ING

2Q2021 Analyst call transcript

6 August 2021

Steven van Rijswijk, CEO of ING
6 August 2021

do your thing

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Operator: Good morning. This is Patricia Krooshof-Naughten, welcoming you to ING's second quarter 2021 Conference Call. Before handing this conference call over to Steven van Rijswijk, Chief Executive Officer of ING Group, let me first say that today's comments may include forward-looking statements, such as statements regarding future developments in our business, expectations for our future financial performance and any statement not involving a historical fact.

Actual results may differ materially from those projected in any forward-looking statement. A discussion of factors that may cause actual results to differ from those in any forward-looking statements is contained in our public filings, including our most recent annual report on Form 20-F filed with the United States Securities and Exchange Commission and our earnings press release, as posted on our website today. Furthermore, nothing in today's comments constitutes an offer to sell or a solicitation of an offer to buy any securities.

Good morning, Steven. Over to you.

Steven van Rijswijk – CEO ING: Good morning, and welcome to the second quarter 2021 results call. I hope you are all in good health. I am happy to take you through today's presentation, joined by our CFO, Tanate Phutrakul, and CRO, Ljiljana Čortan. Thereafter, we will take your questions.

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Key points

- We continue to provide support to customers, employees and society in coping with the effects of the Covid-19 pandemic. With vaccination programmes progressing globally, we look forward to return to more normal circumstances in the near future
- At the same time, we continue our efforts to build a future proof company for the long term, which is reflected in our focus on continued digitalisation and ESG
- Our geographical and product diversification enables us to have stability in income and allows us to capture areas of growth as economies recover. Combined with the ongoing optimisation of our business, we are well positioned to return to an ROE in line with our 10-12% ambition
- Pre-provision result was resilient, supported by the inclusion of the TLTRO III benefit in NII, continued strong fee growth and cost control, despite margin pressure on customer deposits
- After a net decrease in 2020, net core lending grew by €17.8 bln, mainly reflecting TLTRO III eligible lending, while net deposit inflow continued to be high at €8.1 bln
- Fee growth was strong, as higher fees on investment products and daily banking packages more than compensated for the impact of the Covid-19 pandemic on fees related to payments and lending
- Risk costs were €223 mln. The Stage 3 ratio declined to 1.6% and we are confident about the quality of our loan book
- 1Q2021 CET1 ratio was stable at 15.5%, with 50% of 1Q2021 resilient net profit reserved outside of CET1 capital for distribution

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Key messages. Another quarter of Covid-19 has passed, and we see positive signs of vaccinations and economies reopening, however, also the effects of the delta variant with infections spiking again. Overall, we are moving back to normality, but we are not there yet.

We have taken steps on climate change. The situation is not where the world needs it to be and the pressure to transition to a low-carbon economy continues to grow. We continue by financing that transition. We have been doing that by our Terra approach and have upped our ambitions by joining the Net Zero Banking Alliance.

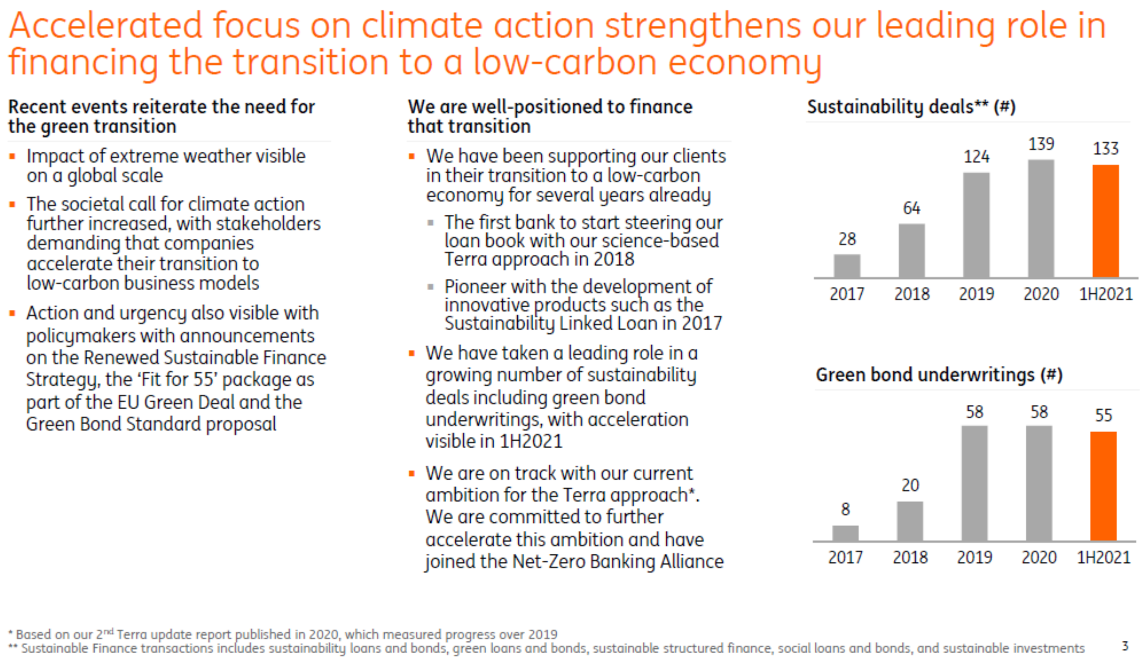
If you look at the results under the current circumstances, I am pleased that we show such a stable financial performance. As I said last quarter, looking at the results, you would not think we are in a crisis and I am proud of all the hard work by the colleagues realising another record quarter in fees, growing our mortgage book, managing the pressure on NII, while keeping expenses under control.

Risk costs were minus €91 million. We have released part of the buffer built up in 2020 reflecting an improvement of macroeconomic indicators. The quality of the loan book remained strong with very limited risk costs on individual files and a lower Stage 3 ratio of 1.5%.

Overall for 2021, we expect risk costs to be below our through-the-cycle average of around 25 basis points.

CET1 was higher, at 15.7% with 50% of the second quarter resilient net profit reserved for future distribution. This brings the total amount reserved for this outside of capital to just over €4 billion, of which we distributed €3.6 billion after September.

Now before we go into this quarter's figures, let me spend some time on a few topics I want to highlight, being a contribution on green transition, our strong performance on fee income and our distribution plan.



The first topic is the transition to a low-carbon economy on slide 3. As I mentioned, when it comes to fighting climate change, the sense of urgency and the need to accelerate is clear. Extreme weather is becoming more and more frequent, stakeholders see the need for more action and speed, and the urgency is also clear with policymakers.

We fully subscribe to the sense of urgency and have been supporting our clients' transitional efforts for several years by being a pioneer with steering our Terra book or Terra approach and offering innovative sustainable products to our clients.

This support has translated into a growing number of sustainability deals with an acceleration visible over the first six months, as we are now already close to full year 2020. This includes a growing number of green bond underwritings, for which we have received recognition, as ING was named the most impressive investment bank for financial institutions on socially responsible investments by Global Capital Magazine.

I am happy to say that we are accelerating our efforts and have joined the Net Zero Banking Alliance. For two of our Terra sectors, we are already on the right pathway, for the other seven sectors, some gaps exist. We will determine which actions are needed to align the pathway for each sector with a net zero ambition.

I believe banks play a pivotal role by financing the transition. However, I also call upon businesses to take actions and different policymakers to set regulations that are clear on what is green and not. These regulations need to reflect that the transition takes time, and I find it key that also transitional efforts get recognised, that credit is also given to others not yet green but is moving in the right direction. I see this as a potential weakness and how the green asset ratio is currently proposed. On the other hand, the intentions of the European Commission's revised sustainable finance strategy to incorporate certain transitional activities in a taxonomy are encouraging.

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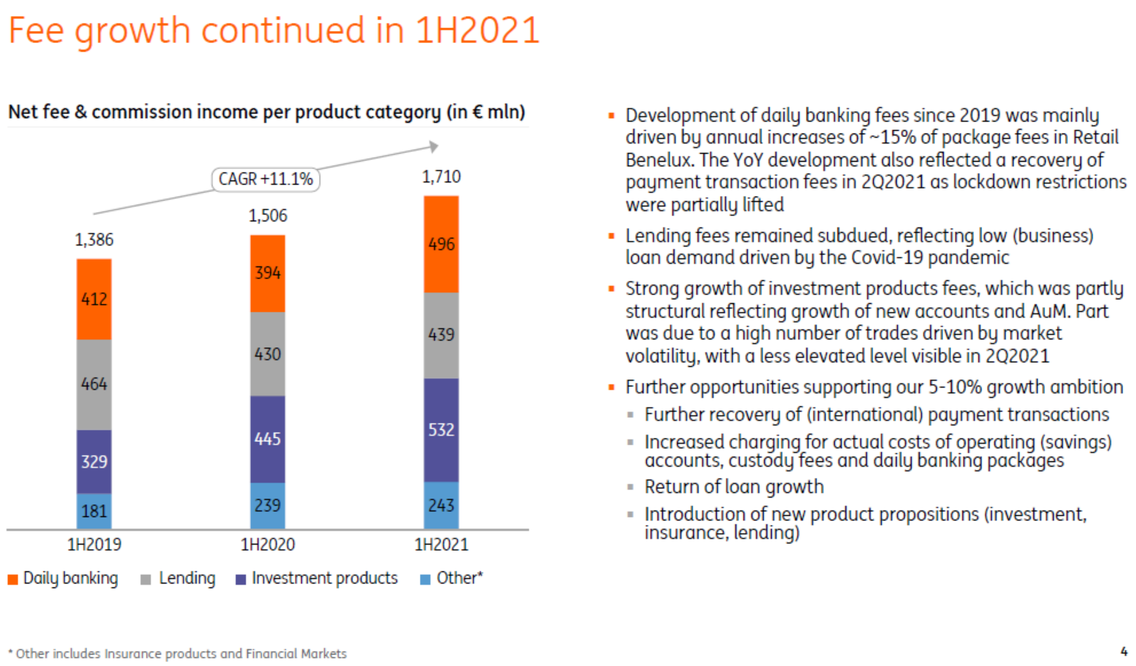


Slide 4 shows the development of our fee income with an 11% CAGR over the past two years, even with the effects of a lockdown. Investment product fees stand out with a CAGR of 27%, reflecting growth of accounts, asset under management and trades, and this was driven by a growing appetite to invest, an appealing investment proposition and an elevated number of trades, partly due to the market volatility under Covid-19.

Especially in Germany, we benefitted from our digital proposition and growth in a number of accounts. In the second quarter, the number of trades was less elevated, resulting in lower-related fees. However, with a rise in the number of accounts and assets under management, we have a strong foundation for a structurally higher level of investment fees.

Another important contributor were daily banking fees with a CAGR of 10%. The main drivers were the introduction of new fees in Challengers & Growth Markets and the annual increase of package fees in the Benelux. Overall, I am pleased with the strong performance of our fee business, keeping in mind that this reflects that especially international payments are still at lower levels with upside potential as we return to more normal circumstances. The same applies to lending fees, which reflects still subdued demand from business clients.

Hence, we see further progress for our fee income on new product propositions, for increased charging of the cost of operating accounts, and for fees on daily banking packages.

Overall, our track record shows we are able to deliver on our 5% to 10% growth ambition and that ambition stays in place.

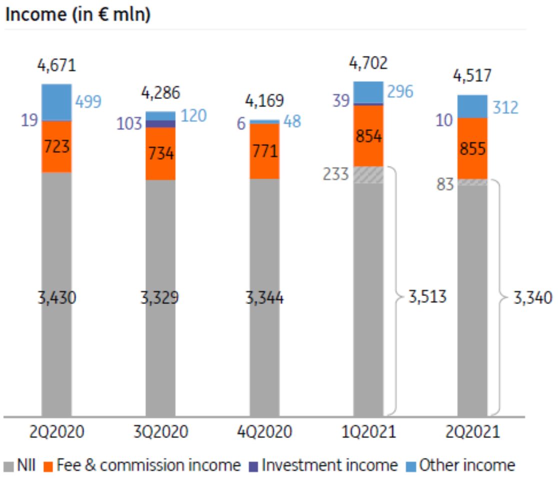
Now let me now move to slide 5. I trust I have your full attention for this, and you are familiar with our distribution policy.

As the ECB has announced that they will lift the ban on distribution after September, I am pleased that we can now execute on the policy and starting with a payout of €0.48 on October 12 or €1.87 billion, reflecting the €0.21 interim over 2021 and €0.27 for the remaining amount originally reserved for 2020. After September 30, we will make an additional distribution of €1.74 billion. The exact form is to be decided. This will be in the form of cash and/or share buyback. In the latter case, it will be subject to relevant approvals.

Going forward, we will over time converge to our CET1 ambition but, as long as the exit from the pandemic and government support is unclear, we will [maintain] a prudent buffer.

Now let me take you through the second quarter results as on slide 7.

Income supported by continued strong fee income



- Total income YoY included another strong quarter for fee income, mainly driven by daily banking products
  - NII included a €83 mln TLTRO III benefit
  - Other income was lower as 2Q2020 benefited from several factors reflecting the rebound of markets relative to the start of the Covid-19 pandemic. This was partly offset by a €72 mln receivable due to a better than expected recovery related to the insolvency of a financial institution in the Netherlands
- Sequentially, total income was supported by continued strong fee income, with some pressure visible on NII
  - NII included a lower TLTRO III benefit of €83 million compared with €233 million in 1Q2021
  - Fees were stable at the high level of 1Q2021 driven by higher daily banking fees. This compensated for lower investment product fees, reflecting a less elevated level of trades following a record 1Q2021

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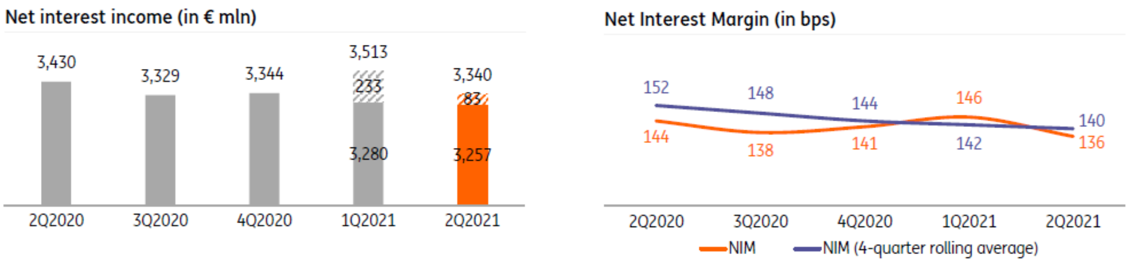
In the second quarter, total income year-on-year was supported by strong fee growth. NII included €83 million TLTRO. However, pressure was visible mainly reflecting lower liability margins. Other income was lower as the year ago quarter included several positive valuation adjustments, as markets rebounded from a negative impact of market volatility that we saw last year in March. This was partly offset by the €72 million receivable related to the insolvency of a financial institution in the Netherlands a number of years ago.

Sequentially, fee income remained at the same high level while lower NII was primarily driven by lower TLTRO.

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



- NII in 2Q2021 was supported by €83 mln of TLTRO III benefit. Excluding this benefit, NII was YoY affected by pressure on customer deposit margins, while customer deposits continued to increase. At slightly higher lending margins, lending NII reflected lower average lending volumes. Furthermore, FX translation had a sizable negative impact YoY
- Sequentially, NII excluding the TLTRO III benefit (€233 million in 1Q2021) was mainly impacted by the aforementioned pressure from customer deposits, which was partly offset by higher average lending volumes
- 2Q2021 NIM was 136 bps, down ten basis points from 1Q2021. This was mainly driven by the inclusion of the high TLTRO III benefit in 1Q2021. The remaining four basis points decrease reflected an increase in the average balance sheet and liability margin pressure, while lending margins improved slightly

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Moving to NII on slide 8. In previous quarters, we addressed that we see continued pressure on NII from low interest rates, as well as the pandemic, which affected the levers that we generally use to counter it.

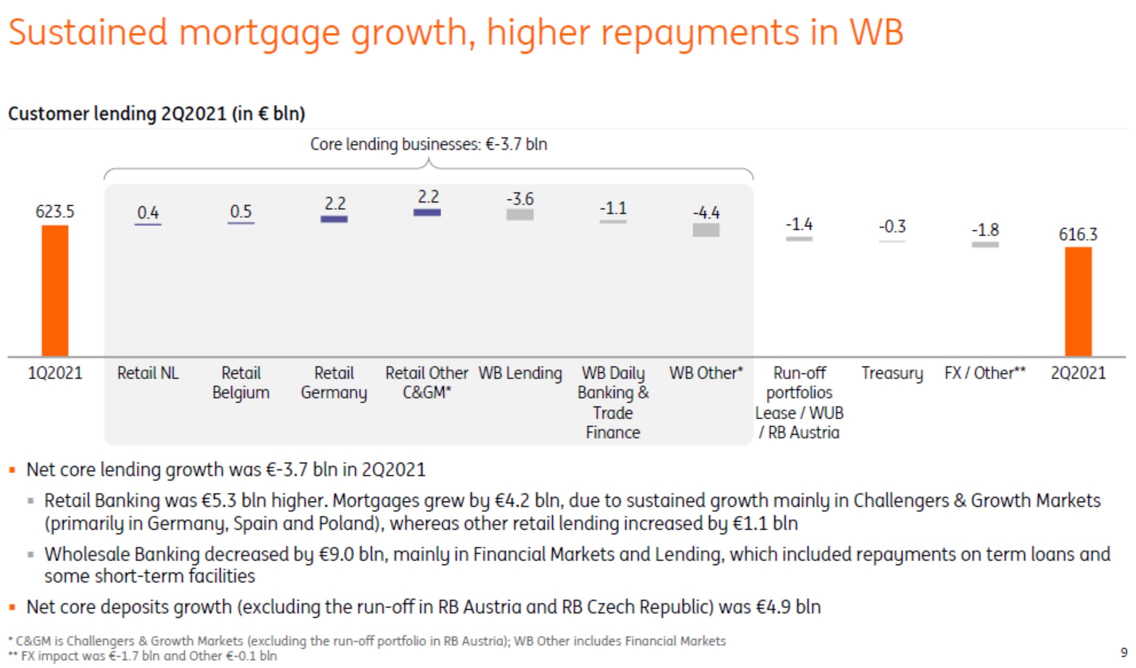
We want to reiterate that swap rates have improved, however, they remain below the 5-year rolling average, and we invest in maturities, which can range from overnight to over ten years. As an example, we could say we invest 20% of our replicating portfolio every year. So improvement will only come in over time and we of course will benefit from a more steepening yield curve.

NII, excluding the TLTRO benefit, was lower year-on-year, primarily due to this continued negative interest rate environment, while deposit inflows have been substantial. Lending margins were slightly higher, however, at lower average lending volumes. Year-on-year, we also saw a negative impact from FX currency translation.

Compared to the previous quarter, NII excluding TLTRO was slightly lower, impacted by the aforementioned pressure on liability margins, which was partially offset by, however, higher average lending volumes at higher margins.

Now, this higher volume may sound counterintuitive as net core lending decreased this quarter, however, this reflects that the majority of the loan growth in the first quarter came in March and was therefore not fully reflected of average customer lending for that quarter.

Our net interest margin optically decreased by 10 basis points to 136. This was mainly driven by lower TLTRO benefits, representing 6 basis points. The remaining 4 basis points were due to an increase in the average balance sheet and the liability pressure I mentioned earlier.



Slide 9 shows net core lending.

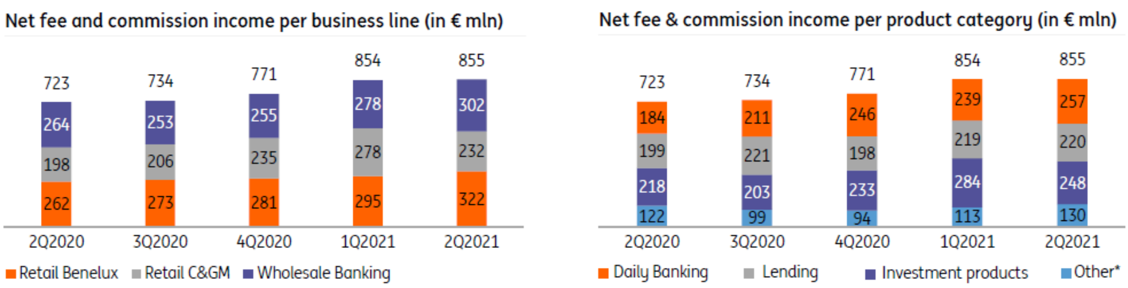
Strong growth in mortgages. Demand for mortgage continue to be strong, especially in Germany, Poland, and Spain. This was the primary driver of net core lending growth in Retail with some growth also visible in consumer and business lending.

In Wholesale Banking, we saw a high level of repayments on term loans and short-term lending in financial markets, resulting in an overall decrease.

Our net customer deposits growth was €4.9 billion, driven by €7.3 billion of higher savings in Retail and €2.5 billion decrease in Wholesale Banking.

I have repeatedly said that negative loan growth is not structural and that we expect loan growth to return when uncertainty subsides. There is still of course the Delta variant and uncertainty is still there, which means that there might be a delay of return to loan demand. But when the demand returns, with our geographical and product diversification, we are well positioned to support our customers and capture growth.

Continued strong fee income



- Compared to 2Q2020, overall fee growth was 18%
  - In Retail Banking, fee growth was 20%. 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 also higher as assets under management, the number of new accounts and number of trades increased
  - Fees in Wholesale Banking were up 14%, driven by higher fees in Lending, TCF and PCM
- Sequentially, fees remained at the same high level of 1Q2021. In Retail Banking, daily banking fees increased due to aforementioned reasons, while investment products fees were lower reflecting a less elevated number of trades following a record-high number in 1Q2021. In Wholesale Banking, in addition to the aforementioned reasons, higher fees were also driven by increased Corporate Finance activity

* Other includes insurance products and Financial Markets

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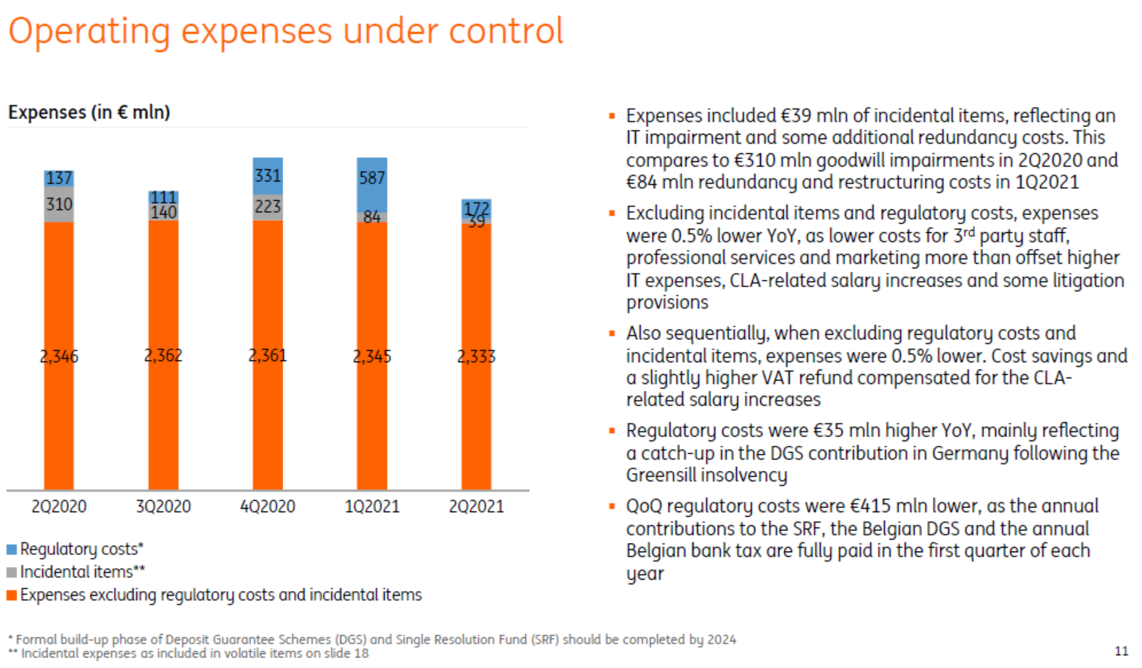
Now back to fees on page 10. Year-on-year income grew by 18% with growth both in Retail and Wholesale.

Retail fees were up 20% with an impressive 46% growth in daily banking, and this reflects the increase in payment package fees and the recovery of domestic payment transactions, while international payment transactions remained subdued.

In Wholesale Banking, fees were 14% higher year-on-year as we saw some growth in lending-related fees, including in Trade & Commodity Finance, while also payment fees increased.

Sequentially, retail fees were slightly lower, mainly reflecting a lower number of trades in investment products after a record high in the first quarter.

Higher fees in Wholesale Banking primarily reflected daily banking and corporate finance activity.



On to slide 11. It shows the expenses, which this quarter included €39 million of incidental items, reflecting an IT-impairments and some provisions related to measures we announced for Retail in the Netherlands. Excluding these regulatory costs and incidentals, operating expenses were under control.

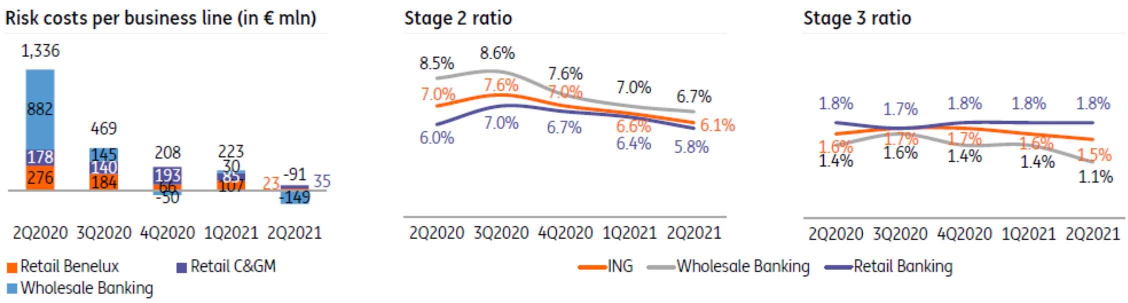
Despite the effect from CLA increases, both year-on-year and quarter-on-quarter, expenses were lower. Year-on-year, we further absorbed higher IT-expenses and some litigation provisions, while quarter-on-quarter, we had a slightly higher VAT refund.

Regulatory costs were lower quarter-on-quarter, reflecting a seasonally high first quarter. Year-on-year, the increase mainly reflected additional DGS contributions in Germany, following the Greensill insolvency and it included a €30 million catch-up. Going forward, we expect a quarterly impact of around €10 million until the end of 2024, which could be adjusted depending on the conclusion of this insolvency.

Unfortunately, we also see some unexpected costs coming in, such as VAT charges on intercompany services following a recent court ruling for one of our peers. We expect to see the impact from this building up over the coming quarters to around €125 million annually, which we will have to absorb over time.

Going forward, we will continue to steer for operating expenses to go down. On the measures announced over the past quarters it takes time to execute., I am, however, very positive on the execution and pleased we found new homes for our Retail customers in Austria and the Czech Republic in mutually beneficial transactions.

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



- 2Q2021 risk costs were €-91 mln, or -6 bps of average customer lending, well below the through-the-cycle average of ~25 bps. This included a €230 mln management overlay, reflecting uncertainty related to the Covid-19 pandemic and an expected delay in credit losses. The overlay partly offset €492 mln of releases driven by updated macro-economic indicators. The combined €-262 mln impact on risk costs was allocated to the segments with Retail Benelux €-106 mln, Retail C&GM €-34 mln and WB €-122 mln
- In Retail Benelux, risk costs further included a €109 mln collective provision reflecting model updates in Belgium. Risk costs in Retail C&GM further reflected collective provisions, mainly in Poland, Germany and Spain. Risk costs in Wholesale Banking further included a limited number of individual additions
- The Stage 2 ratio declined to 6.1%, mainly driven by migration back to Stage 1 of business lending customers in Retail Benelux. The Stage 3 ratio decreased to 1.5%, due to lower Stage 3 lending credit outstandings in Wholesale Banking

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Now then to asset quality on slide 12. The risk costs were minus €91 million or minus 6 basis points of average customer lending.

This includes a €230 million management overlay primarily in Stages 1 and 2, which partly offset a €492 million release driven by updated macroeconomic indicators. This resulted in a net impact of minus €262 million with releases in all business lines.

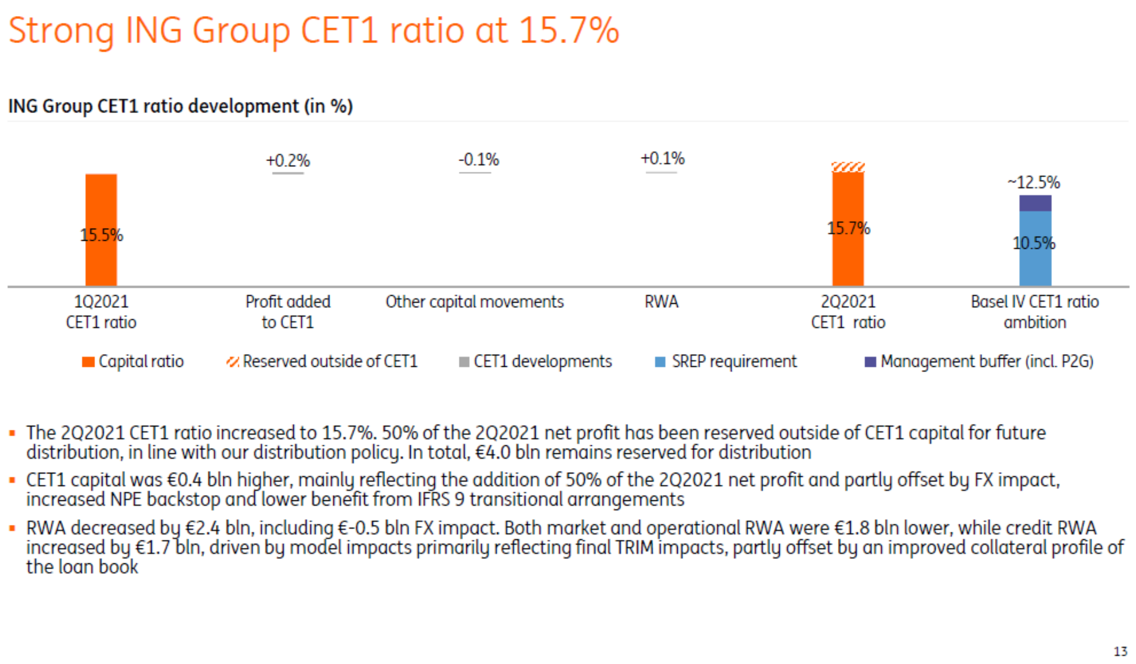
Aside from these releases, in Retail Benelux risk costs mainly came from €109 million collective provision in Belgium, reflecting model updates, of which €79 million was in Stage 3. We further saw some collective provisioning for consumer lending in the Netherlands.

In Retail Challengers & Growth Markets, risk costs further reflected collective provisioning for consumer and business lending mainly in Poland, Germany and Spain.

In Wholesale Banking, Stage 3 risk costs were low, reflecting very limited additions.

Both Stage 2 and Stage 3 ratio were lower, reflecting lower outstandings in both stages. And as I said at the start, looking at the numbers, you would not think that we are in a crisis, and that certainly applies to risk costs. This is not ING-specific, and I believe this reflects the support provided by governments, combined with a positive macroeconomic outlook, which could allow businesses to make a quick rebound. However, uncertainty remains and for that, we still keep in place part of the buffer built up over the past quarters amounting to around €425 [million] at the end of the second quarter.

We do believe things are moving in the right direction and that for 2021, our risk costs will end up below our through-the-cycle average. And that is a change in guidance.



Slide 13 shows that our CET1 ratio increased to 15.7%. The capital was higher with €400 million, which included €700 million or 50% of net profit for this quarter. The other 50% was reserved for future distribution in line with our policy. This was partly offset by FX-impact, an increased NPE backstop, but also lower benefits from the IFRS 9 transitional arrangements.

Our RWAs decreased, mainly driven by market and operational risk weighted assets. The market risk-weighted assets reflected a lower historical VaR as a volatile quarter was no longer included in the calculations. Lower operational risk-weighted assets were due to technical model updates. The credit risk weighted assets were up, driven by model impacts, primarily reflecting the final TRIM impact - so this is it for the TRIM - and it was partly offset by an overall improved collateral profile of the loan book.

Remaining regulatory RWA inflation is very manageable at around 30 basis points.

ING Group financial ambitions

		Actual 2020	Actual 2Q2021	Financial ambitions
Capital	CET1 ratio (%)	15.5%	15.7%	~12.5%* (Basel IV)
Profitability	ROE (%)** (IFRS-EU Equity)	4.8%	7.7%	10-12%
	*C/I ratio (%)***	*63.2%*	*62.7%*	*50-52%*
Distribution	Distribution (per share)	€0.12***	€0.48****	50% pay-out ratio*****

* Implies management buffer (incl. Pillar 2 Guidance) of ~200 bps over fully-loaded CET1 requirement of 10.51%
** 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 June 2021, this amounted to €4,031 mln, reflecting an initial reservation for the 2019 final dividend payment, the remaining amount originally reserved for the 2020 distribution and a 50% reservation of the 1H2021 resilient net profit
*** Final dividend
**** Consisting of an interim dividend over 2021 (€0.21 per share) and the remaining amount originally reserved for the 2020 distribution (€0.27 per share)
***** Of resilient net profit

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As you can see on slide 14, the CET1 ratio is well ahead of the ambition.

On ROE, it is below our ambition, but we already have seen an improvement versus the previous quarter to 11.2% for this quarter. With more efficiency on cost and capital and with growth returning, we maintain our ambition and very much intend to continue to provide an attractive total return.

To reiterate, cost income remains an important input for our return on equity. We continue to work on our ambition of 50% - 52%.

As for distribution, we have currently an amount just over €4 billion reserve outside of CET1 capital with an announced €0.48 to be paid out in October 2021.

Wrap up

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To wrap it up, the highlights of the quarter.

Wrap up

- As focus on climate action accelerates, we are well-positioned to finance the investments needed for the transition to a low-carbon economy
- Pre-provision result was good, supported by continued strong fee income, the inclusion of the TLTRO III benefit and negative rate charging in NII and cost control, despite margin pressure on customer deposits
- Risk costs were €-91 mln. The Stage 3 ratio declined to 1.5% and we are confident about the quality of our loan book
- For 2021, we expect overall risk costs to be below our through-the-cycle average of ~25 bps
- 2Q2021 CET1 ratio was higher at 15.7%, with 50% of €1,459 mln 2Q2021 resilient net profit reserved outside of CET1 capital for distribution
- We will distribute €3,618 million after 30 September 2021. We will pay an amount of €0.48 per share in October 2021 and make an additional distribution of €1,744 million related to the amount reserved over 2019. The latter will be in the form of cash and/or a share buyback, subject to relevant approvals

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First of all, we subscribed to the sense of urgency to transition to a low carbon economy, and we contribute to that by financing the transition. We have been doing that by steering our loan book with our Terra approach, and we have upped our ambitions by joining the Net Zero Banking Alliance.

Looking at our results, these are good. This quarter, we managed to realise another record quarter in fees, to grow our mortgage book, and to manage the pressure on net interest income while we kept expenses under control.

Risk costs came in at minus €91 million. We have released part of the buffer build-up in 2020, reflecting an improvement of macroeconomic indicators but still maintaining a buffer of around €425 million. The quality of the book is evident with a lower Stage 3 ratio of 1.5% and for 2021, we expect risk costs to come in below our through-the-cycle average.

Our CET1 ratio was higher at 15.7%, with 50% of the second quarter resilient net profit reserved for future distribution, bringing the total amount reserved outside of CET1 capital to just over €4 billion. As the ECB has lifted the restrictions, as you know, on distribution after September, we will pay an amount of €1.87 billion or €0.48 per share on October 12. After September, we intend to make an additional distribution of €1.74 billion in the form of cash and/or a share buyback, with the latter subject to relevant approvals.

That concludes the presentation. Now, on to your questions.

QUESTIONS AND ANSWERS

- **Benjamin Goy – Deutsche Bank**

Good morning. Two questions, please. First, on capital return and then secondly, on costs. On capital return, I am just wondering because of this conditionality subject to approval, is there execution risk in case you go for a share buyback as compared to a dividend? Is that something you would expect to kick off in the fourth quarter?

Secondly, on costs. In Q3 last year, you announced that costs are going down from here. I am just wondering now - with a couple of quarters with actions in place and now you mentioned some headwind - what is the balance? Did it get easier, and do you have some comfort from the execution so far? Or is there more needed to offset these new headwinds?

Steven van Rijswijk – CEO ING: Okay. I will take the cost question and Tanate will take the capital question. I think on costs, when you take out the specials, this is actually the first quarter, they went down, the amount still being small. We have made a number of announcements of actions that we are taking, including branch reductions, restructuring of private banking in the Netherlands, branch decreases in various other countries, including Poland and Belgium. We announced last year already a curtailing of our footprint in Wholesale Banking in South America and Asia. We have come to an agreement with bank99 or actually Österreichische Post on transferring Austria retail activities to bank99. We have transferred already 50% of our clients and 60% of our activities to Raiffeisen in the Czech Republic. But what you will see is that these benefits will come in over time. As soon as you announce them, it still means that you go through a period of restructuring, you have a discussion with the works councils and unions, you have potential M&A discussions with buyers as we have now seen and then only gradually will you see the benefits come in.

With the VAT-decision on one of our peer banks, yes, sometimes you have some headwinds, but I remain focused and confident on the target of bringing the cost further down.

Tanate Phutrakul – CFO ING: And Benjamin, on your capital question, first of all, you need to realise that this €1.7 billion is reserved outside of our capital calculations today and second, we have a very constructive discussion with the ECB with respect to our capital management discussions. We have applied to the ECB for a share buyback. So, we are in constant dialogue with the ECB.

Benjamin Goy – Deutsche Bank: Very good. Thank you very much.

- **Stefan Nedialkov – Citigroup**

Hi, good morning, two questions from my side. The first on NII. I wanted to see and check in – given your Wholesale lending growth is actually more of a decline – what is your confidence in being able to book the TLTRO 3.2 benefits? The one that runs through December 2021 in terms of loan growth. Related to the NII question, what is the outlook for expanding the negative deposit charging base within existing countries where you do that, such as Belgium? Or for example, in Germany, there were some press articles about DiBa potentially starting to charge more negative rates. Some colour around that would be very helpful. So that's the NII question, or maybe these are two questions on NII, apologies for that.

Lastly, on the core equity Tier 1 target of 12.5%. It seems like you have changed the tone slightly on capital return and you now say that given Covid, you will be targeting a significantly higher buffer versus the 12.5%. Can you put some numbers around how much of a buffer you are thinking about above the 12.5% in terms of capital return?

Steven van Rijswijk – CEO ING: Thank you very much, Stefan, for your questions. Yes. I mean the first question is question 1a and then 1b, I would say and then there is a question 2 on CET1. So Tanate will take the NII and the CET1, and I will take the net interest rate charging.

So on Belgium, we had announced – and that started as of July – that we will charge deposits over €250,000. In the Netherlands, we announced and that starts as of the 1st of July, that we started to charge as €100,000 and in Germany, we announced that we will start to charge clients with €50,000 or more. The latter part being delayed, obviously, also linked to the conclusion of the High Court on changing of conditions for your clients. So for that, we will need to send a letter to our clients to agree on these conditions so that will take a bit more time. But we will continue to look at the developments, and we will continue to look where there is a need with the pressure that we have on our liability margins to charge. We can never say something to the future. We are doing well in terms of diversifying our income and looking at our business lines, but also, we need to look at what is appropriate charging depending on the market circumstance in terms of negative interest rate, and we will keep looking at that picture.

Tanate Phutrakul – CFO ING: Stefan, first on TLTRO, if you look at our ability to achieve the first target, that gives us confidence in our franchise. Then we are coming off a relatively lower level in October, which is the start of the measuring point. So, I think we are confident of hitting the second TLTRO.

Then on your second point with respect to our CET1 guidance. We have not changed our guidance. Our guidance remains over the coming years to get to that around 12.5% CET1 level. We always caveated of course that we will take our time during the period where Covid still plays, and that guidance remains unchanged.

Stefan Nedialkov – Citigroup: Understood. Thank you!

- **Kiri Vijayarajah – HSBC**

Good morning. A couple of questions from my side. In terms of the various market exits you have been doing – France, Czech Republic, Austria – is that rationalisation programme now done or are some of your weaker smaller geographies still under review? So just an update there.

And then on the outlook to volume growth specifically in the wholesale bank. Looking out in the second half, you sounded quite optimistic, but could you just share a bit more colour on where you see that growth coming from? How much of it is coming from outside Europe? In which sectors is your financing pipeline looking strong?

I guess it is kind of early days, but as government guaranteed lending mechanisms fade away in some of your geographies, I wonder if there is scope for some margin expansion in the Wholesale portal or is it too early to see those trends?

Steven van Rijswijk – CEO ING: Thank you very much, Kiri. So, on the rationalisation of the markets, basically, you have seen the announcement of selling Austria to bank99. In the Czech Republic were well on our way to transfer to Raiffeisen and on France, we announced a strategic review. So, we have not come to a conclusion as yet. I want to be clear on that. That strategic review will likely take until the end of the year. But if not, we will come with conclusions, but the conclusion has not been taken yet, it is under review.

I will continue to look at our business performance. That includes geographies but also business lines. When it comes to retail geographies, like I said before, I will look at four lenses, which is attractiveness of the markets, the ability to reach scale, the ability to get to decent profitability in the medium to long term or the benefit that the presence in the market has for other markets or whether that country does deliver something that can be used by other markets as well. So, I will continue to look at that. That is, by the way, always the case. Also in light of the current environment, I will continue to assess our business lines, but also to assess various businesses even beyond geographical lines as well.

When it comes to the outlook of loan growth in Wholesale Banking, like we said in the first quarter, there is likely some pull forward as a result of TLTRO. Now that has happened. That is also why you see, for example, the loans in financial markets being repaid. That is a significant part of it. What we see is that Asia Pacific and the Americas are already in transition. There we see stronger pipelines and more deals in our green light processes. In a number of markets in Europe, we see that the usage of working capital is at still a relatively low level.

When the confidence in the relinquishing of the lockdowns restores, there will be more working capital need and there will be more capital investments. So that will gradually come over time.

And as per Wholesale Banking, you also asked about guaranteed government loans. Yes, there were a few particular loans in which there were government guarantees or government support for some larger clients in specific circumstances but in general, in Wholesale Banking, there was not that much of guarantees in the first place on these loans. That took more places in the mid-corporate and SME space.

Kiri Vijayarajah – HSBC: Great. Thanks!

- **Giulia Miotto – Morgan Stanley**

Good morning. The first question will be on fees. ING has a target to grow 5% to 10%, but actually has nicely overshot the target so far, with basically the levers that you highlighted still to come. Actually, €855 million probably looks low as a running rate. So, would it maybe be time to update the guidance? Is there potential to be above 10% over the next year or so? Any more colour that you can give us on where a potential good run rate for fees is would be great.

Secondly – sorry to go back on loan growth -- quarter-to-date, are you seeing any evidence of, first of all, loan demand picking up but, secondly of deposits are going down because people maybe move them to investments or start saving less?

Steven van Rijswijk – CEO ING: Okay. Thank you very much. In the past, our 5% to 10% was seen as overshooting but if I translate your question well, you are now suggesting that I am undershooting. So I need to reflect on that question.

I am very happy with the fee growth and there are more levers that we can continue to pull. Like I said, developing new propositions, introducing daily banking fees in markets where, by the way, we have not introduced daily banking fees at all, and in some markets daily banking is still for free, and of course, also extending our investment products in markets where we have not done that as yet or can benefit of what we rolled out in Germany. Moreover, in Germany, we are now moving from execution-only also to simple advice and other banks have done that in the past but as I said before, we come from a very low-fee environment business, and we are gradually moving ourselves into this space as well. So we have an ambition to grow with 5% to 10% on average per annum. That is not only for this year, but that is also for 2022 and 2023. So I would like to stick to that guidance. But as I told you, I am quite confident about the levers that I can pull on that front.

When it comes to loan growth, we do not give forward-looking guidance but what I can tell you, is that in the second quarter – and that is what we have with a business banking and consumer lending that is largely focused on Northern Europe – we actually saw contraction over the past number of quarters and this was the first quarter again that our business banking and consumer loan book, albeit small, grew with about €1 billion. That is the first positive sign for that part of the market.

Then you had one question when linking the loan demand question to deposits and investment products. Can you repeat that question, please, Giulia?

Giulia Miotto – Morgan Stanley: No, I was just thinking because over the past year, deposits have been growing much more than loans versus the opposite dynamic happening before. So I was hoping that can turn.

Steven van Rijswijk – CEO ING: Me too.

Giulia Miotto – Morgan Stanley: In Q3-to-date, you are seeing any evidence of that turning?

Steven van Rijswijk – CEO ING: Well, we gradually see that again. We see good growth in mortgages with €4.2 billion at a rate, which is actually higher – if you look at it from a quarter and on an annualised basis – than we have seen in the past number of years. So healthy mortgage growth. We see in Business Banking and mid-corporates – and please note we are largely a Northern European bank on that front – a gradual return to growth. This is the first quarter in a couple of quarters that we grew. In Wholesale Banking, we actually saw that loans contracted. That had on the one hand, to do with the pull forward of TLTRO, with companies in Europe not yet using that much working capital and capital expenditure, but also because of strong capital markets where companies can benefit from going to the bond market. Now that will take a bit more time. Again, this will not be structural. At some point, growth will return but given where we currently are in Europe, it will take a bit more time than we are seeing in Asia and the Americas. I hope that answers your questions.

- **Raul Sinha – JP Morgan**

Good morning. I am sorry to bring you back to the risk of undershooting on fees, As the first question, I just wanted to ask about the investment product fees in terms of sustainability. Just given it is up 20% year-over-year, if I look at the first half of 2019, pre-pandemic, it is up 60% over that period and obviously, there is an inflow of AuM, and there is also clearly this market volatility environment. So I just wanted to get your thoughts on how sustainable you think the investment product fees are going forward.

The second question is just on capital distribution. Obviously, there is some concern about the remaining €1.7 billion. In terms of your language, you say, post September, but clearly, that could mean early next year as well. I can assume that the lack of precision on timing is basically due to the fact that you are waiting for the ECB approval process of buybacks, which is slightly longer rather than any kind of intention on your part to delay this payout. Is my understanding correct on this?

Steven van Rijswijk – CEO ING: Thank you, Raul and I will take the question on fees and leave capital distribution for Tanate. On fees, yes, if you look at the investment product fees, we indeed had good growth during Corona time, also because we did not really start with that app so long before Corona. So we were just starting it up and it is not that we had a much lower-level pre-Corona and then during Corona benefitted from it. We also were gearing up to being able to offer that on the app. By the way, we just launched ‘Komfort-Anlage’, which is the video-advice product that we now put on top. We just started with that. So if you look at the quarters, in our view the second quarter on investment products is more structural than the first quarter. The first quarter had also to do with quite high volatility compared to what we on average see. The flip side of it is that our assets under management grew but also the investment accounts grew with approximately 160,000. So, what we need is continued growth in assets under management, growth in investment accounts and then, of course, there will be some volatility about the number of trades, but that is then forming a good basis. So, it is the mix of those three that will help us to further grow our investment fees as well as rolling it out to other markets as well.

The second element of this is payments. These increases will be more structural. We increased payments, package fees in the Netherlands and Belgium with 15%, and it is just there to stay. We are looking at how we should develop our fee propositions for payment packages in other markets as well. As I told you in some of the markets our payment propositions are still free or nearly free. Then you see in payment packages, that is the fixed part of it and if you look at the more volatile part of it, it is transactions. There you see that due to the pandemic international travel is quite low. Most of the markets in which we are active are debit card markets, and as travel returns that will go to credit card markets, and that means that our fees on these credit cards will go up as well.

Tanate on capital, please.

Tanate Phutrakul – CFO ING: Yes. Raul, thanks. I repeat our message, which is that we intend to return this €1.7 billion. We have a constructive dialogue with the ECB and just a reminder, the dividend ban only got lifted on the 23rd of July. So we have applied for that capital return, and we will do so as soon as we get the necessary approvals.

Raul Sinha – JP Morgan: That is very clear. On the fees part, can I just request perhaps some additional disclosure, some additional slides because there is a lot going on through all your initiatives in various different markets.

Steven van Rijswijk – CEO ING: I see Mark sitting next to me sweating, so, I think that he will look at it.

Raul Sinha – JP Morgan: Thank you! Sorry, Mark.

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

First, just on net interest income ex TLTRO. Given the dynamics you were explaining, should it be a stable level going forward and the upside lever is additional volume growth?

And then on your capital return. You say you reiterate the 50% payout ratio but how are you thinking about the path from your current 15% CET1 ratio down towards your target, even if it is 12.5% or even slightly higher? Is it 50% plus special dividend or would you consider increasing or revisit the payout 50% ratio to make this more a gradual process?

Tanate Phutrakul – CFO ING: Thank you, Anke. Maybe I just give you a sense of the drivers of our NII. The first is that the impact of negative interest rates on our liability replication remains there and it will be there for some time. That is one of the challenges that we face. But having said that, if you look at the actions we are taking, Steven has already mentioned the strong growth in mortgages, resumption of growth in business banking and consumer lending, as well as a resurgence in terms of Wholesale Banking. So I think those are there. Our origination margins are holding up. That is nice to see. We are taking further actions with respect to negative interest rate charging in this quarter. On July 1, we are charging negative rates to our customers in the Netherlands who are having more than €100,000 with us, €250,000 in Belgium and for new customers in Germany, anybody above €50,000 who becomes a client are charged negative rates. So, these are all the actions to deal with the impact of negative rates.

Then your second question. We look at capital returns in two parts: what is in line with our normal dividend policy, which is 50% of resilient profit and getting from the current levels to around 12.5%, we would do that in terms of specials, whether in cash or in the form of share buyback.

Anke Reingen – Royal Bank of Canada: Thank you.

- **Andrew Lowe – Berenberg**

Hi! Can I ask a quick question on Turkey? Firstly, you have not had your Turkish exposure slide for the last couple of quarters. So, an update on those numbers would be pretty helpful.

Steven, I remember you saying when you were CRO a number of years ago that your Turkish business was important as it supported lending for German and Italian wholesale clients. Is this still the case?

Steven van Rijswijk – CEO ING: Thanks, Andy, for your question and yes, you are right. Indeed, we did not disclose it in Turkey because in the bigger scheme of things it is relatively limited. But nevertheless, I am happy to tell you what the amount is. The total exposure on Turkey is around €8 billion. You can see from the previous quarters that has come down and if you remember – because you are referring to my previous role as CRO – that we started in the past with an intercompany loan amount, including subordinated debt of around €4 billion. Now, also the subordinated loan has been repaid so the only intercompany debt leaving is senior loans of around €600 million. That is to give you the lay of the land of Turkey. Now part of it indeed is Wholesale Banking business, approximately half, and that has to do with large amongst other German but also Italian and other companies that are doing business in Turkey and do export, for example, certain machines or Turkish companies who own factories and organisations here in Europe, including in the UK and in Belgium and others as well. So there is a lot of export and import going on with Turkey, and that helps our network well. But we remain cautious with regards to the geopolitical circumstances that we have in Turkey and as I refer to the dollar amounts and also the intercompany loan in that regard, which I think held in the right direction.

By the way, Andy, our Turkish franchise publishes extensive accounts on the ING Turkey website. So if you want to review those, you can look at these as well.

Andrew Lowe – Berenberg: That's great. Thank you very much.

- **Omar Fall – Barclays**

Good morning. A couple of questions for me. So firstly, just on coming back to NII. I guess the expectation at least in the market is that it will be flat this year. But if I look at volume growth, as you say, it is maybe not coming through as fast as you initially expected, and it looks like there is around €60 million of deposit margin pressure every quarter still. If I look at your core geographies front book margins are falling on the asset side and some of the support for NII this quarter came from FM, which is volatile. So do you think these levers, including negative rate charging, that you have are enough for the second half to really keep NII stable? So just some outlook there would be great.

Secondly, could you just talk specifically about Retail Germany, please? Even ex-the Greensill impact, it is one of the weakest quarters in several years for what has been one of the best divisions in the entire European retail banking space, really. So could you give us some more colour there, please? Is it just some of the costs associated with Austria but then fees are down quite a bit, as is NII as well?

And then, sorry, a cheeky final question. Could you give us the amounts of NII, revenue and/or profit associated to Retail Austria, France, and Czech Republic, just for our modelling, please?

Steven van Rijswijk – CEO ING: Thank you very much, Omar. Those are quite some questions. Let me pick it on Retail Germany and Austria, the Czech Republic and France and then I will ask Tanate to respond to the NII question.

So on Retail Germany, maybe a couple of things. If you take it top to bottom, you have good loan growth in mortgages. So again, close to €2 billion in mortgage growth, which is good. If you then look at fees, then two things happened. First of all, growth in accounts, investment accounts, close to 100,000 new investment accounts and growth in assets under management but a lower number of trades. So like I said, good that at least our structural levers are increasing with assets under management and accounts, but not as much volatility as in the first quarter. So the number of trades went down and that impacted the fee amount, with approximately €30 million. The remaining amount of the fee decreased there came from the fact that we had such good mortgage growth because mortgage is going through brokers and that also means that we pay more out to brokers. So, the remaining part of the difference between Q1 and Q2 came from the success of our mortgage growth. So funny enough, in short term, if you do not grow your mortgages, your fees will likely go up. So that is a bit what it does.

If you then look at the broader book in terms of deposits, we still see deposits coming in, in that book, because Covid is still ongoing and therefore, still, if you look at the growth of our retail deposits, that is largely the case in the Netherlands and in Germany. So that is an impact that it is having. Austria of course still sits on the book, so that is only getting off when it gets out of there, which is not the case, and we hope to conclude it in the course of this year. But hence, it is still a drag on the cost level for Germany.

And then, when you then talk on Greensill, I mean, I will not talk about the involvement or not, but if we were involved, you would have seen it, I guess. But it does mean, because we are part of a DGS system in Germany, that will provide us with some additional regulatory costs, for which €30 million was a catch-up done this quarter. Thereafter it will be €10 million per quarter as far as we can see, depending on the final conclusion of the insolvency. So that is actually the P&L top to bottom. So the underlying fundamentals for Germany are good, but there were some things that played out this quarter that impacted the P&L for Q2.

When you talk about Austria, the Czech Republic and France we do not disclose separately these entities now. But in the fourth quarter we have disclosed an individual overview of the countries on one page of our investor presentation that gives you some feel for the size of those businesses.

Tanate Phutrakul – CFO ING: Then, Omar, just coming back to your NII question. There are clearly a number of management actions that we are taking and the success of which will help us with our NII. One, we mentioned, which is achieving the target for TLTRO III. By achieving that, we would sustain €83 million a quarter in additional NII. The second is that we are increasing the level of negative interest rate charging that we do to a certain group of our customers. And if I may remind you, we gave a bit of guidance on the impact of negative rate charging, that this year, we would expect somewhere around €200 million in positive benefit compared to €80 million for the full year 2020. In the second half of the year, we would get the impact of negative charging in the Netherlands and in Belgium coming through. The third is really about loan origination, which is the fact that we do need strong loan growth. We already see that in Retail. We need to see resumption of that in mid-corporate and SME as well as more sustained growth in the Wholesale Bank. So these are all the levers that we would use to deliver on continued sustaining of our NII.

Steven van Rijswijk – CEO ING: Thank you. Let's move on.

- **Timo Dums – DZ Bank AG**

Good morning. I am also sticking to two questions. So the first one – my apologies for returning to excess capital – is whether you would also consider M&A activities for either increasing scale or to add some other capabilities not only looking at banks but also considering fintechs maybe as an add-on?

Secondly, I would like to understand if you have any additional regulatory burdens ahead of you, given that you received a final TRIM letter.

Steven van Rijswijk – CEO ING: Yes. Thank you very much, Timo. I will give your second question to Ljiljana, and I will answer to the first question on return of excess capital. Your question was basically about M&A activity. As you can see also with the growth of our primary customers in this quarter with 281,000, the fee growth trajectory I have gone into, the business review that I am currently doing, there are still plenty of things to do. However, if I look at that diversification, then what we could be interested in would be in skills, either technology skills or certain product skills that we do not have, because if they do help to diversify our income basis or have a better customer experience, then I will look at these. And you can say that these may be the small fintechs, that could be, but it could also be a payment engine, a consumer loan engine, it depends. So if not organic growth, that is what I would look at in the first instance. Secondly, you then could look at more opportunistically at in-market consolidation if that would apply, but that then really depends on what would come. So we would look at it, but we are actually not focused on it that much. And then thirdly, you could look at cross-border consolidation. There we are sceptical because especially in Europe we see that banks are compartmentalised in terms of capital and liquidity. So getting a benefit from cross-border consolidation under the current circumstances to me is not evident and would take a banking union to get a better benefit on that. So it is very unlikely. So, we are largely focused organically and then probably focused on certain skill sets if they would add to our client experience or broadening of our product experience. On the remaining regulatory burden, Ljiljana?

Ljiljana Čortan – CRO ING: Good morning also from my side. You will remember, we have announced a regulatory RWA inflation of 50 bps in the previous quarters. So we have taken some additional impact this quarter, which actually is €5.2 billion as we already split it before. What it means for us is the remaining impact of 30 bps going forward coming predominantly from the Basel IV day-1 implementation. All the other impact should have been taken so far in consideration, specifically with respect to the TRIM and other inspections.

Timo Dums – DZ Bank AG: Thank you.

Steven van Rijswijk – CEO ING: Thank you very much. Let's move on to the next.

- **Benoit Pétrarque – Kepler Cheuvreux**

Just one for me, just a follow up on the €1.7 billion, which is the catch-up on 2019 and the related timing on this. Is that fair to assume that the only reason you do not provide a date, or a specific quarter is that you want to do it in the form of a share buyback? In other words, in the worst case the scenario that the share buyback is not approved – which I do not expect – is it fair to assume that you would be paying this €0.45 per share, €1.7 billion, also on the 12th of October?

Steven van Rijswijk – CEO ING: Tanate?

Tanate Phutrakul – CFO ING: Again, Benoit, we keep that flexibility. We want to get approval for the share buyback, and that is our intention. I recognise a number of questions and worries on this call about when this will take place. But again, as I mentioned before, the dialogue with the regulator is very constructive, and we expect to do that as soon as possible.

Benoit Pétrarque – Kepler Cheuvreux: Thank you.

- **Stefan Nedialkov – Citigroup**

Hi, just a quick question related to Basel IV. As you look out over the next couple of years, you seem to be relatively better positioned in terms of Basel IV impact. Do you think Basel IV will be a positive event for margin pricing overall when it comes to mortgages and corporate lending, or do you think that it is going to be a non-event or maybe even a negative event when it comes to pricing?

Steven van Rijswijk – CEO ING: That is a good question, Stefan. In the end, all the regulatory scrutiny on models, including Basel IV, had to do, on the one hand, with having consistency and strength on capital and modelling for banks operating in the European Union and secondly, to have a sufficient level of capital to withstand the stress in the financial system. That is what Basel IV, what TRIM and all these regulatory remodelling requirements require to do.

Now in the end, we as a bank have already been impacted by and large by the TRIM missions, and that is because we have many models that are advanced models and not standardised models. Therefore, Basel IV, as such introduction, is more an output factor and is not impacting us so much. If your question is, if that would be an increase in capital because the targets of Basel IV was not necessary to increasing capital – although, if I look at the banks, it has meant an increase in capital – but, if your question is does an increase in capital also bode for higher pricing, the simple answer would be, yes, because in the end – at least that is how we work – we want the price the return and if we cannot price the return, we will return the money back to shareholders.

The other element of supply and demand has to do with how much money there is in the system. Currently, there is quite a lot of money in the system, so it will need to be absorbed again. We would need to see tapering by the ECB, which at least for the short term, is not there. If you look out a few years ahead, it is still a bit difficult to see, but it would also require our liquidity returning to normality because that will also help pricing going up.

Those are the elements that play a role. But if you look at ING, we will price at the required capital level and if we cannot make the adequate return, we will return money back to shareholders.

Stefan Nedialkov – Citigroup: Understood. Just a quick follow-up here. Steven, does it make sense to think about Basel IV as a bit of a competitive advantage for you in that respect, because assuming you are already pricing correctly and we only have 30 bps left from Basel IV, obviously, your peers have a lot more to do in terms of capturing that impact. So even if you are just staying still in terms of pricing, your peers could be increasing pricing. That makes it more competitive and, therefore, could overall help with your volumes.

Steven van Rijswijk – CEO ING: Yes, that would be nice. I cannot look in the kitchen of other banks to see how they look at pricing. Do they look at pricing compared to where their capital is now or where the capital is in the future, or whether they are also so strict on making returns that we require, or are they looking at costs as strictly as we require it to be looked at? Those are all elements that play a role, but everything ceteris paribus, if everybody has the same return requirements, the same cost to income ratio and the other banks need to get more capital in to get to Basel IV, yes, that will have a positive impact on pricing. I agree with you there.

Stefan Nedialkov – Citigroup: Thank you.

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

I just wanted to come back to your sustainability slide on slide 3. Obviously, it is given as a matter of importance. I just wanted to understand, how do you think this will impact your loan growth going forward? So will we be looking at a rundown portfolio at some point, which you will offset with growth in assets which are greener? How should we think about the overall volume?

Steven van Rijswijk – CEO ING: That is a good question. I talked about it a little bit when I spoke about the energy transition in the analyst presentation. We are in the transition, and I am happy that we signed up to the Net Zero Banking Alliance because it also means that we will now also look at the pathways more strictly. I believe that the whole world will look at that pathway more strictly.

It also means that companies need to transition their businesses faster than they would do before. That also means that investments will need to be made in machines, or airplanes, or ships, or energy production, or change of combustion engines to transition as well. A number of our assets are already green. A number of assets that we have in our books in terms of lending assets are brown, if you will, and that means that those companies need to make a transition. So that can increase and that can help the level of investment increase and that is why I am also happy with the intentions of the European Commission's revised sustainable finance strategy. That is about that transition, not so much about the status quo and looking at a static metric. We need to help the business transition and if we are doing that in line with that taxonomy that will also support investment level for ING.

As there are no further questions this concludes the second quarter results. I wish you a good Friday and hope to speak to you soon.

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End of call

Appendix

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Volatile items 1Q2021

Volatile items and regulatory costs (in € mln)

	1Q2020	2Q2020	3Q2020	4Q2020	1Q2021
WB/FM – valuation adjustments	-92	87	91	-13	11
Capital gains/losses	138	15	6	3	36
Hedge ineffectiveness	-89	40	43	-59	23
Other items income*	-82	40	-230	0	233
Total volatile items – income	**-125**	**182**	**-90**	**-69**	**303**
Incidental items - expenses**		-310	-140	-223	-84
Total volatile items	**-125**	**-128**	**-230**	**-292**	**219**
Regulatory costs	-526	-137	-111	-331	-587

* Other items income in 1Q2020 consists of €-82 mln of losses within WB/Lending mainly due to negative MtM adjustments related to syndicated loans and loans at fair value through profit or loss; 2Q2020 consists of €40 mln of positive MtM adjustments in WB/Lending; 3Q2020 consists of €-230 mln of impairments on ING's equity stake in TMB; 1Q2021 consists of €233 mln TLTRO III benefit
** Incidental items expenses in 2Q2020 consists of €-310 mln of goodwill impairments in mainly WB and RB Belgium; 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

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ING's distribution plans in 2021 and beyond

ING's Distribution Policy

- Pay-out ratio of 50% of resilient net profit
  - Net profit adjusted for significant items not linked to the normal course of business
  - To be paid out in cash or a combination of cash and share repurchases, with the majority in cash
  - Cash-only interim dividend*
- Additional return of structural excess capital
  - To be considered periodically, taking into account alternative opportunities as well as macro-economic circumstances and the outcome of our capital planning

- ING will adhere to the prevailing ECB recommendation to limit distributions, which will remain valid until 30 September 2021. At that time, the ECB intends to repeal the recommendation 'in the absence of materially adverse developments'

Distribution in 2021 and beyond

1. The €0.12 dividend per ordinary share**, paid in February 2021, has formally been declared the final dividend over 2020 by the AGM of 26 April 2021
2. We intend to make an additional distribution of the amounts reserved over 2019 (€1,754 million) and 2020 (€1,044 million) after 30 September 2021, subject to relevant approvals and prevailing ECB recommendations
   - This could be in the form of cash and/or share buyback
4. 50% of the resilient net profit in 2021 will be reserved for distribution, in line with our policy
   - Payment of interim dividend over 2021 to be delayed until after 30 September 2021, subject to prevailing ECB recommendations
5. Over the coming years we intend to gradually reduce our CET1 ratio towards our ambition of ~12.5%

* ~1/3 of 1H resilient net profit, to be paid out with our half year results
** Equivalent to 15% of adjusted net profit as defined by the ECB

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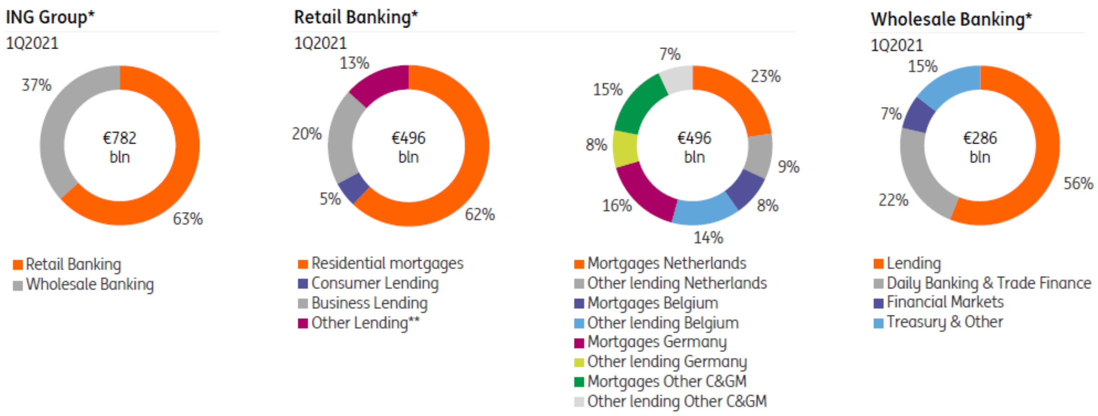
Well-diversified lending credit outstandings by activity



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

* 31 March 2021 lending and money market credit outstandings, including guarantees and letters of credit, but excluding undrawn committed exposures (off-balance sheet positions)
** Other includes €56 bln Retail-related Treasury lending and €10 bln Other Retail Lending

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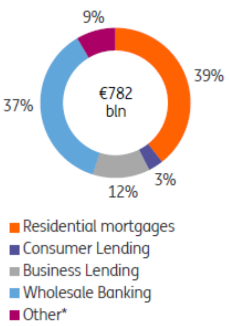
ING

2Q2021 Analyst call transcript

6 August 2021

Our lending book is senior and well-collateralised



Residential Mortgages €308 bln	▪ Average LTV of 58% with low Stage 3 ratio at 1.3% ▪ Risk metrics remained strong, also supported by government schemes
Consumer Lending €25 bln	▪ Relatively small book, risk metrics slightly deteriorated
Business Lending €96 bln**	▪ Limited exposure to sectors most at risk: ▪ Agriculture: €5.7 bln (0.7% of loan book), Stage 3 ratio at 6.2% ▪ Non-food Retail: €3.0 bln (0.4% of loan book), Stage 3 ratio at 4.3% ▪ Hospitality + Leisure: €4.2 bln (0.5% of loan book), Stage 3 ratio at 6.5%
Wholesale Banking €286 bln	▪ Limited exposure to sectors most at risk: ▪ Leveraged Finance: €8.0 bln (capped at €10.1 bln), well-diversified over sectors ▪ Oil & Gas: €16.6 bln of which €3.6 bln with direct exposure to oil price risk (0.5% of loan book; Reserve Based Lending (€2.7 bln) and Offshore business (€0.9 bln)), Stage 3 at 6.2% ▪ Aviation: €4.5 bln (0.6% of loan book), Stage 3% at 5.7% ▪ Hospitality + Leisure: €1.5 bln (0.2% of loan book), Stage 3% at 8.9%
Commercial Real Estate (RB + WB)	▪ Total €49.3 bln (6.3% of loan book), booked in RB and WB ▪ Well-diversified capped loan book ▪ LtV at 50% and low Stage 3% at 1.0%

* Other includes €56 bln Retail-related Treasury lending and €10 bln Other Retail Lending
** In 4Q2020, the Real Estate Finance portfolio booked in Retail Banking (€11 bln) was transferred from Other Retail Lending to Business Lending

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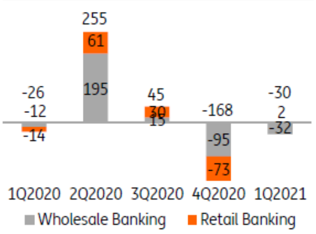
Provisioning per Stage

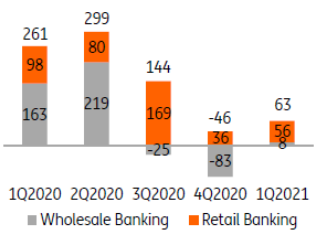
Stage 1 provisioning (in € mln)



Main drivers 1Q2021

- Releases triggered by a macro-economic model update, partly compensated by a management overlay reflecting a delay in expected credit losses as lockdown restrictions were tightened and uncertainty remains

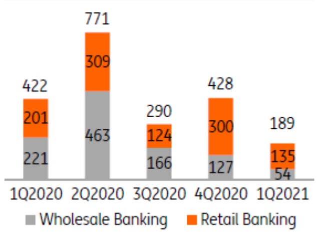
Stage 2 provisioning (in € mln)



Main drivers 1Q2021

- Releases triggered by a macro-economic model update, more than compensated by a management overlay reflecting a delay in expected credit losses as lockdown restrictions were tightened and uncertainty remains

Stage 3 provisioning (in € mln)



Main drivers 1Q2021

- Additions to some new individual files in WB
- Collective provisioning in C&GM, mainly related to consumer and business lending

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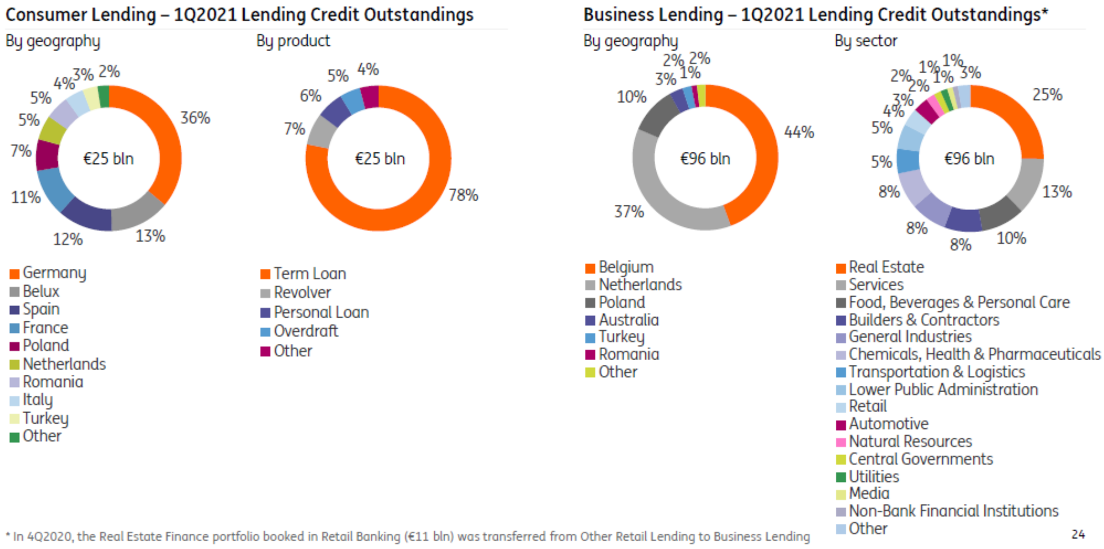
Retail Consumer Lending and Business Lending



* In 4Q2020, the Real Estate Finance portfolio booked in Retail Banking (€11 bln) was transferred from Other Retail Lending to Business Lending

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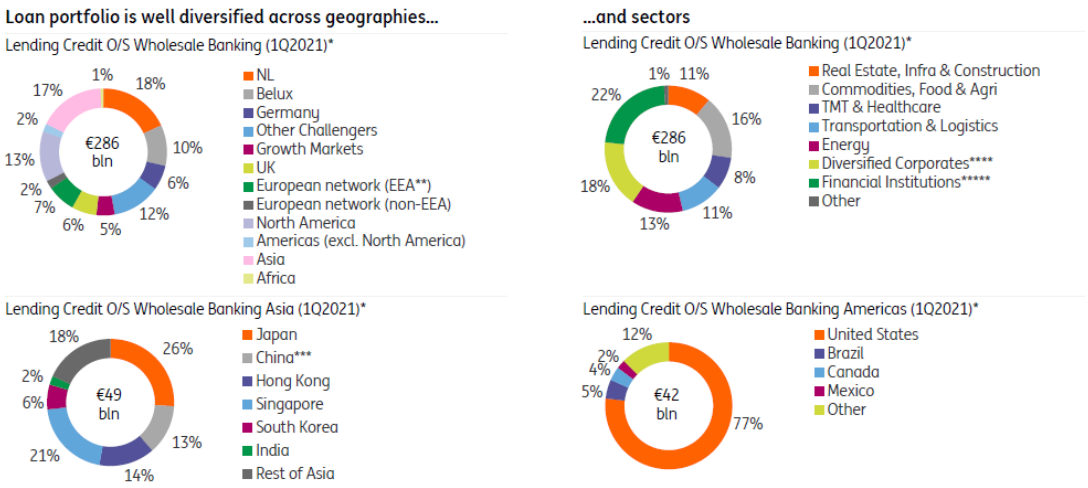
Wholesale Banking lending



* 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 (€1.7 bln at 31 March 2021); **** Large corporate clients active across multiple sectors; ***** Including Financial sponsors

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