# 1Q2024 Comparative Quarters Note

**ING Investor Relations**

**9 April 2024**



**General market developments**

- Central bank rates have remained stable during the first quarter
- In our Retail markets, mortgage demand has shown initial signs of gradual recovery
- In our Wholesale markets, we observed rising PMIs and a continuation of the gradual recovery of loan demand
- Eurozone inflation levels have further decreased during the first quarter
- Unemployment rates remained benign in our core markets, while bankruptcy levels remained below historical levels

**Net Interest Income**: 1Q2023 NII was €4,012 mln. In 4Q2023 it was €3,875 mln

- Interest income on our customer deposits is impacted by the development of both short- and longer-term interest rates, as ~50% of our retail eurozone deposits are replicated with a remaining maturity up to 1 year and ~50% with a remaining maturity between 1 and 15 years
    - During the first quarter, the ECB deposit facility rate remained stable
    - Average eurozone swap rates were significantly lower than both comparative quarters, however still well above the average of the past 5 years
- Interest expenses on our customer deposits are mainly impacted by core savings rates and migration between products
    - Core savings rates in Retail Banking remained unchanged during 1Q2024, however (based on publicly announced pricing) the weighted average core savings rate increased from ~120 bps during 4Q2023 to ~125 bps during 1Q2024 as a result of the full-quarter effect from prior quarter's pricing changes
    - Client rates in Wholesale Banking Payments & Cash Management readjust slower to the increased policy rates than in Retail Banking
    - Migration from savings to term deposits accelerated during 4Q2023, with the full-quarter effect on interest expenses to be visible as of the first quarter. Further migration to term deposits is likely to ease during 2024
- In Germany, a 'fresh money' campaign for existing customers was launched in February, with a 3.3% bonus rate up to 6 months
- The accounting asymmetry impact on net interest income in Treasury and in Financial Markets was assumed to remain stable in 2024 as per the 4Q2023 results presentation

**Net fee and commission income**: 1Q2023 fee income was €896 mln. In 4Q2023 it was €879 mln

- In Retail Banking, fee income is mainly driven by daily banking and investment products. In the Netherlands we implemented an increase in monthly daily banking fees of €0.50 per account, effective as per 1 March 2024
- In Wholesale Banking, fee income is mainly driven by lending activity

**Investment income**: 1Q2023 investment income was €15 mln. It was €-24 mln in 4Q2023

**Other income** was €644 mln in 1Q2023 and €679 mln in 4Q2023

- 4Q2023 included €216 mln of other income in Financial Markets (more than offsetting the aforementioned accounting asymmetry impact in NII) and included a €60 mln negative impact from an increase in reserves
- The impact from accounting asymmetry on other income in Treasury (more than offsetting the aforementioned impact in NII) was €267 mln in 1Q2023 and €242 mln in 4Q2023
- IAS 29 impact to reflect hyperinflation accounting in Türkiye was €-70 mln in 1Q2023 and €-25 mln in 4Q2023. Continued impact from IAS 29 may be expected as it pertains to the development of Turkish CPI. As a reminder, IAS 29 has no meaningful effect on CET1

**Expenses excluding regulatory costs** were €2,546 mln in 1Q2023 and €2,758 mln in 4Q2023

- 1Q2023 included €4 mln of incidental items and 4Q2023 included €114 mln

**Regulatory costs** were €525 mln in 1Q2023 (including the annual contribution to the European Single Resolution Fund (SRF), the Belgian Deposit Guarantee Scheme, and the annual Belgian bank tax) and €317 mln in 4Q2023 (including the annual Dutch bank tax)

- SRF contributions are largely reflected in the first quarter of the year and amounted to €251 mln for full year 2023
- Regulatory expenses are expected to be approximately €100 mln lower in 2024, mainly as a result of the initial completion of the SRF fund, partly offset by the additional annual bank taxes of approximately €100 mln

**Risk costs**

- On asset quality, as a result of a proven risk management framework, we have a strong track record with a well-diversified loan book and a low Stage 3 ratio

**Tax**

- We have guided the effective tax rate to be between 28-30%

**CET1 ratio** of the Group was 14.7% at the end of 4Q2023

- We intend to converge the CET1 ratio to our target level of ~12.5% by the end of 2025 and we will update the market on our distribution plans with our 1Q2024 results presentation
- We continue to reserve 50% of resilient net profit for future distribution as per our policy. This will be held outside of CET1 capital

**Corporate Line**

- The Corporate Line represents certain P&L elements not allocated to the units

Please note that ING Investor Relations will be in closed period as of close of business on 10 April 2024