

ING Groep NV

Work needed on several fronts

Reiterate Rating: NEUTRAL | PO: 14.40 EUR | Price: 12.20 EUR

Reiterate Neutral and lower PO to €14.4

As anticipated in our downgrade note ([link here](#)), ING reset ([report here](#)) market expectations for 2024 NII at 4Q results, though we remain cautious: (1) NII will likely stay under pressure for the next 3 years, (2) the structural imbalance of the NII/fee income mix will take several years to fix, and (3) operating jaws are likely to be negative in 2023-26E. The 17 June CMD is hardly a catalyst – clarity on the above issues is unlikely by then. We cut 2024-25E net profit by 7%, driven mainly by 4% lower NII leading to our lower €14.4 PO (€16.4 prior). Our Neutral rating rests on the excess capital return (c.18% total yield pa), largely priced in, but good support for the shares. ING trades at 0.7x P/TBV for 11.6% ROTE in 2025E.

Challenging medium-term NII dynamics

ING's NII has peaked with a quick normalisation of the liability margin, mostly driven by its replicating portfolio, shifting from a tailwind to a headwind. NII will drop 6% YoY in 2024E recovering to the 2023 level from 2026E with a trough in 2Q25E: (1) ING's liability margin should fall below the historical average of 1.0% in 2H24-1H25E from 1.2% now and converge towards 1.0% in 2026E. The bank should offset some of the ECB rate cuts by lowering deposit rates in core markets, helped by its elevated deposit beta at 30% in FY23, although with a delay compared to expected sustained ECB rate cuts. (2) The lending margin should improve only slightly as competition remains high. (3) The lending growth recovery will likely continue to be timid in the next 2 years.

Heavy lifting needed on fees, WB profitability, costs

We think ING should take more drastic measures to improve the fee contribution to total revenues (at 18%). Its focus on primary customers' growth is important but should be combined with rebuilding its fee product offer, putting to work some of its excess capital. The WB division needs restructuring to sustainably cover its CoE. Limited revenue growth entails more proactive cost-saving initiatives to deliver positive jaws.

€4.0-4.5bn pa SBB in 2024-25E is well anticipated

ING is committed to converging its 14.7% CET1 ratio to 12.5% in 2025E. With €4-4.5bn SBB pa in the next 2 years, then €2-2.5bn pa thereafter and a 50% dividend, ING is one of the highest capital-distribution stories in Europe, returning c.40% of market cap in 2024-26E. We believe the next SBB of €2.5bn will be announced at 1Q24 results.

Estimates (Dec) (EUR)	2022A	2023A	2024E	2025E	2026E
Net Profit (EURm)	2,429	6,249	5,213	5,269	5,598
EPS (Adjusted Diluted)	1.02	2.18	1.82	2.08	2.38
Dividend / Share	0.59	1.11	0.85	1.00	1.10
Adjusted NAV PS	13.5	15.0	16.2	17.8	19.5
ADR EPS (Adjusted Diluted - US\$)	1.07	2.36	1.96	2.24	2.57
ADR Dividend / Shares (US\$)	0.62	1.20	0.92	1.08	1.19
Valuation (Dec)					
P/E	12.0	5.6	6.7	5.9	5.1
EPS Change (YoY)	-19.7%	115%	-16.6%	14.3%	14.5%
Price / NAV	0.90x	0.82x	0.75x	0.69x	0.63x
Net Yield	4.81%	9.06%	6.97%	8.20%	9.01%

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Refer to important disclosures on page 9 to 12. Analyst Certification on page 6. Price Objective Basis/Risk on page 6.

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Equity

Key Changes

(EUR)	Previous	Current
Price Obj.	16.40	14.40
2024E EPS	1.94	1.82
2025E EPS	2.15	2.08
2026E EPS	NA	2.38
2024E DPS	0.94	0.85

Tarik El Mejjad >>

Research Analyst
MLI (UK)
+44 20 7996 0014
tarik.el_mejjad@bofa.com

Stock Data

Price (Common / ADR)	12.20 EUR / 13.18 USD
Price Objective	14.40 EUR / 15.60 USD
Date Established	5-Feb-2024 / 5-Feb-2024
Investment Opinion	B-2-7 / B-2-7
52-Week Range	9.59 EUR-13.83 EUR
Market Value (mn)	46,072 EUR
Shares Outstanding (mn)	3,775.8 / 3,775.8
Average Daily Value (mn)	150.88 USD
Free Float	100.0%
BofA Ticker / Exchange	INGVF / ENA
BofA Ticker / Exchange	ING / NYS
Bloomberg / Reuters	INGA NA / INGAAS
ROE (2024E)	10.4%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

Abbreviations

NII: Net Interest Income
ROTE: Return on Tangible Equity
CET1: Common Equity Tier 1
SBB: Share Buyback
CMD: Capital Market Day
WB: Wholesale Banking
CoE: Cost of Equity

iQprofileSM ING Groep NV

Key Income Statement Data (Dec)	2022A	2023A	2024E	2025E	2026E
(EUR Millions)	IFRS	IFRS	IFRS	IFRS	IFRS
Net Interest Income	13,756	15,976	15,043	15,490	16,002
Net Fee Income	3,590	3,599	3,777	3,962	4,169
Securities Gains / (Losses)	187	94.9	130	130	130
Other Income	1,032	2,910	2,209	2,046	2,054
Total Non-Interest Income	4,809	6,604	6,115	6,138	6,353
Total Operating Income	18,565	22,579	21,159	21,628	22,355
Operating Expenses	(12,448)	(12,606)	(12,177)	(12,391)	(12,560)
Pre-Provision Profit	6,117	9,973	8,982	9,237	9,796
Provisions Expense	(1,861)	(520)	(1,341)	(1,528)	(1,644)
Operating Profit	4,256	9,454	7,642	7,710	8,152
Non-Operating Items	0	0	0	0	0
Pre-Tax Income	4,256	9,454	7,642	7,710	8,152
Net Income to sh/holders	2,429	6,249	5,213	5,269	5,598
Adjusted Cash Earnings	3,678	7,292	5,412	5,442	5,731

Key Balance Sheet Data

Total Assets	967,861	975,636	996,932	1,021,222	1,044,932
Average Interest Earning Assets	631,554	639,005	649,081	663,668	679,117
Weighted Risk Assets	332,853	321,358	328,730	341,887	349,671
Total Gross Customer Loans	635,557	642,453	655,708	671,627	686,606
Total Customer Deposits	686,341	702,217	710,849	724,617	740,695
Tier 1 Capital	43,430	45,304	50,712	56,149	61,880
Tangible Equity	48,807	50,041	48,277	46,560	46,970
Common Shareholders' Equity	49,909	51,240	49,475	47,759	48,168

Key Metrics

Net Interest Margin	1.46%	1.67%	1.55%	1.56%	1.58%
Tier 1 Ratio	13.0%	14.1%	15.4%	16.4%	17.7%
Core Tier 1 Ratio	11.4%	11.9%	13.3%	14.4%	15.7%
Basel 3 "fully phased in" Tier 1 Ratio	11.4%	11.9%	13.3%	14.4%	15.7%
Effective Tax Rate	40.5%	31.4%	28.7%	28.6%	28.5%
Loan / Assets Ratio	65.7%	65.8%	65.8%	65.8%	65.7%
Loan / Deposit Ratio	92.6%	91.5%	92.2%	92.7%	92.7%
Oper Leverage (Inc Growth - Cost Growth)	0.45%	20.4%	-2.88%	0.46%	2.00%
Gearing (Assets / Equity)	19.4x	19.0x	20.2x	21.4x	21.7x
Tangible Equity / Assets	5.04%	5.13%	4.84%	4.56%	4.49%
Tangible Equity / WRAs	14.7%	15.6%	14.7%	13.6%	13.4%

Business Performance

Revenue Growth	0.38%	21.6%	-6.29%	2.22%	3.36%
Operating Expense Growth	-0.06%	1.27%	-3.41%	1.76%	1.37%
Provisions Expense Growth	260%	-72.1%	158%	13.9%	7.60%
Operating Revenue / Average Assets	0.44%	0.97%	0.77%	0.76%	0.79%
Operating Expenses / Average Assets	-1.30%	-1.30%	-1.23%	-1.23%	-1.22%
Pre-Provision ROA	0.64%	1.03%	0.91%	0.92%	0.95%
ROA	0.25%	0.64%	0.53%	0.52%	0.54%
Pre-Provision ROE	11.8%	19.7%	17.8%	19.0%	20.4%
ROE	4.68%	12.4%	10.4%	10.8%	11.7%
RoTE	7.24%	14.8%	11.0%	11.5%	12.3%
RoWRAs	1.14%	2.23%	1.67%	1.62%	1.66%
Dividend Payout Ratio	59.0%	52.8%	49.6%	51.4%	48.3%
Efficiency Ratio (Cost / Income Ratio)	60.3%	51.2%	56.6%	56.5%	55.6%

Quality of Earnings

Total Non-Interest Inc / Operating Inc	25.9%	29.2%	28.9%	28.4%	28.4%
Market-Related Revenue / Total Revenues	19.3%	15.9%	17.8%	18.3%	18.6%
Provisioning Burden as % of PPP	30.4%	5.21%	14.9%	16.5%	16.8%
NPLs plus Foreclosed Real Estate / Loans	0%	0%	0%	0%	0%
Loan Loss Reserves / NPLs	NA	NA	NA	NA	NA
Loan Loss Reserves / Total Loans	0%	0%	0%	0%	0%
Provisions Expense / Average Loans	0.29%	0.08%	0.21%	0.23%	0.24%

Company Sector

Banks-Multinational/Universal

Company Description

ING Group is a global financial institution (Dutch origin), offering banking services. Following the sale of its remaining stakes in insurance operations, ING will become a pure bank with a European retail focus combined with a global Commercial Banking activity.

Investment Rationale

We believe ING's story offers mostly an attractive capital return amongst the highest in Europe given its excess capital and low growth potential. However, the revenues' growth should be muted given its revenues mix highly reliant on NII in a decreasing rate environment.

Stock Data

Shares / ADR	1.00
Price to Book Value	0.7x

Key Changes

(US\$)	Previous	Current
Price Obj.	18.00	15.60
2024E EPS	2.09	1.96
2025E EPS	2.32	2.24
2026E EPS	NA	2.57
2024E DPS	1.02	0.92

Reiterate Neutral and lower PO to €14.4

Our 2025E SOTP (rolled over in this note) gives a 12M discounted (at 13% CoE) PO of €14.4 (€16.4 previously). The implied potential upside to our price objective is 18%. We reiterate our Neutral rating.

Our SOTP values ING on a divisional basis, applying P/E multiples to our divisional earnings forecasts or P/BV multiples to our allocated equity forecast calculated as 13.5% of our forecasted RWAs. We add the Group capital excess/deficit to the 12.5% 2023E Basel 4 CET1 ratio that we value at 1x P/BV.

Exhibit 1: ING Group – SOTP valuation (2025E, €mn)

We lower our PO to €14.4 from €16.4

	RWA	Allocated equity	Net profit	ROE	COE	Growth	Implied P/BV (x)	Implied P/E (x)	Value
Retail banking	162,798	21,978	3,423	16%	12.0%	1.0%	1.4	9.2	31,426
o/w Netherlands	51,450	6,946	1,450	21%	10.5%	0.5%	2.0	9.8	14,152
o/w Belgium	36,181	4,884	357	7%	10.0%	1.0%	0.7	9.6	3,423
o/w Germany	25,906	3,497	880	25%	10.0%	1.0%	2.7	10.7	9,389
o/w Other Challengers & Growth Markets	49,260	6,650	736	11%	16.0%	1.0%	0.7	6.1	4,461
Wholesale Banking	156,367	21,110	2,182	10%	14.0%	1.0%	0.7	6.9	15,164
Corporate line	22,722	3,067	-167					9.5	-1,590
Total	341,887	46,155	5,438	12%	13.0%		1.0	8.3	45,000

Number of shares (mn)

12m Price Objective (€)

2,619

14.4

Source: BofA Global Research estimates

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Exhibit 2: BofA estimates changes (New vs. Old, €mn)

We decreased our 2024/25/26E net profit forecast by 8%/7%/4% to factor in mainly lower NII mainly stemming from lower benefit from the bank's replicating portfolio and 2% higher costs. We take the view that the impact of accounting asymmetry remains unchanged in our forecast horizon. We also lowered our CoR in 2024E to 20bp

	New			Old			% change		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Net Interest Income	15,043	15,490	16,002	15,796	16,132	16,383	-5%	-4%	-2%
Non-Interest Income	6,111	6,134	6,353	5,884	5,809	6,012	4%	6%	6%
Total income	21,155	21,624	22,355	21,680	21,941	22,395	-2%	-1%	0%
Operating expenses	-11,977	-12,218	-12,427	-11,758	-11,982	-12,192	2%	2%	2%
Pre-provision profit	9,177	9,405	9,928	9,922	9,959	10,203	-8%	-6%	-3%
Loan loss provisions	-1,341	-1,528	-1,644	-1,514	-1,549	-1,667	-11%	-1%	-1%
Pre-tax profit	7,837	7,878	8,285	8,408	8,410	8,536	-7%	-6%	-3%
Taxation	-2,194	-2,206	-2,320	-2,354	-2,355	-2,390	-7%	-6%	-3%
Minority interests	-234	-234	-234	-205	-205	-205	15%	15%	15%
Net profit	5,408	5,438	5,731	5,849	5,851	5,941	-8%	-7%	-4%
Adjusted Net profit	5,408	5,438	5,731	5,849	5,851	5,941	-8%	-7%	-4%
Retail Netherlands	1,985	1,956	2,125	2,129	2,079	2,136	-7%	-6%	-1%
Retail Belgium	500	493	578	519	530	561	-4%	-7%	3%
Retail Germany	1,219	1,359	1,558	1,523	1,599	1,675	-20%	-15%	-7%
Retail Other Challengers & Growth markets	1,267	1,211	1,206	1,280	1,200	1,195	-1%	1%	1%
Pre-tax profit Retail	4,971	5,019	5,467	5,450	5,407	5,568	-9%	-7%	-2%
Lending	3,311	3,396	3,482	3,306	3,391	3,478	0%	0%	0%
Daily Banking & Trade Finance	2,041	2,076	2,098	2,091	2,113	2,135	-2%	-2%	-2%
Financial Markets	1,006	1,156	1,156	951	1,051	1,051	6%	10%	10%
Treasury & Other	363	264	264	455	355	355	-20%	-26%	-26%
Total income	6,721	6,891	7,000	6,803	6,910	7,020	-1%	0%	0%
Pre-tax profit Wholesale Banking	2,914	2,912	2,877	3,007	3,053	3,018	-3%	-5%	-5%
Pre-tax profit Corporate Line	-48	-54	-59	-50	-50	-50	-4%	7%	18%

Source: BofA Global Research estimates

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Comparison to consensus

Exhibit 3: BofA estimates vs. Consensus (collected by the company, €mn)

We are 12%/11% below consensus in 2024/25E mainly driven by lower NII and higher costs partly offset by lower CoR

	BofAe			Consensus			BofAe vs. Consensus		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Net interest income	15,043	15,490	16,002	16,236	16,510		-7%	-6%	
Commission income	3,773	3,958	4,169	3,809	3,995		-1%	-1%	
Investment income	130	130	130	146	146		-11%	-11%	
Other income	2,209	2,046	2,054	2,153	1,672		3%	22%	
Total income	21,155	21,624	22,355	22,204	22,397		-5%	-3%	
Total operating expenses	11,977	12,218	12,427	11,712	11,879		2%	3%	
Pre-provision profit	9,177	9,405	9,928	10,534	10,595		-13%	-11%	
Loan loss provisions	1,341	1,528	1,644	1,670	1,594		-20%	-4%	
Pre-tax profit	7,837	7,878	8,285	8,837	8,821		-11%	-11%	
Taxation	2,194	2,206	2,320	2,529	2,532		-13%	-13%	
Minority interest	234	234	234	175	181		34%	30%	
Underlying net result banking	5,408	5,438	5,731	6,165	6,110		-12%	-11%	
Retail Netherlands	1,985	1,956	2,125	2,252	2,156		-12%	-9%	
Retail Belgium	500	493	578	665	703		-25%	-30%	
Retail Germany	1,219	1,359	1,558	1,886	1,897		-35%	-28%	
Retail Other Challengers & Growth markets	1,267	1,211	1,206	1,355	1,349		-6%	-10%	
Pre-tax profit Retail Banking	4,971	5,019	5,467	6,187	6,192		-20%	-19%	
Lending	3,311	3,396	3,482	3,326	3,391		0%	0%	
Daily Banking & Trade Finance	2,041	2,076	2,098	2,074	2,090		-2%	-1%	
Financial Markets	1,006	1,156	1,156	1,145	1,134		-12%	2%	
Treasury & Other	363	264	264	356	353		2%	-25%	
Total income	6,721	6,891	7,000	6,952	6,864		-3%	0%	
Pre-tax profit Wholesale banking	2,914	2,912	2,877	2,934	2,893		-1%	1%	
Pre-tax profit Corporate Line	-48	-54	-59	-240	-214		-80%	-75%	
Underlying result before tax	7,837	7,878	8,285	8,837	8,821		-11%	-11%	
Additional items - Banking									
Cost/income ratio (%)	56.6%	56.5%	55.6%	52.7%	52.7%				
Stage 3 ratio (%)				2%	2%				
Stage 3 provision coverage ratio (%)				39%	39%				
Risk costs in bps of avg. loans	20	23	24	25	24				
Risk-weighted assets (EoP, EURbln)	329	342	350	334	348				
Shareholders' equity ING Group (EURmn)	49,475	47,759	48,168	49,595	48,510				
FL CET1 ratio (%)	13.7%	12.7%	12.5%	13.8%	13.0%				
ROE based on IFRS-EU equity	11.1%	11.6%	12.1%	12.2%	12.5%				
Earnings/share	1.71	1.94	2.28	1.94	2.17				
Ordinary Dividend/share	0.85	1.00	1.10	0.99	1.10				
Structural excess capital distribution (€ mln)3	4,487	4,357	2,556	4,066	4,000				
of which: via share buyback (€ mln)	4,487	4,357	2,556	4,000	4,000				
Tax rate	28%	28%	28%	29%	29%				
Payout ratio	50%	51%	48%	51%	51%				

Source: BofA Global Research estimates, Company compiled consensus

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Exhibit 4: ING Group - Financials' summary (€mn)

key P&L and B/S metrics

Income Statement						
	FY21	FY22	FY23E	FY24E	FY25E	FY26E
Revenues	18,490	18,561	22,575	21,155	21,624	22,355
% change	5%	0%	22%	-6%	2%	3%
Expenses	-11,192	-11,199	-11,564	-11,977	-12,218	-12,427
% change	0%	0%	3%	4%	2%	2%
Gross Operating Income	7,299	7,363	11,012	9,177	9,405	9,928
% change	13%	1%	50%	-17%	2%	6%
Provisions	-516	-1,861	-520	-1,341	-1,528	-1,644
% change	-81%	260%	-72%	158%	14%	8%
Operating Income	6,782	5,502	10,492	7,837	7,878	8,285
% change	78%	-19%	91%	-25%	1%	5%
Associates	0	0	0	0	0	0
Other non op. items	0	0	0	0	0	0
Pre-tax Income	6,782	5,502	10,492	7,837	7,878	8,285
% change	78%	-19%	91%	-25%	1%	5%
Taxes	-1,877	-1,725	-2,970	-2,194	-2,206	-2,320
% change	51%	-8%	72%	-26%	1%	5%
Minorities	-128	-102	-234	-234	-234	-234
Net Income	4,776	3,674	7,288	5,408	5,438	5,731
% change	92%	-23%	98%	-26%	1%	5%
Special items	0	0	0	0	0	0
Net Income - Adjusted	4,776	3,674	7,288	5,408	5,438	5,731
% change	92%	-23%	98%	-26%	1%	5%
Balance Sheet						
	FY21	FY22	FY23E	FY24E	FY25E	FY26E
Cash & balances at CBs	106,520	87,614	90,214	92,018	93,858	95,735
Customer loans	627,550	635,557	642,453	655,708	671,627	686,606
Financial assets at FVTPL	101,964	113,770	123,026	125,487	127,997	130,557
Goodwill & Intangibles	1,156	1,102	1,198	1,198	1,198	1,198
Total Assets	951,317	967,861	975,636	996,932	1,021,222	1,044,932
Customer deposits	657,831	686,341	702,217	710,849	724,617	740,695
Shareholders' Equity	47,914	42,546	40,191	45,599	51,037	56,767
Minorities	736	504	944	944	944	944
Total Liab. & Equity	951,317	967,861	975,636	996,932	1,021,222	1,044,932

Ratio Analysis						
	FY21	FY22	FY23E	FY24E	FY25E	FY26E
Per share data						
EPS	1.24	0.99	2.09	1.71	1.94	2.28
% change	95%	-20%	111%	-18%	14%	17%
DPS	0.40	0.59	1.11	0.85	1.00	1.10
% change	1%	46%	88%	-23%	18%	10%
Dividend yield	2.9%	3.9%	9.1%	7.0%	8.2%	9.0%
Payout ratio	32%	59%	53%	50%	51%	48%
Share Buyback per share	0.40	0.53	1.11	1.34	1.46	0.98
Share Buyback yield	3.2%	4.1%	7.6%	11.0%	12.0%	8.0%
Share Buyback (% Net Income)	32%	53%	53%	78%	75%	43%
Total yield	6.1%	8.1%	16.7%	18.0%	20.2%	17.0%
Book Value per share	14.28	13.79	15.32	16.63	18.24	19.99
Tangible Book Value per share	13.98	13.48	15.04	16.31	17.88	19.60
# shares for EPS calculation (m)	3,838	3,697	3,481	3,160	2,797	2,514
# shares end of the period (m)	3,776	3,619	3,344	2,976	2,619	2,409
Valuation multiples						
P/E			5.8	7.1	6.3	5.4
P/BV			0.80	0.73	0.67	0.61
P/TBV			0.81	0.75	0.68	0.62
Profitability						
ROE	8.9%	7.4%	14.2%	10.9%	11.4%	11.9%
ROTE	9.0%	7.5%	14.5%	11.1%	11.6%	12.1%
ROA	0.51%	0.38%	0.75%	0.55%	0.54%	0.55%
RoRWA	1.54%	1.14%	2.24%	1.67%	1.62%	1.66%
Revenues/RWAs	6.0%	5.8%	6.9%	6.5%	6.4%	6.5%
Efficiency						
Cost/income	61%	60%	51%	57%	57%	56%
Cost/assets	1.18%	1.16%	1.19%	1.20%	1.20%	1.19%
Asset quality						
Doubtful loans	11,476	11,268	11,381	11,494	11,609	11,726
Gross Doubtful loans ratio	1.8%	1.8%	1.8%	1.8%	1.9%	1.9%
Coverage ratio	46%	53%	53%	53%	53%	53%
Cost of risk (% loans)	0.08%	0.29%	0.08%	0.20%	0.23%	0.24%
Liquidity & Capital						
Loan/deposit	95%	93%	91%	92%	93%	93%
Loan/assets	66%	66%	66%	66%	66%	66%
CET 1 Capital (Basel 3)	49,760	47,961	46,856	45,091	43,375	43,784
Tier 1 Capital (Basel 3)	48,889	43,521	45,444	50,852	56,290	62,020
RWAs (Basel 3)	313,064	331,520	319,169	328,730	341,887	349,671
% change	2%	6%	-4%	3%	4%	2%
CET1 ratio (FL Basel 3)	15.9%	14.5%	14.7%	13.7%	12.7%	12.5%

Source: BofA Global Research estimates, Company reports

BofA GLOBAL RESEARCH

Price objective basis & risk

ING Groep NV (INGVF / ING)

Our price objective of EUR14.4 (US\$15.6 per ADR) is based on our standard sum-of-the-parts valuation model. Our sum-of-the-parts valuation methodology values the bank on a divisional basis, applying PNAV multiples to our divisional forecasts on the basis of an ROE/COE model $[(ROE - G) / (COE - G)]$. Rather than use management's allocation of capital, we apply our own internal method to allocate capital. $ROE = \text{Expected earnings} / \text{allocated capital}$ assuming 13.5% CET1 ratio. $COE = 13\%$. $G = 1\%$.

Our valuation model arrives at the following target multiples: The multiples has changed reflecting our net profit forecast changes.

Retail at 1.4x allocated capital (ROE 16%, COE 12%, G 1%) or an implied 9.2x earnings
Wholesale Banking at 0.7x allocated capital (ROE 10%, COE 14%, G 1%) or an implied 6.9x earnings. We value the capital surplus at 1x BV.

Downside risks to our PO are 1) material macro slowdown in ING's core markets (Netherlands, Belgium and Germany) driven by global geopolitical uncertainty, 2) significant deterioration in the lending book asset quality in Western Europe and in CEE and 3) faster drop in ECB rates.

Upside risks to our PO are 1) a more favourable dividend from 2024, 2) sustainable asset quality normalisation, 3) less rate cuts than priced by the market and 4) exceed 12% ROE target

Analyst Certification

I, Tarik El Mejjad, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

EMEA - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Allied Irish Banks	AIBRF	AIBG ID	Alastair Ryan
	Bank of Ireland Group	XBOIF	BIRG ID	Alastair Ryan
	BFF Banking Group	XBBZF	BFF IM	Antonio Reale
	BNP Paribas	BNPQF	BNP FP	Tarik El Mejjad
	BNP Paribas	BNPQY	BNPQY US	Tarik El Mejjad
	CaixaBank	CIXPF	CABK SQ	Antonio Reale
	Credit Agricole	CRARF	ACA FP	Tarik El Mejjad
	Danske Bank	DNSKF	DANSKE DC	Tarik El Mejjad
	Erste Bank	EBKOF	EBS AV	Alastair Ryan
	Erste Bank	EBKDY	EBKDY US	Alastair Ryan
	HSBC	XHSBF	5 HK	Alastair Ryan
	HSBC	HBCYF	HSBA LN	Alastair Ryan
	HSBC -A	HSBC	HSBC US	Alastair Ryan
	Intesa Sanpaolo	IITSF	ISP IM	Antonio Reale
	Intesa Sanpaolo	ISNPY	ISNPY US	Antonio Reale
	KBC Group	KBCSF	KBC BB	Tarik El Mejjad
	KBC Group NV	KBCSY	KBCSY US	Tarik El Mejjad
	NatWest Group	RBSPF	NWG LN	Rohith Chandra-Rajan
	Natwest Group PLC	NWG	NWG US	Rohith Chandra-Rajan
	Nordea	NBNKF	NDA FH	Tarik El Mejjad
	Nordea	XSABF	NDA SS	Tarik El Mejjad
	Nordea Bank Abp	NRDBY	NRDBY US	Tarik El Mejjad
	Santander	SAN	SAN US	Antonio Reale
	Santander	BCDRF	SAN SQ	Antonio Reale
	Societe Generale	SCGLF	GLE FP	Tarik El Mejjad

EMEA - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Societe Generale	SCGLY	SCGLY US	Tarik El Mejjad
	Unicredit	UNCF	UCG IM	Antonio Reale
	Unicredit	UNCRY	UNCRY US	Antonio Reale

NEUTRAL

	ABN AMRO	ABMRF	ABN NA	Tarik El Mejjad
	Banco Bilbao Vizcaya Argentaria	BBVA	BBVA US	Antonio Reale
	Banco BPM	BNCZF	BAMI IM	Antonio Reale
	Bankinter	BKIMF	BKT SQ	Antonio Reale
	BBVA	BBVXF	BBVA SQ	Antonio Reale
	Handelsbanken	SVNLF	SHBA SS	Tarik El Mejjad
	ING Groep NV	ING	ING US	Tarik El Mejjad
	ING Groep NV	INGVF	INGA NA	Tarik El Mejjad
	Lloyds Banking Group	LLDTF	LLOY LN	Rohith Chandra-Rajan
	Lloyds Banking Group	LYG	LYG US	Rohith Chandra-Rajan
	Monte dei Paschi	BMDPF	BMPS IM	Antonio Reale
	Raiffeisen Bank International	RAIFF	RBI AV	Alastair Ryan
	StanChart	SCBFF	STAN LN	Alastair Ryan
	StanChart	XCHBF	2888 HK	Alastair Ryan
	Svenska Handelsbanke	SVNLY	SVNLY US	Tarik El Mejjad
	UBS	XUHJF	UBSG SW	Alastair Ryan
	UBS	UBS	UBS US	Alastair Ryan

UNDERPERFORM

	Banco Sabadell	BNSDF	SAB SQ	Antonio Reale
	Barclays	BCLYF	BARC LN	Rohith Chandra-Rajan
	Barclays	BCS	BCS US	Rohith Chandra-Rajan
	Commerzbank	CRZBF	CBK GY	Rohith Chandra-Rajan
	Deutsche Bank	DB	DB US	Rohith Chandra-Rajan
	Deutsche Bank	XDUSF	DBK GY	Rohith Chandra-Rajan
	DNB	DNBBF	DNB NO	Tarik El Mejjad
	DNB ASA	DNBBY	DNBBY US	Tarik El Mejjad
	Mediobanca	MDIBF	MB IM	Antonio Reale
	Permanent TSB	ILPMF	PTSB ID	Alastair Ryan
	Poste Italiane	PITAF	PST IM	Antonio Reale
	SEB	SVKEF	SEBA SS	Tarik El Mejjad
	Swedbank	SWDBF	SWEDA SS	Tarik El Mejjad
	Swedbank AB	SWDBY	SWDBY US	Tarik El Mejjad
	Virgin Money UK PLC	CBBYF	VMUK LN	Rohith Chandra-Rajan
	Virgin Money UK PLC	CYBBF	VUK AU	Rohith Chandra-Rajan

IQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Valuation Toolkit

EV / EBITDA

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Numerator

Enterprise Value

Denominator

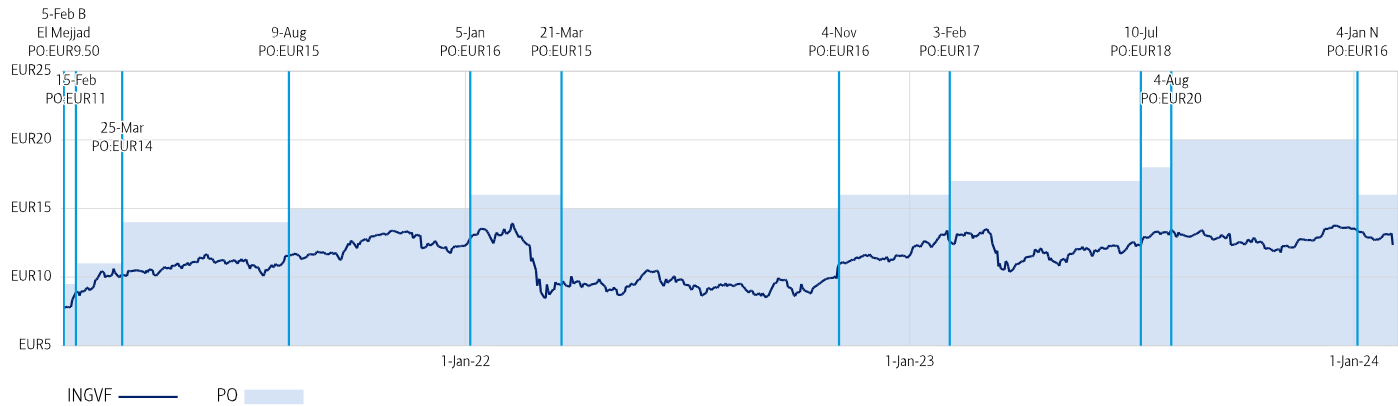
Basic EBIT + Depreciation + Amortization



Disclosures

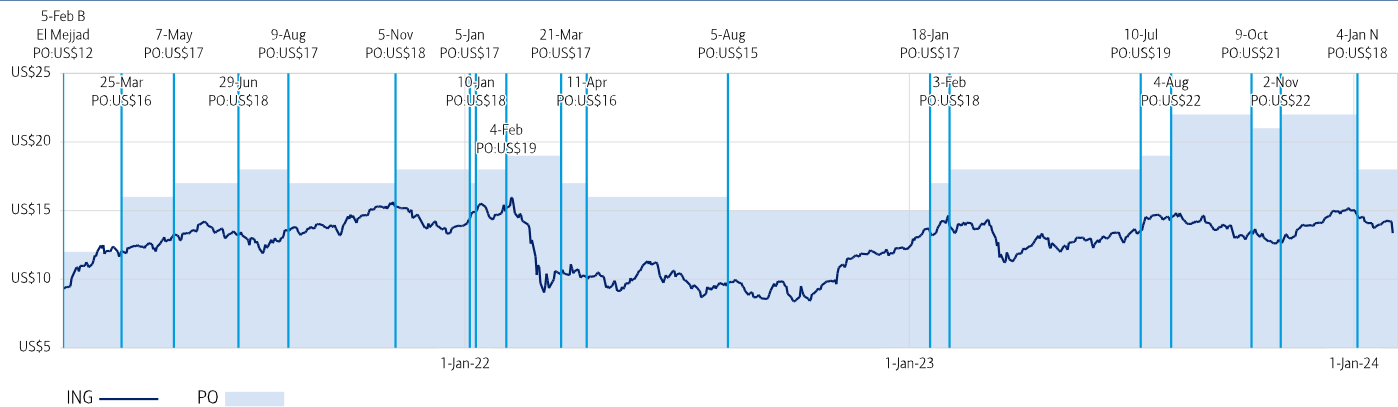
Important Disclosures

ING (INGVF) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

ING (ING) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Banks Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	100	49.75%	Buy	84	84.00%
Hold	54	26.87%	Hold	41	75.93%
Sell	47	23.38%	Sell	35	74.47%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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