4Q2024 Comparative Quarters Note

ING Investor Relations

9 January 2025

General market developments

- The ECB announced two policy rate cuts during 4Q2024: -25 bps effective as of 23 October 2024 and another -25 bps effective as of 18 December 2024
- Loan demand in mortgages has shown strong recovery during 2024, while loan demand from corporates remained subdued
- 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: 4Q2023 NII was €3,875 mln. In 3Q2024 it was €3,689 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 accelerated during 4Q2024
    - Interest rates with a maturity between 1 and 15 years continued to decrease during 4Q2024, however 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
    - Core savings rates in Retail Banking remained unchanged during 4Q2024
    - Announced core rate reductions (with a weighted average reduction of 20-25 bps on the total retail eurozone savings volumes, once fully effective):
        - 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: -50 bps, effective 1 January 2025. 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
        - 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 the Netherlands we ran two term deposit campaigns during 4Q2024, offering 300 bps and 250 bps campaign rates for 6 months
    - In Belgium, in relation to the maturity of the Belgian state bond, a promotional fixed term deposit with an interest rate of 3.8% was launched for 'fresh money' with 6 month and 12 month tenors, with an inflow of ~€5.5 bln at the end of 3Q2024
    - In Germany, the 'fresh money' campaign for existing customers which was launched in February with a campaign rate of 330 bps, expired by the end of August
    - Furthermore in Germany, a successful term deposit campaign, launched in 4Q2023, expired in 4Q2024
- The average liability margin was 113 bps during 9M2024. The guidance as provided for the full-year average liability margin was 110 bps (or above) in 2024 and 100 bps (or above) in 2025
- The average lending margin during 9M2024 was 130 bps and has been guided at similar levels going forward
- Other NII (excluding accounting asymmetry) amounted to €198 mln in 3Q2024 – compared to an average of €200-300 mln per quarter excluding one-offs – and is driven by Group Treasury which can be volatile
    - As a one-off, 4Q2024 will include the impact from a highly successful Black Friday campaign in Germany during 4Q2024, where new-to-bank customers who opened a current account will receive a €200 incentive payment. These costs will be reflected in 4Q2024
- The accounting asymmetry impact on net interest income in previous quarters was:
    - Treasury: €-219 mln in 4Q2023 and €-214 mln in 3Q2024
    - Financial Markets: €-58 mln in 4Q2023 and €-192 mln in 3Q2024

Net fee and commission income: 4Q2023 fee income was €879 mln. In 3Q2024 it was €1,009 mln
- In Retail Banking, fee income is mainly driven by daily banking and investment products
    - 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, we have announced several pricing changes, including an increase in monthly girocard (optional debit card) fees of €0.50 and an increased minimum monthly cash inflow from €700 to €1,000 (in order for current account fees of €4.90 per month to be waived). These changes are effective as from 1 December 2024 (conditional to customer consent)
- In Wholesale Banking, fee income is mainly driven by lending activity

Investment income: 4Q2023 investment income was €-24 mln. It was €52 mln in 3Q2024
- 3Q2024 investment income included €101 mln annual dividend from our stake in the Bank of Beijing, which was partially offset by realised losses on the sale of debt securities

Other income was €679 mln in 4Q2023 and €1,160 mln in 3Q2024
- 3Q2024 included a €77 mln gain as our share in the one-off profit of an associate in Belgium, as well as €170 mln positive contribution from hedge ineffectiveness, which is largely P&L neutral over time
- 4Q2023 included €216 mln of other income in Financial Markets and 3Q2024 included €514 mln (more than offsetting the aforementioned accounting asymmetry impact on NII)
- The positive impact from accounting asymmetry on other income in Treasury was €242 mln in 4Q2023 and €231 mln in 3Q2024
- The application of IAS 29 to reflect hyperinflation accounting in Türkiye had an impact on other income of €-25 mln in 4Q2023 and €-31 mln in 3Q2024. 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 €2,758 mln in 4Q2023 and €2,816 mln in 3Q2024
- 4Q2023 included €114 mln of incidental items and 3Q2024 included €24 mln

- In the Netherlands, we have reached a new collective labour agreement including a 5.25% collective salary increase in July 2025 and 3.5% in July 2026. The agreement furthermore includes a one-off €1,500 gross payment in January 2025, which has been accrued in 4Q2024

Regulatory costs were €317 mln in 4Q2023 and €88 mln in 3Q2024

- 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), however regulatory costs in 2024 have been tracking slightly below that guidance due to the €-28 mln one-off in Retail Belgium in 2Q2024

Risk costs were €86 mln in 4Q2023 and €336 mln in 3Q2024

- 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 14.3% at the end of 3Q2024

- The additional distribution of €2.5 bln, as announced in November, was fully deducted from shareholders equity and CET1 capital in 4Q2024, with a pro forma impact of -76 bps on the CET1 ratio. The ongoing share buyback for a maximum total amount of €2.0 bln is expected to end no later than 30 April 2025.
- 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
- 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
- In 2Q2024, CRWA temporarily increased by €6.5 bln from quarterly model updates, of which the majority would be reversed by year-end, and with no implications for capital outlook. 3Q2024 included a €-1.9 bln partial reversal
- 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 10 January 2025 close of business