

A photograph of a modern, multi-story glass building with curved facades and balconies. The sky is blue with some clouds. The building's glass reflects the sky and surrounding environment. People are visible walking on the sidewalk in front of the building.

**Third quarter 2020 results**

**ING posts 3Q2020 net result of €788 mln**

**Steven van Rijswijk, CEO of ING**

5 November 2020



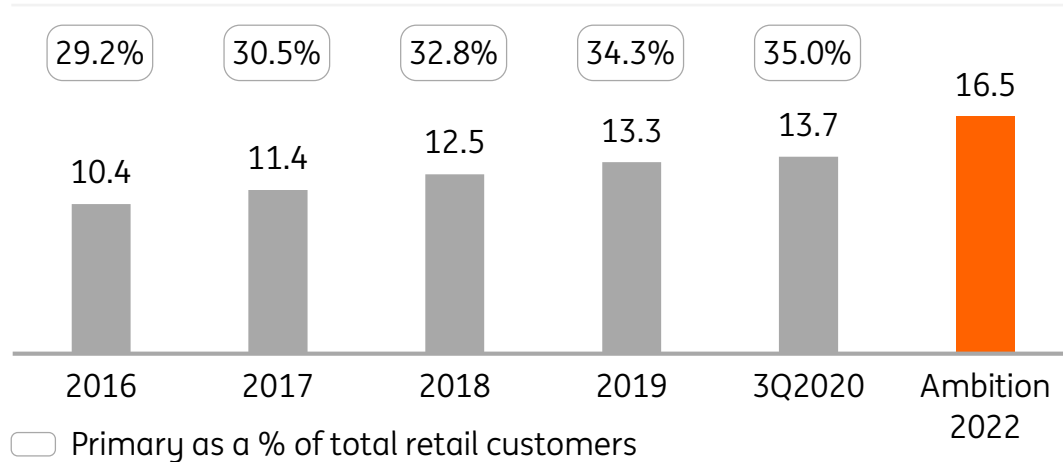
do your thing

# Key points

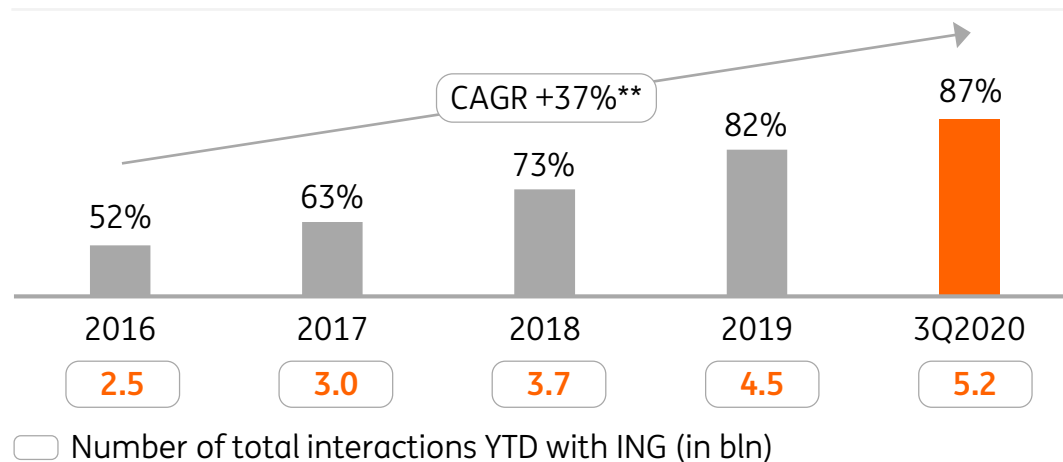
- In line with our purpose, we continue to take actions to support our customers, employees and society in coping with the effects of the Covid-19 pandemic. At the same time, countering financial and economic crime remains a priority
- The current environment underscores the strength of our digital business model. 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, supported by disciplined pricing, good fee income and cost control, despite increased margin pressure on customer deposits and impairments
- Risk costs declined sharply, reflecting much lower Stage 3 provisions and a €552 mln management overlay, to compensate for the effect of an IFRS 9 driven release and to increase provisioning related to payment holidays
- A growing number of Covid-19 cases and renewed lockdown measures are increasing uncertainty. We maintain vigilance on margins and asset quality. We are also taking steps to focus our activities, which impacts our geographical footprint, projects and operations
- 3Q2020 CET1 ratio was strong at 15.3%. The full 3Q2020 net profit is kept outside of regulatory capital
- We have adjusted our long-term CET1 ratio ambition to ~12.5% (~200 bps above MDA), reflecting lower capital requirements and more visibility on expected remaining regulatory RWA impact. Given the current uncertainty caused by the Covid-19 pandemic, we will manage our CET1 ratio at a level well above 12.5% until there is more clarity on how the economy will emerge from the Covid-19 pandemic
- We have adjusted our distribution policy to a 50% pay-out ratio of resilient net profit

# The pandemic underscores our digital success and requires increased focus

## Primary customer\* base (in mln)



## % mobile in interactions with ING

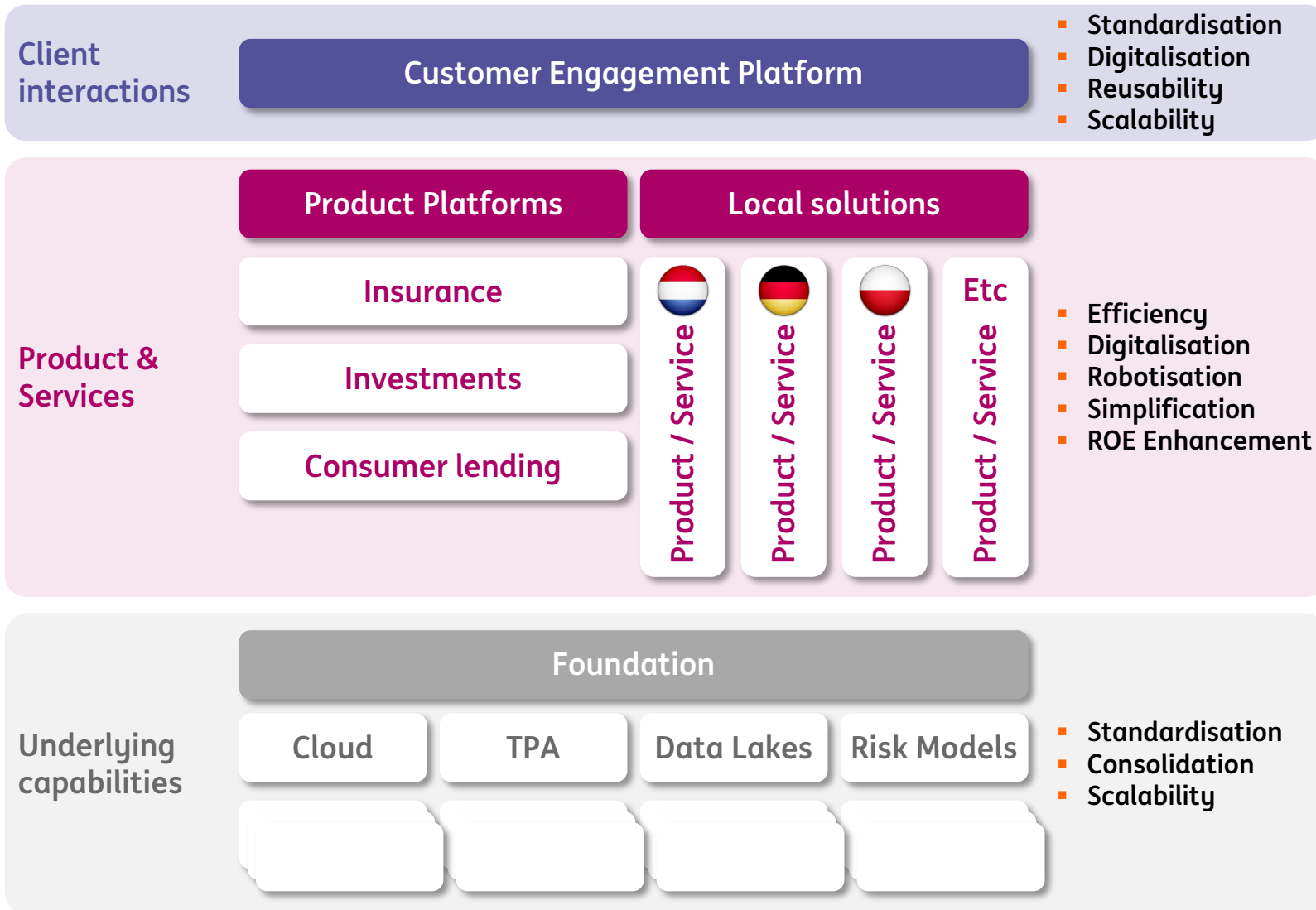


- Our primary customer base has increased by 3.3 million since we accelerated our Think Forward strategy in 2016. 213,000 new primary customers were added in 3Q2020, while the number of mobile interactions continued to grow
- With the challenging external environment, we are refocusing our activities, leading to some adjustments
  - Focus on core clients and simplification of our geographical footprint in Wholesale Banking
  - Reduced scope of the Maggie programme in Retail Banking
- These measures will result in a combined reduction of ~1,000 FTEs by the end of 2021. A redundancy provision will be taken in 4Q2020
- Going forward, we will continue to monitor developments and critically review our activities and expenses

\* Definition: active payment customers with recurring income and at least one extra active product category

\*\* CAGR for number of mobile interactions with ING (annualised for 2020)

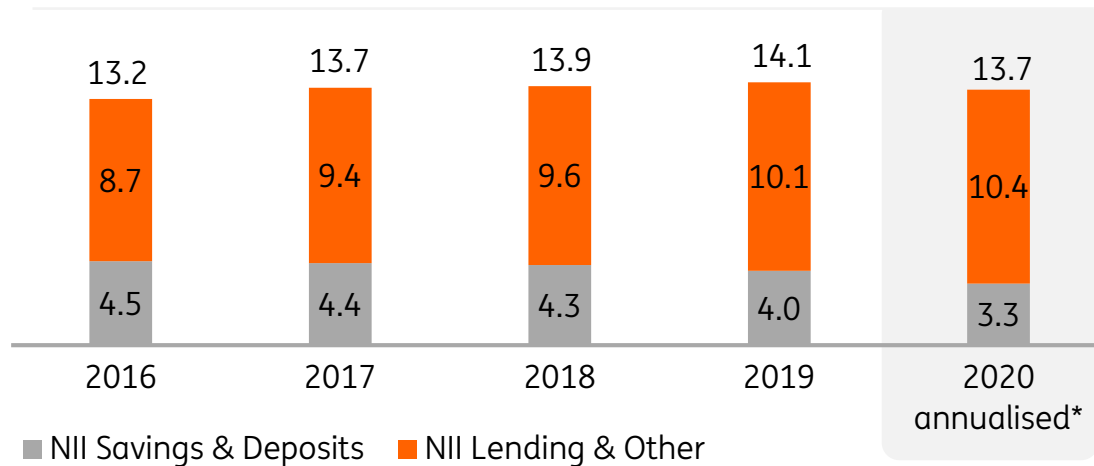
# Building on our data-driven digital leadership



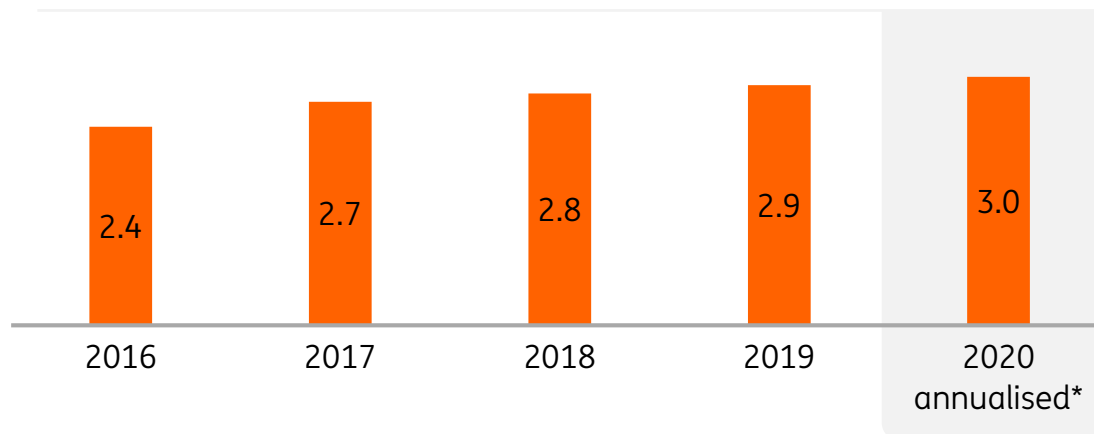
- One App / One Web already services retail customers in the Netherlands and Germany. By 3Q2020 nearly all active private customers of ING Belgium have been onboarded
- The cross-border integration of local product solutions has been discontinued (programme Maggie)
- Through our foundation, including our Touch Point Architecture (TPA), we focus on building modular elements which can be re-used, using one way of coding as well as standardised data capturing
- This foundation allows for modular solutions for local product and service solutions. It further supports the roll-out of cross border platform initiatives and partnerships, such as our collaboration with AXA

# Diversifying income in a low rate environment

## Net interest income (€ bln)



## Net fees and commission income (€ bln)

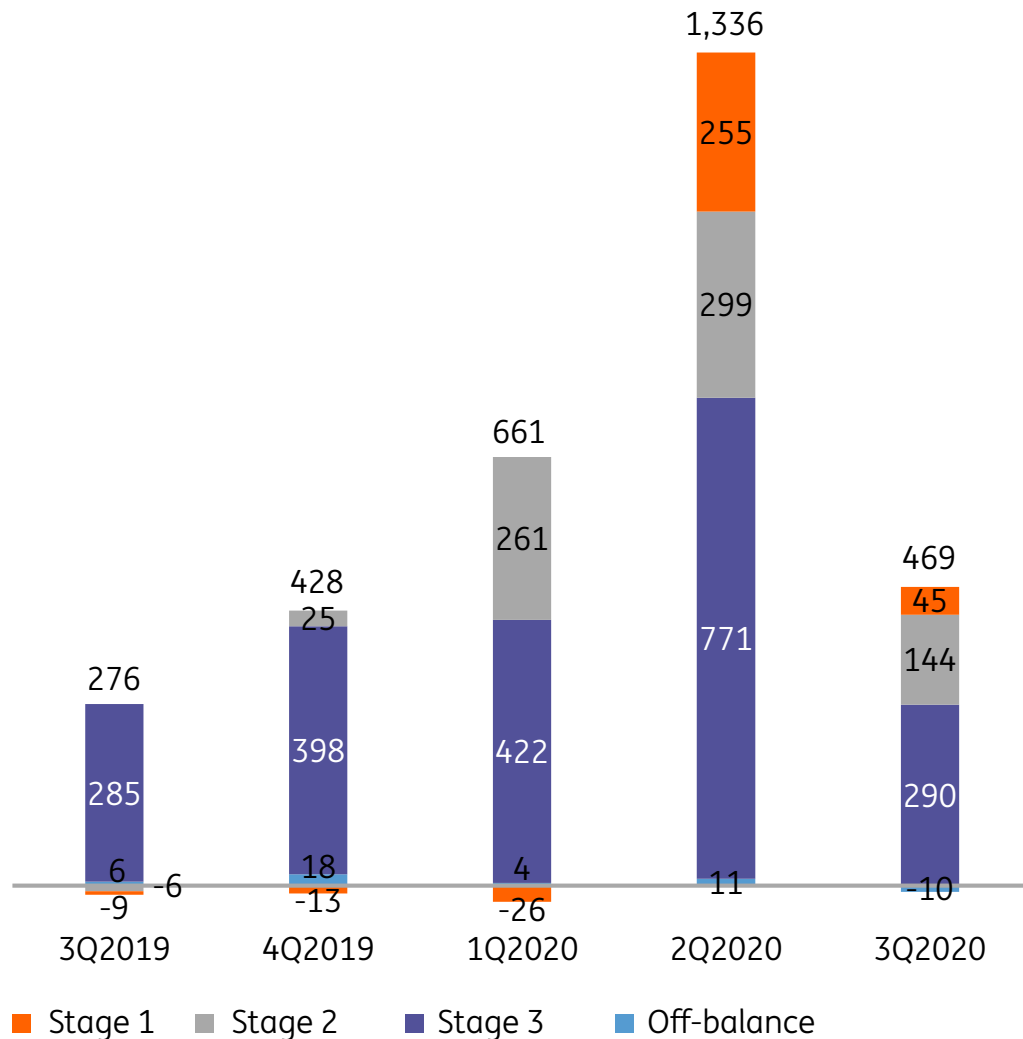


- The negative rate environment since 2016 has put pressure on NII, which we counter using various levers
  - Loan growth has been an important lever and we aim to continue to grow, however within our risk appetite
  - Our lending is measured against RoE hurdles and we maintain vigilance on margins on new production, prioritising returns over volumes or market share
  - We have introduced negative charging and are expanding this on (new) customer deposits (Belgium and Germany) and reducing the threshold for charging negative rates (Netherlands)
  - We made downward rate adjustments in non-eurozone countries, following significant local central bank rate reductions
  - We continue our aim to grow in the higher margin lending areas of Consumer Lending and Business Lending within our risk appetite
- On fee income we have increased daily banking package fees, introduced new account fees and behavioural fees
- The conditional benefit of TLTRO III is not included in NII
- We expect continued pressure on NII in the coming quarters

\* NII annualised based on 9M2020

# Focus on maintaining good asset quality in our loan book

## Loan loss provisions (in € mln)



- Updated macro-economic indicators driven by IFRS 9 resulted in a €380 million release. As cases and lockdown measures are again increasing and uncertainty remains, the effect of the release was compensated by applying a management overlay to reflect the delay in potential credit losses
- Risk costs came in well below the elevated levels of the previous two quarters
  - Stage 1 and Stage 2 provisions reflect the management overlay to compensate for the effect of releases driven by updated macro-economic indicators, as well as prudent provisioning related to loans subject to a payment holiday
  - Stage 3 provisions were well below the elevated level of the previous quarter, mainly reflecting additions to existing Stage 3 files with limited new inflow
- We have granted payment holidays to ~205,000 customers, amounting to €19.9 bln of lending credit outstandings (~2.6% of our total loan book), of which ~28% has already expired. So far we see no significant deterioration of the risk profile
- We maintain our strict risk appetite with a focus on senior, collateralised lending

# Strengthening our management of compliance risks since 2017

## One common global approach

- Global KYC organization in place to oversee end-to-end KYC capabilities and processes
- Global KYC Policy and Risk Appetite Statements rolled out
- Global & local KYC Committees set up to manage KYC capabilities
- Local Client Integrity Risk Committees set up for compliance-based client acceptance/exit
- Behavioural Risk Assessments in several departments finalised
- Ongoing roll-out of global standards, systems and operations to support customer KYC life cycle e.g. in
  - Customer Due Diligence
  - Transaction monitoring
  - Adverse media, name and pre-transaction screening

## Digital solutions

- A model using machine learning to detect instances of fraudulent transactions related to 'smurfing'; the practice of breaking up transactions into smaller amounts to evade alerts
- An advanced AI-based anomaly detection model to automatically analyse and detect new potentially suspicious behaviour in foreign currency clearing and settlement
- An API (Application Programme Interface) to integrate our banking systems with a country's trade registry, for quicker access to more accurate data on legal entities

## Collaboration with 3rd parties

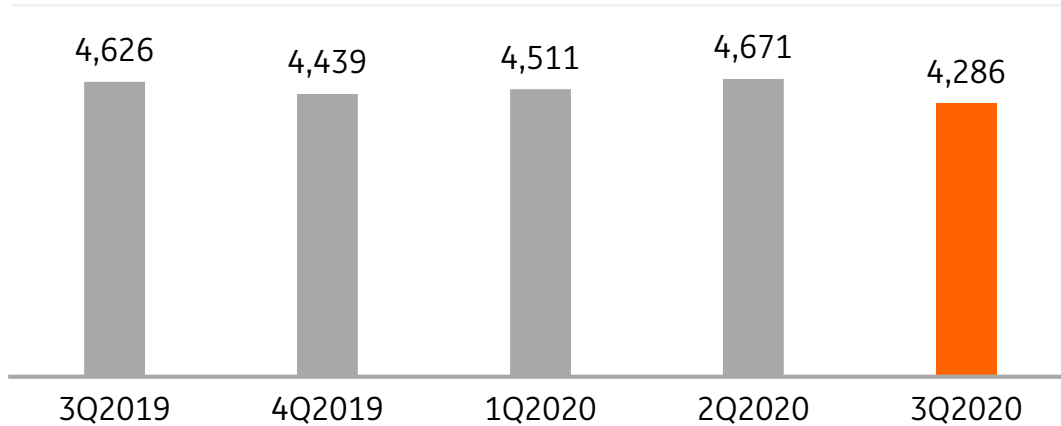
- In the Netherlands, the government presented an AML action plan, which also investigates data-sharing. Five Dutch banks, including ING, have set up TMNL, a separate entity to cooperate on transaction monitoring
- In Belgium, ING has joined forces with other banks and fintech Isabel Group to more effectively identify suspicious transactions
- Collaboration is also needed on a supra-national level. ING welcomes the European Commission's action plan to ensure harmonisation of EU laws, implement an EU-level supervising authority, and promote information sharing

# 3Q2020 results

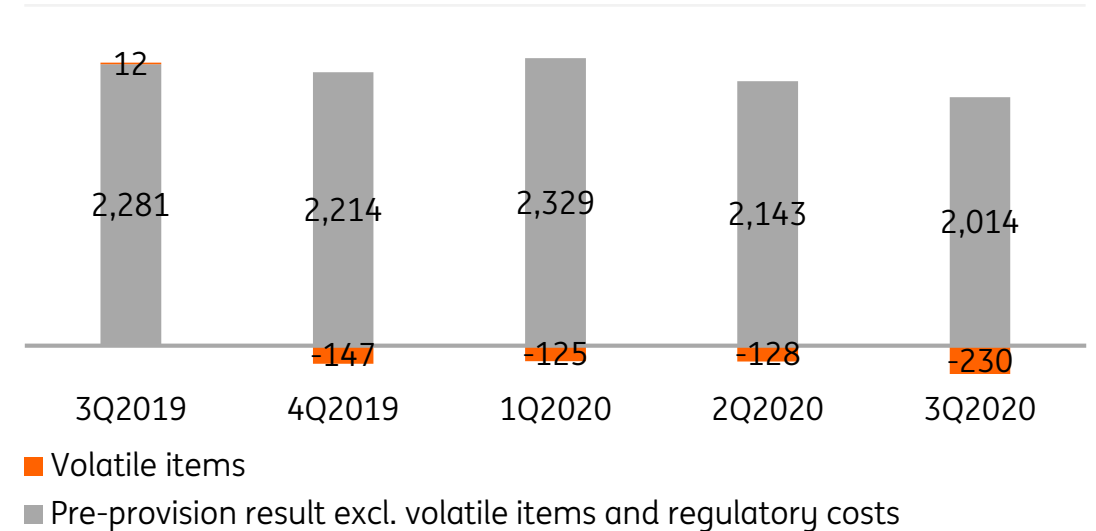


# Resilient pre-provision result despite pressure on liability income

Income (in € mln)



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

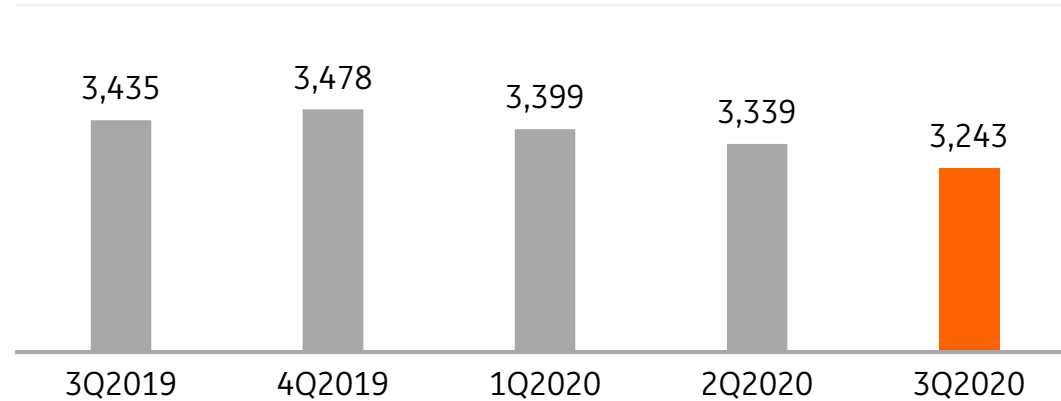


- Income was €340 mln lower compared to 3Q2019, mainly reflecting a €230 million value impairment on our stake in TMB (booked as negative income). The remaining pressure was due to lower interest results on customer deposits, lower results from FX ratio hedging and negative FX impact
- Sequentially, income was €385 mln lower as the annual dividend received from Bank of Beijing was more than offset by the abovementioned €230 million impairment, as well as lower income in Financial Markets and the Corporate Line, including lower interest results on FX ratio hedging
- 3Q2020 pre-provision result, excluding volatile items and regulatory costs, was €267 million lower YoY, reflecting lower income due to abovementioned reasons, and higher expenses, as 3Q2019 included a significant VAT refund
- QoQ pre-provision result excluding volatile items and regulatory costs was €129 million lower, mainly reflecting lower income due to abovementioned reasons, and slightly higher expenses, due to provisions taken this quarter

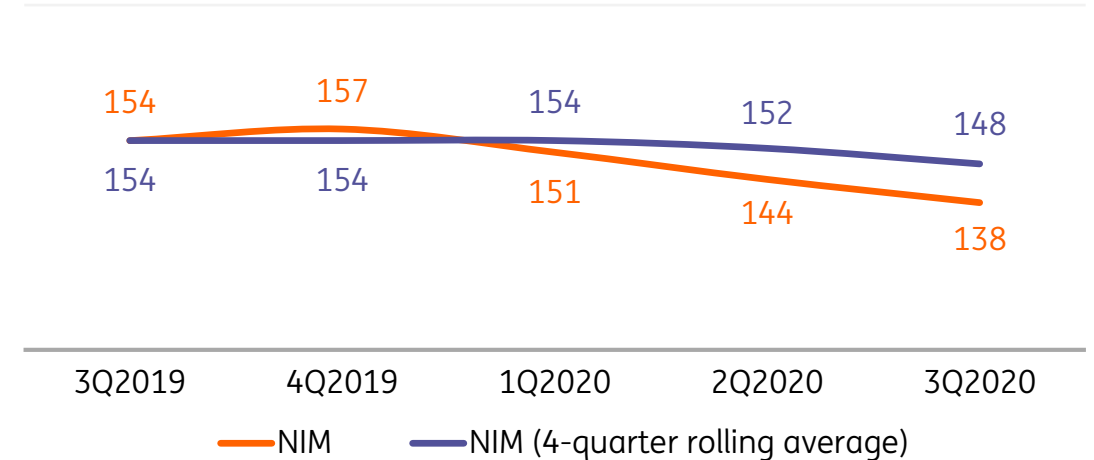
\* A specification of volatile items can be found on slide 22

# NII slightly lower with Covid-19 impact on supporting levers; 4-quarter rolling average NIM at 148 bps

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



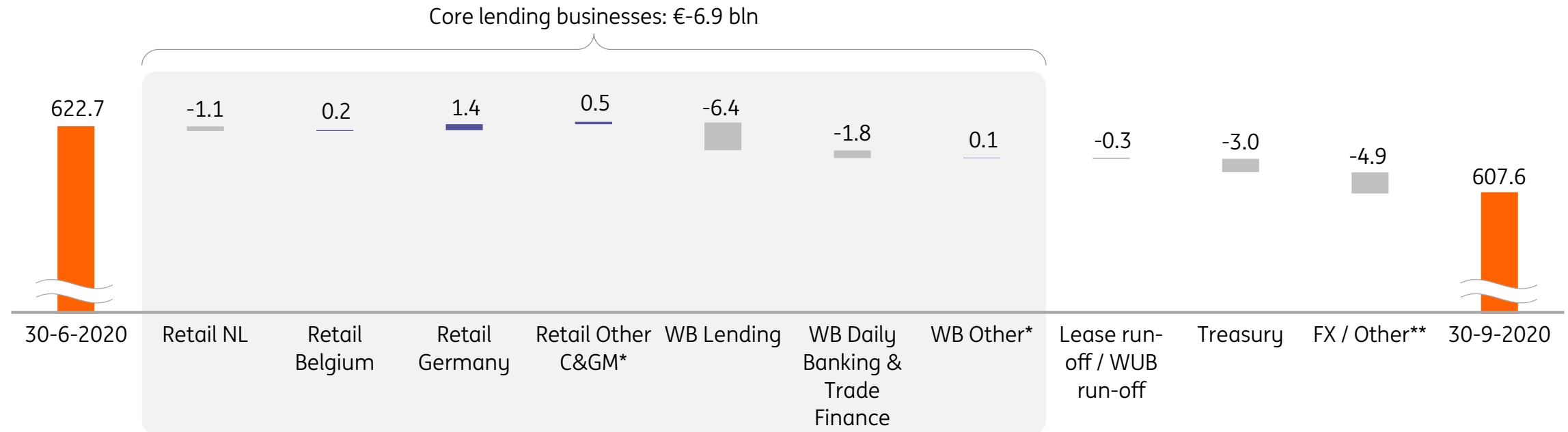
Net Interest Margin (in bps)



- NII, excluding FM, was 5.6% lower compared to 3Q2019. Higher Treasury-related interest results and stable lending margins were more than offset by continued pressure on customer deposit margins, while customer deposits continue to increase. Furthermore, FX had a significant impact this quarter, through lower interest results from FX ratio hedging in the Corporate Line as well as foreign currency translation
- Sequentially, NII excluding FM decreased 2.9%, driven by the abovementioned reasons, despite a slightly higher overall lending margin
- 3Q2020 NIM was 138 bps, down six basis points from 2Q2020, despite a slightly higher overall lending margin. This was partly due to an increase in the average balance sheet, driven by the €55 bln TLTRO III uptake at the end of June, partly offset by lower average customer lending. Furthermore, margin pressure on customer deposits continued and interest results in the Corporate Line declined

# 3Q2020 net core lending reflects further decline of demand

## Customer lending ING Group 3Q2020 (in € bln)



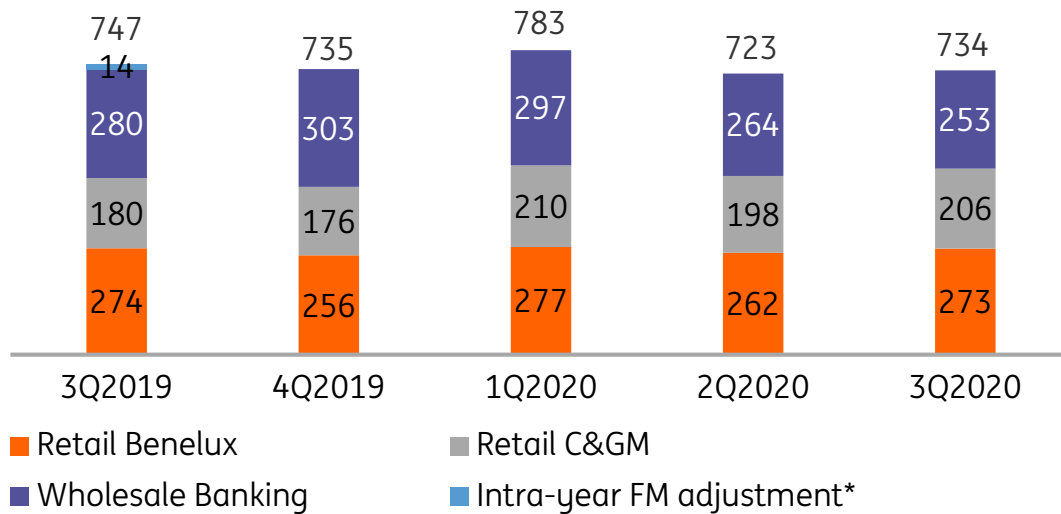
- Net core lending declined by €6.9 bln in 3Q2020
  - Retail Banking grew by €1.1 bln. Mortgages were €1.0 bln higher, due to continued growth in Challengers & Growth Markets (predominantly Germany), while other lending increased by €0.1 bln
  - Wholesale Banking decreased by €8.0 bln, mainly in Lending due to repayments on term loans and repayments of clients' increased utilisation of revolving credit facilities in 1Q2020
- Net customer deposits increased by €3.4 bln

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

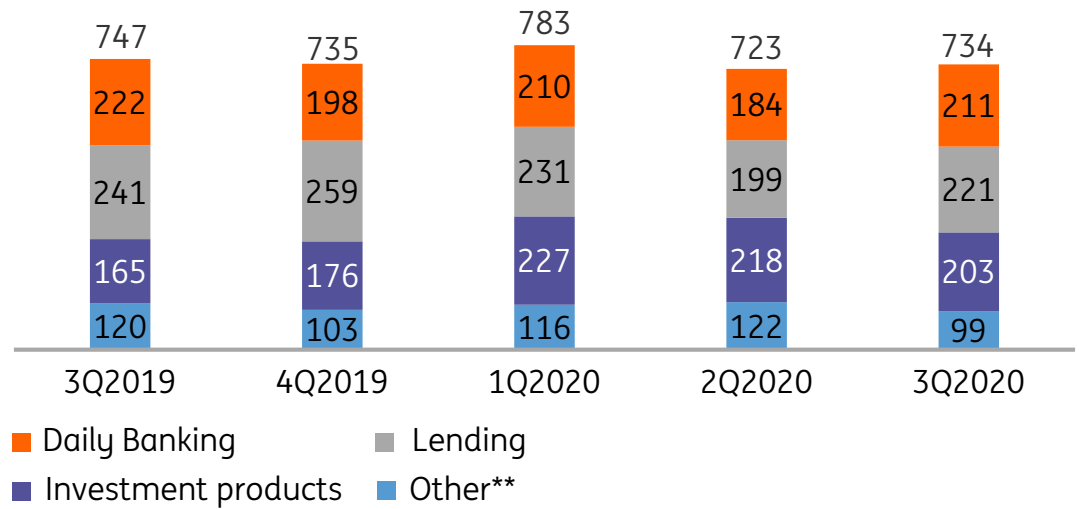
\*\* FX impact was €-4.8 bln and Other €-0.1 bln

# Good fee growth in Retail Banking

Net fee and commission income per business line\* (in € mln)



Fee & commission income per product category (in € mln)



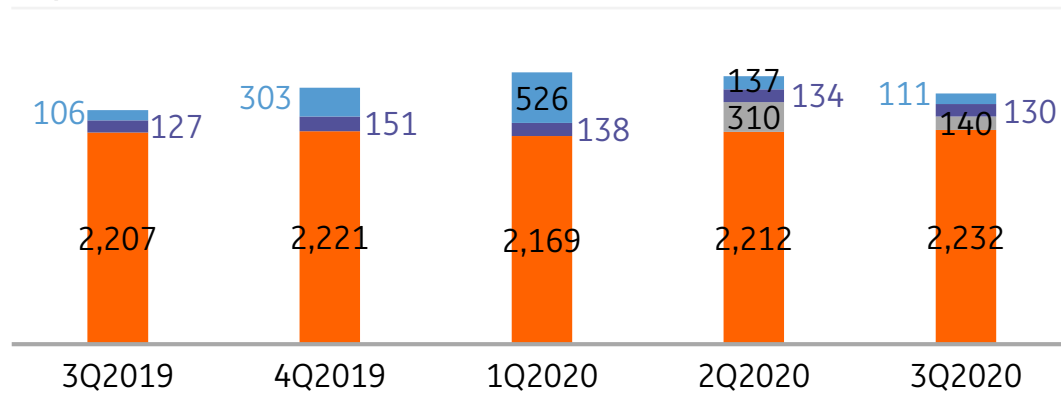
- Compared to 3Q2019, fees in Retail Banking grew by 5.5%, mainly driven by higher fees on investment products, while Daily Banking fees declined, reflecting a still lower number of payment transactions and less travel due to the Covid-19 pandemic. Fees in Wholesale Banking were down, reflecting lower Lending fees from less activity in syndicated deals and TCF (mainly due to lower oil prices), and lower fees in FM due to less client activity. Overall, excluding FM adjustments in 3Q2019, fees were up by €1 mln
- Sequentially, fee income was €11 mln higher. In Retail Banking, fees were €19 million higher, due to some QoQ recovery of (domestic) payment transactions. This more than offset lower, although still relatively high, fees on investments products. In Wholesale Banking fees declined, as higher Lending fees from the closing of syndicated deals in the quarter were more than offset by lower fees mainly in Financial Markets, due to less client activity

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

\*\* Other includes Insurance products and Financial Markets

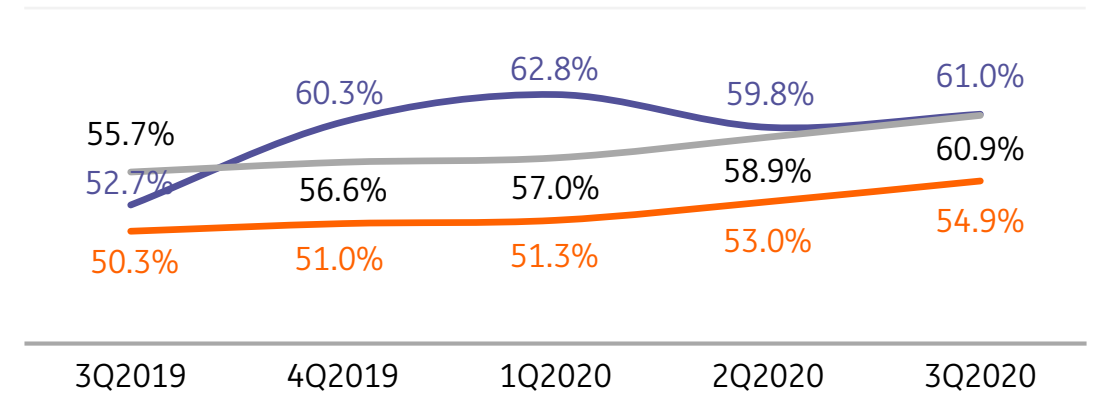
# Operating expenses remain under control

Expenses (in € mln)



- Regulatory costs\*
- KYC related costs
- Impairments
- Expenses excluding KYC, regulatory costs and impairments

Cost/income ratio\*\*



- Cost/income ratio
- Cost/income ratio (4-quarter rolling average)
- Cost/income ratio excl. regulatory costs (4-quarter rolling average)

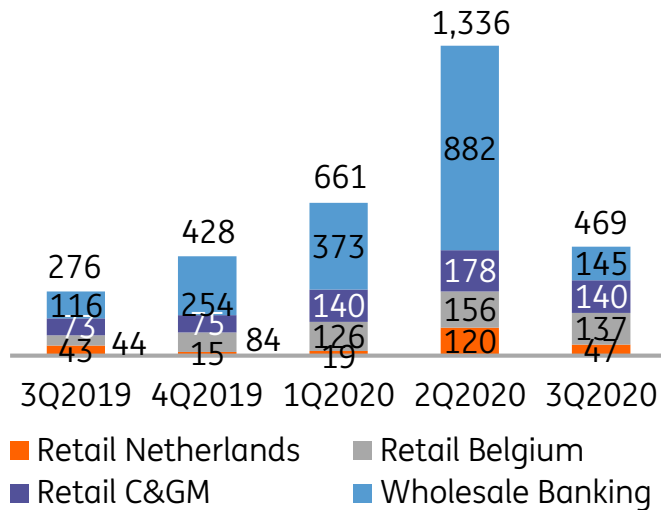
- Expenses excl. KYC-related costs and regulatory costs were up by €165 mln YoY, mainly driven by a €140 mln impairment on capitalised software following the decision to significantly reduce the scope of the Maggie programme
- Excl. also this impairment, expenses were up by 1.1%, as cost savings did not fully compensate for CLA-related salary increases and a €37 mln increase for redundancy and legal provisions, while 3Q2019 included a significant VAT refund and €40 mln in legal provisions
- QoQ, expenses excl. KYC-related costs, regulatory costs and impairments, were €20 mln higher as cost savings were more than offset by the abovementioned €37 mln in provisions
- Regulatory costs were €5 mln higher YoY and €26 mln lower QoQ, as 2Q2020 included a catch-up on SRF contributions

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

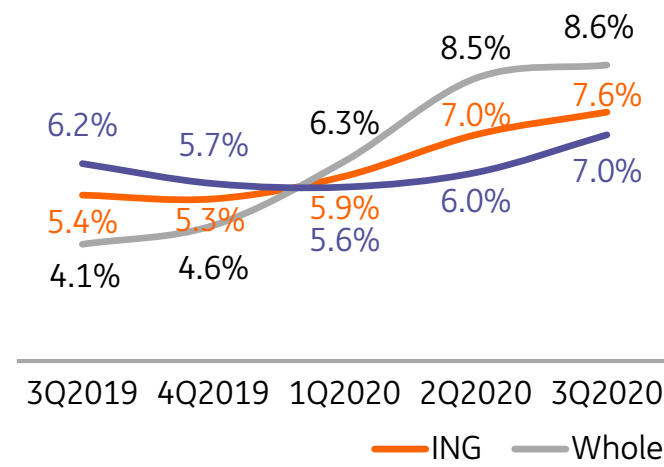
\*\* As per 1Q2020, key figures are based on IFRS results as adopted by the European Union (IFRS-EU) and not on underlying anymore. Historical key figures have been adjusted

# Risk costs down in all business lines, with sharp reduction in WB

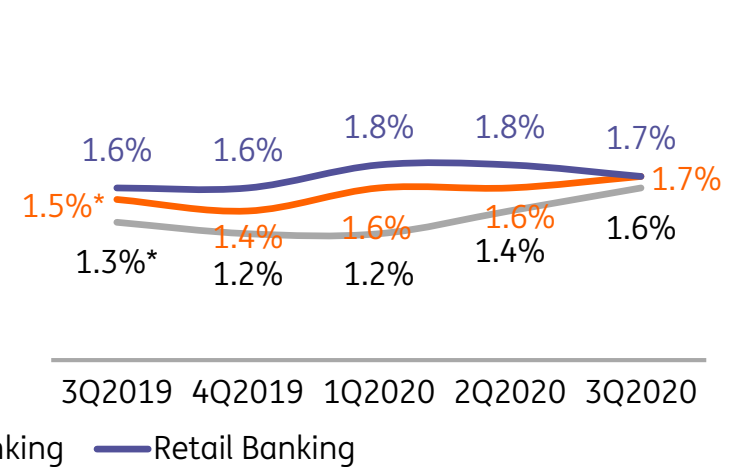
Risk costs per business line (in € mln)



Stage 2 ratio



Stage 3 ratio

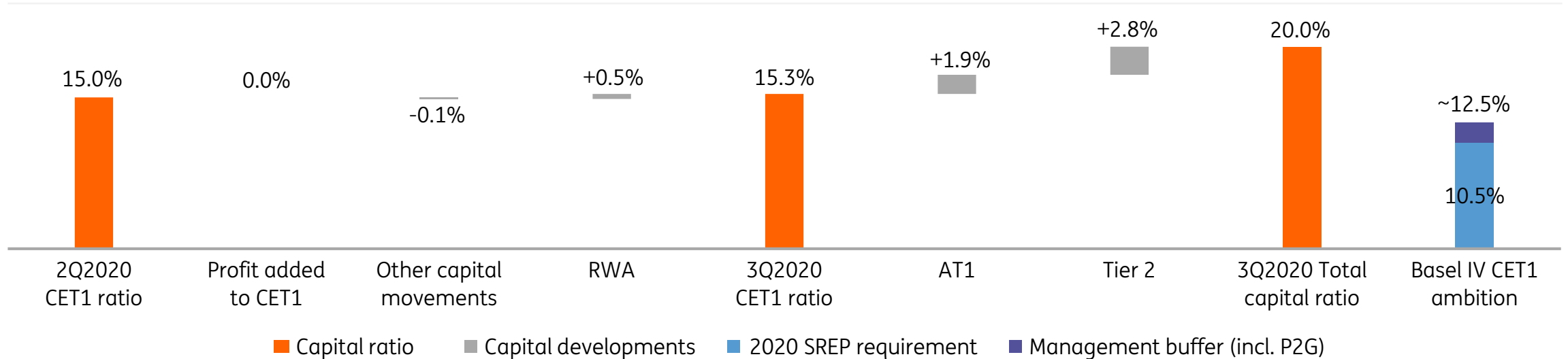


- 3Q2020 risk costs were €469 mln, or 30 bps of average customer lending, slightly above the through-the-cycle average of ~25 bps. This includes a €552 million management overlay, reflecting increasing uncertainty related to the Covid-19 pandemic and a delay in potential credit losses. The overlay was applied to compensate for the effect of €380 million of releases driven by updated macro-economic indicators and to increase additional prudent provisioning for payment holidays. The resulting €172 million impact on risk costs was allocated to the segments with Retail Benelux €105 mln, Retail C&GM €53 mln and WB €14 mln
- In Retail Benelux, risk costs were further driven by business lending, reflecting customers moved to watch list and additions to some individual files. In Retail C&GM, collective provisions increased, mainly in Australia, Romania, Germany and Poland. Risk costs in WB reflected several individual additions, predominantly on existing files, mainly in the Netherlands, UK, Asia and the Americas
- The Stage 2 ratio increased to 7.6%, mainly driven by higher watch list exposures and rating downgrades in Retail Banking. The Stage 3 ratio was slightly higher at 1.7%, mainly reflecting lower lending credit outstandings in Wholesale Banking

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

# Strong ING Group CET1 ratio at 15.3%

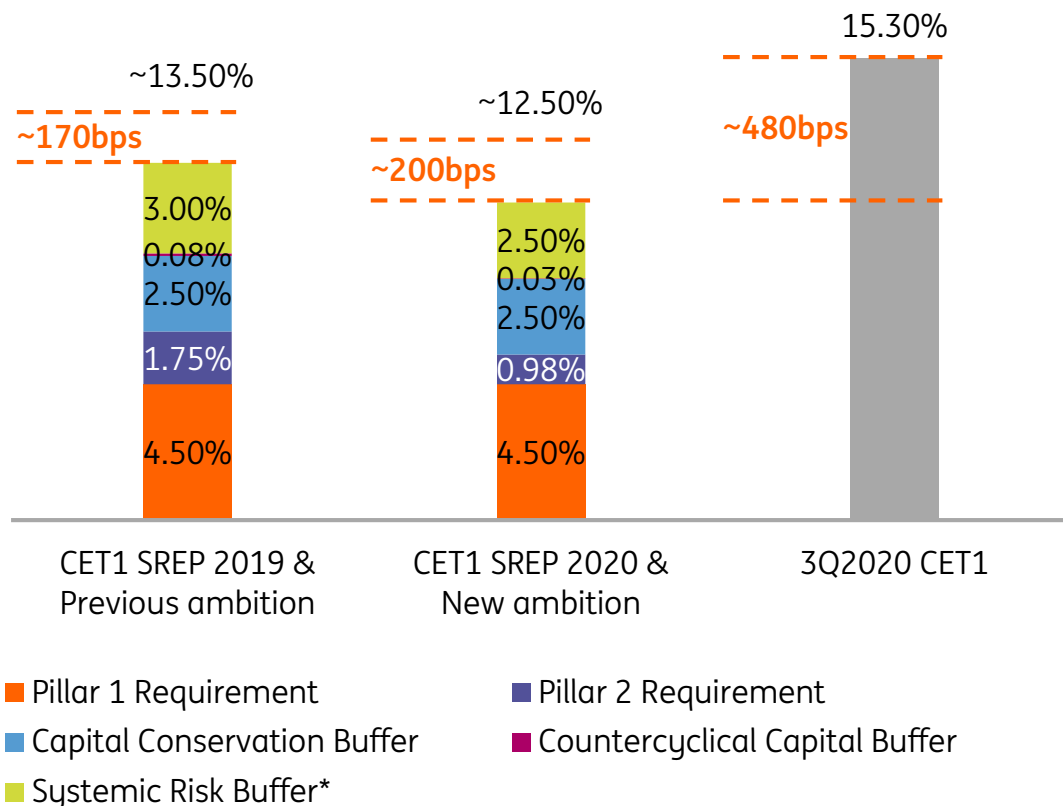
## ING Group Total capital ratio development (in %)



- The 3Q2020 CET1 ratio came in at 15.3%, despite not adding 3Q2020 interim profit to CET1 capital
- CET1 capital was €0.4 bln lower reflecting €0.7 bln negative FX impact and €0.1 bln lower debt and equity revaluation reserves. This was partly offset by other capital movements, primarily reflecting the lower capital deduction for intangibles (€0.2 bln, mainly related to Maggie) and a benefit from IFRS 9 transitional arrangements (€0.1 bln)
- RWA decreased €9.9 bln, mainly due to a decrease in credit RWA, which were down €10.5 bln as a result of FX (€-3.2 bln), lower volume (€-2.9 bln), positive risk migration (€-1.4 bln) and a reduction of IRB equity (€-0.9 bln), primarily due to the impairment on ING's stake in TMB. Market RWA decreased €2.3 bln mostly due to a reduction of exposures, while operational RWA increased €2.9 bln
- The €1.8 bln reserved for the 2019 final dividend was not added back to CET1 capital and remains reserved for dividend

# Announcing new CET1 ratio ambition level, aligning with capital requirements

## CET1 ratio ambition compared to ING Group fully-loaded SREP



## Long-term CET1 ratio ambition level

- There is a structural reduction of our capital requirements and increased visibility of the remaining expected regulatory RWA inflation
- As a result, we have decided to lower our long-term fully loaded CET1 ratio ambition level to ~12.5% (post-Basel IV), implying a buffer of ~200 bps over our fully-loaded SREP requirement
- €2.5 bln (~81 bps) is reserved for distribution outside of CET1 capital
- Current CET1 ratio at 15.3%, representing a buffer of 4.79%

## Managing for uncertainty

- Given the current uncertainty caused by Covid-19, we will manage the CET1 ratio at a level well above 12.5% until there is more clarity on how the economy will emerge from the Covid-19 pandemic

\* Systemic Risk Buffer reduced by 50 bps in 2020, which may be replaced by a Dutch Countercyclical Capital Buffer



# New distribution policy to provide a sustainable and attractive return to shareholders

## Suspended dividend policy

- ING aims to offer a sustainable and attractive return to shareholders
- ING's progressive dividend policy was suspended following the ECB recommendation in March 2020
- We have decided to amend our policy given the accounting procyclicality of IFRS 9 and the subsequent effect on net profits, as well as the negative implication of a progressive dividend policy on regulatory stress testing
- 2019 dividend remains reserved for distribution and ING did not accrue during suspension period (1H2020)

## New distribution policy consists of

- Pay-out ratio of 50% of resilient net profit\*
  - To be paid out in cash or a combination of cash and share repurchases, with the majority in cash
  - Cash only interim dividend, of ~1/3 of 1H resilient net profit, to be paid out with our half year results
  - We have not included 3Q2020 net profit (€788 mln) in our regulatory capital
- €1,754 mln 2019 dividend remains reserved for distribution to shareholders
  - This will not have an impact on our CET1 ratio as the amount is reserved outside of regulatory capital
- 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
- Exact form and final level of distribution subject to AGM approval

**Any dividend or capital distribution is subject to prevailing ECB recommendation**

\* Reported net profit excluding extraordinary items

# ING Group financial ambitions

		Actual 2019	Actual 3Q2020	Financial ambitions
<b>Capital</b>	▪ CET1 ratio (%)	14.6%	<b>15.3%</b>	~12.5%* (Basel IV)
	▪ Leverage ratio (%)	4.6%	<b>4.7%</b>	>4%
<b>Profitability</b>	▪ ROE (%)** (IFRS-EU Equity)	9.4%	<b>5.1%</b>	10-12%
	▪ C/I ratio (%)**	56.6%	<b>60.9%</b>	50-52%
<b>Dividend</b>	▪ Dividend (per share)	€0.24***		50% pay-out ratio****

\* Implies management buffer (incl. Pillar 2 Guidance) of ~200 bps over fully-loaded CET1 requirements (10.51% fully loaded, after reduction of several buffers in a response to the Covid-19 pandemic and the pulling forward of the implementation of article 104a of CRDV)

\*\* Based on 4-quarter rolling average. ING Group ROE is calculated using IFRS-EU shareholders' equity after excluding 'interim profit not included in CET1 capital'. As at 30 September 2020, interim profit not included in CET1 capital amounts to €2,541 mln, reflecting an initial reservation for the 2019 final dividend payment and a reservation for the 2020 distribution

\*\*\* Interim dividend 2019

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

**Wrap up**

# Wrap up

- In line with our purpose, we continue to take actions to support our customers, employees and society in coping with the effects of the Covid-19 pandemic. At the same time, countering financial and economic crime remains a priority
- The current environment underscores the strength of our digital business model. 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, supported by disciplined pricing, good fee income and cost control, despite increased margin pressure on customer deposits and impairments
- Risk costs declined sharply, reflecting much lower Stage 3 provisions and a €552 mln management overlay, to compensate for the effect of an IFRS 9 driven release and to increase provisioning related to payment holidays
- A growing number of Covid-19 cases and renewed lockdown measures are increasing uncertainty. We maintain vigilance on margins and asset quality. We are also taking steps to focus our activities, which impacts our geographical footprint, projects and operations
- 3Q2020 CET1 ratio was strong at 15.3%. The full 3Q2020 net profit is kept outside of regulatory capital
- We have adjusted our long-term CET1 ratio ambition to ~12.5% (~200 bps above MDA), reflecting lower capital requirements and more visibility on expected remaining regulatory RWA impact. Given the current uncertainty caused by the Covid-19 pandemic, we will manage our CET1 ratio at a level well above 12.5% until there is more clarity on how the economy will emerge from the Covid-19 pandemic
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# Appendix

# Volatile items 3Q2020

## Volatile items and regulatory costs (in € mln)

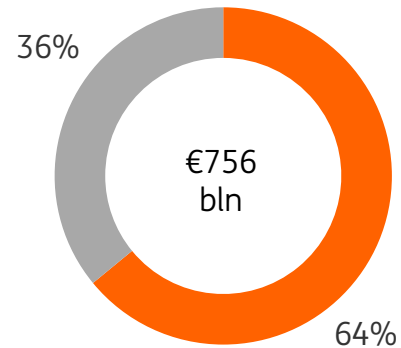
	3Q2019	4Q2019	1Q2020	2Q2020	3Q2020
<b>WB/FM – valuation adjustments</b>	-25	-74	-92	87	91
<b>Capital gains/losses</b>	5	-8	138	15	6
<b>Hedge ineffectiveness</b>	32	-65	-89	40	43
<b>-Other items*</b>			-82	-270	-370
<b>Total volatile items</b>	<b>12</b>	<b>-147</b>	<b>-125</b>	<b>-128</b>	<b>-230</b>
<b>Regulatory costs</b>	-106	-303	-526	-137	-111

\* 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 MtM 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)

# Well-diversified lending credit outstandings by activity

## ING Group\*

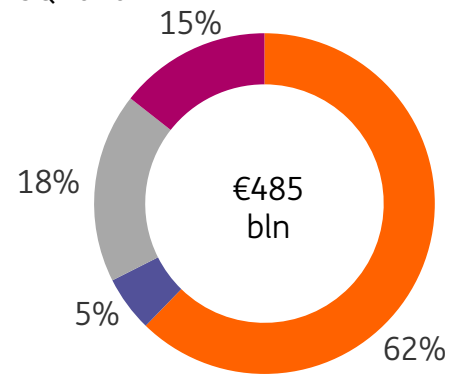
3Q2020



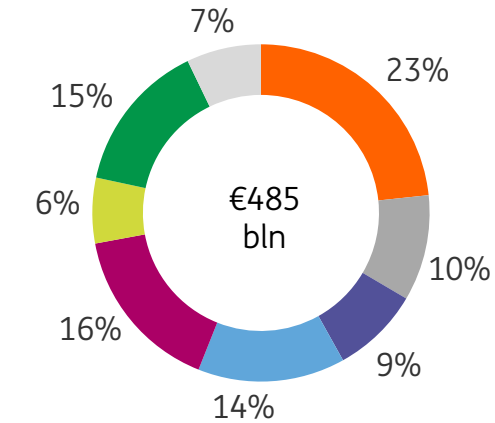
- Retail Banking
- Wholesale Banking

## Retail Banking\*

3Q2020



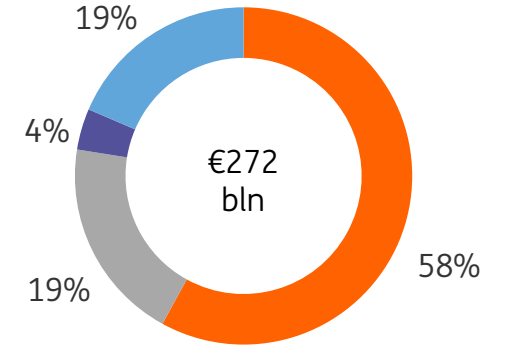
- Residential mortgages
- Consumer Lending
- Business Lending
- Other Lending\*\*



- Mortgages Netherlands
- Other lending Netherlands
- Mortgages Belgium
- Other lending Belgium
- Mortgages Germany
- Other lending Germany
- Mortgages Other C&GM
- Other lending Other C&GM

## Wholesale Banking\*

3Q2020



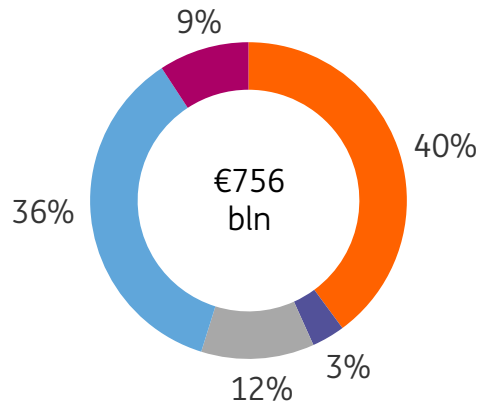
- Lending
- Daily Banking & Trade Finance
- Financial Markets
- Treasury & Other

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

\* 30 September 2020 lending and money market credit outstandings, including guarantees and letters of credit, but excluding undrawn committed exposures (off-balance sheet positions)

\*\* Other includes €48 bln Retail-related Treasury lending and €22 bln Other Retail Lending

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



- Residential mortgages
- Consumer Lending
- Business Lending
- Wholesale Banking
- Other\*

## Residential Mortgages €302 bln

- Average LTV of 59% with low Stage 3 ratio at 1.2%
- Risk metrics remained strong, also supported by government schemes

## Consumer Lending €26 bln

- Relatively small book, risk metrics slightly deteriorated

## Business Lending €87 bln

- No increased usage of limits observed, limited exposure to sectors most at risk:
  - Agriculture: €5.6 bln (0.7% of loan book), Stage 3 ratio at 6.2%
  - Non-food Retail: €3.0 bln (0.4% of loan book), Stage 3 ratio at 4.9%
  - Hospitality + Leisure: €4.3 bln (0.6% of loan book), Stage 3 ratio at 4.1%

## Wholesale Banking €272 bln

- Further decline of protective drawings, limited exposure to sectors most at risk:
  - Leveraged Finance: €8.3 bln (capped at €10.1 bln), well-diversified over sectors
  - Oil & Gas: €3.9 bln with direct exposure to oil price risk (0.5% of loan book; Reserve Based Lending (€2.9 bln) and Offshore business (€1.0 bln))
  - Aviation: €4.1 bln (0.5% of loan book), Stage 3% at 5.8%
  - Hospitality + Leisure: €1.8 bln (0.2% of loan book), low Stage 3% at 1.2%

## Commercial Real Estate (RB + WB)

- Total €50.8 bln (6.7% of loan book), booked in RB and WB
- Well-diversified capped loan book
- LtV at 50% and low Stage 3% at 1.0%

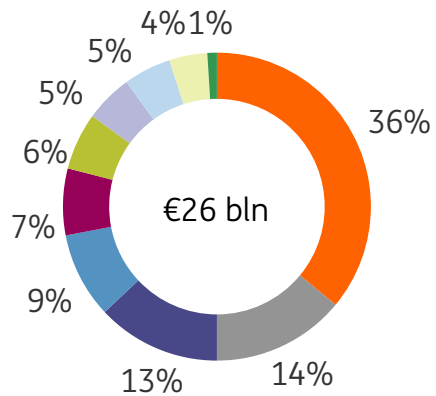
\* Other includes €48 bln Retail-related Treasury lending and €22 bln Other Retail Lending



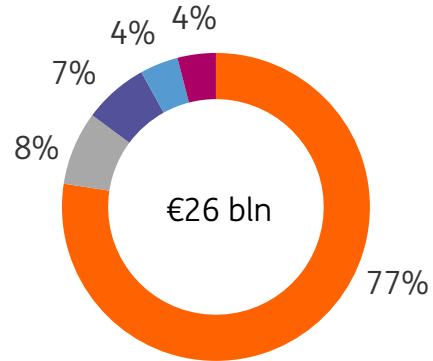
# Granular Retail Consumer Lending and Business Lending

## Consumer Lending – 3Q2020 Lending Credit Outstandings

By geography



By product

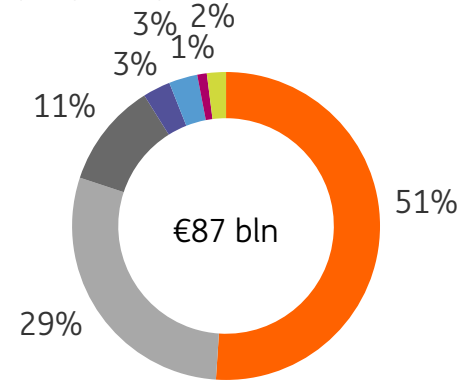


- Germany
- Belux
- Spain
- France
- Poland
- Netherlands
- Romania
- Italy
- Turkey
- Other

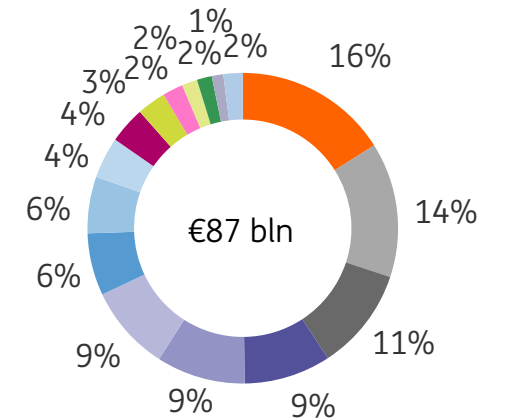
- Term Loan
- Revolver
- Personal Loan
- Overdraft
- Other

## Business Lending – 3Q2020 Lending Credit Outstandings

By geography



By sector



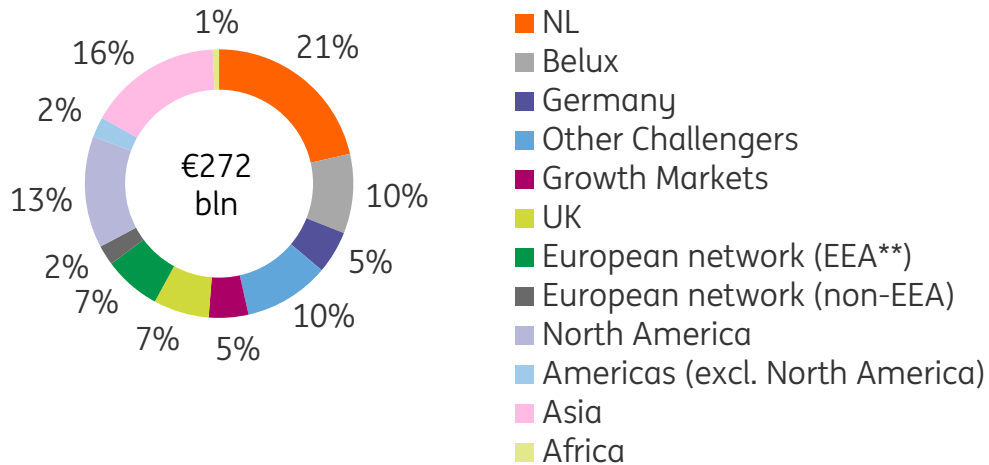
- Belgium
- Netherlands
- Poland
- Turkey
- Australia
- Romania
- Other

- Real Estate
- Services
- Food, Beverages & Personal Care
- Builders & Contractors
- General Industries
- Chemicals, Health & Pharmaceuticals
- Transportation & Logistics
- Lower Public Administration
- Retail
- Automotive
- Central Governments
- Natural Resources
- Media
- Utilities
- Non-Bank Financial Institutions
- Other

# Granular Wholesale Banking lending

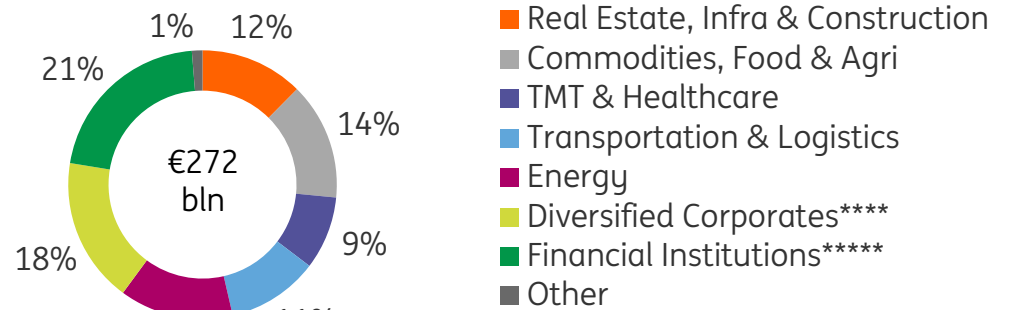
## Loan portfolio is well diversified across geographies...

Lending Credit O/S Wholesale Banking (3Q2020)\*

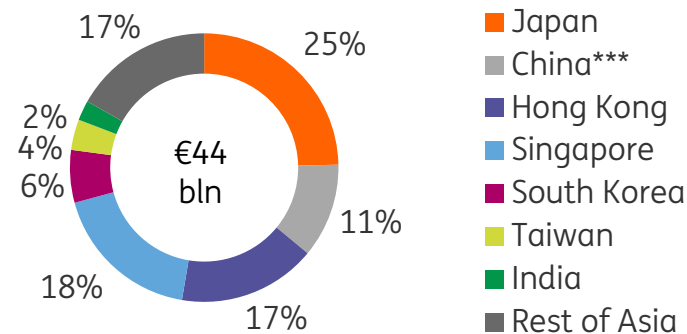


## ...and sectors

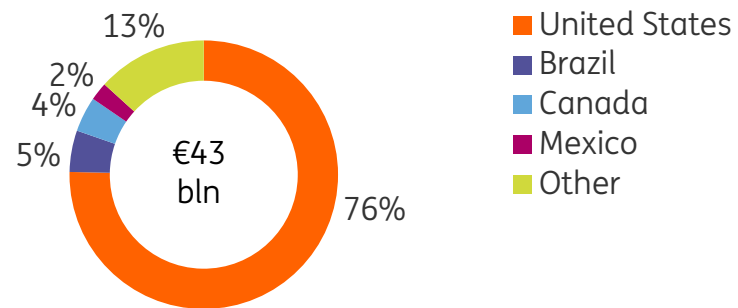
Lending Credit O/S Wholesale Banking (3Q2020)\*



Lending Credit O/S Wholesale Banking Asia (3Q2020)\*



Lending Credit O/S Wholesale Banking Americas (3Q2020)\*



\* Data is based on country/region of residence; Lending and money market credit O/S, including guarantees and letters of credit but excluding undrawn committed exposures (off-balance sheet positions); \*\* Member countries of the European Economic Area (EEA); \*\*\* Excluding our stake in Bank of Beijing (€1.6 bln at 30 September 2020); \*\*\*\* Large corporate clients active across multiple sectors; \*\*\*\*\* Including Financial sponsors

# Leveraged finance book managed within a restrictive framework

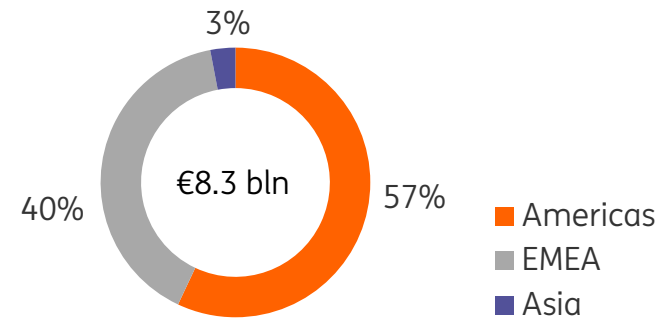
## Business overview

- Focus on larger sponsors with an established track record and a history of resolving issues in the event of underperformance by the acquired business
- Granular book of €8.3 bln as per 3Q2020
- There were supportive market conditions in the beginning of the year, evidenced by a substantial increase in the number of transactions. After markets dried up following the Covid-19 pandemic, primary focus is on managing the existing portfolio. In 2Q2020, we were able to syndicate the two transactions which remained on our balance sheet at the end of 1Q2020

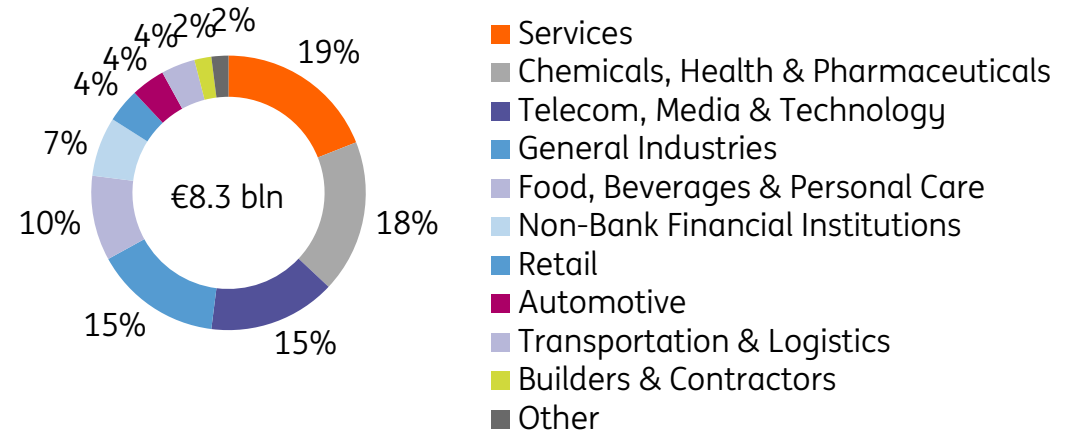
## Main actions taken

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

## Leveraged finance book\* focused on developed markets (as per 3Q2020)



## Leveraged finance book\* highly diversified by industry (as per 3Q2020)



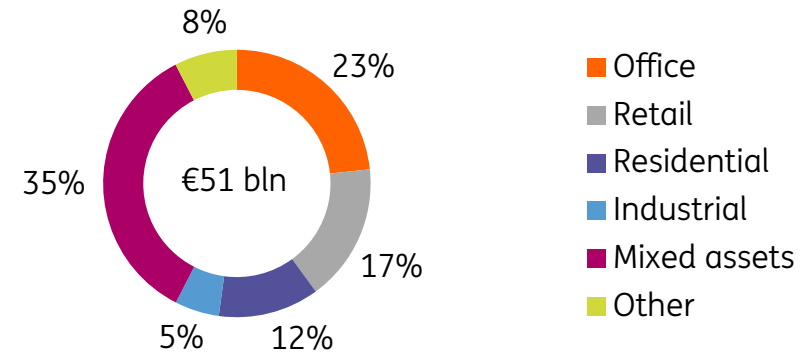
\* Leveraged finance is defined as Private Equity driven leveraged finance with higher than 4x leverage. Leveraged finance book is total commitments (i.e. including undrawn)

# Well-diversified Commercial Real Estate (CRE) portfolio

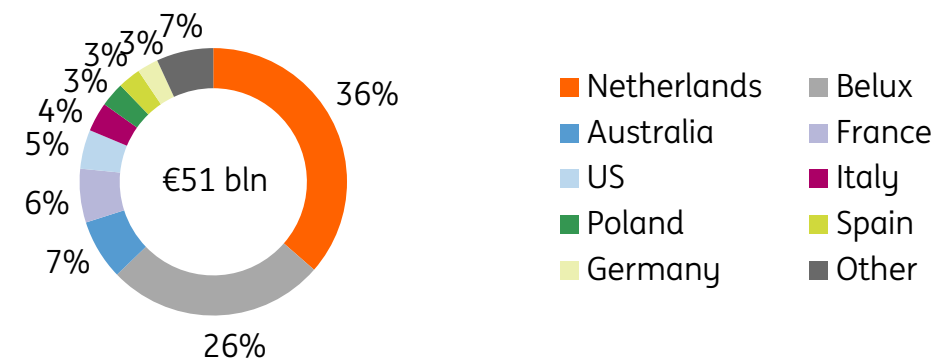
## Business overview

- CRE portfolio of €50.8 bln, cap at €56 bln, split between:
  - Real Estate Finance (REF) €36.0 bln
  - Retail Banking €14.8 bln
- REF portfolio is managed by Wholesale Banking, booked in WB (€24.8 bln) and RB (€11.3 bln) based on client type
- Retail Banking portfolio mainly in RB Benelux to companies in the mid-corporates segment, generally professional investors with real estate portfolios rented to third parties (mainly residential) and part construction finance to professional parties within a strict risk appetite (>90% residential development, minimum % of pre-sold units, recourse on shareholders with stable cash flows)
- Overall well diversified portfolio both in terms of geography and asset type, with 50% LtV and low Stage 3 ratio of 1.0%
- Portfolio is managed within risk appetite of global CRE policy which includes focus on diversified portfolios (in principle no single tenants or objects), no hotels (only exception if small part of quality real estate portfolio)
- In the current market most scrutiny on asset type Retail, which is 17% of the total CRE book. We have a restrictive policy in place, with focus on supermarkets or smaller malls which include at least one supermarket

## CRE breakdown by asset type (as per 3Q2020)

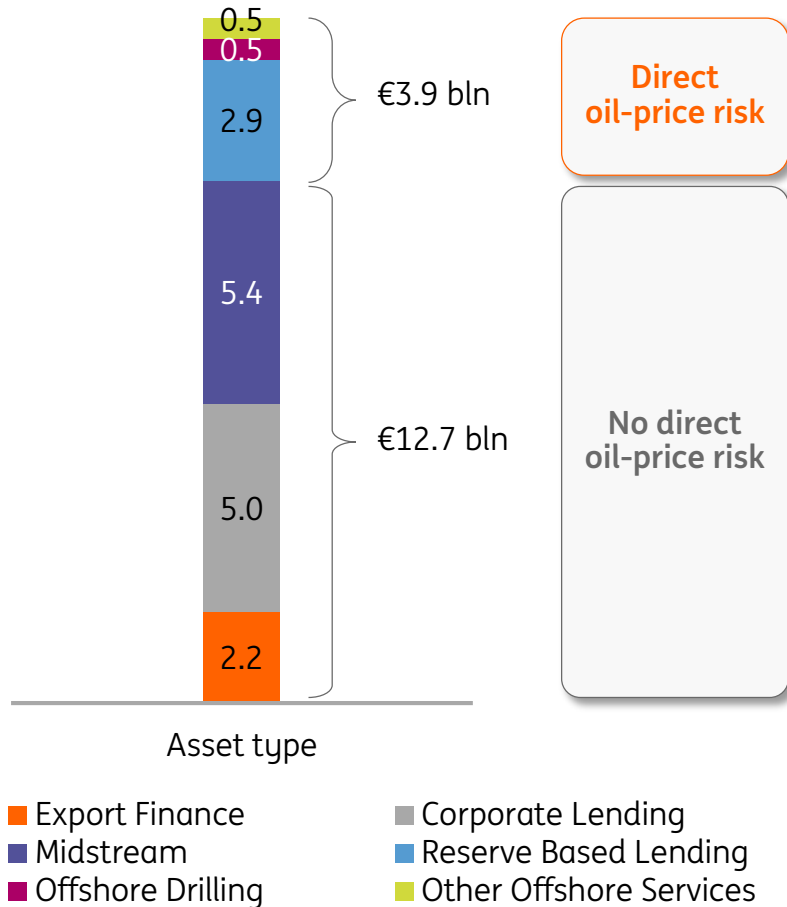


## CRE breakdown by geography\* (as per 3Q2020)



\* Geographical split based on country of residence

# Oil & Gas book: only €3.9 bln directly exposed to oil-price risk



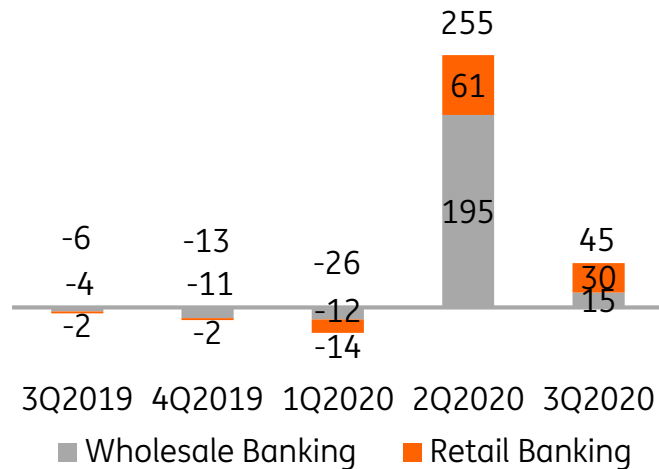
- Reserve Based Lending: smaller independent oil & gas producers, focus on 1<sup>st</sup> cost quartile producers
- Midstream: typically assets generating revenues from long-term tariff based contracts, not affected by oil & gas price movements
- Corporate Lending: predominantly loans to investment grade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

Overall Stage 3 ratio at 8.0%

Note: exposure and Stage 3 ratio reflects companies active in the Oil & Gas industry and excludes €12.0 bln exposure in Trade & Commodity Finance with no direct oil-price risk, reflecting short term self-liquidating financing of trade flows, generally for major trading companies, typically pre-sold or price-hedged

# Management overlay taken to reflect potential impact of Covid-19

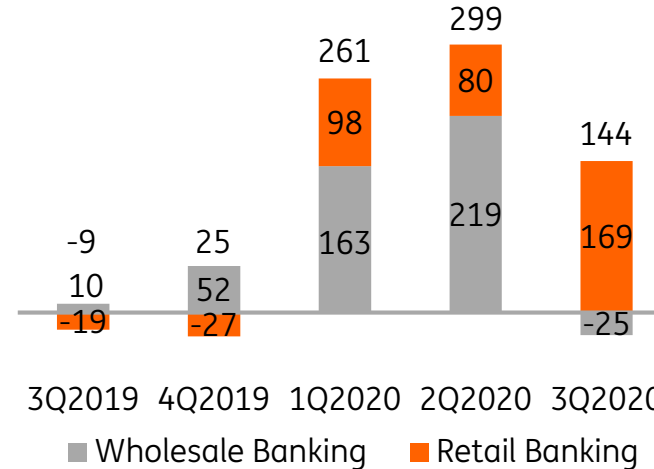
## Stage 1 provisioning (in € mln)



### Main drivers 3Q2020

- Management overlay to compensate for the effect of releases triggered by updated macro-economic indicators, reflecting a delay in potential credit losses as lockdown measures increase and uncertainty remains

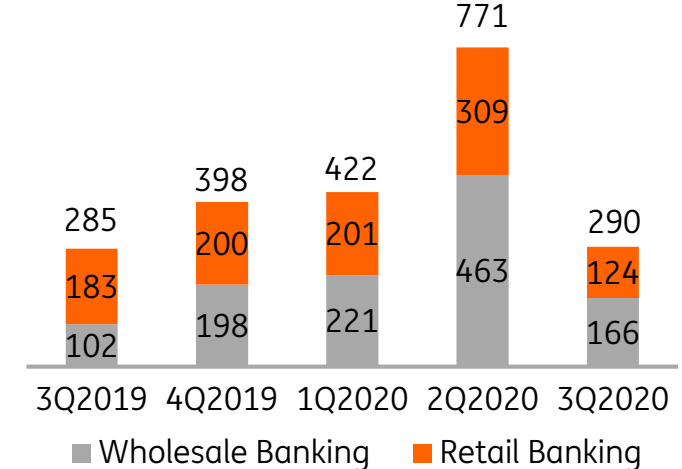
## Stage 2 provisioning (in € mln)



### Main drivers 3Q2020

- Management overlay to compensate for the effect of releases triggered by updated macro-economic indicators, reflecting a delay in potential credit losses as lockdown measures increase and uncertainty remains
- Collective provisioning related to payment holidays
- Individual provisioning related to Watch list exposures and rating downgrades

## Stage 3 provisioning (in € mln)

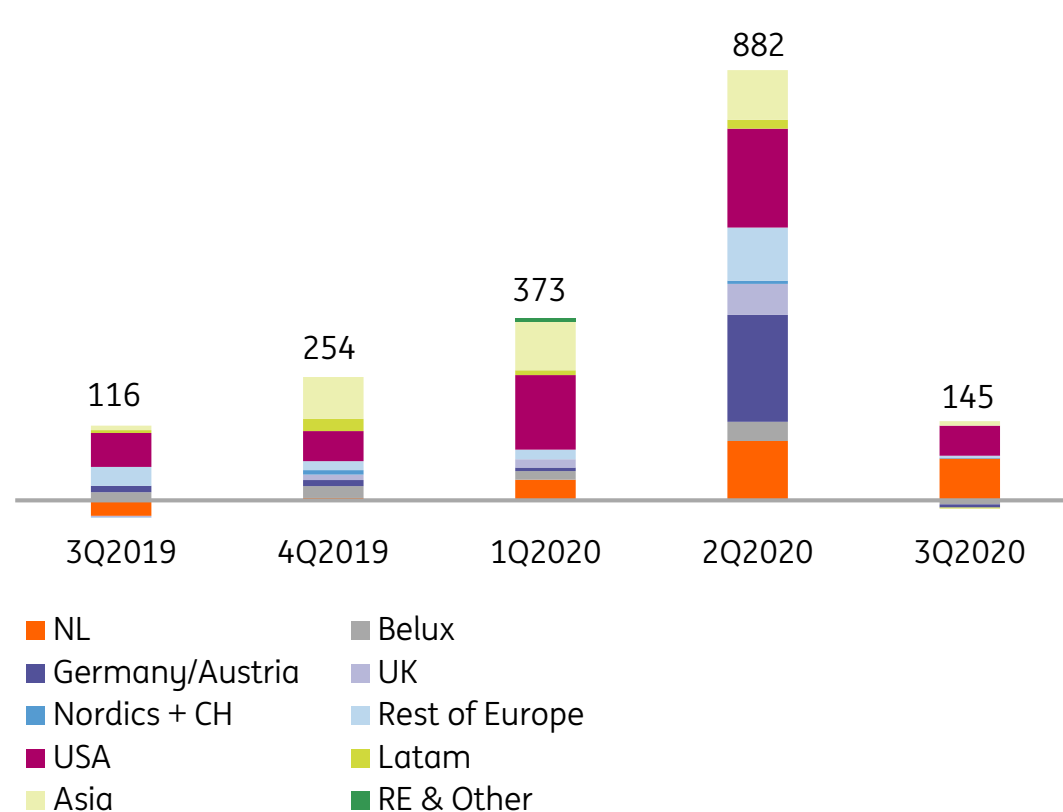


### Main drivers 3Q2020

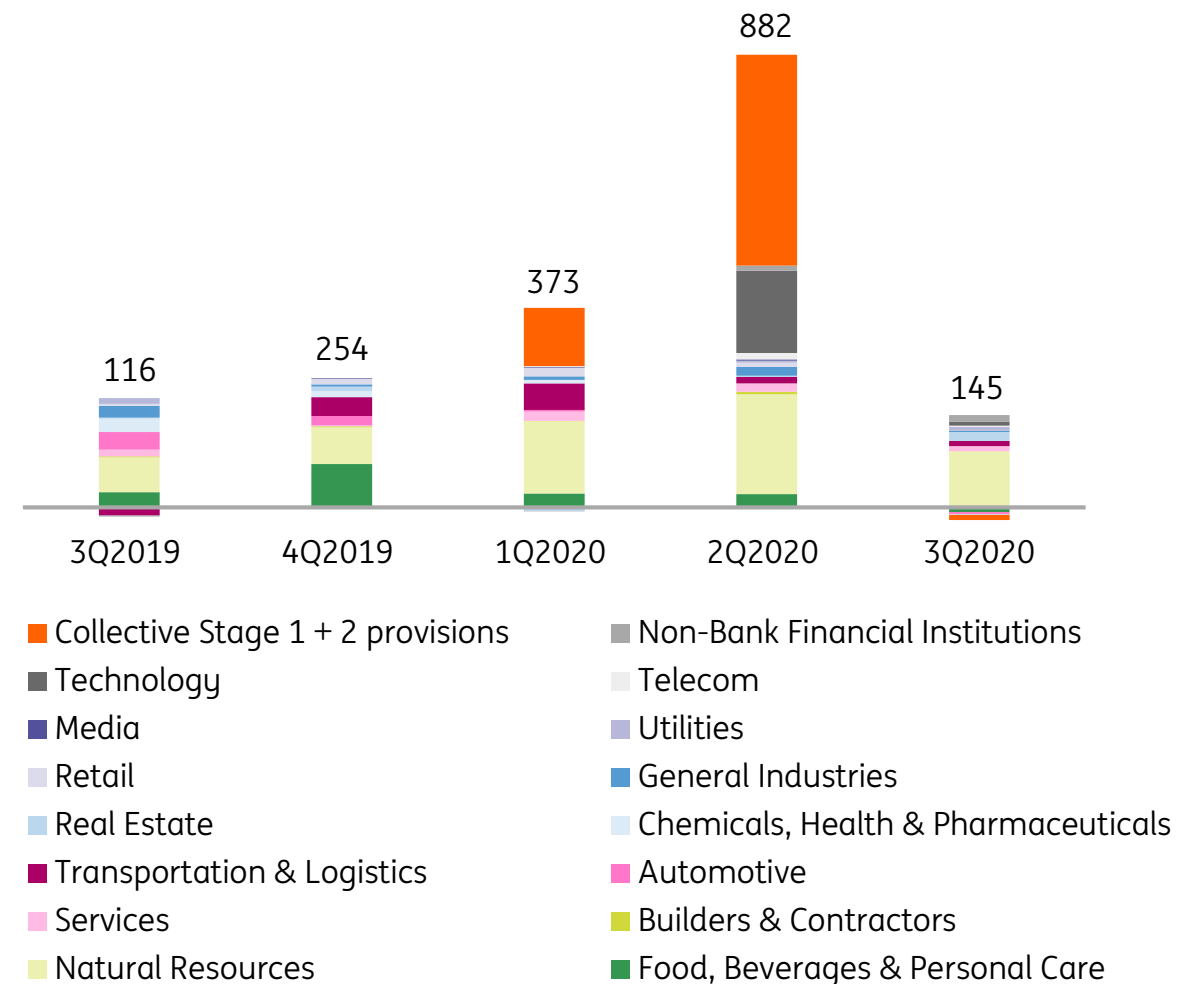
- Additions to existing individual files in WB with deteriorated indicators

# Breakdown of quarterly risk costs Wholesale Banking per geography and sector

Breakdown of geography which generated risk costs WB (in € mln)



Breakdown of sector which generated risk costs WB (in € mln)



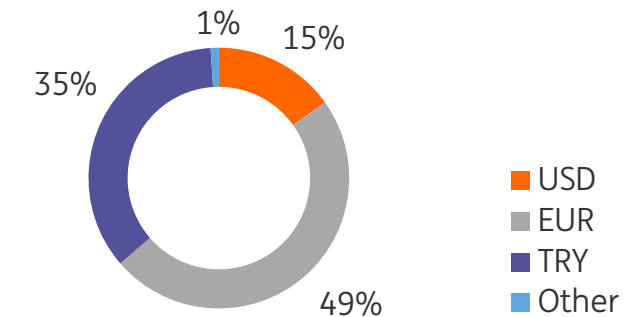
# Overview Turkey exposure

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

	3Q2020	2Q2020	Change
<b>Lending Credit O/S Retail Banking</b>	<b>3,597</b>	<b>4,123</b>	<b>-12.8%</b>
Residential mortgages	397	484	-18.0%
Consumer lending	982	1,148	-14.5%
SME/Midcorp	2,218	2,491	-11.0%
<b>Lending Credit O/S Wholesale Banking</b>	<b>5,292</b>	<b>5,425</b>	<b>-2.5%</b>
<b>Total Lending Credit O/S*</b>	<b>8,889</b>	<b>9,548</b>	<b>-6.9%</b>

- Intra-group funding reduced from €1.5 bln at end-2Q2020 to €1.4 bln at end-3Q2020
- Reduction of outstandings in 3Q2020 is mainly driven by Retail
- ING only provides FX lending to corporate customers with proven FX revenues; only limited rolling-over of FX lending facilities
- ECA-covered lending is ~€1.7 bln; ~€0.2 bln of SME/Midcorp lending benefits from KGF cover (Turkish Credit Guarantee Fund)
- Quality of the portfolio remains relatively strong with a Stage 3 ratio of 3.4%

## 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

	3Q2020	2Q2020
Stage 3 ratio	3.4%	4.2%
Coverage ratio	61%	53%

\* Data based on country of residence. Lending credit outstandings, including guarantees and letters of credit, but excluding undrawn committed exposures (off-balance sheet positions)

\*\* Excludes residential mortgages, which have an average remaining maturity of ~6 years



# Important legal information

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

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