2Q2024 Comparative Quarters Note

ING Investor Relations

8 July 2024

General market developments

- The ECB effectuated its first 25 bps policy rate cut as of 12 June, while other major central bank rates have remained stable during the second quarter
- In our Retail markets, mortgage demand has shown continued signs of gradual recovery
- For Wholesale Banking, we signalled with our first quarter's results that we observed a continuation of the gradual recovery of loan demand
- Unemployment rates remained benign in our core markets, while bankruptcy levels have normalised after the Covid-19 pandemic and related response measures

Net Interest Income: 2Q2023 NII was €4,061 mln. In 1Q2024 it was €3,825 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
    - Interest rates with a maturity up to 1 year already decreased during the second quarter in anticipation of ECB deposit facility rate cuts
    - Average eurozone swap rates with a maturity between 1 and 15 years remained 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 2Q2024
    - In Germany we launched a savings campaign in February, which contributed to a €9.0 bln net core deposit growth in Germany during 1Q2024. These 'fresh money' volumes were remunerated with 125 bps in February and a 330 bps campaign rate as of March, for up to 6 months
    - Client rates in Wholesale Banking Payments & Cash Management readjust slower to the increased policy rates than in Retail Banking
    - Further migration from savings to term deposits is likely to ease during 2024
- As previously announced by ING Bank Slaski (here), amendments to the regulation that offers some customers the right to suspend up to 4 instalment payments on their mortgage loan in Poland are expected to have an impact of €-51 mln on NII, to be fully booked in 2Q2024
- The accounting asymmetry impact on net interest income in Treasury and Financial Markets is among others linked to the interest rate differential between eurozone and foreign currencies (e.g. USD). During the second quarter the interest rate differential increased as a result of the ECB policy rate cut. The accounting asymmetry impact in previous quarters was:

- Treasury: €-225 mln in 2Q2023 and €-172 mln in 1Q2024
- Financial Markets: €-73 mln in 2Q2023 and €-160 mln in 1Q2024

Net fee and commission income: 2Q2023 fee income was €912 mln. In 1Q2024 it was €998 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: 2Q2023 investment income was €1 mln. It was €8 mln in 1Q2024

Other income was €785 mln in 2Q2023 and €752 mln in 1Q2024

- 2Q2023 included €387 mln of other income in Financial Markets and 1Q2024 included €474 mln (more than offsetting the aforementioned accounting asymmetry impact on NII)
- The positive impact from accounting asymmetry on other income in Treasury was €261 mln in 2Q2023 and €193 mln in 1Q2024
- IAS 29 impact to reflect hyperinflation accounting in Türkiye was €-9 mln in 2Q2023 and €-52 mln in 1Q2024. 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 €2,534 mln in 2Q2023 and €2,674 mln in 1Q2024

- 2Q2023 included €6 mln of incidental items and 1Q2024 included €4 mln
- In most of our markets, annual CLA increases are effective as of April

Regulatory costs were €91 mln in 2Q2023 and €358 mln in 1Q2024

- Regulatory costs are seasonally high in the first quarter due to the annual contribution to the Belgian Deposit Guarantee Scheme, the annual Belgian bank tax and annual contributions to Single Resolution Funds
- Regulatory expenses are expected to be approximately €100 mln lower in 2024 compared to 2023, mainly as a result of the initial completion of the eurozone SRF which is partly offset by additional annual bank taxes

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 14.8% at the end of 1Q2024

- The €2.5 bln share buyback, which was announced in May, has an impact of 77 bps on the CET1 ratio. The programme is expected to end no later than 29 October 2024
- 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 3Q2024 results presentation
- The impact from the implementation of Basel IV on our CET1 ratio is expected to be ~20 bps in 2025, among others related to ORWA
- 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 units

Please note that ING Investor Relations will be in closed period as of 9 July 2024 close of business