GBB-Rating

A+
stable

Rating Committee: 07/11/2019

ING Bank N.V.

Rating result

Strengths/Opportunities:

- Well-balanced business model; business mix with many profitable growth drivers
- Strong franchise in its core markets
- Continuing profitable strong business performance
- Steady primary customer growth
- Frontrunner and leader in digital banking
- Strong capital and solid liquidity position
- CET1 ratio considerably above the expected regulatory requirements for 2020
- Robust economic fundamentals in most of ING Bank's main markets and good conditions on Dutch housing market
- Well-diversified loan portfolio, good asset quality

Weaknesses/Threats:

- Ongoing low interest rate environment
- Considerable importance of Dutch, German and Belgian residential mortgages
- Highly competitive markets; potential increase in competition from new entrants, in particular Fintechs
- High burden due to regulatory costs

Financial data:

(in EUR m)	2018	2017
Net interest income	13,949	13,782
Operating result	7,526	7,478
Net result	4,715	5,101
Total assets	887,012	846,318
CET1 capital ratio	12.9%	13.1%
Total capital ratio	17.2%	18.2%
Leverage Ratio	3.9%	4.2%

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Based on the information available at the date of the rating, the financial standing of ING Bank N.V. (hereinafter referred to as "ING Bank", "ING" or "Bank") is evaluated unchanged as high. GBB-Rating confirms the rating result of A+ as well as the stable outlook awarded as at 13.12.2018.

As a G-SIB, ING belongs to the leading financial institutions in Europe. ING is focused on the two business segments Retail Banking and Wholesale Banking. In addition to its strong market position in the Benelux countries, ING also has a good franchise in other European countries as well as in Australia. In Wholesale Banking, ING Bank operates globally via its worldwide network. During 2018, ING Bank's customer base grew by 1.0 million to 38.4 million, including an increase in the number of primary customers by 1.7 million to 12.5 million. ING is a frontrunner and leader in the digitalization of banking services and considers further innovation as essential to achieve its strategic targets. In this context, ING intends to accelerate its digital transformation by investing EUR 800 million. The projected EUR 900 million annual gross cost savings by 2021 are backed by additional restructuring measures which will lead to a considerable headcount reduction. Overall, ING possesses a clearly defined, sustainable and successful business model.

The macroeconomic environment in most of ING's main markets has shown a considerable improvement in recent years. Despite geopolitical risks and weaker economic outlooks in most of ING Bank's main markets, the economy is expected to remain robust. The Dutch housing market, which has a high importance for ING, shows good conditions.

Due to the well-balanced business model with many profitable growth drivers, ING has continued its profitable growth and posted strong commercial results for the financial year 2018 with regard to profitability as well as growth of lending, number of customers and customer deposits. The strong profitability was primarily driven by continued business growth at resilient interest margins, higher net fee and commission income and slightly lower risk costs. However, the strong commercial results were negatively affected by the EUR 775 million settlement agreement with the Dutch authorities on regulatory issues as an extraordinary event. Operating result (before extraordinary items and taxation) slightly increased by 0.6% to EUR 7.5 billion. Due to the settlement agreement, result before tax decreased by 8.9% to EUR 6.8 billion. After taxation, the net result amounted to EUR 4.7 billion (previous year: EUR 5.1 billion).
For the first three months of 2019, ING generated a total underlying income of EUR 4.6 billion which increased by 2.7%

Summary:

	Rating
Financial profile	strong
- Earnings position	strong
- Capital position	strong
Business profile	adequate
- Strategy and market	strong
- Risk profile	adequate
- Capitalization potential	strong

(strong > adequate > acceptable > deficient > problematic > insufficient)

Rating history:

Rating	Outlook	Date
A+	**stable**	**07/11/2019**
A+	stable	12/13/2018
A+	stable	06/13/2018
A+	stable	12/14/2017
A+	stable	07/14/2017

Rating scale:

Rating	Rating categories
AAA	highest financial standing
AA+ / AA / AA-	very high financial standing
A+ / A / A-	high financial standing
BBB+ / BBB / BBB-	good financial standing
BB+ / BB / BB-	satisfactory financial standing
B+ / B / B-	financial standing scarcely adequate
CCC+ / CCC / CCC-	financial standing no longer adequate
CC / C	inadequate financial standing
D	moratorium / insolvency proceedings

compared with the already strong prior-year period due to higher net interest income, net fee and commission income and investment income. Excluding the gain on the release of a currency reserve following the sale of ING's stake in Kotak Mahindra Bank, however, income only would have been stable year-on-year as the impact of continued growth in most business units was largely offset by lower Treasury-related revenues and negative valuation adjustments in Financial Markets. Operating expenses rose moderately, but on balance gross result improved by 1.0%. In contrast, the underlying net result of EUR 1.1 billion declined by 6.1% due to higher but still relatively low risk costs.

The capital position is strong. At the end of the first quarter 2019, the CET1 ratio of ING Bank was 13.1% and 14.7% at the level of ING Group as the main regulated entity. The Group's CET1 ratio is also clearly above the expected regulatory requirements of 11.84% for 2020. Additionally, GBB-Rating takes into positive consideration the significant progress on TLAC/MREL by issuing EUR 23.5 billion equivalent of HoldCo Senior unsecured debt since the beginning of 2017. Due to the strong current capital position, ING is well-positioned for business growth and to comply with future TLAC/MREL requirements with ING Group instruments only.

ING Bank's moderate risk profile is characterized by a low risk appetite. Particularly the well-diversified loan portfolio is benefiting from the continuous robust economic environment. Regarding the high dependency on the availability of customer-related IT systems, particularly in the direct banking business, there is a substantial operational risk and an increasing susceptibility to cyberattacks. Moreover, ING is subject to legal and reputational risks as the financial sector remains to be in the focus of regulatory and public scrutiny. ING's funding and liquidity position remains sound. Furthermore, ING has a prudent and clearly defined risk management and governance structure which is deeply rooted in the whole bank and in accordance with industry best practice. In the light of recent events, ING has launched early in 2017 a bank-wide, global KYC Enhancement Programme with various initiatives to strengthen the management of compliance risks and its role in the fight against financial economic crime.

Rating drivers

The most important rating driver which could lead to a rating upgrade continues to be a further increase in ING Bank's operating earnings performance and the scheduled realization of the cost savings in conjunction with an unchanged moderate risk profile. The prerequisite for this is a success in digital transformation as well as sustained robust economic fundamentals in ING's core markets.

On the contrary, the rating result could be adversely affected by an economic downturn which would imply declining operating earnings, a deterioration in the quality of the loan book and increasing loan loss provisions. Additionally, negative impacts could arise from tighter bank legislation.

Strategy and market

Strategy

As a global systemically important bank, ING Bank belongs to the leading financial institutions in Europe. ING has a local presence in more than 40 countries in Europe, America and Asia and is focused on the two business segments Retail Banking and Wholesale Banking. In addition to its strong market position in the Benelux countries, ING also has a good franchise in other European countries as well as Australia. In the net promoter scores (NPS), ING took first place in six out of thirteen retail countries. In the Wholesale Banking segment, ING Bank operates globally via its worldwide network. The Retail Banking activities are mainly limited to Europe. During 2018, ING Bank's customer base grew by 1.0 million to 38.4 million, including an increase in the number of primary customers by 1.7 million to 12.5 million.

In the Netherlands, its home market, ING Bank is among the market leaders in Retail and Corporate Banking, together with ABN AMRO and Rabobank. In Belgium, it also holds a leading position and in Germany it is one of the largest retail banks and the largest direct bank with regard to the number of customers. In Wholesale Banking, in some market segments ING Bank also belongs to the top players within Europe and globally, respectively.

In Retail Banking, which is responsible for around 70% of ING Bank's earnings, the different market areas are subdivided into three segments: "Market Leaders" (Netherlands, Belgium and Luxembourg), "Challengers" (Germany, Austria, France, Spain, Italy, Czech Republic and Australia) and "Growth Markets" (Poland, Turkey, Romania and Asian bank stakes). Whereas ING Bank operates in the Benelux countries with a broad branch network, ING is internationally predominantly present as a direct bank. In the "Market Leaders" regions, ING aims to retain market leadership and revenues with a simultaneous reduction of the absolute cost base. Future earnings growth should in particular be attained in the segments "Challengers" and "Growth Markets". Whereas the volume growth in the Benelux countries is limited to some extent due to the market size and large market shares which are already achieved, the greatest growth opportunities are seen in the "Challengers" and "Growth Markets" countries. ING Bank is particularly focused on primary customers due to their significantly higher customer value. The targeted number is at least 16.5 million primary customers by 2022. At the end of March 2019, ING Bank had 12.6 million primary customers (32.9% of total retail customers).

ING is a frontrunner and leader in the digitalization of banking services and considers further innovation as essential to achieve its strategic targets and to consolidate its market position in the private customer segment. In this context, the Bank announced in October 2016 additional investments in the digital transformation amounting to EUR 800 million until 2021. Along with a further headcount reduction by around 7,000 employees, ING estimates annual gross cost savings of EUR 900 million by 2021. The digital investments contain four major digital transformation programmes: "Orange Bridge" respectively "Unite be+nl programme" (one integrated universal banking platform for retail customers in Belgium and the Netherlands), "Model Bank" (multi-country customer interaction platform for retail customers in several European countries), "Welcome" (omnichannel digital capabilities for retail customers in Germany) and "WTOM" (single global platform for Wholesale clients worldwide). Furthermore, the Bank has a proactive approach to Fintechs and promotes the cooperation with such companies.

In the first half of 2018, ING migrated 600,000 customers from Record Bank into ING in Belgium. ING is combining its strengths in Belgium and the Netherlands under the Unite be+nl programme and is building an integrated banking platform to enhance operational excellence, create greater cost-efficiency and provide a consistent, digital-first banking experience for the customers. Customers in Belgium will benefit from new functionalities on the ING mobile banking app. ING is also the first major bank in Belgium to offer same-day payments processing. In the Netherlands, ING has 4.3 million mobile app users, including 1.1 million new registered users in 2018. In Belgium, digital adoption is accelerating too, with a net increase of close to 285,000 new active mobile users (36%) to 1.07 million users. Some 55 million mobile payments were processed in Belgium in 2018, almost four times higher than in 2017. In the first quarter of 2019, the number of digital transactions (1.0 billion) increased by 25.7% year on year. However, many customers still value face-to-face interactions and ING has to balance their needs with its digital ambitions. To this end, ING extended the opening hours of its branch network in Belgium. Within the project, about 600 branches were closed and the number of FTEs was reduced by approximately 2,000 FTEs. As achievements to date of the project Model Bank, the platform is live in the Czech Republic and was built and is running on global components, as well as the value propositions and processes for Savings & Daily Banking are harmonized. The next steps will be the live going in four countries with the migration of about seven million customers in 2021. Products and processes should be harmonized for all retail products and a one way of working should be implemented across France, Italy, Spain and Czech Republic. The project Welcome for full digitalization of value propositions and processes in Germany was successfully finished. About 12% of FTEs were reduced in Operations & Service and the mortgage processing is 50% faster. The Achievements to date of the project WTOM are a single IT platform for payments, loans and trade finance across multiple countries, a single account opening process in 18 countries, Shared Service centres hosting over 1,500 Wholesale Banking operation experts and finally a consolidated FM Trading franchise. Since 2016, about 680 FTEs were reduced. The next steps will be a global roll-out of the product IT platform, a major client service processes for Trade Finance, a digitalized Lending and PCM, an automation of client service requests via Artificial Intelligence & Native Language Processing and the continued migration of activities and FTEs to Shared Service centres (over 600 FTEs by 2021).

Overall, ING Bank possesses a clearly defined, sustainable and successful business model in both Retail and Wholesale Banking and is a leader in digital banking.

Macroeconomic environment

In its core businesses Retail and Wholesale Banking, ING Bank operates across Europe and worldwide, but the overarching focus is on its home country Netherlands as well as the other Benelux countries and Germany. Regarding the Retail Banking, which represents 65% of the lending credit outstanding as at 31 March 2019, the Netherlands accounted for 36%, followed by Belgium (22%) and Germany (20%). In the Wholesale Banking, the quota of the Netherlands amounted to 7% and the other Benelux countries had a share of 9% of the loan portfolio. The quota of Germany amounted to 5%.

In the Netherlands, the economic development in recent years has been characterized by a continuing economic improvement. Following a double-dip recession, the economy has been steadily gaining momentum with regard to increasing house prices, gradually improving household balance sheets and rising consumption. According to forecasts and developments in the first quarter of 2019, the economic upturn in the Netherlands will continue in 2019 and 2020, although economic growth will slow down. After a GDP growth of 2.7% in 2018, a GDP growth of about 1.7% is expected for 2019 and about 1.6% for 2020. The unemployment rate is expected to fall from 3.8% to 3.6% in 2019 and to rise slightly to 3.7% in 2020. Although the production and consumer climate has recovered slightly in 2019, it remains negative. Spending finally appears to reflect this caution as consumption has been tapering off in the past months. Similarly, the Dutch housing market is showing more and more signs of normalization. Sales were already trending downward, but are now accompanied by less steep price than in previous years. There are considerable regional differences in the Dutch housing market. Especially in the major cities, the housing market is showing signs of overheating.

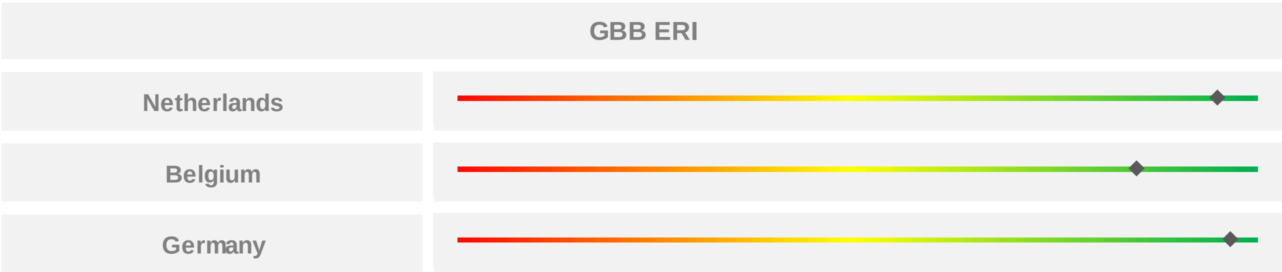
Belgium, too, has experienced continued economic growth for nine years after the global crisis. In 2018, however, economic growth in Belgium slowed down to 1.4%, in line with economic development in the eurozone. For 2019, a more moderate economic growth is also expected, with a GDP growth of 1.3% and a stable unemployment rate.

Germany also recorded robust economic data. Nevertheless, at 1.5%, the German economy grew less strong in 2018 than was expected at the turn of the year 2017/2018. This was not least due to the problems of the export industry (including trade conflicts and a cooling economy in the emerging markets). In the course of 2019 to date, economic momentum has continued to weaken. The International Monetary Fund (IMF) expects economic growth of only 0.8% for 2019 as of April 2019, after a forecast of 1.9% in October 2018. The same applies to the global economy (3.3%, previously 3.7%) and to the EU (1.6%, previously 2.0%). In Germany, both domestic factors (such as a shortage of skilled workers or problems in the automotive industry) and global uncertainties (including Brexit and trade conflicts) are dampening economic optimism. Overall, however, the German economy is still experiencing an economic upswing, which is also confirmed by the forecasts for 2020 (1.4%) and 2021 (1.5%).

In summary, the macroeconomic environment in most of ING Bank's key markets has shown considerable improvements in recent years, but meanwhile in the second half of 2018 and in the first quarter of 2019, the eurozone business sentiment was weak as concerns about the Brexit and the effects of trade conflicts weighed on new orders. It is unlikely that economic growth will pick up after the disappointing second half of 2018. In the US, the business sentiment remains high as the labour market keeps fueling current domestic demand. Growth is expected to moderately cover the course of the years as positive effects from the tax reform fade away, but should be supported by the Fed's expectations of zero rate hikes in 2019.

Overall, the economic outlook is estimated to weaken in most of ING Bank's main markets, but it is expected that the economic fundamentals will remain robust. However, potential risks arise in terms of politics (e.g. hard Brexit outcome, implications of the US punitive duties, European debt crisis, necessary structural reforms in GIIPS countries and France, economic situation in Turkey and depreciation of the Turkish lira, economic slowdown in China) which could possibly impact the capital markets as well as the real economy. Furthermore, the low interest rate policy of central banks and the steadily increasing regulatory requirements weigh on the profitability of the financial sector.

GBB ERI – Economy-Risk Indicator[1]



Competition and market structure

ING Bank operates in highly competitive markets. This applies especially for the more mature markets of the Netherlands, Belgium, the rest of Western Europe and Australia. In recent years however, competition in emerging markets, such as Latin America, Asia and Central and Eastern Europe, has also increased. One important reason is that large financial services companies from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential.

The banking sector in the Netherlands – ING Bank's largest market – is one of the most concentrated in Europe with a combined market share of the three major players – ING Bank, Rabobank and ABN AMRO – ranging well over 50% of existing stock, depending on product and business segment. In principle, such a market structure contributes to a lower competitive intensity and higher profitability. This is backed by relatively high interest rate margins in the Netherlands. However, the comparatively high margins and returns have created increased competition. Other financial institutions and non-traditional banking players are gradually increasing their market presence.

Whereas the structure of the Belgian banking sector ─ albeit to a lesser extent ─ is comparable to the Netherlands, the banking market in Germany is heavily fragmented and dominated by the public savings banks ("Sparkassen") and cooperative banks ("Volks- und Raiffeisenbanken"); there is no bank with a dominant market position. Therefore, the profitability of the German banking sector is comparatively weak. By contrast, Germany as the most sizeable market in Central Europe has a high business potential due to the number of inhabitants and its well-diversified, broad-based industrial sector.

[1] The ERI (Economy-Risk Indicator) of GBB-Rating is a scoring approach and evaluates the condition of an economy at present time. The principle applies: The better the condition of an economy - the higher its stability - the higher its potential resistance to shocks and crises (e.g. economic and currency risks or political crises). The ERI is not part of the rating methodology but is used as an additional source of information. Sources: International Monetary Fund - World Economic Outlook Database (the Data is available free of charge from the IMF) / Worldbank / Transparency International / Own calculations. For further details see Economy-Risk Indicator methodology; https://www.gbb-rating.eu/en/presse/eu-veroeffentlichungen/Pages/default.aspx

In the coming years, competition could increase due to new entrants in the markets, especially Fintechs. With regard to data analysis, information processing and customer interaction, the digitalization has an increasing importance for the financial services industry. Based on easy access to markets via internet and cost-efficient processes, Fintechs could evolve from a pure cooperation partner for new technologies, intelligent data evaluation and sophisticated smart data analytic tools into serious competitors for core products and key parts of banks' value chains, respectively. Tech giants like China's Alibaba and Tencent now even have full banking licences, making them direct competitors of banks.

Strong long-term earnings position

Due to the well-balanced business model with many profitable growth drivers and the solid franchise in its core markets, ING Bank has continued the profitable growth and posted strong commercial results for the financial year 2018 with regard to profitability, lending growth, increased number of customers and risen customer deposits. The strong profitability was primarily driven by continued business growth at resilient interest margins, higher net fee and commission income and slightly lower risk costs. However, the strong commercial results were negatively affected by the EUR 775 million settlement agreement with the Dutch authorities on regulatory issues as an extraordinary event.

Despite the ongoing low-interest rate environment, the net interest result rose by 1.2% to EUR 13.9 billion. In 2018, there was a stronger net interest income in the Retail Challengers & Growth Markets, Industry Lending and General Lending & Transaction Services as well as a market improvement in the Corporate Line. These items were partly offset by weaker Financial Markets results. The higher net interest result was due to an increase of the average balance sheet total, partly offset by a narrowing of the net interest margin from 1.55% in 2017 to 1.53% in 2018. The increase of the average balance sheet was mainly driven by the continued growth in net core lending and customer deposits. The interest result on customer lending activities increased driven by higher volumes at stable margins. The interest result on customer deposits slightly declined, as the impact of volume growth was more than offset by margin pressure on current accounts (due to lower reinvestment yields); the interest margin on savings stabilised, mainly due to a further lowering of client savings rates in several countries. Net interest income was furthermore negatively affected by a decline in the volatile interest results of Financial Markets.

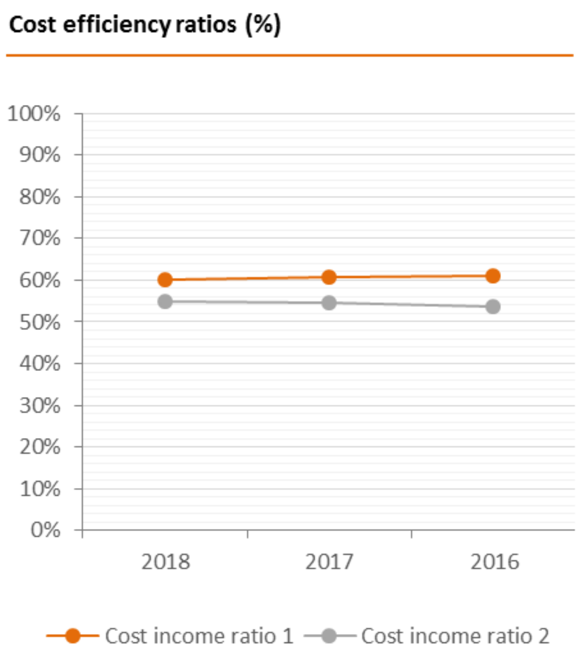
The net fee and commission income also improved by 3.3% to EUR 2.8 billion, despite a more volatile equity markets backdrop, which put some pressure on investment product fees. The increase was mainly in Wholesale Banking (supported by the inclusion of Payvision as from the second quarter of 2018) and most of the Retail Banking countries, except for Belgium and Turkey.

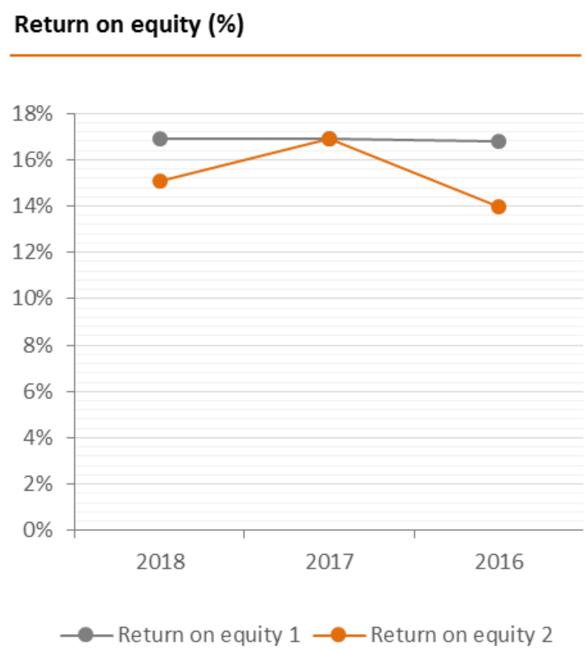
The administration costs (staff expenses and other operating expenses without depreciation and amortization) increased by 1.0% to EUR 9.4 billion (excluding settlement agreement with the Dutch authorities on regulatory issues of EUR 775 million in 2018 and unused amounts of provision for reorganizations and relocations of EUR 5.0 million in 2017). The increase of the administration costs was largely due to higher costs for strategic projects and to support business growth and regulatory costs.

The further slight decline of loan loss provisions (-3.0% to EUR -656 million) was a result of the robust economic fundamentals in ING Bank's core markets and an improvement of the asset quality. In this context, risk costs were 21 basis points of average risk-weighted assets which is well below ING Bank’s through-the-cycle average of 40-45 basis points.

Overall, the operating result (before income or expenses related to extraordinary events and before taxation) slightly increased by 0.6% to EUR 7.5 billion. The settlement agreement with the Dutch authorities on regulatory issues of EUR 775 million was considered as an extraordinary item (in the previous year there was considered a profit of EUR 5.0 million for unused amounts). Consequently, the result before tax (including expenses and income related to extraordinary events) decreased by 8.9% to EUR 6.8 billion. After taxation, the net result amounted to EUR 4.7 billion (previous year: EUR 5.1 billion).

Corresponding to this business performance, the key figures of profitability and cost efficiency are overall strong.





For GBB ratios compare page 19

Interim result as at March 2019 and medium term outlook

Supported by solid income and continued business growth despite challenging market conditions, good cost control, higher but still relatively low risk costs and the release of a currency translation reserve, ING Bank generated a strong total underlying income of EUR 4.6 billion and an underlying net result of EUR 1.1 billion in the first three months of 2019. Total underlying income increased by

2.7% compared with the already strong prior-year period due to higher net interest income (+2.3%), net fee and commission income (+2.1%) and investment income (+130.8%). Excluding the gain of EUR 119 million on the release of a currency reserve following the sale of ING's stake in Kotak Mahindra Bank, however, income only would have been stable year-on-year as the impact of continued growth in most business units was largely offset by lower Treasury-related revenues and negative valuation adjustments in Financial Markets. The underlying operating expenses (staff expenses, regulatory costs, other expenses) remained under control and increased by 3.8% overall. Overall, compared with the prior-year period, the gross result improved by 1.0% on balance. In contrast, compared with the first quarter of 2018, underlying net result declined by 6.1% as higher income was offset by higher but still relatively low risk costs of EUR 207 million (prior-year period: EUR 85 million) and increased underlying operating expenses.

The interest result, the main income source of ING, rose by 2.3% compared to the first quarter of 2018, supported by resilient margins and continued loan growth and despite a decline in the volatile interest results of Financial Markets. This steady positive development was driven by higher interest results on customer lending due to volume growth in both mortgages and other customer lending, as well as an improved interest margin on residential mortgages. The interest margin on other customer lending narrowed, partly reflecting heightened competition in some of ING's markets. The interest results on customer deposits declined slightly compared with the first quarter of 2018. This was caused by lower interest margins on both savings and current accounts, which were only partly offset by the impact of higher volumes (primarily in current accounts).

The net fee and commission income rose by 2.1% compared to the prior-year period. The increase was mainly due to higher fee income in Germany and the Netherlands, while fees declined in Turkey and Belgium. Total fee income in Wholesale Banking was in line with the first quarter of 2018, despite the inclusion of Payvision, due to factors such as lower deal activity in Corporate Finance and lower fee income in Trade Finance Services.

The investment income increased to EUR 150 million from EUR 65 million in the first quarter of 2018, primarily due to a EUR 119 million gain on the release of a currency translation reserve following the sale of ING’s stake in Kotak Mahindra Bank. Excluding this gain, investment income declined by €34 million on the year-ago quarter due to lower realized results on debt securities.

The other income declined to EUR 268 million from EUR 327 million in the first quarter of 2018. The decrease was primarily caused by a decline in Financial Markets revenues due to negative model valuation adjustments and negative marked-to-market movements on some macro hedges, whereas the year-ago quarter included positive valuation adjustments.

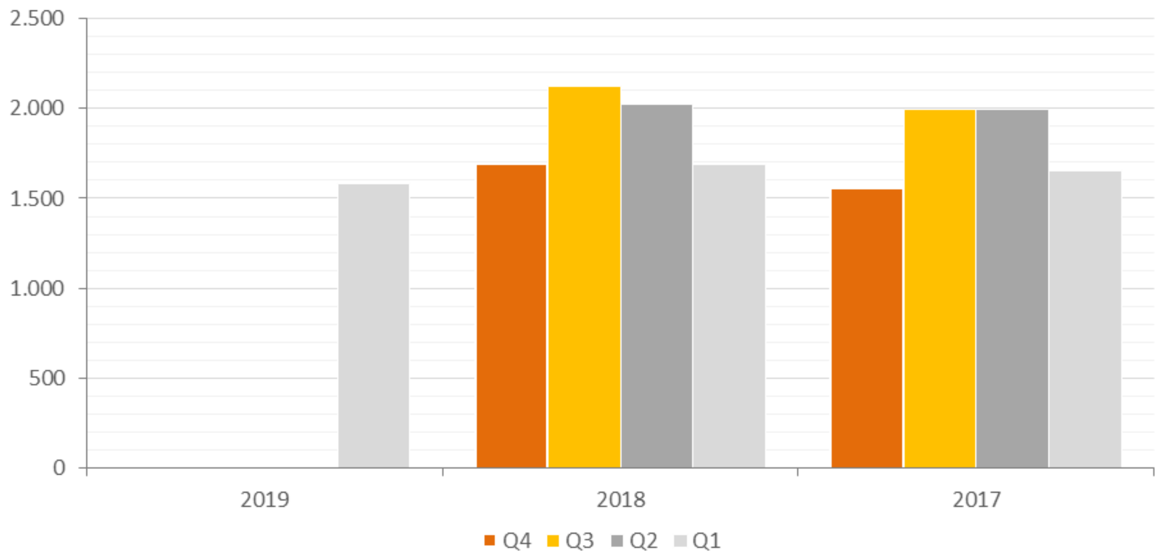
Compared to the prior-year quarter, the operating expenses increased by 3.8%. Higher expenses were recorded in the Retail Challengers & Growth Markets (primarily due to further business growth) and in the Corporate Line mainly due to higher KYC-related expenses. Wholesale Banking expenses also increased, as expenses in the first quarter of 2018 included a positive one-off from a release from a litigation provision in Luxembourg. These increases were partly offset by lower expenses in Retail Benelux, mainly due to structural cost savings realized from the ongoing transformation programmes. Total regulatory costs rose by 4.5% to EUR 515 million in the first quarter of 2019 from EUR 493 million one year ago. As in previous years, they were seasonably high due to contributions to the European single resolution fund and the annual Belgian bank tax in full in the first quarter of the year.

The addition to loan loss provisions amounted to EUR 207 million in the first quarter of 2019 compared with EUR 85 million in the first quarter of 2018, when risk costs were positively affected by net releases in Retail Netherlands and Wholesale Banking. Risk costs in the fourth quarter of 2018 were EUR 242 million. Retail Netherlands recorded EUR 11 million of risk costs in the first quarter of 2019, up from a net release of EUR 13 million in the year-ago quarter, but down from EUR 45 million in the fourth quarter of 2018, which included the impact of a more prudent approach for parts of the Dutch mortgage portfolio. Risk costs in Retail Belgium were EUR 42 million and mainly related to business lending; the level of risk costs was in line with both comparable quarters. Risk costs in the Retail Challengers & Growth Markets were EUR 84 million, up from EUR 62 million in the first quarter of 2018, but down from EUR 107 million in the previous quarter. First-quarter 2019 risk costs were recorded mainly in Turkey, Spain and Poland, whereas risk costs in Germany were limited at EUR 2 million. Wholesale Banking recorded EUR 71 million of risk costs in the first quarter of 2019 compared with a net release of EUR 10 million in the year-ago quarter and EUR 50 million of risk costs in the previous quarter. First-quarter 2019 risk costs were predominantly in individual Stage 3 provisions and mainly attributable to a few larger clients in Belgium, the Americas and Italy. ING's Stage 3 ratio, which represents Stage 3 credit-impaired outstandings as a percentage of total credit outstandings, remained stable at 1.5% compared with year-end 2018.

Selected data: Income statement (EUR m or %)[1]	**1Q2019**	**1Q2018**	**4Q2018**
Net interest income	3,483	3,404	3,571
Total underlying income	4,576	4,457	4,501
Underlying operating expenses	2,787	2,686	2,568
Thereof: Regulatory costs	515	493	266
Gross result	1,789	1,771	1,933
Addition to loan loss provisions	207	85	242
Underlying net result	1,119	1,192	1,238
Cost/income ratio (four-quarter rolling average)	55.0	55.7	54.8

[1] Based on ING Bank's interim accounts without GBB adjustments

Quarterly overview: Underlying result before tax (EUR m)



As already mentioned in the previous year, a medium-term statement is not possible due to the absence of budget calculations. However, an ongoing robustness of the economic environment, the extensive restructuring measures as well as the proposed investments should strengthen the long-term earnings position of ING Bank. In addition, the well-diversified income structure, geographically as well as with respect to the different business segments, will be helpful for a continuously strong earnings performance in coming years.

Strong sustained capital position

As at 31 December 2018, ING Bank had a solid capital base with a CET1 ratio (fully-loaded and phased-in) of 12.9% and a total capital ratio (fully-loaded and phased-in) of 17.2%. By the end of the first quarter 2019, the CET1 ratio amounted to 13.1% and the total capital ratio was 17.9%.

At the level of ING Group as the main regulated entity, the ratios are even higher with a total capital ratio of 18.4% and a CET1 ratio of 14.5% as per end 2018 (end of the first quarter 2019: 19.1% and 14.7%, respectively). It should be mentioned that the interim profits are not included in the capital. The CET1 ratio is also considerably above the regulatory requirements of 11.81% for 2019 and it exceeds the ING Group "financial ambitions" target of around 13.5% (Basel IV). The same applies for the fully-loaded leverage ratio of 4.4% (target > 4.0%). Following the result of the annual SREP in February 2019, the European Central Bank has set ING Group's capital requirements for 2019 at a CET ratio of 11.81%. This ratio includes a 1.75% Pillar 2 Requirement, a 2.50% Capital Conservation Buffer, a 3.00% Systemic Risk Buffer and a 0.06% Countercyclical Buffer, but excludes a Pillar 2 Guidance (P2G). As a result, ING has also comfortable buffers to the MDA trigger level and to the AT1 conversion trigger. With regard to the current regulatory requirements it is expected that the CET1 ratio will rise to 11.83% by end-2019 and 11.84% in 2020 due to phasing-in of Countercyclical Buffers. In this context, it should be pointed out that ING Group manages its capital position well above the regulatory requirements. The ING Group Basel IV CET1 ratio ambition of around 13.5% implies a management buffer (including P2G) of 1.7%.

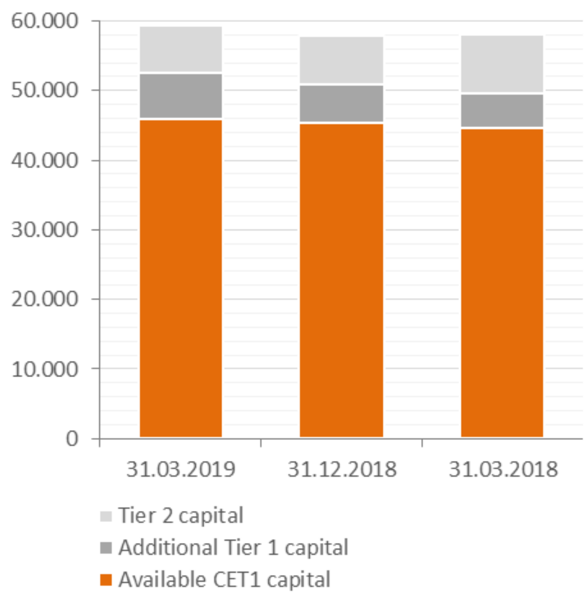
Additionally, we take into positive consideration the significant progress in meeting the future requirements on TLAC/MREL by issuing approximately EUR 18.3 billion equivalent of HoldCo Senior unsecured debt and about EUR 3.8 billion equivalent of Tier 2 securities issued by the ING Group in the years 2017 and 2018 as well as EUR 5.2 billion equivalent of HoldCo Senior unsecured debt and EUR 1.1 billion equivalent of Additional Tier1 securities issued by the ING Group in the first quarter of 2019. Hence, the amount of eligible AT1, T2 and senior unsecured debt at the ING Group is considerable. Due to the strong current capital position, ING is well positioned for business growth and to comply with future TLAC/MREL requirements with ING Group instruments only. The TLAC/MREL issuance plans are supported by a recycling strategy of ING Bank Instruments. A recycling of maturing senior unsecured bonds of ING Bank will give ING Group ample flexibility to comply with the remaining TLAC/MREL requirements.

Additionally, the appropriateness of ING Group's capital position was confirmed by the result of the EBA stress test carried out in 2018. Under the hypothetical baseline scenario, ING Group would have a fully-loaded CET1 ratio of 14.0% and a fully-loaded leverage ratio of 4.4% in 2020; under the hypothetical adverse scenario, the CET1 ratio would amount to 10.7% and the leverage ratio would amount to 3.9%.

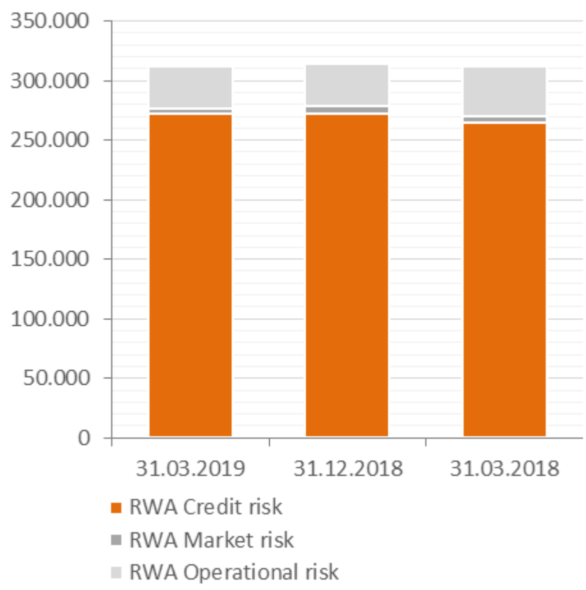
Overall, ING Bank's capital position is sound in context of its business model and is well above the regulatory requirement. In addition, the strong capital generating capacity resulting from ING Bank's good earnings performance should be emphasized.

Financial data (EUR m or %)	**03/31/2019**	**12/31/2018**	**03/31/2018**
CET1 ratio ING Bank	13.1%	12.9%	12.7%
Total capital ratio ING Bank	17.9%	17.2%	17.7%
Available CET1 capital ING Bank	40,866	40,379	39,503
Risk-weighted assets ING Bank	311,268	313,572	311,834
CET1 Ratio ING Group	14.7%	14.5%	14.3%
Total capital ratio ING Group	19.1%	18.4%	18.6%
Available CET1 capital ING Group	45,928	45,443	44,560
Risk-weighted assets ING Group	311,884	314,149	312,434
Leverage-Ratio ING Group	4.4%	4.4%	4.4%

Regulatory capital ING Group (EUR million)



Risk-weighted assets ING Group (EUR million)



Strong capitalization potential

ING Bank, a global systemically important bank and a leading financial institution in Europe, has a proven access to capital markets as a result of its solid and sustainable earnings situation as well as its good external credit ratings. In addition, the ability to access the capital markets is supported by the resumption of dividend payments in calendar year 2015. After the substantial increase of the dividend in 2015 to EUR 0.65 per share, the dividends for the calendar years 2016, 2017 and 2018 slightly increased to EUR 0.66, to EUR 0.67 and to EUR 0.68 per share.

Moreover, ING Bank possesses an excellent self-contained capital generation capacity as a result of its solid and gradually increased earnings performance in recent years. After the full repayment of state support by the end of 2014, profits can completely be used both for dividend payments and profit retention.

The ordinary shares of ING Group, formerly issued as depository receipts and converted into ordinary shares as at 26 July 2016, are listed on the exchanges of Amsterdam, Brussels and New York. The majority of ordinary shares is on free float. Due to the diversified ownership structure of ING Group, a shareholder's support in case of need cannot be expected. The same applies for possible sovereign support as a result of the changed banking legislation (e.g. BRRD).

Moderate risk profile

ING Bank's risk profile is characterized by a low risk appetite. The well-diversified loan portfolio benefits from the continuous benign and robust economic conditions in ING's main markets.

As a G-SIB, ING Bank is subject to close supervision by the regulatory authorities. The prudent and clearly defined risk management and governance structure, deeply rooted in the whole bank, is in accordance with industry best practice. It is based on a three lines of defense model. ING possesses highly sophisticated models to assess and manage its credit, market and operational risks. Furthermore, GBB-Rating appreciates the high investments in the IT infrastructure to accelerate the digital transformation of ING Bank by harmonizing the currently different banking platforms and creating a scalable platform.

Credit and counterparty risk

Due to ING Bank's business focus and the credit lending outstandings of EUR 681 billion at the end of March 2019, credit risks are the most material risk category. The challenging macroeconomic environment in most European countries and the collapse of the Dutch housing market following the financial crisis resulted in a deterioration of the loan book quality and significantly increased risk costs compared to the low "through-the-cycle" level. Since the Dutch housing market bottomed out in 2013 and the unemployment rate peaked in February 2014, the Dutch economy has steadily recovered. The same has occurred in other Western European countries. Meanwhile the macroeconomic environment in the Netherlands and in other Western European countries has shown considerable improvement. Subsequently, the economic recovery in ING Bank's core markets and the continuing economic improvement and benign risk environment led to a further strong decline in 2017 in risk costs. Even though, there was a further slight decrease in risk costs in total in 2018, the risk costs rose up over the course of the year. In the period from 2013 to 2017, the risk costs of average RWA dropped from 83 bps in 2013 to 25 bps in the fourth quarter of 2017. In the fourth quarter of 2018 the risk costs increased to 31 bps of average RWA but remained well below the through-the-cycle average of 40-45 bps. Correspondingly, the stage 3 / NPL ratio is trending down and lowered from 3.0% in 2014 to 1.9% as at 31 December 2017 and further lowered to 1.5% as at 31 December 2018 as well as at the end of March 2019.

Overall, ING Bank's loan book structure with a focus on comparatively low risk residential mortgages continues to be well-balanced with a further improved credit quality. Furthermore, the majority of the total loan book is secured lending. In addition, we do not perceive any critical risk concentration by economic sector, size or geography. However, the exposures to Turkey with a total of EUR 13.0 billion outstanding and to Russia with a total of EUR 5.7 billion outstanding as at year end 2018 have to be closely monitored. The same applies for the riskier lending to the oil & gas industry, metals & mining as well as shipping & ports. Finally, we do not anticipate any particular risk from the sizable portfolio of debt securities (EUR 72.9 billion as per year end 2018) due to its excellent credit quality.

Market price risk

Despite the high volume in trading assets and liabilities, the major part of the transactions is directly related to client flows. ING Bank is not engaged in proprietary trading. Therefore, market risks in the trading book are assessed as moderate. As per year end 2018, the value-at-risk measured under a

99% confidence interval and a one-day time horizon amounted in total solely to EUR 13 million. The maximum value in 2018 amounted in total to EUR 16 million.

Interest rate risks in the banking book have a higher importance as a consequence of the significant interest result and the maturity mismatch in the balance sheet. Overall, we assess the interest rate risk as moderate and manageable. As per year end 2018, the Basis Point Value (BPV) of EUR -12.8 million (2017: EUR -18.3 million) as well as the Net Present Value (NPV) of EUR -0.2 billion (2017: EUR -2.1 billion) for an instantaneous increase in interest rates have shown a moderate level and an improvement. However, the NPV for an instantaneous decrease in interest rates has worsened to EUR -2.0 billion (31.12.2017: EUR 0.9 billion). The main driver for the negative change was mostly due to Retail Banking Benelux and Corporate Line Banking. In the earnings perspective, a gradual upward increase in interest rates would have a positive impact on the Net Interest Income (NII)-at-Risk, which has bettered to EUR 106 million (2017: EUR 33 million). However, a gradual upward decrease in interest rates would have a negative impact of EUR -119 million (2017: EUR -91 million). The NII-at-risk is mainly influenced by the sensitivity of savings to interest rate movements due to pass through rate differences between savings rates and investment yields (partly offset by the sensitivity of mortgages). The investment of own funds only impacts the earnings sensitivity marginally, as only a relatively small part has to be invested within a one-year time horizon.

Operational risk

After credit and counterparty risks, operational risks are the most significant risk type. There is a high dependency on the availability of customer-related IT systems, particularly in the direct banking business due to the ongoing increasing importance of digital banking and a growing susceptibility for cyber attacks. To counteract this, ING Bank already had a focus on strengthening its cyber-crime resilience in the past.

In September 2018, ING was impacted by the €775 million settlement agreement with the Dutch Public Prosecution Service related to the previously disclosed criminal investigations that found serious shortcomings in the execution of customer due diligence requirements to prevent financial economic crime at ING Netherlands in the period investigated (2010-2016). In the light of the money laundering charge, beyond the ongoing activity ING has taken a number of specific measures to strengthen its management of compliance risk and address the root causes of shortcomings Dutch Public Prosecution Service found. These measures are being implementated as part of the bank-wide, global Know Your Customer (KYC) Enhancement Programme with integral steering. This programme already was launched early in 2017 and is expected to run until end 2020.

On the one hand, ING will invest EUR 800 million in its digital transformation and the construction and harmonization of scalable IT platforms until 2021. On the other hand, the implementation of the measures in the IT sector, as well as the headcount reduction by around 7,000 employees as a consequence thereof, will lead to higher risks by reason of the associated extensive projects during the implementation phase. However, operational risks seems to be well-managed.

ING Bank is subject to legal and reputational risks as the financial sector continues to be a focus of regulatory and public scrutiny. Despite miscellaneous legal proceedings, there is no evidence that one of the proceedings could have a material impact on ING Bank's financial situation or reputation.

Funding and liquidity

The majority of the balance sheet is funded by customer deposits (mainly retail, but also corporate) which usually have a high granularity with a stable deposit base. This is also underpinned by the high stability in the volume of customer deposits respectively their increase in recent years. Additionally, ING Bank benefits from the geographically well-diversified customer base and its ability to successfully gather deposits. In this respect, ING Bank's liquidity situation remains sound despite the high mismatch in the contractual maturity of assets and liabilities. The loan-to-deposit ratio stood at 1.07 as per year end 2018.

Furthermore, ING Bank has reduced its dependency on capital markets funding and short-term professional funding in recent years as a part of its balance sheet structure optimization. Regardless of this, ING has good capital market access supported by its solid credit rating profile.

To ensure sufficient liquidity in times of stress, ING holds a considerable liquidity buffer of High Quality Liquid Assets (HQLA). As per end of March 2019, the HQLA portfolio amounted to EUR 135.2 billion, thereof EUR 125.0 billion were qualified as Level 1 HQLA.

In general, the entire banking sector continues to benefit – with reference to liquidity risks – from the Quantitative Easing policy of the European Central Bank.

Appendix

Assets – selected data (EUR m)	**12/31/2018**	**12/31/2017**	**12/31/2016**
Cash and cash balances at central banks	49,988	21,989	18,144
Loans and advances to banks	30,420	28,746	28,872
Loans and advances to customers	592,328	574,899	562,873
Financial assets at fair value through profit or loss	120,505	123,190	121,920
Investments	n/a	79,073	91,663
Financial assets at fair value through other comprehensive income	31,223	n/a	n/a
Securities at amortised cost	47,276	n/a	n/a
Investments in associates and joint ventures	1,044	947	1,003
Intangible assets	921	653	581
Goodwill	918	816	903
Tangible assets	1,713	1,866	2,067
Tax assets	1,042	1,142	1,252
Other assets	8,372	12,997	14,641
Assets held for sale	1,262	0	0
Total assets	**887,012**	**846,318**	**843,919**

Liabilities – selected data (EUR m)	**12/31/2018**	**12/31/2017**	**12/31/2016**
Liabilities due to banks	37,330	36,821	31,964
Liabilities due to customers	580,294	552,690	531,096
Debt securities in issue	102,159	90,231	101,305
Financial liabilities at fair value through profit or loss	92,707	87,157	99,018
Provisions	1,011	1,713	2,028
Tax liabilities	1,496	1,526	1,465
Other liabilities	13,396	15,972	16,793
Subordinated loans	13,643	15,831	16,104
Equity	44,976	44,377	44,146
Total liabilities and equity	**887,012**	**846,318**	**843,919**

Income statement (EUR m)	**2018**	**2017**	**2016**
Net interest income	13,949	13,782	13,317
Net fee and commission income	2,803	2,714	2,433
Result from categories of financial instruments	1,334	1,106	1,637
Other net operating income	16	353	177
Advanced gross profit	**18,102**	**17,955**	**17,564**
Administration costs	-9,380	-9,285	-8,790
Depreciation and amortization	-540	-516	-624
Operating result before additions to loan loss provisions	**8,182**	**8,154**	**8,150**
Additions to loan loss provisions	-656	-676	-974
Operating result	**7,526**	**7,478**	**7,176**
Income (expenses) related to extraordinary events	-775	5	-1,189
Result before tax	**6,751**	**7,404**	**5,937**
Taxation	-2,036	-2,303	-1,635
Net result	**4,715**	**5,101**	**4,302**
Net result attributable to shareholder of the parent	4,607	5,019	4,227
Net result attributable to non-controlling interests	108	82	75

Credit and Counterparty risk cluster	2018	2017	2016
Gross profitability 1 Advanced gross profit / AverageTotal assets	2.1%	2.1%	1.9%
Gross profitability 2 Net interest income and net credit risk provisions / Average risk-weighted exposure amounts [1)]	5.0%	5.0%	4.7%
Net profitability 1 Operating result after provisions for cr and val. adjustments / Average total risk exposure amount	2.4%	2.4%	2.3%
Net profitability 2 Gross annual profit / Average Adjusted total assets [2)]	0.7%	0.8%	0.6%
Return on equity 1 Operating result after provisions for credit risks and valuation adjustments / Average total capital	16.9%	16.9%	16.8%
Return on equity 2 Gross annual profit / Average total capital	15.1%	16.9%	14.0%
Cost income ratio 1 Administration costs and provisions for credit risks / Gross profit	60.0%	60.6%	61.1%
Cost income ratio 2 Administration costs / Adjusted gross profit	54.8%	54.6%	53.6%

[1)] Risk weighted exposure amount for credit, counterparty credit and dilution risks and free deliveries
[2)] Comprises on-balance sheet total assets, contingent liabilities and loan-loss allowances

Financial data (EUR m)	2018	2017	2016
Net interest income	13,949	13,782	13,317
Net interest income and net credit risk provisions	13,293	13,106	12,343
Gross profit	17,628	17,304	17,009
Advanced gross profit [1)]	18,102	17,955	17,564
Administration costs [2)]	-9,920	-9,801	-9,414
Administration costs and provisions for credit risks [2)]	-10,576	-10,477	-10,388
Operating result after provisions for credit risks and valuation adjustments [1)] [2)]	7,526	7,478	7,176
Gross annual profit [1)]	6,751	7,483	5,987
Average risk-weighted exposure amounts [3)]	267,992	264,671	265,165
Average total risk exposure amount	311,431	310,687	315,145
Average total assets	866,665	845,119	922,956
Average Adjusted total assets [4)]	912,423	889,220	964,625
Average total capital	44,677	44,262	42,821

[1)] Excluding DVA adjustments on own issued notes (in 2017 and 2016)
[2)] Excluding expenses or income related to extraordinary events
[3)] Risk weighted exposure amount for credit, counterparty credit and dilution risks and free deliveries
[4)] Comprises on-balance sheet total assets, contingent liabilities and loan-loss allowances

Indicators of sustained capital position	**12/31/2018**	**12/31/2017**	**12/31/2016**
Total capital ratio Own funds / Total risk exposure amount	17.2%	18.2%	17.4%
Tier 1 capital ratio Tier 1 capital / Total risk exposure amount	14.6%	14.6%	14.4%
Common equity Tier 1 ratio Common equity tier 1 capital / Total risk exposure amount	12.9%	13.1%	12.6%

Financial data (EUR m)	**12/31/2018**	**12/31/2017**	**12/31/2016**
Own funds	53,988	56,259	54,362
Tier 1 capital	45,671	45,217	44,960
Common equity tier 1 capital	40,431	40,602	39,262
Total risk exposure amount	313,572	309,287	312,087

Regulatory disclosure requirements

Name and function of the analysts:

- Klaus Foro, Lead Rating Analyst, GBB-Rating, Cologne
- Angelika Komenda, Rating Analyst, GBB-Rating, Cologne

Company address:

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Members of the Rating Committee:

- Volker Jindra, Senior Manager, GBB-Rating, Cologne
- Stefan Koll, Manager, GBB-Rating, Cologne

Date	Rating Commitee	Notification	Issue
First rating	12/16/2013	12/17/2013	12/30/2013
Current rating	07/11/2019	07/11/2019	

Validity:

- Rating: 12 months
- Outlook: 24 months

Subsequent rating changes after notification to client:

-

Major sources of information for the rating:

- Annual report as at 12/31/2018
- Further disclosures and company specific information

Statement about the quality of information available (including potential restrictions):

- The quality and extent of information (interviews and documents) were suitable to obtain a comprehensive picture of the bank and to assign an objective, transparent and professional credit rating

Applicable rating methodology, rating type and release:

- Solicited rating
- Methodology for Rating 3.0.03 Banks – credit and counterparty credit risk (CCR)
- www.gbb-rating.eu/de/presse/eu-veroeffentlichungen/Seiten/default.aspx

Meaning of the rating category:

- www.gbb-rating.eu/en/ratings/ratingskala/Pages/default.aspx

Business relationship:

- Besides the rating mandate there are further business relationship with the Group

Legal remarks

GBB-Rating Gesellschaft für Bonitätsbeurteilung mbH does not make any guarantees regarding the accuracy, completeness or timeliness of the present rating or the data, values and other information presented (including ERI) or the eligibility of this information for specific purposes nor for losses arising from the use of the information or in confidence in the information. The current rating report is not an investment recommendation.

Future events are uncertain. Ratings are based on predictions of these and thus inevitably rely upon estimates. Therefore they solely represent statements of opinion rather than statements of fact or investment advice.

Credit ratings are performed with proficiency and due professional care. Ratings are based on the data and information provided by the applicant. This information is used in reaching an opinion about the future viability as well as the strengths and weaknesses of the rated company as of the date of rating issuance.

GBB-Rating puts focus on sustainability and is a signatory of the UN Global Compact since 2018. We support the 10 principles of the UN Global Compact relating to human rights, labor standards, the environment and anti-corruption.

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