

1Q2022 ANALYST meeting Transcript
6 May 2022



Steven van Rijswijk, CEO of ING
6 May 2022





1Q2022 ANALYST meeting Transcript

6 May 2022

Operator: Good morning, this is Patricia Krooshof-Naughten welcoming you to ING's first quarter 2022 conference call.

Before handing this conference call over to Steven van Rijswijk, CEO 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 statements. A discussion of factors that may cause actual results to differ from those in any forward-looking statements is contained in our public filings, including our most recent Annual Report on Form 20-F 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 a solicitation of an offer to buy any securities.

Good morning Steven, over to you.

Steven van Rijswijk – CEO ING: Thank you very much, operator. Good morning, and welcome to our first quarter 2022 results call. I hope you are all well. I am joined by our CFO, Tanate Phutrakul and our CRO, Ljiljana Čortan. I am pleased to take you through today's presentation. After that, we will take your questions.

1Q2022 ANALYST meeting Transcript

6 May 2022

Key points

- Pre-provision profit was strong, supported by resilient NII, with the pressure on liability income turning into a tailwind, strong fees and lower expenses
- We continue our support for the green transition, as evidenced by growth of our renewable energy financing and an increasing number of clients supported in their transitions
- Digital capabilities were added in our strive to offer a superior customer experience
- Loan growth in Retail was €5.6 bln, mainly driven by mortgages, while in Wholesale Banking loan growth was €-5.2 bln, including repayments of short-term facilities in Financial Markets. Net core deposits growth was €-0.7 bln
- Strong fee growth continued with 9.3% growth YoY, supported by our actions on daily banking in Retail and syndicated deal activity in WB, while investment product fees remained at a consistent high level
- Our cost focus continued with lower expenses in 1Q2022, despite salary increases driven by CLAs and indexation
- Elevated risk costs at €987 mln, or 62 bps of average customer lending. This was mainly driven by Stage 2 provisioning for Russia-related exposure, which we have reduced over the past months. Stage 3 provisioning was limited with a lower Stage 3 ratio at 1.4%. We are confident on the quality of our loan book and will continue to manage this in line with our proven risk management framework
- 1Q2022 CET1 ratio decreased to 14.9%, driven by higher RWA including higher risk weights, as we downgraded ratings of Russia-related exposure and the announced risk-weight floor on Dutch mortgages. We will pay a final cash dividend of €0.41 per share and make a €1.25 bln additional distribution

2

For the first time in two years, I start this presentation by saying that from a Covid-perspective circumstances seem to be normalizing, which is positive. However challenges remain, with the invasion of Ukraine, which is adversely affecting people, including our colleagues, as well as already high energy prices and disrupted supply chains.

Under these circumstances, we help colleagues to safely relocate and manage the risk of our Russia-related exposure. At the same time, we focus on our strategic priorities by financing the green transition and improving our digital channels. And we continue to deliver value.

This was reflected in a higher pre-provision profit, driven by resilient NII, higher fees and lower costs, as well as a healthy return for our shareholders with a final cash dividend of 41 cents and a EUR 1.25 billion additional distribution announced today.

On NII, after years of countering liability pressure, with the current yield curve we have reached the point that this pressure is turning into a tailwind.

1Q2022 ANALYST meeting Transcript

6 May 2022

Mortgage loans continued to grow while in Wholesale banking we saw repayments of short-term TLTRO facilities.

On fees, we record a strong 9% year-on-year growth, mainly visibly in daily banking and lending. Investment products remain at a high level.

Costs were lower, both year-on-year and quarter-on-quarter, despite inflation.

Risk costs were elevated at EUR 987 million, mainly in Stage 2 and driven by actions we took in our Russian portfolio, comprising 84% of risk costs. We have reduced that exposure over the past two months by almost EUR 1 billion. The Stage 3 ratio was lower at EUR 1.4% and we remain confident on the quality of our loan book.

The CET1 ratio declined to 14.9%, mainly driven by RWA growth primarily for Russia-related exposure and Dutch mortgages.

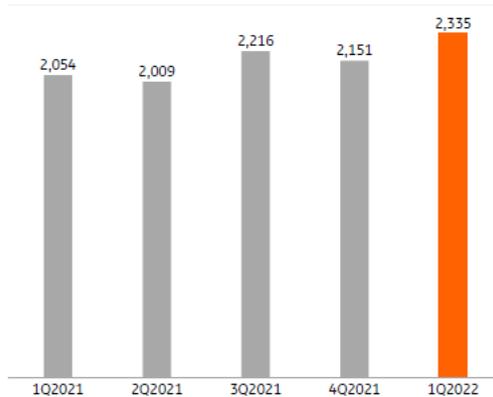
Before we go to the quarter's figures, I will spend some time on our pre-provision profit and highlight our efforts to finance the green transition and to improve our mobile channel.

1Q2022 ANALYST meeting Transcript

6 May 2022

Strong pre-provision profit

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



- 1Q2022 pre-provision result excluding volatile items and regulatory costs increased both YoY and QoQ
- NII (excl. TLTRO III) was resilient, reflecting also the effect of rising interest rates
 - With an improving yield curve, the pressure on liability NII is turning into a tailwind
 - Where applicable, negative interest rate charging remained in place in eurozone countries, while in non-eurozone countries we benefited from rising central bank rates
 - Non-liability NII was affected as client rates generally track funding costs with a delay, while higher rates reduce the level of prepayment penalty income on mortgages
- The share of fee income increased to ~20%. We consider this higher fee level mostly structural, with room for further growth in line with our 5-10% growth ambition
- Good cost control, with cost savings absorbing increases related to CLAs and inflation
- Volatile items this quarter included a €150 mln impairment on TTB**

* As included in volatile items on slide 18
 ** TMBThanachart Bank (associated company 23% owned by ING)

3

Our preprovision profit was up 14% year-on-year and 9% quarter-on-quarter.

A strong start of 2022 and I am particularly happy that all key P&L lines contributed.

NII, excluding TLTRO, was up on both comparable quarters, which is a meaningful signal in the context of the liability pressure of the past years. With the yield curve normalizing, we can reinvest our replicating portfolio at more positive yields. And as we always said, the effect will come in over time. However, over 2021, we had approximately EUR 600 million drag from negative rates, that drag has now nearly disappeared. Excluding TLTRO, we expect NII to be up in 2022. At the same time, the ECB has not yet increased rates, so for now negative interest rate charging remains in place, with a current contribution of EUR 300 million for the full year.

With inflation higher for longer, the ECB looks set to start normalizing monetary policy in the summer. The timing is difficult to predict, but we expect the ECB to have ended net asset purchases and negative deposit rates before year-end.

1Q2022 ANALYST meeting Transcript**6 May 2022**

In non-Eurozone countries Central Bank rates have already gone up, most notably in Poland, and we again see the benefit of geographical diversification.

The fast increase of rates impacted lending margins this quarter, as client rates generally track higher funding rates with some delay. Also with low rates, NII was supported by a high level of prepayment penalty income, which tend to return to more normal levels when interest rates go up.

Going forward, the yield curve development will be supportive of NII growth.

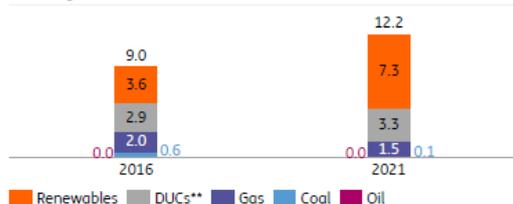
On fees, we had a strong 9% growth year-on-year, and also on the current higher fee level we maintain our ambition of 5%-10% annual growth.

Operating costs were 2% lower year-on-year and 4% lower quarter-on-quarter despite inflationary pressure, which was mainly visible in salaries in some countries. Although higher inflation seems to continue, we maintain our commitment to keep cost at least flat this year.

Financing the green transition

- We see the green transition as both a necessity and a growth opportunity, as also reflected in our financing of renewable power generation*
- Our renewables book doubled since 2016 to €7.3 bln in 2021, to 60% of our total power generation book
- To further support the shift to renewables, we aim to grow annual new financing of renewable energy with 50% by 2025
- We further commit to not finance new oil & gas fields
- In support of the green transition in Retail Banking, we have introduced a green residential mortgage in the Netherlands
- In Wholesale Banking we supported an increasing number of clients in their transition to a low carbon business model, with 77 sustainability deals in 1Q2022
- This included the first sustainability-linked bond deal for Vodafone Ziggo, while two previous ING deals have won awards at the Environmental Finance Awards

Power generation book (in € bln)



* From renewable energy sources, including wind and solar
** Diversified Utility Company

-  €2.1 bln debut sustainability-linked bond for Vodafone Ziggo
-  Sustainability-linked loan of the year \$3.25 bln deal with CEMEX
-  Asset-backed/based green bond of the year \$1.35 bln deal with Aligned

4

One of our strategic priorities is to finance the transition to a low carbon society and additional steps taken are shown on slide 4. This transition is a necessity and for us it is also a business opportunity.

Regarding power generation, we have been focusing on the transition since 2015 when we shifted away from fossil fuels and towards renewable energy. Our efforts are visible in the growth of that portfolio, doubling over the past five years, while fossil fuels almost halved. Going forward, we aim for faster growth of new renewable energy loans to a 50% higher level by 2025. At the same time, we will not finance new dedicated oil and gas fields.

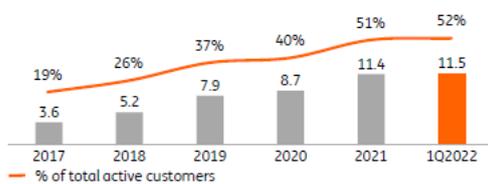
Also in Retail, we have taken steps to help customers become greener with the launch of a green mortgage in the Netherlands. I am proud that our expertise is recognized. By our clients such as VodafoneZiggo, whom we supported in their sustainability-linked bond. And also by external organizations, with two green transactions receiving awards in their respective categories.

1Q2022 ANALYST meeting Transcript

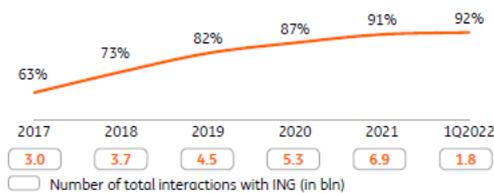
6 May 2022

We further improved our most used and efficient channel

Mobile-only active customers (in mln)*



% mobile in interactions with ING



* Definition: Retail customers who used the mobile channel at least once in the last quarter

- To further improve our customer experience and drive value, we introduced several new digital propositions in 1Q2022
 - In Spain, instant lending was launched for new clients, with pricing and risk profile based on analysis of the applicant's data
 - In Belgium, we launched Self Invest via mobile, expanding online trading possibilities for our customers
 - In Poland, we introduced our own 'point of sale' app which turns a smartphone into a mobile card terminal
- Our focus on customer experience is recognised
 - In Germany, we were named 'most preferred bank' and 'online broker of the year' in a survey by Euro magazine
 - In Poland, we were named 'Institution of the Year' by *mojebankowanie.pl*, as well as 'Best Bank in Poland', 'Best Mobile App', 'Best Online Banking' and 'Best Mortgage Service'

Net promoter scores (NPS)

#1 in 6 out of 11 retail countries

On slide 5 we focus on another strategic priority, which is our digital journey. The importance of the mobile channel continues to increase. This is positive as expanding our mobile offering both improves customer experience and reduces cost-to-serve. This slide demonstrates our approach to digitalization with a focus on more incremental projects with higher execution certainty rather than large multi-year projects.

The examples show expanded digital capabilities for our customers, which help the top line as our customers take up more services. At the same time, we invest in digitalizing processes, to both improve efficiency and customer experience, by a higher first-time right and shorter time time-to-yes.

As a proven example, two quarters ago, I mentioned digitalizing the Dutch mortgage process where we reduce our time-to-yes. And as the process became more efficient, it also allows us to handle higher volumes when needed.

1Q2022 ANALYST meeting Transcript

6 May 2022

A similar story we have in our investment offering in Germany starting some years ago, when we launched a fully digital process to open investment accounts. This resulted in continued high growth, with the number of new investment accounts opened in the first quarter at 121,000, of which one third of the customers are new to ING.

I am happy we also received recognition from our customers with good NPS scores and this quarter being named Best, or Preferred, Bank in Germany and Poland.

As part of our digitalization strategy, we selected 60 main processes for which we will maximize the end-to-end digitalization. We will elaborate on this on during our Investor Day on June 13. We hope you will join in person, here in Amsterdam, or otherwise virtually.

1Q2022 results

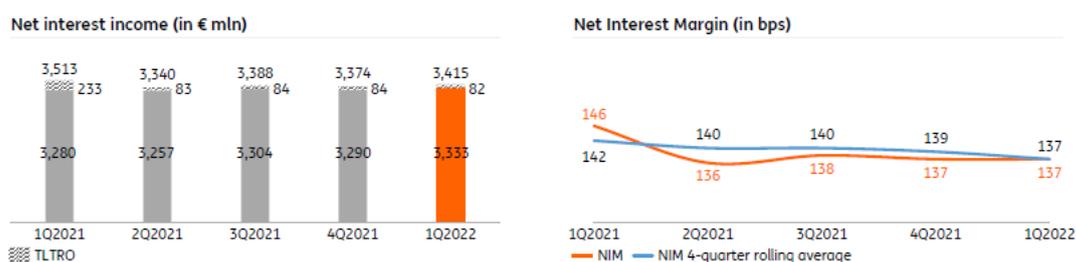
6

And let me now take you through our first quarter results, starting on slide 7.

1Q2022 ANALYST meeting Transcript

6 May 2022

Resilient NII; 4-quarter rolling average NIM at 137 bps



- NII was supported by a €82 mln TLTRO III benefit. Excluding this benefit, NII YoY benefited from higher results in Treasury and Financial Markets, as well as higher average lending volumes. Some pressure on lending margins was visible due to rising interest rates, as client rates generally track higher funding costs with a delay
- Sequentially, NII excluding the TLTRO III benefit, was supported by higher liability margins in a rising interest rate environment and higher results in Treasury and Financial Markets, while prepayment penalty income on mortgages was at a lower (more normalised) level. In addition, 4Q2021 included a €-23 mln reclassification from other income
- 1Q2022 NIM was stable compared with 4Q2021 at 137 bps, as higher NII was offset by a higher average balance sheet

7

Year-on-year NII, excluding TLTRO benefit, was up 1.6%, benefiting from higher results in Treasury and Financial Markets, and higher lending volumes. We saw some pressure on lending margins, reflecting a delay in tracking higher funding rates.

NII went up 1.3% quarter-on-quarter, again supported by Treasury and Financial Markets, while we saw pressure on liability starting to turn into a tailwind, partly offset by a lower level of prepayment penalty income on mortgages.

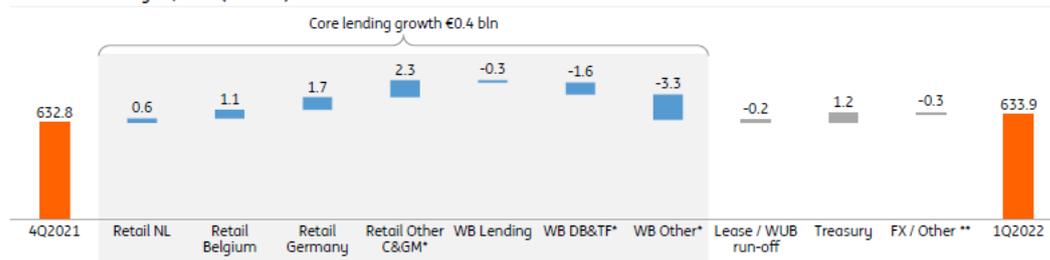
Our net interest margin was stable at 137 basis points, as the higher NII was offset by a higher average balance sheet.

1Q2022 ANALYST meeting Transcript

6 May 2022

Sustained mortgage growth in Retail, repayment of short-term facilities in WB

Customer lending 1Q2022 (in € bln)



- Net core lending growth was €0.4 bln in 1Q2022
 - Retail Banking was €5.6 bln higher. Mortgages grew by €3.8 bln, due to sustained growth in most countries (primarily in Germany, Australia and Spain), whereas other retail lending increased by €1.8 bln, primarily in business lending in Belgium and Poland
 - Wholesale Banking declined by €5.2 bln, mainly in Financial Markets, reflecting repayments of short-term facilities
- Net core deposits growth was €-0.7 bln, primarily driven by lower deposits in Germany, following the introduction of negative interest rate charging

* C&GM is Challengers & Growth Markets; DB&TF is Daily Banking & Trade Finance; WB Other includes Financial Markets
 ** FX impact was €3.2 bln and Other €-3.5 bln

8

Slide 8 shows net core lending growth.

In Retail, mortgages were again the primary driver of growth, with also some growth in business lending. Mortgage lending demand was strong in Germany, but also in Australia and Spain.

In Wholesale Banking, loan growth was affected by repayments on TLTRO eligible deals, mainly on short-term facilities in Financial Markets. When we look at the pipeline, we see signs demand is there, so we're positive on loan growth in Wholesale Banking. However, given a higher level of macroeconomic uncertainty, for 2022 we expect this to be below our 3% to 4% growth ambition.

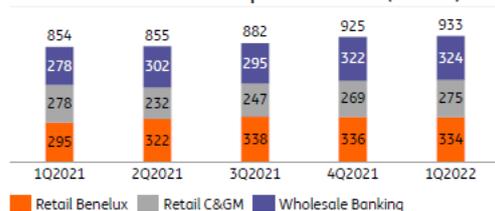
Net customer deposit growth was minus EUR 700 million. In Retail, it came down by EUR 7 billion, mainly due to an outflow in Germany following the introduction of negative rates per November 21. Wholesale Banking recorded a seasonal inflow of EUR 6.3 billion.

1Q2022 ANALYST meeting Transcript

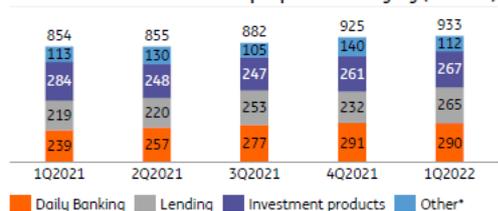
6 May 2022

Fee income growth continued

Net fee & commission income per business line (in € mln)



Net fee & commission income per product category (in € mln)



- Compared to 1Q2021, overall fee growth was 9.3%
 - In Retail Banking, fee growth was 6.3%. This was mainly driven by daily banking, reflecting increased fees on payment packages. Fees from investment products declined compared with the record-high level in 1Q2021, driven by a higher number of brokerage trades
 - Fees in Wholesale Banking were up 16.5%, driven by higher fees in Lending, TCF and PCM
- Sequentially, fees increased 0.9% on a strong 4Q2021. In Retail Banking, fees slightly increased, mainly from investment products. In Wholesale Banking, higher Lending fees were largely offset by lower fees in Financial Markets and lower activity in Corporate Finance

* Other includes insurance products and Financial Markets

Then turning to fees on page 9.

Year-on-year, fee income grew by 9% with growth in both Retail and Wholesale. Retail fees were up 6% with an impressive 26% increase in daily banking fees. This reflected growth in primary customers, the increase in payment package fees and a recovery of the level of domestic payment transactions back to pre-Covid levels, while international payment transactions still have room to grow.

In investment products fees were lower, although still at a consistent high level as the year ago quarter was a record quarter in terms of brokerage rates.

In Wholesale Banking, fees were 17% higher, with lending as the main driver, reflecting a higher number of syndication deals.

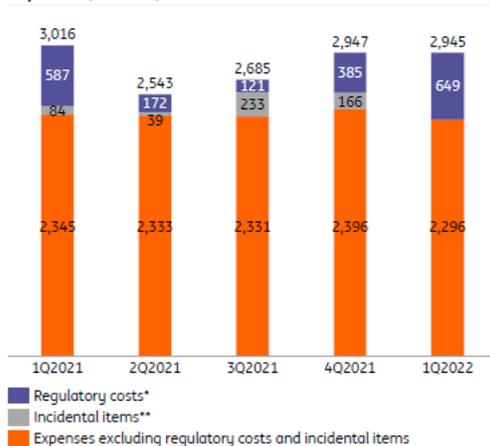
1Q2022 ANALYST meeting Transcript

6 May 2022

Sequentially, retail fees were 1% higher driven by investment products. In Wholesale Banking fees were also up by 1%, mainly reflecting higher fees in lending, offset by a lower level in Financial Markets and Corporate Finance, following a peak in the previous quarter.

Operating expenses under control

Expenses (in € mln)



- Excluding regulatory costs and incidental items, expenses were 2.1% lower YoY, as a lower number of FTE and lower IT costs more than offset CLA increases and salary indexation
- Sequentially, expenses excluding regulatory costs and incidental items, were 4.2% lower. This was mainly driven by lower performance-related expenses, as well as lower costs for marketing, while fourth quarter expenses tend to be seasonally high
- Regulatory costs were €62 mln higher YoY, mainly reflecting a higher contribution to the European Single Resolution Fund
- QoQ regulatory costs were €264 mln higher, as the annual contributions to the SRF and Belgian DGS are fully paid in the first quarter of each year. This also applies to the annual Belgian bank tax, while 4Q2021 included the annual Dutch bank tax
- In 1Q2022, there were no incidental items in expenses, compared with €84 mln of incidental items in 1Q2021 and €166 mln in 4Q2021

* Formal build-up phase of Deposit Guarantee Schemes (DGS) and European Single Resolution Fund (SRF) should be completed by 2024

** Incidental expenses as included in volatile items on slide 18

10

Excluding regulatory costs and incidental items, operating expenses came down. Year-on-year these costs were 2.1% lower, mainly reflecting lower FTE and lower IT costs, which more than absorbed higher salary costs driven by CLA increases and indexation.

Quarter-on-quarter costs were 4.2% lower, with lower marketing and performance-related expenses, while costs in the fourth quarter tend to be seasonally higher.

Regulatory costs were up. Year-on-year this mainly reflected a higher contribution to the European Single Resolution Fund. Quarter-on-quarter the increase is explained by the full payment of the annual contributions to the SRF and Belgian DGS in the first quarter of each year. This also applies to the annual Belgium Bank tax, while the fourth quarter included the annual Dutch Bank tax.

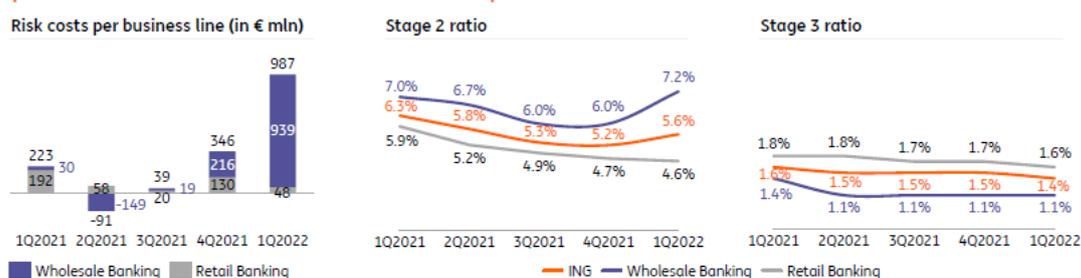
1Q2022 ANALYST meeting Transcript

6 May 2022

There were no incidental cost items this quarter.

I am pleased with the development of operating costs, also as we see some effects of measures taken so far. At the same time, we also need to look forward, and we will invest in areas where we can get the best return.

Good quality loan book, risk costs elevated by collective Stage 2 provisions for Russia-related exposure



- 1Q2022 risk costs were €987 mln, or 62 bps of average customer lending, above the through-the-cycle average of ~25 bps
- The elevated level of provisioning was visible in WB, reflecting €834 mln for Russia-related exposure, of which €763 mln was in Stage 2
 - This included €466 mln from negative rating migration following the sovereign rating downgrade as well as stage migration following the transfer of certain clients to the watch list
 - A €297 mln management overlay was taken in Stage 2 reflecting the deteriorated circumstances for Russian clients
- Risk costs further included a €178 mln addition reflecting the update of macroeconomic indicators and €124 mln total releases of several Covid-19 related sector overlays taken in previous quarters
- The Stage 2 ratio increased to 5.6% and the Stage 3 ratio declined to 1.4%

11

Then on to risk costs, which were EUR 987 million or 62 basis points of average customer lending.

This level is mainly driven by EUR 834 million, or 52 basis points, of provisioning in Wholesale Banking related to Russia. This was predominantly in Stage 2, for rating migration following the sovereign downgrade, for stage migration as we have transferred clients to watch list and for a management overlay. In Stage 3 the Russia-related inflow was limited to EUR 71 million, as the book generally remained performing.

1Q2022 ANALYST meeting Transcript**6 May 2022**

Furthermore, we booked EUR 178 million reflecting updated macroeconomic indicators and released EUR 124 million in sector overlays, which were taken in previous quarters for vulnerable sectors during the pandemic.

Aside from these movements, risk costs were limited. In Retail Benelux risk costs include a release following the expiration of payment holidays, while in Retail Challengers and Growth Markets risk costs reflected collective provisioning, mainly in Germany, Poland and Spain.

In Wholesale Banking, Stage 3 risk costs included limited additions to both new and existing files.

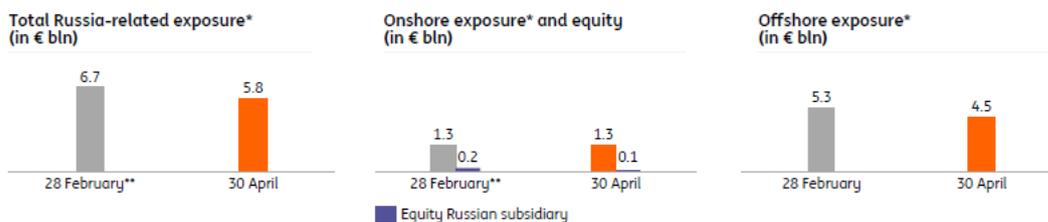
Finally, the Stage 2 ratio was up, reflecting the aforementioned additions, while the Stage 3 ratio went down to 1.4%.

Regarding potential spill-over effects of the situation in Ukraine, we see eurozone economic growth impacted and expect inflationary effects to stay longer. While we do not expect a recession, a stagflation is scenario a possibility. We are closely monitoring our loan book and engaging with our clients, however, so far we have not observed a meaningful impact on credit risk.

1Q2022 ANALYST meeting Transcript

6 May 2022

We actively reduce our Russia-related exposure



- Since the end of February we have reduced our Russia-related exposure by €0.9 bln, to €5.8 bln as of 30 April, which included €0.4 bln deposits at the central bank and €1.4 bln covered by ECA, CPRI and European parent guarantees
- Undrawn committed exposure was €0.7 bln and notional hedge exposure was €0.6 bln
- As of 1Q2022, €2.5 bln has been included in CET1 capital to cover for expected and unexpected losses, consisting of
 - €0.8 bln of loan loss provisions on Russia-related exposure (mainly Stage 2 provisions)
 - €1.7 bln of CET1 capital equivalent (at 12.5%) of €13.3 bln total credit RWA on Russia-related exposure
- Going forward focus remains on further reducing exposure and managing the associated risks
 - No new business with Russian companies and a material part of the existing exposure is short-term
 - €3.3 bln exposure affected by sanctions implying no additional exposure, repayments are allowed and received

More details on Russia-related exposure on slide 21

* Lending credit outstandings, including pre-settlement, money market and investment limits, excluding off-balance sheet positions

** As published on 4 March 2022

12

Slide 12 provides some details on our Russia-related exposure as of 30 April. Since the end of February we have reduced our Russian exposure by EUR 900 million and we continue to bring this down. Of this amount, EUR 1.3 billion is onshore with EUR 200 million covered by European parent guarantees and part of the remaining exposure is Central Bank deposits. Our local capital is EUR 100 million, and we have no internal guarantees outstanding. EUR 4.5 billion was offshore with EUR 1.2 billion covered by ECA and CPRI, which is the outstanding amount covered.

Undrawn committed facilities are EUR 700 million and notional hedge exposure is EUR 600 million, which is related to client business. Our Financial Markets colleagues did a good job over the past two months reducing this amount, and we work to reduce this further.

As mentioned, we have taken EUR 800 million loan loss provisions, which reflect capital impact from expected losses, while RWA impact reflects unexpected losses. RWA on our Russian exposure has tripled in the first quarter, reaching EUR 13.3 billion. At 12.5%, this is equivalent

1Q2022 ANALYST meeting Transcript

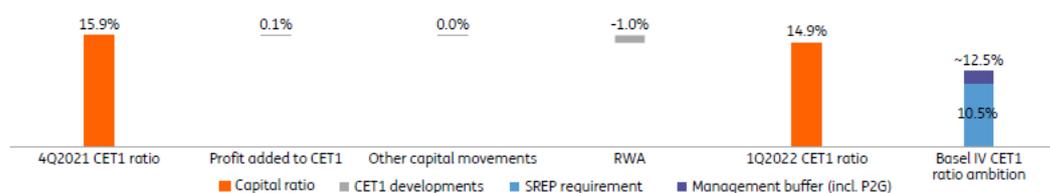
6 May 2022

to a EUR 1.7 billion capital impact. So combined with the risk costs, this amounts to EUR 2.5 billion of potential impact already included in CET1 capital.

Our focus remains on reducing Russian exposure. We do not do new business with Russian companies and a material part of our Russian exposure is short term. Regarding sanctioned entities, please note repayments to ING are allowed and are being received.

ING Group CET1 ratio at 14.9%

ING Group CET1 ratio development (in %)



- The 1Q2022 CET1 ratio decreased to 14.9%, mainly due to €21.8 bln higher RWA, including €1.0 bln FX impact
 - Credit RWA were €19.0 bln higher (excl. FX impact), driven by €9.0 bln due to negative rating migration of Russia-related clients and €8.7 bln model impacts mainly due to the introduction of a risk-weight floor on Dutch residential mortgages by the Dutch Central Bank
 - Market RWA were higher reflecting market volatility, while operational RWA decreased following regular AMA model updates
- CET1 capital was €0.1 bln higher, mainly reflecting the addition of 50% of the 1Q2022 net profit. The other 50% has been reserved outside of CET1 capital for future distribution, in line with our distribution policy. In total, €1,783 mln remains reserved for distribution*
- We will pay a final 2021 cash dividend of €0.41 per share on 9 May 2022
- In line with our intention to converge our CET1 ratio towards our ambition level in the coming years, we will distribute an additional €1,250 mln, which we have rightsized to the prevailing macro uncertainties and will consist of
 - A cash dividend of €0.232 per share on 18 May 2022, which is driven by Dutch withholding tax requirements
 - A share buyback for the remaining €380 mln, which will commence on 12 May 2022

* As at 31 March 2022, reflecting the amount reserved over 2021 and 1Q2022, minus the interim dividend 2021, which was paid in October 2021

The next slide shows that our CET1 ratio came in lower at 14.9%. The decline was driven by higher RWA, which were up by EUR 21.8 billion, including EUR 1 billion FX impact. This was primarily due to EUR 19 billion of higher credit RWA, excluding FX, which included EUR 7.3 billion for the risk weight floor on Dutch mortgages, introduced by the Dutch Central Bank. In addition, EUR 9 billion of RWA was added for our Russia exposure.

Furthermore, market risk weighted assets were up, driven by market volatility while lower operational RWA reflected the update of our AMA model.

1Q2022 ANALYST meeting Transcript**6 May 2022**

CET1 capital was EUR 100 million higher, mainly due to the inclusion of 50% of net profit for the quarter. With net profit being equal to resilient net profit, the other 50% was reserved for future distribution, in line with our policy.

On our distribution plans, the final 2021 dividend was approved at our AGM 2022 and will be paid out on the 9th of May.

In line with our ambition to converge to our CET1 ratio ambition, we will distribute an additional EUR 1.25 billion. This amount has been rightsized to reflect increased macroeconomic uncertainties. This additional distribution consists of a cash component and a share buyback, with the split derived from Dutch withholding tax requirements. Based on this, EUR 0.232 per share will be paid out on May 18, and the share buyback for the remaining amount will start on the 12th of May.

The additional distribution will bring our CET1 ratio pro forma to 14.5%.

I am pleased we take this additional step in returning capital to our shareholders and to optimize our capital structure.

1Q2022 ANALYST meeting Transcript

6 May 2022

ING Group financial ambitions

		Actual 2021	Actual 1Q2022	Financial ambitions
Capital	▪ CET1 ratio (%)	15.9%	14.9%	~12.5%* (Basel IV)
	▪ ROE (%)** (IFRS-EU Equity)	9.2%	8.0%	10-12%
Profitability	▪ C/I ratio (%)**	60.5%	60.5%	50-52%
	▪ Distribution (per share)	€0.89***		50% pay-out ratio****

* Implies management buffer (incl. Pillar 2 Guidance) of ~180 bps over fully-loaded CET1 requirement of 10.71%

** Based on 4-quarter rolling average. ING Group ROE is calculated using IFRS-EU shareholders' equity after excluding 'reserved profit not included in CET1 capital' As at 31 March 2022, this amounted to €1,783 mln, reflecting the remaining amount reserved for distribution from the 2021 and 1Q2022 resilient net profit

*** Consisting of the remaining dividend over 2020 (€0.27 per share), interim dividend over 2021 (€0.21 per share) and the proposed final dividend over 2021 (€0.41 per share)

**** Of resilient net profit

14

As you can see on slide 14, CET1 ratio remains well ahead of our ambition. On ROE, we saw some impact this quarter from the elevated risk cost. However, with the continued growth of customers, loans and fees as well as focus on cost and capital optimization, we maintain our ambition to provide an attractive total return.

Cost income remains an important input for our ROE, and we continue to work on our ambition of 50% to 52%.

1Q2022 ANALYST meeting Transcript
6 May 2022

Wrap up

15

Then to wrap up with the highlights of the quarter.

Wrap up

- Pre-provision profit was strong, supported by resilient NII, with the pressure on liability income turning into a tailwind, strong fees and lower expenses
- Elevated risk costs at €987 mln, or 62 bps of average customer lending. This was mainly driven by Stage 2 provisioning for Russia-related exposure, which we have reduced over the past months. Stage 3 provisioning was limited with a lower Stage 3 ratio at 1.4%. We are confident on the quality of our loan book and will continue to manage this in line with our proven risk management framework
- 1Q2022 CET1 ratio decreased to 14.9%, driven by higher RWA including higher risk weights, as we downgraded ratings of Russia-related exposure and the announced risk-weight floor on Dutch mortgages. We will pay a final cash dividend of €0.41 per share and make a €1.25 bln additional distribution

16

1Q2022 ANALYST meeting Transcript6 May 2022

This quarter presented a new challenge with the invasion of Ukraine. I am actually very proud of how we deal with this. We are focused on our people and we manage the risk of Russia-related exposure, while we keep the focus on our strategic priorities including financing the green transition and improving the digital channel.

Last but not least, we continue to deliver strong performance financially. This was reflected in a higher pre-provision profit, driven by resilient NII, higher fees and lower costs as well as a healthy return for our shareholders.

Risk costs were elevated at EUR 987 million, mainly in Stage 2. The Stage 3 ratio was lower at 1.4% and we remain confident on the quality of our loan book.

The CET1 ratio declined to 14.9%, with 50% of the first quarter resilient net profit reserved for future distribution. The main driver was RWA growth, primarily for the Russia-related exposure and Dutch mortgages.

Finally on capital distribution, we will pay a EUR 0.41 final cash dividend and a EUR 1.25 billion additional distribution as announced today.

With that, we will go to questions.

QUESTIONS AND ANSWERS

- **Robin van den Broek – Mediobanca**

Good morning everybody and thank you for taking my questions. The first one is around the Russian exposure and the actions you have taken this quarter. In your introductory comments and in your slides, you mentioned you cover within the CET1 ratio EUR 2.5 billion and you also emphasized the faith you have in your track record and your risk framework. I

1Q2022 ANALYST meeting Transcript6 May 2022

was just wondering to what extent do you think this EUR 2.5 billion should cover the future? Is that best case? Is that worst case? Can you talk a little bit through your thinking here? Is this done for you, or do you see a big risk of additional provisions to be taken down the road?

My second question is more about NII. It is good to see that replication in Q1 has already become a tailwind, but since Q1 the average swap curves obviously have gone up quite a bit more. So, could you give a little bit of guidance on what kind of tailwinds we should expect here? I think this could be high-teens millions of quarterly tailwinds for your NII trajectory, which is quite substantial.

Steven van Rijswijk – CEO ING: Thank you very much, Robin. And I will give the first question to Ljiljana and the second question to Tanate.

Ljiljana Čortan – CRO ING: Thank you for your question. Yes, correctly, we have had the elevated risk costs with respect to the Russian situation of EUR 834 million, as you noticed. In trying to show you how much we feel confident and adequate with current provisioning and impact on capital, we have summed this impact of the LLPs of EUR 834 million with the additional impact that we have experienced through inflated RWAs, which have resulted in additional EUR 1.7 billion capital cost. So these two are summing up to the EUR 2.5 billion that you are saying.

So first on the risk cost. As you have seen, only EUR 70 million out of these risk costs refer to the really defaulted exposure. The rest, Stage 2, which is following our very prudent risk management framework, our governance and processes in place, is actually reflecting the downgrade of the Russian-related exposure and as well a certain watch listing of the clients taking a prudent approach. On top of that, you have seen that in 60 days we were able to actually manage down our exposure by an additional EUR 1 billion. So all actions are showing that currently, we feel that our best estimate is adequately provisioned and adequately reflected in capital.

1Q2022 ANALYST meeting Transcript6 May 2022

Tanate Phutrakul – CFO ING: And then, Robin, on our NII. If you look at our Q4 disclosure, you can work it out, that basically we had a reduction because of a replication of somewhere around EUR 600 million in 2021. As Steven has said, that depression or that contraction has stopped in Q1. What we see is that this tailwind will continue into the future. You are right, that as long-term rates continue to rise, that the replication benefit gets bigger. But I think what is a big impetus in terms of NII is when the ECB discount rate gets to move, because we do barbell replication, which means that a considerable part of our replication sits in the 3-months bucket. So if the ECB, as anticipated, would move the rates in July, that would accelerate the tailwind that we have today.

Robin van den Broek – Mediobanca: Just to come back on the second part. In the past, the market at least had the perception that a rate hike from the ECB would initially be a headwind for NII. But I think now you are saying you basically shortened your duration and that is no longer the case?

Tanate Phutrakul – CFO ING: I do not think we ever said that rising rates are bad for banks. In fact, it is the opposite. We think rising rates coming out of negative rates is actually positive for financial companies and positive for ING in particular, given our big retail deposit base. Rising rates from the ECB will be indeed more beneficial to us.

Robin van den Broek – Mediobanca: But also the part from negative to 0? That is the more doubtful part of the sensitivity. Can you quantify that by any chance?

Tanate Phutrakul – CFO ING: We will give you a bit more detail on Investor Day but what we can say now is that, as we mentioned, the EUR 600 million compression we saw last year has disappeared. We expect actually this year that, excluding the TLTRO impact, our NII will be positive this year.

1Q2022 ANALYST meeting Transcript6 May 2022

- **Stefan Nedialkov – Citi**

Hi, good morning. I have a couple of questions. On NII, just to confirm, the guidance was up in 2022 excluding TLTRO. That includes two rate rises by the ECB? Also, can you confirm what lending margin assumptions you have in that guidance? One of the messages that you have been trying to get across in your presentation is that lending margins are under pressure at the moment because yields are not tracking the increase in funding costs. Are you basically saying that you expect repricing to become stronger for the rest of the year? That is my first question on NII, what rate assumptions and what lending margin assumptions you have?

The second question is on Russia. It seems that you are effectively silently writing down the exposure to Russia, both onshore and offshore. You have around EUR 2.5 billion of combined P&L and capital impact. So you are not exiting Russia, unlike some of your other peers. What is the strategic thinking here? You are appeasing shareholders by taking a large provision, but you are keeping the optionality for the future? Is that the thinking?

And if I may, a super quick third one on fees. Can you quantify the contribution of partnerships to fees at the moment from partners like AXA, Scalable Capital, et cetera?

Steven van Rijswijk – CEO ING: Yes. Thanks, Stefan. I will take the question on NII, fees and the question on Russia as well. So on NII, your first question was whether this already assumes the rate hike of the ECB? The answer is no. We basically say that already with the current improved yield curves that we see, the negative drag has completely gone. NII, excluding TLTRO, this year we expect it to be up compared to last year. In that light, with regards to lending margins, what we have seen is that the prices were up actually across-the-board in many countries. But also our cost of funding went up. Typically, it takes time to fully price in the cost of funding into the street price as well. So that is what we have said with that. So it takes time for that cost of funding to fully materialize in the market price.

1Q2022 ANALYST meeting Transcript6 May 2022

Arguably, there is still a lot of liquidity in the market. So, that also means that we do not necessarily expect a big increase in margins at this point in time, at least not on the lending margins to our clients. But on the liability income, we have actually turned the corner and that is benefiting the NII going forward.

On Russia, first of all, we want to keep the people safe, which is what we do also in Russia, by the way, and we are making sure that we fulfill all the sanctions. With regards to the book, what we want to do is to make sure that we actually get repaid. So, we do not do new business with Russian clients and that means that we are continuing to decrease our exposure, gradually winding down our exposure. You have already seen in the first two months our exposure came down with EUR 1 billion. Part of our remaining exposure are short-term facilities and part of it is more project financed, which is supported by ECA and CPRI insurance. This is the way for us to actually gradually wind down the book and decrease our exposure in the interest of all our stakeholders, including our shareholders and our savers.

Regarding fees, I will not dwell on the many elements that we have or pillars, but we have to grow fees. We also work with partnerships either directly or indirectly. We have not split it out separately, but the fees of the partnerships such as AXA and Scalable are relatively small. But they also help in the overall client experience, which will help NPS and which will, in turn, also help the customer experience, and therefore, the quality of their interactions with us and, therefore, also the business they do with us. So yes, fee business of partnerships is still relatively small, but it also helps the overall experience they have in doing business with us, and that also helps our fee business overall.

Stefan Nedialkov – Citi: Thank you, Steven.

- **Kiri Vijayarajan – HSBC**

1Q2022 ANALYST meeting Transcript6 May 2022

Good morning everyone, a couple of questions from my side. When I look at the RWA and the ratings migration there, it looks like you have actually had positive ratings migration if you exclude what you have done for the Russia exposure. So I wonder if you could talk a little bit about which portfolios outside of Russia have driven that kind of positive rating migration. And really, what is the risk that reverses in the next few quarters, just given what we are seeing in the macro?

Then just coming back to the fees. The growth this quarter is obviously heavily skewed towards the Wholesale bank but focusing on just the Retail fees, do you think you can replicate the same kind of double-digit momentum you posted last year? And in your mind, which are the retail markets where you think you are still punching below your weight in terms of investment product penetration? Just a more forward-looking commentary there on retail fee would be helpful.

Steven van Rijswijk – CEO ING: Thank you, Kiri. I will take the question on fees and Ljiljana will take the question on RWA.

With regards to fees, like we said, I am confident that we can continue to grow our fees also this year by 5% to 10% per annum. And why am I confident about that is for different reasons. First of all, we continue to grow our primary clients and the level of interaction with them. That is point one. Point two is that in many of the markets, we are competing with local champions or local banks who increasingly feel pressure to increase fees on the back of difficult market circumstances. We have seen it, by the way, lately in the Netherlands where ABN AMRO increased their payment package fees with 50%. And we see that in other markets as well. Point three, in a number of markets, we are still relatively low in terms of our fee potential, also in terms of the interaction we have with our clients. Every quarter I always proudly say okay, and now we have 2 million brokerage accounts in Germany and this quarter, we have 2.1 million brokers accounting in Germany. And that 's all fantastic but if I compare that – and that goes for all the markets – to the total number of clients we have in for instance Germany, where we have 9 million customers, I see only 2 million of brokerage accounts. That ratio for some

1Q2022 ANALYST meeting Transcript6 May 2022

markets is even worse. So it also means that we have still quite some way to go to deal with this, leaving alone what we charge for payments and what we do with insurance. ING has a business model whereby fees – as the old ING Direct model – was relatively benign compared to activities that we did. And we are gradually catching up, but we are not there yet at all, or where we are supposed to be to grab our "fair market share," if you will, compared to the size that we have as an organization.

Ljiljana Čortan – CRO ING: And on the RWA, yes, you are correct. In total, we see an increase in inflation of RWA based primarily on the credit risk side, due to the introduction of the risk weight for the Dutch residential mortgages and on the other side, EUR 9 billion, as Stephen mentioned, for the increased density of the Russian portfolio. If we would actually neglect these two points, we would see a decrease on the rest of the portfolio and specifically on the Wholesale Banking side. This comes from two sources. One is definitely on the volume side. We have seen in certain industries some small decreases in the portfolio, which absolutely contributed to the decrease of RWA. But as well in the other parts of the Wholesale Banking, we do see reduced RWA based on improved structure, both in terms of the rating of clients but as well in terms of the products and maturities. So in total on Wholesale Banking side, when isolating Russia, the improvements are positive.

Kiri Vijayarajan – HSBC: Thank you.

- **Benoit Petrarque – Kepler Cheuvreu**

Good morning, here are my questions. The first one is on the special distribution. I was trying to understand how you came with this EUR 1.25 billion. It is roughly 35 or 40 bps impact. So is such a level a natural level for you given the macro uncertainties and is that a level you can repeat in the current macro, also in the coming years? So I just wanted to ask how you determine the appropriate size of the special.

1Q2022 ANALYST meeting Transcript6 May 2022

The second question is actually on cost, very strong, down 2% clean. We have to think about cost going forward and the cost trajectory for the remainder of the year. And also given the current inflationary pressure, will you be able to kind of maintain cost flat? Can we expect a bit more restructuring going forward? Anything special there, please?

Then just a final one will be on the front book margins in the Netherlands on the mortgages, which seems to go the right direction. I think you mentioned some pressure in Q1 but that was probably a timing issue. We see very strong repricing on mortgages as we speak. So it seems that the funding cost is going to the clients, clearly, there. Could you update us on the front book versus the back book currently?

Steven van Rijswijk – CEO ING: Thank you, Benoit. I will do the question on front book and costs, and Tanate will talk about the distribution. First of all, on the front book. Typically, you see that in the quarter where you produce, you go to the market to offer, that then is delayed with a quarter before you can typically price in the full funding costs. So you will expect that as funding costs continue, then also margins will be impacted. Of course, there are the competitive dynamics, but that is what we typically have seen in the past. But one thing to note is that if that happens, also when you then look at prepayments, we are also benefiting always from prepayment income, whereby people pay a penalty for prepaying part of their mortgage. But when the interest rates go up, that part of your income will decrease. So yes, the margin will restore itself, but that is excluding the prepayment income, which will likely decrease when margins go up, which is logical.

First of all we are strict in costs, very focused on making sure that we can deliver what we need to deliver with the applicable FTE number. Secondly, we have also taken a number of decisions in the past year or 1.5 years, and those decisions are now gradually coming through. So we are gradually benefitting from that. Not all the benefit is in, for example we are transferring our clients in France to Société Générale, so we still have a retail operation and only gradually during the year that operation will be wound down. So, those benefits are still to come in for a part. That is why I said that even with all the inflation going on in all the markets – we cannot

1Q2022 ANALYST meeting Transcript6 May 2022

ignore that – we are confident that we can remain our cost at least flat compared to 2021 operating costs in 2022 as well. Going forward, we then need to look at what additional measures we need to take. Obviously, we also need to invest and if inflation stays the way it is, that is a challenge for all of us. But we are also, in the meantime, digitalizing our processes which both have a benefit for our customers, but also for our cost to serve. And we keep on focusing on that trajectory as well, to keep our costs under control as we have done over the past almost two years now.

Tanate Phutrakul – CFO ING: Benoit, on capital, clearly, we go through the normal capital management analysis to come with the EUR 1.25 billion. We look at the outlook on earnings and how we can generate capital. And clearly, the tailwind on NII helps support that. We look, of course, at the Russian exposure, what the worst case could be, a stress test scenario. And based on a combination of that as well as any potential regulatory capital coming our way, and that is how we derived the EUR 1.25 billion, which is rightsized from where our thinking was at the end of February prior to the war. That is how we have done that. And of course, we have had constructive discussions with the ECB to arrive at this number, which they approved for us.

- **Raul Sinha – JP Morgan**

Hi, good morning, a couple of follow-ups from my side. The first is around the mix of distributions between dividends and share buybacks going forward. Given what you flagged to us on the Dutch withholding tax and how that has led to the mix of dividends and share buybacks, how should we think about the mix maybe for outer years when we think of capital distributions? That is the first question.

The second is a little bit more broadbased. I am wondering what you think the impact of stagflation would be on the bank. I am sure you are running internal scenarios, particularly

1Q2022 ANALYST meeting Transcript6 May 2022

from a stress testing perspective. How do you think ING will behave in a stagflationary environment in your core economies?

Steven van Rijswijk – CEO ING: Thank you, Raul. First, Tanate, on the share buyback, and then Ljiljana on stagflation.

Tanate Phutrakul – CFO ING: Raul, on the share buyback, I think it is a uniqueness of Dutch tax requirement that we need a certain minimum cash payments for share buyback to be exempted from withholding tax. And that is why we have that particular split that we talked about in this quarter, EUR 870 mln against the EUR 380 mln. We have also said in our policy that the majority of our capital distribution will be in cash. So we stick with that guidance that the majority will be in cash. But having said that, of course, looking at the share price, if it is discounted from book value substantially, then we will be focusing more on share buyback. But this is the guidance we can give for the time being.

Ljiljana Čortan – CRO ING: On stagflation, yes, we deem the threat, if not already reality, of stagflation is present in our economies. This means the lower growth than expected is definitely being built in our base case and clearly higher inflation for longer. With that respect, we have already, on the assumptions for the loan growth, downsized to the lower range of the 3% to 4% loan growth yearly. We do, however, benefit from the strong risk management framework that we have in place, which means as well strict origination criteria and significant buffers when assessing the credit repayment capabilities, specifically on the retail side. Definitely the structure of our book currently, of which is a very low percentage unsecured consumer lending, and as well not a significant part of it is small businesses in the economy, would help us. On top of a very good starting point and low risk in our books and a low NPL-ratio and coverage to manage this going forward. Clearly, it remains the challenge for all of us, and we are following the situation and assessing the scenarios, making sure that we are adequately provisioned.

1Q2022 ANALYST meeting Transcript6 May 2022

Raul Sinha – JP Morgan: Thank you. If I could just top on that. What do you think is the impact on the cost of risk relative through-the-cycle guidance that you have given if you were to get into this economic scenario?

Ljiljana Čortan – CRO ING: Well, it is difficult to say. We definitely keep our, I would say, through-the-cycle look for the years to come. It might be different from year to year, but through the cycle, I believe we are going to be there. We have significantly, as I said already, provisioned part of the portfolio through Stage 2 provisions and also through still some existing overlays from Covid time and also from the mortgage book, you will remember from the last quarter. So we do believe there is plenty of opportunities in our book to manage this with no significant volatility in cost of risk other than 25 bps.

- **Jon Peace – Crédit Suisse**

If I could just follow on from Raul's question. Some of your peers have said that low Stage 3 losses means that 2022 can still be below through-the-cycle rates. And I just wondered if ex-Russia you would share that view as you see things today?

Then a question on capital return. If Russia visibility improves, would you contemplate any additional returns later this year? Or are we done now until next year's results?

Also, you said that the EUR 1.25 billion figure was rightsized from your expectations at the end of February. I guess since then you have booked EUR 2.5 billion in capital for Russia. Did that mean that in a normal level of capital return would have exceeded EUR 3 billion? Is that where we should have our expectations for next year?

Steven van Rijswijk – CEO: Thank you very much, Jon. Regarding the first question would it be below 25 bps? As we said, we do not give guidance for the year; we give guidance through-the-cycle. What Ljiljana also said, what you have seen through-the-cycle is that our cost of risk

1Q2022 ANALYST meeting Transcript6 May 2022

of all the European banks in the eurozone have been the lowest throughout the last twelve years on average. And what we have done also the last quarter on the wake of higher inflation, on the back of disrupted supply chains, is already take overlays for mortgages and part of the Wholesale Banking book in risk cost. Now that, of course, is helping us now that inflation is really coming or persisting. So it also means that we still have a buffer based on Corona. We built up buffers based on inflation. That is helping the rest of the book. Then looking at the first quarter, if you look at the remaining risk cost outside of Russia, the total risk costs were EUR 987 million, Russia was about 85% of that. So it basically shows that for this quarter, we do not see currently big problems looming. Otherwise, we would have taken the cost.

Tanate Phutrakul – CFO ING: Then on capital. It is not simple mathematics because Russia cost us EUR 2.5 billion, we would have paid more from that perspective in capital returns. I think we just take a comprehensive view on our earnings ability going forward. We look at stress testing, we look at issues like stagflation and what the economies will bring and then we will form our view at any given point in time about that convergence to the 12.5%.

Whether we are going to announce any future plans on capital return this year, well, the future is the future. We do not comment on any actions we may take in the coming period.

Jon Peace – Crédit Suisse: Thank you.

- **Johan Ekblom – UBS:**

Thank you, just one question on my side on net interest income. When we think about the ECB rate hikes from minus 50 to zero, how much would you expect to lose on the negative deposit charging going back to zero? What is the total benefit that you had across both Retail and Wholesale, please?

1Q2022 ANALYST meeting Transcript6 May 2022

Steven van Rijswijk – CEO: Currently, the total amount of negative interest rate charging that we do is EUR 300 million on an annual basis. Typically, the banks follow market rates so at some point, that is then the amount that we will lose as well.

Johan Ekblom – UBS: Perfect. Thank you.

- **Giulia Miotto – Morgan Stanley**

Hi, good morning. I have a question on the rundown of the Russian book. So it decreased basically EUR 1 billion in two months. Is that a normal rundown? Can you shed some light on the maturity of this book? Was there any other proactive action or is this just the normal run rate of decline? That is my first question.

Secondly, just a follow-up on the question that was just asked around the negative rate charging. So is EUR 300 million only for the Retail bank? Or is EUR 300 million the group level NII that you are making on charging negative rates? So, is there something more in the Wholesale bank? Thank you.

Steven van Rijswijk – CEO ING: On NII I will give the floor to Tanate and on Russia I give the floor to Ljiljana.

Ljiljana Čortan – CRO ING: Maybe we will start with Russia and the question on the rundown. Yes, this is the normal, I would say, rundown of our portfolio based on the maturities. As you might know, our exposure is partially short term, partially long term. On the long-term side, we are involved in several projects and asset-based financing where we are credit insured for the good part of the portfolio. So what we are currently running down is the short part of the book, and we will continue to do that. Clearly, the good relationship with the clients and long-standing relationship with the clients helps out in that respect, which was obvious in the last 60 days when we were able to, in a regular way, manage down the portfolio by almost EUR 1 billion.

1Q2022 ANALYST meeting Transcript6 May 2022

Tanate Phutrakul – CFO ING: Then the question on negative rates charging. The EUR 300 million that Steven referred to are mostly retail-related benefits. And from the Wholesale bank, we are neutrally geared towards negative rates. As negative rates disappear, we do not expect to lose revenue. In fact, we should benefit from that actually in terms of PCM business.

Giulia Miotto – Morgan Stanley: Thanks. Sorry, going back to the run rate of decline. Any comment on when you should be done with half of the book or any more? Because it seems like you have a large shorter part. Is there any comments you can make?

Steven van Rijswijk – CEO: Thanks Giulia. This is an emerging market. So what do you do with the emerging market? Either if it unsecured it is short and when it is secured, also supported by ECA and CPRI – by projects – it is longer. We do not give those figures as you can imagine, but the short part is short and that basically means that of that part, which is significant, the lionshare would run off this year. Next quarter, Giulia!

- **Omar Fall – Barclays**

Hi, good morning. Could you just discuss loan growth specifically in Wholesale, please? Even outside of FM, there was not any. And presumably, that is not just Russia related. So what is the outlook here? Previously, you said the resumption of corporate lending was a key driver for you both in the next couple of years.

Then secondly, thanks for the helpful guidance for this year on NII. But the only place where has been an actual meaningful sequential increase in NII is basically Poland, given the policy rate rises there. So what would be most helpful is to finally get some actual sensitivities like your peers are giving over a longer time frame because these effects of higher rates are

1Q2022 ANALYST meeting Transcript6 May 2022

exponential in future years. So would it be possible to get this at some point even if it is at your Investor Day?

Then finally, sorry, a cheeky one, but could you give us a sense of the value or scope of the impact of lower prepayment fees in the Netherlands given the drop there is quite large in NII?

Steven van Rijswijk – CEO ING: Thank you very much, Omar. First of all, let me give you a few pointers. If you look at the fees in Wholesale Banking, the growth there comes from syndicated markets because the syndicated markets have returned after Corona. What we do see as positive is larger underwriting, syndicated deals which come with fees, and which are, in general, more attractive for banks as well. That is a positive. So we do see pipelines that are good, and they continue to be good. That is one.

Two, real estate finance came down a little bit also on the back of Corona and less need for certain uses of buildings. And we are actually focused on that, where do we have multi-use of buildings and where not. We stay focused on that end as well. So those are two effects that came in, in the first quarter.

The repayments of TLTRO-related facilities will continue in 2022 at a lower rate. That means that for Wholesale Banking we expect loan growth, but at a lower pace than the 3% to 4% that we initially indicated.

With regards to NII, on the sensitivity you mentioned Poland, but I can also mention Romania and Australia. There are many non-Eurozone markets where the rates already moved and where the central banks already moved rates. That is for us a positive. We are looking forward to the announcements that the ECB is going to make. But every day there is so much news about it that we will just wait and see what it will be. But already now, even with that rate not being there, and short-term rates being positive is also positive for us, but with the current rate curve, the EUR 600 million negative drag last year has evaporated. And that means that we are already now, even before the ECB has done anything, are positive on the NII turning

1Q2022 ANALYST meeting Transcript6 May 2022

positive this year. But we will give you more NII sensitivity information during the Investor Day. As a matter of fact, Tanate will do that, which is good.

We will not give the number of lower prepayment penalties but to guide you we would say we expect the margins, excluding prepayment penalties to move to a normalized level once the funding rates get fully filtered through in the market rates. That is what we have seen in the past. And we have no reason to believe it would be different this time around. We do not give particular input on the prepayment penalties. But that gives slight pressure on the total NII in the Netherlands because that was, of course, significant over the past number of quarters.

Omar Fall – Barclays: That is very helpful, especially that we will hear more on the sensitivities at the Investor Day.

Steven van Rijswijk – CEO: That was the most important part? I should have said it in the first place!

- **Benjamin Goy – Deutsche Bank**

Thank you for having my question. There is just one major one left. You gave guidance on your Wholesale Banking loan growth but I am just wondering about the mortgage book from here with higher mortgage rates. In some markets, they moved up a lot year-to-date, in Germany, 2.5 times. So how do you expect this will impact your origination and ultimately loan growth in mortgages?

Steven van Rijswijk – CEO: For now, the only thing we see is less prepayments. In that sense, less movements of people prepaying and them moving to another bank or the same bank. But loan growth in the first quarter was good. We see that this of course depends on a number of elements. On the one hand we have the impact on the ability of people to pay in terms of the increased energy price and inflation, on the other hand – as we see in the Netherlands but in

1Q2022 ANALYST meeting Transcript6 May 2022

other markets as well – there is still a shortage of houses. That goes for The Netherlands but that also goes for our second biggest market being Germany. There is still quite a lot of supply missing. What we have seen over the past couple of quarters is that we booked record mortgage growth in Germany as well, and we do not see that demand decreasing in the short term. So we are positive about continued loan growth in Retail.

Benjamin Goy – Deutsche Bank: Understood. Thank you.

- **Farquahar Murray – Autonomous**

Good morning, all. Just two questions, if I may. Firstly, just coming back to the capital update and specifically the kind of question around how the EUR 1.25 billion was arrived at, should we think of a pro forma 14.5% CET1 level as a kind of near-term threshold to year-end?

Secondly, just coming back to Russia. In answer to Giulia's question, you give a bit of a sense of how the exposures will develop. Can I ask if the RWA would develop in a similar manner? And on a subsidiary point, the EUR 4.5 billion of market RWA we saw in the quarter, how would that have developed given the markets we have had since and could we expect some of that to reverse?

Steven van Rijswijk – CEO: Good questions – and that is not my forte – with short answers. So on capital, should we look at a pro forma 14.5% as our target level for the end of the year? No. We have guided that we want to move gradually towards 12.5% in the next couple of years.

On Russia, on the market RWA, was that because of high volatility? Yes. Will that reverse if the volatility drops away? Also, yes. Sorry, did I miss a question?

Farquahar Murray – Autonomous: The actual credit component as well in Russia. Will it develop in line with the exposure?

1Q2022 ANALYST meeting Transcript6 May 2022

Steven van Rijswijk – CEO: Yes. We have seen currently a decrease of our exposure with approximately EUR 1 billion. I have just said to Giulia that we have a sort of a barbell in our exposure, short-term unsecured, long-term secured. If the short-term exposure gets repaid back, we also see some write-backs in terms of RWA because that happens when we reduce the exposure.

Farquahar Murray – Autonomous: Perfect. Thank you.

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

Good morning, just a quick question again on dividend. So just to clarify the 50% payout for the regular dividend, the definition on resilient earnings. Should we assume that the Russian Stage 2 exposures this provision should be included or adjusted for?

And then on the capital return. You just said again, like in Q4 that would like to convert towards 12.5% within the next two years. We understand it is important for your ROE. That makes it really a catch up to do in the next two years. If you believe the 14.5% already captures the uncertainty in the next few quarters? I think someone asked the question but I really want to understand what is the discussion. Are you just being refrained by the ECB or is it your own business?

Steven van Rijswijk – CEO ING: You asked whether the risk cost on Russia is excluded or not from resilient profit. No, it is part of our normal procedure. If we have higher risk costs then also the resilient profit goes down. That is the way it works.

Regarding capital distribution, you were talking twice about two years. I did not say ‘two years’, I said ‘a couple of years’. On the rest of the answer I give the floor to Tanate.

1Q2022 ANALYST meeting Transcript6 May 2022

Tanate Phutrakul – CFO ING: A couple of years means a range of period, so we will converge over time. Regarding the capital return, our conversations with the ECB have been very constructive. It is very much based on our own capital management, looking at the geopolitical situation and looking at capital generation that will determine ultimately the pace at which we get to 12.5%. So you can imagine that given where we are today, the clarity of the future, it is a little bit more foggy than it was in February. That is why we rightsized the capital returns based on what we see now. But certainly we are not being constrained by the ECB, it is more how we see the geopolitical and credit risk as we stand today.

Tarik El Mejjad – Bank of America: Sorry, I did not understand the comment about two years. Two years means the next two years. You have EUR 6.5 billion excess now, so what is the expectation?

Tanate Phutrakul – CFO ING: We will to converge to 12.5 over the coming years. ‘A couple of years’ means it is over that number of years. It does not mean two years precisely.

Tarik El Mejjad – Bank of America: Thank you.

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

Thank you for taking my questions. The first is just coming back to Russia. The EUR 800 million of provisions, can they be used against onshore as well as offshore? Or is there some accounting, so it is partly just onshore?

Then on the sanctions exposure, the EUR 3.3 billion, and your comment that implied no additional exposure. I guess, this would suggest that the EUR 2.5 billion capital is largely against that exposure. How confident are you that the amount could go up with more sanctions and repayments are received? Is that short term as well or is it more long term? Just in terms of how fast this number can be coming down.

1Q2022 ANALYST meeting Transcript6 May 2022

And then sorry, one last question. You briefly mentioned potential regulatory headwinds in your excess capital consideration. Is there something on the horizon other than Basel IV in the rest of the year that we should be aware of?

Steven van Rijswijk – CEO ING: I will take the question on the regulatory headwinds and the repayments and then Ljiljana will take the question on provisions onshore/offshore.

On the regulatory headwinds, no, we do not see that. As I have said before, Basel IV includes all the TRIM missions and the output and the input. So, there are different moves. But in the end, it all comes down to the same Basel IV direction of the ECB. There are no further programs in that regard. We do see now and again, based either on volatility or based on model updates, spikes up or you see spikes down. But that is usual, so we do not foresee anything else.

Then about repayments and whether we are confident. You mentioned there are also sanctions and sanctions could increase. That is true, but it does not mean that people who are sanctioned cannot repay. It means we cannot do further business with Russian companies, which we were not intending to do in any case. So we do get repayments, and we are allowed to receive repayments also from sanctioned entities. As long as companies are performing, we get repaid. Again, I point to the EUR 834 million risk costs. The lion share – except for our about EUR 70 million – is with companies that are still performing but with whom we are seeing an increased risks because a rating decrease of Russia overall. And then our models and policies prescribe that we then also decrease the ratings of those companies and therefore move them to Stage 2. But they are still performing. That is also the case with our short-term exposure that we see over the next couple of quarters. By and large, except for the EUR 71 million we have seen, our Russian clients are performing and that means that we also expect them to repay also in the next quarters. Ljiljana?

1Q2022 ANALYST meeting Transcript6 May 2022

Ljiljana Čortan – CRO ING: On the total risk cost for Russia, EUR 834 million, a bit less than around EUR 200 million, refers to the onshore exposure. The rest refers to the offshore exposure.

Anke Reingen – Royal Bank of Canada: Thank you very much.

- **Guillaume Tiberghien – BNP Paribas Exane**

Thank you and good morning. My question relates to the subsidiary in Russia. It has EUR 1.3 billion of exposure and EUR 100 million of equity. If you start incurring losses in that subsidiary, would you consider recapitalising it, in which case we would worry to lose up to EUR 1.3 billion or when the capital is gone, it is gone and the subsidiary goes away, including the RWA? And what are the RWA in that subsidiary, please?

Steven van Rijswijk – CEO ING: We are currently talking about going concern, so we are currently looking to get repaid, both onshore and offshore. If you look at our capitalization of our Bank in Russia, that is currently EUR 100 million. We do not give comments on whether we will capitalize in the future. If worse comes to worst, if that is gone concern, which basically means you would lose your sub in Russia, that means that we would lose the equity in Russia, which would, in this case, be EUR 100 million.

Guillaume Tiberghien – BNP Paribas Exane: So, you would not recapitalize it?

Steven van Rijswijk – CEO ING: I said that we are not going to make comments on the future. But if you say if you would lose your sub at this point in time, what would that mean? It would mean we would lose our equity, that would be EUR 100 million.

Guillaume Tiberghien – BNP Paribas Exane: Okay. What are the RWA in the subsidiary?

1Q2022 ANALYST meeting Transcript
6 May 2022

Steven van Rijswijk – CEO ING: Excuse me?

Guillaume Tiberghien – BNP Paribas Exane: What are the RWA in the subsidiary?

Steven van Rijswijk – CEO ING: We do not disclose that.

Guillaume Tiberghien – BNP Paribas Exane: Okay. Thank you.

Steven van Rijswijk – CEO ING: That will be a release.

- **Stefan Nedialkov – Citi**

A quick follow-up for me. A lot of numbers on NII are flying around, and you did mention you will provide some more details with the Investor Day. But obviously, that is more than a month away, and people need to think about their NII numbers in the meantime. So I would really appreciate it if you can give us some sensitivity to the two potential ECB rate rises. I am assuming one happens in the summer and one towards the end of the year. What would that mean for your NII? You obviously mentioned the EUR 600 million headwind from the liability margin is going away this year and there is a EUR 300 million benefit from negative charging, which is partly offsetting that. So when you put all that together, with two ECB rate rises, what does that mean in terms of extra NII over and above your guidance for 2022?

Steven van Rijswijk – CEO ING: The assumed rate rises are after our Investor day but I will grant you that. We stick with what we have said. And I understand that you want to have more guidance on NII and what it does. So we have said quite a number of things. First of all, you said ING had said there was no benefit from rate rises but we have said there is a benefit from rate rises. We have said that the EUR 600 million drag is already out. We have said this year that will have a positive impact on NII. This year will be higher. We said we see benefits in

1Q2022 ANALYST meeting Transcript
6 May 2022

many markets and we will give you more guidance on NII in sensitivity on 13th of June. It is 5.5 weeks and then we can talk about it.

Stefan Nedialkov – Citi: Okay. Got it. Thank you.

- **Benoit Petrarque – Kepler Cheuvreux**

Just a short one on Basel IV, given the risk weighted assets have been moving quite substantially this quarter. What is your pro-forma Basel IV CET1 at the end of Q1, please?

Steven van Rijswijk – CEO ING: We did not have any further impact on Basel IV in the first quarter.

Benoit Petrarque – Kepler Cheuvreux: Okay. So I think the difference was less than 30 bps, right?

Steven van Rijswijk – CEO ING: I will give this to Ljiljana but I guess that you mean the remaining impact to come from Basel IV was 30 bps. Is that what you imply?

Benoit Petrarque – Kepler Cheuvreux: Yes, it is.

Steven van Rijswijk – CEO ING: It is less. It is almost zero.

Benoit Petrarque – Kepler Cheuvreux: Okay. So, it is still zero there. Thank you.

- **Esther Castro – Banco Sabadell**

1Q2022 ANALYST meeting Transcript**6 May 2022**

Hi, good morning. Thank you for taking my questions. Just only a follow-up concerning the GDP growth, the sensitivity. Could you share with us any kind of sensitivity scenario concerning the new macro like, for example, for every 1% drop on GDP? What will be the implication on the cost of risk if, of course, you can share that with us? And what are the moving parts in this GDP, factors to provision?

Thank you so much and have a great weekend ahead!

Steven van Rijswijk – CEO ING: Thank you very much, Esther. GDP is only one of the elements that have an impact. But then the question is what does it do to inflation, what does it do to unemployment and what does it do to energy prices? So, there are heaps of elements that you then also would need to know, but because GDP stand-alone is a much too simple metric to base the cost of risk on. Otherwise, we would not have needed Ljiljana for this because it is actually quite complicated. So there are more layers behind this and that we do not disclose.

Esther Castro – Banco Sabadell: Okay. Thank you.

- **Robin van den Broek – Mediobanca**

Sorry to come back into the queue. Could you maybe give us a bit more explanation about the tax implications to do buybacks in The Netherlands? I guess it has to do with how much cash dividends you pay, but I am just trying to understand how this will affect future decisions on capital return, cash versus buybacks.

Secondly, I was wondering if you could give any disclosure about how much revenue/P&L would be lost on the back of your unwind of the Russian activities?

1Q2022 ANALYST meeting Transcript6 May 2022

Steven van Rijswijk – CEO ING: Okay. We do not disclose the income amount on Russia, but you know how big the book is. You typically know what the NIM is, then you can make sort of an extrapolation at certain levels what the revenue on an annual basis was with Russian clients. By the way, it is gradually winding down, so part short term, part longer term. But in the meantime, of course, and that is what I said also in the past, if you look at the total exposure, we have a total exposure to clients of around EUR 630 billion, and of that customer exposure EUR 5.8 billion is Russia exposure, which is less than 1%. So, from an exposure point of view and therefore a growth point of view, we grow much quicker in mortgages and the remaining of the book than that the book in Russia is actually coming down. So, the impact of that is limited. If we cannot grow there, we have enough opportunity to grow elsewhere.

Regarding tax, I will leave that to Tanate.

Tanate Phutrakul – CFO ING: Robin, maybe the best thing to do is probably to contact our Investor Relations. They can talk you through it. It is a complex rule involving looking at historical cash payments, over seven years. I think it is better if we reach out to you after this call.

Robin van den Broek – Mediobanca: That is fine. Perfect. Have a good day!

Steven van Rijswijk – CEO ING: Same to you!

As there are no more questions, I wish you a great Friday and a great weekend! Thank you again, we will speak soon!

—

End of call



1Q2022 ANALYST meeting Transcript
6 May 2022

Appendix

1Q2022 ANALYST meeting Transcript

6 May 2022

Volatile items 1Q2022

Volatile items and regulatory costs (in € mln)

	1Q2021	2Q2021	3Q2021	4Q2021	1Q2022
WB/FM – valuation adjustments	11	11	38	3	-70
Capital gains/losses	36	-2	6	5	26
Hedge ineffectiveness	23	11	7	-24	81
Other items income*	233	155	50	92	-68
Total volatile items – income	303	175	101	76	-31
Incidental items - expenses**	-84	-39	-233	-166	0
Total volatile items	219	136	-132	-90	-31
Regulatory costs	-587	-172	-121	-385	-649

* Other items income in 1Q2021 consists of €233 mln TLTRO III benefit; 2Q2021 consists of €83 mln TLTRO benefit and a €72 million receivable due to a better than expected recovery of the insolvency of a financial institution in the Netherlands; 3Q2021 consists of €84 mln TLTRO III benefit and €-34 mln estimated loss following the agreement to transfer ING's retail banking operations in Austria to bank99; 4Q2021 consists of €34 mln TLTRO III benefit and a €8 mln reversal of the estimated loss on the transfer of ING's retail banking operations in Austria to bank99; 1Q2022 consists of €82 mln TLTRO III benefit and a €-150 mln impairment on our equity stake in TIB

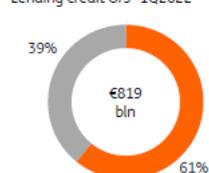
** Incidental items expenses in 1Q2021 consists of €-84 mln of redundancy and restructuring costs following the announced restructuring of the branch network and the retail advice organisation in the Netherlands and the announcement to leave the Czech retail market; 2Q2021 consists of €39 mln of redundancy provisions and impairments; 3Q2021 consists of €180 mln provision for compensation of customers on certain Dutch consumer credit products, €44 mln impairment on Payvision and €9 mln of redundancy and restructuring costs in the RB Netherlands; 4Q2021 consists of €-155 mln of redundancy provisions and impairments in RB OC&GM, primarily related to the announcement to leave the French retail market, and €-11 mln of redundancy and restructuring costs in the Netherlands

18

Well-diversified lending credit outstandings by activity

ING Group

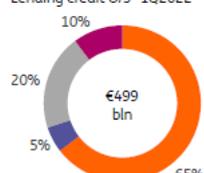
Lending credit O/S* 1Q2022



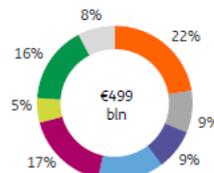
■ Retail Banking
■ Wholesale Banking

Retail Banking

Lending credit O/S* 1Q2022



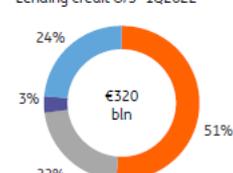
■ Residential mortgages
■ Consumer Lending
■ Business Lending
■ Other Lending**



■ 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

Lending credit O/S* 1Q2022



■ 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

* Lending and money market credit outstandings, including guarantees and letters of credit, but excluding undrawn committed exposures (off-balance sheet positions)
 ** Other includes €40 bln Retail-related Treasury lending and €11 bln Other Retail Lending

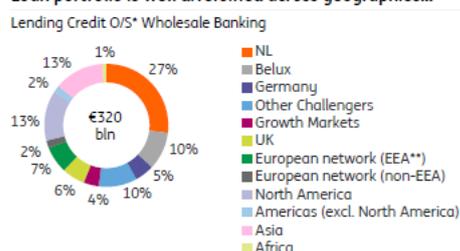
19

1Q2022 ANALYST meeting Transcript

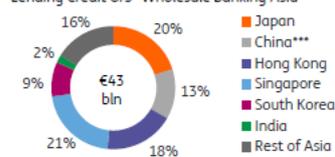
6 May 2022

Wholesale Banking lending

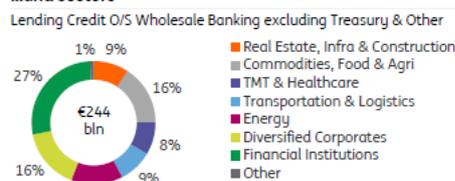
Loan portfolio is well diversified across geographies...



Lending Credit O/S* Wholesale Banking Asia



...and sectors



Oil and gas exposure (Up-, mid- and downstream)



* Lending and money market credit O/S, including guarantees and letters of credit but excluding undrawn committed exposures and other off-balance sheet positions (such as pre-settlement limits) ** European Economic Area; *** Excluding our stake in Bank of Beijing (€1.8 bln at 31 March 2022)

Updated overview exposure related to Russia and Ukraine

Lending credit outstandings (in € bln)

	28 Feb 2022*	31 March 2022	30 April 2022
Lending credit outstandings related to Russia			
Russian borrower with Russian ownership	5.0	4.2	4.2
Russian borrower with non-Russian ownership	0.3	0.4	0.5
Non-Russian borrower with Russian ownership	1.5	1.3	1.1
Total Russia-related exposure	6.7	6.0	5.8
Booked at ING in Russia	1.3	1.2	1.3
Of which covered by (European) parent guarantees	0.2	0.2	0.2
Booked at other ING entities	5.3	4.8	4.5
Of which covered by ECA and CPRI	2.2	1.2**	1.2
Affected by sanctions	0.7	2.8	3.3
Undrawn committed facilities	0.6	0.8**	0.7
Equity in Russian subsidiary	0.2	0.1	0.1
Lending credit outstandings related to Ukraine			
Booked at ING in Ukraine	0.4	0.4	0.4
Booked at other ING entities	0.2	0.2	0.2
Total	0.5	0.6	0.6
Of which covered by (European) parent guarantees	0.2	0.2	0.2

Lending credit outstandings, including pre-settlement, money market and investment limits, excluding undrawn committed exposures (off-balance sheet positions)

* As published on 4 March 2022

** Delta vs 28 February mainly reflects further refinement post end-of-month closing

1Q2022 ANALYST meeting Transcript

6 May 2022

Provisioning per Stage

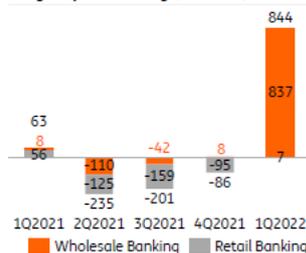
Stage 1 provisioning (in € mln)



Main drivers 1Q2022

- Partial release of Covid-19 related sector overlays applied in previous quarters

Stage 2 provisioning (in € mln)



Main drivers 1Q2022

- Rating downgrades following sovereign rating downgrade
- Stage migration due to watch list transfers
- Management overlay related to Russian exposure
- Updated macroeconomic indicators
- Partial release of Covid-19 related sector overlays applied in previous quarters

Stage 3 provisioning (in € mln)



Main drivers 1Q2022

- Collective provisioning in Retail Banking
- Some additions for new and existing individual files in Wholesale Banking

Note: provisioning as shown per Stage excludes off-balance sheet provisioning and modifications

1Q2022 ANALYST meeting Transcript

6 May 2022

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 2021 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 and customer behaviour, in particular economic conditions in ING's core markets, including changes affecting currency exchange rates and the regional and global economic impact of the invasion of Russia into Ukraine and related international response measures (2) 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) fiscal uncertainty in Europe and the United States (7) discontinuation of or changes in benchmark indices (8) inflation and deflation in our principal markets (9) changes in conditions in the credit and capital markets generally, including changes in borrower and counterparty creditworthiness (10) failures of banks falling under the scope of state compensation schemes (11) non-compliance with or changes in laws and regulations, including those concerning financial services, financial economic crimes and tax laws, and the interpretation and application thereof (12) geopolitical risks, political instabilities and policies and actions of governmental and regulatory authorities, including in connection with the invasion of Russia into Ukraine and related international response measures (13) legal and regulatory risks in certain countries with less developed legal and regulatory frameworks (14) prudential supervision and regulations, including in relation to stress tests and regulatory restrictions on dividends and distributions, (also among the members of the Group) (15) regulatory consequences of the United Kingdom's withdrawal from the European Union, including authorizations and equivalence decisions (16) ING's ability to meet minimum capital and other prudential regulatory requirements (17) changes in regulation of US commodities and derivatives businesses of ING and its customers (18) application of bank recovery and resolution regimes, including write-down and conversion powers in relation to our securities (19) outcome of current and future litigation, enforcement proceedings, investigations or other regulatory actions, including claims by customers or stakeholders who feel misled or treated unfairly, and other conduct issues (20) changes in tax laws and regulations and risks of non-compliance or investigation in connection with tax laws, including FATCA (21) operational and IT 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 (22) risks and challenges related to cybercrime including the effects of cyberattacks and changes in legislation and regulation related to cybersecurity and data privacy (23) changes in general competitive factors, including ability to increase or maintain market share (24) inability to protect our intellectual property and infringement claims by third parties (25) inability of counterparties to meet financial obligations or ability to enforce rights against such counterparties (26) changes in credit ratings (27) business, operational, regulatory, reputation, transition and other risks and challenges in connection with climate change and ESG-related matters (28) inability to attract and retain key personnel (29) future liabilities under defined benefit retirement plans (30) failure to manage business risks, including in connection with use of models, use of derivatives, or maintaining appropriate policies and guidelines (31) 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, and (32) the other risks and uncertainties detailed in the most recent annual report of ING Group N.V. (including the Risk Factors contained therein) and ING's more recent disclosures, including press releases, which are available on www.ing.com.

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23