Investor Presentation 2024

ING Germany / ING-DiBa AG

Frankfurt ▪ September 2024

do your thing

Key points

ING Germany

- Developing towards a leading universal bank in Germany
- Managing costs to deliver best in class profitability

2023

- Total underlying income of ING Germany of **€3,949 mln** and an underlying net result of **€1,658 mln** in 2023
- Comfortable capital position with a Tier 1 ratio of **17.6%** by 2023

Pfandbrief

- Moody's has assigned an Aaa Rating for the Mortgage Pfandbrief
- Cover Pool consisting of 100% German residential mortgages
- Regular issuances planned for the coming years, to further diversify the bank's liabilities

Agenda

Business Profile and Strategy

Our Business Model

Private Individuals

- Focus on self-sufficient customers
- Reinforces transparency and consumers’ rights
- Cost efficiency / attractive conditions

Business Banking

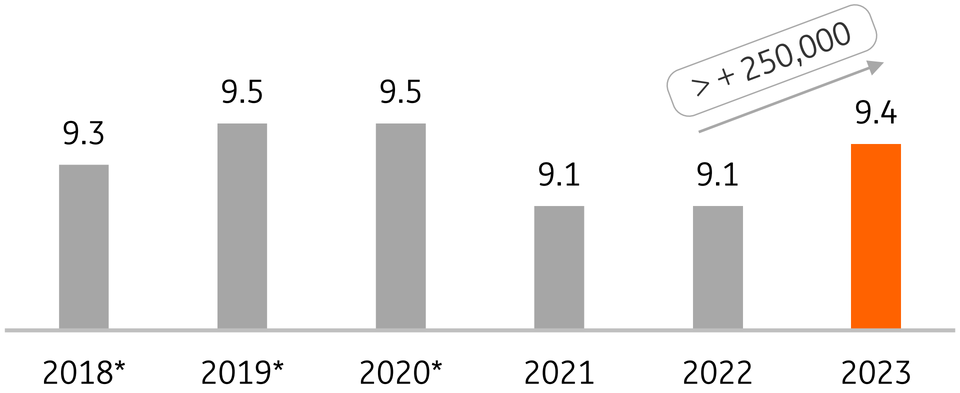
- Focus on digital products for Self-Employed and Small and Medium-sized enterprises in Germany
- Lending and Savings offer via direct channel and strong partner network – expansion towards Current Account in 2024
- Embedded Finance partnership with Amazon since 2020

Wholesale Banking

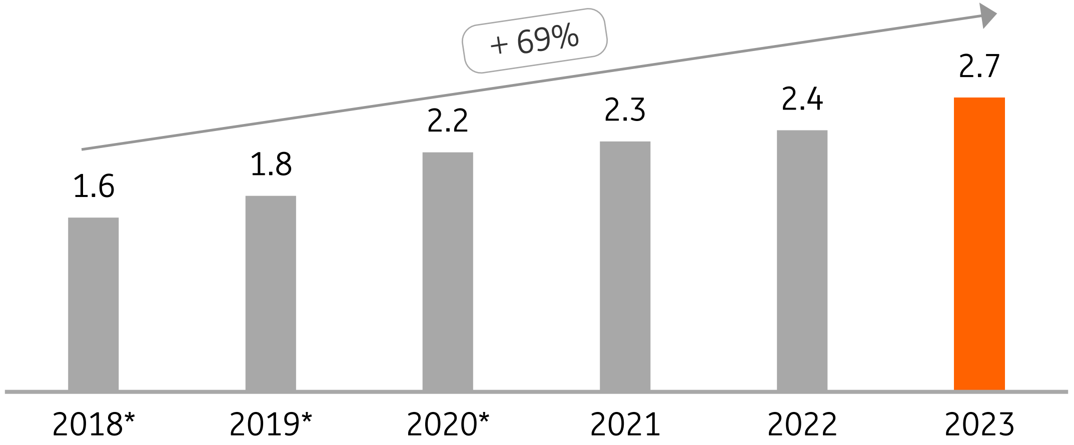
- Focus on banking services for large internationally operating business clients
- Global expertise in more than 7 sectors
- Strong ING network in more than 40 countries
- Nationwide presence with regional offices (Hamburg, Munich, Stuttgart & Dusseldorf)

The bank´s strategy delivers on commercial growth in 2023

ING Germany serves 9.4 million retail customers (in mln)



Primary customers growth rises to 2.7 million (in mln)



Core lending €134.0 bln

2023 net growth

+2.3%

€ +3.0 bln

Customer deposits €145.2 bln**

2023 net growth

+5.3%

€ +7.3 bln

Employees

2023 average

5,886

Changes compared to 2022 results (IFRS)

*) Including Austrian customers

**) Including Wholesale Banking Deposits

We are happy to help that everything runs well also financially

Customer needs

Pay	Save & Invest		Finance		Insure
Current account	Saving products	Brokerage	Consumer loans	Mortgages	Insurance products

Cooperations: Online wealth management with scalable .CAPITAL — Bausparen with W&W wüstenrot

Solutions with AXA

Business Banking leaps forward

2023 – The next level of ING Business Banking

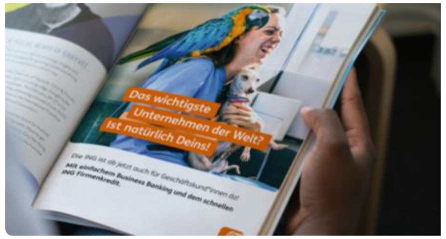
- **Business Extra-Konto** launched, as free, flexible and digital day-to-day savings product for business clients
- Next milestone on the way to a **comprehensive financial product offering covering Daily Banking next to Lending**
- **Digital Lending** with new specialized offer for the Health Sector. Embedded Finance continued with Amazon (as only German Bank partner)

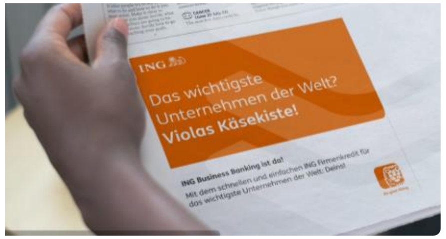
Strong financials

- Business Banking segment recorded significant growth in 2023
- The portfolio volume increased by 34% to €384 mln in 2023 (2022: €286 mln)

What's next

- Focus on expanding and growing our business and customer base, including a Current Account offer launch near-time
- Broadening Digital Lending offer (e.g., in Instant Lending)
- Exploring end-to-end digitalization (Straight Through Processing) to support scaling up and enhance Client experience, e.g., with easy and fast 24/7 available services





WB Germany in a nutshell

ING Wholesale Banking in Germany*

- **€30.6 bln lending assets**
- **Local German €453 mln profit before tax (~20%).** Overall **franchise topline** with German clients (incl. offshore booking) **close to €900 mln**
- From our four regional offices in Dusseldorf, Hamburg, Munich and Stuttgart, we are present in Germany's key commercial regions, which allows us to serve our regional clients better and faster at a local level
- Pioneer in **Sustainable Finance**
- At our headquarters in Frankfurt, we have a wide range of in-depth **sector and product expertise** combined with global expertise

Sectors

- Commodities Food & Agri
- Telecom, Media & Healthcare
- Financial Institutions
- Corporate Sector Coverage
- Real Estate Finance
- Energy
- Transportation & Logistics

Products

- Lending
- Financial Markets
- Capital Markets & Advisory
- Transaction Services

*per FY23

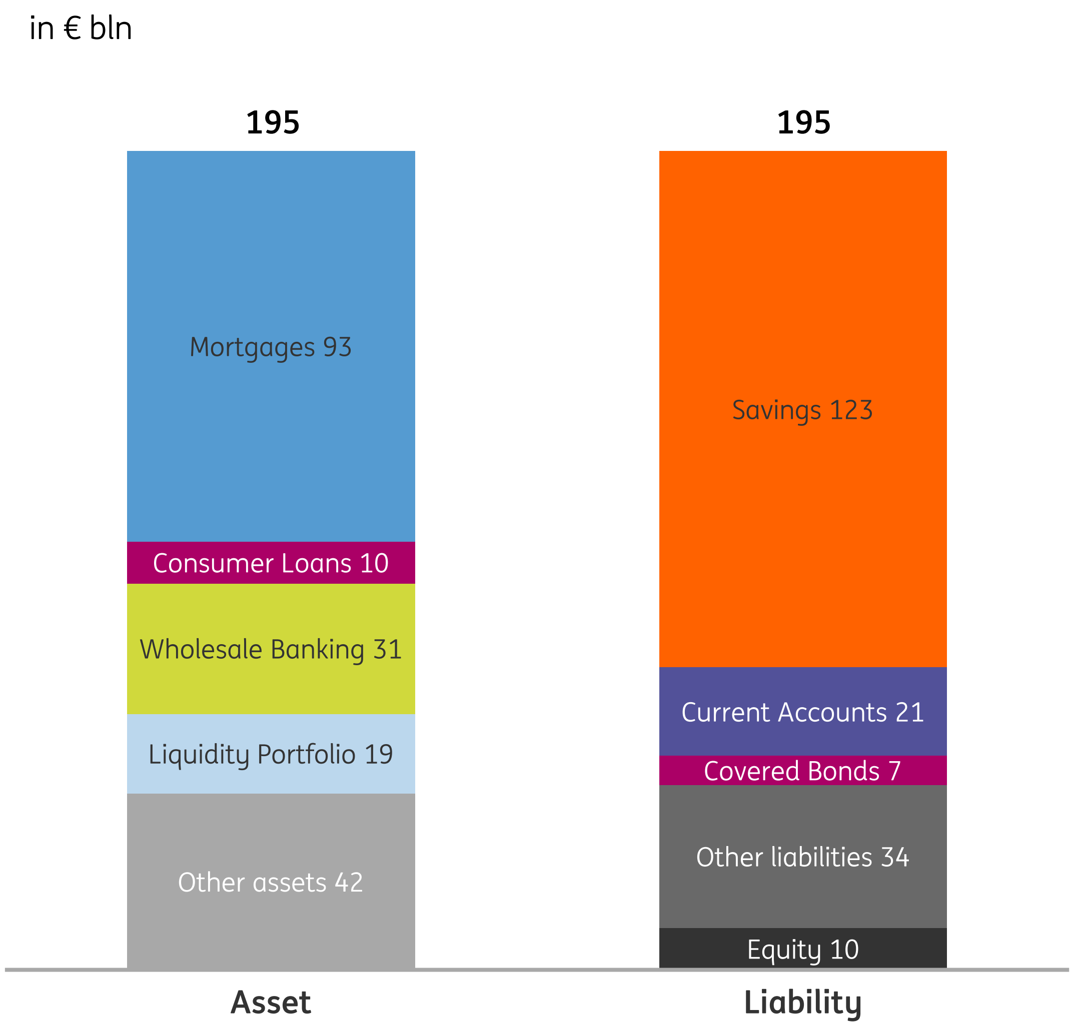
ING Germany
Results 2023

Developments in 2023

1	Clients	# in mln	9.4	+3%	↗
2	Primary clients	# in mln	2.7	10%	↑
3	Current Accounts	# in mln	3.4	9%	↗
4	Savings and current accounts	Balance in € bln	143.6	6%	↗
5	Brokerage	# of transactions in mln	35.0	1%	↗
6	Mortgages	Balance in € bln	92.7	2%	↗
7	Consumer Loans	Balance in € bln	10.0	2%	↗
8	Wholesale Banking	Loans in € bln	30.6	4%	↗
9	Business Banking	Loans in € mln	384	34%	↑
10	Interhyp brokered volume	In € bln	17.2	-41%	↓

Changes compared to 2022 results (IFRS)

ING Germany balance sheet: strong and conservative



Balance sheet ING Germany as of 31 Dec 2023

- Total assets : €195 bln

Attractive funding profile

- Large, increasing customer deposit volume
- Frequent covered bond issuances

Objectives

- Diversification of funding sources
- Ability to grow client assets independently of client liabilities
- Maintain liquidity ratios at comfortable levels

Liquidity Buffer

- High quality liquidity buffer

Scope: ING Germany

ING Germany - Income statement (IFRS)

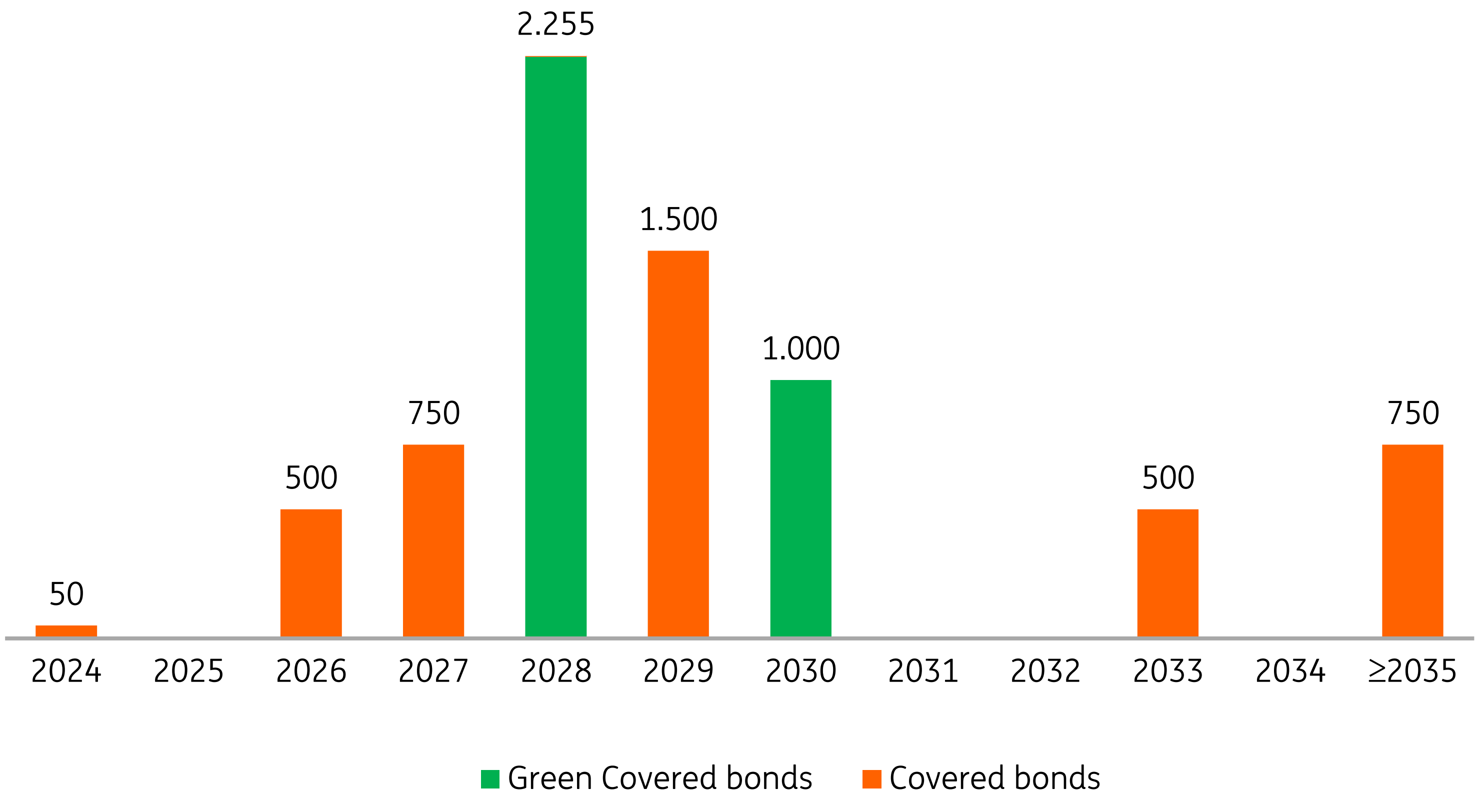
in € mln	2023	2022	Δ	Δ in %
Net interest income	3,704	2,245	1,459	65
Net commission income	414	496	(82)	-17
Other comprehensive income	(170)	99	(269)	-271
Personnel expenses	(730)	(685)	(45)	7
Other administrative expenses	(716)	(656)	(60)	9
Risk costs	(36)	(460)	424	-92
Profit before tax	**2,466**	**1,040**	**1,426**	**137**
Income tax	(807)	(331)	(477)	144
Profit after tax	1,658	709	949	134
Cost-income-ratio	36.6%	47.2%	-10.6%	-
Return-on-Equity	18.9%	7.8%	11.1%	-
Tier 1 ratio (Basel III)	17.8%	15.9%	1.9%	-

Scope: ING Germany

Covered Bond Programme

Long-term debt maturity profile and issuance activity

Long-term debt maturity ladder (in € mln)



Green Pfandbrief started in 2021

Issuance activity in 2023

- Total issuance for 2023 was €1.0 bln
- ING-DiBa AG had maturities of €1.0 bln in 2023

Current maturity ladder

- Next benchmark maturity is in 2026 with a volume of €500 mln
- Total external outstanding issuance volume of €7.305 bln

Scope: ING Germany

ING-DiBa AG’s Residential Mortgage Pfandbrief Programme

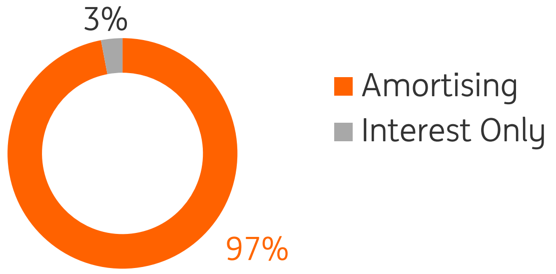
- ING-DiBa AG’s €20 bln Residential Mortgage Pfandbrief Programme
  - Aaa rated by Moody’s
  - Cover pool consists of **100% prime German residential** mortgage loans in Euro only. As per 30th June 2024, no arrears > 90 days in the cover pool
  - Strong German legislation including the LTV cut-off rate of 60% as well as the latest amendments to the Pfandbrief Act with regards to the mandatory overcollateralization (OC)
  - Successfully issued €1.0 bln Green Pfandbrief 4.25 years in November 2023
- Latest investor reports are available on www.ing.de/ueber-uns/unternehmen/investor-relations/

Portfolio characteristics (as per 30th June 2024)

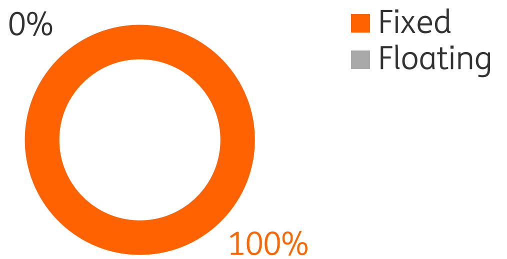
Net principal balance	€14,941 mln
Outstanding bonds	€11,305 mln
# of loans	125,664
Avg. principal balance (per borrower)	€118,896
WA current interest rate	1.61%
WA remaining maturity	35.92 years*
WA seasoning	5.08 years
WA current indexed LTV	n/a**
Min. documented OC	2%
Nominal OC	35.8%

* Calculated on a quarterly basis; latest value as of 30th June 2024
** Unindexed LTV: 85.8% (original LTV, based on the mortgage lending value at origination)

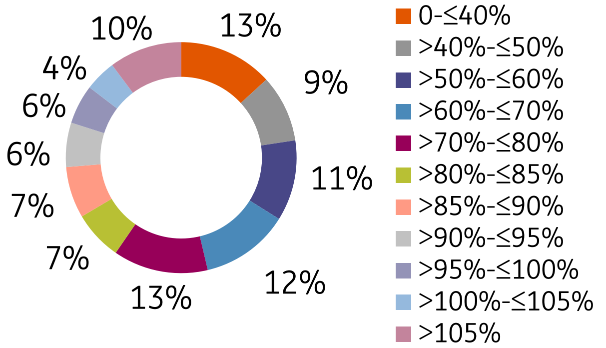
Repayment type



Interest rate type



Current Unindexed LTVs



Strong rating profile of ING-DiBa AG

Issuer credit ING-DiBa AG – Credit Opinion 19th December 2023

ING-DiBa AG	Moody's
Issuer LT rating	A2
Outlook	Stable
Bank Deposits ST rating	P-1

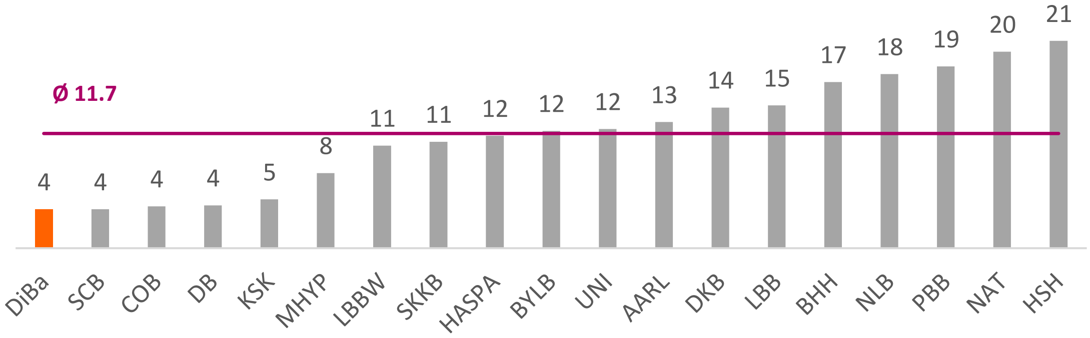
Key Driver

- Strong risk-weighted capitalization
- Solid profitability
- Large deposit base that benefits the funding profile

Mortgage Covered Bonds – Performance Overview 30th June 2024

ING-DiBa AG	Moody's
Rating	Aaa
Collateral Score	4.0%
Collateral Score excl. systemic risk	3.7%
Minimum OC consistent with a Aaa rating	0.0%
Current OC (unstressed NPV)	35.8%
TPI Leeway/TPI	5/high

Mortgage Pfandbrief Collateral Score 2023 Q4 in %



Source: Moody's Covered Bonds – Global, Sector Update – Q2 2024

Main programme characteristics

- Product type: annuity loan
- Fixed interest only
- Principal repayment: 1-10% p.a.
- Prepayment: up to 5% p.a. of principal
- Performing loans*
- Tenor up to 30 years

- Aaa rated by Moody's

- The energy certificate is an integral part of our minimum document list
- It is requested for all objects and types of financing

- Strong German legislation
- Strong independent oversight from the cover pool monitor with a continuous strong oversight from the regulator
- Relatively low loan-to-value (LTV) threshold of 60%

- First lien residential mortgage loans
- German property
- Private individuals

Issuer undertaking:

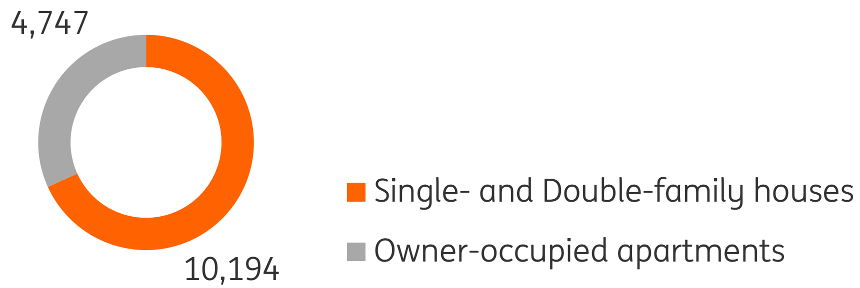
- Includes liquid bonds
- Provides quarterly investor reporting on https://www.ing.de/ueber-uns/unternehmen/investor-relations/

* Non-performing loans will directly be excluded from the cover pool

Key cover pool characteristics

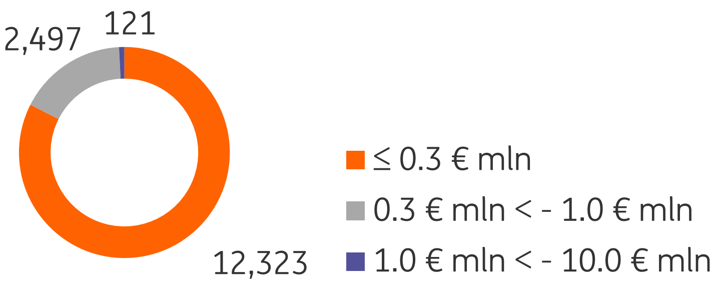
Residential property type profile (in € mln)

30th June 2024



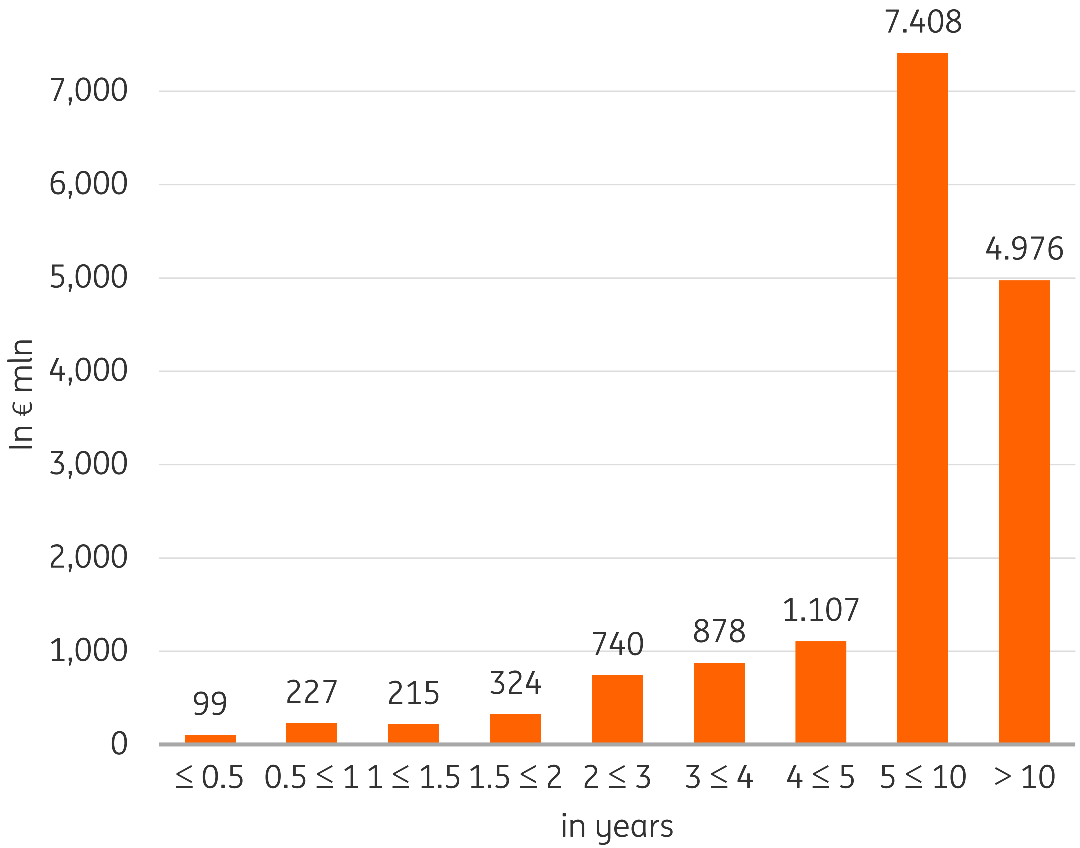
Residential mortgages balances profile

30th June 2024



Maturity profile

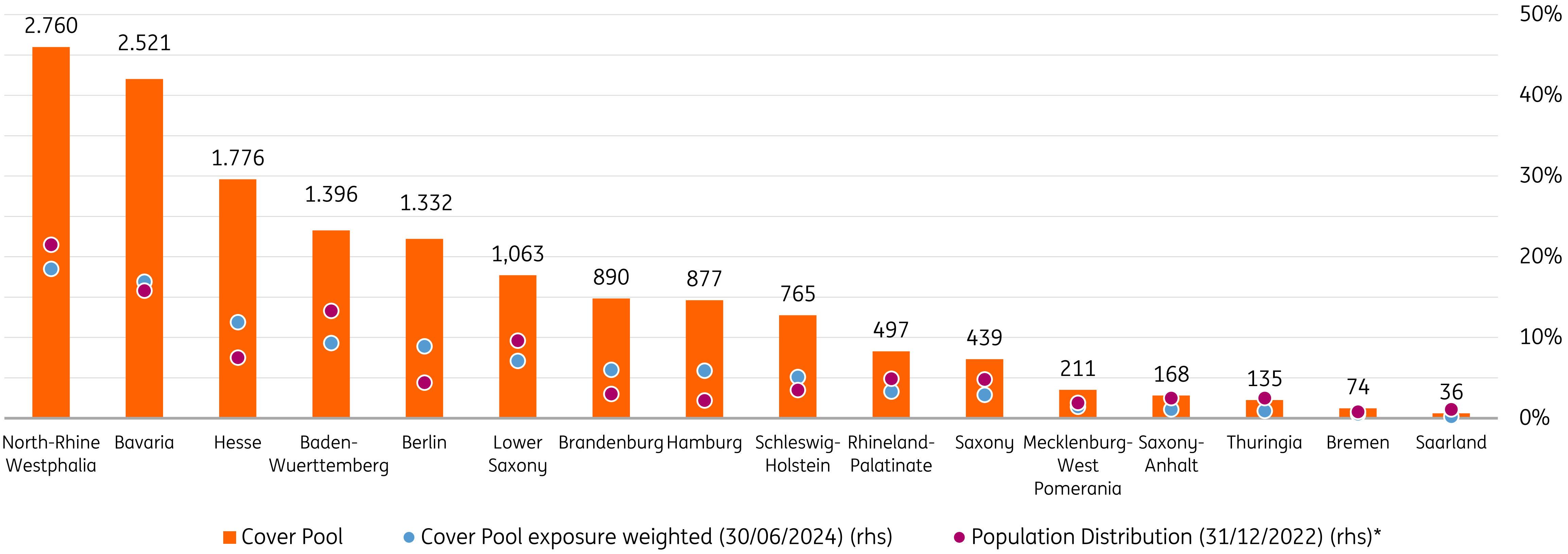
30th June 2024



Key cover pool characteristics

Provinces profile (in € mln)

30th June 2024



Product requirement: No financing of collaterals outside of Germany

* Source: Statistische Ämter des Bundes und der Länder (www.statistikportal.de/de)

Green Bond Framework

ING is dedicated to its Green Bond franchise

Green Bond issuance objectives and added value

- Support meeting our sustainability objectives
- Fund growth in our Eligible Green Loan portfolio
- Continued leadership in the Green Bond market
- Support development of the Global Green Bond market
- Financing of new projects and channel investments to assets that have demonstrated climate benefits
- Funding diversification and de-risking benefits compared to conventional debt instruments

External consultants & providers

ISS ESG
- **Second party Opinion provider**

CARBON TRUST
- **Renewable energy consultant**

CFP GREEN BUILDINGS, DREES & SOMMER
- **Green buildings consultant**

Recent Green Bond transactions

Year of Issuance	2021	2021	**2021**	2022	2022	**2022**	2023	**2023**	2024	2024 2)
Issuer	ING Groep N.V.	ING Groep N.V.	**ING-DiBa AG**	ING Groep N.V.	ING Groep N.V.	**ING-DiBa AG**	Green Lion 2023-1	**ING-DiBa AG**	ING Groep N.V.	Green Lion 2024-1
Size / Currency	£800 mln	€500 mln	**€1.25 bln**	€1.5 bln	€1 bln	**€1 bln**	€850 mln	**€1 bln**	€1.25 bln	€1 bln
Tenor	8NC7	11NC6	**7yr**	4NC3	11NC6	**8yr**	4.9yr[1]	**4.25yr**	11NC10	4.8yr[1]
Asset class	HoldCo Senior	Tier 2	**Covered Bond**	HoldCo Senior	Tier 2	**Covered Bond**	RMBS	**Covered Bond**	Holdco Senior	RMBS

1) Until the first optional redemption date
2) The Green Lion settled in, and is included as outstanding debt as per 3Q24
For the above specified bonds, a prospectus is available. For more information and the prospectus, please visit Debt securities ING Groep N.V. | ING

Second Party Opinion

Opinion on ING Green Bond Framework[1]

ISS ESG

- ISS's overall evaluation of the Green Bond Portfolio by ING is positive
- ING Green Bond is in line with the Green Bond Principles
- Use of Proceeds significantly contribute to UN Sustainable Development Goals 7, 11 and 13
- The key sustainability objectives and the rationale for issuing Green Financial instruments are consistent

Opinion on sustainability performance

- ING is rated 11th out of 301 companies within the Commercial Banks & Capital Markets industry as of March 4rd 2022. This equates to a high relative performance, with a decile rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10

Use of Proceeds	Evaluation and selection	Management of Proceeds	Reporting
√	√	√	√


ISS CORPORATE SOLUTIONS Powered by ISS ESG

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Framework

ING Groep NV
22 November 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	Green Financial instruments (such as senior bonds, subordinated bonds, covered bonds, commercial papers, medium-term notes and deposits)
Relevant standards	Green Bond Principles, as administered by the ICMA (as of June 2021 with June 2022 Appendix 1); EU Taxonomy Climate Delegated Act (June 2021)
Scope of verification	ING Green Bond Framework (as of October 31, 2022); ING Eligibility Criteria (as of October 31, 2022)
Lifecycle	Pre-issuance verification
Validity	As long as there is no material change to the Framework

The Green Bond Principles

SUSTAINABLE DEVELOPMENT GOALS

Scope: ING Group

1) ISS will is appointed to evaluate the new Global Green Funding Framework, to be published in Q3 2024.

ING Green Bond Framework

- Our Green Bond Framework[1] was updated in 2022 and has been assessed by a Second Party Opinion (SPO) and is aligned with the ICMA Green Bond Principles 2021. The framework is presented through below four pillars:

1 Use of proceeds

- ING will finance and/or refinance, in part or in whole, an Eligible Green Loan Portfolio in accordance with the Eligibility Criteria
- Net proceeds will be allocated to Eligible Green Loan Portfolio, including:

Residential Real Estate	Commercial Real Estate	Renewable Energy (wind & solar)
Netherlands & Germany	**Netherlands**	**Global**

2 Project Evaluation and Selection

- Projects financed and/or refinanced through Green proceeds are evaluated and selected based on compliance with the Eligibility Criteria
- Governance of the Green Bond Framework is in place
- ING's Environmental & Social Risk policies and transaction approval process ensures that loans comply with ING environmental and social policies

3 Management of Proceeds

- The proceeds are managed in a portfolio approach, where relevant, bond-by-bond approach is also applied (e.g., Green RMBS)
- Level of allocation matches or exceeds the balance of net proceeds. The proceeds from Green Finance Instruments are allocated to an Eligible Green Loan Portfolio
- Unallocated net proceeds will be held in ING's treasury liquidity portfolio at ING's own discretion

4 Reporting

- Aggregated (between multiple Green Funding Instruments)
- Allocation and impact are reported. Additional reported items can be found in the Green Funding Framework
- Limited assurance of the Green Bond Allocation Report provided by an external auditor on an annual basis
- Second party opinion by ISS ESG

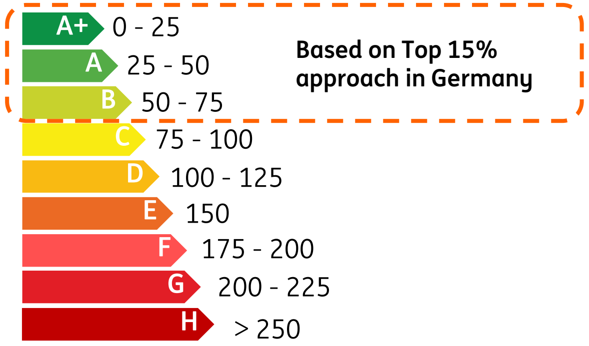
Scope: ING Group

1) The Green Bond Framework will be updated to the Global Green Funding Framework in 2024. Publication is expected in Q3 2024.

ING-DiBa's allocation and impact report: Green Buildings

Use of Proceeds: Green Buildings

Positioning ING-DiBa's Green Buildings Loan Portfolio in an **energy efficiency rating (kWh/m²year)***



Impact report: Green Buildings

DREES & SOMMER

Total portfolio size	€4,443 bln
Avoided / reduced emissions per year	62,133 ton CO_2
Avoided / reduced emissions per mln € invested by ING	13.98 ton CO_2eq/ € mln

62,133 (ton CO_2eq) ≈1) 14,488 vehicles per year ** or 75,542 acres of forests for one year

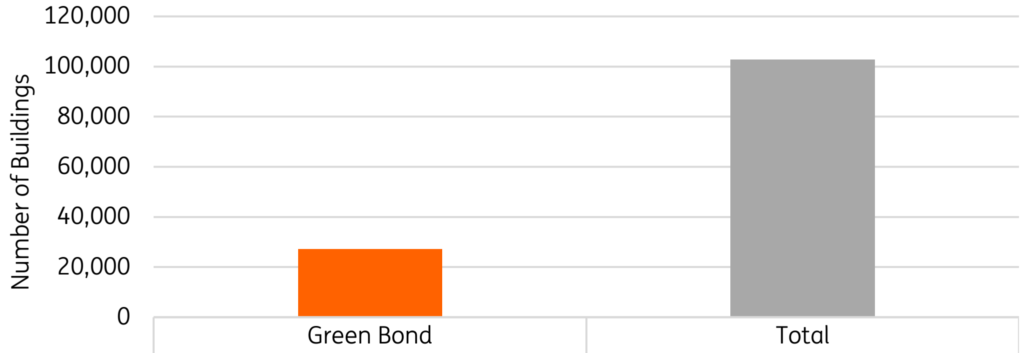
Portfolio composition ING-DiBa Green Buildings Loan Portfolio

	Signed Amount (€)	% of Total Portfolio	Number of Buildings	Building Area (m^2)	Avg. portfolio Years	Energy savings (MWh/year)	Avoided Emissions (tCO_2/year)
Single-family houses	2,395,435,123	53.9	15,259	2,156,557	7.3	118,102	34,328
Double-family houses	77,409,402	1.7	398	82,623	7.6	4,768	1,251
Terraced houses	358,886,589	8.1	2,342	307,040	7.5	17,110	5,908
Owner-occupied apartments	1,063,908,516	23.9	6,153	549,498	6.9	30,346	12,729
Semi-detached houses	547,063,762	12.3	3,073	413,526	7.6	24,140	7,917
Total	**4,442,703,931**	**100**	**27,225**	**3,509,244**	**7.3**	**194,466**	**62,133**

* Source: Drees & Sommer ING-DiBa AG Green Bond Methodology Report; 1) https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator
** Calculated in terms of the average combined fuel economy of cars and light trucks

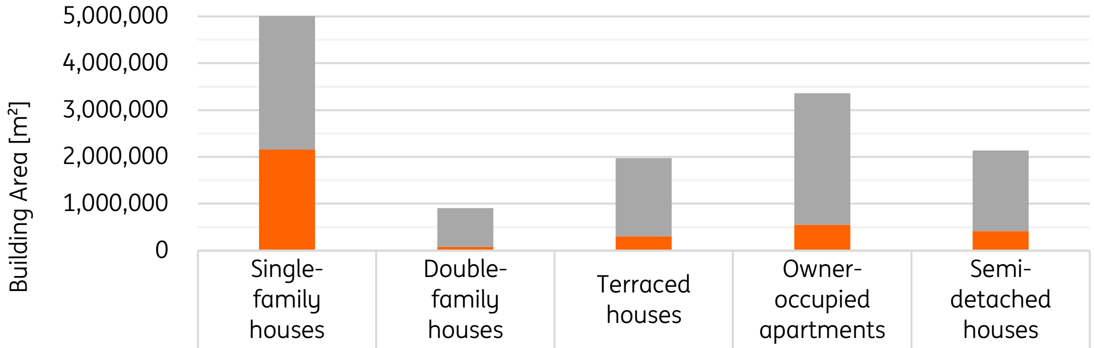
Eligible Green Loans in Pfandbrief cover pool

Number of buildings within ING-DiBa's portfolio



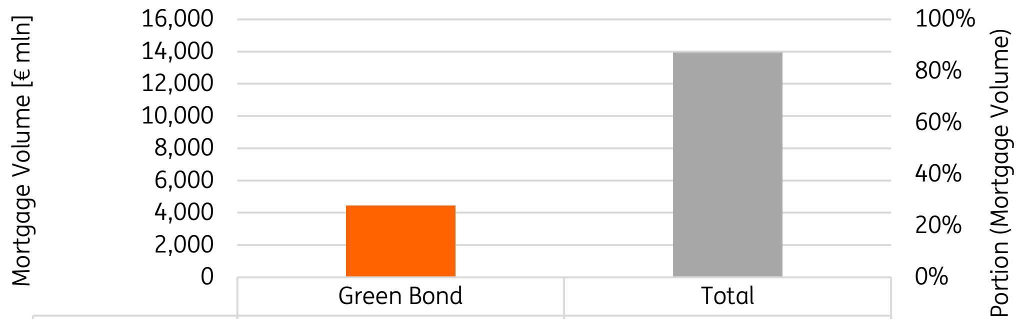
	Green Bond	Total
Amount	27,225	102,756

Building area within ING-DiBa's assessed portfolio by usage type



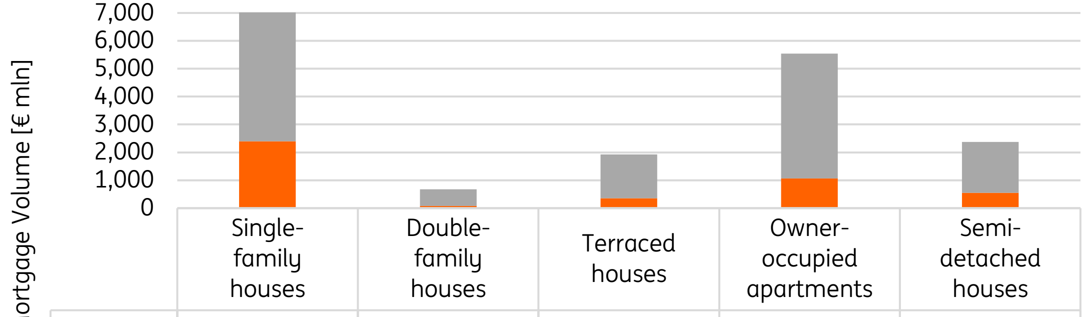
	Single-family houses	Double-family houses	Terraced houses	Owner-occupied apartments	Semi-detached houses
Total	5,604,640	821,969	1,666,790	2,810,520	1,724,981
Selected	2,156,557	82,623	307,040	549,498	413,526

Exposure of ING-DiBa's assessed portfolio



	Green Bond	Total
Portion	32%	100%
Mortgage Volume	4,442,703,391	13,924,971,577

Exposure of ING-DiBa's assessed green bond portfolio

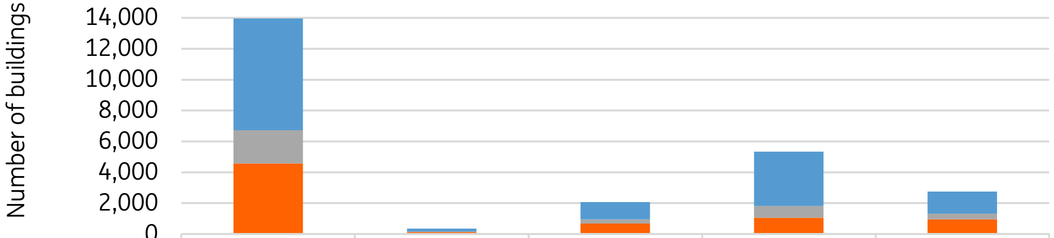


	Single-family houses	Double-family houses	Terraced houses	Owner-occupied apartments	Semi-detached houses
Total	5,453,772,043	596,634,602	1,565,184,488	4,481,104,391	1,828,276,053
Selected	2,395,435,123	77,409,402	358,886,589	1,063,908,516	547,063,762

Source: Drees & Sommer ING-DiBa AG Green Bond Methodology Report

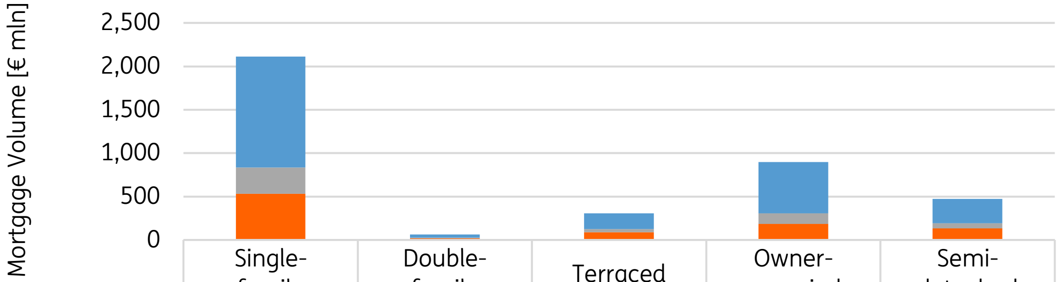
Details on the eligible Green Loan Portfolio

Number of buildings within ING-DiBa's Green Bond Sub pools



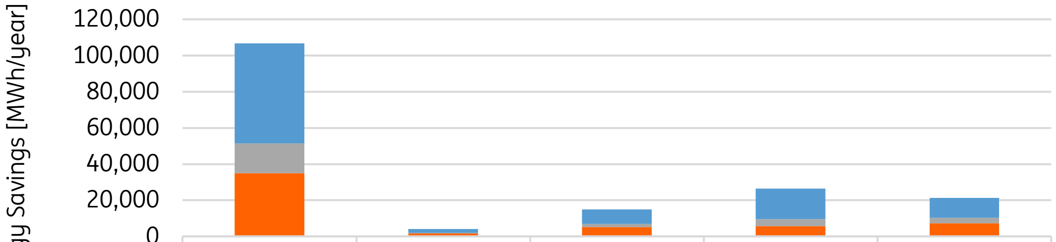
	Single-family houses	Double-family houses	Terraced houses	Owner-occupied apartments	Semi-detached houses
EnEV2016	7,243	172	1,123	3,535	1,420
EnEV2014	2,154	42	255	750	380
EnEV2009	4,576	135	692	1,066	946

Exposure of building within ING-DiBa's Green Bond Sub pools



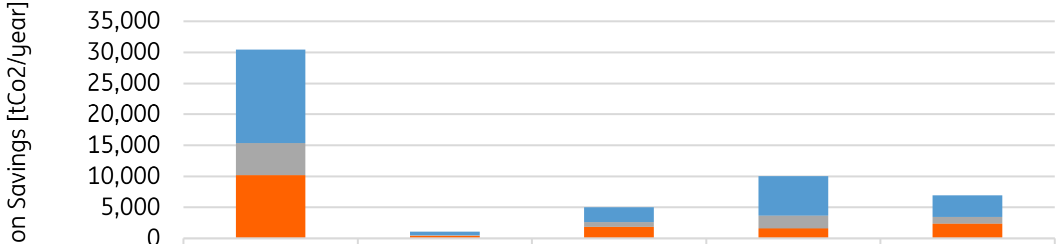
	Single-family houses	Double-family houses	Terraced houses	Owner-occupied apartments	Semi-detached houses
EnEV2016	1,279,270,371	38,629,538	182,620,456	592,441,761	278,355,029
EnEV2014	301,179,617	7,185,698	36,387,348	119,321,180	60,083,422
EnEV2009	533,807,150	18,084,479	88,244,247	186,934,821	133,715,278

Final energy savings of ING-DiBa's Green Bond Sub pools



	Single-family houses	Double-family houses	Terraced houses	Owner-occupied apartments	Semi-detached houses
EnEV2016	55,402	2,070	7,945	16,805	11,054
EnEV2014	16,449	481	1,847	3,952	2,949
EnEV2009	34,940	1,538	5,075	5,693	7,338

Carbon savings of ING-DiBa's Green Bond Sub pools



	Single-family houses	Double-family houses	Terraced houses	Owner-occupied apartments	Semi-detached houses
EnEV2016	15,064	542	2,367	6,339	3,454
EnEV2014	5,177	116	777	2,083	1,077
EnEV2009	10,210	418	1,882	1,617	2,405

Source: Drees & Sommer ING-DiBa AG Green Bond Methodology Report

Green Initiatives

Sustainability has been on ING's agenda for decades

- 1996: First Sustainability Report
- 1997: First ESR Policy
- 1998: Creation of ING Groenbank
- 1999: Launch of Business Principles
- 2000: Launch of Sustainability Equity Fund
- 2005: Partnership with UNICEF
- 2007: Became Carbon Neutral
- 2012: Start of Sustainable Lending Team
- 2015: ING issues its first Green Bond
- 2017: Introduction of Sustainability Improvement Loan
- 2018: Terra science-based methodology developed
- 2019:
  - 1st Human Rights Report
  - 1st Terra Progress Report
  - ING Poland issues first Green Covered Bond
- 2020: First Climate Risk Report
- 2021:
  - ING joins NZBA
  - First Integrated Climate Report published
  - ING DiBa issues first Green Covered Bond
- 2022:
  - Commitment to stop dedicated finance of new oil & gas fields
  - ING announces new strategy: Put sustainability at the heart of what we do

Sustainability Journey 2023

- March 2023: ING takes next step in aligning oil & gas portfolio with climate goals
- April 2023: ING joins Partnership for Carbon Accounting Principles (PCAF)
- September 2023: ING issues first Green RMBS
- October 2023: ING publishes 2023 Climate Report
- December 2023: ING to phase-out upstream oil & gas financing by 2040 and aim to triple renewables financing by 2025

Scope: ING Group

Our focus SDGs[1] are reflected in ING's Sustainability Direction

Environment

Climate action

Empowering our clients[2]

- Aim to steer the most carbon-intensive parts of our lending portfolio towards net zero
- Co-develop net zero sector pathways
- Grow our Sustainable Finance business
- Provide sustainable products/services
- Help clients manage biodiversity risks and opportunities

Transparency

- Disclosure aligned with various sustainability reporting standards

Improving our own footprint

- Reducing scope 1, 2 and 3 CO2 emissions from our own operations
- Sustainable procurement standards

Social

Financial health

Empowering our customers by focusing on:

- Financial inclusion by making bank products accessible
- Helping to get a grip on everyday finances and plan for the future

Empowering communities by investing in programmes focusing on:

- Future-proof employment
- Financial capabilities
- Social enterprises

Human rights

UN Guiding Principles (UNGP) prioritisation and due diligence

- ESR Framework and dedicated human rights policy
- Proactive client dialogue
- Sustainable procurement standards

Transparency

- Disclosure aligned with the UNGP Reporting Framework

Scope: ING Group
For more information please visit: www.ing.com/Sustainability/Sustainability-direction.htm
1) Sustainable Development Goals (SDGs) set by the United Nations General Assembly
2) Society is transitioning to a low-carbon economy. So are our clients, and so is ING. We finance a lot of sustainable activities, but we still finance more that's not. See how we're progressing on www.ing.com/climate

External recognition of ING's commitment to ESG

ESG ratings ING Groep N.V.

MSCI

CCC | B | BB | BBB | A | AA | AAA

- Rating AA
- Updated: August 2024

SUSTAINALYTICS

Weak 0 - 25 | Average 25 - 50 | Strong 50 - 100

- Evaluation: ING's management of ESG material risk is 'Strong'
- Position: in the 21st percentile of 3,339 banks
- Updated: December 2023

Sustainability Index Products

ING is regularly included in ESG and sustainability-focused indices, such as:

EURONEXT vigeo eiris INDICES BENELUX 20

EURONEXT vigeo eiris INDICES EUROZONE 120

FTSE4Good

STOXX ESG LEADERS INDICES

MORNINGSTAR Indexes

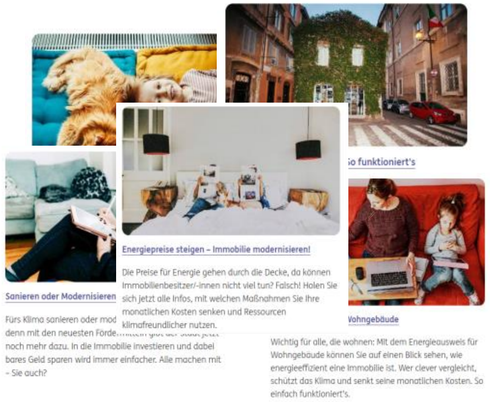
Scope: ING Group
An overview of the ratings can also be found on [Ratings | ING]

Modernization calculator & partnerships are key assets on the way to an integrated modernization journey

01 Information Hub

Provide customers an **overview** of retrofitting approaches & create **transparency**

On-going content creation to be brought on a central landing page



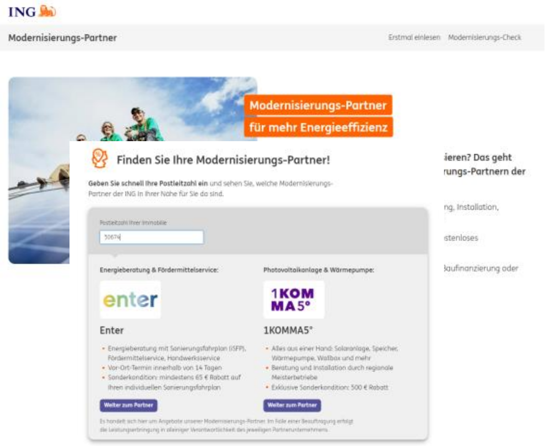
02 Modernization Calculator

Support customers in **understanding** current state of building, potential green retrofit measures and **advice** on possible subsidy programs - Co-developed with KfW

03 Partner Network

Support customers in planning measures, **structuring** renovation process and **connect** with craftsmen & energy consultants

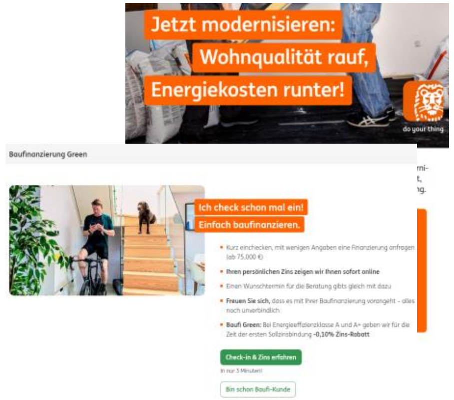
Successful go live in March 24 with 6 partners



04 Transition Financing

Green mortgage offer where buildings with an energy performance certificate of A+ or A benefit from a **discount of 10bps**

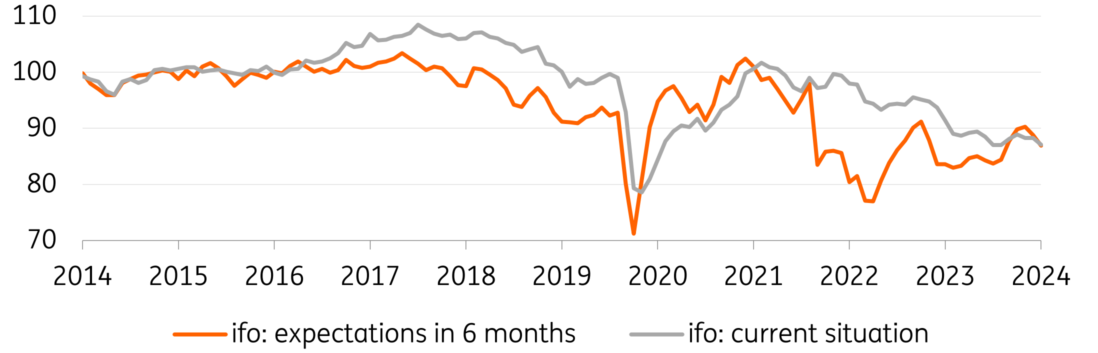
Renovation loan starting from 30k to support renovation



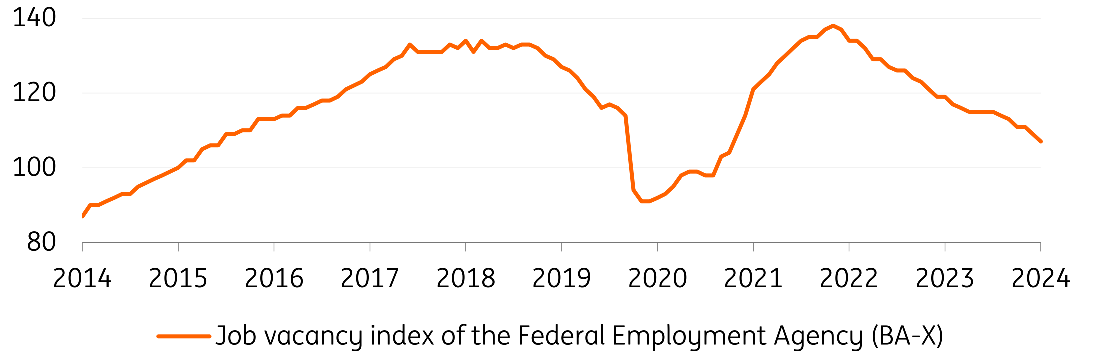
Economic, housing & mortgage markets update

The German economy falls back into contraction

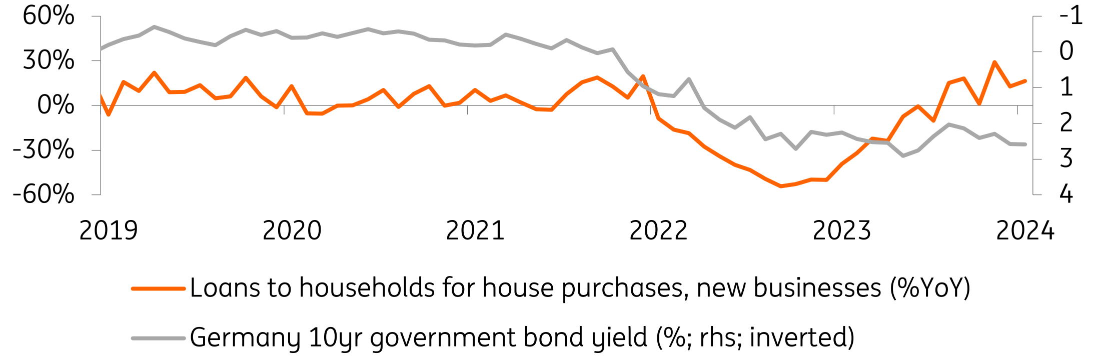
The German economy fell back into contraction in Q2 2024. Looking ahead, the German economy remains stuck in stagnation, and the latest sentiment indicators illustrate that the combination of cyclical and structural headwinds cannot easily be overcome. Nevertheless, a rebound in the second half of the year is still possible, even though it is highly unlikely that it will be a strong one.



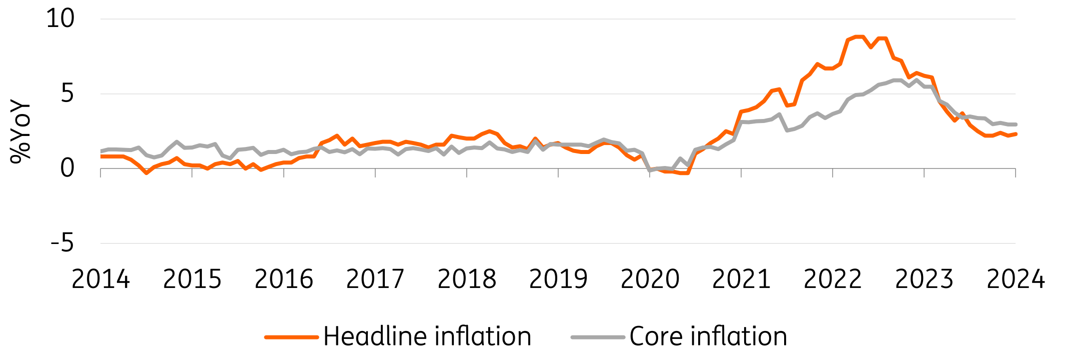
The ongoing increase in the number of insolvencies combined with fading recruitment plans both in manufacturing and services does not bode well for labour market developments in the coming months. The gradual cooling of the German labour market continues and could be one reason why, despite strong real wage growth, private consumption will remain subdued in the second half of the year.



With an increase in demand for housing loans of around 15% YoY in the first half of 2024, there are already tentative signs of a recovery in the German housing market, with improved affordability being the main driver. Since the potential for further improvement in affordability remains limited, demand is expected to pick up gradually over the course of the year.



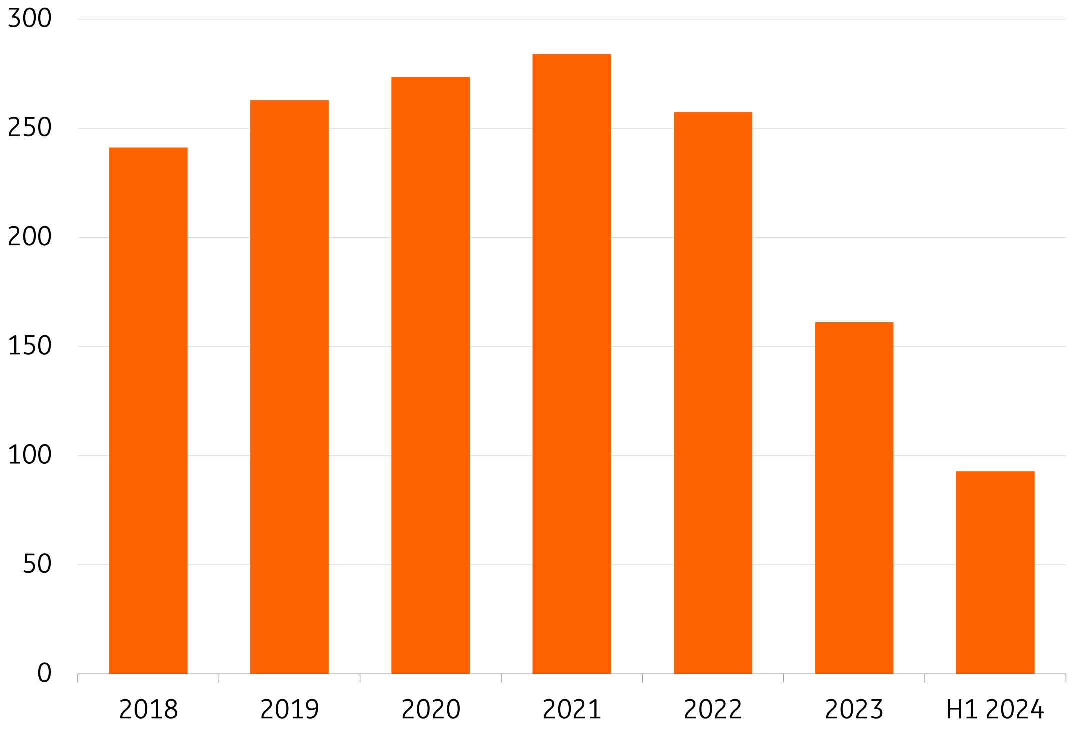
Inflation is likely to remain slightly too high as the positive base effects in the energy sector come to an end and wages rise at the same time. As a result, we continue to expect inflation to hover within the broader range of between 2% and 3% rather than returning in a straight line to 2%.



Source: LSEG Datastream; Bundesbank

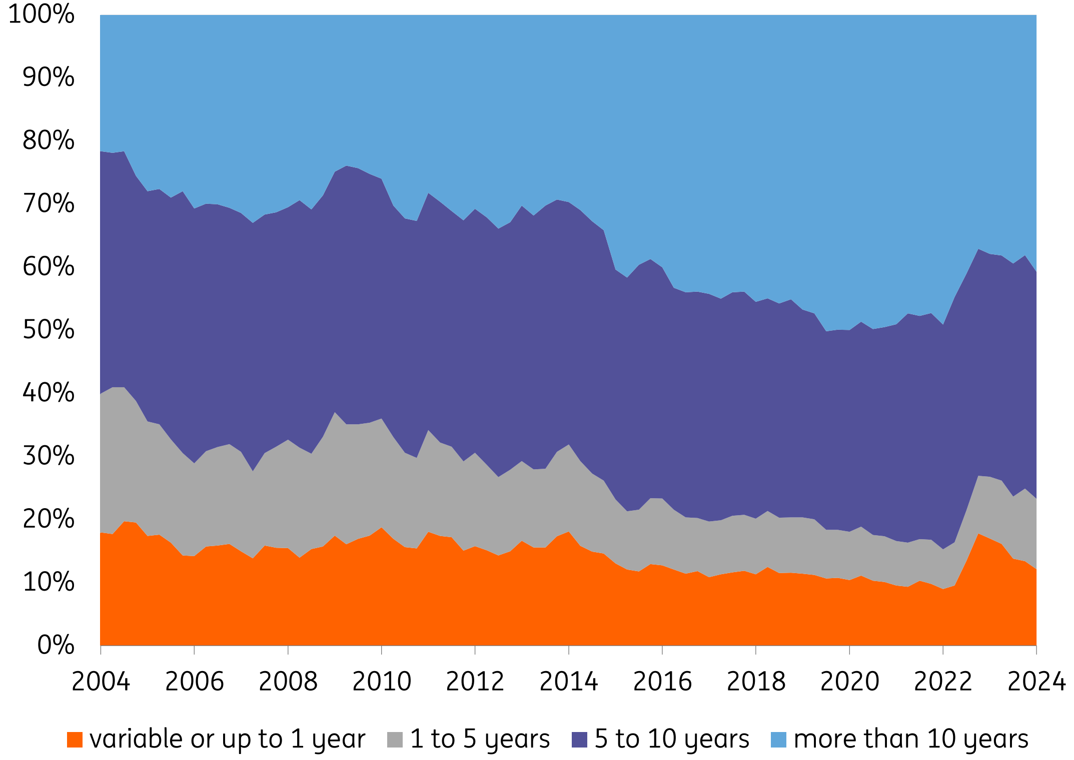
Volume of new business in loans to households for house purchase was up by 15% YoY in the first six months of 2024

Loans to households for house purchase
(new businesses; in € bln)



Mortgage rates were lower in the first half of 2024 than in most of 2023. At the same time, house prices were at their lowest level in around three years and real wage growth accelerated to 3.8% YoY in the first quarter of 2024, the strongest pace since the beginning of the time series in 2008. As a result, purchasing affordability improved slightly. Although this improvement came from extremely low levels and affordability was still around 25% below its 2011 level in March, demand for housing loans increased by some 15% YoY in the first six months of 2024. However, demand is still significantly below its 2022 and 2021 levels.

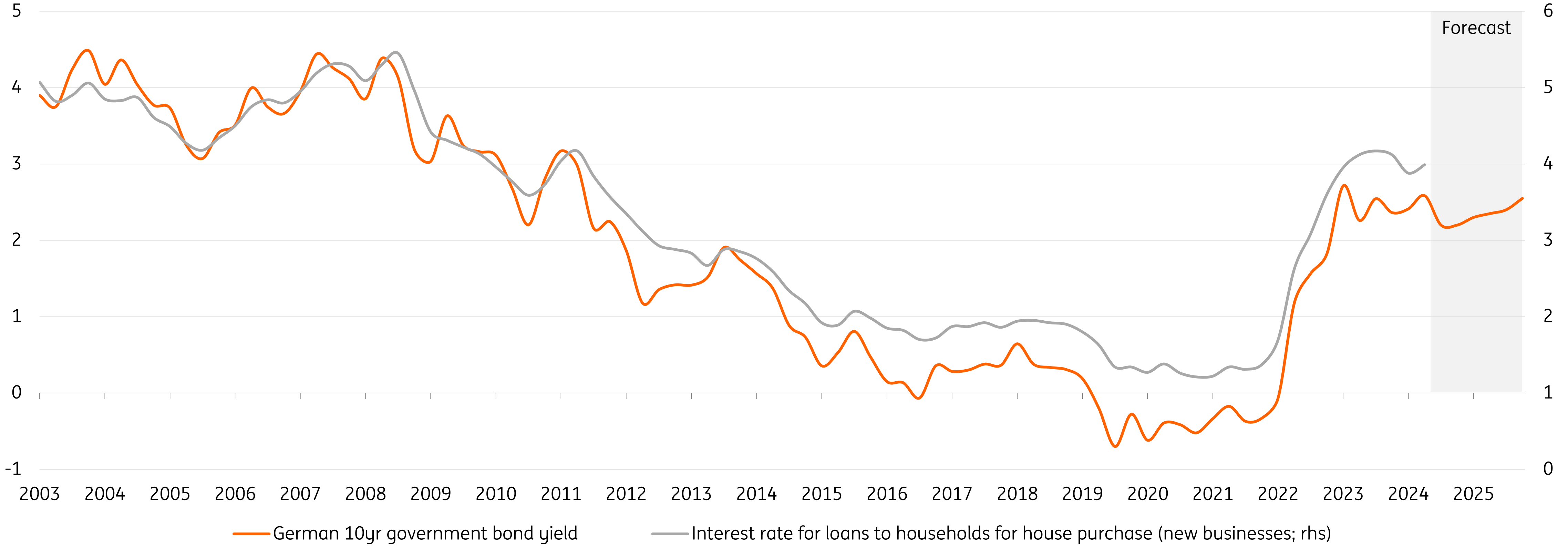
Fixed interest periods for housing loans to private households



With the decline in mortgage rates, the share of loans with variable interest rates has also declined further. At the same time, the share of loans with fixed-interest periods of more than 10 years has risen again.

Source: LSEG Datastream; Bundesbank

Financing conditions to remain restrictive despite ECB cutting interest rates

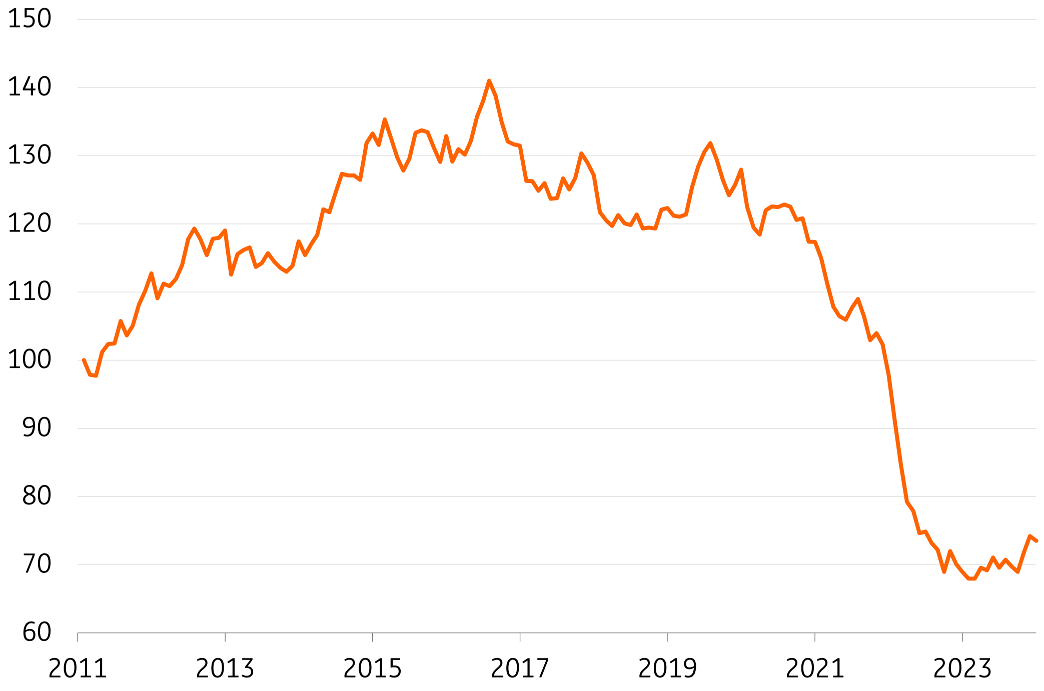


Having decreased by more than 20bp in Q1 2024 compared to the end of 2023, mortgage rates increased in the second quarter of 2024 on the back of reduced financial market participants' interest rate cut expectations. Most recently, however, concerns over a slowdown in the global economy and the expectation that major central banks could cut interest rates more sharply in response to the deteriorating economic outlook led to a rally in government bond markets. As a result, mortgage rates have also eased. However, market volatility is currently high, and latest developments are driven rather by the elevated level of uncertainty than by underlying fundamentals. Looking ahead, further downside potential looks set to be limited once uncertainty has subsided. In our view, lending rates will fluctuate around their current levels for the rest of the year.

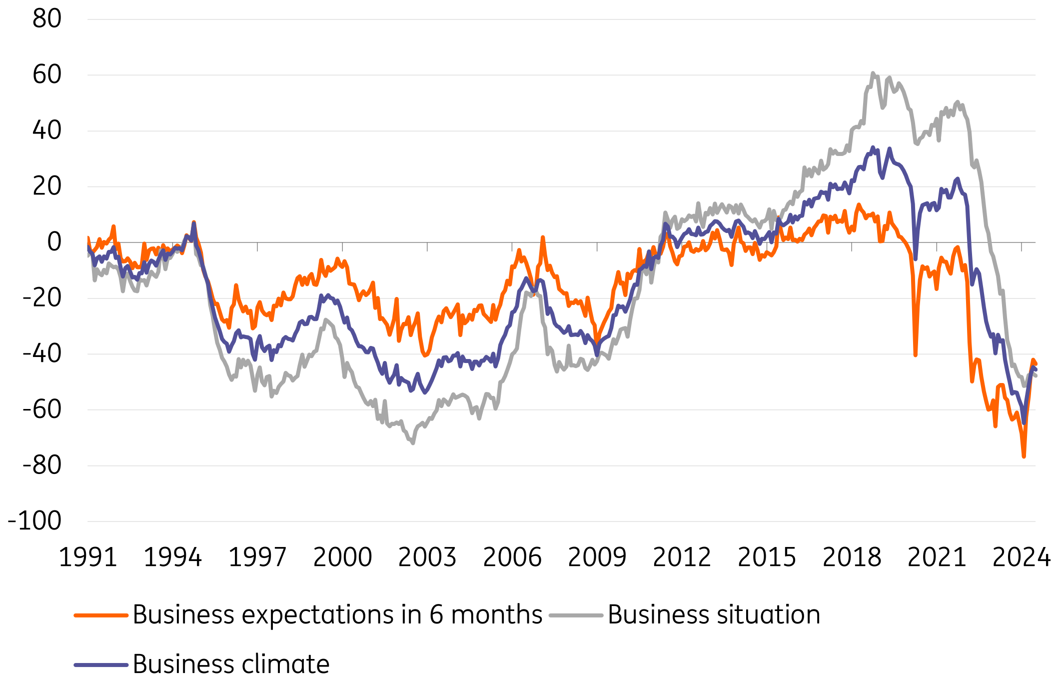
Source: LSEG Datastream; INGF as of August 2024; all values are end of period

Affordability is improving slowly, while the situation in the construction sector remains tense...

ING Affordability Index
(Index; 04/2011 = 100)



Business climate in the residential construction sector
(net balance)

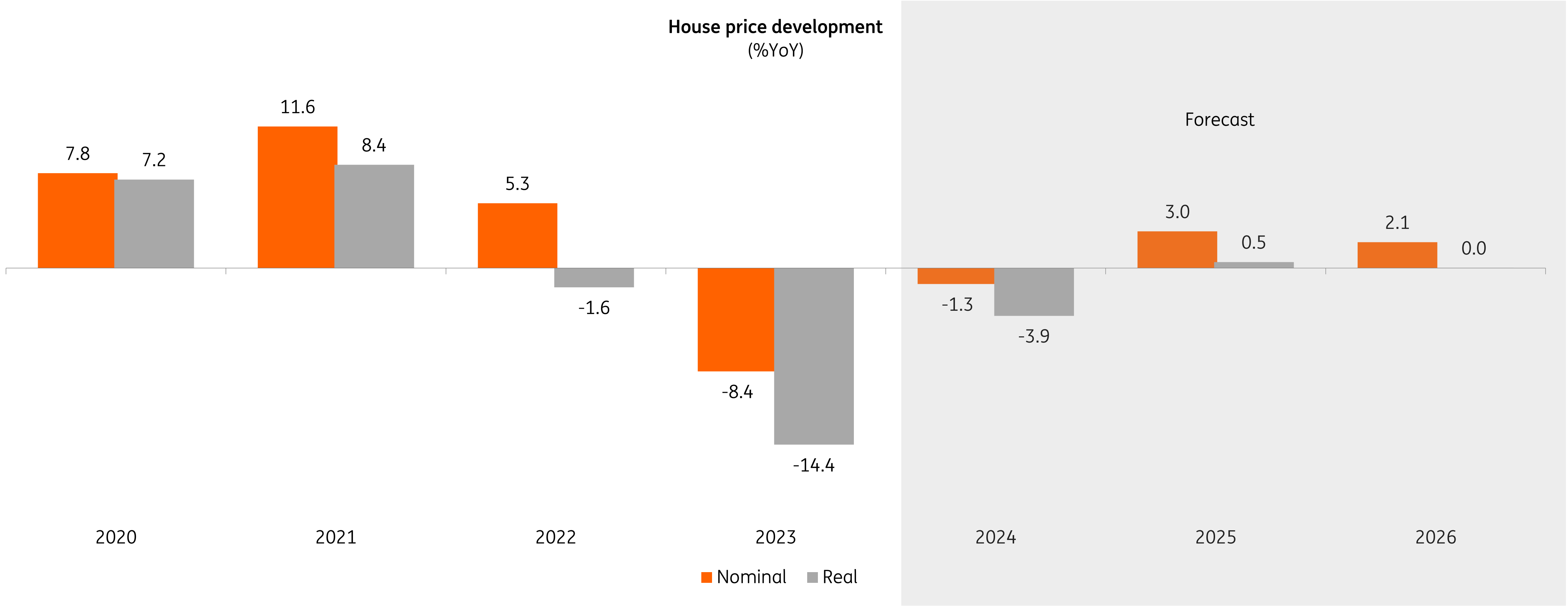


At the beginning of the year, the purchasing affordability of residential real estate improved on the back of strong wage growth, lower house prices and the decrease in mortgage rates. Looking ahead, the potential for further improvement remains limited. We expect house prices to rise in the second half of the year. In addition, lending rates are likely to fluctuate around their current level for the rest of the year with downward potential being limited. Financing costs will therefore hardly change. At the same time, wage growth will not be strong enough to fully compensate for higher financing costs. The affordability of residential real estate is therefore expected to improve somewhat in the months ahead but will remain at low levels.

After having improved for several months in a row at the beginning of the year, sentiment in the residential construction sector has recently deteriorated again. Incoming orders are still at their lowest level in almost 20 years and the number of dwellings approved for construction in the first six months of 2024 was down by more than 20% YoY. The tense situation in the construction sector and the lack of new housing supply should exert upward pressure on prices while also weighing on volumes. Although demand will continue to recover in the months ahead, a swift return to levels seen prior to the ECB's interest rate hike cycle is unlikely.

Source: LSEG Datastream; ING Financial and Economical Analysis; Affordability Index: Average price of an existing house (derived from House Price Index), household's gross disposable income (derived from quarterly data), average credit line in the given month (Dr.Klein), monthly repayment rate at the respective average interest rate. The higher the index, the more affordable it is to buy an existing home

...which is why the housing market recovery will only be a gradual



According to the German Statistical Office's house price index, German house prices fell by 1.1% quarter-on-quarter in the first quarter of 2024. The bottoming out of the German housing market has thus proved to be lengthier than expected. House prices are now some 14% below their peak. Looking ahead, the price correction in the German housing market should be followed by a tentative recovery. However, due to the fall in house prices in the first quarter and the fact that the rebound in house prices will only be moderate, we expect house prices to fall by a further 1% for the entire year, masking a gradual upswing from the second quarter onwards.

Source: Destatis; ING Economic & Financial Analysis; INGF from 2024 onwards

Appendix

ING-DiBa AG - Income statement (HGB)

in € mln	2023	2022	Δ	Δ in %
Net interest income (incl. result from investments and profit transfer)	3,750	2,188	1,561	+71
Net commission income	278	284	(6)	-2
Other income and expenses	(143)	(96)	(47)	+49
Personnel expenses	(514)	(465)	(49)	+11
Other net gain/losses on financial investments	(792)	(602)	(190)	+32
Risk provision	70	(1,089)	1,159	-106
Profit before tax	**3,213**	**1,028**	**2,185**	**+213**
Income tax	(840)	(322)	(518)	+161
Profit after tax	2,372	706	1,667	+236
Cost-income-ratio	32.1%	44.9%		
Tier 1 ratio (Basel III)	17.3%	17.0%		

Numbers excluded §340g HGB reserves and profit transfer to ING Deutschland GmbH

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