

# ING Bank Credit Update

Amsterdam • 4 November 2015

thinkforward



# Key points

- Strong capital position: ING well placed to absorb regulatory impacts and to deliver attractive capital return
  - Fully-loaded CET 1 ratios: ING Bank stable at 11.3%; ING Group unchanged at 12.3%, despite EUR 2.2 bln profit not included in capital
  - Further sell-down of shares in NN Group in September reduces stake to 25.8%; on track to achieve full exit in 2016
- ING Bank's underlying net profit EUR 3,397 mln in 9M15
  - 9M15 results rose 18.1% from 9M14, driven by growth in core lending, as well as lower risk costs
  - Underlying return on IFRS-EU equity of 11.6% in 9M15, or 11.0% excluding CVA/DVA, in line with Ambition 2017 target range
- Asset quality: ING has a strong credit profile
  - ING Bank has a well diversified and collateralized loan book with a strong focus on own originated mortgages
  - Lending credit outstandings in Commercial Banking are well diversified by geography and by sector
  - Risk costs declined on the back of the economic recovery to EUR 261 mln in 3Q15, or 34 bps of average RWA
- Bank total capital and liquidity & funding position remain strong
  - The Bank has a sizeable capital buffer; ING has flexibility to comply with expected TLAC requirements
  - Large part of the balance sheet is funded with stable retail based customer deposits and ING has a sizeable liquidity buffer
  - Long-term funding has increased substantially overtime and ING Bank has modest long-term funding needs going forward

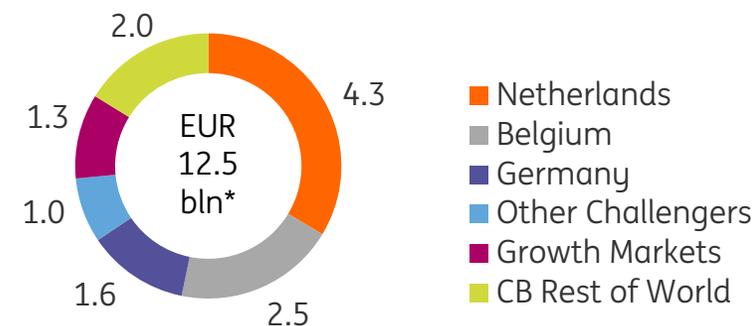
# ING Bank results

# ING Bank has strong positions in resilient northern European home markets

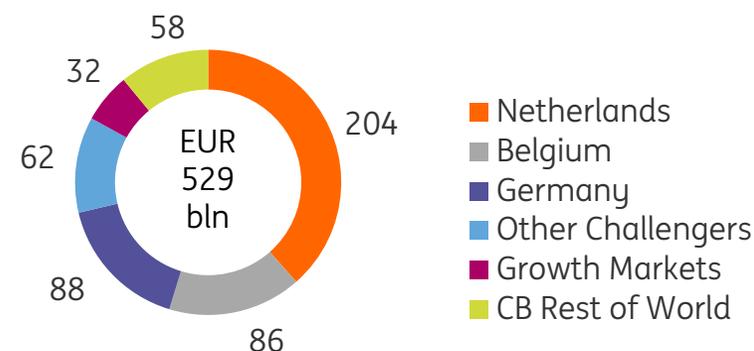
## Strong positions in European home markets



## ING Bank total underlying income 9M15 (in EUR bln)



## Lending portfolio 9M15 (in EUR bln)



\* Total EUR 12.5 billion reported underlying income includes EUR 0.2 billion negative income reported under Other, not visible in the chart. Region Other consists of Corporate Line and Real Estate run-off portfolio

# ING continues to make progress on strategic initiatives

## We launched our Think Forward strategy in March 2014



## We continue to promote sustainable business opportunities

- ING received an improved score in the 2015 annual review of the Dow Jones sustainability Index, where our score of 86 out of 100 is well above the banking Industry average
- ING also received a higher ranking from Sustainalytics, where our score of 88 out of 100 made us the third best performer among 409 reviewed banks

## Creating a differentiating customer experience

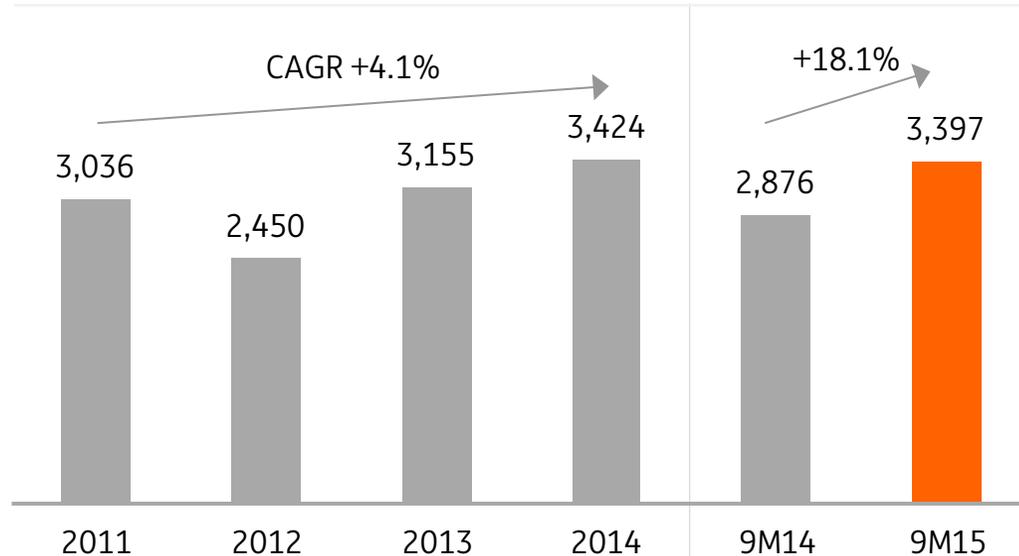
- To complement our in-house capabilities and maximise the potential of relevant technologies, we are steadily investing in partnerships
  - In October, we launched a strategic partnership with Kabbage, a leading US-based technology platform that provides automated lending to SMEs
  - We took a small equity stake in Kabbage and will run a pilot project in Spain
  - In both Belgium and the Netherlands, we have set up facilities where start-ups can experiment with new business models

## This was recognised by leading sustainability research firms

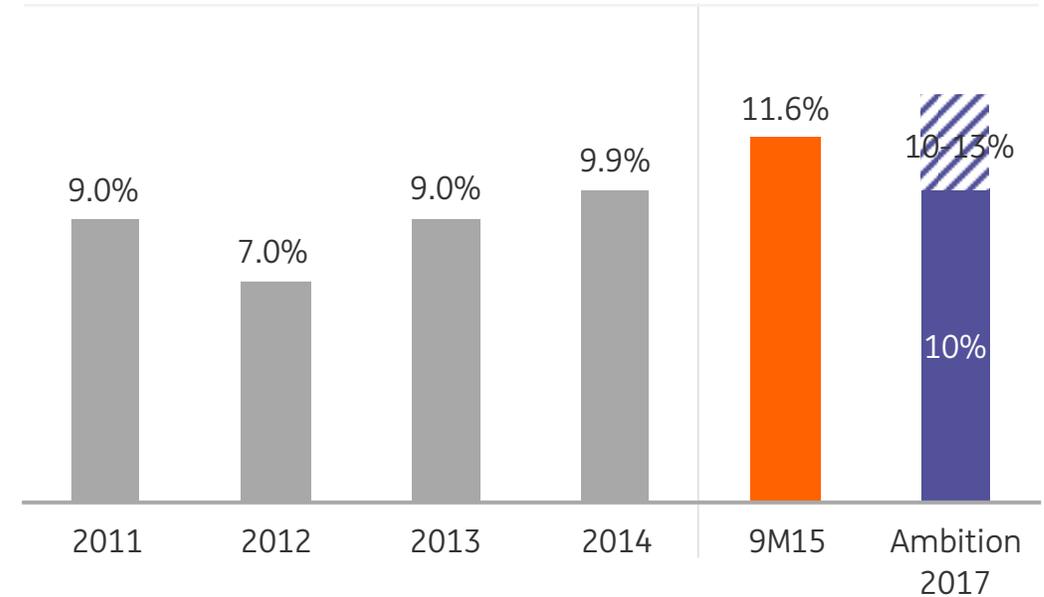


# Our consistent customer focus led to strong results in 9M15...

Underlying net result Banking rose 18.1% from 9M14  
(in EUR mln)



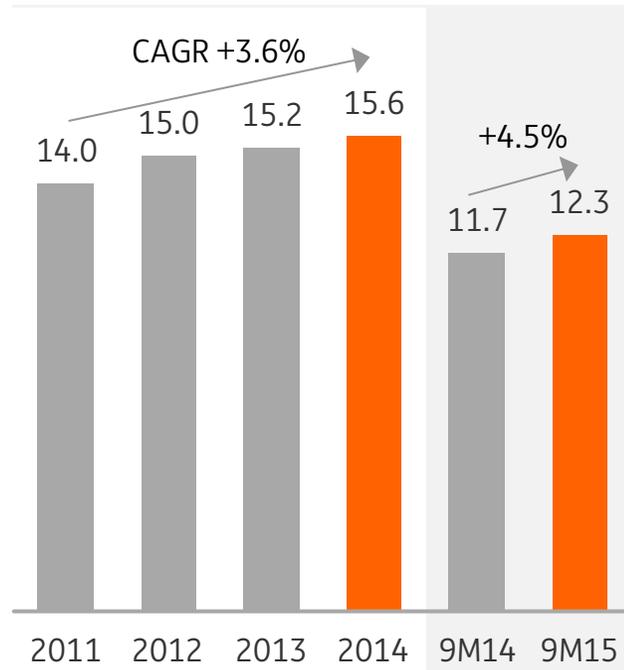
...resulting in underlying RoE of 11.6% in 9M15



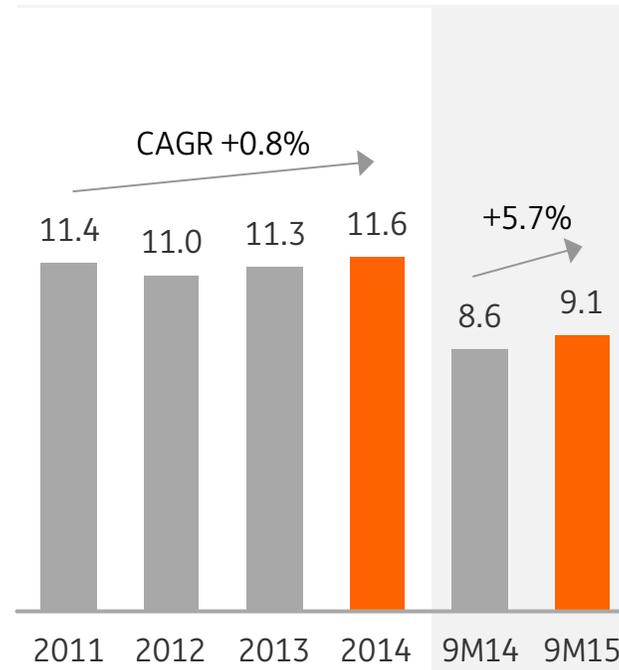
- Underlying net result Banking increased to EUR 3,397 mln, up 18.1% from 9M14
- Underlying net result, excluding CVA/DVA and redundancy costs, increased 7.2% to EUR 3,217 mln
  - Healthy income growth
  - Lower risk costs
- The underlying return on IFRS-EU equity was 11.6% in 9M15, or 11.0% excluding CVA/DVA

# ...supported by healthy income growth and lower risk costs

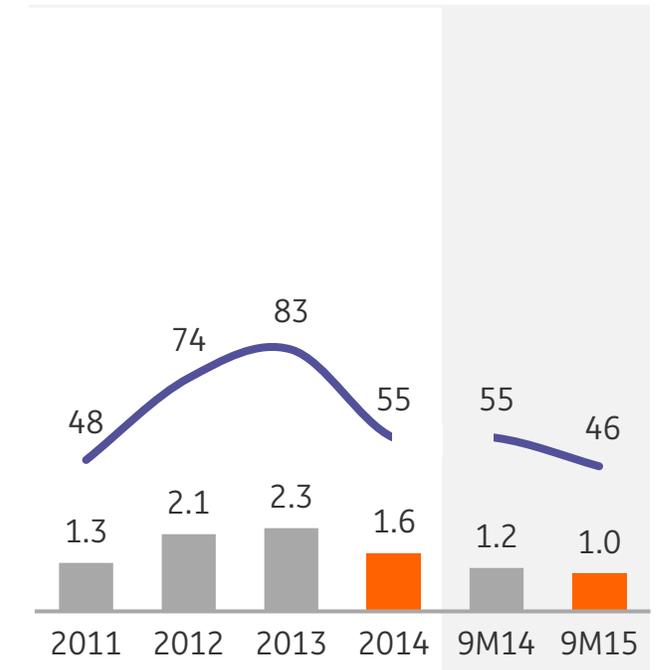
Underlying income excl. CVA/DVA  
(in EUR bln)



Net interest result excl. FM  
(in EUR bln)



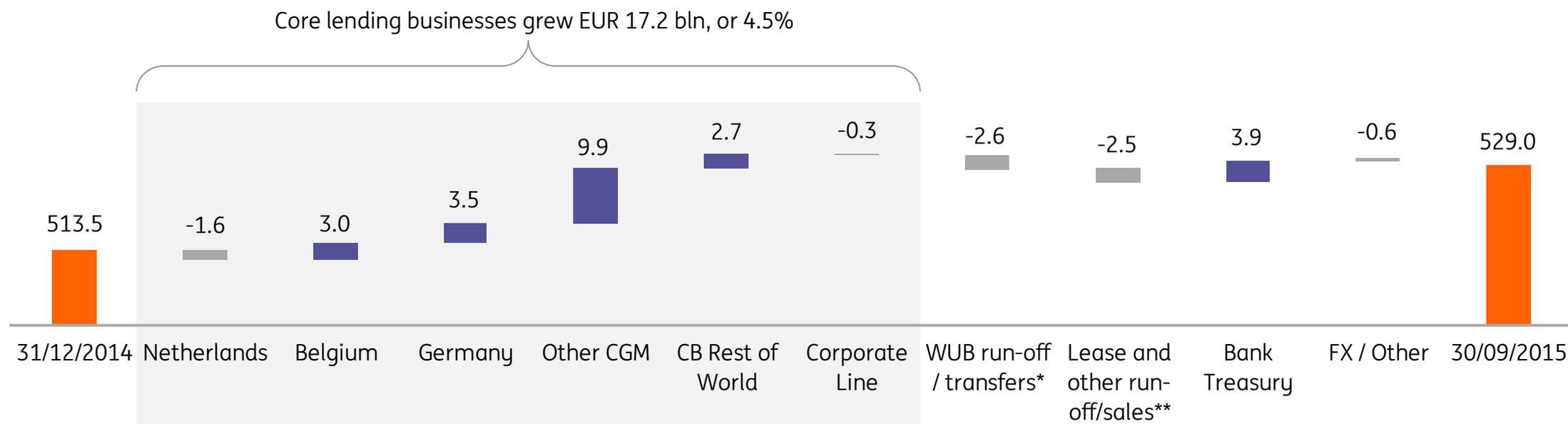
Risk costs  
(in EUR bln and bps of RWA)



- Underlying income excluding CVA/DVA grew by 4.5% in 9M15 versus 9M14 driven by higher net interest income
- Risk costs declined to EUR 1.0 bln in 9M15, or 46 bps of average RWA

# Our core lending franchises grew by EUR 17.2 bln or 4.5% annualised in the first nine months of 2015

## Customer lending, 9M15 (in EUR bln)



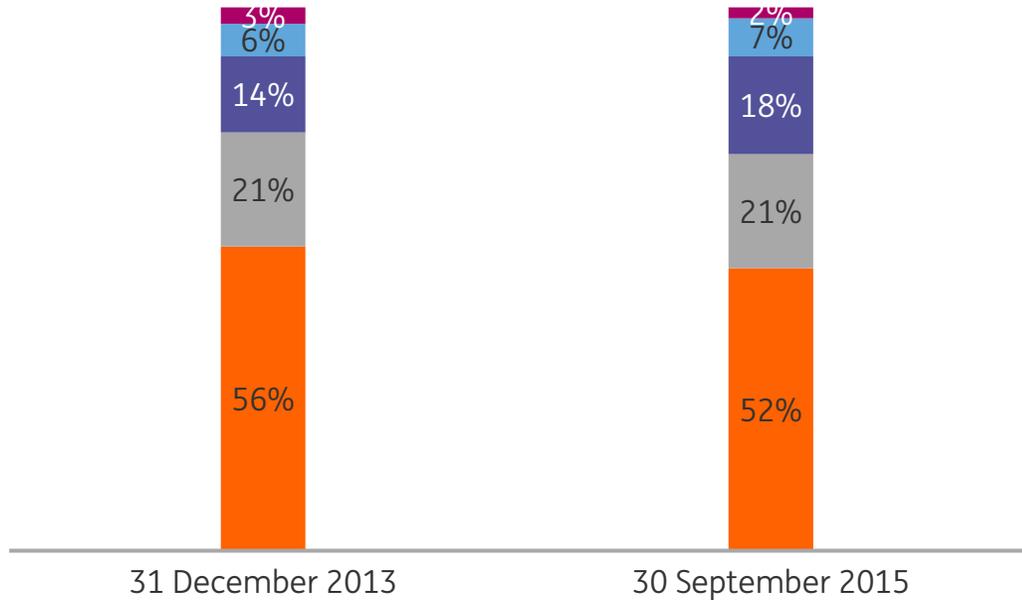
- Solid growth in Belgium, Germany, the Other Challengers & Growth Markets and CB Rest of the World
- Net production in the Netherlands was down due to lower retail business lending and high repayments on mortgages
- Core lending business grew by EUR 17.2 bln, of which Commercial Banking grew by EUR 9.1 bln and Retail Banking by EUR 8.4 bln

\* WUB run-off was EUR -1.5 bln and transfers to NN were EUR -1.1 bln in 9M15

\*\* Lease run-off was EUR -0.8 bln in 9M15; Other run-off /sales was EUR -1.7 bln in 9M15 and refers to Australian White Label mortgage portfolio that is in run-off and was partly sold in 1H15

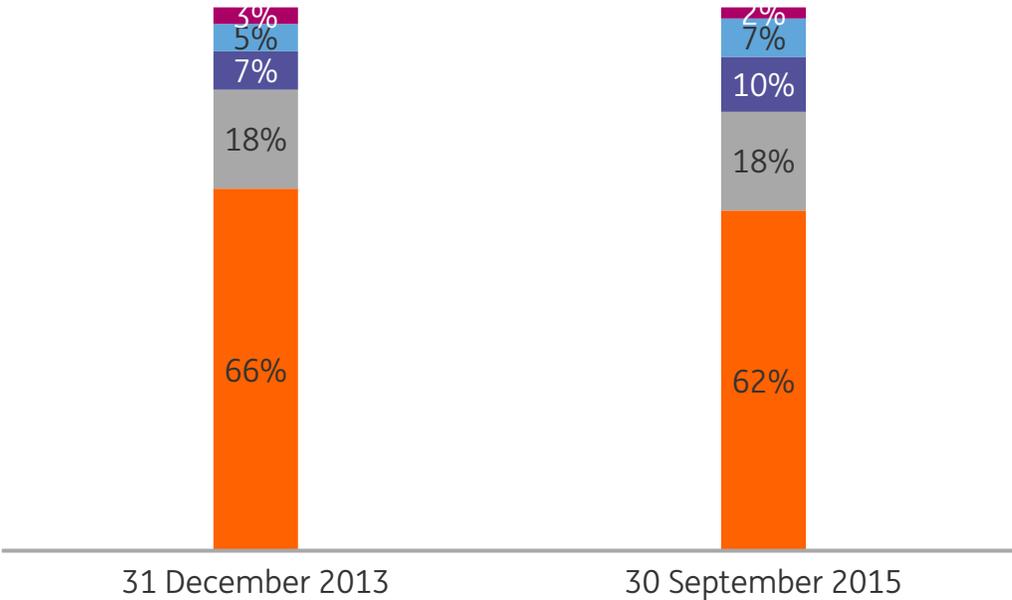
# Lending increasingly diversified with the proportion of mortgages declining

ING Bank (in %)



- Other CB lending
- General Lending & Transaction Services
- Industry Lending
- Consumer / SME / MC lending
- Mortgages

Challengers & Growth Markets (in %)



- Other CB lending
- General Lending & Transaction Services
- Industry Lending
- Consumer / SME / MC lending
- Mortgages

# On track to deliver on our Ambition 2017

ING Bank	2014	9M15	Ambition 2017	Guidance
<b>CET1 (CRD IV)</b>	11.4%	11.3%	>10%	<ul style="list-style-type: none"> <li>We will maintain a comfortable buffer above the minimum 10% to absorb regulatory changes and potential volatility</li> </ul>
<b>Leverage*</b>	4.1%	4.3%	~4%	
<b>C/I**</b>	55.1%	54.7%	50-53%	<ul style="list-style-type: none"> <li>Aim to reach 50-53% cost/income ratio in 2017. Over time, improve further towards the lower-end of the range</li> </ul>
<b>RoE (IFRS-EU equity)</b>	9.9%	11.6%	10-13%	
<b>Group dividend pay-out</b>	40% of 4Q Group net profit		≥40% of annual Group net profit	<ul style="list-style-type: none"> <li>Target dividend pay-out ≥40% of ING Group's annual net profit</li> <li>Interim and final dividend; final may be increased by additional capital return, subject to regulatory developments</li> </ul>

\* The leverage exposure of 4.3% at 30 September 2015 is calculated using the published IFRS-EU balance sheet, in which notional cash pooling activities are netted, plus off-balance sheet commitments. In January 2015, the EC formally adopted the Delegated Act for the leverage ratio. The pro-forma leverage ratio of ING Bank based on the Delegated Act, and with notional cash pooling grossed up, is 3.9%

\*\* Excluding CVA/DVA and redundancy costs. The reported cost/income ratio was 58.7% in 2014 and 53.6% in 9M15

# ING Bank asset quality

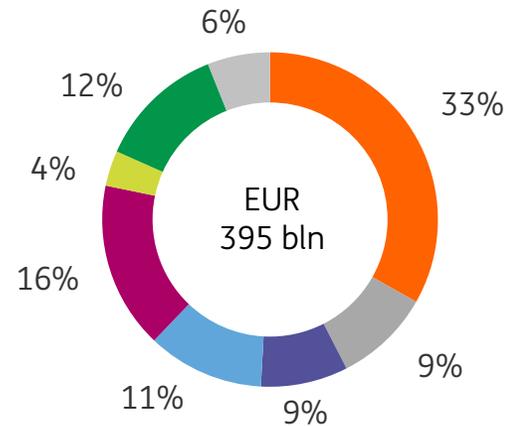
# Lending credit outstandings ING Bank are well diversified

ING Bank\* (in %)



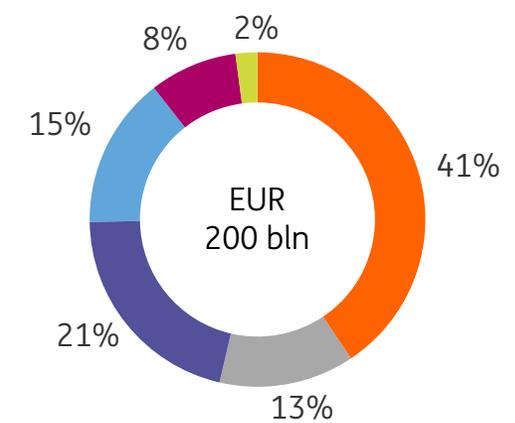
- Retail Banking
- Commercial Banking

Retail Banking\* (in %)



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

Commercial Banking\* (in %)



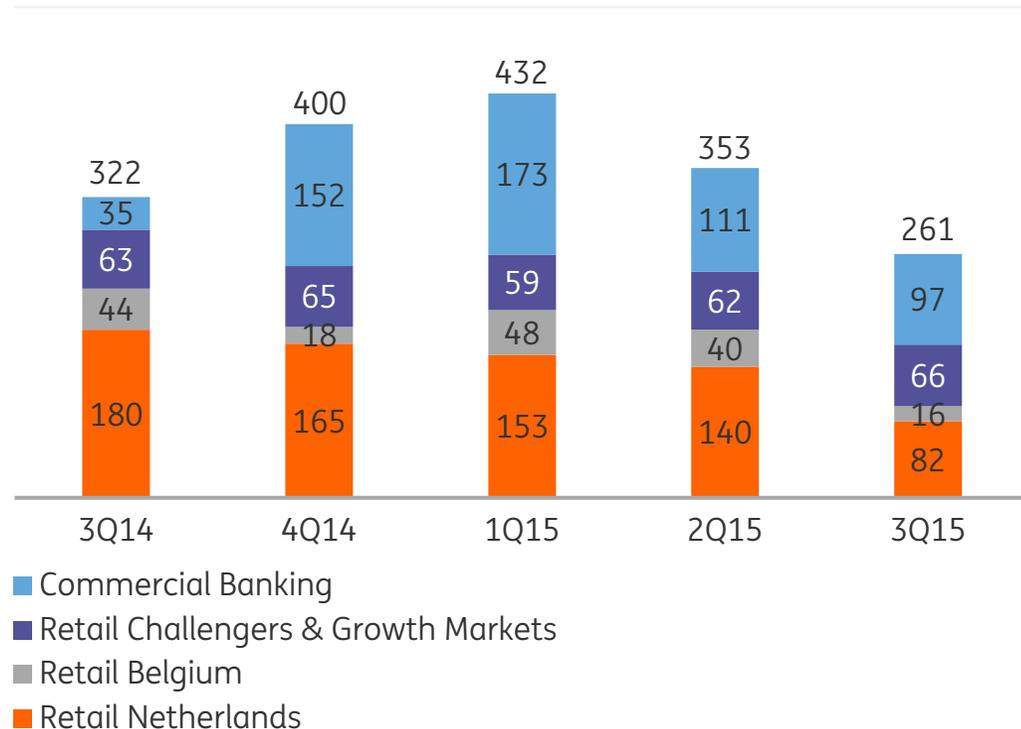
- Structured Finance
- Real Estate Finance
- General Lending
- Transaction Services
- FM, Bank Treasury, Real Estate & other
- General Lease run-off

- ING Bank has a well diversified and collateralized loan book with a strong focus on own-originated mortgages
- 66% of the portfolio is retail-based

\* 30 September 2015 lending and money market credit risk outstanding, including guarantees and letters of credit but excluding undrawn committed exposures (off-balance sheet positions)

# Risk costs down to EUR 261 mln or 34 bps of RWA and NPL ratio down to 2.6%

Risk costs (in EUR mln)



NPL ratio (in %)

	2Q15	3Q15
Retail Netherlands	3.4	3.2
Retail Belgium	3.3	3.3
Retail Challengers & Growth Markets	1.4	1.3
Commercial Banking	3.1	2.9
<b>Total</b>	<b>2.8</b>	<b>2.6</b>

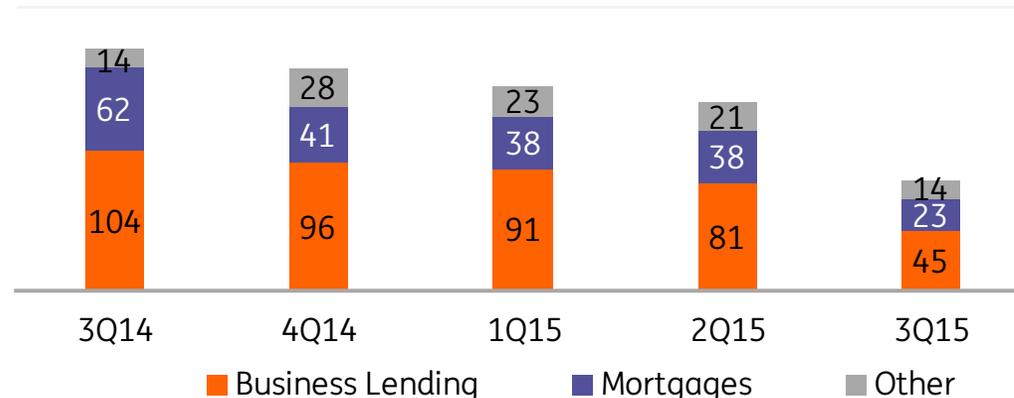
- Risk costs down from 3Q14 and 2Q15 to EUR 261 mln, or 34 bps of RWA, driven by both Retail Banking and Commercial Banking
- NPL ratio down to 2.6%, driven by both Retail Banking and Commercial Banking

# Risk costs and NPL ratio Retail Netherlands continued their downward trend, reflecting the economic recovery

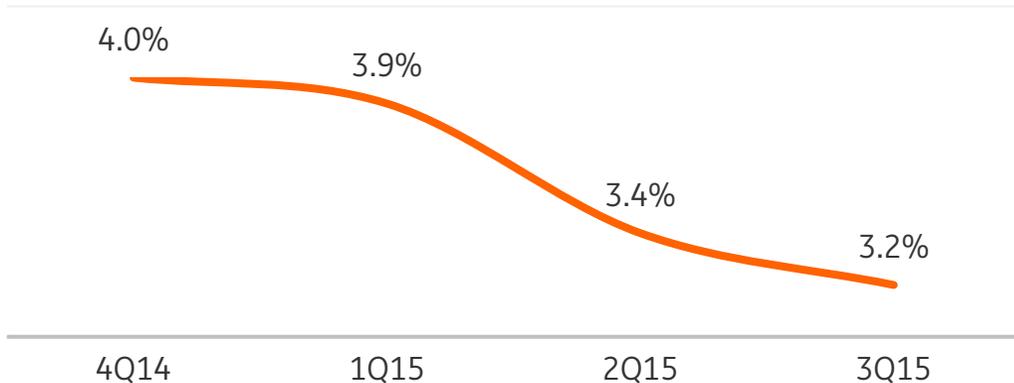
Risk costs Retail NL have come down from the peak in 2013 (in EUR mln)



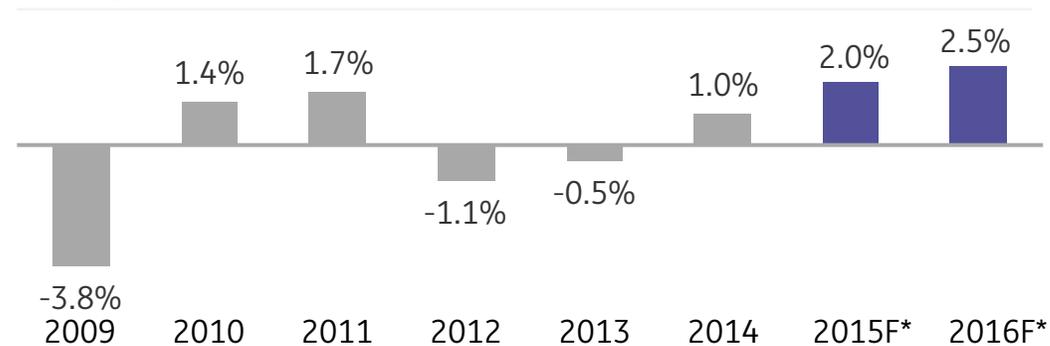
Risk costs decreased sharply to EUR 82 mln or 55 bps of RWA in 3Q15, driven by lower risk costs in all segments



NPL ratio down to 3.2% driven by all segments (in %)



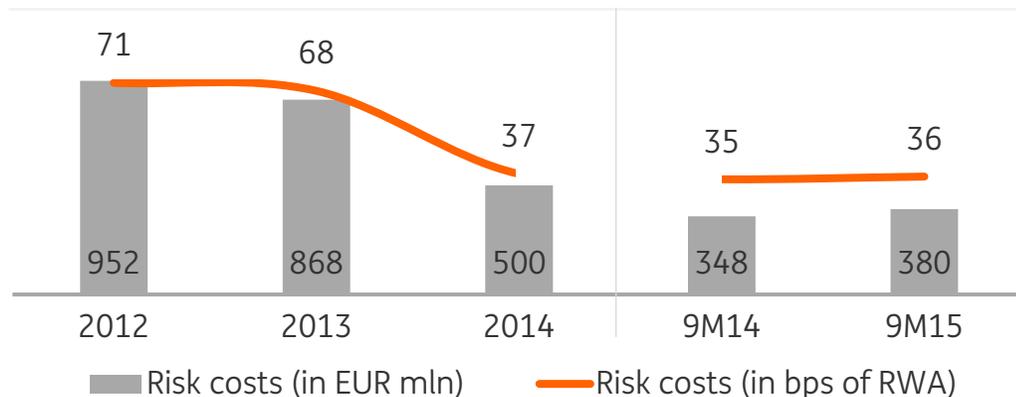
The Dutch economic recovery gains traction (GDP growth in %)



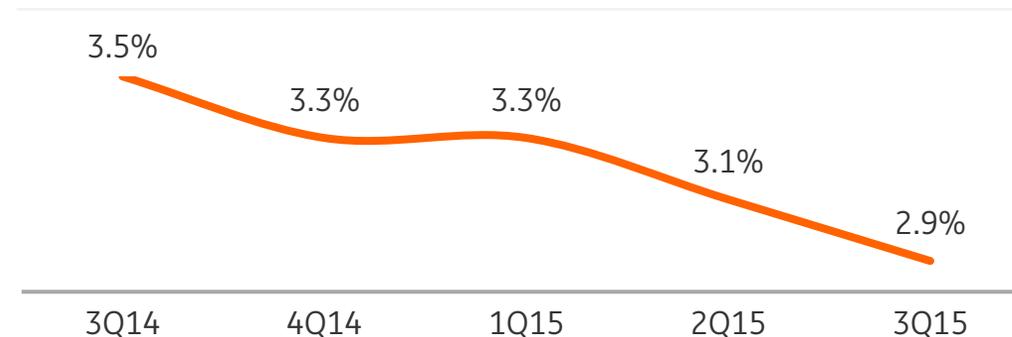
\* Forecast ING Economics Department

# Risk costs Commercial Banking declined to longer-term average, but can remain volatile quarter-on-quarter

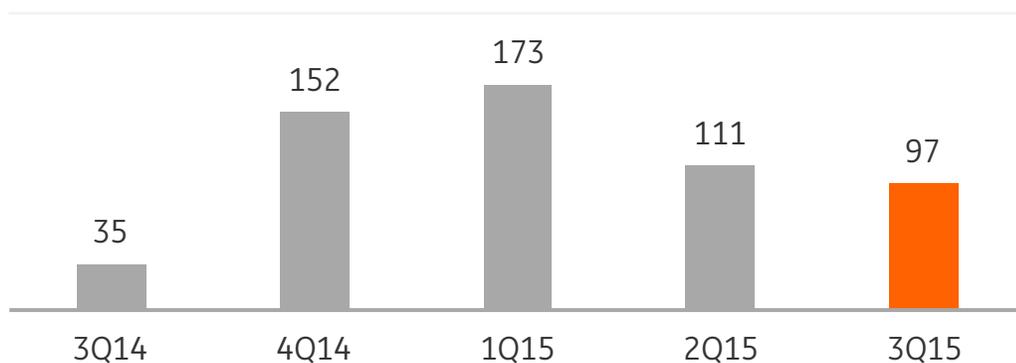
Risk costs Commercial Banking have come down to 36 bps in 9M15... (in EUR mln and in bps)



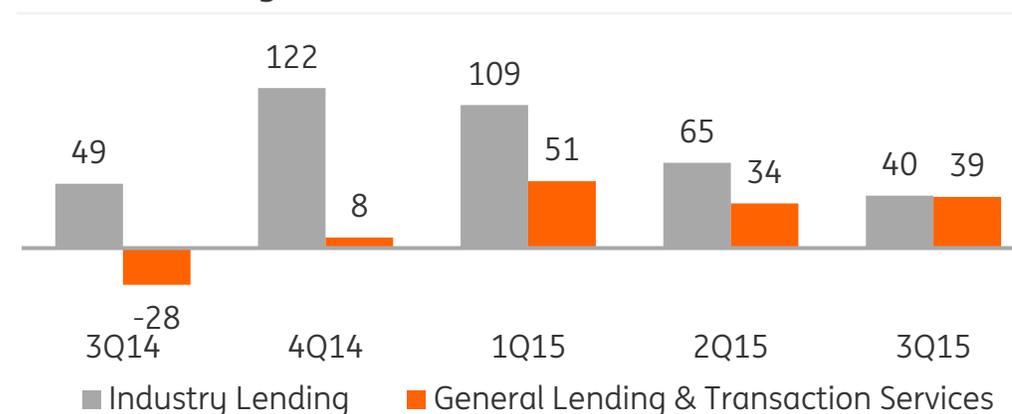
...supported by a decline in the NPL ratio (in %)



However, risk costs remain volatile per quarter... (in EUR mln)



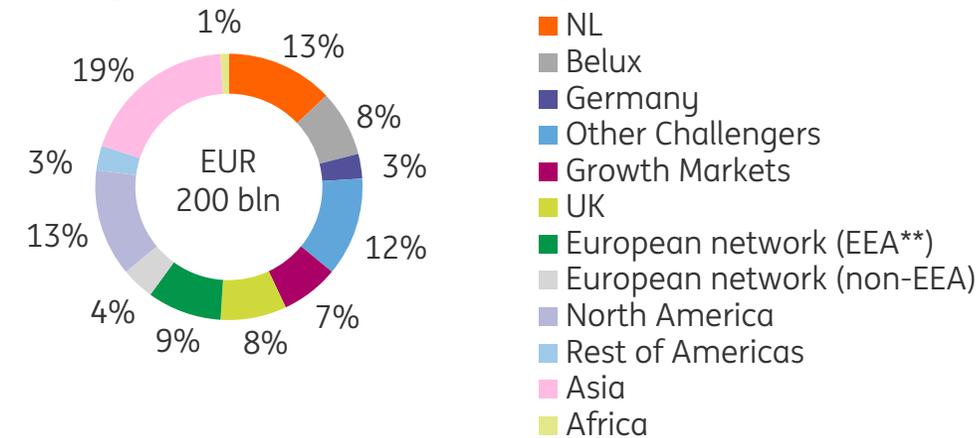
...in our lending business (in EUR mln)



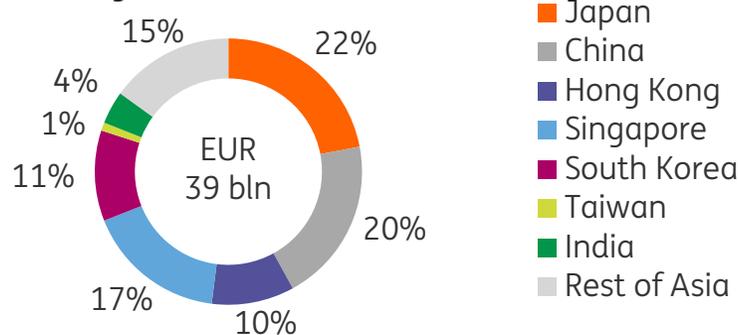
# Lending credit outstandings Commercial Banking well diversified by geography and...

## Loan portfolio is well diversified across geographies...

Lending Credit O/S Commercial Banking (3Q15)\*



Lending Credit O/S Asia (3Q15)



\* Data is based on country of residence

\*\* Member countries of the European Economic Area (EEA)

\*\*\* Excluding our stake in Bank of Beijing (EUR 2.1 bln at 30 September 2015)

## ...with the majority in developed countries

- Our business model is the same throughout our global CB franchise
- We focus on top-end corporates, including domestic blue chips and multinationals, and Financial Institutions
- We concentrate on sectors where we have proven expertise

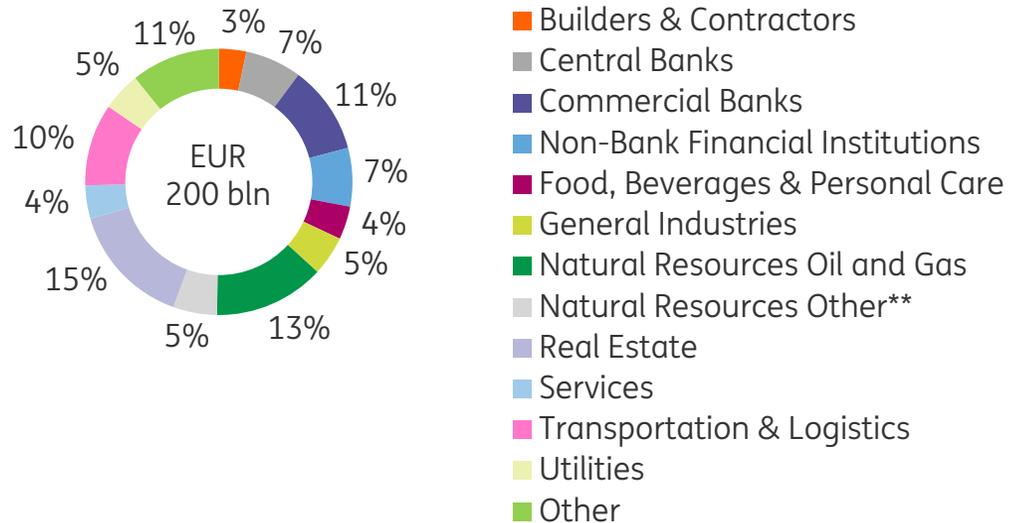
## The quality of our China portfolio is strong

- Commercial Banking lending credit outstanding to China was around EUR 8 bln at end 3Q15\*\*\*
- Around 45% of our exposure is short-term trade finance and the rest is to major state-owned companies, top-end corporates and Financial Institutions
- Our China lending exposure is relatively short-term, approximately 65% matures less than 1 year
- 74% is USD, 15% is RMB and 11% other

# ...well diversified by sector

## Loan portfolio is well diversified

Lending Credit O/S Commercial Banking (3Q15)\*



\* Lending credit O/S includes guarantees and letters of credit

\*\* Mainly metals and mining

\*\*\* Total oil & gas is 5% of ING Bank lending credit O/S of EUR 595 bln

## Loan portfolio is well diversified across sectors

- We concentrate on sectors where we have proven expertise, among which (top-end) Financial Institutions, oil & gas, (collateralised) real estate and transport & logistics

## Oil price risk is limited

- Oil & gas lending credit O/S was around EUR 27 bln in 3Q15, or 13% of Commercial Banking lending credit O/S\*\*\*
- 84% of oil & gas exposure, of which the majority is short-term self liquidating trade finance, is not directly exposed to oil price risk
- Around 16% of oil & gas exposure is somewhat exposed to oil price risk. Reserve Based Lending, which is potentially most vulnerable to oil price movements, has frequent resets

## Metals and mining

- Metals & mining lending credit O/S was around EUR 11 bln in 3Q15, or 6% of Commercial Banking lending credit O/S
- Around 30% is short-term self-liquidating trade finance
- Total portfolio is well diversified in terms of underlying commodities, type of exposures, structures and duration

# The quality of our Russian portfolio remains strong

## Exposure ING Bank to Russia (in EUR mln)

	3Q15	3Q14	Change 3Q-3Q	2Q15	Change 3Q-2Q
Total Lending Credit O/S	5,696	6,851	-1,155	5,842	-146
Other*	487	947	-460	691	-204
<b>Total outstanding</b>	<b>6,183</b>	<b>7,798</b>	<b>-1,615</b>	<b>6,534</b>	<b>-351</b>
Undrawn committed Facilities	673	1,141	-468	972	-299

Note: data is based on country of residence

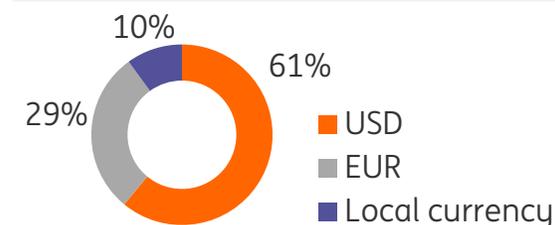
## NPL ratio and Coverage ratio Russia

	3Q15	3Q14	2Q15
NPL ratio	3%	2%	3%
Coverage ratio	17%	18%	16%

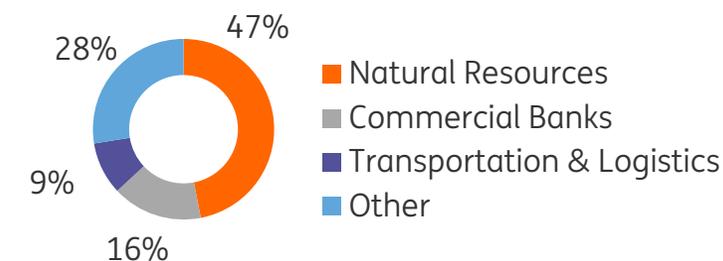
- Total outstanding to Russia has been reduced by EUR 1,615 mln from 3Q14 and EUR 351 mln from 2Q15
- The lending exposure to Russia covered by Export Credit Agencies (ECA) is approximately EUR 1 bln
- Focus on mitigated exposures; ECA-covered, pre-export facilities, offshore collateralized and shorter tenors
- The quality of the portfolio remains strong with the NPL ratio stable at 3%

\* Other includes Investments, trading exposure and pre-settlement

## Lending outstanding per currency



## Lending breakdown by Industry



# The quality of our Ukraine portfolio continues to be under pressure, but manageable

## Exposure ING Bank to Ukraine (in EUR mln)

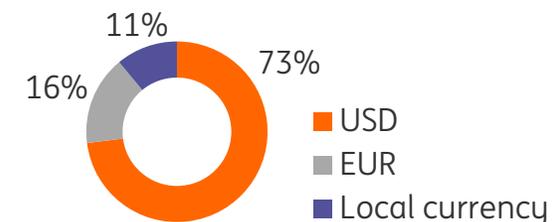
	3Q15	3Q14	Change 3Q-3Q	2Q15	Change 3Q-2Q
Total Lending Credit O/S	1,168	1,289	-121	1,252	-84
Other*	0	20	-20	5	-5
<b>Total outstanding</b>	<b>1,168</b>	<b>1,309</b>	<b>-141</b>	<b>1,257</b>	<b>-89</b>
Undrawn committed Facilities	116	89	27	37	79

Note: data is based on country of residence

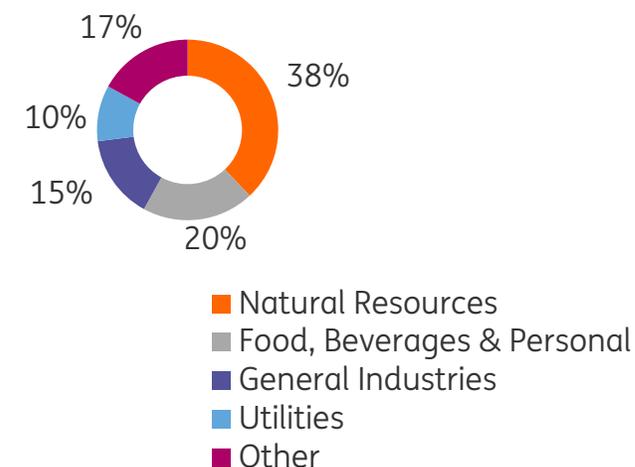
- Total outstanding to Ukraine amounted to EUR 1,168 mln in 3Q15
- The NPL ratio increased to 55% in 3Q15, reflecting the economic recession in Ukraine
- The coverage ratio increased to 57% in 3Q15 from 51% in 2Q15

\* Other includes Investments, trading exposure and pre-settlement

## Lending outstanding per currency



## Lending breakdown by Industry



# Exposure ING Bank to Oil & Gas Industry - oil price risk is limited

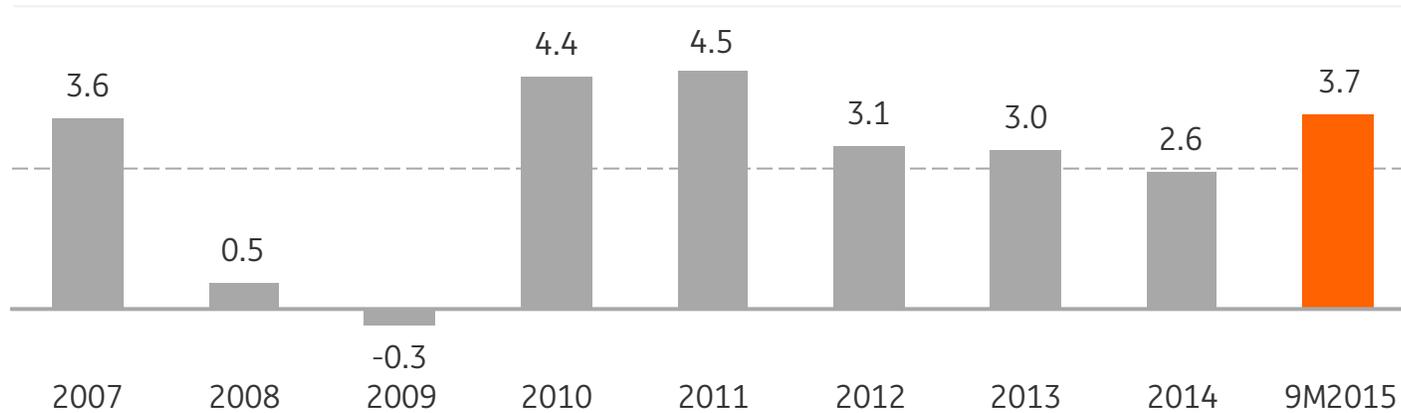
		Lending credit O/S	
<b>Trade and Commodity Finance</b>	• Trade-related exposure; short-term self-liquidating trade finance, generally for major trading companies, either pre-sold or price hedged, not exposing the Bank to oil price risk	43%	} <b>84% of lending is not directly exposed to oil price risk</b>
<b>Export Finance</b>	• ECA covered loans in oil & gas: typically 95-100% credit insured	6%	
<b>Corporate Lending</b>	• Corporate Loans in oil & gas sector: predominantly loans to investment grade integrated oil companies	19%	
<b>Midstream</b>	• E.g. pipelines, tank farms, LNG terminals, etc.: these assets typically generate revenues from long-term tariff based contracts, not affected by oil price movements	16%	
<b>Offshore Drilling Companies</b>	• Loans to finance drilling rigs, generally backed by 3-7 yr charter contracts and corporate guaranteed	4%	} <b>Somewhat exposed to oil price risk</b>
<b>Other Offshore Services Companies</b>	• Diversified portfolio of companies active in pipe laying, heavy lifting, subsea services, wind park installation, etc. Corporate guaranteed	3%	
<b>Reserve Based Lending</b>	• Financing based on borrower's oil & gas assets. Loans secured by reserves of oil & gas. Includes smaller independent oil & gas producers	9%	} <b>Exposed to oil price risk but other risk mitigants provide protection</b>
<b>Total Oil &amp; Gas related exposure</b>		EUR 27 bln	

- Total oil & gas exposure was EUR 27 bln in 3Q15, down from EUR 30 bln in 2Q15, mainly due to a reduction in Trade Finance, reflecting lower oil prices
- ING has stress tested the Reserve Based Lending portfolio. Based on the current oil price environment, we see limited risk of increased loan losses

# ING Bank capital, liquidity and funding

# We have generated a significant amount of capital

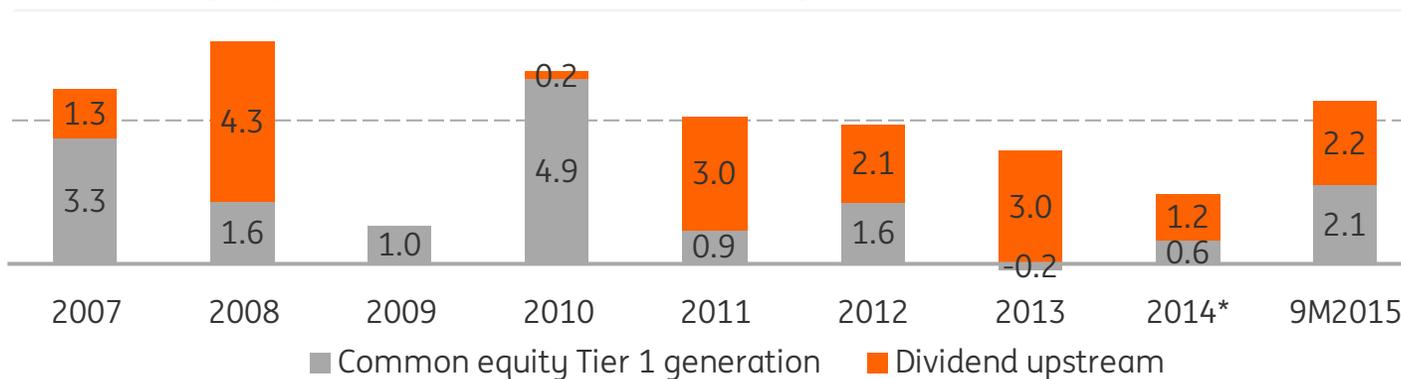
## Net profit (in EUR bln)



## A strong profitability track record

- ING Bank reported only one small loss in history
- Average annual profitability of EUR 2.7 billion in period 2007-2014, including during the years of financial crisis
- 2014 was affected by +/- EUR 0.8 billion negative special items (pension deal, SNS levy, partly offset by gain on deconsolidation Vysya)

## Common equity Tier 1 generation (in EUR bln, phased-in)



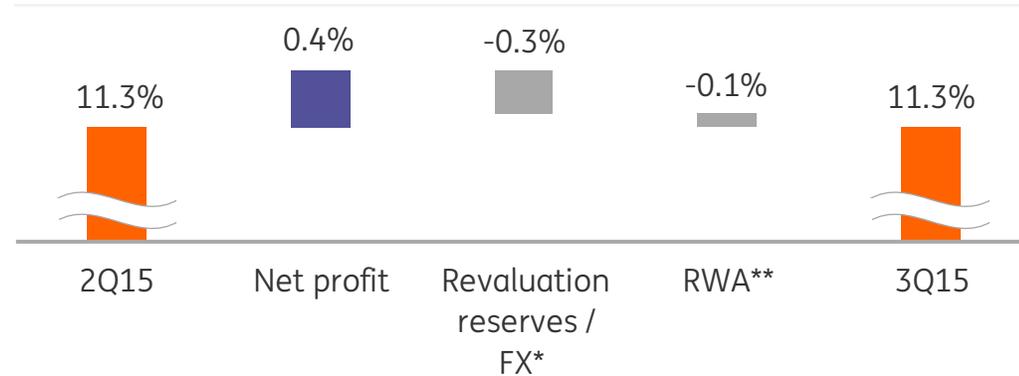
## Consistently generating capital

- Average annual capital generation EUR 3.6 billion in the period 2007-2014
- Allowing EUR 9.5 billion of dividend upstreams in the 2010-2014 period to support the Group restructuring

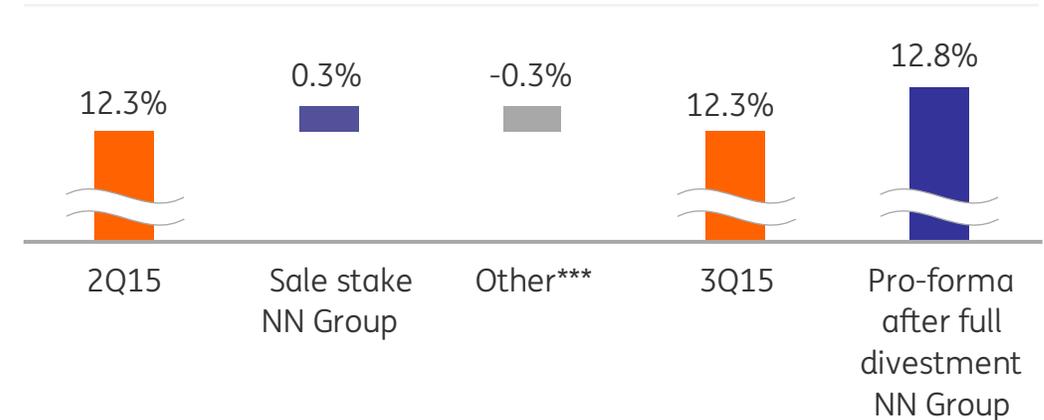
\* In 2014 change CET1 capital versus pro forma 2013 CRD IV

# Capital position remains strong

ING Bank fully-loaded CET 1 ratio stable at 11.3% (in %)



ING Group pro-forma fully-loaded CET1 ratio at 12.8% excl. net profit of EUR 2.2 bln not included in capital (in %)



- Bank CET 1 capital included a positive net profit impact of 36 bps in 3Q15, offset by the negative impact of a decline in the revaluation reserves and FX as well as an increase in RWA
- Group CET 1 capital remained stable at 12.3% as the further reduction of our stake in NN Group to 25.8% was offset by an increase in RWA and negative FX impact
- Similar to last quarter, ING has decided not to include any of the 3Q15 profit in Group CET 1 capital pending regulatory developments in advance of the Board's decision on the year-end dividend payment
- Pro-forma Group CET 1 capital ratio after full divestment of NN Group was 12.8% in 3Q15. Group capital ratio, including the EUR 2.2 bln profit\*\*\*\* not allocated to Group capital, was 13.5%

\* Impact revaluation reserves/FX of -27 bps includes capital and related RWA movements

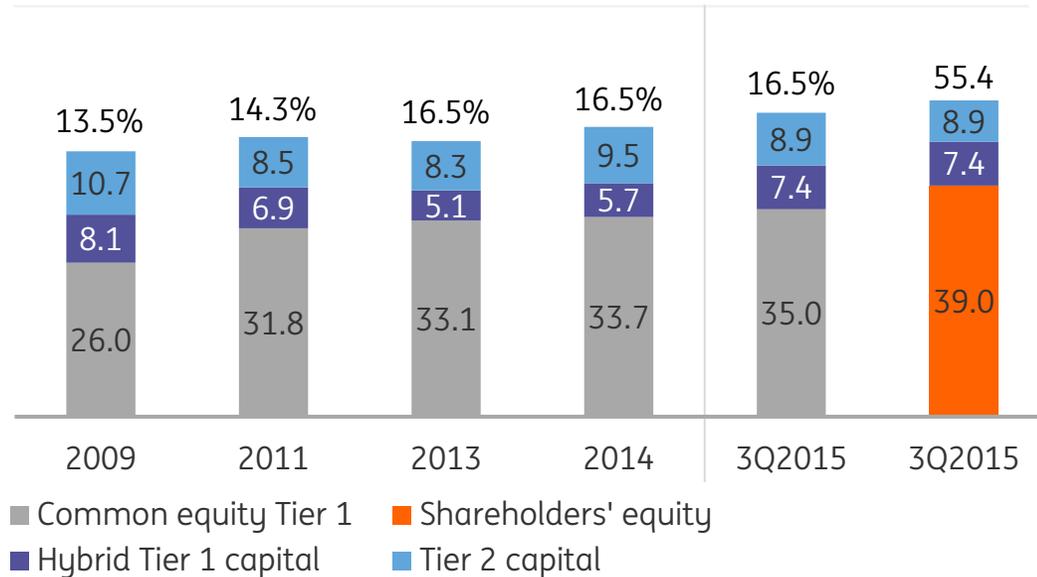
\*\* Impact RWA of -15 bps is excl. RWA impact revaluation reserves/FX

\*\*\* Other includes FX and RWA impact

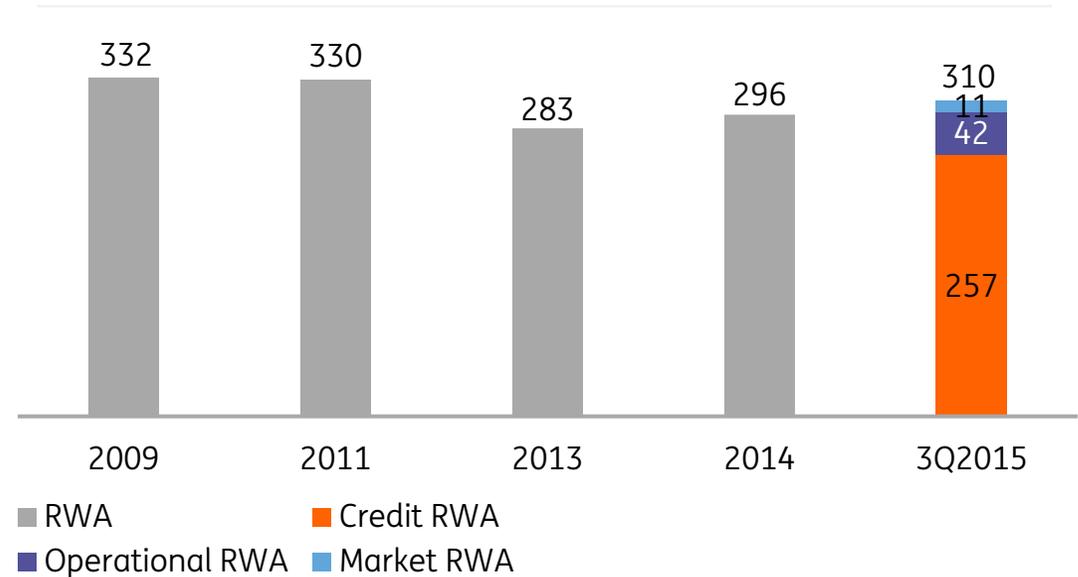
\*\*\*\* EUR 3.1 bln of the net profit in the first nine months of 2015 not allocated to Group capital minus interim dividend paid of EUR 0.9 bln

# ING Bank has a sizeable capital buffer

Total capital (in EUR bln)\*



ING Bank total Risk Weighted Assets (in EUR bln)

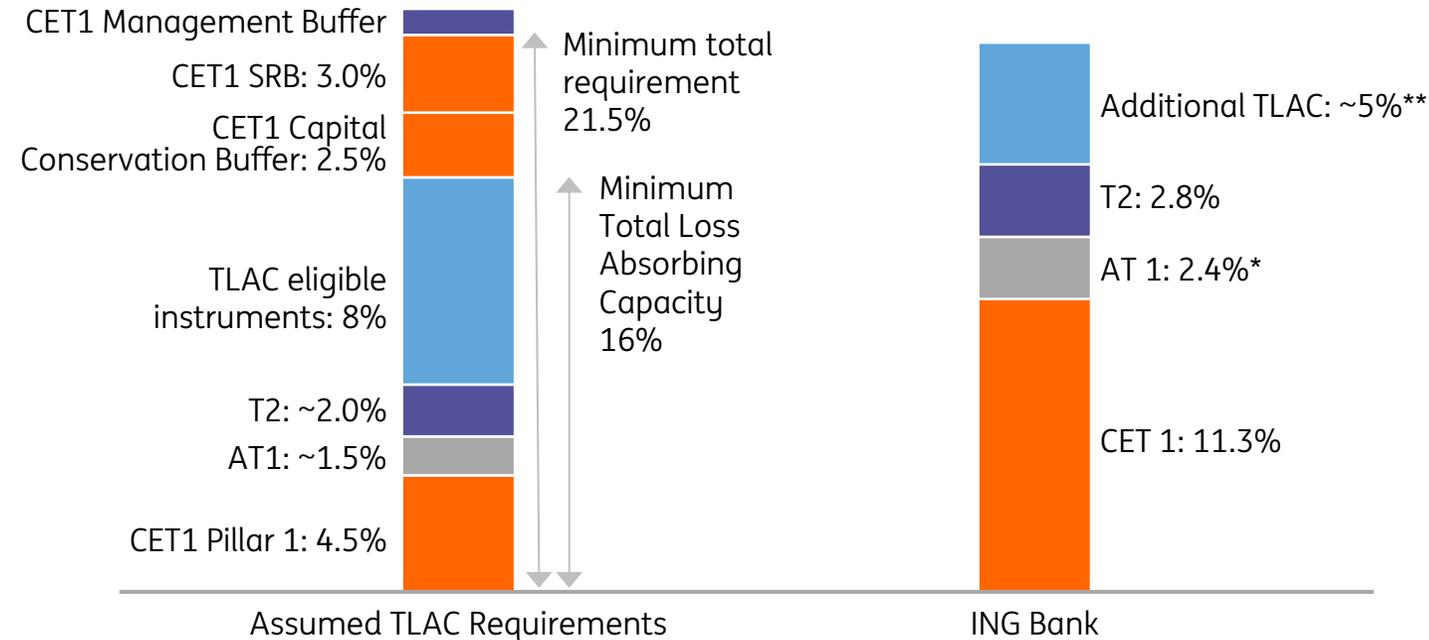


- ING Bank's total capital amounted to EUR 55 bln, or 6.5% of total balance sheet, at 30 September 2015
- The total capital ratio at 16.5% as per 30 September 2015 is stable as compared to previous years
- RWA increased with EUR 14 billion in 9M2015 driven by volume growth, higher operational RWA and currency impacts

\* 2009-2013 are Basel II figures. As from 2014 figures are CRD IV fully-loaded.

# ING has flexibility to comply with expected TLAC requirements\*

## Possible TLAC requirements (3Q15, fully loaded, in %)



## The Financial Stability Board's TLAC proposals

- TLAC proposals not yet final. Finalisation expected in November 2015
- Assuming TLAC requirements at 21.5% (including buffers), ING is well placed to meet requirements

## TLAC versus funding needs

- ING Bank has EUR 59 billion of long-term professional funding maturing until the end of 2019
- Given the amount of long-term debt maturing, ING has ample flexibility to comply with expected TLAC requirements including a potential allowance of 2.5% for senior debt

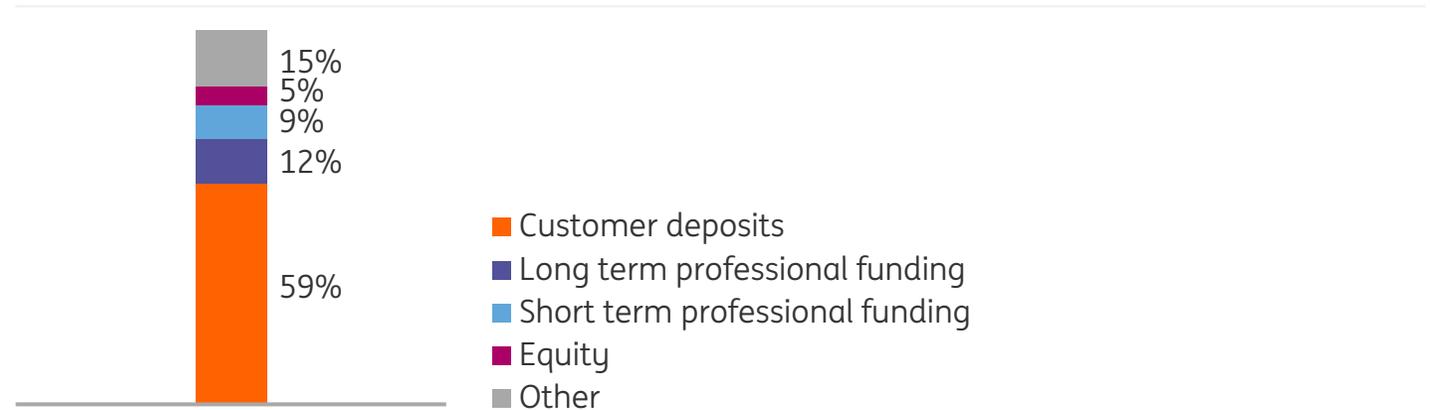
\* Grandfathered loans will be replaced by CRD IV compliant hybrids in the coming years. TLAC proposals are still subject to change  
 \*\* Senior debt as a percentage of RWAs of 2.5% may be allowable for bail-in purposes

# Deposits are the primary source of funding

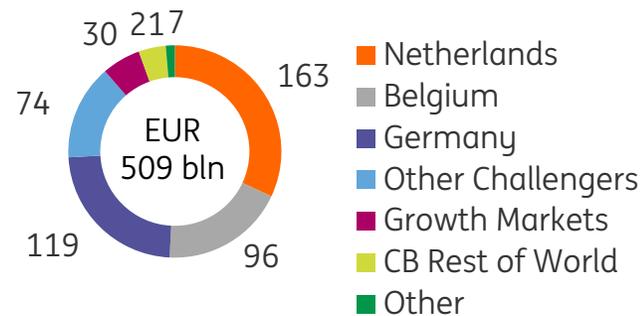
## Attractive funding profile

- 59% of the balance sheet is funded by customer deposits
- 85% of customer deposits is retail based
- Attractive Loan-to-Deposit ratio of 1.03 as per 30 September 2015

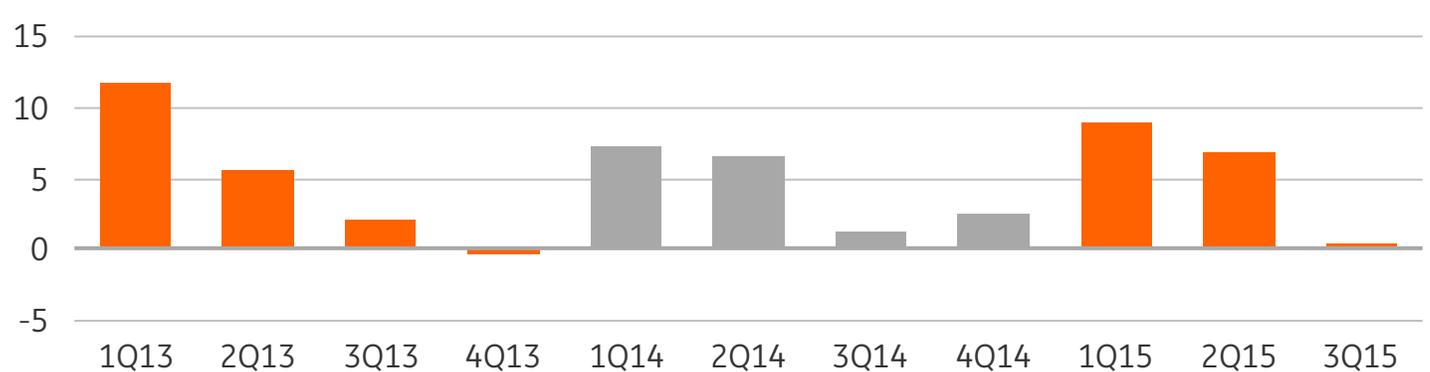
## Total liabilities (30 September 2015, in %)



## ING Bank total customer deposits 30 September 2015 (EUR bln)

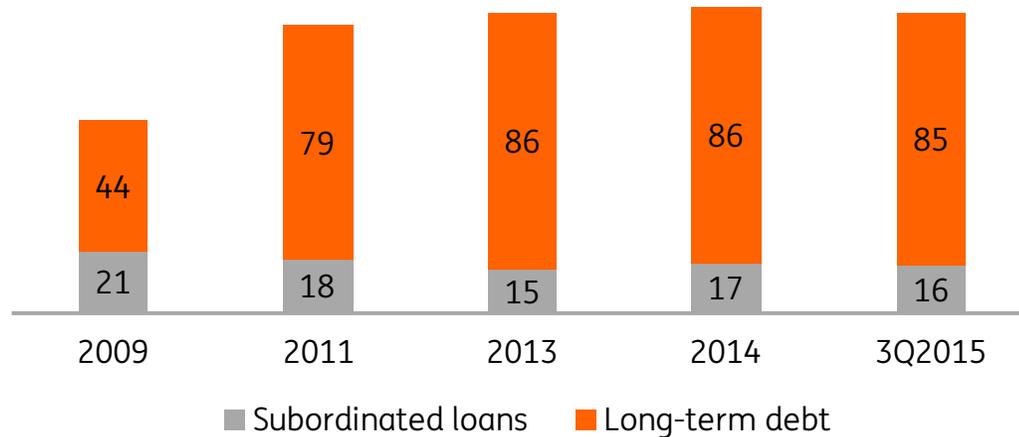


## Retail Banking net production customer deposits (in EUR bln, excluding Bank Treasury)

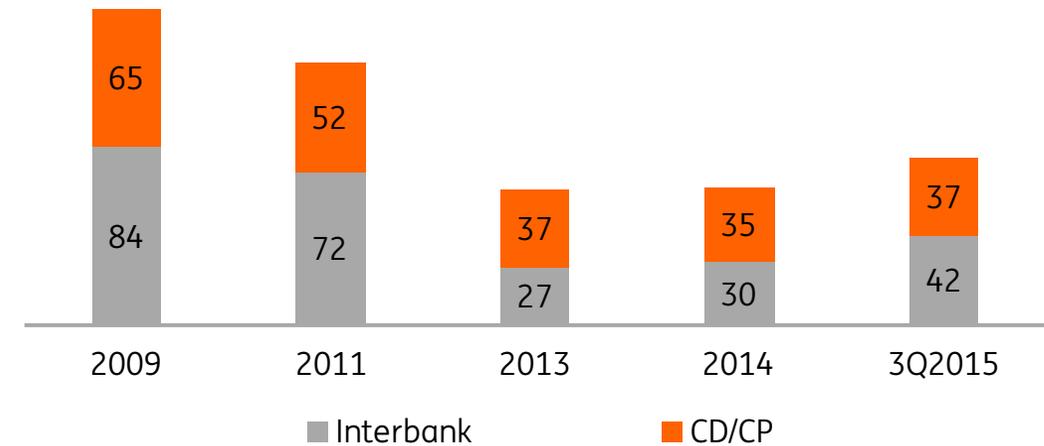


# Long-term debt issuance has increased over time

Long-term funding increased (in EUR bln)



Short-term professional funding reduced (in EUR bln)



## ING Bank NV ratings

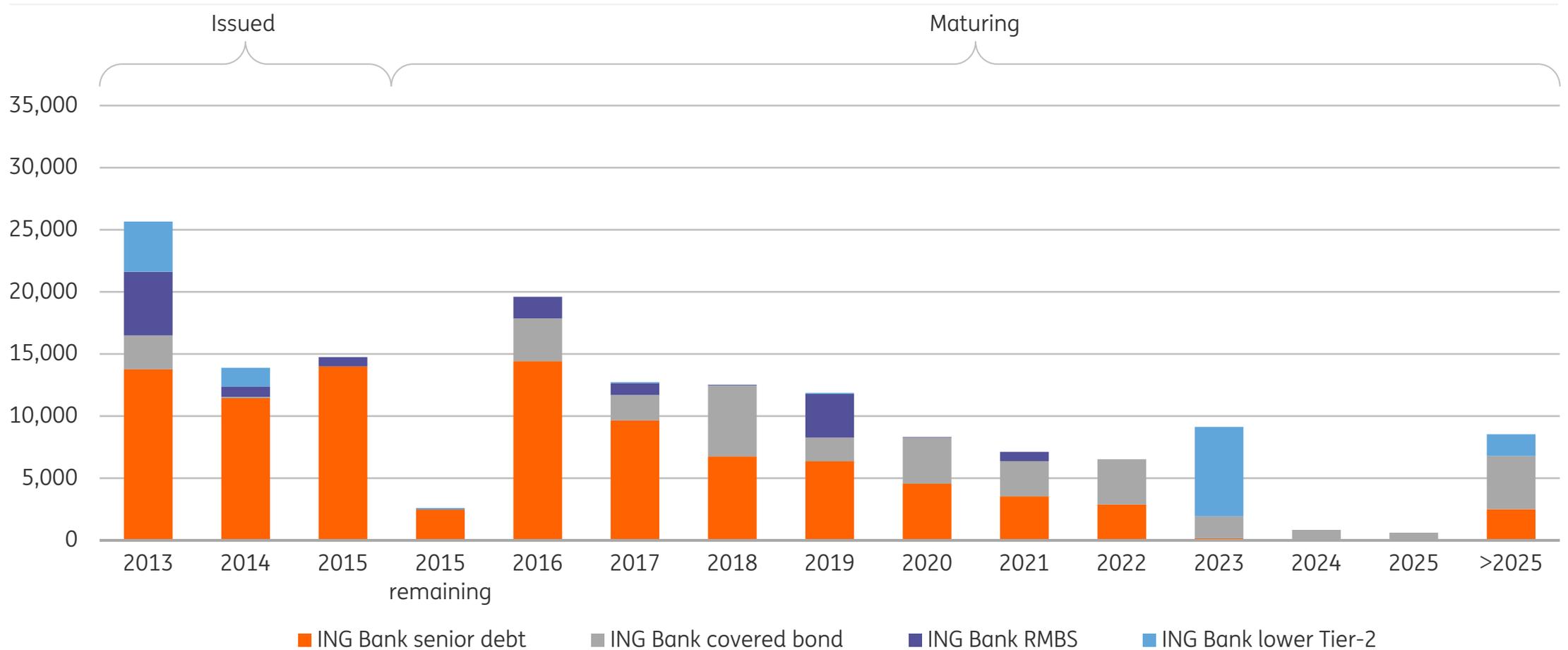
	Long term rating	Outlook	Short term rating
S&P	A	Stable	A-1
Moody's	A1	Stable	P-1
Fitch	A	Stable	F1+

## ING Bank N.V. covered bond programme

- ING Bank has a EUR 35 billion Mixed Covered Bond Programme and a EUR 5 billion Soft Bullet Covered Bond Programme, both AAA and legislative covered bonds
- The programmes have respectively EUR 27.3 billion and EUR 3 billion outstanding as per 3Q15
- The weighted average indexed LTVs as per 3Q15 are respectively 79.7% and 80.6%

# ING Bank has modest long-term funding needs

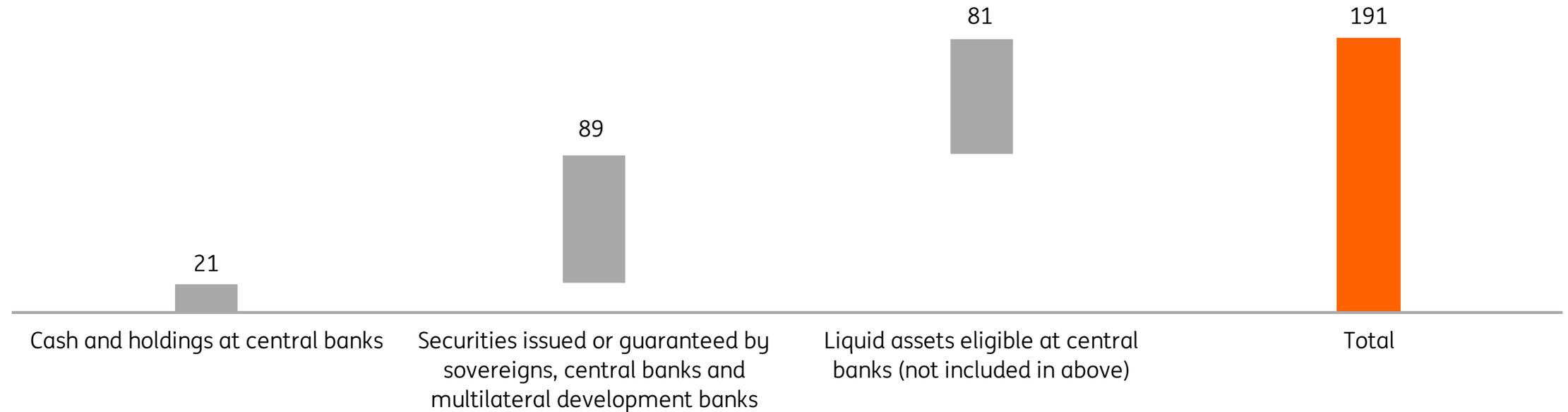
Maturity ladder outstanding long-term debt (in EUR million)



\* Figures shown for issued senior bonds are included with a tenor  $\geq 1$  year

# ING Bank has a sizeable liquidity buffer

ING Bank liquidity buffer 30 September 2015 (in EUR bln)



## A sizeable liquidity buffer

- ING Bank has a sizeable liquidity buffer of EUR 191 billion
- This compares favourably to a balance sheet of EUR 858 billion
- LCR is > 100%, already meeting CRR/CRD IV requirements

# Wrap up

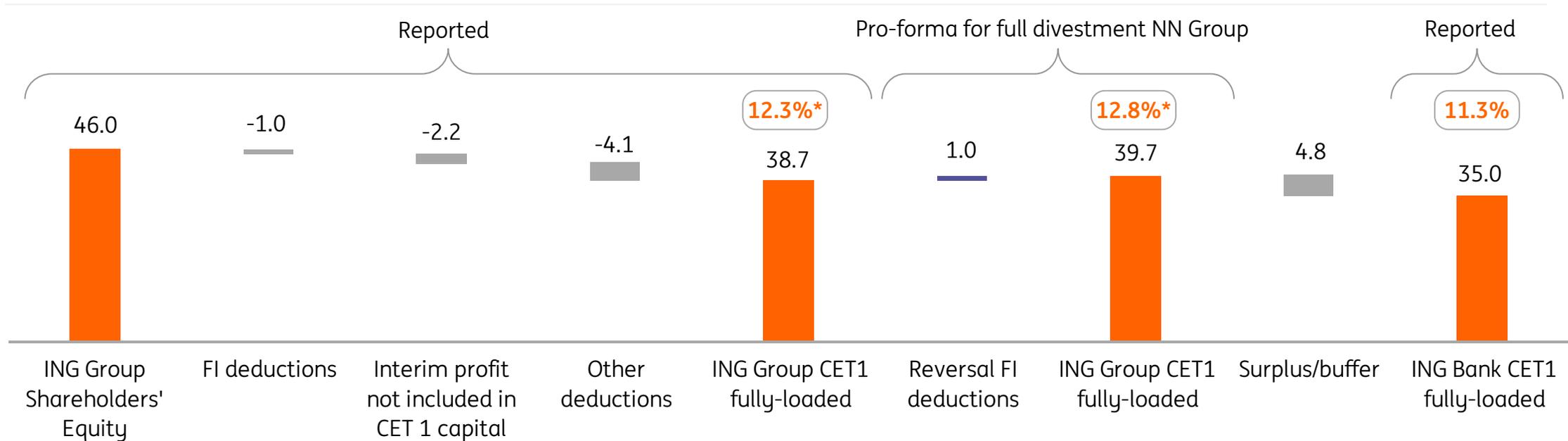
# Key points

- Strong capital position: ING well placed to absorb regulatory impacts and to deliver attractive capital return
  - Fully-loaded CET 1 ratios: ING Bank stable at 11.3%; ING Group unchanged at 12.3%, despite EUR 2.2 bln profit not included in capital
  - Further sell-down of shares in NN Group in September reduces stake to 25.8%; on track to achieve full exit in 2016
- ING Bank's underlying net profit EUR 3,397 mln in 9M15
  - 9M15 results rose 18.1% from 9M14, driven by growth in core lending, as well as lower risk costs
  - Underlying return on IFRS-EU equity of 11.6% in 9M15, or 11.0% excluding CVA/DVA, in line with Ambition 2017 target range
- Asset quality: ING has a strong credit profile
  - ING Bank has a well diversified and collateralized loan book with a strong focus on own originated mortgages
  - Lending credit outstandings in Commercial Banking are well diversified by geography and by sector
  - Risk costs declined on the back of the economic recovery to EUR 261 mln in 3Q15, or 34 bps of average RWA
- Bank total capital and liquidity & funding position remain strong
  - The Bank has a sizeable capital buffer; ING has flexibility to comply with expected TLAC requirements
  - Large part of the balance sheet is funded with stable retail based customer deposits and ING has a sizeable liquidity buffer
  - Long-term funding has increased substantially overtime and ING Bank has modest long-term funding needs going forward

# Appendix

# Group CET1 in excess of Bank

Fully-loaded common equity Tier 1 capital (in EUR bln and in %)



- We have not included any of the 3Q15 profits in Group regulatory capital pending regulatory developments in advance of the Board's decision on the year-end dividend payment
- The interim profit of EUR 2.2 bln not included in CET 1 capital comprises EUR 708 mln, representing 40% of 1Q15 Group net profit, the full 2Q15 profit of EUR 1,359 mln and the full 3Q15 profit of EUR 1,064 mln minus the interim dividend paid of EUR 929 mln
- The surplus/buffer, including EUR 2.2 bln profit not included in Group capital, amounted to EUR 7.0 bln

\* ING Group fully-loaded CET1 ratio in 3Q15 is based on RWA of EUR 313.8 bln; Pro-forma Group fully-loaded is based on RWA of EUR 311.0 bln

# Bank CET1 capital negatively impacted in 3Q15 by a reduction in the revaluation reserves and FX

## Bank CET1 fully loaded ratio development during 3Q15 (amounts in EUR bln)

	Capital	RWA	Ratio	Change
<b>Actuals June 2015</b>	<b>35.2</b>	<b>309.8</b>	<b>11.3%</b>	
Net profit	1.1			0.36%
Revaluation reserves*	-0.8	-1.9		-0.18%
FX**	-0.5	-1.8		-0.09%
RWA***		4.2		-0.15%
<b>Actuals September 2015</b>	<b>35.0</b>	<b>310.3</b>	<b>11.3%</b>	<b>-0.07%</b>

## Share price Bank of Beijing (in EUR)



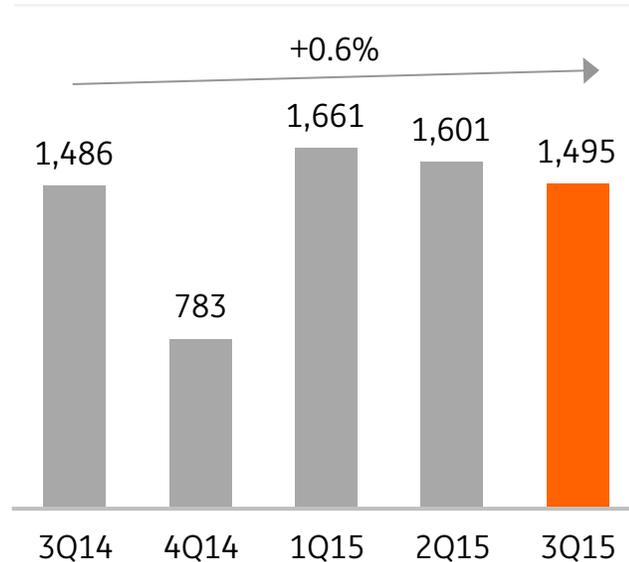
\* Reduction revaluation reserves (impact of -0.18%) primarily compromising lower valuation Bank of Beijing (impact of -0.16%)

\*\* FX impact to a large extent impacted by the weakening of the Turkish Lira

\*\*\* Increase RWA reflects higher operational RWA, volume growth and model refinements

# Solid third quarter results

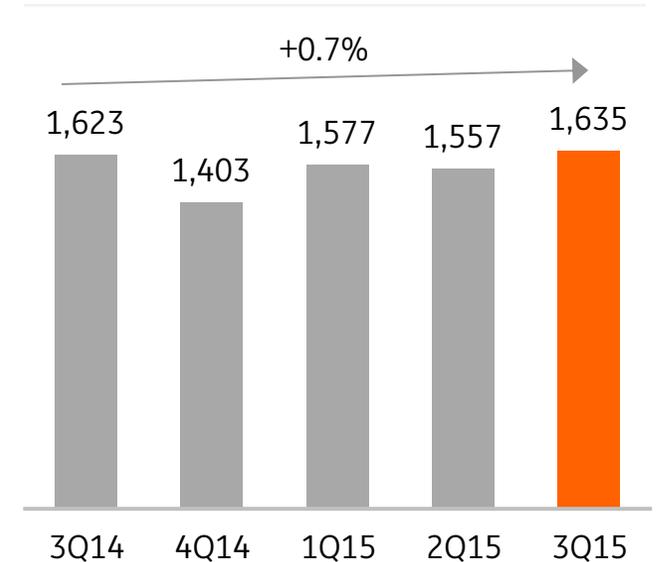
Underlying pre-tax result ING Bank  
(in EUR mln)



Volatile items (in EUR mln)

	3Q14	4Q14	1Q15	2Q15	3Q15
<b>CVA/DVA</b>	-69	-80	-1	208	40
<b>Capital gains/losses</b>	13	21	112	17	-64
<b>Hedge ineffectiveness</b>	-17	-26	103	4	-27
<b>Redundancy provisions</b>	-24	-375	0	0	0
<b>Regulatory costs*</b>	-47	-182	-174	-61	-105
<b>Mortgage refinancings**</b>	7	22	44	-124	16
<b>Total</b>	<b>-137</b>	<b>-620</b>	<b>84</b>	<b>44</b>	<b>-140</b>

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



- In recent quarters, the results were impacted by volatile items such as CVA/DVA, capital gains, hedge ineffectiveness, redundancy provisions, regulatory expenses and mortgage refinancings
- Pre-tax result, excl. these volatile items, increased 0.7% from 3Q14 and 5.0% from 2Q15
  - Income up slightly, driven by higher net interest result
  - Risk costs declined to EUR 261 mln, or 34 bps of average RWA

\* Bank levies, deposits guarantee scheme (DGS) and National Resolution Fund (NRF)

\*\* Impact mortgage refinancings (prepayments/negotiations) in Italy, Belgium and the Netherlands

# We further reduced client savings rates in 3Q15 and 4Q15 to align with record low interest rates

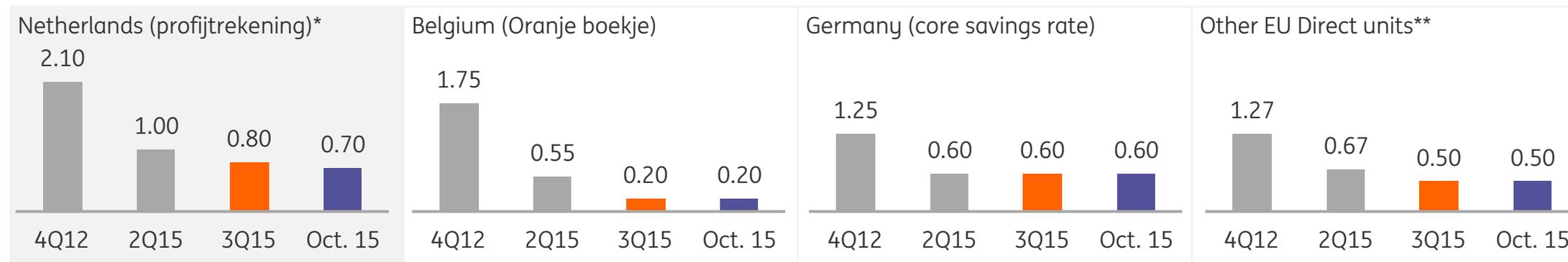
Retail customer deposits, breakdown by business segment (in %, 3Q15)



## Further scope to protect NIM in most countries

- In the third quarter, we reduced savings rates in the Netherlands, Belgium and Italy
- ING further reduced client savings rates in October 2015 in the Netherlands
- We will continue to review our client rate proposition given the low interest rate environment, though Belgium is now approaching the minimum

## We have further scope to reduce rates in the Netherlands and Germany

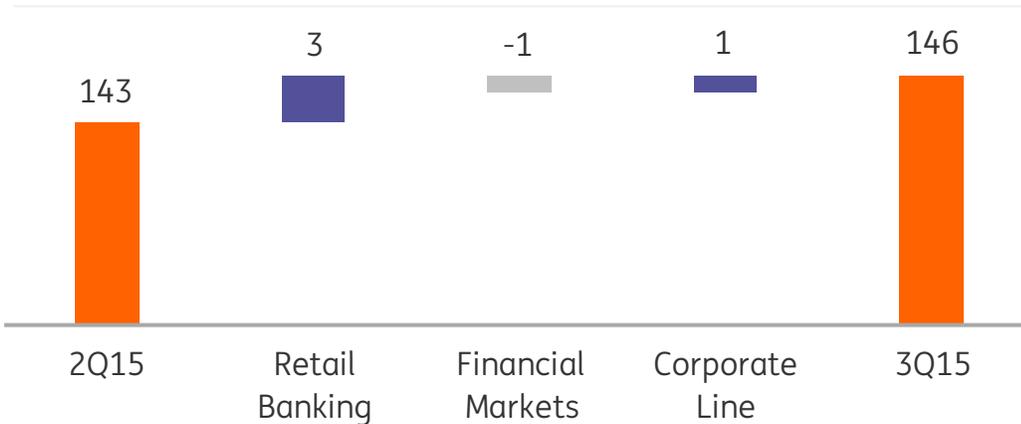


\* Rate for savings up to EUR 25,000 is 70 bps, for savings between EUR 25,000-75,000 is 80 bps and for savings higher than EUR 75,000 is 100 bps

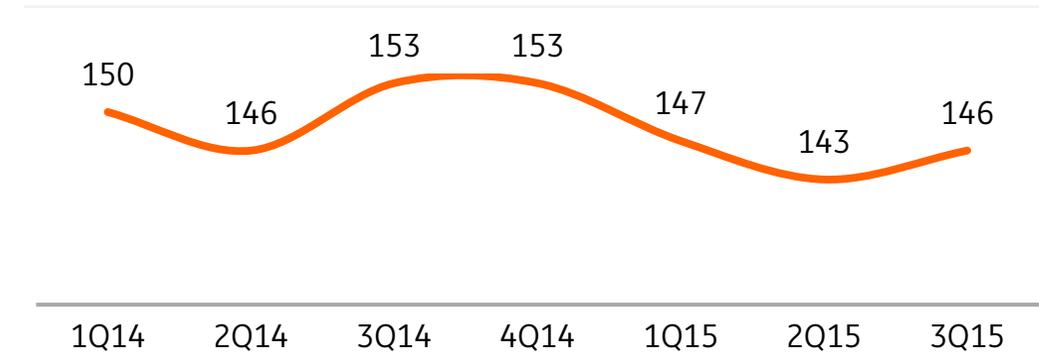
\*\* Unweighted average core savings rates France, Italy and Spain

# Net interest margin up from 2Q15

## Net interest margin up from 2Q15



Volatility in net interest margin, largely reflects volatility of interest results in Financial Markets (in bps)

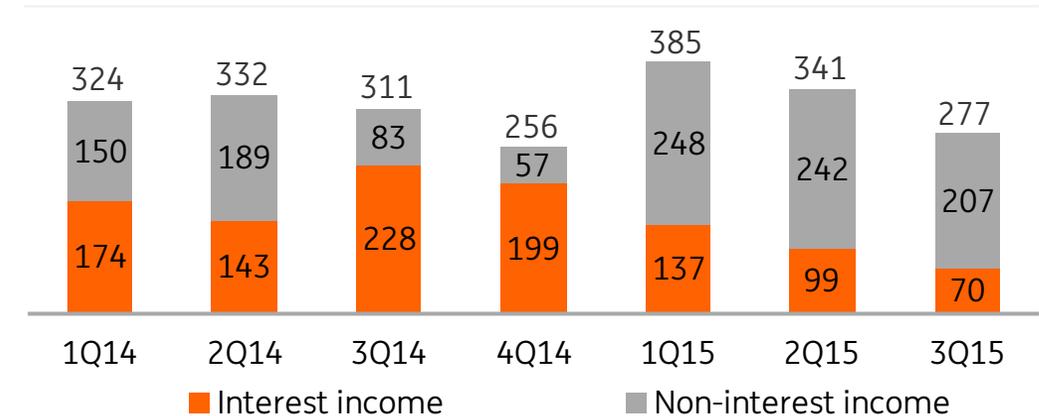


## Net interest margin up from 2Q15, down from 3Q14

- Interest margin up from 2Q15 by 3 bps, driven by Retail Germany and Retail Other Challengers & Growth Markets
- Interest margin down by 7 bps from 3Q14, entirely due to lower interest results from Financial Markets
- Savings margins up from 2Q15 and 3Q14, reflecting the reduction in client savings rates in several countries, offset by lower margins on current accounts
- Lending margins slightly down from 2Q15, but stable from 3Q14

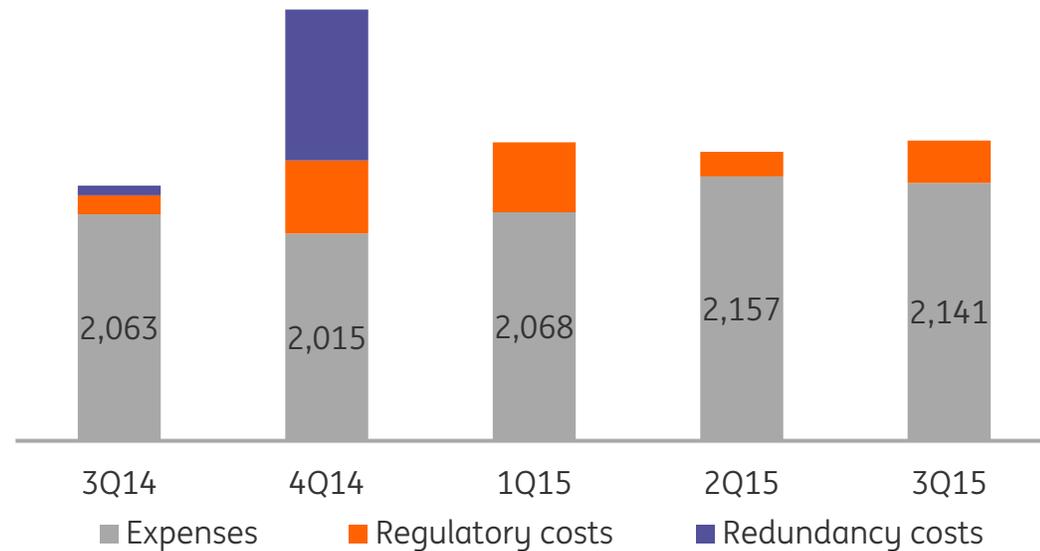
\* Excl. CVA/DVA

## Underlying income Financial Markets\* (in EUR mln)

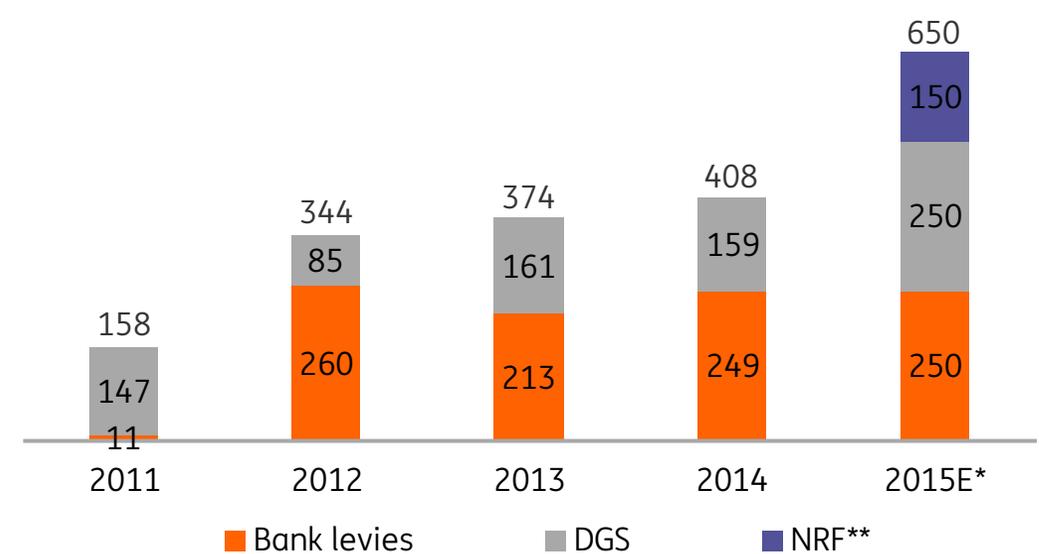


# We remain disciplined on expenses, but regulatory costs weigh increasingly heavily on the cost base

Underlying operating expenses (in EUR mln)



Regulatory costs (in EUR mln)



- Adjusted for regulatory costs and redundancy costs, expenses increased by 3.8% from 3Q14 and decreased 0.7% from 2Q15
  - 3.8% increase from 3Q14 due to Retail Netherlands, reflecting additional IT expenses, and Commercial Banking, reflecting investments in future growth
  - 0.7% decrease from 2Q15 is driven by lower costs in Commercial Banking and Retail Turkey
- The first nine months of this year included EUR 340 mln of regulatory costs versus EUR 226 mln in 2014. Total regulatory costs are expected to be around EUR 650 mln this year and are expected to increase further to around EUR 800 mln in 2016

\* 2015 are estimates and subject to change  
 \*\* National Resolution Fund (NRF)

# Important legal information

ING Group's Annual Accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU').

In preparing the financial information in this document, the same accounting principles are applied as in the 2014 ING Group Annual Accounts. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in ING's core markets, (2) changes in performance of financial markets, including developing markets, (3) consequences of a potential (partial) break-up of the euro, (4) ING's implementation of the restructuring plan as agreed with the European Commission, (5) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness, (6) changes affecting interest rate levels, (7) changes affecting currency exchange rates, (8) changes in investor and customer behaviour, (9) changes in general competitive factors, (10) changes in laws and regulations, (11) changes in the policies of governments and/or regulatory authorities, (12) conclusions with regard to purchase accounting assumptions and methodologies, (13) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (14) changes in credit ratings, (15) ING's ability to achieve projected operational synergies and (16) the other risks and uncertainties detailed in the Risk Factors section contained in the most recent annual report of ING Group N.V. Any forward-looking statements made by or on behalf of ING speak only as of the date they are made, and, ING assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason.

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