Third quarter 2021 results

ING posts 3Q2021 net result of €1,367 mln

Steven van Rijswijk, CEO of ING

4 November 2021

do your thing

Key points

- Focus on climate action continues to accelerate and we actively engage with companies to finance the investments needed for the transition to a low-carbon economy
- Strong pre-provision result, supported by continued strong fee income, higher lending margins and negative interest rate charging as well as cost control, despite ongoing margin pressure on customer deposits
- Net core lending growth was €3.1 bln, reflecting continued mortgage growth in Retail and repayments in Wholesale Banking. Net core deposits growth was €-0.6 bln
- Fee income remained strong, up 20% YoY. Daily banking fees increased reflecting higher package fees and a recovery of domestic payment transactions. Lending fees increased, while YoY also investment product fees were higher
- Risk costs were €39 mln with a stable Stage 3 ratio at 1.5% and we are confident about the quality of our loan book
- 3Q2021 CET1 ratio was slightly higher at 15.8%, with 50% of 3Q2021 resilient net profit reserved outside of CET1 capital for distribution

A sustainability leader supporting our clients in the transition

We published our integrated climate report

- The 2021 climate report integrates our progress on climate alignment of our loan book and climate risk management
- On climate alignment, 5 of the 9 sectors covered by our Terra approach are within the decarbonisation pathway per our initial Paris-aligned ambition as we set in 2018
- We raised our ambition to reach net zero by 2050 and will update the sector targets
  - For upstream Oil & Gas we have already set a more ambitious net zero target to reduce funding (from 2019 levels) by 12% by 2025
  - Net zero targets for other sectors will be adjusted based on industry transition scenarios
- On climate risk, we have made further progress on embedding climate risk considerations into our risk management framework, with main progress on heat mapping and scenario analysis

We support our clients in the transition to a low-carbon economy

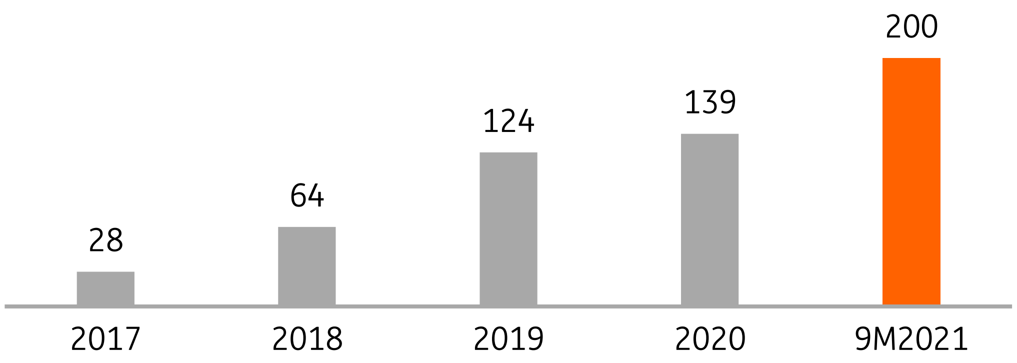
Aligned™ Adaptive Data Centers

€1.35 bln Green securitisation
1st green asset-backed security for a data centre provider

Jemena bringing energy to life

Development of a Green finance framework for the use of proceeds of green loans and bonds

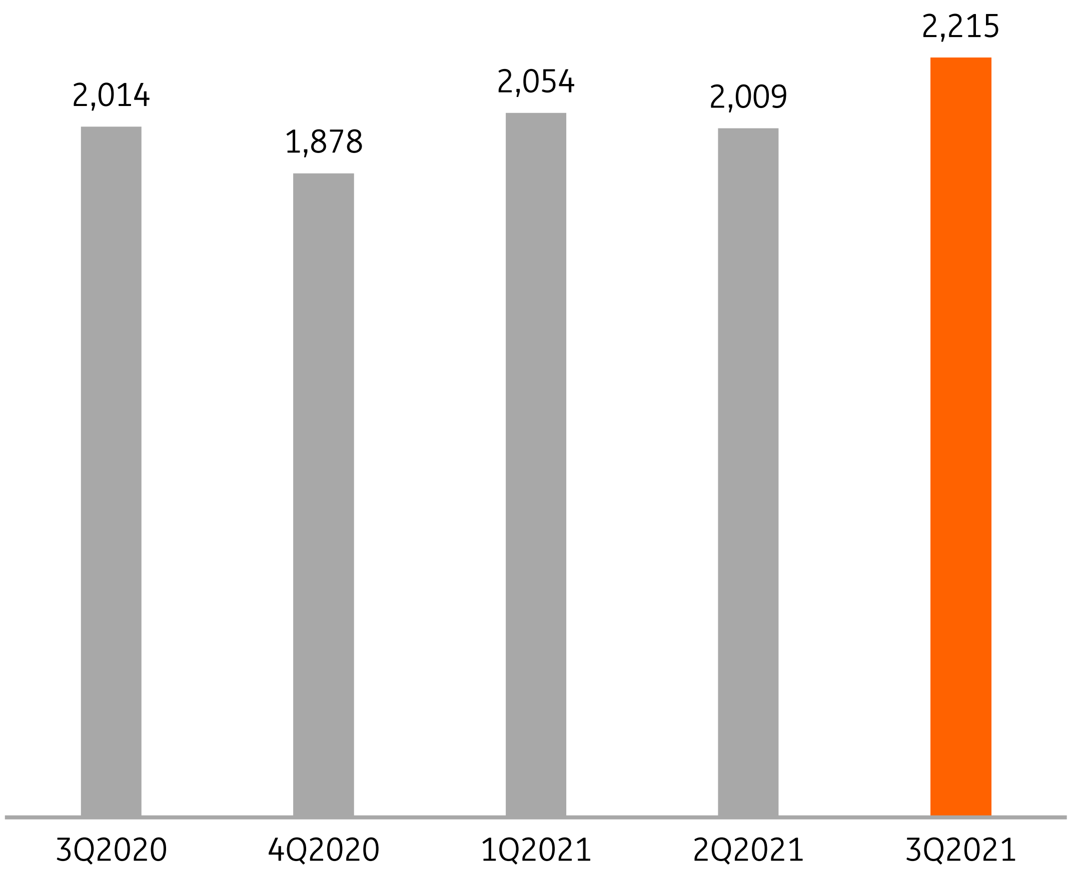
Sustainability deals* (#)



* Sustainability deals include sustainability loans and bonds, green loans and bonds, sustainable structured finance, social loans and bonds, and sustainable investments

Strong pre-provision result reflecting continued fee growth

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

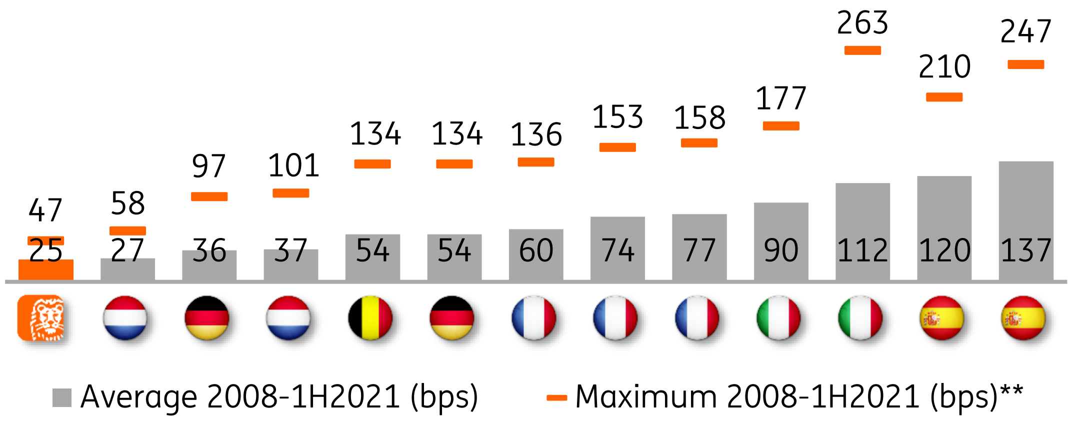


- As both income and costs improved, this quarter's pre-provision result excluding volatile items and regulatory costs increased ~10% both YoY and QoQ
- 3Q2021 pre-provision result was comparable to pre-Covid-19 levels, although with a changing composition of income as fee growth compensated for NII pressure
- The share of fee income increased to ~19%. We consider this higher fee level mostly structural with room for further growth in line with our 5-10% growth ambition
- While pressure on liability income continues, NII has been resilient
  - Focus will remain on healthy lending margins and a recovery of loan growth with business clients
  - 3Q2021 NII was also supported by lower negative interest rate charging thresholds in Retail Benelux and high pre-payment penalties on mortgages in the Netherlands, while liability margin pressure will continue and the impact is not linear
- Good cost control, with cost savings absorbing CLA-related increases

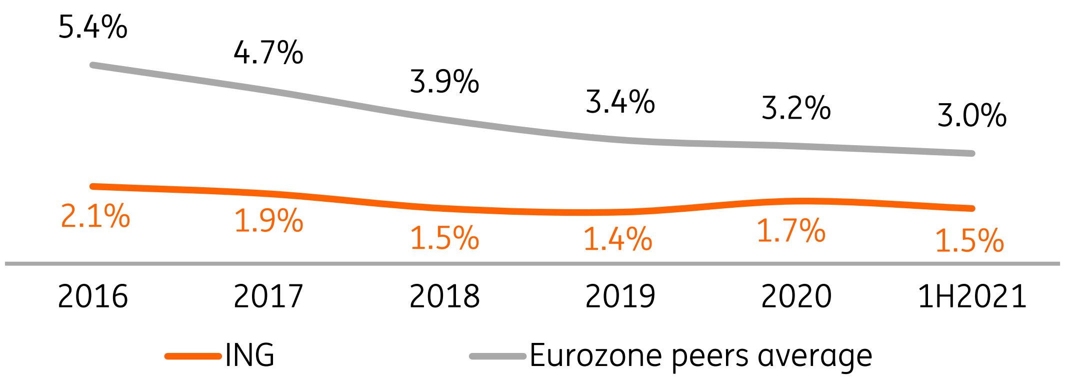
* As included in volatile items on slide 18

The quality of our loan book is strong

Risk costs compared to peers* (in bps of customer lending)



Stage 3 ratio compared to peers*



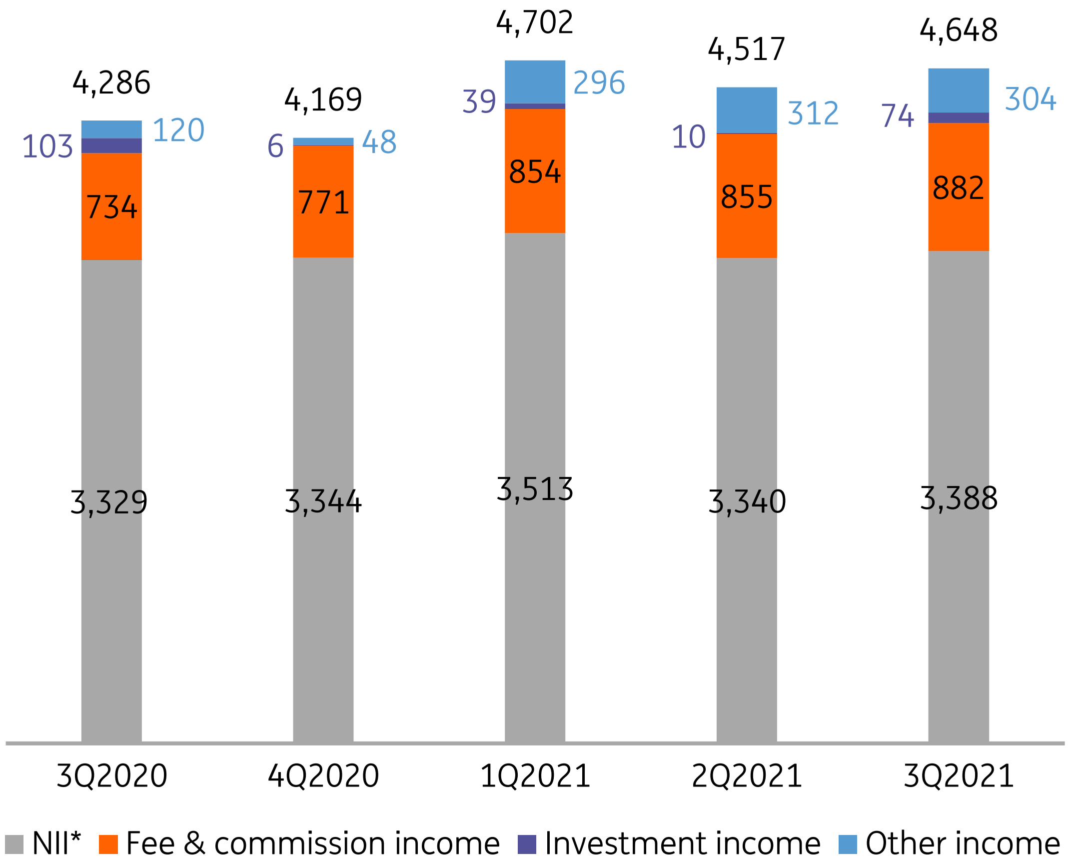
- In 3Q2021 we released €96 mln of management overlays applied in previous quarters, reflecting a recovery of economic activity, robust GDP forecasts and improved risk indicators on our loan book
- While defaults in our loan book have been limited, the additional monitoring and provisioning for sectors vulnerable under Covid-19 remain in place
- As economies re-opened, the surge in demand brings new challenges with strained supply chains, staffing shortages and rising prices. We closely monitor our loan book also given these market dynamics
- We are supported by our prudent risk framework, which remained in place unchanged under Covid-19. This is evidenced by a strong loan book, with risk costs and a Stage 3 ratio well below eurozone peers
  - Well-diversified loan book in terms of product type, client segment and geography
  - Senior ranked and well-collateralised with the majority of exposure to investment grade customers
  - Historically provisioning has been more than sufficient to cover actual write-offs

Source: Bloomberg, Annual disclosures
* Eurozone peers include ABN AMRO, BBVA, BNP Paribas, Commerzbank, Credit Agricole, Deutsche Bank, Intesa Sanpaolo, KBC, Rabobank, Santander, Société Générale and UniCredit
** Highest number of bps in a calendar year

3Q2021 results

Income supported by continued strong fee income

Income (in € mln)

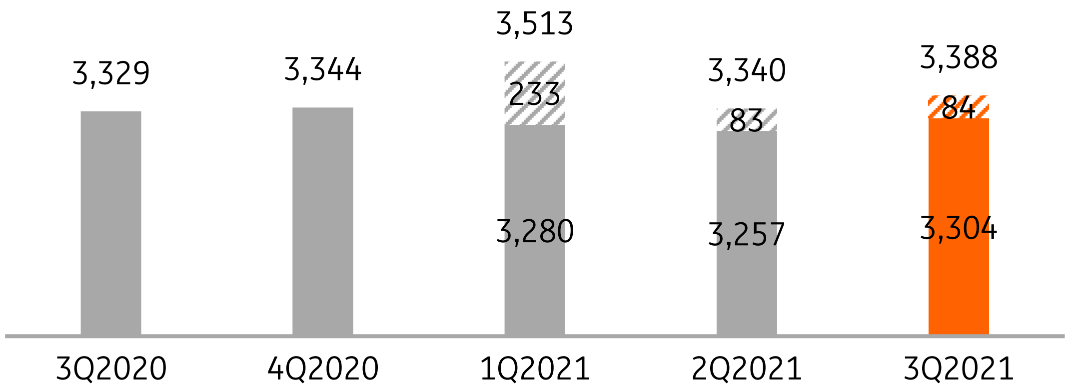


- Total income YoY included another strong quarter for fee income
  - Fee income was up for all products, with daily banking as the main driver
  - NII included a €84 mln TLTRO III benefit in 3Q2021
  - Other income was higher, as 3Q2020 included a €230 mln impairment on ING's equity stake in TMB
  - Investment income included the €97 mln annual dividend from our stake in the Bank of Beijing (€95 mln in 3Q2020), however was lower due to an estimated €34 mln loss related to the previously announced agreement to transfer our Retail Banking operations in Austria to bank99
- Sequentially, total income was supported by continued strong fee income as well as higher NII from lending activities
  - Fees were up, driven by higher fees for lending and daily banking products. This compensated for lower Financial Markets fees, while investment product fees were stable
  - The €84 mln TLTRO III benefit included in NII was comparable to the €83 mln booked in 2Q2021
  - Investment income was higher reflecting the €97 mln annual dividend from our stake in the Bank of Beijing

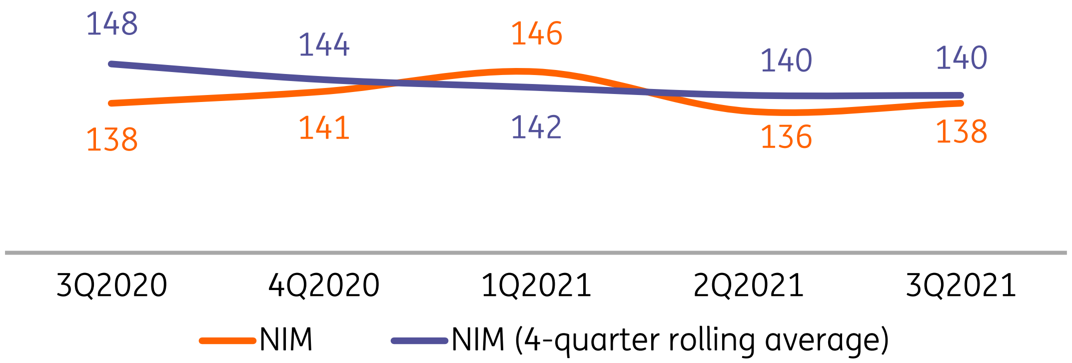
* NII included the following amounts related to a TLTRO III benefit: €233 mln in 1Q2021, €83 mln in 2Q2021 and €84 mln in 3Q2021

Resilient NII; 4-quarter rolling average NIM stable at 140 bps

Net interest income (in € mln)



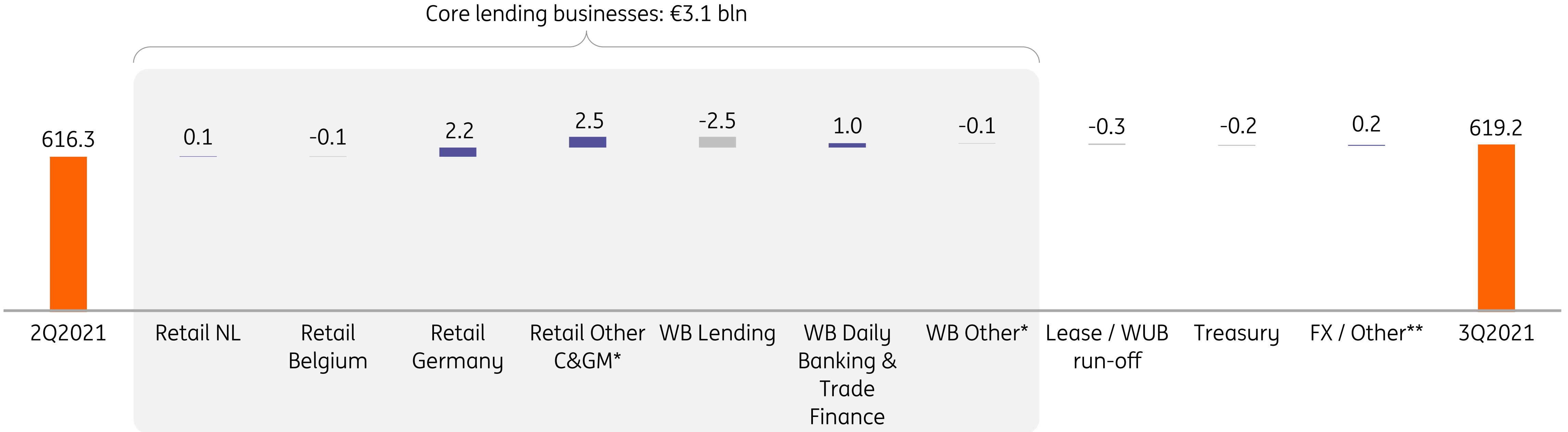
Net Interest Margin (in bps)



- NII in 3Q2021 was supported by €84 mln of TLTRO III benefit. Excluding this benefit, NII was supported YoY by higher average lending volumes at a slightly higher margin as well as increasing contribution of negative interest rate charging in Retail Benelux. The more volatile interest results in Financial Markets and FX ratio hedging also increased. This was offset by continued pressure on customer deposit margins at higher average liability volumes
- Sequentially, NII excluding the TLTRO III benefit was supported by the aforementioned growth in lending NII, while the lowering of the thresholds for negative interest rate charging in Retail Benelux at the beginning of 3Q2021 helped to absorb pressure on customer deposit margins
- 3Q2021 NIM was 138 bps, up two basis points from 2Q2021. This was mainly driven by higher lending margins, while liability margin pressure was largely absorbed this quarter by increased charging of negative interest rates

Sustained mortgage growth, higher repayments in WB

Customer lending 3Q2021 (in € bln)

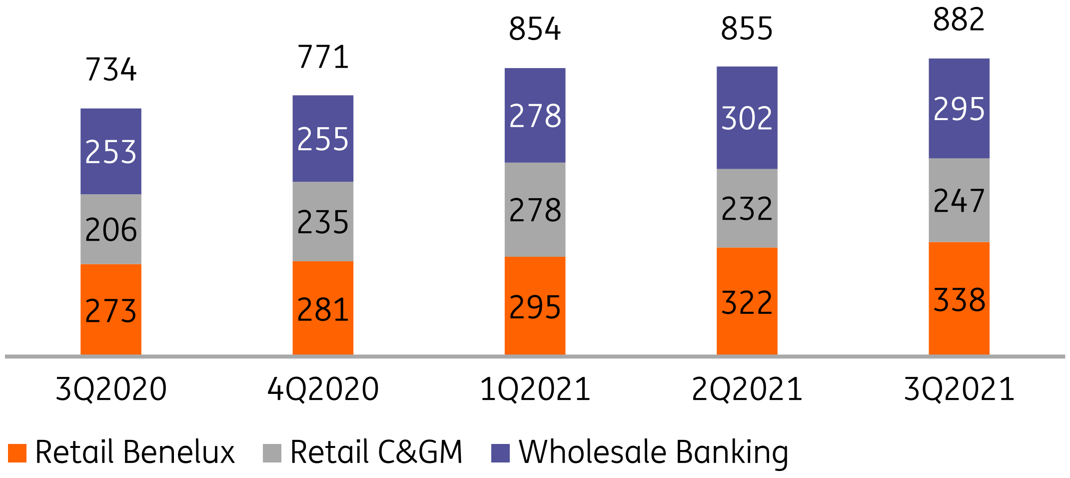


- Net core lending growth was €3.1 bln in 3Q2021
  - Retail Banking was €4.7 bln higher. Mortgages grew by €3.8 bln, due to sustained growth in most countries (primarily in Germany, Poland and Spain), whereas other retail lending increased by €0.9 bln
  - Wholesale Banking decreased by €1.6 bln, mainly in Lending, reflecting repayments of short term facilities, partially offset by growth in Daily Banking & Trade Finance
- Net core deposits growth (excluding the run-off in RB Austria and RB Czech Republic) was €-0.6 bln

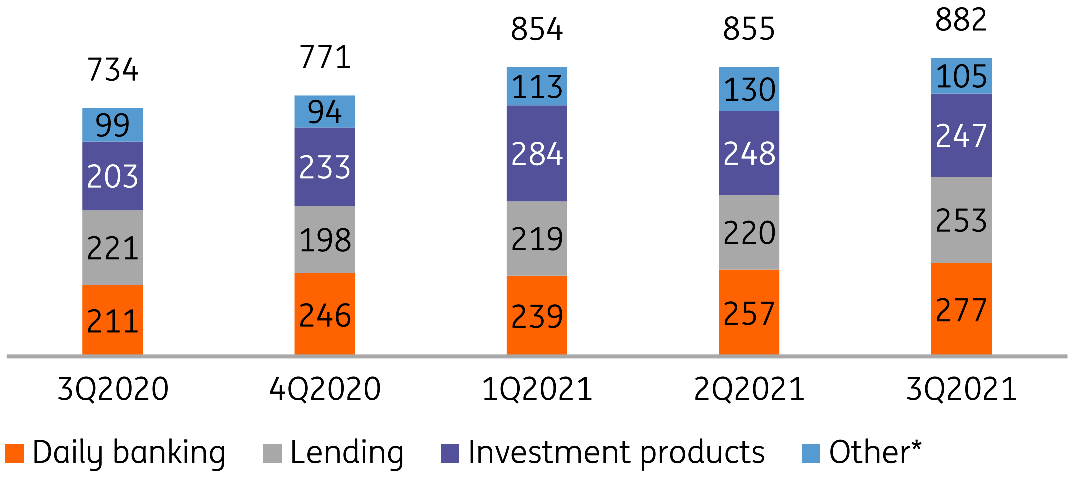
* C&GM is Challengers & Growth Markets; WB Other includes Financial Markets
** FX impact was €0.5 bln and Other €-0.3 bln

Fee income strong

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



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

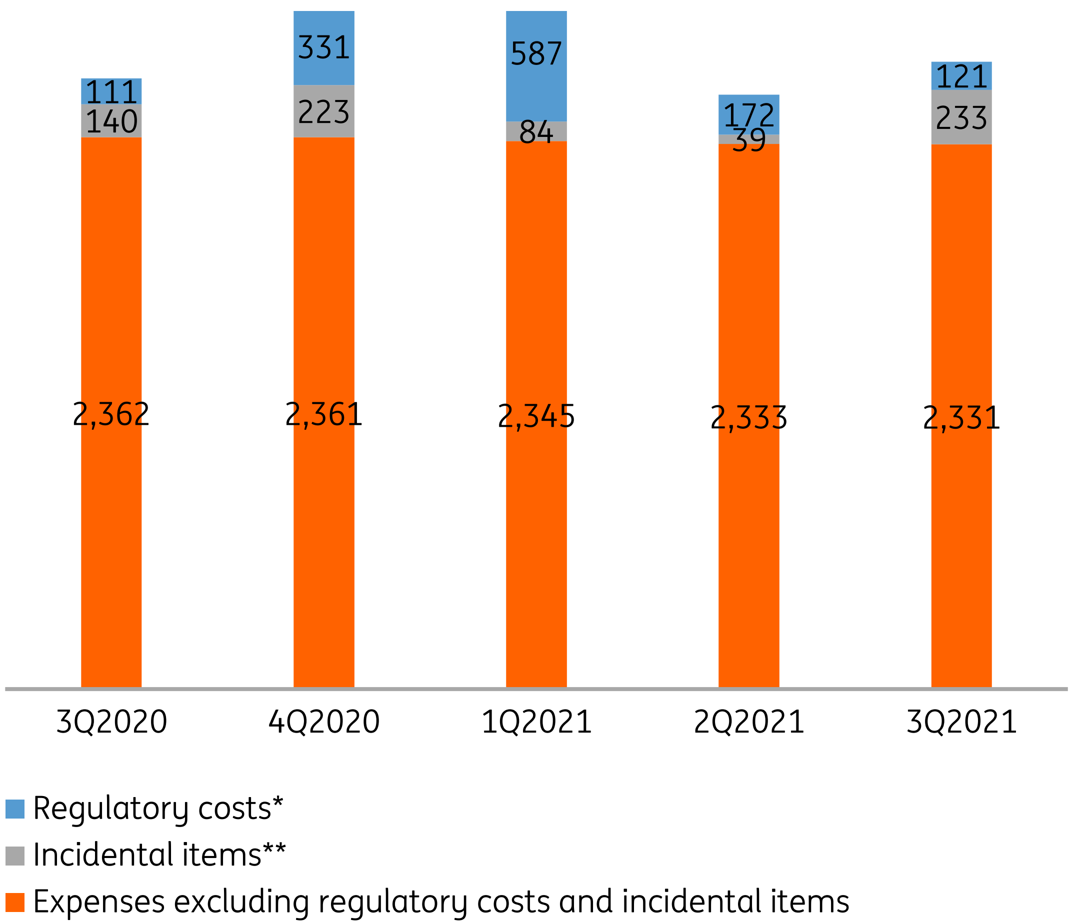


- Compared to 3Q2020, overall fee growth was 20%
  - In Retail Banking, fee growth was 22%. This was mainly driven by daily banking fees, as the benefit from higher package fees became visible, while (domestic) payment transactions further recovered. Fees from investment products were higher as assets under management, the number of new accounts and number of trades all increased. Lending fees were also up
  - Fees in Wholesale Banking were up 17%, driven by higher fees in PCM, TCF, FM and Lending
- Sequentially, fees increased 3.2% on a strong 2Q2021. In Retail Banking, lending fees were up as well as daily banking fees, due to the aforementioned factors. In Wholesale Banking, fees were slightly lower, as growth in lending fees due to higher syndicated deal activity was more than offset by lower fees in FM

* Other includes insurance products and Financial Markets

Operating expenses under control

Expenses (in € mln)

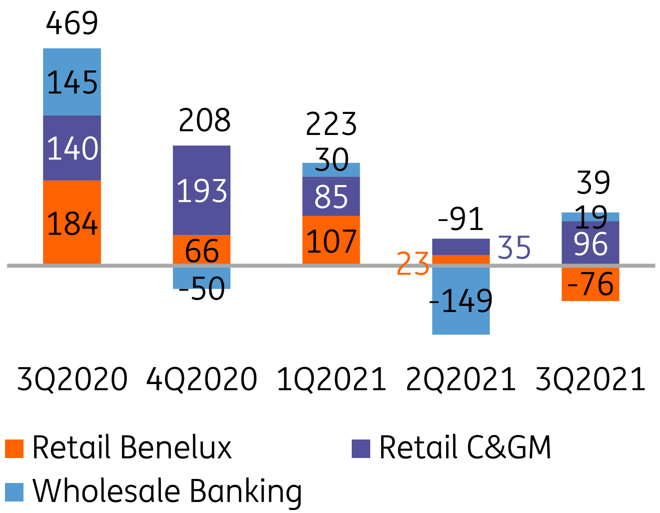


- Expenses included €233 mln of incidental items, reflecting a €180 mln provision for compensation to retail customers on certain Dutch consumer credit products and €53 mln for an impairment and redundancy costs. This compares to €140 mln impairments on software in 3Q2020 and €39 mln for an IT impairment and redundancy costs in 2Q2021
- Excluding incidental items and regulatory costs, expenses were 1.3% lower YoY, as lower costs for 3rd party staff, professional services and marketing more than offset CLA-related salary increases
- Also sequentially, when excluding regulatory costs and incidental items, expenses were slightly lower despite a lower VAT refund, reflecting cost control
- Regulatory costs were €10 mln higher YoY, mainly reflecting a higher level of covered deposits
- QoQ regulatory costs were €51 mln lower, mainly reflecting a catch-up in 2Q2021 in the DGS contribution in Germany following the Greensill insolvency

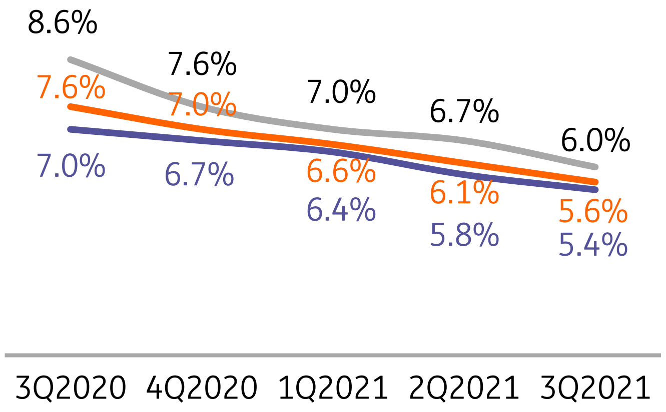
* Formal build-up phase of Deposit Guarantee Schemes (DGS) and Single Resolution Fund (SRF) should be completed by 2024
** Incidental expenses as included in volatile items on slide 18

Risk costs remain well below the through-the-cycle average

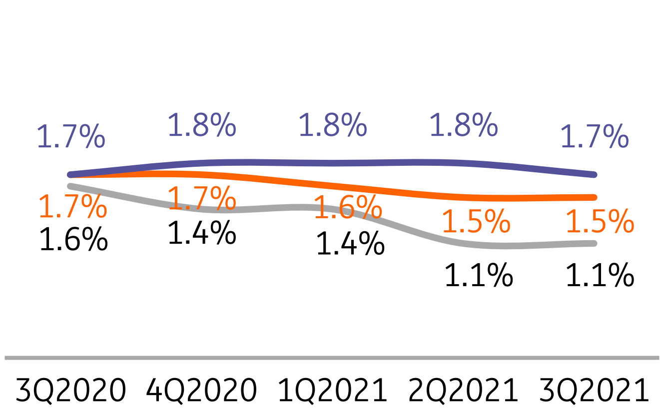
Risk costs per business line (in € mln)



Stage 2 ratio



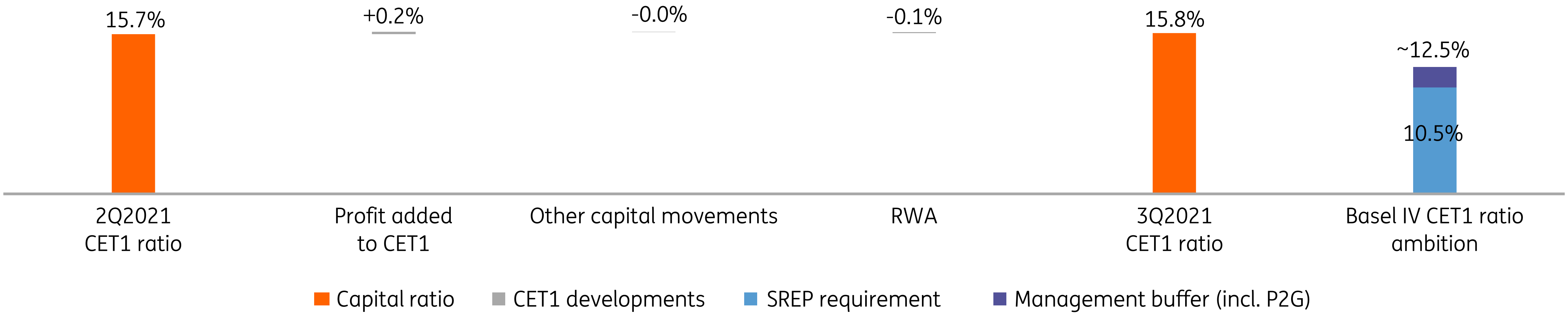
Stage 3 ratio



- 3Q2021 risk costs were €39 mln, or 3 bps of average customer lending, well below the through-the-cycle average of ~25 bps. This included a €96 mln release reflecting robust GDP forecasts and improved risk indicators on our loan book
- In Retail Benelux, risk costs further included a model update in Belgium and some individual Stage 3 additions. Risk costs in Retail C&GM further reflected some collective provisions, mainly in Spain and Poland. Risk costs in Wholesale Banking further included a limited number of individual Stage 3 additions
- The Stage 2 ratio declined to 5.6%, mainly driven by migration back to Stage 1 of business lending customers in Retail Benelux. The Stage 3 ratio was stable at 1.5%

Strong ING Group CET1 ratio at 15.8%

ING Group CET1 ratio development (in %)



- The 3Q2021 CET1 ratio increased to 15.8%. 50% of the 3Q2021 net profit has been reserved outside of CET1 capital for future distribution, in line with our distribution policy. In total, €2,840 mln remains reserved for distribution*
- CET1 capital was €0.6 bln higher, mainly reflecting the addition of 50% of the 3Q2021 net profit
- RWA increased by €1.9 bln, including €0.8 bln FX impact. Both market and operational RWA were lower, while credit RWA excluding FX impacts increased by €3.5 bln, driven by model impacts primarily reflecting ongoing redevelopment of internal models and EBA guidelines. This was partly offset by an improved profile of the loan book and lower lending volumes
- Besides our continued investment in profitable growth and customer experience, we have started the path to optimise our capital structure through specials

* As at 30 September 2021, reflecting the remaining amount reserved over 2019 (which will be distributed via the current share buyback programme) as well as the remaining amount reserved for distribution from the 9M2021 result

ING Group financial ambitions

		Actual 2020	**Actual 3Q2021**	Financial ambitions
Capital	▪ CET1 ratio (%)	15.5%	**15.8%**	~12.5%* (Basel IV)
Profitability	▪ ROE (%)** (IFRS-EU Equity)	4.8%	**8.8%**	10-12%
	▪ *C/I ratio (%)***	*63.2%*	***61.9%***	*50-52%*
Distribution	▪ Distribution (per share)	€0.12***		50% pay-out ratio****

* Implies management buffer (incl. Pillar 2 Guidance) of ~200 bps over fully-loaded CET1 requirement of 10.52%
** 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 30 September 2021, this amounted to €2,840 mln, reflecting the remaining amount reserved over 2019 (which will be distributed via the current share buyback programme) as well as the remaining amount reserved for distribution from the 9M2021 result
*** Final dividend
**** Of resilient net profit

Wrap up

Wrap up

- Focus on climate action continues to accelerate and we actively engage with companies to finance the investments needed for the transition to a low-carbon economy
- Strong pre-provision result, supported by continued strong fee income, higher lending margins and negative interest rate charging as well as cost control, despite ongoing margin pressure on customer deposits
- Fee income remained strong, up 20% YoY. Daily banking fees increased reflecting higher package fees and a recovery of domestic payment transactions. Lending fees increased, while YoY also investment product fees were higher
- Risk costs were €39 mln with a stable Stage 3 ratio at 1.5% and we are confident about the quality of our loan book

Appendix

Volatile items 3Q2021

Volatile items and regulatory costs (in € mln)

	3Q2020	4Q2020	1Q2021	2Q2021	3Q2021
WB/FM – valuation adjustments	91	-13	11	11	38
Capital gains/losses	6	3	36	-2	6
Hedge ineffectiveness	43	-59	23	11	7
Other items income*	-230	0	233	155	50
Total volatile items – income	**-90**	**-69**	**303**	**175**	**101**
Incidental items - expenses**	-140	-223	-84	-39	-233
Total volatile items	**-230**	**-292**	**219**	**136**	**-132**
Regulatory costs	-111	-331	-587	-172	-121

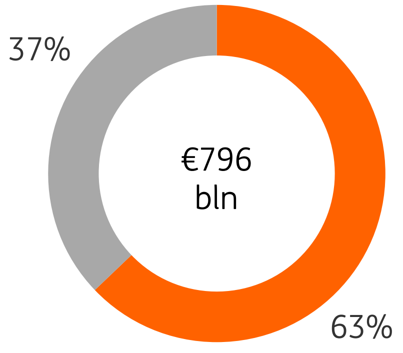
* Other items income in 3Q2020 consists of €-230 mln of impairments on ING's equity stake in TMB; 1Q2021 consists of €233 mln TLTRO III benefit; 2Q2021 consists of €83 mln TLTRO benefit and a €72 million receivable due to a better than expected recovery of the insolvency of a financial institution in 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

** Incidental items expenses in 3Q2020 consists of €-140 mln of impairments on capitalised cost of software related to project Maggie (both in RB OC&GM); 4Q2020 consists of €-223 mln of incidental costs due to restructuring provisions and impairments as well as a provision for customer claims in the Netherlands; 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

Well-diversified lending credit outstandings by activity

ING Group*

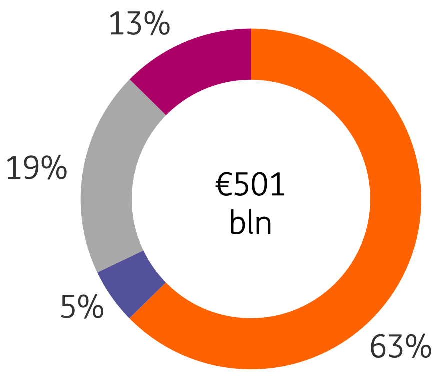
3Q2021



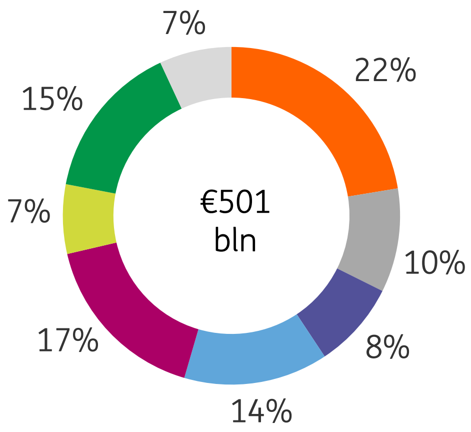
- Retail Banking
- Wholesale Banking

Retail Banking*

3Q2021



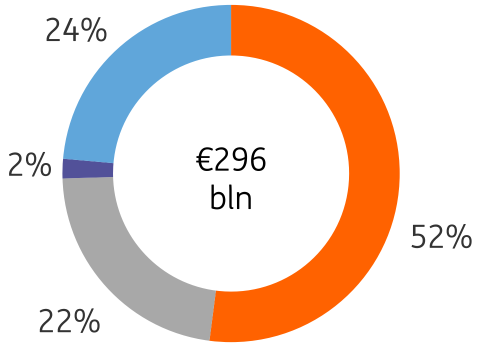
- Residential mortgages
- Consumer Lending
- Business Lending
- Other Lending**



- 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*

3Q2021

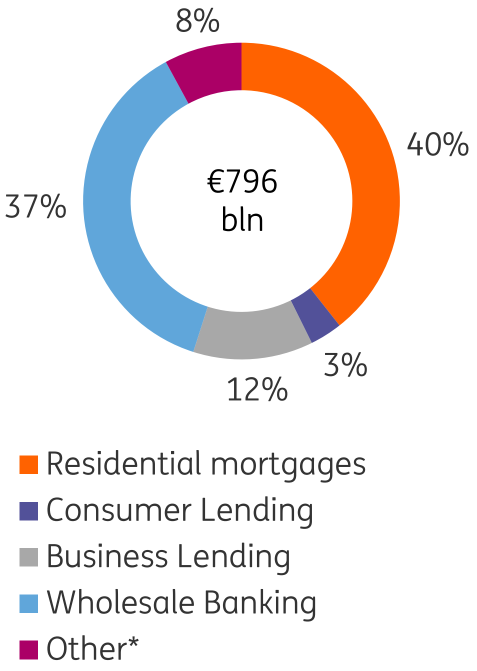


- Lending
- Daily Banking & Trade Finance
- Financial Markets
- Treasury & Other

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

* 30 September 2021 lending and money market credit outstandings, including guarantees and letters of credit, but excluding undrawn committed exposures (off-balance sheet positions)
** Other includes €52 bln Retail-related Treasury lending and €11 bln Other Retail Lending

Our lending book is senior and well-collateralised



Residential Mortgages
€314 bln

- Average LTV of 55% with low Stage 3 ratio at 1.2%
- Risk metrics remained strong

Consumer Lending
€26 bln

- Relatively small book, risk metrics slightly improved

Business Lending
€98 bln

- Limited exposure to most vulnerable sectors:
  - Agriculture: €5.6 bln (0.7% of loan book), Stage 3 ratio at 5.7%
  - Non-food Retail: €3.1 bln (0.4% of loan book), Stage 3 ratio at 3.7%
  - Hospitality + Leisure: €3.8 bln (0.5% of loan book), Stage 3 ratio at 6.7%

Wholesale Banking
€296 bln

- Limited exposure to most vulnerable sectors:
  - Leveraged Finance: €7.5 bln (capped at €10.1 bln), well-diversified over sectors
  - Oil & Gas: €15.2 bln of which €3.3 bln with direct exposure to oil price risk (0.4% of loan book; Reserve Based Lending (€2.4 bln) and Offshore business (€0.9 bln)), Stage 3 at 6.5%
  - Aviation: €4.0 bln (0.5% of loan book), Stage 3% at 2.0%
  - Hospitality + Leisure: €1.5 bln (0.2% of loan book), Stage 3% at 9.0%

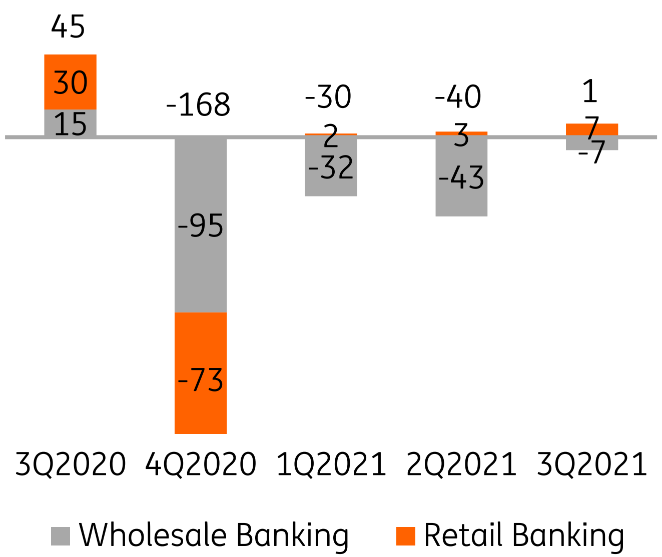
Commercial Real Estate (RB + WB)

- Total €48.3 bln (6.0% of loan book), booked in RB and WB
- Well-diversified capped loan book
- LtV at 49.2% and low Stage 3% at 1.2%

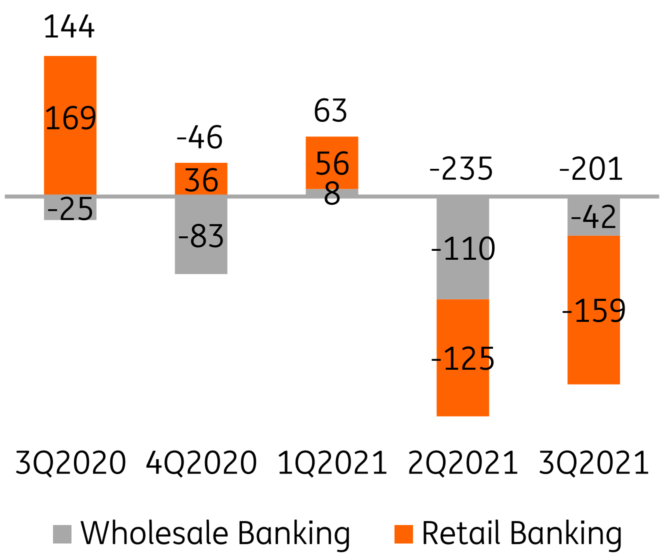
* Other includes €52 bln Retail-related Treasury lending and €11 bln Other Retail Lending

Provisioning per Stage

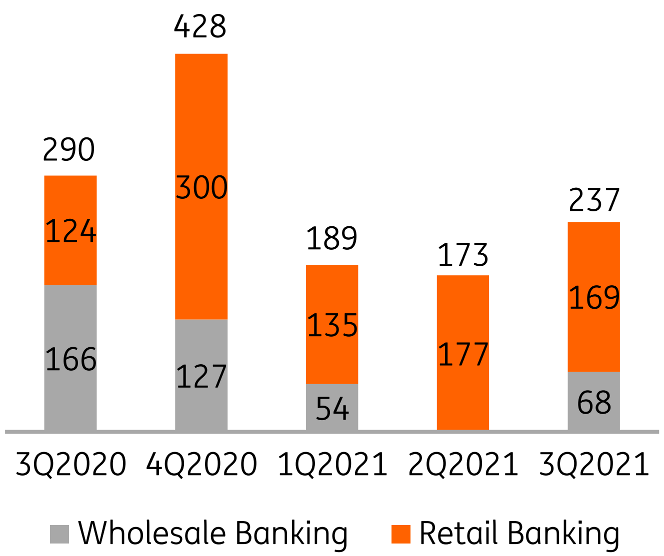
Stage 1 provisioning (in € mln)



Stage 2 provisioning (in € mln)



Stage 3 provisioning (in € mln)



Main drivers 3Q2021

- Partial release of management overlays based on sector analysis

Main drivers 3Q2021

- Partial release of management overlays based on sector analysis

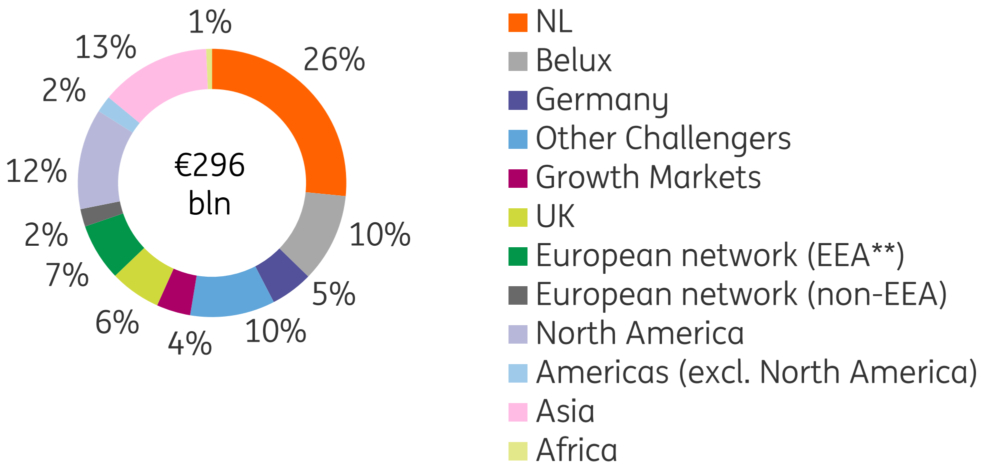
Main drivers 3Q2021

- Additions to collective provisions in Retail Banking, including an addition in Belgium related to a model update
- Additions to some new individual files in Wholesale Banking

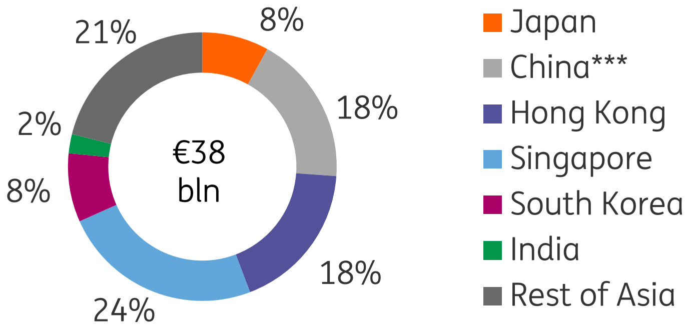
Wholesale Banking lending

Loan portfolio is well diversified across geographies…

Lending Credit O/S Wholesale Banking (3Q2021)*

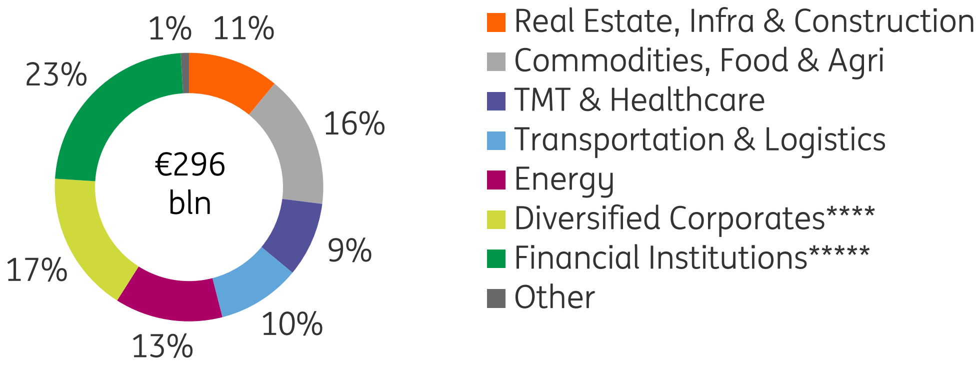


Lending Credit O/S Wholesale Banking Asia (3Q2021)*

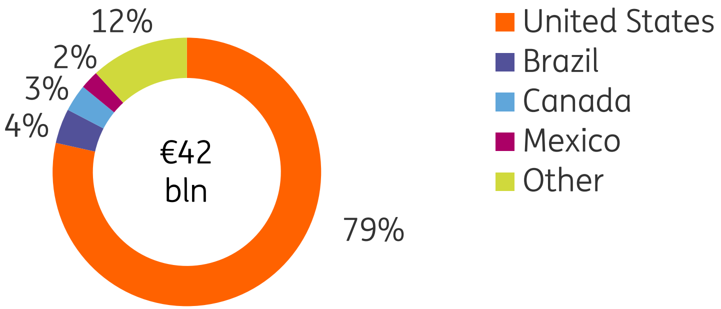


…and sectors

Lending Credit O/S Wholesale Banking (3Q2021)*



Lending Credit O/S Wholesale Banking Americas (3Q2021)*



* Data is based on country/region of residence; Lending and money market credit O/S, including guarantees and letters of credit but excluding undrawn committed exposures (off-balance sheet positions); ** Member countries of the European Economic Area (EEA); *** Excluding our stake in Bank of Beijing (€1.6 bln at 30 September 2021); **** Large corporate clients active across multiple sectors; ***** Including Financial sponsors

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 2020 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 (2) the effects of the Covid-19 pandemic and related response measures, including lockdowns and travel restrictions, on economic conditions in countries in which ING operates, on ING's business and operations and on ING's employees, customers and counterparties (3) changes affecting interest rate levels (4) any default of a major market participant and related market disruption (5) changes in performance of financial markets, including in Europe and developing markets (6) political instability and 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 (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 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 who feel mislead 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 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 cyber-attacks 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) the 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 and other risks and challenges in connection with climate change (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 Groep N.V. (including the Risk Factors contained therein) and ING's more recent disclosures, including press releases, which are available on www.ING.com.

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

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

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