Full Year 2017 Results

ING posts 2017 net profit of EUR 4,905 million

Ralph Hamers, CEO ING Group

Amsterdam ▪ 31 January 2018

thinkforward

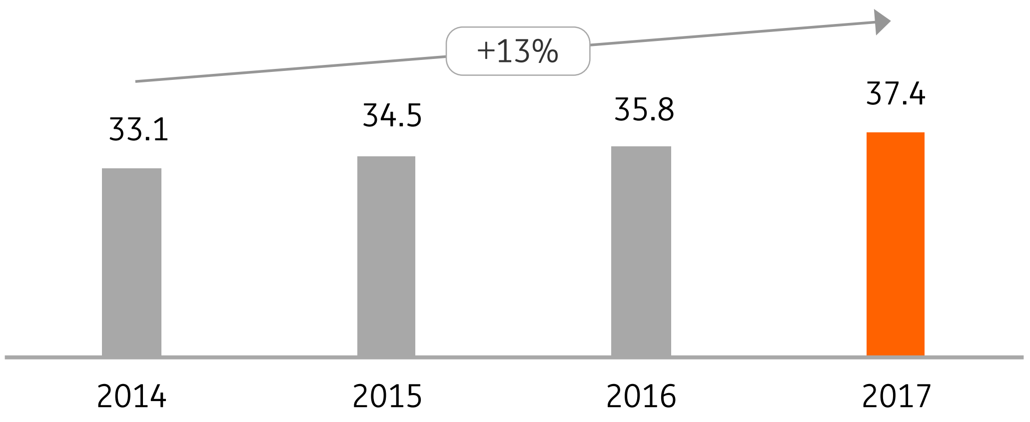
ING

Key points

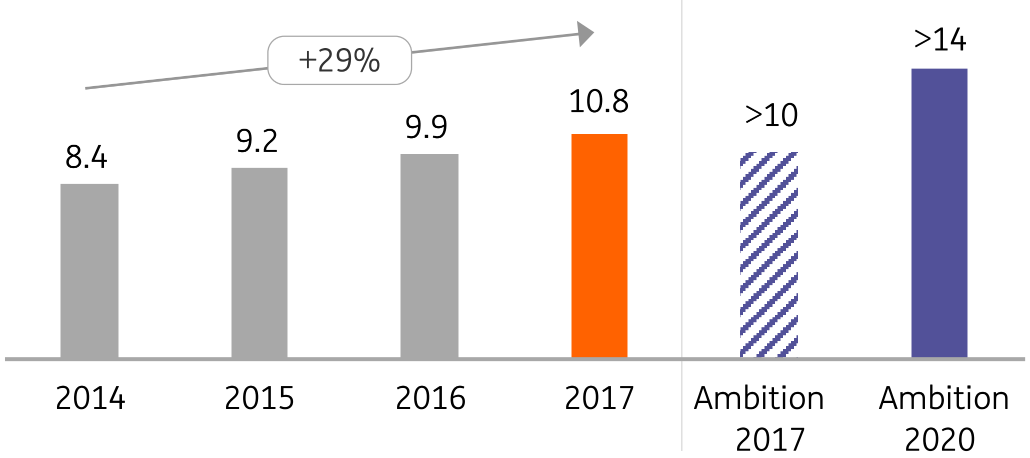
- ING recorded 2017 net profit of EUR 4,905 mln, up 5.5% from 2016; underlying return on equity equalled 10.2%
- Solid commercial performance on the back of continued primary customer inflow (> 900,000 in 2017), strong commission income growth, and low risk costs, despite a small step up in costs
- Differentiating customer experience drives leading Net Promoter Scores in 9 of our 13 retail markets
- We recorded net core lending growth of EUR 26.9 bln (or 4.8%) in 2017; net interest margin remains resilient
- ING Group fully loaded CET1 ratio improved to 14.7%; expected IFRS 9 implementation impact of approx. -20 bps
- We propose to pay a full-year cash dividend of EUR 2,603 mln or EUR 0.67 per share

Think Forward strategy delivers on commercial growth

ING currently serves > 37 mln retail customers (in mln)



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



Core lending

2017 net growth

+4.8%

EUR **+26.9** bln

Customer deposits

2017 net growth

+3.6%

EUR **+19.0** bln

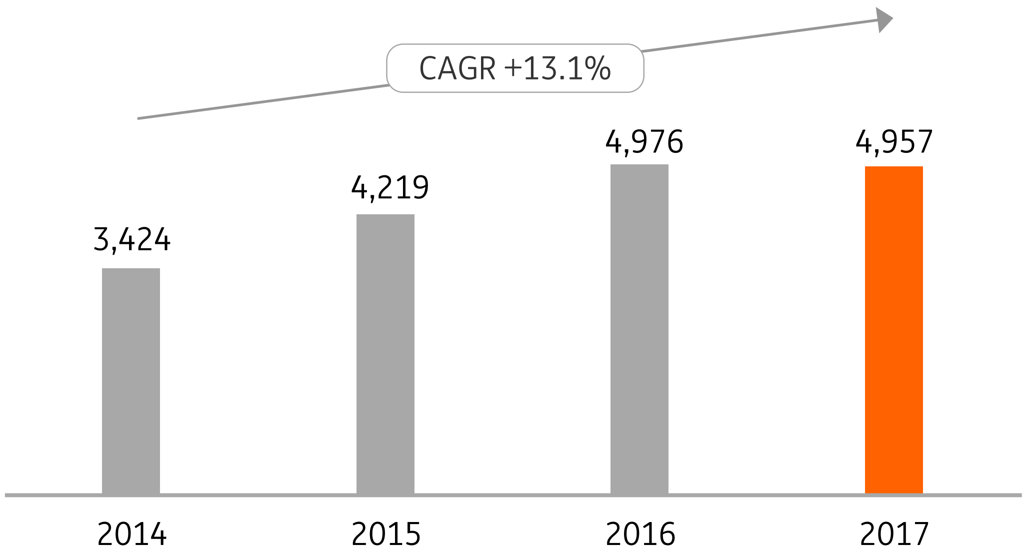
Net Promoter Scores (NPS)

As per 4Q17

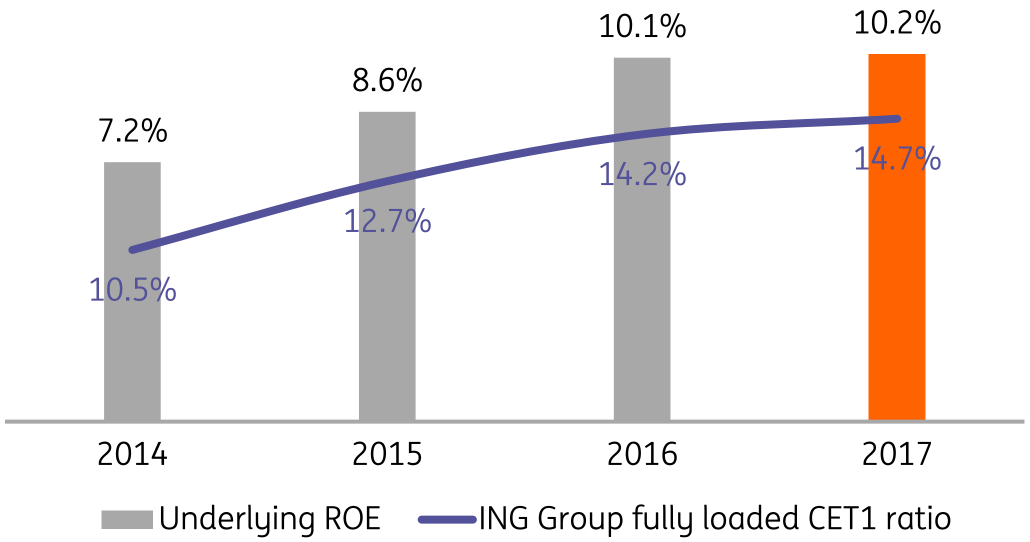
#1 in **9** out of 13 retail countries

Profitability remains stable despite low interest rate pressures

Underlying net result stable YoY (in EUR mln)

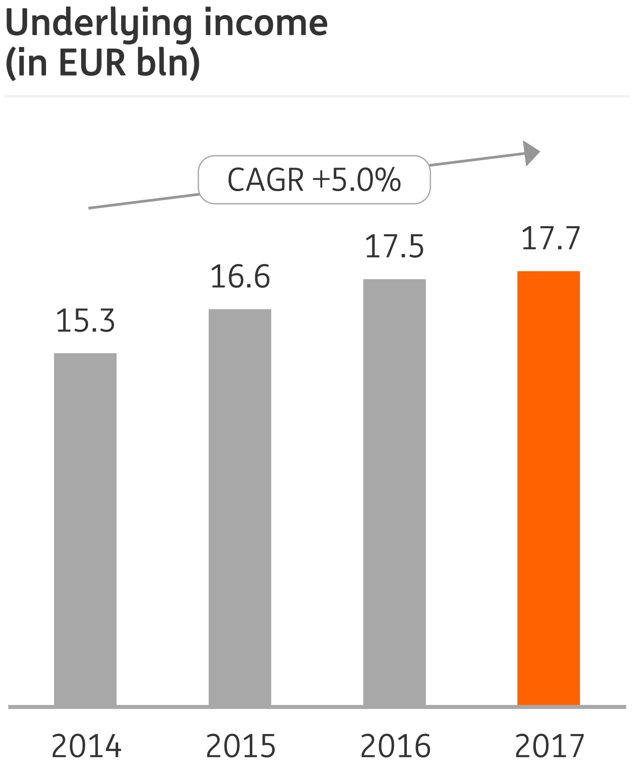


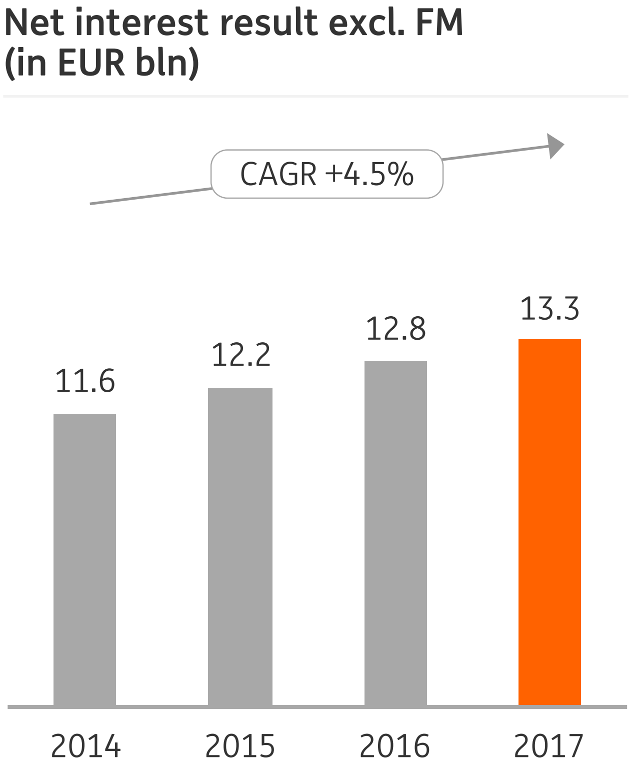
Underlying return on equity > 10%

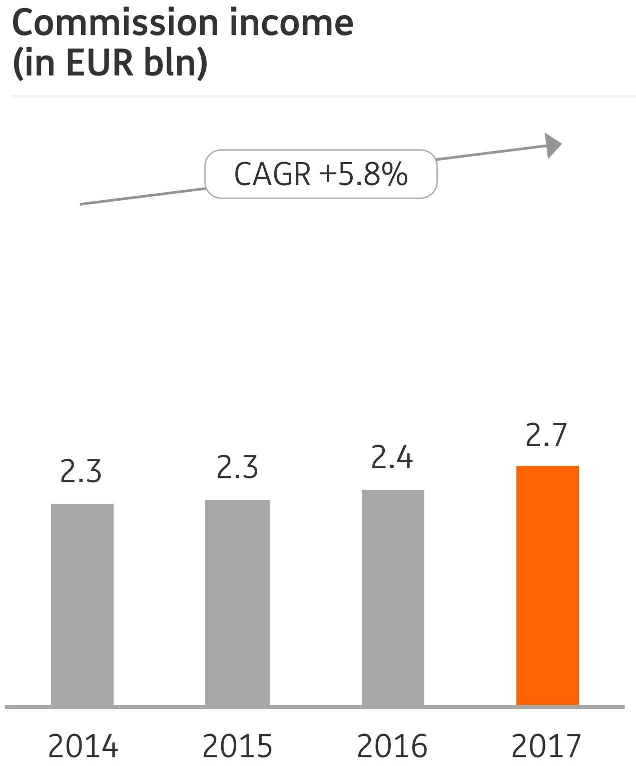


- Underlying net profit in 2017 was EUR 4,957 mln, broadly flat on 2016, notwithstanding persistent pressures from the low interest rate environment
- ING Group's underlying return on equity improved slightly to 10.2% despite a higher fully loaded CET1 ratio of 14.7% and a step-up in digital investment spend

Good income progression on the back of higher NII and fees...



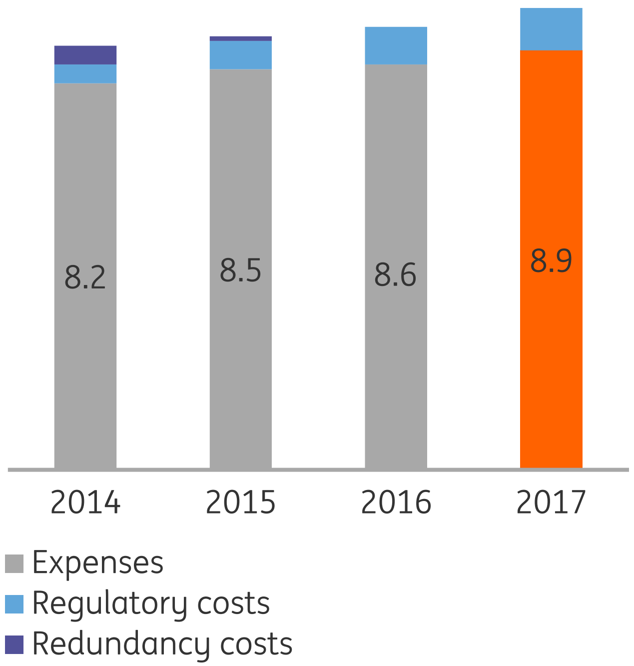




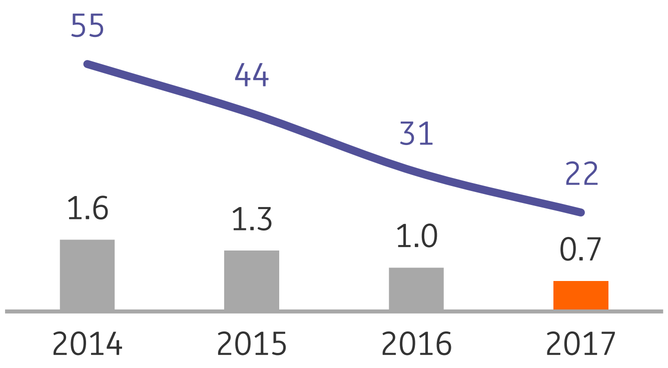
- Underlying income grew by 1.4% in 2017, as we continued to grow our net core lending businesses at resilient margins
- Net interest income, excluding Financial Markets, increased 3.8% year-on-year
- Our primary customer focus underpinned solid 2017 commission growth, up 11.5% on 2016
- Investment and other income declined due to lower one-offs and volatile items

...combined with small cost step up and low risk costs

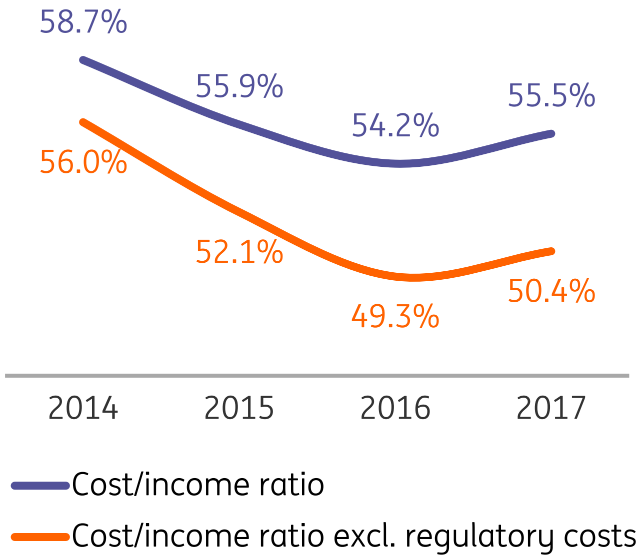
Underlying operating expenses (in EUR bln)



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



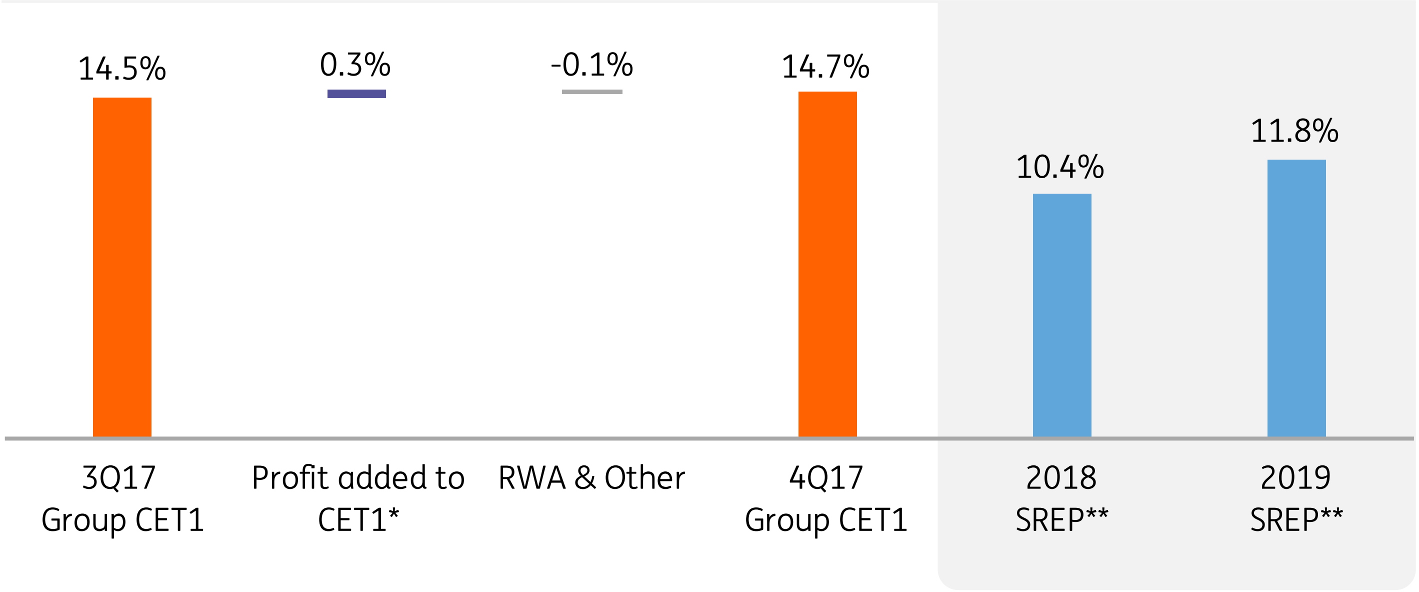
Underlying cost/income ratio



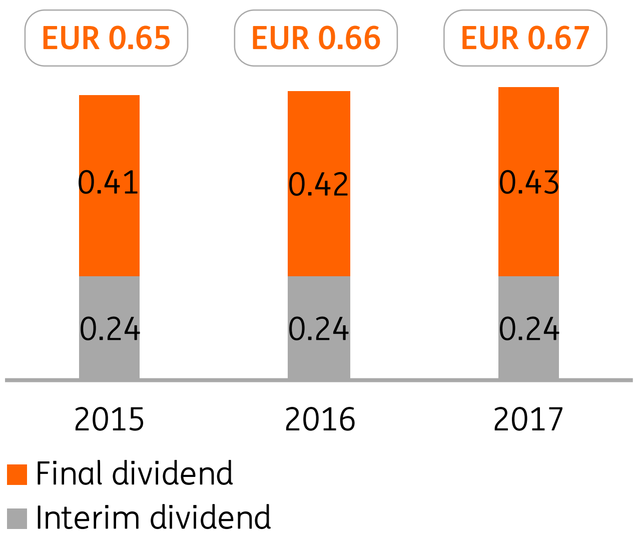
- Underlying operating expenses have gone up slightly, largely due to digital investments, higher expenses to support business growth and some one-offs, which were only partly offset by ongoing cost savings initiatives
- Risk costs declined to a low level of EUR 676 mln in 2017, or 22 bps of average RWA
- Cost/income ratio increased in 2017 but we remain committed to the 50-52% Ambition 2020 target range

ING Group CET1 ratio 14.7%; ING proposes EUR 0.67 dividend

ING Group fully-loaded CET1 ratio development



We propose to pay a full-year dividend of EUR 0.67 per share



- 4Q17 fully-loaded CET1 ratio rose to 14.7% as a result of the addition of the quarterly net profit, partly offset by a reduction in revaluation reserves. Risk-weighted assets were slightly lower at EUR 309.9 bln
- ING's 2018 SREP (CET1) requirement will be 10.4% (including phased-in SRB) and is expected to be 11.8% fully-loaded by 2019, excluding Pillar 2 Guidance
- The full-year dividend proposal is EUR 0.67 per share which reflects considerations on regulatory developments and growth opportunities

* EUR 971 mln which consists of 4Q17 Group net profit of EUR 1,015 mln minus EUR 44 mln set aside for the one cent progressiveness of the dividend
** Plus a comfortable management buffer (to include Pillar 2 Guidance)

Ambition 2020 – ING Group Financial Targets

		Actual 2016	**Actual 2017**	Ambition 2020*
Capital	• CET1 ratio (%)	14.2%	**14.7%**	> Prevailing fully loaded requirements**
	• Leverage ratio (%)	4.8%	**4.7%**	> 4%
Profitability	• Underlying C/I ratio (%)	54.2%	**55.5%**	50-52%
	• Underlying ROE (%)*** (IFRS-EU Equity)	10.1%	**10.2%**	Will provide more clarity in 1H18
Dividend	• Dividend (per share)	EUR 0.66	**EUR 0.67**	Progressive dividend

* Ambition 2020 financial targets based on assumption of low-for-longer interest rate environment in the Eurozone
** Currently estimated to be 11.8%, plus a comfortable management buffer (to include Pillar 2 Guidance)
*** The ING Group ROE is calculated using IFRS-EU shareholders' equity after excluding 'interim profit not included in CET1 capital'. As at 31 December 2017, this equated to EUR 1,670 mln which is the amount set aside for the 2017 final dividend to be paid out after approval at the AGM

Transformation programmes – overview of steps taken

Four major digital transformation programmes

Orange Bridge

- ~5,000 staff have gone through redeployment process in 2017
- Implemented cross-border Agile way of working
- ING Belgium and Record Bank on track for 2Q18 merger

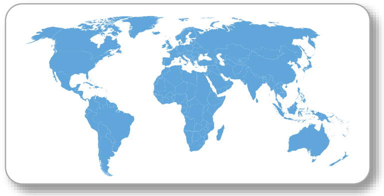
Model Bank

- New multi-country customer interaction platform currently being reviewed
- PSD2 architectural design completed

Welcome

- Launch of fully digital current account opening
- Increased back office and call centre automation (300,000 call reductions in 2017)

WTOM



- Consolidation of FM trading activities on track
- Rollouts for a common global IT lending platform continuing

Estimated financial impact of digital transformation programmes

~EUR 450 mln still to be invested in our digital transformation until 2021

- EUR 206 mln booked in 2017

To achieve **gross annual cost savings of EUR 900 mln** by 2021

In order to meet Ambition 2020 **cost/income ratio target of 50-52%**

ING

Driving innovation via own initiatives and strategic partnerships

Next phase in blockchain initiatives

- We are joining forces with other banks and industry partners to use blockchain technology in the trade and commodity finance sector
- This will allow the sector to move away from traditional paper contracts and operations documentation and will improve security, efficiency and speed of the process
- In **energy commodities** we joined forces with major energy companies, trading houses and banks in a digital platform to manage physical energy transactions from trade entry to final settlement
- We upgraded our Easy Trading Connect platform to **agricultural commodities**, facilitating a soybean shipment from Louis Dreyfus Company to Bohi Industry with participation of banks, Russell Marine Group and Blue Water Shipping

Further investment in payments business

- ING agreed to acquire a 75% stake in fast-growing, leading international omnichannel payments service provider Payvision, a partnership we think will strongly benefit our customers

Artificial Intelligence to improve trading decisions

- In Wholesale Banking, a new tool called Katana uses data visualisation and predictive analytics to help bond traders make faster and better pricing decisions

ING supports the energy transition to a low carbon society

Sharpening of coal-financing policy

- We will reduce funding to coal power generation to close to zero by 2025 to support the transition to a low-carbon economy

Launch of Sustainable Investments

- We are committing EUR 100 mln in capital to support sustainable "scale-ups" that have a proven concept and are looking to accelerate their business

Ranked as "leader" in the Banks industry group and in each of the Environment, Social and Government assessment pillars*

4Q17 deal highlights

- ING acted as joint bookrunner on the EUR 600 mln green bond for Toyota Motor Credit Corp. Proceeds will be used to finance new retail loans and lease contracts for Toyota and Lexus low-carbon vehicles

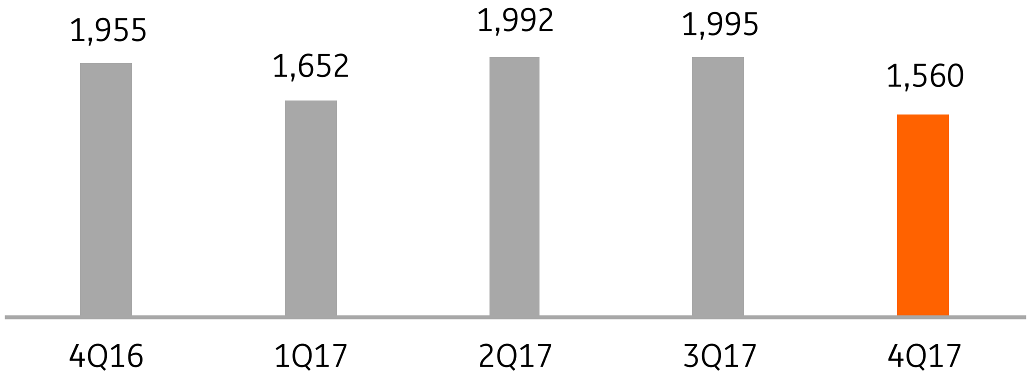
- ING supported the first floating solar park in the Netherlands and the largest in mainland Europe. This grassroots community-based project will start producing energy for up to 600 homes this year

* As of 12 December 2017

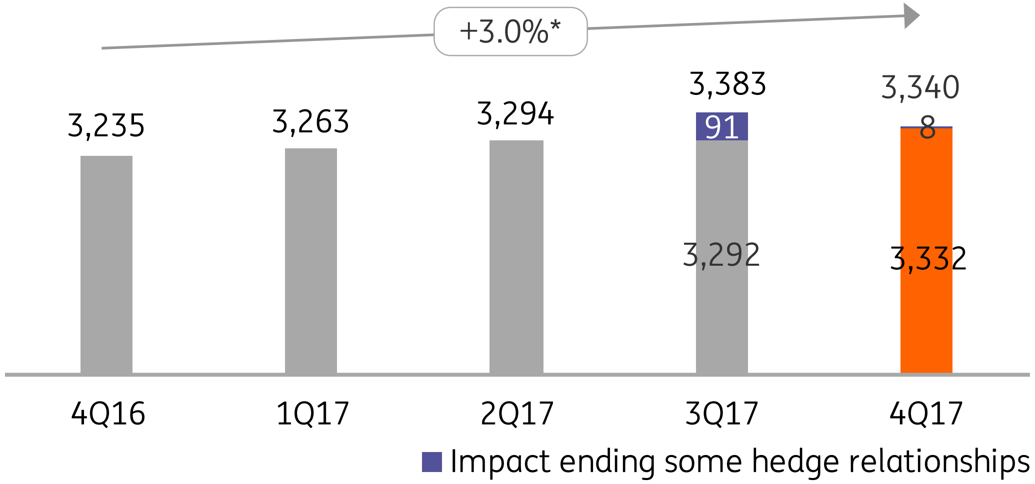
4Q17 results

4Q17 results impacted by higher costs and lower FM results

Underlying pre-tax result (in EUR mln)



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

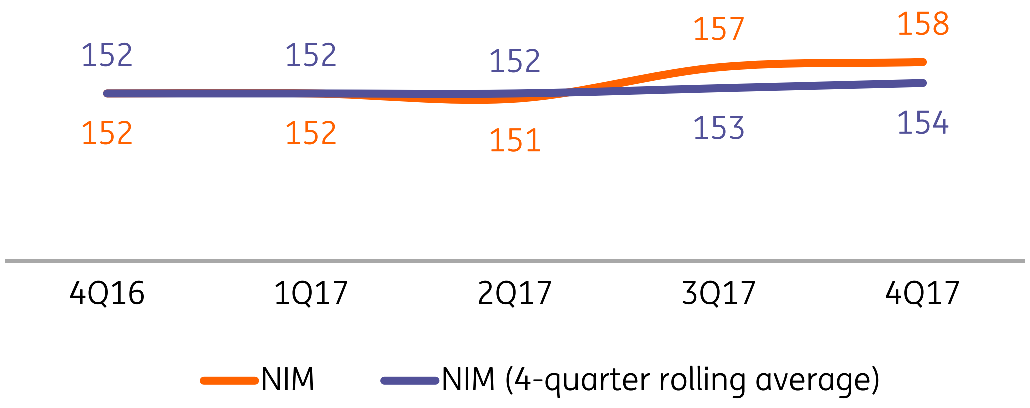


- Underlying result before tax of EUR 1,560 mln, down on both 4Q16 and 3Q17, mainly caused by higher expenses and weak Financial Markets results. Risk costs were higher on both comparable quarters, but still well below the through-the-cycle average
- Impact from decision to end some hedge relationships was limited (only EUR 8 mln shift from other income to NII in 4Q17)
- Excluding the aforementioned impact and (volatile) Financial Markets interest income, NII was up EUR 40 mln on 3Q17. This can largely be explained by an improved interest result on customer lending

* Adjusted for the decision to end some hedge relationships

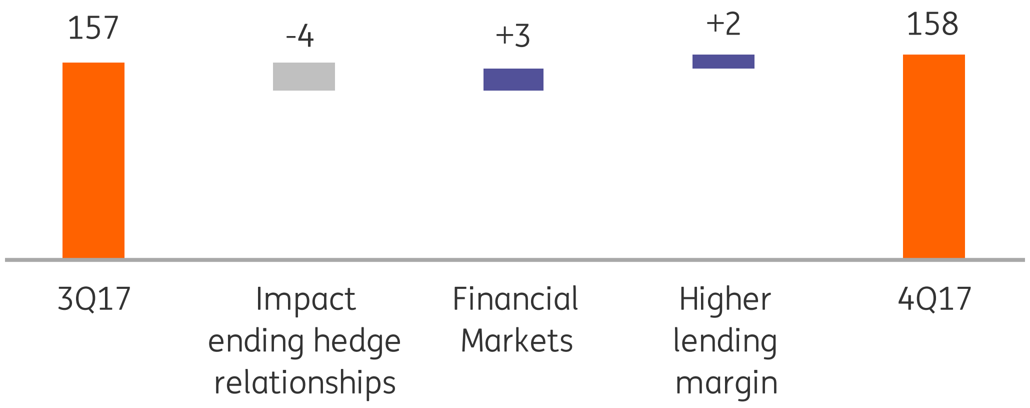
Net interest margin impacted by accounting and FM

Net interest margin up quarter-on-quarter… (in bps)

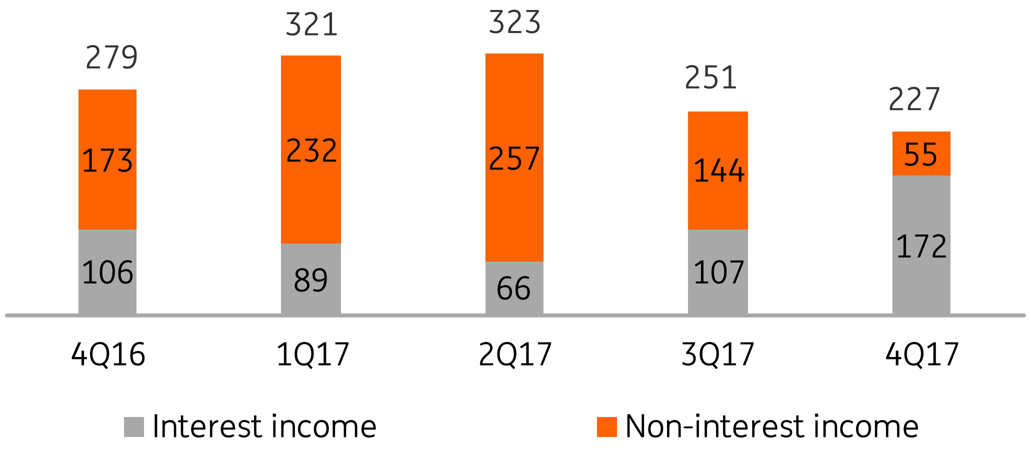


- Interest margin up from 3Q17 by 1 bp as impact from ending some hedge relationships is more than offset by higher (volatile) interest results in Financial Markets and higher overall margin on lending activities. Interest margin on savings and current accounts stabilised
- Financial Markets recorded a sharp decline in total revenues due to a combination of (seasonally) lower client activity and lower market volatility

…with move largely explained by higher lending margin



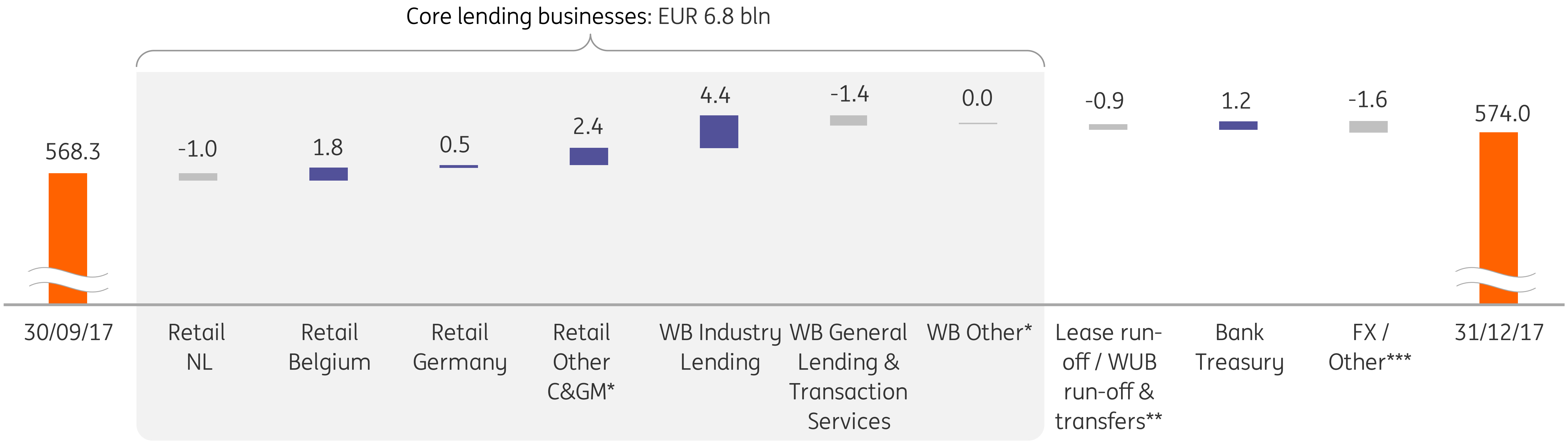
Underlying income Financial Markets* (in EUR mln)



* Excl. CVA/DVA

Core lending grew by EUR 6.8 bln in 4Q17

Customer lending ING Group 4Q17 (in EUR bln)

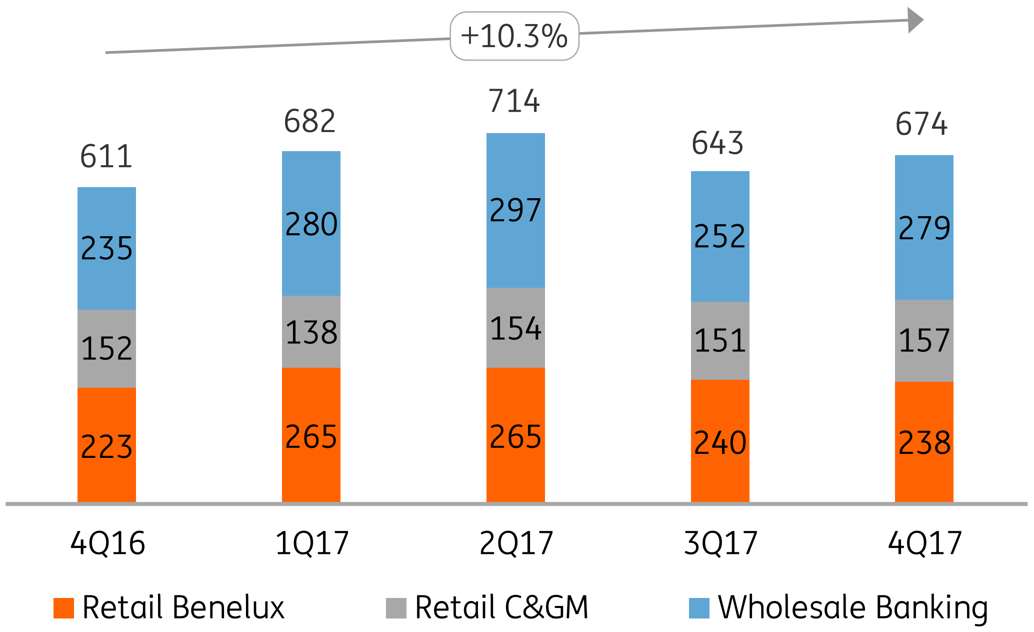


- Our core lending franchises grew by EUR 6.8 bln in 4Q17, with growth again well diversified:
  - Retail Banking increased by EUR 3.8 bln, of which approximately two thirds in mortgages
  - Wholesale Banking increased by EUR 3.0 bln, fully attributable to Industry Lending as General Lending & Transaction Services recorded a EUR 1.4 bln decline

* C&GM is Challengers & Growth Markets; WB Other includes Financial Markets
** Lease run-off was EUR -0.1 bln, WUB run-off was EUR -0.5 bln and WUB transfers to NN were EUR -0.3 bln
*** FX impact was EUR -1.8 bln and Other EUR 0.2 bln

Fee growth continues; investment product balances up strongly

All segments contribute to YoY fee growth (in EUR mln)

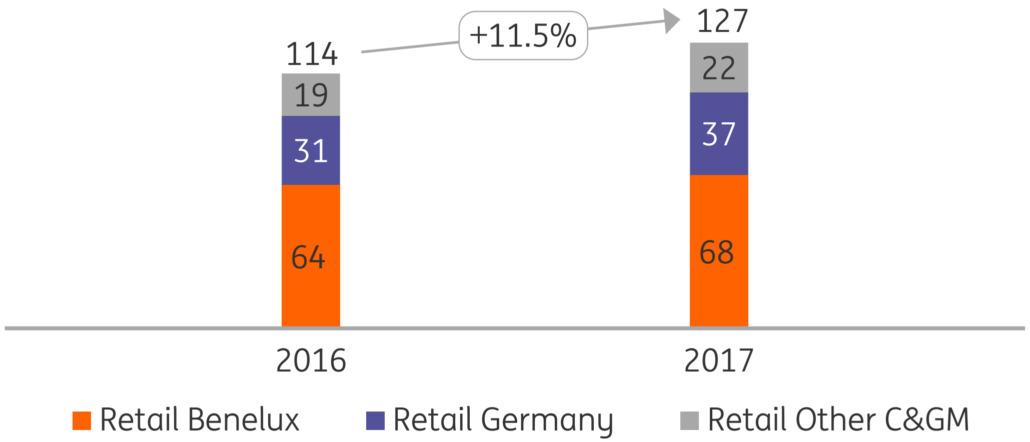


- Commission income rose 10.3% year-on-year to EUR 674 mln. The increase was driven by almost all segments and products, with the relatively strongest growth in Wholesale Banking

Strong progress in investment products

- Active investment product presence in all 13 ING retail countries. EUR 13 bln growth in investment product balances in 2017 of which > 50% due to net inflows
- Investment offering is highly digital and we offer a wide range of digital investment assistance tools
- Collaboration with robo advisor Scalable Capital in Germany going very well: adding ~1,000 customers per week; > EUR 300 mln AuM since launch

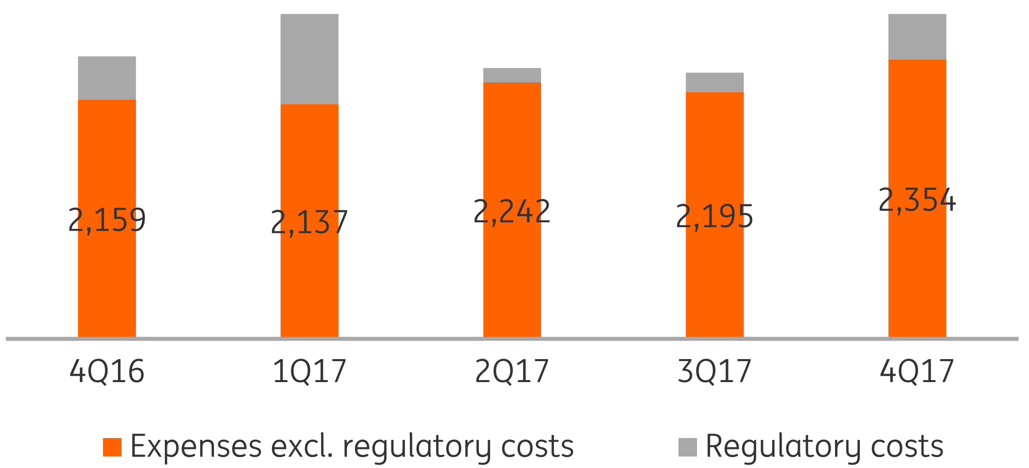
Investment product balances (in EUR bln)



Investment products consist of Securities and Mutual Funds as well as Insurance-type products in a few countries

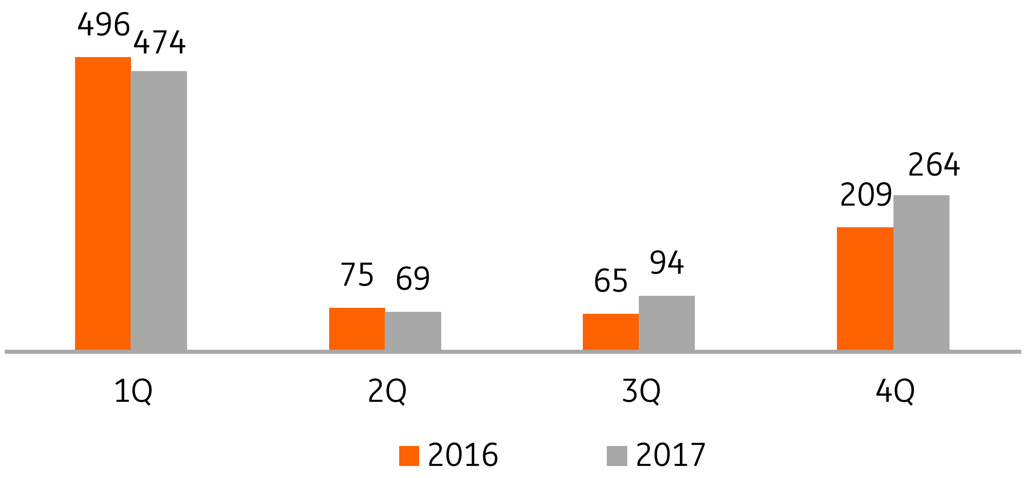
Higher expenses due to investments and regulatory costs

Underlying operating expenses (in EUR mln)

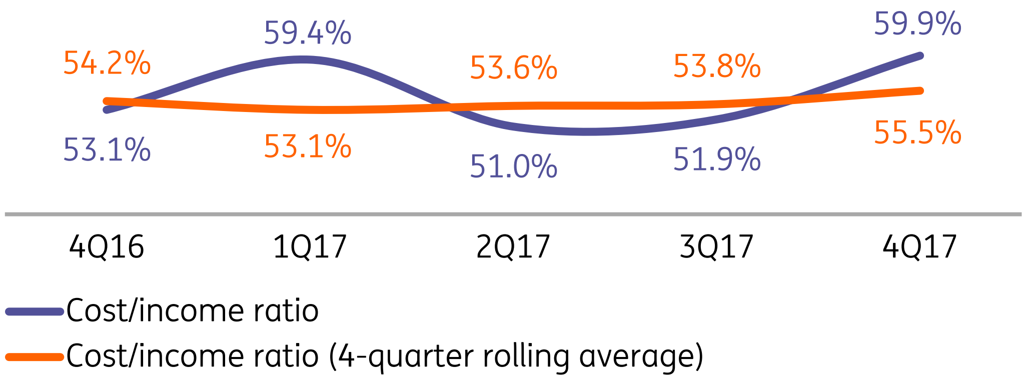


- Underlying expense inflation was mainly visible in Retail C&GM and Wholesale Banking. The increase was largely explained by higher investments in strategic projects and IT, higher expenses to support business growth, additional restructuring costs and additions to legal provisions
- Regulatory costs were EUR 55 mln higher year-on-year as 4Q16 included a refund on DGS contributions in Germany

Regulatory costs (in EUR mln)

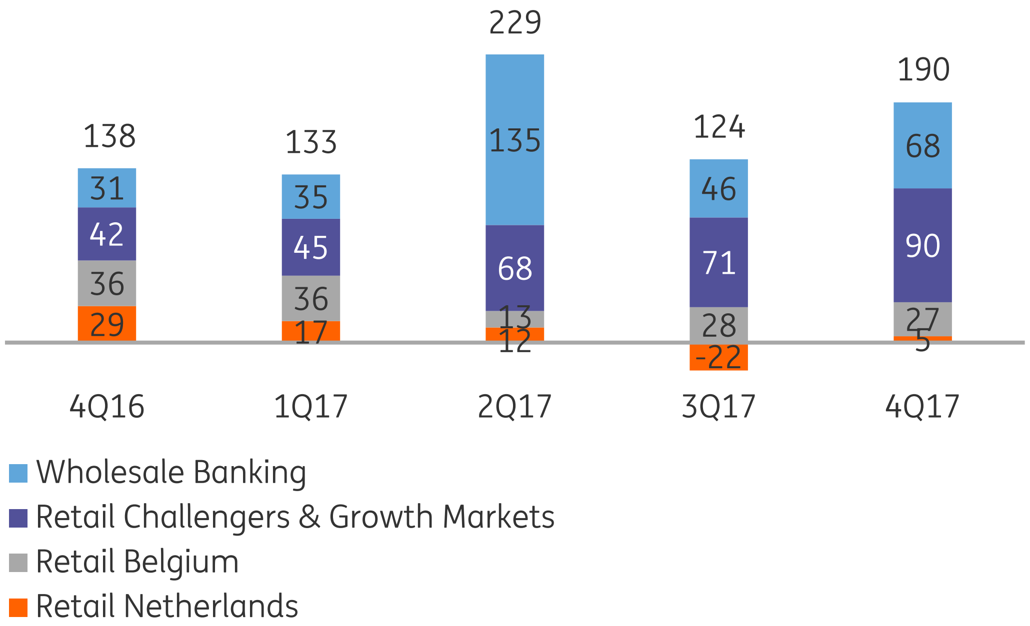


Cost/income ratio

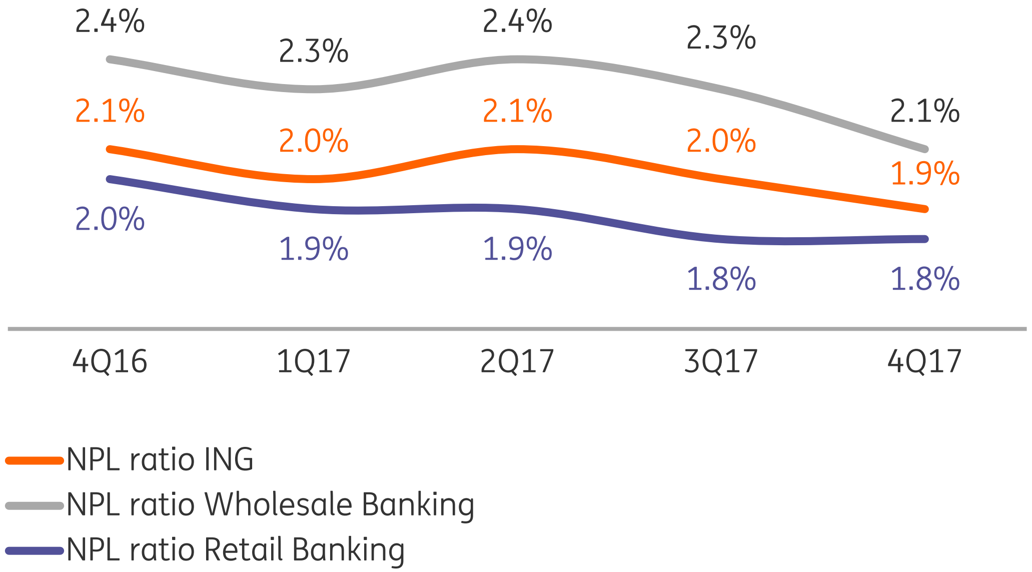


Risk costs remained low; NPLs improve further

Risk costs (in EUR mln)



NPL ratio



- 4Q17 risk costs were EUR 190 mln, or 25 bps of average RWA, well below the 40-45 bps through-the-cycle average
- Retail Benelux risk costs were low again due to strong macro-economic and housing market conditions
- Wholesale Banking risk costs are low (18 bps of average RWA), but were up quarter-on-quarter as 3Q17 benefited from a low number of increases and some significant releases

Wrap up

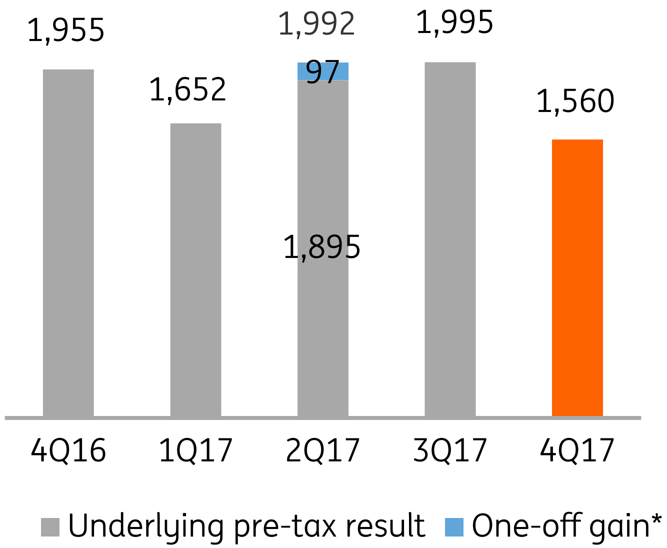
Wrap up

- ING recorded 2017 net profit of EUR 4,905 mln, up 5.5% from 2016; underlying return on equity equalled 10.2%
- Solid commercial performance on the back of continued primary customer inflow (> 900,000 in 2017), strong commission income growth, and low risk costs, despite a small step up in costs
- Differentiating customer experience drives leading Net Promoter Scores in 9 of our 13 retail markets
- We recorded net core lending growth of EUR 26.9 bln (or 4.8%) in 2017; net interest margin remains resilient
- ING Group fully loaded CET1 ratio improved to 14.7%; expected IFRS 9 implementation impact of approx. -20 bps
- We propose to pay a full-year cash dividend of EUR 2,603 mln or EUR 0.67 per share

Appendix

Solid 4Q17 result; volatile items broadly neutral in the quarter

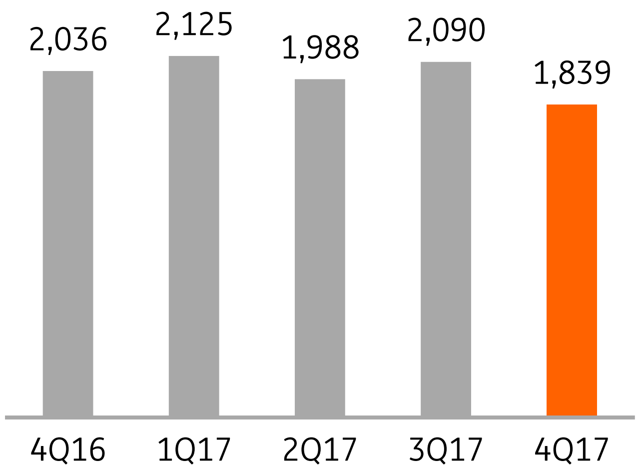
Underlying pre-tax result (in EUR mln)



Volatile items and regulatory costs (in EUR mln)

	4Q16	1Q17	2Q17	3Q17	4Q17
CVA/DVA	14	30	-42	-1	-45
Capital gains/losses	36	45	25	27	11
Hedge ineffectiveness	78	-74	-7	-27	19
Other items*			97		
Total volatile items	128	1	73	-1	-15
Regulatory costs	-209	-474	-69	-94	-264

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

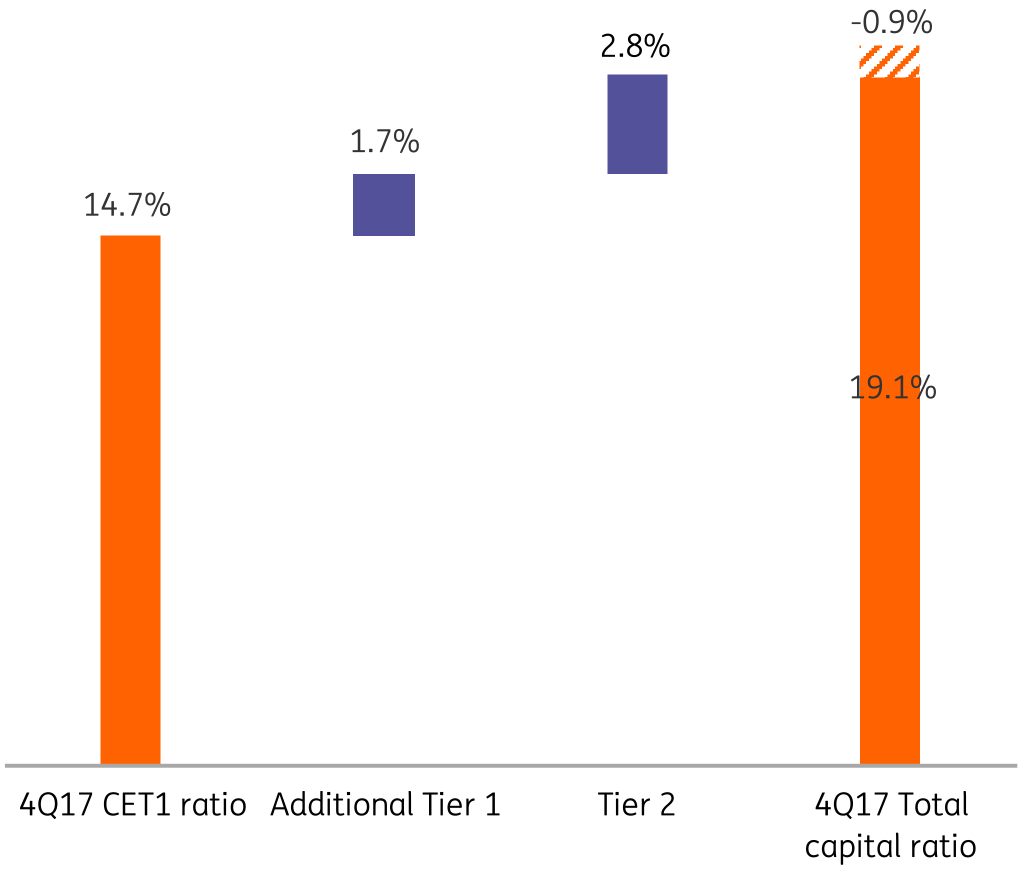


- Excluding volatile items and regulatory costs, 4Q17 pre-tax result down 9.7% from 4Q16 and 12.0% versus 3Q17:
  - Robust net interest income and strong increase in fees, partly offset by weak Financial Markets results
  - Higher expenses due to step up in digital investment spend and higher risk costs (albeit still low in basis points)

* 2Q17 one-time gain relates to the sale of an equity stake in the real-estate run-off portfolio (EUR 97 mln)

ING's total capital position a strong foundation for the future

ING Group 4Q17 fully loaded capital ratios*



- Capital ratios now include the impact of the interpretation of the EBA Q&A published on 3 November 2017
- This Q&A relates to externally placed own funds from a subsidiary in conjunction with the availability to absorb losses at the consolidated level
- Further interpretation with the regulator has resulted in an impact of approximately -90 bps on the Group Total capital ratio
- Impact will mostly disappear in the coming years as ING Group will be the issuing entity for all new capital instruments going forward
- No expected impact on ability to pay AT1 coupons, bail-in buffers and call policy for capital instruments

* ING Group fully loaded capital ratios are based on RWAs of EUR 309.9 bln and include grandfathered securities

Group CET1 ratio at 14.7% and underlying ROE at 10.2%

Group fully loaded CET1 ratio development during 4Q17 (amounts in EUR bln and %)

	Capital	RWA	Ratio	Change
Actuals September 2017	**45.0**	**311.0**	**14.5%**	
Net profit included in CET1*	1.0			+0.31%
Equity stakes	-0.1	0.3		-0.04%
FX	-0.2	-1.2		+0.00%
RWA & Other**	-0.2	-0.2		-0.04%
Actuals December 2017	**45.5**	**309.9**	**14.7%**	**+0.23%**

Changes to Group ROE calculation in 4Q17 (in EUR mln)

As of 31 December 2017	
IFRS-EU shareholders' equity	50,406
deduct: Interim profit not included in CET1 capital***	1,670
Adjusted shareholders' equity	**48,736**
Adjusted shareholders' equity (4Q-rolling average)	48,412
Underlying net result (last four quarters)	4,957
Underlying ROE (4Q-rolling average)******	**10.2%**

* 4Q17 Group net profit (EUR 1,015 mln) partly reserved for dividends (EUR 44 mln) and remainder included in Group CET1 capital (EUR 971 mln)
** Group CET1 includes the negative impact of volume growth (-30 bps) and other items (-2 bps) which were only partly offset by the positive impact from risk migration (+14 bps), model updates (+3 bps) and lower Operational RWA (+9 bps) and Market RWA (+2 bps)
*** The profit not included in CET1 is EUR 1,670 mln which is the amount set aside for the 2017 final dividend to be paid out after approval at the AGM
**** Impact of the adjustment of shareholders' equity, by deducting profit not included in CET1 capital in 4Q17, is approx. 34 bps on the 4Q-rolling average Group ROE

Further client savings rate adjustments in our home markets

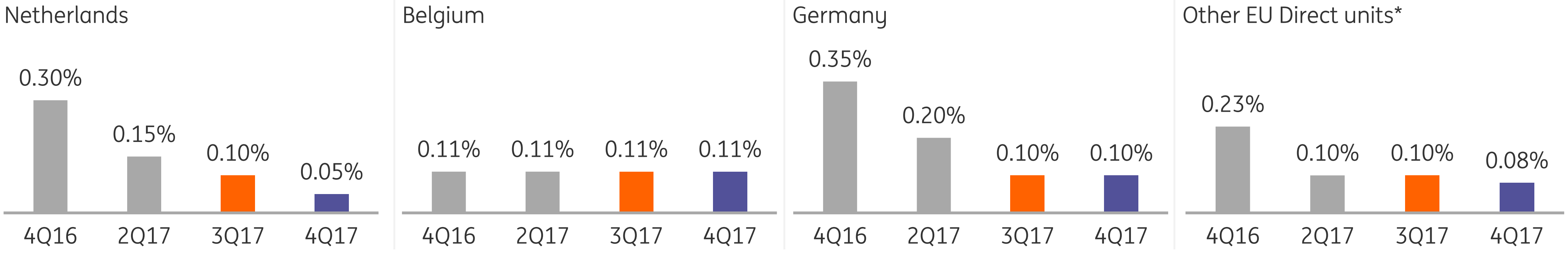
Several savings rate adjustments in the quarter…

- In 4Q17, we reduced Dutch core savings rates by a further 5 bps (1 October). Rates for savings between EUR 75,000 and EUR 1,000,000 were also aligned to 5 bps on 7 December
- Core savings rates were also adjusted downwards in Spain (-5 bps) and Australia (-15 bps), both on 1 November

…and we have other levers to stabilise NIM

- Continue growth in higher margin lending without changing our risk appetite
- Further balance sheet optimisation

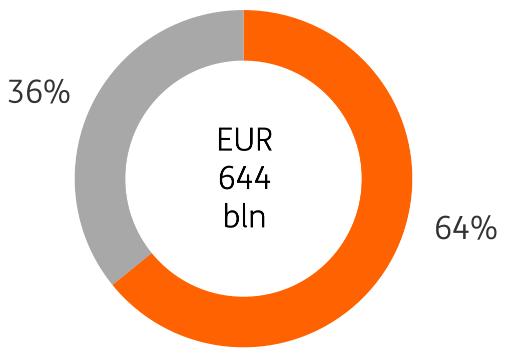
Core client savings rates



* Unweighted average core savings rates in France, Italy and Spain; incorporates core savings rate adjustment (-5 bps) in Spain on 1 November

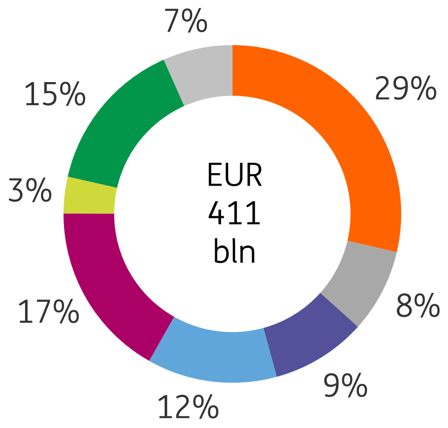
Well-diversified lending credit outstandings by activity

ING Group*



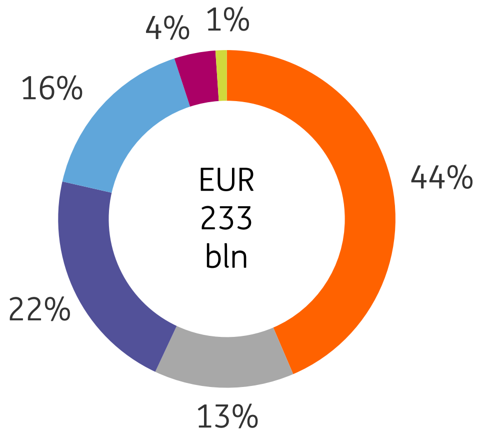
■ Retail Banking
■ Wholesale Banking

Retail Banking*



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

Wholesale Banking*



■ Structured Finance
■ Real Estate Finance
■ General Lending
■ Transaction Services
■ FM, Bank Treasury & Other
■ General Lease run-off

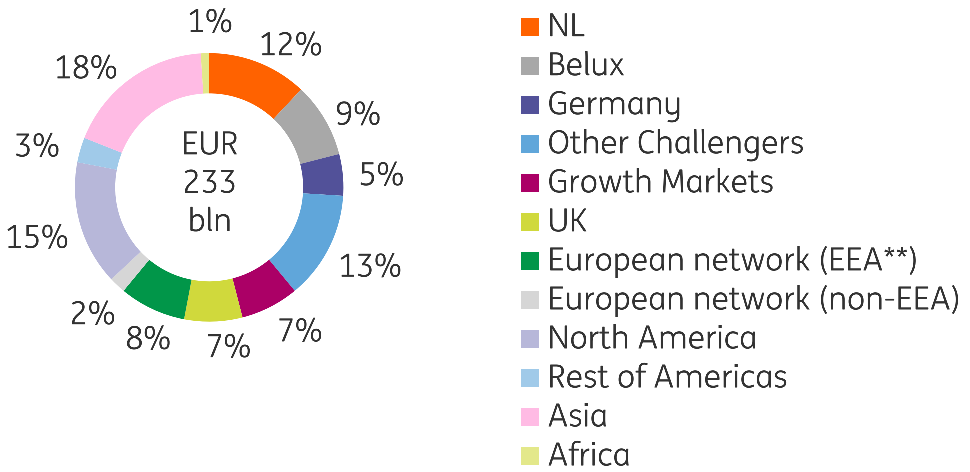
- ING has a well-diversified and collateralised loan book with a strong focus on own-originated mortgages
- 64% of the portfolio is retail-based

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

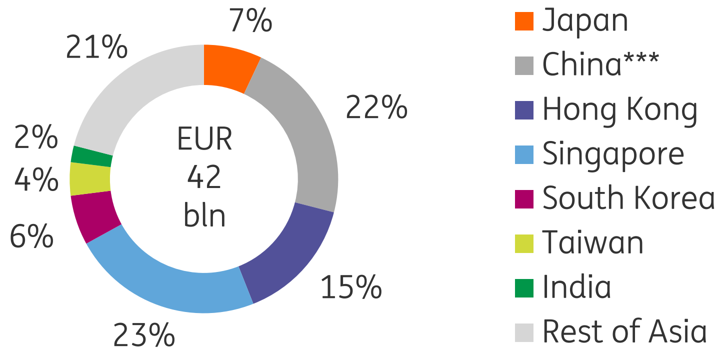
Granular Wholesale Banking lending credit outstandings by geography and sector

Loan portfolio is well diversified across geographies…

Lending Credit O/S Wholesale Banking (4Q17)*

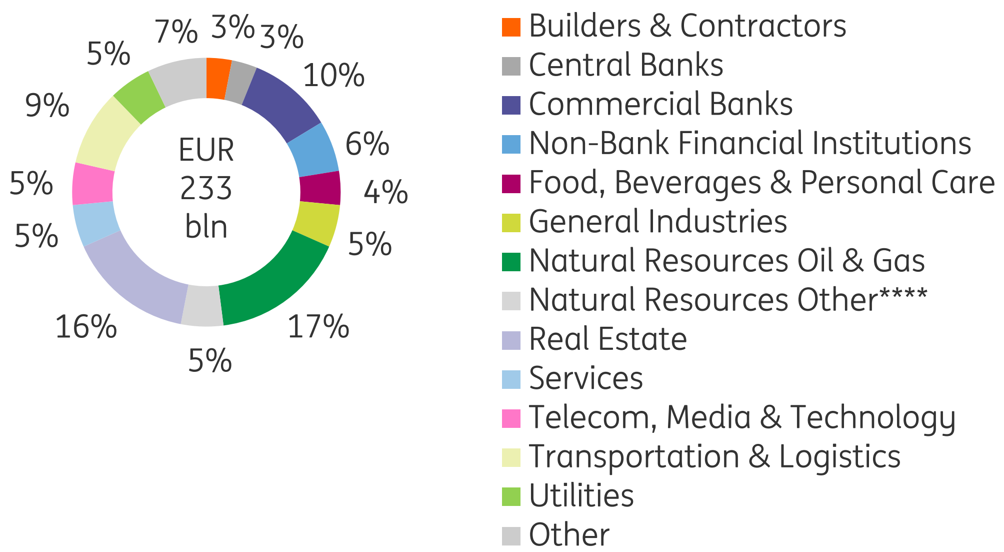


Lending Credit O/S Asia (4Q17)*



…and sectors

Lending Credit O/S Wholesale Banking (4Q17)*



* Data is based on country/region of residence; Lending Credit O/S include guarantees and letters of credit
** Member countries of the European Economic Area (EEA)
*** Excluding our stake in Bank of Beijing (EUR 2.5 bln at 31 December 2017)
**** Mainly Metals & Mining

Detailed NPL disclosure on selected lending portfolios

Selected lending portfolios

	Lending credit O/S 4Q17	NPL ratio 4Q17	Lending credit O/S 3Q17	NPL ratio 3Q17	Lending credit O/S 4Q16	NPL ratio 4Q16
Wholesale Banking	**232,521**	**2.1%**	**227,714**	**2.3%**	**224,916**	**2.4%**
Industry Lending	132,425	2.4%	127,232	2.6%	131,221	2.4%
Of which Structured Finance	101,265	2.5%	96,285	2.9%	102,084	2.3%
Of which Real Estate Finance	31,161	2.0%	30,943	1.6%	29,137	2.7%
Selected industries*						
Oil & Gas related	36,708	3.3%	34,041	3.8%	36,277	2.1%
Metals & Mining**	14,899	4.3%	14,535	5.2%	14,892	5.0%
Shipping & Ports***	13,175	5.9%	12,756	6.5%	14,668	5.3%
Selected countries						
Turkey****	15,941	2.5%	16,876	2.6%	18,262	3.1%
China*****	8,975	0.0%	8,910	0.0%	7,022	0.0%
Russia	4,594	2.8%	4,778	2.8%	5,100	3.2%
Ukraine	785	43.2%	939	50.6%	1,162	44.8%

* Includes WB Industry Lending, General Lending (CFIL) and Transaction Services
** Excluding Ukrainian and Russian Metals & Mining exposure, the NPL ratio would be 2.1%
*** Shipping & Ports includes Coastal and Inland Water Freight which is booked within Retail Netherlands. Excluding this portfolio, NPL ratio is 3.6%
**** Turkey includes Retail Banking activities (EUR 8.4 bln)
***** China exposure is excluding Bank of Beijing stake

Important legal information

Projects may be subject to regulatory approvals.

ING Group's annual accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU'). In preparing the financial information in this document, except as described otherwise, the same accounting principles are applied as in the 2016 ING Group consolidated annual accounts. The Financial statements for 2017 are in progress and may be subject to adjustments from subsequent events. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to a number of factors, including, without limitation: (1) changes in general economic conditions, in particular economic conditions in ING's core markets, (2) changes in performance of financial markets, including developing markets, (3) potential consequences of European Union countries leaving the European Union or a break-up of the euro, (4) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit and capital markets generally, including changes in borrower and counterparty creditworthiness, (5) changes affecting interest rate levels, (6) changes affecting currency exchange rates, (7) changes in investor and customer behaviour, (8) changes in general competitive factors, (9) changes in laws and regulations and the interpretation and application thereof, (10) geopolitical risks and policies and actions of governmental and regulatory authorities, (11) changes in standards and interpretations under International Financial Reporting Standards (IFRS) and the application thereof, (12) conclusions with regard to purchase accounting assumptions and methodologies, and other changes in accounting assumptions and methodologies including changes in valuation of issued securities and credit market exposure, (13) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (14) changes in credit ratings, (15) the outcome of current and future legal and regulatory proceedings, (16) ING's ability to achieve its strategy, including projected operational synergies and cost-saving programmes and (17) the other risks and uncertainties detailed in the most recent annual report of ING Groep N.V. (including the Risk Factors contained therein) and ING's more recent disclosures, including press releases, which are available on www.ING.com. Many of those factors are beyond ING's control.

Any forward looking statements made by or on behalf of ING speak only as of the date they are made, and ING assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason. This document does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities in the United States or any other jurisdiction.