4Q2023 Comparative Quarters Note

ING Investor Relations

9 January 2024

General market developments

- Central bank rates have plateaued and remained stable during the fourth quarter, except for a second policy rate cut in Poland
- In our Retail markets, mortgage demand remained subdued
- In our Wholesale markets, economic uncertainty continued to impact loan demand
- Eurozone inflation levels continued to be elevated
- Unemployment rates remained benign in our core markets, while bankruptcy levels remained below historical levels

Net Interest Income: 4Q2022 NII was €3,545 mln (including a net TLTRO impact of €-315 mln). In 3Q2023 it was €4,028 mln (including a negative impact of €-249 mln in Treasury, which was more than offset in other income)

- Net interest income from our replicating portfolio is impacted by short- and longer-term interest rates, as ~45% of our retail eurozone deposits are replicated at maturities up to 1 year and ~55% at maturities between 1 and 15 years
- Net interest income in 3Q2023 benefited from two ECB deposit facility rate hikes of 25 bps each, on 2 August and 20 September, resulting in a quarter-on-quarter benefit from reinvesting the shorter dated maturities within the replicating portfolio. During the fourth quarter, the ECB deposit facility rate remained stable
- Eurozone swap rates have significantly decreased during 4Q2023, which reduces the quarter-on-quarter benefit from reinvesting the longer dated maturities within the replicating portfolio
- In Poland the reference rate was cut by 25 bps as of 5 October, following a previous rate cut of 75 bps on 6 September. Our core savings rate has remained unchanged at 150 bps
- Deposit betas have further increased in 4Q2023, with core savings rate increases in:
  - The Netherlands, from (up to) 125 bps to (up to) 150 bps as of 15 October
  - Belgium, from 70 bps (including 15 bps fidelity premium) to 80 bps (including 20 bps fidelity premium) on the most used savings products as of 1 December
  - Germany, from 100 bps to 125 bps as of 1 November
  - Spain, for primary customers from 125 bps to 150 bps and for non-primary customers from 85 bps to 100 bps, as of 1 November
  - Italy, from 50 bps to 100 bps as of 8 October
- Furthermore, in various markets we have increased interest rates on term deposits
- Based on publicly announced pricing, the weighted average core savings rate increased from ~105 bps during 3Q2023 to ~120 bps during 4Q2023

- In Germany, a ‘fresh money’ campaign with a 3% bonus rate up to 6 months resulted in €16.3 bln of deposit inflows in April and has ended as per the end of October
- The accounting asymmetry impact on net interest income in Treasury and in Financial Markets is expected to remain about the same quarter-on-quarter (as per the 3Q2023 earnings call)
- As of 20 September 2023, remuneration on the ECB minimum reserve requirement has been adjusted to 0 bps. As per the 3Q2023 earnings call, the expected negative impact on NII in 4Q2023 will be roughly €70 mln compared to 3Q2023

Net fee and commission income: 4Q2022 fee income was €888 mln. In 3Q2023 it was €909 mln

- In Retail Banking, fee income is mainly driven by daily banking and investment products. In the Netherlands we announced 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: 4Q2022 investment income was €15 mln. It was €103 mln in 3Q2023, which included €98 mln annual dividend from our stake in the Bank of Beijing

Other income was €420 mln in 4Q2022 and €802 mln in 3Q2023

- 4Q2022 included a €67 mln gain from a legacy entity in Retail Belgium
- 3Q2023 included a €61 mln gain from the release of reserves in Financial Markets, as well as €273 mln in Treasury (offsetting the aforementioned impact in NII)
- IAS 29 impact to reflect hyperinflation accounting in Türkiye was €-32 mln in 4Q2022 and €-106 mln in 3Q2023. 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 €2,596 mln in 4Q2022 and €2,684 mln in 3Q2023. Note that 4Q2022 included €82 mln of incidental items and 3Q2023 included €122 mln

- Headline inflation, which had started to rise significantly as of 2Q2022, affects salary expenses and procured services with some delay
- German employees have received a tax-free €1,500 energy allowance in 4Q2023
- In Poland we announced an estimated €19 mln restructuring provision in 4Q2023

Regulatory costs were €291 mln in 4Q2022 (including annual Dutch bank tax) and €109 mln in 3Q2023

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
- In Poland we announced an estimated €24 mln provision for CHF-indexed mortgages in 4Q2023

Tax

- We have guided the effective tax rate for 2023 and beyond to be between 28-30%

CET1 ratio of the Group was 15.2% at the end of 3Q2023

- The €2.5 bln share buyback, which was announced in November, has an impact of roughly 78 bps on the CET1 ratio in 4Q2023. The share buyback programme is expected to end no later than 19 April 2024
- We intend to converge the CET1 ratio to our target level of ~12.5% by 2025 and we will update the market on our distribution plans with our 1Q2024 results presentation in May 2024
- 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 at close of business, 10 January 2024