# ING Bank N.V.

## Full Rating Report

### Ratings

**Foreign Currency**

**ING Bank N.V.**

| | |
|---|---|
| Long-Term IDR | AA- |
| Short-Term IDR | F1+ |
| Derivative Counterparty Rating | AA-(dcr) |
| Viability Rating | a+ |
| Support Rating | 5 |
| Support Rating Floor | NF |

**ING Group**

| | |
|---|---|
| Long-Term IDR | A+ |
| Short-Term IDR | F1 |
| Derivative Counterparty Rating | A+(dcr) |
| Viability Rating | a+ |
| Support Rating | 5 |
| Support Rating Floor | NF |

**Sovereign Risk**

| | |
|---|---|
| Long-Term Foreign-Currency IDR | AAA |
| Long-Term Local-Currency IDR | AAA |

### Outlooks

| | |
|---|---|
| Long-Term Foreign-Currency IDR | Stable |
| Sovereign Long-Term Foreign-Currency IDR | Stable |
| Sovereign Long-Term Local-Currency IDR | Stable |

### Financial Data

**ING Bank N.V.**

| | 31 Dec 18 | 31 Dec 17 |
|---|---|---|
| Total assets (USDm) | 1,015,984 | 1,014,989 |
| Total assets (EURm) | 887,012 | 846,318 |
| Total equity (EURm) | 44,976 | 44,377 |
| Published net income (EURm) | 4,722 | 5,101 |
| Operating profit/risk-weighted assets (%) | 2.4 | 2.3 |
| Operating ROAE (%) | 17.0 | 16.0 |
| Fitch Core Capital/ weighted risks (%) | 13.8 | 13.8 |
| Tangible equity / tangible assets (%) | 4.9 | 5.1 |
| Common equity Tier 1 ratio (fully loaded) (%) | 12.9 | 13.1 |
| Impaired loans/gross loans (%) | 1.7 | 2.2 |

Source: Fitch Ratings, Fitch Solutions

### Related Research

ING Bank N.V. – Ratings Navigator (November 2018)

Fitch Ratings 2019 Outlook: Western European Banks (December 2018)

### Analysts

Olivia Perney Guillot
+33 1 44 29 91 74
olivia.perney@fitchratings.com

Konstantin Yakimovich
+44 20 3530 1789
konstantin.yakimovich@fitchratings.com

## Key Rating Drivers

**Stable Performance, Strong Diversification:** ING Bank N.V.'s Viability Rating (VR) reflects its robust and diverse company profile, underpinning solid and stable financial metrics as well as strong strategic execution. The rating is underpinned by a significant capital buffer kept at ING Group level and Fitch Ratings' view that capital is fungible, if needed. The rating factors in improving earnings, a balanced funding profile and a moderate impaired loans ratio.

**IDR Above VR:** ING Bank's Long-Term Issuer Default Rating (IDR) is one notch above the bank's VR. This is driven by a significant buffer of junior debt at the bank that could be made available to protect senior third-party creditors from default, in case of failure. Fitch calculates that, at end-2018, the combined junior debt buffer, including senior debt issued by ING Group N.V. and downstreamed into the bank in a subordinated manner, was 10% of the group's risk-weighted assets (RWAs). We believe that the buffer will be sustainable.

**Company Profile Underpins Earnings:** Revenue generation is underpinned by the bank's vast Benelux franchise coupled with geographic diversification. Operating profitability is sound. This has helped the bank to absorb the EUR775 million fine (about half of 3Q18 net income) imposed for significant anti-money laundering (AML)/customer due diligence shortcomings over the 2010-2016 period. Since 2017, the bank has been implementing an enhancement programme to rectify this, with most related costs already absorbed.

**Moderate Impaired Loans:** ING Bank's impaired loans ratio is in line with that of similarly rated European peers. Asset quality is supported by product and geographical diversification, resulting in low loan-loss volatility through the cycle. ING Bank's Turkish exposure is of moderate size (EUR13 billion at end-2018), and its asset quality has remained adequate. We expect ING Bank's asset-quality metrics to remain sound in 2019 owing to favourable economic growth in the bank's main markets and continued low interest rates.

**Stable Funding, Sound Liquidity:** The stable funding profile reflects a strong franchise in some deposit-rich jurisdictions, such as Belgium and Germany. ING Bank (and increasingly the parent) regularly taps wholesale markets, to which it has ready access. Its wholesale funding maturities are reasonably spread over time, and the bank's ample buffer of high-quality liquid assets further mitigates refinancing risk.

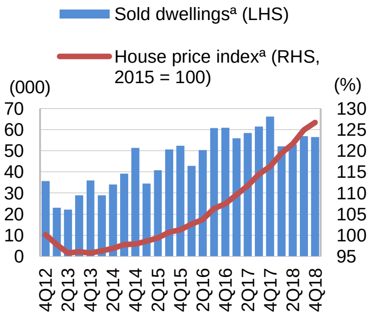
**ING Group Equalised:** ING Group's VR is aligned with that of ING Bank. The risk of failure between the ING Group and ING Bank is highly correlated since ING Bank is the group's only significant asset. ING Group's ratings also reflect the absence of double leverage.

## Rating Sensitivities

**Capitalisation and Risk Appetite:** ING Bank's VR is likely to come under pressure if capitalisation, including capital held at the Group, weakens or if earnings materially deteriorate, either from sharp impairment charges or failure to achieve cost targets. Downward rating pressure is also likely to result from a significantly increased risk appetite in higher-risk markets or sectors, or less prudent liquidity management. An upgrade is unlikely given the high VR.

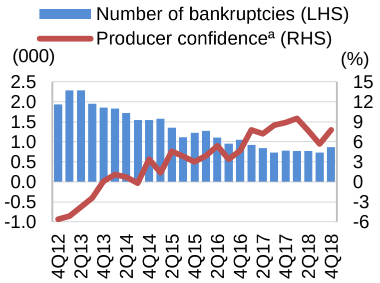
**Size of Bail-inable Buffer:** ING Bank's Long-Term IDR is sensitive to changes in the bank's VR. It is also sensitive to a material reduction of the combined buffer of junior and holding company senior debt, in particular should it fall below around 10% of RWAs.

### Dutch Housing Market




[a] Existing houses
Source: Fitch Ratings,CBS

### Dutch Corporate Sector Health




[a] At period-end
Source: Fitch Ratings, CBS

## Operating Environment

### Slower but Continued Growth; Heightened Downside Risk

ING Bank is based in the Netherlands, where it is a top-three universal bank. The majority of its operations is conducted outside its home country, unlike the other two large Dutch banks, Cooperatieve Rabobank U.A. (AA-/Stable/a+) and ABN AMRO Bank N.V. (A+/Stable/a). As a result, ING Bank was less affected by the Dutch recession in 2012-2013 than its peers, but has benefitted less from recent strong economic growth in the Netherlands.

Europe (and the eurozone in particular) represents about 80% of ING Bank's operations. The remaining 20% is mostly in other advanced economies (mainly the US and Australia). The vast majority of the bank's operations are conducted in countries that Fitch assigns a Macro-Prudential Indicator of '1', indicating a low macro-prudential risk.

Fitch predicts a modest slowdown in eurozone growth over the outlook horizon. However, our forecasts for ING Bank's main markets (the Netherlands, Belgium and Germany) remain supportive of continued sound asset quality. We predict a continued decline in unemployment in all three countries, and they score highly on GDP/capita and Ease of Doing Business indicators. Credit conditions remain accommodative and, given the recent economic slowdown, we now expect ECB's first rate increase to be pushed back to 2020. However, downside risk to European growth forecasts has heightened in recent months, driven by a number of factors including global trade slowdown and tension between Italy and the European Commission over fiscal policy. A no-deal Brexit would be another material shock to the eurozone and in particular for ING Bank's main markets, which are export-orientated.

### Macroeconomic Data – ING Bank's Main Markets

| | | Share of total assets at end-2017 | GDP annual growth (%) | | | Unemployment rate (%) | | |
|---|---|---|---|---|---|---|---|---|
| | | (%) | 2018f | 2019f | 2020f | 2018f | 2019f | 2020f |
| Eurozone | | | 1.9 | 1.7 | 1.6 | | | |
| Netherlands | AAA | 29 | 2.9 | 2.5 | 2.0 | 3.9 | 3.6 | 3.4 |
| Belgium | AA- | 14 | 1.5 | 1.4 | 1.4 | 6.3 | 6.0 | 5.8 |
| Germany | AAA | 16 | 1.6 | 1.6 | 1.4 | 3.5 | 3.5 | 3.4 |

Source: Fitch Ratings, ING Bank

ING Bank mostly operates in developed and concentrated banking systems, where barriers to entry are high. In the Netherlands, the aggregate market shares of the three-largest banks are 70%-75% in retail and up to 85% in the SME segment. The Belgian banking system also shows significant concentration, with the four largest banks (one of which is ING Belgium) accounting for about 65% of system assets. The German market is more fragmented, owing to the strong market shares of local savings and cooperative banks.

### Developed and Transparent Regulatory Environment

ING Bank is subject to domestic and European banking regulations. The group is directly supervised by the ECB under the Single Supervisory Mechanism. In Fitch's view, the regulatory environments in ING Bank's main markets are developed and transparent, and legislations and regulations are enforced effectively.

## Company Profile

### Strong Franchise and Diverse Business Model

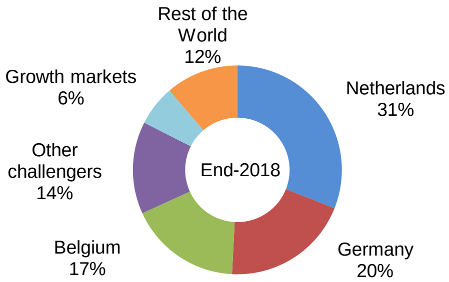
ING Bank has a diverse and strong business model that is focused on retail and commercial banking across several regions, but with an emphasis on the eurozone. It has market shares in the Benelux countries of 15%-30% depending on the product, resulting in pricing power and sound deposit-collecting ability. It also has a reasonable presence in many other EU countries, particularly Germany, Poland and Spain.

**Related Criteria**

Bank Rating Criteria (October 2018)

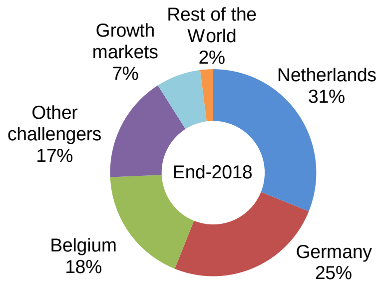
The bank's business model is highly weighted towards traditional retail and commercial banking with a low share of volatile businesses. Net interest income (NII) makes up about 75% of revenue, complemented by fees. Trading activities are mostly client driven, account for a modest share of total revenue and have limited balance-sheet usage.

**Geographical Split - Lending**




Other challengers: Australia, Czech Republic, France, Italy, Spain
Growth markets: Poland, Romania, Turkey
Source: Fitch Ratings, ING Bank

**Geographical Split - Deposits**




Other challengers: Australia, Czech Republic, France, Italy, Spain
Growth markets: Poland, Romania, Turkey
Source: Fitch Ratings, ING Bank

ING Bank is fully owned by the listed holding company ING Group. All bank subsidiaries are owned directly by ING Bank, which leads to some organisational structure complexity given the bank's international presence. However, key operating and legal entities are visible and transparent. The fungibility of capital and liquidity within the group would increase if cross-border restrictions are lifted within the banking union countries. This is because foreign subsidiaries are also regulated locally.

### Group Financial Targets

| (%) | End-2018[a] | Ambition 2020 - group |
|---|---|---|
| CET1 ratio[b] | 14.5 | ~13.5% |
| Leverage ratio | 4.4 | >4% |
| Cost/ income[c] | 54.8 | 50%-52% |
| Return on equity[c] | 11.2 | 10-12% |

[a] For ING Group
[b] The CET1 target of ≈13.5% is under Basel III end-game rules. It currently implies a 170bps management buffer (including Pillar 2 guidance) over ING Group's 11.8% CET1 requirement
[c] Four-quarter rolling average as calculated by the bank and based on underlying income
Source: Fitch Ratings, ING Group

## Management and Strategy

### Consistent Strategy, Solid Execution

ING Bank and Group's strategy (targets are set at group level) is clearly articulated and reflects a sustainable long-term level of performance. We expect the strong execution of strategy to continue, and for management to meet financial targets. The strategic plan for 2020 is a continuation of the existing retail-focused strategy, which aims to increase the number of primary customers (those who bank mainly with ING Bank) and implement cost-saving initiatives.

ING Bank's management team has a high degree of depth, stability and experience. The bank routinely undertakes succession planning for executive roles. This should minimise the impact of the recent resignation of the group chief financial officer in the wake of the customer due diligence/AML scandal. Corporate governance is sound and provides reasonable protection to creditors. Financial reporting is frequent, robust and transparent. Governance is via an executive board and a supervisory board. ING Bank and ING Group share the same governance bodies, but ING Bank's management board has four members in addition to the chief executive, chief financial officer and chief risk officer.

## Risk Appetite

### Moderate Risk Appetite

ING Bank's risk appetite is moderate, in our view, and is clearly defined and quantified. Risk and reporting tools and controls are centralised and robust, while limits for financial and non-financial risks are cascaded down the business lines. In 2018, the Dutch Public Prosecution Office found significant shortcomings in the execution of customer due diligence policies and transaction monitoring, which translated to a failure to prevent financial economic crime. This led to ING Group paying a fine of EUR675 million and EUR100 million of disgorgement (effectively from underspending on compliance in 2010-2016). According to the bank, it is addressing these findings as part of a process that started in 2007. Fitch believes the bank is taking this seriously.

Underwriting standards are in line with similarly rated peers and we expect them to remain consistent over economic cycles. Lending is predominantly secured, with conservative limits on single-name (on loss given default), sector and country concentrations. Material activities in more volatile economies mainly Poland and Turkey have been well managed.

The strategic plan assumes average annual balance-sheet growth of about 3%-4%, which is higher than projected GDP growth in the bank's main markets. However, it is manageable given the bank's demonstrated ability to generate adequate amounts of capital internally. Furthermore, growth rates may not reach these levels in the near term due to the slower-than-originally-expected growth in wholesale banking. This is driven by ING Bank's reduced appetite for lending to certain sectors and industries. The bank has gradually expanded unsecured consumer lending but the size of the book remains small (about 4% of loans at end-June 2018). Wide margins provide a cushion against potential asset-quality deterioration.

ING Bank's Dutch mortgage lending is conducted at high loan/value (LTV) ratios by international standards, which is driven by past tax incentives to borrow, which is also the case for its Dutch peers. Fitch believes this is largely counterbalanced by the Dutch banks' focus on debt affordability when underwriting mortgage loans, including under stressed interest rates. The use of centralised credit bureau data and fraud registers is widespread. The legal system is creditor-friendly and banks have full recourse to the borrowers.

Dutch mortgage lending is mainly prime, owner-occupied, with a limited buy-to-let segment due to a small and rigid private rental market. Regulatory changes have been adopted to gradually reduce the LTV cap at loan inception to 100% by 2018, and to require mortgage loans to be fully amortising for interest costs to be tax deductible. However, LTVs are likely to remain high in the medium term.

### Low Market Risk

Structural interest-rate risk is ING Bank's most significant market risk, reflecting its focus on traditional retail and commercial banking activities. Interest-rate risk in the banking book is measured against earnings sensitivity and value of equity. It is hedged after accounting for customer behaviour in relation to savings repricing and loan prepayments. ING Bank calculated that at end-2017, a 100bp upward/downward shift in interest rates for the major currencies would have resulted in a modest EUR33 million increase/EUR91 million decrease in NII over 12 months (0.2% and 0.6% of 2017 NII, assuming retail savings rates cannot turn negative).

Foreign-exchange risk is low, reflecting limited currency mismatches on ING Bank's balance sheet. The bank's policy is to largely hedge its common equity Tier 1 (CET1) ratio against currency fluctuations. Market risk for the trading operations is largely customer-driven and has conservative limits. The maximum value at risk in 2018 (99%, one-day holding period) was a low EUR15 million.

## Financial Profile

### Asset Quality

*Benign Economic Growth in Key Markets Supports Asset Quality*

ING Bank's asset quality is in line with European peers and has proved resilient through the cycle. Impaired loans (Stage 3 from 1 January 2018) have been on a declining trend in recent years. We expect this trend to continue in 2019 owing to good economic growth projections in the bank's main markets and continued low interest rates. Reserve coverage is moderate but we believe it is adequate, given the highly collateralised nature of lending. Asset-quality improvement at ING Bank has, in recent years, been less pronounced than at other big Dutch banks, given the lower share of Dutch lending in the mix. However, its geographical diversification also means that its asset quality tends to be less volatile in a downturn.

#### Note on Charts

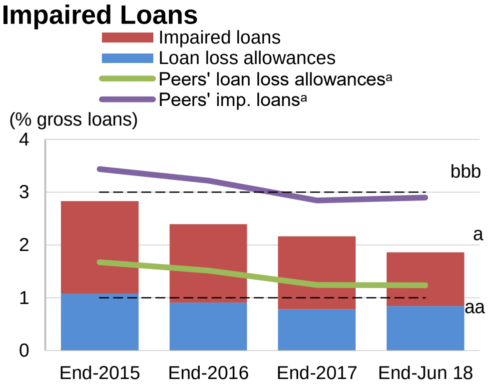
Black dashed lines in the Impaired Loans chart and further in the report represent indicative quantitative ranges and corresponding implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category.

Peer averages in the charts include ING Bank, Cooperatieve Rabobank U.A. (VR: a+), ABN AMRO Bank N.V. (a), BNP Paribas Fortis (a), Danske Bank (a) and Groupe BPCE (a).

### *Resilient Corporate Portfolio; Well-Managed Pockets of Risk*

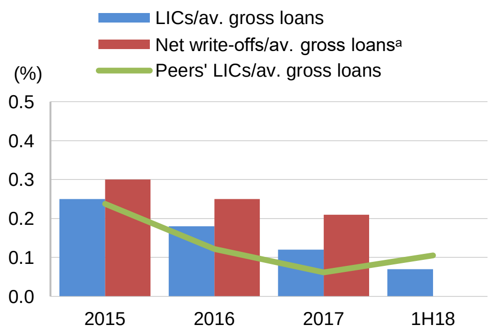
ING Bank's wholesale banking book is diversified by obligor, industry and region, is largely asset backed and has been performing well. Stage 3 loans are low and are decreasing. Fitch believes the potential risk to asset quality from exposures to particular stressed industries (for example, oil and gas) or certain countries to be manageable and should be largely offset by strong performance of other parts of the loan book.

### Impaired Loans




Source: Fitch Ratings, Banks

### LICs and Write-Offs




[a] Data not available for 1H18
Source: Fitch Ratings, Banks

### Lending to Selected Industries

| | Gross exposure[a] (EURbn) | Stage 3 (%) |
|---|---|---|
| Oil & gas related[b] | 38.0 | 1.6 |
| Metals & mining | 16.2 | 2.2 |
| Shipping & ports[c] | 14.6 | 3.7 |
| Real estate finance | 33.8 | 1.2 |

Data at end-2018
[a] Gross loans, issued guarantees and letters of credit but excluding undrawn committed facilities
[b] Of which EUR3.1bn reserve-based lending
[c] Includes coastal and inland freight sub-segment booked in Retail Banking Netherlands
Source: Fitch Ratings, ING Bank

ING Bank's oil and gas exposure is significant at EUR38 billion, or about 75% of end-2018 Fitch Core Capital (FCC) of ING Group. This mostly comprises low-risk trade and export finance exposures and lending to investment-grade integrated oil companies. Performance during the period of low oil prices has been reasonable, with realised loan impairment charges (LICs) well below the banks' stressed forecast (which would still have been easily absorbed by pre-impairment profit). The elevated impaired loans ratio in the shipping sector is largely driven by exposures to small and mid-size Dutch coastal shipping companies, which overlaps with a portfolio of the Dutch retail book. Excluding these, the Stage 3 ratio in the shipping book was 2.5% at end-2018.

### Loan Quality

| | End-2018 | | | | 1 January 2018 | |
|---|---|---|---|---|---|---|
| | Gross exposure[a] (EURbn) | Change in 2018 (%) | Stage 3 (%) | Change in Stage 3 exp. in 2018 (%) | Gross exposure (EURbn) | Stage 3 (%) |
| **Retail Benelux** | **245** | **2** | **1.8** | **-12** | **239** | **2.1** |
| Mortgage loans Netherlands | 116 | -1 | 0.7 | -26 | 118 | 1.0 |
| Other retail Netherlands | 33 | -1 | 4.3 | -18 | 33 | 5.2 |
| O/w SME | 25 | 5 | 4.7 | -20 | 24 | 6.2 |
| Mortgage loans Belgium | 40 | 6 | 2.3 | -8 | 38 | 2.6 |
| Other retail Belgium | 56 | 10 | 2.4 | 8 | 51 | 2.5 |
| O/w SME | 42 | 8 | 2.6 | 13 | 39 | 2.5 |
| **Retail international** | **183** | **6** | **1.2** | **8** | **172** | **1.2** |
| Mortgage loans Germany | 73 | 5 | 0.6 | 2 | 69 | 0.6 |
| Other retail Germany | 16 | 10 | 1.4 | 7 | 14 | 1.5 |
| Mortgage loans rest of the World | 65 | 7 | 0.7 | -4 | 61 | 0.8 |
| Other retail rest of the world | 29 | 7 | 3.8 | 16 | 27 | 3.5 |
| **Wholesale banking** | **248** | **6** | **1.4** | **-22** | **233** | **1.9** |
| Industry lending | 146 | 10 | 1.4 | -29 | 132 | 2.2 |
| O/w structured finance | 113 | 11 | 1.5 | -27 | 101 | 2.3 |
| O/w real estate finance | 34 | 8 | 1.1 | -36 | 31 | 2.0 |
| General lending & transaction services | 90 | 2 | 0.8 | -2 | 88 | 0.8 |
| Other | 11 | -6 | 5.9 | -16 | 12 | 6.6 |
| O/w lease run-off | 2 | -16 | 29.8 | -16 | 3 | 30.0 |
| **Total** | **675** | **5** | **1.5** | **-12** | **644** | **1.8** |

[a] Gross loans, issued guarantees and letters of credit but excluding undrawn committed facilities
Source: Fitch Ratings, ING Bank

## Lending in Selected Countries

| | Gross exposure[a] (EURbn) | Stage 3 (%) |
|---|---|---|
| Turkey[b] | 13.0 | 2.8 |
| Russia | 5.7 | 0.2 |
| Ukraine | 0.9 | 21.6 |

Data as of end-2018
[a] Gross loans, issued guarantees and letters of credit but excluding undrawn committed facilities
[b] EUR5.7bn relate to retail banking activities
Source: Fitch Ratings, ING Bank

Exposure to Turkey is of reasonable quality (26% of end-2018 FCC of ING Group). The Stage 3 ratio was 2.8% at end-2018 (end-2017: 2.7%; end-2016: 3.1%), and we expect that the impact of the Turkish lira depreciation and a more difficult macroeconomic environment will continue to exert pressure on the quality of the Turkish exposure. About 60% of it was in foreign currency (to corporates only; exposure to individuals is in local currency). The Stage 3 reserve coverage was reasonable at 51%. ING Bank's net exposure to Russia and Ukraine were manageable at 11% and 2% of FCC. The Russian exposure is mostly to leading national exporters. The Ukrainian book is extremely weak but is very small.

ING Bank's exposure to commercial real estate lending is of good quality (Stage 3 ratio of 1.2% at end-2018 compared with an 11.1% peak at end-June 2014). ING Bank's exposure to leveraged finance (defined as exposure to companies with a debt/EBITDA ratio of more than four times) is low relative to its loan book and capital. Management has stated that it has capped its appetite in real estate and leveraged finance as it believes risk-return in new lending is currently not attractive. The cap is EUR9.6 billion for leveraged finance.

### *Strong Mortgage Lending, Recovering Dutch SMEs*

A significant portion of ING Bank's loan book is residential mortgage lending, particularly in the Netherlands (half of total mortgage lending), which continues to perform well. The quality of ING Bank's non-mortgage retail lending (mostly to SMEs) is generally reasonable, with moderate impaired loans. Dutch SME lending is of weaker quality and although slowly improving has not yet fully recovered from the 2012-2013 recession.

### *Low-Risk Other Earning Assets*

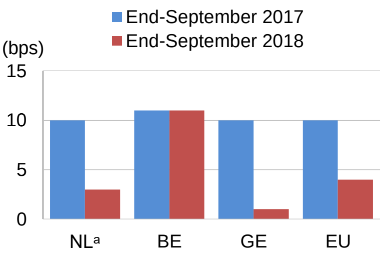
ING Bank's interbank exposure and liquidity portfolio are of good quality. The bulk of the investment portfolio comprises government, supranational and covered bonds rated 'AAA' to 'AA'. The bank focuses on investing in highly rated assets eligible for the calculation of the Basel III liquidity coverage ratio (LCR).

## Earnings and Profitability

### *Strong Operating Performance Through the Cycle*

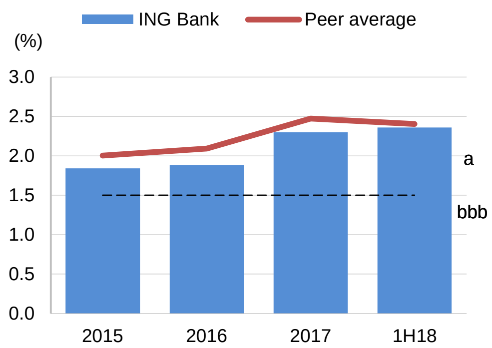
ING Bank's strong and stable operating profitability is underpinned by its vast Benelux franchise coupled with geographic diversification resulting in consistently solid earnings through the cycle. We expect a gradual bottom line improvement from volume-driven revenue growth and cost containment.

## Client Savings Rates



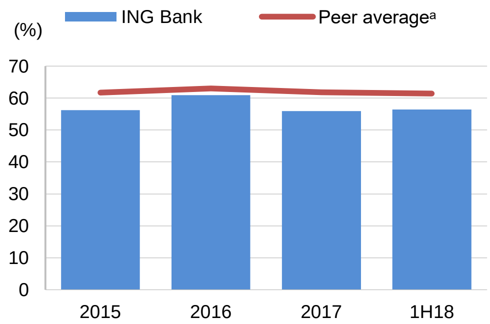

NL = Netherlands, BE = Belgium, GE = Germany; EU = other EU Direct units, simple average of France, Italy and Spain
[a] Rate for savings up to EUR75000
Source: ING Bank, Fitch Ratings

## Operating Profit/RWAs




Source: Fitch Ratings, Banks

## Cost Efficiency




[a] Excludes Groupe BPCE for 1H18
Source: Fitch Ratings, Banks

Margins remain under pressure, and while the bank has managed to protect its NIM by reducing retail savings rates and by gradually introducing negative rates for corporate deposits, its ability to continue to do so is increasingly difficult as rates paid to retail clients are already close to zero. The bank expects the NIM to remain broadly stable in 1H19.

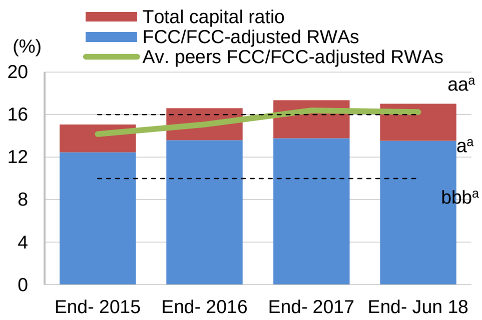
The target for an underlying group cost/income ratio of 50%-52% by 2020 (as calculated by ING, 2018: 54.8%) is achievable in our view despite some pressure on the regulatory costs side (most recently from a punitive tax on bank assets that is being contemplated by the authorities in Romania, where ING has some retail presence). The latest restructuring programme was announced in 2016 and aims to achieve, on group level, a further EUR0.9 billion of annual savings by 2021 (equivalent to about 10% of 2016 operating expenses). To achieve this, EUR0.8 billion is being invested over several years and the group took a EUR1.1 billion pre-tax restructuring provision in 2016/1Q17. We believe ING is capable of achieving the targeted savings but that it will be offset by the need for reinvestments. Meeting the cost/income target will hence require a pick-up in income.

## Capitalisation and Leverage

### *Sound Capitalisation, Additional Buffers at Group Level*

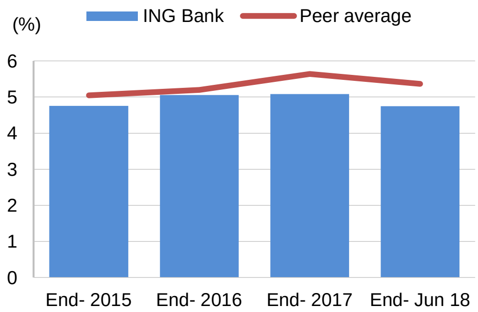
ING Bank's capitalisation is sound, although risk-weighted capital ratios are at the lower end of similarly or higher-rated peers. Our assessment of the bank's capitalisation reflects stronger capital ratios of ING Group, where excess capital is held, regulatory requirements are set and capital is managed. The bank is the group's only significant asset. The group's FCC ratio was a comfortable 15.9% at end-2018 and the fully loaded CET1 ratio was 14.5%. The Group's Basel III leverage ratio and tangible equity/tangible assets were reasonable at 4.5% and 5.6%. Unreserved impaired loans were just above 10% of group FCC and declining.

**Risk-Weighted Capital Ratios**




[a] Benchmark score for the FCC ratio
Source: Fitch Ratings, Banks

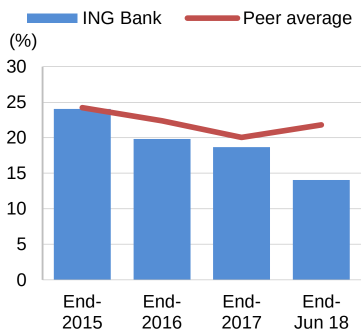
**Tangible Leverage**




Source: Fitch Ratings, Banks

The group targets a CET1 ratio of around 13.5%, compared with a fully loaded SREP requirement in 2019 of 11.8%. It expects to maintain this target under Basel III end-game rules. It could be revised if the group's minimum regulatory requirement changes (for example if the 3% systemic risk buffer is lowered when risk weights increase under the new Basel rules), but we do not expect this at least in the medium term. The group estimates that the new rules will result in a 15%-18% increase in RWA, but unlike other Dutch banks, it is more affected by the input floors (estimated 80% of the total impact), which will not be subject to a phase-in according to current proposals and could come into effect in 2022. The group is also subject to ECB's targeted review of internal models, which may bring forward the timing of some of RWA increases.

**Net Impaired Loans/Equity**




Source: Fitch Ratings, Banks

We expect that the bank will have to build capital to maintain a buffer over its regulatory minimum, and that this will constrain the group's ability to distribute capital over the medium term. ING's ambition is to pay a progressive dividend which translated into a payout of 53% for 2017. The payout ratio will be similar for 2018, based on the proposed final dividend.

## Funding and Liquidity

### *Strong Funding Profile*

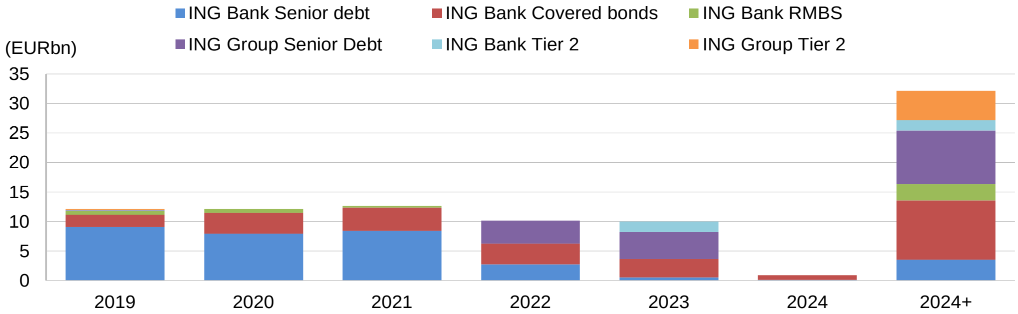
The group and bank funding profiles are well balanced, with customer deposits as the main funding source, and complemented by wholesale funding. The funding profile benefits from large market shares in deposit-rich countries such as Belgium, offsetting structurally deposit-short countries such as the Netherlands. However, liquidity is not fully fungible within the group and ING Bank's individual operating entities report varying loans/deposits ratios.

The group has maintained uninterrupted access to the capital markets since 2009 and its debt maturities are reasonably well spread. It has to refinance EUR12.1 billion of long-term debt in 2019, compared with EUR26.2 billion issued in 2018 and EUR10.5 billion in 2017.

### *Large Liquidity Buffer*

At end-2018, ING Group's 12-month moving average LCR-eligible HQLA was EUR136 billion (15% of total assets, 90% Level 1), corresponding to an LCR ratio of 123%. In addition, the bank has a sizeable buffer of retained ECB-eligible RMBS. The liquidity buffer compares favourably with the volume of short-term funding (about EUR47 billion at end-2018) and annual long-term funding refinancing needs (EUR12.1 billion in 2019 and 2020).

**ING Group Wholesale Funding Maturity Profile**
End-2018




Source: Fitch Ratings, ING Group

### *TLAC and MREL to Be Met with HoldCo Issuance*

ING Bank is designated a global systemically important bank. As such, it will be subject to the Financial Stability Board's TLAC requirements of 23.5% which will be phased in by 1 January 2022. In July 2018, the group also received its formal MREL target of EUR91 billion, or 29% of end-2016 RWAs. ING Group's eligible instruments totalled 24.5% of RWAs at end-2018.

ING Group will meet these requirements by issuing senior debt out of the holding company (essentially replacing maturing senior debt at ING Bank) and downstreaming this to ING Bank in a subordinated form. The bank has also shifted Tier 2 issuance to the holding company (Additional Tier 1 instruments have always been issued out of ING Group) and will downstream these proceeds on a like for like basis. ING Bank will continue to issue covered bonds and RMBS, and while some senior issuance out of the bank may still take place, this is likely to be at a smaller scale than in the past, less frequent and for shorter tenors (less than four years). The MREL shortfall is manageable; the group issued EUR11.5 billion of senior holding company debt in 2018 alone and expects plans to issue EUR7 billion to EUR9 billion in 2019 (equivalent to of 3.7% and 2.2%-2.9% of end-2018 RWAs respectively).

### *Large Buffer of Junior Debt Supports IDR above VR*

The 'AA-' Long-Term IDR of ING Bank is one notch above its 'a+' VR and the 'A+' Long-Term IDR of ING Group. This is driven by a significant and sustainable buffer of junior debt at ING Bank that could be made available to protect its reference liabilities (senior third-party creditors) from default, in case of failure. Fitch calculates that at end-2018, the combined junior debt buffer, including senior debt issued by ING Group and downstreamed into the bank in a subordinated manner, totalled 10% of group's RWAs. All outstanding holding company senior instruments have been downstreamed to ING Bank as senior non-preferred debt, following the introduction of this new debt class in the Netherlands in December 2018. We expect that the buffer will be sustainable. ING Group's MREL requirement underpins this expectation.

We believe that a buffer in excess of around 10% of RWAs would most likely be sufficient to restore the bank's viability without hitting senior third-party creditors. In case of failure, we have assumed that the intervention point for ING Group would be about its current minimum CET1 requirement of 6.25% (Pillar 1 and Pillar 2, excluding the capital conservation and the systemic risk buffers).

We have also assumed that ING Group would need to meet its total minimum capital requirements immediately after a resolution action, which on a fully loaded basis, including the capital conservation and systemic risk buffers, currently amounts to 15.25%. Taking also into account additional undisclosed Pillar 2 guidance as well as a potential risk-weight increase in a stress scenario, a qualifying junior debt buffer of 10% of RWAs would most likely be sufficient to restore the bank's viability without hitting third-party preferred senior creditors.

## Support

The EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism for eurozone banks provide a framework for resolving banks that is likely to require senior creditors to participate in losses, if necessary, instead of, or ahead of, a bank receiving sovereign support. The Support Ratings of '5' and Support Rating Floors of 'No Floor' of ING Bank and ING Group reflect Fitch's view that senior creditors cannot rely on receiving full extraordinary support from the sovereign in the event that ING Bank is no longer viable.

## Debt Ratings

ING Bank and ING Group's senior debt is rated in line with their respective Long-Term IDRs. The subordinated Tier 2 debt securities issued by ING Bank and ING Group are notched down once from the respective VRs, to reflect the higher-than-average loss severity of this type of debt. Additional Tier 1 instruments issued by ING Group are rated five notches below its VR. The notching reflects higher loss severity risk of these securities compared with senior unsecured debt (two notches) as well as high risk of non-performance (three notches).

## ING Bank N.V.
## Income Statement

| | 31 Dec 2018 | | | 31 Dec 2017 | | 31 Dec 2016 | | 31 Dec 2015 | |
|---|---|---|---|---|---|---|---|---|---|
| | Year End USDm | Year End EURm Preliminary | As % of Earning Assets | Year End EURm Audited - Unqualified | As % of Earning Assets | Year End EURm Audited - Unqualified | As % of Earning Assets | Year End EURm Audited - Unqualified | As % of Earning Assets |
| 1. Interest Income on Loans | n.a. | n.a. | - | 18,405.0 | 2.28 | 18,457.0 | 2.29 | 19,219.0 | 2.40 |
| 2. Other Interest Income | 31,803.2 | 27,766.0 | 3.37 | 25,583.0 | 3.17 | 25,764.0 | 3.19 | 27,178.0 | 3.40 |
| 3. Dividend Income | n.a. | n.a. | - | 80.0 | 0.01 | 87.0 | 0.01 | 63.0 | 0.01 |
| **4. Gross Interest and Dividend Income** | **31,803.2** | **27,766.0** | **3.37** | **44,068.0** | **5.46** | **44,308.0** | **5.49** | **46,460.0** | **5.81** |
| 5. Interest Expense on Customer Deposits | n.a. | n.a. | - | 2,766.0 | 0.34 | 3,161.0 | 0.39 | 4,180.0 | 0.52 |
| 6. Other Interest Expense | 15,863.8 | 13,850.0 | 1.68 | 27,440.0 | 3.40 | 27,743.0 | 3.44 | 29,473.0 | 3.68 |
| **7. Total Interest Expense** | **15,863.8** | **13,850.0** | **1.68** | **30,206.0** | **3.74** | **30,904.0** | **3.83** | **33,653.0** | **4.21** |
| **8. Net Interest Income** | **15,939.4** | **13,916.0** | **1.69** | **13,862.0** | **1.72** | **13,404.0** | **1.66** | **12,807.0** | **1.60** |
| 9. Net Fees and Commissions | 3,210.6 | 2,803.0 | 0.34 | 2,714.0 | 0.34 | 2,433.0 | 0.30 | 2,320.0 | 0.29 |
| 10. Net Gains (Losses) on Trading and Derivatives | 1,179.8 | 1,030.0 | 0.13 | 593.0 | 0.07 | 1,043.0 | 0.13 | 1,170.0 | 0.15 |
| 11. Net Gains (Losses) on Assets and Liabilities at FV | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 12. Net Gains (Losses) on Other Securities | 68.7 | 60.0 | 0.01 | 115.0 | 0.01 | 347.0 | 0.04 | 198.0 | 0.02 |
| 13. Net Insurance Income | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 14. Other Operating Income | 319.6 | 279.0 | 0.03 | 228.0 | 0.03 | 172.0 | 0.02 | 51.0 | 0.01 |
| **15. Total Non-Interest Operating Income** | **4,778.6** | **4,172.0** | **0.51** | **3,650.0** | **0.45** | **3,995.0** | **0.50** | **3,739.0** | **0.47** |
| **16. Total Operating Income** | **20,718.0** | **18,088.0** | **2.20** | **17,512.0** | **2.17** | **17,399.0** | **2.16** | **16,546.0** | **2.07** |
| 17. Personnel Expenses | 6,208.1 | 5,420.0 | 0.66 | 5,198.0 | 0.64 | 5,036.0 | 0.62 | 4,962.0 | 0.62 |
| 18. Other Operating Expenses | 5,139.4 | 4,487.0 | 0.55 | 4,598.0 | 0.57 | 5,567.0 | 0.69 | 4,346.0 | 0.54 |
| **19. Total Non-Interest Expenses** | **11,347.5** | **9,907.0** | **1.20** | **9,796.0** | **1.21** | **10,603.0** | **1.31** | **9,308.0** | **1.16** |
| 20. Equity-accounted Profit/ Loss - Operating | n.a. | n.a. | - | 69.0 | 0.01 | 56.0 | 0.01 | 101.0 | 0.01 |
| **21. Pre-Impairment Operating Profit** | **9,370.5** | **8,181.0** | **0.99** | **7,785.0** | **0.96** | **6,852.0** | **0.85** | **7,339.0** | **0.92** |
| 22. Loan Impairment Charge | 751.4 | 656.0 | 0.08 | 676.0 | 0.08 | 974.0 | 0.12 | 1,347.0 | 0.17 |
| 23. Securities and Other Credit Impairment Charges | n.a. | n.a. | - | 3.0 | 0.00 | 13.0 | 0.00 | 134.0 | 0.02 |
| **24. Operating Profit** | **8,619.1** | **7,525.0** | **0.91** | **7,106.0** | **0.88** | **5,865.0** | **0.73** | **5,858.0** | **0.73** |
| 25. Equity-accounted Profit/ Loss - Non-operating | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 26. Goodwill Impairment | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 27. Non-recurring Income | n.a. | n.a. | - | 219.0 | 0.03 | 25.0 | 0.00 | 394.0 | 0.05 |
| 28. Non-recurring Expense | n.a. | n.a. | - | n.a. | - | 3.0 | 0.00 | n.a. | - |
| 29. Change in Fair Value of Own Debt | n.a. | n.a. | - | 79.0 | 0.01 | 50.0 | 0.01 | 163.0 | 0.02 |
| 30. Other Non-operating Income and Expenses | (887.7) | (775.0) | (0.09) | n.a. | - | n.a. | - | n.a. | - |
| **31. Pre-tax Profit** | **7,731.5** | **6,750.0** | **0.82** | **7,404.0** | **0.92** | **5,937.0** | **0.74** | **6,415.0** | **0.80** |
| 32. Tax expense | 2,322.9 | 2,028.0 | 0.25 | 2,303.0 | 0.29 | 1,635.0 | 0.20 | 1,684.0 | 0.21 |
| 33. Profit/Loss from Discontinued Operations | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **34. Net Income** | **5,408.6** | **4,722.0** | **0.57** | **5,101.0** | **0.63** | **4,302.0** | **0.53** | **4,731.0** | **0.59** |
| 35. Change in Value of AFS Investments | n.a. | n.a. | - | (284.0) | (0.04) | 189.0 | 0.02 | 288.0 | 0.04 |
| 36. Revaluation of Fixed Assets | n.a. | n.a. | - | 26.0 | 0.00 | 2.0 | 0.00 | 35.0 | 0.00 |
| 37. Currency Translation Differences | n.a. | n.a. | - | (861.0) | (0.11) | (273.0) | (0.03) | 95.0 | 0.01 |
| 38. Remaining OCI Gains/(losses) | n.a. | n.a. | - | (644.0) | (0.08) | (264.0) | (0.03) | (180.0) | (0.02) |
| **39. Fitch Comprehensive Income** | **5,408.6** | **4,722.0** | **0.57** | **3,338.0** | **0.41** | **3,956.0** | **0.49** | **4,969.0** | **0.62** |
| 40. Memo: Profit Allocation to Non-controlling Interests | 123.7 | 108.0 | 0.01 | 82.0 | 0.01 | 75.0 | 0.01 | 72.0 | 0.01 |
| 41. Memo: Net Income after Allocation to Non-controlling Interests | 5,284.9 | 4,614.0 | 0.56 | 5,019.0 | 0.62 | 4,227.0 | 0.52 | 4,659.0 | 0.58 |
| 42. Memo: Common Dividends Relating to the Period | n.a. | n.a. | - | 3,176.0 | 0.39 | 1,345.0 | 0.17 | 2,200.0 | 0.27 |
| 43. Memo: Preferred Dividends and Interest on Hybrid Capital Accounted for as Equity Related to the Period | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Exchange rate | | USD1 = EUR0.873057 | | USD1 = EUR0.83382 | | USD1 = EUR0.9487 | | USD1 = EUR0.9185 | |

# ING Bank N.V.
## Balance Sheet

| | 31 Dec 2018 | | | 31 Dec 2017 | | 31 Dec 2016 | | 31 Dec 2015 | |
|---|---|---|---|---|---|---|---|---|---|
| | Year End USDm | Year End EURm | As % of Assets | Year End EURm | As % of Assets | Year End EURm | As % of Assets | Year End EURm | As % of Assets |
| **Assets** | | | | | | | | | |
| **A. Loans** | | | | | | | | | |
| 1. Residential Mortgage Loans | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 2. Other Mortgage Loans | n.a. | n.a. | - | 326,585.0 | 38.59 | 322,213.0 | 38.18 | 297,106.0 | 35.43 |
| 3. Other Consumer/ Retail Loans | n.a. | n.a. | - | 23,236.0 | 2.75 | 21,958.0 | 2.60 | 22,111.0 | 2.64 |
| 4. Corporate & Commercial Loans | n.a. | n.a. | - | 179,011.0 | 21.15 | 172,940.0 | 20.49 | 169,355.0 | 20.20 |
| 5. Other Loans | 683,596.8 | 596,819.0 | 67.28 | 50,161.0 | 5.93 | 50,893.0 | 6.03 | 53,325.0 | 6.36 |
| 6. Less: Loan Loss Allowances | 5,144.0 | 4,491.0 | 0.51 | 4,515.0 | 0.53 | 5,178.0 | 0.61 | 5,772.0 | 0.69 |
| **7. Net Loans** | **678,452.8** | **592,328.0** | **66.78** | **574,478.0** | **67.88** | **562,826.0** | **66.69** | **536,125.0** | **63.94** |
| **8. Gross Loans** | **683,596.8** | **596,819.0** | **67.28** | **578,993.0** | **68.41** | **568,004.0** | **67.31** | **541,897.0** | **64.62** |
| 9. Memo: Impaired Loans included above | 11,753.0 | 10,261.0 | 1.16 | 12,481.0 | 1.47 | 13,597.0 | 1.61 | 15,325.0 | 1.83 |
| 10. Memo: Specific Loan Loss Allowances | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **B. Other Earning Assets** | | | | | | | | | |
| 1. Loans and Advances to Banks | 34,843.1 | 30,420.0 | 3.43 | 24,109.0 | 2.85 | 25,880.0 | 3.07 | 28,874.0 | 3.44 |
| 2. Reverse Repos and Securities Borrowing | n.a. | n.a. | - | 72,196.0 | 8.53 | 59,059.0 | 7.00 | 1,510.0 | 0.18 |
| 3. Derivatives | 3,060.5 | 2,672.0 | 0.30 | 29,629.0 | 3.50 | 40,539.0 | 4.80 | 42,228.0 | 5.04 |
| 4. Trading Securities and at FV through Income | 134,966.0 | 117,833.0 | 13.28 | 26,423.0 | 3.12 | 25,361.0 | 3.01 | 95,707.0 | 11.41 |
| 5. Securities at FV through OCI / Available for Sale | 35,762.8 | 31,223.0 | 3.52 | 69,730.0 | 8.24 | 82,912.0 | 9.82 | 87,000.0 | 10.38 |
| 6. Securities at Amortised Cost / Held to Maturity | 54,150.0 | 47,276.0 | 5.33 | 9,343.0 | 1.10 | 8,751.0 | 1.04 | 7,826.0 | 0.93 |
| 7. Other Securities | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **8. Total Securities** | **224,878.8** | **196,332.0** | **22.13** | **105,496.0** | **12.47** | **117,024.0** | **13.87** | **190,533.0** | **22.72** |
| 9. Memo: Government Securities included Above | n.a. | n.a. | - | 60,776.0 | 7.18 | 70,770.0 | 8.39 | 73,560.0 | 8.77 |
| 10. Memo: Total Securities Pledged | n.a. | n.a. | - | n.a. | - | 15,928.0 | 1.89 | n.a. | - |
| 11. Equity Investments in Associates | 1,195.8 | 1,044.0 | 0.12 | 947.0 | 0.11 | 1,003.0 | 0.12 | 842.0 | 0.10 |
| 12. Investments in Property | n.a. | n.a. | - | 65.0 | 0.01 | 65.0 | 0.01 | 77.0 | 0.01 |
| 13. Insurance Assets | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 14. Other Earning Assets | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **15. Total Earning Assets** | **942,431.0** | **822,796.0** | **92.76** | **806,920.0** | **95.34** | **806,396.0** | **95.55** | **800,189.0** | **95.43** |
| **C. Non-Earning Assets** | | | | | | | | | |
| 1. Cash and Due From Banks | 57,255.1 | 49,987.0 | 5.64 | 21,989.0 | 2.60 | 18,144.0 | 2.15 | 21,458.0 | 2.56 |
| 2. Memo: Mandatory Reserves included above | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 3. Foreclosed Assets | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 4. Fixed Assets | 1,900.2 | 1,659.0 | 0.19 | 1,801.0 | 0.21 | 2,002.0 | 0.24 | 2,027.0 | 0.24 |
| 5. Goodwill | n.a. | n.a. | - | 816.0 | 0.10 | 903.0 | 0.11 | 985.0 | 0.12 |
| 6. Other Intangibles | 2,106.4 | 1,839.0 | 0.21 | 653.0 | 0.08 | 581.0 | 0.07 | 582.0 | 0.07 |
| 7. Current Tax Assets | 230.2 | 201.0 | 0.02 | 324.0 | 0.04 | 252.0 | 0.03 | 279.0 | 0.03 |
| 8. Deferred Tax Assets | 963.3 | 841.0 | 0.09 | 818.0 | 0.10 | 1,000.0 | 0.12 | 813.0 | 0.10 |
| 9. Discontinued Operations | 1,445.5 | 1,262.0 | 0.14 | n.a. | - | n.a. | - | n.a. | - |
| 10. Other Assets | 9,652.3 | 8,427.0 | 0.95 | 12,997.0 | 1.54 | 14,641.0 | 1.73 | 12,195.0 | 1.45 |
| **11. Total Assets** | **1,015,984.1** | **887,012.0** | **100.00** | **846,318.0** | **100.00** | **843,919.0** | **100.00** | **838,528.0** | **100.00** |
| **Liabilities and Equity** | | | | | | | | | |
| **D. Interest-Bearing Liabilities** | | | | | | | | | |
| 1. Total Customer Deposits | 664,669.1 | 580,294.0 | 65.42 | 552,690.0 | 65.31 | 531,096.0 | 62.93 | 508,740.0 | 60.67 |
| 2. Deposits from Banks | 42,757.8 | 37,330.0 | 4.21 | 36,821.0 | 4.35 | 31,964.0 | 3.79 | 33,808.0 | 4.03 |
| 3. Repos and Securities Lending | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 4. Commercial Paper and Short-term Borrowings | n.a. | n.a. | - | 44,387.0 | 5.24 | 38,735.0 | 4.59 | 49,463.0 | 5.90 |
| **5. Customer Deposits and Short-term Funding** | **707,426.9** | **617,624.0** | **69.63** | **633,898.0** | **74.90** | **601,795.0** | **71.31** | **592,011.0** | **70.60** |
| 6. Senior Unsecured Debt | 117,013.0 | 102,159.0 | 11.52 | 45,844.0 | 5.42 | 62,570.0 | 7.41 | 68,093.0 | 8.12 |
| 7. Subordinated Borrowing | 15,626.7 | 13,643.0 | 1.54 | 15,831.0 | 1.87 | 16,104.0 | 1.91 | 8,672.0 | 1.03 |
| 8. Covered Bonds | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 9. Other Long-term Funding | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **10. Total LT Funding** | **132,639.7** | **115,802.0** | **13.06** | **61,675.0** | **7.29** | **78,674.0** | **9.32** | **76,765.0** | **9.15** |
| 11. Memo: o/w matures in less than 1 year | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 12. Trading Liabilities | 103,537.3 | 90,394.0 | 10.19 | 59,146.0 | 6.99 | 56,310.0 | 6.67 | 60,639.0 | 7.23 |
| **13. Total Funding** | **943,603.9** | **823,820.0** | **92.88** | **754,719.0** | **89.18** | **736,779.0** | **87.30** | **729,415.0** | **86.99** |
| 14. Derivatives | 2,649.3 | 2,313.0 | 0.26 | 28,259.0 | 3.34 | 42,878.0 | 5.08 | 45,267.0 | 5.40 |
| **15. Total Funding and Derivatives** | **946,253.2** | **826,133.0** | **93.14** | **782,978.0** | **92.52** | **779,657.0** | **92.39** | **774,682.0** | **92.39** |
| **E. Non-Interest Bearing Liabilities** | | | | | | | | | |
| 1. Fair Value Portion of Debt | n.a. | n.a. | - | (248.0) | (0.03) | (170.0) | (0.02) | (119.0) | (0.01) |
| 2. Credit impairment reserves | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 3. Reserves for Pensions and Other | 1,158.0 | 1,011.0 | 0.11 | 2,276.0 | 0.27 | 3,108.0 | 0.37 | 1,909.0 | 0.23 |
| 4. Current Tax Liabilities | 980.5 | 856.0 | 0.10 | 774.0 | 0.09 | 546.0 | 0.06 | 590.0 | 0.07 |
| 5. Deferred Tax Liabilities | 733.1 | 640.0 | 0.07 | 752.0 | 0.09 | 919.0 | 0.11 | 645.0 | 0.08 |
| 6. Other Deferred Liabilities | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 7. Discontinued Operations | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 8. Insurance Liabilities | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 9. Other Liabilities | 15,343.8 | 13,396.0 | 1.51 | 15,409.0 | 1.82 | 15,713.0 | 1.86 | 12,078.0 | 1.44 |
| **10. Total Liabilities** | **964,468.5** | **842,036.0** | **94.93** | **801,941.0** | **94.76** | **799,773.0** | **94.77** | **789,785.0** | **94.19** |
| **F. Hybrid Capital** | | | | | | | | | |
| 1. Pref. Shares and Hybrid Capital accounted for as Debt | n.a. | n.a. | - | n.a. | - | n.a. | - | 7,248.0 | 0.86 |
| 2. Pref. Shares and Hybrid Capital accounted for as Equity | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **G. Equity** | | | | | | | | | |
| 1. Common Equity | 49,421.7 | 43,148.0 | 4.86 | 41,431.0 | 4.90 | 39,521.0 | 4.68 | 36,500.0 | 4.35 |
| 2. Non-controlling Interest | 919.8 | 803.0 | 0.09 | 715.0 | 0.08 | 606.0 | 0.07 | 638.0 | 0.08 |
| 3. Securities Revaluation Reserves | 2,610.4 | 2,279.0 | 0.26 | 3,449.0 | 0.41 | 3,832.0 | 0.45 | 3,896.0 | 0.46 |
| 4. Foreign Exchange Revaluation Reserves | (2,368.7) | (2,068.0) | (0.23) | (1,682.0) | (0.20) | (791.0) | (0.09) | (540.0) | (0.06) |
| 5. Fixed Asset Revaluations and Other Accumulated OCI | 932.4 | 814.0 | 0.09 | 464.0 | 0.05 | 978.0 | 0.12 | 1,001.0 | 0.12 |
| **6. Total Equity** | **51,515.5** | **44,976.0** | **5.07** | **44,377.0** | **5.24** | **44,146.0** | **5.23** | **41,495.0** | **4.95** |
| 7. Memo: Equity plus Pref. Shares and Hybrid Capital accounted for as E | 51,515.5 | 44,976.0 | 5.07 | 44,377.0 | 5.24 | 44,146.0 | 5.23 | 41,495.0 | 4.95 |
| **8. Total Liabilities and Equity** | **1,015,984.1** | **887,012.0** | **100.00** | **846,318.0** | **100.00** | **843,919.0** | **100.00** | **838,528.0** | **100.00** |
| 9. Memo: Fitch Core Capital | 49,400.0 | 43,129.0 | 4.86 | 42,660.0 | 5.04 | 42,435.0 | 5.03 | 39,691.0 | 4.73 |

| Exchange rate | USD1 = EUR0.873057 | USD1 = EUR0.83382 | USD1 = EUR0.9487 | USD1 = EUR0.9185 |
|---|---|---|---|---|

# ING Bank N.V.
# Summary Analytics

| | 31 Dec 2018 Year End | 31 Dec 2017 Year End | 31 Dec 2016 Year End | 31 Dec 2015 Year End |
|---|---|---|---|---|
| **A. Interest Ratios** | | | | |
| 1. Interest Income/ Average Earning Assets | 3.33 | 5.40 | 5.44 | 5.76 |
| 2. Interest Income on Loans/ Average Gross Loans | n.a. | 3.21 | 3.33 | 3.57 |
| 3. Interest Expense on Customer Deposits/ Average Customer Deposits | n.a. | 0.51 | 0.61 | 0.83 |
| 4. Interest Expense/ Average Interest-bearing Liabilities | 1.68 | 3.80 | 3.89 | 4.30 |
| 5. Net Interest Income/ Average Earning Assets | 1.67 | 1.70 | 1.65 | 1.59 |
| 6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets | 1.59 | 1.61 | 1.53 | 1.42 |
| 7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets | 1.67 | 1.70 | 1.65 | 1.59 |
| **B. Other Operating Profitability Ratios** | | | | |
| 1. Operating Profit/ Risk Weighted Assets | 2.40 | 2.30 | 1.88 | 1.84 |
| 2. Non-Interest Expense/ Gross Revenues | 54.77 | 55.94 | 60.94 | 56.26 |
| 3. Loans and securities impairment charges/ Pre-impairment Op. Profit | 8.02 | 8.72 | 14.40 | 20.18 |
| 4. Operating Profit/ Average Total Assets | 0.85 | 0.83 | 0.68 | 0.70 |
| 5. Non-Interest Income/ Gross Revenues | 23.07 | 20.84 | 22.96 | 22.60 |
| 6. Non-Interest Expense/ Average Total Assets | 1.12 | 1.14 | 1.24 | 1.10 |
| 7. Pre-impairment Op. Profit/ Average Equity | 18.43 | 17.53 | 15.95 | 18.41 |
| 8. Pre-impairment Op. Profit/ Average Total Assets | 0.92 | 0.91 | 0.80 | 0.87 |
| 9. Operating Profit/ Average Equity | 16.96 | 16.00 | 13.65 | 14.70 |
| **C. Other Profitability Ratios** | | | | |
| 1. Net Income/ Average Total Equity | 10.64 | 11.49 | 10.01 | 11.87 |
| 2. Net Income/ Average Total Assets | 0.53 | 0.59 | 0.50 | 0.56 |
| 3. Fitch Comprehensive Income/ Average Total Equity | 10.64 | 7.52 | 9.21 | 12.47 |
| 4. Fitch Comprehensive Income/ Average Total Assets | 0.53 | 0.39 | 0.46 | 0.59 |
| 5. Taxes/ Pre-tax Profit | 30.04 | 31.10 | 27.54 | 26.25 |
| 6. Net Income/ Risk Weighted Assets | 1.51 | 1.65 | 1.38 | 1.49 |
| **D. Capitalization** | | | | |
| 1. FCC/ FCC-Adjusted Risk Weighted Assets | 13.75 | 13.79 | 13.60 | 12.47 |
| 2. Tangible Common Equity/ Tangible Assets | 4.87 | 5.08 | 5.06 | 4.76 |
| 3. Equity/ Total Assets | 5.07 | 5.24 | 5.23 | 4.95 |
| 4. Basel Leverage Ratio | n.a. | n.a. | 4.10 | 4.00 |
| 5. Common Equity Tier 1 Capital Ratio | 12.90 | 13.13 | 12.58 | 11.55 |
| 6. Fully Loaded Common Equity Tier 1 Capital Ratio | 12.90 | 13.10 | 12.60 | 11.60 |
| 7. Tier 1 Capital Ratio | 14.60 | 14.62 | 14.41 | 13.43 |
| 8. Total Capital Ratio | 17.20 | 18.19 | 17.42 | 16.04 |
| 9. Impaired Loans less Loan Loss Allowances/ Fitch Core Capital | 13.38 | 18.67 | 19.84 | 24.07 |
| 10. Impaired Loans less Loan Loss Allowances/ Equity | 12.83 | 17.95 | 19.07 | 23.02 |
| 11. Cash Dividends Paid & Declared/ Net Income | n.a. | 62.26 | 31.26 | 46.50 |
| 12. Risk Weighted Assets/ Total Assets | 35.35 | 36.55 | 36.98 | 37.95 |
| **E. Loan Quality** | | | | |
| 1. Impaired Loans/ Gross Loans | 1.72 | 2.16 | 2.39 | 2.83 |
| 2. Growth of Gross Loans | 3.08 | 1.93 | 4.82 | 3.39 |
| 3. Loan Loss Allowances/ Impaired Loans | 43.77 | 36.17 | 38.08 | 37.66 |
| 4. Loan Impairment Charges/ Average Gross Loans | 0.11 | 0.12 | 0.18 | 0.25 |
| 5. Growth of Total Assets | 4.81 | 0.28 | 0.64 | 1.20 |
| 6. Loan Loss Allowances/ Gross Loans | 0.75 | 0.78 | 0.91 | 1.07 |
| 7. Net Charge-offs/ Average Gross Loans | n.a. | 0.21 | 0.25 | 0.30 |
| 8. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets | 1.72 | 2.16 | 2.39 | 2.83 |
| **F. Funding and Liquidity** | | | | |
| 1. Loans/ Customer Deposits | 102.85 | 104.76 | 106.95 | 106.52 |
| 2. Liquidity Coverage Ratio | n.a. | n.a. | n.a. | n.a. |
| 3. Customer Deposits/ Total Funding (including Pref. Shares & Hybrids) | 70.44 | 73.23 | 72.08 | 69.06 |
| 4. Interbank Assets/ Interbank Liabilities | 81.49 | 65.48 | 80.97 | 85.41 |
| 5. Net Stable Funding Ratio | n.a. | n.a. | n.a. | n.a. |
| 6. Growth of Total Customer Deposits | 4.99 | 4.07 | 4.39 | 3.98 |

## ING Bank N.V.
## Reference Data

| | 31 Dec 2018 | | | 31 Dec 2017 | | 31 Dec 2016 | | 31 Dec 2015 | |
|---|---|---|---|---|---|---|---|---|---|
| | Year End USDm | Year End EURm | As % of Assets | Year End EURm | As % of Assets | Year End EURm | As % of Assets | Year End EURm | As % of Assets |
| **A. Off-Balance Sheet Items** | | | | | | | | | |
| 1. Managed Securitized Assets Reported Off-Balance Sheet | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 2. Other off-balance sheet exposure to securitizations | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 3. Guarantees | n.a. | n.a. | - | 23,911.0 | 2.83 | 24,870.0 | 2.95 | 22,192.0 | 2.65 |
| 4. Acceptances and documentary credits reported off-balance sheet | n.a. | n.a. | - | 15,533.0 | 1.84 | 13,546.0 | 1.61 | 11,162.0 | 1.33 |
| 5. Committed Credit Lines | n.a. | n.a. | - | 104,269.0 | 12.32 | 98,554.0 | 11.68 | 98,378.0 | 11.73 |
| 6. Other Contingent Liabilities | n.a. | n.a. | - | 282.0 | 0.03 | 349.0 | 0.04 | 244.0 | 0.03 |
| 7. Other Off-Balance Sheet items | n.a. | n.a. | - | 1,252.0 | 0.15 | 1,242.0 | 0.15 | n.a. | - |
| 8. Total Assets under Management | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **B. Average Balance Sheet** | | | | | | | | | |
| 1. Average Loans | 676,058.0 | 590,237.2 | 66.54 | 573,682.8 | 67.79 | 554,327.8 | 65.68 | 538,109.7 | 64.17 |
| 2. Average Earning Assets | 954,375.0 | 833,223.8 | 93.94 | 816,491.8 | 96.48 | 814,425.3 | 96.51 | 806,936.7 | 96.23 |
| 3. Average Total Assets | 1,014,467.1 | 885,687.6 | 99.85 | 859,683.8 | 101.58 | 858,460.5 | 101.72 | 842,626.3 | 100.49 |
| 4. Average Managed Securitized Assets (OBS) | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 5. Average Interest-Bearing Liabilities | 943,811.7 | 824,001.4 | 92.90 | 795,053.4 | 93.94 | 794,418.0 | 94.13 | 782,324.3 | 93.30 |
| 6. Average Common equity | 48,525.4 | 42,365.4 | 4.78 | 40,601.8 | 4.80 | 37,994.3 | 4.50 | 36,399.0 | 4.34 |
| 7. Average Equity | 50,834.5 | 44,381.4 | 5.00 | 44,400.4 | 5.25 | 42,963.5 | 5.09 | 39,854.0 | 4.75 |
| 8. Average Customer Deposits | 648,755.4 | 566,400.4 | 63.85 | 544,924.8 | 64.39 | 518,491.0 | 61.44 | 504,060.7 | 60.11 |
| **C. Maturities** | | | | | | | | | |
| **Asset Maturities:** | | | | | | | | | |
| Loans & Advances < 3 months | n.a. | n.a. | - | 81,536.0 | 9.63 | 73,373.0 | 8.69 | 234,261.0 | 27.94 |
| Loans & Advances 3 - 12 Months | n.a. | n.a. | - | 40,350.0 | 4.77 | 42,515.0 | 5.04 | 37,665.0 | 4.49 |
| Loans and Advances 1 - 5 Years | n.a. | n.a. | - | 163,444.0 | 19.31 | 162,805.0 | 19.29 | 153,002.0 | 18.25 |
| Loans & Advances > 5 years | n.a. | n.a. | - | 289,148.0 | 34.17 | 284,133.0 | 33.67 | 274,661.0 | 32.76 |
| Debt Securities < 3 Months | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Debt Securities 3 - 12 Months | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Debt Securities 1 - 5 Years | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Debt Securities > 5 Years | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Loans & Advances to Banks < 3 Months | n.a. | n.a. | - | 14,428.0 | 1.70 | 16,033.0 | 1.90 | 19,255.0 | 2.30 |
| Loans & Advances to Banks 3 - 12 Months | n.a. | n.a. | - | 5,224.0 | 0.62 | 5,414.0 | 0.64 | 5,152.0 | 0.61 |
| Loans & Advances to Banks 1 - 5 Years | n.a. | n.a. | - | 3,931.0 | 0.46 | 3,779.0 | 0.45 | 3,502.0 | 0.42 |
| Loans & Advances to Banks > 5 Years | n.a. | n.a. | - | 526.0 | 0.06 | 654.0 | 0.08 | 965.0 | 0.12 |
| **Liability Maturities:** | | | | | | | | | |
| Retail Deposits < 3 months | n.a. | n.a. | - | 513,351.0 | 60.66 | 496,183.0 | 58.80 | 636,602.0 | 75.92 |
| Retail Deposits 3 - 12 Months | n.a. | n.a. | - | 23,773.0 | 2.81 | 25,563.0 | 3.03 | 24,221.0 | 2.89 |
| Retail Deposits 1 - 5 Years | n.a. | n.a. | - | 10,855.0 | 1.28 | 6,720.0 | 0.80 | 8,892.0 | 1.06 |
| Retail Deposits > 5 Years | n.a. | n.a. | - | 4,711.0 | 0.56 | 2,630.0 | 0.31 | 2,489.0 | 0.30 |
| Other Deposits < 3 Months | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Other Deposits 3 - 12 Months | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Other Deposits 1 - 5 Years | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Other Deposits > 5 Years | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Deposits from Banks < 3 Months | n.a. | n.a. | - | 10,650.0 | 1.26 | 12,380.0 | 1.47 | 15,929.0 | 1.90 |
| Deposits from Banks 3 - 12 Months | n.a. | n.a. | - | 1,687.0 | 0.20 | 2,060.0 | 0.24 | 2,370.0 | 0.28 |
| Deposits from Banks 1 - 5 Years | n.a. | n.a. | - | 21,893.0 | 2.59 | 14,324.0 | 1.70 | 11,021.0 | 1.31 |
| Deposits from Banks > 5 Years | n.a. | n.a. | - | 2,591.0 | 0.31 | 3,200.0 | 0.38 | 4,488.0 | 0.54 |
| Senior Debt Maturing < 3 months | n.a. | n.a. | - | 17,953.0 | 2.12 | 18,136.0 | 2.15 | 34,080.0 | 4.06 |
| Senior Debt Maturing 3-12 Months | n.a. | n.a. | - | 26,434.0 | 3.12 | 20,599.0 | 2.44 | 15,383.0 | 1.83 |
| Senior Debt Maturing 1- 5 Years | n.a. | n.a. | - | 34,215.0 | 4.04 | 44,089.0 | 5.22 | 42,478.0 | 5.07 |
| Senior Debt Maturing > 5 Years | n.a. | n.a. | - | 11,629.0 | 1.37 | 18,481.0 | 2.19 | 25,615.0 | 3.05 |
| **Total Senior Debt on Balance Sheet** | **n.a.** | **n.a.** | **-** | **90,231.0** | **10.66** | **101,305.0** | **12.00** | **117,556.0** | **14.02** |
| Fair Value Portion of Senior Debt | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Subordinated Debt Maturing < 3 months | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Subordinated Debt Maturing 3-12 Months | n.a. | n.a. | - | n.a. | - | 86.0 | 0.01 | n.a. | - |
| Subordinated Debt Maturing 1- 5 Year | n.a. | n.a. | - | n.a. | - | 34.0 | 0.00 | 117.0 | 0.01 |
| Subordinated Debt Maturing > 5 Years | n.a. | n.a. | - | 15,831.0 | 1.87 | 15,984.0 | 1.89 | 8,555.0 | 1.02 |
| **Total Subordinated Debt on Balance Sheet** | **15,626.7** | **13,643.0** | **1.54** | **15,831.0** | **1.87** | **16,104.0** | **1.91** | **8,672.0** | **1.03** |
| Fair Value Portion of Subordinated Debt | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **D. Risk Weighted Assets** | | | | | | | | | |
| 1. Risk Weighted Assets | 359,165.6 | 313,572.0 | 35.35 | 309,287.0 | 36.55 | 312,086.0 | 36.98 | 318,202.0 | 37.95 |
| 2. Fitch Core Capital Adjustments for Insurance and Securitisation Risk Weighted Asse | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **3. Fitch Core Capital Adjusted Risk Weighted Assets** | **359,165.6** | **313,572.0** | **35.35** | **309,287.0** | **36.55** | **312,086.0** | **36.98** | **318,202.0** | **37.95** |
| 4. Other Fitch Adjustments to Risk Weighted Assets | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **5. Fitch Adjusted Risk Weighted Assets** | **359,165.6** | **313,572.0** | **35.35** | **309,287.0** | **36.55** | **312,086.0** | **36.98** | **318,202.0** | **37.95** |
| **E. Fitch Core Capital Reconciliation** | | | | | | | | | |
| 1. Total Equity as reported (including non-controlling interests) | 51,515.5 | 44,976.0 | 5.07 | 44,377.0 | 5.24 | 44,146.0 | 5.23 | 41,495.0 | 4.95 |
| 2. Fair-value adjustments relating to own credit risk on debt issued | (9.2) | (8.0) | (0.00) | (248.0) | (0.03) | (170.0) | (0.02) | (119.0) | (0.01) |
| 3. Non-loss-absorbing non-controlling interests | 0.0 | 0.0 | 0.00 | 0.0 | 0.00 | 0.0 | 0.00 | 0.0 | 0.00 |
| 4. Goodwill | 0.0 | 0.0 | 0.00 | 816.0 | 0.10 | 903.0 | 0.11 | 985.0 | 0.12 |
| 5. Other intangibles | 2,106.4 | 1,839.0 | 0.21 | 653.0 | 0.08 | 581.0 | 0.07 | 582.0 | 0.07 |
| 6. Deferred tax assets deduction | 0.0 | 0.0 | 0.00 | 0.0 | 0.00 | 57.0 | 0.01 | 118.0 | 0.01 |
| 7. Net asset value of insurance subsidiaries | 0.0 | 0.0 | 0.00 | 0.0 | 0.00 | 0.0 | 0.00 | 0.0 | 0.00 |
| 8. First loss tranches of off-balance sheet securitizations | 0.0 | 0.0 | 0.00 | 0.0 | 0.00 | 0.0 | 0.00 | 0.0 | 0.00 |
| 9. Fund for general banking risks if not already included and readily convertible into equi | 0.0 | 0.0 | 0.00 | 0.0 | 0.00 | 0.0 | 0.00 | 0.0 | 0.00 |
| **10. Fitch Core Capital** | **49,400.0** | **43,129.0** | **4.86** | **42,660.0** | **5.04** | **42,435.0** | **5.03** | **39,691.0** | **4.73** |

| | | | | |
|---|---|---|---|---|
| Exchange Rate | USD1 = EUR0.873057 | USD1 = EUR0.83382 | USD1 = EUR0.9487 | USD1 = EUR0.9185 |

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.