

Balance sheet as of December 31, 2019 ING-DiBa AG

Assets

	EUR	EUR	31.12.2019 EUR	31.12.2018 EUR '000
1. Cash reserve				
a) Cash balance		123.329.487,86		121.585
b) Balances with central banks		7.774.623.459,54	7.897.952.947,40	5.521.888
of which: with Deutsche Bundesbank	EUR 7.276.054.286,95 (PY. EUR 5.450.332 thousand)			
2. Loans and advances to banks				
a) Payable on demand		2.003.673.634,16		1.800.584
b) Other loans and advances		10.846.754.147,19	12.850.427.781,35	11.675.050
of which:				
Mortgage loans	EUR 0 (PY. EUR 0 thousand)			
Public-sector loans	EUR 0 (PY. EUR 0 thousand)			
3. Loans and advances to customers			120.663.160.727,57	119.118.361
of which:				
Mortgage loans	EUR 60.128.094.975,22 (PY. EUR 57.592.065 thousand)			
Public-sector loans	EUR 1.503.658.562,03 (PY. EUR 2.015.383 thousand)			
4. Bonds and other fixed-income securities				
a) Bonds				
aa) From public-sector issuers		10.957.875.478,77		10.764.906
of which: eligible as collateral with Deutsche Bundesbank	EUR 10.600.745.569,35 (PY. EUR 10.420.766 thousand)			
ab) From other issuers		17.727.767.817,40	28.685.643.296,17	18.901.112
of which: eligible as collateral with Deutsche Bundesbank	EUR 17.591.007.948,79 (PY. EUR 18.553.053 thousand)			
5. Shares and other non-fixed-income securities			0,00	0
6. Equity investments			5.521.542,00	22
of which: in other banks	EUR 5.500.000,00 (PY. EUR 0 thousand)			
of which: in financial services institutions	EUR 0 (PY. TEUR 0)			
7. Investments in affiliated companies			35.085.000,00	35.110
of which: in banks	EUR 0 (PY. EUR 0 thousand)			
of which: in financial services institutions	EUR 0 (PY. EUR 0 thousand)			
8. Trust assets			15.870,29	25
of which: trust loans	EUR 15.870,29 (PY. EUR 25 thousand)			
9. Intangible fixed assets				
a) Internally generated industrial rights and similar rights and assets		27.600.829,52		28.851
b) Purchased concessions, industrial and similar rights and assets, and licenses to such rights and assets		17.611.923,58		16.209
c) Goodwill		0,00		0
d) Prepayments		3.296.069,98	48.508.823,08	2.491
10. Property and equipment			48.054.526,37	39.072
11. Other assets			163.227.652,47	146.048
12. Prepaid expenses				
a) From the issuing and lending business		642.635.692,63		458.683
b) Other		33.999.773,91	676.635.466,54	27.332
Total assets			171.074.233.633,24	168.657.329

Expenses	EUR	EUR	2019 EUR	2018 EUR '000
1. Interest expense				
aa) Interest expense resulting from positive interest rates		1.126.574.052,46		1.238.704
ab) Interest expense resulting from negative interest rates		-23.332.779,99	1.103.241.272,47	-42.548
2. Commission expenses			221.469.641,41	231.143
3. General and administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	346.363.479,97			319.259
ab) Social security contributions, pensions and other employee benefits of which: for pensions	75.291.757,27	421.655.237,24		66.515
EUR 26.768.792,28 (PY: EUR 22.051 thousand)				
b) Other administrative expenses		577.998.481,93	999.653.719,17	576.086
4. Depreciation, amortization and write-downs of intangible fixed assets and property and equipment			35.968.853,17	35.351
5. Other operating expenses			99.002.572,21	105.176
6. Write-downs of and valuation allowances on receivables and certain securities, and additions to loan loss provisions			0,00	123.160
7. Depreciation and write-downs on equity interest, shares in affiliated companies and securities treated as fixed assets			181.613,95	
8. Addition to fund for general banking risks			400.000.000,00	400.000
9. Taxes on income			427.759.241,42	369.358
of which: for tax allocations				
EUR 427.665.439,42 (PY: EUR 365.851 thousand)				
10. Other taxes not reported under item 5			20.958.458,06	20.952
11. Profit transferred due to profit pooling, profit and loss transfer agreements, or partial profit and loss transfer agreements			550.884.921,23	386.700
12. Net profit for the period			0,00	0
<u>Total expenses:</u>			<u>3.859.120.293,09</u>	<u>3.829.856</u>

Income		EUR	EUR	2019 EUR	2018 EUR '000
1. Interest income from					
Lending and money market transactions					
aa) Interest income resulting from positive interest rates	2.993.209.954,99				2.965.567
ab) Interest income resulting from negative interest rates	-42.838.172,25	2.950.371.782,74			-56.097
b) Fixed-income securities and debt register claims		359.770.738,03		3.310.142.520,77	502.383
2. Current income from					
Equity investments		617,46		617,46	0
3. Income from profit pooling, profit and loss transfer agreements or partial profit and loss transfer agreements				25.441.888,48	315
4. Commission income				309.082.418,03	304.673
5. Income from reversals of write-downs on receivables and certain securities and from the reversal of loan loss provisions				113.676.429,28	0
6. Income from reversals of write-downs on equity investments, investments in affiliated companies and long-term securities				0,00	14.087
7. Other operating income				100.776.419,07	98.928
Total income				3.859.120.293,09	3.829.856
				EUR	EUR '000
1. Net profit for the period				0,00	0
2. Profits brought forward				0,00	0
3. Net retained profit for the period				<u>0,00</u>	<u>0</u>

Cash flow statement

			2019
			Mio. EUR
1.		Profit for the period (consolidated net income/net loss for the financial year including minority interests)	0.0
2.	+/-	Depreciation and write-downs of receivables and fixed assets/reversals of such write-downs and valuation allowances	-20.9
3.	+/-	Increase/decrease in provisions	141.8
4.	+/-	Other non-cash expenses/income	-22.4
5.	-/+	Gain/loss on disposal of fixed assets	0.0
6.	-/+	Other adjustments (net)	-1.6
7.	-/+	Increase/decrease in loans and advances to banks	939.4
8.	-/+	Increase/decrease in loans and advances to customers	-1,490.3
9.	-/+	Increase/decrease in securities not classified as long-term financial assets	507.6
10.	-/+	Increase/decrease in other assets relating to operating activities	-206.3
11.	+/-	Increase/decrease in amounts due to banks	228.3
12.	+/-	Increase/decrease in amounts due to customers	647.1
13.	+/-	Increase/decrease in securitized liabilities	990.0
14.	+/-	Increase/decrease in other liabilities relating to operating activities	608.3
15.	+/-	Interest expense/interest income	-2,209.5
16.	+/-	Expenses/income from extraordinary items	0.0
17.	+/-	Income tax expense/income	427.8
18.	+	Interest and dividend payments received	3,064.8
19.	-	Interest paid	-840.1
20.	+	Extraordinary proceeds	0.0
21.	-	Extraordinary payments	0.0
22.	-/+	Income taxes paid	-427.9
23.	=	Cash flows from operating activities	2,336.1
24.	+	Proceeds from disposal of long-term financial assets	1,005.4
25.	-	Payments to acquire long-term financial assets	-695.1
26.	+	Proceeds from disposal of tangible fixed assets	0.1
27.	-	Payments to acquire tangible fixed assets	-29.3
28.	+	Proceeds from disposal of intangible fixed assets	0.0
29.	-	Payments to acquire intangible fixed assets	-16.7
30.	+	Proceeds from disposal of companies from the consolidated group	0.0
31.	-	Payments for additions of companies to the consolidated group	0.0
32.	+/-	Changes in cash funds from other investing activities (net)	0.0
33.	-	Proceeds from extraordinary items	0.0
34.	+	Payments from extraordinary items	0.0
35.	=	Cash flows from investing activities	314.4

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			2019
			Mio. EUR
36.	+	Proceeds from capital contributions by shareholders of the parent entity	0.0
37.	+	Proceeds from capital contributions by other shareholders	0.0
38.	-	Payments from reduction in equity by shareholders of the parent entity	0.0
39.	-	Payments from reduction in equity to other shareholders	0.0
40.	+	Proceeds from extraordinary items	0.0
41.	-	Payments from extraordinary items	0.0
42.	-	Dividends paid to shareholders of the parent entity	-386.7
43.	-	Dividends paid to other shareholders	0.0
44.	+	Proceeds from issue of bonds and from (financial) borrowings	0.0
45.	-	Payments from redemption of bonds and (financial) borrowings	0.0
46.	+/-	Changes in cash funds from other capital (net)	400.0
47.	=	Cash flows from financing activities	13.3
48.	+/-	Net change in cash funds (total of 23, 35, 45)	2,663.8
49.	+/-	Change in cash funds due to exchange rates movements and remeasurements	0.0
50.	+/-	Changes in cash funds due to changes in the consolidated group	0.0
51.	+	Cash funds at beginning of period	7,037.5
52.	=	Cash funds at end of period	9,701.3

The cash flow statement presents the change in cash funds in fiscal year 2019. Cash funds correspond to the cash reserve, which comprises cash on hand and balances with central banks. The changes in cash funds are broken down into operating activities, investing activities and financing activities.

Cash flows from operating activities comprise cash flows that primarily relate to the Bank's revenue-generating activities or result from other activities that cannot be classified as investing or financing activities. Cash flows from investing activities result from proceeds and cash payments relating to tangible fixed assets, intangible fixed assets, and long-term securities. Cash flows from financing activities comprise cash flows from transactions with the parent and additions to the fund for general banking risks pursuant to section 340g HGB.

The cash flow statement is prepared pursuant to the requirements of German Accounting Standard (GAS) 21.

The cash flow statement is of limited use as an indicator of the Bank's liquidity situation. In this context, please refer to the information on liquidity management presented in the management report.

Statement of changes in equity

	Jan. 1, 2019 EUR mil- lion	Addi- tions EUR million	Dispos- als EUR million	Reclassifica- tions EUR mil- lion	Dec. 31, 2019 EUR mil- lion
Subscribed capital	100.0	0.0	0.0	0.0	100.0
Capital reserve	3,810.1	0.0	0.0	0.0	3,810.1
Retained earnings	19.8	0.0	0.0	0.0	19.8
Legal reserve	0.7	0.0	0.0	0.0	0.7
Other retained earnings	19.1	0.0	0.0	0.0	19.1
Equity	3,929.9	0.0	0.0	0.0	3,929.9

ING-DiBa AG,
Frankfurt am Main
Notes to the Financial
Statements for the
2019 Fiscal Year

1. General Disclosures Regarding the Annual Financial Statements

The annual financial statements of ING-DiBa AG (hereinafter also called ING-DiBa), domiciled in Frankfurt am Main and registered under HRB 7727 in the commercial register at the Local Court (*Amtsgericht*) of Frankfurt am Main have been prepared pursuant to the provisions of the German Commercial Code (*Handelsgesetzbuch*, "HGB"), the Regulation on the Accounting of Banks and Financial Services Institutions (*Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute*, "RechKredV"), the German Mortgage Bond Act (*Pfandbriefgesetz*, "PfandBG"), and the German Stock Corporation Act (*Aktiengesetz*, "AktG").

The balance sheet and income statement are classified pursuant to the RechKredV forms.

2. Accounting Policies

2.1. General

Assets and liabilities are recognized and measured pursuant to sections 252 et seq. in conjunction with sections 340 et seq. HGB.

Loans and advances including structured financial instruments are measured pursuant to section 253 (1) sentence 1 HGB in conjunction with section 340e (2) HGB. Any difference between the principal amount and the amount paid out is recognized as a deferred item and reversed as scheduled.

The risk provisions in the lending business comprise impairment allowances and provisions for acute and latent credit risks. In addition, there are provisions for general banking risks pursuant to section 340f HGB.

As of December 31, 2019, the "IDW" statement on accounting for general loan loss provision at banks (IDW RS BFA 7) was applied early in accordance with its Note 5. Accordingly the method for recognition of risk provisions for acute and inherent default risks according to HGB was adapted to the method pursuant to IFRS. All acute individual risks in the lending business are addressed through the recognition of specific valuation allowances and provisions. For acute default risks on portfolio basis, collective valuation allowances are recognized based on the bank's IFRS credit risk models. The latter are also applied for the recognition of general valuation allowances which address inherent credit risks. Valuation allowances are determined depending on the changes in credit quality since the time of initial recognition. They are calculated either in the amount of the 12-month expected credit loss (1-year expected loss) or, if there is a significant deterioration in the default risk compared to the date of initial recognition or a default event, in the amount of the expected credit loss over the remaining term of the loan (lifetime expected loss). Provisions are recognized for inherent credit risks from off-balance sheet obligations. There are no differences in the bases of assessment for the calculation of loan loss provisions between HGB and IFRS with a significant impact on the loan loss provision itself. Valuation allowances for expected credit losses are measured on an unbiased and probability-weighted basis, taking into account scenarios and verifiable information about past events, current conditions and predictions of future economic developments using macroeconomic factors. Whether a significant deterioration in credit risk has occurred or not is assessed on the basis of following criteria:

- › Significant increase of the probability of default over the entire maturity
- › Loans which are on the watch list are examined individually
- › High absolute probability of default pursuant to the internal rating approach
- › Forbearance-status

- › Intensive support as well as
- › Loans having a more than 30 day past due-backstop

Forward-looking macroeconomic scenarios are modelled using data from two leading external providers with a base, up and down scenario. With regard to the basis scenario, forecasts of economic factors such as the unemployment rate, GDP growth, real estate prices and short-term interest rates are used in line with market opinion. The alternative scenarios are based on observed deviations in past forecasts, adjusted to the risks of the current economic situation and the forecast horizon. The assigned probability-weights are based on the likelihood of occurrence with regard to the three scenarios and are derived from the confidence intervals of a probability distribution. The scenarios are adjusted on a quarterly basis. The application of IFRS credit risk models as of December 31, 2019 results in a reversal of loan loss provisions of EUR 92.0 million.

In accordance with section 253 (1) sentence 2 HGB, liabilities are recognized at their settlement amount. Any difference between the nominal amount of liabilities and the amount paid out is recognized as a deferred item and reversed as scheduled.

2.1.1. Derivative financial instruments

Currency forwards, interest rate swaps, and cross-currency swaps are measured at the level of individual transactions. The rate for currency forwards comprises the spot exchange rate and the calculated swap rate. The swap rate is calculated as the difference between the spot exchange rate and the forward rate on the reporting date. It is unwound on a straight-line basis as an adjustment to interest cost over the remaining term of the currency forward. Provisions for expected losses are recognized for currency forwards if the current fair value is lower than the carrying amount.

The derivative financial instruments in the banking book used for hedging the general interest rate risk were not measured separately because they are included in the measurement of the banking book at net realizable value. By contrast, exchange differences from interest rate swaps in foreign currency are recognized.

2.1.2. Measurement at net realizable value

Interest-bearing loans and advances, securities, and derivatives in the banking book are usually not remeasured due to changes in interest rates. Only securities assigned to the liquidity reserve and available-for-sale loans and advances are recognized at the strict lower of cost or market principle under the imparity principle. Nonetheless, for the purposes of accounting for the general interest rate risk management in the banking book, all receivables and refinancing funds in the banking book are measured in their entirety, taking into account changes in interest rates. The banking book has to be measured at net realizable value. A provision for expected losses is recognized if a loss is expected from the banking book due to a negative overall present value.

The Bank uses the net present value method to determine any future excess obligation. The calculation as of December 31, 2019 revealed that the net present value of the banking book exceeds the carrying amount significantly. Therefore, as of December 31, 2019, there is no need to recognize a provision for expected losses from banking book transactions.

2.1.3. Deferred tax

If there are differences between the carrying amounts of assets, liabilities, deferred income, and prepaid expenses recognized in the financial statements and their tax bases, and these differences are expected to reverse in subsequent fiscal years, any resulting net tax burden is recognized as a deferred tax liability in the balance sheet pursuant to section 274 (1) HGB. Any resulting net tax credit may be recognized as a deferred tax asset in the balance sheet.

ING-DiBa did not recognize any deferred taxes in the fiscal year under review.

2.1.4. Tax allocation

Since 2017, there has been an income tax allocation agreement for the tax group with ING Holding Deutschland GmbH, Frankfurt am Main, which is the tax group parent. The tax allocations payable to the tax group parent are used to cover the liquidity required to make various tax payments. The tax allocations are determined in a way that ensures that the tax burden is allocated fairly within the income tax group to those responsible for the tax and in a way that makes business sense.

2.1.5. Restrictions on distributions and transfers

In order to protect creditors, restrictions on distribution and transfer must be observed pursuant to section 268 (8) HGB and section 301 AktG. Section 253 (6) HGB includes a restriction on distribution, which pursuant to section 301 AktG does not lead to a restriction on transfer.

Pursuant to section 268 (8) HGB in conjunction with section 301 AktG, EUR 33.7 million (PY: EUR 33.8 million) was subject to restrictions on distribution and transfer as of the balance sheet date. Of this amount, EUR 27.6 million (PY: EUR 28.8 million) related to internally generated intangible fixed assets recognized pursuant to section 248 (2) HGB and EUR 6.1 million (PY: EUR 5.0 million) to the fair values of plan assets in excess of historical cost pursuant to section 246 (2) HGB.

Pursuant to section 253 (2) HGB, provisions for pension benefit obligations have been recognized based on the average market interest rate for the past ten fiscal years since the December 31, 2016 reporting date. Pursuant to section 253 (6) HGB, the difference must be calculated between this approach and the previous approach, which was based on the average market interest rate for the past seven fiscal years. The resulting positive difference is restricted from distribution. This led to an amount restricted from distribution of EUR 18.3 million as of December 31, 2019 (PY: EUR 20.1 million).

The restricted amount reduces the maximum distributable or transferable amount. The distributable capital reserves pursuant to section 272 (2) no. 4 HGB and the retained earnings amounted to EUR 4.4 billion (PY: EUR 4.2 billion). Consequently, a maximum of EUR 4.3 billion (PY: EUR 4.1 billion) was distributable and a maximum of EUR 4.3 billion (PY: EUR 4.2 billion) was transferable under commercial law as of December 31, 2019.

This means that the restrictions on distribution or transfer described above do not have any effect on the profit after tax allocation of EUR 550.9 million (PY: EUR 386.7 million) to be transferred.

	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million
Restrictions on distributions and transfers pursuant to section 268 (8) HGB in conjunction with section 301 AktG	33.7	33.8
Internally generated intangible fixed assets	27.6	28.8
Fair values of plan assets in excess of historical cost pursuant to section 246 (2) HGB	6.1	5.0
Restrictions on distributions pursuant to section 253 (6) HGB	18.3	20.1
Difference (gain) from changes in market interest rates	18.3	20.1
Total restrictions on distribution pursuant to the HGB	52.0	53.9

2.1.6. Currency translation

Currency conversion for assets, liabilities, and off-balance sheet transactions is performed in accordance with section 340h HGB in conjunction with section 256a HGB. Accounts receivable and liabilities denominated in foreign currency, as well as spot dealings not yet settled are translated at the mean spot rate on the balance sheet date.

The rate for currency forwards comprises the spot exchange rate and the calculated swap rate. Changes in the spot exchange rate between the transaction date and the next balance sheet date are reported in other operating expenses or other operating income in the same way as exchange differences from spot dealings. The swap rate included in this amount is presented separately. This is unwound on a straight-line basis as an adjustment to interest cost over the remaining term of the currency forward.

The Bank manages currency risk as part of the special cover for the overall exposure per currency, which includes all on- and off-balance sheet foreign currency transactions.

2.2. Bonds and other fixed-income securities

The securities portfolio is recognized at cost plus accrued interest using the weighted average cost method. To the extent securities are allocated to the liquidity reserve and the securities are not hedged, they are recognized pursuant to the strict lower of cost or market principle (section 253 (4) HGB).

Long-term securities are measured at amortized cost and are intended to be held to maturity (section 253 (3) HGB). To the extent of being interest-related, the difference between cost and repayment amount is allocated proportionally over the residual maturity and presented as interest income from fixed-income securities and book-entry securities.

Impairment losses are reversed on long-term securities that have previously been reclassified from the liquidity reserve into the investment portfolio if the original reason for the impairment no longer exists and the quoted or market price as of the balance sheet date has increased again compared to the carrying amount. The original cost is the upper limit for such reversals.

2.3. Equity investments and investments

These items are measured at cost or lower net realizable value if an impairment is expected to be permanent.

2.4. Intangible fixed assets

Intangible fixed assets are recognized at cost less amortization. Impairments were not necessary in the fiscal year.

2.4.1. Internally generated intangible fixed assets

Expenses incurred when developing internally generated software are capitalized provided that these expenses result in an asset being recognized. There are no borrowing costs incurred on these expenses.

2.5. Tangible fixed assets

Tangible fixed assets are recognized at cost less depreciation based on the useful life. Low-value assets purchased during the fiscal year, the costs of which are between EUR 250 and EUR 1,000 (net), are allocated to a pooled item and depreciated over five years.

2.6. Prepaid expenses

Expenditure prior to the balance sheet date is reported as a prepaid expense, provided this represents an expense for a specific period after that date. Prepaid expense items are recognized for premiums and discounts from *Pfandbriefe* issued by ING-DiBa. These are reversed as scheduled in accordance with the utilization of capital.

In addition, brokerage commissions for mortgage loans are recognized as prepaid expenses and amortized over the respective interest rate period of the individual mortgage loans, however not more than ten years. Accruals are recognized for fair value settlement in

Wholesale Banking (difference between nominal amount and cost due to changes in interest rates). This is amortized over the respective term of the loan agreements.

In addition, prepaid expenses are recognized for upfront payments from concluded hedging transactions. These are reversed ratably over the term of the hedging transaction.

2.7. Deferred income

Receipts prior to the balance sheet date that represent income for a specific period after that date are reported as deferred income. Deferred income items are recognized for discounts that will be reversed as scheduled in accordance with the utilization of capital.

Deferred income items are recognized for upfront payments from concluded hedging transactions. These are reversed ratably over the term of the hedging transaction.

Deferred income is also recognized for interest-induced loan processing fees and fair value settlement in Wholesale Banking (difference between nominal amount and cost due to changes in interest rates). This is amortized over the respective term of the loan agreements.

2.8. Provisions

2.8.1. Tax and other provisions

Pursuant to section 253 (1) HGB, tax and other provisions must be measured such that they take into account all discernible risks and obligations based on prudent business judgment considering future cost and price increases (settlement amount).

Provisions with a term of more than one year are discounted pursuant to section 253 (2) HGB over their residual term using the average market interest rate for the past seven fiscal years calculated by Deutsche Bundesbank.

2.8.2. Provisions for pensions and similar obligations

Provisions for pensions and similar obligations are calculated pursuant to recognized actuarial principles using the projected unit credit method. The Klaus Heubeck 2018 G mortality tables were used as the biometric basis, and additionally, the 2005 G mortality tables were used to calculate the difference between the old and the new biometric basis. The provisions are collectively discounted pursuant to section 253 (2) HGB using the average rate of interest of the past ten years (2.71 percent; PY: 3.21 percent) applicable to an assumed remaining term of 15 years. This discount rate is calculated and published each month by the German Central Bank (*Deutsche Bundesbank*) pursuant to the Regulation on the Discounting of Provisions (*Rückstellungsabzinsungsverordnung*, "RückAbzinsV"). Salary and pension adjustments of 2.75 percent and 1.75 percent, respectively, are included (PY: 2.75 percent and 1.75 percent, respectively). In addition to the obligations from current pensions and the prospective entitlements existing at the balance sheet date, obligations for transitional benefits for early retirement (*Altersübergangsgeld*) are also recognized.

The difference pursuant to section 253 (6) HGB between the recognition of provisions based on the average market interest rate of the past ten years and the recognition under the previous rule for pension provisions (seven years) is EUR 18.3 million (PY: EUR 20.1 million). A distribution restriction applies to this amount if it does not at least match the distributable reserves plus retained profits brought forward less any accumulated losses brought forward.

Pursuant to section 246 (2) HGB, assets that are exempt from attachment by all other creditors and that serve exclusively to settle liabilities from pension benefit obligations have to be offset against such liabilities. If the fair value of the assets exceeds the amount of liabilities, the excess amount must be recognized under a separate asset item.

Wholesale Banking's pension schemes consist of a contractual trust arrangement (CTA) and pension fund commitments.

These pension fund commitments are indirect pension obligations within the meaning of article 28 of the Introductory Act to the German Commercial Code (*Einführungsgesetz zum Handelsgesetzbuch*, "EGHGB"), for which there is basically a recognition option. ING-DiBa has decided to use the existing carrying amounts.

Any excess of pension obligations over the related plan assets is presented in the pension provisions. Any surplus of the plan assets over pension obligations are included in the asset item "Excess of plan assets over pension benefit liability".

This results in a pension obligation totaling EUR 123.4 million as of the balance sheet date (PY: EUR 111.7 million). This obligation is covered by plan assets with a fair value of EUR 72.8 million (PY: EUR 72.7 million). The fair value is determined on the basis of market prices for fund units. The cost of the plan assets is EUR 66.6 million (PY: EUR 67.7 million).

Pursuant to section 246 (2) HGB, interest expenses from compounding and interest income from discounting pension obligations, as well as income and expenses from offsetting plan assets must be netted. In the year under review, the discounting of pension obligations resulted in expenses of EUR 5.7 million (PY: EUR 3.9 million), while income from offsetting plan assets amounted to EUR 1.1 million (PY: expenses amounted to EUR 3.1 million). Overall, this resulted in an expense of EUR 4.6 million for the fiscal year (PY: EUR 7.0 million). There were no other effects from netting in the year under review.

3. Balance sheet disclosures

3.1. General

3.1.1. Maturity structure

Loans and advances, bonds, and liabilities are classified by maturity based on the residual terms. Pro-rata interest and similar amounts for the fiscal year are not included in the classification by residual terms.

3.1.2. Volume of assets and liabilities denominated in foreign currencies

The total amount of assets and liabilities denominated in foreign currencies as of December 31, 2019 was EUR 15.1 billion (PY: EUR 16.5 billion) and EUR 10.6 billion (PY: EUR 9.8 billion), respectively. There were also derivative financial instruments in foreign currencies, which are presented in section 7.4.

3.2. Assets

3.2.1. Changes in fixed assets

	Amortized cost	transfer	Additions	Disposals	Reversals of impairments	Depreciation at the beginning of the fiscal year	Depreciation, amortization and impairments		Balance as of	Balance as of
	Jan. 1, 2019					Accumulated	in the fiscal year	Accumulated	Dec. 31, 2019	Dec. 31, 2018
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Intangible fixed assets	135.3	0.0	16.8	0.8	0.0	87.8	15.8	102.8	48.5	47.6
Internally generated intangible fixed assets	52.3	0.0	6.4	0.0	0.0	23.5	7.6	31.1	27.6	28.9
Purchased intangible fixed assets	80.5	2.5	7.1	0.8	0.0	64.3	8.2	71.7	17.6	16.2
Advance payments	2.5	-2.5	3.3	0.0	0.0	0.0	0.0	0.0	3.3	2.5
Tangible fixed assets	134.3	0.0	28.0	0.6	0.0	100.4	19.1	119.0	42.7	33.8
Operating and office equipment	10.5	0.0	1.3	0.2	0.0	5.3	1.2	6.2	5.4	5.2
Equity investments	1.5	0.0	5.6	0.0	0.0	1.5	0.1	1.6	5.5	0.0
Investments in affiliated companies	35.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	35.1	35.1
Fixed-income securities ¹	13,696.6	0.0	689.5	480.3	3.9	66.1	15.8	51.1	13,854.8	13,634.4
Reclassified fixed-income securities ¹	3,577.9	0.0	0.0	627.0	0.7	14.4	5.9	-5.1	2,956.0	3,559.2
Total	17,591.2	0.0	741.2	1,108.9	4.6	275.5	57.9	275.6	16,948.0	17,315.3

¹ The difference between cost and the repayment amount is allocated proportionally over the residual term; for reclassified securities, the difference is allocated between the amortized cost resulting from calculating straight-line amortization over time at the reclassification date and the repayment amount. The reversal of the differences is recognized as interest income from fixed-income securities and book-entry securities and presented as a reversal or write-down in the above statement of changes in fixed assets. Cumulative depreciation, amortization, and write-downs include the current fiscal year's depreciation, amortization, and write-downs and reversals of write-downs. In the case of reclassified assets, the difference between the historical cost and the amortized cost calculated up to the time of reclassification is also shown in the cumulative depreciation.

	Amortized cost	transfer	Additions	Disposals	Reversals of impairments	Depreciation at the beginning of the fiscal year Accumulated	Depreciation, amortization and impairments		Balance as of	Balance as of
	Jan. 1, 2018						in the fiscal year	Accumulated	Dec. 31, 2018	Dec. 31, 2017
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Intangible fixed assets	229.1	0.0	24.3	0.2	0.0	190.2	15.6	205.7	47.6	38.8
Internally generated intangible fixed assets	38.5	0.0	13.8	0.0	0.0	18.7	4.7	23.5	28.9	19.7
Purchased intangible fixed assets	71.7	1.0	8.0	0.2	0.0	58.2	6.3	64.3	16.2	13.5
Goodwill	117.9	0.0	0.0	0.0	0.0	113.3	4.6	117.9	0.0	4.6
Advance payments	1.0	-1.0	2.5	0.0	0.0	0.0	0.0	0.0	2.5	1.0
Tangible fixed assets	136.9	0.0	12.7	15.4	0.0	96.9	18.7	100.4	33.8	40.0
Operating and office equipment	9.1	0.0	1.5	0.1	0.0	4.3	1.1	5.3	5.2	4.8
Equity investments	1.5	0.0	0.0	0.0	0.0	0.0	1.5	1.5	0.0	1.5
Investments in affiliated companies	35.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	35.1	35.1
Fixed-income securities ¹	20,779.3	0.0	282.3	7,365.0	5.5	102.5	16.0	62.2	13,634.4	20,676.8
Reclassified fixed-income securities ¹	1,333.2	0.0	3,014.1	769.4	13.5	27.8	10.5	18.7	3,559.2	1,305.4
Total	22,524.2	0.0	3,334.9	8,150.1	19.0	421.7	63.4	393.8	17,315.3	22,102.4

Disposals accounted for EUR 53.0 million (PY: EUR 73.8 million) of cumulative depreciation, amortization, and write-downs in the fiscal year.

3.2.2. Loans and advances to banks

	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million
This item includes loans and advances to		
affiliated companies	10,939.0	10,640.0
other loans and advances to banks by remaining maturity		
a) up to three months	808.0	806.8
b) more than three months and up to one year	1,800.9	2,441.1
c) more than one and up to five years	6,330.4	6,542.3
d) more than five years	1,605.4	1,693.6
Total for all remaining maturities	10,544.7	11,483.8

3.2.3. Loans and advances to customers

	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million
This item includes loans and advances to		
affiliated companies	1,845.4	831.0
other loans and advances to customers by remaining maturity		
a) up to three months	3,078.8	3,462.6
b) more than three months and up to one year	10,688.3	9,623.3
c) more than one and up to five years	52,516.3	52,881.0
d) more than five years	51,257.9	49,970.3
e) with indefinite maturity	2,464.1	2,445.1
Total for all remaining maturities	120,005.4	118,382.3

Loans and advances to customers include EUR 7.4 billion (PY: EUR 5.5 billion) in assets held to cover issued bonds.

3.2.4. Bonds and other fixed-income securities

	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million
Marketable securities included in this item		
of which listed	28,071.5	28,984.6
of which unlisted	423.0	400.3
Due in the following year (carrying amounts)	1,830.3	3,766.5
Securities of affiliated companies	11,260.9	11,893.7
Carrying amount of securities carried at an amount in excess of fair value	411.1	2,095.6
Market value of securities carried at an amount in excess of fair value	406.1	2,094.9

The securities that are carried at an amount that is higher than their fair value relate solely to negotiable securities. Based on detailed analyses, the Bank currently assumes that the impairments are only temporary and that the securities will be redeemed at the nominal amount.

Bonds and other fixed-income securities are securitized in full.

3.2.5. Equity investments and investments in affiliated companies

	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million
Equity investments		
Carrying amount	5.5	0.0
Negotiable	0.0	0.0
Of which listed	0.0	0.0
Of which unlisted	0.0	0.0
Investments in affiliated companies		
Carrying amount	35.1	35.1
Negotiable	0.0	0.0

3.2.6. Trust assets

The trust assets (EUR 15.9 thousand; PY: EUR 24.6 thousand) relate exclusively to trust loans.

3.2.7. Intangible fixed assets

	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million
Internally generated software	27.6	28.9
Purchased software, licenses, and other rights	17.6	16.2
Advance payments	3.3	2.5
Total	48.5	47.6

In the year under review, research and development expenses amounted to EUR 10.2 million. Thereof EUR 6.4 million are attributable to internally generated intangible assets pursuant to section 248 (2) HGB.

3.2.8. Other assets

	12/31/2019 EUR million	12/31/2018 EUR million
Receivables from pending ATM items	47.2	62.7
Receivables from taxes	37.9	43.3
Receivable from control and profit and loss transfer agreement	25.4	0.3
Receivables from securities and funds business commissions	10.9	7.9
FMSA cash collateral	10.0	7.5
Direct commitments	3.4	3.0
Other items	28.4	21.3
Total	163.2	146.0

ING-DiBa has outsourced ATM servicing to a third-party service provider. The cash made available to fill the ATMs is reported as a pending item under other assets.

Tax receivables include a VAT receivable of EUR 5.9 million for ING-DiBa AG for the 2018 calendar year as well as another VAT tax receivable regarding the calendar years 2016 –2018 amounting to EUR 1.3 million. Furthermore, the bank has refund claims that refer to withholding corporation taxes and incidental tax services to the amount of EUR 1.8 million for the calendar year 2019. In addition, receivables from taxes mainly comprise corporate tax reclaims for the 2017– 2018 calendar years. These claims arose from the assertion of loss carryforwards as part of the contribution of ING Bank N.V., Vienna Branch, Vienna, Austria, reclaims of corporate income tax and other penalties and charges

for the years 2010 – 2016 following the completion of the tax audit for the branch in Austria for the period 2010 – 2014 as well as corporate tax claims for 2019.

In the fiscal year, the Bank exercised the option to provide a further part of the contribution to the bank levy as an irrevocable payment commitment (IPC) in the form of cash collateral lodged with the supervisory authorities. EUR 2.6 million – the maximum permitted IPC contribution – was transferred.

The receivable from the control and profit and loss transfer agreement resulted from the profit of GGV mbH, Frankfurt am Main, for the 2019 fiscal year, which will be transferred to ING-DiBa following the shareholders' meeting. In the year under review, there was a one-off effect amounted to EUR 25.2 million due to the sale of property.

The "Other items" mainly comprise invoice receivables.

3.2.9. Prepaid expenses

	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million
Commissions on mortgage lending	393.2	407.0
Upfront payments for hedging transactions	214.8	20.4
Discount on issued Pfandbriefe	29.0	17.1
Prepayment of wages + salaries	18.8	15.8
Deferrals of non-personnel costs	14.4	10.6
Purchase of Wholesale Banking receivables	5.6	14.2
Other prepaid expenses	0.8	0.9
Total	676.6	486.0

The discounts on issued *Pfandbriefe* were due to differences between the issue and recognized settlement amounts. These are amortized over the remaining terms of the relevant *Pfandbriefe*. The payments made for hedging transactions results from upfront payments for interest rate derivatives.

3.3. Liabilities and equity

3.3.1. Deposits from banks

	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million
This item includes deposits from		
affiliated companies	10,853.8	10,163.0
other deposits from banks by remaining maturity		
a) up to three months	1,475.8	1,046.7
b) more than three months and up to one year	2,396.7	1,826.5
c) more than one year and up to five years	8,825.8	9,622.0
d) more than five years	3,641.7	4,031.5
Total for all remaining maturities	16,340.0	16,526.7

3.3.2. Amounts due to customers

	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million
This item includes amounts due to		
affiliated companies	191.3	175.0
Savings deposits with an agreed term or period of notice, by remaining maturity		
a) up to three months	46.7	41.0
b) more than three months and up to one year	0.0	0.0
c) more than one and up to five years	173.5	155.7
d) more than five years	33.6	31.2
Total for all remaining maturities	253.8	227.9
Other amounts due to customers by remaining maturity		
a) up to three months	2,314.1	3,142.6
b) more than three months and up to one year	1,902.9	2,593.6
c) more than one and up to five years	689.8	831.9
d) more than five years	0.6	1.0
Total for all remaining maturities	4,907.4	6,569.1

3.3.3. Securitized liabilities

	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million
Issued bonds by remaining maturity		
a) up to three months	0.0	500.0
b) more than three months and up to one year	10.0	10.0
c) more than one and up to five years	1,190.0	1,100.0
d) more than five years	2,505.0	1,105.0
Total for all remaining maturities	3,705.0	2,715.0

Bonds issued solely comprise issued *Pfandbriefe*.

3.3.4. Trust liabilities

Trust liabilities (EUR 15.9 thousand; PY: EUR 24.6 thousand) correspond to trust assets.

3.3.5. Other liabilities

	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million
Liability from profit and loss transfer agreement	550.9	386.7
Foreign currency position from pending transactions	105.5	144.3
Capital gains tax including solidarity surcharge, payroll and church taxes, and social security contributions	37.2	21.7
Trade payables	24.5	28.6
Liabilities from commissions to sales partners	9.2	8.9
Other items	30.5	32.6
Total	757.8	622.8
Liabilities to affiliated companies included in this amount	565.5	399.2

Other liabilities consist primarily of a liability to ING Deutschland GmbH, Frankfurt am Main, under the existing profit and loss transfer agreement.

The reported foreign currency position from pending transactions comprises the surplus of currency delivery liabilities over currency delivery claims on translation of the foreign cur-

rency position at the average spot exchange rate as well as the swap rate recognized in the balance sheet for the forwards and swaps.

The other tax liabilities primarily relate to capital gains tax on customer transactions and payroll tax liabilities.

Trade payables mainly relate to open supplier invoices and accruals for rent-free periods under building leases.

The Liabilities from commissions to sales partners relate to open, as yet unpaid brokerage commissions for mortgages.

As in the previous year, liabilities to affiliated companies are completely unsecured.

3.3.6. Deferred income

	Dec.31, 2019 EUR million	Dec.31, 2018 EUR million
Payments received for hedging transactions	238.5	24.5
Loan processing fees from lending business - Wholesale Banking	54.1	56.8
Discounts for mortgages and other loans	1.2	1.3
Total	293.8	82.6

Payments received for hedging transactions were due to upfront payments for concluded interest rate derivatives.

3.3.7. Other provisions

	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million
Provisions for personnel	123.0	95.7
IT costs	18.5	23.3
Contribution to the Compensation Scheme of German Banks (EdB)	17.3	17.9
Provisions for expected losses	16.3	31.1
Marketing	12.1	12.4
Consulting expenses	9.2	4.0
Commissions	7.9	3.9
Credit cards	5.3	5.9
Postage and courier services	3.1	3.8
Interest growth	2.5	7.2
Lease space and ancillary expenses	2.3	2.1
Litigation expenses	1.9	2.4
ATMs	1.4	1.7
Securities broking	1.0	0.9
Other items	38.5	56.0
Total	260.3	268.3

The provisions for expected losses mainly relate to forward exchange transactions (see 2.1.1.) and anticipated losses from the lending business of Wholesale Banking.

The recognition of non-current provisions does not result in any interest expenses due to compounding (PY: EUR 0.3 million). No non-current provisions resulting in interest income were recognized in the fiscal year or previous year.

The provisions also include the mandatory contribution to the Compensation Scheme of German Banks (Entschädigungseinrichtung deutscher Banken, "EdB") until December 31, 2019 for the contribution year October 1, 2019 to September 30, 2020. The provision is calculated on the basis of the parameters provided by the EdB. Since the contribution is calculated based on the metrics of all banks with an obligation to make contributions, the Bank has made institution-specific assumptions with respect to the risk parameters and the amount of covered deposits.

3.3.8. Subordinated liabilities

The total amount of subordinated liabilities as at December 31, 2019 was EUR 1.4 billion (PY: EUR 1.4 billion).

There are no subordinated liabilities in foreign currency.

Interest expenses of EUR 11.3 million (PY: EUR 10.9 million) were incurred on these liabilities. The lender that issued the subordinated loan, which is divided into three tranches, is ING Deutschland GmbH.

The subordinated liabilities exceeding 10% of the total reported are as follows:

	notional value EUR million	interest rate	maturity date
tranche 1	500.0	6 M-Euribor + 0,85 %	Dec. 14, 2027
tranche 2	500.0	6 M-Euribor + 1,10 %	Dec. 14, 2029
tranche 3	400.0	6 M-Euribor + 1,20 %	Dec. 14, 2032
total	1,400.0		

In the case of insolvency proceedings or liquidation of the Bank, the liabilities will only have to be repaid once all non-subordinated creditors have been satisfied.

Conversion to equity or another form of debt has not been agreed. A premature repayment obligation has been excluded.

ING-DiBa has the right to call each tranche 5 years before maturity.

3.3.9. Equity

3.3.9.1. Subscribed capital

ING-DiBa's subscribed capital as of December 31, 2019 remained unchanged at EUR 100 million and is divided into 100 million no-par-value shares. The shares are bearer shares.

3.3.9.2. Capital reserves

The capital reserves amount to EUR 3.8 billion (PY: EUR 3.8 billion).

3.3.9.3. Retained earnings

Retained earnings were unchanged at EUR 19.8 million.

3.4. Other disclosures

3.4.1. Contingent liabilities

	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million
a) Liabilities from guarantees and indemnity agreements		
Guarantees given	1,811.7	1,784.3
Letters of credit	220.0	245.0
Guarantee business	13.7	30.4
Documentary business - import	24.0	25.0
Documentary business - export	20.2	9.4
Total	2,089.6	2,094.1
b) Liabilities from the provision of collateral for third-party liabilities	16.1	15.9
Total	2,105.7	2,110.0
Contingent liabilities to affiliated companies included in this amount	251.6	240.7

The contingent liabilities reported resulted primarily from the Wholesale Banking business of the ING Bank branch in Frankfurt am Main and the ING-DiBa Austria branch in Vienna, Austria.

The Bank assumes currently that overall there will be no claims related to contingent liabilities. This assumption is based on the credit risk management parameters implemented in accordance with the Solvency Regulation (*Solvabilitätsverordnung*, "SolV"). In addition, provisions were also recognized for contingent credit risks from contingent liabilities.

3.4.2. Other commitments

Other obligations consist exclusively of irrevocable loan commitments of EUR 15.7 billion (PY: EUR 15.7 billion), which the Bank expects to be utilized over the course of the fiscal year, at least in the retail business. In addition, contingent credit risks were also accounted for in the form of provisions.

3.4.3. Assets pledged as collateral

	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million
For deposits from banks	5,785.9	6,558.7
For contingent liabilities	16.1	15.9

Mortgage loans have been pledged as collaterals to Kreditanstalt für Wiederaufbau AG, Frankfurt am Main, (EUR 5.8 billion; PY: EUR 6.6 billion).

Collateral payments of EUR 0 million (PY: EUR 10.5 million) have been transferred for deposits from banks under a repurchase agreement.

Collaterals transferred for contingent liabilities consist exclusively of securities that were transferred to Eurex Clearing AG, Frankfurt am Main.

4. Income Statement Disclosures

4.1. General

4.1.1. Negative interest rates

Negative interest was charged on a number of transactions with banks and institutional customers due to the current interest rate environment. The Bank reports the negative interest income and expenses as a sub-item of interest income or interest expenses, as appropriate. The accrued interest resulting from these transactions as of December 31, 2019 was allocated to the corresponding underlying transactions in the balance sheet item pursuant to section 11 (1) RechKredV. Accrued interest on derivative financial instruments is reported under loans and advances to banks and deposits from banks.

4.2. Other operating expenses

	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million
Head office charges	86.1	88.9
Interest portion from provisions for personnel and plan assets	5.0	9.8
Expenses for previous years	2.2	2.0
Canteen expenses	2.1	2.0
Other items	3.6	2.5
Total	99.0	105.2

Head office charges relate to expenses for intra-Group services.

4.3. Income taxes

	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million
Tax allocation	427.7	365.9
Corporate income tax - Austria	0.1	1.2
Taxes - previous years	0.0	2.3
Total	427.8	369.4

The tax allocation results from the income tax allocation agreement with ING Deutschland GmbH, described in section 2.1.4.

The earnings of the Austria branch are taxed at a nominal rate of 25 percent.

4.4. Other operating income

	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million
Income from the reversal of provisions	57.9	55.4
Reimbursements from previous years	8.2	1.8
Income from the application of the pre-tax key	7.5	4.3
Currency translation gains	5.0	2.6
Other items	22.2	34.8
Total	100.8	98.9

5. Events after the Reporting Period

As of January 1, 2020, Daniel Llano Manibardo, general agent, has been appointed as a member of the Management Board of ING-DiBa AG. The Federal Financial Supervisory Authority (BaFin) has been notified on December 09, 2019.

The outbreak of the coronavirus may weaken German economic growth. According to the Federal Ministry for Economic Affairs and Energy (*Bundesministerium für Wirtschaft und Energie*, "BMWi"), the extent to which this will happen is difficult to estimate on the basis of current knowledge. Continued production stops in China, a decline in Chinese consumer demand as well as economic uncertainty are likely to affect industrial production, exports and investments in Germany.

6. Pfandbrief Disclosures (According to Section 28 PfandBG)

6.1. Cover pool report

	Nominal value		Net present value		Risk-adjusted net present value ¹ - shift up		Risk-adjusted net present value ¹ - shift down	
	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million
Mortgage								
<i>Pfandbriefe</i>	3,705.0	2,715.0	3,890.3	2,741.1	3,556.4	2,584.6	3,975.7	2,841.6
Cover pool	5,611.3	4,135.9	6,239.9	4,585.9	5,941.7	4,376.5	6,230.2	4,668.1
in % of outstanding <i>Pfandbriefe</i>	151.5%	152.3%	160.4%	167.3%	167.1%	169.3%	156.7%	164.3%
of which excess cover	250.0	150.0	261.7	156.9	256.2	152.7	259.8	156.2
in % of outstanding <i>Pfandbriefe</i>	6.7%	5.5%	6.7%	5.7%	7.2%	5.9%	6.5%	5.5%
Cover pool	5,611.3	4,135.9	6,239.9	4,585.9	5,941.7	4,376.5	6,230.2	4,668.1
of which prime (1) residential mortgages	5,361.3	3,985.9	5,978.2	4,429.0	5,685.5	4,223.9	5,970.4	4,511.9
in % of outstanding <i>Pfandbriefe</i>	144.7%	146.8%	153.7%	161.6%	159.9%	163.4%	150.2%	158.8%
of which further cover assets	250.0	150.0	261.7	156.9	256.2	152.7	259.8	156.2
of which excess cover	250.0	150.0	261.7	156.9	256.2	152.7	259.8	156.2
of which section 19 (1) no. 2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which section 19 (1) no. 3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liquidity cover only	0.0	515.0	0.0	549.1	0.0	531.7	0.0	550.1

⁽¹⁾ Dynamic approach pursuant to section 5 (1) no. 2 of the Pfandbrief Net Present Value Directive ("PfandBarwertV")

The cover pool does not contain any derivatives.

All cover assets and *Pfandbriefe* are denominated exclusively in euros; no cover assets are denominated in foreign currencies.

6.2. Maturity profile

	Nominal value <i>Pfandbriefe</i>		Nominal amount Cover pool	
	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million
≤ 0.5 years	10.0	510.0	244.5	8.5
> 0.5 up to 1 year(s)	0.0	0.0	251.2	42.9
> 1 up to 1.5 years	10.0	10.0	279.6	273.1
> 1.5 up to 2 years	0.0	0.0	443.6	274.1
> 2 up to 3 years	80.0	10.0	487.8	748.6
> 3 up to 4 years	1,000.0	80.0	412.9	368.4
> 4 up to 5 years	100.0	1,000.0	362.0	344.9
> 5 up to 10 years	1,255.0	605.0	2,175.9	1,557.5
> 10 years	1,250.0	500.0	953.7	518.0
Total	3,705.0	2,715.0	5,611.3	4,135.9

6.3. Additional key figures

	Dec. 31, 2019	Dec. 31, 2018
Fixed-interest <i>Pfandbriefe</i> as a percentage of covered liabilities	97.3%	96.3%
Fixed-interest cover assets as a percentage of total cover pool	100%	100%
Volume-weighted average age of receivables (in years)	5.7	5.9
Weighted average loan to value ratio	47.9%	48.7%

6.4. Mortgages by size classes

	Nominal value		% of mortgage receivables	
	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million	Dec. 31, 2019 %	Dec. 31, 2018 %
≤ € 0.3 million	5,333.1	3,972.6	99.5	99.7
> € 0.3 million up to € 1.0 million	28.2	13.2	0.5	0.3
> € 1 million up to € 10.0 million	0.0	0.0	0.0	0.0
> € 10.0 million	0.0	0.0	0.0	0.0
Total	5,361.3	3,985.9	100.0	100.0

6.5. Mortgages by federal states

	Nominal value		% of mortgage receivables	
	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million	Dec. 31, 2019 %	Dec. 31, 2018 %
Baden-Württemberg	561.0	403.6	10.5	10.1
Bavaria	673.5	495.6	12.6	12.4
Berlin	360.1	242.1	6.7	6.1
Brandenburg	361.3	287.7	6.7	7.2
Bremen	31.8	25.0	0.6	0.6
Hamburg	209.2	147.1	3.9	3.7
Hessen	662.1	482.4	12.4	12.1
Mecklenburg-West Pomerania	84.4	67.7	1.6	1.7
Lower Saxony	408.9	303.8	7.6	7.6
North Rhine-Westphalia	1,146.9	853.7	21.4	21.4
Rhineland-Palatinate	197.6	151.2	3.7	3.8
Saarland	22.4	19.2	0.4	0.5
Saxony	201.9	157.5	3.8	4.0
Saxony-Anhalt	80.4	61.6	1.5	1.5
Schleswig-Holstein	285.1	225.2	5.3	5.6
Thuringia	74.5	62.7	1.4	1.6
Total	5,361.3	3,985.9	100.0	100.0

6.6. Mortgages by property type

	Nominal value		% of mortgage receivables	
	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million	Dec. 31, 2019 %	Dec. 31, 2018 %
Residential use				
Single and two-family houses	3,920.8	3,181.7	73.1	79.8
Multi-family houses	0.0	0.0	0.0	0.0
Condominiums	1,440.4	804.2	26.9	20.2
Total	5,361.3	3,985.9	100.0	100.0
Commercial use				
Single and two-family houses	0.0	0.0	0.0	0.0
Multi-family houses	0.0	0.0	0.0	0.0
Apartments	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0

6.7. Mortgages at least 90 days delinquent

There were no mortgages at least 90 days delinquent in either the fiscal year or the previous year.

6.8. Further information on mortgages pursuant to section 28 (2) no. 4 PfandBG

	Residential use		Commercial use	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Pending foreclosures	0.0	0.0	0.0	0.0
Completed foreclosures	0.0	0.0	0.0	0.0
Mortgages taken over	0.0	0.0	0.0	0.0
Interest in arrears in EUR	6,414.7	14,977.5	0.0	0.0

7. Other Disclosures

7.1. Other financial commitments and off-balance sheet transactions

7.1.1. From an obligation to make additional payments

ING-DiBa has accepted a release from liability vis-à-vis VISA Inc. for a credit card processing company as its vicarious agent in connection with compliance with the obligations from the "VISA International operating regulations" ("interchange").

The Bank has an obligation to make additional payments to the pension fund in the event the plan assets of the respective post-employment benefits scheme do not sufficiently cover the pension obligations.

There is a further obligation to make additional contributions to the clearing fund of Eux Clearing AG, Frankfurt am Main. To the extent that this fund does not sufficiently cover obligations subsequent to the realization of the collateral provided by another clearing member for the event of default, the non-affected members may face claims not to exceed double the contribution requirement. As of December 31, 2019, the liability cap is EUR 32.3 million (PY: EUR 31.8 million). The Bank does not currently assume that there will be any claims.

7.1.2. From outsourcing obligations

ING-DiBa has outsourced some IT tasks. For 2020 this will result in a projected expense of EUR 45.4 million. This relates to expenses from contracts that are adjusted every year. An annual expense of up to EUR 49.1 million is currently projected for the following years.

7.1.3. From secondary liability

As part of the spin-off in 2011 of the former Frankfurt branch of ING Bank N.V. from ING Bank N.V., Amsterdam, to Conifer B.V. and the subsequent merger with ING-DiBa, ING-DiBa assumed Conifer B.V.'s secondary liability obligations existing by operation of the law for the protection of ING Bank N.V.'s creditors. This secondary liability obligation is anchored in article 2:334t of the Dutch Civil Code and applies to certain obligations on the part of ING Bank N.V. existing as of the effective date of the spin-off (August 31, 2011).

With regard to the scope of liability, a distinction has to be drawn between joint and several obligations. Joint obligations of ING Bank N.V. are subject to the joint liability of ING-DiBa and ING Bank N.V. The secondary liability in respect of the several obligations is limited to the value of the net assets of the Frankfurt branch of ING Bank N.V. as of the date of the spin-off to Conifer B.V.

The term of this liability is unlimited and expires only upon the extinguishment of the relevant obligation. The Bank does not currently anticipate any claims under this liability.

In 2016, "ING Bank N.V. Vienna Branch" was contributed to ING-DiBa Austria. As a result, ING-DiBa Austria assumed the economic risk for obligations arising from the documentary business, which remains with ING Bank N.V.

7.1.4. Contributions to deposit and bank protection schemes

	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million
Contributions to deposit protection schemes	89.9	92.5
Additional agreement on contractual payment obligations	127.2	88.5
Contributions to the bank levy	14.9	16.5
Additional agreement on irrevocable payment obligations	10.1	7.5

As a member of the Compensation Scheme of German Banks (Entschädigungseinrichtung deutscher Banken GmbH, "EdB"), ING-DiBa is obliged to pay annual contributions. The EdB's calculation model is based, among other things, on the covered deposits and the risk parameters of all of the banks affiliated with the EdB. ING-DiBa does not have any information about the metrics of other banks or the estimated risk parameters that the EdB uses for ING-DiBa. The provisions recognized as of December 31, 2019 are therefore subject to estimation uncertainty.

ING-DiBa AG exercised the option to provide part of the annual contribution to the EdB and the German Deposit Protection Fund (Einlagensicherungsfonds, "ESF") as well as the European bank levy as a contractual and irrevocable payment obligation.

The contributions to bank protection include an amount of EUR 14.7 million (PY: EUR 16.1 million) for the European bank levy and of EUR 0.2 million (PY: EUR 0.3 million) for the stability levy imposed nationally pursuant to the Austrian Stability Levy Act (*Stabilitätsabgabegesetz*, "StabAbgG").

Securities in the amount of 30 percent (PY: 30 percent) of the contribution were lodged for the contributions to the EdB and ESF. Irrevocable payment obligations in the form of a cash contribution were agreed for 15 percent (PY: 15 percent) of the contribution to the bank levy. Neither led to an expense in the fiscal year.

Further payment obligations are expected to accumulate every year until 2024 and, together with any obligation to make additional contributions, will impact the Bank's financial position within the meaning of section 285 no. 3 HGB if they are utilized.

7.2. Shareholdings

	Share in equity	Equity	Net profit/loss for the fiscal year
	31. Dec., 2019	31. Dec., 2018	31. Dec., 2018
	%	EUR thousand	EUR thousand
GGV Gesellschaft für Grundstücks- und Vermögensverwaltung mbH, Frankfurt am Main	100	35,060	315
ING-DiBa Service GmbH, Frankfurt am Main	100	92	-158
paydirekt Beteiligungsgesellschaft privater Banken mbH i.L., Berlin	20	83	-6,032

Under the existing control and profit and loss transfer agreement, GGV's profit for the 2019 fiscal year will be transferred to ING-DiBa.

In accordance with the German Transformation Act (*Umwandlungsgesetz*, "UmwG"), Ingridit Verwaltungs GmbH, Frankfurt am Main, was retrospectively merged with ING-DiBa on January 1, 2019.

Paydirekt Beteiligungsgesellschaft privater Banken mbH, Berlin, has been in liquidation since March 31, 2019.

7.3. Auditor's fee

The auditors' fees charged for the fiscal year are not disclosed in ING-DiBa's annual financial statements because they are included in the consolidated subgroup financial statements of ING Deutschland. The consolidated subgroup financial statements are published online at www.ing.de.

7.4. Derivative financial instruments

7.4.1. Interest rate and foreign currency swaps

	Dec. 31, 2019 EUR million	Dec. 31, 2018 EUR million
Currency forwards		
Currency delivery claims (notional amount)	4,126.7	8,179.4
Currency delivery liabilities (notional amount)	4,167.2	8,292.9
Carrying amount (other assets)	0.0	2.4
Carrying amount (other liabilities)	43.4	99.7
Positive fair value	7.0	6.2
Negative fair value	50.2	102.5
Interest rate swaps in Euro		
Notional amount	202,228.9	175,288.6
Carrying amount (prepaid expenses)	212.3	17.4
Carrying amount (deferred income)	237.1	22.8
Positive fair value (excluding accrued interest)	2,913.1	764.4
Negative fair value (excluding accrued interest)	3,954.7	1,726.0
Interest rate swaps in foreign currency		
Notional amount	549.3	357.2
Carrying amount (prepaid expenses)	2.5	3.0
Carrying amount (deferred income)	1.4	1.7
Positive fair value (excluding accrued interest)	0.1	8.8
Negative fair value (excluding accrued interest)	7.4	0.1
Cross currency swaps		
Notional amount	6,693.8	7,078.1
Carrying amount (other liabilities)	62.4	44.6
Positive fair value (excluding accrued interest)	44.0	65.1
Negative fair value (excluding accrued interest)	115.6	125.4

Currency forwards serve to hedge exchange rate fluctuations. For this purpose the Bank concludes foreign currency forwards and swaps. These transactions are not part of hedges and are allocated in full to the special cover.

Interest rate derivatives and cross-currency swaps are concluded to cover interest rate and exchange rate fluctuations and are not part of a hedge. These are included in the banking book.

Standardized swaps (OTC derivatives) are measured using standard industry models, which incorporate inputs observed by providers of financial information, such as interest rates in particular. Individual OTC derivatives are measured on the basis of the multi-curve valuation.

According to ING-DiBa's calculations, as of December 31, 2019, the present value of the banking book significantly exceeds the corresponding carrying amount.

7.4.2. Hedges

ING-DiBa has no balance sheet valuation units in accordance with section 254 HGB. The valuation units were terminated in the previous year due to the sale or closing out of the underlying or hedging transactions. Cash flows resulting from effectively hedged risks were recognised by recognising other liabilities or by offsetting them against the carrying amount of the underlying transaction. Currently, there are other liabilities from the reversal of former valuation units in the amount of EUR 3.8 million (PY: EUR 6.1 million).

7.5. Average number of employees

	2019	2018
Germany	3,694	3,363
Austria	305	247
	3,999	3,610

7.6. Total remuneration of the Management Board and of the Supervisory Board and loans granted to these groups of people

The total remuneration of the Management Board for its services in the fiscal year was EUR 4.1 million (PY: EUR 3.9 million). The total remuneration of the former members of the Management Board and their bereaved in the fiscal year was EUR 1.1 million (PY: 1.3 million).

The members of the Management Board were granted a total of 6,524 share-based subscription rights (PY: 25,983) on shares of the ING Groep N.V. The fair value of the share-based subscription rights as of the grant date was EUR 64 thousand (PY: EUR 331 thousand). As in the previous year, no additional subscription rights were granted in 2019.

Provisions totaling EUR 2.2 million (PY: EUR 2.1 million) have been recognized for current pensions and entitlements to pensions for current members of the Management Board and provisions of EUR 22.2 million (PY: EUR 21.2 million) for former members of the Management Board and their bereaved.

The total remuneration of the Supervisory Board during the fiscal year was EUR 1.0 million (PY: EUR 1.0 million).

As of December 31, 2019, the total amount of loans granted to the members of the Management Board was EUR 0.3 million (PY: EUR 0.1 million) and EUR 0 million (PY: EUR 0.1 million) for members of the Supervisory Board.

7.7. Executive bodies of ING-DiBa AG

7.7.1. Management Board

Nick Jue

Chairman
Bank director
Frankfurt am Main

Bernd Geilen

Vice Chairman
Bank director
Mendig

Željko Kaurin

Bank director
Frankfurt am Main

Daniel Llano Manibarbo

Bank director
Frankfurt am Main, since January 1, 2020

Remco Nieland

Bank director, until April 30, 2019
Frankfurt am Main

Norman Tambach

Bank director, since April 1, 2019
Königstein

Dr. Joachim Freiherr von Schorlemer

Bank director
Frankfurt am Main

7.7.2. Supervisory Board

Dr. Claus Dieter Hoffmann

Chairman of the Supervisory Board
Managing director, H+H Senior Advisors GmbH
Stuttgart

Stefan Teichmann

Vice Chairman of the Supervisory Board
Bank employee
Wolfsburg

Aris Bogdaneris

CEO Retail Banking International
Wassenaar, Netherlands

Birgit Braitsch (ver.di)

ver.di regional section head
Frankfurt am Main

André Fioritto

Bank employee
Idstein, since January 11, 2019

Prof. Dr. Wolfgang Gerke

Financial economist
München

Prof. Dr. Gesche Joost

Design scientist
Berlin

Ruediger Koepfel

Vice Chairman of the Supervisory Board
Bank employee
Frankfurt am Main, until January 13, 2019

Rainer Pfeifer

Bank employee
Kahl am Main

Ulrich Probst

Bank employee
Nuremberg

Ronald Scherpenhuijsen Rom

Bank employee
Frankfurt am Main

Diederik Baron van Wasseaer

Head of Regulatory & International Affairs bei ING Bank N.V.
Amsterdam, Netherlands

Dr. Joerg Wildgruber

Business Economist
Hamburg, since January 14, 2019

Hermann Zeilinger

Member of the Management Board of ING-DiBa AG, Frankfurt am Main (retired)
Roßtal, until January 13, 2019

7.8. Shareholder and consolidated financial statements

The share capital of ING-DiBa is held entirely by ING Deutschland GmbH.

As another parent company of ING-DiBa, ING Holding Deutschland GmbH prepared consolidated subgroup financial statements for the financial year ended December 31, 2019 on a voluntary basis in accordance with the International Financial Reporting Standards (IFRS), to the extent they have been adopted by the European Union. In addition, the commercial law regulations in accordance with section 315e (1) HGB are also applied to those financial statements. The consolidated subgroup financial statements are published in German in Federal Gazette and online at www.ing-diba.de. The consolidated financial statements for the largest group of companies in which the company is included are prepared by ING Groep N.V.

Disclosure requirements pursuant to the Regulation (EU) No. 575/2013 of June 26, 2013 (Capital Requirements Regulation – CRR) are met by the ING Holding Deutschland GmbH and published in a disclosure report. Relevant information relating to remuneration policies are published in a remuneration report.

In addition, ING-DiBa AG is required pursuant to section 26a (1) of the German Banking Act (Kreditwesengesetz, "KWG") to disclose in its annual financial statements its capital return, calculated as the ratio of net income for the year after tax and total assets. Due to the existing profit and loss transfer agreement with ING Deutschland GmbH, this ratio essentially amounted to 0.0 percent at the balance sheet date.

7.9. Profit and loss transfer agreement

There is a profit and loss transfer agreement between ING Deutschland GmbH and ING-DiBa AG. An amount of EUR 550.9 million (PY: EUR 386.7 million) is to be transferred to ING Deutschland GmbH for the 2019 fiscal year.

Frankfurt am Main, February 28, 2020

The Management Board

Nick Jue

Bernd Geilen

Željko Kaurin

Daniel Llano Manibardo

Norman Tambach

Dr. Joachim von Schorlemer

The following auditor's report, prepared in accordance with § 322 HGB ("Handelsgesetzbuch": "German Commercial Code"), refers to the complete unconsolidated financial statements, comprising balance sheet (Bilanz), income statement (Gewinn- und Verlustrechnung), cash flow statement (Kapitalflussrechnung), statement of changes in equity (Eigenkapitalspiegel) and notes (Anhang) together with the management report (Lagebericht) of ING-DiBa AG for the financial year from 1 January to 31 December 2019. The management report (Lagebericht) is not included in or incorporated by reference into the prospectus. The above-mentioned auditor's report and unconsolidated financial statements are both translations of the respective German-language documents.

Independent Auditor's Report

To ING-DiBa AG, Frankfurt am Main

Report on the Audit of the Annual Financial Statements and of the Management Report

Opinions

We have audited the annual financial statements of ING-DiBa AG, Frankfurt am Main, which comprise the balance sheet as at 31 December 2019, the income statement, the statement of cash flows and the statement of changes in equity for the financial year from 1 January to 31 December 2019, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of ING-DiBa AG for the financial year from 1 January to 31 December 2019. In accordance with German legal requirements, we have not audited the content of those components of the management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to banks and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019 and of its financial performance for the financial year from 1 January to 31 December 2019 in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of those components of the management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Measurement of risk provision in the lending business with retail and commercial customers

For an explanation of how provisions for the lending business are measured, please refer to the section "2.1 General information" in the notes to the financial statements and the sections "Financial performance" under "2. Report on Economic Position" and "Loan Loss Provisions" under "3. Risk report" in the management report.

THE FINANCIAL STATEMENT RISK

As at 31 December 2019, there are loans and advances to customers totalling EUR 120,663 million at ING-DiBa AG. In the lending business with retail and commercial customers, ING-DiBa AG has recognised a total of EUR 424.4 million in loan loss provisions for latent and acute credit risks, which are deducted from the loans and advances to customers under assets.

There is significant discretionary leeway in the calculation of loan loss provisions in retail and commercial customer lending as regards the estimates of default probabilities and the loss given default and/or the future cash flows including proceeds from the sale of collateral, as well

as the effects of macroeconomic factors on the parameters. There is also discretionary leeway in the determination of the required specific loan loss provisions in commercial banking with regard to the value-determining assumptions, which include in particular the development of the procurement and sales markets relevant for the respective borrower or, if applicable, the chances of success of the customer's reorganisation or restructuring plans or, in a disposal scenario, the cash flows likely to be generated from collateral liquidation.

The financial statement risk in the determination of loan loss provisions for retail and commercial customers particularly concerns the potential absence of appropriate estimates or discretionary judgements and thereby the inherent and acute credit risks not being taken into account in accordance with German commercial law.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we used both control-based and substantive audit procedures for our audit opinion. We therefore performed the following audit procedures, among others:

In a first step, we gained a thorough understanding of the performance of the credit portfolio, the associated counterparty default risks and the internal control system with regard to identifying, controlling, monitoring and evaluating counterparty default risks associated with retail and commercial customer lending. To assess the appropriateness of the internal control system with regard to identifying, controlling, monitoring and evaluating credit risks, we conducted inquiries and inspected the relevant documentation. In addition, we verified the implementation and the effectiveness of relevant controls, including automatic controls, that are intended to ensure derivation of assumptions and parameters to determine the risk provision in accordance with German commercial law as well as the completeness and accuracy of the flow of data between the IT systems used. With the involvement of our IT specialists, we tested the effectiveness of the general IT controls for the IT systems deployed.

With regard to the default probabilities incorporated into the calculation of the general loan loss provisions and the loss given default used in the determination of the portfolio-based specific loan loss provisions and general loan loss provisions, we assessed in particular the appropriateness of the validation carried out by the Bank and reviewed the consideration of the validation results in the determination of the loan loss provisions by the Bank. In addition, we verified calculated internal ratings and their allocation to average probabilities of default using quantitative and qualitative criteria.

In addition, we verified the mathematical accuracy of the calculation methods used for deriving the key parameters to determine the portfolio-based specific loan loss provisions and general loan loss provisions.

With the assistance of KPMG specialists, we assessed the appropriateness of the Bank's method for deriving the macroeconomic scenarios and the weighting of these scenarios.

We examined the impairment testing of loans and advances from commercial customers using specific item testing of individual exposures from the perspective of materiality and risk. We

initially examined whether criteria indicating a requirement for specific loan loss provisioning are met for the selected exposures. Where the criteria indicating a requirement for specific loan loss provisioning are met, we are satisfied that these have been properly taken into account. For impaired exposures, we then evaluated whether the restructuring or work-out strategy used for measurement is consistent with the actual circumstances and is verifiably substantiated. Building on this, we reviewed in particular the assumptions regarding the contractual cash flows that are still expected and/or the expected cash flows from the use of the loan collateral provided. We then verified whether the required specific loan loss provisioning had been correctly calculated.

OUR OBSERVATIONS

Assumptions and judgements made by management that underlie the calculation of the loan loss provisions have been determined properly and in accordance with the applicable accounting policies under German commercial law.

IT access authorisations in the financial reporting process

Please refer to the section "Organisation of the ICS Accounting" under "4. Internal control system for financial reporting" of the management report for further information on the assignment and management of authorisations in ING-DiBa AG.

THE FINANCIAL STATEMENT RISK

Due to the size and complexity of ING-DiBa AG, the financial reporting process is highly dependent on information technology and the completeness and accuracy of data. Inappropriate granting of access authorisations for IT systems therefore constitutes a risk for the accuracy of financial reporting. This applies in particular to IT systems in which the access authorisations are not granted according to the minimum principle (granting authorisation based on the requirements of the role and not granting any further authorisation) or the segregation of duties principle (e.g. between development and application operations).

ING-DiBa AG's IT infrastructure is partially outsourced to companies in the group of ING Groep N.V., Amsterdam, as well as to other external companies (service organizations).

As unauthorised system access, inappropriately extensive authorisations and insufficient segregation of duties entail the risk of intentional or unintentional manipulation which could materially affect the accuracy of financial reporting, the establishing of and adherence to appropriate precautions is of particular importance for our audit.

OUR AUDIT APPROACH

We gained an understanding of the IT-related control environment of ING-DiBa AG and the service organizations. For this purpose, we performed a risk assessment and identified IT applications, databases and operating systems that were significant for our audit.

For relevant IT supported process controls (IT application controls) within the financial reporting process, we identified general IT controls, in particular regarding user access, and tested their design and operating effectiveness. Our audit procedures concerned:

- Controls that the initial access to IT systems for new employees or employees with new roles is approved by an authorised person in line with the release concept.
- Controls that employee's access rights are revoked within an appropriate period following change of organisational unit or leave from the company.
- Controls that the appropriateness of system access granted for personalized and non-personalized privileged authorisations is reviewed and is subject to particularly restrictive, regularly monitored authorisation granting procedures.

In addition, we tested the design of the authentication mechanisms for access to the IT systems. This concerned in particular the application of locking mechanisms, the number of authentication factors and password protection. Furthermore, our audit procedures related to the implementation of the segregation of duties between departmental and IT users and the employees responsible for program development and system operations.

Based on the results of our audit of the internal control system, in cases of ineffective IT controls, we identified and reviewed further controls with a compensating effect, and performed audit procedures concerning risk-mitigating measures taken by ING-DiBa AG.

OUR OBSERVATIONS

The IT access authorisations generally meet requirements for the completeness and accuracy of data. In cases where we identified control deficiencies, we performed additional audit procedures and in particular identified compensating controls that addressed the risk for these annual financial statements as at 31 December 2019.

Other Information

Management and/or the Supervisory Board are/is responsible for the other information. The other information comprises the corporate governance statement pursuant to Section 289f (4) HGB (disclosures on the quota for women on executive boards), which is included in the section "Corporate governance statement" of the management report.

Our opinions on the annual financial statements and the management report do not cover the other information; and consequently, we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the Management Report

Management is responsible for the preparation of annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to banks, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, management is responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of a management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor at the annual general meeting on 10 April 2019. We were engaged by the Chairperson of the Supervisory Board on 25 October 2019. We have been the auditor of ING-DiBa AG, Frankfurt am Main, without interruption since financial year 2016.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to the Company or its subsidiaries the following services that are not disclosed in the annual financial statements or in the management report:

- Audit of investment services pursuant to Section 89 WpHG,
- Audit reviews of the reporting packages prepared according to the ING Group Accounting Manual to ING Groep N.V. in accordance with ISRE 2410,
- Audit review of financial information prepared according to the basis of preparation ISRE 2410,
- Issuance of a comfort letter, and
- Audit pursuant to Section V no. 11 (1) of the General Terms and Conditions of the German Central Bank [Deutsche Bundesbank] for the use of credit claims as security for central bank loans.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Markus Winner.

Frankfurt am Main, 19 March 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Winner
Wirtschaftsprüfer
[German Public Auditor]

Zimmermann
Wirtschaftsprüfer
[German Public Auditor]