Investor Presentation 2024

ING Germany / ING-DiBa AG

Frankfurt ▪ April 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 a 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 15 sectors
- Strong ING network in more than 40 countries
- Nationwide presence with regional offices (Hamburg, Munich, Stuttgart & Dusseldorf)

For our Private Individuals we are happy to help that everything runs well also financially

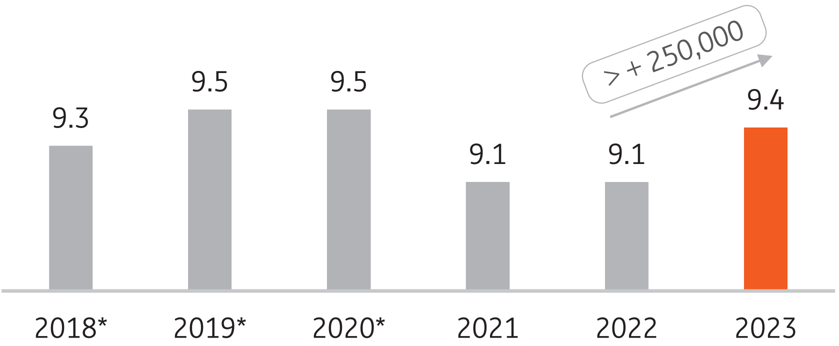
Customer needs

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

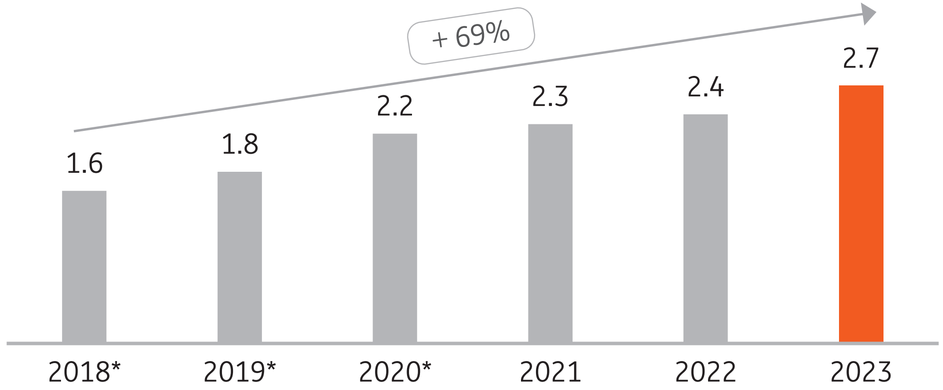
Cooperations: Online wealth management with scalable .CAPITAL | Online tax declaration with smart steuer | Solutions with AXA

Retail Banking´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 €133.7 bln

2023 net growth

+2.4%

€ **+3.1** bln

Customer deposits €143.6 bln

2023 net growth

+6.4%

€ **+8.6** bln

Employees

2023

6,006

Changes compared to 2022 results (IFRS)

*) Including Austrian customers

Business Banking leaps forward

2023 – The next level of ING Business Banking

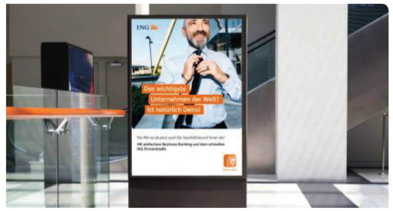
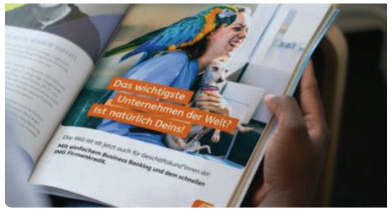
- **Business Extra-Konto** launched, as free, flexible and digital day-to-day savings product for business clients
- Next milestone on the way to a **comprehensive financial product offering covering Daily Banking next to Lending**
- **Digital Lending** with new specialized offer for the Health Sector.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

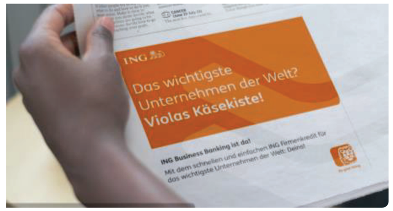
Strong financials

- 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



Wholesale Banking – a Success Story

Since 2011 under the roof of ING in Germany

Competitive edge: excellent **cost/income ratio**

Global **sector expertise** in Frankfurt

Pioneer in **Sustainable Finance**

Some **reference customers**:

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	35.1	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 €	17.0	-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)

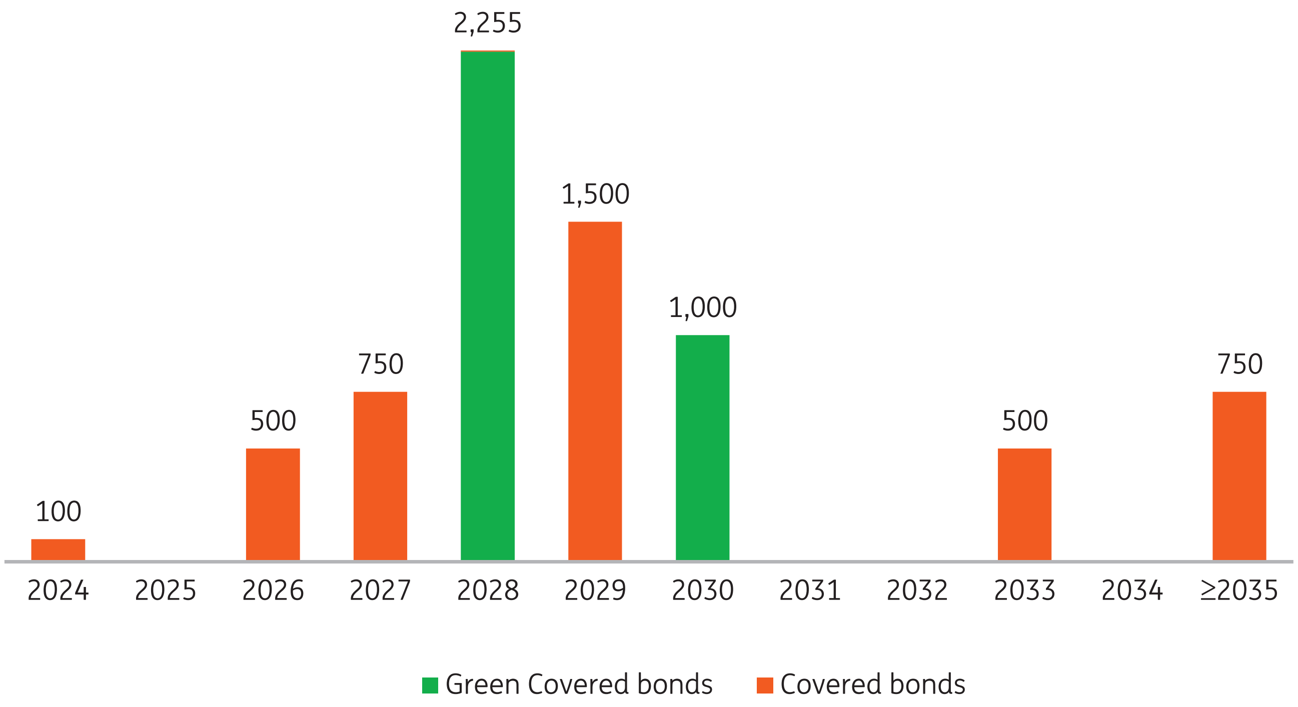
in mln €	2023	2022	Δ	Δ in %
Net interest income	3,704	2,245	1,459	65
Net commission income	414	496	(82)	-17
Other comprehensive income	(170)	99	(269)	-271
Personnel expenses	(730)	(685)	(45)	7
Other administrative expenses	(716)	(656)	(60)	9
Risk costs	(36)	(460)	424	-92
Profit before tax	**2,466**	**1,040**	**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)	17.6%	15.9%	1.7%	-

Scope: ING Germany

Covered Bond Programme

Long-term debt maturity profile and issuance activity

Long-term debt maturity ladder (in € mln)



Green Pfandbrief programme 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 €7.355 bln

ING-DiBa AG's Residential Mortgage Pfandbrief Programme

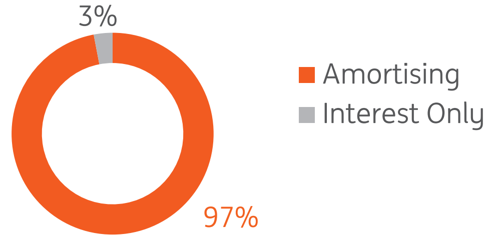
- ING-DiBa AG's €20 bln Residential Mortgage Pfandbrief Programme
  - Aaa rated by Moody's
  - Cover pool consists of **100% prime German residential** mortgage loans in Euro only. As per 31st December 2023, no arrears > 90 days in the cover pool
  - Strong German legislation including the LTV cut-off 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 31st December 2023)

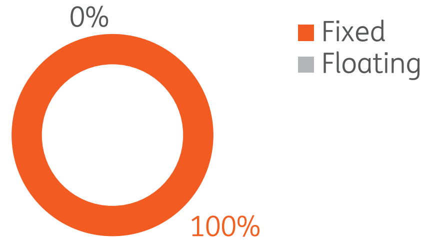
Net principal balance	€13,925 mln
Outstanding bonds	€11,355 mln
# of loans	119,680
Avg. principal balance (per borrower)	€116,352
WA current interest rate	1.52%
WA remaining maturity	36.08 years*
WA seasoning	5.00 years
WA current indexed LTV	n/a**
Min. documented OC	2%
Nominal OC	25.1%

* Calculated on a quarterly basis; latest value as of 31st December 2023
** Unindexed LTV: 77.5% (original LTV, based on the mortgage lending value at origination)

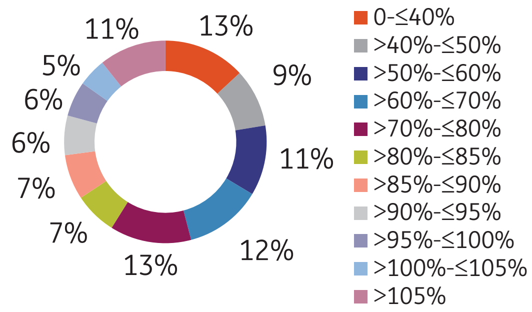
Repayment type



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

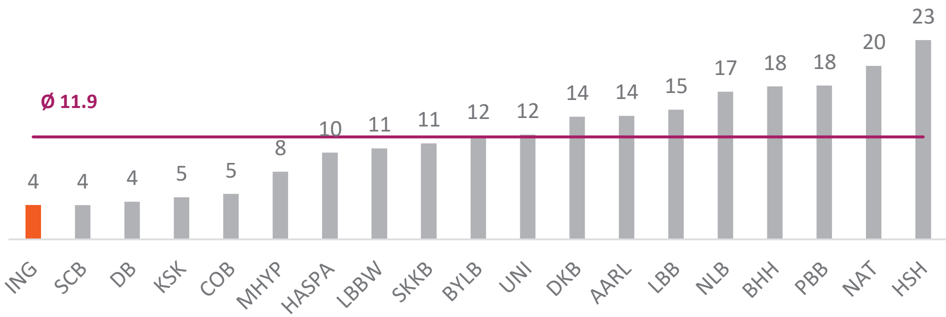
Key Driver

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

Mortgage Covered Bonds – Performance Overview
31st December 2023

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)	25.1%
TPI Leeway/ TPI	5/ high

Mortgage Pfandbrief Collateral Score 2023 Q3 in %



Source: Moody's Covered Bonds – Global, Sector Update – Q1 2024

Main 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

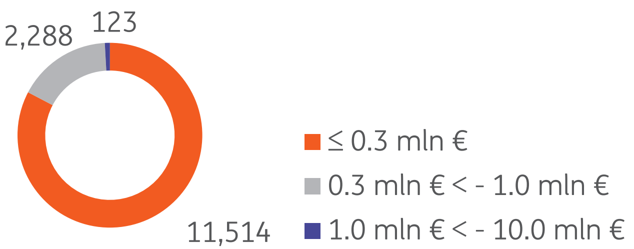
Key cover pool characteristics in mln
Maturity profile and type

Residential property type profile

31 December 2023

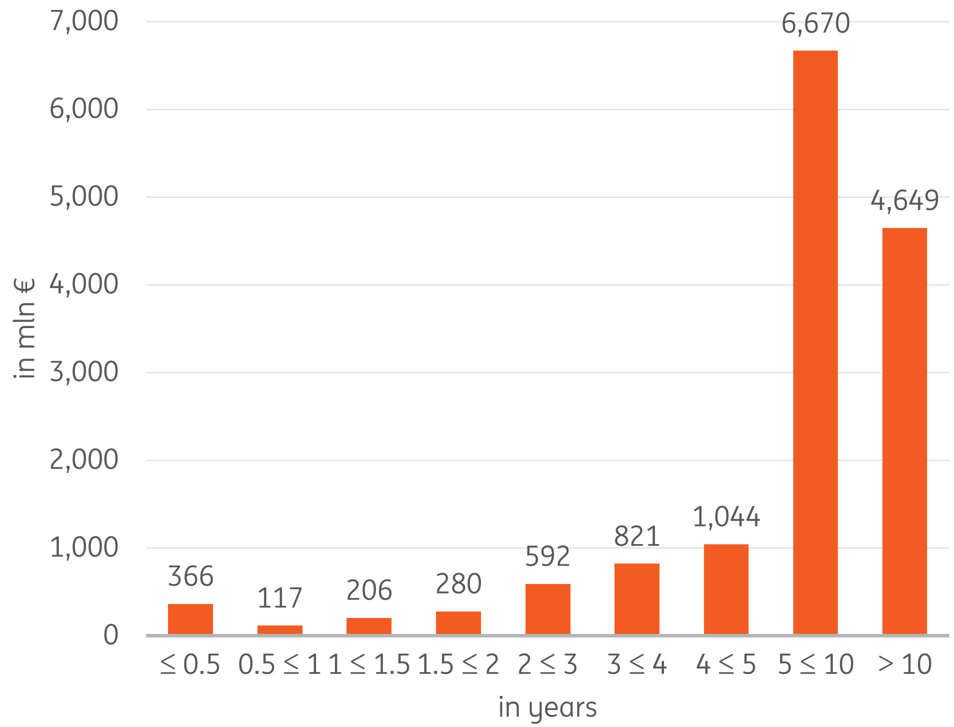
Residential mortgages balances profile

31 December 2023



Maturity profile

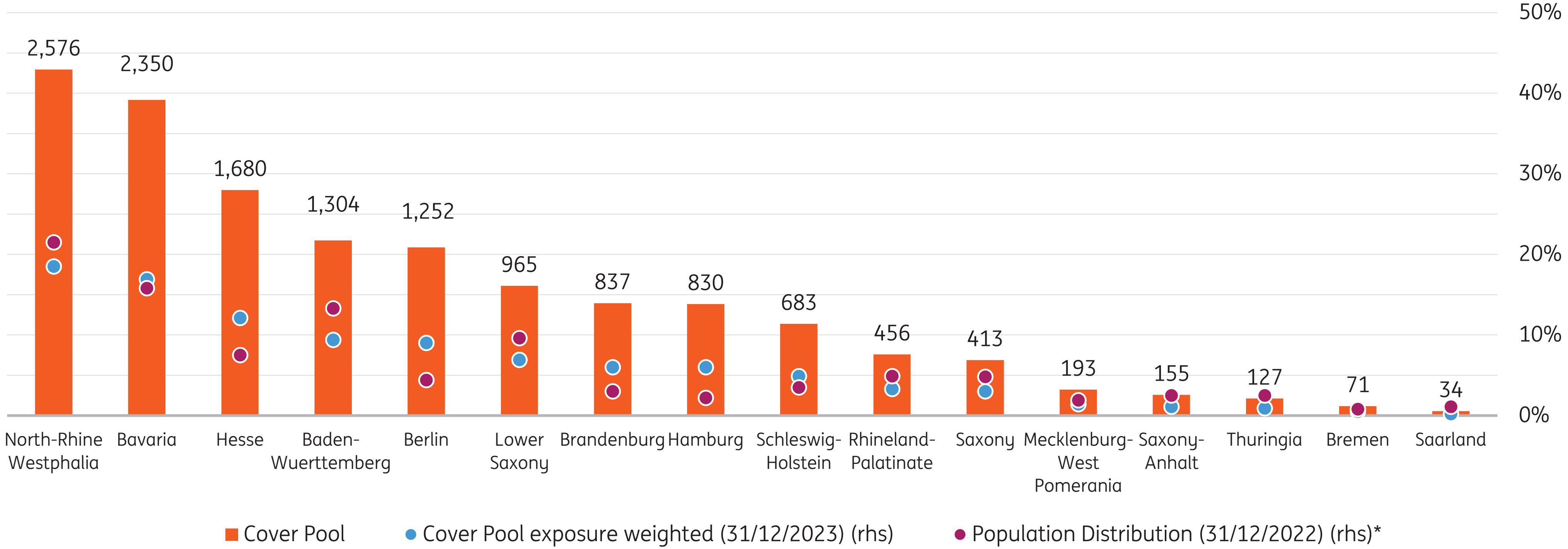
31 December 2023



Key cover pool characteristics in mln
Regional distribution

Provinces profile

31 December 2023



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

- 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

External consultants & providers

ISS ESG	Second party opinion provider
Guidehouse	Renewable energy consultant
CFP Green Buildings, Drees & Sommer	Green buildings consultant

Recent Bond transactions

Year of Issuance	2021	2021	**2021**	2022	2022	**2022**	2023	**2023**	2024
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.
Size / Currency	£800 million	€500 million	**€1.25 billion**	€1.5 billion	€1 billion	**€1 billion**	€850 million	**€1 billion**	€1.25 billion
Tenor	8NC7	11NC6	**7yr**	4NC3	11NC6	**8yr**	4.9yr[1)]	**4.25yr**	11NC10
Asset class	HoldCo Senior	Tier 2	**Covered Bond**	HoldCo Senior	Tier 2	**Covered Bond**	RMBS	**Covered Bond**	HoldCo Senior

Scope: ING Group

1) Until the first optional redemption date

For the above specified bonds, a prospectus is available. For more information and the prospectus, please visit https://www.ing.com/Investor-relations/Fixed-income-information.htm

Second Party Opinion

Opinion on ING Green Bond Framework

- 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 April 3rd 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

Scope: ING Group

ING Green Bond Framework

- Our Green Bond Framework 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** Green buildings (**Germany**)
    - New or existing residential buildings belonging to top 15% of low carbon buildings:
    - Refurbished Residential buildings with an improved energy efficiency of at least 30%

2 Project Evaluation and Selection

- Projects financed and/or refinanced through Green Bond 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 environmental and social policies

3 Management of Proceeds

- The proceeds are managed in a portfolio approach
- 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, which is selected in accordance with the Eligibility Criteria and evaluation and selection process
- Unallocated net proceeds will be held in ING's treasury liquidity portfolio at ING's own discretion

4 Reporting

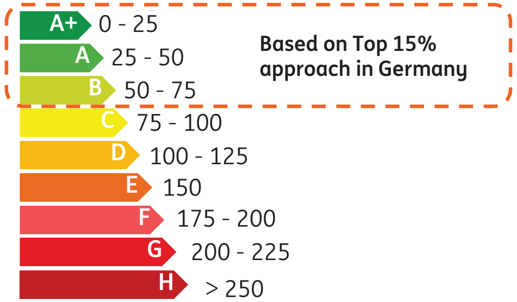
- Aggregated (between multiple Green Bonds)
- Allocation and impact are reported. Additional reported items can be found in the Green Bond Framework
- Limited assurance of the Green Bond Allocation Report provided by external auditor on an annual basis
- Second party opinion by ISS ESG

Scope: ING Group

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

Total portfolio size	€4,062 bln
Avoided / reduced emissions per year	63,198 ton CO_2
Avoided / reduced emissions per mln € invested by ING	15.56 ton CO_2eq/ mln €

63,198 (ton CO_2eq) ≈1) 14,063 vehicles per year ** or 75,365 acres of forests for one year

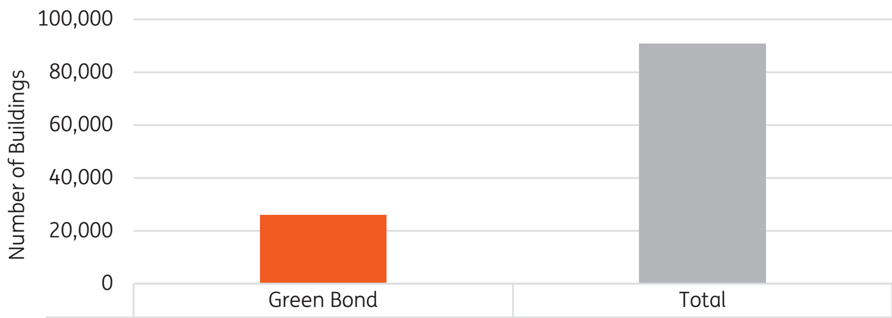
Portfolio composition ING-DiBa Green Buildings Loan Portfolio

	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	2,156,624,612	53.1	14,446	2,032,792	10.4	127,561	36,652
Double-family houses	73,089,601	1.8	375	77,836	7.4	5,083	1,411
Terraced houses	336,096,309	8.3	2,257	294,903	10.9	18,479	5,601
Owner-occupied apartments	983,658,704	24.2	5,904	528,028	7.0	33,037	11,700
Semi-detached houses	512,091,758	12.6	2,973	399,431	7.5	26,205	7,834
Total	**4,061,560,984**	**100**	**25,955**	**3,332,990**	**9.3**	**210,365**	**63,198**

* 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

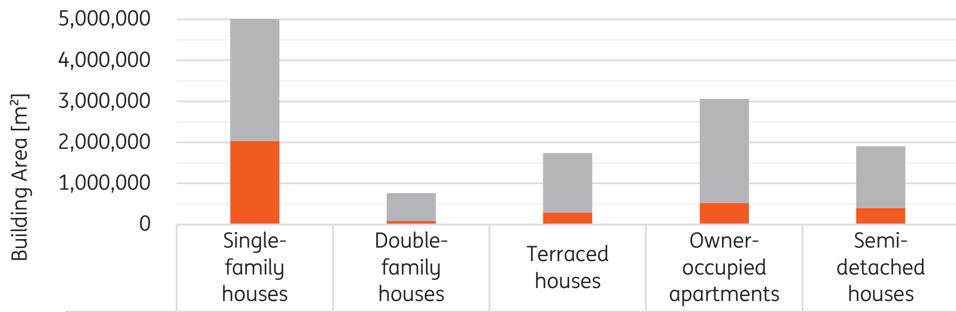
Eligible Green Loans in Pfandbrief cover pool

Number of buildings within ING-DiBa's portfolio



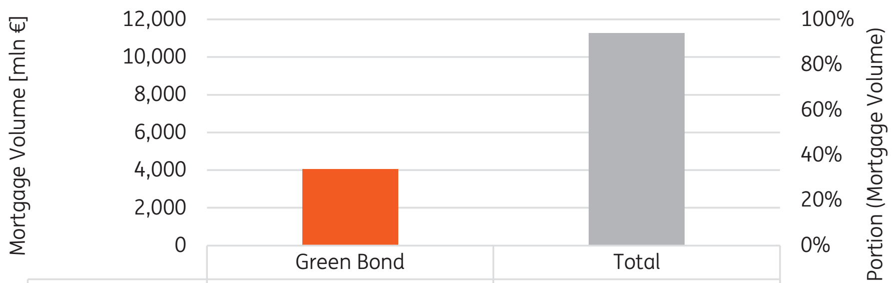
	Green Bond	Total
Amount	25,955	90,851

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



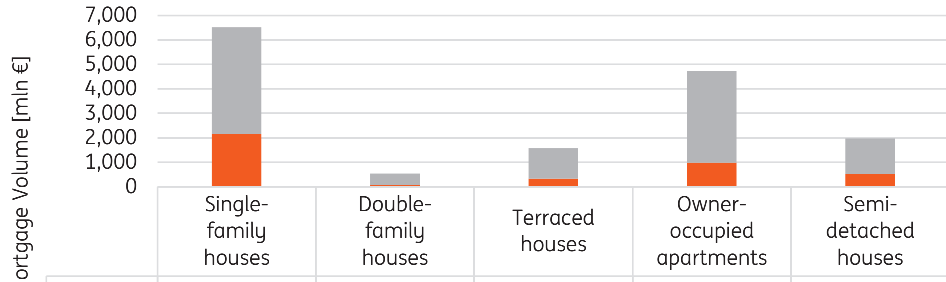
	Single-family houses	Double-family houses	Terraced houses	Owner-occupied apartments	Semi-detached houses
Total	4,859,196	687,219	1,446,273	2,531,776	1,504,435
Selected	2,032,792	77,836	294,903	528,028	399,431

Exposure of ING-DiBa's assessed portfolio



	Green Bond	Total
Portion	36%	100%
Mortgage Volume	4,061,560,984	11,262,557,021

Exposure of ING-DiBa's assessed green bond portfolio

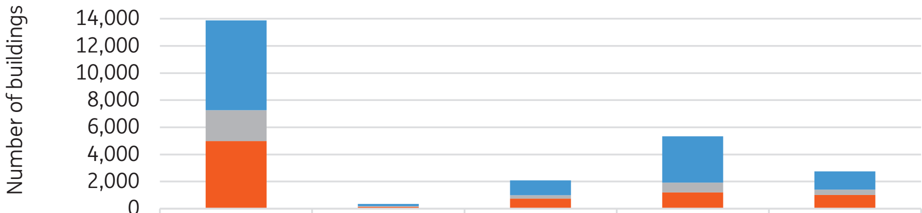


	Single-family houses	Double-family houses	Terraced houses	Owner-occupied apartments	Semi-detached houses
Total	4,362,451,092	459,552,993	1,237,715,137	3,737,517,712	1,463,759,823
Selected	2,156,624,612	73,089,601	336,096,309	983,658,704	512,091,758

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

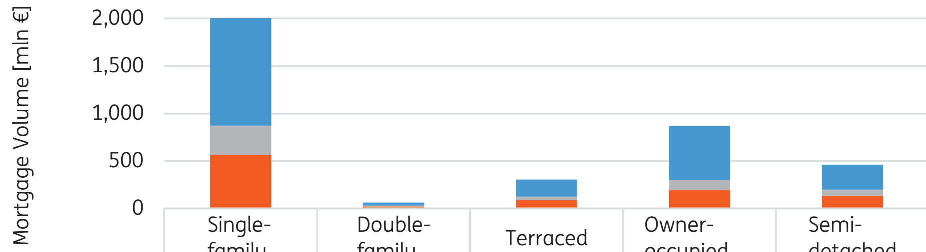
Details on the eligible Green Loan Portfolio

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



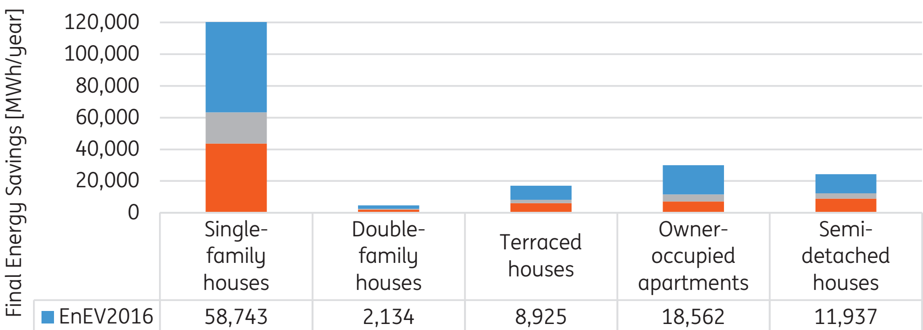
	Single-family houses	Double-family houses	Terraced houses	Owner-occupied apartments	Semi-detached houses
EnEV2016	6,622	153	1,090	3,407	1,351
EnEV2014	2,272	49	264	738	400
EnEV2009	4,997	147	741	1,197	1,010

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



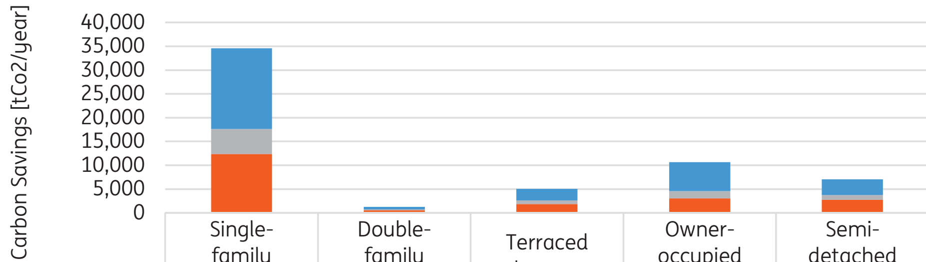
	Single-family houses	Double-family houses	Terraced houses	Owner-occupied apartments	Semi-detached houses
EnEV2016	1,163,878,73	34,896,575	179,420,968	568,005,927	264,346,233
EnEV2014	308,566,558	8,201,257	35,753,729	106,150,508	60,719,852
EnEV2009	564,210,808	20,594,856	89,294,409	194,392,821	136,913,673

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	58,743	2,134	8,925	18,562	11,937
EnEV2014	19,812	652	2,160	4,302	3,497
EnEV2009	43,577	1,901	6,010	7,198	8,801

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	16,932	568	2,399	6,089	3,335
EnEV2014	5,316	156	746	1,522	1,004
EnEV2009	12,335	551	1,859	3,038	2,712

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

Green Initiatives

Sustainability has been on ING Group 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

Our sustainability journey continues...

- March 2022: ING steps up renewable energy efforts and restricts financing of new oil & gas fields
- June 2022: ING announces new strategy: Put sustainability at the heart of what we do
- March 2023: ING takes next step in aligning oil & gas portfolio with climate goals

Scope: ING Group

Our focus SDGs[1] are reflected in our Sustainability Direction

Environment

Climate action

Empowering our clients[2]

- Aim to steer the most carbon-intensive parts of our 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 the TCFD and NZBA Frameworks

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] ING finances today's society, which means we do also finance things that aren't green. We want to help clients transition to a low carbon economy. It's about making progress together, step-by-step. See www.ing.com/climate for more on our climate strategy in action.

External recognition of ING's commitment to ESG

ESG ratings ING Groep N.V.

SUSTAINALYTICS

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

MSCI

- Rating AA
- Updated: July 2023

Sustainability Index Products

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

EURONEXT vigeoeiris INDICES BENELUX 20 INDICES EUROZONE 120

FTSE4Good

STOXX ESG LEADERS INDICES

MORNINGSTAR Indexes

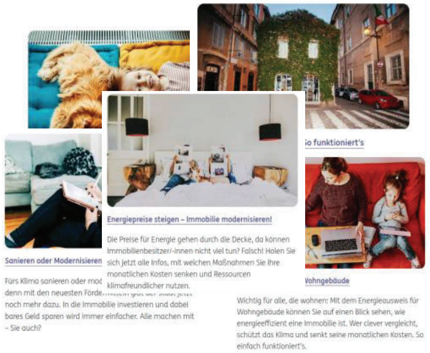
Scope: ING Group

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



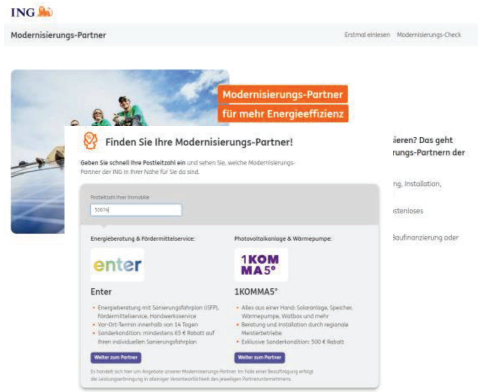
02 Modernization Calculator

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

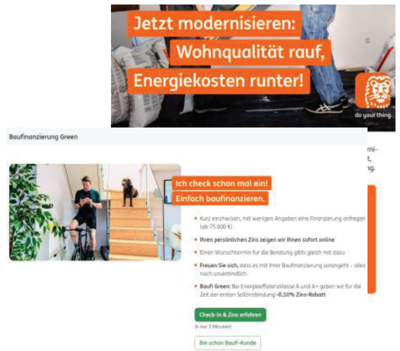
Successful go live in March 24 with 6 partners



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

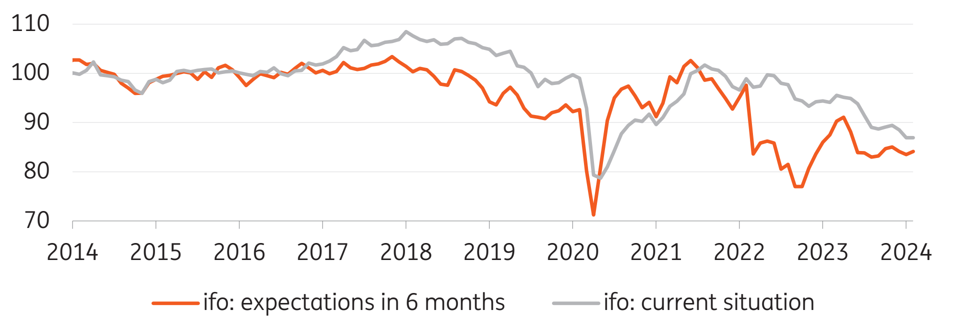


Scope: ING Germany

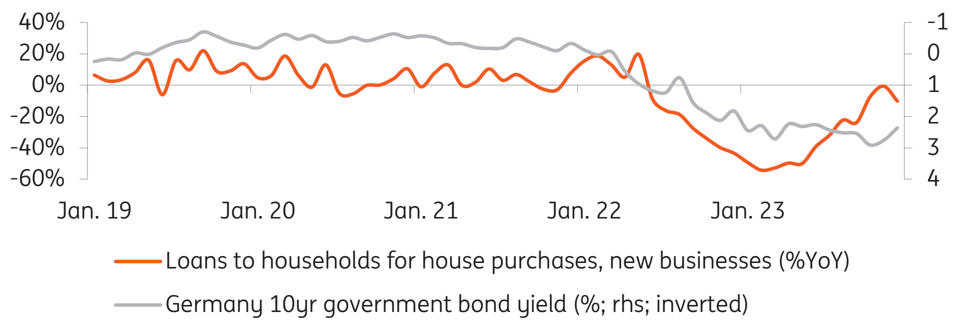
Economic, housing & mortgage markets update

The German economy is still stuck in stagnation

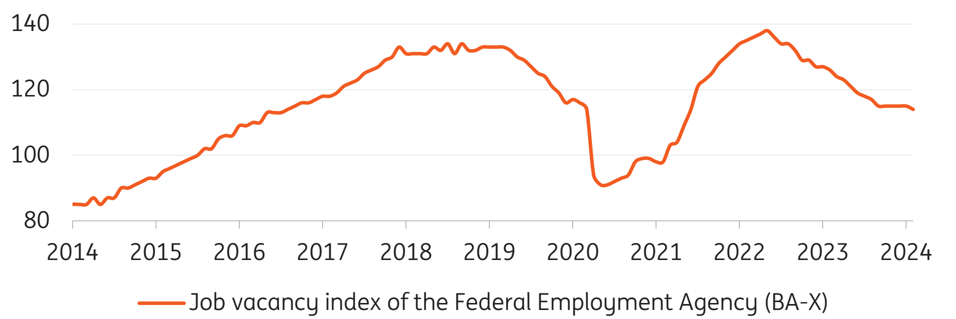
A dangerous combination of cyclical headwinds and a long list of structural weaknesses continues to weigh on the German economy and we expect this to result in a further minor contraction in the first quarter of 2024 with only a weak recovery thereafter.



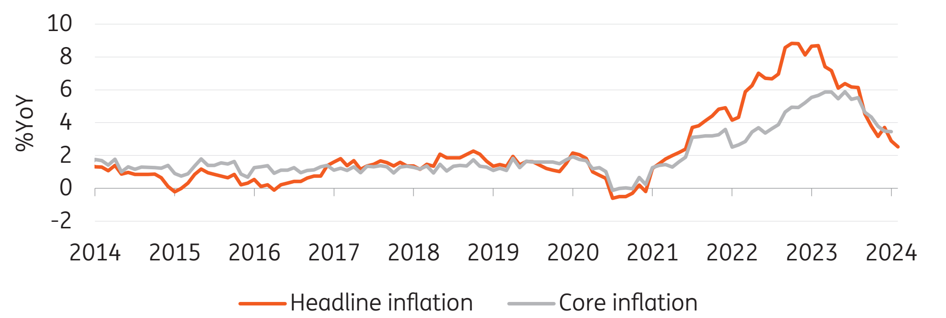
Demand for housing loans has started to bottom out in recent months. However, with interest rates not dropping further and a still weak economic backdrop, the bottoming out could be lengthy, and any rebound this year will be weak.



On a more positive note, the labour market is holding up well despite the challenging economic backdrop. However, some cracks are showing beneath the surface. For example, demand for labour has fallen significantly compared to the previous year, while the number of short-time workers increased.

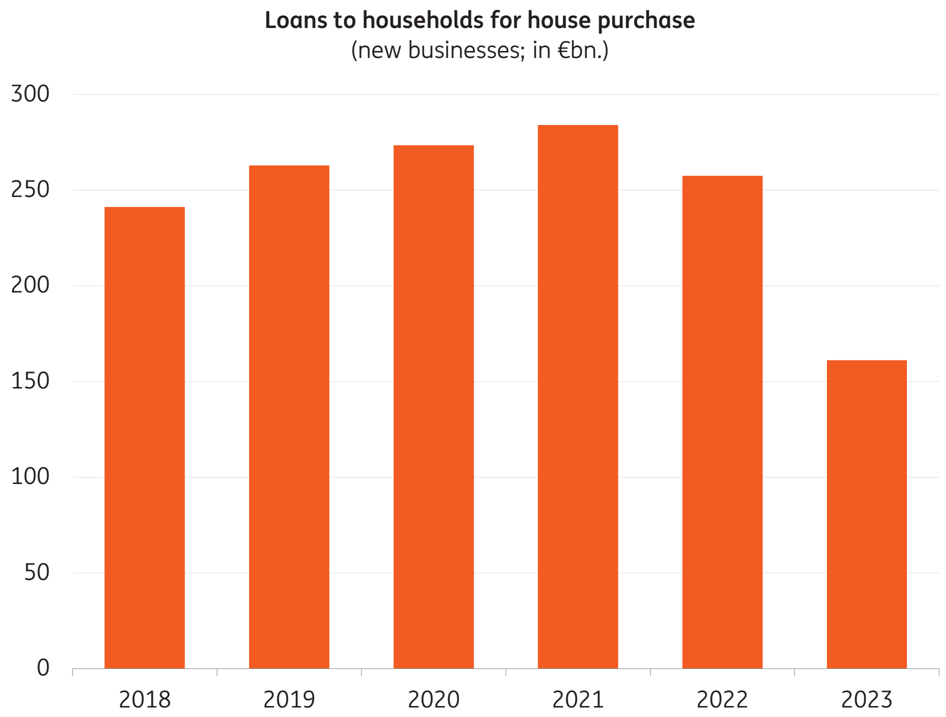


Inflation developments in the coming months will be determined by two opposing trends: more disinflation and potentially even deflation because of weaker demand, but also new inflationary pressures. We expect German inflation to gradually rebound over the coming months before settling between the 2.5% and 3% range in the second half of the year.

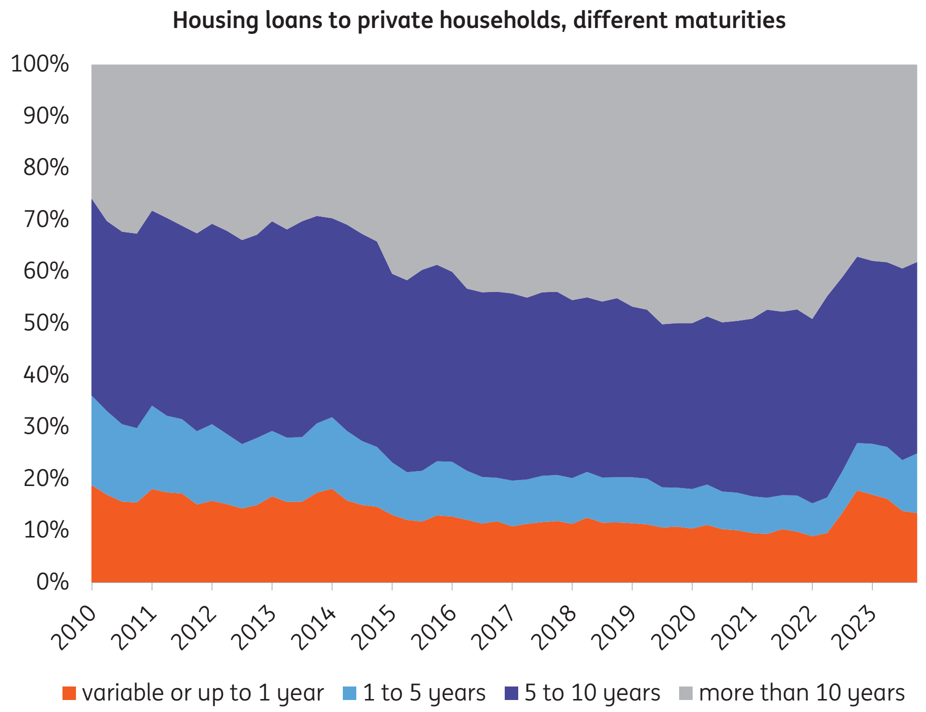


Source: LSEG Datastream; Bundesbank

Volume of new business in loans to households for house purchase was down by 37% YoY in 2023



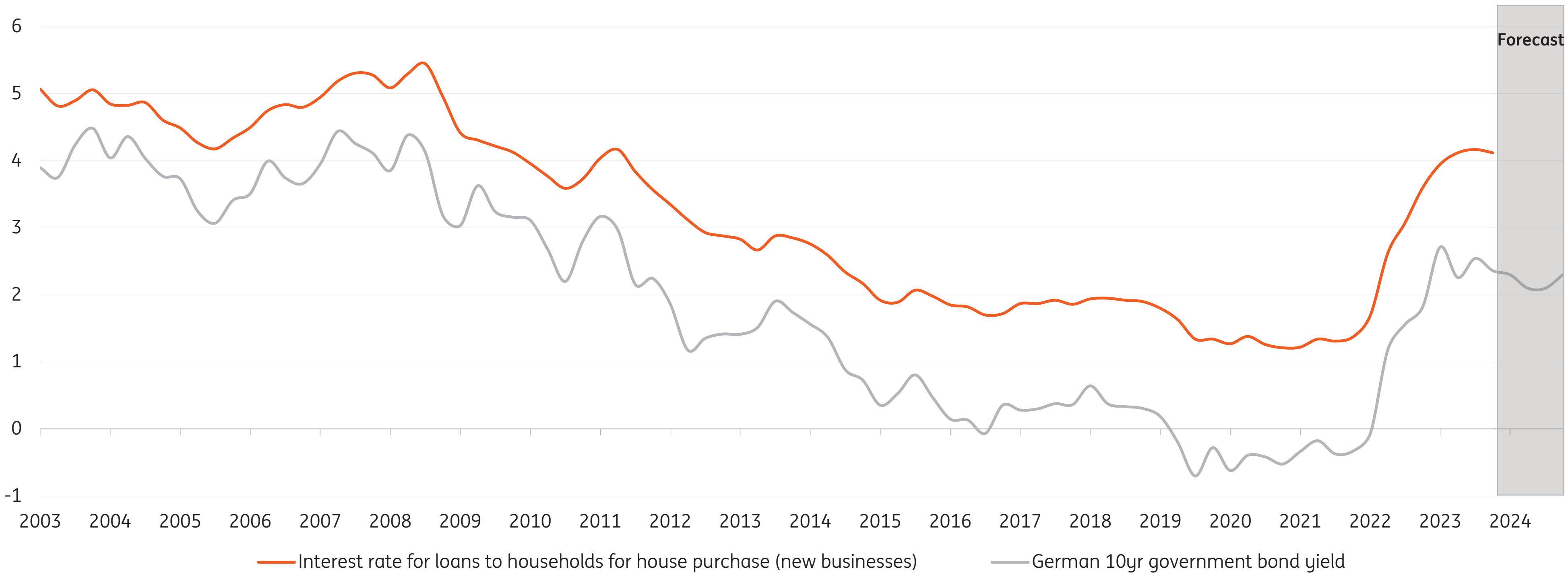
As in many countries, Germany saw a significant rise in mortgage rates, and financing costs soared. At the same time, the cost of living also increased significantly, and wages have not risen fast enough, yet. As a result, affordability went well below the levels seen over the past decade, and demand for housing loans fell rapidly.



With the start of the ECB's rate hike cycle in 2022 and the rise in lending rates, the share of mortgage loans with maturities longer than 10 years decreased. The share of short-term housing loans with variable rates remains low.

Source: LSEG Datastream; Bundesbank

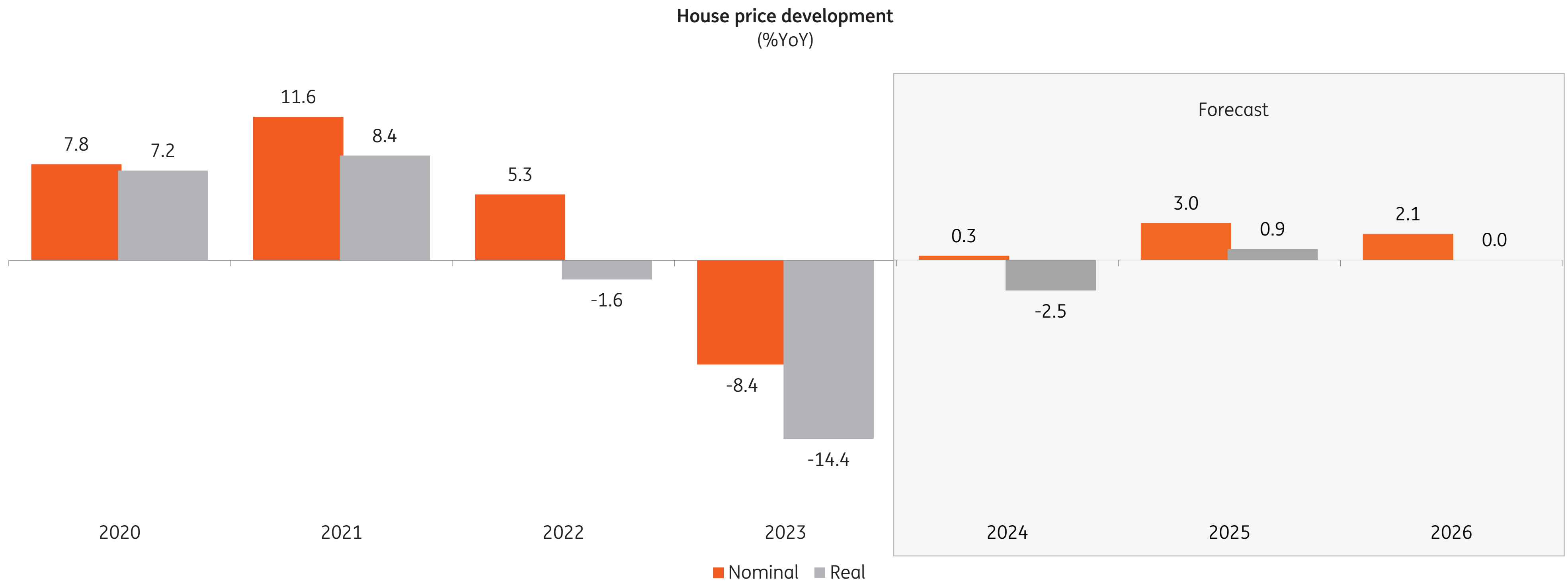
Downward potential for mortgage rates limited in 2024



The rise in mortgage interest rates and the corresponding increase in financing costs have been the main drivers of dropping residential real estate affordability. The development of lending rates is closely linked to long-term capital market interest rates. At the end of last year, long-term interest rates (as measured by the German 10yr government bond yield) had fallen by more than 50bp due to financial market participants' expectations that the European Central Bank would cut key interest rates on a large scale this year. Accordingly, mortgage rates declined both in December and January. Looking ahead, however, financing costs are not expected to ease significantly any further. As the ECB's future interest rate cuts are already priced in, it would require a surprisingly strong interest rate cut cycle that quickly reverses the rate hikes since July 2022 in order to provide additional downward potential for both capital market and mortgage interest rates.

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

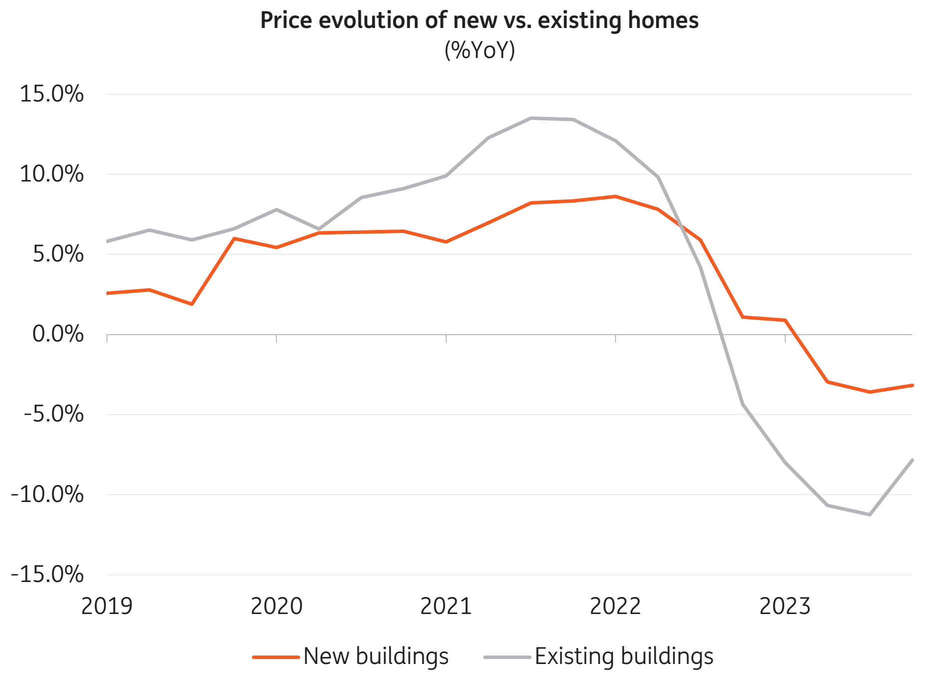
House price correction to be followed by a very gradual recovery...

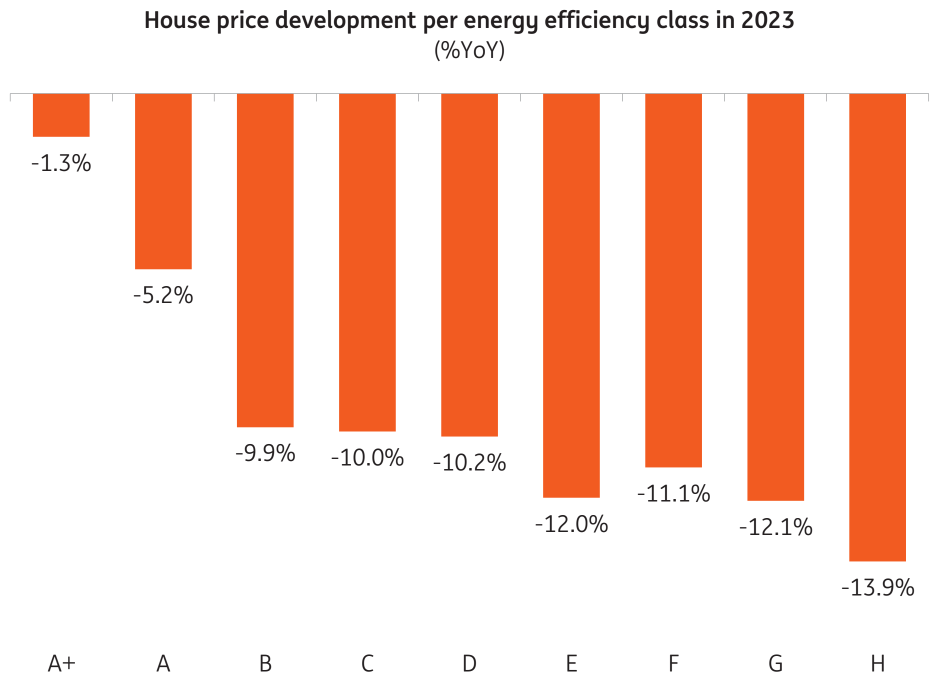


According to the Federal Statistical Office, prices for residential real estate fell by 2% quarter-on-quarter in the fourth quarter of 2023, leading to house prices falling by 8.4% in the full year of 2023. It is the first annual price decline since 2007. Nevertheless, house prices rose 30% between the second quarter of 2019 and the second quarter of 2022, so last year's decline in house prices should be understood as a correction rather than a crash.
Looking ahead, economic uncertainty and a small increase in unemployment could still hold back new demand for housing. Furthermore, high construction costs and unfavourable affordability make a strong rebound of the entire market unlikely. Nevertheless, as the market finds a new equilibrium and Germany still has a structural deficit in housing supply, prices could rebound without a significant improvement in volumes.

Source: Destatis; ING Economic & Financial Analysis; INGF from 2023 onwards

...with differences due to climate change beneath the surface





As the majority of the German housing stock was built before 1979, renovation activity has been limited in recent years, and as older buildings generally have a lower energy label than new buildings, it does not come as a surprise that prices for existing properties have fallen faster than those for new buildings. By the end of the fourth quarter of 2023, prices for existing properties had fallen by 14% since they peaked in 2Q 2022. Prices for new buildings, which peaked a quarter later, had declined by 4.5%.

Analysis of anonymised in-house data shows that while the fall in prices for energy-efficient homes with an energy label of A+ was quite limited last year at around -1%, prices for properties with the worst energy efficiency label of H fell by as much as 14%. And since the price of energy-inefficient properties has fallen much faster than that of energy-efficient ones, the price difference between properties with a good energy label and their unrenovated counterparts has also widened. Last year, a house with an energy label of A+ was around 40% more expensive than a house with an energy label of H. Back in 2021, the price difference was only 16%.

Source: Destatis; ING

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