

1Q19 ANALYST meeting Transcript

2 May 2019

Operator: Good morning, welcome to ING Q1 2019 conference call. Before handing this conference call over to Mr. Ralph Hamers, 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 statements not involving a historical fact. Actual results may differ materially from those projected in any forward-looking statement. A discussion of factors that may cause actual results to differ from those in any forward-looking statement is contained in our public filings, including our most recent Annual Report on form 20F, filed with the US Securities and Exchange Commission and our earnings Press Release as posted on our website today. Furthermore, nothing in today's comments constitutes an offer to sell or a solicitation of an offer to buy any securities. Good morning Ralph, over to you.

First quarter 2019 results

ING posts 1Q19 net result of €1,119 million

Ralph Hamers, CEO ING Group

Amsterdam • 2 May 2019

thinkforward

ING

1Q19 ANALYST meeting Transcript

2 May 2019

Ralph Hamers – CEO ING: Thank you, operator. Good morning everyone. Welcome to the first quarter 2019 results call. As always, I will take you through the presentation you have been provided with. With me are our CRO, Steven van Rijswijk, and our new CFO Tanate Phutakrul. Welcome Tanate!

During the Investor Day at the end of March we were already able to cover a wide range of topics. It was really a pleasure to spend quite some time with many of you in Germany. You will see that many of the things we talked about there are covered and reflected in these first quarter results.

Key points

- ING posted 1Q19 net profit of €1,119 mln
- Primary customers increased by 150,000 to 12.6 mln, growth mainly in Australia and Germany
- We recorded net core lending growth of €8.7 bln in the quarter; net customer deposit inflow amounted to €4.8 bln
- Furthermore, results were supported by solid income despite challenging market conditions, good cost control, relatively low risk costs, and the release of a currency translation reserve
- On a four-quarter rolling average basis, underlying return on equity was 11.0%
- ING Group's CET1 ratio improved to 14.7% supported by the sale of ING's stake in Kotak Mahindra Bank
- We continue to improve the way we manage non-financial risk; global KYC enhancement programme is rolled out across more than 40 countries and 38 million customers with over 2,500 FTEs working on KYC across the bank

2

ING

Let us turn to the key points of this quarter's performance. ING Group posted a net profit of EUR 1.1 billion in the first quarter. That is leading to a four-quarter rolling underlying return on equity of 11% for the quarter. So, a strong performance there. On the retail side we recorded a net inflow of 150,000 primary customers to reach 12.6 million. Australia and Germany were the strongest contributors for this quarter's growth, but we see growth everywhere on our primary clients.

1Q19 ANALYST meeting Transcript**2 May 2019**

The first quarter was another strong quarter for loan growth with net core lending up by EUR 8.7 billion, again well-diversified by the businesses and the geographies. You will see that later. There was a net customer deposit inflow of around EUR 5 billion.

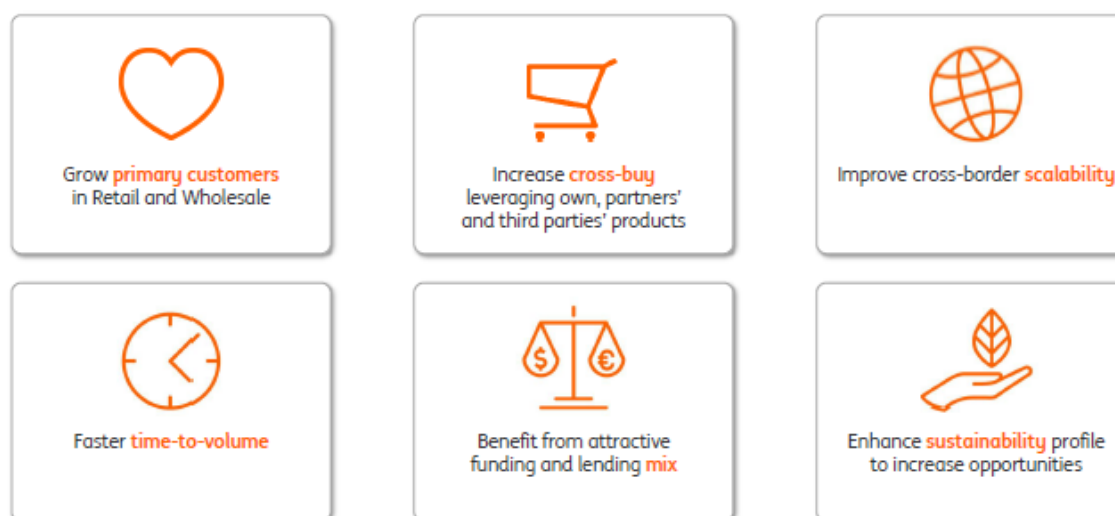
Next to the loan growth at resilient margins, results were supported by solid fee income despite challenging market conditions and the release of a currency translation related to the sale of Kotak.

On the cost side we maintained a good cost discipline. As we expected, the retail Benelux cost continued to trend down, showing the effect of the transformation program.

The Group CET1 ratio came in at a strong 14.7% from 14.5% at the end of the fourth quarter 2018. That was, amongst others, supported by the sale of our Kotak stake.

As a key priority, as you know, we continue our work on the global KYC enhancement program we just rolled out across the whole bank in all client segments and all business units. We have more than 2,500 fte's working on KYC, of which around 500 fte's are involved in file enhancement and therefore more on a project-related basis.

Key value accelerators



3



On slide 3 we come back to the key value accelerators that we presented to you in Frankfurt last month. It all begins with growing primary customers in both retail and wholesale. As you know, these are people and business who have a deeper relationship with ING. They are more loyal, more profitable, they create, what we call, lifetime value. On the back of their loyalty they are doing more business with us, whether or not with our own products or third-party products and services.

Next to that we see the trend that customers, consumers, corporates alike expect the same superior differentiating service and experience it no matter where. That provides us with a great opportunity to deliver cross-border scalable efficiency, through which we can adapt fast to the needs of our clients and the service that we can offer on a more scalable basis. Once you have that, you can increase the time-to-volume for new products and services. A very simple explanation. While we are going country by country, you can reach many more

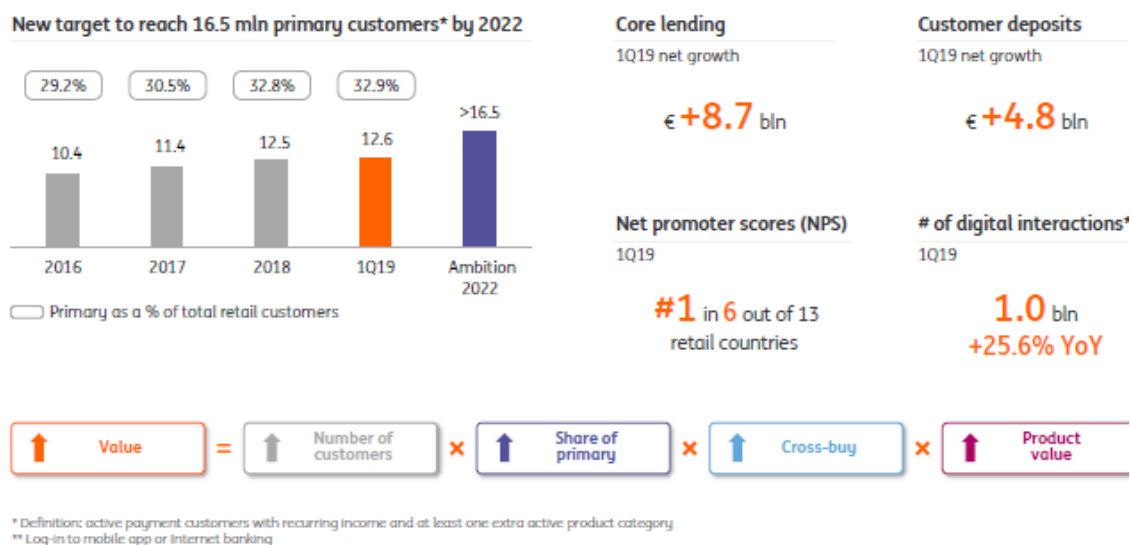
1Q19 ANALYST meeting Transcript

2 May 2019

customers and faster when launching a new service, because basically you can launch it across different countries at once.

We will also continue to benefit from the attractive position as a retail-funded player and a net-credit spread receiver going forward. As we have indicated, sustainability is something that is part of our purpose. At the same time, it is also a driver for growth and value that is integrated throughout all of the businesses. This quarter as well you see some real proved points of this.

Our focus on primary customers and digital drives value



4

Let us take a look at the commercial performance. The first quarter 2019 shows that we kept good commercial growth momentum. I already mentioned the primary customer growth. That is progressing well towards our new ambition. Around one third of our total customer base is now primary. You see that has gone up over the last couple of years. These results cannot be achieved without our dedication to our customer experience and digitalisation across the new markets where we operate. If you look at the loggings, the digital interactions that we measure through loggings through the mobile app, you see that we have increased these interactions

1Q19 ANALYST meeting Transcript

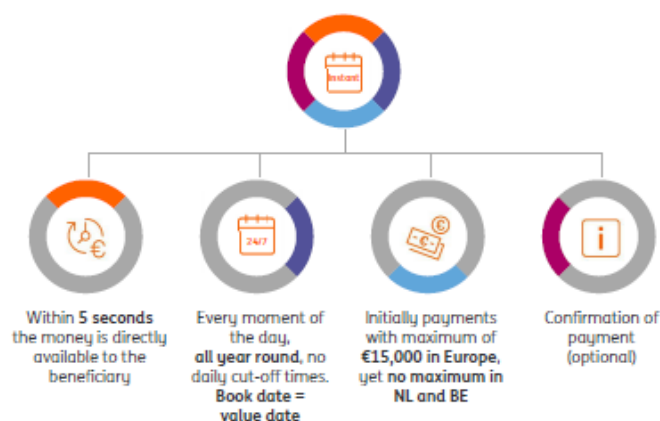
2 May 2019

dramatically, more than 25%. We reached the 1 billion digital interaction mark this quarter. That is really showing that the strategy that we launched five or six years ago to really focus on digital banking, to really invest in technology and make sure that we create a differentiating experience, was right. It looks very promising for us going forward.

Furthermore, if you look at the underlying customers and the way they interact, 26% of our customers currently are mobile-only. This percentage actually more than doubled in the past two years. In the first quarter we ranked number one in six of our thirteen retail markets in terms of Net Promotor Scores. In another four markets we ranked number two. Also there we keep a close eye on the underlying improvement in client experience and how that affects the Net Promotor Score, because this is not only our compass but certainly also a leading indicator of future growth and succes for us. That is why we keep presentint it to you every quarter. For this quarter this lead to a further core lending growth of EUR 8.7 billion and a customer deposit growth of EUR 4.8 billion.

New innovative solutions in the Payments and DLT space

Instant payments launched in the Netherlands and Belgium



* DLT – Distributed Ledger Technology

Main DLT* initiatives of ING in the trade space

- ING joined a consortium with MineHub to develop a blockchain-based platform that would help our clients in the metals and mining sector to lower costs, increase transparency and contribute to sustainable production and trading



- First client transaction completed on Komgo, a platform that digitalises and streamlines trade and commodity finance



1Q19 ANALYST meeting Transcript2 May 2019

On slide 5 we show that we continue to lead the way with innovations that improve the customer experience. In the first quarter we made it certainly easier for our customers to make payments in the Benelux by being part of the initial launch of Instant payments in The Netherlands and Belgium. This will allow customers to have their funds credited to the beneficiary account within five seconds, 24/7. This is really a kind of breakthrough in banking. It is literally real-time banking seven days a week, 24 hours a day. This is a breakthrough in our view. Clearly, we will continue to expand this to other countries later this year. As you realise, we cannot do this by ourselves, because the other banks have to make these investments in their systems to have a real-time clearing more or less as well.

Also, in the first quarter we took several steps with our blockchain and DLT, helping to improve the offering to our clients, to decrease the cost for our clients, to improve the client experience. We have done so in a consortium with MineHub. Also, the first client transaction on the Komgo platform that we have reported to you earlier has now materialized. Promising steps into a direction where things will be cheaper, faster and safer in an environment that is very important to us, which is trade and commodity businesses.

All of that, and clearly also our own DLT-work, is being noticed in a recent analysis in Forbes Magazine. In that analysis the investment firm Reality Shares ranked ING the fifth among global listed companies for its blockchain-related potential. Clearly, we are leading the way there and creating quite some opportunity for further efficiency and safety in banking.

We are recognised as an industry leader in sustainability

Strong sustainability deal activity in 1Q19

- In 1Q19, ING has supported the issuance of 12 sustainable bond transactions, leading to a significant improvement in our Green Bond league table position, and 16 sustainable loan transactions of which 4 green loan transactions and 12 sustainability improvement loans, several of them structured by ING
- This included some sustainability 'firsts' as we empower clients in the transition to a low-carbon economy:



PHP 15 bln green bond – 1st from the Philippines under ASEAN Green Bond Standards



€500 mln green bond to finance electric vehicles – 1st for LeasePlan



\$800 mln RCF – 1st sustainability improvement loan in the US general industrial sector

Recognition



Ranked 9th and Industry Leader of 336 global banks by Sustainalytics in March 2019



In January 2019, ING was named to CDP's Climate A-list for the 4th year running

- Our sustainability expertise was also recognised by several governments:



ING took part in an Austrian government working group on green finance to shape a sustainable future for the country



We received a Polish government mandate to issue euro-denominated green bonds



We were awarded a recurrent mandate to help Spanish regional governments in their sustainability goals

6

You are familiar with our strong commitment on sustainability. Our commitment is clearly to our own footprint and how we can further reduce that, but also to the CO₂-impact that our clients have and the support that we can give to reduce this. In the first quarter alone, ING supported twelve sustainable bond transactions and sixteen sustainable loan transactions, clearly giving us the lead in ESG issuance segments. Many of these deals were first, as we empower our customers in the transition to a low-carbon economy. Customers really trust us in devising their own plan in order to ensure that they are able to issue green bonds. We really know how that works for them.

But we do more than just advising customers and doing these transactions. We are also advising governments in Austria, Poland and Spain to achieve their sustainability goals. The transactions that we do with companies are basically everywhere in the world.

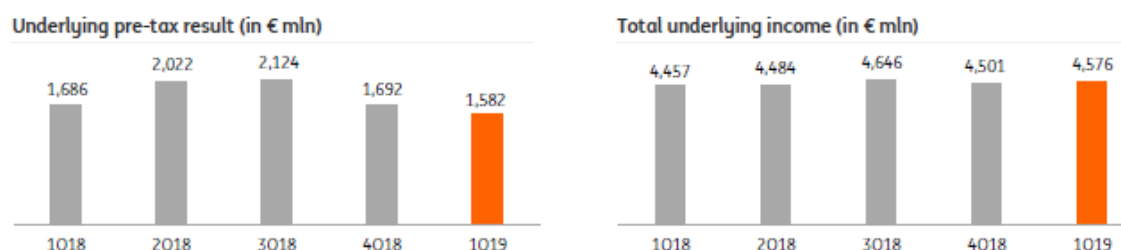
1Q19 ANALYST meeting Transcript

2 May 2019

During the quarter we were recognized for our leadership by several independent institutions, as you can see here. We were named for the fourth year in a row to CDP's A-list of 126 companies that are leading the fight on climate change. We also remain a sustainability leader according to Sustainalytics, ranking us ninth out of 300 banks globally.

1Q19 results

Pre-tax result reflects solid income and higher but still relatively low risk costs



- 1Q19 underlying result before tax was €1,582 mln, down 6.2% from a year ago, fully explained by higher but still relatively low risk costs as an increase in operating expenses was more than offset by higher income
- The increase in total underlying income mainly reflects a €119 mln gain on the release of a currency translation reserve following the sale of ING's stake in Kotak Mahindra Bank in 1Q19. Excluding this gain, income was stable year-on-year as the impact of continued business growth was largely offset by lower Treasury-related revenues and negative valuation adjustments in Financial Markets
- Sequentially, the reduction in pre-tax result was almost fully caused by the seasonally higher regulatory costs recorded in the first quarter

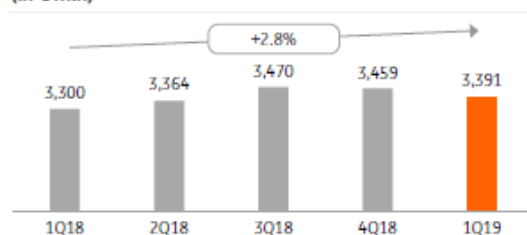
8

ING

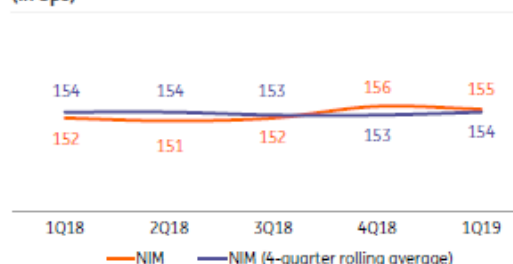
The underlying pre-tax result was nearly EUR 1.6 billion in the first quarter. As you can see, results were down 6% from a year ago, but this is fully explained by higher but still relatively low risk cost. The increase in operating expenses year-on-year was more than offset by higher income. The higher income mainly reflects EUR 119 million gain on the release of a currency translation reserve related to the sale of our Kotak share. When this gain is excluded, year-on-year income was broadly unchanged. If you really look at the underlying business, the growth that we are able to generate was largely offset by lower treasury-related results and negative value adjustments in FM. Sequentially, the lower pre-tax result is fully explained by seasonally higher regulatory costs in the first quarter as you know, despite lower operational cost. We will come back to that.

NII improved year-on-year; 4-quarter rolling NIM at 154 bps

Net interest income excl. Financial Markets (FM)
(in € mln)



Net interest margin remained resilient in 1Q19
(in bps)



- Net interest income, excluding Financial Markets, increased 2.8% compared to 1Q18. The increase was driven by higher interest results on customer lending due to volume growth and an improvement of the interest margin on residential mortgages. The interest margin on other customer lending and customer deposits declined
- Quarter-on-quarter, the decline in NII mirrors similar margin trends as described above despite higher average product volumes in 1Q19
- NIM at 155 bps, one basis point down on 4Q18, attributable to lower (volatile) interest results in Financial Markets, whereas the impact of lower interest margins on non-mortgage lending and customer deposits was offset by a lower average balance sheet

9

Net interest income, excluding Financial Markets, increased 2.8% year-on-year. That is driven by higher interest results on customer lending due to the volume growth that we have indicated and better margins on mortgages. The interest margin on non-mortgage lending declined slightly as we generally notice increased competitive pressures in the market. However, if you really dig deep, the commercial markets saw a selective improvement as we increased internal funds transfer pricing pretty much across the board. So, vis-à-vis our clients we are selectively able to reprice. That is what we do see coming through. So, on mortgages we see it in the margins directly and in the other business we see it beyond the increased internal funds transfer pricing, because that is the all-in price for our customers.

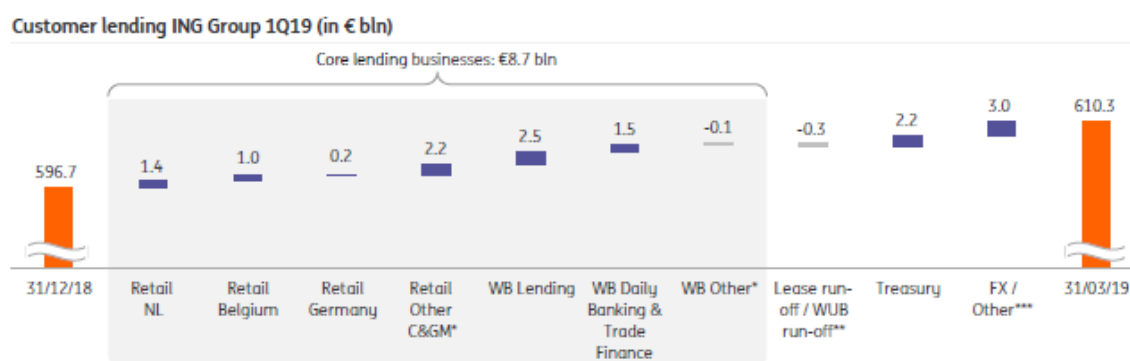
Margins on customer deposits were slightly lower due to the replicating portfolio yields in our main markets, putting pressure on liability income as we can no longer offset that by further reducing our core savings rates. The Group's NIM was down only one basis point to 155 basis points in the first quarter, as you can see. That is explained by the lower always volatile interest

1Q19 ANALYST meeting Transcript
2 May 2019

result in the Financial Markets environment, while the negative impact of the deposit margins was offset by the smaller balance sheet that we have and the way we calculate our NIM.

On a four-quarter rolling average, which filters out the volatility quarter-by-quarter in the NIM, you actually see – that is the blue line – that the NIM was up one basis point at 154 basis points. So, overall a good result on managing our margins here.

Well-diversified net core lending growth in 1Q19



- Our core lending franchises grew by €8.7 bln in 1Q19:
 - Retail Banking increased by €4.8 bln of which €2.9 bln was mortgage growth in most countries and €2.0 bln was other lending growth, primarily in Retail Benelux
 - WB reported an increase of €3.9 bln, including volume growth in oil-price related Trade & Commodity Finance (TCF)

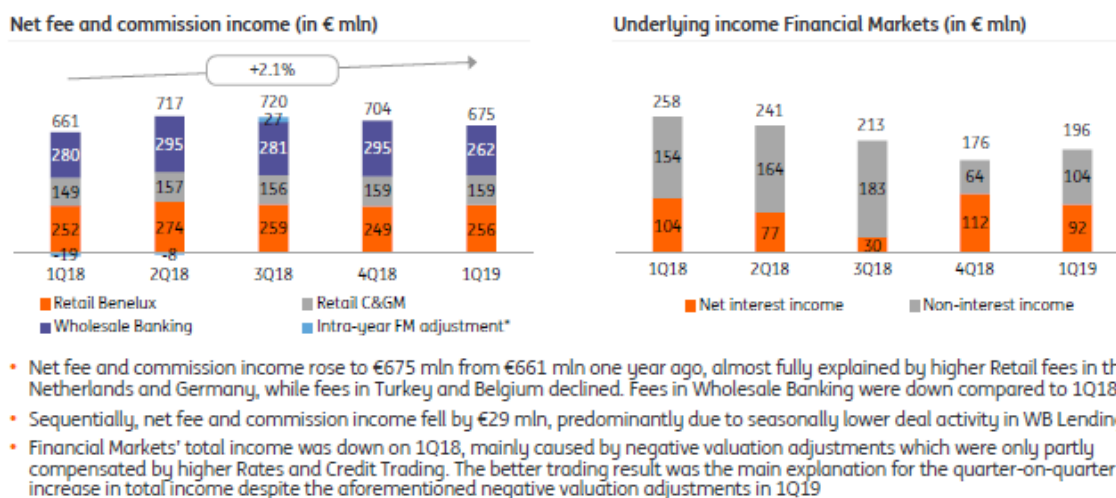
* C&GM is Challengers & Growth Markets; WB Other includes Financial Markets
 ** Lease and WUB run-off was €-0.3 bln (predominantly WUB)
 *** FX Impact was €2.4 bln and Other €0.6 bln

Looking at where the lending comes from, the total EUR 8.7 billion is further explained on slide 10. Again, well-spread across the different businesses. Retail banking increased by EUR 4.8 billion, of which EUR 2.9 billion was on mortgages in almost all countries. EUR 2 billion was other lending growth, mostly in the form of business lending in Belgium and The Netherlands, but also across the board. Wholesale banking reported an increase of EUR 3.9 billion, of which part is explained by volume growth in trade and commodity finance. That is on the back of higher oil prices in the quarter. This was next to the growth in Transport and Logistics as well as Energy, which explains most of the other lending growth in wholesale for the quarter.

1Q19 ANALYST meeting Transcript
2 May 2019

Going back to the Investor Day, we already guided you that our focus on return and appropriate risk may lead to lower wholesale banking lending growth going forward. Particularly because of the strong competition on looser credit standards in the market we are cautious. As you know, as a general principle, we are unwilling to compromise on structure or our prudent risk and return standards. Our focus is return on equity, so pricing and structure are key elements in the way we look at this business.

Resilient fee income development; challenging quarter for FM



* Increase in Wholesale Banking fees in 3Q18 included €27 mln of income related to Global Capital Markets activities that was recorded under 'other income' in 1H18

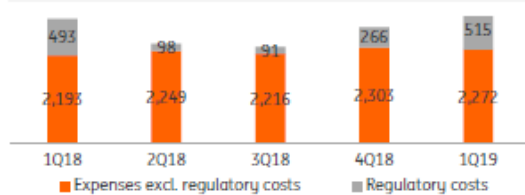
Turning to slide 11 on the fee income. The fee income has increased by 2.1% year-on-year: EUR 675 million now versus EUR 661 million in the same quarter last year. In retail banking this was mainly visible in The Netherlands and Germany with increased fees. In Turkey and Belgium fee income actually declined. In Turkey this was largely due to the last business activity. In Belgium it is mostly related to lower investment product balances during the first quarter due to the still volatile equity markets at the start of the year. Fees in wholesale banking

1Q19 ANALYST meeting Transcript
 2 May 2019

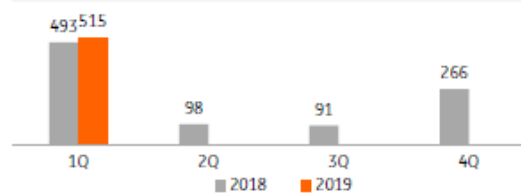
were down compared to the first quarter of 2018 and sequentially fees in wholesale banking were also down due to seasonally lower deal activity in our lending business in the first quarter. Financial Markets total income was down on the same quarter last year, but up from the prior quarter, a development we have also seen with most of our peers. If you look at the underlying, the client was actually rather strong in Financial Markets. The drop was mainly caused by negative valuation adjustments. In rates and credit trading we saw much better results in Financial Markets. There is also the sequential development there.

Retail Benelux cost savings underpin well-controlled cost base

Underlying operating expenses (in € mln)

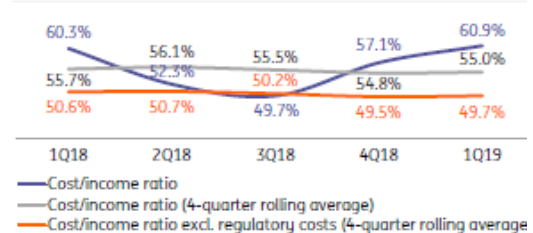


Regulatory costs* (in € mln)



- Expenses excl. regulatory costs rose by €79 mln YoY, mainly in Retail Challengers & Growth Markets and Corporate Line. WB expenses excl. regulatory costs were broadly flat when corrected for the release of a litigation provision in Luxembourg in 1Q18. Retail Benelux recorded lower expenses due to cost savings
- Expenses excluding regulatory costs were down by €31 mln (or -1.3%) QoQ due to lower staff- and transformation-related expenses, as well as lower marketing costs, primarily in Retail Benelux

Underlying cost/income ratio



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

Turning to slide 12, we see and cover the expenses. If we look at the expenses excluding regulatory cost, they went up 3.6% year-on-year and that is mainly in the Retail Challengers & Growth Markets to support the business growth that we have there, but there is also a growth in the corporate line and that is due to higher shareholder and KYC-related expenses. This is the central KYC-organization that we have there. Wholesale banking expenses excluding regulatory cost were broadly flat when corrected for the release of a provisioning in Luxembourg, which you may well remember, in the first quarter of 2018. So, if you correct for that and if you

1Q19 ANALYST meeting Transcript2 May 2019

correct for the inclusion of Payvision in the second quarter of 2018, we actually have flat costs in the wholesale bank. With that, we are proving the recipe that we repeated on the Investor Day. I will come back to that later as well.

In Retail Benelux we continue to see our transformation efforts paying off with the underlying cost base dropping 4.1% year-on-year, also proving the recipe that in that area where income will be under pressure cost really have to decrease. The transformation benefits are coming true, if you look at the cost decrease in that area.

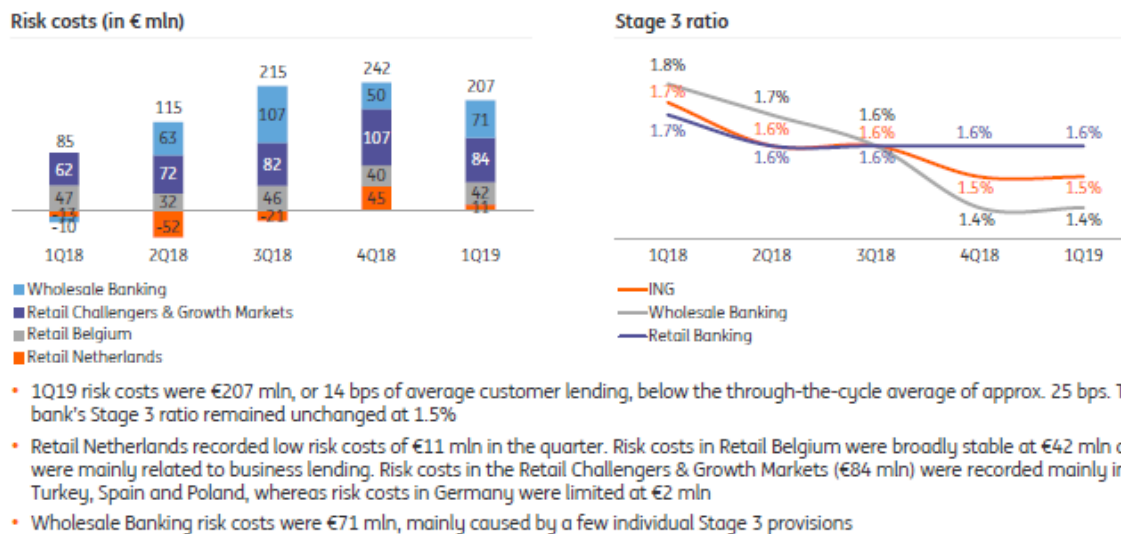
Quarter-on-quarter expenses excluding regulatory cost were down as well, if you compare it to the fourth quarter of 2018. That is a decrease of 1.3% and that is due to lower staff and transformation-related expenses as well as lower marketing cost primarily in the Retail Benelux. That is a quarterly effect.

Regulatory cost in our first quarter are seasonally high, as you know. That is due to the booking of the Belgian bank tax and most of the resolution fund contributions that we book in the first quarter. Year-on-year they went up 4.5% and that is mirroring developments in our balance sheet as well as some annual contributions in Poland that we now take in the first quarter.

Bank taxes have become a meaningful part of our cost base as you can see and are expected to grow a little bit further with the introduction of the Romanian bank tax, which we are currently estimating to be around EUR 11 million to EUR 12 million a year.

On a four-quarter rolling average basis the cost/income ratio remained broadly unchanged at 55%. When taking out regulatory cost you can already see that we are very efficient, with a level just below 50%.

Risk costs up YoY, but remain below through-the-cycle average



On slide 13 you see an overview of the asset quality developments. Risk costs came in at EUR 207 million. That is 14 basis points of average customer lending. Guiding risk costs and basis points over average customer lending is the new metric that we use since the first quarter to better align with some peer reporting. Under the old definition Q1 risk costs were 26 basis points of average risk-rated assets. This compares to the EUR 242 million in the fourth quarter and a very low EUR 85 million in the same quarter last year.

Retail Netherlands recorded low risk costs of EUR 11 million in the quarter. Retail Belgium was broadly stable at EUR 42 million and that is mostly in business lending. In Retail Challenges & Growth Markets the risk cost were mainly recorded in Turkey, Spain and Poland. In Germany risk costs were negligible for the quarter. Turkey saw a substantial decrease in risk costs in the quarter if you compare it to the fourth quarter. In the previous quarter we saw a large stage 2 migration under IFRS9 as a result of the worsened macroeconomic outlook there, which

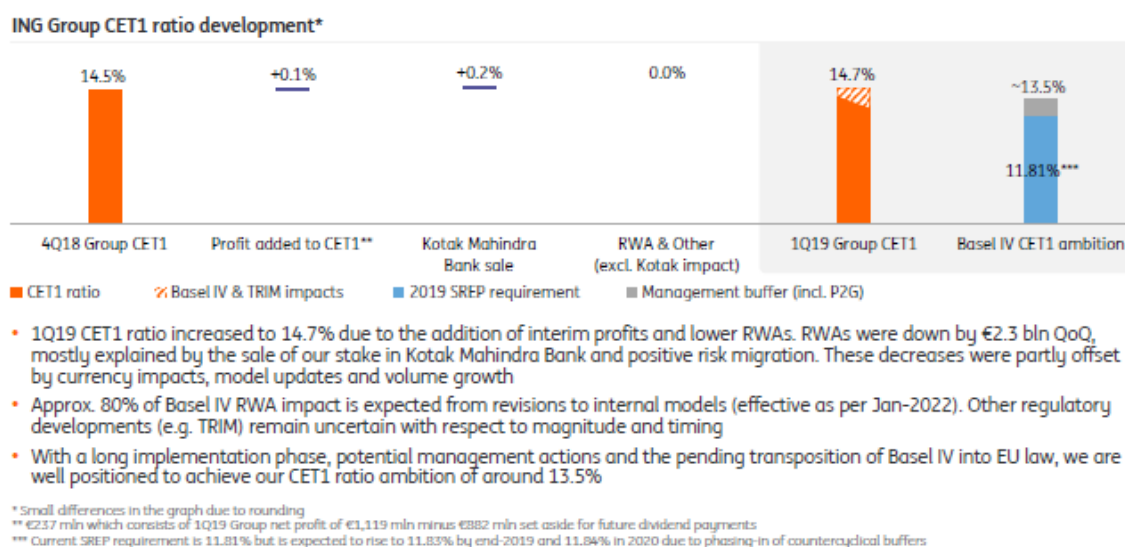
1Q19 ANALYST meeting Transcript

2 May 2019

mostly affected business lending. The stage 3 ratio in the country is still manageable at 3.1%. Clearly, we keep monitoring the situation there closely.

Wholesale banking risk costs were again low for the quarter: EUR 31 million. As always a few individual stage 3 files, this time in Belgium, the Americas and Italy. No trend really detected there from an industry of geographic perspective, just in these specific individual files.

ING Group CET1 ratio up at 14.7% supported by Kotak sale



14

ING

Now turning to capital, as you can see we are making good progress in our CET1 ratio, which improved 26 basis points to 14.7% from 14.5% as per the end of 2018. The largest contribution this quarter was the sale of our stake in Kotak Mahindra Bank, which led to a meaningful reduction of risk-rated assets. We also added back EUR 238 million of net profits to capital, which further helped the CET1 ratio.

The remaining move in risk-rated assets is largely explained by the positive impact from risk migration and lower market risk-rated assets, which were partly offset by volume growth and

1Q19 ANALYST meeting Transcript
 2 May 2019

model updates, including a modest impact of IFRS16. That is the operational leasing accounting treatment, in effect since January 1st 2019. Next year we can discuss this later. Slide 22 shows you more detail on the underlying risk-rated assets movements.

As you can see we are well-positioned to achieve a Basel IV fully-loaded CET1 ratio of around 13.5%. As you know, that is the ambition we have, to manage it around a 13% level. We are certainly remaining well-ahead of our current SREP-requirement of 11.81%.

As Tanate has also indicated to you during the Investor Day, our CET1 ratio could develop in a more volatile way during the year, due to potential TRIM-impacts and model updates coming through, which may lead to a risk-rated assets variability in the quarters to come. However, as you know, the overall impact is more or less determined by what we expect from Basel on our portfolio and that is not really changed. Therefore, we feel comfortable with this picture.

Consistent focus on creating operating leverage



1Q19 ANALYST meeting Transcript2 May 2019

As I already alluded to earlier in the presentation and have shown you during the Investor Day, we have been repeating this for the last five years as to how to look at the total set of results as per the recipe that we have for the different areas in which we are active. This slide summarizes exactly that. Therefore, you have to look at the results more in this way rather than in a consolidated way and come to a conclusion. It is important that in the Retail Benelux environment the costs actually really go down, whereas in the Retail Challengers & Growth Markets we do not mind cost going up if it supports profitable growth and if you see income increasing. In the wholesale bank, depending on how we fare with the development of our lending book and repricing, if income continues to increase we can manage a flat cost base. Clearly, if there is more pressure on income we have to look at the cost picture. In the end we look at cross-border scalability and efficiency operating leverage, which, as we explained during the Investor Day, is really important to us. The cost/income ratio is not necessarily how we run our business on a day-to-day basis. It is one of the input factors, but the underlying operational efficiency, basically the volumes over operating expenses, is what we look at to see whether our digitalization efforts and our transformation towards a digital bank, a digital dynamic player, a platform if you will, is really delivering the results. That is an important one to know. As said, if we see pressure on the top line because of lower growth or if we see higher cost coming through due to regulatory or KYC-expenses, then from a perspective of return on equity we have to look for further cost control, which cannot always be compensated in the actual quarter, but over time we will continue to look at the cost/income ratio to go down. But again, we do not manage that on a day-to-day basis. Getting more efficient is what we are champions at. We have proven it before and what you see in the quarter it is really delivering results on the back of the transformation that we started a couple of years ago.

ING Group financial ambitions

		Actual 2018	Actual 1Q19	Financial ambitions
Capital	• CET1 ratio (%)	14.5%	14.7%	~13.5%* (Basel IV)
	• Leverage ratio (%)	4.4%	4.4%	>4%
Profitability	• Underlying ROE (%)** (IFRS-EU Equity)	11.2%	11.0%	10-12%
	• Underlying C/I ratio (%)**	54.8%	55.0%	50-52%
Dividend	• Dividend (per share)	€0.68		Progressive dividend

* Implies management buffer (incl. Pillar 2 Guidance) of ~170 bps over prevailing fully loaded CET1 requirements (currently 11.81% but is expected to rise to 11.83% by end-2019 and 11.84% in 2020 due to phasing-in of countercyclical buffers)

** Based on 4-quarter rolling average, the ING Group ROE is calculated using IFRS-EU shareholders' equity after excluding "interim profit not included in CET1 capital". As at 31 March 2019 this comprised the 2018 final dividend of €1,712 mln and €882 mln of the 1Q19 interim profit set aside for future dividend payments

16



Summarizing from a financial and business perspective, I am now on slide 16. We continue to perform well against nearly all of these financial ambitions. CET1 is up and therefore a comfortable cushion towards the 13.5% after Basel IV. The leverage ratio is well-above the 4% ambition that we have there. Despite higher capital requirements coming through we continue to produce a very attractive underlying return on equity, which on a four-quarter rolling basis stood at 11%, so mid rates there. As I reiterated in the previous slide on the cost/income ratio it is not how we run our business, but it does remain an input factor for our return on equity and we remain committed over time to get to the 52, but it is operating the leverage that we are really after. For 2019 our policy is to pay a progressive dividend like we did in the past years.

Wrap up

1Q19 ANALYST meeting Transcript

2 May 2019

Wrap up

- ING posted 1Q19 net profit of €1,119 mln
- Primary customers increased by 150,000 to 12.6 mln, growth mainly in Australia and Germany
- We recorded net core lending growth of €8.7 bln in the quarter; net customer deposit inflow amounted to €4.8 bln
- Furthermore, results were supported by solid income despite challenging market conditions, good cost control, relatively low risk costs, and the release of a currency translation reserve
- On a four-quarter rolling average basis, underlying return on equity was 11.0%
- ING Group's CET1 ratio improved to 14.7% supported by the sale of ING's stake in Kotak Mahindra Bank
- We continue to improve the way we manage non-financial risk; global KYC enhancement programme is rolled out across more than 40 countries and 38 million customers with over 2,500 FTEs working on KYC across the bank

18

INC

Wrapping it up, Q1 performance confirms that we are still on the right track with the execution of Think Forward. We see the organic growth coming through in number of customers, in the lending book, in the savings book. Overall, we retain a good commercial momentum. We keep being disciplined on cost. We continue to improve the way we manage our non-financial risk within the company as well. Another step closer to being a really dynamic digital player and making sure that we empower customers to stay a step ahead in life and in business.

With that, we have plenty of time for questions, so let us start that session.

QUESTIONS & ANSWERS

- **Stefan Nedialkov – Citi**

Good morning. I have a couple of questions. On the fee side of things, could you please update us in terms of your partnerships? For example, scalable capital is supposed to be rolled out to other countries. I believe it is still only in Germany. How much of the weakness versus consensus that we are seeing today would you say is seasonal versus more structural? Obviously, you are paying more fees to external brokers in Germany. At the same time, the fees in Belgium seem to be quite resilient et cetera. I am just trying to understand if there is an analogy versus structural trends in terms of fees.

The second question is in terms of your German strategy. Obviously, there has been quite a few headlines. I am not going to mention any specific names, but could you tell us in what kind of context having more branches would make sense for you in Germany?

Ralph Hamers – CEO ING: Looking at fees, as we have indicated on the Investor Day, every day we are getting closer to being a dynamic digital player, a platform if you will. Every day we are adding more primary customers, so every day the opportunity to also offer third-party products or even peer products to our customer base, we are getting closer to that. The opportunity for us to increase our fee income is there. That is why we are very confident that the fee income over the next couple of years will increase by 5% to 10% per annum. However, if you now look at these quarter results specifically, we payed away a little bit more fees on the mortgage origination in different countries, although in Germany we had a bit less origination, so therefore you see the fees on mortgages going up. We see behavioural fees coming through in Germany as well. We see fees in The Netherlands coming up as well. Where you see a bit of a dampening effect on the fee income growth, it is on paying a little bit more fees away for mortgage origination and in Belgium specifically it is related to the assets under management as I indicated already in my introduction, it is on the back of the more volatile equity markets

1Q19 ANALYST meeting Transcript2 May 2019

in the fourth quarter, that came off at a lower or weaker start. That is where we see lower fees coming in. So, our partnerships, like AKZO and Payvision, will generate more fee income and more partners to be sought after and looking at how we can roll out new services and products to the 12.6 million primary customers that we have.

Now, on Germany, we do not comment on market rumours. You know our strategy. It is organic and it is successful as an organic player. We are growing very fast in Germany, as you know. We have close to 9 million customers now. It is the biggest franchise we have from a perspective of the number of customers. It is a dominant part of what we do. If it comes to inorganic elements to our strategy, we have always indicated that that would come through a couple of dimensions. The first one is: if we see an opportunity to buy lending capability skills with or without a portfolio, we would certainly look at that. That is what we have been doing in the past here and there. If we see potential in acquiring companies that provide us with new technology through which we can either get closer to our clients in the value chain, like through the acquisition of Payvision, or an acquisition that provides us with technology that helps us to improve the customer experience, we do that. We do that on a regular basis. If consolidation is happening in markets where we are active and in which we are a large player, we have a duty to look at what is happening there and how that could affect our position. That is what we have done in India, when consolidation was forced by the regulator. We took a position there as to what we wanted to do. In Thailand we are also in preliminary discussions as to how we can consolidate in that market?

- **Benoit Petrarque – Kepler Cheuvreux**

Good morning. I have three questions, two on NII. The first one is around the reputation drag, especially in The Netherlands quarter-on-quarter. I assume this drag to continue in the year, but can the Q&Q trend be repudiated for the rest of the year or do you assume a bit lower pressure going forward? Also broadly speaking about reputation drag, do you think you can

1Q19 ANALYST meeting Transcript2 May 2019

push client's rate further down on maybe SME, mid-corporate segment or actions on the investment side to offset the clearly low interest rate which is likely to continue?

The second question is on the wholesale banking. NII has done 6% quarter-on-quarter. Surely, there cannot have been a drag there. Do you see commercial margin pressure? I am a bit confused by Ralph's statement that you have the ability to reprice, to pass on transfer pricing to clients. Are we going to see more pressure on the commercial side in the wholesale banking or is that a temporary issue in the first quarter?

The last question is on the cost, up 2% year-on-year. Is the 2% a kind of run rate for 2019 or do you think cost savings will be much larger in the summer, especially around the restructuring? Could we end up definitely below that level on a client basis towards year-end?

Tanate Phutrakul – CFO ING: I will give you a comment on the saving replication question. I think it would not be fair to look the NII reduction in The Netherlands and do an extrapolation on that, because it is a combination of two factors. Reading those numbers, you see some volatility from bank treasury results in there as well as the actual replication in itself. But indeed, we do see a compression in terms of savings margin that is happening in The Netherlands, given the fact that we are now at a very low level in terms of our deposit rates in that market. To address the question how you should look at it, I think our replication is anywhere between the three, the five and the seven-year part of the curve. You can work it out depending on how this curve moves, how difficult or how good it would be in terms of replication. Having said that, I think we are taking steps, whereby, as we mentioned in the previous quarterly call, we are increasing the fund transfer pricing to the front office in terms of lending origination and that is happening across the whole of ING, which means that the origination margin that you see going forward is actually quite robust. As Ralph mentioned just now, in Retail Banking, particularly in mortgages, which is a major part at The Netherlands, you see margin improvement across the whole of our ING mortgage book in all of our geographies. So, it is part of the mitigation that we are taking to make those steps.

1Q19 ANALYST meeting Transcript2 May 2019

In terms of wholesale banking NII, I think it is again a combination of things. Within that NII it reflects not only the underlying margin for the lending business, but it is also in terms of the impact in financial markets where the results for Q1 were reasonable in the context of what is happening in that particular part of our business. But it still has a negative impact on our net interest margin as well.

The last point on wholesale banking is that there is a shift, a mix, at least in Q1, whereby we are doing somewhat less in terms of industrial lending and a bit more in terms of trade finance. That comes with somewhat lower margins than what you normally see from us in wholesale. Then the question about cost guidance. If you look at our cost discipline we still have the three-pronged-approach, which means that we do expect cost reductions and cost efficiency to go forward in market leaders. You see that visible in the first quarter there. We do allow cost growth in Challengers & Growth, where you see robust growth continuing to be there in Australia, in Poland and places like Romania. That is helping us in terms of revenue growth and margin growth. Of course, in wholesale banking we are taking steps to look at cost reductions where we need to and to cost growth if required, for example in the KYC-program. When you study our results in detail you can see a fairly substantial cost reduction in our financial markets where we are matching revenue pressure with cost decline during that period.

- **Adrian Cighi – RBC Capital Markets**

Thank you very much. Two questions from my side. One follow-up on the potential banking consolidation theme. Very helpful colour on the criteria for potential acquisitions. Can you maybe talk about any specific return hurdles and over which period you would hope to achieve these? Do you pursue any acquisition that maybe do not fit the capability or the skills criteria you outlined?

1Q19 ANALYST meeting Transcript2 May 2019

And a question on the capital progress this quarter. You showed a positive risk migration of 28 basis points. Can you help us understand how much of this would impact the Basel IV guidance that you have provided or not?

Ralph Hamers – CEO ING: I will answer the first question. Inorganic growth, as we were indicating in terms of seeking additional lending capabilities, has been over the last couple of years a focus point. In the beginning of the Think Forward strategy we indicated that we felt that we had a too high concentration risk in our balance sheet if it came to mortgage exposures. We wanted to diversify our balance sheet, our assets mix, into more consumer lending, SME lending, mid-corporate lending and wholesale banking lending. For a lot of wholesale banking activities we had our own specialists ready and we grew our sector units there. On mid-corporate, SME's and consumer lending we have always been looking at new technology being applied in those areas, with instant scoring and instant lending, but also to an extent available specific portfolios. From the return on equity criteria the emission is what it is. We would always look at the same kind of criteria on the basis of which we run our own business. That is how we would look at that.

The question on CET1 will be answered by Steven.

Steven van Rijswijk – CRO ING: The risk migration is largely due to a number of impacts. We are doing some better collateral and data quality management. There were some write-offs that were going through the books as a result of which it is taken out of RWA, so that lead to releases. There were some price increases in both the housing prices in retail as well as in our real estate in wholesale banking. These are temporary blips up, but those blips could also go down to the other side. In that sense we do not change our guidance on Basel IV, which is 15% to 18% based on our RWA balance sheet at that point in time, with about one third that we can achieve lower as a result of management actions. 80% of that increase would come due by the year 2022, because Basel IV mostly depends on input factors.

1Q19 ANALYST meeting Transcript2 May 2019

- **Farquhar Murray – Autonomous**

Good morning. Two questions if I may. Firstly, on the NIM-outlook. The performance van Q1 2019 is quite solid. You refer to favourable moves on commercial margins at mortgages. Could you extend that kind of guidance to high 140's, low 150's NIM to the end of this year on the back of that?

Secondly, on the new risk cost guidance, 25 bps on average customer lending. How does that compare with when you look at your internal analysis versus the previous guidance? Would you be able to give us some indication of what that means at a segmental business level, so down to wholesale banking?

Ralph Hamers – CEO ING: On the NIM-outlook indeed in looking at how we have been able to manage it over the first quarter. Basically, you have the pressure more on the savings side. How can you manage that pressure on the savings side, at least from an interest income perspective, maybe on the assets side? Repricing is an important driver there. Repricing we do in two ways. That is by shifting the FTP, the internal transfer fund pricing. The other one is the commercial margins on top of that. Both we are doing. So, vis-à-vis the client, being able to charge a bit more helps you offsetting the pressure that we have on the savings side. On the back of that, for the next two quarters we can guide, as you are used to, that we can manage the NIM around the high 140's or low 150's.

The question about the cost of risk guidance will be answered by Steven. We move from a guidance of risk cost over risk-rated assets to lending assets.

Steven van Rijswijk – CRO ING: The 25 bps is a translation of where we were with the 40 to 45 bps guidance of RWA. Please note that that is a through-the-cycle RWA. As a result, you cannot compare it directly to what it is today, based on the current RWA of EUR 310 billion, but we look at a through-the-cycle RWA to come back to a translation of 25 bps. In that sense

1Q19 ANALYST meeting Transcript2 May 2019

there is no shift in our risk appetite, in our policies and the legal 1 obligor levels that we have. It has remained the same as before. We give that guidance on a bank basis only. This is a broader risk appetite, but we of course steer our risk appetite much further into details, countries, products, sectors, legal 1 obligors, any way that we deal with our security and restructuring units. That is the way we manage the risks and the risk cost. This guidance translates that into a figure for the market. So, no change there.

Farquhar Murray – Autonomous: A quick follow-up if I may. Obviously, by the demands of the static of RWA and lending numbers I get a slight difference. You say that reflects kind of over-the-cycle RWA review. Can I ask how much of that over-the-cycle increase in our RWA from where we are now would not come through in Basel IV? How much is Basel III only?

Steven van Rijswijk – CRO ING: In the end this reflects a through-the-cycle average much more than Basel IV. You also see swings up and swings down in the market. This exemplifies a risk cost number that we would see through-the-cycle. We have looked at that over the past periods in up and down cycles come to an average. It is now translated back to lending assets.

- **Benjamin Goy – Deutsche Bank**

Good morning. Two questions from my side. The first is on capital. Essentially, you are already at your Basel IV target. Correct me if I am wrong, but the TRIM volatility you mention potentially later in the year should not really change that ratio. I was wondering whether you might be happy in the shorter term to grow faster than your through-the-cycle guidance as you did in Q1.

The second question is on the cost and the challenger markets. It went down quite a bit. These guys are growing. Pre-provision profit in both challenger segments was flat year-on-year only.

1Q19 ANALYST meeting Transcript2 May 2019

I was wondering whether the Q1 cost inflation was a bit on the high side and should come down through the year or are you quite happy with the progress these guys are making and happy to invest into growth?

Ralph Hamers – CEO ING: On Basel IV, the way we look at our growth is clearly one of the components why we do have capital to grow, but the other one is if what we can do fits our return and risk criteria. If we would have more capital to grow, we would not necessarily translate that into higher growth, because we stay very disciplined and strict in terms of the return criteria and the risk appetite that we have there. But if the opportunities are in the market and this is in the business that we know, we could grow a bit faster than that. But again, it is not like we want to go faster if we have surplus capital. It really has to show the right return and risk appetite criteria.

On the cost in CNG: we are happy with the performance in CNG, if you look at the commercial performance but also the financial performance. Looking specifically at the quarter, we see a bit higher cost in the first quarter in Germany. That has to do with client acquisition cost. That is something that is not necessarily a level we would expect going forward for the year.

- **Pawel Dzedzic – Goldman Sachs**

Good morning. Thank you for the presentation. I have two follow-up questions. The first one is on costs. You mentioned that you have a good performance overall and that there is some singularity in Q1. If you look at your four-quarter rolling average, your cost/income is at 55%. I know this is not a primary target, but to what extent do you expect to make some progress towards lower level this year? Would we see more one-off cost rated client acquisitions perhaps or a lot of project investments KYC later this year as well? To what extent you have the capacity to go below this 55%?

1Q19 ANALYST meeting Transcript2 May 2019

The second question is on cost of risk. Your guidance is 25 bps. I want to ask it a little bit differently. In what operating environment, what would need to happen for you to actually be at 25 bps? Or should we expect to see the current low levels to continue in the foreseeable future?

Ralph Hamers – CEO ING: I will take the question on cost and Steven will come back on the risk cost question. Clearly, there is a lot of seasonality built in from a regulatory cost perspective. That is why we calculate the four-quarter rolling average. The coming year we are still in a major transformation in Unite where you could expect further cost decreases to come in, as we have briefed you on in Frankfurt on the Investor Day. We expect FTE decreases over time. At the same time, where we are in the Unite transformation programme, we have made almost all strategic milestones but at the same time we decided that going forward we want to speed up the client migration from Belgium to the omni-channel digital interaction layer, basically for them to benefit from all the digital interactions with the bank. So we are moving that forward and moving the migration of products a little bit later, as a consequence of which some of the cost benefits will also come a bit later. So if you then look specifically for the year, clearly we manage to further decrease cost in the market leaders' environment. In C&G we will always play by area if we see the opportunities and we would allow some cost growth but for the year we are cautious there as well. In Wholesale banking as well because we really want to see how we are going through this year. So, I cannot really guide you on cost/income on this one but you can expect from us that we really focus on the cost development vis-à-vis the transition that we are going through.

On cost of risk, Steven?

Steven van Rijswijk – CRO ING: In general, a significant worsening of macroeconomic circumstances obviously has an impact on risk costs. The 25 basis points is the average over a longer period, so it is hard to directly pinpoint what the exact circumstances are because there are many factors impacting that. As I said during the Investor Day presentation we

1Q19 ANALYST meeting Transcript2 May 2019

manage it top-down or the peaks. We do that amongst others by compartmentalization and a good risk awareness both in the first and second line and personal accountability. And if you look at this year, the current circumstances as we have seen in previous years, we expect these risks costs to remain the long-term average.

- **Robin van den Broek – Mediobanca**

My first question is on NIM, the ability to put in higher cost in the internal transfer fund pricing model. In q4 credit spreads widened materially, which probably gave you the rationale today that in Q1. In Q1 though credit spreads tightened significantly. So, I was just wondering if that offset is structural in your view or that we could see to dissipate that going forward, leading to some more NIM pressure on the longer term. That is my first question.

Secondly, your answer on cost of risk, the changing guidance, seems to imply that your RWAs are somewhat understated from a point in the cycle perspective. I was just wondering how that would feed into your fully-loaded Basel IV target level of 13.5%. Should we either assume that you want to be above that level given where we are in the cycle or should we start to factor in more DPS-progression at [...] a year, given the fact that you basically are where you want to be on a headline level today?

Ralph Hamers – CEO ING: Thank you, Robin. On the internal FTP and the credit spreads tightening specifically, we do not manage that necessarily on a quarter-by-quarter basis but we do look at where the margins are in terms of new production as well. That is where we see that over a higher FTP the margins, specifically on the Wholesale Banking side, have been flattish to maybe even a little bit improving. So, higher pricing altogether there in the new production for the first quarter. In terms of the other businesses we have seen in the first quarter the mortgage margin in the Netherlands improving, in Belgium improving and the business lending margins over this higher internal FTP to be flattish. I am talking new production here. I

1Q19 ANALYST meeting Transcript2 May 2019

am talking about what happened in the first quarter of 2019. That is what I can give you on that one.

On cost of risk I will give it to you, Steven.

Steven van Rijswijk – CRO ING: Clearly, from an economic point of view we are at a high point of the cycle and therefore at a lower point of the cycle in terms of RWA. As you look at the past five to six years you have seen a risk migration coming in on quarterly or year basis and when the cycle changes, one would expect some impact of that risk migration going back. So, in that sense it does not change our guidance. That is why we have said that if you look at the average cost of risk through the cycle with ups and downs, we get to 40 – 45 basis points, translated now into 25 basis points on lending assets through the cycle. That is what we will remain at.

In terms of capital return I do not think you should read anything into this. At this point in time, also with what we have in the quarter, there are some blips up and that means positive risk migration. That is relatively benign and that does not change our overall guidance on dividend policy.

Robin van den Broek – Mediobanca: Ralph, just to come back on the margins. I think you are saying that commercial rates are basically higher but the margin is stable on the back of the higher FTP. Again, if credit spreads tighten significantly, is that not an issue?

Ralph Hamers – CEO ING: I can talk about what we saw in the first quarter and specifically on the credit spreads. Specifically in the Wholesale market it is really on a client-by-client basis and a sector-by-sector basis. That is how we manage that. So, whatever happens in the capital market specifically, it does not necessarily influence the client rates directly.

Robin van den Broek – Mediobanca: Thank you.

1Q19 ANALYST meeting Transcript2 May 2019

- **Nick Davey – Redburn**

Good morning, two quick questions, please. The first is on KYC costs. Could I just ask for a bit more detail about the charges that have appeared in Q1 and the outlook there? Was there any sort of temporary one-off costs in there that would mean corporate line costs could fall from here or conversely is this as you have outlined at the Investor Day a bit of a project for the year? So, any expectations we should have for higher costs from that source in the Wholesale Bank or the corporate line.

Secondly, just coming back on the Challenger & Growth market, the question was already asked about stable pre-provision income and the pace of cost growth. The only question I would have is if you could just provide the impact of FX in the Challenger & Growth markets in general, just so we can get a feel in constant currency terms about how revenue and cost growth is progressing. I do not know if you have that to happen or if it is the kind of thing you would be able to provide in the future.

Ralph Hamers – CEO ING: Nick, I will give the second one to Tanate to follow up on either now in the call or maybe later. On KYC, as we have indicated there are two components to the programme that we are running. One is the structural improvements. For the structural improvements we are beefing up the organization, we are hiring more people and we are investing in systems and processes. We do that basically by clearly increasing the investments in that area but there is only so much you can do. We are re-prioritizing some of the investments that we envisage to do in other areas towards this area. So although we are investing more in that area, it does not necessarily lead to a big cost increase from that perspective. So, that is the more structural improvement for which we really have to re-prioritize some of the investments that we are making on the IT, et cetera.

In a total KYC organization, as we were indicating, we have some 2,500 FTE now working on it and it is growing. Around 500 are working on the non-structural business, which more the

1Q19 ANALYST meeting Transcript2 May 2019

project-related part of this programme, which is the file enhancement. So, when we are through the file enhancement it goes to what we would call business as usual in terms of your KYC element of this. Then the cost on the FTE side will go down. At this moment, it is 2,500 for the total. We envisage some increases there. The underlying actual investments are being reprioritized from other areas into this. That is the picture I can give to you. The one to hold on to for you, maybe, is then the 500 that once the file enhancements are done, you can expect then as a cost going down. But having said that the structural improvements going through in this area will continue for a while and will be reprioritized from other areas.

Tanate?

Tanate Phutrakul – CFO ING: Just to address your question on the cost evolution in C&G: as Ralph mentioned half of that is in Germany and the other half is in the other Challenger & Growth countries. Your question on FX is predominantly driven by the Turkish lira against the euro and the positive impact of that in Q1 is approximately EUR 10 million to EUR 15 million year on year.

Nick Davey – Redburn: Thank you very much. And then just following up on the KYC; Ralph, am I then okay to assume that plausibly these KYC charges could drift up through the course of this year whilst you are making some of these permanent investments and running the 500 staff on top, and then the reductions may come in 2020. Is that fair?

Ralph Hamers – CEO ING: So, on the enhancement side you should expect during 2020 that this will actually come off. On the structural improvements that will stay also during 2020.

Nick Davey – Redburn: Okay. Thank you both.

1Q19 ANALYST meeting Transcript2 May 2019

- **Bart Jooris – Degroof Petercam**

Hi, my first question. The negative valuation adjustments in Wholesale Banking Financial Markets were rather big, if I look at slide 21 with the negative EUR 58 million. Could you give some more colour on that? Is that MVA, CVA, DVA? Why is this figure so large compared to the previous quarters?

And then a little bit on the timing update. I heard some comments that you were already on your Basel IV but that depends on the actions to reduce the impact. How is that with the timing update? Could you give some more colour on where you are and what measures you are still planning to take?

Ralph Hamers – CEO ING: Thank you, Bart. The first question I will give to Tanate and the second is for Steven.

Tanate Phutrakul – CFO ING: Yes indeed, the value adjustment in Financial Markets in Q1 was more pronounced than in previous quarters. I think that is driven by two impacts. I think the first is really in terms of our position in terms of bonds against which we do credit default swaps to hedge. In this particular quarter, in terms of the funding value adjustment, it was more than the normal – let's put it that way – because of lower liquidity in the market. The second impact is really from our Credit Trading Desk where we do macro-fair value hedges on them. There are certain movements between long-dated credit positions against short-dated credit positions where, again, we have negative value adjustments, but both of these on a like-for-like basis should pull back to par over time.

Steven van Rijswijk – CRO ING: On Basel IV management actions, on the one hand we are still in the years to come to Basel IV. First, we have of course the outcome of TRIM that still needs to come on a number of the portfolios, which is a 'prelude' to Basel. It starts with TRIM and that is then partially offset in Basel. So, that is still to come. In terms of management

1Q19 ANALYST meeting Transcript2 May 2019

actions, we have of course as you can see in the press release in the segment financials the results based on our 13.5% CET on RWA results for the different segments. So, we also steer on that in terms of pricing. This basically means that we need to price up to be able to meet the return hurdles that we have. We have been talking about this in the call. Secondly, we continue to work on improving our covers on our loans. You have seen a bit of that creep through in the risk migration that you saw in the first quarter. We continue to work external ratings for corporates as a result of which it will limit the rating in that regard and that will help us also in terms of our RWA requirements. And we continue to see if there are portfolios which consistently have a lower risk cost over a longer period of time, because if that is the case you can become eligible for lower risk weights. Lastly, we continue to work on the originate-to-distribution, whereby portfolios that would become more hurt by Basel IV that are less favourable from a return point of view. We see how we can shift the mix in our activities to cater for this. So, that is ongoing.

Bart Jooris – Degroof Petercam: Could you give a timing on how we can see that evolving in this year and next year?

Steven van Rijswijk – CRO ING: All elements will continue to go on continuously to be able to mitigate the effect of Basel IV of 15% to 18% with one third and that is something that will come through over the next couple of years on an ongoing basis. That is not something that is being done in one quarter or something like that. It will be ongoing.

Bart Jooris – Degroof Petercam: Okay. Thank you very much.

- **Bruce Hamilton – Morgan Stanley**

Hi there. Most of the questions have been asked but maybe just following up on consolidation. Ralph, you have given some useful colour there but when you talk about not wanting to dilute

1Q19 ANALYST meeting Transcript2 May 2019

the return targets of the bank that obviously is good news, but do you give a sort of timeline for any larger deal that you hope to get up that, a sort of double-digit ROI?

And how appealing is the thought of re-domiciling, to get any benefits any benefits in terms of reduced domestic SIFI buffer?

And then on cross-border deals generally, do you think the sector as a whole is close? How do you think about the timeframe and likelihood of deals happening from here?

Ralph Hamers – CEO ING: Again, I will not comment to the specific rumours that are going around. I can talk in general about what I expect in the European banking landscape to happen. We are a supporter of the Banking Union as the most pan-European bank around with so many of local activities in several European countries and Eurozone countries, but for the banks as a whole, including ours, to benefit from that Banking Union we need to finalize the Banking Union. So, from a regulatory perspective or a supervisory perspective it is being done. We have the SSM – the Single Supervisory Mechanism – and that works. It works quite well actually. We have the Single Resolution Board as well in order to make sure that if banks fail there is a recipe through which we manage these failures. And then the fund to support the resolution of banks is also being filled as we speak. So, that is done as well and will be done over time. But there is a third part which is how to protect depositors in bank failures as well, for which we have to come to some kind of a common deposit guarantee system, which basically needs to be finalized before banks can actually benefit on an additional two wout of three benefits that consolidation can bring. So, there are three benefits a consolidation can bring. One is the cost benefit, that is always there, which is generally if you cannot do cross-border scalability the way we can, it will be limited to what you can do in a country. The second is liquidity optimization and the third is capital optimization. The second and the third will not be there, not to a large extent in my view, if we do not finalize the Banking Union in full.

1Q19 ANALYST meeting Transcript2 May 2019

Basically, what banks need to focus on then is to which extent you can actually have cost synergies. Therefore, I think for most banks this will limit the opportunity to local M&A for the moment. That is the colour I can give.

Bart Jooris – Degroof Petercam: Thank you.

- **Jean-Pierre Lambert – Keefe, Bruyette & Woods**

Hello, most questions have been answered, just a follow-up on the digital indication of activity which was up quite a lot, I think 25% or 26% year on year. this is maybe inflated by people just checking their accounts on a more regular basis on their mobile. Can you distinguish between the fundamental transactions and the review of outstanding situation of accounts?

Ralph Hamers – CEO ING: Jean-Pierre, I think you are completely right from the perspective that an element of the number of interactions is inflated by the changing behaviour of customers that, while they do their banking on a mobile, they are just checking more often on something that they would not check in as frequently in a desktop environment or let alone going to the branch five times a day to check your balance. Having said that though, you have to look at it from the different perspective that if you build a platform in which you have a daily interaction – it is like people checking the news five times a day on news sites – that basically this provides banks with a great opportunity to build a broader relationship with those customers who maybe indeed only check in to check their account a couple of times today. Nevertheless, you are in touch with them. So yes, if you would only look at what that provides for an opportunity as a bank only, then there will be a further upside because you have more interaction and you will get to know your customer a little bit better in terms of his behaviour. The whole digitization will be able to generate more intelligence around the client but if you look a little bit beyond that and you have that traffic and you think of yourself as a platform a little more than a bank then the opportunities are much broader. That is why on the Investor

1Q19 ANALYST meeting Transcript2 May 2019

Day, when we alluded to the fact that for example in Holland we are the number 10 app in daily usage for the average Dutch person, whereas the number 1 thru 9 are all Facebook and Google apps, that is what shows the opportunity that you have. So you have to think beyond your role as a bank and start thinking platform. Then these digital interactions do matter. But clearly, there is certainly some inflation there.

Jean-Pierre Lambert – Keefe, Bruyette & Woods: Great. Thank you very much.

- **Marcel Houben – Credit Suisse**

Good morning and thank you for taking my questions. The first is on the fee side. Ralph, can you give a bit of colour on the fee growth within the Retail division, the key drivers? I understand the ambition of 5% to 10% growth but there is a line of assets under management and investment products in there. It just seems that there was a lot of volatility in the past couple of quarters within Retail Germany and Belgium, in Holland as well as in the other channels of growth. Can you just give us a little bit of key drivers here to give a better accurate model capabilities for us as analysts?

My second question is on the Wholesale Lending or lending growth. This quarter we see some nice lending growth of close to 6% annualized. A large part of it is driven by Wholesale lending, which, if I remember correctly, you wanted to slim down the exposure a little bit. How should we read into this lending growth in this quarter of the Wholesale Bank?

And then, if I could just put through a third quick one on the cost of income ratio target? I know it is not a key focus anymore, the 50% - 52%, but you dropped away the timing [...] by 2020. Your base case scenario. When would you expect to reach this level? Is it past 2022 or it is a little bit earlier than that?

1Q19 ANALYST meeting Transcript2 May 2019

Ralph Hamers – CEO ING: On the fee growth, there are different dimensions in which you can grow fees. We use all dimensions here. The first is that for the services that you already offer and depending on how the underlying cost develop you increase your fees. For example, in daily banking activities for the use of your current account, your card, the additional services that you offer. Around salary accounts you can increase fees just because the services are increasing and the cost may be going up as well.

Then there is an element in that same area which is what we would call ‘behavioural fees’: how do you make sure that people who interact with us, either by withdrawing cash from an ATM or making into our call centres, really do that if they need it? How do you make sure that people do not go to your ATM five times a week for EUR 25 but they go once a week for EUR 125? Aspects like that are important for us specifically in a challenging market because we do not have our largest ATM networks there but we pay fees to other banks on the back of the behaviour of our own customers.

Then clearly, the third element if it comes to fees is that the more primary customers you have and the better you know these customers and the more services that you either develop yourself or offer from third parties, whether these are investment products or whether it is insurance, non-banking in the future, that is the real upside. You should realise that the success of our model has always been that we do not charge fees for things that we feel do not add value. So, we are not in the business – like many others maybe are – to charge fees just because we can charge fees. That is not what we are going to do. It does not fit us and it does not fit what the clients expect from us, so if we charge fees it is because they do see it as a value added. That is the one on fees.

On cost/income guidance: it is great that you ask but as we have said, the real important element for us to see whether the transformation is delivering the efficiencies, is the operating leverage component, which is the volumes over operating cost. Clearly, some volumes with margin pressure make less income than others and some cost could increase because

1Q19 ANALYST meeting Transcript2 May 2019

government is introducing new bank tax. We want to eliminate from that, which does not mean that we do not want to compensate for those increasing cost or income pressures but these are blurring our way to measure whether the digitalisation itself is having effect. So, that is why we separate the two. In the cost/income clearly there is the component of margin pressure or repricing and there is the element of regulatory cost. Therefore, we do keep it as an input. We will manage it down. You can expect us to manage it down towards 50-52 and you will see steps into that direction but we are not giving a specific gate by which we will have achieved that.

On banking loan growth I will give it to Steven.

Steven van Rijswijk – CRO ING: Marcel, regarding loan growth, if you look at the total loan growth of EUR 8.7 billion this quarter, approximately EUR 4 billion comes from Wholesale banking. Within that, approximately half of that within Wholesale banking comes from trade and commodity finance on the back of higher oil prices. We have seen it also in previous quarters and in previous years. Sometimes the price goes up and then it goes down and immediately with the same lending volume the value goes up because of that higher oil price. When we look at the remaining growth in Wholesale Banking, quite a significant part of that is by further draw downs on revolving credit facilities, so again it is relatively cyclical. So, we still stick to 3% to 4% loan growth over the year and you will see some quarters, which are impacted by these types of events.

Marcel Houben – Credit Suisse: Thank you, that is very helpful. Ralph, can I just follow up on the fee side? Can you disclose the assets under management per retail division?

Ralph Hamers – CEO ING: We can but we do not!

Marcel Houben – Credit Suisse: Alright, fair enough! Thank you.

1Q19 ANALYST meeting Transcript
2 May 2019

- **Kirishanthan Vijayarajah – HSBC**

Can I just come back to the weaker fee result in the Wholesale bank and linking that to your lower risk appetite there? I am just wondering if that lower 1Q fee number in the Wholesale bank is a good level going forward or could it compress a bit further if those self-imposed exposure caps start to bite a bit more as the year progresses? You do less of the leveraged loan and so less fees from that.

And then secondly, just very quickly. Could you give us an update on Italy? Any impact from the ban on onboarding new customers on the underlying franchise at all? And any visibility on how long with that ban will stay in force?

Ralph Hamers – CEO ING: Thank you, Kiri. On the Wholesale Banking fees, clearly, if we have restricted risk appetite and we are cautious to enter into deals that do not fulfil our requirements from risk appetite perspective or from a structural perspective that does limit our ability to do large deals and with that it will and may have an effect on our fee income. Having said that, I am willing to take that because in the end it will never pay. Clearly, in the leveraged finance business we do see that there is a risk appetite in the market that does not match ours and that does have a dampening effect on fees on the Wholesale banking side. In addition to that, in the first quarter from a market perspective, whether it is more debt capital markets or equity capital markets, it was not a very strong fee quarter either. At a certain moment in time you would expect that to come back so, over time in the markets and the sectors that we know very well we expect that business will just continue, whether it is in the transportation business, in the oil and gas business, the sectors that we really know. We do not think there are strange players coming through, so we will be able to do our deals and we will be able to charge arrangement fees and distribution fees there. Also on the DCM side we expect that market to be back and on the back of that be able to increase our fee income there as well.

Then turning to Italy, clearly the customer ban is not good news for the franchise itself in terms of how you motivate your people. Having said that, what we need to do there is important which

1Q19 ANALYST meeting Transcript2 May 2019

is having to ensure that we play our role as a gatekeeper the way the regulator expects from us. That is what we are doing. So, the enhancement plan that we rolled out globally is clearly also being implemented in Italy and was already in the process of being implemented in Italy, so we will continue with that.

As to how that influences the timing of the customer ban itself I do not know. We will have to work with the regulator or the supervisor to get a feel as to when that can be lifted. We do not have that as we speak.

Kirishanthan Vijayarajah – HSBC: Okay. That is very clear, thank you.

- **Maxence Le Gouvello Du Timat – Jefferies International**

Good morning, everyone. Most of my questions have been answered, just a last one regarding the appointment of Mike Rees in the Supervisory Board. It is quite a surprise considering Mike's profile on the Wholesale and Asian exposure. We are just wondering how this fits with your strategy on digital retail banking or will his focus will only be on the Wholesale?

Ralph Hamers – CEO ING: Mike comes with a whole set of experiences, including the Asia experience where we are active as a Wholesale Bank. We are also active as a digital bank. As you know, we are testing for example the Philippines market, so his Asian experience comes in. His Wholesale Banking experience comes in as a welcome experience as well, as he is also a formidable banker. In the end, the core of what we do is still banking, so it is good to have good bankers on board.

Maxence Le Gouvello Du Timat – Jefferies International: Thank you.

1Q19 ANALYST meeting Transcript2 May 2019

- **Jose Coll – Santander**

Thank you. I have two questions, please. According to the press about two weeks ago they claimed that you were in the process of closing your SME business in Spain, which arguably was small. But I thought this was a segment in which you wanted to expand. I guess this fits with your previous comment on minding the operating leverage but could you comment further on these moves? And is this something we can expect could happen in other C&G units?

My second question is on Turkey. I see that total lending [...] FX decreased about 4 percentage points in the quarter, which considering that the stage 3 ratio is quickly rolling from 2.8% to 3.1% might not be too impressive, so I wonder if you could give us some guidance in terms of the lending reduction for the rest of the year and what is your target or guidance for intragroup lending by the end of the year?

Ralph Hamers – CEO ING: Thanks, Jose. On the first one I will give the answer and Steven will take the second question.

How do we go about the SME business? In Spain we started the SME business and we also work with Kabbage on that one. As you know, the way we do these kinds of things is that we look at whether they develop well and whether in the end we feel they can become profitable. If not – and this is the way we go over these things as an innovator – you also have to dare to pull the plug if things do not look to become successful in the way you have approached them. That is what we have seen there. That does not mean that this is also for the rest of C&G, so we have to look at it country by country and the SME business that we do in many other C&G businesses, specifically in Poland and Romania, we are very committed to that and that is doing quite well.

On Turkey stage 3 I will give the word to Steven.

1Q19 ANALYST meeting Transcript2 May 2019

Steven van Rijswijk – CRO ING: In Turkey the book went down with about EUR 1 billion in the first quarter this year. Part of it is currency difference but the largest part is just the rolling off of loans as well as clients deleveraging. So, we are still in that sense conservative and focused on de-risking. If you look at the intercompany balance sheet or intragroup funding, you see that came down in the first quarter with an additional EUR 300 million, so we had EUR 3 billion by the end of the year coming down to EUR 2.7 billion now. Indeed, the stage 3 ratio went up a bit from 2.8% to 3.1%. In that sense, we keep a keen eye on making sure that we remain also within our risk appetite in that country. A large part of the book is Wholesale Banking. We stay close to our clients but clearly, especially on FX loans we are very strict in that and we also need to see revenues in foreign currency before we actually grant loans in that currency.

Jose Coll – Santander: Thank you. Maybe just a follow up on Turkey. Is it fair to assume that the [roll-off] of the first quarter is the run rate for the rest of the year in terms of both the lending book and the intragroup funding?

Steven van Rijswijk – CRO ING: That would be a bit too straight forward to assume that but clearly we manage the risks in Turkey on a daily basis. Part of the loan decrease also came from clients not drawing over their loans because also clients are deleveraging in that respect. But we remain conservative.

Jose Coll – Santander: Thank you very much.

Ralph Hamers – CEO ING: As there are no further questions, thank you very much. Thanks for asking us all those questions. It is good that you raise them. I am sure that after going through the material you may have some more. You know that our team is always ready to take you through and give you some more insights where we are able to.

Just to summarise the first quarter: underlying you see a continuing good commercial momentum, which we are very happy to see. We are keeping disciplined on the cost side



1Q19 ANALYST meeting Transcript

2 May 2019

although you have to differentiate between the different areas that we manage: market leaders versus C&G versus Wholesale Banking. We continue to improve the way we manage non-financial risk. So from that perspective, we are satisfied with the performance, also financially. Thanks for your interest and support. That's it! Thank you.

—

End of call