Growing the difference

Accelerating growth, increasing impact, delivering value

Capital Markets Day 2024
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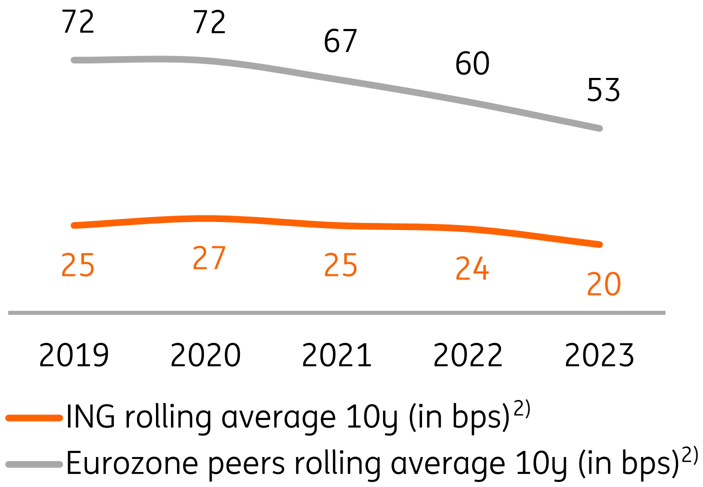
17 June 2024

do your thing

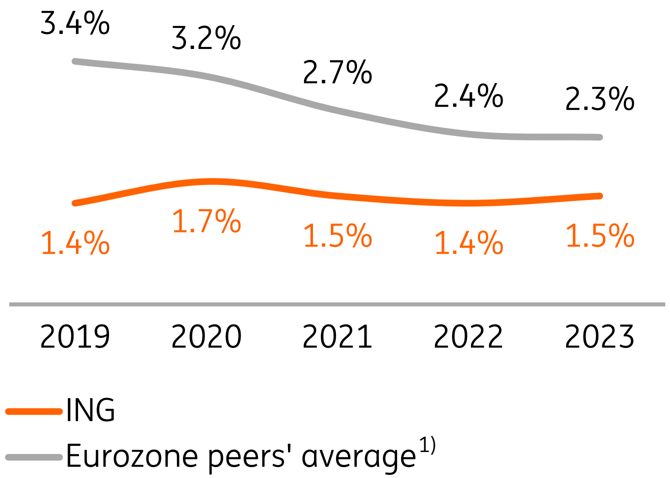
Successfully managing our risk through-the-cycle

Who we are

Risk costs below eurozone peers'[1] average



Consistently low Stage 3 ratio



Historical through-the-cycle cost of risk

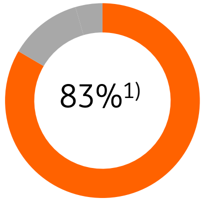
~20 bps

[1] Peer group: ABN Amro, Rabobank, KBC, Commerzbank, Deutsche Bank, BNP Paribas, Credit Agricole, Société Générale, Santander, BBVA, Intesa SanPaolo, UniCredit

[2] Over average customer lending

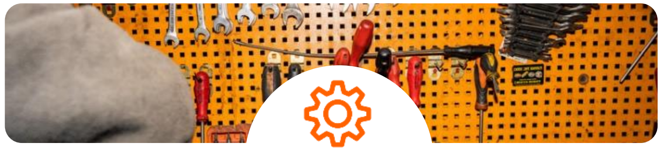
Maintaining a low risk profile by using a holistic approach

Credit and counterparty risk

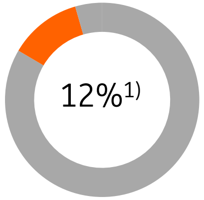


Clear and consistent credit and counterparty risk management principles

- Focusing on diversification to limit concentration risk
- Being selective at the gate
- Effective monitoring as well as efficient restructuring and workout procedures
- Pro-active management



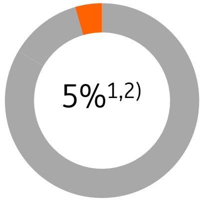
Operational risk



Continuously improving operational resilience and internal controls environment

- Increasing effectiveness and efficiency of internal controls
- Strengthening the resilience of our critical business services
- Focusing on cyber-security (prevent, detect and protect)
- Enhancing data security and quality
- Using innovative technologies

Financial risk



Prudent approach to financial risk management

- Limiting market risk exposure through a comprehensive set of trading risk limits
- Dynamically implementing and reviewing hedging and risk mitigation strategies
- Managing IRRBB[3] and focusing on behavioural models

ESG embedded in risk framework

[1] Of total RWA €319 bln in 2023
[2] Market risk only
[3] Interest Rate Risk in the Banking Book

Credit risk management framework built on a strong risk culture

Where we are now

Strong risk culture

Focus on diversification

- Concentration risk measured, managed and monitored on various levels:
  - Caps in place for clients, products, sectors, countries and specific asset classes
- Granular risk appetite limits

<15%
Mortgage exposure in one single country[1)]

~6%
Exposure in the largest corporate sector[2)]

Selective at the gate

- Disciplined origination supported by adaptive lending policies with combined front office and risk sign-off
- Focus on primary sources of repayment i.e. cash flow / affordability assessment
- Preference to senior creditor positions and secured structures

81%
Investment grade[3)]

65%
Secured loan book[4)]

Pro-active monitoring and management

- Early warning indicators and structured watch list process
- Agile restructuring strategies to maximise recovery value
- Evolving risks embedded pro-actively
- Effective and agile de-risking approach

70%
Global credit restructuring files without losses

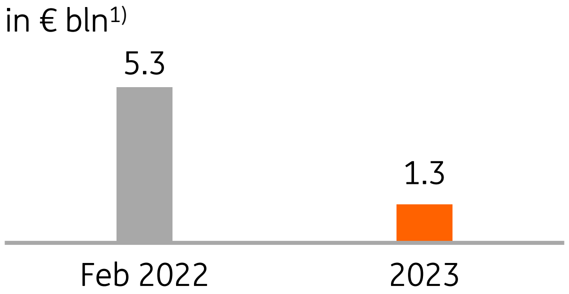
€~0.5 bln
Management overlays[5)]

1) Mortgages in the Netherlands over total lending credit outstanding
2) Largest corporate sector over total lending credit outstanding
3) Wholesale Banking
4) Fully and partially secured loan book, including money market and investment exposures
5) As of 1Q2024

Preserving asset quality with targeted and effective credit strategies

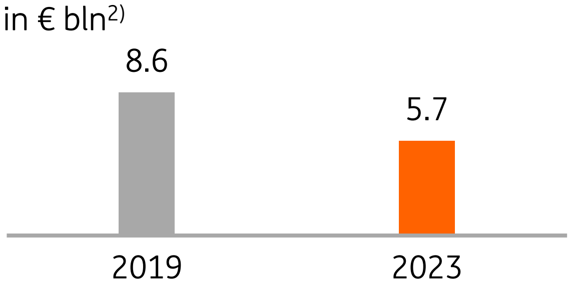
Where we are now

Russia exposure



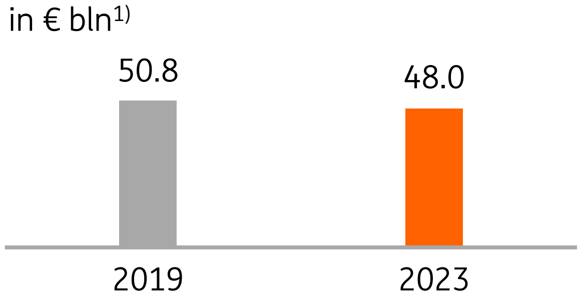
- **75% reduction** of our Russia-related exposure, with no material losses
- Portfolio in **run-off**

Leveraged finance exposure



- **34% reduction** of leveraged finance[3] exposure
- **Well-diversified** and **final take** for a single transaction **capped at €25 mln**
- **€10 bln portfolio cap** to be maintained

Commercial real estate exposure



- **Well-positioned** commercial real estate portfolio
- Average **LtV of 43%** and **2.3% Stage 3** ratio
- Focus on further **diversifying** and **optimising** the portfolio

[1] Lending credit outstanding, including pre-settlement, money market and investment activities, excluding off-balance sheet positions
[2] Exposure at default
[3] Facilities for sponsor-owned businesses with net total leverage exceeding 4.0x

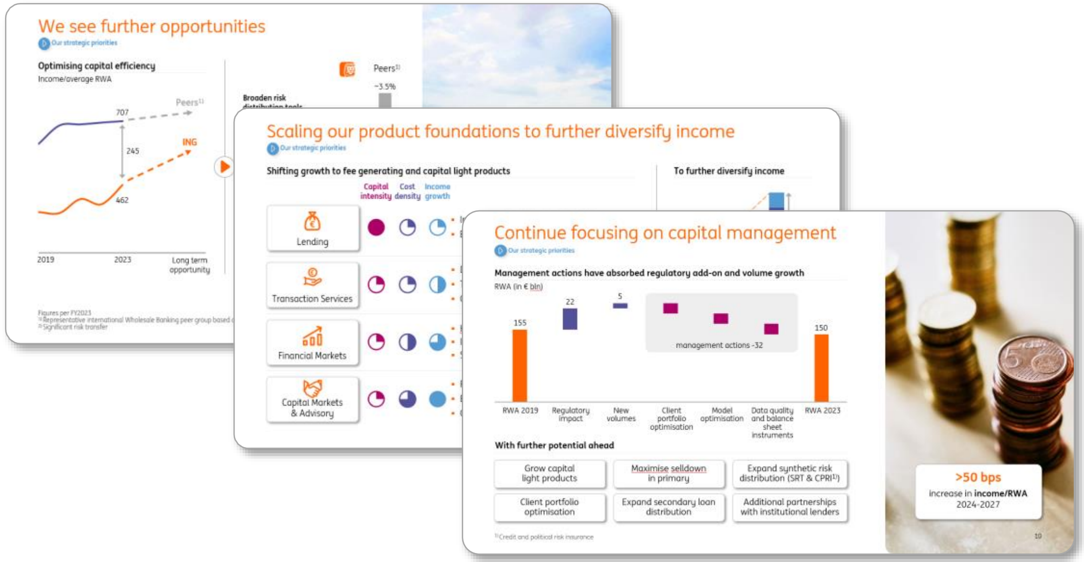
Sufficient risk appetite to enable ‘growing the difference’ strategy

Our strategic priorities

Retail Banking

- Growth in existing markets that we **know well** from a **risk perspective, best practices** will be **applied** and **shared**
- Further **diversify** our product offering and target new customer segments starting with **liabilities** and **daily banking products** that would allow **better risk insights** before deploying balance sheet
- Further **product development (including retrofitting)** with involvement of **risk experts**

Wholesale Banking



- Further **improve income/RWA** thus improving the **return on risk** already on the book
- Increase fee income enabling a **more capital light business model**
- Continue to focus on **capital management** and **capital efficiency**
- Leading the **transition finance** opportunity

Pro-active management of evolving risks and regulations

Our strategic priorities

Basel IV

- Day 1 impact on CET1 ratio ~20 bps
- Potential impact towards 2033 due to phased-in output floor[1)] mostly from unrated corporates and low risk mortgages
- Impact expected to be largely offset by mitigating actions and business steering

Cyber-security / technology risks

- Continuous enhancement of preventive cyber and IT security capabilities
- Technical recovery capabilities regularly tested and enhanced
- Actively cooperating in security initiatives
- Use of innovative technologies

(Gen)AI risks

- Building a scalable framework to enable a responsible GenAI adoption
- Enhancing existing process to ensure and maintain ethical use of AI
- Prepare for EU AI Act[2)]

Operational resilience

- Further strengthen the operational resilience of our critical services:
  - Further enhance scenario testing
  - Actively manage within defined impact tolerances
- Working towards implementation of DORA[3)]

KYC / compliance risks

- Investing in smart tooling and more data driven processes
- Introduction of customer dashboards capturing conduct or consumer risk assessment measurements
- Use of innovative technologies and leverage cooperation

Climate / environmental risks

- Set up of a comprehensive ESG risk management framework
- Updated underwriting and collateral valuation policies
- Dedicated risk appetite and risk limits for high emitting sectors, to effectively manage transition risks to our portfolio

1) Including expiration of transitional arrangements
2) Implementation expected to start in 2025/2026
3) Digital Operational Resilience Act: EU regulation on digital operational resilience which will apply as of January 2025

Our priorities support our ambition to be the best European bank

Our strategic priorities

by **growing the difference**

Ensure safe and sustainable business growth	Manage risks (pro)-actively	Simplify and digitise	Manage evolving risks	Maintain best in class risk management
▪ Granular risk appetite **providing clear guidance** and **steering** business growth	▪ **Monitor** and **adjust** the risk strategies to changing circumstances ▪ Ensure **efficient capital use** and **active** risk / return management ▪ Protect **value** for all stakeholders	▪ Make business **easier** for customers ▪ Grow the trust by improving operational resilience – **always on, always safe** ▪ Leverage new **technologies / (Gen)AI**	▪ Continue embedding **technology, AI, climate** and other **evolving risks** in our frameworks ▪ Actively following trends in the environment / industry to continue **improving NFR**[1] **frameworks** and **management**	▪ Continue **improving** and **deepening risk expertise** in several growth areas ▪ Apply the **best professional understanding** and **knowledge** for efficient and effective customer journeys

[1] Non-Financial Risks

Important legal information

ING Group's annual accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS- EU'). In preparing the financial information in this document, except as described otherwise, the same accounting principles are applied as in the 2023 ING Group consolidated annual accounts. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

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