Third quarter 2023 results

ING posts net result of €1,982 mln

Steven van Rijswijk, CEO of ING

2 November 2023

do your thing

Delivering strong value in 3Q2023

Continued primary customer growth

+181,000

versus +227,000 in 2Q2023

High share of mobile-only customers[1)]

62%

versus 60% in 2Q2023

Growing volume mobilised[2)] to finance the transition

€27 bln

versus €25 bln in 2Q2023

Strong total income growth

32%

year-on-year

Increasing return on equity[3)]

13.8%

4-quarter rolling average

Attractive shareholder return

€7.0 bln

distributed YTD[4)]

[1)] Retail customers who used the mobile channel at least once in the last quarter
[2)] Volume mobilised for WB clients; includes loan products, capital markets, derivatives and advisory propositions that support clients by financing their sustainable activities and their transitions to more sustainable business models. In case of an ESG lead role the pro-rata share of the transaction is included, otherwise our final take is included
[3)] ING Group return on equity is calculated using IFRS-EU shareholders' equity after excluding amounts reserved for future distribution
[4)] Based on payment date, including the total amount of the announced €2.5 bln share buyback

Future proofing our business for success

Our purpose	**Empowering people to stay a step ahead in life and in business**	
Our strategic priorities	**A superior customer experience**	**Sustainability at the heart**
3Q2023 highlights	75% digital onboarding of new customers in the Netherlands	Publication of the 2023 Climate Report
	Introduction of a tool to track progress of KYC process for retail clients in Poland	Introduction of sustainable alternatives for Retail products in several markets

We continue helping our clients in their low-carbon transition

Overview milestones 2023

1Q2023
Climate considerations embedded in corporate client and transaction approval processes

1Q2023
Announced commitment to restrict dedicated finance to 'midstream' activities that unlock new oil and gas fields

2Q2023
Joined PCAF to help develop data and methodology improvements and standards

2Q2023
Introduced new loan products to help our clients make energy-efficient renovations

4Q2023
Published 2023 Climate Report, which describes progress on our aim to steer our lending portfolio towards global net-zero climate goals

Due 4Q2023
Co-developing new climate-alignment financing principles for the aluminium sector with RMI and other banks

Recent transactions

YTD
- €73.9 bln volume mobilised
- 507 sustainable transactions

Baltic Power ORLEN GROUP

Leading role in €4.7 bln loan[1)] to the first offshore windfarm in Poland

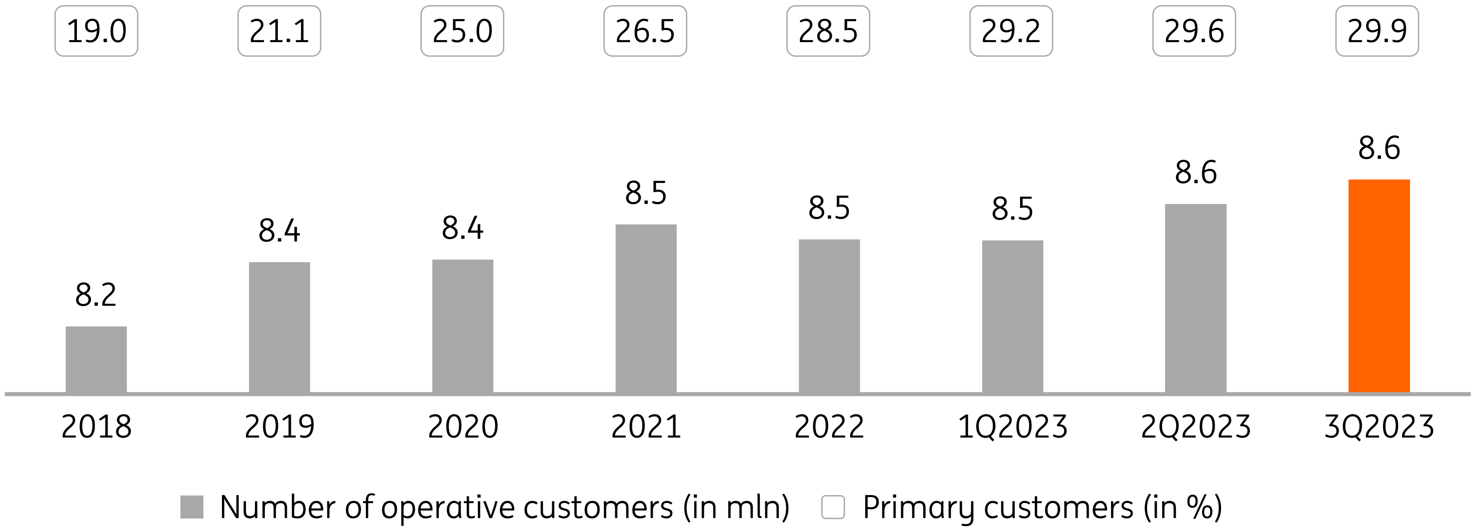
Nationaal Warmtefonds

€200 mln loan to the National Heat Fund in the Netherlands

[1)] Various roles including Mandated Lead Arranger, Sustainability Coordinator, Documentation Bank (Account and Hedging)

Continued strong performance in the German retail market

Consistent customer growth with an increasing primary customer base



Core lending and deposits growth YTD 2023[1)]

Net core lending growth

€+1.4 bln

Net core deposits growth

€+11.1 bln

Highlights[1)]

Most preferred bank

#1

For the 17th time in a row

Net Promoter Score

#1

Since 2015 (start of measuring)

Investment Product accounts

+14%

CAGR since 2018

Cost/income ratio

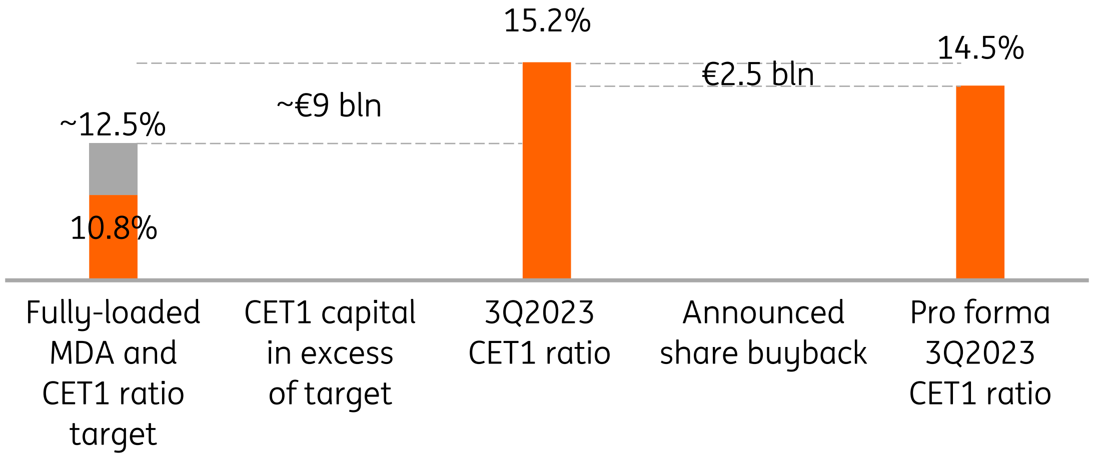
40.2%

Four-quarter rolling average

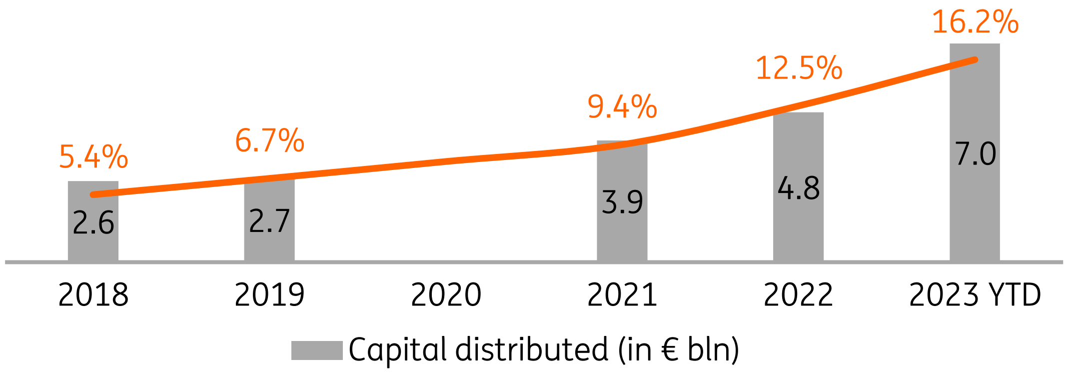
1) Retail Banking

Right-sizing our capital remains a priority

Strong capital position



Attractive shareholder return[1)]



- The €2.5 bln share buyback as announced today is the next step in converging our CET1 ratio towards our target level of ~12.5%
- We have returned ~€21 bln to shareholders since 2018
  - €~7 bln distributed in 2023, resulting in a 16.2% return to shareholders[1)]
- Size of potential next steps will depend on capital generation going forward
  - We have absorbed most of the regulatory RWA inflation and any impact from the implementation of Basel IV is expected to be manageable
  - The new SMA[2)] for operational risk, which takes into account profitability, could result in a negative impact on our CET1 ratio of up to 20 bps in 2025
  - Periodical methodology changes and strategies taken regarding IRB model landscape will continue to have a positive or negative effect on Credit RWA

[1)] Based on payment date and on average market value (share price * number of shares outstanding at the end of each quarter). Including the full amount of the announced share buyback
[2)] Standardised Measurement Approach

Well on track towards our 2025 targets

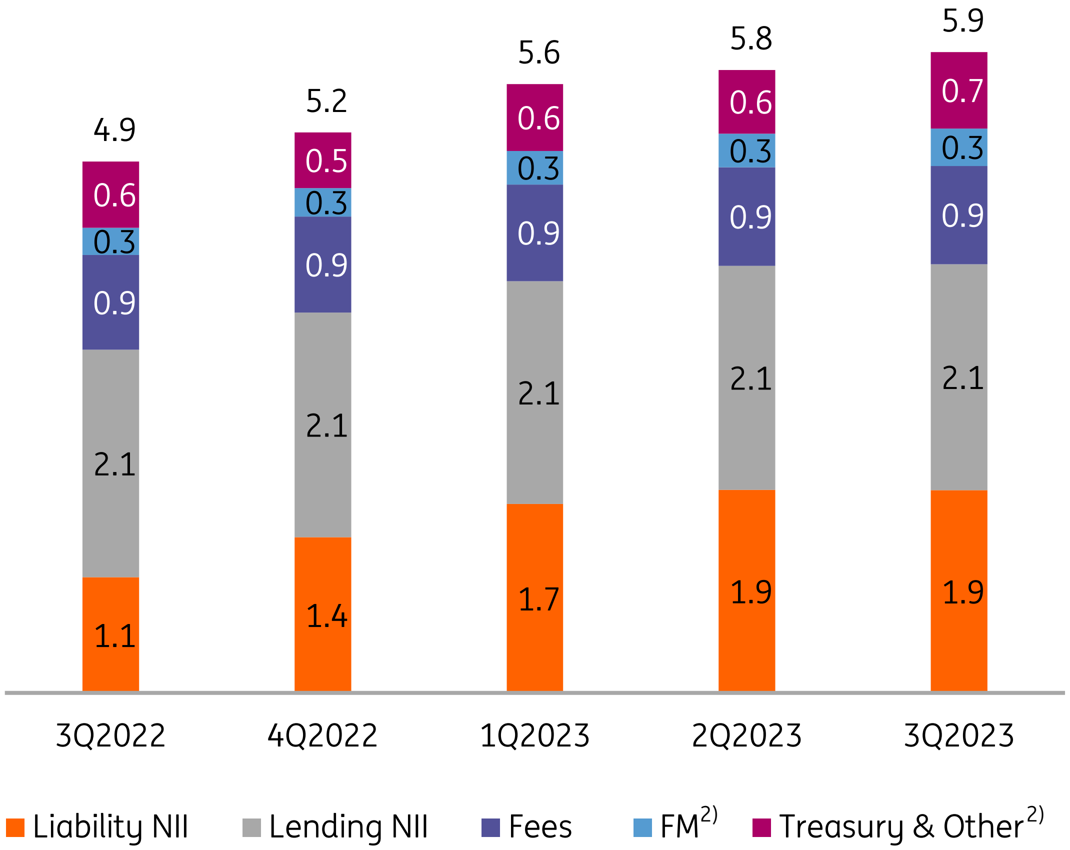
Financial target	3Q2023	2025 target	Drivers
Fee income[1]	3.8%	5-10% annual growth	▪ Primary customer growth ▪ Increasing package and service fees in daily banking to better reflect cost of service ▪ Growing base in investment products, both in number of accounts as well as AuM ▪ Global footprint to capture loan growth
Total income[1,2]	+20.6%	4-5% CAGR	▪ Continued support from a positive rate environment on the replicating portfolio ▪ Liability NII growth depending on central bank rate increases, deposit tracking and customer behaviour ▪ Lending NII growth depending on demand and pricing discipline in the market ▪ Fee growth
Cost/income ratio[3]	51.6%	50-52%	▪ Total income growth ▪ Costs including full-year inflationary effects and continued investments in our business for growth ▪ Lower regulatory costs once funds required for the DGS and SRF are filled[4]
CET1 ratio	15.2%	~12.5%[5]	▪ The next steps to converge to our ~12.5% CET1 ratio target by 2025 will reflect the strong capital generation and capital discipline ▪ We will update the market at the time of announcing the 1Q2024 results[6]
Return on equity[3]	13.8%	12%	▪ Continued income growth and cost control ▪ Improved income / risk-weighted assets in Wholesale Banking ▪ Strong and diversified asset book and low Stage 3 ratio ▪ ~12.5% CET1 ratio target level

1) Year-on-year comparison
2) Total income excluding incidental income items (corresponding with 'other volatile income items' as presented on slide 19)
3) Based on 4-quarter rolling average. Return on equity is calculated using IFRS-EU shareholders' equity after excluding amounts reserved for future distribution
4) Formal build-up phase of several local Deposit Guarantee Schemes (DGS) and European Single Resolution Fund (SRF) are scheduled to be completed by 2024
5) Implies management buffer (incl. Pillar 2 Guidance) of ~170 bps over fully loaded CET1 requirement of 10.83%
6) The (potential) 17.65% tax on share buybacks would apply to the difference between the purchase price and the paid-in capital (~€3.5 per share)

3Q2023 results

Total income structurally higher in a positive rate environment

Total income excluding incidental income items (in € bln)[1)]

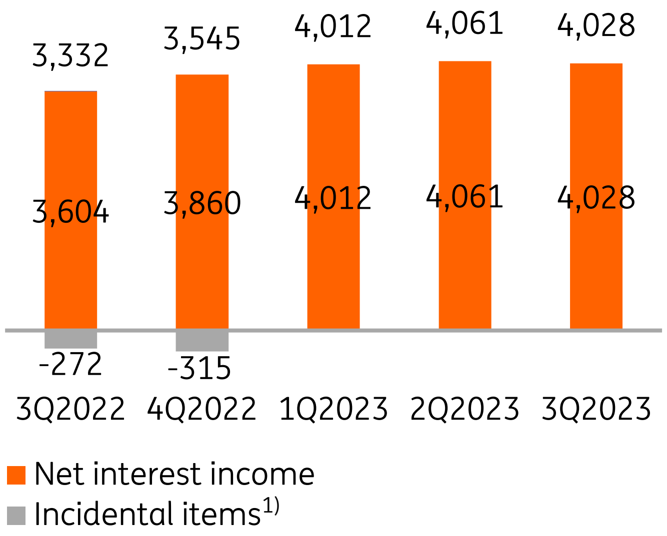


- Total income at a structurally higher level driven by a recovery of interest margin on liabilities
  - The cycle of recent central bank rate hikes appears to have paused. Depending on developments in the competitive landscape, our liability margins may reduce somewhat from current levels
- Attractive funding structure with 61%[3)] of the balance sheet funded by a highly insured, granular customer deposit base
- Long-term support from our replicating portfolio
  - ~45% is invested <1 year, which has helped to quickly restore liability margins once interest rates turned positive
  - ~55% is invested >1 year and will continue to reprice in the coming years
- Return of loan demand and improved asset margins will be a catalyst for future income growth
- Continued focus on income diversification and a 5-10% annual fee growth target

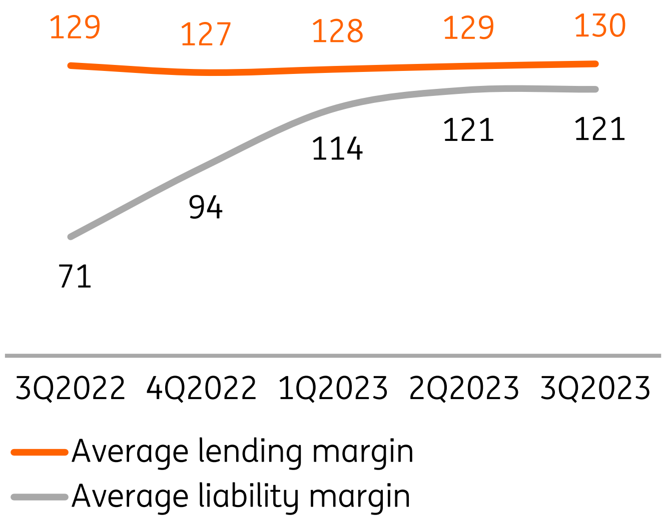
[1)] Incidental income items are excluded: €-506 mln in 3Q2022; €-318 mln in 4Q2022; €-69 mln in 1Q2023; €-6 mln in 2Q2023; €-88 mln in 3Q2023
[2)] Excluding fees
[3)] Excluding Treasury deposits

Continued high liability margin and increasing lending margin

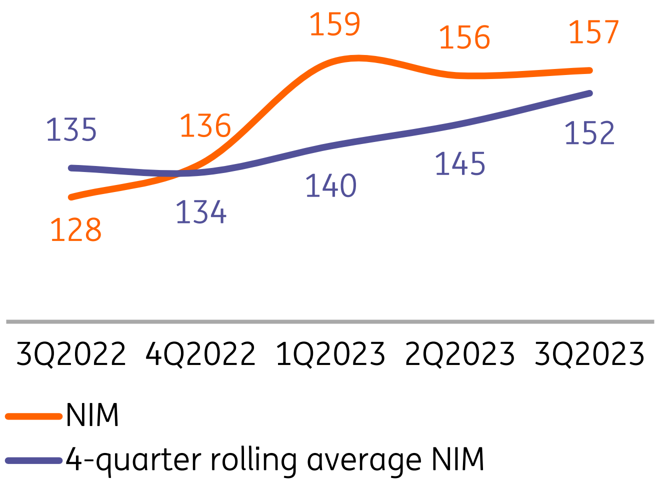
Net interest income (in € mln)



Lending and liability margin (in bps)



Net interest margin (in bps)

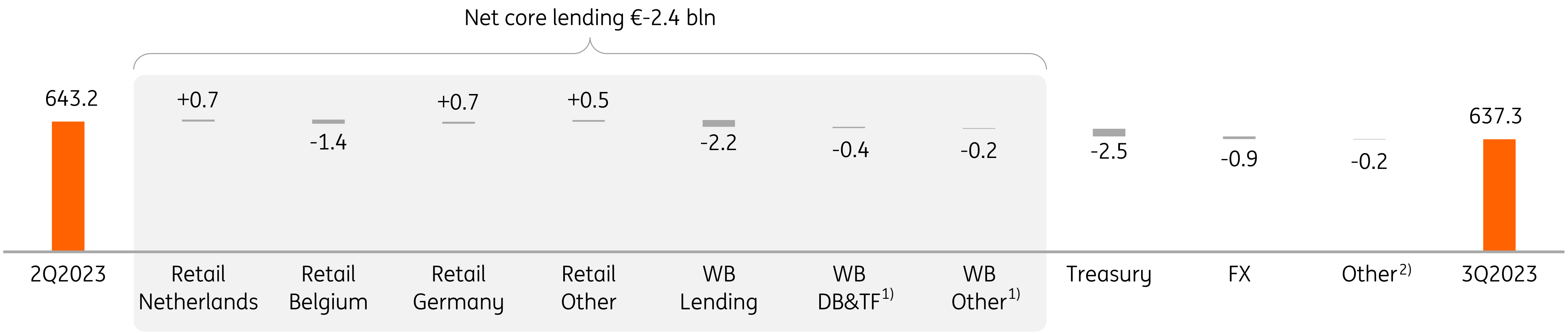


- NII, excluding the impact from incidental items[1], increased 11.8% YoY, primarily driven by a strong increase of the interest margin on liabilities. NII from mortgages also increased. Treasury continued to benefit from favourable market opportunities through money market and FX transactions[2]. NII in Financial Markets declined as rising rates led to higher funding costs; however, this was more than offset by an increase in other income[2]
- Sequentially, NII decreased 0.8%. Net interest income on liabilities stabilised after an acceleration of core rate increases in several of our core markets and NII from lending further increased
- NIM increased by 1 bp to 157 bps, due to a lower average balance sheet total

[1] Net TLTRO impact 3Q2022 €71 mln, 4Q2022 €-315 mln; Polish moratorium impact 3Q2022 €-343 mln
[2] More details on slide 21

Strong and resilient positioning of our Retail Banking business

Customer lending (in € bln)

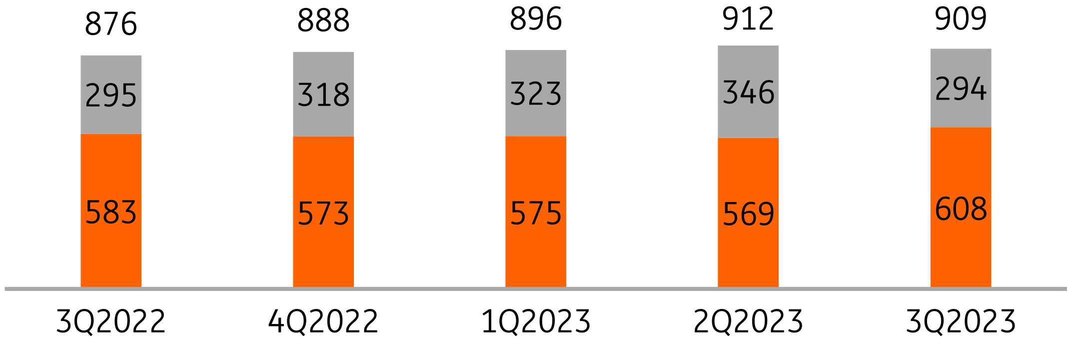


- Core lending declined by €2.4 bln
  - Retail Banking was €0.5 bln higher. Mortgages grew by €2.2 bln, primarily reflecting growth in the Netherlands, Belgium and Germany. Other lending declined by €1.8 bln
  - Wholesale Banking decreased by €2.8 bln, reflecting subdued demand and efforts to further optimise our capital usage
- Core deposits decreased by €7.0 bln
  - Retail Banking was €4.7 bln lower. This included limited outflow in Germany to competition and in Belgium to State bonds. It also reflected a shift from deposits to assets under management and seasonality as customers spend more during the holiday period
  - Wholesale Banking was €2.4 bln lower, mainly reflecting lower volumes in PCM

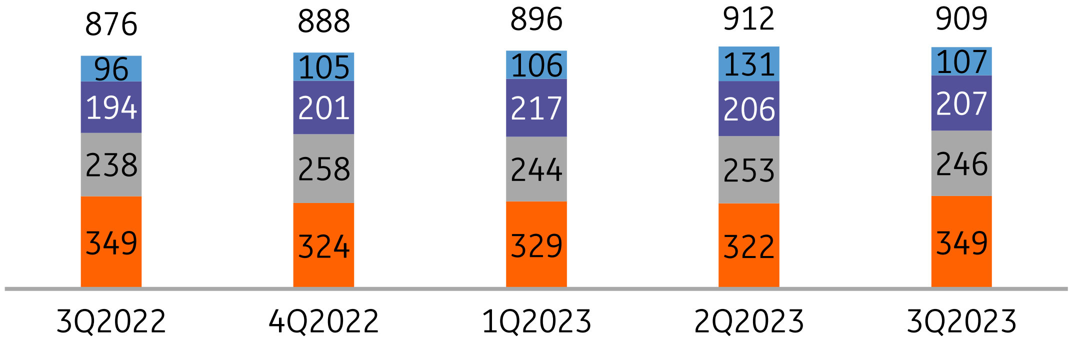
1) DB&TF is Daily Banking & Trade Finance; WB Other includes Financial Markets
2) Other includes run-off portfolios (Lease, WUB and Retail France)

Solid fee income growth in Retail Banking

Net fee & commission income per business line (in € mln)[1]



Net fee & commission income per product category (in € mln)

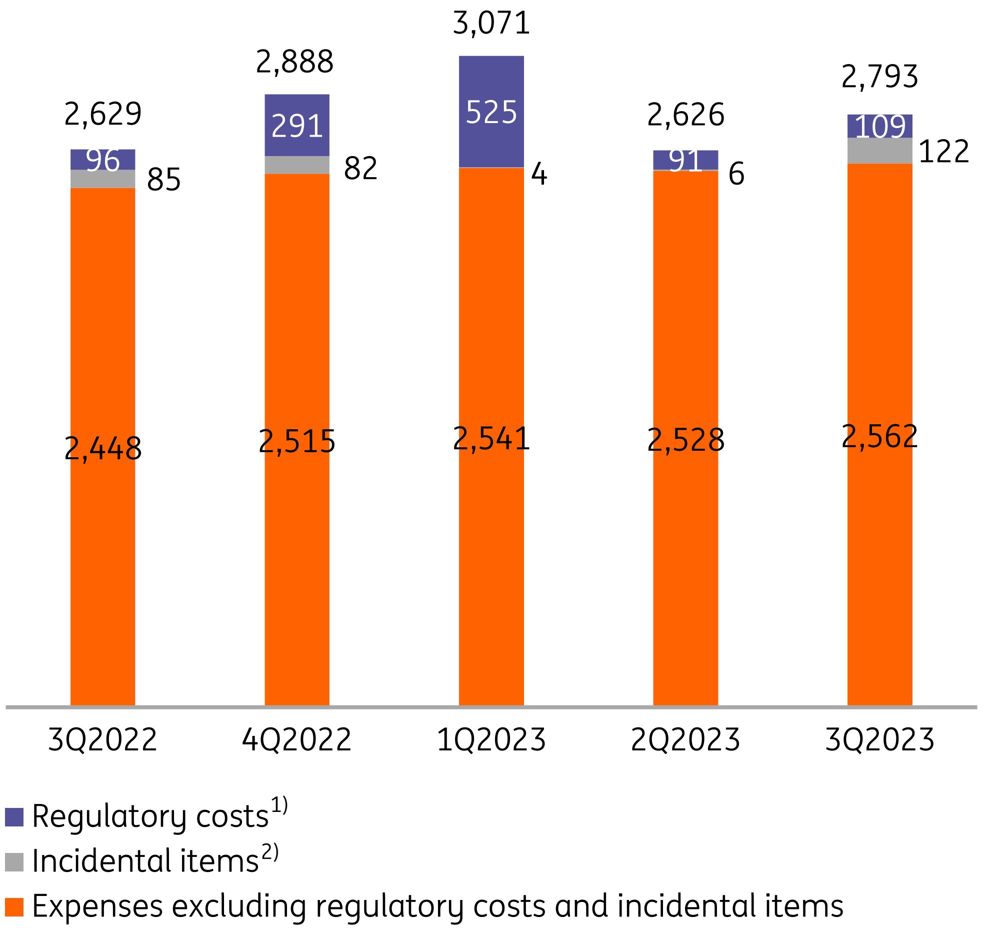


- Income from fees grew 3.8% YoY, driven by Retail Banking
  - Fees in Retail Banking rose 4.3%. Fees from investment products increased, mainly in Belgium, due to a net inflow in assets under management. Daily Banking fees also increased, reflecting higher fees for payment packages and new service fees
  - Fees in Wholesale Banking declined 0.3%, reflecting lower volumes in daily banking, partly offset by higher fees in Lending
- Sequentially, fees were stable
  - Higher fees in daily banking in Retail Banking, which included seasonally higher travel-related fee income and lower commissions paid to independent agents in Belgium
  - Fees in Wholesale Banking declined due to subdued demand in Lending and seasonally lower deal flow in Global Capital Markets and Corporate Finance

[1] Totals including Corporate Line
[2] Other includes insurance products and Financial Markets

Operating expenses well under control

Expenses (in € mln)

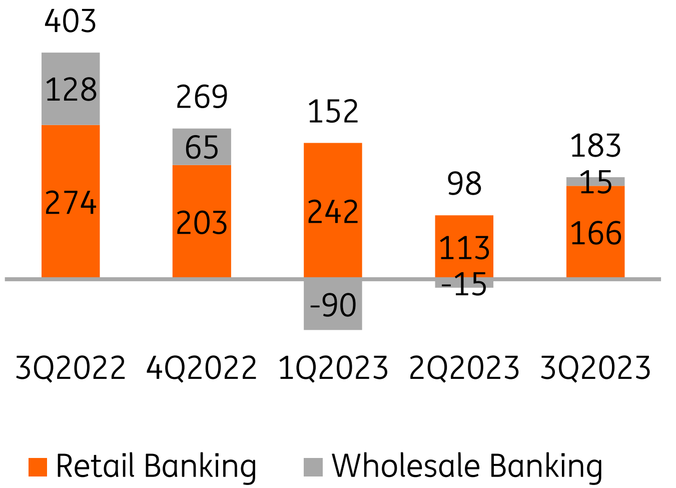


- Expenses excluding regulatory costs and incidental items were 4.7% higher YoY
  - Main driver was higher staff expenses, reflecting the impact of indexation and CLA increases across our markets
  - We also continued investing in the growth of our business
  - These higher expenses were partly offset by savings from exiting the retail markets in France and the Philippines
- Sequentially, expenses excluding regulatory costs and incidental items were 1.3% higher, mainly due to higher staff expenses
- Regulatory costs were slightly higher compared to 3Q2022, which had included a lower contribution to the DGS in Germany
- Incidental cost items in 3Q2023 consisted of €46 mln for restructuring and related costs for Retail Belgium, €26 mln for hyperinflation accounting in Türkiye (IAS 29) and €51 mln that we have provisioned in Corporate Line

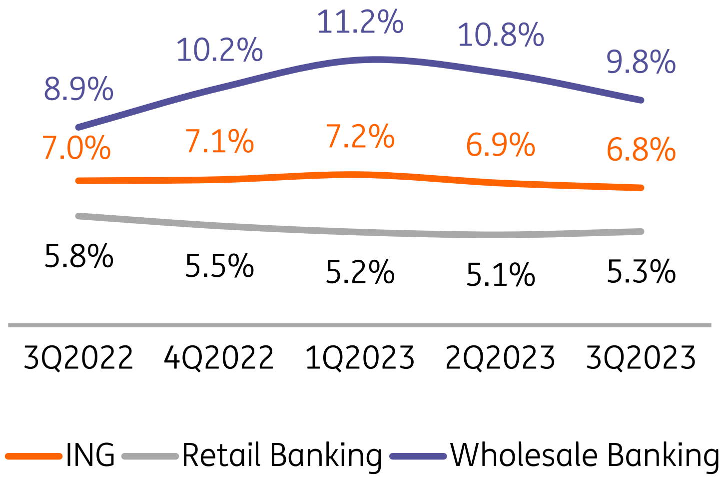
[1] Formal build-up phases of several local DGS and SRF are scheduled to be completed by 2024
[2] Incidental expenses as included in volatile items on slide 19

Low risk costs reflecting high quality and resilience of the loan book

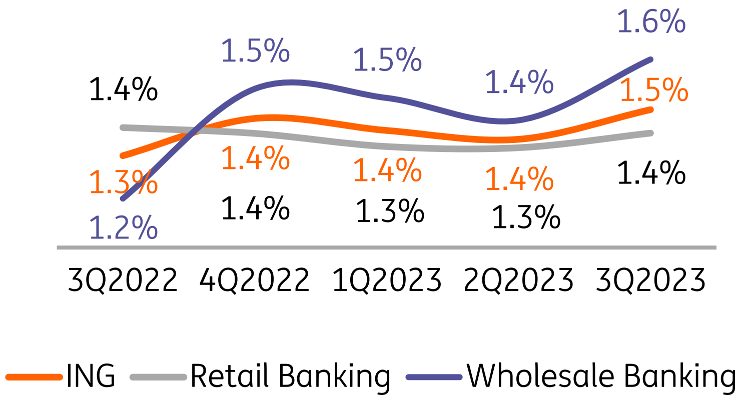
Risk costs per business line (in € mln)[1)]



Stage 2 ratio



Stage 3 ratio

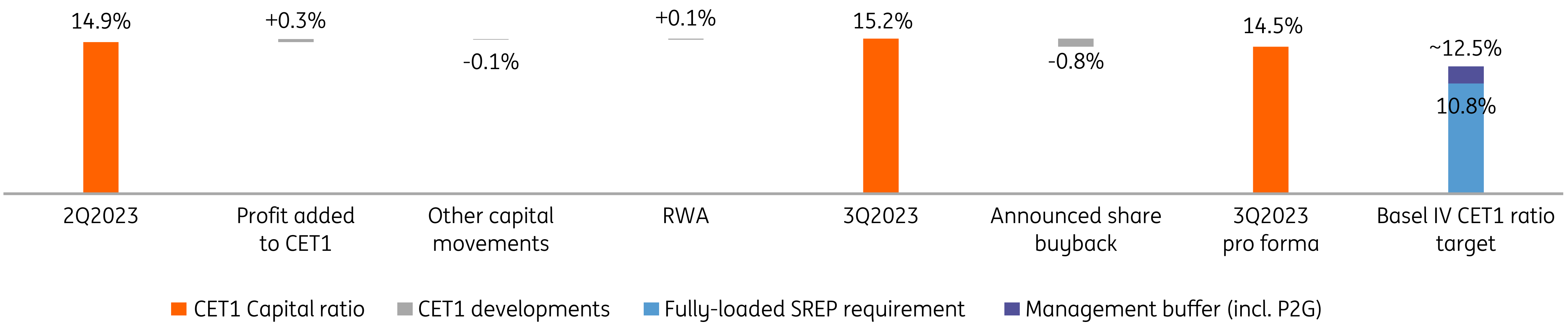


- Risk costs were €183 mln, or 11 bps of average customer lending, well below the through-the-cycle average of ~25 bps
  - At the end of 3Q2023, the total amount of management overlays was €486 mln
- In Wholesale Banking, risk costs related to a number of well-collateralised individual files were offset by a further release of Russia-related provisions as we continue to reduce our exposure. In Retail Banking, collective provisions were added primarily for consumer loans and Business Banking portfolios in Belgium, Germany, Poland and Spain
- The Stage 3 ratio increased to a still low 1.5%, with modest inflow of individual files with no clear trends identifiable
- The Stage 2 ratio decreased to 6.8%, as Stage 2 outstandings declined by €1.0 bln, mainly driven by repayments and a number of smaller individual files moving to Stage 3

[1)] Totals including Corporate Line

CET1 ratio increased to 15.2%

CET1 capital ratio development (in %)



- CET1 ratio increased to 15.2%, driven by strong capital generation and lower RWA
- CET1 capital grew by €0.8 bln, mainly due to the addition of 50% of 3Q2023 resilient net profit
  - In line with our distribution policy, 50% of the 3Q2023 resilient net profit has been reserved outside of CET1 capital for future distribution. At the end of 3Q2023, €1,709 mln is reserved for distribution
- RWA decreased by €2.1 bln, including €+0.4 bln of FX impacts
  - Credit RWA excluding FX impacts decreased by €2.2 bln, driven by a better overall profile of the loan book and a further decrease of our Russia-related exposure
  - Operational RWA were flat. Market RWA were slightly lower, mainly due a reduction in trading book positions
- In order to converge the CET1 ratio towards the target level by the end of 2025, we will distribute an additional €2.5 bln in the form of a share buyback, which will commence on 3 November 2023

Wrap up and Q&A

Appendix

3Q2023 results overview

In € mln	Reported P&L	Volatile items	P&L excluding volatile items
Net interest income	4,028	15	4,013
Net fee and commission income	909	3	906
Investment income	103	0	102
Other income	802	11	791
Total income	**5,842**	**29**	**5,813**
Expenses excl. regulatory costs	2,684	122	2,562
Regulatory costs	109	0	109
Operating expenses	**2,793**	**122**	**2,671**
Gross result	**3,049**	**-93**	**3,142**
Addition to loan loss provisions	183	3	180
Result before tax	**2,866**	**-96**	**2,961**
Taxation	817		
Non-controlling interests	67		
Net result	**1,982**		

Volatile income and expense items

Volatile items (in € mln)

	3Q2022	4Q2022	1Q2023	2Q2023	3Q2023
WB/FM – valuation adjustments	-15	-2	-10	33	15
Capital gains/losses	-3	0	15	-0	0
Hedge ineffectiveness[1)]	-431	-71	35	-46	102
Other items income[2)]	-218	-319	-69	-6	-88
Total volatile items – income	**-668**	**-392**	**-29**	**-21**	**29**
Incidental items - expenses[3)]	-85	-82	-4	-6	-122
Impact total volatile items on gross result	**-753**	**-473**	**-34**	**-27**	**-93**

1) 3Q2022: includes €-288 mln to unwind a macro fair value hedge of deposits in Belgium

2) 3Q2022: €71 mln TLTRO III benefit, €-343 mln impact Polish mortgage moratorium, €+100 mln from the transfer of our investment business in France, €-31 mln hyperinflation impact and €-15 mln impairment on our equity stake in TTB
4Q2022: €-315 mln net TLTRO III impact, €+14 mln from the transfer of our investment business in France and €-17 million hyperinflation impact
1Q2023: €-69 million hyperinflation impact
2Q2023: €-6 million hyperinflation impact
3Q2023: €-88 million hyperinflation impact

3) 3Q2022: €75 mln for adding interest-on-interest to compensation for certain Dutch consumer credit products and €10 mln hyperinflation impact
4Q2022: €43 mln restructuring costs, €30 mln energy allowances for employees and €9 mln hyperinflation impact
1Q2023: €4 mln hyperinflation impact
2Q2023: €6 mln hyperinflation impact
3Q2023: €46 mln for restructuring and related costs for Retail Belgium, €26 mln hyperinflation impact and €51 mln provisioned in Corporate Line

Hyperinflation accounting in Türkiye

Application of IAS 29 to consolidation of ING in Türkiye

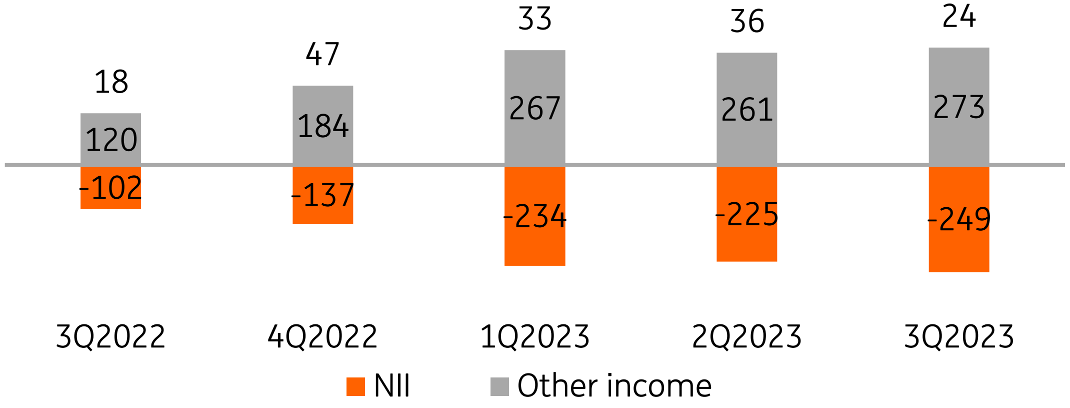
- We applied IAS 29 (‘Financial Reporting in Hyperinflationary Economies’) to the consolidation of our subsidiary in Türkiye, effective as of 1 January 2022, as cumulative inflation in Türkiye over the preceding three years had exceeded 100%
- The application of IAS 29 resulted in a negative accounting impact on ING net result in 3Q2023 of €-121 mln, reflecting the adjustments for changes in the general purchasing power of the Turkish lira
- The impact on CET1 capital is slightly positive as the negative impact on P&L is offset by a positive adjustment in equity
- Resilient net profit and shareholders’ distribution has not been affected as the total quarterly P&L impact of €-121 mln was treated as a significant item not linked to the normal course of business, in line with ING’s distribution policy

Impact on results (in € mln)

	2Q2023	3Q2023
Profit or loss		
Net interest income	2	15
Net fee and commission income	0	3
Investment income	0	0
Other income	-9	-106
Total income	**-6**	**-88**
Expenses excl. regulatory costs	6	26
Regulatory costs	0	0
Operating expenses	**6**	**26**
Gross result	**-12**	**-114**
Addition to loan loss provisions	0	3
Result before tax	**-13**	**-117**
Taxation	1	4
Net result	**-14**	**-121**

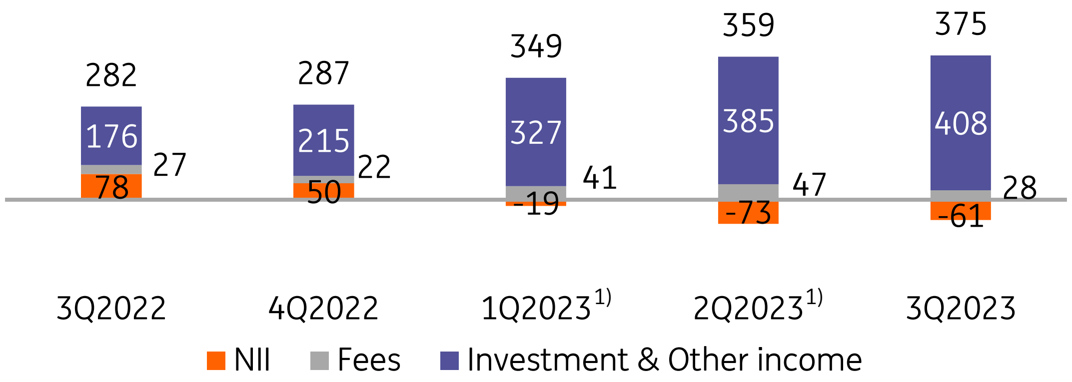
Accounting asymmetry impacting net interest income

Treasury interest rate differential (in € mln)



- Treasury benefited from favourable market opportunities through money market and FX transactions
- These activities had a negative impact on net interest income, which was more than offset by a positive impact in other income
- The magnitude of this accounting asymmetry depends on the volume of trades and the interest rate differential between the euro and other currencies (mostly US dollar)

WB Financial Markets (in € mln)

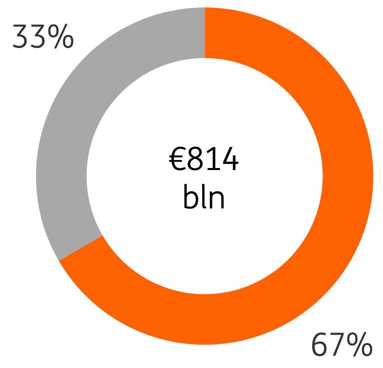


- Financial Markets benefited from good client flow and market volatility, supporting total income. The third quarter of 2023 also included a €61 mln gain from the release of reserves
- Increasing interest rates led to higher funding costs, resulting in a reduction in net interest income, while other income, related to the opposite position, rose significantly
- This accounting asymmetry is more pronounced in a positive rate environment and is also influenced by product mix developments

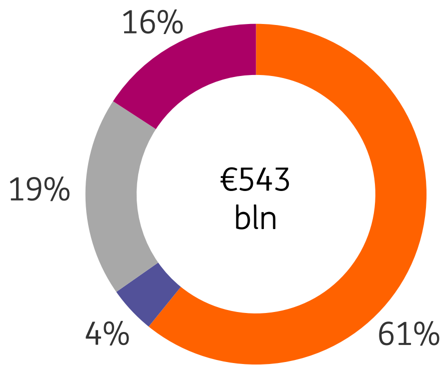
[1] An updated classification of transactions within WB led to a shift in 1H2023 between NII and Other Income for Financial Markets, with an offset in Treasury & Other

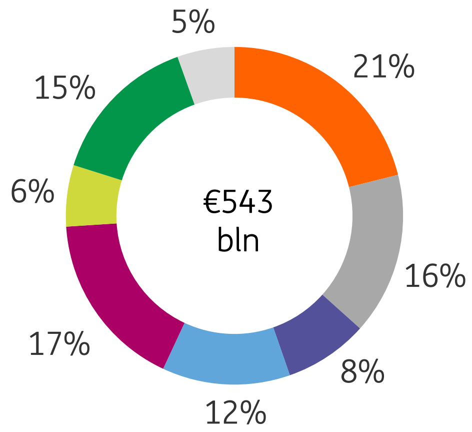
Well-diversified lending credit outstandings[1] by activity

ING Group

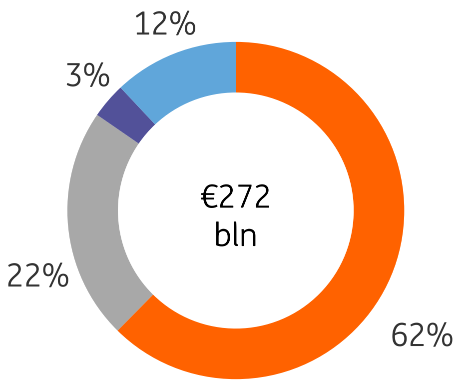


Retail Banking





Wholesale Banking



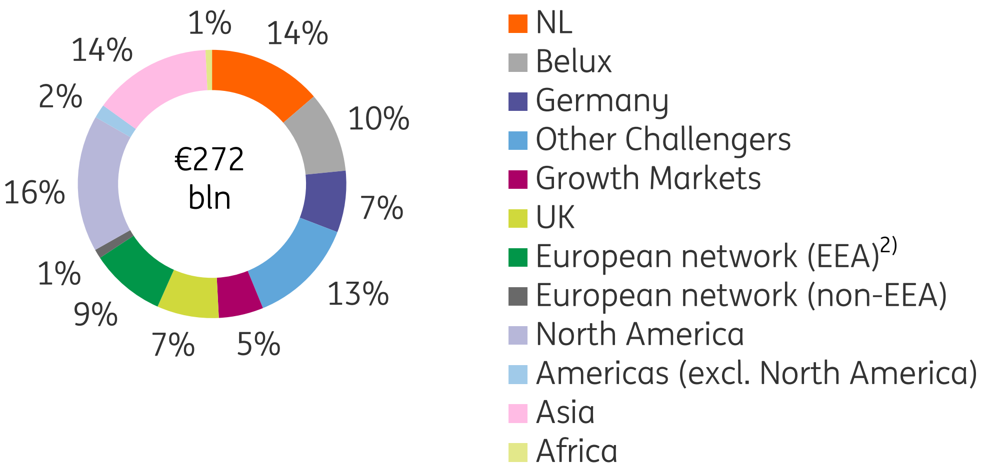
- ING has a well-diversified and well-collateralised loan book with a strong focus on own-originated mortgages and senior loans

[1] Lending and money market credit outstandings, including guarantees and letters of credit, excluding undrawn committed exposures (off-balance sheet positions)
[2] Other includes €80 bln Retail-related Treasury lending and €6 bln Other Retail Lending

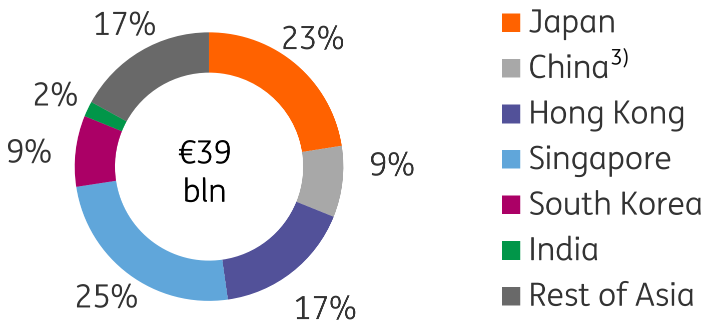
Wholesale Banking lending credit outstandings[1)]

Loan portfolio is well diversified across geographies…

Wholesale Banking

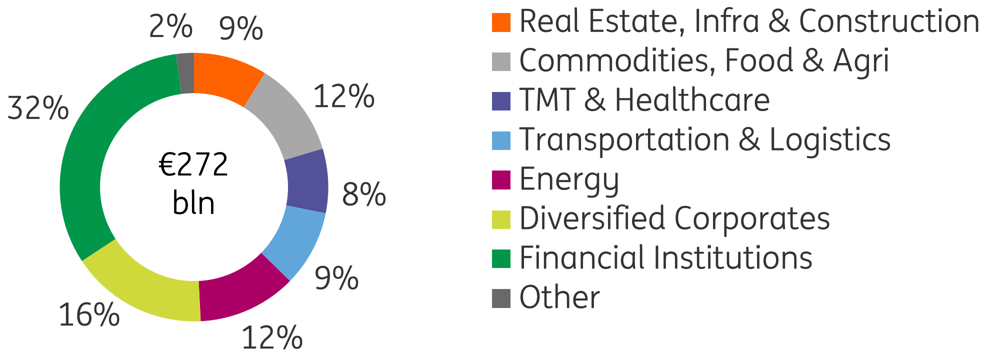


Wholesale Banking Asia



…and sectors

Wholesale Banking



Selected countries/sectors

Russia

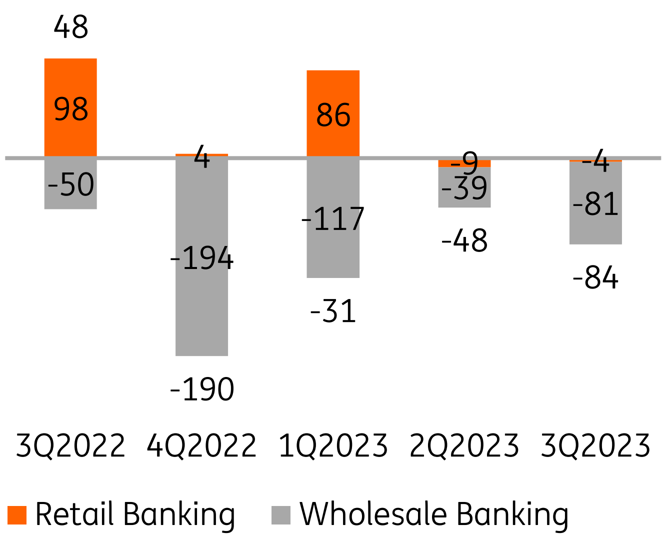
- €1.5 bln offshore exposure[4)], of which €0.6 bln with ECA or CPRI cover
- Equity Russian subsidiary €0.3 bln
- €0.7 bln has already been included in CET1 capital to cover for expected (loan loss provisions €0.2 bln) and unexpected losses (€0.5 bln equivalent of €3.9 bln CRWA at 12.5%)

[1)] Lending and money market credit outstandings, including guarantees and letters of credit, excluding undrawn committed exposures (off-balance sheet positions)
[2)] European Economic Area
[3)] Excluding our stake in Bank of Beijing (€1.7 bln at 30 September 2023)
[4)] Lending credit outstandings, money market, investment and pre-settlement, including guarantees and letters of credit, excluding undrawn committed exposures (off balance positions)

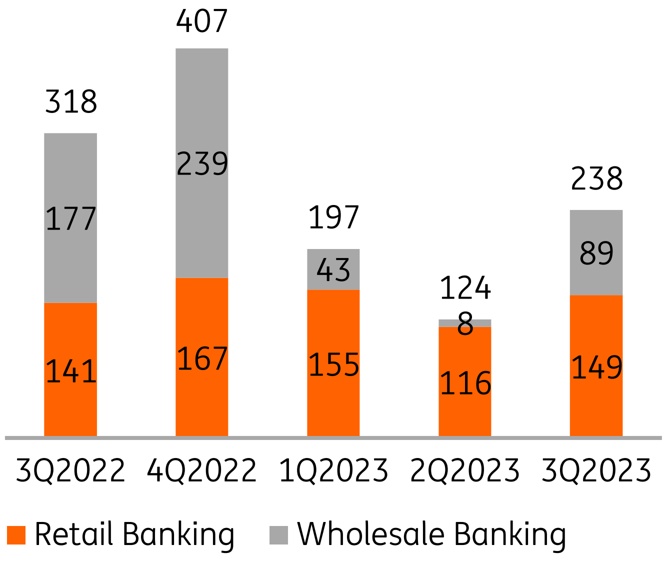
Addition to loan loss provisions per Stage

Stage 1 provisioning (in € mln)

Stage 2 provisioning (in € mln)[1,2]



Stage 3 provisioning (in € mln)[2]



Main drivers

- Stage 1 mainly driven by overlays and an update of the macro-economic forecast

Main drivers

- Release on our Russia-related portfolio, mainly reflecting lower Russia-related exposure

Main drivers

- Limited additions to individual files in Wholesale Banking
- Collective Stage 3 provisions in various Retail Banking markets

[1] Stage 2 includes modifications
[2] Wholesale Banking provisioning includes Corporate Line

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 2022 ING Group consolidated annual accounts. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to a number of factors, including, without limitation: (1) changes in general economic conditions and customer behaviour, in particular economic conditions in ING's core markets, including changes affecting currency exchange rates and the regional and global economic impact of the invasion of Russia into Ukraine and related international response measures (2) ongoing and residual effects of the Covid-19 pandemic and related response measures on economic conditions in countries in which ING operates (3) changes affecting interest rate levels (4) any default of a major market participant and related market disruption (5) changes in performance of financial markets, including in Europe and developing markets (6) fiscal uncertainty in Europe and the United States (7) discontinuation of or changes in 'benchmark' indices (8) inflation and deflation in our principal markets (9) changes in conditions in the credit and capital markets generally, including changes in borrower and counterparty creditworthiness (10) failures of banks falling under the scope of state compensation schemes (11) non-compliance with or changes in laws and regulations, including those concerning financial services, financial economic crimes and tax laws, and the interpretation and application thereof (12) geopolitical risks, political instabilities and policies and actions of governmental and regulatory authorities, including in connection with the invasion of Russia into Ukraine and the related international response measures (13) legal and regulatory risks in certain countries with less developed legal and regulatory frameworks (14) prudential supervision and regulations, including in relation to stress tests and regulatory restrictions on dividends and distributions (also among members of the group) (15) ING's ability to meet minimum capital and other prudential regulatory requirements (16) changes in regulation of US commodities and derivatives businesses of ING and its customers (17) application of bank recovery and resolution regimes, including write down and conversion powers in relation to our securities (18) outcome of current and future litigation, enforcement proceedings, investigations or other regulatory actions, including claims by customers or stakeholders who feel misled or treated unfairly, and other conduct issues (19) changes in tax laws and regulations and risks of non-compliance or investigation in connection with tax laws, including FATCA (20) operational and IT risks, such as system disruptions or failures, breaches of security, cyber-attacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which we do business (21) risks and challenges related to cybercrime including the effects of cyberattacks and changes in legislation and regulation related to cybersecurity and data privacy (22) changes in general competitive factors, including ability to increase or maintain market share (23) inability to protect our intellectual property and infringement claims by third parties (24) inability of counterparties to meet financial obligations or ability to enforce rights against such counterparties (25) changes in credit ratings (26) business, operational, regulatory, reputation, transition and other risks and challenges in connection with climate change and ESG-related matters, including data gathering and reporting (27) inability to attract and retain key personnel (28) future liabilities under defined benefit retirement plans (29) failure to manage business risks, including in connection with use of models, use of derivatives, or maintaining appropriate policies and guidelines (30) changes in capital and credit markets, including interbank funding, as well as customer deposits, which provide the liquidity and capital required to fund our operations, and (31) the other risks and uncertainties detailed in the most recent annual report of ING Groep N.V. (including the Risk Factors contained therein) and ING's more recent disclosures, including press releases, which are available on www.ING.com.

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