ING Bank

Annual report 2023

do your thing

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About this report

ING's purpose is empowering people to stay a step ahead in life and in business. In this report we describe how we live up to this purpose and how we created value for our stakeholders over the year. When assessing ING's ability to create value in the short, medium and long term, stakeholders look at our financial and non-financial performance.

In this report, the sections Strategy and performance, Our leadership and corporate governance and Risk management together form the Report of the Management Board Banking. This annual report also contains ING Bank N.V. consolidated and parent company financial statements, and other information.

This report is intended to inform stakeholder groups that have an impact on or are impacted by our business. This includes customers, investors and shareholders, regulators and supervisors, employees, government authorities and non-governmental organisations.

It aims to give our stakeholders a balanced overview of our activities and ING's ability to create and sustain value.

In this annual report, unless otherwise stated or implied by context, references to 'ING Bank' refer to ING Bank N.V. and references to 'ING', the 'Company', the 'Group', 'we' and 'us' refer to ING Bank N.V. and its consolidated subsidiaries.

The world around us

Our business is closely shaped by what's happening in the world around us, from economic and political developments to the changing regulatory environment, global trends and societal issues.

Stakeholder engagement

ING's stakeholders are persons or organisations that may be directly or indirectly affected by our activities, or who may have an impact on our activities or ability to provide products and services. Banks operate in a heavily regulated environment. It is therefore key that we anticipate and understand the impact of legislative and regulatory developments and assess their impact on our customers and business. New laws and regulations should contribute to financial stability, sustain a competitive environment and enable us to provide excellent quality services to our customers and to society as a whole. That's why we participate in the debate on the direction of public policy and regulatory developments in the European Union and the countries where ING is active. We analyse proposed legislation to assess its potential impact.

We regularly engage with customers, investors, policymakers – banking regulators, supervisors, officials and politicians – as well as NGOs, industry associations, think tanks, academics and other members of society. When determining ING's position, we weigh the interests of ING and all the stakeholders involved and seek to strike the right balance between possibly conflicting viewpoints.

Next to having one-off consultations on specific topics, we engage in ongoing dialogues about our role in society, our products and services, our business performance and other topics. This is done at both expert level within our business units and at senior management and Board level.

Engaging with stakeholders also clarifies our approach to sustainability. Under the section 'How we engage' on ing.com, we explain how we do it, including collaborating, listening and by being transparent.

We contribute to various international initiatives such as the United Nations Environment Programme Finance Initiative (UNEP FI) and the Net-Zero Banking Alliance. ING is a member of platforms such as the Equator Principles Association and we use international frameworks such as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights to develop our sustainability approach and priorities.

An overview of partnerships, memberships and endorsements is available at ing.com.

An ongoing dialogue with stakeholders can help to drive internal change at ING, including by enhancing our environmental and social risk management policy and improving awareness of the wider impact of our business conduct. Equally, ING can drive change by sharing subject-matter expertise with external working groups and think tanks such as the RMI Center for Climate-Aligned Finance.

Our operating environment.

Geopolitical and economic events not only have a significant impact on customers and individuals, but also on financial institutions like ING.

The global economy was lacklustre in 2023. A buoyant reopening phase, which drove GDP growth to well above pre-pandemic levels, was followed by a weaker spell driven by higher inflation, geopolitical uncertainty and a disappointing Chinese economy. Europe, being an open economy, suffered from this weak global environment and the simmering impact of the energy crisis on industry, resulting in stagnant economic activity.

However, inflation came down significantly in advanced economies, in part driven by lower energy prices, a fading of supply-chain problems, and of course higher interest rates.

China had a weak 2023 due to underwhelming household consumption upon reopening of the economy, continued problems in the real estate sector (which is still dealing with a debt overhang), and slowed demand for production from advanced markets. The latter put pressure on industrial production and exports.

The United States has been the positive exception, with resilient 2023 GDP growth. The US economy was supported by continued high government spending, but also by consumers running down excess savings. This, in turn, kept the job market roaring, which supported income. The effect of higher interest rates started to show but did not curb economic activity too much. This drove the Fed funds rate to five-and-a half percent and while a recession was expected, it did not materialise.

The US economy continued to perform well despite significant financial stress in the first half of the year. The failure of several smaller American banks caused instability and forced governments and central banks to take action. Eurozone banks were not significantly affected, but the industry did experience a degree of financial stress. In Switzerland, this financial distress contributed to the emergency takeover of Credit Suisse by UBS. Overall, monetary tightening had a significant effect on borrowing and deposit growth, but did not result in a major downturn in activity in advanced markets.

The performance of the eurozone economy in 2023 was stagnant. Germany underperformed the eurozone average due to a larger share of energy-intensive industries, which continued to suffer from higher energy prices (despite a decline from 2022 peaks) and overall competitiveness problems. Eurozone consumers struggled with the loss of purchasing power, with household consumption remaining below its late-2022 peak throughout the year.

However, the labour market remained strong in the eurozone and bankruptcies have not meaningfully increased. The inflation rate also fell substantially, which caused the European Central Bank (ECB) to pause interest-rate rises after raising the deposit rate to a record high of four percent.

In general, 2023 saw a smaller impact on the economy from geopolitical events than 2022. While global risks did not abate, the impact of the Russia-Ukraine war had a more muted effect on advanced markets as energy prices remained much more subdued and the Israel-Gaza conflict did not result in significant spillovers to the global economy. Still, the effect on the eurozone was larger than in other major markets, resulting in a weaker economic performance than peers like the US.

Our strategy

ING's purpose is empowering people to stay a step ahead in life and in business. Our strategy – making the difference for people and the planet – is built around this purpose.

In a world that is constantly changing, we aim to be digital and sustainability pioneers, skilled at adapting to the trends impacting our business. Our two overarching priorities are providing customers with a superior customer experience (CX) and aiming to put sustainability at the heart of what we do. These priorities are supported by four 'enablers': providing seamless digital services, using our scalable technology and operations, staying safe and secure, and unlocking our people's full potential.

Providing customers with a superior experience

As an organisation, we need to be customer focused – after all, customers are who we're here for, our reason for being. We want to provide them with the products and services they need: executing payments and other transactions, keeping and managing their money and savings and extending loans and making investments. Our aim is to do all that with an experience that is easy, instant, personal and relevant. We realise that different types of customers have different needs. We can make a difference by helping them to plan for the future and make informed financial decisions, and by providing suitable financial products and customised advice. Read more on how we cater to our customers' needs, private individuals, small businesses and large corporates in 'Superior customer experience'.

Putting sustainability at the heart of what we do

We have a role in society to define new ways of doing business that align with economic changes, growth and social impact. Climate change is one of the world's biggest challenges, threatening societies as we know them today. We're determined to be a banking leader in building a sustainable future for customers, society and the environment. We want to lead by example by striving for net zero in our own operations. We also want to play our part in the low-carbon transformation that's necessary to achieve a sustainable future, aiming to steer our financing towards meeting global climate goals and working with clients to achieve their own sustainability goals. Read more on our sustainability efforts in the 'ESG overview'.

Our enablers

Providing seamless digital services

We know that we can serve our customers better if we use robust, 'always-on' channels, providing data-enabled personalised experiences and end-to-end digitalising processes, with human intervention only where needed or desired.

Using scalable technology and operations

A technology and operations foundation that is modular and scalable brings many benefits, including support for providing a superior customer experience, increased safety, speeding up time-to-volume, shortening time-to-market, and lowering cost-to-serve.

Staying safe and secure

For a bank, trust is the starting point, the most basic requirement for all stakeholders. People trust us with their money and with their data, and keeping that safe is crucial. As a gatekeeper to the financial system, we play an important role in the collective fight against fraud, cybercrime, and financial and economic crimes.

Unlocking our people's full potential

People are our greatest asset. We seek to attract, develop and retain the best people, and our sustained success is founded on their continued commitment. What will unlock their full potential is our inclusive Orange culture where everyone has the opportunity to develop and have impact for our customers and society. In 2023, we focused on three pillars to deliver for our people: 'talent & leadership', 'culture & organisation' and 'Employee Experience'. Read more about how we unlock our people's full potential in 'Social'.

Superior customer experience

We want to provide customers with an experience that is easy, instant, personal and relevant. What this looks like depends on the type of customer. For private individuals and small businesses, our emphasis is predominantly on mobile banking, while for mid-corporate and Wholesale Banking clients it's all about personal relationships and sector and network expertise.

What we strive for

In response to changing expectations in today's always-on digital society, ING wants to offer customers an experience that is easy, instant, personal and relevant.

Easy is about taking the complexity out of banking, making it intuitive, transparent and understandable so customers feel confident. For example, we aim to clearly price products and services, avoid complicated jargon and always be accessible.

Instant is about customers having solutions at their fingertips that put them in the driver's seat of their finances and make them feel in control by allowing them, for instance, to switch seamlessly between self-service banking on the app and personal advice in a branch. Different groups of customers have different requirements. For private individuals and some Business Banking clients (i.e. the self-employed and small and medium-sized enterprises), the emphasis is on mobile, for both products and services.

Personal is about recognising customers as individuals and getting to know their needs, goals and challenges so they feel valued. For example, to tailor messaging to their specific situation.

Relevant is about bringing value to customers, anticipating their needs, and proactively providing the right insights, advice and solutions at the right time, making them feel empowered. For example, by guiding them on important financial decisions, such as re-financing a mortgage in an environment of rapidly increasing interest rates.

For Business Banking mid-corporates and Wholesale Banking clients, the emphasis remains on deepening client relationships, offering deep sector knowledge and networking expertise, tailored products and advice, supported by seamless digital delivery and services.

Retail Banking – Private Individuals

For customers using Retail Banking products and services, ING intends to provide a seamless digital, mobile-led experience that's easy, instant, personal and relevant. We want to engage with our customers on mobile at every stage of their journey and give them personalised products and services based on relevant, data-driven insights. Seamless end-to-end digital delivery of customer services is an enabler for a superior customer experience to earn, and keep, the primary relationship.

Earning 'primary relationships' with customers is an important driver for profitable growth. It leads to deeper relationships, greater customer satisfaction, and ultimately customers choosing us for more of their banking needs. We want to be our customers' first partner for their financial business. In Retail Banking, primary customers have at least two active ING products. One of these should be a current account into which they deposit regular income. In 2023, the number of primary customers increased by 750,000 over the course of a year to 15.3 million. Particularly strong growth was achieved in Germany (+252,000), Spain (+129,000), and the Netherlands (+99,000).

A seamless digital, mobile-led experience

Reflecting customer demand, we are continuously improving our mobile capabilities. In 2023, over 62 percent of customers used mobile banking only (mobile device login through the app or mobile device login through the website), compared to 58 percent in 2022. High adoption of mobile banking is especially visible in Türkiye (90 percent), Romania (84 percent), the Netherlands (69 percent), and Spain (66 percent).

In the Netherlands, Australia, Germany, and Spain, over 60 percent of new customers are now fully digitally onboarded, due to continuous improvements in the mobile onboarding flow. Those improvements aim to make digital onboarding available to as many new customers as possible. Similar efforts are underway in other Retail countries.

More customers are using remote video advice and digital self-service channels. We can connect with customers across multiple channels through ING's cloud-based customer interaction platform for phone, chat and video contacts. Our global customer interaction platform is used across seven Retail countries and in Wholesale Banking to harmonise the experience and ensure customers receive the same services everywhere. This year, we continued to expand the platform's footprint, rolling out voice functionality in Germany and Romania, and chat/chatbot capabilities in Italy. In total, the platform facilitated more than 100,000 video meetings and over 1.8 million authenticated chat conversations in 2023.

Daily banking and savings products

Everyday Roundup is a digital functionality that aims to make saving simpler, and it is now used by more than 1.5 million customers in seven countries (Poland, Australia, Germany, Romania, Türkiye, Spain and, since the fourth quarter of 2023, the Netherlands). It works by rounding up every transaction on a customer's current account and automatically transferring the difference to their savings account. In Spain, we also connected Everyday Roundup to investment products to help customers who want to start investing, little by little.

In March, ING in Australia introduced Everyday Roundup to Charity, becoming the first Australian bank to launch a charitable round-up feature. This enables customers to round up eligible everyday card transactions to the nearest dollar or five dollars and donate the difference to a charity.

ING in Germany expanded its current account to include a sustainable option. Customers of the so-called 'Future current account' pay one additional euro per month, and can choose between various social and ecological projects that are selected in partnership with the social impact company share®. These projects are supported by the amount equal to the monthly payment made by the customer. Additionally, a sustainable use of deposits is earmarked to sustainability criteria defined by ING Germany. These take the UN principles for responsible banking into account and are aligned with the EU taxonomy. By the end of 2023, 21,000 'Future current accounts' were opened, resulting in more than €90 million in sustainable deposits that are matched with sustainable loans and investments.

Dealwise, a smart shopping platform available in the app in Romania, Germany and Belgium, offers personalised deals, supporting customers to save on their daily spending.

Mortgage products

In Belgium, we launched the HomeHub functionality – a new online journey that takes the customer through the mortgage application process in just four steps, including a conditional approval. A customer can now simulate this process using the Quick & Easy Simulator, as well as make an appointment using the recently launched Call me back flow. Customers can get an overview of required documents and check the status of their application via the HomeHub.

In the Netherlands, orientating customers who have made an appointment via mobile app or web can now digitally prepare for their appointment by uploading documents based on a personalised document list.

In Belgium and Romania, digitalising partial repayments simplified this process for customers, enabling them to make changes online to reduce a monthly charge and/or reduce the duration of a loan. This gives our clients more control of their financing without hassle. In Belgium, these digitalisation efforts led to over 98 percent of early repayment requests being processed automatically or with minimal manual effort (only one simple check by the employee). In Romania, customers who visit an ING office monthly to make an early repayment with loan duration reduction can now make the same changes online.

ING in Poland introduced a fully digital process for customers that apply for a change to their mortgage agreement. In the second half of 2023, almost all customers (>99 percent) conducted the change of the mortgage tenor online. Additionally, since the fourth quarter of 2023, customers in Poland can also change their repayment account and/or repayment date online.

Investment products

ING customers have access to smart digital investment tools to make investing accessible. Leveraging the Dutch investment platform, entry products Easy Invest and Self Invest are now also available in Belgium. Easy Invest is the most basic product for clients with no experience of investing independently. It consists of an online risk assessment that helps clients choose the risk level they can tolerate when starting to invest in one of ING's mutual funds. Self-Invest is ING's online brokerage platform offering a wide selection of international equities for clients to invest in directly by themselves.

In Germany, our self-execution investment tool is serving more than two million clients. Additionally, our clients in Germany can make use of our robo-adviser, offered in partnership with online wealth manager Scalable Capital.

Insurance products

ING works together with several insurance partners in various markets to offer our customers compelling insurance products, based on local customer needs. We offer insurance related to bank products as well as a range of standalone non-life insurance policies. We enhanced our insurance proposition in 2023, for example, by launching car insurance in Spain, improving our home, car, health and travel insurance in the Netherlands, and adding pet insurance to our product offering in Türkiye.

Retail Banking – Private Banking & Wealth Management

Private Banking & Wealth Management offers banking services and personalised wealth management to affluent and (ultra) high-net worth individuals and their entities in the Netherlands, Belgium and Luxembourg. Through dedicated relationship managers and the support of product specialists and account management, Private Banking aims to give customers access to a diverse range of products and services suited to their needs. This includes tailor-made and standardised investment advice based on comprehensive financial planning. We have been awarded best private bank in the Netherlands by PWM/The Banker (a Financial Times magazine) and in the MT1000 ranking.

In 2023, the Netherlands introduced investing in private markets, allowing wealthy customers (from €2.5 million in advice/discretionary portfolio management) to invest in, for example, private equity, private credit, and infrastructure. ING works closely with renowned international players in this regard. Private markets' importance in the economy is increasing worldwide, and adding our services fits in with ING Private Banking's ambition to serve customers even better with innovative investment solutions.

In Belgium, we introduced a new concept of family business events. Over 12 events, 600 family business owners were invited to exchange views on the transition of a family business to the next generation. Our customers appreciated these events, combining both the business and private wealth needs.

Retail Banking – Business Banking

The Business Banking segment covers the following three sub-segments:

Self-employed and micro companies: Independent professionals or small companies that employ up to 10 people and have a turnover up to one million euros.

SMEs: Small to medium-sized companies that employ between 10 and 250 people and have a turnover of between one and 10 million euros.

Mid-corporates: Sophisticated larger companies employing more than 250 employees with a turnover of between 10 million and 250 million euros.

Business Banking serves customers in seven markets: the Netherlands, Belgium, Luxembourg, Poland, Romania, Türkiye and Germany. Our customers are focused on managing and growing their businesses profitably in an ever-changing and increasingly complex environment. Our goal is to support them through relevant, seamless, trusted and personal financial solutions in key moments.

We apply a needs-based customer segmentation approach that differentiates between basic, and more complex and/or specific needs. This enables customers to 'self-serve' using our strong digital foundation but also access remote and face-to-face advice, when needed.

We are therefore advancing our digitalisation roadmap to create a seamless customer experience by digitalising key customer journeys: from onboarding to customer in life, and from lending solutions to daily banking and payments. We have placed emphasis on critical customer journeys, including digital onboarding in the Netherlands, Belgium, Poland, and Türkiye. Furthermore, we offer instant and fast-track lending solutions in the Netherlands, Belgium, Poland, Romania, and Türkiye to cater to our customers' lending requirements. These solutions have significantly enhanced our end-to-end digital rates for lead-to-cash and customer-acquisition journeys.

For more complex and specific needs, especially for bigger SMEs and mid-corporates, we offer customised relationship banking. This not only covers tailored solutions and advice, but also sector expertise and access to ING's international network.

Customer Experience (CX) day

As part of ING's focus on continuous improvement of the customer journey, we hold an annual customer experience (CX) day. On 28 September, ING held its fourth global CX day where over 8,000 colleagues from across the bank, together with customers, put their collective minds together to come up with tangible ideas to delight our customers and make their experiences easy, instant, personal and relevant. The event attracted employees from Retail Banking, Wholesale Banking, ING Hubs, and support functions all around the world. Together, they identified over 400 improvements to delight our customers, some of which were created and tested on the day.

Measuring NPS

One of the ways we measure our ability to deliver a superior customer experience is through the Net Promoter Score (NPS). The NPS indicates whether customers would recommend ING to others. We compare our NPS to selected peers in each market.

Our ambition is to achieve a number one NPS ranking in all 10 of our Retail markets. In 2023, ING ranked number one in five of our 10 Retail markets: Australia, Poland, Germany, Romania and Spain. ING ranks in the top three in another four markets: the Netherlands, Luxembourg, Italy and Belgium (all ranked third). In Australia, Belgium and Italy, ING's NPS improved versus last year, while Germany, Romania and Spain maintained their strong NPS.

We ran a separate NPS programme in 32 Wholesale Banking markets throughout 2023, to ensure a broad coverage of our client base. ING's relationship NPS score rose to an all-time high of 72 (on a scale of -100 to +100), compared to last year's score of 67. All regions showed an increase in NPS and response rate, with the latter rising from 71 percent to 76 percent overall. The number of detractors decreased from 54 to 33. The NPS result aids our efforts to continuously improve our customer service and product offering.

Wholesale Banking

ING's ambition is to provide corporate clients and financial institutions with the financial solutions they need across their value chains. Underpinning our work is the 'ING difference', three major characteristics that offer value to clients:

1. **Our global reach, with local experts:** no matter where clients are, our network of experts offers them a seamless local experience with a global view.
2. **We're sector experts:** clients trust us to provide tailored solutions to meet their needs.
3. **We're sustainability pioneers:** we're not just leaders in sustainable finance; we work hand-in-hand with clients to address some of the most pressing issues in the world today.

ING's Wholesale Banking business line network covers three regions: EMEA, APAC and the Americas. To bring our local experts closer to clients, we focused on hiring more talent for client-facing teams in 2023 – such as for our trade and commodity finance team in Switzerland, our sustainable finance team in Asia, and our investment banking team in the Netherlands.

Wholesale Banking clients benefit from our deep sector knowledge of over seven sectors and 29 sub-sectors, including: commodities, food and agriculture; corporate sector coverage; energy; infrastructure and real estate; financial institutions; technology, media, telecom and healthcare; transport and logistics. Together with our target sector research capabilities and our client segmentation model, we aim to help clients navigate the highs and lows of economic cycles, providing them with relevant advice, data-driven insights and customised, integrated solutions that support their business ambitions.

As a large wholesale bank, with billions of euros flowing through our balance sheet, ING aims to play an important role in accelerating our clients' transitions to net zero by 2050. In addition to the financial support and incentives we provide, we help and advise clients by putting our sector expertise, international network, climate-action experience and other sustainability-related insights to work for them. This includes our Terra approach, which uses science-based and sector-agreed pathways for getting our in-scope sector portfolios in sync with reaching net zero by 2050, and guides us in making business decisions that aim to accelerate the transition. To better assess the climate performance of our clients and use these insights to identify risks and opportunities for supporting them in their transitions, we have developed a bespoke 'client transition plan' tool. This online platform is where we have started to centrally collect, assess and monitor the publicly disclosed climate transition plans of each client. For more information on Terra and the client transition tool, see 'Environment'.

Our support comes in the form of financing too. In 2023, we saw €115 billion of volume mobilised and closed 792 sustainability transactions. One example is the green loan provided by ING as sole bank for the implementation of RetuRO Sistem Garantie Returnare, an important circular-economy project in Romania. The loan will finance the set-up of regional centres, which will aim to collect, sort and prepare more than six billion returned plastic, glass and metal beverage packages for recycling each year.

In 2023, ING won the Euromoney Award for Best Bank for ESG in Germany, as well as five awards at the Global Finance Magazine Sustainable Finance Awards. These included the global award for Outstanding Leadership in Sustainable Bonds for the third year running, three regional awards in Western Europe for Outstanding Leadership in Sustainable Finance, Sustainable Bonds and ESG-related Loans respectively, and a country award for Best Bank for Sustainable Finance in the Netherlands. Our client segmentation model aligns our strengths with client needs and plays an important role in deepening relationships. ING's way of working allows us to respond rapidly to our clients' changing needs, and to close the gap between local and global specialists, making an impact in our markets.

Strengthening our foundations

As part of our efforts to strengthen our product foundations, we continued to develop our proprietary platform, InsideBusiness, in 2023. This included setting up alerts for payments, improving user verification to comply with local anti-money laundering regulation, and making it easier to download lending notices, among other updates. Additionally, we rolled out real-time instant payments in the Netherlands, Germany, Italy, Luxembourg and Portugal, and digitalised the account-opening journey in the Netherlands, Germany and Belgium.

To further streamline and simplify the infrastructure in our Financial Markets business, we continued to enhance our digital ecosystem in 2023, from introducing new process automation, APIs and algorithms across sales and e-trading to providing better pricing, greater stability, and more insights.

Following the creation of our dedicated Payment & Settlements Services (PSS) organisation in 2022, we continued to implement strategic change within Transaction Services in 2023 by laying the groundwork for a new structure that took effect on 1 January 2024. This includes a separation of commercial product management activities from delivery activities, enabling us to evolve our product offering to deliver competitive and seamless digital solutions for clients at pace, amid a rapidly changing macroeconomic environment.

We established Capital Markets & Advisory (CMA) in 2023 as the single centre of excellence for our advisory business and related financing globally across Wholesale Banking. We want to be the strategic partner for our clients in transformational moments in the boardroom and also accelerate our capital velocity deliverables. Under CMA, we're upgrading and refocusing our commercial engine, including selective senior hires, to ensure we have the right capabilities to support our clients throughout their lifecycle.

Finding new ways to help customers stay a step ahead

ING is proud of its innovative culture and considers this an important contributor to a superior customer experience. To keep surprising customers in a fast-moving competitive environment, we need to keep finding fresh ways to translate emerging trends and technologies into new business opportunities. Therefore we also experiment with new and emerging technology (e.g. digital assets, generative AI), translating it into bite-sized use cases, with central oversight.

For incremental-type innovations that support our strategic priorities of CX and sustainability, such as digitalising processes, we believe this is best done within individual business lines (Retail, Business Banking, and Wholesale Banking) where we are closer to the customer.

Blacksmith was established in 2017, as part of ING Labs Singapore, and offers a single platform to digitalise and automatically apply policy requirements to KYC processes. It also delivers standardised and actionable customer due diligence (CDD) files. In 2023, Blacksmith reduced ING's time spent on desk research as part of the CDD process by 48 percent. This removed a lot of the manual work for analysts, who must typically collect data and analyse how its attributes are risk rated according to ING policies. Blacksmith also onboarded Skandinaviska Enskilda Banken (SEB) to digitalise the KYC processes for financial institutions.

Also in 2023, ING sold Invisible Tickets, a next-gen ticketing and payment solution that allows commuters to pay for the cost of travel using their mobile phone, to Tata Consultancy Services (TCS), which is part of India's largest multinational group. TCS will be taking the Invisible Tickets solution to the next level by introducing it to railway and public transport operators around the globe.

XLINQ is an enterprise software development and SaaS platform with a unique technology to generate secure and compliant software automatically from business knowledge captured. ING Labs served as an incubator for XLINQ, which spun out of ING in June 2023. ING retains a warrant to become a minority shareholder and is a client of XLINQ in several ING countries. XLINQ has two big corporate clients in the financial services and energy sectors that use its platform to develop reliable software faster with lower costs.

Sustainability at the heart

ING's purpose is empowering people to stay a step ahead in life and in business. This also means helping customers and society to stay a step ahead of the challenges they're facing. Climate change is one of the world's greatest challenges. Also, people may struggle with inequality, poor financial health, or a lack of basic human rights. There's a growing sense of urgency and rising expectations that governments and businesses must help tackle these challenges.

ING aims to put sustainability at the heart of what we do, defining new ways of doing business that align economic growth with positive environmental and social impact.

Our priorities are as follows:

Climate action: This is our main focus. We want to lead by example by striving for net zero in our own operations. We aim to play our part in the low-carbon transformation that is necessary to achieve a sustainable future, steering the most carbon-intensive parts of our lending portfolio towards reaching net zero by 2050. Read more on ING's climate action in 'Environment'.
Collaboration: We work with clients to achieve their own sustainability goals, increasing our impact through partnerships and coalition-building. Read more in 'ESG overview'.
Climate-related, environmental and social risk: We manage the most relevant environmental and social risks. We also contribute to positive change by supporting clients that seek continuous improvement in environmental and social practices. Read more in 'Environment'.
Financial health and inclusion: We're working to advance financial health and inclusion for customers and communities. Read more in 'Social'.
Empowering colleagues: We empower colleagues to contribute to it all, for example by providing them with the right knowledge and training. Read more in 'Social'.

ING's sustainability efforts have been recognised externally by environmental, social and governance (ESG) rating agencies and other benchmarks. In 2023, Sustainalytics assessed our management of ESG material risk as 'strong'. Also in 2023, investment research firm MSCI awarded ING an AA ESG rating for the fourth consecutive year.

As society transitions to a low-carbon economy, so do our clients, and so does ING. The low-carbon transition cannot happen overnight. Even though we finance a lot of sustainable activities, we still finance more that's not, which is a reflection of the current global economy and how far the world still needs to go. Our approach follows data and science, and evolves as the available science evolves. We want to be part of the solution and strongly believe we can make the most impact by engaging with clients, talking to them about their climate goals, and helping finance what they need to reach them.

While we are committed to doing our part, we know that the world's problems cannot be solved by one sector, much less by one bank. We specifically call on governments and regulators to guide the transition more firmly. They have to help answer the question "What does 'good' look like?". We believe an inclusive approach is the best way to make a meaningful impact. From climate to human rights and financial health, we seek to increase our impact through partnerships and coalition-building

Sustainability highlights

In 2022, ING stopped providing dedicated finance to new 'upstream' (exploration and extraction) oil and gas fields. In March 2023, we announced that we will expand this approach to restricting the project financing of the infrastructure activities that unlock these new oil and gas fields.

In December 2023, we took the next step and announced that we will phase out the financing of upstream oil and gas by 2040 and aim to triple our renewable energy financing by 2025. This builds on the progress made by world leaders at COP28 and the most recent scientific insights and scenarios. The best way to reduce demand for fossil fuels is to increase availability of renewable energy, and that's reflected in these targets.

We developed a digital tool to collect public information on the transition plans of our clients, to better understand their decarbonisation strategy. This approach helps us see where we can or need to help them in their transition. In 2023, we assessed over 2,000 of our largest and most relevant Wholesale Banking clients.

We announced that we're expanding our Terra approach to include additional carbon-intensive sectors and more parts of existing sectors. For example, we now cover our global commercial real estate portfolio. We cover the mid- and downstream part of the oil & gas value chain and are working to expand into trade & commodity finance. We are also working to expand Terra to cover the aluminium portfolio and part of Business Banking.

Sustainable mortgages, which provide an incentive to choose more energy-efficient homes, are now available in the Netherlands, Germany, Belgium, Italy, Romania and Spain.

We collaborate with stakeholders in mitigating and adapting to climate change. Standard setting is a good example, which we have been involved in for shipping, steel and recently for the aluminium sector. Together with the Rocky Mountain Institute, aluminium industry participants and three other banks, we have developed the Sustainable Aluminum Finance Framework.

How we are making the difference

ING is making the difference by concentrating on two overarching strategic priorities: giving customers a superior experience and putting sustainability at the heart of what we do. To put these into practice, and to make that difference for all customers, we have defined four enablers: providing seamless digital services, using scalable technology and operations, staying safe and secure, and unlocking our people's full potential.

Channel availability

Retail Banking
The Netherlands & Belgium

99.56%

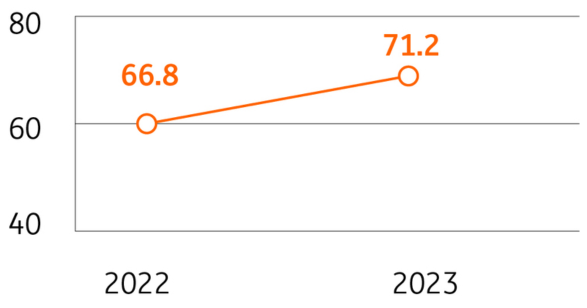
Wholesale Banking
Interactive payment channel

100%

Wholesale Banking
Host-to-host connection channel

100%

Digi Index Score (%)[1]



Average of straight-through-processing (STP) rates of 292 Retail Customer journeys; STP rate is the percentage of a customer journey that is handled without manual intervention.

1. The 2022 comparatives have been adjusted, reflecting the enhanced process as further explained in the next paragraphs.

Providing seamless digital services

In a world where accelerating digitalisation is one of the main global trends impacting banking, customers are spending more and more time online. That's why we want to make their lives easier by giving them a seamless digital service.

Customers deserve an easy, instant, personal and relevant experience at every touchpoint, from the way we communicate and onboard them to how we provide products and handle customer requests. ING facilitates this by developing, maintaining and enhancing personalised, reliable digital services that aim to be available 24/7.

Developing, maintaining and enhancing these basics gives us the foundation for providing a superior customer experience. By digitalising key customer journeys, we are enabling a superior customer experience at a reduced cost-to-serve, while measuring impact through NPS and cost efficiency. In 2023, our Digi Index Score was 71.2 percent. The Digi Index concerns a figure that reflects the average of straight-through processing (STP) rates of key customer journeys that are handled without manual intervention.

The previously reported Digi Index Score was based on scores from countries that included global and local processes. Global processes are aligned and consistent throughout countries, while local processes could differ slightly per country. Starting from the first quarter of 2023, the Digi Index has been 'rebaselined' to enhance consistency and comparability. Currently, only 33 global processes are used as a baseline, and local processes have been eliminated. All STP processing has been updated retrospectively, meaning comparative figures have been adjusted and are based on the 33 global processes. The unadjusted 2022 Digi Index Score amounted to 64.4 percent and, as a result of the rebaselining, the adjusted 2022 score amounts to 66.8 percent. Our previously reported aim of reaching a Digi Index Score of over 75 percent by 2025 has not been adjusted.

Individual customers increasingly only use the mobile channel. For them, our emphasis continues to be on mobile and further improving our mobile capabilities.

In 2023, 77.4 percent of our communication was personalised. We use data analytics and machine learning to personalise digital services for customers. Personalising customer interactions helps customers make more informed financial decisions and supports mobile sales, while also reducing the need for customers to use other channels. Given the importance of data for offering personal and relevant services, data security and privacy protection are crucial.

Data analytics

ING uses advanced data analytics to help achieve both superior customer experience and sustainability priorities, making the difference for customers, colleagues and society.

Handling calls better by further digitalising our contact centre processes plays a significant role in driving a better customer experience. In 2023, ING's Analytics team implemented speech analytics as a metric tool in the Netherlands and Belgium, providing generated insights into the root causes of contact centre calls, and helping ING to improve its digital journeys in the app and website. In parallel, ING has further promoted virtual assistants. These work to provide more precise answers to address customer FAQs, resulting in active bots in the Netherlands, Belgium, Spain, Poland and Türkiye, handling up to 45 percent of the incoming chat volumes.

For Retail and Business Banking, ING's Analytics team has developed acceptance and affordability models in the lending process with the goal to improve customers' digital experience and to ensure we are safe and secure. In the Netherlands, the artificial intelligence-based lending models enabled instant loan decision and granting within a few minutes instead of days, achieving a higher acceptance ratio by three percent while keeping the same risk level. In Germany, the use of transactional data based on customer consent has allowed for the redevelopment of the consumer loan models. This has led to a notable increase in loan production and approval ratings, helping the business to provide services to more eligible customers.

ING has also used analytics to reduce advertisement blindness (where consumers consciously or subconsciously ignore advertisements) to improve relevancy, and enable hyper-personalisation. In 2023, pivotal enhancements to ING's recommendation engine resulted in highly personalised campaign management and, eventually, higher customer engagement. We've updated the underlying model to a deep-learning method, helping us tailor our offerings to better meet customer needs. Meanwhile, real-time processing has been enabled to address customers' needs instantaneously.

In Wholesale Banking, advanced analytics has helped the front office in their preparations for client interactions, ensuring our colleagues can provide better ideas and ask relevant questions at relevant times.

For example, we use the entity-matching model, which uses a name-matching algorithm to identify our own clients in datasets, even if the data is not perfectly organised. Using just a small amount of information, it helps us better understand how our clients behave within our network.

The Analytics team continued to focus on improving the customer due-diligence (CDD) process for Wholesale Banking, leading to a clearer process for our clients and eliminating the need to ask related questions in person.

More broadly, the team continued to provide support to protect our customers and the bank against increasingly sophisticated fraud attempts, such as impersonation scams, through AI-based detection models.

Additionally, ING, as a partner of the Kickstart AI foundation in the Netherlands, hosted a hackathon with the foundation in 2023 to boost progress of the Allow More initiative. Based on existing research by the Dutch government, up to 15 percent of those who are eligible for a financial allowance don't claim it. Allow More aims to help individuals identify whether they may be eligible for these allowances. This can encourage more people to use the available help, which could improve the financial situation of many people in the Netherlands. As a result of the hackathon, analysis and model development based on the method generated during the hackathon will be followed across a few banks.

On top of the existing models, ING's Analytics team continues to improve the customer experience by exploring new technologies. ING recognises the potential of generative AI (GenAI) and we are taking a prudent and responsible approach to doing this in a safe and secure way. To better learn about both the opportunities and risks, we explored opportunities in two areas with a central oversight: Customer contact (like chatbots and transcript analysis) and software engineering (to write code or fix bugs).

As an example, we piloted LLM (large language models) technologies to improve our chatbot performance and help customers. The first phase of the pilot came to a close in 2023 with promising customer satisfaction and deflection improvements – the rate at which our alternative channels and self-service resources fulfil demand. These experiments have shown there is value in incorporating GenAI into our processes. In 2024, we will expand our GenAI explorations into a few selected areas: KYC, marketing content generation and early warning systems. Application of GenAI technology in these domains has the highest potential to transform our business processes and contribute to our ambition of a superior customer experience.

Scalable technology and operations

Reflecting our role as a digital-first bank and to enable a superior customer experience, ING believes that scalable technology and operations foundations are key requirements. We have therefore made this an integral part of our strategy. Standardisation and automation give us a shorter time to market, quicker time to volume, consistent and higher quality, and improved productivity. Scalable technology and operations also help us attract and retain talent by offering employees the opportunity to not only work with technology but also collaborate across countries and make an impact globally. Scalable technology allows ING to create specific and local propositions that serve our customers, while leveraging ING's scale when it comes to engineering, security, and data experts.

Scalable technology

Our scalable technology strategy provides a foundation for the modular components we use to build and operate propositions. It allows ING countries to introduce propositions quickly and easily, while providing the opportunity to add local flavour.

Our scalable technology is divided into three parts: ING's private cloud infrastructure (IPC), our engineering pipeline (OnePipeline), and our banking technology platform, with its extendable and reusable services and components. Given the flexibility and scalability of public cloud technology in general, ING has chosen a hybrid cloud strategy, i.e., using public cloud providers in addition to IPC. Cloud computing is an important component for scaling our digital capabilities. IPC is where we store and manage applications and data such as channel applications, core banking systems and other banking applications. We measure IPC adoption by the percentage of physical cores – also known as processing cores or CPU cores – in IPC compared to the total number of physical cores in ING data centres globally. By the end of 2023, 63 percent of all physical cores in ING were on IPC (2022: 52 percent). By the end of 2025, we expect that figure to have risen to at least 70 percent.

OnePipeline, our continuous integration and delivery pipeline, provides engineers with a consistent and secure global capability to develop, test and deploy software. OnePipeline's key features are being compliant, secure and reliable. In addition, the platform allows for simple ways of collaboration between multiple teams. We invest heavily in infrastructure, test and risk automation. At the end of 2023, 62.9 percent of applications were onboarded to this pipeline (2022: 48 percent). We measure the pipeline's adoption by the number of applications onboarded to the pipeline (used to develop and deploy to production), compared to the total number of applications registered in our IT management platform across all ING entities. Our ambition is to have 90 percent of applications on OnePipeline by 2025.

Touchpoint is part of our banking technology platform. Touchpoint provides a set of reusable shared services, freeing up capacity for engineers to create more value for customers and employees. By using these shared platform services like an authentication service or Engagement suite, engineers can realise business solutions like Instant Payments and Open Banking quicker and easier. We measure the Touchpoint-enabled customer online traffic using the Touchpoint authentication, represented by the number of Touchpoint-enabled unique customer authentications against the total ING number of unique customer authentications. At the end of 2023, approximately 64 percent of customer logins used Touchpoint (2022: approximately 60 percent). By 2025, we expect that figure to increase to 84 percent.

Digital access

In a digital society, customers expect to have round-the-clock access to digital channels, including their banking services. To live up to their expectations, we strive to provide uninterrupted access to our banking services, while allowing for scheduled maintenance and downtime. In Retail Banking in 2023, our digital channel availability for the Netherlands and Belgium was 99.56 percent.

ING's Chief Technology Office has been diligently working on the identification and analysis of the root causes of major incidents experienced in 2023. Based on the outcome, we took measures to strengthen our reliability. For example, we started a reliability programme across the Tech organisation, including an extensive training for all Tech employees, with the aim of strengthening the overall resilience of our channels.

For Wholesale Banking clients worldwide, the availability for our Inside Business payments channel and for our Inside Business Connect channel (file transfer) was 100 percent. These figures are based on outputs of availability monitoring processes, which are run with a high frequency per hour.

Payment & Settlement Services

The Payment & Settlement Services organisation (PSS), part of the CTO (Chief Technology Office), covers the full scope of payment and settlement services for Retail and Wholesale Banking.

Our scalable tech and ops provide PSS with high-quality and efficient payment, settlement, and open-banking services, leveraging our scalable payment and settlement solutions. As of 2023, PSS processed well over four billion transactions through our central payment engines.

We aim to further consolidate most of our payment services on this platform, improving quality and reducing price per transaction.

Scalable operations

Our scalable operations are driven by digitalisation and capability hubs, focusing on becoming fully STP, leveraging expertise and using scale, and sharing productive, quality services across the ING network.

Capability hubs provide shared services and solutions across ING worldwide. The hubs are mainly located in the Netherlands, Poland, Romania, Slovakia and the Philippines. In 2023, 34 percent of operations were carried out with the support of these hubs, compared to 32 percent in 2022. Our aim for 2025 is to have the hubs carry out at least 50 percent of the operational work.

By digitalising client contacts, accelerating remote advice, and increasing the use of chatbots, we reduced inbound contacts to contact centres by 18 percent in 2023 (versus 2021). We aim for 30 percent less in 2025 (versus 2021). Similarly, by automating and centralising our know-your-customer (KYC) activities this year, we reached 58 percent of KYC workforce in our hubs and expect to increase that to 60 percent by 2025 through more consolidation, automation and straight-through processing.

Staying safe and secure

Trust is the starting point, the most basic requirement, for all stakeholders. That's especially true for a digital-first bank like ING. People trust us with their money and their data. Keeping these safe, and maintaining this trust, is crucial. See also 'Risk management'.

Risk appetite framework

The risk appetite framework (RAF) combines various financial and non-financial risk appetite statements (RAS) into a single, coordinated approach, to provide the business with a clear overview of the relevant risks and the tools to manage them. These tools include the boundaries and instruments set for each risk type that help to manage the risk appetite. This view allows the EB, the MBB, and senior management to pursue ING's business strategy in a safe, secure and compliant way while meeting regulatory requirements at all times. See also 'Risk management'.

Anti-money laundering and KYC

Knowing who we do business with helps to protect our clients, ING and the financial system against financial economic crimes. As part of our continuing anti-money laundering (AML) efforts, we screen customers, carry out due-diligence checks, and monitor transactions for unusual or suspicious activities. In 2023, we strengthened our KYC by enhancing our global way of working. Read more about KYC and AML in 'Compliance risk' in 'Risk management'.

Cyberthreat landscape

Cybercrime remains a continuous threat to companies and to financial institutions in particular. Ransomware is one of the prime threats, with phishing the most common way that attackers gain access to a company's system or network. Phishing is also used to plant information-stealing malware or for drive-by download attacks – the unintentional download of malicious code to users' computers or mobile phones.

Other high-ranking threats are attacks against availability, or Distributed Denial of Service (DDoS) attacks, used against the financial sector and digital services operators for reputational damage and/or extortion. Different types of cyberthreats are not only relevant for the financial industry, but are increasingly hitting their supply chains. ING continues to invest in cybersecurity capabilities in all domains (prevention, detection, response and recovery). See also 'Non-financial risk'.

Cybersecurity incidents

No cybersecurity incidents with criminal intent were identified on ING IT infrastructure in 2023 that met the ECB cyber-incident reporting thresholds.

However, in June 2023, a third-party bank account switching service suffered a breach that affected ING customers in Germany. This involved a customer data leak for private customers who, when opening a current account with ING, used the German legal account change assistance (Gesetzliche Kontowechselhilfe). German banks are legally obliged to support private customers in moving their account from the old to the new bank in this defined generic process. ING in Germany informed authorities and affected customers about the incident and provided safety instructions and contact options to further protect personal information.

Preventative measures

Being cybercrime-resilient is a high priority. We continuously test our IT and IT organisational resilience, and perform crisis management and red-team exercises to improve our response to DDoS and targeted attacks. Cybersecurity risks from suppliers are monitored and mitigation is initiated where needed. ING maintains a strong global cybercrime alliance within the financial industry and government institutions to monitor trends.

ING recognises the value of an effective regulatory framework and is in favour of cybersecurity requirements being responsive to actual cyberthreats. The adoption of threat-led penetration testing in the EU's Digital Operational Resilience Act, which also ensures continuity of business, is a good example. Testing critical systems on real-life threats helps entities to gain insights. Our staff awareness and training programme is regularly updated with the latest cybercrime trends and prevention measures.

We have a responsible disclosure procedure for security researchers that may find issues in our business applications or infrastructure. See also 'Non-financial risk'.

Identity and access management (IAM)

Identity and access management (IAM) is an important element in our control framework to prevent and mitigate the risk of unauthorised access to IT systems and the data processed and stored therein. ING has IAM global processes and controls in place which are periodically reviewed and tested. See also 'Non-financial risk'.

Fraud landscape

Types of fraud are also evolving. As the digital world continuously changes, fraudsters have become more international and their modus operandi more complex. Customers are being deceived in increasingly sophisticated ways. Online fraud has become a societal problem and in several countries, banks have collaborated with governments, law-enforcement entities, and other sectors to find innovative ways to prevent and detect fraud. ING continues to play an important role in preventing and detecting fraud in the digital world and wants to minimise the impact of fraud losses and the number of fraud victims.

We recognise this transformation in the fraud landscape with developments high on our agenda. We have improved our ability to monitor and react to fraud incidents and to adapt quickly to new fraud methods. By using innovative technology, data analytics and IT solutions, we're better able to identify suspicious activities. We are increasingly collaborating with peers and other relevant sectors, such as telecommunications companies.

In 2023, the Fraud organisation was made part of the Global KYC organisation. Joining the two allows us to draw on combined knowledge and experience, which can help keep ING and our customers safe and secure. Read more in 'Risk management'.

Data privacy, protection and ethics

In its capacity as a global financial institution, ING processes personal data belonging to our customers, employees, suppliers and business partners. They trust us with confidential and personal information, so it's important that we maintain that trust and keep this data safe from loss or misuse. This is part of our commitment to ensure safe and transparent banking practices, including in how we manage personal data in an environment that's increasingly open and interconnected. ING is bound by European and local data-protection laws, which can differ from country to country. For more information on how ING has globally implemented its personal data protection measures, see 'Compliance risk'.

As ethical standards evolve over time, we closely monitor regulatory compliance and potential new requirements to gain an 'outside-in' view on data ethics. This includes legislation for new trends, like artificial intelligence.

Everything we do is guided by ING's Orange Code, which describes the values and behaviours that underpin our way of working, and which puts integrity above all. Building on the Orange Code is ING's Global Code of Conduct. Its 10 core principles provide more detail on our main values. These help to give greater balance to ING's decision-making, as we weigh up different relevant factors. We've developed supporting methodologies for this purpose, like Orange Code decision-making, which allow us to arrive at decisions that are considerate and well informed. As such, ethics routinely plays a significant role in all our decision-making. Read more in 'Governance'.

To provide further protection, we actively encourage employees to speak up when they are confronted with unethical or illegal behaviour. Through a variety of reporting channels, like managers, persons of trust, or ING whistleblower reporting officers, concerns can be reported. ING also has external whistleblower channels. We take great care to protect the identity of those who report concerns, which they can do anonymously, as well the confidentiality of their reports to protect them against potential retaliation. We believe that trust, integrity and ethical behaviour are at the core of any reliable business. They go hand-in-hand with satisfied customers. Read more in 'Compliance risk'.

Unlocking our people's full potential

'Unlocking our people's full potential' is a key enabler of our strategy. We are making the difference through the skills, expertise and actions of our 60,000+ people worldwide. We attract, develop and retain the people and skills we need at all levels by offering the opportunity to make a global impact and to belong to a friendly, collaborative and inclusive company. Fostering such an environment is made possible through our Orange Culture, built on the values of honesty, prudence and responsibility. These values are aligned to the Orange Behaviours our people exhibit: 'you take it on and make it happen', 'you help others to be successful', and 'you are always a step ahead'. We see the effect of this throughout our business, but in particular in our levels of retention and in our Organisational Health Index (OHI), which is part of our continuous-listening approach.

We use the OHI to get an ongoing sense of how our people feel and we make sure to act on their feedback. We held two pulse OHI surveys in 2023. In May, we had more than 46,000 employees participating, and all our priorities saw improvements globally, particularly strategic clarity. The second pulse took place in October. We received feedback from 77 percent of employees, making this our highest-ever response rate. We sustained the gains from May, which indicates our focused efforts led to sustainable improvements across our OHI priorities.

Using these data points, together with external trend research and internal needs assessments, in 2023 we reviewed our people strategy and are focusing on three pillars to further unlock our people's full potential: 'talent & leadership', 'culture & organisation', and 'employee experience'.

Talent & leadership

ING has an abundance of internal talent and a strong culture of developing our people. We offer everyone the opportunity to develop their business, technical and leadership skills, and we're opening up new avenues for them to do so. For example, we have a wide range of academies that deliver specialist professional development. These are complemented by our leadership curriculum, as part of which we launched the leadership accelerator in 2023. As a result, our people are building the right skills to thrive in the future.

Culture & organisation

Our culture of diversity, inclusion and belonging continues to improve. Since 2019, we have been guided by our 70 percent principle, in which we aim for no group or level to be comprised of more than 70 percent of the same age, nationality or gender. Our culture & organisation pillar takes this further, with the mission to make sure that ING is a place where everyone, regardless of background or identity, can thrive and realise their full potential. We do this by embedding inclusion and equity in all our people processes and by having specific gender-diversity targets for which the Executive Board and Management Board Banking are accountable. We look at indicators such as the number of women in senior management positions, which amounts to 31 percent at year-end 2023, up from 29 percent at year-end 2022.

We also continue to build a vitalised culture and organisation that foster healthy performance. We support our people by offering hybrid working so that they have the autonomy to better balance their professional and personal lives. Some 77 percent of our employees are working hybrid (one to four days in the office, based on self-reported data). We care about giving our people this flexibility, and it is highly valued by our employees, helping us attract and retain great talent. Alongside this flexibility, we offer a competitive total reward package, and strong learning and development opportunities. This is reflected in our people offer, which creates clarity on what we offer, and what we ask in return.

Employee experience

We want to free up people’s time so they can focus on making the difference, which is why we aim to make our employee experience as easy, instant and relevant as our customer experience. In 2023, we made good progress, with more than 70 percent of our people now covered by our global people management systems, enabling them to process employee transactions on their mobile devices. We also started a broad cross-functional initiative to reduce bureaucracy and make services easier to use for employees. For example, in the Netherlands, we reduced the number of notifications and approval steps on HR-related processes from more than 16,000 to 6,000 per month. In 2024, we plan to further automate HR documents in major countries such as the Netherlands, the Philippines and Germany.

For more on unlocking our people’s full potential, see 'Social'.

Our performance

Financial Developments

2023 was characterised by ongoing challenges, as economic sentiment weakened, geopolitical uncertainties persisted, and inflation remained elevated. In these circumstances, we delivered very strong results with net profit almost doubling to €7,157 million.

Our interest income benefited from the positive rate environment and expense growth was limited, despite inflationary effects on staff expenses and continued investments in the growth of our business. Risk costs declined considerably and were well below the through-the-cycle average, reflecting the quality of our loan book and our prudent credit risk management.

Total income increased 21% to €22,401 million. Next to a positive rate environment, this was supported by a growing primary customer base and an increase in lending and deposits. In Retail Banking, we added 750,000 primary customers to reach a total of 15.3 million. Especially Germany, Spain and the Netherlands contributed to this growth. Net core lending growth (which is the increase in customer lending adjusted for currency impacts and excluding Treasury and the run-off portfolios) was €8.6 billion in 2023, including €8.0 billion growth in our mortgage portfolio in a challenging housing market. Our diversified customer deposit base was resilient. For the full-year 2023, net core deposits growth (which excludes FX impacts and movements in Treasury deposits) totalled €10.6 billion, driven entirely by Retail Banking.

Net interest income (NII) increased 15% to €15,809 million, as we benefited from positive interest rate environment. This was particularly visible in a strong increase of the liability NII. This increase was somewhat offset by continued subdued loan demand, which impacted our lending NII. In addition, NII for Treasury and Financial Markets declined, but in each case this was more than compensated in other income. Net interest income in 2022 had included a €-343 million impact from new regulation in Poland for mortgages and a net TLTRO impact of €-87 million. ING's full-year net interest margin rose to 1.55% in 2023 from 1.34% in 2022. Excluding the impact of the Polish moratorium and TLTRO, the net interest margin showed an increase of 17 basis points year-on-year.

Net fee and commission income was flat on previous year, at €3,586 million, despite a strong growth in primary customers and pricing initiatives for payment packages. This is fully explained by limited demand for mortgages, which led to lower mortgage brokerage volumes, and low trading levels in investment products.

Total investment and other income jumped to €3,006 million in 2023 from €1,215 million in 2022. This was driven by strong results for Treasury and higher trading results in Financial Markets (both partly offset by a lower net interest income). Other income in 2022 had included a hedge accounting impact of €-288 million and €165 million of impairments on our stake in TTB (TMBThanachart Bank), partly offset by a €125 million gain from the transfer of our investment business in France, a €67 million gain from a legacy entity in Belgium and €38 million related to the sale of a non-performing loan portfolio in Spain.

Operating expenses increased 3.3% to €11,563 million. Expenses in 2023 included €1,042 million of regulatory costs, a decline of €208 million year-on-year due to a lower contribution to the Single Resolution Fund and because 2022 had included a €99 million contribution to the Institutional Protection Scheme in Poland. Furthermore, expenses in 2023 included €247 million of incidental items, largely related to restructuring provisions and impairments, compared with €325 million of incidental items in 2022. Expenses excluding regulatory costs and incidental items increased by 6.8%. This increase was mostly driven by the effect of high inflation on staff expenses, while we also continued to invest in our business. The cost/income ratio improved significantly in 2023, to 51.6%, compared with 60.4% a year earlier.

Net additions to loan loss provisions dropped to €520 million, or eight basis points of average customer lending, from €1,861 million (29 basis points) in 2022. Our strong asset quality and robust approach to risk management resulted in limited new defaults and this was combined with effective recoveries. A net addition of €533 million on our Russia-related exposure in 2022 was followed by a net release of €218 million in 2023, mainly as a result of continued reduction of our Russia-related exposure.

The effective tax rate in 2023 was 28.4%, down from 31.4% recorded in 2022 which had included non-deductible impairments on TTB and higher non-deductible expenses in various countries.

The return on IFRS-EU equity increased to 17.5% in 2023 from 8.2% in 2022.

Retail Banking

Total Retail Banking

During 2023, customers continued to put their trust in us. This was evidenced by an increase in both customer lending and deposits, and by a growth of 750,000 in the number of primary customers, which provides us with further opportunities to deepen our client relationships.

Retail Banking recorded strong results in 2023, with net result increasing 64% to €4,667 million. The result before tax increased 70% to €6,753 million from €3,964 million in 2022, as a 24% growth in income was coupled with only a limited increase in operating expenses, while risk costs slightly declined.

Net interest income increased 28% to €11,459 million, mainly reflecting higher net interest income on liabilities following a rapid increase in interest rates. Furthermore, 2022 had included €-343 million impact from the impact of the Polish mortgage moratorium and €-123 million net TLTRO impact after the unwinding of our TLTRO-related derivative position.

Net fee and commission income declined 1.6% to €2,337 million, as higher daily banking fees (thanks to an increase in payment package fees and new service fees) could not fully compensate for a decline in fees from investment products (due to subdued trading activity) and for lower fees from mortgage brokerage.

Total investment and other income increased by €442 million, mainly attributable to Treasury, which benefited from favourable market opportunities through money market and FX transactions; this increase was partly offset in net interest income, where the funding costs of these transactions were recorded. Other income in 2022 had included €-55 million of exceptional items, consisting of €-247 million to unwind a macro fair value hedge in Belgium, partly offset by €125 million income from the transfer of our investment business in France and a €67 million gain from a legacy entity in Belgium.

In 2023, total customer lending rose by €8.1 billion to €459.8 billion. Adjusted for currency impacts, Treasury and the run-off in Westland Utrecht Bank, Retail's lending book rose by €9.7 billion. The bulk of this growth (€8.0 billion) was in residential mortgages, mainly in the Netherlands, Australia and Germany. Total customer deposits increased to €585.5 billion from €566.2 billion in 2022. Excluding FX impacts and Treasury, deposits growth was €18.5 billion in 2023, primarily driven by Germany, Spain and Poland.

Expenses excluding regulatory costs increased 5.2% to €6,938 million, as the impact of high inflation on staff expenses, reflected in CLA increases and indexation, was partly offset by savings from exiting the French and Philippine retail markets and by lower incidental item costs. Expenses in 2023 included €131 million of incidental items, largely related to restructuring provisions in Belgium, Poland and Germany. In 2022, incidental item costs had amounted to €233 million, primarily for restructuring (mainly in Belgium and France) and for compensation related to consumer credit products in the Netherlands. Regulatory costs declined by €185 million due to a lower contribution to the European Single Resolution Fund and because 2022 had included a €99 million contribution to the Institutional Protection Scheme in Poland. The cost/income ratio improved to 51.2% in 2023 compared with 62.1% in 2022.

Net additions to loan loss provisions for Retail Banking were €607 million in 2023 (compared with €639 million a year earlier) and with 13 basis points of average customer lending remained well below the through-the-cycle average. Risk costs in 2023 were mainly recorded in Belgium, Poland and Germany.

Retail Netherlands

The result before tax of Retail Netherlands increased 42% to €2,861 million from €2,014 million in 2022. This was mainly driven by a 19% increase in total income while operating expenses were broadly flat and risk costs were minimal.

Net interest income was €3,096 million, or 7.2% higher than a year earlier, supported by a strong increase in liability margins. This was partly offset, however, by lower Treasury-related interest income (compensated in other income), reflecting activities to benefit from favourable market opportunities through money market and FX transactions.

Net fee and commission income rose by €67 million, or 7.5%, supported by higher fees for payment packages and new service fees. Investment and other income increased by €528 million, driven by much higher Treasury-related income (that was partly offset by lower net interest income).

Net core lending (which excludes Treasury products and a €0.4 billion decline in the Westland Utrecht Bank run-off portfolio) grew by €2.3 billion, as €2.6 billion growth in the mortgage portfolio more than compensated for a €0.3 billion decrease in other lending. Customer deposits (excluding Treasury) declined by €1.6 billion, partially due to a shift from deposits to assets under management.

Operating expenses amounted to €2,135 million compared with €2,115 million in 2022. Excluding €38 million lower regulatory costs and €75 million of incidental item costs in 2022 (related to consumer credit products), expenses rose by €133 million or 7.4%. This was primarily due to higher staff expenses, reflecting the impact of a new collective labour agreement in 2023, and restructuring provisions.

The net addition to loan loss provisions was very low at €5 million, down from €67 million in the prior year. Limited net additions in 2023 for the mortgage portfolio, including the impact of a methodology update, were almost fully offset by a net release for the business lending portfolio.

Retail Belgium

The result before tax for Retail Belgium (which includes ING's retail activities in Luxembourg) jumped to €661 million compared with €223 million in 2022. The strong increase was mainly due to growth in net interest income and the impact of one-off income items in the year before.

Total income rose by €536 million, or 25%, to €2,683 million. Net interest income increased by €395 million, or 24%, as higher income from liabilities more than compensated for the impact of lower margins on mortgages due to higher funding costs.

Net fee and commission income slipped 1.8% from a year earlier as higher fees on investment products, reflecting an increase in assets under management, were offset by lower daily banking fees due to higher fees paid to brokers. Investment and other income in 2022 had included an impact of €-247 million to unwind a macro fair value hedge and a €67 million gain from a legacy entity. Excluding the aforementioned two items, investment and other income declined by €31 million, mainly reflecting lower Treasury-related income.

Customer lending (excluding Treasury) rose by €1.4 billion, equally split over mortgages and other lending. Customer deposits (excluding Treasury) declined by €1.3 billion, mainly due to customers buying retail bonds issued by the Belgian government and a shift to assets under management.

Operating expenses were €1,852 million, up 3.7% on the year before. This included €76 million of incidental item costs related to restructuring and a further optimisation of the branch network, while 2022 had €97 million of incidental item costs. Expenses excluding regulatory costs (which were €33 million lower year-on-year) and incidental items increased 8.4%. This was mainly due to the impact of automatic salary indexation on staff expenses.

The net addition to the provision for loan losses amounted to €169 million, or 18 basis points of average customer lending, up from €139 million in 2022. The increase year-on-year included the impact of model updates for the mortgage and consumer lending portfolios in 2023.

Retail Germany

The result before tax for Retail Germany almost doubled to €1,790 million compared with €901 million in 2022, mainly on the back of a 45% increase in total income. This was driven by a 72% growth in net interest income, supported by higher liability volumes at significantly improved margins, and by an increase in interest income from treasury-related products and mortgages.

Net fee and commission income declined 18% to €357 million. This reflected a decrease in fees from mortgages (due to lower brokerage volumes) and from investment products (due to a lower number of brokerage trades). Investment and other income decreased by €136 million, largely due to lower Treasury-related revenues.

Net core lending growth (which excludes Treasury) was €1.7 billion, consisting of €1.4 billion growth in the residential mortgages portfolio and €0.3 billion growth in other lending. Customer deposits (excluding Treasury) increased by €8.5 billion following successful promotional campaigns to attract new savings and customers.

Operating expenses rose 9.0% to €1,243 million. This included €96 million of regulatory costs (up €3 million from 2022) and €20 million of incidental items for restructuring costs and staff allowances (compared with €10 million in 2022). Excluding regulatory costs and incidental items, cost growth was 8.7% due to higher staff expenses related to annual salary increases, and higher marketing expenses and investments to support business growth.

Net additions to loan loss provisions declined to €119 million (12 basis points of average customer lending) and were primarily related to consumer lending.

Retail Other

Retail Other consists of the other Challengers & Growth Markets. Following a change in governance, the Asian stakes (our investments in Bank of Beijing and TMBThanachart Bank) are reported in Corporate Line as of 2023 (with a profit before tax of €185 million), whereas previously they were reported in Retail Other. Comparable data have been adjusted accordingly.

Retail Other's result before tax increased 75% to €1,441 million, from €825 million in 2022, mainly thanks to higher interest income and lower regulatory costs.

Total income rose 16% to €4,233 million. Net interest income was up 26% to €3,437 million, supported by improved margins on liabilities in a higher interest rate environment, and because 2022 had included a €-343 million impact from the introduction of the Polish mortgage moratorium. This more than compensated negative currency impacts and tighter lending margins.

Net fee and commission income declined by €16 million, or 3.0%, mainly due to lower fees on investment products. This reflected subdued trading activity and the impact of ING's exit from the French retail market in 2022. Investment and other income in 2022 had included €125 million income from the transfer of our investment business in France to Boursorama (with another €14 million recorded in 2023 for the final settlement) and €38 million of proceeds from the sale of a non-performing loan portfolio in Spain. Excluding these specific income items, investment and other income increased by €49 million, mainly due to higher Treasury-related income.

Net customer lending growth (adjusted for currency effects and Treasury) was €4.3 billion in 2023, with growth in all countries, but particularly in Australia. Net core deposits growth (also excluding currency impacts and Treasury) was €12.9 billion, primarily driven by net inflows in Spain and Poland.

Operating expenses in 2023 amounted to €2,479 million. This included €36 million of restructuring costs and impairments, mainly for Poland. By comparison, 2022 had included €51 million of incidental item costs, mainly restructuring costs for France and the Philippines. Excluding these incidental items and much lower regulatory costs (as 2022 had included a €99 million contribution to the Institutional Protection Scheme in Poland), expenses increased by €102 million or 4.9%. This was mainly due to inflationary pressure on staff expenses, partly offset by savings following the discontinuation of our retail activities in France and the Philippines, and FX impacts in Türkiye.

The net addition to loan loss provisions amounted to €313 million, or 29 basis points of average customer lending, compared with €302 million in 2022. Risk costs in 2023 were primarily attributable to net additions in Poland and Spain, with Poland including €67 million for adjustments to the expected future cash flows of CHF-indexed mortgages.

Wholesale Banking

In 2023, Wholesale Banking recorded strong results as higher income and significantly lower risk costs led to a 93% increase in result before tax, to €3,836 million. Net profit more than doubled to €2,875 million compared with €1,358 million in 2022. In 2023, the Wholesale Banking business was supported by strong capital management, which included steps to de-risk our portfolio and improve our book quality, for instance via sales initiatives and ongoing management of underperforming risk-weighted assets (RWAs).

Wholesale Banking posted double-digit income growth to come out at €7,057 million, up 12% from €6,325 million in 2022. This was mainly driven by a 30% increase in income for Daily Banking & Trade Finance, particularly in Payments & Cash Management, Bank Mendes Gans and Working Capital Solutions, all of which benefited from the higher interest rate environment. And we managed to grow our income from Trade Finance Services as we continued to support the activities and initiatives of our clients. Income from Trade & Commodity Finance declined as volumes were under pressure, reflecting lower commodity prices and lower economic activity.

In Lending we focused on further optimising our capital usage while decreasing risk-weights, prioritising own origination of high-quality loans. Average asset volumes decreased, reflecting the weaker economic climate and a continued reduction of our Russia-related exposure. This was more than compensated by a slightly higher interest margins and a 5.3% growth in fees and commissions, lifting total income for Lending 2.1% to €3,224 million. Combined with a 7.0% reduction in risk-weighted assets, this led to a significant improvement in income over average risk-weighted assets.

Financial Markets' income increased by 4.4% to €1,280 million. They recorded strong trading results, especially in Rates and Credits, as these desks benefited the most from market volatility and good client flows. In addition, fee income was up by 55%, mainly reflecting higher Capital Markets issuance income.

Income from Treasury & Other increased by €121 million to €401 million, driven by higher income from Corporate Investments and Corporate Finance. The prior year had included high mark-to-market gains from credit default positions but also a €-41 million hedge accounting impact in Belgium and a net TLTRO impact of €-51 million.

Total operating expenses increased 6.4% to €3,313 million. Excluding lower regulatory costs and €17 million of restructuring costs (versus €10 million of incidental items recorded in 2022) expense growth was 7.6%. This reflected the impact of collective labour agreements, higher performance-related payments and strategic investments for business expansion.

In 2023, a net release of €92 million from loan loss provisions was recorded compared to a net addition of €1,220 million in 2022. Risk costs in 2022 had been significantly impacted by the Russian invasion in Ukraine, which then led to a net addition of €533 million on our Russia-related exposure. In addition, 2022 had included an increase in Stage 3 individual risk costs, partly as a result of a more negative macroeconomic outlook. In 2023, €218 million of provisions for our Russia-related portfolio could be released, mainly due to a reduction of our exposure. Moreover, Stage 3 risk costs were limited in 2023 as additions for specific files in the real estate portfolio were largely offset by recoveries from previously provisioned files and secondary market sales.

Our leadership - members of the Management Board Banking

The management of ING at board level substantially contributes to ING's governance. Our Management Board Banking (MBB) is overseen by our Supervisory Board.

We aim for a balanced composition of these boards, consisting of a diverse selection of people with knowledge, skills and executive experience, preferably gained in the banking sector, in corporate governance of large stock-listed companies and in the political and social environment in which such companies operate.

There should also be a balance of experience and affinity with the nature and culture of the business of ING. The boards play a role in setting and promoting the culture, underlying values & behaviours and code of conduct that aim to run our business in a way that contributes to sustainable long-term value creation for our people, our customers, our shareholders and society.

To contribute to the above ING has a matrix structure combining hierarchical and functional lines that work together to achieve a common goal, with dedicated roles and responsibilities and mechanisms for delegation, decision making and escalation.

ING’s risk governance safeguards the functioning of the matrix structure and is based on the three lines of defence model (3LoD), which has segregated duties and independent internal control functions. Each defence line has a specific role and defined responsibilities and they work closely together to identify, assess, mitigate and monitor risks. The first line of defence lies with the heads (or delegates) of ING’s banking business, support functions, geographies and countries; the second line with the risk management and compliance functions; and the third line with the internal audit function. Read more on ING’s risk governance and three lines of defence in 'Risk management'.

Read more on ING’s risk governance and three lines of defence in 'Risk management'.

Our leadership - members of the Supervisory Board

Karl Guha (chairperson)

Born: 1964
Nationality: Dutch

Karl was appointed chairperson of the SB at the General Meeting in April 2023. He started in July 2023.

Karl is chairperson of the Nomination and Corporate Governance Committee and member of the Remuneration Committee, the Risk Committee, the Audit Committee and the ESG Committee.

Former position:
CEO of Van Lanschot Kempen

Relevant CRD IV position(s)
- Chairperson of the SB
- Member of the supervisory board of SHV Holdings N.V.

Other ancillary positions
- Member of the supervisory board of Rijksmuseum Fonds

Mike Rees (vice-chairperson)

Born: 1956
Nationality: British

Mike was appointed a member of the SB at the General Meeting in April 2019.

Mike is vice-chairperson of the SB, chairperson of the Risk Committee and member of the Nomination and Corporate Governance Committee and the Audit Committee.

Former position:
Deputy CEO of Standard Chartered Bank PLC.

Relevant CRD IV position(s)
- Vice-chairperson of the SB
- Non-executive chairperson of the board of directors of Travelex International Limited
- Non-executive chairperson of the board of directors of Midlands Mindforge

Other ancillary positions
- Non-executive chairperson of the board of directors of Mauritius Africa FinTech Hub

Juan Colombás

Born: 1962
Nationality: Spanish

Juan was appointed a member of the SB at the General Meeting in April 2020. He started in October 2020.

Juan is a member of the Risk Committee, the Audit Committee, the Remuneration Committee and the ESG Committee.

Former position:
Chief operations officer and executive board member of the board of directors of Lloyds Banking Group

Relevant CRD IV position(s)
- Member of the SB
- Non-executive member of the board of directors of Azora Capital S.L.
- Non-executive chairperson of the board of directors of Bluserena Spa

Other ancillary positions
- Member of the global alumni advisory board of the Instituto de Empresa (IE) Business School

Margarete Haase

Born: 1953
Nationality: Austrian

Margarete was appointed a member of the SB at the General Meeting in May 2017.

Margarate is chairperson of the Audit Committee and member of the Risk Committee.

Former position:
CFO of Deutz AG

Relevant CRD IV position(s)
- Member of the SB
- Chairperson of the supervisory board of ams-OSRAM AG
- Member of the supervisory board of Fraport AG

Other ancillary positions
- Chairperson of the employers association of Kölnmetall
- Member of the German Corporate Governance Commission

Lodewijk Hijmans van den Bergh

Born: 1963
Nationality: Dutch

Lodewijk was appointed a member of the SB at the General Meeting in April 2021.

Lodewijk is chairperson of the ESG Committee and member of the Risk Committee.

Former position:
Partner/member of the management committee of De Brauw Blackstone Westbroek N.V.

Relevant CRD IV position(s)
- Member of the SB
- Deputy chairperson of the supervisory board of HAL Holding N.V.
- Member of the supervisory board of Heineken N.V.

Other ancillary positions
- Chairperson of the board of Utrecht University Fund (the Netherlands)
- Chairperson of the executive committee of Vereniging Aegon

Herman Hulst

Born: 1955
Nationality: Dutch

Herman was appointed a member of the SB at the General Meeting in April 2020.

Herman is member of the Audit Committee, the Risk Committee and the ESG Committee.

Former position:
Global vice-chairperson EY Japan

Relevant CRD IV position(s)
- Member of the SB

Other ancillary positions
- None

Harold Naus

Born: 1969
Nationality: Dutch

Harold was appointed a member of the SB at the General Meeting in April 2020.

Harold is a member of the Remuneration Committee and the Risk Committee.

Former position:
Global head of Trading Risk Management and general manager Market Risk of ING Bank

Relevant CRD IV position(s)
- Member of the SB
- CEO of Cardano Asset Management N.V.
- CEO of Cardano Risk Management B.V.
- Member of the executive board of Cardano Holding Limited

Other ancillary positions
- None

Alexandra Reich

Born: 1963
Nationality: Austrian

Alexandra was appointed a member of the SB at the General Meeting in April 2023.

Alexandra is member of the Risk Committee and the ESG Committee.

Former position:
CEO of Telenor Thailand

Relevant CRD IV position(s)
- Member of the SB
- Member of the non-executive board of directors of Cellnex Telecom S.A.
- Member of the non-executive board of directors of Salt Mobile S.A.
- Member of the non-executive board of directors of DELTA Fiber

Other ancillary positions
- None

Herna Verhagen

Born: 1966
Nationality: Dutch

Herna was appointed a member of the SB at the General Meeting in April 2019 and started in October 2019.

Herna is chairperson of the Remuneration Committee and member of the Nomination and Corporate Governance Committee.

Former position:
Member of the supervisory board of SNS Reaal N.V. (now: SRH N.V.)

Relevant CRD IV position(s)
- CEO of Post NL N.V.
- Member of the supervisory board of Koninklijke Philips N.V.

Other ancillary positions
- Member of the supervisory board of Het Concertgebouw N.V.
- Member of the advisory council of Goldschmeding Foundation

Our leadership - members of the Management Board Banking

Steven van Rijswijk (CEO)

Born: 1970
Nationality: Dutch

Steven has been a member of the Executive Board since May 2017. He has been CEO and chairperson of this Board since July 2020. Prior to his appointment as CEO and chairperson of this Board, he was the chief risk officer.

Steven is responsible for ING's strategy including ESG and sustainability, decision- making, results, governance, culture, branding, reputation and people.

Relevant CRD IV position(s)
CEO and chairperson of the EB and MBB

Other ancillary positions
- Member of the Management Board of the Nederlandse Vereniging van Banken (NVB)
- Member of the Cyber Security Council (CSR)

Tanate Phutrakul (CFO)

Born: 1965
Nationality: Thai

Tanate was appointed as chief financial officer of ING Groep and ING Bank and member of the MBB in February 2019. Subsequently, Tanate was appointed as a member of the Executive Board of ING Groep at the Annual General Meeting in April 2019.

Tanate is responsible for ING's financial strategy, budgetting, cost control and the financing of the company.

Relevant CRD IV position(s)
CFO and member of the EB and the MBB

Other ancillary positions
- None

Ljiljana Čortan (CRO)

Born: 1971
Nationality: Croatian

Ljiljana was appointed as chief risk officer and a member of the MBB effective January 2021. At the Annual General Meeting in April 2021, Ljiljana was appointed as a member of the Executive Board. Prior to her appointment, Ljiljana was a member of the management board and chief risk officer at HypoVereinsbank (HVB) - UniCredit Bank in Germany.

Ljiljana is responsible for ING's risk activities including formulating our risk framework and risk appetite, risk culture and awareness, risk governance and policies and compliance.

Relevant CRD IV positions
CRO and member of the EB and the MBB

Other ancillary positions
- None

Pinar Abay

Born: 1977
Nationality: Turkish

Pinar was appointed a member of the MBB in January 2020. She is also head of Retail, Market Leaders and Challengers & Growth Markets. She was appointed as non-executive member of the board of ING in Belgium in March 2021 and was chairperson of that board from May 2022 until December 2023. In May 2023, Pinar was appointed a member of the supervisory board of ING-DiBa A.G.

Relevant CRD IV position(s)
Member of the MBB, non-executive member of the board of ING Belgium N.V./S.A. and member of the supervisory board of ING-DiBa A.G

Other ancillary positions.
- Member of the board of EPI Company SE

Andrew Bester

Born: 1965
Nationality: British/South African

Andrew was appointed as a member of the MBB and head of Wholesale Banking in April 2021. He is responsible for ING's wholesale banking activities globally.

Relevant CRD IV position(s)
Member of the MBB

Other ancillary positions
- None

Marnix van Stiphout

Born: 1970
Nationality: Dutch

Marnix was appointed as a member of the MBB and chief operations officer and chief transformation officer in September 2021. As chief operations officer and chief transformation officer, he is responsible for translating, overseeing and implementing ING's strategies into a strategy for the operations function.

Marnix was appointed chief technology officer a.i. from May 2023 to August 2023 and November 2023 up to when a new chief technology officer is appointed.

Relevant CRD IV position(s)
Member of the MBB

Other ancillary positions
- None

Supervisory Board report

During 2023, the Supervisory Board (SB), in its statutory and advisory capacity, focused on a number of operational elements, ranging from comprehensive risk management across a broad spectrum to climate-related matters as defined by Terra. In addition, the SB has, during the year, focused on resilience of the organisation with respect to operational and technology platforms, and Human Resources, both in terms of succession and talent management/recruitment.

The SB has a number of committees which prepare discussion and decision items. The SB committees play a significant role in supporting the SB in its oversight and supervisory activities, allowing the SB to operate effectively. With respect to strategy, both strategic intent and execution are a normal part of the discourse between the SB and the CEO.

The SB has an active and continuous dialogue with the Management Board Banking (MBB) where it challenges and advises on the strategic and enabling priorities. For more, see 'Our strategy'. The SB acknowledges the responsibility it has to consider and balances the interests of all stakeholders of ING. It makes sure to take this into account while delivery on the strategic priorities is being executed.

Highlights of 2023 Supervisory Board meetings

During 2023, the SB discussed a wide range of topics. In its deliberations on the various topics, the SB considers the customers' and other stakeholders' interests in view of ING's role in society. The highlights of the SB meetings are outlined below.

Closely monitoring the macroeconomic environment

The year 2023 was marked by uncertain market conditions with high inflation and implications for ING's risk costs and RWA as a result of market volatility. The operating environment was marked by high inflation, increasing interest rates, tightening monetary conditions, geopolitical tensions and an energy crisis on the back of the Russia/Ukraine crisis, specific uncertainties in certain areas such as Poland and Türkiye, and the ending of the TLTRO and tightening of financing conditions. The SB closely monitored those macroeconomic developments in 2023 and discussed the consequences for ING's operations, including higher income of liabilities and mitigating measures for risk costs and RWA. Specific updates were provided on the movement on the financial markets as a result of macroeconomic trends.

Scalability and resilience of ING's technology & operations

To put ING's strategy into practice, one of the key enablers is scalable Technology and operations. Scalable technology and operations is driven by digitalisation and the capability of ING Hubs, leading to a superior customer experience and a reduction of the costs-to-serve. The SB closely monitored the targets for 2023 with regard to Scalable Technology and Operations. The aim is to achieve scalable technology and operations that provide for a superior customer experience, while preventing technological failures, and if they occur, undertaking remediation activities and addressing root causes. The SB has a general and continuous focus on operational resilience. In addition to the updates on operational resilience, the SB regularly discussed the availability and reliability of ING's channels, including the remediation activities undertaken by (senior) management and root causes for set-backs in availability and reliability of channels . Not only do scalable technology and operations require available and reliable channels, they also require systems that are safe for use for clients and employees. For that reason, cybersecurity has warranted further attention in 2023.

Succession matters, people development and diversity & inclusion

In addition to frequent reviews by the Nomination and Corporate Governance Committee and the SB of the MBB and SB composition and succession planning, the SB regularly discusses broader people development and diversity & inclusion matters with the MBB. This includes topics such as the organisational health within ING, focussing on the alignment within the organisation on common goals, strategy and culture, and in particular the work environment within ING. For 2023 some of the root causes for lower scores were discussed, including the impact of ongoing Collective Labour Agreement negotiations. A specific topic that was addressed last year was 'Unlocking people's full potential', which is a critical enabler for ING's 'Making the difference' strategy. It should ensure an inclusive culture where everyone has the opportunity to develop and have impact for ING's customers and the society. In discussions with HR and the MBB the focus is talent & leadership, culture & organisation, including the bank-wide diversity and inclusion approach, and on operational excellence. Plans to develop, attract and retain diverse talent have been part of those discussions, as well as the gender pay gap analysis and gender targets.

ESG-related matters, including sustainability, climate risk and the energy transition

Another core pillar of ING's strategy is putting sustainability at the heart of everything we do. Management of climate and ESG risks is a priority for ING. The SB oversees these topics and challenges where necessary. Recurring topics on the agenda of the SB include reports from the ESG Committee on ESG-related matters. Apart from the recurring topics, ESG-related matters, including sustainability and climate risk, are intertwined in many other discussions and topics the SB oversees. An example of this is the (strategic) updates on ING locations that are regularly discussed in the SB of which ESG-related topics form an integral part. In addition to the regular agenda items, deep dives and training sessions were also organised. This included separate sessions on the E, the S and the G of ESG, but also sessions on stakeholder engagement and ESG within specific business lines. ESG topics that have an overlap with other committees were covered as joint sessions. For example, a joint session on the impact of climate risk on several parts of ING's residential mortgages portfolio was organised for the ESG Committee and Risk Committee, and a joint session on ESG (regulatory) reporting and disclosures took place with the ESG Committee and Audit Committee.

AML enhancement with embedded effective KYC processes

In 2023, the SB continued to be updated regularly on developments regarding KYC and relevant items were discussed in more detail to ensure sufficient progress was made to achieve the successful completion of the KYC Enhancement Programme. Operational effectiveness was achieved by end 2023 with an effective end-to-end KYC lifecycle control framework, validated by the second line of defence and audited by the third line of defence.
Progress is monitored by and discussed between the SB, the MBB and the relevant supervisors.

Continuous dialogue with stakeholders

At ING we seek out open dialogue and maintain continuous interaction with our stakeholders, responding to their views and concerns, driving increased collaboration. We aim to strike a balance between the interests of all stakeholders, including customers, shareholders, employees, regulators, supervisors and society at large. In 2023, the SB had periodic conversations with various stakeholders, including our shareholders, employees, supervisors and the MBB. A specific topic that ING actively engaged on with investors and other stakeholders, including regulators, was the update of the SB remuneration policy. The proposed updated EB and SB remuneration policy will be presented for shareholder approval at the 2024 AGM. The SB exercised its oversight role, which aimed to ensure that actions resulting from these conversations were embedded in the organisation and were followed up effectively. Examples of topics covered in 2023 in this respect are cybersecurity, availability and reliability of ING's channels, climate risks, sustainability, ESG, remuneration and ING's KYC enhancement efforts.

The dialogue between ING and external supervisors and regulators was a regular agenda item for the SB throughout the year. This included several discussions between the SB and the MBB on the results of and follow-up to the annual Supervisory Review and Evaluation Process (SREP), through which the ECB aims to promote a resilient banking system as a prerequisite for a sustainable and sound financing of the economy. The SREP involves a comprehensive assessment of banks' strategies, processes and risks, and takes a forward-looking view to determine how much capital each bank needs to cover its risks.

Supervisory Board meetings

In addition to the topics mentioned above, the SB discussed and monitored, among others things:

- Progress of ING's performance in the various countries and business lines on key financial and non-financial metrics;
- Ongoing supervisory developments, such as the European Central Bank's SREP and related matters such as the internal capital adequacy assessment process (ICAAP), the internal liquidity adequacy assessment process (ILAAP) and (climate risk-related) stress testing;
- The financing of the company in accordance with ING's capital and liquidity adequacy, ING's capital plan and ING's dividend and distribution policy;
- ING's financial, non-financial and compliance risks and in this respect, among other things, ING's gatekeeper role and ensuring the security and compliance of the bank through enhancing and maturing ING's KYC priorities, supported by structural solutions (see 'Strengthening ING's global AML/KYC capabilities' and 'Risk management' for further details on ING's AML/KYC measures), ING's operational resilience;
- The audit plans of the internal and external auditor and the external auditor rotation;

- Various remuneration-related matters, such as the annual review of the reward and appointment framework, the ING Remuneration and Regulations Framework and the review of the SB and EB remuneration policy;
- The functioning of the SB and its committees, and MBB, supported by annual collective self-evaluations, and the functioning of their individual members;
- Several topical regulatory themes with a global ING scope, such as data strategy and management, IT, cybersecurity and ransomware, sourcing, geopolitical developments, compliance with sanctions, the KYC enhancement programme and leveraged transactions;
- ESG-related matters in relation to strategy, including, among others, sustainability, climate risk and energy transition.

The MBB was present at each regular SB meeting. For some parts of these meetings, depending on the nature of the topics discussed, only the chief executive officer (CEO) was present. The SB also had sessions without the MBB prior to its regular meetings when this was justified by the nature of the topics on the agenda. The purpose of these so-called pre-meetings and SB-only meetings is to allow the SB to reflect independently on and consider important matters in the absence of the MBB.

There was frequent interaction between the chairpersons of the relevant SB committees and the members of the MBB to ensure that – at all times – everyone was up-to-date on the most recent developments. Furthermore, the chairperson of the Risk Committee and the chairperson of the Audit Committee continued their informal interaction with the chairpersons of local risk and audit committees of ING's five largest subsidiaries to enrich the SB dialogue. Also, SB members who do not chair committees were assigned specific focus areas that best fit their skills, knowledge and experience to further enhance SB decision-making.

The SB continued to monitor the execution of the strategy by regularly discussing the challenges and opportunities of the strategic priorities, countries and business with the MBB.

The SB discusses and reconfirms all of its members' outside positions on an annual basis. In addition, it discusses any intended outside positions and assesses if such positions can be approved while safeguarding the level of engagement.

In addition to the information included in this SB report, information on the SB can be found in 'Our leadership' and 'Corporate governance' chapter.

Permanent education including exchange with the business

To further strengthen their knowledge, continuous learning is organised for the SB. SB members participate in these permanent education sessions to exchange knowledge and information on a regular basis with ING's business. The latter is aimed at keeping the SB up to date on ING-relevant knowledge, skills and expertise and at increasing the SB's understanding of and engagement with ING's business operations and stakeholders.

For 2023, a balance was sought in the specific topics of the sessions organised for the SB. Subjects that were covered include ESG, operational resilience, cybersecurity, compliance, corporate governance and a range of strategic topics. The latter included in-depth sessions on (i) digital assets, (ii) cloud strategy, (iii) generative AI and, (iv) ING's Wholesale- and Retail Banking business, including Business Banking, focused on ESG. A session to gain an outside-in view on investor perspectives was also organised. For the SB committees, these sessions included deep dives and thematic sessions. Deep dives are technical discussions on selected key topics that contribute to a more in-depth understanding of the matters at hand. Thematic sessions focus specifically on certain themes that need further attention and/or are looking forward at emerging risks and developments. Both these thematic and deep-dive sessions contributed to a more in-depth understanding of the matters discussed. Although the deep dives and thematic sessions are for the specific committees, all SB members have standing invitations.

As part of the annual business visit, the entire SB, together with the MBB, visited the ING locations in the Philippines and Australia in September 2023. This visit allowed the SB to get a better understanding of local business challenges and the country-specific market opportunities.

The various educational sessions provided opportunities for SB members to interact with senior management and subject-matter experts. Interactions also took place through speed-meet sessions. The meetings were held both in person and virtually. Interactions contributed to a better mutual understanding and alignment on what matters most to ING and its stakeholders.

For more information on the education of the SB committees and their respective members, for instance on sustainability and digitisation, see 'Committee meetings'.

Financial and risk reporting

The MBB prepared the financial statements and discussed these with the SB. The quarterly results, including the relevant auditor reports and press releases, were discussed and approved in February, May, August and November 2023. The full-year 2023 financial results were discussed and approved in March 2024. In addition, elements relevant to the draft agenda for the Annual General Meeting 2023 were discussed and decided on. ING's Annual Report is presented in an integrated form for the ninth successive year. The financial statements will be submitted for adoption at the 2024 Annual General Meeting as part of the 2023 Annual Report. KPMG, in its role as ING's external auditor, audited ING's 2023 financial statements. As part of the standard procedures, KPMG declared itself independent from ING, in compliance with applicable rules and regulations. Read more in 'Audit Committee' below.

The SB was also informed in detail throughout the year of potential financial, non-financial and compliance risks for ING, including: the continuing political and economic developments in various countries and regions; climate- and ESG-related risks; cybersecurity and ransomware; and updates on (upcoming) regulatory changes.

The SB discussed how these and other risks could best be mitigated, which included reviewing stress-test results performed by ING and programmes related to known and anticipated risks. In addition to internal stress tests and programmes related to known and anticipated risks, ING released its integrated climate report in October 2023. This report explains how our financing impacts climate change, as well as how climate change impacts our business. It includes our progress on steering the nine most carbon-intensive sectors in our loan portfolio towards global climate goals (our Terra approach) how we engage with clients to help them in their transitions, and our work to assess climate risks and take action to mitigate them. This progress and progress on other ESG related matters was monitored by the ESG Committee.

Read more on risk management in 'Risk Committee' below.

Internal Supervisory Board meetings[1]

During the 2023 internal meetings of the SB (with the CEO attending, except when matters concerning him were discussed), among others, the following topics were addressed:

- The annual targets and periodic performance assessments of the MBB and their individual members. The SB evaluates and assesses the functioning and diversity of the MBB, including questions of succession and remuneration, at least annually, in an internal meeting;
- The composition of the MBB;
- The composition of the SB, including its committee composition;
- ING's broader talent and succession planning in view of bench strength, including the outcome of ING's annual talent review;
- Remuneration-related matters, including, but not limited to (i) the remuneration report, (ii) the appointment/compensation/severance proposals of high earners and senior management in control functions, (iii) the Variable Remuneration Accrual Model (VRAM) process, and the review of the SB and EB remuneration policies;
- The annual collective self-evaluation of the MBB and the SB;
- The NYSE clawback policy.

[1] As of 2024, the name of the Internal Supervisory Board meetings was amended to Restricted Supervisory Board meetings.

Management Board Banking and Supervisory Board annual collective self-evaluation

In 2023 the MBB and SB conducted the annual collective self-evaluation. This was facilitated by an independent external party and with anonymous input from several executives and senior managers who regularly interact with the MBB and SB and attend their meetings. The self-evaluation addressed the 'what' (roles and responsibilities) and the 'how' (culture and behaviour) of the MBB and SB. In addition to the traditional themes, the self-evaluation over 2023 also reflected on ING's strategy, digital and data developments, ESG, and geopolitical and macroeconomic events, including the accessing of outside-in views of stakeholders.

Approach

During the October and November 2023 meetings, the MBB and SB discussed and approved the annual collective self-evaluation process and design for the year 2023. In December 2023, input was gathered from the MBB and SB members and a group of frequent attendees. This, together with the outcome of the 2023 mid-year review and of the bilateral interactions between the MBB members, the SB chairperson and each individual SB member in January 2024, formed the basis for the collective MBB and SB self-evaluation dialogue in January 2024. During this dialogue the MBB and SB determined their collective positive points to maintain and its 2024 priorities for further improvement. This forms part of the MBB's and SB's practice to regularly deliberate on its collective performance i.e. towards year-end (to determine the next year's approach and potential specific themes to address), halfway through the year (to reflect on status and progress) and at the start of the year (to discuss the outcome of the previous year and agree on positive points to keep and points for further improvement).

Results Management Board Banking

The MBB's collective dialogue on 15 January 2024 centred around the following questions:

1. Positive points: are the positive points previously identified still valid? Where has the EB/MBB further improved, taking into account the continued focus on ESG and ongoing geopolitical and macroeconomic events?

2. Priorities for further improvement: Did the MBB sufficiently progress in 2023 on the improvement areas previously defined? What are the priority areas to further improve in 2024?

The MBB's agreed priorities for 2023 included:

1. Regarding the 'what': increasing focused time on strategy and external insights;

2. Regarding the 'how': (i) further enhance the quality of board meetings through assessment of most material topics and content for the agenda, and (ii) maintain the effectiveness of the MBB throughout expected changes to its composition.

During 2023, the MBB addressed the above and, where applicable, embedded enhancements in its standard working practice: With regard to the 'what', this was addressed by spending significantly more time on bringing outside-in perspectives, particularly investor perspectives, which remains a priority for 2024, by the increased integration of ESG considerations into discussions and decisions and by proactively monitoring and responding to external geopolitical and market events. With regard to the 'how', item (i) was addressed by clarity on priorities, open and constructive team dialogue on key topics (e.g. risk and compliance) and improved quality of board documents which will remain a focus of attention during 2024. Item (2) was addressed by further improved board member alignment, enhanced by members making joint market visits and presentations.

Looking back on 2023, the MBB has concluded that there are still several positive points that are valid:

- Regarding the 'what': the following strengths were recognised: (i) effective fulfilment of overall responsibilities, management of meetings, support and information available, including external insights and education, (ii) MBB composition, including skills, experience, and diversity, (iii) understanding of key stakeholder groups, (iv), increased focus on ESG topics, and (v) organisation culture and ability to attract and develop talent.
- Regarding the 'how': the following positives were recognised: (i) MBB interactions and quality of debate, and (ii) MBB effectiveness in making decisions, integrating key external considerations into discussions and decisions.

Looking ahead, the MBB concluded that several priorities are still relevant. Consequently, the MBB will focus its attention on the following during 2024:

- Regarding the 'what': (i) strategy and performance: when discussing strategy and performance, continue to strengthen external insights and data, and (ii) people and talent: continue focus on attraction, development and retention of diverse talent to strengthen talent pipelines.
- Regarding the 'how': (i) consider opportunities to further enhance strategic focus of meeting agendas, managing volume of operational reviews and updates, with deep dives on priority areas where needed, (ii) continue to focus on developing MBB interactions, and team dynamics, and (iii) continue to prioritise content of meeting agendas.

The MBB agreed to a number of specific actions for 2024 to contribute to its performance, such as:

1. Strategy and performance: when discussing strategy and performance further enrich views with structured external insights and market data.

2. Meeting agenda items: continue to enhance strategic focus of meeting agendas and quality of materials.

3. On people related matters, further focus on talent and diversity to strengthen talent pipelines.

4. Continued to enhance MBB effectiveness by investing time in team building.

The MBB is of the opinion that the above contributes to ING delivering on its ambitions to keep transforming in line with the strategy.

Results Supervisory Board

The SB's collective dialogue on 31 January 2024 centred around the following questions:

1. Positive points: are the positive points previously identified still valid? Where has the SB further improved, taking into account the continued focus on ESG and ongoing geopolitical & macroeconomic events?

2. Priorities for further improvement: Did the SB sufficiently progress in 2023 on the improvement areas / previously defined? What are the priority areas to further improve in 2024?

The SB's agreed priorities for 2023 included:

1. Regarding the 'what': (i) safeguarding balance in open, constructive dialogue with the EB and the MBB on strategy/business/market developments, including ESG, emerging risks, and time spent on shareholders' and other stakeholders' views on performance of the company, and (ii) continue to be provided with fit-for-purpose supporting materials for board meetings.

2. Regarding the 'how': (i) managing the change in composition of the SB, and (ii) enhancing insight into people and talent processes.

During 2023, the SB addressed all of the above and, where applicable, embedded enhancements in its standard working practice. With regard to the 'what', items (i) and (ii) form part of the regular meetings of the SB and its committees, with a view to the SB's role and responsibilities, supported by its comprehensive annual cycle of work. With regard to the 'how', item (i) was addressed by having regular formal and informal interactions e.g. during the annual business visit, which contributed to maintaining cohesive and harmonious collective dynamics within the newly composed SB, and item (ii) was addressed by spending more time on and establishing a greater focus on people and talent.

Looking back on 2023, the SB has concluded that there are still several positive points that are valid:

- Regarding the 'what', the following SB strengths were recognised: (i) its effectiveness at overseeing, supervising, challenging and advising the EB and MBB, (ii) effective decision making through its dialogues and interactions with the EB and MBB (iii) its composition and the interface/working balance between the committees and the SB, and (iv) its meeting management, timeliness of meeting materials, and the support available.
- Regarding the 'how', the following positives were recognised: (i) taking into account the vies of key stakeholders, for example during the review of the SB and EB remuneration policies, and (ii) an increased focus on ESG.

Looking ahead, the SB concluded that several priorities are still relevant. Consequently, the SB will focus its attention on the following during 2024:

- Regarding the 'what' it identified: (i) continue to improve the workings and effectiveness of the SB and its committees, and (ii) continue with the focus on business, market and (geo)political developments as well as stakeholder engagement.
- Regarding the 'how' these attention points were identified: (i) continued attention to succession and composition of the SB, EB and MBB, and (ii) further enhance the SB's effectiveness in ING's people and talent management process including the talent pipeline.

Overall, the SB agreed to a number of specific actions for 2024 to contribute to its performance, such as to:

1. Ensure continued focus on key topics with specific attention for strategy, leadership & people, governance, (geo)political developments and digital & data;

2. Enhance the effectiveness of operational oversight by reviewing the governance, structure, and remit of the SB committees: (i) evaluate the status of the ad-hoc ESG Committee and (ii) establish an SB Technology and Operations Committee;

3. Further improvement of board meeting materials quality through more focused and concise materials.

The SB is of the opinion that the above contributes to overseeing and constructively challenging ING in its ambition to empower people to stay a step ahead in life and in business and making the difference for people and the planet in line with the strategy.

Committee meetings

To manage each of the committees' annual cycle of work and potential committee interdependencies, each committee has drawn up an annual work plan that is being kept up to date throughout the year for priority-setting and forward-looking purposes. These plans all feed into the SB's annual meeting cycle.

For an overview of the composition of the committees on 31 December 2023, see the table under 'Overview of Supervisory Board committee members'.

Risk Committee

The Risk Committee met nine times in 2023, of which two meetings were combined with the Remuneration Committee to address remuneration-related proposals that include risk methodology elements, such as those relating to the Variable Remuneration Accrual Model (VRAM) (see also 'Remuneration Committee'). Eight out of the nine SB members are member of the Risk Committee, due to the continued importance of risk and how this is managed and supervised.

The committee assists and advises the SB with the performance of its duties in relation to overseeing: (i) the setting and monitoring of ING's risk appetite and risk strategy for all types of risk, including but not limited to financial, non-financial and compliance risk; (iii) the effectiveness of the internal risk management and control systems; and (iii) other related risk management topics. The Risk Committee pre-discusses such matters after which it provides its input together with its recommendation to the SB, after which the SB discusses and, where needed, decides on such matters.

The Risk Committee aims to ensure that integrity continues to come first for ING and that critical non-financial risk areas stay top of mind, as an integral part of ING's identity. Through risk management ING builds strong foundations, supported by structural solutions that continue to earn and maintain the trust of its stakeholders, including its customers and society at large.

At each quarterly Risk Committee meeting financial and model risks, non-financial risks and compliance risks were discussed. This included the status of ING's accompanying metrics, such as for risks in the areas of solvency, liquidity and funding, credit, country, market, IT, non-financial risk and compliance. The discussions were supported by different analyses conducted on the inflationary and geopolitical impact on

ING's credit portfolio, capital and liquidity position, and updates on credit developments in certain countries and portfolios. The non-financial and compliance risk discussions were supported by (i) updates of the bank-wide KYC enhancement and maturity efforts, (ii) a variety of topical dashboards such as on IT (risk), cybersecurity, sourcing, data quality and data privacy (including GDPR) and (iii) the status of implementation of related regulatory programmes.

As part of the annually recurring topics, the Risk Committee discussed, among other things, the following:

- The annual review of the Risk Appetite Framework and accompanying principles and risk appetite statements;
- The annual update to the Recovery Plan;
- The impact of upcoming regulations, and credit developments in certain countries and portfolios;
- The review of the scope of ING's key policies.

The Risk Committee also regularly discussed the status of reported whistleblower concerns.

In 2023, the deep dives for the Risk Committee encompassed: country-related regulatory and operational challenges, payments processing and controls, funding and liquidity update in expectation of targeted longer-term refinancing operations repayment, risk management effectiveness, modelling and operational KYC effectiveness. Thematic sessions in 2023 encompassed: leveraged transactions framework and management, credit risk assessment system improvements setting and steering signals, the cyber evaluation, the internal capital adequacy assessment process (including economic capital and stress testing), climate risk stress testing with a focus on floods and sea-level rising and a data and model ethics session. All SB members had a standing invitation for these sessions and participated in several of these as deemed relevant to them.

All relevant items discussed by the committee were reported to the SB, with the SB approving those items as required from a governance perspective.

Read more on how ING manages its risks in 'Risk management'.

Audit Committee

The Audit Committee met seven times in 2023.

The committee assists and advises the SB with (i) the performance of its duties in relation to the integrity and quality of ING's financial reporting, (ii) the effectiveness of ING's internal risk management and control systems in relation to financial reporting and (iii) the preparation of the discussions within and the decisions of the SB on such matters.

The Audit Committee addressed, among other things, the following recurring topics:

- The quarterly results and the related press releases, the interim accounts and the financial statements, and the Annual Report.
- Judgemental accounting topics;
- Key audit matters, as included in the auditors' reports;
- Financial reporting, including the quarterly results;
- (The approval of) the external auditor's audit plan/engagement letter/independence and fees;
- The overall internal control environment, the internal controls over financial reporting, the internal and external auditor reports;
- The review of the internal audit function;
- Matters related to the financing of the company, including the assessment of ING's capital and liquidity position;
- The internal audit plan, including its support and progress monitoring;
- Critical and high rated overdue issues, as reported by the internal audit function;
- The updated internal audit charter;
- The update of ING's key policies;
- ING's long-term CET1 ratio target level;
- ING's dividend and distribution policy;
- SOx Act framework;
- Capital and liquidity management.

The Audit Committee performed an assessment of the functioning of the external auditor, the scope and materiality of the audit plan and the principal risks identified in the audit plan. In 2023, the Audit Committee was involved in the selection procedure for the nomination for the legally required rotation of the auditor as of reporting year 2026.

Specific attention was paid to a variety of other related topics. These included, among other things, the following topics:

- ICAAP governance;
- External audit quality indicators;
- IFRS 9, ESG-disclosures;
- ING's additional capital distributions including cash dividend payments and share buy-back programmes.

In 2023, the thematic sessions for the Audit Committee encompassed: impact of market volatility on financial reporting (e.g. foreign currencies and rising interest rates), disclosure requirements (including ESG), and internal audit methodologies.

All relevant items discussed by the committee were reported to the SB, with the SB approving those items as required from a governance perspective. Directly following the Audit Committee meetings, the members of the Audit Committee met in a closed meeting with the internal and external auditors to seek confirmation that all relevant topics were discussed in the Audit Committee meetings.

To properly prepare for the regular Audit Committee meetings, the chairperson of the Audit Committee held separate sessions with the external auditor, the general manager of the internal audit department, the chief financial officer (CFO) and the Group Controller. The chairperson also met with various senior managers.

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee met 11 times in 2023.

The committee assists the SB with the performance of its duties in relation to selection and nomination of, among others, the members of the SB and MBB, talent management and the effectiveness of ING's governance arrangements. In this respect, MBB and SB composition, bench strength and other related succession matters are discussed during the committee meetings. The committee prepares the discussions with and decisions of the SB on such matters.

With regard to nomination-related matters, ING aims to ensure that all of its boards are, at all times, – adequately composed to perform their duties. As its standard practice, the Nomination and Corporate Governance Committee therefore discusses (i) the performance of the individual members of the MBB (also serving as input to the Remuneration Committee) and (ii) medium- to long-term succession planning for the MBB and the SB. A continuing conversation on MBB succession planning is facilitated by the chief human resources officer as part of the regular Nomination and Corporate Governance Committee meetings in the form of deep dives by function and business line.

When selecting suitable board succession candidates, various aspects are to be taken into account in view of board composition, such as regulatory requirements, suitability considerations, banking and other industry knowledge, outside positions, independence, no conflicts of interest and availability. Also, the minimum and optimal size of a board and diversity aspects such as how to arrive at an appropriate balance in its representation of regions, age, gender, knowledge and expertise are to be taken into account. The generic profile of the SB aims to capture these elements. The profile can be found on ing.com. Read more on the boards' composition in the 'Composition of the Management Board Banking and Supervisory Board' section that also includes a diversity and competence matrix.

The Nomination and Corporate Governance Committee also focuses on ING's broader talent and succession planning in view of bench strength and diversity at higher management levels, with selected key roles receiving dedicated attention. This is done by taking into account ING's diversity policy and by accelerating refreshment where possible without jeopardising business continuity. The diversity policy is published on ing.com. The committee also holds periodic conversations outside of its regular meetings with internal talented individuals who are considered to have the potential to assume more senior and complex roles in the organisation over time. The results of these conversations are fed into the individuals' coaching and development plans.

With regard to corporate governance, the committee discussed, among other things:

- The 2023 Annual Report and the accompanying booklets on ING's application of the Dutch Corporate Governance Code and the Dutch Banking Code;
- The approach and agenda for the 2023 AGM;
- The suitability policy framework and its global implementation, thereby also taking into account regulatory developments;
- The annual updates to the corporate board charters and the decision structure as well as any changes in board members' outside positions;
- ING's Governance Framework;
- The revision of the Dutch Corporate Governance Code and the implementation of the revised code throughout ING;
- The annual review of ING's key policies list.

All relevant items discussed by the committee were reported to the SB, with the SB approving those items as required from a governance perspective.

Remuneration Committee

The Remuneration Committee met 10 times in 2023.

The committee assists the SB, with the performance of its duties in relation to remuneration, the remuneration policies and the application and compliance thereof and prepares the discussions within and decisions of the SB on such matters. In doing so, the Remuneration Committee takes into account the adequacy of information provided to shareholders on remuneration policies and practices.

As part of the renewal of the SB remuneration policy, the Remuneration Committee undertook a detailed review to assess whether the policies, based on stakeholder feedback and market and regulatory developments, are still appropriate. The Remuneration Committee conducted a comprehensive stakeholder engagement process with regulators, our shareholders, customers, employees (Central Works Council) and society at large in order to take into account their views on the remuneration policies.

As an annual recurring topic, the Remuneration Committee reviewed the remuneration report by way of benchmarking with the purpose of further improving the remuneration report.

In addition, the Remuneration Committee discussed the progress and performance on the annual targets set for the MBB. With regard to variable remuneration and the application of ING's accompanying VRAM (including last year's lessons learned), the committee received input and advice from the Risk Committee following strengthened risk management governance. This served as input for a review of the predefined thresholds above which the pool for variable remuneration may be unlocked for those eligible as well as the accompanying individual variable remuneration proposals, including potential cases for holdback or clawback of deferred compensation by way of malus.

The Remuneration Committee in addition discussed, among other topics:

- The EB and SB remuneration policies update;
- The progress and performance on the annual targets set for the MBB;
- The update of the gender diversity targets;
- Identified staff and high earner-related remuneration matters based on ING's remuneration governance structure;
- The variable remuneration and the application of ING's accompanying VRAM (including last year's lessons learned);
- The NYSE Clawback Policy and potential cases for holdback or clawback of deferred compensation by way of malus;
- Updates to ING's Remuneration Regulations Framework;
- The actions necessary to narrow ING's gender pay gap;
- The remuneration related supervision and/or regulatory letters and publications.

All relevant items discussed by the committee were reported to the SB, with the SB approving those items as required from a governance perspective.

ESG Committee

The ESG Committee met four times in 2023.

An ad hoc ESG Committee was established in 2022 to monitor the development of ESG within ING. The ESG Committee has been established for an initial duration of two years. The SB is in the process of evaluating the functioning of the committee and whether the ad hoc character of the committee will be extended or made permanent.

To prevent an overlap between the ESG Committee and other SB committees and to safeguard an aligned and common view on ESG, the ESG Committee consists of at least one member of each of the other committees. The ESG Committee assists the SB with matters relating to the various areas of ESG (environmental, social and governance), including but not limited to, the development of ESG and the integration of ESG in the company and its strategy. In addition, the ESG Committee assists the SB by generally monitoring and advising on potential impediments as well as relevant trends and developments on 'environmental', 'social' and 'governance' topics and how to connect them with ING's response and actions on the basis of ING's ESG dashboard.

With regard to environmental, social and governance related topics, the committee discussed, among other things:

- Key updates and relevant ESG-related matters, such as the 2023 Climate report, sustainability targets, ESG dilemmas. and greenwashing;
- Any updates of key ESG policies and ESG-related supervisory/regulatory letters and publications;
- Environmental Programme update, incl. real estate strategy & green travel budget;
- Sustainable product definitions and controls.

Given the dynamic and continuously evolving nature of sustainability, deep dives were held to provide the ESG Committee members with in-depth knowledge and experience on, among others: ING's ESG Stakeholder engagement plan, Sustainability in connection with retail-, business- and wholesale Banking, human rights and financial health. There was a thematic session on climate risk stress testing with a focus on floods and sea level rising.

In June and September 2023 various external and internal experts organised a two day ESG Committee training to inform the ESGcom and continue the discussion on a variety of ESG related topics. The June sessions had a focus on ING's integrated climate approach and how we can empower our clients to reach net zero by 2050, climate change and the importance of biodiversity and the role of sustainable finance related to it. The September sessions focussed on ESG regulations and impact on the business, the ESG reporting landscape, human rights, ESG related risk management and financial health.

All relevant items discussed by the committee were reported to the SB, with the SB approving those items as required from a governance perspective.

Attendance of SB members

The SB met 11 times in 2023 for its regular meetings. On average, 97 percent of the SB members participated in the meetings. See the attendance matrix for the SB meetings and committee meetings for more details. The continued high attendance demonstrates that SB members are engaged with ING and are able to devote sufficient time and attention to overseeing its affairs.

SB Attendance 2023[1]

	SB	RiCo[2]	AC	NCGcom	RemCo	ESGcom[4]
Karl Guha (chairperson)[3]	3/3	4/4	2/2	4/4	6/6	2/2
Hans Wijers[3]	8/8	3/3	4/5	7/7	4/4	2/2
Mike Rees (vice-chairperson)	11/11	7/7	7/7	5/5		
Juan Colombás	11/11	7/7	7/7		6/6	2/2
Mariana Gheorghe[3]	5/5	2/2		5/5	3/3	1/1
Margarete Haase	11/11	7/7	7/7			
Lodewijk Hijmans van den Bergh	11/11	7/7				4/4
Herman Hulst	11/11	7/7	7/7			4/4
Harold Naus	10/11	6/7			9/10	
Alexandra Reich[3]	5/6	4/4				
Herna Verhagen[45]	10/11			11/11	10/10	
Total attendance[6]	**96%**	**99%**	**97%**	**100%**	**98%**	**100%**

1 This SB attendance overview shows the SB (committee) meetings that took place during the year. In addition to these meetings, there were 10 Internal SB meetings in 2023 in view of nomination and remuneration matters, with a total attendance rate of 100 percent. These are not shown separately in the overview for year-on-year, like-for-like comparison purposes.
2 In 2023, two RiCo meetings were held in combination with the RemCo on remuneration matters that also required a risk view.
3 Hans Wijers and Mariana Gheorghe retired from the SB as per 1 July 2023 and per the AGM on 24 April 2023 respectively. At this AGM, Karl Guha and Alexandra Reich were appointed to the SB. The appointment of Karl Guha became effective on 1 July 2023. Their attendance is shown relative to their tenure.
4 Herna Verhagen participated twice in a RiCo meeting in combination with the RemCo.
5 The numbers exclude SB observers, if any. If SB members cannot join a meeting they will always receive the meeting materials to allow them to provide feedback prior to the meetings.

Abbreviations used: SB = Supervisory Board, RiCo = Risk Committee, AC = Audit Committee, NCGcom = Nomination and Corporate Governance Committee, RemCo = Remuneration Committee; ESGcom = ESG Committee

Overview of the Supervisory Board committee members

The table below reflects the composition of the SB committees on 31 December 2023.

Supervisory Board	Risk Committee	Audit Committee	Nomination and Corporate Governance Committee	Remuneration Committee	ESG Committee
Karl Guha (chairperson)	Member	Member	Chairperson	Member	Member
Mike Rees (vice-chairperson)	Chairperson	Member	Member	—	—
Juan Colombás	Member	Member	—	Member	Member
Margarete Haase	Member	Chairperson	—	—	—
Lodewijk Hijmans van den Bergh	Member	—	—	—	Chairperson
Herman Hulst	Member	Member	—	—	Member
Harold Naus	Member	—	—	Member	—
Alexandra Reich	Member	—	—	—	Member
Herna Verhagen	—	—	Member	Chairperson	—

Composition of the Management Board Banking and Supervisory Board

ING aims to ensure that the boards are – at all times – adequately composed to perform their duties.

Pinar Abay was appointed as head of Retail, Challengers & Growth and Market Leaders as of 15 May 2023. The combining of the roles is in line with ING's strategic priorities and was done to further simplify the management structure of ING Bank. This appointment formalised this new role at MBB level and was considered a logical step to further improve consistency, scalability and efficiency to the products and services that ING offers. Pinar took over the role of Aris Bogdaneris, who was the head of Retail and Challengers & Growth (and who stepped down from the MBB per 15 May 2023).

Ron van Kemenade left ING at the end of April 2023. With Ron's leadership ING has transformed into a bank with scalable technology and operations. Görkem Köseoğlu was appointed as a member of the MBB and chief technology officer as of 1 September 2023. Unfortunately, after mutual discussions on different views regarding the expectations about his leadership role within ING, Görkem Köseoğlu stepped down from the MBB, effective 1 November 2023. Marnix van Stiphout who's been ING's COO and chief transformation officer and MBB member since 1 September 2021 took over the additional responsibilities as ad interim CTO.

Hans Wijers retired from the SB per 1 July 2023. Hans was appointed to the Supervisory Board in 2017, became its chairperson in 2018 and was reappointed for a second term in 2021. Hans became a member of the Risk Committee, Audit Committee, Nomination and Corporate Governance Committee, Remuneration Committee and the ESG Committee. Karl Guha was appointed as new SB chairperson, with effective date 1 July 2023.

Mariana Gheorghe retired from the SB effective per the 2023 General Meeting after more than seven years of dedicated service. Alexandra Reich was appointed as new SB member at the 2023 General Meeting. She became a member of the Risk Committee.

The Nomination and Corporate Governance Committee and the Supervisory Board will continue to strive for an adequate and balanced composition of the Supervisory Board when selecting and nominating new members for appointment, taking into account ING's diversity policy and other factors.

Read more in the Corporate governance chapter on the composition of the MBB and the Supervisory Board.

All Supervisory Board members, with the exception of no more than one person, should qualify as independent as defined in the best practice provision 2.1.8 of the Dutch Corporate Governance Code. The members of the Supervisory Board are therefore requested to assess annually whether or not they are independent as set out in the Dutch Corporate Governance Code and to confirm this in writing. On this basis, the Supervisory Board confirms that all members of the Supervisory Board are to be regarded as independent on 31 December 2023. On this date all members of the Supervisory Board were also to be regarded as independent within the meaning of the NYSE listing standards. For the full list of Supervisory Board members and more details see 'Our leadership', the information of which is considered to be incorporated, by reference, in this Supervisory Board report.

Diversity and competence matrix

Management Board (EB/MBB)

Management Board (EB/MBB)	Diversity			Competencies							
	Year of birth	Gender	Nationality	Executive experience	International experience	Banking	Finance / audit	Risk	Operations	IT & Cybersecurity	ESG
Steven van Rijswijk (EB/MBB, CEO)	1970	Male	Dutch	⊛	●	⊛	⊛	⊛	●	●	⊛
Tanate Phutrakul (EB/MBB, CFO)	1965	Male	Thai	⊛	⊛	⊛	⊛	●	●	●	●
Ljiljana Čortan (EB/MBB, CRO)	1971	Female	Croatian	⊛	⊛	⊛	●	⊛	●	●	●
Pinar Abay (MBB, head of Retail, Market Leaders and Challengers & Growth Markets)	1977	Female	Turkish	⊛	⊛	⊛	●	●	⊛	●	●
Andrew Bester (MBB, head of Wholesale Banking)	1965	Male	British/ South African	⊛	⊛	⊛	⊛	●	⊛	●	⊛
Marnix van Stiphout (MBB, chief operations officer, chief transformation officer and ad interim CTO)	1970	Male	Dutch	⊛	●	⊛	●	●	⊛	⊛	●

● Has sufficient/advanced knowledge, skills and experience in the area and can make a balanced independent Judgement on the matter.

⊛ Is in addition considered and expert in relation to previous or current roles.

Supervisory Board

Supervisory Board	Diversity			Competencies							
	Year of birth	Gender	Nationality	Executive experience	International experience	Banking	Finance / audit	Risk	Operations	IT & Cybersecurity	ESG
Karl Guha (chairperson)	1964	Male	Dutch	⊛	⊛	⊛	⊛	⊛	⊛	●	⊛
Mike Rees (vice-chairperson)	1956	Male	British	⊛	⊛	⊛	⊛	⊛	●	⊛	●
Juan Colombás	1962	Male	Spanish	⊛	⊛	⊛	⊛	⊛	⊛	⊛	●
Margarete Haase	1953	Female	Austrian	⊛	⊛	⊛	⊛	●	⊛	●	●
Lodewijk Hijmans van den Bergh	1963	Male	Dutch	⊛	⊛	●	●	●	●	●	⊛
Herman Hulst	1955	Male	Dutch	⊛	⊛	●	⊛	●	●	●	●
Harold Naus	1969	Male	Dutch	⊛	●	⊛	●	⊛	●	●	●
Alexandra Reich	1963	Female	Austrian	⊛	⊛	●	●	●	⊛	⊛	⊛
Herna Verhagen	1966	Female	Dutch	⊛	●	●	●	●	⊛	⊛	⊛

Please note the following:

- The purpose of this matrix is to provide an overview on the experience and competencies that ING considers to be the most relevant for its stakeholders.
- The matrix represents to which extent ING's board members have such experience and competencies (either developed already before joining ING and/or during their position(s) at ING).
- The content of the matrix is subject to change in the light of ING's continually changing situation, markets and environment.
- For the appointments of new board members, all relevant competencies are also shared with ING's supervisors DNB/ECB based on their standard suitability matrix to assess the collective competence of members of the management/supervisory body.

Appreciation for management and employees

The SB would like to thank the management and the employees for their hard work and dedication to deliver value for all stakeholders during a challenging year. The financial performance during 2023 speaks for itself, but it is important to acknowledge that this performance was achieved in a febrile economic and geopolitical environment.

With respect to the execution of the strategy, considerable progress was made during the course of the year - with a particular attention to the KYC related processes. The SB would like to express its gratitude to all involved for their relentless focus, dedication and work. The SB realises and understands that this is a continual process and would like to wish all employees involved continued success in 2024.

Amsterdam, 4 March 2024

Corporate governance

This section comprises ING Bank N.V.'s Corporate Governance Statement.

Dutch Banking Code

The Dutch Banking Code is applied by ING Bank N.V. (ING Bank). The application by ING Bank is described in the booklet 'Application of the Dutch Banking Code by ING Bank N.V. (FY2023)', 7 March 2024, available on ing.com. This is to be read in conjunction with and deemed to be incorporated in the Annual Report of ING Bank. The Banking Code can be downloaded from the website nvb.nl/English/.

Financial reporting

As ING Bank is a consolidated subsidiary of ING Groep N.V. (ING Group), its policies and procedures for establishing and maintaining adequate internal control over financial reporting are the same as those applied by ING Group for its consolidated financial statements with respect to ING Bank and the entities included in the latter's own consolidated financial statements.

ING's internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

ING's internal controls over financial reporting include those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of ING;
- Provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorisations of our management and directors; and
- Provide reasonable assurance regarding the prevention or timely detection of unauthorised acquisition, use or disposition of assets that could have material effect on the financial statements.

ING has a process in place where, under the supervision and with the participation of the CEO and CFO, the effectiveness of internal control over financial reporting is evaluated, based on the criteria of the Committee of Sponsoring Organisations of the Treadway Commission in Internal Reporting (COSO) - Integrated Framework (2013 Framework).

Supervisory Board composition

ING aims to have an adequate and balanced composition of its Supervisory Board, with a mix of persons with knowledge, skills and executive experience, preferably gained in the banking sector, experience in corporate governance of large stock-listed companies and experience in the political and social environment in which such companies operate. In the selection of Supervisory Board members, ING strives for a balance in nationality, gender, age, and educational and work background. In addition, there should be a balance of experience and affinity with the nature and culture of the business of ING.

The Supervisory Board is responsible for selecting and nominating candidates for appointment or reappointment to the Supervisory Board, among others based on the Supervisory Board profile, which is available on ing.com. The Supervisory Board regularly assesses the composition of the Supervisory Board.

In 2023, three out of nine members of the Supervisory Board were female. We believe the Supervisory Board is well-balanced in terms of other relevant diversity aspects. Overall, the preferred emphasis on members with a financial or banking background has been maintained. In terms of nationality, the ratio between Dutch and non-Dutch nationalities in 2023 was 56 - 44%.

According to the Gender Diversity Act, which came into force in the Netherlands on 1 January 2022, ING is required to comply with a gender diversity quota of one third male and one third female for its Supervisory Board. Over the year 2023, the Supervisory Board was compliant.

Relevant positions pursuant to CRD IV

Members of the Supervisory Board may hold other positions, including directorships, either paid or unpaid. The Capital Requirements Directive 4 (CRD IV) restricts the total number of supervisory board positions or non-executive directorships with predominantly commercial organisations that may be held by a Supervisory Board member to four, or to two, if the Supervisory Board member also has an executive board position. The ECB may, under special circumstances, permit a Supervisory Board member to fulfil an additional supervisory board position or non-executive directorship. Positions with, inter alia, subsidiaries or qualified holdings are not taken into account in the application of these restrictions. Such positions may not conflict with the interests of ING Bank. It is the responsibility of the individual member of the Supervisory Board and the Supervisory Board collectively to ensure that the directorship duties are performed properly and are not affected by any other positions that the individual may hold outside ING Bank.

Information on the members of the Supervisory Board

Reference is made to the Our leadership section for information on the members of the Supervisory Board, which information is deemed incorporated by reference. Also read more about the composition and duties of the Supervisory Board and its committees in the Supervisory Board report and on ing.com.

Management Board Banking composition

ING aims to have an adequate and balanced composition of its Management Board Banking, with a diverse selection of persons with knowledge, skills and executive experience, preferably gained in the banking sector, experience in corporate governance of large stock-listed companies and experience in the political and social environment in which such companies operate. In addition, there should be a balance of experience and affinity with the nature and culture of the business of ING. Factors such as nationality, gender, age and education are also taken into account for the composition of the Management Board Banking.

The Supervisory Board regularly assesses the composition of the Management Board Banking.

The Gender Diversity Act, which came into force in the Netherlands on 1 January 2022, requires ING to set appropriate and ambitious targets for gender diversity in its Executive Board and senior management. ING considers its Management Board Banking to be part of this senior management group for which the target for gender diversity is set at at least 30% by 2025. See more information on diversity, including on gender diversity in senior management, in the paragraphs on Unlocking our people's full potential in 'How we are making the difference'.

Information on the members of the Management Board Banking

Reference is made to the Our leadership section for information on the members of the Management Board Banking, which information is deemed incorporated by reference.

Conformity statement

The Management Board Banking is required to prepare the Financial Statements and the Annual Report of ING Bank N.V. for each financial year in accordance with applicable Dutch law and those International Financial Reporting Standards (IFRS) that were endorsed by the European Union.

Conformity statement pursuant to section 5:25c paragraph 2(c) of the Dutch Financial Supervision Act (Wet op het financieel toezicht).

The Management Board Banking is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities. It is responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgements and estimates that are prudent and reasonable. It is also responsible for establishing and maintaining internal procedures to ensure that all major financial information is known to the Management Board Banking, so that the timeliness, completeness and correctness of the external financial reporting are assured.

As required by section 5:25c paragraph 2(c) of the Dutch Financial Supervision Act, each of the signatories hereby confirms that to the best of his knowledge:

- the ING Bank N.V. 2023 Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of ING Bank N.V. and the enterprises included in the consolidation taken as a whole; and
- the ING Bank N.V. 2023 Annual Report gives a true and fair view of the position at the balance sheet date, the development and performance of the business during the financial year 2023 of ING Bank N.V. and the enterprises included in the consolidation taken as a whole, together with a description of the principal risks ING Bank N.V. is being confronted with.

Amsterdam, 4 March 2024

The Management Board Banking

S.J.A. (Steven) van Rijswijk
CEO, chairman of the Management Board Banking

T. (Tanate) Phutrakul
CFO

L. (Ljiljana) Čortan
CRO

P. (Pinar) Abay
Head of Retail, Market Leaders and Challengers & Growth Markets

A.J.M. (Andrew) Bester
Head of Wholesale Banking

M.A. (Marnix) Stiphout
Chief operations officer, chief transformation officer and chief technology officer a.i.

Risk management

A series of tumultuous events this year impacted our operating environment. These include concerns around financial institution stability following the failure of some banks, and geopolitical uncertainties due to the ongoing war in Ukraine and the Israel-Gaza conflict. These conflicts have brought further disruptions to supply chains and energy prices in an environment of already high inflation. This section explains ING's approach to monitoring, managing and controlling risks.

As a global financial institution with a strong European base, offering banking services, ING is exposed to a variety of risks. We manage these risks through a comprehensive risk management framework that integrates risk management into strategic planning and daily business activities. This aims to safeguard ING's financial strength and reputation by promoting the identification, measurement and management of risks at all levels of the organisation. Taking measured risks aligned with its risk appetite is core to ING's business.

The risk management function supports the EB in formulating the risk appetite, strategies, policies and limits. It provides adequate steering, oversight, challenge and controls throughout ING on risk-related items.

This section sets out how ING manages its risks on a day-to-day basis. It explains how the risk management function is embedded within the organisation based on the 'three lines of defence' model. It describes the key risks that arise from ING's business model and how these are managed by dedicated risk management departments, with various specific areas of expertise. The section provides qualitative and quantitative risk disclosures on solvency, credit, market, funding and liquidity, ESG, operational, IT, compliance, business and model risks.

Basis of disclosures (*)

The risk management section contains information relating to the nature and extent of the risks of financial instruments as required by International Financial Reporting Standards (IFRS) 7 'Financial Instruments: Disclosures'. These disclosures are an integral part of ING Bank Consolidated financial statements and are indicated by the symbol (*). This is applicable for the chapters, paragraphs, graphs or tables within the risk management section that are indicated with this symbol in the respective headings or table header.

This risk management section includes additional disclosures beyond those required by IFRS standards, such as certain legal and regulatory disclosures. Not all information in this section can be reconciled back to the primary financial statements and corresponding notes, as it has been prepared using risk data that differs to the accounting basis of measurement. Disclosures in accordance with Part Eight of the CRR2 and CRD V, and as required by the supervisory authority, are published in our 'Additional Pillar III Report', which can be found on our corporate website ing.com.

Top and emerging risks

The risks listed below are defined as existing and emerging risks that could cause actual results to differ, in some instances materially, from those anticipated. They may have a material impact on the reputation of the company, introduce volatility in future operating results or impact ING's medium- and long-term strategy, including the ability to pay dividends, maintain appropriate levels of capital or meet liquidity and funding targets. An emerging risk is defined as a new or unexpected risk that we don't have experience of managing, and so need to proactively identify and monitor. The impact on the organisation is therefore more difficult to assess than other risk factors. These risks are on top of other existing risks.

The topics have mainly emerged as part of the annual risk assessment that feeds into, among others, the annual review of the Stress Testing Framework and the Risk Appetite Framework. The sequence in which the risks are presented below is not indicative of their likelihood of occurrence or the potential magnitude of their financial consequences.

The 2023 risk assessment confirmed our top and emerging risks. The top risks in 2023 relate to people risk, geopolitical risk, cybercrime, and inflation risk. Climate change risk remains an emerging risk, and reflects the impact that climate change may have on the financial position and/or reputation of ING.

Geopolitical risk

Geopolitical risk was of the greatest concern for the MBB in 2023, and dedicated meetings were held on this topic. ING developed a specific geopolitical risk assessment to complement the normal risk-assessment process. This risk persisted throughout the year, mainly due to tensions between the US and China, relating to Taiwan and deglobalisation. Other reasons were the ongoing war in Ukraine that persisted in 2023, and the Israel-Gaza conflict.

China/Taiwan/US

China's increased military presence in the South China Sea, technological advancements, and ongoing trade tensions with the US have given rise to geopolitical tensions between these countries. Despite a common interest in a good relationship, particularly across trade and supply chain, the countries also have areas of conflict, like the Taiwan situation, and their relations have become more complex in recent years. China has threatened to sell US Treasury bonds, and the US has blacklisted some Chinese technology companies. There is growing concern that US-China trade tensions could escalate into further financial disconnection. Such a conflict would cause significant disruption to global financial markets and the economy.

Deglobalisation

The period of Western-based liberalisation and globalisation is being challenged by a global trend towards polarisation and more assertive political policies. The rise of nationalism, protectionism, populist movements and anti-global sentiments in recent years has created an environment of increasing uncertainty. This could potentially lead to a reversal or slowdown of globalisation.

The war in Ukraine

The war in Ukraine continued to pose a significant geopolitical risk in 2023. It has initiated a humanitarian crisis and given rise to greater risk exposures, causing disruption to business and economic activity in the region and worldwide. Following the invasion of Ukraine, the US, UK and EU initiated sanctions against Russia in 2022. In response, the Russian Central Bank enforced liquidity and currency controls. For sanctions-related developments, see 'Compliance risk'.

With the support by NATO membership countries for Ukraine in the form of financial and military aid, neither side seeming likely to produce a conclusive victory in the near term, and a ceasefire or settlement looking improbable, the uncertainty about the outcome of the war looks set to last in the longer term.

Remaining at risk for ING in December 2023 is €0.4 billion (2022: €0.3 billion) local equity and €1.3 billion (2022: €2.5 billion) credit exposures booked outside of Russia. In Ukraine, our exposure was approximately €600 million (2022: €500 million), mainly with liquidity facilities and other lending. Early in March 2022, we announced a decision to not do new Russia-related business.

Israel-Gaza conflict

The Israel-Gaza conflict brings significant volatility to the region and disrupts broader efforts to enhance cooperation between Israel and the Arab states. As the conflict continues to unfold, it poses a real threat to stability in the wider Middle East, and could affect oil supplies and drive the price higher.

People risk

People risk, which can be translated into management of labour, including among others talent attraction and retention, was the highest risk in the risk assessment in 2023. The main challenges were linked to the salary and compensation demands coming from a high-inflation environment and subsequent rising cost of living. This led to lengthy CLA negotiations in the Netherlands, creating employee uncertainty.

The other concern was the skill shortage in the labour market. The labour markets in general, and the financial industry more so, face an intensified challenge to attract and keep eligible talent. Competition not only comes from peers; new players like tech companies and start-ups entered the playing field and are looking for similar profiles.

Climate and environmental risk

Climate-related and environmental risks are among the biggest threats the world is facing. They can impact both ING and the global economy in various ways.

ING is aware of the risks associated with climate change and how these can impact customers and their financial health. This includes physical risk and transition risk. Physical risk can be acute, such as floods and wildfires, or chronic, such as increased temperature and rising sea levels. Transition risk can be driven by policy, technological or market changes as we shift towards a low-carbon global economy, and potentially lead to stranded assets.

For more details and mitigation actions, see 'Environmental, social and governance risk'.

Cybercrime and fraud

The further digitalisation of existing banking services, the introduction of new products, and evolving threats against those services – combined with developing technology such as generative AI and deep fake – are continuously presenting fraud-management challenges, both in the short and medium term.

Criminal actors are becoming more resourceful in targeting financial and sensitive (payment/personal) data, such as customer user credentials outside the traditional banking environment. Criminals can obtain sensitive (payment) or personal data via social forums such as WhatsApp, dark web shops, by screen scraping user credentials or through third-party data breaches. In 2023, these challenges increased further with more sophisticated phishing attempts, improved social engineering fraud attempts, and high volumes of scams through so-called authorised push-payment frauds. The increase in scams is a big concern for financial institutions, with often devastating consequences for customers. While financial institutions have limited means to prevent such authorised transactions, it is a priority to help prevent this type of fraud.

For more details and mitigation actions, see 'Non-financial risk'.

Inflation risk

Inflation rates remained exceptionally high across the globe in 2023, triggered by increases in labour costs and high food and energy prices. Rises in inflation prompted an adjustment of monetary policy stances by major central banks, leading to rising interest rates and tighter global financial conditions.

The mix of high inflation and rising interest rates led to the further deterioration of macro-financial conditions, aggravating pre-existing vulnerabilities for both businesses and households, and ultimately increasing banks' credit risk. As such, ING still had management adjustments to its loan loss provisions in place for this at year-end 2023.

For more details and mitigation actions, see 'Credit risk'.

Risk governance

Effective risk management requires company-wide risk governance. ING's risk and control structure is based on the 'three-lines-of-defence' governance model. Each line has a specific role and defined responsibilities, with the execution of tasks being distinct from the control of these same tasks. The three lines work closely together to identify, assess, mitigate and monitor risks.

This governance framework is designed in such a way that risk is managed in line with the risk appetite approved by the MBB, the EB and the SB, and this approach is cascaded throughout ING.

The heads of ING's banking business and support functions and the heads of the country units, or their delegates, are the first line of defence. They have primary ownership, accountability and responsibility for identifying, assessing, controlling and mitigating all financial and non-financial risks affecting their businesses. They are also responsible for the completeness and accuracy of the financial statements and risk reports, with respect to their areas of responsibility. The CTO is responsible and accountable for proper security and controls of global applications and IT platforms servicing the bank, and implementing proper processes. The COO domain builds bridges within ING, linking to almost every part of the bank. Its purpose is to drive secure and efficient processes for customers and colleagues.

The second line of defence consists of oversight and specialised functions in risk management and compliance. They (i) have co-responsibility for risk management, through articulating and translating the risk appetite into methodologies and policies to support and monitor business management's control of risk; (ii) objectively challenge risk management execution and control processes, and coordinate the reporting of risks and controls by the first line of defence; (iii) advise on risk management and compliance, and have decision-making power in relation to business activities that are judged to present unacceptable risks to ING; and (iv) can set minimum requirements in terms of quality and quantity of global resourcing in the risk management and compliance functions.

The internal audit function forms the third line of defence. It provides independent assurance to the Audit Committee, the EB and the MBB on the quality and effectiveness of ING's internal control, risk management, governance and implemented systems and processes in both the first and second lines of defence. To protect its independent nature, decisions regarding the appointment, reappointment or dismissal from office as well as the remuneration package of the head of the internal audit function require SB approval.

Board-level risk oversight

Both the EB (for ING Group) and the MBB (for ING Bank) play an important role in managing and monitoring our risk management framework.

- The SB is, for risk management purposes, advised mainly by the Risk Committee, which assists and advises in monitoring the risk profile and approving the overarching risk appetite of the company as well as the structure and effective operation of the internal risk management and control systems.
- The EB is responsible for managing risks associated with all activities of ING Group, whereas the MBB is responsible for managing risks associated with all activities of ING Bank. The EB and MBB responsibilities include ensuring that internal risk management and control systems are effective and that ING Group and ING Bank comply with relevant legislation and regulations. On a regular basis, the EB and MBB report on these issues and discuss the internal risk management and control systems with the SB. On a quarterly basis, the EB and MBB report on ING's risk profile versus its risk appetite to the Risk Committee, explaining changes in the risk profile.

As a member of the EB and the MBB, the CRO is primarily responsible for: (i) supporting the Board in its engagement with and oversight of the development of the risk appetite and risk appetite statements and for translating the risk appetite into a risk limits structure, actively engaged in monitoring performance relative to risk-taking and risk limit adherence; (ii) setting up the risk management framework and overseeing the development and implementation of risk and compliance policies, processes, models, compatible methodologies, including both forward-looking and backward-looking tools, ongoing strengthening of risk management/people capabilities and reports, as necessary to ensure the effectiveness of robust internal control and risk systems to fully support its strategic objectives and all of its risk-taking activities; (iii) regularly providing comprehensive information on risks to the Management Board, the Risk Committee and other relevant functions; and (iv) advising about the current risk profile, current state of the risk culture, utilisation against the established risk appetite, and limits, limit breaches and mitigation plans. For more on the SB and EB roles and responsibilities, see 'Corporate Governance'.

Executive level

The risk committees described below act within the overall risk policy and delegated authorities granted by the MBB:

- The Global Credit and Trading Policy Committee (GCTP) discusses and approves policies, methodologies, and procedures related to credit, trading, country, and reputation (such as environmental and social risk or ESR) risks. The GCTP meets monthly. After the MBB and the GCTP, the Credit and Trading Risk Committee (CTRC) is the highest-level body authorised to discuss and approve policies, methodologies, and procedures related to credit and trading risk.
- The Global Credit Committee – Transaction Approval (GCC(TA)) discusses and approves transactions that entail taking credit risk (including investment risk), country, legal, and environmental and social risk. The GCC(TA) meets twice a week.
- The Asset and Liability Committee Bank (ALCO Bank) translates the strategy into a risk appetite and sets, monitors and reviews the asset and liability objectives and risk management framework. Adequate supervision and coordination of asset and liability management is essential for good risk management and to serve customer and community needs by continued sound banking business. The MBB has delegated this responsibility to the ALCO Bank.
- The Non-Financial Risk Committee Bank (NFRC Bank) is accountable for the design and maintenance of the non-financial risk management framework, including operational risk management, compliance and legal policies, minimum standards, procedures and guidelines, development of tools, methods, and key parameters (including major changes) for risk identification, measurement, mitigating and monitoring/ reporting. NFRC Bank meetings are held at least quarterly.
- The Model Risk Management Committee (MoRMC) discusses and steers, on a monthly basis, the overall model strategy. MoRMC discusses and approves policies and methodologies related to model risk management.
- The Global Data Committee (GDC) oversees (identifies, measures, responds to change and monitors) the Global Data function and its contribution to wider society. The GDC meets every two months.

Regional and business unit level

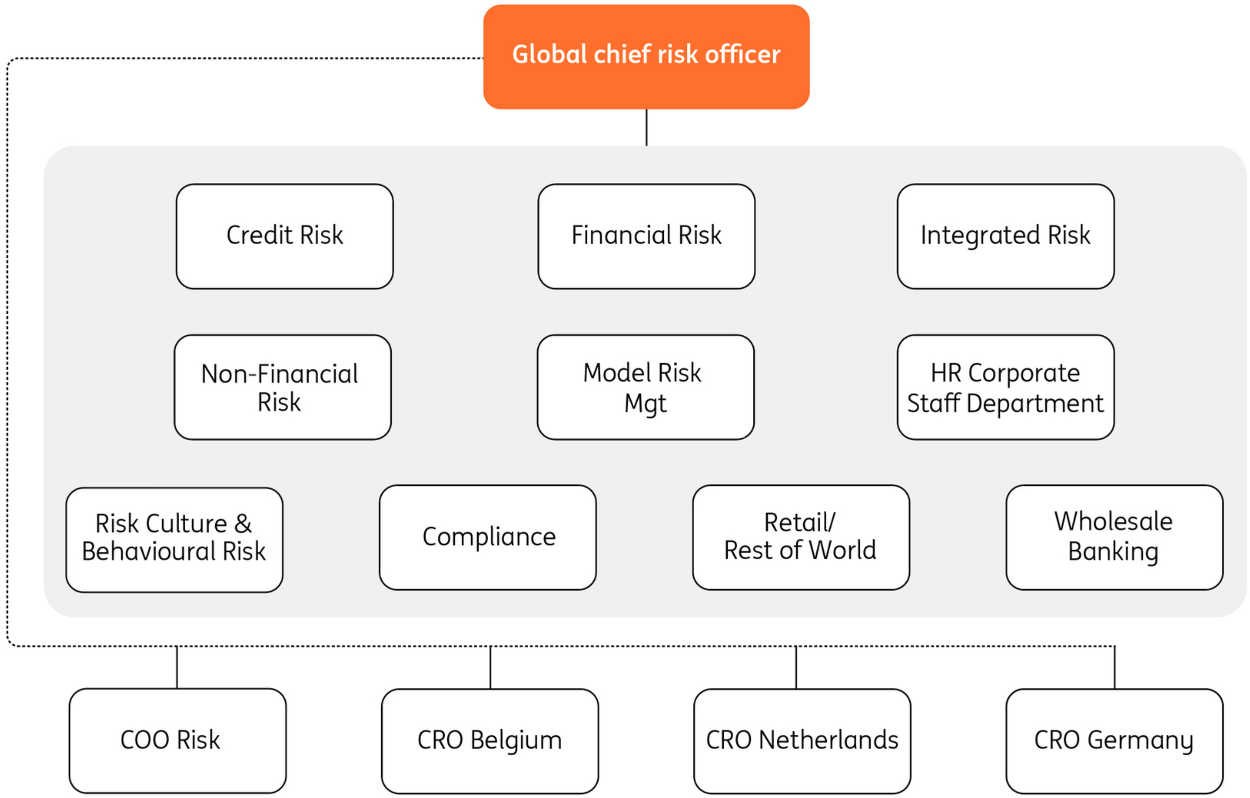
ING's regional and/or business unit management have primary responsibility for the management of risks (credit, market, funding and liquidity, operational, IT, compliance and model) that arise in their daily operations. They are accountable for the implementation and execution of appropriate risk frameworks affecting their businesses in compliance with procedures and processes at the corporate level. Where necessary, the implementation is adapted to local requirements.

The regional and/or business unit (BU) head of risk are involved in these activities. The local (regional and BU) head of risk is responsible for the analysis, monitoring and management of risks across the whole value chain (from front to back office). The local risks are discussed in local risk committees that roll up to the key risk committees at executive level. Local Client Integrity Risk Committees (CIRCs) assess client integrity risk, and they have a final decision on client acceptance or client off-boarding, from a risk-based perspective, in the areas of financial crime, Foreign Account Tax Compliance Act (FATCA), Common Reporting Standard (CRS), and ESR.

Organisational structure

The CRO function is organised along the lines of a matrix structure integrating (i) the Global Risk functions, (ii) the Regional/Country Risk functions at entity level, and (iii) the Risk Segments, with a uniform methodology and terminology, aimed at ensuring a holistic view of all risks. Global Risk functions, organised by risk types into risk domains (departments), are ultimately responsible and accountable for the functional steering of the respective risk type globally, ensuring a uniform taxonomy and methodology is used for the setting of the relevant risk appetite levels, further cascading risk appetite into detailed risk strategies and for the effective monitoring and reporting of risks, on an individual and consolidated basis.

The following organisation chart illustrates the reporting lines in 2023 for the risk management organisation. The fixed lines reflect hierarchical reporting lines, whereas the dotted lines are for the functional reporting lines:



Risk policies, procedures and standards

ING has a framework of risk management policies, procedures and minimum standards in place to create consistency throughout the organisation, and to define requirements that are binding for all business units. The goal of the governance framework of the local business units is to align with ING's framework and to meet local (regulatory) requirements. Senior management is responsible for the implementation of and adherence to policies, procedures and standards. Policies, procedures and standards are regularly reviewed and updated via the relevant risk committees to reflect changes in requirements, markets, products and practices.

Internal control framework

In its Enterprise Risk Management (ERM) Framework, ING explains its approach to mitigating risk outside ING's risk appetite. The internal control framework (ICF) translates regulations and internal requirements into policies articulating specific risks and control objectives. These policies form the basis for translation into process control standards, which are used by the business to support and promote an effective risk and control environment. The ICF includes binding principles, definitions, process steps, and roles and responsibilities to create consistent bank-wide policies and control standards.

Global policies and control standards are developed and maintained or updated within the ICF. These global documents are designed by head-office functions and are to be adhered to by all ING entities and support functions. In line with the ERM approach, ownership for policies will be with the second line of defence (2nd LoD), while control standards are to be owned by the first line of defence (1st LoD). Global policy and control standard documents are approved by relevant approval bodies (e.g. SB, EB, MBB and NFRC Bank).

The policies are based on the risk taxonomy, which is designed to prevent overlaps in policy control objectives. The control standard owners are responsible for defining the key controls that mitigate the critical and high inherent risks in the business processes.

Risk culture

At ING, we attach great importance to a sound risk culture, which is essential for performing our role in society responsibly and in keeping the bank safe and secure. We determine our risk culture as the way in which employees identify, understand, discuss and act on the many financial and non-financial risks we are confronted with every day.

Learning

In 2023, we continued to expand and strengthen our required learning curriculum. This is foundational learning that is centrally created and rolled out to all staff across the bank. The topics covered in 2023 were financial crime, customer centricity, cybersecurity and data protection. We continue to update our formats for our learning to increase engagement and drive practical application of the knowledge gained by staff. The curriculum is tracked centrally to monitor timely completion.

In addition to all staff modules, we continue to expand our learning offering on a range of risk topics and for risk staff. Working with risk experts, the Risk Academy has built role-based learning plans for risk colleagues which provide a wide selection of learning to support their professional development. These take the form of a comprehensive offering of learning modules and learning channels that support employees in developing their knowledge, skills and behaviours.

Dutch Banker's Oath

In the Netherlands, all employees are required to take the Banker's Oath and pledge this promise in a meaningful ceremony. The Oath came into force in the Netherlands on 1 April 2015, as part of a joint approach from all banks, aimed at introducing social regulations, a revised Dutch Banking Code implementing an oath with associated rules of conduct and disciplinary law. This way, Dutch banks show society what they stand for and are accountable for, both as individual banks and as a sector. In 2021, due to the Covid-19 pandemic, ING in the Netherlands changed the live Banker's Oath ceremonies into virtual ceremonies, to allow new employees (around 400 a month) to still take the oath in time and in a meaningful ceremony. After 2021, this was continued and is now common practice at ING. Before taking the oath, an e-learning and a challenge (discussing dilemmas) are mandatory, to stress the content and the importance of the oath. It also show employees the dilemmas they may face in their daily work, and how to carefully balance the interests of all our stakeholders in the decisions they make.

Remuneration

ING aims to align its remuneration policy with its risk profile and the interests of all stakeholders. For more information on ING's compensation and benefits policies, and its relation to the risk taken, see the Capital Requirements Regulation (CRR) remuneration disclosure published on ing.com.

Risk cycle process

ING uses a step-by-step risk management approach to identify, manage and mitigate financial and non-financial risks. The approach consists of a cycle of five recurring activities: risk identification, risk assessment, risk control, risk monitoring and risk reporting. The cycle is designed to determine what the risks are, assess which of these can really do harm, take mitigating measures to control these risks, monitor developments to see if the measures taken are effective, and report the findings to management at all relevant levels to enable them to take action when needed.

The cycle recurs in two ways. First, the identification, assessment, review and update of mitigating measures are repeated periodically. Second, this periodic monitoring exercise may indicate emerging risks, known risks that are changing, risk levels that are changing, or current control measures that are not effective enough. Further analyses of these findings may then result in renewed and more frequent risk identification, and/or assessment, and/or change of mitigating measures.

Risk identification

Risk identification is a joint effort of the business and the risk management functions. Its goal is to detect potential new risks and determine changes in known risks. Regular risk identification is essential for effective risk management. Potential risks that are not identified will not be controlled and monitored, and may lead to surprises later. Known risks may have changed over time and, as a consequence, the existing mitigating measures and monitoring may be inadequate or obsolete.

Risk identification is performed periodically. In case of material internal or external change, additional ad hoc risk identification can be performed.

Risk assessment

Each identified risk is assessed qualitatively or quantitatively to determine its importance. This enables ING to decide which of the identified risks need control measures and how strict or tolerant these measures should be. Known risks are reassessed to detect any change in the risk level.

The importance of a risk is based on both the likelihood that the risk materialises and the subsequent financial or reputational impact that may occur should the risk arise. Unlikely risks with a potentially high impact need to be controlled. A risk that is likely to happen regularly but expected to have a modest financial impact may not need to be mitigated if the consequences are accepted by management.

Risk control

Risks can be controlled by mitigating measures that lower the likelihood the risk occurs, lower the impact when it occurs, or both. The ultimate measure to lower a risk is to stop the activity or service that causes the risk (risk avoidance). Risk control and mitigation measures are defined and maintained both bank-wide and at the local level.

Monitoring and reporting

ING monitors risk-control measures by checking if they are executed, complied with, and have the expected mitigating effects, and by following the development of the risks and their risk levels. Risk reporting provides senior and local management with the information they need to manage risks.

Risk appetite framework

The Risk Appetite Framework (RAF) is one of the key elements of the ERM framework. Its objective is to set an appropriate risk appetite at a consolidated level across different risk categories and to allocate the risk appetite throughout the organisation.

Policy

The RAF policy explains the setup of the overarching global risk appetite. Within the RAF, ING monitors a range of financial and non-financial risk metrics with an aim to keep our risk profile in line with our risk appetite while executing our strategy. ING's RAF, which is approved by the SB, defines the desired risk profile that is to be integrated in the strategic decision-making and financial planning process. It is designed to be able to withstand market volatility and stress, while meeting regulatory requirements. The framework, including underlying metrics and assumptions, is regularly reviewed so that it remains relevant. The RAF combines various financial and non-financial risk appetite statements (RAS) into a single, coordinated approach, to provide the business with a clear overview of the relevant risks and the tools to manage them. This view allows the EB, the MBB, and senior management to form an opinion on the adequacy of internal risk management and control systems for the risks ING faces while pursuing its strategy.

Process

The RAF is focused on setting the risk appetite at the consolidated level and across the different risk categories, and provides the principles for cascading this risk appetite down into the organisation. The RAF and underlying limit allocation are reviewed on an annual basis, or more frequently if necessary, based on their monthly review in the MBB and quarterly review in the EB and the SB. It is therefore a top-down process, which bases itself on the ambition of the bank in terms of its risk profile, the regulatory environment and the economic context. Limits that require SB approval are called boundaries, and the underlying instruments supporting the boundaries require EB and MBB approval.

Step 1. Identify and assess ING's key risks

The outcome of the risk-identification and risk-assessment process is used as the starting point for the review of the RAF. Within this step, the risks ING faces when executing its strategy are identified in the context of the current economic, political, social, regulatory and technological environment. The assessment identifies whether the potential impact is material and if it is sufficiently controlled within ING's risk management function. It benchmarks the current risk framework against regulatory developments. Known risks are reassessed, either to confirm likelihood and risk levels or to take account of potential changes.

Step 2. Set risk appetite framework

Based on ING's risk assessment and risk purpose, boundaries for the overarching risk frameworks are set. Once the overarching risk appetite thresholds have been set and approved by EB/MBB and subsequently by SB, the statements are translated into risk-type-specific statements and lower-level thresholds, which are set and approved by senior risk committees, like ALCO Bank, GCTP, MoRM and Bank NFRC. Cascading is done via several detailed risk appetite statements, which have been defined per risk type, the combination of which is aimed at ensuring compliance with the overarching solvency, (credit) concentration, and funding and liquidity RASs.

Examples of risk categories and their underlying risk metrics include:

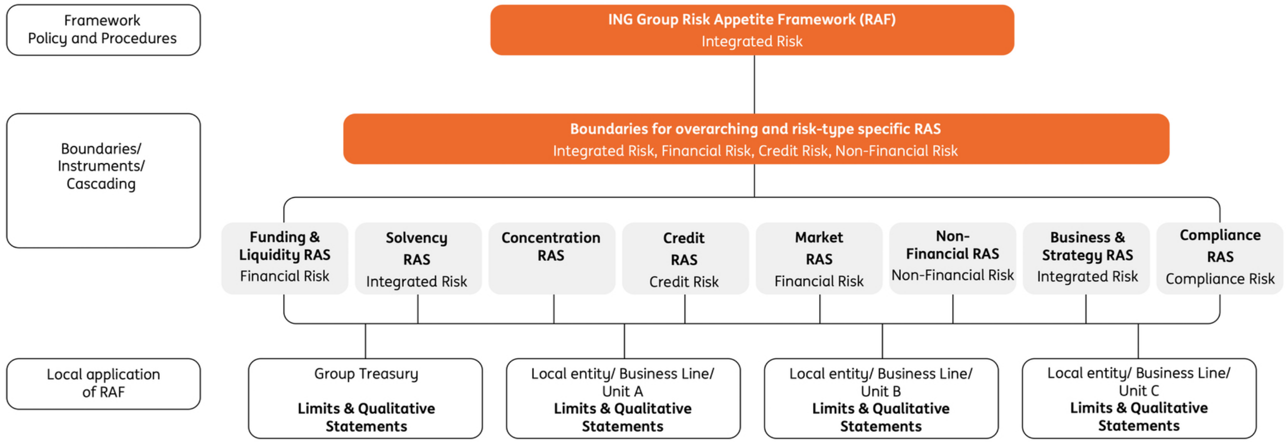
- Solvency and profitability (e.g. CET1 ratio, MREL ratio and economic capital coverage ratio);
- Funding and liquidity (e.g. liquidity coverage ratio (LCR) and net stable funding ratio (NSFR));.
- Credit risk (e.g. exposure at default (EAD) and risk weighted assets (RWA));
- Market risk trading book (e.g. event risk and historical value at risk (HVaR));
- Market risk banking book (e.g. net interest income (NII) at risk and revaluation reserve at risk);
- Non-financial risk (e.g. capital-at-risk and management of audit issues);
- Compliance risk (e.g. key risk indicators on Financial Crime and Conduct);
- Business risk (e.g. economic capital);
- Model risk (e.g. number of unvalidated or inadequate pillar 1 models).

ING has started including climate risk in its RAF by, among other things, introducing climate risk as one of the dimensions to determine sector concentration as part of the credit risk appetite statements. In the coming years, ING will extend the inclusion of climate risk impact on other risk types with the aim of ensuring that the potential risks stemming from, for example, transition risk and physical risk are properly captured in the RAF.

Step 3. Cascade into statements per risk type and business unit

The bank-wide risk appetite is translated per risk type, which is further cascaded into the organisation. Risk appetite statements are then translated into dedicated underlying risk limits that are used for the day-to-day monitoring and management of ING's risks. The risk appetite statements serve as input for the quarterly planning process as well as for the establishment of key performance indicators and targets for senior management. The next graph is an illustrative and non-exhaustive overview of the RAF.

ING Risk Appetite Framework



Step 4. Monitor and manage underlying risk limits

To verify that ING remains within the RAF, it reports the risk positions vis-à-vis their limits on a regular basis to senior management committees. A monthly report is submitted to the MBB reflecting the exposure of ING against the risk appetite. An extended report is submitted quarterly to the EB and the SB and its Risk Committee. Moreover, every quarter the financial plan is checked for potential limit excess within a one-year horizon, where in the strategic dialogue the MBB can take mitigating measures or make adjustments to the dynamic plan.

Stress testing

Stress testing is an important risk management tool that provides input for strategic decisions and capital planning. The purpose of stress testing is to assess the impact of plausible but severe stress scenarios on ING's capital and liquidity position. Stress tests provide complementary and forward-looking insights into the vulnerabilities of certain portfolios, with regards to adverse macroeconomic circumstances, stressed financial markets, and changes in the political and geopolitical climate. In addition to assessing P&L, capital and liquidity positions of ING for a range of different scenarios, idiosyncratic risks are also included. The outcomes of these stress tests help management get insight into the potential impact, and define actions to mitigate this potential impact.

Types of stress tests

Within ING, we perform different types of stress tests. The most comprehensive type of stress tests are the firm-wide scenario analyses, which involve setting scenario assumptions for all the relevant macroeconomic and financial market variables in all countries relevant to ING. These assumptions usually follow a qualitative narrative that provides a background to the scenario. In addition to firm-wide scenario analyses, ING executes scenario analyses for specific countries or portfolios. Furthermore, sensitivity analyses are performed, which focus on stressing one or more risk drivers; usually without an underlying scenario narrative. Finally, ING performs reverse stress tests, which aim to determine scenarios that could lead to a predefined severe adverse outcome.

Process

ING's stress-testing process consists of several stages:

- Risk identification and risk assessment: It identifies and assesses the risks ING or the relevant entity is facing when executing its strategy based on the current and possible future economic, political, regulatory and technological environment. It provides a description of the main risks and risk drivers related to the nature of ING's business, activities and vulnerabilities.
- Scenario definition and parameterisation: Based on the outcome of the previous step, a set of scenarios is determined with the relevant scope and set of risk drivers for each scenario, as well as its severity, the key assumptions and input parameters. The output of this phase includes a quantitative description of the stress scenarios to be analysed, the relevant output metrics and, when applicable, a narrative description.
- Impact calculation and aggregation: Based on the quantitative description of the stress scenarios determined in the previous step, the impact is determined for the relevant scenario, scope and horizon. The impact calculation and aggregation can be part of a recurring process or part of a specific process set-up for one-off stress tests.
- Scenario reporting: For each stress test, a report is prepared after each calculation, which describes the results of the scenario and gives a recap of the scenario with its main assumptions and parameters. The stress-test report is sent to the relevant risk committees and/or senior management. It is complemented, if needed, with advice for management action based on the stress-testing results.
- Scenario control and management assessment: Depending on the outcomes of the stress test and the likelihood of the scenario, mitigating actions may be proposed. Mitigating actions may include, but are not limited to, sales or transfers of assets and reductions of risk limits.

Methodology

Detailed and comprehensive models are used to calculate the impact of the scenarios. In these models, statistical analysis is combined with expert opinion to make sure that the results adequately reflect the scenario assumptions. The methodologies are granular and portfolio-specific, and use different macroeconomic and market variables as input variables. The calculations are in line with our financial and regulatory reporting frameworks. The stress-testing models are subject to review by Model Risk management.

Solvency risk

Introduction

Solvency risk is the risk of lacking sufficient capital to fulfil business objectives, regulatory requirements or market expectations. An insolvent bank is unable to pay its debts and will be forced into bankruptcy.

The level and quality of capital is crucial for the resilience of individual banks. Banks are expected to assess the risks they face and, in a forward-looking manner, ensure they identify and manage all material risks. They must also make sure these risks are sufficiently covered by loss-absorbing capital to provide continuity if unexpected risks materialise in times of stress. Given the interdependencies with other financial and non-financial risks, this balancing act of capital adequacy needs to be done within a sound and integrated management approach. It must coherently link and align all the moving parts of the bank with its long-term business strategy.

Governance

ING's solvency risk governance is based on the three-lines-of-defence structure setting a clear division of responsibilities as well as an independent risk-control challenge process.

Group Treasury (GT) Balance Sheet & Capital Management, as first line of defence, is responsible for maintaining the adequate capitalisation of ING Group and ING Bank entities, to manage the risk associated with ING's business activities. This involves not only managing, planning and allocating capital within ING Group, ING Bank and its various entities, but also helping to execute necessary capital market transactions, term (capital) funding and risk management transactions. ING takes an integrated approach to assess the adequacy of its capital position in relation to its risk profile and operating environment. This means GT's Balance Sheet & Capital Management takes into account both regulatory and internal, economic-based metrics and requirements, as well as the interests of key stakeholders, such as shareholders and rating agencies.

Integrated Risk acts as second line of defence and is therefore responsible for all the risk topics within the internal capital adequacy assessment process (ICAAP) framework. This starts with the annual risk identification and risk-assessment process which functions as the starting point for the annual review of the related building blocks. Integrated risk coordinates the annual review of the risk appetite framework and as part of this proposes the solvency risk appetite. The output of the risk assessment is also used by Integrated Risk for the annual review of ICAAP stress-test scenarios and the economic capital framework. By doing so, Integrated Risk challenges the execution, management and control processes in relation to the business activities.

As the third line of defence, Corporate Audit Services provides an ongoing independent and objective assessment of the effectiveness of internal controls to mitigate risks embedded in ING's business processes, including risk management activities performed by both the first and second line of defence.

The SB remains ultimately responsible for overseeing ING's overall ICAAP framework whereas the EB and MBB are responsible for the functioning of the ICAAP processes by managing and executing them. Delegated decision power is mandated towards ALCO Bank. As a sub-committee of ALCO Bank, the ICLAAP Committee and Stress Test Council own delegated responsibilities concerning the ICAAP processes and brings together expertise and knowledge from different key departments involved. It functions as an oversight body, responsible for maintaining a sound and effective processes and ensuring that the different elements of the ICAAP fit coherently together as an integral part of the institution's overall management framework.

ICAAP framework

ING's internal capital adequacy assessment process (ICAAP) framework aims to ensure that capital levels remain adequate – both forward-looking and under adverse conditions, in terms of covering material risks-to-capital from both a normative and an economic (internal) perspective. The assessment of ING's capital adequacy takes into account its business strategy and risk profile, market environment, and operating macro environment. This implies that views of various stakeholders, such as regulators, shareholders, investors, rating agencies, clients and customers play an important role.

The continued strength of ING's capital position, the adequacy of the financial position, and risk management effectiveness are essential to achieving the strategy. ING's capital and funding strategy determines the underlying ICAAP elements, and thereby contributes to ING's business continuity from different perspectives.

Managing ING's capital entails finding the right balance between supply and demand, while taking into account market and macro circumstances. The process of balancing these strategic goals is captured in the ICAAP framework. It is enabled by six building blocks and underlying elements facilitating the ICAAP. The following building blocks have been defined in the ICAAP framework, which are applied for both the 'normative' and 'economic' perspective as defined in the ECB guide to ICAAP, published in November 2018:

- Risk identification and assessment;
- Risk appetite;
- Solvency stress testing;
- Planning and forecasting;
- Capital management;
- Continuity.

Risk identification and assessment

ING's capital management and solvency risk management starts with the risk-identification and risk-assessment process. Its main purpose is to detect potential new risks and identify changes in the potential impact of known risks. On an annual basis, ING performs a thorough review of its solvency risks or risks to capital. Within this assessment, bottom-up assessments are combined with top-down assessments, including a questionnaire and interviews with senior management. The results of the risk assessment are discussed in ALCO Bank, which comprises of almost the full MBB. Once approved, the conclusions of the risk assessment feed into the annual review of the risk appetite framework, the stress-testing framework, and the economic capital framework. In addition to this annual process, ING also reassesses its risks as part of its capital adequacy statement, a quarterly process to assess ING's capital adequacy.

Risk appetite

As explained in the RAF section in the previous chapter, ING has established overarching solvency risk boundaries. Boundaries are risk appetite statements that are essential for risk management activity, making it of paramount importance to keep these boundaries within the defined level. The SB is responsible for approving and monitoring the boundaries, which are complemented by a sequence of risk-type-specific instruments (risk appetite statements). These underlying risk appetite statements are cascaded down into the organisation, and dedicated risk thresholds are set that are used for the day-to-day monitoring and management of ING's risks. ING has solvency risk appetite statements in place for the following metrics: CET1 ratio, total capital ratio, leverage ratio, total loss-absorbing capacity (TLAC), and minimum requirement for own funds and eligible liabilities (MREL) based on RWA/leverage ratio and economic capital adequacy.

Solvency stress testing

Solvency stress testing allows ING to examine the effect of plausible but severe stress scenarios on the solvency position. It also provides insight into which entities or portfolios are vulnerable to certain types of risks or scenarios. Solvency stress testing is an important tool in identifying, assessing, measuring, and controlling risks to capital, providing a complementary and forward-looking perspective to other solvency risk management tools. For solvency stress testing, ING follows the same steps described in the overall section on stress testing.

ING distinguishes the following three types of stress test analysis:

- Sensitivity analysis: Assess the impact of a predefined shock in one or more risk drivers. The main purpose of sensitivity analyses is to monitor the impact of this predefined (or standardised) shock over time to get an understanding of how the risk profile of the bank has developed. In contrast with scenario analyses, sensitivity analyses are built on a predefined set of shocks that don't necessarily relate to a qualitative story line.
- Scenario analysis: Used to assess the impact of historical, statistical and/or hypothetical circumstances on the financial position of ING. These stress tests often build on a qualitative scenario narrative and reflect risk topics that are deemed relevant for ING given, for example, its business model or geographical presence. To execute such a stress test, scenarios need to be determined that are dynamic and forward-looking, and incorporate the occurrence of a string of events through time.
- Reverse stress testing: The purpose is to identify scenarios that could lead to a pre-defined outcome. This could, for example, be a CET1 ratio or MREL to define the point at which the bank is considered not viable anymore. The added value of reverse stress testing is to explore risk drivers and stress scenarios outside the existing range.

The outcomes of solvency stress test analyses are taken into account in capital planning, but also for setting risk appetite statements and the capital management buffer.

Planning and forecasting

The capital and funding plan is an integral part of the dynamic plan, ING's financial and business planning process. Its objective is to inform and advise the management on the capital development and need of ING Group and ING Bank, under base case and adverse scenarios. It describes how ING shall finance the expected capital constraints taking into consideration growth projections, capital and risk evolution, macro and market conditions, both under the normative and economic perspective. The capital and funding plan is discussed and approved by ALCO Bank and updated at least twice a year. Within these updates, ING takes account of recent market and risk developments, and aims to ensure that capital planning adheres to the solvency risk appetite set by the SB.

Capital management

Formulation of the CET1 target is a key element in solvency risk management. The target ratio, based on the management buffer concept, enables ING's senior management to steer, benchmark and assess the bank's current and future capital levels much more efficiently. The target level clearly supports trust-building among ING's key stakeholders (e.g. regulators, investors, and customers).

The capital management buffer aims to protect the interests of key stakeholders and plays an important role in the overall capital adequacy governance. The rationale behind the buffer is that it provides an additional cushion on top of the (local) regulatory minimum requirements (e.g. supervisory review and evaluation process (SREP) requirements) to withstand a certain level of stress and facilitate awareness and preparedness to take management actions. ING reviews its capital management buffer on a regular basis to determine its effectiveness and robustness, updating it as appropriate. See also Note 44 'Capital management'.

Continuity

Risk events with high severity or significant deteriorations of economic and market conditions beyond ING's control could cause deviations from the business and capital plans, which may result in a potential capital shortfall.

ING has therefore set up a continuity (safety) net of contingency and recovery planning. As part of this, ING set up ongoing monitoring of relevant indicators with the aim of awareness and preparedness to act proactively to ensure continuity. The intervention measures, which can be activated when deemed necessary, consist of predefined RWA reduction measures, as well as direct capital-increasing measures. The escalation mechanisms are defined, governed and detailed in the contingency and recovery plans.

Both plans aim to restore ING's capital adequacy. Depending on the severity of the situation, the contingency plan can be activated at this warning phase, as well as triggering further mitigating action and formation of the contingency crisis teams. Further drops in capital levels trigger the alert phase for recovery monitoring and/or the activation of the recovery plan and corresponding crisis teams.

Assessing capital adequacy: Capital Adequacy Statement (CAS)

The CAS is ING Group's quarterly assessment of its capital adequacy and takes into account different elements with respect to its capital position. The degree to which ING's capital position is considered adequate depends on a variety of internal and external drivers:

- Current supervisory requirements and (expected) requirements going forward;
- Current internal requirements and (expected) requirements going forward (economic capital/view);
- Coherence of the available capital with the (realisation of) strategic plans;
- The ability to meet internal and external requirements in the case of stressed events or should a risk materialise.

The CAS assesses the adequacy of ING's capital position in relation to the above-mentioned drivers and states the extent to which the capital position consequently is considered as adequate. On a quarterly basis, the CAS document is prepared. Additionally each year, the EB/MBB signs and provides a comprehensive assessment of ING's capital adequacy, supported by the ICAAP outcomes, in the form of a capital adequacy statement.

Capital developments

ING Bank's capital ratios at the end of the year decreased compared to 2022 primarily due to lower available CET1 capital as a result of the EUR 4.0 billion additional distributions that were upstreamed to ING Group. Risk-weighted assets were mainly impacted by volume reduction in Russia-related exposure, currency movements, improvement in book quality and model impacts.

ING Bank paid EUR 6.3 billion of dividend to ING Group in relation to the 2023 profit and an additional EUR 4.0 billion for distribution to shareholders by the Group.

ING Bank N.V. has a CET1 ratio of 11.95% versus an overall CET1 requirement (including buffer requirements) of 7.50%. The Bank's Tier 1 ratio decreased from 14.5% to 14.1% compared to last year. The Banks's Total capital ratio decreased to 17.0%.

Credit risk

Introduction

Credit risk is the risk of loss from the default and/or credit rating deterioration of clients. Credit risks arise in ING's lending, financial markets and investment activities. The credit risk section provides information on how ING measures, monitors and manages credit risk and gives an insight into the portfolio from a credit risk perspective.

Governance (*)

ING's credit risk strategy is to maintain an internationally diversified loan and bond portfolio, while avoiding large risk concentrations. The emphasis is on managing business developments within the defined credit and concentration risk appetite. The aim is to support relationship banking activities, while maintaining internal risk/reward guidelines and controls.

The Credit Risk department is responsible for setting the credit risk strategy for ING and aims to ensure credit risk and credit restructuring are managed from an overarching point of view rather than per business line. Furthermore, the Credit Risk Control Unit is responsible for the oversight and control of rating systems.

While the Credit Risk department has oversight of the Group credit risk strategy and risk appetite across Retail Banking risk and Wholesale Banking risk, the head of Retail/Rest of World (RoW) Risk and head of Wholesale Banking Risk aim to ensure the management of the risk within these business lines. Also refer to the Risk governance and organisational structure in the introductory section of 'Risk management'.

The Credit Risk function encompasses the following activities:

- Providing consistent credit risk policies, systems and tools to manage the credit lifecycle of all activities;
- Measuring, monitoring and managing credit risks in the bank's portfolio, including evaluation of scenario and stress test results;
- Challenging and approving new and modified transactions and borrower reviews, including involvement in the process of assigning risk ratings to indicate a clients's creditworthiness;
- Managing the levels of provisioning and risk costs, and advising on impairments.

Credit risk categories (*)

In the following table the different types of credit risk categories are described and a reconciliation with the notes in the financial statements is also included:

Reconciliation between credit risk categories and financial position (*)

Credit risk categories	Notes in the financial statements		
Lending risk: is the risk that the client (counterparty, corporate or individual) does not pay the principal interest or fees on a loan when they are due, or on demand for letters of credit (LCs) and guarantees provided by ING.	Note	2	Cash and balances with central banks
	Note	3	Loans and advances to banks
	Note	4	Financial assets at fair value through profit or loss
	Note	5	Financial assets at fair value through other comprehensive income
	Note	7	Loans and advances to customers
	Note	38	Contingent liabilities and commitments
Investment risk: is the credit default and risk rating migration risk that is associated with ING's investments in bonds, commercial paper, equities, securitisations and other similar publicly traded securities. This can be viewed as the potential loss that ING may incur from holding a position in underlying securities whose issuer's credit quality deteriorates or defaults.	Note	4	Financial assets at fair value through profit or loss
	Note	5	Financial assets at fair value through other comprehensive income
	Note	6	Debt securities
Money market risk: arises when ING places short-term deposits with a counterparty in order to manage excess liquidity. In the event of a counterparty default, ING may lose the deposit placed.	Note	2	Cash and balances with central banks
	Note	3	Loans and advances to banks
	Note	7	Loans and advances to customers
Pre-settlement risk: arises when a client defaults on a transaction before settlement and ING must replace the contract by a trade with another counterparty at the then prevailing (possibly unfavourable) market price. This credit risk category is associated with derivatives transactions (exchange-traded derivatives, over-the-counter (OTC) derivatives and securities financing transactions).	Note	4	Financial assets at fair value through profit or loss
	Note	14	Financial liabilities at fair value through profit or loss
	Note	37	Offsetting financial assets and liabilities
Settlement risk: arises when there is an exchange of value (funds or instruments) and receipt from its counterparty is not verified or expected until after ING has given irrevocable instructions to pay or has paid or delivered its side of the trade. The risk is that ING delivers but does not receive delivery from its counterparty.	Note	4	Financial assets at fair value through profit or loss
	Note	11	Other assets
	Note	14	Financial liabilities at fair value through profit or loss
	Note	16	Other liabilities

Credit risk appetite and concentration risk framework (*)

The credit risk appetite and concentration risk framework is designed to prevent undesired high levels of credit risk and credit concentrations within various levels of the ING portfolio. It is derived from the concepts of boundaries and instruments as described in the ING Risk Appetite Framework (RAF).

Credit risk appetite is the maximum level of credit risk ING is willing to accept for growth and value creation. The credit risk appetite is linked to the overall bank-wide RAF. The credit risk appetite is expressed in quantitative and qualitative measures. Having a credit risk appetite provides:

- Clarity about the credit risks that ING is prepared to assume, target setting and prudent risk management. Credit risk appetite is used as an input for Lending guidances which are made by sector and/or location;
- Consistent communication to different stakeholders;
- Guidelines on how to align reporting and monitoring tools with the organisational structure and strategy;
- Alignment of business strategies and key performance indicators of business units with ING's credit risk appetite through dynamic planning.

The credit risk appetite is set at different levels and dimensions within ING. The credit risk appetite framework specifies the scope and focus of the credit risk which ING takes and the composition of the credit portfolio, including its concentration and diversification objectives in relation to business lines, locations, sectors and products. The credit risk appetite framework has also been extended to embed climate risk elements. The first steps towards introducing climate risk elements in the credit risk appetite framework were taken in 2022 and these have further evolved and matured in 2023. The climate risk elements within the credit risk appetite framework allow for more efficient steering of sector concentrations from a climate risk perspective.

The credit concentration risk framework is composed of:

- Country risk concentration: Country risk is the risk that arises due to events in a specific country (or group of countries). To manage the maximum country loss ING is willing to accept, boundaries are approved by the SB. The estimated level is correlated to the risk rating assigned to a given country. Actual country limits are set by means of country instruments, which are monitored monthly and updated, when needed. For countries with elevated levels of geopolitical or severe economic cycle risk, monitoring is performed on a more frequent basis with strict pipeline and exposure management.
- Single name and secondary risk concentration: ING has an established credit concentration risk framework to identify, measure and monitor single name concentration including secondary risk. The same concept of boundaries and instruments is applicable.
- Sector and product concentration risk are managed via the credit risk appetite framework.

Credit risk models (*)

Within ING, internal CRR-compliant models are used to determine probability of default (PD), exposure at default (EAD) and loss given default (LGD) for regulatory and economic capital purposes. These models also form the basis of ING's IFRS 9 loan loss provisioning (see 'IFRS 9 models' below). Bank-wide, ING has implemented approximately 100 credit risk models, for regulatory capital, economic capital and loan loss provisioning purposes.

There are two main types of PD, EAD and LGD models used throughout the bank:

- Statistical models are created where a large set of default or detailed loss data is available. They are characterised by sufficient data points to facilitate meaningful statistical estimation of the model parameters. The model parameters are estimated with statistical techniques based on the data set available.
- Hybrid models are statistical models supplemented with knowledge and experience of experts from risk management and front-office staff, literature from rating agencies, supervisors and academics. These models are only used for 'low default portfolios', where limited historical defaults exist.

Credit risk rating process (*)

The majority of risk ratings are based on a risk rating (PD) model that complies with the minimum requirements detailed in CRR/CRDIV, ECB Supervisory Rules and European Banking Authority (EBA) guidelines. This concerns all borrower types and segments.

ING's PD rating models are based on a 1-22 internal risk rating scale (1 = highest rating; 22 = lowest rating) referred to as the 'master scale', which roughly corresponds to the rating grades that are assigned by external rating agencies, such as Standard & Poor's, Moody's and Fitch. For example, an ING rating of 1 corresponds to an S&P/Fitch rating of AAA and a Moody's rating of Aaa; an ING rating of 2 corresponds to an S&P/Fitch rating of AA+ and a Moody's rating of Aa1, and so on.

The 22 internal risk rating grades are composed of the following categories:

- Investment grade (risk rating 1-10);
- Non-investment grade (risk rating 11-17);
- Performing Restructuring (risk rating 18-19);
- Non-performing (risk rating 20-22).

The first three categories (1-19) are risk ratings for performing loans. Ratings are calculated in IT systems with internally developed models, based on manually or automatically fed data, or for part of the non-performing loans set by the global or regional credit restructuring department. Under certain conditions, the outcome of a manually fed model can be challenged through a rating appeal process. For securitisation portfolios, the external ratings of the tranche in which ING has invested are leading indicators.

Risk ratings assigned to clients are reviewed at least annually, with the performance of the underlying models monitored regularly. Some of these models are global in nature, such as those for large corporates, commercial banks, insurance companies, central governments, funds, fund managers, project finance and leveraged companies. Other models are more regional or country-specific: there are PD models for small and medium enterprises (SMEs) in the Netherlands, Belgium, Poland as well as residential mortgage and consumer loan models in the various retail markets.

Rating models for Retail clients are predominantly statistically driven and automated, such that ratings can be updated on a monthly basis. Rating models for large corporates, institutions and banks include both statistical characteristics and manual input, with the ratings being manually updated at least annually. More frequent reviews (e.g. quarterly) are performed where considered necessary, for example portfolios and clients most at risk of being impacted by the Russian invasion of Ukraine and expected spillover effects.

In line with evolving regulatory expectations on models and emerging industry practices ING has embarked a multi-year redevelopment process of its credit risk models. This is also in line with ING's model governance to ensure continuous improvement of models.

Credit risk systems

Credit risk tools and data standards

The acceptance, maintenance, measurement, management and reporting of credit risks at all levels of ING are executed through single, common credit risk data standards using shared credit risk tools that support standardised and transparent credit risk practices. ING has chosen to develop credit risk tools centrally with the philosophy of using a single source of data in an integrated way. This includes applying a combination of the ING policy, the regulatory environment in which we operate and the daily processes that are active throughout the Group. Disciplined application in these three areas is essential for achieving high data quality standards.

The credit risk control unit (CRCU), which is part of the Credit Risk department, manages the CRCU control framework offering quality assurance on the regulatory areas of responsibility: the oversight and control of rating systems. This framework leans on control execution in other teams such as model development in Integrated Risk where the combination of these different teams is considered for the CRCU self-assessment.

Credit risk portfolio (*)

ING's credit exposure is mainly related to lending to individuals (also referred to as consumer lending, all Retail) and businesses (referred to as business lending, both in Retail and Wholesale) followed by investments in bonds and securitised assets, and money market (Wholesale). Loans to individuals are mainly mortgage loans secured by residential property. Loans (including guarantees issued) to businesses are often collateralised, but may be unsecured based on the internal analysis of the borrower's creditworthiness. Bonds in the investment portfolio are generally unsecured, but predominantly consist of bonds issued by central governments and EU and/or OECD-based financial institutions. Secured bonds, such as mortgage-backed securities and asset-backed securities are secured by the underlying diversified pool of assets (commercial or residential mortgages, car loans and/or other assets) held by the securities issuer. For money market, exposure is mainly deposits to central banks. The last major credit risk source involves pre-settlement exposures which arise from trading activities, including derivatives, repurchase transactions and securities lending/borrowing transactions. This is also commonly referred to as counterparty credit risk.

Portfolio analysis per business line (*)

Outstandings per line of business (*)[1, 2, 3]

in € million		Wholesale Banking		Retail Benelux		Retail Challengers & Growth Markets		Corporate Line		Total	
Rating class		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Investment grade	1 (AAA)	52,716	89,686	310	324	34,373	32,492	2,284	2,529	89,682	125,032
	2-4 (AA)	67,034	49,320	7,089	7,871	52,566	40,498	6	12	126,694	97,701
	5-7 (A)	95,320	79,292	44,026	45,471	88,051	61,422	147	320	227,543	186,505
	8-10 (BBB)	123,081	129,709	118,340	117,172	27,955	56,046	2,357	2,497	271,733	305,424
Non-Investment grade	11-13 (BB)	57,348	56,409	57,652	55,945	36,756	46,657		4	151,756	159,016
	14-16 (B)	12,234	13,693	16,872	14,224	12,459	11,662			41,565	39,579
	17 (CCC)	1,122	1,858	2,129	2,021	985	1,014	196	299	4,431	5,192
Performing Restructuring loans	18 (CC)	2,523	3,564	1,363	1,304	594	519			4,481	5,386
	19 (C)	535	731	876	962	437	490			1,848	2,183
Non-performing loans	20-22 (D)	4,051	4,354	4,586	4,762	3,036	2,592			11,673	11,708
Total		**415,965**	**428,616**	**253,241**	**250,056**	**257,211**	**253,391**	**4,989**	**5,662**	**931,406**	**937,725**
Industry											
Private Individuals		2,330	32	165,447	163,243	193,610	191,556			361,387	354,831
Central Banks		70,139	80,006			21,740	23,541	2,269	1,495	94,147	105,043
Natural Resources		40,511	44,695	1,259	1,160	624	694			42,394	46,549
Real Estate		24,904	26,426	23,675	22,648	2,936	3,439			51,515	52,513
Commercial Banks		37,393	42,036	177	194	6,006	5,721	2,515	2,911	46,091	50,863
Non-Bank Financial Institutions		55,313	54,274	1,400	1,379	890	504	89	102	57,692	56,258
Central Governments		45,316	41,622	2,124	2,880	5,180	3,838	1	1,016	52,621	49,356
Transportation & Logistics		27,106	25,474	4,105	4,038	1,679	1,471			32,890	30,982
Utilities		23,324	22,683	2,024	1,865	160	150			25,509	24,698
Food, Beverages & Personal Care		13,503	13,681	7,307	7,356	2,576	2,585			23,386	23,623
Services		9,128	9,926	11,596	11,606	1,276	981	24	33	22,023	22,546
General Industries		12,039	11,731	5,680	5,753	3,406	3,381			21,126	20,865
Lower Public Administration		6,211	6,020	6,885	5,921	10,608	9,725			23,704	21,666
Other		48,748	50,009	21,563	22,014	6,519	5,805	92	104	76,922	77,932
Total		**415,965**	**428,616**	**253,241**	**250,056**	**257,211**	**253,391**	**4,989**	**5,662**	**931,406**	**937,725**

Outstandings per line of business (*) - continued [1, 2, 3]

in € million		Wholesale Banking		Retail Benelux		Retail Challengers & Growth Markets		Corporate Line		Total	
Region		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Europe	Netherlands	54,989	61,143	155,792	154,253	390	254	2,366	2,898	213,537	218,548
	Belgium	24,171	27,144	90,450	88,767	1,294	669	7	0	115,921	116,580
	Germany	26,152	24,441	478	463	128,407	127,764	31	63	155,067	152,730
	Poland	20,346	16,350	9	49	28,962	26,831	0	0	49,317	43,229
	Spain	11,047	10,491	109	71	27,049	25,649	35	25	38,240	36,237
	United Kingdom	28,587	27,735	150	152	125	185	112	107	28,974	28,179
	Luxembourg	23,805	26,113	4,880	4,953	677	639	0	15	29,363	31,720
	France	21,528	18,484	698	643	2,410	4,448	14	1	24,650	23,576
	Rest of Europe	65,157	77,814	367	400	20,001	18,750	32	24	85,558	96,989
America		78,851	80,444	201	190	1,841	1,795	25	22	80,917	82,450
Asia		49,851	46,291	69	73	90	121	2,365	2,504	52,374	48,989
Australia		9,409	9,817	14	16	45,963	46,281	2	2	55,389	56,116
Africa		2,071	2,348	24	28	2	5	0	0	2,098	2,381
Total		**415,965**	**428,616**	**253,241**	**250,056**	**257,211**	**253,391**	**4,989**	**5,662**	**931,406**	**937,725**

1 Based on credit risk measurement contained in lending, pre-settlement, money market and investment activities.
2 Based on the total amount of credit risk in the respective column using ING's internal credit risk measurement methodologies. Economic sectors (industry) below 2% are not shown separately but grouped in Other.
3 Geographical areas are based on country of residence, except for private individuals for which the geographical areas are based on the primary country of risk.

Overall portfolio (*)

During 2023, ING's portfolio size decreased by €6.3 billion (-0.67%) to €931.4 billion outstanding. Foreign exchange rate changes had a negative impact on the portfolio growth, mainly in WB, decreasing total outstanding by €4.6 billion, driven by the depreciation of the US dollar (-3.8%) against the euro, Australian dollar (-3.4%) and Turkish lira (-42.1%), partly compensated by the Polish zloty (+6.8%).

Rating distribution (*)

Overall, the rating class distribution remained stable in 2023. The share of investment grade rating classes increased from 76.2% to 76.8%, while the share of non-investment grade decreased from 21.7% to 21.2%. Performing restructuring outstandings decreased from 0.8% to 0.7% of the total portfolio, whereas non-performing loans increased from 1.2% to 1.3%. The decrease in AAA and the increase in AA was mainly due to lower Central banks/Central Governments exposure in AAA-rated countries, partly driven by the downgrade of the USA to AA rating.

With respect to the rating distribution within the business lines, in WB, investment grade remained at 81.2%, where non-investment grade exposures increased to 17.1% (from 16.8%) compared to 2022. Performing Restructuring assets decreased from 1.0% to 0.7% of total Wholesale Banking assets. The share of non-performing loans for WB remained stable at 1.0%.

The non-investment grade portfolio of Retail Benelux increased from 28.9% to 30.3% of the portfolio, which is explained primarily by rating migration in mortgages in Belgium. Performing restructuring remained flat at 0.9% whereas NPL improved to 1.8% (from 1.9%) in 2023.

In Retail Challengers & Growth Markets, the distribution across rating classes remained stable in 2023. Overall share of investment grade increased from 75.2% to 78.9%. NPL increased to 1.2% (from 1.0%).

Industry (*)

The industry breakdown is presented in accordance with the NAICS definition. Total volume decreased in 2023 from €938.1 billion to €931.6 billion (-0.7%), mainly witnessed in Netherlands (-2.3%) and in Luxembourg (-7.4%) due to a decrease in outstanding at Central Banks. The largest part of our book in terms of outstandings is in private individuals with 38.8% (2022: 37.8%). Private individuals accounted for 67% outstanding in Germany, 67% in Spain, 66% Australia and 55% in the Netherlands. The increase in WB Private individuals is following the discontinuation of Retail Banking France which led to the transfer of the Retail individuals portfolio from Retail Banking to Wholesale Banking.

Looking at sectors in the Business Lending portfolio, the most notable decrease in outstanding, next to Central Banks, was in Natural Resources (-€4.2 billion).

Outstandings by economic sectors and geographical area (*) [1]

in € million	Region													Total
Industry	Netherlands	Belgium	Germany	Poland	Spain	United Kingdom	Luxembourg	France	Rest of Europe	America	Asia	Australia	Africa	2023
Private Individuals	116,530	44,637	103,151	14,860	25,452	128	3,347	2,472	14,179	149	121	36,340	20	361,387
Central Banks	31,017	9,756	18,945	2,530	489	4,335	4,853	0	6,166	0	13,668	2,379	9	94,147
Natural Resources	2,623	1,346	1,017	685	129	3,789	2,511	429	10,608	8,237	9,785	941	295	42,394
Real Estate	16,907	10,986	1,111	2,184	1,551	420	3,563	2,901	3,492	3,323	1,367	3,709	0	51,515
Commercial Banks	1,268	404	4,050	601	353	4,488	5,070	4,155	6,757	9,833	8,182	719	210	46,091
Non-Bank Financial Institutions	2,573	1,457	5,710	2,532	652	6,837	4,631	4,274	4,269	19,921	3,884	950	0	57,692
Central Governments	1,620	9,046	699	8,614	5,491	41	79	2,255	9,384	13,752	520	526	593	52,621
Transportation & Logistics	3,860	2,198	1,277	1,598	658	2,113	596	784	8,177	3,511	7,044	456	618	32,890
Utilities	2,419	1,634	3,516	792	912	2,723	480	619	4,469	4,424	1,306	2,041	173	25,509
Food, Beverages & Personal Care	7,138	3,127	550	2,242	490	540	1,505	1,250	2,455	2,652	1,140	281	18	23,386
Services	5,073	8,463	1,725	1,325	71	745	502	380	1,052	1,576	469	642	0	22,023
General Industries	5,746	2,604	1,193	2,827	333	199	649	287	3,661	2,848	761	18	0	21,126
Lower Public Administration	253	6,607	5,349	669	350	0	249	3,488	356	1,550	7	4,826	0	23,704
Other	16,510	13,657	6,774	7,858	1,309	2,615	1,326	1,356	10,532	9,141	4,120	1,562	163	76,922
Total	**213,537**	**115,921**	**155,067**	**49,317**	**38,240**	**28,974**	**29,363**	**24,650**	**85,558**	**80,917**	**52,374**	**55,389**	**2,098**	**931,406**
Rating class														
Investment grade	170,118	71,730	136,675	31,772	29,583	24,299	24,083	18,692	56,404	63,652	44,481	44,139	24	715,653
Non-Investment grade	40,399	40,236	16,929	15,785	8,134	4,508	5,013	5,713	25,967	15,806	6,769	10,715	1,776	197,751
Performing restructuring	1,433	799	349	830	230	2	105	122	1,983	245	72	132	26	6,328
Non-performing loans	1,587	3,155	1,114	929	293	165	162	124	1,205	1,213	1,051	403	272	11,673
Total	**213,537**	**115,921**	**155,067**	**49,317**	**38,240**	**28,974**	**29,363**	**24,650**	**85,558**	**80,917**	**52,373**	**55,389**	**2,098**	**931,406**

1 Geographical areas are based on country of residence, except for private individuals for which the geographical areas are based on the primary country of risk.

Outstandings by economic sectors and geographical area (*) [1]

in € million	Region													Total
Industry	Netherlands	Belgium	Germany	Poland	Spain	United Kingdom	Luxembourg	France	Rest of Europe	America	Asia	Australia	Africa	2022
Private Individuals	114,625	44,193	101,529	13,767	24,865	138	3,486	2,731	13,654	161	131	35,528	24	354,831
Central Banks	35,202	14,338	21,041	1,060	347	427	6,820	35	18,092	0	4,962	2,695	24	105,043
Natural Resources	3,084	1,356	809	746	169	4,442	2,764	470	12,154	8,771	10,398	1,028	361	46,549
Real Estate	17,586	10,112	1,388	2,374	1,391	413	3,797	3,155	3,378	3,474	1,180	4,263	2	52,513
Commercial Banks	1,359	265	3,974	551	402	4,933	4,480	4,371	6,368	9,945	12,041	1,765	409	50,863
Non-Bank Financial Institutions	2,710	1,041	5,054	2,299	99	8,229	4,489	3,220	4,495	19,636	4,091	896	0	56,258
Central Governments	3,342	7,716	1,179	6,578	4,578	46	175	1,797	8,444	13,979	333	636	551	49,356
Transportation & Logistics	3,967	2,183	608	1,300	690	1,787	583	733	7,808	3,378	6,806	531	608	30,982
Utilities	1,551	1,630	2,814	679	1,227	2,953	572	980	4,302	4,347	1,545	1,897	200	24,698
Food, Beverages & Personal Care	7,249	3,002	573	2,334	475	739	1,667	469	2,668	3,245	942	248	13	23,623
Services	4,819	8,816	1,254	1,101	67	685	808	1,066	1,120	1,821	357	632	0	22,546
General Industries	5,430	2,689	1,007	2,849	311	330	604	245	3,152	2,926	1,311	9	0	20,865
Lower Public Administration	272	5,638	5,197	644	200	0	313	3,126	402	1,310	0	4,564	0	21,666
Other	17,353	13,602	6,302	6,946	1,416	3,058	1,164	1,179	10,952	9,457	4,891	1,424	188	77,932
Total	**218,548**	**116,580**	**152,730**	**43,229**	**36,237**	**28,179**	**31,720**	**23,576**	**96,989**	**82,450**	**48,989**	**56,116**	**2,381**	**937,725**
Rating class														
Investment grade	174,972	76,244	130,285	27,501	28,556	23,160	26,053	17,545	64,884	63,870	39,903	41,476	213	714,662
Non-Investment grade	40,325	36,036	20,967	14,596	7,330	4,634	5,442	5,814	27,617	17,615	7,638	13,914	1,858	203,786
Sub-standard grade	1,508	984	579	422	105	41	80	16	2,903	311	124	257	239	7,569
Non-performing loans	1,743	3,316	899	710	246	344	145	201	1,584	654	1,325	470	72	11,708
Total	**218,548**	**116,580**	**152,730**	**43,229**	**36,237**	**28,179**	**31,720**	**23,576**	**96,989**	**82,450**	**48,989**	**56,116**	**2,381**	**937,725**

1 Geographical areas are based on country of residence, except for private individuals for which the geographical areas are based on the primary country of risk.

Portfolio analysis per geographical area (*)

The portfolio analysis per geographical area re-emphasises the international distribution of ING's credit portfolio. The share of the Netherlands in the overall portfolio (ex-Central Banks) reduced to 21.8% (2022: 22.0%).

The most noticeable trend in the Netherlands was the decrease in exposure with central banks (-€4.2 billion). Outstandings to private individuals are at 63.9% (2022: 62.5%) of total outstandings (excl. Central Banks). In Belgium, no substantial changes were observed in the portfolio.

In terms of rating distribution in individual countries, the total share of investment grade/non-investment grade remains substantial for the Netherlands at 98.6% (2022: 98.5%) and in Belgium 96.6% (2022: 96.3%). Performing restructuring grade assets remained flat in the Netherlands at 0.7%, whereas Belgium decreased from 0.8% to 0.7%. The NPL share decreased in 2023, from 0.8% to 0.7% in the Netherlands, and from 2.8% to 2.7% in Belgium.

In Challengers & Growth Markets, ING has a sizeable residential mortgages portfolio in Germany, Australia, Spain and Poland.

The top five countries within Rest of Europe based on outstandings were: Italy (€18.7 billion), Romania (€11.5 billion), Switzerland (€11.2 billion), Türkiye (€7.2 billion) and Ireland (€4.7 billion).

In Europe, outside the Benelux, rating distribution in most countries remained stable. The most noticeable changes in rating distribution were observed in Rest of Europe, where the development of the Russian portfolio caused a decrease into Performing Restructuring from 3.0% to 2.3%. Note the paragraph on Russian exposures in section 'Risk management at ING Bank'. Apart from Russia, noticeable changes occurred in the UK, where NPL decreased from 1.2% to 0.6%.

In terms of rating distribution for the Americas region, an increase in NPL is observed to 1.5% (from 0.8%), whereas in Asia, NPL decreased from 2.7% to 2.0%. In Africa, NPL increased from 3.0% to 13.0%, driven by one well-covered file.

Credit risk mitigation (*)

ING uses various techniques and instruments to mitigate the credit risk associated with an exposure and to reduce the losses incurred subsequent to a default by a customer. The most common terminology used in ING for credit risk protection is 'cover'. While a cover may be an important mitigant of credit risk and an alternative source of repayment, generally it is ING's practice to lend on the basis of the customer's creditworthiness rather than exclusively relying on the value of the cover.

Cover forms (*)

Within ING, there are two distinct forms of covers. First, where the asset has been pledged to ING as collateral or security, ING has the right to liquidate it should the customer be unable to fulfil its financial obligation. As such, the proceeds can be applied towards full or partial compensation of the customer's outstanding exposure. This may be tangible (such as cash, securities, receivables, inventory, plant and machinery, and mortgages on real estate properties) or intangible (such as patents, trademarks, contract rights and licences). Second, where there is a third-party obligation, indemnification or undertaking (either by contract and/or by law), ING has the right to claim from that third party an amount if the customer fails on its obligations. The most common examples are guarantees, such as parent guarantees, export credit insurances or third-party pledged mortgages. Insurance or reinsurance covers, including comprehensive private risk insurance (CPRI) may be recognised as guarantees and effectively function in an equivalent manner. ING accepts credit risk insurance companies and export credit agencies (ECAs) as cover providers.

Cover valuation methodology (*)

General guidelines for cover valuation are established with the objective of ensuring consistent application within ING. These also require that the value of the cover is monitored on a regular basis. Covers are revalued periodically and whenever there is reason to believe that the market is subject to significant changes in conditions. The frequency of monitoring and revaluation depends on the type of cover.

The valuation method also depends on the type of covers. For asset collateral, the valuation sources can be the customer's balance sheet (e.g. inventory, machinery and equipment), nominal value (e.g. cash and receivables), market value (e.g. securities and commodities), independent valuations (e.g. commercial real estate) and market indices (e.g. residential real estate). For third-party obligations, the valuation is based on the value that is attributed to the contract between ING and that third party.

Where collateral values are used in the calculation of stage 3 individual loan loss provisions, haircuts may be applied to the valuation in specific circumstances, to sufficiently include all relevant factors impacting future cash flows. ING applies haircuts to the collateral values of real estate, shipping and aviation assets that are used in the calculation of the loss-given-default in recovery scenarios. The haircut reflects the risks of adverse price developments between the moment of valuation of an asset and the actual settlement/cash receipt.

Cover values (*)

This section provides insight into the types of cover and the extent to which exposures benefit from collateral or guarantees. The disclosure differentiates between risk categories (lending, investment, money market and pre-settlement). The most relevant types of cover include mortgages, financial collateral (cash and securities) and guarantees. ING obtains cover that is eligible for credit risk mitigation under CRR/CRDIV, as well as cover that is not eligible. Collateral covering financial market transactions is valued on a daily basis, and as such not included in the following tables. To mitigate the credit risk arising from financial markets transactions, the bank enters into legal agreements governing the exchange of financial collateral (high-quality government bonds and cash).

The cover values are presented for the total portfolio of ING, both the performing and non-performing portfolio. Our definition of non-performing is explained in detail in 'Credit restructuring' (below).

The next table gives an overview of the collateralisation of the ING's total portfolio.

Cover values including guarantees received (*)

in € million		Cover type and value				Collateralisation		
2023	Outstandings	Mortgages	Financial Collateral	Guarantees	Other covers	No Cover	Partially covered	Fully covered
Consumer lending	360,124	804,994	22,401	25,269	29,070	6.2 %	2.0 %	91.8 %
Business lending	363,680	162,491	26,333	115,944	428,531	35.2 %	22.5 %	42.3 %
Investment and money market	158,506		0	1,040	549	99.0 %	0.6 %	0.4 %
Total lending, investment and money market	**882,309**	**967,485**	**48,735**	**142,252**	**458,149**	**34.8 %**	**10.2 %**	**55.0 %**
of which NPL	**11,653**	**8,880**	**1,609**	**3,204**	**9,241**	**25.7 %**	**26.9 %**	**47.4 %**
Pre-settlement	49,096							
Total Bank	**931,406**							

Cover values including guarantees received (*)

in € million		Cover type and value				Collateralisation		
2022	Outstandings	Mortgages	Financial Collateral	Guarantees	Other covers	No Cover	Partially covered	Fully covered
Consumer lending	353,323	700,961	5,626	24,231	42,817	6.2 %	7.6 %	86.2 %
Business lending	379,070	167,122	29,501	118,294	438,864	37.5 %	22.3 %	40.2 %
Investment and money market	141,432	—	5	1,213	2	99.1 %	0.6 %	0.3 %
Total lending, investment and money market	**873,824**	**868,083**	**35,132**	**143,738**	**481,683**	**34.8 %**	**12.9 %**	**52.3 %**
of which NPL	**11,637**	**7,738**	**1,007**	**3,648**	**3,045**	**25.2 %**	**25.7 %**	**49.2 %**
Pre-settlement	63,901							
Total Bank	**937,725**							

Excluding the pre-settlement portfolio, 55.0% (2022: 52.3%) of ING's outstandings were fully collateralised in 2023. Since investments traditionally do not require covers, the percentage for 'no covers' in this portfolio is above 95%. However, 99% of the investment outstanding is investment grade. Improved economic conditions in ING's main markets contributed to improved collateral valuations, observed in consumer lending.

Consumer lending portfolio (*)

The consumer lending portfolio accounts for 38.7% (2022: 37.7%) of ING's total outstanding, primarily consisting of residential mortgage loans and other consumer lending loans. As a result, most collateral consists of mortgages. Mortgage values are collected in an internal central database and in most cases external data is used to index the market value. A significant part of ING's residential mortgage portfolio is in the Netherlands (34.8%), Germany (28.0%), Belgium including Luxembourg (13.3%) and Australia (10.9%).

Note that the large increase in Financial Collateral and decrease in Other covers is related to a reclassification of certain cover types.

Business lending portfolio (*)

Business lending accounts for 39.1% (2022: 40.4%) of ING's total outstanding. Business lending presented in this section does not include pre-settlement, investment and money market exposures.

Credit quality (*)

Credit risk ratings

	Regular	Watch List	Restructuring[1]	Non-performing[1]
Possible ratings	1–19	1–19	11–20	20-22
Typical ratings	1–14	15–17	18–20	20-22
Deterioration in risk	Not significant	Significant	Significant	Significant
Significant intervention	Not required	Not required	Required	Required
Account Ownership	Front Office	Front Office	Front Office	Front Office
Credit Risk Management	Regular	Regular	Credit Restructuring	Credit Restructuring
Primary Manager	Front Office	Front Office	Credit Restructuring	Credit Restructuring
Accounting provisioning	Stage 1/2	Stage 1/2	Stage 2/3	Stage 3

1 Restructuring can be performing and non-performing; reference is made to the Credit restructuring section.

Credit quality outstandings (*)

in € million	2023	2022
Performing not past due	795,796	799,655
Business lending performing past due	8,825	7,659
Consumer lending performing past due	846	780
Non-performing	11,653	11,691
Total lending and investment	**817,120**	**819,785**
Money market	**65,189**	**54,039**
Pre-settlement	**49,096**	**63,901**
Total	**931,406**	**937,725**

Past due obligations (*)

Retail Banking measures its portfolio in terms of payment arrears and determines on a monthly basis if there are any significant changes in the level of arrears. This methodology is applicable to private individuals, as well as business lending. An obligation is considered 'past due' if a payment of interest or principal is more than one day late. ING aims to help its customers as soon as they are past due by reminding them of their payment obligations. In its contact with the customers, ING aims to solve the (potential) financial difficulties by offering a range of measures (e.g. payment arrangements, restructuring). If the issues cannot be cured, for example because the customer is unable or unwilling to pay, the contract is sent to the recovery unit. The facility is downgraded to risk rating 20 (non-performing) when the facility or obligor – depending on the level at which the non-performing status is applied – is more than 90 days past due and to risk rating 21 or 22 in case of an exit scenario.

ING has aligned the regulatory concept of non-performing with that of the definition of default. Hence, in WB, obligors are classified as non-performing when a default trigger occurs:

- ING believes the borrower is unlikely to pay. The borrower has evidenced significant financial difficulty, to the extent that it will have a negative impact on the future cash flows of the financial asset. The following events could be seen as indicators of financial difficulty:
  - The borrower (or third party) has started insolvency proceedings;
  - A group company/co-borrower has NPL status;
  - Indication of fraud (affecting the company's ability to service its debt);
  - There is doubt as to the borrower's ability to generate stable and sufficient cash flows to service its debt;
  - Restructuring of debt.
- ING has granted concessions relating to the borrower's financial difficulty, the effect of which is a reduction in expected future cash flows of the financial asset below current carrying amount.
- The obligor has failed in the payment of principal, interest or fees, the total past due amount is above the materiality threshold and this remains the case for more than 90 consecutive days.

Further, WB has an individual name approach, using early warning indicators to signal possible future issues in debt service.

Ageing analysis (past due but performing): Consumer lending portfolio by geographic area, outstandings (*)[1]

in € million		2023				2022			
Region		Past due for 1–30 days	Past due for 31–60 days	Past due for 61–90 days	Total	Past due for 1–30 days	Past due for 31–60 days	Past due for 61–90 days	Total
Europe	Belgium	223	43	29	295	294	27	18	339
	Germany	89	40	18	147	68	34	13	116
	Poland	76	8	5	89	59	8	4	71
	Netherlands	67	24	6	97	36	10	5	51
	Luxembourg	21	2	2	25	43	4	2	48
	Spain	19	13	6	38	13	9	5	27
	Rest of Europe	64	19	11	94	62	16	8	86
America		1			1	1			1
Asia					1				
Australia		43	15	1	59	29	11	2	42
Total		**602**	**164**	**79**	**846**	**604**	**119**	**57**	**780**

The past due but performing consumer lending outstanding increased by €66 million, mainly due to increase in 31-60 (+€45 million) and 61-90 (+€23 million). The largest increase was observed in the Netherlands (+€47 million) and Germany (+€31 million) mainly in the 1-30-day bucket; the largest decrease was seen in Belgium (-€44 million) driven by the decrease in the 1-30 bucket.

Ageing analysis (past due but performing): Business lending portfolio by geographic area, outstandings (*)

in € million		2023				2022				
Region		Past due for 1–30 days	Past due for 31–60 days	Past due for 61–90 days	Total	Past due for 1–30 days	Past due for 31–60 days	Past due for 61–90 days	Past due for >90 days	Total
Europe	Belgium	929	98	11	1,037	579	49	10		639
	United Kingdom	623	659	128	1,410	1,147	77	512		1,736
	Luxembourg	577	8	11	596	302	1			303
	Netherlands	509	10	12	531	730	30	15		775
	Poland	346	26	10	383	279	35	14		329
	France	58	132		190	83	6			90
	Germany	131	110	1	242	44	16			60
	Rest of Europe	972	2	2	977	474	239	1	1	715
America		2,508	101	41	2,650	1,901	67	19		1,986
Asia		284		22	306	553	48			601
Australia		501	1		502	359	61	4	2	426
Total		**7,437**	**1,148**	**240**	**8,825**	**6,452**	**629**	**575**	**4**	**7,659**

Total past due but performing outstanding of business lending increased by €1.2 billion. Increase is observed in the 1-30 days (€1.0 billion) past due bucket and in the 31-60 days (€0.5 billion), partly offset by a decrease in the 61–90 days past due bucket(-€336 million), driven by the United Kingdom (-€383 million).

Credit restructuring (*)

Global Credit Restructuring (GCR) is the dedicated and independent department that deals with non-performing loans and loans that hold a reasonable probability that ING will end up with a loss, if no specific action is taken. GCR handles accounts or portfolios requiring an active approach, which may include renegotiation of terms and conditions and business or financial restructuring. The loans are managed by GCR or by units in the various regions and business units. ING uses three distinct statuses to categorise the management of clients with (perceived) deteriorating credit risk profiles, i.e. there is increasing doubt as to the performance and the collectability of the client's contractual obligations:

- Watch list: Usually, a client is first classified as watch list when there are concerns of any potential or material deterioration in credit risk profile that may affect the ability of the client to adhere to its debt service obligations or to refinance its existing loans. Watch list status requires more than usual attention, increased monitoring and quarterly reviews. Some clients with a watch list status may develop into a restructuring status or even a recovery status.
- Restructuring: A client is classified as restructuring when there are concerns about the client's financial stability, credit worthiness, and/or ability to repay, but where the situation does not require the termination or acceleration of facilities or the liquidation of collateral. ING's actions aim to maintain the going concern status of the client by:
  - restoring the client's financial stability;
  - supporting the client's turnaround;
  - restoring the balance between debt and equity; and
  - restructuring the debt to a sustainable situation.
- Recovery: A client is classified as in recovery when ING and/or the client concludes that the client's financial situation cannot be restored and a decision is made to terminate the (credit) relationship or even to enter into bankruptcy. ING prefers an amicable exit, but will enforce and liquidate the collateral or claim under the guarantees if deemed necessary.

Watch list, restructuring and recovery accounts are reviewed at least quarterly by the front office, GCR and the relevant credit risk management executives.

Forbearance (*)

Forbearance occurs when a client is unable to meet their financial commitments due to financial difficulties they face or are about to face and ING grants concessions towards them. Forborne assets are assets in respect of which forbearance measures have been granted.

Forbearance may enable clients experiencing financial difficulties to continue repaying their debt.

For business clients, ING mainly applies forbearance measures to support clients with fundamentally sound business models that are experiencing temporary difficulties with the aim of maximising the client's repayment ability and therewith avoiding a default situation or helping the client to return to a performing situation.

For ING retail units, clear criteria have been established to determine whether a client is eligible for the forbearance process. Specific approval mandates are in place to approve the measures, as well as procedures to manage, monitor and report the forbearance activities.

ING reviews the performance of forborne exposures at least quarterly, either on a case-by-case (business) or on a portfolio (retail) basis.

All exposures are eligible for forbearance measures, i.e. both performing (risk ratings 1-19) and non-performing (risk ratings 20-22) exposures. ING uses specific criteria to move forborne exposures from non-performing to performing or to remove the forbearance statuses that are consistent with the corresponding European Banking Authority (EBA) standards. An exposure is reported as forborne for a minimum of two years. An additional one-year probation period is applied to forborne exposures that move from non-performing back to performing.

Summary Forborne portfolio (*)

in € million	2023				2022			
Business line	Outstandings	Of which: performing	Of which: non-performing	% of total portfolio	Outstandings	Of which: performing	Of which: non-performing	% of total portfolio
Wholesale Banking	6,063	3,919	2,144	1.9 %	8,359	5,880	2,478	2.7%
Retail Banking	7,026	4,128	2,898	1.4 %	8,080	4,973	3,107	1.6%
Total	**13,089**	**8,047**	**5,042**	**1.6 %**	**16,438**	**10,853**	**5,585**	**2.0%**

Summary Forborne portfolio by forbearance type (*)

in € million	2023				2022			
Forbearance type	Outstandings	Of which: performing	Of which: non-performing	% of total portfolio	Outstandings	Of which: performing	Of which: non-performing	% of total portfolio
Loan modification	11,881	7,550	4,331	1.4 %	15,317	10,428	4,889	1.9%
Refinancing	1,208	497	711	0.1 %	1,121	426	695	0.1%
Total	**13,089**	**8,047**	**5,042**	**1.5 %**	**16,438**	**10,853**	**5,585**	**2.0%**

As of 31 December 2023, ING's total forborne assets decreased by €3.3 billion compared to 31 December 2022. WB decreased by €2.3 billion and Retail Banking decreased by €1.1 billion. The decreases are mainly caused by passing the two-year probation period following the Covid-19 pandemic.

Wholesale Banking (*)

As of December 2023, WB forborne assets amounted to €6.1 billion (2022: €8.4 billion), which represented 1.9% (2022: 2.7%) of the total WB portfolio.

Wholesale Banking: Forborne portfolio by geographical area (*)

in € million		2023			2022		
Region		Outstandings	Of which: performing	Of which: non-performing	Outstandings	Of which: performing	Of which: non-performing
Europe	Netherlands	361	301	60	720	630	90
	Belgium	454	446	8	659	651	8
	Germany	288	148	139	580	466	115
	United Kingdom	583	425	158	1,044	721	323
	Italy	54	19	34	205	157	48
	Norway	6		6	33		33
	Poland	520	519		203	189	14
	Rest of Europe	1,421	1,142	279	2,176	1,749	427
America		1,025	532	493	1,353	1,032	321
Asia		1,198	277	921	1,107	143	964
Australia		87	87		217	132	85
Africa		68	23	45	61	10	51
Total		**6,063**	**3,919**	**2,144**	**8,359**	**5,880**	**2,478**

Wholesale Banking: Forborne portfolio by economic sector (*)

in € million	2023			2022		
Industry	Outstandings	Of which: performing	Of which: non-performing	Outstandings	Of which: performing	Of which: non-performing
Natural Resources	788	321	467	1,239	603	636
Real Estate	1,320	1,254	66	2,000	1,917	84
Transportation & Logistics	315	175	139	1,073	868	205
Food, Beverages & Personal Care	866	465	401	1,082	543	539
Services	284	254	30	697	665	32
Automotive	138	98	40	172	125	46
Utilities	510	255	255	469	255	214
General Industries	145	74	71	255	176	80
Retail	282	104	178	302	227	76
Chemicals, Health & Pharmaceuticals	571	559	11	191	168	23
Builders & Contractors	133	72	61	168	94	74
Other	712	287	425	710	240	469
Total	**6,063**	**3,919**	**2,144**	**8,359**	**5,880**	**2,478**

The main concentration of forborne assets in a single country was in United States with 13.6% (2022: 11.5%) of the total WB forborne assets.

WB forborne assets decreased by €2.3 billion compared to 2022, also driven by passing the two-year probation period following the Covid-19 pandemic. Decrease is mainly visible in the performing forborne assets (-€2.0 billion), mainly in the industries Transportation & Logistics, Real Estate and Services. The decrease was partial offset by an increase for Chemicals, Health and Pharmaceuticals, driven by a few large individual clients.

WB's forborne assets are mainly concentrated in Real Estate, Food Beverages & Personal Care, Natural Resources, Chemicals, Health & Pharmaceuticals, and Utilities. These five economic sectors accounted for 67% of the total WB forborne outstandings.

Retail Banking (*)

As of the end of December 2023, Retail Banking forborne assets totalled €7.0 billion, which represented 1.4% of the total Retail Banking portfolio. The majority of forborne exposures were in private individuals with 50.5%.

Retail Banking: Forborne portfolio by geographical area (*)

in € million		2023			2022		
Region		Outstandings	Of which: performing	Of which: non-performing	Outstandings	Of which: performing	Of which: non-performing
Europe	Netherlands	1,483	981	502	2,832	2,043	789
	Belgium	2,153	838	1,315	2,644	1,331	1,314
	Germany	1,309	1,064	246	804	610	194
	Poland	852	522	330	588	309	279
	Türkiye	25	15	10	64	31	32
	Italy	123	51	71	131	52	79
	Romania	135	49	86	124	53	71
	Spain	138	118	21	35	15	20
	Rest of Europe	88	58	30	73	48	25
America		21	20		13	12	
Asia		2	1	1	3	1	1
Australia		697	411	286	768	467	302
Africa					1		
Total		**7,026**	**4,128**	**2,898**	**8,080**	**4,973**	**3,107**

The main concentration of forborne assets in a single country was in Belgium with 30.6% (2022: 32.7%) of total Retail Banking forborne assets and 45.4% (2022: 42.3%) of the non-performing forborne assets. Next to that, Netherlands had 21.1% (2022: 35.0%) of the total Retail forborne assets and Germany 18.6% (2022:10.0%). The increase in Germany is driven by mortgages, where clients that choose for a repayment percentage below a certain threshold, though contractually allowed, are conservatively considered forborn.

Non-performing loans (*)

ING’s loan portfolio is under constant review. Loans to obligors that are considered more than 90 days past due and above applicable thresholds are reclassified as non-performing. For business lending portfolios, there generally are reasons for declaring a loan non-performing prior to the obligor being 90 days past due. These reasons include, but are not limited to, ING’s assessment of the customer’s perceived inability to meet its financial obligations, or the customer filing for bankruptcy or bankruptcy protection.

The table below represents the breakdown by industry of credit risk outstandings that have been classified as non-performing.

Non-performing Loans: outstandings by economic sector and business lines (*)[1]

in € million	Wholesale Banking		Retail Benelux		Retail Challengers & Growth Markets		Total	
Industry	2023	2022	2023	2022	2023	2022	2023	2022
Private Individuals	4		2,210	2,174	2,206	1,954	4,419	4,129
Natural Resources	669	1,369	60	34	25	17	754	1421
Food, Beverages & Personal Care	565	672	363	438	157	122	1,085	1233
Transportation & Logistics	437	367	69	165	65	51	572	583
Services	101	119	415	448	66	61	582	628
Real Estate	592	172	398	486	64	54	1,053	712
General Industries	111	114	270	268	115	100	497	482
Builders & Contractors	124	139	291	244	162	110	577	493
Retail	207	98	121	107	67	39	395	244
Utilities	331	387	12	7	6	7	348	401
Chemicals, Health & Pharmaceuticals	101	175	97	115	35	20	233	310
Telecom	378	288	9	12	3	3	390	303
Other	412	440	270	260	66	52	748	753
Total	**4,034**	**4,340**	**4,583**	**4,759**	**3,036**	**2,592**	**11,653**	**11,691**

1 Based on Lending and Investment outstandings.

Non-performing Loans: outstandings by economic sectors and geographical area (*)

in € million	Region													Total
Industry	Netherlands	Belgium	Germany	Poland	Spain	United Kingdom	France	Luxembourg	Rest of Europe	America	Asia	Australia	Africa	2023
Private Individuals	609	1,535	885	225	235	3	8	45	489	2	2	380	1	4,419
Natural Resources	30	60	1	23				55	164	31	369		20	754
Food, Beverages & Personal Care	281	157	1	131		139	7		158	82	128			1,085
Transportation & Logistics	110	50	2	51	47	20		1	168	49	1	2	72	572
Services	121	342	2	55	2		3	8	13	37				582
Real Estate	40	297	53	55	9		36	16	7	519		21		1,053
General Industries	145	127	49	99			2	7	24	42				496
Builders & Contractors	113	181	2	135				22	91	32				577
Retail	51	82	36	52			2		14	149	7			395
Utilities	14	5		21					18	153	138			348
Chemicals, Health & Pharmaceuticals	31	77	13	25			64		11	12				233
Telecom	12	1	28	3					13	56	277			390
Other	28	239	42	55		2	1	6	23	46	128		179	748
Total	**1,586**	**3,153**	**1,114**	**929**	**293**	**165**	**124**	**162**	**1,193**	**1,210**	**1,050**	**403**	**272**	**11,653**

Non-performing Loans: outstandings by economic sectors and geographical area (*)

in € million	Region													Total
Industry	Netherlands	Belgium	Germany	Poland	Spain	United Kingdom	France	Luxembourg	Rest of Europe	America	Asia	Australia	Africa	2022
Private Individuals	574	1,538	739	185	194	4	11	36	470	3	4	370	1	4,129
Natural Resources	57	33		14				53	432	77	649	85	21	1,421
Food, Beverages & Personal Care	310	179	24	109		173	7		228	77	126			1,233
Transportation & Logistics	232	58	1	36	47	20		2	154	24	7	1		583
Services	136	375	2	43	5		3	2	21	40				628
Real Estate	89	376		54		84	25	19	7	47		11		712
General Industries	127	142	17	78			31	2	26	58				482
Builders & Contractors	65	187	2	86				20	101	32				493
Retail	31	85	38	26			18	1	13	22	7	2		244
Utilities	6	6	26	23					17	194	129			401
Chemicals, Health & Pharmaceuticals	51	100	2	15		14	100		28					310
Telecom	24	1		3						5	270			303
Other	40	232	48	38		50		10	79	75	130		51	753
Total	**1,742**	**3,312**	**899**	**710**	**246**	**344**	**196**	**145**	**1,578**	**654**	**1,324**	**470**	**72**	**11,691**

In 2023, the NPL portfolio stayed relatively flat at €11.7 billion. An increase in Challengers & Growth retail (+ €0.4 billion) was offset by decreases in Wholesale Banking (-€0.3 billion) and Retail Benelux (-€0.2 billion). The increase in Challengers & Growth Markets was mainly witnessed in private individuals. In Wholesale Banking, the decrease in the Natural Resources sector was partially compensated by an increase in Real Estate sector, especially in the Americas. The top three countries by NPL outstanding are Belgium, the Netherlands and the Americas.

Loan loss provisioning (*)

ING recognises loss allowances based on the expected credit loss (ECL) model of IFRS 9, which is designed to be forward-looking. The IFRS 9 impairment requirements are applicable to on-balance sheet financial assets measured at amortised cost or fair value through other comprehensive income (FVOCI), such as loans, debt securities and lease receivables, as well as off-balance-sheet items such as undrawn loan commitments, financial- and non-financial guarantees issued.

ING distinguishes between two types of calculation methods for credit loss allowances:

- Collective 12-month ECL (Stage 1) and collective lifetime ECL (Stage 2) for portfolios of financial instruments, as well as collective lifetime ECL for credit-impaired exposures (Stage 3) below €1 million;
- Individual lifetime ECL for credit-impaired (Stage 3) financial instruments with exposures above €1 million.

IFRS 9 models (*)

ING's IFRS 9 models leverage on the internal rating-based (IRB) models (PD, LGD, EAD), which include certain required conservatism. To include IFRS 9 requirements, such regulatory conservatism is removed from the ECL parameters (PD, LGD and EAD). The IFRS 9 models apply two other types of adjustments to the IRB ECL parameters: (i) to the economic outlook and (ii) for Stage 2 and Stage 3 assets only, to the lifetime horizon. The IFRS 9 model parameters are estimated based on statistical techniques and supported by expert judgement.

ING has aligned the definition of default for regulatory purposes with the definition of ‘credit-impaired’ financial assets under IFRS 9 (Stage 3). ING has also aligned its definition of default between IFRS9 and the regulatory technical standards (RTS) and EBA guidelines. More information can be found in section 1.5.6 of the consolidated financial statements.

Climate and environmental risks in IFRS 9 models (*)

Climate risk drivers (physical and transition risks) can reduce the ability of businesses and households to fulfil their obligations due on existing lending contracts. These may also lead to depreciation/ erosion of collateral values which would translate into higher credit losses and loan-to-value ratios in the lending portfolio of ING.

At this point in time it is not yet possible to incorporate climate risk separately into IFRS 9 ECL models given the lack of sufficient empirical historical data and data limitations in the risk assessments on client level.

Where climate and environmental factors have impacted the economy in the recent past or present, these impacts will currently be implicitly embedded in ING's IFRS9 ECL models through the projected macroeconomic indicators (e.g. indirectly via GDP growth and unemployment rates). We note however that our ECL models are primarily sensitive to the short-term economic outlook as we use a three-year time horizon for macroeconomic outlook, after which a mean reversion approach is applied.

With regard to our evaluation of climate-related matters, where such events have already occurred (e.g. floods, stranded assets etc.), the impact of such events is individually assessed in the calculation of Stage 3 Individual provisions or management adjustments to ECL models. For example, we consider whether affected assets have suffered from a significant increase in credit risk (or are credit impaired) and whether the ECL is appropriate.

Over the near-term time horizon, ING plans to continue to refine its methodologies to evaluate climate risks. ING is working on putting into practice quantitative methodologies for climate and environmental (C&E) risk identification, materiality assessment and risk appetite setting. Refer to ESG risk paragraph for further details on ESG risk management. Going forward, ING aims to continue to close the gaps on climate risk data, which will enable us to embed climate risks eventually into the IFRS 9 ECL models.

Reconciliation gross carrying amount (IFRS 9 eligible) and statement of financial position

in € million	2023							2022						
	Gross Carrying Amount	Loan Loss Provisions	Cash and on-demand bank positions	Reverse Repurchase transactions	Cash collateral	Other	Statement of financial position	Gross Carrying Amount	Loan Loss Provisions	Cash and on-demand bank positions	Reverse Repurchase transactions	Cash collateral	Other	Statement of financial position
Amounts held at Central Banks	90,602	-5	-794			410	90,214	88,349	-12	-1,170			447	87,614
Loans and Advances to Banks	5,835	-30	2,381	5,251	3,063	208	16,708	8,796	-37	2,851	19,395	3,679	419	35,103
Financial Instruments FVOCI Loans	983	-8				-24	951	640	-1				4	643
Financial Instruments FVOCI Debt securities	38,323	-13				-30	38,281	28,752	-21				364	29,095
Securities at Amortised Cost	48,770	-22				-435	48,313	48,372	-17				-195	48,160
Loans and Advances to customers	647,925	-5,621		499	3,914	-4,265	642,453	642,678	-5,984		1,306	4,176	-6,619	635,557
Total on-balance (IFRS 9 eligible)	**832,439**	**-5,697**	**1,587**	**5,750**	**6,978**	**-4,137**	**836,919**	**817,587**	**-6,071**	**1,681**	**20,701**	**7,855**	**-5,580**	**836,173**
Guarantees and irrevocable facilities (IFRS 9 eligible)	192,458	-142						149,732	-29					
Total Gross Carrying Amount (IFRS 9 eligible)	**1,024,897**	**-5,839**						**967,319**	**-6,101**					

This table presents the reconciliation between the statement of financial position and the gross carrying amounts used for calculating the expected credit losses. No expected credit loss is calculated for cash, on-demand bank positions, reverse repurchase transactions, cash collateral received in respect of derivatives and other. Therefore these amounts are not included in the total gross carrying amount (IFRS 9 eligible). Other includes value adjustments on hedged items, deferred acquisition costs on residential mortgages and a receivable which is offset against a liquidity facility.

ING Bank changed its accounting policy for non-financial guarantees that are subject to contractual indemnification rights (such as performance and other non-financial guarantees as well as letters of credit) from IAS 37 principles to loan commitment accounting under IFRS 9. The re-scoping was triggered by the introduction of IFRS 17 insurance contracts and results in reliable and more relevant information. The off balance sheet IFRS 9 eligible guarantees and irrevocable facilities of 31 December 2022 have not been restated to conform to current year presentation.

Portfolio quality (*)

The table below describes the portfolio composition over the different IFRS 9 stages and rating classes. The Stage 1 portfolio represents 91.5% (2022: 91.5%) of the total gross carrying amounts, mainly composed of investment grade, while Stage 2 makes up 7.4% (2022: 7.3%) and Stage 3 makes up 1.2% (2022: 1.2%) of the total gross carrying amounts, respectively.

Gross carrying amount per IFRS 9 stage and rating class (*)[1,2,3]

in € million 2023		12-month ECL (Stage 1)		Lifetime ECL not credit impaired (Stage 2)		Lifetime ECL credit impaired (Stage 3)		Total	
Rating class		**Gross Carrying Amount**	**Provisions**	**Gross Carrying Amount**	**Provisions**	**Gross Carrying Amount**	**Provisions**	**Gross Carrying Amount**	**Provisions**
Investment grade	1 (AAA)	87,122	1	439				87,561	1
	2-4 (AA)	132,159	8	2,553	2			134,711	9
	5-7 (A)	231,018	24	6,188	6			237,206	30
	8-10 (BBB)	302,967	85	17,004	24			319,971	108
Non-Investment grade	11-13 (BB)	157,387	226	19,273	93			176,661	319
	14-16 (B)	26,414	164	19,336	455			45,750	618
	17 (CCC)	617	10	3,928	233			4,545	242
Performing Restructuring	18 (CC)			4,617	402			4,617	402
	19 (C)			1,919	221			1,919	221
Non-performing loans	20-22 (D)					11,956	3,887	11,956	3,887
Total		**937,684**	**517**	**75,257**	**1,435**	**11,956**	**3,887**	**1,024,897**	**5,839**

1 Compared to the credit risk portfolio, the differences are mainly undrawn committed amounts (€151 billion) and other positions (€9 billion) not included in credit outstandings and non-IFRS 9 eligible assets (€67 billion, mainly pre-settlement exposures) included in credit outstandings but not in the gross carrying amounts.
2 Includes impact from change in accounting policy as disclosed in table Changes in gross carrying amounts and loan loss provisions.
3 Stage 3 lifetime credit impaired provision includes €11 million on purchased or originated credit impaired.

Gross carrying amount per IFRS 9 stage and rating class (*)[1,2]

in € million 2022		12-month ECL (Stage 1)		Lifetime ECL not credit impaired (Stage 2)		Lifetime ECL credit impaired (Stage 3)		Total	
Rating class		**Gross Carrying Amount**	**Provisions**	**Gross Carrying Amount**	**Provisions**	**Gross Carrying Amount**	**Provisions**	**Gross Carrying Amount**	**Provisions**
Investment grade	1 (AAA)	100,885	2	284				101,169	2
	2-4 (AA)	98,181	5	2,493	1			100,675	6
	5-7 (A)	177,617	23	4,596	4			182,214	27
	8-10 (BBB)	320,972	98	14,714	29			335,687	127
Non-Investment grade	11-13 (BB)	155,910	277	17,365	91			173,275	368
	14-16 (B)	23,649	168	19,386	471			43,035	639
	17 (CCC)	7,671	8	4,572	194			12,244	202
Performing Restructuring	18 (CC)			5,198	595			5,198	595
	19 (C)			2,116	293			2,116	293
Non-performing loans	20-22 (D)					11,708	3,841	11,708	3,841
Total		**884,886**	**581**	**70,725**	**1,679**	**11,708**	**3,841**	**967,319**	**6,101**

1Compared to the credit risk portfolio, the differences are mainly undrawn committed amounts (€150.1 billion) and other positions (€4.4 billion) not included in credit outstandings and non-IFRS 9 eligible assets (€116.1 billion, mainly guarantees, letters of credit and pre-settlement exposures) included in credit outstandings but not in the gross carrying amounts.
2 IAS 37 provisions are established for non-credit replacement guarantees not in the scope of IFRS 9. Total IAS 37 provisions (€109 million) are excluded.

Changes in gross carrying amounts and loan loss provisions (*)

The table below provides a reconciliation by stage of the gross carrying amount and allowances for loans and advances to banks and customers, including loan commitments and financial guarantees. The transfers of financial instruments represent the impact of stage transfers upon the gross carrying/nominal amount and associated allowance for ECL. This includes the net-remeasurement of ECL arising from stage transfers, for example, moving from a 12-month (Stage 1) to a lifetime (Stage 2) ECL measurement basis.

The net-remeasurement line represents the changes in provisions for facilities that remain in the same stage.

Please note the following comments with respect to the movements observed in the table below:

- The opening balance is impacted by a change in accounting policy following the adoption of IFRS 17, more specifically for loans with death waivers that no longer meet the ‘solely payments of principal and interest’ (SPPI) criterion (€-55 million loan loss provisions impact) which are no longer recorded at amortised cost, and a change in policy for non-financial guarantees that are subject to contractual indemnification rights which led to a reclassification of the existing IAS 37 provision (€109 million loan loss provisions impact) and a remeasurement of these non-financial guarantees (€42 million loan loss provisions impact). Reference is made to Note 1 'Basis of preparation and significant changes in the current reporting period'.
- Stage 3 gross carrying amount increased slightly to €12.0 billion as at 31 December 2023 as new inflow into NPL (credit impaired) in 2023 was only partly offset by repayments, derecognitions and write-offs. Stage 3 provisions remained more or less flat at €3.9 billion.
- Stage 2 gross carrying amount increased by €0.1 billion from €75.4 billion (after changes in accounting policies) as of 31 December 2022 to €75.5 billion as at 31 December 2023. An increase of Stage 2 exposure, driven by the implementation of an updated methodology for interest-only mortgages in the Netherlands, was offset by outflow due to improved macro economic outlook, decrease of exposure due to sales and repayments (including Russian exposure), forborne customers returning to Stage 1 after the probation period has ended and other improved risk drivers. As a result, Stage 2 provisions also decreased by €0.3 billion to €1.4 billion as of 31 December 2023.

Changes in gross carrying amounts and loan loss provisions (*)[1, 2]

in € million	12-month ECL (Stage 1)		Lifetime ECL not credit impaired (Stage 2)		Lifetime ECL credit impaired (Stage 3)		Total	
2023	Gross carrying amount	Provisions	Gross carrying amount	Provisions	Gross carrying amount	Provisions	Gross carrying amount	Provisions
Opening balance	884,886	581	70,725	1,679	11,708	3,841	967,319	6,101
Impact of changes in accounting policies	37,079	9	4,704	13	158	73	41,941	95
Adjusted Opening balance	921,965	590	75,429	1,692	11,866	3,914	1,009,260	6,196
Transfer into 12-month ECL (Stage 1)	11,832	28	-11,583	-239	-249	-36		-247
Transfer into lifetime ECL not credit impaired (Stage 2)	-29,134	-67	29,849	449	-716	-105		277
Transfer into lifetime ECL credit impaired (Stage 3)	-2,053	-10	-1,775	-115	3,828	978		853
Net remeasurement of loan loss provisions		-149		-94		59		-184
New financial assets originated or purchased	195,826	204					195,826	204
Financial assets that have been derecognised	-121,991	-72	-14,239	-215	-1,475	-266	-137,705	-553
Net drawdowns and repayments	-38,758		-2,386		-229		-41,372	
Changes in models/risk parameters		8		10		84		102
Increase in loan loss provisions		**-58**		**-204**		**714**		**452**
Write-offs	-3	-3	-38	-38	-1,070	-1,070	-1,111	-1,111
Recoveries of amounts previously written off						71		71
Foreign exchange and other movements		-12		-15		258		231
Closing balance	**937,684**	**517**	**75,258**	**1,435**	**11,956**	**3,887**	**1,024,897**	**5,839**

1 Stage 3 lifetime credit impaired provision includes €11 million on purchased or originated credit impaired.
2 The addition to the loan provision (in the consolidated statement of profit or loss) amounts to €520 million of which €483 million related to IFRS 9 eligible financial assets, -€31 million related to non-credit replacement guarantees and €68 million to modification gains and losses on restructured financial assets.

Changes in gross carrying amounts and loan loss provisions (*)[1,2]

in € million	12-month ECL (Stage 1)		Lifetime ECL not credit impaired (Stage 2)		Lifetime ECL credit impaired (Stage 3)		Total	
2022	Gross carrying amount	Provisions	Gross carrying amount	Provisions	Gross carrying amount	Provisions	Gross carrying amount	Provisions
Opening balance	890,158	501	49,476	1,016	12,072	3,851	951,707	5,368
Transfer into 12-month ECL (Stage 1)	8,513	21	-8,105	-142	-408	-47		-168
Transfer into lifetime ECL not credit impaired (Stage 2)	-42,439	-76	43,222	730	-784	-90		564
Transfer into lifetime ECL credit impaired (Stage 3)	-3,524	-8	-1,216	-82	4,740	1,234		1,144
Net remeasurement of loan loss provisions		8		223		199		430
New financial assets originated or purchased	248,443	228					248,443	228
Financial assets that have been derecognised	-138,250	-70	-11,312	-94	-2,805	-215	-152,366	-379
Net drawdowns and repayments	-78,015		-1,340		21		-79,334	
Changes in models/risk parameters		-8		13		25		30
Increase in loan loss provisions		**95**		**648**		**1,106**		**1,849**
Write-offs				-1	-1,129	-1,129	-1,130	-1,130
Recoveries of amounts previously written off						71		71
Foreign exchange and other movements		-15		16		-58		-57
Closing balance	**884,886**	**581**	**70,725**	**1,679**	**11,708**	**3,841**	**967,319**	**6,101**

1 Stage 3 Lifetime credit impaired provision includes €7 million on purchased or originated credit impaired.
2 The addition to the loan provision (in the consolidated statement of profit or loss) amounts to €1.861 million of which €1.850 million related to IFRS 9 eligible financial assets, -€3 million related to non-credit replacement guarantees and €14 million to modification gains and losses on restructured financial assets.

Exposure per stage, coverage ratio and stage ratio's[2]

in € million	2023			2022		
Balance sheet	**Gross Carrying Amount**	**Loan loss provisions**	**Stage Ratio**	**Gross Carrying Amount**	**Loan loss provisions**	**Stage Ratio**
Loans and advances to Banks (including Central Banks)	96,436	34		97,146	49	
Stage 1	95,935	4	99%	95,788	9	99%
Stage 2	494	17	1%	1,339	20	1%
Stage 3	6	13	%	20	20	%
Loans and advances to Customers	647,927	5,621		643,317	5,984	
of which: Residential mortgages	331,467	821		326,928	677	
Stage 1	306,192	97	92%	312,165	75	96%
Stage 2	22,167	252	7%	11,877	176	4%
Stage 3	3,108	472	1%	2,886	426	1%
Of which: Consumer Lending (excl. Residential mortgages)	25,954	1,004		26,348	990	
Stage 1	22,081	177	85%	23,101	184	88%
Stage 2	2,743	198	11%	2,145	223	8%
Stage 3	1,131	629	4%	1,102	583	4%
Of which: Loans to public authorities	19,068	11		17,272	17	
Stage 1	18,083	4	95%	15,977	4	93%
Stage 2	691	2	4%	1,120	7	7%
Stage 3	294	5	2%	175	6	1%
Of which: Corporate Lending	271,438	3,785		272,769	4,300	
Stage 1	232,452	185	86%	227,167	279	83%
Stage 2	32,178	921	12%	38,497	1,225	14%
Stage 3	6,808	2,679	3%	7,105	2,795	3%
Other IFRS 9 Eligible Financial Instruments[1]	280,534	184		226,856	67	
Stage 1	262,941	50	94%	210,689	29	93%
Stage 2	16,984	46	6%	15,746	27	7%
Stage 3	609	88	%	421	11	0.2%
Total Gross Carrying Amount (IFRS 9 eligible)	1,024,897	5,839		**967,319**	**6,101**	

1 Includes Off balance sheet IFRS 9 eligible guarantees and irrevocable facilities. The comparatives (2022) were not adjusted for changes in accounting policies. Reference is made to Note 1 'Basis of preparation and significant changes in the current reporting period'.
2 The exposure classification to residential mortgages, consumer lending and corporate lending is aligned to the regulatory definition

Modification of financial assets (*)

The table below provides the following information:

- Financial assets that were modified during the year (i.e. qualified as forborne) while they had a loss allowance measured at an amount equal to lifetime ECL.
- Financial assets that were reclassified to stage 1 during the period.

Financial assets modified (*)

in € million	2023	2022
Financial assets modified during the period		
Amortised cost before modification	1,565	1,304
Net modification results	-75	-124
Financial assets modified since initial recognition		
Gross carrying amount at 31 December of financial assets for which loss allowance has changed to 12-month measurement during the period	2,599	2,382

Macroeconomic scenarios and sensitivity analysis of key sources of estimation uncertainty (*)

Methodology (*)

Our methodology in relation to the adoption and generation of macroeconomic scenarios is described in this section. We continue to follow this methodology in generating our probability-weighted ECL, with consideration of alternative scenarios and management adjustments supplementing this ECL where, in management's opinion, the consensus forecast does not fully capture the extent of recent credit or economic events. The macroeconomic scenarios are applicable to the whole ING portfolio in the scope of IFRS 9 ECLs.

The IFRS 9 standard, with its inherent complexities and potential impact on the carrying amounts of our assets and liabilities, represents a key source of estimation uncertainty. In particular, ING's reportable ECL numbers are sensitive to the forward-looking macroeconomic forecasts used as model inputs, the probability-weights applied to each of the three scenarios, and the criteria for identifying a significant increase in credit risk. As such, these crucial components require consultation and management judgement, and are subject to extensive governance.

Baseline scenario (*)

As a baseline for IFRS 9, ING has adopted a market-neutral view combining consensus forecasts for economic variables (GDP, unemployment) with market forwards (for interest rates, exchange rates and oil prices). Input from a leading third-party service provider is used to complement the consensus with consistent projections for variables for which there are no consensus estimates available (most notably house prices and – for some countries - unemployment), to generate alternative scenarios, to convert annual consensus information to a quarterly frequency and to ensure general consistency of the scenarios. As the baseline scenario is consistent with the consensus view it can be considered as free from any bias.

The relevance and selection of macroeconomic variables is defined by the ECL models under credit risk model governance. The scenarios are reviewed and challenged by two panels of ING experts. The first panel consists of (economic) experts from Global Markets Research, risk and modelling, while the second panel consists of relevant senior managers in ING.

Alternative scenarios and probability weights (*)

Two alternative scenarios are taken into account: an upside and a downside scenario. The alternative scenarios have statistical characteristics as they are based on the forecast deviations of the leading third-party service provider.

To understand the baseline level of uncertainty around any forecast, the leading third-party service provider keeps track of all its deviations (so called forecast errors) of the past 20 years. The distribution of forecast errors for GDP, unemployment, house prices and share prices is applied to the baseline forecast creating a broad range of alternative outcomes. In addition, to understand the balance of risks facing the economy in an unbiased way, the leading third-party service provider runs a survey with respondents from around the world and across a broad range of industries. In this survey respondents put forward their views of key risks. Following the survey results, the distribution of forecast errors (that is being used for determining the scenarios) may be skewed.

For the downside scenario, ING has chosen for the 90th percentile of that distribution because this corresponds with the way risk management earnings-at-risk is defined within the Group. The upside scenario is represented by the 10th percentile of the distribution. The applicable percentiles of the distribution imply a 20 percent probability for each alternative scenario. Consequently, the baseline scenario has a 60 percent probability weighting. Please note that, given their technical nature, the downside and upside scenarios are not based on an explicit specific narrative.

Macroeconomic scenarios applied (*)

The macroeconomic scenarios applied in the calculation of loan loss provisions are based on the consensus forecasts.

Baseline assumptions (*)
The general picture that the consensus conveys is that global economic growth is going through a weak spell. Inflation has been coming down as energy prices have moderated, demand has weakened and pandemic-related supply problems have eased. Higher interest rates play their part in slowing demand. Although central banks could well be done with hiking interest rates – as inflation continues to fall – the lagged impact of past monetary tightening is still feeding through to the real economy. This is expected to cause GDP growth to come in even weaker in 2024, but pickup thereafter as the negative effects from tight monetary policy and high inflation fade. The high-interest rate environment is currently causing corrections in house prices, especially in markets where prices surged during the pandemic. Housing market corrections are assumed to gradually decrease in strength.

The December 2023 consensus expects global output (as measured by the weighted average GDP growth rate of ING's 25 main markets) to slow from 2.6 percent in 2022, to 2.4 percent in 2023 and 1.8 percent in 2024. For 2025-2026, economic growth is expected to pick up again to 2.3 percent and 2.4 percent.

The US economy outperformed expectations in 2023, driven by strong consumer spending and fiscal support. Still, headwinds have been building up, in part driven by the much higher interest rates currently experienced. While an outright recession is not expected, the consensus does foresee a marked slowdown in economic activity in the US in 2024. After this, the US economy is expected to gather strength again in 2025. The consensus expects the growth rate of the US economy to fall from 2.2 percent in 2023 to 0.9 percent in 2024 and to recover to 2 percent on average in 2025-2026.

The eurozone economy is facing broad stagnation as it deals with the impact of the war in Ukraine, energy crisis, and higher interest rates. While inflation is coming down, the impact of last year's purchasing power shock is still being felt. Monetary tightening works with a lag, which will still affect economic activity next year. Overall, the eurozone economy is forecasted to have grown by just 0.5 percent in 2023, but Germany has gone through recession reflecting its large (energy-intensive) manufacturing sector, and exposure to a disappointing Chinese economy. For next year, the recovery is expected to be very modest as consensus expects the eurozone to grow by only 0.8 percent in 2024, before recovering to 1.4 percent on average in 2025-2026.

Elsewhere in Europe, the outlook is mixed. In Poland, after an expected 0.4 percent growth in 2023, the economy is expected to recover by 2.5 percent in 2024 led by household consumption growth. Wage growth is set to remain strong while inflation has subsided substantially. The consensus expectation for Türkiye is to see growth slow substantially in 2024 with unemployment remaining around 10 percent for the foreseeable future. The consensus sees economic growth in Türkiye slowing from 3.5 percent in 2023, to 2.1 percent in 2024 and increasing again to 3.3 percent on average in 2025-2026. The Russian economy has started to recover from the 2022 recession, but growth is set to moderate after 1.7 percent in 2023 to 1.2 percent on average in 2024-2026.

2023 was supposed to be the year of a strong reopening for China, but growth did not meet expectations. Weak global demand for goods has resulted in a weaker than expected industrial performance and the real estate sector continues to be a source of concern. For the 2024-2026 period, economic growth is expected to come in at only 4.2 percent despite increased stimulus.

The global economic slowdown and tighter monetary policy continue to weigh on economic growth in Australia. After growing by 1.7 percent in 2023, the outlook sees a growth rate of 1.3 percent for 2024 and some pick-up to 2.4 percent and 2.5 percent for 2025-2026. Unemployment is expected to run up a little more, from 4.1 percent in 2023 to 4.4 percent, but decrease again thereafter.

When compared to the December 2022 consensus forecast, used for the 2022 Annual Report, the December 2023 forecast assumes somewhat better economic circumstances in 2023 but weaker for 2024. The forecast assumes to have Global GDP increased by 2.4 percent in 2023 (compared to 1.3 percent assumed before) and is expected to grow by 1.8 percent in 2024 (2.4 percent assumed before). The upgrade for 2023 reflects the better than expected economic performance of the US and eurozone as a recession on the back of the energy crisis was avoided, while the downgrade for 2024 reflects the impact of substantial monetary tightening.

Alternative scenarios and risks (*)
Because of the possible consequences of geopolitical risks, uncertainty surrounding the forecasts was higher in 2022. During 2023, the uncertainty level around the forecasts gradually decreased. To take this into account, ING applies normal levels of dispersion in the alternative scenarios used for year-end 2023 provisioning. For year-end 2022 half-widened dispersion levels were used, by which the near-term dispersion of the forward-looking distributions (from which the alternative scenarios are derived) was larger than in normal times.

The baseline scenario assumes a further easing of inflation in 2024 and relatively resilient labour markets. However, a longer period of weakness, due to even more concerning geopolitical tensions, persistent elevated inflation and a slowdown in China could lead to a more protracted and deeper economic slowdown. As such, the balance of risks to the baseline outlook is negative and the alternative scenarios have a downward skew in line with the outcomes of the Global Risk Survey from a leading third-party service provider. The downward skew remained stable compared to what has been applied for year-end 2022, continuing to reflect risks related to possible escalation of geopolitical tensions, a prolonged surge in inflation and tightening monetary policy.

The downside scenario, though technical in nature, sees for most countries a recession in 2024. Unemployment increases strongly in this scenario and house prices in most countries show outright falls. The downside scenario captures a possible escalation of geopolitical tensions, a prolonged surge in inflation and further slowing in China.

The upside scenario – while equally technical in nature – reflects the possibility of a better economic outturn if consumers spend more of their excess savings, geopolitical risks subside and China stimulus works out more strongly than expected.

Management adjustments applied this year (*)

In times of volatility and uncertainty where portfolio quality and the economic environment are changing rapidly, models alone may not be able to accurately predict losses. In these cases, management adjustments can be applied to appropriately reflect ECL. Management adjustments can also be applied where the impact of the updated macroeconomic scenarios is over- or under-estimated by the IFRS 9 models.

ING has internal governance frameworks and controls in place to assess the appropriateness of all management adjustments, involving first- and second lines of defence.

Management adjustments to ECL models (*)

in € million	2023	2022
Economic sector based adjustments	36	71
Inflation and interest rate increases / second-order impact adjustments	351	334
Mortgage portfolio adjustments	126	105
Other post model adjustments	64	-57
Total management adjustments	**577**	**453**

The economic sector-based adjustments of €36 million as of 31 December 2023 (€71 million as at 31 December 2022) fully relates to Business Banking clients that have benefited from Covid-19-related government support programmes in the Netherlands. In line with 2022, it became clearer during 2023 that the Covid-19 pandemic had less impact than expected on the number of defaults in related sectors with relatively high tax debt to be repaid; the economic sector-based management adjustment has therefore been partially released. The remaining management adjustment is related to sectors with relatively high tax debt to be repaid and is expected to materialise with delayed effect. The €10 million adjustment on the livestock farming sector in the Netherlands that was also included in December 2022, related to nitrogen reduction targets has been fully released following improved risk metrics.

ING has performed further assessment for both WB and Retail Banking on the impact of second-order effects. The second-order adjustments as at December 2022 captured a wider range of indirect effects such as supply chain issues, staffing shortages and high energy prices. In 2023, the risks from high inflation and rapidly increasing interest rates became more apparent compared to other indirect effects, causing a shift in focus of this adjustment. This resulted in an overall adjustment for inflation and interest rate increases of €351 million in total as at 31 December 2023, of which €138 million (31 December 2022: €164 million) relates to Retail Banking segments and €213 million (31 December 2022: €170 million) to the Wholesale Banking segment.

As the credit risk models in Retail Banking generally assume that inflation and interest rate increases risks materialise via other risk drivers such as GDP and unemployment rates with a delay, an overlay approach was determined. The methodology considers debt-to-income ratios and the percentage of loans that are expected to reprice within one year to timely estimate the expected credit losses related to reduced repayment capacity and affordability for private individuals and business clients in the Retail Banking segment.

In Wholesale Banking, the IFRS 9 credit risk models mostly leverage on GDP growth as a generic macroeconomic variable. High inflation and rapidly increasing interest rates however trigger economic heterogeneity (i.e. some businesses benefit, while others suffer), as such the current circumstances are expected to cause more defaults than normally predicted using GDP growth. A sector-based heatmap approach was used to adjust the probability of default for clients in sectors that are expected to be significantly impacted by high inflation and increased interest rates, including refinancing risk. The adjustment is predominantly visible in the commercial real estate sector and reflected in Stage 1 and Stage 2.

The overall mortgage portfolio adjustment as at 31 December 2023 increased to €126 million (31 December 2022: €105 million), as an adjustment of €115 million has been recognised in 2023 following new insights from a risk segmentation model that captures affordability, repayment and refinancing risk on performing mortgage customers with a bullet loan in the Netherlands.
The mortgage portfolio adjustment that relates to significant increase of house prices was reduced to €11 million as at 31 December 2023, coming from €105 million as at December 2022. This decrease is reflecting the decline in house prices in various countries, subsequent materialisation into increased model-based ECL as well as an improved market outlook on the recovery value of residential real estate. ING still recognises a management adjustment related to house prices in Stage 2 and Stage 3 on the mortgage portfolios in Germany to maintain an appropriate level of ECL. The management adjustments are determined by calculating the impact of lower house prices on loan-to-value (LTV) and loss given default (LGD).

Other post-model adjustments (PMAs) mainly relate to the impact of model redevelopment or recalibration and periodic model assessment procedures that have not been incorporated in the ECL models yet; the impact on total ECL can be positive or negative. These can result from both regular model maintenance and

ING's multi-year programme to update ECL models for the definition of default. These adjustments will be removed once updates to the specific models have been implemented. The change in balance compared to the previous reporting date is due to i) released PMAs because of model updates that have been implemented, and ii) new PMAs recognised for new redevelopments and recalibrations.

Analysis on sensitivity (*)

The table below presents the analysis on the sensitivity of key forward-looking macroeconomic inputs used in the ECL collective-assessment modelling process and the probability weights applied to each of the three scenarios. The countries included in the analysis are the most significant geographic regions in ING and for Wholesale Banking the US is the most significant in terms of both gross contribution to reportable ECL, and sensitivity of ECL to forward-looking macroeconomics. Accordingly, ING considers these portfolios to present the most significant risk of resulting in a material adjustment to the carrying amount of financial assets within the next financial year. ING also observes that, in general, the WB business is more sensitive to the impact of forward-looking macroeconomic scenarios.

The purpose of the sensitivity analysis is to enable the reader to understand the extent of the impact from the upside and downside scenario on model-based reportable ECL.

In the table below, the real GDP is presented in percentage year-on-year change, the unemployment in percentage of total labour force and the house price index (HPI) in percentage year-on-year change.

Sensitivity analysis as at December 2023 (*)

		2024	2025	2026	Un-weighted ECL (€ mln)	Probability-weighting	Reportable ECL (€ mln)[1]
Netherlands	Real GDP	1.3	3.3	2.8			
	Unemployment	3.7	3.3	3.3	214	20%	
Upside scenario	HPI	10.4	11.2	4.0			
	Real GDP	0.8	1.6	1.5			
Baseline Scenario	Unemployment	4.1	4.3	4.5	282	60%	310
	HPI	0.9	3.0	3.9			
	Real GDP	-1.7	-1.2	0.1			
Downside scenario	Unemployment	5.9	7.2	8.1	487	20%	
	HPI	-10.9	-7.4	3.7			
Germany	Real GDP	1.4	3.1	1.6			
	Unemployment	2.6	2.0	1.7	472	20%	
Upside scenario	HPI	0.9	6.6	8.0			
	Real GDP	0.5	1.3	1.2			
Baseline Scenario	Unemployment	3.0	3.0	3.0	513	60%	525
	HPI	-1.4	3.4	4.5			
	Real GDP	-2.4	-1.4	0.3			
Downside scenario	Unemployment	4.5	5.2	5.5	615	20%	
	HPI	-6.0	-0.8	0.4			
Belgium	Real GDP	1.5	2.7	2.3			
	Unemployment	5.3	5.0	4.9	568	20%	
Upside scenario	HPI	1.3	5.6	4.5			
	Real GDP	0.9	1.5	1.8			
Baseline Scenario	Unemployment	5.6	5.5	5.4	604	60%	619
	HPI	0.4	5.2	3.9			
	Real GDP	-1.3	-0.2	1.2			
Downside scenario	Unemployment	7.3	8.0	7.9	713	20%	
	HPI	-2.2	3.9	2.6			
United States	Real GDP	1.8	3.2	3.4			
	Unemployment	4.1	3.3	3.1	102	20%	
Upside scenario	HPI	0.6	8.7	8.7			
	Real GDP	0.9	1.9	2.1			
Baseline Scenario	Unemployment	4.5	4.5	4.4	144	60%	165
	HPI	-0.7	3.5	3.3			
	Real GDP	-1.3	-1.4	-0.1			
Downside scenario	Unemployment	6.6	8.2	8.8	292	20%	
	HPI	-4.2	-2.7	-3.0			

1 Excluding management adjustments.

Sensitivity analysis as at December 2022 (*)

		2023	2024	2025	Un-weighted ECL (€ mln)	Probability-weighting	Reportable ECL (€ mln)[1]
Netherlands	Real GDP	2.2	2.3	2.9			
	Unemployment	4.0	3.9	3.8	274	20%	
Upside scenario	HPI	13.0	11.8	2.5			
	Real GDP	0.2	1.4	1.8			
Baseline Scenario	Unemployment	4.5	4.8	4.9	349	60%	381
	HPI	3.7	3.7	2.4			
	Real GDP	-4.2	0.7	0.9			
Downside scenario	Unemployment	6.4	7.8	8.7	583	20%	
	HPI	-8.0	-6.5	2.2			
Germany	Real GDP	1.7	2.3	1.8			
	Unemployment	2.6	2.2	1.8	606	20%	
Upside scenario	HPI	0.6	3.9	6.2			
	Real GDP	-0.7	1.4	1.5			
Baseline Scenario	Unemployment	3.2	3.1	3.1	726	60%	745
	HPI	-1.8	0.9	2.7			
	Real GDP	-4.8	0.1	1.0			
Downside scenario	Unemployment	4.8	5.3	5.6	942	20%	
	HPI	-6.2	-3.3	-1.4			
Belgium	Real GDP	1.7	2.1	2.1			
	Unemployment	5.5	5.5	5.3	535	20%	
Upside scenario	HPI	2.3	2.6	3.1			
	Real GDP	0.0	1.6	1.8			
Baseline Scenario	Unemployment	6.1	6.3	6.1	584	60%	596
	HPI	1.4	2.2	2.5			
	Real GDP	-3.2	1.0	1.5			
Downside scenario	Unemployment	7.5	8.5	8.4	692	20%	
	HPI	-1.2	0.9	1.2			
United States	Real GDP	3.0	1.5	3.4			
	Unemployment	3.4	2.8	2.5	100	20%	
Upside scenario	HPI	3.7	7.4	8.1			
	Real GDP	0.2	1.1	2.3			
Baseline Scenario	Unemployment	4.3	4.4	3.9	188	60%	221
	HPI	2.5	2.2	2.8			
	Real GDP	-4.1	0.2	0.6			
Downside scenario	Unemployment	6.4	7.7	8.2	442	20%	
	HPI	-1.2	-3.8	-3.5			

1 Excluding management adjustments.

When compared to the sensitivity analysis of 2022, the macroeconomic inputs for 2023 are somewhat more favourable and for 2024 less favourable as the lagged impact of monetary tightening is still feeding through to the real economy. The sensitivities for 2022 contain half-widened dispersion around the upside and downside scenarios, whereas half-widened dispersion was removed for these scenarios for the 2023 sensitivity analysis following a continued decrease in forecast uncertainty.

On a total ING level, the unweighted model ECL for all collective provisioned clients in the upside scenario was €2,510 million, in the baseline scenario €2,802 million and in the downside scenario €3,668 million . This reconciles as follows to the reported ECLs:

Reconciliation of model (reportable) ECL to total ECL (*)

in € million	2023	2022
Total reportable collective provisions	2,856	3,209
ECL from individually assessed impairments	2,406	2,439
ECL from management adjustments	577	453
Total ECL	**5,839**	**6,101**

Criteria for identifying a significant increase in credit risk (SICR) (*)

All assets and off-balance-sheet items that are in scope of IFRS 9 impairment and which are subject to collective ECL assessment are allocated a 12-month ECL if deemed to belong in Stage 1, or a lifetime ECL if deemed to belong in Stages 2 or 3. An asset belongs in Stage 2 if it is considered to have experienced a significant increase in credit risk since initial origination or purchase. ING considers the credit risk of an asset to have significantly increased when either a threshold for absolute change in lifetime probability of default (PD) or a relative change in lifetime PD is reached.

It should be noted that the lifetime PD thresholds are not the only drivers of stage allocation. An asset can also change stages as a result of other triggers, such as having over 30 days arrears, being on a watch list or being forborne. Refer to section 1.5.6 of Note 1 ‘Basis of preparation and significant accounting policies’ for an exhaustive list. Furthermore, this analysis is rudimentary in the sense that other parameters would change when an asset changes stages.

Absolute lifetime PD threshold

The absolute threshold is a fixed value calibrated per portfolio/segment and provides a fixed threshold that, if exceeded by the difference between lifetime PD at reporting date and lifetime PD at origination, triggers Stage 2 classification. The expert-based thresholds for the absolute change in lifetime PD vary between 75bps for Retail portfolios, 100bps for WB and 250bps for SMEs, based on the characteristics of the specific portfolio. ING is in the process of refining the thresholds on a portfolio level. These have already been implemented for part of the portfolio, resulting in calibrated instead of expert-based absolute lifetime PD thresholds.

Relative lifetime PD threshold

The relative threshold defines a relative increase of the lifetime PD beyond which a given facility is classified in Stage 2 because of significant increase in credit risk. The relative threshold is dependent on the individual PD assigned to each facility at the moment of origination and a scaling factor calibrated in the model development phase that is optimised depending on the observed default rates and overall average riskiness of the portfolio. While the scaling factor is associated with a whole portfolio/segment, the PD at origination is facility-specific and, in this sense, the relative threshold may differ facility by facility.

Ultimately the relative threshold provides a criterion to assess whether the ratio (i.e. increase) between lifetime PD at reporting date and lifetime PD at origination date is deemed a significant increase in credit risk. If the threshold is breached, SICR is identified and Stage 2 is assigned to the given facility.

The threshold for the relative change in lifetime PD is inversely correlated with the PD at origination; the higher the PD at origination, the lower the threshold. The logic behind this is to allow facilities originated in very favourable ratings to downgrade for longer without the need of a Stage 2 classification. In fact, it is likely that such facilities will still be in favourable ratings even after a downgrade of a few notches. On the contrary, facilities originated in already unfavourable ratings grades are riskier and even a single-notch downgrade might represent a significant increase in credit risk and thus a tighter threshold will be in place. Still, the relative threshold is relatively sensitive for investment grade assets while the absolute threshold primarily affects non-investment grade assets.

Average threshold ratio

In the table below the average increase in PD at origination needed to be classified in Stage 2 is reported, taking into account the PD at origination of the facilities included in each combination of asset class and rating quality. In terms of rating quality, assets are divided into 'investment grade' and 'non-investment grade' facilities. Rating 18 and 19 are not included in the table since facilities are not originated in these ratings and they constitute a staging trigger of their own (i.e. if a facility is ever to reach rating 18 or 19 at reporting date, it is classified in Stage 2). In the table, values are weighted by IFRS 9 exposure and shown for both year-end 2022 and year-end 2023.

To represent the thresholds as a ratio (i.e. how much should the PD at origination increase in relative terms to trigger Stage 2 classification) the absolute threshold is recalculated as a relative threshold for disclosure purposes. Since breaching only relative or absolute threshold triggers Stage 2 classification, the minimum between the relative and recalculated absolute threshold is taken as value of reference for each facility.

Quantitative SICR thresholds (*)

	2023		2022	
Average threshold ratio	Investment grade (rating grade 1-10)	Non-investment grade (rating grade 11-17)	Investment grade (rating grade 1-10)	Non-investment grade (rating grade 11-17)
Asset class category				
Mortgages	2.5	2.3	2.7	2.3
Consumer Lending	2.9	2.1	2.8	1.8
Business Lending	2.7	2.1	2.8	2.1
Governments and Financial Institutions	3.0	1.9	3.0	1.9
Other Wholesale Banking	2.8	1.8	2.8	1.9

As it is apparent from the disclosures above, as per ING's methodology, the threshold is tighter the higher the riskiness at origination of the assets, illustrated by the difference between the average threshold applied to investment grade facilities and non-investment grade facilities.

Sensitivity of ECL to PD lifetime PD thresholds

The setting of PD threshold bands requires management judgement and is a key source of estimation uncertainty. On Group level, the total model ECL on performing assets, which is the ECL collective-assessment without taking management adjustments into account, is €1,412 million. To demonstrate the sensitivity of the ECL to these PD thresholds bands, hypothetically solely applying the upside scenario would result in total model ECL on performing assets of €1,054 million and a decrease in the Stage 2 ratio by -0.5 percentage point, while solely applying the downside scenario in our models would result in total model ECL on performing assets of €2,290 million and an increase in the Stage 2 ratio by 3.8 percentage-point.

Market risk

Introduction (*)

Market risk is the risk that movements in market variables, such as interest rates, equity prices, foreign exchange rates, credit spreads and real estate prices negatively impact the bank's earnings, capital, market value or liquidity position. Market risk either arises through positions in banking books or trading books. The banking book positions are intended to be held for the long term (or until maturity) or for the purpose of hedging other banking book positions. The trading book positions are typically held with the intention of short-term trading or to hedge other positions in the trading book. This means that financial instruments in the trading books should be free of trade restrictions. Policies and processes are in place to monitor the inclusion of positions in either the trading or banking book as well as to monitor the transfer of risk between the trading and banking books.

ING recognises the importance of sound market risk management and bases its market risk management framework on the need to identify, assess, control and manage market risks. The approach consists of five recurring activities: risk identification, risk assessment, risk control, risk monitoring and risk reporting.

Governance (*)

A governance framework has been established defining specific roles and responsibilities of business management units, market risk management units, and internal approval bodies per activity.

Supervision of market risk falls under the responsibility of the EB/MBB and is delegated to the ALCO function, where ALCO Bank is the highest approval authority and sets the market risk appetite. ALCO Bank monitors ING's adherence to the risk appetite for market risk and sets additional limits where appropriate. These limits are cascaded through the organisation through lower level ALCOs. This ALCO structure facilitates top-down risk management, limit setting, limit monitoring and control of market risk.

FR maintains a limit framework in line with ING's Risk Appetite Framework. The businesses are responsible for adhering to the limits which are reviewed on an annual basis and are ultimately approved by the ALCO Bank. Limit excesses are reported to senior management in line with the ALM Risk Appetite Statement Setting procedure and Market Risk in the Trading Book Framework, upon which the business needs to act accordingly. To adhere to the established limit framework, ING implements hedging and risk mitigation strategies that range from the use of traditional market instruments, such as interest rate swaps, to more sophisticated hedging strategies.

The organisational structure facilitates top-down risk management by recognising that risk taking and risk management occur to a large extent at the regional/local level. Bottom-up reporting from regional/local units to head office units allows each management level to assess the market risks relevant at the respective levels.

Several committees govern communication between the parties involved in market risk management:

- The Market Risk Model Committee (MRMC), is the dedicated authority for the approval of all funding & liquidity risk, market risk (includes banking and trading risk), counterparty credit risk and business risk models and parameters for ING Bank within its mandate delegated by ALCO Bank.
- The Valuation Model Committee approves pricing models for trading and banking books.

Financial Risk provides risk reporting to the EB and MBB, the ALCO Bank and the senior executive management of related business functions.

The following sections elaborate on the various elements of the risk management framework for:

- Market risk economic capital;
- Market risk in banking books;
- Market risk in trading books.

Market risk economic capital

Market Risk Economic Capital (MREC) measures the capital ING must hold to protect itself against losses due to market risks. MREC covers the entire balance sheet of ING, and includes market risk sub-types such as: interest rate and basis risk, credit spread risk, customer behaviour risk, FX risk, equity risk and commodity risk.

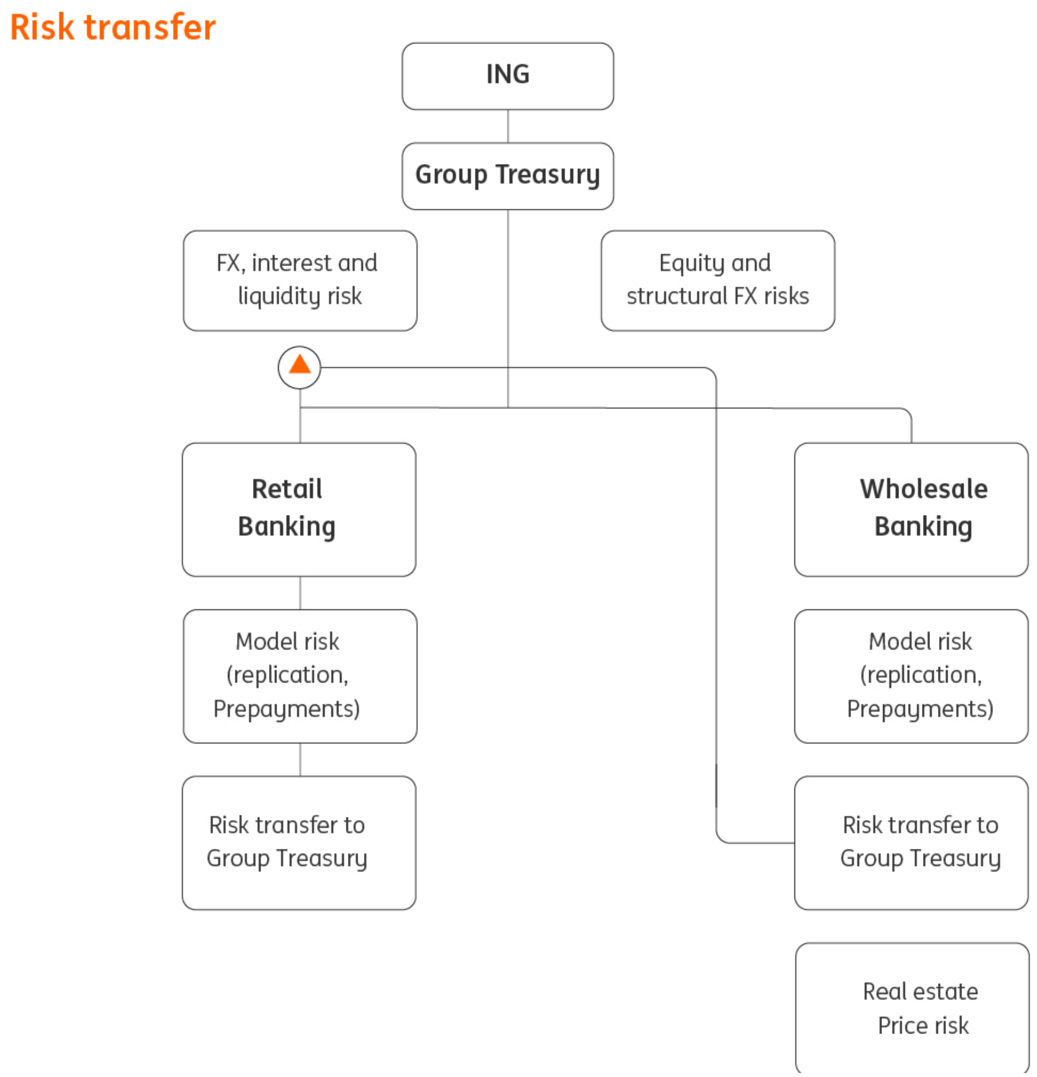
MREC is calculated as the 99.9 percent worst value loss that can be incurred from one-year shocks to the underlying risk drivers. While aggregating the different economic capital market risk figures for the different portfolios, diversification benefits are taken into account as it is not expected that all extreme market movements will appear at the same moment.

Market risk in banking books (*)

ING makes a distinction between the trading and banking (non-trading) books. Positions in banking books originate from the market risks inherent in commercial products that are sold to clients, Group Treasury exposures, and from the investment of our own funds (core capital). Both the commercial products and the products used to hedge related market risk exposures are intended to be held until maturity, or at least for the long term.

Risk transfer (*)

Market risks in the banking book are managed via the risk transfer process. In this process the interest rate, FX, funding and liquidity risks are transferred from the commercial books through matched funding or replication to Group Treasury, where centrally managed. The scheme below presents the transfer and management process of market risks in the banking books.



Risk measurement (*)

The main concepts and metrics used for measuring market risk in the banking book are described below per risk type.

Interest rate risk in banking book (*)

Interest rate risk in the banking book is defined as the exposure of a bank's earnings, capital, and market value to adverse movements in interest rates originated from positions in the banking book.

Governance (*)

The management of interest rate risk follows the Interest Rate Risk in the Banking Book (IRRBB) framework as approved by ALCO Bank. This framework describes roles, responsibilities, risk metrics, and the policies and procedures related to interest rate risk management. Furthermore, ALCO Bank reviews and sets the risk appetite for interest rate risk on an annual basis. The risk appetite is translated into limits for the interest rate risk metrics.

As a result of this framework, ING centralises interest rate risk management from commercial books (that capture the products sold to clients) to globally managed interest rate risk books. This enables a clear demarcation between commercial business results and results based on unhedged interest rate positions.

ING distinguishes between three types of activities that generate interest rate risk in the banking book:

- Investment of own funds;
- Commercial business;
- Group Treasury exposures including strategic interest rate positions.

Group Treasury is responsible for managing the investment of own funds (core capital). Capital is invested for longer periods to contribute to stable earnings within the risk appetite boundaries set by ALCO Bank. The main objective is to maximise the economic value of the capital investment book while having stable earnings.

Commercial activities can result in linear interest rate risk, for example, tenors and duration of new production and re-pricing of assets differ from those of liabilities. Also, interest rate risk can arise from customer behaviour and/or convexity risk, depending on the nature of the underlying product characteristics.

Customer behaviour risk is defined as the potential future (value) loss due to deviations in the actual behaviour of clients versus the modelled behaviour with respect to the embedded options in commercial products. General sources of customer behaviour risk, among other things, include the state of the economy, competition, changes in regulation, legislation and tax regime, developments in the housing market and interest rate developments.

From an interest rate risk perspective, commercial activities can typically be divided into the following main product types: savings and current accounts (funds entrusted), demand deposits, mortgages and loans.

Savings and demand deposits are generally invested in such a way that both the value is hedged and the sensitivity of the margin to market interest rates is minimised. The contractual nature of investments (assets) implies that the adjustment to market rates (repricing of assets) is not immediate, therefore the interest rate risk can arise with either positive or negative impact on the income. Interest rate risk is modelled based on the stability of deposits and the pass-through rate. This takes account of different elements, such as pricing strategies, volume developments and the level and shape of the yield curve. Savings volumes are typically assumed to be relatively stable and less sensitive to rate changes.

Interest rate risk for mortgages arises due to prepayment or other embedded optionalities. In modelling this risk, both interest-rate-dependent pre-payments and constant prepayments, are considered. Next to a dependence on interest rates, modelled prepayments may include other effects such as loan-to-value, seasonality and the reset date of the loan. In addition, the interest sensitivity of embedded offered rate options may be considered.

Wholesale Banking loans typically do not experience interest-rate-dependent prepayment behaviour. These portfolios are match-funded taking the constant prepayment model into account and typically do not contain significant convexity risk. Wholesale Banking loans can have an all-in rate floor or a floor on a reference rate.

Customer behaviour in relation to mortgages, loans, savings and demand deposits is modelled, based on extensive research. However, the substantial change in the interest rate environment makes extensive research more challenging than before and may increase model risk. Models are backtested and updated when deemed necessary in an annual procedure. Model parameters and the resulting risk measures are approved by (local) ALCO and are closely monitored on a monthly basis.

Linear risk transfers take place from commercial business books to the treasury book (Group Treasury), if necessary, by using estimations of customer behaviour. The originating commercial business is ultimately responsible for estimating customer behaviour, leaving convexity risk and (unexpected) customer behaviour risk with the commercial business. Risk measurement and the risk transfer process take place at least monthly. However, if deemed necessary, additional risk transfers can take place.

The commercial business manages the convexity risk that is the result of products that contain embedded options, like mortgages. Here the convexity risk is defined as the optionality effects in the value due to interest rate changes, excluding the first-order effects. In some cases, convexity risk is transferred from the commercial books to treasury books using cap/floor contracts and swaptions.

In the following sections, the interest rate risk exposures in the banking books are presented. ING quantifies risk measures from both earnings and value perspectives. Net interest income (NII)-at-Risk is used to provide the earnings perspective and the net present value (NPV)-at-Risk figures provide the value perspective. Please note that the interest rate risk that stems from the commercial business is assumed to be linearly hedged but no additional corrective management actions are taken into account in the NPV-at-Risk measure. In the NII-at-Risk measure, a more dynamic hedging process is taken into account.

During 2023, the following activities related to the risk measurement for IRRBB were performed:

- Annual review of the risk appetite for market risks in the banking book including further enhancements;
- Further assessment and development of sub-risk types, such as tenor basis risk, vega optionality risk and client behaviour risk;
- Set up of standardised risk measurement related to global crisis risk;
- Annual review of the interest rates scenarios used for calculating NII-at-Risk and NPV-at-Risk;
- Annual savings/current account model updates;
- Annual update of parameters of prepayment models for market developments;
- Further enhancement of the IRRBB framework in relation to upcoming regulatory requirements (e.g. anticipation on implementation and measurement of the upcoming regulatory metric NII SOT, development of additional requirements coming forward from latest EBA guidelines);
- Further strengthening of customer behaviour risk and model risk frameworks

Net interest income (NII) at Risk (*)

The NII-at-Risk measures the impact of changing interest rates on the forecasted net interest income (before tax) of the banking book, excluding the impacts of credit spread sensitivity, fees and fair value impact. Future projected balance sheet developments are included in this risk metric. NII-at-Risk is a metric that helps provide insight as to what extent ING's NII under alternative interest rates developments deviates from what was assumed in our dynamic plan projections.

In its risk management, ING monitors the NII-at-Risk under a three-year timeframe. Interest rates are stressed during the first year versus the prevailing curve, taking gradual changes over the first year. The rate changes considered comprise both upward and downward scenarios, as well as parallel (equal movements across the yield curve) and non-parallel scenarios.

The impact of changing interest rates on ING’s NII is predominantly caused by the following factors:

- Change in returns of (re-)investments of client deposits;
- Change in client deposit rates (mainly savings), (partially) tracking changes in market interest rates;

- Change in the amortization profile of mortgages, due to an increase or decrease in expected prepayments;
- Higher/lower returns of (re-)investments of capital investment;
- Open interest rate positions, leading to changes in return because of different market rates;
- Assumed volume development of the balance sheet in line with ING's dynamic plan.

For projecting the change in client deposit rates, ING uses a client rate model that describes the relation to market interest rates and client deposit rates. The model is calibrated under a range of interest rate scenarios. Per scenario the actual change in client deposit rates may deviate from this calibrated model. The actual NII development of customer deposits may, indeed, differ from the provided scenarios, depending on, amongst others, actual interest rate and savings client rate evolution, as well as changes to ING's balance sheet composition such as net deposit growth and relative share of savings deposits and non-remunerated current accounts.

The NII-at-Risk figures in the table below reflect a parallel, linear interest rate movement during a year ('ramped') under the assumption of balance sheet developments in line with the ING's dynamic plan with a time horizon of one year. The majority of the risk comes from fixed-rate positions, most notably non-remunerated current accounts and variable-rate savings accounts.

The NII-at-Risk is primarily driven by the difference in sensitivity of client liabilities, mainly savings, versus the sensitivity of client assets and investments to rate changes. The investment of own funds only impacts the earnings sensitivity marginally, as only a relatively small part has to be (re)invested within the one-year horizon.

NII-at-Risk banking book per currency - year one (*)

in € million	2023		2022	
	Ramped, unfloored		Ramped, unfloored	
	parallel ▼	parallel ▲	parallel ▼	parallel ▲
By currency				
Euro	-165	155	-119	114
US Dollar	-12	12	-1	2
Other	-62	69	-23	27
Total	**-239**	**236**	**-142**	**142**

EUR ramped (unfloored) is at +/- 110bps in 1 year (2022: +/-100bps)
USD ramped (unfloored) is at +/- 110bps in 1 year (2022: +/-120bps)

The change in NII under a declining and upward interest rate scenarios may not be equal. This is due to different expected reactions in prepayment behaviour of mortgages and different pricing developments of commercial loans and deposits products (mainly savings). This is caused by embedded options, explicit or implicit pricing floors and other (assumed) pricing factors.

Year-on-year variance analysis (*)

In our customer deposit composition current accounts decreased and term deposits increased. Over 2023 the one-year asset repricing versus liability repricing increased, leading to a higher NII-at-Risk.

In 2023 central banks tightened monetary conditions, a continuation of a trend started in 2022 to counter high inflation. The interest rates, however, stabilised in the second half of the year as inflation started to ease. ING applied a dynamic hedging process, by which interest rate risk was transferred from the business to Group Treasury and subsequently hedged in the markets. This process mitigates interest rate risk resulting in a lower sensitivity for rate changes of ING's NII. However, the main drivers of a potential change of NII sensitivity are balance sheet developments, specifically relating to mortgages, loans and savings. In the eurozone, mortgage production was impacted by an increase in interest rates. Next to the impact on new production, the prepayment incentive generally decreased due to the increase in interest rates. The funds entrusted volume did not change significantly. The impact of explicit and implicit floors on both rates of client assets and savings phased out in the course of the year on the back of the interest rate increases. Pre-existing hedges, as executed by Group Treasury, were also adjusted continuously throughout the year to hedge any interest rate risk coming from higher interest rates. Furthermore, ING's investment of own funds took place against a lower duration reducing sensitivity. Excluding Model Risk, the total NII-at-Risk remains relatively limited in comparison to ING's total interest income.

Net Present Value (NPV) at Risk (*)

NPV-at-Risk measures the impact of changing interest rates on the value of the positions in the banking book. The NPV-at-Risk is defined as the outcome of an instantaneous increase or decrease in interest rates from applying currency-specific scenarios. The NPV-at-Risk asymmetry between the downward and upward shock is mainly caused by convexity risk in the mortgage and savings portfolio.

The full value impact cannot be directly linked to the financial position or profit or loss account, as fair value movements in banking books are not necessarily reported through the profit or loss account or through other comprehensive income (OCI). The changes in value are expected to materialise over time in the profit and loss account if interest rates develop according to forward rates throughout the remaining maturity of the portfolio. The majority of the risk comes from the investments of own funds and from positions exhibiting negative convexity due to embedded optionality (most notably variable rate savings rate and fixed rate mortgages).

NPV-at-Risk banking books per currency (*)

in € million	2023		2022	
	unfloored		unfloored	
	parallel ▼	parallel ▲	parallel ▼	parallel ▲
By currency				
Euro	-291	-645	392	-926
US dollar	186	-178	137	-147
Other	131	-146	66	-79
Total	**27**	**-969**	**594**	**-1,153**

EUR ramped (unfloored) is at +/- 110bps in 1 year (2022: +/-100bps)
USD ramped (unfloored) is at +/- 110bps in 1 year (2022: +/-120bps)

Year-on-year variance analysis (*)

The overall NPV sensitivity remained limited in 2023, reflecting of proper risk transfer and hedging process. The worst case scenario, parallel up, remained relatively unchanged. Most of the year-to-year move is coming from mortgages, partly offset by savings and derivatives from hedging activities.

IBOR transition (*)

In line with the recommendations of the Financial Stability Board, a fundamental review of important interest rates benchmarks has been undertaken. Some interest benchmarks have been reformed, while others have or will be replaced by risk-free rates (RFR) and discontinued. USD LIBOR in its current form ceased on 30 June 2023, whereas the cessation of GBP, CHF, JPY, and EUR LIBOR rates occurred on 31 December 2021.

To support these changes, the financial sector has issued several guidance papers and other initiatives to help phase the transition.

To facilitate the transition away from USD LIBOR, for new USD contracts, ING started using the recommended alternative rates based on SOFR in 2022. Also, during 2022 and 2023, ING sought to ensure that existing loan and derivative contracts were either transitioned to alternative rates or transition arrangements agreed, such as taking steps to ensure a large portion of the derivative portfolio was covered by ISDA fallbacks. Despite extensive and timely communication on the desirability of fully agreeing transition arrangements before 30 June 2023, some clients have agreed to complete the required work before the first interest reset date after cessation. A limited number of clients in restructuring or those subject to sanctions need to rely on existing fallback language or synthetic LIBOR.

Due to the discontinuation of this important rate, ING, its customers, and the financial services industry have faced and continue to face a number of risks. These risks include legal, financial, operational, reputational and conduct risk. Legal risks are related to any required changes to existing transactions. Financial risks may arise due to declining liquidity and may impact a contract directly or the ability to hedge the risks in that contract. Operational risks arise due to the requirement to adapt IT systems, trade reporting infrastructure and operational processes. Conduct risk also plays a role, as renegotiation of loan contracts requires active engagement from all parties to a contract and may lead to negotiations concentrated in a period close to actual cessation. ING continues to work with the very limited number of clients that are yet to complete the USD LIBOR transition.

The progress of the IBOR transitioning between 2018 and 2023 was tracked in the global ING IBOR programme, governed by business line steering committees, which reported to a central IBOR steering committee. The programme coordinated the actions necessary to manage the required changes to internal processes and systems, including pricing, risk management, legal documentation, hedge arrangements, as well as the impact on customers. The limited amount of remaining USD LIBOR contracts continues to be monitored within the commercial business lines following the closure of the bank-wide IBOR programme in November 2023. The ING Benchmark Committee continues to monitor market developments and reform plans for other rates, to anticipate the impact on any related risks.

One such development concerns the plans published by the Polish National Working Group, which advises the market to be ready for a cessation of WIBOR and WIBID reference rates at the end of 2027 (originally expected in 2025, but in the last quarter of 2023 the cessation date was postponed to the end of 2027) with the offering of financial products using the new benchmark (Warsaw Interest Rate Overnight or WIRON) to progress gradually and no new products using WIBOR and WIBID beyond 1 July 2024. The WIBOR rates are used in several of our lending and derivative products, and hence a project team has been established to manage the transition. WIBOR transition is especially important for our Polish subsidiary ING Bank Slaski S.A. with a significant amount of Polish zloty-denominated assets and liabilities including derivatives that are continuously rebalanced to hedge the risk exposures.

The tables below summarise the approximate gross exposures of ING that have yet to transition related to USD LIBOR and WIBOR. For WIBOR, as of 31 December 2023, they exclude exposures expiring before the transition date 31 December 2027 and of 31 December 2022 they exclude exposures expiring before the previously expected transition date 1 January 2025. Therefore, WIBOR exposures are not directly comparable between 31 December 2023 and 31 December 2022 as a consequence of the recent developments in the Polish National Working Group.

Non derivative Financial instruments to transition to alternative benchmarks (*)

in € million at 31 December 2023	Financial Assets non-derivative	Financial Liabilities non-derivative	Off balance sheet commitments
	Carrying value	Carrying value	Nominal value
By benchmark rate			
USD LIBOR	915	16	9
WIBOR	18,064		1,021
Total	**18,979**	**16**	**1,030**

Non derivative Financial instruments to transition to alternative benchmarks (*)

in € million at 31 December 2022	Financial Assets non-derivative	Financial Liabilities non-derivative	Off balance sheet commitments
	Carrying value	Carrying value	Nominal value
By benchmark rate			
USD LIBOR	30,040	1,637	7,644
WIBOR	22,154		1,411
Total	**52,194**	**1,637**	**9,055**

The total of non-derivative financial assets linked to USD LIBOR is reduced from €30,040 million on 31 December 2022 to €915 million on 31 December 2023. The majority of the non-derivative financial assets exposure on 31 December 2023 are related to contracts using synthetic USD LIBOR up until the transition to SOFR is complete during 2024. In addition, ING reduced its committed undrawn credit facilities linked to USD LIBOR from €7,644 million on 31 December 2022 to €9 million on 31 December 2023. The total of non-derivative financial liabilities linked to USD LIBOR is reduced from €1,637 million on 31 December 2022 to €16 million on 31 December 2023. The remaining non-derivative financial instruments linked to USD LIBOR are expected to transition before the next interest rate reset date. Therefore, the remaining exposure to USD LIBOR is expected to reduce further during the first half of 2024.

Derivative Financial instruments to transition to alternative benchmarks (*)

	31 December 2023	31 December 2022
in € million	Nominal value	Nominal value
By benchmark rate[1]		
USD LIBOR	151	495,318
WIBOR	77,238	136,318
Total	**77,388**	**631,636**

1 For cross-currency swaps all legs of the swap are included that are linked to a main IBOR that is significant to ING.

In addition to the amounts in the table above, ING transitioned the interest rate swaptions that referred to the USD LIBOR ICE swap rate (nominal value on 31 December 2022: €10,810 million). The transition of these contracts was in general governed by a specific ISDA protocol.

Derivative financial instruments linked to USD LIBOR were reduced from €495,318 million on 31 December 2022 to only €151 million on 31 December 2023. The majority of derivatives linked to USD LIBOR rates were transacted with clearing houses and transitioned through a standardised exercise during the second quarter of 2023. For non-centrally cleared derivatives, the main transition occurred using the ISDA IBOR fallback arrangements. The majority of the remaining derivative financial instruments linked to USD LIBOR are related to contracts using synthetic USD LIBOR and linked to non-derivative financial assets that are expected to transition before the next interest rate reset date during 2024. Therefore, a steady reduction of these last few USD LIBOR contracts is expected during the first half of 2024.

Given that IBOR reform may have various accounting implications, the International Accounting Standards Board (IASB) has undertaken a two-phase project:

- Phase 1 addresses those issues that affect financial reporting before the replacement of an existing benchmark. This allows ING to apply a set of temporary exceptions to continue hedge accounting even when there is uncertainty about contractual cash flows arising from the reform. Under these temporary exceptions, interbank offered rates are assumed to continue unaltered for the purposes of hedge accounting until such time as the uncertainty is resolved.

- Phase 2 focuses on issues that may affect financial reporting when the existing benchmark rate is reformed or replaced. Phase 2 amendments to IFRS relate mainly to accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities due to the IBOR reform and impact on hedge accounting when an existing benchmark rate is reformed or replaced with an alternative risk-free rate.

Specifically, Phase 2 amendments require that the effective interest rate on debt financial instruments is adjusted, and hedge accounting continues on transition to risk free rates, but only to the extent that the modifications made to financial instruments are those necessary to implement the IBOR reform and that the new basis for calculating cash flows is 'economically equivalent' to the previous basis. By applying these mandatory amendments, ING Group avoids recognising modification gains and losses on debt instruments that would otherwise be required in the absence of Phase 2 amendments (changes to debt instruments resulting from IBOR reform are treated as a reset to the instrument's variable interest rate). In addition, ING Group avoids hedge accounting discontinuations when modifying both hedged items and hedging instruments (and related hedge documentation) as a consequence of IBOR reform that would otherwise be required in the absence of Phase 2 amendments.

As explained above, Phase 1 and Phase 2 IBOR amendments to IFRS, amongst other changes, provide specific hedge accounting reliefs that allow hedge accounting relationships to continue when IBOR Reform is ongoing. Phase 1 reliefs cease to apply when uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the IBOR-based cash flows of the relevant instruments. It is ING Group's policy to cease to apply Phase 1 reliefs when the applicable contract (either hedging instrument or hedged item) is actually modified. As a result, for these hedge accounting relationships the applicable Phase 1 reliefs ceased to apply and Phase 2 became applicable. Refer to section 1.5.4 of Note 1 'Basis of preparation and material accounting policy information' for more information on the Phase 1 and Phase 2 amendments.

Furthermore, hedging relationships are being amended to incorporate the new benchmark rates. During 2023, ING focused on USD LIBOR contracts and all hedging relationships have been amended to incorporate the new benchmark rates and do no longer reference USD LIBOR rates.

On 31 December 2023, Phase 1 reliefs are applicable to WIBOR indexed fair value and cash flow hedge accounting relationships as there is uncertainty arising from the WIBOR reform with respect to the timing and the amount of the underlying cash flows that the Group is exposed to. Therefore, for WIBOR financial instruments designated in hedge accounting the applicable Phase 1 reliefs will continue to apply until the relevant contract is modified. At that point in time, Phase 2 reliefs will become applicable. For these affected fair value and cash flow hedge relationships ING assumes that the WIBOR based cash flows from the hedging instrument and hedged item will remain unaffected.

The same assumption is used to assess the likelihood of occurrence of the forecast transactions that are subject to cash flow hedges. The hedged cash flows in cash flow hedges directly impacted by the WIBOR reform still meet the highly probable requirement, assuming the WIBOR benchmark on which the hedged cash flows are based is not altered as a result of the reform.

The total gross notional amounts of hedging instruments that are used in the ING's hedge accounting relationships for which the Phase 1 amendments to IAS39 were applied are:

Notional amounts of Hedging instruments (*)

	31 December 2023	31 December 2022
in € million	Nominal value	Nominal value
By benchmark rate		
USD LIBOR		28,316
WIBOR	89,338	57,774

As at 31 December 2023, all USD LIBOR hedging relationships have been amended to incorporate the new benchmark rates and do no longer reference USD LIBOR rates. At 31 December 2022 approximately 89% of the notional amounts for USD LIBOR had a maturity date beyond the transition date 30 June 2023. Approximately 29% of the notional amounts for WIBOR have a maturity date beyond the new transition date 31 December 2027. At 31 December 2022, approximately 71% of the notional amounts for WIBOR had a maturity date beyond the previously expected transition date of 1 January 2025. The WIBOR amounts are not directly comparable between 31 December 2023 and 31 December 2022 as a consequence of the recent postponement of the cessation of WIBOR by the Polish National Working Group.

The notional amounts of the derivative hedging instruments provide a close approximation of the extent of the risk exposure ING manages through these hedging relationships.

Credit spread risk in banking books (*)

Credit spread risk is defined as risk driven by the changes of the market price for credit risk, for liquidity and potentially other characteristics of credit-risky instruments, which is not captured by another existing prudential framework such as IRRBB or by expected credit/(jump-to-) default risk.

EBA guidelines

The updated guidelines on credit spread risk in the banking book (CSRBB) became effective on 31 December 2023. Following the EBA guidelines, the scope in terms of positions and metrics has been reviewed and updated during 2023. Metrics used are NPV-at-Risk, NII-at-Risk and Market Value Changes-at Risk and view the positions across different accounting treatments.

Governance

The management of credit spread risk follows the CSRBB framework as approved by ALCO Bank. This framework describes roles, responsibilities, risk metrics, and the policies and procedures related to credit spread risk management. Furthermore, ALCO Bank reviews and sets the risk appetite for credit spread risk on an annual basis. The risk appetite is translated into limits for the risk metrics.

Foreign exchange (FX) risk in banking books (*)

FX exposures in banking books result from core banking business activities (business units doing business in currencies other than their base currency), foreign currency investments in subsidiaries (including realised net profit and loss), and strategic equity stakes in foreign currencies. The policy regarding these exposures is briefly explained below.

Governance – Core banking business (*)

Every business unit hedges the FX risk resulting from core banking business activities into its base currency to prevent volatility in profit and loss. Consequently, assets and liabilities are matched in terms of currency, within certain friction limits.

Governance – FX translation result (*)

ING's strategy is to protect the CET1 ratio against adverse impact from FX rate fluctuations, while limiting the volatility in the profit and loss account due to this CET1 hedging and limiting the RWA impact under the regulatory framework. Hedge accounting is applied to the largest extent possible. Taking this into account, the CET1 ratio hedge can be achieved by deliberately taking foreign currency positions equal to certain target positions, such that the CET1 capital and risk-weighted assets are equally sensitive in relative terms to changing FX rates.

Risk profile – FX translation result (*)

The following table presents the currency exposures in the banking books for the most important currencies for the FX translation result. Positive figures indicate long positions in the respective currency. As a result of the strategy to hedge the CET1 ratio an open structural FX exposure exists.

To measure the volatility of the CET1 ratio from FX rate fluctuations, different metrics are used including the CET1 Ratio-at-Risk. The impact is controlled via the Solvency and Market Risk Banking Book RAS.

EBA Structural FX guidelines

In line with the EBA guidelines on Structural FX, upon permission from the competent authorities, certain currency positions are being excluded from the calculation of net open currency positions under CRR article 352(2). The resulting impact is presented in the Pillar 3 disclosure.

Foreign currency exposures banking books (*)

in € million	Foreign Investments		Hedges		Net exposures	
	2023	2022	2023	2022	2023	2022
US dollar[1]	10,337	10,470	-3,416	-2,376	6,921	8,093
Pound Sterling	1,659	1,364	-156	-58	1,503	1,306
Polish Zloty	3,976	2,714	-1,254	-321	2,722	2,393
Australian Dollar	3,620	3,781	-2,273	-2,673	1,346	1,108
Turkish Lira	517	750			517	750
Chinese Yuan	1,815	1,871	-348		1,466	1,871
Russian Rouble	375	391			375	392
Romanian Leu	895	860	-134	-154	761	706
Thai Baht	1,128	1,109	-697	-699	431	410
Other currency	3,704	3,771	-2,897	-2,908	806	863
Total	**28,024**	**27,081**	**-11,175**	**-9,189**	**16,849**	**17,892**

*The FX sensitivity is expressed as the FX spot equivalent position.

Equity price risk in banking books (*)

Governance (*)

ING maintains a portfolio with substantial equity exposure in its banking books. Local offices are responsible for the management of the equity investment positions. Financial Risk is responsible for monitoring the regulatory capital for equity investments on a monthly basis and acts independently from ING/local management when monitoring these positions.

Risk profile (*)

Equity price risk arises from the possibility that an equity security's price will fluctuate, affecting the values of the equity security itself as well as other instruments whose values react similarly to the particular security, a defined basket of securities, or a securities index. ING's equity exposure mainly consists of the investments in associates and joint ventures of €1,509 million (2022: €1,500 million) and equity securities held at fair value through other comprehensive income (FVOCI) of €1,885 million (2022: €1,887 million). The value of equity securities held at FVOCI is directly linked to equity security prices with increases/decreases being recognised in the revaluation reserve. Investments in associates and joint ventures are measured in accordance with the equity method of accounting and the balance sheet value is therefore not directly linked to equity security prices. The equity sensitivity is expressed as the equity position.

Year-on-year variance analysis (*)

In 2023, the revaluation reserve equity securities decreased by €34 million from €1,187 million to €1,152 million mainly due to revaluation of the shares in Bank of Beijing with € -24 million. In 2023, the equity securities at fair value through OCI decreased slightly by €2 million.

Revaluation reserve equity securities at fair value through other comprehensive income (*)

in € million	2023	2022
Positive re-measurement	1,158	1,190
Negative re-measurement	-6	-4
Total	**1,152**	**1,187**

Market risk in trading books (*)

Within the trading portfolios, the positions are maintained in the financial markets. These positions are often a result of transactions with clients and may benefit from short-term price movements. In 2023, ING continued its strategy of undertaking trading activities to develop its client-driven franchise and deliver a differentiating experience by offering multiple market and trading products.

Governance (*)

The Financial Markets Risk Committee (FMRC) is the market risk committee that, within the risk appetite set by the ALCO Bank, sets the market risk limits both on an aggregated level and on a desk level. The FMRC has delegated authority from ALCO Bank for the management of market risk related to all trading and banking book activities within Financial Markets (FM). Financial Risk/ Trading Risk Management (FR/ TRM) advises both FMRC and ALCO Bank on the market risk appetite of the trading activities.

With respect to the trading portfolios, TRM focuses on the management of market risks of Wholesale Banking (mainly Financial Markets) as this is the only business line within ING where trading activities take place. Trading activities include facilitation of client business and market making. TRM is responsible for the development and implementation of trading risk policies and risk measurement methodologies, and for reporting and monitoring risk exposures against approved trading limits. TRM also reviews trading mandates and global limits, and performs the gatekeeper role in the product review process (PARP).

Risk measurement (*)

ING uses a comprehensive set of methodologies and techniques to measure market risk in trading books: Value at Risk (VaR) and Stressed Value at Risk (SVaR), Incremental Risk Charge (IRC), and stress testing. Systematic validation processes are in place to validate the accuracy and internal consistency of data and parameters used for the internal models and modelling processes.

Value at Risk (*)

TRM uses the historical simulation VaR methodology (HVaR) as its primary risk measure. The HVaR for market risk quantifies, with a one-sided confidence level of 99 percent, the maximum overnight loss that could occur in the trading portfolio of ING due to changes in risk factors (e.g. interest rates, equity prices, foreign exchange rates, credit spreads, implied volatilities) considering the positions remains unchanged for a time period of one day.

Next to general market movements in these risk factors, HVaR also takes into account market data movements for specific moves in, for example, the underlying issuer or securities. A single model which diversifies general and specific risk is used. In general, a full revaluation approach is applied, while for a limited number of linear trading positions and risk factors in commodity and equity risk classes a sensitivity-based approach is applied. The potential impact of historical market movements on today's portfolio is estimated, based on equally weighted observed market movements of the previous year (260 business days). When simulating potential movements in risk factors, depending on the risk factor type, either an absolute or a relative shift is used.

The data used in the computations is updated daily. ING uses HVaR with a one-day horizon for internal risk measurement, management control, and backtesting, and HVaR with a 10-day horizon for determining regulatory capital. To compute HVaR with a 10-day horizon, the one-day risk factor shifts are scaled by the square root of 10 and then used as an input for the revaluation. The same model is used for all legal entities within ING with market risk exposure in the trading portfolio.

Limitations (*)

HVaR has some limitations: HVaR uses historical data to forecast future price behaviour, but future price behaviour could differ substantially from past behaviour. Moreover, the use of a one-day holding period (or 10 days for regulatory capital calculations) assumes that all positions in the portfolio can be liquidated or hedged in one day. In periods of illiquidity or market events, this assumption may not hold. Also, the use of a 99 percent confidence level means that HVaR does not take into account any losses that occur beyond this confidence level.

Backtesting (*)

Backtesting is a technique for the ongoing monitoring of the plausibility of the HVaR model in use. Although HVaR models estimate potential future trading results, estimates are based on historical market data. In a backtest, the actual daily trading result (excluding fees and commissions) is compared with the one-day HVaR.

In addition to using actual results for backtesting, ING also uses hypothetical results, which exclude the effects of intraday trading, fees, and commissions. When an actual or a hypothetical loss exceeds the HVaR, an 'outlier' occurs. Based on ING's one-sided confidence level of 99 percent, an outlier is expected once in every 100 business days.

On an overall level in 2023, there was one outlier for hypothetical P&L and zero outliers for actual P&L. The hypothetical outliers occurred during the past year concentrated in the first quarter of 2023, mainly due to the increased market volatility arising from major American banks being collapsed.

Stressed HVaR (*)

The stressed HVaR (SVaR) is intended to replicate the HVaR calculation that would be generated on the bank's current portfolio with inputs calibrated to the historical data from a continuous 12-month period of significant financial stress relevant to the bank's portfolio.

To calculate SVaR, ING uses the same model that is used for 1DHVaR, with a 10-day horizon. The data for the historical stress period used currently includes the height of the credit crisis around the fall of Lehman Brothers (2008-2009), and this choice is reviewed regularly. The historical data period is chosen so that it gives the worst scenario loss estimates for the current portfolio. The same SVaR model is used for management purposes and for regulatory purposes. The same SVaR model is used for all legal entities within ING with market risk exposure in the trading portfolio.

Incremental risk charge (*)

The incremental risk charge (IRC) for ING is an estimate of the default and migration risks for credit products (excluding securitisations) in the trading book, over a one-year capital horizon, with a 99.9% confidence level. Trading positions (excluding securitisations) of ING, which are subject to specific interest rate risk included in the internal model approach for market risk regulatory capital, are in scope of the IRC model. By model choice, equity is excluded from the model. For the calculation of IRC, ING performs a Monte Carlo simulation based on a multi-factor t-copula. In the multi-factor IRC model the supervisory asset correlations are no longer applicable and the calibration of the correlations is based on historical market data. The rating change is simulated for all issuers over the different liquidity horizons (i.e. time required to liquidate the position or hedge all significant risks) within one year. Movements across different rating categories and probabilities of default are governed by a credit-rating transition matrix. An internal transition matrix along with internal LGDs is used, to comply with the consistency requirement. The financial impact is then determined for the simulated migration to default, or for the simulated migration to a different rating category, based on LGD or credit spread changes, respectively.

The liquidity horizon has been set to the regulatory minimum of three months for all positions in scope. ING reviews the liquidity horizons on a yearly basis, based on a structured assessment of the time it takes to liquidate the positions in the trading portfolio.

Stress testing and event risk (*)

Stress testing is a valuable risk management tool. In addition to the bank-wide stress test framework as described in the stress-testing section, Trading Risk Management performs stress tests specific to the trading book with various frequencies. ING went live with a new Trading Book Stress Testing model in 2023, replacing the previously used Event Risk model. With the new model, the trading book stress tests evaluate the impact on the bank's trading book under severe but plausible stress scenarios, using full revaluation approach. The framework is based on historical as well as hypothetical scenarios. The stress result is an estimate of the profit and loss caused by a potential event and its worldwide impact for ING. The results of the stress tests are used for decision-making aimed at maintaining a financially healthy going-concern institution after a severe event occurs.

In stress scenarios, shocks are applied to prices (credit spreads, interest rates, equity, commodities, and FX rates) and volatilities. Depending on the type of the stress test, additional scenario assumptions can be made, for example on correlations, dividends, or recovery rates. The structural scenarios are defined to cover market moves in various directions and capture different asset class correlations. Scenarios are calculated using full revaluation approach. The worst scenarios are determined for each product line, business line and super business line, and compared against limits.

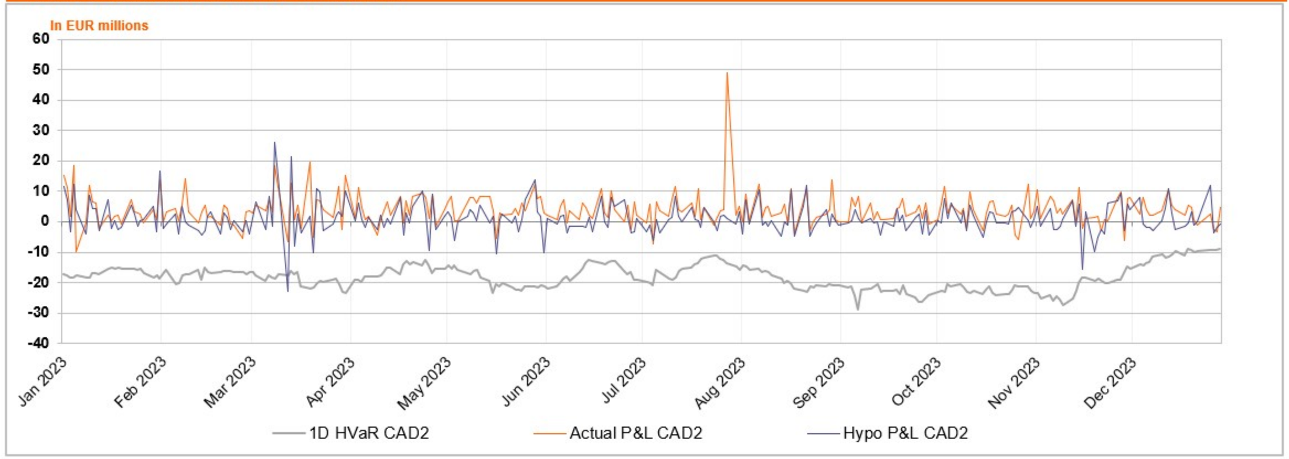
Other trading controls

HVaR and event risk limits are the most important limits to control the trading portfolios. Additionally, limits have been set on SVaR and IRC, and ING uses a variety of other controls to supplement these limits. Position and sensitivity limits are used to prevent large concentrations in specific issuers, sectors, or countries. Moreover, other risk limits are set with respect to the activities in complex derivatives trading. The market risk of these products is controlled by product-specific limits and constraints.

Risk profile

The following chart shows the development of the overnight HVaR under a 99 percent confidence level and a one-day horizon versus actual and hypothetical daily trading profits and losses. In calculation of the hypothetical daily profit and loss, the trading position is kept constant and only the market movement is taken into account. The overnight HVaR is presented for the ING trading portfolio for 2023.

EU MR4. Consolidated trading VaR ING Bank



The risk figures in the above backtesting graph and in the table below relate to all trading books for which the internal model approach is applied, i.e. all trading books, including credit exposure management books.

1d VaR for internal model approach trading portfolios

in € million	Minimum		Maximum		Average		Year end	
	2023	2022	2023	2022	2023	2022	2023	2022
Interest rate [1]	6	1	23	17	15	9	8	13
Equity and commodity	2	2	4	7	3	3	2	2
Foreign exchange	1	1	8	22	3	4	2	3
Credit spread	2	1	10	15	5	4	5	1
Diversification [2]					-8	-9	-8	-5
Total VaR [2]	**9**	**5**	**29**	**22**	**18**	**12**	**9**	**14**

1 For calculation of HVaR per risk class the full valuation is performed according to HVaR methodology using a set of scenario changes for the risk factors for the particular risk class, while risk factors for all other risk classes are kept unchanged.
2 The total HVaR for the columns Minimum and Maximum cannot be calculated by taking the sum of the individual components since the minimum/maximum observations for both the individual markets as well as for total HVaR may occur on different dates. Therefore, diversification is not calculated for the minimum and maximum categories.

Average 1D/10D HVaR, 10D SVaR and IRC over 2023 has increased compared to 2022. The capital increase is driven by an increase in market volatility following the US bank collapse from March 2023. The overall average has increased in 2023, especially for interest rate which increased due to the US banking crisis. The year end 1D HVaR has decreased from €14 million in 2022 to €9 million at period end of 2023, due to low positions at year-end of 2023.

ING doesn't calculate comprehensive risk capital charge and therefore it appears as N/A in the table below.

EU MR3: Internal model approach values for trading portfolios

in € million	2023	2022
VaR (10 day 99%)		
1 Maximum value	84	79
2 Average value	53	37
3 Minimum value	25	15
4 Period end	25	42
Stressed VaR (10 day 99%)		
5 Maximum value	116	147
6 Average value	82	77
7 Minimum value	57	47
8 Period end	69	65
Incremental Risk Charge (99.9%)		
9 Maximum value	304	270
10 Average value	151	113
11 Minimum value	48	34
12 Period end	108	76
Comprehensive Risk capital charge (99.9%)		
13 Maximum value	n/a	n/a
14 Average value	n/a	n/a
15 Minimum value	n/a	n/a
16 Period end	n/a	n/a

Regulatory capital

According to the Capital Requirements Regulation (CRR/CRD IV), regulatory capital (own funds requirements) for market risk can be calculated using the standardised approach or an internal model approach. ING received regulatory approval to use an internal model to determine the regulatory capital for the market risk in all trading books of ING. Market risk capital of trading books is calculated according to the CRR, using internal HVaR, SVaR, and IRC models, where diversification is taken into account. Capital for foreign exchange risk from the banking books and for collective investment undertakings (CIUs) exposures in trading books are calculated using the standardised approach with fixed risk weights. ING does not have a correlation trading portfolio or any other securitisations in the trading book.

Standardised approach

EU MR1: Market risk under Standardised Approach

in € million	2023	2022
	RWA	RWA
Outright products		
1 Interest rate risk (general and specific)	40	10
2 Equity risk (general and specific)		
3 Foreign exchange risk	4,811	5,332
4 Commodity risk		
Options		
5 Simplified approach		
6 Delta-plus method		
7 Scenario approach		
8 Securitization (specific risk)		
9 Total	**4,851**	**5,342**

The MRWA under standardised approach have decreased compared to 2023. In 2023, MRWA is calculated for FX exposures, in line with the new CRR standardised approach that was introduced in 2022.

Internal model approach

Market risk regulatory capital has increased during 2023 compared to 2022. This mainly reflects higher interest rate positions during 2023.

EU MR2-A: Market risk under Internal Model Approach

in € million		2023		2022	
		RWA	Total own funds requirements	RWA	Total own funds requirements
1	VaR (higher of values a and b)	2,508	201	2,732	219
(a)	Previous day's VaR (VaRt-1)		26		49
(b)	Multiplication factor (mc) x average of previous 60 working days (VaRavg)		201		219
2	SVaR (higher of values a and b)	4,385	351	3,427	274
(a)	Latest available SVaR (SVaRt-1))		75		70
(b)	Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		351		274
3	IRC (higher of values a and b)	1,746	140	1,934	155
(a)	Most recent IRC measure		108		76
(b)	12 weeks average IRC measure		140		155
4	Comprehensive risk measure (higher of values a, b and c)				
(a)	Most recent risk measure of comprehensive risk measure				
(b)	12 weeks average of comprehensive risk measure				
(c)	Comprehensive risk measure - Floor				
5	Other	810	65	516	41
6	**Total**	**9,449**	**756**	**8,609**	**689**

Sensitivities (*)

As part of the risk monitoring framework, TRM actively monitors the sensitivities of the trading portfolios. Sensitivities measure the impact of movements in individual market risk factors (foreign exchange rates, interest rates, credit spreads, equity and commodity prices) on profit and loss results of the trading positions and portfolios.

The following tables show the five largest trading positions in terms of sensitivities to foreign exchange, interest rate and credit spread risk factor movements. These largest exposures also reflect concentrations of risk in FX risk per currency, interest rate risk per currency, and credit spread risk per country, rating and sector. Due to the nature of the trading portfolios, positions in the portfolios can change significantly from day to day, and sensitivities of the portfolios can change daily accordingly.

Most important foreign exchange year-end trading positions (*)

in € million	2023		2022
Foreign exchange		Foreign exchange	
Japanese Yen	61	US Dollar	-187
Taiwan Dollar	-58	Romanian Leu	88
Romanian Leu	58	Japanese Yen	86
Chinese Yuan	49	Chinese Yuan	32
Hong Kong Dollar	-38	South Korean Won	28

Most important interest rate and credit spread sensitivities at year-end (*)

in € thousand	2023		2022
Interest Rate (BPV1)		Interest Rate (BPV1)	
Euro	-309	Euro	-334
Czech koruna	71	British Pound	-95
Korean Won	-41	US Dollar	-79
US Dollar	-40	Taiwan Dollar	67
British Pound	-35	Japanese Yen	63
Credit Spread (CSO12)		Credit Spread (CSO12)	
Germany	405	Netherlands	162
Netherlands	120	United States	151
Korea	-111	Japan	102
Japan	106	France	88
United Kingdom	101	Germany	87

1 Basis point value (BPV) measures the impact on value of a one basis point increase in interest rates.

2 Credit spread sensitivity (CS01) measures the impact on value of a one basis point increase in credit spreads. Exposures to supranational institutions are not assigned to a specific country.

Credit spread sensitivities per risk class and sector at year-end (*)

	2023		2022	
in € thousand	Corporate	Financial Institutions	Corporate	Financial Institutions
Credit Spread (CSO1) [1]				
Risk classes				
1 (AAA)			2	-1
2–4 (AA)	12	50	-1	-7
5–7 (A)	57	50	154	-13
8–10 (BBB)	106	13	249	-11
11–13 (BB)	25	-25	7	7
14–16 (B)	17	-4	23	-4
17–22 (CCC and NPL)	-8	-20	3	-7
Not rated				
Total	**208**	**65**	**437**	**-36**

1 Credit Spread Sensitivity (CS01) measures the impact on value of a 1 basis point increase in credit spreads.

Funding and liquidity risk (*)

Introduction (*)

Funding and liquidity (F&L) risk is the risk that ING or one of its subsidiaries cannot meet their financial liabilities upon their maturity date at a reasonable cost and in a timely manner. ING incorporates funding and liquidity risk management in its business strategy, and has established a funding and liquidity risk framework to manage these risks within predefined boundaries.

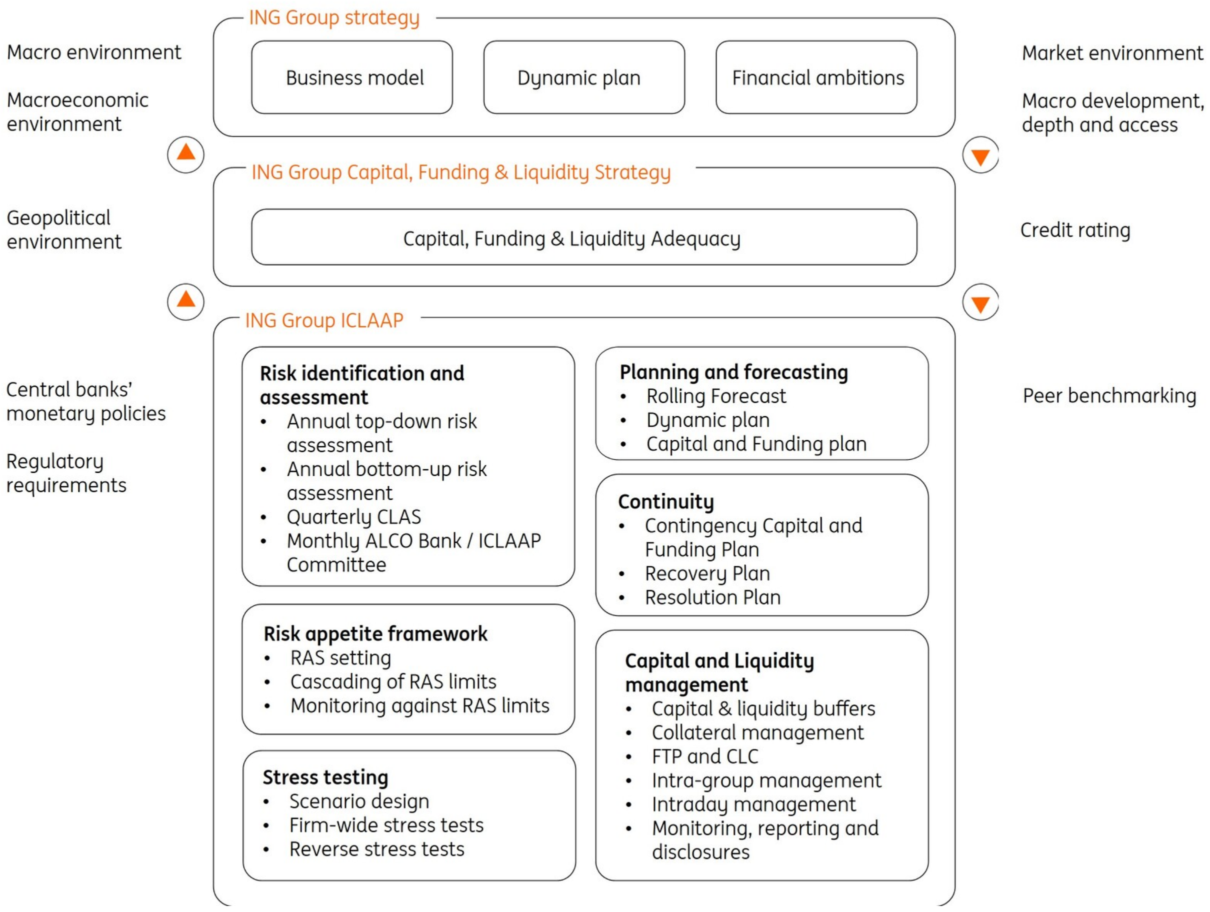
A high-level overview of the F&L framework is provided in the next figure.

Governance (*)

Funding and liquidity risk management within ING falls under the supervision of the ALCO Bank function, which approves the funding and liquidity risk appetite and subsequently cascades it throughout the organisation. ALCO Bank has delegated the responsibilities of the Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP) and documents, as per the ICLAAP framework of ING, to the ICLAAP Committee. The ICLAAP Committee therefore focuses on technical liquidity documents and oversees business processes and deliverables concerning the Internal Liquidity Adequacy Assessment Process (ILAAP). The EB, MBB, and staff departments from the CRO and CFO domains, as well as Group Treasury, have oversight of, and are responsible for, managing funding and liquidity risks.

ING's funding and liquidity risk governance is based on the three-lines-of-defence structure. This sets a clear division of responsibilities as well as an independent risk control challenge process. Group Treasury and the business lines have the first-line-of-defence functions, which include management of ING's (regulatory) liquidity and funding position, maintaining access to the professional funding markets, and managing the liquidity buffer. Financial Risk, as the second line of defence, is responsible for developing and maintaining ING's policies, standards and guidelines on F&L risk management, as well as for setting the F&L risk appetite through stress testing and other risk measurement activities. The Finance function is responsible for management information and regulatory reporting related to funding and liquidity risk management. As the third line of defence, Corporate Audit Services is responsible for independently assessing the design, effectiveness, and implementation of the Funding & Liquidity framework.

Funding and liquidity framework



Funding and liquidity management strategy and objectives (*)

The main objective of ING's funding and liquidity risk management is to maintain sufficient liquidity to fund the commercial activities of ING, both under normal and stressed market circumstances across various locations, currencies, and tenors.

ING's funding consists mainly of retail and corporate deposits contributing around 50 percent and 25 percent of total funding, respectively. These funding sources provide a relatively stable funding base. The remainder of the required funding is attracted primarily through a combination of long-term and short-term professional funding. Group Treasury manages the professional funding in line with the F&L risk appetite, with the aim of ensuring a sufficiently diversified and stable funding base.

Funding mix[1]

	2023	2022
Funding type		
Customer deposits (retail)	52%	51%
Customer deposits (corporate)	27%	28%
Lending/repurchase agreements	7%	6%
Interbank	2%	6%
CD/CP	5%	3%
Long-term senior debt	5%	4%
Subordinated debt	2%	2%
Total	**100 %**	**100 %**

1 Liabilities excluding trading securities and IFRS equity.

Funding and liquidity adequacy and risk appetite (*)

ING identifies key drivers of short-term and future liquidity and funding needs on an ongoing basis through the periodic risk identification process. Taking into consideration the identified risk drivers, ING regularly assesses its current and future liquidity adequacy and, if deemed necessary, takes action to further improve ING's liquidity position and maintain sufficient counterbalancing capacity. A liquidity adequacy statement is formulated on a quarterly basis to substantiate and reflect the management view on the current funding and liquidity position as well as the potential future challenges. The quarterly liquidity adequacy statement is an important part of ING's ILAAP process.

Additionally, ING completes ad-hoc funding and liquidity assessments if deemed necessary. Following the banking turmoil in March 2023, ING completed a lessons-learned deep-dive. This deep-dive included peer and internal analysis of deposit structures and liquidity buffers, and a review of the influence of mobile banking apps and social media on financial institutions. The F&L risk appetite subsequently incorporated elements of this analysis, as well as the impacts of quantitative tightening, TLTRO III redemptions, increased competition for savings in the higher-interest-rate-environment and potentially higher deposit outflows in certain countries, in the 2023 review.

ING assesses its F&L adequacy through three lenses – stress, economic and normative:

- Through the stress lens, ING evaluates its ability to withstand periods of prolonged F&L stress for both normative and economic requirements or limits under idiosyncratic, market-related, a combination of idiosyncratic and market-related and climate risk scenarios, which lead to customer deposit outflows, deterioration of access to funding markets, and lower liquidity value of counterbalancing capacity.
- Through the economic lens, ING assesses the extent to which its customers, professional counterparties and investors are comfortable to provide deposits and funding in the tenors, currencies, and instruments necessary to sustainably fund the business (intraday, short-term and long-term) in a going-concern situation.
- Through the normative lens, ING ascertains that the bank is in the position to meet current and future home and host regulatory requirements.

For each lens, ING has established a related set of risk appetite statements, which define ING's risk appetite commensurate with the principles of liquidity adequacy. These risk appetite statements are summarised in the following illustration:

The bank's counter-balancing capacity should be sufficient in adverse and Stressed market circumstances

The time-to-survive in an F&L stress situation must be sufficient

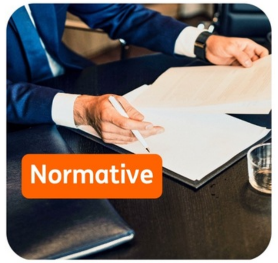
Funding of longer-term assets and investments must be done by stable and longer-term liabilities

Funding of short-term assets may not lead to significant dependency on short-term professional markets

Diversification of the funding profile must be in place, across fund providers, instrument types, geographic markets, tenors, and currencies

The bank should be able to meet payment and settlement obligations on a timely basis

Geographical dependencies with respect to intra-group funding are to be limited



We comply with home and host regulatory funding & liquidity requirements

The F&L risk appetite statements are translated into a number of metrics with appropriate boundaries and instruments, which are used to regularly measure and manage ING's funding and liquidity risk. The risk appetite with respect to the stress lens aims to have sufficient counterbalancing capacity under various internally defined stress scenarios. Regarding the economic perspective, an internally defined stable funding to loans (SFtL) ratio and stable funding surplus metric (supplemented by other metrics) is used to stimulate a diversified funding base and to prevent overreliance on professional funding. Finally, the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) regulatory metrics are monitored in terms of both ING's risk appetite and normative requirements.

The macroeconomic and market environment are also important considerations in ING's funding and liquidity framework. The macroeconomic environment comprises various exogenous factors over which ING has no control, but which may have a material impact on ING's F&L position. The main macroeconomic factors analysed on a regular basis include:

- Performance of global and local economic performance e.g. shifts in GDP, inflation rates, unemployment rates, and public deficit/surplus;
- Developments and risks arising from geopolitical tensions and related trends;
- Monetary policy with a focus on the alternative monetary measures employed by central banks in recent years as a result of the global energy crisis and the recent period of high inflation;
- Regulatory requirements; e.g. understanding the changing regulatory landscape as well as the impact of ING's actions on existing regulatory boundaries.

The strategic ambitions of ING, together with the design and execution of the funding plan, are assessed under both current and projected market conditions. An emphasis is placed on understanding overall market trends and developments, credit rating changes, and peer comparisons.

Liquidity stress-testing (*)

Funding and liquidity stress-testing forms part of the overall F&L framework. It allows ING to examine the effects of exceptional but plausible future events on ING's funding and liquidity position. It also provides insight into which entities, business lines or portfolios are vulnerable to which types of risk drivers or scenarios.

The stress-testing framework encompasses the funding and liquidity risks of the consolidated balance sheet of ING, including all entities, business lines as well as on-, and off-balance-sheet positions. The net liquidity position (NLP) is the main stress-testing measure and is measured at different time buckets.

The stress-testing framework considers idiosyncratic, market-wide, combined (idiosyncratic and market-wide), and climate and environmental stress scenarios. The design of the framework is based on empirical evidence supplemented by expert judgement. The framework can be extended to additional ad-hoc scenarios. For example, it can be used as input for firm-wide stress testing and reverse stress testing.

Outcomes of the stress tests are considered in the key aspects of ING's F&L risk framework and F&L risk management, including:

- Risk Appetite Framework (through risk appetite statements);
- Risk identification and assessment;
- Monitoring of the liquidity and funding position;
- Business actions (if needed);
- Contingency funding plan;

- Early-warning indicators.

The funding and liquidity stress-testing framework is also subject to regular internal validation by model validation.

In line with supervisory expectations, ING's liquidity position is stress tested on at least a monthly basis using scenarios that form part of the F&L risk appetite statement. The results of all internal stress scenarios are monitored and assessed on a regular basis. In addition, ad-hoc scenarios based on current economic and market developments are run to determine their potential impacts on the funding and liquidity position of ING. In 2023, this included stress test scenarios dedicated to the impact of rapid deposit outflows on the bank, as well as a shutdown of short and long-term funding markets. The internal stress scenarios also serve as input in the decision on additional contingency measures.

Contingent F&L risks are addressed in the contingency capital and funding plan with a focus on early-warning indicators as well as organisation and planning of liquidity management in times of stress. The contingency funding measures are developed in conjunction with the ING recovery plan and are reviewed and tested on a regular basis

Environmental, social and governance risk

Introduction

Environmental, social and governance (ESG) risk is not identified as an independent risk category/ risk type. Rather, it is a set of drivers affecting the likelihood and severity of existing risk categories/ risk types. ESG risk is an overarching set of risk drivers affecting:

- Financial risks: solvency risk, credit risk, market risk, funding & liquidity risk;
- Non-financial risks: operational risk, IT risk, reputational/litigation risk, compliance risk;
- Other overarching risks: model risk and business risk.

ESG risk is defined as any negative financial and/or non-financial impact on ING due to the present or future impacts from ESG factors on and stemming from ING's own operations – as well as its business activities as a company, its counterparties, and any sourced processes. The ESG risk definition considers:

- ESG risk with regards to own operations: The risk of any negative financial and/or non-financial impact due to an ESG factor causing damage to ING's infrastructure, or due to an adverse reputational impact resulting from non-compliance with ING's commitments and ESG-related laws, regulations and disclosures.
- ESG risk with regards to business activities: The risk of any negative financial and/or non-financial impact due to an ESG factor causing damage to ING's business activities (for example from lending to counterparties, investment exposures, funding activities and sourcing processes).

ESG factors are defined as environmental, social or governance matters that may have a positive or negative impact on the financial performance or solvency of an entity, sovereign or individuals.

- Environmental factors are related to the quality and functioning of the natural environment and of natural systems, and include factors such as climate change, biodiversity and ecosystems, water and marine resources, resource use and circular economy, and pollution. Environmental factors are defined as environmental matters that may have a positive or negative impact on the financial performance or solvency of an entity, sovereign or individual.
- Social factors are related to the rights, well-being and interests of people and communities, and include factors such as (in)equality, health, employee empowerment, diversity and inclusion, employee and customer health, safety and protection, inclusiveness, labour relations, human rights, workplace health and safety, human capital and communities.
- Governance factors cover corporate governance practices, including executive leadership, executive compensation, audits, internal controls, sound tax practices, board independence, shareholder rights, ethical considerations, anti-corruption and bribery, sound risk management structures, organisation and functioning of the management body, transparency with regards to disclosures of information rules and practices and also the way in which companies or entities include environmental and social factors in their policies and procedures.

Within environmental risks a further distinction is made between physical and transition risk.

- Physical risks refer to any negative financial and/or non-financial impact due to the physical effects of environmental factors. Such physical effects include:
  - Acute physical effects, which arise from:
    - Climate-related (weather-related) hazards such as storms, floods, fires or heatwaves.
    - Other environmental hazards related to biodiversity and ecosystems, water and marine resources, resource use and circular economy and pollution, that may damage production facilities and disrupt value chains.
  - Chronic physical effects, which arise from longer-term trends (progressive shifts), such as temperature changes, rising sea levels, reduced water availability, biodiversity loss and changes in land and soil productivity.
- Transition risks refer to any negative financial and/or non-financial impact due to the effect of the transition to a net-zero and more environmentally sustainable economy. The transition includes:
  - Climate and environment related policy changes;
  - Technological changes;
  - Market sentiment and demand changes.

Governance

The ad hoc ESG committee is responsible for supervising ING's ESG direction, endorsing and monitoring progress, and advising the MBB on dilemmas. The ESG Sounding Board, comprised of senior leaders, guides the development and implementation of ESG topics as well as reporting on progress. Further details on ESG risk governance are provided in the section below.

ESG Risk Committee (ERC)

The ERC is a standing committee at ING involved in matters related to ESG risk. It is the primary oversight committee for ESG risk matters such as ESG risk methodologies, ESG risk internal and external reporting, the ESG risk framework, and the manner in which we address regulatory requirements related to ESG risk. The ERC oversees the management of ESG risk for ING. The committee also facilitates cross-functional alignment and decision-making on material operational issues (for risk types on which ESG risk has a material impact). The ERC is established as a technical board, and is serving MBB and/or MBB delegated committees (depending on the topic) as support in decision-making, and ensures that ESG risk related matters discussed at the SB are executed and delivered on.

The MBB delegated committees involved are the Global Credit and Trading Policy Committee (GCTP), Bank Non-Financial Risk Committee (BNFRC), Model Risk Management Committee (MoRMC), Asset and Liability Committee (ALCO), and Global Credit Committee Transaction Approvals (GCC- TA).

ESG Risk department

The ESG Risk department is a function that is part of ING's second line of defence. The head of ESG Risk reports to the head of Integrated Risk, reporting directly to ING's Chief Risk Officer (CRO). The ESG Risk department, under the leadership of the head of ESG Risk, is responsible for adapting ING's risk management framework to account for ESG risk. The ESG Risk department challenges and provides oversight on the implementation of ESG risk practices by the first line of defence.

The ESG Risk department is responsible for:

- Maintaining the ESG risk framework and related policies and mandatory instructions;
- Addressing the requirements of ESG risk regulations and supervisory guidance, such as the European Central Bank's (ECB) guide on climate-related and environmental (C&E) risks;
- Setting ESG risk appetite;
- Identifying and assessing ESG risk;
- Monitoring and reporting ING's ESG risk profile.

Environmental and social risk (ESR) team

The environmental and social risk (ESR) team is a Wholesale Banking risk function that's part of ING's second line of defence (the first line being the business itself). The ESR team performs an advisory role to support the deal principals, senior credit officers, and approval authorities on individual transactions/engagements. The degree of the ESR team engagement in transactions is dependent upon (i) the risk profile of the client, project or business engagement, (ii) ING's exposure, and (iii) the risks screened. In some locations, an ESR delegated adviser may be appointed if mutually agreed by the head of ESR and regional head. Such a role would support the senior credit officer (SCO), who would be responsible for ESR in the region.

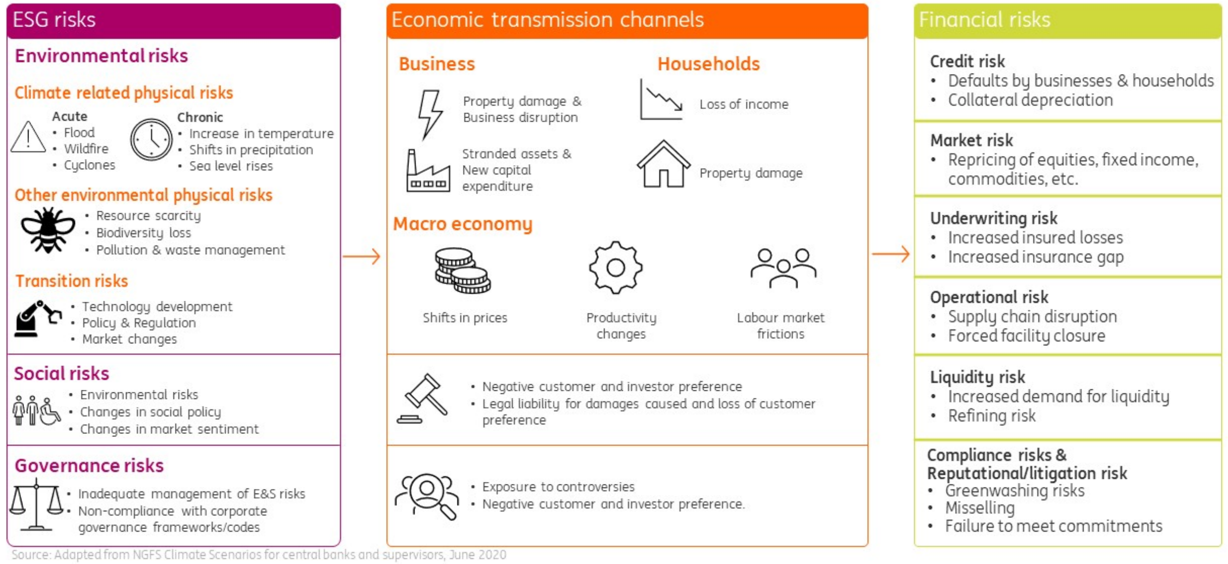
The ESR function encompasses the following activities:

- Create and maintain policies for sensitive industry sectors;
- Assess transactions for environmental and social risk;
- Monitor high-risk clients to assess compliance with sustainability criteria;
- Spread ESR awareness throughout ING;
- Participate in European and global advisory groups (e.g. OECD advisory group, steering committee to the Equator Principles, Thun Group of Banks) to help bring all banks to the same high standard.

Managing ESG risk

The ESG risk framework assists in managing ESG risk effectively through the application of the risk management process at varying levels of the organisation. The risk management cycle describes the processes by which ING can identify, assess, measure, mitigate and monitor ESG risk integrated within the existing risk types.

ESG factors (the drivers of ESG risk) can lead to a negative financial and/or non-financial impact through a variety of transmission channels. Transmission channels refer to the causal chains that explain how the various risk drivers impact institutions through their own operations or business activities (see the figure below).



Source: Adapted from NGFS Climate Scenarios for central banks and supervisors, June 2020

Risk identification

Managing ESG risks covers both physical risks (e.g. extreme weather events, soil degradation) and transition risks (e.g. policy changes, shifts in market sentiment and consumer demand). The potential impacts that physical and transition risks could have on households, businesses as well as on the macroeconomy can translate into a range of financial risks for ING. The ESG risks can materialise through defaults of businesses and households, increased volatility in equity and commodity markets, disruptions to banks' and customers' operations, and litigation procedures. ING has identified the physical and transition risk transmission channels for credit risk (for our Wholesale Banking, Business Banking, and mortgages portfolios separately), market risk, operational risk, underwriting risk, compliance risk and liquidity risk.

Furthermore, the outcome of ING's bank-wide risk identification and assessment process indicates that climate risk is an emerging risk considering both its likelihood and impact. That means it has the potential to significantly affect our performance but its impact on the organisation is more difficult to assess than other risk drivers.

Risk measurement

ING measures its exposure to environmental risk by assessing and measuring risks through risk quantification methodologies. The methodologies take into account qualitative and quantitative criteria and different time horizons (short, medium and long-term). The definitions for short, medium and long-term depend on the climate risk (physical or transition risk), the existing risk type (credit, market, operational, compliance and liquidity) and the portfolio under consideration.

Quantification approaches for our Business Banking and Wholesale Banking portfolios include:

- Exposures towards companies excluded from EU Paris-aligned benchmarks;
- Exposures to the top-20 most carbon-intensive firms.

Quantification approaches for our immovable property portfolio include:

- Mapping of collateral values to physical risk hazards;
- Transition risk given the EPC label distribution of the portfolio.

Using various quantification approaches ING is able to identify and assess our material Environmental risks. Different quantification approaches have been developed for the different business segments

Risk mitigation

The mitigation of the identified risks can be performed through several risk mitigating strategies, such as reducing risk levels, avoiding risk, accepting risk or transferring the risk. The measures are embedded as part of the updates of the existing policies and procedures in the different risk categories / risk types to mitigate material ESG risk. Mitigation activities can be performed at a portfolio, client or transaction level and include, but are not limited to:

- Engaging with high ESG risk counterparties to understand and support their mitigation plans. For instance, the conditions that apply to loans based on the ESR outcome can play an important role in helping clients improve their environmental and social performance, as well as ensuring their continued compliance with our ESR policy;
- Setting the risk appetite statement (RAS) to limit the level of acceptable risks with consequence management attached;
- Ensuring appropriate business continuity plans and insurance are in place to reduce the impact of more frequent and severe weather events for both ING's own operations and business activities, thus reducing the inherent risk.

Risk appetite

We used the outcomes of the C&E risk heatmap exercise to introduce climate risk elements in the credit risk appetite from 2022 onwards. In 2023, we continued with the monitoring mechanism which was established for Wholesale Banking (WB) at the start of 2022, which limits growth of sub-sectors with a higher exposure to C&E risks, while allowing for growth within the overall sector limit. In July 2022, this mechanism became binding for WB sectors. For Business Banking (BB) sectors, a similar approach was used and the BB credit risk appetite has been in a monitoring period since 2022. In addition, climate risk has been incorporated into the 2023 market risk banking book risk appetite, with the introduction of sensitivity metrics per climate risk category.

Stress testing

ING's climate stress-testing model leverages upon data gathered and models developed for the ECB Climate Risk Stress Test, enhanced with internal climate risk stress test analysis. The risk coverage of the internal climate risk stress test is the full credit portfolio reflecting both flood and transition risk. For transition risk, a data-driven approach is developed to reflect the increase in the carbon price and therefore energy costs. The analysis focuses on (i) energy performance certificate (EPC) level for mortgages and corporates secured by real estate and (ii) NACE sector level for corporates not secured by real estate. For market risk, both the banking and trading book are included. Other risks are covered as well, among others non-financial risk, issuance risk, business risk, and model risk. The climate stress test shows a manageable impact on ING from a financial perspective in the short-term as sufficient contingency measures are available to mitigate the impact. The contractual maturity of ING's financial assets including loans to business customers (Wholesale Banking and Business Banking) is mostly short-term, except for loans to customers covered by immovable property (Retail Banking residential mortgages). We have not analysed the potential impact for the medium and long-term on ING's capital position in ING's climate stress test.

In addition, ING has developed the climate risk stress testing global procedure for ICAAP purposes to formally integrate climate risk stress testing within the ING Group ICAAP stress-testing framework. Within this document, guidance is provided on the minimum standards that need to be applied when climate risk stress tests are developed, implemented, and executed. With these minimum standards, the ING Group stress test framework has been extended with explicit requirements for ESG risk analyses. The document currently focuses on physical risk and transition risk as these can be properly quantified within stress testing. We aim to include other ESG risks later, and the same applies for the reflection of regulatory requirements as this topic is still evolving

Risk monitoring

ESG risk information is reported on a periodic (at minimum annual) basis, to measure and monitor risk exposure against the risk appetite and tolerance. Climate risk appetite is distributed on a monthly basis to the MBB and senior management and reported quarterly via the management report to the GCTP. Physical and transition risk results are reported semi-annually in ING Bank's additional pillar III report. The ESG risk dashboard is reported to the MBB semi-annually.

Managing ESG risk in practice

ING's ESR framework helps us make informed choices about how, where and who we do business with. In 2023, the ESR framework was updated to reflect several (minor) amendments following the last comprehensive review that took place in June 2021. Among the updates are a clarification on the self-declaration approach used for Business Banking and a new restriction on dedicated upstream oil and gas financing. The next comprehensive review of the ESR framework will take place in 2024. For more information about ESR at ING, please refer to our corporate website.

The ESR framework includes standards and best practice guidance for ESR-sensitive sectors. It includes explicit restrictions on activities not in line with ING's values and harmful to people and/or the environment, which we do not want to finance.

The way the ESR framework is applied in practice differs per product type and segment. The most significant potential environmental and social impacts come from large corporates within our Wholesale Banking segment. However, mid-corporate clients and small and medium sized companies (referred to as the Business Banking segment) undergo a (basic) screening process too. Lastly, the ESR framework minimum requirements are also included in ING's procurement policy and apply to the screening of suppliers of ING's global procurement activities.

The ESR framework is incorporated in ING's KYC policy framework, meaning that the ESR client assessment is part of the regular client on-boarding and review process. Next to that, the ESR framework prescribes a dedicated ESR transaction assessment for corporate clients that helps us identify the level of risk. The combination of the ESR client and ESR transactional assessments provide us with the total ESR outcome. If the total ESR outcome is high risk, the transaction requires an ESR assessment and advice from the dedicated ESR team.

While we have a robust ESR framework and made progress in enhancing the automation of the checks and controls in the ESR assessment processes, we acknowledge that we need to improve our processes around the ESR Framework and its implementation. We see room for improvement to further ensure adequacy and completeness of data necessary to steer, manage, evidence, and monitor these risks at the level of granularity needed.

Of all WB engagements in scope of the ESR framework in 2023, 84 percent were considered ESR low-risk (2022: 84 percent), 6 percent ESR medium-risk (2022: 7 percent) and 10 percent ESR high-risk (2022: 9 percent). ESR high-risk cases require specialized advice from the global ESR team. Beyond these high-risk cases, the ESR-team is also consulted on other types of engagements, such as trade-related requests, medium-risk transactions and inquiries from the KYC department about the ESR client assessment. Depending on the nature of the request, the ESR-team provides an advice on these cases too. The ESR advice assesses the specific product offered and environmental and social impacts associated with it, the sector, operating context and geography of the engagement and other relevant factors. Based on this in-depth research, an advice is given. The ESR advice is binding (on its conditions or its negative conclusion) to the relevant approval mandate holder for the underlying credit risk. If the applicable mandate holder disagrees with the ESR advice, it can be escalated to the Global Credit Committee (GCC) for a final decision. The GCC is the only body that can overrule the ESR advice. Of the 371 ESR advices given in 2023, 50 percent were positive, 34 percent positive subject to conditions and 16 percent negative. Conditions included in an ESR advice could play an important role in helping clients improve their environmental and social performance and transitioning and ensuring their continued compliance with our ESR policy.

The ESR team mainly focuses on Wholesale Banking transaction advice, including (support for) engagement around ESR with clients, in some specific cases. In 2023, ESR visited several projects around the world as part of the due diligence and engagement process. In addition, the team works on a continuous improvement of the ESR framework, to cater for developments in the environmental and social space. ESR acts as a sparring and training partner for multiple internal teams, such as risk, front-office, KYC, and other teams, so that ESR knowledge is improved and spread.

Non-financial risk

Introduction

Non-financial risk (NFR) is defined as the risk of financial loss, legal or regulatory sanctions, or reputational damage due to inadequate or failing internal processes, people and systems, a failure to comply with laws, regulations and standards, or external events.

Governance

The global head of NFR is responsible for developing the framework of NFR policies and standards within ING, and for monitoring the quality of non-financial risk management in the ING entities. In addition to the global steering provided through the framework, the bank's Non-Financial Risk Committee (NFRC), chaired by the Group chief risk officer, is the highest level of the non-financial risk committees within ING, and is mandated by the MBB to opine on and approve non-financial risk matters, to monitor or verify whether appropriate action is taken by responsible management, and endorse the non-financial risk appetite.

Non-financial risk management

Risk categories

ING categorises non-financial risks in the following areas:

- Compliance risk is the risk of ING's integrity being impaired, which can result in reputational damage, legal or regulatory sanctions, or financial loss, due to a failure (or perceived failure) to comply with applicable laws, regulations and standards. See more in 'Compliance risk'.
- Information (technology) risk is the risk of financial loss, regulatory sanctions or reputational damage due to breaches of confidentiality, integrity or availability of information or a lack of information quality within business processes and/or the supporting IT systems.
- Continuity risk is the risk of financial loss, regulatory sanctions or reputational damage due to business disruptions (loss of people, processes, systems, data, premises).
- Control risk is the risks of financial loss, regulatory sanctions or reputational damage due to ineffective organisational structures and governance procedures (including unclear roles and responsibilities and inadequate reporting structure).
- Processing risk is the risk of financial loss, regulatory sanctions or reputational damage due to failed (transaction) processing (input, execution, output) or failing process management.
- Unauthorised activity risk is the risk of financial loss, regulatory sanctions or reputational damage due to employees performing outside the normal course of their business, intentionally giving unauthorised approvals or overstepping their authority.
- Personal and physical security risk is the risk of financial loss, regulatory sanctions or reputational damage due to criminal and environmental threats that might endanger the security or safety of ING personnel at work, people in ING locations, ING assets or assets entrusted to ING, people at ING event locations, or might have an impact on ING organisation's confidentiality, integrity or availability.
- Employment practice risk is the risk of financial loss, regulatory sanctions or reputational damage due to acts that are inconsistent with employment, health and/or safety laws, regulations or agreements, from payment of personal injury claims, or from diversity/discrimination events.
- Sourcing risk is the risk of financial loss, regulatory sanctions and/or reputational damage resulting from sourced activities (both IT and non-IT, including intra-group sourcing) not staying within ING's risk appetite and not being executed as agreed (with captives or partners), including non-compliance with internal or external regulations.
- Fraud is the deliberate abuse of procedures, systems, assets, data, products and/or services of ING by those who intend to deceitfully or unlawfully benefit themselves and/or others. This definition of fraud is specified in the following two categories of fraud:

Internal fraud: acts of fraud that involve at least one internal party performed by or in collusion with an ING employee or agent with the consequence of financial loss, regulatory fines, litigation loss, business disruption and/or reputational damage for ING.

External fraud: acts of fraud or scams by individuals and/or parties excluding ING staff (including contractors), with the consequence of financial loss, regulatory fines, litigation loss, business disruption and/or reputational damage for ING.

Measurement approach

ING uses an internal model in line with the advanced measurement approach (AMA) to determine the regulatory and economic capital amounts necessary to cover potential losses resulting from non-financial risks. This model calculates the non-financial risk exposure by combining a forward-looking and a backward-looking view on non-financial risk events. ING reports the outcome of its AMA model quarterly. The CRR3 regulation (relating to new EU banking rules from the European Commission), set to come into force in January 2025, will usher in the Standardized Approach, replacing the current AMA model. As it prepares to implement this non-model-based formula to calculate regulatory operational risk capital, ING is re-designing the internal model it uses for economic capital and stress testing purposes (Pillar II).

Main developments in 2023

Personal and physical security

The war in Ukraine continues to have a fundamental impact on the lives of our colleagues and their families, and the way in which we conduct our Ukrainian operations. Yet the impact of the war on ING's non-financial risk profile and on operational event losses continues to be limited, thanks to an extensive set of mitigating measures ING has taken since the start of the war.

In Türkiye, the earthquake in February 2023 had a major impact on the nearly 600 ING employees and their families working and living in the affected area, especially in and around Kahramanmaraş. Tragically, five employees lost their lives in the disaster and four were injured. One local branch was destroyed and three seriously damaged. The operational centre was spared, and has served as a shelter for those employees and their families left homeless. The swift and coordinated response by local staff and our head office in Istanbul focused primarily on supplying aid for the local ING community, but also on retrieving assets from the affected branches. Despite serious disruption to local processes due to damaged infrastructure, the impact to the non-financial risk profile remained limited.

Political and social developments in many societies around the globe have led to further polarisation and protests against governmental and public institutions, impacting the security risk profile of ING Bank and its employees. Various environmental activist groups, e.g. Extinction Rebellion, have protested at ING Bank head office buildings and local branches in the Netherlands, calling on ING to stop financing the fossil-fuel sector. To keep employees and clients safe, and ensure the continuation of business processes, security controls at ING locations around the world are frequently assessed.

Cybercrime and fraud

The further digitalisation of banking services, increasing electronic exchange of information via different consumer channels, use of and dependency on third-party vendors for services, and the implementation of PSD2 present ongoing cybercrime resilience, fraud management, and IT-security challenges for companies in general, and financial institutions in particular. Both the frequency and the intensity of attacks continue to increase on a global scale. They are becoming more sophisticated too, with the use of artificial intelligence, and the implications of ransomware attacks are a concern in the threat landscape.

The continuous enhancement of the control environment to protect from, and detect and respond to, e-banking fraud, distributed denial-of-service (DDoS), targeted attacks, and more specific ransomware attacks is of ING's highest priority. Based on regular scenario analysis done in ING's first line of defence, additional tools and controls continue to be embedded in the organisation, as part of the overall internal control framework, and we are continuously reassessing these against existing and new threats, as well as the changing modus operandi.

The introduction of new products and evolving threats against those services, combined with developing technologies such as generative AI and deep fake, are continuously presenting short- and medium term fraud management challenges. Cybercriminals are becoming more resourceful in targeting financial and sensitive (payment/personal) data, such as customer user credentials outside the traditional banking environment. For example, criminals can obtain sensitive payment or personal data via social forums such as WhatsApp, dark web shops, by screen scraping user credentials, or through third-party data breaches.

In 2023, these challenges increased, with more sophisticated phishing attempts, improved social-engineering fraud attempts, and high volumes of scams through so-called authorised push-payment frauds. This increase in scams is a major concern for financial institutions, with often devastating consequences for customers. While financial institutions have limited means to prevent such authorised transactions, it is a priority to help prevent this type of fraud.

With legislation such as EBA PSD2, which requires payment service providers to establish a framework with appropriate mitigation measures and control mechanisms, and the continuing emphasis on duty of care, financial institutions are becoming increasingly responsible for losses incurred by clients. Institutions are also taking on more of the burden of reclaiming these losses. Developments as seen in the UK by regulatory changes as well as the upcoming PSD3 requirements, which amends and modernises PSD2, will impact banks more significantly in this area, dramatically increasing banks' exposure.

In addition, economic pressures in many of ING's operating countries could be a factor in pushing customers into fraudulent activity. We notice attempts, impact, and ING's increasing fraud losses in credit facilities, often carried out with forged documentation. ING continues to strengthen its fraud resilience by partnering with peers in the financial industry, as well as law-enforcement authorities and governments. We believe a collaborative approach with other industries is the only way to tackle fraud effectively. ING's global fraud management team brings together skilled fraud-management experts from various domains, and is responsible for making sure that ING's business and fraud strategy remains aligned on fraud threats, market best practices, applicable law and legislation, risk appetite and operational targets.

Data risk management

Data, whether customer, financial, risk or other business – is core to ING's purpose. Data leads to insights and insights empower people to stay a step ahead in life, and in business. In 2023, ING's Data Management team worked to speed up how quickly we execute our data strategy, to ensure data quality, keep data safe and secure, improve our data literacy, and simplify our data functions. This should enable and support steering to right actions regarding data, including personal data protection, data security, data quality and data ethics. Addressing emerging risks such as AI, most specifically generative AI, and societal concerns around the ethical handling of customer data, are top priorities for ING.

Identity and access management (IAM)

IAM remains one of the focus areas of ING. It’s an important element in our control framework for preventing and mitigating the risk of unauthorised access to IT systems, and the data processed and stored in these systems. This is done by enforcing IAM global processes and controls, which are periodically reviewed and tested. These processes and controls are supported by technologies, tooling, and practices managed by a dedicated IAM team in the Chief Information Security Office (CISO). The team focuses on identifying improvements to address developments both inside and outside ING. In 2023, ING continued the activities to improve in this area, with specific attention given to the further implementation of supporting tooling, the standardisation and harmonisation of processes and workflows, and automation of IAM controls. In 2023, ING identified areas for improvements, with specific attention given to the further implementation of supporting tooling, the standardisation and harmonisation of processes and workflows, and automation of IAM controls.

Operational resilience

Providing safe, secure and seamless services is at the heart of ING's strategy. Preventing disruptions and ensuring a quick recovery from disruptions is an important element of that. In 2023, ING made further progress with implementing its operational resilience framework. As part of this implementation, we are mapping processes underlying our most critical business services. This includes the facilities, people, third- and intragroup parties, data and technology that support those processes. These processes are then tested against severe but plausible scenarios in an effort to identify weaknesses. This helps ING identify opportunities to enhance its operational resilience. In addition, ING has started with the implementation of the Digital Operational Resilience Act (DORA), which aims to further strengthen the digital operational resilience of financial institutions.

Compliance risk

Introduction

Compliance risk is defined as a threat posed to ING's standing resulting from failure to act in line with applicable laws and regulations, internal rules (including ING's Orange Code and global Code of Conduct), and/or societal expectations that apply to the bank's services and activities. A failure to adequately mitigate compliance risk may lead to damage to ING's reputation and/or legal/regulatory sanctions and/or financial loss.

The mission of Compliance is to support ING in conducting its business activities in line with applicable laws and regulations, taking into account ING's internal code of conduct and societal expectations. Compliance wants to drive compliance risk management by desire and design throughout the organisation, unleashing the power of our data, risk expertise, and ING's workforce to keep the bank safe and sound, and help drive new and sustainable ways of doing business.

Within ING, compliance risks are defined as those risks that are within the scope of the ING Compliance Risk Catalogue. The following risk categories apply:

- Financial crime risk refers to the risks of the bank's products and services being abused for illicit purpose generating or disguising financial and/or economic crimes (FEC).
- Conduct risk refers to the compliance risks arising from potential or perceived misconduct by ING or its employees towards its customers, market integrity, business partners, employees, and other stakeholders including society at large.
- Organisational risk refers to the compliance risks arising from actual, potential or perceived flaws in the way that ING is organised and structured including its regulatory and reporting framework.
- Data protection (personal data protection, data retention) risk refers to the personal data protection risk of financial loss, (regulatory fines, reputational damage) due to not protecting the personal data rights of individuals as required, and as to data retention risk, to having the records being destroyed too soon or retained too long.

ESG-related compliance risks have been added as a new risk driver in the compliance risk catalogue. This is taking place in close collaboration with internal stakeholders to make sure that roles and responsibilities with regard to identifying, assessing, managing, and overseeing these risks are in line with ING's organisation globally.

Governance

The Compliance organisation is part of ING's second line of defence, where Group Compliance sets the methodologies and minimum standards for the bank. Compliance for the business lines Wholesale Banking, and Retail Banking / Rest of World together with Compliance in the Market Leaders countries and functional lines in the countries along with relevant stakeholders from the first line of defence are responsible for the execution of these standards, within the risk appetite set.

Compliance is tasked with instructing, advising, challenging and overseeing the first line of defence in how they manage risks that are within the scope of the ING Compliance Risk Catalogue. Compliance also has an active role in raising awareness (via training and communication), influencing and stimulating a sound compliance risk culture. The risks in scope of the Compliance Risk Catalogue are outlined in the ING Compliance Charter.

Compliance is headed by the chief compliance officer (CCO), who reports directly to the CRO. The CCO has direct access to the Risk Committee of the Supervisory Board. The CCO and the chairperson of the Risk Committee had regular bilateral consultations in 2023.

OneCompliance strategy

As a global bank in a fast-changing world we want to do the right thing to be safe, secure and compliant for our customers and for society. We achieve this by living up to our OneCompliance strategy.

The OneCompliance strategy is a multi-year, global compliance strategy based on the Compliance Risk Management Cycle, a framework that aims to help ING manage compliance risks consistently across the organisation. In 2023, we further strengthened the operations of the Compliance Risk Management Cycle. This resulted in improved processes around risk coverage and controls. At the same time in intuitive, actionable and insightful management information with a global dashboard in place to take smart decisions and keep oversight on both steering within risk appetite and on our global direction. As we operate in a dynamic and challenging environment, we are continuously learning and improving while reaching a more sustainable and mature level within the Compliance function.

Know your customer (KYC)

Know your customer and financial crime compliance continue to play a major role in making sure we only engage and do business with people and entities that meet regulatory requirements. Knowing who we do business with is vital to keeping ING safe, secure, and compliant. As part of our ongoing anti-money laundering efforts, we continuously assess relationships with customers, and monitor and screen transactions. It is our policy to review potentially unusual transactions and suspicious transactions and, where applicable, report these to the relevant authorities.

We are continuously working to further strengthen the KYC processes across the bank as and where required. This includes enhancing customer due diligence files and making structural improvements in frameworks, processes, and systems.

Global approach

ING takes a global approach in its KYC improvement activities. In 2023, we continued substituting local technology with global technologies, completing the migration of transaction monitoring to the Global Transaction Monitoring tooling and taking further steps in enhancing use of the global screening application. We made further progress in migrating or moving KYC-related activities from local processing units to our dedicated operational hubs, which offer dedicated expertise and processing capabilities. In 2023, we further defined and refined the global way of working for the Customer Due Diligence (CDD), which enhances effectiveness and efficiency, and aim to implement this in all processing hubs and other ING locations.

KYC policy framework

The KYC policy and related control standards (the KYC policy framework) set the minimum requirements and control objectives for all ING entities to guard against involvement in financial crime activity. The framework reflects relevant national and international laws, regulations, guidance documents, and guidelines from national, European and international authorities, (supra)national risk assessments, and industry standards. The framework is updated regularly with subsequent implementations at global scale.

Knowledge and behaviour

We believe all our people play a role in protecting our customers, the bank, and society against financial crime and fraud. A sound risk culture requires us to act with integrity above all. We want to empower our workforce with the skills and knowledge they need to fight financial crime, and encourage them to speak up if they have concerns around managing financial crime risk.

As in previous years, we ran our (mandatory) training programme for KYC staff. This included continuing our partnership with the Association of Certified Anti-Money Laundering Specialists (ACAMS), to develop and provide tailored, certified training. The ACAMS training portfolio focuses on learning paths that provide professional foundational skills or advanced expertise in a range of topics, including customer due diligence, screening, transaction monitoring, and sanctions. New joiners at ING KYC departments complete a combination of ACAMS and ING internal courses aimed at ensuring their knowledge and skills are up to scratch. We updated our internal training programme following a yearly learning need analysis. In 2023, we included product-specific courses on top of the training focusing on strengthening the risk-management mindset.

Financial crime risk

Financial crime risk management aims to ensure that new and relevant financial crime trends and insights as well as regulatory requirements are identified, tracked and actioned in a timely manner. In terms of governance, the bank's NFRC, chaired by ING’s CRO, is the principal risk management forum where among others, financial crime risks are discussed. This committee reviews and escalates, where appropriate, key financial crime topics, threats and risks across ING to the Executive Board and Management Board Banking. On KYC, the Global KYC Committee, chaired by ING's COO, is mandated by the MBB to steer, prioritise and approve KYC-related topics undertaken across ING, and to oversee compliance with the relevant laws and regulations and internal rules related to KYC. The day-to-day responsibility for the oversight of ING’s compliance with our legal and regulatory obligations, in relation to financial crime risks, sits with the global head of Financial Crime Compliance. This global head reports to ING’s chief compliance officer, with oversight by the CRO.

We believe all our people have a key role to play in the fight against financial crime. Having a robust and sound risk culture embedded in our day-to-day way of working is a foundational element of our financial crime risk control environment. We define the accountabilities and responsibilities of our workforce in accordance with the three-lines-of-defence model, considering our business, geographical and functional structure.

As an organisation, we’re committed to meeting our legal and regulatory requirements and the standards we also expect from ourselves. ING remains subject to (regulatory) investigations and scrutiny in certain jurisdictions, and we’re committed to executing and implementing the identified enhancements required in our wider Enhancement Programme (EP) and our financial crime risk framework in a sustainable way for the longer-term.

Key risk management processes

ING strives to play its part in contributing to the safeguarding of the financial system against illicit financial activity, in the context of heightened and changing regulatory expectations, and as financial crime risks continue to evolve. To live up to our role as a global financial institution in combatting financial crime, we believe it is essential to comply with anti-money laundering and counter-terrorism financing (AML/CTF) laws and regulations, establish a reasonable and risk-based control framework to mitigate financial crime risk, and to seek to provide useful information to relevant government agencies. We also believe it is important to respond swiftly and proactively to new financial crime threats and techniques as well as relevant media reporting.

To mitigate financial crime risks, we apply a framework of preventative and detective systems and controls, underpinned by policy, procedures and related control standards across our global business in all locations where we operate. In 2023, we remained focused on maturing our Financial Economic Crime Controls in the context of the Enhancement Programme (EP) by continuing to strengthen our financial crime risk management framework and supporting sustainable remediation of known issues. At the same time, we acknowledged that the continuous maturing of the financial crime risk management framework, as well as other developments such as regulatory and legislative changes, continued to require our attention and commitment as the bank focused on operational effectiveness (OE). Through robust oversight and challenge as the second line of defence, it is our goal to ensure that OE is demonstrably sustainable.

In line with ING's ambition to have a more data-driven, dynamic, and forward-looking systematic integrity risk analysis (SIRA), in 2023 the SIRA introduced enhancements to the existing process and piloted a proposed methodology. This will contribute to further enhanced insights into the financial crime integrity risks ING may be exposed to. These developments improve the risk identification, reporting quality, and management of these risks in accordance with our risk appetite across our global footprint.

Bribery and corruption

Bribery and corruption undermine business confidence and corporate integrity, hinders fair business competition, and harms international trade. ING takes these risks seriously: bribery and corruption risks are part of our non-financial risk framework and are in the design of our client and third-party due diligence, and monitoring measures in our financial crime risk management framework. We have continued to strengthen our ability to respond to bribery and corruption risks in key areas as part of our multi-year maturity programme. This supports our zero-tolerance approach to bribery and corruption, meeting the governance elements of our sustainability objectives.

Customer tax compliance

Compliance with customer tax-related regulations and reporting, obligations, under the Foreign Account Tax Compliance Act (FATCA), the Common Reporting Standard (CRS), and Mandatory Disclosure Rules, aims to ensure that ING is not involved in facilitating tax-related financial crime, such as tax evasion or aggressive tax-avoidance schemes, on behalf of its customers. These obligations and customer tax integrity are of utmost importance to ING. In 2023, we continued to mature its control framework and to improve the quality of our reporting to tax authorities. We also remain proactive to legislative developments and aim at timely preparation for new reporting obligations, such as those introduced by the 2024 Central Electronic System of Payment Information (CESOP) regulation.

Sanctions

Russia's invasion of Ukraine in 2022 fundamentally changed the global political landscape. It sparked a worldwide response, with significant sanctions packages imposed against Russia and Belarus. In 2023, global sanctions regimes have been increasingly active, creating a complex regulatory and legislative environment. And an intensive focus on sanctions worldwide is expected to continue in coming years. This has also led to an increasing focus of the EU, US, and other governments on the potential circumvention of sanctions against Russia, and the roles of third countries and companies in facilitating any circumvention or undermining the sanctions' measures. Within the EU, there has been particular focus on the risk that some EU-based businesses may be seeking to circumvent sanctions by exporting illicit goods, such as computer products and electronics, to Russia via third countries. This has prompted a concerted effort by governments to impose pressure on companies operating in these jurisdictions, and to stop the sanctions measures from being sidestepped by targeted Russian parties.

The proliferation of sanctions has contributed to increased efforts in ensuring ING's control framework remains robust to mitigate against the bank's sanctions risks. This has included applying greater scrutiny to transactions alerted for heightened risk of non-compliance with applicable sanctions, as well as efforts aimed at ensuring employees and customers are aware of the sanctions and potential circumvention risks. Leveraging intelligence and internal data, work has also been completed to better understand the risks associated with the export of illicit goods from the EU to Russia via third countries, and ING's potential exposure to the threat scenario.

ING's policy generally prohibits relationships or transactions involving sanctioned persons and entities or comprehensively sanctioned countries, territories and their governments. It sometimes also means that ING's risk appetite may be stricter than legal obligations, and we may choose not to support certain customer relationships, business activities and transactions even if permitted by law. As a result of frequent evaluation of the business from economic, strategic and risk-based perspectives, ING, with limited exception, does not engage in business involving certain countries, including Cuba, Iran, North Korea, Sudan, Syria and the Crimea region. ING has a policy not to enter into new relationships with clients from these countries and processes are in place to discontinue existing relationships involving these countries.

Evolving financial crime landscape

Financial crime continues to evolve, whether through technology, new and sophisticated techniques used by serious and organised criminals, or the results of geopolitical events. The pandemic and associated social changes drove the unprecedented expansion of online and digital services. This in turn has prompted a surge in technological developments and cyber-enabled financial crime. This widespread digitalisation of the economy and artificial intelligence (AI) is leading to a reshaping of previously fixed ideas about methods used to launder and finance terrorism. Criminal groups have been quick to adopt and misuse new technologies, and are already harnessing the power of machine learning, AI, and anonymity-enhancing technologies, such as virtual currencies and mixers, to commit criminal activities. Such developments also enable criminal networks to become more agile, geographically interconnected and cohesive, using the new tools and techniques to circumvent enhanced AML frameworks.

ING takes these threats seriously and believes in responding proactively to such developments. We invest in new and innovative technological capabilities, and continue to enhance our cooperation with law-enforcement agencies, industry bodies and regulators, and to develop intelligence and data-led collaborative solutions to detect and disrupt financial crime. In this context, this may at times include sharing information within ING to manage our financial crime risk exposure, in line with General Data Protection Regulation requirements and local privacy laws and regulations.

Crimes against society

Society's expectations with regard to financial institutions' accountability for safeguarding the integrity of the financial system have also created an increasingly demanding environment. ING recognises that financial crimes have an adverse impact on individuals, communities, and the environment where they occur. We are committed to conducting our global activities with integrity, and in line with our ethical and social responsibilities. Geopolitical events and economic instability have contributed to rising inflation and the cost-of-living crisis, leaving individuals and businesses vulnerable to criminal exploitation, such as trafficking and corruption.

Labour and sexual exploitation remain the most common forms of human trafficking globally, and recent geopolitical events will also have an impact on the nature and scale of the human trafficking threat. The humanitarian crisis caused by Russia's war in Ukraine has led to increased numbers of women with children being trafficked. Mostly refugees, they are at higher risk of exploitation. Looking ahead, it is possible that existing and future global events will lead to the migration of even more people. In 2023, knowledge on the financial crime risks posed to financial institutions by illegal migration and adult sexual exploitation were shared across ING through the KYC Academy's online learning channel. ING is also participating in the human trafficking working group being run by Europol's Financial Intelligence Public Private Partnership.

Environmental crime is among the most profitable criminal enterprises and covers a wide range of unlawful activities, including the illegal wildlife trade, the illegal extraction and trade of forestry and natural resources, illegal waste and illegal fisheries crime. As well as interface with other crime types, including corruption, trade-based fraud and human trafficking, there is also a convergence between environmental crime and ESG. In 2023, ING continued with our membership of the United for Wildlife Financial Taskforce, and with the United Nations working group on forestry crime, working with private, public and third sector partners to detect illegal crimes in the wildlife and forestry trade.

EU AML/CFT legislative package

In mid-2021, the European Commission (EC) adopted a package of legislative proposals aimed at strengthening anti-money laundering (AML) and counter-terrorism financing (CTF) rules. Although the proposals are yet to be finalised, ING welcomes this harmonisation, which removes a degree of regulatory complexity. ING has actively participated in workstreams and analyses prepared by banking associations such as the Dutch Banking Association (NVB) and the European Banking Federations to assist us in assessing the potential impact of the AML legislative package on the bank.

In September 2022, the Dutch Central Bank (DNB) published its report 'From Recovery to Balance' on the use of risk-based approaches. Since then, ING has actively participated in roundtable workshops organised by the NVB, which resulted in the creation of multiple 'Industry Baselines' on topics such as enhanced due diligence (EDD) measures for European Commission (EC) high-risk third countries, and ongoing due diligence on certain customer types. ING is in favour of these new baselines. They are a necessary step towards fighting financial crime through the enhanced application of a risk-based approach (RBA): focusing efforts on higher risks, while remaining within the boundaries of the applicable laws and regulations.

Public-private partnerships

To continue to be more effective in our effort to counter financial economic crime, we work closely with our peers, regulators and law enforcement. This collaboration is of importance to ING. It is most visible through our involvement in public private partnerships (PPPs) in our major markets, but also at an international level – through our Group-level participation in networks such as Europol's Financial Intelligence Public Private Partnership. We recognise that our controls and risk management frameworks benefit from having a direct dialogue with public partners as well as complementing our understanding of relevant and evolving financial crime threats and risks. Sharing and applying these insights across the organisation helps us move beyond technical compliance and enhances our ability to meet regulatory obligations and protect our customers.

In 2023, ING in the Netherlands continued working with the Financial Expertise Center and Fintell Alliance, consisting of Dutch government agencies and three peer banks. Focused on priorities set there, we also continued our involvement in Transaction Monitoring Netherlands (TMNL), where a consortium of Dutch banks work on developing combined transaction monitoring. Both initiatives increase our understanding of potential criminal modus operandi and money flows. Based on these insights, we can work more efficiently and enhance our control framework. ING continues to be a part of the Anti-Financial Crime Alliance in Germany.

Conduct compliance and ethics

Conduct compliance is the compliance risk that covers risks arising from potential or perceived misconduct by ING or its employees towards its customers, market integrity, business partners, employees, and other stakeholders. It includes customer protection and transparency (treating customers fairly), market conduct (including market manipulation), anti-competitive conduct, conflicts of interest and ethics. Ethics risk includes the Orange Code, Global Code of Conduct, as well as our whistleblower framework.

Treating customers fairly

As part of a further movement to align the global management of unfair customer treatment risk – already aligned for the Markets in Financial Instruments Directive (MiFID) and the Insurance Distribution Directive (IDD) products and based on local implementation for other products – we have launched an important enhancement by creating the customer centricity policy (CCP), which was approved in July 2023. By setting globally aligned standards based on the ING-aligned view on customer centricity, keeping the Orange Code and Global Code of Conduct in mind, we now have standard global norms and risk management across all jurisdictions, client segments and products. The level of customer protection is determined on the level of client sophistication and related risks, with the highest level of protection for retail customers.

We aim to implement in 2024, when the global standards are tested against local legal requirements. We anticipate, despite the standardisation, significant local differences in implementation due to the absence of EU-wide aligned standards for some products, such as retail mortgages, while there will be more alignment in others, like financial instruments due to the MiFID. The changes also allow further simplification of governance with the client protection and product approval committee (CPAC) now expanding its responsibilities across all aspects of investments services, including advice/suitability.

Alongside the internally focused changes, the Sustainable Finance Disclosure Regulation (SFDR) has been fully implemented. Further preparation is being done for activities relating to the EU retail investment strategy as proposed by the EC, through which feedback is being shared to both industry and regulatory bodies on, in our view, the best way to achieve the aim of the EC: an increased use of the EU Capital Markets by its inhabitants. In addition, the implementation of the changes to the European Market Infrastructure Regulation (EMIR) refit are ongoing.

An important area of focus is the management of compliance-related ESG risks. Greenwashing is a significant risk, related to different aspects and potential root causes – ranging from outings, strategic choices, or individual transactions. With the introduction of greenwashing prevention guidelines, based on ING standards, external events, as well as regulatory guidance, the organisation is enhancing the incorporation of greenwashing risk considerations in the way of doing business. Given that the greenwashing definitions and risk management practices, as well as the regulatory framework, is still in development we do expect significant changes going forward until market and society expectations are set. In addition, further effort is made to mature the role of Compliance alongside the other risk domains in relation to ESG risk management.

Market conduct

Market conduct risk stems from behaviour that can impact market integrity. As part of our work in 2022 to strengthen our market conduct framework, global procedures on maintaining information barriers, insider lists and communicating inside information were further improved across ING. In 2023, additional steps have been made towards automating, standardising, and centralising our approach to personal account dealing rules across the group. Furthermore, this year two new e-learnings have been designed on inside information and detecting suspicious orders and transactions, with one already rolled out to targeted employees.

Conflicts of interest

ING, being a large financial institution, is prone to multiple conflicts of interest, due to overlapping interests of different stakeholders as businesses, employees, customers, shareholders, and society. ING has a policy that aims to help to identify, assess, manage and mitigate or prevent (potential) conflicts of interest. It maintains a global register of structural conflicts of interest with respective risk assessment and mitigating measures in place.

Anti-competitive conduct

Competition law impacts all areas of ING's business. It is ING's policy to adhere to laws and regulations that promote the functioning of markets and fair competition. In 2023, we revised the competition policy, including related framework documents. It is aligned with the EBA guidelines on internal governance, setting out principles on acceptable and unacceptable behaviours linked, in particular, to anti-trust practices. The updated policy will come into effect in 2024.

Whistleblower

Further enhancements and standardisation to the whistleblower process are being made with the aim of protecting the reporters of concerns, either through protection of identity, and/or by trying to prevent any form of retaliation taking place. A global speak up programme is in place to harmonise the speak up channels for undesirable behaviour. It aims to support reporters in choosing the appropriate channel, ensuring a consistent reporter journey with the same levels of protection. Insights collection across certain channels started to provide management anonymised oversight on the concerns raised, as well as measuring follow-up on concerns that are found to be substantiated. If required, we continue to share sanitised reports with the organisation to promote employees to speak up.

Data protection

ING is bound by European level and local data protection laws, which can differ from country to country. We have a group-wide personal data protection policy, which aims to enable a consistent approach to our way of processing personal data. This policy is implemented globally by all ING business entities and support functions. In addition, we have implemented binding corporate rules within ING with the aim of ensuring appropriate safeguards for our internal data transfers. Our approach can be summarised as `the right people use the right data for the right purpose`.

Personal data

In line with the EU’s General Data Protection Regulation (GDPR) and other applicable data protection requirements, we aim to process personal data for a specified business purpose in a fair and lawful manner, observing the rights and liberties of data subjects in scope of our activities. We aim to perform data protection impact assessments (DPIAs) and regular internal audits on the personal data processing that we do for clients and employees, including ING’s technologies. Our staff is regularly trained on data protection, both globally and locally, through training and awareness initiatives, for both general and targeted audiences.

We strive to be transparent about what we do with the personal data of customers, employees, suppliers and business partners, who we share personal data with and why. Our business entities, support functions, as well as third parties that we engage with, must ensure that the data subject is granted a level of protection equivalent to that guaranteed by the GDPR, especially if personal data is transferred outside of the European economic area (EEA). Part of the data protection scope is that personal data is managed in a safe and secure manner, in line with current information security standards. More information can be found in the privacy statement on our website (https://www.ing.com/Privacy-Statement.htm).

Data Protection Compliance department

In 2023, we established a new Data Protection Compliance department (DPC) within Group Compliance. This combined second-line-of defence data protection responsibilities – previously split between Legal and Compliance departments – into one team, leading to a solidified and empowered function. The Bank DPO leads this team, reports to the CCO and has direct management board access. The DPC model is replicated in ING's local entities. The DPC team advises, challenges, and monitors that ING fulfils its GDPR and other relevant obligations towards customers, employees, suppliers, and business partners with the aim of keeping and processing (personal) data in a safe, compliant, and ethical manner. In the first line of defence, a data protection executive is appointed who is accountable for data protection risk as well as the execution of our data protection policy and standards. This executive has ultimate responsibility for the processing of personal data in its ING entity and is supported by a data protection executive office.

Education

In 2023, to keep our staff informed and to increase awareness on compliance risks, we provided ING staff worldwide with mandatory trainings on financial crime, including tax evasion and aggressive tax avoidance, culture and ethics and data protection.

Model risk

Introduction

Model risk is the risk that the financial or reputational position of ING is negatively impacted as a consequence of the use of models. Model risk can arise from errors in the development, implementation, use or interpretation of models, or from incomplete or wrong data etc., leading to inaccurate, non-compliant or misinterpreted model outputs.

A model is defined as a quantitative method, system, or approach that applies statistical, economic, financial or mathematical theories, techniques and assumptions to process input data into quantitative estimates or whose inputs are partially or wholly qualitative or based on expert judgement.

Governance

The head of Model Risk Management (MoRM) reports to the ING chief risk officer. The Model Risk Management Committee (MoRMC) is the dedicated authority within ING for model risk management. It is a committee designated by the MBB and is chaired by the ING chief risk officer and vice-chaired by the head of MoRM.

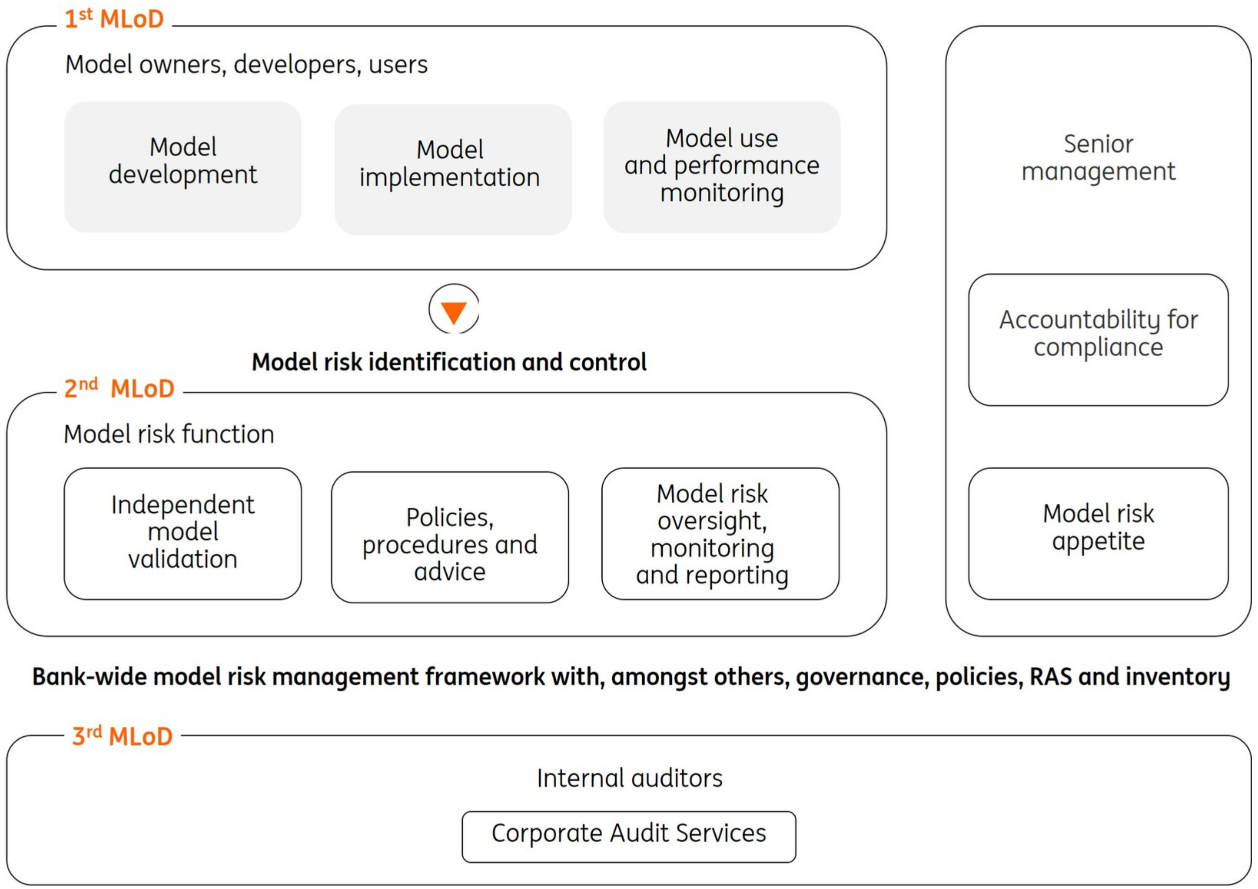
Model lines of defence

ING's model risk and control structure is based on the three-model-lines-of-defence (MLoD) approach. This approach aims to provide a sound governance framework for model risk management by defining and implementing three different management layers with distinct roles and oversight responsibilities.

The composition and main activities within the three model lines of defence (MLoD):

- The first MLoD is composed of the model owners, model users, data management and model development, and is accountable for the implementation of model risk controls which encompass model development, implementation, and use of the models as well as monitoring of models' performance.
- The second MLoD is composed of model validation and model risk oversight, which owns the model risk management framework, proposes the model risk appetite, provides challenge to model risk identification, and assessment and provides an independent validation of models used within ING.
- The third MLoD is the internal audit, reviewing the quality of model risk management execution in all lines of defence and providing assurance over the first and second-line model risk management activities.

Model lines of defence



Model risk appetite (model RAS)

The model risk appetite is designed to determine the level of model risk ING is willing to accept in pursuit of its strategic objectives. Current model RAS metrics are focused on the most important models for ING: credit risk and other models with elevated supervisory attention. These metrics are reported to the MBB monthly.

Model risk management (MoRM)

The MoRM policy framework comprises the total set of measures and tools put in place to manage model risk. To enable setting model risk management standards that are proportionate to a model's importance, ING classifies models based on their materiality and reputational risk. The classification determines the depth and extent of the applied model risk management activities, including model validation. Next to the generic MoRM policy framework, dedicated model validation procedures are in place. These set the validation standards for the key model types such as credit, market, liquidity, operational risk, IRRBB, KYC, and other model categories. These procedures are continuously being enhanced to keep up to date with regulatory, technical developments and industry trends.

On an aggregated level, model risk is monitored via analysis of data from the global model inventory, collected across the bank to manage ING model's landscape. Insights are reported to the MoRMC and MBB, so senior management can take well-informed decisions on acceptance or further mitigation of model risk.

Model lifecycle

The next figure provides a schematic overview of the model lifecycle, where orange represents the activities of the first MLoD, grey represents the second MLoD and light grey is the third MLoD. The objectives of the different processes are outlined below.

Initiation or change: The initiation of the development of a new model or change in an existing model can be triggered by internal or external factors, such as business needs, regulation changes, new technologies, and/or model validation findings.

Data collection is the process of defining and collecting data that meets the requirements for model development. The process includes the definition of the data needed and assessment of data availability and data quality.

Model development is a structured process that leads to a model that is consistent with the model owner requirements, bank policy and relevant regulation where applicable.

Pre-approval validation is an independent assessment to determine whether a newly developed or materially changed model is valid for its intended use. The approach to model validation is proportional to the model risk and potential model risk as reflected in the ING model risk classification.

The objective of the **model approval** stage is to ensure models are formally approved by the designated approval authority prior to deployment.

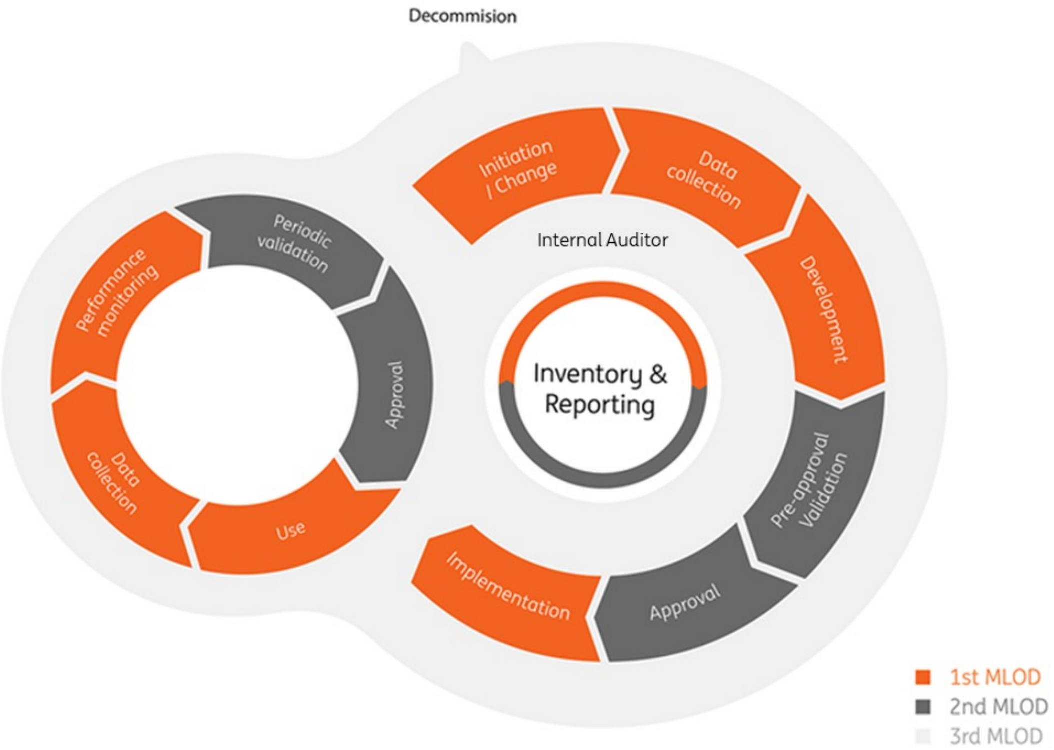
During the implementation stage, the model is deployed in a production environment, after completion of required model testing and corresponding approval.

In the **model use** stage, the model is applied by the users for the specific purpose for which it was designed. The model may only be used after formal approval.

The objective of model **monitoring** is to determine if the model is performing as expected by regularly assessing model accuracy and/or predictive ability, considering internal or external developments that may influence model performance. Model performance monitoring begins when a model is deployed for use, and continues until the model has officially been decommissioned.

Periodic validation independently assesses, on a regular basis, whether a model is still valid for its intended use, taking into consideration any internal or external changes since the last validation. The frequency of periodic validation depends on the model risk, model type and applicable regulation.

A model that is/will no longer be used must be **decommissioned**.



Business risk

Introduction

Business risk for ING has been defined as the exposure to value loss due to fluctuations in volumes/margins, net fee and commission income, as well as expenses. It is the risk inherent to strategy decisions, internal efficiency and the business environment. Business risk economic capital is calculated via the variance-covariance methodology for these risks. This covers the risk that volume/margins, net fee and commission income, operating expenses, and regulatory expenses/costs will deviate from the expected expenses and incomes over the horizon of the relevant activities.

Governance and risk management

ING applies an explicit risk appetite statement regarding business risk, focusing on earnings stability and diversification of the business mix. Diversification reduces the risk that volumes and/or margins will suddenly drop due to unexpected changes in the business environment for certain markets and products. In addition, the underlying risk types (expense risk, volume-margin risk, net fee and commission income risk, and regulatory costs) are mitigated and managed differently. Expense risk is monitored and managed via the financial performance of the bank and the local units. Through this process, the reported expense numbers are compared quarterly with the projected cost/income ratio. Deviations from this ambition are monitored as part of the financial projections discussed continuously within different parts of the organisation.

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Consolidated statement of financial position

As at 31 December

in EUR million	2023	2022
Assets		
Cash and balances with central banks 2	90,214	87,614
Loans and advances to banks 3	16,708	35,103
Financial assets at fair value through profit or loss 4,6		
– Trading assets	60,240	56,875
– Non-trading derivatives	2,028	3,893
– Designated as at fair value through profit or loss	5,775	6,159
– Mandatorily at fair value through profit or loss	54,983	46,844
Financial assets at fair value through other comprehensive income 5,6	41,116	31,625
Securities at amortised cost 6	48,313	48,160
Loans and advances to customers 7	642,453	635,557
Investments in associates and joint ventures 8	1,509	1,500
Property and equipment 9	2,399	2,446
Intangible assets 10	1,198	1,102
Current tax assets	311	349
Deferred tax assets 31	1,280	1,796
Other assets 11	7,109	8,839
Total assets	**975,636**	**967,861**

in EUR million	2023	2022
Liabilities		
Deposits from banks 12	23,257	56,632
Customer deposits 13	702,217	686,341
Financial liabilities at fair value through profit or loss 14		
– Trading liabilities	37,220	39,088
– Non-trading derivatives	2,019	3,048
– Designated as at fair value through profit or loss	55,399	50,883
Current tax liabilities	351	324
Deferred tax liabilities 31	184	257
Provisions 15	899	1,030
Other liabilities 16	13,130	13,344
Debt securities in issue 17	84,423	58,075
Subordinated loans 18	15,404	15,789
Total liabilities	**934,501**	**924,811**
Equity 19		
Share capital and share premium	17,067	17,067
Other reserves	-769	-984
Retained earnings	23,893	26,462
Shareholders' equity (parent)	**40,191**	**42,546**
Non-controlling interests	944	504
Total equity	**41,135**	**43,050**
Total liabilities and equity	**975,636**	**967,861**

References relate to the accompanying notes. These are an integral part of the Consolidated financial statements.

Consolidated statement of profit or loss

for the years ended 31 December

in EUR million	2023	2022	2021
Interest income using effective interest rate method	44,486	24,541	18,657
Other interest income	7,741	3,935	2,474
Total interest income	**52,228**	**28,476**	**21,131**
Interest expense using effective interest rate method	-28,693	-10,969	-5,550
Other interest expense	-7,726	-3,761	-1,966
Total interest expense	**-36,419**	**-14,730**	**-7,516**
Net interest income 20	**15,809**	**13,745**	**13,615**
Fee and commission income	5,100	5,085	5,004
Fee and commission expense	-1,514	-1,499	-1,487
Net fee and commission income 21	**3,586**	**3,586**	**3,517**
Valuation results and net trading income 22	2,910	1,503	847
Investment income 23	95	181	167
Share of result from associates and joint ventures 8	149	92	141
Impairment of associates and joint ventures 8	-5	-192	-3
Result on disposal of group companies	0	6	-29
Net result on derecognition of financial assets measured at amortised cost	3	-5	0
Other net income 24	-146	-369	230
Total income	**22,401**	**18,546**	**18,485**

	2023	2022	2021
Addition to loan loss provisions	520	1,861	516
Staff expenses 25	6,725	6,152	5,938
Other operating expenses 26	4,838	5,040	5,257
Total expenses	**12,083**	**13,053**	**11,711**
Result before tax	**10,318**	**5,493**	**6,774**
Taxation 31	2,926	1,723	1,876
Net result	**7,392**	**3,769**	**4,898**
Net result attributable to:			
Non-controlling interests	235	102	128
Shareholders of the parent	7,157	3,667	4,770
	7,392	**3,769**	**4,898**
Dividend per ordinary share	22.08	13.50	6.72
Total amount of dividend paid (in million euros)	10,269	6,277	3,125

References relate to the accompanying notes. These are an integral part of the Consolidated financial statements.

Consolidated statement of comprehensive income

for the years ended 31 December

in EUR million	2023	2022	2021
Net result (before non-controlling interests)	7,392	3,769	4,898
Other comprehensive income			
Items that will not be reclassified to the statement of profit or loss:			
Realised and unrealised revaluations property in own use	10	15	-2
Remeasurement of the net defined benefit asset/liability 30	-85	-19	95
Net change in fair value of equity instruments at fair value through other comprehensive income	-30	-126	96
Change in fair value of own credit risk of financial liabilities at fair value through profit or loss	-39	165	37
Items that may subsequently be reclassified to the statement of profit or loss:			
Net change in fair value of debt instruments at fair value through other comprehensive income	68	-428	-178
Realised gains/losses on debt instruments at fair value through other comprehensive income reclassified to the statement of profit or loss	9	-26	-42
Changes in cash flow hedge reserve	1,138	-3,158	-1,955
Exchange rate differences [1]	-85	436	143
Share of other comprehensive income of associates and joint ventures and other income	0	0	-3
Total comprehensive income	**8,378**	**629**	**3,089**
Comprehensive income attributable to:			
Non-controlling interests	444	-190	-247
Shareholders of the parent	7,934	819	3,336
	8,378	**629**	**3,089**

1 Includes impact of application of hyperinflation accounting under IAS 29.

References relate to the accompanying notes. These are an integral part of the Consolidated financial statements.

For the disclosure on the income tax effects on each component of the other comprehensive income, reference is made to Note 31 'Taxation'.

Consolidated statement of changes in equity

in EUR million	Share capital and share premium	Other reserves	Retained earnings	Shareholders' equity (parent)	Non-controlling interests	Total equity
Balance as at 31 December 2022	**17,067**	**-984**	**26,462**	**42,546**	**504**	**43,050**
Impact of changes in accounting policies [1]			-45	-45	-1	-46
Balance as at 1 January 2023	**17,067**	**-984**	**26,417**	**42,500**	**503**	**43,004**
Net change in fair value of equity instruments at fair value through other comprehensive income		-34	-1	-35	5	-30
Net change in fair value of debt instruments at fair value through other comprehensive income		53		53	15	68
Realised gains/losses on debt instruments at fair value through other comprehensive income reclassified to the statement of profit or loss		9		9		9
Changes in cash flow hedge reserve		997		997	141	1,138
Realised and unrealised revaluations property in own use		2	8	10	0	10
Remeasurement of the net defined benefit asset/liability **30**		-85		-85		-85
Exchange rate differences		-132		-132	47	-85
Share of other comprehensive income of associates and joint ventures and other income		-892	892			0
Change in fair value of own credit risk of financial liabilities at fair value through profit or loss		-39		-39		-39
Total amount recognised directly in other comprehensive income net of tax		**-122**	**899**	**777**	**209**	**986**
Net result		336	6,821	7,157	235	7,392
Total comprehensive income net of tax		**214**	**7,720**	**7,934**	**444**	**8,378**
Dividends			-10,269	-10,269	-3	-10,272
Employee share plans			30	30	0	30
Changes in the composition of the group and other changes			-5	-5	0	-5
Balance as at 31 December 2023	**17,067**	**-769**	**23,893**	**40,191**	**944**	**41,135**

1 Changes in policy following the adoption of IFRS 17 and change in policy for non-financial guarantees.

References relate to the accompanying notes. These are an integral part of the Consolidated financial statements. Changes in individual Reserve components are presented in Note 19 'Equity'.

Consolidated statement of changes in equity - continued

in EUR million	Share capital and share premium	Other reserves	Retained earnings	Shareholders' equity (parent)	Non-controlling interests	Total equity
Balance as at 31 December 2021	**17,067**	**1,069**	**29,778**	**47,914**	**736**	**48,650**
Impact IAS 29 on opening balance		627	-563	64		64
Balance as at 1 January 2022	**17,067**	**1,696**	**29,215**	**47,978**	**736**	**48,714**
Net change in fair value of equity instruments at fair value through other comprehensive income		-95	-23	-118	-7	-126
Net change in fair value of debt instruments at fair value through other comprehensive income		-406		-406	-22	-428
Realised gains/losses on debt instruments at fair value through other comprehensive income reclassified to the statement of profit or loss		-25		-25	-1	-26
Changes in cash flow hedge reserve		-2,901		-2,901	-257	-3,158
Realised and unrealised revaluations property in own use		-12	26	15	0	15
Remeasurement of the net defined benefit asset/liability 30		-19		-19	1	-19
Exchange rate differences		442		442	-5	436
Share of other comprehensive income of associates and joint ventures and other income		26	-26			0
Change in fair value of own credit risk of financial liabilities at fair value through profit or loss		150	15	165		165
Total amount recognised directly in other comprehensive income net of tax		**-2,840**	**-8**	**-2,848**	**-292**	**-3,140**
Net result		161	3,506	3,667	102	3,769
Total comprehensive income net of tax		**-2,679**	**3,498**	**819**	**-190**	**629**
Dividends			-6,277	-6,277	-41	-6,319
Employee share plans			27	27		27
Changes in the composition of the group and other changes			-1	-1	0	-1
Balance as at 31 December 2022	**17,067**	**-984**	**26,462**	**42,546**	**504**	**43,050**

References relate to the accompanying notes. These are an integral part of the Consolidated financial statements. Changes in individual Reserve components are presented in Note 19 'Equity'.

Consolidated statement of changes in equity - continued

in EUR million	Share capital and share premium	Other reserves	Retained earnings	Shareholders' equity (parent)	Non-controlling interests	Total equity
Balance as at 31 December 2020	**17,067**	**2,334**	**28,273**	**47,675**	**1,022**	**48,697**
Net change in fair value of equity instruments at fair value through other comprehensive income		101	-6	94	2	96
Net change in fair value of debt instruments at fair value through other comprehensive income		-164		-164	-13	-178
Realised gains/losses on debt instruments at fair value through other comprehensive income reclassified to the statement of profit or loss		-40		-40	-1	-42
Changes in cash flow hedge reserve		-1,603		-1,603	-352	-1,955
Realised and unrealised revaluations property in own use		-13	11	-2	0	-2
Remeasurement of the net defined benefit asset/liability 30		95		95		95
Exchange rate differences		153		153	-10	143
Share of other comprehensive income of associates and joint ventures and other income		-21	18	-3		-3
Change in fair value of own credit risk of financial liabilities at fair value through profit or loss		37		37		37
Total amount recognised directly in other comprehensive income net of tax		**-1,456**	**23**	**-1,433**	**-375**	**-1,809**
Net result		191	4,579	4,770	128	4,898
Total comprehensive income net of tax		**-1,265**	**4,601**	**3,336**	**-247**	**3,089**
Dividends			-3,125	-3,125	-40	-3,165
Employee share plans			28	28	0	28
Balance as at 31 December 2021	**17,067**	**1,069**	**29,778**	**47,914**	**736**	**48,650**

Changes in individual Reserve components are presented in Note 19 'Equity'.

Consolidated statement of cash flows

in EUR million, for the years ended 31 December		2023	2022	2021
Cash flows from operating activities				
Result before tax		10,318	5,493	6,774
Adjusted for:	– Depreciation and amortisation	674	711	834
	– Addition to loan loss provisions	520	1,861	516
	– Revaluations	-2,836	4,706	-103
	– Other non-cash items in Result before tax	447	813	516
Taxation paid		-2,700	-1,489	-1,871
Changes in:	– Loans and advances to banks, not available on demand	12,693	-5,836	262
	– Deposits from banks, not payable on demand	-31,804	-26,976	8,438
	– Trading assets	-3,366	-5,485	-29
	– Trading liabilities	-1,869	11,975	-5,596
	– Loans and advances to customers	-5,815	-19,306	-27,772
	– Customer deposits	14,103	34,005	18,339
	– Non-trading derivatives	2,409	-5,469	290
	– Assets designated at fair value through profit or loss	256	56	-1,905
	– Assets mandatorily at fair value through profit or loss	-7,402	-4,143	1,650
	– Other assets	1,724	-2,861	-121
	– Other financial liabilities at fair value through profit or loss	4,384	9,843	-6,795
	– Provisions and other liabilities	2,143	-667	-1,298
Net cash flow from/(used in) operating activities		**-6,120**	**-2,769**	**-7,869**
Cash flows from investing activities				
Investments and advances:	- Associates and joint ventures	-55	-48	-91
	- Financial assets at fair value through other comprehensive income	-19,995	-18,806	-13,186
	- Securities at amortised cost	-49,614	-24,651	-44,945
	- Property and equipment	-246	-231	-184

		2023	2022	2021
	– Other investments	-310	-198	-179
Disposals and redemptions:	– Associates and joint ventures	164	58	57
	– Disposal of subsidiaries, net of cash disposed	0	7	27
	- Financial assets at fair value through other comprehensive income	11,913	14,526	17,750
	- Securities at amortised cost	49,525	23,943	46,933
	– Property and equipment	57	83	39
	– Other investments	15	10	0
Net cash flow from/(used in) investing activities		**-8,545**	**-5,307**	**6,220**
Cash flows from financing activities 29				
Proceeds from debt securities		110,477	81,636	77,298
Repayments of debt securities		-86,061	-78,609	-76,150
Proceeds from issuance of subordinated loans		2,225	983	3,169
Repayments of subordinated loans		-2,894	-1,090	-2,538
Repayments of principal portion of lease liabilities		-291	-296	-301
Dividends paid		-10,272	-6,319	-3,165
Net cash flow from/(used in) financing activities		**13,184**	**-3,694**	**-1,686**
Net cash flow		**-1,481**	**-11,770**	**-3,335**
Cash and cash equivalents at beginning of year		**95,390**	**107,664**	**111,565**
Effect of exchange rate changes on cash and cash equivalents		-898	-505	-565
Cash and cash equivalents at end of year		**93,011**	**95,390**	**107,664**

Consolidated statement of cash flows - continued

Cash and cash equivalents			
in EUR million	2023	2022	2021
Treasury bills and other eligible bills included in securities at AC	0	1	23
Deposits from banks	-5,132	-6,172	-7,059
Loans and advances to banks	7,930	13,947	8,180
Cash and balances with central banks	90,214	87,614	106,520
Cash and cash equivalents at end of year	**93,011**	**95,390**	**107,664**

Cash and cash equivalents includes deposits from banks and loans and advances to banks that are payable on demand.

Included in Cash and cash equivalents are minimum mandatory reserve deposits held at various central banks. Reference is made to Note 36 'Transfer of financial assets, assets pledged and received as collateral' for restrictions on Cash and balances with central banks.

References relate to the accompanying notes. These are an integral part of the Consolidated financial statements.

The table below presents the Interest and dividend received and paid.

in EUR million	2023	2022	2021
Interest received	51,030	28,110	21,515
Interest paid	-33,859	-14,201	-8,723
	17,171	**13,909**	**12,792**
Dividend received [1]	205	229	172
Dividend paid	-10,272	-6,319	-3,165

1 Includes dividends received as recognised within Investment Income, from equity securities included in the Financial assets at fair value through profit or loss, Financial assets at fair value through OCI, and from Investments in associates and joint ventures. Dividends paid and received from trading positions have been included.

Dividends received from associates and joint ventures are included in investing activities, interest received, interest paid and other dividends received are included in operating activities and dividend paid is included in financing activities in the Consolidated statement of cash flows.

Notes to the Consolidated financial statements

1 Basis of preparation and material accounting policy information

1.1 Reporting entity and authorisation of the Consolidated financial statements

ING Bank N.V. (Naamloze vennootschap) is a company domiciled in Amsterdam, the Netherlands. Commercial Register of Amsterdam, number 33031431. ING Bank N.V. is a wholly-owned subsidiary of ING Groep N.V. domiciled in Amsterdam, the Netherlands. These Consolidated financial statements, as at and for the year ended 31 December 2023, comprise ING Bank N.V. (the Parent company) and its subsidiaries, together referred to as ING Bank. ING Bank is a global financial institution with a strong European base, offering a wide range of retail and wholesale banking services to customers in over 40 countries.

The ING Bank Consolidated financial statements, as at and for the year ended 31 December 2023, were authorised for issue in accordance with a resolution of the Management Board Banking on 4 March 2024. The General Meeting of the Shareholder may decide not to adopt the financial statements, but may not amend these.

1.2 Basis of preparation of the Consolidated financial statements

The ING Bank Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the relevant articles of Part 9 of Book 2 of the Dutch Civil Code.

IFRS as adopted by the EU are IFRS Standards and IFRS Interpretations as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC) with some limited modifications such as the temporary 'carve-out' from IAS 39 'Financial Instruments: Recognition and Measurement' (herein, referred to as IFRS).

Under the EU carve-out, ING Bank applies fair value hedge accounting to portfolio hedges of interest rate risk (macro hedging). For further information, reference is made to paragraph 1.5.4 'Derivatives and hedge accounting' of this note and to Note 33 'Derivatives and hedge accounting'.

The ING Bank Consolidated financial statements have been prepared on a going concern basis and there are no significant doubts about the ability of ING Bank to continue as a going concern.

The Consolidated financial statements are presented in euros and rounded to the nearest million, unless stated otherwise. Amounts may not add up due to rounding.

1.2.1 Presentation of Risk management disclosures

To improve transparency, reduce duplication and present related information in one place, certain disclosures of the nature and extent of risks related to financial instruments required by IFRS 7 'Financial instruments: Disclosures' are included in the 'Risk management' section of the Annual Report.

These disclosures are an integral part of ING Bank Consolidated financial statements and are indicated in the 'Risk management' section by the symbol (*). Chapters, paragraphs, graphs or tables within the risk management section that are indicated with this symbol in the respective headings or table header are considered to be an integral part of the Consolidated financial statements.

1.3 Changes to accounting policies and presentation

ING Bank has consistently applied its accounting policies to all periods presented in these Consolidated financial statements.

In 2023, ING Bank updated the presentation in note 13 'Customer deposits' to improve consistency and comparability. Comparative figures for 2022 have been updated accordingly.

1.3.1 Changes in IFRS effective in 2023

ING Bank had the following changes in accounting policies in the current reporting period:

IFRS 17 'Insurance Contracts'

IFRS 17, a new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure requirements, became effective on 1 January 2023. IFRS 17 replaces IFRS 4 'Insurance Contracts', which allowed diversity in accounting practices for insurance contracts. IFRS 17 includes an optional scope exclusion for loans with death waivers.

ING Bank does not have an insurance business, but on a limited basis sells insurance products as a broker where it does not run the insurance risk, hence such contracts are not in scope of IFRS 17. However, ING has a portfolio of loans with death waivers in the Netherlands with a net carrying amount of EUR 743 million at 1 January 2023. While IFRS 4 allowed separation of such contracts into two components in the past (a loan in scope of IFRS 9 'Financial Instruments' measured at amortised cost and an insurance contract for the death waiver feature in scope of IFRS 4), IFRS 17 no longer allows such separation and requires such instruments to be accounted for in their entirety using either IFRS 9 or IFRS 17.

ING Bank chooses to apply IFRS 9 'Financial Instruments' to such loans with death waivers. As a result, this portfolio no longer meets the 'solely payments of principal and interest' (SPPI) criterion. This causes the portfolio to be measured at fair value through profit or loss instead of amortised cost from 1 January 2023. This reclassification led to EUR -13 million impact on the opening total equity at 1 January 2023. Therefore, the financial impact of IFRS 17 on ING Bank is limited.

Accounting treatment of non-financial guarantees

ING Bank changed its accounting policy for non-financial guarantees that are subject to contractual indemnification rights (such as performance and other non-financial guarantees as well as letters of credit) from IAS 37 principles to loan commitment accounting under IFRS 9. The re-scoping was triggered by the introduction of IFRS 17 Insurance contracts and results in reliable and more relevant information, particularly when credit risk is elevated as IFRS 9 expected credit losses model captures that risk earlier than IAS 37. This voluntary policy change had a limited impact on ING's opening total equity of EUR -33 million.

Other changes in IFRS effective in 2023 (endorsed by the EU)

The following amendments to IFRS became effective in the current reporting period with no significant impact for ING:

- Amendments to IAS 1 'Presentation of Financial Statements': Disclosure of Accounting Policies (issued in February 2021).
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': Definition of Accounting Estimates (issued in February 2021).
- Amendments to IAS 12 'Income Taxes': Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction (issued in May 2021).
- Amendments to IAS 12 'Income Taxes': International Tax Reform - Pillar Two Model Rules. These amendments allow ING Bank to scope out Pillar Two model rules from the deferred tax recognition and related disclosure requirements. More information on ING Bank's exposure to Pillar Two model rules is included in note 28 'Information on geographical areas'.

1.3.2 Upcoming changes in IFRS after 2023

The following published amendments are not mandatory for 2023 and have not been early adopted by ING Bank. The implementation of these amendments is expected to have no significant impact on ING Bank's Consolidated financial statements when they become effective.

Effective in 2024 (endorsed by the EU):

- Amendments to IFRS 16 'Leases': Lease Liability in a Sale and Leaseback (issued in September 2022).
- Amendments to IAS 1 'Presentation of Financial Statements': Classification of Liabilities as Current or Non-current (issued in January 2020).

Effective in 2024 (not yet endorsed by the EU):

- Amendments to IAS 7 'Statement of Cash flows' and IFRS 7 'Financial Instruments: Disclosures': Supplier Finance Arrangements (issued in May 2023).

Effective in 2025 (not yet endorsed by the EU):

- Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates': Lack of Exchangeability (issued in August 2023).

1.4 Significant judgements and critical accounting estimates and assumptions

The preparation of the Consolidated financial statements requires management to make judgements in the process of applying its accounting policies and to use estimates and assumptions. The estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of the contingent assets and contingent liabilities at the balance sheet date, as well as reported income and expenses for the year. The actual outcome may differ from these estimates. The process of setting assumptions is subject to internal control procedures and approvals.

ING Bank has identified areas that require management to make significant judgements and use critical accounting estimates and assumptions based on the information and financial data that may or may not change in future periods. These areas are:

- Loan loss provisions (financial assets) (refer to note 1.5.6 'Impairment of financial assets');
- The determination of the fair values of financial assets and liabilities (refer to 1.5.3 for 'Fair values of financial assets and liabilities');
- Investment in associate - assessment of additional impairment losses or reversal of previous impairment losses (refer to note 1.10 'Investments in associates and joint ventures);

- Provisions (refer to note 1.15 ‘Provisions, contingent liabilities and contingent assets’); and
- Accounting for Targeted Longer-Term Refinancing Operations (TLTRO) (refer to note 1.5.8 ‘Accounting for Targeted Longer-Term Refinancing Operations (TLTRO)')

1.5 Financial instruments

ING Bank applies IFRS 9 ‘Financial Instruments’ to the recognition, classification and measurement, and derecognition of financial assets and financial liabilities and the impairment of financial assets. The Group applies the requirements of IAS 39 ‘Financial Instruments: Recognition and Measurement’ for hedge accounting purposes.

1.5.1 Recognition and derecognition of financial instruments

Recognition of financial assets
Financial assets are recognised in the balance sheet when ING Bank becomes a party to the contractual provisions of the instrument. For a regular way purchase or sale of a financial asset, trade date and settlement date accounting is applied depending on the classification of the financial asset.

Derecognition of financial assets
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where ING Bank has transferred the rights to receive the cash flows from the financial asset or assumed an obligation to pass on the cash flows and has transferred substantially all the risks and rewards of the asset. If ING Bank neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset. The difference between the carrying amount of a financial asset that has been derecognised and the consideration received is recognised in profit or loss.

Recognition of financial liabilities
Financial liabilities are recognised on the date that the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial liabilities
Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid is recognised in profit or loss.

1.5.2 Classification and measurement of financial instruments

Financial assets

ING Bank classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost (AC).

At initial recognition, ING Bank measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss (FVPL) are expensed in the statement of profit or loss.

Financial assets – Debt instruments

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows at initial recognition.

Business models
Business models are classified as Hold to Collect (HtC), Hold to Collect and Sell (HtC&S) or Other depending on how a portfolio of financial instruments as a whole is managed. ING Bank’s business models are based on the existing management structure of the bank, and refined based on an analysis of how businesses are evaluated and reported, how their specific business risks are managed and on historic and expected future sales. Sales are permissible in a HtC business model when these are due to an increase in credit risk, take place close to the maturity date (where the proceeds from the sales approximate the collection of the remaining contractual cash flows), are insignificant in value (both individually and in aggregate) or are infrequent.

Contractual cash flows Solely Payments of Principal and Interest (SPPI)
The contractual cash flows of a financial asset are assessed to determine whether they represent SPPI. Interest includes consideration for the time value of money, credit risk and for other basic lending risks such as consideration for liquidity risk and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

In assessing whether the contractual cash flows are SPPI, ING Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Based on the entity's business model for managing the financial assets and the contractual terms of the cash flows, there are three measurement categories into which ING Bank classifies its debt instruments:

- Amortised Cost (AC):
  Debt instruments that are held for collection of contractual cash flows under a HtC business model where those cash flows represent SPPI are measured at AC. Interest income from these financial assets is included in Interest income using the Effective Interest Rate (EIR) method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the statement of profit or loss.

- FVOCI:
  Debt instruments that are held for collection of contractual cash flows and for selling the financial assets under a HtC&S business model, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are recognised in OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in Investment income or Other net income, based on the specific characteristics of the business model. Interest income from these financial assets is included in Interest income using the EIR method. Impairment losses are presented as a separate line item in the statement of profit or loss.

- FVPL:
  Debt instruments that do not meet the criteria for AC or FVOCI are measured at FVPL. This includes debt instruments that are held-for-trading (presented separately as Trading assets) and all other debt instruments that do not meet the criteria for AC or FVOCI (presented separately as Mandatorily at FVPL). ING Bank may in some cases, on initial recognition, irrevocably designate a financial asset as classified and measured at FVPL. This is the case where doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise on assets measured at AC or FVOCI. Fair value movements on trading securities, trading loans and deposits (mainly reverse repo's) are presented fully within valuation result and net trading income, this also includes interest. The interest arising on financial assets designated as at FVPL is recognised in profit or loss and presented within Interest income or Interest expense in the period in which it arises. The interest arising on a debt instrument that is part of a hedge relationship, but not subject to hedge accounting, is recognised in profit or loss and presented within Interest income or Interest expense in the period in which it arises.

ING Bank reclassifies debt instruments if, and only if, its business model for managing those financial assets changes. Such changes in business models are expected to be very infrequent. There have been no reclassifications during the reporting period.

Financial assets – Equity instruments

All equity investments are measured at fair value. ING Bank applies the fair value through OCI option to investments which are considered strategic, consisting of investments that add value to ING Bank's core banking activities.

There is no subsequent recycling of fair value gains and losses to profit or loss following the derecognition of investments if elected to be classified and measured as FVOCI. However, the cumulative gain or loss is transferred within equity to retained earnings on derecognition of such equity instruments. Dividends from such investments continue to be recognised in profit or loss as Investment income when ING's right to receive payments is established. Impairment requirements are not applicable to equity investments classified and measured as FVOCI.

Other remaining equity investments are measured at FVPL. All changes in the fair value are recognised in Valuation result and Net trading income in the Consolidated statement of profit or loss.

Financial liabilities

Financial liabilities are classified and subsequently measured at AC, except for financial guarantee contracts, derivatives and liabilities designated at FVPL. Financial liabilities classified and measured at FVPL are presented as follows:

- the amount of change in the fair value that is attributable to changes in own credit risk of the liability designated at FVPL is presented in OCI. Upon derecognition this Debit Valuation Adjustment (DVA) impact does not recycle from OCI to profit or loss; and
- the remaining amount of change in the fair value is presented in profit or loss in 'Valuation results and net trading income'. Interest on financial liabilities at FVPL is also recognised in the valuation result, except for items voluntarily designated as FVPL for which interest is presented within 'Interest income (expense).

A financial guarantee contract is a contract that requires ING Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Such a contract is initially recognised at fair value and is subsequently measured at the higher of (a) the amount determined in accordance with impairment provisions of IFRS 9 'Financial instruments' (see section 'Impairment of financial assets') and (b) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition principle of IFRS 15 'Revenue from contracts with customers'.

Repurchase transactions and reverse repurchase transactions

Securities sold subject to repurchase agreements (repos), securities lending and similar agreements continue to be recognised in the Consolidated statement of financial position. The counterparty liability is measured at FVPL (designated) and included in Other financial liabilities at FVPL if the asset is measured at FVPL. Otherwise, the counterparty liability is included in Deposits from banks, Customer deposits, or Trading, as appropriate.

Securities purchased under agreements to resell (reverse repos), securities borrowings and similar agreements are not recognised in the Consolidated statement of financial position. The consideration paid to purchase securities is recognised as Loans and advances to customers, Loans and advances to banks, Other financial assets at FVPL or Trading assets, as appropriate. The difference between the sale and repurchase price is treated as interest and amortised over the life of the agreement using the effective interest method for instruments that are not measured at FVPL.

1.5.3 Fair values of financial assets and liabilities

All financial assets and liabilities are recognised initially at fair value. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received). However, if there is a material difference between the transaction price and the fair value of financial instruments whose fair value is based on a valuation technique using significant unobservable inputs, the entire day one difference (a 'Day One Profit or Loss') is deferred. ING Bank defers the Day One Profit or Loss relating to financial instruments classified as Level 3 and financial instruments with material unobservable inputs into CVA which are not necessarily classified as Level 3. The deferred Day One Profit or Loss is recognised in the statement of profit or loss over the life of the transaction until the transaction matures, or until the significant unobservable inputs become observable, or until the significant unobservable inputs become non-significant. In all other cases, ING Bank recognises the difference as a gain or loss at inception.

Subsequently, except for financial assets and financial liabilities measured at amortised cost, all the other financial assets and liabilities are measured at fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It assumes that market participants would use and take into account the characteristics of the asset or liability when pricing the asset or liability. Fair values of financial assets and liabilities are based on unadjusted quoted market prices where available. Such quoted market prices are primarily obtained from exchange prices for listed financial instruments. Where an exchange price is not available, quoted prices in an active market may be obtained from independent market vendors, brokers, or market makers. In general, positions are valued at the bid price for a long position and at the offer price for a short position or are valued at the price within the bid-offer spread that is most representative of fair value in the circumstances. In some cases where positions are marked at mid-market prices, a fair value adjustment is calculated.

For certain financial assets and liabilities, quoted market prices are not available. For such instruments, fair value is determined using valuation techniques. These range from discounting of cash flows to various valuation models, where relevant pricing factors including the market price of underlying reference instruments, market parameters (volatilities, correlations and credit ratings), and customer behaviour are taken into account. ING Bank maximises the use of market observable inputs and minimises the use of unobservable inputs in determining the fair value. It can be subjective dependent on the significance of the unobservable input to the overall valuation. All valuation techniques used are subject to internal review and approval. Most data used in these valuation techniques are validated on a daily basis when possible.

When a group of financial assets and liabilities are managed on the basis of their net risk exposures, the fair value of a group of financial assets and liabilities are measured on a net portfolio level.

To include credit risk in fair value, ING Bank applies both Credit and Debit Valuation Adjustments (CVA, DVA, also known as Bilateral Valuation Adjustments or BVA). Own issued debt and structured notes that are designated at FVPL are adjusted for ING Bank's own credit risk by means of a DVA.

To include the funding risk, ING Bank applies an additional 'Funding Valuation Adjustment' (FVA) to the uncollateralised derivatives based on the market price of funding liquidity. ING Bank also applies to certain positions other valuation adjustments to arrive at the fair value: Bid-Offer adjustments, Model Risk Adjustments and Collateral Valuation Adjustments (CollVA).

Significant judgements and critical accounting estimates and assumptions:

- Even if market prices are available, when markets are less liquid there may be a range of prices for the same security from different price sources. Selecting the most appropriate price requires judgement and could result in different estimates of fair value.
- Valuation techniques are subjective in nature and significant judgement is involved in establishing fair values for certain financial assets and liabilities. Valuation techniques involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value.
- Price testing is performed to assess whether the process of valuation has led to an appropriate fair value of the position and to minimise the potential risks of economic losses due to incorrect or misused models.
- Assessing whether a market is active, and whether an input is observable and significant, requires judgement. ING Bank categorises its financial instruments that are either measured in the statement of financial position at fair value or of which the fair value is disclosed, into a three level hierarchy based on the observability and significance of the valuation inputs. The use of different approaches to assess whether a market is active, whether an input is observable, and whether an unobservable input is significant could produce different classification within the fair value hierarchy as well as potentially different deferral of the Day One Profit or Loss.
- Reference is made to Note 32 'Fair value of assets and liabilities ' and to the 'Market risk' paragraph in the 'Risk management' section of the Annual Report for the basis of the determination of the fair value of financial instruments and related sensitivities.

1.5.4 Derivatives and hedge accounting

IFRS 9 includes an accounting policy choice to defer the adoption of IFRS 9 hedge accounting and to continue with hedge accounting under IAS 39. ING Bank decided to exercise this accounting policy choice and did not adopt IFRS 9 hedge accounting as of 1 January 2018. Furthermore, ING Bank applies fair value hedge accounting for portfolio hedges of interest rate risk (macro fair value hedges) in accordance with the EU carve-out version of IAS 39.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Fair values are obtained from quoted market prices in active markets, including market transactions and valuation techniques (such as discounted cash flow models and option pricing models), as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Fair value movements on derivatives are presented in profit or loss in Valuation result and net trading income, except for derivatives in either a formal hedge relationship and so-called economic hedges that are not in a formal hedge accounting relationship where a component is presented separately in interest result in line with ING Bank's risk management strategy.

Embedded derivatives are separated from financial liabilities and other non-financial contracts and accounted for as a derivative if, and only if:

1. the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
2. a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
3. the combined instrument is not measured at fair value with changes in fair value reported in profit or loss.

If an embedded derivative is separated, the host contract is accounted for as a similar free-standing contract.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. ING Bank designates certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge), hedges of highly probable future cash flows attributable to a recognised asset or liability or a forecast transaction (cash flow hedge), or hedges of a net investment in a foreign operation. Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction, ING Bank documents the relationship between hedging instruments and hedged items, its risk management objective, together with the methods selected to assess hedge effectiveness. ING Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the statement of profit or loss, together with fair value adjustments to the hedged item attributable to the hedged risk. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative adjustment of the hedged item is, in the case of interest bearing instruments, amortised through the statement of profit or loss over the remaining term of the original hedge or recognised directly when the hedged item is derecognised. For non-interest bearing instruments, the cumulative adjustment of the hedged item is recognised in the statement of profit or loss only when the hedged item is derecognised.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the Other Comprehensive Income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss. Amounts accumulated in the Other

Comprehensive Income are recycled to the statement of profit or loss in the periods in which the hedged item affects net result. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the Other Comprehensive Income at that time remains in the Other Comprehensive Income and is recognised when the forecast transaction is ultimately recognised in the statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the Other Comprehensive Income is transferred immediately to the statement of profit or loss.

Net investment hedges

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the Other Comprehensive Income and the gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss. Gains and losses accumulated in the Other Comprehensive Income are included in the statement of profit or loss when the foreign operation is disposed.

IBOR Transition – specific policies for hedges directly affected by IBOR reform

As explained in the 'IBOR Transition' paragraph of the 'Risk management' section, a fundamental review of important interest rates benchmarks has been carried out, and it is still in process for some of them (for instance, WIBOR).

Given that IBOR reform may have various accounting implications, the International Accounting Standards Board (IASB) has undertaken a two-phase project. Phase 1 addresses those issues that affect financial reporting before the replacement of an existing benchmark. Phase 1 amendments to IFRS were issued by the IASB in 2019. Phase 2 focuses on issues that may affect financial reporting when the existing benchmark rate is reformed or replaced. Phase 2 amendments to IFRS were issued by the IASB in 2020.

Phase 1 amendments to IFRS allow ING Bank to apply a set of temporary exceptions to continue hedge accounting even when there is uncertainty about contractual cash flows arising from the reform. Under these temporary exceptions, interbank offered rates are assumed to continue unaltered for the purposes of hedge accounting until such time as the uncertainty is resolved.

More specifically, the following temporary reliefs are part of the Phase 1 amendments:

- Highly probable requirement for cash flow hedges
  When determining whether a forecast transaction is highly probable, it is assumed that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.
- Prospective assessment of hedge effectiveness
  When performing the prospective assessment it is assumed that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.
- Retrospective assessment of hedge effectiveness
  When performing the retrospective assessment hedges are allowed to pass the assessment even if actual results are outside the 80-125% range, during the period of uncertainty arising from the IBOR reform.
- Designation of a component of an item as a hedged item
  For hedges of the benchmark component of interest rate risk affected by the reform, the separately identifiable requirement only needs to be demonstrated at the inception of such hedging relationships (including macro hedges).

The amendments are relevant given that ING Bank hedges and applies hedge accounting to benchmark interest rate exposure part of IBOR reform. ING Bank hedges are being progressively amended, where necessary, to incorporate the new benchmark rates. Temporary exceptions under Phase 1 continued to be relevant for ING Bank as at 31 December 2023 (mainly for WIBOR hedges).

ING Bank will completely cease to apply the amendments when this uncertainty is no longer present or when the hedging relationship is discontinued. Refer to note 'Risk management/ IBOR Transition' for the disclosures relating to the application of the amendments as part of Phase 1 and for more information regarding the end of Phase 1 reliefs for ING Bank's hedging relationships.

Phase 2 amendments require that hedge accounting continues on transition to risk free rates provided that the modifications made to financial instruments are those necessary to implement the IBOR Reform and that the new basis for calculating cash flows is 'economically equivalent' to the previous basis. Particularly, Phase 2 amendments allow the continuation of hedging relationships, subject to amending their documentation to reflect changes in hedged instruments, hedging instruments, hedged risk, and/or the method for measuring effectiveness during the transition to the new benchmark rates. During 2022, Phase 2 continued to be relevant for ING Bank when ING actually transitioned its financial instruments (designated in hedge accounting relationships) to the new benchmark rates (mainly, USD LIBOR).

More specifically, the following temporary reliefs are part of the Phase 2 amendments:

Relief from discontinuing hedging relationships

- Amendments in the hedge documentation as a consequence of changes required by the IBOR reform do not result in the discontinuation of the hedge relationship nor the designation of a new hedge relationship. The changes can be in form of designating an alternative benchmark rate as a hedged risk,

the description of the hedging instrument, the description of the hedged item, or the method to measure the effectiveness.
- When the hedged item is amended as a consequence of the IBOR reform (or if the hedge has previously been discontinued), amounts accumulated in the cash flow hedge reserve are deemed to be based on the Risk-Free Rate (RFR). This results in the release of the cash flow hedge reserve to profit or loss in the same period or periods in which the hedged cash flows that are now based on the RFR affect profit or loss.
- When the items within a designated group of hedged items are amended as a consequence of the IBOR reform, the hedging strategy remains and is not discontinued. As items within the hedged group transition at different times from IBORs to RFRs, they are transferred to sub-groups of instruments that reference RFRs as the hedged risk. The existing IBORs remain designated as the hedged risk for the other sub-group of hedged items, until they are also updated to reference the new RFR. The usual hedge accounting requirements are applied to the hedge relationship in its entirety.
- For the assessment of retrospective hedge effectiveness, the cumulative fair value changes may be reset to zero when the exception to the retrospective assessment of the Phase 1 reliefs ends. This election is made separately for each hedging relationship (i.e., on a hedge-by-hedge basis).
- Temporary relief from having to meet the separately identifiable requirement: a RFR is considered a separately identifiable risk component if it is reasonably expected to meet the separately identifiable requirement within 24 months from the date it is first designated as a non-contractually specified risk component (i.e. when the entity first designates the RFR as a non-contractually specified risk component). This relief applies to each RFR on a rate-by-rate basis.

Non-trading derivatives that do not qualify for hedge accounting

Derivative instruments that are used by ING Bank as part of its risk management strategies, but which do not qualify for hedge accounting under ING Bank's accounting policies, are presented as non-trading derivatives. Non-trading derivatives are measured at fair value with changes in the fair value taken to the statement of profit or loss.

1.5.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position when ING Bank has a current legally enforceable right to set off the recognised amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously. Offsetting is applied to certain derivatives for which the services of a central clearing house or broker are used.

1.5.6 Impairment of financial assets

An Expected Credit Loss (ECL) model is applied to financial assets accounted for at AC or FVOCI such as loans, debt securities and lease receivables, as well as off-balance sheet items such as undrawn loan commitments, certain financial guarantees issued, and undrawn committed revolving credit facilities. Under the ECL model, ING Bank calculates the expected credit losses (ECL) by considering on a discounted basis the cash shortfall it would incur in case of a default and multiplying the shortfall by the probability of a default occurring. The ECL is the sum of the probability-weighted outcomes. The ECL estimates are unbiased and include reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions. ING Bank's approach leverages the Advanced Internal Ratings Based (AIRB) models that are used for regulatory purposes. Adjustments are applied to make these models suitable for determining ECL. ECL is recognised on the balance sheet as loan loss provisions (LLP).

Three stage approach

Financial assets are classified in one of the below three Stages at each reporting date. A financial asset can move between Stages during its lifetime. The Stages are based on changes in credit quality since initial recognition and defined as follows:

- Stage 1
  Financial assets that have not had a significant increase in credit risk since initial recognition (i.e. no Stage 2 or 3 triggers apply). Assets are classified as Stage 1 upon initial recognition (with the exception of purchased or originated credit impaired (POCI) assets) and ECL is determined by the probability that a default occurs in the next 12 months (12 months ECL);
- Stage 2
  Financial assets showing a significant increase in credit risk since initial recognition. For assets in Stage 2 ECL reflects an estimate on the credit losses over the remaining maturity of the asset (lifetime ECL); or
- Stage 3
  Financial assets that are credit-impaired. Also for these assets ECL is determined over the remaining maturity of the asset.

Significant increase in credit risk

ING Bank established a framework, incorporating quantitative and qualitative indicators, to identify and assess significant increases in credit risk (SICR). This is used to determine the appropriate ECL Stage for each financial asset.

The main determinate of SICR is a quantitative test, whereby the lifetime Probability of Default (PD) of an asset at each reporting date is compared against its lifetime PD determined at the date of initial recognition. If the delta is above pre-defined absolute or relative thresholds the item is considered to have experienced a

SICR. Furthermore, any facility which shows an increase of 200% between the PD at the date of initial recognition and the lifetime PD at the reporting date (i.e. threefold increase in PD) must be classified as Stage 2. This is considered a backstop within the quantitative assessment of SICR. Refer to 'Criteria for identifying a significant increase in credit risk' in the 'Risk Management' section of the Annual Report for more details on relative and absolute PD thresholds, including quantitative disclosures on those thresholds.

Consequently, if the above quantitative SICR thresholds are exceeded, the item moves from Stage 1 to Stage 2 (unless the item is credit-impaired). In these instances, items are no longer assigned a 12 month ECL and instead are assigned a lifetime ECL. Items can return to Stage 1 if there is sufficient evidence that there is no longer a significant increase in credit risk.

ING Bank also relies on a number of qualitative indicators to identify and assess SICR. These include:

- Forbearance status;
- Watch List status;
- Intensive care management;
- Collective SICR assessment;
- Substandard Internal rating; and
- Arrears status (including 30 days past due used as a backstop).

An asset that is in Stage 2 will move back to Stage 1 when none of the above criteria are in place anymore. However, if the asset was moved to Stage 2 based on the forbearance status, then the asset stays in Stage 2 for at least 24 months. If the asset was classified as Stage 2 due to 30 days past due trigger, then the asset is moved back to Stage 1 only after three months from when the trigger no longer applies.

Credit-impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each reporting date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment includes arrears of over 90 days on any material credit obligation, indications that the borrower is experiencing significant financial difficulty, a breach of contract, bankruptcy or distressed restructuring. The definition of credit-impaired under IFRS 9 (Stage 3) is aligned with the definition of default used by ING Bank for internal risk management purposes, which is also the definition used for regulatory purposes.

An asset (other than a POCI asset) that is in Stage 3 will move back to Stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired subject to certain probation periods. The asset will migrate back to Stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly since initial recognition.

Macroeconomic scenarios

ING Bank has established a quarterly process whereby forward-looking macroeconomics scenarios and probability weightings are developed for the purpose of ECL. ING Bank applies data predominantly from a leading service provider enriched with the internal ING Bank view. A baseline, up-scenario and a down-scenario are determined to reflect an unbiased and probability-weighted ECL amount. As a baseline scenario, ING Bank applies the market-neutral view combining consensus forecasts for economic variables such as unemployment rates, GDP growth, house prices, commodity prices, and short-term interest rates. Applying market consensus in the baseline scenario ensures unbiased estimates of the expected credit losses.

The alternative scenarios are based on observed forecast errors in the past, adjusted for the risks affecting the economy today and the forecast horizon. The probabilities assigned are based on the likelihoods of observing the three scenarios and are derived from confidence intervals on a probability distribution. The forecasts for the economic variables are adjusted on a quarterly basis.

The probability weights applied to each of the three scenarios

ING Bank uses three macroeconomic scenarios when determining IFRS 9 ECL (baseline, upside and downside). Management approach used to determine the weights of each scenario and in selecting the parts of the distribution of forecast errors from which the weights are derived and disclosed in the 'Alternative scenarios and probability weights' and the sensitivity analysis in the 'Risk Management' section of the Annual Report.

Measurement of ECL

ING Bank applies a collective assessment method to measure ECL for Stage 1, Stage 2, and certain Stage 3 assets. Other credit-impaired assets subject to ECL measurement apply the individual assessment method.

Collectively assessed assets (Stages 1 to 3)

For collective assessed assets, ING Bank applies a model-based approach. ECL is determined by, expressed simplistically, multiplying the probability of default (PD) with the loss given default (LGD) and exposure at default (EAD), adjusted for the time value of money. Assets that are collectively assessed are grouped on the basis of similar credit risk characteristics, taking into account loan type, industry, geographic location, collateral type, past due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated and the loss in case the debtor is not able to pay all amounts due.

For Stage 3 assets the PD equals 100% and the LGD and EAD represent a lifetime view of the losses based on characteristics of defaulted facilities.

For the purpose of ECL, ING Bank's expected credit loss models (PD, LGD, EAD) used for regulatory purposes have been adjusted. These adjustments include removing embedded prudential conservatism (such as floors) and converted through-the-cycle estimates to point-in-time estimates. The models assess ECL on the basis of forward-looking macroeconomic forecasts and other inputs. For most financial assets, the expected life is limited to the remaining maturity. For overdrafts and certain revolving credit facilities, such as credit cards, the maturity is estimated based on historical data as these do not have a fixed term or repayment schedule.

Individually assessed assets (Stage 3)

ING Bank estimates ECL for individually significant credit-impaired financial assets within Stage 3 on an individual basis. ECL for these Individually assessed assets are determined using the discounted expected future cash flow method. To determine expected future cash flows, one or more scenarios are used. Each scenario is analysed based on the probability of occurrence and includes forward looking information.

In determining the scenarios, all relevant factors impacting the future cash flows are taken into account. These include expected developments in credit quality, business and economic forecasts, and estimates of if/when recoveries will occur taking into account ING Bank's restructuring/recovery strategy.

The best estimate of ECL is calculated as the weighted-average of the shortfall (gross carrying amount minus discounted expected future cash flow using the original EIR) per scenario, based on best estimates of expected future cash flows. Recoveries can arise from, among others, repayment of the loan, collateral recovery and the sale of the asset. Cash flows from collateral and other credit enhancements are included in the measurement of ECL of the related financial asset when it is part of or integral to the contractual terms of the financial asset and the credit enhancement is not recognised separately. For the individual assessment, with granular (company or asset-specific) scenarios, specific factors can have a larger impact on the future cash flows than macroeconomic factors.

When a financial asset is credit-impaired, interest is no longer recognised based on the accrual income based on the gross carrying amount of the asset. Rather, interest income is calculated by applying the original EIR to the AC of the asset, which is the gross carrying amount less the related loan loss provision.

Purchased or Originated Credit Impaired (POCI) assets

POCI assets are financial assets that are credit-impaired on initial recognition. Impairment on a POCI asset is determined based on lifetime ECL from initial recognition. POCI assets are recognised initially at an amount net of ECL and are measured at AC using a credit-adjusted effective interest rate. In subsequent periods any changes to the estimated lifetime ECL are recognised in profit or loss. Favourable changes are recognised as an impairment gain even if the lifetime ECL at the reporting date is lower than the estimated lifetime ECL at origination.

Write-off and debt forgiveness

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovery and/or collectability of amounts due. The following events can lead to a write-off:

- After a restructuring has been completed and there is a high improbability of recovery of part of the remaining loan exposure (including partial debt forgiveness);
- In a bankruptcy liquidation scenario;
- After divestment or sale of a credit facility at a discount;
- Specific fraud cases with no recourse options.

When a loan is uncollectable, it is written off against the related loan loss provision. Subsequent recoveries of amounts previously written off are recognised in 'Addition to loan loss provisions' in the Consolidated statement of profit or loss.

Debt forgiveness (or debt settlement) involves write-off but additionally involves the forgiveness of a legal obligation, in whole or in part. This means that ING Bank forfeits the legal right to recover the debt. As a result, the financial asset needs to be derecognised.

Presentation of ECL

ECL for financial assets measured at AC are deducted from the gross carrying amount of the assets. For debt instruments at FVOCI, the ECL is recognised in OCI, instead of deducted the carrying amount of the asset. ECL also reflects any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument. The ECL on issued financial guarantee contracts, in scope of IFRS 9 and not measured at FVPL, are recognised as liabilities and presented in Other provisions. ECL are presented in profit or loss in Addition to loan loss provision.

Significant judgements and critical accounting estimates and assumptions:
The calculation of ECL requires a number of judgements and estimates. In particular:

- ING Bank makes various assumptions about the **risk of default, the credit loss rates in case of a default and expected future cash flows**. For collective provisions, ING Bank applies significant judgement when estimating modelled parameters such as PD, LGD and EAD, including the selection and calibration of relevant models. For stage 3 individual provisioning, the determination and probabilities of restructuring and recovery scenarios as well as the amount and timing of expected future cash flows may be particularly subjective.
- **Forward-looking macroeconomic scenarios** used in impairment assessments are uncertain in nature. The use of alternate forward-looking macroeconomic scenarios can produce significantly different estimates of ECL. This is demonstrated in the sensitivity analysis in the 'Risk Management' section of the Annual Report, where the un-weighted ECL under each of the three scenarios for some significant portfolios is disclosed.
- When determining whether the credit risk on a financial asset has increased significantly **(criteria for identifying a significant increase in credit risk)**, ING Bank considers reasonable and supportable information to compare the risk of default occurring at reporting date with the risk of a default occurring at initial recognition of the financial asset. Whilst judgement is required in applying a PD rating to each financial asset, there is significant judgement used in determining the Stage allocation PD banding thresholds. The process of comparing a financial asset's PD with the PD banding thresholds determines its ECL Stage. Assets in Stage 1 are allocated a 12 month ECL, and those in Stage 2 are allocated a lifetime ECL, and the difference is often significant. As such, the judgement made in assigning financial asset PDs and the PD banding thresholds constitute a significant judgement. Analysis of the sensitivity associated with the assessment of significant increase in credit risk is presented in the 'Risk Management' section of the Annual Report.
- Judgement is exercised in management's evaluation of whether there is **objective evidence** that exposures are **credit-impaired**.
- To reflect the risks that are not properly captured by the ECL models, a number of **management adjustments to the model-based ECL** were necessary as at 31 December 2023, which required significant judgement. Reference is made to the 'Management adjustments applied this year' paragraph in the 'Risk management' section of the Annual Report.

1.5.7 Modification of financial instruments

In certain circumstances ING Bank grants borrowers postponement, reduction of loan principal and/or interest payments on a temporary period of time to maximise collection opportunities, and if possible, avoid default, foreclosure, or repossession. When such postponement, reduction of loan principal and/or interest payments is executed based on credit concerns it is also referred to as forbearance (refer to the 'Risk Management' section of the Annual Report for more details) and requires analysis on whether the contractual terms have been substantially modified or not. A similar assessment is needed when contractual terms are modified for other reasons than forbearance.

ING Bank determines whether there has been a substantial modification using both quantitative and qualitative factors. If the modification results in a substantial modification of the terms of the loan, the original loan is derecognised and a new loan is recognised at fair value at the modification date. In case of a non-substantial modification, a modification gain or loss is recognised in profit or loss.

1.5.8 Accounting for Targeted Longer-Term Refinancing Operations (TLTRO)

ING Bank participates in Targeted Longer-Term Refinancing Operations (TLTRO III). ING Bank considers TLTRO funding provided by the ECB to banks to be on market terms on the basis that the ECB has established a separate market with TLTRO programmes. They have specific terms which are different from other sources of funding available to banks, including those provided by the ECB. Consequently, the rate under TLTRO is considered to be a market conforming rate and TLTRO funding is recognised fully as a financial liability.

ING Bank interprets the whole rate set by the ECB under TLTRO as a floating rate on the financial liability, being the market rate for each specific period in time. This results in discrete rates for discrete interest periods over the life of TLTRO. The change in the applicable rate between interest periods is seen as a change in the floating rate and is accounted for prospectively. Similarly, if the ECB announces changes in the rate for the amounts already drawn under the existing TLTRO, then such changes also represent a change in a floating rate. Following this, such changes lead to the recognition of an increased/decreased interest in the relevant period of life of the exposure, rather than by the recognition of an immediate modification gain or loss at the moment of the change of terms by the ECB. If the change relates to the periods already passed, the impact for those past periods is recognised in profit or loss immediately.

Furthermore, the change in the TLTRO rate driven by changes in expectations of meeting the targets impacts interest income. As a result, interest income which relates to the period that already passed until the moment when the change in expectations occurs, is recognised as a catch up adjustment in Consolidated statement of profit or loss. This change occurs only when ING Bank has a reasonable expectation that the lending targets will be met.

ING Bank views 'reasonable expectation' in case of TLTRO funding as a high hurdle. This is the moment when it becomes highly probable, i.e. the probability of meeting the lending targets is substantially greater than the probability that it will not. As a result, if interest income is recognised during the period based on the expectation of meeting the targets, there should only be a limited possibility that the interest may need to be reversed in future reporting periods. Reference is made to note 12 'Deposits from banks' and to note 20 'Net interest income' for the presentation of ING Bank's participation in TLTRO programmes.

Significant judgements:

Significant management judgement is exercised in determining the accounting treatment of TLTRO transactions. In particular, ING Bank applied judgement in:

- assessing and concluding that in ING Bank''s view the rate under TLTRO is considered to be a market conforming rate and, hence, accounting for TLTRO in accordance with IFRS 9; and
- selecting accounting policies regarding the calculation of the effective interest rate under TLTRO.

1.6 Consolidation

ING Bank comprises ING Bank N.V. (the Parent Company) and all other subsidiaries. Subsidiaries are entities controlled by ING Bank N.V. Control exists if ING Bank N.V. is exposed or has rights to variable returns and has the ability to affect those returns through the power over the subsidiary.

For interests in structured entities, the existence of control requires judgement as these entities are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. This judgement includes, for example, the involvement in the design of the structured entity, contractual arrangements that give rights to direct the structured entities relevant activities and commitment to ensure that the structured entity operates as designed.

A list of principal subsidiaries is included in Note 41 'Principal subsidiaries' and a description of ING's activities involving structured entities is included in Note 42 'Structured entities'.

A list containing the information referred to in Section 379 (1), Book 2 of the Dutch Civil Code has been filed with the office of the Commercial Register of Amsterdam, in accordance with Section 379 (5), Book 2 of the Dutch Civil Code.

ING Bank N.V. and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company's own funds over the sum of the paid-up capital and reserves required by law. Certain Group companies are also subject to other restrictions in certain countries, in addition to the restrictions on the amount of funds that may be transferred in the form of dividends, or otherwise, to the parent company.

Furthermore, in addition to the restrictions in respect of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, other limitations exist in certain countries.

1.7 Segment reporting

An operating segment is a distinguishable component of ING Bank, engaged in providing products or services, whose operating results are regularly reviewed by the Management Board Banking of ING Bank (the Chief Operating Decision Maker (CODM)) to make decisions about resources to be allocated to the segments and assess its performance. A geographical area is a distinguishable component of ING Bank engaged in providing products or services within a particular economic environment that is subject to risks and returns that differ from those of segments operating in other economic environments.

The CODM reviews and assesses ING Bank's performance primarily by line of business. As a result, ING identified five operating segments which are are also disclosed as reportable segments. Additionally, the CODM receives information by geographical area based on the location of the office from which transactions are originated.

1.8 Hyperinflation accounting

Since the second quarter of 2022, Türkiye has been considered a hyperinflationary economy for accounting purposes. As ING Bank has a subsidiary in Türkiye, ING Bank applies IAS 29 'Financial Reporting in Hyperinflationary Economies' since 2022 to its operations as if the economy in Türkiye had always been hyperinflationary. Given that ING Bank presents its results in EUR, comparatives do not get restated. As a result, 2021 comparatives were not impacted by IAS 29, while 2022 comparatives show the impact of the first-time application of IAS 29, as well as the effect for 2022. IAS 29 continued to be relevant for ING's operations in Türkiye in 2023. Under IAS 29, the results of the operations in Türkiye should be stated in terms of the current purchasing power at the reporting date. For that, the consumer price index (CPI) as determined by the Turkish Statistical Institute was used. The CPI for Türkiye (2003=100) at 31 December 2023 was 1,859.38 and at 31 December 2022 was 1,128.45 (movement 2023: 64.77%; movement 2022: 64.27%). The effect of such restatement for inflation in the current period of the statement of comprehensive income and the balance sheet has been recognised in the statement of profit or loss within 'Other net income' as a 'Net monetary gain or loss'. The net monetary loss for the period represents the loss of purchasing power by the net monetary position (monetary assets exceeding monetary liabilities) of ING Türkiye.

After the application of the above restatement procedures in Turkish Lira under IAS 29, the financial position and the results for the period of ING Türkiye are translated and presented in EUR at the exchange rate on 31

December 2023. For the statement of comprehensive income this is in contrast with the usual translation procedures where items of comprehensive income are translated at the exchange rate at the date of transaction. Furthermore, ING Bank selected to present both the restatement effect resulting from restating ING Bank's interest in the equity of ING Türkiye as required by IAS 29, and the translation effect from translating at a closing rate that differs from the previous closing rate, in the Currency translation reserve.

1.9 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of ING Bank's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Consolidated financial statements are presented in euros, which is ING Bank's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Exchange rate differences resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in equity as part of qualifying cash flow hedges or qualifying net investment hedges.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exchange rate differences on non-monetary items, measured at fair value through profit or loss, are reported as part of the fair value gain or loss. Non-monetary items are retranslated at the date the fair value is determined. Exchange rate differences on non-monetary items measured at fair value through other comprehensive income are included in other comprehensive income and get accumulated in the revaluation reserve in equity.

Exchange rate differences in the statement of profit or loss are generally included in 'Valuation results and net trading income'. Reference is made to Note 22 'Valuation results and net trading income', which discloses the amounts included in the statement of profit or loss. Exchange rate differences relating to the disposal of debt and FVPL equity securities are considered to be an inherent part of the capital gains and losses recognised in Investment income. As mentioned below, in Group companies relating to the disposals of group companies, any exchange rate difference deferred in equity is recognised in the statement of profit or loss in 'Result on disposal of group companies'. Reference is also made to Note 19 'Equity', which discloses the amounts included in the statement of profit or loss.

Group companies

The results and financial positions of all group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of the statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). However, under hyperinflation accounting, income and expenses of ING Türkiye are translated at the closing rate; and
- All resulting exchange rate differences are recognised in a separate component of equity.

On consolidation, exchange rate differences arising from the translation of a monetary item that forms part of the net investment in a foreign operation, and of borrowings and other instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, the corresponding exchange rate differences are recognised in the statement of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the balance sheet date.

1.10 Investments in associates and joint ventures

Associates are all entities over which ING Bank has significant influence but not control. Significant influence is the ability to participate in the financial and operating policies of the investee. It generally results from a shareholding of between 20% and 50% of the voting rights or through situations including, but not limited to one or more of the following:

- Representation on the board of directors;
- Participation in the policymaking process; and
- Interchange of managerial personnel.

Joint ventures are entities over which ING Bank has joint control.

Investments in associates and joint ventures are initially recognised at cost and subsequently accounted for using the equity method of accounting.

ING Bank's investment in associates and joint ventures (net of any accumulated impairment loss) includes goodwill identified on acquisition. ING Bank's share of its associates and joint ventures post-acquisition profits or losses is recognised in the statement of profit or loss, and its share of post-acquisition changes in reserves is recognised in equity. The cumulative post-acquisition changes are adjusted against the carrying amount of the investment. When ING Bank's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any long-term interests in the associate like uncollateralised loans that are neither planned nor likely to be settled in the foreseeable future, ING Bank does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains on transactions between ING Bank and its associates and joint ventures are eliminated to the extent of ING Bank's interest in the associates and joint ventures. Unrealised losses are also eliminated unless they provide evidence of an impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by ING Bank.

The recoverable amount, being the higher of fair value less cost of disposal and value in use, of the investment in associate and joint venture is determined when there is an indication of potential (reversal of) impairment. An impairment loss is recognised when the carrying amount of the investment exceeds its recoverable amount. Goodwill on acquisitions of interests in associates and joint ventures is not tested separately for impairment, but is assessed as part of the carrying amount of the investment. An impairment loss is subsequently reversed if there is indication of a reversal and there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed to the extent that the recoverable amount exceeds its carrying amount, but cannot exceed the original impairment loss.

The reporting dates of certain associates and joint ventures can differ from the reporting date of the Group, but by no more than three months.

Significant judgements and critical accounting estimates and assumptions:

Identification of impairment indicators as well as indicators of potential reversal of previous impairments of ING Bank's investment in TMBThanachart Bank Public Company Limited (hereafter: TTB), an associate, requires significant judgement. When there is objective evidence of impairment or indicators that prior period impairment losses no longer exist or may have decreased, value in use (VIU) needs to be determined. Estimation of VIU involves significant estimates and management assumptions. Please refer to note 8 'Investments in associates and joint ventures'.

1.11 Property and equipment

Property in own use

Land and buildings held for own use are stated at fair value at the balance sheet date. Depreciation is recognised on a straight-line basis over the estimated useful life (in general 20–50 years). On disposal, the related revaluation reserve is transferred to retained earnings.

Equipment

Equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of the assets is depreciated on a straight line basis over their estimated useful lives, which are generally as follows: for data processing equipment two to five years, and four to ten years for fixtures and fittings.

Disposals of property and equipment

The difference between the proceeds on disposal and net carrying value is recognised in the statement of profit or loss under Other net income.

Right-of-use assets

ING Bank as the lessee

A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a corresponding liability representing its obligation to make lease payments at the date at which the leased asset is available for use by ING Bank. Each lease payment is allocated between the repayment of the liability and finance cost. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received and any initial direct costs and restoration costs.

The right-of-use asset is included in the statement of financial position line-item 'Property and equipment', the lease liability is included in the statement of financial position line-item 'Other liabilities'. Refer to Note 9 'Property and equipment' and to Note 16 'Other liabilities'.

Subsequent to initial recognition, the right-of-use asset amortises using a straight-line method to the income statement over the life of the lease. The lease liability increases for the accrual of interest and decrease when payments are made. Any remeasurement of the lease liability due to a lease modification or other reassessment results in a corresponding adjustment to the carrying amount of the right-of-use asset.

1.12 ING Bank as lessor

When ING Bank acts as a lessor, a distinction should be made between finance leases and operating leases. For ING Bank as a lessor these are mainly finance leases and are therefore not included in 'Property and equipment'. Instead, the present value of the lease payments is recognised as a receivable under Loans and advances to customers or Loans and advances to banks. The difference between the gross receivable and the present value of the receivable is unearned finance lease income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

1.13 Goodwill and other intangible assets

Impairment of goodwill and other non-financial assets

ING Bank assesses at each reporting period, whether there is an indication that a non-financial asset may be impaired. Irrespective of whether there is an indication of impairment, intangible assets with an indefinite useful life, including goodwill acquired in a business combination, and intangible assets not yet available for use, are tested annually for impairment. Goodwill is allocated to groups of cash generating units (CGUs) for the purpose of impairment testing. These groups of CGUs represent the lowest level at which goodwill is monitored for internal management purposes. Goodwill is tested for impairment by comparing the carrying value of the group of CGUs to the recoverable amount of that group of CGUs. Impairment of goodwill, if applicable, is included in the statement of profit or loss in Other operating expenses and is not subsequently reversed.

Computer software

Computer software that has been purchased or generated internally for own use is stated at cost less amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over its useful life which generally does not exceed five years. Amortisation is included in Other operating expenses.

1.14 Taxation

Income tax on the result for the year consists of current and deferred tax. Income tax is recognised in the statement of profit or loss but it is recognised directly in equity if the tax relates to items that are recognised directly in equity.

Uncertain tax positions are assessed continually by ING Bank and in case it is probable that there will be a cash outflow, a current tax liability is recognised.

Deferred income tax

Deferred income tax is provided in full, using the liability method, for temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the Consolidated statement of financial position. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognised when it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided for temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by ING Bank and it is probable that the difference will not reverse in the foreseeable future. The tax effects of income tax losses available for carry forward are recognised as an asset where it is probable that future taxable profits will be available against which these losses can be utilised.

Fair value remeasurements of debt and equity instruments measured at FVOCI and cash flow hedges are recognised directly in equity. Deferred tax related to this fair value remeasurement is also recognised directly in equity and is subsequently recognised in the statement of profit or loss together with the deferred gain or loss.

1.15 Provisions, contingent liabilities and contingent assets

A provision is a present obligation arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits, however the timing or the amount is uncertain. Provisions are discounted when the effect of the time value of money is significant using a pre-tax discount rate.

Reorganisation provisions include employee termination benefits when ING Bank is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

A liability is recognised for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the liability is recognised only upon reaching the specified minimum threshold.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of ING Bank; or a present obligation that arises from past events but is not recognised because it is either not probable that an outflow of economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the statement of financial position, but are rather disclosed in the notes unless the possibility of the outflow of economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of ING Bank. Contingent assets are recognised in the statement of financial position only when realisation of the income that arises from such an asset is virtually certain. Contingent assets are disclosed in the notes when an inflow of economic benefits is probable.

Significant judgements and critical accounting estimates and assumptions:

The recognition and measurement of provisions is an inherently uncertain process involving using judgement to determine when a present obligation exists and estimates regarding probability, amounts and timing of cash flows.

ING Bank may become involved in governmental, regulatory, arbitration and legal proceedings and investigations and may be subject to third party claims. With or without reference to the above, ING Bank may also offer compensation to certain of its customers. Judgement is required to assess whether a present obligation exists and to estimate the probability of an unfavourable outcome and the amount of potential loss. The degree of uncertainty and the method of making the accounting estimate depends on the individual case, its nature and complexity. Such cases are usually one of a kind. For the assessment of related provisions ING Bank consults with internal and external legal experts. Even taking into consideration legal experts' advice, the probability of an outflow of economic benefits can still be uncertain and the provision recognised can remain sensitive to the assumptions used. Reference is made to Note 15 'Provisions'. For proceedings where it is not possible to make a reliable estimate of the expected financial effect, that could result from the ultimate resolution of the proceedings, no provision is recognised, however disclosure is included in the financial statements, where relevant. Reference is made to Note 39 'Legal proceedings'.

Critical accounting estimates and assumptions for the reorganisation provision are in estimating the amounts and timing of cash flows as the announced transformation initiatives are implemented over a period of several years. Reference is made to Note 15 'Provisions'.

1.16 Irrevocable Payment Commitments on contributions to SRF and DGS

ING makes contributions to the Single Resolution Fund (SRF) and Deposit Guarantee Schemes (DGS). The annual contributions are paid in cash or, in some cases, partly using Irrevocable Payment Commitments (IPCs) that become payable if and when called. Cash contributions are accounted for as levies as described in section 1.15 above while IPCs are disclosed as contingent liabilities in Note 38 Contingent liabilities and commitments. Cash collateral posted on IPCs to the SRF is accounted for as an interest bearing financial asset at amortised cost. Government bonds posted as collateral on IPCs to DGS continue to be recognised as assets of ING as securities at amortised cost.

1.17 Other liabilities

Defined benefit plans
The net defined benefit asset or liability recognised in the statement of financial position in respect of defined benefit pension plans is the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date.

Changes in plan assets include mainly:
- Return on plan assets are recognised as staff costs in the statement of profit or loss. It is determined using a high quality corporate bond rate (identical to the discount rate used in determining the defined benefit obligation) at the start of the reporting period; and
- Remeasurements which are recognised in Other comprehensive income.

The defined benefit obligation is calculated by internal and external independent qualified actuaries through actuarial models and calculations using the projected unit credit method. This method considers expected future payments required to settle the obligation resulting from employee service in the current and prior periods, discounted using a high quality corporate bond rate. Inherent in these actuarial models are assumptions including discount rates, rates of increase in future salary and benefit levels, mortality rates, consumer price index and the expected level of indexation. The assumptions are based on available market data as well as management expectations and are updated regularly.

Changes in the defined benefit obligation include mainly:
- Service cost which is recognised as staff costs in the statement of profit or loss;
- Interest expenses are recognised as staff costs in the Statement of profit or loss. It is determined using a high quality corporate bond rate at the start of the period;
- Remeasurements which are recognised in Other comprehensive income (equity) and not recycled to the Statement of profit or loss;
- Any past service cost relating to a plan amendment is recognised in profit or loss in the period of the plan amendment; and
- Gains and losses on curtailments and settlements are recognised in the Statement of profit or loss when the curtailment or settlement occurs.

The recognition of a net defined benefit asset in the Consolidated statement of financial position is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Defined contribution plans
For defined contribution plans, ING Bank pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. ING Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as staff expenses in the profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations
Some group companies provide other post-employment benefits to former employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

1.18 Income recognition

Interest

Interest income and expense are recognised in the statement of profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, ING Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest results on instruments classified at Amortised Cost, assets measured at FVOCI and derivatives in a formal hedge accounting relationship is presented in 'Interest income (expense) using effective interest rate method'. Interest result on financial assets and liabilities voluntarily designated as at FVPL and derivatives in so called economic hedges and instruments designated at fair value are presented in 'Other interest income (expense)'. Interest result on all other financial assets and liabilities at FVTPL is recognised in 'Valuation results and net trading income'.

Fees and commissions

Fees and commissions are generally recognised as the service is provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as income when the performance obligation has been satisfied based on the particular contract and ING Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts as the service is provided. Asset management fees related to investment funds and investment contract fees are recognised on a pro-rata basis over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Fees received and paid between banks for payment services are classified as commission income and expenses.

Lease income

The proceeds from leasing out assets under operating leases are recognised on a straight-line basis over the life of the lease agreement. Lease payments received in respect of finance leases when ING Bank is the lessor are divided into an interest component (recognised as interest income) and a repayment component based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

1.19 Expense recognition

Expenses are recognised in the statement of profit or loss as incurred or when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Fee and commission expenses are generally a result from a contract with ING service providers in order to perform the service for ING Bank's customers. Costs are generally presented as 'Commission expenses' if they are specific, incremental, directly attributable and identifiable to generate commission income.

Share-based payments

ING Bank only engages in share-based payment transactions with its staff and directors. Share-based payment expenses are recognised as a staff expense over the vesting period. A corresponding increase in equity is recognised for equity-settled share-based payment transactions. A liability is recognised for cash-settled share-based payment transactions. The fair value of equity-settled share-based payment transactions are measured at the grant date, and the fair value of cash-settled share-based payment transactions are measured at each balance sheet date. Rights granted will remain valid until the expiry date, even if the share based payment scheme is discontinued. The rights are subject to certain conditions, including a pre-determined continuous period of service.

1.20 Statement of cash flows

The statement of cash flows is prepared in accordance with the indirect method, distinguishing cash flows from operating, investing and financing activities. In the net cash flow from operating activities, the result before tax is adjusted for those items in the statement of profit or loss and changes in items per the statement of financial position, which do not result in actual cash flows during the year.

For the purposes of the statement of cash flows, Cash and cash equivalents include deposits from banks and loans and advances to banks that are on demand. Furthermore, it includes treasury bills and other eligible bills shorter than three months. Investments qualify as a cash equivalent if they are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash flows arising from foreign currency transactions are translated into the functional currency using the exchange rates at the date of the cash flows.

The net cash flow shown in respect of Loans and advances to customers relates only to transactions involving actual payments or receipts. The Addition to loan loss provision which is deducted from the item Loans and advances to customers in the statement of financial position has been adjusted accordingly from the result before tax and is shown separately in the statement of cash flows.

The difference between the Net cash flow in accordance with the statement of cash flows and the change between the opening and closing balance of Cash and cash equivalents in the statement of financial position is due to exchange rate differences and is presented separately in the cash flow statement.

Liabilities arising from financing activities are debt securities, lease liabilities and subordinated loans.

1.21 Parent company accounts

The parent company accounts of ING Bank N.V. are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. In accordance with subsection 8 of section 362, Book 2 of the Dutch Civil Code, the recognition and measurement principles applied in the Parent company accounts are the same as those applied in the Consolidated financial statements.

Notes to the Consolidated statement of financial position

2 Cash and balances with central banks

Cash and balances with central banks		
in EUR million	2023	2022
Amounts held at central banks [1]	88,627	85,934
Cash and bank balances	1,587	1,681
	90,214	**87,614**

1 Amounts held at central banks include an amount of EUR -5 million (2022: EUR -12 million) of Loan loss provisions.

Amounts held at central banks reflect on demand balances. The movement reflects ING's active liquidity management.

Reference is made to Note 36 'Transfer of financial assets, assets pledged and received as collateral' for restrictions on amounts held at central banks.

3 Loans and advances to banks

Loans and advances to banks	Netherlands		Rest of the world		Total	
in EUR million	2023	2022	2023	2022	2023	2022
Loans and advances to banks	9,452	23,462	7,286	11,679	16,738	35,140
Loan loss provisions	-11	-12	-18	-26	-30	-37
	9,440	**23,450**	**7,268**	**11,653**	**16,708**	**35,103**

Loans and advances mainly include balances of reverse repurchase transactions, term loans and cash collateral transactions. For more information on the balance of reverse repurchase transactions refer to Note 4 'Financial assets at fair value through profit or loss'. Reference is made to Note 7 'Loans and advances to customers' for information on finance lease receivables included in Loans and advances to banks.

As at 31 December 2023 and at 31 December 2022, all loans and advances to banks are non-subordinated.

4 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss		
in EUR million	2023	2022
Trading assets	60,240	56,875
Non-trading derivatives	2,028	3,893
Designated at fair value through profit or loss	5,775	6,159
Mandatorily measured at fair value through profit or loss	54,983	46,844
	123,026	**113,770**

(Reverse) repurchase transactions

Financial assets at fair value through profit or loss includes securities lending and sales and repurchase transactions with securities. At ING, these types of transactions are recognised in several lines in the statement of financial position depending on business model assessment and counterparty. Furthermore, for repurchase agreements the gross amount of assets must be considered together with the gross amount of related liabilities, which are presented separately on the statement of financial position since IFRS does not always allow netting of these positions in the statement of financial position.

Securities purchased under agreements to resell (reverse repos), securities borrowings and similar agreements are not recognised in the consolidated statement of financial position as the counterparty continues to be exposed to substantially all risks and rewards of the transferred security. Based on the business model assessment and counterparty, the consideration paid to purchase securities is recognised as Loans and advances to customers, Loans and advances to banks, financial assets mandatorily at FVPL or Trading assets.

Securities sold subject to repurchase agreements (repos), securities lending and similar agreements continue to be recognised in the consolidated statement of financial position as ING Bank continues to be exposed to substantially all risks and rewards of the transferred financial asset. The counterparty liability is designated and measured at FVPL if the asset is measured at FVPL. Otherwise, the counterparty liability is included in Deposits from banks, Customer deposits or Trading.

Reference is made to Note 39 'Transfer of financial assets, assets pledged and received as collateral' for information on transferred assets which were not derecognised.

ING Bank's exposure to (reverse) repurchase transactions is included in the following lines in the statement of financial position:

Exposure to (reverse) repurchase agreements

in EUR million	2023	2022
Reverse repurchase transactions		
Loans and advances to banks	5,251	19,395
Loans and advances to customers	499	1,306
Trading assets, loans and receivables	12,121	9,732
Loans and receivables mandatorily measured at fair value through profit or loss	51,536	43,153
	69,407	**73,587**
Repurchase transactions		
Deposits from banks	2,064	3,809
Customer deposits	97	1
Trading liabilities, funds on deposit	10,337	5,715
Funds entrusted designated and measured at fair value through profit or loss	45,729	43,131
	58,227	**52,655**

Trading assets

Trading assets by type

in EUR million	2023	2022
Equity securities	15,423	11,741
Debt securities	6,907	4,189
Derivatives	25,680	30,841
Loans and receivables	12,231	10,103
	60,240	**56,875**

Trading assets include assets that are closely related to servicing the needs of the clients of ING Bank. ING offers institutional clients, corporate clients, and governments, products that are traded on the financial markets. A significant part of the derivatives in the trading portfolio is related to servicing corporate clients in their risk management to hedge for example currency or interest rate exposures. In addition, ING provides its customers access to equity and debt markets for issuing their own equity or debt securities (securities underwriting).

Reference is made to Note 14 'Financial liabilities at fair value through profit or loss' for information on trading liabilities.

Non-trading derivatives

Non-trading derivatives by type

in EUR million	2023	2022
Derivatives used in		
- fair value hedges	716	836
- cash flow hedges	440	814
- hedges of net investments in foreign operations	100	119
Other non-trading derivatives	771	2,124
	2,028	**3,893**

Reference is made to Note 33 'Derivatives and hedge accounting' for information on derivatives designated in hedge accounting.

Other non-trading derivatives mainly includes interest rate swaps and foreign exchange currency swaps for which no hedge accounting is applied.

Designated at fair value through profit or loss

Designated at fair value through profit or loss by type

in EUR million	2023	2022
Debt securities	4,470	5,437
Loans and receivables	1,306	722
	5,775	**6,159**

'Financial assets designated at fair value through profit or loss' is partly economically hedged by credit derivatives. The hedges do not meet the criteria for hedge accounting and the loans and debt securities are recorded at fair value to avoid an accounting mismatch. The maximum credit exposure of the loans and receivables and debt securities included in 'Financial assets designated at fair value through profit or loss' approximates its carrying value and amounts to EUR 5,775 million (2022: EUR 6,159 million). In 2023, the change in fair value of these loans and debt securities amounts EUR -48 million (2022: EUR 357 million).

ING has mitigated the credit risk exposure on some of the portfolio. The cost at initial recognition of the financial assets designated at fair value through profit or loss that are economically hedged by credit derivatives is EUR 3,181 million (31 December 2022: EUR 3,051 million and the cumulative change in fair value attributable to changes in credit risk is EUR 150 million (31 December 2022: EUR 150 million).

The notional value of the related credit derivatives is EUR 3,679 million (2022: EUR 3,370 million).The cumulative change in fair value of the credit derivatives since the financial assets were first designated, amounts to EUR -119 million (2022: EUR 3 million) and the change for the current year is EUR -122 million (2022: EUR 72 million).

The changes in fair value attributable to changes in credit risk have been calculated by determining the changes in credit spread implicit in the fair value of loans and bonds issued by entities with similar credit characteristics.

Mandatorily at fair value through profit or loss

Mandatorily at fair value through profit or loss by type

in EUR million	2023	2022
Equity securities	179	203
Debt securities	894	821
Loans and receivables	53,911	45,820
	54,983	**46,844**

Equity securities are individually insignificant for ING Bank. For debt securities total exposure reference is made to Note 6 'Debt securities'. Loans and receivables include mainly reverse repurchase agreements.

Following the implementation of IFRS 17 on 1 January 2023, a portfolio of loans with death waivers has been reclassified from financial assets measured at amortised cost to financial assets mandatorily measured at fair value through profit or loss (31 December 2023: EUR 538 million). For further information on the change in accounting policies, reference is made to Note 1 'Basis of preparation and material accounting policy information'.

5 Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income by type

in EUR million	2023	2022
Equity securities	1,885	1,887
Debt securities [1]	38,281	29,095
Loans and advances [1]	951	643
	41,116	**31,625**

1 Debt securities include an amount of EUR -13 million (2022: EUR -21 million) and the Loans and advances includes EUR -8 million (2022: EUR -1 million) of Loan loss provisions.

Exposure to equity securities

Equity securities designated as at fair value through other comprehensive income

	Carrying value	Carrying value	Dividend income	Dividend income
in EUR million	2023	2022	2023	2022
Investment in Bank of Beijing	1,590	1,614	98	111
Other Investments	295	273	7	38
	1,885	**1,887**	**105**	**149**

As at 31 December 2023 ING holds approximately 13% (2022: 13%) of the shares of Bank of Beijing, a bank listed on the stock exchange of Shanghai. Bank of Beijing stake is part of the Corporate Line segment. As per regulatory requirements set by China Banking and Insurance Regulatory Commission, ING, as a shareholder holding more than 5% or more of the shares, is required to supply additional capital when necessary. No request for additional capital was received in 2023 (2022: nil).

Changes in fair value through other comprehensive income

The following table presents changes in financial assets at fair value through other comprehensive income.

Changes in fair value through other comprehensive income financial assets

in EUR million	FVOCI equity securities 2023	FVOCI equity securities 2022	FVOCI debt instruments [1] 2023	FVOCI debt instruments [1] 2022	Total 2023	Total 2022
Opening balance as at 1 January	1,887	2,457	29,739	28,178	31,625	30,635
Additions	28	17	19,967	18,789	19,995	18,806
Amortisation			31	-18	31	-18
Transfers and reclassifications	5	10			5	10
Changes in unrealised revaluations [2]	68	-65	657	-3,230	725	-3,295
Impairments			-1		-1	
Reversals of impairments			6	3	6	3
Disposals and redemptions	-2	-492	-11,912	-14,034	-11,913	-14,526
Exchange rate differences	-100	-39	751	49	651	10
Changes in the composition of the group and other changes			-6	1	-6	1
Closing balance	**1,885**	**1,887**	**39,231**	**29,739**	**41,116**	**31,625**

1 Fair value through other comprehensive income debt instruments includes both debt securities and loans and advances.
2 Changes in unrealised revaluations of FVOCI debt instruments include changes on hedged items which are recognized in the statement of profit or loss. Reference is made to Note 19 'Equity' for details on the changes in revaluation reserve.

FVOCI equity securities

Exchange rate differences of EUR -100 million (31 December 2022: EUR -39 million) are mainly related to the stake in Bank of Beijing following the depreciation of CNY versus EUR. Furthermore in 2023, changes in unrealised revaluations of equity securities are mainly related to the revaluation of the stake in Bank of Beijing of EUR 77 million following changes in share price (31 December 2022: EUR -49 million).

In 2022, disposals of EUR 492 million mainly relate to the sale in the second quarter of HQLA eligible equity instruments triggered by the changing interest rate environment and deteriorating market sentiment. This portfolio was built up in early 2021 (additions in 2021: EUR 499 million) and was a relatively small part of the HQLA portfolio. This was a diversified buy-and-hold portfolio aimed at generating stable dividend income stream.

FVOCI debt instruments

In 2022, interest rates in both short and longer tenors increased significantly which resulted in changes in unrealised revaluations of debt securities of EUR -3,230 million. During 2023 interest rates decreased resulting in unrealised revaluations of EUR 657 million.
Reference is made to Note 6 'Debt securities' for details on ING Bank's total exposure to debt securities.

6 Debt securities

ING Bank's exposure to debt securities is included in the following lines in the statement of financial position:

Exposure to debt securities

in EUR million	2023	2022
Debt securities at fair value through other comprehensive income	38,281	29,095
Debt securities at amortised cost	48,313	48,160
Debt securities at fair value through other comprehensive income and amortised cost	**86,594**	**77,255**
Trading assets	6,907	4,189
Debt securities at fair value through profit or loss	5,363	6,258
Total debt securities at fair value through profit or loss	**12,270**	**10,447**
	98,864	**87,703**

ING Bank's total exposure to debt securities (excluding debt securities held in the trading portfolio) of EUR 91,957 million (31 December 2022: EUR 83,513 million) is specified as follows:

Debt securities by type of exposure

in EUR million	Debt Securities at FVPL 2023	Debt Securities at FVPL 2022	Debt Securities at FVOCI 2023	Debt Securities at FVOCI 2022	Debt Securities at AC 2023	Debt Securities at AC 2022	Total 2023	Total 2022
Government bonds	362	63	20,988	16,016	24,050	24,629	45,400	40,708
Central bank bonds [1]	446	307			2,043	2,331	2,489	2,638
Sub-sovereign, Supranationals and Agencies	1,354	2,343	11,587	8,529	14,639	14,210	27,580	25,082
Covered bonds			4,084	2,663	5,231	5,543	9,315	8,206
Corporate bonds	799	857	127	108	109	26	1,035	991
Financial institutions' bonds	1,645	1,931	483	772	186	220	2,314	2,923
ABS portfolio	758	758	1,025	1,028	2,077	1,217	3,860	3,003
	5,363	**6,258**	**38,293**	**29,116**	**48,335**	**48,177**	**91,991**	**83,551**
Loan loss provisions			-13	-21	-22	-17	-34	-39
Debt securities portfolio	**5,363**	**6,258**	**38,281**	**29,095**	**48,313**	**48,160**	**91,957**	**83,513**

1 In 2023 Central bank bonds have been included as a separate type of exposure. These bonds were previously included in Financial Institutions bonds. The prior period has been updated for consistency and comparability.

7 Loans and advances to customers

Loans and advances to customers by type

	Netherlands		Rest of the world		Total	
in EUR million	2023	2022	2023	2022	2023	2022
Loans and advances to public authorities	1,070	837	13,314	11,840	14,384	12,677
Residential mortgages	110,475	107,952	214,120	205,511	324,596	313,463
Other personal lending	5,036	5,835	31,535	30,345	36,571	36,180
Corporate Lending	62,728	68,128	209,795	211,092	272,523	279,220
	179,309	**182,752**	**468,764**	**458,789**	**648,074**	**641,541**
Loan loss provisions	-830	-993	-4,791	-4,990	-5,621	-5,984
	178,480	**181,759**	**463,973**	**453,798**	**642,453**	**635,557**

For details on credit quality and loan loss provisioning, refer to 'Risk management – Credit risk' paragraphs 'Credit quality' and 'Loan loss provisioning'.

As at 31 December 2023 EUR 642,260 million (2022: EUR 635,361 million) of loans and advances to customers are non-subordinated.

Loans and advances to customers and to banks include finance lease receivables and are detailed as follows:

Finance lease receivables [1]

in EUR million	2023	2022
Maturities of gross investment in finance lease receivables		
- within 1 year	3,827	3,452
- between 1-2 years	2,742	2,463
- between 2-3 years	2,133	1,870
- between 3-4 years	1,475	1,294
- between 4-5 years	875	747
- more than 5 years	1,451	1,423
	12,503	**11,251**
Unearned future finance income on finance leases	-1,040	-792
Net investment in finance leases	**11,463**	**10,459**
Included in Loans and advances to banks	5	6
Included in Loans and advances to customers	11,459	10,453
	11,463	**10,459**

1 The total loan loss provision of EUR 160 million (2022: EUR 160 million) for finance lease receivables is classified into the following loan loss provision stages: Stage 1: EUR 6 million (2022: EUR 9 million), Stage 2: EUR 14 million (2022: EUR 28 million) and Stage 3: EUR 139 million (2022: EUR 123 million).

The finance lease receivables mainly relate to the financing of equipment and real estate and are mainly part of corporate lending. To a lesser extent, the finance lease receivables relate to real estate for third parties, where ING is the lessor. Interest income in 2023 on finance lease receivables amounts to EUR 429 million (2022: EUR 292 million).

8 Investment in associates and joint ventures

Investments in associates and joint ventures

in EUR million 2023	Interest held (%)	Fair value of listed investments	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
TMBThanachart Bank Public Company Limited	23%	976	1,128	46,666	40,776	1,386	943
Other investments in associates and joint ventures			381				
			1,509				

Investments in associates and joint ventures

in EUR million 2022	Interest held (%)	Fair value of listed investments	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
TMBThanachart Bank Public Company Limited	23%	849	1,109	49,506	43,677	1,303	957
Other investments in associates and joint ventures			391				
			1,500				

TMBThanachart Bank Public Company Limited
ING Bank has a 23%investment in TMBThanachart Bank Public Company Limited (hereafter: TTB), a bank listed on the Stock Exchange of Thailand. TTB is providing products and services to Wholesale, Small and Medium Enterprise (SME), and Retail customers. TTB is accounted for as an investment in associate based on the size of ING shareholding and representation on the Board. TTB is part of the Corporate Line segment.

Other investments in associates and joint ventures
Included in Other investments in associates and joint ventures are mainly financial services and (non) financial technology funds or vehicles operating predominantly in Europe, and represents a number of associates and joint ventures that are individually not significant to ING Bank.

Significant influence for associates in which the interest held is below 20%, is based on the combination of ING Bank's financial interest and other arrangements, such as participation in the Board of Directors.

The associates and joint ventures of ING are subject to legal and regulatory restrictions regarding the amount of dividends they can pay to ING. These restrictions are for example dependent on the laws in the country of incorporation for declaring dividends or as a result of minimum capital requirements that are imposed by industry regulators in the countries in which the associates and joint ventures operate.

In addition, the associates and joint ventures also consider other factors in determining the appropriate levels of equity needed. These factors and limitations include, but are not limited to, rating agency and regulatory views, which can change over time.

Changes in Investments in associates and joint ventures

in EUR million	2023	2022
Opening balance as at 1 January	1,500	1,587
Additions	55	48
Revaluations	4	-8
Share of results	149	92
Dividends received	-74	-48
Disposals	-89	-10
Impairments	-5	-192
Exchange rate differences	-32	27
Other		4
Closing balance	**1,509**	**1,500**

Share of results from associates and joint ventures of EUR 149 million (2022: EUR 92 million) as included in the table above is mainly attributable to results of TTB of EUR 107 million (2022: EUR 81 million).

Impairments and reversal thereof
Out of EUR 192 million total impairment losses in 2022, EUR 165 million related to TTB. As per 31 December 2023 there were no triggers for additional impairment of TTB. Equally, indicators that would support a potential reversal of previous impairment losses on TTB were not yet consistently observed during 2023. Accumulated impairments of EUR 395 million (2022: EUR 395 million) have been recognised.

9 Property and equipment

Property and equipment by type

in EUR million	2023	2022
Property in own use	616	681
Equipment:		
- Data processing equipment	213	213
- Other equipment	492	476
Right- of- use assets:		
- ROU property	972	1,000
- ROU cars	97	64
- ROU other leases	9	12
	2,399	**2,446**

Changes in property and equipment

	Property in own use		Equipment		Right-of-use assets		Total	
in EUR million	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance as at 1 January	681	702	688	699	1,076	1,113	2,446	2,515
Additions	4	2	241	229	279	173	525	404
Transfers	-1	-1	-4	-1	-4	-4	-9	-5
Depreciation	-12	-13	-204	-220	-246	-252	-461	-485
Impairments[1]	-19	-9	-10	-16	-12	-9	-41	-35
Reversals of impairments [1]	10	16					10	16
Remeasurements	4	15			9	67	13	81
Disposals	-47	-67	-10	-15	-20	-15	-78	-98
Exchange rate differences	-4	36	4	13	-4	3	-5	52
Closing balance	**616**	**681**	**705**	**688**	**1,078**	**1,076**	**2,399**	**2,446**
Costprice	753	847	3,140	3,554	1,851	1,680	5,744	6,081
Accumulated depreciation	-305	-362	-2,430	-2,853	-904	-714	-3,639	-3,929
Accumulated impairments	-99	-107	-6	-12	-32	-21	-136	-140
Accumulated revaluation surplus	267	304					267	304
Accumulated remeasurement					163	130	163	130
Net carrying value	**616**	**681**	**705**	**688**	**1,078**	**1,076**	**2,399**	**2,446**

1 (Reversals of) impairments of property and equipment are presented as Other operating expenses in the statement of Profit or Loss.

ING considers valuations from third-party experts in determining the fair values of property in own use. The vast majority of the land and buildings are appraised during 2023. Property in own use purchase costs amounted to EUR 753 million (2022: EUR 847 million). Cost or the purchase price less accumulated depreciation and impairments would have been EUR 350 million (2022: EUR 368 million) had property in own use been valued at cost instead of at fair value.

The reported impairment losses of EUR -41 million (2022: EUR -35 million) mainly result from changes in the post-pandemic way of working through downscaling of physical office spaces and closure of branches for commercial reasons.

10 Intangible assets

Changes in intangible assets

	Goodwill		Software		Other		Total	
in EUR million	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance as at 1 January	464	472	636	682	2	2	1,102	1,156
Opening balance adjustment [1]		25						25
Additions			64	54			64	54
Capitalised expenses			246	144			246	144
Amortisation			-213	-226			-213	-226
Impairments [1 2]		-32	-5	-22			-5	-54
Exchange rate differences	5	-1	2	4			7	2
Disposals			-10	-3			-10	-3
Changes in the composition of the group and other changes			8	3	1		8	3
Closing balance	**469**	**464**	**727**	**636**	**2**	**2**	**1,198**	**1,102**
Gross carrying amount	469	464	2,646	2,491	8	8	3,123	2,962
Accumulated amortisation			-1,876	-1,787	-4	-4	-1,879	-1,790
Accumulated impairments			-43	-69	-2	-2	-45	-70
Net carrying value	**469**	**464**	**727**	**636**	**2**	**2**	**1,198**	**1,102**

1 In 2022, the allocated goodwill to Türkiye cash generating unit after first being adjusted for hyperinflation accounting for EUR 25 million, was fully impaired for the amount of EUR 32 million (based on discount rate 24.04% and terminal growth rate 10.40% as per 1 January 2022). Türkiye is part of the Retail Other segment.
2 Impairments of intangible assets are presented within Other operating expenses in the statement of Profit or Loss.

Goodwill

Goodwill is allocated to groups of cash generating units (CGUs) as follows:

Goodwill allocation to group of CGUs

in EUR million	Method used for recoverable amount	Discount rate	Terminal growth rate	Goodwill	Goodwill
Group of CGU's				2023	2022
Retail Netherlands	Value in use	8.80 %	2.20 %	30	30
Retail Germany	Value in use	8.68 %	2.00 %	349	349
Retail Poland	Value in use	10.44 %	2.40 %	75	69
Retail Romania	Value in use	12.72 %	2.60 %	15	15
				469	**464**

Impairment testing

Goodwill is tested for impairment annually in the fourth quarter by comparing the recoverable amount of each goodwill-carrying CGU with its carrying amount. The key assumptions used in the calculation of the recoverable amounts are included in the table above. Furthermore, ING Bank tests goodwill whenever a triggering event is identified.

At the annual impairment test in the fourth quarter, the recoverable amount exceeds the carrying value of the CGUs as at 31 December 2023 and therefore no impairment is required (31 December 2022: EUR 32 million for Türkiye CGU).

Methodology

In line with IFRS, the recoverable amount is determined as the higher of the fair value less costs of disposal and Value in Use (VIU). The VIU calculation is based on a Dividend Discount model using three year management approved plans, updated for expected changes in the macroeconomic environment. When estimating the VIU of a CGU, local conditions and requirements determine the capital requirements, discount rates, and terminal growth rates. These local conditions and requirements determine the ability to upstream excess capital and profits to ING Bank. The discount rate calculation includes other inputs such as equity market premium, country risk premium, and long term inflation which are based on market sources and management's judgement. The long term growth rate is based on the long term inflation rate obtained from market sources. The impacts of climate risk are included to the extent that they are observable in discount rates and assets prices.

Sensitivity of key assumptions

Key assumptions in the goodwill impairment test model are the projected locally available cash flows (based on local capital requirements and projected profits), discount rates (cost of equity), and long-term growth rates.

The recoverable amounts of the CGUs are sensitive to the above key assumptions. A decrease in the available cash flows of 10%, an increase in the discount rate of 1 percent point or a reduction of future growth rate to zero are considered reasonably possible changes in key assumptions. If the aforementioned changes occur to one of the above key assumptions holding the other key assumptions constant, goodwill of the remaining CGUs will continue to be recoverable.

Software

Software includes internally developed software amounting to EUR 628 million (2022: EUR 540 million).

Software is reviewed for indicators of impairment. Irrespective of whether there is an indication of impairment, software under development is tested annually for impairment. In 2023, individually immaterial items were impaired for an amount of EUR 5 million (31 December 2022: 22 million).

11 Other assets

Other assets by type

in EUR million	2023	2022
Net defined benefit assets	554	617
Investment properties	14	18
Property development and obtained from foreclosures	32	34
Prepayments	436	364
Accrued assets	521	549
Amounts to be settled	3,869	5,190
Other	1,683	2,067
	7,109	**8,839**

Disclosures in respect of Net defined benefit assets are provided in Note 30 'Pensions and other post-employment benefits'.

Amounts to be settled include primarily transactions not settled at the balance sheet date. The nature of these transaction is short term and they are expected to settle shortly after the closing date of the balance sheet.
Other relates to various receivables in the normal course of business, amongst others, short term receivables relating to mortgage issuance and other amounts receivable from customers.

12 Deposits from banks

Deposits from banks by type

	Netherlands		Rest of the world		Total	
in EUR million	2023	2022	2023	2022	2023	2022
Non-interest bearing	3	86	174	315	177	400
Interest bearing	7,803	32,858	15,277	23,374	23,080	56,232
	7,806	**32,943**	**15,451**	**23,689**	**23,257**	**56,632**

Deposits from banks includes non-subordinated deposits and reverse repurchase transactions, for more information on reverse repurchase transaction refer to Note 4 'Financial assets at fair value through profit or loss'.

Deposits from banks includes ING's participation in the Targeted Longer-Term Refinancing Operations (TLTRO) of EUR 6.0 billion (2022: EUR 36.0 billion). In 2023, EUR 30.0 billion of ING's TLTRO III participation was repaid.

For the details of the applicable rates and impact on net interest income reference is made to Note 20 'Net interest income'.

13 Customer deposits

Customer deposits [1]

in EUR million	2023	2022
Current accounts / Overnight deposits	222,478	260,819
Savings accounts	334,287	329,501
Time deposits	103,186	55,820
Other	42,265	40,201
	702,217	**686,341**

1 ING changed the presentation of customer deposits as of 2023. The comparative figure for 2022 has been updated accordingly.

Current accounts / Overnight deposits, Saving accounts and Time deposits include balances with individuals, respectively EUR 107,711 million (2022: EUR 124,067 million), EUR 305,734 million (2022: EUR 304,276 million) and EUR 46,762 million (2022: EUR 16,729 million).

Customer deposits by type

	Netherlands		Rest of the world		Total	
in EUR million	2023	2022	2023	2022	2023	2022
Non-interest bearing	239	2,332	25,316	24,307	25,556	26,639
Interest bearing [1]	284,406	277,379	392,255	382,324	676,661	659,703
	284,646	**279,711**	**417,571**	**406,630**	**702,217**	**686,341**

1 Interest bearing includes current accounts which are not remunerated however ING holds the contractual right to revise.

In 2023 Customer deposits includes EUR 53,116 million (2022: EUR 48,410 million) of deposits received from ING Group of which EUR 11,032 million(2022: EUR 7,296 million) is included in Time deposits and EUR 42,084 million (2022: EUR 41,113 million) in Other.

14 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss

in EUR million	2023	2022
Trading liabilities	37,220	39,088
Non-trading derivatives	2,019	3,048
Designated at fair value through profit or loss	55,399	50,883
	94,637	**93,019**

Trading liabilities

Trading liabilities by type

in EUR million	2023	2022
Equity securities	1,156	935
Debt securities	2,492	1,291
Funds on deposit	10,443	5,993
Derivatives	23,129	30,869
	37,220	**39,088**

Non-trading derivatives

Non-trading derivatives by type		
in EUR million	2023	2022
Derivatives used in:		
- fair value hedges	113	244
- cash flow hedges	458	1,275
- hedges of net investments in foreign operations	92	83
Other non-trading derivatives	1,356	1,446
	2,019	**3,048**

Reference is made to Note 33 'Derivatives and hedge accounting' for information on derivatives used for hedge accounting.

Other non-trading derivatives mainly includes interest rate swaps and foreign currency swaps for hedging purposes, but for which no hedge accounting is applied.

Designated at fair value through profit or loss

Designated at fair value through profit or loss by type		
in EUR million	2023	2022
Debt securities	8,219	6,069
Funds entrusted	47,085	44,731
Subordinated liabilities	95	82
	55,399	**50,883**

As at 31 December 2023, the change in the fair value of financial liabilities designated at fair value through profit or loss attributable to changes in credit risk is EUR -34 million (2022: EUR -75 million) on a cumulative basis. This change has been determined as the amount of change in fair value of the financial liability that is not attributable to changes in market conditions that gave rise to market risk (i.e. mainly interest rate risk based on yield curves).

The amount that ING Bank is contractually required to pay at maturity to the holders of financial liabilities designated at fair value through profit or loss excluding repurchase agreements (part of funds entrusted) is EUR 9,958 million (2022: EUR 8,408 million).

Funds entrusted include mainly repurchase agreements. For more information on repurchase transactions refer to Note 4 'Financial assets at fair value through profit or loss'.

15 Provisions

Provisions by type [1]		
in EUR million	2023	2022
Reorganisation provisions	231	418
Litigation provisions	193	150
Other provisions	334	433
	758	**1,001**
Loan loss provisions for guarantees	142	29
	899	**1,030**

1 In 2023, the table was updated to present the IFRS 9 loan loss provisions for guarantees separately. The comparatives for 2022 have been updated accordingly.

Changes in provisions	Reorganisation		Litigation		Other provisions [2]		Total	
in EUR million	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance as at 1 January	418	421	150	132	433	386	1,001	940
Additions [1]	207	217	78	59	39	230	325	506
Interest						-2		-2
Releases [1]	-34	-46	-26	-8	-22	-166	-82	-221
Utilised	-356	-170	-23	-33	-11	-15	-389	-218
Exchange rate differences	-1		1		-3		-4	-1
Other changes	-3	-4	13		-104		-94	-3
Closing balance	**231**	**418**	**193**	**150**	**334**	**433**	**758**	**1,001**

1 Additions to provisions and unused amounts released are presented in Note 26 'Other operating expenses' in the Statement of Profit or Loss.
2 In 2023, the table was updated to exclude the IFRS 9 loan loss provisions for guarantees. The comparatives for 2022 have been updated accordingly.

As at 31 December 2023, amounts expected to be settled within 12 months in provisions amount to EUR 699 million (2022: EUR 815 million). The amounts included are based on best estimates with regard to amounts and timing of cash flows required to settle the obligation.

Reorganisation provisions

In 2023, the additions to the reorganisation provisions mainly relate to restructuring activities in Belgium, Poland and the Netherlands. The additions in 2022 mainly relate to the discontinuation of retail banking activities in France and the restructuring of the branch network and retail advice organisation in the Netherlands, as well as to restructuring activities in Belgium.

These initiatives are implemented over a period of several years and the estimate of the reorganisation provisions is inherently uncertain.

Litigation provisions
Reference is made to Note 39 'Legal proceedings' for developments in litigation provisions.

Other provisions

In 2023 ING Bank voluntarily changed its accounting policy for non-financial guarantees that are subject to contractual indemnification rights from IAS 37 principles to loan commitment accounting under IFRS 9. The change from IAS 37 to IFRS 9 resulted in derecognition of the existing IAS 37 provision of EUR 109 million as per 1 January 2023 and recognition of a provision for Expected credit losses of EUR 151 million for non-financial guarantees as per 1 January 2023 (EUR 42 million pre-tax impact on Equity at the beginning of 2023). This change is included in Other changes in the movement table.

For details and changes on loan loss provisioning, refer to 'Risk management – Credit risk' paragraph 'Loan loss provisioning'. For details on the IFRS change, refer to Note 1.3.1 'Changes in IFRS effective in 2023'.

In 2022, the additions and releases include EUR 138 million and EUR 141 million respectively related to IAS 37 off balance facilities that in 2023 are included in IFRS 9 loan loss provisions.

The additions to the Other provisions in 2022 include EUR 75 million which relates to the provision for the compensation of Dutch retail customers for past interest charges that did not sufficiently track market rates and largely reflects the impact of interest-on-interest compensation. This is in addition to the provision of EUR 180 million recognised in 2021.

16 Other liabilities

Other liabilities by type

In EUR million	2023	2022
Net defined benefit liability	164	139
Other post-employment benefits	30	29
Other staff-related liabilities	719	633
Other taxation and social security contributions	641	365
Rents received in advance	14	30
Costs payable	2,170	2,014
Amounts to be settled	6,509	6,714
Lease liabilities	1,162	1,174
Other	1,721	2,247
	13,130	**13,344**

Disclosures in respect of Net defined benefit liabilities are provided in Note 30 'Pensions and other post-employment benefits'.

Other staff-related liabilities includes vacation leave provisions, jubilee provisions, disability/illness provisions and liabilities related with variable compensations.

As of 2023, ING decided to no longer issue shares in order to fund obligations arising from share-based employee incentive programmes but buy back shares from the market. Reference is made to Note 19 'Equity' for further information.

Amounts to be settled includes primarily transactions not settled at the balance sheet date. The nature of these transactions is short term and have settled after the closing date of the balance sheet.

Lease liabilities relate to right-of-use assets. Disclosures in respect to right-of-use assets are provided in Note 9 'Property and equipment'. The total cash outflow for leases in 2023 was EUR 291 million (2022: EUR 296 million).

The line Other relates mainly to amounts payable to customers.

17 Debt securities in issue

Debt securities in issue relates to debentures and other issued debt securities with either fixed interest rates or interest rates based on floating interest rate levels, such as certificates of deposit and accepted bills issued by ING Bank, except for subordinated items. Debt securities in issue does not include debt securities presented as Financial liabilities at fair value through profit or loss. ING Bank does not have debt securities that are issued on terms other than those available in the normal course of business.

Debt securities in issue – maturities

In EUR million	2023	2022
Fixed rate debt securities		
Within 1 year	29,790	18,044
More than 1 year but less than 2 years	4,660	1,217
More than 2 years but less than 3 years	6,279	4,702
More than 3 years but less than 4 years	4,068	2,903
More than 4 years but less than 5 years	4,722	2,880
More than 5 years	13,139	13,221
Total fixed rate debt securities	**62,658**	**42,969**
Floating rate debt securities		
Within 1 year	17,871	13,856
More than 1 year but less than 2 years	226	307
More than 2 years but less than 3 years	2,176	256
More than 3 years but less than 4 years	75	494
More than 4 years but less than 5 years	0	97
More than 5 years	1,417	96
Total floating rate debt securities	**21,765**	**15,106**
Total debt securities	**84,423**	**58,075**

Reference is made to Note 29 'Changes in liabilities arising from financing activities' for further information on issuances, redemptions and non-cash movements.

18 Subordinated loans

Subordinated loans

In EUR million	2023	2022
Subordinated loans	15,404	15,789
	15,404	**15,789**

Subordinated loans relate to subordinated capital debentures and private loans which may be included in the calculation of the capital ratio.

Subordinated loans include loans that qualify as Tier 1 and Tier 2 (CRD IV eligible) capital. Subordinated loans of EUR 16,240 million (2022: EUR 16,364 million) have been placed with ING Bank N.V. by ING Groep N.V. Reference is made to Note 36 'Derivatives and hedge accounting' for details on fair value hedge accounting.

In 2023 ING Groep N.V. issued in February EUR 500 million 5.00% Fixed Rate Subordinated Tier 2 Notes, GBP 750 million 6.25% Fixed Rate Subordinated Tier 2 Notes and USD 1 billion 7.50% Perpetual AT1 Contingent Convertible Capital Securities.

In 2023 ING Bank N.V. redeemed with ING Groep N.V. in March USD 1,250 million 4.70% Fixed Subordinated Tier 2 notes, in April EUR 1 billion 3.00% Fixed Subordinated Tier 2 notes on the first call dates and in September USD 810 million 5.80% Fixed Rate Subordinated Tier 2 notes.

Reference is made to Note 29 'Changes in liabilities arising from financing activities' for further information on issuances and redemptions.

The average interest rate on subordinated loans is 4.44% (2022: 4.00%). The interest expense during the year 2023 was EUR 708 million (2022: EUR 646 million).

19 Equity

Total equity

In EUR million	2023	2022	2021
Share capital and share premium			
- Share capital	525	525	525
- Share premium	16,542	16,542	16,542
	17,067	**17,067**	**17,067**
Other reserves			
- Revaluation reserve: Equity securities at FVOCI	1,152	1,187	1,282
- Revaluation reserve: Debt instruments at FVOCI	-277	-339	92
- Revaluation reserve: Cash flow hedge	-2,058	-3,055	-153
- Revaluation reserve: Credit liability	31	70	-80
- Revaluation reserve: Property in own use	178	176	208
- Net defined benefit asset/liability remeasurement reserve	-317	-232	-212
- Currency translation reserve	-2,527	-2,395	-3,483
- Share of associates and joint ventures and other reserves	3,048	3,604	3,416
	-769	**-984**	**1,069**
Retained earnings	23,893	26,462	29,778
Shareholders' equity (parent)	40,191	42,546	47,914
Non-controlling interests	944	504	736
Total equity	**41,135**	**43,050**	**48,650**

Adjustments for hyperinflation

ING applies IAS 29 'Hyperinflation' on its investment in Türkiye since 2022. The IAS 29 indexation impact on equity was EUR 54 million (2022: EUR 100 million including a one-off impact of EUR 64 million) of which EUR 284 million (2022: EUR 1,011 million) in the currency translation reserve, EUR 0 million (2022: EUR -563 million) in retained earnings, EUR 3 million (2022: EUR -17 million) in revaluation reserves and EUR -234 million (2022: EUR -331 million) in profit or loss.

Share capital and share premium

Share capital

	Ordinary shares (par value EUR 1.13)					
	Number x 1,000			Amount		
	2023	2022	2021	2023	2022	2021
Authorised share capital	1,600,000	1,600,000	1,600,000	1,808	1,808	1,808
Unissued share capital	1,134,965	1,134,965	1,134,965	1,283	1,283	1,283
Issued share capital	**465,035**	**465,035**	**465,035**	**525**	**525**	**525**

No change occurred in the issued share capital and share premium in 2023, 2022 and 2021.

All ordinary shares are in registered form. No share certificates have been issued. Ordinary shares may be transferred by means of a deed of transfer, subject to the approval of the general meeting of ING Bank. The par value of ordinary shares is EUR 1.13.

The authorised ordinary share capital of ING Bank N.V. consists of 1,600 million shares of which as at 31 December 2023, 465 million ordinary shares were issued and fully paid.

ING Bank has 50 authorised preference shares with par value of EUR 1.13 per preference share. As at 31 December 2023, 7 preference shares were issued and fully paid (2022: 7 preference shares; 2021: 7 preference shares) amounting to EUR 8 (2022: EUR 8 and 2021: EUR 8).

Dividend restrictions

ING Bank N.V. and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company's own funds over the sum of the paid-up capital and reserves required by law. Additionally, certain Bank companies are subject to restrictions on the amount of funds they may transfer in the form of dividends or otherwise to the parent company.

Furthermore, in addition to the restrictions in respect of minimum capital requirements that are imposed by industry regulators in the countries in which subsidiaries operate, other limitations exist in certain countries.

Other reserves
Revaluation reserves

Changes in revaluation reserve: Equity securities and Debt instruments at FVOCI

	Equity securities at FVOCI			Debt instruments at FVOCI		
In EUR million	2023	2022	2021	2023	2022	2021
Opening balance	1,187	1,282	1,181	-339	92	296
Unrealised revaluations	-35	-118	94	53	-406	-164
Realised gains/losses transferred to the statement of profit or loss				9	-25	-40
Realised revaluations transferred to retained earnings	1	23	6			
Closing balance	**1,152**	**1,187**	**1,282**	**-277**	**-339**	**92**

Equity securities at FVOCI
In 2023, the unrealised revaluation of EUR -35 million (2022: EUR -118 million and 2021: EUR 94 million) includes revaluation of shares in Bank of Beijing for EUR -24 million (2022: EUR -86 million and 2021: EUR 38 million).

Changes in cash flow hedge and credit liability reserve

	Cash flow hedge			Credit liability		
In EUR million	2023	2022	2021	2023	2022	2021
Opening balance	-3,055	-153	1,450	70	-80	-117
Changes in credit liability reserve				-39	165	37
Unrealised revaluations	997	-2,901	-1,603			
Realised revaluations transferred to retained earnings					-15	
Closing balance	**-2,058**	**-3,055**	**-153**	**31**	**70**	**-80**

Cash flow hedge
ING mainly hedges floating rate lending with interest rate swaps. Due to a decrease in forward interest rates in 2023 the interest rate swaps had a positive revaluation of EUR 997 million which is recognised in the cash flow hedge reserve.

Changes in Property in own use reserve

In EUR million	2023	2022	2021
Opening balance	176	208	221
Impact IAS 29 on opening balance [1]		-20	
Unrealised revaluations	10	15	-2
Realised revaluations transferred to retained earnings	-8	-26	-11
Other changes			
Closing balance	**178**	**176**	**208**

1 Impact of application of hyperinflation accounting under IAS 29.

Net defined benefit asset/liability remeasurement reserve
Reference is made to Note 30 'Pensions and other post-employment benefits'.

Currency translation reserve

Changes in currency translation reserve

In EUR million	2023	2022	2021
Opening balance	-2,395	-3,483	-3,636
Impact IAS 29 on opening balance [1]		647	
Unrealised revaluations	183	-7	-61
Realised gains/losses transferred to the statement of profit or loss		4	
Exchange rate differences	-316	444	214
Closing balance	**-2,527**	**-2,395**	**-3,483**

1 Impact of application of hyperinflation accounting under IAS 29.

Unrealised revaluations relates to changes in the value of hedging instruments that are designated as net investment hedges. The hedging strategy is to protect the CET1 ratio against adverse impact from exchange rate fluctuations. The net decrease of unrealized revaluations and Exchange rate differences of EUR -132 million is related to several currencies including USD (EUR -238 million), TRY (EUR 11 million including EUR 284 million IAS 29 indexation effect), GBP (EUR 18 million), PLN (EUR 169 million), CHF (EUR 37 million), AUD (EUR -42 million), RUB (EUR -70 million), THB (EUR -13 million), CNY (EUR -16 million) and other currencies (EUR 11 million).

Share of associates and joint ventures and other reserves

Changes in share of associates, joint ventures and other reserves			
In EUR million	2023	2022	2021
Opening balance	3,604	3,416	3,246
Result for the year	336	161	191
Transfer to/from retained earnings	-892	26	-21
Closing balance	**3,048**	**3,604**	**3,416**

The Share of associates, joint ventures and other reserves includes non-distributable profits from associates and joint ventures of EUR 815 million (2022: EUR 797 million and 2021: EUR 738 million). Other reserves includes a statutory reserve of EUR 1,602 million (2022: EUR 2,264 million and 2021: EUR 2,103 million) related to the former Stichting Regio Bank and the former Stichting Vakbondsspaarbank SPN and a legal reserve of EUR 628 million (2022: EUR 540 million and 2021: EUR 573 million) related to internally developed software. The transfer to retained earnings of EUR -892 million includes the release of the Regio bank and Vakbondsspaarbank SPN reserve of EUR -998 million against regulatory expenses which are recognised in the statement of profit or loss.

Retained earnings

Changes in retained earnings			
In EUR million	2023	2022	2021
Opening balance	26,462	29,778	28,273
Impact on opening balance [1]	-45	-563	
Transfer to/from other reserves	899	-8	26
Result for the year	6,821	3,506	4,579
Dividend and other distributions	-10,269	-6,277	-3,125
Employee share plans	30	27	28
Changes in composition of the group and other changes	-5	-1	-3
Closing balance	**23,893**	**26,462**	**29,778**

1 2023: Changes in policy following the adoption of IFRS 17 and change in policy for non-financial guarantees. 2022: impact of application of hyperinflation accounting under IAS 29.

Dividend

In 2023, a cash dividend and other cash distribution of EUR 10,269 million in total (2022: EUR 6,277 million and 2021: EUR 3,125 million) was paid to the shareholder of ING Bank.

Restrictions with respect to dividend and repayment of capital

The following equity components cannot be freely distributed: Revaluation reserves, Net defined benefit asset/liability remeasurement reserve, Currency translation reserve, Share of associates and joint ventures reserve and Other reserves including the part related to the former Stichting Regio Bank and the former Stichting Vakbondsspaarbank SPN.

As at 31 December 2023, an amount of EUR 1,602 million (2022: EUR 2,264 million) related to the former Stichting Regio Bank and the former Stichting Vakbondsspaarbank SPN is included.

ING Bank N.V. is subject to legal restrictions regarding the amount of dividends it can pay to its shareholder. Pursuant to the Dutch Civil Code, dividends can only be paid up to an amount equal to the excess of the company's own funds over the sum of the paid-up capital and reserves required by law. Moreover, ING Bank N.V.'s ability to pay dividends is dependent on the dividend payment ability of its subsidiaries, associates and joint ventures. ING Bank N.V. is legally required to create a non-distributable reserve insofar as profits of its subsidiaries, associates and joint ventures are subject to dividend payment restrictions which apply to those subsidiaries, associates and joint ventures themselves.

Non distributable reserves, determined in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code, from ING Bank's subsidiaries, associates and joint amounts to EUR 6,727 million (2022: EUR 8,408 million).

Furthermore there are restrictions to the ability of subsidiaries, associates and joint ventures to distribute reserves to ING Bank N.V. as a result of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate.

In addition to the legal and regulatory restrictions on distributing dividends from subsidiaries, associates and joint ventures to ING Bank N.V. there are various other considerations and limitations that are taken into account in determining the appropriate levels of equity in the Bank's subsidiaries, associates and joint ventures. These considerations and limitations include, but are not restricted to, minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries, associates and joint ventures operate, or other limitations which may exist in certain countries and may or may not be temporary in nature. It is not possible to disclose a reliable quantification of these limitations. Refer to Note 44 'Capital management' for an overview of the minimal capital requirements of ING Bank.

Without prejudice to the authority of the Executive Board to allocate profits to reserves and to the fact that the shares are the most junior securities issued by ING Bank N.V., no specific dividend payment restrictions with respect to the shares exist.

Furthermore, ING Bank N.V. is subject to legal restrictions with respect to repayment of capital to Its shareholder. Pursuant to the Dutch Civil Code, capital may only be repaid if none of ING Bank N.V.'s creditors opposes such a repayment within two months following the announcement of a resolution to that effect.

Notes to the Consolidated statement of profit or loss

20 Net interest income

Net interest income

in EUR million	2023	2022	2021
Interest income on loans	31,831	18,537	13,979
Interest income on financial assets at fair value through OCI	1,078	510	346
Interest income on debt securities at amortised cost	877	591	468
Interest income on non-trading derivatives (hedge accounting)	10,682	4,011	2,361
Negative interest on liabilities	19	892	1,502
Total interest income using effective interest rate method	**44,486**	**24,541**	**18,657**
Interest income on financial assets at fair value through profit or loss	4,934	1,444	435
Interest income on non-trading derivatives (no hedge accounting)	2,637	2,390	2,025
Interest income other	171	101	14
Total other interest income	7,741	3,935	2,474
Total interest income	**52,228**	**28,476**	**21,131**

	2023	2022	2021
Interest expense on deposits from banks	1,556	903	109
Interest expense on customer deposits	11,726	4,133	1,999
Interest expense on debt securities in issue	2,856	859	597
Interest expense on subordinated loans	707	646	573
Negative interest on assets	—	285	572
Interest expense on non-trading derivatives (hedge accounting)	11,849	4,144	1,700
Total interest expense using effective interest rate method	**28,693**	**10,969**	**5,550**
Interest expense on financial liabilities at fair value through profit or loss	4,410	1,237	304
Interest expense on non-trading derivatives (no hedge accounting)	3,131	2,411	1,605
Interest expense on lease liabilities	28	15	14
Interest expense other	157	98	43
Total other interest expense	**7,726**	**3,761**	**1,966**
Total interest expense	**36,419**	**14,730**	**7,516**
Net interest income	**15,809**	**13,745**	**13,615**

Total net interest income amounts to EUR 15,809 million (2022: EUR 13,745 million; 2021: EUR 13,615 million). The increasing net interest income for 2023 and 2022 is a reflection of the interest rates during the period which repriced faster on the asset side compared to the liability side of the balance sheet. In 2022 an one-off adjustment was recorded in interest income on loans regarding the credit moratoria in Poland (EUR -343 million).

Due to prevalent rates during the comparative years, Negative interest on liabilities includes the ECB funding rate benefit from the TLTRO III programme of EUR 314 million in 2022 (2021: EUR 808 million), while for 2023 Interest expense on deposits from banks includes interest paid under the TLTRO III programme of EUR 557 million.

This was driven by the following applicable TLTRO III rates applicable for ING Bank: -100 bps throughout the entire 2021 and the first half of 2022 until 23 June 2022; -37 bps, -36 bps, -29 bps between 23 June 2022 and 22 November 2022 for ING's participation in series 3,4 and 7 of TLTRO III, respectively; 150 bps between 22 November 2022 and 21 December 2022; 200 bps from 21 December 2022 until 8 February 2023; 250 bps between 8 February 2023 and 22 March 2023; 300 bps between 22 March 2023 and May 2023 and increased to 400 bps during the period May to December 2023.

Furthermore, the before mentioned change in terms in 2022 caused the discontinuation of the fair value hedge accounting relationship on TLTRO III, impacting net interest income of 2022 for an amount of EUR -483 million (refer to Note 36 'Derivatives and hedge accounting' for more details).

21 Net fee and commission income

Net fee and commission income			
in EUR million	2023	2022	2021
Fee and commission income			
Payment Services	2,062	1,888	1,661
Securities business	584	632	853
Insurance and other broking	529	682	734
Portfolio management	625	600	617
Lending business	602	556	477
Financial guarantees and other commitments	459	496	458
Other	239	232	204
Total fee and commission income	**5,100**	**5,085**	**5,004**
Fee and commission expenses			
Payment Services	704	600	563
Securities business	129	160	164
Distribution of products	480	555	591
Other	202	184	169
Total fee and commission expenses	**1,514**	**1,499**	**1,487**
Net fee and commission income	**3,586**	**3,586**	**3,517**

Payment services fees are earned for providing services for deposit accounts and cards, cash management and transaction processing including interchange. Securities fees and commissions are fees for securities brokerage and securities underwriting. Portfolio management fees include fees earned for asset management activities, fiduciary and related activities in which ING holds or invests assets on behalf of its customers. Fees and commissions from Lending (syndication) business include income earned for lending advisory, origination, underwriting and loan commitments which are not part of the effective interest rate. Financial guarantees and other commitments fees and commissions are earned from bank guarantees, letters of credit and other trade finance related products, factoring and leasing. Fees paid for distribution of products are all fees paid for the distribution of ING's products and services through external providers.

Reference is made to Note 27 'Segments' which includes net fee and commission income, as reported to the the Management Board Banking, disaggregated by line of business and by geographical segment.

22 Valuation results and net trading income

Valuation results and net trading income			
in EUR million	2023	2022	2021
Securities trading results	873	-356	787
Derivatives trading results	116	11	-554
Other trading results	273	71	84
Change in fair value of derivatives relating to			
– fair value hedges	-3,028	5,265	-85
– cash flow hedges (ineffective portion)	48	20	1
– other non-trading derivatives	563	1,164	-53
Change in fair value of assets and liabilities (hedged items)	2,962	-5,150	113
Valuation results on assets and liabilities designated at FVPL (excluding trading)	-127	444	-12
Foreign exchange transactions results	1,230	33	566
	2,910	**1,503**	**847**

In general, the fair value movements are influenced by changes in the market conditions, such as stock prices, credit spreads, interest rates and currency exchange rates. In 2023, the financial markets were characterised by elevated levels of volatility. In the first quarter of the year, the markets worldwide were shaken by the demise of SVB bank and the stress surrounding Credit Suisse, fuelling uncertainty around possible additional defaults. Furthermore, the ongoing interest-rate hikes by the central banks in Europe and the US led to a fast increase in rates worldwide. Toward the end of the year, the probability increased for interest rates going down, which has been reflected in the forward interest rates. In 2022, the market was affected by a significant increase in interest-rates volatility, interest-rate hikes across EU and US, and a steady fall of the EUR value and appreciation of USD, while in 2021 the market recovered from the Covid-19 pandemic, stabilised and returned to pre-pandemic levels.

Securities trading results includes the results of market making in instruments such as government securities, equity securities, corporate debt securities, money-market instruments. Derivatives trading results includes the results of derivatives such as interest rate swaps, options, futures, and forward contracts. Trading gains and losses relating to trading securities still held as at 31 December 2023 amount to EUR 160 million (2022: EUR -157 million; 2021: EUR -268 million). The majority of the risks involved in security and currency trading are economically hedged with derivatives. The securities trading results are partly offset by results on these derivatives. The result of these derivatives is included in Derivatives trading results.

Other trading results include the results of trading loans and funds entrusted.

Foreign exchange transactions results include gains and losses from spot and forward contracts, options, futures, and translated foreign currency assets and liabilities. The result on currency trading is included in foreign exchange transactions results.

Net trading income relates to trading assets and trading liabilities which include assets and liabilities that are classified under IFRS as Trading but are closely related to servicing the needs of the clients of ING. ING offers products that are traded on the financial markets to institutional clients, corporate clients, and governments. ING's trading books are managed based on internal limits and comprise a mix of products with results which could be offset. A significant part of the derivatives in the trading portfolio are related to servicing corporate clients in their risk management to hedge for example currency or interest rate exposures. From a risk perspective, the gross amount of trading assets must be considered together with the gross amount of trading liabilities, which are presented separately on the statement of financial position. However, IFRS does not always allow netting of these positions in the statement of financial position. Reference is made to Note 4 'Financial assets at fair value through profit or loss' and Note 14 'Financial liabilities at fair value through profit or loss' for information on trading assets and trading liabilities respectively.

'Valuation results and net trading income' include the fair value movements on derivatives (used for both hedge accounting and economically hedging exposures) as well as the changes in the fair value of assets and liabilities included in hedging relationships as hedged items. During 2023, the interest-rate movements significantly affected the fair value changes of other non-trading derivatives as well as the fair value changes of both the derivatives and the hedged items designated in fair value hedges. Reference is made to Note 33 'Derivatives and hedge accounting' for information on derivatives used for hedge accounting.

Furthermore, derivatives trading results is also impacted by fair value movements arising from changes in credit spreads (CVA and DVA), bid offer spreads, model risk and incremental cost of funding on derivatives (FVA and CollVA). Refer to Note 32 'Fair value of assets and liabilities' for information on these valuation adjustments.

Valuation results on assets and liabilities designated at fair value through profit or loss (excluding trading)' include fair value changes on financial assets and financial liabilities driven by changed market conditions. Refer to Note 4 'Financial assets at fair value through profit or loss' and to Note 14 'Financial liabilities at fair value through profit or loss'.

In addition, 'Valuation results on assets and liabilities designated at fair value through profit or loss (excluding trading)' include fair value adjustments on own issued notes amounting to EUR -216 million (2022: EUR 709 million; 2021: EUR 56 million).

23 Investment income

Investment income			
in EUR million	2023	2022	2021
Dividend income	105	149	122
Realised gains/losses on disposal of debt instruments measured at FVOCI	-11	32	45
Income from and fair value gains/losses on investment properties		-1	
	95	**181**	**167**

In 2023, 2022 and 2021 dividend income mainly consists of dividend received from ING's equity stake in Bank of Beijing.

24 Other net income

In 2023, Other net income of EUR -146 million (2022: EUR -369 million; 2021: EUR 230 million) includes EUR -244 million (2022: EUR -333 million) net monetary loss reflecting the IAS 29 hyperinflation impact in Türkiye related to the indexation of Türkiye's statement of financial position and statement of profit or loss with an offsetting effect in the currency translation reserve. Furthermore, it includes the positive recovery of defaulted receivables of EUR 25 million (2022 EUR 32 million; 2021 EUR 25 million).

Other net income as per 31 December 2022 also includes an amount of EUR -307 million loss recognised to unwind a macro fair value hedge of deposits, which led to a timing difference with expected fair value.Furthermore, it includes the proceeds of the agreement with Boursorama after our exit from the retail banking market in France of EUR 125 million and a gain of EUR 67 million from a legacy entity in Retail Belgium.

In 2021, other net income included the recognition of EUR 72 million relating to a better than expected recovery of the insolvency of a financial institution in the Netherlands and EUR 34 million proceeds of the agreement with Raiffeisenbank due to the withdrawal from the retail banking market in the Czech Republic.

25 Staff expenses

Staff expenses

in EUR million	2023	2022	2021
Salaries	4,559	4,145	4,011
Pension costs and other staff-related benefit costs	418	390	408
Social security costs	635	584	563
Share-based compensation arrangements	30	27	28
External employees	776	738	699
Education	50	47	47
Other staff costs	256	222	182
	6,725	**6,152**	**5,938**

Share-based compensation arrangements include EUR 30 million (2022: EUR 26 million; 2021: EUR 26 million) relating to equity-settled share-based payment arrangements and EUR 0 million (2022: EUR 1 million; 2021: EUR 2 million) relating to cash-settled share-based payment arrangements.

Number of employees

	Netherlands			Rest of the world			Total		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Total average number of internal employees at full time equivalent basis	14,449	14,488	15,138	44,985	42,523	40,701	59,434	57,569	57,660

Remuneration of senior management, Management Board Banking and Supervisory Board

Reference is made to Note 43 'Related parties'.

Share plans

ING grants various types of share awards, namely deferred shares, performance shares and upfront shares, which form part of the variable remuneration offering via the Long-term Sustainable Performance Plan (LSPP). The entitlement to the LSPP share awards is granted conditionally. If the participant remains in employment for an uninterrupted period between the grant date and the vesting date, the entitlement becomes unconditional, with the exception of the upfront shares which are immediately vested upon grant. Upfront and deferred shares awarded to the Management Board members of ING Bank as well as identified staff, have a retention obligation that must be adhered to upon vesting, typically a minimum retention of 12 months applies. ING has the authority to apply a holdback to awarded but unvested shares and a clawback to vested shares

The share awards granted in 2023 relate to the performance year 2022. In 2023, 224,796 share awards (2022: 193,157; 2021: 123,750) were granted to the members of the Management Board Banking (including Executive Board members). To senior management and other employees 3,244,951 share awards (2022: 2,913,926; 2021: 3,267,372) were granted.

Changes in share awards

	Share awards (in numbers)			Weighted average grant date fair values (in euros)		
	2023	2022	2021	2023	2022	2021
Opening balance as at 1 January	3,697,542	3,672,659	3,876,206	7.97	7.60	7.25
Granted	3,469,747	3,107,083	3,391,122	9.71	8.99	9.69
Vested	-3,113,115	-2,962,698	-3,459,163	8.83	8.60	9.25
Forfeited	-158,387	-119,502	-135,506	8.54	7.63	7.61
Closing balance	**3,895,787**	**3,697,542**	**3,672,659**	**8.81**	**7.97**	**7.60**

The fair value of share awards granted is recognised as an expense under Staff expenses and is allocated over the vesting period of the share awards. The fair value calculation takes into account the current share prices, expected volatilities and the dividend yield of ING shares.

As at 31 December 2023, total unrecognised compensation costs related to share awards amount to EUR 15 million (2022: EUR 13 million; 2021: EUR 13 million). These costs are expected to be recognised over a weighted average period of 2.0 years (2022: 1.9 years; 2021: 1.7 years).

26 Other operating expenses

Other operating expenses			
in EUR million	2023	2022	2021
Regulatory costs	1,042	1,250	1,265
Audit and non-audit services	36	31	34
IT related expenses	948	818	781
Advertising and public relations	369	331	305
External advisory fees	294	306	297
Office expenses	289	273	280
Travel and accommodation expenses	125	91	52
Contributions and subscriptions	122	109	112
Postal charges	36	31	38
Depreciation of property and equipment	461	485	573
Amortisation of intangible assets	213	226	261
(Reversals of) impairments of property and equipment	32	19	26
(Reversals of) impairments of intangible assets	6	60	95
Addition to / (unused amounts reversed of) provision for reorganisations	173	170	214
Addition to / (unused amounts reversed of) other provisions	70	117	254
Other	622	723	669
	4,838	5,040	5,257

Reference is made to Note 9 'Property and equipment' for (reversals of) impairments of property and equipment and Note 10 'Intangible assets' for (reversals of) impairments of intangible assets.

For further information on addition to (unused amounts reversed of) provision for reorganisations refer to Note 15 'Provisions' and for further information on addition to (unused amounts reversed of) other provisions refer to Note 15 'Provisions' and Note 39 'Legal proceedings'.

Regulatory costs

Regulatory costs represent contributions to the Deposit Guarantee Schemes (DGS), the Single Resolution Fund (SRF), local bank taxes and local resolution funds. Included in Regulatory costs for 2023, are contributions to DGS of EUR 320 million (2022: EUR 425 million; 2021: EUR 435 million) mainly related to the Netherlands, Germany, Belgium and Poland and contributions to the SRF and local resolution funds of EUR 251 million (2022: EUR 354 million; 2021: EUR 308 million). In 2023 local bank taxes increased by EUR 1 million from EUR 470 million in 2022 to EUR 472 million (2021: EUR 522 million).

In 2022, ING Bank Slaski, together with seven other Polish banks, established an Institutional Protection Scheme (IPS). The fund can be used to ensure the liquidity and solvency of each of its participants, and to assist in the resolution of participating and non-participating banks. The contribution by ING amounts to EUR nil for 2023 (2022: EUR 99 million and is recognized as regulatory costs (DGS).

Audit and non-audit services

Audit and non-audit services include fees for services provided by the Bank's auditors and remained stable for 2023.

Segment reporting

27 Segments

ING Bank's segments are based on the internal reporting structure by lines of business.

The Management Board Banking of ING Bank (Chief Operating Decision Maker (CODM)) set the performance targets, approve and monitor the budgets prepared by the business lines. Business lines formulate strategic, commercial, and financial plans in conformity with the strategy and performance targets set by the CODM.

Recognition and measurement of segment results are in line with the accounting policies as described in Note 1 'Basis of preparation and material accounting policy information'. The results for the period for each reportable segment are after intercompany and intersegment eliminations and are those reviewed by the CODM to assess performance of the segments. Corporate expenses are allocated to business lines based on time spent by head office personnel, the relative number of staff, or on the basis of income, expenses and/or assets of the segment.

The following table specifies the segments by line of business and main sources of income of each of the segments:

Specification of the main sources of income of each of the segments by line of business

Segments by line of business	Main source of income
Retail Netherlands (Market Leaders)	Income from retail and private banking activities in the Netherlands, including the Business Banking segments. The main products offered are current and savings accounts, business lending, mortgages and other consumer lending.
Retail Belgium (Market Leaders)	Income from retail and private banking activities in Belgium and Luxembourg, including the Business Banking segments. The main products offered are similar to those in the Netherlands.
Retail Germany (Challengers and Growth Markets)	Income from retail and private banking activities in Germany, including the Business Banking segments. The main products offered are similar to those in the Netherlands.
Retail Other (Challengers and Growth Markets)	Income from retail banking activities in the rest of the world, including the Business Banking segments in specific geographies. The main products offered are similar to those in the Netherlands.
Wholesale Banking	Income from wholesale banking activities. The main products are: lending, payments & cash management, working capital solutions, trade finance, financial markets, corporate finance and treasury.

Specification of geographical split of the segments

Geographical split of the segments	Main countries
The Netherlands	
Belgium	Including Luxembourg
Germany [1,4]	
Other Challengers [1,2,4]	Australia, Italy, Spain and Portugal
Growth Markets [2,3,4]	Poland, Romania and Türkiye
Wholesale Banking Rest of World [4]	UK, Ireland & Middle East, Americas, Asia and other countries in Europe
Other [3]	Corporate Line

1 Retail Banking Austria (included in Germany) and Retail Banking Czech Republic (included in Other Challengers) up to and including 2021, after which ING left the retail markets
2 In 2022, ING discontinued its retail activities in France and the Philippines.
3 In 2023, there was a change in the governance over the Asian stakes, which resulted in their transfer from Retail Banking Growth Markets to Other (Corporate Line). Comparatives have been adjusted.
4 As from 2023, Wholesale Banking in France as well as Wholesale Banking in the Philippines are recorded in Wholesale Banking Rest of World. Previously these financials were reported in Other Challengers and Growth Markets respectively. Comparatives have been adjusted. As from 2022, Wholesale Banking Austria as well as Wholesale Banking Czech Republic are recorded in Wholesale Banking Rest of World. Previously these financials were reported in Germany and Other Challengers respectively.

ING Bank monitors and evaluates the performance of ING Bank at a consolidated level and by segment. The Management Board Banking consider this to be relevant to an understanding of the Bank's financial performance, because it allows investors to understand the primary method used by management to evaluate the Bank's operating performance and make decisions about allocating resources.

ING Bank reconciles the total segment results to the total result using Corporate Line. The Corporate Line reflects capital management activities, as ING Bank applies a system of capital charging for its banking operations in order to create a comparable basis for the results of business units globally, irrespective of the business units' book equity and the currency they operate in.

As from 2022, results in the Corporate Line have been impacted by the application of hyperinflation accounting in the consolidation of our subsidiary in Türkiye (IAS 29).

Following a change in governance, the Asian stakes (our investments in Bank of Beijing and TMBThanachart Bank (TTB)) are reported in Corporate Line as of 2023 (with a profit before tax of €185 million), whereas previously they were reported in Retail Other. Comparable data have been adjusted accordingly.

Furthermore, Corporate Line includes certain other income and expenses that are not allocated to the banking businesses.

Total income for Corporate Line in 2023 amounted to EUR 450 million compared with EUR 84 million in 2022. This included a hyperinflation accounting impact of EUR -179 million in 2023 versus EUR -279 million in 2022. Excluding hyperinflation accounting impact, total income rose by EUR 266 million, mainly attributable to higher income from Treasury activities and because 2022 had included EUR -165 million impact for impairments on our stake in TTB.

Operating expenses for Corporate Line were EUR 542 million, 1.3% up from EUR 535 million in 2022. Expenses in 2023 included a hyperinflation impact of EUR 48 million and EUR 51 million that was provisioned, while 2022 had included a hyperinflation impact of EUR 30 million and a EUR 32 million impairment loss related to the goodwill allocated to Türkiye.

The information presented in this note is in line with the information presented to the Management Board Banking of ING Bank.

This note does not provide information on the types of products and services from which each reportable segment derives its revenues, as this is not reported internally and is therefore not readily available.

Segments by line of business

12 month period	2023							2022							2021						
in EUR million	Retail Netherlands	Retail Belgium	Retail Germany	Retail Other	Wholesale Banking	Corporate Line	Total	Retail Netherlands	Retail Belgium	Retail Germany	Retail Other [1,2]	Wholesale Banking	Corporate Line [1]	Total	Retail Netherlands	Retail Belgium	Retail Germany [3]	Retail Other [1,2,3]	Wholesale Banking	Corporate Line [1]	Total
Income																					
– Net interest income	3,096	2,063	2,862	3,437	4,028	323	15,809	2,888	1,668	1,666	2,725	4,260	539	13,745	3,290	1,747	1,447	2,709	4,151	271	13,615
– Net fee and commission income	959	502	357	519	1,259	-10	3,586	892	511	437	535	1,217	-6	3,586	771	519	497	530	1,197	3	3,517
– Total investment and other income	945	117	-67	277	1,771	-37	3,006	417	-32	69	377	849	-464	1,215	201	209	65	202	568	108	1,354
Total income	**5,001**	**2,683**	**3,152**	**4,233**	**7,057**	**275**	**22,401**	**4,196**	**2,147**	**2,172**	**3,637**	**6,325**	**69**	**18,546**	**4,262**	**2,475**	**2,009**	**3,441**	**5,916**	**382**	**18,485**
Expenditure																					
– Operating expenses	2,135	1,852	1,243	2,479	3,313	541	11,563	2,115	1,786	1,140	2,509	3,114	529	11,193	2,403	1,667	1,174	2,442	2,926	583	11,195
– Addition to loan loss provisions	5	169	119	313	-92	5	520	67	139	131	302	1,220	2	1,861	-76	225	49	202	117		516
Total expenses	**2,140**	**2,022**	**1,362**	**2,792**	**3,222**	**546**	**12,083**	**2,182**	**1,924**	**1,271**	**2,812**	**4,334**	**531**	**13,053**	**2,326**	**1,892**	**1,223**	**2,644**	**3,042**	**583**	**11,711**
Result before taxation	**2,861**	**661**	**1,790**	**1,441**	**3,836**	**-270**	**10,318**	**2,014**	**223**	**901**	**825**	**1,991**	**-462**	**5,493**	**1,936**	**583**	**786**	**797**	**2,874**	**-201**	**6,774**
Taxation	740	182	631	359	900	114	2,926	540	72	202	254	581	74	1,723	499	146	252	209	703	67	1,876
Non-controlling interests				174	61		235			3	47	52	1	102			4	98	26		128
Net result IFRS	**2,121**	**479**	**1,159**	**908**	**2,875**	**-385**	**7,157**	**1,474**	**151**	**696**	**525**	**1,358**	**-537**	**3,667**	**1,437**	**437**	**529**	**490**	**2,144**	**-268**	**4,770**

1 In 2023, there was a change in the governance over the Asian stakes, which resulted in their transfer from Retail Other to Corporate Line. Historical figures have been adjusted.
2 In 2022, ING discontinued its retail activities in France and the Philippines.
3 In 2021, ING exited from the retail banking markets in Austria and the Czech Republic.

Geographical split of the segments

12 month period, in EUR million

2023

	Netherlands	Belgium	Germany	Other Challengers	Growth markets	Wholesale Banking Rest of World	Other	Total
Income								
– Net interest income	3,773	2,712	3,375	2,121	1,961	1,548	320	15,809
– Net fee and commission income	1,239	715	400	285	384	573	-10	3,586
– Total investment and other income	1,627	145	-81	21	487	829	-24	3,006
Total income	**6,639**	**3,573**	**3,694**	**2,427**	**2,833**	**2,950**	**286**	**22,401**
Expenditure								
– Operating expenses	3,065	2,195	1,437	1,320	1,495	1,509	543	11,563
– Addition to loan loss provisions	-111	139	35	166	189	96	5	520
Total expenses	**2,954**	**2,334**	**1,472**	**1,486**	**1,683**	**1,605**	**548**	**12,083**
Result before taxation	**3,685**	**1,239**	**2,222**	**941**	**1,149**	**1,345**	**-263**	**10,318**
Retail Banking	2,861	661	1,790	649	792			6,753
Wholesale Banking	824	577	432	292	357	1,345	8	3,836
Corporate Line							-270	-270
Result before taxation	**3,685**	**1,239**	**2,222**	**941**	**1,149**	**1,345**	**-263**	**10,318**
Taxation	909	349	723	282	225	335	104	2,926
Non-controlling interests					234			235
Net result IFRS	**2,776**	**889**	**1,499**	**659**	**690**	**1,011**	**-367**	**7,157**

2022

	Netherlands	Belgium	Germany	Other Challengers [1,3]	Growth markets [1,2,3]	Wholesale Banking Rest of World [1]	Other [2]	Total
Income								
– Net interest income	3,782	2,065	2,126	1,842	1,462	1,933	534	13,745
– Net fee and commission income	1,171	714	494	290	375	548	-6	3,586
– Total investment and other income	577	-14	94	182	386	449	-460	1,215
Total income	**5,531**	**2,765**	**2,714**	**2,314**	**2,223**	**2,930**	**69**	**18,546**
Expenditure								
– Operating expenses	3,001	2,120	1,318	1,380	1,426	1,418	529	11,193
– Addition to loan loss provisions	181	230	460	140	230	618	2	1,861
Total expenses	**3,182**	**2,350**	**1,778**	**1,519**	**1,657**	**2,036**	**531**	**13,053**
Result before taxation	**2,349**	**415**	**936**	**795**	**567**	**894**	**-463**	**5,493**
Retail Banking	2,014	223	901	547	278			3,964
Wholesale Banking	335	192	34	248	288	894		1,991
Corporate Line							-462	-462
Result before taxation	**2,349**	**415**	**936**	**795**	**567**	**894**	**-463**	**5,493**
Taxation	658	114	297	258	153	186	58	1,723
Non-controlling interests			3		98		1	102
Net result IFRS	**1,691**	**301**	**636**	**537**	**316**	**708**	**-522**	**3,667**

2021

	Netherlands	Belgium	Germany [4]	Other Challengers [1,3,4]	Growth markets [1,2,3]	Wholesale Banking Rest of World [1]	Other [2]	Total
Income								
– Net interest income	4,068	2,109	1,938	1,679	1,528	2,021	271	13,615
– Net fee and commission income	1,070	717	523	300	351	553	3	3,517
– Total investment and other income	314	265	118	64	289	196	108	1,354
Total income	**5,452**	**3,092**	**2,578**	**2,043**	**2,168**	**2,770**	**382**	**18,485**
Expenditure								
– Operating expenses	3,279	1,960	1,339	1,449	1,254	1,332	583	11,195
– Addition to loan loss provisions	28	184	118	84	110	-8		516
Total expenses	**3,307**	**2,143**	**1,457**	**1,533**	**1,363**	**1,324**	**583**	**11,711**
Result before taxation	**2,145**	**948**	**1,121**	**511**	**804**	**1,446**	**-201**	**6,774**
Retail Banking	1,936	583	786	206	590			4,101
Wholesale Banking	209	365	336	304	214	1,446		2,874
Corporate Line							-201	-201
Result before taxation	**2,145**	**948**	**1,121**	**511**	**804**	**1,446**	**-201**	**6,774**
Taxation	556	240	358	156	174	326	66	1,876
Non-controlling interests			4		124			128
Net result IFRS	**1,589**	**708**	**759**	**355**	**506**	**1,120**	**-267**	**4,770**

1 As from 2023, Wholesale Banking in France as well as Wholesale Banking in the Philippines are recorded in Wholesale Banking Rest of World. Previously the financials of Wholesale Banking in France and Wholesale Banking in the Philippines were reported in Other Challengers and Growth Markets respectively. Historical figures have been adjusted.
2 In 2023, there was a change in the governance over the Asian stakes, which resulted in their transfer form Growth Markets to Other (Corporate Line). Historical figures have been adjusted.
3 In 2022, ING discontinued its retail activities in France and the Philippines.
4 In 2021, ING exited from the retail banking markets in Austria (included in Germany) and the Czech Republic (included in Other Challengers).

28 Information on geographical areas

ING Bank's business lines operate in different geographical areas: the Netherlands, Belgium, Germany, Rest of Europe and Rest of the World. The geographical analyses are based on the location of the office from which the transactions are originated and do not include countries where ING only has representation offices. The Netherlands is ING Bank's country of domicile.

In order to increase ING Bank's tax transparency, additional financial information on a per country basis has been included in this disclosure: Tax paid represents all income tax paid to and/or received from tax authorities in the current year, irrespective of the fiscal year to which these payments or refunds relate. Total assets by country does not include intercompany balances and reconciles to the total assets in the consolidated statement of financial position of ING Bank. At the date when these financial statements were authorized for issue, the Netherlands has implemented new legislation, based on an OECD legislative framework, to ensure that large multinational groups with their head office in the Netherlands pay income tax at a minimum effective tax rate of 15% in all the countries they are present in, applicable from 2024 and onwards. Countries in which ING operates that have an effective tax rate below 15% will be subject to an additional top-up tax.

ING Bank expects to be subject to top-up tax in relation to its operations in Switzerland, Ireland, Bulgaria and United Arab Emirates in which countries the statutory tax rate is below 15%, and in Singapore which country applies a special tax rate for certain profit components that reduces its effective tax rate to below 15%.

ING Bank has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred. If the top-up tax had been applied in 2023, the total top up tax that had to be paid by ING Bank would have amounted to approximately EUR 4 million.

The table below provide additional information, for the years 2023, 2022 and 2021 respectively, on names of principal subsidiaries and branches, nature of main activities and average number of employees on a full time equivalent basis by country/tax jurisdiction.

Additional information by country

Geographical area	Country/Tax jurisdiction	Name of principal subsidiary	Main (banking) activity	Average number of employees at full time equivalent basis			Total income			Total assets			Result before tax			Taxation			Tax paid		
				2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Netherlands	Netherlands	ING Bank N.V.	Wholesale / Retail	14,449	14,488	15,138	5,370	5,017	5,671	292,868	308,931	301,446	1,651	1,069	1,442	514	418	506	601	392	428
Belgium	Belgium	ING België N.V.	Wholesale / Retail	6,392	6,582	6,965	3,246	2,353	2,719	128,437	127,085	130,687	1,209	286	808	339	81	204	169	152	174
	Luxembourg	ING Luxembourg S.A.	Wholesale / Retail	939	927	856	608	422	338	14,392	18,351	20,452	349	180	161	89	45	41	40	37	20
Germany	Germany	ING DiBa A.G.	Wholesale / Retail	5,499	5,573	5,521	3,931	2,815	2,387	168,991	161,997	159,805	2,467	1,039	1,012	807	328	338	904	189	493
Rest of Europe	Poland [1]	ING Bank Slaski S.A	Wholesale / Retail	11,677	11,130	10,674	2,350	1,652	1,509	52,134	45,598	43,888	1,236	544	660	286	143	154	136	-23	235
	Spain	Branch of ING Bank N.V.	Wholesale / Retail	1,576	1,439	1,380	1,165	877	743	33,083	32,262	32,559	541	299	212	128	98	57	114	101	59
	Italy	Branch of ING Bank N.V.	Wholesale / Retail	1,190	1,118	1,099	438	345	335	14,836	14,152	13,983	133	63	73	55	22	25	19	2	2
	Romania [1]	Branch of ING Bank N.V.	Wholesale / Retail	3,971	3,580	3,319	690	584	495	11,496	10,555	9,635	396	324	273	61	51	41	55	67	21
	Türkiye	ING Bank A.S.	Wholesale / Retail	2,973	3,076	3,338	14	64	335	4,770	5,400	5,818	-232	-143	144	-20	65	35	29	79	33
	UK	Branch of ING Bank N.V.	Wholesale	722	692	698	758	693	636	50,572	46,066	50,734	510	286	277	131	81	73	101	58	50
	Switzerland	Branch of ING Bank N.V.	Wholesale	292	277	259	248	290	241	8,501	9,513	11,081	137	182	148	19	25	21	52	45	67
	France [2,4]	Branch of ING Bank N.V.	Wholesale	194	600	764	252	372	271	8,322	8,934	12,381	122	44	-107	33	12	-27	7	22	-7
	Ireland	Branch of ING Bank N.V.	Wholesale	82	72	64	83	66	70	3,907	2,771	1,831	65	26	65	8	3	8	8	6	8
	Czech Republic [3]	Branch of ING Bank N.V.	Wholesale	134	137	285	76	78	121	3,191	3,192	2,894	33	38	54	6	6	12	10	13	-2
	Hungary	Branch of ING Bank N.V.	Wholesale	127	120	119	85	82	44	1,893	1,993	1,148	35	38	12	7	5	3	9	2	2
	Russia	ING Bank (Eurasia) Z.A.O.	Wholesale	259	272	281	136	246	38	925	2,783	898	151	128	3	31	9	0	20	21	-7
	Slovakia [1]	Branch of ING Bank N.V.	Wholesale	1,347	1,129	983	20	15	15	618	391	352	11	-1	3	2	1	0	2	0	2
	Portugal	Branch of ING Bank N.V.	Wholesale	10	11	11	17	15	15	620	689	675	12	9	9	3	3	3	2	2	3
	Ukraine	PJSC ING Bank Ukraine	Wholesale	91	91	96	53	45	22	590	385	409	44	9	11	22	2	2	7	2	2
	Bulgaria	Branch of ING Bank N.V.	Wholesale	61	60	61	23	15	14	530	436	420	11	1	2	1	0	0	1	0	0
	Austria [3]	Branch of ING Bank N.V.	Wholesale	17	17	292	9	19	175	383	261	419	-4	9	101	-1	2	16	1	3	6

1 Includes significant number of FTEs in relation to global services provided.
2 Public subsidies received, as defined in article 89 of the CRD IV, amounts to EUR 0.2 million (2022: EUR 0.1 million; 2021: EUR 0.0 million).
3 In 2021, ING exited from the retail banking markets in Austria and the Czech Republic.
4 In 2022, ING exited from the retail banking markets in France and the Philippines.

Additional information by country (continued)

Geographical area	Country/Tax jurisdiction	Name of principal subsidiary	Main (banking) activity	Average number of employees at full time equivalent basis			Total income			Total assets			Result before tax			Taxation			Tax paid		
				2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Rest of the World	Australia	ING Bank (Australia) Ltd.	Wholesale / Retail	1,820	1,556	1,503	1,033	948	782	52,734	52,728	49,826	572	557	500	174	172	149	185	135	121
	USA	ING Financial Holdings Corp.	Wholesale	603	586	563	1,123	892	936	66,143	65,024	55,582	654	413	779	185	115	182	183	135	148
	Singapore	Branch of ING Bank N.V.	Wholesale	576	565	573	354	354	331	26,816	25,701	24,163	172	105	133	24	14	19	13	21	9
	Japan	Branch of ING Bank N.V.	Wholesale	32	31	30	40	30	25	14,267	5,128	2,256	17	20	4	7	7	2	10	-1	3
	South Korea	Branch of ING Bank N.V.	Wholesale	86	78	75	92	86	65	6,167	7,989	5,800	39	47	26	9	12	6	24	7	-2
	Hong Kong	Branch of ING Bank N.V.	Wholesale	104	103	105	101	82	79	4,378	4,343	6,691	-18	-33	5	-2	-5	1	0	0	-7
	Taiwan	Branch of ING Bank N.V.	Wholesale	37	35	33	39	33	26	2,597	3,578	2,963	0	-16	-3	1	-5	-1	0	4	0
	China	Branch of ING Bank N.V.	Wholesale	78	76	79	18	30	26	998	1,181	1,654	-12	4	0	2	5	6	-9	13	-1
	Philippines [1,4]	Branch of ING Bank N.V.	Wholesale	4,079	3,098	2,414	10	10	6	403	381	567	1	-39	-33	2	8	-5	2	2	1
	United Arab Emirates	Branch of ING Bank N.V.	Wholesale	11	10	10	-2	-1	0	1	1	1	-3	-1	-1	0	0	0	0	0	0
	Sri Lanka	Branch of ING Hubs B.V.	Global services	4	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Brazil	ING ADMINISTRAÇÃO LTDA.	In run-off / liquidation	2	30	63	18	17	13	73	57	288	17	9	1	0	1	5	4	5	8
	Mexico	ING Consulting, S.A. de C.V.	In run-off / liquidation		6	6		0	1		1	3		-2	-1		0	0		0	0
	Canada	Payvision Canada Services Ltd.	Dissolved in 2023		0	0		0	0		0	0		0	0		0	0		0	0
	Macau	Payvision Macau Ltd.	Liquidated in 2022		0	0		0	0		0	0		0	0		0	0		0	0
	Indonesia	PT ING Securities Indonesia	Liquidated in 2022		0	0		0	0		0	5		0	0		0	0		0	0
	Malaysia	Branch of ING Bank N.V.	Closed in 2022		0	4		0	0		1	1		0	-1		0	0	0	0	0
	Mauritius	ING Mauritius Investment I	Liquidated in 2022		0	0		0	0		0	0		0	0		0	0		0	0
	Colombia	ING Capital Colombia S.A.S.	Dissolved in 2021			0			0			0			0			0			0
Total				**59,434**	**57,569**	**57,660**	**22,401**	**18,546**	**18,485**	**975,636**	**967,861**	**951,317**	**10,318**	**5,493**	**6,774**	**2,926**	**1,723**	**1,876**	**2,700**	**1,489**	**1,871**

1 Includes significant number of FTEs in relation to global services provided.
4 In 2022, ING exited from the retail banking markets in France and the Philippines.

2023
The higher tax charge of 31% in the Netherlands (compared to the statutory rate of 25.8%) is mainly caused by the non-deductible Dutch bank tax (EUR 189 million) and other non-deductible expenses.

The lower tax charge in Spain is caused by a tax refund (EUR 43 million) regarding previous years.

ING continued reducing Russian-related exposure during 2023. In 2023, the local results on a stand-alone basis were positively impacted by releases of loan loss provisions following improved macroeconomic indicators and decrease in exposures following sales and repayments. For further information, reference is made to Risk management.

The lower negative tax charge reported for ING Türkiye with respect to its loss is mainly caused by the non deductibility for tax purposes of the accounting loss based on hyperinflation accounting.

2022
The higher tax charge of 39% in the Netherlands (compared to the statutory rate of 25.8%) is mainly caused by the non-deductible Dutch bank tax (EUR 179 million) and the non-deductible impairments regarding goodwill ING Türkiye (EUR 32 million) and TTB (EUR 165 million).
The higher positive tax charge of Türkiye combined with its accounting loss based on hyperinflation accounting is mainly caused by the non deductibility of this loss for tax purposes.

Since the Russian invasion of Ukraine, our strategy is no new business with Russian clients, including Russian-owned entities outside of Russia, and to get existing Russia-related credit exposures repaid as quickly as possible. These exposures are booked in various countries and totalled EUR 6.7 billion, published on 4 March 2022. Remaining at risk for ING Bank at year-end 2022 is EUR 0.3 billion local equity and EUR 2.5 billion credit exposures booked outside of Russia. In 2022, ING's results in connection with Russia-related credit exposures declined significantly, as we have recognized EUR 0.5 billion risk costs related to these exposures. The local results on a stand-alone basis were higher compared to 2021.

This was driven by the high local interest rate environment and increased rouble inflow from existing, predominantly non-Russian, clients. Under local law and banking regulations, ING Russia must accept these rouble inflows. Furthermore, the local result before tax expressed in EUR (EUR 128 million) was positively impacted by the appreciation of the rouble against the euro for an amount of EUR 80 million throughout 2022. Going forward, we will continue to actively reduce our Russia-related credit exposure.

The higher tax charge in Poland is mainly caused by non-deductible regulatory and other costs.

2021
The higher tax charge of 35% in the Netherlands (compared to the statutory rate of 25%) is mainly caused by the non-deductible Dutch bank tax (EUR 260 million) and the impairments on deferred tax assets regarding Payvision and Yolt (EUR 26 million tax).

The lower tax charge in Austria is caused by previously not recognised tax losses (EUR -10 million tax).
The higher tax charge in Poland is mainly caused by non-deductible regulatory- and other costs.

Additional notes to the Consolidated financial statements

29 Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities

	Debt securities in issue		Subordinated Loans		Lease liabilities		Total Liabilities from financing activities	
in EUR million	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	58,075	57,443	15,789	16,719	1,174	1,220	75,038	75,382
Cashflows:								
Additions	110,477	81,636	2,225	983			112,702	82,620
Redemptions / Disposals	-86,061	-78,609	-2,894	-1,090	-291	-296	-89,246	-79,995
Non cash changes:								
Amortisation	730	281	34	31	28	15	792	328
Other	403	-66	12	8	256	239	670	180
Changes in unrealised revaluations	1,279	-3,746	473	-1,470			1,752	-5,216
Foreign exchange movement	-479	1,135	-236	608	-4	-4	-720	1,739
Closing balance	**84,423**	**58,075**	**15,404**	**15,789**	**1,162**	**1,174**	**100,989**	**75,038**

Part of Debt securities in issue and subordinated loans are subject to fair value hedge accounting. Hence, changes in unrealised revaluations represent fair value adjustments to the hedged item attributable to the hedged interest rate risk. Reference is made to the paragraph 'fair value hedge accounting' in Note 33 'Derivatives and hedge accounting'.

30 Pensions and other post-employment benefits

Most group companies sponsor defined contribution pension plans. The assets of all ING Bank's defined contribution plans are held in independently administered funds. Contributions, including the defined contribution plan in the Netherlands, are principally determined as a percentage of remuneration. These plans do not give rise to provisions in the statement of financial position, other than relating to short-term timing differences included in other assets and in other liabilities.

ING Bank maintains defined benefit retirement plans in some countries. These plans provide benefits that are related to the remuneration and service of employees upon retirement. The benefits in some of these plans are subject to various forms of indexation. The indexation is, in some cases, at the discretion of management; in other cases it is dependent upon the sufficiency of plan assets.

Annual contributions are paid to the funds at a rate necessary to adequately finance the accrued liabilities of the plans calculated in accordance with local legal requirements. Plans in all countries are designed to comply with applicable local regulations governing investments and funding levels.

ING Bank provides other post-employment benefits to certain former employees. These post-employment benefits are primarily discounts on ING products.

Defined contribution plans

ING, as part of the labour agreements with its employees, sponsors a number of defined contribution plans. ING's obligation is limited to contributions which are agreed in advance and also includes employee contributions. The most significant plans are in the Netherlands and Belgium. The employer's contribution is recognised as an expense which amounted for 2023 EUR 391 million (2022: EUR 364 million).

Defined benefit retirement plans
Statement of financial position - Net defined benefit asset/liability

Plan assets and defined benefit obligation per country

	Plan assets		Defined benefit obligation		Funded Status	
in EUR million	2023	2022	2023	2022	2023	2022
The Netherlands	331	310	426	400	-95	-90
United States	257	248	245	230	12	18
United Kingdom	1,257	1,277	790	750	467	527
Belgium	516	507	473	475	43	32
Other countries	317	295	353	305	-37	-10
Funded status (Net defined benefit asset/liability)	**2,678**	**2,637**	**2,288**	**2,159**	**390**	**478**
Presented as:						
- Other assets					554	617
- Other liabilities					-164	-139
					390	**478**

The most recent (actuarial) valuations of the plan assets and the present value of the defined benefit obligation were carried out as at 31 December 2023. The present value of the defined benefit obligation, and the related current service cost and past service cost, were determined using the projected unit credit method.

Changes in the fair value of plan assets for the period were as follows:

Changes in fair value of plan assets

in EUR million	2023	2022
Opening balance as at 1 January	2,637	3,671
Interest income	115	54
Remeasurements: Return on plan assets excluding amounts included in interest income	-8	-947
Employer's contribution	28	34
Participants contributions	4	3
Benefits paid	-119	-126
Exchange rate differences	22	-53
Closing balance	**2,678**	**2,637**
Actual return on the plan assets	**107**	**-894**

As at 31 December 2023 the defined benefit plans did not hold any direct investments in ING Groep N.V. (2022: nil). During 2023 and 2022 there were no purchases or sales of assets between ING and the pension funds.

ING does not manage the pension funds and thus receives no compensation for fund management. The pension funds have not engaged ING in any swap or derivative transactions to manage the risk of the pension funds.

No plan assets are expected to be returned to ING Bank during 2024.

Changes in the present value of the defined benefit obligation and other post-employment benefits for the period were as follows:

Changes in defined benefit obligation and other post-employment benefits

	Defined benefit obligation		Other post-employment benefits	
in EUR million	2023	2022	2023	2022
Opening balance as at 1 January	2,159	3,115	29	72
Current service cost	27	33	1	1
Interest cost	92	46	2	1
Remeasurements: Actuarial gains and losses arising from changes in demographic assumptions	-9			
Remeasurements: Actuarial gains and losses arising from changes in financial assumptions	127	-882	1	-45
Participants' contributions	3	3		
Benefits paid	-123	-129	-1	-1
Past service cost	1			-1
Effect of curtailment or settlement				
Exchange rate differences	14	-26	-3	5
Closing balance	**2,288**	**2,159**	**30**	**29**

Amounts recognised directly in Other comprehensive income were as follows:

Changes in the net defined benefit assets/liability remeasurement reserve

in EUR million	2023	2022
Opening balance as at 1 January	-232	-212
Remeasurement of plan assets	-8	-947
Actuarial gains and losses arising from changes in demographic assumptions	9	
Actuarial gains and losses arising from changes in financial assumptions	-127	882
Taxation and Exchange rate differences	40	46
Total Other comprehensive income movement for the year	-85	-19
Closing balance	-317	-232

In 2023 EUR -8 million (2022: EUR -947 million) remeasurements of plan assets, that is recognised as a loss in other comprehensive income, is driven by yield changes on investments. The EUR 127 million (2022: EUR 882 million) actuarial gains arising from changes in financial assumptions in the calculation of the defined benefit obligation are mainly due to an increase in interest yield curves.

The accumulated amount of remeasurements recognised directly in Other comprehensive income is EUR -397 million(EUR -317 million after tax) as at 31 December 2023 (2022: EUR -289 million; EUR -232 million after tax).

Amounts recognised in the statement of profit or loss related to pension and other staff-related benefits are as follows:

Pension and other staff-related benefit costs

	Net defined benefit asset/liability			Other post-employment benefits			Total		
in EUR million	2023	2022	2021	2023	2022	2021	2023	2022	2021
Current service cost	27	33	33	1	1	1	28	34	34
Past service cost	1				-1		1		
Net Interest cost	-23	-8	-6	2	1	2	-21	-6	-4
Effect of curtailment or settlement						-2			-2
Defined benefit plans	5	26	27	3	2	1	8	27	28
Defined contribution plans							391	364	369
Pension and other post employment benefits							399	392	397
Other staff related benefits							19	-2	11
Pension and other staff-related benefits							418	390	408

Determination of the net defined benefit asset/liability

The net defined benefit asset/liability is reviewed and adjusted annually. The assumptions used in the determination of the net defined benefit asset/liability and the Other post-employment benefits include discount rates, mortality rates, expected rates of salary increases (excluding promotion increases), and indexation. The rates used for salary developments, interest discount factors, and other adjustments reflect country-specific conditions.

The key assumption in the determination of the net defined benefit asset/liability is the discount rate. The discount rate is the weighted average of the discount rates that are applied in different regions where ING Bank has defined benefit pension plans (weighted by the defined benefit obligation). The discount rate is based on a methodology that uses market yields on high quality corporate bonds of the specific regions with durations matching the pension liabilities as key input. Market yields of high quality corporate bonds reflect the yield on corporate bonds with an AA rating for durations where such yields are available. An extrapolation is applied in order to determine the yield to the longer durations for which no AA-rated corporate bonds are available. As a result of the limited availability of long-duration AA-rated corporate bonds, extrapolation is an important element of the determination of the discount rate. The weighted average discount rate applied for net defined benefit asset/liability for 2023 was 4.0% (2022: 4.3%) based on the pension plan in the Netherlands, Germany, Belgium, the United States of America, and the United Kingdom. The average discount rate applied for Other post-employment benefits in 2023 was 5.2% (2022: 5.5%)

Sensitivity analysis of key assumptions

ING performs sensitivity analyses on the most significant assumptions: discount rates, mortality, expected rate of salary increase, and indexation. The sensitivity analysis has been carried out under the assumption that the changes occurred at the end of the reporting period.

The sensitivity analysis calculates the financial impact on the defined benefit obligation of an increase or decrease of the weighted averages of each significant actuarial assumption, all other assumptions held constant. In practice, this is unlikely to occur, and some changes of the assumptions may be correlated. Changes to mortality, expected rate of salary increase, and indexation would have no material impact on the defined benefit obligation. The most significant impact would be from a change in the discount rate. An increase or decrease in the discount rate of 1.0% creates an impact on the defined benefit obligation of EUR 238 million (decrease) and EUR 282 million (increase), respectively.

Expected cash flows

ING Bank's subsidiaries should fund the cost of the entitlements expected to be earned on a yearly basis.

For 2024, the expected contributions to defined benefit pension plans are EUR 58 million.

The benefit payments for defined benefit and other post-employment benefits expected to be made by the plan between 2024-2028 are estimated to be between EUR 133 million and EUR 150 million per year. From 2028 to 2032 the total payments made by the plan are expected to be EUR 738 million.

31 Taxation

Statement of financial position – Deferred tax

Deferred taxes are recognised on all temporary differences under the liability method using tax rates applicable in the jurisdictions in which ING Bank is subject to taxation.

Changes in deferred tax

in EUR million 2023	Net liability (-) Net asset (+) opening balance	Change through equity	Change through net result	Exchange rate differences	Changes in the composition of the group and other changes	Net liability (-) Net asset (+) ending balance
Financial assets at FVOCI	80	-10	-3	-4		63
Financial assets and liabilities at FVPL	28		-44	13		-3
Depreciation	-13		-6	3	4	-13
Cash flow hedges	752	-251		1		502
Pension and post-employment benefits	-54	31	-7	-4		-33
Other provisions	59		-12	-3	4	48
Loans and advances	612	8	-140	-6	2	475
Unused tax losses carried forward	327		-128	11	-1	209
Other	-251	13	90	-2	-4	-154
	1,539	**-209**	**-249**	**10**	**5**	**1,096**
Presented in the statement of financial position as:						
– Deferred tax liabilities	-257					-184
– Deferred tax assets	1,796					1,280
	1,539					**1,096**

The above table shows netted deferred tax amounts related to right-of-use assets and lease liabilities included in the row 'Other', and includes a deferred tax amount for right-of-use assets of EUR 195 million (2022: EUR 205 million and 2021: EUR 220 million) and a deferred tax amount for lease liabilities of EUR 217 million (2022: EUR 231 million and 2021: EUR 252 million).

Financial assets and liabilities at FVPL changes through net result in 2023 (EUR -44 million) and 2022 (EUR -88 million) relates to the decrease in fair value of derivatives due to increased interest yield curves.

The deferred tax on cash flow hedges relate to floating rate lending with interest rate swaps. Due to decreased (longer-term) interest rate yield curve in 2023 there was a positive revaluation of the cash flow hedge through other comprehensive income. This resulted in a decline in the deferred tax asset by EUR -251 million compared to the increase in deferred tax assets in 2022 by EUR 875 million due to the increase in the interest yield curve. The deferred tax asset in cash flow hedges decreased from EUR 752 million in 2022 to EUR 502 million in 2023.

The deferred tax on Loans and advances changes through net result in 2023 EUR -140 million (2022: EUR 177 million) relates mainly to valuation changes of collectively assessed expected credit losses.

The deferred tax changes through equity - Other in 2023 of EUR 13 million (2022: EUR -123 million) is due to FX developments following the USD depreciation and the application of IAS 29 Hyperinflation in Türkiye and also due to the decline in the Credit Liability Reserve due to credit spread tightening.

Changes in deferred tax

in EUR million 2022	Net liability (-) Net asset (+) opening balance	Change through equity	Change through net result	Exchange rate differences	Changes in the composition of the group and other changes	Net liability (-) Net asset (+) ending balance
Financial assets at FVOCI	-70	148	5	-3		80
Financial assets and liabilities at FVPL	107		-88	9		28
Depreciation	-7		-5	-2		-13
Cash flow hedges	-126	875		2		752
Pension and post-employment benefits	-49	6	-13	8	-7	-54
Other provisions	19		44	-4		59
Loans and advances	430		177	-3	7	612
Unused tax losses carried forward	199		137	-8		327
Other	-148	-123	26	-6		-251
Total	**354**	**907**	**283**	**-5**		**1,539**
Presented in the statement of financial position as:						
– deferred tax liabilities	-603					-257
– deferred tax assets	957					1,796
	354					**1,539**

Deferred tax in connection with unused tax losses carried forward

in EUR million	2023	2022
Total unused tax losses carried forward	1,870	2,668
Unused tax losses carried forward not recognised as a deferred tax asset	815	937
Unused tax losses carried forward recognised as a deferred tax asset	**1,055**	**1,731**
Average tax rate	19.9%	21.1%
Deferred tax asset	209	365

Total unused tax losses carried forward analysed by expiry terms

	No deferred tax asset recognised		Deferred tax asset recognised	
in EUR million	2023	2022	2023	2022
Within 1 year				591
More than 1 year but less than 5 years	126	120	633	587
More than 5 years but less than 10 years	9	9	2	2
More than 10 years but less than 20 years				
Unlimited	681	808	421	550
	815	**937**	**1,055**	**1,731**

The above-mentioned deferred tax asset of EUR 209 million (2022: EUR 365 million) and the related unused tax losses carried forward exclude the recapture of tax losses originated in the United Kingdom previously deducted in the Netherlands for the amount of EUR 0 million (2022 EUR 37 million).

Deferred tax assets are recognised for temporary deductible differences, for tax losses carried forward and unused tax credits only to the extent that realisation of the related tax benefit is probable.

Breakdown of certain net deferred tax asset positions by jurisdiction

in EUR million	2023	2022
Poland	244	391
France	0	70
Slovakia	1	0
China	2	0
Australia	1	0
Hong Kong	8	6
United States of America		1
Türkiye	41	7
Taiwan	11	8
	308	**483**

The table above includes a breakdown of certain net deferred tax asset positions by jurisdiction for which the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences whilst the related entities have incurred losses in either the current or the preceding year.

In 2023, ING Bank Slaski (Poland) realised a tax profit following the value changes of the cash flow hedge derivatives which are settled net via a central clearing party, whereas in 2022 and 2021 ING Bank Slaski incurred a tax loss following the large value changes of the cash flow hedge derivatives. This tax loss can be carried forward for five years. Based on a taxable profit forecast, ING considers it probable that the future taxable profits will compensate for this tax loss carry forward position. Based on this a remaining deferred tax asset on unused tax losses carried forward, as per 31 December 2023: EUR 120 million (2022: EUR 224 million is recognised. The remaining net deferred tax asset in Poland of EUR 124 million (2022: EUR 167 million) relates to temporary tax differences on loans and advances and financial assets at fair value through profit and loss.

Recognition is based on the fact that it is probable that the entity will have taxable profits and/or can utilise tax planning opportunities before expiration of the deferred tax assets. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred tax assets.

At 31 December 2022 and 2023, ING Bank had no significant temporary differences associated with the parent company's investments in subsidiaries and associates as any economic benefit from those investments will not be taxable at parent company level.

Statement of profit or loss – Taxation

Taxation by type

	Netherlands			Rest of the world			Total		
in EUR million	2023	2022	2021	2023	2022	2021	2023	2022	2021
Current taxation	558	496	459	2,120	1,510	1,447	2,677	2,006	1,906
Deferred taxation	-45	-79	47	293	-204	-78	249	-283	-30
	513	**417**	**507**	**2,413**	**1,306**	**1,369**	**2,926**	**1,723**	**1,876**

Reconciliation of the weighted average statutory income tax rate to ING Bank's effective income tax rate

in EUR million	2023	2022	2021
Result before tax from continuing operations	10,318	5,493	6,774
Weighted average statutory tax rate	25.5 %	24.8 %	24.3 %
Weighted average statutory tax amount	**2,634**	**1,363**	**1,645**
Permanent differences affecting current tax			
Participation exemption	-43	-64	-68
Other income not subject to tax	-68	-40	-32
Expenses not deductible for tax purposes	398	403	201
Current tax from previously unrecognised amounts	1	10	51
State and local taxes	99	68	64
Adjustments to prior periods	-72	-29	-12
Differences affecting deferred tax			
Impact on deferred tax from change in tax rates	2	5	9
Deferred tax benefit from previously unrecognised amounts	-30	-3	-18
Write-off/reversal of deferred tax assets	4	10	37
Effective tax amount	**2,926**	**1,723**	**1,876**
Effective tax rate	28.4 %	31.4 %	27.7 %

The weighted average statutory tax rate in 2023 (25.5%) increased compared to that of 2022 (24.8%).

The effective tax rate of 28.4% in 2023 is higher than the weighted average statutory tax rate. This is mainly caused by the impact in 2023 of the following non-deductible items for income tax purposes: hyperinflation accounting loss in Türkiye, Thincap rules on grossing or netting of interest flows for the cash pool agreements and non deductible expenses in various countries.

The weighted average statutory tax rate in 2022 (24.8%) was higher than the rate of 24.3% in 2021.

The effective tax rate of 31.4% in 2022 was higher than the weighted average statutory tax rate. This is mainly caused by the impact in 2022 of the following non-deductible items income tax purposes: hyperinflation accounting loss in Türkiye, impairments on TTB and interest expenses in various countries.

Equity – Other comprehensive income

Income tax related to components of other comprehensive income

in EUR million	2023	2022	2021
Unrealised revaluations financial assets at fair value through other comprehensive income and other revaluations	-7	140	14
Realised gains/losses transferred to the statement of profit or loss (reclassifications from equity to profit or loss)	-3	8	12
Changes in cash flow hedge reserve	-251	875	233
Remeasurement of the net defined benefit asset/liability	31	6	-54
Changes in fair value of own credit risk of financial liabilities at fair value through profit or loss	2	19	-8
Exchange rate differences and other	19	-141	-77
Total income tax related to components of other comprehensive income	**-209**	**907**	**120**

32 Fair value of assets and liabilities

a) Valuation Methods

The estimated fair values represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is a market-based measurement, which is based on assumptions that market participants would use and takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability.

Fair values of financial assets and liabilities are based on quoted prices in active market where available. When such quoted prices are not available, the fair value is determined by using valuation techniques.

In 2023, the financial markets were characterised by elevated levels of volatility. In the first quarter of the year, the markets worldwide were shaken by the demise of SVB bank and the stress surrounding Credit Suisse, fuelling uncertainty around possible additional defaults. Furthermore, the ongoing interest rate hikes by the central banks in Europe and the US led to a fast increase in rates worldwide. Towards the end of the year, the probability increased for interest rates to go down, which has been reflected in the forward interest rates. Additionally, geopolitical risk increased with the Israel-Gaza conflict adding to the risk arising from the ongoing Russia-Ukraine war.

Financial assets and liabilities, including Level 3, are valued using agreed methodologies, targeting the most appropriate estimate of fair value.

b) Valuation control framework

The valuation control framework covers the product approval process (PARP), pricing, market data assessment and independent price verification (IPV), valuation adjustments, model use, fair value hierarchy and day one profit or loss. Valuation processes are governed by various governance bodies, including Local Parameter Committees, Global Valuation and Impairment Committee, Market Data Committee and Valuation Model Committee. All relevant committees meet on a regular basis (monthly/quarterly), where agenda covers the aforementioned valuation controls.

The Global Valuation and Impairment Committee is responsible for the oversight and the approval of the outcome of impairments (other than loan loss provisions) and valuation processes. It oversees the quality and coherence of valuation methodologies and performance. The Valuation Model Committee is responsible for the approval of all valuation models used for the Fair valuation (IFRS) and Prudent Valuation (CRR) of positions measured at fair value. The Local Parameter Committee discusses the valuation results and monitors the performance of the valuation activities carried out on local or regional level. The Global Financial Markets Parameter Committee reviews the consolidated valuation outcome and resulting P&L for Financial Market products, targeting a globally consistent treatment across Financial Market. The Market Data Committee is responsible for the approval of the market data used in valuation.

c) Valuation Adjustments

Valuation adjustments are an integral part of the fair value. They are the adjustments to the output from a valuation technique in order to appropriately determine a fair value in accordance with IFRS13. ING considers various fair value adjustments including Bid-Offer adjustments, Model Risk adjustments, Bilateral Valuation Adjustments (BVA, consisting of Credit Valuation Adjustments or CVA, and Debit valuation Adjustments or DVA), Collateral Valuation Adjustment (CollVA) and Funding Valuation Adjustment (FVA).

For financial instruments where the fair value at initial recognition is based on one or more significant unobservable inputs, a difference between the transaction price and the fair value resulting from the internal valuation process can occur. Such difference is referred to as Day One Profit or Day One Loss (hereafter: DOP). ING defers material Day One Profit or Loss of instruments with significant unobservable valuation inputs, which are the financial instruments classified as Level 3 and financial instruments with material unobservable inputs into CVA which are not necessarily classified as Level 3. The DOP is amortised over the life of the instrument, or until the significant unobservable inputs become observable, or until the significant unobservable inputs become non-significant. Both the impact on the profit and loss in 2023 and the DOP reserve is disclosed in the below table.

Deferred Day One Profit or Loss Reserve

The table below summarizes the movement in the aggregate DOP not recognised when financial instruments were initially recognised, because of the use of valuation techniques for which not all the inputs were market observable data.

Deferred day one profit or loss reserve [1]

in EUR million	2023	2022
Opening balance at 1 January	-108	-7
DOP deferred on new transactions during the period	-83	-107
DOP recognised in the statement of profit or loss during the period:		
▪ of which release	85	6
▪ of which amortisation and exchange differences	15	0
Closing balance at 31 December	**-90**	**-108**

The following table presents the models reserves for financial assets and liabilities.

Valuation adjustment reserves on financial assets and liabilities

in EUR million	2023	2022
Deferred Day One Profit or Loss	-90	-108
Own credit adjustments	34	75
Bid/Offer	-154	-216
Model Risk	-26	-13
CVA	-131	-192
DVA	55	99
CollVA	-4	-8
FVA	-68	-78
Total Valuation Adjustments	**-385**	**-441**

Own Credit Adjustment

Own issued debt and structured notes that are designated at fair value through profit or loss are adjusted for ING`s own credit risk by means of DVA.

Bid-Offer Adjustment

For positions priced based upon mid-market input parameters, Bid-Offer adjustments are required in order to reflect the valuation of that position based on bid price or offer price. In practice this adjustment accounts for the difference in valuation from 'mid to bid' and 'mid to offer' for long and short exposures respectively. In principle assets are valued at the bid prices and liabilities are valued at the offer price. For certain assets or liabilities, where a market quoted price is not available, the price used is the fair value that is most representative within the bid-offer spread.

Model Risk Adjustment
Financial instruments that are valued using a valuation model can be subject to model risk. Model risk is the risk of possible financial loss resulting from pricing model or model-based parameter deficiencies and/or uncertainties.

Bilateral Valuation Adjustments (Credit and Debit Valuation Adjustments)
Bilateral Valuation Adjustment is the valuation adjustment reflecting the counterparty credit risk of derivative contracts. It has a bilateral nature, where both the counterparty's credit risk (i.e. Credit Valuation Adjustment or CVA) and ING's own credit risk (Debit Valuation Adjustment or DVA) are taken into account:

- CVA is the fair value adjustment applicable to derivative instruments to account for the possibility that the counterparty defaults (i.e. it is the market value of the counterparty's credit risk).
- DVA is the fair value adjustment applicable to derivative instruments to account for the possibility that ING defaults (i.e. it is the market value of ING's credit risk).

The calculation of CVA and DVA on derivatives is based on their expected exposures, the counterparties' and ING's risk of default, taking into account the collateral agreements as well as netting agreements. The counterparties' risk of default is measured by probability of default and expected loss given default, which is based on market information including credit default swap (CDS) spreads. Where counterparty CDS spreads are not available, relevant proxy spreads are used. Additionally, wrong-way risk (which occurs when the probability of default by the counterparty increases (decreases) when ING's exposure to the counterparty increases (decreases)) and right-way risk (which occurs when the probability of default by the counterparty increases (decreases) when ING's exposure to the counterparty decreases (increases)) are included in the adjustment.

Collateral Valuation Adjustment (CollVA)
Collateral Valuation Adjustment is a fair valuation adjustment applied on derivative instruments to capture specific features of CSA (Credit Support Annex) with a counterparty that the regular OIS discounting framework does not capture. Non-standard CSA features may include deviations in relation to the currencies in which ING posts or receives collateral, deviations in remuneration rate on collateral which may pay lower or higher rate than overnight rate or even no interest at all; other deviations can be posting securities rather than cash as collateral, etc.

Funding Valuation Adjustment (FVA)
Funding Valuation Adjustment (FVA) is a fair valuation adjustment applied on derivative instruments to address the asymmetry in funding costs or funding benefits between collateralized and uncollateralized derivatives portfolios. This adjustment is based on the expected exposure profiles of the uncollateralized or partially collateralized OTC derivatives and market-based funding spreads.

d) Fair value hierarchy

ING Bank has categorised its financial instruments that are either measured in the statement of financial position at fair value or of which the fair value is disclosed, into a three level hierarchy based on the observability of the valuation inputs. Highest priority is retained to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to valuation techniques supported by unobservable inputs.

Transfers into and transfers out of fair value hierarchy levels are made on a quarterly basis at the end of the reporting period.

Level 1 – (Unadjusted) quoted prices in active markets
This category includes financial instruments whose fair value is determined directly by reference to (unadjusted) quoted prices in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer markets, brokered markets, or principal to principal markets. Those prices represent actual and regularly occurring market transactions with sufficient frequency and volume to provide pricing information on an ongoing basis. Transfers out of Level 1 into Level 2 or Level 3 occur when ING Bank establishes that markets are no longer active and therefore (unadjusted) quoted prices no longer provide reliable pricing information.

Level 2 – Valuation technique supported by observable inputs
This category includes financial instruments whose fair value is based on market observable inputs, either directly or indirectly, other than quoted prices included within Level 1. The fair value for financial instruments in this category can be determined by reference to quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, inputs other than quoted prices that are observable or market-corroborated inputs. ING analyses how the prices are derived and determines whether the prices are liquid tradable prices or model-based consensus prices taking various data as inputs.

For financial instruments that do not have a reference price available, fair value is determined using a valuation technique (e.g., a model), where inputs in the model are taken from an active market or are observable, such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities, and credit spreads.

Instruments, where inputs are unobservable are classified in this category, provided that the impact of those unobservable inputs on the overall valuation is insignificant. The notion of significant is particularly relevant for the distinction between Level 2 and Level 3 assets and liabilities, as the significance assessment of the valuation input on the entire fair value measurement will determine whether the instrument should be classified as Level 2 or Level 3. Expert judgement is required on the significance assessment approach.

Level 3 – Valuation technique supported by unobservable inputs
This category includes financial instruments whose fair value is determined using a valuation technique for which a significant part of the overall valuation is driven by unobservable valuation inputs. Where valuation inputs are unobservable, the Group must use the best information available to value the instruments. This may require internally derived inputs taking into account market participants assumptions that are reasonably available, including assumptions on the risk inherent in a particular valuation technique used to measure fair value and the risk inherent in the inputs to the valuation technique. Unobservable inputs may include, among others, volatility, correlation, spreads to discount rates, default rates, recovery rates, prepayment rates, and certain credit spreads.

Financial instruments at fair value

The fair values of the financial instruments were determined as follows:

Methods applied in determining fair values of financial assets and liabilities (carried at fair value)

	Level 1		Level 2		Level 3		Total	
in EUR million	2023	2022	2023	2022	2023	2022	2023	2022
Financial Assets								
Financial assets at fair value through profit or loss								
- Equity securities	15,449	11,787	3	2	150	156	15,602	11,945
- Debt securities	4,825	1,636	4,081	5,361	3,364	3,450	12,270	10,447
- Derivatives	39	22	27,134	34,229	535	483	27,708	34,734
- Loans and receivables			63,316	54,097	4,131	2,547	67,446	56,644
	20,314	**13,445**	**94,533**	**93,690**	**8,179**	**6,635**	**123,026**	**113,770**
Financial assets at fair value through other comprehensive income								
- Equity securities	1,622	1,639			263	247	1,885	1,887
- Debt securities	35,848	25,644	2,433	3,451			38,281	29,095
- Loans and receivables			275		676	643	951	643
	37,470	**27,284**	**2,707**	**3,451**	**938**	**891**	**41,116**	**31,625**
Financial liabilities								
Financial liabilities at fair value through profit or loss								
– Debt securities	575	444	7,603	5,574	47	53	8,224	6,072
– Deposits			57,607	50,803	13		57,620	50,803
– Trading securities	3,604	1,952	41	273		1	3,645	2,226
– Derivatives	41	40	24,437	33,200	670	678	25,148	33,917
	4,220	**2,436**	**89,687**	**89,851**	**729**	**732**	**94,637**	**93,019**

The following methods and assumptions were used by ING Bank to estimate the fair value of the financial instruments:

Equity securities
Instrument description: Equity securities include stocks and shares, corporate investments and private equity investments.
Valuation: If available, the fair values of publicly traded equity securities and private equity securities are based on quoted market prices. In absence of active markets, fair values are estimated by analysing the investee's financial position, result, risk profile, prospect, price, earnings comparisons and revenue multiples. Additionally, reference is made to valuations of peer entities where quoted prices in active markets are available. For equity securities best market practice will be applied using the most relevant valuation method. All non-listed equity investments, including investments in private equity funds, are subject to a standard review framework which ensures that valuations reflect the fair values.
Fair value hierarchy: The majority of equity securities are publicly traded and quoted prices are readily and regularly available. Hence, these securities are classified as Level 1. Equity securities which are not traded in active markets mainly include corporate investments, fund investments and other equity securities and are classified as Level 3.

Debt securities
Instrument description: Debt securities include government bonds, financial institutions bonds and Asset-backed securities (ABS).
Valuation: Where available, fair values for debt securities are generally based on quoted market prices. Quoted market prices are obtained from an exchange market, dealer, broker, industry group, pricing service, or regulatory service. The quoted prices from non-exchange sources are reviewed on their tradability of market prices. If quoted prices in an active market are not available, fair value is based on an analysis of available market inputs, which includes consensus prices obtained from one or more pricing services. Furthermore, fair values are determined by valuation techniques discounting expected future cash flows using market interest rate curves, referenced credit spreads, maturity of the investment, and estimated prepayment rates where applicable.
Fair value hierarchy: Government bonds and financial institutions bonds are generally traded in active markets, where quoted prices are readily and regularly available and are hence, classified as Level 1. The remaining positions are classified as Level 2 or Level 3. Asset backed securities for which no active market is available and a wide discrepancy in quoted prices exists, are classified as Level 3.

Derivatives
Instrument description: Derivatives contracts can either be exchange-traded or over the counter (OTC). Derivatives include interest rate derivatives, FX derivatives, Credit derivatives, Equity derivatives and commodity derivatives.
Valuation: The fair value of exchange-traded derivatives is determined using quoted market prices in an active market and are classified as Level 1 of the fair value hierarchy. For instruments that are not actively traded, fair values are estimated based on valuation techniques. OTC derivatives and derivatives trading in an inactive market are valued using valuation techniques. The valuation techniques and inputs depend on the type of derivatives and the nature of the underlying instruments. The principal techniques used to value these instruments are based on (amongst others) discounted cash flows, option pricing models and Monte Carlo simulations. These valuation models calculate the present value of expected future cash flows, based on 'no-arbitrage' principles. The models are commonly used in the financial industry and inputs to the validation models are determined from observable market data where possible. Certain inputs may not be observable in the market, but can be determined from observable prices via valuation model calibration procedures. These inputs include prices available from exchanges, dealers, brokers or providers of pricing, yield curves, credit spreads, default rates, recovery rates, dividend rates, volatility of underlying interest rates, equity prices, and foreign currency exchange rates and reference is made to quoted prices, recently executed trades, independent market quotes and consensus data, where available.

For uncollateralised OTC derivatives, ING applies Credit Valuation Adjustment to correctly reflect the counterparty credit risk in the valuation and Debit Valuation Adjustments to reflect the credit risk of ING for its counterparty. In addition, for these derivatives ING applies Funding Valuation Adjustment. See sections CVA/DVA and FVA in section c) Valuation Adjustments for more details regarding the calculation.
Fair value hierarchy: The majority of the derivatives are priced using observable inputs and are classified as Level 2. Derivatives for which the input cannot be implied from observable market data are classified as Level 3.

Loans and receivables
Instrument description: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables carried at fair value includes trading loans, being securities lending and similar agreement comparable to collateralised lending, syndicated loans, loans expected to be sold and receivables with regards to reverse repurchase transactions.
Valuation: The fair value of loans and receivables is generally estimated by discounting expected future cash flows using a discount rate that reflects credit risk, liquidity, and other current market conditions. The fair value of mortgage loans is estimated by taking into account prepayment behaviour.
Fair value hierarchy: Loans and receivables are predominantly classified as Level 2. Loans and receivables for which current market information about similar assets to use as observable, corroborated data for all significant inputs into a valuation model is not available, are classified as Level 3.

Financial liabilities at fair value through profit and loss
Instrument description: Financial liabilities at fair value through profit and loss include debt securities, debt instruments, primarily comprised of structured notes, which are held at fair value under the fair value option. Besides that, it includes derivative contracts and repurchase agreements.
Valuation: The fair values of securities in the trading portfolio and other liabilities at fair value through profit or loss are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated based on internal discounted cash flow valuation techniques using interest rates and

credit spreads that apply to similar instruments.
Fair value hierarchy: The majority of the derivatives and debt instruments are classified as Level 2. Derivatives and debt instruments for which the input cannot be derived from observable market data are classified as Level 3.

e) Transfers between Level 1 and 2

As a consequence of change in observable inputs, ING recorded an EUR 2.4 billion transfer from Level 2 to Level 1 in debt securities measured at fair value through other comprehensive income. Furthermore, EUR 1.7 billion transfers from Level 1 to Level 2 were recorded in the reporting period 2023.

f) Level 3: Valuation techniques and inputs used

Financial assets and liabilities in Level 3 include both assets and liabilities for which the fair value was determined using (i) valuation techniques that incorporate unobservable inputs as well as (ii) quoted prices which have been adjusted to reflect that the market was not actively trading at or around the balance sheet date. Unobservable inputs are inputs which are based on ING's own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates, and certain credit spreads. Valuation techniques that incorporate unobservable inputs are sensitive to the inputs used.

Of the total amount of financial assets classified as Level 3 as at 31 December 2023 of EUR 9.1 billion (31 December 2022: EUR 7.5 billion), an amount of EUR 7.0 billion (76.7%) (31 December 2022: EUR 2.2 billion, being 29.2%) is based on unadjusted quoted prices in inactive markets. As ING does not generally adjust quoted prices using its own inputs, there is no significant sensitivity to ING's own unobservable inputs.

Furthermore, Level 3 financial assets includes approximately EUR 0.3 billion (31 December 2022: EUR 4.2 billion) which relates to financial assets that are part of structures that are designed to be fully neutral in terms of market risk. Such structures include various financial assets and liabilities for which the overall sensitivity to market risk is insignificant. Whereas the fair value of individual components of these structures may be determined using different techniques and the fair value of each of the components of these structures may be sensitive to unobservable inputs, the overall sensitivity is by design not significant.

The remaining EUR 1.8 billion (31 December 2022: EUR 1.1 billion of the fair value classified in Level 3 financial assets is established using valuation techniques that incorporates certain inputs that are unobservable.

Of the total amount of financial liabilities classified as Level 3 as at 31 December 2023 of EUR 0.7 billion (31 December 2022: EUR 0.7 billion), an amount of EUR 0.4 billion (50.0%) (31 December 2022: EUR 0.02 billion, being 2.5%) is based on unadjusted quoted prices in inactive markets. As ING does not generally adjust quoted prices using its own inputs, there is no significant sensitivity to ING's own unobservable inputs.

Furthermore, Level 3 financial liabilities includes approximately EUR 0.3 billion (31 December 2022: EUR 0.6 billion) which relates to financial liabilities that are part of structures that are designed to be fully neutral in terms of market risk. As explained above, the fair value of each of the components of these structures may be sensitive to unobservable inputs, but the overall sensitivity is by design not significant.

The remaining EUR 0.1 billion (31 December 2022: EUR 0.1 billion of the fair value classified in Level 3 financial liabilities is established using valuation techniques that incorporates certain inputs that are unobservable.

The table below provides a summary of the valuation techniques, key unobservable inputs and the lower and upper range of such unobservable inputs, by type of Level 3 asset/liability. The lower and upper range mentioned in the overview represent the lowest and highest variance of the respective valuation input as actually used in the valuation of the different financial instruments. Amounts and percentages stated are unweighted. The range can vary from period to period subject to market movements and change in Level 3 position. Lower and upper bounds reflect the variability of Level 3 positions and their underlying valuation inputs in the portfolio, but do not adequately reflect their level of valuation uncertainty. For valuation uncertainty assessment, reference is made to section Sensitivity analysis of unobservable inputs (Level 3).

Valuation techniques and range of unobservable inputs (Level 3)

	Assets		Liabilities		Valuation techniques	Significant unobservable inputs	Lower range		Upper range	
In EUR million	2023	2022	2023	2022			2023	2022	2023	2022
At fair value through profit or loss										
Debt securities	3,364	3,447	0	1	Price based	Price (%)	0%	0 %	122%	125 %
						Price (price per share)	97	208	236	208
					Present value techniques	Credit spread (bps)	94	60	94	100
						Price (%)	n.a.	97 %	n.a.	100 %
Equity securities	150	156			Price based	Price (price per share)	0	0	5,457	5,457
Loans and advances	2,298	1,485	13		Price based	Price (%)	0%	0 %	117%	100 %
					Present value techniques	Credit spread (bps)	1	2	12	12
(Reverse) repo's	1,832	1,062			Present value techniques	Interest rate (%)	n.a.	3 %	n.a.	5 %
Structured notes		3	47	53	Price based	Price (%)	88%	84 %	96%	107 %
					Option pricing model	Equity volatility (%)	9%	13 %	23%	42 %
						Equity/Equity correlation	0.8	0.5	0.9	1.0
						Equity/FX correlation	-0.2	-0.4	0.6	0.6
						Dividend yield (%)	0%	0 %	4%	8 %
					Present value techniques	Credit spreads (bps)	100	96	101	96
Derivatives										
– Rates	283	431	301	476	Option pricing model	Interest rate volatility (bps)	1	49	3	148
					Present value techniques	Reset spread (%)	n.a.	0 %	n.a.	1 %
						Interest rate (%)	n.a.	2 %	n.a.	2 %
						Prepayment rate (%)	0%	5 %	0%	13 %
– FX	2	5	3	4	Option pricing model	Implied volatility (%)	3%	6 %	18%	20 %
– Credit	216	13	343	175	Present value techniques	Credit spread (bps)	3	5	149	623
					Price based	Price (%)	0%	0 %	100%	100 %
– Equity	20	33	17	22	Option pricing model	Equity volatility (%)	12%	0 %	75%	77 %
						Equity/Equity correlation	0.2	0.5	1.0	0.9
						Equity/FX correlation	-0.5	-0.5	1.0	0.1
						Dividend yield (%)	0%	1 %	14%	14 %
					Price based	Price (%)	0%	n.a	21%	n.a
– Other	14	1	7		Option pricing model	Commodity volatility (%)	11%	0 %	94%	63 %
At fair value through other comprehensive income										
– Loans and advances	676	643			Present value techniques	Prepayment rate (%)	n.a.	6 %	n.a.	6 %
					Price based	Price (%)	85%	67 %	96%	99 %
– Equity	263	247			Present value techniques	Credit spread (bps)	5.2	6.7	5.2	6.7
						Interest rate (%)	4%	4 %	4%	4 %
					Price based	Price (%)	122%	n.a	122%	n.a
					Price based	Other (EUR)	n.a	70	n.a	90
Total	9,117	7,526	729	732						

Price
For securities where market prices are not available, fair value is measured by comparison with observable pricing data from similar instruments. Prices of 0% are distressed to the point that no recovery is expected, while prices significantly in excess of 100% or par are expected to pay a yield above current market rates.

Credit spreads
Credit spread is the premium above a benchmark interest rate required by the market participant to accept a lower credit quality. Higher credit spreads indicate lower credit quality and a lower value of an asset.

Volatility
Volatility is a measure for variation of the price of a financial instrument or other valuation input over time. Volatility is one of the key inputs in option pricing models. Typically, the higher the volatility, the higher value of the option. Volatility varies by the underlying reference (equity, commodity, foreign currency and interest rates), by strike, and maturity of the option. The minimum level of volatility is 0% and there is no theoretical maximum.

Correlation
Correlation is a measure of dependence between two underlying references which is relevant for valuing derivatives and other instruments having more than one underlying reference. High positive correlation (close to 1) indicates strong positive (statistical) relationship, where underliers move, everything else equal, into the same direction. The same holds for a high negative correlation.

Interest rate
An interest rate is the amount of interest due per period, as a proportion of the amount lent, deposited, or borrowed.

Reset spread
Reset spreads are key inputs to mortgage linked prepayment swaps valuation. Reset spread is the future spread at which mortgages will re-price at interest rate reset dates.

Dividend yield
Dividend yield is an important input for equity option pricing models showing how much dividends a company is expected to pay out each year relative to its share price. Dividend yields are generally expressed as an annualised percentage of share price.

Prepayment rate
Prepayment rate is a key input to mortgage and loan valuation. Prepayment rate is the estimated rate at which mortgage borrowers will repay their mortgages early, e.g. 5% per year. Prepayment rate and reset spread are key inputs to mortgage linked prepayment swaps valuation.

Level 3: Changes during the period

Changes in Level 3 Financial assets

	Trading assets		Non-trading derivatives		Financial assets mandatorily at FVPL		Financial assets designated at FVPL		Financial assets at FVOCI		Total	
in EUR million	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Opening balance as at 1 January	873	822	421	1	1,849	1,862	3,492	2,480	891	1,063	7,526	6,228
Realised gain/loss recognised in the statement of profit or loss during the period [1]	235	53	-142	52	-33	-57	-383	122		8	-322	178
Revaluation recognised in other comprehensive income during the period [2]									-6	-84	-6	-84
Purchase of assets	1,246	694	76	15	2,208	1,586	873	772	331	221	4,735	3,288
Sale of assets	-889	-49	-55	-4	-1,109	-669	-138	-191	-243	-275	-2,433	-1,187
Maturity/settlement	-1,005	-511	-15	-2	-576	-617	-292		-22	-59	-1,910	-1,188
Reclassifications					723	-18			5	10	728	-8
Transfers into Level 3	879	288		474	981	605	1	322		-43	1,860	1,646
Transfers out of Level 3	-459	-442		-115	-534	-856					-994	-1,414
Exchange rate differences	-31	18			-9	14	-9	-12	-10	49	-59	68
Changes in the composition of the group and other changes							2		-8		-6	
Closing balance	**848**	**873**	**286**	**421**	**3,499**	**1,849**	**3,547**	**3,492**	**938**	**891**	**9,118**	**7,526**

1 Net gains/losses were recorded as 'Valuation results and net trading income' in the statement of profit or loss. The total amounts includes EUR 316 million (2022: EUR -171 million) of unrealised gains and losses recognised in the statement of profit or loss.
2 Revaluation recognised in other comprehensive income is included on the line 'Net change in fair value of debt instruments at fair value through other comprehensive income'.

In 2023, transfers into and out of Level 3 of financial assets mandatorily at fair value mainly relate to (long term) reverse repurchase transactions for which the valuation being significantly impacted by unobservable inputs and no longer significantly impacted by unobservable inputs, respectively.

In 2023, the transfer into Level 3 trading assets is mainly driven by debt securities that are part of a structure transferred into level 3 due to market illiquidity which decreased observability for an input.

In 2022, the transfers into Level 3 mainly consisted of (non) trading derivatives that were transferred to Level 3 as a result of the valuation being significantly impacted by unobservable inputs. Furthermore, it relates to debt obligations of which the valuation is being significantly impacted by unobservable inputs.

Following the implementation of IFRS 17 on 1 January 2023, a portfolio of loans with death waivers has been reclassified from financial assets measured at amortised cost to financial assets mandatorily measured at fair value through profit or loss as shown in reclassifications. For further information on the change in accounting policies, reference is made to Note 1 'Basis of preparation and material accounting policy information'.

In 2022, following the enhancement of the significance assessment, transfers into and out of Level 3 of financial assets mandatorily at fair value mainly relate to a portfolio of securitization loans. Furthermore, transfers out of Level 3 relate to two syndicated deals due to the unobservable parameters were insignificant.

In 2022, transfers into level 3 financial assets designated at fair value relate to government bonds of which the valuation being significantly impacted by unobservable inputs.

Changes in Level 3 Financial liabilities

	Trading liabilities		Non-trading derivatives		Financial liabilities designated as at fair value through profit or loss		Total	
in EUR million	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance as at 1 January	229	160	449	35	54	135	732	330
Realised gain/loss recognised in the statement of profit or loss during the period[1]	224	131	-151	59	-2	-10	72	179
Additions	53	124	72	16	18	13	142	153
Redemptions	-102	-38	-53	0	-2	-13	-156	-51
Maturity/settlement	-13	-282	-16	-7	-1	-71	-30	-360
Transfers into Level 3	40	254	0	368	32	88	72	710
Transfers out of Level 3	-49	-117	0	-21	-54	-88	-102	-226
Exchange rate differences	0	-3	0	0	0	0	0	-3
Closing balance	**382**	**229**	**301**	**449**	**47**	**54**	**729**	**732**

1 Net gains/losses were recorded as 'Valuation results and net trading income' in the statement of profit or loss. The total amount includes EUR 72 million (2022: EUR 179 million) of unrealised gains and losses recognised in the statement of profit or loss.

In 2023, financial liabilities transfers into and out of Level 3 mainly consisted of structured notes, measured as designated at fair value through profit or loss. The structured notes were transferred out of Level 3 as the valuation was no longer impacted by significantly unobservable inputs.

In 2022, the transfers into Level 3 mainly consisted of non-trading derivatives that were transferred to Level 3 as a result of the valuation being significantly impacted by unobservable inputs.

g) Recognition of unrealised gains and losses in Level 3

Amounts recognised in the statement of profit or loss relating to unrealised gains and losses during the year that relates to Level 3 assets and liabilities are included in the line item 'Valuation results and net trading income' in the statement of profit or loss.

h) Level 3: Sensitivity analysis of unobservable inputs

Where the fair value of a financial instrument is determined using inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument, the actual value of those inputs at the balance date may be drawn from a range of reasonably possible alternatives. In line with market practice the upper and lower bounds of the range of alternative input values reflect a level of valuation certainty. The actual levels chosen for the unobservable inputs in preparing the financial statements are consistent with the valuation methodology used for fair valued financial instruments.

In practice valuation uncertainty is measured and managed per exposure to individual valuation inputs (i.e. risk factors) at portfolio level across different product categories. Where the disclosure looks at individual Level 3 inputs, the actual valuation adjustments may also reflect the benefits of portfolio offsets.

This disclosure does not attempt to indicate or predict future fair value movement. The numbers in isolation give limited information as in most cases these Level 3 assets and liabilities should be seen in combination with other instruments (for example as a hedge) that are classified as Level 2.

The valuation uncertainty in the table below is broken down by related risk class rather than by product. The possible impact of a change of unobservable inputs in the fair value of financial instruments where unobservable inputs are significant to the valuation is as follows:

Sensitivity analysis of Level 3 instruments

	Positive fair value movements from using reasonable possible alternatives		Negative fair value movements from using reasonable possible alternatives	
in EUR million	2023	2022	2023	2022
Equity (equity derivatives, structured notes)	18	12	-9	-6
Interest rates (Rates derivatives, FX derivatives)	3	22	0	-14
Credit (Debt securities, Loans, structured notes, credit derivatives)	45	32	-54	-28
Loans and advances	3		-17	-32
	69	**65**	**-80**	**-80**

i) Financial instruments not measured at fair value

The following table presents the estimated fair values of the financial instruments not measured at fair value in the statement of financial position.

Methods applied in determining fair values of financial assets and liabilities (carried at amortised cost)

	Carrying Amount		Carrying amount presented as fair value [1]		Level 1		Level 2		Level 3		Total fair value	
in EUR million	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Financial Assets												
Loans and advances to banks	16,708	35,103	2,721	2,858			11,430	29,459	2,511	2,786	16,662	35,103
Loans and advances to customers	642,453	635,557	15,686	19,101			14,602	15,264	593,098	575,805	623,386	610,170
Securities at amortised cost	48,313	48,160			40,041	39,787	4,277	3,160	1,693	1,406	46,010	44,353
	707,474	**718,820**	**18,407**	**21,959**	**40,041**	**39,788**	**30,308**	**47,883**	**597,302**	**579,996**	**686,058**	**689,626**
Financial liabilities												
Deposits from banks	23,257	56,632	3,764	3,696			15,066	48,524	3,968	3,954	22,799	56,174
Customer deposits	702,217	686,341	556,766	590,321			103,955	80,305	41,250	15,511	701,971	686,136
Debt securities in issue	84,423	58,075			25,898	20,308	38,301	20,501	20,225	17,577	84,424	58,385
Subordinated loans	15,404	15,789					15,361	15,548			15,361	15,548
	825,300	**816,838**	**560,530**	**594,016**	**25,898**	**20,308**	**172,684**	**164,878**	**65,443**	**37,041**	**824,555**	**816,243**

1 In accordance with IFRS and for the purpose of this disclosure, the carrying amount of financial instruments with an immediate on demand feature is presented as fair value

The aggregation of the fair values presented above does not represent, and should not be construed as representing, the underlying value of ING Bank. These fair values were calculated for disclosure purposes only. The carrying amount of financial instruments presented in the above table includes, when applicable, the fair value hedge adjustment, this explains why (for these cases) the carrying amount approximates fair value.

Loans and advances to banks

For short term receivables from banks carrying amounts represent a reasonable estimate of the fair value. The fair value of long term receivables from banks is estimated by discounting expected future cash flows using a discount rate based on specific available market data, such as interest rates and appropriate spreads that reflects current credit risk or quoted bonds.

Loans and advances to customers

For short term loans carrying amounts represent a reasonable estimate of the fair value. The fair value of long term loans is estimated by discounting expected future cash flows using a discount rate that reflects current credit risk, current interest rates, and other current market conditions where applicable. The fair value of mortgage loans is estimated by taking into account prepayment behaviour. Loans with similar characteristics are aggregated for calculation purposes.

Securities at amortised cost

Where available, fair values for debt securities are generally based on quoted market prices. Quoted market prices are obtained from an exchange market, dealer, broker, industry group, pricing service, or regulatory service. The quoted prices from non-exchange sources are reviewed on their tradability of market prices. If quoted prices in an active market are not available, fair value is based on an analysis of available market inputs, which includes consensus prices obtained from one or more pricing services. Furthermore, fair values are determined by valuation techniques discounting expected future cash flows using market interest rate curves, referenced credit spreads, maturity of the investment, and estimated prepayment rates where applicable.

Deposits from banks

For short term payables to banks carrying amounts represent a reasonable estimate of the fair value. The fair value of long term payables to banks is estimated by discounting expected future cash flows using a discount rate based on available market interest rates and appropriate spreads that reflects ING's own credit risk.

Customer deposits

In the current interest rate environment there is significant embedded value in our on-demand deposits, therefore providing a natural hedge against the impact from rising rates on financial assets. However, for the purpose of this disclosure and in accordance with IFRS, the carrying amounts of deposits with an immediate on demand feature is presented as fair value.

The fair value of deposits with fixed contractual terms has been estimated based on discounting future cash flows using the interest rates currently applicable to deposits of similar maturities.

Debt securities in issue
The fair value of debt securities in issue is generally based on quoted market prices, or if not available, on estimated prices by discounting expected future cash flows using a current market interest rate and credit spreads applicable to the yield, credit quality and maturity.

Subordinated loans
The fair value of publicly traded subordinated loans are based on quoted market prices when available. Where no quoted market prices are available, fair value of the subordinated loans is estimated using discounted cash flows based on interest rates and credit spreads that apply to similar instruments.

33 Derivatives and hedge accounting

Use of derivatives

ING uses derivatives for economic hedging purposes to manage its asset and liability portfolios and structural risk positions. The primary objective of ING's hedging activities is to manage the risks which arises from structural imbalances in the duration and other profiles of its assets and liabilities. The objective of economic hedging is to enter into positions with an opposite risk profile to an identified risk exposure to reduce that exposure. The main risks which are being hedged are interest rate risk and foreign currency exchange rate risk. These risks are primarily hedged with interest rate swaps, cross currency swaps and foreign exchange forwards/swaps.

ING uses credit derivatives to manage its economic exposure to credit risk, including total return swaps and credit default swaps, to sell or buy protection for credit risk exposures in the loan, investment, and trading portfolios. Hedge accounting is not applied in relation to these credit derivatives.

Hedge accounting

Derivatives that qualify for hedge accounting under IFRS are classified and accounted for in accordance with the nature of the instrument hedged and the type of IFRS hedge accounting model that is applicable. The three models applicable under IFRS are: fair value hedge accounting, cash flow hedge accounting, and hedge accounting of a net investment in a foreign operation. How and to what extent these models are applied are described under the relevant headings below. The company's detailed accounting policies for these three hedge models are set out in paragraph 1.5 'Financial instruments' of Note 1 'Basis of preparation and material accounting policy information'.

IBOR transition

Reference is made to the note 'Risk management/ IBOR Transition' for information on how ING is managing the transition to alternative benchmark rates and ING's progress in completing the transition with respect to derivatives in hedge accounting relationships.

TLTRO

In 2022, ING hedged the interest rate risk of the TLTRO-III funding with derivatives and designated this in a fair value hedge relationship. In Q4 2022 the ECB changed the terms of the TLTRO-III, resulting in the discontinuation of the hedging relationship. The fair value hedge adjustment was amortized to profit or loss over the revised interest period (i.e. until the date the change in TLTRO-III terms became effective). The impact of this was recorded in net interest income. Refer to Note 20 'Net interest income' for more details.

Fair value hedge accounting

ING's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate instruments due to movements in market interest rates. ING's approach to manage market risk, including interest rate risk, is discussed in 'Risk management –Market risk'. ING's exposure to interest rate risk is disclosed in paragraph 'Interest rate risk in banking book'.

ING Bank designates specific non-contractual risk components of hedged items. This is usually determined by designating benchmark interest rates such as EURIBOR, SOFR, SONIA or TONAR, between others, because the fair value of a fixed-rate instrument varies directly in response to changes in its benchmark interest rate.

By using derivative financial instruments to hedge exposures to changes in interest rates, ING also exposes itself to credit risk of the derivative counterparty, which is not offset by the hedged item. ING minimises counterparty credit risk in derivative instruments by clearing most of the derivatives through Central Clearing Counterparties. In addition, ING only enters into transactions with high-quality counterparties and requires posting collateral.

ING applies fair value hedge accounting on micro level in which one hedged item is hedged with one or multiple hedging instruments as well as on macro level whereby a portfolio of items is hedged with multiple hedging instruments. For these macro hedges of interest rate risk ING applies the EU carve-out. The EU 'carve-out' for macro hedging enables a group of derivatives (or proportions) to be viewed in combination and jointly designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies. In retail operations, exposure on retail funding (savings and current accounts) and retail lending (mortgages) is initially offset. The remaining exposure is hedged in a portfolio hedge, using the EU carve-out, in which a portion of the retail lending portfolio and core deposits are designated as a hedged item for hedge accounting purposes.

For portfolio hedges the fair value is projected based on contractual terms and other variables including prepayment expectations. These projected fair value of the portfolios form the basis for identifying the notional amount subject to interest rate risk that is designated under fair value hedge accounting.

Micro fair value hedge accounting is mainly applied on issued debt securities and purchased debt instruments for hedging interest rate risk.

Before fair value hedge accounting is applied, ING determines whether an economic relationship between the hedged item and the hedging instrument exists based on an evaluation of the quantitative characteristics of these items and the hedged risk that is supported by quantitative analysis. ING considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. ING evaluates whether the fair value of the hedged item and the hedging instrument respond similarly to similar risks. In addition, ING is mainly using regression analysis to assess whether the hedging instrument is expected to be and has been highly effective in offsetting changes in the fair value of the hedged item.

For the macro hedge on the loan portfolio ING follows a dynamic hedging strategy. This means that on monthly basis, based on the new portfolio projection, the hedging relationship is renewed. From an operational point of view, the existing hedging relationship is adjusted based on the new portfolio projection and additional hedging instruments are added to the hedging relationship.

ING uses the following derivative financial instruments in a fair value hedge accounting relationship:

Gross carrying value of derivatives designated under fair value hedge accounting

in EUR million	Assets 2023	Liabilities 2023	Assets 2022	Liabilities 2022
As at 31 December				
Hedging instrument on interest rate risk				
– Interest rate swaps	32,612	27,350	40,346	32,482
– Other interest derivatives	284	34	395	39

The derivatives used for fair value hedge accounting are included in the statement of financial position line-item ‘Financial assets at fair value through profit or loss – Non-trading derivatives’ for EUR 716 million (2022: EUR 836 million) respectively ‘Financial liabilities at fair value through profit or loss – Non-trading derivatives’ EUR 113 million (2022: EUR 244 million). The difference between the gross carrying value as presented in the table and the net carrying value as presented in the statement of financial position is due to offsetting with other derivatives and collaterals paid or received.

For our main currencies the average fixed rate for interest rate swaps used in fair value hedge accounting are 1.32% (2022: 0.54%) for EUR and 3.93% (2022: 3.86%) for USD.

The following table shows the net notional amount of derivatives designated in fair value hedging, split into the maturity of the instruments. The net notional amounts presented in the table are a combination of payer (-) and receiver (+) swaps.

Maturity derivatives designated in fair value hedging

in EUR million

As at 31 December 2023	Less than 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	>5 years	Total
Hedging instrument on interest rate risk									
– Interest rate swaps	-670	253	8,381	4,156	3,193	-800	7,559	-58,679	-36,609
– Other interest derivatives		25	190	116	302	250	-144	974	1,712
As at 31 December 2022									
Hedging instrument on interest rate risk									
– Interest rate swaps	-15	-3,184	-1,343	-677	6,864	5,396	8,204	-29,530	-14,284
– Other interest derivatives	-10	-55	-190	180	61	349	147	933	1,416

Gains and losses on derivatives designated under fair value hedge accounting are recognised in the statement of profit or loss. The effective portion of the fair value change on the hedged item is also recognised in the statement of profit or loss in 'Valuation results and net trading income'. As a result, only the net accounting ineffectiveness has an impact on the net result.

Hedged items included in a fair value hedging relationship

in EUR million	Carrying amount of the hedged items		Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged item		Change in fair value of the hedged item measuring ineffectiveness for the period	Change in fair value hedging instruments for the period	Hedge ineffectiveness recognised in the statement of profit or loss gain (+) / loss (-)
	Assets	Liabilities	Assets	Liabilities			
As at 31 December 2023							
Interest rate risk							
– Debt securities at fair value through other comprehensive income	31,224		n/a		1,224		
– Loans at FVOCI	5		n/a		1		
– Loans and advances to customers	78,787		-7,104		4,705		
– Debt instruments at amortised cost	8,272		-205		234		
– Debt securities in issue		32,432		-1,511	-1,279		
– Subordinated loans		14,646		-834	-473		
– Amounts due to banks							
– Customer deposits and other funds on deposit		39,377		-1,889	-1,451		
– Discontinued hedges			2,285	3			
Total	**118,287**	**86,455**	**-5,024**	**-4,230**	**2,962**	**-3,028**	**-66**
As at 31 December 2022							
Interest rate risk							
– Debt securities at fair value through other comprehensive income	19,816		n/a		-2,798		
– Loans at FVOCI	35		n/a		-4		
– Loans and advances to customers	58,673		-12,112		-11,466		
– Debt instruments at amortised cost	4,098		-448		-678		
– Debt securities in issue		26,040		-2,815	3,746		
– Subordinated loans		15,767		-1,344	1,470		
– Amounts due to banks					483		
– Customer deposits and other funds on deposit		36,843		-3,373	4,099		
– Discontinued hedges			2,966	34			
Total	**82,623**	**78,650**	**-9,594**	**-7,497**	**-5,150**	**5,265**	**115**

During 2023, the interest rate movements significantly affected the fair value changes of both the derivatives and the hedged items designated in fair value hedges. However, no material hedging relationship was discontinued as a result of the interest rate movements in 2023. Refer to note 22 'Valuation results and net trading income'.

In addition, the increase in hedged items is due to higher volumes in loans and advances and debt securities designated in hedge accounting. Discontinued hedges further mainly relate to the transfer of derivatives from UK based clearing houses to EU based clearing houses related to Brexit in 2020.

The main sources of ineffectiveness are:

- differences in maturities of the hedged item(s) and hedging instrument(s);
- different interest rate curves applied to discount the hedged item(s) and hedging instrument(s);
- differences in timing of cash flows of the hedged item(s) and hedging instrument(s).

Additionally, for portfolio (macro) fair value hedges of ING's fixed rate mortgage portfolio, ineffectiveness also arises from the disparity between expected and actual prepayments (prepayment risk).

There were no other sources of significant ineffectiveness in these hedging relationships.

Cash flow hedge accounting

ING applies cash flow hedge accounting on micro and macro level. ING's cash flow hedges mainly consist of interest rate swaps and cross-currency swaps that are used to protect against the exposure to variability in future cash flows on non-trading assets and liabilities that bear interest at variable rates or are expected to be refunded or reinvested in the future. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities, based on contractual terms and other variables including estimates of prepayments. These projected cash flows form the basis for identifying the notional amount subject to interest rate risk or foreign currency exchange rate risk that is designated under cash flow hedge accounting.

ING's approach to manage market risk, including interest rate risk and foreign currency exchange rate risk, is discussed in 'Risk management – Credit risk and Market risk'. ING determines the amount of the exposures to which it applies hedge accounting by assessing the potential impact of changes in interest rates and foreign currency exchange rates on the future cash flows from its floating-rate assets and liabilities. This assessment is performed using analytical techniques.

As noted above for fair value hedges, by using derivative financial instruments to hedge exposures to changes in interest rates and foreign currency exchange rates, ING exposes itself to credit risk of the derivative counterparty, which is not offset by the hedged items. This exposure is managed similarly to that for fair value hedges.

Gains and losses on the effective portions of derivatives designated under cash flow hedge accounting are recognised in Other Comprehensive Income. Interest cash flows on these derivatives are recognised in the statement of profit or loss in 'Net interest income' consistent with the manner in which the forecasted cash flows affect net result. The gains and losses on ineffective portions of such derivatives are recognised immediately in the statement of profit or loss in 'Valuation results and net trading income'.

ING determines an economic relationship between the cash flows of the hedged item and the hedging instrument based on an evaluation of the quantitative characteristics of these items and the hedged risk that is supported by quantitative analysis. ING considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. ING evaluates whether the cash flows of the hedged item and the hedging instrument respond similarly to the hedged risk, such as the benchmark interest rate of foreign currency. In addition, a regression analysis is performed to assess whether the hedging instrument is expected to be and has been highly effective in offsetting changes in the fair value of the hedged item.

ING uses the following derivative financial instruments in a cash flow hedge accounting relationship:

Gross carrying value of derivatives used for cash flow hedge accounting

in EUR million	Assets 2023	Liabilities 2023	Assets 2022	Liabilities 2022
As at 31 December				
Hedging instrument on interest rate risk				
– Interest rate swaps	11,839	14,051	10,038	14,836
Hedging instrument on FX rate risk				
– Cross currency swaps	324	39		
Hedging instrument on combined interest and FX rate risk				
– Cross currency interest rate swaps	57		428	168

The derivatives used for cash flow hedge accounting are included in the statement of financial position line-item 'Financial assets at fair value through profit or loss – Non-trading derivatives' EUR 440 million (2022: EUR 814 million) respectively 'Financial liabilities at fair value through profit or loss – Non-trading derivatives' EUR 458 million (2022: EUR 1,275 million). The difference between the gross carrying value as presented in the table and the net carrying value as presented in the statement of financial position is due to offsetting with other derivatives and collaterals paid or received.

For the main currencies the average fixed rate for interest rate swaps used in cash flow hedge accounting are 1.26% (2022: 0.51%) for EUR, 4.09% (2022: 3.27%) for PLN, 4.33% (2022: 1.96%) for USD and 2.80%

(2022: 1.28%) for AUD. The average currency exchange rates for cross currency swaps used in cash flow hedge accounting is for EUR/USD 0.98 (2022: 0.99) and for EUR/AUD 1.58 (2022: 1.58).

The following table shows the net notional amount of derivatives designated in cash flow hedging split into the maturity of the instruments. The net notional amounts presented in the table are a combination of payer (+) and receiver (-) swaps.

Maturity derivatives designated in cash flow hedging

in EUR million

As at 31 December 2023	Less than 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	>5 years	Total
Hedging instrument on interest rate risk									
– Interest rate swaps	-214	184	-8,557	-18,551	-6,636	-7,246	-4,896	-3,384	-49,300
Hedging instrument on FX rate risk									
– Cross currency swaps		249	1,029	-932	503	-683	167	-693	-362
Hedging instrument on combined interest and FX rate risk									
– Cross currency interest rate swaps				-24	-1,232	-1,479			-2,736
As at 31 December 2022									
Hedging instrument on interest rate risk									
– Interest rate swaps	-562	-935	-6,730	-12,464	-8,926	-8,115	-3,620	-8,947	-50,300
Hedging instrument on combined interest and FX rate risk									
– Cross currency interest rate swaps		-834	-1,535	-721	-2,140	-52	7	-48	-5,323

The following table shows the cash flow hedge accounting impact on profit or loss and comprehensive income:

Cash flow hedging – impact of hedging instruments on the statement of profit or loss and other comprehensive income

in EUR million	Change in value of hedged item used for calculating hedge ineffectiveness for the period	Carrying amount cash flow hedge reserve at the end of the reporting period[1]	Amount reclassified from CFH reserve to profit or loss [2]	Cash flow is no longer expected to occur	Change in value of hedging instrument recognised in OCI for the period	Hedge ineffectiveness recognised in the statement of profit or loss, gain (+) / loss (-)
As at 31 December 2023						
Interest rate risk on:						
– Floating rate lending	-2,694	-3,545	590			
– Floating rate borrowing	933	151	-497			
– Other						
– Discontinued hedges		194	-150			
Total interest rate risk	**-1,760**	**-3,200**	**-57**		**1,654**	**58**
FX rate risk on:						
– Floating rate lending	27	-42	-185			
– Floating rate borrowing	-25	1	-33			
– Other						
– Discontinued hedges		7	-5			
Total FX risk	**2**	**-35**	**-223**		**200**	**-12**
Combined interest and FX rate risk on:						
– Floating rate lending	-20	78	-46			
– Floating rate borrowing			1			
– Other						
– Discontinued hedges			-1			
Total combined interest and FX risk	**-20**	**78**	**-46**		**68**	**2**
Total cash flow hedge	**-1,778**	**-3,157**	**-325**		**1,922**	**48**
As at 31 December 2022						
Interest rate risk on:						
– Floating rate lending	4,817	-5,460	395			
– Floating rate borrowing	-775	923	-181			
– Other	-5	-2				
– Discontinued hedges		330	-263			
Total interest rate risk	**4,037**	**-4,210**	**-50**		**-4,279**	**21**
Combined interest and FX rate risk on:						
– Floating rate lending	-47	-16	-269			
– Floating rate borrowing	-7	-4	14			
– Other	4	-2	-3			
– Discontinued hedges		4	-5			
Total combined interest and FX risk	-51	-18	-263		296	-1
Total cash flow hedge	**3,986**	**-4,227**	**-313**		**-3,982**	**20**

1 The carrying amount is the gross amount, excluding tax adjustments.
2. The amounts are reclassified to Net interest income - interest income and/or expense on non-trading derivatives (hedge accounting).

The increase in the carrying amount of the cash flow hedge reserve is driven by the interest rate movements. No material hedging relationship was discontinued as a result of the interest rate movements in 2023.

The main sources of ineffectiveness for cash flow hedges are:

- differences in timing of cash flows of the hedged item(s) and hedging instrument(s);
- mismatches in reset frequency between hedged item and hedging instrument.

The following table shows the movement of the cash flow hedge reserve:

Movement cash flow hedge reserve

in EUR million	2023	2022
Opening balance	-3,055	-153
Value changes recognised in OCI	1,922	-3,982
Amounts recycled to profit or loss	-325	-313
Income tax	-381	1,123
Exchange rate and other changes	-103	20
Adjustment for non controlling interest	-116	251
Movement for the year	**997**	**-2,901**
Ending balance	**-2,058**	**-3,055**

Hedges of net investments in foreign operations

A foreign currency exposure arises from a net investment in subsidiaries that have a different functional currency from the presentation currency of ING. The risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiaries and ING's presentation currency, which causes the amount of the net investment to vary in the consolidated financial statements of ING. This risk may have a significant impact on ING's financial statements. ING's policy is to hedge these exposures only when not doing so it is expected to have a significant impact on the regulatory capital ratios of ING and its subsidiaries.

ING's net investment hedges principally consist of derivatives (including currency forwards and swaps) and non-derivative financial instruments such as foreign currency denominated funding. When the hedging instrument is foreign currency denominated debt, ING assesses effectiveness by comparing past changes in the carrying amount of the debt that are attributable to a change in the spot rate with past changes in the investment in the foreign operation due to movement in the spot rate (the offset method).

Gains and losses on the effective portions of derivatives designated under net investment hedge accounting are recognised in Other Comprehensive Income. The balance in equity is recognised in the statement of profit or loss when the related foreign subsidiary is disposed. The gains and losses on ineffective portions are recognised immediately in the statement of profit or loss in 'Valuation results and net trading income'.

ING has the following derivative financial instruments used for net investment hedging:

Gross carrying value of derivatives used for net investment hedging

in EUR million	Assets 2023	Liabilities 2023	Assets 2022	Liabilities 2022
As at 31 December				
– FX forwards and Cross currency swaps	100	92	119	83

The derivatives used for net investment hedge accounting are included in the statement of financial position line-item 'Financial assets at fair value through profit or loss – Non-trading derivatives' EUR 100 million (2022: EUR 119 million) respectively 'Financial liabilities at fair value through profit or loss – Non trading derivatives' EUR 92 million (2022: EUR 83 million).

For ING's main currencies the average exchange rates used in net investment hedge accounting for 2023 are EUR/USD 1.08 (2022: 1.06), EUR/PLN 4.54 (2022: 4.68), EUR/AUD 1.63 (2022: 1.52) and EUR/THB 37.65 (2022: 36.87).

The following table shows the notional amount of derivatives designated in net investment hedging split into the maturity of the instruments:

Maturity derivatives designated in net investment hedging

in EUR million	Less than 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	>5 years	Total
As at 31 December 2023									
– FX forwards and cross currency swaps	-6,009	-4,576	-87						-10,672
As at 31 December 2022									
– FX forwards and Cross currency swaps	-6,164	-2,638	-97						-8,899

The effect of the net investment hedge accounting in the statement of profit or loss and other comprehensive income is as follows:

Net investment hedge accounting – Impact on statement of profit or loss and other comprehensive income

in EUR million

As at 31 December 2023	Change in value of hedged item used for calculating hedge ineffectiveness for the period	Carrying amount net investment hedge reserve at the end of the reporting period[1]	Hedged item affected statement of profit or loss	Change in value of hedging instrument recognised in OCI	Hedge ineffectiveness recognised in the statement of profit or loss, gain(+) / Loss(-)
Investment in foreign operations	-183	123		183	0
Discontinued hedges		263			
As at 31 December 2022					
Investment in foreign operations		-33			
Discontinued hedges		304	-1		

1 The carrying amount is the gross amount, excluding tax adjustments.

34 Assets by contractual maturity

Amounts presented in these tables by contractual maturity are the amounts as presented in the statement of financial position and are discounted cash flows. Reference is made to 'Risk Management – Funding and liquidity risk'.

Assets by contractual maturity

in EUR million

2023	Less than 1 month [1]	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Cash and balances with central banks	90,214						90,214
Loans and advances to banks	11,985	1,021	1,744	1,527	431		16,708
Financial assets at fair value through profit or loss							
– Trading assets	17,000	7,363	11,448	13,216	11,213		60,240
– Non-trading derivatives	138	80	297	613	900		2,028
– Mandatorily at fair value through profit or loss	32,835	12,040	5,303	3,587	1,040	179	54,983
– Designated as at fair value through profit or loss	550	200	792	2,092	2,141		5,775
Financial assets at fair value through other comprehensive income							
– Equity securities						1,885	1,885
– Debt securities	579	232	2,021	13,686	21,763		38,281
– Loans and advances		3	41	619	287		951
Securities at amortised cost	2,220	1,142	6,667	22,540	15,744		48,313
Loans and advances to customers	49,683	21,298	57,516	206,438	307,517		642,453
Other assets [2]	5,649	257	1,088	1,147	1,020	4,645	13,805
Total assets	**210,852**	**43,636**	**86,917**	**265,466**	**362,056**	**6,709**	**975,636**
2022							
Cash and balances with central banks	87,614						87,614
Loans and advances to banks	28,733	1,633	2,331	2,190	216		35,103
Financial assets at fair value through profit or loss							
– Trading assets	15,520	5,399	9,991	13,062	12,904		56,875
– Non-trading derivatives	623	95	592	1,555	1,027		3,893
– Mandatorily at fair value through profit or loss	29,153	10,504	3,753	2,329	901	203	46,844
– Designated as at fair value through profit or loss	287	158	185	2,497	3,031		6,159
Financial assets at fair value through other comprehensive income							
– Equity securities						1,887	1,887
– Debt securities	167	420	2,458	12,587	13,463		29,095
– Loans and advances	3	1	7	226	407		643
Securities at amortised cost	1,810	1,719	4,566	24,689	15,376		48,160
Loans and advances to customers	54,482	23,554	54,056	197,275	306,190		635,557
Other assets [2]	7,151	272	1,154	1,436	1,418	4,600	16,031
Total assets	**225,545**	**43,754**	**79,093**	**257,846**	**354,933**	**6,690**	**967,861**

1 Includes assets on demand.
2 Includes assets such as current and deferred tax assets as presented in the consolidated statement of the financial position. Additionally, assets are included in that position where maturities are not applicable such as property and equipment and investments in associates and joint ventures. Due to their nature non-financial assets consist mainly of assets expected to be recovered after more than 12 months.

35 Liabilities and off-balance sheet commitments by maturity

The tables below include all liabilities and off-balance sheet commitments by maturity based on contractual, undiscounted cash flows. These balances are included in the maturity analysis as follows:

- Perpetual liabilities are included in the column 'Maturity not applicable'.
- Derivative liabilities are included on a net basis if cash flows are settled net. For other derivative liabilities the contractual gross cash flow payable is included.
- Undiscounted future coupon interest on financial liabilities payable is included in a separate line and in the relevant maturity bucket.
- Non-financial liabilities are included based on a breakdown of the amounts per statement of financial position, per expected maturity.
- Loans and other credit-related commitments are classified on the basis of the earliest date they can be drawn down.

ING Bank's expected cash flows on some financial liabilities vary significantly from contractual cash flows. Principal differences are in demand deposits from customers that are expected to remain stable or increase and in unrecognised loan commitments that are not all expected to be drawn down immediately. Reference is made to the liquidity risk paragraph in 'Risk Management – Funding and liquidity risk' for a description on how liquidity risk is managed.

Liabilities and off-balance sheet commitments by maturity

in EUR million

2023	Less than 1 month [1]	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Adjustment [2]	Total
Deposits from banks	9,294	7,800	2,074	1,898	2,002		189	23,257
Customer deposits	584,874	22,092	46,002	32,513	17,308		-572	702,217
Financial liabilities at fair value through profit or loss								
– Other trading liabilities	10,981	697	545	1,003	897		-36	14,087
– Trading derivatives	2,292	2,243	5,148	10,204	7,110		-3,865	23,132
– Non-trading derivatives	505	96	139	1,002	355		-78	2,019
– Designated at fair value through profit or loss	29,857	12,754	5,442	3,832	3,544	25	-56	55,399
Debt securities in issue	3,442	10,233	33,986	22,206	15,820		-1,264	84,423
Subordinated loans					9,104	6,988	-689	15,404
Lease liabilities	17	45	175	627	359		-61	1,162
Financial liabilities	**641,263**	**55,959**	**93,511**	**73,285**	**56,500**	**7,013**	**-6,432**	**921,099**
Other liabilities [3]	9,696	619	2,269	399	420			13,402
Total liabilities	**650,959**	**56,579**	**95,779**	**73,684**	**56,919**	**7,013**	**-6,432**	**934,501**
Coupon interest due on financial liabilities	1,057	1,703	6,103	10,178	4,998	404		24,442
Contingent liabilities in respect of								
– Discounted bills	2							2
– Guarantees	27,340			4	550			27,894
– Irrevocable letters of credit	14,925							14,925
Irrevocable facilities	166,361	12	63	314	60			166,810
	208,628	**12.374**	**62.518**	**318.133**	**610.351**	**0**	**0**	**209,631**

1 Includes liabilities on demand.
2 This column reconciles the contractual undiscounted cash flows on financial liabilities to the statement of financial position values. The adjustments mainly relate to the impact of discounting and fair value hedge adjustments, and for derivatives, to the fact that the contractual cash flows are presented on a gross basis (unless the cash flows are actually settled net).
3 Includes Other liabilities, Current and deferred tax liabilities, and Provisions as presented in the Consolidated statement of financial position.

Liabilities and off-balance sheet commitments by maturity

in EUR million

2022	Less than 1 month [1]	1-3 month	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Adjustment [2]	Total
Deposits from banks	10,053	2,238	33,268	9,878	1,794		-598	56,632
Customer deposits	605,706	16,294	22,637	24,641	20,304		-3,240	686,341
Financial liabilities at fair value through profit or loss								
– Other trading liabilities	5,778	875	304	771	575		-83	8,219
– Trading derivatives	2,100	2,319	4,942	9,330	3,609		8,570	30,869
– Non-trading derivatives	345	288	216	1,204	470		525	3,048
– Designated at fair value through profit or loss	31,505	11,472	1,626	3,177	3,699	21	-618	50,883
Debt securities in issue	2,049	11,227	18,626	12,857	15,905		-2,587	58,075
Subordinated loans			760		9,936	6,307	-1,214	15,789
Lease liabilities	19	43	170	593	377		-28	1,174
Financial liabilities	**657,554**	**44,755**	**82,548**	**62,450**	**56,668**	**6,328**	**727**	**911,030**
Other liabilities [3]	9,659	683	2,395	638	406			13,781
Total liabilities	**667,213**	**45,438**	**84,943**	**63,089**	**57,074**	**6,328**	**727**	**924,811**
Coupon interest due on financial liabilities	426	719	3,171	6,408	3,166	348		14,237
Contingent liabilities in respect of								
– Discounted bills								
– Guarantees	28,304			4	550			28,859
– Irrevocable letters of credit	15,660	19	3					15,682
– other					3			3
Irrevocable facilities	161,147		194	434	166			161,940
	205,111	**19**	**197**	**438**	**719**	**0**	**0**	**206,484**

1 Includes liabilities on demand.
2 This column reconciles the contractual undiscounted cash flows on financial liabilities to the statement of financial position values. The adjustments mainly relate to the impact of discounting and fair value hedge adjustments, and for derivatives, to the fact that the contractual cash flows are presented on a gross basis (unless the cash flows are actually settled net).
3 Includes Other liabilities, Current and deferred tax liabilities, and Provisions as presented in the Consolidated statement of financial position.

36 Transfer of financial assets, assets pledged and received as collateral

Financial assets pledged as collateral

The financial assets pledged as collateral consist primarily of Loans and advances to customers pledged to secure Debt securities in issue, deposits from the Dutch Central Bank and other banks, as well as debt securities used in securities lending or sale and repurchase transactions. They serve to secure margin accounts and are used for other purposes required by law. Pledges are generally conducted under terms that are usual and customary for collateralised transactions including standard sale and repurchase agreements, securities lending and borrowing and derivatives margining. The financial assets pledged are as follows:

Financial assets pledged as collateral

in EUR million	2023	2022
Banks		
– Cash and balances with central banks	322	364
– Loans and advances to banks	3,305	4,007
Financial assets at fair value through profit or loss	23,641	17,079
Financial assets at fair value through OCI	1,896	2,142
Securities at amortised cost	2,672	3,578
Loans and advances to customers	73,860	98,917
Other assets	357	596
	106,052	**126,682**

In 2023 the financial assets pledged as collateral reduced due to the partial repayment of ING's TLTRO III. In addition, in some jurisdictions ING Bank N.V. has an obligation to maintain a reserve with central banks. As at 31 December 2023, the minimum mandatory reserve deposits with various central banks amount to EUR 11,653 million (2022: EUR 11,108 million).

Financial assets received as collateral

The financial assets received as collateral that can be sold or repledged in absence of default by the owner of the collateral consists of securities obtained through reverse repurchase transactions and securities borrowing transactions.

These transactions are generally conducted under standard market terms for most repurchase transactions and the recipient of the collateral has unrestricted right to sell or repledge it, provided that the collateral (or equivalent collateral) is returned to the counterparty at term.

Financial assets received as collateral

in EUR million	2023	2022
Total received collateral available for sale or repledge at fair value		
– equity securities	33,234	22,847
– debt securities	119,908	103,723
of which sold or repledged at fair value		
– equity securities	20,526	18,613
– debt securities	86,448	66,636

Transfer of financial assets

The majority of ING's financial assets that have been transferred, but do not qualify for derecognition are debt and equity instruments used in securities lending or sale and repurchase transactions.

Transfer of financial assets not qualifying for derecognition

	Securities lending				Sale and repurchase			
	Equity		Debt		Equity		Debt	
in EUR million	2023	2022	2023	2022	2023	2022	2023	2022
Transferred assets at carrying amount								
Financial assets at fair value through profit or loss	3,894	2,087			7,357	6,357	11,780	7,178
Financial assets at fair value through other comprehensive income			328	499			470	453
Loans and advances to customers							2,396	4,637
Securities at amortised cost			431	435			465	261
Associated liabilities at carrying amount[1]								
Financial liabilities at fair value through profit or loss	n/a	n/a	n/a	n/a	11,010	6,245	9,467	8,932

1 The table includes the associated liabilities which are reported after offsetting, compared to the gross positions of the encumbered assets.

The table above does not include assets transferred to consolidated securitisation entities as the related assets remain recognised in the consolidated statement of financial position. Transferred financial assets that are derecognised in their entirety are mentioned in Note 42 'Structured entities'.

37 Offsetting financial assets and liabilities

The following tables include information about rights to offset and the related arrangements. The amounts included consist of all recognised financial instruments that are presented net in the statement of financial position under the IFRS netting criteria (legal right to offset and intention to settle net or to realise the asset and settle the liability simultaneously) and amounts presented gross in the statement of financial position but subject to enforceable master netting arrangements or similar arrangements.

At ING Bank amounts that are offset mainly relate to derivatives transactions, sale and repurchase agreements, securities lending agreements and cash pooling arrangements. A significant portion of offsetting is applied to OTC derivatives which are cleared through central clearing parties.

Related amounts not set off in the statement of financial position include transactions where:

- The counterparty has an offsetting exposure and a master netting or similar arrangement is in place with a right to set off only in the event of default, insolvency or bankruptcy, or the offsetting criteria are otherwise not satisfied, and
- In the case of derivatives and securities lending or sale and repurchase agreements, cash and non-cash collateral has been received or pledged to cover net exposure in the event of a default or other predetermined events. The effect of over-collateralisation is excluded.

The net amounts resulting after set off are not intended to represent ING’s actual exposure to counterparty risk, as risk management employs a number of credit risk mitigation strategies in addition to netting and collateral arrangements. Reference is made in the Risk Management Credit risk’ section ‘Credit risk mitigation'.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

in EUR million 2023					Related amounts not offset in the statement of financial position				
		Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Cash and financial instruments received as collateral	Net amount	Amounts not subject to enforceable netting arrangements	Statement of financial position total [1]
Statement of financial position line item	**Financial instrument**								
Loans and advances to banks [2]	Reverse repurchase, securities borrowing and similar agreements	1,840	-29	1,811		1,811		3,440	5,251
	Other								
		1,840	**-29**	**1,811**		**1,811**		**3,440**	**5,251**
Financial assets at fair value through profit or loss									
Trading and Non-trading	Reverse repurchase, securities borrowing and similar agreements	76,304	-34,738	41,566	235	41,063	268	22,091	63,657
	Derivatives [3]	105,928	-83,312	22,617	14,868	2,915	4,834	5,091	27,708
		182,232	**-118,049**	**64,183**	**15,103**	**43,977**	**5,102**	**27,182**	**91,365**
Loans and advances to customers [4]	Reverse repurchase, securities borrowing and similar agreements							499	499
	Cash pools	236,233	-234,617	1,616	41	1,217	358		1,616
		236,233	**-234,617**	**1,616**	**41**	**1,217**	**358**	**499**	**2,115**
Other items where offsetting is applied in the statement of financial position [5]		7,124	-6,428	695	21		**675**		**695**
Total financial assets		**427,428**	**-359,124**	**68,305**	**15,165**	**47,005**	**6,135**	**31,121**	**99,425**

1 'The statement of financial position total' is the sum of 'Net amounts of financial assets presented in the statement of financial position' and 'Amounts not subject to enforceable master netting arrangements'.
2 At 31 December 2023, the total amount of 'Loans and advances to banks' excluding repurchase agreements is EUR 11,457 million which is not subject to offsetting.
3 Derivative assets and derivative liabilities include certain exchange traded future and option positions with the same underlying.
4 At 31 December 2023, the total amount of 'Loans and advances to customers' excluding repurchase agreements is EUR 641,954 million of which the net cash pool position of EUR 1,616 million is subject to offsetting. Cash pools mainly relate to our subsidiary Bank Mendes Gans.
5 Other items mainly include amounts to be settled with Central Clearing Counterparties regarding securities and derivatives transactions and is included in 'Other Assets – Amounts to be settled' for EUR 3,869 million in the statement of financial position of which EUR 695 million is subject to offsetting as at 31 December 2023.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

in EUR million 2022		Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Cash and financial instruments received as collateral	Net amount	Amounts not subject to enforceable netting arrangements	Statement of financial position total [1]
Statement of financial position line item	**Financial instrument**								
Loans and advances to banks [2]	Reverse repurchase, securities borrowing and similar agreements	2,576		2,576		2,549	27	16,820	19,395
	Other	1		1	1			-1	
		2,576		**2,576**	**1**	**2,549**	**27**	**16,819**	**19,395**
Financial assets at fair value through profit or loss									
Trading and Non-trading	Reverse repurchase, securities borrowing and similar agreements	51,870	-21,245	30,625	102	29,813	710	22,260	52,886
	Derivatives	134,253	-106,523	27,730	18,190	4,525	5,015	7,004	34,734
		186,123	**-127,768**	**58,355**	**18,292**	**34,337**	**5,726**	**29,264**	**87,619**
Loans and advances to customers [3]	Reverse repurchase, securities borrowing and similar agreements	155		155		155		1,151	1,306
	Cash pools	224,261	-222,857	1,404	74	889	441		1,404
		224,416	**-222,857**	**1,559**	**74**	**1,044**	**441**	**1,151**	**2,710**
Other items where offsetting is applied in the statement of financial position [4]		**6,750**	**-5,899**	**851**	**74**		**777**		**851**
Total financial assets		**419,865**	**-356,524**	**63,341**	**18,440**	**37,930**	**6,971**	**47,234**	**110,576**

1 'The statement of financial position total' is the sum of 'Net amounts of financial assets presented in the statement of financial position' and 'Amounts not subject to enforceable master netting arrangements'.
2 At 31 December 2022, the total amount of 'Loans and advances to banks' excluding repurchase agreements is EUR 15,708 million which is not subject to offsetting.
3 At 31 December 2022, the total amount of 'Loans and advances to customers' excluding repurchase agreements is EUR 634,251 million of which the net cash pool position of EUR 1,404 million is subject to offsetting. Cash pools mainly relate to our subsidiary Bank Mendes Gans.
4 Other items mainly include amounts to be settled with Central Clearing Counterparties regarding securities and derivatives transactions and is included in 'Other Assets – Amounts to be settled' for EUR 5,190 million in the statement of financial position of which EUR 851 million is subject to offsetting as at 31 December 2022.

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

in EUR million 2023		Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Cash and financial instruments pledged as collateral	Net amount	Amounts not subject to enforceable netting arrangements	Statement of financial position total [1]
Statement of financial position line item	**Financial instrument**								
Deposits from banks [2]	Repurchase, securities lending and similar agreements	29	-29					2,064	2,064
	Other	290	-290						
		319	**-319**					**2,064**	**2,064**
Customer deposits [4]	Repurchase, securities lending and similar agreements								
	Cash pools	249,734	-234,617	15,116	13		15,103		15,116
		249,734	**-234,617**	**15,116**	**13**		**15,103**		**15,116**
Financial liabilities at fair value through profit or loss									
Trading and Non-trading	Repurchase, securities lending and similar agreements	76,581	-34,738	41,844	235	41,653	-44	14,222	56,065
	Derivatives [3]	101,218	-82,677	18,541	14,881	3,455	204	6,607	25,148
		177,799	**-117,415**	**60,384**	**15,117**	**45,108**	**160**	**20,829**	**81,213**
Other items where offsetting is applied in the statement of financial position [5]		**7,285**	**-6,773**	**512**	**35**		**477**		**512**
Total financial liabilities		**435,137**	**-359,124**	**76,013**	**15,165**	**45,108**	**15,740**	**22,892**	**98,905**

1 'The statement of financial position total' is the sum of 'Net amounts of financial liabilities presented in the statement of financial position' and 'Amounts not subject to enforceable master netting arrangements'.
2 At 31 December 2023, the total amount of 'Deposits from banks' excluding repurchase agreements is EUR 21,193 million of which EUR 0 million is subject to offsetting.
3 Derivative assets and derivative liabilities include certain exchange traded future and option positions with the same underlying.
4 At 31 December 2023, the total amount of 'Customers deposits' excluding repurchase agreements is EUR 702,120 million of which the net cash pool position of EUR 15,116 million is subject to offsetting. Cash pools mainly relate to our subsidiary Bank Mendes Gans.
5 Other items mainly include amounts to be settled with Central Clearing Counterparties regarding securities and derivatives transactions and is included in 'Other Liabilities – Amounts to be settled' for EUR 6,509 million in the statement of financial position of which EUR 512 million is subject to offsetting as at 31 December 2023.

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

in EUR million 2022		Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Cash and financial instruments pledged as collateral	Net amount	Amounts not subject to enforceable netting arrangements	Statement of financial position total [1]
Statement of financial position line item	**Financial instrument**								
Deposits from banks [2]	Repurchase, securities lending and similar agreements							3,809	3,809
	Other								
								3,809	**3,809**
Customer deposits [3]	Repurchase, securities lending and similar agreements								
	Cash pools	236,219	-222,857	13,362	52		13,310		13,362
		236,219	**-222,857**	**13,362**	**52**		**13,310**		**13,362**
Financial liabilities at fair value through profit or loss									
Trading and Non-trading	Repurchase, securities lending and similar agreements	57,871	-21,245	36,626	102	31,868	4,655	12,220	48,846
	Derivatives	127,937	-103,988	23,949	18,215	4,964	770	9,967	33,917
		185,808	**-125,233**	**60,575**	**18,317**	**36,833**	**5,425**	**22,187**	**82,762**
Other items where offsetting is applied in the statement of financial position [4]		**8,535**	**-8,435**	**100**	**70**		**30**		**100**
Total financial liabilities		**430,561**	**-356,524**	**74,037**	**18,440**	**36,833**	**18,765**	**25,996**	**100,033**

1 'The statement of financial position total' is the sum of 'Net amounts of financial liabilities presented in the statement of financial position' and 'Amounts not subject to enforceable master netting arrangements'.
2 At 31 December 2022, the total amount of 'Deposits from banks' excluding repurchase agreements is EUR 52,823 million of which EUR 0 million is subject to offsetting.
3 At 31 December 2022, the total amount of 'Customers deposits' excluding repurchase agreements is EUR 686,341 million of which the net cash pool position of EUR 13,362 million is subject to offsetting. Cash pools mainly relate to our subsidiary Bank Mendes Gans.
4 Other items mainly include amounts to be settled with Central Clearing Counterparties regarding securities and derivatives transactions and is included in 'Other Liabilities – Amounts to be settled' for EUR 6,714 million in the statement of financial position of which EUR 100 million is subject to offsetting as at 31 December 2022.

38 Contingent liabilities and commitments

In the normal course of business, ING Bank is party to activities where risks are not reflected in whole or in part in the consolidated financial statements. In response to the needs of its customers, the Group offers financial products related to loans. These products include traditional off-balance sheet credit-related financial instruments.

Contingent liabilities and commitments

in EUR million	2023	2022
Contingent liabilities in respect of		
– Guarantees	27,894	28,859
– Irrevocable letters of credit	14,925	15,682
– Other		3
	42,821	**44,544**
Irrevocable facilities	166,810	161,940
	209,631	**206,484**

Guarantees relate both to credit and non-credit substitute guarantees. Credit substitute guarantees are guarantees given by ING Bank in respect of credit granted to customers by a third party. Many of them are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows.

Irrevocable letters of credit mainly secure payments to third parties for a customer’s foreign and domestic trade transactions in order to finance a shipment of goods. ING Bank’s credit risk in these transactions is limited since these transactions are collateralized by the commodity shipped and are of a short duration.

Other contingent liabilities include acceptances of bills and are of a short-term nature. Other contingent liabilities also include contingent liabilities resulting from the operations of the Real Estate business including obligations under development and construction contracts.

Irrevocable facilities mainly constitute unused portions of irrevocable credit facilities granted to corporate clients. Many of these facilities are for a fixed duration and bear interest at a floating rate. ING Bank’s credit risk and interest rate risk in these transactions is limited. The unused portion of irrevocable credit facilities is partly secured by customers’ assets or counter-guarantees by the central governments and other public sector entities under the regulatory requirements. Irrevocable facilities also include commitments made to purchase securities to be issued by governments and private issuers.

In addition to the items included in contingent liabilities, ING Bank has issued certain guarantees as participant in collective arrangements of national banking funds and as a participant in required collective guarantee schemes which apply in different countries.

ING Bank N.V. provided a guarantee to the German Deposit Guarantee Fund (‘Einlagensicherungsfonds’ or ESF) under section 5 (10) of the by-laws of this fund, where ING Bank N.V. indemnifies the Association of German Banks Berlin against any losses it might incur as result of actions taken with respect to ING Germany. The ESF is a voluntary collective guarantee scheme for retail savings and deposits in excess of EUR 100,000.

ING uses Irrevocable Payment Commitments (IPCs) for a part of its contributions to the Single Resolution Fund (SRF). ING Bank has EUR 346 million of IPCs outstanding to the SRF as at 31 December 2023 (31 December 2022: EUR 283 million). Of these, EUR 63 million of IPCs were provided to the SRF during 2023 (2022: EUR 57 million). No IPCs were called by the SRF in 2023 (2022: nil). Cash collateral provided to the SRF is equal to the outstanding amount of IPCs.

ING also uses IPCs for a part of its contributions to the Deposit Guarantee Scheme in Germany. Contingent liabilities for such outstanding IPCs amount to EUR 273 million as at 31 December 2023 (31 December 2022: EUR 237 million). Of these, EUR 36 million of IPCs were provided to the DGS during 2023 (2022: EUR 31 million). No IPCs were called by the DGS in 2023 (2022: nil). ING posted government bonds as collateral for the total nominal amount of EUR 319 million as at 31 December 2023 (31 December 2022: EUR 259 million).

Furthermore we refer to Note 39 'Legal proceedings' for any contingent liabilities in respect of legal proceedings.

39 Legal proceedings

ING Bank and its consolidated subsidiaries are involved in governmental, regulatory, arbitration and legal proceedings and investigations in the Netherlands and in a number of foreign jurisdictions, including the U.S., involving claims by and against them which arise in the ordinary course of their businesses, including in connection with their activities as lenders, broker-dealers, underwriters, issuers of securities and investors and their position as employers and taxpayers. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened governmental, regulatory, arbitration and legal proceedings and investigations, ING is of the opinion that some of the proceedings and investigations set out below may have or have in the recent past had a significant effect on the financial position, profitability or reputation of the ING and/or the ING and its consolidated subsidiaries.

Settlement agreement: On 4 September 2018, ING announced that it had entered into a settlement agreement with the Dutch Public Prosecution Service relating to previously disclosed investigations regarding various requirements for client on-boarding and the prevention of money laundering and corrupt practices. Following the entry into the settlement agreement, ING has experienced heightened scrutiny from authorities in various countries. ING is also aware, including as a result of media reports, that other parties may, among other things, seek to commence legal proceedings against ING in connection with the subject matter of the settlement. Certain parties filed requests with the Court of Appeal in The Netherlands to reconsider the prosecutor's decision to enter into the settlement agreement with ING and not to prosecute ING or (former) ING employees. In December 2020, the Court of Appeal issued its final ruling. In this ruling the prosecutors' decision to enter into the settlement agreement with ING was upheld, making the settlement final. However, in a separate ruling, the Court ordered the prosecution of ING's former CEO.

Litigation by investors: In February, 2024 ING and certain (former) board members were served with a writ of summons for litigation in The Netherlands on behalf of investors who claim to have suffered financial losses in connection with ING's disclosures on historic shortcomings in its financial economic crime policies, related risk management and control systems, the investigation by and settlement with the Dutch authorities in 2018 and related risks for ING. We do not agree with the allegations and will defend ourselves against these and the claimed damages of around EUR 500 million. We follow IFRS rules for taking legal provisions and would disclose material amounts in that regard if and when applicable - which currently is not the case.

Findings regarding AML processes: As previously disclosed, after its September 2018 settlement with Dutch authorities concerning anti-money laundering matters, and in the context of significantly increased attention on the prevention of financial economic crime, ING has experienced heightened scrutiny by authorities in various countries. The interactions with such regulatory and judicial authorities have included, and can be expected to continue to include, onsite visits, information requests, investigations and other enquiries. Such interactions, as well as ING's internal assessments in connection with its global enhancement programme, have in some cases resulted in satisfactory outcomes, and also have resulted in, and may continue to result in, findings, or other conclusions which may require appropriate remedial actions by ING, or may have other consequences. ING intends to continue to work in close cooperation with authorities as it seeks to improve its management of non-financial risks in terms of policies, tooling, monitoring, governance, knowledge and behaviour.

In January 2022, a Luxembourg investigating judge informed ING Luxembourg that he intends to instruct the relevant prosecutor to prepare a criminal indictment regarding alleged shortcomings in the AML process at ING Luxembourg. Although this matter still remains at an early procedural stage and it is currently not possible to determine how this matter will be resolved or the timing of any such resolution, ING does not expect a financial outcome of this matter to have a material effect.

ING's subsidiary Payvision is the subject of a criminal investigation by Dutch authorities regarding money laundering and various requirements of the Dutch act on Anti-Money Laundering and Counter Terrorist Financing, focusing on the period from 1 January 2015 up to and including April 2020. Payvision is cooperating with such ongoing investigation. In October 2021, the phasing out of Payvision was announced. The phasing out of activities and the transfer of customers to a new service provider were completed in 2022. At the request of Payvision, its license has been withdrawn. It is currently not feasible to determine how the ongoing investigation may be resolved or the timing of any such resolution, nor to estimate reliably the possible timing, scope or amounts of any resulting fines, penalties and/or other outcome.

ING continues to take steps to enhance its management of compliance risks and embed stronger awareness across the whole organisation. These steps are part of the global KYC programme and set of initiatives, which includes enhancing KYC files and working on various structural improvements in compliance policies, tooling, monitoring, governance, knowledge and behaviour.

Tax cases: Because of the geographic spread of its business, ING may be subject to tax audits, investigations and procedures in numerous jurisdictions at any point in time. Although the Issuer believes that it has adequately provided for all its tax positions, the ultimate resolution of these audits, investigations and procedures is uncertain and may result in liabilities which are materially different from the amounts recognised.

Claims regarding accounts with predecessors of ING Bank Türkiye: ING Bank Türkiye has received numerous claims from (former) customers of legal predecessors of ING Bank Türkiye. The claims are based on offshore accounts held with these banks, which banks were seized by the Savings Deposit Insurance Fund ("SDIF") prior to the acquisition of ING Bank Türkiye in 2007 from OYAK. Pursuant to the acquisition contract, ING can claim compensation from SDIF if a court orders ING to pay amounts to the offshore account holders. SDIF has made payments to ING pursuant to such compensation requests, but filed various lawsuits to receive those amounts back. These lawsuits are ongoing in favour of ING Bank Türkiye. In April 2022 the Turkish Supreme Court decided that the prescription period for the offshore account holders' compensation claims starts on the transfer date of the account holders to the offshore accounts. The exact impact of this decision on the ongoing cases is not clear yet. At this moment it is not possible to assess the outcome of these procedures nor to provide an estimate of the (potential) financial effect of these claims.

Interest rate derivatives claims: In the past a uniform recovery framework for Dutch SME clients with interest rate derivatives was established by a committee of independent experts appointed by the Dutch Ministry of Finance. In the context of this recovery framework most claims have been settled, however ING is still involved in several legal proceedings in the Netherlands with respect to interest rate derivatives that were sold to clients in connection with floating interest rate loans in order to hedge the interest rate risk of the loans. These proceedings are based on several legal grounds, depending on the facts and circumstances of each specific case, inter alia alleged breach of duty of care, insufficient information provided to the clients on the product and its risks and other elements related to the interest rate derivatives that were sold to clients. In some cases, the court has ruled in favour of the claimants and awarded damages, annulled the interest rate derivative or ordered repayment of certain amounts to the claimants.

Interest surcharges claims: ING received complaints and was involved in litigation with certain individuals in the Netherlands regarding increases in interest surcharges with respect to several credit products, including but not limited to commercial property. ING has reviewed the relevant product portfolio. The provision previously taken has been reversed for certain of these complaints. All claims are dealt with individually. Thus far, the courts have ruled in favour of ING in each case, ruling that ING was allowed to increase the interest surcharge based upon the essential obligations in the contract. In a relevant case the Dutch Supreme Court ruled in favor of another Dutch bank, addressing the question whether or not a bank is allowed to increase interest surcharges unilaterally. The Supreme Court ruled affirmatively and referred the case to the Court of Appeal in The Hague. The Court of Appeal also ruled in favour of the Dutch bank in October 2022 and this ruling has been confirmed by the Supreme Court in its ruling of 22 December 2023. ING will continue to deal with all claims individually. In the last pending case against ING, the Court of Appeal dismissed all claims in its ruling of 9 January 2024. The time limit for lodging a cassation appeal at the Supreme Court expires on 9 April 2024.

Mortgage expenses claims: ING Spain has received claims and is involved in procedures with customers regarding reimbursement of expenses associated with the formalisation of mortgages. In most first instance court proceedings the expense clause of the relevant mortgage contract has been declared null and ING Spain has been ordered to reimburse all or part of the applicable expenses. Since 2018, the Spanish Supreme Court and the European Court of Justice have issued rulings setting out which party should bear notary, registration, agency, and stamp duty costs. In January 2021, the Spanish Supreme Court ruled that valuation costs of mortgages, signed prior to 16 June 2019, the date the new mortgage law entered into force, should be borne by the bank. Media attention for the statute of limitations applicable to the right to claim reimbursement of costs resulted in an increased number of claims at the beginning of 2021. In June 2021, the Supreme Court published a press release informing of its decision to ask the European Court of Justice for a preliminary ruling regarding the criteria that should be applied to determine the date from which the action for claiming the reimbursement of mortgage expenses is considered to be expired. Two other preliminary rulings that were submitted by Catalunya courts also related to the limitation period. In January 2024, the European Court of Justice ruled on one of the complaints filed by the Catalunya Provincial Court. The European Court of Justice determined that the limitation period for the judicial claim for reimbursement of expenses cannot begin to run from a Supreme Court decision declaring the clause null and void, nor from the moment of the payment of the expenses. The European Court of Justice indicated that it is up to national case-law to determine the criterion that should be applied for the calculation of the limitation period, so uncertainty remains until the Supreme Court unifies the case-law. Currently, ING is reviewing the strategy in order to address the latest developments.

ING Spain was also included, together with other Spanish banks, in three class actions filed by customer associations. In one of the class actions an agreement was reached with the association. In another class action ING filed an appeal asking the Spanish Court of Appeal to determine that the ruling of the court of first instance is only applicable to the consumers that were part of the case. The National Court has revoked the ruling and declared that the consumers will not be able to initiate an action for compensation based on the first instance ruling, as the claimant association intended. This last decision is not yet final, as it has been appealed in the Supreme Court. A provision has been established in the past and has been adjusted where appropriate.

Imtech claims: In the Netherlands, the trustees in the bankruptcy of Imtech N.V. (“Imtech”) claimed in September 2018 from various financing parties, including ING, payment of what the security agent has collected following bankruptcy or intends to collect, repayment of all that was repaid to the financing parties, as well as compensation for the repayment of a bridge financing, provided by ING and another bank. This matter was settled by all Imtech financiers, including ING, and the Imtech trustees in October 2023.

In January 2018, ING Bank received a claim from Stichting ImtechClaim.nl and Imtech Shareholders Action Group B.V. on behalf of certain (former) shareholders of Imtech. Furthermore, in March 2018, ING Bank received another claim on the same subject matter from the Dutch Association of Stockholders (Vereniging van Effectenbezitters, “VEB”). In June 2022, VEB reiterated and further substantiated its claim in a letter to ING. Each of the claimants allege inter alia that shareholders were misled by the prospectus of the rights issues of Imtech in July 2013 and October 2014. ING Bank, being one of the underwriters of the rights issues, is held liable by the claimants for the damages that investors in Imtech would have suffered. ING Bank responded to the claimants denying any and all responsibility in relation to the allegations made in the relevant letters. ING (and the other underwriting banks) received a tolling letter (stuitingsbrief) from Stichting Imtechclaim.nl, Imtech Shareholders Action Group B.V. and individual shareholders in December 2022, in connection with the allegations made in their original claim letter of January 2018. At this moment it is not possible to assess the outcome of these claims nor to provide an estimate of the (potential) effect of these claims.

Claims regarding mortgage loans in Swiss franc in Poland: ING Poland is a defendant in several lawsuits with retail customers who took out mortgage loans indexed to the Swiss franc. Such customers have alleged that the mortgage loan contract contains abusive clauses. One element that the court is expected to consider in determining whether such contracts contain abusive clauses is whether the rules to determine the exchange rate used for the conversion of the loan from Polish zloty to Swiss franc are unambiguous and verifiable. In December 2020, the Polish Financial Supervision Authority (PFSA) proposed that lenders offer borrowers voluntary out-of-court settlements on foreign-currency mortgage disputes, with mortgages indexed to Swiss franc serving as a reference point. In February 2021, ING Poland announced its support for this initiative and in October 2021 began offering the settlements to the borrowers following the PFSA’s proposal. The Polish Supreme Court was expected to provide further clarity on this topic in a ruling scheduled for November 2021, however the court’s session on this matter was postponed and the date of the next session has not yet been announced. In October 2022, a hearing of the European Court of Justice ("CJEU") was held inter alia on the question whether, after cancellation of a contract regarding a Swiss franc loan by a court, banks may still charge interests for the amount borrowed under such loan prior to cancellation.

On 15 June 2023, the CJEU issued a ruling. It ruled that under EU law when a loan agreement indexed to the Swiss franc is declared null and void, banks cannot claim any remuneration (i.e. interest) for the duration the principal amount was available to the customer. The customer, however, may assert claims against banks in addition to reimbursement of interest and instalments previously paid to the bank. ING has recorded a portfolio provision.

Certain Consumer Credit Products: In October 2021, ING announced that it would offer compensation to its Dutch retail customers in connection with certain revolving consumer loans with variable interest rates that allegedly did not sufficiently follow market rates. This announcement was made in response to several rulings by the Dutch Institute for Financial Disputes (Kifid) regarding similar products at other banks. ING has recognized a provision of EUR 180 million in 2021 for compensation and costs in connection with this matter. On 22 December 2021, ING announced that it reached an agreement with the Dutch Consumers' Association (Consumentenbond) on the compensation methodology for revolving credits. Based on a Kifid ruling regarding similar products, ING has amended its previously announced compensation scheme by also compensating interest on interest. In the third quarter of 2022, ING increased its provision for this matter by EUR 75 million. In the fourth quarter of 2022, ING and the Dutch Consumers' Association reached an agreement on the compensation of customers who have had an overdraft facility or a revolving credit card with a variable interest rate. ING has started compensating such customers in line with Kifid rulings about revolving credits including 'interest-on-interest'-effect in these cases. The compensation process is taking more time than expected. Timelines for compensation vary depending on customer and product segmentation and are dependent on the availability of data.

Climate litigation: In January 2024, Friends of the Earth Netherlands (Milieudefensie) announced that it holds ING liable for alleged contribution to climate change and threatens to initiate legal proceedings against ING. If necessary, we will defend our science-based climate approach in court.

40 Consolidated companies and businesses acquired and divested

Acquisitions and divestments

There were no significant acquisitions in 2023, 2022 or 2021, and there was no significant divestment in 2023.

Divestments 2022

ING announced at 13 December 2022 that it has sold their interest (80%) in Intersoftware Holding BV to the Sky Group/ DIAS and realised a transaction result of EUR 11.0 million which consists of a profit of EUR 7.0 on sale of InterSoftware Holding BV and the release of the redemption liability of EUR 3.0 million.

Divestments 2021

In 2021 ING decided to discontinue the Czech Retail Banking activities entailing the closure of retail customer accounts /mutual funds and the sale of assets comprising the related government bond portfolio. The discontinuation of the Czech retail Banking activities in 2021 resulted in EUR 2.5 billion saving accounts being transferred to Raiffeisenbank and the government bond portfolio with a carrying amount of EUR 0.5 billion being sold.

At 12 July 2021, ING announced that it has reached an agreement to transfer ING's Retail Banking operations in Austria to Bank99. Under the terms of the agreement, approximately EUR 1.7 billion of savings deposits and approximately EUR 1.0 billion of mortgages, approximately EUR 0.4 billion other personal lending and approximately EUR 0.4 billion loans to banks of ING Austria have been transferred to Bank99. In December 2021 the transaction was completed and a loss on disposal of EUR 26 million was realised. In 2022 some final closing activities resulted in an additional loss of EUR 1 million. ING Austria was included in the segment Retail Challengers & Growth Markets.

In 2021, ING and the board of Makelaarsland agreed to continue Makelaarsland independently. The new board will take over all clients and employees, and services to clients will continue unchanged. The negative result on disposal of group companies from this management buyout amounted to approximately EUR 3 million.

On 28 October 2021 ING announced that its subsidiary Payvision will start phasing out its services as a payment service provider and acquirer. In 2021, Payvision recognised an impairment loss of intangible assets of EUR 44 million, mainly with respect to Brand, IT and Customer relationships and an impairment loss of the deferred tax asset of EUR 14 million.

In December 2021 ING announced that it will leave the retail banking market in France in order to sharpen the focus of its business portfolio. ING and Boursorama (a subsidiary of Société Générale) signed an agreement to offer attractive services to retail customers of ING in France. The exit was finalized end of 2022. ING's departure from the France retail banking market resulted in transferring EUR 9.7 billion saving accounts to Boursorama. ING will continue its Wholesale Banking activities in France, with a focus on strengthening its position and the ambition to be the go-to bank for sustainable finance.

41 Principal subsidiaries, investments in associates and joint ventures

For the majority of ING's principal subsidiaries, ING Bank N.V. has control because it either directly or indirectly owns more than half of the voting power. For subsidiaries in which the interest held is below 50%, control exists based on the combination of ING's financial interest and its rights from other contractual arrangements which result in control over the operating and financial policies of the entity.

For each of the subsidiaries listed, the voting rights held equal the proportion of ownership interest and consolidation by ING is based on the majority of ownership.

For the principal investments in associates and joint ventures ING Bank has significant influence but not control. Significant influence generally results from a shareholding of between 20% and 50% of the voting rights, but also the ability to participate in the financial and operating policies through situations including, but not limited to one or more of the following:

- Representation on the board of directors;
- Participation in the policymaking process; and
- Interchange of managerial personnel.

The principal subsidiaries, investments in associates and joint ventures of ING Bank N.V. and their statutory place of incorporation or primary place of business are as follows:

Principal subsidiaries, investments in associates and joint ventures

			Proportion of ownership and interest held by the group	
			2023	2022
Subsidiary	**Statutory place of Incorporation**	**Country of operation**		
Bank Mendes Gans N.V.	Amsterdam	the Netherlands	100%	100%
ING Belgium S.A./N.V.	Brussels	Belgium	100%	100%
ING Luxembourg S.A.	Luxembourg City	Luxembourg	100%	100%
ING-DiBa AG	Frankfurt am Main	Germany	100%	100%
ING Bank Slaski S.A.[1]	Katowice	Poland	75%	75%
ING Financial Holdings Corporation	Delaware	United States of America	100%	100%
ING Bank A.S.	Istanbul	Türkiye	100%	100%
ING Bank (Australia) Ltd	Sydney	Australia	100%	100%
ING Commercial Finance B.V.	Amsterdam	the Netherlands	100%	100%
ING Groenbank N.V.	Amsterdam	the Netherlands	100%	100%
Investments in associates and joint ventures				
TMBThanachart Bank Public Company Ltd[2]	Bangkok	Thailand	23%	23%

1 The shares of the non-controlling interest stake of 25% are listed on the Warsaw Stock Exchange, for summarised financial information we refer to Note 28 'Information on geographical areas'
2 Reference is made to Note 8 'Investment in associates and joint ventures'.

42 Structured entities

ING Bank's activities involve transactions with various structured entities (SE) in the normal course of its business. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. ING Bank's involvement in these entities varies and includes both debt financing and equity financing of these entities as well as other relationships. Based on its accounting policies ING establishes whether these involvements result in no significant influence, significant influence, joint control or control over the structured entity.

The structured entities over which ING can exercise control are consolidated. ING may provide support to these consolidated structured entities as and when appropriate. However, this is fully reflected in the consolidated financial statements of ING Bank as all assets and liabilities of these entities are included and off-balance sheet commitments are disclosed.

ING's activities involving structured entities are explained below in the following categories:

1. Consolidated ING originated securitisation programmes;
2. Consolidated ING originated Covered bond programme (CBC);
3. Consolidated ING sponsored Securitisation programme (Mont Blanc);
4. Unconsolidated Securitisation programme; and
5. Other structured entities.

1. Consolidated ING originated securitisation programmes

ING Bank enters into liquidity management securitisation programmes in order to obtain funding and improve liquidity. Within the programme ING Bank sells ING originated assets to a structured entity. The underlying exposures include residential mortgages and SME loans in the Netherlands, Belgium, Spain, Italy, Australia and Germany.

The structured entity issues securitised notes (traditional securitisations) which are eligible collateral for central bank liquidity purposes. In most programmes ING Bank acts as investor of the securitised notes. ING Bank continues to consolidate these structured entities if it is deemed to control the entities.

The structured entity issues securitisation notes in two or more tranches, of which the senior tranche obtains a high rating (AAA or AA) by a rating agency. The retained tranche can subsequently be used by ING Bank as collateral in the money market for secured borrowings.

ING Bank originated various securitisations, as at 31 December 2023, these consisted of approximately EUR 67 billion (2022: EUR 65 billion) of senior and subordinated notes, of which approximately EUR 2 billion

(2022: EUR 1 billion) were issued externally. The underlying exposures are residential mortgages and SME loans. Apart from the third party funding, these securitisations did not impact ING Bank's Consolidated statement of financial position and profit or loss.

In 2023, there are no non-controlling interests as part of the securitisation structured entities that are significant to ING Bank. ING Bank for the majority of the securitisation vehicles provides the funding for the entity except for EUR 2 billion (2022: EUR 1 billion).

In addition Bank originated various securitisations for liquidity management optimisation purposes which consist of senior secured portfolio loans issued to ING subsidiaries in Germany. The underlying exposures were senior loans to large corporations and financial institutions, and real estate finance loans, mainly in the Netherlands. As at 31 December 2023, all securitized loans are redeemed (2022: EUR 444 million).

2. Consolidated ING originated Covered bond programme (CBC)

ING Bank has entered into a covered bond programme. Under the covered bond programme ING issues bonds. The payment of interest and principal is guaranteed by the ING administered structured entities, ING Covered Bond Company B.V., and ING SB Covered Bond Company B.V. In order for these entities to fulfil their guarantee, ING legally transfers mainly Dutch mortgage loans originated by ING. Furthermore ING offers protection against deterioration of the mortgage loans. The entities are consolidated by ING Bank.

Covered bond programme

	Fair value pledged mortgage loans	
in EUR million	2023	2022
Dutch Covered Bond Companies	27,148	21,379
	27,148	**21,379**

In addition, subsidiaries of ING in Germany, Belgium, Poland and Australia also issued covered bonds with pledged mortgages loans of approximately EUR 29,950 million (2022: EUR 24,880 million) in total.

For the covered bond programme, third-party investors in securities issued by the structured entity have recourse to the assets of the entity and to the assets of ING Bank.

3. Consolidated ING sponsored Securitisation programme (Mont Blanc)

In the normal course of business, ING Bank structures financing transactions for its clients by assisting them in obtaining sources of liquidity by selling the clients' receivables or other financial assets to a Special Purpose Vehicle (SPV). The senior positions in these transactions may be funded by the ING administered multi seller Asset Backed Commercial Paper (ABCP) conduit Mont Blanc Capital Corp. (rated A-1/P-1). Mont Blanc Capital Corp. funds itself externally in the ABCP markets.

In its role as administrative agent, ING Bank facilitates these transactions by acting as administrative agent, swap counterparty and liquidity provider to Mont Blanc Capital Corp. ING Bank also provides support facilities (i.e. liquidity) backing the transactions funded by the conduit. The types of asset currently in the Mont Blanc conduit include trade receivables, consumer finance receivables, car leases and residential mortgages.

ING Bank supports the commercial paper programmes by providing Mont Blanc Capital Corp. with short-term liquidity facilities. Once drawn these facilities bear normal credit risk.

The liquidity facilities, provided to Mont Blanc are EUR 2,268 million (2022: EUR 2,446 million). The drawn liquidity amount is nil as at 31 December 2023 (2022: nil).

The standby liquidity facilities are reported under irrevocable facilities. All facilities, which vary in risk profile, are granted to the Mont Blanc Capital Corp. subject to normal ING Bank credit and liquidity risk analysis procedures. The fees received for services provided and for facilities are charged subject to market conditions.

4. Unconsolidated Securitisation programme

In 2013 ING transferred financial assets (mortgage loans) for an amount of approximately EUR 2 billion to a special purpose vehicle (SPV). The transaction resulted in full derecognition of the financial assets from ING's statement of financial position. Following this transfer ING continues to have two types of on-going involvement in the transferred assets: as counterparty to the SPE of a non-standard interest rate swap, which is recognized as a non-trading derivative and as servicer of the transferred assets. ING has an option to unwind the transaction by redeeming all notes at their principal outstanding amount, in the unlikely event of changes in accounting and/or regulatory requirements that significantly impact the transaction. The fair value of the swap held by ING at 31 December 2023 amounted to EUR -26 million (2022: EUR -40 million); fair value changes on this swap recognised in the statement of profit or loss in 2023 were EUR 14 million (2022: EUR -6 million). Service fee income recognised, for the role as administrative agent, in the statement of profit or loss in 2023 amounted to EUR 1 million (2022: EUR 1 million). The cumulative income recognised in profit or loss since derecognition amounts to EUR 19 million (2022: EUR 18 million).

5. Other structured entities

In the normal course of business, ING Bank enters into transactions with structured entities as counterparty. Predominantly in its structured finance operations, ING can be instrumental in facilitating the creation of these structured entity counterparties. These entities are generally not included in the consolidated financial statements of ING Bank, as ING facilitates these transactions as administrative agent by providing structuring, accounting, funding, lending, and operation services.

ING Bank offers various investment fund products to its clients. ING Bank does not invest in these investment funds for its own account nor acts as the fund manager.

43 Related parties

In the normal course of business, ING Bank enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of ING Bank include, among others, its subsidiaries, associates, joint ventures, key management personnel, and various defined benefit and contribution plans. For post-employment benefit plans, reference is made to Note 30 'Pensions and other post-employment benefits'. Transactions between related parties include rendering or receiving of services, leases, transfers under finance arrangements and provisions of guarantees or collateral. All transactions with related parties took place at conditions customary in the market. There are no significant provisions for doubtful debts or individually significant bad debt expenses recognised on outstanding balances with related parties. ING Bank forms part of ING Group and also enters into transactions with ING Group. These transactions vary from financing activities to regular purchase and sales transactions. Disclosed in the table below, are the transactions with ING Groep N.V.

Parent Company

Transactions with ING Groep N.V.

in EUR million	2023	2022
Assets	56	56
Liabilities	70,524	65,704
Income received	1	4
Expenses paid	2,026	1,426

Liabilities to ING Groep N.V. mainly comprise long-term funding.

Associates and joint ventures

Transactions with ING Bank's main associates and joint ventures

	Associates		Joint ventures	
in EUR million	2023	2022	2023	2022
Assets	121	121		
Liabilities	424	309	1	1
Off-balance sheet commitments	20	28		
Income received	10	12		
Expenses paid	3			

Assets, liabilities, commitments, and income related to Associates and joint ventures result from transactions which are executed as part of the normal Banking business. Dividends received by associates and joint ventures are included in Note 8 'Investment in associates and joint ventures'.

Key management personnel compensation

The Executive Board of ING Groep N.V., the Management Board Banking and the Supervisory Board are considered Key Management personnel of ING. In 2023 and 2022, the three members of the Executive Board of ING Groep N.V. were also members of the Management Board Banking.

Transactions with key management personnel, including their compensation are included in the tables below.

Key management personnel compensation (Executive Board and Management Board Banking)

2023 in EUR thousands	Executive Board of ING Groep N.V.	Management Board Banking [1]	Total
Fixed Compensation			
– Base salary	4,220	4,200	8,420
– Collective fixed allowances [2]	1,002	887	1,889
– Pension costs	78	107	185
– Severance benefits		734	734
Variable compensation			
– Upfront cash		598	598
– Upfront shares	293	598	891
– Deferred cash		897	897
– Deferred shares	439	897	1,336
– Other emoluments [3]	344	487	832
Total compensation	**6,376**	**9,405**	**15,782**

1 Excluding members of the Management Board Banking that are also members of the Executive Board of ING Groep N.V.
2 The collective fixed allowances consist of two savings allowances applicable to employees in the Netherlands; an individual savings allowance of 3.5% and a collective savings allowance to compensate for loss of pension benefits with respect to salary in excess of EUR 128,810.
3 This includes expatriate allowances (such as housing, school/tuition fees and international health insurances, if applicable); banking and insurance benefits from ING (on the same terms as for other employees of ING in the Netherlands); tax and financial planning services to ensure compliance with the relevant legislative requirements; reimbursement of costs under the Directors & Officers indemnity provided by ING; the use of a company car or driver service.

Key management personnel compensation (Executive Board and Management Board Banking)

2022 in EUR thousands	Executive Board of ING Groep N.V.	Management Board Banking [1]	Total
Fixed Compensation			
– Base salary	4,220	4,969	9,189
– Collective fixed allowances [2]	1,011	1,073	2,084
– Pension costs	70	116	186
– Severance benefits		932	932
Variable compensation			
– Upfront cash		803	803
– Upfront shares	268	803	1,071
– Deferred cash		1,204	1,204
– Deferred shares	401	1,204	1,605
– Other emoluments [3]	296	638	934
Total compensation	**6,266**	**11,742**	**18,008**

1 Excluding members of the Management Board Banking that are also members of the Executive Board of ING Groep N.V.
2 The collective fixed allowances consist of two savings allowances applicable to employees in the Netherlands; an individual savings allowance of 3.5% and a collective savings allowance to compensate for loss of pension benefits with respect to salary in excess of EUR 114,866.
3 This includes amongst others: housing, school/tuition fees, international health insurance, relocation costs and tax and financial planning.

ING indemnifies the members of the EB against direct financial losses in connection with claims from third parties filed, or threatened to be filed, against them by virtue of their service as a member of the EB, as far as permitted by law, on the conditions laid down in the Articles of Association and their commission contract. ING has taken out liability insurance for the members of the EB.

In accordance with the Articles of Association ING indemnifies the members of the Supervisory Board as far as legally permitted against direct financial losses in connection with claims from third parties filed or threatened to be filed against them by virtue of their service as a member of the Supervisory Board.

Key management personnel compensation is generally included in Staff expenses in the statement of profit or loss. The total remuneration of the Executive Board and Management Board Banking is disclosed in the table above. Under IFRS, certain components of variable remuneration are not recognised in the statement of profit or loss directly, but are allocated over the vesting period of the award. The comparable amount recognised in Staff expenses in 2023 relating to the fixed expenses of 2023 and the vesting of variable remuneration of earlier performance years, is EUR 14 million in 2023 (2022: EUR 14 million).

The table below shows the total of fixed remuneration, expense allowances and attendance fees for the Supervisory Board in 2023 and 2022

Key management personnel compensation (Supervisory Board)		
in EUR thousands	2023	2022
Total compensation	1,152	1,048

Loans and advance to key management personnel

As at 31 December 2023 Loans and advances outstanding to key management personnel amounted to EUR 1.7 million (2022: EUR 2.7 million) and loan commitments to key management personnel amounted to EUR 138 thousand (2022: EUR 203 thousand). Total interest received in 2023 on these loans and advances amounted to EUR 30 thousand (2022: EUR 62 thousand).

These loans and advances and loan commitments (1) were made in the ordinary course of business, (2) were granted on conditions that are comparable to those of loans and advances granted to all employees and (3) did not involve more than the normal risk of collectability or present other unfavourable features. Loans and advances to members of the Executive Board and Management Board Banking are compliant with the standards set out in the DNB guidelines for loans to officers and directors of a regulated entity, such as ING.

Deposits outstanding to key management personnel

As at 31 December 2023 Deposits outstanding from key management personnel amounted to EUR 13.9 million (2022: EUR 11.5 million). Total interest paid in 2023 on these deposits amounted to EUR 197 thousand (2022: EUR 36 thousand).

ING shares held by key management personnel

Number of ING Groep N.V. shares to key management personnel		
	ING Groep N.V. shares	
in numbers	2023	2022
Executive Board members	128,241	108,217
Management Board Banking	262,507	294,574
Supervisory Board members	5,295	5,295
Total number of shares	**396,043**	**408,086**

44 Capital management

Objectives

Group Treasury ("GT") Balance Sheet & Capital Management, is responsible for maintaining the adequate capitalisation of ING Group and ING Bank entities, to manage the risk associated with ING's business activities. This involves not only managing, planning and allocating capital within ING Group, ING Bank and its various entities, but also helping to execute necessary capital market transactions, term (capital) funding and risk management transactions. ING takes an integrated approach to assess the adequacy of its capital position in relation to its risk profile and operating environment. This means GT Balance Sheet & Capital Management takes into account both regulatory and internal, economic based metrics and requirements as well as the interests of key stakeholders such as shareholders and rating agencies.

ING Bank applies the following main capital definitions:

- Common Equity Tier 1 capital (CET1) - is defined as shareholders' equity less regulatory adjustments. CET1 capital divided by risk-weighted assets equals the CET1 ratio.
- Tier 1 capital – is defined as CET1 capital plus Additional Tier 1 (hybrid) securities and other regulatory adjustments. Tier 1 capital divided by risk-weighted assets equals the Tier 1 capital ratio.
- Total capital – is Tier 1 capital plus subordinated Tier 2 liabilities and regulatory adjustments. Total capital divided by risk-weighted assets equals the Total capital ratio.
- Leverage ratio – is defined as Tier 1 capital divided by the leverage exposure.

Capital developments

ING Bank's capital ratios at the end of the year decreased compared to 2022 primarily due to lower available CET1 capital as a result of the EUR 4.0 billion additional distributions that were upstreamed to ING Group. Risk-weighted assets were mainly impacted by volume reduction in Russia-related exposure, currency movements, improvement in book quality and model impacts.

ING Bank paid EUR 6.3 billion of dividend to ING Group in relation to the 2023 profit and an additional EUR 4.0 billion for distribution to shareholders by the Group.

ING Bank N.V. has a CET1 ratio of 11.95% versus an overall CET1 requirement (including buffer requirements) of 7.50%. The Bank's Tier 1 ratio decreased from 14.5% to 14.1% compared to last year. The Banks's Total capital ratio decreased to 17.0%.

ING Bank capital position according to CRR II / CRD V

in EUR million	2023	2022
Shareholders' equity [1]	40,191	42,546
- Interim profits not included in CET 1 capital	-766	-913
- Other adjustments	-1,029	332
Regulatory adjustments	-1,795	-580
Available common equity Tier 1 capital	**38,396**	**41,966**
Additional Tier 1 securities	6,962	6,280
Regulatory adjustments additional Tier 1	86	78
Available Tier 1 capital	**45,444**	**48,324**
Supplementary capital Tier 2 bonds [2]	9,115	10,046
Regulatory adjustments Tier 2	54	41
Available Total capital	**54,613**	**58,411**
Risk weighted assets	321,358	332,853
Common equity Tier 1 ratio	11.95%	12.61%
Tier 1 ratio	14.14%	14.52%
Total capital ratio	16.99%	17.55%

1 Shareholders' equity is determined in accordance with IFRS-EU.
2 All T2 securities are CRR/CRD V-compliant for 2023.

In accordance with the applicable regulation, credit and operational risk models used in the capital ratios calculations are not audited.

Processes for managing capital

GT Balance Sheet & Capital Management ensures adherence to ING's solvency risk appetite statements by planning and executing capital management transactions. The ongoing assessment and monitoring of capital adequacy is embedded in the capital planning process as part of the ICAAP framework. As part of the dynamic business planning process, ING prepares a capital and funding plan on a regular basis for all its material businesses and assesses continuously the timing, need and feasibility for capital management actions in scope of its execution strategy. Sufficient financial flexibility should be preserved to meet important financial objectives. Risk appetite statements are at the foundation of the capital plan and are cascaded to the different businesses in line with ING's risk management framework. Contingency capital measures and early warning indicators are in place in conjunction with ING's contingency and recovery plan to support the strategy in times of stress.

Adverse planning and stress testing, which reflect the outcome of the annual risk assessment, are integral components of ING's risk and capital management framework. It allows to (i) identify and assess potential vulnerabilities in ING's businesses, business model, portfolios or operating environment; (ii) understand the sensitivities of the core assumptions used in ING's strategic and capital plan; and (iii) improve decision-making and business steering through balancing risk and return following a forward looking and prudent management approach.

Regulatory requirements

Capital adequacy and the use of required regulatory capital are based on the guidelines developed by the Basel Committee on Banking Supervision (The Basel Committee) and the European Union Directives, as implemented by the Dutch Central Bank and the ECB for supervisory purposes. In 2010, the Basel Committee issued new solvency and liquidity requirements that superseded Basel II, implemented in the EU via CRR / CRD. In accordance with the CRR the minimum Pillar 1 capital requirements applicable to ING Bank are: a CET1 ratio of 4.5%, a Tier 1 ratio of 6.0% and a Total capital ratio of 8.0% of risk-weighted assets.

The overall CET1 requirement (including buffer requirements) for ING Bank N.V. at a consolidated level was 7.50% in 2023. This requirement is the sum of a 4.5% Pillar I requirement, a 2.5% Capital Conservation Buffer (CCB) and a 0.50% Countercyclical Buffer (CCyB) (based on December 2023 positions).

Ratings

ING's credit ratings and outlook are shown in the table below. Each of these ratings reflects only the view of the applicable rating agency at the time the rating was issued, and any explanation of the significance of a rating may be obtained only from the rating agency.

Main credit ratings of ING Bank N.V. at 31 December 2023

	S&P	Moody's	Fitch	GBB-Rating
ING Bank N.V.				
Issuer rating				
Long-term	A+	A1	AA-	A+
Short-term	A-1	P-1	F1+	n/a
Outlook	Stable	Stable	Stable	Indeterminate
Senior unsecured rating	A+	A1	AA-	

A security rating is not a recommendation to buy, sell or hold securities and each rating should be evaluated independently of other ratings. There is no assurance that any credit rating will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the rating agency if, in the rating agency's judgment, circumstances so warrant. ING accepts no responsibility for the accuracy or reliability of the ratings.

45 Subsequent events

There are no subsequent events to report other than those already disclosed in Note 39 'Legal proceedings'.

Authorisation of Consolidated Financial Statements

Amsterdam, 4 March 2024

The Supervisory Board

K.K. (Karl) Guha, chairperson
A.M.G. (Mike) Rees, vice-chairperson
J. (Juan) Colombás
M. (Margarete) Haase
L.J. (Lodewijk) Hijmans van den Bergh
H.A.H. (Herman) Hulst
H.H.J.G. (Harold) Naus
A. (Alexandra) Reich
H.W.P.M.A. (Herna) Verhagen

The Management Board Banking

S.J.A. (Steven) van Rijswijk, CEO and chairperson
T. (Tanate) Phutrakul, CFO
L. (Ljiljana) Čortan, CRO
P. (Pinar) Abay, head of Retail, Market Leaders and Challengers & Growth Markets
A.J.M. (Andrew) Bester, head of Wholesale Banking
M.A. (Marnix) van Stiphout, chief operations officer, chief transformation officer and chief technology officer a.i.

Parent company statement of financial position

as at 31 December before appropriation of result

in EUR million	2023	2022	in EUR million	2023	2022
Assets			**Liabilities**		
Cash and balances with central banks 2	51,480	42,013	Deposits from banks 13	55,153	70,515
Short-dated government paper 3	253	49	Customer deposits 14	382,056	375,858
Loans and advances to banks 4	73,049	83,985	Debt securities in issue	61,231	39,526
Loans and advances to customers 5	344,894	346,012	Other liabilities 15	69,058	88,197
Debt securities 6	48,671	43,784	General provisions 16	782	883
Equity securities 7	6,279	4,263	Subordinated loans 17	15,494	15,871
Investments in group companies 8	32,050	30,257	Total liabilities	**583,776**	**590,851**
Investments in associates and joint ventures 9	1,243	1,240			
Intangible assets 10	582	565	Equity 18		
Equipment 11	783	828	Share capital	525	525
Other assets 12	64,682	80,400	Share premium	16,542	16,542
			Revaluation reserves	-181	-862
			Legal and statutory reserves	-557	361
			Other reserves	22,398	25,067
			Unappropriated result	1,465	913
			Total equity	**40,191**	**42,546**
Total assets	**623,967**	**633,396**	**Total liabilities and equity**	**623,967**	**633,396**

References relate to the accompanying notes. These form an integral part of the Parent company financial statements.

Parent company statement of profit or loss

for the years ended 31 December

in EUR million	2023	2022
Interest income	32,806	14,182
Interest expense	-27,119	-8,260
Net interest income 19	**5,687**	**5,922**
Investment income and results from participating interests 20	4,931	2,215
Fee and commission income	2,501	2,402
Fee and commission expense	-595	-584
Net fee and commission income 21	**1,906**	**1,818**
Results from financial transactions 22	**1,440**	**721**
Other income	75	153
Total income	**14,039**	**10,829**
Staff expenses 23	3,455	3,249
Depreciation, amortisation and impairments 24	324	405
Other expenses 25	2,103	2,150
Addition to loan loss provisions	52	705
Total expenses	**5,934**	**6,510**
Result before tax	**8,105**	**4,319**
Taxation 26	948	652
Result after tax	**7,157**	**3,667**

References relate to the accompanying notes. These form an integral part of the Parent company financial statements.

Parent company statement of changes in equity

in EUR million	Share capital	Share premium	Revaluation reserves	Legal and statutory reserves	Other reserves	Unappropriated results	Total
Balance as at 31 December 2022	525	16,542	-862	361	25,067	913	42,546
Realised and unrealised revaluations equity and debt instruments and other revaluations			-24	21	-1		-4
Realised gains/losses transferred to the statement of profit or loss			-3	-5			-8
Changes in cash flow hedge reserve			766	231			997
Unrealised revaluations property in own use			4	-2	8		10
Remeasurement of the net defined benefit asset/liability			-63	-22			-85
Exchange rate differences and other			0	-132			-132
Amount recognised directly in equity			**680**	**90**	**7**		**777**
Net result				336		6,821	7,157
			680	**426**	**7**	**6,821**	**7,934**
Dividends and other cash distributions					-4,000	-6,269	-10,269
Employee share plans					24		24
Changes in the composition of the group and other changes				-1,344	1,299		-45
Balance as at 31 December 2023	**525**	**16,542**	**-181**	**-557**	**22,398**	**1,465**	**40,191**

Changes in individual components are presented in Note 18 'Equity'.

Parent company statement of changes in equity - continued

in EUR million	Share capital	Share premium	Revaluation reserves	Legal and statutory reserves	Other reserves	Unappropriated results	Total
Balance as at 31 December 2021	525	16,542	1,617	-548	27,117	2,661	47,914
Realised and unrealised revaluations equity and debt instruments and other revaluations			-290	-212	-23		-525
Realised gains/losses transferred to the statement of profit or loss			-9	-15			-24
Changes in cash flow hedge reserve			-2,200	-701			-2,901
Unrealised revaluations property in own use			1	-33	26		-5
Remeasurement of the net defined benefit asset/liability			-131	112			-19
Exchange rate differences and other			149	1,089	15		1,253
Amount recognised directly in equity			**-2,479**	**239**	**19**		**-2,221**
Net result				161		3,506	3,667
			-2,479	**400**	**19**	**3,506**	**1,446**
Transfer from unappropriated results					2,661	-2,661	
Dividends and other cash distributions					-3,684	-2,594	-6,277
Employee share plans					27		27
Changes in the composition of the group and other changes				509	-1,073		-564
Balance as at 31 December 2022	**525**	**16,542**	**-862**	**361**	**25,067**	**913**	**42,546**

Changes in individual components are presented in Note 18 ‘Equity’.

Notes to the parent company financial statements

1 Basis of presentation

ING Bank N.V. (Naamloze vennootschap) is registered at Bijlmerdreef 106, 1102 CT Amsterdam, the Netherlands (Commercial Register of Amsterdam under number 33031431). ING Bank is a global financial institution with a strong European base, offering a wide range of retail and wholesale banking services to customers in over 40 countries.

These Parent financial statements, as at and for the year ended 31 December 2023, comprise ING Bank N.V. also referred to as ING Bank. The Parent company financial statements of ING Bank are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Dutch Civil Code. In accordance with subsection 8 of section 362, Book 2 of the Dutch Civil Code, the recognition and measurement principles applied in these Parent company financial statements are the same as those applied in the ING Bank Consolidated financial statements, reference is made to Note 1 'Basis of preparation and material accounting policy information' of the consolidated financial statements. Investments in group companies are accounted in the Parent company accounts according to the equity method. In addition to the notes to these financial statements, further information is included in the notes to the consolidated financial statements.

A list containing the information referred to in Section 379 (1), Book 2, of the Dutch Civil Code has been filed with the office of the Commercial Register of Amsterdam, in accordance with Section 379 (5), Book 2 of the Dutch Civil Code.

The parent company financial statements are presented in euros, rounded to the nearest million, unless stated otherwise. Amounts may not add up due to rounding.

The ING Bank Parent financial statements, as at and for the year ended 31 December 2023, were authorised for issue in accordance with a resolution of the Management Board Banking on 4 March 2024.

Parent company equity and related reserves

The total amount of equity in the Parent company financial statements equals Shareholders' equity (parent) in the Consolidated financial statements. Certain components within equity are different, as a result of the following presentation differences between the parent company accounts and consolidated accounts:

- Unrealised revaluations including those related to cash flow hedges within consolidated group companies, presented in Other reserves - Revaluation reserve in the consolidated accounts, are presented in the Share of associates and joint ventures reserve in the parent company accounts;
- Foreign currency translation from consolidated group companies, presented in Other reserves - Currency translation reserve in the consolidated accounts, is presented in the Share of associates and joint ventures reserve in the parent company accounts;
- Revaluations on investment property and certain participations recognised in income and consequently presented in Retained earnings in the consolidated accounts, is presented in the Share of associates and joint ventures reserve in the parent company accounts.

A legal reserve is carried at an amount equal to the share in the results of associates and joint ventures since their first inclusion at net asset value less the amount of profit distributions to which rights have accrued in the interim. Profit distributions which can be repatriated to the Netherlands without restriction are likewise deducted from the Share of associates and joint ventures reserve.

Presentation parent company assets and liabilities

The presentation of assets and liabilities in the parent company financial statements differs from the presentation in the consolidated financial statements. In below tables a reconciliation is included between the presentation in the parent company versus consolidated financial statements.

Presentation Parent company financial statements versus Consolidated financial statements, Assets

in EUR million	*Parent company statement of financial position*										
Assets as at 31 December 2023	Cash and balances with central banks	Short-dated government paper	Loans and advances to banks	Loans and advances to customers	Debt securities	Equity securities	Investments in associates and joint ventures	Intangible assets	Equipment	Other assets	**Total**
Included in Consolidated statement of financial position:											
Cash and balances with central banks	51,480										51,480
Loans and advances to banks			53,390								53,390
Financial assets at fair value through profit or loss											
– Trading assets		10	1,247	10,837	6,595	4,460				44,241	67,390
– Non-trading derivatives										14,887	14,887
– Designated as at fair value through profit or loss			671	569	3,117						4,357
– Mandatorily at fair value through profit or loss			17,702	14,714	886	40					33,343
Financial assets at fair value through other comprehensive income			41	234	17,005	1,778					19,058
Securities at amortised cost		243			21,068						21,311
Loans and advances to customers				318,540							318,540
Investments in associates and joint ventures							1,243				1,243
Property and equipment									780		780
Intangible assets								582			582
Current tax assets										189	189
Deferred tax assets										701	701
Other assets									3	4,663	4,667
Total assets	**51,480**	**253**	**73,049**	**344,894**	**48,671**	**6,279**	**1,243**	**582**	**783**	**64,682**	**591,916**

Presentation Parent company financial statements versus Consolidated financial statements, Liabilities

in EUR million	Parent company statement of financial position						
Liabilities as at 31 December 2023	**Deposits from banks**	**Customer deposits**	**Debt securities in issue**	**Other liabilities**	**General provisions**	**Subordinated loans**	**Total**
Included in Consolidated statement of financial position:							
Deposits from banks	42,695						42,695
Customer deposits		363,120					363,120
Financial liabilities at fair value through profit or loss							
– Trading liabilities	1,075	9,328		44,514			54,916
– Non-trading derivatives				17,969			17,969
– Designated as at fair value through profit or loss	11,384	9,608	7,962			95	29,048
Current tax liabilities				93			93
Deferred tax liabilities					169		169
Provisions					599		599
Other liabilities				6,483	15		6,498
Debt securities in issue			53,270				53,270
Subordinated loans						15,399	15,399
Total liabilities	**55,153**	**382,056**	**61,231**	**69,058**	**782**	**15,494**	**583,776**

Notes to the Parent company statement of financial position

2 Cash and balances with central banks

Amounts held at central banks amount to EUR 50,665 million (2022: EUR 41,206 million). In 2023, the movement in Cash and balances with central banks reflects ING's active liquidity management.

3 Short-dated government paper

Short-dated government paper includes Dutch and international government paper amounting to EUR 253 million (2022: EUR 49 million) for the company.

4 Loans and advances to banks

Loans and advances to banks

in EUR million	2023	2022
Non-subordinated receivables from:		
Group companies	37,880	34,181
Third parties	32,215	46,810
	70,095	**80,991**
Subordinated receivables from:		
Group companies	2,955	2,994
	73,049	**83,985**

As at 31 December 2023, Loans and advances to banks includes receivables with regard to securities, which have been acquired in reverse repurchase transactions amounting to EUR 23,682 million (2022: EUR 39,304 million).

5 Loans and advances to customers

Loans and advances to customers

in EUR million	2023	2022
Non-subordinated receivables from:		
ING Groep N.V.	51	51
Group companies	31,131	36,191
Third parties	312,308	308,367
	343,490	**344,610**
Subordinated receivables from:		
Group companies	1,404	1,403
	344,894	**346,012**

As at 31 December 2023, receivables included in Loans and advances to customers that are part of the trading portfolio amount to EUR 10,837 million (2022: EUR 8,906 million).

Loans and advances to customers includes receivables with regard to securities which have been acquired in reverse repurchase transactions amounting to EUR 23,625 million (2022: EUR 20,638 million) for the company.

6 Debt securities

Debt securities by issuer

in EUR million	2023	2022
Public sector	32,343	31,088
Other	16,328	12,696
	48,671	**43,784**

Debt securities analysed by listing

in EUR million	2023	2022
Listed	38,424	32,555
Unlisted	10,247	11,229
	48,671	**43,784**

The above table includes the following non subordinated debt securities:

in EUR million	2023	2022
Non-subordinated debt securities issued by:		
Third parties	47,701	42,949
	47,701	**42,949**

Changes in debt securities [1]

in EUR million	2023	2022
Opening balance	35,934	34,693
Additions	16,605	19,105
Amortisation	-82	-130
Changes in unrealised revaluations	187	-2,135
Disposals and redemptions	-14,655	-16,118
Exchange rate differences	0	490
Other changes	83	29
Closing balance	**38,072**	**35,934**

1 Excluding fair value through profit or loss portfolio.

7 Equity securities

Equity securities analysed by listing

in EUR million	2023	2022
Listed	6,086	4,042
Unlisted	193	221
	6,279	**4,263**

Changes in equity securities at fair value through OCI.

in EUR million	2023	2022
Opening balance	1,808	2,369
Additions	26	12
Changes in unrealised revaluations	42	-55
Disposals	-1	-491
Exchange rate differences	-101	-38
Other changes	5	10
Closing balance	**1,778**	**1,808**

The cost or purchase price of the shares in the trading portfolio approximates their fair value. As at 31 December 2023 the cost or purchase price of shares excluding trading portfolio is EUR 1,119 million lower (2022: EUR 1,171 million lower) than the carrying amount.

8 Investments in group companies

Investments in group companies

in EUR million	2023		2022	
	Interest held (%)	Statement of financial position value	Interest held (%)	Statement of financial position value
ING België N.V.	100	9,069	100	9,566
ING Holding Deutschland GMBH	100	10,097	100	9,174
ING Bank (Australia) Limited	100	3,722	100	3,894
ING Financial Holdings Corporation	100	3,064	100	2,804
ING Bank Slaski S.A.	75	2,865	75	1,496
ING Bank A.S.	100	531	100	758
Bank Mendes Gans N.V.	100	944	100	789
ING Real Estate B.V.	100	91	100	71
ING Australia Holdings Limited	100	9	100	10
ING Corporate Investments B.V.	100	212	100	157
Other (including financing companies)		1,445		1,539
		32,050		**30,257**

As at 31 December 2023, Investments in group companies includes credit institutions of EUR 17,722 million (2022: EUR 17,016 million).
As at 31 December 2023 listed investments in group companies amount to EUR 2,865 million (2022: EUR 1,496 million).

Changes in investments in group companies

in EUR million	2023	2022
Opening balance	30,257	31,342
Repayment of capital injection	-225	-226
Revaluations	345	-788
Results from group companies	4,707	2,193
Dividends received	-2,892	-2,502
Capital contribution		14
Mergers and liquidations	26	-14
Exchange rate differences	-157	237
Other changes	-10	
Closing balance	**32,050**	**30,257**

9 Investments in associates and joint ventures

Investments in associates and joint ventures

in EUR million	2023		2022	
	Interest held (%)	Statement of financial position value	Interest held (%)	Statement of financial position value
TMBThanachart Bank Public Company	23	1,128	23	1,109
Other		115		131
		1,243		**1,240**

Changes in investments in associates and joint ventures

in EUR million	2023	2022
Opening balance	1,240	1,354
Additions	26	24
Share of results	122	66
Dividends received	-62	-38
Disposals	-50	1
Impairments	-5	-192
Revaluations	6	-7
Exchange rate differences	-35	27
Other changes		5
Closing balance	**1,243**	**1,240**

10 Intangible assets

Changes in intangible assets

in EUR million	Goodwill 2023	Goodwill 2022	Software 2023	Software 2022	Other 2023	Other 2022	Total 2023	Total 2022
Opening balance	114	122	449	508	2	2	565	632
Additions			174	115			174	115
Disposals			-6	1			-6	1
Amortisation			-148	-155			-148	-155
Impairments		-32	-3	-17			-3	-49
Exchange rate differences	5	-1					5	-1
Other changes		25	-5	-3			-5	23
Closing balance	**119**	**114**	**461**	**449**	**2**	**2**	**582**	**565**

Goodwill is tested for impairment annually.

11 Equipment

Changes in equipment

in EUR million	2023	2022
Opening balance	828	901
Additions	162	139
Depreciation	-170	-183
Disposals	-36	-15
Impairments	-2	-19
Reversal of impairments	0	1
Exchange rate differences	0	-2
Other changes	0	7
Closing balance	**783**	**828**
Gross carrying amount as at 31 December	1,922	2,240
Accumulated depreciation as at 31 December	-1,139	-1,412
Net carrying value	**783**	**828**

12 Other assets

Other assets

in EUR million	2023	2022
Derivatives	59,129	72,726
Deferred tax assets	701	993
Income tax receivables	189	203
Accrued assets	499	531
Pension asset	456	515
Other receivables	3,708	5,431
	64,682	**80,400**

Derivatives includes transactions with group companies of EUR 37,384 million (2022: EUR 44,988 million).

Other receivables includes EUR 2,476 million (2022: EUR 3,784 million) related to transactions still to be settled at balance sheet date. As at 31 December 2023, an amount of EUR 589 million (2022: EUR 655 million) is expected to be settled after more than one year from the balance sheet date.

13 Deposits from banks

Deposits from banks

in EUR million	2023	2022
Group companies	30,399	24,369
Third parties	24,755	46,147
	55,153	**70,515**

14 Customer deposits

Customer deposits by group companies and third parties

in EUR million	2023	2022
ING Groep N.V.	54,272	49,338
Group companies	10,596	12,526
Third parties	317,188	313,994
	382,056	**375,858**

Customer deposits from ING Groep N.V. includes EUR 40,213 million (2022: EUR 37,806 million) Senior non-preferred debt.

Customer deposits by type		
in EUR million	2023	2022
Current accounts / Overnight deposits	108,552	133,277
Savings deposits	152,655	139,169
Time deposits	59,150	44,027
Other	61,699	59,385
	382,056	**375,858**

15 Other liabilities

Other liabilities		
in EUR million	2023	2022
Derivatives	60,140	79,360
Trading liabilities	2,342	1,634
Costs payable	980	984
Income tax payable	93	99
Other taxation and social security contribution	128	81
Other amounts payable	5,375	6,038
	69,058	**88,197**

Derivatives includes transactions with group companies of EUR 39,700 million (2022: EUR 51,849 million).

Other amounts payable includes EUR 3,752 million (2022: EUR 4,001 million) related to transactions still to be settled at balance sheet date. As at 31 December 2023, an amount of EUR 61 million (2022: EUR 249 million) is expected to be settled after more than one year from the balance sheet date.

16 General provisions

General provisions		
in EUR million	2023	2022
Deferred tax liabilities	169	183
Pension liabilities and other staff-related liabilities	15	7
Reorganisations and relocations	124	237
Other	475	456
	782	**883**

As at 31 December 2023, an amount of EUR 234 million (2022: EUR 232 million) is expected to be settled after more than one year from the balance sheet date.

17 Subordinated loans

Subordinated loans by group companies and third parties		
in EUR million	2023	2022
Group companies	16,328	16,441
Third parties including value changes hedged part loans	-833	-570
	15,494	**15,871**

Subordinated loans by type		
in EUR million	2023	2022
Capital debentures	3	1,761
Private loans	15,492	14,111
	15,494	**15,871**

The subordinated loans rank subordinated to the other liabilities in a winding-up of ING Bank.

18 Equity

Equity		
in EUR million	2023	2022
Share capital	525	525
Share premium	16,542	16,542
Revaluation reserves	-181	-862
Legal and statutory reserves	-557	361
Other reserves	22,398	25,067
Unappropriated result	1,465	913
Total equity	**40,191**	**42,546**

Share capital

	Ordinary shares (par value EUR 1.13)			
	Number x 1,000		Amount in EUR million	
	2023	2022	2023	2022
Authorised share capital	1,600,000	1,600,000	1,808	1,808
Unissued share capital	1,134,965	1,134,965	1,283	1,283
Issued share capital	**465,035**	**465,035**	**525**	**525**

ING Bank has 50 authorised preference shares with par value of EUR 1.13 per preference share. As at 31 December 2023, 7 preference shares were issued and fully paid (2022: 7 preference shares) amounting to EUR 8 (2022: EUR 8).

No changes occurred in the issued share capital and share premium in 2023 and 2022.

Changes in revaluation reserves

in EUR million

2023	Property in own use reserve	Equity securities at fair value through other comprehensive income	Debt instruments at fair value through other comprehensive income	Cash flow hedge reserve	Net defined benefit assets/- liability remeasurement reserve	Credit liability	Total
Opening balance	24	1,171	-272	-1,908	55	70	-862
Unrealised revaluations	4	-75	68			-24	-28
Realised gains/losses transferred to the statement of profit or loss			-3				-3
Realised revaluations reclassified to retained earnings		23				-15	8
Changes in cash flow hedge reserve				766			766
Change in net defined benefit assets/liability					-63		-63
Closing balance	**27**	**1,119**	**-208**	**-1,142**	**-8**	**30**	**-181**
2022							
Opening balance	22	1,260	-63	292	186	-80	1,617
Unrealised revaluations	1	-112	-201			165	-147
Realised gains/losses transferred to the statement of profit or loss			-9				-9
Realised revaluations reclassified to retained earnings		23				-15	8
Changes in cash flow hedge reserve				-2,200			-2,200
Change in net defined benefit assets/liability					-131		-131
Closing balance	**24**	**1,171**	**-272**	**-1,908**	**55**	**70**	**-862**

Changes in legal and statutory reserves

in EUR million

2023	Share of associates and joint ventures reserves	Currency translation reserve	Statutory reserves	Capitalised software	Total
Opening balance	0	-2,305	2,264	402	361
Result for the year			336		336
Unrealised revaluations available-for-sale investments and other	3				3
Realised gains/losses transferred to the statement of profit or loss	12				12
Changes in cash flow hedge reserve	231				231
Unrealised revaluation property in own use	-2				-2
Changes in net defined benefit asset/liability remeasurement reserve	-22				-22
Exchange rate differences	130	-262			-132
Changes in composition of the group and other changes	-352		-998	6	-1,344
Closing balance	**0**	**-2,567**	**1,602**	**408**	**-557**
2022					
Opening balance	385	-3,488	2,103	452	-548
Result for the year			161		161
Unrealised revaluations available-for-sale investments and other	-252				-252
Realised gains/losses transferred to the statement of profit or loss	25				25
Changes in cash flow hedge reserve	-701				-701
Unrealised revaluation property in own use	-33				-33
Changes in net defined benefit asset/liability remeasurement reserve	112				112
Exchange rate differences	-94	1,183			1,088
Changes in composition of the group and other changes	559			-50	509
Closing balance	**0**	**-2,305**	**2,264**	**402**	**361**

The Share of associates and joint ventures reserve includes the following components: Reserve for non-distributable retained earnings of associates of EUR 1,037 million (2022: EUR 938 million), Revaluation reserve of associates and joint ventures EUR -800 million (2022: EUR -1,044 million), Currency translation reserve of EUR 40 million (2022: EUR -89 million) and Net defined benefit asset/liability remeasurement reserve of EUR -309 million (2022: EUR -286 million).

Due to a decrease in forward interest rates in 2023 the interest rate swaps had a positive revaluation of EUR 231 million recognised in the cash flow hedge reserve which is presented as part of share of participating interests reserve in the parent company financial statements. Due to negative revaluations, the share of participating interest reserve became negative (EUR 31 million, 2022: EUR 482 million), which is not allowed under Dutch law and is replenished out of, or subsequent released to, retained earnings, included in the line Changes in the composition of the group and other changes.

The Statutory reserves include non-distributable reserves of EUR 1,602 million (2022: EUR 2,264 million) related to the former Stichting Regio Bank and the former Stichting Vakbondspaarbank SPN that cannot be freely distributed in accordance with the article 23.1 of the articles of association.

Changes in the value of hedging instruments that are designated as net investment hedges, are included in the line Exchange rate differences and other.

Changes in other reserves, retained earnings		
in EUR million	2023	2022
Opening balance	25,067	27,117
Transfer from unappropriated result	0	2,661
Dividends and other cash distributions	-4,000	-3,684
Employee share plans	24	27
Changes in the composition of the group and other changes	1,306	-1,054
Closing balance	**22,398**	**25,067**

Dividends and other cash distributions includes the cash distributions to the parent company ING Groep N.V. to fund the share buyback programmes.

The reserve for cash flow hedges is included in the Share of associates and joint ventures reserve on a net basis. The Revaluation reserve, Share of associates and joint ventures reserve and Currency translation reserve cannot be freely distributed. Retained earnings can be freely distributed, except for an amount equal to the negative balance in each of the components of the Revaluation reserve , Share of associates and joint ventures reserve and the Currency translation reserve. Unrealised gains and losses on derivatives, other than those used in cash flow hedges, are presented in the statement of profit or loss and are therefore part of Retained earnings and are not included in Share of associates and joint ventures reserve.

The total amount of non-distributable reserves, in accordance with the financial reporting requirements per Part 9 of Book 2 of the Dutch Civil Code, is EUR 6,696 million (2022: EUR 8,408 million).

Reference is made to Note 19 'Equity' and Note 44 'Capital management' in the ING Bank Consolidated financial statements for additional information, including restrictions with respect to dividend and repayment of capital.

Notes to the Parent company statement of profit or loss

19 Net interest income

Net interest income

in EUR million	2023	2022
Interest income on loans	17,483	9,511
Interest income on impaired loans	119	73
Negative interest on liabilities	5	650
Total interest income on loans	**17,608**	**10,233**
Interest income on financial assets at fair value through OCI	368	153
Interest income on financial assets at amortised cost	394	275
Interest income on securities at fair value through profit or loss	2,645	763
Interest income on non-trading derivatives (no hedge accounting)	8,539	1,650
Interest income on non-trading derivatives (hedge accounting)	3,206	1,091
Other interest income	46	17
Interest income	**32,806**	**14,182**

	2023	2022
Interest expense on deposits from banks	1,956	400
Interest expense on customer deposits	6,733	3,041
Interest expense on debt securities	1,461	501
Interest expense on subordinated loans	708	646
Interest expense on securities at fair value through profit or loss	1,936	565
Interest expense on non-trading derivatives (no hedge accounting)	8,770	1,869
Interest expense on non-trading derivatives (hedge accounting)	5,477	884
Other interest expense	68	41
Negative interest on assets	9	313
Interest expense	**27,119**	**8,260**
Net interest income	**5,687**	**5,922**

Interest income includes EUR 9,370 million (2022: EUR 1,663 million) from group companies. Interest expense includes EUR 9,912 million (2022: EUR 2,512 million) to group companies.

20 Investment income and results from participating interests

Investment income and results from participating interests		
in EUR million	2023	2022
Results from shares and other non-fixed income securities	107	141
Results from group companies	4,707	2,193
Results from associates, joint ventures and other participations	122	74
Impairment of associates and joint ventures	-5	-192
	4,931	**2,215**

Impairments
There were no material impairments of associates and joint ventures in 2023. In 2022, Impairments of EUR -192 million is predominantly attributable to TTB of EUR -165 million.

21 Net fee and commission income

Fee and commission income		
in EUR million	2023	2022
Payment services	1,215	1,093
Securities business	195	205
Insurance and other broking	115	128
Portfolio Management fees	262	259
Lending business	313	299
Financial guarantees and other commitments	270	301
Other	132	118
	2,501	**2,402**

Fee and commission expenses		
in EUR million	2023	2022
Payment services	349	292
Securities business	73	107
Distribution of products (Externally)	89	93
Other	84	92
	595	**584**

22 Results from financial transactions

Results from financial transactions		
in EUR million	2023	2022
Results from securities trading portfolio	860	-382
Results from currency trading portfolio	559	-157
Results from non-trading derivatives	593	1,742
Other	-572	-482
	1,440	**721**

Result from financial transactions includes EUR 374 million (2022: EUR -1,542 million) from group companies. Other includes EUR -30 million (2022: EUR -288 million) related to fair value changes on trading derivatives.

23 Staff expenses

Staff expenses		
in EUR million	2023	2022
Salaries	2,291	2,127
Social security costs	271	252
Pension costs and other staff related benefit costs	297	294
Other staff expenses	597	576
	3,455	**3,249**

Remuneration of Senior management, Management board and Supervisory board
Reference is made to Note 43 'Related parties' in the ING Bank Consolidated financial statements.

24 Depreciation, amortisation and impairments

Depreciation and amortization		
in EUR million	2023	2022
Depreciation of equipment	170	183
Amortisation of software and other intangible assets	148	155
Impairments and reversal of impairments	5	67
	324	**405**

Impairments includes goodwill (EUR 0 million, 2022: EUR 32 million), software (EUR 3 million, 2022: EUR 17 million) and equipment (EUR 2 million, 2022: EUR 19 million).

25 Other expenses

Other expenses

in EUR million	2023	2022
Computer costs	545	508
Office expenses	113	110
Travel and accommodation expenses	48	29
Advertising and public relations	163	141
External advisory fees	211	231
Regulatory costs	554	609
Addition/(releases) of provision for reorganisations and relocations	52	53
Other	417	469
	2,103	**2,150**

26 Taxation

in EUR million	2023	2022
Current taxation	931	743
Deferred taxation	16	-91
	948	**652**

Reconciliation of the weighted average statutory income tax rate to ING Bank's effective income tax rate

in EUR million	2023	2022
Result before tax from continuing operations	8,105	4,319
Weighted average statutory tax rate	24.9 %	22.4 %
Weighted average statutory tax amount	2,020	967
Permanent differences affecting current tax		
Participation exemption	-1,248	-548
Other income not subject to tax	-45	-16
Expenses not deductible for tax purposes	190	191
Current tax from previously unrecognised amounts	1	10
State and local taxes	32	22
Adjustments to prior periods	-4	5
Differences affecting deferred tax		
Impact on deferred tax from change in tax rates	2	5
Deferred tax from previously unrecognised amounts	0	-3
Write-off/reversal of deferred tax assets	0	21
Effective tax amount	**948**	**652**
Effective tax rate	**11.7 %**	**15.1 %**

For more information on the reconciliation of the weighted average statutory income tax rate to ING Bank's effective income tax rate reference is made to Note 31 'Taxation' in the ING Bank Consolidated financial statements.

27 Maturity of certain assets and liabilities

Analysis of certain assets and liabilities by maturity

in EUR million 2023	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Assets							
Loans and advances to banks	14,902	4,316	6,780	20,480	6,906	19,665	73,049
Loans and advances to customers	33,819	8,536	26,599	100,266	149,600	26,074	344,894
Liabilities							
Deposits from banks	27,752	7,216	3,576	2,168	678	13,764	55,153
Customer deposits	275,449	16,304	23,644	30,710	17,817	18,132	382,056
Debt securities in issue	3,210	5,500	18,976	11,844	9,632	12,069	61,231
Subordinated loans					16,093	-598	15,494

Analysis of certain assets and liabilities by maturity

in EUR million 2022	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Assets							
Loans and advances to banks	34,312	2,655	7,968	15,828	7,000	16,222	83,985
Loans and advances to customers	37,620	12,260	25,469	97,261	151,886	21,517	346,012
Liabilities							
Deposits from banks	23,088	2,555	26,115	8,227	803	9,727	70,515
Customer deposits	280,922	13,288	18,392	25,870	21,459	15,926	375,858
Debt securities in issue	1,974	4,582	7,402	5,835	8,459	11,274	39,526
Subordinated loans			760		16,243	-1,132	15,871

28 Assets not freely disposable

Assets not freely disposable

in EUR million	2023	2022
Equity and debt instruments	16,063	12,662
Lending	42,667	58,336
Banks	9,165	15,932
Other assets	449	538
	68,344	**87,468**

The table includes assets relating to securities lending as well as sale and repurchase transactions

29 Contingent liabilities and other commitments

Contingent liabilities by type

in EUR million	2023	2022
Guarantees	48,235	47,452
Irrevocable letters of credit	12,283	13,180
Other	0	0
Contingent debts	**60,518**	**60,632**
Irrevocable facilities	86,774	86,259
	147,292	**146,891**

Contingent debts

in EUR million	2023	2022
Group companies	29,986	27,902
Third parties	30,532	32,730
	60,518	**60,632**

Irrevocable facilities

in EUR million	2023	2022
Group companies	1	3
Third parties	86,773	86,256
	86,774	**86,259**

30 Other

Guarantees
ING Bank has issued guarantees as participant in collective arrangements of national banking funds and as a participant in required collective guarantee schemes. For example, ING Bank N.V. provided a guarantee to the German Deposit Guarantee Fund ('Einlagensicherundsfonds' or ESF) under section 5 (10) of the by-laws of this fund, where ING Bank N.V. indemnifies the Association of German Banks Berlin against any losses it might incur as result of actions taken with respect to ING Germany. The ESF is a voluntary collective guarantee scheme for retail savings and deposits in excess of EUR 100,000.

ING Bank N.V. has issued statements of liabilities in connection with Section 403 Book 2 of the Dutch Civil Code ('403 statements') and issued third party guarantees (and third party letters of comfort/awareness) in a limited number of cases. Third party guarantees are used when ING Bank N.V. is requested to issue a guarantee to a third party creditor of one of its subsidiaries in order to guarantee the (financial) performance of this subsidiary. 403 statements have been issued for the following Dutch subsidiaries:

- B.V. Deelnemings- en Financieringsmaatschappij 'Nova Zembla'
- B.V. Maatschappij van Onroerende Goederen 'Het Middenstandshuis'
- Bank Mendes Gans N.V.
- BMG monumenten B.V.
- Cofiton B.V.
- Entero B.V.
- ING Bank Personeel B.V.
- ING Hubs B.V.
- ING Commercial Finance B.V.
- ING Corporate Investments B.V.
- ING Corporate Investments Mezzanine Fonds B.V.
- ING Corporate Investments Participaties B.V.
- ING Corporate Investments Structured Finance B.V.
- ING Groenbank N.V.
- ING Lease (Nederland) B.V.
- ING Sustainable Investments B.V.
- ING Vastgoed Ontwikkeling B.V.
- Nationale-Nederlanden Hypotheekbedrijf N.V.
- Nationale-Nederlanden Intervest II B.V.
- WestlandUtrecht Verzekeringen B.V.

Claim agreements
In the ordinary course of business we have entered into a number of agreements whereby we are provided indemnifications related to sale of our past businesses and agreements whereby we made detailed arrangements regarding allocation and handling of claims.

Fiscal unity
ING Bank N.V. forms a fiscal unity with ING Groep N.V. and several Dutch banking entities for corporation tax purposes. ING Bank N.V. and ING Groep N.V. and its banking subsidiaries that form part of the fiscal unity are jointly and severally liable for taxation payable by the fiscal unity. Settlements of corporate income tax paid or received are executed by ING Bank N.V.

31 Proposed appropriation of results

For 2023, it is proposed that the result, insofar at the disposal of the General Meeting, will be appropriated as follows:

Proposed appropriation of result

in EUR million	2023
Net result	**7,157**
- Addition to reserves pursuant to Article 25 of the Articles of Association	336
- Proposed to be added to the Other Reserves pursuant to Article 25 of the Articles of Association	699
- Available for dividend distribution	6,122

The total dividend of EUR 6,122 million was paid in May 2023 (EUR 1,490 million), August 2023 (EUR 2,020 million), November 2023 (EUR 1,847 million) and in February 2024 (EUR 766 million) as an interim dividend.

32 Subsequent events

There are no subsequent events to report other than those already disclosed in Note 39 'Legal proceedings' of the consolidated financial statements.

Authorisation of Parent company financial statements

Amsterdam, 4 March 2024

The Supervisory Board

K.K. (Karl) Guha, chair
A.M.G. (Mike) Rees, vice-chair
J. (Juan) Colombás
M. (Margarete) Haase
L.J. (Lodewijk) Hijmans van den Bergh
H.A.H. (Herman) Hulst
H.H.J.G. (Harold) Naus
A. (Alexandra) Reich
H.W.P.M.A. (Herna) Verhagen

The Management Board Banking

S.J.A. (Steven) van Rijswijk, CEO and chairman
T. (Tanate) Phutrakul, CFO
L. (Ljiljana) Čortan, CRO
P. (Pinar) Abay, head of Retail, Market Leaders and Challengers & Growth Markets
A.J.M. (Andrew) Bester, head of Wholesale Banking
M.A. (Marnix) van Stiphout, chief operations officer, chief transformation officer and chief technology officer a.i.

KPMG

Independent auditor's report

To: the General Meeting of the Shareholder and the Supervisory Board of ING Bank N.V.

Report on the audit of the financial statements 2023 included in the annual report

Our opinion

In our opinion:

— the accompanying consolidated financial statements give a true and fair view of the financial position of ING Bank N.V. as at 31 December 2023 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with Part 9 of Book 2 of the Dutch Civil Code;

— the accompanying company financial statements give a true and fair view of the financial position of ING Bank N.V. as at 31 December 2023 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2023 of ING Bank N.V. (the 'Company' or 'ING Bank') based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

1 the consolidated statement of financial position as at 31 December 2023;

2 the following consolidated statements for 2023: the statement of profit or loss, the statements of comprehensive income, changes in equity and cash flows; and

3 the notes comprising material accounting policy information and other explanatory information.

The company financial statements comprise:

1 the parent company statement of financial position as at 31 December 2023;

2 the parent company statement of profit or loss and the statement of changes in equity for 2023; and

3 the notes comprising the basis of preparation and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of ING Bank N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in respect of going concern, fraud and non-compliance with laws and regulations, climate-related risks and the key audit matters was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

Summary

Materiality
— Group materiality of EUR 300 million (2022: EUR 250 million). — 2.9% of profit before tax (2022: 4.5% of profit before tax).
Group audit
— 88% of profit before tax covered by audit procedures performed by component auditors (2022: 83%). — 92% of total assets covered by audit procedures performed by component auditors (2022: 92%).

KPMG

Risk of material misstatements related to Fraud, Non-compliance with laws and regulations, Going concern and Climate-related risks
— Fraud risks: presumed risk of management override of controls and the risk of management override over the collective loan loss provisioning identified and incorporated in our audit response. — Non-compliance with laws and regulations (NOCLAR) risks: our risk assessment procedures related to NOCLAR risks did not result in the identification of a risk of material misstatement. — Going concern risks: no going concern risks identified. — Climate risks: our risk assessment procedures related to climate-related risks did not result in the identification of a risk of material misstatement.
Key audit matters
— Assessment of expected credit losses on loans and advances to customers and loans and advances to banks. — User access and change management

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 300 million (2022: EUR 250 million). The materiality is determined with reference to profit before tax and represents 2.9% (2022: 4.5%) of that balance. We consider profit before tax as the most appropriate benchmark based on our assessment of the general information needs of the users of the financial statements and given the fact that ING Bank is a profit-oriented entity. The increase in materiality reflects an increase in profit before tax. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Audit Committee of the Supervisory Board that misstatements identified during our audit in excess of EUR 15 million (2022: EUR 12.5 million) would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

ING Bank is at the head of a group of components. The financial information of this group is included in the consolidated financial statements of ING Bank.

ING Bank is structured in 6 segments: Retail Netherlands, Retail Belgium, Retail Germany, Retail Other, Wholesale Banking and Corporate Line Banking, each comprising of multiple legal entities and/or covering different countries.

Because we are ultimately responsible for the group audit, we are responsible for directing, supervising and performing the group audit. In this respect, we have determined the nature and extent of audit procedures to be carried out for group entities or so-called components.

Our group audit mainly focused on significant components. These components are either individually financially significant due to their relative size in the group or because we identified a significant risk of material misstatement for one or more account balances of these entities. In addition, we included certain other non-significant components in the scope of our group audit in order to arrive at a sufficient coverage over all significant account balances.

This resulted in a full or specific scope audit for 36 components globally, in total covering 16 countries. This resulted in a coverage of 88% of profit before tax and 92% of total assets. For the remaining 12% of profit before tax and the remaining 8% of total assets, procedures were performed at the group level including analytical procedures in order to corroborate that our scoping remained appropriate throughout the audit.

The consolidation of components in the group, the disclosures in the financial statements and certain accounting topics that are performed on a group level were further covered by the group audit team. Procedures performed by the group audit team included, but were not limited to, substantive procedures with respect to equity and certain elements of the expected credit loss provisioning process.

All components in scope for group reporting are audited by KPMG member firms. We sent detailed audit instructions to all component auditors, covering significant areas such as the identified risks of material misstatement on a group level and further set out the information that is required to be reported to the group audit team.

We performed site visits with local management and local audit teams, also to perform file reviews in The Netherlands, Belgium, Germany and Poland. We performed a remote file review for Singapore and the USA. We visited Australia, The Philippines, The United Kingdom, Switzerland and Türkiye during the year to meet local management and the local audit team to discuss the planned audit approach and progress of their audit work.

For all components in scope of the group audit, we held our annual planning conference in The Netherlands. Our component auditors were directly informed by the Group Financial Controller and Investor Relations on current developments. In addition, we held conference calls and/or had remote meetings with the audit teams of these components and we attended closing meetings with management for components in The Netherlands, Belgium and Germany. During these meetings and calls, the planning, risk assessment, procedures performed, findings and observations reported to the group auditor were discussed in detail and any further work deemed necessary by the group audit team was then performed.

The group audit team set component materiality levels which ranged from EUR 30 million to EUR 115 million, based on the mix of relative size and financial statement risk profile of the components within the group in order to reduce the aggregation risk to an acceptable level.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

Our procedures as described above can be summarised as follows:

Profit before tax

88%

Covered by audit procedures performed by component auditors

12%

Covered by additional procedures performed at group level

Total assets

92%

Covered by audit procedures performed by component auditors

8%

Covered by additional procedures performed at group level

Audit response to the risk of fraud and non-compliance with laws and regulations

Introduction

In chapters 'Strategy and performance' and 'Risk management - non-financial risk and compliance risk' of the annual report and note 39 of the financial statements, the Management Board Banking describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations. In the Supervisory Board report the assessment in respect of these topics is described.

As part of our audit, we have gained insights into the Company and its business environment and the Company's risk management in relation to fraud and non-compliance.

Our procedures included, among other things, assessing the Company's code of conduct, whistleblowing procedures, incidents register and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with management, the Audit Committee of the Supervisory Board and other relevant functions, such as Internal Audit, Legal Counsel and Compliance. We corroborated these inquiries with the results of our inspection of correspondence with relevant supervisory authorities and regulators. We have also incorporated elements of unpredictability in our audit, such as making changes to our high-risk criteria that we applied to journal entry testing, designing additional substantive audit procedures, varying the timing of audit procedures including testing of controls, a site visit to a remote location (The Philippines) and involved forensic specialists in our audit procedures.

Non- compliance with laws and regulations

As a result, from our risk assessment, we identified the following laws and regulations as those most likely to have a material effect on the financial statements in case of non-compliance:

- fraud, corruption and anti-bribery law (reflecting the Company's significant and geographically diverse nature of operations and clients);
- anti-money laundering and anti-terrorist financing law (reflecting the Company's involvement in a number of ongoing investigations by national competent authorities);
- data protection law (reflecting the processing of sensitive data inherent to the Company's business activities);
- prudential and supervision regulations (reflecting the Company's nature of operations);
- sanction law (reflecting the Company's significant and geographically diverse nature of operations and clients); and
- anti-competition law (reflecting the Company's involvement in a number of ongoing investigations by national competition authorities).

Our procedures did not result in the identification of a risk of material misstatement.

Fraud risk

We assessed the presumed fraud risk on revenue recognition as not significant, because the accounting of interest income and commission income is based on automatically generated accruals based on static data taken from the source systems and therefore contains routine transactions not subject to management judgement. Furthermore, the contracts used in the financial sector generally use standardised definitions which reduce the complexity of revenue recognition to a low level.

Based on the above and on the auditing standards, we identified the following fraud risks that are relevant to our audit and responded as follows:

Management override of controls (a presumed risk)

Management is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively, such as reporting fictitious journal entries.

We evaluated the design and the implementation and tested the operating effectiveness of internal controls that mitigate fraud risks, such as processes related to journal entries and estimates related to loan loss provisions. We also performed a data analysis of high-risk journal entries and evaluated key estimates and judgments for bias by the Company's management. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified journal entry, including testing of transactions back to source information.

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Management override of collective loan loss provisioning (ECL)

With respect to the risk and responses in regards of fraud in relation to management override of Expected Credit Loss (ECL) provision results, we refer to the Key audit matter ‘Assessment of Expected Credit Losses on loans and advances to customers and loans and advances to banks’.

Our evaluation of procedures performed in relation to fraud and non-compliance with laws and regulations did not result in an additional key audit matter. Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

We communicated our risk assessment, audit responses and results to management and the Audit Committee of the Supervisory Board.

Audit response to going concern

As explained on page 127 of the financial statements, the Management Board Banking has performed its going concern assessment and has not identified any going concern risks. To assess the Management Board Banking’s assessment, we have performed, inter alia, the following procedures:

— we considered whether the Management Board Banking’s assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit;

— we considered whether the developments in interest and inflation rates, geopolitical uncertainty and risks of disruption due to innovation and the emergence of new competitors from the technology sector indicate a going concern risk;

— we analysed the Company’s financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify going concern risks; and

— we inspected regulatory correspondence to obtain an understanding of the Company’s capital and liquidity position, that underpins management’s assessment of the going concern assumption for financial reporting.

The outcome of our risk assessment procedures on the going concern assessment, including our consideration of findings from our audit procedures on other areas, did not give reason to perform additional audit procedures on the Management Board Banking’s going concern assessment.

Audit response to climate-related risks

In planning In planning our audit, we have considered the potential impact of risks arising from climate change on the Company’s business and its financial statements. The Company has set out its commitments and ambitions relating to climate change in the chapters ‘Strategy and performance’ (‘Sustainability at the heart’) and ‘Risk management’ (‘Environmental, social and governance risk’) of the annual report. The Company aims to reach net zero in their own operations, to steer the most carbon-intensive parts of the loan portfolio towards net zero by 2050 and intermediate target setting, and to finance and advise specific clients in line with a net-zero economy.

Management extensively assessed, against the background of the Company’s business and operations, how climate-related risks and opportunities and the Company’s own commitments and ambitions could have a significant impact on its business or could impose the need to modify its strategy and operations.

Management has considered the impact of both transition and physical risks on the financial statements in accordance with the applicable financial reporting framework, more specifically the expected credit losses of loans and advances, as described in section ‘Risk management – environmental, social and governance risk’ and the section ‘Risk management – climate and environmental risks in IFRS9 models’ of the annual report. Management disclosed considerations directly impacting the financial statements captions as well as the medium to longer term risk drivers and concluded that these do not have a material impact on the 2023 financial statements.

Management prepared the financial statements, including considering whether the implications from climate-related risks and commitments and ambitions have been appropriately accounted for and disclosed. As part of our audit we performed a risk assessment of the impact of climate-related risk and the Company’s commitments/ambitions in respect of climate change on the financial statements and our audit approach. In doing this we performed the following:

— To understand management's processes:

  — we performed an analysis of the external environment and obtained an understanding of relevant sustainability themes and issues relevant for ING;

  — we made inquiries with the Management Board Banking, other senior management and members of the ESG Committee and the Audit Committee of the Supervisory Board.

  — we inspected relevant documents to understand management's assessment against the background of the Company’s business and operations of the potential impact of climate-related risk and opportunities on the company’s annual report and financial statements and the company's preparedness for this;

  — we read the minutes of meetings of the Management Board Banking and the Supervisory Board;

  — we inspected regulatory correspondence to obtain an understanding of management’s assessment of climate risk and the related risk management thereof:

  — we gained an understanding whether any current and/or future regulations may impact ING, such as greenhouse gas emission regulations, potential increases in taxes on current products and future climate reporting obligations; and

  — we gained an understanding of ING’s Net Zero alignment pathways, including the intermediate target setting for 2030.

— We evaluated climate-related fraud risk factors on reporting inappropriate disclosures on climate-related risk and pressures for management to meet the climate targets, since that such targets are linked to the Management Board Banking’s remuneration.

— We performed specific inquiries with the Legal Counsel on any climate risk related allegations and claims against the Company, and we performed specific substantive procedures in relation to the related disclosure in Note 39 Legal proceedings.

— We used our climate change subject matter experts to assist in understanding how climate-related risks and pressures for management to meet the climate targets and opportunities may affect the Company and its accounting in the current year’s financial statements.

— We used our climate change subject matter experts and modelling experts to assist in gaining understanding how climate-related risks are of impact on the expected credit loss estimation, including the credit risk models, as determined by the Company.

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Based on the procedures performed above, we found that climate related risks have no material impact on the 2023 financial statements under the requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and Part 9 of Book 2 of the Dutch Civil Code and have no impact on our key audit matters.

Furthermore, we have read the ‘Other information’ as included in the annual report with respect to climate-related risks and considered whether such information contains material inconsistencies with the financial statements or our knowledge obtained through the audit, in particular as described above and our knowledge obtained otherwise.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Audit Committee of the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

Assessment of expected credit losses on loans and advances to customers and loans and advances to banks

Description

As discussed in the Credit Risk section on pages 53-82 and in Note 3 and Note 7 in the consolidated financial statements, the loans and advances to customers amount to EUR 642 billion and loans and advances to banks amount to EUR 17 billion as at 31 December 2023. These loans and advances are measured at amortised cost, less expected credit losses (‘ECL’) of EUR 6 billion.

Management estimated ECL using three components: probability of default (‘PD’), loss given default (‘LGD’) and exposure at default (‘EAD’). Management applied forward looking economic scenarios with associated weights. Relevant macroeconomic factors include the gross domestic product (‘GDP’), house price index (‘HPI’) and unemployment rate. The recent economic conditions are outside the bounds of historical experience used to develop ECL model methodologies and result in greater uncertainties to estimate ECLs. These uncertainties are addressed by judgemental overlays by management.

Our response

We identified the assessment of ECL on loans and advances to customers and loans and advances to banks as a key audit matter because of the significant and complex auditor judgment and specialised skills and knowledge required to evaluate the following elements of the overall ECL estimate:

- The judgements used to develop the model-driven PD and LGD parameters.
- The determination of the amount and timing of expected future recovery cash flows for individual loan provision assessments for impaired loans and the probability weights applied in the presence of more than one recovery scenario.
- The use of forward-looking macroeconomic forecasts in ECL, including GDP, HPI and unemployment rate.
- The consistent identification and application of criteria for significant increase in credit risk (‘SICR’) in the macroeconomic environment and geopolitical situation which remains uncertain.
- The determination of management overlays to the modelled ECL due to the continued uncertainty in the macroeconomic outlook in the global economy combined with the delay in which the models capture emerging risks.

The following are the primary procedures we performed to address this key audit matter.

- We evaluated the design and tested the operating effectiveness of certain internal controls related to the estimation of ECL for loans and advances to customers and loans and advances to banks. This included controls relating to the selection of key assumptions (including PD, LGD and macroeconomic forecasts), review and authorisation of model outputs, governance and monitoring of the ECL process, determination of credit risk ratings, the estimation of future recovery cash flows of individual loan loss provisions and associated scenario weights assigned and the determination of management overlays to the modelled ECL.
- We involved credit risk professionals with specialised skills and knowledge who assisted in evaluating the assumptions used to determine the PD and LGD parameters in models used by the Company to determine the collective provisions, including the evaluation of the recalibrated and redeveloped credit risk models. This included reperforming back-testing of certain models to evaluate the current model performance and evaluation of the identification of SICR in loans by challenging the scope of management’s criteria used in staging assessments, consistent application of the thresholds applied within each criterion, and the ability of staging criteria to identify SICR prior to loans being credit impaired. In addition, the credit risk professionals assisted in testing management overlays recorded, including interest and inflation related overlays for both the wholesale banking and retail banking portfolios and an overlay related to interest only residential mortgages in the Netherlands.
- We involved economic professionals with specialised skills and knowledge, who assisted in assessing the Company’s methodology to determine the macroeconomic forecasts used in determining the ECL. We tested the reasonableness of management’s forecasts against other external benchmarks and our own internal forecasts.
- We involved corporate finance professionals with specialised skills and knowledge, who assisted in assessing the methodologies, cash flows and collateral values used in expected future recovery cash flow assessments of individual loan loss provisions for impaired loans and in challenging management’s use of recovery scenarios and expected cash flows by comparing against industry trends and comparable benchmarks and recalculating recovery amounts.
- We assessed whether the credit risk management disclosures appropriately reflect and address the uncertainties which exist in determining the ECL.

Our observation

Based on our procedures performed, we found management’s overall assessment relating to the valuation of loans and advances to customers and banks within an acceptable range and adequately disclosed in Note 3 and Note 7 of the financial statements.

User access and change management

Description

ING Bank is highly dependent on its IT environment for the continuity of operations and reliability of financial reporting. The IT environment of ING Bank evolves over time, which includes the implementation of tooling to support automated control execution related to user access and change management of IT assets. We consider general IT controls, and in particular user access and change management controls, that support the effective operations of automated controls a key audit matter.

Our response

Our audit approach depends to a large extent on the effectiveness of automated controls, which are dependent on user access and change management general IT controls to operate effectively. Given the technical characteristics of these controls, IT auditors are an integrated part of our engagement team.

They test the design, implementation and operating effectiveness of automated controls and general IT controls for applications, databases, operating systems, and automated tooling. The general IT controls included access provisioning, design of access rights, timely removal of user access rights, high privileged user access and monitoring, access to deploy changes and the testing and approval of changes prior to implementation.

Our audit procedures identified deficiencies in high privileged user access and monitoring, including access to modify configurations, deploy code and or change data. Management has remediated some but not all the deficiencies before year end. For the deficiencies open during the year or at year end, we performed additional procedures to respond to the risk of unauthorised and/or unintentional access or changes to automated controls. These procedures included testing compensating controls implemented by management and additional substantive procedures.

Our observation

The combination of compensating controls and additional substantive procedures support our audit approach.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

— is consistent with the financial statements and does not contain material misstatements; and

— contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Management Board Banking is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by the General Meeting of the Shareholder as auditor of ING Bank N.V. on 11 May 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that financial year. We have been reappointed by the General Meeting of the Shareholder on 23 April 2019 to continue to serve ING Bank as its external auditor for the financial years 2020-2023.We have been reappointed by the General Meeting of the Shareholder on 24 April 2023 to continue to serve ING Bank as its external auditor for the financial years 2024 and 2025.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Services rendered

For the period to which our statutory audit relates, in addition to this audit, we have provided the following services to the Company and its controlled undertakings:

— agreed-upon procedures and assurance engagements for the benefit of external stakeholders, largely driven by regulatory requirements.

European Single Electronic Format (ESEF)

ING Bank has prepared its annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion the annual report prepared in XHTML format, including the (partly) marked-up consolidated financial statements as included in the reporting package by ING Bank, complies in all material respects with the RTS on ESEF.

The Management Board Banking is responsible for preparing the annual report including the financial statements in accordance with the RTS on ESEF, whereby the Management Board Banking combines the various components into one single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF. We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting). Our examination included among others:

— obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package;

— identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including;

- obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files have been prepared in accordance with the technical specifications as included in the RTS on ESEF; and
- examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

Description of responsibilities regarding the financial statements

Responsibilities of the Management Board Banking and the Supervisory Board for the financial statements

The Management Board Banking is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board Banking is responsible for such internal control as the Management Board Banking determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In that respect the Management Board Banking, under supervision of the Supervisory Board, is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

As part of the preparation of the financial statements, the Management Board Banking is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board Banking should prepare the financial statements using the going concern basis of accounting unless the Management Board Banking either intends to liquidate the company or to cease operations or has no realistic alternative but to do so. The Management Board Banking should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is included in the appendix of this auditor's report. This description forms part of our auditor's report.

Amstelveen, 4 March 2024

KPMG Accountants N.V.

P.A.M. de Wit RA

Appendix:
Description of our responsibilities for the audit of the financial statements

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Appendix

Description of our responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board Banking;
- concluding on the appropriateness of the Management Board Banking's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audits of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Articles of Association – Appropriation of results

Appropriation of results

The result is appropriated pursuant to Article 25 of the Articles of Association of ING Bank N.V., the relevant stipulations of which state that the result shall firstly be appropriated to the Stichting Regio Bank Reserve, respectively the Reserve Stichting Vakbondsspaarbank SPN or charged to that reserves in proportion to the ratio between the Stichting Regio Bank Reserve, respectively the Reserve Stichting Vakbondsspaarbank SPN and the company's equity at the end of the relevant financial year and that the remainder shall be at the disposal of the General Meeting.

Risk factors

Summary of risk factors

The following is a summary of the principal risk factors that could have a material adverse effect on the reputation, business activities, financial condition, results and prospects of ING. Please carefully consider all of the information discussed in this section "Risk factors" for a detailed description of these risks.

Risks related to financial conditions, market environment and general economic trends

- Our revenues and earnings are affected by the volatility and strength of the economic, business, liquidity, funding and capital markets environments of the various geographic regions in which we conduct business, including Russia and Ukraine, as well as by changes in customer behaviour in these regions, and an adverse change in any one region could have an impact on our business, results and financial condition.
- Inflation, interest volatility and other interest rate changes may adversely affect our business, results and financial condition.
- The default of a major market participant could disrupt the markets and may have an adverse effect on our business, results and financial condition.
- Continued risk of political instability and fiscal uncertainty in Europe and the United States, as well as ongoing volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, our business, results and financial condition.
- Discontinuation of interest rate benchmarks may negatively affect our business, results and financial condition.
- Market conditions, including those observed over the past few years, may increase the risk of loans being impaired and have a negative effect on our results and financial condition.
- We may incur losses due to failures of banks falling under the scope of state compensation schemes.

Risks related to the regulation and supervision of the Group

- Non-compliance with laws and/or regulations concerning financial services or financial institutions, including with respect to financial economic crimes, could result in fines and other liabilities, penalties or consequences for us, which could materially affect our business and reputation and reduce our profitability.
- Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations may increase our operating costs and limit our activities.
- We are subject to additional legal and regulatory risk in certain countries with less developed or predictable legal and regulatory frameworks.
- We are subject to the regulatory supervision of the ECB and other regulators with extensive supervisory and investigatory powers.
- Failure to meet minimum capital and other prudential regulatory requirements as applicable to us from time to time may have a material adverse effect on our business, results and financial condition and on our ability to make payments on certain of our securities.
- Our US commodities and derivatives business is subject to CFTC and SEC regulation under the Dodd-Frank Act.
- We are subject to several other bank recovery and resolution regimes that include statutory write-down and conversion as well as other powers, which remains subject to significant uncertainties as to the scope and impact on us.

Risks related to litigation, enforcement proceedings and investigations and to changes in tax laws

- We may be subject to litigation, enforcement proceedings, investigations or other regulatory actions, and adverse publicity.
- We are subject to different tax regulations in each of the jurisdictions where we conduct business, and are exposed to changes in tax laws and risks of non-compliance with proceedings or investigations with respect to tax laws.
- We may be subject to US tax investigation if we fail to comply with our obligations as a Participating Financial Institution in respect of the Foreign Account Tax Compliance Act (FATCA) and as a Qualified Intermediary in respect of other US tax regulations
- ING is exposed to the risk of claims from customers who feel misled or treated unfairly because of advice or information received.

Risks related to the Group's business and operations

- ING may be unable to meet internal or external aims or expectations or requirements with respect to ESG-related matters.
- ING may be unable to adapt its products and services to meet changing customer behaviour and demand, including as a result of ESG-related matters.
- ING's business and operations are exposed to physical risks, including as a direct result of climate change.
- ING's business and operations are exposed to transition risks related to climate change.
- Operational and IT risks, such as system disruptions or failures, breaches of security, cyber attacks, human error, changes in operational practices, inadequate controls including in respect of third parties

with which we do business or outbreaks of communicable diseases may adversely impact our reputation, business and results.
- We are subject to increasing risks related to cybercrime and compliance with cybersecurity regulation.
- Because we operate in highly competitive markets, including our home market, we may not be able to increase or maintain our market share, which may have an adverse effect on our results.
- We may not always be able to protect our intellectual property developed in our products and services and may be subject to infringement claims, which could adversely impact our core business, inhibit efforts to monetise our internal innovations and restrict our ability to capitalise on future opportunities.
- The inability of counterparties to meet their financial obligations or our inability to fully enforce our rights against counterparties could have a material adverse effect on our results.
- A downgrade or a potential downgrade in our credit ratings could have an adverse impact on our results and net results.
- An inability to retain or attract key personnel may affect our business and results.
- We may incur further liabilities in respect of our defined benefit retirement plans if the value of plan assets is not sufficient to cover potential obligations, including as a result of differences between actual results and underlying actuarial assumptions and models.

Risks related to the Group's risk management practices

- Risks relating to our use of quantitative models or assumptions to model client behaviour for the purposes of our market calculations may adversely impact our reputation or results.
- We may be unable to manage our risks successfully through derivatives.

Risks related to the Group's liquidity and financing activities

- Adverse conditions in the capital and credit markets, or significant withdrawals of customer deposits, may impact our liquidity, borrowing and capital positions, as well as the cost of liquidity, borrowings and capital.
- As a holding company, ING Groep N.V. is dependent for liquidity on payments from its subsidiaries, many of which are subject to regulatory and other restrictions on their ability to transact with affiliates.

Additional risks relating to ownership of ING shares

- Holders of ING shares may experience dilution of their holdings and may be impacted by any share buyback programme.
- Because we are incorporated under the laws of the Netherlands and many of the members of our Supervisory and Executive Board and our officers reside outside of the United States, it may be difficult to enforce judgements of US courts against ING or the members of our Supervisory and Executive Boards or our officers.

Risk factors

Any of the risks described below could have a material adverse effect on the business activities, financial condition, results and prospects of ING as well as ING's reputation. ING may face a number of the risks described below simultaneously and some risks described below may be interdependent. While the risk factors below have been divided into categories, some risk factors could belong in more than one category and investors should carefully consider all of the risk factors set out in this section. Additional risks of which the Company is not presently aware, or that are currently viewed as immaterial, could also affect the business operations of ING and have a material adverse effect on ING's business activities, financial condition, results and prospects. The market price of ING shares or other securities could decline due to any of those risks including the risks described below, and investors could lose all or part of their investments.

Although the most material risk factors have been presented first within each category, the order in which the remaining risk factors are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential negative impact to our business, results, financial condition and prospects.

Risks related to financial conditions, market environment and general economic trends

Our revenues and earnings are affected by the volatility and strength of the economic, business, liquidity, funding and capital markets environments of the various geographic regions in which we conduct business, as well as by changes in customer behaviour in these regions, and an adverse change in any one region could have an impact on our business, results and financial condition.

Because ING is a multinational banking and financial services corporation, with a global presence and serving 40 million customers, corporate clients and financial institutions in 38 countries, ING's business, results and financial condition may be significantly impacted by turmoil and volatility in the worldwide financial markets or in the particular geographic areas in which we operate. In Retail Banking, our products include savings, payments, investments, loans and mortgages. In Wholesale Banking, we provide specialised lending, tailored corporate finance, debt and equity market solutions, payments & cash management, trade and treasury services. Negative developments in relevant financial markets and/or countries or regions have in the past had and may in the future have a material adverse impact on our business, results and financial condition, including as a result of the potential consequences listed below.

Factors such as inflation or deflation, interest rates, securities prices, credit spreads, liquidity spreads, exchange rates, consumer spending, changes in customer behaviour, climate change, business investment, real estate values and private equity valuations, government spending the volatility and strength of the capital markets, political events and trends, supply chain disruptions, shortages, terrorism, pandemics and epidemics (such as the recent Covid-19 pandemic) or other widespread health emergencies all impact the business and economic environment and, ultimately, our solvency, liquidity and the amount and profitability of business we conduct in a specific geographic region. Some of these risks are often experienced globally as well as in specific geographic regions and are described in greater detail below under the headings: 'Interest rate volatility and other interest rate changes may adversely affect our business, results and financial condition'; 'Inflation and deflation may negatively affect our business, results and financial condition'; 'Market conditions, including those observed over the past few years may increase the risk of loans being impaired and have a negative effect on our results and financial condition'; and 'Continued risk of political instability and fiscal uncertainty in Europe and the United States, as well as ongoing volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, our business, results and financial condition'. All of these are factors in local and regional economies as well as in the global economy, and we may be affected by changes in any one of these factors in any one country or region, and more if more of these factors occur simultaneously and/or in multiple countries or regions or on a global scale.

In case one or more of the factors mentioned above adversely affects the profitability of our business, this might also result, among other things, in the following:

- inadequate reserves or provisions, in relation to which losses could ultimately be realised through profit and loss and shareholders' equity;
- the write-down of tax assets impacting net results and/or equity;
- impairment expenses related to goodwill and other intangible assets, impacting our net result and equity; and/or
- movements in risk-weighted assets for the determination of required capital.

In particular, we are exposed to financial, economic, market and political conditions in the Benelux countries and Germany, from which we derive a significant portion of our revenues in both Retail Banking and Wholesale Banking, and which could present risks of economic downturn. Though less material, we also derive substantial revenues in the following geographic regions: United States, Türkiye, Poland and the remainder of Eastern Europe, Southern Europe, East Asia (primarily Singapore among others) and Australia. In an economic downturn affecting some or all of these jurisdictions, we expect that higher unemployment, lower family income, lower corporate earnings, higher corporate and private debt defaults, lower business investments and lower consumer spending would adversely affect the demand for banking products, and that ING may need to increase its reserves and provisions, each of which may result in overall lower earnings. Securities prices, real estate values and private equity valuations may also be adversely impacted, and any such losses would be realised through profit and loss and shareholders' equity. We also offer a number of financial products that expose us to risks associated with fluctuations in interest rates, securities prices, corporate and private default rates, the value of real estate assets, exchange rates and credit spreads. Further, while the Covid-19 pandemic and related response measures have eased, the effects of these measures (including consequences for commercial real estate occupancies and valuations as a result of the increased prevalence of work-from-home or hybrid working arrangements) are still being felt in the financial performance and stability of certain of our business customers. As a result, their impact may continue to affect our business. We also have wholesale banking activities in both Russia and Ukraine, as well as investments in Russia, some of which are denominated in local currency. In response to Russia's invasion of Ukraine, the international community imposed various punitive measures, including sanctions, capital controls, restrictions on SWIFT access and restrictions on central bank activity. These measures have significantly impacted, and may continue to significantly impact, Russia's economy and have contributed to heightened instability in global markets and increased inflation due in part to supply chain constraints, as well as higher energy and commodity prices. Should prices remain elevated for an extended period, most businesses and households would be negatively impacted, and our business in Russia and Ukraine, as well as our broader business, may be adversely affected, including through spill-over risk to the entire wholesale banking portfolio (e.g. commodities financing, energy and utilities and energy-consuming clients).

Environmental and/or climate risks may also directly and indirectly impact ING, for example through, among other things, losses suffered as a result of extreme weather events, the impact of climate-related transition risk on the risk and return profile or value of security or operations of certain categories of customer to which ING has exposure. In addition, these risks may also increase ING's reputational and litigation risk if the economic activity that ING supports is not in line with community expectations or ING's external commitments or legal or regulatory requirements (this includes, but is not limited to, greenwashing risk).

For further information on ING's exposure to particular geographic areas, see Note 28 'Information on geographical areas' to the consolidated financial statements.

Inflation, interest rate volatility and other interest rate changes may adversely affect our business, results and financial condition.

Globally, inflation has increased significantly over the past two years and has remained elevated for a prolonged period. In general, both inflation and deflation may influence consumers' spending habits, affecting the economic activity and consequently our core revenue stream (e.g. in terms of overall financial health of borrowers and loan demand, and collateral management, among other things). Furthermore, inflation and deflation may have repercussions on interest rate spreads, and therefore on the profitability of traditional banking activities. Overall, both inflation and deflation can pose significant challenges, impacting our ability to generate revenue, manage risk, and maintain a stable financial position.

Further, the recent increase in inflation has resulted in an increase in market interest rates in many major economies. Increased interest rates may impact our business by:

- Decreasing the estimated fair value of certain fixed income securities that we hold in our investment portfolios, resulting in:
  - Reduced levels of unrealised capital gains available to us, which could negatively impact our solvency position and net income, and/or

  - a decrease in collateral values;
- Resulting in increased withdrawal of certain savings products, particularly those with fixed rates below market rates;
- Requiring us, as an issuer of securities, to pay higher interest rates on debt securities that we issue in the financial markets from time to time to finance our operations, which would increase our interest expenses and reduce our results;
- Resulting in further customer defaults as interest rate rises flow through into payment stress for lower credit quality customers.

A significant and sustained increase in inflation has historically also been associated with decreased prices for equity securities and sluggish performance of equity markets generally. A sustained decline in equity markets may:

- Result in impairment charges to equity securities that we hold in our investment portfolios and reduced levels of unrealised capital gains available to us which would reduce our net income, and;
- Lower the value of our equity investments impacting our capital position.

Central Banks (including the ECB, the US Federal Reserve and the RBA and RBNZ) have undertaken successive raises in policy rates over the last two years, and have reiterated their commitments to keeping policy rates sufficiently restrictive for as long as necessary, believing that maintaining the key interest rates at their current levels over an extended period could significantly contribute to reducing inflation. As a result of these measures, inflation decreased in 2023 from peak 2022 levels, and is expected to decrease further in 2024. Despite the publicly stated approach of Central Banks, analysts foresee the ECB leading the rate-cutting cycle in 2024 ahead of the Federal Reserve. A decrease in prevailing interest rates may lead to lower interest income from loans and investments, reduced profitability of traditional banking activities, and potential declines in the value of certain fixed income securities we hold in our investment portfolio, as well as negatively affecting our business in other ways, including leading to:

- Lower interest rates, which can compress the net interest income margins because of potential reduction in the interest income earned from loans;
- Lower earnings over time on investments, as reinvestments will earn lower rates;
- Increased prepayment or redemption of mortgages and fixed maturity securities in our investment portfolios, as well as increased prepayments of corporate loans. This as borrowers seek to borrow at lower interest rates potentially combined with lower credit spreads. Consequently, we may be required to reinvest the proceeds into assets at lower interest rates;
- Lower profitability as the result of a decrease in the spread between client rates earned on assets and client rates paid on savings, current account and other liabilities;
- Higher costs for certain derivative instruments that may be used to hedge certain of our product risks;
- Lower profitability since we may not be able to fully track the decline in interest rates in our savings rates;
- Lower profitability since we may not always be entitled to impose surcharges to customers to compensate for the decline in interest rates;
- Lower profitability since we may have to pay a higher premium for the defined contribution scheme in the Netherlands for which the premium paid is dependent on interest rate developments and the Dutch Central Bank's (DNB) methodology for determining the ultimate forward rate;
- Lower interest rates may cause asset margins to decrease, thereby lowering our results. This may, for example, be the consequence of increased competition for investments as result of the low rates, thereby driving margins down; and/or
- (Depending on the position) a significant collateral posting requirement associated with our interest rate hedge programs, which could materially and adversely affect liquidity and our profitability.

In addition, given the volatility in inflation and related volatility in interest rates, a failure to accurately anticipate inflation on an ongoing basis and factor it into our product pricing assumptions may result in mispricing of our products, which could materially and adversely impact our results.

Each of the preceding risks, should they materialise, may adversely affect our business, results and financial condition.

The default of a major market participant could disrupt the markets and may have an adverse effect on our business, results and financial condition.

Within the financial services industry, the severe distress or default of any one institution (including sovereigns and central counterparties (CCPs)) could lead to defaults by, or the severe distress of, other market participants. While prudential regulation may reduce the probability of a default by a major financial institution, the actual occurrence of such a default could have a material adverse impact on ING. Such distress of, or default by, a major financial institution could disrupt markets or clearance and settlement systems and lead to a chain of defaults by other financial institutions, since the commercial and financial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Also, the perceived lack of creditworthiness of a sovereign or a major financial institution (or a default by any such entity) may lead to market-wide liquidity problems and losses or defaults by us or by other institutions. This risk is also referred to as 'systemic risk' and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom we interact on a daily basis and financial instruments of sovereigns in which we invest. Systemic risk could impact ING directly, by exposing it to material credit losses on transactions with defaulting counterparties or indirectly by significantly reducing the available market liquidity on which ING and its lending customers depend to fund their operations and/or leading to a write-down of loans or securities held by ING. In addition, ING may also be faced with additional open market risk for which hedging or mitigation strategies may not be available or effective (either by hedges eliminated by defaulting counterparties, or reduce market liquidity). Systemic risk could have a material adverse effect on our ability to raise new funding and on our business, results and financial condition. In addition, such distress or failure could impact future product sales as a potential result of reduced confidence in the financial services industry.

Continued risk of political instability and fiscal uncertainty in Europe and the United States, as well as ongoing volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, our business, results and financial condition.

Our global business and results are materially affected by conditions in the global capital markets and the economy generally. In Europe, there are continuing concerns over weaker economic conditions, levels of unemployment in certain countries, the availability and cost of credit, as well as credit spreads. In addition, geopolitical issues, including trade tensions between the US and China, increasing protectionism between key countries, and issues with respect to North Korea and the Middle East, including the ongoing conflict between Israel and Hamas, may all contribute to adverse developments in the global capital markets and the economy generally. In addition, Russia's invasion of Ukraine and related international response measures have had, and are expected to continue to have, a negative impact on regional and global economic conditions, including heightened instability in global markets and increased inflation due in part to supply chain constraints, as well as higher energy and commodity prices. Should prices remain elevated for an extended period, most businesses and households would be negatively impacted, and our business in Russia and Ukraine, as well as our broader business, may be adversely affected, including through spill-over risk to our entire wholesale banking portfolio, in areas such as commodities financing, energy and utilities and energy-consuming clients. Furthermore, the upcoming presidential election cycle in the United States has the potential to be disruptive to the global economy as it may result in leadership changes in many federal administrative agencies and result in a range of new policies, executive orders, rules, initiatives and other changes to United States fiscal, tax, regulation, environmental, climate and other policies.

Moreover, there is a risk that an adverse credit event at one or more European sovereign debtors (including a credit rating downgrade or a default) could trigger a broader economic downturn in Europe and elsewhere. In addition, the confluence of these and other factors has resulted in volatile foreign exchange markets. International equity markets have also continued to experience heightened volatility and turmoil, with issuers, including ourselves, that have exposure to the real estate, mortgage, private equity and credit markets particularly affected. These events, market upheavals and continuing risks, including high levels of volatility, have had and may continue to have an adverse effect on our results, in part because we have a large investment portfolio.

There is also continued uncertainty over the long-term outlook for the tax, spending and borrowing policies of the US, the future economic performance of the US within the global economy and any potential future budgetary restrictions in the US, with a potential impact on a future sovereign credit ratings downgrade of the US government, including the rating of US Treasury securities. A downgrade of US Treasury securities could also impact the ratings and perceived creditworthiness of instruments issued, insured or guaranteed by institutions, agencies or instrumentalities directly linked to the US government. US Treasury securities and other US government-linked securities are key assets on the balance sheets of many financial institutions and are widely used as collateral by financial institutions to meet their day-to-day cash flows in the short-term debt market. The impact of any further downgrades to the sovereign credit rating of the US government or a default by the US government on its debt obligations would create broader financial turmoil and uncertainty, which would weigh heavily on the global financial system and could consequently result in a significant adverse impact to the Group's business and operations.

In many cases, the markets for investments and instruments have been and remain illiquid, and issues relating to counterparty credit ratings and other factors have exacerbated pricing and valuation uncertainties. Valuation of such investments and instruments is a complex process involving the consideration of market transactions, pricing models, management judgement and other factors, and is also impacted by external factors, such as underlying mortgage default rates, interest rates, rating agency actions and property valuations. Historically these factors have resulted in, among other things, valuation and impairment issues in connection with our exposures to European sovereign debt and other investments.

Any of these general developments in global financial and political conditions could negatively impact our business, results and financial condition in future periods.

Discontinuation of interest rate benchmarks may negatively affect our business, results and financial condition.

Changes to major interest rates benchmarks may negatively affect our business, including the level of net interest revenue. Financial markets have historically relied on Interbank Offered Rates (IBORs) benchmarks, such as the London Interbank Offered Rate (LIBOR), the Euro Over Night Index Average (EONIA) and the Euro Interbank Offered Rate (EURIBOR). While some interest rate benchmarks have been reformed and will continue to exist, such as EURIBOR, others such as EONIA and LIBOR have been, or will be, replaced by recommended alternative rates. EONIA ceased to be published on 3 January 2022, and was succeeded by €STR. GBP, JPY, CHF and EUR LIBOR ceased in 2021/2022, and, more recently, USD LIBOR ceased on 30 June 2023. Synthetic rates of certain GBP and USD LIBOR rates are available for a limited time to facilitate the transition of remaining legacy transactions.

In 2022 the Polish National Working Group published a roadmap indicating that the market should be prepared for a cessation of, among others, the WIBOR reference rate. It is expected that the reform will be completed by the end of 2027, with the offering of financial products using the new benchmark (WIRON) to progress gradually in 2023 and 2024.

The discontinuation of WIBOR, CDOR and other local benchmarks in the future could result in a number of risks for the Group, its customers, and the financial services industry more widely. These risks include legal risks and costs in relation to changes required to documentation for existing transactions and for clients' contracts. In addition to the heightened conduct and operational risks, the process of adopting new reference rates may expose the Group to an increased level of financial risk, such as potential earnings volatility resulting from contract modifications and changes in hedge accounting relationships.

ING continues to monitor market developments and reform plans for other rates to anticipate the impact on our customers and any related risks.

Market conditions, including those observed over the past few years, may increase the risk of loans being impaired and have a negative effect on our results and financial condition.

We are exposed to the risk that our borrowers (including sovereigns) may not repay their loans according to their contractual terms and that the collateral securing the payment of these loans may be insufficient. We may see adverse changes in the credit quality of our borrowers and counterparties, for example, as a result of their inability to refinance their indebtedness or in the case of a decline in financial performance. Adverse changes in the credit quality of our borrowers and/or decreasing collateral values would result in increased capital requirements and provisions, and any deterioration of market conditions may lead to increasing delinquencies, defaults and insolvencies across a range of sectors. This may lead to impairment charges on loans and other assets, higher costs and additions to loan loss provisions. A significant increase in the size of our provision for loan losses could have a material adverse effect on our business, results and financial condition.

If we are significantly exposed to a concentrated set of customers or counterparties, an adverse event affecting these parties could lead to increased losses for the Group, and adversely affect our business, results and financial condition.

We may incur losses due to failures of banks falling under the scope of state compensation schemes.

While prudential regulation is intended to minimise the risk of bank failures, in the event such a failure occurs, given our size, we may incur significant compensation payments to be made under the Dutch Deposit Guarantee Scheme (DGS), which we may be unable to recover from the bankrupt estate, and therefore the consequences of any future failure of such a bank could be significant to ING. Such costs and the associated costs to be borne by us may have a material adverse effect on our results and financial condition. On the basis of the EU Directive on deposit guarantee schemes, ING pays quarterly risk-weighted contributions into a DGS-fund. The DGS-fund is to grow to a target size of 0.8 percent of all deposits guaranteed under the DGS, which is expected to be reached in July 2024. In case of failure of a Dutch bank, depositor compensation is paid from the DGS-fund. If the available financial means of the fund are insufficient, Dutch banks, including ING, may be required to pay extraordinary ex-post contributions not exceeding 0.5 percent of their covered deposits per calendar year. In exceptional circumstances, and with the consent of the competent authority, higher contributions may be required. However, extraordinary ex-post contributions may be temporarily deferred if, and for so long as, they would jeopardise the solvency or liquidity of a bank. Depending on the size of the failed bank, the available financial means in the fund, and the required additional financial means, the impact of the extraordinary ex-post contributions on ING may be material.

Since 2015, the EU has been discussing the introduction of a pan-European deposit guarantee scheme (EDIS), which would (partly) replace or complement national compensation schemes.

On 18 April 2023, the European Commission published its proposals for the revision of the common framework for bank crisis management and deposit insurance (CMDI) that focuses on small and medium-sized banks, but will affect all EU banks. The CMDI framework consists of the Bank Recovery and Resolution Directive (BRRD), the Single Resolution Mechanism (SRMR) and the Deposit Guarantee Schemes Directive (DGSD). The revision of the CMDI framework is part of the debate on the completion of the Banking Union and in particular its third and missing pillar EDIS. As at the date hereof, EDIS has not yet been adopted by the European Commission.

Risks related to the regulation and supervision of the Group

Non-compliance with applicable laws and/or regulations, including with respect to financial economic crimes, could result in fines and other liabilities, penalties or consequences for us, which could materially affect our business and reputation and reduce our profitability.

ING has faced, and in the future may continue to face, the consequences of non-compliance with applicable laws and regulations, including the potential commencement of regulatory investigations or legal proceedings. For additional information on legal proceedings, see Note 42 'Legal proceedings' in the consolidated financial statements. There are potential risks in areas where applicable regulations may be unclear: subject to multiple interpretations or under development; where regulations may conflict with one another; or where regulators revise their previous guidance or courts overturn previous rulings. These could result in our failure to meet applicable standards. Regulators and other authorities have the power to bring investigations and/or administrative or judicial proceedings against us, which could result, among other things, in suspension or revocation of our licences, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action, which could materially harm our results and financial condition as well as ING's reputation. If we fail to address, or appear to fail to address, any of these matters appropriately, our reputation could be harmed and we could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages brought against us or subject us to enforcement actions, fines and penalties.

Furthermore, as a financial institution, we are exposed to the risk of unintentional involvement in criminal activity in connection with financial economic crimes, including sanctions circumvention and money laundering and the funding of terrorist and other criminal activities. The failure or perceived failure by us to comply with legal and regulatory requirements with respect to financial economic crimes may result in adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions, which may have a material adverse effect on our business, results, financial condition and/or prospects in any given period. For further discussion on the impact of litigation, enforcement proceedings, investigations or other regulatory actions with respect to financial economic crimes, see 'We may be subject to litigation, enforcement proceedings, investigations or other regulatory actions, and adverse publicity' below.

Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations may increase our operating costs and limit our activities.

We are subject to detailed banking laws and financial regulations in the jurisdictions in which we conduct business. Regulation of the industries in which we operate has become more extensive and complex, while also attracting supervisory scrutiny. Compliance with applicable and new laws and regulations is resource-intensive, and may materially increase our operating costs. Moreover, these regulations intend to protect our customers, markets and society as a whole and can limit or redirect our activities, among others, through stricter net capital, market conduct and transparency requirements and restrictions on the businesses in which we can operate or invest.

Our revenues and profitability and those of our industry have been and will continue to be impacted by requirements relating to capital, additional loss-absorbing capacity, leverage, minimum liquidity and long-term funding levels, requirements related to resolution and recovery planning, derivatives clearing and margin rules and levels of regulatory oversight, as well as limitations on which and, if permitted, how certain business activities may be carried out by financial institutions.

We are subject to additional legal and regulatory risk in certain countries where we operate with less developed or predictable legal and regulatory frameworks.

In certain countries in which we operate or where our clients reside, judiciary and dispute resolution systems may be less effective. As a result, in case of a breach of contract, we may have difficulties in making and enforcing claims against contractual counterparties and, if claims are made against us, we might encounter difficulties in mounting a defence against such allegations. If we become party to legal proceedings in a market with an insufficiently developed judicial system, it could have an adverse effect on our operations and net results.

In addition, as a result of our operations in certain countries, we are subject to risks of possible nationalisation, expropriation, price controls, exchange controls and other restrictive government actions, as well as the outbreak of hostilities and/or war, in these markets. In particular, we have wholesale banking activities in both Russia and Ukraine, as well as investments in Russia, some of which are denominated in local currency. Furthermore, the current economic environment in certain countries in which we operate may increase the likelihood for regulatory initiatives to enhance consumer protection or to protect homeowners from foreclosures. Any such regulatory initiative could have an adverse impact on our ability to protect our economic interest, for instance in the event of defaults on residential mortgages.

We are subject to the regulatory supervision of the ECB and other regulators with extensive supervisory and investigatory powers.

In its capacity as principal prudential supervisor in the EU, the ECB has extensive supervisory and investigatory powers, including the ability to issue requests for information, to conduct regulatory investigations and on-site inspections, and to impose monetary and other sanctions. For example, under the Single Supervisory Mechanism (SSM), the relevant (national) competent authorities, including the ECB, may conduct stress tests and have discretion to impose capital surcharges on financial institutions for risks that are not otherwise recognised in risk-weighted assets or other surcharges depending on the individual situation of the bank, and take or require other measures, such as restrictions on or changes to the Group's business. Competent authorities may also prohibit the Group from making dividend payments to shareholders or distributions to holders of its regulatory capital instruments if the Group fails to comply with regulatory requirements, in particular with supervisory actions, minimum capital requirements (including buffer requirements) or with liquidity requirements, or if there are shortcomings in its governance and risk management processes. A failure to comply with prudential or conduct regulations could have a material adverse effect on the Group's business, results and financial condition.

Failure to meet minimum capital and other prudential regulatory requirements as applicable to us from time to time may have a material adverse effect on our business, results and financial condition and on our ability to make payments on certain of our securities.

ING is subject to a variety of regulations that require us to comply with minimum requirements for capital (own funds) and additional loss-absorbing capacity, as well as for liquidity, and to comply with leverage restrictions. In addition, such capital, liquidity and leverage requirements and their application and interpretation may change. Any changes may require us to maintain more capital or to raise a different type of capital by disqualifying existing capital instruments from continued inclusion in regulatory capital, requiring replacement with new capital instruments that meet the new criteria. Sometimes changes are introduced subject to a transitional period during which the new requirements are being phased in, gradually progressing to a fully phased-in, or fully-loaded, application of the requirements.

Any failure to comply with these requirements, or to adapt to changes in such requirements, may have a material adverse effect on our business, results and financial condition, and may require us to seek additional capital. Failures to meet minimum capital or other prudential requirements may also result in ING being prohibited from making payments on certain of our securities. Because implementation phases and transposition into EU or national regulation where required may often involve a lengthy period, the impact of changes in capital, liquidity and leverage regulations on our business, results and financial condition, and on our ability to make payments on certain of our securities, is often unclear.

Our US commodities and derivatives business is subject to CFTC and SEC regulation under the Dodd-Frank Act.

Our affiliate ING Capital Markets LLC is registered with the Commodity Futures Trading Commission (CFTC) as a swap dealer and is subject to CFTC regulation of the off-exchange derivatives market pursuant to Title VII of the US Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). Operating as a swap dealer requires compliance with CFTC regulatory requirements, which may be burdensome, impose additional compliance costs and could adversely affect the profitability of this business, as well as exposing ING to the risk of non-compliance with these regulations.

ING Capital Markets LLC is also registered with the SEC as a security-based swap dealer. Operating as a security-based swap dealer requires compliance with SEC regulatory requirements, which may be burdensome, impose additional compliance costs and could adversely affect the profitability of this business, as well as exposing ING to the risk of non-compliance with these regulations. While most of these SEC requirements apply to ING Capital Markets LLC, in addition to its CFTC swap dealer requirements, SEC rules have permitted an Alternative Compliance Mechanism that allows for compliance, subject to eligibility requirements, with CFTC capital and margin rules applying to swap dealers in lieu of SEC capital and margin rules applying to security-based swap dealers. ING Capital Markets LLC has elected to use the Alternative Compliance Mechanism. However, should ING Capital Markets LLC in the future be ineligible for the Alternative Compliance Mechanism it would be subject to SEC security-based swap dealer rules for margin, capital, and related financial reporting instead of the CFTC swap dealer rules which could be more capital-intensive.

On 15 December 2021, the SEC proposed new rules that would for the first time impose public reporting requirements for some significant security-based swaps positions. The rules would apply even to trades between non-US counterparties, including ING Bank, provided that the issuer of the reference securities underlying the security-based swaps is organised in the US, the issuer of the reference securities underlying the security-based swaps has its principal place of business in the US, or the securities are in certain categories registered with the SEC.

These proposed regulations, if adopted in their current form, could constrain trading activity in security-based swaps. In addition, there are, or may be in the future, regulatory requirements or limitations related to other categories of equity derivatives, such as options or forwards, that could similarly constrain trading activity in such instruments as well. These various requirements and limitations with respect to equity derivatives generally could have a significant impact on the liquidity and utility of these markets, materially impacting ING's business in this market.

In addition, position limits requirements have been imposed by the CFTC for enumerated listed futures referencing twenty-five physical commodities. In addition, on 1 January 2023, these position limits were extended to certain positions in swaps that are “economically equivalent” to the enumerated futures contracts. The position limits on futures and related swaps could limit ING's position sizes in these swaps referencing specified physical commodities and similarly limit the ability of counterparties to utilise certain of our products, to the extent that hedging exemptions from the position limits are unavailable. Any of the foregoing factors, and any further regulatory developments with respect to commodities and derivatives, could have a material impact on our business, results and financial condition.

We are subject to several other bank recovery and resolution regimes that include statutory write-down and conversion as well as other powers, which remains subject to significant uncertainties as to scope and impact on us.

We are subject to several recovery and resolution regimes, including the Single Resolution Mechanism (SRM), the ‘Bank Recovery and Resolution Directive’ (BRRD) as implemented in national legislation, such as the Dutch Financial Supervision Act. The SRM applies to banks that are supervised by the ECB under the SSM, with the aim of ensuring an orderly resolution of failing banks at minimum cost for taxpayers and the real economy. The BRRD establishes a common framework for the recovery and resolution of banks within the European Union, with the aim of providing supervisory authorities and resolution authorities with common tools and powers to address banking crises pre-emptively to safeguard financial stability and minimise taxpayers' exposure to losses. Any application of statutory write-down and conversion or other powers would not be expected to constitute an event of default under our securities entitling holders to seek repayment. If any of these powers were to be exercised in respect of ING, there could be a material adverse effect on both ING and on holders of ING securities, including through a material adverse effect on credit ratings and/or the price of our securities. Investors in our securities may lose their investment if resolution measures are taken under current or future regimes.

Risks related to litigation, enforcement proceedings and investigations and to changes in tax laws

We may be subject to litigation, enforcement proceedings, investigations or other regulatory actions, and adverse publicity.

We are involved in governmental, regulatory, arbitration and legal proceedings and investigations involving claims by and against us which arise in the ordinary course of our businesses, including in connection with our activities as financial services provider, employer, investor and taxpayer. As a financial institution, we are subject to specific laws and regulations governing financial services and/or financial institutions. See 'Risks related to the regulation and supervision of the Group. Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations may increase our operating costs and limit our activities' and 'Our US commodities and derivatives business is subject to CFTC and SEC regulation under the Dodd-Frank Act' above. Financial reporting irregularities involving other large and well-known companies, possible findings of government authorities in various jurisdictions which are investigating several processes, notifications made by whistleblowers, increasing regulatory and law enforcement scrutiny of ‘know your customer’ anti-money laundering regulations, tax evasion, prohibited transactions with countries or persons subject to sanctions, and bribery or other anti-corruption measures and anti-terrorist-financing procedures and their effectiveness, regulatory investigations of the banking industry, and litigation that arises from the failure or perceived failure by us to comply with legal, regulatory, tax and compliance requirements could result in adverse publicity and reputational harm, lead to increased regulatory supervision, affect our ability to attract and retain customers and employees and maintain access to the capital markets, result in cease and desist orders, claims, enforcement actions, fines and civil and criminal penalties, other disciplinary action or have other material adverse effects on us in ways that are not predictable. With respect to sanctions, Russia’s invasion of Ukraine has fundamentally changed the global political landscape, resulting in a world-wide response, whereby new and significant sanctions packages were imposed against Russia and Belarus during 2022 and 2023. During 2023, there have been several noteworthy developments highlighting the increasing focus of the EU, US, and other governments on the potential circumvention of sanctions against Russia, and the roles of third countries and companies in facilitating the circumvention or undermining of such sanction’s measures. This has prompted a concerted effort by governments to impose pressure on companies operating in these jurisdictions, and to stop the sanctions measures from being sidestepped by targeted Russian parties. The EU introduced additional measures combating sanctions circumvention and several locations have come into focus as potential diversion hubs. While various sanctions include grace periods before full compliance is required, there is no guarantee that ING will be able to implement all required procedures within the applicable grace periods. In addition, some claims and allegations may be brought by or on behalf of a class and claimants may seek large or indeterminate amounts of damages, including compensatory, liquidated, treble and punitive damages. Our reserves for litigation liabilities may prove to be inadequate. Claims and allegations, should they become public, need not be well founded, true or successful to have a negative impact on our reputation. In addition, press reports and other public statements that assert some form of wrongdoing could result in inquiries or investigations by regulators, legislators and law enforcement officials, and responding to these inquiries and investigations, regardless of their ultimate outcome, is time consuming and expensive. Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on our business, results, financial condition and/or prospects in any given period.

We are subject to different tax regulations in each of the jurisdictions where we conduct business, and are exposed to changes in tax laws, and risks of non-compliance with or proceedings or investigations with respect to, tax laws.

Changes in tax laws (including case law) and tax treaties (including the termination thereof) could increase our taxes and our effective tax rates and could materially impact our tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities, which could have a material adverse effect on our business, results and financial condition. Changes in tax laws could also make certain ING products less attractive, which could have adverse consequences for our businesses and results. On 7 June 2021, the Dutch government received a formal notice of termination of the Dutch-Russian tax treaty from Russia, and as a result, the tax treaty was terminated as of 1 January 2022. The termination of the Dutch-Russian tax treaty or any other similar developments may have adverse effects on ING and ING’s customers.

Because of the geographic spread of its business, ING may be subject to tax audits, investigations and procedures in numerous jurisdictions at any point in time. Although we believe that we have adequately provided for all our tax positions, the ultimate resolution of these audits, investigations and procedures may result in liabilities which are different from the amounts recognized. In addition, increased bank taxes in countries where the Group is active result in increased taxes on ING’s banking operations, which could negatively impact our operations, financial condition and liquidity.

We may be subject to tax investigations under EU, US and local laws if we fail to comply with our obligations

Due to the nature of its business, ING is subject to various provisions of EU, US, and other local tax laws in relation to its customers. These include amongst others the Foreign Account Tax Compliance Act (“FATCA”), which requires ING to provide certain information for the US Internal Revenue Service (IRS), the Qualified Intermediary (QI) requirements, which require withholding tax on certain US-source payments, and the Common Reporting Standards (CRS) which requires ING to provide certain information to local tax authorities. Failure to comply with these requirements and regulations could harm our reputation and could subject the Group to enforcement actions, fines and penalties, which could have a material adverse effect on our business, reputation, revenues, results, financial condition and prospects.

ING is exposed to the risk of claims from customers or stakeholders who feel misled or treated unfairly because of advice or information received.

Our products and services, including banking products and advice services for third-party products are exposed to claims from customers who might allege that they have received insufficient advice or misleading information from advisers (both internal and external) as to which products were most appropriate for them, or that the terms and conditions of the products, the nature of the products or the circumstances under which the products were sold, were misrepresented to them. When new financial products are brought to the market, it is ING's policy to engage in a multidisciplinary product approval process in connection with the development and distribution of such products, including production of appropriate marketing and communication materials. Notwithstanding these processes, customers may make claims against ING if the products do not meet their expectations , either at the purchase/execution of the product and/or through the life of the product. Customer protection regulations, as well as changes in interpretation and perception by both the public at large and governmental authorities of acceptable market practices, influence customer expectations

Products distributed through person-to-person sales forces have a higher exposure to such claims as the sales forces may provide face-to-face financial planning and advisory services. Complaints may also arise if customers feel that they have not been treated reasonably or fairly, or that the duty of care has not been complied with. While a considerable amount of time and resources have been invested in reviewing and assessing historical sales practices and products that were sold in the past, and in the maintenance of risk management, legal and compliance procedures to monitor current sales practices, there can be no assurance that all of the issues associated with current and historical sales practices have been or will be identified, nor that any issues already identified will not be more widespread than presently estimated.

The negative publicity associated with any sales practices, any compensation payable in respect of any such issues and regulatory changes resulting from such issues, has had and could have a material adverse effect on our reputation, business, results, financial condition and prospects. For additional information regarding legal proceedings or claims, see Note 45 'Legal proceedings' to the consolidated financial statements.

Risks related to the Group's business and operations

ING may be unable to meet internal or external aims or expectations or requirements with respect to ESG-related matters.

Environmental, Social and Governance (ESG) is an area of significant and increased focus for governments and regulators, investors, ING's customers and employees, and other stakeholders or third parties (e.g., non-governmental organisations or NGOs). As a result, an increasing number of laws, regulations and legislative actions have been introduced to address climate change, sustainability and other ESG-related matters, including in relation to the financial sector's operations and strategy. Such recent regulations include the EU Sustainable Finance Disclosure Regulation (SFDR), EU Taxonomy regulation and EU Green Bond Standards, which broadly focus on disclosure obligations, standardized definitions and classification frameworks for environmentally sustainable activities, and the EU Corporate Sustainability Reporting Directive (CSRD), which requires certain companies, including us, to disclose information on what they see as the risks and opportunities arising from social and environmental issues, and on the impact of their activities on people and the environment. Third parties may pursue litigation against ING in connection with ESG-related matters, such as the recently announced potential claims by Friends of the Earth Netherlands (Milieudefensie) in connection with financing provided by ING to certain companies whose business is reliant on fossil fuels.

These laws, regulations and legislative frameworks may directly and indirectly impact the business environment in which ING operates and may expose ING to significant risks, including amongst others, greenwashing risk and the risk of litigation if governmental standards or community expectations are not met.

National or international regulatory actions or developments may also result in financial institutions coming under increased pressure from internal and external stakeholders regarding the management and disclosure of their ESG risks and related lending and investment activities. ING may from time to time disclose ESG-related initiatives or aims in connection with the conduct of its business and operations. However, there is no guarantee that ING will be able to implement such initiatives or meet such aims within anticipated timeframes, or at all. ING may fail to fulfil internal or external ESG-related initiatives, aims or expectations, or may be perceived to fail to do so, or may fail to adequately or accurately report performance or developments with respect to such initiatives, aims or expectations. ING could therefore be criticised or held responsible for the scope of its initiatives or goals regarding such matters. In addition, ING might face requests for specific strategies, plans or commitments to address ESG-related matters, which may or may not be viewed as satisfactory to the relevant internal and external stakeholders (including NGOs). Any of these factors may have an adverse impact on ING's reputation and brand value, or on ING's business, financial condition and operating results.

ING may be unable to adapt its products and services to meet changing customer behaviour and demand, including as a result of ESG-related matters.

Customers or other counterparties may increasingly assess sustainability or other ESG-related matters in their economic decisions. For instance, customers may choose investment products or services based on sustainability or other ESG criteria, or may look at a financial institution's ESG-related lending strategy when choosing to make deposits. To remain competitive and to safeguard its reputation, ING is required to continuously adapt its business strategy, products and services to respond to emerging, increasing or changing sustainability and other ESG-related demands from customers, investors and other stakeholders. However, there is no guarantee that ING's current or future products or services will meet applicable ESG-related regulatory requirements, customer preferences or investor expectations.

ING's business and operations are exposed to transition risks related to climate change.

The transition to a low-carbon or net-zero economy gives rise to risks and uncertainties associated with climate change-related laws, regulations and oversight, changing or new technologies, and shifting customer sentiment. For instance, ING may be required to change its lending portfolio to comply with new climate change-related regulations and other ESG-related demands from customers, investors and other stakeholders. As a result, it might be unable and unwilling to lend to certain prospective customers, or lead to the termination of certain existing relationships with certain customers. This could result in claims or legal challenges from such customers against ING. This transition may also adversely impact the business and operations of ING's customers and other counterparties. Further, there is a risk that changing community standards and market expectations could lead to a reduction in demand and a decline in valuations for certain assets, which may affect the value of collateral we hold or the financial strength of certain of our portfolios. If ING fails to adequately factor in such risks in its lending or other business decisions, ING could be exposed to losses.

The low carbon or net zero transition may also require ING to modify or implement new compliance systems, internal controls and procedures or governance frameworks. The integration and automation of internal governance, compliance, and disclosure and reporting frameworks across ING could lead to increased operational costs for ING and other execution and operational risks. The implementation cost of these systems may especially be higher in the near term as ING seeks to adapt its business, or address overlapping, duplicative or conflicting regulatory or other requirements in this fast-developing area. Furthermore, ING's ongoing implementation of appropriate systems, controls and frameworks increasingly requires ING to develop adequate climate change-related risk assessment and modelling capabilities (as there is currently no standard approach or methodology available), and to collect customer, third party or other data. There are significant risks and uncertainties inherent in the development of new risk modelling methodologies and the collection of data, potentially resulting in systems or frameworks that could be inadequate, inaccurate or susceptible to incorrect customer, third party or other data.

Any delay or failure in developing, implementing or meeting ING's climate change-related commitments and regulatory requirements may have a material adverse impact on our business, financial condition, operating results and reputation, and lead to climate change or ESG-related investigations, enforcement proceedings or litigation.

ING's business and operations are exposed to physical risks, including as a direct result of climate change.

ING's business and operations may be exposed to the impacts of physical risks arising from climate and weather-related events, including heatwaves, droughts, flooding, storms, rising sea levels, other extreme weather events or natural disasters, and to the impacts of physical risks arising from the environmental degradation, including loss of biodiversity, water or resources scarcity, pollution or waste management. Such physical risks could disrupt ING's business continuity and operations or impact ING's premises or property portfolio, as well as its customers' property, business or other financial interests. These risks could potentially result in impairing asset values, financial losses, declining creditworthiness of customers and increased defaults, delinquencies, write-offs and impairment charges in ING's portfolio, etc. In particular, changing climate patterns resulting in more frequent and extreme weather events, such as the severe flooding that occurred in Western Europe in July 2021, the long-lasting bushfires in Australia in February 2021 or the severe flooding in the eastern states of Australia in early 2022, could lead to unexpected business interruptions or losses for ING or its customers.

For a description of physical risks to our operations and business other than resulting from natural disasters as a result of climate change, see 'Operational and IT risks, such as systems disruptions or failures, breaches of security, cyber attacks, human error, changes in operational practices, inadequate controls including in respect of third parties with which we do business or outbreaks of communicable diseases may adversely impact our reputation, business and results' below.

Operational and IT risks, such as systems disruptions or failures, breaches of security, human error, changes in operational practices, inadequate controls including in respect of third parties with which we do business or outbreaks of communicable diseases may adversely impact our reputation, business and results.

Operational and IT risks are inherent to our business. Our clients depend on our ability to process and report a large number of transactions efficiently and accurately. In addition, we routinely transmit, receive and store personal, confidential and proprietary information electronically. Losses can result from inadequately trained or skilled personnel, IT failures (including due to a cyber attack), inadequate or failed internal control processes and systems (including, as the role of Artificial Intelligence in the finance industry and in our business increases, any errors as a result of incomplete, inaccurate, or otherwise flawed outputs from the algorithms and data sets utilized), regulatory breaches, human errors, employee misconduct, including fraud, or from natural disasters or other external events that interrupt normal business operations. Such losses may adversely affect our reputation, business and results.

We depend on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. The equipment and software used in our computer systems and networks may not always be capable of processing, storing or transmitting information as expected. Despite our business continuity plans and procedures, certain of our computer systems and networks may have insufficient recovery capabilities in the event of a malfunction or loss of data. We are consistently managing and monitoring our IT risk profile globally. ING is subject to increasing regulatory requirements including EU General Data Protection Regulation (GDPR) and EU Payment Services Directive (PSD2) and the new Digital Operational Resilience Act (DORA) which will enter into force in January 2025. Failure to appropriately manage and monitor our IT risk profile could affect our ability to comply with these regulatory requirements, to securely and efficiently serve our clients or to timely, completely or accurately process, store and transmit information, and may adversely impact our reputation, business and results. For further description of the particular risks associated with cybercrime, which is a specific risk to ING as a result of its strategic focus on technology and innovation, see 'We are subject to increasing risks related to cybercrime and compliance with cybersecurity regulation' below.

In addition, as finance industry participants are increasingly incorporating Artificial Intelligence into their processes and systems, the risk of data and information leaks is correspondingly increasing. Our or our customers' sensitive, proprietary, or confidential information could be leaked, disclosed, or revealed as a result of or in connection with our or our third-party providers' use of generative or other Artifical Intelligence technologies. Any such information that we input into a third-party generative or other Artificial Intelligence or machine learning platform could be revealed to others, including if information is used to train the third party's Artificial Intelligence models. Additionally, where an Artificial Intelligence model ingests personal information and makes connections using such data, those technologies may reveal other sensitive, proprietary, or confidential information generated by the model.

Widespread outbreaks of communicable diseases may impact the health of our employees, increasing absenteeism, or may cause a significant increase in the utilisation of health benefits offered to our employees, either or both of which could adversely impact our business. Further, as a result of the Covid-19 pandemic, a significant portion of our staff continue to work from home on a full- or part-time basis, which may raise operational risks, including with respect to information security, data protection, availability of key systems and infrastructure integrity. In addition, other events including unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, and our operations may be subject to losses resulting from such disruptions. Losses can result from destruction or impairment of property, financial assets, trading positions, and the loss of key personnel. If our business continuity plans are not able to be implemented, are not effective or do not sufficiently take such events into account, losses may increase further.

We are subject to increasing risks related to cybercrime and compliance with cybersecurity regulation.

Like other financial institutions and global companies, we are regularly the target of cyber attacks, which is a specific risk to ING as a result of its strategic focus on technology and innovation. In particular, threats from Distributed Denial of Service (DDoS), targeted attacks (also called Advanced Persistent Threats) and ransomware have intensified worldwide, and attempts to gain unauthorised access and the sophistication of techniques used for such attacks is increasing. Cyber threats are constantly evolving and the techniques used in these attacks change, develop and evolve rapidly, including the use of emerging technologies, such as advanced forms of Artificial Intelligence and quantum computing. The new cyber risks introduced by these changes in technology require us to devote significant attention to identification, assessment and analysis of the risks and implementation of corresponding preventative measures. We have faced, and expect to continue to face, an increasing number of cyber attacks (both successful and unsuccessful) as we have further digitalised. This includes the continuing expansion of our mobile- and other internet-based products and services, as well as our usage and reliance on cloud technology.

Cybersecurity, the use and safeguarding of customer data and data privacy have become the subject of increasing legislative and regulatory focus. The EU's second Payment Services Directive (PSD2), GDPR and DORA are examples of such regulations. The resilience of financial institutions against ransomware attacks is now subject of the yearly stress test executed by the ECB in 2024. In certain locations where ING is active, there are additional local regulatory requirements and legislation on top of EU regulations that must be followed for business conducted in that jurisdiction. Some of these legislations and regulations may be conflicting due to local regulatory interpretations. We may become subject to new EU and local legislation or regulation concerning cybersecurity, security of customer data in general or the privacy of information we may store or maintain. Compliance with such new legislation or regulation could increase the Group's compliance cost. Failure to comply with new and existing legislation or regulation could harm our reputation and could subject the Group to enforcement actions, fines and penalties.

ING may be exposed to the risks of misappropriation, unauthorised access, computer viruses or other malicious code, cyber attacks and other external attacks or internal breaches for purposes of misappropriating assets or sensitive information, corrupting data, or impairing operational performance, each of which could have a security impact. These events could also jeopardise our confidential information or that of our clients or our counterparties. These events can potentially result in financial loss and harm to our reputation, hinder our operational effectiveness, result in regulatory censure, compensation costs or fines resulting from regulatory investigations and could have a material adverse effect on our business, reputation, revenues, results, financial condition and prospects. Even when we are successful in defending against cyber attacks, such defence may consume significant resources or impose significant additional costs on ING.

Although the Covid-19 pandemic has now largely subsided, there has been an increase in the digital behaviour of our customers leading to reduced traffic in branches. Over 95 percent of our customers now interact with us via digital channels only. This increased reliance on digital banking and remote working may increase the risk of cybersecurity breaches, loss of personal data and related reputational risk. If any of these risks were to materialise that may adversely affect our business, results and financial condition.

Because we operate in highly competitive markets, including our home market, we may not be able to increase or maintain our market share, which may have an adverse effect on our results.

There is substantial competition in the Netherlands and the other countries in which we do business for the types of wholesale banking, retail banking, investment banking and other products and services we provide. Customer loyalty and retention can be influenced by several factors, including brand recognition, reputation, relative service levels, the prices and attributes of products and services, scope of distribution, credit ratings and actions taken by existing or new competitors (including non-bank or financial technology competitors). A decline in our competitive position as to one or more of these factors could adversely impact our ability to maintain or further increase our market share, which would adversely affect our results. Such competition is most pronounced in our more mature markets of the Netherlands, Belgium, the rest of Western Europe and Australia. In recent years, however, competition in emerging markets, such as Asia and Central and Eastern Europe, has also increased as large financial services companies from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and proceeded to form alliances, mergers or strategic relationships with some of our competitors. The Netherlands is our largest market. Our main competitors in the banking sector in the Netherlands are ABN AMRO Bank and Rabobank.

Competition could also increase due to new entrants (including non-bank and financial technology competitors) in the markets that may have new operating models that are not burdened by potentially costly legacy operations and that are subject to reduced regulation. New entrants may rely on new technologies, advanced data and analytic tools, lower cost to serve, less extensive oversight from regulators compared to the frameworks established in respect of traditional banks and/or faster processes to challenge traditional banks. Developments in technology have also accelerated the use of new business models, and ING may not be successful in adapting to this pace of change or may incur significant costs in adapting its business and operations to meet such changes. For example, new business models have been observed in retail payments, consumer and commercial lending (such as peer-to-peer lending), foreign exchange and low-cost investment advisory services. In particular, the emergence of disintermediation in the financial sector resulting from new banking, lending and payment solutions offered by rapidly evolving incumbents, challengers and new entrants, in particular with respect to payment services and products, and the introduction of disruptive technology may impede our ability to grow or retain our market share and impact our revenues and profitability.

Increasing competition in the markets in which we operate (including from non-banks and financial technology competitors) may significantly impact our results if we are unable to match the products and services offered by our competitors. Future economic turmoil may accelerate additional consolidation activity. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms or have declared bankruptcy. These developments could result in our competitors gaining greater access to capital and liquidity, expanding their ranges of products and services, or gaining geographic diversity. We may experience pricing pressures as a result of these factors in the event that some of our competitors seek to increase market share by reducing prices, which may have a material adverse impact on our business, results and financial condition.

We may not always be able to protect our intellectual property developed in our products and services and may be subject to infringement claims, which could adversely impact our core business, inhibit efforts to monetize our internal innovations and restrict our ability to capitalize on future opportunities.

In the conduct of our business, we rely on a combination of contractual rights with third parties and copyright, trademark, trade name, patent and trade secret laws to establish and protect our intellectual property, which we develop in connection with our products and services. Third parties may infringe or misappropriate our intellectual property. We may have to litigate to enforce and protect our copyrights, trademarks, trade names, patents, trade secrets and know-how or to determine their scope, validity or enforceability. In that event, we may be required to incur significant costs, and our efforts may not prove successful. The inability to secure or protect our intellectual property assets could have an adverse effect on our core business and our ability to compete, including through the monetisation of our internal innovations.

We may also be subject to claims made by third parties for (i) patent, trademark or copyright infringement, (ii) breach of copyright, trademark or licence usage rights, or (iii) misappropriation of trade secrets. Any such claims and any resulting litigation could result in significant expense and liability for damages. If we were found to have infringed or misappropriated a third-party patent or other intellectual property right (including where we or a third party have used generative Artificial Intelligence outputs based on data for which the generative model may not have had consent), we could in some circumstances be enjoined from providing certain products or services to our customers or from utilising and benefiting from certain methods, processes, copyrights, trademarks, trade secrets or licences. Alternatively, we could be required to enter into costly licensing arrangements with third parties or to implement a costly workaround. Any of these scenarios could have a material adverse effect on our business and results and could restrict our ability to pursue future business opportunities.

The inability of counterparties to meet their financial obligations or our inability to fully enforce our rights against counterparties could have a material adverse effect on our results.

Third parties that have an payment obligations to ING, or obligations to return money, securities or other assets, may not pay or perform under their obligations. These parties include the issuers and guarantors (including sovereigns) of securities we hold, borrowers under loans originated, reinsurers, customers, trading counterparties, securities lending and repurchase counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. Defaults by one or more of these parties on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, continuing low oil or other commodity prices, operational failure or other factors, or even rumours about potential defaults by one or more of these parties or regarding a severe distress of the financial services industry generally, could have a material adverse effect on our results, financial condition and liquidity. Given the high level of interdependence between financial institutions, we are and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of sovereigns and other financial services institutions. This is particularly relevant to our franchise as an important and large counterparty in equity, fixed income and foreign exchange markets, including related derivatives.

We routinely execute a high volume of transactions, such as unsecured debt instruments, derivative transactions and equity investments with counterparties and customers in the financial services industry, including brokers and dealers, commercial and investment banks, mutual and hedge funds, insurance companies, institutional clients, futures clearing merchants, swap dealers, and other institutions, resulting in large periodic settlement amounts, which may result in us having significant credit exposure to one or more of such counterparties or customers. As a result, we could face concentration risk with respect to liabilities or amounts we expect to collect from specific counterparties and customers. We are exposed to increased counterparty risk as a result of recent financial institution failures and weakness and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. As a result of the Russian invasion of Ukraine and related international response measures, including sanctions and capital controls, we may be exposed to increased risk of default of counterparties located in Russia and Ukraine, counterparties of which the ultimate parent is located in Russia or may be considered effectively controlled or influenced through Russian involvement, and other counterparties in sectors affected by the response measures. Also, liquidity or currency controls enforced by the Russian central bank may impact Russian companies' ability to pay. In addition, we have counterparty exposure to Russian entities in connection with foreign exchange derivatives for future receipt of foreign currencies against Russian rouble (RUB). Remaining at risk for ING at year-end 2023 is €0.4 billion local equity and €1.3 billion credit exposures booked outside of Russia, and €0.6 billion with clients in Ukraine. A default by, or even concerns about the creditworthiness of, one or more of these counterparties or customers or other financial services institutions could therefore have an adverse effect on our results or liquidity.

With respect to secured transactions, our credit risk may be exacerbated when the collateral held by us cannot be liquidated or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to us. We also have exposure to a number of financial institutions in the form of unsecured debt instruments, derivative transactions and equity investments. For example, we hold certain hybrid regulatory capital instruments issued by financial institutions which permit the issuer to cancel coupon payments on the occurrence of certain events or at their option. The ECB has indicated that, in certain circumstances, it may require these financial institutions to cancel payment. If this were to happen, we expect that such instruments may experience ratings downgrades and/or a drop in value and we may have to treat them as impaired, which could result in significant losses. There is no assurance that losses on, or impairments to the carrying value of, these assets would not materially and adversely affect our business, results or financial condition.

In addition, we are subject to the risk that our rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations we hold could result in losses and/ or adversely affect our ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of our counterparties could also have a negative impact on our income and risk weighting, leading to increased capital requirements. While in many cases we are permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral we are entitled to receive and the value of pledged assets. Also in this case, our credit risk may also be exacerbated when the collateral we hold cannot be liquidated at prices sufficient to recover the full amount of the loan or derivative exposure due to us, which is most likely to occur during periods of illiquidity and depressed asset valuations, such as those experienced during the financial crisis of 2008. The termination of contracts and the foreclosure on collateral may subject us to claims. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity. Any of these developments or losses could materially and adversely affect our business, results, financial condition, and/or prospects.

Ratings are important to our business for a number of reasons, and a downgrade or a potential downgrade in our credit ratings could have an adverse impact on our results and net results.

Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. Our credit ratings are important to our ability to raise capital and funding through the issuance of debt and to the cost of such financing. In the event of a downgrade, the cost of issuing debt will increase, having an adverse effect on our net results. Certain institutional investors may also be obliged to withdraw their deposits from ING following a downgrade, which could have an adverse effect on our liquidity. They can also have lower risk appetite for our debt notes, leading to lower purchases of (newly issued) debt notes. We have credit ratings from S&P, Moody's Investor Service and Fitch Ratings. Each of the rating agencies reviews its ratings and rating methodologies on a recurring basis and may decide on a downgrade at any time.

As rating agencies continue to evaluate the financial services industry, it is possible that rating agencies will heighten the level of scrutiny that they apply to financial institutions, increase the frequency and scope of their credit reviews, request additional information from the companies that they rate and potentially adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. It is possible that the outcome of any such review of us would have additional adverse ratings consequences, which could have a material adverse effect on our results and financial condition. We may need to take actions in response to changing standards or capital requirements set by any of the rating agencies, which could cause our business and operations to suffer. We cannot predict what additional actions rating agencies may take, or what actions we may take in response to the actions of rating agencies.

Furthermore, ING's assets are risk-weighted. Downgrades of these assets could result in a higher risk-weighting, which may result in higher capital requirements. This may impact net earnings and the return on capital, and may have an adverse impact on our competitive position.

An inability to retain or attract key personnel may affect our business and results.

ING relies to a considerable extent on the quality of its senior management, such as members of the executive committee, and management in the jurisdictions which are material to ING's business and operations. The success of ING's operations is dependent, among other things, on its ability to attract and retain highly qualified personnel. Competition for key personnel in most countries in which ING operates, and globally for senior management, is intense. ING's ability to attract and retain key personnel, in senior management and in particular areas such as technology and operational management, client relationship management, finance, risk and product development, is dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent.

The increasing restrictions on, and public and political scrutiny of, remuneration (especially in the Netherlands), may continue to have an impact on existing ING remuneration policies and individual remuneration packages for personnel. For example, under the EU's amended Shareholder Rights Directive, known as SRD II, which came into effect on 10 June 2019, ING is required to hold a shareholder binding vote on ING's Executive Board remuneration policy and Supervisory Board remuneration policy at least every four years. Furthermore the shareholders have an advisory vote on ING's remuneration report annually. This may restrict our ability to offer competitive compensation compared with companies (financial and/or non-financial) that are not subject to such restrictions and it could adversely affect ING Group's ability to retain or attract key personnel, which, in turn, may affect our business and results.

We may incur further liabilities in respect of our defined benefit retirement plans if the value of plan assets is not sufficient to cover potential obligations, including as a result of differences between actual results and underlying actuarial assumptions and models.

ING Group companies operate various defined benefit retirement plans covering the post-employment benefits of a number of our employees. The liability recognised in our consolidated balance sheet in respect of our defined benefit plans is the present value of the defined benefit obligations at the balance sheet date, less the fair value of each plan's assets, together with adjustments for unrecognised actuarial gains and losses and unrecognised past service costs. We determine our defined benefit plan obligations based on internal and external actuarial models and calculations using the projected unit credit method. Inherent in these actuarial models are assumptions, including discount rates, rates of increase in future salary and benefit levels, mortality rates and consumer price index. These assumptions are based on available market data and are updated annually. Nevertheless, the actuarial assumptions may differ significantly from actual results due to changes in market conditions, economic and mortality trends and other assumptions. Any changes in these assumptions could have a significant impact on our present and future liabilities and costs associated with our defined benefit plans.

Risks related to the Group's risk management practices

Risks relating to our use of quantitative models or assumptions to model client behaviour for the purposes of our market calculations may adversely impact our reputation or results.

We use quantitative methods, systems or approaches that apply statistical, economic financial, or mathematical theories, techniques and assumptions to process input data into quantitative estimates. Errors in the development, implementation, use or interpretation of such models, or from incomplete or incorrect data, can lead to inaccurate, noncompliant or misinterpreted model outputs, which may adversely impact our reputation and results. In addition, we use assumptions in to model client behaviour for the risk calculations in our banking books. Assumptions are used to determine the interest rate risk profile of savings and current accounts and to estimate the embedded option risk in the mortgage and investment portfolios. Assumptions based on past client behaviour may not always be a reliable indicator of future behaviour. The realisation or use of different assumptions to determine client behaviour could have a material adverse effect on the calculated risk figures and, ultimately, our future results or reputation. Furthermore, we may be subject to risks related to changes in the laws and regulations governing the risk management practices of financial institutions. For further information, see 'Risks related to the regulation and supervision of the Group – Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations may increase our operating costs and limit our activities' above. As noted there, regulation of the industries in which we operates is becoming increasingly more extensive and complex, while also attracting supervisory scrutiny. Compliance failures may lead to changes in the laws and regulations governing the risk management practices and materially increase our operating costs.

We may be unable to manage our risks successfully through derivatives.

We employ various economic hedging strategies with the objective of mitigating the market risks that are inherent in our business and operations. These risks include currency fluctuations, changes in the fair value of our investments, the impact of interest rates, equity markets and credit spread changes, the occurrence of credit defaults and changes in client behaviour. We seek to control these risks by, among other things, entering into a number of derivative instruments, such as swaps, options, futures and forward contracts, including, from time to time, macro hedges for parts of our business, either directly as a counterparty or as a credit support provider to affiliate counterparties. Developing an effective strategy for dealing with these risks is complex, and no strategy can completely insulate us from risks associated with those fluctuations. Our hedging strategies also rely on assumptions and projections regarding our assets, liabilities, general market factors and the creditworthiness of our counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, our hedging activities may not have the desired beneficial impact on our results or financial condition. Poorly designed strategies or improperly executed transactions could actually increase our risks and losses. Hedging strategies involve transaction costs and other costs, and if we terminate a hedging arrangement, we may also be required to pay additional costs, such as transaction fees or breakage costs. There have been periods in the past, and it is likely that there will be periods in the future, during which we have incurred or may incur losses on transactions, possibly significant, after taking into account our hedging strategies. Further, the nature and timing of our hedging transactions could actually increase our risk and losses. Hedging instruments we use to manage product and other risks might not perform as intended or expected, which could result in higher realised or unrealised losses, such as credit value adjustment risks or unexpected P&L effects, and unanticipated cash needs to collateralise or settle such transactions. Adverse market conditions can limit the availability and increase the costs of hedging instruments, and such costs may not be recovered in the pricing of the underlying products being hedged. In addition, hedging counterparties may fail to perform their obligations, resulting in unhedged exposures and losses on positions that are not collateralised. As such, our hedging strategies and the derivatives that we use or may use may not adequately mitigate or offset the risks they intend to cover, and our hedging transactions may result in losses.

Our hedging strategy additionally relies on the assumption that hedging counterparties remain able and willing to provide the hedges required by our strategy. Increased regulation, market shocks, worsening market conditions, and/or other factors that affect or are perceived to affect the financial condition, liquidity and creditworthiness of ING may reduce the ability and/or willingness of such counterparties to engage in hedging contracts with us and/or other parties, affecting our overall ability to hedge our risks and adversely affecting our business, results and financial condition.

Risks related to the Group's liquidity and financing activities

We depend on the capital and credit markets, as well as customer deposits, to provide the liquidity and capital required to fund our operations, and adverse conditions in the capital and credit markets, or significant withdrawals of customer deposits, may impact our liquidity, borrowing and capital positions, as well as the cost of liquidity, borrowings and capital.

Adverse capital market conditions have in the past affected, and may in the future affect, our cost of borrowed funds and our ability to borrow on a secured and unsecured basis, thereby impacting our ability to support and/or grow our businesses. Furthermore, although interest rates are still relatively low by historical standards and have been since the financial crisis in 2008, interest rates are rising and we have experienced, and may continue to experience, increased funding costs due in part due to the withdrawal of perceived government support of financial institutions in the event of future financial crises. In addition, liquidity in the financial markets has also been negatively impacted as market participants and market practices and structures adjust to new regulations.

We need liquidity to fund new and recurring business, to pay our operating expenses, interest on our debt and dividends on our capital stock, maintain our securities lending activities and replace certain maturing liabilities. Without sufficient liquidity, we will be forced to curtail our operations and our business will suffer. The principal sources of our funding include a variety of short-and long-term instruments, including deposit fund, repurchase agreements, commercial paper, medium- and long-term debt, subordinated debt securities, capital securities and shareholders' equity.

In addition, because we rely on customer deposits to fund our business and operations, the confidence of customers in financial institutions may be tested in a manner that may adversely impact our liquidity and capital position. Consumer confidence in financial institutions may, for example, decrease due to our or our competitors' failure to communicate to customers the terms of, and the benefits and risks to customers of, complex or high-fee financial products. Reduced confidence could have an adverse effect on our liquidity and capital position through withdrawal of deposits, in addition to our revenues and results. Because a significant percentage of our customer deposit base is originated via internet banking, a loss of customer confidence may result in a rapid withdrawal of deposits over the internet.

In the event that our current resources do not satisfy our needs, we may need to seek additional financing. The availability of additional financing will depend on a variety of factors, such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, our credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of our long- or short-term financial prospects. Also see under the heading 'Ratings are important to our business for a number of reasons, and a downgrade or a potential downgrade in our credit ratings could have an adverse impact on our results and net results'. Similarly, our access to funds may be limited if regulatory authorities or rating agencies take negative actions against us. If our internal sources of liquidity prove to be insufficient, there is a risk that we may not be able to successfully obtain additional financing on favourable terms, or at all. Any actions we might take to access financing may, in turn, cause rating agencies to re-evaluate our ratings.

Disruptions, uncertainty or volatility in the capital and credit markets may also limit our access to capital. Such market conditions may in the future limit our ability to raise additional capital to support business growth, or to counterbalance the consequences of losses or increased regulatory capital and rating agency capital requirements. This could force us to (i) delay raising capital, (ii) reduce, cancel or postpone payment of dividends on our shares, (iii) reduce, cancel or postpone interest payments on our other securities, (iv) issue capital of different types or under different terms than we would otherwise, or (v) incur a higher cost of capital than in a more stable market environment. This would have the potential to decrease both our profitability and our financial flexibility. Our results, financial condition, cash flows, regulatory capital and rating agency capital position could be materially adversely affected by disruptions in the financial markets.

Furthermore, regulatory liquidity requirements in certain jurisdictions in which we operate are remain stringent, undermining our efforts to maintain centralised management of our liquidity. These developments may cause trapped pools of liquidity and capital, resulting in inefficiencies in the cost of managing our liquidity and solvency, and hinder our efforts to integrate our balance sheet. An example of such trapped liquidity includes our operations in Germany where German regulations impose separate liquidity requirements that restrict ING's ability to move a liquidity surplus out of the German subsidiary.

Disclaimer

Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to a number of factors, including, without limitation: (1) changes in general economic conditions, in particular economic conditions in ING's core markets, including changes affecting currency exchange rates and the regional and global economic impact of the invasion of Russia into Ukraine and related international response measures (2) changes affecting interest rate levels (3) any default of a major market participant and related market disruption (4) changes in performance of financial markets, including in Europe and developing markets (5) fiscal uncertainty in Europe and the United States (6) discontinuation of or changes in 'benchmark' indices (7) inflation and deflation in our principal markets (8) changes in conditions in the credit and capital markets generally, including changes in borrower and counterparty creditworthiness (9) failures of banks falling under the scope of state compensation schemes (10) non-compliance with or changes in laws and regulations, including those concerning financial services, financial economic crimes and tax laws, and the interpretation and application thereof (11) geopolitical risks, political instabilities and policies and actions of governmental and regulatory authorities, including in connection with the invasion of Russia into Ukraine and related international response measures (12) legal and regulatory risks in certain countries with less developed legal and regulatory frameworks (13) prudential supervision and regulations, including in relation to stress tests and regulatory restrictions on dividends and distributions (also among members of the group) (14) ING's ability to meet minimum capital and other prudential regulatory requirements (15) changes in regulation of US commodities and derivatives businesses of ING and its customers (16) application of bank recovery and resolution regimes, including write-down and conversion powers in relation to our securities (17) outcome of current and future litigation, enforcement proceedings, investigations or other regulatory actions, including claims by customers or stakeholders who feel misled or treated unfairly, and other conduct issues (18) changes in tax laws and regulations and risks of non-compliance or investigation in connection with tax laws, including FATCA (19) operational and IT risks, such as system disruptions or failures, breaches of security, cyber-attacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which we do business and including any risks as a result of incomplete, inaccurate, or otherwise flawed outputs from the algorithms and data sets utilized in artificial intelligence (20) risks and challenges related to cybercrime including the effects of cyberattacks and changes in legislation and regulation related to cybersecurity and data privacy , including such risks and challenges as a consequence of the use of emerging technologies, such as advanced forms of artificial intelligence and quantum computing (21) changes in general competitive factors, including ability to increase or maintain market share (22) inability to protect our intellectual property and infringement claims by third parties (23) inability of counterparties to meet financial obligations or ability to enforce rights against such counterparties (24) changes in credit ratings (25) business, operational, regulatory, reputation and other risks and challenges in connection with climate change and Environmental, Social and Governance (ESG)-related matters, including data and reporting (26) inability to attract and retain key personnel (27) future liabilities under defined benefit retirement plans (28) failure to manage business risks, including in connection with use of models, use of derivatives, or maintaining appropriate policies and guidelines (29) changes in capital and credit markets, including interbank funding, as well as customer deposits, which provide the liquidity and capital required to fund our operations, and (30) the other risks and uncertainties detailed in the most recent annual report of ING Bank N.V. (including the Risk Factors contained therein) and ING's more recent disclosures, including press releases, which are available on www.ING.com.

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