

## 4Q/FY2020 Analyst call transcript

12 February 2021

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**Operator:** Good morning, welcome to ING's fourth quarter and full year 2020 conference call. Before handing this conference call over to Steven van Rijswijk, Chief Executive Officer of ING Group, let me first say that today's comments may include forward-looking statements, such as statements regarding future developments in our business, expectations for our future financial performance and any statement not involving a historical fact. Actual results may differ materially from those projected in any forward-looking statement. A discussion of factors that may cause actual results to differ from those in any forward-looking statement is contained in our public filings, including our most recent Annual Report on Form 20F, 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 solicitation of an offer to buy any security. Good morning Steven, over to you.



Steven van Rijswijk, CEO of ING  
12 February 2021



**Steven van Rijswijk – CEO ING:** Thank you very much. Good morning everyone and welcome to our full year 2020 results call. I hope you are all in good health and I am happy to take you through today's presentation. I am joined by our CFO Tanate Phutrakul and our new

**4Q/FY2020 Analyst call transcript**  
12 February 2021

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CRO Ljiljana Čortan, who joined us from the 1<sup>st</sup> of January 2021. We are happy to have her on board. Welcome Ljiljana. At the end of the presentation, we will, as always, have time to take your questions.

When we presented our 2019 results a year ago, I do not think anyone expected that the year 2020 would evolve the way it did. 2020 goes into history books due to the Covid-19 pandemic, which presented unprecedented challenges to our employees, customers and society. And also at ING we have felt its effects. We continue to support our customers, employees and society during this time. I am sure I speak for many of us when I say that with the vaccination programmes on the way, we very much look forward to circumstances normalising again.

### Key points

- 2020 was a year marked by the Covid-19 pandemic and the unprecedented challenges it presented to our customers, employees and society. We continue to take actions to provide support and with vaccination programmes being rolled out globally, we look forward to return to more normal circumstances in the near future
- We continue our efforts to build a sustainable company, also reflected in our strong ESG profile
- The current environment underscores the strength of our digital business model. We continued to grow primary customers, as they choose us as their go-to bank, while mobile interactions further increased
- Pre-provision result was resilient, though the impact from Covid-19 is visible, most notably on lending and savings. After years of growth, 2020 net core lending was down by €2.5 bln, while net deposit inflow was high at €41.4 bln
- Fee growth was good, as our actions on investment products and daily banking more than compensated for the impact of the Covid-19 pandemic on fees for payments and lending
- 2020 risk costs were €2.7 bln with ~30% in Stage 1 and 2, mainly due to Covid-19, reflecting IFRS 9 related provisions and management overlays. For 2021 we expect to move close to our through-the-cycle average of ~25 bps
- The Stage 3 ratio remained low at 1.7% and we are confident on the quality of our loan book, supported by a proven risk management framework with a strong track record, also compared to peers
- 4Q2020 CET1 ratio improved to 15.5%, with 4Q2020 net profit almost fully kept outside of regulatory capital. We will distribute a delayed interim cash dividend over 2020 of €0.12 per share, in line with ECB recommendations
- Our geographical and product diversification enables us to have stability in income and positions us very well to capture areas of growth when economies recover

2

During 2020 we have taken several actions to further build a sustainable company and I am pleased to see an increasing interest and recognition for our strong profile on ESG topics. Our digital model continues to be a clear advantage, as we have added another 578,000 primary customers in 2020 and the number of mobile interactions continues to grow. I am proud to say



## 4Q/FY2020 Analyst call transcript

12 February 2021

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this supports us to deliver a strong performance with pricing discipline, good fee growth and cost-control. The most notable effect of Covid-19 was on lending and deposits, with low lending demand turning historic strong loan growth into a small negative for 2020, while deposit inflow doubled and rates in the euro swap market and non-eurozone countries declined. These factors have put pressure on NII, which we believe will be alleviated under normal circumstances. Full year risk costs were EUR 2.7 billion or 43 bps over average customer lending. Around 30% was in Stage 1 and 2, driven by IFRS9 related provisions and management overlays.

For 2021 we expect to move close to our through-the-cycle average of around 25 bps. On asset quality we have a strong and well-diversified loan book, built through a proven risk management framework, which we did not change under Covid-19. Our strong track record underscores that we are a low NPL bank, also when compared to our eurozone peers. The CET1 ratio improved from 15.3% to 15.5% and this almost fully excludes the fourth quarter net profit, as this has been added to the EUR 2.5 billion already reserved for future distributions, in line with our policy. This brings the total amount of reserves for future distributions to EUR 3.3 billion. We want to provide the shareholders with a healthy return and will start distribution of this amount with the delayed interim cash dividend over the full year 2020 of EUR 0.12 per share in line with the current ECB recommendations. We intend to distribute the remaining amount reserved after September 30, subject to prevailing ECB recommendations and the relevant approvals.

Looking forward, when economies recover, we are well positioned to capture growth again, as we benefit from our geographical and product diversification.

## 4Q/FY2020 Analyst call transcript

12 February 2021

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### FY2020 results

3

## We are recognised as an industry leader on ESG topics

### Environment

- Second Terra report\* published
- First Climate risk report\* published
- Supported our clients with Sustainable Finance solutions
  - 39 Green and Sustainability improvement loans in 2020
  - 52 Green and Sustainable bonds in 2020
- \$1 bln Green bond issued for ING Group N.V.
- Highest sustainability rating (BREEAM Outstanding) for our head office

### Social

- Support in coping with the effects of the Covid-19 pandemic
  - Payment holidays for customers
  - Enabled employees to work from home
  - Donated laptops for home schooling
  - Global ING fund to support societies with short term relief and longer term recovery
- Joint bookrunner on Europe's first Covid-19 related bond
- Annual Human rights report\* including Covid impact published

### Governance

- Revised remuneration policy for EB and SB, formulated with stakeholder feedback and a strong link between variable pay and sustainability performance
- Continued global progress on strengthening our management of compliance risks
- Our Behavioural Risk Management team developed Dialogue Starter, a method to support teams in mitigating behavioural risks



**Sustainalytics**  
#1 in our market cap group (July 2020)



**CDP (Carbon Disclosure Project)**  
A List (December 2020)



**MSCI ESG rating**  
Rating AA (December 2020)



**S&P ESG Evaluation**  
Strong (85/100) (January 2021)

\* The reports can be found on <https://www.ing.com/Sustainability/The-world-around-us-1/Reporting.htm>

4

## 4Q/FY2020 Analyst call transcript

12 February 2021

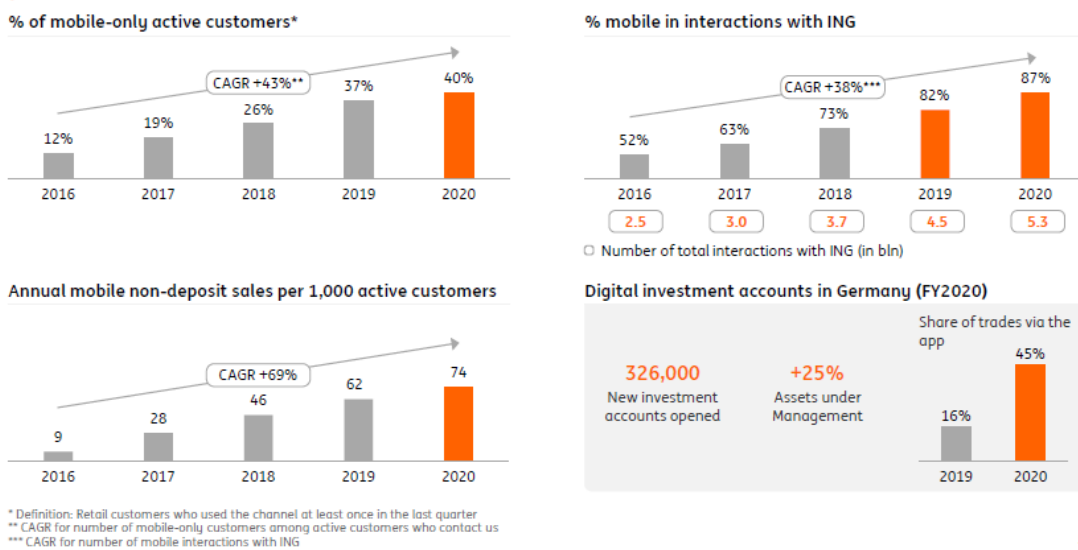
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Let me take you through our full year results, starting on slide 4. Here are some highlights of our efforts in 2020 to further build on being a sustainable company. We are pleased to see an increasing interest in the market and that we are recognised for our strong ESG profile. It's an area where we are considered an industry leader and that's on environmental topics, where we make a difference with our Terra approach and also the transparency that we provide through our reporting. In 2020 we published our second Terra update report, which contains targets and progress on our alignment with the Paris climate goals in the nine most carbon-intensive sectors. The amount for sustainable finance solutions remained strong in 2020. Aside from the number shown on the slide, we supported the issuance of nine social bonds, which included the first Covid-19 linked bond in Europe. We further took action to provide support during the pandemic and published our Annual Human Rights Update, which included the impact of Covid-19. We revised our remuneration policy, formulated with stakeholder feedback and a strong link between variable pay and sustainable performance. We continue to focus on ensuring the right behaviour at ING through initiatives such as the assessments of our behavioural risk management team. We are a pioneer in the sector with our own dedicated behavioural risk management team and in 2020 the team developed Dialogue Starter that is a method to further support teams in mitigating behavioural risks. Our strong ESG profile is also reflected in our ESG ratings. In December 2020 CDP confirmed our place on its climate A-list, while MSCI upgraded our rating to AA. Recently we also received an ESG evaluation from S&P, who rated us as strong with a score of 83 out of 100.



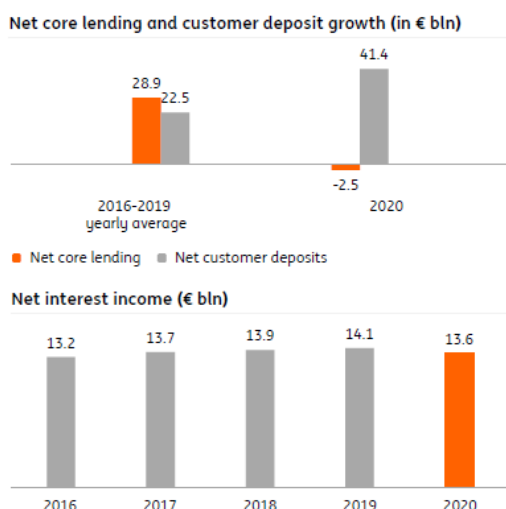
**4Q/FY2020 Analyst call transcript**  
12 February 2021

**Our digital capabilities have given ING an advantage through the pandemic**



Slide 5. This slide shows that our focus on a ‘digital mobile first’ customer proposition has benefited us as we saw customers increasingly turn to these channels under Covid-19. The share of mobile-only customers increased in 2020, as did the number of mobile interactions, growing to an 87% share, while also the number of total interactions also continued to grow. We also saw this upward trend in our product and services sales with additional investment accounts in Germany as an example of we successfully offered digital and differentiating customer experience. 326,000 new investment accounts were opened in 2020 contributing to 20% growth in the number of investment accounts and 25% growth in assets under management. Customers appreciated the mobile capabilities offered with the number of trades via the app almost tripling to 45%. Also worth mentioning is that 20% of those new accounts were opened by customers who are new to ING, demonstrating that our digital offering also attracts new customers in a time of crisis when people could be more inclined to stick to their main bank. This is further evidenced by the fact that our primary customer base grew by 578,000 customers, reaching 13.9 million at the end of 2020.

## Some levers to counter NII pressure were challenged under Covid-19



- Over the past years we have successfully grown NII, countering pressure from the negative rate environment, through loan growth and margin discipline, as well as benefiting from higher central bank rates in our non-eurozone countries
- In 2020 Covid-19 reduced the effectiveness of these levers
  - Loan growth declined from an average of €28.9 bln in previous years to €-2.5 bln in 2020
  - This reflects low demand from businesses, driven by less need for investment loans and working capital, attractive capital markets and direct government support
  - High liquidity mainly driven by TLTRO III and government support also reduced the possibility to reprice loans
  - Deposit growth almost doubled, reflecting lower spending due to continued uncertainty and lockdown restrictions
  - Lower swap rates and central bank rate cuts in non-eurozone countries affected liability margins
- Despite resilient lending margins and increased negative charging, these effects of Covid-19 impacted NII. As global vaccinations progress and when we get closer to more normal economic activity, we should again be able to effectively apply all levers
- The conditional benefit of TLTRO III is not included in NII

6

Now on to slide 6 which shows the clear effect of the pandemic on lending and deposits. Under normal circumstances lending is a growth driver for us with average loan growth exceeding 5% in previous years, outpacing deposit growth. In 2020 Covid-19 changed that picture. Mortgage demands remained, but demands from businesses dropped, driven by delayed investment plans and less need for working capital. Also in our main markets, governments also provided direct liquidity support, rather than via the banks. Combined with ECB actions such as TLTRO III and bond purchase programmes, a high availability of liquidity made a repricing normally seen in times of crisis more modest.

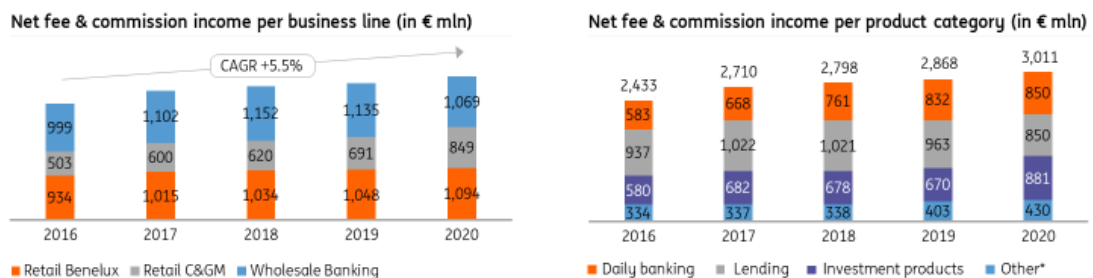
On deposits we saw a record inflow, as lockdown restrictions and growing uncertainty resulted in a shift from spending to saving. While we managed to steer part of this to investment products, the overall effect is clearly visible. At the same time the euro swap rates moved further into negative territory and, in a response to Covid-19, central banks in non-eurozone countries cut their rates. The pressure from negative rates is not new, but in the past years we successfully countered this pressure and NII grew. This became more difficult in the

## 4Q/FY2020 Analyst call transcript

12 February 2021

second half of 2020 driven by the factors just mentioned. We saw added pressure from FX translation, which was partially offset by margin discipline and increased charging of negative rates. In the current circumstances we expect pressure on NII to continue. However, with global progress on vaccinations, a return to normality comes closer and with that more normalised spending patterns and lending demands. I do not want to speculate on timing, but I am confident that loan growth will again be an effective lever for us and we will also benefit from our geographical and product diversification. Finally, the conditional TLTRO III benefit is not included. As mentioned before, we first need to be virtually certain again that we will meet the eligible loan target growth. Looking at our pipeline, we are close, but it will be tight, as we also depend on repayments and cash pool movements. While an additional EUR 300 million in NII is certainly welcome, we maintain our risk appetite and margin discipline to avoid trading a short-term NII benefit for future risk costs or longer-term sub-hurdle loans.

### Fees grew 5% YoY supported by investment product and package fees, compensating Covid-19 impact on lending and payment fees



- Despite exceptional market circumstances, fee growth was 5% YoY. This was driven by Retail fees, up by almost 12%, reflecting very strong growth in investment products, while WB had a more challenging year mainly reflecting the lower lending activity
- Investment product fees increased 31% YoY, driven by new account openings reflecting the success of our digital investment solution in Germany and marketing campaigns, while also the number of trades increased in light of market volatility
- Fees in daily banking grew, supported by increased package fees and new custody fees, offsetting lower transaction fees reflecting the drop in domestic and international payment transactions due to lockdown measures and travel restrictions
- Lending fees reflect the aforementioned lower demand, overall lower average oil prices in Trade & Commodity Finance (TCF) and a more conservative approach on leveraged transactions

\* Other includes Insurance products and Financial Markets

7

On slide 7 you can see that despite the pandemic, we realised strong fee growth in 2020. This growth was partially driven by investment products with an impressive 31% increase



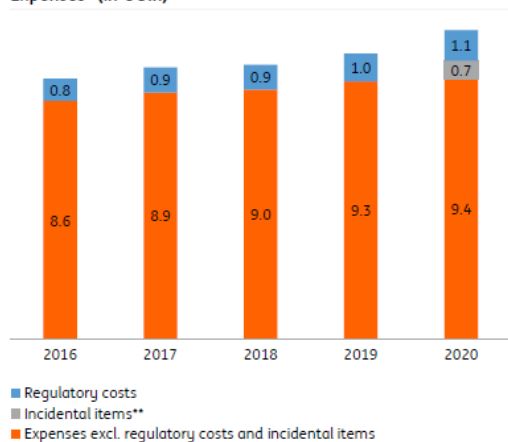
**4Q/FY2020 Analyst call transcript**12 February 2021

---

compared to 2019. We saw new account openings increase, reflecting the success of our digital investment solution in Germany, which I mentioned before, and also marketing campaigns in other countries. A higher number of trades in a volatile market also helped. A significant part of the fee growth can be considered structural as assets under management grew strongly. Daily banking fees grew 12% year-on-year. The main drivers here were increased package fees at the beginning of the year and also the introduction of account fees in Germany. With these measures we countered the impact of a drop in domestic and international payment transactions, especially in the first half, as lockdown measures and travel restrictions were put into place. Though not yet back at normal levels, we have already seen some recovery in domestic transactions in the second half of 2020, as spending increasingly shifted to online and lockdown restrictions were temporarily loosened. International transactions remained subdued as travel restrictions stayed in place. The development of lending fees reflects the lower loan demand from businesses. Overall, in a challenging year fees grew by 5%. We remain our 5% to 10% growth ambitions supported by a 5.5% CAGR over the past 5 years and the belief that under normalised circumstances Daily Banking fees will benefit from a normalised level of payment transactions. Investment products will remain at a higher level, while lending fees should increase again in line with loan demands from our business clients.

## Continued focus and measures taken on expenses

Expenses\* (in € bln)



- FY2020 expenses included €0.7 bln of incidental items, mainly reflecting the goodwill impairments in 2Q2020, impairments for the Maggie program in 3Q2020 and impairments and redundancy provisions in 4Q2020 related to previously announced measures
- Excluding these incidental items, FY2020 expenses were only slightly higher (+0.5%) despite continued CLA increases
- As we continue focusing our activities and aligning with changing customer behaviour, we have announced a reduction of the branch networks in Retail Benelux and we are also reviewing branch networks in our Retail Other Challenger & Growth Markets. Related provisioning is included in 4Q2020 expenses
- Going forward, we will continue to critically review our activities and expenses

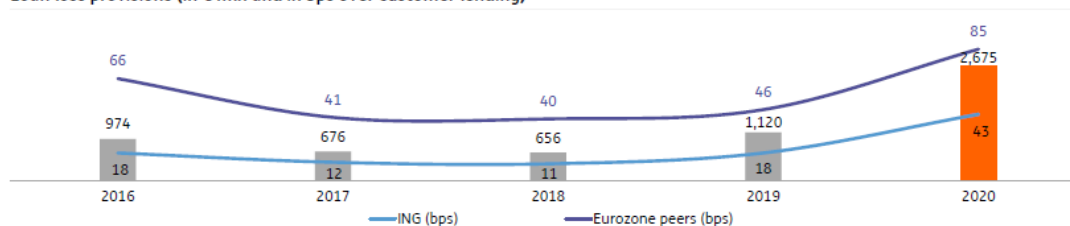
\* For 2016-2018 underlying expenses are shown  
\*\* Incidental expenses as included in volatile items on slide 25

8

On to slide 8. 2020 expenses included EUR 673 million in volatile items including goodwill impairments, taken in the second quarter, as well as provisions and impairments related to the reviewed activities and measures that we announced so far on Wholesale Banking, on Maggie and on the branch networks in our retail countries. Excluding these volatile items, operating expenses were only slightly higher compared to 2019 as our focus on costs almost fully offset contractual salary increases. We continue to review our activities resulting in the additional measure of reducing our branch network in Belgium. We are also looking at network optimization in Challenger & Growth countries. As I said last quarter, the nose of the cost plane needs to come down and we are not stopping here. However, carefully reviewing the business takes time. We are taking a diligent approach and we will announce further measures in due course.

## Risk costs reflect provisioning related to IFRS 9 and overlays

Loan loss provisions (in € mln and in bps over customer lending)



- Risk costs for 2020 came in at €2.7 bln, with ~30% Stage 1 and 2 provisioning, mainly due to Covid-19, reflecting IFRS 9 related provisioning based on macro-economic scenarios, management overlays to reflect a possible delay in expected credit losses and prudently moving customers to the watchlist
- Risk costs were at increased levels throughout the sector and at 43 bps over customer lending we remain well below the average for our eurozone peers, in line with our track record
- We have granted payment holidays to ~196,000 customers, amounting to €19.4 bln of lending credit outstandings\*, which represents just ~2.6% of our total loan book, split between mortgages and business lending
  - ~93% of payment holidays have expired by YE2020, so far we see no significant deterioration of these customers' risk profile
  - As a prudent measure, businesses in high risk sectors under Covid-19 were moved to the watchlist and management overlays were applied for a potential move to Stage 3

\* A quarterly reduction of the reported numbers reflects repayments of loans on which a payment holiday was granted

9

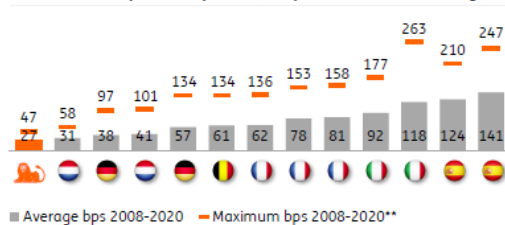
Slide 9 shows the risk costs development. The full year 2020 risk cost comes in at EUR 2.7 billion. Approximately 30% of this is Stage 1 and Stage 2 provisioning reflecting on the one hand the workings of IFRS9, especially in the second quarter when macro-economic model updates resulted in significant provisioning. In the second half, the improved macro-economic outlook resulted in releases, which we have largely compensated with management overlays to reflect remaining uncertainty and we prepare for a possible delay in expected credit losses, which could materialise when direct government support in our markets rolls off. At 43 bps, we are above our through-the-cycle average of around 25 bps, which is a trend we have also seen at our eurozone peers. In line with our track record, we remain well below the average of these peers. The total amount of loans on which payment holidays were granted remained limited to EUR 19.4 billion or 2.6% of our loan book. We received only a small number of extension requests and 93% of these payment holidays have already expired. While so far we do not see a significant deterioration of the risk for loans with expired payment holidays, during 2020 we have conservatively taken additional provisions, mainly related to business clients

**4Q/FY2020 Analyst call transcript**  
12 February 2021

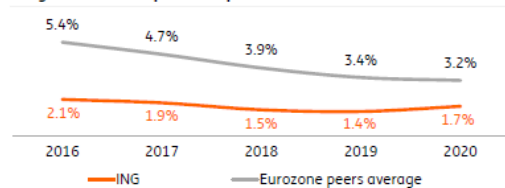
and sectors, which we consider higher risk under Covid-19. As mentioned, for 2021 we expect to move close to our through-the cycle average of around 25 bps.

### The quality of our loan book is strong

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



Stage 3 ratio compared to peers\*



Source: Bloomberg, Annual disclosures

\* Eurozone peers include ABN AMRO, BBVA, BNP Paribas, Commerzbank, Crédit Agricole, Deutsche Bank, Intesa Sanpaolo, KBC, Rabobank, Santander, Société Générale and UniCredit

\*\* Highest calendar year average

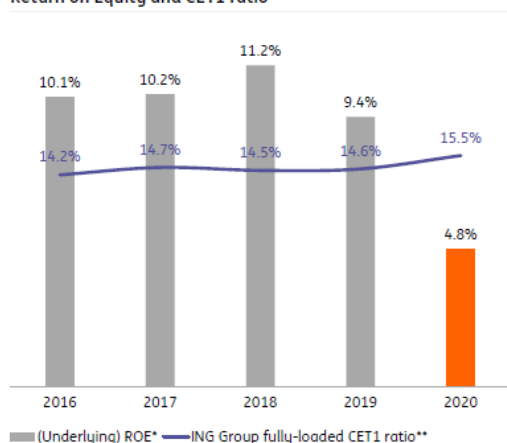
- Asset quality is managed through a prudent risk management framework
  - Risk policy framework sets bank wide risk appetite, with focus on senior and collateralised loans
  - Exposure caps on countries, (sub)sectors, single names, products and specific books (CRE, Leveraged Finance)
  - Experienced front-office and risk management teams with sector expertise and long-standing customer relationships
  - Monitoring of our loan book via our Early Warning System and watch list process
  - Pro-active global credit restructuring approach
- Evidenced by a strong loan book and track record with risk costs and Stage 3 ratio well below peers
  - Well-diversified loan book in terms of product type, client segment and geography
  - Almost fully senior and well-collateralised with the majority of exposure to investment grade customers
  - Historically provisioning has been more than sufficient to cover actual write-offs

Slide 10 reinforces our strong track record on managing asset quality. Both on average risk cost and Stage 3 we are historically well below our eurozone peers, which is a result of the solid risk management framework we have had in place for a long time. This has been built using our extensive experience and applying lessons we have learnt during times of crises, such as limiting concentration risk by applying exposure caps and within these caps our policy framework sets the standard for our risk appetite. In the current crisis, we benefit from applying this framework with limited and well-structured exposures to sectors at higher risk under Covid-19. While the current crisis is unprecedented, we are confident on asset quality with our diversified, senior and well-collateralised loan book and with our current prudent provisioning process. I would like to emphasise, as we often get questions on asset quality - and I am not saying that nothing ever goes wrong, as taking risks is part of banking - that we take calculated

risks in line with our strict risk appetite. I believe that in the industry ING is considered to be a bank with good lending standards and I believe our track record does underscore that.

## Our 10-12% ROE ambition

Return on Equity and CET1 ratio



\* For 2016-2018 underlying ROE is shown; ROE is calculated using ING Group's IFRS-EU shareholders' equity after excluding 'reserved profit not included in CET1 capital' as from end-1Q2017 onwards

\*\* Basel III CET1 ratio of 14.5% as per 1 January 2018 due to IFRS 9 adoption

- We run ING with a long term focus and a through-the-cycle ROE ambition of 10-12%, which historically we have delivered
- 2020 ROE was affected by several sizeable negative incidentals in the P&L as well as IFRS 9 provisioning, other Covid-19 related effects, negative rates, regulatory impacts on RWA and a CET1 ratio well above our ambition
- Our 10-12% ROE ambition is supported by several factors
  - Maintain high asset quality and a low Stage 3 ratio through our strong risk management framework
  - Return to loan growth as our geographic diversification positions us to capture growth as we come out of the pandemic with the roll out of global vaccination programs
  - Return to normalised level of payments transactions
  - Increased charging for actual costs of operating (savings) accounts, custody fees, daily banking packages and negative rates on savings
  - Management actions to absorb regulatory RWA inflation
  - Ongoing discipline and measures on costs
  - Intention to over time bring our CET1 ratio, currently at 15.5%, in line with our ambition of ~12.5%

11

Now on to ROE on slide 11. In 2020 the ROE was impacted by several factors, as some sizeable incidents, such as an incident of costs and Covid-19 related effects on income and provisioning, with a CET1 ratio well above our ambition level. We look at ROE through-the-cycle, I have said it many times before. The lower level in 2020 does not mean we let go of our 10% to 12% ambition, not at all. We believe that going forward, our results will be supported by the return of loan growth, further charging for actual account costs and continued discipline on controllable expenses, while our provisioning levels will normalise. At the same time, we intend to, over time, reduce the equity level if we take management actions to control RWA, risk-weighted assets, and intend to bring the CET1 ratio more in line with our ambition level. As for timing, we can control it for parts of these factors, but it also depends on when we will be able to move on from the pandemic and return to normal circumstances. For a

## 4Q/FY2020 Analyst call transcript

### 12 February 2021

CET1 reduction, we need to take into account prevailing ECB recommendations. However, our intentions should be clear, which I think they are.

### ING Group financial ambitions

		Actual 2019	Actual 2020	Financial ambitions
Capital	▪ CET1 ratio (%)	14.6%	15.5%	~12.5%* (Basel IV)
	▪ Leverage ratio (%)	4.6%	4.8%	>4%
Profitability	▪ ROE (%)** (IFRS-EU Equity)	9.4%	4.8%	10-12%
	▪ C/I ratio (%)**	56.6%	63.2%	50-52%
Dividend	▪ Dividend (per share)	€0.24***	€0.12****	50% pay-out ratio****

\* Implies management buffer (incl. Pillar 2 Guidance) of ~200 bps over fully-loaded CET1 requirement of 10.51%

\*\* Based on 4-quarter rolling average. ING Group ROE is calculated using IFRS-EU shareholders' equity after excluding 'reserved profit not included in CET1 capital'.

As at 31 December 2020, this amounted to €3,266 mln, reflecting an initial reservation for the 2019 final dividend payment and a reservation of 50% of 2020 resilient net profit.

\*\*\* Interim dividend

\*\*\*\* Of resilient net profit

12

As you can see on slide 12, both the CET1 ratio and leverage ratio are ahead of our ambitions. Regarding ROE, as I addressed on slide 11, in the current environment it is below our ambition, but with the supporting factors I mentioned we maintain our ambition and very much intend to continue to provide an attractive total return through-the-cycle.

Our cost/income ratio was impacted by factors, such as a negative rate environment and regulatory costs. In 2020 some sizeable incidentals also affected this metric on both income and costs. To reiterate, cost/income remains an important input for our ROE. We have the ambition to reach 50% to 52% and we have supporting factors on both income and costs. As for dividend, we announced our updated distribution plan last quarter. After the fourth quarter results, we will pay a delayed interim dividend over 2020 of EUR 0.12 per share, which is in

**4Q/FY2020 Analyst call transcript**

12 February 2021

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line with the current ECB recommendations. Later in the presentation I will discuss our other intentions going forward.

**4Q2020 results**

13

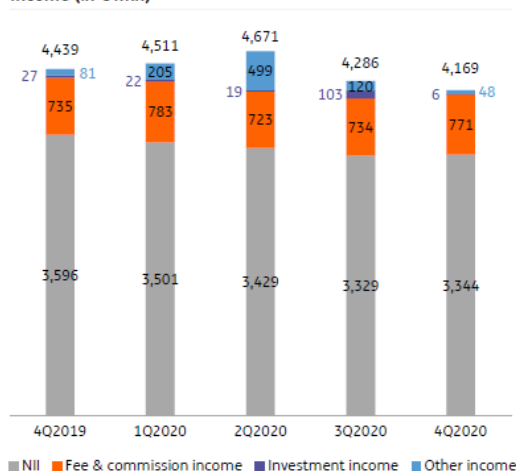
Let me take you through our fourth quarter results, starting on slide 13. I will go through this a little faster. First of all, to keep your attention, but also to allow some time for Q&A.

## 4Q/FY2020 Analyst call transcript

12 February 2021

### Income QoQ supported by higher NII and fee income

Income (in € mln)



- Fees were at a high level in 4Q2020, overall income was lower YoY mainly driven by lower interest results on customer deposits, lower results from FX ratio hedging and negative FX impact
- Sequentially, both NII and fees increased. Total income was lower reflecting a €58 mln negative impact from an indemnity receivable in Australia (compensated by a similar amount in the tax line), while valuation adjustments in FM and hedge ineffectiveness turned negative in 4Q2020. The previous quarter included the annual dividend received from Bank of Beijing as well a €230 mln valuation impairment on TMB

14

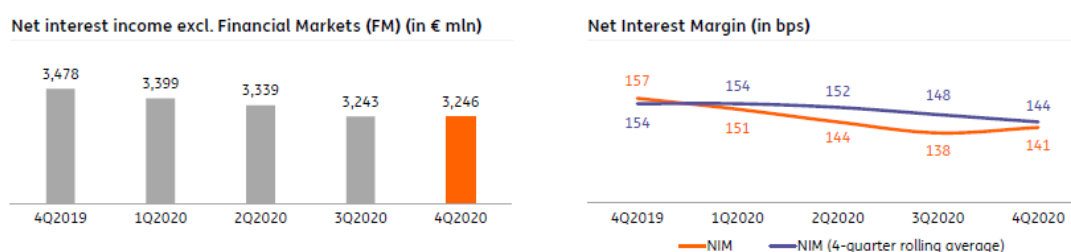
In the fourth quarter, we had another strong quarter on fees. Total income was lower due to 1) pressure on liability margins, 2) lower results on foreign currency ratio hedging and 3) a negative effect from currency translation. Sequentially, both NII and fees were up. Total income was lower, including the impact from an indemnity receivable in Australia, which was offset in the tax line, valuation adjustments in financial markets and hedge ineffectiveness.



## 4Q/FY2020 Analyst call transcript

### 12 February 2021

### NII stable QoQ; 4-quarter rolling average NIM at 144 bps



- NII excluding FM was lower compared to 4Q2019. Higher Treasury-related interest results and improved lending margins were offset by continued pressure on customer deposit margins, while customer deposits continued to increase. Furthermore, FX had a significant impact through lower interest results from FX ratio hedging in the Corporate Line as well as foreign currency translation
- Sequentially, NII excluding FM was stable
- 4Q2020 NIM was 141 bps, up three basis points from 3Q2020, due to a decline in the average balance sheet, reflecting higher NII (including FM) and lower average customer lending

15

Then to NII on slide 15. As mentioned earlier, we have seen some pressure on NII from the current market conditions, which affected the levers we generally use to counter the impact from the lower rate environment. NII, excluding financial markets, was lower year on year, reflecting the continued pressure on liability margins, while deposit inflows this year were substantial. We improved lending margins, however, lending volumes declined reflecting lower demand. Year-on-year, the impact from foreign currency was also visible this quarter with lower interest results on foreign currency ratio hedging while the devaluation of some foreign currencies also had a substantial negative impact. Compared to the previous quarter, NII excluding FM was stable. Overall lending margins improved and the interest results on foreign currency ratio hedging slightly recovered, countering continued pressure on liability margins.

Our net interest margin increased by 3 bps this quarter to 141 bps. This mainly reflects higher NII including Financial Markets and a lower average balance sheet due to the lower average customer lending. As stated previously, NIM is an important metric for the market, but we

## 4Q/FY2020 Analyst call transcript

12 February 2021

know that NIM can be impacted by volatile items, so we believe it is better to look at overall NII development and guidance.

### Net core lending reflects year-end balance sheet optimisation



- Net core lending declined by €0.9 bln in 4Q2020
- Retail Banking was €0.2 bln lower. Mortgages were €2.4 bln higher, due to continued growth in Challengers & Growth Markets (predominantly Germany), while other lending decreased by €2.6 bln, mainly reflecting lower business lending in the Benelux
- Wholesale Banking decreased by €0.7 bln, mainly in Lending due to repayments on term loans, also reflecting year-end balance sheet optimisation, largely offset by higher Trade & Commodity Finance due to higher average oil prices
- Net customer deposits increased by €7.8 bln

\* C&GM is Challengers & Growth Markets; WB Other includes Financial Markets

\*\* FX impact was €-1.8 bln and Other €-0.1 bln

16

Then, turning to core lending on page 16. Overall, we saw a slight decrease this quarter reflecting lower demand from business clients. In Retail, mortgages demand remained strong, especially in Germany. However, with some lower lending to businesses, overall net core lending was down by EUR 200 million in Retail.

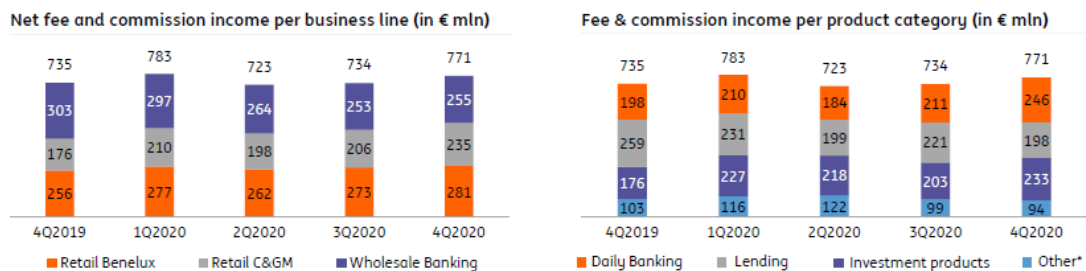
In Wholesale Banking net core lending in Trade & Commodity Finance was up, reflecting higher average oil prices. In lending, net core lending decreased due to repayments of term loans, including year-end balance sheet optimisation - this we see every year - as well as further repayments of increased utilization of the revolving credit facilities that we saw in March of last year. Overall, this resulted in a total EUR 900 million decline in net core lending. So, EUR 200 million in Retail, EUR 700 million in Wholesale Banking.

## 4Q/FY2020 Analyst call transcript

12 February 2021

Net customer deposits increased by EUR 7.8 billion, a level well above the last quarter of 2019, driven by EUR 8.8 billion in higher savings in Retail, while the EUR 1 billion decrease in Wholesale Banking was more in line with previous years. As mentioned before, the negative loan growth is a shift in demand, which we do not consider a structural and we do expect loan growth to return when uncertainty subsides. With our geographical diversification, we will be able to benefit as the amount picks up and positive signs of that are already visible in Asia and in the US.

### Strong fee growth in Retail Banking



- Compared to 4Q2019, overall fee growth was 5%, despite a 24% drop in lending fees due to Covid-19
  - In Retail Banking fee growth was 19%, driven by investment products as the number of new accounts and trades increased, as well as by daily banking, which benefitted from the increased package fees and a further recovery of domestic payment transactions, while international payment transactions remain low
  - Fees in Wholesale Banking were down, driven by lower lending fees, with less activity in syndicated deals and TCF (mainly due to lower oil prices), and lower fees in FM due to less client activity
- Sequentially, fees grew by 5%, in line with year-on-year developments and despite renewed lockdown measures

\* Other includes Insurance products and Financial Markets

17

Now on to fees. Both year-on-year and quarter-on-quarter, fee income was up by 5%, driven by another strong quarter in Retail Banking. Year-on-year Retail fees were up with even 19%. In investment products those fees increased with almost 33%, reflecting the increase in investment accounts and the number of trades, while daily banking fees were 25%. That results from the level of payment transactions, which continued to recover and the increase of daily banking package fees that we put in place in the first quarter of 2020. The full benefit of this action should become visible however when transaction levels return to normal, which we

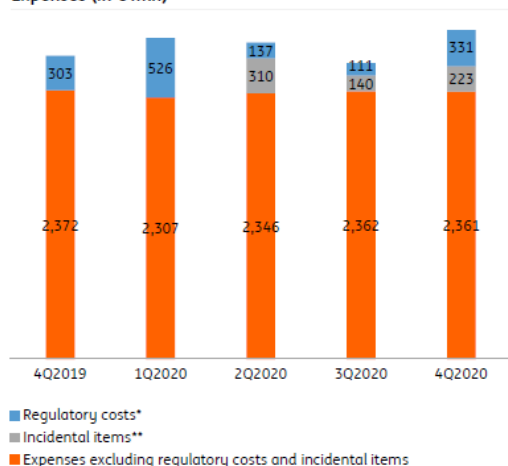
## 4Q/FY2020 Analyst call transcript

### 12 February 2021

hope to be the case in the course of 2021. Lower fees in Wholesale Banking were mainly driven by lower demand, lower Trade & Commodity Finance volumes and less activity for our clients in financial markets. Sequentially, Retail grew by almost 8%, driven by the same factors as year-on-year growth, while Wholesale Banking was slightly higher. Higher payment charges offset a decline in lending fees.

### Operating expenses under control

Expenses (in € mln)



- Expenses excluding regulatory costs were up YoY, driven by €223 mln of incidental items, mainly reflecting restructuring provisions and impairments related to several previously announced measures
- Excluding incidental items, expenses were 0.5% lower as cost savings compensated for CLA-related salary increases and higher IT expenses
- Sequentially, when excluding regulatory costs and incidental items, expenses were stable
- Regulatory costs were €28 mln higher YoY, reflecting a higher Dutch DGS contribution, and €220 mln higher QoQ, as Dutch bank taxes are fully paid in the fourth quarter

\* Formal build-up phase of Deposit Guarantee Schemes (DGS) and Single Resolution Fund (SRF) should be completed by 2024  
 \*\* Incidental expenses as included in volatile items on slide 25

18

On slide 18 we look at our costs. Expenses this quarter included EUR 223 million of incidental costs including volatile items, mainly reflecting provisions and impairments related to measures we announced for Wholesale Banking, for Maggie and our retail branch network. Excluding these incidental and regulatory costs, operating expenses were under control, as they were lower year-on-year and stable quarter-on-quarter, as we fully absorbed CLA increases and higher IT expenses.

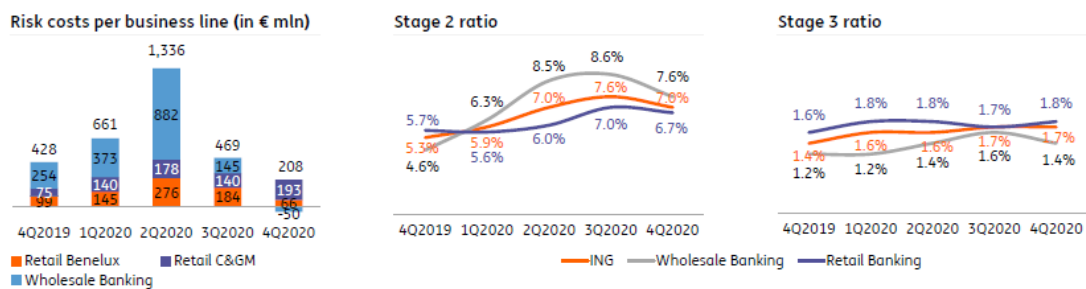
Regulatory costs are seasonally high in the fourth quarter as it includes the full payment of Dutch banking taxes. The year-on-year increase reflects a catch-up on contributions to the

## 4Q/FY2020 Analyst call transcript

12 February 2021

Dutch Deposit Guarantee Scheme due to the strong growth of covered deposits in the first half of 2020. As mentioned, also going forward we will continue to monitor developments, critically review our activities and expenses and act when and where needed. Again, I am focused on bringing the nose of the cost plane down.

### Risk costs declined in all business lines



- 4Q2020 risk costs were €208 mln, or 14 bps of average customer lending, below the through-the-cycle average of ~25 bps. This included a €413 mln management overlay, reflecting increasing uncertainty related to the Covid-19 pandemic and a possible delay in expected credit losses. The overlay was applied to partly compensate for the effect of €622 mln of releases driven by updated macro-economic indicators. The resulting €-209 mln impact on risk costs was allocated to the segments with Retail Benelux €17 mln, Retail C&GM €-38 mln and WB €-188 mln
- In Retail Benelux, risk costs were further driven by business lending, reflecting clients moved to the watchlist and additions to some individual files. Risk costs in Retail C&GM included a provision related to CHF-indexed mortgages in Poland, while collective provisions increased, mainly in Poland, Turkey and Romania. Risk costs in WB reflected several individual additions, on both new and existing files, mainly in the Americas, Asia and Spain
- The Stage 2 ratio declined to 7.0%, mainly driven by improved macro-economic forecasts. The Stage 3 ratio was stable at 1.7%, reflecting lower Stage 3 lending credit outstandings in Wholesale Banking

19

Slide 19 shows the risk costs split per business line. Risk costs were EUR 208 million for the quarter or 14 bps of average customer lending and it is well below the elevated levels of the previous quarters and also below the through-the-cycle average of 25 bps. This amount includes a EUR 413 million management overlay, primarily in Stage 1 and 2, which was applied to compensate for a EUR 622 million release, driven by updated macro-economic indicators, resulting in a net impact of EUR -209 million, mainly in Wholesale Banking. Aside from this allocation of the management overlay, in Retail Benelux risk cost mainly reflected some additions to individual files and in Retail Challenger & Growth Markets risk cost included a EUR 59 million provision for CHF-indexed mortgages in Poland. In Wholesale Banking, Stage 3 risk cost included some additions to existing Stage 3 files. The lower Stage 2 ratio

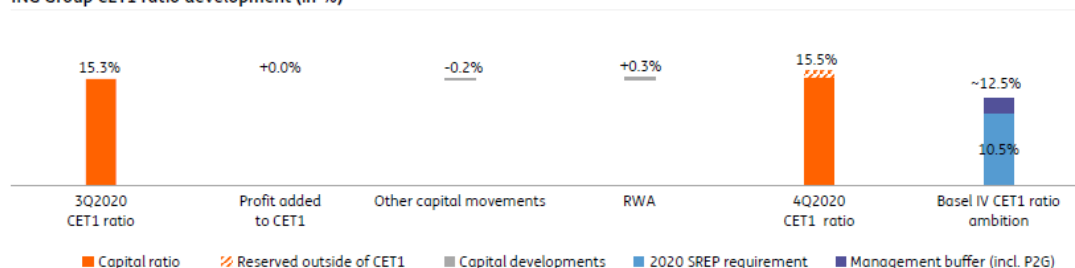
## 4Q/FY2020 Analyst call transcript

### 12 February 2021

reflects the improved macro-economic outlook. The Stage 3 ratio for the Group was stable and remained low at 1.7%.

### Strong ING Group CET1 ratio at 15.5%

ING Group CET1 ratio development (in %)



- The 4Q2020 CET1 ratio increased to 15.5%. Almost the full 4Q2020 net profit has been reserved outside of CET1 capital for future distribution, in line with our distribution policy. We also absorbed ~10 bps TRIM impact
- CET1 capital was €0.5 bln lower reflecting €-0.4 bln impact from implementing the NPE backstop, €-0.3 bln valuation adjustments and €-0.2 bln FX impact. This was partly offset by €0.5 bln from a lower capital deduction on intangibles
- RWA decreased €6.0 bln, mainly due to €4.5 bln lower credit RWA, despite absorbing €3.4 bln in model updates, including some TRIM impact. Lower credit RWA were driven by lower volumes, shorter durations, a lower LGD profile and FX movements. Market RWA increased €0.7 bln mostly due to TRIM impact, while operational RWA were €2.1 bln lower due to a regular external data update

20

Slide 20 shows our CET1 development. This was up by 0.2%, reaching a very healthy 15.5%. The CET1 capital was EUR 0.5 billion lower and that includes the implementation of the non-performing exposure backstop. Except for EUR 2 million, net profit for the quarter was not added to CET1 capital, as it was reserved for future distribution. The CET1 ratio was further [supported] by lower risk-related assets mainly driven by lower volumes, a shorter duration in the Wholesale Banking book and a better Loss Given Default profile. The latter effect was driven by both a reduction of outstandings with a lower cover ratio in Wholesale Banking and improved house prices in Retail. Market risk-weighted-assets were up, mainly due to TRIM impact exposures as markets normalised, while operational risk-weighted-assets decreased due to technical updates on our AMA-model.

## ING's distribution plans in 2021 and beyond

### ING's Distribution Policy

- Pay-out ratio of 50% of resilient net profit
    - Net profit adjusted for significant items not linked to the normal course of business
    - To be paid out in cash or a combination of cash and share repurchases, with the majority in cash
    - Cash-only interim dividend\*
  - Additional return of structural excess capital
    - To be considered periodically, taking into account alternative opportunities as well as macro-economic circumstances and the outcome of our capital planning
- ING will adhere to the prevailing ECB recommendation to limit distributions, which will remain valid until 30 September 2021. At that time, the ECB intends to repeal the recommendation 'in the absence of materially adverse developments'
  - ING will distribute 19% of FY2020 net profit, equaling 15% of FY2020 adjusted net profit as defined by the ECB

### Distribution in 2021 and beyond

1. ING will distribute a delayed interim cash dividend over FY2020 of €0.12 per share\*\* after publication of 4Q2020 results
2. We intend to distribute the remaining amount reserved for the FY2020 distribution (€0.27 per share) after September 30<sup>th</sup> 2021, subject to relevant approvals and prevailing ECB recommendations
3. We intend to distribute the amount which was originally reserved for the final 2019 dividend after September 30<sup>th</sup> 2021
  - This could be in the form of cash and/or share buyback, subject to prevailing ECB recommendations and relevant approvals
4. 50% of the resilient net profit in 2021 will be reserved for distribution, in line with our policy
  - Payment of interim dividend over 2021 to be delayed until after September 30<sup>th</sup> 2021, subject to prevailing ECB recommendations
5. Over the coming years we intend to gradually reduce our CET1 ratio towards our ambition of ~12.5%

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

Now, and I am sure you have been waiting for that, we turn to our distribution plans on slide 21. As announced last quarter, we have moved to a 50% pay-out ratio over resilient net profits and we have adjusted our CET1 ambition to around 12.5%. In line with the distribution plan, we have reserved EUR 1.5 billion over 2020, adding to the EUR 1.8 billion originally reserved for the final 2019 dividend, bringing the total amount reserved outside capital to EUR 3.3 billion. To align with current ECB recommendations, we will pay EUR 0.12 per share after publication of this quarter's results. We intend to distribute the remaining amount reserved after September 30, subject to prevailing ECB recommendations and relevant approvals. For 2021 we will reserve in line with our distribution policy and, given current ECB recommendations, payment of that interim dividend will also be delayed until after September 30, 2021. With a CET1 ratio of 15.5%, there is also room for further distribution and over the coming years we intend to bring down our CET1 ratio towards our ambition level of 12.5%.

## Wrap up

22

## Wrap up

- 2020 was a year marked by the Covid-19 pandemic and the unprecedented challenges it presented to our customers, employees and society. We continue to take actions to provide support and with vaccination programmes being rolled out globally, we look forward to return to more normal circumstances in the near future
- We continue our efforts to build a sustainable company, also reflected in our strong ESG profile
- The current environment underscores the strength of our digital business model. We continued to grow primary customers, as they choose us as their go-to bank, while mobile interactions further increased
- Pre-provision result was resilient, though the impact from Covid-19 is visible, most notably on lending and savings. After years of growth, 2020 net core lending was down by €2.5 bln, while net deposit inflow was high at €41.4 bln
- Fee growth was good, as our actions on investment products and daily banking more than compensated for the impact of the Covid-19 pandemic on fees for payments and lending
- 2020 risk costs were €2.7 bln with ~30% in Stage 1 and 2, mainly due to Covid-19, reflecting IFRS 9 related provisions and management overlays. For 2021 we expect to move close to our through-the-cycle average of ~25 bps
- The Stage 3 ratio remained low at 1.7% and we are confident on the quality of our loan book, supported by a proven risk management framework with a strong track record, also compared to peers
- 4Q2020 CET1 ratio improved to 15.5%, with 4Q2020 net profit almost fully kept outside of regulatory capital. We will distribute a delayed interim cash dividend over 2020 of €0.12 per share, in line with ECB recommendations
- Our geographical and product diversification enables us to have stability in income and positions us very well to capture areas of growth when economies recover

23



**4Q/FY2020 Analyst call transcript**12 February 2021

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To wrap it up, 2020 was a year that brought unprecedented challenges to our employees, to our customers and to societies for which we continue to provide support. Fee growth was good with an impressive contribution from investment products and despite the Covid-19 impact on payments and lending. Full-year 2020 risk costs were above our through-the-cycle average, but well below our peers and include provisioning for a delay in expected losses. In 2021 we expect to move closer to our through-the-cycle average. We are confident on the quality of our well-diversified loan book and the strong risk management framework we have in place. Our track record, you have seen this on one of the slides, underscores that we are a low-NPL bank.

The CET1 ratio improved to 15.5%. In line with the current ECB recommendations, we will start distribution of this amount with the delayed interim cash dividend over the full year 2020 of EUR 0.12 per share. We intend to distribute the remaining amount reserved after September 30, subject to prevailing ECB recommendations and relevant approvals. Looking forward, and I really want to look forward, when economies recover, we are well positioned to capture growth again as we benefit from our geographical, product and service diversification. With that, I would like to move to the Q&A session.

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**QUESTIONS AND ANSWERS**

- **Robin van den Broek – Mediobanca**

Good morning gentlemen and ladies, thank you for taking my questions. First of all, thank you for your strong message on cost of risk and capital returns, which is very welcome.

With the risk of sounding a little bit greedy, you are flagging excess capital of your 12.5% ambition. You have also indicated that your current expectation is that, once the vaccine rollout will be successful, loan growth will be restored in the second half of the year. I was just thinking about the timeframe on releasing that buffer above 12.5%. What kind of announcement, given the road that you have sketched, could we expect with a full year 2021 results?

The second question concerns the reasoning around NII. I guess the pressure from the replicating portfolio is still there. In Q4 you had a one-off from the FX ratio, which went against that, and financial markets were a little bit stronger quarter-on-quarter. I am just wondering the trajectory from hereon, should we expect that pressure will basically prevail in H1 and then, when in H2 we see recovery of loan growth, that NII can have a flex to a slightly growing structure again? Your thoughts around that would be very helpful. Thank you.

**Steven van Rijswijk – CEO ING:** Thank you very much. I will take the first question and Tanate will take the second question.

Yes, we do have very strong capital and, like we said, we intend to move towards the ambition level of 12.5%. Clearly the Covid-19 pandemic is not over yet, we see the inoculation programmes taking off and with that we believe that GDP growth and also loan growth will be there from the second half of this year. At the same point in time, we need to be mindful of the current uncertainty and potential cliff effects, we have not seen coming yet. Having said that,

**4Q/FY2020 Analyst call transcript**12 February 2021

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we will move over the next number of years towards our 12.5%, but we are not giving a roadmap for that at this point in time.

**Tanate Phutrakul - CFO ING:** Hi Robin, let me give you a bit of guidance around net interest income. First of all, in Q3 we clearly flagged this effects ratio hedging and that has basically plateaued during the course of Q4 and we expect that plateauing to go into the future. I think you talk about other things that could affect our NII in the future. Loan growth is clearly one, which we flag. Continued pricing discipline on origination margin has always been there and we expect that to continue. We have started in a number of our markets to charge negative rates for deposits coming in. You see that in the Netherlands, for example, we have decreased our threshold for charging negative rates from EUR 1 million to EUR 250,000. We introduced negative charging in Belgium and also for new customers in Germany. We see that the impact on negative charging on our results will become a bit more material going forward as well.

**Robin van den Broek – Mediobanca:** Thank you.

- **Omar Fall – Barclays**

Good morning, I would like to go back to NII please. Assuming you hit the TLTRO bonus threshold and the new incremental negative charging effect - that looks like a benefit of around EUR 400 million or so - the replication portfolio drag should be pretty close to that amount on an annual basis? I am guessing if you are investing around EUR 500 billion at the 5-year swap rate. Is that the right way to look at it, that these two elements offset each other? I know you do not want to say how confident you are about hitting the TLTRO bonus threshold, but do these effects offset each other? Which basically means, should you return to volume growth and asset margins continue at the current positive trend, that NII has a pretty good chance of rising this year?

**4Q/FY2020 Analyst call transcript**  
12 February 2021

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The second question is if you can give us a bit more sense of the glide path on fees. Obviously, we have had the big jump in investment-driven products. How much product-related fees, how much more momentum do you think there is? Has the year started well? Are you seeing further evidence of the positive transformation into fee-driven products, for instance? Thank you.

**Steven van Rijswijk – CEO ING:** Thank you very much, Omar. I will take the fee question and Tanate will take the NII question. I think on fees we are seeing very good momentum. We are converting a number of our clients to using more investment products. Like we said about Germany, over 326,000 new investment product clients. We also see that trend continuing in the first month of this year. We have increased our daily banking packages in a number of markets, of which you will see the benefits in the fourth quarter, but that is still only part of it, we would see continued benefit in 2021. The number of payments is still at a subdued level, especially constrained by limited international travel. We have been able to increase our fees by 5% quarter-on-quarter and also 5% year-on-year, this is on the back of lower payment levels than what we would see pre-Covid-19, especially international payment levels. When we return to what we would call normality, those payment levels should increase and therefore also the fees on those payments should increase as well. Last but not least, when we look at lending, we see a subdued number of structured loans, which has decreased the lending fees for Wholesale Banking quite steeply over the past four quarters. This should return to a level we have seen pre-crisis as soon as lending demand picks up. In short, most of the elements are structural on the Retail side, with an element of investment fees that could be lower if the volatility may reduce, but other than that very structural and potentially a higher fee level for Wholesale Banking, if lending activity picks up again.

**Tanate Phutrakul – CFO ING:** Omar, just to address your question on NII. We obviously do not give disclosure on the replication impact on our results. They can be volatile from year to year, depending on which part of the investments run off and get reinvested, but I can tell you about the management actions we are taking. For example, as Steven mentioned at the top of the presentation, if we are able to make the TLTRO III targets, we will book around EUR 300

**4Q/FY2020 Analyst call transcript**  
12 February 2021

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million in the first half of 2021 on that benefit, but, again, it is too tight to call for now. Regarding actions already taken with respect to negative charging, that would, as we have previously disclosed, have a positive impact of around EUR 100 to 140 million for the full year as well. The last point, we are actively managing and discussing with our customers that deposit inflow continues to come into the bank and we are discussing other options for them to invest their money, including investment funds.

**Omar Fall – Barclays:** Thank you.

- **Stefan Nedialkov – Citigroup**

Good morning, it is Stefan from Citigroup.

A couple of questions on NII and fees, unsurprisingly, given that you guys are not giving overall group guidance for 2021.

On NII, can you confirm that even if you do not meet your benchmark for the first TLTRO, you can still accrue benefits on your entire outstanding TLTRO amount as part of the second extension of TLTRO III? Meaning that if your loan growth picks up in the second half of 2021, you can still accrue benefit on the TLTRO you took out in the first tranche.

My second question is on the transformation of deposits into fees potentially. Of the around EUR 40 billion of deposit inflow that you saw in 2020, which was quite a bit higher than your regular run-rate, how much of that deposit-base do you believe is on the conservative/saving side of things versus something that can be shepherded into investment products? I know that you mentioned a little bit on that point, but if you can put some numbers around this, that would be really helpful. You guys obviously have a good digital platform. Beyond your own product you also offer third party product, for example Scalable Capital in Germany. How much of that

**4Q/FY2020 Analyst call transcript**  
12 February 2021

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massive deposit inflow can be diverted into your platform products, therefore, earning fees for you? If I may, also related to that, there is a slide in your deck where you basically show annual mobile non-deposit sales increasing quite a lot from 2018 to 2020 from 46 per 1,000 to 74 per 1,000. What is driving that growth? If you can give us a bit of colour on investment product versus the AXA-insurance product etc., that would be very helpful. Thank you.

**Steven van Rijswijk – CEO ING:** Thank you, Stefan. I will take the questions on fees and mobile sales growth and Tanate will go back to NII, maybe that is the topic of the day, Tanate will do NII, I will do fees.

In terms of mobile sales growth, let us start with that. We have a ‘mobile and digital first’ mindset. That means that we very much focus on the strength of our digital channels and our app-environment. We have a strong app-environment and strong interaction with our clients, and we focus on end-to-end digitalisation to make the interaction with our clients better, easier and smarter. It also means that we are getting to a better personalisation for our clients, because in the end if we get better personal interaction with our clients, that means that clients contact us for particular questions, which drives better quality interaction, but also drives better growth. That is the reason why you also see an increase in sales of products via the mobile app, because of the strength of our digital channels. That is what we will continue to do, drive personalisation, because that drives better interaction, that drives growth, that drives primary customers.

Looking at fees, we have had significant inflow in 2020. This was also due to the lower spending pattern of our clients. Over the past four or five years you saw that there was a balance between deposit growth and lending growth, where in the later years especially it was more lending growth than fee growth. We continue to look at different ways to diversify our income and to also nudge our clients. We have, like Tanate said, started to charge negative interest rates in various markets at different levels and we continue to do so. We have built an app-environment, so that it is easy for people to invest and move their savings money to investment products. As an example, of the 300,000 clients who have started to invest with

**4Q/FY2020 Analyst call transcript**12 February 2021

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ING in Germany, 20% were 'new to bank' clients, so clients who would not normally be with ING, changed their bank and started to invest through our bank. We will continue with this. If lending demand picks up, you may see a reversal of deposits compared to lending. In the meantime, we continue to nudge our clients to use their money increasingly for investment products. It is too hard to put a number on that at this point in time.

**Tanate Phutrakul – CFO ING:** If we talk about NII and TLTRO mechanisms, I guess the first tranche is measured from March last year to March this year, so that, as we mentioned before, is tight and we see where we go on that. The measurement point for the second tranche is October 2020 to December 2021. So indeed, it is a new measurement point and given our expectations with resumption of loan growth in the latter part of this year, that is something that is before us, but still uncertain to determine today.

Your second question, which is around EUR 40 billion of deposits inflow into the bank, how much of that is natural inflows and how much of that is driven by Covid-19? It is clearly an extraordinary level of inflows compared to the past. So I think we hesitate to say how much of that will be converted into investment funds, but we do measure as management how many additional accounts are opened, as Steven has mentioned, in terms of investment funds 'new to bank' and how much our investors and savers are increasing their investment activities. So perhaps it may be too early for us to give you guidance on how much of that deposit will be transferred to investment funds.

**Stefan Nedialkov – Citigroup:** Thanks very much.

- **Benoit Pétrarque – Kepler Cheuvreux**

Good morning, two questions from my side.

**4Q/FY2020 Analyst call transcript**12 February 2021

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First of all, coming back to the loan growth for 2021, you are guiding for close to across-the-cycle average on cost of risk, so it looks like you are pretty optimistic about growth in 2021. I was wondering if we should get a loan growth in line with your across-the-cycle in 2021 or are you thinking about something a little higher, playing catch-up on the very low growth in 2020? Just wondering how much loan growth you are likely to make in 2021, or if you could provide some direction at least.

Moving to the cost, I think there's clearly more focus on cost control, it was down on the clear basis of 1% in Q4. Could you talk about the short-term projects you are working on the cost-side, could you be a bit more specific on the cost trend in 2021 please? Thank you.

**Steven van Rijswijk – CEO ING:** Thank you, Benoit. On the risk cost, what we have said is that - I am looking at Ljiljana, who looks very stern at me as the new CRO - we will move towards the through-the-cycle average of risk costs. That is due to the fact that we have been very prudent in making reservations in the past quarters, you have seen significant overlays that we put in the second and third quarter. Macro-economic outlooks are improving, that also means that we released some EUR 600 million of those overlays but to be prudent again, we put again over EUR 400 million in overlays on top of this to counter that effect of the release of the EUR 600 million. Therefore, based on our conservative stance, the limited inflow and watchlist, the low NPL-level, the largely collateralised loan book and the good diversification we have in the book, we are quite confident that our risk cost will go back to a more normalised level and therefore will move towards the through-the-cycle average. That is separate from the loan growth as such, but we do believe, like we have seen in our main markets, that loan growth subsided on the back of lower working capital needs after the initial spike in March 2020 with lower investments. But that is also because we are quite well-diversified. If we look at Asia and the US, there we already see loan growth coming and therefore it also evolves in Europe. We believe in the second half of the year, depending on the speed of the inoculation programmes, GDP will again be positive, and we will get back to a more normal economic activity. That also will spur further investments and that means that



**4Q/FY2020 Analyst call transcript**12 February 2021

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also in Europe then growth will start to kick in. That is on the loan growth. To finalise on that point, whether this will be at the same levels we saw in the 2016-2019 period remains to be seen. We will remain prudent within our risk framework and we will remain prudent in pricing - because we believe it is important to be very strict on pricing in that regard - and we believe that, next to mortgage growth, we will also see some business growth in the second half of 2021.

On costs, you have seen the announcements we have made last November on the Wholesale Banking and on Maggie. You have seen the announcements that we made on the branch network in the Netherlands last July. You have seen announcements on the branch network that we made in Belgium. We are working on branch network optimisation in Challenger & Growth countries. I will continue to focus on optimising our network in line with the digital offering that we have. In that sense, Covid-19 has shown that our digital model is the right one and that we benefit from a 'digital-first and mobile-first' mindset. Tanate and I are continuing to review business lines to see whether through-the-cycle can make the appropriate return, if not, we will take appropriate action and when we take that action, we will announce it. I want to be clear on that, the nose of the cost plane needs to come further down. The second element of that is that I want to be clear on execution certainty. As soon as we have analysed further, we will make further announcements on the next measures.

**Benoit Pétrarque – Kepler Cheuvreux:** Thank you, very clear.

- **Thomas Dewasmes – Goldman Sachs**

Good morning, thank you. Two questions, please.

The first one on cost, just to confirm on your last comment on Challenger markets, are you then saying that your decision on what to do with cost is going to depend on the rate trajectory

**4Q/FY2020 Analyst call transcript**12 February 2021

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from here and that is how fast the curve can return to what it used to be just before the quick cuts with Covid-19?

Just on the cost of risk again, I appreciate that there have been quite a few lumpy items in 2020 with the fraud case, the CHF-mortgages, the oil price being very volatile. If I take your 25-basis point guidance for next year, given that you are seeing 6% to 7% year-on-year growth on deposits in Retail Banking, what is worrying you the most? Is it SME lending, is it consumer lending, where do you expect the cost of risk to materialise in the Retail segment? Thank you.

**Steven van Rijswijk – CEO ING:** On cost, let me make one thing clear, we hope for the best, but we cater for the worst. I look at what the current interest rate curve is doing, and I will base myself on that. I will not hope for better interest rates at a later point in time so we take measures with the current picture of the world in mind, not with a hopeful future picture in mind. Hence, I will continue to take action and not hope for interest rates to return to pre-Covid levels. That is number one.

On the cost of risk guidance 2021, I have presented this also in the investor presentation in 2019. We have a very well-diversified book. We are present in many countries. We have sector caps on some of the more volatile sectors, such as Leveraged Finance and Real Estate, we already put caps on those a few years ago. Our exposure in a number of the higher risk sectors, such as leisure, cafés, bars, restaurants, hotels, travel, airlines, transportation, agriculture, is quite limited. As I have said before, we have provided in the last number of quarters with management overlays for potential risk costs that may come on a number of those higher-risk sectors. So in that sense, based on our diversification, on our strong risk management framework and on us being a low-NPL bank, I am confident about the risk cost levels next year.

**Thomas Dewasmes – Goldman Sachs:** Thank you.

**4Q/FY2020 Analyst call transcript**  
12 February 2021

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- **Jon Peace – Credit Suisse**

[inaudible]

Thank you. [...] return, please. What is your preference, what will make you decide between whether to pay the full year 2019 dividend final between [cash and buyback]? Have you had any [conversations] with the ECB about how comfortable they would be for you to pay back a potentially double-digit percentage of your market cap later on this year? How do you think about the stress test in this context, as to whether that might [...]

**Steven van Rijswijk – CEO ING:** Jon, you were breaking up a little bit, but clearly your question was about dividends. For that I will give the word to Tanate.

**Tanate Phutrakul – CFO ING:** I think what you are asking is: have we been in consultation with the ECB with respect to our dividend announcement? We have been in discussions on this. We have made sure that what we announce is in line with the ECB recommendations. To give you a sense of what we are doing in terms of these dividend announcements: it is all very much in line with our dividend policy. Whether it is 2019, it is not that we are paying extra, it is simply paying what we actually originally thought we could afford to pay, and we can afford to pay in 2019, for 2020 it is the same thing, [it's] based on our 50% resilient profit. That is all we are doing in terms of capital return intentions.

In terms of discussions around 2019, I think it is also the case that we will simply look at a balance between cash distribution in the form of dividend and also in terms of share buyback and we maintain that flexibility. It really depends on how we see the intrinsic value based on the stock price at that prevailing moment in time.

**Jon Peace – Credit Suisse:** Thanks.

**4Q/FY2020 Analyst call transcript**  
12 February 2021

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- **Benjamin Goy – Deutsche Bank**

Good morning. Two questions from my side please.

First, on primary customers. You added 600,000 in 2020. That is a good number, but it is lower than what you delivered in previous years and about 60% was driven by Germany. In a year like 2020, where many people probably got comfortable using digital-only banks, why was this not going faster and on a more broad-based basis? Or, on a positive spin, do you expect 2021 to achieve higher growth, also in other countries outside Germany?

Secondly, I have a question for Ljiljana. Given that the risk function is obviously crucial, particularly in these times, I was just wondering on her first impressions with a fresh pair of eyes on ING's risk management.

**Steven van Rijswijk – CEO ING:** On primary customers: in a year where there is subdued economic activity, you will see that customers typically stick with their existing banks or do not use an additional amount of products. Hence, even in this year with a lower economic activity and economies contracting, growing still with this amount of primary customers but also growing the number of mobile sales on our app, was quite impressive. Therefore, I believe that when economic activity returns to more normalised levels, we will benefit that, both in terms of primary customers, but also in terms of profitable growth because in the end I want to have profitable growth, not only primary customers for the sake of primary customers, it has to come with a beneficial relationship both for the client and for ING.

And then over to Ljiljana. What are your first impressions?

**Ljiljana Čortan – CRO ING:** Good morning. Well, a fresh pair of eyes confirms what has been shared with the markets already for years, that ING has a very stable and well-built risk management framework in place. Building further on this strong basis, I am sure we are going to be able to capture the opportunities of the future, both with respect to our position as digital

**4Q/FY2020 Analyst call transcript**  
12 February 2021

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leader as well as growth. As already said many times, we do have a structured framework around our portfolio, in sense of the risk policies, concentration limits, caps and some of those are actually already there for some years. So, I do believe that we are on the journey towards recovery. I believe it is correctly said by Steven: we are going to go toward[s] the cycle average. However, the journey is going to be long and we do not not account for certain eventual bumps due the uncertainties in front of us. However, we are very comfortable that we are going to be there, as already shared.

**Benjamin Goy – Deutsche Bank:** Thanks.

- **Raul Sinha – JP Morgan**

Good morning. Thanks for taking my questions.

I have a question on Basel IV capital. You are choosing not to disclose a ratio on the slides. I want to ask why that might be the case, given your ambition is clearly Basel IV fully loaded 12.5% long-term. If you could give us perhaps some of the moving cards that are still remaining to get from your current 15.5% down to a fully loaded Basel IV, that would be quite helpful.

The second question is a broader question on mortgages. If I look at the loan book growth trajectory at ING, one of the features of this crisis has clearly been the pickup in mortgage products across your markets. That clearly has helped offset some of the other books that have been shrinking quite dramatically. What do you think is the outlook for mortgage growth in 2021? Are you worried that this might start to slow down, or do you think there are enough positive structural drivers that could still continue to drive positive loan growth for you on the mortgage side?

**4Q/FY2020 Analyst call transcript**  
12 February 2021

---

**Steven van Rijswijk – CEO ING:** On Basel IV, the 12.5% ambition level is the Basel IV ambition level and basically the 15.5% also. We still have, with all the measurements on Basel and other model adjustments, 50 bps to go. Last quarter it was 60 bps, this quarter we included an additional impact of around 10 bps. Hence, we have 50 bps to go. So, we are well-capitalised also to include all Basel effects if they still were to come.

**Raul Sinha – JP Morgan:** And what is the remaining part? I guess TRIM is more or less done, but in terms of portfolios, perhaps maybe the Dutch mortgages, is there anything else we should keep in mind in terms of the moving parts?

**Steven van Rijswijk – CEO ING:** It is basically the day-one implementation of the output factor of Basel when it were to come in 2023 or 2024.

And then on loan growth. We have seen of course that house prices continue to increase on the back of low interest rates. That has helped of course the value of these houses but also the affordability for people to pay for their houses. A low interest rate environment is stimulating that. Of course, we need to be mindful of a cliff effect when the measures that are being taken by governments and banks alike would stop and what would that do with unemployment, for example. But, as we have also seen in previous crises, in the financial crisis 2008-2010, mortgage demand continued. We do not expect that to be different this time, especially not since the housing shortage in the various countries underpins the fact that there is a need for more houses to be mortgaged.

**Raul Sinha – JP Morgan:** Thank you.

- **Kiri Vijayarajah – HSBC**

Good morning, everyone. A couple of questions from my side.

**4Q/FY2020 Analyst call transcript**  
12 February 2021

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Firstly, in the Wholesale Bank and the loan growth, the loan shrinkage there looks like it is moderating. Where are we on that? Are we coming to the end of that de-risking process in areas like leverage finance? Is the ambition therefore to start re-growing again more meaningfully in the Wholesale Bank as things recover? Is the message that you are back in growth mode in Wholesale for 2021?

Secondly, coming back to the higher fee packages. I was just wondering if there are any particular geographies which have got more to catch up in terms of the repricing effort? In which geography do you find it harder to put the increases through? A bit colour on that would be useful. Obviously, Germany is a big success story, but on the other end of the spectrum, where are you finding the challenges on the fee side?

**Steven van Rijswijk – CEO ING:** In terms of packages fees, I think it's a good question. What I want to say is that we come from an environment in which we historically charged very limited package fees in many of the countries we are operating in. In many of the countries where we started as a direct bank, ING Direct a number of years ago, we actually charged zero. In that sense, the bad news was it was zero, the good news is we have some upside. Hence, we will of course also look at the costs and make it equitable for our clients. In most of the markets we have quite some upside to go in terms of charging for our package fees. That is what we are doing, next of course to nudging our clients for example to using or non-use of ATM's or using call centres. So, it is either charging of package fees or charging of behavioural fees or avoidance of costs. That is the first element. The second element is that many banks are in the same boat as we are in. Hence, it will determine how the market will develop itself in that respect. But again, we come from a very low-fee environment and therefore we have substantial upside.

With regards to the loan growth, the fourth quarter for Wholesale Banking was actually quite good, given the circumstances and given the fact that end of year a number of clients in Wholesale Banking are decreasing their balances. Although we have seen a small decrease with EUR 700 million in the light of low investment environment, we still have seen an up on

**4Q/FY2020 Analyst call transcript**  
12 February 2021

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the daily banking and trade environment, which is quite good and is a testimony of the first signals that we see in Asia and the US. That means that, if we can return to more normal economic levels, we believe that we will also see continued loan growth in Wholesale Banking but of course, the vaccination programs have just started, and economic activity is not yet where it should be. So, it would likely be more visible towards the second half of 2021.

**Kiri Vijayarajah – HSBC:** Thank you very much.

- **Daphne Tsang – Redburn Europe Limited**

Hi, thank you for taking my question. First one on NII, please. Your NIM is very resilient this quarter, which is good news. Excluding the balance sheet, you said you are seeing improvement on better lending margins. I know you do not elaborate on the specific impact from the replication portfolio, but can you share some colour on the dynamics between the product lending spreads and the continued drag from lower replication income? Would you be able to leverage your pricing discipline to create that offset towards the drag, which we see in Q4? Also, on products lending spread, is there any makeshift effects there in Q4 that helped your margin, which may not necessarily continue or even reverse in the coming quarter, as lending growth kind of picked up in other areas outside of mortgage?

**Tanate Phutrakul - CFO ING:** I think you are asking about the balance sheet impact and our net interest margin. I have a few points to make. As we mentioned before, we have had compression in the past couple of quarters because of this FX ratio hedging impact and that has plateaued during the course of Q4, in fact, it went up slightly. If you wanted to see how that moved, it is really looking at currencies like US dollar, Polish zloty and Turkish lira against the euro, the bigger the difference, the better the FX ratio hedging results in ING's P&L. That is one. The second is that, as we have always mentioned, we maintain risk and pricing discipline across the board, whether in consumer lending, business lending, mortgages or



**4Q/FY2020 Analyst call transcript**  
12 February 2021

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other areas and you will see in the more detailed disclosure later today that we maintain that pricing discipline on origination of new loans. That is the second. Then the third is of course the fact that we do see that replication drag in our P&L, but at the same time we have as mentioned introduced a number of actions on negative interest rates that will actually help mitigate some of that. Maybe the last point to make is the fact that it is true that our net interest margin is down, but the impact of TLTRO having taken roughly EUR 55 billion of that funding, we have not booked any income against it and that has a drag of our NIM of about 6 bps. We will see what happens at the end of Q1.

**Daphne Tsang – Redburn Europe Limited:** I have another question on charging negative rates. Which geographies do you see more room for charging negative rates, based on the announced measures in the Netherlands, Belgium and other countries as well?

**Tanate Phutrakul - CFO ING:** Mostly in the euro zone countries, as we mentioned, it is about gradually lowering the threshold of these negative charging, as we have done in the past. In the Netherlands, we went from EUR 1 million threshold to EUR 250,000. We started charging EUR 1 million in Belgium. In Germany, for new to bank customers with savings of more than EUR 100,000 we do get charged negative rates on deposits with us. In Spain, we have also introduced some fees for customers with higher amounts of limits but without a primary relationship with us. So, it is in a number of geographies principally in the euro zone area.

**Daphne Tsang – Redburn:** Thanks.

- **Anke Reingen – RBC**

Thank you very much for taking my questions.

**4Q/FY2020 Analyst call transcript**  
12 February 2021

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The first one is on costs. You stressed that you are looking at bringing the nose down, I just wanted to confirm that this basically implies that costs should be lower than the EUR 9,4 billion underlying in 2020 and 2021.

And then you put up the slide about the ESG leadership, just limiting it to the financial implications. Can you maybe talk us a bit through about how you think this is maybe a competitive financial advantage? Because other banks are talking about selling asset management products - which is maybe less likely here - or your potential on financing or whether it is controlling the damage. Just limiting it to the financial aspects of things.

**Steven van Rijswijk – CEO ING:** You have to come back to me with the ESG question, because the line was breaking up a bit. Let me first answer the cost question. I cannot make it any clearer than this. You have now seen that the costs over the past years were going up and this year the last six months we have shown that we have flattened the costs. I have indicated that we intend to bring the nose of the cost plane further down. That is exactly as you mentioned that we intend to bring the costs down compared to where they are from this level.

**Anke Reingen – RBC:** On the ESG, can you talk in terms of financial impact about the opportunities and threats for ING?

**Steven van Rijswijk – CEO ING:** I can say a couple of things on that. First of all, we have been working on our climate profile since 2015. For example, it includes the fact that we have decided to stop our coal investments or investments in coal and we will completely stop them as of 2025. We have discussions with a number of other sectors to decrease the emissions and we work with those clients to decrease those emissions over a number of years. We try to do that in an inclusive way. Why do we do that? The simplest way is to say: we stop completely with financing industries. But then you change the bank book, but you do not change the world. And so what we will do is to work as much as we can in the different sectors with our clients for them to apply certain methodologies, and then within that, we very strictly measure in our Terra report - that we have issued in the third quarter of last year for the second time as you

**4Q/FY2020 Analyst call transcript**12 February 2021

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can see on our website - that on those nine sectors with the highest CO<sub>2</sub> emissions we manage and measure sector by sector whether we are in line with the Paris accord or not. And if not, we will take appropriate action to get in line with that accord. That is how we manage it both from a risk and from a reporting side.

With regards to our ESG profile, because we are so prominent, we have been in dialogues with many of these clients and that is why you also see that many of these clients choose us to issue for example green bonds and green loans or sustainable bonds and sustainable loans. We link those bonds and loans to particular targets, either that they make for that loan specifically, then [if] it is a sustainability-linked loan, really linked to what that loan is being used for, for example, renewable energy or, more broadly, that the company has broader sustainability KPIs and then we link that to those KPIs, which KPIs need to be independently measurable and objectifiable to make sure there is real impact also with that client of their CO<sub>2</sub> footprint. That is how we steer both internally our business and also influence and discuss with our clients.

**Anke Reingen – Royal Bank of Canada:** Thank you.

- **Farquhar Murray – Autonomous**

Good morning everyone. Two brief questions from me.

Firstly, on the latent impact of fee charge increases on travel related card payments. Do you have a sense of how much normal travel went out there? For instance, what are overseas transaction volumes running currently versus more normal circumstances?

**4Q/FY2020 Analyst call transcript**12 February 2021

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Secondly, on the FX mortgage books charge you have taken. Could you update me on how large that FX mortgage book is? I had a couple of hundred million in my head, but I just wondered if it might have moved.

**Steven van Rijswijk – CEO ING:** On the fees: basically, our international travel is currently almost zero. If you look at the impact in our payment business that you would see between the first and the second quarter, the largest part of that impact comes from the fact that people do not travel. Of course, we made it up by an increased number of payment packages, so, an increase in the charge that we levy for payment packages, and in a return to more normal of our local credit cards and payment business. But if you look especially at the difference between the first and the second quarter, that dip will come largely from the non-travel, which is currently still the case. As soon as travel returns again, we should have that amount back. The amount of FX mortgages that we had in Poland would be an equivalent of around EUR 200 million.

**Farquhar Murray – Autonomous:** Thank you.

- **Giulia Miotto – Morgan Stanley**

Hi. My first question is on the excess capital. We have been talking a lot about capital distribution, but I was wondering if there is any other plan about the excess capital. For example, I am talking about considering M&A transaction or taking more restructuring costs for example to cut costs down further.

And then, Steven, I was wondering: strategically, after the first few quarters in the job, shall we expect an Investor Day with new updated targets towards the end of this year? How are you thinking about that?

**4Q/FY2020 Analyst call transcript**  
12 February 2021

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**Steven van Rijswijk – CEO ING:** Are there any M&A plans? That is a question I heard before. Clearly, we have capital, and we intend to distribute it. With regards to M&A, we are a mobile-first and digital-first bank and we want to provide a better and more diverse offer to our clients, like I also discussed the increasing mobile sales that I talked about half an hour ago. So, if you want to improve the offer to your clients and make it more personal, that means that, if we see investments that can improve our digital offer, for example technology companies or people with a technology feature that we do not have and that can make our interaction even better, faster, smarter and more personal, then we will look at those type of technology companies. If we can see companies that add or augment our sales and services features in terms of diversification away from NII and more fees and commission business, we will look at those as well. That is the priority for M&A.

When looking into an IR day, we are still in a Covid-19 crisis, so there is still quite a bit of uncertainty, but I think the uncertainty will subside in the second half of this year and then we will likely announce an Investor Day in the first part of 2022, probably in the first quarter.

**Giulia Miotto – Morgan Stanley:** Thank you.

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

Hi, good morning, everyone. I am just being mindful of the time. A very quick clarification. In terms of the dividend that you will pay from September, the wording has been carefully chosen to keep some flexibility. Should we think about this payment to be done within Q4 or could it be spread out into 2022 as well?

**Tanate Phutrakul - CFO ING:** You recognised the finely crafted wording there. I think we just wanted to make sure that we respect the ECB recommendations. When the ECB recommendations are lifted, we will take the necessary legal and regulatory steps to make

**4Q/FY2020 Analyst call transcript**  
12 February 2021

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those dividends available. So far, what we want to confirm is it would be after September 2021.

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

- **Jason Kalamboussis – KBC Securities**

Hi, there. I have a few quick questions. You have highlighted overall a good outlook, how you are doing better in impairments etc. versus peers. So costs remain probably the one area [where] they have slightly increased this year while you have peers that probably saw deeper decreases throughout the year. So I just want to understand why you find that it is better to approach this from an ad hoc basis, reviewing area by area, rather than putting a cost larger target and drive the whole group to get there, which can be more efficient over twelve months?

My second question is on Wholesale Banking. In the third quarter we discussed the fact that by lowering your CET1 ratio 12.5% you were able to better price. I just want to understand how the fourth quarter was versus the third quarter and also the outlook for 2021. Do you find that with a number of peers like ABN, Natixis and SocGen, all retrieving from areas you are more likely to benefit and therefore be able eventually to still increase your pricing in some areas, and in which ones?

The last question: could you give us a sense of what international payment fees were in 2019, so that we know a bit what you can come back to once everything normalises.

**Steven van Rijswijk – CEO ING:** With regards to the first question on why we do things ad hoc rather than - I think that you are meaning a big bang. Let me make clear that we do not do things ad hoc. I would like to prevent to do things ad hoc. That is why I want to announce things with execution certainty. I want to make sure that we as an organization focus on making the

**4Q/FY2020 Analyst call transcript**12 February 2021

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business lines sufficiently profitable and resilient through-the-cycle. That means that we are reviewing business line per business line, that we look at the way that our business develops in terms of our digital proposition and the requirement to have certain branches or provide other better services. Every time we do that, and we see that there is a requirement that actually cuts costs or is a redesign of operations, then we will do so, and we will do so with execution certainty. That I find important.

With regards to the Wholesale Banking, in terms of pricing in the fourth quarter. If you look at both Wholesale Banking and Retail Banking, in terms of our new production we have been able to price up across, but we benefitted of course from lower funding costs. That was the largest part. Here and there we were able to increase the price on the street in some of our books.

With regards to the going back to a smaller number of markets that we see with some of our peers: in the end it is a question of demand and supply. But, regardless of that - and we have done that even before that time - we have always been disciplined in pricing. Either we get pricing with the right returns and of course with the right risk profile and then we will distribute the loan. If not, we will not do it and we will return the money and that we will continue to do. We are not a market share player. We want to be there to price the right through-the-cycle return with our clients and not to just gain market share for the sake of gaining market share. It is about profitable growth, not just growth.

**Jason Kalamboussis – KBC:** Thank you.

- **Stefan Nedialkov – Citigroup**

Good morning. I have two quick follow-up questions. On capital and Basel IV impact Raul asked a question but I was not 100% sure. Does the 50 bps remaining regulatory impact

**4Q/FY2020 Analyst call transcript**  
12 February 2021

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include everything: TRIM, whatever TRIM is left, plus the DNB-floors plus any additional Basel IV impact? Is all of that 50 bps?

My second question goes back to the big NII discussion we have been having on the call. What other levers could you potentially have to improve margins here? For example, one thing that banks have done in the past is, upon observing a higher duration and behavioural maturity of deposits, they increase their replicating portfolio. In Covid-19, are you noticing that behavioural maturities are increasing, and could that potentially improve your deposit margins by expanding durations?

**Steven van Rijswijk – CEO ING:** I will give Tanate two seconds to chew on the second question, because the answer on the first question is: yes, 50 bps includes all.

**Tanate Phutrakul – CFO ING:** With respect to duration management, we do not take a P&L view on how we manage duration. It is purely risk management driven so the replication, the duration is there to make sure that we offset any market risk in our banking book. So, we do not do that. Having said that, we constantly review the duration of our liabilities given client behaviour, of course. The other factors that we have talked about, are more the same. Lending growth, margin discipline, negative charging and diversification, so different asset classes than before. If you look in 2020, where maybe there is opportunity going forward, is the fact for example that we had traditionally been able to grow consumer lending in the previous year, but this year we see a contraction and I think that is related to the Covid-19 situation. So we do expect certain pockets of higher margin loans like consumer lending to resume growing in 2021.

**Stefan Nedialkov – Citigroup:** Is it fair to assume that behavioural maturities have not lengthened meaningfully during Covid-19?

**Tanate Phutrakul - CFO ING:** No, it has not materially changed.



**4Q/FY2020 Analyst call transcript**  
12 February 2021

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**Stefan Nedialkov – Citigroup:** Thank you. Very helpful.

- **Martina Matouskova – Jefferies**

Good morning. I think all the questions have been answered, so I have just one quick follow-up. Can you refresh my memory on how you look at the operational leverage? Is it on stated basis or on adjusted basis? If I look at the consensus and I adjust everything, revenues are flat and the underlying OPEX is flat as well, which does not give much operational leverage. Is that something you are targeting, or you think that consensus is kind of underestimating what you can deliver on costs?

**Steven van Rijswijk – CEO ING:** I have said also in a previous call that I am focussing on positive scissors. That basically means that we want to make sure that there is a delta between the revenue and the costs. We are working on a few things. We are very disciplined on our lending margins, we have started to charge negatively, changed behavioural fees, have more diversification in income, which you have seen coming through in this year as well, and taken actions on costs. I repeat myself: that nose needs to come down. That is the way we will create operational leverage.

**Martina Matouskova – Jefferies:** Thank you.

**Operator:** There are no further questions.

**Steven van Rijswijk – CEO ING:** Thank you very much for your time. I hope to talk to you soon. Have a great day and a great weekend! Thanks again.



**4Q/FY2020 Analyst call transcript**  
12 February 2021

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End of call



**4Q/FY2020 Analyst call transcript**  
12 February 2021

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**Appendix**

## 4Q/FY2020 Analyst call transcript

### 12 February 2021

### Volatile items 4Q2020

Volatile items and regulatory costs (in € mln)

	4Q2019	1Q2020	2Q2020	3Q2020	4Q2020
WB/FM – valuation adjustments	-74	-92	87	91	-13
Capital gains/losses	-8	138	15	6	3
Hedge ineffectiveness	-65	-89	40	43	-59
Other items*		-82	-270	-370	-223
<b>Total volatile items</b>	<b>-147</b>	<b>-125</b>	<b>-128</b>	<b>-230</b>	<b>-292</b>
<b>Regulatory costs</b>	<b>-303</b>	<b>-526</b>	<b>-137</b>	<b>-111</b>	<b>-331</b>

\* Other items in 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 M&M adjustments in WB/Lending; 3Q2020 concerns €-230 mln of impairments on ING's equity stake in TMB and €-140 mln of impairments on capitalised software related to project Maggie (both in RB C&GM); 4Q2020 concerns €223 mln of incidental costs due to restructuring provisions and impairments and a provision for potential customer claims in the Netherlands

25

## 4Q/FY2020 Analyst call transcript

### 12 February 2021

## Challengers & Growth Markets FY2020\*

### Germany

▪ Total income	2,605 mln
▪ Mortgages	79.7 bln
▪ Other lending	41.2 bln
▪ Deposits	138.5 bln
▪ RWA	44.6 bln

### Spain

▪ Total income	696 mln
▪ Mortgages	18.8 bln
▪ Other lending	8.5 bln
▪ Deposits	40.5 bln
▪ RWA	11.4 bln

### Australia

▪ Total income	695 mln
▪ Mortgages	32.8 bln
▪ Other lending	8.2 bln
▪ Deposits	30.2 bln
▪ RWA	9.1 bln

### Italy

▪ Total income	335 mln
▪ Mortgages	7.6 bln
▪ Other lending	5.4 bln
▪ Deposits	15.0 bln
▪ RWA	6.9 bln

### France

▪ Total income	273 mln
▪ Mortgages	n.a.
▪ Other lending	8.6 bln
▪ Deposits	11.0 bln
▪ RWA	7.1 bln

### Czech Republic

▪ Total income	82 mln
▪ Mortgages	n.a.
▪ Other lending	1.4 bln
▪ Deposits	3.7 bln
▪ RWA	1.1 bln

### Austria

▪ Total income	79 mln
▪ Mortgages	0.6 bln
▪ Other lending	0.7 bln
▪ Deposits	7.1 bln
▪ RWA	1.2 bln

### Poland

▪ Total income	1,393 mln
▪ Mortgages	10.4 bln
▪ Other lending	16.8 bln
▪ Deposits	32.9 bln
▪ RWA	19.5 bln

### Romania

▪ Total income	437 mln
▪ Mortgages	2.2 bln
▪ Other lending	3.7 bln
▪ Deposits	9.2 bln
▪ RWA	4.9 bln

### Turkey

▪ Total income	299 mln
▪ Mortgages	0.4 bln
▪ Other lending	4.4 bln
▪ Deposits	4.3 bln
▪ RWA	6.2 bln

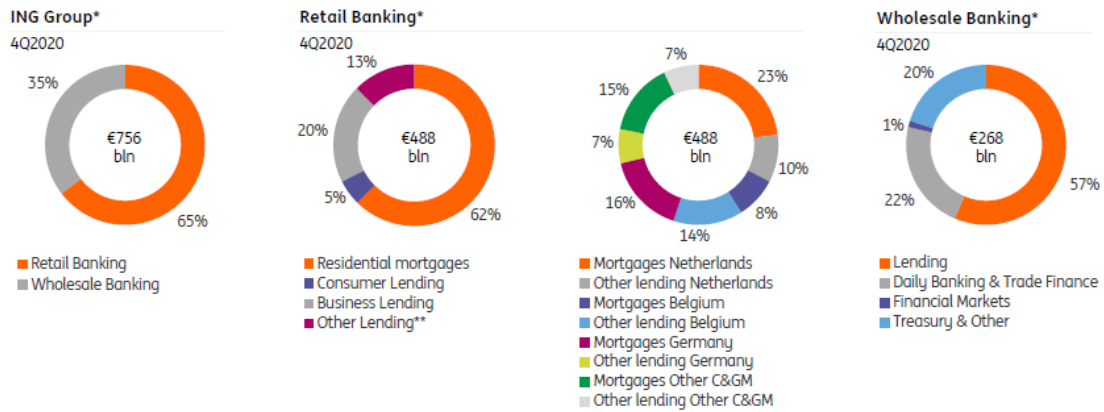
### Philippines

▪ Total income	12 mln
▪ Mortgages	n.a.
▪ Other lending	0.02 bln
▪ Deposits	0.2 bln
▪ RWA	0.5 bln

\* Total Bank results per country (Retail and Wholesale combined) based on booking office, amounts in €; Mortgages and Other lending based on customer lending

**4Q/FY2020 Analyst call transcript**  
**12 February 2021**

Well-diversified lending credit outstandings by activity



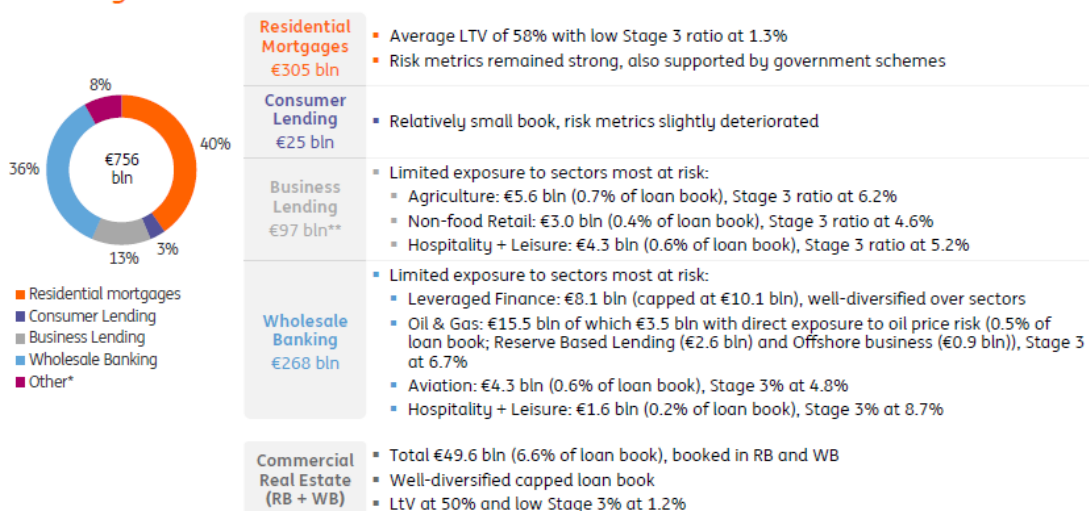
- ING has a well-diversified and well-collateralised loan book with a strong focus on own-originated mortgages and senior loans; 64% of the portfolio is retail-based

\* 31 December 2020 lending and money market credit outstandings, including guarantees and letters of credit, but excluding undrawn committed exposures (off-balance sheet positions)  
 \*\* Other includes €51 bln Retail-related Treasury lending and €10 bln Other Retail Lending

## 4Q/FY2020 Analyst call transcript

12 February 2021

### We remain comfortable with our senior and well-collateralised lending book



\* Other includes €51 bln Retail-related Treasury lending and €10 bln Other Retail Lending

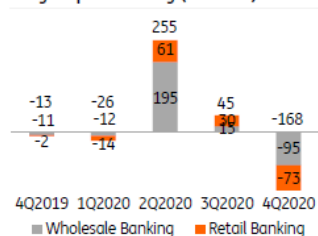
\*\* In 4Q2020 the Real Estate Finance portfolio booked in Retail Banking (€11 bln), was transferred from Other Retail Lending to Business Lending

## 4Q/FY2020 Analyst call transcript

### 12 February 2021

## Provisioning per Stage

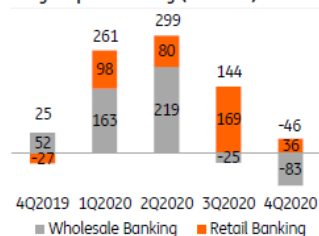
Stage 1 provisioning (in € mln)



**Main drivers 4Q2020**

- Releases triggered by updated macro-economic indicators, reflecting a possible delay in expected credit losses as lockdown restrictions were tightened across Europe and uncertainty remains, partly compensated by a management overlay

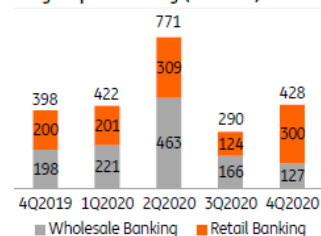
Stage 2 provisioning (in € mln)



**Main drivers 4Q2020**

- Releases triggered by updated macro-economic indicators, reflecting a possible delay in expected credit losses as lockdown restrictions were tightened across Europe and uncertainty remains, partly compensated by a management overlay

Stage 3 provisioning (in € mln)



**Main drivers 4Q2020**

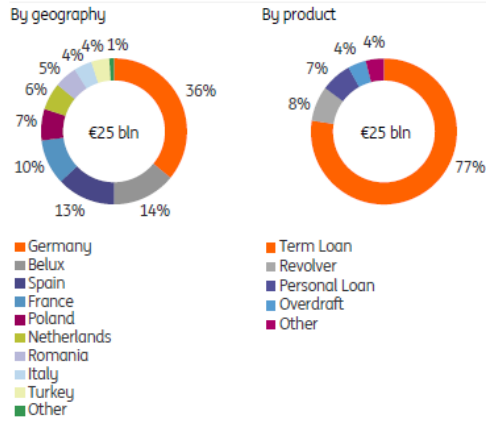
- Additions to some new and existing individual files in WB
- Collective provisioning in C&GM, mainly related to consumer lending
- Provisioning related to business lending in Belgium
- Provisioning related to CHF-indexed mortgages in Poland



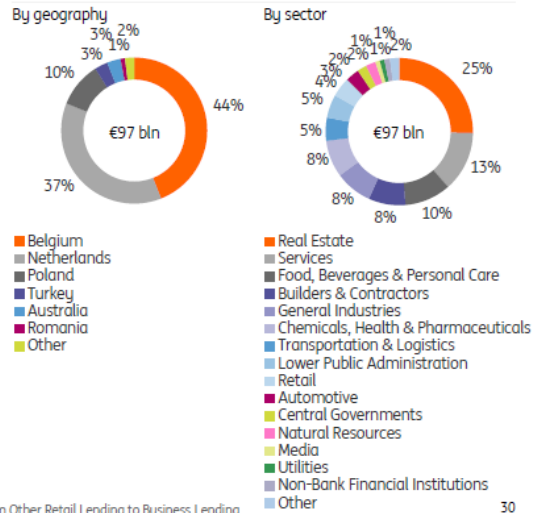
**4Q/FY2020 Analyst call transcript**  
 12 February 2021

### Granular Retail Consumer Lending and Business Lending

**Consumer Lending – 4Q2020 Lending Credit Outstandings**



**Business Lending – 4Q2020 Lending Credit Outstandings\***



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

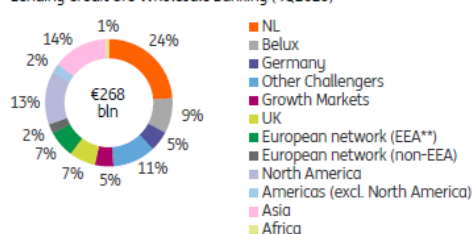
## 4Q/FY2020 Analyst call transcript

12 February 2021

### Granular Wholesale Banking lending

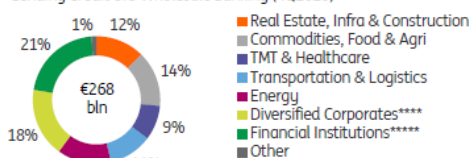
#### Loan portfolio is well diversified across geographies...

Lending Credit O/S Wholesale Banking (4Q2020)\*

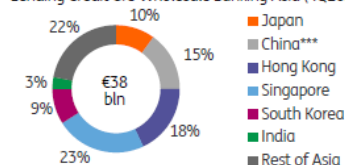


#### ...and sectors

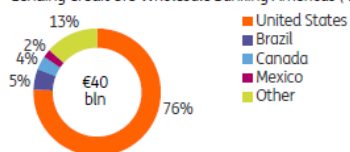
Lending Credit O/S Wholesale Banking (4Q2020)\*



Lending Credit O/S Wholesale Banking Asia (4Q2020)\*



Lending Credit O/S Wholesale Banking Americas (4Q2020)\*



\* Data is based on country/region of residence; Lending and money market credit O/S, including guarantees and letters of credit but excluding undrawn committed exposures (off-balance sheet positions); \*\* Member countries of the European Economic Area (EEA); \*\*\* Excluding our stake in Bank of Beijing (€1.7 bln at 31 December 2020); \*\*\*\* Large corporate clients active across multiple sectors; \*\*\*\*\* Including Financial sponsors

## 4Q/FY2020 Analyst call transcript

### 12 February 2021

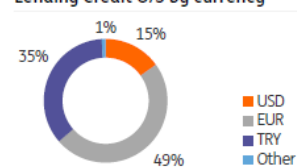
## Overview Turkey exposure

### Total exposure ING to Turkey\* (in € mln)

	4Q2020	3Q2020	Change
<b>Lending Credit O/S Retail Banking</b>	<b>3,359</b>	<b>3,597</b>	<b>-6.6%</b>
Residential mortgages	416	397	4.8%
Consumer lending	924	982	-5.9%
SME/Midcorp	2,020	2,218	-8.9%
<b>Lending Credit O/S Wholesale Banking</b>	<b>5,305</b>	<b>5,292</b>	<b>0.2%</b>
<b>Total Lending Credit O/S*</b>	<b>8,664</b>	<b>8,889</b>	<b>-2.5%</b>

- Intra-group funding further reduced from €1.4 bln at end-3Q2020 to €0.8 bln at end-4Q2020
- Quality of the portfolio remains relatively strong with a Stage 3 ratio of 3.0%

### 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

	4Q2020	3Q2020
Stage 3 ratio	3.0%	3.4%
Coverage ratio	64%	61%

\* 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

## 4Q/FY2020 Analyst call transcript

### 12 February 2021

## 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. The Financial statements for 2020 are in progress and may be subject to adjustments from subsequent events. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to a number of factors, including, without limitation: (1) changes in general economic conditions, in particular economic conditions in ING's core markets, including changes affecting currency exchange rates, (2) the effects of the Covid-19 pandemic and related response measures, including lockdowns and travel restrictions, on economic conditions in countries in which ING operates, on ING's business and operations and on ING's employees, customers and counterparties, (3) changes affecting interest rate levels, (4) any default of a major market participant and related market disruption, (5) changes in performance of financial markets, including in Europe and developing markets, (6) changes in the fiscal position and the future economic performance of the United States, including potential consequences of a downgrade of the sovereign credit rating of the US government, (7) consequences of the United Kingdom's withdrawal from the European Union, (8) changes in or discontinuation of 'benchmark' indices, (9) inflation and deflation in our principal markets, (10) changes in conditions in the credit and capital markets generally, including changes in borrower and counterparty creditworthiness, (11) failures of banks falling under the scope of state compensation schemes, (12) non-compliance with or changes in laws and regulations, including those financial services and tax laws, and the interpretation and application thereof, (13) geopolitical risks, political instabilities and policies and actions of governmental and regulatory authorities, (14) ING's ability to meet minimum capital and other prudential regulatory requirements, (15) outcome of current and future litigation, enforcement proceedings, investigations or other regulatory actions, including claims by customers, (16) operational risks, such as system disruptions or failures, breaches of security, cyber-attacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which we do business, (17) risks and challenges related to cybercrime including the effects of cyber-attacks and changes in legislation and regulation related to cybersecurity and data privacy, (18) changes in general competitive factors, (19) the inability to protect our intellectual property and infringement claims by third parties, (20) changes in credit ratings, (21) business, operational, regulatory, reputation and other risks and challenges in connection with climate change, (22) inability to attract and retain key personnel, (23) future liabilities under defined benefit retirement plans, (24) failure to manage business risks, including in connection with use of models, use of derivatives, or maintaining appropriate policies and guidelines, (25) changes in capital and credit markets, including interbank funding, as well as customer deposits, which provide the liquidity and capital required to fund our operations, (26) the other risks and uncertainties detailed in the most recent annual report of ING Groep N.V. (including the Risk Factors contained therein) and ING's more recent disclosures, including press releases, which are available on [www.ing.com](http://www.ing.com).

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