2Q2023 Comparative Quarters Note

ING Investor Relations

10 July 2023

General market developments

- Central bank rates further increased in the second quarter, although at a slower pace than in previous quarters.
- In our Retail markets, mortgage demand remained subdued as a result of higher interest rates.
- In our Wholesale markets, economic uncertainty continued to impact loan demand.
- Overall inflation levels are decreasing, nonetheless continued to be high.
- Unemployment rates remained benign in our core markets, while bankruptcy levels remained below historical levels.

Net Interest Income: the 2Q2022 NII was €3,465 mln (including €76 million net TLTRO impact). In 1Q2023 it was €4,012 mln (including a negative impact of €-234 mln from overnight Treasury positions related to prevailing favourable FX swap interest rate differentials, which was more than offset in other income).

- Policy rates continued to increase this quarter, including two ECB deposit facility rate hikes of 25 bps each, on 10 May and 21 June, which will continue to support our total income growth.
- Deposit betas have picked up in 2Q2023, with core rate increases in:
    - The Netherlands, from (up to) 50 bps to (up to) 75 bps as of 1 May and to (up to) 100 bps as of 1 June.
    - Spain, from 70 bps / 50 bps for primary / non-primary customers to 100 bps / 70 bps as of 1 April and to 125 bps / 85 bps as of 1 June.
    - Italy, from zero to 50 bps as of 1 April.
- Furthermore, in Germany we announced an increase of the core rate from 60 bps to 100 bps as of 4 July.
- In Germany, we commenced a 'fresh money' campaign to attract new deposits in April (3% bonus rate on newly deposited amounts for 6 months and to a maximum amount of €50k).
- Asset repricing continued to trail market interest rate increases in some of our geographies.
- The interest rate differential between eurozone and foreign currencies (e.g. USD) remained relatively stable during the second quarter.

Net fee and commission income: the 2Q2022 fee income amounted to €888 mln. In 1Q2023 it was €896 mln.

- In Retail Banking, fee income is mainly driven by daily banking and investment products.
- In Wholesale Banking, fee income is mainly driven by lending activity.

Investment income: 2Q2022 investment income was €31 mln and it was €15 mln in 1Q2023.

Other income: in 2Q2022 other income was €297 mln, including a €-247 mln IAS 29 impact to reflect hyperinflation in Turkey. In 1Q2023 other income was €644 mln, including €267 mln from the aforementioned overnight Treasury positions, which more than offset a €-70 mln IAS 29 impact.

- 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 €2,524 mln in 2Q2022 and €2,546 mln in 1Q2023. Note that 2Q2022 included €159 mln of incidental items and 1Q2023 included €4 mln.

- Headline inflation, which started to rise significantly as of 2Q2022, affects salary expenses and procured services with some delay.

Regulatory costs were €214 mln in 2Q2022 and €525 mln in 1Q2023.

- Regulatory costs are seasonally high in the first quarter due to the annual contribution to the European Single Resolution Fund, the Belgian Deposit Guarantee Scheme, and the annual Belgian bank tax.
- 2Q2022 was impacted by a €92 mln special contribution to the Institutional Protection Scheme in Poland.

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 for 2023 and beyond to be between 28-30%.
- The effective quarterly tax rate in 2Q2022 was 30.4%, driven by the non-deductible impact of Turkey hyperinflation accounting. The effective quarterly tax rate in 1Q2023 was 30.5%, which took into account non-deductible interest expenses in various countries.

CET1 ratio of the Group was 14.8% at the end of 1Q2023.

- The €1.5 bln share buyback, which was announced in May, has an impact of roughly 46 bps on the CET1 ratio. The share buyback programme is expected to end no later than 18 October 2023 and we will update the market on our distribution plans with our 3Q2023 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.
- **Update on segment reporting**: in line with the announced changes in our Management Board Banking, the roles of head of Market Leaders and head of Challengers & Growth Markets have been combined into the role of head of Retail Banking, effective 15 May 2023. The head of Retail Banking is responsible for all Retail countries. The disclosures will continue to distinguish between Retail Netherlands, Retail Belgium, Retail Germany, and Retail Other (including Australia, Italy, Poland, Romania, Spain, and Turkey). The Asian stakes, previously reported in Retail Other Challengers & Growth Markets, will be reported in the Corporate Line as of 2Q2023 disclosures. Historical numbers will be restated accordingly.
- In 2022, our share in the results of TMBThanachart Bank Public Company Limited amounted to €81 mln, the dividend income from our investment in Bank of Beijing amounted to €111 mln.
- Excluding the transfer of the Asian stakes, the Corporate Line delivers a negative result before tax of approximately €-100 mln per quarter, which can however be affected by exceptional items.

Please note that ING Investor Relations will be in closed period as of close of business on 11 July 2023.