

3Q2020 ANALYST call Transcript

5 November 2020

Operator: Good morning, welcome to ING's third quarter 2020 conference call. Before handing this conference call over to Steven Van Rijswijk, Chief Executive Officer of ING Group, let me first say that today's comments may include forward looking statements, such as statements regarding future developments in our business, expectations for our future financial performance and any statements not involving a historical fact. Actual results may differ materially from those projected in any forward-looking statement. A discussion of factors that may cause actual results to differ from those in any forward-looking statement is contained in our public filings, including our most recent Annual Report on form 20-F, filed with the US Securities and Exchange Commission and our earnings Press Release as posted on our website today. Furthermore, nothing in today's comments constitutes an offer to sell or a solicitation of an offer to buy any securities. Good morning Steven, over to you.



Steven van Rijswijk, CEO of ING
5 November 2020



Steven van Rijswijk – CEO ING: Thank you, operator. Good morning, everyone, and welcome to our third-quarter 2020 results call. I hope you are all in good health. I am happy to take you through today's presentation. I am joined by our CFO, and ad interim CRO, Tanate

3Q2020 ANALYST call Transcript

5 November 2020

Phutrakul as well as Karst Jan Wolters, currently responsible for the day-to-day risk activities. At the end of the presentation, we will, as always, have time to take your questions.

Key points

- In line with our purpose, we continue to take actions to support our customers, employees and society in coping with the effects of the Covid-19 pandemic. At the same time, countering financial and economic crime remains a priority
- The current environment underscores the strength of our digital business model. We continued to grow primary customers, as they choose us as their go-to bank, while mobile interactions further increased
- Pre-provision result was resilient, supported by disciplined pricing, good fee income and cost control, despite increased margin pressure on customer deposits and impairments
- Risk costs declined sharply, reflecting much lower Stage 3 provisions and a €552 mln management overlay, to compensate for the effect of an IFRS 9 driven release and to increase provisioning related to payment holidays
- A growing number of Covid-19 cases and renewed lockdown measures are increasing uncertainty. We maintain vigilance on margins and asset quality. We are also taking steps to focus our activities, which impacts our geographical footprint, projects and operations
- 3Q2020 CET1 ratio was strong at 15.3%. The full 3Q2020 net profit is kept outside of regulatory capital
- We have adjusted our long-term CET1 ratio ambition to ~12.5% (~200 bps above MDA), reflecting lower capital requirements and more visibility on expected remaining regulatory RWA impact. Given the current uncertainty caused by the Covid-19 pandemic, we will manage our CET1 ratio at a level well above 12.5% until there is more clarity on how the economy will emerge from the Covid-19 pandemic
- We have adjusted our distribution policy to a 50% pay-out ratio of resilient net profit

2

The third quarter of 2020 was another quarter marked by the Covid-19 pandemic and we continue to support our customers, employees, and society during this time. We also continued our efforts to increase the effectiveness of our KYC activities, and are pleased that these efforts were recognised in Italy and we can again welcome new customers.

There are a couple of key points I want to make today. Our digital model continues to be a clear strength as we added another 213,000 primary customers and the number of mobile interactions continues to grow. This also supported us to deliver a strong performance this quarter with pricing discipline, solid fees and cost control, resulting in a resilient pre-provision profit excluding volatile items. Risk costs were markedly lower than last quarter, despite taking a EUR 552 million management overlay to reflect for remaining uncertainty and a delay in potential credit losses.

3Q2020 ANALYST call Transcript
5 November 2020

As the external environment remains challenging, we keep our focus on managing the company through these times and are taking steps to maintain our strong performance. Our margin discipline and risk appetite remain unchanged while we take steps to focus our activities. At this point, we are announcing adjustments in two areas. In Wholesale Banking, with a focus on our core clients and where we need to be to service them. And secondly, in the Challengers & Growth Markets, with focus on how to best fulfil our ambition of scalability and being end-to-end digital with more certainty of execution.

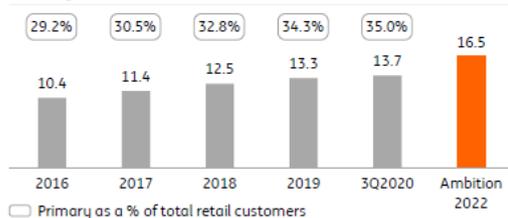
The CET1 ratio improved from 15.0% to 15.3%. This excludes the EUR 1.8 billion dividend reserve for 2019. It also excludes this quarter's net profit. This quarter's profit has been fully reserved for future distribution reflecting our new distribution policy. With this policy we are moving to a pay-out ratio of 50% of resilient net profit. We have adjusted our long-term CET1 ambition from around 13.5% to around 12.5%, reflecting lower capital requirements and more visibility on regulatory RWA impact. This implies a management buffer of around 200 bps. As long as high uncertainty due to the Covid-19 pandemic remains, we will manage CET1 above the 12.5% and will gradually move it to the 12.5%. I will come back to our capital ambition and adjusted distribution policy later in this presentation.

3Q2020 ANALYST call Transcript

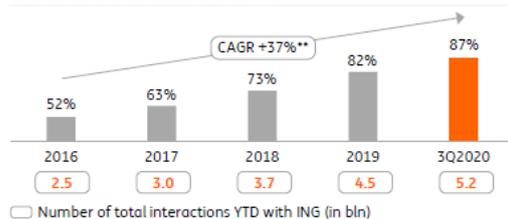
5 November 2020

The pandemic underscores our digital success and requires increased focus

Primary customer* base (in mln)



% mobile in interactions with ING



Number of total interactions YTD with ING (in bln)

* Definition: active payment customers with recurring income and at least one extra active product category
 ** CAGR for number of mobile interactions with ING (annualised for 2020)

- Our primary customer base has increased by 3.3 million since we accelerated our Think Forward strategy in 2016. 213,000 new primary customers were added in 3Q2020, while the number of mobile interactions continued to grow
- With the challenging external environment, we are refocusing our activities, leading to some adjustments
 - Focus on core clients and simplification of our geographical footprint in Wholesale Banking
 - Reduced scope of the Maggie programme in Retail Banking
- These measures will result in a combined reduction of ~1,000 FTEs by the end of 2021. A redundancy provision will be taken in 4Q2020
- Going forward, we will continue to monitor developments and critically review our activities and expenses

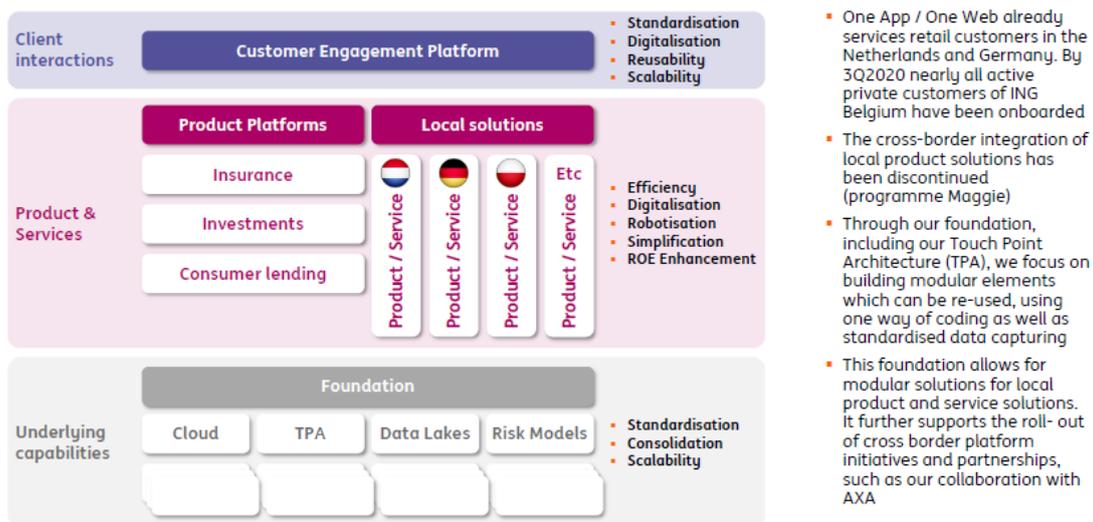
3

Slide 3 shows that also in the current environment, we keep growing our primary customer base, benefitting from the digital experience we offer to our customers. On an annualised basis, the number of mobile interactions is further increasing to an 87% in total interactions. This underscores my belief that our digital “mobile first” strategy is the right strategy. And our ambition to keep transforming into a data-driven digital bank remains firm. Having said that, with the current external environment we do feel the need to refocus some of our activities. In Wholesale Banking, we increase the focus on core clients and simplify our network by closing the offices in South America and some offices in Asia. Core clients will continue to be served from regional hubs in New York, Singapore, and Hong Kong. In the Challengers & Growth Markets, the focus has resulted in a decision to significantly reduce the scope of our Maggie programme, a programme that was launched to provide a standardised customer experience and integrate the product offering in four of our Challenger countries. Effectively, the reduced scope means we stop the complex and costly cross-border integration of systems and products. These actions will have an impact on our employees, with a reduction of around

3Q2020 ANALYST call Transcript
5 November 2020

1,000 employees by year end 2021, for which a redundancy provision will be taken in the next quarter. Going forward, we will continue to take a critical look at our activities and our cost base while we keep the focus on our strategic priorities. As you can clearly see, we do this bite-size, because I want to have execution certainty.

Building on our data-driven digital leadership



Data-driven digital leadership to offer our customers a differentiating experience remains a strategic priority. It is about scalability on the one hand and end-to-end digitalization on the other. We do this by a number of points. The first point is by rolling out a first-class customer engagement layer using and combining mobile app components. This results in a continued expansion of the customer base with access to our improved digital channels. All of our retail customers in the Netherlands and Germany are using the One App/One Web channels. In Belgium almost all our private customers have been onboarded. When this is completed, we will have achieved almost all milestones and 80% of the cost savings for our Unite programme.

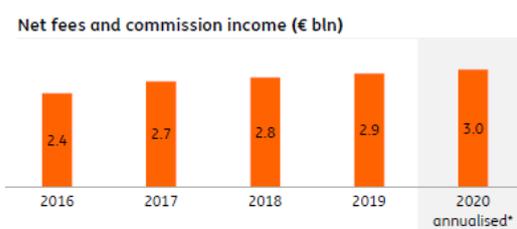
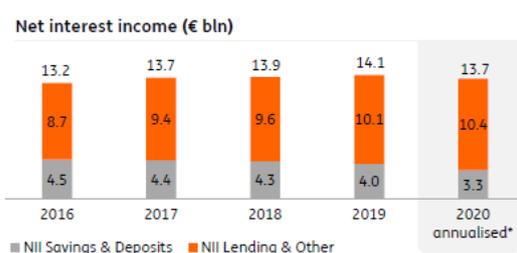
3Q2020 ANALYST call Transcript

5 November 2020

Two, when you look at the middle layer of the slide, that is the purple layer, we will roll out global products and services in insurance, investment products and consumer lending. On the right side of that middle layer you see the local products and services, which we will continue to build in a modular way. That is also end-to-end digitalisation locally. The complex and costly cross-border integration of local systems and products under the Maggie programme will therefore be discontinued.

A third point is that our digitalisation journey is enabled by the foundation that we have built over the years. You see that on the bottom part. This foundation allows us to use and reuse building blocks throughout ING worldwide and can be applied in the development of local products and services as well as to the roll-out of cross-border platform initiatives such as the collaboration and cooperation with AXA on insurance products. As a digital leader we continue to move towards an efficient, easy customer platform that caters for our own and third-party products and services.

Diversifying income in a low rate environment



* NII annualised based on 9M2020

- The negative rate environment since 2016 has put pressure on NII, which we counter using various levers
 - Loan growth has been an important lever and we aim to continue to grow, however within our risk appetite
 - Our lending is measured against RoE hurdles and we maintain vigilance on margins on new production, prioritising returns over volumes or market share
 - We have introduced negative charging and are expanding this on (new) customer deposits (Belgium and Germany) and reducing the threshold for charging negative rates (Netherlands)
 - We made downward rate adjustments in non-eurozone countries, following significant local central bank rate reductions
 - We continue our aim to grow in the higher margin lending areas of Consumer Lending and Business Lending within our risk appetite
- On fee income we have increased daily banking package fees, introduced new account fees and behavioural fees
- The conditional benefit of TLTRO III is not included in NII
- We expect continued pressure on NII in the coming quarters

5

3Q2020 ANALYST call Transcript
5 November 2020

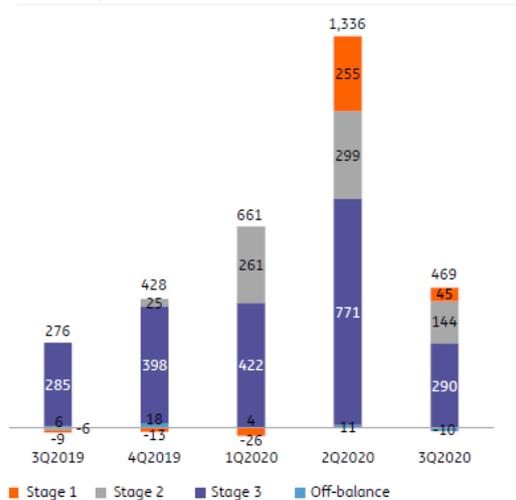
On slide 5, you can see that over the years we have been able to grow our NII in a low rate environment. Please note that 2020 is annualised and is not a guidance. As you know, we have five levers we apply to support and grow NII. 1. Loan growth, 2. Margin discipline, 3. Charging on accounts to counter negative rate environment, 4. Our diversification in non-eurozone countries and 5. Changing of the asset mix.

On loan growth I want to say that we are not willing to compromise on lending standards and on margins. However, we benefit from our geographical diversification and we see loan demand already improving in the US and in Asia. In Europe, demand remain subdued. However, we continue to be committed to support our customers and the wider community. On deposits, we are increasing the charging of negative rates in the eurozone and in non-eurozone countries we have lowered deposit rates to counter the effect of significant local central bank rate reductions. We aim to change the lending mix to areas with higher margins also within risk appetite. As you can see, we are successful at growing our fee base by increasing daily banking fees and introducing behaviour fees. As you will see later in this presentation, we have managed to keep the pressure on NII limited, while we have not yet included the conditional benefits from TLTRO III and have absorbed significant negative FX impacts in the third quarter of 2020. Please note that we remain confident that we will meet the TLTRO threshold.

In light of the current environment, wherein rates have gone more negative and we see a lower demand for corporate lending, we expect continued pressure on NII in the coming quarters. This means that we will need to build on our good momentum on fees and apply strong focus and discipline on costs, which I had said already in the previous quarter.

Focus on maintaining good asset quality in our loan book

Loan loss provisions (in € mln)



- Updated macro-economic indicators driven by IFRS 9 resulted in a €380 million release. As cases and lockdown measures are again increasing and uncertainty remains, the effect of the release was compensated by applying a management overlay to reflect the delay in potential credit losses
- Risk costs came in well below the elevated levels of the previous two quarters
 - Stage 1 and Stage 2 provisions reflect the management overlay to compensate for the effect of releases driven by updated macro-economic indicators, as well as prudent provisioning related to loans subject to a payment holiday
 - Stage 3 provisions were well below the elevated level of the previous quarter, mainly reflecting additions to existing Stage 3 files with limited new inflow
- We have granted payment holidays to ~205,000 customers, amounting to €19.9 bln of lending credit outstandings (~2.6% of our total loan book), of which ~28% has already expired. So far we see no significant deterioration of the risk profile
- We maintain our strict risk appetite with a focus on senior, collateralised lending

6

Turning to slide 6, as mentioned, we retain the same risk appetite and focus on a high-quality loan book, proven also by our strong track record with low risk cost through-the-cycle compared to our eurozone peers. Looking at the numbers for this quarter, these came in well below the second quarter, despite taking a EUR 552 million management overlay. This overlay reflects increasing uncertainty with the second wave of Covid-19 coming in and a delay in potential credit losses, as support from governments and payment holidays phases out. This overlay consists of two parts. The first part of the overlay offsets the effects of a EUR 380 million release that would come by reflecting the updated macro-economic indicators in our models. And like I said last quarter, that would mean that a bad quarter will roll off and a good quarter will come on. But we have offset that impact. The second part of the overlay was furthermore applied to increase provisions for loans that are still subject to a payment holiday. The total amount of loans on which payment holidays were granted remained limited to almost EUR 20 billion or around 2.6% of our loan book. With almost EUR 6 billion already expired, we have around EUR 14 billion remaining, of which the large majority will expire either by the

3Q2020 ANALYST call Transcript

5 November 2020

end of this year or in the first quarter of next year. While we do not see a significant deterioration of the risk for loans with expired payment holidays, we have conservatively taken additional provisions, also reflecting business customers in sectors, which we consider higher risk under Covid-19 and the uncertainty the second wave and structural lockdown measures may bring.

Strengthening our management of compliance risks since 2017

One common global approach

- Global KYC organization in place to oversee end-to-end KYC capabilities and processes
- Global KYC Policy and Risk Appetite Statements rolled out
- Global & local KYC Committees set up to manage KYC capabilities
- Local Client Integrity Risk Committees set up for compliance-based client acceptance/exit
- Behavioural Risk Assessments in several departments finalised
- Ongoing roll-out of global standards, systems and operations to support customer KYC life cycle e.g. in
 - Customer Due Diligence
 - Transaction monitoring
 - Adverse media, name and pre-transaction screening

Digital solutions

- A model using machine learning to detect instances of fraudulent transactions related to 'smurfing'; the practice of breaking up transactions into smaller amounts to evade alerts
- An advanced AI-based anomaly detection model to automatically analyse and detect new potentially suspicious behaviour in foreign currency clearing and settlement
- An API (Application Programme Interface) to integrate our banking systems with a country's trade registry, for quicker access to more accurate data on legal entities

Collaboration with 3rd parties

- In the Netherlands, the government presented an AML action plan, which also investigates data-sharing. Five Dutch banks, including ING, have set up TMNL, a separate entity to cooperate on transaction monitoring
- In Belgium, ING has joined forces with other banks and fintech Isabel Group to more effectively identify suspicious transactions
- Collaboration is also needed on a supra-national level. ING welcomes the European Commission's action plan to ensure harmonisation of EU laws, implement an EU-level supervising authority, and promote information sharing

7

Slide 7 provides an overview of what we have done to strengthen our management of compliance risk, which continues to be a top priority. We have taken steps to implement one global approach to how we manage our Know Your Customer activities. This list is obviously not complete but shows some major areas where we have taken steps. I would like to highlight the roll-out of some global tools for adverse media screening and pre-transaction screening. Also several digital solutions that we have developed to improve the effectiveness and efficiency of our KYC-activities, such as machine-learning to detect when transactions are being broken up into smaller parts in an attempt to avoid raising alerts. We call that smurfing. Last but not least, and I am actually proud of that, we also were the first in the sector to put a

3Q2020 ANALYST call Transcript
5 November 2020

team in place with people with a psychology degree, who are purely focusing on ensuring the most effective behaviour and getting groups to work well together with learnings from these behavioural risk assessments, which will then be applied across the entire organisation. Because in the end it is not only about governance and processes, but also about behaviour. That will make us much more effective.

As we have said before, as a bank we have a responsibility to manage our compliance risks. At the same time, in order to maximise our effectiveness as a gatekeeper, close collaboration with other banks, supervisors and also law enforcement agencies is key. We need to be able to share transactional data to receive more feedback on suspicious alert reports and to have a common approach across countries on KYC-related regulations and supervision to become more effective as a society. We are pleased to see an increasing awareness on this topic, with action plans presented by the Dutch government and by the European Commission. We are part of an initiative to collaborate with other banks on transaction monitoring in the Netherlands and Belgium. And although these are complex matters, which will take time to realise, things are moving in the right direction.

3Q2020 ANALYST call Transcript

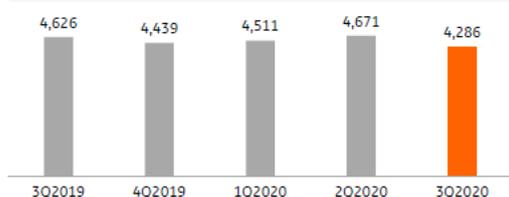
5 November 2020

3Q2020 results

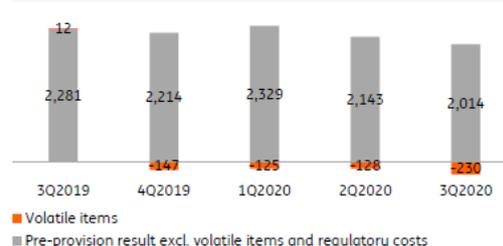
8

Resilient pre-provision result despite pressure on liability income

Income (in € mln)



Pre-provision result excl. volatile items* and regulatory costs (in € mln)



- Income was €340 mln lower compared to 3Q2019, mainly reflecting a €230 million value impairment on our stake in TMB (booked as negative income). The remaining pressure was due to lower interest results on customer deposits, lower results from FX ratio hedging and negative FX impact
- Sequentially, income was €385 mln lower as the annual dividend received from Bank of Beijing was more than offset by the abovementioned €230 million impairment, as well as lower income in Financial Markets and the Corporate Line, including lower interest results on FX ratio hedging
- 3Q2020 pre-provision result, excluding volatile items and regulatory costs, was €267 million lower YoY, reflecting lower income due to abovementioned reasons, and higher expenses, as 3Q2019 included a significant VAT refund
- QoQ pre-provision result excluding volatile items and regulatory costs was €129 million lower, mainly reflecting lower income due to abovementioned reasons, and slightly higher expenses, due to provisions taken this quarter

* A specification of volatile items can be found on slide 22

9

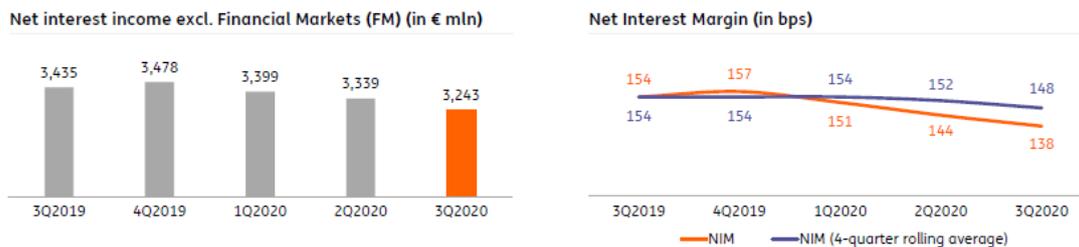
3Q2020 ANALYST call Transcript
5 November 2020

Now, let me take you to the third quarter results, starting on slide 9. In the third quarter of this year income was lower both year on year and quarter on quarter. This was largely due to an impairment on our equity stake in TMB, mainly reflecting the deteriorated macro-environment in Thailand. Excluding this impairment, lower income compared to the previous year was mainly driven by pressure on liability margins and lower results on foreign currency ratio hedging, reflecting lower interest rate differentials as local central bank rates in non-eurozone countries were significantly reduced. And the largest part of the decrease comes from these foreign currency ratio hedging differentials. Sequentially, excluding the impairment on TMB, income was EUR 155 million lower. This reflects the lower client activity in Financial Markets compared to the previous quarter and lower income in the Corporate Line. Again, including the lower results on foreign exchange ratio hedging, partially compensated by the annual dividend received from Bank of Beijing. Pre-provision result, excluding both volatile items and regulatory costs, was resilient. Next to the revenue differences I just talked about, the change compared to the third quarter of last year came from a VAT refund we received in that quarter as well as CLA-increases that came in in this quarter in labour costs. Compared to the previous quarter the result next to the revenues was also impacted by slightly higher costs driven by redundancy and legal provisions. If you take those legal provisions and redundancy costs out the operational costs this quarter were lower than last quarter.

3Q2020 ANALYST call Transcript

5 November 2020

NII slightly lower with Covid-19 impact on supporting levers; 4-quarter rolling average NIM at 148 bps



- NII, excluding FM, was 5.6% lower compared to 3Q2019. Higher Treasury-related interest results and stable lending margins were more than offset by continued pressure on customer deposit margins, while customer deposits continue to increase. Furthermore, FX had a significant impact this quarter, through lower interest results from FX ratio hedging in the Corporate Line as well as foreign currency translation
- Sequentially, NII excluding FM decreased 2.9%, driven by the abovementioned reasons, despite a slightly higher overall lending margin
- 3Q2020 NIM was 138 bps, down six basis points from 2Q2020, despite a slightly higher overall lending margin. This was partly due to an increase in the average balance sheet, driven by the €55 bln TLTRO III uptake at the end of June, partly offset by lower average customer lending. Furthermore, margin pressure on customer deposits continued and interest results in the Corporate Line declined

10

On to NII on slide 10. As mentioned earlier in the presentation, we have seen some pressure on NII from the current market conditions, which affected the levers we generally use to counter the impact from the low rate environment. NII excluding Financial Markets was lower year-on-year, reflecting the continued pressure on liability margins while deposit inflows this year was substantial. We kept lending margins stable. However, lending volumes declined reflecting the currently lower demand especially in Wholesale Banking. The impact from FX was significant this quarter. Interest results on foreign currency ratio hedging were significantly lower driven by local central bank rate reductions in non-eurozone countries, while also the devaluation of some foreign currencies had a substantial negative impact. Compared to the previous quarter, NII excluding Financial Markets was 2.9% lower. Overall lending margins improved. However, pressure came in from the aforementioned reasons. To emphasise, we continue to focus on pricing discipline, which will benefit us in the future, and we may increase the benefit from negative rates charged on deposits. In addition, we did not book the

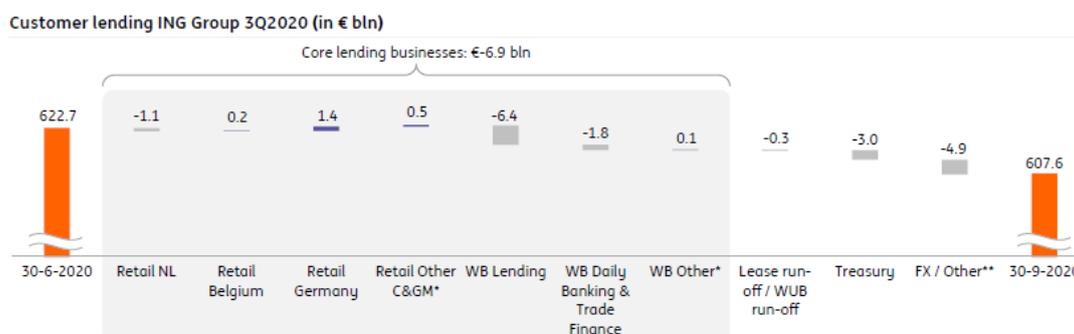
3Q2020 ANALYST call Transcript

5 November 2020

conditional benefit from TLTRO III yet. However, we remain confident we will meet the threshold.

Our net interest margin decreased by 6 bps this quarter to 138 bps. This was mainly driven by a higher average balance sheet reflecting our TLTRO III participation and that was partly offset by a lower average customer lending. The overall lending margin improved. However, pressure on liability margins continued and NII and the Corporate Line was lower. As stated previously, while NIM is an important metric for the market, we note that NIM can be impacted by volatile items as we have seen this quarter, so we believe it is better to look at overall NII, development and guidance.

3Q2020 net core lending reflects further decline of demand



- Net core lending declined by €6.9 bln in 3Q2020
 - Retail Banking grew by €1.1 bln. Mortgages were €1.0 bln higher, due to continued growth in Challengers & Growth Markets (predominantly Germany), while other lending increased by €0.1 bln
 - Wholesale Banking decreased by €8.0 bln, mainly in Lending due to repayments on term loans and repayments of clients' increased utilisation of revolving credit facilities in 1Q2020
- Net customer deposits increased by €3.4 bln

* C&GM is Challengers & Growth Markets; WB Other includes Financial Markets
 ** FX impact was €-4.8 bln and Other €-0.1 bln

11

Turning to net core lending. As mentioned, loan demand dropped this quarter, especially in the corporate segment. In the current environment we are observing that companies delay investments and need less working capital, while also demand has been met through direct governmental support schemes. We do see some divergence in circumstances between

3Q2020 ANALYST call Transcript
5 November 2020

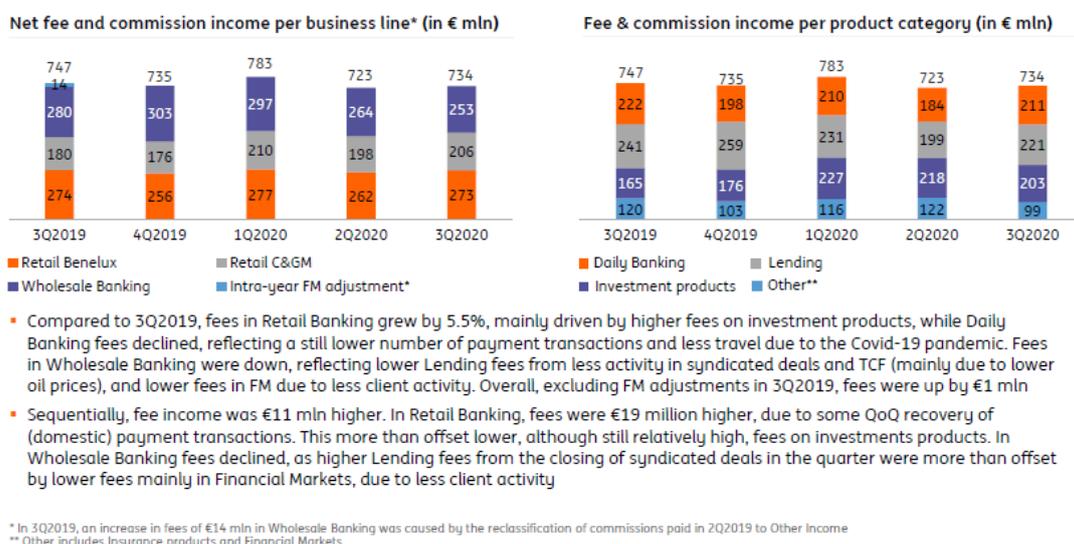
northern and southern Europe. In northern Europe, governments have provided more direct support through tax deferrals and wage support; also reflected in generally low additional uptake of government-guaranteed bank loans. Meanwhile in southern Europe, bank lending is the main support channel for companies. Specifically for the Netherlands, our largest market, companies were able to adjust their cost base by reducing the number of temporary workers, especially in sectors such as hospitality and tourism. In this context, overall for the third quarter net core lending was down by EUR 6.9 billion. In retail, net core lending grew by EUR 1.1 billion driven by mortgages with growth mainly visible in Germany. In Wholesale Banking, lower demand was visible with an EUR 8 billion reduction in net core lending. This was mainly driven by further repayments of the Covid-related increased utilisation of revolving credit facilities and lending, i.e. the emergency lending that people took, as well as some repayments on term loans. In Daily Banking and Trade, the decline mainly reflects the impact of lower oil prices in trading and commodity finance and FX.

Net customer deposits increased by EUR 3.4 billion. This level is comparable to previous years. However, in the third quarter, this was composed of higher savings in retail reflecting continued uncertainty. In Wholesale Banking, we saw a net outflow also reflecting repayments of protective drawings in the first quarter, which had been placed as deposits. As mentioned, the negative loan growth is a shift in demand, which we do not consider structural and we expect loan growth to return when uncertainty subsides. With our geographical diversification, we will be able to benefit as the amount picks up with the first positive signs visible in Asia and the US.

3Q2020 ANALYST call Transcript

5 November 2020

Good fee growth in Retail Banking



12

Now, on to fees. Year-on-year fee income was higher when adjusted for the reclassification in Financial Markets last year with impact from Covid-19 visible in how different product categories developed. If you look at Retail Banking, fees were 5.5% higher. Again, driven by investment product fees with a continued higher number of trades to benefit from market volatility. In Daily Banking, fees were lower year-on-year, although payment transactions increased following the relaxation of lockdown measures. But these have not returned to normal levels yet. The increase of Daily Banking packages in the first quarter of this year has absorbed part of this impact and a full benefit of the action that we took, should become visible when transaction levels return to normal. Lower fees in Wholesale Banking remain driven by lower demand, lower Trade and Commodity Finance volumes and less activity in Financial Markets.

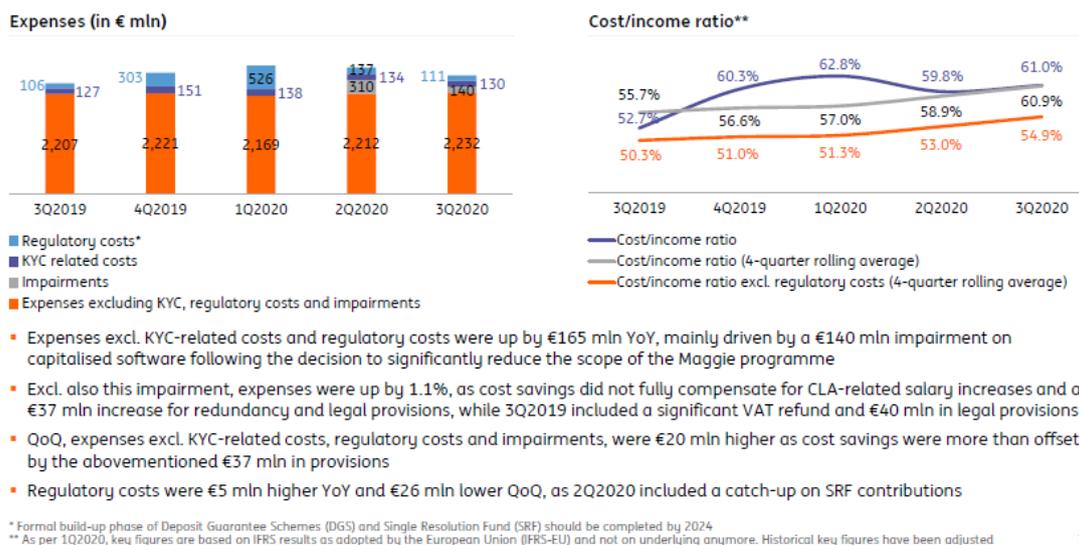
Sequentially, fees were 1.5% higher. Retail grew by 4.1% as some recovery in the number of domestic payment transactions was visible in Daily Banking. Fees on Investment Products were at a slightly lower, but still high level. In Wholesale Banking, lending fees were higher

3Q2020 ANALYST call Transcript

5 November 2020

due to the closing of several syndicate deals for the quarter. Overall fees in Wholesale Banking were down, reflecting less activity in Financial Markets. Year-to-date, fees grew by 5%, so this meets our ambition level and under the current external circumstances, I find this a great achievement, as it shows how well we adapted and have been able to diversify our income streams.

Operating expenses remain under control



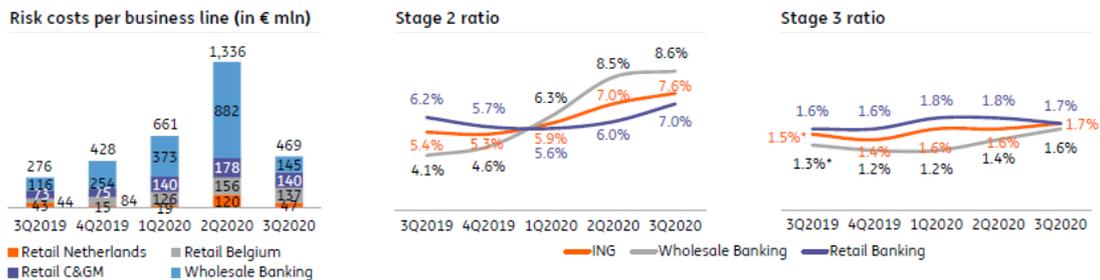
Moving to the next slide, expenses this quarter include a EUR 140 million impairment on capitalised software, driven by the changed scope of our Maggie programme. Excluding KYC and regulatory costs as well as this impairment, expenses were up by EUR 25 million year-on-year or 1.1% as this quarter includes CLA increases, while the third quarter last year included a significant VAT refund. Quarter-on-quarter, most segments reported lower operating expenses. Overall expenses, excluding KYC, regulatory costs and impairments were EUR 20 million higher, but this includes EUR 37 million in provisions. KYC-related costs were comparable to the previous quarter as we work to become more effective and make progress on our file enhancement. These costs are expected to plateau in 2020, we have said

3Q2020 ANALYST call Transcript

5 November 2020

it before, but are now somewhat below the initially expected run rate of EUR 600 million for the year. Regulatory costs were slightly up year-on-year and lower sequentially, which included the catch up on contributions to a Single Resolution Fund. As stated earlier in the presentation, with the challenging external environment, we have taken steps to refocus our activities with adjustments in Wholesale Banking and to the Maggie programme, reflecting a reduction of around 1,000 FTEs by the end of 2021. Going forward, we will continue to monitor the developments and I will continue to critically review our activity and expenses and act anywhere needed while making sure that we are able to execute.

Risk costs down in all business lines, with sharp reduction in WB



- 3Q2020 risk costs were €469 mln, or 30 bps of average customer lending, slightly above the through-the-cycle average of ~25 bps. This includes a €552 million management overlay, reflecting increasing uncertainty related to the Covid-19 pandemic and a delay in potential credit losses. The overlay was applied to compensate for the effect of €380 million of releases driven by updated macro-economic indicators and to increase additional prudent provisioning for payment holidays. The resulting €172 million impact on risk costs was allocated to the segments with Retail Benelux €105 mln, Retail C&GM €53 mln and WB €14 mln
- In Retail Benelux, risk costs were further driven by business lending, reflecting customers moved to watch list and additions to some individual files. In Retail C&GM, collective provisions increased, mainly in Australia, Romania, Germany and Poland. Risk costs in WB reflected several individual additions, predominantly on existing files, mainly in the Netherlands, UK, Asia and the Americas
- The Stage 2 ratio increased to 7.6%, mainly driven by higher watch list exposures and rating downgrades in Retail Banking. The Stage 3 ratio was slightly higher at 1.7%, mainly reflecting lower lending credit outstandings in Wholesale Banking

* Stage 3 credit-impaired as per 30 September 2019 adjusted downwards by €548 mln

Slide 16 shows a risk cost split per business line, which in the third quarter came in at EUR 469 million or 30 bps on average customer lending. This is well below the elevated level of the previous quarter. As explained on slide 6, this includes the EUR 552 million management overlay primarily in stage 1 and 2, consisting of two parts. This was applied to compensate for a EUR 380 million release driven by updated macro-economic indicators and the second part, an increase in provisioning for payment holidays. The resulting EUR 172 million impact on risk

3Q2020 ANALYST call Transcript

5 November 2020

costs, i.e. minus EUR 380 million plus EUR 552 million, was allocated to the segments with EUR 105 million to Retail Benelux, EUR 53 million in Retail C&GM and EUR 14 million in Wholesale Banking. Aside from the allocation of the management overlay in Retail Benelux, risk cost mainly reflected some additions to individual files in mid-corporates. In Retail Challengers & Growth Markets, risk cost predominantly reflected higher collective Stage 3 provisioning, mainly visible in Australia, Romania, Germany, and Poland. In Wholesale Banking, Stage 3 risk costs were significantly lower than the previous quarter, with some additions to existing Stage 3 files, while new inflow of new clients was limited. The Stage 2 ratio was slightly higher at 7.6% as we conservatively moved more exposure to watchlist. To reiterate, Stage 2 is not a waiting room for default, it implies that credit risk for an individual exposure is monitored more closely, not that this exposure is expected to default. When a credit risk is no longer deemed increased, the exposure moves back to Stage 1. The Stage 3 for the group was slightly higher at 1.7%, but still low I would argue. When excluding TLTRO III from credits outstanding, the Stage 3 ratio was stable at 1.8%.

Strong ING Group CET1 ratio at 15.3%

ING Group Total capital ratio development (in %)



- The 3Q2020 CET1 ratio came in at 15.3%, despite not adding 3Q2020 interim profit to CET1 capital
- CET1 capital was €0.4 bln lower reflecting €0.7 bln negative FX impact and €0.1 bln lower debt and equity revaluation reserves. This was partly offset by other capital movements, primarily reflecting the lower capital deduction for intangibles (€0.2 bln, mainly related to Maggie) and a benefit from IFRS 9 transitional arrangements (€0.1 bln)
- RWA decreased €9.9 bln, mainly due to a decrease in credit RWA, which were down €10.5 bln as a result of FX (€-3.2 bln), lower volume (€-2.9 bln), positive risk migration (€-1.4 bln) and a reduction of IRB equity (€-0.9 bln), primarily due to the impairment on ING's stake in TMB. Market RWA decreased €2.3 bln mostly due to a reduction of exposures, while operational RWA increased €2.9 bln
- The €1.8 bln reserved for the 2019 final dividend was not added back to CET1 capital and remains reserved for dividend

3Q2020 ANALYST call Transcript

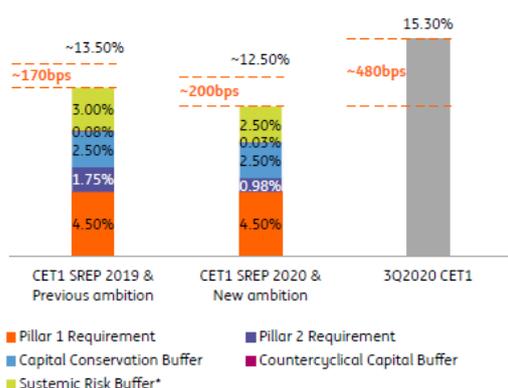
5 November 2020

This slide shows our CET1 ratio development, which was up by 0.3% reaching a very healthy 15.3%. CET1 capital was EUR 0.4 billion lower, mainly driven by negative FX impact from the devaluation of the US dollar and the Turkish lira, while net profit for the quarter was not added to capital, as it was fully reserved for future distribution. The CET1 ratio was further supported by EUR 9.9 billion lower RWAs, mainly driven by EUR 10.5 billion of lower credit RWA primarily due to a FX impact and lower volumes.

We also saw some impact from positive risk migration, which might feel counterintuitive in these times. It was primarily driven by a reduction of outstandings with a lower coverage ratio resulting in a lower level of required RWA. Market RWA was down mainly due to lower exposures as markets normalised, while operational RWA increased due to technical updates to the AMA [Advanced Measurement Approach] model.

Announcing new CET1 ratio ambition level, aligning with capital requirements

CET1 ratio ambition compared to ING Group fully-loaded SREP



Long-term CET1 ratio ambition level

- There is a structural reduction of our capital requirements and increased visibility of the remaining expected regulatory RWA inflation
- As a result, we have decided to lower our long-term fully loaded CET1 ratio ambition level to ~12.5% (post-Basel IV), implying a buffer of ~200 bps over our fully-loaded SREP requirement
- €2.5 bln (~81 bps) is reserved for distribution outside of CET1 capital
- Current CET1 ratio at 15.3%, representing a buffer of 4.79%

Managing for uncertainty

- Given the current uncertainty caused by Covid-19, we will manage the CET1 ratio at a level well above 12.5% until there is more clarity on how the economy will emerge from the Covid-19 pandemic

* Systemic Risk Buffer reduced by 50 bps in 2020, which may be replaced by a Dutch Countercyclical Capital Buffer

Turning to our capital update on slide 16. During 2020 we have seen several developments which have contributed to the decision to lower our long-term CET1 ratio ambition from

3Q2020 ANALYST call Transcript

5 November 2020

currently around 13.5% to around 12.5% going forward. This adjustment is mainly driven by a reduction of capital requirements in the course of 2020. This was partly driven by the Covid-19 pandemic and here we can expect buffers to come back, but part is also structural, such as under article 104a under CRD V, which was pulled forward. For the CRD V lovers amongst you, article 104a. Also, during 2020 we have taken the RWA impact of the definition of default as well as the majority of the TRIM exercises, so now we have a better visibility on our remaining expected regulatory RWA inflation. Our long-term around 12.5% ambition implies a management buffer of approximately 200 bps on our current SREP requirement, higher than our previous management buffer of 170 bps, reflecting uncertainty on that part of the capital buffers that may come back. Given the current uncertainty caused by Covid-19, we will manage the short-term CET1 ratio above 12.5% until there is more clarity and then we will move to the 12.5%.

New distribution policy to provide a sustainable and attractive return to shareholders

Suspended dividend policy

- ING aims to offer a sustainable and attractive return to shareholders
- ING's progressive dividend policy was suspended following the ECB recommendation in March 2020
- We have decided to amend our policy given the accounting procyclicality of IFRS 9 and the subsequent effect on net profits, as well as the negative implication of a progressive dividend policy on regulatory stress testing
- 2019 dividend remains reserved for distribution and ING did not accrue during suspension period (1H2020)

New distribution policy consists of

- Pay-out ratio of 50% of resilient net profit*
 - To be paid out in cash or a combination of cash and share repurchases, with the majority in cash
 - Cash only interim dividend, of ~1/3 of 1H resilient net profit, to be paid out with our half year results
 - We have not included 3Q2020 net profit (€788 mln) in our regulatory capital
- €1,754 mln 2019 dividend remains reserved for distribution to shareholders
 - This will not have an impact on our CET1 ratio as the amount is reserved outside of regulatory capital
- Additional return of structural excess capital
 - To be considered periodically, taking into account alternative opportunities as well as macro-economic circumstances and the outcome of our capital planning
- Exact form and final level of distribution subject to AGM approval

Any dividend or capital distribution is subject to prevailing ECB recommendation

* Reported net profit excluding extraordinary items

Slide 17 shows our distribution policy. As we have always said, we aim to offer shareholders a sustainable and attractive return. In March of this year we suspended our dividend policy

3Q2020 ANALYST call Transcript

5 November 2020

following ECB recommendation and did not approve a dividend in the first half of 2020, while we kept a EUR 1.8 billion dividend reserve for 2019. Our previous progressive dividend policy did not fit with the procyclical impact of IFRS 9 and the related volatility.

We now announce our new distribution policy, which consists of a pay-out ratio of 50% of resilient net profit to be paid out in cash, or a combination of cash and share-repurchases, with the majority in cash. We have reserved this quarter's full net profit for dividend, while the EUR 1.8 billion dividend reserve over 2019 remains reserved for distribution to shareholders, when and how to be determined. We will also periodically look at returning structural excess capital. To be clear, any dividend or capital distribution is subject to prevailing ECB recommendation.

ING Group financial ambitions

		Actual 2019	Actual 3Q2020	Financial ambitions
Capital	▪ CET1 ratio (%)	14.6%	15.3%	~12.5%* (Basel IV)
	▪ Leverage ratio (%)	4.6%	4.7%	>4%
Profitability	▪ ROE (%)** (IFRS-EU Equity)	9.4%	5.1%	10-12%
	▪ C/I ratio (%)**	56.6%	60.9%	50-52%
Dividend	▪ Dividend (per share)	€0.24***		50% pay-out ratio****

* Implies management buffer (incl. Pillar 2 Guidance) of ~200 bps over fully-loaded CET1 requirements (10.51% fully loaded, after reduction of several buffers in a response to the Covid-19 pandemic and the pulling forward of the implementation of article 104a of CRD V)
 ** Based on 4-quarter rolling average. ING Group ROE is calculated using IFRS-EU shareholders' equity after excluding 'interim profit not included in CET1 capital'. As at 30 September 2020, interim profit not included in CET1 capital amounts to €2,541 mln, reflecting an initial reservation for the 2019 final dividend payment and a reservation for the 2020 distribution
 *** Interim dividend 2019
 **** Of resilient net profit

As you can see on slide 18, both the CET1 ratio and Leverage ratio remained ahead of our ambitions. Regarding ROE, in the current environment it is below our ambition, and we very much intend to continue to provide an attractive total return. And we look in that at businesses

3Q2020 ANALYST call Transcript
5 November 2020

through-the-cycle. We believe our businesses should aim to cover at least our cost of capital. As mentioned in the previous quarters, our cost/income ratio was impacted by factors such as a negative rate environment and regulatory costs. This quarter, also impairments affect this metric, in both income and costs, but corrected the 3Q20 cost/income ratio was 57.7% on a four-quarter rolling basis and for the quarter it was 54.8%. To reiterate, cost/income is not how we run our business, but it remains an important input for ROE, and we have an ambition to reach 50% to 52% as we further digitalise. We have taken steps to refocus our activities and also, going forward, we will critically review expenses, and with execution certainty.

As for dividend, we have just provided you with an updated distribution plan.

Wrap up

3Q2020 ANALYST call Transcript

5 November 2020

Wrap up

- In line with our purpose, we continue to take actions to support our customers, employees and society in coping with the effects of the Covid-19 pandemic. At the same time, countering financial and economic crime remains a priority
- The current environment underscores the strength of our digital business model. We continued to grow primary customers, as they choose us as their go-to bank, while mobile interactions further increased
- Pre-provision result was resilient, supported by disciplined pricing, good fee income and cost control, despite increased margin pressure on customer deposits and impairments
- Risk costs declined sharply, reflecting much lower Stage 3 provisions and a €552 mln management overlay, to compensate for the effect of an IFRS 9 driven release and to increase provisioning related to payment holidays
- A growing number of Covid-19 cases and renewed lockdown measures are increasing uncertainty. We maintain vigilance on margins and asset quality. We are also taking steps to focus our activities, which impacts our geographical footprint, projects and operations
- 3Q2020 CET1 ratio was strong at 15.3%. The full 3Q2020 net profit is kept outside of regulatory capital
- We have adjusted our long-term CET1 ratio ambition to ~12.5% (~200 bps above MDA), reflecting lower capital requirements and more visibility on expected remaining regulatory RWA impact. Given the current uncertainty caused by the Covid-19 pandemic, we will manage our CET1 ratio at a level well above 12.5% until there is more clarity on how the economy will emerge from the Covid-19 pandemic
- We have adjusted our distribution policy to a 50% pay-out ratio of resilient net profit

20

To summarise, as a wrap up, we continue efforts to help our customers, employees, and society to deal with the effects of Covid-19, at the same time countering financial and economic crime remains a priority.

The current environment reinforces our belief that we are on the right strategic path with our digital model enabling us to continue to grow primary customers and mobile interactions. Loan demand was affected by Covid-19, but still strong in mortgages. However, we saw reduced demand, mainly from our business customers, compared to when the lending went up at the end of the first quarter with the emergency drawings. Pre-provision results proved resilient, supported by focus on pricing discipline and cost control. Risk costs sharply decreased, especially in Stage 3, while we further increased collective provisioning in Stage 1 and 2 to reflect the remaining uncertainty and the delay in potential credit losses.

With the increasing uncertainty, we keep focus on margins and asset quality. We also take a critical look at our activities, leading to some adjustments in the organisation. The CET1 ratio

3Q2020 ANALYST call Transcript

5 November 2020

was strong at 15.3%. We announce our capital update with a reduced CET1 ratio ambition of 12.5%. And given the current uncertainty, we will manage our CET1 ratio currently above, but after the uncertainty subsides, around that 12.5%.

And finally, we have adjusted our dividend policy to a 50% pay-out ratio of resilient net profit.

Thank you. I will now open the call for questions.

Operator: Ladies and gentlemen, we are starting the Question & Answer session now. If you have a question or remark, please press *1 on your telephone. In the interest of time, we kindly ask each analyst to limit himself to two questions only.

- **Benoit Pétrarque – Kepler Cheuvreux**

Good morning. My first question is on capital. Thanks for the details you provided today. You mentioned a periodic review of the excess capital. I was wondering whether that would be once a year. How do you plan to execute this periodic review? Also, on capital, you want to maintain a buffer during the pandemic also reflecting uncertainties. What is this buffer right now? Could you help us to quantify how much you need as we speak, looking around, looking at this second lockdown. Could you help us to quantify that? I want to understand, assuming the ECB will give a go ahead on capital distribution in December, whether you are able to pay shareholders next year a bit of this excess capital sitting in the company or whether that would be a bit of later this year. That is the first question.

The second question is on cost, also in combination with the NII outlook. It is quite a tough outlook obviously. How do you see cost moving? I get to a clean cost at minus 1% in Q3 year-on-year. That is good. What trend do you see for 2021 on cost? Could you model the cost line going forward in this challenging top line environment?

3Q2020 ANALYST call Transcript
5 November 2020

Steven van Rijswijk – CEO ING: Thank you, Benoit. I will take the question on cost and Tanate will take the question on capital.

On cost, we have taken clear actions in Wholesale Banking and with Maggie. The provisions in that regard will be taken in the fourth quarter. That is just how we need to do it from an accounting point of view. Like I said the previous quarter, the nose on the cost level needs to come down. Cost need to move down from here.

Benoit Pétrarque – Kepler Cheuvreux: On Maggie, how much cost cutting will that bring roughly? Can you quantify that?

Steven van Rijswijk – CEO ING: We will only take a provision in the fourth quarter. Currently, we are looking at a 1,000 FTE. That is both internal and external FTE. But we need to go through our provision committees to finalise that, so that will come in the fourth quarter. You have mentioned that this is a tough environment on NII. Of course, that is the case, but at the same point in time we saw growth picking up in the US and Asia. So, there is a temporarily tough environment, but that is where our diversification in the countries will help, because in some regions growth is already picking up and that should benefit us as well.

Coming back to cost, the nose of the cost will have to come down and it will come down. On capital, I will give the floor to Tanate.

Tanate Phutrakul - CFO ING: Hi, Benoit. On capital, as we guided, we will look into over time get to that 12.5% or around 12.5% target. We do review our capital structures almost every quarter, of course looking at the prospects for the future and where we stand. But I guess the question is how fast and at what pace you need to get to that 12.5%. We just need to make sure that, as we glide to that 12.5% target, we must have a sustainable structural deduction in the capital needs of the company. That is what we would do over time.

3Q2020 ANALYST call Transcript
5 November 2020

Benoit Pétrarque – Kepler Cheuvreux: This additional buffer you are planning to keep for the time being, how much is that roughly? Do you imagine it to be 200 bps above the MDA? How much is your current buffer?

Tanate Phutrakul - CFO ING: Our current buffer is almost 500 bps, as you can see. We think that, over the cycle, we can comfortably accommodate a 200 bps buffer.

Benoit Pétrarque – Kepler Cheuvreux: Okay, thank you very much for that.

- **Stefan Nedialkov – Citigroup**

Hi, good morning. Thank you for taking my questions. I have one bigger question on NII, which I will break down into a number of short ones. The FX drag, can we assume that can be called a one-off item, obviously one-off depending on how the FX trajectory develops from here. But more of a one-off than recurring?

Secondly, the TLTRO accrual decision, is that something that your auditors need to approve, potentially in Q4 or the beginning of next year? Or is it much more of a management decision?

Thirdly, on the pricing of your lending products. Are you already incorporating a full Basel IV impact on capital when you price your products? And how do you see the competition approaching Basel IV, especially now during Covid? I am basically trying to see if there is any upside to NII over time now that you have taken the Basel IV impact.

And lastly on negative rates. You mentioned that in Belgium you start charging negative rates. But I thought that there is on the Retail side 11 bps of statutory minimum. So, are you talking about more on the SME and large corporate side of things plus Germany, the custodians 50 bps above a hundred thousand? Just some colour around the scope of the negative rates in countries outside of the Netherlands would be very helpful.

Apologies for the four shorter questions. Thank you.

3Q2020 ANALYST call Transcript
5 November 2020

Steven van Rijswijk – CEO ING: I will take the questions on negative rates and pricing and for FX and TLTRO I will give the floor to Tanate.

If you look at the negative rates, we started to charge negative rates in Belgium to corporates and SMEs. The 11 bps goes for current accounts, for retail customers. Like we have already been doing in other markets for corporates and SMEs, we will also now start to charge negative rates above certain amounts for these corporates. We apply also schemes in Germany for example, whereby if people open a savings account only then we charge negative rates. We also nudge customers to do more business with ING, but if they only apply for savings accounts, we charge negative rates. You can call it in that sense a behavioural fee. We do that in different ways and shapes to protect our P&L and to nudge clients in the right direction not to unnecessarily stall deposits at our bank. That is what we will continue to monitor.

With regard to pricing, with the TRIM missions that we have had already, including the TRIM mission on the large corporates for which we have taken a further impact this quarter - the full corporate large TRIM is now in - we still have only two TRIM missions to go, on Trade & Commodity Finance and on FI. The impact of that will be limited. So by and large, the input of TRIM has come in for us. Hence the capital uncertainty for us has been lower. As I told you, the biggest impact of all the regulatory capital changes is not so much Basel IV per se, but also the change in the models that we had to make, definition of default and other TRIM missions. Hence, we have been able to actually lower our capital requirement level to 12.5% as an ambition. That means that we can become more competitive as we can price on a lower Common Equity Tier 1 level as compared to previously, when we would price to our clients based on a Common Equity Tier 1 level of 13.5%. So, in that sense we are improving our competitive level.

Tanate Phutrakul - CFO ING: To answer your two other questions on the FX. I would not characterise it as a one-off. The impact on the differential interest rates between dollars or Turkish lira against the euro has already happened significantly in Q3. We do not expect that

3Q2020 ANALYST call Transcript
5 November 2020

drag to be very significant going forward in the coming quarters. That answers your first question.

In terms of TLTRO III and when we would book the potential gains, that is really a management judgement, when we are virtually certain that such income will come. It is our decision, but of course we do that in consultation with our auditors. We will take that decision when we have reasonable confidence.

Stefan Nedialkov – Citigroup: Thank you very much.

- **Omar Fall – Barclays**

Hi there. Firstly, how much of the decline in core lending is related to the protective drawings being repaid? You are saying we are now at the trough of volume growth in Wholesale, because in some ways it feels like this business is shrinking forever, particularly with this restructuring you have announced there. On that same note in Wholesale, why did you not take this opportunity to deal with Financial Markets? The business has not made the ROE in requested cost of capital in basically almost a decade. Would it not be an obvious candidate for restructuring?

I think I misheard the changes to the Maggie programme are completely unrelated to the Unite programme, right? Could you update us on that one and the potential cost savings there?

Steven van Rijswijk – CEO ING: If you look at the decline in core lending that came from the emergency drawings, that was around EUR 5 billion. The largest share of the decline came from lower corporate demands, as companies repaid their emergency drawings. We have been seeing lower economic activity and that also means lower investments. At the same point in time, we see that also our payment business activity has gradually moved up again. We see increased demand coming from Asia and the US. So, at some point in time, when companies will start to invest again, that also will have an upward effect on loan demand as

3Q2020 ANALYST call Transcript
5 November 2020

well. Why not have an opportunity to deal with FM? We look at our return on equity on an integral basis and hence we do not compartmentalise different elements, because you shrink to glory. We need to make sure we are a client-driven and customer-focused bank. That means in that integral part we want to make a 10% return on our CET1 ratio. That is how we steer the business. Nevertheless, we will continue to look at businesses, business lines or countries that perform sub-hurdle and if that is sustainably also through-the cycle, then we will need to take action, like we have taken action right now.

With regards to Maggie, that is unrelated to Unite. At the same point in time a complexity we saw in Unite we also see in Maggie, the integration of local engagement layers and product elements is proving to be difficult, but we have been learning. We have always talked about getting from an intermediate state to an end state, if you will. Now, we are in the lucky circumstance that we have built a number of our modular blocks. We have built our software blocks in terms of TPA, we have built our clouds, we have built our Data Lakes, we have built our global product propositions, including the insurance proposition that we have with AXA. We have already built an app environment in the Benelux and in Germany, that is the same. Hence, we can use all those building blocks also in the C&G countries and that is how we redirect both the scalability and end-to-end digitalisation of that project, that is separate. On Maggie we took a provision for capitalised software of EUR 140 million this quarter. In the next quarter, the provisions will be taken for cost savings. If you look at the 1,000 FTE, approximately 600 relate to Wholesale Banking and approximately 400 relate to Maggie.

Omar Fall – Barclays: Just a cheeky follow-up on the TLTRO. How are the balances spread or the allocation across the divisions? Just so that we can get a sense for remodelling the impact on NII and NIM.

Steven van Rijswijk – CEO ING: Cheeky questions I always pass on to Tanate.

Tanate Phutrakul - CFO ING: I think the TLTRO is related to lending within the eurozone. If you want to see how we are doing, you should really try to look on a geographical basis for

3Q2020 ANALYST call Transcript
5 November 2020

loan growth within the eurozone. That would be the case for you to follow up in subsequent quarters.

Omar Fall – Barclays: Thank you very much.

- **Benjamin Goy – Deutsche Bank**

Good morning. I heard your comment on the regulatory inflation and you took a lot already. I was just wondering on the Basel IV ratio where you are currently standing, also, I guess Dutch mortgages at some point could come in. How does this compare to the 12.5%? Secondly, on the fee income, I guess this will gain importance going forward. The EUR 200 million of fees from the investment products this quarter is a very nice growth rate. I was wondering how much is driven out of Benelux and Germany probably next, but any other countries where there already is significant contribution? Any colour would be appreciated. Thank you.

Steven van Rijswijk – CEO ING: On RWA inflation. Like we said previously, all these regulatory elements, DoD, TRIM, changing models, Basel IV, have been largely taken into account, except for the final Basel IV output factor. Other than that, the impact for us is from now on almost benign. Hence, we have been able to take the CET1 level down to 12.5%. Assuming that Basel IV would be fully implemented in 2023 and then leading gradually up to 2027, the total impact would be around 50 to 60 bps over the years. Hence, for us that is a relatively minor part of the impact and hence with TRIM and DoD, we have basically had it, if you will. So, that is good.

On the fees. Typically, we come from an environment as a digital bank with our direct banks in different countries, where we had a very low fee share. Investment products in that sense were actually not very well developed. We are now starting to do that, and you see now the first growth of that in Germany. We are also rolling out investment propositions in other countries. So, you should be able to see that space grow. But if you see that compared to the

3Q2020 ANALYST call Transcript
5 November 2020

number of clients we have, compared to other peers, we are still at a very low level. So, in that sense there is a lot of upside potential in that investment product fee business.

Benjamin Goy – Deutsche Bank: Thank you very much.

- **Kirishanthan Vijayarajah – HSBC**

Thank you. Good morning everyone. A couple of questions. Firstly, coming back to the pullback in the Wholesale Bank from Asia, LatAm. Could you just give us a view on what kind of volume, RWA's or revenue impact we should be thinking about? And timing wise, when this shrinkage gets under way, it is fair to assume that a lot it is going to overlap with your Oil & Gas and commodity, shipping book? The second question is on capital, a technical point. At the first half year stage you let your profits flow to CET1 capital, but now I see at the third quarter stage you are not letting the profits flow into CET1 capital. I am sorry if I missed it, but what is the thinking there? Did the regulator say something there? Just some colour on that moving parts on your CET1 capital please.

Steven van Rijswijk – CEO ING: In Wholesale Banking, it is not so much a matter of shrinking of volume of RWA, because we will continue to service a number of those clients from regional hubs in New York, Singapore and Hong Kong. It is basically an efficiency measure, if you will, to service those clients from hubs rather than from all kinds of different offices. Hence, we will close down three offices in South America and four smaller offices in Asia, but these are small offices. We have Mongolia, Thailand, Kazakhstan, and Malaysia. In Latin America it is Brazil, Argentina, and Columbia. But if you look at the total in Wholesale Banking, the number of people involved is relatively small. We are able across the Wholesale Bank to service our clients with less people. So, this does not have an impact on the Oil & Gas book or shipping, if you will. We already said that we have put part of those books in run-down, but this measure has no effect on that.

3Q2020 ANALYST call Transcript
5 November 2020

If you look at the background on why we did not add net profit of the previous quarters to CET1, that is basically because at that point in time we did not have a dividend policy because we aborted or delayed our dividend policy as of the first quarter and, since we now resume it in the third quarter, we added the entire profit of the third quarter in it as a sort of catchup.

Kirishanthan Vijayarajah – HSBC: I got it. That makes sense. Thank you.

- **Giulia Miotto -- Morgan Stanley**

Hi, good morning. A couple of questions from me. First, from a strategic point of view you made some announcement on capital and some announcement on cost. I was wondering if we should expect an Investor Day with for example more clarity on cost direction or revenue initiatives. Or are these the only initiatives that you plan to announce over the next twelve months?

The second question, going back to the 50 to 60 bps you mentioned for Basel IV. How are you thinking about the mortgage overlay from the DNB? I know that this has been postponed, but in theory it is still in the cards at some point. Is that included in this 50 to 60 bps or would that be on top.

I would like to ask a follow-up on slide 4. The product platforms, - so insurance, investments, and consumer lending - does this mean that now, finally, whenever you launch a current product that will be launched across the board to all your markets? So, we should see a faster ramp-up in fees.

Steven van Rijswijk – CEO ING: Starting top to bottom with your questions. Like I said in the previous quarter, I am reviewing all business lines and all businesses that we have in ING. If there are measures to be taken, we will take them. I mentioned in my presentation execution

3Q2020 ANALYST call Transcript
5 November 2020

certainty, because I want to avoid announcing big, megalomaniac plans for long-term that are not executable. When we see things happening, we take action, and we make sure we get to the execution of what is coming. So, if there are new things to be done, I will announce them at that point in time. We will take it from there. In that sense, there is not a current plan for an Investor Day with additional direction. I am sure that the IR-team will discuss it further with you. They are already looking very happy.

With regard to the Basel IV impact and the mortgage overlay of DNB. The DNB overlay did not come, because the further growth in mortgages did not come and there was also not a big increase in lending elsewhere. It was a protective measure that DNB would put in place, but in the current circumstances it was not deemed necessary anymore. If it would still come, it would be a front-running of Basel IV. Hence, it is included in the 50 to 60 bps.

In Retail, in the past we have developed products locally, and there are still local products. Some products are local for example in Italy, such as loans related to people working in certain companies that do not exist elsewhere. And there are also products that can be applied more globally. Next to the local products that we have, we will also start to roll out these global products, so we can easily make them scalable across more markets, which is from both a revenue and a cost point of view more effective and efficient.

Giulia Miotto – Morgan Stanley: Perfect. Thanks.

- **Thomas Dewasmes – Goldman Sachs**

Good morning. I have two questions, please. One is on the capital targets. Am I correct in understanding that your current 12.5-target and 200 bps MDA buffer already includes the planned increase in countercyclical buffers down the line?

3Q2020 ANALYST call Transcript
5 November 2020

My second question is on fee income. Andrea Enria said recently, that banks should consider growing those lines and possibly incorporate asset managers in their whole business plan. You often talk about AXA and your initiatives there. Could you talk a little bit about what you are doing in the Netherlands in asset management and insurance to include that line, please?

Steven van Rijswijk - CEO ING: Thank you, Thomas. On your first question the answer is 'yes'. The 12.5% already includes potential increases in countercyclical buffers at some point in time. That is where I said that some parts of the decrease will be structural and some parts will be temporary. But in our buffer we have taken into account that the countercyclical buffers may come back.

With regard to the article of Mr. Enria, I will answer this in two ways. The article that he wrote was mentioned in a different way and that was meant that he stated in the article that Europe would benefit from the set-up of a asset management company for loans that were not performing to then deal with those loans and i.e. function as sort of a bad bank. That was something to further support the European economy but also the banking industry. If I talk about ING, we have a very healthy capital level, very good risk management and low NPL-levels so I do not think that this is needed for ING. But I think that was the reason why he wrote that article. That was the context in which he wrote it.

Then the second part: if I answer your question more directly, if you look at insurance businesses or the sale of insurance and the fee that we make on that – again – since we came from an environment with our Direct Bank, which actually had no fees whatsoever – in the past these banks were savings banks and they gradually moved into mortgages and they are now gradually moving into fees – we are punching well below our weight in developing our fee business, also in insurance, and also in brokerage. Hence, you now see, since we are stepping up the plate for example in Germany, that it has given us a big boost. That is exactly the area that we need to increase in, as we came from these small amounts in the past.

Thomas Dewasmes – Goldman Sachs: Thank you.

3Q2020 ANALYST call Transcript
5 November 2020

- **Guillaume Tiberghien – Exane BNP Paribas**

Good morning. My first question relates to the net interest income. The consensus for next year is around EUR 3.47 billion per quarter and you are running at 3.3. Obviously, there is 140 million miss and a big chunk of that is due to the FX ratio hedging. I wanted to know whether we simply need to take the current run rate and back the FX ratio hedging and then slip from that, given the pressure on deposit margins. Or can we remain stable from that level?

My second question relates to the Wholesale division. You explained that even with the lower equity Tier 1 target you can price at a lower price, given that you have less of a capital requirement. But do you not think that prior to the reduction of the equity Tier 1 target you actually had to increase your price in order to meet a satisfactory return on the previous target? So, I am a bit confused whether you intend to price at lower rates or still improve the discipline in Wholesale.

Steven van Rijswijk - CEO ING: That is a good question. First of all, we are part of the market and therefore, we are not setting the price of the market but we price at what is the market price. If we could direct the price of every market, then I am sure that we would be talking to some regulatory authorities. But it is just a market price that we take or not take. In that, we will see whether it makes our return. Clearly, if it does not make a return, we will need to price up and hence, it may also mean that if we price up and other do not that we actually may not get the deal or the transaction. So, the fact that we go to a lower capital target gives us more room to still win the transaction and still make adequate return. But first and foremost, we price at market and we want to make a sustainable return through the cycle with our client. So, in bad times you sometimes see the returns becoming a bit lower but through the cycle you have seen that we have made an adequate return. So, that is how we deal with that.

On NII, I give the floor to Tanate.

3Q2020 ANALYST call Transcript
5 November 2020

Tanate Phutrakul – CFO ING: Yes, just to explain a little bit about our view on NII. Clearly, there are three components to why the NII is compressing that you see in Q3. Part of it has to do with the FX impact that we discussed on the corporate line and going forward we do not see that as being a bigger challenge, given the fact that the rates are normalising in our books already. That is one.

The second is that, as you mentioned, in the Wholesale Bank it really depends on the prospects for loan growth in the future but we also see that we are not seeing further decline for example in the trade and commodity finance activity, that is plateauing. So again, depending on the future, we do not see too much further compression because of that and potentially growth as economies return to more normal levels.

The last piece is really the negative rate compression that you see, particularly in the Retail Bank. As Steven mentioned, we have already taken actions with respect to negative rate charging in the Netherlands, in Belgium. Yesterday, you saw the announcement of charging for negative rates in Germany that has been executed as well.

- **Raul Sinha – JP Morgan**

Good morning, Can I have two questions, please? The first is just on dividends. IF the ECB were to allow dividend payments next year, are you intending to pay the 2019 reserve dividend to the EUR 1.8 billion roughly, as well as 50% for 2020? Otherwise, I am struggling to understand why you are accruing the EUR 788 million that you have taken in the third quarter. So, that clearly implies your intend to pay into 2019 as well as 50% pay-out for 2020. If you could confirm that it would be helpful.

The second is a broader question on the return on tangible equity targets. You are reiterating the ambition of 10% to 12% but I am really struggling with that. You are at 5.1% this quarter

3Q2020 ANALYST call Transcript
5 November 2020

and the cost of risk is not that far away from the through-the-cycle normalised level. In terms of cost messaging put against the NII pressures, it does not look to me that it is going to be a very significant step down in the cost/income ratio. So, even if I rightsize your capital base, which I suspect will take you many, many years to do, what am I missing that would double your returns from the current capital?

Steven van Rijswijk - CEO ING: Thank you. If you look at the past five years and our ROE ambition, we have largely met that ambition. Only this year, we are significantly below that ambition. We continue to look at costs and diversifying our business into fee business to get back to that 10% level. There, we are helped by a lower return hurdle of 12.5% compared to 13.5%. Please note that also if you look at this year, it is being modelled by many provisions that are currently being taken. I know that the risk costs in this quarter were around EUR 470 million but if you look at the previous years, those risk costs were a lot lower still at between EUR 600 million and EUR 1 billion [per year]. So, those are different elements. You clearly see that in that sense also IFRS pulls forward risk costs. So, if there are no changes in the macroeconomic circumstances you would see those risk costs from IFRS coming down and hence, we are still focused on that ROE ambition of 10% to 12%.

With regards to the dividend, yes. We have reserved EUR 1.8 billion. We have reserved the amount in 2020 and if we would be allowed to pay, we will pay it out.

Raul Sinha – JP Morgan: That is really helpful. If I can just follow up on the ROTE-point? I suspect the cost/income-ratio is obviously going to be a key driver of the improvement going forward. I think you referred to how low rates have structurally impacted your cost/income-ratio. Should we think about the ROTE-ambition as something which also considers a normalised rate environment?

Steven van Rijswijk - CEO ING: Of course, a normalised rate environment will help but that is not what we are currently in. Currently, we are dealing with the current rate environment and in this environment, we will take steps to get to the right level of return. As we said before, if

3Q2020 ANALYST call Transcript
5 November 2020

we cannot price to the right return we will not grow our business and give capital back to shareholders. But again, we are very much focused on making that return. It needs to bring us back in normalised risk environment. Other than that, we take the current forecasts as they are in our medium-term plans.

Raul Sinha – JP Morgan: Thank you very much.

- **Tarik El Mejjad – Bank of America Merrill Lynch**

Just a quick question on costs, please. Just as Raul said, to bridge the gap with your 10% to 12%, clearly cost is a key component. I guess CET1-ratio and capital as well is another one as the denominator will come down. So, on capital first. I understand you want to take your time and have visibility on how the pandemic evolves but I guess you are taking that action through your provisioning Stage 1 and Stage 2 and so on. So why this extra level of cautiousness there, which basically will delay as well the profitability recovery?

And then on costs. It would be really helpful to give us a sense of how much savings you could generate from the projects you have announced today or should we have to wait for Q4 to get these savings numbers?

Steven van Rijswijk - CEO ING: On capital, the reason why we have done this is that we are in the second wave of uncertainty with COVID-19. If we would not have taken a management overlay we would have, excluding the Stage 3 provisions, had a release of EUR 380 million risk cost, so a negative EUR 300 million risk costs. That is because IFRS, in our Stage 2 looks three years ahead, and that means every quarter that the last quarter of economic development falls off and then the new quarter in 2022 comes on. That gradually means that in your models you get a positive and the negative ones fall off. And that is what we see

3Q2020 ANALYST call Transcript
5 November 2020

because we had a very negative second quarter, that is then taken out and then you add a quarter in 2022.

We have not done that, as we are in a second stage or a lockdown stage. Therefore, we say that in our models we do not see what we would normally see. If GDP would come down then you would see defaults, but we do not see that many defaults. In a normal crisis you would see those but we do not see them yet and that may have to do with the measures that are being taken, left, right, and centre by governments, the ECB, the Fed and what have you.

Secondly, we have a number of clients in payment holidays. Also there, we do not see that much. As I said, of the EUR 20 billion EUR 6 billion has already resumed a normal payment schedule but there is no increase in terms of payment default, compared to what we normally see. Now, there is EUR 14 billion remaining but in that EUR 14 billion there are still a number of SME and mid-corporate companies. Those companies are typically the hardest hit in this crisis, with a number of higher-risk sectors and for those we have taken additional provisions. So yes, it is cautious but I think that is prudent in these days. As soon as we have the visibility these costs will be released.

For your second question let's go to Tanate.

Tanate Phutrakul – CFO ING: The steps that we make is that we make this announcement today about the reduction of the 1,000 FTEs. The next step for us is to be in consultation with our various different workers councils and unions to basically inform the affected employees. In Q4, based on the mix between internal and external staff, we would likely announce some kind of a redundancy provision at that point in time. So, to address your question about how much the cost reduction would be, I think you can assume a certain FTE cost and then make your calculation from there. But this roll-off will happen starting probably in the beginning of next year. We will give more clarity in Q4 but I think you can do your own internal calculation based on this information.

3Q2020 ANALYST call Transcript
5 November 2020

Tarik El Mejjad – Bank of America Merrill Lynch: I have a follow-up on costs and to Steven's comment to announce measures as you see them materialising and as you identify them instead of having a get-together strategy day. Are you working now on another project than Maggie or are you envisaging to work on something else?

Tanate Phutrakul – CFO ING: As Steven mentioned, we will announce when we believe to be appropriate and with a very high degree of execution certainty. So, that is the rhythm that we like to be in.

Tarik El Mejjad – Bank of America Merrill Lynch: Thank you very much.

Robin van den Broek – Mediobanca

Good morning everybody. My first question is on NII. I am a little bit confused still on TLTRO because I think you indicated you are confident of getting the benchmark. And yes, it is a management decision and you have not put it in NII for Q3. How should I think about this? You also said that growth in the US and Asia is picking up, not so much in Europe. So, if you would close your books today on the benchmark, are you there already or do you still need some growth in Europe?

I would just want to make the remark that most of your French and Italian peers are booking this at the full 100 basis points. In the Q2 conference call you mentioned that there would be a coordinated effort that these TLTRO bookings would be similar across Europe but apparently that is clearly not the case.

Secondly, I wonder if you could quantify the impact for NII from the rate mitigation actions you have announced today.

3Q2020 ANALYST call Transcript
5 November 2020

Lastly, a quick one. Are you going to also put the Q4 profit fully in your shareholder distribution bucket or should we expect some of that to go to the ratio?

Steven van Rijswijk - CEO ING: Sorry Robin, can you repeat the last question?

Robin van den Broek – Mediobanca: It is basically whether you are going to accrue the Q4 profits in your capital ratio, yes or no, or that you are going to add it to the dividend reservation.

Steven van Rijswijk - CEO ING: These are all good questions but they are all questions for Tanate!

Tanate Phutrakul – CFO ING: I think different banks take different treatment with respect to the threshold that you need to meet with respect to accruing the impact of the TLTRO III. Our internal view is that the date for the measurement is a one-off measurement in the end of March 2021 and we want to be virtually certain of hitting it before we book that particular income. So, I do not want to comment on how other banks do it.

Secondly, on your question on negative rate and with that in mind, I think the impact of the announced plans, whether in the Netherlands, Belgium or Germany, we expect to have an annualised impact of approximately EUR 140 million on an annualised basis. So, that will come through.

Your last question was whether we would accrue the net profit of Q4 into dividend. Yes indeed, we are planning to do that. Regarding the percentage of cost, we will try to land on what ultimately gets us to the 50% over resilient profit. That is what we will do in Q4.

- **Farquhar Murray – Autonomous:**

3Q2020 ANALYST call Transcript
5 November 2020

Good morning. Just two questions from me. The first is just on the deposits, which actually is a bit of a follow-up to Robin's question on the mitigations. Can you give us the numbers around how much deposits fall into negative rates in the fourth quarter and the first quarter, which I presume is behind the EUR 140 million you just gave?

Secondly, just on capital management. Can you give us a little bit of an outline of how you are going to think about the split potentially between cash dividend and share buy-backs when you reach those decisions? When you talk about 'predominantly' what is the maximum amount of share buy-back you expect to do within the total capital return in a given year?

Steven van Rijswijk - CEO ING: I will give the floor to Tanate.

Tanate Phutrakul – CFO ING: In terms of deposits, we do not disclose that information but you can see that over the course of the last 12 to 18 months the level of threshold is declining deeply. We started with the Netherlands at EUR 1 million and then EUR 500,000 and now EUR 250,000. In Belgium, from not charging at all, now we go to EUR 1 million threshold. We started introducing it in Germany for accounts opened with us, about EUR 100,000. So, you can imagine that the threshold gets lower and lower over time.

Then on the stock buy-back, back to you, Steven?

Steven van Rijswijk - CEO ING: What you can expect, is that we will pay out a majority in cash. We do not comment at this point in time how much we would think about doing in terms of buy-backs or stock distribution, buy-backs I mean. That depends on the price at the prevailing time to the intrinsic value and that is how we look at it. But as soon as we start to make these distributions, we will announce that as well.

Farquhar Murray – Autonomous: but it is very clear that price clearly will matter and presumably, do you think your stock is cheap currently?

3Q2020 ANALYST call Transcript
5 November 2020

Steven van Rijswijk - CEO ING: We have no comment on our own share price but I can only say that we are trading below book.

Farquhar Murray – Autonomous: That is helpful. Thanks.

- **Jason Kalamboussis – KBC**

I have a couple of questions. The first is on AXA. It is often mentioned but the contribution to results is still insignificant. When do you expect this to start being more significant? Do you expect to have more of such deals, now that you showed how you are structuring the products?

My second question is on cost. With this change in the Model bank, we miss a number of IT-systems that are being decommissioned. That was a bit of a long-term plan but it is still something that is not going to take place. Are there other structural areas where you can see potential for cost efficiencies?

Finally, again on costs. You are reducing now by 1,000 FTEs but your number of FTEs is standing at around 56,500. In 2019, there were 54,500. It looks like you have had a significant increase over the last three years between 2% and 4% of your FTEs. Could you give us your thoughts on this and how you position this reduction of 1,000 versus the larger increase that we have seen over the last three years?

Steven van Rijswijk - CEO ING: Thanks, Jason. Indeed we have a partnership with AXA. We have been rolling out a number of products in five countries. We keep rolling them out as we speak, also in more countries. So, that contribution will grow over time. We also have a collaboration with Amazon, for example, in Germany where we are on their SME seller platform, so that we can sell loans to SMEs. We will continue to develop these partnerships either with others or do them ourselves, but actually provide then a differentiating experience

3Q2020 ANALYST call Transcript
5 November 2020

i.e. insurance or travel insurance only when you need it, that you can gain through your app rather than having an annual insurance that you pay for each and every month.

With regards to the cost and the structure area for cost efficiency, all elements that I mentioned – both the foundational building blocks including our modular software which we call TPA, including the use of our cloud and including the use of our data lakes – are meant to be consumed by each and every entity as to avoid that we need to develop things two, three or – if you look at all the retail activities – thirteen times. The same goes for all the app components and for the global product solutions that we roll out in different countries. That is meant to avoid double cost and we should see the benefit of that coming in.

With regards to the FTEs that you see, it is a good point. Those are the internal FTEs that we have. Next to that, we also work with work packages and external FTEs. Over the past year or so there has been a shift from more expensive external FTE to less expensive internal FTE. Hence, that figure does not give you the complete picture, as you need to look at it from an overall point of view.

Jason Kalamboussis – KBC: If I may just follow up on the last question, is there a lot more to be done on that front?

Steven van Rijswijk - CEO ING: Yes. I realise that some of you are asking the same question in a different way. As I said before, I will be focused on costs. The nose of the plane with the costs needs to come down. It has been going up for the past five or six years or so. The nose of the costs will come, and that is what I am working on. As soon as I have something to announce with project with execution certainty, I will announce it.

Jason Kalamboussis – KBC: Thanks very much.

3Q2020 ANALYST call Transcript
5 November 2020

Anke Reingen – Royal Bank of Canada

Good morning. I wanted to ask the same question but in a different way. You are talking about costs. Is that flat cost and is that realistic or does 'nose down' even mean you could bring them down under a sort of normalised environment?

And then a small clarification. When you talk about the NII pressure, is that including the benefits from the TLTRO or excluding?

Steven van Rijswijk - CEO ING: Thanks, Anke, it is good that you said you were going to ask the question in a different way. I said 'down', and not 'flat'. The nose needs to come down and it will come down.

On NII, currently it is excluding TLTRO and we take the benefit of it towards the end. That is also what it says, that you need to meet it at the end and the end lies in 2021, so in March. So if we book it, it will be then.

Anke Reingen – Royal Bank of Canada: So, is it fair to assume the TLTRO might offset the structural pressure on NII?

Steven van Rijswijk - CEO ING: It does not offset it all but it gives us a benefit, given the amount that we had from TLTRO and that is a significant amount.

Anke Reingen – Royal Bank of Canada: Thank you.

Steven van Rijswijk - CEO ING: Anke, we disclosed the amount of that benefit earlier. That will be EUR 300 million.

Anke Reingen – Royal Bank of Canada: Thank you.

3Q2020 ANALYST call Transcript
5 November 2020

Daphne Tsang – Redburn

I have two questions, first on NII. Can you give us some colour on where you think the NIM will go from here? Quarter on quarter it is pretty weak but the denominator effect from picking the sizable TLTRO III is certainly a big factor there. Now that you have a lower capital ambition it means that you have high competitiveness. Does this mean that you are happy for NIM to come down going forward to stay competitive, assuming the profitability angle still fits your criteria? Also, as part of my NII question, what is the additional or incremental negative charge coming next year versus this year? Some of the lower threshold and the new charge on more customers are actually effective from January next year. So, regarding the EUR 140 million that you mentioned earlier, is it the annualised amount next year or this year? I am just trying to think if there is any tailwind.

My second question is on costs. I totally get what you are saying about taking a look at the cost base and see where you can see more initiative with high execution certainty there, at which point you will announce. But taking a look at Q3, what have you done in Q3 to lower costs? Quarter on quarter, even adjusted for the impairments, you are kind of flat and year-on-year you are up. I assume KYC cost is there but surely you have taken some underlying costs out. Can you give more colour on what actually happened in Q3 on your costs?

Steven van Rijswijk - CEO ING: Thank you. Please note that you need to continuously look at where you cut since under CLAs costs will increase every year. So, to maintain a flat, you need to cut but as you may have seen in July of this year, we have announced that we will close a number of branches in the Netherlands. COVID has shown us that the digital direction that we have is proving to be the right one. Clients have increased with higher speed digital interaction that they have had with us. So, we will continue to look at our branch footprint and we have also done so in the third quarter. Hence, you see the costs being largely flat but that includes also a provision for branch closures.

3Q2020 ANALYST call Transcript
5 November 2020

With regards to NIM and the EUR 140 million annualised negative charging, I will give the floor to Tanate.

Tanate Phutrakul – CFO ING: Daphne, let me break it down with respect to 6 basis point s reduction that you see in our NIM this quarter. About 2 basis points is the impact of the arbitrage between FX, the interest rate arbitrage US Dollar, Turkish Lira against the Euro. We expect these 2 basis points reduction to be the end of it, given the fact that these rates are already in our numbers as of Q3. About 2 basis points is related to the balance sheet extension because of TLTRO but of course, we do not book the income there, so that represent another 2 basis points of reduction. And the third is a combination of the negative rates margin compression in our deposits and somewhat lower volume. So, you can see these are the three legs of why our net interest margin is down by roughly 6 basis points. We of course over time would expect to try to increase our NIM through various different actions that we discussed, whether it is pricing discipline or other actions. In terms of potential charging of further negatives rates we do not comment on that. We will announce as we take decisions, of course. As Steven mentioned, the effects of actions already taken is approximately EUR 140 million on an annualised basis.

Daphne Tsang – Redburn: And that is 140 on an annualised basis for next year?

Tanate Phutrakul – CFO ING: It starts now in fact, so it is over Q4 into next year, yes.

Daphne Tsang – Redburn: Thank you.

- **Benoit Pétrarque – Kepler Cheuvreux**

On the collective labour agreement for the Netherlands for 2021, what can we expect? That has been pretty negative in 2019 and 2020 in terms of salary inflation. What is your pitch to unions going forward?

3Q2020 ANALYST call Transcript
5 November 2020

Steven van Rijswijk - CEO ING: Well, the pitch is clear because that has been in the newspapers. The pitch was 0% increase and the unions have reacted differently. But those discussions are just starting, so we need to go through those discussions first.

Benoit Pétrarque – Kepler Cheuvreux: Thanks.

- **Robin van den Broek – Mediobanca**

I am sorry to come back in the queue again but I have just one conceptual question for you, Steven. I feel bad that I directed all my questions to Tanate.

Lagarde is thinking about digital currency. Could you highlight the opportunities, the headwinds that could come out of that for ING specifically?

Steven van Rijswijk - CEO ING: I would rather have Tanate's questions, to be honest! Thanks, Robin. On digital currency, the intent is that it is a backup in case there would be a non-functioning banking system. It deals with let's say a tail risk: in case the banking system for whatever reason would stop functioning, how can people still get money? That is the background of the digital currency initiative. Of course, it also has its backdrop because does that also mean that central banks need to retain certain levels of capital and to what extent do you then give access to consumers and to what extent not? We are following the idea with interest and we also take part in working groups to give feedback on that, but that was the idea. It was not so much meant as using it as a bitcoin or something like that, but much more as giving a backup in case of a systemic risk for all the banks not to function anymore at the same point in time.

Robin van den Broek – Mediobanca: I appreciate that. Thanks.

3Q2020 ANALYST call Transcript
5 November 2020

Stefan Nedialkov – Citigroup

Hi, just a quick one. I think this question has been asked earlier but I might have missed the answer. Are you planning on having a sort of Investor Day/Capital Markets Day in the next few quarters?

Steven van Rijswijk - CEO ING: Yes, the question was asked before, not exactly in the same way but currently we do not have an intent to do so but I already said to one of the previous people who asked the question that I will defer this to Mark Milders, the Head of Investor Relations, to contact you to see when and if that will be appropriate.

Stefan Nedialkov – Citigroup: Thank you.

Steven van Rijswijk - CEO ING: As there are no further questions, I will wrap up the call. Summarising again, we continue to help our clients. We had good underlying results. We have announced a new CET level and dividends. I thank you for all your questions today and I will speak to you next quarter.

Thank you.

—

End of call



3Q2020 ANALYST call Transcript
5 November 2020

Appendix

3Q2020 ANALYST call Transcript

5 November 2020

Volatile items 3Q2020

Volatile items and regulatory costs (in € mln)

	3Q2019	4Q2019	1Q2020	2Q2020	3Q2020
WB/FM – valuation adjustments	-25	-74	-92	87	91
Capital gains/losses	5	-8	138	15	6
Hedge ineffectiveness	32	-65	-89	40	43
-Other items*			-82	-270	-370
Total volatile items	12	-147	-125	-128	-230
Regulatory costs	-106	-303	-526	-137	-111

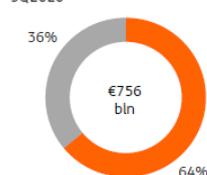
* Other items in 1Q2020 concerns €-82 mln of losses within WB/Lending mainly due to negative marked-to-market adjustments related to syndicated loans and loans at fair value through profit or loss; 2Q2020 concerns €-310 mln of goodwill impairments in mainly WB and RB Belgium and €40 mln of positive MTM adjustments in WB/Lending; 3Q2020 concerns €-230 mln of impairments on ING's equity stake in TMB and €-140 mln of impairments on capitalised software related to project Maggie (both in RB C&GM)

22

Well-diversified lending credit outstandings by activity

ING Group*

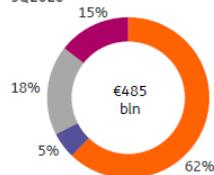
3Q2020



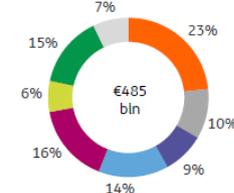
■ Retail Banking
■ Wholesale Banking

Retail Banking*

3Q2020



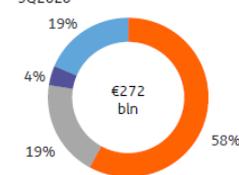
■ Residential mortgages
■ Consumer Lending
■ Business Lending
■ Other Lending**



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

Wholesale Banking*

3Q2020



■ Lending
■ Daily Banking & Trade Finance
■ Financial Markets
■ Treasury & Other

- ING has a well-diversified and well-collateralised loan book with a strong focus on own-originated mortgages and senior loans; 64% of the portfolio is retail-based

* 30 September 2020 lending and money market credit outstandings, including guarantees and letters of credit, but excluding undrawn committed exposures (off-balance sheet positions)

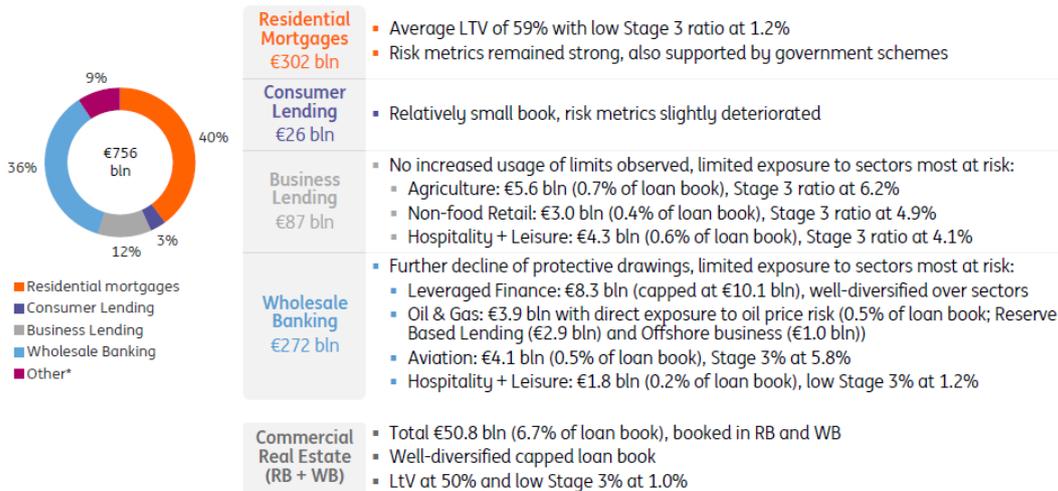
** Other includes €48 bln Retail-related Treasury lending and €22 bln Other Retail Lending

23

3Q2020 ANALYST call Transcript

5 November 2020

We remain comfortable with our senior and well-collateralised lending book

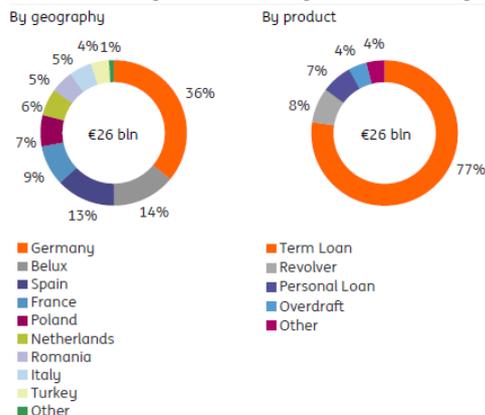


* Other includes €48 bln Retail-related Treasury lending and €22 bln Other Retail Lending

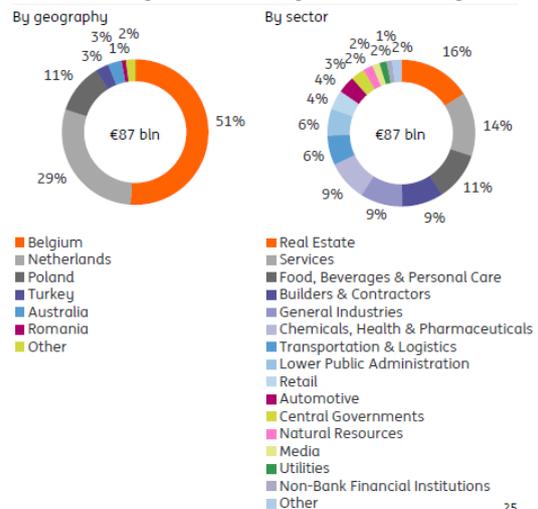
24

Granular Retail Consumer Lending and Business Lending

Consumer Lending – 3Q2020 Lending Credit Outstandings



Business Lending – 3Q2020 Lending Credit Outstandings



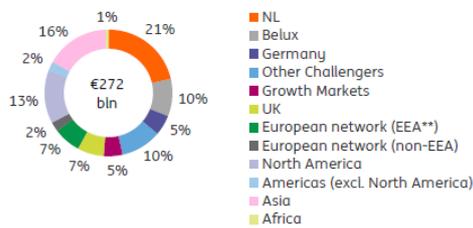
3Q2020 ANALYST call Transcript

5 November 2020

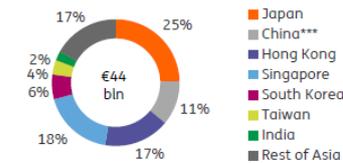
Granular Wholesale Banking lending

Loan portfolio is well diversified across geographies...

Lending Credit O/S Wholesale Banking (3Q2020)*

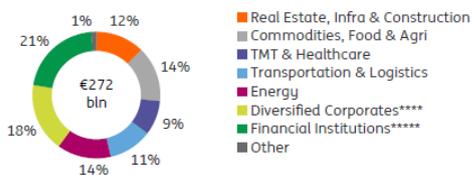


Lending Credit O/S Wholesale Banking Asia (3Q2020)*

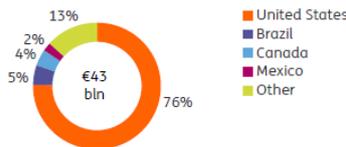


...and sectors

Lending Credit O/S Wholesale Banking (3Q2020)*



Lending Credit O/S Wholesale Banking Americas (3Q2020)*



* Data is based on country/region of residence; Lending and money market credit O/S, including guarantees and letters of credit but excluding undrawn committed exposures (off-balance sheet positions); ** Member countries of the European Economic Area (EEA); *** Excluding our stake in Bank of Beijing (€1.6 bln at 30 September 2020); **** Large corporate clients active across multiple sectors; ***** Including Financial sponsors

Leveraged finance book managed within a restrictive framework

Business overview

- Focus on larger sponsors with an established track record and a history of resolving issues in the event of underperformance by the acquired business
- Granular book of €8.3 bln as per 3Q2020
- There were supportive market conditions in the beginning of the year, evidenced by a substantial increase in the number of transactions. After markets dried up following the Covid-19 pandemic, primary focus is on managing the existing portfolio. In 2Q2020, we were able to syndicate the two transactions which remained on our balance sheet at the end of 1Q2020

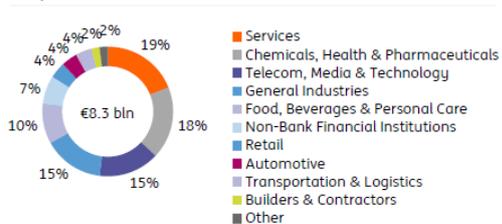
Main actions taken

- Global cap of €10.1 bln
- Maximum final take for a single transaction €25 mln
- Maximum total leverage 6.5x
- No single underwrites

Leveraged finance book* focused on developed markets (as per 3Q2020)



Leveraged finance book* highly diversified by industry (as per 3Q2020)



* Leveraged finance is defined as Private Equity driven leveraged finance with higher than 4x leverage. Leveraged finance book is total commitments (i.e. including undrawn)

3Q2020 ANALYST call Transcript

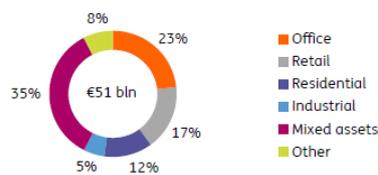
5 November 2020

Well-diversified Commercial Real Estate (CRE) portfolio

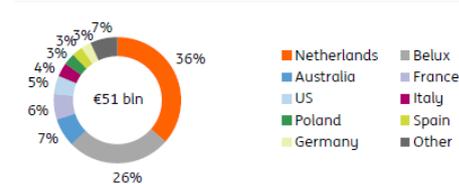
Business overview

- CRE portfolio of €50.8 bln, cap at €56 bln, split between:
 - Real Estate Finance (REF) €36.0 bln
 - Retail Banking €14.8 bln
- REF portfolio is managed by Wholesale Banking, booked in WB (€24.8 bln) and RB (€11.3 bln) based on client type
- Retail Banking portfolio mainly in RB Benelux to companies in the mid-corporates segment, generally professional investors with real estate portfolios rented to third parties (mainly residential) and part construction finance to professional parties within a strict risk appetite (>90% residential development, minimum % of pre-sold units, recourse on shareholders with stable cash flows)
- Overall well diversified portfolio both in terms of geography and asset type, with 50% LtV and low Stage 3 ratio of 1.0%
- Portfolio is managed within risk appetite of global CRE policy which includes focus on diversified portfolios (in principle no single tenants or objects), no hotels (only exception if small part of quality real estate portfolio)
- In the current market most scrutiny on asset type Retail, which is 17% of the total CRE book. We have a restrictive policy in place, with focus on supermarkets or smaller malls which include at least one supermarket

CRE breakdown by asset type (as per 3Q2020)



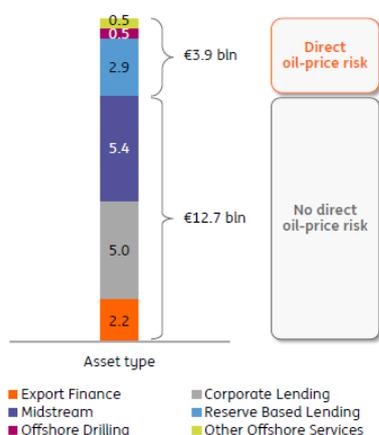
CRE breakdown by geography* (as per 3Q2020)



* Geographical split based on country of residence

28

Oil & Gas book: only €3.9 bln directly exposed to oil-price risk



- Reserve Based Lending: smaller independent oil & gas producers, focus on 1st cost quartile producers
- Midstream: typically assets generating revenues from long-term tariff based contracts, not affected by oil & gas price movements
- Corporate Lending: predominantly loans to investment grade large integrated oil & gas companies
- Export Finance: ECA-covered (Export Credit Agencies) loans in oil & gas sector: typically 95%-100% credit insured

Overall Stage 3 ratio at 8.0%

Note: exposure and Stage 3 ratio reflects companies active in the Oil & Gas industry and excludes €12.0 bln exposure in Trade & Commodity Finance with no direct oil-price risk, reflecting short term self-liquidating financing of trade flows, generally for major trading companies, typically pre-sold or price-hedged

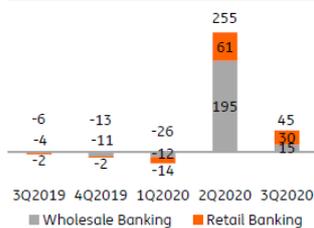
29

3Q2020 ANALYST call Transcript

5 November 2020

Management overlay taken to reflect potential impact of Covid-19

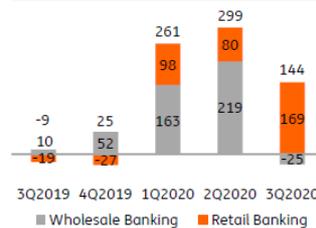
Stage 1 provisioning (in € mln)



Main drivers 3Q2020

- Management overlay to compensate for the effect of releases triggered by updated macro-economic indicators, reflecting a delay in potential credit losses as lockdown measures increase and uncertainty remains

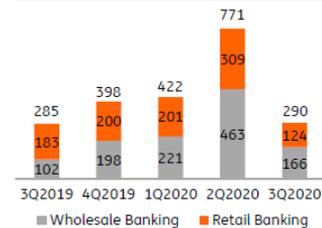
Stage 2 provisioning (in € mln)



Main drivers 3Q2020

- Management overlay to compensate for the effect of releases triggered by updated macro-economic indicators, reflecting a delay in potential credit losses as lockdown measures increase and uncertainty remains
- Collective provisioning related to payment holidays
- Individual provisioning related to Watch list exposures and rating downgrades

Stage 3 provisioning (in € mln)



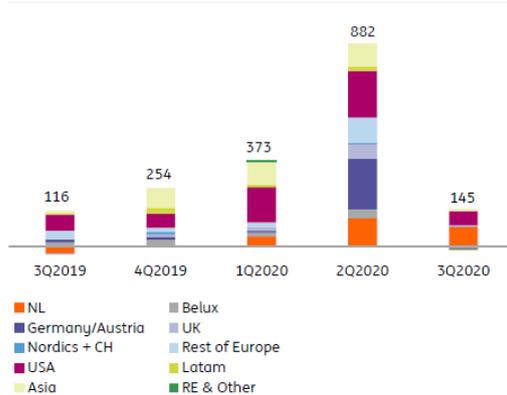
Main drivers 3Q2020

- Additions to existing individual files in WB with deteriorated indicators

30

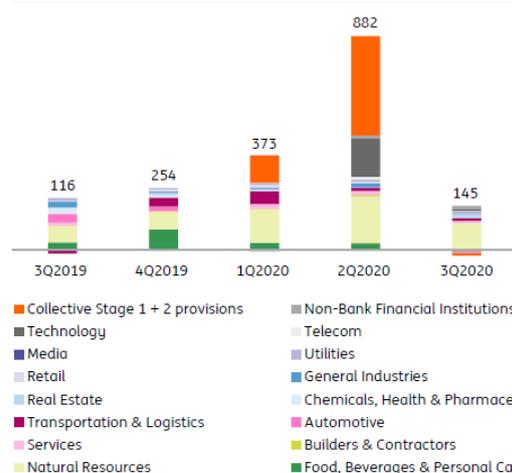
Breakdown of quarterly risk costs Wholesale Banking per geography and sector

Breakdown of geography which generated risk costs WB (in € mln)



- NL
- Germany/Austria
- Nordics + CH
- USA
- Asia
- Belux
- UK
- Rest of Europe
- Latam
- RE & Other

Breakdown of sector which generated risk costs WB (in € mln)



- Collective Stage 1 + 2 provisions
- Technology
- Media
- Retail
- Real Estate
- Transportation & Logistics
- Services
- Natural Resources
- Non-Bank Financial Institutions
- Telecom
- Utilities
- General Industries
- Chemicals, Health & Pharmaceuticals
- Automotive
- Builders & Contractors
- Food, Beverages & Personal Care

31

3Q2020 ANALYST call Transcript

5 November 2020

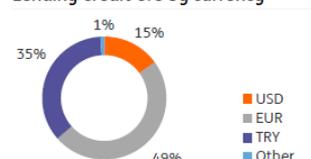
Overview Turkey exposure

Total exposure ING to Turkey* (in € mln)

	3Q2020	2Q2020	Change
Lending Credit O/S Retail Banking	3,597	4,123	-12.8%
Residential mortgages	397	484	-18.0%
Consumer lending	982	1,148	-14.5%
SME/Midcorp	2,218	2,491	-11.0%
Lending Credit O/S Wholesale Banking	5,292	5,425	-2.5%
Total Lending Credit O/S*	8,889	9,548	-6.9%

- Intra-group funding reduced from €1.5 bln at end-2Q2020 to €1.4 bln at end-3Q2020
- Reduction of outstandings in 3Q2020 is mainly driven by Retail
- ING only provides FX lending to corporate customers with proven FX revenues; only limited rolling-over of FX lending facilities
- ECA-covered lending is ~€1.7 bln; ~€0.2 bln of SME/Midcorp lending benefits from KGF cover (Turkish Credit Guarantee Fund)
- Quality of the portfolio remains relatively strong with a Stage 3 ratio of 3.4%

Lending Credit O/S by currency



Lending Credit O/S by remaining maturity

TRY**	~1 year
FX	~2 years

Stage 3 ratio and coverage ratio

	3Q2020	2Q2020
Stage 3 ratio	3.4%	4.2%
Coverage ratio	61%	53%

* Data based on country of residence. Lending credit outstandings, including guarantees and letters of credit, but excluding undrawn committed exposures (off-balance sheet positions)
 ** Excludes residential mortgages, which have an average remaining maturity of ~6 years

32

Important legal information

ING Group's annual accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU'). In preparing the financial information in this document, except as described otherwise, the same accounting principles are applied as in the 2019 ING Group consolidated annual accounts. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to a number of factors, including, without limitation: (1) changes in general economic conditions, in particular economic conditions in ING's core markets, including changes affecting currency exchange rates, (2) the effects of the Covid-19 pandemic and related response measures, including lockdowns and travel restrictions, on economic conditions in countries in which ING operates, on ING's business and operations and on ING's employees, customers and counterparties, (3) changes affecting interest rate levels, (4) any default of a major market participant and related market disruption, (5) changes in performance of financial markets, including in Europe and developing markets, (6) changes in the fiscal position and the future economic performance of the United States, including potential consequences of a downgrade of the sovereign credit rating of the US government, (7) consequences of the United Kingdom's withdrawal from the European Union, (8) changes in or discontinuation of 'benchmark' indices, (9) inflation and deflation in our principal markets, (10) changes in conditions in the credit and capital markets generally, including changes in borrower and counterparty creditworthiness, (11) failures of banks falling under the scope of state compensation schemes, (12) non-compliance with or changes in laws and regulations, including those financial services and tax laws, and the interpretation and application thereof, (13) geopolitical risks, political instabilities and policies and actions of governmental and regulatory authorities, (14) ING's ability to meet minimum capital and other prudential regulatory requirements, (15) outcome of current and future litigation, enforcement proceedings, investigations or other regulatory actions, including claims by customers, (16) operational risks, such as system disruptions or failures, breaches of security, cyber-attacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which we do business, (17) risks and challenges related to cybercrime including the effects of cyber-attacks and changes in legislation and regulation related to cybersecurity and data privacy, (18) changes in general competitive factors, (19) the inability to protect our intellectual property and infringement claims by third parties, (20) changes in credit ratings, (21) business, operational, regulatory, reputation and other risks and challenges in connection with climate change, (22) inability to attract and retain key personnel, (23) future liabilities under defined benefit retirement plans, (24) failure to manage business risks, including in connection with use of models, use of derivatives, or maintaining appropriate policies and guidelines, (25) changes in capital and credit markets, including interbank funding, as well as customer deposits, which provide the liquidity and capital required to fund our operations, (26) the other risks and uncertainties detailed in the most recent annual report of ING Groep N.V. (including the Risk Factors contained therein) and ING's more recent disclosures, including press releases, which are available on www.ING.com.

This document may contain inactive textual addresses to internet websites operated by us and third parties. Reference to such websites is made for information purposes only, and information found at such websites is not incorporated by reference into this document. ING does not make any representation or warranty with respect to the accuracy or completeness of, or take any responsibility for, any information found at any websites operated by third parties. ING specifically disclaims any liability with respect to any information found at websites operated by third parties. ING cannot guarantee that websites operated by third parties remain available following the publication of this document, or that any information found at such websites will not change following the filing of this document. Many of those factors are beyond ING's control.

Any forward looking statements made by or on behalf of ING speak only as of the date they are made, and ING assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason.

This document does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities in the United States or any other jurisdiction.

33