Operator: Good morning, this is Patricia Krooshof, welcoming you to ING’s fourth quarter 2021 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 statement 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 20F, filed with the United States 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 solicitation of an offer to buy any security. Good morning Steven, over to you.

Steven van Rijswijk – CEO ING: Thank you very much, operator. Good morning everyone and welcome to our full year 2021 results call. I am joined by our CFO Tanate Phutrakul and
A year ago, we were looking forward to circumstances normalising again and now, reflecting on 2021, we are not yet back to normal as Covid-19 is still there and the world faces strained supply chains, staff shortages and rising prices.

On the positive side, consumer confidence is up and businesses have become more optimistic. Economies have shown resilience and the same applies to ING. I am proud that our customers recognise our strength, resulting in further growth of our primary customer base and the number of sustainability deals.

Our digital only, mobile first focus continues to pay off with mobile becoming the main channel through which customers interact with ING in 2021. These factors support our efforts to diversify income and offset the continued pressure on liability income caused by the negative rate environment.
Loan growth has always been important to counter this pressure. In 2021, loan growth returned on the corporate side, contributing to the overall EUR 30.6 billion net core lending growth. At the same time we were able to stem the inflow of deposits. Fees grew by 17%, which is quite an accomplishment.

On costs, we managed to keep full-year costs broadly flat, which means we absorbed CLA increases and higher costs related to employee performance and marketing, which were reduced in 2020, reflecting Covid-19 impacts.

Full year risk costs were EUR 516 million or 8 bps of our average customer lending, well below our through-the-cycle average.

On asset quality, the Stage-3 ratio was low, at 1.5%, and we remain confident on the quality of our loan book. The CET1-ratio improved to 15.9%, with 50% of the fourth quarter resilient net profit reserved for future distribution.

We propose a EUR 0.41 final cash dividend, bringing the full year cash dividend for 2021 to EUR 0.62, subject to shareholder approval in April.
Before we go to this year’s figures, let me spend some time on some key aspects of our strategy, being our efforts to grow our primary customer base, our focus on the mobile channel, and on income diversification.
Customers recognise ING’s strengths

Slide 4 shows that also in 2021, customers recognised our strength, resulting in almost 500,000 new primary customers in 2021. Keep in mind this is net growth, as we have also taken actions to reduce savings, which resulted in some reduction of primary customers and it excludes the retail markets that we exited in 2021.

Growth of primary customers continues to be a strategic priority and we will come back on this during our strategy update in June this year.

We have talked before about the transition opportunity and how ING is well positioned to benefit from that. The exponential growth of sustainability deals supported 2021 proves that clients turned to us for financing solutions related to transition challenges.

One transaction we are highlighting this quarter is a sustainability loan for Cemex, active in the cement industry, which is a good example of our support of transition activities in the hard-to-abate CO₂-intense sectors.
We believe that as a bank we play an important role in financing the transition to a low-carbon society and we will continue to focus on providing support with our inclusive approach. We are translating this also into more concrete targets, which we will address on our Investor Day in June. And as said before, we cannot do this alone. As the urgency for climate action increases, corporations, governments and regulators have to work together to define new ways of doing business that align economic growth with positive environmental and social impact.

Mobile became the main channel for our customers

On slide 5 you can see that our focus on the digital mobile first customer proposition has benefitted us, as we saw customers increasingly turn to these channels during the pandemic.

Also in 2021, the share of mobile-only customers increased and mobile is now the main channel through which our customers interact with us. This is also reflected in the number of mobile interactions growing to a 91% share while the number of total interactions continued to grow as well.
We also saw a strong upward trend in our mobile product sales. Over 2020 we highlighted our digital investment account in Germany as an example of how we successfully offer a digital-only and differentiating customer experience. Now, looking at 2021, we see the success of this story continued. We opened 390,000 new investment accounts, outpacing the 326,000 over 2020.

Also worth mentioning is that over 20% of those new accounts were opened by customers who were new to ING, demonstrating that our digital offering continues to attract new customers.

On to slide 6. Our ability to grow primary customers and focus on diversifying income supported income growth in 2021, despite the continuous liability drag. Fees have been an important contributor, growing by 17% in 2021 and by a 7% CAGR over the past five years. In that period, the share of fee income on total income increased from 15% to 19% in 2021, helping to reduce the dependency on NII. I reiterate our 5%-10% growth ambition going forward.
Looking at loan growth, net core lending growth was back at levels more comparable to pre-Covid. Half of the growth was in mortgages, while over 2021 Wholesale banking grew as well, partly reflecting TLTRO. We also see a strong pipeline, so that is a positive signal going into 2022 and it supports our 3%-4% loan growth ambition. Actions to limit deposit inflow have also paid off, mostly visible in retail Germany where we introduced negative interest rates in November. The pressure from low interest rates is clearly visible in the decline in the contribution of liability NII, and I want to emphasize that this graph is backward looking and the development of income components is not a guidance going forward. Specifically, on liability income; it is not a linear drag, as we generally invest in maturities ranging from overnight to ten years and it depends on what rolls off and how we reinvest.

Pressure on the liability income will continue until also the longer maturities in our replicating portfolio have been repriced to today’s environment. Having said that though, the yield curve development is positive for us and we expect pressure on liability income to reduce somewhat in 2022. Over 2021 the pressure was clear though, however we have been able to more than offset this and will continue to focus on diversifying our income.
Slide 7 shows full year NII and fees. First on NII. As you saw on the previous slide, liability NII has been declining and the levers to counter that pressure were successful until the pandemic started in 2020. In 2021 loan growth again offers some support, however liability pressure remained high and if we exclude TLTRO benefits, NII was down. While we are optimistic looking at the yield curve development, this continuing pressure reinforces our strategy to diversify income and reduce dependency on NII.

2021 was a very successful year with fee growth fully compensating lower NII when excluding TLTRO benefits. And we believe this higher fee level is largely structural as it is driven by primary customer growth, structural fee growth in daily banking, and growth in investment accounts and assets under management.

Future fee growth is supported by the fact that we are not back at pre-Covid levels for international transactions and also lending fees are still at a lower level.
In Germany, the consent process for new and increased fees is well underway and for the Netherlands an increase in package fees has been announced.

Apart from that we see several drivers, the first being continued growth of our primary customer base. Secondly, we see possibilities to further increase daily banking fees, which we also have to do as the cost of operating an account has been increasing for banks. In some of our larger markets, fee levels are still low and peers either initiate or they follow an increase, while in other markets we are still cheaper than peers. And thirdly, on other products we continue to work on new and improved propositions. The digital investment proposition in Germany is an example where it is clearly materialising.

Continued focus and measures taken on expenses

Let’s go to expenses on slide 8. Regulatory costs were up, mainly reflecting an incidental 50% increase in Dutch bank tax. 2021 expenses included EUR 522 million in incidental items, mainly reflecting provisions for strategic measures we announced over the past two years, especially the departure from several European retail banking markets and a further reduction
of the branch network in Retail Benelux. It also included a provision for compensation of customers on certain Dutch consumer credit products. Excluding these items, operating expenses were broadly flat compared to 2020. Our focus on costs almost fully offset contractual salary increases and higher expenses related to performance and marketing, as these return to more normal levels after being reduced in 2020. Going forward, we could expect to see some inflationary pressure in our expenses and CLAs. Overall, we will continue to focus on managing costs and aim to absorb inflationary effects and keep costs at least flat in 2022.

Slide 9 shows the risk cost development with 2021 risk costs coming in at EUR 516 million. In Stage 1 and 2 we saw an overall release of around EUR 470 million, mainly driven by releases of management overlays taken in previous quarters. It further reflects clients being removed from the watch list and moving back to Stage 1. Total additions in Stage 3 included a total of EUR 254 million of specific provisions taken in the fourth quarter, which I will come back to later on. The remaining Stage 3 provisioning was largely in Retail banking and included several more updates in Retail Belgium and collective provisioning in our Challenger & Growth
markets. Stage 3 additions in Wholesale banking were limited and mainly reflected additions to existing files. Our Stage 3 ratio remained low at 1.5% and although the current environment is not without challenges, we feel confident about the quality of our loan book because it is well diversified and avoids concentration risks. The loan book is practically all senior and well collateralised, and in Wholesale banking we mainly work with investment grade companies. Finally, historically our provisioning has been prudent, without surprises when we do move into the recovery phase.

Our 10-12% ROE ambition

On slide 10 you see our ROE and that recovered from the low level in 2020, primarily reflecting lower loan loss provisioning as other factors remained unchanged, such as high incidental costs and high capital levels.

When we look at ROE through the cycle and the recovery of our ROE level in 2021, it supports our belief that we can reach our 10% - 12% ambition. Going forward, it should be supported
by several factors, such as further growth of primary customers, loans and fees, combined with continued discipline or controllable expenses. At the same time, we intend to reduce our equity level over time and we take management actions to control RWA, thus bringing the CET-ratio more in line with our ambition level.

**ING’s distribution plans in 2022 and beyond**

In line with our distribution policy, we intend to pay out a final dividend of EUR 0.41 per share over 2021, subject to shareholder approval. This means that the full year dividend over 2021 amounts to EUR 0.62 per share. In addition, we nearly completed the EUR 1.7 billion share buyback program that started in October last year. Overall yield in 2021 was 9.4% and the share buyback will improve earnings per share, dividend per share and return on equity. With a CET1-ratio of 15.9%, we have significant excess capital. We are in a constructive dialogue with the ECB about our distribution plans. We will announce next steps if and when we have received the necessary approvals.
As you can see on slide 12, our CET1 ratio is well ahead of our ambition. Our ROE has improved significantly and with continued growth as well as focus on costs and capital, we maintain our ambition and very much intend to continue to provide an attractive total return.

To reiterate, the cost/income ratio remains an important input for ROE. We continue to work on 50% - 52% ambition in that regard.

And as for distribution, as I mentioned, we propose a full year dividend of EUR 0.62 subject to shareholder approval for the final dividend.
Now let me take you through our fourth quarter results, starting on slide 14, which I will try to go through a bit faster.

Resilient NII; 4-quarter rolling average NIM broadly stable at 139 bps

- NII was supported by a €347 mn TL TRO III benefit. Excluding this benefit, NII YOY was supported by higher average lending volumes and a higher contribution of negative interest rate charging in Retail Belgium. This was offset by continued pressure on customer deposit margins on higher average liability volumes and a €23 mn reclassification in Retail Belgium from Other Income to NII.
- Sequentially, NII excluding the TL TRO III benefit and the aforementioned €23 mn reclassification, was supported by growth in lending NII and a higher contribution from negative interest rate charging, which more than offset pressure on customer deposit margins.
- 4Q2021 NIM was 137 bps, down one basis point from 3Q2021. This was caused by the reclassification in Retail Belgium, while the liability margin remained stable, supported by the increased charging of negative interest rates.
Year on year, NII excluding TLTRO was slightly lower, primarily due to pressure on liability income and a EUR -23 million reclassification from Other income to NII. This was partly absorbed by increased negative interest rate charging in the Retail Benelux, as compared to a year ago thresholds in the Netherlands have been gradually lowered, while in Belgium charging was introduced at the beginning of 2021. NII from lending was up, reflecting mainly higher average volumes.

Excluding the reclassification, NII went slightly up quarter on quarter, as higher lending NII and increasing negative interest rate charging more than offset this pressure on liability income.

Our net interest margin declined quarter on quarter by 1 bps to 137 bps, driven by the aforementioned reclassification, as increased negative interest rate charging absorbed most of this quarter’s pressure.

Sustained mortgage growth, higher demand in WB

- Net core lending growth was €13.4 bln in 4Q2021
- Retail Banking was €4.8 bln higher. Mortgages grew by €4.1 bln, due to sustained growth in most countries (primarily in Germany, Spain, Austria and Poland), whereas other retail lending increased by €0.7 bln
- Wholesale Banking rose by €0.6 bln, mainly in Lending, primarily reflecting growth in term loans, and higher short-term facilities in Financial Markets
- Net core deposits growth was €4.1 bln
Slide 15 shows the core lending growth. Overall strong growth continued in Retail, while in the fourth quarter Wholesale banking also had a strong contribution, resulting in a net core lending growth of EUR 13.4 billion.

In Retail, mortgages were the primary driver of lending growth, with some growth also visible in consumer and business lending.

Mortgage demand was strong in Germany, but also in Spain, Australia and Poland.

In Wholesale banking, loan growth returned, which partly reflected TLTRO-eligible deals, so the number for the fourth quarter should not be extrapolated. However, when we look at the pipeline, we see signs that demand remained strong and we are positive on loan growth in Wholesale banking going forward.

Net customer deposit growth was EUR -2.1 billion. In Retail savings were up by EUR 2.7 billion, with inflows in the Netherlands and non-Eurozone countries, while we saw an outflow in Germany and France. For Germany this was mainly the result of the introduction of negative rate charging in November. Wholesale Banking records an outflow of EUR 4.9 billion mainly in PCM.
Turning to fees on slide 16. Year on year, fee income grew by 20% with both growth in Retail and Wholesale. Retail fees were up 17%, with an impressive 27% increase in daily banking. This reflects growth in primary customers, the increase in payment package fees and a further recovery of the level of domestic payment transactions, which was basically back at pre-Covid levels. International payment levels actually remained subdued in transactions.

In investment products, fees were 12% higher, reflecting growth in accounts, assets under management and trades. In Wholesale banking, fees were 26% higher with growth across all product groups. Sequentially, Retail fees were 3% higher driven by investment products and daily banking. In Wholesale Banking fees were up 9%, mainly reflecting higher fees in Financial Markets and Corporate Finance.
Slide 17 shows expenses, which this quarter included EUR 166 million of the incidental items, mainly reflecting EUR 141 million of provision and impairments related to the announced closure of the French Retail Banking activities. Excluding regulatory costs and incidentals, operating expenses remained under control. Year on year, these costs were slightly higher, mainly reflecting a lower VAT refund and higher staff expenses related to CLA increases and performance related expenses, which were reduced to lower levels in the fourth quarter of last year, which is 2020.

Quarter on quarter was also largely driven by the staff-related cost increases, while also Marketing and IT expenses were higher. Regulatory costs were up, including the Dutch Bank tax, which was 50% higher in 2021. In 2022 this level should normalise again.

Overall, I am pleased with how operating costs are developing, also as we already see some effects of measures taken so far. We will always keep focusing on optimising where we invest.
our capital, and further measures can always materialise. At the same time, we also need to look forward and we will invest in areas where we can get the best returns.

Risk costs remain below the through-the-cycle average

Now we go to risk costs on page 18. They were EUR 346 million or 22 basis points over average customer lending. The increased level compared to previous quarters reflected our prudent approach in an uncertain environment. We took EUR 130 million to reflect uncertainty in recovery scenarios and valuations in certain asset classes, mainly in Wholesale Banking, reflecting uncertainty in recovery scenarios and valuations in certain asset classes. Risk costs further included a EUR 124 million management overlay related to residential mortgages, mainly in Stage 2 and 3, to reflect the potential impact of higher inflation and rising interest rates on customers’ ability to pay, and which could impact house prices.

This was partly offset by EUR 124 million of releases of management overlays taken in previous quarters, mainly related to payment holidays and sector-based overlays, predominantly as a result of reductions on watchlist.
Aside from these releases, in Retail Benelux risk costs mainly reflected a model update in Belgium and some individual Stage 3 releases. In Retail Challenger & Growth Markets risk costs further reflected collective provisioning, mainly in Spain and Poland. And in Wholesale Banking, Stage 3 risk costs further included limited additions to mainly existing files. Finally, this Stage 2 ratio was slightly lower and the Stage 3 ratio was stable.

**Strong ING Group CET1 ratio at 15.9%**

Slide 19 shows that our CET1 ratio increased to 15.9%. CET1 capital was EUR 600 million higher, mainly due to the inclusion of 50% of net profit for the quarter. And with net profit being equal to resilient net profit, the other 50% was reserved for future distribution in line with our policy.

RWAs increased mainly due to the higher market and operational RWA. Credit RWAs were down mainly reflecting the overall improved profile of the loan book. Regulatory RWA inflation known at this moment, ahead of the 2025 Basel IV implementation, has been almost fully incorporated. We still expect RWA impact from the postponed implementation of a risk floor
weighting for mortgages in Netherlands, which we currently estimate at around EUR 7.5 billion. But we expect this floor to be temporary, as it is frontloading the output floor under Basel IV. Besides that, we will continue to see releases or additions to RWA from regular model updates.

Wrap up

To wrap up with the highlights of the quarter on page 21.
Our customers continue to recognise our strengths, resulting in further growth of our primary customer base, as well as the number of sustainability deals. Our digital-only mobile-first focus continued to pay off with mobile becoming the main channel through which customers interact with ING in 2021. These sectors support our efforts to diversify income, with full-year loan growth returning and fees increasing by almost EUR 0.5 billion, or 17%. This offsets the continued pressure on liability income caused by the negative rate environment.

On costs, we managed to keep full-year costs flat. Full-year risk costs were EUR 516 million, or 8 basis points over average customer lending, well below our through-the-cycle average, and this included some prudent adjustments to Stage 3 provisioning on existing files.

The CET1 ratio improved to 15.9% with 50% of the fourth quarter resilient net profit reserved for future distribution.

We propose a EUR 0.41 final cash dividend bringing the full-year cash dividend to EUR 0.62, subject to AGM approval in April.
That concludes the presentation and I will now open the floor for Q&A.

QUESTIONS AND ANSWERS

• Benjamin Goy – Deutsche Bank

Hi, good morning. Two questions please, from my side. First on cost, maybe just to double check. In the absence of restructuring costs and any incidentals, should we expect then that the underlying cost base is stable? And can you then also absorb investments and CLA in 2022?

And then secondly, you are obviously guiding towards pay-outs about 100% going forward. I was wondering how the discussions with regulators have evolved over the last months. We saw a large appeal of you announcing effectively that plan, but do you think the likelihood of that has also become more or has it increased for ING?

Steven van Rijswijk – CEO ING: Thank you very much, Ben. I will answer the first question and then Tanate will answer the question on pay-out.

The cost base is stable. Please note that the fourth quarter was impacted also by CLA, by performance-related salaries, and of course by slightly increased marketing and IT expenses on the back of growth, because we want to continue to grow our business as well.

Now gradually we see some of the impacts that we made as a result of the announcements on some of our retail markets and some of our other activities gradually kicking in over 2021.
But they will continue to kick in over 2022. That means that despite what we see currently in inflation and CLA pressure, we intend to keep our costs at least flat over the year 2022.

Tanate?

Tanate Phutrakul – CFO ING: Hi, Benjamin. On capital returns, I think our discussions with the regulators are constructive. What we announced so far, EUR 0.41 in dividend payments and EUR 1.7 billion share buyback which is coming to its conclusion. And we see rising levels of Core Tier 1, so that capital strength means our conversation with the regulator has been constructive, as we say. These discussions are ongoing but we expect that we would conclude our discussion before we announce our first quarter results.


• Benoit Pétrarque – Kepler Cheuvreux

Good morning. My first question will be on NII. The rate curve is moving quite fast now. I just wanted to discuss this gradual positive effect into the replicating portfolio and especially when you expect the kind of loan growth at a 3%-4% level to offset the pressure on liability income? Are we getting closer at current levels to that point? I was wondering if that could be something we will start to see in 2022? Also, let’s be a bit hopeful on the rate increase. What is your sensitivity again to a 50 bps hike of ECB rates on NII? That would be very useful, please.

My second question will be on the fees. Do you see fees going up in 2022? You are coming from a very strong year at almost 20% year-on-year. Do you still expect some of this uplift? Do you think that includes some structural and market related effects? How do you see this growth into 2022? That will be very useful. Thank you.
Steven van Rijswijk – CEO ING: Thank you very much, Benoit. I will answer the question on fees, and Tanate will talk about NII. If you look at fees, most of the elements that we currently see in our fee build-up are structural. We have increased the number of people that have investment product accounts with us. For example, if you look at Germany, in 2020 we grew the number of accounts for investments with 326,000 and this year, it was 390,000. So in total, more than 2 million clients in Germany are currently investing through us.

We increased the number of payment packages in some countries, as a result of which our fees went up as well. We also do more insurance with a number of our clients in the different countries. But please note that we also continue to grow our primary customers and if we grow our primary customers it means that we have clients that do more with us and, like we always have said, clients who do more with us are more sustainable from both sides, from a clients’ side but also from our side, in doing business together. You see that on one of the pages in terms of mobile sales. That also increased quite dramatically compared to the year before. So, all those elements play a role, a higher number of primary clients, increasing payment packages, more clients that do investments with us, and more clients that do insurance with us. The reason why I am confident is that if you look at the lending fees in Wholesale Banking, they are not quite yet back at the level that we saw pre-Covid. If you also look at the international payment volume, that is completely not back where it was before the Covid-crisis. Yes, we saw domestic payments coming back but not the international payments and that is a significant part also of that income. So in that sense, I am positive, I am confident and therefore, we continue to guide a growth in fee income of 5% to 10% per annum, also for the years going forward.

Tanate, on NII?

Tanate Phutrakul – CFO ING: Hi, Benoit, just on NII. Let me give you a bit of colour in terms of what is some headwind and what is some tailwind. Clearly, our going in assumptions for 2022 is that the TLTRO program will end and with that ending of the TLTRO program, it means that we will be missing somewhere around EUR 300 million of NII compared to 2021.
Having said that, if you look at the other components, we were fairly confident given what we see in Q4, that the 3% - 4% loan growth is there. We think it will be there across the board, whether Retail or Wholesale banking. We also believe that we see a strong pickup in high-margin business in our Central European business, which I think will also be contributing to that NII uplift.

The other couple of things to point out is that negative charging for liability is continuing, not about the future, but the current actions already taken. For the full year 2021, we have a positive impact from that negative rate charging of approximately EUR 220 million. That would raise to about EUR 300 million for 2022. These are some positive tailwinds that you could see.

To address your question on the curve movements, we expect that the negative rate compression that we will see in 2022 will be significantly less than what we saw in 2021. But I think it is not so easy to just say what a 50 basis point uplift would mean; it is a much more dynamic calculation that we would have to make. But I would say that these rate movements that we see now are really helpful in terms of mitigating some of the compression we saw in 2021.

**Benoit Pétrarque – Kepler Cheuvreux:** This is very useful. On the 50 bps, I was just mentioning the short end of the curve. So the financing rate, from the ECB, will the ECB act by 50 bps in the guidance on that?

**Tanate Phutrakul – CFO ING:** Our replication is in a barbell structure and we see really good evolutions in the long end. So indeed, if the short end would move, they will be very, very helpful.

**Benoit Pétrarque – Kepler Cheuvreux:** Okay, great. Thanks.
Stefan Nedialkov – Citigroup

Good morning. I want to ask a couple of questions here. The counter cyclical buffer has gone up by around 20 bps at the group level. I am assuming that is an increase in the buffer. So we are now at 10.7% SREP, which means that the buffer to the management target has shrunk by 20 bps. Is this something that you are going to absorb within the management buffer or are you thinking that maybe as regulators tighten the counter cyclical buffers across Europe, the 12.5% might move higher, maybe closer towards 13% or so?

The second question is on costs. It is encouraging to see that you are aiming to absorb inflation for 2022. That will presumably come via restructuring in the business, as you have been doing over the past couple of years. Is it fair to assume that the flat guidance or at most flat guidance is exclusive of any restructuring costs that we may be seeing from the various businesses?

Steven van Rijswijk – CEO ING: Thanks very much, Stefan. I will do the question on costs and then Tanate will do the question on the counter cyclical buffers. First of all you are right; yes, what I guide on is the costs excluding these restructuring amounts if they would come. We have done quite a bit of restructurings in 2021 with the Czech Republic, Austria, France, Yolt, Payvision and some of the branch networks in the Benelux. Not all of those benefits have yet materialised and so the announcement that we made earlier in the year still means that it takes us quite a lot of time to actually run off those businesses. Let me take the Czech Republic and Austria; that has taken until the end of this year to roll off. So that takes time. So benefits of some of these announcements that we made in 2021 – and 2020 by the way – will also materialise in 2022 and that will help us. But indeed, it is excluding new restructurings if these would take place. Tanate?

Tanate Phutrakul – CFO ING: Stefan, just addressing the question on the counter cyclical buffer. We clearly took note of the press release on our new MDA target, and in calculating our 12.5% capital targets we already take a certain assumption about rising levels of the counter cyclical buffer. So far, I think about six or seven countries of material size have
increased their buffer, which is contained in our numbers, but we stick with our 12.5% core Tier 1 guidance.

Stefan Nedialkov – Citigroup: Great, thank you.

• Omar Fall – Barclays

Hi there. You mentioned the very helpful impact from higher policy rates. So just to clarify, is there an expectation then that if and when actual policy rates increase, you would be able to maintain the negative rate charging you are currently doing and the EUR 300 million benefits? And then you would have some positive beta there for some period?

Then the second question would just be to help us with our modelling. Could you give us the cost base of France, Retail Austria and the Czech Republic or just some slightly better clarification of the component of Opex that you would expect to see removed in 2022? That would be very helpful.

Steven van Rijswijk – CEO ING: Thanks, Omar for your questions. So on policy rates, clearly you also mentioned, what is the beta there? And it depends on the beta tracking that we then will do. Clearly, as long as the rates are negative, the beta will probably be higher and if the rate is positive than the beta tracking will probably be a bit lower. But it also depends on what competition is doing and how the rates will not only move in the short term and also in the long term. So it is not a one-sided answer that you can give.

What will of course help, is that now we already see that the market rates on the long end are increasing. We see that mortgage rates are more linked to the long end of the spectrum and the ECB is more focused on the shorter end of the spectrum. But we will need to wait for what the ECB is going to announce as of today, but also in the next quarters. So, it remains to be
seen but if you look at it overall, a gradually increasing interest yield curve upward sloping will be helpful for us both on the short term and on the long term of the yield curve.

Then on the cost base of France, the Czech Republic and Austria; we do not disclose individual cost basis but Tanate will give you some flavour.

**Tanate Phutrakul – CFO ING:** As Steven mentioned, we do not disclose the absolute cost number but we did disclose the number of employees affected by these closures. For the Czech Republic and for Austria, we have announced numbers of around 560 staff and for France, as we announced recently, it will affect 460 FTEs.

**Omar Fall – Barclays:** Thank you.

- **Giulia Miotto – Morgan Stanley**

Good morning. Can you hear me?

**Steven van Rijswijk – CEO ING:** Yes, very well.

**Giulia Miotto – Morgan Stanley:** Perfect. Okay. So, two questions from my side. I want to go back to the NII sensitivity question. It is the perception of investors that perhaps ING might be less sensitive with respect to peripheral European banks, because the mortgage book is mostly fixed. And if I look at what you disclosed in the annual report, I think there is EUR 60 million impact on 100 basis points move in one year, which is basically a negligible impact. But what we have seen through the years is clearly a much higher impact. So, it will be very helpful if you could give us any sort of sensitivity for either a parallel or a front-end move. That is my first question.
My second question is on fees. I totally understand the structural discussion around the retail fees but my question is on Wholesale Banking fees actually. EUR 322 million in the quarter is pretty high also by pre-Covid standards. Is that sustainable and what is driving that? Any colour that you can give us on Wholesale Banking fees? Thank you.

**Steven van Rijswijk – CEO ING:** Thanks very much, Giulia. You are correct. The Wholesale Banking fees were good this quarter and that was a result of more event-type driven fees also in Financial Markets and Corporate Finance. So in that sense, that was good. But if you look at the lending fees within that, because most of the fees that we make in Wholesale Banking are still from the syndicated loans and underwriting activity that we do, and that market is not completely back. It is typically still a take a hold market on a number of these elements. It will be helped by M&A, of course. If there is more M&A there is also more underwriting. But that is still to come. So yes, we benefited this quarter from some positive one-offs in terms of event-driven fees but we have not yet benefited from the syndicated loan market coming completely back. That is on Wholesale Banking.

**Tanate Phutrakul – CFO ING:** Giulia, as you know, in most of our markets, we do fixed-rate mortgage loans. But it does not mean that we keep that long-dated interest rate position. From a hedging perspective, as long as we originate the loans we start swapping the position down to the level of interest rate risk that we are comfortable with. If you want to see the sensitivity, you should look at the 3 to 5 to 7 year piece of the curve and also, as we mentioned before that if the short end of the curve, the 6 months, will start moving materially that really will be quite positive on ING's net interest income results.

**Giulia Miotto – Morgan Stanley:** Thank you and maybe just a follow up to this last point. In terms of your replicating portfolio can we assume that about two thirds of the deposit in terms of size or any more colour on that?

**Tanate Phutrakul – CFO ING:** We do not give that information but of our EUR 600 billion of liability a fairly significant part is Eurozone-based indeed.
Giulia Miotto – Morgan Stanley: Thank you.

- Kiri Vijayarajah – HSBC

Yes, good morning, everyone, a couple of questions. So firstly, on the Wholesale bank and the rapid lending growth you are seeing there. If you go back, you have been doing some de-risking there when you first became the CEO. So my question is really, how do we get comfortable you have not simply backtracked on your risk appetite in the Wholesale Bank and give us comfort you have not just gone back and restarted some of the old lending in Wholesale Banking?

And then the second question is more on the Retail side and the extra provisioning you are taking there. You planned higher inflation, higher interest rates, risk of falling property value and I just wondered what early warning signs are you seeing that were the trigger there? What are you seeing that maybe some of your peers are not seeing yet? And then, just reading between the lines, is it fair to say Turkey was a fairly minor element there? You do mention it in the slides, but you did not really mention it in your in your verbal commentary. So, I am just curious as to where Turkey fits in to the extra provisioning you have taken on the retail side this quarter? Thank you.

Steven van Rijswijk – CEO ING: Sorry, the last part was? We could not quite get that. Turkey and what else you said?

Kiri Vijayarajah – HSBC: When you flagged the extra provisioning triggered by debt servicing, higher inflation, higher interest rates, and also falling property values for the extra provisioning, a lot of your peers have not really been flagging that yet. Maybe you are ahead of the curve, but I wondered what early warning signs have been the trigger for you to actually take those extra provisions.
Steven van Rijswijk – CEO ING: Clear. Ljiljana will answer the questions on the provisioning and early warning signs or signals that we see. I will take the question on lending and Wholesale Banking and also respond to Turkey. I believe you asked Turkey as well. It was in a slide but not in the verbal comments.

If you look at the lending and Wholesale Banking. I used to work in Wholesale Banking, and then I was a CRO and I became the CEO. But I have not become yet schizophrenic, I hope, in a sense that we did change or tighten some of the policies over 2017. That had mainly to do with the more cyclical sectors in real estate finance and leveraged finance, because we saw then at least in leveraged finance some of the structures not being conducive to what we would like to do, which means the final takes or the underwriting standards in terms of the covenants. The same was going for some of the indicator levels, which is loan to value in terms of our real estate finance book. That is what we then tightened. We never changed that since. So if you look at growth in Wholesale Banking currently, we see it is fully in line with the policies that we have had since then, which is largely investing grade. In this quarter, also a bit of a pull forward due to TLTRO, short-term facilities also in trade, also supported by higher oil prices or higher commodity prices. That is what it is, so there has not been a change of tact in what we do in Wholesale Banking.

I will leave the risk costs to Ljiljana.

Ljiljana Čortan – CRO ING: Hi, Kiri. Yes. The early warning signs that you mentioned, let me please clarify that these are not related to the asset quality that we see in the fourth quarter. On the contrary. We do see the signs in all of the metrics of further strong and improving asset quality. The early warning signs that we talk about are more related to the forward-looking macro indicators that have been accelerated in the fourth quarter. Specifically with the outlook on inflation it is going to stay high for longer and definitely its impact and eventually amplification effect on other macro variables.
Let me give you a few of the numbers that have made us think of what could happen going forward. Clearly depending on the monetary response, is the fact that in December, as we know, the Eurozone inflation has peaked to the highest since the euro introduction. Not just that, but also the fourth quarter inflation year on year has almost doubled in some of our core markets compared to the third quarter, driven by the strong energy increase of the prices, and the horizon of the end is not yet there. Let’s not forget that in the last few years during the pandemic we have seen a double-digit growth in our overall markets with respect to the property valuations and we have seen quite a benign outlook and position of the household incomes. So, all of these coming together with what we see on the longer end of the curve, which is increasing interest rates and looking forward to today’s announcement as well of ECB and how they look into it, we are taking this prudent stance.

Let me just add that most of these provisions have been taken on the more vulnerable part of our portfolio, which is primarily Stage 3, having in mind that we expect eventual impact first to materialise on this weaker part of portfolio. So they are not taken systematically for the whole book.

Kiri Vijayarajah – HSBC: Very clear. Thank you.

- Farquhar Murray – Autonomous

Good morning, all. Just two questions if I may. Firstly on costs, you mentioned the impact of a risk profile reduction on regulatory costs in the quarter. Can I just ask if you could elaborate on the mechanics of that? And in particular, has that only really just kicked in for this final quarter or did it support the whole of the year?

Secondly, just coming back to the counter cyclical buffer, are you willing to elaborate on the assumptions you build into the target for that? And then just more generally, maybe even
philosophically, we can all mechanically just increase the counter cyclical buffer and it narrows the headroom to MDA but is the target exercise really so bottom-up mechanical and can we just take everything else as a given within that? I am asking this because obviously, if we do move to a landscape with much larger countercyclical buffers, does the domestic buffer of 2.5% really makes sense in that case, because it looks like it was built for a different environment? Thanks.

**Steven van Rijswijk – CEO ING:** You have to guide me a little bit on what exactly you mean with your question. But I think that the first question is related to the higher bank taxes that we saw in the fourth quarter in terms of DGS, or lower. But can you just repeat what the question exactly was?

**Farquhar Murray – Autonomous:** Sorry, that is my fault. It is actually the other component, obviously the higher incidental component, which I understand, but below that you seem to essentially have had a slight reduction on the rest of the regulatory costs. You seem to be attributing that to a risk profile reduction, which I think related to leverage and I am really just trying to understand what the timing and mechanics of that is. Sorry if it was not clear to start with.

**Tanate Phutrakul – CFO ING:** So just on the calculation of DGS. DGS calculates based on any banks given matrices of different dimensions, and one of the drivers of the contribution of DGS is the level of leverage ratio that you have, and given the improvement in the leverage ratio of ING our contribution to DGS came down.

**Farquhar Murray – Autonomous:** And did all of that just kick in in the fourth quarter?

**Tanate Phutrakul – CFO ING:** Principally, yes.

**Steven van Rijswijk – CEO ING:** And then on the countercyclical buffer, yes, in the end it is really a bottom-up exercise. What it comes down to is that these countries can include these countercyclical buffers or not. What we have done when we came to our levels of 12.5%, or
around 12.5%, because the changes the Netherlands made in the local SRB buffer, that was here for ING for a long time, they decreased that. But in return, there was an opportunity for the Dutch Central Bank to start levying a countercyclical buffer. So, in our buffers we take into account the possibility that some of the countercyclical buffers will materialise at some point and that is when we include it. So based on what we currently know, based on what has been introduced, we have currently no intent to change our guidance on our CET1 ratio.

Farquhar Murray – Autonomous: Okay. Thanks a lot.

• Tarik El Mejjad – Bank of America Merrill Lynch

Hi, good morning. Just to come back to please, on the question on the countercyclical buffer. I understand that you see compensation of the higher potential buffer in Netherlands through the lower domestic systemic buffer that you had in March 2020. But the question is really how valid the 2.5% is in the context where LTVs are lower since the last ten years, DGS is in place, the Single Resolution Fund is almost filled, you have a much higher RWAs on mortgages. So what is really your discussion with the DNB about this 2.5%? Because clearly, we are in different contexts and in a European context it sounds very elevated. When you think about still the ambition to take the CCYB to 2% in next three years are we are not in spirits where the DNB will be in a loop of stacking up capital for the Dutch Banks?

The second question is on costs. In your 10% - 12% ROE you mentioned in the bullet point that you are counting on termination or the filling of the Single Resolution Fund. What are your expectations of all that from 2024? Do you think it will fully stop the contribution, or it is only the contribution regarding the increase of the size of the fund? So what is your view in there?

Steven van Rijswijk – CEO ING: Thank you very much. When it comes to the 2.5% systemic risk buffer that we have here in the Netherlands, that is high compared to systemic risk buffers
other national competent authorities are levying. I have been advocating against that for quite
a long time already. These are based on the premise that banks who are systemic are systemic
for the country And the intent of the banking union with the three pillars was, which is having
an SSM, having one resolution agency, and having also one deposit guarantee system that
there was not so much dependency anymore on one country but there will be dependency on
Europe. In my view, we are currently doubling this. I understand and appreciate the prudency
but I think that this is not justified anymore in terms of where we are going. What was good is
that the percentage was changed in March 2020, as you rightly mentioned. But I still think from
a European context, this is not what it should be and it also goes against level playing fields.
field. That is my first remark. By the way, this is not a secret to the Dutch Central Bank; we
have quite open discussions about it.

It then comes back down to the second element, which is that the banking union should help
with that. One of the pillars is that European DGS funds. The contribution to that continues at
the current level into 2024 and then it will be tapering off. We do not think as yet that it will go
to zero completely, but it will go down as from that time onwards.

Does that answer your questions?

**Tarik El Mejjad – Bank of America Merrill Lynch:** Yes. Just following up very quickly on the
first one. But don’t you think the DNB is in the mindset of really locking up capital within the
Dutch Banks? I am sure they understand all the arguments you are putting forward and still
they take any opportunity to keep buffer. So it was clearly possible for them to decrease further
the systemic buffer and then compensate. So they have not done that. Does it make you more
cautious when it comes to capital return and run down the excess capital over time or not?

**Steven van Rijswijk – CEO ING:** There is another question. The answer is no. I cannot
comment on the future views of DNB. That is for the DNB. But I do not have particular concerns
in that regard and it is for sure not an element that we currently discuss when we talk about
the distribution plans. So the answer on that question is no.
Tarik El Mejjad – Bank of America Merrill Lynch: Thank you very much.

• Jon Peace – Credit Suisse

Thank you. So my first question, just following on from Tarik’s points, I think it would be quite helpful to manage our expectations. If you could give us a rough idea of how quickly you plan to get to your 12.5% targets? I know you have mentioned maybe a couple of times last year, the phrase ‘a couple of years’ but could you just maybe clarify whether you are still thinking two to three years rather than four to five years to return to a 12.5% target?

My second question is on the cost of risk. How much do you see that normalising in 2022 given you still have some overlays and given the underlying run-rate is still pretty good? Should we still expect it to be below or even well below the through-the-cycle rates? Is Q4 a good proxy for the potential cost of risk next year or would that be a little conservative given you took some extra provisioning? Thanks.

Steven van Rijswijk – CEO ING: Ljiljana will do the question on the cost of risk. Regarding how quickly we will get to 12.5%? We have said that we will do this in the next couple of years. I am not going to speculate what is the exact number of years it will be, but it is clear that if you look at our current levels of 15.9% we have, compared to 12.5%, we have EUR 10 billion of excess capital. We started last year with a share buyback based on the capital we already had reserved.

We told you that before the first quarter figures we will come with the conclusion of our current discussion with the ECB on paying further excess capital and we will then work step by step towards our 12.5% common equity Tier 1 in the next couple of years.

Ljiljana, is the fourth quarter any predictor of what it will be in 2022?

Ljiljana Čortan – CRO ING: Well, I would not take it as a proxy for 2022 provisioning. As we explained, we have taken specific management overlays this quarter and they are very specific
to a certain macro indicators that will in the end realise or not in 2022. What I believe is important is to look at the overall cost of risk for the year which are at 8 bps well below the through-the-cycle. We remain with our guidance going forward as well in line with through the cycle. So, in short the answer is no, we do not expect this to continue in the same trend and we were prudent for the reasons that we have mentioned before.

Jon Peace – Credit Suisse: Thank you.

• Jean-Francois Neuez – Goldman Sachs

Hi, there. I have two questions, please. One is on the net interest income, the pricing component. You noticed in one of your slides that there were strong volumes in Q4 and you noted that some of them were due to the ramp up towards TLTRO, I guess in anticipation of the cut-off date. I know it is early in the year, but are you noticing changes, now that the threshold has been passed in time? In competitive behaviour when it comes to front book pricing, in particular for non-financial corporates in the various markets, where you operate? I would expect that the comment you have made on EUR 300 million TLTRO is all else equal for the loss of income. But I also think that the TLTRO over time had its desired effect from a monetary perspective, which was to bring down cost of lending for companies. So I am just trying to understand whether that can reverse or partially reverse?

My second question is on the cost line. I wanted to understand when you say that the cost would be roughly flat or at least flat in 2022 whether you could give us some example of what you are doing to achieve this and to counter inflation, which is picking up. Essentially I am trying to understand how much more there is to go in the years that continue, or whether that those are actions which are point in time as opposed to structure.
Steven van Rijswijk – CEO ING: Thank you very much. In terms of loan volumes, there was some pull-forward of the loans in Wholesale banking making use of TLTRO. In the end, we still see that there is a lot of liquidity in the market and that is of course determining the price levels in that particular loan book. What we have seen, and like I said also in a presentation, is that we see a good pipeline. Again, I particularly pointed out that is the pipeline that we currently see. So that is also encouraging for our loan growth in 2022, which I said you should not extrapolate the fourth quarter in 2021. But we are still aiming for typically for 3% to 4% loan growth, which we are doing as well.

When there is more normalisation in economies, you see the economies that continue to grow also for the coming years. The outlook in that sense is good, despite the uncertainties that we all know. Of course, we have the whole transition ahead of us and it also means that the Europe companies need to make massive investments and elsewhere by the way to go through that transition. Also that will be a positive stimulus for demand. So in that sense we are optimistic, but not a particular impact currently on pricing.

On costs, first of all, in the end we focus on growing our customer experience. If we are increasing and improving our customer experience, we will get more primary clients, we will get more traffic and we will then also do more transactions and business with those clients. That is what we believe in, and that is what we are very successful in. In that, if you then can do it in a better, digitalised way that will both improve the customer experience as well as improve the operational experience, it will also impact our cost to serve. Therefore, in building that more personalised, smart and instant customer experience, digital is the key. You already see that over 50% of our retail customers are mobile only, and over 90% of our contacts are digital. So basically, we will pull also the digital lever and improve the customer experience by entering digitalisation and use scalable technology and operations to further improve our cost/income levels as part of the overall equation. So that is what we do structurally.

And then what we also do, and we have been doing it over the past one and a half years, and I see one of your fellow colleagues was asking about that, is reviewing our businesses. We will
continue to review businesses as always, to see if they in the long-term add sufficient scale, talking about retail and certain markets, or add sufficient individual deliverables also for other markets so we can make an applicable return in that regard. The return targets are clear. If that through-the-cycle is not the case, then we take our conclusions to deploy that capital elsewhere where we do have sufficient client business and skill in certain particular markets. Now, I will never run ahead of myself in announcing these things or what I will announce, but the first lever we pull is digitalisation, that is structural. The second, which is business reviews, is more one-off, depending on where we operate and how successful we are.

Jean Neuez – Goldman Sachs: Okay. So just to clarify and in other words, you are not combatting inflation by freezing investments or delaying things that you would otherwise have done that we could then have to pay back further than the years. Right?

Steven van Rijswijk – CEO ING: No, not at all. Because in the end, you always need to focus on continuously improving your client experience. That is the only way that you can compete long-term.

Jean Neuez – Goldman Sachs: Okay.

• Guillaume Tiberghien – Exane BNP Paribas

Thank you. Good morning. I have two question and sorry, two clarifications. So the two questions are, could you provide us the fees that you generated from international payments in 2019 and in 2021, because you highlight that as a source of growth. So I wanted to see what the base was and what it is now?

Secondly, could you give us a flavour about how your commercial real estate portfolio is developing in a changing world with people working less from the office and going less to shops?
Then the two clarifications. The first is the Belgian EUR 23 million NII transfer to other income. Does that represent a new normal, a new run-rate for NII? Or is it just a one-off movement? And we go back to previous level?

The second clarification is about the cost of risks. The question earlier was whether 22 basis points is a good reflection of what you would expect for 2022. I think the answer was it is not because we had some provisions that were one-off of nature. But your usual guidance is 25. So actually, the Q4 number is very close to that. So is the Q4 number actually a number we could annualise for 2022? Thank you.

**Steven van Rijswijk – CEO ING:** Thank you, I will answer a couple of questions and then Ljiljana is deliberating on the real estate portfolio.

So if you look at the level of fees from international payments in 2019 and 2020, we do not disclose it as such. If you look at our payment fees, they consist of two parts. The first part is the monthly package fees that people pay and secondly, depending on the type of package that you get, you also pay for transactions. Now on the second part, and it depends per package and it depends per country, the international payments are the lion share of the second element of daily banking fees, so not of the monthly packages as such, but on the transaction payments. Then international banking and international payment are very important, especially in the Netherlands and Belgium, which are largely debit-card driven markets. That is what I want to say on first one.

If you look at the minus EUR 23 million, that came from other income to interest income. That was a one-off. So you can ignore that going forward for the Benelux.

Then on cost of risk, if you look at the guidance and if you look at the real estate portfolio, I will give the floor to Ljiljana.

**Ljiljana Čortan – CRO ING:** Thank you Steven, and thank you, Guillaume. As we said, 25 bps is our through-the-cycle average, not necessarily for the year. We believe that what we have
done in the fourth quarter was a one-off to the management overlay. However, 25 bps should be looked at as a longer-term average and through the cycle. We remain confident on the quality of our book and the level of provisioning.

When it comes to the commercial real estate portfolio, it is important to say that over the years, we have kept growth in that area in order to manage the concentration risk. Specifically with Covid coming in place, we have revised some strategies as well in the office and retail space. However, in terms of the overall outstanding, they are very stable. They are approximately at EUR 49 billion and it has a quite low and even clearly decreasing LTV of approximately 48%. Also, with respect to the asset quality in that area, we are at a very low and lower than average NPL ratio of 1.2%. So, we do remain cautious, and we keep monitoring our portfolio.

**Guillaume Tiberghien – Exane BNP Paribas:** Thank you very much.

- **Anke Reingen – Royal Bank of Canada**

Thank you very much for taking my question. The first one is cost the risk as well. I want to understand the EUR 124 million management overlay related to residential mortgages. I understand Stage 2 and Stage 3 but I am trying to understand how EUR 124 million does not seem a large number if you are really concerned about customers' ability to pay and changing property valuations. So how much of a risk is there that number keeps on going up in the next quarter?

And then just on the capital return. You announced a special dividend and a new buyback program today. Is that basically not happening because the discussions are still ongoing? I saw that the buyback program is significantly slowed down so it is not completed. But at some point, it looked as if you were done today. So this is really just because the discussions are still ongoing.
Then there is the special dividend. Is that just a full-year event or would you potentially consider also a special dividend with half-year results with the half year or interim dividend? Thank you very much.

**Steven van Rijswijk – CEO ING:** Okay. First, we go to the EUR 124 million overlay. Ljiljana?

**Ljiljana Čortan – CRO ING:** Hi, Anke and yes, you correctly mentioned it does not seem large. That is also as I said, because we have not taken the overlay on the overall portfolio. We have with a combination of some deteriorating of the macro indicators taken that overlay predominantly on the significantly increased credit risks in the portfolio, meaning it is Stage 3 and somewhat Stage 2. That is why the amount is not as big as if it would be if we would be really looking at the overall mortgage portfolio. I hope this answer your question.

**Anke Reingen – Royal Bank of Canada:** Yes, but that then provide comfort? I guess if you review that over the overall portfolio and add the potential risk on higher rates and inflation should we then not expect more to come?

**Ljiljana Čortan – CRO ING:** Well, we do not see that risk for the whole portfolio, as you said, because underwriting principles and our originating LTVs are very low. So, the worry is not on the overall level. It is more on the combination of the credit repayment capabilities of the more worrying part of the portfolio or lower income part of the portfolio and a combination of developments on inflation and housing prices.

**Anke Reingen – Royal Bank of Canada:** Okay. Thank you.

**Steven van Rijswijk – CEO ING:** And Tanate on dividends?

**Tanate Phutrakul – CFO ING:** We have three touch points with respect to capital returns. The first is, we have a policy of having an interim dividend payment. That happens at the end of the Q2 results. We now have of course, the final year dividend that we just announced and in terms of the further capital returns, we have done the share buyback. We are still doing the
share buybacks to finish it and we have indicated to you that the discussion with the ECB is constructive. We will give you some messages on that by the end of the Q1 results.

Anke Reingen – Royal Bank of Canada: Okay. But the potential special dividend or extra dividend would be a full year consideration?

Tanate Phuttrakul – CFO ING: No. We have announced a cash dividend for the full year. Any further capital returns, if they are approved they may come in the form of cash or in the form of a share buyback. That is something to be decided later.

Anke Reingen – Royal Bank of Canada: Okay, thank you very much.

• Flora Bocahut – Jefferies

Good morning. I have two questions I wanted to ask you, more specifically on your Belgian business. First of all on the NII. Even if we adjust for the EUR 23 million reclassification this quarter in Belgian NII, we still have the NII down high-single digit versus Q3. That is despite loans that were roughly flat. So that implies actually that there has been quite a deterioration in Belgium this quarter. I just want to understand what happened there and if you could elaborate on this?

And then on Belgium, but this time on the cost side. If I look at the cost, the ex-regulatory costs, they were actually down 2% year-on-year in Q4 and that is despite inflation of this year, reaching very high levels in a country where core inflation gets passed directly to wage inflation. So, that is a strong performance. I just wanted to understand to what extent this is because you have managed to offset the wage inflation with savings elsewhere. Or is it just that there is a delay and we should expect actually the wage inflation to kick off more likely in Q1? Thank you.
Steven van Rijswijk – CEO ING: Thank you very, Flora. If you look at the NII reclassification in Belgium, which was EUR 23 million, and if you look at the production in Belgium, then you see actually positive lending margin in our new prediction compared to what we saw in the previous quarter. This is largely due to also a lower cost of funds. But also the price at the street has been going up. So the biggest impact that we currently see on our portfolio in Belgium has to do with a EUR 20 million reclassification and not with the pricing that we currently levy to the street.

And then we talk about Belgium costs are okay, but there is of course, wage inflation. Tanate?

Tanate Phutrakul – CFO ING: We have plans in Belgium with respect to what we call our Route 24, which is the digitisation and the efficiencies program in Belgium. That program is on track and despite the inflation that we see in terms of wages, we expect that through branch rationalisation and reductions in staff over the coming period, that we are able to offset that wage inflation in Belgium. But of course, the situation becomes somewhat more challenging with the expected wage bill in Belgium to be somewhat higher than what we planned in our budgetary process.

Flora Bocahut – Jefferies: Thank you.

- Robin van den Broek – Mediobanca

Good morning. First of all, on the buyback. It was my understanding that you have outsourced that. I do not know if you know the answer to this question but how come the pace of the buyback has slowed down materially since mid to end of December? What kind of liquidity do you think your shares offered to do buybacks in general? You mentioned EUR 10 billion of excess capital but how much can your liquidity absorb in a one-year window? That is the first question.
The second one is a bit more about the Netherlands. The timing of the CLA was quite fortunate before the inflation pickup started to happen. But do you think there is any risk of a catch up when this CLA and what you basically have to do left to catch up on the inflation we have seen in the intermediate period? Thank you.

Steven van Rijswijk – CEO ING: In terms of the slowdown or the buyback we did outsource it, and there is of course market abuse regulation. So that is not for us to interfere with, but it is not helpful. Let me put it this way.

Then the related question was on that EUR 10 billion excess capital and how much liquidity we can absorb. I am not sure I understand your question. If you talk about overall liquidity, of course, we have very strong liquidity. But I do not think that that is your question. Maybe it has to do with liquidity in shares. But there we have not really taken any decision as to the future on how we would distribute excess capital to or for shareholders. So in that sense, we still need to wait for the further announcement that we would intend to make, either at or before the first quarter figures.

But if you then would do EUR 10 billion all in shares – it is a very theoretical example – and you would not want to move the share price, then it will take us approximately up to two years to do that. But let me put it this way, it is quite unlikely that we will do a EUR 10 billion in share buyback. So the way that we distribute capital can be different and we said previously, it will be largely in cash and maybe depending on the share price partially by means of capital distribution.

Is there a risk of catch-up inflation when the CLA in the Netherlands ends? Well, since the 1980s of the last century, many European countries decoupled inflation growth with CLA growth. By the way that is not completely the case in Belgium, as was stipulated in the previous questions. So in Belgium, that is different. What you do see is a bit increasing pressure given the high level of inflation at the end of the last year and early this year, to couple that a bit more. So there is inflationary risk in that regard, not only in the Netherlands, but also in
countries outside of the Eurozone, where inflation rates are a lot higher. But it also comes with higher growth and increasing also comes with higher interest rates. So, you need to look at it in conjunction, but from what we see now for 2022 we should be able to absorb CLA and inflation levels in our cost and keep them flat or lower. Thank you.

Robin van den Broek – Mediobanca: Thank you.

- Raul Sinha – JP Morgan

Good morning. Thanks for much for taking my question. I have got two, please. The first one is just on the RWA-efficiency of new lending. 2021 was quite a good year for you. Loans were up almost 5% and RWAs were only up 3%. I think that was also the case in Q4, where your RWAs actually went down on the credit side. Should we expect some of this to reverse next year as you do 3% to 4% loan growth? Or do you think you can still maintain this gap between loan growth and RWA growth?

My second question is on the structure of ING savings. Since you have taken over there have been quite a few market exits. You have obviously taken a few decisions around what used to be that Maggie program. You talked about the nose of the cost plane heading downwards. Are you done with market exits or do you think there is still more to go in terms of reshaping the profile of ING? I see you are guiding to broadly flat cost for 2022 and inflation obviously different, are you sort of no longer thinking about getting the nose of the plane down more medium term in terms of costs? Thank you.

Steven van Rijswijk – CEO ING: Thank you very much and thank you also for referring to the nose of the plane. Talking first about RWA efficiency lending. If you look at the loan growth versus RWA in 2021, you are correct that from an RWA perspective that was quite efficient loan growth, which also had to do with that most of the loan growth was in mortgages and in
investment grades shorter term corporate facilities or trade facilities in Wholesale Banking. Typically for those segments the RWA density is low. That may not necessarily continue. We see markets improving, economies growing and supply chains getting less and less disrupted. There will also be growth in things like project finance or sustainable finance especially, for which many companies need to make many investments as well. That could then also increase the risk weights on certain of these financings because also there are different segments. What you should not forget is that, regardless in which sectors it takes place, we will continue to price the deal against the return and the return is partially dependent on the revenues or costs, but also the risk rates and the capital that we have to put against it. So that we will always take in a mix.

Clearly, we continue to work on the efficiency of our capital as you have seen that despite the regulatory increases on our models under Basel IV, we have been able to keep this quite well under control. So, we are working on our capital efficiency as much as we can. The third lever that we pull, of course, is capital velocity: can we also underwrite and then sell things to the market so that we can optimally use our capital? So that is one.

Then, you look at the actions of the market and again, I would like to reiterate, we are not just exiting for the sake of exiting. In Retail, the belief that has not changed is that we want to create a differentiating customer experience by having a superior digital offering. And we are good at it and we will keep working on it. A part of the benefit of being so digital is that you can also scale that more and that you will also be able to influence your cost/income with that. So we focus on cost/income.

The second element that we believe in is that we need to have local scale in Retail, not necessarily in Wholesale but in Retail. If the scale is sufficient, and you can see that in some of the markets you make through-the-cycle adequate returns, you continue to invest, to grow and broaden the customer franchise, and broaden also the offering that we make in Retail customer franchise. In some markets – but again, it is not a goal, it is an input to the goal –
that has not been the case and then you choose to redirect your capital and your investments to markets where you do make the applicable return.

Now in that total mix, like I said to one of the previous colleagues, decisions or footprint decisions are more erratic and more one-off, but we will continue to work on improving our customer experience by end-to-end digitalisation and by our scalable technology and operations platforms, and that is going to help us to keep the costs under control. And what I said for 2022 is that we at least want to keep the nose of the plane flat, despite all the CLA and inflationary pressures.


- Stefan Nedialkov – Citigroup

Hi, it is me again. I just have a couple of quick follow-ups. Sorry for coming back. Number one, could you please tell us a bit about your ECB discussions, as much as you can, obviously? As far as I know, there is no official limit on the buyback or any capital distribution really in terms of pay-out ratio. So you could theoretically return 100%. But in reality, you are discussing your capital return levels with the ECB. Is there a soft ceiling that you are noticing in your discussions with ECB? Or is there much more of a push by the regulator to limit overall distribution ordinary, special dividends and buybacks at 100%? So hard versus soft or none at all? Those would be my three options here.

The second question is on fees. One thing I do not fully understand in your Wholesale lending business is that new production was really strong, around EUR 6 billion, which was close to half of your overall net production. So really, really good. But when I look at fees, they were actually down sequentially and quite a bit below where I would have expected them to be. I am
assuming most fees within Wholesale lending are lending-related fees. New lending volumes are up significantly, why are fees not tracking that? Thanks so much.

**Steven van Rijsijk – CEO ING:** Thank you, Stefan. I will answer the question on fees and Wholesale banking and then at Tanate will give you his views on the ECB discussions.

When we talk about fees in lending, it is a good observation that you make. Because indeed, you would expect if we made good lending growth – and we did make good lending growth – we would also see the fees going up. That did not take place, because many of the lendings were focused on short term financial markets, short term investment rates, short term trades, and then a number of TLTRO facilities. So these are not the typical big underwriting loans that you can syndicate out to the market. That is where you make the fees. These are more one-to-one relationships that we have with our clients and we benefit from these good relationships. That is also a benefit of having these long-term relationships, that you can call on each other to help each other. But it also means that when the market is now increasing on short-term trade that we could readily see, or short-term working capital that these companies greatly want, that these are not so much syndicated facilities, but much more one-on-one facilities and therefore, there are no syndication fees. However, I do expect that if the economies return the growth path that we currently see, that also the syndication market will then return and it can then have a benefit on our fees in lending.

**Tanate Phutarakul – CFO ING:** Let me just give you a bit of colour on capital returns and capital management. It seems a long time ago but when we were looking at November-December, we really did not know how the whole Omicron-situation would turn out. Things have turned out well, but things could have turned out quite differently as well. So that is part of our capital management prudence. But having said that, our discussion with ECB, as we mentioned, is constructive. They do recognise that for us to converge on 12.5% that would mean more than 100% in capital return per annum to make that number. So that is well informed by us to the ECB. As we mentioned, these discussions are ongoing and we will give you an answer before the end of Q1 this year results time.
Stefan Nedialkov – Citigroup: that is very clear. Thank you.

Steven van Rijswijk – CEO ING: As there are no more questions, thanks very much and thank you very much for your time. I am sure that we will speak again in three months' time. Have a great day!

End of call
Volatile items 4Q2021

<table>
<thead>
<tr>
<th>Volatile items and regulatory costs (in € mln)</th>
<th>4Q2020</th>
<th>1Q2021</th>
<th>2Q2021</th>
<th>3Q2021</th>
<th>4Q2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>W&amp;FM – valuation adjustments</td>
<td>-15</td>
<td>11</td>
<td>11</td>
<td>58</td>
<td>3</td>
</tr>
<tr>
<td>Capital gains/losses</td>
<td>5</td>
<td>26</td>
<td>-2</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Hodge ineffectiveness</td>
<td>-50</td>
<td>23</td>
<td>11</td>
<td>7</td>
<td>-24</td>
</tr>
<tr>
<td>Other items income*</td>
<td>0</td>
<td>233</td>
<td>215</td>
<td>50</td>
<td>92</td>
</tr>
<tr>
<td>Total volatile items – income</td>
<td>-69</td>
<td>303</td>
<td>175</td>
<td>101</td>
<td>76</td>
</tr>
<tr>
<td>Incidental items – expenses**</td>
<td>-223</td>
<td>-94</td>
<td>-39</td>
<td>-233</td>
<td>-166</td>
</tr>
<tr>
<td>Total volatile items</td>
<td>-292</td>
<td>219</td>
<td>136</td>
<td>-132</td>
<td>-90</td>
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<tr>
<td>Regulatory costs</td>
<td>-551</td>
<td>-587</td>
<td>-172</td>
<td>-121</td>
<td>-585</td>
</tr>
</tbody>
</table>

* Other items income in 4Q2021 consists of €215 mln. 11T RD/MD benefits; 1Q2021 consists of €100 mln 11T RD/MD benefits and a €97 mln reversal due to a better than expected recovery of the losses arising from the insolvency of CBR Financial Institutions in the Netherlands. 2Q2021 consists of €95 mln 11T RD/MD benefits and a €74 mln reversal following the agreement to transfer ING’s retail banking activities in Austria to Boenning. 3Q2021 consists of €99 mln 11T RD/MD benefits and an €88 mln reversal of the estimated loss on the transfer of ING’s retail banking activities in Austria to Boenning.
** Incidental items expenses in 4Q2021 consists of €223 mln of incidental costs due to restructuring provisions and impairments; as well as an additional €133 mln charges in the Netherlands: 1Q2021 consists of €49 mln of restructuring and restructuring costs following the announced restructuring of the branch network and the retail advice organization in the Netherlands; and the announcement to close the Czech retail market; 2Q2021 consists of €23 mln of restructuring provisions and impairments; 3Q2021 consists of €195 mln provision for compensation of customers on certain Dutch consumer credit products; €74 mln impairment on supervisory and of €7 mln of restructuring costs in the US Netherlands; 4Q2021 consists of €851 mln of restructuring provisions and impairments in ING UK/US; primarily related to the announcement to close the French retail market; and €101 mln of restructuring and restructuring costs in the Netherlands.

Challengers & Growth Markets FY2021*

<table>
<thead>
<tr>
<th>Germany**</th>
<th>Total income: 2,568 mln</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mortgages: 85.0 bln</td>
</tr>
<tr>
<td></td>
<td>Other lending: 41.7 bln</td>
</tr>
<tr>
<td></td>
<td>Deposits: 135.9 bln</td>
</tr>
<tr>
<td></td>
<td>RWA: 44.9 bln</td>
</tr>
<tr>
<td>Spain</td>
<td>Total income: 776 mln</td>
</tr>
<tr>
<td></td>
<td>Mortgages: 21.0 bln</td>
</tr>
<tr>
<td></td>
<td>Other lending: 8.0 bln</td>
</tr>
<tr>
<td></td>
<td>Deposits: 40.7 bln</td>
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<tr>
<td></td>
<td>RWA: 12.0 bln</td>
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<tr>
<td>Australia</td>
<td>Total income: 771 mln</td>
</tr>
<tr>
<td></td>
<td>Mortgages: 14.6 bln</td>
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<tr>
<td></td>
<td>Other lending: 8.6 bln</td>
</tr>
<tr>
<td></td>
<td>Deposits: 30.9 bln</td>
</tr>
<tr>
<td></td>
<td>RWA: 8.5 bln</td>
</tr>
<tr>
<td>Italy</td>
<td>Total income: 335 mln</td>
</tr>
<tr>
<td></td>
<td>Mortgages: 7.3 bln</td>
</tr>
<tr>
<td></td>
<td>Other lending: 5.2 bln</td>
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<tr>
<td></td>
<td>Deposits: 14.1 bln</td>
</tr>
<tr>
<td></td>
<td>RWA: 6.9 bln</td>
</tr>
<tr>
<td>Poland</td>
<td>Total income: 1,478 mln</td>
</tr>
<tr>
<td></td>
<td>Mortgages: 12.4 bln</td>
</tr>
<tr>
<td></td>
<td>Other lending: 19.2 bln</td>
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<tr>
<td></td>
<td>Deposits: 36.8 bln</td>
</tr>
<tr>
<td></td>
<td>RWA: 21.5 bln</td>
</tr>
<tr>
<td>Romania</td>
<td>Total income: 477 mln</td>
</tr>
<tr>
<td></td>
<td>Mortgages: 2.6 bln</td>
</tr>
<tr>
<td></td>
<td>Other lending: 4.3 bln</td>
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<tr>
<td></td>
<td>Deposits: 10.3 bln</td>
</tr>
<tr>
<td></td>
<td>RWA: 5.0 bln</td>
</tr>
<tr>
<td>Turkey</td>
<td>Total income: 266 mln</td>
</tr>
<tr>
<td></td>
<td>Mortgages: 0.2 bln</td>
</tr>
<tr>
<td></td>
<td>Other lending: 5.3 bln</td>
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<tr>
<td></td>
<td>Deposits: 5.6 bln</td>
</tr>
<tr>
<td></td>
<td>RWA: 4.7 bln</td>
</tr>
<tr>
<td>Philippines</td>
<td>Total income: 5 mln</td>
</tr>
<tr>
<td></td>
<td>Mortgages: n.a.</td>
</tr>
<tr>
<td></td>
<td>Other lending: 0.2 bln</td>
</tr>
<tr>
<td></td>
<td>Deposits: 0.3 bln</td>
</tr>
<tr>
<td></td>
<td>RWA: 0.5 bln</td>
</tr>
</tbody>
</table>

Note: France is not shown given the announcement to leave the French retail banking market.
* TotalBank; mult per country Retail and Wholesale combined based on branch office, amount €, Mortgages and Other lending based on customer lending
** Including NIS Avanti

ING 4Q 2021 ANALYST MEETING 54
Well-diversified lending credit outstandings by activity

*ING has a well-diversified and well-collateralised loan book with a strong focus on own-originated mortgages and senior loans.

Our lending book is senior and well-collateralised

- Average LTV of 57% with low Stage 3 ratio at 1.1%
- Risk metrics remained strong

- Limited exposure to most vulnerable sectors:
  - Agriculture: €5.1 bln (4.6% of loan book), Stage 3 ratio at 5.0%
  - Non-food Retail: €5.2 bln (0.6% of loan book), Stage 3 ratio at 3.7%
  - Hospitality + Leisure: €3.7 bln (0.5% of loan book), Stage 3 ratio at 6.0%

- Limited exposure to most vulnerable sectors:
  - Leveraged Finance: €7.2 bln (capped at €10.1 bln), well-diversified over sectors
  - Oil & Gas: €16.6 bln of which €3.0 bln with direct exposure to oil price risk (0.4% of loan book), Reserve Based Lending (€2.0 bln) and Offshore business (€8.1 bln), Stage 3 at 5.7%
  - Aviation: €4.2 bln (0.5% of loan book), Stage 3 at 1.9%
  - Hospitality + Leisure: €1.6 bln (0.2% of loan book), Stage 3 at 8.5%

Other includes €18.8 bln of own-risked Treasury lending and €31 bln of Other Retail Lending.
**Provisioning per Stage**

- **Stage 1 provisioning (in € mn)**
  - 4Q 2020: 125, 102, 101, 76
  - 1Q 2021: 85, 65, 40, 15

- **Stage 2 provisioning (in € mn)**
  - 4Q 2020: 85, 65, 40, 15
  - 1Q 2021: 85, 65, 40, 15

- **Stage 3 provisioning (in € mn)**
  - 4Q 2020: 125, 102, 101, 75
  - 1Q 2021: 85, 65, 40, 15

- **Main drivers 4Q 2021**
  - Partial release of management overlays applied in previous quarters relating to payment holidays and sector-based overlays

- **Main drivers 1Q 2021**
  - Partial release of management overlays applied in previous quarters relating to payment holidays and sector-based overlays

**Wholesale Banking lending**

- **Loan portfolio is well diversified across geographies...**
  - Lending Credit 0.5% Wholesale Banking
    - NL: 23%
    - Belgium: 11%
    - Germany: 10%
    - Other: 2%
  - Other: 2%

- **Loan portfolio is well diversified across sectors...**
  - Lending Credit 0.5% Wholesale Banking
    - Retail, Infra & Construction: 23%
    - Real Estate: 15%
    - TMT & Healthcare: 10%
    - Transportation & Logistics: 10%
    - Other: 5%

**Exposure to selected geographies**

- Lending Credit 0.5% Russia, Ukraine and Turkey
  - Exposure to Russia, Ukraine and Turkey
    - Mainly projects and asset-based finance to exporters, typically in USD
  - Stage 3 ratio close to 0%
  - Stage 1 ratio 0%
  - Stage 2 ratio 0%
  - Stage 1 ratio 0.1%
  - Stage 2 ratio 0.2% and intra-group funding €0.5 bln