1Q2025 Comparative Quarters Note

ING Investor Relations

8 April 2025

General market developments in the first quarter of 2025

- The ECB announced two policy rate cuts during 1Q2025: -25 bps effective as of 5 February 2025 and another -25 bps effective as of 12 March 2025
- Loan demand from corporates remained subdued as investment decisions were delayed due to prevailing geopolitical and macroeconomic uncertainty. Demand for mortgages continued to be strong, in line with the fourth quarter of 2024
- Unemployment rates remained benign in our core markets, while bankruptcy levels remained stable

Introduction of Commercial NII

- Starting from 1Q2025 disclosure, Commercial NII will be added to ING's P&L reporting, both for Consolidated Results and per Segment
- Commercial NII consists of Lending NII and Liability NII. All other NII components will be captured under Other NII
- Other NII will be included in All Other Income, which will also include Investment income and Other income
- For more information, please refer to the Commercial NII presentation on our website

Commercial NII: 1Q2024 Commercial NII was €3,897 mln. In 4Q2024 it was €3,749 mln

- Interest income on our customer deposits is impacted by the development of both short- and long-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
    - The decrease in interest rates with a maturity up to 1 year continued during 1Q2025
    - Interest rates with a maturity between 1 and 15 years largely increased during 1Q2025 and remained above the average of the past 5 years
- Interest expenses on our customer deposits are mainly impacted by repricing of savings and term deposit rates, and migration between products
    - Implemented core rate reductions (which are expected to lower the total deposit costs by €~0.6 bln in 2025):
        - Netherlands: for business banking clients, between -10 bps and -25 bps for balances between €25k and €5 mln (from a previous level of 140 bps) and -20 bps for balances between €5 mln and 10 mln (from a previous level of 90 bps), effective 1 January 2025
        - Belgium:

        - Effective 1 January 2025: -50 bps. On most volumes, the core rate has been reduced from 60 bps to 20 bps and the fidelity premium from 20 bps to 10 bps. On the main other savings account, the core rate has been reduced from 50 bps to 25 bps and the fidelity premium from 175 bps to 150 bps
        - Effective 1 March 2025: On most volumes, the core rate has been further reduced by 5 bps from 20 bps to 15 bps. On the main other savings account, the rate has been reduced by 25 bps, of which the core rate from 25 bps to 10 bps and the fidelity premium from 150 bps to 140 bps
      - Germany: -25 bps (from 125 bps to 100 bps), effective 7 January 2025
      - Spain: -50 bps (for primary customers from 150 bps to 100 bps and for non-primary customers from 100 bps to 50 bps), effective 1 March 2025
      - Italy: -50 bps (from 100 bps to 50 bps), effective 22 February 2025
  - In Wholesale Banking, part of the customer deposits are non-remunerated
  - In Germany, a 'fresh money' campaign for existing customers was launched in February with a campaign rate of 300 bps up to 4 months, effective as of 1 March 2025
- As a result of introducing Commercial NII, there will be a structural shift of net interest income (€~160 mln compared to 2024) from Other NII to Liability NII within Wholesale Banking
- The average liability margin was 110 bps during 2024, and 100 bps during 4Q2024. The guidance for average liability margin is ~100 bps in 2025 and may temporarily drop below 100 bps depending on interest rate developments and timing of further repricing action. The guidance for liability margin in 2026 and 2027 is between 100-110 bps
- The average lending margin was 130 bps during 2024 and has been guided at similar levels in 2025-2027. The average lending margin during 4Q2024 was 128 bps

Net fee and commission income: 1Q2024 fee income was €998 mln. In 4Q2024 it was €1,001 mln
- In Retail Banking, fee income is mainly driven by daily banking and investment products
  - Fee income from investment products is partly driven by trading activity, which is generally positively impacted by increased market volatility
  - In the Netherlands, we have announced an increase in monthly daily banking fees of €0.25 per account, which is effective as from 1 January 2025
  - In Germany, several pricing changes have become effective as per 1 December 2024 (subject to customer consent). This includes an increase in monthly girocard (optional debit card) fees of €0.50. To qualify for a waiver of the fees of €4.90 per month, the minimum monthly cash inflow on current accounts has been raised from €700 to €1,000
  - In Belgium, 4Q2024 included the pay-out of incentives after a successful campaign that attracted new customers for investment products
- In Wholesale Banking, fee income is mainly driven by lending activity

All other income: 1Q2024 All other income was €688 mln. In 4Q2024 it was €657 mln
- Financial Markets business is driven by client activity, which is typically higher in volatile markets
- Other NII (excluding accounting asymmetry) is driven by Treasury, and can be volatile, but contributes an average €200 mln - €300 mln per quarter
- In January 2025, Bank of Beijing paid an interim dividend of CN¥0.12 per share, translating into €39 mln of dividend income from ING's 13% stake

Expenses excluding regulatory costs were €2,674 mln in 1Q2024 and €2,989 mln in 4Q2024
- 1Q2024 included €4 mln of incidental items and 4Q2024 included €109 mln
- The 5.25% collective salary increase in the Netherlands, which is part of the collective labour agreement, will take effect as of July 2025. The €1,500 one-off gross payment in January 2025 had been accrued for already in 4Q2024

Regulatory costs were €358 mln in 1Q2024 and €347 mln in 4Q2024
- Regulatory expenses were guided at €~940 mln per annum in 2024 and 2025 (i.e. ~€100 mln lower compared to 2023, assuming no regulatory changes)

- The amount of deposits guaranteed under the deposit guarantee scheme in Belgium increased in 2024, following the maturity of the Staatsbon in September 2024

Risk costs were €258 mln in 1Q2024 and €299 mln in 4Q2024
- 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
- Our historical through-the-cycle cost of risk is ~20 bps

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

CET1 ratio of the Group was 13.6% at the end of 4Q2024
- 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 1Q2025 results presentation, taking into account the prevailing geopolitical and macroeconomic uncertainty
- The impact from the implementation of Basel IV and other model updates on our CET1 ratio is expected to be negligible in 1Q2025
- Periodical methodology changes and strategies taken regarding IRB model landscape will continue to have a positive or negative effect on CRWA
- 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 business lines (including the Asian stakes)

Please note that ING Investor Relations will be in closed period as of 9 April 2025 close of business