ING

ING Bank

Condensed consolidated interim financial information for the six month period ended 30 June 2022

Contents

Interim Report

Risk Management

Condensed consolidated interim financial statements

Notes to the Condensed consolidated interim financial statements

Additional notes to the Condensed consolidated interim financial statements

Other information

Interim report

Introduction

ING Bank is a global financial institution with a strong European base, offering banking services through its operating company ING Bank. ING Bank's more than 57,000 employees offer retail and wholesale banking services to customers in over 40 countries.

Application of IAS 29 (hyperinflation accounting)

As the cumulative inflation in Turkey over the last three years has exceeded 100%, ING Bank will apply IAS 29 ('Financial Reporting in Hyperinflationary Economies') to the consolidation of its subsidiary in Turkey, effective as of 1 January 2022 and likely to be applied in the coming periods.

The application of IAS 29 resulted in a negative accounting impact on ING Bank's net result in the first six months of 2022 of €-244 million, reflecting the adjustments for changes in the general purchasing power of the Turkish lira. This negative impact in P&L is more than offset by a positive adjustment in equity. Therefore, the impact from hyperinflation accounting on CET1 capital is slightly positive. The negative accounting impact on P&L is recorded in the Corporate Line and is largely reflected in other income (€-247 million), in net interest income (€+15 million) and in operating expenses (€+11 million).

Furthermore, the first half of 2022 results include €32 million in the Corporate Line for the impairment of the goodwill allocated to Turkey, recorded in operating expenses.

In line with ING's distribution policy, the combined impact of €-277 million for the application of hyperinflation accounting and the goodwill impairment is treated as a significant item not linked to the normal course of business. It will therefore not affect resilient net profit and shareholders' distribution.

ING Bank consolidated results

ING Bank monitors and evaluates the performance of ING Bank at a consolidated level and by segment. The Management Board Banking consider this measure 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.

The breakdown of net result by segment is included in Note 15 'Segments'.

ING Bank's net result in the first half of 2022 was €1,610 million compared with €2,467 million in the same period of 2021. The decline was due to an increase in risk costs following the Russian invasion in Ukraine, while risk costs in 2021 were exceptionally low. The net result in the first half of 2022 also included a €-244 million impact from the application of hyperinflation accounting (IAS 29) in the consolidation of our subsidiary in Turkey in the first half of 2022, which was recorded in the Corporate Line. The effective tax rate was 30.0% compared with 28.5% in the first half of 2021.

The result before tax decreased 31.6% to €2,416 million from €3,530 million in the first half of 2021, due to higher risk costs and IAS 29 impact. Income increased 0.7%, supported by strong growth in fee income, especially for daily banking products, and higher revenues from Treasury and Financial Markets. This increase was partly offset by a €-231 million hyperinflation accounting impact on income, a €158 million lower recognition of the conditional ECB funding rate benefit from the TLTRO III programme, and a €150 million impairment on ING's equity stake in TTB. Operating expenses rose by €125 million, or 2.3%, on the first six months of 2021, entirely due to higher regulatory costs while other costs slightly declined.

Net interest income increased by €32 million, or 0.5%, to €6,884 million in the first six months of 2022, mainly due to higher interest margins on liabilities and higher Treasury-related interest income (which can be volatile). Net interest income on customer lending declined compared with last year, as lower margins could only partly be compensated by an increase in average volumes. The TLTRO III benefit was €158 million lower year-on-year as the first half of 2021 included the cumulative recognition of the funding rate benefit as from 24 June 2020. ING's overall net interest margin, which is defined as net interest income divided by the average balance sheet total, decreased by 4 basis points to 1.37%, from 1.41% in the first half of 2021.

Net fee and commission income increased 6.5% to €1,822 million from €1,710 million a year earlier. In Retail Banking, net fee and commission income rose by €93 million, or 8.3%. This was driven by higher fee income on daily banking products, supported by higher fees for payment packages. Fee income on investment products decreased as stock markets declined and trading activity was lower. Total fee income in Wholesale Banking rose by €25 million, mainly in Lending and Daily Banking & Trade Finance, partly offset by a lower deal flow in Financial Markets.

Total investment and other income decreased by €77 million, or 11.8%, to €576 million from €653 million in the first half of 2021. This was due to a €-247 million hyperinflation accounting impact (mainly the loss of purchasing power on our net monetary position in Turkey) and a €150 million impairment on TTB, while last year included a €72 million receivable related to the insolvency of a financial institution in the Netherlands. Excluding the aforementioned impacts, total investment and other income increased by €392 million, predominantly due to higher trading income in Financial Markets, which benefited from market volatility.

Operating expenses increased by €125 million, or 2.3%, to €5,678 million. This included €863 million of regulatory costs, up €104 million on the first half of 2021, due to higher contributions to the (European) single resolution fund and deposit guarantee schemes. The latter comprised a €92 million one-off contribution to the new Institutional Protection Scheme in Poland. Expenses in the first six months of 2022 included €159 million of incidental cost items, of which €97 million restructuring costs in Retail Belgium, €18 million of restructuring provisions recorded in Other Challengers and Growth Markets, and €11 million hyperinflation impact and €32 million for the impairment of the goodwill allocated to Turkey recorded in the Corporate Line. Incidental items in the first six months of 2021 were €123 million, consisting of €90 million of redundancy and restructuring costs in Retail Netherlands, €11 million of restructuring costs related to leaving the retail banking market in the Czech Republic, as well as a €22 million impairment recorded in the Corporate Line. Expenses excluding regulatory costs and incidental items slightly declined, as the impact of salary increases was offset by the benefits from earlier restructurings and our exits from certain retail markets. The cost/income ratio increased to 61.2% from 60.3% in the first half of 2021.

Net additions to loan loss provisions were €1,189 million compared with €131 million in the first half of 2021. Out of the risk costs in the first six months of 2022, €717 million was associated with our Russia-related exposure, following the Russian invasion in Ukraine. The remainder mainly reflected more negative macroeconomic indicators and a net addition to management overlays, primarily for the potential impact of high inflation and interest rates, as well as supply chain disruptions. Risk costs in 2021 included releases from collective provisions following an update of the macroeconomic indicators and limited Stage 3 provisioning. Risk costs this year were annualised 37 basis points of average customer lending compared with 4 basis points in the first half of 2021.

Retail Netherlands

Retail Netherlands posted a result before tax of €1,134 million, compared with €1,022 million in the first six months of 2021. This increase was attributable to lower expenses and higher income, partly offset by a lower release in risk costs.

Total income increased by €6 million, or 0.3%, to €2,144 million, compared with €2,138 million in the first half of 2021. Net interest income declined 9.8%, mainly due to lower margins on mortgages (for which average volumes were stable), continued margin pressure on customer deposits, and a €10 million lower TLTRO III benefit. Net core lending growth in the first half of 2022 (which excludes Treasury products and a €0.5 billion decline in the WUB run-off portfolio) was €2.0 billion, of which €1.1 billion was in residential mortgages and €0.9 billion in other lending. Net core deposits growth (excluding Treasury) was €9.4 billion, of which €5.1 billion was in current accounts and €4.3 billion in savings and deposits. Net fee and commission income increased by €65 million, or 17.7%, mainly in daily banking. This was supported by an increase in fees for payment packages per 1 January 2022 (following an increase per 1 April 2021) and higher transaction-related income. Investment and other income was €103 million higher, driven by high income in Treasury.

Operating expenses declined by €166 million, or 14.1%, to €1,015 million from €1,181 million in the first six months of 2021. The decrease included €12 million lower regulatory costs, while the first half of 2021 had included €90 million of redundancy and restructuring costs. Expenses excluding regulatory costs and incidental cost items declined by €64 million, or 6.9%, mainly due to lower staff expenses and office-space-related costs.

The addition to loan loss provisions resulted in a net release of €6 million, or -1 basis point of average customer lending, compared with a net release of €65 million, or -8 basis points, in the first half of 2021. The net release in the first half of 2022 reflected releases in the mortgage and business lending portfolios.

Retail Belgium

Retail Belgium, which includes Luxembourg, posted a result before tax of €164 million in the first half of 2022, compared with €134 million in the same period of 2021. The improvement was the result of lower risk costs, partly offset by higher expenses (which in 2022 included €97 million of restructuring costs) and lower income.

Total income decreased by €32 million, or 2.6%, to €1,209 million. Net interest income decreased by €60 million, or 6.7%, with lower interest results on both lending and on liabilities due to margin pressure, as well as a €26 million lower benefit from TLTRO III (€22 million in the first half of 2022 compared with €48 million last year). Net core lending growth (excluding Treasury) was €3.0 billion in the first half of 2022, of which €0.6 billion was in mortgages, and €2.4 billion in other lending. Net core deposits growth (excluding Treasury) was €-0.4 billion. Net fee and commission income rose by €10 million, or 4.0%, reflecting higher daily banking fee income driven by payment-package fee increases during 2021. Investment and other income increased by €18 million, mainly due to higher Treasury-related revenues.

Operating expenses rose by €110 million, or 12.1%, to €1,022 million in the first half of 2022, mainly due to a €97 million restructuring provision related to the optimisation of the branch network, and €2 million higher regulatory costs. Expenses excluding regulatory costs and the aforementioned provision, increased by €11 million, or 1.6%, reflecting higher staff and marketing costs, partly offset by lower IT costs.

The net addition to the provision for loan losses declined to €23 million, or annualised 5 basis points of average customer lending. This compares with €194 million in the first half of 2021, which included the impact of the update of the Retail Belgium models, primarily related to business banking.

Retail Germany

Retail Germany (which included Austria up to and including 2021, after which ING left the Austrian retail banking market), recorded a first-half result before tax of €423 million in 2022, up 2.4% from €413 million in the same period of 2021. The increase reflected higher income and lower expenses, partly offset by increased risk costs.

Total income increased to €1,054 million, up 1.7% from €1,036 million in the first six months of 2021. Net interest income declined 4.2% to €703 million, mainly reflecting lower interest income on liabilities due to lower average volumes. Net core lending growth (which excludes Treasury products) was €3.7 billion in the first half of 2022, of which €3.4 billion was in residential mortgages and €0.2 billion in consumer lending. Net core deposits (excluding Treasury) showed an outflow of €6.9 billion, reflecting the impact of the introduction of negative interest rate charging to clients with liability balances above €50,000 who gave consent. Fee income declined 3.1% to €249 million, as lower trading volumes and stock markets led to lower fees on investment products, which was only partly offset by higher fee income on daily banking products. Investment and other income rose by €57 million, in part due to higher Treasury-related revenues.

Operating expenses decreased by €9 million, or 1.5%, to €595 million in the first half of 2022. This was driven by €9 million lower regulatory costs, as the prior year included a €30 million catch-up in the deposit guarantee scheme following the Greensill insolvency. Expenses excluding regulatory costs remained stable, as the impact of annual salary increases and inflation was offset by savings from exiting the Austrian retail market.

The net addition to the provision for loan losses in the first half of 2022 was €36 million, or annualised 7 basis points of average customer lending, compared with an addition of €19 million in the same period of last year.

Retail Other Challengers & Growth Markets

Retail Other Challengers & Growth markets' result before tax declined to €377 million from €454 million in the first six months of 2021. This reflected higher expenses and increased risk costs, partly offset by higher income even though income included a €150 million impairment on ING's equity stake in TTB in the first quarter of 2022.

Total income rose by €26 million, or 1.5%, to €1,755 million in the first six months of 2022. Net interest income rose 9.9% to €1,488 million, reflecting higher margins on customer deposits, notably in Poland, and higher Treasury-related revenues, partly offset by lower income from mortgages. Net core lending growth (adjusted for currency effects, Treasury and the France run-off portfolio as from the second quarter of 2022) was €4.1 billion in the first half of 2022, of which €2.8 billion was in residential mortgages; the growth was mainly visible in Australia and Spain. Net core deposits growth (excluding Treasury) was €-0.4 billion, with the largest declines in Poland and in France (in the first quarter of 2022, after which Retail France was classified as run-off and excluded from core deposits), whereas core deposits in mainly Spain increased. Net fee and commission income rose by €26 million, or 10.3%, mainly reflecting higher daily banking fees and increased fee income from insurance products. Investment and other income declined by €135 million, as it included the €-150 million impairment on TTB this year. Excluding this impairment, investment and other income increased, mainly due to higher revenues from Treasury.

Operating expenses increased by €95 million, or 8.1%, to €1,269 million in the first half of 2022. The increase included €94 million of higher regulatory costs, predominantly due to a €92 million one-off contribution to the new Institutional Protection Scheme in Poland. Furthermore, expenses in the first half of 2022 included €18 million of restructuring provisions related to the announcement to discontinue retail activities in the Philippines and the refocusing of ING's joint venture for insurance propositions. The first half of 2021 included €11 million related to the closure of the retail activities in the Czech Republic. Expenses excluding regulatory costs and these one-off items were €6 million lower.

The net addition to loan loss provisions increased to €108 million, or annualised 20 basis points of average customer lending, from €102 million in the first half of 2021. The increase versus last year was mainly visible in Poland and Australia, partly offset by declines in mainly Italy and Spain.

Wholesale Banking

In the first six months of 2022, the result before tax was €712 million compared with €1,558 million in the same period last year. The decline was predominantly due to elevated risk costs triggered by the Russian invasion in Ukraine this year, while risk costs in the first half of last year showed a net release.

Total income increased by €371 million, or 12.8%, to €3,262 million in the first half of 2022, with higher income recorded in all product groups. The increase in Lending was supported by higher net interest income due to higher average lending volumes at slightly lower margins, and increased fee income mainly due to improved syndicated deal activity. Daily Banking & Trade Finance income rose mainly in Payments and Cash Management (which benefitted from higher interest rates and pricing initiatives) and in Trade & Commodity Finance (driven by higher average commodity prices). Financial Markets income increased, reflecting higher trading income and positive valuation adjustments. The higher income in Treasury & Other reflected marked-to-market gains from hedge ineffectiveness and credit default swap positions, which were partly offset by a revaluation loss on the investment portfolio.

Net interest income increased by €95 million, or 4.6%, on the first six months of 2021, despite a decline in TLTRO III benefit of €41 million year-on-year. The increase was driven by higher interest margins in Payments and Cash Management, growth in average lending volumes as well as higher net interest income from Treasury products. This more than compensated for lower lending margins. Net core lending growth in the first half of 2022 (excluding currency impacts, Treasury and the Lease run-off portfolio) was €-2.3 billion, mainly attributable to Financial Markets. Net core deposits growth (excluding currency impacts and Treasury) was €5.7 billion.

Net fee and commission income increased by €25 million, or 4.3%, on last year, due to improved syndicated deal activity in Lending, pricing initiatives in Payments & Cash Management, as well as higher fee income in Trade & Commodity Finance on the back of higher commodity prices. This was partly offset by lower fee income in Financial Markets, mainly reflecting a lower deal flow in Global Capital Markets. Investment and other income rose to €519 million from €267 million in the first half of 2021, predominantly due to higher trading income in Financial Markets, benefitting from market volatility.

Operating expenses were €72 million, or 5.0%, higher than in the first six months of 2021. Excluding regulatory costs (€186 million in the first half of 2022 versus €157 million one year ago), expenses rose by €43 million, or 3.3%. This increase mainly reflects the impact of annual salary increases and high inflation as well as currency impacts, partly offset by lower provisions and continued cost-efficiency measures.

The addition to loan loss provisions was €1,027 million, or annualised 112 basis points of average customer lending, compared with a net release of €119 million, or -13 basis points, in the first half of 2021. Of the risk costs in the first six months of 2022, €717 million was associated with our Russia-related exposure, following the Russian invasion in Ukraine. The remainder mainly reflected more negative macroeconomic indicators and a net addition to management overlays, primarily for the potential impact of high inflation and interest rates, as well as supply chain disruptions.

Corporate Line

The Corporate Line reported a result before tax of €-395 million compared with €-51 million in the first half of 2021. In 2022, results in the Corporate Line were impacted by the application of hyperinflation accounting in the consolidation of our subsidiary in Turkey. As inflation in Turkey has increased significantly, Turkey became a hyperinflationary economy for the purpose of IAS 29 in the second quarter of 2022. When this happens, the reporting of operating results and financial position in the local currency without restatement is misleading, as the money loses purchasing power at such a fast rate that amounts from transactions occurring at different times become incomparable. Therefore, IAS 29 requires all financial information to be stated in terms of the purchasing power at the end of the reporting period using a general consumer price index.

The above-mentioned requirements of IAS 29 had to be applied retrospectively as of 1 January 2022 for ING Turkey. First all non-monetary assets and liabilities (mainly property and equipment and right-of-use assets) as well as share capital have been indexed to the price level on 1 January 2022. This restatement of the opening balance had a slightly positive impact on the total equity of ING Bank.

For the period between 1 January 2022 and 30 June 2022, the impact of indexation of non-monetary assets, liabilities and equity for inflation is recognised in the P&L. In the case of ING Turkey, where the largest indexation impact comes from equity, this leads to a sizeable ‘net monetary loss’ for the period, which has been booked in P&L as part of ‘other income’ (but is largely offset in equity).

Furthermore, all individual P&L lines have been indexed to reflect the impact of the change in inflation since 1 January 2022. This is visible mainly in net interest income (€+15 million) and in operating expenses (€+11 million), with the overall impact being offset also in 'other income'.

Income, excluding the €-231 million net hyperinflation impact and a €72 million receivable related to the insolvency of a Dutch financial institution recorded in the first half of 2021, declined by €18 million. This was attributable to a €77 million lower TLTRO III benefit (as last year included a cumulative recognition from 24 June 2020 onwards), partly compensated by lower legacy funding costs.

Expenses included a hyperinflation impact of €11 million (offset in ‘other income’) this year and a €32 million impairment loss related to the goodwill allocated to Turkey. Expenses in the first half of 2021 included a €22 million IT-related impairment. Excluding these incidental items in both years, expenses were flat year-on-year.

ING Bank statement of financial position (‘balance sheet’)

ING Bank’s total balance sheet increased by €69 billion to €1,020 billion at 30 June 2022 from €951 billion at 31 December 2021.

Cash and balances with central banks

Cash and balances with central banks increased by €20 billion to €126 billion. The growth was partly driven by liquidity management.

Loans and advances to banks and deposits from banks

Loans and advances to banks decreased by €1 billion to €23 billion. Deposits from banks increased by €5 billion to €91 billion which includes ING’s TLTRO III participation of €66 billion (unchanged).

Financial assets/liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss predominantly consist of derivatives, securities and (reverse) repos, and are mainly used to facilitate client needs. Financial assets at fair value through profit or loss increased by €37 billion to €139 billion. The growth was largely caused by €26 billion higher reverse repos mandatorily at fair value through profit or loss, predominantly at Global Securities Finance (GSF), after a relatively low year-end 2021 position. Also trading assets were higher. These developments were roughly mirrored on the liabilities side of the balance sheet, where financial liabilities at fair value through profit or loss increased by €37 billion to €108 billion, with €16 billion of higher liabilities designated at fair value through profit or loss (almost fully repo activity at GSF), and by €18 billion increased trading liabilities (mainly trading derivatives).

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (OCI) remained flat versus 31 December 2021, at €31 billion. A slight increase in debt securities, which mainly reflects increased investments in government bonds, was offset by a slight decrease in equity securities.

Securities at amortised costs

Securities at amortised cost remained unchanged versus 31 December 2021, at €48 billion.

Loans and advances to customers

Loans and advances to customers increased by €9 billion to €637 billion from €628 billion as at 31 December 2021. This was due to €10 billion of higher customer lending, while provisions for loan losses were up by €0.6 billion. When adjusted for €7 billion of positive currency impacts (mainly due to the appreciation of the USD and the AUD), customer lending increased by €3 billion. After also excluding €8 billion of negative valuation adjustments in hedged mortgages (related to interest rate increases), a €1 billion increase in short-term Treasury lending and a €1 billion decline in the run-off portfolios (WUB, Lease and Retail Banking France), net core lending growth was €10 billion in the first half of 2022. Of this amount, €8 billion was in residential mortgages, mainly in Germany, Australia and Spain.

Other assets/liabilities

Other assets increased by €3 billion, while other liabilities were €4 billion higher. Both movements were predominantly due to changes in financial transactions pending settlement.

Customer deposits

Customer deposits increased by €28 billion to €685 billion. Adjusted for €+1 billion FX impact, €+23 billion increase in Treasury deposits and €-4 billion for outflow in Retail France as from the second quarter of 2022 (in line with ING's intention to discontinue its retail activities in France before the end of this year), net core deposits grew by €7 billion in the first half of 2022. The increase was mainly in Wholesale Banking (€+6 billion) after a relatively low year-end 2021 position (mainly concerning PCM). Customer deposits for Retail Banking increased by €+9 billion in the Netherlands, which included the impact of the holiday allowance payments in May. This was largely offset by €-7 billion in Retail Germany. The outflow in Germany took place in the first quarter and was related to negative interest rate charging (-0.5%), introduced in November 2021 for positions over €50,000. In May this year ING announced that the threshold would be raised to €500,000 per 1 July 2022, after which the second quarter showed a slight increase.

Debt securities in issue

Debt securities in issue decreased by €2 billion to €56 billion, with a slight increase in certificates of deposit/commercial paper (CD/CPs) and €2 billion lower other, mainly long-term, debt securities.

Subordinated loans

Subordinated loans declined by €1 billion to €15 billion, largely due to the call of a Tier 1 instrument in April 2022.

Shareholders' equity

Shareholders' equity decreased by €2.1 billion to €45.8 billion from €47.9 billion as at 31 December 2021. The decrease mainly reflects €2,614 million of dividend upstream. A decline in the cashflow hedge reserve of €2,076 million (related to increased interest rates) and the opening balance sheet impact of IAS 29 on retained earnings of €-563 million also contributed to the decrease. These reductions were partly offset by the €1,610 million net result for the first half of 2022 (including €-277 million related to IAS 29, including goodwill impairment in Turkey) and a €1,549 million increase in the currency translation reserve (including a positive booking of €924 million related to IAS 29, so that overall IAS 29 impact on equity was slightly positive).

Conformity statement

The Management Board Banking is required to prepare the condensed consolidated interim financial information of ING Bank N.V. for each financial period in accordance with applicable Dutch law and with International Accounting Standard 34 'Interim Financial Reporting'.

Conformity statement pursuant to section 5:25d 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 which 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 5:25d 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. condensed consolidated interim financial statements for the six month period ended 30 June 2022 give a true and fair view of the assets, liabilities, financial position and profit or loss of ING Bank N.V. and the entities included in the consolidation taken as a whole; and
- the ING Bank N.V. interim report for the six month period ended 30 June 2022 includes a fair review of the information required pursuant to article 5:25d, paragraphs 8 and 9 of the Dutch Financial Supervision Act regarding ING Bank N.V. and the entities included in the consolidation taken as a whole.

Amsterdam, 3 August 2022

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 Market Leaders

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

A. (Aris) Bogdaneris
Head of Retail Banking
Head of Challengers & Growth Markets

R.H.E. (Ron) van Kemenade
Chief technology officer

M.A. (Marnix) Stiphout
Chief operations officer / Chief transformation officer

Risk management

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 daily business activities and strategic planning. 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 Executive Board in formulating the risk appetite, strategies, policies and limits. It provides oversight, challenges and controls throughout ING on risk-related items.

Basis of disclosures (*)

This risk management section contains an update of information relating to the nature and the extent of the risks arising from financial instruments as disclosed in the 2021 ING Bank consolidated financial statements as included in the 2021 Annual Report. These disclosures are an integral part of ING Bank condensed consolidated interim financial statements and are indicated by the symbol (*). Chapters, paragraphs, graphs or tables within this 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 condensed consolidated interim financial statements.

This risk management section also 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. Examples of such differences include the exclusion of accrued interest and certain costs and fees from risk data, and timing differences in exposure values (IFRS 9 models report expected credit loss on underlying exposures).

Business environment

The Russian invasion of Ukraine

The Russian invasion of Ukraine still has impact on our business environment. It is causing disruption to business and economic activity in the region and worldwide. The war has slowed the economy and increased inflation. The EU and eurozone economic outlook are heavily dependent on the course of the war. Subsequently, since February 2022, the United States, United Kingdom and European Union initiated sanctions against Russia and Russians supporting the war. In response, the Russian central bank enforced liquidity and currency controls. ING continues to monitor the situation closely, managing and controlling risks, while assisting our colleagues and clients wherever possible.

On sanctions

The international community is leveraging their sanction tools in response to the escalation of Russia's invasion of Ukraine. Accordingly, as part of ING's know your customer and compliance risk governance and procedures, ING is continuously monitoring the situation to stay abreast on all relevant updates to implement effective and appropriate additional control measures and to manage the increased risk and financial impacts of these developments.

Our exposures

ING has banking subsidiaries with Wholesale Banking activities in both Russia and Ukraine, as well as investments in Russia, some of which are denominated in local currency. 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 international response measures. Furthermore, we have counterparty exposure to Russian entities in connection with foreign exchange derivatives for future receipt of foreign currencies against RUB.

The impact on our business is being monitored on a continuous basis. A central team was established for a daily and intensified monitoring of our counterparties to manage exposure and de-risk. Early March 2022, we announced our decision to not do any new business with Russian companies. Furthermore, we are working together with counterparties, both onshore and offshore, to limit risks associated with derivatives exposures. Longer term exposures are largely covered by ECA, CPRI and European parent guarantees.

Since sanctions in 2014 with the annexation of Crimea, ING has reduced its exposure to less than 1% of our loan book. As of 30 June 2022, ING's total Russia-related exposure was €4.5 billion, mainly consisting of liquidity facilities and pre-export financing. Compared to 28 February 2022, the exposure to Russia decreased by approximately €2.3 billion which is a reduction of almost 35% of the exposure. At this moment, the number of observed defaults within the Russian clients is very limited. In Ukraine, our exposure remained stable at €0.6 billion mainly with liquidity facilities and other lending. ING has no direct or indirect exposure to Belarus.

Russia exposure [1]

in EUR billion	30 June 2022	28 February 2022
Russian borrowers [2]	3.8	5.3
Non-Russian borrowers with Russian ownership	0.8	1.5
Total	**4.6**	**6.8**
Of which covered by ECA (0.8), CPRI (0.3) and European parent guarantees (0.2) [3]	1.2	2.5
Total booked at ING in Russia	0.9	1.4
Of which covered by European parent guarantees	0.2	0.3

1 Credit outstandings of lending, pre-settlement (including lending related derivatives), money market and investment activities, excluding off-balance sheet positions such as undrawn committed exposures of €0.5 billion (28 February: €0.6 billion).

2 Includes Russian borrowers with non-Russian (ultimate) ownership

3 Refers to Export Credit Agency (ECA) and Credit and Political Risk Insurance (CPRI)

Ukraine exposure [1]

in EUR billion	30 June 2022	28 February 2022
Booked at ING in Ukraine	0.4	0.4
Booked at other ING entities	0.2	0.2
Total	**0.6**	**0.6**
Of which covered by (European) parent guarantees	0.2	0.2

1 Credit outstandings of lending, pre settlement, money market and investment activities. Off-balance positions are not included but are negligible

Second order impact

In the first half year of 2022, new risks have emerged like higher energy prices and inflation, rising interest rates, supply chain disruptions and staffing shortages, impacting the cost of living of private individuals and the profitability of our business and wholesale banking clients. Besides, the number of Covid-19 pandemic infections increased strongly but with vaccinations and other measures Covid-19 pandemic appears to have less severe impact on society and the global economy.

For the assessment of these so-called second order impact, tailored approaches have been used as existing methodologies like IFRS9 models are not able to properly assess the potential impact of these indirect effects.

In term of methodologies, for Wholesale Banking and Business Banking, high and medium risk clients were identified following certain criteria. For Private Individuals, such a scorecard approach is not feasible. Therefore, we focused on the reduced affordability of loans due to higher interest rate and inflation via sensitivity analyses. The impact of these assessments on the portfolio were processed in the provisions through a second order impact adjustment (overlay).

Credit risk

Portfolio quality and concentration

Our lending portfolio is diversified over various sectors and countries. The total gross carrying amounts is composed of approximately 65% business lending and 35% consumer lending. For a detailed breakdown of ING's credit risk portfolio by Sector and Geographical area, refer to the section "Credit Risk portfolio" reported in the 'Risk management' section of the 2021 Annual Report.

ING's total gross carrying amounts increased compared to year-end 2021 due to higher customer lending and cash and balances with central banks.

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, certain financial guarantees issued, and undrawn committed revolving credit facilities.

The table below describes the portfolio composition over the different IFRS 9 stages and rating classes. The Stage 1 portfolio represents 93.4% (2021: 93.5%) of the total gross carrying amounts, mainly composed of investment grade, while Stage 2 makes up 5.4% (2021: 5.2%) and Stage 3 makes up 1.2% (2021: 1.3%) total gross carrying amounts, respectively.

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

in EUR million
30 June 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)	116,616	1	0	0			116,616	1
	2-4 (AA)	112,044	3	259	0			112,303	3
	5-7 (A)	170,785	13	1,402	1			172,187	14
	8-10 (BBB)	336,871	62	9,745	21			346,616	83
Non-Investment grade	11-13 (BB)	163,981	231	13,745	82			177,726	314
	14-16 (B)	27,239	180	16,083	367			43,322	548
	17 (CCC)	6,267	7	4,391	213			10,658	220
Substandard grade	18 (CC)			5,654	780			5,654	780
	19 (C)			2,710	420			2,710	420
Non-performing loans	20-22 (D)					11,831	3,640	11,831	3,640
Total		**933,804**	**497**	**53,989**	**1,885**	**11,831**	**3,640**	**999,624**	**6,022**

1 IAS 37 provisions are established for non-credit replacement guarantees not in the scope of IFRS 9. Total IAS 37 provisions (€117 million) are excluded.

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

in EUR million

31 December 2021

Rating class		12-month ECL (Stage 1)		Lifetime ECL not credit impaired (Stage 2)		Lifetime ECL credit impaired (Stage 3)		Total	
		Gross Carrying Amount	Provisions	Gross Carrying Amount	Provisions	Gross Carrying Amount	Provisions	Gross Carrying Amount	Provisions
Investment grade	1 (AAA)	107,788	3	0	0			107,788	3
	2-4 (AA)	106,673	5	197	0			106,870	5
	5-7 (A)	152,255	17	1,001	1			153,256	17
	8-10 (BBB)	328,302	73	7,232	14			335,533	87
Non-Investment grade	11-13 (BB)	162,912	208	14,679	86			177,592	294
	14-16 (B)	26,852	185	17,931	404			44,783	589
	17 (CCC)	5,377	10	4,354	198			9,730	207
Substandard grade	18 (CC)			2,314	173			2,314	173
	19 (C)			1,769	142			1,769	142
Non-performing loans	20-22 (D)					12,072	3,851	12,072	3,851
Total		**890,159**	**501**	**49,476**	**1,016**	**12,072**	**3,851**	**951,707**	**5,368**

1 IAS 37 provisions are established for non-credit replacement guarantees not in the scope of IFRS 9. Total IAS 37 provisions (€114.4 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:

- Stage 3 gross carrying amount decreased by €0.2 billion from €12.1 billion as per 31 December 2021 mainly as a result of write-offs and generally low inflow into NPL in the first half of 2022;
- Stage 2 gross carrying amount increased by €4.5 billion from €49.5 billion as per 31 December 2021. This is mainly caused by the Significant Lifetime PD trigger (€6.4 billion) driven by downgrades of the Russian portfolio and to a lesser extent the 30 Days past due trigger (€1.9bn), offset by decreases in other triggers mainly the Forbearance (-/-€4.0 billion) trigger. For the latter, a 2-year probation period is required before a client can move back to Stage 1 and the decrease relates to the fact that the start of the COVID pandemic is now more than 2 years ago;

- In the first half year of 2022, the largest increases in Stage 2 were in Natural Resources, Non-Bank Financial Institutions and Telecom of €3.9 billion, €0.9 billion and €0.6 billion respectively, materially impacted by the Russian portfolio. Largest decreases were in Automotive and Utilities with €0.7bn release each. The largest Stage 2 outstandings per economic sector as per 30 June 2022 are Natural Resources, Transportation & Logistics, Real Estate and Services representing 13%, 9%, 8% and 8% of the total Stage 2 gross carrying amounts respectively.

Additional information on macroeconomic scenarios is included in the section 'Macro-economic scenarios and sensitivity analysis of key sources of estimation uncertainty'.

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

in EUR million	12-month ECL (Stage 1)		Lifetime ECL not credit impaired (Stage 2)		Lifetime ECL credit impaired (Stage 3)		Total	
30 June 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)	8,534	13	-8,259	-115	-275	-28	-0	-130
Transfer into lifetime ECL not credit impaired (Stage 2)	-17,556	-53	18,174	720	-618	-71	-0	596
Transfer into lifetime ECL credit impaired (Stage 3)	-1,451	-9	-851	-53	2,302	611	0	549
Net remeasurement of loan loss provisions		-39		301		4		266
New financial assets originated or purchased	119,993	123					119,993	123
Financial assets that have been derecognised	-75,384	-34	-5,313	-49	-2,080	-137	-82,777	-220
Net drawdowns and repayments	9,509		761		431		10,701	
Changes in models/risk parameters								
Increase in loan loss provisions		**1**		**804**		**379**		**1,184**
Write-offs						-648		-648
Recoveries of amounts previously written off						28		28
Foreign exchange and other movements		-5		65		30		90
Closing balance	**933,804**	**497**	**53,989**	**1,885**	**11,831**	**3,640**	**999,624**	**6,022**

1 Stage 3 Lifetime credit impaired provision includes €5 million on Purchased or Originated Credit Impaired.
2 The addition to the loan provision (in the consolidated statement of profit or loss) amounts to € 1,189 million of which € 1,184 million related to IFRS-9 eligible financial assets, €4 million related to non-credit replacement guarantees and € 1 million to modification gains and losses on restructured financial assets.

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

in EUR million	12-month ECL (Stage 1)		Lifetime ECL not credit impaired (Stage 2)		Lifetime ECL credit impaired (Stage 3)		Total	
31 December 2021	**Gross carrying amount**	**Provisions**	**Gross carrying amount**	**Provisions**	**Gross carrying amount**	**Provisions**	**Gross carrying amount**	**Provisions**
Opening balance	**844,020**	**581**	**59,313**	**1,476**	**13,398**	**3,797**	**916,732**	**5,854**
Transfer into 12-month ECL (Stage 1)	15,157	20	-14,322	-279	-835	-54	-0	-313
Transfer into lifetime ECL not credit impaired (Stage 2)	-19,737	-32	20,537	206	-800	-74	-0	100
Transfer into lifetime ECL credit impaired (Stage 3)	-2,166	-13	-1,589	-96	3,755	820	-0	712
Net remeasurement of loan loss provisions		-130		-228		404		46
New financial assets originated or purchased	208,501	149					208,501	149
Financial assets that have been derecognised	-125,819	-73	-11,935	-104	-1,898	-237	-139,652	-414
Net drawdowns and repayments	-29,799		-2,526		-694		-33,019	
Changes in models/risk parameters		12		41		130		184
Increase in loan loss provisions		**-67**		**-460**		**989**		**462**
Write-offs		-0		0	-854	-854	-854	-854
Recoveries of amounts previously written off						45		45
Foreign exchange and other movements		-13		1		-125		-138
Closing balance	**890,158**	**501**	**49,476**	**1,016**	**12,072**	**3,851**	**951,707**	**5,368**

1 Stage 3 Lifetime credit impaired provision includes €4 million on Purchased or Originated Credit Impaired.

2 The addition to the loan provision (in the condensed consolidated statement of profit or loss) amounts to € 516 million of which € 462 million related to IFRS-9 eligible financial assets, € 43 million related to non-credit replacement guarantees and € 11 million to modification gains and losses on restructured financial assets.

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 most 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). The Oxford Economics' Global Economic Model (OEGEM) 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.

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. The first panel consists of economic experts from Global Markets Research and risk and modelling specialists, while the second panel consists of relevant senior managers.

Alternative scenarios and probability weights (*)

Two alternative scenarios are taken into account; an upside and a downside scenario. The alternative scenarios have technical characteristics as they are based on the forecast errors of the OEGEM.

To understand the baseline level of uncertainty around any forecast, Oxford Economics keeps track of all its 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, Oxford Economics runs a survey with respondents from around the world and across a broad range of industries. In this survey the 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% probability for each alternative scenario. Consequently, the baseline scenario has a 60% 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 loan loss provisions are based on the June 2022 consensus forecasts.

Baseline assumptions (*)

The general picture that the consensus conveys is that higher inflation will be more persistent but still to be transitory and, in combination with an overall tightening of monetary conditions, fall back towards most central bank's targets over the course of the forecast horizon. The baseline assumes that the Russia-Ukraine war will not spread beyond Ukraine but that the war drags on with risks to the energy outlook. Against a background of slowing economic (and hence disposable income) growth, increasing unemployment, higher interest rates and, for some markets, high valuations house prices growth is expected to level off to low single digit rates or price declines.

The June 2022 consensus expects global output growth (ING definition), after a strong rebound in 2021 of 5.9%, to slow to 2.7% in 2022 and to level off further to an at or around 2.5% growth rate in the years thereafter.

When compared to the December 2021 consensus forecast, used for the 2021 Annual Report, the June 2022 forecast assumes a less strong economic environment. Global GDP is expected to increase by 2.7% in 2022 (compared to 4.1% assumed before) and 2.5% in 2023 (3.1% assumed before). This downward adjustment reflects the repercussions from the Russia-Ukraine war and the surge in commodity and oil prices squeezing household incomes and pushing up interest rates. Although to various degrees, these developments all weigh on the economic outlook of the various countries. Tightening of monetary conditions is seen to be swifter in the US than in the eurozone while the European economies are more directly exposed to the Russia-Ukraine war.

Alternative scenarios and risks (*)

Because of the possible consequences of the Russia-Ukraine war, uncertainty surrounding the forecasts is assessed as being larger than usual. This reflects uncertainty about European energy supply and worries about more persistent high inflation. To reflect the general increase of uncertainty surrounding the forecasts, the dispersion of the alternative scenarios was used in Q2 2022 at the same widened level as used in Q4 2021 provisioning (half-widened dispersion). The downward skew following on from the outcomes of Oxford Economics' Global Risk Survey has been maintained and is more negative compared to what has been assumed for Q4 2021.

The downside scenario – though technical in nature – sees, for most countries, a fast deceleration of economic growth followed by a recession. Unemployment increases strongly in this scenario and house prices in most countries show outright falls. The downside scenario captures a possible escalation of the Russia-Ukraine war and a more pronounced and prolonged surge in inflation (cut off from Russian gas supplies).

The upside scenario – while equally technical in nature – reflects the possibility of a better economic outturn in case the Russia-Ukraine war would end quickly and a quicker fading of coronavirus and other concerns leading to a consumer-led recovery in advanced economies as consumers spend (some of) their savings accumulated at the height of the corona crisis.

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.

Management adjustments to ECL models (*)

in EUR million	30 June 2022	31 December 2021
Economic sector based adjustments	68	341
Second order impact adjustments	268	0
Payment holiday adjustments	0	32
Mortgage portfolio adjustments	131	124
Other Post Model Adjustments[1]	25	121
Total management adjustments	**492**	**618**

1 Prior period figure has been updated to conform to current year presentation

December 2021 management adjustments included an economic sector-based management adjustment of €341 million because of delays in defaults occurring in the Covid-19 related crisis, mainly as a result of government support programmes. In determining the sector-based management adjustment, a heatmap approach was used to adjust the probability of default for sectors where businesses are significantly impacted by the pandemic. In the first half year of 2022, as it became clearer the Covid-19 had less than expected impact on the number of defaults, the economic sector-based management adjustment has been partly released and partly been converted to second order impact adjustment (see below). The remaining €68 million relates to business banking clients that have benefitted from government support programmes in the Netherlands such as deferral of tax payments that will end in the second half of 2022.

ING performed an assessment for both wholesale banking and retail banking on the impact of the developing situation in Ukraine, the increase in energy prices and other macro-economic developments such as increase of inflation and rising interest rates. As the credit risk models assume that these effects materialize via other risk drivers such as GDP and unemployment rates with an delay, an overlay approach was determined to timely estimate the Expected Credit Losses for private individuals. As at 30 June 2022 the second order impact overlay for Retail countries amounts to €40m.

In Wholesale banking it was assessed that the economic effects of Covid-19 is not the biggest risk anymore and that other risks have emerged – mainly high energy prices, high interest rates and inflation, supply chain issues and staffing shortages. A heatmap approach was used to adjust the probability of default for clients that are expected to be significantly impacted by these emerged risks. As at 30 June 2022 the second order impact overlay for Wholesale banking amounts to €228m.

As payment holiday programs generally have expired, this Covid-19 related management adjustment has been fully released.

ECL of mortgage portfolios determined by the models continued to decrease rapidly during 2021 and decreased further in the first half of 2022, driven by significant increase of house prices in various countries. Management adjustments of €131 million in total, mainly in stage 2 and 3, have been recognised in ING Netherlands, Belgium, Germany and Australia to maintain an appropriate level of ECL and reflecting a potential impact of higher inflation and interest rates on clients' ability to pay and a potential impact of market uncertainty on the recovery value of residential real estate. The management adjustment for the Netherlands mortgage portfolio was determined by developing three alternative macroeconomic forecast scenarios, in addition to the consensus base, up- and down-scenarios, that reflect a correction in the house prices in the next 3 years bringing it back in line with the historical growth rate. For other countries, management adjustments were determined by calculating the impact of lower house prices on LTVs and LGDs.

Other Post Model Adjustments 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. These result from both regular model maintenance and ING's multiyear program to update ECL models for the new definition of default. These adjustments will be removed once updates to the models have been implemented.

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 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 Wholesale Banking 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. The table does not include any management adjustments.

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 June 2022 (*)

		2022	2023	2024	Un-weighted ECL (Eur mln)	Probability-weighting	Reportable ECL (Eur mln)[1]
Netherlands	Real GDP	3.6	2.5	3.0			
	Unemployment	3.7	3.7	3.5	297	20%	
Upside scenario	HPI	17.6	15.7	4.1			
	Real GDP	2.8	1.3	1.8			
Baseline Scenario	Unemployment	4.1	4.5	4.7	337	60%	361
	HPI	14.8	2.7	1.9			
	Real GDP	0.3	-1.4	0.8			
Downside scenario	Unemployment	5.8	6.9	8.0	494	20%	
	HPI	11.1	-13.4	-0.9			
Germany	Real GDP	2.8	3.6	2.3			
	Unemployment	2.7	2.6	2.2	642	20%	
Upside scenario	HPI	11.7	6.3	4.8			
	Real GDP	1.8	2.1	1.8			
Baseline Scenario	Unemployment	3.1	3.2	3.3	772	60%	787
	HPI	10.8	3.3	1.4			
	Real GDP	-0.3	-1.2	0.6			
Downside scenario	Unemployment	4.6	5.3	5.8	977	20%	
	HPI	9.0	-2.1	-2.3			
Belgium	Real GDP	3.1	3.0	2.2			
	Unemployment	5.2	5.1	5.2	546	20%	
Upside scenario	HPI	4.8	3.0	2.5			
	Real GDP	2.4	1.8	1.8			
Baseline Scenario	Unemployment	5.7	5.7	5.8	596	60%	608
	HPI	4.4	2.3	2.0			
	Real GDP	0.8	-0.3	1.3			
Downside scenario	Unemployment	6.9	7.7	8.2	705	20%	
	HPI	3.2	0.3	0.7			
United States	Real GDP	3.9	2.5	2.4			
	Unemployment	3.6	3.3	2.8	68	20%	
Upside scenario	HPI	10.1	4.4	8.1			
	Real GDP	2.4	1.5	1.7			
Baseline Scenario	Unemployment	3.9	4.2	4.2	124	60%	156
	HPI	9.8	1.2	2.3			
	Real GDP	0.2	-1.6	0.1			
Downside scenario	Unemployment	6.0	7.2	8.3	342	20%	
	HPI	8.7	-4.3	-4.1			

1 Excluding management adjustments.

Sensitivity analysis as at December 2021 (*)

		2022	2023	2024	Un-weighted ECL (Eur mln)	Probability-weighting	Reportable ECL (Eur mln)[1]
Netherlands	Real GDP	5.1	2.9	2.7			
	Unemployment	3.2	2.9	2.9	259	20%	
Upside scenario	HPI	23.3	10.9	0.9			
	Real GDP	3.4	2.0	1.7			
Baseline Scenario	Unemployment	3.7	4.1	4.3	289	60%	307
	HPI	13.1	2.8	0.8			
	Real GDP	-1.5	1.2	0.7			
Downside scenario	Unemployment	5.6	6.8	7.8	411	20%	
	HPI	0.3	-7.7	0.6			
Germany	Real GDP	6.2	3.1	1.6			
	Unemployment	2.9	2.2	1.9	457	20%	
Upside scenario	HPI	12.9	7.9	5.3			
	Real GDP	4.0	2.3	1.4			
Baseline Scenario	Unemployment	3.4	3.1	3.1	475	60%	483
	HPI	10.4	4.6	1.9			
	Real GDP	-0.6	0.9	0.8			
Downside scenario	Unemployment	5.0	5.4	5.7	535	20%	
	HPI	5.3	0.4	-2.1			
Belgium	Real GDP	4.6	2.5	2.0			
	Unemployment	5.6	5.6	5.9	364	20%	
Upside scenario	HPI	3.9	2.7	2.9			
	Real GDP	3.1	2.0	1.8			
Baseline Scenario	Unemployment	6.1	6.3	6.3	383	60%	393
	HPI	3.0	2.3	2.3			
	Real GDP	-0.4	1.4	1.4			
Downside scenario	Unemployment	7.6	8.6	9.0	451	20%	
	HPI	0.4	1.0	1.0			
United States	Real GDP	6.7	2.4	3.1			
	Unemployment	3.5	2.5	2.4	28	20%	
Upside scenario	HPI	10.4	8.1	8.7			
	Real GDP	4.0	2.5	2.1			
Baseline Scenario	Unemployment	4.0	3.7	3.7	55	60%	75
	HPI	9.1	3.0	3.3			
	Real GDP	-0.7	1.1	0.3			
Downside scenario	Unemployment	6.5	7.4	8.0	183	20%	
	HPI	5.3	-3.2	-3.0			

1 Excluding management adjustments.

When compared to the sensitivity analysis of 2021, the macroeconomic inputs for 2022 and 2023 are less favourable, driven by worsened macro-economic outlook as a result of the war in Ukraine as well as its indirect effects such as inflation and increasing interest rates. Both 2021 and 2022 contain half widened dispersion around upside and downside scenarios, for 2021 reflecting continuing but decreased short term uncertainty related to the impact of Covid-19 and for 2022 reflecting short term uncertainty around the war in Ukraine and its indirect effects. The increase in reportable ECL compared to 2021 is mainly caused by higher model ECL amounts as per June 2022 as a result of increased provisions for Russia related exposures in Stage 2.

While the table above does give a high-level indication of the sensitivity of the outputs to the different scenarios, it does not provide insight into the interdependencies and correlations between different macroeconomic variable inputs. On total ING level, the unweighted ECL for all collective provisioned clients in the upside scenario was €2,754 million, in the baseline scenario €3,181 million and in the downside scenario €4,305 million compared to €3,337 million reportable collective provisions as per 30 June 2022 (excluding all management adjustments). This reconciles as follows to the reported ECL's:

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

in EUR million	30 June 2022	31 December 2021
Total model ECL [1]	3,337	2,408
ECL from individually assessed impairments	2,193	2,342
ECL from management adjustments [1]	492	618
Total ECL	6,022	5,368

1 Prior period figure has been updated to conform to current year presentation

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

For the methodology and our approaches on absolute lifetime PD threshold and relative lifetime PD threshold, please refer to the "Risk management" section in the Annual Report ING Bank for the year ended December 31, 2021.

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 below values are weighted by IFRS 9 exposure and shown for both year-end 2021 and June 2022.

In order 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 (*)

	30 June 2022		31 December 2021	
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	2.7	2.3	2.7	2.2
Consumer Lending	3.4	1.8	2.8	1.7
Business Lending	3.4	2.2	4.0	2.2
Governments and Fin. Institutions	7.7	2.2	7.9	2.2
Other Wholesale Banking	4.3	1.9	4.5	2.0

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, and confirmed by the noticeable difference between the average threshold applied to investment grade facilities and non-investment grade facilities. In addition to the above, asset classes having usually more favourable ratings at origination (i.e. Governments and Financial Institutions) show an average threshold higher than the rest in investment grade assets. Changes in the threshold averages between the two reporting dates are caused by model updates (the staging parameters have been recalibrated) and/ or by changes in portfolio composition.

Sensitivity of ECL to PD lifetime PD thresholds

The setting of PD threshold bandings requires management judgement and is a key source of estimation uncertainty. On Group level, the total ECL collective-assessment for performing assets is €1,849 million (2021: €1,003 million) (without taking management adjustments into account). To demonstrate the sensitivity of the ECL to these PD thresholds bandings, analysis was run on all collectively-assessed assets, which assumed all assets (Stage 1 and 2) were below the threshold and apportioned a 12-month ECL. On the same asset base, analysis was run which assumed all performing assets were above the threshold and apportioned a lifetime ECL. This gave rise to hypothetical collective-assessment ECLs of €1,321 million (2021: €634 million) and €3,258 million (2021: €2,232 million) respectively. Please note that in this analysis all other ECL risk parameters (except for the stage) were kept equal.

Market risk

IBOR transition (*)

In line with the recommendations from the Financial Stability Board, a fundamental review of important interest rates benchmarks has been undertaken. While some interest benchmarks have been reformed, others have or will be replaced by risk-free rates (RFR) and discontinued. The reform of EURIBOR was completed in 2019 and allows for continued use. EONIA ceased to be published on 3 January 2022 and was succeeded by €STR, GBP, CHF, JPY, and EUR LIBOR rates ceased on 31 December 2021. The most used USD LIBOR tenors will continue to be published until the end of June 2023 to support legacy products.

During 2021, ING and the industry focused on the transition of EONIA and non-USD LIBOR contracts. In 2022, the focus has shifted to USD LIBOR, with new USD lending already using alternative rates based on SOFR. This is consistent with guidance issued to limit the use of USD LIBOR from 1 January 2022 onward. A permitted exception are risk reduction trades to help manage the run-off of existing USD LIBOR contracts and positions.

To enable these changes, the financial sector has issued several guidance papers and other initiatives to help phase in key components of this transition. For example ISDA issued an IBOR fallback supplement to help ensure clear fallback rates apply on the discontinuation of key IBORs. For loans, various recommendations have been made to help drive the inclusion of consistent robust fallback provisions.

Public authorities have also recognised that certain contracts do not contain provisions for any alternatives, contain inappropriate alternatives, or cannot be renegotiated prior to the expected cessation date ('tough legacy' contracts). In response, the European Commission has implemented legislation that gives the Commission the power to replace critical benchmarks if their termination would significantly disrupt or otherwise affect the functioning of the financial markets in the EU. For USD LIBOR specific actions have yet to be announced. In addition, the Financial Conduct Authority (FCA) has the remit to temporary publish a "synthetic" LIBOR beyond the cessation date using a different methodology. The FCA has not yet decided whether it will require the administrator to publish synthetic USD LIBOR rates after June 2023, however such an action was taken for GBP and JPY LIBOR.

At the end of 2021, ING Bank had significant exposures to USD LIBOR. Due to the discontinuation of this important rate, ING Bank, its customers, and the financial services industry face a number of risks. These risks include legal, financial, operational, 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 due to the requirement to adapt IT systems, trade reporting infrastructure and operational processes to the new benchmark rates. Conduct risk also plays a role, given that the 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 reach out to impacted clients in order to manage the relevant timelines.

The ING IBOR programme has governance in place with progress being tracked by business line steering committees reporting into a central IBOR steering committee. The programme assesses and coordinates 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 our customers. ING continues to monitor market developments and any reform plans for other rates, to anticipate the impact on the program, our customers and any related risks.

As at 30 June 2022 approximately EUR 40,485 million (31 December 2021: EUR 41,805 million) of non-derivative financial assets and approximately EUR 1,501 million (31 December 2021: EUR 1,542 million) of non-derivative liabilities linked to USD LIBOR have yet to transition to alternative benchmark rates. In addition, ING had as at 30 June 2022 approximately EUR 9,979 million (31 December 2021: EUR 16,435 million) of fully undrawn committed credit facilities linked to USD LIBOR that have yet to transition.

The tables below summarize these approximate exposures for USD LIBOR and excludes exposures that will expire before transition date 30 June 2023.

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

in EUR million at 30 June 2022	Financial Assets non-derivative	Financial Liabilities non-derivative	Off balance sheet commitments
	Carrying value	Carrying value	Nominal value
By benchmark rate			
GBP LIBOR			
USD LIBOR	40,485	1,501	9,979
CHF LIBOR			
EONIA			
Total	**40,485**	**1,501**	**9,979**

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

in EUR million at 31 December 2021	Financial Assets non-derivative	Financial Liabilities non-derivative	Off balance sheet commitments
	Carrying value	Carrying value	Nominal value
By benchmark rate			
GBP LIBOR	764		350
USD LIBOR	41,805	1,542	16,435
CHF LIBOR	1		
EONIA		23	184
Total	**42,570**	**1,565**	**16,969**

As at 30 June 2022 approximately EUR 508,877 million (31 December 2021: EUR 488,499 million) derivatives notional exposures linked to USD LIBOR have yet to transition. The conduct risk is limited as the majority of derivatives are transacted with clearing houses which will transition through a standardized exercise in the second quarter of 2023 and for not centrally cleared derivatives the main transition will occur via ISDA IBOR fallback protocol at the USD LIBOR cessation date. The GBP LIBOR contracts included as at 31 December 2021 have transitioned.

Derivative Financial instruments to transition to alternative benchmarks (*)

	30 June 2022	31 December 2021
in EUR million	Nominal value	Nominal value
By benchmark rate[1]		
GBP LIBOR		822
USD LIBOR	508,877	488,499 [2]
Total	**508,877**	**489,321**

1 For cross currency swaps all legs of the swap are included that are linked to a main IBOR that is significant to ING Bank.
2 The prior period has been updated to improve consistency and comparability.

Other risks and uncertainties

Because we are a financial services company conducting business on a global basis, our revenues and earnings are affected by the volatility and strength of the economic, business, liquidity, funding and capital markets environments specific to the geographic regions in which we conduct business. The ongoing turbulence and volatility of such factors have adversely affected, and may continue to adversely affect, the profitability, solvency and liquidity of our business.

Factors such as effects of the Covid-19 pandemic, consequences of the United Kingdom`s withdrawal from the European Union, regional and global economic impact of the invasion of Russia into Ukraine and related international response measures, inability of counterparties to meet their financial obligations, changes in interest rates, securities prices, credit ratings, credit spreads, liquidity spreads, exchange rates, discontinuation of or changes to ‘benchmark’ indices, consumer spending, changes in client behaviour, business investment, real estate values and private equity valuations, government spending, inflation or deflation, the volatility and strength of the capital markets, operational risks, political events and trends, non-compliance with (or changes) in laws and regulations, climate change, terrorism, as well as inability to protect our intellectual property and infringement claims by third parties, to achieve our strategy or to retain key personnel may 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.

Additional risks of which ING is not presently aware, or that are currently viewed as less material than the risks described above, could also affect the business operations of ING and have a material adverse effect on ING’s business activities, financial condition, results of operations and prospects. For more information on risks, please refer to “Other information and appendices - Risk Factors” in the Annual Report ING Group for the year ended December 31, 2021."

Developments on KYC

In the first half year of 2022, we continued to focus on the progress in the bank-wide Know Your Customer Enhancement Programme and in the ongoing day-to-day KYC operations.

The KYC Enhancement Programme encompasses all client segments in all ING business units. The programme consists of three parts: (a) look-back analysis on past deficiencies in post-transaction monitoring, which has been completed. This comprised screening transactions executed in the past and following reporting processes where applicable; (b) enhancement of customer due diligence files to document sufficiently the knowledge the bank has about its clients in line with past and new requirements; (c) structural solutions that should support getting sustainably better in addressing Financial Economic Crime (FEC)/Anti Money Laundering (AML) risks in our portfolio and complying with laws and regulations. The structural solutions are embedded in various workstreams and range from policy and behavioural deliverables to globally standardised technology solutions.

In line with ING’s 2022-2023 AML/KYC planning, incorporating the latest standards and insights as well as regulatory feedback, ING continues updating and improving its AML and KYC processes by rolling out enhancement initiatives throughout the organisation and works to ensure the operational effectiveness of controls around the KYC customer lifecycle.

ING remains in dialogue with regulators on the developments around KYC, and is fully committed to executing on its enhancement activities, while managing the ongoing and increasing day-to-day KYC operations.

Condensed consolidated statement of financial position

in EUR million	30 June 2022	31 December 2021
Assets		
Cash and balances with central banks	126,030	106,520
Loans and advances to banks	22,965	23,591
Financial assets at fair value through profit or loss 2	138,635	101,964
Financial assets at fair value through other comprehensive income 3	30,745	30,635
Securities at amortised cost	48,371	48,319
Loans and advances to customers 4	637,047	627,550
Investments in associates and joint ventures 5	1,477	1,587
Property and equipment	2,562	2,515
Intangible assets 6	1,119	1,156
Current tax assets	840	533
Deferred tax assets	1,547	957
Other assets	8,761	5,991
Total assets	**1,020,099**	**951,317**

	30 June 2022	31 December 2021
Liabilities		
Deposits from banks	90,513	85,092
Customer deposits	685,425	657,831
Financial liabilities at fair value through profit or loss 7	107,982	71,042
Current tax liabilities	280	271
Deferred tax liabilities	550	603
Provisions	1,006	973
Other liabilities	16,813	12,695
Debt securities in issue 8	55,829	57,443
Subordinated loans 9	15,477	16,719
Total liabilities	**973,875**	**902,668**
Equity 10		
Share capital and share premium	17,067	17,067
Other reserves	564	1,069
Retained earnings	28,179	29,778
Shareholders' equity (parent)	**45,811**	**47,914**
Non-controlling interests	413	736
Total equity	**46,224**	**48,650**
Total liabilities and equity	**1,020,099**	**951,317**

References relate to the accompanying notes. These are an integral part of the Condensed consolidated Interim financial statements.

Condensed consolidated statement of profit or loss

6 month period	1 January to 30 June	
in EUR million	2022	2021
Continuing operations		
Interest income using effective interest rate method	10,480	9,363
Other interest income	1,347	1,368
Total interest income	**11,827**	**10,730**
Interest expense using effective interest rate method	-3,776	-2,754
Other interest expense	-1,167	-1,124
Total interest expense	**-4,943**	**-3,878**
Net interest income 11	**6,884**	**6,852**
Net fee and commission income 12	1,822	1,710
Valuation results and net trading income	819	424
Investment income	61	49
Other income 13	-303	180
Total income	**9,282**	**9,215**

	1 January to 30 June	
	2022	2021
Addition to loan loss provisions	1,189	131
Staff expenses	2,977	2,936
Other operating expenses 14	2,700	2,617
Total expenses	**6,866**	**5,685**
Result before tax	**2,416**	**3,530**
Taxation	726	1,005
Net result	**1,690**	**2,525**
Net result (before non-controlling interests)	**1,690**	**2,525**
Net result attributable to Non-controlling interests	80	59
Net result attributable to shareholders of the parent	**1,610**	**2,467**

References relate to the accompanying notes. These are an integral part of the Condensed consolidated Interim financial statements.

Condensed consolidated statement of comprehensive income

6 month period	1 January to 30 June	
in EUR million	2022	2021
Net result (before non-controlling interests)	1,690	2,525
Other comprehensive income		
Items that will not be reclassified to the statement of profit or loss:		
Realised and unrealised revaluations property in own use	11	-3
Remeasurement of the net defined benefit asset/liability	33	29
Net change in fair value of equity instruments at fair value through other comprehensive income	66	90
Change in fair value of own credit risk of financial liabilities at fair value through profit or loss	220	17
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	-333	-103
Realised gains/losses on debt instruments at fair value through other comprehensive income reclassified to the statement of profit or loss	-27	-30
Changes in cash flow hedge reserve	-2,400	-673
Exchange rate differences [1]	894	158
Share of other comprehensive income of associates and joint ventures and other income		-2
Total comprehensive income	**154**	**2,009**
Comprehensive income attributable to:		
Non-controlling interests	-281	-31
Equity holders of the parent	435	2,041
	154	**2,009**

1 Includes IAS 29 indexation impact

Condensed 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 2021	17,067	1,069	29,778	47,914	736	48,650
Impact IAS 29		627	-563	64		64
Balance as per 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	73	-7	66
Net change in fair value of debt instruments at fair value through other comprehensive income		-310		-310	-23	-333
Realised gains/losses on debt instruments at fair value through other comprehensive income reclassified to the statement of profit or loss		-26		-26	-1	-27
Changes in cash flow hedge reserve		-2,076		-2,076	-323	-2,400
Realised and unrealised revaluations property in own use		3	7	10		11
Remeasurement of the net defined benefit asset/liability		33		33		33
Exchange rate differences and other		902	-1	901	-7	894
Share of other comprehensive income of associates and joint ventures and other income		27	-27			
Change in fair value of own credit risk of financial liabilities at fair value through profit or loss		220		220		220
Total amount recognised directly in other comprehensive income net of tax		**-1,131**	**-44**	**-1,175**	**-361**	**-1,536**
Net result			1,610	1,610	80	1,690
Total comprehensive income net of tax		**-1,131**	**1,566**	**435**	**-281**	**154**
Dividends and other cash distributions			-2,614	-2,614	-41	-2,655
Employee stock option and share plans			11	11		11
Changes in the composition of the group and other changes						
Balance as at 30 June 2022	**17,067**	**564**	**28,179**	**45,811**	**413**	**46,224**

References relate to the accompanying notes. These are an integral part of the Condensed consolidated Interim financial statements. Changes in individual Reserve components are presented in Note 10 ‘Equity’.

Condensed 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		89	0	89	1	90
Net change in fair value of debt instruments at fair value through other comprehensive income		-101		-101	-1	-103
Realised gains/losses on debt instruments at fair value through other comprehensive income reclassified to the statement of profit or loss		-30		-30	-0	-30
Changes in cash flow hedge reserve		-577		-577	-96	-673
Realised and unrealised revaluations property in own use		-6	3	-3	-0	-3
Remeasurement of the net defined benefit asset/liability		29		29		29
Exchange rate differences and other		151		151	6	158
Share of other comprehensive income of associates and joint ventures and other income		-37	35	-2		-2
Change in fair value of own credit risk of financial liabilities at fair value through profit or loss		17		17		17
Total amount recognised directly in other comprehensive income net of tax		-464	38	-426	-90	-516
Net result			2,467	2,467	59	2,525
Total comprehensive income net of tax		-464	2,504	2,041	-31	2,009
Dividends			-1,709	-1,709	-4	-1,713
Employee stock option and share plans			17	17	0	18
Balance as at 30 June 2021	**17,067**	**1,870**	**29,086**	**48,024**	**987**	**49,011**

References relate to the accompanying notes. These are an integral part of the Condensed consolidated Interim financial statements. Changes in individual Reserve components are presented in Note 10 ‘Equity’.

Condensed consolidated statement of cash flows

in EUR million		1 January to 30 June 2022	1 January to 30 June 2021
Cash flows from operating activities			
Result before tax		2,416	3,530
Adjusted for:	– Depreciation and amortisation	357	418
	– Addition to loan loss provisions	1,189	131
	– Other non-cash items in Result before tax	5,291	332
Taxation paid		-965	-1,103
Changes in:	– Net change in Loans and advances to/from banks, not available/payable on demand	6,250	7,944
	– Net change in Trading assets and Trading liabilities	8,797	-5,163
	– Loans and advances to customers	-14,242	-13,378
	– Customer deposits	29,449	18,950
	– Other	-11,473	-9,368
Net cash flow from/(used in) operating activities		**27,069**	**2,293**
Cash flows from investing activities			
Investments and advances:	- Associates and joint ventures	-16	-31
	- Financial assets at fair value through other comprehensive income	-10,500	-9,381
	- Securities at amortised cost	-11,805	-25,190
	– Property and equipment	-107	-84
	– Other investments	-81	-94
Disposals and redemptions:	- Associates and joint ventures	37	37
	- Financial assets at fair value through other comprehensive income	8,638	11,802
	- Securities at amortised cost	11,839	26,185
	- Property and equipment	23	9
	- Other investments	10	0
Net cash flow from/(used in)		**-1,963**	**3,253**
Cash flows from financing activities			
Proceeds from debt securities		41,945	37,962
Repayments of debt securities		-42,903	-32,233
Proceeds from issuance of subordinated loans			491
Repayments of subordinated loans		-990	-1,455
Repayments of principal portion of lease liabilities		-134	-144
Dividends paid and other capital distributions		-2,655	-1,713
Other financing			
Net cash flow from/(used in) financing activities		**-4,737**	**2,909**
Net cash flow		**20,370**	**8,455**
Cash and cash equivalents at beginning of year		107,664	111,565
Effect of exchange rate changes on cash and cash equivalents		-195	-357
Cash and cash equivalents at end of period		**127,838**	**119,662**

Condensed consolidated statement of cash flows - continued

Cash and cash equivalents

in EUR million	30 June 2022	30 June 2021
Treasury bills and other eligible bills	21	39
Deposits from banks/Loans and advances to banks	1,788	-1,707
Cash and balances with central banks	126,030	121,331
Cash and cash equivalents at end of period	**127,838**	**119,662**

The table below presents the Interest and dividend received and paid.

	1 January to 30 June	
in EUR million	2022	2021
Interest received	11,856	10,776
Interest paid	-5,577	-4,686
	6,279	**6,090**
Dividend received [1]	81	63
Dividend paid	-2,655	-1,713

1 Includes dividends received as recognized 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. Dividend 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 Condensed consolidated interim financial statements

1 Basis of preparation and significant accounting policies

1.1 Reporting entity and authorisation of the Condensed consolidated interim financial statements

ING Bank N.V. is a company domiciled in Amsterdam, the Netherlands. Commercial Register of Amsterdam, number 33031431. These Condensed consolidated interim financial statements, as at and for the six month period ended 30 June 2022, 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 Condensed consolidated interim financial statements, as at and for the six month period ended 30 June 2022, were authorised for issue in accordance with a resolution of the Management Board Banking on 3 August 2022.

1.2 Basis of preparation of the Condensed consolidated interim financial statements

The ING Bank Condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

ING Bank applies International Reporting Standards (IFRS) as adopted by the European Union (EU), which 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 1.6.4 'Derivatives and hedge accounting' of Note 1 and Note 37 'Derivatives and hedge accounting' of the 2021 ING Bank Consolidated financial statements as included in the 2021 Annual Report.

The Condensed consolidated interim financial statements should be read in conjunction with the 2021 ING Bank Consolidated financial statements as included in the 2021 Annual Report. The accounting policies used to prepare the Condensed consolidated interim financial statements are consistent with those set out in the notes to the 2021 ING Bank Consolidated financial statements as included in the 2021 Annual Report except for the adoption of a number of amendments effective in 2022 as set out in Note 1.4 'Changes to accounting policies and presentation'.

The ING Bank Condensed consolidated interim financial statements have been prepared on a going concern basis.

The Condensed consolidated interim 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 Interim Report.

These disclosures are an integral part of ING Bank Condensed consolidated interim 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 Condensed consolidated interim financial statements.

1.3 Impact of Russian invasion in Ukraine

The Russian invasion of Ukraine is a significant tragedy, which is having a devastating impact on people's lives and is threatening international stability and security. The invasion has introduced increased level of estimation uncertainty and increased credit risk on ING's Russian-related exposure which led to higher Loan loss provisions in the first six months of 2022. In the course of the second quarter other risks have emerged resulting from second-order impacts mainly reflected in high energy prices, high interest rates and inflation, supply chain disruptions and staffing shortages. Reference is made to Risk Management chapter for further information on the impact of the Russian invasion of Ukraine and second order impacts. Furthermore, reference is made to paragraph 1.5 for areas of 'Significant judgements and critical accounting estimates and assumptions'.

1.4 Changes to accounting policies and presentation

ING Bank has consistently applied its accounting policies to all periods presented in these Condensed consolidated interim financial statement.

1.4.1 Changes in IFRS effective in 2022

The following amended standards became effective in 2022:
- Amendments to IFRS 3 'Business Combinations': Reference to the Conceptual Framework (issued in May 2020).
- Amendments to IAS 16 'Property, Plant and Equipment': Proceeds before Intended Use (issued in May 2020).
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets': Onerous Contracts — Cost of Fulfilling a Contract (issued in May 2020).
- Annual improvements to IFRS Standards 2018-2020 Cycle: Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards', amendments to IFRS 9 'Financial Instruments' and amendments to IFRS 16 'Leases' (issued in May 2020).

The above changes did not have significant impact on ING Bank's Consolidated financial statements. ING Bank has not early adopted any standard, interpretation or amendment in 2022 which has been issued, but is not yet effective.

1.4.2 Upcoming changes in IFRS after 2022

The following published amendments are not mandatory for 2022 and have not been early adopted by ING Bank. ING Bank is still currently assessing the detailed impact of these amendments. However, the implementation of these amendments is expected to have no significant impact on ING Bank's consolidated financial statements:
- Amendments to IAS 1 'Presentation of Financial Statements': Classification of Liabilities as Current or Non-current (issued in January 2020).
- 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).

<u>IFRS 17 'Insurance contracts' – effective in 2023</u>

In May 2017, the IASB issued IFRS 17 'Insurance Contracts', a new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 'Insurance Contracts', which allowed diversity in accounting practices for insurance contracts. In June 2020, the IASB published amendments to IFRS 17 including a scope exclusion for credit card contracts and similar contracts that provide insurance coverage, and 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.

ING Bank performed an assessment which revealed only a limited number of products that might be in scope and the potential financial impact of IFRS 17, if any or expected to be limited, will be quantified with reasonable certainty later in the year.

1.5 Significant judgements and critical accounting estimates and assumptions

The preparation of the Condensed consolidated interim 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 period. The actual outcome may differ from these estimates. The process of setting assumptions is subject to internal control procedures and approvals.

Consistent with Note 1.5 'Significant judgements and critical accounting estimates and assumptions' of the 2021 ING Bank Consolidated financial statements, the following areas continue to require management to make significant judgements and use critical accounting estimates and assumptions based on the information and financial data that may change in future periods:

- Loan loss provisions (financial assets);
- The determination of the fair values of financial assets and liabilities;
- Impairment assessment of an investment in associate;
- Provisions; and
- Accounting for Targeted Longer-Term Refinancing Operations (TLTRO).

1.6 Other developments

Application of IAS 29 'Financial Reporting in Hyperinflationary Economies'

During the second quarter of 2022 Turkey became a hyperinflationary economy for accounting purposes. As ING Bank has a subsidiary in Turkey, ING Bank applied IAS 29 'Financial Reporting in Hyperinflationary Economies' to its operations as if the economy in Turkey had always been hyperinflationary. Given that ING Bank presents its results in EUR, comparatives were not restated and IAS 29 was applied from 1 January 2022 with the impact of the first-time application and the effect for the period both shown in these Condensed consolidated interim financial statements for the six month period ended 30 June 2022.

Under IAS 29, the results of the operations in Turkey 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 development of the CPI during the six month period ended 30 June 2022 was as follows (2003=100):

1 January 2022	686.95
30 June 2022	977.90
Change for the period	42.35%

To state all the items in the financial statements in terms of their current purchasing power at the reporting date, ING Bank restated the non-monetary items of ING Turkey (such as properties and equipment, intangibles, right-of use assets, shareholder's equity) for the changes in CPI up to the reporting date. Monetary items (such as cash and balances with banks, loans and advances, deposits) are not restated as they are already expressed in the current purchasing power. Furthermore, all items in the statement of comprehensive income were also restated for the effects of inflation based on the developments in CPI during the six month period to reflect the purchasing power as at 30 June 2022.

The effect of such restatement of the statement of comprehensive income and the balance sheet for inflation in the current period has been recognised in the statement of profit or loss within 'Other 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 Turkey.

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 Turkey are translated and presented in EUR at the exchange rate on 30 June 2022. 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 Turkey 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.

Refer to Note 10 'Equity' for the impact of applying IAS 29 during the six month period ended 30 June 2022.

2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss

in EUR million	30 June 2022	31 December 2021
Trading assets	60,741	51,389
Non-trading derivatives	2,693	1,536
Designated at fair value through profit or loss	6,565	6,355
Mandatorily measured at fair value through profit or loss	68,636	42,684
	138,635	**101,964**

Trading assets include assets that are classified under IFRS as Trading, but 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).

(Reverse) repurchase transactions

Financial assets at fair value through profit or loss includes securities lending and sales and repurchase transactions which were not derecognised, because ING Bank continues to be exposed to substantially all risks and rewards of the transferred financial asset. 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.

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	30 June 2022	31 December 2021
Reverse repurchase transactions		
Loans and advances to banks	4,176	3,403
Loans and advances to customers	703	71
Trading assets (loans and receivables)	10,343	8,026
(Loans and receivables) Mandatorily measured at fair value through profit or loss	64,977	39,823
	80,200	**51,322**
Repurchase transactions		
Deposits from banks	4,964	4,138
Trading liabilities, funds on deposit	11,414	7,127
Funds entrusted designated and measured at fair value through profit or loss	50,991	34,608
	67,370	**45,873**

3 Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income by type

in EUR million	30 June 2022	31 December 2021
Equity securities	2,065	2,457
Debt securities[1]	27,876	27,340
Loans and advances[1]	805	838
	30,745	**30,635**

1 Debt securities include an amount of EUR -39 million (31 December 2021: EUR -12 million) and the Loans and advances includes EUR -1 million (31 December 2021: EUR -1 million) of Loan loss provisions.

Exposure to equity securities

Equity securities designated as at fair value through other comprehensive income

in EUR million	Carrying value 30 June 2022	Carrying value 31 December 2021	Dividend income 30 June 2022	Dividend income 30 June 2021
Investment in Bank of Beijing	1,796	1,700		
Other Investments	268	757	27	15
	2,065	**2,457**	**27**	**15**

As at 30 June 2022 ING holds approximately 13% (31 December 2021: 13%) of the shares of Bank of Beijing, a bank listed on the stock exchange of Shanghai. 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 the first six months of 2022 (2021: 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 30 June 2022	FVOCI equity securities 31 December 2021	FVOCI debt instruments [1] 30 June 2022	FVOCI debt instruments [1] 31 December 2021	Total 30 June 2022	Total 31 December 2021
Opening balance	2,457	1,862	28,178	34,033	30,635	35,895
Additions	9	518	10,491	12,669	10,500	13,186
Amortisation			-10	-46	-10	-46
Transfers and reclassifications	1	-7	0		1	-7
Changes in unrealised revaluations [2]	32	-88	-2,210	-1,209	-2,178	-1,296
Impairments			-14	-5	-14	-5
Reversals of impairments			5	4	5	4
Disposals and redemptions	-490	-19	-8,148	-17,730	-8,638	-17,750
Exchange rate differences	56	191	388	460	444	651
Changes in the composition of the group and other changes	-0	0	0	2	0	2
Closing balance	**2,065**	**2,457**	**28,681**	**28,178**	**30,745**	**30,635**

1 Fair value through other comprehensive income debt instruments includes both debt securities and loans and advances.
2 Changes in unrealized 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 10 'Equity' for details on the changes in revaluation reserve.

FVOCI equity securities

In the first six months of 2022, disposals of EUR 490 million mainly relates to the sale 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 518 million) and was a relatively small part of the HQLA portfolio.

In the first six months of 2022, exchange rate differences of EUR 56 million are related to the stake in Bank of Beijing following the appreciation of CNY vs EUR.

Changes in unrealised revaluations of equity securities mainly relate to revaluation of the stake in Bank of Beijing following a change in share price (EUR 40 million; 31 December 2021: EUR -153 million).

FVOCI debt instruments

In the first six months of 2022, changes in unrealised revaluations of EUR -2,210 million relates to increased yield curves.

4 Loans and advances to customers

Loans and advances to customers by type[1]

in EUR million	30 June 2022	31 December 2021
Loans to public authorities	13,295	10,824
Residential mortgages	313,940	313,813
Other personal lending	38,297	38,063
Corporate Lending	277,382	270,124
	642,914	**632,824**
Loan loss provisions	-5,867	-5,274
	637,047	**627,550**

1 2021 presentation has been updated to improve consistency and comparability

For details on credit quality and loan loss provisioning, refer to 'Risk management – Credit risk' paragraph 'Loan Loss provisioning'.

5 Investments in associates and joint ventures

Investments in associates and joint ventures

in EUR million 30 June 2022	Interest held (%)	Fair value of listed invest-ments	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
TMBThanachart Bank Public Company Limited	23	743	1,096	48,680	42,879	429	321
Other investments in associates and joint ventures			381				
			1,477				

Investments in associates and joint ventures

in EUR million 31 December 2021	Interest held (%)	Fair value of listed invest-ments	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
TMBThanachart Bank Public Company Limited	23	866	1,208	46,478	40,957	1,286	1,038
Other investments in associates and joint ventures			379				
			1,587				

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.

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.

Impairment testing

The fair value has been below the purchase cost of the investment for a prolonged period of time (since 1Q 2020). This is considered to be objective evidence of impairment. The impairment test performed led to an impairment at 31 March 2022 of EUR 150 million, as the recoverable amount of EUR 1,099 million, as determined by a Value in Use calculation, was below the carrying amount of EUR 1,249 million at that point in time. The impairment test at 30 June 2022 did not lead to an impairment loss.

Methodology

The recoverable amount is determined as the higher of the fair value less costs of disposal and Value in Use ('VIU'). Fair value less costs of disposal is based on observable share price. The VIU calculation uses discounted cash flow projections based on management's best estimates. VIU is derived using a Dividend Discount Model (DDM) where distributable equity, i.e. future earnings available to ordinary shareholders, is used as a proxy for future cash flows. The valuation looks at expected cash flows into perpetuity resulting in two main components to the VIU calculation:

i) the estimation of future earnings over a 5 year forecast period; and

ii) the terminal value being the extrapolation of earnings into perpetuity applying a long term growth rate. The earnings that are used for extrapolation represent the stable long term financial results and position of TTB, i.e. a steady state. The terminal value comprises the majority of the total VIU.

Key assumptions used in the VIU calculation as at 30 June 2022 (and as at 31 March 2022 resulting in impairment)

The VIU is determined using a valuation model which is subject to multiple management assumptions. The key assumptions, i.e. those to which the overall result is most sensitive to, are the following:

- Expected future earnings of TTB: based on forecasts derived from broker consensus over the short to medium term and TTB observable targets for steady state earnings into perpetuity. A capital maintenance charge is applied, which is management's forecast of the earnings that need to be withheld in order for TTB to meet target regulatory requirements over the forecast period;
- Discount rate (cost of equity): 10.15% (31 March 2022: 9.60%), based on the capital asset pricing model (CAPM) calculated for TTB using current market data.
- Terminal growth rate: 3.36% (31 March 2022: 2.87%) consistent with current long term government bond yield in Thailand as a proxy for a risk-free rate;

As at 30 June 2022, the recoverable amount as determined by the VIU calculation is slightly above the carrying value of EUR 1,096 million. To assess the risk of further impairment at 30 June 2022, the model was evaluated for reasonably possible changes to key assumptions in the model. This reflects the sensitivity of the VIU to each key assumption on its own and it is possible that more than one favourable and/or unfavourable change may occur at the same time. Holding the other key assumptions constant, a reduction in all of the forecasted annual cash flows, including terminal value, of 40bps would reduce the recoverable amount to the carrying amount. A 57bps decrease in terminal growth rate or a 3bps increase in the discount rate would cause the VIU to equal the carrying amount.

Other investments in associates and joint ventures

Included in Other investments in associates and joint ventures are mainly financial services and financial technology funds or vehicles operating predominantly in Europe.

Other investments in associates and joint ventures represents a number of associates and joint ventures that are individually not significant to ING Bank.

Changes in Investments in associates and joint ventures

in EUR million	30 June 2022	31 December 2021
Opening balance	1,587	1,475
Additions	16	91
Revaluations	-6	-24
Share of results	35	141
Dividends received	-31	-34
Disposals	-6	-23
Impairments	-153	-3
Exchange rate differences	29	-31
Other	4	-5
Closing balance	**1,477**	**1,587**

Share of results from associates and joint ventures of EUR 35 million (31 December 2021: EUR 141 million) as included in the table above is mainly attributable to results of TTB of EUR 37 million (31 December 2021: EUR 61 million).

6 Intangible assets

Changes in intangible assets

	Goodwill		Software		Other		Total	
in EUR million	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Opening balance	472	533	682	846	2	15	1,156	1,394
Additions			17	44			17	44
Capitalised expenses			64	135			64	135
Amortisation			-113	-260	-0	-1	-113	-261
Impairments [1]	-32		-8	-82		-12	-40	-94
Exchange rate differences	-1	-61	3	-0	0	0	2	-62
Disposals			-1	-0			-1	-0
Changes in the composition of the group and other changes	25		9	-1		0	35	-0
Closing balance	**463**	**472**	**653**	**682**	**2**	**2**	**1,119**	**1,156**
Gross carrying amount	496	472	2,422	2,521	8	59	2,925	3,052
Accumulated amortisation			-1,705	-1,710	-3	-9	-1,708	-1,719
Accumulated impairments	-32		-64	-129	-2	-48	-98	-177
Net carrying value	**463**	**472**	**653**	**682**	**2**	**2**	**1,119**	**1,156**

1 Impairments of intangible assets are presented within Other operating expenses in the statement of Profit or Loss.

Goodwill

Following a change in monitoring from a centralised towards a de-centralised approach for Retail as from the beginning of 2022, goodwill related to the group of cash generating units (CGUs) 'Retail Growth Markets' was reallocated to Retail Romania, Retail Poland and Retail Turkey CGUs using a relative value approach. The goodwill for Turkey, after first being adjusted for inflation, was fully impaired for the amount of EUR 32 million and the impairment loss was presented in operating expenses. Goodwill allocated to Retail Romania and Retail Poland was EUR 15 million and EUR 70 million respectively as at 30 June 2022.

7 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss

in EUR million	30 June 2022	31 December 2021
Trading liabilities	45,261	27,113
Non-trading derivatives	4,501	2,120
Designated at fair value through profit or loss	58,219	41,808
	107,982	**71,042**

8 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.

Changes in debt securities in issue

in EUR million	30 June 2022	31 December 2021
Opening balance	57,443	55,573
Additions	41,945	77,298
Redemptions / Disposals	-42,903	-76,150
Exchange rate differences	1,893	1,827
Other movements	-2,549	-1,104
Closing balance	**55,829**	**57,443**

9 Subordinated loans

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 15.5 billion (31 December 2021: EUR 15.9 billion) have been placed with ING Bank N.V. by ING Groep N.V.

Changes in subordinated loans

In EUR million	30 June 2022	31 December 2021
Opening balance	16,719	15,897
New issuances		3,169
Repayments	-990	-2,538
Exchange rate differences	682	624
Other changes	-934	-432
Closing balance	**15,477**	**16,719**

ING Bank N.V. redeemed with ING Groep N.V. in April 2022 USD 1 billion 6.875% Perpetual Additional Tier 1 Contingent Convertible Capital Securities and in May 2022 JPY 10 billion 1.10% Subordinated Tier 2 Notes on the first call dates.

10 Equity

Total equity

In EUR million	30 June 2022	31 December 2021
Share capital and share premium		
- Share capital	525	525
- Share premium	16,542	16,542
	17,067	**17,067**
Other reserves		
- Revaluation reserve: Equity securities at FVOCI	1,377	1,282
- Revaluation reserve: Debt instruments at FVOCI	-244	92
- Revaluation reserve: Cash flow hedge	-2,230	-153
- Revaluation reserve: Credit liability	140	-80
- Revaluation reserve: Property in own use	192	208
- Net defined benefit asset/liability remeasurement reserve	-180	-212
- Currency translation reserve	-1,934	-3,483
- Share of associates and joint ventures and other reserves	3,443	3,416
	564	**1,069**
Retained earnings	28,179	29,778
Shareholders' equity (parent)	45,811	47,914
Non-controlling interests	413	736
Total equity	**46,224**	**48,650**

Cash flow hedge

ING mainly hedges floating rate lending with interest rate swaps. Due to an increase in yield curves the interest rate swaps had a negative revaluation of EUR -2,076 million in the 6 month period ended 30 June 2022 (2021: EUR -1,603 million), which is recognised in the cash flow hedge reserve.

Currency translation reserve

The increase of Currency translation reserve of EUR 1,549 million in the 6 month period ended 30 June 2022 is related to several currencies including TRY (EUR 834 million including IAS 29 'Hyperinflation' impact), USD (EUR 597 million), RUB (EUR 181 million) and PLN (EUR -55 million).

Retained earnings

ING paid in February and May 2022 an interim dividend of EUR 934 million respectively EUR 430 million and in May a cash distribution of EUR 1,250 million to its shareholder.

IAS 29 'Hyperinflation'

In 2022 Turkey was deemed a hyperinflationary economy for accounting purposes and ING started applying IAS 29 'Hyperinflation' on its foreign investment in Turkey. All non-monetary balance sheet positions (which include equity) are stated at 'the measuring unit current at the end of the reporting period' (by indexation using general price indexes as from the date of acquisition of the non-monetary item, or the date of the latest revaluation of non-monetary items measured at revalued amounts). Indexation effect at 1 January 2022 is reflected in Equity, while indexation during 2022 is reflected in profit or loss. The IAS 29 indexation impact on equity, in opening balance and for the period, was EUR 99 million in total including EUR 924 million in currency translation reserve, EUR -563 million in retained earnings, EUR -18 million in revaluation reserves and EUR -244 million in profit or loss.

11 Net interest income

Net interest income

in EUR million	1 January to 30 June 2022	1 January to 30 June 2021
Interest income on loans	7,654	7,042
Interest income on financial assets at fair value through OCI	184	189
Interest income on debt securities at amortised cost	248	223
Interest income on non-trading derivatives (hedge accounting)	1,631	1,131
Negative interest on liabilities	763	777
Total interest income using effective interest rate method	**10,480**	**9,363**
Interest income on financial assets at fair value through profit or loss	292	220
Interest income on non-trading derivatives (no hedge accounting)	1,045	1,140
Interest income other	11	8
Total other interest income	**1,347**	**1,368**
Total interest income	**11,827**	**10,730**

in EUR million	1 January to 30 June 2022	1 January to 30 June 2021
Interest expense on deposits from banks	110	71
Interest expense on customer deposits	1,281	996
Interest expense on debt securities in issue	270	321
Interest expense on subordinated loans	315	273
Negative interest on assets	249	276
Interest expense on non-trading derivatives (hedge accounting)	1,551	817
Total interest expense using effective interest rate method	**3,776**	**2,754**
Interest expense on financial liabilities at fair value through profit or loss	248	158
Interest expense on non-trading derivatives (no hedge accounting)	880	934
Interest expense on lease liabilities	7	7
Interest expense other	33	25
Total other interest expense	**1,167**	**1,124**
Total interest expense	**4,943**	**3,878**
Net interest income	**6,884**	**6,852**

Total net interest income amounts to EUR 6,884 million (2021: EUR 6,852 million).
Negative interest on liabilities in 2022, amounting to EUR 763 million (2021: EUR 777 million) includes ECB funding rate benefit from the TLTRO III programme of EUR 321 million (2021: EUR 473 million, includes EUR 158 million catch-up effect from 2020). This amount includes EUR 315 million of interest benefit from the additional special interest period ending 23 June 2022. Furthermore, this amount includes EUR 6 million of interest benefit from the period starting 24 June 2022 for which the interest rate is determined as the average deposit rate over the life of the respective TLTRO III.

12 Net fee and commission income

Net fee and commission income

	1 January to 30 June	
in EUR million	2022	2021[1]
Fee and commission income		
Payment Services	906	793
Securities business	376	438
Insurance and other broking	389	405
Portfolio management	303	290
Lending business	257	161
Financial guarantees and other commitments	250	217
Other	119	135
Total fee and commission income	**2,600**	**2,439**
Fee and commission expenses		
Payment Services	291	263
Securities business	86	78
Distribution of products (Externally)	317	296
Other	84	92
Total fee and commission expenses	**779**	**729**
Net fee and commission income	**1,822**	**1,710**

1 ING Bank changed the presentation of net fee and commission income in the course of 2021 to better align with internal management and monitoring. Comparative figures for the prior period have been updated accordingly. The reclassifications do not affect the total amount of Net Fee and Commission Income.

All of ING's net fee and commission income are in scope of IFRS 15 'Revenue from Contracts with Customers'. Reference is made to Note 15 'Segments' which includes net fee and commission income, as reported to the Management Board Banking, disaggregated by line of business and by geographical segment.

13 Other income

Other income[1]

	1 January to 30 June	
in EUR million	2022	2021
Share of result associates and joint ventures	35	23
Impairment of associates and joint ventures	-153	-3
Net result derecognition of financial assets measured at amortised cost	-3	-3
Net monetary gain or loss	-250	
Other	67	162
	-303	**180**

1 2021 presentation has been updated to improve consistency and comparability

In 2022, Other income includes EUR -250 million net monetary loss reflecting the IAS 29 hyperinflation impact in Turkey related to the indexation of Turkey's statement of financial position (EUR -239 million) and statement of profit and loss (EUR -11 million). Furthermore, other IAS 29 impacts (EUR -5 million) are reported but not reflected in the net monetary loss. Reference is made to paragraph 1.6 'Other developments' for further explanation.

Furthermore, Other income includes EUR -150 million impairment on TTB as the recoverable amount, as determined by a Value in Use calculation, was below the carrying amount at 31 March 2022. Reference is made to note 5 'Investment in associated and joint ventures' for further explanation.

In 2021, Other income other includes the recognition of a EUR 72 million better than expected recovery of the insolvency of a financial institution in the Netherlands, proceeds of the agreement with Raiffeisenbank due to the withdraw from the retail banking market in the Czech Republic and the positive recovery of defaulted receivables of EUR 16 million.

14 Other operating expenses

Other operating expenses

	1 January to 30 June	
in EUR million	2022	2021
Regulatory costs	863	759
Audit and non-audit services	16	16
IT related expenses	402	387
Advertising and public relations	144	149
External advisory fees	126	144
Office expenses	139	141
Travel and accommodation expenses	39	24
Contributions and subscriptions	58	59
Postal charges	16	20
Depreciation of property and equipment	244	285
Amortisation of intangible assets	113	133
(Reversals of) impairments of tangible assets	7	-1
(Reversals of) impairments of intangible assets	40	24
Addition to / (unused amounts reversed of) provision for reorganisations	125	88
Addition to / (unused amounts reversed of) other provisions	5	49
Other	363	340
	2,700	**2,617**

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 2022, are contributions to DGS of EUR 304 million (first six months of 2021: EUR 260 million) mainly related to the Netherlands, Germany, Belgium, and Poland and contributions to the SRF and local resolution funds of EUR 354 million (first six months of 2021: EUR 308 million). In 2022 local bank taxes increased by EUR 14 million from EUR 191 million in 2021 to EUR 205 million.

In 2022, ING Bank Slaski, together with seven other Polish banks, has 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 92 million and is recognized as regulatory costs (DGS).

Additional notes to the Condensed consolidated interim financial statements

Segment reporting

15 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 significant accounting policies' as included in the 2021 Annual Report. 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 SME and mid-corporate segments, and the Real Estate Finance portfolio related to Dutch domestic mid-corporates. The main products offered are current and savings accounts, business lending, mortgages and other consumer lending in the Netherlands.
Retail Belgium *(Market Leaders)*	Income from retail and private banking activities in Belgium (including Luxembourg), including the SME and mid-corporate 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 Austria up to and including 2021, after which ING left the retail market). The main products offered are current and savings accounts, mortgages and other customer lending.
Retail Other *(Challengers and Growth Markets)*	Income from retail banking activities in the rest of the world, including the SME and mid-corporate segments in specific countries. The main products offered are similar to those in the Netherlands.
Wholesale Banking	Income from wholesale banking activities. The main products are: lending, debt capital markets, working capital solutions, export finance, daily banking solutions, treasury and risk solutions, and corporate finance.

Specification of geographical split of the segments	
Geographical split of the segments	**Main countries**
The Netherlands	
Belgium	Including Luxembourg
Germany	Including Wholesale Banking Austria and Retail Banking in Austria [1]
Other Challengers	Australia, Retail Banking Czech Republic [1], France, Italy, Spain, Portugal, Other
Growth Markets	Poland, Romania, Turkey, Philippines and Asian stakes
Wholesale Banking Rest of World	UK, Americas, Asia and other countries in Central and Eastern Europe
Other	Corporate Line

1 Retail Banking Austria and Retail Banking Czech Republic up to and including 2021, after which ING left the retail market.

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 is a reflection of capital management activities and certain income and expenses that are not allocated to the banking businesses, including IAS 29 impact, and the recognition of value-added tax (VAT) refunds in the Netherlands (recorded under expenses). Furthermore, the Corporate Line includes the isolated legacy costs (mainly negative interest results) caused by the replacement of short-term funding with long-term funding during 2013 and 2014. 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.

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 revenue specified to each product or service as this is not reported internally and is therefore not readily available.

Segments by line of business

6 month period
1 January to 30 June

in EUR million	2022 Retail Netherlands	Retail Belgium	Retail Germany	Retail Other	Wholesale Banking	Corporate Line	Total	2021 Retail Netherlands	Retail Belgium	Retail Germany [1]	Retail Other[2]	Wholesale Banking	Corporate Line	Total
Income														
– Net interest income	1,489	834	703	1,488	2,139	231	6,884	1,651	894	734	1,354	2,044	174	6,852
– Net fee and commission income	433	258	249	279	605	-2	1,822	368	248	257	253	580	4	1,710
– Total investment and other income	222	117	102	-13	519	-371	576	119	99	45	122	267	1	653
Total income	**2,144**	**1,209**	**1,054**	**1,755**	**3,262**	**-141**	**9,282**	**2,138**	**1,241**	**1,036**	**1,729**	**2,891**	**180**	**9,215**
Expenditure														
– Operating expenses	1,015	1,022	595	1,269	1,524	254	5,678	1,181	912	604	1,174	1,452	230	5,553
– Addition to loan loss provisions	-6	23	36	108	1,027		1,189	-65	194	19	102	-119		131
Total expenses	**1,009**	**1,045**	**631**	**1,377**	**2,551**	**254**	**6,866**	**1,116**	**1,107**	**623**	**1,276**	**1,333**	**230**	**5,685**
Result before taxation	**1,134**	**164**	**423**	**377**	**712**	**-395**	**2,416**	**1,022**	**134**	**413**	**454**	**1,558**	**-51**	**3,530**
Taxation	301	49	83	139	188	-35	726	267	41	135	117	355	89	1,005
Non-controlling interests			2	59	19		80			2	46	10		59
Net result IFRS	**833**	**115**	**338**	**180**	**504**	**-360**	**1,610**	**754**	**94**	**275**	**291**	**1,192**	**-139**	**2,467**

1 Germany including Retail Banking Austria (up to and including 2021, after which ING left the retail market).
2 Retail Other including Retail Banking Czech Republic (up to and including 2021, after which ING left the retail market).

Geographical split of the segments

6 month period 1 January to 30 June in EUR million	2022 Netherlands	2022 Belgium	2022 Germany [1]	2022 Other Challengers	2022 Growth Markets	2022 Wholesale Banking Rest of World	2022 Other	2022 Total	2021 Netherlands	2021 Belgium	2021 Germany [1]	2021 Other Challengers [2,3]	2021 Growth Markets	2021 Wholesale Banking Rest of World [3]	2021 Other	2021 Total
Income																
– Net interest income	1,887	1,017	940	893	947	972	227	6,884	2,023	1,072	1,010	936	749	888	175	6,852
– Net fee and commission income	578	360	270	158	192	265	-2	1,822	518	356	263	159	163	248	4	1,710
– Total investment and other income	432	165	131	32	65	119	-366	576	148	127	78	46	154	99	1	653
Total income	**2,898**	**1,542**	**1,341**	**1,083**	**1,204**	**1,356**	**-141**	**9,282**	**2,688**	**1,554**	**1,350**	**1,141**	**1,066**	**1,235**	**180**	**9,215**
Expenditure																
– Operating expenses	1,446	1,185	690	690	778	635	254	5,678	1,577	1,065	691	709	636	644	230	5,553
– Addition to loan loss provisions	127	155	438	42	108	318		1,189	-51	139	43	55	45	-101		131
Total expenses	**1,573**	**1,340**	**1,128**	**732**	**886**	**954**	**254**	**6,866**	**1,526**	**1,205**	**734**	**764**	**681**	**543**	**230**	**5,685**
Result before taxation	**1,324**	**201**	**214**	**351**	**318**	**402**	**-395**	**2,416**	**1,162**	**349**	**616**	**377**	**384**	**692**	**-51**	**3,530**
Retail Banking	1,134	164	423	183	195			2,099	1,022	134	413	160	294			2,023
Wholesale Banking	190	37	-209	168	123	402		712	140	215	203	217	91	692		1,558
Corporate Line							-395	-395							-51	-51
Result before taxation	**1,324**	**201**	**214**	**351**	**318**	**402**	**-395**	**2,416**	**1,162**	**349**	**616**	**377**	**384**	**692**	**-51**	**3,530**
Taxation	346	58	76	111	114	73	-53	726	298	92	186	116	83	143	87	1,005
Non-controlling interests			2		78			80			2		57			59
Net result IFRS	**978**	**143**	**136**	**240**	**126**	**329**	**-342**	**1,610**	**864**	**257**	**428**	**261**	**245**	**549**	**-137**	**2,467**

1 Germany includes Wholesale Banking Austria. Also including Retail Banking in Austria, but only up to and including 2021, after which ING left the retail market.
2 Other Challengers includes Retail Banking Czech Republic (up to and including 2021, after which ING left the retail banking market).
3 As from 2022, Wholesale Banking Czech Republic is recorded in Wholesale Banking Rest of World (previously recorded in Other Challengers). Historical figures have been adjusted.

16 Fair value of assets and liabilities

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.

A comprehensive description of ING's valuation methods and framework is reported in Note 37 'Fair value of assets and liabilities' of the 2021 ING Bank Annual Report. This chapter of the Interim financial report should be read in conjunction with the 2021 ING Bank Annual Report.

Valuation Adjustments

Valuation adjustments are an integral part of the fair value. They are included as part of the fair value to provide better estimation of market exit value on measurement date. ING considers various valuation adjustments to arrive at the fair value including Bid-Offer adjustments, Model Risk adjustments, Credit Valuation Adjustments (CVA), Debit valuation Adjustments (DVA), including DVA on derivatives and own issued liabilities, Collateral Valuation Adjustment (CollVA) and Funding Valuation Adjustment (FVA).

For financial instruments measured by internal models where one or more unobservable market inputs are significant for valuation, a difference between the transaction price and the theoretical price resulting from the internal model can occur. ING defers material 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 Day One profit or loss is amortised over the life of the instrument or until the observability improves. Both the impact on the profit and loss for the first six months of 2022 and the Day One profit or loss reserve in the balance sheet as per 30 June 2022 are deemed to be immaterial.

The following table presents the models reserves for financial assets and liabilities:

Valuation adjustment on financial assets and liabilities	30 June 2022	31 December 2021
Bid/Offer	-210	-143
Model Risk	-8	-11
CVA	-227	-159
DVA	252	-66
CollVA	-9	-8
FVA	-44	-95
Total Valuation Adjustments	**-247**	**-482**

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	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Financial Assets								
Financial assets at fair value through profit or loss								
- Equity securities	10,916	17,599	2	2	120	134	11,038	17,735
- Debt securities	2,452	2,317	6,623	7,016	3,282	2,643	12,357	11,976
- Derivatives	14	6	35,066	21,154	389	140	35,469	21,299
- Loans and receivables			77,706	48,706	2,065	2,248	79,771	50,954
	13,381	**19,922**	**119,398**	**76,877**	**5,856**	**5,165**	**138,635**	**101,964**
Financial assets at fair value through other comprehensive income								
- Equity securities	1,822	2,232			242	225	2,065	2,457
- Debt securities	23,552	21,753	4,324	5,587			27,876	27,340
- Loans and receivables					805	838	805	838
	25,374	**23,984**	**4,324**	**5,587**	**1,047**	**1,063**	**30,745**	**30,635**
Financial liabilities								
Financial liabilities at fair value through profit or loss								
– Debt securities	392	377	4,638	5,227	121	135	5,151	5,739
– Deposits			65,022	43,582			65,022	43,582
– Trading securities	1,536	955	152	120	8	0	1,695	1,075
– Derivatives	63	63	35,635	20,388	416	195	36,114	20,646
	1,991	**1,395**	**105,446**	**69,317**	**545**	**330**	**107,982**	**71,041**

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 a 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. See sections CVA/DVA 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 are generally based on quoted market prices. The fair value of other loans is 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 are classified as Level 2. Derivatives for which the input cannot be derived from observable market data are classified as Level 3.

Transfers between Level 1 and 2

No significant transfers from Level 2 to Level 1 were recorded in the reporting period 2022.

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 30 June 2022 of EUR 6.9 billion (31 December 2021: EUR 6.2 billion), an amount of EUR 2.0 billion (28.4%) (31 December 2021: EUR 2.0 billion, being 32.5%) 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 assets includes approximately EUR 3.6 billion (31 December 2021: EUR 2.9 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 1.4 billion (31 December 2021: EUR 1.3 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 30 June 2022 of EUR 0.5 billion (31 December 2021: EUR 0.3 billion), an amount of EUR 0.0 billion (5.4%) (31 December 2021: EUR 0.1 billion, being 42.0%) 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 0.2 billion (31 December 2021: EUR 0.1 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 0.3 billion (31 December 2021: 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)

In EUR million	Assets 30 June 2022	Assets 31 December 2021	Liabilities 30 June 2022	Liabilities 31 December 2021	Valuation techniques	Significant unobservable inputs	Lower range 30 June 2022	Lower range 31 December 2021	Upper range 30 June 2022	Upper range 31 December 2021
At fair value through profit or loss										
Debt securities	3,282	2,643	8		Price based	Price (%)	0%	0%	122%	121%
Equity securities	120	134			Price based	Price (price per share)	0	0	5,475	5,475
Loans and advances	1,826	1,598			Price based	Price (%)	1%	0%	100%	100%
					Present value techniques	Credit spread (bps)	1	0	240	250
(Reverse) repo's	239	650			Present value techniques	Interest rate (%)	0%	0%	3%	1%
Structured notes			121	135	Price based	Price (%)	83%	84%	110%	125%
					Option pricing model	Equity volatility (%)	15%	13%	33%	30%
						Equity/Equity correlation	0.6	n.a.	1.0	n.a.
						Equity/FX correlation	-0.6	0	0.6	0
						Dividend yield (%)	0%	3%	6%	4%
					Present value techniques	Credit spread (bps)	94		94	
Derivatives										
– Rates	286	5	229	35	Option pricing model	Interest rate volatility (bps)	51	43	144	82
					Present value techniques	Reset spread (%)	2%	2%	2%	2%
						Prepayment rate (%)	5%		12%	
– FX	98	27	95	30	Option pricing model	Implied volatility (%)	1%	1%	32%	16%
– Credit	4	75	108	94	Present value techniques	Credit spread (bps)	6	1	885	359
					Price based	Price (%)	0%	0%	0%	100%
– Equity		30	-17	27	Option pricing model	Equity volatility (%)	16%	11%	115%	119%
						Equity/Equity correlation	0.5	0.5	1.0	0.8
						Equity/FX correlation	-0.7	-0.7	0.1	0.1
						Dividend yield (%)	0%	0%	50%	18%
– Other	1	3		9	Option pricing model	Commodity volatility (%)	16%	20%	48%	89%
At fair value through other comprehensive income										
– Loans and advances	805	838			Present value techniques	Prepayment rate (%)	6%	9%	6%	9%
					Price based	Price (%)	83%	99%	99%	100%
– Equity	242	225			Present value techniques	Credit spread (bps)	6.9	2	6.9	2
						Interest rate (%)	3%	3%	3%	3%
					Price based	Price (%)	122%	1%	122%	1%
					Price based	Other (EUR)	70	63	90	80
Total	**6,903**	**6,228**	**545**	**330**						

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.

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.

Inflation rate

Inflation rate is a key input to inflation linked instruments. Inflation linked instruments protect against price inflation and are denominated and indexed to investment units. Interest payments would be based on the inflation index and nominal rate in order to receive/pay the real rate of return. A rise in nominal coupon payments is a result of an increase in inflation expectations, real rates, or both.

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.

Jump rate

Jump rates simulate abrupt changes in valuation models. The rate is an added component to the discount rate in the model to include default risks.

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	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Opening balance	822	882	1	1	1,862	1,191	2,480	796	1,063	1,231	6,228	4,101
Realised gain/loss recognised in the statement of profit or loss during the period [1]	–83	22	1		–8	32	172	–80	9	–12	90	–37
Revaluation recognised in other comprehensive income during the period [2]									–61	22	–61	22
Purchase of assets	64	453	4	3	567	1,496	581	1,919	180	165	1,396	4,036
Sale of assets	–5	–48		–3	–246	–612	–196	–141	–121	–234	–568	–1,037
Maturity/settlement	–335	–14			–282	–163		–13	–36	–109	–653	–299
Reclassifications					–5	–5				–6	–5	–11
Transfers into Level 3	232	43	280		4	–1	409		–45	–1	881	42
Transfers out of Level 3	–434	–517		–1	–95	–98					–529	–615
Exchange rate differences	34	0			23	20	8		57	9	122	29
Changes in the composition of the group and other changes					0					–2		–2
Closing balance	**295**	**822**	**285**	**1**	**1,822**	**1,862**	**3,454**	**2,480**	**1,047**	**1,063**	**6,903**	**6,228**

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 -75 million (31 December 2021: EUR 50 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 2022, the transfers into level 3 mainly consisted of structured notes, measured designated as at fair value through profit or loss, which were transferred into Level 3 due to market illiquidity. This caused the valuation being significantly impacted by unobservable inputs.

In 2022, the non-trading derivatives were transferred to Level 3 as a result of 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	
	30 June 2022	**31 December 2021**	**30 June 2022**	**31 December 2021**	**30 June 2022**	**31 December 2021**	**30 June 2022**	**31 December 2021**
Opening balance	160	180	35	39	135	180	330	398
Realised gain/loss recognised in the statement of profit or loss during the period[1]	41	101	11		-5	13	47	113
Additions	42	58	8	3	6	52	56	113
Redemptions	-7	-10		-3		-140	-7	-153
Maturity/settlement	-103	-44			-71	-1	-174	-45
Transfers into Level 3	92	48	175		122	233	389	282
Transfers out of Level 3	-35	-173		-3	-65	-203	-100	-378
Exchange rate differences	5	0	0	0	0	0	5	0
Closing balance	**195**	**160**	**229**	**35**	**121**	**135**	**545**	**330**

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 47 million (2021: EUR 113 million) of unrealised gains and losses recognised in the statement of profit or loss.

In 2022, the transfers into level 3 mainly consisted of structured notes, measured designated as at fair value through profit or loss, which were transferred into Level 3 due to market illiquidity. This caused the valuation being significantly impacted by unobservable inputs.

In 2022, the non-trading derivatives were transferred to Level 3 as a result of the valuation being significantly impacted by unobservable inputs.

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.

In 2021 and 2022, unrealised gains and losses that relate to 'Financial assets at fair value through other comprehensive income' are included in the Revaluation reserve – Equity securities at fair value through other comprehensive income or Debt Instruments at fair value through other comprehensive income.

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 90% 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 o 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	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Equity (equity derivatives, structured notes)	27	3	-19	-27
Interest rates (Rates derivatives, FX derivatives)	12	15		-1
Credit (Debt securities, Loans, structured notes, credit derivatives)	28	27	-7	-2
	68	**45**	**-26**	**–30**

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. The aggregation of the fair values presented below does not represent, and should not be construed as representing, the underlying value of ING Bank.

Methods applied in determining fair values of financial assets and liabilities (carried at amortised cost)

	Carrying Amount		Total fair value	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Financial Assets				
Loans and advances to banks	22,965	23,591	22,844	23,634
Loans and advances to customers	637,047	627,550	619,742	635,661
Securities at amortised cost	48,371	48,319	45,601	48,323
	708,383	**699,459**	**688,188**	**707,618**
Financial liabilities				
Deposits from banks	90,513	85,092	90,719	86,035
Customer deposits	685,425	657,831	684,748	659,171
Debt securities in issue	55,829	57,443	56,233	57,794
Subordinated loans	15,477	16,719	14,913	17,203
	847,244	**817,085**	**846,614**	**820,203**

17 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. This note should be read in conjunction with Note 43 of the 2021 consolidated financial statements of ING Bank, which included further details on legal proceedings.
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 ING and/or ING and its consolidated subsidiaries.

SIBOR – SOR litigation: In July 2016, investors in derivatives tied to the Singapore Interbank Offer Rate (“SIBOR”) filed a U.S. class action complaint in the New York District Court alleging that several banks, including ING, conspired to rig the prices of derivatives tied to SIBOR and the Singapore Swap Offer Rate (“SOR”). The lawsuit refers to investigations by the Monetary Authority of Singapore (“MAS”) and other regulators, including the U.S. Commodity Futures Trading Commission (“CFTC”), in relation to rigging prices of SIBOR- and SOR based derivatives. In October 2018, the New York District Court issued a decision dismissing all claims against ING Group and ING Capital Markets LLC, but leaving ING Bank, together with several other banks, in the case, and directing plaintiffs to file an amended complaint consistent with the Court's rulings. In October 2018, plaintiffs filed such amended complaint, which asserts claims against a number of defendants but none against ING Bank (or any other ING entity), effectively dismissing ING Bank from the case. In December 2018, plaintiffs sought permission from the Court to file a further amended complaint that names ING Bank as a defendant. In July 2019, the New York District Court granted the defendants’ motion to dismiss and denied leave to further amend the complaint, effectively dismissing all remaining claims against ING Bank. In March 2021, the Second Circuit court vacated the District Court’s ruling. The case was remanded to the District Court to reconsider the amended complaint that would add ING Bank N.V. back to the case. In April 2021, the defendants filed a petition for rehearing with the Second Circuit court. In May 2021, the Second Circuit court denied the defendants’ petition. In March 2022, plaintiffs and ING executed a formal class settlement agreement. On June 9, 2022, the Court preliminary approved ING's settlement (and those of all other defendants) with plaintiffs.

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 court proceedings in first instance 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. ING Spain has also been 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 first instance ruling, as the claimant association intended. This last decision is not yet final, as it could be appealed in the Supreme Court. A provision has been established in the past and has been adjusted where appropriate.

Imtech claim: 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 N.V. ("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. In September 2018, the trustees in the bankruptcy of Imtech claimed 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 the bridge financing. 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.

Certain Consumer Credit Products: In October 2021, ING announced that it would offer compensation to certain of 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 a number of rulings by the Dutch Institute for Financial Disputes (Kifid) regarding similar products at other banks. ING currently expects that any such compensation will be paid before the end of 2022. ING has recognized a provision of €180 million in 2021 for compensation and costs in connection with this matter. On 22 December 2021, ING announced that it has reached an agreement with the Dutch Consumers' Association (Consumentenbond) on the compensation methodology for revolving credits. Meanwhile there are complaints handled by KIFID and cases before the court against other banks about the method to be used for calculating compensation and about the fairness of the interest clauses used. When final, such rulings can have an impact on financial institutions offering consumer credit products with such interest clauses in the Netherlands, including ING.

18 Consolidated companies and businesses acquired and divested

On 28 October 2021 ING announced that its subsidiary Payvision will start phasing out its services as a payment service provider and acquirer. The aim is to complete the phase-out process in 2022.

ING has been active in the French retail banking market since 2000 as an online bank. 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 Societe Generale) have signed an agreement to offer the attractive services to retail customers of ING in France.

The contract allows ING customers to join Boursorama and benefit from a simplified account opening process and exclusive offers. The agreement also includes the transfer to Boursorama of 'assurance-vie' (investment products) contracts, for which ING acts as a broker with Generali Vie. Home loans and consumer loans are not included in the agreement and the portfolio will continue to be managed by ING.
The agreement follows ING's announcement in December 2021 to exit the French retail banking market. The aim is to finalise this exit by the end of 2022. ING's departure from the France retail banking market is proceeding well with EUR 5.5 billion saving accounts already transferred 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.

19 Capital management

ING Bank's Common Equity Tier 1 capital (CET1) ratio decreased to 13.1% as at 30 June 2022 (31 December 2021: 14.3%), mainly driven by an increase in risk-weighted assets due to model impacts and rating migration on Russia-related exposure.

ING is committed to maintaining a CET1 ratio above the prevailing CET1 MDA requirement plus a comfortable management buffer.

ING Bank has paid EUR 2,614 million of dividend to ING Group in 1H2022, of which EUR 934 million relates to the 2021 profit, EUR 430 million relates to the 1Q2022 profit and the remainder of EUR 1,250 million as an additional capital distribution. At 30 June 2022, ING Bank has reserved the full 2Q2022 net profit of EUR 1,180 million for dividend.

Ratings

The ratings and outlook from S&P, Moody's and Fitch remained unchanged in the first half of the year.

20 Subsequent events

ING Bank Slaski which is 75% owned by ING Bank announced at 15 July 2022 that it will book a material negative impact of approximately EUR 363 million in the third quarter of 2022 which will be fully consolidated into ING's pre-tax results in the third quarter of 2022. After corporate tax and the adjustment for non-controlling interest the impact on ING's net result for the third quarter of 2022 will be approximately EUR 210 million. This impact is driven by the new law enacted in Poland in July 2022, that provides borrowers with a PLN-denominated mortgage the option to suspend the mortgage instalments for up to eight months – two instalments per quarter in the second half year of 2022 and one instalment per quarter in 2023. The affected assets' gross carrying value prior to the change in law was PLN 56,079 million. The change in law resulted in a reduction of the affected assets' gross carrying value measured under IFRS 9, based on the bank's estimate that borrowers will apply 70% of the total available monthly suspensions. The reduction in the assets' gross carrying value amounts to PLN 1.7 billion and is recognised in profit or loss in 3Q 2022. The estimate of the amount of monthly suspensions that will be applied by borrowers will be reviewed regularly, which can result in additional gains or losses.

Next to this there are no subsequent events to report.

Independent auditor’s review report

To: the Shareholder and the Supervisory Board of ING Bank N.V.

Our conclusion

We have reviewed the accompanying condensed consolidated interim financial statements as at 30 June 2022 on pages 26 up to and including 60 of ING Bank N.V. (or hereafter: the “Company”) based in Amsterdam. Based on our review, nothing has come to our attention that causes us to believe that condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34 ‘Interim Financial Reporting’ as adopted by the European Union.

The condensed consolidated interim financial statements comprise:

— the statement of financial position as at 30 June 2022;

— the following statements for 6 months period ended 30 June 2022: the consolidated statement of profit or loss, the consolidated statements of comprehensive income, changes in equity and cash flows; and

— the notes comprising of a summary of the accounting policies and other explanatory information.

Basis for our conclusion

We conducted our review in accordance with Dutch law, including the Dutch Standard 2410, 'Het beoordelen van tussentijdse financiële informatie door de accountant van de entiteit' (Review of interim financial information performed by the independent auditor of the entity). A review of interim financial information in accordance with the Dutch Standard 2410 is a limited assurance engagement. Our responsibilities under this standard are further described in the 'Our responsibilities for the review of the condensed consolidated interim financial statements as at 30 June 2022' 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 believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibilities of the Management Board Banking and the Supervisory Board for the condensed consolidated interim financial statements

The Management Board Banking is responsible for the preparation and presentation of the condensed consolidated interim financial statements in accordance with IAS 34 ‘Interim Financial Reporting’ as adopted by the European Union.

Furthermore, the Management Board Banking is responsible for such internal control as it determines is necessary to enable the preparation of the condensed consolidated interim financial statements that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the Company‘s financial reporting process.

Our responsibilities for the review of the condensed consolidated interim financial statements as at 30 June 2022

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

The level of assurance obtained in a limited assurance engagement is substantially less than the level of assurance obtained in an audit conducted in accordance with the Dutch Standards on Auditing. Accordingly, we do not express an audit opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with Dutch Standard 2410.

Our review included among others:

— Updating our understanding of the entity and its environment, including its internal control, and the applicable financial reporting framework, in order to identify areas in the condensed consolidated interim financial statements as at 30 June 2022 where material misstatements are likely to arise due to fraud or error, designing and performing procedures to address those areas, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion;

— Obtaining an understanding of internal control, as it relates to the preparation of the condensed consolidated interim financial statements as at 30 June 2022;

— Making inquiries of management and others within the entity;

— Applying analytical procedures with respect to information included in the condensed consolidated interim financial statements as at 30 June 2022;
— Obtaining assurance evidence that the condensed consolidated interim financial statements as at 30 June 2022 agree with, or reconcile to the entity's underlying accounting records;
— Evaluating the assurance evidence obtained;
— Considering whether there have been any changes in accounting principles or in the methods of applying them and whether any new transactions have necessitated the application of a new accounting principle;
— Considering whether management has identified all events that may require adjustment to or disclosure in the condensed consolidated interim financial statements as at 30 June 2022; and
— Considering whether the condensed consolidated interim financial statements as at 30 June 2022 have been prepared in accordance with the applicable financial reporting framework and represent the underlying transactions free from material misstatement.

Amstelveen, 3 August 2022

KPMG Accountants N.V.

P.A.M. de Wit RA

Disclaimer

ING Bank's annual accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU'). In preparing the financial information in this document, except as described otherwise, the same accounting principles are applied as in the 2021 ING Bank consolidated annual accounts. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.
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 and customer behaviour, 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) effects of the Covid-19 pandemic and related response measures, including lockdowns and travel restrictions, on economic conditions in countries in which ING operates, on ING's business and operations and on ING's employees, customers and counterparties (3) changes affecting interest rate levels (4) any default of a major market participant and related market disruption (5) changes in performance of financial markets, including in Europe and developing markets (6) fiscal uncertainty in Europe and the United States (7) discontinuation of or changes in 'benchmark' indices (8) inflation and deflation in our principal markets (9) changes in conditions in the credit and capital markets generally, including changes in borrower and counterparty creditworthiness (10) failures of banks falling under the scope of state compensation schemes (11) 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 (12) 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 (13) legal and regulatory risks in certain countries with less developed legal and regulatory frameworks (14) prudential supervision and regulations, including in relation to stress tests and regulatory restrictions on dividends and distributions, (also among members of the group) (15) regulatory consequences of the United Kingdom's withdrawal from the European Union, including authorizations and equivalence decisions (16) ING's ability to meet minimum capital and other prudential regulatory requirements (17) changes in regulation of US commodities and derivatives businesses of ING and its customers (18) application of bank recovery and resolution regimes, including write-down and conversion powers in relation to our securities (19) 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 (20) changes in tax laws and regulations and risks of non-compliance or investigation in connection with tax laws, including FATCA (21) 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 (22) risks and challenges related to cybercrime including the effects of cyberattacks and changes in legislation and regulation related to cybersecurity and data privacy (23) changes in general competitive factors, including ability to increase or maintain market share (24) inability to protect our intellectual property and infringement claims by third parties (25) inability of counterparties to meet financial obligations or ability to enforce rights against such counterparties (26) changes in credit ratings (27) business, operational, regulatory, reputation, transition and other risks and challenges in connection with climate change and ESG-related matters (28) inability to attract and retain key personnel (29) future liabilities under defined benefit retirement plans (30) failure to manage business risks, including in connection with use of models, use of derivatives, or maintaining appropriate policies and guidelines (31) 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 (32) the other risks and uncertainties detailed in the most recent annual report of ING Groep N.V. (including the Risk Factors contained therein) and ING's more recent disclosures, including press releases, which are available on www.ING.com.
This document may contain inactive textual addresses to internet websites operated by us and third parties. Reference to such websites is made for information purposes only, and information found at such websites is not incorporated by reference into this document. ING does not make any representation or warranty with respect to the accuracy or completeness of, or take any responsibility for, any information found at any websites operated by third parties. ING specifically disclaims any liability with respect to any information found at websites operated by third parties. ING cannot guarantee that websites operated by third parties remain available following the publication of this document, or that any information found at such websites will not change following the filing of this document. Many of those factors are beyond ING's control.

Any forward looking statements made by or on behalf of ING speak only as of the date they are made, and ING assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason.

This document does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities in the United States or any other jurisdiction.