Second quarter 2018 Results

ING 2Q18 net profit of €1,429 million

Ralph Hamers, CEO ING Group

Amsterdam ▪ 2 August 2018

thinkforward

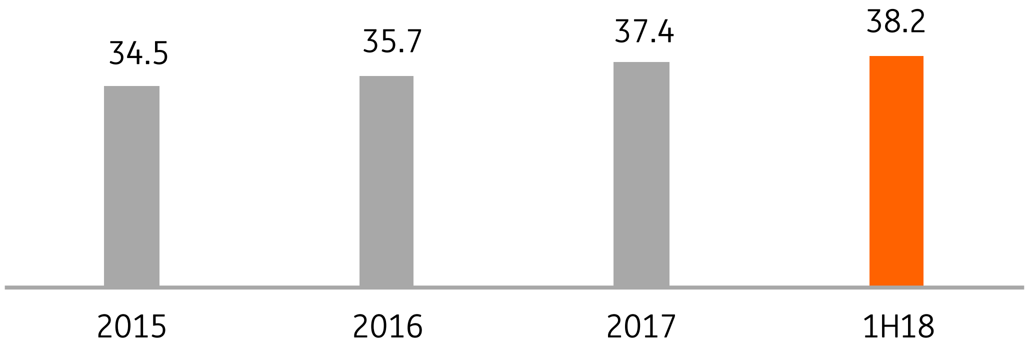
ING

Key points

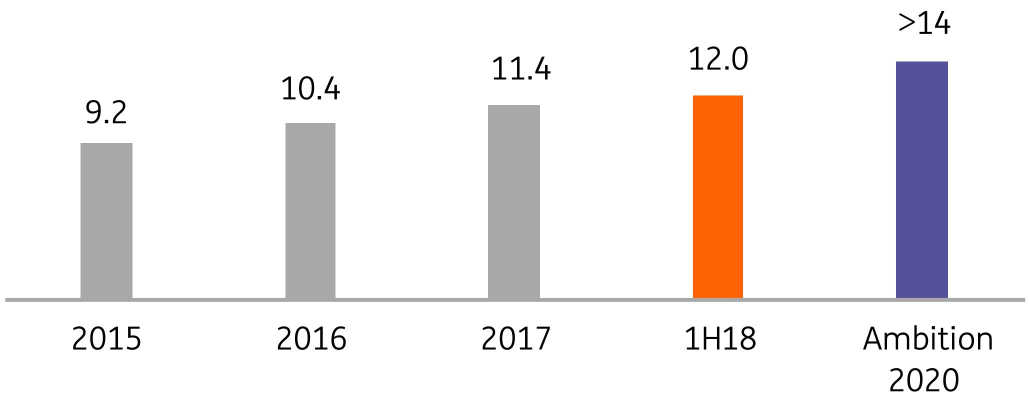
- ING posted 2Q18 net profit of €1,429 mln, up 4.2% on 2Q17
- Result reflects well-diversified and disciplined loan growth at stable margins, strong fee income, and low risk costs
- Primary customers increased by 400,000 in 2Q18 to 12.0 mln, total retail customers reached 38.2 mln
- Important transformation milestones achieved including migration of Record Bank customers to ING in Belgium
- Group-wide cost control remains key focus as digital investment spend remain elevated
- On a four-quarter rolling average basis, ING Group's underlying return on equity was 10.4%
- Fully loaded CET1 ratio at 14.1% due to impact from continued profitable loan growth and a macro-prudential add-on in Belgium
- ING will pay an interim cash dividend of €0.24 per share over the first six months of 2018

Think Forward strategy delivers on commercial growth

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



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



Core lending

1H18 net growth

+4.6%

€ +26.5 bln

Customer deposits

1H18 net growth

+1.5%

€ +8.2 bln

Net Promoter Scores (NPS)

As per 2Q18

#1 in 6 out of 13 retail countries

* In 2Q18, the Netherlands refined its measurement of customers to align with uniform definitions across ING's countries. Customer numbers were restated as of 2016. In addition, the merger of Record Bank into ING in Belgium was completed in 2Q18; customer numbers were consolidated accordingly as from 2Q18, resulting in an 80k increase in primary customers.

Orange Bridge: multiple transformation milestones reached

Preparing for an integrated banking platform in Belgium and the Netherlands

- **4Q17** Cross-border delivery organisation
- **4Q17** One identical Way of Working
- **1Q18** New retail distribution & client services model in BE
- **2Q18** Record Bank integration
- **2019-2021** Uniting IT platforms BE & NL

- Investments and use of external staff still at elevated level in the first half of 2018
- ING in Belgium and Record Bank have now joined forces: almost 600,000 Record Bank customers were successfully migrated to ING and introduced to the clear & easy ING customer experience
- Priorities going forward are to rationalise our product assortment and to unite the IT platforms of Belgium and the Netherlands

Becoming the go-to platform for all financial needs

Building insurance platform with AXA

- ING is **partnering with AXA** to create personalised, simple and modular insurance products and services for customers
- The **digital insurance platform** will offer property & casualty (P&C), health and protection insurance in **six of our Challenger markets** (Australia, Austria, France, Germany, Italy and Czech Republic), in a clear and easy way

Yolt expands to France and Italy

- Yolt, our money management platform in the UK, is expanding **to France and Italy**
- This is part of our ambition to **build a pan-European money platform**
- The smart money app, which provides customers a one-stop overview of their accounts, has attracted **400,000 registered users in the UK** since its launch in June 2017

New funding initiatives for SMEs

- We partnered **with Funding Options** in the Netherlands and invested in **FinCompare** in Germany – two independent digital platforms that offer SMEs a wide choice of financing options

- In Poland, we launched **Invoice Financing** for SMEs, a digital microfactoring solution that we developed in-house

Playing a pivotal role in the energy transition

Financing linked to company's own sustainable KPIs

- We help clients stay ahead by encouraging sustainable business practices and supporting sustainable transitions
- We continue to pioneer sustainability-linked financing. After introducing loans linked to a sustainability rating, we now developed loans linked to a company's own key performance indicators (KPIs) on sustainability. 2Q18 deal examples include:

DSM

€1 bln syndicated facility

ING role: Sustainability coordinator

renewi

€550 mln green loan

ING role: Joint bookrunner & joint coordinator

Solutions to reduce carbon footprint of real estate

- In the Netherlands, we introduced the Energy Robot for real estate clients. It uses algorithms to compare data from smart energy meters to automatically identify where energy waste can be reduced
- First revolving credit facility (RCF) linked to the GRESB ESG* sustainability rating for real estate:

gecina

€150 mln RCF

ING role: Sustainability lender

Application of new Green Loan Principles

- First financial institution to issue a loan under the Green Loan principles which were co-developed by ING:

MACQUARIE

£500 mln green loan

ING role: Green structuring advisor

* GRESB is an ESG (Environmental, Social and Governance) rating for real estate

Interhyp – one of Germany's first fintechs – revolutionised the mortgage market and fits perfectly in ING's platform strategy

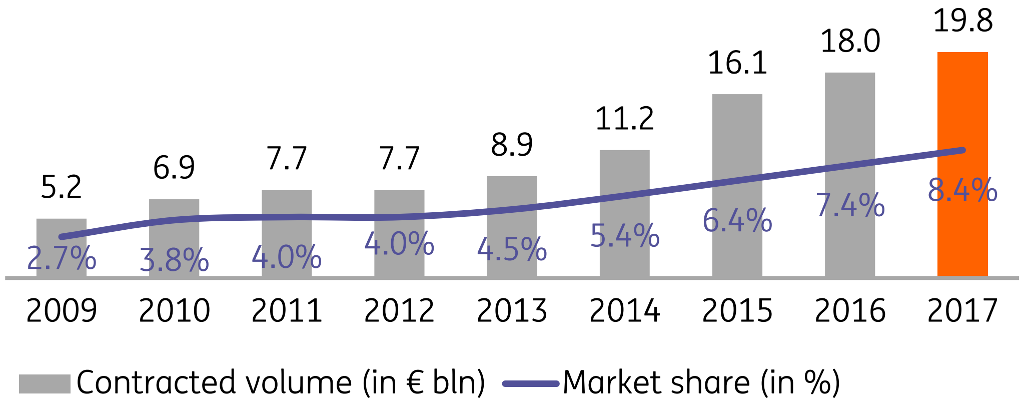
- Operates a proprietary mortgage platform comparing and processing the offers of >400 lenders
- Independent personal advice to private customers through its >100 offices
- >95% commission income, no mortgages on Interhyp balance sheet, highly profitable with >30% EBT margin
- Full focus on best customer experience with Net Promoter Score of >80
- With a closed mortgage volume of >€125 bln since going live in 2000, Interhyp has deep market insights on the German mortgage/real estate market

interhyp gruppe
Das Zuhause der Baufinanzierung

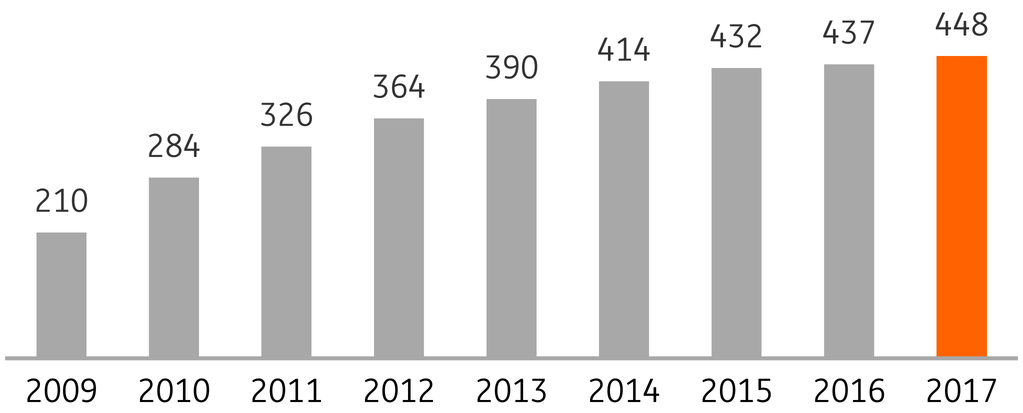
#1
mortgage broker in Germany (part of ING Group since 2008)

Awarded "Top Mortgage Provider" by €uro magazine 13 years in a row

Contracted volume and market share



Number of banking partners on platform

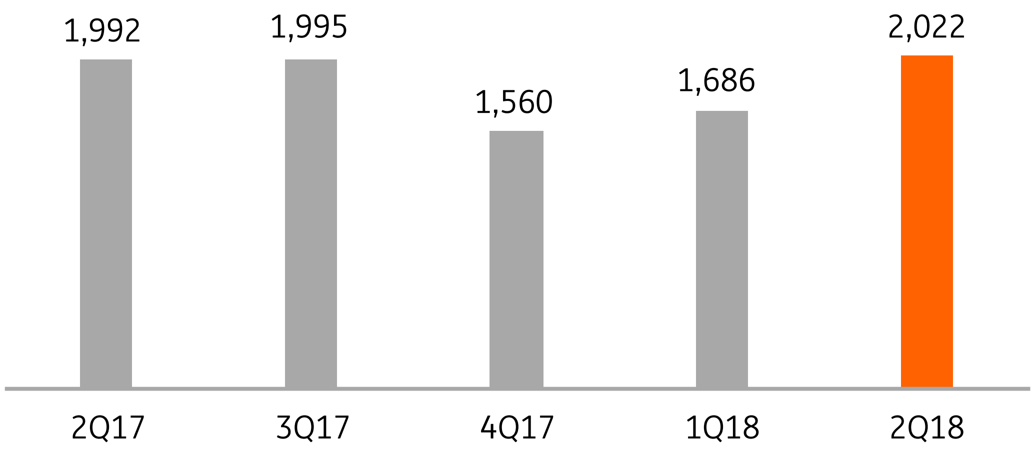


ING

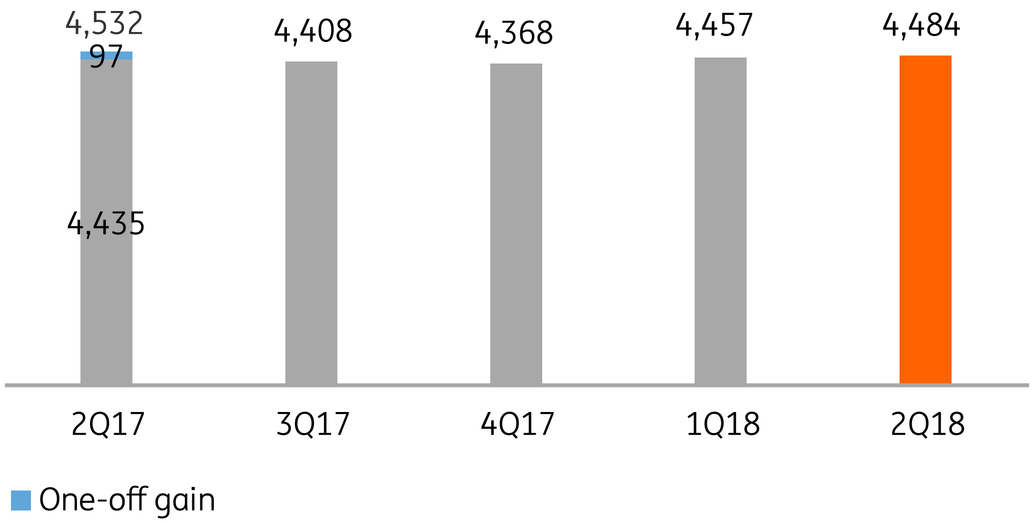
2Q18 results

Underlying pre-tax result up 1.5% year-on-year

Underlying pre-tax result (in € mln)



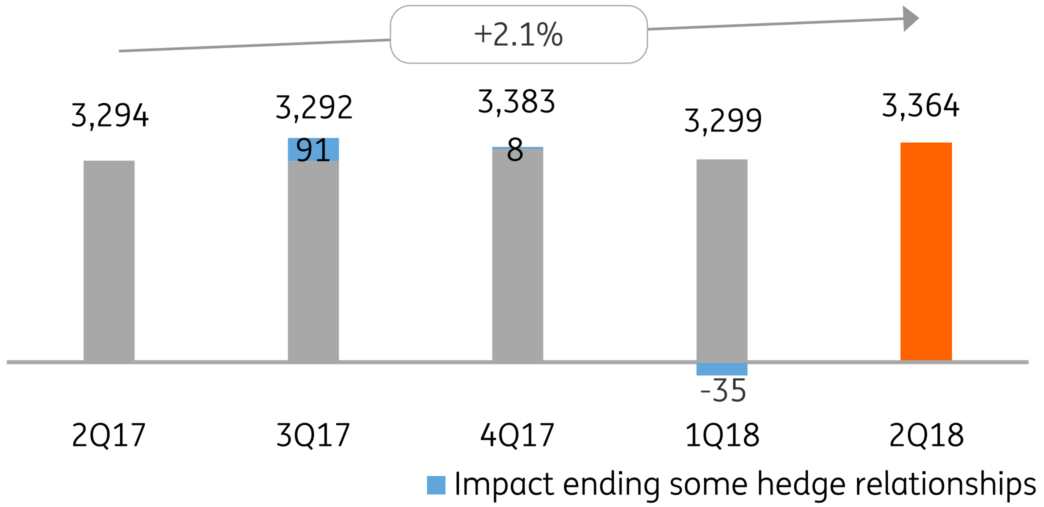
Underlying income (in € mln)



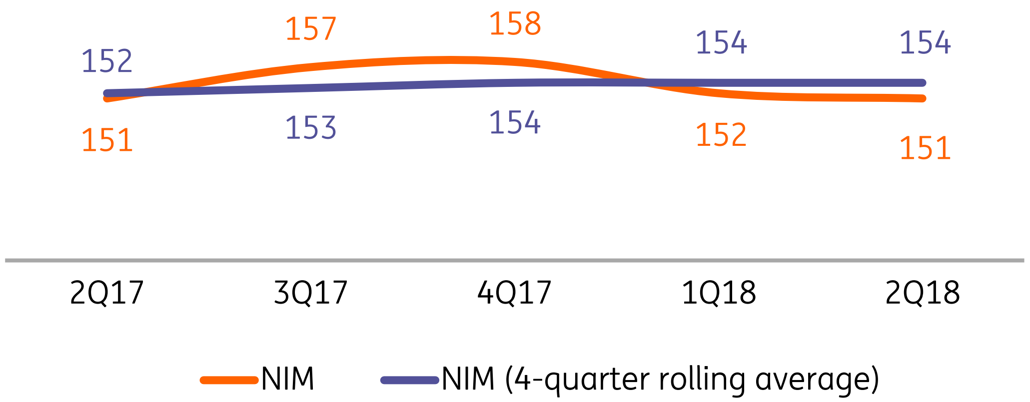
- Underlying result before tax of €2,022 mln was supported by continued loan growth and higher net fee and commission income, while risk costs remained low. On a four-quarter rolling average basis, the underlying ROE improved to 10.4% from 10.3% in 1Q18
- Underlying income was supported by higher income from continued business growth in Retail Challengers & Growth Markets and the Wholesale Banking lending activities, but declined slightly compared to the year-ago quarter
- This is largely explained by a €97 mln one-off gain on the sale of an equity stake in the real estate run-off portfolio in 2Q17, negative currency impacts and weak performance in Financial Markets in the current quarter

Healthy net income progression supported by resilient NIM

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



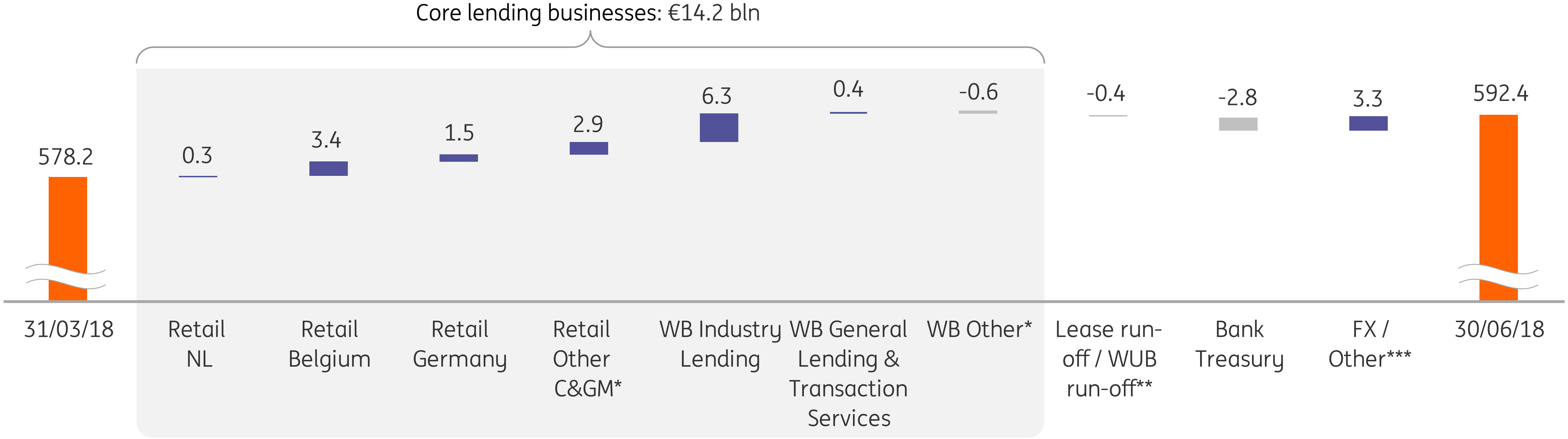
Net interest margin holds up well in the quarter (in bps)



- Net interest income excl. Financial Markets increased 2.1% versus 2Q17. The increase was mainly caused by a higher interest result in Retail Challengers & Growth Markets and Wholesale Banking
- Total NII on customer lending increased year-on-year due to the positive impact of loan volume growth at a higher overall margin, which was partly offset by a lower interest result on customer deposits (mostly as a result of lower reinvestment yields)
- The 2Q18 NIM was 151 bps, which is one basis point down on the previous quarter, due to lower interest results in Financial Markets, Bank Treasury and Corporate Line

Core lending growth in Retail Banking and Industry Lending

Customer lending ING Group 2Q18 (in € bln)

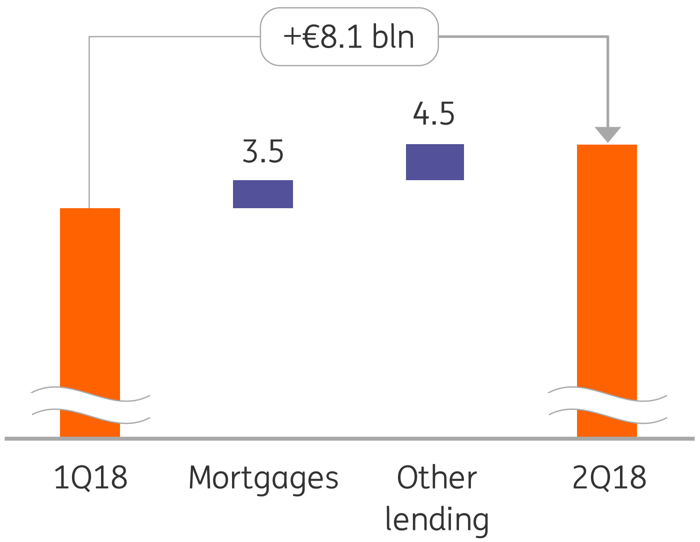


- Our core lending franchises grew by €14.2 bln in 2Q18, with growth again well diversified and at good returns:
  - Retail Banking increased by €8.1 bln with growth being recorded in all geographies (incl. Retail Netherlands)
  - Wholesale Banking increased by €6.1 bln, predominantly in various Industry Lending sectors

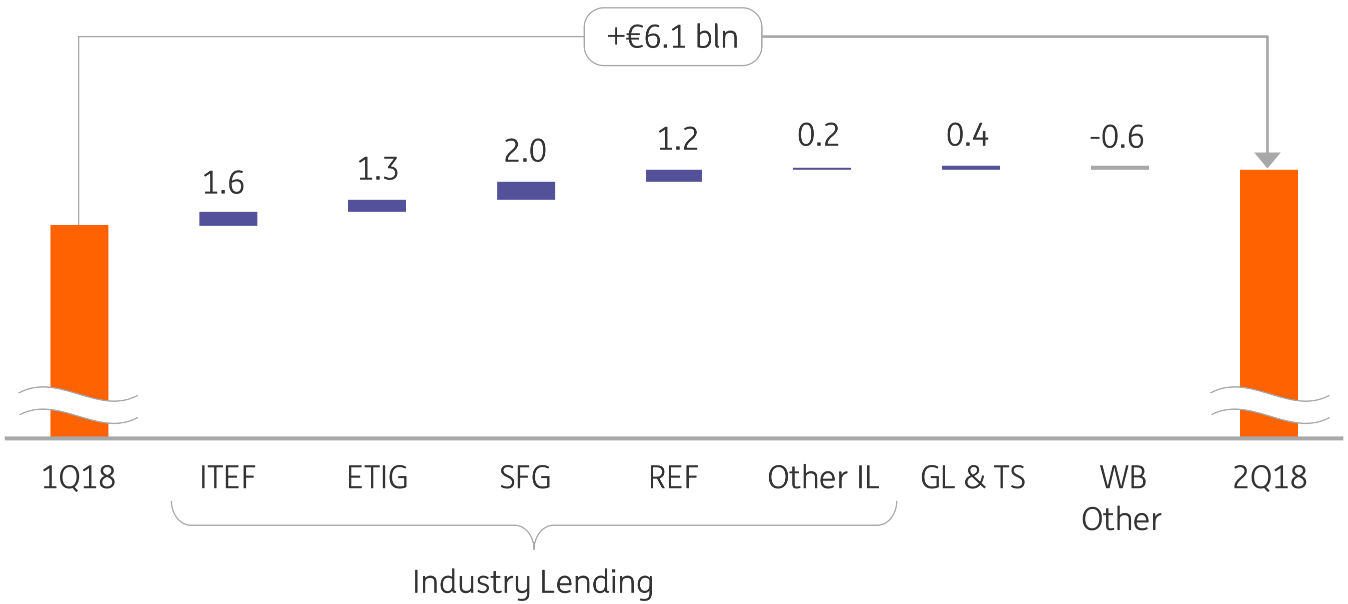
* C&GM is Challengers & Growth Markets; WB Other includes Financial Markets
** Lease run-off was €-0.1 bln, WUB run-off was €-0.3 bln
*** FX impact was €3.1 bln and Other €0.2 bln

Detailed split of net core lending growth

Retail Banking core loan growth split by product (in € bln)



Wholesale Banking* core loan growth split by product (in € bln)

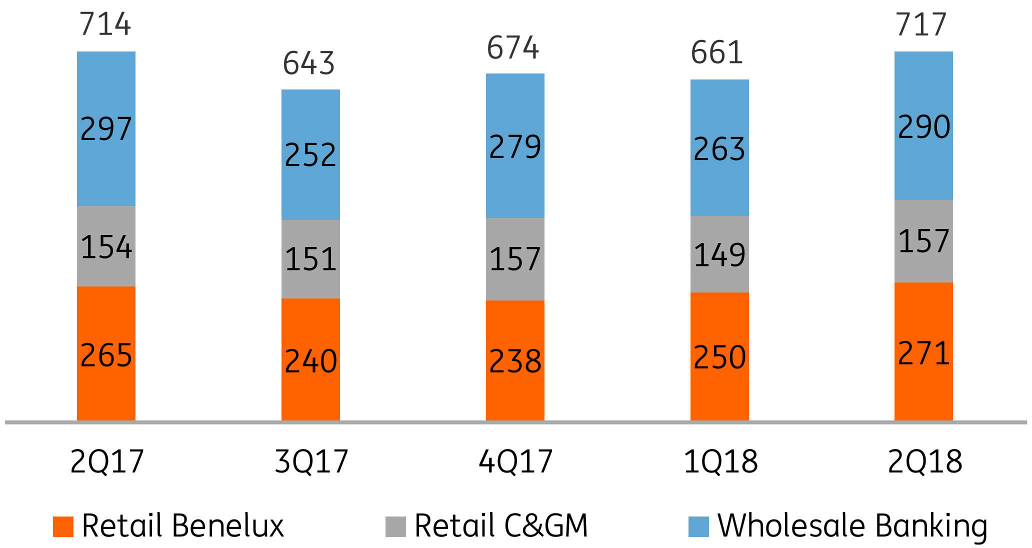


- 2Q18 core lending growth of €8.1 bln within Retail Banking was almost equally split between mortgages and higher-yielding non-mortgage lending
- In Wholesale Banking, the growth was well-spread across products, sectors and geographies with a skew towards longer-dated lending and strong activity in the shorter-dated Trade & Commodity Finance (part of ITEF) franchise

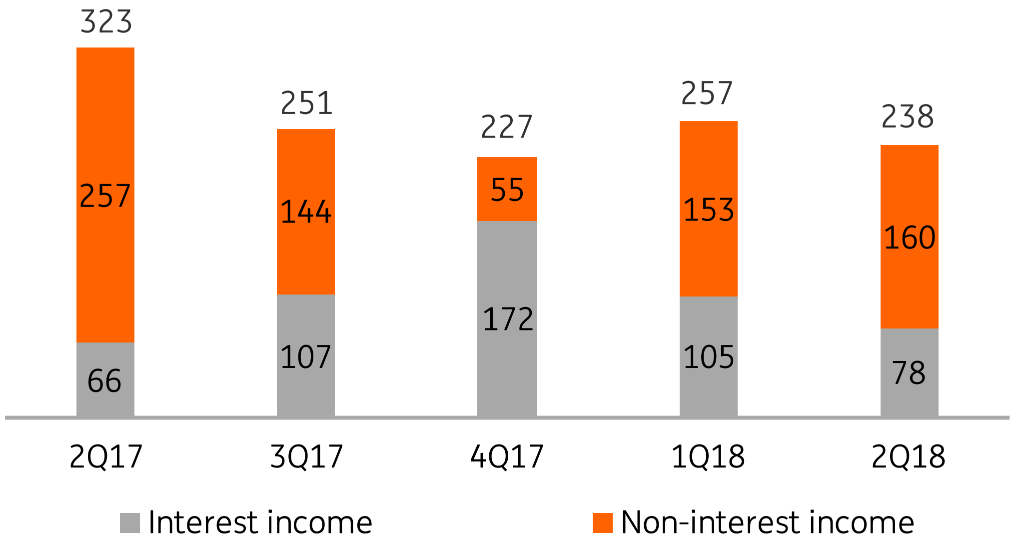
* ITEF is International Trade & Export Finance; ETIG is Energy, Transport & Infrastructure Group; SFG is Specialised Financing Group; REF is Real Estate Finance; GL & TS is General Lending & Transaction Services; WB Other includes Financial Markets

Broad-based fee income growth; FM impacted by client activity

Net fee and commission income (in € mln)



Underlying income Financial Markets* (in € mln)

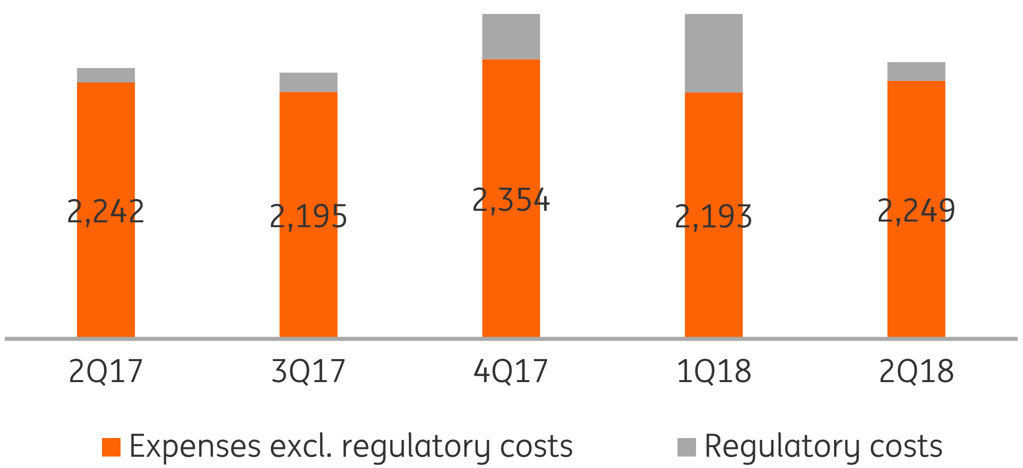


- Fee income increased by 8.5% on the first quarter of 2018 to €717 mln. This was driven by increases in most retail countries and higher fee income in Industry Lending and General Lending & Transaction Services (partly supported by the inclusion of Payvision as of 2Q18), while fees were lower in Financial Markets
- Financial Markets' total income was down on both comparable quarters, as this quarter was again impacted by reduced client activity, low interest rates in Europe and tight credit spreads

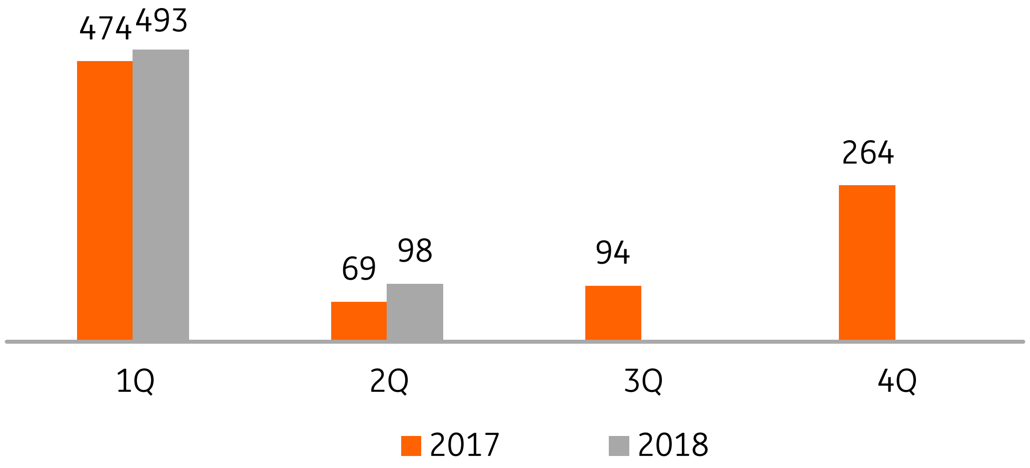
* Excluding CVA/DVA

Cost control a key priority

Underlying operating expenses (in € mln)

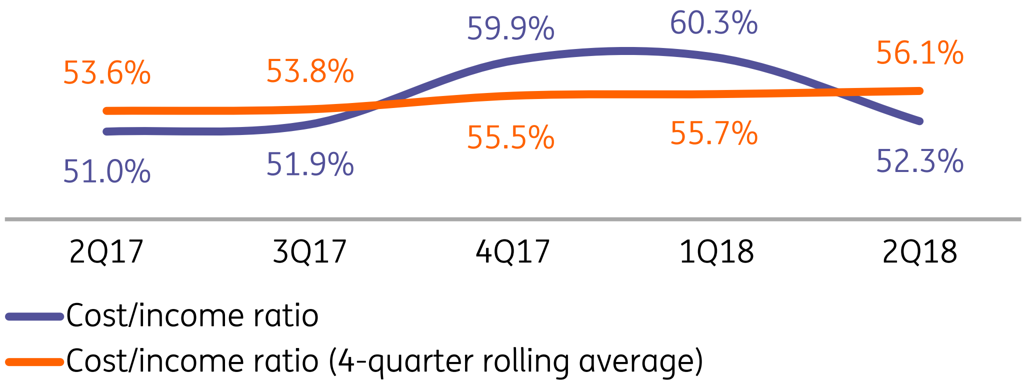


Regulatory costs (in € mln)



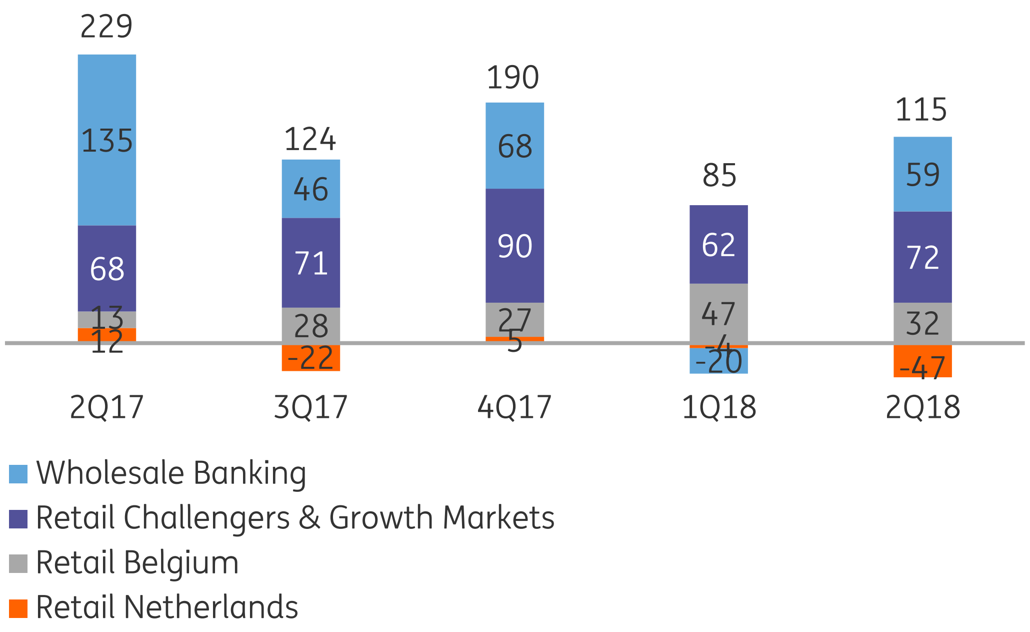
- Compared to 1Q18, which included a release of a legal provision, expenses excluding regulatory costs increased by €56 mln. This increase was also explained by the inclusion of Payvision and higher costs in Industry Lending
- Year-on-year, expenses excluding regulatory costs were broadly flat
- Total regulatory costs were slightly higher year-on-year as 2Q17 included a downward adjustment of the 2017 DGS contribution in Belgium

Cost/income ratio

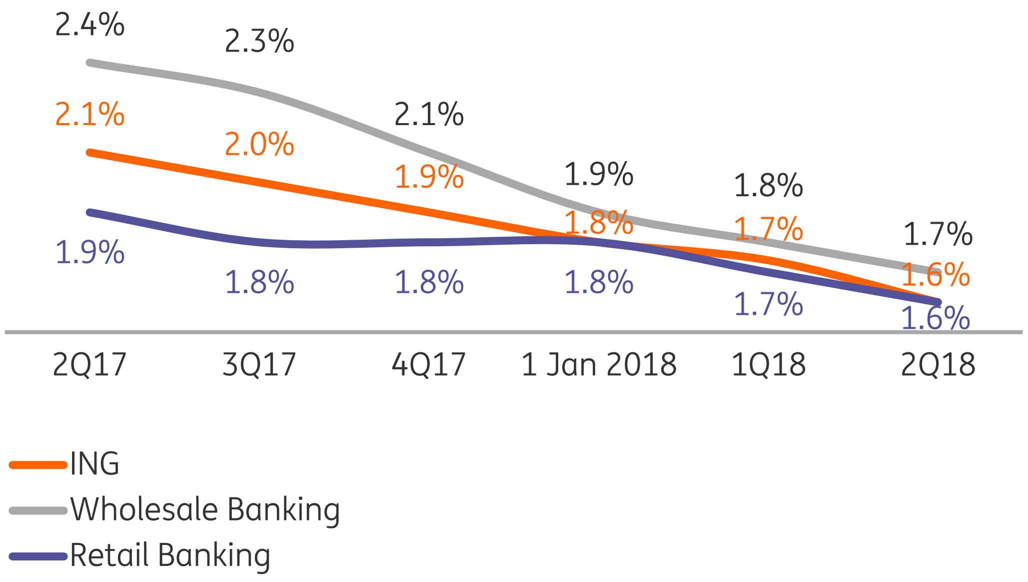


Risk costs remained low due to a continued benign credit environment in most regions

Risk costs (in € mln)



Stage 3 ratio*

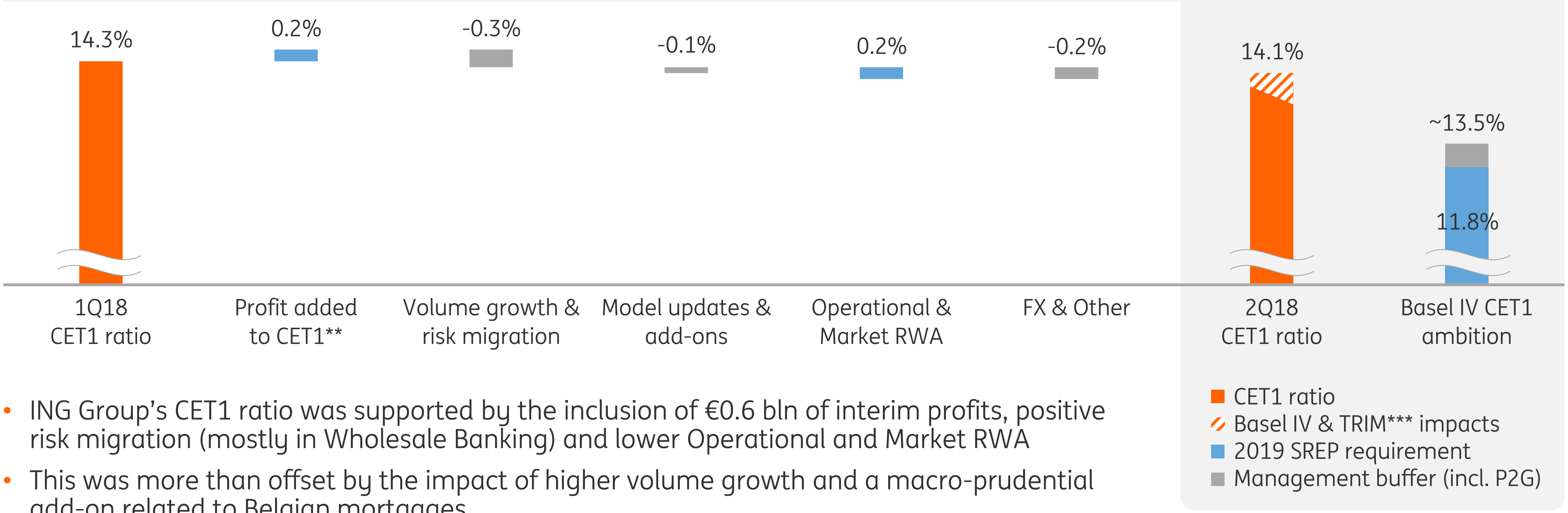


- 2Q18 risk costs were €115 mln, or 15 bps of average RWA, well below the 40-45 bps through-the-cycle average
- Retail Netherlands recorded a net release (€-47 mln), which was caused by releases in various portfolios, reflecting the continued positive economic conditions in the Netherlands as well as some model updates
- Wholesale Banking risk costs of €59 mln were largely impacted by higher Stage 2 provisioning for a number of clients

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

ING Group CET1 ratio at 14.1%

ING Group fully loaded CET1 ratio development*



- ING Group's CET1 ratio was supported by the inclusion of €0.6 bln of interim profits, positive risk migration (mostly in Wholesale Banking) and lower Operational and Market RWA
- This was more than offset by the impact of higher volume growth and a macro-prudential add-on related to Belgian mortgages
- With a long implementation phase, management actions and the transposition into EU law still pending, we remain confident that we will meet future Basel IV requirements

* ING Group's 2Q18 fully loaded capital ratio is based on RWAs of €318.7 bln; small differences in the graph due to rounding
** 2Q18 Group net profit of €1,429 mln, of which €868 mln is set aside for dividends and the remainder (€562 mln) added to CET1 capital
*** ECB's Targeted Review of Internal Models

ING Group financial ambitions

		Actual 2017	**Actual 2Q18**	Ambition 2020*
Capital	• CET1 ratio (%)	14.7%*	**14.1%***	~13.5%** (Basel IV)
	• Leverage ratio (%)	4.7%	**4.3%**	>4%
Profitability	• Underlying C/I ratio (%)***	55.5%	**56.1%**	50-52% (by 2020)
	• Underlying ROE (%)*** (IFRS-EU Equity)	10.2%	**10.4%**	10-12%
Dividend	• Dividend (per share)	€0.67		Progressive dividend
Of which interim		€0.24	**€0.24**	

* Basel III CET1 ratio of 14.5% as per 1 January 2018 due to IFRS 9 adoption; Estimated Basel IV impact on CET1 of around -2.0 %-point will dilute current Basel III CET1 ratio over time
** Implies management buffer (incl. Pillar 2 Guidance) of 170 bps over prevailing fully loaded CET1 requirements (currently 11.8%)
*** Based on 4-quarter rolling average; the ING Group ROE is calculated using IFRS-EU shareholders' equity after excluding 'interim profit not included in CET1 capital'. As at 30 June 2018, this comprised the 1H18 interim profits not included in CET1 capital of €1,735 mln

Wrap up

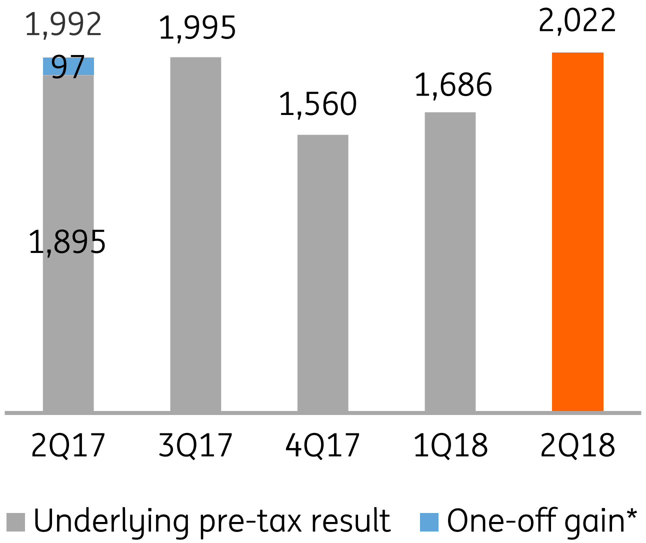
Wrap up

- ING posted 2Q18 net profit of €1,429 mln, up 4.2% on 2Q17
- Result reflects well-diversified and disciplined loan growth at stable margins, strong fee income, and low risk costs
- Primary customers increased by 400,000 in 2Q18 to 12.0 mln, total retail customers reached 38.2 mln
- Important transformation milestones achieved including migration of Record Bank customers to ING in Belgium
- Group-wide cost control remains key focus as digital investment spend remain elevated
- On a four-quarter rolling average basis, ING Group's underlying return on equity was 10.4%
- Fully loaded CET1 ratio at 14.1% due to impact from continued profitable loan growth and a macro-prudential add-on in Belgium
- ING will pay an interim cash dividend of €0.24 per share over the first six months of 2018

Appendix

Strong 2Q18 result with smaller impact from volatile items

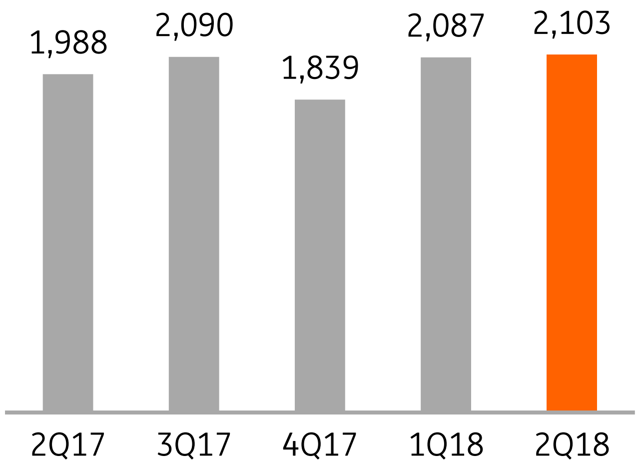
Underlying pre-tax result (in € mln)



Volatile items and regulatory costs (in € mln)

	2Q17	3Q17	4Q17	1Q18	2Q18
CVA/DVA	-42	-1	-45	23	11
Capital gains/losses	25	27	11	63	29
Hedge ineffectiveness	-7	-27	19	6	-23
Other items*	97				
Total volatile items	73	-1	-15	92	17
Regulatory costs	-69	-94	-264	-493	-98

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



- Excluding volatile items and regulatory costs, 2Q18 pre-tax result was up 5.8% from 2Q17, reflecting our continued focus on business growth and transformation in both the Retail and Wholesale Banking businesses as well as the stronger second quarter for Financial Markets in 2017
- Sequentially, the pre-tax result excluding volatile items and regulatory costs was up 0.8%, largely due to higher revenues, which were only partly offset by a normalisation of risk costs and higher operational expenses

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

Potential for further core savings rate adjustments limited

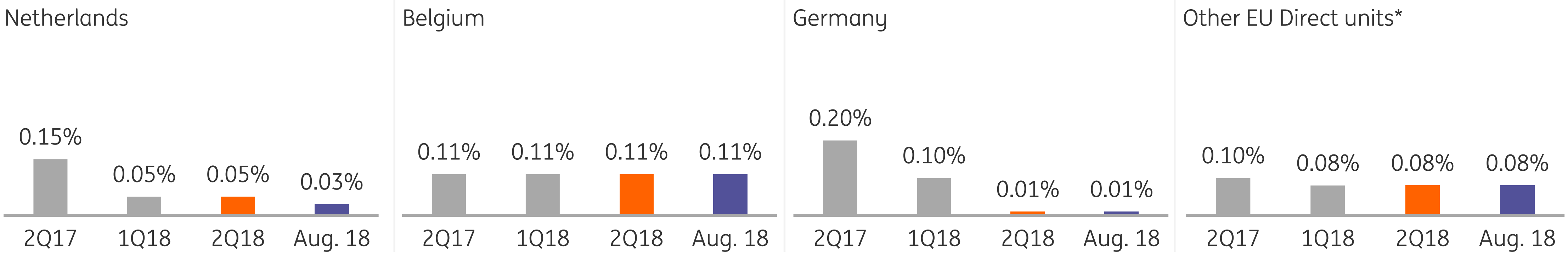
Only few savings rate adjustments in 2Q18…

- In 2Q18, we reduced core savings rates in Germany from 10 bps to 1 bp and in Austria from 15 bps to 5 bps
- On 16 July 2018, core savings rates in the Netherlands were further lowered from 5 bps to 3 bps

…while we have other levers to stabilise NIM

- Continue growth in higher margin lending without changing our risk appetite
- Selective re-pricing in certain areas

Core client savings rates



* Unweighted average core savings rates in France, Italy and Spain

Group CET1 ratio at 14.1% and underlying ROE at 10.4%

Group fully loaded CET1 ratio development during 2Q18 (amounts in € bln and %)

	Capital	RWA	Ratio	Change
Actuals 31 March 2018	**44.6**	**312.4**	**14.3%**	
Net profit included in CET1*	0.6			+0.18%
Equity stakes	-0.1	-0.1		-0.03%
FX		2.1		-0.10%
RWA & Other**	-0.2	4.3		-0.26%
Actuals 30 June 2018	**44.8**	**318.7**	**14.1%**	**-0.21%**

Group underlying ROE calculation in 2Q18 (in € mln)

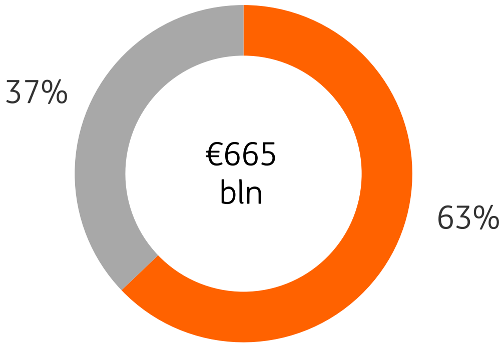
As of 30 June 2018	
IFRS-EU shareholders' equity	49,984
deduct: Interim profit not included in CET1 capital***	1,735
Adjusted shareholders' equity	**48,249**
Adjusted shareholders' equity (4Q-rolling average)	48,025
Underlying net result (last four quarters)	5,014
Underlying ROE (4Q-rolling average)	**10.4%**

* 2Q18 Group net profit (€1,429 mln) partly reserved for dividends (€868 mln) and remainder included in Group CET1 capital (€562 mln)
** Group CET1 includes the negative impact of volume growth (-43 bps), model updates incl. prudential add-on (-9 bps) and other items (-9 bps) which were only partly offset by the positive impact from risk migration (+12 bps), Operational RWA (+21 bps) and Market RWA (+1 bp)
*** As at 30 June 2018, this comprised the 1H18 interim profits not included in CET1 capital of €1,735 mln

ING

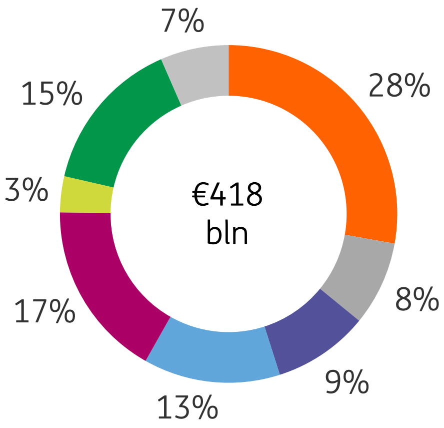
Well-diversified lending credit outstandings by activity

ING Group*



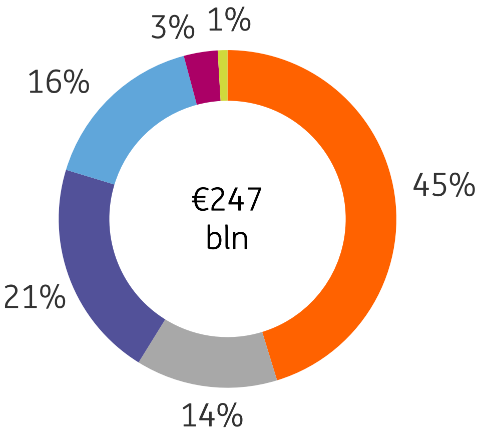
- Retail Banking
- Wholesale Banking

Retail Banking*



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

Wholesale Banking*



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

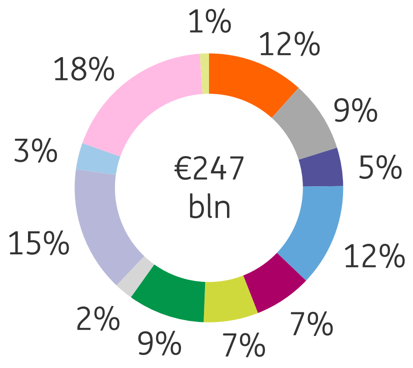
- ING has a well-diversified and collateralised loan book with a strong focus on own-originated mortgages
- 63% of the portfolio is retail-based

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

Granular Wholesale Banking lending credit outstandings by geography and sector

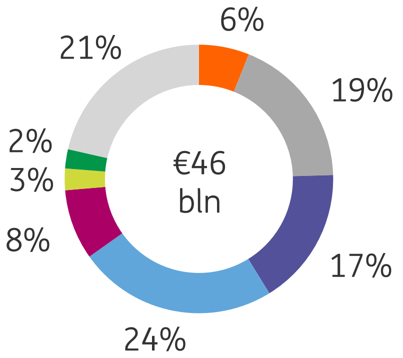
Loan portfolio is well diversified across geographies…

Lending Credit O/S Wholesale Banking (2Q18)*



- NL
- Belux
- Germany
- Other Challengers
- Growth Markets
- UK
- European network (EEA**)
- European network (non-EEA)
- North America
- Americas (excl. North America)
- Asia
- Africa

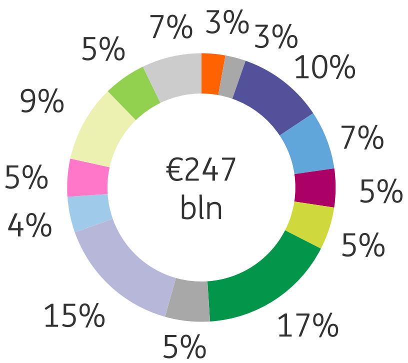
Lending Credit O/S Asia (2Q18)*



- Japan
- China***
- Hong Kong
- Singapore
- South Korea
- Taiwan
- India
- Rest of Asia

…and sectors

Lending Credit O/S Wholesale Banking (2Q18)*



- Builders & Contractors
- Central Banks
- Commercial Banks
- Non-Bank Financial Institutions
- Food, Beverages & Personal Care
- General Industries
- Natural Resources Oil & Gas
- Natural Resources Other****
- Real Estate
- Services
- Telecom, Media & Technology
- Transportation & Logistics
- Utilities
- Other

* Data is based on country/region of residence; Lending Credit O/S include guarantees and letters of credit
** Member countries of the European Economic Area (EEA)
*** Excluding our stake in Bank of Beijing (€2.1 bln at 30 June 2018)
**** Mainly Metals & Mining

Detailed Stage 3 / NPL disclosure on selected lending portfolios

Selected lending portfolios (in € mln)

	Lending credit O/S 2Q18	Stage 3 ratio 2Q18	Lending credit O/S 1Q18	Stage 3 ratio 1Q18	Lending credit O/S 2Q17	NPL ratio 2Q17
Wholesale Banking	**246,961**	**1.7%**	**234,201**	**1.8%**	**225,556**	**2.4%**
Industry Lending	145,273	1.9%	133,242	2.0%	127,907	2.6%
Of which Project & Asset-based Finance	111,737	2.0%	101,136	2.1%	98,084	2.8%
Of which Real Estate Finance	33,536	1.5%	32,106	1.7%	29,823	1.9%
Selected industries*						
Oil & Gas related	41,346	2.7%	37,941	2.6%	34,287	3.6%
Metals & Mining**	15,994	3.1%	14,962	3.8%	14,529	5.0%
Shipping & Ports***	14,266	5.4%	13,175	5.7%	13,452	6.8%
Selected countries						
Turkey****	15,413	2.3%	15,627	2.4%	17,035	2.5%
Russia	4,688	2.7%	4,481	2.7%	4,946	3.0%
Ukraine	763	25.4%	798	41.6%	953	51,6%

* Includes WB Industry Lending, General Lending (CFIL) and Transaction Services
** Excluding Ukrainian and Russian Metals & Mining exposure, the Stage 3 ratio would be 1.9%
*** Shipping & Ports includes Coastal and Inland Water Freight which is booked within Retail Netherlands. Excluding this portfolio, Stage 3 ratio is 3.0%
**** Turkey includes Retail Banking activities (€7.5 bln)

Important legal information

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

Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to a number of factors, including, without limitation: (1) changes in general economic conditions, in particular economic conditions in ING's core markets, (2) changes in performance of financial markets, including developing markets, (3) potential consequences of European Union countries leaving the European Union or a break-up of the euro, (4) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit and capital markets generally, including changes in borrower and counterparty creditworthiness, (5) changes affecting interest rate levels, (6) changes affecting currency exchange rates, (7) changes in investor and customer behaviour, (8) changes in general competitive factors, (9) changes in laws and regulations and the interpretation and application thereof, (10) geopolitical risks and policies and actions of governmental and regulatory authorities, (11) changes in standards and interpretations under International Financial Reporting Standards (IFRS) and the application thereof, (12) conclusions with regard to purchase accounting assumptions and methodologies, and other changes in accounting assumptions and methodologies including changes in valuation of issued securities and credit market exposure, (13) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (14) changes in credit ratings, (15) the outcome of current and future legal and regulatory proceedings, (16) operational risks, such as system disruptions or failures, breaches of security, cyberattacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which we do business, (17) the inability to protect our intellectual property and infringement claims by third parties, (18) the inability to retain key personnel, (19) business, operational, regulatory, reputation and other risks in connection with climate change, (20) ING's ability to achieve its strategy, including projected operational synergies and cost-saving programmes and (21) the other risks and uncertainties detailed in the 2017 annual report of ING Groep N.V. (including the Risk Factors contained therein) and ING's more recent disclosures, including press releases, which are available on www.ing.com. 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.