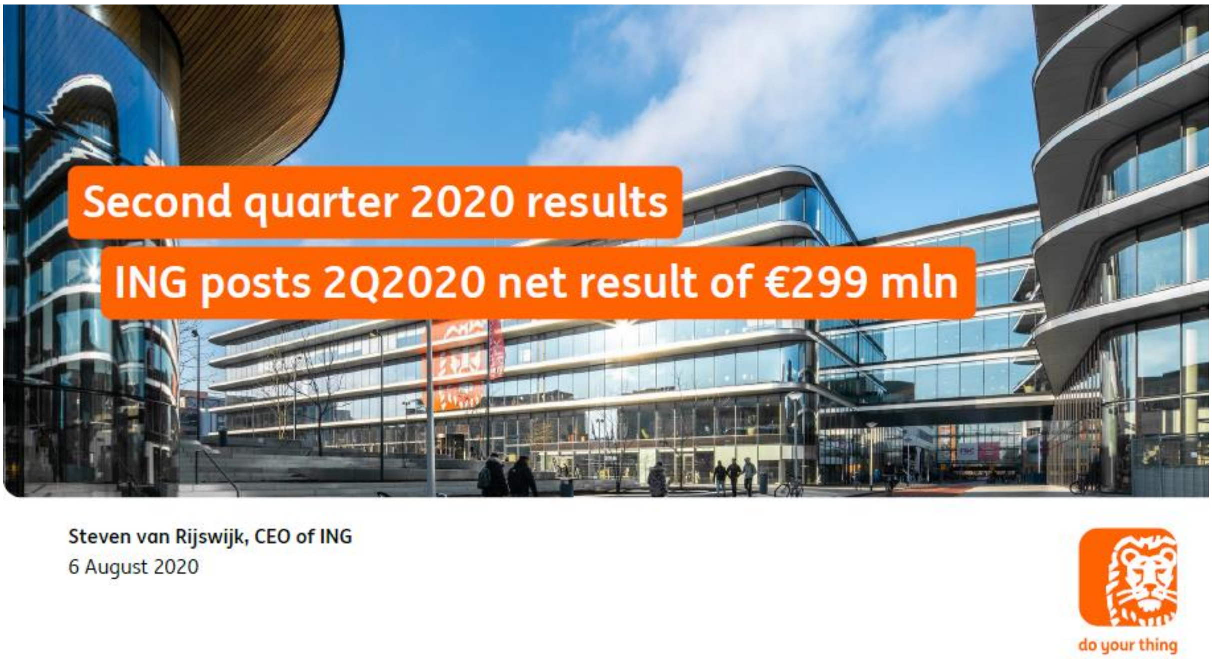
2Q20 ANALYST call Transcript

6 August 2020



Operator: Before handing this conference call over to Steven Van Rijswijk, Chief Executive Officer of ING Groep, let me first say that today's comments may include forward-looking statements. Such statements regarding future developments in our business, expectations for our future financial performance and any statement not involving an historical fact. Actual results may differ materially from those projected in any forward-looking statements. A discussion of factors that may cause actual results to differ from those in any forward-looking statements is contained in our public filings, including our most recent annual report on Form 20-F filed with the United States Securities and Exchange Commission, and our earnings press release as posted on our website today. Furthermore, nothing in today's comments constitutes an offer to sell or a solicitation of an offer to buy any securities.

Good morning, Steven, over to you.

Steven van Rijswijk - CEO ING: Thank you very much. Good morning, everyone, and welcome to our second quarter 2020 results call. I hope you are healthy and well. I am happy to take you through today's presentation in my new role as CEO. I am joined by our CFO, and our interim CRO, Tanate Phutrakul as well as Karst Jan Wolters, currently responsible for the day-to-day risk activities. At the end of the presentation, we will, as always, have time to take your questions.

Key points

- In line with our purpose, we continue to take actions to support our customers, employees and society in coping with the effects of the Covid-19 pandemic. At the same time, countering financial and economic crime remains a priority
- The current environment underscores the strength of our digital business model, with continued primary customer growth, ensuring stable NII and operational cost control
- In 2Q2020 mortgage lending continued to grow, while in Wholesale Banking protective drawings of 1Q2020 partially reversed. Overall net core lending growth was €-7.0 bln. Customer deposits increased by €20.9 bln
- Pre-provision result was resilient, supported by disciplined pricing, positive valuation adjustments and cost control, despite margin pressure on customer deposits and impairments on goodwill
- Risk costs increased, mainly driven by €421 mln of collective provisioning reflecting the worsened macro-economic indicators due to the Covid-19 pandemic, while Stage 3 risk costs included a sizable suspected external fraud case
- Looking forward, we expect that for 2020 the majority of provisioning is behind us and for the second half of 2020 we expect risk costs to be below the level recorded in the first half year, under the assumption that the macro-economic indicators will remain unchanged
- 2Q2020 CET1 ratio was strong at 15.0%, with lower RWA reflecting successful capital management actions, capital relief measures and lower lending volume. Including the 2019 dividend reserve the pro-forma CET1 ratio was 15.5%
- We are very well positioned to face the challenges posed by the Covid-19 pandemic with a robust capital position, a strong funding structure and a continued low Stage 3 ratio

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With COVID-19 affecting many, also the second quarter was far from standard. We continue to support our customers, employees and society during this time. At the same time, as countering financial and economic crime remains a priority, we continue our efforts to increase the effectiveness of our KYC activities. However, the current operating environment reinforces our belief that we are on the right strategic path with our digital model being a clear strength in continuing operations and uninterrupted service.

Pre-provision results proved resilient, as we keep focus on pricing discipline. We also saw some of the negative valuation adjustments from last quarter reversing as financial markets somewhat normalised again. Combined with cost control, this largely countered the margin pressure on customer deposits and goodwill impairments.

Over to our risk costs. Under IFRS 9, we took substantial collective provisioning in Stage 1 and Stage 2 to reflect worsened macro-economic indicators. When these remain unchanged, we believe that we have already taken the majority of provisioning for this year. And for the second half of 2020, we expect risk costs to be below the level recorded in the first half year.

The CET ratio improved from 14% to 15%. This ratio was supported by lower RWA due to several management actions and CRR amendments. Regulatory capital also increased. I will

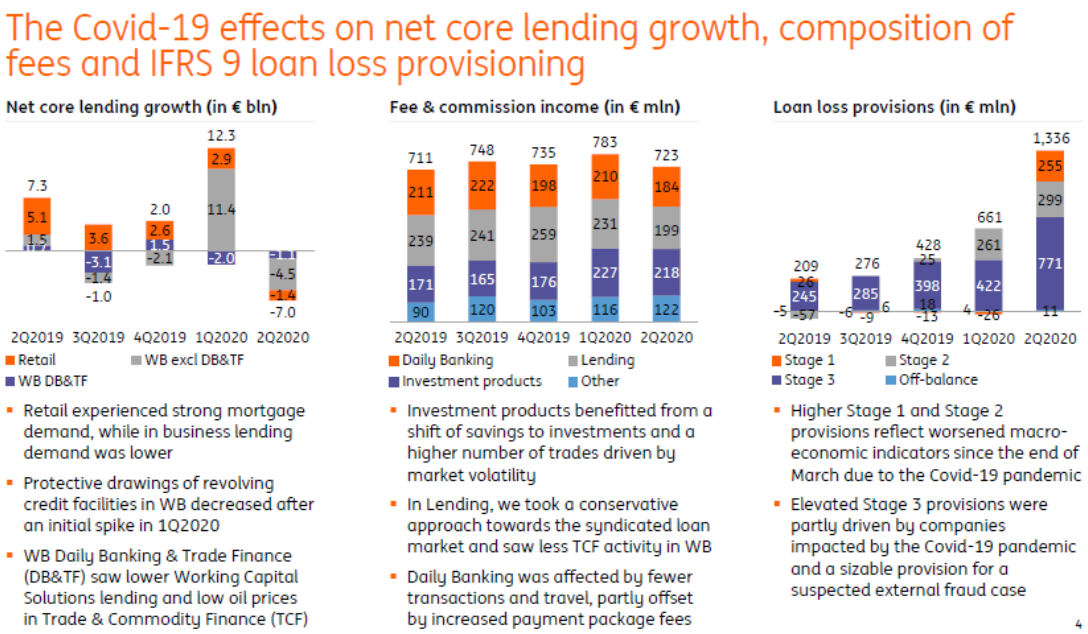
come back to this later in the presentation. We are confident that we are well-positioned to face headwinds with a strong capital position, a strong funding base and a low Stage 3 ratio.

Also, this quarter, we provided support to our employees, customers and society. Currently, around 75% of our staff continues to work from home, and we have started with a phased return to office, ensuring that our people can work safely and in line with local requirements. We help both our private and business customers with payment holidays. So far, we have granted payment holidays on EUR 18 billion of credit outstandings, representing 2.5% of our loan book. This is mainly in mortgages and business lending. Of this amount, the payment holidays of EUR 1.3 billion have already expired. On these loans, we are not seeing a meaningful increase of risk costs.

After the initial peak in March and April, new requests have come down. And as we are already seeing payment holidays starting to expire, we would not expect this amount to show a large increase going forward.

We have also extended approximately EUR 250 million in loans to SMEs and mid-corporate customers and our government guarantee schemes and provided EUR 5.4 billion of liquidity to larger corporate customers with part of the liquidity drawings having reversed versus the peak at the end of March.

We use different ways to monitor the credit risk profile of our clients. Aside from individual credit assessments, we also use our early warning system to identify potential signs of an increased credit risk for an individual customer. And through personal contact, we stay updated on how our clients are doing and, if needed, we are involved early on.



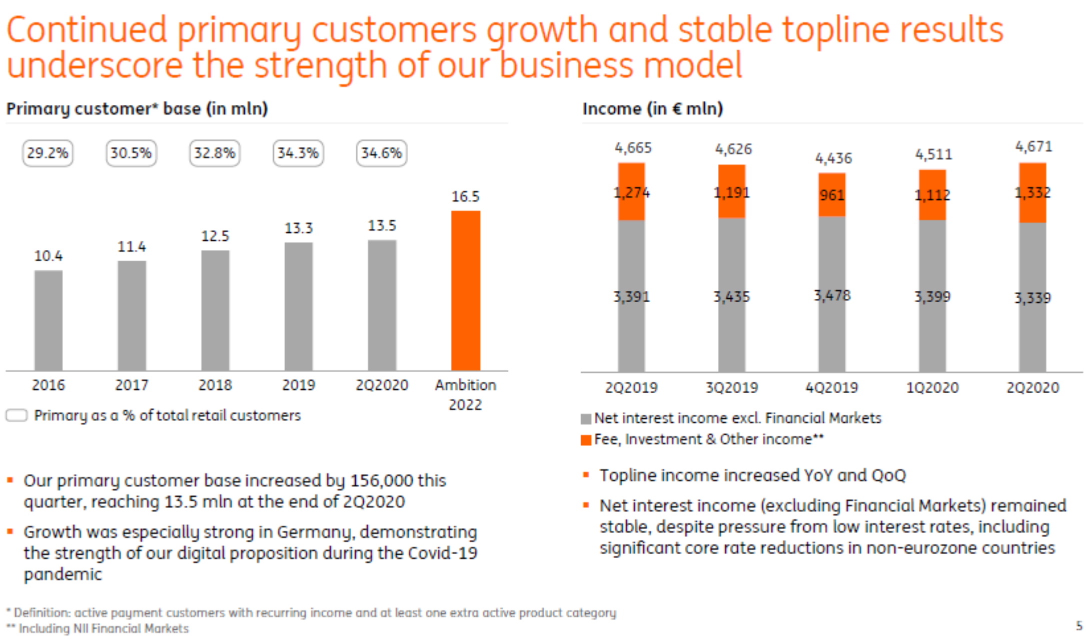
Now moving to slide 4. In the previous quarter, we saw very high loan growth, and that was mainly driven by protective drawings in Wholesale Banking. This quarter, part of these drawings has come back, while also investment plans are on hold, and that has reduced the demand.

In Retail, we saw continued demand for mortgages, while in Consumer Lending, demand was subdued. Also, in business lending, there was less demand driven by liquidity provided through government support packages and less need for working capital or investment loans. That resulted in negative loan growth.

In fees, the strong trend of the last quarter continued in investment products. Daily banking fees were affected by lockdowns with lower payment fees, reflecting lower commercial activity and limited travel. We managed to partially offset this effect with the increased payment package fees in the Benelux as well as in Germany. Our conservative approach to syndicated transactions in Wholesale Banking resulted in lower lending fees over there and lower oil prices affected trade finance.

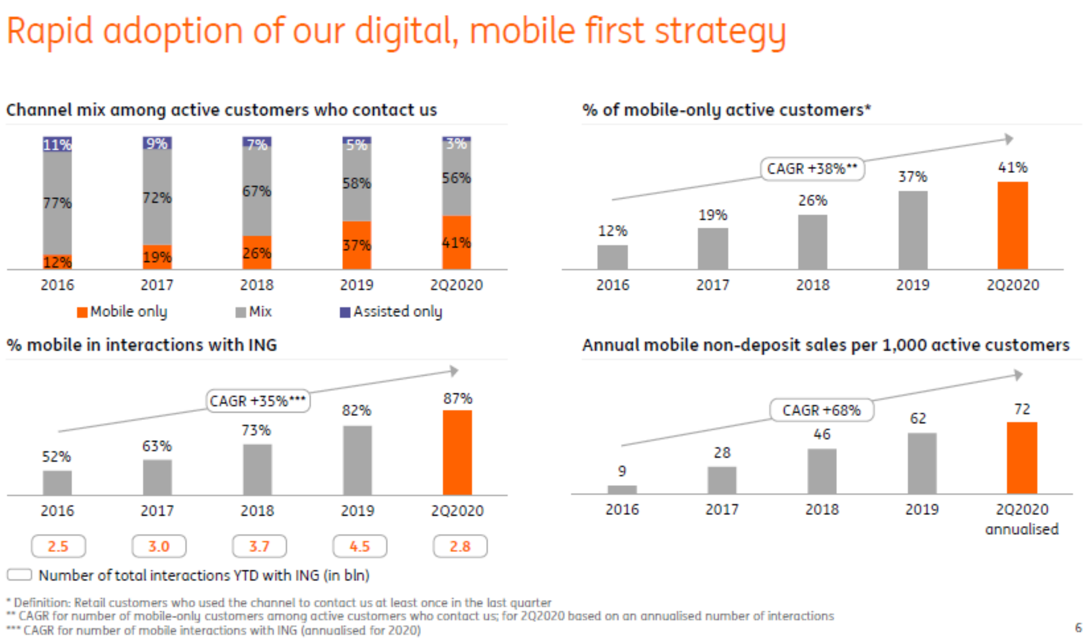
Now despite these COVID-19 effects, fee income over the first half year was almost 9% higher than the first half of 2019. So, we are on track with our fee growth ambitions.

Loan loss provisioning was impacted by worsened macro-economic indicators. As a result, we saw an increase in Stage 1 and Stage 2 provisioning. I will come back to that later.



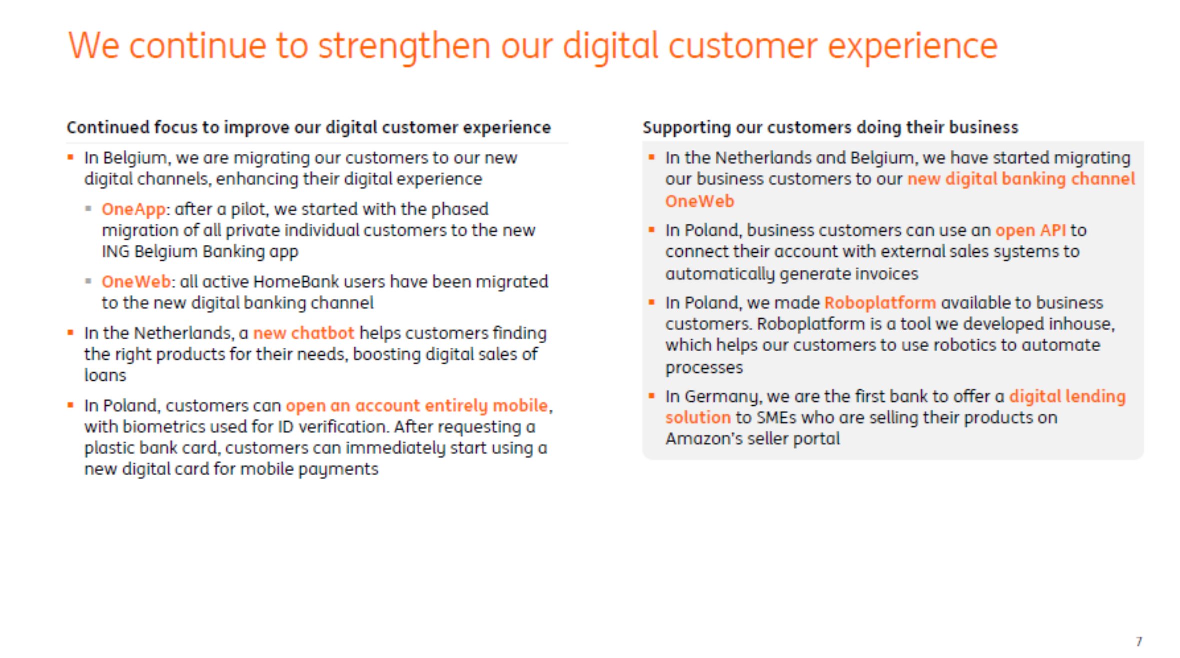
Now let's look at slide 5. This slide shows that despite all the challenges posed by the current market environment, we keep on growing our primary customer base. As we also saw last quarter, especially Germany benefited from a digital experience we offer to our customers. Furthermore, we managed to grow our top line income, both year-on-year and quarter-on-quarter. While there is some positive impact from more volatile items when you look at our NII, our net interest income, we managed to keep that stable, as also guided despite the negative interest rate environment in the Eurozone.

Year-on-year, there is some support from tiering. Nevertheless, the pressure on liability income is still significant and even increased this quarter with core rate reductions in the non-Eurozone countries. Our discipline – and that is important – with lending margins and charging negative rates are examples of how we are managing the pressure. It is also important to note that the benefit that we could get from TLTRO III will come as of the third quarter, as our main participation in this scheme only came at the end of the second quarter.



Then on to slide 6. I want to underline the message that our digital and agile abilities are great assets under the current circumstances. Digital banking is a safe choice for our customers, while to ensure business continuity in a rapidly changing world. Our digital mobile-first strategy, in my view, is the right strategy and under my leadership, we will continue with this. As you can see in the top graphs on this page, we continue to help our customers making the shift from using assisted channels, being branches and call centres, to mobile banking at a very high pace.

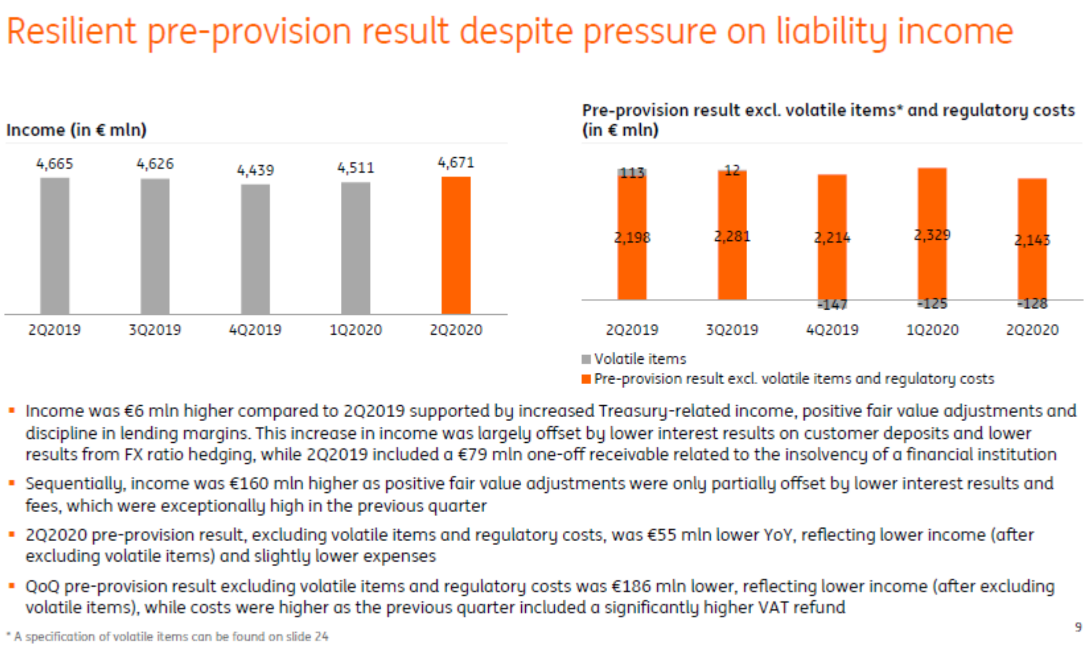
With lockdown measures in place, our customers have quickly adopted to remote channels for advisory products such as video calls for mortgages or investment advice, and this is visible in a further reduction of assisted channel usage and further acceleration of the share of the mobile-only customers, and that came in at 41%. If you take that further, the share of mobile interactions increased to 87%, with a number of interactions again increasing if you look at it at an annualised basis. And last but not least, on the right-hand bottom side, if you look at that graph, again on an annualised basis, it shows that we improved our conversion rate to sales since the end of 2019 with an increasing number of mobile sales per 1,000 customers.



Slide 7. We continue to work on improve the digital experience for our customers, including further steps in Unite, as we are improving the digital experience also for our Belgian customers. This quarter, we took important steps in Belgium towards digital harmonisation. We launched OneWeb, the new digital banking channel, and we started to welcome our private individual customers to OneApp, which is based on the app also available in Germany and the Netherlands.

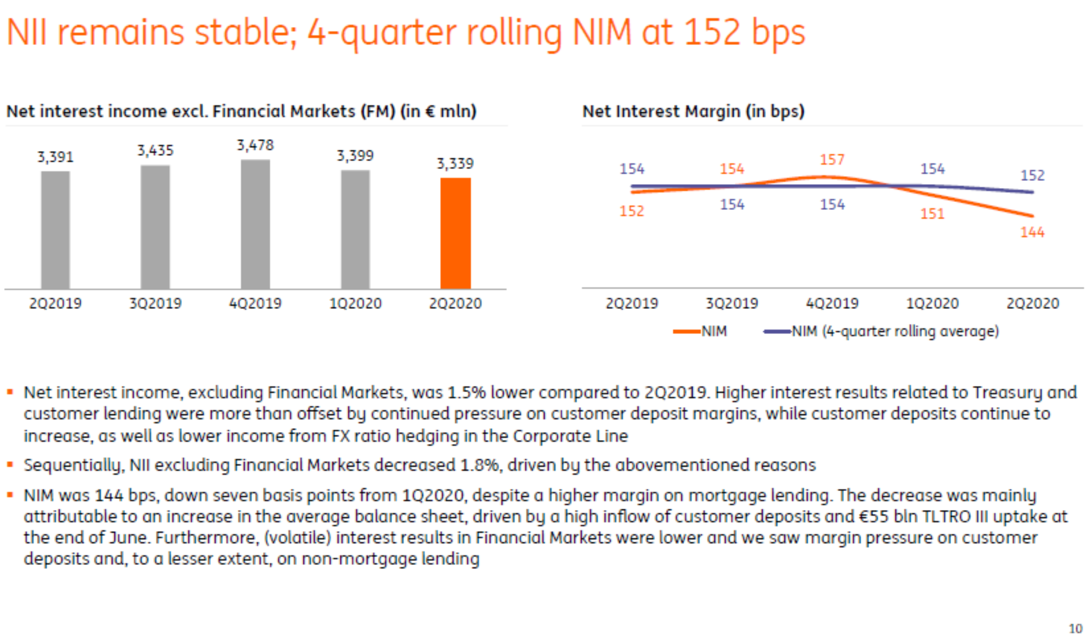
To remind you, many Unite milestones already have been realised. We implemented an agile service model, reduced the number of branches, migrated all Record bank customers and decommissioned systems. Our centralisation of the core banking systems, and we said that before, will not happen. However, with the technological changes and benefits that we currently have and that we initiated after we had started Unite in 2016, we will be able to harmonise our digital customer proposition much faster, for example, to the use of APIs. A large part of the planned cost savings has already been realised and although the technical execution of Unite differs from what we planned back in 2016, we are certain that we can improve and further improve efficiency.

Now with that, let me take you through the second quarter results, starting on slide 9.



In the second quarter, income increased both year-on-year and quarter-on-quarter. Compared to one year ago, we saw higher treasury income, and we disciplined our lending margins combined with positive valuation adjustments. This offset the continued pressure on the customer deposit margins and also the lower income from foreign currency ratio hedging, reflecting lower interest rate differentials as the core deposit rates, not only in the Eurozone, but also in non-Eurozone countries were significantly reduced. As a reminder, 2019's second quarter also included a EUR 79 million one-off gain. So, the overall income was EUR 6 million higher year-on-year and, without that one-off gain, even more.

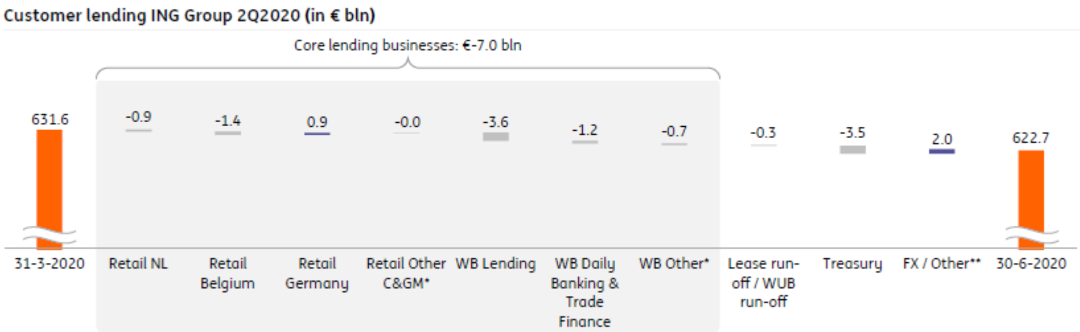
Sequentially, income improved by EUR 160 million. This mainly reflects the reversal of the last quarter's negative valuation adjustments despite special liability income and lower fees after an exceptionally high fee income in the first quarter of this year. Pre-provision results, and that excludes both volatile items and regulatory costs, was resilient. Income, excluding volatile items, was slightly lower and pressure on liability income remains. Versus a record high previous quarter fees were lower. Costs were lower year-on-year despite the CLA-related increases. The previous quarter benefited from a significantly higher VAT refund. If you exclude this item, the quarterly operating costs -- excluding the volatile items and goodwill impairments -- also went down, so both year-on-year and quarter-on-quarter.



Then going to Page 10, on to NII. Net interest income, excluding Financial Markets, was slightly lower year-on-year, reflecting the effect of the negative rate environment on customer deposits as well as lower income on foreign currency ratio hedging. This quarter, we saw several core rate reductions in the non-Eurozone countries, with a substantial inflow of deposits, especially in the Eurozone countries, reflecting a reduced spending in these uncertain times and holiday allowances received. Versus the previous quarter, NII excluding FM, was 1.8% lower. NII on mortgages improved. However, margin pressure on customer deposits did continue. Overall, we continue to see that effect of pricing discipline, as we benefit from negative rates that we charge on deposits. Versus the second quarter of last year, we benefit from deposit tiering, which came into effect at the end of 2019 and again, benefit that we get from TLTRO III will be pronounced as of the third quarter of this year as the main uptake of the TLTRO scheme was at the end of June of this year.

Our net interest margin decreased by 7 basis points this quarter to 144 basis points. It was mainly driven by a higher average balance sheet, reflecting high deposit inflow, our TLTRO III participation and the customers' elevated average drawing on revolving credit facilities in Wholesale Banking. And as I told you, it came down towards the end of this quarter, but the first two months, April and May, the drawings and revolving credible facilities were still relatively high. The generally low margin on these facilities did impact the margin on non-mortgage lending as well as income on liabilities. As mentioned before, while NIM is an important metric for the market, we know that NIM can be impacted by volatile items, as you can see this quarter and so we believe it is also good to look at the overall net interest income development.

2Q2020 net core lending reflecting lower demand



- Our core lending franchise was down by €7.0 bln in 2Q2020
  - Retail Banking decreased by €1.4 bln. Mortgages were €1.2 bln higher, due to continued growth in Challengers & Growth Markets, while other lending decreased by €2.6 bln, mainly driven by lower demand in business lending in Retail Benelux
  - Wholesale Banking decreased by €5.6 bln, mainly in Lending due to repayments on clients' increased utilisation of revolving credit facilities in 1Q2020
- Net customer deposits increased by €20.9 bln

* C&GM is Challengers & Growth Markets; WB Other includes Financial Markets
** FX impact was €1.7 bln and Other €0.3 bln

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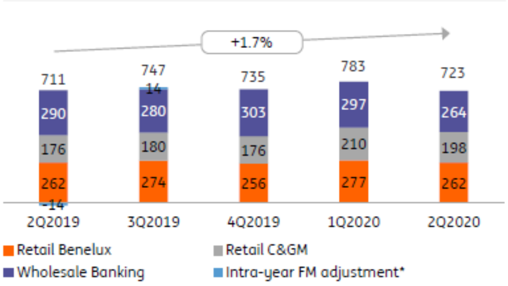
On slide 11, we turn to core lending developments. If you look at Retail, starting with Challengers & Growth Markets, we continue to grow there. In mortgages, especially, strong growth of mortgages in Germany with some lower demand for consumer lending products kept overall net core lending flat for other Challengers & Growth Markets. In Retail Benelux we saw a small decline, mainly due to the lower demand in business lending, and that reflects a combination of liquidity provided through the government packages as well as the impact of lower commercial activity, and that, in turn, has an impact of reduced demand for working capital.

In Wholesale Banking, we saw a decrease of EUR 5.6 billion, driven mainly by repayments of the last quarter's increased utilisation of the revolving credit facilities. That was in lending, that came down this quarter. In Daily Banking and Trade Finance we did see a decline, reflecting lower demand of receivables finance and working capital solutions as well as, of course, the impact of the lower oil prices in trade and commodity finance. In the second quarter, therefore, net core lending was down by EUR 7 billion. On the other hand, net customer deposits increased by close to EUR 21 billion, and it was driven by Retail Banking, reflecting a reduced spending due to the COVID-19 pandemic and the holiday allowances received.

Fee income up YoY despite lower deal flow in WB and reduced payment fees due to lockdowns and less travel

Net fee and commission income* (in € mln)



- Fees increased by €12 mln compared to 2Q2019. This was due to Retail Banking, as higher fees on investment products were only partially offset by lower Daily Banking fees, reflecting a reduced number of payment transactions and less travel due to the Covid-19 pandemic. Fee income in Wholesale Banking was down, reflecting lower syndicated deal activity in Lending and lower fee income in TCF, mainly due to lower average oil prices
- Sequentially, fee income was €60 mln lower. In Retail Banking, fees decreased after a high level in the first quarter. This was mainly driven by the abovementioned lower Daily Banking fees as well as lower, although still relatively high, fees on investments products. In Wholesale Banking fees were lower, mainly due to abovementioned reasons

* In 3Q2019, an increase in fees of €14 mln in Wholesale Banking was caused by the reclassification of commissions paid in 2Q2019 to Other Income

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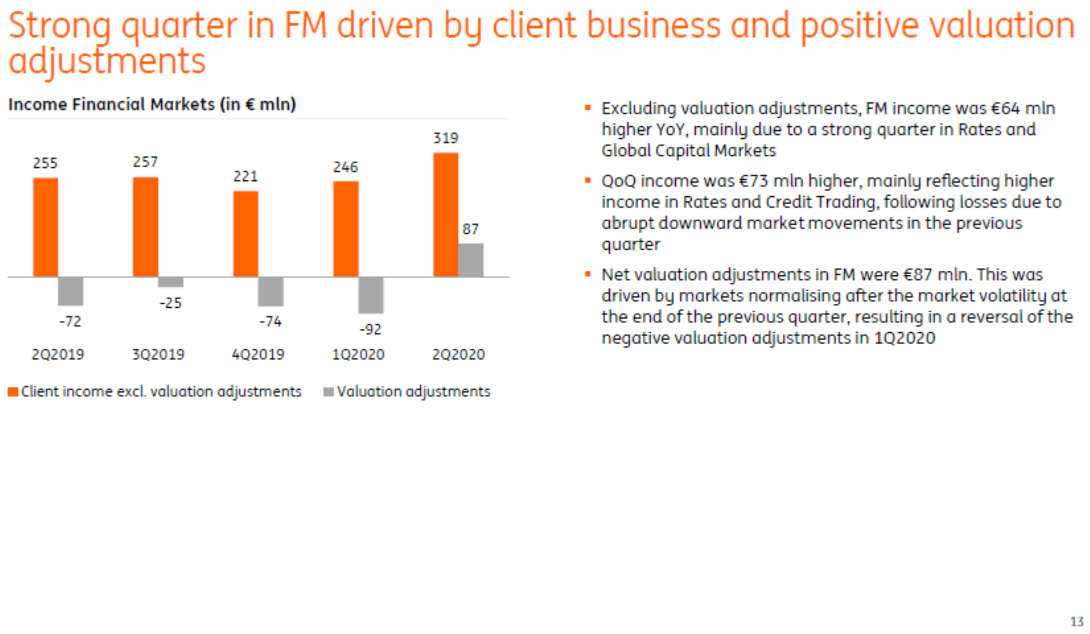
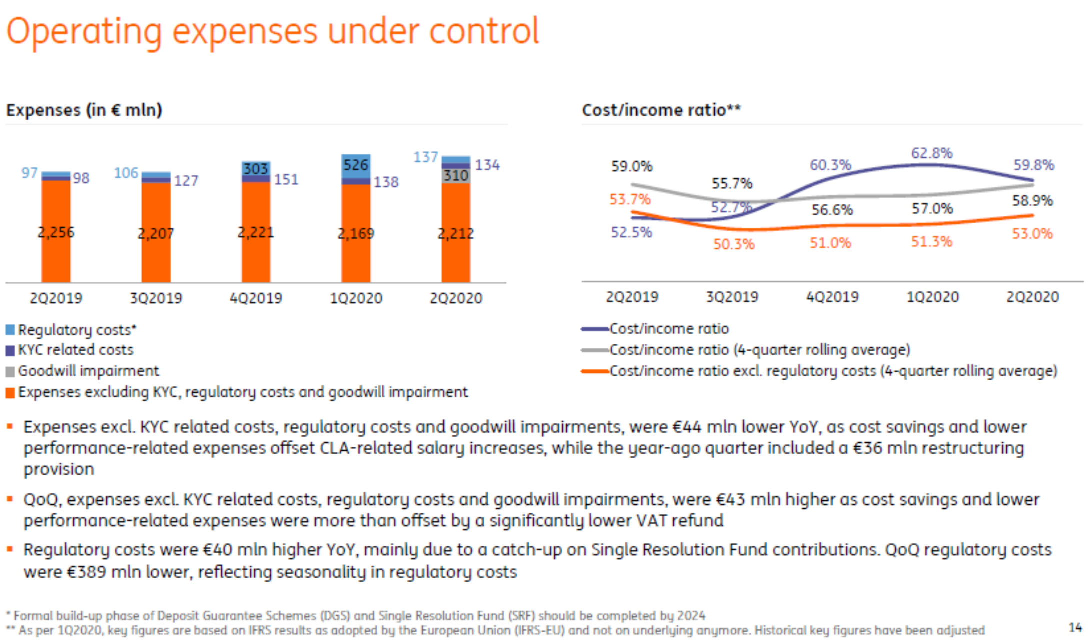
Now we go to fees on page 12. We managed to grow fee income by EUR 12 million year-on-year, and that is a 1.7% increase. In Retail Banking, that is especially good, fees were 5% higher, driven by investment product fees and those were up almost 28% year-on-year, as we continue to see a high number of trades benefiting from market volatility.

In Daily Banking, fees were lower and that was due to fewer payment transactions, but we already see an increasing of the payment transactions getting close to the pre-COVID levels following the relaxation of the lockdown measures. Lower fees in Wholesale Banking were mainly driven by our conservative approach towards the syndicated lending market.

For the quarter, quarter-on-quarter fees were down by 7.7% after very high fees in the first quarter, which was elevated also by the successful first-quarter campaign in Belgium. Typically, the first quarter in Belgium is a very good fee quarter. In addition, lending fees in Wholesale Banking were lower quarter-on-quarter after a very strong start of the syndicated loan market, and then we contracted our appetite, and therefore, it came down. And the same was the case due to Daily Banking, and therefore the activities in Daily Banking in trade and commodity finance went down as well.

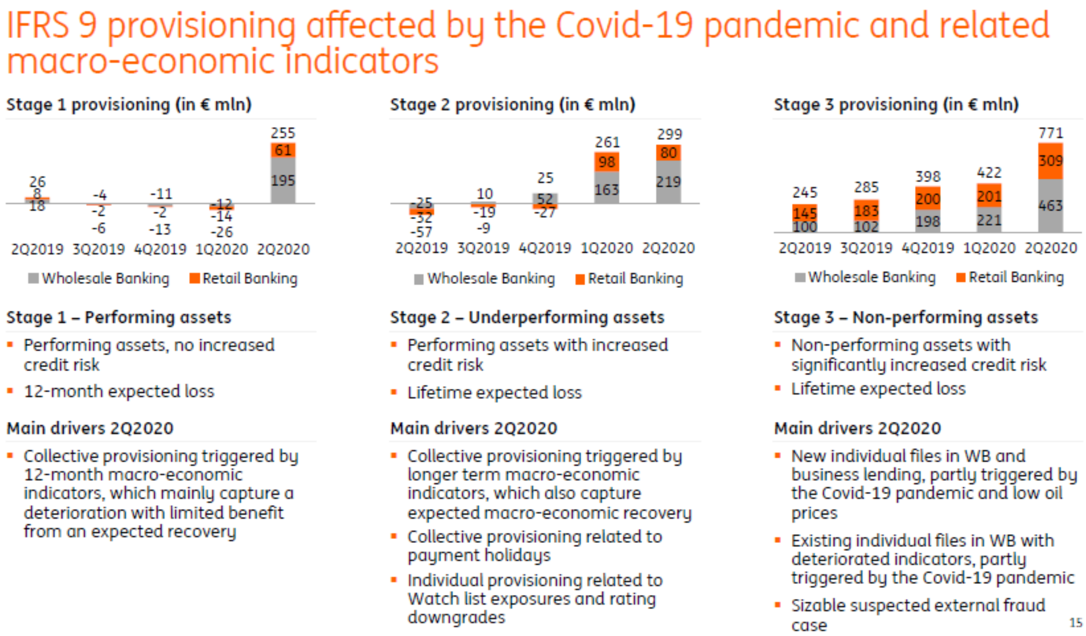


Then to slide 13. Results in financial markets were very strong for the quarter. Client income up EUR 64 million mainly due to rates and global capital markets. Sequentially, client income rose by EUR 73 million, reflecting good income in Rates and Credit Trading, which in the first quarter experienced losses due to market volatility. Valuation adjustments had a positive impact of EUR 87 million this quarter. This was driven by markets normalising again after the volatility we observed towards the end of the previous quarter, and this led to a reversal of the negative valuation adjustments. So, both effects contributed to the good results for financial markets this quarter.



Then we go to the cost side of things, so slide 14. Expenses, excluding KYC and regulatory costs as well as the EUR 310 million goodwill impairment that we announced last week, were down by EUR 44 million year-on-year. The solid focus on cost control and lower performance-related expenses, we were able to absorb CLA-related salary increases. Even when we exclude a provision that we took in the second quarter of 2019 for a restructuring in Germany, costs of this quarter were still lower than last year.

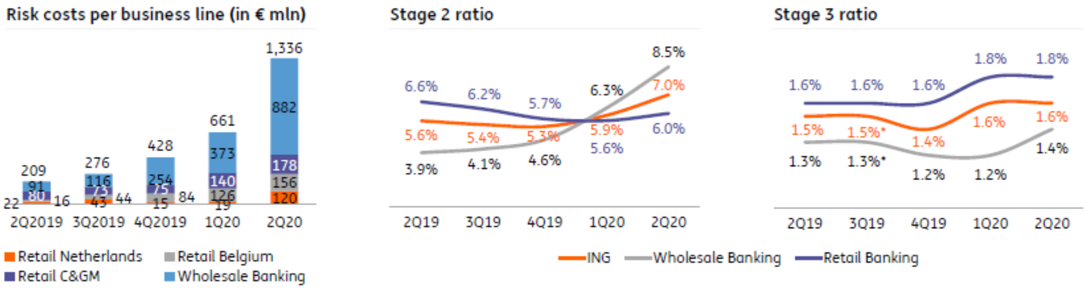
KYC-related costs were comparable to the previous quarter, as we work on becoming more effective and make progress on our fund enhancements. These costs are expected to plateau in 2020 with an expected run rate of around EUR 600 million for this year. Regulatory costs, obviously, were seasonally lower in the second quarter, up by EUR 40 million compared to last year, but that was due to a catch-up on contributions that we had to do for the single resolution fund. As our income stays resilient, the demand is currently impacted. You can expect me and Tanate to take a real serious look at our cost base. Some investments will continue, but there is a need to have, and nice to have, and we will certainly look at these projects to see whether we need to impact these or not.



Then we go to slide 15, that shows elevated provisions in all stages. Stage 1 may feel a bit counterintuitive. So here, we go to the technical explanation of life. If you look at credit outstandings in Stage 1, that represents performing loans. On these loans, credit risk in, of itself, has not increased. Yet, if you look at this quarter under IFRS 9, our accounting regulation, we need to take a EUR 255 million provision for these loans, and that effect is caused by the macro-economic indicators and that they deteriorated compared to the first quarter. For Stage 1, you therefore, only look at macro-economic indicators for twelve months. In these twelve months, what we do see is a sharp downturn, but not so much an upturn and the recovery becomes subdued and recovery in the 12-month period is more limited. As close to 90% of our exposures is Stage 1, therefore, this impact and effect applies to the majority of our book.

Then you go to Stage 2 provisions, and these were higher as well. Again, we have deteriorating circumstances in the second quarter, and therefore, also there, they reflect collective provisioning based on worsening macro-economic indicators. A smaller part of the book, but a broader impact because there, you do not look at a 1-year loss, but you look at the lifetime loss of the loan. However, because you also look at the lifetime macro-economic forecast you see some recovery in years 2 and 3, and that then positively impacts the risk costs and provisions. We also had some individual files in higher risk sectors that we moved to the watch list, and we have applied some rating downgrades. At Stage 3, you can expect that, we saw that for already weakened companies, the COVID-19 pandemic is clearly not helping. So, we saw a deterioration of existing Stage 3 files, on which we took additional provisions and compared to previous quarters as well. We also moved a number of new larger files to Stage 3 and it also included a sizable suspected external fraud case, in which there were quite some reports in the press over the past couple of weeks.

Risk costs impacted by collective provisioning related to Covid-19 pandemic



- 2Q2020 risk costs were €1,336 mln, or 85 bps of average customer lending, above the through-the-cycle average of approx. 25 bps. Risk costs were impacted by €421 mln collective Stage 1 and 2 provisions, due to worsened macro-economic indicators and prudent provisioning for payment holidays, allocated to the segments with RB Benelux €110 mln, Retail C&GM €59 mln and WB €252 mln
- In Retail Benelux risk costs were further driven by some larger individual files in mid-corporates. In Retail C&GM collective provisions increased, mainly in Poland, Spain and Turkey. Risk costs in WB reflected several larger individual additions on both existing and new files, mainly in Germany, the Americas, Asia and the Netherlands, including a sizable provision for a suspected external fraud case
- The Stage 2 ratio increased to 7.0%, mainly driven by higher Watch list exposures and rating downgrades in WB. The Stage 3 ratio remained unchanged at 1.6%, or 1.8% excluding TLTRO III. The Stage 3 ratio in WB slightly increased to 1.4%
- See Appendix section of the presentation for further details on the asset quality of selected portfolios

* Stage 3 credit-impaired as per 30 September 2019 adjusted downwards by €548 mln

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Slide 16 shows a total picture of risk costs, which in the second quarter of this year came in at EUR 1.33 billion, or 85 basis points, over average customer lending. As I explained to you on the previous slide, this was largely driven by elevated provisioning in Stage 1 and 2, including EUR 421 million collective provisioning allocated to the segments. Also, in that number, we took a management provision for payment holidays.

Aside from Stages 1 and 2, in Retail Benelux there were higher risk costs, mainly driven by some larger additions for individual files in mid-corporates. In Retail, Challengers & Growth Markets, higher risk costs predominantly came from collective Stage 3 provisioning that was mainly visible in Poland, Spain and Turkey.

In Wholesale Banking, Stage 3 risk costs remained elevated, reflecting additions for large individual clients, both existing and new files, mainly in Germany, in the Americas and Asia and in the Netherlands, and it also included this sizable provision I just mentioned on the expected or a suspected fraud case.

As we moved more exposures to the watch list, Stage 2 outstandings went up, mainly in Wholesale Banking, and that resulted in a higher Stage 2 ratio of 7.0%. But to be clear, Stage 2 is not necessarily a waiting room for default. It implies, at this point in time, risk cost is monitored more closely on individual files, but not necessary that this exposure is expected to default. When the risk cost or the credit risk is no longer deemed increased, then we move it back to Stage 1. The strength of our book is also exemplified by the Stage 3 ratio of our group, that’s 1.6%. Of course, that ratio is always looked at by a nominator and a denominator. So, if you exclude TLTRO III from the credit outstanding, the Stage 3 ratio was up slightly, although it is still low at 1.8%. I think that exemplifies the strength of our book.

To continue on that book or risk management, slide 17 depicts our book. Again, as I also highlighted in the previous quarters, I feel very confident with our risk management framework and the quality of our book. We have taken lessons learned from the previous financial crisis, resulting in a very well-diversified loan book with caps on single exposures, caps on sectors, caps on countries. We have a conservative risk appetite with a focus on senior structures, collateralised structures, and our confidence is underscored by our strong track record -- through the cycle -- with historical risk cost as a percentage of pre-provision profit well below that of our Eurozone peers.

This slide provides this overview of our loan book and highlight some of the sectors in Business Lending and Wholesale Banking, which are most directly impacted by the pandemic. As you can see, and again I told you that also in May, the size of the individual books is limited, and Stage 3 ratios are generally low.

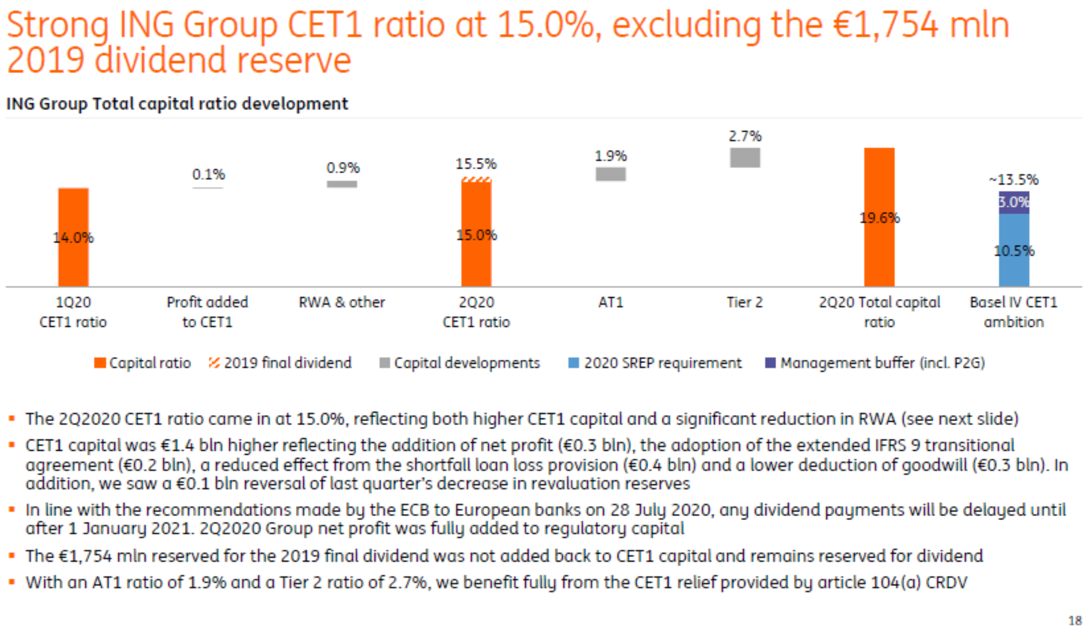
So, let me now focus on a few of the sectors on which we typically receive questions. So, Oil & Gas, EUR 4.5 billion directly exposed to oil price risk, covering reserve-based lending and offshore business. The main focus here is on the EUR 1.4 billion US book in reserve-based lending because it operates in a relatively high-cost base environment. This quarter, we also saw some deterioration in our offshore drilling portfolio, but that is small because that book is only half a billion.

In Hospitality and Leisure Sectors, we have always had a restricted portfolio, and we have been very selective.

Then if you look at Aviation, and I repeat myself from May, the exposure is limited. Also, here, we have been selective. And even under the current market circumstances, exposure in Stage 3 is basically non-existent.

As you know, we feel we are ahead of the curve by capping certain businesses as we did, for example, our leveraged finance book. We closely monitor the development of this portfolio. We follow a strict policy, including only senior debts. We have a max leverage. We have a max EUR 25 million taken hold, and there are no single underwritings allowed.

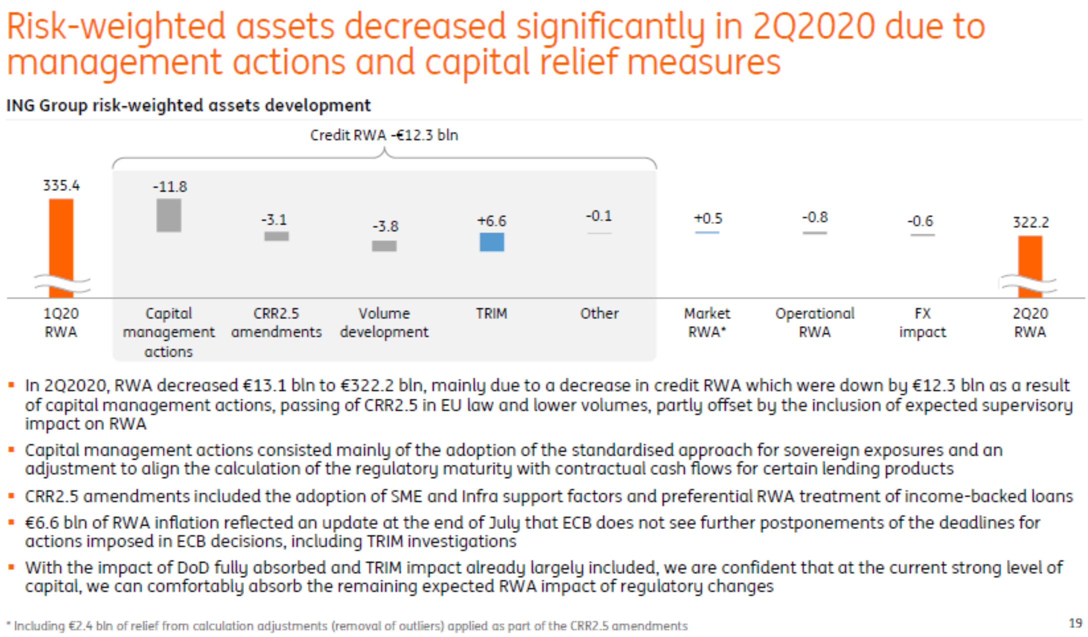
Overall, and that, of course, you have seen in the fees for Wholesale Banking, we are less active in the underwriting market as uncertainty remains high, and that is a conscious choice. Clearly, current market circumstances will have an impact on our customers, and we are closely monitoring how our book develops, but with the risk framework in place, with the many experienced good risk colleagues, we remain confident on asset quality.



Then on to our capital, slide 18. Here, you can see how our common equity Tier 1 ratio developed, which was up by 1%, reaching a very healthy 15%. On the capital side, so on the capital number, we had a EUR 1.4 billion positive impact. So, in addition to adding our full net profit, capital was up by EUR 600 million, reflecting the adoption of the transitional IFRS 9 arrangement, where the shortfall became a surplus. Also, the goodwill impairment we took had a positive impact on the capital, because we took it away from our profit, our P&L, but we already had the regulatory capital, so we could take it out here of capital, so to avoid double counting. The Common Equity Tier 1 ratio was also supported by lower RWAs, and I will come back on that on the next slide to give you more detail on that. Now with this 15%, we are well above our current CET1 ambition of around 13.5%, increasing our buffer versus the MDA level to 4.5%. As mentioned before, we will come with an update on our capital plan with the third-quarter results.

As far as thoughts on dividends, we want to provide our shareholders with an attractive return. However, for now, we have delayed further dividend payments until after the 1st of January

2021, which is in line with the ECB's recommendation. The dividend reserve over 2019 does remain outside of regulatory capital. I realise some banks add it back to capital. If we would do that – but we do not intend to do that, but just for comparison purposes – if we would add this reserve back, our pro-forma common equity Tier 1 ratio would stand at 15.5%.



Now going to slide 19, some more details on the RWA developments. RWAs were lower by EUR 13 billion this quarter, mainly driven by approximately EUR 12 billion of lower credit risk-weighted assets. That was mainly a result of management actions, including EUR 8 billion due to the adoption of the standardised approach for sovereign exposures away from ARRB and EUR 3.5 billion from implementing a cash flow-based maturity approach rather than a legal maturity approach. Again, we become a bit technical here.

We also benefited from several CRR, i.e. regulatory amendments, while lower lending volumes further reduced RWA. And so, I would point again at the EUR 7 billion lower core lending for the quarter. We also recorded a EUR 6.6 billion RWA increase, reflecting expected

TRIM impacts following an update at the end of July that the ECB made, in which they intend to resume decisions on TRIM investigations. Overall, with the definition of default impact absorbed, with the TRIM impact largely known and absorbed, we feel very comfortable with our current capital position, including absorbing potential future RWA impacts.

ING Group financial ambitions

		Actual 2019	**Actual 2Q2020**	Financial ambitions
Capital	CET1 ratio (%)	14.6%	**15.0%**	~13.5%* (Basel IV)
	Leverage ratio (%)	4.6%	**4.3%**	>4%
Profitability	ROE (%)** (IFRS-EU Equity)	9.4%	**6.1%**	10-12%
	*C/I ratio (%)***	*56.6%*	***58.9%***	*50-52%*
Dividend	Dividend (per share)	€0.24***		Dividend payments suspended until after 1 January 2021

* Implies management buffer (incl. Pillar 2 Guidance) of ~450 bps over prevailing fully-loaded CET1 requirements (10.51% fully loaded, after reduction of several buffers in a response to the Covid-19 pandemic and the pulling forward of the implementation of article 104a of CRDV)
** Based on 4-quarter rolling average. ING Group ROE is calculated using IFRS-EU shareholders' equity after excluding 'interim profit not included in CET1 capital'. As at 30 June 2020, interim profit not included in CET1 capital amounts to €1,754 mln, reflecting an initial reservation for the 2019 final dividend payment. Any dividend payments will be delayed until after 1 January 2021
*** Interim dividend 2019

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As you can see on slide 20, both the Common Equity Tier 1 ratio and leverage ratio remain ahead of our ambitions. On ROE, it is clear it is below our ambition, but we very much intend to continue to provide an attractive total return to our shareholders. As mentioned also in previous quarters, our cost-to-income ratio was impacted by factors such as the negative rate environment and regulatory costs, as this quarter's goodwill impairment affected that metric.

To reiterate what we said before, cost-to-income is not how we run our business, but it remains an important input for ROE and hence, we continue to have our ambition to reach a 50% to 52% cost-to-income ratio, as we further digitise.

This quarter, most segments show a reduction of operating expenses. Costs will continue to have the focus of the organisation and, in particular, of Tanate and myself.

As for our dividend, following the ECB recommendation, we have suspended dividend payments until at least the 1st of January 2021. The EUR 1.75 billion that we reserved last year for the final dividend payment over 2019 is kept outside of regulatory capital, and we are keen to provide our shareholders with an attractive return.

So, to wrap it up, we continue efforts to help our customers, our employees and society to deal with the effects of COVID-19.

Wrap up

- In line with our purpose, we continue to take actions to support our customers, employees and society in coping with the effects of the Covid-19 pandemic. At the same time, countering financial and economic crime remains a priority
- The current environment underscores the strength of our digital business model, with continued primary customer growth, ensuring stable NII and operational cost control
- In 2Q2020 mortgage lending continued to grow, while in Wholesale Banking protective drawings of 1Q2020 partially reversed. Overall net core lending growth was €-7.0 bln. Customer deposits increased by €20.9 bln
- Pre-provision result was resilient, supported by disciplined pricing, positive valuation adjustments and cost control, despite margin pressure on customer deposits and impairments on goodwill
- Risk costs increased, mainly driven by €421 mln of collective provisioning reflecting the worsened macro-economic indicators due to the Covid-19 pandemic, while Stage 3 risk costs included a sizable suspected external fraud case
- Looking forward, we expect that for 2020 the majority of provisioning is behind us and for the second half of 2020 we expect risk costs to be below the level recorded in the first half year, under the assumption that the macro-economic indicators will remain unchanged
- 2Q2020 CET1 ratio was strong at 15.0%, with lower RWA reflecting successful capital management actions, capital relief measures and lower lending volume. Including the 2019 dividend reserve the pro-forma CET1 ratio was 15.5%
- We are very well positioned to face the challenges posed by the Covid-19 pandemic with a robust capital position, a strong funding structure and a continued low Stage 3 ratio

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At the same time, countering financial, economic crime remains a priority as before. The current environment reinforces our belief that we are on the right strategic path with our digital model, and we have seen it through the crisis with digital use uptick and uptake, and with our digital model enabling us to continue to grow primary customers and keeping NII stable.

Loan demand was affected by COVID-19, still strong in mortgages growth, however, reduced demand, mainly from our business customers. Pre-provision results, very resilient, supported by focus on pricing discipline, good fee income and cost control. When the current macro-economic indicators remain unchanged, we believe we have already taken the majority of provisioning for this year. For the second half of the year, we expect risk costs to be below the level recorded in January to June. The CET ratio strong, 15%, and we will come, therefore, with an updated capital plan at our third quarter results.

We remain very confident that we are well-positioned to face headwinds with a stable income base, with growing fee income, a strong capital position, a strong funding base as well as a low Stage 3 ratio.

Thank you very much. I will now open the call for questions.

QUESTIONS AND ANSWERS

- **Stefan Nedialkov – Citigroup**

Steven, welcome to your new role at ING. I have a couple of questions. The first one is on the outlook for pre-provision profit and post-provision profit. You seem to be guiding to stable NII for the rest of the year. There was a small miss in the quarter. How should we think about the evolution for the rest of the year in terms of help from TLTRO and others? And then fees, obviously very strong and costs relatively under control. Does this mean we should be looking at an improving pre-provision profit into the second half of the year?

On the post-provision profit basis, the cost of risk you seem to be guiding to second half being less than the first half. Back of the envelope, calculations basically point to around EUR 3.4 billion, which is in line with consensus. Would you agree or disagree with that?

Steven van Rijswijk - CEO ING: Thank you very much, Stefan. I will take the risk cost guidance, and then I will give the outlook for the pre-provision profits to Tanate, also in light of your question on TLTRO.

Yes, if you look at the risk cost, there is a significant part of our risk cost that came from macro-economic indicators. As we said in the first quarter of the year, we then took very much a process approach and said, okay, what was the consensus that we had in the first quarter (what we use is Oxford economics) of the then outlook for the economies for the first year and also for the next three years. That consensus still was quite benign, because some reports already were negative, some reports were still flat, and hence, on average, the GDP impact or impact on house prices or unemployment was relatively limited. We took then EUR 200 million plus an additional EUR 40 million for one of the portfolios.

Now, what we now do is go back to the process, and we look at the macro-economic indicators for the end of June. There you see a big deterioration. You see a forecast for the Eurozone of minus 8%; for some countries even minus 10% or minus 12%, with then a gradual recovery in 2021, 2022. We need to bridge that delta in our risk costs. So, both in Stage 1 and in Stage 2, you see then a significant uptick in our risk costs with over EUR 400 million, and we included in that an additional management overlay for potential risk cost that we get on our payment holidays. Also, what you see is actually migration of clients who, because of these macro-economic indicators, get higher probabilities of default allocated and therefore, get higher ratings. Again, therefore, you see higher risk costs as well. So, it is an additional effect. So, the lion's share, the large lion's share of what you see in Stage 1 and Stage 2 are these macro-economic impacts. Therefore, you look almost already at about EUR 550 million.

Now if these macro-economic indicators stay as they are, then the next quarters, we will not see that anymore. Therefore, we are quite confident that our risk costs will go down for the second half of the year. I have given you now some pointers but obviously, I cannot give forward-looking statements as to the provisions to make. So, I cannot comment on the consensus, but I trust that with these pointers, I give you a good view of how we look at it.

Now Tanate, can you go to the pre-provision profit?

Tanate Phutrakul – CFO ING: Sure. Stefan, as you know, we do not give forward guidance, but let me talk you through some of the components about our NII. If you look at the results this quarter, you see that we maintain pricing discipline in terms of our repricing of our loan book. We try to also continue with the geographical diversification of our loans to more than non-Eurozone. And to maintain a stable NII, we count on improving the macro-economic situation, where that should come through with increased loan growth in Q3 and Q4.

Having said that, we are also taking steps with respect to our liability cost. For example, in a number of our non-Eurozone markets, we are looking to take steps or have been taking steps on reducing the deposit rates offered to our customer. As you know, we have already gone negative for large private banking customers, in either the Netherlands or in Belgium, in charging negative rates. As you mentioned, we have taken this TLTRO funding outstanding as of the end of Q2. We have taken approximately EUR 60 billion in TLTRO funding, which will benefit – if we can keep our loan growth stable or rising – from funding of approximately minus 1%.

- **Benoit Pétrarque – Kepler Cheuvreux**

Welcome, Steven. Good to have you on board. Now Steven, just as a first question, I know you are here just for a couple of weeks now, but do you expect to update us on the strategy? I would not expect major turnaround, but any thoughts on the direction you might want to give to the company? Linked to that, obviously, a big thing is the cost focus. We have seen some banks actually lowering cost significantly in the second quarter, and the direction is quite clear there. Could you update us on the pipeline of the cost cuttings and also on the direction for the full year 2020? It was down 0.4% on a clean basis in Q2. It is good, but maybe more is needed in front of the pressure the top line is facing.

My second question is on the asset quality and risk. Obviously, you have quite a small amount of loan under moratoria, it is 2.5% of your book, EUR 18 billion. Do you have a bit more granularity on that figure? How much is Retail and how much is Wholesale? And when do you expect those loans to be back to normal? Also do you have an initial idea of how much could turn problematic on the EUR 18 billion? Is that a small figure? Do you have a view on that?

Steven van Rijswijk - CEO ING: Yes. Thanks very much, Benoit. I try to dissect your two questions. So, I will answer on strategy and the cost of risk, and then Tanate will look at the cost side of things.

But let me start with saying on costs that it will be also an important focus of myself, especially in these times. So yes, indeed, it has been a couple of weeks in this particular job, but I have already been in the Board for three years as a Chief Risk Officer and part of the Board management team. So, I was part of this strategy and I will continue this strategy. Of course, we could make some amendments when we further develop but I am behind this strategy. We have seen in the crisis that digital banking, mobile-banking first and 24/7 banking is the way to go. The digital use of our customers went up again dramatically with 87% of interactions being pure mobile, with 41% of our clients being only on the mobile. Now, we slowly transform our clients from assisted channels, such as chat or call centre or even branches to digital banking or to mobile banking. We have closed branches in the Netherlands. We continue to look at our branch footprint. In some of these branches, there are only two or three customers coming in hours. So yes, what can you do? We cannot leave them open. So, the digital banking focus, the online banking focus really helped. And we have also seen it, for example, in the way in Germany, how they are increasing fees, in the brokerage fees that we do online. We do online brokerage, and that helps really in our income and also on our cost side. So, I will continue that line and I will put an additional focus on even accelerating digital banking going forward to make sure that we go into the direction that we believe sustainably will be the right path for banking.

Of course, there is a crisis to manage. That is on the one hand helping clients and also discussing with clients to what extent we can help them with their loans and also have a good and strict management on the risk cost side of things, to be prudent when it comes to extending loans to our clients, to take appropriate provision levels and to make sure that we can dissect the winners from the losers.

Thirdly, there will be increased cost scrutiny in these times, it is logical that any CEO in this day and age would look much stricter at the cost. And so that is what I will do as well.

And last but not least, but that remains important for the banking industry overall, for society overall, but also for ING, I will also continue to work on AML. That is a key priority. It was that for ING before the 1st of July, it will remain an important priority, but also note that we need to do this effectively and efficiently.

Tanate Phutrakul – CFO ING: Benoit, addressing your cost question, clearly, if you look at our quarterly results in Q2, we have achieved absolute cost reduction. This is also absorbing inflation increases as well as heightened increase in spending on compliance and KYC.

Now if you look at what we have guided before with respect to cost, in market leaders, we have guided towards negative cost evolution. And if you look in our Q2, that has been achieved, if you take out the goodwill impairment that has happened in Belgium, for example. We have talked to you about the fact that we are flattening the cost growth in the Wholesale Bank, and that has been our guidance since Q4. Now you can see in Q2 with some positive evolution from that perspective, that cost in the Wholesale Bank has started to decline. And within the C&G countries, again, we have said that, selectively, we would like to see cost growth as long as we see positive jaw.

Now in light of the macro-economic situation and slowing revenue prospects, we will also be taking actions with respect to cost in the C&G world in the coming quarters. Overall, we just wanted to say that we will take a balanced view between looking for efficiencies at this current time and investing in our digital future that Steven is talking about. A number of our programs are under review in terms of looking for that cost efficiency.

Steven van Rijswijk - CEO ING: I need to come back to the cost of risk and the payment holidays. If you look at the EUR 18 billion, approximately 40% is to households, so Retail; 60% is to business clients. The lion's share of the payment holidays is to the North Western

European countries. A bit over EUR 1 billion already expired, and there are no meaningful higher risk costs in these loans. We took some additional provisioning for payment holidays still outstanding. Other than that, we remain to watch it but currently, we have no deteriorating signals at this point.

Benoit Pétrarque – Kepler Cheuvreux: Thank you very much.

- **Giulia Miotto – Morgan Stanley**

Hi, a couple of questions from my side as well. So, fees, a strong result there. Can you please run us through the main initiatives that make you confident that ING can deliver on the 5% to 10% fee growth?

Secondly, less related to the results per se, but you had an M&A consultation last week, yes, recently. Any thoughts on that? Could ING be perhaps involved in cross-border M&A if there are some opportunities available?

Steven van Rijswijk - CEO ING: Thank you very much, Giulia. We have clearly strong results. We have seen that for the first half year compared to the past half year, we had an over 8% increase. But let me give you also more granularity here. We increased our brokerage fee business in various countries, but most notably Germany. And there, you see that our brokerage fee activity went up year-on-year with 28%. We increased our payment packages in various countries, amongst others, the Netherlands and Belgium, but we only did that at the end of the first quarter. So, the impact is only gradually coming. Despite the fact that we had virtually no travel and a significant decrease in payments in this quarter, obviously, we could keep our fees up. And the activity is now coming back again.

We have subdued syndicated market loan activities. And when it comes back, those fees will go up as well. We have various initiatives in the insurance space, for example, which are currently growing with our collaboration with AXA. And there, the fees are growing as well. And so -- and as you can see, historically, we consistently have delivered on our fee ambition of 5% to 10%. So, in that sense, I am confident, and we see that delivering quarter-by-quarter.

If you look at the consultation...

Giulia Miotto – Morgan Stanley: Sorry, can I just follow up on the fee bit? The increased payment packages, how -- what impact do you expect from that?

Steven van Rijswijk - CEO ING: I will give that to Tanate.

Tanate Phutrakul – CFO ING: Giulia, the fee packages that we announced in the Netherlands and Belgium, we announced a fee increase of approximately 10% to 15% in these two markets, but these packages normally are increased on an annual basis. So, we take decisions if we would increase fees somewhere around October, and it has an impact in the beginning of the subsequent year.

Steven van Rijswijk - CEO ING: Then on the M&A consultation. Our strategy has been clear, which is we first and foremost focus on organic growth. If we look at acquisitions, we focus on certain skill sets or certain products that we do not have that can broaden and deepen the service delivery to our clients. Then we would look at in-market consolidation, because basically that gives cost synergies. Clearly, the current landscape, as we currently see it in Europe, limits the ability for cross-border synergies on both capital and liquidity, given the compartmentalisation of that in the various countries. And therefore, we find it difficult to see benefits for cross-border M&A at this point in time.

Giulia Miotto – Morgan Stanley: Thank you.

- **Benjamin Goy – Deutsche Bank**

Two questions, please, from my side. I want to follow up on the fees. You also repriced in Germany your payment packages. I just wondered how the experience was and whether we can expect, per se, more pricing power in your Challenger markets as well where you have historically been a price leader?

Secondly, there was a headline that you will review your dividend policy, which probably is no big surprise. But I was just wondering whether this is part of a broader review, and it might also include share buybacks considering you are trading well below book value?

Steven van Rijswijk - CEO ING: Let me take the question on dividends, and then Tanate will answer the question on fees. Based on the announcements by the ECB earlier this year, we delayed our dividend policy and therefore, we said we need to resume a dividend policy later in the year, and that is what we will do in the third quarter. We also said already in the first quarter, that we would resume our dividend policy in the third quarter or announce what our dividend policy would be going forward and how we will then do it, also depending on what we are allowed to pay. We will come back with our dividend policy and the structure in which we would pay dividends. But one thing is clear and that is that we want to pay dividends to our shareholders. And hence, we also made our reservation for the second half of the year 2019 dividend that we could not pay. We will do that new dividend policy as part of the total capital planning review, including the management buffer that we currently have of 4.5% over our MDA level. Tanate?

Tanate Phutrakul – CFO ING: Then Benjamin, just to reiterate the point on fee income. As Steven has mentioned, we do annual reviews on Daily Banking packages. We make sure that we try to take steps to sustain our investment product fees and third-party fees, as mentioned on our joint venture with AXA. Now, to address your question specifically on the category of fees that we call behaviour fees, whereby, for example, in Germany, we said that we would start charging payment package fees of approximately EUR 5 per month unless you actually bring your salary accounts to ING. In those instances, and this is just an example for Germany. Probably about one third of our customers who were not primary customer, decided to become primary customer and so start bringing regular income into their account, so they go from non-primary to become primary. A certain proportion of our clients, about one third as well decided not to be primary customer but agreed to pay the EUR 5 per month in fees. The remainder have decided to leave ING as a client. Overall, we are quite happy with this evolution.

Benjamin Goy – Deutsche Bank: Thank you.

- **Johan Ekblom – UBS**

Just coming back to some comments, you made in terms of growth ambitions. Should we expect any change in terms of where you would like to focus on growth? You talked about the challenges in growth markets but if we look back over the last two years, you clearly put the brakes on a bit in Wholesale, etcetera. Is it a continuation of that strategy? Is it an acceleration of that strategy or how should we think about?

Steven van Rijswijk - CEO ING: Thanks, Johan. I presume that is the question that you have. We will continue on that strategy. Already a couple of years ago we said that we saw some risks creeping into the Wholesale Banking books. Structures were deteriorating, we were becoming looser and the amounts were getting bigger. We saw in some sectors that the risk was not really priced in. And hence, we start to put caps on books. We started with putting caps on leverage book. We started to put caps on the real estate finance book. We started to run-off some of the books to the extent we could in the Oil & Gas and drilling sectors. And yes, that we will continue. As we have seen in the previous crisis, at some point in time there is a reversal and the structure become tighter again and pricing goes up again. Then we can again grow that. But for now, we will keep quite strict in the Wholesale Banking side, especially when there is a lot of volatility. We need to be prudent there. And that is what we will continue to do.

And at the same point in time, we said we want to diversify our loan book. We want to diversify our business. And hence, we are doing that in different geographies, amongst others in C&G and in consumer lending. We have done that over the past couple of years, and that is what we will continue to do.

While I am talking, I see that Johan's connection was lost. That is why he did not hear it, but I hope all of you have heard it. I suggest we move to the next analyst and when he returns, he may have a second question.

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

A couple of quick questions, please. First, on the NII. Could you give us an indication of the behaviour of Retail and Corporate customers in terms of deposits and how the EUR 21 billion significant increase in deposits in Q2 could reverse in the next month?

I have the same questions on capital. Thank you to give us a breakdown, already quite significant in terms of capital and RWA evolution. But my question is on the CRR2.5. What did you take in terms of semi-supporting factors and the rest of the small components?

On Basel IV, is it fair to think that once you take the definition of default, the EUR 10 billion you booked in Q1 and then now the whole EUR 13 billion TRIM is that the majority for RWA inflation related to Basel IV? There are only 20 or 30 basis points to go and then you would have a fully-loaded Basel IV. Is that correct?

Steven van Rijswijk - CEO ING: Let me take the questions on capital and RWA and then we will also discuss the deposits. If you look at the capital benefit we had from the CRR 2.5 regulation, it was approximately 25 basis points benefit. So, the lion's share came from management actions, but 25 basis points came from the new regulation.

If you look at RWA, you make a valid point. The DoD was a significant impact, with the large corporate model and the EUR 13 billion, you mentioned. You remember that well, because we reversed EUR 6.6 billion of that, but now we put it in again. Then most of the TRIM missions, we have had our letters, if you will. There are one or two more letters to come but these are on relatively small books, so the impact there, from an overall point of view, will be benign. And then the last step would be the Basel IV outcome. Whether it then comes 2022, 2023, or even later, is unclear. But we expect the impact of the eventual Basel IV to be limited. Hence, we are very confident with our current capital level, with the most and the large majority of the impact already having taken that.

Tanate, on the customer deposits?

Tarik El Mejjad – Bank of America Merrill Lynch: If I may, just on the capital, on CRR 2.5, before we move to deposits. So, the 25 bps, does that take into account the software and the SME. Under IFRS 9 you took it, I saw that in the capital bit.

Steven van Rijswijk - CEO ING: It takes into account the SME support factor but not the software.

Tanate Phutrakul – CFO ING: Tarik, the RTS is still being debated. We expect that to be issued during the course of Q3 and will be applicable in Q4. We have given some estimate that we think we will benefit anywhere from 10 to 12 to 15 basis points from the software.

Tarik El Mejjad – Bank of America Merrill Lynch: Thank you.

- **Johan Ekblom – UBS**

Sorry, I was cut off. My line cut off before, but you do not need to repeat it. I got most of it.

Just a second question in terms of the TLTRO impact. How should we expect that to be accounted for, given the growth dynamics we are seeing? Will you book it on a recurring basis and then adjust at the end? Or will you wait until the end to book the benefit, et cetera?

Steven van Rijswijk - CEO ING: By the way, say hi to Ralph to me, when you speak to him!

Johan Ekblom – UBS: I will do that.

Steven van Rijswijk - CEO ING: So, the first question we already answered. But on the second question, on the TLTRO, I will give it to Tanate.

Tanate Phutrakul – CFO ING: In the TLTRO there are three component part that you need to think about. Clearly, first, the magnitude of the TLTRO, we mentioned that we have taken approximately EUR 60 billion of that funding. The second is the confidence level that we have with respect to maintaining at least 0 growth in the portfolio. And currently, we do expect that we can actually encourage loan growth to basically be more than 0. And then the third point is, of course, as long as we can deploy into the relevant amount, the margin will be attractive. And if we cannot deploy, we can still place the money, for example, with the ECB and have a margin on this funding of approximately 50 basis points. That is how it would be done. From an accounting treatment, I guess it really depends on the level of confidence that we would have with respect to loan growth, and we will inform you in subsequent quarters on that.

Johan Ekblom – UBS: Thank you.

- **Kiri Vijayarajah – HSBC**

You alluded a couple of times to pricing discipline, and you talked about fee packages, deposit repricing. But I am curious to what extent you have been repricing on the loan side. Is it more than just saying no to loans from just a risk perspective in the Wholesale Bank? So just some colour on where you sort of demonstrated pricing discipline, if you like, on the lending side.

And then just a quick follow-up on the capital management actions you have done this quarter on the RWAs. Just to what extent does that flow through onto the Basel IV ratio? Or were those levers more skewed towards really improving the Basel III ratio, the EUR 11.5 billion of RWA mitigation done this quarter?

Steven van Rijswijk - CEO ING: Thank you very much, Kiri. First, on the repricing on the loan side. Yes, on the one hand, it is just a matter of discipline to not price loans, whereby there is too much pricing pressure to make an adequate return. You see that for example in countries like Belgium, whereby if there are sometimes pricing pressure on the mortgage book, we will not go along, and the mortgage will decrease a little bit. But we will stick to pricing discipline to go for return, not for size.

If you now look overall on the book, you see that on mortgages, our lending margins on the overall book went up. On business lending, so mid-corporate and SME, it went down a little bit, and Wholesale Banking has stayed approximately flat. But where it does not stay flat because on the one hand, we increase our discipline in pricing for these project loans, but what you do see is that there are less projects and less project loans and less trade finance. There is a heightened demand in our recurring credit facilities and our corporate facilities. And these typically go at lower rates. So, on average, therefore, the Wholesale Banking margin stays flat. It is a move from one sub-book to the other.

Then to the management actions on RWA. To what extent does it frontload the Basel IV implications? It does in that sense, since we are, if you look at the Basel IV regulation, largely 'hit' by the input factors and less by the output factors. And that is why we have said that the lion's share of what Basel IV will do and the TRIM missions are in that sense actually a prelude to Basel IV, that because of our dependency on the input factors rather than output factors, the lion's share over 80% -- now it is more than 90% at this point in time – of Basel impact will come as a result of TRIM missions and remodelling and DoD. So, to that extent the answer is yes.

Kiri Vijayarajah – HSBC: Thank you.

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

Good morning, I have a few questions. The first one is on loan growth. A number of banks have talked about the recovery in demand in June, and some also mentioned July. I just wonder what you have seen in terms of demand coming back.

Secondly, on your update on capital with Q3 results. I am a bit confused as in what you can actually say, given the ECB is unlikely to have commented by that point. Is it about potentially reallocating capital within the group, capital return? And should we also expect this to be part of a broader review of your targets, having taken over your role now?

Steven van Rijswijk - CEO ING: Thank you very much. On loan demand coming back, yes, it is early days, but we see it going back a little bit. The same goes for payments. Payments were quite down in April and May, points of sales were down in April and May, ATM withdrawals were down in April and May. ATM withdrawals are still a bit down, so we increasingly see we go to a less-cash society, and not necessarily a cashless society, but less-cash society. But that the payments we see coming back. And if you see payments coming back, you can also expect loan growth to come back. By the way, there is good demand in the mortgage market, that has continued. It is a matter of pricing, whether we will take it or not. But when the economic activity recovers, we expect that working capital levels will increase. And in that extent, the loan demand is expected to come back a little bit. But it is early days and it also depends, of course, on how the lockdown will progress.

In terms of capital plan, the ECB has given advice not to pay dividends in 2020, but it does not preclude us to have a dividend policy. So basically here, we adjourned our dividend policy until the third quarter of this year. We are going to come back to you with our new capital plan. In that new capital plan, we also will state to you our dividend policy, going forward, whether changing or not. Of course, in that, we also will say something about buybacks because we do not exclude buybacks, yes, to some extent. But again, that is just a general statement. It is not illogical to look at buybacks at the below book valuation.

Anke Reingen – Royal Bank of Canada: Thank you. Would you also review your ROE-target at that point or is that for a later point?

Steven van Rijswijk - CEO ING: Whatever this point, we have no intention to change our ROE-target.

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

- **Daphne Tsang – Redburn**

[sound!] Welcome to your new role. I have two questions. First, on NII. You expect that your flat NII guidance, which is […] in the current environment, but that sort of implies that you need higher NII in H2 versus H1. Is that correct? You mentioned that you expect...

Steven van Rijswijk - CEO ING: Daphne, sorry, you seem to be very far from the microphone. So, we have trouble hearing you. Can you get a bit closer to the mic, please?

Daphne Tsang – Redburn: Sure. Is it now better?

Steven van Rijswijk - CEO ING: It is much better. Thank you!

Daphne Tsang – Redburn: Okay. I will repeat my question. The first is on NII. To meet your flat NII targets year-on-year, it implies that you will need a higher NII in H2 versus H1. You mentioned earlier that you expect loans to improve in the second half. But I am just wondering how about your margin. I appreciate you have already given some comments earlier, but you mentioned pricing discipline and TLTRO, which offset your liability drag. So, is it fair to say that in H2 you should improve from the current low level of 144 bps? You previously guided high 140 bps in H1 and you are just below. So, what is the outlook on H2, please, on NIM? And on TLTRO III, how much more room you could increase from the current EUR 60 billion level taken in June?

My second question on cost. Where do you see costs going in H2 and beyond? Your previous remarks about taking a serious look into the cost is very encouraging. Are you looking to achieving net cost reduction in 2020 or from 2021 onwards, given that the growth opportunity in near term is quite limited?

Steven van Rijswijk - CEO ING: Thank you very much, Daphne. These are all good questions on the P&L side. So, I will give the floor to Tanate. So, it is the NIM, it is TLTRO, it is costs. Go ahead, Tanate.

Tanate Phutrakul – CFO ING: Yes. Daphne, if you look at our NIM evolution during the course of Q2, you can see that it is declining from 1.51% to 1.44%, but that is really driven by the balance sheet extension that you have seen in Q2, partly because of the revolving credit facility that was taken by our Wholesale Bank, which comes with a margin, which is approximately 50% less than a normal blended portfolio of loans we extend in the Wholesale Bank and also the extension of our balance sheet by increased funding to the Central Bank because of the taking up the TLTRO III. But if you adjust for that on a pro forma basis, our net interest margin is approximately 1.48%. So, we do see a drop, but not as dramatic as perhaps the number would indicate.

Looking forward about how we would expect things to evolve, again, I reiterate, it is to a degree really depending on maintaining – and we will maintain – price discipline. We will take actions, also, with respect to lowering deposit rates in our non-Eurozone markets, already announced plans to charge negative rates to, for example, private banking type customers in the Netherlands and mid-corps in Belgium. With those actions, together with TLTRO, we hope that we can maintain that stable NII going over the next few quarters.

Having said that, you asked about TLTRO plans of EUR 60 billion. Currently, we are happy with our liquidity position, and we do not have any current plans to increase that for the time being.

Now with respect to costs, again, we are taking steps with respect to cost. You can see there that our cost evolution is good in the second quarter of the year with absolute cost declines in all of our major divisions. We will continue to look at that, whether it is in our channels, branches, other types of channels given the digitisation that we have seen. But again, we will balance that with investment in our digital future, so it will be a balance between the two.

Daphne Tsang – Redburn: Thank you.

- **Omar Fall – Barclays**

Good morning, I have two questions, both on costs. On the EUR 44 million decline in underlying costs, ex the restructuring charge, can you just give us a sense of the scale of the three elements you mentioned, the cost savings versus bonuses versus CLA increases? I just do not really understand why you have not seen the very sizable COVID-related savings that your peers are all seeing in areas like travel or marketing, et cetera. Many of your peers are down, almost double digit, year-on-year, in their retail businesses, which is very far from you.

And then similarly, if you could just update us on the Unite plan and where all that stands? Is it effectively on hold for the foreseeable future as we go through the crisis? I see Belgium seems to be down just 3% in terms of costs on an underlying basis. I know that affects both Belgium and Netherlands, but an update on that would be helpful.

Steven van Rijswijk - CEO ING: Thanks very much, Omar. I will take the update on Unite, and then Tanate will give you an answer on the costs. On Unite we have already done the majority of what we need to do under that program. We integrated Record bank in our bank in Belgium. We decreased the number of branches in Belgium by half and we have put all of our active retail customers on the OneWeb environment from Belgium to the same OneWeb environment as the Netherlands. We are currently in the process of putting all the retail clients on the OneApp environment in Belgium and today, that is approximately 170,000, and it will continue. By the end of the year or early next year, we will have migrated all those clients. We will then continue also to put our business clients on the OneWeb environment, and we started with that as well. We can then put new offerings. Currently, we are having an insurance offering and we can then put that on the same OneApp and OneWeb environment for both countries in one go. So therefore, we do not only have a larger number of clients on one IT system and one customer integration layer and one customer experience layer, but we give them a better digital experience by offering solutions on that one platform.

We will continue that going forward and that will continue beyond the Unite program. So, the lion's share of the Unite program, we will taper off in 2020 and 2021 but the benefit from it, both from a digital experience, revenue and cost point of view, will then continue to come.

Tanate Phutrakul – CFO ING: So, then Omar, to address your questions on cost evolution. The Collective Labour Agreement or wage inflation varies from market to market. But on a blended basis, for ING, it is anywhere between 2.5% and 3%. That is addressing part of your question. Regarding the second one, we do recognise that some of our peers have been reducing variable compensation, which has resulted in maybe a sharp reduction in their expense line. But ING, as you know, is not really big on variable compensation, so that hasn't been a major factor in terms of our cost decline in the second half of the year.

And then the third thing, which I want to remind you is that we are still in the path of taking steps to improve our KYC environment within ING. If you look year-on-year, the KYC expenses actually went from EUR 98 million to EUR 134 million. To remind you, we have given guidance that during the course of 2020, we expect the total expenses that we will take on KYC to be approximately EUR 600 million. Again, within that EUR 600 million, approximately half, we currently pay either to external consultants or management consultants, and we would expect that going forward we will make efficiencies there as well.

Omar Fall – Barclays: Steven, on the Unite, your predecessor used to tell us that there would be a kind of hockey-stick effect with the sizable savings to come in 2021, 2022, as the systems were decommissioned following all the elements of implementation that you have just highlighted. Are you basically saying that, that process is still ongoing and that decommissioning process in 2021 and 2022 will lead to those sizable savings? Or are you basically saying that everything is in the base of costs from here and that any potential savings from the plan are going to be marginal?

Steven van Rijswijk - CEO ING: What my predecessor said, that in the beginning of the process, when we started in 2016, we would look at centralisation of our core banking systems. After some time in 2018, 2019, we said that on the one hand it is very difficult to centralise those systems but on the other hand, we also can now make use of APIs to actually draw data and products from our core banking systems into our customer integration and experience layer to, in an easier way, realise a one platform environment in the Benelux. So, we will continue to decommission systems. Not all systems can be decommissioned, but for some products, it is easier to decommission than not. But it is increasingly focused on harmonisation, standardisation, delivering a better digital experience and a front layer, and that will deliver savings, not necessarily by a big bang in decommissioning the core banking systems.

Omar Fall – Barclays: Thanks a lot.

- **Raul Sinha – JP Morgan**

If I could just follow up on a couple of points, please. The first one is slightly detailed on the Oil & Gas. The Stage 3 ratio seems to have picked up materially in the second quarter, now 7.8%, even if I adjust for the trade finance book in Q1. Steven, I was wondering if you could discuss what you are seeing here, given the recovery in oil prices and how you might be looking to proactively manage the risk in this book?

Then related a point on frauds, we had the discussion in the last quarter as well, when there was a big fraud in Asia. Now you have a big fraud in Europe. I was just wondering what lessons the group is taking away from what we are seeing in terms of fraud.

And then just very quickly, just to follow up on the dividend discussion. I am not sure if I missed this. I am gathering that the progressive dividend pay-out policy of the yield, obviously, is behind us now and that this view that you are flagging at Q3 is to set a new policy. In that context, do you think that there are merits in a US model where bank dividend pay-out ratios are low, but then they have the flexibility to use buybacks? Is that the direction you should think the sector should be heading towards, given what we have seen in the pandemic? Just some thoughts would be useful.

Steven van Rijswijk - CEO ING: Thanks, Raul. If you look at Oil & Gas, indeed, the Stage 3 ratio is 7.8%. That is for the bigger Oil & Gas portfolio. If we then take out the trading part of it, or the non-directly oil price-related part of it largely the 7.8% relates to that EUR 4.5 billion. If you then do the math – I refer to what I said in the first quarter – you see we moved the entire US Oil & Gas book to Stage 2. That book is around EUR 1.5 billion.

Now, if you look at that 7.8%, and you do the math, it pretty well resembles that book. So, what do you take from that? Yes, that book is a difficult part of the book. But again – and that comes in line with what we said in the previous quarter – it is therefore also that book and not something else. So, if you look at the broader Oil & Gas portfolio that we highlight on that page, we do not see that many issues. It is really focused on that EUR 4.5 billion, and that is where we see the provision taken.

If you look at one of the later pages in the deck, you are seeing one of the bar charts that we took provisions in the natural resources space that is largely that Oil & Gas part including offshore and drilling. That relates to the 7.8% amount. So, with a number of the names in Stage 2 and some of the names in Stage 3 continuing to move, and taking higher provisions, we do expect that the provisions on oil and gas in the next half year will go down.

Then on the fraud case. My first comment is that people should stop frauding other people. And that is step one, of course. But if you look at it in the ING book, the previous frauds we have seen were focused on the Trade & Commodity Finance book. There was one in the first quarter and one in the fourth quarter last year. Increasingly we look at transactionally-secured exposure. So, we are looking at our policies because we do have control teams that do checks on the traffic that goes on the bills of lading that we have, documentation that there is. So, there are all things going on to look at the lineage, if you will, the end-to-end transactional dealings going on in Trade & Commodity Finance parts. However, over the course of the years, you see that the structures have been weakening to some extent, and we are reintroducing the strict structures. We call that TCF 1.0. So, we go back to where market went to, back to TCF 1.0.

At the same point in time, in that business we are also experimenting with blockchain, because blockchain is in terms of an end-to-end payment system, especially for trade, much safer than all the paper floating around on a global basis. So, the ability to be defrauded is much lower when we can use the blockchain technology. With some other players in the TCF space, we are currently experimenting with that.

So, we have seen a few cases of fraud in TCF. What we now see for the fraud in this quarter is a complete one-off scenario. Many institutions, many organisations, many accountants, many regulators are hurt by that. It is just a matter of, in that sense, knowing business models. We have very, very little other exposure in that business sector. And actually, we decreased it to almost a negligible amount.

On dividends, we have just delayed our dividend policy in light of the measures that were taken by the ECB and the advice that they have given us. We will resume with the dividend policy in the third quarter of this year. Yes, it could go in several directions. And of course, I note that also the US banks, with a lower dividend policy and share buybacks, all options are on the table, and we will come back to that in the third quarter.

Raul Sinha – JP Morgan: Thank you very much.

- **Farquhar Murray – Autonomous**

Good morning, gentlemen, just two questions, if I may. Actually, I will apologise. The first is a little bit of an echo of Raul's question there on the dividend. Can you just outline what the key considerations are going to be that will feed into that kind of dividend policy revisit? And perhaps maybe to start from your perspective, what are the pros and cons of the previous and present charges, so we get a bit of a sense of what you might regard as things that are worth changing?

Secondly, apologies if I missed it, but what is the current fully loaded Basel IV position? Are you suggesting that as of today, basically Basel III and Basel IV are now essentially the same?

Steven van Rijswijk - CEO ING: Sorry Farquhar, can you repeat the second question?

Farquhar Murray – Autonomous: The second question is on Basel IV. I just want an update on the current fully loaded Basel IV position and essentially whether you are saying that Basel III reported, and Basel IV are now essentially the same?

Steven van Rijswijk - CEO ING: On Basel IV, let me put it this way. If the TRIM missions are behind us, and of course, we have now taken additional steps on one of the main TRIM missions by taking an additional EUR 6.6 billion, but once we are done with the TRIM missions, we get to two more letters on smaller portfolios, but the impact on that will be limited. But then 90% of the total Basel IV impact we will have had. Yes, and with the Basel IV impact, I just lumped them together. It is a bit apples and oranges, but if you look at DoD TRIM remaining Basel IV, all of that, then 90% is already behind us. I am hesitating but maybe I should add that the Basel IV end part of it – the remaining 10% -- is not yet certain. We have taken all the input factors, but Basel IV is still under discussion. It was first in 2022, then it would be 2023, and currently it still under discussion when it will be implemented, so we do not know. But we know the rules that if they were implemented, what the impact would be. And in that sense, the 90% stands.

The key considerations that will feed into our new policy are not different than what I answered to Raul. Maybe one thing to add there, we are looking into what extent the new MDA level has structural elements in them, given the new regulations and the relief that has been given by the ECB. And to that extent, that could have an impact on our dividend policy as well and to our capital levels.

Farquhar Murray – Autonomous: Thank you.

- **Robin van den Broek – Mediobanca**

Good morning. I noticed that you are putting some pressure on your external FTE providers to take lower wages. I was wondering, given you had a pretty sizable external FTE base, whether that could have an impact in Q3 already.

And then maybe a bit more specifically on the TLTRO take-up. The implied benefit could be EUR 150 million per quarter. Is that what we should expect in Q3 to come through? And then that benefit to dissipate a little bit longer-term on the back of continued margin pressure? I was just thinking about the shorter-term dynamics there.

On Project Unite, in the past, you always have the longer-term view to integrate even more countries on the same platforms. Now, though it is being a little bit different than you anticipated on the first hand for Belgium and the Netherlands, is this still going ahead? Are you expecting to still add more countries on that same platform longer term? Or are the country differences too big to make that happen?

Steven van Rijswijk - CEO ING: On Unite or on Maggie, the Challenger & Growth countries, we have increasingly focused on building a customer integration layer, so a front-end integration. We have always called it an 'intermediate step'. We will continue with harmonisation and digitisation to offer a better digital experience, so the new propositions can be put on that OneApp or OneWeb environment immediately across a number of countries. That does not necessarily mean centralisation. So, you do not need to centralise all your systems to create the same experience for your clients and put new propositions in one goal on an integrated app or web environment.

Then on TLTRO and lower wages, I will give it to Tanate.

Tanate Phutrakul – CFO ING: To address your question on external staff. First of all, our external staff community is significant, and we always treat them with a lot of respect and very similar to our employees. Having said that, we are asking them indeed for a temporary cut in tariffs, right, given the COVID-situation and slowing down of a number of projects. So, it is a combination of tariff cuts and a reduction in absolute number of external staff that we deal with. In addition, we are looking at a changing mix, so how many of these external staff do we deploy in our home markets in the Netherlands, Belgium and Germany and where do we deploy them in other lower cost markets, for example, in Poland or in Manila? So, it is a combination of factors, but indeed, it is part of the plans to actually get better efficiencies there.

In terms of your question on TLTRO benefits, as I mentioned before, we have taken roughly EUR 60 billion. And if we can maintain zero loan growth or better, we benefit at least 50 basis points. But of course, if we can deploy those funds, lending to our customers, then the benefit would be larger.

Robin van den Broek – Mediobanca: In the past on TLTRO, you were able to book just the full rate immediately on the back of your growth history. Does that apply now as well? Or is it a more conservative approach this time?

Tanate Phutrakul – CFO ING: Those conversations are ongoing. The threshold, given that the TLTRO III is coming with a deeper discount from a funding perspective We would like to give you an update in Q3 based on what we see other institutions do in discussion with our accountants.

Robin van den Broek – Mediobanca: And I guess on the external FTE base there is no quantification behind what we could expect there?

Tanate Phutrakul – CFO ING: No, we do not disclose external FTEs, but rest assured that we are asking in many of our home markets for these types of arrangements with our external suppliers.

Robin van den Broek – Mediobanca: Thank you.

- **Stefan Nedialkov – Citigroup**

I just wanted to follow up on the digital proposition here. Obviously, over the years, you have been mentioning and emphasizing some partnerships, like the scalable capital in Germany, which, I believe, is now being extended. We have AXA. You guided to around EUR 1 billion of fees over 10 years and now you are announcing the Amazon partnership in Germany for small businesses. Are you ready to give us more colour in terms of the percentage of fees that are derived from these digital partnerships and the outlook for next year and beyond?

Steven van Rijswijk - CEO ING: What we can disclose about is that one thing is clear and that is that these digital partnerships and the broadening of our service to our clients becomes more important. So, we are diversifying away from net interest income and in that sense, we either do that by developing new services ourselves, such as a brokerage channel, by setting up fintech ventures ourselves, such as Yolt, or by collaborating with external partners. We have close to 200 of these fintech partners. We are very pleased in this case, as with Amazon. We have an exclusive partnership for their seller portal to provide loans to the sellers that come onto their platform. It is again a sign of strength and the way that ING is perceived also by the strong fintechs in the world as a strong digital player.

In the past, people ask us, oh, don't you see the fintechs as a threat? Yes, on the one hand they can be a threat but on the other hand they are also good in terms of collaborating to further develop businesses. And in that sense, it also helps us in our ambition of the 5% to 10% fee growth per annum and is only a testament to that ambition going forward.

Stefan Nedialkov – Citigroup: Are you able to put a number around that? Are we talking about 5% of total fees right now coming from these partnerships, 10%, or more than that?

Steven van Rijswijk - CEO ING: It will be a ramp up. We started last year with AXA, with Scalable we started two years ago, with Amazon we started 1 July – the first loans are in – and this will be a ramp-up and will become a more important part going forward.

Stefan Nedialkov – Citigroup: Thank you.

Operator: We have no further questions.

Steven van Rijswijk - CEO ING: Okay. Thank you very much. With that, I would do a wrap-up. Wait a second, please.

Thanks very much for the questions. To summarise, we continue our efforts to help our customers, employees and society to deal with the effects of COVID-19. At the same time, we continue to work on countering financial and economic crime, as it remains a priority, not only in my previous role, but also in this role.

The current environment reinforces our belief that we are on the right strategic path. And we have seen that now also in the COVID-19 crisis with our digital model enabling us to continue to grow primary customers and keep NII stable. Loan demand was affected by COVID-19. Stronger mortgages still, however, reduced demand, mainly coming from business customers.

Pre-provision result was very resilient, supported by our focus on pricing discipline, good fee income and cost control and risk costs were impacted by substantially collected provisioning in Stage 1 and Stage 2 to reflect worsened macro-economic indicators. But as I said, the lion's share of that has to do with these indicators.

As a result, risk cost came in well above the through the cycle average. When these current macro-economic indicators remain unchanged, we believe that we have taken the majority and the bulk of the provisioning for this year. And for the second half of 2020, we expect risk costs to go down compared to the level in the first half.

The Common Equity Tier 1 ratio was strong at 15%. If we compare that to banks that have included the dividend for the second half of 2019 in their capital, our pro forma capital would stand at 15.5%, but we do not intend to include that in capital, but we intend to pay it out as a dividend. And we will come up with an updated capital plan and dividend policy in the third quarter results.

We remain very confident that we are well-positioned to face headwinds. We have a very stable income base, with growing fee income, strong capital position, solid funding base as well as a low Stage 3 ratio.

And with that, I thank you very much for your attention, for your good questions, for the interaction, and I wish you a very good day. Thank you.

End of call

Appendix

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Volatile items 2Q2020

Volatile items and regulatory costs (in € mln)

	2Q19	3Q19	4Q19	1Q20	2Q20
WB/FM – valuation adjustments	-72	-25	-74	-92	87
Capital gains/losses	21	5	-8	138	15
Hedge ineffectiveness	85	32	-65	-89	40
Other items*	79			-82	-270
Total volatile items	**113**	**12**	**-147**	**-125**	**-128**
Regulatory costs	-97	-106	-303	-526	-137

* Other items in 2Q2019 concerns the recognition of a €79 mln receivable related to the insolvency of a financial institution; 1Q2020 concerns €-82 mln of losses within WB/Lending mainly due to negative marked-to-market adjustments related to syndicated loans and loans at fair value through profit or loss; 2Q2020 concerns €-310 mln of goodwill impairments in mainly WB and RB Belgium and €40 mln of positive MtM adjustments in WB/Lending

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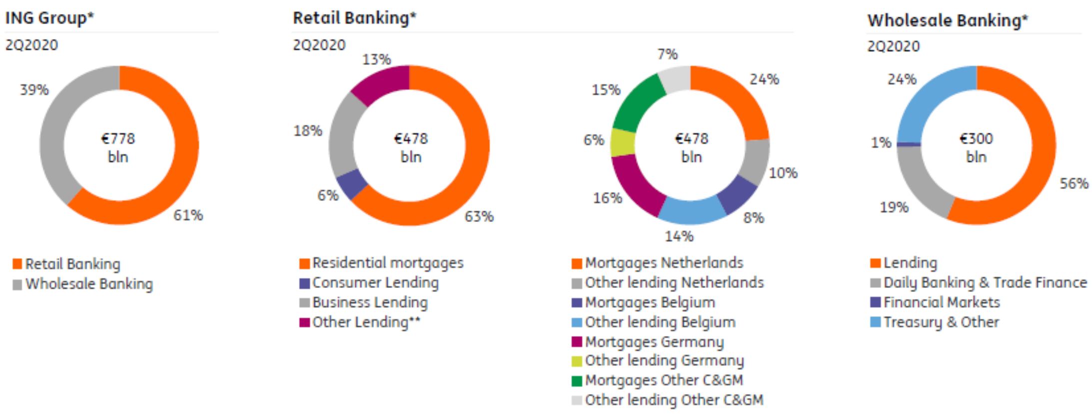
Well-diversified lending credit outstandings by activity



- ING has a well-diversified and well-collateralised loan book with a strong focus on own-originated mortgages and senior loans; 61% of the portfolio is retail-based

Note: percentages for Retail (Netherlands) and Wholesale Banking have changed versus 4Q2018 as the Real Estate Finance portfolio related to Dutch domestic mid-corporates was transferred to Retail Netherlands from Wholesale Banking as per 1Q2019
* 30 June 2020 lending and money market credit outstandings, including guarantees and letters of credit, but excluding undrawn committed exposures (off-balance sheet positions)
** Other includes €41 bln Retail-related Treasury lending and €21 bln Other Retail Lending

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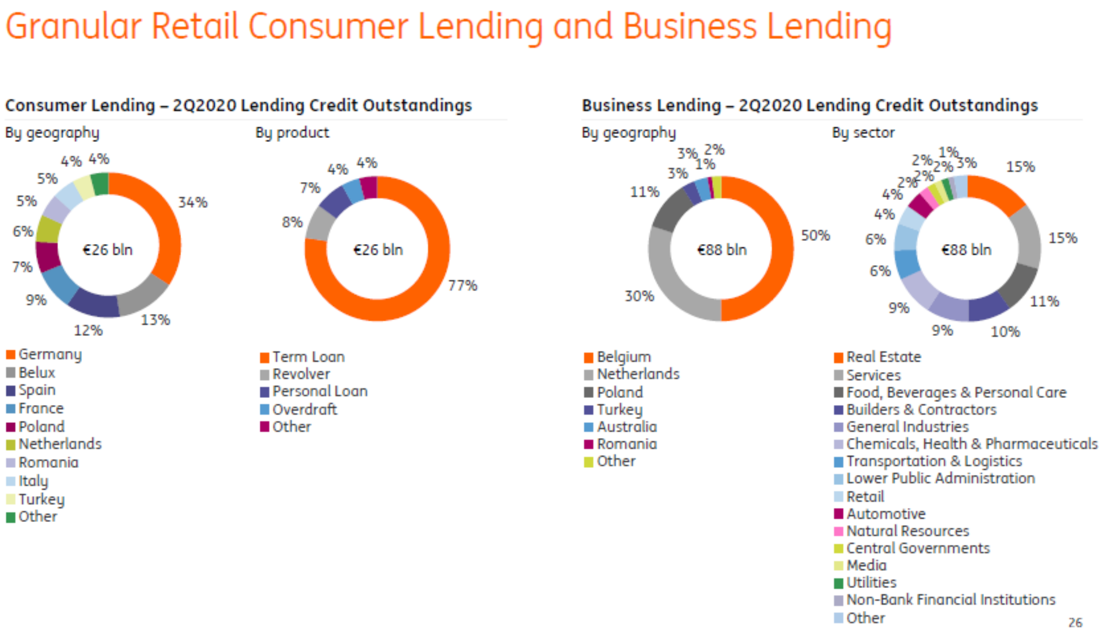
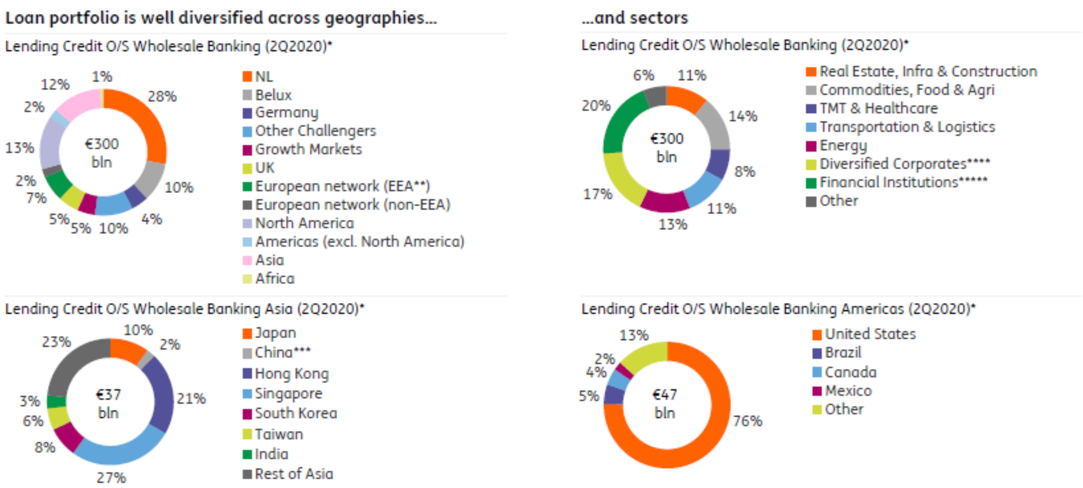
2Q20 ANALYST call Transcript
6 August 2020



Granular 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 30 June 2020); **** Large corporate clients active across multiple sectors; ***** Including Financial sponsors

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2Q20 ANALYST call Transcript

6 August 2020

Leveraged finance book managed within a restrictive framework

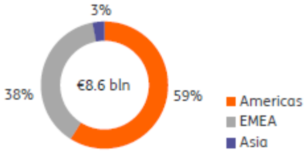
Business overview

- Focus on larger sponsors with an established track record and a history of resolving issues in the event of underperformance by the acquired business
- Granular book of €8.6 bln as per 2Q2020
- There were supportive market conditions in the beginning of the year, evidenced by a substantial increase in the number of transactions. After markets dried up following the Covid-19 pandemic, primary focus is on managing the existing portfolio. In 2Q2020, we were able to syndicate the two transactions which remained on our balance sheet at the end of 1Q2020

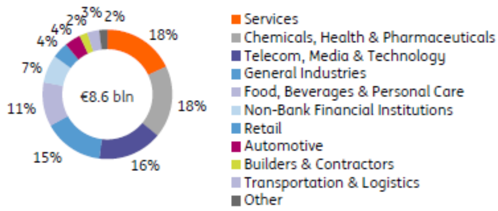
Main actions taken

- Global cap of €10.1 bln
- Maximum final take for a single transaction €25 mln
- Maximum total leverage 6.5x
- No single underwrites

Leveraged finance book* focused on developed markets (as per 2Q2020)



Leveraged finance book* highly diversified by industry (as per 2Q2020)



* Leveraged finance is defined as Private Equity driven leveraged finance with higher than 4x leverage. Leveraged finance book is total commitments (i.e. including undrawn)

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2Q20 ANALYST call Transcript

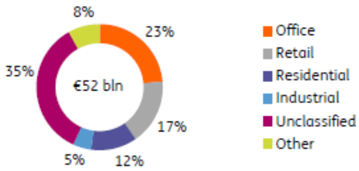
6 August 2020

Well-diversified Commercial Real Estate (CRE) portfolio

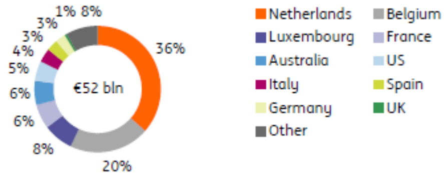
Business overview

- CRE portfolio of €51.7 bln, cap at €56 bln, split between:
  - Real Estate Finance (REF) €36.7 bln
  - Retail Banking €15 bln
- REF portfolio is managed by Wholesale Banking, booked in WB (€25.4 bln) and RB (€11.3 bln) based on client type
- Retail Banking portfolio mainly in RB Benelux to companies in the mid-corporates segment, generally professional investors with real estate portfolios rented to third parties (mainly residential) and part construction finance to professional parties within a strict risk appetite (>90% residential development, minimum % of pre-sold units, recourse on shareholders with stable cash flows)
- Overall well diversified portfolio both in terms of geography and asset type, with LtV of 50% and low Stage 3 ratio of 1.0%
- Portfolio is managed within risk appetite of global CRE policy which includes focus on diversified portfolios (in principle no single tenants or objects), no hotels (only exception if small part of quality real estate portfolio)
- In the current market most scrutiny on asset type Retail, which is 17% of the total CRE book. We have a restrictive policy in place, with focus on supermarkets or smaller malls which include at least one supermarket

CRE breakdown by asset type (as per 2Q2020)



CRE breakdown by geography* (as per 2Q2020)



* Geographical split based on country of residence

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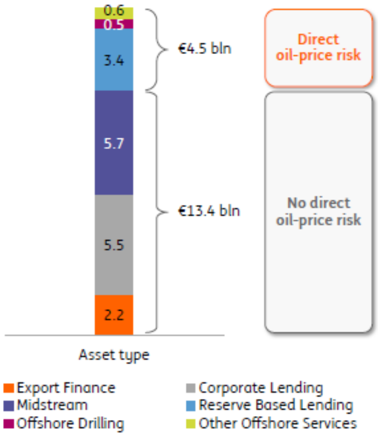
Oil & Gas book: only €4.5 bln directly exposed to oil-price risk



- Reserve Based Lending: smaller independent oil & gas producers, focus on 1st cost quartile producers
- Midstream: typically assets generating revenues from long-term tariff based contracts, not affected by oil & gas price movements
- Corporate Lending: predominantly loans to investment grade large integrated oil & gas companies
- Export Finance: ECA-covered loans in oil & gas sector: typically 95%-100% credit insured

Overall Stage 3 ratio at 7.8%

Note: exposure and Stage 3 ratio reflects companies active in the Oil & Gas industry and excludes €12.2 bln exposure in Trade & Commodity Finance with no direct oil-price risk, reflecting short term self-liquidating financing of trade flows, generally for major trading companies, typically pre-sold or price-hedged

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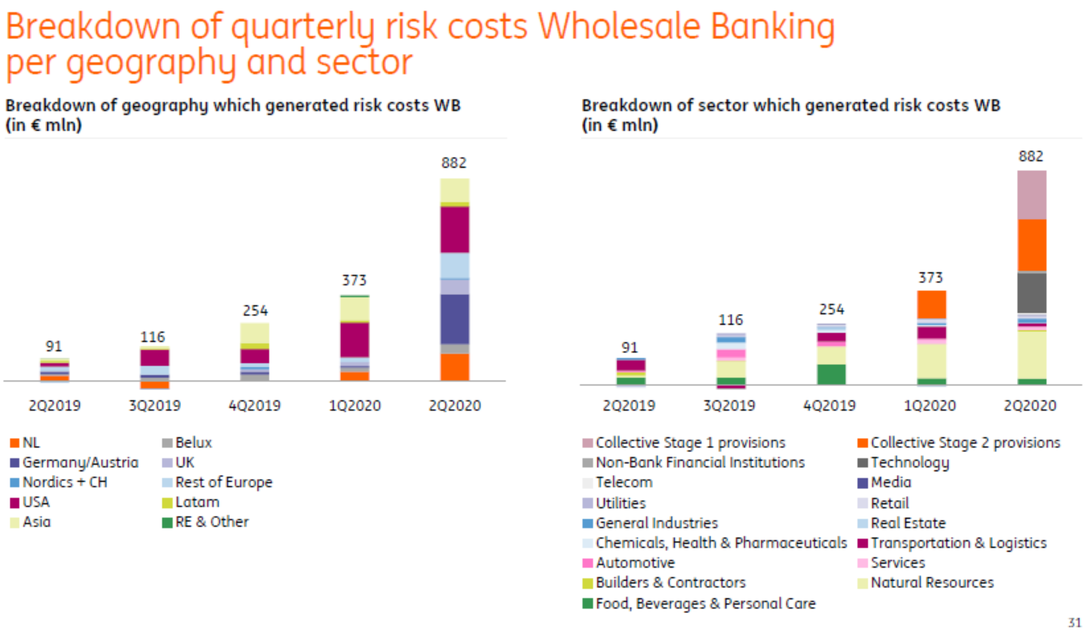
6 August 2020



2Q20 ANALYST call Transcript
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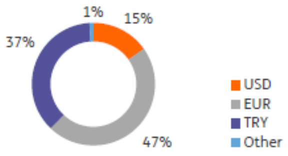
Overview Turkey exposure

Total exposure ING to Turkey* (in € mln)

	2Q2020	1Q2020	Change
Lending Credit O/S Retail Banking	**4,123**	**4,242**	**-2.8%**
Residential mortgages	484	531	-8.9%
Consumer lending	1,148	1,157	-0.8%
SME/Midcorp	2,491	2,554	-2.5%
Lending Credit O/S Wholesale Banking	**5,425**	**6,019**	**-9.9%**
Total Lending Credit O/S*	**9,548**	**10,261**	**-6.9%**

- Intra-group funding reduced from €1.8 bln at end-1Q2020 to €1.5 bln at end-2Q2020
- Reduction of outstandings in 2Q2020 is mainly driven by WB
- ING only provides FX lending to corporate customers with proven FX revenues; only limited rolling-over of FX lending facilities
- ECA-insured lending (Export Credit Agencies) is approx. €1.6 bln; approx. €0.3 bln of SME/Midcorp lending benefits from KGF cover (Turkish Credit Guarantee Fund)
- Quality of the portfolio remains relatively strong with a Stage 3 ratio of 4.2%

Lending Credit O/S by currency



Lending Credit O/S by remaining maturity

TRY**	~1 year
FX	~2 years

Stage 3 ratio and coverage ratio

	2Q2020	1Q2020
Stage 3 ratio	4.2%	4.1%
Coverage ratio	53%	53%

* Data based on country of residence. Lending credit outstandings, including guarantees and letters of credit, but excluding undrawn committed exposures (off-balance sheet positions)
** Excludes residential mortgages, which have an average remaining maturity of ~6 years

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Important legal information

ING Group's annual accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU'). In preparing the financial information in this document, except as described otherwise, the same accounting principles are applied as in the 2019 ING Group consolidated annual accounts. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

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