

ING Groep NV

Needs more than one string to its bow –
downgrade to Neutral

Rating Change: NEUTRAL | PO: 16.40 EUR | Price: 13.38 EUR

Downgrade to Neutral from Buy and lower PO to €16.4

We turn more cautious on ING as its net interest income has peaked, with likely quicker normalisation of the liability margin, we believe. We cut 2023/24/25E net profits by 2%/12%/16%, driven mainly by 1%/4%/5% lower NII. We are 8%/11% below consensus net profit in 2024/25E mostly from lower NII. ING's equity story now rests on the excess capital return (c.16% total yield pa), largely priced in, we believe. It trades at a 5-year high – 0.9x P/TBV for 12% ROTE in 2024E. We prefer the [French Banks](#) (see link) with more resilient revenues to faster ECB rate cuts (Exhibit 9), thanks to their higher share of non-interest income at c.50% of revenues vs 25% at ING. We also have a Buy on [KBC](#) (see link).

Replicating portfolio: from tailwind to headwind

The ECB rates outlook has shifted from 'higher for longer' to 'lower faster' (Exhibit 1). In this scenario, ING's €480bn replicating portfolio (Exhibit 4) is becoming a headwind to NII as we estimate: (1) the positive contribution from 55% of the portfolio reinvested at >1 year, although diminished as the Euroswap 5-year dropped by 75bp from early November (Exhibit 3), is not enough to offset the (2) bigger drag on NII from the 45% of the portfolio reinvested at <1 year which should roll off at a 100bp lower yield than anticipated two months ago (Exhibit 2).

Lower core rates; lending growth & margins: small offset

We forecast a stable NII in 2023-26E (Exhibit 8), though with some softening in 2024E: (1) We estimate ING's liability margin should drop to an historical average of 1.0% in 2024-25E from the current 1.2% (Exhibit 7). ING should offset some of the ECB rate cuts by lowering its deposit rates in core markets, helped by its elevated deposit beta at 30% in FY23. (2) The lending margin should improve only slightly as competition remains high. (3) We include a timid lending growth recovery in the coming two years.

€4-4.5bn pa SBB in 2024-25E is well anticipated

ING is committed to converging its 14.5% CET1 ratio in 3Q23 to 12.5% in 2025E (13% at BofAe). With €4-4.5bn SBB pa in the next two years, then €2-2.5bn pa thereafter and a 50% ordinary dividend, ING is one of the highest and most sustainable 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 even though the current one will most likely be fully implemented by FY23 results, creating a gap between the two.

Estimates (Dec) (EUR)	2021A	2022A	2023E	2024E	2025E
Net Profit (EURm)	3,516	2,429	7,096	5,670	5,699
EPS (Adjusted Diluted)	1.27	1.02	2.18	1.94	2.15
Dividend / Share	0.40	0.59	1.05	0.94	1.02
Adjusted NAV PS	14.0	13.5	14.6	15.6	17.0
ADR EPS (Adjusted Diluted - US\$)	1.50	1.07	2.38	2.12	2.35
ADR Dividend / Shares (US\$)	0.48	0.62	1.15	1.03	1.12
Valuation (Dec)					
P/E	10.6	13.2	6.1	6.9	6.2
EPS Change (YoY)	97.3%	-19.7%	114%	-11.1%	10.9%
Price / NAV	0.96x	0.99x	0.92x	0.86x	0.79x
Net Yield	3.01%	4.39%	7.85%	7.03%	7.62%

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Refer to important disclosures on page 11 to 14. Analyst Certification on page 8. Price Objective Basis/Risk on page 8.

12640718

Timestamp: 04 January 2024 12:00AM EST

04 January 2024

Equity

Key Changes

(EUR)	Previous	Current
Inv. Opinion	B-1-7	B-2-7
Inv. Rating	BUY	NEUTRAL
Price Obj.	20.10	16.40
2023E EPS	2.26	2.18
2024E EPS	2.25	1.94
2025E EPS	2.68	2.15
2023E DPS	1.00	1.05

Tarik El Mejjad >>

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

Stock Data

Price (Common / ADR)	13.38 EUR / 14.66 USD
Price Objective	16.40 EUR / 18.00 USD
Date Established	4-Jan-2024 / 4-Jan-2024
Investment Opinion	B-2-7 / B-2-7
52-Week Range	9.59 EUR-13.83 EUR
Market Value (mn)	50,520 EUR
Shares Outstanding (mn)	3,775.8 / 3,775.8
Average Daily Value (mn)	166.64 USD
Free Float	100.0%
BofA Ticker / Exchange	INGVF / ENA
BofA Ticker / Exchange	ING / NYS
Bloomberg / Reuters	INGA NA / INGA.AS
ROE (2023E)	14.2%
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

ECB: European Central Bank

iQprofileSM ING Groep NV

Key Income Statement Data (Dec)	2021A	2022A	2023E	2024E	2025E
(EUR Millions)	IFRS	IFRS	IFRS	IFRS	IFRS
Net Interest Income	13,615	13,756	16,038	15,796	16,132
Net Fee Income	3,521	3,590	3,629	3,808	3,995
Securities Gains / (Losses)	138	187	138	149	149
Other Income	1,221	1,032	2,975	1,932	1,670
Total Non-Interest Income	4,880	4,809	6,741	5,888	5,813
Total Operating Income	18,494	18,565	22,779	21,684	21,945
Operating Expenses	(12,457)	(12,448)	(11,799)	(11,941)	(12,138)
Pre-Provision Profit	6,038	6,117	10,980	9,743	9,807
Provisions Expense	(516)	(1,861)	(757)	(1,514)	(1,549)
Operating Profit	5,521	4,256	10,223	8,229	8,258
Non-Operating Items	0	0	0	0	0
Pre-Tax Income	5,521	4,256	10,223	8,229	8,258
Net Income to sh/holders	3,516	2,429	7,096	5,670	5,699
Adjusted Cash Earnings	4,780	3,678	7,314	5,853	5,855

Key Balance Sheet Data	2021A	2022A	2023E	2024E	2025E
Total Assets	951,317	967,861	974,647	996,913	1,022,252
Average Interest Earning Assets	612,928	631,554	634,552	640,078	654,455
Weighted Risk Assets	312,616	332,853	327,293	334,815	348,157
Total Gross Customer Loans	627,550	635,557	633,547	646,609	662,300
Total Customer Deposits	657,831	686,341	715,040	727,254	741,250
Tier 1 Capital	48,798	43,430	50,739	56,588	62,439
Tangible Equity	52,763	48,807	48,948	47,281	46,215
Common Shareholders' Equity	53,919	49,909	50,050	48,383	47,317

Key Metrics	2021A	2022A	2023E	2024E	2025E
Net Interest Margin	1.49%	1.46%	1.68%	1.65%	1.65%
Tier 1 Ratio	15.6%	13.0%	15.5%	16.9%	17.9%
Core Tier 1 Ratio	13.8%	11.4%	13.8%	15.2%	16.3%
Basel 3 "fully phased in" Tier 1 Ratio	13.8%	11.4%	13.8%	15.2%	16.3%
Effective Tax Rate	34.0%	40.5%	28.6%	28.6%	28.5%
Loan / Assets Ratio	66.0%	65.7%	65.0%	64.9%	64.8%
Loan / Deposit Ratio	95.4%	92.6%	88.6%	88.9%	89.3%
Oper Leverage (Inc Growth - Cost Growth)	3.21%	0.45%	27.9%	-6.01%	-0.44%
Gearing (Assets / Equity)	17.6x	19.4x	19.5x	20.6x	21.6x
Tangible Equity / Assets	5.55%	5.04%	5.02%	4.74%	4.52%
Tangible Equity / WRAs	16.9%	14.7%	15.0%	14.1%	13.3%

Business Performance	2021A	2022A	2023E	2024E	2025E
Revenue Growth	4.84%	0.38%	22.7%	-4.81%	1.20%
Operating Expense Growth	1.62%	-0.06%	-5.21%	1.20%	1.65%
Provisions Expense Growth	-80.7%	260%	-59.3%	99.9%	2.31%
Operating Revenue / Average Assets	0.58%	0.44%	1.05%	0.83%	0.82%
Operating Expenses / Average Assets	-1.32%	-1.30%	-1.21%	-1.21%	-1.20%
Pre-Provision ROA	0.64%	0.64%	1.13%	0.99%	0.97%
ROA	0.37%	0.25%	0.73%	0.58%	0.56%
Pre-Provision ROE	11.1%	11.8%	22.0%	19.8%	20.5%
ROE	6.48%	4.68%	14.2%	11.5%	11.9%
RoTE	9.02%	7.24%	15.0%	12.2%	12.5%
RoWRAs	1.55%	1.14%	2.22%	1.77%	1.71%
Dividend Payout Ratio	32.4%	59.0%	50.1%	51.2%	50.1%
Efficiency Ratio (Cost / Income Ratio)	60.5%	60.3%	50.8%	54.2%	54.6%

Quality of Earnings	2021A	2022A	2023E	2024E	2025E
Total Non-Interest Inc / Operating Inc	26.4%	25.9%	29.6%	27.2%	26.5%
Market-Related Revenue / Total Revenues	19.0%	19.3%	15.9%	17.5%	18.2%
Provisioning Burden as % of PPP	8.55%	30.4%	6.90%	15.5%	15.8%
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	0.08%	0.29%	0.12%	0.24%	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	0.9x

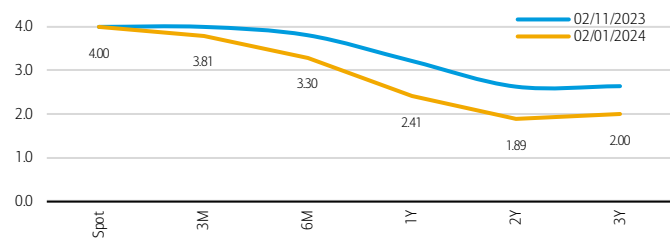
Key Changes

(US\$)	Previous	Current
Inv. Opinion	B-1-7	B-2-7
Inv. Rating	BUY	NEUTRAL
Price Obj.	21.70	18.00
2023E EPS	2.48	2.38
2024E EPS	2.47	2.12
2025E EPS	2.93	2.35
2023E DPS	1.09	1.15

Investment case in key charts

Exhibit 1: Market implied ECB policy rate (%)

First cut expected in 1Q24 with rates at 1.89% in end 2025

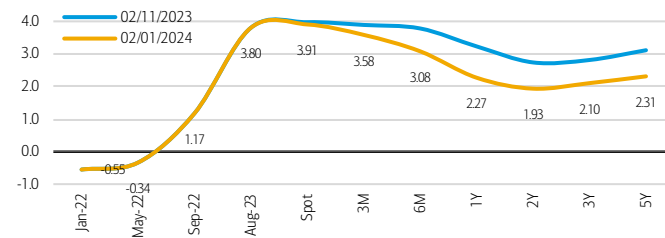


Source: BofA Global Research, Bloomberg

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Exhibit 2: 3M Euribor forward curve (swap rate, %)

3M Euribor is c.100bp lower than early November 2023

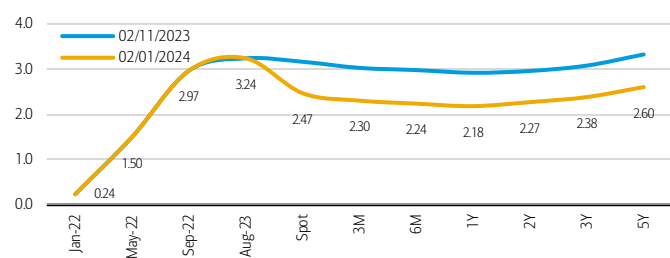


Source: BofA Global Research, Bloomberg

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Exhibit 3: EUR 5 year forward swap rate (%)

Euroswap 5 year are c.75% lower than early November 2023

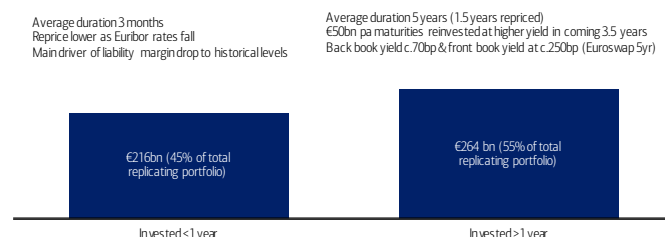


Source: BofA Global Research, Bloomberg

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Exhibit 4: ING's eurozone retail deposits replicating portfolio summary

€480bn replicating bonds portfolio o/w 55% reinvested at c.5 year duration at a higher yield more than offset by a lower yield on <1 year portfolio

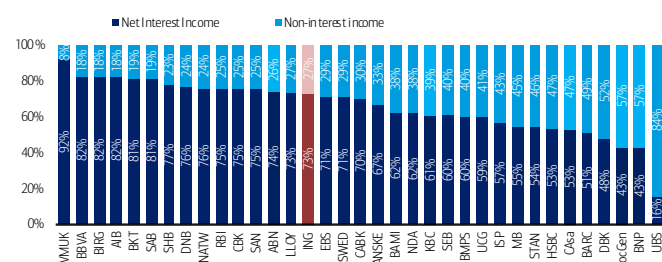


Source: BofA Global Research

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Exhibit 5: EU banks' revenue mix between NII and non-NI (BofAe, 2023E)

ING's NII represents 73% of total revenues, among the highest in Europe

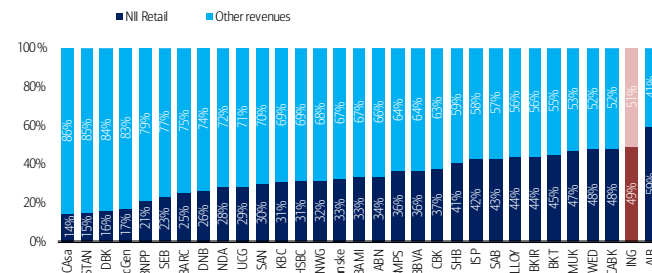


Source: BofA Global Research

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Exhibit 6: EU banks' revenue mix between Retail NII and other revenues (BofAe, 2023E)

ING has amongst the highest share of vulnerable retail NII

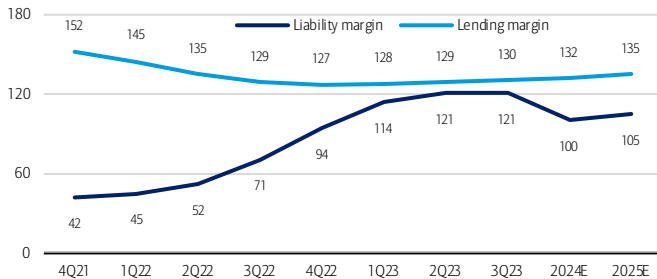


Source: BofA Global Research

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Exhibit 7: ING's liability and lending margins (BofAe, bp)

ING's liability margin should drop to an historical average of c.1.0% in 2024-25E from the current 1.2% while lending margin should recover only slightly

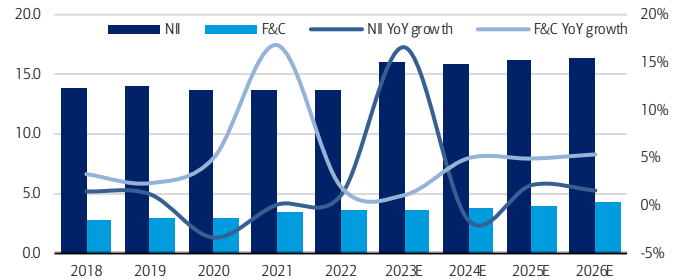


Source: BofA Global Research

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Exhibit 8: ING's NII and Fee income (BofAe, €bn)

ING's NII have peaked at c.€16bn and should remain stable at these levels while F&C (lower proportion of total revenues) should grow at c.5% pa

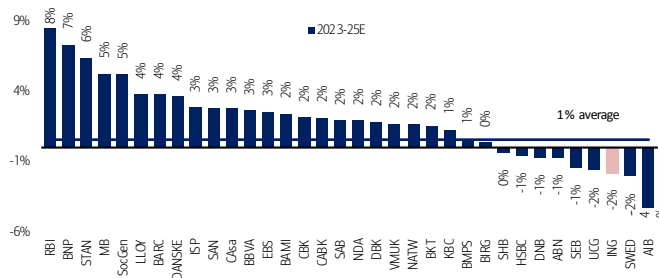


Source: BofA Global Research

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Exhibit 9: EU banks revenue growth (CAGR, BofAe)

ING should deliver a revenue growth in 2023-25E at -2%, well below the +1% sector average...

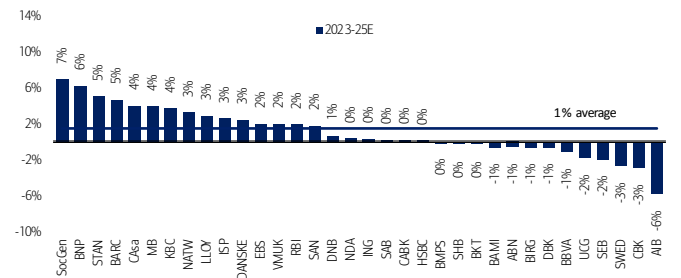


Source: BofA Global Research

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Exhibit 10: EU banks Net Interest Income growth (2023-25E CAGR, BofAe)

... driven by resilient NII, stable in the next 2 years, and lower other income. Contribution from fee income, although growing at 5% pa, is lower than EU peers given low proportion of total revenues

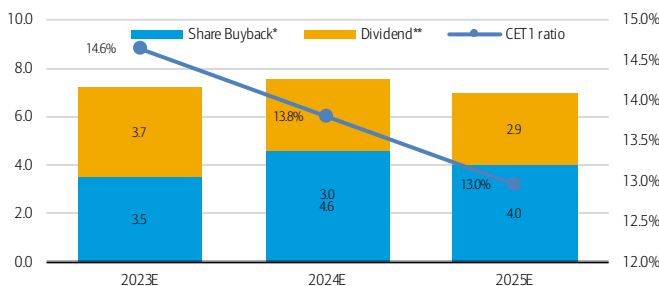


Source: BofA Global Research

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Exhibit 11: ING's SBB, ordinary dividends and CET1 ratio (BofAe, €bn)

We forecast ING should run down its CET1 ratio to 13% in 2025E by distributing 50% ordinary payout dividend and topped up with SBBs

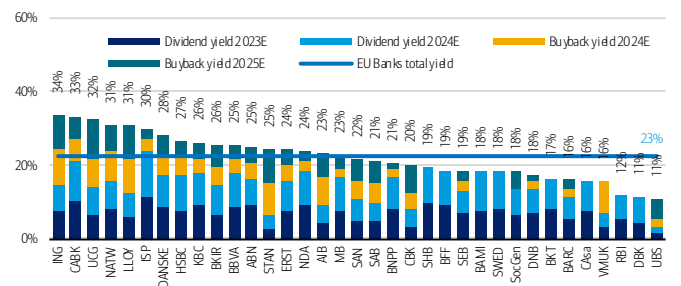


Source: BofA Global Research. *SBB executed in the year. ** ordinary dividend related to the earnings reported in the year

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Exhibit 12: EU Banks dividends and SBB (2024-25E)

ING has amongst the highest capital return in the sector with total yields paid in 2024 and 2025 (ordinary + SBB) of 34%



Source: BofA Global Research. Share price as of

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Downgrade to Neutral and lower €16.4 PO

Our 2024E SOTP gives a 12M discounted (at 12.8% CoE) PO of €16.4 (from €20.1). The implied potential upside to our price objective is 22%. We downgrade our rating to Neutral from Buy.

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 13: ING Group – SOTP valuation (2024E, €mn)

We lower our PO to €16.4 from €20.1

	RWA	Allocated equity	Net profit	ROE	COE	Growth	Implied P/BV (x)	Implied P/E (x)	Value
Retail banking	161,694	21,829	3,709	17%	11.7%	1.0%	1.6	9.5	35,282
o/w Netherlands	51,401	6,939	1,558	22%	10.0%	0.5%	2.3	10.3	16,038
o/w Belgium	35,127	4,742	351	7%	10.0%	1.0%	0.7	9.6	3,371
o/w Germany	28,709	3,876	1,063	27%	10.0%	1.0%	2.9	10.7	11,384
o/w Other Challengers & Growth Markets	46,457	6,272	736	12%	16.0%	1.0%	0.7	6.1	4,489
Wholesale Banking	155,443	20,985	2,264	11%	14.0%	1.0%	0.8	7.0	15,801
Corporate line	17,678	2,386	-124					9.5	-1,174
Total	334,815	45,200	5,849	13%	12.8%		1.1	8.5	49,910

Number of shares (mn)

12m Price Objective (€)

3,023
1.1 8.9 **16.4**

Source: BofA Global Research

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Exhibit 14: BofA estimates changes (New vs. Old, €mn)

We decreased our 2023/24/25E net profit forecast by 2%/12%/16% to factor in mainly lower Net Interest Income mainly stemming from lower benefit from the bank's replicating portfolio following the sharp drop in Euroswap 5-year and lower than initially anticipated ECB rates

	New			Old			% change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Net Interest Income	16,038	15,796	16,132	16,171	16,634	16,986	-1%	-5%	-5%
Non-Interest Income	6,737	5,884	5,809	6,917	5,981	6,212	-3%	-2%	-6%
Total income	22,775	21,680	21,941	23,089	22,614	23,198	-1%	-4%	-5%
Operating expenses	-11,582	-11,758	-11,982	-11,669	-11,589	-11,689	-1%	1%	3%
Pre-provision profit	11,194	9,922	9,959	11,419	11,025	11,510	-2%	-10%	-13%
Loan loss provisions	-757	-1,514	-1,549	-761	-1,485	-1,545	0%	2%	0%
Pre-tax profit	10,436	8,408	8,410	10,659	9,540	9,965	-2%	-12%	-16%
Taxation	-2,922	-2,354	-2,355	-2,985	-2,671	-2,790	-2%	-12%	-16%
Minority interests	-205	-205	-205	-205	-205	-205	0%	0%	0%
Net profit	7,310	5,849	5,851	7,470	6,664	6,970	-2%	-12%	-16%
Adjusted Net profit	7,310	5,849	5,851	7,470	6,664	6,970	-2%	-12%	-16%
Retail Netherlands	2,737	2,129	2,079	2,913	2,513	2,597	-6%	-15%	-20%
Retail Belgium	652	519	530	627	520	545	4%	0%	-3%
Retail Germany	1,817	1,523	1,599	1,858	1,905	1,992	-2%	-20%	-20%
Retail Other Challengers & Growth markets	1,393	1,280	1,200	1,432	1,417	1,546	-3%	-10%	-22%
Pre-tax profit Retail	6,597	5,450	5,407	6,830	6,355	6,680	-3%	-14%	-19%
Lending	3,231	3,306	3,391	3,251	3,308	3,393	-1%	0%	0%
Daily Banking & Trade Finance	2,141	2,091	2,113	2,177	2,253	2,301	-2%	-7%	-8%
Financial Markets	1,451	951	1,051	1,451	851	849	0%	12%	24%
Treasury & Other	454	455	355	479	530	530	-5%	-14%	-33%
Total income	7,277	6,803	6,910	7,359	6,942	7,073	-1%	-2%	-2%
Pre-tax profit Wholesale Banking	3,961	3,007	3,053	3,931	3,185	3,284	1%	-6%	-7%
Pre-tax profit Corporate Line	-122	-50	-50	-102	0	0	20%		

Source: BofA Global Research

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Comparison to consensus

Exhibit 15: BofA estimates vs. Consensus (collected by the company, €mn)

We are 8%/11 % below consensus in 2024/25E (inline in 2023E) mainly driven by lower Net Interest Income

	BofAe			Consensus			BofAe vs. Consensus		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Net interest income	16,038	15,796	16,132	16,107	16,517	16,944	0%	-4%	-5%
Commission income	3,625	3,804	3,991	3,640	3,821	4,009	0%	0%	0%
Investment income	138	149	149	130	142	141	6%	5%	6%
Other income	2,975	1,932	1,670	2,964	2,080	1,683	0%	-7%	-1%
Total income	22,775	21,680	21,941	22,811	22,614	22,917	0%	-4%	-4%
Total operating expenses	11,582	11,758	11,982	10,381	10,750	10,979	12%	9%	9%
Pre-provision profit	11,194	9,922	9,959	11,330	10,852	11,128	-1%	-9%	-11%
Loan loss provisions	757	1,514	1,549	809	1,609	1,545	-6%	-6%	0%
Pre-tax profit	10,436	8,408	8,410	10,510	9,085	9,507	-1%	-7%	-12%
Taxation	2,922	2,354	2,355	2,987	2,595	2,701	-2%	-9%	-13%
Minority interest	205	205	205	205	164	168	0%	25%	22%
Underlying net result banking	7,310	5,849	5,851	7,336	6,361	6,601	0%	-8%	-11%
Retail Netherlands	2,737	2,129	2,079	2,803	2,272	2,275	-2%	-6%	-9%
Retail Belgium	652	519	530	687	699	750	-5%	-26%	-29%
Retail Germany	1,817	1,523	1,599	1,864	1,965	2,097	-3%	-22%	-24%
Retail Other Challengers & Growth markets	1,393	1,280	1,200	1,457	1,343	1,390	-4%	-5%	-14%
Pre-tax profit Retail Banking	6,597	5,450	5,407	6,801	6,330	6,611	-3%	-14%	-18%
Lending	3,231	3,306	3,391	3,250	3,344	3,401	-1%	-1%	0%
Daily Banking & Trade Finance	2,141	2,091	2,113	2,133	2,053	2,000	0%	2%	6%
Financial Markets	1,451	951	1,051	1,442	1,213	1,117	1%	-22%	-6%
Treasury & Other	454	455	355	458	376	369	-1%	21%	-4%
Total income	7,277	6,803	6,910	7,262	6,956	6,878	0%	-2%	0%
Pre-tax profit Wholesale banking	3,961	3,007	3,053	3,841	3,003	2,912	3%	0%	5%
Pre-tax profit Corporate Line	-122	-50	-50	-137	-70	-69	-11%	-29%	-27%
Underlying result before tax	10,436	8,408	8,410	10,510	9,085	9,507	-1%	-7%	-12%
Additional items - Banking									
Cost/income ratio (%)	50.9%	54.2%	54.6%	50.4%	51.9%	51.5%			
Stage 3 ratio (%)				0.016	0.017	0.017			
Stage 3 provision coverage ratio (%)				0.364	0.393	0.393			
Risk costs in bps of avg. loans	12	23	23	13	25	24			
Risk-weighted assets (EoP, EURbln)	327	335	348	322	334	348			
Shareholders' equity ING Group (EURmn)	50,050	48,383	47,317	51,355	49,430	48,820			
FL CET1 ratio (%)	14.6%	13.8%	13.0%	14.6%	13.8%	13.0%			
ROE based on IFRS-EU equity	14.9%	12.4%	12.7%	14.9%	12.9%	13.7%			
Earnings/share	2.10	1.83	2.04	2.07	1.98	2.28			
Ordinary Dividend/share	1.05	0.94	1.02	1.08	1.03	1.17			
Structural excess capital distribution (€ mln) ³	3,505	4,517	3,984	4,000	4,500	4,000			
of which: via share buyback (€ mln)	3,505	4,517	3,984	4,000	4,500	4,000			
Tax rate	28%	28%	28%	28%	29%	28%			
Payout ratio	50%	51%	50%	52%	52%	51%			

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 16: ING Group - Financials' summary (€mn)

Key P&L and B/S metrics

Income Statement							Ratio Analysis						
	FY21	FY22	FY23E	FY24E	FY25E	FY26E		FY21	FY22	FY23E	FY24E	FY25E	FY26E
Revenues	18,490	18,561	22,775	21,680	21,941	22,395	Per share data						
% change	5%	0%	23%	-5%	1%	2%	EPS	1.24	0.99	2.10	1.83	2.04	2.26
Expenses	-11,192	-11,199	-11,582	-11,758	-11,982	-12,192	% change	95%	-20%	111%	-13%	11%	11%
% change	0%	0%	3%	2%	2%	2%	DPS	0.40	0.59	1.05	0.94	1.02	1.15
Gross Operating Income	7,299	7,363	11,194	9,922	9,959	10,203	% change	1%	46%	79%	-10%	9%	13%
% change	13%	1%	52%	-11%	0%	2%	Dividend yield	2.9%	4.4%	7.8%	7.0%	7.6%	8.6%
Provisions	-516	-1,861	-757	-1,514	-1,549	-1,667	Payout ratio	32%	59%	50%	51%	50%	51%
% change	-81%	260%	-59%	100%	2%	8%	Share Buyback per share	0.40	0.53	0.97	1.35	1.32	0.94
Operating Income	6,782	5,502	10,436	8,408	8,410	8,536	Share Buyback yield	3.2%	4.1%	7.2%	10.0%	9.8%	7.0%
% change	78%	-19%	90%	-19%	0%	1%	Share Buyback (% Net Income)	32%	53%	46%	73%	65%	42%
Associates	0	0	0	0	0	0	Total yield	6.1%	8.5%	15.0%	17.0%	17.4%	15.6%
Other non op. items	0	0	0	0	0	0	Book Value per share	14.28	13.79	14.90	16.01	17.35	18.80
Pre-tax Income	6,782	5,502	10,436	8,408	8,410	8,536	Tangible Book Value per share	13.98	13.48	14.57	15.64	16.94	18.36
% change	78%	-19%	90%	-19%	0%	1%	# shares for EPS calculation (m)	3,838	3,697	3,489	3,191	2,875	2,631
Taxes	-1,877	-1,725	-2,922	-2,354	-2,355	-2,390	# shares end of the period (m)	3,776	3,619	3,359	3,023	2,726	2,536
% change	51%	-8%	69%	-19%	0%	1%	Valuation multiples						
Minorities	-128	-102	-205	-205	-205	-205	P/E			6.4	7.3	6.6	6.0
Net Income	4,776	3,674	7,310	5,849	5,851	5,941	P/BV			0.90	0.84	0.78	0.72
% change	92%	-23%	99%	-20%	0%	2%	P/TBV			0.92	0.86	0.79	0.73
Special items	0	0	0	0	0	0	Profitability						
Net Income - Adjusted	4,776	3,674	7,310	5,849	5,851	5,941	ROE	8.9%	7.4%	14.6%	12.1%	12.4%	12.5%
% change	92%	-23%	99%	-20%	0%	2%	ROTE	9.0%	7.5%	14.9%	12.4%	12.7%	12.8%
Balance Sheet							ROA	0.51%	0.38%	0.75%	0.59%	0.58%	0.57%
	FY21	FY22	FY23E	FY24E	FY25E	FY26E	RoRWA	1.54%	1.14%	2.22%	1.77%	1.71%	1.69%
Cash & balances at CBs	106,520	87,614	89,367	91,154	92,977	94,837	Revenues/RWAs	6.0%	5.8%	6.9%	6.5%	6.4%	6.4%
Customer loans	627,550	635,557	633,547	646,609	662,300	677,061	Efficiency						
Financial assets at FVTPL	101,964	113,770	116,045	118,366	120,733	123,148	Cost/income	61%	60%	51%	54%	55%	54%
Goodwill & Intangibles	1,156	1,102	1,102	1,102	1,102	1,102	Cost/assets	1.18%	1.16%	1.19%	1.18%	1.17%	1.16%
Total Assets	951,317	967,861	974,647	996,913	1,022,252	1,047,149	Asset quality						
Customer deposits	657,831	686,341	715,040	727,254	741,250	757,463	Doubtful loans	11,476	11,268	11,381	11,494	11,609	11,726
Shareholders' Equity	47,914	42,546	49,855	55,704	61,555	67,496	Gross Doubtful loans ratio	1.8%	1.8%	1.8%	1.8%	1.9%	1.9%
Minorities	736	504	504	504	504	504	Coverage ratio	46%	53%	53%	53%	53%	53%
Total Liab. & Equity	951,317	967,861	974,647	996,913	1,022,252	1,047,149	Cost of risk (% loans)	0.08%	0.29%	0.12%	0.23%	0.23%	0.25%
							Liquidity & Capital						
							Loan/deposit	95%	93%	89%	89%	89%	89%
							Loan/assets	66%	66%	65%	65%	65%	65%
							CET 1 Capital (Basel 3)	49,760	47,961	47,939	46,271	45,206	45,554
							Tier 1 Capital (Basel 3)	48,889	43,521	50,831	56,680	62,530	68,472
							RWAs (Basel 3)	313,064	331,520	327,293	334,815	348,157	356,099
							% change	2%	6%	-1%	2%	4%	2%
							CET1 ratio (FL Basel 3)	15.9%	14.5%	14.6%	13.8%	13.0%	12.8%

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

ING Groep NV (INGVF / ING)

Our price objective of EUR16.4 (US\$18.0 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. $COE = 12.8\%$. $G = 1\%$.

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

Retail at 1.6x allocated capital (ROE 17%, COE 11.7%, G 1%) or an implied 9.5x earnings
Wholesale Banking at 0.8x allocated capital (ROE 11%, COE 14%, G 1%) or an implied 7.0x 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

EMEA - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Lloyds Banking Group	LLDTF	LLOY LN	Rohith Chandra-Rajan
	Lloyds Banking Group	LYG	LYG US	Rohith Chandra-Rajan
	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
	Societe Generale	SCGLY	SCGLY US	Tarik El Mejjad
	Unicredit	UNCFY	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
	Commerzbank	CRZBF	CBK GY	Rohith Chandra-Rajan
	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
	Monte dei Paschi	BMDPF	BMPS IM	Antonio Reale
	StanChart	SCBFF	STAN LN	Alastair Ryan
	StanChart	XCHBF	2888 HK	Alastair Ryan
	Svenska Handelsbanke	SVNLY	SVNLY US	Tarik El Mejjad
	UBS	XUHF	UBSG SW	Alastair Ryan
	UBS	UBS	UBS US	Alastair Ryan

UNDERPERFORM

	Banco Sabadell	BNSF	SAB SQ	Antonio Reale
	Barclays	BCLYF	BARC LN	Rohith Chandra-Rajan
	Barclays	BCS	BCS US	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
	Raiffeisen Bank International	RAIFF	RBI AV	Alastair Ryan
	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

EV / EBITDA

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
Enterprise Value

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

Basic EBIT + Depreciation + Amortization

IQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of *IQmethod* are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

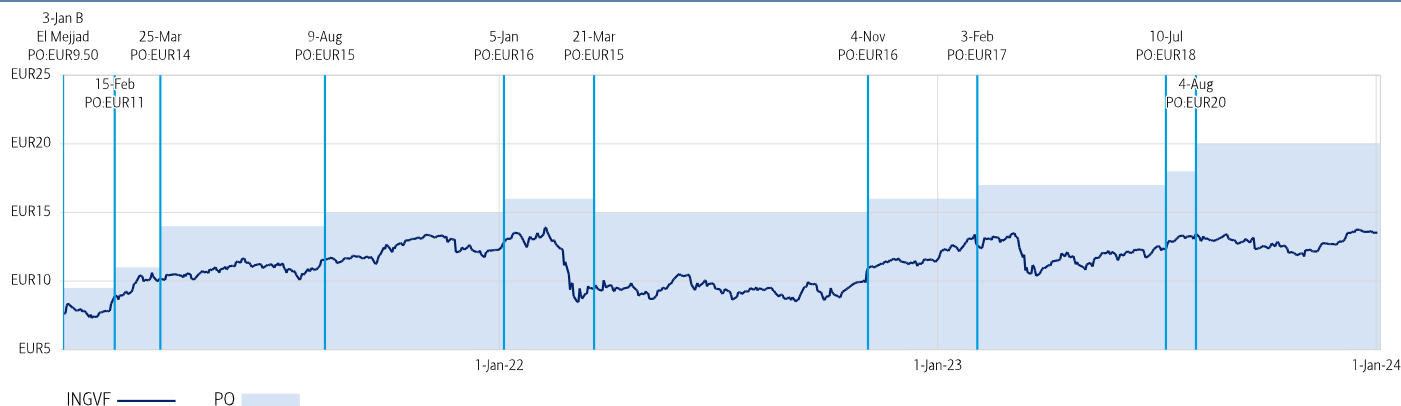
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Disclosures

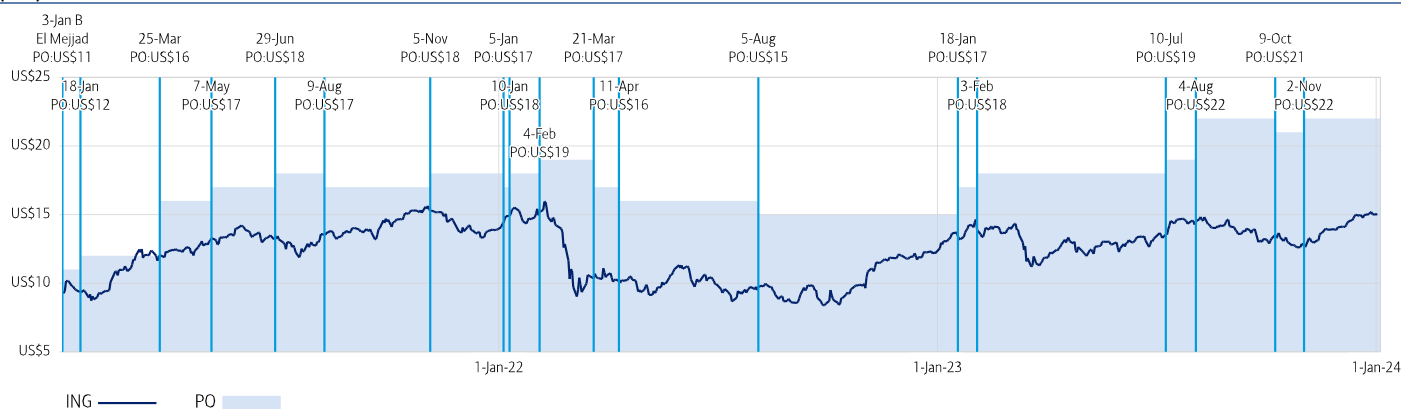
Important Disclosures

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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