Dated 29 March 2019

ING BANK N.V.
REGISTRATION DOCUMENT

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INTRODUCTION

This document constitutes a registration document ("Registration Document") for the purposes of Article 5 of Directive 2003/71/EC, as amended or superseded, (the "Prospectus Directive") and has been prepared for the purpose of giving information with respect to ING Bank N.V. which, according to the particular nature of ING Bank N.V. and the securities which it may offer to the public within a member state ("Member State") of the European Economic Area (the "EEA") or apply to have admitted to trading on a regulated market situated or operating within such a Member State, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of ING Bank N.V.

In this Registration Document, unless otherwise stated or the context otherwise requires, references to the "Issuer" are to ING Bank N.V., references to "ING Bank" are to ING Bank N.V. and its subsidiaries, references to "ING Group" are to ING Groep N.V. and references to "ING" or the "Group" are to ING Group and its subsidiaries.

The Issuer accepts responsibility for the information contained in this Registration Document. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Registration Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Registration Document was approved by the Netherlands Authority for the Financial Markets (the "AFM") for the purposes of the Prospectus Directive on 29 March 2019.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Registration Document and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.

This Registration Document should not be considered as a recommendation by the Issuer that any recipient of this Registration Document should purchase any securities of the Issuer. Each investor contemplating purchasing any securities of the Issuer should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. This Registration Document does not constitute an offer or invitation by or on behalf of the Issuer to any person to subscribe for or to purchase any securities of the Issuer.

The delivery of this Registration Document shall not in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof. Investors should carefully review and evaluate, *inter alia*, the most recent financial disclosure of the Issuer from time to time incorporated by reference herein when deciding whether or not to purchase any securities of the Issuer.

The distribution of this Registration Document and the offer or sale of any securities of the Issuer may be restricted by law in certain jurisdictions. Persons into whose possession this Registration Document or any securities of the Issuer come must inform themselves about, and observe, any such restrictions.

Any securities to be issued by the Issuer in connection with this Registration Document have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States ("U.S."). Accordingly, any such securities may not be offered, sold, pledged or otherwise transferred within the U.S. or to or for the account or benefit of U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act and any applicable state securities laws.

Any securities to be issued by the Issuer in connection with this Registration Document have not been approved or disapproved by the U.S. Securities and Exchange Commission ("SEC"), any state securities commission in the U.S. or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of any such securities or the accuracy or the adequacy of this Registration Document. Any representation to the contrary is a criminal offence in the U.S.

This Registration Document includes or incorporates by reference “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical fact included or incorporated by reference in this Registration Document, including, without limitation, those regarding the Issuer’s financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer’s present and future business strategies and the environment in which the Issuer will operate in the future. These forward-looking statements speak only as of the date of this Registration Document or as of such earlier date at which such statements are expressed to be given. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published or are published simultaneously with this Registration Document and have been approved by the AFM or filed with it, shall be deemed to be incorporated in, and to form part of, this Registration Document; this Registration Document should be read and construed in conjunction with such documents:

(a) the Articles of Association (*statuten*) of the Issuer;

(b) the publicly available annual report of the Issuer in respect of the year ended 31 December 2018, including the audited consolidated financial statements and auditors' report in respect of such year; and

(c) the publicly available audited consolidated financial statements of the Issuer in respect of the years ended 31 December 2017 and 2016 (in each case, together with explanatory notes thereto and the auditors' reports thereon).

Any statement contained in a document which is deemed to be incorporated by reference into this Registration Document shall be deemed to be modified or superseded for the purpose of this Registration Document to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Any information or other documents themselves incorporated by reference, either expressly or implicitly, in the documents incorporated by reference in this Registration Document shall not form part of this Registration Document, except where such information or other documents are specifically incorporated by reference into this Registration Document.

The Issuer will provide, without charge, to each person to whom a copy of this Registration Document has been delivered in accordance with applicable law, upon the oral or written request of such person, a copy of any or all of the documents which are incorporated herein by reference. Requests for such documents should be directed to the Issuer at Foppingadreef 7, 1102 BD Amsterdam, the Netherlands. In addition, this Registration Document and any document which is incorporated herein by reference will be made available on the website of ING (https://www.ing.com/Investor-relations/Fixed-income-information/Debt-securities-ING-Bank-N.V./Senior-bonds.htm (for this Registration Document), https://www.ing.com/Investor-relations/Annual-Reports.htm (for the annual reports) and https://www.ing.com/About-us/Corporate-governance/Legal-structure-and-regulators.htm (for the Articles of Association)).

RISK FACTORS

Set out below are certain risk factors which could affect the future financial performance of the Issuer and thereby potentially affect the Issuer's ability to fulfil its obligations in respect of securities issued or guaranteed by it. The factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties the Issuer's businesses face. The Issuer has described only those risks relating to its operations of which it is aware and that it considers to be material. There may be additional risks that the Issuer currently considers not to be material or of which it is not currently aware and any of these risks could have the effects set forth above. Investors should note that they bear the Issuer's solvency risk. The term Issuer, for the purpose of this section (but not others), also refers, where the context so permits, to the Issuer and its subsidiaries.

Risks related to financial conditions, market environment and general economic trends

Because the Issuer is a financial services company conducting business on a global basis, its revenues and earnings are affected by the volatility and strength of the economic, business, liquidity, funding and capital markets environments specific to the geographic regions in which it conducts business. The ongoing turbulence and volatility of such factors have adversely affected, and may continue to adversely affect, the profitability, solvency and liquidity of the Issuer's business.

Factors such as interest rates, securities prices, credit spreads, liquidity spreads, exchange rates, consumer spending, changes in client behaviour, business investment, real estate values and private equity valuations, government spending, inflation or deflation, the volatility and strength of the capital markets, political events and trends, and terrorism all impact the business and economic environment and, ultimately, the Issuer's solvency, liquidity and the amount and profitability of business the Issuer conducts in a specific geographic region. In particular, the Issuer is exposed to financial, economic, market and political conditions in Germany and the Benelux countries, from which it derives a significant portion of its revenues. In an economic downturn characterised by higher unemployment, lower family income, lower corporate earnings, higher corporate and private debt defaults, lower business investments and lower consumer spending, the demand for banking products is usually adversely affected and ING's reserves and provisions typically would increase, resulting in overall lower earnings. Securities prices, real estate values and private equity valuations may also be adversely impacted, and any such losses would be realised through profit and loss and shareholders' equity. The Issuer also offers a number of financial products that expose it to risks associated with fluctuations in interest rates, securities prices, corporate and private default rates, the value of real estate assets, exchange rates and credit spreads.

See also '*—Interest rate volatility and other interest rate changes may adversely affect the Issuer's profitability*', '*— Continued risk of resurgence of turbulence and ongoing volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, the Issuer's business, financial condition and results of operations*', and '*—Market conditions, including those observed over the past few years, may increase the risk of loans being impaired*' below.

In case one or more of the factors mentioned above adversely affects the profitability of the Issuer's business, this might also result, among other things, in the following:

- reserve and provisions inadequacies, which could ultimately be realised through profit and loss and shareholders' equity;
- the write-down of tax assets impacting net results and/or equity;
- impairment expenses related to goodwill and other intangible assets, impacting net results;

- movements in risk weighted assets for the determination of required capital;
- changes in credit valuation adjustments and debt valuation adjustments; and/or
- additional costs related to maintenance of higher liquidity buffers and/or collateral placements.

Shareholders' equity and the Issuer's net result may be significantly impacted by turmoil and volatility in the worldwide financial markets. Negative developments in financial markets and/or economies and changes in the regulatory environment in which the Issuer operates have in the past had and may in the future have a material adverse impact on shareholders' equity and net result, including as a result of the potential consequences listed above. See '*— Continued risk of resurgence of turbulence and ongoing volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, the Issuer's business, financial condition and results of operations*' and '*— The Issuer operates in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions, the application of such laws and/or regulations or non- compliance with such laws and/or regulations governing the Issuer's business may reduce its profitability*' below.

Continued risk of resurgence of turbulence and ongoing volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, the Issuer's business, financial condition and results of operations.

General

The Issuer's business and results of operations are materially affected by conditions in the global capital markets and the economy generally. In Europe, there are continuing concerns over weaker economic conditions, as well as concerns in relation to European sovereign debt, the uncertain outcome of the negotiations between the UK and the EU following the UK referendum on EU membership, increasing political instability, levels of unemployment, the availability and cost of credit, credit spreads, and the end of quantitative easing within the Eurozone through bond repurchases and the ECB's targeted longer-term refinancing operation (TLTRO). In the United States, political uncertainty (including the recent US government shutdown), US national debt levels and changes in US trade and foreign investment policies (including tensions with China) may result in adverse economic developments. In addition, geopolitical issues, including with respect to the Middle East, Russia/Ukraine and North Korea may all contribute to adverse developments in the global capital markets and the economy generally.

Adverse developments in the market have included, for example, decreased liquidity, increased price volatility, credit downgrade events, and increased probability of default for fixed income securities. In addition, the confluence of these and other factors has resulted in volatile foreign exchange markets. Securities that are less liquid are more difficult to value and may be hard to dispose of. International equity markets have also continued to experience heightened volatility and turmoil, with issuers, including the Issuer, that have exposure to the real estate, mortgage, private equity and credit markets particularly affected. These events and market upheavals, including high levels of volatility, have had and may continue to have an adverse effect on the Issuer's revenues and results of operations, in part because it has a large investment portfolio.

There is also continued uncertainty over the long-term outlook for the fiscal position and the future economic performance of the US within the global economy and potential future budgetary restrictions in the US, with a corresponding perceived risk of a future sovereign credit ratings downgrade of the US government, including the rating of US Treasury securities. A downgrade of US Treasury securities could also impact the ratings and perceived creditworthiness of instruments issued, insured or guaranteed by institutions, agencies or instrumentalities directly linked to the US government. US Treasury securities and other US government-linked securities are key assets on the balance sheets of many financial institutions and are widely used as collateral by financial institutions to meet their day-to-day cash flows in the short-term debt market. The impact of any further downgrades to the sovereign credit rating of the US government or a default by the US government on its debt obligations would create broader financial turmoil and uncertainty, which would weigh heavily on the global financial system and could consequently result in a significant adverse impact to the Issuer's business and operations.

In addition, the confidence of customers in financial institutions is being tested. Consumer confidence in financial institutions may, for example, decrease due to the Issuer or its competitors' failure to communicate to customers the terms of, and the benefits to customers of, complex or high-fee financial products. Reduced confidence could have an adverse effect on the Issuer's revenues and results of operations, including withdrawal of deposits. Because a significant percentage of the Issuer's customer deposit base is originated via Internet banking, a loss of customer confidence may result in a rapid withdrawal of deposits over the Internet.

In many cases, the markets for investments and instruments have been and remain highly illiquid, and issues relating to counterparty credit ratings and other factors have exacerbated pricing and valuation uncertainties. Valuation of such investments and instruments is a complex process involving the consideration of market transactions, pricing models, management judgement and other factors, and is also impacted by external factors, such as underlying mortgage default rates, interest rates, rating agency actions and property valuations.

Historically these factors have resulted in, among other things, valuation and impairment issues in connection with the Issuer's exposures to European sovereign debt and other investments.

Any of these general developments in global financial and political conditions could negatively impact to the Issuer's shareholders' equity, solvency position, liquidity, financial condition or profit and loss accounts in future periods.

European sovereign debt crisis

The market continues to have concerns over the direct and indirect exposure of European banks and insurers to the sovereign debt of several EU Member States. These concerns have in the past, and could in the future, result in a widening of credit spreads and increased costs of funding for some European financial institutions. The sovereign debt crisis has also highlighted issues relating to the strength of the banking sector in Europe and the euro. In addition, risks and ongoing concerns about the crisis in the Italian banking sector and its potential spill-over effect into other Member States, deterioration of the political situation in Turkey, as well as the possible default by one or more Member States could have a detrimental impact on the global economic recovery, sovereign and non- sovereign debt in these countries and the financial condition of European and other financial institutions, including the Issuer. Additionally, the possibility of capital market volatility spreading through a highly integrated and interdependent banking system remains elevated. In the event of any default or similar event with respect to a sovereign issuer, some financial institutions may suffer significant losses, following which they would require additional capital, and such capital may not be available.

The Issuer is also exposed to the risk of downgrades of European sovereign ratings or corporate ratings, because they may affect its financial costs and, as a result, its profitability. Market disruptions in Europe related to sovereign debt and the banking sector continue to be a threat to global capital markets and remains a challenge to global financial stability. In the event of any default or similar event with respect to a sovereign issuer, some financial institutions may suffer significant losses, following which they would require additional capital, which may not be available. Market and economic disruptions stemming from the crisis in Europe also have affected, and may continue to affect, consumer confidence levels and spending, bankruptcy rates, levels of incurrence of, and default on, consumer debt and home prices, among other factors.

There can be no assurance that market disruptions in Europe, including the increased cost of funding for certain government and financial institutions, will not spread, nor can there be any assurance that future assistance packages will be available or, even if provided, will be sufficient to stabilise the affected countries and markets in Europe or elsewhere. To the extent uncertainty regarding the economic recovery continues to negatively impact consumer confidence and consumer credit factors, the Issuer's business and results of operations could be significantly and adversely impacted. Additionally, extreme prolonged market events, such as the recent global credit crisis, could cause the Issuer to incur significant losses and may lead to USD funding shortages for EU banks.

These factors, combined with volatile oil prices, reduced business and/or consumer confidence have negatively affected the economy of main geographic regions where the Issuer conducts its business. The Issuer's results of operations, liquidity position, capital position and investment portfolio are exposed to these risks and may be adversely affected as a result.

The United Kingdom's withdrawal from the European Union

Although the UK is not a member state of the Eurozone, the decision of the UK to leave the EU (commonly referred to as 'Brexit') remains a major political and economic event and may further destabilise the Eurozone. There continues to be uncertainty with respect to the process surrounding Brexit and the outcome of the ongoing Brexit negotiations, including with respect to the timing of Brexit, any related regulatory changes, and over the future economic relationship between the UK and the rest of the world (including the EU). In particular, it remains possible that the UK's membership in the EU ends without any agreement reached between the UK and EU on the terms of their relationship going forward. Any of these developments could have an adverse effect on economic and financial conditions in the UK, the EU or globally. Although ING has continued to take steps throughout 2018 to prepare for known risks related to Brexit, such as applying for a banking licence in the UK, taking actions for contract continuity and working to establish alternatives in the EU for those euro clearing activities that may be expected to move from London following Brexit, the possible economic and operational impacts of Brexit on the Group and its counterparties remain highly uncertain.

Concerns regarding other Member States' potential exit from the EU or the Eurozone also have emerged following the 'Brexit' referendum. The possible exit from the EU and/or the Eurozone of one or more European states and/or the replacement of the euro by one or more successor currencies could create significant uncertainties regarding the enforceability and valuation of euro-denominated contracts to which the Issuer (or its counterparties) are a party and thereby materially and adversely affect the Issuer and/or its counterparties' liquidity, financial condition and operations. Such uncertainties may include the risk that (i) an obligation that was expected to be paid in euros is redenominated into a new currency (which may not be easily converted into other currencies without incurring significant cost), (ii) currencies in some Member States may depreciate relative to others, (iii) former EU and/or Eurozone Member States may impose capital controls that would make it complicated or illegal to move capital out of such countries, and/or (iv) some courts (in particular, courts in countries that have left the EU and/or the Eurozone) may not recognise and/or enforce claims denominated in euros (and/or in any replacement currency).

Brexit, the exit of other member states from the EU or the Eurozone, or other political changes in Europe may have significant impacts on the main geographic regions where the Issuer conducts its business. The Issuer's results of operations, liquidity position, capital position and investment portfolio are exposed to these risks and may be adversely affected as a result.

Adverse capital and credit market conditions as well as changes in regulations may impact the Issuer's ability to access liquidity and capital, as well as the cost of liquidity, credit and capital.

Adverse capital market conditions have in the past affected, and may in the future affect, the Issuer's cost of borrowed funds and its ability to borrow on a secured and unsecured basis, thereby impacting its ability to support and/or grow its businesses. Furthermore, although interest rates are at or near historically low levels, since the recent financial crisis, the Issuer has experienced increased funding costs due in part to the withdrawal of perceived government support of such institutions in the event of future financial crises. In addition, liquidity in the financial markets has also been negatively impacted as market participants and market practices and structures adjust to new regulations.

The Issuer needs liquidity to pay its operating expenses, interest on its debt and dividends on its capital stock, maintain its securities lending activities and replace certain maturing liabilities. Without sufficient liquidity, the Issuer will be forced to curtail its operations and its business will suffer. The principal sources of the Issuer's funding include a variety of short- and long-term instruments, including deposit fund, repurchase agreements, commercial paper, medium- and long- term debt, subordinated debt securities, capital securities and shareholders' equity.

In the event that the Issuer's current resources do not satisfy its needs, it may need to seek additional financing. The availability of additional financing will depend on a variety of factors, such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, the Issuer's credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of its long- or short-term financial prospects. Similarly, the Issuer's access to funds may be limited if regulatory authorities or rating agencies take negative actions against it. If its internal sources of liquidity prove to be insufficient, there is a risk that the Issuer may not be able to successfully obtain additional financing on favourable terms, or at all. Any actions the Issuer might take to access financing may, in turn, cause rating agencies to re-evaluate its ratings.

Disruptions, uncertainty or volatility in the capital and credit markets may also limit the Issuer's access to capital. Such market conditions may in the future limit its ability to raise additional capital to support business growth, or to counterbalance the consequences of losses or increased regulatory capital and rating agency capital requirements. This could force the Issuer to (i) delay raising capital, (ii) reduce, cancel or postpone payment of dividends on its shares, (iii) reduce, cancel or postpone interest payments on its other securities, (iv) issue capital of different types or under different terms than it would otherwise, or (v) incur a higher cost of capital than in a more stable market environment. This would have the potential to decrease both the Issuer's profitability and its financial flexibility. The Issuer's results of operations, financial condition, cash flows, regulatory capital and rating agency capital position could be materially adversely affected by disruptions in the financial markets.

Furthermore, regulatory liquidity requirements in certain jurisdictions in which the Issuer operates are generally becoming more stringent, including those forming part of the 'Basel III' requirements discussed further below under '*—The Issuer operates in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions, the application of such laws and/or regulations or non-compliance with such laws and/or regulations governing the Issuer's business may reduce its profitability*', undermining the Issuer's efforts to maintain this centralised management of its liquidity. These developments may cause trapped pools of liquidity and capital, resulting in inefficiencies in the cost of managing the Issuer's liquidity and solvency, and hinder its efforts to integrate its balance sheet.

Interest rate volatility and other interest rate changes may adversely affect the Issuer's profitability.

Changes in prevailing interest rates may negatively affect the Issuer's business, including the level of net interest revenue it earns, and the levels of deposits and the demand for loans. A sustained increase in the inflation rate in the Issuer's principal markets may also negatively affect its business, financial condition and results of operations. For example, a sustained increase in the inflation rate may result in an increase in nominal market interest rates. A failure to accurately anticipate higher inflation and factor it into the Issuer's product pricing assumptions may result in mispricing of its products, which could materially and adversely impact its results of operations. On the other hand, recent concerns regarding negative interest rates and the low level of interest rates generally may negatively impact the Issuer's net interest income, which may have an adverse impact on its profitability.

A prolonged period of low interest rates, as is currently the case, may result in:

- lower earnings over time on investments, as reinvestments will earn lower rates;
- increased prepayment or redemption of mortgages and fixed maturity securities in the Issuer's investment portfolios, as well as increased prepayments of corporate loans. This as borrowers seek to borrow at lower interest rates potentially combined with lower credit spreads. Consequently, the Issuer may be required to reinvest the proceeds into assets at lower interest rates;
- lower profitability as the result of a decrease in the spread between client rates earned on assets and client rates paid on savings, current account and other liabilities;
- higher costs for certain derivative instruments that may be used to hedge certain of the Issuer's product risks;
- lower profitability since the Issuer may not be able to fully track the decline in interest rates in its savings rates;
- lower profitability since the Issuer may not always be entitled to impose surcharges to customers to compensate for the decline in interest rates;
- lower profitability since the Issuer may have to pay a higher premium for the defined contribution scheme in the Netherlands for which the premium paid is dependent on interest rate developments and DNB's methodology for determining the ultimate forward rate;
- lower interest rates may cause asset margins to decrease thereby lowering the Issuer's results of operations. This may for example be the consequence of increased competition for investments as result of the low rates, thereby driving margins down; and/or
- (depending on the position) a significant collateral posting requirement associated with the Issuer's interest rate hedge programs, which could materially and adversely affect liquidity and its profitability.

All these effects may be amplified in a negative rate environment. In such environment there may also be the risk that a rate is to be paid on assets, while there is no comparable rate paid on the liabilities. This will reduce the Issuer's results of operations.

Rapidly increasing interest rates may result in:

- a decrease in the demand for loans;
- higher interest rates to be paid on debt securities that the Issuer has issued or may issue on the financial markets from time to time to finance its operations and on savings, which would increase its interest expenses and reduce its results of operations;
- higher interest rates can lead to lower investments prices reduce the revaluation reserves, thereby lowering IFRS equity and the capital ratios. Also the lower securities value leads to a loss of liquidity generating capacity which needs to be compensated by attracting new liquidity generating capacity which reduces the Issuer's results of operations;
- prepayment losses if prepayment rates are lower than expected or if interest rates increase too rapidly to adjust the accompanying hedges; and/or
- (depending on the position) a significant collateral posting requirement associated with the Issuer's interest rate hedge program;

Inflation and deflation may negatively affect the Issuer's business.

A sustained increase in the inflation rate in the Issuer's principal markets would have multiple impacts on it and may negatively affect its business, solvency position and results of operations. For example, a sustained increase in the inflation rate may result in an increase in market interest rates, which may:

- decrease the estimated fair value of certain fixed income securities that the Issuer holds in its investment portfolios, resulting in:
  - reduced levels of unrealised capital gains available to the Issuer, which could negatively impact its solvency position and net income, and/or
  - a decrease in collateral values,
- result in increased withdrawal of certain savings products, particularly those with fixed rates below market rates,
- require the Issuer, as an issuer of securities, to pay higher interest rates on debt securities that it issues in the financial markets from time to time to finance its operations, which would increase its interest expenses and reduce its results of operations.

A significant and sustained increase in inflation has historically also been associated with decreased prices for equity securities and sluggish performance of equity markets generally. A sustained decline in equity markets may:

- result in impairment charges to equity securities that the Issuer holds in its investment portfolios and reduced levels of unrealised capital gains available to it which would reduce its net income, and
- lower the value of its equity investments impacting its capital position.

In addition, a failure to accurately anticipate higher inflation and factor it into the Issuer's product pricing may result in a systemic mispricing of its products, which would negatively impact its results of operations.

On the other hand, deflation experienced in the Issuer's principal markets may also adversely affect its financial performance. In recent years, the risk of low inflation and even deflation (i.e., a continued period with negative rates of inflation) in the Eurozone has materialised. Deflation may erode collateral values and diminish the quality of loans and cause a decrease in borrowing levels, which would negatively affect the Issuer's business and results of operations.

Risks related to discontinuation of or changes to 'benchmark' indices

The London Interbank Offered Rate ("LIBOR"), the Euro OverNight Index Average ("EONIA"), the Euro Interbank Offered Rate ("EURIBOR") and other interest rates or other types of rates and indices which are deemed to be 'benchmarks' are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform or be calculated differently than in the past, or benchmarks could cease to exist entirely, or there could be other consequences which cannot be predicted. On 8 June 2016, the EU adopted a Regulation (the "Benchmarks Regulation") on indices (such as LIBOR and EURIBOR) used in the EU as benchmarks in financial contracts. The Benchmarks Regulation became effective as of 1 January 2018. It provides that administrators of benchmarks used in the EU generally must be authorised by or registered with regulators no later than 1 January 2020, and that they must comply with a code of conduct designed primarily to ensure reliability of input data, governing issues such as conflicts of interest, internal controls and benchmark methodologies. Although the UK Financial Conduct Authority ("FCA") has authorised ICE Benchmark Administration as administrator of LIBOR, on 27 July 2017, the FCA announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021. The announcement indicates that the continuation of the LIBOR on the current basis cannot and will not be guaranteed after 2021.

In addition, after review of EONIA, its administrator the European Money Markets Institute announced that, should market conditions and dynamics remain unchanged, EONIA's compliance with the Benchmarks Regulation by January 2020 cannot be warranted, as long as EONIA's definition and calculation methodology remain in their current format. The announcement indicates that EONIA cannot longer be used in new contracts offered as of 1 January 2020. Public authorities have initiated industry working groups in various jurisdictions to search for and recommend alternative risk-free rates, that could serve as alternatives if current benchmarks like LIBOR and EONIA cease to exist or materially change. The work of these working groups is still ongoing.

The potential discontinuation of the LIBOR and EONIA benchmarks or any other benchmark, or changes in the methodology or manner of administration of any benchmark, could result in a number of risks for the Group, its clients, and the financial services industry more widely. These risks include legal risks in relation to changes required to documentation for new and existing transactions may be required. Financial risks may also arise from any changes in the valuation of financial instruments linked to benchmark rates, and changes to benchmark indices could impact pricing mechanisms on some instruments. Changes in valuation, methodology or documentation may also result into complaints or litigation. The Group may also be exposed to operational risks or incur additional costs due to the potential requirement to adapt IT systems, trade reporting infrastructure and operational processes, or in relation to communications with clients or other parties and engagement during the transition period.

The replacement of benchmarks together with the timetable and mechanisms for implementation have not yet been confirmed by central banks. Accordingly, it is not currently possible to determine whether, or to what extent, any such changes would affect the Group. However, the implementation of alternative benchmark rates may have a material adverse effect on the Issuer's business, results of operations and financial condition.

The Issuer operates in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions, the application of such laws and/or regulations or non-compliance with such laws and/or regulations governing the Issuer's business may reduce its profitability.

The Issuer is subject to detailed banking laws and government regulation in the jurisdictions in which it conducts business. Regulatory agencies and supervisors have broad administrative power and enforcement capabilities over many aspects of the Issuer's business, which may include liquidity, capital adequacy, permitted investments, ethical issues, money laundering, anti-terrorism measures, privacy, recordkeeping, product and sale suitability, marketing and sales practices, remuneration policies, personal conduct and its own internal governance practices. Also, regulators and other supervisory authorities in the EU, the US and elsewhere continue to scrutinise payment processing and other transactions and activities of the financial services industry through laws and regulations governing such matters as money laundering, anti-terrorism financing, tax evasion, prohibited transactions with countries or persons subject to sanctions, and bribery or other anti-corruption measures.

The Issuer's revenues and profitability and those of its competitors have been and will continue to be impacted by requirements relating to capital, additional loss-absorbing capacity, leverage, minimum liquidity and long-term funding levels, requirements related to resolution and recovery planning, derivatives clearing and margin rules and levels of regulatory oversight, as well as limitations on which and, if permitted, how certain business activities may be carried out by financial institutions.

Regulators around the world have increased their focus on the regulation of the financial services industry. Most of the principal markets where the Issuer conducts its business have adopted, or are currently in the implementation phase of, major legislative and/or regulatory initiatives in response to the financial crisis. Governmental and regulatory authorities in the Netherlands, Germany, Belgium, the United Kingdom, the EU, the US and elsewhere have implemented, or are in the process of implementing measures to increase regulatory control in their respective financial markets and financial services sectors, including, among others, in the areas of prudential rules, liquidity and capital requirements, executive compensation, crisis and contingency management, bank taxes and financial reporting. Additionally, governmental and regulatory authorities in the Netherlands, in the EU and the US as well as in a multitude of jurisdictions where the Issuer conducts its business continue to consider new mechanisms to limit the occurrence and/or severity of future economic crises (including proposals to restrict the size of financial institutions operating in their jurisdictions and/or the scope of operations of such institutions). Furthermore, the Issuer is subject to different tax regulations in each of the jurisdictions where it conducts business. Changes in tax laws (including case law) could increase the Issuer's taxes and its effective tax rates and could materially impact its tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities, which could have a material adverse effect on the Issuer's business, results of operations and financial condition. Changes in tax laws could also make certain ING Bank products less attractive, which could have adverse consequences for the Issuer's businesses and results.

Compliance with applicable laws and regulations is resources-intensive, and changes in laws and regulations may materially increase costs. The Issuer expects the scope and extent of regulation in the jurisdictions in which it conducts its business, as well as regulatory oversight and supervision, to generally continue to increase. However, the Issuer cannot predict whether or when future legislative or regulatory actions may be taken, or what impact, if any, actions taken to date or in the future could have on its business, results of operations and financial condition. Regulation is becoming increasingly more extensive and complex and the industries in which the Issuer operates are increasingly coming under the scrutiny of regulators, and affected companies, including ING Bank, are required to meet the demands, which often necessitate additional resources. These regulations can limit the Issuer's activities, among others, through stricter net capital, customer protection and market conduct requirements and restrictions on the businesses in which it can operate or invest.

Despite its efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, the Issuer has faced, and in the future may continue to face, the risk of consequences in connection with non-compliance with applicable laws and regulations. There are a number of risks in areas where applicable regulations may be unclear, subject to multiple interpretations or under development, or where regulations may conflict with one another, or where regulators revise their previous guidance or courts overturn previous rulings, which could result in the Issuer's failure to meet applicable standards. Regulators and other authorities have the power to bring administrative or judicial proceedings against the Issuer, which could result, among other things, in suspension or revocation of its licences, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action, which could materially harm its results of operations and financial condition. If the Issuer fails to address, or appears to fail to address, any of these matters appropriately, its reputation could be harmed and it could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages brought against the Issuer or subject it to enforcement actions, fines and penalties.

Basel III, CRD IV and CRD V

In December 2010, the Basel Committee on Banking Supervision ("BCBS") announced higher global minimum capital standards for banks and introduced a new global liquidity standard and a new leverage ratio. The BCBS's package of reforms, collectively referred to as the 'Basel III' rules, will, among other requirements, increase the amount of common equity required to be held by subject banking institutions, prescribe the amount of liquid assets and the long-term funding a subject banking institution must hold at any given moment and limit leverage. Banks will be required to hold a 'capital conservation buffer' to withstand future periods of stress such that the total common equity Tier 1 ratio, which was fully phased in on 1 January 2019, will rise to 7%. Basel III also introduced a 'countercyclical buffer' as an extension of the capital conservation buffer, which would allow national regulators to require banks to hold more capital during periods of high credit growth (to strengthen capital reserves and moderate the debt markets). Further, Basel III has strengthened the definition of capital that will have the effect of disqualifying many hybrid securities, including those issued by the Issuer, from inclusion in regulatory capital, as well as the higher capital requirements for trading, derivative and securitisation activities as part of a number of reforms to the Basel II framework. In addition, the BCBS and the Financial Stability Board ("FSB") published measures in October 2011 that would have the effect of requiring higher loss absorbency capacity, liquidity surcharges, exposure limits and special resolution regimes for, and instituting more intensive and effective supervision of, 'systemically important financial institutions' ("SIFIs") and so-called 'Global' SIFIs ("G-SIFIs"), in addition to the Basel III requirements otherwise applicable to most financial institutions. In particular, in November 2015 the FSB published the final Total Loss-Absorbing Capacity ("TLAC") standard for G-SIFIs, which aims for G-SIFIs to have sufficient loss-absorbing and recapitalisation capacity available in resolution. In Europe, the TLAC requirements are expected to be implemented into the Capital Requirements Regulation (CRR II) and Capital Requirements Directive V ('CRD V'). ING Bank has been designated by the BCBS and the FSB as one of the global systemically important banks ("G-SIBs"), forming part of the G-SIFIs, since 2011, and by the Dutch Central Bank (De Nederlandsche Bank N.V., "DNB") and the Dutch Ministry of Finance as a domestic SIFI since November 2011. The Basel III proposals and their potential impact are monitored via semi-annual monitoring exercises in which the Issuer participates. As a result of such monitoring exercises and ongoing discussions within the regulatory environment, revisions have been made to the original Basel III proposals as was the case with the revised Liquidity Coverage Ratio in January 2013 and the revised Net Stable Funding Ratio and Leverage Ratio in January 2014. In December 2017, revisions to Basel III were formally announced by the BCBS. These revisions to Basel III establish new prudential rules for banks, including a revision to the standardised approach to credit risk, the introduction of a capital floor based on standardised approaches, the use of internal models, limitation of options for modelling operating risks, and new rules for the establishment of risk-weighted items and unused credit lines at the banks. With a long implementation phase and the transposition of these revisions into EU regulation still pending, the impact of such revisions on ING's business and operations is not yet clear.

For European banks, the original Basel III requirements were implemented through the Capital Requirements Regulation ("CRR"), which was adopted by the EC in June 2013 following approval by the European Parliament in April 2013, and the Capital Requirements Directive IV ("CRD IV"). The CRR entered into force on 28 June 2013 and the CRD IV Directive entered into force on 17 July 2013, and all banks and investment firms in the EU (as opposed to the scope of the Basel III requirements, which apply to 'internationally active banks') were required to apply the new rules from 1 January 2014 in phases, and these rules were required to be fully implemented as of 1 January 2019. The full impact of these rules, and any additional requirements for SIFIs or G-SIFIs, if and as applicable to the Issuer, depend on how the CRD IV is transposed into national laws in each Member State, including the extent to which national regulators and supervisors set more stringent limits and additional capital requirements or surcharges. In the Netherlands, the CRD IV has been implemented through amendments to the Financial Supervision Act. In the next phase for regulatory requirements for banks' risk and capital management, the regulators are focusing on the required capital calculations across banks. Since the start of the financial crisis there has been much debate on the risk-weighted capitalisation of banks, and specifically on whether internal models are appropriate for such purposes. These developments have suggested that stricter rules may be applied by a later framework. The BCBS released several consultative papers, containing proposals to change the methodologies for the calculation of capital requirements and is expected to issue further standards in this respect. Within these proposals BCBS suggests methods to calculate RWA using more standardised or simpler methods in order to achieve greater comparability, transparency and consistency. As discussed above, in November 2016, the EC proposed substantial amendments to the CRR and CRD IV (such amendments being commonly referred to as the CRR II and CRD V), the BRRD and the Single Resolution Mechanism Regulation to, among other things, implement these revisions in the EU legislation. Legislation is expected to be finalised early 2019. These proposals will likely impact the capital requirements for currently reported exposures (e.g. credit risk via revised standardised RWA floor) but may also lead to new capital requirements. The proposals cover multiple areas, including the Pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of 'non-preferred' senior debt, the minimum requirement for own funds and eligible liabilities (MREL) and the integration of the TLAC standard into EU legislation. The proposals are to be considered by the European Parliament and the Council of the EU and therefore remain subject to change. The final package of new legislation may not include all elements of the proposals and new or amended elements may be introduced through the course of the legislative process. Until the proposals are in final form, it is uncertain how the proposals will affect the Issuer or holders of its securities. The current proposals, as well as the economic and financial environment at the time of implementation and beyond, can have a material impact on ING's operations and financial condition and they may require the Issuer to seek additional capital.

Single Supervisory Mechanism

In November 2014, the European Central Bank ("ECB") assumed responsibility for a significant part of the prudential supervision of banks in the Eurozone, including the Issuer, following a year-long preparatory phase which included an in-depth comprehensive assessment of the resilience and balance sheets of the biggest banks in the Eurozone. The Issuer was among the seven Dutch institutions covered by the assessment (out of 130 institutions overall). While the ECB has assumed the supervisory tasks conferred on it by the Single Supervisory Mechanism ("SSM") Regulation, the DNB will still continue to play a significant role in the supervision of the Issuer.

In its capacity as principal bank supervisor in the EU, the ECB has extensive supervisory and investigatory powers, including the ability to issue requests for information, to conduct regulatory investigations and on-site inspections, and to impose monetary and other sanctions. For example, under the SSM, the regulators with jurisdiction over the Issuer, including the ECB, may conduct stress tests and have discretion to impose capital surcharges on financial institutions for risks that are not otherwise recognised in risk-weighted assets or other surcharges depending on the individual situation of the bank and take or require other measures, such as restrictions on or changes to the Issuer's business. Competent regulators may also, if the Issuer fails to comply with regulatory requirements, in particular with minimum capital requirements (including buffer requirements) or with liquidity requirements, or if there are shortcomings in its governance and risk management processes, prohibit the Issuer from making dividend payments to shareholders or distributions to holders of its regulatory capital instruments. Generally, a failure to comply with the new quantitative and qualitative regulatory requirements could have a material adverse effect on the Issuer's business, financial condition and results of operations.

In order to make capital levels more comparable and to reduce variability in banks' internal models, the ECB introduced the Targeted Review of Internal Models ("TRIM") in June 2017 to assess reliability and comparability between banks' models. The TRIM aims to create a level playing field by harmonising the regulatory guidance around internal models, and the ultimate goal is to restore trust in the use of internal models by European banks. The operating consequences of the TRIM exercise have been significant. The TRIM is expected to finalise in 2019, and could impact ING through more stringent regulation on internal models. There is also heightened supervisory attention for the credit quality of loans to corporates and/or households. These exercises could impact the RWA ING recognises for certain assets.

Dodd-Frank Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank" or "Dodd-Frank Act") has imposed and may in the future impose significant additional regulation on ING. Key aspects of Dodd-Frank that are having an impact on the Group include the aspects set out below.

Title VII of Dodd-Frank created a new framework for regulation of the over-the-counter derivatives markets and certain market participants which has affected and could continue to affect various activities of the Issuer.

ING Capital Markets LLC, a wholly-owned indirect subsidiary of the Issuer, has registered with the US Commodity Futures Trading Commission ("CFTC") as a swap dealer. The SEC is expected to adopt regulations establishing registration and margin and capital requirements for security-based swaps. Along with the still indeterminate effective date for SEC regulations on, among others, reporting, registration, and internal and external business conduct with respect to security-based swaps, these are likely to materially impact ING. Additionally, the CFTC is expected to adopt capital requirements for swap dealers, although the specific requirements, and any available exemptions, have not been finalised. If these requirements are applicable to ING, and no exemptions are available, it is possible that these requirements will be difficult for ING to comply with and may, as a result, materially and adversely impact ING's ability to operate as a swap dealer in the US Other CFTC regulatory requirements, already implemented, include registration of swap dealers, business conduct rules imposed on swap dealers, requirements that some categories of swaps be centrally executed on regulated trading facilities and cleared through regulated clearing houses, and initial and variation margin requirements for uncleared swaps. In addition, new position limits requirements for market participants that have been proposed and may be contained in final regulations to be adopted by the CFTC could limit ING's position sizes in swaps referencing specified physical commodities and similarly limit the ability of counterparties to utilise certain of ING's products by narrowing the scope of hedging exemptions from position limits for commercial end users and the trading activity of speculators. All of the foregoing areas of regulation of the derivative markets and market participants will likely result in increased cost of hedging and other trading activities, both for ING and its customers, which could expose the Issuer's business to greater risk and could reduce the size and profitability of its customer business. In addition, the imposition of these regulatory restrictions and requirements, could result in reduced market liquidity, which could in turn increase market volatility and the risks and costs of hedging and other trading activities.

Pursuant to requirements of the Dodd-Frank Act, the SEC and CFTC are required to consider whether stable value contracts should be regulated as 'swap' derivative contracts. In the event that stable value contracts become subject to such regulation, certain aspects of the Issuer's business could be adversely impacted, including issuance of stable value contracts and management of assets pursuant to stable value mandates.

The Issuer may at some point in time consider whether to establish a branch office in the US. If the Issuer were to establish a US. branch, it would be subject to supervision and regulation by the Federal Reserve under various laws and various restrictions on its activities under those laws, including the Bank Holding Company Act of 1956, as amended, and the International Banking Act of 1978, which could materially impact the Issuer's operations. These restrictions would include, among others, the Volcker Rule, which generally prohibits certain proprietary trading activities and sponsoring or investing in private funds, such as hedge funds and private equity funds, and heightened prudential standards and additional supervisory requirements. In the event that the Issuer or one of its affiliates becomes subject to the Volcker Rule, it is expected that it would experience significant additional compliance and operational costs and may be prohibited from engaging in certain activities it currently conducts.

Dodd-Frank also includes various securities law reforms that may affect the Issuer's business practices and the liabilities and/or exposures associated therewith, including a provision intended to authorise the SEC to impose on broker-dealers' fiduciary duties to their customers, as applied to investment advisers under existing law, which new standard could potentially expose certain of ING's US broker-dealers to increased risk of SEC enforcement actions and liability. In 2011, the SEC staff released a study on this issue, and members of the SEC's Investor Advisory Committee voted in November 2013 to recommend the proposal implementing a uniform fiduciary standard for most brokers and registered investment advisers to the SEC.

Although the full impact of Dodd-Frank and its implementing regulations cannot be determined at this time, many of their requirements have had and may continue to have profound and/or adverse consequences for the financial services industry, including for the Issuer. Dodd-Frank, in its current form, could make it more expensive for the Issuer to conduct business, require it to make changes to its business model or satisfy increased capital requirements, subject the Issuer to greater regulatory scrutiny or to potential increases in whistleblower claims in light of the increased awards available to whistleblowers under Dodd-Frank and have a material effect on its results of operations or financial condition.

In 2017, the US Secretary of the Treasury issued several reports, after consultation with other financial regulatory agencies, evaluating the current financial regulatory framework against core principles set out by the new US administration. The reports have recommended some revisions to Dodd-Frank and related rules and regulations. There can be no assurance that these or any other future reforms will not significantly impact the Issuer's business, financial condition and results of operations.

Foreign Account Tax Compliance Act and other US withholding tax regulations

Under provisions of US tax law commonly referred to as FATCA, non-US financial institutions are required to provide certain information on their US account holders and/or certain US investors to the US Internal Revenue Service ("IRS"). A 30% withholding tax is imposed on 'withholdable payments' made to non-compliant non-US financial institutions. In addition to FATCA, non-US financial institutions are required to comply with other US withholding and reporting requirements on certain payments. The Issuer intends to take all necessary steps to comply with FATCA and other US withholding tax regulations. ING is for example updating and strengthening its withholding compliance programme and reviewing, amending and filing the necessary tax returns and information reports.

Many countries, including the Netherlands, have entered into agreements ('intergovernmental agreements' or "IGAs") with the US to facilitate the type of information reporting required under FATCA. While the existence of IGAs will not eliminate the risk of the withholding described above, these agreements are expected to reduce that risk for financial institutions and investors in countries that have entered into IGAs. IGAs often require financial institutions in those countries to report information on their US account holders to the taxing authorities of those countries, who will then pass the information to the IRS.

If the Issuer is unable to comply with requirements imposed under IGAs or otherwise comply with FATCA, certain payments to the Issuer may be subject to withholding under FATCA or other US withholding tax regulations. Payments made with respect to certain products offered by members of ING may also be or become subject to withholding under FATCA. The possibility of such withholding and the need for account holders and investors to provide certain information may adversely affect the sales of certain of ING's products. In addition, (i) compliance with the terms of IGAs and with FATCA, any regulations or other guidance promulgated thereunder, or any legislation promulgated under an IGA, and (ii) offering products subject to US withholding, may substantially increase the Group's compliance costs. Failure to comply with FATCA and other US withholding tax regulations could harm ING's reputation and could subject the Group to enforcement actions, fines and penalties, which could have a material adverse effect on its business, reputation, revenues, results of operations, financial condition and prospects. For additional information with respect to specific proceedings, see '*General Information – Litigation*'.

Common Reporting Standard

Similarly, the Organisation for Economic Cooperation and Development ("OECD") has developed a Common Reporting Standard ("CRS") and model competent authority agreement to enable the multilateral and automatic exchange of financial account information. The CRS requires financial institutions to identify and report the tax residency and account details of non-resident customers to the relevant authorities in jurisdictions adhering to CRS. As of 29 October 2018, 104 jurisdictions ('signatory countries'), including the Netherlands, have signed a multilateral competent authority agreement to automatically exchange information pursuant to CRS. The majority of countries where ING has a presence has committed to CRS. The EU has made CRS mandatory for all its member states. The first information exchange by the Netherlands (as for approximately half of the signatory countries) was executed in 2017. Other signatory countries commenced their information exchange in 2018.

The need for account holders and investors to provide certain information may adversely affect the sales of certain of the Group's products. In addition, compliance with the CRS, any regulations or other guidance promulgated thereunder, or any legislation promulgated under the CRS may substantially increase the Group's compliance costs. Failure to comply with the CRS could harm the Issuer's reputation and could subject the Group to enforcement actions, fines and penalties, which could have a material adverse effect on its business, reputation, revenues, results of operations, financial condition and prospects.

DAC6

The measures included in EU Directive 2011/16 after amendment by EU Directive 2018/822 (commonly referred to as "DAC6") impose mandatory disclosure requirements for taxpayers and intermediaries involving the reporting of cross-border arrangements affecting at least one Member State that fall within one of a number of 'hallmarks'. These hallmarks are broad categories setting out particular characteristics identified as potentially indicative of aggressive tax avoidance. The reporting obligations apply to 'intermediaries' (financial institutions like ING may fall under this term) or, in some circumstances, the taxpayer itself. There will be a mandatory automatic exchange of information on such reportable cross-border schemes via the Common Communication Network (CCN) between the Member States which will be set up by the EU. Although DAC6 is not effective until 1 July 2020 and has not yet been implemented in domestic law in all Member States, taxpayers and intermediaries have needed to monitor relevant cross-border arrangements from 25 June 2018. Compliance with the terms of DAC6 may substantially increase the Group's compliance costs. Additionally, there is a risk that ING may fail to timely identify and disclose cross-border arrangements in which it is an intermediary. Failure to comply with DAC6 could harm the Issuer's reputation and could subject the Group to enforcement actions, fines and penalties, which could have a material adverse effect on its business, reputation, revenues, results of operations, financial condition and prospects.

Bank Recovery and Resolution Regimes

In June 2012, the 'Intervention Act' (*Wet bijzondere maatregelen financiële ondernemingen*) came into force in the Netherlands, with retroactive effect from 20 January 2012. The Intervention Act mainly amended the Dutch Financial Supervision Act and the Dutch Insolvency Act allowing Dutch authorities to take certain actions with respect to a failing bank or insurer that cannot be wound up under ordinary insolvency rules due to concerns regarding the stability of the overall financial system. It comprised two categories of measures. The first category of measures related to banks or insurers facing serious financial difficulties and included measures related to the timely and efficient liquidation of the failing institution. This set of measures gave the DNB the power to transfer customer deposits, assets and/or liabilities other than deposits and issued shares of an entity to third parties or to a bridge bank if the DNB deemed that, in respect of the relevant institution, there were signs of adverse developments with respect to its funds, solvency, liquidity or technical provisions and it could be reasonably foreseen that such developments would not be sufficiently or timely reversed. The DNB was also granted the power to influence the internal decision-making of failing institutions through the appointment of an 'undisclosed administrator'. The second category of measures can be triggered if the stability of the financial system is in serious and immediate danger as a result of the failure of a Dutch financial institution and includes measures intended to safeguard the stability of the financial system as a whole. This set of measures granted authority to the Dutch Minister of Finance to take immediate measures or proceed to expropriation of assets or liabilities, or shares in the capital, of failing financial institutions. Within the context of the resolution tools provided in the Intervention Act, holders of debt securities of a bank subject to resolution could also be affected by issuer substitution or replacement, transfer of debt, expropriation, modification of terms and/or suspension or termination of listings.

In addition, on 26 November 2015 the Act on implementing the European framework for the recovery and resolution of banks and investment firms (*Implementatiewet Europees kader voor herstel en afwikkeling van banken en beleggingsondernemingen*) came into force, implementing the Bank Recovery and Resolution Directive ("BRRD") and partly amending the Intervention Act. Certain measures introduced by the Intervention Act were replaced, with respect to banking institutions, with measures based on the BRRD and the SRM Regulation, as described below. The BRRD came into effect on 2 July 2014. It includes, among other things, the obligation for institutions to draw up a recovery plan and for resolution authorities in the Member States to draw up a resolution plan, the resolution authorities' power to take early intervention measures and the establishment of a European system of financing arrangements. The BRRD confers extensive resolution powers on the resolution authorities, including the power to require the sale of (part of a) business, to establish a bridge institution, to separate assets and to take bail-in measures (whether at the point of non-viability or as taken together with a resolution action). The stated aim of the BRRD is to provide supervisory authorities and resolution authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. In November 2016, the EC proposed amendments to the BRRD regarding the ranking of unsecured debt instruments in national insolvency proceedings (to include a new category of 'non-preferred' senior debt) and to enhance the stabilisation tools with the introduction of a moratorium tool. The law that enables this new category of non-preferred senior debt was adopted in the Netherlands in December 2018.

The powers granted to resolution authorities under the BRRD include, among others, the introduction of a statutory 'write-down and conversion' power and a 'bail-in' power, which gives the relevant resolution authority the power to, *inter alia*, (i) cancel existing shares and/or dilute existing shareholders by converting relevant capital instruments or eligible liabilities into shares of the surviving entity, (ii) cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include certain securities that have been or will be issued by ING Bank) of a failing financial institution or group and/or (iii) convert certain debt claims (which could include certain securities that have been or will be issued by ING Bank) into another security, including ordinary shares of the surviving group entity, if any. None of these actions would be expected to constitute an event of default under those securities entitling holders to seek repayment.

In addition to a 'write-down and conversion' power and a 'bail-in' power, the powers granted to the resolution authority under the BRRD include the two categories of measures introduced by the Intervention Act, as described above. In addition, the BRRD stipulates, among the broader powers to be granted to the relevant resolution authority, that it will confer powers to the relevant resolution authority to amend or alter the maturity date or interest payment date of debt instruments, including by suspending payment for a temporary period, or to amend the interest amount payable under such instruments. None of these actions would be expected to constitute an event of default under those debt instruments or other eligible liabilities entitling holders to seek repayment.

Many of the rules implementing the BRRD are contained in detailed technical and implementing rules, the exact text of which is subject to agreement and adoption by the relevant EU legislative institutions. Therefore, for some rules, there remains uncertainty regarding the ultimate nature and scope of these resolution powers and, when implemented, how they would affect the Issuer and the securities that have been issued or will be issued by it.

Accordingly, it is not possible to assess the full impact of the BRRD on ING Bank and on holders of any securities issued or to be issued by ING Bank, and there can be no assurance that, once it is fully implemented, the manner in which it is applied or the taking of any actions by the relevant resolution authority contemplated in the BRRD would not adversely affect the rights of holders of the securities issued or to be issued by ING, the price or value of an investment in such securities and/or ING Bank's ability to satisfy its obligations under such securities.

Finally, as part of the move towards a full banking union, on 19 August 2014, the Single Resolution Mechanism ("SRM") came into effect, with the aim to have a Single Resolution Board ("SRB") to be responsible for key decisions on how a bank subject to SSM supervision is to be resolved if a bank is failing or likely to fail and cannot be wound up under normal insolvency proceedings without destabilising the financial system. The SRB is the European resolution authority for the Banking Union and is fully operational, with a complete set of resolution powers, as of 1 January 2016. The SRB works in close cooperation with the national resolution authorities such as the Dutch national resolution authority. The SRB is also in charge of the Single Resolution Fund (the "SRF"), a pool of funds financed by the banking sector which is set up to ensure that medium-term financial support is available for orderly reduction of a credit institution. The Group's 2018 contributions to the SRF were EUR 208 million. Contributions to the SRF are first allocated to national compartments of the SRF, however, allocation of contributions to separate national compartments is being phased out and will be eliminated in 2023.

There are certain differences between the provisions of the Intervention Act, the BRRD and the SRM Regulation, which may further bring future changes to the law. The Issuer is unable to predict what specific effects the Intervention Act and the implementation of the BRRD and the entry into force of the SRM Regulation may have on the financial system generally, its counterparties, holders of securities issued by or to be issued by the Issuer, or on the Issuer, its operations or its financial position.

ING has a recovery plan in place to enhance the bank's readiness and decisiveness to tackle financial crises on its own. Effective since 2012, the plan is updated annually to make sure it stays fit for purpose. The completeness, quality and credibility of the recovery plan is assessed annually by ING's regulators. Since 2012, ING has worked together with the different resolution authorities to determine a resolution strategy and to identify potential impediments to resolution. This resulted in a resolvability assessment that is shared every year with the FSB and the preparation of a resolution plan by the SRB. In November 2016, ING concluded that ING Group should be the designated resolution entity. At the end of January 2017, the SRB has informed ING that it supports the designation of ING Group as the point of entry.

Financial Stability Board

In addition to the adoption of the foregoing measures, regulators and lawmakers around the world are actively reviewing the causes of the financial crisis and exploring steps to avoid similar problems in the future. In many respects, this work is being led by the FSB, consisting of representatives of national financial authorities of the G20 nations. The G20 and the FSB have issued a series of papers and recommendations intended to produce significant changes in how financial companies, particularly companies that are members of large and complex financial groups, should be regulated. These proposals address such issues as financial group supervision, capital and solvency standards, systemic economic risk, corporate governance, including executive compensation and risk culture, and a host of related issues associated with responses to the financial crisis.

In November 2015, the FSB published final standards on the adequacy of loss absorbing capacity held by G-SIBs. These comprise: (i) a set of principles on loss-absorbing and recapitalisation capacity of G-SIBs in resolution and (ii) a high level "termsheet" setting out an internationally agreed standard on the characteristics and adequacy of TLAC. The key requirement mandates G-SIBs to hold long-term debt that can be written down or converted into equity in the event that a G-SIB is put into liquidation, thereby providing a specific means of absorbing losses and recapitalising the G-SIB. The numbers are significant with the minimum standard requiring a G-SIB to hold TLAC of at least 16% of risk weighted assets and at least 6% of the leverage ratio denominator from 1 January 2019, and at least 18% and 6.75% respectively from 1 January 2022 on. In

November 2016, the EC proposed amendments to the CRR and BRRD to implement the FSB's minimum TLAC requirement for G-SIBs that are intended to align the TLAC requirement with the minimum requirement for own funds and eligible liabilities ("MREL"). With regard to MREL, the SRB determined ING's MREL requirement in line with the BRRD and according to their MREL policy. In October 2016, the BCBS issued a final standard regarding the regulatory capital treatments of TLAC holdings of other G-SIBs, confirming that G-SIBs must deduct from their own TLAC exposures TLAC instruments and liabilities issued by other G-SIBs.

Additional Governmental Measures

Governments in the Netherlands and abroad have also intervened over the past few years on an unprecedented scale, responding to stresses experienced in the global financial markets. Some of the measures adopted subject the Issuer and other institutions for which they were designed to additional restrictions, oversight or costs.

In February 2013, the EC adopted a proposal setting out the details of a financial transaction tax ("FTT") under the enhanced cooperation procedure, to be levied on transactions in financial instruments by financial institutions if at least one of the parties to the transaction is established in the financial transaction tax zone ("FTT-zone") or if the instrument which is the subject of the transaction is issued within the territory of a Member State in the FTT-zone. Ten Member States have indicated they wish to participate in the FTT (Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain). The initial proposal contemplated that the FTT would enter into effect on 1 January 2014, which would have then required the Issuer to pay a tax on transactions in financial instruments with parties (including Group affiliates) located in such FTT-zone. However, the FTT remains subject to negotiation between the participating Member States and currently it is uncertain whether and in what form and by which Member States the FTT will be adopted. The implementation date of any FTT will thus depend on the future approval by participating Member States in the Council, consultation of other EU institutions, and the subsequent transposition into local law. Depending on its final form, the introduction of an FTT in the Netherlands or outside the Netherlands could have a substantial adverse effect on ING Bank's business and results.

As of 1 October 2012, banks that are active in the Netherlands are subject to a bank tax pursuant to a tax regulation that also includes measures to moderate bonuses awarded to executives at such banks. Increased bank taxes in countries where the Issuer is active result in increased taxes on the Issuer's banking operations, which could negatively impact the Issuer's operations, financial condition and liquidity. For information regarding historical regulatory costs incurred by ING, please refer *inter alia* to Note 28 'Other operating expenses' to the Issuer consolidated financial statements for the year ended 31 December 2018, which are incorporated by reference herein.

Because the Issuer operates in highly competitive markets, including its home market, it may not be able to increase or maintain its market share, which may have an adverse effect on its results of operations.

There is substantial competition in the Netherlands and the other countries in which the Issuer does business for the types of wholesale banking, retail banking, investment banking and other products and services it provides. Customer loyalty and retention can be influenced by a number of factors, including brand recognition, reputation, relative service levels, the prices and attributes of products and services, scope of distribution, credit ratings and actions taken by existing or new competitors (including non-bank or financial technology competitors). A decline in the Issuer's competitive position as to one or more of these factors could adversely impact its ability to maintain or further increase its market share, which would adversely affect its results of operations. Such competition is most pronounced in the Issuer's more mature markets of the Netherlands, Belgium, the rest of Western Europe and Australia. In recent years, however, competition in emerging markets, such as Latin America, Asia and Central and Eastern Europe, has also increased as large financial services companies from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and proceeded to form alliances, mergers or strategic relationships with the Issuer's competitors. The Netherlands is the Issuer's largest market. The Issuer's main competitors in the banking sector in the Netherlands are ABN AMRO Bank and Rabobank.

Competition could also increase due to new entrants (including non-bank and financial technology competitors) in the markets that may have new operating models that are not burdened by potentially costly legacy operations and that are subject to reduced regulation. New entrants may rely on new technologies, advanced data and analytic tools, lower cost to serve, reduced regulatory burden and/or faster processes in order to challenge traditional banks. Developments in technology has also accelerated the use of new business models, and ING may not be successful in adapting to this pace of change or may incur significant costs in adapting its business and operations to meet such changes. For example, new business models have been observed in retail payments, consumer and commercial lending (such as peer-to-peer lending), foreign exchange and low-cost investment advisory services. In particular, the emergence of disintermediation in the financial sector resulting from new banking, lending and payment solutions offered by rapidly evolving incumbents, challengers and new entrants, in particular with respect to payment services and products, and the introduction of disruptive technology may impede the Issuer's ability to grow or retain its market share and impact its revenues and profitability.

Increasing competition in the markets in which the Issuer operates (including from non-bank and financial technology competitors) may significantly impact its results if the Issuer is unable to match the products and services offered by its competitors. Future economic turmoil may accelerate additional consolidation activity. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms or have declared bankruptcy. These developments could result in the Issuer's competitors gaining greater access to capital and liquidity, expanding their ranges of products and services, or gaining geographic diversity. The Issuer may experience pricing pressures as a result of these factors in the event that some of its competitors seek to increase market share by reducing prices.

The default of a major market participant could disrupt the markets.

Within the financial services industry, the severe distress or default of any one institution (including sovereigns and central counterparties (CCPs)) could lead to defaults by, or the severe distress of, other market participants. Such distress of, or default by, an influential financial institution could disrupt markets or clearance and settlement systems and lead to a chain of defaults by other financial institutions because the commercial and financial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of a sovereign or financial institution (or a default by any such entity) may lead to market-wide liquidity problems and losses or defaults by the Issuer or by other institutions. This risk is sometimes referred to as 'systemic risk' and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom the Issuer interacts on a daily basis and financial instruments of sovereigns in which it invests. Systemic risk could have a material adverse effect on the Issuer's ability to raise new funding and on its business, financial condition, results of operations, liquidity, solvency position and/or prospects. In addition, such distress or failure could impact future product sales as a potential result of reduced confidence in the financial services industry.

The inability of counterparties to meet their financial obligations could have a material adverse effect on the ***Issuer's results of operations.***

Third parties that owe the Issuer money, securities or other assets may not pay or perform under their obligations. These parties include the issuers and guarantors (including sovereigns) of securities the Issuer holds, borrowers under loans originated, reinsurers, customers, trading counterparties, securities lending and repurchase counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. Defaults by one or more of these parties on their obligations to the Issuer due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, continuing low oil or other commodity prices, operational failure or other factors, or even rumours about potential defaults by one or more of these parties or regarding a severe distress of the financial services industry generally, could have a material adverse effect on the Issuer's results of operations, financial condition and liquidity. Given the high level of interdependence between financial institutions, the Issuer is and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of sovereigns and other financial services institutions. This is particularly relevant to the Issuer's franchise as an important and large counterparty in equity, fixed income and foreign exchange markets, including related derivatives.

The Issuer routinely executes a high volume of transactions, such as unsecured debt instruments, derivative transactions and equity investments with counterparties and customers in the financial services industry, including brokers and dealers, commercial and investment banks, mutual and hedge funds, insurance companies, institutional clients, futures clearing merchants, swap dealers, and other institutions, resulting in large periodic settlement amounts, which may result in its having significant credit exposure to one or more of such counterparties or customers. As a result, the Issuer could face concentration risk with respect to liabilities or amounts it expects to collect from specific counterparties and customers. The Issuer is exposed to increased counterparty risk as a result of recent financial institution failures and weakness and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. A default by, or even concerns about the creditworthiness of, one or more of these counterparties or customers or other financial services institutions could therefore have an adverse effect on the Issuer's results of operations or liquidity.

With respect to secured transactions, the Issuer's credit risk may be exacerbated when the collateral held by the Issuer cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to it. The Issuer also has exposure to a number of financial institutions in the form of unsecured debt instruments, derivative transactions and equity investments. For example, the Issuer holds certain hybrid regulatory capital instruments issued by financial institutions which permit the issuer to cancel coupon payments on the occurrence of certain events or at their option. The EC has indicated that, in certain circumstances, it may require these financial institutions to cancel payment. If this were to happen, the Issuer expects that such instruments may experience ratings downgrades and/or a drop in value and it may have to treat them as impaired, which could result in significant losses. There is no assurance that losses on, or impairments to the carrying value of, these assets would not materially and adversely affect the Issuer's business, results of operations or financial condition.

In addition, the Issuer is subject to the risk that its rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations the Issuer holds could result in losses and/ or adversely affect its ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of its counterparties could also have a negative impact on the Issuer's income and risk weighting, leading to increased capital requirements. While in many cases the Issuer is permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral it is entitled to receive and the value of pledged assets. Also in this case, its credit risk may also be exacerbated when the collateral the Issuer holds cannot be liquidated at prices sufficient to recover the full amount of the loan or derivative exposure due to it, which is most likely to occur during periods of illiquidity and depressed asset valuations, such as those experienced during the financial crisis of 2008. The termination of contracts and the foreclosure on collateral may subject the Issuer to claims. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity. Any of these developments or losses could materially and adversely affect the Issuer's business, financial condition, results of operations, liquidity and/or prospects.

Market conditions, including those observed over the past few years, may increase the risk of loans being impaired.

The Issuer is exposed to the risk that its borrowers (including sovereigns) may not repay their loans according to their contractual terms and that the collateral securing the payment of these loans may be insufficient. The Issuer may see adverse changes in the credit quality of its borrowers and counterparties, for example, as a result of their inability to refinance their indebtedness, with increasing delinquencies, defaults and insolvencies across a range of sectors. This may lead to impairment charges on loans and other assets, higher costs and additions to loan loss provisions. A significant increase in the size of the Issuer's provision for loan losses could have a material adverse effect on its financial position and results of operations.

IFRS 9 'Financial Instruments' became effective as of 1 January 2018 and results in loan loss provisions that may be recognised earlier, on a more forward looking basis and on a broader scope of financial instruments than was previously the case under IAS 39. The Issuer has applied the classification, measurement, and impairment requirements retrospectively by adjusting the opening balance sheet and opening equity as at 1 January 2018. As a result of applying IFRS 9 going forward, a shift in the forward looking consensus view of economic conditions may materially impact the models used to calculate loan loss provisions under IFRS 9 and cause more volatility in, or higher levels of, loan loss provisions, any of which could adversely affect the Issuer's results of operations, financial condition or regulatory capital position.

Economic and other factors could lead to contraction in the residential mortgage and commercial lending market and to decreases in residential and commercial property prices, which could generate substantial increases in impairment losses. Additionally, continuing low oil prices could have an influence on the repayment capacity of certain corporate borrowers active in the oil and oil related services industries.

The Issuer may incur losses due to failures of banks falling under the scope of state compensation schemes.

In the Netherlands and other jurisdictions, deposit guarantee schemes and similar funds ("Compensation Schemes") have been implemented from which compensation may become payable to customers of financial services firms in the event the financial service firm is unable to pay, or unlikely to pay, claims against it. In many jurisdictions in which the Issuer operates, these Compensation Schemes are funded, directly or indirectly, by financial services firms which operate and/or are licensed in the relevant jurisdiction. The Issuer is a participant in the Dutch Deposit Guarantee Scheme, which guarantees an amount of EUR 100,000 per person per bank (regardless of the number of accounts held). Until 2015, the costs involved with making compensation payments under the Dutch Deposit Guarantee Scheme had been allocated among the participating banks by the DNB, based on an allocation key related to their market shares with respect to the deposits protected by the Dutch Deposit Guarantee Scheme. Given its size, the Issuer may incur significant compensation payments to be made under the Dutch Deposit Guarantee Scheme, which it may be unable to recover from the bankrupt estate. Such costs and the associated costs to be borne by the Issuer may have a material adverse effect on its results of operations and financial condition. On 4 July 2015, the new EU Directive on deposit guarantee schemes had to be implemented by EU member states. As a consequence, the Dutch Deposit Guarantee Scheme has changed from an *ex-post* scheme, where the Issuer would have contributed after the failure of a firm, to an *ex-ante* scheme where the Issuer pays quarterly risk-weighted contributions into a fund for the Dutch Deposit Guarantee Scheme. The fund is to grow to a target size of 0.8% of all deposits guaranteed under the Dutch Deposit Guarantee Scheme, to be reached in July 2024. The Dutch decree implementing the Deposit Guarantee Scheme Directive entered into force on 26 November 2015.

The first *ex-ante* DGS contribution has been charged in respect of the first quarter of 2016. The build-up of the ex- ante fund will take place in 34 quarters. See also '*—The Issuer operates in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions, the application of such laws and/or regulations or non-compliance with such laws and/or regulations governing the Issuer's business may reduce its profitability*' and '*—Bank Recovery and Resolution Regimes*'.

Since 2015, the EU has been discussing the introduction of a pan-European deposit guarantee scheme ("EDIS"), (partly) replacing or complementing national compensation schemes in two or three phases. Proposals contain elements of (re)insurance, mutual lending and mutualisation of funds. The new model is intended to be 'overall cost-neutral'. Discussions will continue in 2019, but it is still uncertain when EDIS will be introduced and, if introduced, what impact EDIS would have on ING's business and operations.

Risks related to the Issuer's business, operations and regulatory environment

Ratings are important to the Issuer's business for a number of reasons. A downgrade or a potential downgrade in the Issuer's credit ratings could have an adverse impact on its operations and net results.

Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. The Issuer's credit ratings are important to its ability to raise capital and funding through the issuance of debt and to the cost of such financing. In the event of a downgrade, the cost of issuing debt will increase, having an adverse effect on its net results. Certain institutional investors may also be obliged to withdraw their deposits from ING Bank following a downgrade, which could have an adverse effect on the Issuer's liquidity. The Issuer has credit ratings from S&P, Moody's Investor Service and Fitch Ratings. Each of the rating agencies reviews its ratings and rating methodologies on a recurring basis and may decide on a downgrade at any time.

Furthermore, the Issuer's assets are risk-weighted. Downgrades of these assets could result in a higher risk-weighting, which may result in higher capital requirements. This may impact net earnings and the return on capital, and may have an adverse impact on the Issuer's competitive position.

As rating agencies continue to evaluate the financial services industry, it is possible that rating agencies will heighten the level of scrutiny that they apply to financial institutions, increase the frequency and scope of their credit reviews, request additional information from the companies that they rate and potentially adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. It is possible that the outcome of any such review of the Issuer would have additional adverse ratings consequences, which could have a material adverse effect on its results of operations, financial condition and liquidity. The Issuer may need to take actions in response to changing standards or capital requirements set by any of the rating agencies, which could cause its business and operations to suffer. The Issuer cannot predict what additional actions rating agencies may take, or what actions it may take in response to the actions of rating agencies.

Because the Issuer uses assumptions to model client behaviour for the purpose of its market risk calculations, the difference between the realisation and the assumptions may have an adverse impact on the risk figures and future results.

The Issuer uses assumptions in order to model client behaviour for the risk calculations in its banking books. Assumptions are used to determine the interest rate risk profile of savings and current accounts and to estimate the embedded option risk in the mortgage and investment portfolios. The realisation or use of different assumptions to determine client behaviour could have a material adverse effect on the calculated risk figures and, ultimately, future results.

The Issuer may be unable to manage its risks successfully through derivatives.

The Issuer employs various economic hedging strategies with the objective of mitigating the market risks that are inherent in its business and operations. These risks include currency fluctuations, changes in the fair value of its investments, the impact of interest rates, equity markets and credit spread changes, the occurrence of credit defaults and changes in client behaviour. The Issuer seeks to control these risks by, among other things, entering into a number of derivative instruments, such as swaps, options, futures and forward contracts, including, from time to time, macro hedges for parts of its business, either directly as a counterparty or as a credit support provider to affiliate counterparties. Developing an effective strategy for dealing with these risks is complex, and no strategy can completely insulate the Issuer from risks associated with those fluctuations. The Issuer's hedging strategies also rely on assumptions and projections regarding its assets, liabilities, general market factors and the creditworthiness of its counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, the Issuer's hedging activities may not have the desired beneficial impact on its results of operations or financial condition. Poorly designed strategies or improperly executed transactions could actually increase the Issuer's risks and losses. Hedging strategies involve transaction costs and other costs, and if the Issuer terminates a hedging arrangement, it may also be required to pay additional costs, such as transaction fees or breakage costs. There have been periods in the past, and it is likely that there will be periods in the future, during which the Issuer has incurred or may incur losses on transactions, possibly significant, after taking into account its hedging strategies. Further, the nature and timing of the Issuer's hedging transactions could actually increase its risk and losses. Hedging instruments the Issuer uses to manage product and other risks might not perform as intended or expected, which could result in higher (un)realised losses, such as credit value adjustment risks or unexpected P&L effects, and unanticipated cash needs to collateralise or settle such transactions. Adverse market conditions can limit the availability and increase the costs of hedging instruments, and such costs may not be recovered in the pricing of the underlying products being hedged. In addition, hedging counterparties may fail to perform their obligations, resulting in unhedged exposures and losses on positions that are not collateralised. As such, the Issuer's hedging strategies and the derivatives that it uses or may use may not adequately mitigate or offset the risks they intend to cover, and its hedging transactions may result in losses.

The Issuer's hedging strategy additionally relies on the assumption that hedging counterparties remain able and willing to provide the hedges required by its strategy. Increased regulation, market shocks, worsening market conditions (whether due to the ongoing euro crisis or otherwise), and/or other factors that affect or are perceived to affect the financial condition, liquidity and creditworthiness of the Issuer may reduce the ability and/or willingness of such counterparties to engage in hedging contracts with it and/or other parties, affecting the Issuer's overall ability to hedge its risks and adversely affecting its business, operations, financial condition and liquidity.

The Issuer's risk management policies and guidelines may prove inadequate for the risks it faces.

The Issuer has developed risk management policies and procedures and will continue to review and develop these in the future. Nonetheless, its policies and procedures to identify, monitor and manage risks may not be fully effective, particularly during extremely turbulent times. The methods the Issuer uses to manage, estimate and measure risk are partly based on historic market behaviour. The methods may, therefore, prove to be inadequate for predicting future risk exposure, which may be significantly greater than suggested by historical experience. For instance, these methods may not predict the losses seen in the stressed conditions in recent periods, and may also not adequately allow prediction of circumstances arising due to government interventions and stimulus packages, which increase the difficulty of evaluating risks. Other methods for risk management are based on evaluation of information regarding markets, customers, catastrophic occurrence or other information that is publicly known or otherwise available to the Issuer. Such information may not always be accurate, complete, updated or properly evaluated. Management of operational, compliance, legal and regulatory risks requires, among other things, policies and procedures to record and verify large numbers of transactions and events. These policies and procedures may not be fully effective.

ING may be exposed to business, operational, regulatory, reputational and other risks in connection with climate change.

Climate change is a challenge which may expose ING to significant risks. The perception of climate change as a risk by civil society, shareholders, governments and other stakeholders continues to increase, including in relation to the financial sector's operations and strategy, and international actions, such as the Paris agreement on CO2 emissions, may also result in financial institutions coming under increased pressure from such stakeholders regarding the management and disclosure of their climate risks and related lending and investment activities. Additionally, rising climate change concerns may lead to additional regulation that could increase the Issuer's operating costs or negatively impact the profitability of its investments and lending activities, including those involving the natural resources sector. There may be substantial costs in complying with current or future laws and regulations relating to climate change. Any of these risks may result in changes in the Issuer's business activities or other liabilities or costs, including exposure to reputational risks, any of which may have a material and adverse impact on its business, results of operation or financial condition.

Operational risks, such as systems 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 the Issuer does business may adversely impact its business, results of operation and reputation.

The Issuer faces the risk that the design and operating effectiveness of its controls and procedures may prove to be inadequate. Operational risks are inherent to the Issuer's business. The Issuer's businesses depend on the ability to process a large number of transactions efficiently and accurately. In addition, the Issuer routinely transmits, receives and stores personal, confidential and proprietary information by email and other electronic means. Although the Issuer endeavours to safeguard its systems and processes, losses can result from inadequately trained or skilled personnel, IT failures (including due to a computer virus or a failure to anticipate or prevent cyber attacks or other attempts to gain unauthorised access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or impairing operational performance, or security breaches by third parties), inadequate or failed internal control processes and systems, regulatory breaches, human errors, employee misconduct, including fraud, or from natural disasters or other external events that interrupt normal business operations. The Issuer depends on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. The equipment and software used in its computer systems and networks may not always be capable of processing, storing or transmitting information as expected. Despite the Issuer's business continuity plans and procedures, certain of its computer systems and networks may have insufficient recovery capabilities in the event of a malfunction or loss of data. As part of its Accelerated Think Forward strategy, the Issuer is consistently managing and monitoring its IT risk profile globally. ING is subject to increasing regulatory requirements including the EU General Data Protection Regulation ("GDPR") and the EU Payment Services Directive (PSD2). Failure to appropriately manage and monitor its IT risk profile could affect the Issuer's ability to comply with these regulatory requirements, to securely and efficiently serve its clients or to timely, completely or accurately process, store and transmit information.

Widespread outbreaks of communicable diseases may impact the health of the Issuer's employees, increasing absenteeism, or may cause a significant increase in the utilisation of health benefits offered to its employees, either or both of which could adversely impact its business. In addition, other events including unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, and the Issuer's operations may be subject to losses resulting from such disruptions. Losses can result from destruction or impairment of property, financial assets, trading positions, and the loss of key personnel. If the Issuer's business continuity plans are not able to be implemented, are not effective or do not sufficiently take such events into account, losses may increase further.

The Issuer is subject to increasing risks related to cybercrime.

Like other financial institutions and global companies, the Issuer is regularly the target of attempted cyber attacks. In particular, threats from Distributed Denial of Service (DDoS), targeted attacks (also called Advanced Persistent Threats) and Ransomware intensify worldwide, and attempts to gain unauthorised access and the techniques used for such attacks are increasingly sophisticated. The Issuer has faced, and expects to continue to face, an increasing number of cyber attacks (both successful and unsuccessful) as it has further digitalised including by expanding its mobile- and other internet-based products and services, as well as its usage and reliance on cloud technology. In 2018, ING experienced continuous DDoS attacks, of which two DDoS attacks breached its DDoS defences. These two DDoS attacks caused outages of approximately one-hour each, which affected customers of ING in the Netherlands. In addition, due to its reliance on national critical infrastructure and interconnectivity with third-party vendors, exchanges, clearing houses, financial institutions and other third parties, the Issuer could be adversely impacted if any of them is subject to a successful cyber attack or other information security event.

Cybersecurity and data privacy have become the subject of increasing legislative and regulatory focus. GDPR is an example of a regulation that was implemented in 2018. In certain locations where ING is active, there are additional regulatory requirements that must be followed for business conducted in that jurisdiction. The Issuer may become subject to new legislation or regulation concerning cybersecurity or the privacy of information it may store or maintain. Compliance with such legislation or regulation could increase the Group's compliance costs and failure to comply with new and existing legislation or regulation could harm its reputation and could subject the Group to enforcement actions, fines and penalties.

While the Issuer takes due care and has policies and processes to protect its customers, systems and networks, and strives to continuously monitor and develop them to protect its technology infrastructure and data, the Issuer continues to be vulnerable to misappropriation, unauthorised access, computer viruses or other malicious code, cyber attacks and other external attacks or internal breaches that could have a security impact. These events could also jeopardise the Issuer's confidential information or that of its clients or its counterparties and this could be exacerbated by the increase in data protection requirements as a result of GDPR. These events can potentially result in financial loss and harm to the Issuer's reputation, hinder its operational effectiveness, result in regulatory censure, compensation costs or fines resulting from regulatory investigations and could have a material adverse effect on its business, reputation, revenues, results of operations, financial condition and prospects. Even when the Issuer is successful in defending against cyber attacks, such defence may consume significant resources or impose significant additional costs on ING.

The Issuer is subject to a variety of regulatory risks as a result of its operations in certain countries.

In certain countries in which the Issuer operates, judiciary and dispute resolution systems may be less developed. As a result, in case of a breach of contract, the Issuer may have difficulties in making and enforcing claims against contractual counterparties and, if claims are made against it, the Issuer might encounter difficulties in mounting a defence against such allegations. If the Issuer becomes party to legal proceedings in a market with an insufficiently developed judicial system, it could have an adverse effect on its operations and net results.

In addition, as a result of its operations in certain countries, the Issuer is subject to risks of possible nationalisation, expropriation, price controls, exchange controls and other restrictive government actions, as well as the outbreak of hostilities and or war, in these markets. Furthermore, the current economic environment in certain countries in which the Issuer operates may increase the likelihood for regulatory initiatives to enhance consumer protection or to protect homeowners from foreclosures. Any such regulatory initiative could have an adverse impact on the Issuer's ability to protect its economic interest, for instance in the event of defaults on residential mortgages.

The Issuer may be unable to retain key personnel.

The Issuer relies to a considerable extent on the quality of local management in the various countries in which it operates. The success of the Issuer's operations is dependent, among other things, on its ability to attract and retain highly qualified personnel. Competition for key personnel in most countries in which the Issuer operates is intense. The Issuer's ability to attract and retain key personnel, in particular in areas such as technology and operational management, client relationship management, finance, risk and product development, is dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent.

As part of their responses to the financial crisis of 2008, the EC and national governments throughout Europe have introduced and are expected to continue introducing various legislative initiatives that aim to ensure that financial institutions' remuneration policies and practices are consistent with and promote sound and effective risk management, and impose restrictions on the remuneration of personnel, with a focus on risk alignment of performance-related remuneration. Such initiatives include, among others, measures set out in Directive 2013/36/EU ("CRD IV"). Currently, implementation of the CRD IV rules varies significantly across the various Member States. As a consequence there is no level playing field. In addition, the Dutch Law on Remuneration Policies of Financial Undertakings (*Wbfo*) has introduced a variable remuneration cap of 20% of base salary for employees working in the financial sector in the Netherlands. In some specific situations employees can be exempted and receive variable remuneration up to 100%. One of those exemptions is the so-called average-out exemption which can be applied to employees whose remuneration package is not or not exclusively covered by a collective labour agreement. Although most of the Dutch banks (including ING) have shown that this exemption is only used in exceptional cases and under predetermined conditions this exemption is under a lot of scrutiny from Dutch politicians. The Dutch Minister of Finance already announced that the rules that apply to this exemption will be stricter in the future. The introduction of the Wbfo has created an uneven playing field within the Netherlands for ING due to the fact that branch offices in the Netherlands of financial institutions that fall under CRD IV (i.e. that have their corporate seat in another EEA country) are not limited to the 20% cap but can apply to the higher CRD IV caps (e.g. 100%, or up to 200% with shareholder approval).

Since the financial crisis, ING has adapted its remuneration policies to the new national and international standards. Since the full repayment of the state aid by ING in 2014, the total direct compensation for the Executive Board members has been slightly increased, however, it remains below the median of the Issuer's EURO Stoxx 50 benchmark, which is made up of similar European financial and non-financial institutions. The total direct compensation of the CEO is significantly below the median of the CEO benchmark.

The (increasing) restrictions on remuneration, plus the public and political scrutiny especially in the Netherlands, will continue to have an impact on the Issuer's existing remuneration policies and individual remuneration packages for personnel. This may restrict the Issuer's ability to offer competitive compensation compared with companies (financial and/or non-financial) that are not subject to such restrictions and it could adversely affect the Issuer's ability to retain or attract key personnel.

The Issuer may incur further liabilities in respect of its defined benefit retirement plans if the value of plan assets is not sufficient to cover potential obligations, including as a result of differences between results and underlying actuarial assumptions and models.

The Issuer's group companies operate various defined benefit retirement plans covering a number of their employees. The liability recognised in its consolidated balance sheet in respect of the Issuer's defined benefit plans is the present value of the defined benefit obligations at the balance sheet date, less the fair value of each plan's assets, together with adjustments for unrecognised actuarial gains and losses and unrecognised past service costs. The Issuer determines its defined benefit plan obligations based on internal and external actuarial models and calculations using the projected unit credit method. Inherent in these actuarial models are assumptions, including discount rates, rates of increase in future salary and benefit levels, mortality rates, trend rates in health care costs, consumer price index, and the expected return on plan assets. These assumptions are based on available market data and the historical performance of plan assets, and are updated annually. Nevertheless, the actuarial assumptions may differ significantly from actual results due to changes in market conditions, economic and mortality trends and other assumptions. Any changes in these assumptions could have a significant impact on the Issuer's present and future liabilities to and costs associated with its defined benefit retirement plans.

Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and/or prospects.

The Issuer is involved in governmental, regulatory, arbitration and legal proceedings and investigations involving claims by and against it which arise in the ordinary course of its businesses, including in connection with its activities as financial services provider, employer, investor and taxpayer. Financial reporting irregularities involving other large and well-known companies, possible findings of government authorities in various jurisdictions which are investigating several rate-setting processes, notifications made by whistleblowers, increasing regulatory and law enforcement scrutiny of 'know your customer' anti-money laundering, tax evasion, prohibited transactions with countries or persons subject to sanctions, and bribery or other anti-corruption measures and anti-terrorist-financing procedures and their effectiveness, regulatory investigations of the banking industry, and litigation that arises from the failure or perceived failure by the Issuer to comply with legal, regulatory, tax and compliance requirements could result in adverse publicity and reputational harm, lead to increased regulatory supervision, affect its ability to attract and retain customers and maintain access to the capital markets, result in cease and desist orders, claims, enforcement actions, fines and civil and criminal penalties, other disciplinary action or have other material adverse effects on the Issuer in ways that are not predictable. Some claims and allegations may be brought by or on behalf of a class and claimants may seek large or indeterminate amounts of damages, including compensatory, liquidated, treble and punitive damages. See '*—ING is exposed to the risk of claims from customers who feel misled or treated unfairly because of advice or information received*'. The Issuer's reserves for litigation liabilities may prove to be inadequate. Claims and allegations, should they become public, need not be well founded, true or successful to have a negative impact on the Issuer's reputation. In addition, press reports and other public statements that assert some form of wrongdoing could result in inquiries or investigations by regulators, legislators and law enforcement officials, and responding to these inquiries and investigations, regardless of their ultimate outcome, is time consuming and expensive. Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and/or prospects in any given period. For additional information with respect to specific proceedings, see '*General Information – Litigation*'.

The Issuer may not be able to protect its intellectual property and may be subject to infringement claims by third parties, which may have a material adverse effect on its business and results of operations.

In the conduct of its business, the Issuer relies on a combination of contractual rights with third parties and copyright, trademark, trade name, patent and trade secret laws to establish and protect the Issuer's intellectual property. Although the Issuer endeavours to protect its rights, third parties may infringe or misappropriate its intellectual property. The Issuer may have to litigate to enforce and protect its copyrights, trademarks, trade names, patents, trade secrets and know-how or to determine their scope, validity or enforceability. In that event, the Issuer may be required to incur significant costs, and its efforts may not prove successful. The inability to secure or protect its intellectual property assets could have a material adverse effect on the Issuer's business and its ability to compete.

The Issuer may also be subject to claims made by third parties for (1) patent, trademark or copyright infringement, (2) breach of copyright, trademark or licence usage rights, or (3) misappropriation of trade secrets. Any such claims and any resulting litigation could result in significant expense and liability for damages. If the Issuer was found to have infringed or misappropriated a third-party patent or other intellectual property right, it could in some circumstances be enjoined from providing certain products or services to its customers or from utilising and benefiting from certain methods, processes, copyrights, trademarks, trade secrets or licences. Alternatively, the Issuer could be required to enter into costly licensing arrangements with third parties or to implement a costly workaround. Any of these scenarios could have a material adverse effect on the Issuer's business and results of operations.

The Issuer is exposed to the risk of claims from customers who feel misled or treated unfairly because of advice or information received.

The Issuer's banking products and advice services for third-party products are exposed to claims from customers who might allege that they have received misleading advice or other information from advisers (both internal and external) as to which products were most appropriate for them, or that the terms and conditions of the products, the nature of the products or the circumstances under which the products were sold, were misrepresented to them. When new financial products are brought to the market, ING engages in a multidisciplinary product approval process in connection with the development of such products, including production of appropriate marketing and communication materials. Notwithstanding these processes, customers may make claims against ING if the products do not meet their expectations. Customer protection regulations, as well as changes in interpretation and perception by both the public at large and governmental authorities of acceptable market practices, influence customer expectations.

Products distributed through person-to-person sales forces have a higher exposure to such claims as the sales forces provide face-to-face financial planning and advisory services. Complaints may also arise if customers feel that they have not been treated reasonably or fairly, or that the duty of care has not been complied with. While a considerable amount of time and resources have been invested in reviewing and assessing historical sales practices and products that were sold in the past, and in the maintenance of risk management, legal and compliance procedures to monitor current sales practices, there can be no assurance that all of the issues associated with current and historical sales practices have been or will be identified, nor that any issues already identified will not be more widespread than presently estimated.

The negative publicity associated with any sales practices, any compensation payable in respect of any such issues and regulatory changes resulting from such issues, has had and could have a material adverse effect on the Issuer's business, reputation, revenues, results of operations, financial condition and prospects. For additional information with respect to specific proceedings, see '*General Information – Litigation*'.

DESCRIPTION OF ING BANK N.V.

General

ING Bank N.V. is part of ING Groep N.V. ING Groep N.V., also called "ING Group", is the holding company for a broad spectrum of companies (together, "ING"). ING Group holds all shares of ING Bank N.V., which is a non-listed 100 per cent. subsidiary of ING Group.

ING is a holding company incorporated in 1991 under the laws of the Netherlands. ING currently is a global financial institution with a strong European base, offering banking services. ING draws on its experience and expertise, its commitment to excellent service and its global scale to meet the needs of a broad customer base, comprising individuals, families, small businesses, large corporations, institutions and governments. ING serves more than 38 million customers in over 40 countries. ING has more than 54,000 employees.

ING Bank currently offers retail banking services to individuals, small and medium-sized enterprises ("SMEs") and mid-corporates in Europe, Asia and Australia and wholesale banking services to customers around the world, including multinational corporations, governments, financial institutions and supranational organisations. ING Bank currently serves more than 38 million customers through an extensive network in more than 40 countries. ING Bank has more than 54,000 employees.

ING Bank's purpose is to empower customers to stay a step ahead in life and in business. Its strengths include a well-known, strong brand with positive recognition from customers in many countries, a strong financial position, an omnichannel distribution strategy and an international network. Moreover, ING is currently among the leaders in the Dow Jones Sustainability Index "Banks industry" group.

ING Bank's reporting structure reflects the two main business lines through which it is active: Retail Banking and Wholesale Banking.

ING Bank has defined three categories of markets in which it intends to compete: Market Leaders, Challengers and Growth Markets. ING Bank's aim is to become the primary bank for more customers in these markets. In Retail Banking ING defines primary customers as those with multiple active ING products, of which one is a current account where they deposit a regular income such as a salary. For Wholesale Banking it means being the lender of choice and having an appropriate volume of flow products in Transaction Services, Working Capital Solutions and Financial Markets.

Market Leaders are ING Bank's businesses in mature markets in the Benelux where it has strong market positions in retail and wholesale banking. ING Bank is combining strengths in Belgium and the Netherlands under the Unite be+nl programme and building an integrated banking platform. This is part of the strategy to enhance operational excellence, create greater cost-efficiency and provide a consistent, digital-first banking experience for customers.

Challengers are ING Bank's businesses in markets where it aims to build a full banking relationship digitally distributed at low cost via platforms like Model Bank, which it is developing for several European banking markets, and Welcome, in Germany. ING Bank is also using its direct banking experience to grow the lending business at low cost in areas like consumer and SME lending. And it is using its strong savings franchises to fund expansion of Wholesale Banking in these markets.

Growth Markets are businesses with a full range of retail and wholesale banking services in markets with expanding economies and strong growth potential. ING Bank is investing to achieve sustainable franchises and will focus on digital leadership by converging to the direct-first model and prioritising innovation.

Retail Banking

Retail Banking provides banking services to individuals, SMEs and mid-corporates in Europe, Asia and Australia. A full range of products and services is provided, albeit offerings may vary according to local demand.

Retail Banking operates in a variety of markets within the three market categories mentioned above: Market Leaders, Challengers and Growth Markets. In all markets ING pursues a digital-first approach, complemented by advice when needed, with omnichannel contact and distribution possibilities. In most of its markets Retail Banking offers a full range of retail banking products and services, covering payments, savings, investments and secured and unsecured lending.

Wholesale Banking

Wholesale Banking has a local presence in more than 40 countries. It provides corporate clients and financial institutions with advisory value propositions, such as specialised lending, tailored corporate finance and debt and equity market solutions. It also serves daily banking needs with payments and cash management, trade and treasury services. In 2018, transaction services, payments and cash management, and lending all grew and this is expected to continue as Wholesale Banking supports corporate clients with their business needs and with becoming more sustainable.

Wholesale Banking sharpened its strategy in 2018 to focus on advice, data-driven insights and sector knowledge and it reorganised the way it works to deliver an experience that is borderless, instant, personal and consistent. This includes creating a new Europe, Middle East and Africa (EMEA) region and strengthening the international network by putting more resources (products and people) into Asia and the Americas. This, along with the introduction of a cross-border Strategic Products team fosters collaboration across the regions to give clients access to more products and services. It is also strengthening core banking services, such as Debt Capital Markets and Corporate Finance and it introduced ING's one Way of Working in client service and delivery areas to support this new client-led approach.

Incorporation and History

ING Bank N.V. was incorporated under Dutch law in the Netherlands on 12 November 1927 for an indefinite duration in the form of a public limited company as Nederlandsche Middenstandsbank N.V. ("NMB Bank").

As result of the merger on equal terms of Nationale-Nederlanden and NMB Postbank Groep, ING Groep N.V. was created in 1991 as holding company allowing separate insurance and banking supervision. In 2011 insurance and banking activities were split operationally; divestment of insurance completed in April 2016.

The registered office of ING Bank N.V. is at Bijlmerplein 888, 1102 MG Amsterdam, the Netherlands (telephone number: +31 20 563 9111). ING Bank N.V. is registered at the Dutch Trade Register of the Chamber of Commerce under no. 33031431 and its corporate seat is in Amsterdam, the Netherlands. The legal entity identifier (LEI) of ING Bank N.V. is 3TK20IVIUJ8J3ZU0QE75. The Articles of Association of ING Bank N.V. were last amended by notarial deed executed on 13 December 2013. According to Article 2 of its Articles of Association, the objects of ING Bank N.V. are to conduct the banking business in the widest sense, including insurance brokerage, to acquire, build and operate real estate, to participate in, manage, finance and furnish personal or real security for the obligations of and provide services to other enterprises and institutions of any kind, but in particular enterprises and institutions which engage in lending, investments and/or other financial services, and to engage in any activity which may be related or conducive to the foregoing.

As a non-listed company, ING Bank N.V. is not bound by the Dutch Corporate Governance Code (the "Code"). ING Group, as the listed holding company of ING Bank N.V., is in compliance with the Code. However, ING Bank is bound to the Dutch Banking Code. The Dutch Banking Code is a form of self-regulation that took effect on 1 January 2010 on a 'comply or explain' basis. On 16 October 2014, the Dutch Banking Association published a revised version of the Dutch Banking Code. Just like its predecessor, the revised version ("Banking Code"), is applicable to ING Bank. The Banking Code applies to the financial year 2015 and subsequent years, as of the financial year 2015, on 16 March 2017, ING Bank published its application of the Dutch Banking Code for the financial year 2016 on its corporate website www.ing.com.

Supervisory Board and Management Board Banking

ING Bank N.V. has a two-tier board system, consisting of a Supervisory Board and a Management Board Banking. All members of the Supervisory Board, with the exception of Eric Boyer de la Giroday, are independent within the meaning of the Code. Eric Boyer de la Giroday is not to be regarded as independent within the meaning of the Code because of his position as chairman of the Board of Directors of ING Belgium SA/NV and his former positions as a member of the Executive Board of ING Group and vice-chairman of Management Board Banking of ING Bank N.V. The task of the Supervisory Board is to supervise the policy of the Management Board Banking and the general course of events at ING Bank and to assist the Management Board Banking by providing advice. The Management Board Banking is responsible for the daily management of ING Bank N.V.

As at the date of this Registration Document, the composition of the Supervisory Board and the Management Board Banking is as follows:

- Supervisory Board: G.J. (Hans) Wijers (chairman), H.J.M. (Hermann-Josef) Lamberti (vice-chairman), J.P. (Jan Peter) Balkenende, E.F.C.B. (Eric) Boyer de la Giroday, H.W. (Henk) Breukink*, M. (Mariana) Gheorghe, M. (Margarete) Haase and Robert W.P. Reibestein.

- Management Board Banking: R.A.J.G. (Ralph) Hamers (chairman), S.J.A. (Steven) van Rijswijk (CRO), T. (Tanate) Phutrakul (CFO), R.B. (Roland) Boekhout, R.M.M. (Roel) Louwhoff (COO), M.I. (Isabel) Fernandez Niemann and A. (Aris) Bogdaneris.

* Will retire from the Supervisory Board as further described below.

The business address of all members of the Supervisory Board and the Management Board Banking is: ING Bank N.V., Bijlmerplein 888 (Amsterdamse Poort) 1102 MG Amsterdam.

In order to avoid potential conflicts of interest, ING Bank N.V. has a policy that members of its Management Board Banking do not accept corporate directorships with listed companies outside ING. As a result, and given the different fields of business of each company, ING believes that there is no potential conflict of interest.

Details of relationships that members of the Management Board Banking may have with ING Group subsidiaries as ordinary, private individuals are not reported, with the exception of information on any loans that may have been granted to them. In all these cases, the company complies with the best-practice provisions of the Code.

There are no potential conflicts of interest between any duties owed by the members of the Supervisory Board or the Management Board Banking to ING Bank N.V. and any private interests or other duties which such persons may have.

Listed below are the most relevant ancillary positions performed by members of the Supervisory Board outside ING.

Wijers, G.J.

Chairman of the Supervisory Board and chairman of the Preparatory Committee and Selection & Appointment Committee of Heineken N.V.

Member of the Supervisory Board of Hal Investments Plc

Chairman of the Supervisory Board of Het Concertgebouw N.V.

Chairman of the Board of Vereniging Natuurmonumenten (the Netherlands)

Member of the Temasek European Advisory Panel of Temasek Holdings Private Limited

Lamberti, H-J.M.
Non-Executive member of the Board of Directors Airbus Group N.V.

Chairman of the Supervisory Board of Addiko Bank (including senior business adviser of Advent International GmbH)

Director of Frankfurt Technology Management GmbH

The ECB has authorised Hermann-Josef Lamberti to hold a third non-executive position i.e. in deviation of the maximum of two provided for in section 91 of CRD IV.

Balkenende, J.P.
Professor of governance, institutions and internationalisation at Erasmus University Rotterdam (the Netherlands)

External senior adviser to EY

Member of the Supervisory Board of Goldschmeding Foundation

Chairman of the Board Maatschappelijke Alliantie (the Netherlands)

Chairman of the Advisory Board of Noaber Foundation

Boyer de la Giroday, E.F.C.B.
Non-executive chairman of the Board of Directors ING Belgium S.A./N.V.

Non-executive director of the board of directors of the Instituts Internationaux de Physique et de Chimie fondés par Ernest Solvay, asbl

Breukink, H.W.
Non-executive director of Brink Groep B.V.

Executive Director of Executive Development Dialogue B.V.

Gheorge, M.
Not applicable.

Haase, M.
Member of the Supervisory Board and chairwoman of the Audit Committee of Fraport AG

Member of the Supervisory Board and chairwoman of the Audit Committee of Osram Licht AG

Member of the Supervisory Board and chairwoman of the Audit Committee of Marquard & Bahls AG

Chairwoman of the Employers Association of Kölnmetall

Member of the German Corporate Governance Committee

Reibestein, R.W.P.

Member of the Supervisory Board of IMC B.V.

Member of the Supervisory Board of Stichting World Wildlife Fund (the Netherlands)

Proposed changes to the Executive Board and Supervisory Board

On 12 March 2019, ING Groep N.V. convened the annual general meeting (the "**AGM**") to be held on 23 April 2019. The agenda for the AGM includes the proposal to appoint Mike Rees and Herna Verhagen as members of the Supervisory Board, which was announced on 11 March 2019. Upon decision by the AGM, the appointment of Mike Rees will be effective as of the end of the AGM on 23 April 2019 and of Herna Verhagen as of 1 October 2019.

It has also been proposed to the AGM to reappoint Mariana Gheorge for a next term of four years as member of the Supervisory Board. Henk Breukink will retire from the Supervisory Board at the end of the AGM on 23 April 2019, having completed his third four year term since his first appointment in 2007.

Permanent Committees of the Supervisory Board

The Supervisory Board has four permanent committees: the Risk Committee, the Audit Committee, the Nomination and Corporate Governance Committee and the Remuneration Committee.

Separate charters have been drawn up for the Risk Committee, the Audit Committee, the Nomination and Corporate Governance Committee and the Remuneration Committee. A short description of the duties of the four permanent committees follows below.

The Risk Committee assists and advises the Supervisory Board in monitoring the risk profile of ING as a whole as well as on the structure and operation of the internal risk management and control systems. The members of the Risk Committee are: Robert Reibestein (chairman), Eric Boyer de la Giroday, Jan Peter Balkenende, Mariana Gheorghe and Hermann-Josef Lamberti.

The Audit Committee assists and advises the Supervisory Board in monitoring the integrity of the financial statements of the Issuer, and ING Bank N.V., in monitoring compliance with legal and regulatory requirements and in monitoring the independence and performance of ING's internal and external auditors. The members of the Audit Committee are: Hermann-Josef Lamberti (chairman), Eric Boyer de la Giroday, Margarete Haase, Robert Reibestein and Hans Wijers.

The appointment of Margarete Haase as supervisory board member became effective as of 1 May 2018 (as decided by the Supervisory Board in January 2018) and as of that date Margarete Haase is considered a financial expert as defined by the SEC in its final rules implementing Section 407 of the Sarbanes-Oxley Act of 2002.

Eric Boyer de la Giroday is a financial expert as defined in the Dutch Corporate Governance Code considering his academic background as well as his knowledge and experience in his previous role as board member and vice-chairman of the Issuer and ING Bank N.V.

The Nomination and Corporate Governance Committee's tasks include advising the Supervisory Board on the composition of the Executive Board and Supervisory Board and assisting the Supervisory Board in monitoring and evaluating the corporate governance of ING as a whole and the reporting thereon in the annual report and to the general meeting, and advising the Supervisory Board on improvements. The members of the Nomination and Corporate Governance Committee are: Hans Wijers (chairman), Henk Breukink and Mariana Gheorghe.

The Remuneration Committee's tasks include advising the Supervisory Board on the terms and conditions of employment (including remuneration) of the members of the Executive Board and on the policies and general principles on which the terms and conditions of employment of the members of the Executive Board and of senior managers of the Issuer and its subsidiaries are based. The members of the Remuneration Committee are: Henk Breukink (chairman), Robert Reibestein and Hans Wijers.

FIVE-YEAR KEY CONSOLIDATED FIGURES FOR ING BANK N.V.(1)

	2018	2017	2016	2015	2014
Balance sheet(3)					
Total assets	887,012	846,318	843,919	1,001,992	1,014,403
Total equity	44,976	44,377	44,146	41,495	38,686
Deposits and funds borrowed(4)	719,783	679,743	664,365	823,568	826,044
Loans and advances	592,328	574,899	562,873	700,007	703,920
Results(5)					
Total income	18,102	17,876	17,514	17,070	15,674
Operating expenses	10,695	9,795	10,603	9,308	10,225
Additions to loan loss provisions	656	676	974	1,347	1,594
Result before tax	6,751	7,404	5,937	6,415	3,855
Taxation	2,036	2,303	1,635	1,684	1,032
Net result (before non-controlling interests)	4,715	5,101	4,302	4,731	2,823
Attributable to Shareholders of the parent	4,607	5,019	4,227	4,659	2,744
Ratios (in per cent.)					
BIS ratio(6)	17.22	18.19	17.42	16.04	15.53
Tier 1 ratio(7)	14.56	14.62	14.41	13.43	12.52

Notes:

(1) These figures have been derived from the audited 2018 annual consolidated accounts of ING Bank N.V. in respect of the financial years ended 31 December 2014 to 2018.

(2) The amounts for the period ended 31 December 2018 have been prepared in accordance with IFRS 9, the adoption of IFRS 9 led to new presentation requirements; prior period amounts have not been restated.

(3) At 31 December.

(4) Figures including Banks and Debt securities.

(5) For the year ended 31 December.

(6) BIS ratio = BIS capital as a percentage of Risk Weighted Assets (as of the year 2014 based on Basel III phased-in). The year 2017 includes the interpretation of the EBA Q&A published on 3 November 2017.

(7) Tier 1 ratio = Available Tier 1 capital as a percentage of Risk Weighted Assets. Note: As of 2014, these Risk Weighted Assets are based on Basel III phased-in.

Share Capital and Preference Shares

As at the date of this Registration Document, the authorised capital of ING Bank N.V. amounted to one billion, eight hundred and eight million euros (EUR 1,808,000,000) and was divided as follows:

a. one billion, five hundred and ninety-nine million, nine hundred and ninety-nine thousand, nine hundred and fifty (1,599,999,950) ordinary shares, each having a nominal value of one euro and thirteen cents (EUR 1.13); and

b. fifty (50) preference shares, each having a nominal value of one euro and thirteen cents (EUR 1,13), divided into twenty-six (26) series, each designated by a different letter, of which series A, B, D, and E each consists of one (1) preference share, series F to Y inclusive each consists of two (2) preference shares and series C and Z each consists of three (3) preference shares, each series of preference shares counting as a separate class of share.

The issued and paid-up capital amounted to EUR 525 million, consisting of 465 million ordinary shares and seven preference shares at 31 December 2018.

Significant Developments in 2018

On 13 March 2018, the Issuer announced it completed the acquisition of a 75 per cent. stake in Payvision for EUR 360 million.

On 13 March 2018, the Issuer announced that the ING Group Supervisory Board has taken notice of the reactions of many Dutch stakeholders following the proposal to amend the Executive Board remuneration policy as explained in the Annual Report 2017. In light of this, the Supervisory Board reconsidered the proposal and decided to not put it up for a vote at the Annual General Meeting.

On 4 September 2018, ING announced that it has entered into a settlement agreement with the Dutch Public Prosecution Service relating to investigations regarding various requirements for client on-boarding and the prevention of money laundering and corrupt practices. Under the terms of the agreement ING has agreed to pay a fine of €675 million and €100 million for disgorgement. In connection with the investigations ING also received information requests from the US Securities and Exchange Commission (SEC). On 5 September 2018, ING announced that it has received a formal notification from the SEC that it has concluded its investigation. In the letter dated 4 September 2018 the Division of Enforcement states that, based on information as of the date thereof, it does not intend to recommend an SEC enforcement action against ING.

Following the settlement and in consultation with the Supervisory Board, Koos Timmermans stepped down from his position as CFO and member of the Executive Board and Management Board Banking of ING. He was succeeded by Tanate Phutrakul, who was appointed as CFO and member of the Management Board Banking of ING Bank N.V. effective 7 February 2019. The Supervisory Board has nominated Tanate Phutrakul for appointment as a member of the Executive Board of ING Groep N.V., subject to shareholder approval at the AGM on 23 April 2019. The appointments have been approved by the European Central Bank.

Significant Developments in 2019

On 22 February 2019, ING announced the sale of its last tranche of shares in India's Kotak Mahindra Bank ("Kotak"). ING obtained its stake in Kotak through the merger of ING Vysya Bank with Kotak Mahindra Bank in 2015. ING has subsequently sold down its stake in the bank. The sale of the remaining stake of 3.06% for approximately EUR 886.7 million on 22 February 2019 concludes the divestment process.

On 26 February 2019, ING signed a memorandum of understanding ("MoU") with TMB Bank PCL ("TMB"), Thanachart Bank ("TBANK") and TBANK's major shareholders Thanachart Capital and The Bank of Nova Scotia to discuss a proposed merger of TMB and TBANK. At the date of this Registration Document, ING is the largest shareholder in TMB with a 30 per cent. stake. The non-binding MoU serves as the basis for further negotiation among the five parties on a potential merger of the two Thai banks.

In March 2019, ING was informed by the Banca d'Italia of their report containing their conclusions regarding shortcomings in AML processes at ING Italy, which was prepared based on an inspection conducted from October 2018 until January 2019. ING expects to discuss these conclusions further with the Banca d'Italia. In line with the enhancement programme announced in 2018, ING is taking steps intended to improve processes and management of compliance risks as required by the Banca d'Italia. In close consultation and in agreement with the Banca d'Italia, ING Italy will refrain from taking on new customers during further discussions on the enhancement plans with the Banca d'Italia. ING will continue to fully serve existing clients in Italy. ING will work hard to address the shortcomings and resolve the issues identified. The measures in Italy come in the context of the steps ING announced in September 2018 to enhance its management of compliance risks and embed stronger awareness across the whole organisation. This programme started in 2017 and includes enhancing KYC files where necessary and working on various structural improvements in compliance policies, tooling, monitoring and governance.

ING Bank Strategy

When launched in 2014, the Think Forward strategy anticipated many of the challenges and opportunities driving change in today's financial services market. It continues to show the way in transforming ING to harness the power of digitalisation and platform thinking to create the customer experience of tomorrow.

The Think Forward strategy has provided a blueprint for transforming the customer experience at a time when digitalisation is increasing and mobile devices are rapidly becoming ING's customers' channel of choice. Inspired by the strategy's Customer Promise – clear and easy, anytime and anywhere, empower, and keep getting better – ING has delivered a differentiating digital customer experience through innovations such as digital financial advisors, forecasting tools and instant lending available through award-winning mobile apps as part of an omnichannel approach.

Strong customer satisfaction ratings and a continuing healthy increase in customer numbers show that ING is succeeding in staying relevant to customers in a fast-changing market for banking services. The number of retail customers increased in 2018 by a million to 38.4 million. Primary relationships, where customers have a current account with recurring income and at least one other product, increased by more than a million to 12.5 million in 2018. In net promoter scores (NPS), customers ranked ING number one in seven of its 13 retail markets.

Strong and consistent profitability has been driven by the steady increase in ING's lending business at resilient margins and by growth of fee income. The well diversified increase in lending spans segments and geographies. In particular, lending to businesses and consumers has grown strongly in ING's Challengers & Growth Markets. In Wholesale Banking, Industry Lending and Transaction Services activities have led to strong increases in lending and fees. New propositions that add value for customers, like investment options that offer an alternative to low-yielding savings, have contributed to an increase in fee and commission income in ING's Retail businesses.

ING of tomorrow

While ING can look back on many accomplishments since the launch of the Think Forward strategy, ING is also conscious of the challenges ahead and the need to keep re-inventing itself to remain relevant to customers in the future. The strategic vision embodied in the Think Forward strategy is also guiding ING as it navigates a changing world.

Banks can no longer differentiate themselves with products – they have become commodities. The key differentiator of the future will be the customer experience. That experience will be digital, and non-banks are setting the standard.

Fintechs are leveraging easy mobile access, transparency and low cost to compete for lucrative parts of banks' value chains in areas like payments and instant lending. But the biggest challenge is coming from the Big Tech platforms that are setting the digital standard in terms of customer experience and where people spend more and more of their time when they're online – to shop, to socialise, for news and entertainment and for a whole range of other needs.

To compete with Big Tech and other platforms, banks will need to become platforms themselves. They will need to offer the same personal, instant, relevant and seamless experience. They will need to be open to become go-to platforms that keep people coming back, offering third-party products and beyond banking services. They will need to becoming experts in managing and analysing customer data in order to know the needs and preferences of their customers, create new offers and improve the customer experience.

The Big Tech platforms are not only disrupting banking with their customer experience. They are now directly competing with banks. Apple Pay is growing rapidly and has expanded to more than 20 countries, WeChat is lending to consumers and Alibaba's Ant Financial now has the world's biggest money market fund by assets. With tech platforms now leading the rankings of the world's largest companies by market capitalisation, they have the size and scale to be formidable competitors.

ING has a three-fold approach to platforms. Firstly, it is developing its own go-to platform for customers' financial needs and relevant offers beyond banking. Secondly, it is pursuing independent initiatives in partnership with others. Thirdly, it is participating on others' platforms. For retail, ING develops its own platforms, like Yolt, and only participate on other platforms if doing so drives traffic to that of ING. For wholesale, in addition to its own platforms, such as Cobase, ING participates on third-party platforms where other industry players are active.

To achieve its ambition ING is evolving towards one single scalable global platform that will offer a uniform and borderless experience which is open so that ING can also provide relevant third-party and beyond banking offers. This involves standardising IT using a modular approach in order to create a scalable platform that can accommodate growth at low cost. To support this ING is developing standardised processes and shared services, one way of managing data, and one agile way of working across ING. As an intermediate step ING is converging businesses with similar customer propositions, such as in the Benelux where it is integrating its platforms and harmonising business models, the Model Bank initiative where ING is developing a common platform to roll out in five European countries and Welcome in Germany where ING is developing a go-to financial platform offering its own and third-party services.

One important area where ING believes banks can differentiate themselves is privacy. With their tradition of safeguarding people's money and financial information, by extension they enjoy an advantage over tech platforms when it comes to whom people trust most with their data. By building on that trust, ING can create appealing propositions for users of its platform and profitable models for cooperating with other platforms, including Big Tech.

Elements of ING's strategy

ING's Think Forward strategy was launched in 2014. This section describes the strategy and includes references to examples and additional information on how ING's strategy links to the material topics identified by its stakeholders.

Strategic priorities

To deliver on its Customer Promise and create a differentiating customer experience, ING has identified four strategic priorities:

1. Earn the primary relationship

Earning the primary relationship is a strategic priority for ING as it leads to deeper relationships, greater customer satisfaction and ultimately customers choose ING for more of their banking needs. In Retail banking ING defines primary customers as those with multiple active ING products, of which one is a current account where they deposit a regular income such as a salary. For Wholesale Banking it means being the lender of choice and having an appropriate volume of flow products in Transaction Services, Working Capital Solutions and Financial Markets.

2. Develop data analytics

With the further digitalisation of banking, data is an important asset that helps ING improve the customer experience and earn the strategically important primary relationship. ING relies on data to understand what customers want and need. ING uses these insights to personalise its interactions with customers and empower them to make their own financial decisions. Data skills are also essential to know its customers from a regulatory and risk perspective, to prevent fraud, improve operational processes, and generate services that go beyond traditional banking. ING recognises that excelling at data management is a core competency if it is to realise its ambition to create a personal digital experience for customers. ING is on course to implement one global approach to data management to ensure it maximises the potential of this key resource. Discussions in society about data privacy and the tightening of data privacy legislation and regulations, such as embodied in the EU's General Data Protection Regulation (GDPR), are raising awareness of this important issue. ING is committed to handling customer data safely and being open about how it uses it.

3. Increase the pace of innovation to serve changing customer needs

Evolving customer expectations, new technologies and new competitors are transforming banking. Through innovation, ING can increase efficiency, improve the customer experience and gain competitive advantage. It does that, for example, through ING's own PACE innovation methodology and employee-driven Innovation Bootcamps. To speed up the pace of innovation it also partners with outside parties, including Fintechs.

4. Think beyond traditional banking to develop new services and business models

Persistent low interest rates and disruption from the rise of new non-bank entrants in the financial services sector are challenging banks' traditional business models. Thinking beyond traditional banking is crucial in order to find new ways to be relevant to ING's customers. Here open banking offers opportunities. By partnering with others or developing its own digital platforms, ING can offer customers new and complementary services that go beyond banking – and create new revenue streams for ING.

Enablers

Four strategic enablers support the implementation of ING's strategy: simplifying and streamlining its organisation, operational excellence, enhancing ING's performance culture and diversifying its lending capabilities.

1. Simplify and streamline

Simplify and streamline refers to ING's aim to become a more effective, cost-efficient and agile organisation with the flexibility to respond to fast-changing customer needs and low-cost competitors. To facilitate the bank's digital transformation and respond faster to changing customer needs ING is introducing one Way of Working (WoW) across ING, which organises employees in multi-disciplinary, cross-functional 'squads'. WoW has been introduced in the Netherlands, Poland, Romania, Belgium, Austria, Spain and Germany as well as in Wholesale Banking and several support functions. The design and implementation for other countries and support functions is in full swing. ING is the first bank to adopt the methodology in several countries and in Wholesale Banking.

2. Operational excellence

Operational excellence requires continuous focus. ING needs to ensure that its operations provide a seamless and flawless customer experience. ING's operational excellence vision concentrates on the Customer Promise. To meet changing customer expectations arising from increasing digitalisation, ING aims to converge to a single platform for financial services that will deliver a uniform customer experience across borders. This will be based on simplified and standardised products and systems supported by modular architecture, integrated and scalable IT systems, and shared services. While pursuing this ambition ING is also investing to provide stable IT systems and platforms so ING is there for its customers when they need it and to provide them with the highest standards of data security.

3. Performance culture

ING believes there are strong links between employee engagement, customer engagement and business performance. This is why ING continually improves its performance culture by creating a differentiating employee experience and enhancing the capabilities of its leaders. By focusing on delivering a great employee experience and by stepping up its leadership capabilities ING develops its employees' capabilities and engagement to deliver on its purpose and strategy.

Step Up Performance Management is a comprehensive performance management process that also assesses people against ING's Orange Code values and behaviours. It focuses on managing performance on a continuous basis, including through 'continuous conversations' between managers and their reports.

The Think Forward Leadership Programme ("TFLP") aims to develop greater leaders and better managers who can engage staff and enhance team performance. The first phase of the programme was introduced in 2017, initially to senior leaders. It focused on the Orange Code, personal purpose and the Think Forward strategy. In 2018 it was extended to all people managers globally as the TFL Experience ("TFLE"), a four-day programme with follow-up learning activities. A total of 4,100 leaders and managers have so far participated in TFLP and TFLE.

In the Netherlands and Belgium ING initiated 'i for integrity', in 2018 an approach aimed at strengthening a mind-set that puts integrity above all. The approach focuses on increasing employees' knowledge and equipping them to make balanced decisions when facing dilemmas in their jobs, to comply with all applicable laws, standards and regulations, and to act with integrity always.

One of the challenges ING faces is finding, attracting and retaining people with the skills ING needs to build a digital, data-driven bank. A large proportion (more than half) of vacancies at ING are currently related to data or technology skills, and this is expected to grow in the coming years. However, competition in the market for these talents is fierce.

To help it recruit new talents ING took steps in 2018 to upgrade its careers site and introduce a global approach. This includes further developing the global employer brand and introducing targeted cross-border sourcing to find suitable candidates for more difficult-to-fill profiles.

In 2018, ING defined a new direction to promote a more diverse and inclusive workforce, introducing 'mixed teams' and the 70 per cent. principle. This principle strives for 30 per cent. difference in team make-up. Mixed teams include all types of diversity, both visible and less visible. Ultimately, managers are responsible for building mixed teams by choosing the dimensions of diversity to focus on while also being guided by the global 70 per cent. principle as far as possible. At the same time, ING will continue its efforts to make all people feel included whatever their background, culture, experience, religion or sexuality.

4. Lending capabilities

Broadening and diversifying ING's lending capabilities to continue to grow client franchises is its fourth strategic enabler. To do so, ING is seeking opportunities in Retail, SME and Consumer Lending segments, as well as focusing on Wholesale Banking lending growth in ING's Challengers & Growth (C&G) Markets businesses and in its specialised Industry Lending franchise. In 2018, ING continued to grow and diversify lending at healthy margins, with net core lending growth of €36.6 billion, or 6.4 per cent. ING's ambition is to continue to grow profitably within its risk appetite, but given market dynamics ING expects lower growth in Wholesale Banking.

Regulation and Supervision

European Regulatory framework

In November 2014 the European Central Bank (ECB) assumed responsibility for a significant part of the prudential supervision of euro area banking groups in the Eurozone, including the Issuer and ING Bank. Now that the ECB assumed responsibility for the supervision of the banking groups in the Eurozone, it has become the Issuer's and ING Bank's main supervisor. The ECB is amongst others responsible for tasks such as market access, compliance with capital and liquidity requirements and governance arrangements. National regulators remain responsible for supervision of tasks that have not been transferred to the ECB such as financial crime and payment supervision. See also '*Risk Factors – Risks related to financial conditions, market environment and general economic trends – The Issuer operates in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions, the application of such laws and/or regulations or non-compliance with such laws and/or regulations governing the Issuer's business may reduce its profitability – Single Supervisory Mechanism*'.

Dutch Regulatory Framework

The Dutch regulatory system for financial supervision consists of prudential supervision – monitoring the soundness of financial institutions and the financial sector, and conduct-of-business supervision – regulating institutions' conduct in the markets. As far as prudential supervision has not been transferred to the ECB, it is exercised by the Dutch Central Bank (De Nederlandsche Bank or "DNB"), while conduct-of-business supervision is performed by the Dutch Authority for the Financial Markets (Stichting Autoriteit Financiële Markten or "AFM"). DNB is in the lead with regard to macroprudential supervision. However, the ECB can set higher macroprudential obligations than proposed by DNB.

Global Regulatory Environment

There is a variety of proposals for laws and regulations that could impact ING globally, in particular those made by the Financial Stability Board and the Basel Committee on Banking Supervision at the transnational level, amendments to Dodd-Frank in the United States and an expanding series of supranational directives and national legislation in the European Union. The aggregated impact and possible interaction of all of these proposals are hard to determine, and it may be difficult to reconcile them where they are not aligned. The financial industry has also taken initiatives by means of guidelines and self-regulatory initiatives.

Examples of these initiatives are the Dutch Banking Code as established by the Dutch Bankers' Association, which details a set of principles on corporate governance, risk management, audit and remuneration that Dutch banks have to apply on a comply-or-explain basis. Elements of these initiatives may subsequently be incorporated into legislation, as was the case with the "Banker's oath" and remuneration principles from the Dutch Banking Code. The aforementioned "Banker's oath" is a mandatory oath for all employees in the Netherlands of banks licensed in the Netherlands, which the Dutch government has introduced, effective per 1 April 2015. In this oath, the employees of the relevant ING entities declare that they (i) will perform their duties with integrity and care, (ii) will carefully consider all the interests involved in the company, i.e. those of the customers, the shareholders, the employees and the society in which the company operates, (iii) in that consideration, will give paramount importance to the client's interests and inform the customer to the best of their ability, (iv) will comply with the laws, regulations and codes of conduct applicable to them, (v) will observe secrecy in respect of matters entrusted to them, (vi) will not abuse their knowledge, (vii) will act in an open and assessable manner and know their responsibility towards society and (viii) will endeavour to maintain and promote confidence in the financial sector. To enforce the oath, non-compliance can be sanctioned by a special disciplinary court. Moreover, if Executive or Supervisory Board members break the oath, the supervisory authority (ECB/DNB/AFM) can decide to reassess their suitability.

As mentioned above, a significant change has been made to the supervisory structure within the Eurozone and in November 2014 the Single Supervisory Mechanism ("SSM") took effect, a mechanism composed of national competent authorities and the ECB with the ECB assuming direct responsibility for a significant part of the prudential supervision of the Issuer and its holding company ING Group. ING expects to benefit from the harmonisation of supervision resulting from the SSM but at the same time does not expect such harmonisation to be fully in place in the short to mid-term.

Another significant change in the regulatory environment is the setting up of the Single Resolution Mechanism ("SRM"), which comprises the Single Resolution Board ("SRB") and the national resolution authorities and is fully responsible for the resolution of banks within the Eurozone as of 1 January 2016. ING has been engaging already with the Dutch national resolution authorities and the SRB for a few years with the aim to draw up a resolution plan for ING. ING will continue to work with the resolution authorities to set up a resolution plan for ING. The rules underpinning the SRM could have a significant impact on business models and capital structure of financial groups but at this stage it is not clear what the impact on ING's banking operations will be.

As a third pillar to the Banking Union, the EU has harmonised regulations for Deposit Guarantee Schemes (DGS). Main elements are the creation of ex-ante funded DGS funds, financed by risk-weighted contributions from banks. As a next step, the EU is discussing a pan-European (or pan-banking union) DGS (the European Deposit Insurance Scheme (EDIS)), (partly) replacing or complementing national compensation schemes. The progress on the EDIS proposal is slower than expected; this proposal as well as certain accompanying risk reduction measures are still being discussed in the European Parliament and in the Council.

Dodd-Frank Act

The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), which became law on 21 July 2010, represented a significant overhaul in the regulation of U.S. financial institutions and markets. The primary impact on ING is through the establishment of a regulatory regime for the off-exchange derivatives market, pursuant to Title VII of the Dodd-Frank Act.

Among other things, the Dodd-Frank Act and regulations enacted thereunder required swap dealers to register with the Commodity Futures Trading Commission (the "CFTC", the primary swaps regulator in the U.S.) as 'swap dealers' and be subject to CFTC regulation and oversight. The ING subsidiary, ING Capital Markets LLC, is registered as a swap dealer. As a registered entity, it is subject to business conduct, record-keeping and reporting requirements, as well as capital and margin requirements. In addition to the obligations imposed on registrants, such as swap dealers, reporting, clearing, and on-facility trading requirements have been imposed for much of the off-exchange derivatives market. It is possible that registration, execution, clearing, margin and compliance requirements will increase the costs of and restrict participation in the derivative markets. These rules (as well as further regulations, some of which are not yet final) could therefore restrict trading activity, reducing trading opportunities and market liquidity, potentially increasing the cost of hedging transactions and the volatility of the relevant markets. This could adversely affect the business of ING in these markets.

The Dodd-Frank Act also impacts U.S. banks and non-U.S. banks with branches or agencies in the United States, primarily through the Volcker Rule and the enhanced prudential standards of Section 165 of the Dodd-Frank Act. Because ING Bank does not have a U.S. banking presence, these provisions do not currently apply to ING.

The Dodd-Frank Act also created a new agency, the Financial Stability Oversight Council ("FSOC"), an inter-agency body that is responsible for monitoring the activities of the U.S. financial system, designating systemically significant financial services firms and recommending a framework for substantially increased regulation of such firms, including systemically important non-bank financial companies that could consist of securities firms, insurance companies and other providers of financial services, including non-U.S. companies. ING has not been designated a systemically significant non-bank financial company by FSOC and such a designation is not currently expected.

Although U.S. legislative and regulatory bodies have taken initial steps over the past year to tailor the regulatory regime created under Dodd-Frank, Dodd-Frank continues to impose significant requirements on us, some of which may have a material impact on the Issuer's operations and results, as discussed further under "*Risk Factors—The Issuer operates in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations governing the Issuer's business may reduce its profitability*".

Basel III and European Union Standards as currently applied by ING Bank

DNB, the Issuer's home country supervisor until the ECB took over that position in November 2014, has given ING permission to use the most sophisticated approaches for solvency reporting under the Financial Supervision Act, the Dutch legislation reflecting the Basel II and Basel III Frameworks. DNB has shared information with host regulators of relevant jurisdictions to come to a joint decision. In all jurisdictions where the bank operates through a separate legal entity, ING must meet local implementation of Basel requirements as well. ING uses the Advanced IRB Approach for credit risk, the Internal Model Approach for its trading book exposures and the Advanced Measurement Approach for operational risk. As of 2009, a Basel I floor of 80% of Basel I RWA has been applicable. A small number of portfolios are still reported under the Standardised Approach (i.e. non-model approach).

In December 2010, the Basel Committee on Banking Supervision announced higher global minimum capital standards for banks, and introduced a new global liquidity standard and a new leverage ratio which was phased in over 2014-2018. The Committee's package of reforms, collectively referred to as the "Basel III" rules, will, among other requirements, increase the amount of common equity required to be held by subject banking institutions, prescribe the amount of liquid assets and the long term funding a subject banking institution must hold at any given moment, and limit leverage. Banks are required to hold a "capital conservation buffer" to withstand future periods of stress such that the required common equity Tier 1 ratio, when the buffer is fully phased in on 1 January 2019, will rise to 7%. Basel III also introduces a "countercyclical buffer" as an extension of the capital conservation buffer, which permits national regulators to require banks to hold more capital during periods of high credit growth (to strengthen capital reserves and moderate the debt markets). Further, Basel III strengthens the definition of capital, gradually disqualifying many hybrid securities during the years 2013-2022, including hybrids that have previously been issued by the Group, from inclusion in regulatory capital, as well as the higher capital requirements (for example, for credit value adjustments ("CVAs") and illiquid collateral) as part of a number of reforms to the Basel II framework. In addition, the Basel Committee and Financial Stability Board ("FSB") published measures that would have the effect of requiring higher loss absorbency capacity, liquidity surcharges, exposure limits and special resolution regimes for, and instituting more intensive and effective supervision of, 'systemically important financial institutions' ("SIFIs"), in addition to the Basel III requirements otherwise applicable to most financial institutions. The implementation of these measures began in 2012 and full implementation is targeted for 2019. ING Bank has been designated by the Basel Committee and FSB as a so-called 'Global Systemically Important Banks' ("G-SIBs"), since 2011, and by DNB and the Dutch Ministry of Finance as a "domestic SIB" ("D-SIB") since 2011.

For European banks these Basel III requirements have been implemented through the Capital Requirement Regulation (CRR) and the Capital Requirement Directive ("CRD IV"). The Dutch CRD IV Implementation Act has led to significant changes in the Dutch prudential law provisions, most notably with regard to higher capital and liquidity requirements for all banks. The CRD IV regime entered into effect in August 2014 in the

Netherlands, but not all requirements are to be implemented all at once. Having started in 2014, the requirements have been gradually tightened, mostly before 2019, until the Basel III migration process will be completed in 2022. While the full impact of the new Basel III rules, and any additional requirements for G-SIBs if and as applicable to the Group, will depend on how they are implemented by national regulators, including the extent to which such regulators and supervisors can set more stringent limits and additional capital requirements or surcharges, as well as on the economic and financial environment at the time of implementation and beyond, the Issuer expects these rules to have a material impact on ING's operations and financial condition and may require the Group to seek additional capital. DNB requires the largest Dutch banks, including the Issuer, to build up a 3% Systemic Risk Buffer during 2016-2019 in addition to the capital conservation buffer and the countercyclical buffer described above, but this buffer then includes both the G-SIB and D-SIB buffers mentioned above.

In November 2016, the EC proposed certain reforms to further strengthen the resilience and resolvability of EU banks, aimed at capital requirements on the one hand (the CRR and CRD IV) and recovery and resolution on the other (the BRRD and SRMR). In December 2018, the European Parliament and the Council came to a political agreement on this 'EU banking reform package', but further technical talks to finalise the text are yet to be held before a final agreement can be reached.

Regulatory Developments

The Group's IFRS 9 implementation was completed in the first quarter of 2018. The impact on ING Group's CET1 ratio, taking into account the existing regulatory provision shortfall and before any transition relief, was, as indicated earlier, a reduction of 20 bps. This was mainly caused by the change in the classification and measurement of a portion of the portfolio invested in liquid assets.

As of 1 January 2022, the first stage of Basel IV (revised Internal Rating-Based Approach) will come into effect. Based on the current estimates, without management actions this is expected to potentially increase RWA by roughly 15-18% on a fully loaded basis, of which around 80% is expected as of implementation date.

ING will strive to meet a post Basel IV CET1 ratio ambition of around 13.5% and, as before, it will continue to execute its strategy for its clients and to aim at delivering growth at good returns.

Requirement and guidance for 2018 Pillar 2 requirements

One specific element of Basel III is the possible restriction on distributable items. This limits the ability of the bank to pay dividends, hybrid coupons and/or management remuneration if its capital drops below the sum of its Pillar 1, Pillar 2 and combined buffer requirements, often referred to as the Maximum Distributable Amount (MDA) trigger. The Pillar 2 requirement in the supervisory review and evaluation process (SREP) 2018 decision is split into:

- Pillar 2 requirement (P2R), which is binding and therefore breaches have direct legal consequences.
- Pillar 2 guidance (P2G), which is not legally binding and therefore a breach does not automatically trigger regulatory action.

By providing guidelines regarding the SREP, the European Banking Association (EBA) gives further direction for the internal capital adequacy assessment process (ICAAP) and enhancement of the capital management framework.

Bank recovery and resolution directive

Since its adoption by the European Parliament in 2014, the Bank recovery and resolution directive (BRRD) has become effective in all EU countries after transposition into national law, including in the Netherlands. The BRRD aims to safeguard financial stability and minimise the use of public funds in case banks face financial distress or fail to comply with the BRRD. Banks across the EU need to have recovery plans in place and need to cooperate with resolution authorities to determine, and make feasible, the preferred resolution strategy.

ING has had a recovery plan in place since 2012. The plan includes information on crisis governance, recovery indicators, recovery options, and operational stability and communication measures. The plan enhances the bank's readiness and decisiveness in case of a financial crisis. The plan is updated annually to make sure it stays fit for purpose. The completeness, quality and credibility of the updated plan is assessed each year by ING's regulators.

The Single Resolution Board (SRB) confirmed to ING in 2017 that a single-point-of-entry (SPE) strategy is ING's preferred resolution strategy, with ING Groep N.V. as the resolution entity.

In 2018, ING Group received a formal notification from De Nederlandsche Bank (DNB) of its binding minimum requirement for own funds and eligible liabilities (MREL). The MREL requirement has been established to ensure that banks in the European Union have sufficient own funds and eligible liabilities to absorb losses in the case of potential bank failure. The MREL requirement is set for ING Group at a consolidated level, as determined by the Single Resolution Board (SRB). This MREL requirement has been set at 10.89% of total liabilities and own funds.

ING has been replacing, and will continue to replace, maturing ING Bank N.V. debt with ING Groep N.V. instruments. In order to build up its MREL capacity, the Issuer issued multiple transactions for a total amount of €11.5 billion in 2018. These transactions will not only allow the Issuer to support business growth, but will also help to meet future MREL and TLAC requirements with the Issuer's instruments only.

The total loss absorbing capacity (TLAC) requirement as set by the Financial Stability Board is in the process of being implemented in EU regulations through amendments to the Capital Requirements Regulations. Once implemented in EU regulation, as a global systemically important institution (G-SII) ING is expected to meet the TLAC requirement alongside the other minimum regulatory requirements set out in EU regulation. The TLAC requirement is expected to consist of 16% of the resolution group's risk weighted assets (TLAC RWA Minimum) and 6% of the leverage ratio denominator (TLAC Leverage Ratio Exposure (LRE) Minimum), excluding buffer requirements, as of 1 January 2019. From 1 January 2022 TLAC is required to be at least 18% of the resolution group's risk weighted assets and 6.75% of the leverage ratio denominator.

Stress testing

Stress testing is an integral component of the Issuer's risk and capital management framework. It allows the Issuer to (i) assess potential vulnerabilities in its businesses, business model, and/or portfolios; (ii) understand the sensitivities of the core assumptions in its strategic and capital plans; and (iii) improve decision making through balancing risk and return.

In addition to running internal stress test scenarios to reflect the outcomes of the annual risk assessment, ING also participates in regulatory stress test exercises. ING participated in the 2018 EU-wide stress test conducted by the EBA in cooperation with the European Central Bank (ECB), the Dutch central bank (DNB), the European Commission and the European Systemic Risk Board (ESRB). The adverse stress test scenario was developed by the ECB and covers a three-year time horizon (2018-2020). The stress test was carried out applying a static balance sheet assumption as of December 2017, and therefore does not take into account current or future business strategies and management actions. The results also reflect the impact of IFRS 9 for determining loan loss provisions in adverse circumstances.

The results of the EBA stress test reaffirmed the resilience of the Issuer's business model and the strength of ING's capital base. The Issuer's commitment to maintain a robust, fully-loaded Group common equity Tier 1 (CET1) ratio in excess of prevailing requirements remain. Under the hypothetical baseline scenario and EBA's methodological instructions, ING Group would have a fully loaded CET1 of 13.99% in 2020. Under the hypothetical adverse scenario and EBA's methodological instructions, ING Group would have a fully loaded CET1 ratio of 10.70% in 2020 without management actions.

United States

ING Bank has a limited direct presence in the United States through the ING Bank Representative Offices in New York and Dallas, Texas. Although the offices' activities are strictly limited to essentially that of a marketing agent of bank products and services and a facilitator (i.e. the offices may not take deposits or execute any transactions), the offices are subject to the regulation of the State of New York Department of Financial Services and the Texas Department of Banking, as well as the Federal Reserve. ING Bank also has a subsidiary in the United States, ING Financial Holdings Corporation, which through several operating subsidiaries (one of which is registered with the U.S. Commodity Futures Trading Commission as a swap dealer and another of which is registered with the U.S. Securities and Exchange Commission as a securities broker-dealer) offers various financial products, including lending, and financial markets products. These entities do not accept deposits in the United States on their own behalf or on behalf of ING Bank N.V.

Anti-Money Laundering Initiatives and countries subject to sanctions

Combating money laundering and terrorist financing has been and will be a major focus of governmental policy towards financial institutions. Applicable bank regulatory authorities are imposing, and industry groups and participants are adopting, heightened standards, and law enforcement authorities have been taking a more active role in prosecuting potential violations.

The fifth Anti-Money Laundering Directive (5th AMLD) was adopted by the EU Parliament on 19 April 2018 and published in the EU Official Journal on 19 June 2018. EU member states have to transpose the 5th AMLD into their local laws and regulations by 10 January 2020. The main changes brought by the 5th AMLD: (i) enhance the powers of EU financial intelligence units and facilitate increased transparency regarding who really owns companies and trusts by establishing beneficial ownership registers; (ii) prevent risks associated with the use of virtual currencies for terrorist financing and limit the use of prepaid cards; (iii) improve the safeguards for financial transactions to and from high-risk third countries; (iv) enhance the access of financial intelligence units to information, including centralised bank account registers; (v) ensure centralised national bank and payment account registers or central data retrieval systems in all member states.

FEC/KYC

In September 2018, ING was impacted by the €775 million settlement agreement with the Dutch Public Prosecution Service related to the previously disclosed criminal investigations that found serious shortcomings in the execution of customer due diligence requirements to prevent financial economic crime at ING Netherlands in the period investigated (2010-2016).

The implementation and execution of policies and procedures related to anti-money laundering (AML) is an ongoing activity. In addition, ING has taken a number of specific measures to strengthen its management of compliance risks and address the root causes of the shortcomings. These measures are being implemented as part of the bank-wide, global Know Your Customer (KYC) Enhancement Programme, a multi-year improvement programme with integral steering. This specific programme was officially launched early in 2017 and is expected to run until end-2020. ING is committed to periodically providing the Dutch central bank (DNB) with regular updates on the progress made.

The KYC Enhancement Programme encompasses all client segments in all ING business units, leveraging on experiences from the enhancement programme already started in the Netherlands. The programme consists of three parts: (a) look-back analysis on past deficiencies in post-transaction monitoring. The look-back analysis consists of screening of transactions executed in the past. In case unusual transactions are identified, ING is committed to following the applicable reporting process; (b) enhancement of customer due diligence files with the aim to document sufficiently the knowledge the bank has about its clients in the line with past and new requirements; (c) structural solutions that should support getting sustainably better in addressing money laundering risks in the Issuer's portfolio and complying with laws and regulations.

The structural solutions comprise five pillars:

- **Development and global roll-out of KYC risk appetite statements, KYC risk assessments on clients, capability structure and maturity assessments.** Setting acceptance criteria based on which clients are on-boarded, transactions are processed or taxes are withheld. This pillar covers also the use of a uniform risk assessment methodology for KYC-related integrity risks and a common taxonomy to measure effectiveness.

- **Development and global roll-out of a bank-wide KYC digital service platform, including processes and tooling around CDD, screening and workflow management.** This includes the fulfilment of the client acceptance and maintenance life cycle within one global digital platform. All required screening components (name screening, pre-transaction screening, adverse media screening) will be incorporated into the client acceptance due diligence process. Once a customer is onboarded, ongoing screening and monitoring of transactions can then be activated.

- **Translation of risk assessment outcomes into scenarios and alert definitions that can be applied in transaction monitoring.** This includes the design and definitions of the applicable financial economic crime (FEC) and client activity monitoring (CAM) scenarios per entity, the building of the alert definitions (including data feeds) and migration to a central tool where relevant and possible, and validating and testing the approach from risks to alerts.

- **Set up central KYC organisation that defines standards and drives global execution and improvements.** This includes the set-up of the new KYC organisation now in place. As of 4Q 2018, the Issuer has strengthened the KYC governance by including the heads of the business lines in the KYC Committee. Going forward the Issuer will further develop the global KYC function to ensure structural embedding of standardised and uniform ways of working, with regular improvement cycles and support of advanced technologies and insights.

- **Develop and rollout KYC communication and awareness initiatives and set up a behavioural risk department that performs risk assessments.** In its internal communications, ING has made it clear that non-financial risk and compliance are just as important as financial risk and need to be embedded in ING's DNA. An online training module to enhance awareness of KYC was rolled out to all employees worldwide. MBB members spent a considerable amount of time engaging with staff to explain and discuss the Issuer's responsibility as gatekeepers of the financial system. In these meetings, the impact of the settlement, the root causes, the shortcomings and the Issuer's commitment and efforts to enhance were discussed. ING started behavioural risk assessments during which more than 100 interviews were held and more than 200 surveys were done to understand better how people, teams and departments interact and work together. Based on these insights, actions for improvement will be considered.

ING recognises that fighting Financial Economic Crime requires close cooperation with other banks and supervisory and regulatory authorities. ING is therefore working with the Dutch Banking Association (NVB) and the Dutch central bank (DNB) on harmonising efforts in the fight against FEC and participates actively in various working groups and project teams in this area. As such, ING actively participates in public-private partnerships to combat FEC, such as participating in the FEC Council PPS ('FEC-RAAD Public Private Cooperation') in which Dutch authorities and financial institutions cooperate on supervision, control, prosecution or investigation with financial sector parties to strengthen the integrity of the sector. This is done by means of preventative action to identify and combat threats to integrity. ING believes that introducing clear accountabilities and standard processes across the financial industry will allow ING to manage and control KYC activities and integrity risks more effectively.

As previously noted, in connection with the above-mentioned investigations ING also received information requests from the US Securities and Exchange Commission (SEC). ING has received a formal notification from the SEC that it has concluded its investigation and, based on the information at that time, the Division of Enforcement does not intend to recommend SEC enforcement action against ING.

On 25 July 2018, the 4th anti money-laundering directive was implemented into the Dutch act on the prevention of anti-money laundering and financing of terrorism (*Wet ter voorkoming van witwassen en terrorismefinanciering*; “Wwft”).

The ING Bank Financial Economic Crime Policy and Minimum Standards (FEC Policy, as of January 2019 part of a new, broader KYC policy) have been updated to, amongst other things, reflect the amendments to the Wwft and, more generally, reflect relevant national and international laws, regulations and industry standards. All client engagements, products and services of all majority owned ING Bank businesses (or business entities) and businesses under ING Bank’s management control are in scope of the ING Bank FEC Policy. The requirements in the ING Bank FEC Policy cover minimum standards and controls related to: money laundering, terrorist financing, export trade controls, proliferation financing, sanctions (economic, financial and trade) and countries designated by ING Bank as Ultra High Risk Countries (UHRC). The effectiveness of those controls is reviewed periodically.

Management of ING Bank entities also maintain local procedures designed to enable them to comply with both local laws and regulations and the ING Bank FEC Policy.

Countries subject to sanctions

As a result of frequent evaluation of all businesses from an economic, strategic and risk perspective ING continues to believe that for business reasons doing business involving certain specified countries should be discontinued. In that respect, ING has a policy not to enter into new relationships with clients from these countries and processes remain in place to discontinue existing relationships involving these countries. At present these countries are Cuba, Iran, North Korea, Sudan and Syria.

With regard to Iran specifically, Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added subsection (r) to Section 13 of the Securities Exchange Act of 1934, as amended, which requires the Issuer to disclose whether it or any of its affiliates has engaged during the calendar year in certain Iran-related activities, including any transaction or dealing with the Government of Iran that is not conducted pursuant to a specific authorisation of the U.S. government.

ING Bank maintains a limited legacy portfolio of guarantees, accounts, and loans that involve various entities with a connection to Iran. These positions remain on the books but certain accounts related thereto are ‘frozen’ where prescribed by applicable laws and procedures and in all cases subject to increased scrutiny within ING Bank.

Specifically, ING Bank has controls in place to monitor transactions related to these accounts. ING Bank may receive loan repayments, duly authorised by the relevant competent authorities where prescribed by applicable laws. For the calendar year 2018, ING Group had revenues of approximately USD 67,321, ING Group estimates that it had a net profit of approximately USD 14,399.

In 2018, the EU updated its blocking regulation in response to the U.S. withdrawal from the Joint Comprehensive Plan of Action. The EU revised this regulation to shield its companies from U.S. sanctions on Iran, in part by prohibiting European companies from complying with the sanctions the EU considers to be “extraterritorial” in nature.

The Ukraine-/Russia-related sanctions imposed by both the US and the EU remained in force in 2018. New sanctions regarding amongst others Russia were added pursuant to the Countering America's Adversaries Through Sanctions Act ("CAATSA"), including the listing of certain Russian companies and individuals as specially designated nationals.

Also in 2018, the UN, EU and the US sanctions regarding the Democratic People's Republic of Korea (North Korea) remained in place, resulting in an effective exclusion of North Korea from the global financial system. ING Bank has maintained a policy not to enter into new relationships with clients from North Korea, and not to participate in transactions that involve North Korean parties.

With a view to these ongoing developments ING continuously evaluates its sanctions compliance controls to respond to risks of new or expanding sanctions regimes.

For further information regarding compliance with relevant laws, regulations, standards and expectations by ING Bank and its business in certain specified countries, see "Global Regulatory Environment" above.

SELECTED FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET OF ING BANK N.V.[(1) (2)]

	31 December		
	2018	2017	2016
		(EUR millions)	
Assets			
Cash and balances with central banks	49,987	21,989	18,144
Loans and advances to banks	30,420	28,746	28,872
Financial assets at fair value through profit or loss			
trading assets	50,163	116,763	114,512
non-trading derivatives	2,672	2,185	2,309
designated at fair value through profit or loss	2,887	4,242	5,099
mandatorily at fair value through profit or loss	64,783	n/a	n/a
Investments			
available-for-sale	n/a	69,730	82,912
held-to-maturity	n/a	9,343	8,751
Financial assets at fair value through other comprehensive income	31,223	n/a	n/a
Securities at amortised cost	47,276	n/a	n/a
Loans and advances to customers	592,328	574,899	562,873
Investments in associates and joint ventures	1,044	947	1,003
Property and equipment	1,659	1,801	2,002
Intangible assets	1,839	1,469	1,484
Current tax assets	201	324	252
Deferred tax assets	841	818	1,000
Other assets	8,426	13,062	14,706
Assets held for sale	1,262	n/a	n/a
Total assets	887,012	846,318	843,919
Equity			
Shareholders' equity (parent)	44,173	43,662	43,540
Non-controlling interests	803	715	606
Total equity	44,976	44,377	44,146
Liabilities			
Subordinated loans	13,643	15,831	16,104
Debt securities in issue	102,159	90,231	101,305

	31 December		
	2018	2017	2016
		(EUR millions)	
Amounts due to banks	37,330	36,821	31,964
Customer deposits and other funds on deposit	580,294	552,690	531,096
Financial liabilities at fair value through profit or loss			
trading liabilities	31,215	73,596	83,167
non-trading derivatives	2,313	2,346	3,585
designated as at fair value through profit or loss	59,179	11,215	12,266
Current tax liabilities	856	774	546
Deferred tax liabilities	640	752	919
Provisions	1,011	1,713	2,028
Other liabilities	13,396	15,972	16,793
Total liabilities	842,036	801,941	799,773
Total equity and liabilities	887,012	846,318	843,919

Notes:

(1) These figures have been derived from the audited annual consolidated accounts of ING Bank N.V. in respect of the financial years ended 31 December 2018, 2017 and 2016, respectively. Amounts may not add up due to rounding.

(2) The amounts for the period ended 31 December 2018 have been prepared in accordance with IFRS 9, the adoption of IFRS 9 led to new presentation requirements; prior period amounts have not been restated.

BREAKDOWN OF SHAREHOLDERS' EQUITY OF ING BANK N.V.(1)

	31 December		
	2018	2017	2016
		(EUR millions)	
Share capital	525	525	525
Share premium	16,542	16,542	16,542
Revaluation reserve	3,093	3,913	4,810
Currency translation reserve	(2,068)	(1,682)	(791)
Net defined benefit asset/liability remeasurement reserve	(394)	(400)	(371)
Other reserves	26,474	24,764	22,825
Shareholders' equity (parent)	44,173	43,662	43,540

Note:

(1) These figures have been derived from the audited annual consolidated accounts of the Issuer in respect of the financial years ended 31 December 2018, 2017 and 2016.

CONSOLIDATED PROFIT & LOSS ACCOUNT OF ING BANK N.V.(1)(2)

	2018		2017		2016	
			(EUR millions)			
Continuing operations						
Interest income	27,792		43,988		44,221	
Interest expense	(13,842)		(30,206)		(30,904)	
Net interest income		13,949		13,782		13,317
Investment income		183		192		421
Result on disposals of group companies		(123)		1		1
Fee and commission income	4,240		3,864		3,581	
Fee and commission expense	(1,437)		(1,150)		(1,148)	
Net fee and commission income		2,803		2,714		2,433
Valuation results and net-trading income		1,031		672		1,093
Share of profit from associates and joint ventures		124		166		77
Other income		136		349		172
Total income		18,102		17,876		17,514
Addition to loan loss provisions		656		676		974
Staff expenses		5,430		5,198		5,036
Other operating expenses		5,265		4,598		5,567
Total expenses		11,351		10,472		11,577
Result before tax from continuing operations		6,751		7,404		5,937
Taxation		2,036		2,303		1,635
Net result (before non-controlling interests)		4,715		5,101		4,302

Note:

(1) These figures have been derived from the audited annual consolidated accounts of ING Bank N.V. in respect of the financial years ended 31 December 2018 to 2016.

(2) The amounts for the period ended 31 December 2018 have been prepared in accordance with IFRS 9, the adoption of IFRS 9 led to new presentation requirements; prior period amounts have not been restated.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following review and prospects should be read in conjunction with the consolidated financial statements and the notes thereto of ING Bank incorporated by reference in this Registration Document. These consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU ("IFRS EU").

Factors Affecting Results of Operations

ING Bank's results of operations are affected by demographics and by a variety of market conditions, including economic cycles, banking industry cycles, fluctuations in stock markets, interest and foreign exchange rates, political developments and client behaviour changes. See the section '*Risk Factors*' in this Registration Document for more factors that can impact ING Bank's results of operations.

The Issuer's results of operations are affected by demographics, regulations and by a variety of market conditions, including economic cycles, banking industry cycles and fluctuations in stock markets, interest and foreign exchange rates, political developments and client behaviour changes. For further information on regulations reference is made to "*Description of ING Bank N.V. – Regulation and Supervision*". For further information on other factors that can impact the Issuer's results of operations, reference is made to "*Risk Factors*".

Financial environment

Global economic growth more uneven

Brexit negotiations took place throughout 2018 and the year ended without an agreement on how the UK would leave the EU. ING Bank continued to take steps throughout 2018 to prepare for various options, such as applying for a banking licence in the UK, taking actions for contract continuity and working to establish alternatives in the EU for those euro clearing activities that are expected to move from London following Brexit.

Economic growth in some key emerging markets (China, Turkey, Argentina) slowed as trade-restrictive measures increased, financial conditions tightened, and in light of country-specific and geo-political factors.

Financial conditions slightly tighter

As economic momentum in the U.S. remained strong, the Federal Reserve continued hiking interest rates. The European Central Bank reduced its asset purchase programme.

Given differences in monetary policy stances and economic developments, longer-term yields increased in the U.S. and, on balance, moved sideways in the eurozone. However, in Italy, uncertainty about the forthcoming budget led to a considerable increase in sovereign spreads. Given ING Bank's geographical footprint, eurozone rate developments have a larger impact than rate developments in the U.S.

There was little progress on eurozone reform in 2018 given the diverse political interests involved. It's clear that the debate on the Economic and Monetary Union is difficult, and progress on the completion of the banking union is slow. ING Bank is hoping for progress on the European Deposit Insurance Scheme (EDIS), as it is an absolute requirement for finishing the Banking Union. Furthermore, ING Bank has concern about making a 'sovereign debt restructuring mechanism' part of the criteria for support from the European Stability Mechanism.

The review of EU prudential rules, via CRR2/CRD5 (Capital Requirements Regulation/Capital Requirements Directive) and BRRD2 (Bank Recovery and Resolution Directive), was discussed during 2018 by the Council and the European Parliament. The package includes the introduction of new rules, for instance regarding NSFR (net stable funding ratio), a G-SIB (global systemically important bank) surcharge for the leverage ratio, interest rate risk in the banking book and internal MREL (minimum own funds and eligible liabilities).

U.S. dollar on the rise

Strong economic growth and an associated increase in interest rates contributed to a general U.S. dollar appreciation. Currencies of emerging economies with weaker macroeconomic fundamentals and greater political uncertainty have come under downward pressure, e.g. the Turkish lira. ING Bank must ensure that this volatility does not impact the profitability of its operations in such emerging markets.

Fluctuations in equity markets

ING Bank is exposed to fluctuations in equity markets. ING Bank maintains an internationally diversified and mainly client-related trading portfolio. Accordingly, market downturns are likely to lead to declines in securities trading and brokerage activities which ING Bank executes for customers and therefore to a decline in related commissions and trading results. In addition to this, ING Bank also maintains equity investments in its own non- trading books. Fluctuations in equity markets may affect the value of these investments.

Fluctuations in interest rates

ING Bank is exposed to fluctuations in interest rates. Mismatches in the interest re-pricing and maturity profile of assets and liabilities in ING Bank's balance sheet can affect the future interest earnings and economic value of the bank's underlying banking operations. In addition, changing interest rates may impact the (assumed) behaviour of ING Bank's customers, impacting the interest rate exposure, interest hedge positions and future interest earnings, solvency and economic value of the bank's underlying banking operations. In the current low (and in some cases negative) interest rate environment in the Eurozone, the stability of future interest earnings and margin also depends on the ability to actively manage pricing of customer assets and liabilities. Especially, the pricing of customer savings portfolios in relation to re-pricing customer assets and other investments in ING Bank's balance sheet is a key factor in the management of the bank's interest earnings.

Fluctuations in exchange rates

The Issuer is exposed to fluctuations in exchange rates. The Issuer's management of exchange rate sensitivity affects the results of its operations through the trading activities and because it prepares and publishes its consolidated financial statements in euros. Because a substantial portion of ING Bank's income, expenses and foreign investments is denominated in currencies other than euros, fluctuations in the exchange rates used to translate foreign currencies, particularly the U.S. Dollar, Pound Sterling, Turkish Lira, Chinese Renminbi, Australian Dollar, Japanese Yen, Polish Zloty, Korean Won, the Indian Rupee, Brazilian Real and Russian Ruble into euros will impact the Issuer's reported results of operations, cash flows and reserves from year to year. Fluctuations in exchange rates will also impact the value (denominated in euro) of the Issuer's investments in its non-euro reporting subsidiaries. The impact of these fluctuations in exchange rates is mitigated to some extent by the fact that income and related expenses, as well as assets and liabilities, of each of ING Bank's non-euro reporting subsidiaries are generally denominated in the same currencies. FX translation risk is managed by taking into account the effect of translation results on the core Tier-1 ratio.

Critical Accounting Policies

A number of new or amended standards became applicable for the current reporting period. The Issuer changed its accounting policies as a result of adopting IFRS 9 'Financial Instruments'. The amounts for the period ended 31 December 2018 have been prepared in accordance with IFRS 9. The Issuer has applied the classification, measurement, and impairment requirements of IFRS 9 retrospectively as of 1 January 2018 by adjusting the opening balance sheet and opening equity at 1 January 2018. The Issuer decided not to restate comparative periods as permitted by IFRS 9.

The other standards and amendments, including IFRS 15, did not have any impact on the group's accounting policies and did not require retrospective adjustments.

Except for the amendment to IFRS 9 regarding prepayment features with negative compensation, the Issuer has not early adopted any standard, interpretation or amendment which has been issued, but is not yet effective.

For detailed information regarding ING Bank's accounting policies, including changes in accounting policies, reference is made to Note 1 'Accounting policies' to the Issuer consolidated financial statements for the year ended 31 December 2018, which are incorporated by reference herein.

Consolidated result of operations

ING Bank's management evaluates the results of its segments using a non-IFRS financial performance measure called underlying result. To give an overview of the underlying result measure, ING Bank also presents consolidated underlying result before tax and underlying net result. Underlying figures are derived from figures determined in accordance with IFRS-EU by excluding the impact of divestments and special items. Special items include items of income or expense that are significant and arise from events or transactions that are clearly distinct from ordinary operating activities.

While items excluded from underlying result are significant components in understanding and assessing ING Bank's consolidated financial performance, ING Bank believes that the presentation of underlying net result is relevant and useful for investors because it allows investors to understand the primary method used by management to evaluate ING Bank's operating performance and make decisions about allocating resources. In addition, ING Bank believes that the presentation of underlying net result helps investors compare its segment performance on a meaningful basis by highlighting result before tax attributable to ongoing operations and the underlying profitability of the segment businesses. For example, ING Bank believes that trends in the underlying profitability of its segments can be more clearly identified by disregarding the effects of the big restructuring provisions and realized gains/losses on divestures as the timing of such events is largely subject to the Company's discretion and influenced by market opportunities and ING Bank does not believe that they are indicative of future results. ING Bank believes that the most directly comparable GAAP financial measure to underlying net result is net result. However, underlying net result should not be regarded as a substitute for net result as determined in accordance with IFRS-EU. Because underlying net result is not determined in accordance with IFRS-EU, underlying net result as presented by ING Bank may not be comparable to other similarly titled measures of performance of other companies. In addition, ING Bank's definition of underlying net result may change over time.

The section Segment Reporting Banking Operations on the next pages presents the segment results on the basis of the performance measure underlying result.

For further information on underlying result for the Banking activities, as well as the reconciliation of ING Bank's segment underlying result before tax to the Issuer's net result, see Note 32 'Segments' to the Issuer consolidated financial statements for the year ended 31 December 2018, which are incorporated by reference herein.

Overview

The following table sets forth the consolidated results of ING Bank in accordance with IFRS-EU for the years ended 31 December 2018, 2017 and 2016:

IFRS-EU Consolidated Income Statement

	2018	2017	2016
	(amounts in millions of euros)		
Continuing operations			
Interest income	27,792	43,988	44,221
Interest expense	13,842	30,206	30,904
Net interest income	13,949	13,782	13,317
Net fee and commission income	2,803	2,714	2,433
Investment and Other income	1,351	1,380	1,764
Total income	18,102	17,876	17,514
Operating expenses	10,695	9,796	10,603
Addition to loan loss provisions	656	676	974
Total expenditure	11,351	10,472	11,577
Result before tax	6,751	7,404	5,937
Taxation	2,036	2,303	1,635
Net result from continuing operations	4,715	5,101	4,302
Non-controlling interests from continuing and discontinued operations	108	82	75
Net result IFRS-EU	4,607	5,019	4,227

Reconciliation from IFRS-EU to ING Bank's underlying results

	2018	2017	2016
	(amounts in millions of euros)		
Net result IFRS-EU(1)	4,607	5,019	4,227
-/- Special items(2)	(775)	0	(799)
Underlying net result(3)	5,382	4,957	5,026

Notes:

(1) Net result, after tax and non-controlling interests.

(2) Special items in 2018 comprised a settlement agreement with the Dutch authority on regulatory issues as announced on 4 September 2018.

Special items in 2016 primarily comprise restructuring charges and impairments related to the intended digital transformation programmes as announced in October 2016.

(3) Underlying figures are derived from figures according to IFRS by excluding the impact of special items.

Year ended 31 December 2018 compared to year ended 31 December 2017

The Issuer posted strong commercial results in 2018, but they were negatively affected by the EUR 775 million settlement agreement with the Dutch authorities on regulatory issues. The net result dropped to EUR 4,607 million from EUR 5,019 million in 2017, primarily due to the settlement agreement which was recorded as a special item. In 2017, there was a special item related to a EUR 121 million tax charge at ING Australia Holdings Ltd, for which a full reimbursement will be received from NN Group. Although the bottom-line impact for ING Bank was nil, it affected both the tax and 'other income' lines.

Underlying net result for 2018 was EUR 5,382 million, an increase of 7.2 per cent. from EUR 5,019 million in 2017. Underlying net result is derived from total net result by excluding the impact divestments and special items.

Year ended 31 December 2017 compared to year ended 31 December 2016

The Issuer posted a strong set of results in 2017, driven by continued lending growth, increased fee income and lower risk costs. The net result rose to EUR 5,019 million from EUR 4,227 million in 2016, which included EUR -799 million of special items after tax (primarily comprising restructuring charges and impairments related to the digital transformation programmes as announced in October 2016). In 2017, there was one special item related to a EUR 121 million tax charge at ING Australia Holdings Ltd related to the years 2007-2013, for which a full reimbursement will be received from NN Group. Although the impact on net result was nil, this special item affected both the 'taxation' and 'investment and other income' lines.

Underlying net result for 2017 was EUR 5,019 million, a decrease of 0.1 per cent. from EUR 5,026 million in 2016. Underlying net result is derived from total net result by excluding the impact from divestments and special items.

Segment Reporting

ING Bank's segments are based on the internal reporting structures by lines of business.

The Management Board Banking of ING Bank set the performance targets, approve and monitor the budgets prepared by the business lines. Business lines formulate strategic, commercial, and financial policy in conformity with the strategy and performance targets set by the Management Board Banking of ING Bank.

Recognition and measurement of segment results are in line with the accounting policies as described in Note 1 'Accounting policies'. Corporate expenses are allocated to business lines based on time spent by head office personnel, the relative number of staff, or on the basis of income, expenses and/or assets of the segment.

The following overview specifies the segments by line of business and the main sources of income of each of the segments:

Retail Netherlands (Market Leaders)

Income from retail and private banking activities in the Netherlands, including the SME and mid-corporate segments. The main products offered are current and savings accounts, business lending, mortgages and other consumer lending in the Netherlands.

Retail Belgium (Market Leaders)

Income from retail and private banking activities in Belgium, including the SME and mid-corporate segments. The main products offered are similar to those in the Netherlands.

Retail Germany (Challengers and Growth Markets)

Income from retail and private banking activities in Germany. The main products offered are current and savings accounts, mortgages and other customer lending.

Retail Other (Challengers and Growth Markets)

Income from retail banking activities in the rest of the world, including the SME and mid-corporate segments in specific countries. The main products offered are similar to those in the Netherlands.

Wholesale Banking

Income from wholesale banking activities (a full range of products is offered from cash management to corporate finance), real estate and lease.

ING Bank evaluates the results of its banking segments using a financial performance measure called underlying result. Underlying result is used to monitor the performance of ING Bank at a consolidated level and by segment. The Management Board Banking consider this measure to be relevant to an understanding of the Bank's financial performance, because it allows investors to understand the primary method used by management to evaluate the Bank's operating performance and make decisions about allocating resources. In addition, ING Bank believes that the presentation of underlying net result helps investors compare its segment performance on a meaningful basis by highlighting result before tax attributable to ongoing operations and the underlying profitability of the segment businesses. Underlying result is derived by excluding from IFRS the following: special items and the impact of divestments.

Special items include items of income or expense that are significant and arise from events or transactions that are clearly distinct from the regular operating activities. Disclosures on comparative periods also reflect the impact of divestments.

ING Bank reconciles the total segment results to the total result of Banking using Corporate Line Banking. The Corporate Line Banking is a reflection of capital management activities and certain expenses that are not allocated to the banking businesses. The Corporate Line Banking includes the isolated legacy costs (mainly negative interest results) caused by the replacement of short-term funding with long-term funding during 2013 and 2014. ING Bank applies a system of capital charging for its banking operations in order to create a comparable basis for the results of business units globally, irrespective of the business units' book equity and the currency they operate in.

Corporate Line Banking

In addition to these segments, ING Bank reconciles the total segment results to the total result of Banking using Corporate Line Banking. The Corporate Line Banking is a reflection of capital management activities and certain expenses that are not allocated to the banking businesses. The Corporate Line Banking includes the isolated legacy costs (mainly negative interest results) caused by the replacement of short-term funding with long-term funding during 2012 and 2013. ING Bank applies a system of capital charging for its banking operations in order to create a comparable basis for the results of business units globally, irrespective of the business units' book equity and the currency they operate in.

ING Bank's operations

The following table sets forth the contribution of ING Bank's business lines and the corporate line banking to the underlying net result for each of the years 2018, 2017 and 2016.

1 January to 31 December 2018

	Retail Banking Netherlands	Retail Banking Belgium	Retail Banking Germany	Retail Other	Wholesale Banking	Corporate Line Banking	Total
	(amounts in millions of euros)						
Underlying income							
- Net interest income	3,488	1,830	1,671	2,690	3,947	324	13,949
- Net fee and commission income	654	371	225	395	1,161	(3)	2,803
- Total investment and other income	335	169	76	230	673	(133)	1,350
Total underlying income	4,476	2,369	1,972	3,315	5,781	188	18,102
Underlying expenditure							
- Underlying operating expenses	2,165	1,610	1,027	2,033	2,826	260	9,920
- Additions to loan loss provision	(31)	164	(27)	350	200	(1)	656
Total underlying expenditure	2,134	1,774	1,000	2,383	3,026	258	10,576
Underlying result before taxation	2,342	595	972	932	2,755	(70)	7,526
Taxation	578	199	324	200	681	55	2,036
Non-controlling interests	0	6	3	80	19	0	108
Underlying net result	1,764	390	646	652	2,055	(125)	5,382
Special items						(775)	(775)
Net result IFRS-EU	1,764	390	646	652	2,055	(900)	4,607

1 January to 31 December 2017

	Retail Banking Netherlands	Retail Banking Belgium	Retail Banking Germany	Retail Other	Wholesale Banking	Corporate Line Banking	Total
	(amounts in millions of euros)						
Underlying income							
- Net interest income	3,610	1,842	1,704	2,437	3,895	294	13,782
- Net fee and commission income	601	408	215	384	1,108	(3)	2,714
- Total investment and other income	257	224	(28)	207	919	(318)	1,259
Total underlying income	4,468	2,473	1,891	3,028	5,922	(27)	17,755
Underlying expenditure							
- Underlying operating expenses	2,212	1,584	1,032	1,919	2,792	257	9,795
- Additions to loan loss provision	13	104	(10)	284	284	1	676
Total underlying expenditure	2,224	1,688	1,022	2,203	3,076	258	10,472
Underlying result before taxation	2,243	785	869	825	2,846	(285)	7,283

	1 January to 31 December 2017						
	Retail Banking Netherlands	**Retail Banking Belgium**	**Retail Banking Germany**	**Retail Other**	**Wholesale Banking**	**Corporate Line Banking**	**Total**
	(amounts in millions of euros)						
Taxation	566	296	241	188	881	9	2,182
Non-controlling interests	0	(2)	2	67	15	0	82
Underlying net result	1,678	491	625	569	1,950	(293)	5,019
Special items						0	0
Net result IFRS-EU	1,678	491	625	569	1,950	(293)	5,019

	1 January to 31 December 2016						
	Retail Banking Netherlands	**Retail Banking Belgium**	**Retail Banking Germany**	**Retail Other**	**Wholesale Banking**	**Corporate Line Banking**	**Total**
	(amounts in millions of euros)						
Underlying income							
- Net interest income	3,653	1,936	1,689	2,107	3,750	182	13,317
- Net fee and commission income	546	385	183	320	1,003	(2)	2,434
- Total investment and other income	237	253	51	432	855	(65)	1,763
Total underlying income	4,463	2,573	1,923	2,859	5,608	115	17,514
Underlying expenditure							
- Underlying operating expenses	2,560	1,438	886	1,723	2,572	267	9,445
- Additions to loan loss provision	171	175	(18)	278	368	0	974
Total underlying expenditure	2,731	1,613	868	2,001	2,940	267	10,419
Underlying result before taxation	1,705	961	1,055	858	2,668	(152)	7,095
Taxation	422	306	315	178	753	18	1,993
Non-controlling interests	0	1	2	60	11	0	75
Underlying net result	1,282	653	738	620	1,903	(171)	5,026
Special items	(192)	(418)	0	(12)	(149)	(27)	(799)
Net result IFRS-EU	1,090	235	738	608	1,754	(198)	4,227

Year ended 31 December 2018 compared to year ended 31 December 2017

ING Bank's operations posted strong commercial results in 2018, but they were negatively affected by the EUR 775 million settlement agreement with the Dutch authorities on regulatory issues. The net result dropped to EUR 4,607 million from EUR 5,019 million in 2017, primarily due to the settlement agreement which was recorded as a special item. In 2017, there was a special item related to a EUR 121 million tax charge at ING Australia Holdings Ltd, for which a full reimbursement will be received from NN Group. Although the bottom-line impact for ING Bank was nil, it affected both the tax and 'other income' lines.

The underlying net result rose 7.2 per cent. to EUR 5,382 million in 2018 from EUR 5,019 million in 2017; this was partly caused by a lower underlying effective tax rate supported by the tax reforms in Belgium and the US. Underlying net result is derived from total net result by excluding the impact from special items.

The underlying result before tax rose 3.3 per cent. to EUR 7,526 million in 2018 from EUR 7,283 million in 2017, primarily driven by continued business growth at resilient interest margins, higher net fee and commission income, and slightly lower risk costs. Commercial performance was strong in 2018. ING Bank grew net core lending (adjusted for currency impacts, and excluding Bank Treasury and the run-off portfolios) by EUR 36.6 billion, or 6.4 per cent., and net customer deposits rose by EUR 19.3 billion in 2018. The global retail customer base grew by one million customers to reach 38.4 million over the year, and the number of primary customers rose by 1.1 million to 12.5 million.

Total underlying income increased 2.0 per cent. to EUR 18,102 million from EUR 17,755 million in 2017. Net interest income rose 1.2 per cent. to EUR 13,949 million, due to an increase of the average balance sheet total, partly offset by a narrowing of the net interest margin to 1.53 per cent. from 1.55 per cent. in 2017. The increase of the average balance sheet was mainly driven by the continued growth in net core lending and customer deposits. The interest result on customer lending activities increased driven by higher volumes at stable margins. The interest result on customer deposits slightly declined, as the impact of volume growth was more than offset by margin pressure on current accounts (due to lower reinvestment yields); the interest margin on savings stabilized, mainly due to a further lowering of client savings rates in several countries. Net interest income was furthermore negatively affected by a decline in the volatile interest results of Financial Markets. Net fee and commission income rose 3.3 per cent. to EUR 2,803 million. The increase was mainly in Wholesale Banking (supported by the inclusion of Payvision as from the second quarter of 2018) and most of the Retail Banking countries, except for Belgium and Turkey. Investment and other income rose to EUR 1,350 million from EUR 1,259 million in 2017, mainly caused by higher valuation results and net trading income, including improved hedge ineffectiveness results, and one-off results. The increase was primarily visible in Retail Banking (excluding Belgium) and the Corporate Line. In Wholesale Banking, investment and other income declined, mainly due a loss recorded on the intended sale of an Italian lease run-off portfolio in 2018, while 2017 included a gain on the sale of an equity stake in the real estate run-off portfolio.

Underlying operating expenses increased 1.3 per cent. to EUR 9,920 million from EUR 9,795 million in 2017. In 2018, expenses included EUR 947 million of regulatory expenses up from EUR 901 million in the previous year. Excluding regulatory costs, expenses were up 0.9 per cent., as higher costs for strategic projects and to support business growth, were largely offset by lower performance-related expenses and strict cost management. The underlying cost/income ratio improved to 54.8 per cent. from 55.2 per cent. in 2017.

The net addition to the provision for loan losses declined 3.0 per cent. to EUR 656 million from EUR 676 million in 2017. Risk costs were 21 basis points of average risk-weighted assets, which is well below ING Bank's through-the-cycle average of 40-45 basis points.

Year ended 31 December 2017 compared to year ended 31 December 2016

Net result of ING Bank (including the impact from divestments and special items) rose to EUR 5,019 million from EUR 4,227 million in 2016. In 2017, there was one special item related to a EUR 121 million tax charge at ING Australia Holdings Ltd, for which a full reimbursement is expected to be received from NN Group. Although the impact on net result was nil, this special item affected both the 'taxation' and 'total investment and other income' lines. Special items in 2016 included EUR -787 million after tax related to the digital transformation programmes announced in October 2016 and EUR -13 million after tax related to earlier announced restructuring programmes in Retail Netherlands.

ING Bank's underlying banking operations posted a strong set of results in 2017. The underlying result before tax (excluding the impact from divestments and special items) rose 2.6 per cent. to EUR 7,283 million in 2017 from EUR 7,095 million in 2016, primarily driven by continued business growth at resilient interest margins, higher commission income and lower risk costs. This was achieved despite lower one-off gains and volatile items, and despite an increase in operating expenses. Commercial performance was robust in 2017: ING grew net core lending (adjusted for currency impacts and excluding Bank Treasury and the WUB and Lease run-off portfolios) by EUR 26.9 billion, or 4.8 per cent., and net customer deposits rose by EUR 19.0 billion compared to year-end 2016. ING grew the retail customer base by 1.6 million to 37.4 million during 2017, including a 900,000 increase in the number of primary clients to 10.8 million.

Total underlying income increased 1.4 per cent. to EUR 17,755 million from EUR 17,514 million in 2016, despite lower one-off gains and volatile items in 2017. The underlying interest result rose 3.5 per cent. to EUR 13,782 million from EUR 13,317 million in 2016, due to an increase of the net interest margin to 1.55 per cent. from 1.53 per cent. in 2016, combined with a slightly higher average balance sheet total. The increase of the average balance sheet was limited as continued growth in net core lending and customer deposits was largely offset by declines in investments and debt securities in issue. The interest result on customer lending activities increased driven by higher volumes at resilient margins. The interest result on customer deposits declined, as the impact of volume growth was more than offset by margin pressure on both savings and current accounts due to lower reinvestment yields and despite a further lowering of client savings rates in several countries. The growth of the interest result was furthermore supported by improved interest results in Bank Treasury and the Corporate Line, with part of the increase being structural due to a gradual redemption of the isolated legacy funding costs. Commission income rose 11.5 per cent. to EUR 2,714 million. The increase was recorded in most segments and products, with the relatively strongest growth in the Retail Challengers & Growth Markets. Total investment and other income fell to EUR 1,259 million from EUR 1,763 million in 2016. The decline was mainly caused by lower one-off gains (2016 included among others a EUR 200 million gain on the sale of Visa shares in Retail Banking and releases from revaluation reserves at Corporate Line) and negative hedge ineffectiveness results.

Underlying operating expenses increased 3.7 per cent. to EUR 9,795 million from EUR 9,445 million in 2016. In 2017, expenses included EUR 901 million of regulatory expenses compared with EUR 845 million in 2016. Excluding regulatory costs, expenses were up 3.4 per cent. mainly due to strategic projects (including an acceleration in digital investments), higher costs to support business growth and some one-offs.

The net addition to the provision for loan losses declined 30.6 per cent. to EUR 676 million from EUR 974 million in 2016. Risk costs were 22 basis points of average risk-weighted assets, which is well below ING's through-the-cycle average of 40-45 basis points.

Retail Netherlands

	2018	2017	2016
	(amounts in millions of euros)		
Underlying income			
Net interest income	3,488	3,610	3,653
Net fee and commission income	654	601	546

	2018	2017	2016
	(amounts in millions of euros)		
Investment income and other income	335	257	237
Total underlying income	4,476	4,468	4,436
Underlying expenditure			
Underlying operating expenses	2,165	2,212	2,560
Additions to the provision for loan losses	(31)	13	171
Total underlying expenditure	2,134	2,224	2,731
Underlying result before tax	2,342	2,243	1,705
Taxation	578	566	422
Non-controlling interests	0	0	0
Underlying net result	1,764	1,678	1,282
Special items			(192)
Net result	1,764	1,678	1,090

Year ended 31 December 2018 compared to year ended 31 December 2017

Both net result and underlying net result of Retail Netherlands increased by EUR 86 million, or 5.1 per cent., to EUR 1,764 million in 2018 from EUR 1,678 million in 2017. There were no special items in 2018 and 2017.

The underlying result before tax of Retail Netherlands rose 4.4 per cent. to EUR 2,342 million from EUR 2,243 million in 2017. This was mainly due to lower risk costs and benefits from the ongoing cost-saving programmes.

Underlying income rose 0.2 per cent. to EUR 4,476 million. The interest result was 3.4 per cent. lower, mainly caused by margin pressure on savings and current accounts, and a decline in the average lending volumes, partly offset by higher margins on mortgages. Net core lending (excluding the WUB run-off portfolio and Bank Treasury-related products) grew by EUR 1.9 billion as from 1 January 2018, of which EUR 0.8 billion in mortgages and EUR 1.1 billion in other lending. Net growth in customer deposits (excluding Bank Treasury) was EUR 3.5 billion in 2018. Net fee and commission income rose by EUR 53 million, or 8.8 per cent., primarily due to higher daily banking fees. Investment and other income rose by EUR 78 million, mainly attributable to higher allocated Bank Treasury revenues.

Underlying operating expenses declined 2.1 per cent. on 2017, mainly driven by the benefits from the ongoing cost-saving initiatives and lower expenses for legal claims.

Risk costs turned to a net release of EUR 31 million, or -6 basis points of average risk-weighted assets, from a net addition of EUR 13 million in 2017, reflecting the continued positive macroeconomic conditions in the Netherlands.

Year ended 31 December 2017 compared to year ended 31 December 2016

Net result of Retail Netherlands rose to EUR 1,678 million from EUR 1,090 million in 2016. Underlying net result increased 30.9 per cent. to EUR 1,678 million from EUR 1,282 million in 2016. In 2017, there were no special items. In 2016, special items after tax excluded from underlying net result were EUR -192 million, of which EUR -180 million related to the digital transformation programmes announced in October 2016 and EUR -13 million to the restructuring programmes in Retail Netherlands announced before 2013.

The underlying result before tax of Retail Netherlands rose 31.6 per cent. to EUR 2,243 million from EUR 1,705 million in 2016, due to lower risk costs and the benefits from the cost-saving initiatives, while income was slightly up supported by higher commission income. Underlying income rose 0.7 per cent. to EUR 4,468 million. The interest result was 1.2 per cent. lower, mainly caused by a decline in lending volumes and margin pressure on current accounts, partly offset by higher margins on savings. The lower lending volumes were for more than half caused by a further decline in the WUB run-off portfolio, including the continued transfer of WUB mortgages to NN Group. Net core lending (excluding the WUB portfolio and Bank Treasury-related products) declined by EUR 2.5 billion, primarily in mortgages, whereas the decline in other lending was limited. Net customer deposits (excluding Bank Treasury) grew by EUR 4.6 billion.

Commission income rose by EUR 55 million, or 10.1 per cent., primarily in current account fees. Investment and other income was up EUR 20 million.

Underlying operating expenses declined 13.6 per cent. on 2016, mainly driven by the benefits from the cost-saving initiatives, while 2016 included additional provisioning for Dutch SME clients with interest rate derivatives and higher restructuring costs. Risk costs declined to EUR 13 million, or 3 basis points of average risk-weighted assets, from EUR 171 million in 2016, reflecting the positive economic conditions in the Netherlands and strong housing market.

Retail Belgium

	2018	2017	2016
	(amounts in millions of euros)		
Underlying income			
Net interest income	1,830	1,842	1,936
Net fee and commission income	371	408	385
Investment income and other income	169	224	253
Total underlying income	2,369	2,473	2,573
Underlying expenditure			
Underlying operating expenses	1,610	1,584	1,438
Additions to the provision for loan losses	164	104	175
Total underlying expenditure	1,774	1,688	1,613
Underlying result before tax	595	785	961
Taxation	199	296	306
Non-controlling interests	6	(2)	1
Underlying net result	390	491	653
Special items			(418)
Net result	390	491	235

Year ended 31 December 2018 compared to year ended 31 December 2017

Both net result and underlying net result of Retail Belgium (including ING in Luxembourg) declined by EUR 101 million, or 20.6 per cent., to EUR 390 million in 2018 from EUR 491 million in 2017. The decrease was partly mitigated by a lower underlying effective tax rate, because 2017 included the impact of a tax reform in Belgium, which resulted in a tax charge to record a reduction in deferred tax assets. There were no special items in 2018 and 2017.

The underlying result before tax of Retail Belgium fell 24.2 per cent. to EUR 595 million in 2018, compared with EUR 785 million in 2017. The decline reflects lower income, higher expenses and an increase in risk costs.

Underlying income decreased to EUR 2,369 million from EUR 2,473 million in 2017. The interest result declined 0.7 per cent. to EUR 1,830 million, mainly due to margin pressure on most products, in part offset by volume growth in the lending portfolio as well as current accounts. The net production in customer lending (excluding Bank Treasury and the sale of a mortgage portfolio) was EUR 6.1 billion, of which EUR 2.2 billion was in mortgages and EUR 3.9 billion in other lending. The net inflow in customer deposits was EUR 3.0 billion in 2018. Net fee and commission income decreased 9.1 per cent., mainly due to lower fee income on investment products. Investment and other income fell by EUR 55 million, mainly due to lower income from financial markets products.

Operating expenses rose by EUR 26 million, or 1.6 per cent., to EUR 1,610 million, mainly due to higher external staff expenses related to the transformation programmes and the successful integration of Record Bank into ING Belgium. Risk costs increased by EUR 60 million to EUR 164 million, or 44 basis points of risk-weighted assets, from EUR 104 million, or 30 basis points of risk-weighted assets, in 2017. The increase was primarily in business lending.

Year ended 31 December 2017 compared to year ended 31 December 2016

Net result of Retail Belgium (including ING in Luxembourg) rose to EUR 491 million in 2017 compared with EUR 235 million in 2016, which included EUR -418 million of special items after tax and were fully related to the digital transformation programmes as announced in October 2016. Underlying net result, which excludes special items, decreased 24.8 per cent. to EUR 491 million from EUR 653 million in 2016. The decline was partly caused by a higher underlying effective tax rate, mainly driven by the impact of a tax reform in Belgium, which resulted in a tax charge to record a reduction in deferred tax assets.

The underlying result before tax of Retail Belgium fell 18.3 per cent. to EUR 785 million in 2017, compared with EUR 961 million in 2016. The decline mainly reflects lower net interest income and higher expenses, partly offset by lower risk costs and increased fee income. Underlying income decreased to EUR 2,473 million from EUR 2,573 million in 2016. The interest result declined 4.9 per cent. to EUR 1,842 million, mainly due to lower margins on savings and current accounts, and lower prepayment and renegotiation fees on mortgages; this was partly offset by volume growth in lending. The net production in customer lending (excluding Bank Treasury) was EUR 4.7 billion, of which EUR 3.2 billion was in mortgages and EUR 1.5 billion in other lending. The net inflow in customer deposits was EUR 1.4 billion compared with year-end 2016. Commission income rose 6.0 per cent., predominantly higher investment product fees.

Investment and other income fell by EUR 29 million, as 2016 included a gain on the sale of Visa shares.

Operating expenses rose by EUR 146 million, or 10.2 per cent. to EUR 1,584 million, mainly due to higher external staff expenses related to the transformation programmes and the EUR -95 million one-off expense adjustment in 2016. Risk costs dropped by EUR 71 million to EUR 104 million, or 30 basis points of average risk-weighted assets. The decrease was fully in business lending, while risk costs for mortgages and consumer lending were broadly stable.

Retail Germany

	2018	2017	2016
	(amounts in millions of euros)		
Underlying income			
Net interest income	1,671	1,704	1,689
Net fee and commission income	225	215	183
Investment income and other income	76	(28)	51
Total underlying income	1,972	1,891	1,923
Underlying expenditure			
Underlying operating expenses	1,027	1,032	886
Additions to the provision for loan losses	(27)	(10)	(18)
Total underlying expenditure	1,000	1,022	868
Underlying result before tax	972	869	1,055
Taxation	324	241	315
Non-controlling interests	3	2	2
Underlying net result	646	625	738
Net result	646	625	738

Year ended 31 December 2018 compared to year ended 31 December 2017

Both net result and underlying net result of Retail Germany (including ING in Austria) increased by EUR 21 million, or 3.4 per cent., to EUR 646 million in 2018 from EUR 625 million in 2017.

The underlying result before tax increased 11.9 per cent. to EUR 972 million, compared with EUR 869 million in 2017, mainly due to higher income and a net release in risk costs.

Underlying income increased 4.3 per cent. to EUR 1,972 million in 2018 from EUR 1,891 million a year ago. Net interest income declined 1.9 per cent. reflecting margin compression on mortgages and current accounts, and lower Bank Treasury-related interest income. This was only partly offset by higher margins on savings and deposits and volume growth in most products. Net core lending growth, which excludes Bank Treasury products, was EUR 4.4 billion in 2018, of which EUR 3.6 billion was in mortgages and EUR 0.8 billion in consumer lending. Net inflow in customer deposits (excluding Bank Treasury) was EUR 5.0 billion, mainly driven by a promotional savings campaign in the fourth quarter of 2018. Net fee and commission income rose 4.7 per cent., due to higher fee income on investment products and an improvement in fees on current accounts. Investment and other income rose to EUR 76 million, mainly due to improved hedge ineffectiveness results from Bank Treasury.

Operating expenses declined 0.5 per cent. to EUR 1,027 million from EUR 1,032 million in 2017. This decrease was mainly caused by lower regulatory costs and a decline in marketing expenses, partly offset by higher costs to support business growth and a restructuring provision in 2018. Risk costs were EUR -27 million in 2018, compared with EUR -10 million in 2017, reflecting a benign credit environment in the German market and a review of the consumer lending portfolio.

Year ended 31 December 2017 compared to year ended 31 December 2016

Both net result and underlying net result of Retail Germany decreased by EUR 113 million, or 15.3 per cent, to EUR 625 million in 2017 from EUR 738 million in 2016. There were no special items or divestments in 2017 and 2016.

Retail Germany's underlying result before tax decreased 17.6 per cent. to EUR 869 million, compared with EUR 1,055 million in 2016. The decrease was primarily caused by higher operating expenses; income was slightly lower, whereas risk costs resulted (again) in a net release. Underlying income decreased slightly to EUR 1,891 million in 2017 from EUR 1,923 million in 2016, when result was supported by a gain on the sale of Visa shares. Net interest income rose 0.9 per cent. following continued business growth, partly offset by lower interest margins on most products. The net production in customer lending (excluding Bank Treasury and movement in the mortgage hedge) was EUR 2.7 billion, of which EUR 1.7 billion was in mortgages and EUR 1.0 billion in consumer lending. Net inflow in customer deposits (excluding Bank Treasury) was EUR 3.8 billion in 2017. Commission income rose 17.5% to EUR 215 million, with investment products as one of the key drivers. Investment and other income was EUR 79 million lower, mainly due to negative hedge results and the EUR 44 million gain on the sale of Visa shares in 2016.

Operating expenses increased 16.5 per cent. to EUR 1,032 million, from EUR 886 million in 2016. The increase was next to EUR 30 million higher regulatory costs, mainly due to a higher headcount to support business growth, higher costs related to the acquisition of primary customers and investments in strategic projects (including project Welcome). Risk costs were EUR -10 million in 2017 (compared with EUR -18 million in 2016), reflecting a benign credit environment in the German market and model updates for consumer lending and overdrafts.

Retail Other

	2018	2017	2016
	(amounts in millions of euros)		
Underlying income			
Net interest income	2,690	2,437	2,107
Net fee and commission income	395	384	320
Investment income and other income	230	207	432
Total underlying income	3,315	3,028	2,859
Underlying expenditure			
Underlying operating expenses	2,033	1,919	1,723
Additions to the provision for loan losses	350	284	278
Total underlying expenditure	2,383	2,203	2,001
Underlying result before tax	932	825	858
Taxation	200	188	178
Non-controlling interests	80	67	60
Underlying net result	652	569	620
Special items			(12)
Net result	652	569	608

Year ended 31 December 2018 compared to year ended 31 December 2017

Retail Other consists of the Other Challengers & Growth Markets, including the stakes in Asia. Both net result and underlying net result of Retail Other increased by EUR 83 million, or 14.6 per cent., to EUR 652 million in 2018 from EUR 569 million in 2017. There were no special items in 2018 and 2017.

Retail Other's underlying result before tax increased 13.0 per cent. to EUR 932 million in 2018, from EUR 825 million in 2017. This was mainly due to higher income, partly offset by increased expenses and higher risk costs.

Total underlying income rose by EUR 287 million, or 9.5 per cent., to EUR 3,315 million. This increase was driven by continued strong commercial results across most countries, reflecting customer growth and higher volumes. Net interest income rose 10.4 per cent. to EUR 2,690 million, reflecting sustainable growth in lending and customer deposits volumes and an improved total interest margin. The net production (excluding currency effects and Bank Treasury) in customer lending was EUR 9.6 billion, of which EUR 6.4 billion was in mortgages and EUR 3.2 billion in other lending (mainly consumer loans). Net customer deposits grew by EUR 8.6 billion in 2018. Net fee and commission income rose 2.9 per cent. driven by increases in most countries, partly offset by a decline in Turkey. Investment and other income increased by EUR 23 million, mainly due to a higher dividend from Bank of Beijing and a higher profit contribution from ING Bank's 25 per cent. stake in TMB (which was mainly driven by one-offs), while previous year included a gain on the sale of MasterCard shares in Turkey.

Operating expenses increased by EUR 114 million, or 5.9 per cent., to EUR 2,033 million. This increase was, next to higher regulatory costs, mainly due to higher staff expenses in most counties to support commercial growth and higher investments in strategic projects. Risk costs were EUR 350 million, or 71 basis points of average risk-weighted assets, compared with EUR 284 million, or 58 basis points, in 2017. The increase was mainly attributable to higher risk costs in Italy, Romania and Poland, while risk costs in Turkey remained on the same high level as in 2017.

Year ended 31 December 2017 compared to year ended 31 December 2016

Net result of Retail Other decreased to EUR 569 million in 2017 compared with EUR 608 million in 2016, when the net result included EUR -12 million in special items after tax related to the digital transformation programmes as announced in October 2016. Underlying net result, which excludes special items, declined to EUR 569 million in 2017 compared with EUR 620 million in 2016.

Retail Other's underlying result before tax decreased 3.8 per cent. to EUR 825 million in 2017, from EUR 858 million in 2016, which was supported by a EUR 109 million gain on the sale of Visa shares. Total underlying income increased by EUR 169 million, or 5.9 per cent., to EUR 3,028 million. Excluding the gain on Visa shares in 2016, underlying income grew by 10.1 per cent. This increase was driven by strong commercial results across most countries. Net interest income rose 15.7 per cent. to EUR 2,437 million due to continued volume growth and higher margins on lending, partly offset by lower margins on savings and current accounts. The net production (excluding currency effects and Bank Treasury) in customer lending was EUR 9.3 billion, of which EUR 5.1 billion was in mortgages and EUR 4.2 billion in other lending (mainly consumer loans). The net production in customer deposits was EUR 8.1 billion. Commission income rose 20.0 per cent. driven by continued client and volume growth in most countries. Investment and other income was significantly lower, as the previous year included a EUR 109 million gain on Visa shares, but also a EUR 32 million gain from the reduction of ING's stake in Kotak Mahindra Bank.

Operating expenses increased by EUR 196 million, or 11.4 per cent., to EUR 1,919 million. This increase was mainly due to increased staff and marketing expenses in most countries to support business, as well as higher investments for strategic projects. The addition to the provision for loan losses was EUR 284 million, or 58 basis points of average risk-weighted assets, compared with EUR 278 million, or 57 basis points, in 2016. The slight increase was mainly attributable to higher risk costs in Poland, Spain and (to a lesser extent) Australia, partly offset by declines in Italy and Turkey.

Wholesale Banking

	2018	2017	2016
	(amounts in millions of euros)		
Underlying income			
Net interest income	3,947	3,895	3,750
Net fee and commission income	1,161	1,108	1,003
Investment income and other income	673	919	855
Total underlying income	5,781	5,922	5,608
Underlying expenditure			
Underlying operating expenses	2,826	2,792	2,572
Additions to the provision for loan losses	200	284	368
Total underlying expenditure	3,026	3,076	2,940
Underlying result before tax	2,755	2,846	2,668
Taxation	681	881	753
Non-controlling interests	19	15	11
Underlying net result	2,055	1,950	1,903
Special items			(149)
Net result	2,005	1,950	1,754

Year ended 31 December 2018 compared to year ended 31 December 2017

Both net result and underlying net result of Wholesale Banking rose to EUR 2,055 million in 2018 compared with EUR 1,950 million in 2017. This increase was primarily due to a lower effective tax rate supported by the impact of the corporate tax reforms in Belgium and the U.S. There were no special items in 2018 and 2017.

The underlying result before tax was EUR 2,755 million, down 3.2 per cent. from 2017, as higher results in Industry Lending were more than offset by lower results in Financial Markets and Bank Treasury & Other.

Industry Lending posted an underlying result before tax of EUR 2,091 million, up 6.4 per cent. compared with 2017, primarily due to volume growth, partly offset by some pressure on margins. The 2018 result furthermore included a EUR 66 million gain related to an equity-linked bond in Belgium. The underlying result before tax from General Lending & Transaction Services remained unchanged at EUR 751 million. Higher income, supported by volume growth in General Lending and the inclusion of Payvision as from the second quarter of 2018, was offset by increased expenses (partly due to payment innovation initiatives and higher regulatory costs) and slightly higher risk costs.

Financial Markets recorded an underlying result before tax of EUR -40 million compared with EUR 82 million in 2017. The drop in result was caused by lower income, which was impacted by lower client activity and challenging global market conditions, partly offset by a modest decline in expenses. The underlying result before tax of Bank Treasury & Other fell to a loss of EUR 47 million compared with a gain of EUR 47 million in 2017. This was mainly due to lower results in the run-off businesses (including a EUR 123 million loss recorded in the fourth quarter of 2018 on the intended sale of an Italian lease run-off portfolio, while 2017 included a EUR 97 million gain on the sale of an equity stake in the real estate run-off portfolio), partly offset by lower expenses for litigation issues.

Total underlying income of Wholesale Banking fell 2.4 per cent. to EUR 5,781 million compared with 2017, mainly reflecting lower revenues in Financial Markets and the loss on the intended sale of an Italian lease run-off portfolio. Wholesale Banking's net core lending book (adjusted for currency impacts, and excluding Bank Treasury and the Lease run-off portfolio) grew by EUR 14.5 billion in 2018. Net customer deposits (excluding currency impacts and Bank Treasury) shrank by EUR 0.8 billion. The interest result rose 1.3 per cent. on 2017, whereas net fee and commission income increased 4.8 per cent. (supported by the inclusion of Payvision). Investment and other income fell by EUR 246 million; this was almost fully attributable to the aforementioned one-off results in the lease and real estate run-off businesses.

Underlying operating expenses increased 1.2 per cent. to EUR 2,826 million due to higher regulatory costs. Expenses excluding regulatory costs were stable, mainly reflecting lower performance-related expenses and strict cost control, and despite the inclusion of Payvision. The underlying cost/income ratio increased to 48.9 per cent. from 47.1 per cent. in 2017. Risk costs declined to EUR 200 million, or 13 basis points of average risk-weighted assets, from EUR 284 million, or 19 basis points in 2017. The relatively low risk costs in 2018 were supported by several larger net releases for clients and only a few larger new additions. On top of that, risk costs for the Italian lease run-off portfolio were significantly lower than in the previous year.

Year ended 31 December 2017 compared to year ended 31 December 2016

Net result of Wholesale Banking rose to EUR 1,950 million in 2017 compared with EUR 1,754 million in 2016. The 2016 net result included EUR -149 million in special items after tax related to the digital transformation programmes as announced in October 2016. Underlying net result increased to EUR 1,950 million from EUR 1,903 million. The underlying effective tax rate rose to 31.0 percent from 28.2 percent in 2016, partly caused by the impact of tax reforms in the U.S. and Belgium, which resulted in a tax charge to record a reduction in deferred tax assets.

Wholesale Banking's underlying result before tax was EUR 2,846 million in 2017, up 6.7 per cent. from 2016, driven by income growth in Industry Lending and General Lending & Transaction Services, and lower risk costs. This was in part offset by higher expenses.

Industry Lending posted an underlying result before tax of EUR 1,966 million, up 13.2 per cent. compared with 2016, due to continued business growth in Structured Finance and Real Estate Finance at attractive margins, higher fee income and lower risk costs. The underlying result before tax from General Lending & Transaction Services rose 22.5 per cent. to EUR 751 million, due to higher income and lower risk costs. Income was supported by volume growth in Working Capital Solutions and General Lending, partly offset by some pressure on margins. Financial Markets' underlying result before tax fell to EUR 82 million from EUR 134 million in 2016. This decline was mainly due to higher expenses, in part due to higher regulatory costs and investments in IT infrastructure. Income was stable, despite a very weak fourth quarter in 2017. Excluding CVA/DVA impacts (EUR -36 million in 2017 versus EUR -71 million in 2016) income declined by EUR 34 million. The underlying result before tax of Bank Treasury & Other fell to EUR 47 million from EUR 185 million in 2016. In addition to lower Bank Treasury results, this decline was mainly caused by higher risk costs (primarily related to the Italian lease run-off portfolio) and some litigation provisions. This was partly offset by higher sale results in the run-off businesses, including a EUR 97 million gain on the sale of an equity stake in the real estate run-off portfolio.

Underlying income of Wholesale Banking increased 5.6 per cent. to EUR 5,922 million, compared with 2016, driven by volume growth in lending and the aforementioned gain on the sale of an equity stake. Wholesale Banking's net core lending book (adjusted for currency impacts and excluding Bank Treasury and the Lease run-off portfolio) grew by EUR 12.7 billion in 2017. The net inflow in customer deposits (excluding currency impacts and Bank Treasury) was EUR 1.1 billion. The interest result rose 3.9 per cent. on 2016, whereas commission income increased by 10.5 per cent. Investment and other income was EUR 64 million higher, driven by the gain on the sale of an equity stake.

Underlying operating expenses increased 8.6 per cent. to EUR 2,792 million, mainly due to higher headcount to support business growth, increased additions to litigation provisions and higher regulatory costs. Risk costs declined to EUR 284 million, or 19 basis points of average risk-weighted assets, from EUR 368 million, or 24 basis points in 2016. The relatively low risk costs in 2017 were supported by several larger net releases for clients and only a few larger new additions, and was realized despite higher risk costs for the Italian lease run-off portfolio.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The principal sources of funds for ING Bank's operations are growth in retail funding, which mainly consists of current accounts, savings and retail deposits as well as repayments of loans, disposals and redemptions of investment securities (mainly bonds), sales of trading portfolio securities, interest income and commission income. The major uses of funds are advances of loans and other credits, investments, purchases of investment securities, funding of trading portfolios, interest expense and administrative expenses.

ING Bank's Risk Management, including liquidity, is discussed in the section "Risk Management" of the Issuer's consolidated financial statements for the year ended 31 December 2018, which are incorporated by reference herein.

The following table sets forth the consolidated statement of cash flows for ING Bank for the years ended 31 December 2018, 2017 and 2016 (certain figures have been restated (please see the Annual Report for more information)).

	2018	**2017**	**2016**
		(EUR millions)	
Result before tax	6,751	7,404	5,937
Adjusted for:			
- depreciation and amortisation	520	520	536
- addition to loan loss provisions	656	676	974
- other	(1,646)	708	1,580
Taxation paid	(1,600)	(1,753)	(1,555)
Changes in:			
- loans and advances to banks,not available on demand	(778)	(3,306)	(1,168)
- trading assets	16,838	(1,605)	16,976
- non-trading derivatives	(270)	(2,403)	1,725
- assets designated at fair value through profit and loss	(725)	441	(3,400)

	2018	2017	2016
		(EUR millions)	
- assets mandatorily at fair value through profit and loss	(6,968)	n/a	n/a
- loans and advances to customers	(31,016)	(21,397)	(29,668)
- other assets	418	(663)	(1,280)
- deposits from banks, not payable on demand	566	6,320	(346)
- customer deposits	31,241	22,960	23,682
- trading liabilities	(7,018)	(9,575)	(5,634)
- other financial liabilities at fair value through profit and loss	10,546	(566)	(432)
- provisions and other liabilities	621	854	1,030
Net cash flow from operating activities	18,136	(1,385)	8,957
Investment and advances:			
- acquisition of group companies, net of cash acquired	(111)		
- associates and joint ventures	(97)	(79)	(49)
- available-for-sale investments	n/a	(21,601)	(27,003)
- held-to-maturity investments	n/a	(3,609)	(1,731)
- financial assets at FVOCI	(10,517)	n/a)	n/a
- securities at amortised cost	(17,985)	n/a)	n/a
- property and equipment	(286)	(304)	(415)
- other investments	(258)	(264)	(288)
Disposals and redemptions:			
- associates and joint ventures	116	245	54
- available-for-sale investments	n/a	32,788	31,165
- held-to-maturity investments	n/a	2,675	630
- financial assets at FVOCI	15,657	n/a	n/a
- securities at amortised cost	18,709	n/a	n/a
- property and equipment	17	79	75
- loans sold	206	1,815	1,295
- other investments		9	9
Net cash flow from investing activities	5,451	11,754	3,742
Proceeds from issuance of subordinated loans	1,828	2,314	1,085
Repayments of subordinated loans	(4,594)	(1,246)	(961)
Proceeds from debt securities	141,214	89,369	106,174
Repayments of debt securities	(131,170)	(95,077)	(121,998)
Dividends paid	(2,517)	(3,176)	(1,345)

	2018	2017	2016
		(EUR millions)	
Net cash flow from financing activities	4,761	(7,816)	(17,045)
Net cash flow	28,348	2,553	(4,346)
Cash and cash equivalents at beginning of year	18,975	16,163	20,354
Effect of exchange rate changes on cash and cash equivalents	205	260	155
Cash and cash equivalents at end of year	47,528	18,976	16,163

At 31 December 2018, cash and cash equivalents include cash and balances with central banks of EUR 49,987 million (2017: EUR 21,989 million; 2016: EUR 18,144 million). See Note 29 "Cash and cash equivalents" in the notes to the Issuer's consolidated financial statements for the year ended 31 December 2018, which are incorporated by reference herein.

ING Bank Consolidated Cash Flows

Year ended 31 December 2018 compared to year ended 31 December 2017

Net cash flow from operating activities amounted to EUR 18,136 million for the year ended 31 December 2018, compared to EUR -1,385 million at year-end 2017. The increase in cash flow from operating activities of EUR 21,000 million was due to higher cash inflows from net trading balances, EUR 21,097 million (2018 EUR 9,820 million, 2017 EUR -11,180 million), higher cash inflows from Customer deposits EUR 8,281 million (2018 EUR 31,241 million, 2017 EUR 22,960 million) and a higher cash inflow from Other EUR 5,959 million (2018 EUR 3,622 million, 2017 EUR -2,337). These higher cash inflows are partly offset by an increase in cash outflows from loans and advances of EUR 8,056 (2018 EUR -31,016 million, 2017 EUR -22,960).

Net cash flow from operating activities was largely affected by the cash inflow from a decrease of the trading assets. The cash inflow was due to lower trading balances consisting of equity securities, debt securities, trading derivatives and loans and receivables. In 2017 the cash outflow to trading assets was due to higher trading balances consisting of loans and receivables and equity shares. The cash inflows related to increased customer deposits and are mainly due to increased savings individuals and credit balances on customer accounts, this net cash inflow was in line with 2017. Newly issued mortgage loans, corporate lending and personal lending led to a cash outflow which was partly offset by a decrease in loans to public authorities.

Net cash flow from investing activities amounted EUR 5,451 million, from EUR 11,754 million in 2017. Investments and advances in financial assets at fair value through other comprehensive income and securities at amortised cost amounted to EUR -10,517 million and EUR -17,985 million respectively as in 2017 the investments in available-for- sale securities and Held-to-maturity investments amounted EUR -21,601 and EUR -3,609 million respectively.

Disposals and redemptions of financial assets at fair value through other comprehensive income and securities at amortised cost amounted to EUR 15,657 million and EUR 18,709 million respectively as in 2017 the Disposals and redemptions of in available-for-sale securities Held-to-maturity investments amounted EUR 32,788 million and EUR 2,675 million respectively.

Net cash flow from financing activities amounted EUR 4,761 million in 2018, compared to EUR -7,816 million in 2017. The increase of EUR 12,577 million in net cash flow is mainly due higher proceeds of debt securities.

The operating, investing and financing activities described above resulted in an increase of EUR 28,349 million in cash and cash equivalents from EUR 18,975 million at year-end 2017 to EUR 47,528 million at year end 2018.

Specification of cash position:

	2018	2017
	(amounts in millions of euros)	
Treasury bills and other eligible bills	159	391
Amounts due from/to banks	(2,617)	(3,404)
Cash and balances with central banks	49,987	21,989
Cash and cash equivalents at end of year	47,528	18,976

Year ended 31 December 2017 compared to year ended 31 December 2016

Net cash flow from operating activities amounted to EUR -1,385 million for the year ended 31 December 2017, compared to EUR 8,957 million at year-end 2016. The decrease in cash flow from operating activities of EUR 10,342 million was due to higher cash outflows from net trading balances, EUR -22,522 million (2017; EUR –11,180 million, 2016 EUR 11,342 million), and higher cash outflows re non-trading derivatives of EUR -4,128 (2017 EUR -2,403 million, 2016 EUR 1,725 million). These higher cash outflows are partly offset by a decrease in cash outflows from loans and advances of EUR 8,271 (2017 EUR -21,397 million, 2016 EUR -29,668) and lower cash outflows from financial assets and liabilities at fair value through profit or loss EUR 2,845 million (2017 EUR -123 million, 2016 EUR -2,968 million).

Cash inflows increased due to a decrease of net positions with banks EUR 4,528 million (2017 EUR 3,014 million, 2016 EUR -1,514 million) and an increase in profit before tax EUR 1,467 million (2017 EUR 7,404 million, 2016 EUR 5,937 million). These increases of cash inflows were offset by decreases in cash inflows due to lower cash inflows from customer deposits EUR -722 million (2017 EUR 22,960 million, 2016 EUR 23,682 million).

Net cash flow from operating activities was largely affected by the cash outflow from newly issued mortgage loans, corporate lending and personal lending. The cash outflow to trading assets was due to higher trading balances consisting of loans and receivables and equity shares. Cash inflows relate to increased customer deposits and are mainly due to increased savings individuals and credit balances on customer accounts, decreased net positions from and to other banks and net income results. In 2016 there was a large cash outflow from loans and advances to customers and a large cash inflow from trading assets. The strong cash inflow from trading assets in 2016 is related to a combination of fewer equity securities required to hedge equity swaps, fewer trading government bonds and a decrease in reverse repurchase activities.

Net cash flow from investing activities amounted EUR 11,754 million, from EUR 3,742 million in 2016. Investments in available-for-sale securities amounted EUR 21,601 million and EUR 27,003 million in 2017 and 2016, respectively.

Disposals and redemptions of available-for-sale securities amounted to EUR 32,788 million and EUR 31,165 million in 2017 and 2016, respectively.

Net cash flow from financing activities amounted EUR -7,816 million in 2017, compared to EUR -17,045 million in 2016. The decrease of EUR 9,229 million in net cash flow is mainly due lower repayments of debt securities.

The operating, investing and financing activities described above resulted in an increase of EUR 2,553 million in cash and cash equivalents from EUR 16,163 million at year-end 2016 to EUR 18,976 million at year end 2017.

Specification of cash position:

	2017	2016
	(amounts in millions of euros)	
Treasury bills and other eligible bills	391	512
Amounts due from/to banks	(3,404)	(2,492)
Cash and balances with central banks	21,989	18,122
Cash and cash equivalents at end of year	18,976	16,164

Off-balance sheet arrangements

For information regarding off-balance sheet arrangements, see Note 43 'Contingent liabilities and commitments' and Note 50 "Risk Management" to the Issuer consolidated financial statements for the year ended 31 December 2018, which are incorporated by reference herein.

Contractual obligations

For information about future payments in relation to pension benefit liabilities reference is made to Note 17 'Other liabilities' to the Issuer consolidated financial statements for the year ended 31 December 2018, which are incorporated by reference herein. For information about coupon interest due on financial liabilities by maturity bucket reference is made to Note 39 'Liabilities by maturity' to the Issuer consolidated financial statements for the year ended 31 December 2018, which are incorporated by reference herein. For information on future rental commitments reference is made to Note 43 'Contingent liabilities and commitments' to the Issuer consolidated financial statements for the year ended 31 December 2018, which are incorporated by reference herein. For information on securitisation arrangements and structured entity details reference is made to Note 47 'Structured entities' to the Issuer consolidated financial statements for the year ended 31 December 2018, which are incorporated by reference herein.

Contractual obligations

	Payment due by period			
	Total	Less than one year	1-5 years	More than 5 years
	(amounts in millions of euros)			
2018				
Operating lease obligations	1,376	260	597	521
Subordinated loans	13,643		1,700	11,942[1]
Debt securities in issue	102,159	55,309	32,659	14,191
Total	117,178	55,569	34,956	26,184
2017				
Operating lease obligations	1,252	268	628	356

	Payment due by period			
	Total	Less than one year	1-5 years	More than 5 years
		(amounts in millions of euros)		
Subordinated loans	15,831			15,831[1]
Debt securities in issue	90,231	44,387	34,215	11,629
Total	107,314	44,655	34,843	27,816

Note:

(1) The maturity bucket ' more than 5 years' includes subordinated loans of EUR 5,270 million (2017: EUR 5,077) with no maturity date (perpetual).

SELECTED STATISTICAL INFORMATION

Selected Statistical Information on Banking Operations

The information in this section sets forth selected statistical information regarding the operations of ING Bank. Information for 2018, 2017 and 2016 is set forth under IFRS-EU and is calculated based on figures included in the ING Bank consolidated financial statements for the respective financial year. Unless otherwise indicated, average balances, when used, are calculated from monthly data and the distinction between domestic and foreign is based on the location of the office where the assets and liabilities are booked, as opposed to the domicile of the customer.

However, ING believes that the presentation of these amounts based upon the domicile of the customer would not result in material differences in the amounts presented in this section.

	Year ended 31 December[1]		
	2018	**2017**	**2016**
		(%)	
Return on equity	10.6	11.5	10.0
Return on assets	0.5	0.6	0.5
Equity to assets	5.0	5.2	5.2
Net interest margin	1.5	1.6	1.5

Note:

(1) Calculated based on average balances using year-end data.

Average Balances and Interest Rates

The following tables show the banking operations, average interest-earning assets and average interest-bearing liabilities, together with average rates, for the periods indicated. The interest income, interest expense and average yield figures do not reflect interest income and expense on derivatives and other interest income and expense not considered to be directly related to interest-bearing assets and liabilities. These items are reflected in the corresponding interest income, interest expense and net interest income figures in the consolidated financial statements. A reconciliation of the interest income, interest expense and net interest income figures to the corresponding line items in the consolidated financial statements is provided hereunder.

Assets

	Interest-earning assets								
	2018			**2017**			**2016**		
	Average balance	**Interest income**	**Average yield**	**Average balance**	**Interest income**	**Average yield**	**Average balance**	**Interest income**	**Average yield**
	(EUR millions)		*(%)*	*(EUR millions)*		*(%)*	*(EUR millions)*		*(%)*
Time deposits with banks[1]									
domestic	3,395	41	1.2	16,234	89	0.6	32,058	58	0.2

Interest-earning assets

	2018			2017			2016		
	Average balance	**Interest income**	**Average yield**	**Average balance**	**Interest income**	**Average yield**	**Average balance**	**Interest income**	**Average yield**
	(EUR millions)		*(%)*	*(EUR millions)*		*(%)*	*(EUR millions)*		*(%)*
foreign	40,970	1,016	2.5	39,807	536	1.4	22,888	323	1.4
Loans and advances(1)									
domestic	189,695	5,923	3.1	206,417	6,166	3.0	219,036	6,674	3.0
foreign	445,965	13,531	3.0	418,146	12,291	2.9	381,663	11,651	3.1
Interest-earning securities(2)									
domestic	29,442	336	1.1	28,856	400	1.4	35,842	472	1.3
foreign	50,699	1,055	2.1	61,035	1,341	2.2	69,780	1,638	2.3
Other interest-earning assets									
domestic	36,897	34	0.1	22,526	24	0.1	14,762	31	0.2
foreign	30,224	80	0.3	30,215	75	0.2	20,907	77	0.4
Total	827,288	22,016	2.7	823,238	20,923	2.5	796,936	20,924	3.0
Non-interest earning assets	59,347			33,998			34,612		
Derivatives assets	27,400			33,572			44,818		
Total assets	914,035			890,808			876,366		
Percentage of assets applicable to foreign operations		70.2%			67.5%			63.6%	
Interest income on derivatives		5,174			22,392			22,917	
Other		602			673			380	
Total interest income		27,792			43,988			44,221	

Notes:

(1) Securities purchased with agreements to resell are reflected in the categories Time deposits with banks, and Loans and advances.

(2) Substantially all interest-earning securities held by the banking operations of the Company are taxable securities.

Liabilities

	Interest-bearing liabilities								
	2018			2017			2016		
	Average balance	Interest expense	Average yield	Average balance	Interest expense	Average yield	Average balance	Interest expense	Average yield
	(EUR millions)		*(%)*	*(EUR millions)*		*(%)*	*(EUR millions)*		*(%)*
Time deposits from banks									
domestic	17,805	22	0.1	17,219	25	0.1	13,701	21	0.2
foreign	15,262	210	1.4	15,169	234	1.5	13,066	224	1.7
Demand deposits									
domestic	60,846	289	0.5	59,207	164	0.3	51,119	100	0.2
foreign	95,977	29	0.0	83,878	21	0.0	72,185	26	0.0
Time deposits[1]									
domestic	28,413	396	1.4	26,315	239	0.9	24,624	138	0.6
foreign	14,607	259	1.8	15,766	255	1.6	16,654	208	1.2
Savings deposits									
domestic	92,316	126	0.1	92,818	246	0.3	92,814	531	0.6
foreign	261,369	1,316	0.5	263,311	1,502	0.6	256,240	1,924	0.8
Short term debt									
domestic	18,253	96	0.5	6,958	47	0.7	11,271	54	0.5
foreign	31,521	553	1.8	23,479	260	1.1	23,012	192	0.8
Long term debt									
domestic	54,944	1,517	2.8	60,915	1,520	2.5	69,253	1,821	2.6
foreign	12,765	345	2.7	14,424	435	3.0	14,992	445	3.0
Subordinated liabilities									
domestic	16,340	710	4.3	16,635	395	2.4	16,541	430	2.6
foreign	81	3	4.1	150	6	4.1	205	9	4.3
Other interest-bearing liabilities									
domestic	4,227	100	2.4	16,375	106	0.7	27,140	(87)	(0.3)
foreign	16,310	192	1.2	64,595	756	1.2	43,136	407	0.9
Total	741,037	6,162	0.8	777,216	6,211	0.8	745,955	6,443	0.9
Non-interest bearing liabilities	102,722			35,837			38,588		
Derivatives liabilities	25,939			33,297			47,358		
Total Liabilities	**869,699**			**846,350**			**832,970**		
Group Capital	44,336			44,458			43,465		
Total liabilities and capital	914,035			890,808			876,366		
Percentage of liabilities applicable to foreign operations		64.7%			62.3%			59.8%	

	Interest-bearing liabilities								
	2018			2017			2016		
	Average balance	Interest expense	Average yield	Average balance	Interest expense	Average yield	Average balance	Interest expense	Average yield
Other interest expense									
Interest expenses on derivatives		5,837			22,958			23,636	
other		1,844			1,036			826	
Total interest expense		13,842			30,206			30,904	
Total net interest result		13,949			13,782			13,317	

Note:

(1) These captions do not include deposits from banks.

Analysis of Changes in Net Interest Income

The following table allocates changes in the Bank's operations' interest income and expense and net interest result between changes in average balances and rates for the periods indicated. Changes due to a combination of volume and rate have been allocated to changes in average volume. The net changes in interest income, interest expense and net interest result, as calculated in this table, have been reconciled to the changes in interest income, interest expense and net interest result in the consolidated financial statements. See introduction to "Average Balances and Interest Rates" for a discussion of the differences between interest income, interest expense and net interest result as calculated in the following table and as set forth in ING Bank's consolidated financial statements for the year ended 31 December 2018, which are incorporated by reference herein.

	2018 over 2017			2017 over 2016		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
	(EUR millions)			(EUR millions)		
Interest-earning assets[1]						
Time deposits to banks						
domestic	(71)	22	(48)	(29)	60	31
foreign	16	462	478	238	(25)	213
Loans and advances						
domestic	(500)	256	(244)	(384)	(124)	(508)
foreign	818	423	1,240	1,114	(473)	640
Interest-earning securities						
Domestic	8	(73)	(65)	(92)	20	(72)
foreign	(227)	(59)	(286)	(205)	(92)	(297)
Other interest-earning assets						
domestic	15	(5)	11	16	(24)	(8)

	2018 over 2017			2017 over 2016		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Average volume	**Average rate**	**Net change**	**Average volume**	**Average rate**	**Net change**
		(EUR millions)			*(EUR millions)*	
foreign	0	5	5	34	(36)	(2)
Interest income						
domestic	(547)	201	(346)	(489)	(67)	(556)
foreign	606	833	1,440	1,181	(626)	555
Total	59	1,034	1,093	692	(694)	(2)
Other interest income			(17,289)			(231)
Total interest income			(16,196)			(233)

Note:

(1) To further enhance the relevance of the interest disclosures, ING Bank changed its separate presentation of interest (income and expenses) for trading derivatives, trading securities and trading loans / deposits (mainly repo's) to presenting the full fair value movements in 'Valuation results and net trading income'. The change in presentation is in line with the changed presentation of accrued interest in the balance sheet that it is no longer separately presented, but included in the corresponding balance sheet item of the host contract.

The following table shows the interest spread and net interest margin for the past two years.

	2018	**2017**
	Average rate	
	(%)	
Interest spread		
Domestic	1.3	1.5
Foreign	2.1	1.9
Total	1.8	1.7
Net interest margin		
Domestic	1.2	1.4
Foreign	2.2	2.0
Total	1.9	1.8

	2018 over 2017			2017 over 2016		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
	(EUR millions)			(EUR millions)		
Interest-bearing liabilities[1]						
Time deposits to banks						
domestic	1	(5)	(4)	6	(2)	4
foreign	1	(26)	(24)	36	(27)	9
Demand deposits						
domestic	5	121	126	16	48	64
foreign	3	5	8	4	(10)	(5)
Time deposits						
Domestic	19	137	157	9	92	102
foreign	(19)	23	4	(11)	58	47
Savings deposits						
domestic	(1)	(118)	(119)	0	(286)	(286)
foreign	(11)	(176)	(187)	53	(474)	(421)
Short term debt						
domestic	76	(27)	49	(21)	13	(7)
foreign	89	203	292	4	65	69
Long term debt						
domestic	(149)	146	(3)	(219)	(81)	(301)
foreign	(50)	(40)	(90)	(17)	7	(10)
Subordinated liabilities						
domestic	(7)	322	315	2	(37)	(34)
foreign	(3)	0	(3)	(2)	0	(3)
Other interest bearing liabilities						
domestic	(79)	72	(6)	35	159	193
foreign	(565)	1	(564)	202	147	349
Interest expense						
domestic	(136)	649	513	(172)	(93)	(265)
foreign	(554)	(9)	(564)	269	(234)	36
Total	(690)	639	(50)	97	(327)	(230)
Other interest income			(16,314)			(468)
Total interest income			(16,364)			(698)
Net interest						
domestic	(411)	(448)	(860)	(317)	26	(291)
foreign	1,160	843	2,003	911	(392)	519
Net interest	749	395	1,144	595	(366)	228

	2018 over 2017			2017 over 2016		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
		(EUR millions)			(EUR millions)	
Other Net interest result			(976)			237
Net interest result			168			465

Note:

(1) To further enhance the relevance of the interest disclosures, ING Bank changed its separate presentation of interest (income and expenses) for trading derivatives, trading securities and trading loans / deposits (mainly repo's) to presenting the full fair value movements in 'Valuation results and net trading income'. The change in presentation is in line with the changed presentation of accrued interest in the balance sheet that it is no longer separately presented, but included in the corresponding balance sheet item of the host contract.

Investments of ING Bank

The following table shows the balance sheet value under IFRS-EU of the investments of the banking operations.

	Year ended 31 December		
	2018	2017	2016
Debt securities at fair value through other comprehensive income	25,616	n/a	n/a
Debt securities at amortised cost	47,276	n/a	n/a
Debt securities at fair value through profit or loss	3,218	1,739	1,669
Debt securities available for sale	n/a	65,747	78,888
Debt securities held to maturity	n/a	9,343	8,751
Shares and convertible debentures	3,228	3,983	4,024
Land and buildings[1]	834	839	946
Total	80,173	81,651	94,278

Note:

(1) Including commuted ground rents

	Year ended 31 December		
	2018	2017	2016
		(EUR millions)	
Debt securities at fair value through other comprehensive income			
Dutch government	1,444	n/a	n/a
German government	2,278	n/a	n/a
Belgian government	2,059	n/a	n/a
Other governments	11,847	n/a	n/a
Banks and financial institutions	5,321	n/a	n/a
Other corporate debt securities	484	n/a	n/a
U.S. Treasury and other U.S. Government agencies	1,061	n/a	n/a
Other debt securities	1,123	n/a	n/a
Total debt securities at fair value through other comprehensive income	25,616	n/a	n/a
Debt securities at amortised cost			
Dutch government	6,484	n/a	n/a
German government	4,959	n/a	n/a
Belgian government	2,285	n/a	n/a
Other governments	12,771	n/a	n/a
Central banks	1,455	n/a	n/a
Banks and financial institutions	11,906	n/a	n/a
Other corporate debt securities	974	n/a	n/a
U.S. Treasury and other U.S. Government agencies	4,959	n/a	n/a
Other debt securities	1,483	n/a	n/a
Total debt securities at amortised cost	47,276	n/a	n/a

The following table shows the balance sheet value under IFRS-EU of the investments of the Bank's operations.

	Year ended 31 December		
	2018	2017	2016
		(EUR millions)	
Debt securities available for sale			
Dutch government	n/a	7,053	8,968
German government	n/a	10,682	12,617
Belgian government	n/a	4,892	5,497

	Year ended 31 December		
	2018	2017	2016
		(EUR millions)	
Other governments	n/a	19,804	24,010
Central banks	n/a	1,216	1,253
Banks and financial institutions	n/a	15,356	20,154
Other corporate debt securities	n/a	1,493	1,577
U.S. Treasury and other U.S. Government agencies	n/a	3,034	2,713
Other debt securities	n/a	2,217	2,099
Total debt securities available for sale	n/a	65,747	78,888
Debt securities held to maturity			
Dutch government	n/a	1,087	1,105
German government	n/a	238	0
Belgian government	n/a	628	912
Other governments	n/a	2,240	4,671
Central banks	n/a	310	0
Banks and financial institutions	n/a	908	1,498
Other corporate debt securities	n/a	209	215
U.S. Treasury and other U.S. Government agencies	n/a	3,507	0
Other debt securities	n/a	216	350
Total debt securities held to maturity	n/a	9,343	8,751

Banking investment strategy

ING's investment strategy for its investment portfolio related to the banking activities is formulated by the Asset and Liability Committee ("ALCO"). The exposures of the investments to market rate movements are managed by modifying the asset and liability mix, either directly or through the use of derivative financial products including interest rate swaps, futures, forwards and purchased option positions such as interest rate caps, floors and collars.

Portfolio maturity

	Year ended 31 December 2018				
	1 year or less	Between 1 and 5 years	Between 5 and 10 years	Over 10 years	Total
Fair value through other comprehensive income					
Dutch government	14	1,151	279		1,444
German government	36	1,428	814		2,278

	Year ended 31 December 2018				
	1 year or less	Between 1 and 5 years	Between 5 and 10 years	Over 10 years	Total
Belgian government	105	1,569	385		2,059
Other governments	471	6,045	5,319	12	11,847
Banks and financial institutions	1,312	2,815	1,193		5,321
Other corporate debt securities	91	298	96		484
U.S. Treasury and other U.S. Government agencies	8		342	711	1,061
Other debt securities	67	104	448	505	1,123
Fair value through other comprehensive income	2,104	13,409	8,876	1,228	25,616
Yield[(1)]	3.3	2.5	2.2	2.0	

Note:

(1) Since substantially all investment securities held by the banking operations of the Company are taxable securities, the yields are on tax-equivalent basis.

	Year ended 31 December 2018				
	1 year or less	Between 1 and 5 years	Between 5 and 10 years	Over 10 years	Total
Securities at amortised cost					
Dutch government	42	5,558	884		6,484
German government	456	3,595	908		4,959
Belgian government	538	244	1,504		2,285
Other governments	1,759	4,439	6,195	378	12,771
Central banks	1,455				1,455
Banks and financial institutions	2,054	7,783	1,984	86	11,906
Other corporate debt securities	96	503	228	147	974
U.S. Treasury and other U.S. Government agencies	0		3,687	1,272	4,959
Other debt securities	47	953	482	1,483	
Total Securities at amortised cost	6,399	22,169	16,342	2,366	47,276
Yield[(1)]	2.5	2.1	1.8	3.3	

Note:

(1) Since substantially all investment securities held by the banking operations of the Company are taxable securities, the yields are on a tax-equivalent basis.

On 31 December 2018, ING Bank also held the following securities for the banking operations that exceeded 10 per cent. of shareholders' equity:

	2018	
	Book value	**Market value**
	(EUR millions)	
German government	12,165	12,497
Dutch government	9,575	9,770
U.S. Treasury and other U.S. governments	7,118	7,093
Polish government	7,246	7,219
Spanish government	5,734	5,755

Loan Portfolio

Loans and advances to banks and customers

Loans and advances to banks include all receivables from credit institutions, except for cash, current accounts and deposits with other banks (including central banks). Loans and advances to customers includes lending facilities to corporate and private customers encompass among others, loans, overdrafts and finance lease receivables.

The following table sets forth the gross loans and advances to banks and customers as of 31 December 2018, 2017, 2016, 2015 and 2014 under IFRS-EU.

IFRS-EU	**Year ended December 31**				
	2018	**2017**	**2016**	**2015**	**2014**
By domestic offices:					
Loans guaranteed by public authorities	24,547	26,975	27,746	30,912	27,665
Loans secured by mortgages	119,939	121,702	126,884	128,685	139,079
Loans to or guaranteed by credit institutions	8,175	8,113	10,621	16,343	17,307
Other private lending	3,304	3,162	4,376	5,636	6,635
Other corporate lending	37,331	38,550	37,707	196,248	217,070
Total domestic offices	193,296	198,502	207,335	378,645	407,756
By foreign offices:					
Loans guaranteed by public authorities	17,257	19,397	18,634	18,214	18,894
Loans secured by mortgages	219,983	204,883	191,744	179,938	161,007
Loans to or guaranteed by credit institutions	25,361	22,638	19,422	17,688	25,508
Other private lending	21,563	20,074	18,723	17,041	16,096
Asset backed securities excluding MBS		2,209	3,380	4,937	5,318
Other corporate lending	149,787	140,461	137,676	119,161	111,347
Total foreign offices	433,951	409,662	389,579	356,979	338,170
Total gross loans and advances to banks and customers	627,247	608,164	596,914	734,793	745,926

Maturities and sensitivity of loans to changes in interest rates

The following table analyses loans and advances to banks and customers by time remaining until maturity as of 31 December 2018.

	1 year or less	1 year to 5 years	After 5 years	Total
		(EUR millions)		
By domestic offices:				
Loans guaranteed by public authorities	1,920	1,594	21,032	24,547
Loans secured by mortgages	5,875	17,715	96,349	119,939
Loans guaranteed by credit institutions	6,493	1,607	75	8,175
Other private lending................................	1,694	810	800	3,304
Other corporate lending............................	20,213	12,762	4,356	37,331
Total domestic offices.............................	36,196	34,488	122,612	193,296
By foreign offices:				
Loans guaranteed by public authorities	4,234	6,299	6,724	17,257
Loans secured by mortgages	18,971	54,823	146,189	219,983
Loans guaranteed by credit institutions	18,248	5,458	1,656	25,361
Other private lending................................	6,866	10,721	3,975	21,563
Asset backed securities excluding MBS				
Other corporate lending............................	54,942	72,588	22,256	149,787
Total foreign offices................................	103,261	149,889	180,800	433,951
Total gross loans and advances to banks and customers...	139,457	184,377	303,412	627,247

The following table analyses loans and advances to banks and customers by interest rate sensitivity by maturity as of 31 December 2018 (amounts may not add up due to rounding).

	1 Year or less	Over 1 Year	Total
Non-interest earning..	3,940	1,166	5,106
Fixed interest rates	60,476	80,464	140,940
Floating or adjustable interest rates(1)	75,041	406,159	481,201
Total..	139,459	487,789	627,247

Note:

(1) Loans that have an interest rate that remains fixed for more than one year and which can then be changed are classified as "adjustable interest rates"

Loan concentration

The following industry concentrations were in excess of 10 per cent. of total loans as of 31 December, 2018:

	Total outstanding
Private Individuals	38.9%

Risk elements

Loans Past Due 90 days and Still Accruing Interest

Loans past due 90 days and still accruing interest are loans that are contractually past due 90 days or more as to principal or interest on which ING Bank continues to recognise interest income on an accrual basis in accordance with IFRS-EU. Once a loan has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The following table sets forth the gross balance of the loans past due 90 days and still accruing interest for the years ended 31 December 2018, 2017, 2016, 2015 and 2014 under IFRS-EU.

IFRS-EU	**Year ended 31 December**				
	2018	**2017**	**2016**	**2015**	**2014**
			(EUR millions)		
Domestic	2,948	4,343	5,292	7,523	8,714
Foreign	2,427	3,861	3,338	4,055	5,528
Total loans past due 90 days and still accruing interest	5,375	8,024	8,630	11,578	14,242

As of 31 December 2018, EUR 5,375 million of the loans past due 90 days and still accruing interest have a loan loss provision. ING's loan portfolio is under constant review. Loans with past due financial obligations of more than 90 days are reclassified as non-performing. For commercial lending portfolios, there generally are reasons for declaring a loan non-performing prior to being 90 days past due. These reasons include, but are not limited to, ING's assessment of the customer's perceived inability to meet its financial obligations, or the customer filing for bankruptcy or bankruptcy protection.

The total loans classified as non performing, including those loans classified as past due 90 days and still accruing interest, amounts EUR 11,102 million as of 31 December 2018.

For information on credit restructuring reference is made to Note 50 "Risk Management" to the Issuer consolidated financial statements for the year ended 31 December 2018, which are incorporated by reference herein.

Troubled Debt Restructurings

Troubled debt restructurings are loans that ING Bank has restructured due to deterioration in the borrower's financial position and in relation to which, for economic or legal reasons related to the borrower's deteriorated financial position, ING Bank has granted a concession to the borrower that it would not have otherwise granted.

The following table sets forth the gross outstanding balances of the troubled debt restructurings as of December 31 2018, 2017, 2016, 2015 and 2014 under IFRS-EU.

IFRS-EU	Year ended 31 December				
	2018	2017	2016	2015	2014
			(EUR millions)		
Troubled debt restructurings:					
Domestic	672	675	325	86	112
Foreign	779	330	277	376	304
Total troubled debt restructurings	1,451	1,005	602	462	416

Relationship Between Forbearance and Troubled Debt Restructurings (TDR)

Both forbearance and TDR refer to a situation in which a debtor is facing financial difficulties and the creditor grants concessions in respect of the terms of the loans, but the application of the respective guidance, specifically the entry criteria under both standards, results in differences between the total amount of reported forborne loans and the amount of forborne loans which are considered TDR.

This difference is due to ING's determination of forbearance being based on the criteria in the European Implementing Technical Standards on Supervisory reporting on forbearance and non-performing exposures under article 99(4) of Regulation (EU) No 575/2013 (the "EU Standard"), while ING's determination of Troubled Debt Restructurings (TDR) is based on FASB codification (ASC) 310-40 "Troubled Debt Restructurings by Creditors" (the "TDR Standard").

Under the EU Standard, all concessions that ING makes in respect of a loan given to a debtor in financial difficulty will result in a loan being considered forborne, including modification of payment terms (such as interest deferrals or extensions of maturity) as well as concessions that do not have any impact on cash flows, such as when ING waives covenant or other non-payment-related loan terms. As a result, the "Total Forborne Loans" in the table below represents all loans where ING has made borrower concessions, regardless of the impact of such concessions on the timing or likelihood of repayment.

Under the TDR Standard, however, loans may only be classified as TDR if the creditor has granted a concession and as a result of such concession does not expect to collect all amounts due, including both interest and principal. For these purposes, the TDR Standard also provides that concessions that result in a delay in payment that is only considered "insignificant" will not result in the loan being considered TDR. This means that the loans reported by ING as TDR will not include loans for which covenant or other non-payment terms have been modified, as well as loans for which payment-related concessions would, in ING's judgment, result in only insignificant delays in repayment. Examples of concessions which result in only insignificant delays in payment would include temporary payment holidays for retail mortgage clients, or standstill arrangements with corporate borrowers. As ING will ordinarily receive compensation in connection with such concessions (generally through additional interest income), these concessions would typically not result in a significant NPV loss or would result in a delay in payment that ING Bank would consider to be insignificant taking into account the remaining duration of the loan. Debt forgiveness, either through principal or interest reductions, is generally not granted by ING, but to the extent granted would likely result in the loan being classified as TDR.

As a result of the application of these two standards, ING reports a significantly larger amount of loans in the forborne category than in the TDR category. The following table (in EUR millions) sets forth total forborne loans and loans that are TDR as of December 31 2018 and 2017, as well as a reconciliation indicating the categories of forborne loans under the EU Standard which do not meet the criteria of the TDR Standard.

	2018	2017
Total Forborne Loans (EU Standard)	10,140	11,819
Wholesale Banking: differences in entry criteria		
Concessions not reducing cash flows (e.g., covenant waiver)	(1,429)	(2,359)
Concessions that do not result in significant delay in payment[1]	(2,244)	(2,817)
Retail Banking: differences in entry criteria		
Concessions that do not result in significant delay of payment	(4,696)	(5,317)
Other	(320)	(321)
Total Loans that are Troubled Debt Restructurings (TDR Standard)	1,451	1,005

Note:

(1) This category includes concessions where the NPV loss is less than 1 per cent.

Interest Income on Troubled Debt Restructurings

The following table sets forth the gross interest income that would have been recorded during the year ended 31 December 2018 on troubled debt restructurings had such loans been current in accordance with their original contractual terms and interest income on such loans that was actually included in interest income during the year ended 31 December 2018.

	Year ended 31 December 2018		
	Domestic Offices	Foreign Offices	Total
		(EUR millions)	
Interest income that would have been recognized under the original contractual terms	12	45	57
Interest income recognized in the profit and loss account	9	21	30

Potential Problem Loans

Potential problem loans are loans that are not classified as loans past due 90 days and still accruing interest or troubled debt restructurings and amounted to EUR 4,743 million as of 31 December 2018. Of this total, EUR 1,646 million relates to domestic loans and EUR 3,089 million relates to foreign loans. These loans are considered potential problem loans as there is known information about possible credit problems causing ING Bank to have serious doubts as to the ability of the borrower to comply with the present loan repayment terms and which may result in classifying the loans as loans past due 90 days and still accruing interest or as troubled debt restructurings.

Cross-border outstandings

Cross-border outstandings are defined as loans (including accrued interest), acceptances, interest-earning deposits with other banks, other interest-earning investments and any other monetary assets that are denominated in euro or other non-local currency. To the extent that material local currency outstandings are not hedged or are not funded by local currency borrowings, such amounts are included in cross-border outstandings.

Commitments such as irrevocable letters of credit are not considered as cross border outstanding. Total outstandings are in line with Dutch Central Bank requirements. On 31 December 2018, there were no outstandings exceeding 1 per cent. of total assets in any country where current conditions give rise to liquidity problems which are expected to have a material impact on the timely repayment of interest or principal.

The following tables analyse cross-border outstandings as of the end of 31 December 2018, 2017 and 2016 stating the name of the country and the aggregate amount of cross-border outstandings to borrowers in each foreign country where such outstandings exceed 1 per cent. of total assets, by the following categories.

Year ended 31 December 2018

	Government & official institutions	Banks & other financial institutions	Commercial & industrial	Other	Total	Cross-border Commitments
			(EUR millions)			
United States of America	6,054	5,759	71,956	2,407	86,176	19,819
United Kingdom	1,420	14,756	13,213	2,376	31,766	6,415
France	1,851	11,535	16,017	979	30,383	2,360
Ireland	0	1,819	19,506	142	21,467	1,008
Switzerland	220	3,087	13,406	1,886	18,598	2,272
Germany	2,965	3,837	3,800	3,935	14,537	12,142
Luxembourg	863	2,969	8,026	1,369	13,227	3,901
Singapore	0	1,163	9,823	769	11,755	774
China	31	4,920	1,848	3,969	10,768	733
Belgium	997	1,805	7,054	845	10,702	13,954

Year ended 31 December 2017

	Government & official institutions	Banks & other financial institutions	Commercial & industrial	Other	Total	Cross-border Commitments
			(EUR millions)			
United States of America	6,665	7,165	65,444	2,727	82,001	16,621
France	2,564	24,353	15,333	1,230	43,479	7,840
United Kingdom	1,263	13,493	14,373	2,574	31,702	6,442
Switzerland	4	7,594	10,800	2,700	21,098	2,521
Ireland	0	574	19,686	161	20,421	927
Germany	4,404	5,873	3,897	3,267	17,441	12,585
Belgium	439	2,612	12,496	812	16,359	14,484
China	85	7,849	2,248	5,490	15,671	320
Singapore	0	1,601	9,175	550	11,326	618
Luxembourg	508	2,151	6,910	1,598	11,167	3,445
Turkey	1,274	3,710	5,312	234	10,530	1,139

	Year ended 31 December 2017					
	Government & official institutions	Banks & other financial institutions	Commercial & industrial	Other	Total	Cross-border Commitments
			(EUR millions)			
Hong Kong	0	4,512	4,134	575	9,221	300

	Year ended 31 December 2016					
	Government & official institutions	Banks & other financial institutions	Commercial & industrial	Other	Total	Cross-border Commitments
			(EUR millions)			
United States	3,962	7,871	12,665	2,309	26,808	17,624
France	6,110	11,823	3,081	1,028	22,042	7,585
United Kingdom	812	10,498	6,892	1,497	19,700	6,263
Germany	6,249	3,096	2,151	4,297	15,793	12,540
China	1,149	6,226	1,562	4,892	13,829	464
Turkey	1,653	3,272	6,760	468	12,152	1,401
Belgium	1,252	3,379	4,467	938	10,035	11,743
Luxembourg	195	1,574	5,817	1,435	9,022	2,744
Switzerland	177	770	5,807	2,094	8,848	2,432

The following table Discloses cross-border outstandings as of the end of 31 December 2018, 2017 and 2016 stating the name of the country and the aggregate amount of cross-border outstandings to borrowers in each foreign country where such outstandings are between 0.75 per cent. and 1.0 per cent. of total assets.

	Year ended 2018
	(EUR millions)
Cayman Islands	8,516
Turkey	7,831
Spain	7,523
Hong Kong	7,083
Japan	6,792

	Year ended 2017
	(EUR millions)
Japan	8,332
Canada	6,116
Cayman Island	6,062

	Year ended 2016
	(EUR millions)
Singapore	7,908
Hong Kong	6,716
Canada	6,679
Japan	6,472

Summary of Loan Loss Experience

As of 1 January 2018, the IFRS 9 accounting rules on loan loss provisioning have been implemented. These accounting rules do not change the actual credit losses, but have an impact on the timing of when these losses are reflected in the P&L. Under IFRS 9 loan loss provisions are booked given expected losses, whereas under the IAS 39 accounting practice loan loss provisions were booked from the moment losses were incurred. More specifically, loan loss provisioning becomes more forward-looking under IFRS 9 partly due to the fact that provisions will be based on the macroeconomic outlook, amongst other factors. Furthermore, loan loss provisioning will be calculated on the lifetime expected losses for assets that have experienced a significant deterioration in credit quality.

For further explanation on loan loss provision reference is made to Note 1 'Accounting Policies' and Note 7 'Loans and advances to customers' in Note 2.1 to the Issuer consolidated financial statements for the year ended 31 December 2018, which are incorporated by reference herein.

The following table presents the movements in allocation of the provision for loan losses on loans accounted for as loans and advances to banks and customers for 2018, 2017, 2016, 2015 and 2014 under IFRS-EU.

IFRS-EU	**Calendar period**				
	2018[(1)]	**2017**	**2016**	**2015**	**2014**
			(EUR millions)		
Balance on 1 January	4,521	5,308	5,786	5,995	6,154
Effect of changes in accounting policy	795				
Change in the composition of the Group	0	0	0	0	(170)
Write-offs:					
Domestic:					
Loans guaranteed by public authorities	(69	0	(207)	0	0
Loans secured by mortgages	(127)	(231)	(323)	(436)	(435)

IFRS-EU	Calendar period				
	2018[1]	**2017**	**2016**	**2015**	**2014**
			(EUR millions)		
Loans to or guaranteed by credit institutions ..	0	(5			(12)
Other private lending	(177)	(48)	(93)	(121)	(50)
Other corporate lending	(105)	(409)	(234)	(447)	(483)
Foreign:					
Loans secured by mortgages	(70)	(66)	(129)	(154)	(90)
Loans to or guaranteed by credit institutions ..	(1)	0			
Other private lending	(141)	(188)	(233)	(303)	(124)
Other corporate lending	(354)	(331)	(275)	(257)	(535)
Total write-offs...	(1,044)	(1,278)	(1,494)	(1,718)	(1,729)
Recoveries:					
Domestic:					
Loans secured by mortgages	15	24	14	23	36
Other private lending	11	15	15	16	13
Other corporate lending	14	19	6	(5	9
Foreign:					
Loans secured by mortgages	2	3	3	4	6
Other private lending	4	7	8	37	31
Other corporate lending	7	(8)	48	16	9
Total recoveries..	53	60	94	91	104
Net write-offs..	(992)	(1,218)	(1,400)	(1,627)	(1,625)
Additions and other adjustments (included in value Adjustments to receivables of the Banking operations)..	244	538	922	1,418	1,636
Balance on 31 December	4,568	4,628	5,308	5,786	5,995
Ratio of net charge-of s to average loans and advances to banks and customers....................	0.1%	0.20%	0.23%	0.28%	0.29%

Note:

(1) The 2018 changes in loan loss provision presents IFRS 9 expected credit losses (excluding IAS 37 provisions for non-credit replacement positions (1 January 2018: EUR 107 million), The IAS 39 comparative 2017 amount includes IAS 37 provision for all off balance positions.

Additions to the provision for loan losses presented in the table above were influenced by developments in general economic conditions as well as certain individual exposures. The following table shows the allocation of the provision for loan losses on loans accounted for as loans and advances to banks and customers for 2018, 2017, 2016, 2015 and 2014 under IFRS-EU.

IFRS-EU	Year ended December 31									
	2018		2017		2016		2015		2014	
	(Eur)	(%)(1)	(Eur)	(%)(1)	(Eur)	(%)(1)	(Eur)	(%)(1)	(Eur)	(%)(1)
	(EUR millions)									
Domestic:										
Loans guaranteed by public authorities	0	4	0	4	0	5	0	5	0	5
Loans secured by mortgages	421	19	347	20	550	21	819	22	1,069	24
Loans to or guaranteed by credit institutions	5	1	2	1	2	2	0	2	0	2
Other private lending...	119	1	118	1	122	1	177	1	169	1
Other corporate lending.........................	959	6	1,268	6	1,738	6	1,904	7	1,820	7
Total domestic	1,504	31	1,735	32	2,412	34	2,900	37	3,058	39
Foreign:										
Loans guaranteed by public authorities	7	3	3	3	7	3	2	3	2	3
Loans secured by mortgages	700	35	526	34	638	32	717	30	793	27
Loans to or guaranteed by credit institutions	8	4	7	4	12	3	15	3	8	5
Other private lending...	763	3	746	3	620	3	712	3	701	4
Mortgage backed securities......................	0	0	9	0	2	1	2	1	2	1
Other corporate lending.........................	1,563	24	1,602	23	1,617	23	1,438	22	1,431	21
Total foreign	3,041	69	2,893	67	2,896	66	2,886	63	2,937	61
Total	4,545	100	4,628	100	5,308	100	5,786	100	5,995	100
Other provisions...........	23									
Total provisions	4,568									

Note:

(1) The percentages represent the loans in each category as a percentage of the total loan portfolio for loans and advances to banks and customers.

Deposits

For information on deposits reference is made to Note 13 'Deposits from banks' and Note 14 'Customer deposits' of Note 2.1 to the Issuer consolidated financial statements for the year ended 31 December 2018, which are incorporated by reference herein.

For the years ended 31 December 2018, 2017 and 2016 the aggregate amount of deposits by foreign depositors in domestic offices was EUR 27,586 million EUR 43,572 million and EUR 46,587 million, respectively.

Outstanding of time certificates of deposit and other time deposits > EUR 20.000

On 31 December 2018, the amount of domestic time certificates of deposit and other time deposits, exceeding EUR 20,000, issued by domestic offices by time remaining until maturity was:

	Time certificates of deposit		Other time deposits	
	(EUR millions)	*(%)*	*(EUR millions)*	*(%)*
3 months or less	972	36.6	11,801	69.0
6 months or less but over 3 months	1,485	55.9	2,174	12.7
12 months or less but over 6 months	201	7.6	1,372	8.0
Over 12 months	0	0.0	1,745	10.2
Total	2,658		17,091	

The following table shows the amount outstanding for time certificates of deposit and other time deposits exceeding EUR 20,000 issued by foreign offices on December 31 2018.

	(EUR millions)
Time certificates of deposit	8,551
Other time deposits	28,201
Total	36,752

Short-term Borrowings

Short-term borrowings are borrowings with an original maturity of one year or less. Commercial paper and securities sold under repurchase agreements are the only significant categories of short-term borrowings within ING's banking operations.

The following table sets forth certain information relating to the categories of ING Bank's short-term borrowings.

IFRS-EU	**Year ended 31 December**		
	2018	**2017**	**2016**
	(EUR millions, except % data)		
Commercial paper:			
Balance at the end of the year	33,471	20,506	13,920
Monthly average balance outstanding during the year	34,647	17,600	17,089
Maximum balance outstanding at any period end during the year	39,556	20,748	24,205
Weighted average interest rate during the year	1.37%	1.19%	0.73%
Weighted average interest rate on balance at the end of the year	1.42%	1.02%	0.89%
Securities sold under repurchase agreements:			
Balance at the end of the year	52,481	41,672	37,613
Monthly average balance outstanding during the year	76,953	65,465	56,803
Maximum balance outstanding at any period end during the year	92,796	89,225	68,527

IFRS-EU	Year ended 31 December		
	2018	2017	2016
	(EUR millions, except % data)		
Weighted average interest rate during the year	1.63%	0.98%	0.23%
Weighted average interest rate on balance at the end of the year..	2.38%	1.54%	0.35%

GENERAL INFORMATION

Documents Available for Inspection or Collection

So long as this Registration Document is valid as described in Article 9 of the Prospectus Directive, copies of the following documents will, when published, be available free of charge from the Issuer and from the specified office of the Paying Agents and Certificate Agents and, if applicable, for Austrian investors from ING Bank N.V., Vienna Branch at Rennweg 33B/Top 101, A-1030 Vienna, Austria. Requests for such documents should be directed to the Issuer at Foppingadreef 7, 1102 BD Amsterdam, the Netherlands or at the address of ING Bank N.V., Vienna Branch indicated above.

(i) the Articles of Association (*statuten*) of the Issuer;

(ii) the publicly available annual report of the Issuer in respect of the year ended 31 December 2018, including the audited consolidated financial statements and auditors' report in respect of such year;

(iii) the publicly available audited consolidated financial statements of the Issuer in respect of the years ended 31 December 2017 and 2016 (in each case, together with explanatory notes thereto and the auditors' reports thereon);

(iv) the most recently publicly available annual report of the Issuer and the most recently publicly available interim financial statements of the Issuer and its consolidated subsidiaries (if any);

(v) a copy of this Registration Document; and

(vi) any future supplements to this Registration Document and any other documents incorporated herein or therein by reference.

Ratings

The Issuer has a senior debt rating from Standard & Poor's Rating Services of A+ (outlook stable), a senior debt rating from Moody's Investors Service Ltd. of Aa3 (outlook stable) and a senior debt rating from Fitch Ratings of AA- (outlook stable).

A credit rating is not a recommendation to buy, sell or hold securities. There is no assurance that a rating will remain for any given period of time or that a rating will not be suspended, lowered or withdrawn by the relevant rating agency if, in its judgement, circumstances in the future so warrant. The Issuer has from time to time been subject to its ratings being lowered.

Significant or Material Adverse Change

At the date hereof, there has been no significant change in the financial position of ING Bank N.V. and its consolidated subsidiaries since 31 December 2018.

At the date hereof, there has been no material adverse change in the prospects of ING Bank N.V. since 31 December 2018.

Litigation

The Issuer and its consolidated subsidiaries are involved in governmental, regulatory, arbitration and legal proceedings and investigations in the Netherlands and in a number of foreign jurisdictions, including the U.S., involving claims by and against them which arise in the ordinary course of their businesses, including in connection with their activities as lenders, broker-dealers, underwriters, issuers of securities and investors and their position as employers and taxpayers. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened governmental, regulatory, arbitration and legal proceedings and investigations, the Issuer is of the opinion that some of the proceedings and investigations set out below may have or have in the recent past had a significant effect on the financial position, profitability or reputation of the Issuer and/or the Issuer and its consolidated subsidiaries.

Criminal investigations: On 4 September 2018, ING announced that it has entered into a settlement agreement with the Dutch Public Prosecution Service relating to previously disclosed investigations regarding various requirements for client on-boarding and the prevention of money laundering and corrupt practices. Under the terms of the agreement ING has agreed to pay a fine of €675 million and €100 million for disgorgement. As previously noted, in connection with the investigations ING also received information requests from the US Securities and Exchange Commission (SEC). As ING announced on 5 September 2018, ING has received a formal notification from the SEC that it has concluded its investigation. In the letter dated 4 September 2018 the Division of Enforcement states that, based on information as of the date thereof, it does not intend to recommend an SEC enforcement action against ING.

Tax cases: Because of the geographic spread of its business, the Issuer may be subject to tax audits, investigations and procedures in numerous jurisdictions at any point in time. Although the Issuer believes that it has adequately provided for all its tax positions, the ultimate resolution of these audits, investigations and procedures may result in liabilities which are different from the amounts recognised. ING has also identified issues in connection with its U.S. tax information reporting and withholding obligations in respect of prior periods. While a provision has been recognised, the review of such issues is ongoing.

SIBOR – SOR litigation: In July 2016, investors in derivatives tied to the Singapore Interbank Offer Rate (‘SIBOR’) filed a U.S. class action complaint in the New York District Court alleging that several banks, including ING, conspired to rig the prices of derivatives tied to SIBOR and the Singapore Swap Offer Rate (‘SOR’). The lawsuit refers to investigations by the Monetary Authority of Singapore (‘MAS’) and other regulators, including the U.S. Commodity Futures Trading Commission (‘CFTC’), in relation to rigging prices of SIBOR- and SOR based derivatives. In October 2018, the New York District Court issued a decision dismissing all claims against ING Group and ING Capital Markets LLC, but leaving ING Bank, together with several other banks, in the case, and directing plaintiffs to file an amended complaint consistent with the Court's rulings. On 25 October 2018, plaintiffs filed such amended complaint, which asserts claims against a number of defendants but none against ING Bank (or any other ING entity), effectively dismissing ING Bank from the case. In December 2018, plaintiffs sought permission from the Court to file a further amended complaint that names ING Bank as a defendant. If the Court allows plaintiffs to file that complaint, ING Bank will continue to defend itself against the allegations. Currently, it is not possible to provide an estimate of the (potential) financial effect of this claim.

Claims regarding accounts with predecessors of ING Bank Turkey: ING Bank Turkey has received numerous claims from (former) customers of legal predecessors of ING Bank Turkey. The claims are based on offshore accounts held with these banks, which banks were seized by the Savings Deposit Insurance Fund (SDIF’) prior to the acquisition of ING Bank Turkey in 2007 from OYAK. SDIF has also filed various lawsuits against ING Bank Turkey to claim compensation from ING Bank Turkey, with respect to amounts paid out to offshore account holders so far. ING Bank had initiated an arbitration procedure against OYAK in which ING Bank sought to be held harmless for these claims. The arbitration court dismissed ING’s prayers for relief. At this moment it is not possible to assess the outcome of these procedures nor to provide an estimate of the (potential) financial effect of these claims.

VEB Fortis claim: In January 2011, the Dutch Association of Stockholders (*Vereniging van Effectenbezitters*, "VEB") issued a writ alleging that investors were misled by the prospectus that was issued with respect to the September 2007 rights issue of Fortis N.V. (now Ageas N.V.) against Ageas N.V., the underwriters of such rights issue, including ING Bank, and former directors of Fortis N.V. According to the VEB the prospectus shows substantive incorrect and misleading information. The VEB stated that the impact and the risks of the sub-prime crisis for Fortis and Fortis' liquidity position were reflected incorrectly in the prospectus. The VEB requested a declaratory decision stating that the summoned parties acted wrongfully and are therefore responsible for the damages suffered by the investors in Fortis. In March 2016, Ageas, VEB and certain other claimants announced that the claim in relation to Fortis had been settled. Ageas agreed to pay EUR 1.2 billion to investors as compensation. On 13 July 2018, the Court of Appeal declared the settlement agreement binding. The settlement also included a third-party release clause, releasing ING and the other underwriting banks from the claims made by VEB on behalf of investors in this matter.

Interest rate derivatives claims: ING is involved in several legal proceedings in the Netherlands with respect to interest rate derivatives that were sold to clients in connection with floating interest rate loans in order to hedge the interest rate risk of the loans. These proceedings are based on several legal grounds, depending on the facts and circumstances of each specific case, *inter alia* alleged breach of duty of care, insufficient information provided to the clients on the product and its risks and other elements related to the interest rate derivatives that were sold to clients. In some cases, the court has ruled in favour of the claimants and awarded damages, annulled the interest rate derivative or ordered repayment of certain amounts to the claimants. The total amounts that need to be repaid or compensated in some cases still need to be determined. ING may decide to appeal against adverse rulings. Although the outcome of the pending litigation and similar cases that may be brought in the future is uncertain, it is possible that the courts may ultimately rule in favour of the claimants in some or all of such cases. Where appropriate a provision has been taken. The aggregate financial impact of the current and future litigation could become material.

As requested by the AFM, ING has reviewed a significant part of the files of clients who bought interest rate derivatives. In December 2015, the AFM concluded that Dutch banks may have to re-assess certain client files, potentially including certain derivative contracts that were terminated prior to April 2014 or other client files. As advised by the AFM, the Minister of Finance appointed a Committee of independent experts (the "Committee") which has established a uniform recovery framework for Dutch SME clients with interest rate derivatives. ING has adopted this recovery framework and has reassessed individual files against this framework. ING has taken an additional provision for the financial consequences of the recovery framework. In 2017, ING has informed the majority of the relevant clients whether they are in scope of the recovery framework, and thus eligible for compensation, or not. Because implementation by ING of the uniform recovery framework encountered delay, ING has previously offered advance payments to customers out of the existing provision. As of December 2018, all customers in scope of the uniform recovery framework have received an offer of compensation from ING.

Interest surcharges claims: ING received complaints and is involved in litigation with natural persons (*natuurlijke personen*) in the Netherlands regarding increases in interest surcharges with respect to several credit products, including but not limited to residential property (*eigenwoningfinanciering*). ING is reviewing the relevant product portfolio. Although the review is still ongoing, a provision has been taken for certain of these complaints.

Criminal proceedings regarding cash company financing: In June 2017, a Belgian criminal Court ruled that ING Luxembourg assisted third parties in 2000 to commit a tax fraud in the context of the purchase of the shares of a cash company. The Court convicted ING Luxembourg, among others, and ordered ING to pay a penal fine of EUR 120,000 (suspended for half of the total amount). The court also ordered ING Luxembourg jointly and severally with other parties, to pay EUR 31.48 million (together with any interest payable under applicable law) to the bankruptcy trustee of the cash company. In July 2017, ING Luxembourg filed an appeal against this judgment. A settlement with all the civil parties involved was reached in mid-2018. However, this settlement does not apply to the criminal conviction of ING Luxembourg, for which ING's appeal remains pending. In a separate proceeding the Belgian authorities were also investigating ING Luxembourg for allegedly assisting third parties in 2001 to commit tax fraud in the context of the purchase of the shares of a different cash company. In December 2018, the Court has agreed upon a global (civil and criminal) settlement of any claims in connection with this separate proceeding, which settlement is binding.

Mortgage expenses claims: ING Spain has received claims and is involved in procedures with customers regarding reimbursement of expenses associated with the formalisation of mortgages. In most court proceedings in first instance the expense clause of the relevant mortgage contract has been declared null and ING Spain has been ordered to reimburse all or part of the applicable expenses. The courts in first instance have applied in their rulings different criteria regarding the reimbursement of expenses. ING Spain has filed an appeal against a number of these court decisions. ING Spain has also been included, together with other Spanish banks, in a class action filed by a customer association. The outcome of the pending litigation and similar cases that may be brought in the future is uncertain. A provision has been taken. However, the aggregate financial impact of the current and future litigation could change. In February 2018, the Spanish Supreme Court ruled that Stamp Duty (*Impuesto de Actos Jurídicos Documentados*) expenses are chargeable to the customer, while in October 2018 it ruled that Stamp Duty is chargeable to the banks. In November 2018, the Spanish Supreme Court clarified the issue regarding Stamp Duty by stating that this tax should be borne by the customer. As for the remaining types of the expenses, in January 2019, the Spanish Supreme Court issued several decisions that stated that the client and the bank each have to bear half of the notary and management company costs and that registry costs have to be borne in full by the bank. Allocation of valuation costs between the bank and the customer were not addressed by the Spanish Supreme Court decisions and remain uncertain.

Imtech claim: In January 2018, ING Bank received a claim from Stichting ImtechClaim.nl and Imtech Shareholders Action Group B.V. on behalf of certain (former) shareholders of Imtech N.V. ("Imtech"). Furthermore, on 28 March 2018, ING Bank received another claim on the same subject matter from the VEB. Each of the claimants allege inter alia that shareholders were misled by the prospectus of the rights issues of Imtech in July 2013 and October 2014. ING Bank, being one of the underwriters of the rights issues, is held liable by the claimants for the damages that investors in Imtech would have suffered. ING Bank responded to the claimants denying any and all responsibility in relation to the allegations made in the relevant letters. In September 2018, the trustees in the bankruptcy of Imtech claimed from various financing parties, including ING, payment of what the security agent has collected following bankruptcy or intends to collect, repayment of all that was repaid to the financing parties, as well as compensation for the repayment of the bridge financing. At this moment it is not possible to assess the outcome of these claims nor to provide an estimate of the (potential) effect of these claims.

Mexican Government Bond litigation: A class action complaint was filed adding ING Bank N.V., ING Groep N.V., ING Bank Mexico S.A. and ING Financial Markets LLC ("ING") as defendants to a complaint that had previously been filed against multiple other financial institutions. The complaint alleges that the defendants conspired to fix the prices of Mexican Government Bonds. ING is defending itself against the allegations. Currently, it is not possible to provide an estimate of the (potential) financial effect of this claim.

Findings regarding AML processes at ING Italy: In March 2019, ING was informed by the Banca d'Italia of their report containing their conclusions regarding shortcomings in AML processes at ING Italy, which was prepared based on an inspection conducted from October 2018 until January 2019. ING expects to discuss these conclusions further with the Banca d'Italia. In line with the enhancement programme announced in 2018, ING is taking steps intended to improve processes and management of compliance risks as required by the Banca d'Italia. In close consultation and in agreement with the Banca d'Italia, ING Italy will refrain from taking on new customers during further discussions on the enhancement plans with the Banca d'Italia. ING will continue to fully serve existing clients in Italy. ING will work hard to address the shortcomings and resolve the issues identified. The measures in Italy come in the context of the steps ING announced in September 2018 to enhance its management of compliance risks and embed stronger awareness across the whole organisation. This programme started in 2017 and includes enhancing KYC files where necessary and working on various structural improvements in compliance policies, tooling, monitoring and governance.

Auditor

The financial statements of the Issuer for the financial years ended 31 December 2018, 31 December 2017 and 31 December 2016, respectively have been audited by KPMG Accountants N.V. The auditors of KPMG Accountants N.V. are members of the Royal Dutch Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*), which is a member of the International Federation of Accountants (IFAC). KPMG Accountants N.V. has issued an unqualified auditors' report on the financial statements for the financial year ended 31 December 2018 dated 4 March 2019, an unqualified auditors' report on the financial statements for the financial year ended 31 December 2017 dated 5 March 2018 and an unqualified auditors' report on the financial statements for the financial year ended 31 December 2016 dated 13 March 2017.

The auditors' report in respect of the financial years ended 31 December 2018, 31 December 2017 and 31 December 2016, respectively, incorporated by reference herein are included in the form and context in which they appear with the consent of KPMG Accountants N.V., who have authorised the contents of these auditors' reports. As the securities to be issued have not been and will not be registered under the Securities Act, KPMG have not filed and will not file a consent under the Securities Act with respect to this auditors' report.

Dividend Information

The Issuer has paid the following cash dividends to ING Group in respect of each of the past five years: EUR 2,517 million in 2018, EUR 3,176 million in 2017, EUR 1,345 million in 2016, EUR 2,200 million in 2015 and EUR 1,225 million in 2014.

Market Information

This Registration Document cites market share information published by third parties. The Issuer has accurately reproduced such third-party information in this Registration Document and, as far as the Issuer is aware and is able to ascertain from information published by these third parties, no facts have been omitted which would render the information reproduced herein to be inaccurate or misleading. Nevertheless, investors should take into consideration that the Issuer has not verified the information published by third parties. Therefore, the Issuer does not guarantee or assume any responsibility for the accuracy of the data, estimates or other information taken from sources in the public domain. This Registration Document also contains assessments of market data and information derived therefrom which could not be obtained from any independent sources. Such information is based on the Issuer's own internal assessments and may therefore deviate from the assessments of competitors of ING or future statistics by independent sources.

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