

ING BELGIUM FULL-YEAR RESULTS 2018¹

In 2018, ING achieved strong **financial and business results** thanks to the **commitment of its people**. As an important step in the transformation towards one integrated bank, the new business model was installed over the course of 2018.

Next to the **transformation efforts**, ING managed to grow its franchise further. Increased **lending and deposit volumes** were key in countering the **continued pressure of low interest rate environment** on ING's results before tax.

Financial Results

- € 948 million underlying result before tax delivering Return on Equity of 10.6%²
- Results benefitted from a € 66³ million gain on an equity-linked bond transaction
- Lending⁴ at € 103.4 billion, an increase of 6.4% or € 6.2 billion compared to 2017
- Deposits at € 101.3 billion, an increase of 2.6% or € 2.5 billion compared to 2017
- Continued margin pressure on savings and current accounts as a result of the low interest rate environment and lower demand for retail investment products
- Balance sheet position remains strong, with capital and liquidity buffers well above regulatory requirements
- Operating expenses show decreasing trend while investing in the transformation

Commercial Results⁵

- Net increase of 123,000 ING Lion Accounts or +25.0%
- Net increase of 432,000 active customers or +17.4%
- Net increase of 179,000 primary customers or +14.3%
- Net increase of 285,000 new active mobile users or +36.2% with a record total of over 1 million

Building a Sustainable Business Model

- New business model installed
- Uniting BE + NL
- Strong people commitment
- Forward looking

¹ ING Belgium includes the ING entities active in banking and leasing in Belgium & Luxembourg, excluding foreign branches

² Return on equity based on 12% of Risk Weighted Assets (RWA)

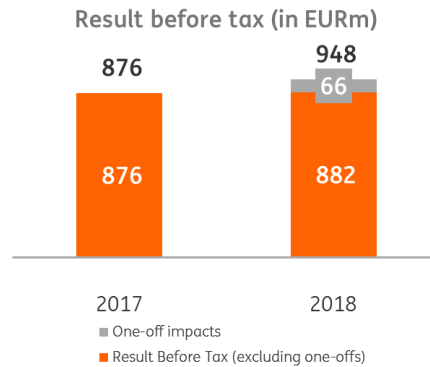
³ Gain on an equity-linked bond transaction in 4Q2018 of € 101 mln partly offset by fair value movements of the same equity-linked bond in 1Q2018 to 3Q2018

⁴ Excluding overdraft facility for a major client due to its volatility

⁵ The growth in active and primary customers and in active mobile users has been significantly impacted by the Record Bank integration

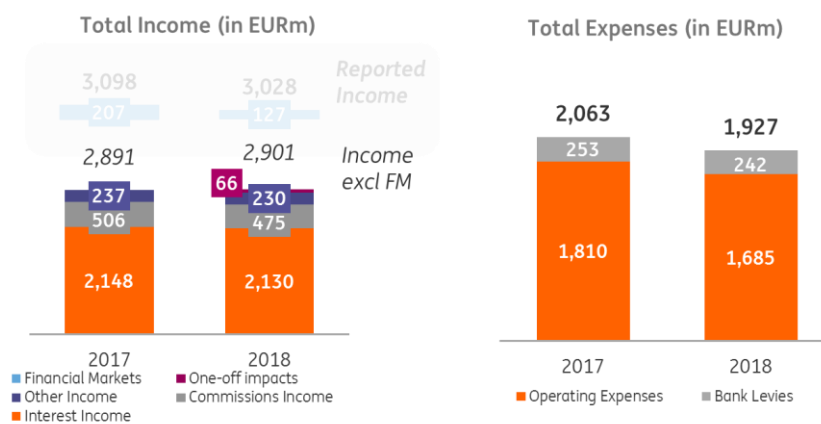
Financial Results

In 2018 ING continued to grow its franchise as witnessed by strong growth on the lending side as well as in customer deposits. Compared to 2017 the **result before tax** increased by 8.3% to **€ 948 million** positively impacted by an € 66 million⁶ gain on an equity-linked bond transaction. Excluding the gain, increase was mainly attributable to continued lending growth, lower staff costs and lower legal provisioning in Luxembourg. The positive result evolution was realised despite continued low interest rates, lower demand for retail investment products and increased investments for the delivery of the new business model.



In the course of 2018, ING Belgium completed the transfer of its Financial Markets trading activities to London, which is reflected in the drop in Financial Markets revenues by € 80 million when compared to 2017. Excluding the impact of Financial Markets, **income** increased by € 10 million (+0.3%) mainly as a result of continued lending growth and a gain on an equity-linked bond transaction, offset by lower margins on savings and current accounts as a result of the prolonged low rate environment and less fee income due to lower demand for retail investment products by its customers.

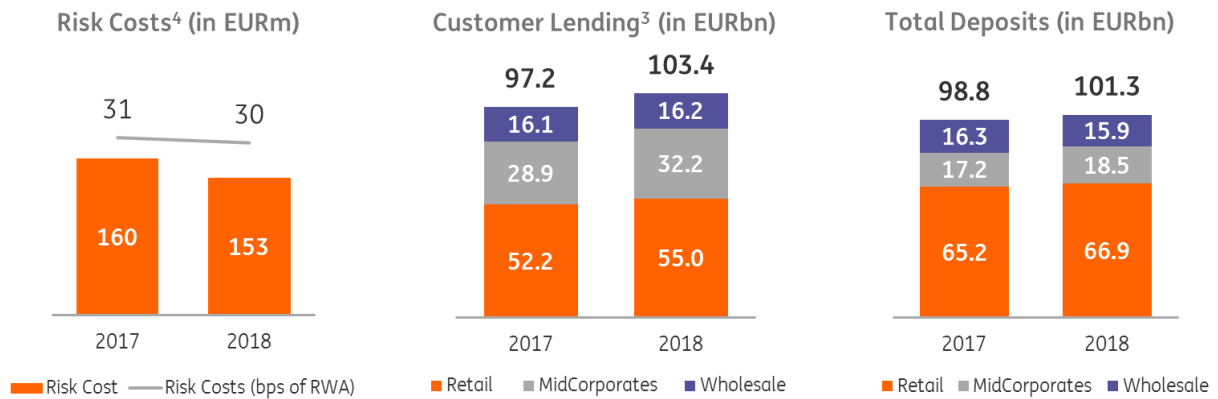
In 2018, ING Belgium continued to invest in the delivery of the new business model. The reduction in employees, the Record Bank integration, the transfer of trading activities and other efficiency gains allow to fund this journey, resulting in a decrease in **total expenses** from € 2,063 million in 2017 to € 1,927 million in 2018. The reduction was helped by the positive impact of lower legal provisioning in Luxembourg.



⁶ Gain on an equity-linked bond transaction in 4Q2018 of € 101 mln partly offset by fair value movements of the same equity-linked bond in 1Q2018 to 3Q2018

The **Lending portfolio⁷** increased by **€ 6.2 billion** (+6.4%) up to € 103.4 billion driven by Retail and MidCorporates segments. The lending growth was partly funded by a **€ 2.5 billion or 2.6% increase in deposits** to € 101.3 billion, maintaining ING's balanced model and **strong liquidity position**.

Benign economic environment resulted in **risk costs⁸ of € 153 million in 2018** which were **well within ING's risk appetite** and in line with the level recorded in 2017.



Commercial Results

In 2018, the initiatives that had been announced with a view to making ING future-proof were rolled out. During this intense period, ING managed to achieve excellent commercial results. This was in part thanks to successful marketing operations: 'Red' (the Red Devils' mascot), the summer campaign and the first cross-border marketing action focusing on youth: 'In the pocket!'. The growth in active and primary customers and in active mobile users has also been significantly impacted by the Record Bank integration.

- The **success of the 'ING Lion Account' continued**, with 123,000 new accounts opened this year. That is an increase of 25.0% compared to the 98,700 new accounts of 2017.
- **The total number of active customers⁹** went up with more than 432,000 to about 2,915,000 (+17.4%).
- Furthermore, there was an increase in the **number of primary customers¹⁰** of almost 179,000 (+14.3%) to nearly 1,428,000.
- Digital adoption, a key pillar for the success of the strategy, keeps accelerating. In 2018 ING achieved a record by passing the 1 million mark to a total of more than 1,071,000 mobile users. During 2018, it registered a net increase of 285,000 **new active mobile users** (+36.2%).

Smart, easy and personal

Creating a differentiating banking experience for customers is what ING does. Applying this philosophy, it systematically improved its customer service offer:

- The continuous enhancement of digital channels has led to **noteworthy improvements** in the ING Smart Banking app. An important step forward is that all digital services that ING offered to private individuals within the self-service corner are now also available for professional customers. On top

⁷ Excluding overdraft facility for a major client due to its volatility

⁸ Basis points of Risk Weighted Assets (RWA)

⁹ Customers who have at least one account with a minimum of one transaction and who are active in at least one product category

¹⁰ Customers who have a current account with ING that has regular flows coming in, for instance salary payments, and at least one additional product

of that, they now have access to additional features that will benefit their business activities. Within the app they can now:

- update personal data
 - manage Isabel-subscription and itsme-account
 - modify bank card limits
 - manage mandate holders
 - find the right loans
 - etc.
- The **ING+ Deals** allow customers to earn back money on their purchases. ING has negotiated exclusive deals with various big brands. Customers can choose from a broad selection of discounts on everyday expenses. They don't need to provide any additional information, cut coupons or remember codes. They just pay the full amount via their ING account, or ING debit or credit card. The discounts are calculated automatically and are refunded usually in the month following their purchase. So far, 10,000 customers use the ING+ Deals. The system has generated transactions for a total worth of € 450,000 and € 40,000 of discounts in cash backs. Personalised deals on top of the general discounts are also possible for customers who choose this option. The ING+ Deals are found in the menu of the Smart Banking app. New brands and new deals are added regularly.
 - The **Assisted Toolkit** is an important part of the Unite BE+NL transformation: it will effectively be a single platform for all client-facing colleagues in ING Belgium and ING Netherlands to be able to:
 - communicate with customers by phone, chat, video, etc.
 - look up existing customer information
 - enter new information
 - offer customers 'first time right' and personalised service

The shared platform will thus greatly simplify collaboration among the various Customer Loyalty Teams, advisors and branches, and will therefore be able to offer customers a quicker and more personalised service.

Remarkable business deals

Some of ING's most remarkable business deals in the second half of 2018:

ING supports the development of green energy in Belgium by financing the construction of **Seamade**, an offshore wind park in the Belgian North Sea. The park, developed by Otary, Eneco and Engie, has a capacity of 487 MW (half a nuclear reactor). Through the combination of a take in the non-recourse debt financing and hedging, ING used its market expertise to give advice to the customer and support them in limiting the financial risks of this project.

ING has fully underwritten the € 180 million financing for AIMCo, in support of their acquisition of **Docks Bruxsel**, the first new shopping centre in Brussels for over 30 years. ING was sole coordinator for the long-term financing. It was the highest amount of fully underwritten real estate financing closed in the history of ING Belgium.

In 2018, **Bekaert** - world leader in transforming steel wire and applying advanced coating - acquired the 33% equity share Ontario Teachers' held in Bridon-Bekaert Ropes Group. ING was Global Coordinator of the temporary refinancing and structured a € 450 million bridge loan for a maximum maturity of two years, preceding a permanent long-term funding. ING was selected thanks to the pro-active approach and Capital Structuring & Advisory involvement in an early stage. The transaction is special because it eliminates the related ring-fenced debt structure and gives Bekaert the time to select the best long-term funding option going forward, in combination with some retail bonds that expire in 2018 and 2019.

Additionally, ING has been rewarded for its lead in Belgium and Europe in Equity Capital markets transactions for the real estate sector. Customers trust ING's industry knowledge and financial expertise. Thanks to this, ING has been awarded 'Equity Finance House of the Year' at the Euronext Brussels Awards 2018.

Building a Sustainable Business Model

The vision of ING is to build one integrated bank serving two countries with a best-in-class omnichannel proposition. It will establish one brand, one segmentation approach, one product set, one set of customer journeys, one set of systems, one organisation, one culture and two legal entities. Realising this vision is a journey. ING Belgium and ING Netherlands will bring together their respective strengths for the combined 11 million customers who will be served from one platform.

New business model installed

In 2018, the new Sales and Servicing organisation was rolled out. With this new approach, personal advice has become more accessible. When customers now come into an ING branch, their first contact person, is the Customer Coach. If they are coming for certain banking services, the Customer Coach will give support via the self-service channels (digital or in certain circumstances Customer Loyalty Teams (CLTs)). If customers are coming for advice, then the Customer Coach will refer them to the right banker. Today, after the Record Bank integration, more than 3,200 bankers are available for customers in 654 branches (220 statutory and 434 franchised). The advisors in those branches are available from 8 a.m. to 8 p.m. on weekdays and 8 a.m. to 1 p.m. on Saturdays.

Over the course of 2018, three additional ING Client Houses have been created: Gent, Aalst and Leuven. The Client House is a new branch concept introduced by ING Belgium in 2017 where innovation, expertise and customer friendliness come together. In 2019 at least three additional ones will be opened: Antwerp, Liège and Namur.

The new Client Services model ensures that customers no longer have to go to their branch for simple banking services. Between 8 a.m. and 10 p.m. on weekdays and between 9 a.m. and 5 p.m. on Saturdays, customers are able to talk to a contact in the Customer Loyalty Teams by phone, mail or chat.

As from October 2018 800 additional employees have started in their newly formed teams. This accumulates to around 1,500 CLT-members in total that are available for customers to help them handle banking matters from A to Z at a distance.

Uniting BE+NL

As an important step in the transformation towards one integrated bank, ING finalized the cross-border IT organisation, which started on 1 October 2018. All IT employees now have the same agile way of working, positions and tasks in both countries. This is the foundation for the coming migration of ING's customers to one integrated banking platform.

Following the roll-out of the new business model, the first preparations to develop the shared BE + NL platform have started in 2018. The next milestone towards one set of systems is the launch of new online and mobile banking channels for ING's retail customers in the course of 2019.

Next to an improved usability and look & feel, ING's new online and mobile banking channels will offer customers new features such as financial forecasting, actionable insights and beneficiary management through the app.

In line with the agile way of working, the new digital channels will be developed in an incremental way: in a first phase, a basic version of the new digital channels will be made accessible to a limited group of customers. Gradually, more customers will get access to the new app and online banking module. Based on their feedback, ING will further develop the digital channels to meet the customers' expectations.

Strong commitment of the people

What has been achieved on the commercial and financial level in 2018 is all the more impressive considering the intensity of the year on the people side. ING was able to achieve these results thanks to the remarkable perseverance, resilience and dedicated effort of its employees.

In 2018, 3,600 employees within the organisation started in a new role after training modules and the redeployment to accommodate the aforementioned business model changes.

Of all employees who participated to the redeployment process, almost 90% was retained for a role. For the employees who were not retained for a role, the Job Accelerator programme was created. This provides a series of specific accompanying measures (job fairs, workshops and personalised off-boarding tracks) with a respectful approach to find a job within or outside of ING. Of all employees having gone through the Job Accelerator programme since the end of 2017, 42% had a clear outlook for new employment outside of ING. Another 7% have found a new job within ING. This means that almost 50% has found a new job after finishing the Job Accelerator programme, within or outside of ING.

In addition, leave measures organised through a **Collective Labour Agreement** (CLA) were put in place to accompany leavers.

- 674 employees left the bank via the **early leave** measure (55+) during 2018 (772 since October 2016) and another 240 have requested to benefit from this measure but have not left the organisation yet. Employees who have left the bank via the early leave measure are encouraged to stay active and 22% of them introduced a demand to perform a new activity, which ING approved.
- 30 employees have left the bank to **start their own business** with the support of ING in 2018 (73 since October 2016)
- 193 employees were granted **voluntary or recognised leave** in 2018 (423 since October 2016)

ING limited the number of **dismissals** to 311 during 2018 (392 since October 2016).

The total number of employees who have left the organisation **under the CLA measures** since October 2016 comes to 1,660.

In addition to the more than 3,600 people that have started in a new role in 2018 after redeployment, ING has achieved a remarkable success in terms of **recruitment**. In a job market that is highly competitive, ING Belgium managed to attract 1,000 people from outside the company in 2018. On top of that, internally, there were 900 moves outside of the scope of redeployment. This comes to a total of 5,500 people that have started in a new role during 2018.

Forward looking

ING continues to proactively monitor its direct and indirect footprint while striving to reduce both.

Sustainable offices

ING continues to build great places to work that are also sustainable. This contributes to the reduction of ING's direct footprint. Three concrete projects are currently underway.

- The headquarters of ING in Belgium, the Marnix building, designed by Gordon Bunshaft in the late 1950s, will be renovated at a cost of € 40 million to the highest energy standards. The works are expected to start in 2021 and be completed by the end of 2022. The employees of Cours Saint-Michel will join their colleagues in the renovated Marnix building or will be housed in another office space nearby. With the renovation the original philosophy of the architect to 'improve people's lives through their physical surroundings' will continue and move into a new era.
- In line with this philosophy, ING will also move into two new basecamps, one in Ghent and one in Louvain-La-Neuve. It is expected that Ghent will be finished by the end of 2019 and, with the support of the municipality, the Louvain-La-Neuve basecamp should be completed by 2021.

The end result will be three connected basecamps where people enjoy being, where the workplace is adapted to the new agile way of working, and that are sustainable.

Green mobility

The strategy of ING to empower employees to choose greener mobility solutions and contribute to improve its direct footprint, is paying off in terms of carbon emissions. ING offers more flexibility to employees to create their customized green mobility plan and helps employees to face the transition challenge.

- ING Belgium incentivizes its employees to opt for Electric Vehicles (EV) and Plug-in Hybrid Electric Vehicles (PHEV). This includes a reduction on the leasing cost, providing employees with a home charger. All charging costs are reimbursed by ING Belgium.
- Employees can combine a company car with access to public transport paid by ING.
- Employees can upgrade their train subscription to first class and/or rent a parking spot at the train station as part of the Flex Reward Plan.
- ING introduced (e-)bikes in the Flex Reward Plan and all bike commuters are reimbursed for their mileage.

It takes time for people to change their behavior, that's why ING Belgium has started early to implement new technologies in its mobility offer such as EV's (eg. The EV pilot was launched in 2015). The bank is on track to attain the objectives set in 2014.

ING global environmental program

In order to manage ING's direct footprint, ambitious targets were set in 2014:

- ING will procure 100% renewable electricity by 2020 for all its buildings worldwide. This is a target that ING Belgium has already attained since 2014.
- ING aims to reduce its CO₂ emissions by 50%, its residual waste by 20% and its water footprint by 20%, globally and by 2020. By the end of 2018, 80% of the total ING Belgium energy consumption came from renewable energy. ING Belgium attained a 43% residual waste reduction but there was a 4% increase in water consumption (due to renovation of cooling systems and rainwater recuperation systems).
- ING has been globally climate neutral since 2007.

Sustainable business

As a bank, ING has the most impact through its financing and the money it lends to companies. This constitutes ING's indirect footprint.

- ING invests billions in renewable energy such as wind energy parks, solar energy and the production of thermal energy. In December 2017, ING decided to accelerate the reduction of its financing to coal power generation, reducing its exposure to close to zero by 2025.
- In 2018 ING Belgium increased its sustainable investment offer by introducing new products, such as the ING Sustainable Fund of Funds, and improving existing products. For example, Star Fund which is now categorised as a sustainable pension savings fund.
- To measure the carbon intensity of its lending portfolio (by focusing on the sectors responsible for most greenhouse gas emissions like energy, automotive, shipping & aviation, steel, cement, residential mortgages and commercial real estate) ING developed the Terra Approach in 2018. The goal is to steer the lending portfolio towards meeting the two-degree goal set by the Paris Agreement.

Being sustainable is not only about reducing the environmental footprint. As a bank, ING believes its role is to facilitate and finance a shift to a more sustainable society and to contribute to environmental, economic, and social progress. ING does this by adhering to its purpose: empowering people to stay a step ahead in life and in business.