Balance sheet of ING-DiBa AG, Frankfurt am Main, as of December 31, 2018

Assets

			EUR	EUR	12/31/18 EUR	12/31/17 EUR '000
1. Cash reserve						
a) Cash on hand				121.584.586,60		103.620
b) Balances with central banks				5.521.888.376,24	5.643.472.962,84	2.970.044
of which: with Deutsche Bundesbank	EUR	5.450.332.002,39 (PY. EUR 2.892.015 thousand)				
2. Loans and advances to banks						
a) Payable on demand				1.800.583.938,01		2.206.125
b) Other loans and advances				11.675.049.845,51	13.475.633.783,52	10.383.282
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					119.118.361.280,02	111.919.579
of which:						
Mortgage loans	EUR	57.592.065.074,53 (PY. EUR 53.618.694 thousand)				
Public-sector loans	EUR	2.015.382.825,98 (PY. EUR 4.482.343 thousand)				
4. Bonds and other fixed-income securities						
a) Bonds						
aa) From public-sector issuers			10.764.906.074,58			11.244.015
of which: eligible as collateral at Deutsche Bundesbank	EUR	10.420.765.962,18 (PY. EUR 10.911.662 thousand)				
ab) From other issuers			18.901.112.137,92	29.666.018.212,50	29.666.018.212,50	26.660.222
of which: eligible as collateral at Deutsche Bundesbank	EUR	18.553.052.731,92 (PY. EUR 25.615.226 thousand)				
5. Equities and other non-fixed-income securities	EUR				0,00	5.027
6. Equity investments					21.542,00	1.486
of which: in other banks	EUR	0 (PY. EUR 0 thousand)				
of which: in financial services institutions	EUR	0 (PY. EUR 0 thousand)				
7. Investments in affiliated companies					35.110.000,00	35.130
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					24.592,76	35
of which: trust loans	EUR	24.592,76 (PY. EUR 35 thousand)				
9. Intangible fixed assets						
a) Internally generated industrial rights and similar rights and assets				28.850.803,35		19.742
b) Purchased concessions, industrial and similar rights and assets, and licenses to such rights and assets				16.208.568,42		13.494
c) Goodwill				0,00		4.585
d) Advance payments				2.491.479,37	47.550.851,14	1.001
10. Fixed assets					39.072.372,70	44.789
11. Other assets					146.047.727,03	266.083
12. Prepaid expenses						
a) From the issuing and lending business				458.682.914,09		406.245
b) Other				27.332.300,51	486.015.214,60	30.621
				Total assets	168.657.328.539,11	166.315.125

Liabilities and Equity

			EUR	EUR	12/31/18 EUR	12/31/17 EUR '000
1. Amounts due to banks						
a) Payable on demand				406.602.831,91		1.115.563
b) With an agreed maturity or period of notice				16.599.133.596,58	17.005.736.428,49	16.034.542
2. Amounts due to customers						
a) Savings deposits						
aa) With an agreed period of notice of three months			1.485.661.056,85			2.227.487
ab) With an agreed period of notice of more than three months			227.866.859,70	1.713.527.916,55		198.469
b) Other amounts due						
ba) Payable on demand			130.767.025.685,27			123.242.457
bb) With an agreed maturity or period of notice			6.569.230.762,02	137.336.256.447,29	139.049.784.363,84	8.334.293
3. Securitized liabilities						
a) Bonds issued						
aa) Mortgage Pfandbriefe					2.726.404.998,63	1.244.569
4. Trust liabilities					24.592,76	35
of which: trust loans	EUR	24.592,76 (PY. EUR 35 thousand)				
5. Other liabilities					622.773.184,86	5.085.156
6. Deferred income						
a) From the issuing and lending business				82.529.705,35		83.636
b) Other				47.114,66	82.576.820,01	12
7. Provisions						
a) Provisions for pensions and similar obligations				111.237.667,16		94.481
b) Provisions for taxes				0,00		60
c) Other provisions				268.339.823,28	379.577.490,44	263.917
8. Subordinated liabilities					1.400.540.600,00	1.400.538
9. Fund for general banking risks					3.460.000.000,00	3.060.000
10. Equity						
a) Subscribed capital				100.000.000,00		100.000
b) Capital reserves				3.810.064.283,61		3.810.064
c) Retained earnings						
ca) Legal reserve			686.622,56			687
cb) Other retained earnings			19.159.153,91	19.845.776,47		19.159
d) Net retained profit for the period				0,00	3.929.910.060,08	0
			Total liabilities and equity		168.657.328.539,11	166.315.125

1. Contingent liabilities						
a) Liabilities from guarantees and indemnity agreements				2.094.067.902,17		2.823.283
b) Liabilities from the provision of collateral for third-party liabilities				15.920.979,97	2.109.988.882,14	15.622
2. Other commitments						
a) Irrevocable loan commitments					15.733.343.947,95	15.235.255

Income Statement of ING-DiBa AG, Frankfurt am Main, for the period from January 1 to December 31, 2018

Expenses

	EUR	EUR	2018 EUR	2017 EUR '000
1. Interest expense				
aa) Interest expense resulting from positive interest rates		1.238.704.127,01		1.342.309
ab) Interest expense resulting from negative interest rates		-42.547.894,81	1.196.156.232,20	-50.991
2. Commission expenses			231.143.209,08	194.294
3. General and administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	319.258.602,12			286.511
ab) Social security contributions, pensions and other employee benefits of which: for pensions EUR 22.050.629,48 (PY: EUR 21.228 thousand)	66.515.299,08	385.773.901,20		64.595
b) Other administrative expenses		576.085.890,29	961.859.791,49	597.254
4. Depreciation, amortization and write-downs of intangible fixed assets and property and equipment			35.350.989,20	36.954
5. Other operating expenses			105.175.244,53	67.158
6. Write-downs of and valuation allowances on receivables and certain securities, and additions to loan loss provisions			123.159.723,36	22.977
7. Addition to fund for general banking risks			400.000.000,00	435.000
8. Taxes on income			369.357.978,01	398.124
of which: for tax allocations EUR 365.850.941,38 (PY: EUR 409.165 thousand)				
9. Other taxes not reported under item 5			20.952.185,87	13.549
10. Profit transferred due to profit pooling, profit and loss transfer agreements, or partial profit and loss transfer agreements			386.700.150,68	356.554
11. Net profit for the period			0,00	0
Total expenses:			3.829.855.504,42	3.764.288

Income

		EUR	2018 EUR	2017 EUR '000
1. Interest income from				
a) Lending and money market transactions				
aa) Interest income resulting from positive interest rates	2.965.566.579,30			2.837.813
ab) Interest income resulting from negative interest rates	-56.096.667,99	2.909.469.911,31		-62.332
b) Fixed-income securities and debt register claims		502.382.948,95	3.411.852.860,26	580.979
2. Current income from				
a) Equity investments		0,00	0,00	111
3. Income from profit pooling, profit and loss transfer agreements or partial profit and loss transfer agreements			314.820,70	744
4. Commission income			304.673.197,31	286.751
5. Income from reversals of write-downs on equity investments, investments in affiliated companies and long-term securities			14.087.388,77	28.575
6. Other operating income			98.927.237,38	91.647
Total income			3.829.855.504,42	3.764.288

	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	0,00	0

Cash flow statement

			2018 EUR
1.		Profit for the period (consolidated net income/net loss for the financial year including minority interests)	0.00
2.	+/-	Depreciation and write-downs of receivables and fixed assets/reversals of such write-downs and valuation allowances	44,400,000.00
3.	+/-	Increase/decrease in provisions	21,118,706.14
4.	+/-	Other non-cash expenses/income	-90,132,921.55
5.	-/+	Gain/loss on disposal of fixed assets	-15,319,073.50
6.	-/+	Other adjustments (net)	0.00
7.	-/+	Increase/decrease in loans and advances to banks	-782,370,506.09
8.	-/+	Increase/decrease in loans and advances to customers	-7,210,412,921.67
9.	-/+	Increase/decrease in securities not classified as long-term financial assets	3,385,555,280.52
10.	-/+	Increase/decrease in other assets relating to operating activities	70,250,857.24
11.	+/-	Increase/decrease in amounts due to banks	-230,014,818.02
12.	+/-	Increase/decrease in amounts due to customers	5,060,706,869.76
13.	+/-	Increase/decrease in securitized liabilities	1,480,000,000.00
14.	+/-	Increase/decrease in other liabilities relating to operating activities	-4,106,910,701.43
15.	+/-	Interest expense/interest income	-2,215,696,628.06
16.	+/-	Expenses/income from extraordinary items	0.00
17.	+/-	Income tax expense/income	369,357,978.01
18.	+	Interest and dividend payments received	2,931,202,676.12
19.	-	Interest paid	-579,861,300.93
20.	+	Extraordinary proceeds	0.00
21.	-	Extraordinary payments	0.00
22.	-/+	Income taxes paid	-367,032,424.38
23.	=	Cash flows from operating activities	-2,235,158,927.84
24.	+	Proceeds from disposal of long-term financial assets	8,091,354,690.37
25.	-	Payments to acquire long-term financial assets	-3,296,400,000.00
26.	+	Proceeds from disposal of tangible fixed assets	91,394.93
27.	-	Payments to acquire tangible fixed assets	-14,200,000.00
28.	+	Proceeds from disposal of intangible fixed assets	0.00
29.	-	Payments to acquire intangible fixed assets	-24,300,000.00
30.	+	Proceeds from disposal of companies from the consolidated group	0.00
31.	-	Payments for additions of companies to the consolidated group	0.00
32.	+/-	Changes in cash funds from other investing activities (net)	5,027,400.00
33.	-	Proceeds from extraordinary items	0.00
34.	+	Payments from extraordinary items	0.00
35.	=	Cash flows from investing activities	4,761,573,485.30

Continued on next page

			2018 EUR
36.	+	Proceeds from capital contributions by shareholders of the parent entity	0.00
37.	+	Proceeds from capital contributions by other shareholders	0.00
38.	-	Payments from reduction in equity by shareholders of the parent entity	0.00
39.	-	Payments from reduction in equity to other shareholders	0.00
40.	+	Proceeds from extraordinary items	0.00
41.	-	Payments from extraordinary items	0.00
42	-	Dividends paid to shareholders of the parent entity	-356,553,843.78
43.	-	Dividends paid to other shareholders	0.00
44.	+	Proceeds from issue of bonds and from (financial) borrowings	0.00
45.	-	Payments from redemption of bonds and (financial) borrowings	0.00
46.	+/-	Changes in cash funds from other capital (net)	400,000,000.00
47.	=	Cash flows from financing activities	43,446,156.22
48.	+/-	Net change in cash funds (total of 23, 35, 45)	2,569,860,713.68
49.	+/-	Change in cash funds due to exchange rates movements and remeasurements	0.00
50.	+/-	Changes in cash funds due to changes in the consolidated group	0.00
51.	+	Cash funds at beginning of period	3,073,664,307.29
52.	=	Cash funds at end of period	5,643,525,020.97

The cash flow statement presents the change in cash funds in fiscal year 2018. 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, 2018 EUR million	Additions EUR million	Disposals EUR million	Reclassifications EUR million	Dec. 31, 2018 EUR million
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 2018 Fiscal Year

1. General Disclosures Regarding the Annual Financial Statements

The annual financial statements of 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 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 deferred item and reversed as scheduled.

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

All acute individual risks in the lending business are taken into account by recognizing specific impairment allowances and provisions. Specific impairment allowances calculated on a portfolio basis are recognized for direct credit risks on the basis of the credit risk models used by the Bank. General impairment allowances are recognized for inherent credit risks; these are also determined on the basis of the Bank's credit risk models. Provisions are recognized for inherent credit risks from off-balance sheet obligations.

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.

Please see section 7.4.2 for a presentation of the hedges.

2.1.2. Measurement at net realizable value

Interest-bearing loans and advances, securities, and derivatives in the banking book are not usually 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, 2018 revealed that the net present value of the banking book exceeds the carrying amount significantly. Therefore, as of December 31, 2018, there is no need to recognize a provision for expected losses from banking book transactions.

2.1.3. Deferred taxes

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 AG 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 33.8 million (PY: EUR 28.3 million) was subject to restrictions on distribution and transfer as of the balance sheet date. Of this amount, EUR 28.8 million related to internally generated intangible fixed assets recognized pursuant to section 248 (2) HGB and 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 20.1 million as of December 31, 2018 (PY: EUR 19.1 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 4.2 billion (PY: EUR 4.2 billion). Consequently, a maximum of EUR 4.1 billion (PY: EUR 4.1 billion) was distributable and a maximum of EUR 4.2 billion (PY: EUR 4.1 billion) was transferable under commercial law as of December 31, 2018.

This means that the restrictions on distribution or transfer described above do not have any effect on the profit after tax allocation (EUR 386.7 million; PY: EUR 356.6 million) to be transferred.

	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million
Restrictions on distributions and transfers pursuant to section 268 (8) HGB in conjunction with section 301 AktG	**33.8**	**28.3**
Internally generated intangible fixed assets	28.8	19.8
Fair values of plan assets in excess of historical cost pursuant to section 246 (2) HGB	5.0	8.5
Restrictions on distributions pursuant to section 253 (6) HGB	**20.1**	**19.1**
Difference (gain) from changes in market interest rates	20.1	19.1
Total restrictions on distribution pursuant to the HGB	**53.9**	**47.4**

2.1.6. Currency translation

Currency translation 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. Amortized cost is the upper limit for such reversals.

As part of the initial application of IFRS 9, reclassification-related changes were made to the definition of the purpose of financial instruments, and these changes led to corresponding reclassifications of securities in the liquidity reserve and under long-term securities in the HGB financial statements. The securities were reclassified at the carrying amounts recognized in the previous annual financial statements. Securities with a nominal amount of EUR 6,705.5 million were reclassified from long-term securities to the liquidity reserve (reclassification carrying amount of EUR 6,830.8 million), while reclassifications to long-term securities affected securities with a nominal amount of EUR 2,999.0 million (reclassification carrying amount of EUR 2,995.9 million). Write-downs of EUR 76.8 thousand were avoided on securities reclassified to long-term securities in fiscal year 2018.

2.3. Equity investments and investments in affiliated companies

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

2.4. Intangible fixed assets

Intangible fixed assets are recognized at cost less amortization. No write-downs were 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.

2.4.2. Acquired goodwill

The goodwill acquired through the acquisition of Entrium Direct Bankers AG, Nuremberg, in 2003 was amortized over 15 years.

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 cost of which is 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 AG. 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 (3.21 percent; PY: 3.68 percent) applicable to an assumed remaining term of 15 years. This discount rate is calculated and published each month by the 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 to the amount calculated under the previous rule for pension provisions (seven years) is EUR 20.1 million (PY: EUR 19.1 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 AG 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 111.7 million as of the balance sheet date (PY: EUR 110.4 million). This obligation is covered by plan assets with a fair value of EUR 72.7 million (PY: EUR 83.1 million). The fair value is determined on the basis of market prices for fund units. The cost of the plan assets is EUR 67.7 million (PY: EUR 74.5 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 3.9 million (PY: EUR 4.2 million), while expenses from offsetting plan asserts amounted to EUR 3.1 million (PY: EUR 0.7 million). Overall, this resulted in an expense of EUR 7.0 million for the fiscal year (PY: EUR 3.5 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 term.

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, 2018 was EUR 16.5 billion (PY: EUR 14.1 billion) and EUR 9.8 billion (PY: EUR 8.7 billion), respectively. There were also derivative financial instruments in foreign currencies, which are presented in section 7.4.

3.2. Assets

3.2.1. Statement of changes in fixed assets

	Cost Jan. 1, 2018	Reclassi-fications	Additions	Disposals	Reversals of write-downs	Depreciation and amortization at beginning of fiscal year cumulative	Depreciation, amortization and write-downs in the fiscal year	accumulated	Balance as of Dec. 31, 2018	Balance as of 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**

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.

Disposals accounted for EUR 73.8 million (EUR 241.9 million) of cumulative depreciation, amortization, and write-downs in the fiscal year.

3.2.2. Loans and advances to banks

	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million
This item includes loans and advances to		
affiliated companies	10,640.0	8,555.1
other loans and advances to banks by remaining maturity		
a) up to three months	806.8	862.4
b) more than three months and up to one year	2,441.1	1,566.1
c) more than one and up to five years	6,542.3	6,197.7
d) more than five years	1,693.6	1,670.0
Total for all remaining maturities	**11,483.8**	**10,296.2**

3.2.3. Loans and advances to customers

	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million
This item includes loans and advances to		
affiliated companies	831.0	2,831.4
other loans and advances to customers by remaining maturity		
a) up to three months	3,462.6	6,080.5
b) more than three months and up to one year	9,623.3	7,986.2
c) more than one and up to five years	52,881.0	48,636.6
d) more than five years	49,970.3	46,515.4
e) with indefinite terms	2,445.1	2,564.4
Total for all remaining maturities	**118,382.3**	**111,783.1**

Loans and advances to customers include EUR 5.5 billion (PY: EUR 4.8 billion) in assets held to cover issued bonds.

3.2.4. Bonds and other fixed-income securities

	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million
Marketable securities included in this item		
of which listed	28,984.6	37,346.7
of which unlisted	400.3	557.5
Due in the following year (carrying amounts)	3,766.5	3,430.7
Securities of affiliated companies	11,893.7	16,706.7
Carrying amount of securities carried at an amount in excess of fair value	2,095.6	5,187.0
Market value of securities carried at an amount in excess of fair value	2,094.9	5,127.3

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. Equities and other non-fixed-income securities

The full amount of equities and other non-fixed-income securities was attributable to non-marketable units in sub-funds of the investment firm ING ARIA. All units were sold in 2018, generating a capital gain of EUR 75 thousand.

As of the balance sheet date, the carrying amount of the investment was EUR 0 (PY: EUR 5,027 thousand).

No distributions were made in fiscal year 2018.

3.2.6. Equity investments and investments in affiliated companies

	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million
Equity investments		
Carrying amount	0.0	1.5
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

3.2.7. Trust assets

The trust assets (EUR 25 thousand; PY: EUR 35 thousand) relate exclusively to trust loans.

3.2.8. Intangible fixed assets

	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million
Internally generated software	28.9	19.8
Purchased software, licenses, and other rights	16.2	13.5
Acquired goodwill	0.0	4.5
Advance payments	2.5	1.0
Total	**47.6**	**38.8**

3.2.9. Other assets

	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million
Receivables from pending ATM items	62.7	51.0
Receivables from taxes	43.3	44.5
Receivables from securities and funds business commissions	7.9	7.4
FMSA cash collateral	7.5	4.7
Direct commitments	3.0	2.6
Receivables from Visa Inc.	2.8	2.8
Foreign currency position from executory contracts	2.4	137.1
Receivable from control and profit and loss transfer agreement	0.3	0.7
Other items	16.1	15.3
Total	**146.0**	**266.1**

ING-DiBa AG 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.

Taxes receivable included a VAT receivable of EUR 5.8 million for ING-DiBa AG for the 2017 calendar year. In addition, receivables from taxes mainly comprise corporate income 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, as well as 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.

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 2.8 million – the maximum permitted IPC contribution – was transferred.

The foreign currency position from executory contracts presented comprises the surplus of currency delivery claims over currency delivery liabilities on translation of the foreign currency position at the middle spot rate as well as the swap points recognized in the balance sheet for the currency forwards.

The receivable from the control and profit and loss transfer agreement resulted from the profit of GGV mbH, Frankfurt am Main, for the 2018 fiscal year, which will be transferred to ING-DiBa AG following the shareholders' meeting.

The "Other items" mainly comprise invoice receivables.

3.2.10. Prepaid expenses

	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million
Commissions on mortgage lending	407.0	379.8
Upfront payments for hedging transactions	20.4	5.3
Discounts on issued *Pfandbriefe*	17.1	6.3
Prepayment of wages + salaries	15.8	14.7
Purchase of Wholesale Banking receivables	14.2	14.9
Deferrals of non-personnel costs	10.6	14.9
Other prepaid expenses	0.9	1.0
Total	**486.0**	**436.9**

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*.

3.3. Liabilities and equity

3.3.1. Deposits from banks

	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million
This item includes deposits from		
affiliated companies	10,163.0	9,594.5
other deposits from banks by remaining maturity		
a) up to three months	1,046.7	800.5
b) more than three months and up to one year	1,826.5	1,581.8
c) more than one and up to five years	9,622.0	9,215.7
d) more than five years	4,031.5	4,376.3
Total for all remaining maturities	**16,526.7**	**15,974.3**

3.3.2. Amounts due to customers

	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million
This item includes amounts due to		
affiliated companies	175.0	321.1
Savings deposits with an agreed term or period of notice, by remaining maturity		
a) up to three months	41.0	31.9
b) more than three months and up to one year	0.0	0.0
c) more than one and up to five years	155.7	138.9
d) more than five years	31.2	27.7
Total for all remaining maturities	**227.9**	**198.5**
Other amounts due to customers by remaining maturity		
a) up to three months	3,142.6	3,708.4
b) more than three months and up to one year	2,593.6	3,516.7
c) more than one and up to five years	831.9	1,174.4
d) more than five years	1.0	1.6
Total for all remaining maturities	**6,569.1**	**8,401.1**

3.3.3. Securitized liabilities

	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million
Issued bonds by remaining maturity		
a) up to three months	500.0	20.0
b) more than three months and up to one year	10.0	0.0
c) more than one and up to five years	1,100.0	610.0
d) more than five years	1,105.0	605.0
Total for all remaining maturities	**2,715.0**	**1,235.0**

Issued bonds solely comprise issued *Pfandbriefe*.

3.3.4. Trust liabilities

Trust liabilities (EUR 25 thousand; PY: EUR 35 thousand) correspond to trust assets.

3.3.5. Other liabilities

	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million
Liability from profit and loss transfer agreement	386.7	356.6
Foreign currency position from pending transactions	144.3	0.0
Trade payables	28.6	27.1
Capital gains tax including solidarity surcharge, payroll and church taxes, and social security contributions	21.7	55.3
Liabilities from commissions to sales partners	8.9	11.0
Other items	32.6	4,635.2
Total	**622.8**	**5,085.2**
Liabilities to affiliated companies included in this amount	399.2	4,982.3

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

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

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

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

The change in the "Other items" was mainly due to the reassignment of a portfolio of securitized receivables. In 2008, the Bank had securitized receivables in connection with an RMBS transaction. Due to beneficial ownership not being transferred, it had recognized, under other liabilities, a liability to the special purpose entity Pure German Lion RMBS 2008 GmbH, Frankfurt am Main in the appropriate amount (PY: EUR 4.6 billion). The portfolio was transferred back in full in fiscal year 2018.

As in the previous year, none of the liabilities to affiliated companies are unsecuritized.

3.3.6. Deferred income

	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million
Loan processing fees from lending business - Wholesale Banking	56.8	67.5
Payments received for hedging transactions	24.5	14.8
Discounts for mortgages and other loans	1.3	1.3
Total	**82.6**	**83.6**

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

3.3.7. Other provisions

	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million
Provisions for personnel	95.7	69.1
Provisions for expected losses	31.1	31.5
IT costs	23.3	24.4
Contribution to the Compensation Scheme of German Banks (EdB)	17.9	17.2
Marketing	12.4	18.5
Interest growth	7.2	13.0
Credit cards	5.9	5.8
Consulting expenses	4.0	4.8
Commissions	3.9	3.9
Postage and courier services	3.8	3.7
Litigation expenses	2.4	13.5
Lease space and ancillary expenses	2.1	1.7
ATMs	1.7	2.3
Securities broking	0.9	0.9
Other items	56.0	53.6
Total	**268.3**	**263.9**

The provisions for expected losses mainly relate to currency forwards (see 2.1.1.) and expected losses relating to the lending business in Wholesale Banking.

The recognition of non-current provisions resulted in interest expenses amounting to EUR 277 thousand (PY: EUR 349 thousand). No non-current provisions resulting in interest income were recognized in the fiscal year under review (PY: EUR 150 thousand).

The provisions also include the mandatory contribution to the Compensation Scheme of German Banks (Entschädigungseinrichtung deutscher Banken, "EdB") until December 31, 2018 for the contribution year October 1, 2018 to September 30, 2019. 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 of 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 of December 31, 2018 was EUR 1.4 billion (PY: EUR 1.4 billion).

There are no subordinated liabilities in foreign currency.

Interest expenses of EUR 10.9 million (PY: EUR 0.5 million) were incurred on these liabilities. The lender that issued the subordinated loan, which is divided into three tranches, is ING Deutschland GmbH, Frankfurt am Main.

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

	Nominal amount EUR million	Interest rate	Maturity date
Tranche 1	500	6M Euribor + 0.85%	Dec. 14, 2027
Tranche 2	500	6M Euribor + 1.10%	Dec. 14, 2029
Tranche 3	400	6M Euribor + 1.20%	Dec. 14, 2032
Total	**1,400**		

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 AG has the right to call each tranche 5 years before maturity.

3.3.9. Equity

3.3.9.1. Subscribed capital

ING-DiBa AG's subscribed capital as of December 31, 2018 remained unchanged at EUR 100 million and is divided into 100 million no-par-value bearer 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, 2018 EUR million	Dec. 31, 2017 EUR million
a) Liabilities from guarantees and indemnity agreements		
Guarantees given	1,784.3	2,582.8
Letters of credit	245.0	154.4
Guarantee business	30.4	48.9
Documentary business – import	25.0	12.9
Documentary business – export	9.4	24.3
Total	2,094.1	2,823.3
b) Liabilities from the provision of collateral for third-party liabilities	15.9	15.6
Total	**2,110.0**	**2,838.9**
Contingent liabilities to affiliated companies included in this amount	240.7	255.7

The contingent liabilities reported resulted primarily from the commercial 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*, "SolvV"). In three cases, however, credit risk monitoring showed sufficient findings for an expected claim so that provisions for this were established. In addition, provisions were also recognized for contingent credit risks from contingent liabilities.

3.4.2. Other commitments

Other obligations consist almost exclusively of irrevocable loan commitments of EUR 15.7 billion (PY: EUR 15.2 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, 2018 EUR million	Dec. 31, 2017 EUR million
For deposits from banks	6,558.7	7,020.8
For contingent liabilities	15.9	15.6

Mortgage loans of EUR 6.6 billion (PY: EUR 7.0 billion) have been pledged as collateral to Kreditanstalt für Wiederaufbau AG, Frankfurt am Main, for deposits from banks and other liabilities.

Collateral payments of EUR 10.5 million (PY: EUR 4.1 million) have been transferred for deposits from banks under a repurchase agreement.

Collateral transferred for contingent liabilities consists 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, 2018 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, 2018 EUR million	Dec. 31, 2017 EUR million
Head office costs	88.9	54.5
Interest portion from provisions for personnel and plan assets	9.8	6.4
Canteen expenses	2.0	2.0
Expenses for previous years	2.0	1.9
Expenses from the sale and administration of third-party land and buildings	0.4	0.8
Other items	2.1	1.6
Total	**105.2**	**67.2**

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

4.3. Income taxes

	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million
Tax allocation	365.9	409.2
Corporate income tax – Austria	1.2	1.2
Taxes – previous years	2.3	-12.3
Total	**369.4**	**398.1**

The tax allocation results from the income tax allocation agreement with ING Holding Deutschland GmbH, Frankfurt am Main, 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, 2018 EUR million	Dec. 31, 2017 EUR million
Income from the reversal of provisions	55.4	43.5
Servicer bonuses and service fee Pure German Lion RMBS 2008 GmbH	13.4	18.3
Currency translation gains	2.6	4.6
Reimbursements from previous years	1.8	4.3
Income from the application of the pre-tax key	4.3	3.2
Other items	21.4	17.7
Total	**98.9**	**91.6**

Income from Pure German Lion RMBS 2008 GmbH, Frankfurt, was due to services performed as part of the management of the assigned mortgage loans as well as net profit attributable to the servicer.

5. Events after the End of the Reporting Period

No significant events occurred after the close of the fiscal year.

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, 2018 EUR million	Dec. 31, 2017 EUR million	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million
Mortgage *Pfandbriefe*	2,715.00	1,235.00	2,741.11	1,238.01	2,584.60	1,185.12	2,841.64	1,268.62
Cover pool	4,135.86	3,532.16	4,585.90	4,003.09	4,376.51	3,823.25	4,668.08	4,074.21
in % of outstanding *Pfandbriefe*	152.3%	286.0%	167.3%	323.3%	169.3%	322.6%	164.3%	321.2%
of which excess cover	150.00	75.00	156.86	79.33	152.66	76.61	156.19	79.40
in % of outstanding *Pfandbriefe*	5.5%	6.1%	5.7%	6.4%	5.9%	6.5%	5.5%	6.3%
Cover pool	4,135.86	3,532.16	4,585.90	4,003.09	4,376.51	3,823.25	4,668.08	4,074.21
of which prime (1) residential mortgages	3,985.86	3,457.16	4,429.04	3,923.77	4,223.86	3,746.64	4,511.89	3,994.81
in % of outstanding *Pfandbriefe*	146.8%	279.9%	161.6%	316.9%	163.4%	316.1%	158.8%	314.9%
of which further cover assets	150.00	75.00	156.86	79.33	152.66	76.61	156.19	79.40
of which excess cover	150.00	75.00	156.86	79.33	152.66	76.61	156.19	79.40
of which section 19 (1) no. 2	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
of which section 19 (1) no. 3	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Liquidity cover only	515.00	0.00	549.05	0.00	531.68	0.00	550.10	0.00

[1] Dynamic approach pursuant to section 5 (1) no. 2 of the Net Present Value Regulation (*Pfandbrief-Barwertverordnung*, "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 amount, *Pfandbriefe*		**Nominal amount, cover pool**	
	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million
≤ 0.5 years	510.00	20.00	8.46	13.61
> 0.5 to 1 year(s)	0.00	0.00	42.87	7.77
> 1 to 1.5 year(s)	10.00	510.00	273.05	10.65
> 1.5 to 2 years	0.00	0.00	274.10	50.31
> 2 to 3 years	10.00	10.00	748.61	643.18
> 3 to 4 years	80.00	10.00	368.39	743.93
> 4 to 5 years	1,000.00	80.00	344.94	389.12
> 5 to 10 years	605.00	600.00	1,557.48	1,413.37
> 10 years	500.00	5.00	517.95	260.24
Total	**2,715.00**	**1,235.00**	**4,135.86**	**3,532.16**

6.3. Additional key figures

	Dec. 31, 2018	Dec. 31, 2017
Fixed-interest *Pfandbriefe* as a percentage of covered liabilities	96.3%	91.9%
Fixed-interest cover assets as a percentage of total cover pool	100%	100%
Volume-weighted average age of receivables (in years)	5.89	5.77
Weighted average loan to value ratio	48.7%	49.3%

6.4. Mortgages by size classes

	Nominal value		% of mortgage loans	
	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million	Dec. 31, 2018 %	Dec. 31, 2017 %
≤ EUR 0.3 million	3,972.64	3,447.73	99.7	99.7
> EUR 0.3 million to EUR 1.0 million	13.22	9.43	0.3	0.3
> EUR 1.0 million to EUR 10.0 million	0.00	0.00	0.0	0.0
> EUR 10.0 million	0.00	0.00	0.0	0.0
Total	**3,985.86**	**3,457.16**	**100.0**	**100.0**

6.5. Mortgages by federal state

	Nominal value		% of mortgage loans	
	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million	Dec. 31, 2018 %	Dec. 31, 2017 %
Baden-Württemberg	403.58	347.78	10.1	10.1
Bavaria	495.58	412.49	12.4	11.9
Berlin	242.13	198.28	6.1	5.7
Brandenburg	287.68	255.99	7.2	7.4
Bremen	24.98	23.61	0.6	0.7
Hamburg	147.10	107.21	3.7	3.1
Hesse	482.38	407.47	12.1	11.8
Mecklenburg-West Pomerania	67.70	64.87	1.7	1.9
Lower Saxony	303.75	269.20	7.6	7.8
North Rhine-Westphalia	853.73	756.11	21.4	21.9
Rhineland-Palatinate	151.17	133.65	3.8	3.9
Saarland	19.19	19.09	0.5	0.6
Saxony	157.46	143.75	4.0	4.2
Saxony-Anhalt	61.55	58.02	1.5	1.7
Schleswig-Holstein	225.20	200.44	5.6	5.8
Thuringia	62.67	59.21	1.6	1.7
Total	**3,985.86**	**3,457.16**	**100.0**	**100.0**

6.6. Mortgages by property type

	Nominal value		% of mortgage loans	
	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million	Dec. 31, 2018 %	Dec. 31, 2017 %
Residential use				
Single and two-family houses	3,181.70	2,866.02	79.8	82.9
Multi-family houses	0.00	0.00	0.0	0.0
Condominiums	804.15	591.13	20.2	17.1
Total	**3,985.86**	**3,457.16**	**100.0**	**100.0**
Commercial use				
Single and two-family houses	0.00	0.00	0.0	0.0
Multi-family houses	0.00	0.00	0.0	0.0
Condominiums	0.00	0.00	0.0	0.0
Total	**0.00**	**0.00**	**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, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Pending foreclosures	0.00	0.00	/	/
Completed foreclosures	/	/	/	/
Mortgages taken over	/	/	/	/
Interest in arrears in EUR	14,977.48	14,441.34	/	/

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 AG 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 Eurex 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, 2018, the liability cap is EUR 31.8 million (PY: EUR 32.1 million). The Bank does not currently assume that there will be any claims.

7.1.2. From outsourcing obligations

ING-DiBa AG has outsourced some IT tasks. For 2019, this will result in a projected expense of EUR 41.5 million. This relates to expenses from contracts that are adjusted every year. An annual expense of up to EUR 49.2 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 AG, ING-DiBa AG 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 AG 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 currently not 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., Amsterdam, Netherlands.

7.1.4. Contributions to deposit and bank protection schemes

	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million
Contributions to deposit protection schemes	92.5	102.4
Additional agreement on contractual payment obligations	88.5	49.1
Contributions to the bank levy	16.5	13.3
Additional agreement on irrevocable payment obligations	7.5	4.7

As a member of the Compensation Scheme of German Banks (Entschädigungseinrichtung deutscher Banken GmbH, "EdB"), ING-DiBa AG 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 AG does not have any information about the metrics of other banks or the estimated risk parameters that the EdB uses for ING-DiBa AG. The provisions recognized as of December 31, 2018 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 16.1 million for the European bank levy and of 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 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 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 2018	Equity Dec. 31, 2017	Net profit/loss for fiscal year 2017
	%	EUR thousand	EUR thousand
GGV Gesellschaft für Grundstücks- und Vermögensverwaltung mbH, Frankfurt am Main (GGV)	100	35,060	744
ING-DiBa Service GmbH, Frankfurt am Main	100	250	108
Ingredit Verwaltungs GmbH, Frankfurt am Main	100	26	0
paydirekt Beteiligungsgesellschaft privater Banken mbH, Berlin	20	6,115	3

Under the existing control and profit and loss transfer agreement, GGV's profit for the 2018 fiscal year will be transferred to ING-DiBa AG.

The liquidation of Rahmhof Grundbesitz GmbH i.L. was completed in fiscal year 2018 and the company has been cancelled.

ING-DiBa AG has a 20 percent interest in paydirekt Beteiligungsgesellschaft privater Banken mbH. The shares in the company were cancelled in the fiscal year under review, necessitating a write-down for impairment in the amount of the investment of EUR 1.5 million.

7.3. Auditors' fees

The auditors' fees charged for the fiscal year are not disclosed in ING-DiBa AG's annual financial statements because they are included in the consolidated subgroup financial statements of ING Holding Deutschland GmbH, Frankfurt am Main. The consolidated subgroup financial statements are published online at www.ing-diba.com.

7.4. Derivative financial instruments

7.4.1. Interest rate and foreign currency swaps

	Dec. 31, 2018 EUR million	Dec. 31, 2017 EUR million
Currency forwards		
Currency delivery claims (notional amount)	8,179.4	16,004.4
Currency delivery liabilities (notional amount)	8,292.9	16,026.8
Carrying amount (other assets)	2.4	4.1
Carrying amount (other liabilities)	99.7	3.5
Positive fair value	6.2	80.2
Negative fair value	102.5	76.7
Interest rate swaps in euros		
Notional amount	175,288.6	113,539.2
Carrying amount (prepaid expenses)	17.4	2.0
Carrying amount (deferred income)	22.8	12.9
Positive fair value (excluding accrued interest)	764.4	843.0
Negative fair value (excluding accrued interest)	1,726.0	1,875.4
Interest rate swaps in foreign currency		
Notional amount	357.2	341.0
Carrying amount (prepaid expenses)	3.0	3.3
Carrying amount (deferred income)	1.7	1.9
Positive fair value (excluding accrued interest)	8.8	3.6
Negative fair value (excluding accrued interest)	0.1	0.4
Cross-currency swaps		
Notional amount	7,078.1	3,347.8
Carrying amount (other liabilities)	44.6	133.0
Positive fair value (excluding accrued interest)	65.1	127.4
Negative fair value (excluding accrued interest)	125.4	0.0

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

Interest rate derivatives and cross-currency swaps are concluded to cover fluctuations in interest and exchange rates 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 AG's calculations, as of December 31, 2018, the present value of the banking book significantly exceeds the corresponding carrying amount.

7.4.2. Hedges

In addition to general management of the interest rate risk, the Bank also concludes interest rate swaps in order to hedge the Bank's interest rate risks that result from securities in the liquidity reserve. Hedge accounting was applied in the past to some of these combinations of securities and interest rate swaps pursuant to section 254 HGB.

This meant that changes in fair value of the hedged items due to changes in interest rates were almost fully compensated by the offsetting changes in value of the hedging transactions belonging to the hedged item over the entire term of the hedged exposures. The terms of each of the hedging derivatives (e.g., volume, term, interest dates, coupons) corresponded almost completely to the terms of the hedged items. The effectiveness of the hedges was documented prospectively using regression analysis.

ING-DiBa AG had decided on the net hedge presentation method for the recognition of the effective portion of hedges. Although all hedges were effective in the past fiscal year, they were terminated because the hedged item or hedging transaction was sold or closed out. The cash flows from derecognizing the hedged item or hedging transaction that were attributable to the effectively hedged risk were recognized not affecting net income by recognizing other liabilities or by offsetting them against the carrying amount of the hedged item. Other liabilities from the termination of former hedges amount to EUR 6.1 million (PY: EUR 0).

The carrying amount of hedged assets as of the balance sheet date was EUR 0 million (PY: EUR 229.0 million). The nominal volume of hedged securities as of the reporting date was EUR 0 million (PY: EUR 225.0 million). The hedges include derivatives with a negative fair value of EUR 0 million (PY: EUR 16.5 million).

7.5. Average number of employees

	2018	2017
Germany	3,363	3,397
Austria	247	227
	3,610	**3,624**

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 3.9 million (PY: EUR 4.5 million). The total remuneration of the former members of the Management Board and their bereaved in the fiscal year was EUR 1.3 million (PY: EUR 1.1 million).

The members of the Management Board were granted a total of 25,983 share-based subscription rights (PY: 46,439) on shares of the ING Groep. The fair value of the share-based subscription rights as of the grant date was EUR 331 thousand (PY: EUR 610 thousand). As in the previous year, no additional subscription rights were granted in 2018.

Provisions totaling EUR 2.1 million (PY: EUR 2.9 million) have been recognized for current pensions and entitlements to pensions for current members of the Management Board and provisions of EUR 21.2 million (PY: EUR 21.4 million) for former members of the Management Board and their surviving dependents.

The total remuneration of the Supervisory Board during the fiscal year was EUR 1.0 million (PY: EUR -0.7 million).

As of December 31, 2018, the total amount of loans granted to the members of the Management Board was EUR 0.1 million (PY: EUR 0.1 million) and EUR 0.1 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

Katharina Herrmann
Bank director, until January 31, 2018
Frankfurt am Main

Željko Kaurin
Bank director
Frankfurt am Main

Remco Nieland
Bank director
Frankfurt am Main

Dr. Joachim Freiherr von Schorlemer
Bank director
Frankfurt am Main

7.7.2. Supervisory Board

Dr. Claus Dieter Hoffmann
Managing director, H+H Senior Advisors GmbH
Stuttgart
Chairman of the Supervisory Board

Stefan Teichmann
Bank employee
Wolfsburg
Vice Chairman of the Supervisory Board, since January 1, 2019

Aris Bogdaneris
CEO Retail Banking International
Wassenaar, Netherlands

André Fioritto, since January 11, 2019
Bank employee
Idstein

Birgit Braitsch (ver.di)
ver.di regional section head
Frankfurt am Main

Christine Stürtz-Deligiannis, until November 30, 2018
Bank employee
Frankfurt am Main

Diederik Baron van Wassenaer
Head of Regulatory & International Affairs at ING Bank N.V.
Amsterdam, Netherlands

Dr. Jörg Wildgruber, since January 14, 2019
Business administration graduate
Hamburg

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

Prof. Dr. Wolfgang Gerke
Financial economist
Munich

Prof. Dr. Gesche Joost
Design scientist
Berlin

Rainer Pfeifer
Bank employee
Kahl am Main

Rüdiger Köppel
Bank employee

Frankfurt am Main
Vice Chairman of the Supervisory Board

Ronald Scherpenhuijsen Rom, since December 1, 2018
Bank employee
Frankfurt am Main

Ulrich Probst
Bank employee
Nuremberg

7.8. Shareholder and consolidated financial statements

ING-DiBa AG's share capital is held in full by ING Deutschland GmbH, Frankfurt am Main.

ING-DiBa AG is subject to disclosure requirements pursuant to Regulation (EU) No. 575/2013 of June 26, 2013 (Capital Requirements Regulation – CRR). Pursuant to Article 13 (2) sentence 2 CRR, ING-DiBa AG, as a significant subsidiary of the EU parent financial holding company ING Groep N.V., Amsterdam, Netherlands, as well as a subsidiary which is of material significance for its local market, is required to disclose information in accordance with Articles 437, 438, 440, 442, 450, 451, and 453 CRR on an individual basis. As of December 31, 2018, this information relates to the Bank's equity, own funds requirements, credit risk adjustments, remuneration policies, leverage and credit risk mitigation strategies. The Bank has published the relevant information in a disclosure report and 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.

As the parent of ING-DiBa AG, ING-Holding Deutschland GmbH prepared consolidated subgroup financial statements for the fiscal year ended December 31, 2018 on a voluntary basis in accordance with International Financial Reporting Standards (IFRSs), 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.

Moreover, ING Bank N.V., Amsterdam, Netherlands, prepares consolidated subgroup financial statements in which ING-DiBa AG is included and which are published in German in the Federal Gazette. The consolidated financial statements for the largest group of companies in which the Company is included are prepared by ING Groep N.V., Amsterdam, Netherlands.

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 386,7 million (PY: EUR 356,6 million) is to be transferred to ING Deutschland GmbH, Frankfurt am Main, for the 2018 fiscal year.

Frankfurt am Main, February 28, 2019

The Management Board

Nick Jue	Bernd Geilen	Željko Kaurin

Remco Nieland	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 2018. 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 2018, 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 2018, 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 2018. In accordance with German legal requirements, we have not audited the contents of the Group's corporate governance statement, which is included in the "Corporate governance statement" section of the management 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 2018 and of its financial performance for the financial year from 1 January to 31 December 2018 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 the corporate governance statement mentioned above.

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 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 (IDW) [Institute of Public Auditors in Germany]. 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)(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 2018. 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 the risk provision in the lending business with retail customers

For an explanation of how provisions for the retail lending business are measured, please refer to the section "General" 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

In loans to retail customers, as at 31 December 2018 ING-DiBa AG recognised as risk provision EUR 203.3 million of general loan loss provisions for inherent credit risks, EUR 225.7 million of portfolio-based specific loan loss provisions and EUR 28.1 million of specific loan loss provisions for acute credit risks.

To determine general loan loss provisions for inherent credit risks, receivables and irrevocable loan commitments in the mortgage loans and consumer loans businesses without any identifiable acute credit losses are categorised by quantitative and qualitative risk characteristics into risk classes for which average default probabilities are calculated. In addition, loss given default is calculated based on historical experience.

To determine portfolio-based specific loan loss provisions for acute credit losses in the consumer loans and mortgage loans businesses, receivables for which debt servicing capacity can no longer be sustainably ensured are identified based on payment arrears. In addition, loss given default is calculated based on historical experience.

For terminated mortgage loans facing collateral liquidation, the Bank determines specific loan loss provisions that are calculated case-by-case based on the estimated future cash flows, taking into account expected proceeds from the sale of collateral.

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

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:

First, we gained a thorough understanding of the performance of the loan portfolio, the associated credit risks and the internal controls with regard to identifying, controlling, monitoring and evaluating credit risks associated with retail 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 audited the implementation and the effectiveness of relevant controls, including application controls, that are intended to ensure derivation of assumptions and parameters to determine the loan loss provisions in accordance with German commercial law. With the involvement of our IT specialists, we audited the effectiveness of the general IT controls for the relevant IT systems.

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 the general loan loss provisions, we assessed the appropriateness of the validation carried out by the Bank and reviewed the implementation of the recalibrations derived from the validation.

Furthermore, we conducted audit procedures in relation to the quality of the data used for determining the portfolio-based specific loan loss provisions and general loan loss provisions.

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.

Using a selection of impairment amounts, we also audited the historical database used to determine loss given default.

As regards the specific loan loss provisions in the mortgage loans business, we used a random sample to verify that the loan loss provisions according to German commercial law was calculated based on appropriate estimates, particularly in relation to the value of collateral. We used expert valuation opinions in this process, among other things. In this regard, we evaluated the competence, professional skills and impartiality of the experts, gained an understanding of their work and assessed its suitability as audit evidence.

OUR OBSERVATIONS

Estimates made by management that underlie the calculation of the loan loss provisions for retail customer loans have been determined properly as a whole and in accordance with the applicable accounting policies under German commercial law. The probabilities of default and loss given default used have been properly derived from the historical data.

IT Access Management in the financial reporting process

Please refer to the section "Organisation of the ICS Ac" 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 rights for IT systems therefore constitutes a risk for the accuracy of financial reporting. This applies in particular to systems in which the access rights 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 separation of functions principle (e.g. between IT and the specialist department or 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.

As unauthorised system access, inappropriately extensive authorisations and insufficient separation of functions entail the risk of intentional or accidental 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 organisations. To this end, we performed a risk assessment and identified IT applications, databases and operating systems that were significant for our audit.

For relevant IT application controls within the financial reporting process, we identified general IT supporting controls, in particular as regards access protection, and verified their structure and functionality. Our audit procedures concerned:

- Verifying that the initial access to IT systems for joiners or movers is subject to appropriate screening and is approved by an authorised person in line with the authorization design concept.
- Verifying that employee access rights are removed within an appropriate period following change of organisational unit or departure from the company.

- Verifying that a review is performed of the appropriateness of the system access granted for personalised and non-personalised privileged access rights and if they are subject to a particularly restrictive authorisation-granting procedure that is regularly monitored.

Moreover, we conducted further audit procedures concerning password protection, additional security settings regarding modifications for applications and databases, the separation of functions between specialist department and IT users and the separation of functions between employees responsible for program development and those responsible for 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

Based on the results of the audit of significant controls and substantive audit procedures, we conclude that the Identity Access Management generally satisfies requirements for completeness and accuracy of data. Where we found deficiencies in the controls, we performed further audit procedures and in particular identified compensating controls that addressed the risk for these annual financial statements as at 31 December 2018.

Other Information

Management is responsible for the other information. The other information comprises the corporate governance statement pursuant to Section 289f (4) HGB (information on female representation).

Our opinions on the 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 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 the 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 controls.
– 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 29 March 2018. We were engaged by the Chairperson of the Supervisory Board on 31 July 2018. 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,
- Issuance of comfort letters 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 Hartmut Bernhard.

Frankfurt am Main, 20 March 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Signature] Bernhard Wirtschaftsprüfer [German Public Auditor]	[Signature] Winner Wirtschaftsprüfer [German Public Auditor]