobile approach is taking off

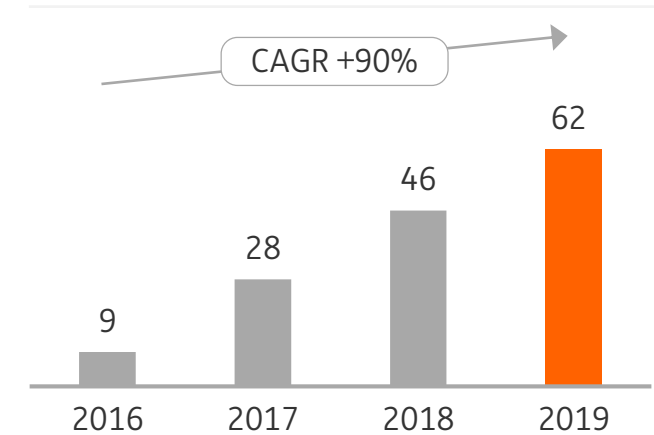
% of mobile-only in channel use among active customers who contact us*



% mobile in total interactions with ING



Annual mobile non-deposit sales per 1,000 active customers



○ Number of interactions with ING (in bln)

- A growing share of Retail customers only interacts with ING on their mobile device, up from 12% in 2016 to 37% in 2019
- The number of transactions grew by 80% since 2016, reaching 4.5 bln interactions in 2019, with an increasing share of mobile of 82% in 2019, versus 52% in 2016
- In mobile we are increasingly successful at converting our interactions into sales, with 7 times higher mobile sales than in 2016

* Definition: Retail customers who used the channel at least once in the last quarter ** CAGR for number of mobile-only customers among active customers who contact us
 *** CAGR for number of mobile transactions with ING

Our focus on building an innovative bank

Making further progress in 2019 with Yolt and AXA initiatives

- Yolt, our smart money app, has grown to **over 1 mln registered users** and has expanded to offer open banking for businesses.
- At the forefront of open banking: completed > 400 mln API calls with >13 mln on average per week.
- Yolt was chosen as the best personal finance app at the International Payments Awards 2019.



- Our global insurance **partnership with AXA** reached another milestone in 2019
- Now live with its global platform, which will provide home, mobility and health insurance services in six markets via the mobile app.
- First product launched is home insurance, delivered by the ING mobile app in Italy. This is in addition to the six products launched outside the platform in 2019.



Important milestones on innovation achieved in 4Q2019

- In line with our strategy to create innovative fintech solutions and then support them in becoming independent companies, ING is **spinning out Katana**, the advanced analytics platform that supports trading portfolio managers in making faster and sharper investment decisions



KATANA

- In Poland, ING is the first bank on the market to introduce **account aggregation** within Moje ING (internet and mobile)
- Information is aggregated from five Polish banks and customers can do things such as view their balances and transaction history, manage external accounts and use aggregated data in the standard credit process.

Sustainability is at the heart of our strategy

Major milestones in 2019

- ING signed the UN-backed Principles for Responsible Banking as a founding member – one of over 130 banks representing one-third of the world's banking assets



- ING and more than 30 banks turned the Principles into action by signing the Collective Commitment to Climate Action
- We released the first progress report for the Terra approach, our science-based approach to steer our lending portfolio towards meeting the Paris Agreement's two-degree goal. We are the first bank to publish specific climate alignment disclosures
- An example of the sector-based approach to align our portfolio with the climate goals is the signing of the Poseidon Principles by 11 banks, aiming to support the shipping industry's reduction of carbon emissions by 50% by 2050



We are recognised as a leader in sustainability

- ING was recognised as an A-list company for leadership on climate action for the fifth year in a row by CDP, the leading global environmental disclosure platform
- In 2019 we reinforced our commitment to help our customers reach their sustainability goals by closing more than twice the amount of sustainable finance deals compared to the previous year
- In 4Q2019, ING supported 13 sustainability improvement loans, plus 3 green loans and 12 sustainable bonds



€1.1 bln syndicated Green loan – Largest Green loan issued within the global transportation sector

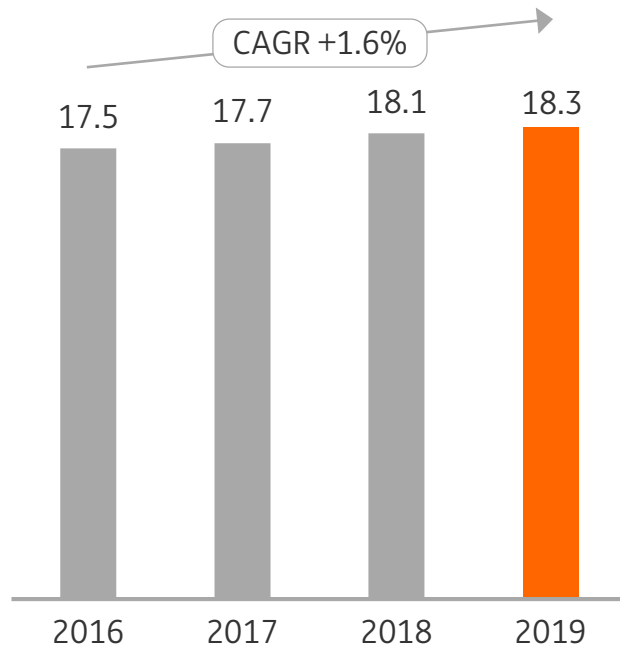
SR-Boligkreditt

€500 mln Green covered bond – 1st Green covered bond for the company

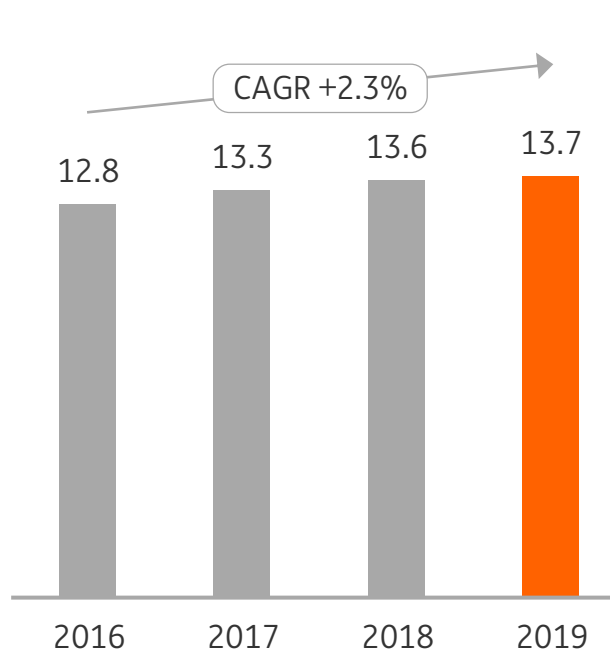
FY2019 results

Income growth supported by higher NII and fees

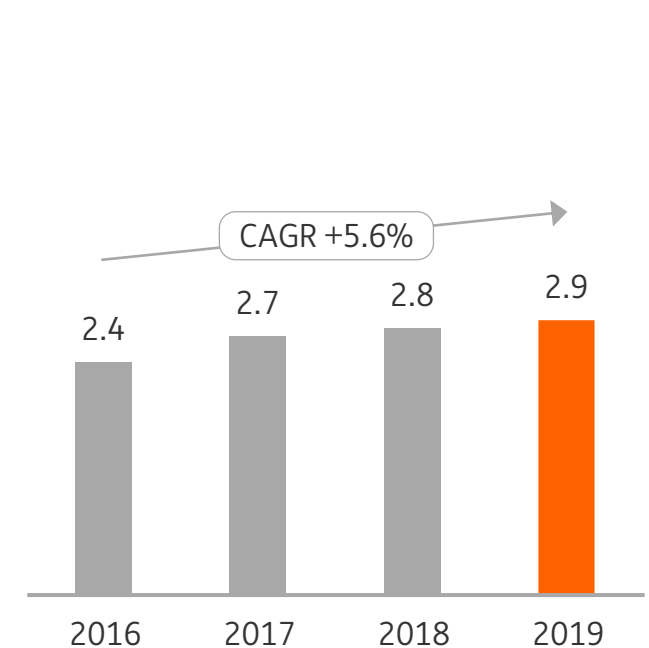
Total underlying income
(in € bln)



Net interest income excl. FM
(in € bln)



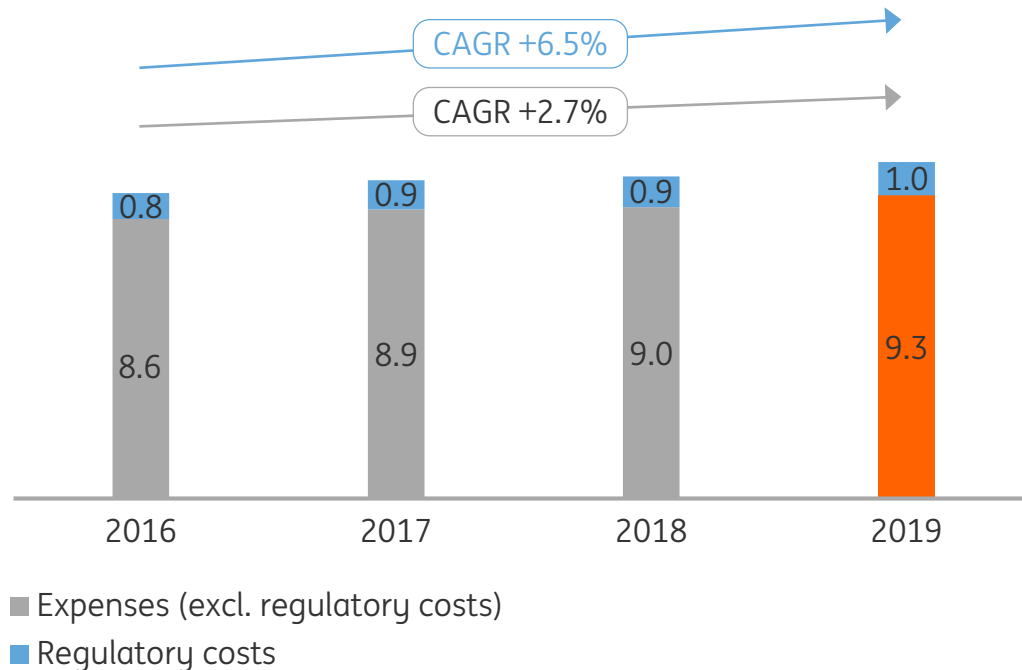
Net fee and commission income
(in € bln)



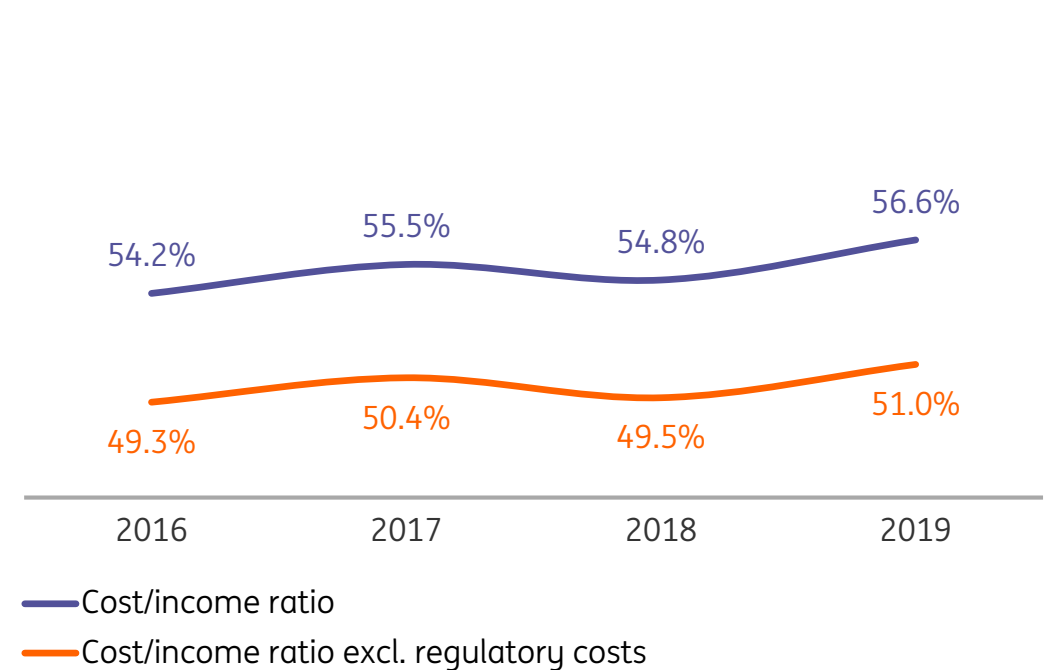
- Underlying income grew 1.2% in 2019, largely driven by stronger NII in the Retail Other Challengers & Growth Markets, Wholesale Banking and the Corporate Line, as well as higher net fee and commission income in Retail Banking, especially in Retail C&GM. This growth was partly offset by weaker NII in Retail Benelux and Germany, reflecting interest margin pressure on customer deposits
- Net fee and commission income increased by 2.3% in 2019, mainly driven by higher fees in Retail C&GM which was partly offset by lower deal activity in WB
- Investment and other income remained stable at €1.4 bln

Underlying expenses increased driven by higher KYC, staff and regulatory costs

Underlying operating expenses (in € bln)



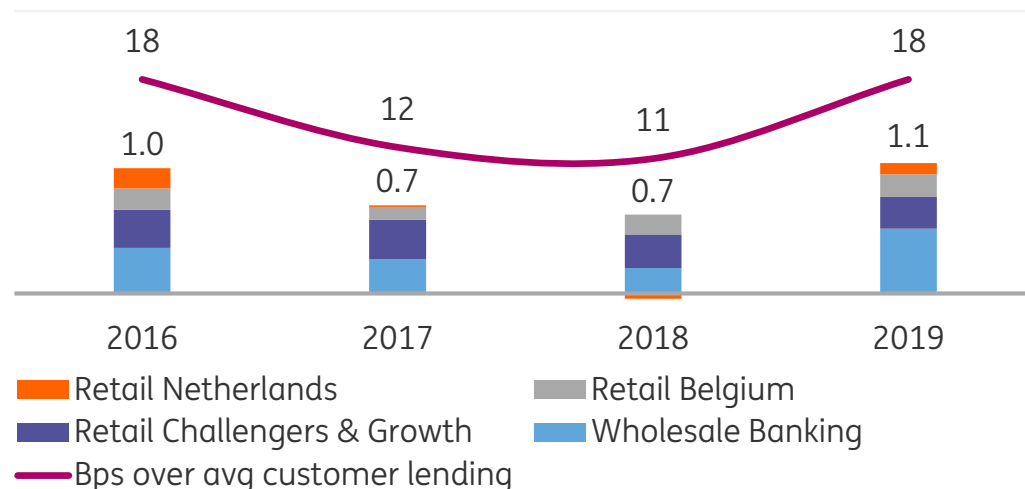
Underlying cost/income ratio



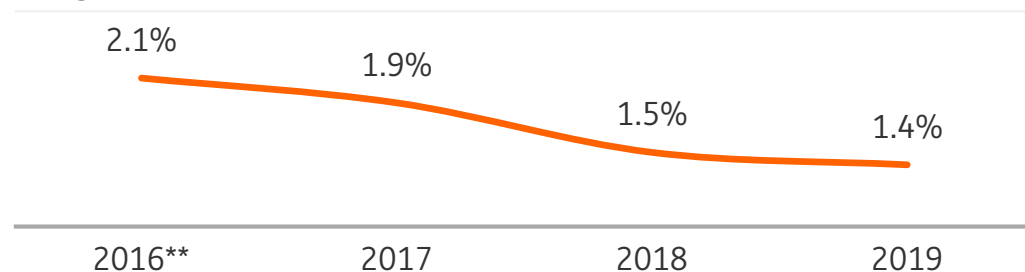
- Underlying operating expenses have increased despite ongoing cost discipline due to a combination of factors: higher KYC-related expenses, increased staff costs, further increasing regulatory expenses and continued investments in business growth
- Underlying Cost/income ratio was higher at 56.6% in 2019 (51.0% excluding regulatory costs) compared to 54.8% in 2018

Risk costs increased, remaining below through-the-cycle average

Risk costs (in € bln and bps of average customer lending)



Stage 3 ratio

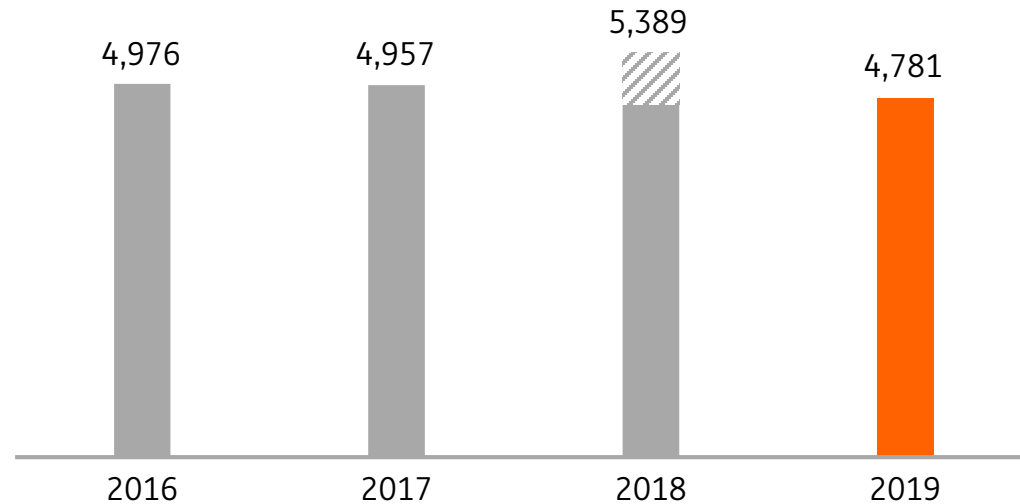


* Outstandings categorised as Non-Performing Loan (NPL), Substandard or Watch List (WL)
 ** NPL-ratio

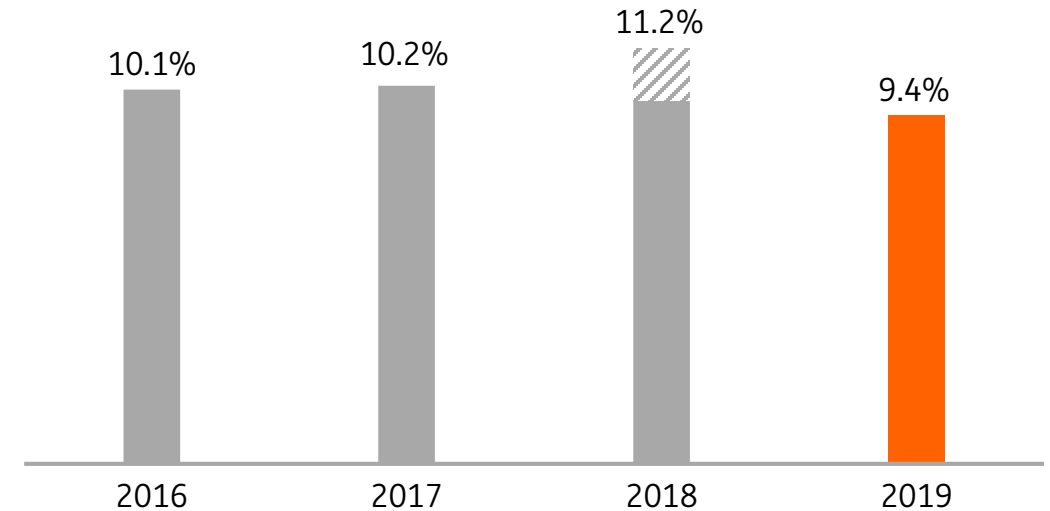
- Risk costs increased to €1,120 mln in 2019, or 18 bps of average customer lending, remaining below the through-the-cycle average of ~25 bps
- The increase was mainly driven by a number of large individual files in Wholesale Banking as well as higher, but still relatively low, risk costs in Retail Netherlands after net releases in 2018 and a change in the house price index that is used for Dutch mortgages in 3Q19
- Based on the Stage 3 ratio and the total outstandings earmarked as 'at risk*', the quality of the overall loan book improved in 2019
- A further analysis of Wholesale Banking risk costs for 2019 does not indicate a correlation in geography or sector originating the risk costs
- Furthermore, the underlying causes of provisioning for individual Wholesale Banking files vary, including overhang from trade war tensions, project-related losses and shifts in commodity prices
- See Appendix section of presentation for further details on asset quality

Underlying result down 11.3% in 2019; ROE at 9.4% for FY2019

Underlying net result* (in € mln)



Underlying return on equity*



⚡ €685 mln incl. €-775 mln settlement impact and €90 mln net result from Insurance other

- ING recorded underlying 2019 net profit of €4,781 mln, 11.3% lower than in 2018, as higher income was more than offset by higher risk costs, increased expenses, including higher KYC and regulatory expenses, and a higher effective tax rate
- The 2019 underlying return on equity* was 9.4% compared to 11.2% in 2018

* Including the settlement impact of €-775 mln recorded in 3Q18 and the €90 mln net result from Insurance other, ING's 2018 net result was €4,703 mln and ING's 2018 total return on average IFRS-EU equity excluding 'interim profit not included in CET1 capital' was 9.8%

ING Group financial ambitions

		Actual 2018	Actual 2019	Financial ambitions
Capital	• CET1 ratio (%)	14.5%	14.6%	~13.5%* (Basel IV)
	• Leverage ratio (%)	4.4%	4.6%	>4%
Profitability	• Underlying ROE (%)** (IFRS-EU Equity)	11.2%	9.4%	10-12%
	• <i>Underlying C/I ratio (%)**</i>	54.8%	56.6%	50-52%
Dividend	• Dividend (per share)	€0.68	€0.69	Progressive dividend

* Implies management buffer (incl. Pillar 2 Guidance) of ~170 bps over prevailing fully loaded CET1 requirements (currently 11.83%, but is expected to rise to 11.99% in 2020 due to phasing-in of countercyclical buffers)

** 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 31 December 2019, interim profit not included in CET1 capital amounts to €1,754 mln, set aside for future dividend payments

4Q2019 results

We continue our efforts to counter financial and economic crime

Continued focus on know your customer (KYC)

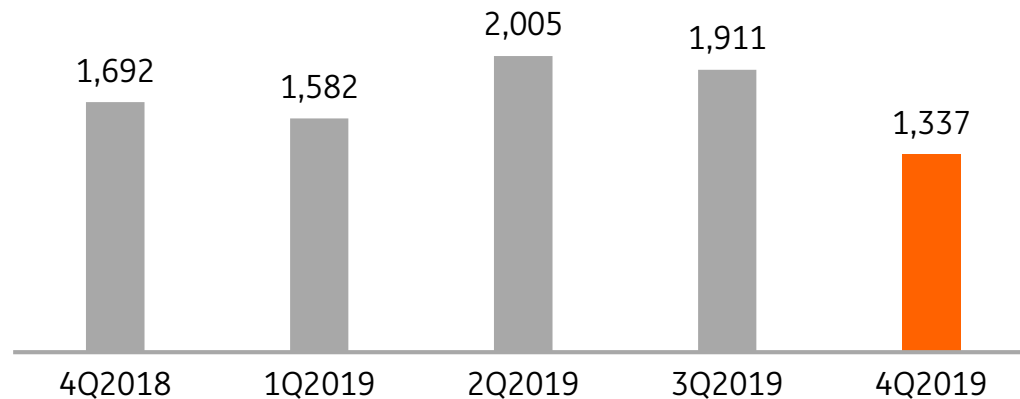
- The number of FTE working globally on know your customer (KYC) related activities has increased to ~4,000
- We made further progress in the global rollout of KYC tools that enable us to onboard customers and monitor their transactions across our global network in a more effective and consistent way
- We completed the implementation of our systematic integrity risk analysis in all business lines and regions, ensuring uniform and consistent KYC risk assessments across the bank
- In Italy, we continue to take steps to improve processes and management of KYC as required by Banca d'Italia

We keep investing in regulatory compliance

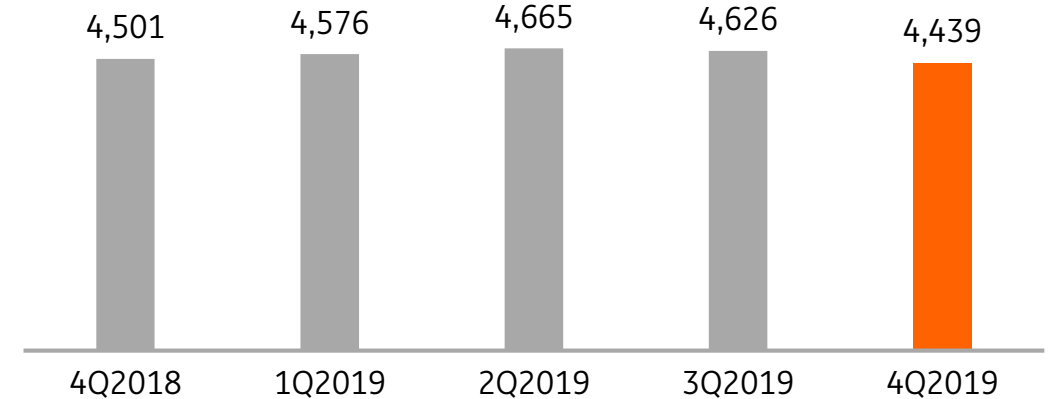
- We announced an investment in US-based regulatory technology company Ascent. The company uses machine learning and natural language processing to help **build, manage and automate regulatory compliance**
- Following the announcement to investigate the possibilities **to cooperate on transaction monitoring** with four Dutch banks, a project structure and work streams have been set up as part of a proof of concept to enable data sharing
- In Belgium, ING has joined forces with other banks and fintech Isabel Group **to more effectively identify suspicious transactions**

Income reflects discipline in lending margins and fee growth

Underlying pre-tax result (in € mln)



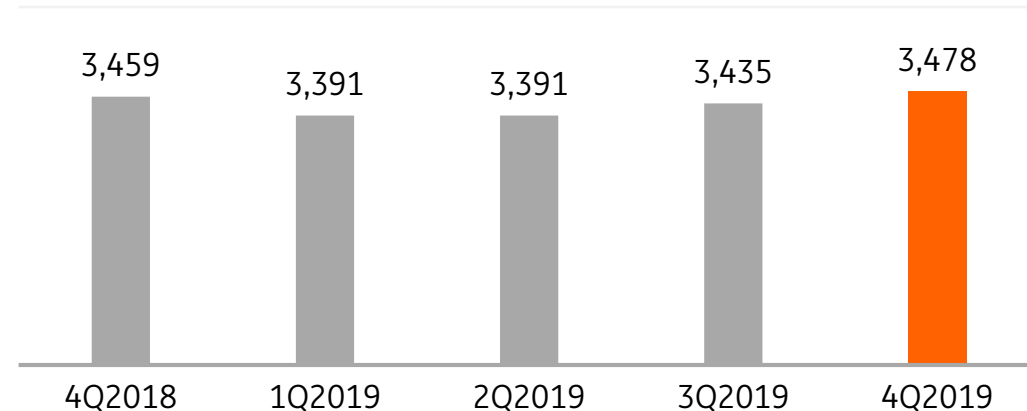
Total underlying income (in € mln)



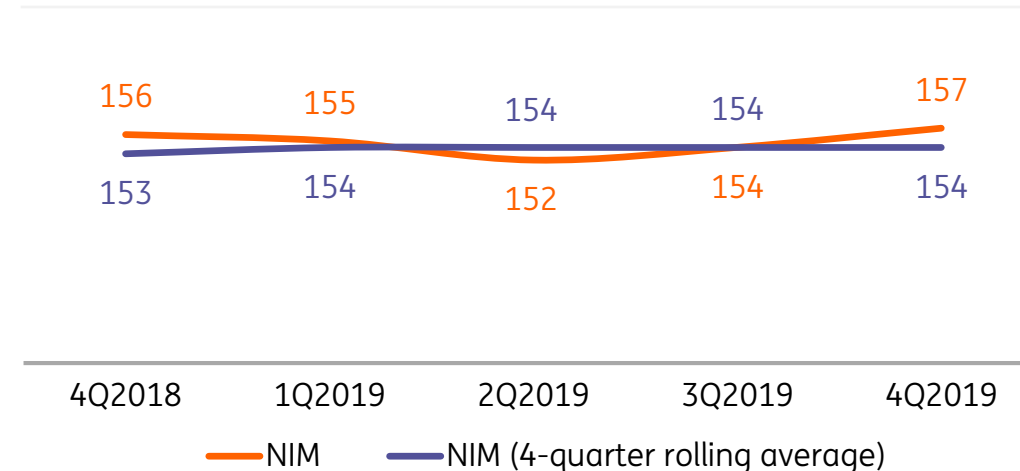
- 4Q2019 underlying result before tax was €1,337 mln, down 21.0% from a year ago, due to slightly lower income, higher expenses and higher risk costs
- Underlying income was €62 mln lower compared to 4Q2018 as discipline in lending margins and higher fee income were offset by primarily negative value adjustments in Financial Markets, while the year-ago quarter included an exceptional €50 mln higher profit from our stake in TMB
- Sequentially, the decrease in pre-tax result was driven by a combination of lower income, partly caused by €93 mln dividend from the Bank of Beijing received in the previous quarter, as well as higher expenses, including seasonally higher regulatory expenses, and increased risk costs

NII improved on year-ago and previous quarter; 4-quarter rolling NIM at 154 bps

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



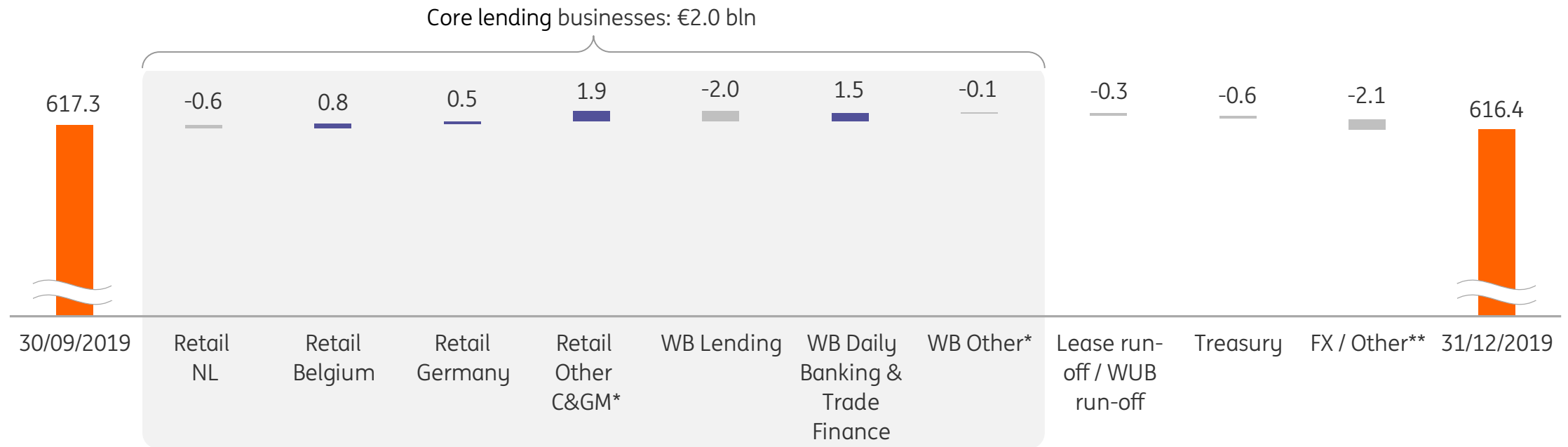
Higher NIM partially explained by FM (in bps)



- Net interest income, excluding Financial Markets, increased 0.5% compared to 4Q2018. Improved NII in the Corporate Line and some one-offs in Wholesale Banking, combined with higher volumes in customer lending and improved margins on mortgages, more than offset the negative impact of lower interest margins on customer deposits
- Quarter-on-quarter, NII excluding FM improved 1.3%, mainly due to higher interest results in Treasury
- NIM was 157 bps, up three basis points on 3Q2019. This was mainly attributable to higher (volatile) interest results in Financial Markets, combined with higher net interest income in Treasury and improved lending margins. These factors compensated for lower interest margins on customer deposits

4Q2019 net core lending

Customer lending ING Group 4Q2019 (in € bln)

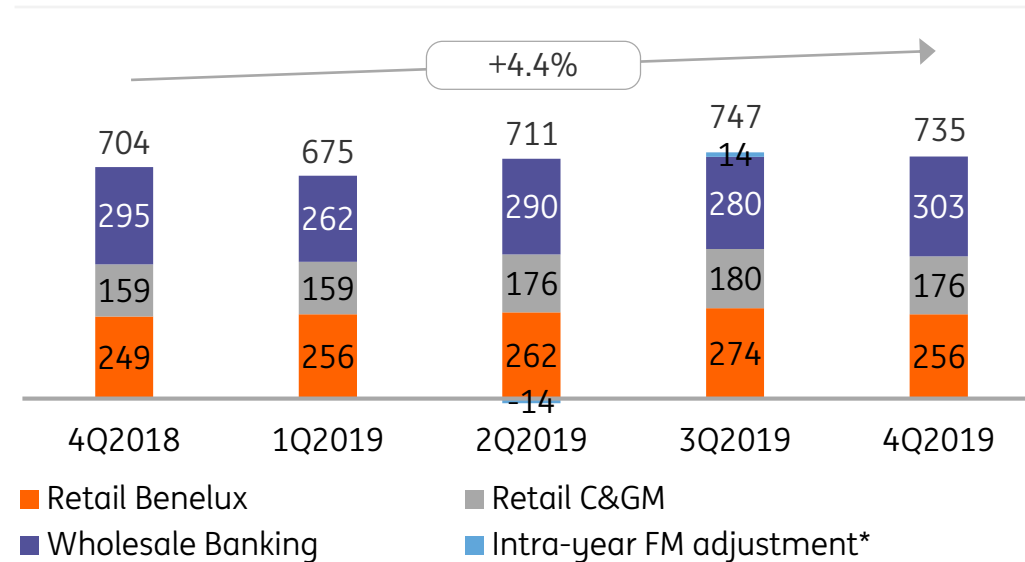


- Our net core lending grew by €2.0 bln in 4Q2019:
 - Retail Banking increased by €2.6 bln of which €1.9 bln was mortgage growth in most countries and €0.7 bln was other lending growth
 - Wholesale Banking reported a decrease of €0.6 bln, mainly in Lending, reflecting prepayments on some large term loans. This was partly offset by growth in Trade Finance, supported by higher oil prices

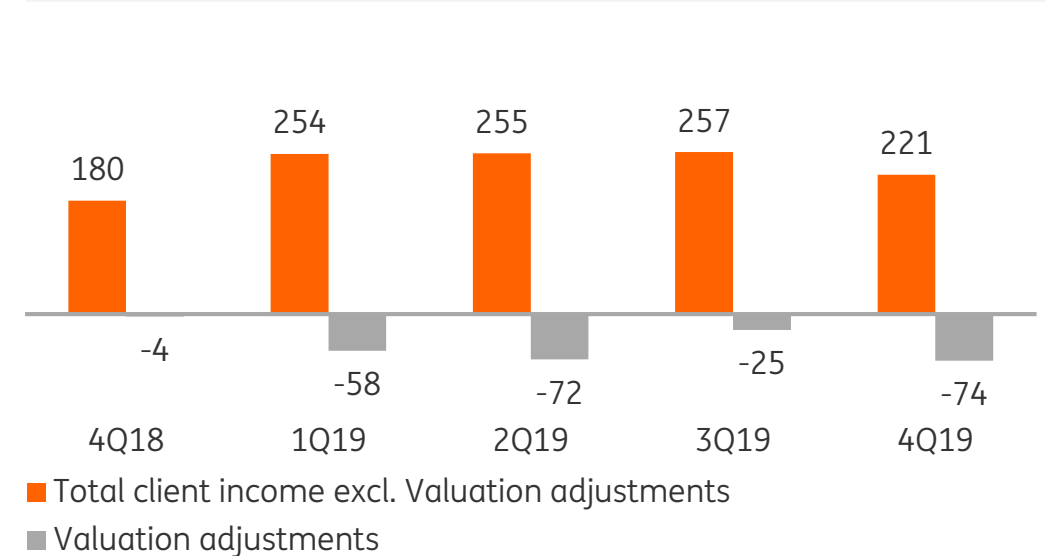
* C&GM is Challengers & Growth Markets; WB Other includes Financial Markets
 ** FX impact was €-1.5 bln and Other €-0.6 bln

Further growth of fee income; FM client business improved YoY

Net fee and commission income* (in € mln)



Underlying income Financial Markets (in € mln)

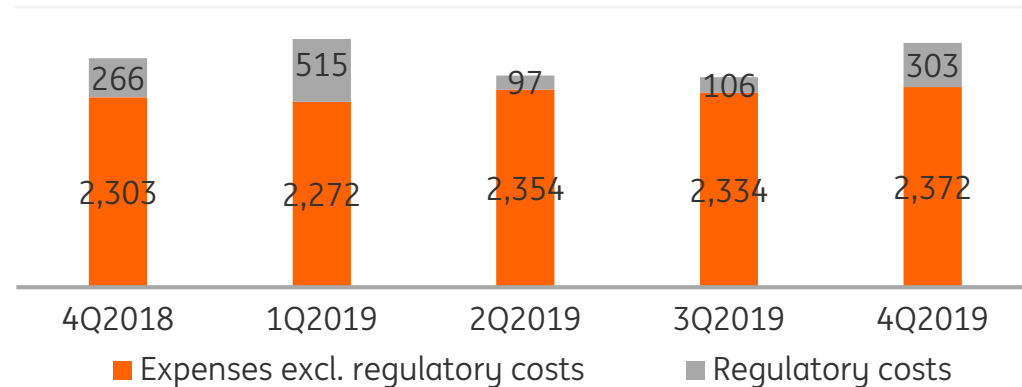


- Fees increased by €31 mln YoY, or 4.4%, driven by higher fees in Retail Banking and in Treasury & Other in Wholesale Banking.
- Sequentially, excluding the FM adjustment in 3Q2019, fee income was €2 mln higher. In Wholesale Banking fees increased, mainly due to more deal activity. This was partly offset by lower fee income in Retail Banking, primarily reflecting adjustments relating to previous quarters in the Netherlands and Belgium
- Excluding valuation adjustments, Financial Market's income rose by €41 mln versus 4Q2018 driven by higher income from Rates, Credit Trading and Global Capital Markets. Including valuation adjustments, total income decreased by €29 mln. Sequentially, income was €85 mln lower, caused by higher negative valuation adjustments and seasonally lower income in Client Trading

* In 3Q2019, an increase in fees of €14 mln in Wholesale Banking was caused by the reclassification of commissions paid in 2Q2019 to Other Income. In 4Q2019 some accounting adjustments were made causing the reported Net fee and commission income to be understated by €7 mln in 4Q2019 and overstated by €5 mln in 3Q2019

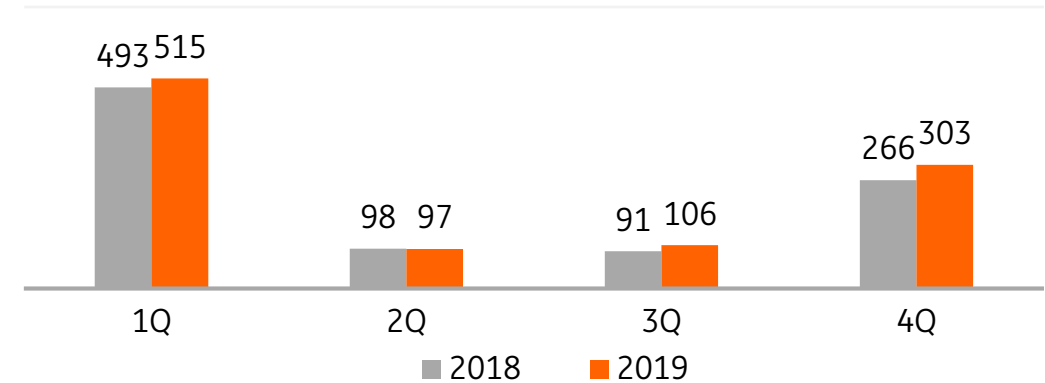
Higher expenses driven by elevated KYC costs

Underlying operating expenses (in € mln)

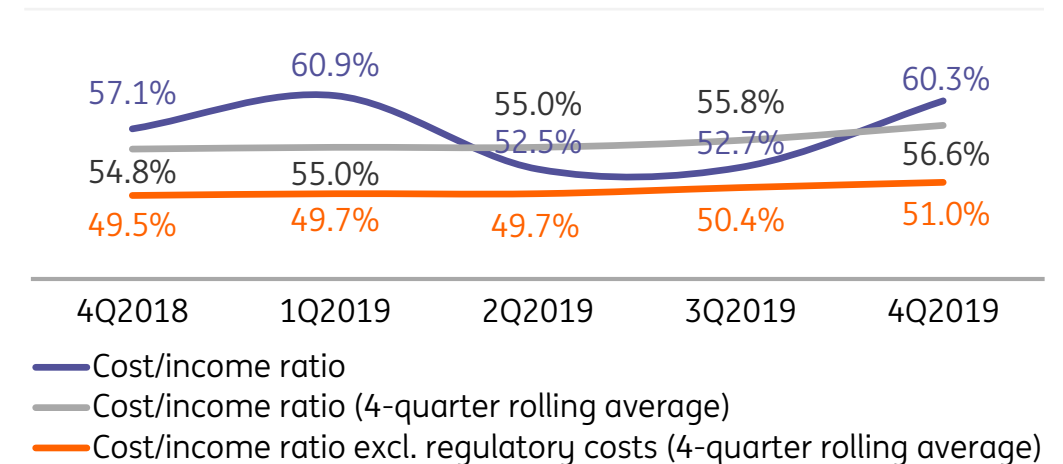


- Expenses excl. regulatory costs rose by €69 mln YoY, mainly due to approximately €75 mln of higher expenses related to KYC. Higher expenses for business growth, salary increases and IT investments were largely offset by cost savings and some one-offs, including a VAT refund in the Corporate Line
- Sequentially, expenses excl. regulatory costs increased by €38 mln, mainly driven by €25 mln of higher KYC-related costs and higher expenses for business growth and salary increases, whereas 3Q2019 included €40 mln of legal provisions in Retail C&GM

Regulatory costs* (in € mln)



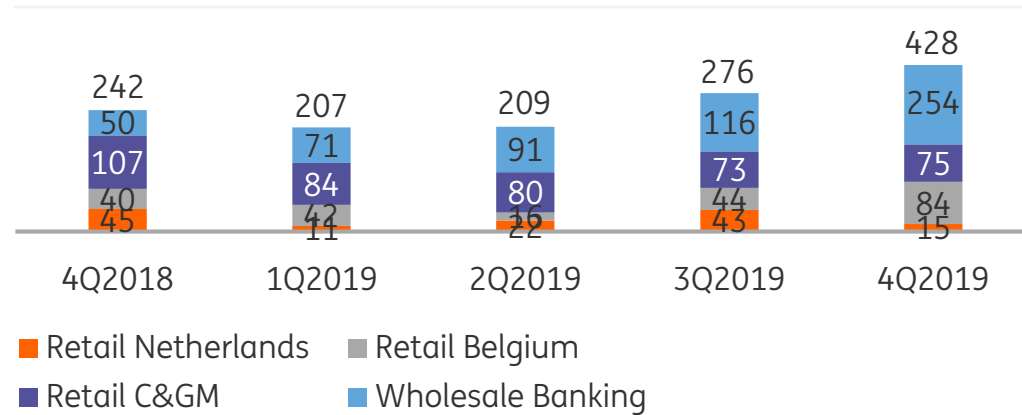
Underlying cost/income ratio



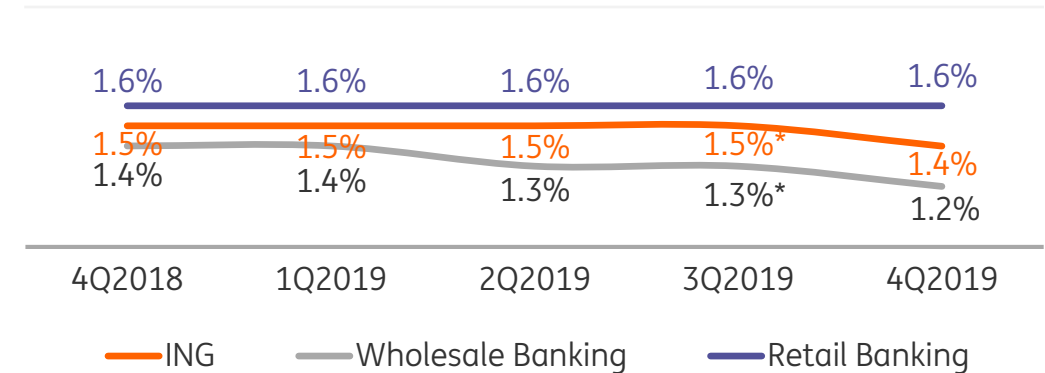
* Formal build-up phase of Deposit Guarantee Schemes (DGS) and Single Resolution Fund (SRF) should be completed by 2024

Risk costs increased sequentially, asset quality remains strong

Risk costs (in € mln)



Stage 3 ratio

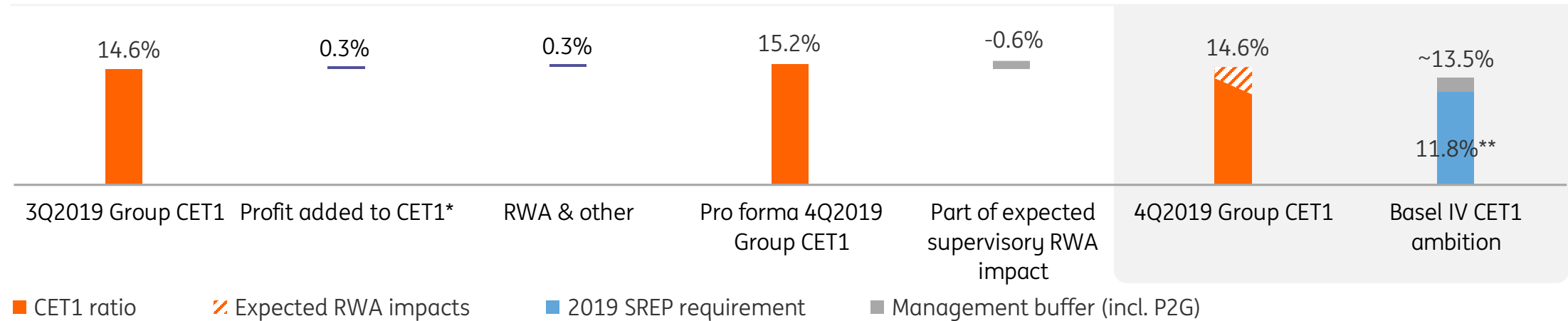


- 4Q2019 risk costs were €428 mln, or 28 bps of average customer lending, slightly above the through-the-cycle average of approx. 25 bps. The Bank's Stage 3 ratio improved to 1.4%, partly due to write-offs of some larger files in Wholesale Banking
- Retail Netherlands risk costs fell to €15 mln, mainly reflecting lower risk costs on mortgages, which were impacted by a change in the house price index that is used in 3Q19. Retail Belgium risk costs increased to €84 mln, partly due to higher risk costs on individual mid-corporate clients. Retail C&GM had slightly higher risk costs at €75 mln, as a higher net release in Germany was offset by higher risk costs in Turkey and Poland
- WB risk costs increased to €254 mln, mainly due to individual Stage 3 provisions both on existing and some new files, mainly in the Americas, Belgium and Asia. Underlying causes varied, including a sizable provision for a suspected external fraud case.
- The Stage 3% in WB remains low at 1.2% and based on the exposure earmarked as 'at risk' the quality of the loan book improved compared to the previous quarter
- See Appendix section of the presentation for further details on asset quality

* Stage 3 credit-impaired as per 30 September 2019 adjusted downwards by €548 mln

ING Group CET1 ratio stable at 14.6%

ING Group CET1 ratio development



- The pro forma 4Q2019 CET1 ratio came in at 15.2%. However, as a €13.2 bln RWA increase reflecting part of the expected supervisory impact on RWA (largely TRIM) was taken in 4Q2019, the CET1 ratio was stable at 14.6%. The €13.2 bln RWA increase more than offset the addition of quarterly net profit and otherwise lower Credit RWA due to positive risk migration and currency impacts. Operational RWA decreased by €3.0 bln, while Market RWA were stable
- In the coming quarters, we will see additional RWA impact coming from banking regulation and model reviews (e.g. TRIM, DoD, other macro prudential add-ons), although the magnitude of RWA impact remains uncertain
- We remain well positioned to achieve our CET1 ratio ambition of around 13.5%

* €838 mln which consists of 4Q2019 Group net profit of €880 mln minus €42 mln set aside for future dividend payments

** Current SREP requirement is 11.83%, but is expected to rise to 11.99% in 2020 due to phasing-in of countercyclical buffers

Wrap up

Wrap up

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Important legal information

ING Group's annual accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU'). In preparing the financial information in this document, except as described otherwise, the same accounting principles are applied as in the 2018 ING Group consolidated annual accounts. The Financial statements for 2019 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 the United Kingdom leaving the European Union or a break-up of the euro, (4) changes in the fiscal position and the future economic performance of the US including potential consequences of a downgrade of the sovereign credit rating of the US government, (5) potential consequences of a European sovereign debt crisis, (6) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, (7) changes in conditions in the credit and capital markets generally, including changes in borrower and counterparty creditworthiness, (8) changes affecting interest rate levels, (9) inflation and deflation in our principal markets, (10) changes affecting currency exchange rates, (11) changes in investor and customer behaviour, (12) changes in general competitive factors, (13) changes in or discontinuation of 'benchmark' indices, (14) changes in laws and regulations and the interpretation and application thereof, (15) changes in compliance obligations including, but not limited to, those posed by the implementation of DAC6, (16) geopolitical risks, political instabilities and policies and actions of governmental and regulatory authorities, (17) changes in standards and interpretations under International Financial Reporting Standards (IFRS) and the application thereof, (18) conclusions with regard to purchase accounting assumptions and methodologies, and other changes in accounting assumptions and methodologies including changes in valuation of issued securities and credit market exposure, (19) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (20) changes in credit ratings, (21) the outcome of current and future legal and regulatory proceedings, (22) operational risks, such as system disruptions or failures, breaches of security, cyber-attacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which we do business, (23) risks and challenges related to cybercrime including the effects of cyber-attacks and changes in legislation and regulation related to cybersecurity and data privacy, (24) the inability to protect our intellectual property and infringement claims by third parties, (25) the inability to retain key personnel, (26) business, operational, regulatory, reputation and other risks in connection with climate change, (27) ING's ability to achieve its strategy, including projected operational synergies and cost-saving programmes and (28) the other risks and uncertainties detailed in this annual report of ING Groep N.V. (including the Risk Factors contained therein) and ING's more recent disclosures, including press releases, which are available on www.ING.com. (29) This document may contain inactive textual addresses to internet websites operated by us and third parties. Reference to such websites is made for information purposes only, and information found at such websites is not incorporated by reference into this document. ING does not make any representation or warranty with respect to the accuracy or completeness of, or take any responsibility for, any information found at any websites operated by third parties. ING specifically disclaims any liability with respect to any information found at websites operated by third parties. ING cannot guarantee that websites operated by third parties remain available following the publication of this document, or that any information found at such websites will not change following the filing of this document. Many of those factors are beyond ING's control.

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