PART I

Item 1. Identity of Directors, Senior Management And Advisors

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

A. Selected financial data

Not applicable.

B. Capitalization and indebtedness

This item does not apply to annual reports on Form 20-F.

C. Reasons for the offer and use of proceeds

This item does not apply to annual reports on Form 20-F.

D. Risk Factors

Summary of Risk factors

The following is a summary of the principal risk factors that could have a material adverse effect on the business activities, financial condition, results and prospects of ING. Please carefully consider all of the information discussed in this Item 3.D "Risk Factors" for a detailed description of these risks.

Risks related to financial conditions, market environment and general economic trends

- Our revenues and earnings are affected by the volatility and strength of the economic, business, liquidity, funding and capital markets environments of the various geographic regions in which we conduct business, including Russia and Ukraine, as well as by changes in customer behaviour in these regions, and an adverse change in any one region could have an impact on our business, results and financial condition.
- ING's business, results and financial condition have been, and likely will continue to be, adversely affected by the Covid-19 pandemic.
- Interest rate volatility and other interest rate changes may adversely affect our business, results and financial condition.
- The default of a major market participant could disrupt the markets and may have an adverse effect on our business, results and financial condition.
- Continued risk of political instability and fiscal uncertainty in Europe and the United States, as well as ongoing volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, our business, results and financial condition.
- Discontinuation of USD LIBOR may negatively affect our business, results and financial condition.
- Inflation and deflation may negatively affect our business, results and financial condition.
- Market conditions, including those observed over the past few years, and the application of IFRS 9 may increase the risk of loans being impaired and have a negative effect on our results and financial condition.
- We may incur losses due to failures of banks falling under the scope of state compensation schemes.

Risks related to the regulation and supervision of the Group

- Non-compliance with laws and/or regulations concerning financial services or financial institutions, including with respect to financial economic crimes, could result in fines and other liabilities, penalties or consequences for us, which could materially affect our business and reduce our profitability.
- Changes in laws and/or regulations governing financial services or financial institutions, or the application of such laws and/or regulations may increase our operating costs and limit our activities.
- We are subject to additional legal and regulatory risk in certain countries where we operate with less developed or predictable legal and regulatory frameworks.
- We are subject to the regulatory supervision of the ECB and other regulators with extensive supervisory and investigatory powers.
- The regulatory consequences of the United Kingdom’s withdrawal from the European Union may have adverse effects on our business, results and financial condition.
- Failure to meet minimum capital and other prudential regulatory requirements as applicable to us from time to time may have a material adverse effect on our business, results and financial condition and on our ability to make payments on certain of our securities.
- Our US commodities and derivatives business is subject to CFTC and SEC regulation under the Dodd-Frank Act.
- We are subject to several other bank recovery and resolution regimes that include statutory write-down and conversion as well as other powers, which remains subject to significant uncertainties as to scope and impact on us.

Risks related to litigation, enforcement proceedings and investigations and to changes in tax laws

- We may be subject to litigation, enforcement proceedings, investigations or other regulatory actions, and adverse publicity.
- We are subject to different tax regulations in each of the jurisdictions where we conduct business, and are exposed to changes in tax laws, and risks of non-compliance with or proceedings or investigations with respect to, tax laws.
- We may be subject to withholding tax if we fail to comply with the Foreign Account Tax Compliance Act (“FATCA”) and other US withholding tax regulations
- ING is exposed to the risk of claims from customers who feel misled or treated unfairly because of advice or information received.

Risks related to the Group’s business and operations

- ING may be unable to meet internal or external aims or expectations with respect to ESG-related matters.
- ING may be unable to adapt its products and services to meet changing customer behaviour and demand, including as a result of ESG-related matters.
- ING’s business and operations are exposed to physical risks, including as a direct result of climate change.
- ING’s business and operations are exposed to transition risks related to climate change.
- Operational and IT risks, such as systems disruptions or failures, breaches of security, cyber attacks, human error, changes in operational practices, inadequate controls including in respect of third parties with which we do business or outbreaks of communicable diseases may adversely impact our reputation, business and results.
- We are subject to increasing risks related to cybercrime and compliance with cybersecurity regulations.
- Because we operate in highly competitive markets, including our home market, we may not be able to increase or maintain our market share, which may have an adverse effect on our results.
- We may not always be able to protect our intellectual property developed in our products and services and may be subject to infringement claims, which could adversely impact our core business and inhibit efforts to monetise our internal innovations and restrict our ability to capitalize on future opportunities.
- The inability of counterparties, including those located in Russia or the Ukraine, to meet their financial obligations or our inability to fully enforce our rights against counterparties could have a material adverse effect on our results.
- Ratings are important to our business for a number of reasons, and a downgrade or a potential downgrade in our credit ratings could have an adverse impact on our results and net results.
- Our inability to retain or attract key personnel may affect our business and results.
- We may incur further liabilities in respect of our defined benefit retirement plans if the value of plan assets is not sufficient to cover potential obligations, including as a result of differences between actual results and underlying actuarial assumptions and models.

Risks related to the Group’s risk management practices

- Risks relating to our use of quantitative models or assumptions to model client behaviour for the purpose of calculations may adversely impact our reputation or results.
- We may be unable to manage our risks successfully through derivatives.

Risks related to the Group’s liquidity and financing activities

- We depend on the capital and credit markets, as well as customer deposits, to provide the liquidity and capital required to fund our operations, and adverse conditions in the capital and credit markets, or significant withdrawals of customer deposits, may impact our liquidity, borrowing and capital positions, as well as the cost of liquidity, borrowings and capital.
- As a holding company, ING Groep N.V. is dependent for liquidity on payments from its subsidiaries, many of which are subject to regulatory and other restrictions on their ability to transact with affiliates.

Additional risks relating to ownership of ING shares

- Holders of ING shares may experience dilution of their holdings and may be impacted by any share buyback programme.
- Because we are incorporated under the laws of the Netherlands and many of the members of our Supervisory and Executive Board and our officers reside outside of the United States, it may be difficult to enforce judgments against ING or the members of our Supervisory and Executive Boards or our officers.

Risk factors

Any of the risks described below could have a material adverse effect on the business activities, financial condition, results and prospects of ING. ING may face a number of the risks described below simultaneously and some risks described below may be interdependent. While the risk factors below have been divided into categories, some risk factors could belong in more than one category and investors should carefully consider all of the risk factors set out in this section. Additional risks of which the Company is not presently aware, or that are currently viewed as immaterial, could also affect the business operations of ING and have a material adverse effect on ING’s business activities, financial condition, results and prospects. The market price of ING shares or other securities could decline due to any of those risks including the risks described below, and investors could lose all or part of their investments.

Although the most material risk factors have been presented first within each category, the order in which the remaining risk factors are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential negative impact to our business, results, financial condition and prospects.

Risks related to financial conditions, market environment and general economic trends

Our revenues and earnings are affected by the volatility and strength of the economic, business, liquidity, funding and capital markets environments of the various geographic regions in which we conduct business, as well as by changes in customer behaviour in those regions, and an adverse change in any one region could have an impact on our business, results and financial condition.

Because ING is a multinational banking and financial services corporation, with a global presence and serving around 38 million customers, corporate clients and financial institutions in over 40 countries, ING’s business, results and financial condition may be significantly impacted by turmoil and volatility in the worldwide financial markets or in the particular geographic areas in which we operate. In Retail Banking, we provide savings, payments, investments, loans and mortgages in most of our Retail Banking markets. In Wholesale Banking, we provide specialised lending, tailored corporate finance, debt and equity market solutions, payments & cash management, trade and treasury services. As a result, negative developments in financial markets and/or countries or regions in which we operate, have in the past had and may in the future have a material adverse impact on our business, results and financial condition, including as a result of the potential consequences listed below.

Factors such as interest rates, securities prices, credit spreads, liquidity spreads, exchange rates, consumer behaviour, climate change, business investment, real estate values and private consumer spending, inflation or deflation, the volatility and strength of the capital markets, political events and trends, supply chain disruptions, shortages, terrorism, pandemics and epidemics (such as the Covid-19 pandemic) or others 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. Certain of these risks are often experienced globally as well as in specific geographic regions and are described in greater detail below under the heading “– ING’s business, results and financial condition have been, and likely will continue to be adversely affected by the Covid-19 pandemic”, “–Interest rate volatility and other interest rate changes may adversely affect our business, results and financial condition”, “–Inflation and deflation may negatively affect our business, results and financial condition” ... Market conditions, including those observed over the past few years and the application of IFRS 9 may increase the risk of loans being impaired and have a negative effect on our results and financial condition" and "–Continued risk of political instability and fiscal uncertainty in Europe and the United States, as well as ongoing volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, our business, results and financial condition". ... local and regional economies as well as in the global economy, and we may be affected by changes in these factors in any one country or region, and more if more of these factors occur simultaneously and/or in multiple countries or regions or on a global scale.

In case one or more of the factors mentioned above adversely affects the profitability of our business, this might also result, among other things, in the following:

- inadequate reserves or provisions, in relation to which losses could ultimately be realised through profit and loss and shareholders' equity;
- the write-down of tax assets impacting net results and/or equity;
- impairment expenses related to goodwill and other intangible assets, impacting our net result and equity; and/or
- movements in risk weighted assets for the determination of required capital.

In particular, we are exposed to financial, economic, market and political conditions in the Benelux countries and Germany, from which we derive a significant portion of our revenues in both Retail Banking and Wholesale Banking, and which could present risks of economic downturn. Though less material, we also derive substantial revenues in the following geographic regions: Turkey, Eastern Europe (primarily Poland among others), Southern Europe (primarily Spain among others), East Asia (primarily Singapore among others) and Australia. In an economic downturn affecting some or all of these jurisdictions, we expect that higher unemployment, lower family income, lower corporate earnings, higher corporate and private debt defaults, lower business investments and lower consumer spending would adversely affect the demand for banking products, and that ING may need to increase its reserves and provisions, each of which may result in overall lower earnings. The impact of the Covid-19 pandemic, as an example of an economic downturn, as well as the substantial monetary and government measures, are still materialising and expected to continue to affect our business. For more information, refer to the risk factor described under heading "–ING's business, results and financial condition have been, and likely will continue to be adversely affected by the Covid-19 pandemic". We also have wholesale banking activities in both Russia and Ukraine, as well as investments in Russia, some of which are denominated in local currency. The impact on our business in Russia and Ukraine, as well as the potential regional and global economic impact of the invasion of Ukraine and related international response measures, including sanctions, capital controls, restrictions on SWIFT access and restrictions on central bank activity, on our broader business, including spill-over risk to the entire wholesale banking portfolio (e.g. commodities financing, energy and utilities), remain uncertain. Securities prices, real estate values and private equity valuations may also be adversely impacted, and any such losses would be realised through profit and loss and shareholders' equity. We also offer a number of financial products that expose us to risks associated with fluctuations in interest rates, securities prices, corporate and private default rates, the value of real estate assets, exchange rates and credit spreads.

For further information on ING's exposure to particular geographic areas, see Note 36 'Information on geographic areas' to the consolidated financial statements.

ING's business, results and financial condition have been, and likely will continue to be, adversely affected by the Covid-19 pandemic.

The Covid-19 pandemic and the related response measures introduced by various national and local governmental authorities aimed at preventing the further spread of the disease (such as bans on public events with over a certain number of attendees, closures of places where larger groups of people gather such as sports facilities, bars and restaurants, lockdowns, border controls and travel and other restrictions) have disrupted the normal flow of business operations in those countries and regions where we and our counterparties operate (such as, among others, Benelux, Germany, France, Italy, Spain, the UK and the US). This disruption has adversely affected, and will likely continue to adversely affect, global economic growth, supply chains, manufacturing, tourism, consumer spending, asset prices and unemployment levels and has resulted in volatility and uncertainty across the global economy and financial markets. See also the interdependent risk factor "–ING's revenues and earnings are affected by the volatility and strength of the economic, business, liquidity, funding and capital markets environments of the various geographic regions in which it conducts business, and an adverse change in any one region could have an adverse impact on its business, results and financial condition". For a further description of how ING's business, results and financial condition may be materially adversely impacted by developments in regional or global economic conditions.

In addition to the measures aimed at preventing the further spread of Covid-19, governments around the world have also introduced measures aimed at mitigating the economic consequences of the pandemic and related response measures, such as guarantee schemes, compensation schemes and lowering interest rates. For example, the Dutch government has implemented economic measures aimed at protecting jobs, households' wages and companies, e.g., by way of tax payment holidays, guarantee schemes and a compensation scheme for heavily affected sectors in the economy. These announced measures and any additional measures, including any payment holidays with respect to mortgages or other loans, may continue to have a significant impact on our customers and other counterparties.

Governments, regulators and central banks (including the ECB), have also announced and are considering measures seeking to safeguard the stability of the financial sector, to prevent lending to the business sector from being jeopardised and to ensure the payment system continues to function properly. The ECB allows banks to operate below the level of capital required by the Pillar 2 Guidance, capital conservation buffer and the liquidity coverage ratio. The ECB has communicated its commitment to extend this permission until at least the end of 2022. In March 2020, several countries also released or reduced countercyclical buffers (CCyB), with some of these countries subsequently announcing increases in CCyB in the second half of 2021. The ECB's recommendation to the banks that it supervises to limit shareholder remuneration through dividends and share buy-backs expired on 30 September 2021. However, it is not certain whether these or future Covid-19 relief measures will be extended or maintained for a sufficient period of time, or whether such measures will be successful in mitigating the economic consequences of the pandemic and related responses. If the pandemic is prolonged or the actions are unsuccessful, additional actions by governments and central banks may follow and the adverse impact on the global economy will deepen, and our business, results and financial condition may be materially adversely affected.

In 2020, the Covid-19 pandemic affected all of our businesses, including lower or negative interest rates, lower oil prices and credit deterioration of loans to ING's customers. These effects have also resulted in an increase in the allowance for credit losses and impairments on non-financial assets, and reduced net interest income due to lower interest rates. While these effects were partly offset by resilient fee and commission income during 2021, this level of activity may not persist in future periods.

While vaccination rates continued to increase and Covid-19 related restrictions were lifted in certain jurisdictions in the third quarter of 2021, the end of the 2021 was again marked by an increasing number of Covid-19 infections. This may result in changes in government responses and further downside risk towards macro-economic developments, with possibly a deeper risk aversion and a delayed recovery. These developments may result in further negative impact on our business, results and financial condition.

In 2021, ING also took certain measures to support customers impacted by the Covid-19 pandemic, including payment holidays, offering credit facilities to business clients under government guarantee schemes and providing liquidity under credit facilities to large corporate clients. As of 31 December 2021, in line with the European Banking Association (EBA) moratoria guidelines, approximately 137,000 customers had been granted payment holidays (down from 148,000 as of 30 September 2021 due to reimbursements and prepayments). The total exposure of loans for these customers for which a payment holiday has been granted amounts to €15.2 billion, of which [illegible]% were for customers located in the Netherlands and Belgium. As of 31 December 2021, the outstanding amount of granted payment holidays not expired was €38 million. ING recorded a net addition of €54 million to loan loss provisions in the fourth quarter of 2021, mainly as a result of adjustments to existing Stage [illegible] uncertainty in recovery scenarios and valuations in certain asset classes and also reflecting the potential impact of a higher inflation and interest rates on customers' ability to pay and the potential impact of [illegible] recovery value of certain asset classes. In 2021, ING recorded €516 million of net additions to loan loss provisions, compared to €2,675 million in 2020. At the end of the fourth quarter of 2021, increasing numbers of Covid-19 infections were observed and uncertainty concerning the ongoing pandemic remained. Should these global economic conditions be prolonged or worsen, or should the pandemic lead to additional market disruptions, we may experience more client defaults and further additions to loan loss provisions. In these circumstances, we may also experience reduced client activity and demand for its products, increased utilization of lending commitments and higher credit and valuation adjustments on financial assets. In addition, persistently low interest rates for a longer period, as well as a potential further decline in interest rates might result in further decreases in net interest income. These factors and other consequences of the Covid-19 pandemic may materially adversely affect our business, results and financial condition.

Our capital and liquidity position may also be adversely impacted by the Covid-19 pandemic and related responses, including as a result of changes in future levels of savings and deposits from customers, changes in asset quality, and the effects of government or regulatory responses to the pandemic, and may require changes to our funding structure, impact our ability to comply with regulatory capital requirements and adversely affect our [illegible] rating. Any of the foregoing developments may have a material adverse impact on our business, results and financial condition.

As of December 31, 2021, most of our staff continue to work from home, with employees in certain jurisdictions beginning to return to ING's offices in a controlled manner, taking into account local circumstances and any applicable government measures (including with respect to social distancing where applicable). Due to the uncertainties relating to the future development of the Covid-19 pandemic, it is not certain when our employees may be generally expected or permitted to return or to remain at ING's offices. If due to illness, technical limitations or other restrictions in connection with the pandemic, employees are unable to work or are not able to operate as effectively and efficiently as they did in the office, this may adversely affect our business, results and financial condition.

In addition, a situation in which most or some of our employees continue working from home may raise operational risks, including with respect to information security, data protection, availability of key systems and infrastructure integrity. There is also a risk that we will not be effective in implementing regulatory or strategic change programs in the current environment. The Covid-19 pandemic has led to new banking behaviour from customers. There has been an increase in the digital behaviour of our customers leading to reduced traffic in branches. Over 95% of our customers now interact with us via digital channels only. Criminals are also taking advantage of the Covid-19 pandemic to carry out financial fraud and exploitation scams, with examples including advertising and trafficking in counterfeit medicines, offering fraudulent investment opportunities, fundraising for fake charities and engaging in phishing schemes that prey on virus-related fears. National authorities and international bodies (including the Financial Action Task Force) warn citizens and businesses against impostor, investment and product scams. Although we have organized a Covid-19 taskforce to identify and analyse new behavioural patterns, leading to new cases of unusual transactions being reported to the relevant authorities, new banking behaviours may result in additional Know Your Customer (KYC) risks. If any of these risks were to materialize that may adversely affect our business, results and financial condition.

The duration of the pandemic and the impact of measures taken in response by governmental authorities, central banks and other third parties, whether direct or indirect, such as by increasing sovereign debt of certain countries which may result in increased volatility and widening credit spreads, remain uncertain. Therefore, it is difficult to predict the extent to which our business, results and financial condition, as well as our ability to access capital and liquidity on financial terms acceptable for us, may be materially adversely affected.

Interest rate volatility and other interest rate changes may adversely affect our business results and financial condition.

Changes in prevailing interest rates may negatively affect our business, including the level of net interest revenue we earn, and the levels of deposits and the demand for loans. A sustained increase in the inflation rate in our principal markets may also negatively affect our business, results and financial condition. For example, a sustained increase in the inflation rate may result in an increase in nominal interest rates. A failure to accurately anticipate higher inflation and factor it into our product pricing assumptions may result in mispricing of our products, which could materially and adversely impact our results. On the other hand, negative interest rates may negatively impact our net interest income, which may have an adverse impact on our profitability.

A prolonged period of low interest rates, and in some situations negative interest rates, has resulted in, and may continue to result in:

- lower earnings over time on investments, as reinvestments will earn lower rates;
- increased prepayment or redemption of mortgages and fixed maturity securities in our investment portfolios, as well as increased prepayments of corporate loans. This as borrowers seek to borrow at lower interest rates potentially combined with lower credit spreads. Consequently, we may be required to reinvest the proceeds into assets at lower interest rates;
- lower profitability as the result of a decrease in the spread between client rates earned on assets and client rates paid on savings, current account and other liabilities;
- higher costs for certain derivative instruments that may be used to hedge certain of our product risks;
- lower profitability since we may not be able to fully track the decline in interest rates in our savings rates;
- lower profitability since we may not always be entitled to impose surcharges to customers to compensate for the decline in interest rates;
- lower profitability since we may have to pay a higher premium for the defined contribution scheme in the Netherlands for which the premium paid is dependent on interest rate developments and the Dutch Central Bank's ("DNB's") methodology for determining the ultimate forward rate;
- lower interest rates may cause asset margins to decrease thereby lowering our results. This may for example be the consequence of increased competition for investments as result of the low rates thereby driving margins down; and/or
- (depending on the position) a significant collateral posting requirement associated with our interest rate hedge programs, which could materially and adversely affect liquidity and our profitability.

The foregoing impacts have been and may be further amplified in a negative interest rate environment, since we may not be able to earn interest on our assets (including reserves). In addition, we have, and may continue to, earn negative interest on certain of our assets (including cash balances, loans and bonds), while still paying positive interest or no interest to others to hold our liabilities, resulting in an adverse impact on our credit spread and lowering of our net interest income. Furthermore, in the event that a negative interest rate environment results in ING's depositors being forced to pay interest to ING to hold cash deposits, some depositors may choose to withdraw their deposits rather than pay interest to ING, which would have an adverse effect on our reputation, business, results and financial condition. For example, in March 2020, the U.S. Federal Reserve has cut the benchmark U.S. interest rate in response to the Covid-19 pandemic and related impacts on the economy and financial markets. On 1 July 2021, ING announced in the Netherlands that it will charge negative interest to customers on current and deposit accounts exceeding €100,000 (such negative interest rate will only apply to the amount by which the current or deposit account exceeds €100,000). Such declines in interest rates in the United States or other markets in which ING and its customers and counterparties operate may have a significant adverse effect on our business and operations.

Alternatively, any period of rapidly increasing interest rates may result in:

- a decrease in the demand for loans;
- higher interest rates to be paid on customer deposits and on debt securities that we have issued or may issue on the financial markets from time to time to finance our operations, which would increase our interest expenses and reduce our results;
- higher interest rates which can lead to lower investments prices and reduce the revaluation reserves, thereby lowering IFRS equity and the capital ratios. Also the lower securities value leads to a loss of liquidity generating capacity which needs to be compensated by attracting new liquidity generating capacity which reduces our results;
- prepayment losses if prepayment rates are lower than expected or if interest rates increase too rapidly to adjust the accompanying hedges; and/or
- (depending on the position) a significant collateral posting requirement associated with our interest rate hedge program.

The foregoing impacts grow in relevance following the U.S. Federal Reserve's plan to wind down its bond-purchase stimulus program and to set the stage for a series of interest rate increases beginning in spring of 2022.

The default of a major market participant could disrupt the markets and may have an adverse effect on our business, results and financial condition.

Within the financial services industry, the severe distress or default of any one institution (including sovereigns and central counterparties (CCPs)) could lead to defaults by, or the severe distress of, other market participants. While prudential regulation may reduce the probability of a default by a major financial institution, the actual occurrence of such a default could have a material adverse impact on ING. Such distress of, or default by, a major financial institution could disrupt markets or clearance and settlement systems and lead to a chain of defaults by other financial institutions since the commercial and financial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Also the perceived lack of creditworthiness of a sovereign or a major financial institution (or a default by any such entity) may lead to market-wide liquidity problems and losses or defaults by us or by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom we interact on a daily basis and financial instruments of sovereigns in which we invest. Systemic risk could impact ING directly, by exposing it to material credit losses on transactions with defaulting counterparties or indirectly by significantly reducing the available market liquidity on which ING and/or ING's customers depend to fund their operations and/or leading to a write down of loans or securities held by ING. In addition, ING may also be faced with additional open market risk for which hedging or mitigation strategies may not be available or effective (either by hedges eliminated by defaulting counterparties or by reduced market liquidity). Systemic risk could have a material adverse effect on our ability to raise new funding and on our business, results and financial condition. In addition, such distress or failure could impact future product sales as a potential result of reduced confidence in the financial services industry.

Continued risk of political instability and fiscal uncertainty in Europe and the United States, as well as ongoing volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, our business, results and financial condition.

Our global business and results are materially affected by conditions in the global capital markets and the economy generally. In Europe, there are continuing concerns over weaker economic conditions, levels of unemployment in certain countries, the availability and cost of credit, as well as credit spreads. In addition, geopolitical issues, including trade tensions between the US and China, increasing protectionism between key countries, and issues with respect to the Middle East and North Korea may all contribute to adverse developments in the global capital markets and the economy generally. In addition, Russia's recent invasion of Ukraine and related international response measures may have a negative impact on economic conditions, including as a result of disruptions in foreign currency markets and increased energy and commodity prices. This could in turn have a spill-over effect on our entire wholesale banking portfolio, in particular such as commodities financing, energy and utilities and energy-consuming clients.

Moreover, there is a risk that an adverse credit event at one or more European sovereign debtors (including a credit rating downgrade or a default) could trigger a broader economic downturn in Europe and elsewhere. In addition, the confluence of these and other factors has resulted in volatile foreign exchange markets. International equity markets have also continued to experience heightened volatility and turmoil, with issuers, including ourselves, that have exposure to the real estate, mortgage, private equity and credit markets particularly affected. These events, market upheavals and continuing risks, including high levels of volatility, have had and may continue to have an adverse effect on our results, in part because we have a large investment portfolio.

There is also continued uncertainty over the long-term outlook for the tax, spending and borrowing policies of the US, the future economic performance of the US within the global economy and any potential future budgetary restrictions in the US, with a potential impact on a future sovereign credit ratings downgrade of the US government, including the rating of US Treasury securities. A downgrade of US Treasury securities could also impact the ratings and perceived creditworthiness of instruments issued, insured or guaranteed by institutions, agencies or instrumentalities directly linked to the US government. US Treasury securities and other US government-linked securities are key assets on the balance sheets of many financial institutions and are widely used as collateral by financial institutions to meet their day-to-day cash flows in the short-term debt market. The impact of any further downgrades to the sovereign credit rating of the US government or a default by the US government on its debt obligations would create broader financial turmoil and uncertainty, which would weigh heavily on the global financial system and could consequently result in a significant adverse impact to the Group’s business and operations.

In many cases, the markets for investments and instruments have been and remain illiquid, and issues relating to counterparty credit ratings and other factors have exacerbated pricing and valuation uncertainties. Valuation of such investments and instruments is a complex process involving the consideration of market transactions, pricing models, management judgment and other factors, and is also impacted by external factors, such as underlying mortgage default rates, interest rates, rating agency actions and property valuations. Historically, these factors have resulted in, among other things, valuation and impairment issues in connection with our exposures to European sovereign debt and other investments.

Any of these general developments in global financial and political conditions could negatively impact to our business, results and financial condition in future periods.

Discontinuation of USD LIBOR may negatively affect our business, results and financial condition.

Changes to major interest rates benchmarks may negatively affect our business, revenue. Financial markets have historically relied on Interbank Offered Rates (IBORs) benchmarks such as the London Interbank Offered Rate (‘LIBOR’), the Euro Over Night Index Average (EONIA) and the Euro Interbank Offered Rate (‘EURIBOR’). While some interest benchmarks have been reformed and remain in place, such as EURIBOR, others such as EONIA and LIBOR have been or will be replaced by alternative rates. EONIA ceased to be published on 3 January 2022, and is succeeded by €STR. All GBP, JPY, CHF and EUR LIBOR settings ceased on 31 December 2021. ING has substantially completed the transition of contracts referencing those benchmark rates and now offers the recommended alternative benchmark rates.

The most commonly used USD LIBOR tenors will continue to be published until 30 June 2023 for legacy contracts. However, the use of USD LIBOR for new contracts is no longer allowed from 1 January 2022 with only limited exceptions.

Public authorities have recognised that many contracts do not contain reference to alternative rates, reference inappropriate alternatives, or cannot be renegotiated or amended prior to the cessation of the relevant benchmark. In response, the European Commission has implemented legislation which grants the Commission the power to replace critical benchmarks if their termination would otherwise significantly affect the functioning of the financial markets in the EU. The EU has used these powers to put in place statutory replacement rates for EONIA and CHF LIBOR. The UK government has also granted additional powers to the Financial Conduct Authority (FCA) to enable the temporary publication of a LIBOR using a different methodology and inputs. The FCA has used these powers to ensure the most commonly used GBP and JPY LIBOR settings continue to be available using a “synthetic” methodology for a limited time. The FCA has not yet decided whether it will require the LIBOR benchmark administrator to publish synthetic USD LIBOR after June 2023. On 6 April 2021, the State of New York passed legislation on benchmark replacement addressing certain contracts, securities and instruments governed by New York which involve interest rates determined by the use of USD LIBOR without “fallback” rate provisions or with inadequate fallback rate provisions. A U.S. federal version of such legislation (passed by the U.S. House of Representatives on 8 December 2021) remains under consideration in the U.S. Senate.

The discontinuation of USD LIBOR and related interest rate benchmarks could result in a number of risks for the Group, its customers, and the financial services industry more widely. These risks include legal risks and costs in relation to changes required to documentation for existing transactions. In addition to legal risks, the process of adopting new reference rates may expose the Group to increased level of financial risk, such as potential earnings volatility resulting from contract modifications and changes in hedge accounting relationships.

It is not possible to determine the full impact of the USD LIBOR transition on the Group. However, the experience gained and solutions put in place for the other LIBOR rates, together with our investment into and ability to offer a wide range of products using alternative rates, should help to limit any material adverse effect on ING's business, results and financial condition.

Inflation and deflation may negatively affect our business, results and financial condition

A sustained increase in the inflation rate in our principal markets could have multiple impacts on us and may negatively affect our business, results and financial condition. For example, a sustained increase in the inflation rate may result in an increase in market interest rates, which may:

- decrease the estimated fair value of certain fixed income securities that we hold in our investment portfolios, resulting in:
  - reduced levels of unrealised capital gains available to us, which could negatively impact our solvency position and net income, and/or
  - a decrease in collateral values,
- result in increased withdrawal of certain savings products, particularly those with fixed rates below market rates,
- require us, as an issuer of securities, to pay higher interest rates on debt securities that we issue in the financial markets from time to time to finance our operations, which would increase our interest expenses and reduce our results,
- result in further customer defaults as interest rate rises flow through into payment stress for lower credit quality customers.

A significant and sustained increase in inflation has historically also been associated with decreased prices for equity securities and sluggish performance of equity markets generally. A sustained decline in equity markets may:

- result in impairment charges to equity securities that we hold in our investment portfolios and reduced levels of unrealised capital gains available to us which would reduce our net income, and
- lower the value of our equity investments impacting our capital position.

In addition, a failure to accurately anticipate higher inflation and factor it into our product pricing may result in a systemic mispricing of our products, which would negatively impact our results.

On the other hand, deflation could be experienced in our principal markets adversely affecting our financial performance. Deflation may erode collateral values and diminish the quality of loans and cause a decrease in borrowing levels, which would negatively affect our business and results.

Market conditions, including those observed over the past few years, and the application of IFRS 9 may increase the risk of loans being impaired and have a negative effect on our results and financial condition

We are exposed to the risk that our borrowers (including sovereigns) may not repay their loans according to their contractual terms and that the collateral securing the payment of these loans may be insufficient. We may see adverse changes in the credit quality of our borrowers and counterparties, for example, as a result of their inability to refinance their indebtedness, with increasing delinquencies, defaults and insolvencies across a range of sectors. This may lead to impairment charges on loans and other assets, higher costs and additions to loan loss provisions. A significant increase in the size of our provision for loan losses could have a material adverse effect on our business, results and financial condition. Also see above under the heading “ING's business, results and financial condition have been, and likely will continue to be adversely affected by the Covid-19 pandemic”. As set out there, we expect to be affected by the Covid-19 pandemic through its impact on, amongst others, the financial condition of our customers or other counterparties.

We may incur losses due to failures of banks falling under the scope of state compensation schemes.

While prudential regulation is intended to minimize the risk of bank failures, in the event such a failure occurs, given our size, we may incur significant compensation payments to be made under the Dutch Deposit Guarantee Scheme (DGS), which we may be unable to recover from the bankrupt estate, and therefore the consequences of any future failure of such a bank could be significant to ING. Such costs and the associated costs to be borne by us may have a material adverse effect on our results and financial condition. On the basis of the EU Directive on deposit guarantee schemes, ING pays quarterly risk-weighted contributions into a DGS-fund. The DGS-fund is to grow to a target size of 0.8% of all deposits guaranteed under the DGS, which is expected to be reached in July 2024. In case of failure of a Dutch bank, depositor compensation is paid from the DGS-fund. If the available financial means of the fund are insufficient, Dutch banks, including ING, may be required pay to extraordinary ex-post contributions not exceeding 0.5% of their covered deposits per calendar year. In exceptional circumstances and with the consent of the competent authority, higher contributions may be required. However, extraordinary ex-post contributions may be temporarily deferred if, and for so long as, they would jeopardise the solvency or liquidity of a bank. Depending on the size of the failed bank, the available financial means in the fund, and the required additional financial means, the impact of the extraordinary ex-post contributions on ING may be material.

Since 2015, the EU has been discussing the introduction of a pan-European deposit guarantee scheme (‘EDIS’), (partly) replacing or complementing national compensation schemes in two or three phases. Proposals contain elements of (re)insurance, mutual lending and mutualisation of funds. The new model is intended to be ‘overall cost-neutral’. Discussions have continued in 2020, but it remains uncertain when EDIS will be introduced and, if introduced, what impact EDIS would have on ING’s business and operations.

In February 2021, the European Commission issued a public consultation on the review of the bank crisis management and deposit insurance (CMDI) framework, with a focus on three EU legislative texts: the Bank Recovery and Resolution Directive (BRRD), the Single Resolution Mechanism Regulation (SRMR), and the Deposit Guarantee Schemes Directive (DGSD). The anticipated revision of the CMDI framework is part of the debate on the completion of the Banking Union and in particular its third and missing pillar EDIS. The consultation period ran until May 2021. It is uncertain when the next steps towards revision of the CMDI framework, including EDIS, can be expected.

Risks related to the regulation and supervision of the Group

Non-compliance with laws and/or regulations concerning financial services or financial institutions, including with respect to financial economic crimes, could result in fines and other liabilities, penalties or consequences for us, which could materially affect our business and reduce our profitability.

ING has faced, and in the future may continue to face, the risk of consequences in connection with non-compliance with applicable laws and regulations. For additional information on legal proceedings, see Note 46 ‘Legal proceedings’ to the consolidated financial statements. There are a number of risks in areas where applicable regulations may be unclear, subject to multiple interpretations or under development, or where regulations may conflict with one another, or where regulators revise their previous guidance or courts overturn previous rulings, which could result in our failure to meet applicable standards. Regulators and other authorities have the power to bring administrative or judicial proceedings against us, which could result, among other things, in suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action, which could materially harm our results and financial condition. If we fail to address, or appear to fail to address, any of these matters appropriately, our reputation could be harmed and we could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages brought against us or subject us to enforcement actions, fines and penalties.

Furthermore, as a financial institution, we are exposed to the risk of unintentional involvement in criminal activity in connection with the commission of financial economic crimes, including money laundering and the funding of terrorist and other criminal activities. The failure or perceived failure by us to comply with legal and regulatory requirements with respect to financial economic crimes may result in adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions, which may have a material adverse effect on our business, results, financial condition and/or prospects in any given period. For further discussion of the impact of litigation, enforcement proceedings, investigations or other regulatory actions with respect to financial economic crimes, see “– We may be subject to litigation, enforcement proceedings, investigations or other regulatory actions, and adverse publicity” below.

Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations may increase our operating costs and limit our activities.

We are subject to detailed banking laws and financial regulation in the jurisdictions in which we conduct business. Regulation of the industries in which we operate is becoming increasingly more extensive and complex, while also attracting supervisory scrutiny. Compliance with applicable and new laws and regulations is resources-intensive, and may materially increase our operating costs. Moreover, these regulations intended to protect our customers, markets and society as a whole and can limit our activities, among others, through stricter net capital, market conduct and transparency requirements and restrictions on the businesses in which we can operate or invest.

Our revenues and profitability and those of our industry have been and will continue to be impacted by requirements relating to capital, additional loss-absorbing capacity, leverage, minimum liquidity and long-term funding levels, requirements related to resolution and recovery planning, derivatives clearing and margin rules and levels of regulatory oversight, as well as limitations on which and, if permitted, how certain business activities may be carried out by financial institutions.

We are subject to additional legal and regulatory risk in certain countries where we operate with less developed or predictable legal and regulatory frameworks.

In certain countries in which we operate, judiciary and dispute resolution systems may be less effective. As a result, in case of a breach of contract, we may have difficulties in making and enforcing claims against contractual counterparties and, if claims are made against us, we might encounter difficulties in mounting a defence against such allegations. If we become party to legal proceedings in a market with an insufficiently developed judicial system, it could have an adverse effect on our operations and net results.

In addition, as a result of our operations in certain countries, we are subject to risks of possible nationalisation, expropriation, price controls, exchange controls and other restrictive government actions, as well as the outbreak of hostilities and or war, in these markets. In particular, we have wholesale banking activities in both Russia and Ukraine, as well as investments in Russia, some of which are denominated in local currency, and other counterparties located in Russia. Furthermore, the current economic environment in certain countries in which we operate may increase the likelihood for regulatory initiatives to enhance consumer protection or to protect homeowners from foreclosures. Any such regulatory initiative could have an adverse impact on our ability to protect our economic interest, for instance in the event of defaults on residential mortgages.

We are subject to the regulatory supervision of the ECB and other regulators with extensive supervisory and investigatory powers.

In its capacity as principal prudential supervisor in the EU, the ECB has extensive supervisory and investigatory powers, including the ability to issue requests for information, to conduct regulatory investigations and on-site inspections, and to impose monetary and other sanctions. For example, under the Single Supervisory Mechanism (SSM), the regulators with jurisdiction over the Group, including the ECB, may conduct stress tests and have discretion to impose capital surcharges on financial institutions for risks that are not otherwise recognised in risk weighted assets or other surcharges depending on the individual situation of the bank and take or require other measures, such as restrictions on or changes to the Group’s business. Competent authorities may also, if the Group fails to comply with regulatory requirements, in particular with supervisory actions, minimum capital requirements (or with combined buffer requirements) or with liquidity requirements, or if there are shortcomings in its governance and risk management processes, prohibit the Group from making dividend payments to shareholders or distributions to holders of its regulatory capital instruments. Generally, a failure to comply with prudential or conduct regulations could have a material adverse effect on the Group’s business, results and financial condition.

The regulatory consequences of the United Kingdom’s withdrawal from the European Union may have adverse effects on our business, results and financial condition.

On 24 December 2020, the United Kingdom and the EU agreed to the EU-UK Trade and Cooperation Agreement (TCA) in connection with the departure of the UK from the EU (commonly referred to as ‘Brexit’). However, the financial services provisions of the TCA are very limited and, as a result, UK-based financial services providers lost EU passporting rights as of 1 January 2021 and EU-UK financial services are now subject to unilateral equivalence decisions. EU and UK regulators have, however, taken certain measures to address overall financial stability, such as the temporary extension by the EU of equivalence recognition to UK-based central counterparties (CCPs) through to 30 June 2022. In November 2021 the European Commissioner for financial services announced that the 30 June 2022 extension date will be further extended in early 2022, although the extension has not yet been specified. There is, however, no guarantee that such equivalence decisions will be issued by the EU or the UK in the future, or that any further extensions or renewals of temporary equivalence decisions or similar transitional arrangements will be made by the EU or the UK in the future. The absence of such equivalence decisions for financial services could have negative implications for ING's financial markets activities, with the absence of future UK CCPs recognition expected to increase costs for both ING and its financial markets customers. In addition, Brexit has required and will require other changes to ING's business and operations, including requiring ING to obtain a third country branch banking license in the UK, which was granted in November 2021. ING is also progressing the move of certain financial markets activities from London to Amsterdam in light of the ECB's supervisory expectations on booking models as a result of Brexit. The regulatory impact of Brexit continues to present material risks and uncertainties, particularly as to how regulations may diverge between the EU and the UK, which could materially increase ING's compliance costs and have a material adverse effect on ING's business, results and financial condition.

Failure to meet minimum capital and other prudential regulatory requirements as applicable to us from time to time may have a material adverse effect on our business, results and financial condition and on our ability to make payments on certain of our securities.

ING is subject to a variety of regulations that require us to comply with minimum requirements for capital (own funds) and additional loss absorbing capacity, as well as for liquidity, and to comply with leverage restrictions. In addition, such capital, liquidity and leverage requirements and their application and interpretation may change. Any changes may require us to maintain more capital or to raise a different type of capital by disqualifying existing capital instruments from continued inclusion in regulatory capital, requiring replacement with new capital instruments that meet the new criteria. Sometimes changes are introduced subject to a transitional period during which the new requirements are being phased in, gradually progressing to a fully phased-in, or fully-loaded, application of the requirements.

Any failure to comply with these requirements, or to adapt to changes in such requirements, may have a material adverse effect on our business, results and financial condition, and may require us to seek additional capital. Failures to meet minimum capital or other prudential requirements may also result in ING being prohibited from making payments on certain of our securities. Because implementation phases and transposition into EU or national regulation where required may often involve a lengthy period, the impact of changes in capital, liquidity and leverage regulations on our business, results and financial condition, and on our ability to make payments on certain of our securities, is often unclear.

For further discussion of the impact of minimum capital and other prudential regulatory requirements on ING, see "Item 4. Information on the Company—Regulation and Supervision—Regulatory Developments—Basel III and European Union Standards as currently applied by ING Group."

Our US commodities and derivatives business is subject to CFTC and SEC regulation under the Dodd-Frank Act.

Our affiliate ING Capital Markets LLC is registered with the Commodity Futures Trading Commission (CFTC) as a swap dealer and is subject to CFTC regulation of the off-exchange derivatives market pursuant to Title VII of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"). Operating as a swap dealer requires compliance with CFTC regulatory requirements, which may be burdensome, impose additional compliance costs and could adversely affect the profitability of this business, as well as exposing ING to the risk of non-compliance with these regulations.

ING Capital Markets LLC is also registered with the SEC as a security-based swap dealer pursuant to Dodd-Frank and SEC regulations adopted thereunder effective 1 November 2021. While ING Capital Markets LLC, as a security-based swap dealer, is required to comply with SEC rules with respect to most of these requirements, SEC has an "Alternative Compliance Mechanism" that allows for compliance, subject to eligibility requirements, with CFTC capital and margin rules applying to swap dealers in lieu of SEC capital and margin rules applying to security-based swap dealers. ING Capital Markets LLC has elected to use the Alternative Compliance Mechanism. However, should ING Capital Markets LLC in the future be ineligible for the "Alternative Compliance Mechanism", it would be subject to SEC capital and margin security-based swap dealer rules instead of the CFTC capital and margin security-based swap dealer rules. SEC registration may increase ING Capital Markets LLC's operational costs as a result of compliance, margin, capital and other requirements, and result in a substantial portion of ING's security-based swap activities with U.S. persons being conducted through ING Capital Markets LLC. These registration and related requirements may also reduce trading activity, reduce market liquidity and increase volatility in the relevant markets.

In addition, new position limits under Dodd-Frank applicable to the derivatives market generally for futures contracts based on twenty-five commodity futures contracts on physical commodities, which apply to all market participants, could limit ING's position sizes in these futures contracts and similarly limit the ability of counterparties to utilize certain of our products to the extent hedging exemptions from the position limits are unavailable. In addition, position limits on swaps on the same physical commodities will become effective in

January 2023, which could further limit the ability of ING and its counterparties to enter into such swaps. Such regulation of the derivative markets and market participants will likely result in increased costs of hedging and other trading activities, both for ING and its customers, which could expose our business to greater risk and could reduce the size and profitability of our customer business. The imposition of these regulatory restrictions and requirements, could also result in reduced market liquidity, which could in turn increase market volatility and the risks and costs of hedging and other trading activities.

Any of the foregoing factors, and any further regulatory developments with respect to commodities and derivatives, could have a material impact on our business, results and financial condition.

For further discussion of the impact of regulation of commodities and derivatives on ING, see “Item 4. Information on the Company—Regulation and Supervision—Regulatory Developments—Dodd-Frank Act and other US Regulations.”

We are subject to several other bank recovery and resolution regimes that include statutory write down and conversion as well as other powers, which remains subject to significant uncertainties as to scope and impact on us.

We are subject to several recovery and resolution regimes, including the Single Resolution Mechanism (‘SRM’), the ‘Bank Recovery and Resolution Directive’ (‘BRRD’) as implemented in national legislation and the Dutch ‘Intervention Act’ (Wet bijzondere maatregelen financiële ondernemingen, as implemented in the Dutch Financial Supervision Act). The SRM applies to banks that are supervised by the ECB under the SSM, with the aim of ensuring an orderly resolution of failing banks at minimum costs for taxpayers and the real economy. The BRRD establishes a common framework for the recovery and resolution for banks within the European Union with the aim of providing supervisory authorities and resolution authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers’ exposure to losses. In addition, the Intervention Act confers wide-ranging powers to the Dutch Minister of Finance, including among other things, in relation to shares and other securities issued by us or with our cooperation or other claims on us (including, without limitation, expropriation thereof) if there is a serious and immediate threat to the stability of the financial system. Any application of statutory write-down and conversion or other powers would not be expected to constitute an event of default under our securities entitling holders to seek repayment. If any of these powers were to be exercised in respect of ING, there could be a material adverse effect on both ING and on holders of ING securities, including through a material adverse effect on credit ratings and/or the price of our securities. Investors in our securities may lose their investment if resolution measures are taken.

For further discussion of the impact of bank recovery and resolution regimes on ING, see “Item 4. Information on the Company—Regulation and Supervision—Regulatory Developments—Bank Recovery and Resolution Directive.”

Risks related to litigation, enforcement proceedings and investigations and to changes in tax laws

We may be subject to litigation, enforcement proceedings, investigations or other regulatory actions, and adverse publicity.

We are involved in governmental, regulatory, arbitration and legal proceedings and investigations involving claims by and against us which arise in the ordinary course of our businesses, including in connection with our activities as financial services provider, employer, investor and taxpayer. As a financial institution, we are subject to specific laws and regulations governing financial services or financial institutions. See “Risks related to the regulation and supervision of the Group–Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations may increase our operating costs and limit our activities” above. Financial reporting irregularities involving other large and well-known companies, possible findings of government authorities in various jurisdictions which are investigating several financial institutions' processes, notifications made by whistleblowers, increasing regulatory and law enforcement scrutiny of 'know your customer' anti-money laundering, tax evasion, prohibited transactions with countries or persons subject to sanctions, and bribery or other anti-corruption measures and anti-terrorist-financing procedures and their effectiveness, regulatory investigations of the banking industry, and litigation that arises from the failure or perceived failure by us to comply with legal, regulatory, tax and compliance requirements could result in adverse publicity and reputational harm, lead to increased regulatory supervision, affect our ability to attract and retain customers and maintain access to the capital markets, result in cease and desist orders, claims, enforcement actions, fines and civil and criminal penalties, other disciplinary action or have other adverse effects on us in ways that are not predictable. With respect to sanctions, beginning in February 2022, the EU, UK and the US, in a coordinated effort joined by several other countries, imposed a variety of new sanctions with respect to Russia and various Russia-related parties. Despite significant similarities between these Russia-related sanctions programmes, there are notable differences between the EU, UK and US sanctions programmes, which may continue to evolve and are expected to require ING to implement new control measures with related costs and risks of non-compliance. While various sanctions include grace periods before full compliance is required, there is no guarantee that ING will be able to implement all required procedures within the applicable grace periods. In addition, some claims and allegations may be brought by or on behalf of a class and claimants may seek large or indeterminate amounts of damages, including compensatory, liquidated, treble and punitive damages. Our reserves for litigation liabilities may prove to be inadequate. Claims and allegations, should they become public, need not be well founded, true or successful to have a negative impact on our reputation. In addition, press reports and other public statements that assert some form of wrongdoing could result in inquiries or investigations by regulators, legislators and law enforcement officials, and responding to these inquiries and investigations, regardless of their ultimate outcome, is time consuming and expensive. Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on our business, results, financial condition and/or prospects in any given period.

We are subject to different tax regulations in each of the jurisdictions where we conduct business, and are exposed to changes in tax laws, and risks of non-compliance with or proceedings or investigations with respect to, tax laws.

Changes in tax laws (including case law) and tax treaties (including the termination thereof) could increase our taxes and our effective tax rates and could materially impact our tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities, which could have a material adverse effect on our business, results and financial condition. Changes in tax laws could also make certain ING products less attractive, which could have adverse consequences for our businesses and results. On 7 June 2021, the Dutch government received a formal notice of denunciation of the Dutch-Russian tax treaty from Russia, and as a result, the tax treaty was terminated as of 1 January 2022. The termination of the Dutch-Russian tax treaty or any other similar developments may have adverse effects on ING and ING's customers.

Because of the geographic spread of its business, ING may be subject to tax audits, investigations and procedures in numerous jurisdictions at any point in time. Although we believe that we have adequately provided for all our tax positions, the ultimate resolution of these audits, investigations and procedures may result in liabilities which are different from the amounts recognized. In addition, increased bank taxes in countries where the Group is active result in increased taxes on ING's banking operations, which could negatively impact our operations, financial condition and liquidity.

We may be subject to withholding tax if we fail to comply with the Foreign Account Tax Compliance Act ("FATCA") and other US withholding tax regulations

Due to the nature of its business, ING is subject to various provisions of US tax law. These include FATCA, which requires ING to provide certain information for the US Internal Revenue Service ("IRS") and the Qualified Intermediary (QI) requirements, which require withholding tax on certain US-source payments. Failure to comply with FATCA and/or QI requirements and regulations could harm our reputation and could subject the Group to enforcement actions, fines and penalties, which could have a material adverse effect on our business, reputation, revenues, results, financial condition and prospects. For further discussion of FATCA and QI requirements applicable to ING, see "Item 4. Information on the Company—Regulation and Supervision-KYC Requirements".

ING is exposed to the risk of claims from customers or stakeholders who feel misled or treated unfairly because of advice or information received.

Our products and services, including banking products and advice services for third-party products are exposed to claims from customers who might allege that they have received insufficient advice or misleading information (both internal and external) as to which products were most appropriate for them, or that the terms and conditions of the products, the nature of the products or the circumstances under which the products were sold, were misrepresented to them. When new financial products are brought to the market, ING engages in a product approval process in connection with the development and distribution of such products, including production of appropriate marketing and communication materials. Notwithstanding these processes, customers may make claims against ING if the products do not meet their expectations, either at the inception of the product and/or through the life of the product. Customer protection regulations, as well as changes in interpretation and perception by both the public at large and governmental authorities of acceptable market practices, influence customer expectations.

Products distributed through person-to-person sales forces have a higher exposure to such claims as the sales forces provide face-to-face financial planning and advisory services. Complaints may also arise if customers feel that they have not been treated reasonably or fairly, or that the duty of care has not been complied with. While a considerable amount of time and resources have been invested in reviewing and assessing historical sales practices and products that were sold in the past, and in the maintenance of risk management, legal and compliance procedures to monitor current sales practices, there can be no assurance that all of the issues associated with current and historical sales practices have been or will be identified, and that any issues already identified will not be more widespread than presently estimated.

The negative publicity associated with any sales practices, any compensation payable in respect of any such issues and regulatory changes resulting from such issues, has had and could have a material adverse effect on our reputation, business, results, financial condition and prospects. For additional information regarding legal proceedings or claims, see Note 46 ‘Legal proceedings’ to the consolidated financial statements.

Risks related to the Group’s business and operations

ING may be unable to meet internal or external aims or expectations with respect to ESG-related matters.

Environmental, Social and Governance (ESG) is an area of significant and increased focus for governments and regulators, investors, ING’s customers and employees, and other stakeholders or third parties (e.g., non-governmental organizations or NGOs). As a result, an increasing number of laws, regulations and legislative actions have been introduced to address climate change, sustainability and other ESG-related matters, including in relation to the financial sector’s operations and strategy. Such recent regulations include the EU Sustainable Finance Disclosure Regulation (SFDR), EU Taxonomy Regulation and EU Green Bond Standards, which broadly focus on disclosure obligations, standardized definitions and classification frameworks for environmentally sustainable activities. These laws, regulations and legislative frameworks may directly and indirectly impact the business environment in which ING operates and may expose ING to significant risks.

National or international regulatory actions or developments may also result in financial institutions coming under increased pressure from internal and external stakeholders regarding the management and disclosure of their ESG risks and related lending and investment activities. ING may from time to time disclose ESG-related initiatives or aims in connection with the conduct of its business and operations. However, there is no guarantee that ING will be able to implement such initiatives or meet such aims within anticipated timeframes, or at all. ING may fail to fulfil internal or external ESG-related initiatives, aims or expectations, or may be perceived to fail to do so, or may fail to adequately or accurately report performance or developments with respect to such initiatives, aims or expectations. ING could therefore be criticized or held responsible for the scope of its initiatives or goals regarding such matters. In addition, ING might face requests for specific strategies, plans or commitments to address ESG-related matters, which may or may not be viewed as satisfactory to the relevant internal and external stakeholders (including NGOs). Any of these factors may have an adverse impact on ING’s reputation and brand value, or on ING’s business, financial condition and operating results.

ING may be unable to adapt its products and services to meet changing customer behaviour and demand, including as a result of ESG-related matters.

Customers or other counterparties may increasingly assess sustainability or other ESG-related matters in their economic decisions. For instance, customers may choose investment products or services based on sustainability or other ESG criteria, or may look at a financial institution’s ESG-related lending strategy when choosing to make deposits. To remain competitive and to safeguard its reputation, ING is required to continuously adapt its business strategy, products and services to respond to emerging, increasing or changing sustainability and other ESG-related demands from customers, investors and other stakeholders. However, there is no guarantee that ING’s current or future products or services will meet applicable ESG-related regulatory requirements, customer preferences or investor expectations.

For further information regarding the alignment of ING’s lending portfolio with its climate-related goals, see “Item 4. Information on the Company – Business Overview – Responsible finance” below.

ING’s business and operations are exposed to physical risks, including as a direct result of climate change

ING’s business and operations may be exposed to the impacts of physical risks arising from climate and weather-related events, including heatwaves, droughts, flooding, storms, rising sea levels, other extreme weather events or other natural disasters, and to the impacts of physical risks arising from the environmental degradation, including loss of biodiversity, water or resources scarcity, pollution or waste management. Such physical risks could disrupt ING’s business continuity and operations or impact ING’s premises or property portfolio, as well as its customers’ property, business or other financial interests. These risks could potentially result in impairing asset values, financial losses, declining creditworthiness of customers and increased defaults, delinquencies, write-offs and impairment charges in ING’s portfolio, etc. In particular, changing climate patterns resulting in more frequent and extreme weather events, such as the severe flooding that occurred in Western Europe in July 2021 or the long lasting bushfires in Australia in February 2021, could lead to unexpected business interruptions or losses for ING or its customers.

For a description of physical risks to our operations and business other than resulting from natural disasters and as a result of climate change, see "–Operational and IT risks, such as systems disruptions or failures, breaches of security, cyber attacks, human error, changes in operational practices, inadequate controls including in respect of third parties with which we do business or outbreaks of communicable diseases may adversely impact our reputation, business and results" above.

ING's business and operations are exposed to transition risks related to climate change.

The transition to a low carbon or net zero economy may give rise to risks and uncertainties associated with climate change-related laws, regulations and oversight, changing or new technologies, and shifting customer sentiment. For instance, ING may be required to change its lending portfolio to comply with new climate change-related regulations. As a result, it might be unable to lend to certain prospective customers, or might even lead to the termination of certain existing relationships with certain customers. This could result in claims or legal challenges from such customers against ING. This transition may also adversely impact the business and operations of ING's customers and other counterparties. If ING fails to adequately factor in such risks in its lending or other business decisions, ING could be exposed to losses.

The low carbon or net zero transition may also require ING to modify or implement new compliance systems, internal controls and procedures or governance frameworks. The integration and automation of internal governance, compliance, and disclosure and reporting frameworks across ING could lead to increased operational costs for ING and other execution and operational risks. The implementation cost of these systems may especially be higher in the near term as ING seeks to adapt its business, or address overlapping, duplicative or conflicting regulatory or other requirements in this fast-developing area. Furthermore, ING's ongoing implementation of appropriate systems, controls and frameworks increasingly requires ING to develop adequate climate change-related risk assessment and modelling capabilities (as there is currently no standard approach or methodology available), and to collect customer, third party or other data. There are significant risks and uncertainties inherent in the development of new risk modelling methodologies and the collection of data, potentially resulting in systems or frameworks that could be inadequate, inaccurate or susceptible to incorrect customer, third party or other data.

Any delay or failure in developing, implementing or meeting ING's climate change-related commitments and regulatory requirements may have a material adverse impact on our business, financial condition, operating results and reputation, and lead to climate change or ESG-related investigations, enforcement proceedings or litigation.

Operational and IT risks, such as systems disruptions or failures, breaches of security, cyber attacks, human error, changes in operational practices, inadequate controls including in respect of third parties with which we do business or outbreaks of communicable diseases may adversely impact our reputation, business and results.

We face the risk that the design and operating effectiveness of our controls and procedures may prove to be inadequate. Operational and IT risks are inherent to our business. Our businesses depend on the ability to process and report a large number of transactions efficiently and accurately. In addition, we routinely transmit, receive and store personal, confidential and proprietary information by email and other electronic means. Although we endeavour to safeguard our systems and processes, losses can result from inadequately trained or skilled personnel, IT failures (including due to a computer virus or a failure to anticipate or prevent cyber attacks or other attempts to gain unauthorised access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or impairing operational performance, or security breaches by third parties), inadequate or failed internal control processes and systems, regulatory breaches, human errors, employee misconduct, including fraud, or from natural disasters or other external events that interrupt normal business operations. Such losses may adversely affect our reputation, business and results. We depend on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. The equipment and software used in our computer systems and networks may not always be capable of processing, storing or transmitting information as expected. Despite our business continuity plans and procedures, certain of our computer systems and networks may have insufficient recovery capabilities in the event of a malfunction or loss of data. We are consistently managing and monitoring our IT risk profile globally. ING is subject to increasing regulatory requirements including EU General Data Protection Regulation ('GDPR') and EU Payment Services Directive ('PSD2'). Failure to appropriately manage and monitor our IT risk profile could affect our ability to comply with these regulatory requirements, to securely and efficiently serve our clients or to timely, completely or accurately process, store and transmit information, and may adversely impact our reputation, business and results. For further description of the particular risks associated with cybercrime, which is a specific risk to ING as a result of its strategic focus on technology and innovation, see "We are subject to increasing risks related to cybercrime and compliance with cybersecurity regulation" below.

Widespread outbreaks of communicable diseases may impact the health of our employees, increasing absenteeism, or may cause a significant increase in the utilisation of health benefits offered to our employees, either or both of which could adversely impact our business. Also see above under the heading "ING's business, results and financial condition have been, and likely will continue to be adversely affected by the Covid-19 pandemic". As set out there, we expect to be affected by the Covid-19 pandemic through, amongst others, our employees. In addition, other events including unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, and our operations may be subject to losses resulting from such disruptions. Losses can result from destruction or impairment of property, financial assets, trading positions, and the loss of key personnel. If our business continuity plans are not able to be implemented, are not effective or do not sufficiently take such events into account, losses may increase further.

We are subject to increasing risks related to cybercrime and compliance with cybersecurity regulation.

Like other financial institutions and global companies, we are regularly the target of cyber attacks, which is a specific risk to ING as a result of its strategic focus on technology and innovation. In particular, threats from Distributed Denial of Service ('DDoS'), targeted attacks (also called Advanced Persistent Threats) and Ransomware intensify worldwide, and attempts to gain unauthorised access and the techniques used for such attacks are increasingly sophisticated. We have faced, and expect to continue to face, an increasing number of cyber attacks (both successful and unsuccessful) as we have further digitalized. This includes the continuing expansion of our mobile- and other internet-based products and services, as well as our usage and reliance on cloud technology.

Cybersecurity, customer data and data privacy have become the subject of increasing legislative and regulatory focus. The EU's second Payment Services Directive ('PSD2') and GDPR are examples of such regulations. In other locations where ING is active, there are additional local regulatory requirements and legislation on top of EU regulations that must be followed for business conducted in that jurisdiction. Some of these legislations and regulations may be conflicting due to local regulatory interpretations. We may become subject to new EU and local legislation or regulation concerning cybersecurity, security of customer data in general or the privacy of information we may store or maintain. Compliance with such new legislation or regulation could increase the Group's compliance cost. Failure to comply with new and existing legislation or regulations could harm our reputation and could subject the Group to enforcement actions, fines and penalties.

ING may be exposed to the risks of misappropriation, unauthorised access, computer viruses or other malicious code, cyber attacks and other external attacks or internal breaches that could have a security impact. These events could jeopardise our confidential information or that of our clients or our counterparties and this [illegible] the increase in data protection requirements as a result of GDPR. These events can potentially result in financial loss and harm to our reputation, hinder our operational effectiveness, result in [illegible] compensation costs or fines resulting from regulatory investigations and could have a material adverse effect on our business, reputation, revenues, results, financial condition and prospects. Even when we are successful in defending against cyber attacks, such defence may consume significant resources or impose significant additional costs on ING.

Because we operate in highly competitive markets, including our home market, we may not be able to increase or maintain our market share, which may have an adverse effect on our results.

There is substantial competition in the Netherlands and the other countries in which we do business for the types of wholesale banking, retail banking, investment banking and other products and services we provide. Customer loyalty and retention can be influenced by a number of factors, including brand recognition, reputation, relative service levels, the prices and attributes of products and services, scope of distribution, credit ratings and actions taken by existing or new competitors (including non-bank or financial technology competitors). A decline in our competitive position as to one or more of these factors could adversely impact our ability to maintain or further increase our market share, which would adversely affect our results. Such competition is most pronounced in our more mature markets of the Netherlands, Belgium, the rest of Western Europe and Australia. In recent years, however, competition in emerging markets, such as Asia and Central and Eastern Europe, has also increased as large financial services companies from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and proceeded to form alliances, mergers or strategic relationships with our competitors. The Netherlands is our largest market. Our main competitors in the banking sector in the Netherlands are ABN AMRO Bank and Rabobank.

Competition could also increase due to new entrants (including non-bank and financial technology competitors) in the markets that may have new operating models that are not burdened by potentially costly legacy operations and that are subject to reduced regulation. New entrants may rely on new technologies, advanced data and analytic tools, lower cost to serve, reduced regulatory burden and/or faster processes in order to challenge traditional banks. Developments in technology has also accelerated the use of new business models, and ING may not be successful in adapting to this pace of change or may incur significant costs in adapting its business and operations to meet such changes. For example, new business models have been observed in retail payments, consumer and commercial lending (such as peer-to-peer lending), foreign exchange and low-cost investment advisory services. In particular, the emergence of disintermediation in the financial sector resulting from new banking, lending and payment solutions offered by rapidly evolving incumbents, challengers and new entrants, in particular with respect to payment services and products, and the introduction of disruptive technology may impede our ability to grow or retain our market share and impact our revenues and profitability.

Increasing competition in the markets in which we operate (including from non-banks and financial technology competitors) may significantly impact our results if we are unable to match the products and services offered by our competitors. Future economic turmoil may accelerate additional consolidation activity. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms or have declared bankruptcy. These developments could result in our competitors gaining greater access to capital and liquidity, expanding their ranges of products and services, or gaining geographic diversity. We may experience pricing pressures as a result of these factors in the event that some of our competitors seek to increase market share by reducing prices, which may have a material adverse impact on our business, results and financial condition.

We may not always be able to protect our intellectual property developed in our products and services and may be subject to infringement claims, which could adversely impact our core business, inhibit efforts to monetize our internal innovations and restrict our ability to capitalize on future opportunities.

In the conduct of our business, we rely on a combination of contractual rights with third parties and copyright, trademark, trade name, patent and trade secret laws to establish and protect our intellectual property, which we develop in connection with our products and services. Third parties may infringe or misappropriate our intellectual property. We may have to litigate to enforce and protect our copyrights, trademarks, trade names, patents, trade secrets and know-how or to determine their scope, validity or enforceability. In that event, we may be required to incur significant costs, and our efforts may not prove successful. The inability to secure or protect our intellectual property assets could have an adverse effect on our core business and our ability to compete, including through the monetization of our internal innovations.

We may also be subject to claims made by third parties for (1) patent, trademark or copyright infringement, (2) breach of copyright, trademark or licence usage rights, or (3) misappropriation of trade secrets. Any such claims and any resulting litigation could result in significant expense and liability for damages. If we were found to have infringed or misappropriated a third-party patent or other intellectual property right, we could in some circumstances be enjoined from providing certain products or services to our customers or from utilizing and benefiting from certain methods, processes, copyrights, trademarks, trade secrets or licences. Alternatively, we could be required to enter into costly licensing arrangements with third parties or to implement a costly workaround. Any of these scenarios could have a material adverse effect on our business and results and could limit our ability to pursue future business opportunities.

The inability of counterparties to meet their financial obligations or our inability to fully enforce our rights against counterparties could have a material adverse effect on our results.

Third parties that have payment obligations to ING, or obligations to return money, securities or other assets, may not pay or perform under their obligations. These parties include the issuers and guarantors (including sovereigns) of securities we hold, borrowers under loans originated, reinsurers, customers, trading counterparties, securities lending and repurchase counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. Defaults by one or more of these parties on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, continuing low oil or other commodity prices, operational failure or other factors, or even rumours about potential defaults by one or more of these parties or regarding a severe distress of the financial services industry generally, could have a material adverse effect on our results, financial condition and liquidity. Given the high level of interdependence between financial institutions, we are and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of sovereigns and other financial services institutions. This is particularly relevant to our franchise as an important and large counterparty in equity, fixed income and foreign exchange markets, including related derivatives.

We routinely execute a high volume of transactions, such as unsecured debt instruments, derivative transactions and equity investments with counterparties and customers in the financial services industry, including brokers and dealers, commercial and investment banks, mutual and hedge funds, insurance companies, institutional clients, futures clearing merchants, swap dealers, and other institutions, resulting in large periodic settlement amounts, which may result in us having significant credit exposure to one or more of such counterparties or customers. As a result, we could face concentration risk with respect to liabilities or amounts we expect to collect from specific counterparties and customers. We are exposed to increased counterparty risk as a result of financial institution failures and weakness and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. As a result of the Russian invasion of Ukraine and related international response measures, including sanctions and capital controls, ING may be exposed to increased risk of default of counterparties located in Russia and Ukraine, counterparties of which the ultimate parent is located in Russia or may be considered effectively controlled or influenced through Russian involvement, and other counterparties in sectors affected by the response measures. Also liquidity or currency controls enforced by the Russian Central Bank may impact Russian companies ability to pay. In addition, we have counterparty exposure to Russian entities in connection with foreign exchange derivatives for future receipt of foreign currencies against RUB. Of our total EUR 600 billion loan book, the total Russia exposure is around EUR 6.7 billion on 28 February 2022 and EUR 500 million with clients in Ukraine. A default by, or even concerns about the creditworthiness of, one or more of these counterparties or customers or other financial services institutions could therefore have an adverse effect on our results or liquidity.

With respect to secured transactions, our credit risk may be exacerbated when the collateral held by us cannot be or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to us. We also have exposure to a number of financial institutions in the form of unsecured debt instruments, derivative transactions and equity investments. For example, we hold certain hybrid regulatory capital instruments issued by financial institutions which permit the issuer to cancel coupon payments on the occurrence of certain events or at their option. The EC has indicated that, in certain circumstances, it may require these financial institutions to cancel payment. If this were to happen, we expect that such instruments may experience ratings downgrades and/or a drop in value and we may have to treat them as impaired, which could result in significant losses. There is no assurance that losses on, or impairments to the carrying value of, these assets would not materially and adversely affect our business, results or financial condition.

In addition, we are subject to the risk that our rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations we hold could result in losses and/ or adversely affect our ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of our counterparties could also have a negative impact on our income and risk weighting, leading to increased capital requirements. While in many cases we are permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral we are entitled to receive and the value of pledged assets. Also in this case, our credit risk may also be exacerbated when the collateral we hold cannot be liquidated at prices sufficient to recover the full amount of the loan or derivative exposure due to us, which is most likely to occur during periods of illiquidity and depressed asset valuations, such as those experienced during the financial crisis of 2008. The termination of contracts and the foreclosure on collateral may subject us to claims. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral increase in times of market stress and illiquidity. Any of these developments or losses could materially and adversely affect our business, results, financial condition, and/or prospects.

Ratings are important to our business for a number of reasons, and a downgrade in our credit ratings could have an adverse impact on our results and net results.

Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. Our credit ratings are important to our ability to raise capital and funding through the issuance of debt and to the cost of such financing. In the event of a downgrade, the cost of issuing debt will increase, having an adverse effect on our net results. Certain institutional investors may also be obliged to withdraw their deposits from ING following a downgrade, which could have an adverse effect on our liquidity. They may also have lower risk appetite for our debt notes, leading to lower purchases of (newly issued) debt. ING has credit ratings from S&P, Moody's Investor Service and Fitch Ratings. Each of the rating agencies reviews its ratings and rating methodologies on a recurring basis and may decide on a downgrade at any time.

As rating agencies continue to evaluate the financial services industry, it is possible that rating agencies will heighten the level of scrutiny that they apply to financial institutions, increase the frequency and scope of their credit reviews, request additional information from the companies that they rate and potentially adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. It is possible that the outcome of any such review of us would have additional adverse ratings consequences, which could have a material adverse effect on our results and financial condition. We may need to take actions in response to changing standards or capital requirements set by any of the rating agencies, which could cause our business and operations to suffer. We cannot predict what additional actions rating agencies may take, or what actions we may take in response to the actions of rating agencies.

Furthermore, ING Bank's assets are risk-weighted. Downgrades of these assets could result in a higher risk weighting, which may result in higher capital requirements. This may impact net earnings and the return on capital, and may have an adverse impact on our competitive position.

An inability to retain or attract key personnel may affect our business and results.

ING Group relies to a considerable extent on the quality of its senior management, such as members of the executive committee, and management in the jurisdictions which are material to ING's business and operations. The success of ING Group's operations is dependent, among other things, on its ability to attract and retain highly qualified personnel. Competition for key personnel in most countries in which ING Group operates, and globally for senior management, is intense. ING Group's ability to attract and retain key personnel, in senior management and in particular areas such as technology and operational management, client relationship management, finance, risk and product development, is dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent.

The (increasing) restrictions on remuneration, plus the public and political scrutiny especially in the Netherlands, will continue to have an impact on existing ING Group remuneration policies and individual remuneration packages for personnel. For example, under the EU's amended Shareholder Rights Directive, known as 'SRD II', which came into effect on June 10, 2019, ING is required to hold a shareholder (binding) vote on ING's Executive Board remuneration policy and Supervisory Board remuneration policy at least every four years. Furthermore the shareholders have an advisory vote on ING's remuneration report annually. This may restrict our ability to offer competitive compensation compared with companies (financial and/or non-financial) that are not subject to such restrictions and it could adversely affect ING Group's ability to retain or attract key personnel, which, in turn, may affect our business and results.

We may incur further liabilities in respect of our defined benefit retirement plans if the value of plan assets is not sufficient to cover potential obligations, including as a result of differences between actual results and underlying actuarial assumptions and models.

ING Group companies operate various defined benefit retirement plans covering the post-employment benefits of a number of our employees. The liability recognised in our consolidated balance sheet in respect of our defined benefit plans is the present value of the defined benefit obligations at the balance sheet date, less the fair value of each plan's assets, together with adjustments for unrecognised actuarial gains and losses and unrecognised past service costs. We determine our defined benefit plan obligations based on internal and external actuarial models and calculations using the projected unit credit method. Inherent in these actuarial models are assumptions, including discount rates, rates of increase in future salary and benefit levels, mortality rates and consumer price index. These assumptions are based on available market data and are updated annually. Nevertheless, the actuarial assumptions may differ significantly from actual results due to changes in market conditions, economic and mortality trends and other assumptions. Any changes in these assumptions could have a significant impact on our present and future liabilities and costs associated with our defined benefit plans.

Risks related to the Group's risk management practices

Risks relating to our use of quantitative models or assumptions to model client behaviour for the purposes of our market calculations may adversely impact our reputation or results.

We use quantitative methods, systems or approaches that apply statistical, economic, financial or mathematical theories, techniques and assumptions to process input data into quantitative estimates. Errors in the development, implementation, use or interpretation of such models, or from incomplete or incorrect data, can lead to inaccurate, noncompliant or misinterpreted model outputs, which may adversely impact our reputation and results. In addition, we use assumptions in order to model client behaviour for the risk calculations in our banking books. Assumptions are used to determine the interest rate risk profile of savings and current accounts and to estimate the embedded option risk in the mortgage and investment portfolios. Assumptions based on past client behaviour may not always be a reliable indicator of future behaviour. The realisation or use of different assumptions to determine client behaviour could have a material adverse effect on the calculated risk figures and, ultimately, our future results or reputation. Furthermore, we may be subject to risks related to changes in the laws and regulations governing the risk management practices of financial institutions. For further information, see "Risks related to the regulation and supervision of the Group – Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations may increase our operating costs and limit our activities" above. As noted there, regulation of the industries in which we operates is becoming increasingly more extensive and complex, while also attracting supervisory failures may lead to changes in the laws and regulations governing the risk management may increase our operating costs.

We may be unable to manage our risks successfully through derivatives.

We employ various economic hedging strategies with the objective of mitigating the market risks that are inherent in our business and operations. These risks include currency fluctuations, changes in the fair value of our investments, the impact of interest rates, equity markets and credit spread changes, the occurrence of credit defaults and changes in client behaviour. We seek to control these risks by, among other things, entering into a number of derivative instruments, such as swaps, options, futures and forward contracts, including, from time to time, macro hedges for parts of our business, either directly as a counterparty or as a credit support provider to affiliate counterparties. Developing an effective strategy for dealing with these risks is complex, and no strategy can completely insulate us from risks associated with those fluctuations. Our hedging strategies also rely on assumptions and projections regarding our assets, liabilities, general market factors and the creditworthiness of our counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, our hedging activities may not have the desired beneficial impact on our results or financial condition. Poorly designed strategies or improperly executed transactions could actually increase our risks and losses. Hedging strategies involve transaction costs and other costs, and if we terminate a hedging arrangement, we may also be required to pay additional costs, such as transaction fees or breakage costs. There have been periods in the past, and it is likely that there will be periods in the future, during which we have incurred or may incur losses on transactions, possibly significant, after taking into account our hedging strategies. Further, the nature and timing of our hedging transactions could actually increase our risk and losses. Hedging instruments we use to manage product and other risks might not perform as intended or expected, which could result in higher (un)realised losses, such as credit value adjustment risks or unexpected P&L effects, and unanticipated cash needs to collateralise or settle such transactions. Adverse market conditions can limit the availability and increase the costs of hedging instruments, and such costs may not be recovered in the pricing of the underlying products being hedged. In addition, hedging counterparties may fail to perform their obligations, resulting in unhedged exposures and losses on positions that are not collateralised. As such, our hedging strategies and the derivatives that we use or may use may not adequately mitigate or offset the risks they intend to cover, and our hedging transactions may result in losses.

Our hedging strategy additionally relies on the assumption that hedging counterparties remain able and willing to provide the hedges required by our strategy. Increased regulation, market shocks, worsening market conditions (whether due to the ongoing euro crisis or otherwise), and/or other factors that affect or are perceived to affect the financial condition, liquidity and creditworthiness of ING may reduce the ability and/or willingness of such counterparties to engage in hedging contracts with us and/or other parties, affecting our overall ability to hedge our risks and adversely affecting our business, results and financial condition.

Risks related to the Group's liquidity and financing activities

We depend on the capital and credit markets, as well as customer deposits, to provide the liquidity and capital required to fund our operations, and adverse conditions in the capital and credit markets, or significant withdrawals of customer deposits, may impact our liquidity, borrowing and capital positions, as well as the cost of liquidity, borrowings and capital.

Adverse capital market conditions have in the past affected, and may in the future affect our cost of borrowed funds and our ability to borrow on a secured and unsecured basis, thereby impacting our ability to support and/or grow our businesses. Furthermore, although interest rates are at or near historically low levels, since the recent financial crisis, we have experienced increased funding costs due in part to the withdrawal of perceived government support of such institutions in the event of future financial crises. In addition, liquidity in the financial markets has also been negatively impacted as market participants and market practices and structures adjust to new regulations.

We need liquidity to fund new and recurring business, to pay our operating expenses, interest on our debt and dividends on our capital stock, maintain our securities lending activities and replace certain maturing liabilities. Without sufficient liquidity, we will be forced to curtail our operations and our business will suffer. The principal sources of our funding include a variety of short-and long-term instruments, including deposit fund, repurchase agreements, commercial paper, medium- and long-term debt, subordinated debt securities, capital securities and shareholders' equity.

In addition, because we rely on customer deposits to fund our business and operations, the confidence of customers in financial institutions may be tested in a manner that may adversely impact our liquidity and capital position. Consumer confidence in financial institutions may, for example, decrease due to our or our competitors' failure to communicate to customers the terms of, and the benefits to customers of, complex or high-fee financial products. Reduced confidence could have an adverse effect on our liquidity and capital position through withdrawal of deposits, in addition to our revenues and results. Because a significant percentage of our customer deposit base is originated via Internet banking, a loss of customer confidence may result in a rapid withdrawal of deposits over the Internet.

In the event that our current resources do not satisfy our needs, we may need to seek additional financing. The availability of additional financing will depend on a variety of factors, such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, our credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of our long- or short-term financial prospects. Also see under the heading “Ratings are important to our business for a number of reasons, and a downgrade or a potential downgrade in our credit ratings could have an adverse impact on our results and net results”. Similarly, our access to funds may be limited if regulatory authorities or rating agencies take negative actions against us. If our internal sources of liquidity prove to be insufficient, there is a risk that we may not be able to successfully obtain additional financing on favourable terms, or at all. Any actions we might take to access financing may, in turn, cause rating agencies to re-evaluate our ratings.

Disruptions, uncertainty or volatility in the capital and credit markets may also limit our access to capital. Such market conditions may in the future limit our ability to raise additional capital to support business growth, or to counterbalance the consequences of losses or increased regulatory capital and rating agency capital requirements. This could force us to (i) delay raising capital, (ii) reduce, cancel or postpone payment of dividends on our shares, (iii) reduce, cancel or postpone interest payments on our other securities, (iv) issue capital of different types or under different terms than we would otherwise, or (v) incur a higher cost of capital than in a more stable market environment. This would have the potential to decrease both our profitability and our financial flexibility. Our results, financial condition, cash flows, regulatory capital and rating agency capital position could be materially adversely affected by disruptions in the financial markets.

Furthermore, regulatory liquidity requirements in certain jurisdictions in which we operate are remain stringent, undermining our efforts to maintain centralised management of our liquidity. These developments may cause trapped pools of liquidity and capital, resulting in inefficiencies in the cost of managing our liquidity and solvency, and hinder our efforts to integrate our balance sheet. An example of such trapped liquidity includes our operations in Germany where German regulations impose separate liquidity requirements that restrict ING’s ability to move a liquidity surplus out of the German subsidiary.

As a holding company, ING Groep N.V. is dependent for liquidity on payments from its subsidiaries, many of which are subject to regulatory and other restrictions on their ability to transact with affiliates.

ING Groep N.V. is a holding company and, therefore, depends on dividends, distributions and other payments from its subsidiaries to fund dividend payments to its shareholders and to fund all payments on its obligations, including debt service obligations.

ING Groep N.V.’s ability to obtain funds to meet its obligations depends on legal and regulatory restrictions applicable to ING Groep N.V.’s subsidiaries. Many of ING Groep N.V.’s direct and indirect subsidiaries, including certain subsidiaries of ING Bank N.V., may be subject to laws that restrict dividend payments, as well as requirements with respect to capital and liquidity levels. For example, certain local governments and regulators have taken steps and may take further steps to “ring fence” or impose minimum internal total loss absorbing capacity on the local affiliates of a foreign financial institution in order to protect clients and creditors of such affiliates in the event of financial difficulties involving such affiliates or the broader banking group. Increased local regulation and supervision have therefore limited and may in the future further limit the ability to move capital and liquidity among affiliated entities and between ING Groep N.V. and its direct and indirect subsidiaries, limit the flexibility to structure intercompany and external activities of ING as otherwise deemed most operationally efficient, and increase in the overall level of capital and liquidity required by ING on a consolidated basis.

Lower earnings of a local entity may also reduce the ability of such local entity to make dividends and distributions to ING Groep N.V. Other restrictions, such as restrictions on payments from subsidiaries or limitations on the use of funds in client accounts, may also apply to distributions to ING Groep N.V. from its subsidiaries.

ING Groep N.V. has also in the past guaranteed and may in the future continue to guarantee the payment obligations of some of its subsidiaries, including ING Bank N.V. Any such guarantees may require ING Groep N.V. to provide substantial funds or assets to its subsidiaries or the creditors or counterparties of these subsidiaries at a time when the guaranteed subsidiary is in need of liquidity to fund its own obligations.

Finally, ING Groep N.V., as the resolution entity of ING, has an obligation to remove impediments to resolution and to improve resolvability. Regulatory authorities have required and may continue to require ING to increase capital or liquidity levels at the level of the resolution entity or at particular subsidiaries, which may result in, among other things, the issuance of additional long-term debt issuance at the level of ING Groep N.V. or particular subsidiaries.

Additional risks relating to ownership of ING shares

Holders of ING shares may experience dilution of their holdings and may be impacted by any share buyback programme.

ING's AT1 Securities may, under certain circumstances, convert into equity securities, and such conversion would dilute the ownership interests of existing holders of ING shares and such dilution could be substantial. Additionally, any conversion, or the anticipation of the possibility of a conversion, could depress the market price of ING shares. Furthermore, we may undertake future equity offerings with or without subscription rights. In case of equity offerings without subscription rights, holders of ING shares may suffer dilutions. In case of equity offerings with subscription rights, holders of ING shares in certain jurisdictions, however, may not be entitled to exercise such rights unless the rights and the related shares are registered or qualified for sale under the relevant legislation or regulatory framework. Holders of ING shares in these jurisdictions may suffer dilution of their shareholding should they not be permitted to, or otherwise chose not to, participate in future equity offerings with subscription rights.

Any share repurchases could affect the price of our ordinary shares, ADSs or other securities and increase trading price volatility. The existence of a share buyback programme could also cause the price of our ordinary shares, ADSs or other securities to be higher than it would be in the absence of such a share buyback programme and could potentially reduce the market liquidity of our ordinary shares, ADSs or other securities. There can be no assurance that any share buybacks will enhance shareholder value because the market price of our ordinary shares or ADSs may decline below the levels at which we repurchase any ordinary shares or ADSs.

In addition, ING cannot guarantee that any future share buyback programme will be fully consummated. The timing and amount of share repurchases pursuant to a share buyback programme will depend upon a number of factors, including market, business conditions, and the trading price of the our ordinary shares or ADSs. A share buyback programme may also be suspended or terminated at any time, and any such suspension or termination could negatively affect the trading price of, increase trading price volatility of or reduce the market liquidity of our ordinary shares, ADSs or other securities. Additionally, a share buyback programme could diminish our cash reserves, which may impact our ability to finance future growth and to pursue possible future strategic opportunities.

Because we are incorporated under the laws of the Netherlands and many of the members of our Supervisory and Executive Board and our officers reside outside of the United States, it may be difficult to enforce judgments against ING or the members of our Supervisory and Executive Boards or our officers.

Most of our Supervisory Board members, our Executive Board members and some of the experts named in this, as well as many of our officers are persons who are not residents of the United States, and most are located outside the United States. As a result, investors may not be able to serve process on those persons within the United States or to enforce in the United States judgments obtained in US courts against those persons based on the civil liability provisions of the US securities laws.

Investors also may not be able to enforce judgments of US courts under the US federal securities laws in courts outside the United States, including the Netherlands. The United States and the Netherlands do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon the U.S. federal securities laws, would not be enforceable in the Netherlands unless the underlying claim is re-litigated before a Dutch court. However, under current practice, the courts of the Netherlands may be expected to render a judgment in accordance with the judgment of the relevant U.S. court, provided that such judgment (i) is a final judgment and has been rendered by a court which has established its jurisdiction on the basis of internationally accepted grounds of jurisdictions, (ii) has not been rendered in violation of elementary principles of fair trial, (iii) is not contrary to the public policy of the Netherlands, and (iv) is not incompatible with (a) a prior judgment of a Netherlands court rendered in a dispute between the same parties, or (b) a prior judgment of a foreign court rendered in a dispute between the same parties, concerning the same subject matter and based on the same cause of action, provided that such prior judgment is not capable of being recognized in the Netherlands. It is uncertain whether this practice extends to default judgments as well.

Based on the foregoing, there can be no assurance that U.S. investors will be able to enforce against us or members of our Board of directors, officers or certain experts named herein who are residents of the

Netherlands or countries other than the United States any judgments obtained in U.S. courts in civil and commercial matters, including judgments under the U.S. federal securities laws.

In addition, there is doubt as to whether a Dutch court would impose civil liability on us, the members of our board of directors, our officers or certain experts named herein in an original action predicated solely upon the U.S. federal securities laws brought in a court of competent jurisdiction in the Netherlands against us or such members, officers or experts, respectively.

Item 4. Information on the Company

A. History and development of the company

General

ING Groep N.V. was established as a Naamloze Vennootschap (a Dutch public limited liability company) on March 4, 1991. ING Groep N.V. is incorporated under the laws of the Netherlands.

The corporate site of ING, www.ing.com, provides news, investor relations and general information about the company.

ING is required to file certain documents and information with the United States Securities and Exchange Commission (SEC). These filings relate primarily to periodic reporting requirements applicable to issuers of securities, as well as to beneficial ownership reporting requirements as a holder of securities. The most common filings we submit to the SEC are Forms 6-K and 20-F (periodic reporting requirements). The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov. ING's electronic filings are available on the SEC's internet site under CIK ID 0001039765 (ING Groep N.V.).

The official address of ING Group is:

ING Groep N.V.
Bijlmerdreef 106
1102 CT Amsterdam
P.O. Box 1800,
1000 BV Amsterdam
The Netherlands
Telephone +31 20 563 9111

The name and address of ING Group's agent for service of process in the United States in connection with ING's Registration Statement on Form F-3 is:

ING Financial Holdings Corporation
1133 Avenue of the Americas
New York, NY 10036
United States of America
Telephone +1 646 424 6000

Changes in the composition of the Group

For information on changes in the composition of the Group, reference is made to Note 47 'Consolidated companies and businesses acquired and divested'.

ING at a glance

Our brand

ING's global 'do your thing' tagline embodies our purpose of empowering people to stay a step ahead in life and business, and our promise to make banking frictionless by creating customer experiences that are personal, easy and smart, so people can do more of the things that move them.

Launched in 2020, 'do your thing' aligns our brand fundamentals to create one coherent brand experience everywhere, driven by our belief that progress is always possible.

In 2021, ING was ranked among the world's most valuable brands in Brand Finance's annual Global 500 ranking and is the third most valuable Dutch brand.

Our products & services

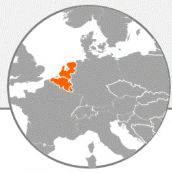
In our **Retail Banking business**, which includes the Business Banking segment, we offer (individuals, small to medium-sized businesses and mid-corporates) a full range of products and services covering payments, savings, insurance, investments and secured and unsecured lending.

In **Wholesale Banking** we provide corporate clients and financial institutions with advisory value propositions such as specialised lending, tailored corporate finance, sustainable and sustainability-linked financing, and debt and equity market solutions, as well as payments and cash management and trade and treasury services.

Our markets

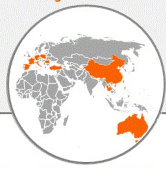
We serve 38 million customers in more than 40 countries

Our Market Leaders



Market Leaders
- Netherlands
- Belgium
- Luxembourg

Our Challengers & Growth markets

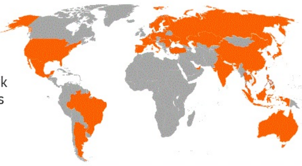


Challengers Markets
- Austria*
- Australia
- Czech Republic*
- France**
- Germany
- Italy
- Spain

Growth Markets
- Poland
- Romania
- Turkey
- Philippines
- Stakes in Asia

(*) exited Retail market in 2021
(**) to exit Retail market in 2022

Wholesale Banking international network and global franchises



Our strategy

Delivering on our strategy is about creating a differentiating customer experience that is personal, easy and smart. It's also about focusing on the things that matter: being a bank that is safe, secure and compliant; maintaining a healthy business; data-driven digitalisation to better meet our customers' evolving needs; and jointly building a sustainable future for all.

ING has a clear purpose: empowering people to stay a step ahead in life and in business. This is reflected by our 'do your thing' tagline, which encapsulates our brand and our promise to make banking frictionless so people and businesses can do more of the things that move them. Our purpose guides us in everything we do and is founded on our belief that it's our role to support and promote social and environmental progress and at the same time generate healthy returns for shareholders.

We have a strong – and growing – primary customer base. We have a digital, mobile-first mindset and we've put in place the building blocks for becoming a data-driven digital bank. We continuously strive to improve the customer experience, working in an agile way and guided by our Orange Code, which describes the values and behaviours that define ING.

Even in a digital world, our business is founded on relationships and our people are among our greatest assets. We therefore work to provide a differentiating employee experience that keeps our people motivated and engaged. This includes supporting their wellbeing, providing a safe and healthy workplace and opportunities to develop themselves to their full potential, as well as promoting a diverse and inclusive work environment where they feel free to be themselves. For most of the year, the majority of our employees continued to work from home due to ongoing measures to stop the spread of Covid-19. As restrictions were lifted in various countries, we moved towards a hybrid mode, giving employees the flexibility to combine working from home with working from the office. However, new outbreaks meant they had to remain ready to adapt to a constantly changing situation.

The trends that have shaped our direction so far – digitalisation, continuing low and negative interest rates, new competitors, changing customer behaviours and expectations, increasing regulation and the growing urgency for action on climate change and to address social imbalances – continue to influence our business and were amplified by the Covid-19 pandemic.

We've also learnt some important lessons over the past years: some of our projects became too complex, went on for too longor resulted in us sometimes losing sight of customers and competition. We're guided by our purpose and our strategy in how we respond to these and other challenges and opportunities.

As we look to the future, we are now focusing on delivering with impact so we can truly differentiate ourselves from the competition and emerge from the pandemic in a position of strength for our customers, our investors, our employees and society in general. In the near-to-mid-term, this means focusing on:

- being a safe, secure and compliant bank
- being a healthy business making healthy returns
- data-driven digitalisation
- sustainability.

Safe, secure and compliant bank

Keeping our bank safe, secure and compliant remains a top priority for ING. This means fighting financial economic crime as a gatekeeper to the financial system, protecting our bank and our customers against cybercrime and fraud, as well as from conduct that will jeopardise people's trust in us and the safe and ethical use of data and data-driven models. This year too, the growing importance of climate risk was emphasised in ING's first integrated climate report.

Protecting our bank and our customers also means continuously improving our risk culture and behaviours. Everyone at ING has a responsibility to understand, discuss and act on the many non-financial risks that banks are confronted with every day. To this end, we introduced a risk culture programme in 2021 that aims to ensure our risk culture reflects the dynamic business and regulatory environment we operate in. By acting with the right mindset and living up to our Orange Code and Global Code of Conduct, we all play a part in safeguarding ING and our customers.

Knowing our customers (KYC) and ensuring we only do business with people and companies that meet regulatory requirements and are within our risk appetite, are essential for preventing financial economic crime. Monitoring transactions for unusual activities and carrying out customer due-diligence checks [illegible] important part of KYC. We also assess the environmental and social impact of companies [illegible] finance.

Since 2017, we've introduced a number of structural improvements to enhance our KYC organisation and activities, including standardised policies and digital tooling, and further increasing knowledge and awareness across the bank. This includes mandatory e-learnings for all staff and the KYC and [illegible] specialist training. We are building on this with our financial economic crime con[illegible] which consolidates all our activities to fight financial economic crime (policies, systems and processes) [illegible] holistic approach.

With the growing number of digital transactions and employees working from home it's [illegible] importance to safeguard ING and our customers against cybercrimes such as digital [illegible] malicious software. ING has preventative measures in place to test our resilience against cyberattacks and [illegible] attempts to gain unauthorised access to our systems. We also focus strongly on managing our exposure [illegible] operational risks with respect to the availability of our networks and infrastructure [illegible] accessible to our customers and our employees.

Closely related to cybersecurity resilience is protecting customers' data and their privacy. [illegible] European data protection regulation (GDPR) and local laws applicable in our countries [illegible] expectations about how their data is used and respect their privacy when processing [illegible] ethics councils help ensure we use data responsibly.

Healthy business

While the economy picked up in many of our markets in 2021, to remain a financially healthy business, it's imperative that we diversify our income, optimise capital allocation and scrutinise costs. Our 2021 figures show we're on the right track, with fee income up 17% compared to a year earlier and contributing 19% to our full-year income, which is a crucial component of our strategy to diversify our revenue sources in the negative interest environment. This strong fee income growth combined with higher lending volumes contributed to a 4.8% increase in total income compared to 2020, while net customer deposits grew with €10.3 billion.

We earned higher fees from daily banking activities in 2021, spurred by economic recovery, and benefitted from continued demand for digital investment products in our Retail business. Our results were also supported by low

risk costs. We were able to release some of the Covid-19-related provisions we took earlier and are confident [illegible] asset quality of our loan book. However, we remain cautious about the impact of supply chain disruptions, rising energy prices and increasing inflation on companies and consumers. We therefore remain ready to support our clients when they need it.

Ensuring ING remains a financially healthy company means there are also times we have to make difficult decisions about where and how we allocate our capital, so that we put it to work in the places that provide the best growth opportunities and viable returns. Unfortunately, this can affect our customers and colleagues. In the [illegible] with varying local and regulatory environments, we believe that we require sufficient local scale in the Retail markets in which we operate to maintain a reasonable franchise. It's in these markets that we want to invest our people, capital and costs. This led to our decision to exit [illegible] selected Retail markets in 2021. Separately, we decided to wind down our payment services provider Payvision, which we believe was not [illegible] enough to keep pace with the competitive payments market, and to stop certain partnerships. [illegible] the consumer-facing smart money app Yolt to focus instead on growing its business [illegible] platform Yolt Technology Services. We also sold our stake in Dutch property platform [illegible] ership did not bring what we had expected from it.

We had expenses under control in 2021, with room for us as a digital-first bank to improve our cost-to-serve. [illegible] (end-to-end) digitalisation. This brings benefits to the experience of [illegible] and improves our operational quality and processing speed. It also helps us better [illegible] of negative interest rates on our net interest income.

In October 2021, we launched a €1,744 million share buyback programme related to the amount reserved over 2019. The distribution is in line with our aim to provide an attractive return to shareholders and follows the expiration of the European Central Bank's (ECB) recommendation not to pay dividends during the pandemic in 2020. The buyback was possible due to ING's strong capital position. At year-end approximately 92% of the maximum total value of the programme had been completed. On 28 February 2022, we announced the programme was fully complete, having repurchased 139,711,040 ordinary shares for a total consideration of €1,741,656,166.19.

Data-driven digitalisation

Delivering on our customer promise is all about creating a customer experience that's personal, easy and smart. And a key driver for this is digitalisation – a trend that was accelerated by the Covid-19 pandemic and the demand it unleashed for mobile and contactless banking – and data, which is the fuel powering end-to-end digitalisation.

Reflecting the growing importance of technology and digitalisation in fulfilling our purpose and strategy, in 2021, ING appointed a chief technology officer to its Management Board Banking for the first time, having split the role of the chief operations officer. Digitalisation has benefits for our customers, our employees and our business. Automating tasks frees up time for more rewarding activities. It improves efficiency and effectiveness, and helps to make our bank safer and compliant-by-design. However, we also have to be cognisant of those customers who are not (yet) fully digital and ensure our products and services remain accessible to them.

In 2021, mobile interactions grew to 6.2 billion from 5.3 billion in 2020, accounting for 91% of total interactions with ING. The number of mobile payment transactions also grew each quarter, with [illegible] million in 4Q 2021, compared to 154 million transactions in 1Q 2020.

This digital connectivity in turn yields data and insights that contribute to a more personalised and empowering experience, giving customers even more reason to interact with us. This is how we believe we can become an essential part of people's digital lives.

Mastering data is essential for this. Data, used responsibly, helps us understand our customers better and personalise our interactions. It is the main ingredient for the models that inform our business decisions, manage risks and keep our capital in control. We use transaction data to detect money laundering and fight financial crime. And it powers technologies like artificial intelligence, robotics and blockchain that digitalise processes and improve the customer experience. Examples include using machine learning to understand why customers contact us and proactively come up with solutions that will reduce the number of calls; virtual assistants to help customers 24/7; and instant loans, personalised insurance and easy-to-use investment products. [illegible] there are innovative solutions for ING and for our customers, such as Komgo, which digitalises trade finance; supply chain management tool Stemly; and Flowcast to reduce risk and unlock credit for businesses.

To make raw data meaningful it needs to be sorted, harmonised and put into context. That's why it's essential to have one common language for defining our data. We call this ING Esperanto. In addition, we created uniform data models (Esperanto Warehouse Model) through which we can store and use our data. This approach contributes to the availability, quality, integrity, usability, control and governance of our data. We also have a uniform global customer data management approach that facilitates customer self-service and enables new ways of doing banking by making it easier to retrieve information that can be used to propose new types of billable ING services or new product bundles. Global and local data ethics councils guide our decisions around the use of data based on ING's Orange Code values.

Our customers' appreciation of ING's smart and personal experience is reflected in above-average NPS scores in a number of our Retail and Wholesale Banking markets. Over the past year we gained 481,000 primary customers, bringing the total to 14.3 million, 3.5% higher than at end-2020.

ING is not the only bank with digital ambitions. Society's growing reliance on the internet has fundamentally changed the way people shop – and pay. These changing behaviours, along with the second European Payment Services Directive (PSD2), are reshaping the role of banks in the payments industry, opening it up to new (non-traditional) payment providers. To stay a step ahead in this competitive digital environment, there's a growing urgency to speed up end-to-end digitalisation and the associated requirement for operational excellence.

Given the increasing commoditisation of payments and the need for scale and efficiency to remain competitive in this fast-growing arena, we're looking to create a dedicated payments and settlement utility within the chief technology office domain in 2022 that will deliver all payments, settlement and liquidity services across ING, subject to Works Council approval. Until now this has been done within the business lines, notably Wholesale Banking, also for Retail payments. The aim is to build on our existing payments capabilities and further mature the way these services are delivered, allowing the business lines to focus on meeting the needs

Digitalisation is also empowering customers to have agency over their finances with innovative tools such as personal budget planners, expense trackers and smart saver tools. Given the costs and complexities of cross-border integration, we're using our scalable technology to implement products locally that meet the needs of our customers, particularly in areas such as retail investments, consumer finance and insurance.

Since 2016, we've worked on putting in place a technology and operations foundation on which to build a mobile-first digital experience for all our 38 million customers. This foundation includes IT infrastructure, uniform processes, real-time data management, an agile way of working, and bundling expertise in shared service centres that support our business globally. Underlying all of this are technology platforms such as Touchpoint and OnePipeline. Designed to deliver speed, scale, security and cost efficiency, this foundation allows us to bring new products and services to our customers faster and in multiple markets using next-generation technologies and reusable modular components.

It has also enabled our employees to continue working from home during the ongoing lockdowns and to support their return to the office in a hybrid mode when that's possible.

Sustainability

Sustainability in all its forms is one of the biggest challenges facing society. Climate change is threatening our planet and its people, many of whom also struggle with inequality, poor financial health and even a lack of basic human rights. It's clear the world is changing and banking needs to change with it. We have a responsibility to society to define new ways of doing business that align economic growth with positive environmental and social impact.

On the environmental side, we believe we can do this by aligning our lending portfolio with global climate goals, supporting the transition to a net-zero economy in our own operations and by actively engaging with companies to finance the investments needed, and addressing related challenges like biodiversity; on the people side, by steering customers and local communities towards improved financial health.

To tackle climate change even faster, we joined the Net-Zero Banking Alliance in 2021 and increased the ambition of our Terra approach. We're now aiming to steer our lending portfolio towards net-zero greenhouse gas emissions by 2050 or sooner. In our integrated climate report on ing.com we report on our progress until end-2020 in the nine most carbon-intensive sectors, which are our main focus for steering. We're working on pathways for those sectors to align our targets for them with our own net-zero ambitions.

In addition to financing sustainable projects, we believe we can influence positive change by advising clients on their own transition to sustainable and circular business models, as well as through innovative products such as sustainability-linked financing, gaining access to a new range of opportunities. To protect the integrity of this fast-growing market, we believe these targets should be ambitious, recognised industry-wide and verified by a reputable, independent party, thereby ensuring companies tackle the most difficult and urgent climate issues first.

It's also about what we don't finance: we say no to certain companies and sectors; for example, new clients active in palm oil plantations and new coal-fired power plants. However, much of the 'real' economy still runs on fossil fuels, and some sectors are further along on their journey than others. So rather than withdrawing completely from a particular sector (such as oil and gas) – with the associated impact in terms of jobs and economic fall-out – we believe we can be more effective by actively engaging with that sector to speed up its transition. For example, we're leading the climate-aligned finance working group for the Net-Zero Steel Initiative to support the sector's decarbonisation and have signed up to the Global Maritime Forum's call to action to decarbonise the shipping industry.

Climate change also brings risks for ING and the companies we finance. These range from physical risks such as floods and wildfires to social risks related to displacement, discrimination and human rights violations, as well as transition risks that could lead to stranded assets when policies, regulations or consumer preferences shift towards a lower-carbon economy. We're working to embed the management of climate risks into our overall risk management approach and our business practices. We also evaluate clients and transactions against our environmental and social risk framework to limit the negative impact of our financing decisions on the environment and communities.

Climate action requires a concerted collaborative effort across all sections of society. There's a growing sense of urgency for governments and businesses to step in and help. While banks can finance the transition, it's companies that need to make it happen in their own businesses and supply chains. Governments can, and should, direct and guide this change. We believe the European Union's Green Deal is a step in the right direction.

Recognising the importance of environmental, social and corporate governance (ESG), we have a number of initiatives running in the bank covering our governance structure, developing a diverse and engaged workforce and being a trusted counterparty for our customers and clients.

When it comes to financial health, we're embedding our activities directly into our core business where we can make a more tangible impact on our customers. We're currently defining actions we can take in our Retail markets to help customers who are financially vulnerable; for example, to get out of problematic debt or to save more. We're also bringing our community support closer to home through our new community investment programme, which targets a broader range of local initiatives that contribute to an inclusive economy and support vulnerable groups in the communities we serve.

B. Business Overview

A sharper focus on digital investment products, daily banking and on providing a smart, easy and personal customer experience, boosted growth in 2021, with more people than ever doing their banking on a mobile device. Companies also increasingly chose to link their financing to their efforts to protect our planet and its people.

Diversifying our income is a crucial component of our strategy in a negative interest environment, and in 2021, our fee income grew by 17% year-on-year. Much of this growth came from an increase in daily banking activities on the back of economic recovery, coupled with good investment product revenues from the growing number of new investment accounts opened and customers making a higher average number of trades.

We saw continued lending growth in mortgages and in the last quarter of the year lending volumes increased, a sign that confidence in the economy is picking up. Still, economic recovery remains fragile. Covid-19 continues to be a factor in many markets with new waves of infections, geopolitical tensions and supply chain disruptions, rising energy prices and increasing inflation impacting companies and consumers alike. We therefore continue to be cautious and remain ready to support our clients when they need it.

A differentiating customer experience

Delivering a differentiating customer experience is what sets ING apart and ensures customers choose us rather than another provider. We can measure how successful we are by looking at our Net Promoter Scores, which are an indicator of customer satisfaction. To provide a differentiating customer experience, we have to keep making banking as frictionless as possible, providing smarter, easier and more personal experiences, and continuously work to keep getting better at it.

Every interaction with our customers – whether it's a call to a contact centre, a click on a web page, a conversation or a survey – is an opportunity to understand their thinking and how we can improve theirs experience. Sometimes it's small changes that can make a big impact. This is the idea behind our global CX Day where colleagues from across the organisation work on ways to improve the customer experience. In 2021, teams from 27 countries and 15 Wholesale Banking business units worked on around 300 improvements on the day, of which 21 were aimed at corporate clients.

By enabling ING designers and customer journey experts to work together, we connect the dots between insights and delivering real value for our customers. This is the case for example in Germany where our designers joined a cross-industry effort to make digital experiences more accessible to all. Customer testimonials underscore that good design is good business.

As we've digitalised more of our processes, we've empowered customers to take more of their money matters into their own hands. For example, in Germany, Spain, Poland, Italy and Turkey pre-approved consumer loans are available for existing customers via our digital channels, providing them with instant access to financing when and where they need it. Users of our OneApp in the Netherlands, Belgium and Germany can update their contact details, block a stolen bank card, open a new account and send payment requests without needing to visit a branch. Financial advice is also increasingly given online.

In 2021, digital interactions with customers rose to 6.9 billion (up from 5.3 billion in 2020). In Wholesale Banking the number of digital interactions increased to 11.8 million, of which 49% were via mobile or in combination with the mobile app introduced five years ago.

This digital connectivity yields data and insights that contribute to a more personalised and empowering experience, giving customers more reasons to interact with ING. Getting the most out of our data will unlock even more potential to create a differentiating experience for our customers. But there's still work to be done to gain the most value from our data, both by moving data into our data lakes and by using analytics. Closely linked to this is the trust our customers and employees have that we will protect their data and ensure it's not used for purposes they have not agreed to.

Retail Banking

For consumers using our Retail Banking services our focus is on providing a fully digital, mobile-first experience that's smart, personal and easy, empowering, and seamlessly connects with the apps and platforms they're on.

We want to engage with these customers on mobile at every stage of the customer journey. This means as far as possible each step of our processes has to be fully digitalised, from onboarding and customer due diligence checks to daily banking and contact centres.

Over the past years we've been working to harmonise the customer experience in our different markets, and created one brand identity. Now we're increasingly focused on end-to-end digitalisation of individual customer journeys to make our products and services even easier, smarter and more personal.

In 2021, we migrated the last of our Belgian Retail customers to ING's OneApp for mobile banking, which is now available to 17.4 million customers in the Netherlands, Belgium and Germany, of which 9.8 million are actively using mobile channels. OneApp offers a single unified banking proposition that is continuously being extended with new functionalities (e.g. Apple Pay). In addition, all 9.8 million active Retail customers in Belgium and the Netherlands have the same OneWeb online banking environment. This is an outcome of the Unite Benelux transformation programme, which ended in the first half of 2021.

A positive impact of the pandemic was the acceleration of mobile banking, with high adoption by our customers in Turkey (88%), Romania (72%) and Spain (59%). More than half of active ING customers (51%) use mobile only at end-2021, up from 40% in 2020.

In addition, mobile and card payment volumes more than doubled compared to 2020, reflecting the increasing use of contactless payments via third-party services like Apple Pay and our own Android solution in most countries. In Poland customers can also use their mobile phone to make contactless ATM transactions and the ING app has more functionality than our website (unique in the market). Over two-thirds (68%) of active customers in Poland use mobile banking.

Another fast-growing digital market is Romania where mobile sales have tripled since 2019. Customers here can access a complete offering of digital products from loans and insurance to investments, shopping programmes and virtual cards.

Remote advice

This digital shift also means more customers are now using remote video advice and digital self-service channels. We can connect with customers across multiple channels through ING's cloud-based customer interaction platform for phone, chat and video contacts. The customer interaction platform is used in nine countries to harmonise the experience and ensure customers receive the same services everywhere.

In the Netherlands, we saw a year-on-year increase of video contacts through ING Beeldbellen, which enables customers to speak to an advisor about a new mortgage or investment product from the comfort of their own home. On average, it is used for around 7,500 customer conversations per month in the Netherlands and is now also available in Belgium, Spain, Italy and Germany. A similar remote advice service was launched in Turkey in March 2021 via the ING app. ING is the first bank to offer this service in Turkey.

In addition, more customers are using the chat function on our website and mobile app to reach out to us. On average, we handle around 12,500 chat interactions per month in each of the six countries where the service is offered.

Given the rise in digital interactions, we announced the closure of a number of bank branches. In March 2021, we announced the closure of 69 branches in the Netherlands by July 2022, and over the course of 2021 we closed 59 statutory branches in Belgium. Our business is built on both digital and real-life connections and there are still customers who prefer to visit us in person. To make sure these customers can still get in-person assistance, in the Netherlands, for example, we are expanding the number of ING service points (shops inside other shops) to 321. In some countries, like the Philippines, our Retail offering is entirely digital.

All but a limited number of branches remained open throughout the Covid-19 lockdowns, working by appointment only in most countries. In all our branches we took precautions to ensure the health and safety of customers and employees, such as limiting the number of visitors, installing plexiglass screens and making hand sanitiser available.

Financing for consumers

Point-of-sale (POS) lending, where online merchants offer shoppers the option to pay in instalments, is a new area offering opportunities for ING. In June, ING Ventures invested in POS platform Divido, which allows its partners to 'white label' its technology. Merchants, banks and payment companies can brand the Divido platform as their own to give their customers the option of paying for their purchases in instalments when they check out online, or in store. Based on this, ING launched its first European POS lending initiative in Spain, where pre-approved ING customers can pay in instalments for online purchase from enrolled merchants.

In addition to our physical POS offering in Turkey, we launched ING Shopper, a new digital sales channel that enables shoppers (including non-ING customers) to apply for an online loan at checkout (thanks to digital customer onboarding) or pay for their purchases in instalments. It also allows e-commerce merchants to grow their business, while offering easy payment alternatives. For ING Orange Extra programme members, there's an additional incentive to repay their loans interest-free.

In Romania, we're encouraging consumers to become more environmentally friendly by offering green loans with favourable rates for electric and hybrid cars. A pilot programme involving 1,000 loans was launched in the summer of 2021 as a limited offer. Around 180 loans were distributed by year-end and ING's share of the market for new electric and plug-in hybrid vehicle sales reached 11%. Building on this, in 2022 we intend to bring new green and sustainability products to increase our social responsibility impact.

In our mortgages business in the Netherlands, where around 60% of mortgages are sold through intermediaries, we have been making strides to improve our services, including faster processing times for their applications and fewer documents needing to be provided. In December 2021, intermediaries named ING as the best mortgage provider in a survey by the national mortgage association (Nationale Hypotheekbond). In addition, we developed new mortgage propositions for customers nearing retirement age, and for international home buyers and buy-to-let. ING also made it possible for customers to see their mortgages in the ING app and use it to make repayments.

At Interhyp in Germany, the HOME platform digitalises the mortgage process for home buyers, advisors, brokers and bank partners. Almost 500,000 Interhyp customers can connect directly to real-estate portals, create financing scenarios and upload documents from their smartphones, speeding up the mortgage decision process. Machine learning personalises the experience by matching (potential) buyers to advisors and mortgages for their needs, and providing property valuations. Mortgage advisors and brokers use HOME for processing mortgages and consultations with buyers via phone, video and chat messaging. To complete the end-to-end digitalisation of the mortgage process we're now focusing on integrating scoring mechanisms and digital signatures for instant approvals in just a few clicks. In 2021, Interhyp's market share rose to 11.6% in Germany (10% in 2020).

Business Banking

Our Business Banking segment is part of Retail Banking and serves around 1.7 million clients in seven markets (Belgium, Luxembourg, the Netherlands, Poland, Romania, Germany and Turkey). These range from self-employed and micro businesses to small and medium-sized enterprises (SMEs) and mid-corporate companies. We're using Touchpoint (ING's open banking technology platform) to digitalise and standardise our offering. All business clients on ING's OneApp and OneWeb in Belgium, the Netherlands and Germany, plus Luxembourg are currently being migrated. This is helping to drive efficiency by avoiding duplication of services and unlocking synergies between the countries. In Belgium, all business clients now use OneApp and over 90% use OneWeb, providing a consistent experience for both their personal and professional financial needs. Further roll-outs are planned for Poland and Romania.

Our ambition to serve over 80% of SMEs digitally is in direct response to the increasing customer demand for digital solutions and self-servicing capabilities. To ensure the continuity of the quality customer relationships, we have now sharpened our efforts on the most important interactions with our customers, namely: KYC outreach, client onboarding, account opening, and loan or card requests. Each interaction is built in a modular way to ensure reusability across the global network, while leveraging and scaling local best practices. Invariably, automation underpins any improvement and supplies the speed needed to improve the customer experience.

Digital transformation of loan requests is end-to-end and focused on improving cycle times for the application, underwriting process ('time to yes') and fulfilment ('time to cash'). For example, Poland offers instant and fully automated lending journeys for disbursement of small tickets in less than two hours, while in Germany, semi-automated (fast-track) journeys for bigger tickets are possible within 48 hours.

We can add value for these clients through digital services that go beyond banking, such as factoring, liquidity management, tax accounting and by using APIs (application programming interfaces) that connect to third-party platforms.

Wholesale Banking

In Wholesale Banking we believe our differentiators are our sector expertise, our network and our people. We continued in 2021 to focus on deepening client relationships and growing our franchise by unleashing our sector potential and delivering more of our network to our core clients in EMEA (Europe, the Middle East and Africa), Asia and the US. By this we mean partnering global product and sector specialists with local expert teams across our network to meet the increasingly sophisticated and complex cross-border needs of the companies we serve.

This is reflected in deals such as with Korea Ocean Business Corporation, a government agency that supports South Korea's maritime industry with ships and liquidity. The successful distribution of a $108.3 million out of the $500 million bond to non-Korean investors – the third such transaction for KOBC in three years – relied on close cooperation between ING teams in Seoul and Singapore combined with our sector and product knowledge and distribution network.

Our client segmentation model aligns our strengths with our clients' needs and is an important element for deepening relationships. ING's way of working allows us to respond rapidly to our clients' changing needs and to close the gap between local and global specialists, making an impact in our markets. During the year we continued to pair our sector knowledge and financial expertise to support companies with tailored advisory and daily banking, in line with the client segmentation model. We aim to provide relevant and innovative data-driven insights and customised, integrated solutions that make our clients day-to-day banking more efficient and support their business ambitions.

Corporate clients also benefit from gains in speed, transparency, security and efficiency created by technologies such as blockchain and artificial intelligence. In 2021, Global Finance magazine named ING as the best bank for Commodity Finance in recognition of our efforts to modernise the market with digital trade finance initiatives such as Komgo, MineHub, Vakt, Marco Polo and Contour. Read more below in 'Innovating to stay ahead'.

Sustainability is another area where we can make a real difference for clients. We work closely with companies to help them transition towards net-zero emissions by providing advice, insights and financing, including for green projects and new technology like battery storage. Recognising the challenges many companies face in their transition journey, Wholesale Banking's 2021 global brand campaign is built around 'Sustainable finance for the real world', which features actual clients who are working to change their sectors or industries from the inside. In 2021, we also supported 147 sustainability-linked loans (SLLs), where rates are linked to a client's sustainability performance. These included several firsts in their sector or industry, cementing our position as a sustainability-linked pioneer.

Supporting customers in crisis

The last thing customers want to worry about in the midst of a crisis is their daily banking. We aimed to provide uninterrupted access to our call centres, online banking and ATMs, and to make it easy for our customers to make contactless payments and arrange their finances from home. But for some customers, a bigger concern may be their ability to pay back a mortgage, loan or credit card debt.

At the start of the pandemic, ING introduced a raft of measures worldwide to alleviate these concerns. These differed from country to country and included payment deferrals on mortgages, personal loans, credit cards and business loans to small and medium-sized companies, as well as financing solutions to help companies bridge their short-term liquidity needs. In harder hit sectors we proactively reached out to business clients to tailor solutions for their specific circumstances.

A 2021 Coalition Greenwich survey recognised ING as one of eight 'standout' banks for their support to corporate clients during the Covid-19 pandemic. This included maintaining a strong, coordinated and continuous flow of information between clients and internal departments to address their clients' evolving needs at the right time. [illegible] liquidity needs and allow more operational flexibility while managing the potential associated risks.

Loan demand in 2021 continued to be influenced by the economic effects of the Covid-19 pandemic. To support companies and consumers, the European Central Bank modified the terms and conditions of its targeted longer-term refinancing operations (TLTRO III) programme. Under these conditions (which ING has met), banks can borrow from the ECB at attractive conditions up to -100 basis points. The programme was set up to stimulate the real economy by providing funding to banks at favourable interest rates that they can pass on to their customers and business clients.

At the same time, signs of economic recovery during the year were tempered by other issues like supply chain disruptions, rising energy prices and rising inflation. We continue to support our customers and business clients.

Financial health

According to the financial health working group convened by the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development, having financial health as a core business purpose contributes to happier, more engaged and more profitable customers (larger deposit balances, lower delinquency and loan loss), leading to greater financial resilience and enhanced brand and reputation. ING is part of this working group and our approach to financial health has been showcased as a best practice.

In 2021, we renewed our financial health approach to integrate it more closely into our core business in order to increase the impact on our customers and target our support to the local communities where we operate.

This includes embedding into our business some of the activities related to the Think Forward Initiative (TFI), which was discontinued in December 2021. ING and its TFI partners believe the initiative has achieved its purpose to empower people financially through its research and insights. Since it was started in 2016, TFI has supported almost 60 research projects, 19 start-ups and reached more than 100 million people in 18 countries with insights aimed at improving their financial health. We will continue to use our insights into money management and people's financial behaviour to empower our customers and communities to make better financial decisions.

In late 2021, we started defining new ambitions for our financial health approach. We'll determine the specific financial health challenges in our local markets and actions we can take in each country to support financially vulnerable customers, for example with programmes to save structurally for the future or overcome problematic debt. This reflects our belief that financial health contributes to a healthy economy and helps drive social progress. We are committed to reporting on our financial health activities and progress systematically and regularly, as we do for climate action. Our efforts are aligned with the Principles for Responsible Banking and we're working with the United Nations Environment Programme Finance Initiative (UNEP FI) to contribute to setting a standard for financial health impact for our industry.

We think our biggest impact on improving financial health can be made through our products and services by equipping our customers with actionable insights, innovative tools and real-time information to make better, smarter financial choices now and in the future.

Financial health is also about financial inclusion. By this we mean creating equal opportunities and making sure our products, services and facilities are accessible to everyone in a way that best suits people's needs and abilities. Examples of this include talking ATMs in Poland, the Netherlands and Turkey, and an accessible bank card in the Netherlands and Belgium; the card has a notch in it so customers with a visual impairment can insert it correctly when it's used. It's also designed to support customers with limited hand functionality. In Australia we provide phone banking for customers with speech or hearing impairments via the national relay service, and sign language services are available in some bank branches in Poland. When it comes to accessible content on our websites we're working towards the web content accessibility guidelines standard (WCAG 2.1).

By using our knowledge of digitalisation and insights about money we've created innovative tools that help our customers manage their finances and improve their financial health. Among these are a personal budget planner and categorisation tool that helps customers in Germany to plan and control their expenses better and discover potential savings and a 'Smart Saver' tool that helps customers in Poland build their savings with automated transfers to a special account.

Customers in Romania, and, since early 2021, in Germany and Belgium, can use their banking app to access Dealwise, ING's smart shopping platform. Dealwise promotes healthier financial behaviour and encourages users to save on their daily spending by gathering the best shopping deals and giving them cash back on purchases. More than 1.1 million users have generated €30 million in transactions so far, which in turn has helped customers save almost €1.72 million in cashbacks. Merchants too can benefit from the insights they gain into customer behaviour on the platform. Over 1,100 brands offering fashion, accessories, electronics and even travel agencies have partnered with Dealwise.

In the Netherlands, ING has a similar programme where customers can earn points from their daily banking activities, which they can use in ING's online shop to buy a wide range of fashion, beauty, household and other products. Initiated in 2006, ING Points was added to the OneApp in 2021, delivering a turnover of €15 million from [illegible] million products sold to 812,000 customers.

As a result of our financial health activities, 72.2% of our customer base felt financially empowered by ING in 2021 (71% in 2020). In absolute numbers this is 27.5 million people, compared to 27.8 million people in 2020, due to the discontinuation of our Retail activities in Austria and the Czech Republic in 2021. More details on the scope and reporting methodology can be found on ing.com.

Achieving our business goals

Achieving our business goals is about growing our primary relationships by providing a differentiating experience that's safe and secure while driving capital and cost efficiency. We achieve this by deploying our resources to businesses that deliver sustainable returns, diversifying our income, driving an engaging and [illegible] through end-to-end digitalisation and data analytics, and developing new propositions [illegible] customers' needs in areas such as insurance, investments and consumer lending.

To really stand out, we need to focus on our strengths. We have strong brand recognition. A higher-than-average Net Promoter Score (NPS) in many of our markets is indicative of customer satisfaction. We've built a solid Tech foundation for digitalising and innovating to improve the customer experience, make processes more efficient [illegible] new solutions to our markets faster. And not forgetting our people – even in a digital [illegible] relationship business – our people are crucial to our success.

Healthy business

To remain a financially healthy company, we have to put our people, capital and [illegible] activities that provide the best growth opportunities and sustainable returns. [illegible] Mostly savings and current accounts put pressure on our business model, especially [illegible] environment. Rather than remain in markets where we do not see growth [illegible] our resources to markets where we are growing. This led to our decision in 2021 to discontinue our Retail

Banking businesses in several countries that we believe have insufficient scale to maintain a reasonable franchise.

In Austria, we transferred our Retail operations to bank99, the digital banking arm of the Austrian postal service, and in the Czech Republic around half of ING's Retail customers and 60% of client balances were transferred to Raiffeisenbank. In December, following a strategic review of our activities, we announced we would also exit the French Retail Banking market where ING has been active as an online bank since 2000. In all these markets our Wholesale Banking activities will continue.

Diversifying our income: investment products

With customers looking for alternatives to savings accounts in the negative interest rate environment, we're supporting them with smart digital investment tools like My Money Coach in Italy, Naranja+ in Spain and Beleggen in the Netherlands. At the same time, growing our fee and commission income, and increasing its share in our income mix, remain very important as our net income is impacted by the negative interest rate environment. In 2021, fee income rose 17% in 2021, contributing 19% to our full-year total income.

In 2021, we introduced Komfort-Anlage (Comfort Investing) in Germany, a low-threshold entry point for new investors. From as little as one euro, customers can invest in one of seven ING World funds according to their risk appetite. Komfort-Anlage is based on ING Spain's Naranja+ product and owes its scalability to reusable Touchpoint components that enable it to be rolled out in other countries. Since its introduction in June 2021, it has attracted 10,000 investors and €120 million in assets under management. Of these customers, 85% have a recurrent investment plan.

Also in Germany we offer securities savings plans that allow customers to invest small amounts in over 1,800 securities (shares, exchange-traded funds or mutual plans). More than half a million savings plans were activated in 2021, growing this service from 0.6 million savings plans at end-2020 to 1.3 million at end-2021. For more experienced investors, we have self-directed accounts as well as robo-advice from our fintech partner Scalable Capital, which has attracted more than €1.6 billion in assets under management.

This demand for digital investment products helped to boost our fee income to record levels in 2021, attracting €79 billion in assets under management (AuM) in Germany at year-end (39% higher than end-2020) and close to €15 billion in Spain (€12.3 billion in 2020). In Belgium and the Netherlands, investment product balances increased respectively to €42.6 billion (from €36.8 billion in 2020) and €40.1 billion (from €32.2 billion in 2020).

Insurance

In various Retail markets ING has teamed up with insurance partners to offer our customers insurance products via the ING app or website, based on the local needs within those markets. With insurance linked to loans in Belgium, Poland, Romania, Turkey and Spain, as well as insurance policies in Belgium, the Netherlands and Poland. In some countries we also partner with insurers for additional protection needs. For example, in 2021 we introduced a new health insurance product in Romania and device protection in Turkey, as well as distributing pensions and offering insurance based investment products in several countries.

Through our bancassurance offering in partnership with insurer AXA we've launched 20 products in five countries. We reduced the number of markets now covered by the partnership (following ING's exit from the Retail Banking markets in the Czech Republic and Austria), which decreases the level of scalability. We announced in November 2021 to refocus the scope of the partnership from a central platform approach to the local delivery of existing insurance propositions.

Daily banking and savings

Everyday Roundup (ERU) is a digital product that aims to make saving simpler at a time when many may be financially vulnerable (due to the economic disruption caused by Covid-19). Used by customers in five countries (Poland, Australia, Germany, Romania and Turkey), it rounds up every transaction on a customer's current account and automatically transferring the difference to their savings account. ING in Australia also has a roundup option for mortgages while in Germany customers can use the service to make donations to support the UN's sustainable development goals. The next step will be investments.

Increased emphasis on fighting financial economic crime has necessitated investments in customer and data protection over the past years with the aim of ensuring our activities meet the highest due diligence standards. In light of this, ING introduced a banking service fee for Wholesale Banking clients in 2021. It includes access to our CoorpID digital vault where they can store, manage and share their know your customer documentation, to make this often time-consuming process easier. Although there was some resistance to the fee, many clients see the benefits of making banking safer and more secure.

Similarly, banking fees for Retail customers in the Netherlands and Belgium were announced on higher regulatory costs combined with increasing investments in digitalisation, with a further rise announced for Dutch customers from January 2022. In Germany, where we introduced a monthly fee for current accounts linked to non-primary customers, we will also now charge a €0.99 fee a month for the debit card from March 2022, reflecting a trend towards payment cards that are more suited to e-commerce and contactless payments. The fee will apply to all new customers. Existing customers will be approached later.

The negative interest rate environment is disadvantageous for savers and for banks. Some banks, including ING, are already charging a negative interest rate fee for savings above a certain threshold. At ING, this threshold is currently set at different levels across our euro markets, depending on local market dynamics and regulatory frameworks.

In October 2021, we reached an agreement with the Dutch consumer association to compensate certain Dutch Retail customers for past interest charges on revolving consumer loans that allegedly did not sufficiently follow market rates. We expect any such compensation to be paid before the end of 2022. Read more in the legal proceedings paragraph of the additional notes to the consolidated financial statements.

Digitalisation

We aim to digitalise our processes in order to increase productivity and decrease the time customers have to spend on banking. The Covid-19 pandemic accelerated the shift to mobile and online banking, with customers increasingly using their phones to connect to apps for shopping, making contactless payments, opening a bank account and getting instant financing.

Although ING has been a frontrunner in online banking (we were one of the first direct banks in Europe), we're no longer the only bank with digital ambitions. As we saw during the many Covid lockdowns, the demand for digital and contactless banking has grown exponentially, making digital delivery an essential requirement for all banks. Here, operational excellence matters.

Operational excellence leads to a better customer experience. It ensures effective and efficient processes that improve productivity and enable us to deliver high-quality services more easily. Operations management is therefore one of the Big 6 capabilities ING has identified for success, along with related capabilities such as customer experience, non-financial risk management and data fluency. Looking back at past years, we've learnt that by sharing our expertise and strengths across our countries we can be more effective in reducing duplication of business services and processes, developing new solutions and achieving end-to-end digitalisation.

ING Business Shared Services BV (IBSS) is a fully owned service company employing around 12% of ING's global workforce. It has shared service centres in Bratislava, Manila, Poland (Katowice and Warsaw) and Bucharest. IBSS supports digital transformation and cross-border scalability by providing shared operational and technology services in areas such as business operations, tech development, non-financial risk and compliance, KYC, data analytics and modelling.

Scalable technology

Given the costs and complexities of cross-border integration, we stopped the Maggie transformation programme (that aimed to standardise our Retail offering in four countries) in late 2020. Instead we're focusing on using our scalable technology – shared data lakes, infrastructure and reusable app components to implement global products locally. In this way we can build on what we already have and scale it to local needs as necessary.

To enable us to build and share standardised IT components and reusable services we developed Touchpoint, our open banking technology platform. It provides access to 31.8 million customers (over 80% of our customer base) using common architecture and shared application programming interfaces (APIs).

Related to Touchpoint, ING has built a private cloud (IPC) where we store and manage applications and data such as channel applications, core bank systems and other banking applications. Given its flexibility and scalability, cloud computing is an important component for scaling our digital capabilities. To keep up with global usage, scalability, availability and delivery speed, ING uses public cloud computing in addition to the IPC. By end-2021, 44% of our global infrastructure was running on IPC (up from 25% in 2020) following the migration to IPC of ING in the Netherlands, Belgium and Spain. One of the many advantages of a cloud-based infrastructure is that security patching of databases can be done globally, with near-to-zero downtime. This new feature was added to IPC in 4Q 2021 and in the future will allow for the rapid global roll-out of other new cloud-based improvements.

As an early adopter of cloud technology, ING joined forces with other banks in 2021 to establish the European Cloud User Coalition (ECUC). It aims to develop common security standards and best practices to mitigate security risks and address regulatory requirements around data privacy and sovereignty.

To consistently manage and protect data across ING we have built a set of data repositories: the data lake. By using a universal data language called ING Esperanto we make it easier to share and use data across the company.

OnePipeline is the third element of our scalable technology, providing engineers with an end-to-end secure capability to develop, test and deploy fully automated software across ING. Around 70% of our engineers were using OnePipeline at the end of 2021.

Scalable technology allows us to create global and local propositions that can be shared across [illegible] quickly and easily. We are focusing on products in three areas: investment products, consumer lending and insurance.

Open banking

In an age of disruption and changing customer expectations, banks have to keep adapting their services to become safer, more personalised, easier and more accessible for customers. Moreover, the introduction of the second European Payment Service Directive (PSD2) in 2019 changed the competitive landscape of banks dramatically, opening it up to non-traditional payments providers. This has created an uneven playing field disadvantaging more heavily regulated traditional banks. At the same time, it's the catalyst for banks to rethink traditional products and services and create new customer experiences using application programming interfaces (APIs).

More than compliance or regulated access via PSD2, open banking is about connecting with customers directly or through a third party (API banking) and adding value with new banking and 'beyond banking' propositions (embedded finance). Additionally, there are opportunities for Banking-as-a-Service (BaaS), which enables businesses to integrate banking processes into their own non-bank products through a secure and regulated infrastructure.

Open banking offers opportunities for us to meet the needs of our customers by connecting to the apps where they're shopping and socialising. This is supported by our open banking platform, which provides the capabilities we need to establish secure, scalable, compliant and uniform connectivity with external parties using APIs. These API-based propositions can often be used in multiple ways in new and traditional channels, apps and platforms.

At the same time, there are inherent risks to sharing sensitive data and it's critical to protect the privacy and security of our customers' data. Each participant in the open banking ecosystem has a duty to treat data with the utmost care and to educate users on data permissions and privacy. Under European data privacy laws, explicit consent is required from the account holder before sharing their data. For consumers, [illegible] could also be a concern.

API-enabled services such as Minna (subscription management via OneApp) and small and medium-sized enterprise (SME) loans via Amazon's sellers platform showcase how open banking is digitalising our customer and partner relationships. The pandemic accelerated the need for end-to-end digitalisation and we've found that these ambitions go hand in hand with realising our open banking objectives. By breaking down our back office into reusable, real-time services we can ultimately offer them externally to our customers and partners. Internal applications using API services to exchange data are built with this external reuse in mind. The recent go-live of our transaction screening API shows how we're putting this vision into practice. Now, payment service providers can integrate ING's capabilities for screening transactions into their systems of choice or customer journeys. We believe open banking and APIs are a great way to foster innovation, accelerate digitalisation and integrate and co-create with others, and are pursuing this across the bank and with our partners.

Given the rising demand for open banking services, we decided in 2021 to discontinue smart money app Yolt and focus our attention on growing its business-to-business open banking platform Yolt Technology Services. It provides businesses across Europe with the APIs they need to connect to users' bank accounts and initiate payments. In this way we are helping to speed up the adoption of open banking and empowering businesses to grow. Yolt Technology Services offers businesses API coverage to over 95% of bank accounts in the Netherlands, France and the UK, and its API infrastructure can connect to 80% of bank accounts in Belgium, Italy and Spain. By end-2021 it had made over two billion API calls – single uses of its API.

Payments

Open banking has changed the way people pay, giving consumers more options and opening up this service to non-traditional providers. This has accelerated the trend for instant payments executed in real time 24/7, 365 days a year. ING makes it possible for customers to make instant payments from the Netherlands, Belgium and Spain to the rest of Europe and is expanding this capability to other countries. Customers can instantly request and receive money from friends and family via mobile phone apps. We're now working with major Dutch retailers on extending peer-to-peer payments (apps enabling users to request and receive payments instantly) so merchants can send their customers a mobile payment request on delivery of goods.

To speed up international money transfers, ING uses SWIFT gpi (global payments innovation) in 11 countries. SWIFT (the Society for Worldwide Interbank Financial Telecommunication – facilitates payments between financial institutions). Around 80% of SWIFT gpi transfers are completed on the same day, as compared with three or five days previously. Our 'proof of payment' module on InsideBusiness now includes gpi information that allows corporate clients to track and trace their international transfers, including fees and FX conversions made during processing through our network of correspondent banks. For our Business Banking customers, we provide a bulk payment functionality API that makes it possible to pay up to 5,000 recipients simultaneously and which supports multiple strong customer authentication for all types of payments requiring two or more authorisations.

We announced in October 2021 that we are phasing out the services of our Payvision subsidiary by the second quarter of 2022. Acquired by ING in 2018 to grow our share in the e-commerce/online merchant payments market, Payvision offers business clients an omni-channel payments platform. However, this market has evolved faster than we anticipated, and is increasingly competitive and capital intensive. After thoroughly evaluating all options we concluded it’s not feasible for ING to achieve its ambitions with Payvision. Until it’s wound down, Payvision will continue to fulfil its contractual obligations and assist clients in the move to a new service provider. ING will continue to serve business clients in the offline point-of-sale market and in e-commerce payments, for example through providers such as iDeal in the Netherlands. Given iDeal’s dominance in the local payments market, ING and other Dutch banks decided to discontinue the Payconiq payments app in the Netherlands from January 2022. Conceived by ING in 2014 and a stand-alone company since 2018, Payconiq remains active in other markets such as Belgium (via ING’s OneApp) and Luxembourg.

Earning the primary relationship

Earning the primary relationship is an important driver for profitable growth. It leads to deeper relationships, greater customer satisfaction and ultimately customers choosing us for more of their banking needs. We want our customers to do more than just some of their banking with us; we want to be their first port of call where they deposit their salary, handle their payments, manage their assets, take out loans and do most of their other banking business.

In Retail Banking, primary customers have at least two active ING products. One of these should be a current account into which they deposit regular income. In Wholesale Banking, these are clients with lending and daily banking products and at least one other product generating recurring revenues.
ING grew the number of primary customers by 481,000 to 14.3 million in 2021, 3.5% higher than at end-2020.

Measuring customer satisfaction

One of the ways we measure our progress is through the Net Promoter Score (NPS), which indicates customer satisfaction and loyalty (whether they would recommend ING to others) compared to selected peers in each market. The score is calculated as the difference between the percentage of promoters (those scoring 9 or 10 out of 10) and detractors (those scoring ING below 6). Our aim is to achieve a number one NPS ranking in all our Retail markets, with a 10-point lead over our main competitors.

Retail Banking

Based on a rolling average of our NPS scores in 2021, ING ranked number one at year-end in five of our 11 Retail markets (six out of 11 markets in 2020, which then had included Austria, the Czech Republic and France). In four of these we are more than 10 points ahead of our nearest competitor. In Australia, Spain and Germany we widened the gap to the number two player and maintained our number one position in Poland and Romania. In the Netherlands, where we rank second, our NPS score improved to close the gap on the top scorer, while in Italy we moved up two positions in the ranking.

Business Banking

In this segment, serving self-employed and micro businesses, small and medium-sized enterprises and mid-corporate companies, we measure NPS in four markets (on a scale of -100 to +100):

- **Netherlands** NPS for mid-corporate clients improved to +30.5 (from +18.4 in 4Q 2020) well above our competitors (+19.2), based on feedback from clients who do business with us. Clients appreciate ING’s sector knowledge combined with regional presence, with satisfaction highest in the services, industry and transport and logistics sectors. For Real Estate Finance clients there is a relational and transactional survey in place with a healthy +39 outcome in 2021. However, there is room to improve the digital customer experience for small and medium-sized enterprises and self-employed clients where NPS respectively declined to -39 (from -26 in 4Q 2020) and -23 (from -18).
- **Poland** combined NPS for SME and mid-corporate clients improved to +47 (from +43 in 4Q 2020) and the relationship NPS for the self-employed and micro segment the NPS was +40.1.
- **Romania** NPS for mid-corporates rose to +64 (from +54 in 2020) and for micro clients and SMEs it increased to +51 (from +43 in 2020), putting ING in joint first place in both categories.
- **Belgium** NPS for mid-corporate and institutional clients (MCIs) improved to -33 in December 2021 (from -40 in January 2021), with an average score of -31 over the year. The NPS for self-employed and micro clients (SEMs) decreased to -55 from -32 at the start of 2021, scoring an average of -47 over the year.

This can be attributed to several factors including a new loans policy, branch closures, proximity to clients and ease of contact.

Wholesale Banking

In Wholesale Banking we measure both relational and transactional NPS. The relational NPS programme runs in 32 Wholesale Banking markets and is a qualitative measure of client satisfaction and how likely they are to recommend ING. The transactional NPS programme measures satisfaction with regards to specific transactions and services and the ease of doing business with ING. This is run in 23 countries.

In 2021, ING's relationship NPS score rose to +59.2 (on a scale of -100 to +100), from +56.3 in 2020, and 26% ahead of the industry average of +46.9 (+49 in 2020). The response rate increased to 62% from 60.4% and is based on clients representing more than 55% of Wholesale Banking revenue. In three of our four client segments (Platinum, Gold and Silver) NPS was higher; among Sapphire clients it retracted by 5% to 64.7. Six out of seven sectors registered stronger NPS, with Financial Institutions joining for the first time in a pilot programme. The higher scores suggest that clients appreciate our approach and that Wholesale Banking is succeeding in its strategy to focus on core clients, with as a result more resources allocated to a smaller group of clients and higher client satisfaction.

On the transactional side, the number of invites increased by ~68% compared to 2020, with an overall response rate of ~45%. A Client Services survey in June 2021 included a Transaction Services-related question. Here the response rate was ~48% and client services/transaction services scored above target with an overall satisfaction of 8.6 and a customer efforts score (measuring ease of doing business with ING) of 8.5. Also in June 2021, a Trade Financial Services survey was carried out in EMEA and APAC, with these clients rating ING above target with overall satisfaction of 8.8 and customer efforts score of 8.6.

External recognition

ING's digital leadership, customer experience and innovative products were recognised with several 'best bank' awards in 2021:

- Best bank in Spain at the 2021 HelpMyCash awards. ING was rated 4.4 out of 5 by customers. The sector average was 3.6.
- Euromoney named ING best bank in Poland and best bank for SMEs in Central and Eastern Europe, based on digital leadership, client-centricity and support for businesses during the pandemic.
- First in the Polish Banking Stars 2021 ranking by financial newspaper Dziennik Gazeta Prawna and PwC for the sixth consecutive year.
- ING in the Philippines named best digital bank for customer experience (Digital Banker magazine), and best savings bank, fastest-growing retail bank and most innovative mobile savings app (Global Banking & Finance Review).
- Recognised as most supportive bank through the Covid-19 crisis by trade commodity finance media outlet TXF.

Innovating to stay a step ahead

Innovation is a prerequisite for remaining relevant to our customers and living up to our purpose in a fast-changing world. It's how we can create new and differentiating experiences that deepen our engagement with customers and improve our own operational excellence. Ever since the introduction of direct banking in 1997, ING has been finding ways to make banking easier, smarter and more personal for our customers. Many of these advances stem from twinning the latest technologies with data insights. Growing demand for digital solutions is also spurring new ideas.

To increase the speed and impact of our innovation, at the start of 2021 we merged all of our innovation activities into one business area called ING Neo, which reports directly to the chief executive officer. This includes our beyond banking and platform activities in Retail Banking, Wholesale Banking innovation, the chief innovation office, ING Labs and our investment vehicle ING Ventures.

We're concentrating our innovation efforts on five value spaces chosen for their relative market size, potential to disrupt, and ING's right to play in those markets: housing, trade, disrupt lending, financial health, and safe and compliant. Closely related to our core business, these value spaces address trends that we believe will impact our customers and our business in areas such as customer convenience and access, sustainability, automation and digitalisation.

We've learnt that it takes time for an innovation to be widely adopted and reach the scale it needs to have an impact. This requires longer horizons and different ways of measuring success while staying within a reasonable time frame for ING. New, non-traditional products and services also require a different approach to evaluating risk. ING Neo therefore has its own second line of defence (which reports into the group lines, ensure compliance by design and the right risk and control frameworks for our innovation activities.

How we innovate

Innovative ideas come from inside and outside ING. We encourage our employees to think creatively and turn their ideas into opportunities through hackathons and initiatives like CX Day (to improve customer experience). In addition, ING's Innovation Summit aims to raise awareness among all employees of innovation trends and activities, and innovation ambassadors link our activities more closely to our business goals. In November, ING's second virtual Innovation Summit was streamed to 26 countries and reached more than 2,000 users.

ING also has its own customised innovation methodology called PACE, which emphasises customers validation to ensure we're only developing what they really want. So far over 12,500 employees have been trained in PACE. In 2021, we set up a digital PACE Academy to move the training from the classroom to online and reach more colleagues. The PACE programme was recognised at the 2021 Stevie Awards for Great Employers in the categories Skills Training and Problem-solving Training.

Partner, invest and build

No-one knows what the future may hold, nor what technologies may emerge and we recognise we don't always have all the knowledge and skills in-house. That's why we partner with academic institutions like the Dutch Technical University of Delft on technologies like artificial intelligence, with consortiums like Komgo, blockchain initiatives that are modernising commodity and trade finance, and with fintechs and others working on banking from a different perspective.

ING Labs is our incubator for potential scale-ups where we work with various partners to validate and build new businesses for ING and our customers, such as Stemly, an AI-driven forecasting tool for supply chain managers, and Cobase, a cloud-based multi-bank platform for corporate clients. One of the first startups incubated in our Singapore Labs in 2018, Stemly was spun out as an independent venture in 2021, while Cobase, which was spun out earlier, became a minority shareholding in 2020. We believe combining corporate innovation with entrepreneurial experience contributes to a higher success and greater impact than either partner could achieve alone. In our four ING labs in Amsterdam, London, Singapore and Brussels we currently have 18 initiatives in the innovation funnel in our five value spaces. Global Finance magazine named ING as one of the best bank-sponsored innovation labs in its 2021 Innovators awards.

Through ING Ventures, our corporate venture capital fund, we make minority investments in early-stage companies with a strategic relevance for ING. These are mainly fintechs developing disruptive technologies that will ensure our customers get access to best-in-class services. In 2021, the size of the fund was €350 million.

In total, ING had 114 active fintech partnerships at end-2021, of which 17 are among 34 ING Ventures investments. These include eXate (data privacy and security fintech); Divido (buy-now/pay later platform); Flowcast (AI powered credit decisions); PRODA (commercial real estate automation); and Stemly (AI forecasting tool for supply chain managers).

In the housing value space, ING partnered with property valuation firm Sprengnetter on Scoperty, a digital marketplace that aims to make Germany's real-estate market more transparent. With valuation estimates for more than 35 million residential properties, it creates a 'pre-market' where buyers can make a bid directly to the seller before the property is officially listed. Scoperty also provides related services such as sales support and mortgage qualification, which is aligned with ING's independent mortgage brokerage platform Interhyp, offering access to 400 lenders.

In the safe and compliant value space, Blacksmith KYC and CoorpID are two initiatives being implemented globally for KYC processes. Blacksmith's digital policy management is designed to help banks digitalise and accelerate know-your-customer workflows, provide insight into industry practices and better monitor financial economic crime-risk exposure, while CoorpID gives corporate clients a platform to easily store, manage and synchronise KYC documents.

For our Business Banking clients, various fintech partnerships are opening up new sources of financing to help companies find the right loans for their businesses. Countingup is a mobile banking app for self-employed entrepreneurs and freelancers that combines accounting and banking features into one seamless solution to reduce operating complexity and cost.

Not all our collaborations lead to new products or services. We've stopped over 90 partnerships so far, mostly after unsuccessful or unsatisfactory proofs of concept.

Distributed ledger technology and blockchain

When it comes to distributed ledger technology (DLT) and blockchain, ING was an early adopter of the technology and is considered an industry leader, consistently ranked among Forbes magazine's top-50 companies active in this area (for the third consecutive year in 2021).

Komgo – previously called Easy Trading Connect – is a former ING Innovation Bootcamp winner and one of the first to use DLT to digitalise commodities trade financing in 2017. In May 2021, ING-backed Komgo raised CHF26 million (€24.9 million) in its third funding round from a consortium of investors including ING Ventures. Spurred by demand for digital services during the pandemic, Komgo saw a 50% increase in trade finance transactions on its platform and a 65% increase in clients in the past year. Other DLT solutions include Contour, enabling letters of credit to be processed in under 24 hours (from 10 days); and HQLAx, facilitating trades in high-quality liquid assets, which was commercially launched in December 2020.

We amplify our DLT impact by addressing how our solutions can solve key problems in the finance industry and work with others to produce open-source assets that can serve and influence the wider community. Among others, ING contributed to the development of open-source blockchain platform Corda (with R3) and Ethereum, as well as zero-knowledge proof solutions to improve privacy and security of DLT-based transactions.

We continue to support the adoption of the technology in different areas of the bank and to explore additional opportunities as client demand, regulation and the technology evolve.

Data, AI and advanced analytics

In our competitive industry, data analytics stands to give us an edge. It goes hand in hand with digitalisation and we can use analytics to create actionable insights about customers and improve our daily decision making. Advanced analytics techniques (machine learning and big data) can be applied to automate processes, making them faster and better; create better products and services; and fight financial crime. In 2021, we initiated a programme to further develop and strengthen our global analytics strategy and align it with our business goals, moving analytics closer to customer experience-related activities and creating a global community of data and analytics experts.

ING Analytics delivers solutions in areas such as customer interaction, smart pricing strategies and risk management, innovation, anti-money laundering, people analytics, automation and for Wholesale Banking. In 2021, we further invested in an analytics platform to service the analytics needs of ING. It has over 2,000 users working on more than 300 unique projects across the bank.

One of the ways we use AI to improve the customer experience is with chatbots, which are available 24/7 to answer questions and interact with customers. In Germany, our virtual assistant pING was able to answer 7.6 million customer queries in 2021; the recogniton rate for current account questions, for example, improved to 95.7% from 94.2% the previous year. INGo in Turkey has a 92% accuracy score on customer queries and can also assist with money transfers, loan applications, changing passwords and locating the nearest ATM. Since its introduction in 2018, it has been further improved and 'humanised' to make small talk and jokes with customers and proactively reach out on birthdays and other special occasions. In 2021, INGo had around 900,000 users in 5.1 million chat sessions and approved 476 million lira worth of loans.

Some of our fintech partnerships enhance our data capabilities, such as London-based data security company Exate, which makes it possible to securely share data with greater speed and efficiency. This will allow ING to test new software on real data to ensure effectiveness in production and enable closer collaboration with external partners across borders. Other solutions delivered by ING Analytics in 2021 were Nadia, a robot that automates repetitive tasks in our non-financial risk database in seven ING countries and SARA, which automates financial and other administrative processes for business customers in Poland.

Sustainable business

Being sustainable is not just about reducing our own environmental footprint. We see it as an opportunity to use our experience and knowledge to support our clients on their own sustainability journeys. Our biggest impact is through the loans we provide. That's why in 2018 we committed to steering our lending portfolio towards meeting the well-below two-degree goal of the Paris Agreement – an ambition we sharpened in 2021 when we joined the Net-Zero Banking Alliance. We use our Terra approach to align our portfolio with our ambitions, as well as to measure and report on our progress.

Recognising the merit of disclosing absolute greenhouse gas emissions we started doing so in our integrated climate report published in September 2021 (available on ing.com). This report also gives a broader overview of all the elements of our climate action approach, including how we assess climate risks and take action to mitigate them.

Terra approach

Terra helps us to steer our portfolio away from high-carbon technology towards the new low-carbon technology needed to reach these net-zero goals in the nine sectors most responsible for climate change. These are power generation, fossil fuels, automotive, shipping, aviation, steel, cement, residential mortgages and commercial real estate. To measure our progress, Terra uses the most appropriate methodology available per sector, given that each has its own transition pathway, and that some sectors are further along on their journeys.

One of the methodologies is PACTA for Banks, which ING co-created with 2DII (the 2° Investing Initiative). It looks at the technology shift that's needed across certain sectors to slow global warming and then measures this against the actual technology clients are using or plan to use in the future. For example, in the automotive sector we measure the number of internal combustion engines our clients are making compared to electric vehicles and based on science-based transition pathways, we can then see what needs to shift, by how much and when. This is where financing comes in, and where ING can have an impact in the real economy.

Reporting process

The process for reporting on Terra consists of a number of steps, most of them carried out by ING's Global Sustainability department in conjunction with colleagues in the front office. Required internal data relating to our portfolio composition is made available soon after ING's year-end close in February. External data relating to climate performances is collected around April. The external data is checked for consistency and matched with our internal data. A year-on-year portfolio comparison is made to analyse fluctuations and company-level insights for each sector. This helps us understand the drivers behind any changes, which are usually a combination of the climate performance of our clients, the composition of our sector portfolios or data improvements. When necessary, scenarios and targets are updated in conjunction with external parties.

Once the data is validated we draft our progress report, which since 2021 has been incorporated into the integrated climate report. The report is approved at board level and published in September each year. As such, all progress reported in 2021 relates to 2020. Reporting on progress [illegible] to and aligned with the Poseidon Principles timelines. The report on 2020 year-end data was published in December 2021.

Targets and progress

We are currently working on incorporating our updated ambition into our Terra approach and aim to have the targets needed for a net-zero pathway for all nine sectors by end-2022.

As a first step, we've updated our target for upstream oil and gas in line with the International Energy Agency's net-zero scenario. Our aim is to reduce financing to upstream oil and gas by 12% by 2025 (from the around €4 billion we loaned the industry in 2019) by decreasing our exposure in the sector and engaging with clients to help them shift to low-carbon technology. This new target reflects the accelerated pace of change that's needed to bring about. Previously we had aimed to reduce financing in this sector by 19% by 2040.

To measure our progress we use the 2DII PACTA 'economic activities' methodology, which has two metrics to [illegible] the carbon intensity of the Energy sector. For 'power generation' the alignment metric we use is emissions intensity. For 'fossil fuels' (coal, oil & gas) we use the 'portfolio financing trend', which requires an absolute reduction in the financing of primary energy production by reducing the size of our upstream oil & gas and thermal coal mining portfolios. Both metrics use the assumptions of International Energy Agency's net zero scenario pathway to reduce the carbon intensity of global power generation.

Financing and advising our clients

As a financial institution we see it as our role to support the transition to net zero through our financing and by using our knowledge and insights to support our clients in their own transitions towards a greener future. We believe we can have more impact with what we do finance than what we don't finance. So while we say 'no' to certain businesses and sectors, in others we say 'yes but', outlining sustainability changes clients have to make to reach net zero.

Our integrated climate strategy helps us decide what activities we'll support and those we'll no longer finance. Our approach is closely aligned with the climate goals of the Paris Agreement, as well as the objectives of the European Commission's (EC's) Green Deal, which provides a framework for Europe's journey to achieve net zero greenhouse gas emissions by 2050. It also aims to decouple economic growth from resource use and ensure economic inclusivity so no person or place is left behind.

European Taxonomy regulation, Article 8 Delegated Act

Throughout 2021, the EC published a set of policies and regulations aimed at channelling money towards sustainable activities and creating a level playing field for both companies and investors. This included defining which activities are considered to be environmentally sustainable and creating a common classification system for these activities: the European Taxonomy (EUT).

The EUT regulation aims to redirect capital flows to support the transition, help generate sustainable and inclusive growth and prevent greenwashing. Moreover, the EC has started translating its six environmental goals into technical screening criteria. These six goals are: climate mitigation, climate adaption, the sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Both financial services companies and non-financial companies are called upon to scrutinise their balance sheets with regards to climate change mitigation and adaptation in line with these criteria under the Climate Delegated Act (DA).

The EU's pathway to 2050 is laid out in a phased approach, with the first phase described in the Delegated Act Article 8 of the EUT regulation published in June 2021. Within the scope of Article 8 DA, all non-financial companies that are required to disclose ESG information under the non-financial reporting directive (NFRD) are currently obliged to determine the parts of their turnover, capital and operating expenditures that are eligible for inclusion in the EUT framework. Financial companies, including ING, will reuse the disclosed information from NFRD companies to determine their eligibility ratio. The eligible assets in scope can eventually be aligned with one or more of the six environmental goals, while doing no significant harm to any of the other goals and ensuring minimum safeguards.

ING sees the EUT as an opportunity to re-evaluate our assets and sustainable products, to be transparent about our efforts to our stakeholders, and ultimately to reach net zero. The EUT is still evolving and so are our sustainability efforts. It's essential to distinguish between our own efforts (through our Terra approach and sustainable finance products and services) and the incorporation of EUT requirements to reassess our assets for eligibility under the EC's scope.

When it comes to sustainable finance we categorise our lending activities to corporate clients as climate finance (funding to advance the transition) or social impact finance (driving social progress). Before providing financing, we assess whether clients meet our environmental and social risk criteria, which are defined by our own risk appetite statement. Among the products we offer are green and social loans and bonds, sustainability-linked loans and bonds, and structured finance products.

We're continuously exploring new ways to support our clients in a sustainable way and aligned with the principles of the Loan Market Association, the International Capital Markets Association for green, social and sustainability liked financial products and the EUT. We also proactively inform our clients about aligning their business activities with the EUT and have started incorporating published technical screening criteria into our loan assessment processes.

Energy policy in practice

Reducing society's reliance on fossil fuels is a vital contributor to the energy transmission and for reducing the emission of greenhouse gases. As part of our integrated sustainability strategy, we're working to align our energy portfolio (and other major CO2 emitting sectors) with net zero by 2050 targets through our Terra approach. However, transitioning from fossil-based fuels to low-carbon and renewable power sources requires massive investment in new technologies and infrastructure to meet the growing demand for energy. This is a complex process that cannot happen overnight and in the meantime the real economy still relies on fossil fuels. The least carbon intensive alternative to these is natural gas.

We believe that simply reallocating capital from high-carbon clients and assets to low-carbon ones does not support the transition we want to see in the real economy because it does not reduce the actual global CO2 emissions as the same assets can be financed through other means. Rather, we believe in working with our clients to support them in the transition towards reaching climate goals together. In the Terra approach, we've developed a distinct method for steering our portfolio by identifying carbon intensity metrics that reflect the shift needed to happen in each specific sector to achieve climate goals.

Financing the transition

Since ING introduced the first sustainability-linked loan (SLL) for Philips in 2017, where rates are linked to the client's sustainability performance, the popularity of these products has increased as more and more companies push sustainability to the top of their strategic agendas. ING closed 147 sustainability-linked transactions in 2021. These included the world's biggest-yet SLL and the first in its sector for brewer AB InBev ($10.1 billion revolving credit facility linked to water-efficiency improvements, PET packaging recycling, renewable energy and reduced emissions targets).

In addition, ING received four consecutive sustainability-related mandates from US data centre provider Aligned, acting as sole sustainability coordinator and sole green structuring advisor on the [illegible] securitisation in the data centre space.

Pioneering for the future

We also invest in the technology needed to reach a net-zero world, things like battery storage and solar power. In 2021, ING's innovative financing method to make inland shipping in the Netherlands more sustainable with a pay-per-use structure for renewable batteries, Zero Emissions Services (ZES), was recognised by the International Association of Ports and Harbours (IAPH) with a sustainability award in the climate and energy category. ING founded ZES along with consortium partners the Port of Rotterdam, energy company ENGIE, Finnish maritime technology company Wärtsilä and its first customer, Dutch brewer Heineken. The first vessel started sailing in September 2021.

ZES is also an example of how ING is exploring circular business models with various partners. The circular economy is a way for companies to reduce waste and emissions by rethinking their use of raw materials and resources from a 'take, make and waste' approach to 'reduce, reuse and recycle'. Companies like ZES stimulate other use models for depleted battery packs, giving them a second or even a third life after they are exchanged.

Another ING investment in green transport, electric bus company Ebusco made its debut on the Amsterdam stock exchange in October 2021. The initial public offering raised €300 million to fund Ebusco's international expansion and growth strategy and valued the company at around €1.3 billion. ING Corporate Investments continues to hold a 21% stake in Ebusco (initially acquired in 2016).

Accelerating the green economy

To accelerate a green and sustainable economy we provide financing for projects such as wind or solar energy and sustainability-linked financing that supports companies on their own sustainability journeys. In 2021, we closed 317 sustainable finance transactions (139 in 2020). These include 45 green and social loans, 147 sustainability-linked loans and 95 green, social, sustainability(-linked) and transition bonds. The remaining 30 transactions were spread among green and sustainability-linked schuldscheins (an investment form predominantly used in Germany), other sustainable investments, sustainable structured finance transactions and ESG advisory and green guarantees.

Sustainable bonds are an integral part of our sustainable finance offering and are supported by ING's Green Bond Framework, which is aligned with the Green Bond Principles of the International Capital Market Association. Among these are a euro-denominated green bond (two-part €1.1 billion) for US IT and data centre provider Equinix, which builds on the green finance framework ING created for them in 2020; and a $3.2 billion equivalent dual-currency bond offering for FedEx, part of which was a sustainability bond offering. ING was sole structuring adviser on the sustainability financing framework.

Through our social impact finance portfolio we lend to projects that lead to, for example, basic infrastructure improvements, community development or essential services. In December 2021, ING acted as joint coordinator of a social loan for the Ghanaian Ministry of Finance to set up national vocational training institutes across Ghana. The export credit facility is aligned with the standards of the Social Loan Principles. We also aim to make a positive contribution to human rights as financier, employer, taxpayer and as a driver of progress and prosperity. This is in line with the United Nations' Principles for Responsible Banking, of which ING was a founding signatory in 2019.

Who we finance is as important as what we finance. In 2021, lending to industry ESG leaders (based on the scores of independent ESG ratings provider Sustainalytics) grew to €37.8 billion from €28.5 billion in 2020. (This amount may overlap with the amounts reported under climate and social impact finance.)

In the Bloomberg league tables, ING ranked second for green, social and sustainability euro bond issues with more than €7.5 billion in bonds issued in 2021 (fourth with €3.8 billion in 2020), and fifth for green and sustainability-linked loans valued at €5.4 billion (fifth with €3.3 billion in 2020).

Greener homes

A significant part of our loan book – 42% – consists of residential mortgages, accounting for 68% of our Retail Banking loans. Houses generally account for about 22% of direct and indirect CO2 emissions in the EU. Our long-term vision is to empower our mortgage customers to reach net-zero emissions in their homes and to achieve the same for our mortgage portfolio by 2050. We're therefore working with our customers to improve the energy consumption of the houses we finance as a way of achieving our net-zero goals. However, there's a long way to go to help all our clients improve the energy efficiency of their homes.

Not knowing what renovations are most effective or what financing or subsidies are available to do so is one of the factors we've seen that is stopping people from taking action. Here banks can play a role. In addition, the energy mix varies from country to country and the energy intensity of homes is quite broad. To be able to understand how energy efficient homes are and make comparisons across markets a robust and standardised approach to data is necessary at country and European level and ambitious regulation will be critical to encourage a faster transition.

Our current carbon intensity measurement covers our Dutch, German, Belgian and Polish mortgage portfolios, with a combined outstanding lending amount of roughly €232 billion (78% of total mortgage outstandings) and more than 1.5 million financed homes. More countries will be added as the data becomes available. See our integrated climate report on ing.com for information on the underlying measurement, which, like the rest of Terra reporting, relates to 2020 data.

Across our mortgage markets we provide a range of products, services and advice to help homeowners make their houses more sustainable. These include eco loans to finance renovations to improve energy efficiency such as insulation, solar panels and double glazing. In Belgium, we offer interest-free eco renovation mortgages in collaboration with the Flemish government. We also provide access to subsidies in countries where these are available. In Germany, we work with development bank KfW to integrate subsidy programmes into our mortgage offering for energy-efficient new-builds and for modernising existing homes, for example with energy-efficient heating systems.

In the Netherlands, ING became a co-financier of the Dutch government's 'Warmtefonds' (Heat fund) in May, contributing €50 million in financing. The fund provides loans on favourable terms to make homes more sustainable. Since 2014, it has provided around €600 million in financing for this purpose. In November, a local hub of the European Energy Efficient Mortgages (EEM) initiative was set up in the Netherlands, with ING as a founding member, to support and promote the acceleration of energy-efficient housing by developing a framework for green mortgages.

To engage customers on their sustainability journeys our Dutch and German websites provide information and advice about energy-efficient living and financing available. In the Netherlands, customers can also check the energy profile of their homes as well as the options to improve in this area. To help them take the first step, we provided a free energy rating for homeowners wanting to invest in upgrading their energy label. Around 60% of our Dutch portfolio currently has an 'A', 'B' or 'C' energy label, with more homes moving into the most energy-efficient 'A' band (17.4% compared to 15% the previous year) and fewer homes in the 'G' band (27.2% v 28.3%). In addition, the CO2 intensity of this portfolio reduced from 35kg CO2/m2 to 21.9kg at end-2020, helped by the Netherlands' growing use of renewable energy sources in its electricity network.

Managing climate and environmental risks

Our integrated climate approach considers both how ING can impact climate change through our financing as well as how climate change can impact our business. We're working to be more resilient to climate risks, both physical risks, such as the risk of flooding on our mortgage portfolio, and transition risks, such as stranded assets, for example when carmakers don't make electric vehicles. These risks and their financial implications can potentially also impact our clients and ultimately our balance sheet. A critical process is therefore required to identify and understand these risks and integrate them into our risk management framework, including credit, market, liquidity and operational risks. Read more in 'Risk management'.

A climate risk assessment of around 65% of our mortgage portfolio identified flooding as the biggest physical risk where the impact would vary extensively. We have decided to develop this pilot further and increase the geographical scope and data granularity to grow our understanding of the financial impact of climate hazards for our portfolio management. We expect to report more on this in 2022. As part of this initiative we're collecting location data for the Belgian mortgage book to identify physical climate risk to our collateral. An initial assessment of the impact on Business Banking clients on a sector level will be used as input for ING's global heatmap. In line with its local regulatory requirements, ING in Belgium will also collect the energy efficiency levels of immovable property collaterals, both residential and commercial.

We apply strict social, ethical and environmental criteria in our financing and investment policies and practices to ensure they're in line with our sustainability goals. Every client and transaction is assessed, monitored and evaluated against the requirements of our environmental and social risk (ESR) framework to ensure compliance and limit negative impact on the environment and communities. That way, climate and environmental impact are taken into account every time we make financing or investment decisions.

Sustainable investment services

ING offers sustainable investment (SI) services to its Retail Banking customers in the Netherlands, Belgium, [illegible]. These include brokerage, advisory and discretionary management. We provide [illegible] structured products and investment funds and cover all asset classes. In 2021, ING's Retail investment division recorded €19.2 billion in sustainability assets (from €13.2 billion in 2020). This also underlines our clients' appetite for products and services that integrate sustainability criteria.

To provide these clients with a portfolio that's in line with their values and interests we use a comprehensive set of environmental, social and governance criteria to assess all investments. Both companies and investment funds are screened against these criteria. For companies we take a two-step approach. First, we look at their policies and achievements on sustainability and score relative to their peers, choosing to invest in those companies with the best ESG profile per sector. Second, we exclude companies whose products or services have negative impacts or which are engaged in undesirable corporate conduct, for example conduct that infringes human rights. In selecting investment funds, we carry out quantitative and qualitative screening to understand the ESG profile of the asset and the asset manager. This includes interviewing fund managers and ensuring the underlying holdings also meet our sustainability criteria. For more information on the selection process please refer to ing.com.

ING is a signatory to the UN-backed Principles for Responsible Investment as a service provider and we're committed to incorporating ESG into our investment decisions, policies and processes underpinning our investment services.

For a description of the principal and geographic markets ING operates in and related revenue categories, see Item 5 of this Form 20-F.

Competition

ING is a global financial institution with a strong European base, offering Retail and Wholesale Banking services to 38 million customers in over 40 countries. ING's purpose is to empower people to stay a step ahead in life and in business.

ING's Retail business includes the Business Banking segment and serves customers ranging from individuals to small and medium-sized businesses and mid-corporate clients. ING offers these customers a full range of banking products and services, covering payments, savings, mortgages, insurance, investments and secured and unsecured lending. The Wholesale Banking business provides corporate clients (large companies and multinationals) and financial institutions with advisory value propositions such as specialised lending, tailored corporate finance, sustainable and sustainability-linked financing and debt and equity market solutions. It also offers daily banking services such as payments and cash management and trade and treasury services.

There is substantial competition in the countries in which we do business for the types of wholesale banking, retail banking, investment banking and other products and services we provide. This competition is most pronounced in more mature markets such as the Netherlands, Belgium and Germany, the rest of Western Europe. Our largest market is the Netherlands, where our main competitors are ABN AMRO and Rabobank.

In recent years, competition has increased in emerging markets such as Asia and Central and Eastern Europe, as financial services companies from more developed countries see these markets as offering higher growth potential, while local institutions have become more sophisticated and competitive and have proceeded to form alliances, mergers or strategic relationships with our competitors.

Our competitive landscape is transforming as society becomes increasingly digitalised and ever more reliant on technology and the online economy – a trend amplified by the Covid-19 pandemic, which accelerated the shift to mobile banking and contactless payments. Our main competitors are no longer just other banks.

The opening up of the European payments market under the PSD2 directive is a significant competitive development, creating a more crowded, uneven playing field as third-party payment providers and fintechs enter this lucrative area once dominated by banks. These new entrant have operating models that are not burdened with potentially costly legacy operations. They are less regulated than banks and use technology and advanced data analytics tools to lower cost to serve and speed up processes.

Advances in technology are accelerating the use of new business models, for example in retail payments, peer-to-peer lending, foreign-exchange and low-cost investment advisory services. New solutions offered by rapidly evolving incumbents, challengers and new entrants, especially with respect to payments, are disrupting the financial services sector and leading to the emergence of disintermediation.

In this competitive landscape, where banking products and services have mostly become commodified, the key differentiator is customer experience. For consumers, this means a seamless experience that's safe, easy, smart and personal. Businesses too want to benefit from gains in speed, transparency and efficiency created by technologies such as blockchain and artificial intelligence. The successful banks will be those with a strong trusted brand and a superior digital experience, taking the effort out of banking and offering personalised, real-time advice, products and services for all financial needs.

Statements regarding ING's competitive position reflect the assessment of ING's management of the general competitive landscape in which ING operates.

Regulation and Supervision

The banking and broker-dealer businesses of ING are subject to detailed and comprehensive supervision in all of the jurisdictions in which ING conducts business.

Regulatory agencies and supervisors have broad administrative power and enforcement capabilities over many aspects of our business, which may include liquidity, capital adequacy, permitted investments, ethical issues, money laundering, anti-terrorism measures, privacy, recordkeeping, product and sale suitability, marketing and sales practices, remuneration policies, personal conduct and our own internal governance practices. Also, regulators and other supervisory authorities in the EU, the US and elsewhere continue to scrutinise payment processing and other transactions and activities of the financial services industry through laws and regulations governing such matters as money laundering, anti-terrorism financing, tax evasion, prohibited transactions with countries or persons subject to sanctions, and bribery or other anti-corruption measures.

As discussed under “Item 3. Key Information — Risk Factors”, as a large multinational financial institution we are subject to reputational and other risks in connection with regulatory and compliance matters involving these countries.

European Regulatory framework

The Single Supervisory Mechanism (“SSM”) is the first pillar of the Banking Union and has been operational since 4 November 2014. The SSM is composed of the European Central Bank (“ECB”) and the national competent authorities of the participating EU member states. The main aims of European banking supervision are to ensure the safety and soundness of the European banking system, increase financial integration and stability and ensure consistent supervision. Under the SSM, the ECB is ING Group’s and ING Bank’s principal prudential supervisor. The ECB is, amongst others, responsible for tasks such as market access, compliance with capital and liquidity requirements and governance arrangements. National competent authorities, including the Dutch Central Bank (De Nederlandsche Bank or “DNB”) for ING Group and ING Bank, remain responsible for supervision of tasks that have not been transferred to the ECB such as financial crime and payment supervision.

The SSM is complemented by the second pillar of the Banking Union, the Single Resolution Mechanism (“SRM”), which comprises the Single Resolution Board (“SRB”) and the national resolution authorities. The SRM is fully responsible for the resolution of banks within the Eurozone since 1 January 2016. ING has been engaging already with the Dutch national resolution authorities and the SRB for a few years with the aim to support in the draw up of a resolution plan for ING and will continue to collaborate with the resolution authorities. The rules underpinning the SRM could have a significant impact on business models and capital structure of financial groups in order to become resolvable.

As a third pillar to the Banking Union, the EU aims at further harmonizing regulations for Deposit Guarantee Schemes (DGS). Main elements are the creation of ex-ante funded DGS funds, financed by risk weighted contributions from banks. As a next step, the EU is discussing a pan-European (or pan-banking union) DGS (the European Deposit Insurance Scheme (EDIS)), (partly) replacing or complementing national compensation schemes. The EDIS proposal as well as certain accompanying risk reduction measures are still being discussed in the European Parliament and in the Council. In February 2021, the European Commission issued a public consultation on the review of the bank crisis management and deposit insurance (CMDI) framework, with a focus on three EU legislative texts: the Bank Recovery and Resolution Directive (BRRD), the Single Resolution Mechanism Regulation (SRMR), and the Deposit Guarantee Schemes Directive (DGSD). The anticipated revision of the CMDI framework is part of the debate on the completion of the Banking Union and in particular its third and missing pillar EDIS. The consultation period ran until May 2021. It is uncertain when the next steps towards revision of the CMDI framework, including EDIS, can be expected.

Dutch Regulatory Framework

The Dutch regulatory system for financial supervision consists of prudential supervision – monitoring the soundness of financial institutions and the financial sector, and conduct-of-business supervision – regulating institutions' conduct in the financial markets. As far as prudential supervision has not been transferred to the ECB, it is exercised by the Dutch Central Bank (De Nederlandsche Bank or "DNB"), while conduct-of-business supervision is performed by the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten or "AFM"). DNB is in the lead with regard to macroprudential supervision.

Global Regulatory Environment

There is a variety of proposals for laws and regulations that could impact ING globally, in particular those made by the Financial Stability Board and the Basel Committee on Banking Supervision at the transnational level and an expanding series of supranational directives and national legislation in the European Union (see "Item 3. Key Information — Risk Factors — We operate in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations governing our business may reduce our profitability). The aggregated impact and possible interaction of all of these proposals are hard to determine, and it may be difficult to reconcile them where they are not aligned. The financial industry has also taken initiatives by means of guidelines and self-regulatory initiatives.

Dodd-Frank Act and other US Regulations

ING Bank has a limited direct presence in the United States through the ING Bank Representative Offices in New York, Dallas (Texas) and Houston (Texas). Although the offices' activities are strictly limited to essentially that of a marketing agent of bank products and services and a facilitator (i.e. the offices may not take deposits or execute any transactions), the offices are subject to the regulation of the State of New York Department of Financial Services and the State of Texas Department of Banking, as well as the Federal Reserve. ING Bank also has a subsidiary in the United States, ING Financial Holdings Corporation, which through several operating subsidiaries (one of which is registered with the CFTC as a swap dealer and the SEC as a security-based swap dealer and another of which is registered with the SEC as a securities broker-dealer) offers various financial products, including lending, and financial markets products. These entities do not accept deposits in the United States on their own behalf or on behalf of ING Bank N.V.

The ING subsidiary, ING Capital Markets LLC, is registered as a swap dealer and subject to a statutory regulatory regime and CFTC rules and oversight.. As a registered entity, it is subject to, among others, business conduct, recordkeeping and reporting requirements, as well as margin requirements and capital requirements. In addition to the obligations imposed on registrants (such as swap dealers), other requirements relating to reporting, clearing and on-facility trading have been imposed for much of the off-exchange derivatives market. It is possible that some of these compliance requirements, especially the newly-implemented capital requirements and an increased scope of applicability for initial margin requirements, will increase the costs of and restrict participation in the derivative markets. This could have the effect of restricting trading activity, reducing trading opportunities and market liquidity, potentially increasing the cost of hedging transactions and the volatility of the relevant markets. This could adversely affect the business of ING in these markets.

The Dodd-Frank Act and SEC regulations enacted thereunder, effective 1 November 2021, resulted in ING Capital Markets LLC registering as a security-based swap dealer with the SEC. The SEC has adopted regulations, among others, establishing registration, reporting, risk management, business conduct, and margin and capital requirements for security-based swaps. While ING Capital Markets LLC, as a security-based swap dealer, is required to comply with SEC rules with respect to most of these requirements, SEC rules have permitted an "Alternative Compliance Mechanism" that allows for compliance subject to eligibility requirements – with CFTC capital and margin rules applying to swap dealers in lieu of SEC capital and margin rules applying to security-based swap dealers. ING Capital Markets LLC has elected to use the Alternative Compliance Mechanism. However, should ING Capital Markets LLC in the future be ineligible for the "Alternative Compliance Mechanism" SEC capital and margin security-based swap dealer rules instead of the CFTC capital and margin security-based swap dealer rules.

ING Capital Markets LLC's recent registration with the SEC as a security-based swap dealer along with the impact of these regulations on the industry may increase operational costs, reduce trading activity and market liquidity and increase volatility in the relevant markets. It will also result in a substantial portion or all of ING's security-based swap activities with U.S. persons being conducted through ING Capital Markets LLC.

In addition, new position limits requirements for uncleared swaps referencing any of twenty-five commodity futures contracts for market participants could limit ING's position sizes in these swaps referencing specified physical commodities and similarly limit the ability of counterparties to utilize certain of our products to the extent hedging exemptions from the position limits are unavailable.

The Dodd-Frank Act also created a new agency, the Financial Stability Oversight Council ("FSOC"), an inter-agency body that is responsible for monitoring the activities of the U.S. financial system, designating systemically significant financial services firms and recommending a framework for substantially increased regulation of such firms, including systemically important non-bank financial companies that could consequently pose systemic risk, insurance companies and other providers of financial services, including non-U.S. companies. ING has not been designated a systemically significant non-bank financial company by FSOC and such designation is currently unlikely.

Dodd-Frank continues to impose significant requirements on us, some of which may have a material adverse impact on our operations and results, as discussed further under "Item 3. Key Information — Risk Factors — We operate in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations governing our business may reduce our profitability".

Basel III and European Union Standards as currently applied by ING Bank

DNB, our principal home country supervisor until the ECB took over that position in November 2014, has given ING permission to use the most sophisticated approaches for solvency reporting under the Financial Supervision Act, the Dutch legislation reflecting the Basel II and Basel III Frameworks. DNB has shared information with host regulators of relevant jurisdictions to come to a joint decision. In all jurisdictions where the bank operates through a separate legal entity that is a credit institution, ING must meet the local implementation of Basel requirements as well. ING uses the Advanced IRB Approach for credit risk, the Internal Model Approach for its trading book exposures and the Advanced Measurement Approach for operational risk. A small number of portfolios including certain sovereign exposures are reported under the Standardized Approach

In December 2010, the Basel Committee on Banking Supervision announced higher global minimum capital standards for banks, and has introduced a new global liquidity standard and a new leverage ratio. The Basel Committee's package of reforms, collectively referred to as the "Basel III" rules, has, among other requirements, increased the amount of common equity required to be held by subject banking institutions, has prescribed the amount of liquid assets and the long term funding a subject banking institution must hold at any given moment, and designated leverage ratio. Banks are required to hold a "capital conservation buffer" to withstand future periods of stress. Basel III has also introduced a "countercyclical buffer" as an extension of the capital conservation buffer, which permits national regulators to require banks to hold more capital during periods of high credit growth (to strengthen capital reserves and moderate the debt markets). Further, Basel III has strengthened the restrictions of capital that has the effect of gradually disqualifying many hybrid securities during the years 2013-2022, including the hybrids that were issued by the Group, from inclusion in regulatory capital, as well as the higher capital requirements associated with certain business conditions (for example, for credit value adjustments ("CVAs") and illiquid collateral) as part of a number of reforms to the Basel II framework. In addition, the Basel Committee and Financial Stability Board ("FSB") published measures that have had the effect of requiring higher loss absorbency capacity, liquidity surcharges, exposure limits and special resolution regimes for, and instituting more intensive and effective supervision of, "systemically important financial institutions" ("SIFIs"), in addition to the Basel III requirements otherwise applicable to most financial institutions. One such measure published by the FSB in November 2015, is the Final Total-Loss Absorbing Capacity ("TLAC") standard for G-SIFIs which aims for G-SIFIs to have sufficient loss-absorbing and recapitalisation capacity available in resolution. ING Bank has been designated by the Basel Committee and FSB as a so-called "Global Systemically Important Bank" ("G-SIB") since 2011, and by DNB and the Dutch Ministry of Finance as a "other SII" ("O-SII"). Since 2016, DNB requires ING Group to hold a 2.5% O-SII Buffer in addition to the capital conservation buffer and the countercyclical buffer described above.

CRR /CRD IV

For European banks the Basel III requirements have been implemented through the Capital Requirement Regulation ("CRR") and the Capital Requirement Directive ("CRD IV"). The CRD IV regime entered into effect in August 2014 in the Netherlands, but not all requirements were implemented all at once. Having started in 2014, the requirements have been gradually tightened, mostly before 2019, until the Basel III migration process was completed.

CRD IV has not only resulted in new quantitative requirements but has also led to the setting of new standards and evolving regulatory and supervisory expectations in the area of governance, including with regard to topics like conduct and culture, strategy and business models, outsourcing and reporting accuracy.

CRRII / CRD V and BRRDII

On 27 June 2019, a series of measures referred to as the Banking Reform Package (including certain amendments to CRR and CRDIV commonly referred to as 'CRR II' and CRD V') came into force, subject to various transitional and staged timetables. The adoption of the Banking Reform Package concluded a process that began in November 2016 and marks an important step toward the completion of the European post-crisis regulatory reforms, drawing on a number of international standards agreed by the Basel Committee, the Financial Stability Board and the G20. CRDV was implemented in Dutch law in 2020. The Banking Reform Package updates the framework of harmonized rules established following the financial crisis of 2008 and introduces changes to the CRR, CRDIV, the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism Regulation (SRMR). The Banking Reform Package covers multiple areas, including the Pillar 2 framework, the introduction of a leverage ratio requirement of 3% and a leverage ratio buffer requirement of 50% of the G-SIB buffer requirement (applicable per 1 January 2023), a binding Net Stable Funding (NSFR) ratio based on the Basel NSFR standard but including adjustments with regard to e.g. pass-through models and covered bonds issuance, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of 'non-preferred' senior debt, the minimum requirement for own funds and eligible liabilities (MREL) and the integration of the TLAC standard into EU legislation. Further, the EBA obtained a mandate to investigate how to incorporate environmental, social, and governance (ESG) risks into the supervisory process and what the prudential treatment of assets associated with environmental or social objectives should look like.

Whilst the Banking Reform Package was being developed, the ECB introduced the Targeted Review of Internal Models (TRIM) in June 2017 to assess reliability and comparability between banks' models for calculating each bank's risk-weighted assets ('RWA') used for determining certain of such bank's capital requirements. In July 2019, the ECB published the final chapters of the guide to internal models, covering credit risk, market risk and counterparty credit risk. These risk type-specific chapters are intended to ensure a common and consistent approach to the most relevant aspects of the regulations on internal models for banks directly supervised by the ECB. Additionally, they provide transparency on how the ECB understands the regulations on the use of internal models to calculate own funds requirements for the three risk types. Impact on ING is through more stringent regulation on the end-to-end process and governance around internal models as well as an increase of risk weighted assets (RWA).

In 2020, the last TRIM ECB inspection ended. The ECB has sent final TRIM decision letters, which include certain obligations. Also certain limitations have been put in place until these obligations are fully addressed. ING is working on closing the respective obligations.

Final Basel III reforms

In December 2017 the Basel Committee finalised its Basel III post-crisis reforms which is the publication of revisions to the prudential standards for credit, operational and credit valuation adjustment (CVA) risk as well as the introduction of an output floor. This package of reforms aims to increase the robustness in risk-weighted asset calculations and improve the comparability of banks' capital ratios. The use of internal models will be reduced and the standardised approaches will be made more risk-sensitive and granular.

Following a one-year deferral due to COVID-19, these reforms will take effect from 1 January 2023 and will be phased in over five years. The implementation of the EU/Basel III reforms will have an impact on ING's risk-weighted assets and capital ratios, but it is expected that other new banking regulations and model reviews, bring forward a significant part of this impact before the EU implementation date.

CRR "quick fix" in response to the Covid-19 pandemic

On 26 June 2020 Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations CRR as regards certain adjustments in response to the COVID-19 pandemic (commonly referred to as CRR "quick fix") was published.

The CRR "quick fix" is part of a series of measures taken by European institutions to mitigate the impact of the COVID-19 pandemic on institutions across EU Member States. In addition to the flexibility already provided in the existing rules, the CRR 'quick fix' introduces certain adjustments to the CRR, including temporary measures and measures that early adopt changes in the regulations that were intended to become effective at a future date. This notably included reduced capital requirement for certain exposures to small- and medium-sized enterprises (SMEs), a more favourable prudential treatment for certain software assets, one year delay in the application of the leverage ratio buffer requirement of 50% of the G-SIB buffer (to 1 January 2023). Also the following adjustments were introduced and have an impact on disclosures:

- frontloading from CRR2 the possibility of temporarily excluding certain exposures to central banks from the calculation of an institution's total exposure measure (Article 500b of CRR);
- extending by 2 years transitional arrangements for mitigating the impact on own funds of the introduction of IFRS 9 (Article 473a (8) of CRR).

CRRIII / CRD VI

On 27 October 2021, the European Commission published a legislative proposal to review the EU's CRD/CRR framework. The review consists of the following legislative elements: a proposal to amend CRD V, a proposal to amend CRR II, and a separate, targeted proposal to amend CRR II in the area of resolution (the so-called 'daisy chain'-proposal). The package is now being negotiated by the Council of the EU and the European Parliament.

This proposed legislative review's key aim is to implement the final Basel III framework – agreed at the end of 2017 - in the EU. It is meant to ensure banks remain resilient and capable of withstanding future crises The proposed revisions mainly relate to the prudential standards for credit, market, operational and credit valuation adjustment (CVA) risk as well as the introduction of an output floor. Key changes comprise the reduced use of internal models and more risk-sensitive and granular standardised approaches. It aims to increase consistency in risk-weighted asset calculations and improve comparability of bank capital ratios. The Commission's proposal remains close to the 2017 Basel agreement, but in some areas (temporarily) includes targeted measures to account for specificities of the EU banking sector. These measures relate to topics such as the calculation of the output floor, lending to unrated corporates, specialized lending, property lending and counterparty credit risk. The European Commission expects that overall risk-weighted assets will not increase significantly, on average, less than 10% for EU banks at the end of the transition period.

The proposed implementation date by the European Commission is set at 1 January 2025 for most provisions under review, with a phase-in period for the output floor of five years. This is two years later than the BCBS's deadline. The European Commission also proposes a number of other targeted transitional requirements, phasing out by 2032 at the latest.

It should be noted that final substance and timing of this review are still uncertain as the European Parliament and Council of the EU have just started their negotiations where they can amend the European Commission proposal before it becomes law.

Capital requirements applicable to ING Group at a consolidated level

In accordance with the CRR the minimum Pillar I capital requirements applicable to ING Group are: a Common Equity Tier 1 (CET1) ratio of 4.5%, a Tier 1 ratio of 6% and a Total capital ratio of 8% of risk-weighted assets.

In 2020, as a reaction to the COVID-19 pandemic, relevant regulators introduced a number of changes to the Pillar II capital requirements and the capital buffer requirements applicable to ING, including structural reductions. The structural reductions of these capital requirements reflect the application of Art.104a in CRDV, which allowed ING to replace CET1 capital with additional Tier 1/ Tier 2 securities to meet Pillar II requirement, and a reduction in the overall systemic buffer (i.e. the Systemic Risk Buffer plus the highest of the O-SII and G-SII buffer) by the Dutch National Bank from 3% to 2.5%. Similarly, various competent authorities changed or removed their countercyclical Buffer (CCyB) requirements. The CCyB for ING was 3 basis points at the end of 2021 (2 basis points at the end of 2020). In December 2021, the De Nederlandsche Bank (DNB) started consultation on the revised countercyclical capital buffer framework with the intention to apply a 2% CCyB in a standard risk environment.

As a consequence, the CET1 requirement, including buffers, for ING Group at a consolidated level was 10.51% in 2021. This requirement is the sum of a 4.5% Pillar I requirement, a 0.98% Pillar II requirement (2020: 0.98%), a 2.5% Capital Conservation Buffer (CCB), a 0.03% Countercyclical Buffer (CCyB) (based on December 2021 positions) and a 2.5% O-SII buffer that is set separately for Dutch systemic banks by the Dutch Central Bank (De Nederlandsche Bank). This requirement excludes the Pillar II guidance, which is not disclosed.

The Maximum Distributable Amount (MDA) trigger level stood at 10.51% in 2021 for CET1, 12.33% for Tier 1 Capital and 14.77% for Total Capital (after the application of Art.104a of CRDV), based on stable Pillar II capital requirements. In the event that ING Group breaches the MDA level, ING will face restrictions on dividend payments, AT1 instruments coupons and payment of variable remuneration.

Covid-19 pandemic

Various countries and local governmental authorities across the world have introduced measures aimed at preventing the further spread of Covid-19.

In addition, governments in various countries have introduced measures aimed at mitigating the economic consequences of the outbreak. For example, the Dutch government has announced economic measures aimed at protecting jobs, households' wages and companies, e.g., by way of tax payment holidays, guarantee schemes and a compensation scheme for heavily affected sectors in the economy. These announced measures and any additional measures, including any payment holidays with respect to mortgages or other loans, have had and may continue to have a significant impact on ING's customers and other counterparties.

The various measures by governments and ING to alleviate the impact of Covid-19 also impact the classification in terms of forbearance and consequently IFRS 9 staging. In light of this, the EBA has provided guidelines that expired on 30 September 2020, which defined eligibility criteria for payment holidays arrangement offered to a large group of customers to be classified as a "general payment moratorium". Based on these guidelines, customers that were granted the payment holidays did not lead to forbearance classification. Therefore it did not automatically trigger recognition of lifetime Expected Credit Loss (ECL). ING followed the EBA guidelines and when a payment holiday was provided to a customer as part of a "general payment moratorium", ING did not consider this measure to classify as forbearance. EBA further extended these guidelines in the first week of December 2020, valid until 31 March 2021, with certain extra conditions. Regarding these extensions, ING has taken a prudent decision to treat all payment holiday requests under new or extended schemes (after September 2020) as stage 2 or stage 3 exposures.

Bank recovery and resolution directive

Since its adoption by the European Parliament in 2014, the Bank recovery and resolution directive (BRRD) has become effective in all EU countries after transposition into national law, including in the Netherlands. The BRRD aims to safeguard financial stability and minimise the use of public funds in case banks face financial distress or fail to comply with the BRRD. Banks across the EU need to have recovery plans in place and need to cooperate with resolution authorities to determine, and make feasible, the preferred resolution strategy. The banking reform which came into force on 27 June 2019 includes changes to the minimum requirement for own funds and eligible liabilities (MREL) to ensure an effective bail in process. It also includes new competences for resolution authorities and requires G-SIBs and other banks to build up loss-absorbing and recapitalization capacity.

ING has had a recovery plan in place since 2012. The plan includes information on crisis governance, recovery indicators, recovery options, and operational stability and communication measures. The plan enhances the bank's readiness and decisiveness in case of a financial crisis. The plan is updated annually to make sure it stays fit for purpose. The completeness, quality and credibility of the updated plan is assessed each year by ING's regulators.

The Single Resolution Board (SRB) confirmed to ING in 2017 that a single-point-of-entry (SPE) strategy is ING's preferred resolution strategy, with ING Groep N.V. as the resolution entity.

In 2021, ING Group received an updated formal notification from De Nederlandsche Bank (DNB) of its MREL requirement. The MREL requirement has been established to ensure that banks in the European Union have sufficient own funds and eligible liabilities to absorb losses and to recapitalize the bank in the case of a resolution. The MREL requirement is set for ING Group at a consolidated level, as determined each year by the Single Resolution Board (SRB). The following requirements replaced previously communicated total liabilities and own funds (TLOF) requirement for ING Group as from 1-1-2022: 27.32% of RWA (M-MDA trigger) and 5.97% of LR exposure.

Above M-MDA trigger assumes a combined buffer requirement (CBR) of 5.03% (as of 31 December 2021). In the event ING Group breaches the M-MDA trigger, ING may face restrictions on dividend payments, AT1 instruments coupons and payment of variable remuneration. Apart from the requirements for the Group on a consolidated level, the internal MREL requirements are also set for individual ING subsidiaries in EU.

ING has been replacing, and will continue to replace, maturing ING Bank N.V. debt with ING Groep N.V. instruments. In order to build up our MREL capacity, ING Groep N.V. issued multiple transactions. These will not only allow us to support business growth, but will also help to meet future MREL and TLAC requirements with ING Groep N.V. instruments only.

CRR II implements the Financial Stability Board's total loss absorbing (TLAC) requirement for Global Systemically Important Institutions (G-SII), which is the EU equivalent of a G-SIB. The transitional requirement—the higher of 16% (M-MDA trigger of 21.03% with CBR) of the resolution group's RWA or 6% of the leverage ratio exposure measure applies immediately. The higher requirement—18% (M-MDA trigger of 23.03% with CBR) and 6.75% respectively comes into effect as of 1 January, 2022. As a G-SII ING is expected to meet the TLAC requirement alongside the other minimum regulatory requirements set out in EU regulation.

Stress testing

Stress testing is an integral component of our risk and capital management framework. It allows us to (i) assess potential vulnerabilities in our businesses, business model, and/or portfolios; (ii) understand the sensitivities of the key assumptions in our strategic and capital plans; and (iii) prepare and assess management actions that can reduce or mitigate the impact of adverse scenarios.

In addition to running internal stress test scenarios to reflect the outcomes of the annual risk assessment, ING also participates in regulatory stress test exercises. ING participated in the 2021 EU-wide stress test conducted by the EBA in cooperation with the European Central Bank (ECB) and the European Systemic Risk Board (ESRB). The baseline scenario was developed by the ECB and the adverse stress test scenario by the ESRB, both cover a three-year time horizon (2021-2023).

The 2021 EU-wide stress test exercise was carried out applying a static balance sheet assumption as of December 2020, and therefore does not take into account current or future business strategies and management actions. The results of the EBA stress test reaffirmed the resilience of our business model and the strength of ING's capital base. Our commitment to maintain a robust, fully-loaded Group common equity Tier 1 (CET1) ratio in excess of prevailing requirements remains. Under the hypothetical baseline scenario and EBA's methodological instructions, ING Group would have a fully loaded common equity Tier 1 capital ratio (CET1) of 16.06% in 2023. Under the hypothetical adverse scenario and EBA's methodological instructions, ING Group would have a fully loaded CET1 ratio of 10.99% in 2023. ING Group published an actual CET1 ratio of 15.45% per 31 December 2020. The next EBA EU-wide stress test will be held in 2023.

An emerging topic in the area of stress testing are climate risk analyses. ING started with climate risk stress testing in 2019 to assess the effect of transition risk and physical risk on the financial position of ING Group. In the second half of 2021, ING started preparing for the regulatory climate risks stress test scenario, which will be assessed in 2022 as part of the bi-annual ECB Single Supervisory Mechanism (SSM) stress test. This regulatory stress test, combined with internal analyses done on climate risk, will be used to enhance ING's internal climate risk stress testing.

Deposit Schemes

In the Netherlands and other jurisdictions, deposit guarantee schemes and similar ('Compensation Schemes') have been implemented from which compensation may become payable to financial services firms in the event the financial service firm is unable to pay, or unlikely to pay, claims against it. In many jurisdictions in which we operate, these Compensation Schemes are funded, directly or indirectly, by financial services firms which operate and/or are licensed in the relevant jurisdiction. ING Bank participates in the Dutch Deposit Guarantee Scheme ('DGS'), which guarantees an amount of EUR 100,000 per person per bank (regardless of the number of accounts held). On the basis of the EU Directive on deposit guarantee schemes, ING pays quarterly risk-weighted contributions into a DGS-fund. The DGS-fund is to grow to 0.8% of all deposits guaranteed under the DGS, which is expected to be reached in July 2024. In case of failure of a Dutch bank, depositor compensation is paid from the DGS-fund. If the available financial means of the fund are insufficient, Dutch banks, including ING, may be required to pay extraordinary ex-post contributions not exceeding 0.5% of their covered deposits per calendar year. In exceptional circumstances and with the consent of the competent authority, higher contributions may be required. However, extraordinary ex-post contributions may be temporarily deferred if, and for so long as, they would jeopardise the solvency or liquidity of a bank.

Since 2015, the EU has been discussing the introduction of a pan-European deposit guarantee scheme (EDIS) (partly) replacing or complementing national compensation schemes in two or three stages, with elements of (re)insurance, mutual lending and mutualisation of funds. The new model is intended to be 'cost neutral'. In February 2021, the European Commission issued a public consultation on the review of the bank crisis management and deposit insurance (CMDI) framework, with a focus on three EU legislative texts: the Bank Recovery and Resolution Directive (BRRD), the Single Resolution Mechanism Regulation (SRMR), and the Deposit Guarantee Schemes Directive (DGSD). The anticipated revision of the CMDI framework is part of the debate on the completion of the Banking Union and in particular its third and missing pillar EDIS. The consultation period ran until May 2021. It is uncertain when the next steps towards revision of the CMDI framework, including EDIS, can be expected.

Payment Services Directive 2 (PSD2)

PSD2 entered into force in January 2018 and responds to technical change and a variety of developments in the payments domain. It fosters innovation and competition by promoting non-discriminatory access to payment systems and accounts, including the newly introduced account information services and payment initiation services. Customers benefit from greater transparency of costs and charges, PSD2's extended geographical scope and being applicable to transactions in any currency, a reduction of the maximum liability for unauthorized transactions and a backstop date for complaint resolution. Finally, to combat cybercrime and online fraud, PSD2 continues the trend towards enhancing the security around the making of payments, by way of the introduction of strong customer authentication. It consists of two factor authentication, to be performed every time a payer accesses its payment account online or initiates electronic remote payment transactions. The Regulatory Technical Standards for strong customer authentication and common and secure communication provide the requirements to implement the strict security requirements for payment service providers in the EU.

Benchmarks Regulation

Benchmarks, such as the London Interbank Offered Rate (‘LIBOR’), the Euro Overnight Index Average (‘EONIA’), the Euro Interbank Offered Rate (‘EURIBOR’) and other interest rates, as well as commodity benchmarks or other types of rates and indices which are deemed to be ‘benchmarks’ are the subject of ongoing national and international regulatory reform.

In 2016, the EU adopted a Regulation (the ‘Benchmarks Regulation’ or ‘BMR’) on indices used in the EU as benchmarks in financial contracts and financial instruments. The Benchmarks Regulation became effective on 1 January 2018.

The BMR among others requires that supervised entities may only use benchmarks in the EU if these benchmarks are provided by administrators that are registered with the European Securities and Markets Authority (ESMA).

Benchmarks that are based on input from contributors shall have a code of conduct in place designed primarily to ensure reliability of input data, governing issues such as conflicts of interest, underlying controls and benchmark methodologies. Financial contracts and financial instruments in which benchmarks are used by supervised entities require to have robust fall back wording included in their documentation.

For qualitative and quantitative disclosures on IBOR transition refer to “Additional information – ING Group Risk Management – Market Risk” and Note 40 “Derivatives and hedge accounting”.

Financial Transaction Taxes

In February 2013, the EC adopted a proposal setting out the details of a financial transaction tax (‘FTT’) under the enhanced cooperation procedure, to be levied on transactions in financial instruments by financial institutions if at least one of the parties to the transaction is established in the financial transaction tax zone (‘FTT-Zone’) or if the instrument which is the subject of the transaction is issued within the territory of a Member State in the FTT-Zone. Ten Member States have indicated they wish to participate in the FTT (Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain). The initial proposal contemplated that the FTT would enter into effect on 1 January 2014, which would have required us to pay a tax on transactions in financial instruments with parties (including Group affiliates) located in such FTT-zone. However, the FTT remains subject to negotiation between the participating Member States and currently it is uncertain whether and in what form and by which Member States the FTT will be adopted. The implementation date of any FTT will thus depend on the future approval by participating Member States in the Council, consultation of other EU institutions and the subsequent transposition into local law.

KYC Requirements

Financial institutions continue to face new and increasingly complex regulatory requirements, contributing to increasing costs of compliance, in the context of heightened regulatory scrutiny. Generally, we expect the scope and extent of regulations in the jurisdictions in which we operate to continue to increase. The evolving regulatory landscape drives the need for continuous change in the various processes, procedures and systems of the bank. Where the timeline for implementation of new or revised requirements is sometimes quite short, this presents challenges to financial institutions in general, but especially in relation to IT developments. In addition, in some instances, the complexity of the regulatory landscape gives rise to potential conflicts between applicable laws and regulations at a local and/or global level. For example, potential tension between data privacy (GDPR) and AML/CFT and anti-corruption laws and regulations; including the requirement to share information relating to financial crime concerns to manage risk exposure across the group, while complying with the legislative requirements relating to data, which can differ significantly depending on jurisdiction.

ING is focussed on continuing to embed processes and procedures reflecting applicable requirements within the bank, including in our IT systems and data sources, in a robust and sustainable way to deliver an effective control environment which is compliant by desire and design. The bank also executes ongoing training and awareness to develop its people to have the right knowledge and skills.

In addition, ING aims to continuously monitor regulatory developments, as well as considering emerging and evolving risks. This supports assessment of the risks that ING may be exposed to and of the associated controls and processes ING has in place, so we can appropriately manage these risks in accordance with our risk appetite. In particular, the rise in price and use of virtual assets, accompanied by the growth of virtual asset service providers was a key theme in 2020 that continued to attract regulatory attention in 2021 for potential misuse for money laundering, tax evasion and terrorist financing.

5th AML Directive and the European Commission legislative package

In 2021, ING focussed on the implementation of the requirements of the EU 5th AML Directive, as well as considering the EBA's MT/TF risk factor guidelines published on 1 March 2021 and other relevant guidance documents. On 20 July 2021, the European Commission presented a package of legislative proposals (including a proposal for a 6th AML Directive) to strengthen the EU's anti-money laundering and countering the financing of terrorism (AML/CFT) rules. The proposed main changes include the creation of a European AML/CFT supervisory authority and the adoption of a "single rulebook'", with directly applicable rules regarding inter alia customer due diligence and beneficial ownership. The Regulation also includes the introduction of an EU-wide limit of €10,000 to large cash payments.

ING welcomes the proposals to further strengthen the regulatory framework aimed at the prevention of money laundering and terrorism financing. Harmonisation of key requirements is welcomed especially because of ING's large presence in the EU. Considering that the texts of the proposals are still in draft and relatively conceptual at this point in time, ING is in active dialogue with internal and external stakeholders and participates in relevant workstreams of banking associations such as the Dutch Banking Association, to formulate its position and provide further recommendations and feedback to the European Commission's consultation. This will assist ING in assessing and adequately managing the impact of the AML legislative package on the bank.

Policy with respect to certain countries

As a result of frequent evaluation of all businesses from economic, strategic and risk perspectives ING continues to believe that for business reasons doing business involving certain specified countries should be discontinued. ING has a policy not to enter into new relationships with clients from these countries and processes remain in place to discontinue existing relationships involving these countries. At present these countries are Cuba, Iran, North Korea, Sudan and Syria, as well as the Crimea region.

ING Group maintains a limited legacy portfolio of guarantees, accounts, and loans that involve various entities with a connection to these countries. These positions remain on the books but certain accounts related thereto are 'frozen' where prescribed by applicable laws and procedures and in all cases subject to increased scrutiny within ING. In 2021 ING Group may receive loan repayments, duly authorised by the relevant competent authorities where prescribed by applicable laws. For the calendar year 2021, ING Group had revenues of approximately USD 257 thousand. ING Group estimates that it had a net profit of approximately USD 4 thousand.

Sanctions related developments

2021 saw ongoing geopolitical tensions notably between US and China, and increasing tensions between US and EU on one side and Russia on the other. ING and its customers are impacted by such geopolitical tensions when new sanctions or restrictive measures are promulgated by relevant authorities. Such sanctions and restrictive measures may impact the products, services, and customers that ING can service. Increasing sanctions and counter sanctions together with an increased difference in various sanctions programmes, especially between the EU and US, increase complexities and potential reputational risks in operationalising uniform sanctions controls.

In 2021, the EU and the US continued sanctions programs with respect to several regions and countries including Ukraine/Russia, Iran, China, Venezuela and Syria.

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 closely 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.

For additional information regarding regulatory developments, see also this Form 20F 2021 under "Additional Information – ING Group Risk Management- Compliance Risk".

For a description of our segments including a breakdown of total revenues by category for the last three financial years, refer to Item 5. “Operating and financial review and prospects - Segment reporting”.

C. Organisational structure

ING Groep N.V., a publicly-listed company, is the parent of one main legal entity: ING Bank N.V. (ING Bank). ING Bank is the parent company of various Dutch and foreign banking and other subsidiaries.

Reference is made to Exhibit 8 “List of subsidiaries of ING Groep N.V.” for a list of principal subsidiaries of ING Groep. N.V. For the majority of ING’s principal subsidiaries, ING Groep N.V. has control because it either directly or indirectly owns more than half of the voting power. For subsidiaries in which the interest held is below 50%, control exists based on the combination of ING’s financial interest and its rights from other contractual arrangements which result in control over the operating and financial policies of the entity.

D. Property, plants and equipment

ING predominantly leases the land and buildings used in the normal course of its business. In addition, ING has invested in land and buildings. Management believes that ING’s facilities are adequate for its present needs in all material respects.

For information on property, plants and equipment, reference is made to Note 9 ‘Property and equipment’, for information on lease liabilities reference is made to Note 16 ‘Other liabilities’ and for information on investment properties reference is made to Note 11 ‘ Other assets’ in the consolidated financial statements.

Item 4A. Unresolved Staff comments

Not applicable.

Item 5. Operating and financial review and prospects

The following operating and financial review and prospects should be read in conjunction with the consolidated financial statements and the related Notes thereto included elsewhere herein. The consolidated financial statements have been prepared in accordance with IFRS-IASB. Unless otherwise indicated, financial information for ING Group included herein is presented on a consolidated basis under IFRS-IASB.

A. Operating results

Our business is shaped by events and developments in the world around us and our operating results for the financial year should be viewed in the context of these event and developments. The biggest of these in 2021 continued to be the coronavirus pandemic, which was first and foremost a human tragedy, but which also impacted governments, economies, supply chains and jobs.

ING has had to adapt to the practical implications this had for customers and employees, as well as to the new market trends and stakeholder expectations. At the same time, our business continues to be affected by regulatory changes and the persistent low interest rate environment. For further information on regulatory changes reference is made to “Item 4. Information on the Company – Regulation and Supervision”.

ING is also closely monitoring the situation in Ukraine from a financial, operational and security perspective, with the safety and wellbeing of employees our top priority. We strongly condemn Russia’s invasion of Ukraine in February 2022 and are deeply concerned by its devastating impact and the threat to international stability and security. ING has been providing Wholesale Banking services in Ukraine and Russia for almost 30 years. As of 28 February 2022, ING’s total Russia-related exposure was approximately €6.7 billion (representing around 0.9% of our total loan book), of which around 700 million was affected by new sanctions. We have around €500 million exposure in Ukraine. In March 2022, we decided to not do new business with Russian companies. Read more in Risk management.

Other material events and uncertainties that have an impact on our operating results are:

- Covid-19 and inflation
- Macroeconomic developments
- Climate change
- Climate risk
- Anti-money laundering
- Cybersecurity and fraud
- Fluctuations in equity markets, interest rates and foreign exchange rates

For further information on other factors that can impact ING Group’s results of operations, reference is made to “Item 3. Key Information – Risk Factors”.

Covid-19 and inflation

Economic growth picked up this year, helped by strong policy support, the deployment of vaccine programmes and the reversal of lockdown measures, although these were reintroduced in some countries at the end of the year prompted by an increase in infections, and the emergence of a new variant of the Covid-19 virus. The global economy surpassed its pre-pandemic level, but many countries are still operating below pre-Covid levels, particularly emerging markets and developing economies with lower vaccination rates and less government support. China and Australia had already recovered in 2020; the US and the eurozone caught up in 2021.

A resurgence of Covid-19 cases and supply disruptions began to negatively impact economic momentum in the second half of the year. In particular, US consumption softened in the third quarter and German industry had to scale back because of shortages of key inputs. The economic impact of the Delta variant, especially in countries with low vaccination rates, added to pressures on global supply chains and costs. Supply disruptions were often longer than expected and fed inflation in many countries. Higher commodity prices and the rise in consumer demand as economies thawed caused consumer price inflation to increase rapidly, most significantly in the US, Canada and the UK, although other advanced economies in Europe and Asia also saw inflation picking up.

Against the background of economic recovery and increased inflationary pressures, the Federal Reserve started to taper its bond buying purchasing programme. The European Central Bank (ECB) also announced a reduction in bond purchases, but is set to move slower. The ECB plans to end its Pandemic Asset Purchase Programme by Q2 2022 and expects to have reduced asset purchases, under the Asset Purchase Programme, to € 20 billion per month by the end of the year. Together these factors drove up longer-term interest rates and steepened yield curves. With interest rates remaining at low levels and government policies staying growth-supportive, house prices continued to rise.

Macroeconomic developments

These were significant macroeconomic developments that impacted our own organisation as well as our customers, employees, shareholders and other stakeholders. Despite the economic thaw, the normal flow of business in countries where ING operates remained disrupted to a greater or lesser extent throughout 2021. The German elections, continuing China/US tensions, continued uncertainty around the full impact of Brexit all added to the volatility of our external environment. As a global financial services company, with our profitability, solvency and liquidity linked heavily to the state of the economy and the market environment, we remained alert to this volatility's potential to impact our performance.

Climate change

Although the threat of climate change has been signalled for some time by the scientific community, its impact is intensifying and it's happening faster than previously predicted. The flooding, wildfires and heatwaves experienced this year are expected to occur more frequently due to climate change. This formed the backdrop to the 2021 report from the United Nation's Intergovernmental Panel on Climate Change (IPCC), which flagged climate change as a 'code red' for humanity, requiring urgent intervention from all sectors of society.

This urgency was underlined at the New York Climate Week in September 2021, where it was reinforced that accelerated action now and in the coming years can positively affect our transition towards a more carbon-neutral future. In November 2021, at the 26th UN Climate Change Conference (COP26) in Glasgow, agreements were reached on important steps towards net-zero emissions in 2050, such as shifting away from coal and a pledge to halt deforestation. But this is not yet enough to get us into the safe zone; these pledges add up to an average global warming of 1.8°C at best. There was agreement on countries having to accelerate and strengthen their 2030 targets, and a framework for a global carbon market was drawn up, which is expected to trigger a surge of green projects. As always the proof is in the action and real impact on the ground. COP27 will be crucial – again. Not only for limiting greenhouse gas emissions far more drastically, but also for agreements on climate adaptation and the social impact of climate change, both of which affect developing countries disproportionately.

We believe ING can have the biggest impact in mitigating the effect of climate change through our financing. We work with our clients to finance and facilitate their transition to low-carbon technologies and offer a growing suite of sustainability products and services to help them, including sustainability-linked loans and 'green' bonds.

The popularity of sustainability-linked financing is growing, partly fuelled by companies facing pressure from investors and regulators to 'go green'. To protect the integrity of this fast-growing market, which we pioneered back in 2013, ING published a position paper in October calling for linked sustainability targets to be ambitious, recognised industry-wide and verified by a reputable, independent party. This will help to retain the credibility of the market by ensuring companies tackle the most difficult and urgent climate issues first. Ambition levels that are too low will not make the impact these products are designed for. While ING can voice its opinion on all transactions, and we can use our influence to steer clients towards credible targets on those we structure ourselves, market dynamics don't always allow us to put the proper structures in place if we're not in a leading role. We believe regulatory developments like the European Commission's green bond standard will help to improve the quality of the market as it evolves.

The role that regulators and governments play in supporting and facilitating the road to a net-zero emission world cannot be underestimated. To this end, the EU presented its net-zero targets with ambitious legislative proposals to cut emissions by 55% by 2030 ('Fit for 55'), and we look forward to seeing ambitious national policies that align with this goal. In the meantime, ING is working on its own action plans as new climate scenarios and expectations emerge, and we present these, and our progress on them, in our integrated climate report on ing.com.

Climate risk

According to the European Central Bank, climate change will be a major source of systematic risk to banks if no action is taken. A recent ECB study showed banks in the eurozone would have an 8% higher chance of loan defaults by 2050 if nothing is done about global warming, with the risk rising to 30% for banks in southern Europe. Physical risk from climate change is tangible – fires, floods and rising sea levels affect people's lives, livelihoods, assets and businesses. There is also transition risk such as carbon pricing and shifting consumer preferences, which can leave manufacturers with stranded assets if they don't adapt to market demands for greener products.

ING strives to identify and understand these risks as part of our integrated approach to climate action. We do this to assess these risks in our own organisation as well as to prepare for their potential impact on clients and stakeholders. This helps shape our strategy. As such, climate risk will be included in our risk management framework with a forward-looking approach. Our climate risk programme helps measure the impact of climate change on our loan book. We follow guidance from the ECB and the Taskforce for Climate-Related

Financial Disclosure on how banks are expected to prudently manage and transparently disclose climate-related and environmental risks under current prudential rules.

Anti-money laundering

As a gatekeeper to the financial system, we have an important role in protecting society against all types of financial crime. Money laundering is one such crime, existing in and of itself and as a facilitator of other crimes such as people trafficking and drug smuggling.

To be more effective in our efforts to fight financial economic crime, we work closely with our peers, regulators and law enforcement. This includes initiatives with other banks in the Netherlands and Germany to jointly monitor transactions and share intelligence, and further professionalising our KYC organisation by means of internationally recognised certifications.

In June 2021, the EU presented its action plan for know your customer/anti-money laundering (AML). [illegible] to increase harmonisation of rules across member states and proposes direct supervision [illegible] banks exposed to the highest AML risk. We welcome these reforms as they will help [illegible] framework and help us with the operationalisation of new AML measures across our network.

ING is looking into how to deal with the issue of customer tax integrity, (a process accelerated by the Pandora Papers investigation in October), where customer transactions may be legal but are ethically undesirable. We are exploring different approaches regarding the execution of our risk judgement processes in this area.

Cybersecurity and fraud

Digital technology has connected the world in an unprecedented way. The pandemic has [illegible] how much people rely on the internet to work, socialise and shop. With this increased reliance, [illegible] risk that some of these digital interactions will be used for criminal purposes. As a result, there is growing societal concerns about increasingly sophisticated cyberattacks as well as around data privacy and protection.

Cybercrime is a growing threat to society and companies in general, and to the financial system in particular, with scams that aim to trick people out of their money. One such scam involves fake bank employees tricking customers into redirecting their savings into a ‘safe’ account, while phishing scams have evolved from emails to text messages as fraudsters become ever more inventive.

Falling victim to bank fraud can have devastating consequences for customers, not just financially, but also on their confidence, mental health and relationships. Raising awareness among customers and employees is an important step in protecting people against crimes like, phishing, spoofing and hacking.

At ING too, there is an increased risk of criminals trying to gain unauthorised access to the bank, whether that’s through malware, phishing attacks, identity theft or online fraud. To stay resilient to these increasingly sophisticated crimes, we take a multi-faceted approach that aims to anticipate threats, prevent them from becoming reality and so protect our customers. Through collaboration with governments, fintechs and our peers, we share knowledge and facilitate security innovation for the bank, our industry and society.

Fluctuations in equity markets

Our banking operations are exposed to fluctuations in equity markets. ING maintains an internationally diversified and mainly client-related trading portfolio. Accordingly, market downturns are likely to lead to a decline in securities trading and brokerage activities which we execute for customers and therefore to a decline in related commissions and trading results. In addition to this, ING also maintains equity investments in its own non-trading books. Fluctuations in equity markets may affect the value of these investments.

Fluctuations in interest rates

Our banking operations are exposed to fluctuations in interest rates. Mismatches in the interest re-pricing and maturity profile of assets and liabilities in our balance sheet can affect the future interest earnings and economic value of the bank’s underlying banking operations. In addition, changing interest rates may impact the (assumed) behavior of our customers, impacting the interest rate exposure, interest hedge positions and future interest earnings, solvency and economic value of the bank’s underlying banking operations. In the current low (and in some cases negative) interest rate environment, the stability of future interest earnings and margin also depends on the bank’s ability to actively manage pricing of customer assets and liabilities. Especially, the pricing of customer savings portfolios in relation to re-pricing customer assets and other investments in our balance sheet is a key factor in the management of the bank’s interest earnings.

Fluctuations in exchange rates

ING Group is exposed to fluctuations in exchange rates. Our management of exchange rate sensitivity affects the results of our operations through the trading activities (which includes local country versus international transactions) and because we prepare and publish our consolidated financial statements in Euros. Because a substantial portion of our income, expenses and foreign investments is denominated in currencies other than Euros, fluctuations in the exchange rates used to translate foreign currencies, particularly the U.S. Dollar, Pound Sterling, Turkish Lira, Chinese Renminbi, Australian Dollar, Japanese Yen, Polish Zloty, Korean Won, Brazilian Real, Singapore Dollar, Thai Baht and Russian Ruble into Euros can impact our reported results of operations, cash flows and reserves from year to year. Fluctuations in exchange rates will also impact the value (denominated in Euro) of our investments in our non-Euro reporting subsidiaries. The impact of these fluctuations in exchange rates is mitigated to some extent by the fact that income and related expenses, as well as assets and liabilities, of each of our non-Euro reporting subsidiaries are generally denominated in the same currencies. FX translation risk is managed by taking into account the effect of translation results on the Common Equity Tier 1 ratio (CET1).

Consolidated result of operations

ING Group monitors and evaluates the performance of ING Group at a consolidated level and by segment using results based on figures according to IFRS as adopted by the European Union (IFRS-EU). The Executive Board of ING and the Management Board Banking consider this measure to be relevant to an understanding of the Group's financial performance, because it allows investors to understand the primary method used by management to evaluate the Group's operating performance and make decisions about allocating resources. In addition, ING Group believes that the presentation of results in accordance with IFRS-EU helps investors compare its segment performance on a meaningful basis by highlighting result before tax attributable to ongoing operations and the profitability of the segment businesses. IFRS-EU result is derived by including the impact of the IFRS-EU 'IAS 39 carve out' adjustment from IFRS-IASB.

The IFRS-EU 'IAS 39 carve-out' adjustment relates to fair value portfolio hedge accounting strategies for the mortgage and savings portfolios in the Benelux, Germany and Other Challengers that are not eligible under IFRS-IASB. As no hedge accounting is applied to these mortgage and savings portfolios under IFRS-IASB, the fair value changes of the derivatives are not offset by fair value changes of the hedge items (mortgages and savings).

Segment Reporting

The published 2021 Annual Accounts of ING Group includes financial information in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU). The segment reporting in the annual report on Form 20-F has been reconciled with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB) for consistency with the other financial information contained in this report. The difference between the accounting standards is reflected in the Wholesale Banking segment, and in the geographical split of the segments in the Netherlands, Belgium, Germany and Other Challengers. Reference is made to Note 1 'Basis of preparation and significant accounting policies' for reconciliation between IFRS-EU and IFRS-IASB.

ING Group's segments are based on the internal reporting structure by lines of business.

The Executive Board of ING Group and the Management Board Banking (together the 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'. 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. Transfer prices for inter-segment transactions are set at arm's length. 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. Total assets by country, as presented in Note 36 'Information on geographical areas', does not include intercompany balances and reconciles to the total consolidated statement of financial position of ING Group.

The following overview specifies the segments by line of business and the main sources of income of each of the segments:

Retail Netherlands (Market Leaders)

Income from retail and private banking activities in the Netherlands, including the SME and mid-corporates 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). 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.

Corporate Line

In addition to these segments, ING Group 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 expense items that are not allocated to the banking businesses, including the recognition of value-added tax (VAT) refunds in the Netherlands (recorded under expenses). In 2021, income was supported by a EUR 143 million conditional TLTRO III benefit and the recognition of a EUR 72 million receivable related to the insolvency of a financial institution, while expenses included EUR 87 million of regulatory costs due to an incidental 50% increase in the Dutch bank tax as well as a significantly lower VAT refund compared with the previous year. In 2020, net interest income on the Corporate Line sharply declined, mainly due to lower interest results from foreign currency hedging due to lower interest rate differentials. In 2019, a EUR 119 million gain from the release of a currency translation reserve following the sale of ING's stake in Kotak Mahindra Bank was included, and the recognition of a EUR 79 million receivable related to the insolvency of a financial institution (both recorded under income). 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 Group 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.

Total Operations

The following table sets forth the contribution of ING's business lines and the corporate line to the net result for each of the years 2021, 2020 and 2019.

Total operations

1 January to 31 December 2021 Amounts in millions of euros	Retail Banking Netherlands	Retail Banking Belgium	Retail Banking Germany	Retail Other	Wholesale Banking	Corporate Line	Total
Income:							
- Net interest income	3,290	1,747	1,447	2,712	4,151	267	13,615
- Net fee and commission income	771	519	497	530	1,197	3	3,517
- Total investment and other income	201	209	65	361	568	-45	1,359
Total income	**4,262**	**2,475**	**2,009**	**3,602**	**5,916**	**226**	**18,490**
Expenditure:							
- Operating expenses	2,403	1,667	1,174	2,452	2,926	570	11,192
- Additions to loan loss provision	-76	225	49	202	117	0	516
Total expenditure	**2,326**	**1,892**	**1,223**	**2,654**	**3,042**	**570**	**11,708**
Result before taxation	**1,936**	**583**	**786**	**949**	**2,874**	**-345**	**6,782**
Taxation	499	146	252	212	703	65	1,877
Non-controlling interests	0	0	4	98	26	0	128
Net result IFRS-EU	**1,437**	**437**	**529**	**639**	**2,144**	**-410**	**4,776**
Adjustment of the EU 'IAS 39 carve-out'					1,174		1,174
Net result IFRS-IASB	**1,437**	**437**	**529**	**639**	**3,318**	**-410**	**5,951**

Total operations

1 January to 31 December 2020 Amounts in millions of euros	Retail Banking Netherlands	Retail Banking Belgium	Retail Banking Germany	Retail Other	Wholesale Banking	Corporate Line	Total
Income:							
- Net interest income	3,511	1,816	1,587	2,760	3,718	212	13,604
- Net fee and commission income	681	413	437	412	1,069	-1	3,011
- Total investment and other income	279	145	93	89	609	-192	1,022
Total income	**4,471**	**2,373**	**2,117**	**3,261**	**5,396**	**18**	**17,637**
Expenditure:							
- Operating expenses	2,236	1,737	1,110	2,469	3,218	383	11,153
- Additions to loan loss provision	157	514	57	593	1,351	2	2,675
Total expenditure	**2,393**	**2,251**	**1,167**	**3,063**	**4,568**	**385**	**13,828**
Result before taxation	**2,078**	**122**	**950**	**199**	**827**	**-367**	**3,809**
Taxation	523	51	331	105	295	-58	1,246
Non-controlling interests	-1	0	4	55	20	0	78
Net result IFRS-EU	**1,556**	**71**	**615**	**39**	**512**	**-308**	**2,485**
Adjustment of the EU 'IAS 39 carve-out'					-234		-234
Net result IFRS-IASB	**1,556**	**71**	**615**	**39**	**278**	**-308**	**2,250**

Total operations

1 January to 31 December 2019 Amounts in millions of euros	Retail Banking Netherlands	Retail Banking Belgium	Retail Banking Germany	Retail Other	Wholesale Banking	Corporate Line	Total
Income:							
- Net interest income	3,541	1,907	1,579	2,787	3,794	470	14,079
- Net fee and commission income	674	374	268	423	1,135	-6	2,868
- Total investment and other income	290	161	138	298	369	103	1,360
Total income	**4,505**	**2,442**	**1,985**	**3,509**	**5,298**	**568**	**18,306**
Expenditure:							
- Operating expenses	2,210	1,609	1,080	2,210	2,937	307	10,353
- Additions to loan loss provision	91	186	-53	364	532	-0	1,120
Total expenditure	**2,301**	**1,794**	**1,027**	**2,574**	**3,469**	**307**	**11,472**
Result before taxation	**2,204**	**647**	**957**	**935**	**1,830**	**261**	**6,834**
Taxation	558	192	328	234	464	179	1,955
Non-controlling interests	-0	0	3	82	14	-0	99
Net result IFRS-EU	**1,646**	**455**	**627**	**619**	**1,352**	**82**	**4,781**
Adjustment of the EU 'IAS 39 carve-out'					-878		-878
Net result IFRS-IASB	**1,646**	**455**	**627**	**619**	**474**	**82**	**3,903**

Year ended 31 December 2021 compared to year ended 31 December 2020

ING's net result (including the adjustment of the EU 'IAS 39 carve-out') increased by EUR 3,701 million, or 164.5%, to EUR 5,951 million compared with EUR 2,250 million in 2020. The net result was affected by a EUR 1,174 million positive contribution of fair value changes on derivatives related to asset liability management activities for the mortgage and savings portfolios in the Benelux, Germany, France and Czech Republic, versus a EUR 234 million negative contribution in 2020. These fair value changes were mainly caused by changes in market interest rates. No hedge accounting is applied to these derivatives under IFRS-IASB.

ING's IFRS-EU net result (before adjustment of the EU 'IAS 39 Carve-out') rose to EUR 4,776 million from EUR 2,485 million in 2020. The effective tax rate in 2021 was 27.7%, down from 32.7% in 2020. The lower effective tax rate was mainly caused by the reduced impact of non-deductible amounts, whereas 2020 had included the non-deductible impairments on goodwill and on our stake in TTB (previously referred to as TMB).

The result before tax increased 78.1% to EUR 6,782 million in 2021 from EUR 3,809 million in 2020, predominantly due to lower risk costs reflecting improved macroeconomic indicators, as well as higher income.
Net core lending growth (adjusted for currency impacts, and excluding Treasury and the run-off portfolios) was EUR 30.6 billion, and net core deposits growth was EUR 10.3 billion. At year-end, the global retail customer base declined to 38.2 million, mainly by exiting the Austrian and Czech retail banking markets. The number of primary customers, however, rose during the year by 481,000 to 14.3 million.

Income rose 4.8% to EUR 18,490 million in 2021 from EUR 17,637 million in 2020. Income was supported by the recognition of a EUR 483 million conditional TLTRO III benefit, which also included the impact of the retroactive adjustment in the ECB funding rate as from 24 June 2020. The increase in income was mainly in Wholesale Banking, due to higher revenues in all product groups, while the higher income in Corporate Line was supported by the recognition of EUR 72 million receivable related to the insolvency of a financial institution in the Netherlands and higher interest results from foreign currency ratio hedging. Income at Retail Banking slightly increased as strong growth in fee income and the impact of the impairment on ING's equity stake in TTB recorded in 2020, was largely offset by the continued margin pressure on liabilities.
Net interest income increased 0.1% to EUR 13,615 million, and was supported by the EUR 483 million conditional TLTRO III benefit. Higher interest results were recorded on lending products (driven by a higher total lending margin), but also in Treasury, Financial Markets and Corporate Line. These increases were offset by lower revenues on current accounts and savings, reflecting continued liability margin pressure. ING Bank's overall net interest margin declined to 1.39% from 1.43% in 2020.

Net fee and commission income increased 16.8% to EUR 3,517 million from EUR 3,011 million in 2020. In Retail Banking, net fee and commission income rose by EUR 374 million, or 19.2%. This increase was mainly in daily banking following higher packages fees, recovery of payment transactions and new fee introductions, as well as investment products due to new account openings, a higher number of trades and higher assets under management. Total fee income in Wholesale Banking increased by EUR 128 million, or 12.0%, mainly in Trade & Commodity Finance as a result of higher average oil prices as well as increased daily banking fees and higher fee income in Global Capital Markets and Corporate Finance.

Total investment and other income rose to EUR 1,359 million in 2021 from EUR 1,022 million in 2020. The increase was mainly caused by the recognition of a EUR 72 million receivable (recorded in Corporate Line) related to the expected recovery of the insolvency of a financial institution in the Netherlands, while previous year included the EUR 280 million impairment on ING's equity stake in TTB (recorded in Retail Banking) as well as a EUR 58 million decrease of the NN Group indemnity receivable following the settlement of a tax dispute in Australia, which was offset by an comparable amount in the tax line (recorded in Corporate Line).
Operating expenses increased by EUR 39 million, or 0.3%, to EUR 11,192 million. Expenses in 2021 included EUR 1,265 million regulatory costs, up from EUR 1,105 million in previous year, among others due to an incidental 80% increase of the Dutch bank tax for 2021. Expenses in 2021 furthermore included EUR 522 million of incidental items, mainly reflecting a EUR 180 million provision for compensation to Dutch customers with certain consumer credit products, redundancy provisions and impairments related to the announced exit of the retail banking markets in France and Czech Republic, the accelerated closure of branches in the Netherlands, and some other impairments. Incidental items in 2020 amounted to EUR 673 million, mainly reflecting EUR 310 million of goodwill impairments and several restructuring provisions and impairments related to the review of activities and measures announced (including those on Wholesale Banking and the Maggie project). Expenses excluding regulatory costs and incidental items increased by EUR 30 million, or 0.3%, as the impact of collective labour agreement (CLA) salary increases and higher performance-related expenses and IT costs was largely offset by the continued cost-efficiency measures. The cost/income ratio was 60.5% in 2021 versus 63.2% in 2020.

Net additions to loan loss provisions declined to EUR 516 million, or 8 basis points of average customer lending, compared with EUR 2,675 million, or 43 basis points, in 2020. Risk costs in 2021 were primarily driven by [illegible] additions to Stage 3 provisions and included several model updates in Retail Belgium as well as additional [illegible] provisioning from updated recovery scenarios of existing, mainly Wholesale Banking [illegible] uncertainty on recovery scenarios and valuation in certain asset classes. Provisions in Stage 1 and 2 were [illegible] reduced, mainly due to releases from management adjustments taken in previous years [illegible] being removed from the watch list and moving back to Stage 1.

Year ended 31 December 2020 compared to year ended 31 December 2019

ING's net result (including the adjustment of the EU 'IAS 39 carve-out') decreased by EUR 1,653 million, or 42.4%, to EUR 2,250 million compared with EUR 3,903 million in 2019. The net result was affected by a EUR 234 million negative contribution of fair value changes on derivatives related to asset-liability management activities for the mortgage and savings portfolios in the Benelux, Germany, France and Czech Republic, versus a EUR 878 million negative contribution in 2019. These negative fair value changes were mainly caused by changes in market interest rates. No hedge accounting is applied to these derivatives under IFRS-IASB.

The IFRS-EU net result (before adjustment of the EU 'IAS 39 carve-out') fell 48.0% to EUR 2,485 million from EUR 4,781 million in 2019. The effective tax rate in 2020 was relatively high at 32.7% (versus 28.8% in 2019) and was mainly caused by the lower result before tax, which included higher non-deductible amounts like the impairments on goodwill and on our stake in TTB.

The result before tax declined 44.3% to EUR 3,809 million in 2020 from EUR 6,834 million in 2019, primarily caused by elevated risk costs reflecting the (expected) economic impact of the Covid-19 pandemic, combined with impairments on goodwill, restructuring provisions and other impairments. Net core lending (adjusted for currency impacts, and excluding Treasury and the run-off portfolios) declined by EUR 2.5 billion in 2020, while net customer deposit inflow was high at EUR 41.4 billion. The global retail customer base grew to 39.3 million at year-end, and the number of primary customers rose during the year by 578,000 to 13.9 million.

Income declined 3.7% to EUR 17,637 million from EUR 18,306 million in 2019. The decline was mainly in the Corporate Line due to lower interest results from foreign currency ratio hedging and to some positive one-offs recorded in 2019. Income at Retail Banking decreased due to an impairment on our equity stake in TMB, whereas income in Wholesale Banking (mainly in Financial Markets) increased.

Net interest income decreased 3.4% to EUR 13,604 million. The decline was largely due to lower interest results on current accounts and savings, reflecting the continued pressure on liability margins, combined with lower interest results as well as lower foreign currency ratio hedging due to lower interest rate differentials. This decline was largely offset by higher interest results at Treasury (supported by the introduction of the ECB's two-tiering system as of end-October 2019) and, to a lesser extent, on lending products, reflecting a slight increase in the total lending margin. ING's overall net interest margin declined to 1.44% from 1.54% in 2019.

Net fee and commission income increased 5.0% to EUR 3,011 million from 2,868 million in 2019. In Retail Banking, net fee and commission income rose by EUR 204 million, or 11.7%. This was mainly driven by higher fee income on investment products, predominantly in Germany, whereas daily banking fees slightly increased, supported by increased package fees, which countered the impact of a drop in payment transactions due to lockdown measures and travel restrictions. Total fee income in Wholesale Banking declined by EUR 66 million, or 5.8%, predominantly in Trade & Commodity Finance as a result of lower average oil prices, as well as lower syndicated deal activity in Lending.

Total investment and other income decreased to EUR 1,022 million 2020 from EUR 1,360 million in previous year. The decline was mainly in Retail Banking, largely due to a EUR 230 million impairment related to ING's stake in TTB and in the Corporate Line. In 2019, the latter had included a EUR 119 million one-off gain from the release of a currency translation reserve related to the sale of ING's stake in Kotak Mahindra Bank and a EUR 79 million receivable related to the insolvency of a financial institution. These declines were partly offset by Wholesale Banking, predominantly in Financial Markets due to a positive swing in valuation adjustments.

Operating expenses increased by EUR 800 million, or 7.7%, to EUR 11,153 million. Expenses in 2020 included EUR 1,105 million of regulatory costs, compared with EUR 1,021 million previous year. The increase was furthermore caused by EUR 632 million of incidental items recorded in 2020, mainly reflecting EUR 310 million of goodwill impairments and several restructuring provisions and impairments related to the review of activities and measures announced (including those on Wholesale Banking and the Maggie project). Excluding regulatory costs and these incidental items, expenses increased by EUR 43 million, or 0.5%, as the impact of collective labour agreement (CLA) salary increases and higher IT expenses, was largely offset by the impact of continued cost efficiency measures (including lower marketing and travel costs as a result of the Covid-19 restrictions). The cost/income ratio was 63.2% versus 56.6% in 2019.

Net additions to loan loss provisions were EUR 2,675 million, or 43 basis points of average customer lending, compared with EUR 1,120 million, or 18 basis points, in 2019. The increase was mainly due to higher individual Stage 3 provisions, including a sizeable provision for an alleged external fraud case in 2020, and higher collective Stage 1 and Stage 2 provisioning as a result of the economic impact of the Covid-19 pandemic. Risk costs in 2020 included EUR 590 million of collective provisions related to the worsened macro-economic indicators, including provisioning related to loans subject to a payment holiday.

Retail Netherlands

Retail Netherlands			
Amounts in millions of euros	**2021**	**2020**	**2019**
Income:			
Net interest income	3,290	3,511	3,541
Net fee and commission income	771	681	674
Investment income and other income	201	279	290
Total income	**4,262**	**4,471**	**4,505**
Expenditure:			
Operating expenses	2,403	2,236	2,210
Additions to the provision for loan losses	−76	157	91
Total expenditure	**2,326**	**2,393**	**2,301**
Result before tax	**1,936**	**2,078**	**2,204**
Taxation	499	523	558
Non-controlling interests	0	−1	−0
Net result IFRS-IASB	**1,437**	**1,556**	**1,646**

Year ended 31 December 2021 compared to year ended 31 December 2020

The net result of Retail Netherlands decreased by EUR 119 million, or 7.6%, to EUR 1,437 million in 2021 from EUR 1,556 million in 2020.

The result before tax declined 6.8% to EUR 1,936 million from EUR 2,078 million in 2020. This decline was caused by lower income mainly due to lower margins on customer deposits combined with higher expenses which included several incidental cost items, partly offset by lower risk costs.

Total income declined by EUR 209 million, or 4.7%, to EUR 4,262 million compared with EUR 4,471 million in 2020. Net interest income declined 6.3%, despite the recognition of a EUR 53 million conditional TLTRO III benefit and ongoing negative interest rates. This decline was predominantly due to continued margin pressure on savings and current accounts combined with lower interest results from lending products. Net core lending (excluding Treasury products and a EUR 1.1 billion decline in the WUB run-off portfolio) grew by EUR 0.8 billion in 2021, of which EUR 1.5 billion was in residential mortgages and EUR -0.7 billion in other lending. Net core deposits growth (excluding Treasury) was EUR 14.8 billion, predominantly in current accounts. Net fee and commission income increased by EUR 90 million, or 13.2%, mainly due to higher fee income in daily banking products, supported by increased fees for payment packages, and higher fees on investment products. Investment and other income was EUR 78 million lower, mainly attributable to lower results from Treasury-related products.

Operating expenses rose by EUR 167 million, or 7.5%, to EUR 2,403 million from EUR 2,236 million in 2020. The increase was mainly due to a EUR 180 million provision for compensation to customers with certain consumer credit products, and EUR 109 million of redundancy provisions and costs related to the retail advice organization in the Netherlands and the accelerated closure of branches, while 2020 included EUR 29 million of provisions. Excluding these incidental items, expenses declined by EUR 93 million, or 4.2%, mainly due to lower external staff costs and lower allocated group overhead expenses, partly offset by increased regulatory costs.

The addition to loan loss provisions was a net release of EUR 76 million, or -5 basis points of average customer lending, compared with a net addition of EUR 157 million, or 10 basis points, in previous year. In 2021, net releases in the mortgage and business lending portfolios, more than offset a net addition in the consumer lending portfolio.

Year ended 31 December 2020 compared to year ended 31 December 2019

The net result of Retail Netherlands decreased by EUR 90 million, or 5.5%, to EUR 1,556 million in 2020 from EUR 1,646 million in 2019.

The result before tax of Retail Netherlands decreased 5.7% to EUR 2,078 million from EUR 2,204 million in 2019. This decline was mainly attributable to higher risk costs reflecting the worsened macro-economic environment and an increase in regulatory costs.

Total income declined by EUR 34 million, or 0.8%, to EUR 4,471 million, compared with EUR 4,505 million in 2019. Net interest income declined 0.8%, mainly due to lower margins on savings and current accounts, combined with a decline in average lending volumes, which was largely offset by higher Treasury-related revenues. Net core lending (which excludes Treasury products and a EUR 1.1 billion decline in the WUB run-off portfolio) decreased by EUR 3.2 billion in 2020, of which EUR 0.8 billion was in residential mortgages and EUR 2.4 billion in other lending. Net customer deposits (excluding Treasury) grew by EUR 15.3 billion, predominantly in current accounts. Net fee and commission income increased by EUR 7 million, or 1.0%, primarily due to higher investment product fees. Investment and other income was EUR 11 million lower.

Operating expenses rose by EUR 26 million, or 1.2%, to EUR 2,236 million from EUR 2,210 million in 2019, of which EUR 65 million was caused by higher regulatory costs to EUR 255 million from EUR 190 million in 2019. Expenses excluding regulatory costs declined 1.9% as the impact of CLA salary increases, higher IT expenses as well as provisions related to redundancies and customer claims, were more than offset by lower external staff costs and lower marketing and travel expenses.

The net addition to loan loss provisions was EUR 157 million, or 10 basis points of average customer lending, compared with EUR 91 million, or 6 basis points, in 2019. Risk costs in 2020 included EUR 118 million of collective provisions related to the worsened macro-economic indicators, including provisioning related to loans subject to a payment holiday.

Retail Belgium

Retail Belgium Amounts in millions of euros	2021	2020	2019
Income:			
Net interest income	1,747	1,816	1,907
Net fee and commission income	519	413	374
Investment income and other income	209	145	161
Total income	**2,475**	**2,373**	**2,442**
Expenditure:			
Operating expenses	1,667	1,737	1,609
Additions to the provision for loan losses	225	514	186
Total expenditure	**1,892**	**2,251**	**1,794**
Result before tax	**583**	**122**	**647**
Taxation	146	51	192
Net result IFRS-IASB	**437**	**71**	**455**

Year ended 31 December 2021 compared to year ended 31 December 2020

The net result of Retail Belgium (including ING in Luxembourg) increased by EUR 366 million to EUR 437 million in 2021 from EUR 71 million in 2020.

The result before tax of Retail Belgium rose to EUR 583 million, compared with EUR 122 million in 2020. The increase was attributable to lower risk costs, combined with higher income and lower expenses.

Income rose by EUR 102 million, or 4.3%, to EUR 2,475 million from EUR 2,373 million in 2020. Net interest income was 3.8% lower at EUR 1,747 million, despite the recognition of a EUR 76 million conditional TLTRO III benefit and the introduction of negative interest rates. The decline reflects lower margins on savings and current accounts and lower interest result from lending products. Net core lending (excluding Treasury) increased by EUR 0.4 billion in 2021, of which EUR 0.9 billion was in mortgages, and EUR -0.5 billion in other lending. Net core deposits (excluding Treasury) declined by EUR 2.6 billion, predominantly in savings and deposits. Net fee and commission income rose by EUR 106 million, or 25.7%, mainly driven by higher daily banking fees and the strong performance in investment products. Investment and other income increased by EUR 64 million, mainly due to positive treasury-related fair value adjustments and a EUR 25 million capital gain on the sale of an associate.

Operating expenses declined by EUR 70 million, mainly due to a EUR 43 million goodwill impairment and EUR 40 million of restructuring costs, both recorded in 2020. Excluding these incidental items, expenses increased by 0.8%, mainly due to higher regulatory costs, partly offset by lower staff expenses.

The addition to the provision for loan losses declined to EUR 225 million, or 25 basis points of average customer lending, from EUR 514 million, or 57 basis points, in 2020. Risk costs in 2021 mainly included collective provisioning to accommodate for an update of models and Stage 3 additions for specific files, partly offset by a partial release of management adjustments applied in 2020.

Year ended 31 December 2020 compared to year ended 31 December 2019

The net result of Retail Belgium (including ING in Luxembourg) declined by EUR 384 million to EUR 71 million in 2020 from EUR 455 million in 2019.

The result before tax of Retail Belgium fell to EUR 122 million, compared with EUR 647 million in 2019. The decline was attributable to higher risk costs reflecting the worsened macro-economic environment, combined higher expenses and lower income.

Income declined by EUR 69 million, or 2.8%, to EUR 2,373 million from EUR 2,442 million in 2019. Net interest income was 4.8% down to EUR 1,816 million, mainly reflecting lower margins on savings and current accounts, and lower Treasury related revenues, partly offset by higher interest results from mortgages. Net core lending (excluding Treasury) decreased by EUR 1.5 billion in 2020, evenly spread over mortgages and other lending. Net customer deposits (also excluding Treasury) grew by EUR 4.0 billion, predominantly in current accounts. Net fee and commission income rose by EUR 39 million, or 10.4%, mainly due to higher fee income on investment products and mortgages. Investment and other income declined by EUR 16 million, mainly from Financial Markets.

Operating expenses rose by EUR 128 million, of which EUR 43 million was due to a goodwill impairment related to an acquisition in the past by ING Belgium and EUR 40 million related to restructuring costs recorded in the fourth quarter of 2020. The remaining increase was mainly due to higher regulatory costs and IT expenses.

The addition to the provision for loan losses increased to EUR 514 million, or 57 basis points of average customer lending, from EUR 186 million, or 21 basis points, in 2019. Risk costs in 2020 included EUR 158 million of collective provisions related to the worsened macro-economic indicators, including provisioning related to loans in payment holiday. The remaining risk costs were mainly related to business lending, including a number of individual files.

Retail Germany

Retail Germany Amounts in millions of euros	2021	2020	2019
Income:			
Net interest income	1,447	1,587	1,579
Net fee and commission income	497	437	268
Investment income and other income	65	93	138
Total income	**2,009**	**2,117**	**1,985**
Expenditure:			
Operating expenses	1,174	1,110	1,080
Additions to the provision for loan losses	49	57	–53
Total expenditure	**1,223**	**1,167**	**1,027**
Result before tax	**786**	**950**	**957**
Taxation	252	331	328
Non-controlling interests	4	4	3
Net result IFRS-IASB	**529**	**615**	**627**

Year ended 31 December 2021 compared to year ended 31 December 2020

The net result of Retail Germany (including ING in Austria) decreased by EUR 86 million, or 14.0%, to EUR 529 million in 2021 from EUR 615 million in 2020.

The result before tax declined 17.3% to EUR 786 million, compared with EUR 950 million in 2020, mainly due to lower income and increased expenses.

Total income fell 5.1% to EUR 2,009 million from EUR 2,117 million in 2020. Net interest income declined 8.8% as higher revenues from lending products and the recognition of a EUR 16 million conditional TLTRO III benefit was more than offset by the impact of the continued margin pressure on savings and current accounts. In 2021, net core lending growth (which excludes Treasury products, and the Austrian run-off portfolio as from the second quarter of 2021) was EUR 7.8 billion, of which EUR 6.8 billion was in residential mortgages and EUR 0.9 billion in consumer lending. Net core deposits declined by EUR 3.8 billion due to net outflows in the second half of the year, primarily reflecting the impact of the introduction of negative interest rate charging to clients with liability balances above EUR 50,000 as of November 2021. Net fee income rose by EUR 60 million, or 13.7%, predominantly on investment products, reflecting higher assets under management, new account openings and higher number of brokerage trades. Investment and other income declined by EUR 28 [illegible] million one-off loss related to the transfer of the Austrian retail banking activities to bank99 in December 2021.

Operating expenses increased by EUR 64 million, or 5.8%, to EUR 1,174 million in 2021, of which EUR 36 million was due to higher regulatory costs, which included a catch-up following the Greens[illegible] cost increase was mainly due to higher staff expenses and costs related to the disposal of the Austrian retail banking activities.

The addition to the provision for loan losses was EUR 49 million, or 5 basis points of average customer lending, compared with EUR 57 million, or 6 basis points, in 2020.

Year ended 31 December 2020 compared to year ended 31 December 2019

The net result of Retail Germany (including ING in Austria) decreased by EUR 12 million, or 1.9%, to EUR 615 million in 2020 from EUR 627 million in 2019.

The result before tax declined 0.7% to EUR 950 million, compared with EUR 957 million in 2019, as higher income largely offset the impact of higher risk costs (after a net release in 2019) and increased expenses.

Total income rose 6.6% to EUR 2,117 million from EUR 1,985 million in 2019. The increase was driven by EUR 169 million higher fee income, predominantly on investment products due to higher assets under management, new [illegible] higher number of brokerage trades in volatile markets. Net interest income increased, as higher interest results from lending and accounting asymmetry in Treasury (with an [illegible]) was largely offset by margin pressure on savings and current accounts. In 2020, net core lending (which excludes Treasury products) increased EUR 4.5 billion, of which EUR 4.2 billion was in residential mortgages and EUR 0.3 billion in consumer lending. Net customer deposits (excluding Treasury) increased by EUR [illegible] billion, largely in current accounts. Investment and other income declined by EUR 45 million, mainly due to the aforementioned accounting asymmetry and lower capital gains.

Operating expenses increased by EUR 30 million, or 2.8%, to EUR 1,110 million in 2020. The increase was mainly due to investments to support business growth as well as the consolidation of a subsidiary as from the first quarter of 2020, while previous year included a EUR 36 million restructuring provision.

The net addition to the provision for loan losses was EUR 57 million, or 6 basis points of average customer lending, compared with a net release of EUR 53 million in 2019, which had included model updates on mortgages. Risk costs in 2020 included EUR 8 million of collective provisions related to the worsened macro-economic indicators.

Retail Other

Retail Other			
Amounts in millions of euros	2021	2020	2019
Income:			
Net interest income	2,712	2,760	2,787
Net fee and commission income	530	412	423
Investment income and other income	361	89	298
Total income	**3,602**	**3,261**	**3,509**
Expenditure:			
Operating expenses	2,452	2,469	2,210
Additions to the provision for loan losses	202	593	364
Total expenditure	**2,654**	**3,063**	**2,574**
Result before tax	**949**	**199**	**935**
Taxation	212	105	234
Non-controlling interests	98	55	82
Net result IFRS-IASB	**639**	**39**	**619**

Year ended 31 December 2021 compared to year ended 31 December 2020

Retail Other consists of the Other Challengers & Growth Markets, including the bank stakes in Asia. The net result of Retail Other increased to EUR 639 million in 2021, from EUR 39 million in 2020.

Retail Others’ result before tax rose to EUR 949 million, from EUR 199 million in 2020, mainly reflecting higher income, driven by strong fee income growth, whereas 2020 included a EUR 230 million impairment on ING’s equity stake in TTB (Thailand) and lower risk costs.

Total income rose by EUR 341 million to EUR 3,602 million from EUR 3,261 million in 2020. Excluding the impairment on TTB, total income increased by EUR 111 million, or 3.2%. Net interest income was down 1.7% to EUR 2,712 million, mainly reflecting lower margins on savings and current accounts, partly offset by higher interest results from lending products and a EUR 7 million TLTRO III benefit. Net customer lending (adjusted for currency effects and Treasury) grew by EUR 8.5 billion in 2021, with growth in all countries, except Italy. Net core deposits growth, also adjusted for currency impacts and Treasury as well as the Czech Republic run-off portfolio, was EUR 4.4 billion, driven by net inflows in the non-eurozone countries with the largest increase in Poland. Net fee and commission income rose by EUR 118 million, or 28.6%, to EUR 530 million in 2021. The increase was mainly due to higher fee income from daily banking, investment and insurance products, and was mainly visible in Spain, Poland and Romania. Excluding the aforementioned impairment on TTB in 2020, investment and other income increased by EUR 42 million, mainly due to higher revenues from Financial Markets-related products.

Operating expenses declined by EUR 17 million, or 0.7%, to EUR 2,452 million from EUR 2,469 million in 2020. In 2021, expenses included EUR 166 million of incidental items, mainly consisting of restructuring provisions and impairments related to the announcements that ING will exit the retail banking markets in France and the Czech Republic, while 2020 included EUR 167 million of impairments and restructuring provisions mainly related to the Maggie programme. Excluding these incidental items, expenses declined by EUR 16 million as higher staff expenses and legal provisions, were more than offset by among others lower IT and marketing expenses as well as lower regulatory costs.

The addition to loan loss provisions declined by EUR 391 million on 2020 to EUR 202 million, or 20 basis points of average customer lending. The 2021 risk costs mainly reflect net additions in Poland and Spain, partly offset by a net release in Australia.

Year ended 31 December 2020 compared to year ended 31 December 2019

Retail Other consists of the Other Challengers & Growth Markets, including the bank stakes in Asia. The net result of Retail Other decreased to EUR 39 million in 2020, from EUR 619 million in 2019.

Retail Others’ result before tax fell to EUR 199 million, from EUR 935 million in 2019, mainly reflecting impairments on TTB and the Maggie project as well as higher risk costs.

Total income declined by EUR 248 million to EUR 3,261 million in 2020, of which EUR 230 million related to an impairment on ING’s equity stake in TTB. Excluding this impairment, total income decreased by EUR 18 million, or 0.5%. Net interest income was down 1.0% to EUR 2,760 million, reflecting margin pressure on savings and current accounts, largely offset by higher interest results from lending products and Treasury. Net customer lending (adjusted for currency effects and Treasury) grew by EUR 2.6 billion in 2020 with growth in all countries except Italy. The net inflow in customer deposits, also adjusted for currency impacts and Treasury, was EUR 11.9 billion, with largest increases in Poland and Spain. Net fee and commission income declined 2.6% to EUR 412 million, largely due to a decline in Turkey, which was partly offset by increases in most of the other countries. Excluding the aforementioned impairment, investment and other income rose by EUR 21 million.

Operating expenses increased by EUR 259 million, or 11.7%, to EUR 2,469 million from EUR 2,210 million in 2019, of which EUR 140 million related to an impairment on capitalised software following the decision to stop the Maggie transformation programme (previously called Model Bank) and EUR 27 million of restructuring provisions and impairments related to the project and some other countries. Excluding these incidental items, expenses increased by EUR 92 million, or 4.2%, mainly due to higher regulatory costs, investments in business growth and lower capitalization of costs following the decision on Maggie. These increases were partly offset by lower legal provisions as well as lower marketing and travel expenses.

The net addition to loan loss provisions increased by EUR 229 million on 2019 to EUR 593 million, or 61 basis points of average customer lending. Risk costs in 2020 included EUR 114 million of collective provisions related to the worsened macro-economic indicators, including provisioning related to loans subject to a payment holiday, as well as a EUR 59 million Stage 3 provision for expected losses on CHF-indexed mortgages in Poland. The increase versus 2019 was mainly visible in Poland, Romania and Australia, whereas risk costs in Turkey declined.

Wholesale Banking

Wholesale Banking Amounts in millions of euros	2021	2020	2019
Income:			
Net interest income	4,151	3,718	3,794
Net fee and commission income	1,197	1,069	1,135
Investment income and other income	568	609	369
Total income	**5,916**	**5,396**	**5,298**
Expenditure:			
Operating expenses	2,926	3,218	2,937
Additions to the provision for loan losses	117	1,351	532
Total expenditure	**3,042**	**4,568**	**3,469**
Result before tax	**2,874**	**827**	**1,830**
Taxation	703	295	464
Non-controlling interests	26	20	14
Net result IFRS-EU	**2,144**	**512**	**1,352**
Adjustment of the EU 'IAS 39 carve-out'	1,174	–234	–878
Net result IFRS-IASB	**3,318**	**278**	**474**

Year ended 31 December 2021 compared to year ended 31 December 2020

The net result of Wholesale Banking increased to EUR 3,318 million in 2021 compared with EUR 278 million in 2020. The adjustment of the EU 'IAS 39 carve-out', included in the net result, was EUR 1,174 million in 2021 compared with EUR -234 million in 2020, due to fair value changes on derivatives related to asset-liability management activities for the mortgage and savings portfolios in the Benelux, Germany, France and Czech Republic. These fair value changes were mainly a result of changes in market interest rates. No hedge accounting is applied to these derivatives under IFRS-IASB.

The 2021 result of Wholesale Banking also strongly recovered from the previous year when results were negatively affected by the impact of the Covid-19 pandemic. The IFRS-EU net result, which is before the adjustment of the EU 'IAS 39 carve-out', increased to EUR 2,144 million from EUR 512 million in 2020. The result before tax rose 247.5% to EUR 2,874 million from EUR 827 million in 2020. The increase was predominantly due to lower risk costs and higher income, while operating expenses declined due to lower incidental cost items.

Total income rose 9.6% to EUR 5,916 million in 2021, compared with EUR 5,396 million in 2020, reflecting higher revenues in all product groups, with the largest increases in Lending, and Daily Banking & Trade Finance. Net interest income increased by EUR 433 million, or 11.6%, and was supported by a EUR 184 million conditional TLTRO III benefit. The increase was mainly due to higher margins on lending products and increased results from Treasury and Financial Markets, while the margin on customer deposits stabilised due to the increased charging of negative interest rates. The net core lending book (adjusted for currency impacts and excluding Treasury and the Lease run-off portfolio) grew by EUR 13.1 billion in 2021, mainly reflecting growth in term loans, and higher short-term facilities in Financial Markets. Net customer deposits (excluding currency impacts and Treasury) decreased by EUR 2.6 billion. Net fee and commission income rose by EUR 128 million, or 12.0%, on 2020, mainly due to higher fee income in Trade & Commodity Finance on the back of higher oil prices, various fee and pricing initiatives in Payments & Cash Management and higher deal flows in Global Capital Markets and Corporate Finance. Investment and other income decreased by EUR 41 million, primarily due to lower valuation results in Financial Markets, partly offset by higher income in Corporate Investments.

Operating expenses declined 9.1% to EUR 2,926 million from EUR 3,218 million in 2020. Expenses in 2021 included a EUR 44 million impairment on Payvision, while 2020 included a EUR 260 million goodwill impairment and EUR 124 million of restructuring provisions and impairments. Excluding these incidental items, expenses increased 1.7%, mainly due to higher performance-related staff expenses and increased costs for legal provisions and IT, partly offset by the impact of continued cost-efficiency measures.

The net addition to loan loss provisions fell to EUR 117 million, or 7 basis points of average customer lending, compared with EUR 1,351 million, or 75 basis points, in 2020. Risk costs in 2021 mainly reflected additional Stage 3 provisioning for existing files, including the impact of updated scenarios reflecting uncertainty in economic scenarios and valuations in certain asset classes. This was partly offset by releases of management adjustments caused by improved macroeconomic indicators.

Lending posted a result before tax of EUR 2,141 million, up from EUR 691 million in 2020, predominantly due to lower risk costs compared with the elevated level in 2020. Lending income rose by EUR 231 million, or 5%, and was supported by the recognition of a EUR 100 million conditional TLTRO III benefit. The increase was mainly due to higher lending margins and increased syndicated deal activity. Expenses increased 0.4% to EUR 983 million as higher performance-related staff expenses were offset by the impact of cost-efficiency measures.

The result before tax from Daily Banking & Trade Finance rose to EUR 375 million from EUR 246 million in 2020. This increase was due to higher income, supported by the recognition of a EUR 24 million conditional TLTRO III benefit, partly offset by higher expenses and risk costs. Income increased 13.3%, mainly in Trade & Commodity Finance on the back of higher average oil prices and in Payments & Cash Management following various fee and pricing initiatives. Expenses rose 2.6%, mainly due to higher regulatory costs, partly offset by lower staff and IT expenses.

Financial Markets recorded a result before tax of EUR 278 million, compared with EUR 230 million in 2020. The increase was mainly due to higher income, which was supported by the recognition of a EUR 60 million conditional TLTRO III benefit and higher net fee income, partly offset by lower valuation results. The increase in income was partly offset by higher expenses, mainly due to higher performance-related staff expenses.

The result before tax of Treasury & Other was EUR 80 million compared with a loss of EUR 329 million in 2020. The improvement was mainly due to lower expenses, as 2020 included a EUR 260 million goodwill impairment and EUR 95 million of restructuring provisions and related impairments following the announced refocusing of activities. Excluding these incidental items, result before tax rose by EUR 64 million, mainly due to higher income in Corporate Investments, which was supported by a EUR 28 million gain on an associate, and Corporate Finance.

Year ended 31 December 2020 compared to year ended 31 December 2019

The net result of Wholesale Banking declined to EUR 278 million in 2020 compared with EUR 474 million in 2019. The adjustment of the EU 'IAS 39 carve-out', included in the net result, was EUR –284 million in 2020 compared with EUR –873 million in 2019, due to fair value changes on derivatives related to asset liability management activities for the mortgage and savings portfolios in the Benelux, Germany, France and Czech Republic. These fair value changes were mainly a result of changes in market interest rates. No hedge accounting is applied to these derivatives under IFRS-IASB.

The IFRS-EU net result, which is before the adjustment of the EU 'IAS 39 carve-out', declined to EUR 562 million from EUR 1,332 million in 2019.

The full-year 2020 results for Wholesale Banking were also strongly affected by the impact of the Covid-19 pandemic. The result before tax dropped 54.8% to EUR 827 million, down from EUR 1,830 million in 2019. The decline was predominantly due to elevated risk costs and higher expenses (including impairments and restructuring provisions), partly offset by higher income.

Total income rose 1.8% to EUR 5,396 million in 2020, compared with EUR 5,298 million in 2019, reflecting higher revenues in Financial Markets and Treasury & Other, partly offset by lower income in Daily Banking & Trade Finance and Lending. The net core lending book (adjusted for currency impacts and excluding Treasury and the Lease run-off portfolio) declined by EUR 4.9 billion in 2020. The inflow in net customer deposits (excluding currency impacts and Treasury) was EUR 4.4 billion. Net interest income decreased 3%, mainly due to lower margins on current accounts and lower average lending volumes. This decline was largely offset by higher interest results from Treasury (with an offset in other income). Net fee and commission income decreased 5.8% on 2019, mainly due to lower syndicated deal activity in Lending and lower fees in Trade & Commodity Finance. Investment and other income rose by EUR 240 million, primarily due to higher valuation results in Financial Markets, partly offset by Treasury.

Operating expenses rose 9.6% to EUR 3,218 million from EUR 2,937 million in 2019, mainly due to the EUR 260 million goodwill impairment and EUR 124 million of restructuring provisions and impairments recorded in the fourth quarter of 2020, following the announced refocusing of activities, including an additional impairment on Payvision. Excluding the aforementioned incidental items, expenses decreased 3.5%, mainly due to lower regulatory costs and the impact of continued cost-efficiency measures as well as lower travel expenses as a result of the Covid-19 restrictions.

The net addition to loan loss provisions rose to EUR 1,351 million, or 75 basis points of average customer lending, compared with EUR 532 million, or 29 basis points, in 2019. The increase was predominantly due to various Individual Stage 3 provisions, including a sizeable provision for an alleged external fraud case in 2020, and high collective Stage 1 and Stage 2 provisions as a result of the economic impact of the Covid-19 pandemic, including EUR 192 million of collective provisions related to the worsened macro-economic indicators.

Lending posted a result before tax of EUR 691 million, down 56.7% compared with EUR 1,597 million in 2019, predominantly due to elevated risk costs. Risk costs in 2020 were primarily impacted by various large individual files, including a sizeable provision for an alleged external fraud case, as well as the economic impact of the Covid-19 pandemic. Lending income declined 3.2%, reflecting lower lending margins and lower syndicated deal activity. Expenses declined 3.1%, mainly due to lower regulatory costs.

The result before tax from Daily Banking & Trade Finance fell to EUR 246 million from EUR 476 million in 2019. This decline was due to lower income and higher expenses, partly offset by lower risk costs as previous year included a sizeable provision for an external fraud case. The decline in income mainly reflected lower margins on [illegible] lower fee income, mainly in Trade & Commodity Finance as a result of lower average [illegible] Expenses rose 9.8%, mainly due to impairments on Payvision's intangible assets.

Financial Markets recorded a result before tax of EUR 230 million, compared with a loss of EUR 121 million in 2019. The increase was predominantly due to higher income, which included EUR 73 million of positive valuation adjustments versus EUR -228 million in 2019, and lower expenses in part due to lower staff expenses and regulatory costs. Excluding valuation adjustments, pre-tax result rose by EUR 50 million compared with 2019, mainly in the Global Capital Markets business.

The result before tax of Treasury & Other was EUR -339 million compared with EUR 123 million in 2019. This decline was mainly explained by a EUR 260 million goodwill impairment and EUR 95 million of restructuring provisions and impairments following the announced refocusing of activities, partly offset by higher Treasury income.

B. Liquidity and capital resources

ING believes that its working capital is sufficient for its present requirements.

For information regarding our material short and long-term cash requirements from known contractual and other obligations, see "Additional information – ING Group Risk Management section – Funding and liquidity risk" and "Capital Management" in the consolidated financial statements.

For information on legal or economic restrictions on the ability of subsidiaries to transfer funds to the company in the form of cash dividends, loans or advances, see "Note 19 – Equity" in the consolidated financial statements.

For information on the maturity profile of borrowings and a further description of the borrowings, please see "Note 17 – Debt securities in issue", "Note 18 - Subordinated Loans" and "Note 42 – Liabilities and off-balance sheet commitments by maturity" in the consolidated financial statements.

For information on currency and interest rate structure, see “Additional information – ING Group Risk Management section Market risk” and “Additional information – ING Group Risk Management section Funding and liquidity risk”.

For information on the use of financial instruments for hedging purposes, please see “Note 40 – Derivatives and hedge accounting” in the consolidated financial statements.

ING Group Consolidated Cash Flows

cash and cash equivalents			
Amounts in millions of euros	2021	2020	2019
Treasury bills and other eligible bills	23	0	43
Amounts due from/to banks	1,122	478	786
Cash and balances with central banks	106,520	111,087	53,202
Cash and cash equivalents at end of year	**107,665**	**111,566**	**54,031**

Year ended 31 December 2021 compared to year ended 31 December 2020

Net cash flow from operating activities amounts to EUR -14,943 million for the year-end 2021, compared to EUR 101,243 million at 31 December 2020. The decrease in cash flow from operating activities of EUR 116,186 million in 2021 is explained by lower cash inflows from Loans and advances to/from banks (EUR 44,378 million), higher cash outflows to loans and advances to customers (EUR 30,736 million), lower cash inflows from customer deposits (EUR 29,401 million) and higher cash outflows to Trading assets and liabilities (EUR 8,186 million).

Net cash flow from investing activities amounts to EUR 6,220 million for the year-end 2021 compared to EUR -8,487 million in 2020. The net cash flow from investing activities increased by EUR 14,707 million and is explained by a net increase from Securities at amortised costs of EUR 7,592 million and from Financial assets at fair value through OCI of EUR 6,942 million.

Net cash flow from financing activities amounts to EUR 5,387 million in 2021, compared to EUR -34,796 million in 2020. The increase of EUR 40,183 million is explained by a net increase of EUR 42,867 million of debt securities offset by higher dividend payments of EUR 2,379 million and the share buyback programme for an amount of EUR 1,604 million at year-end 2021.

The operating, investing and financing activities described above result in a decrease of EUR 3,335 million in cash and cash equivalents to EUR 107,665 at year end 2021 including exchange rate effect on cash and cash equivalents of EUR -565 million.

Year ended 31 December 2020 compared to year ended 31 December 2019

Net cash flow from operating activities amounts to EUR 101,243 million for the year-end 2020, compared to EUR 13,055 million at 31 December 2019. The increase in cash flow from operating activities of EUR 88,187 million is explained by higher cash inflows from Loans and advances to banks (increase of EUR 56,089 million to EUR 59,078 million in 2020 due to new TLTRO III as the ECB modified the terms and conditions of its TLTRO programm to further support the provision of credit to households and firms in view of the COVID-19 pandemic) and Customer deposits (increase of EUR 21,700 million to EUR 39,740 million in 2020) as well as lower cash outflows of Loans and advances to Customers (decrease of EUR 19,563 million to EUR 2,876 in 2020) and Trading assets and liabilities (decrease of EUR 5,134 million to EUR 2,566 in 2020). The increases are partly offset by lower cash inflows from (reverse) repurchase transactions (decrease EUR 12,041 to EUR -933 million in 2020).

Net cash flow from investing activities amounts to EUR -8,487 million compared to EUR -2,495 million in 2019, the net cash flow from investing activities decreased by EUR 5,992 million. The movement is explained by a net increase in Securities at amortised costs of EUR 6,337 million.

Net cash flow from financing activities amounts to EUR -34,796 million in 2020, compared to EUR -4,154 million in 2019. The decrease of EUR 30,642 million is explained by a net decrease of EUR 30,200 million of debt securities and EUR 3,117 million of subordinated loans offset by lower dividend payments of EUR 2,676 million.

The operating, investing and financing activities described above result in an increase of EUR 57,960 million in cash and cash equivalents to EUR 111,566 at year end 2020. The increase in cash and cash equivalent was supported by the combination of lower demand for credit and the continued inflow of customer deposits as result of Covid-19, as well as the TLTRO III participation.

C. Research and development, patents and licenses, etc.

Not applicable.

D. Trend information

For information regarding trend information, see Item 5.A of this Form 20-F.

E. Critical Accounting Estimates

Reference is made to Note 1 ‘Basis of preparation and significant accounting policies' to the consolidated financial statements for detailed information on Critical Accounting Estimates.

Item 6. Directors, Senior Management and Employees

A. Directors and senior management

Executive Board

Roles and responsibilities

The Executive Board is entrusted with the management of ING. This includes the day-to-day management of the business and strategy of ING (including long-term value creation), which responsibility is vested in the members of the Executive Board collectively. The organisation, main roles and responsibilities of the Executive Board are set out in the Management Board Charter, available on ing.com.

The Executive Board performs its activities under the supervision of the Supervisory Board. The Articles of Association, the Management Board Charter and the Supervisory Board Charter outline which resolutions of the Executive Board are subject to approval by the Supervisory Board.

ING Group indemnifies the members of the Executive Board against direct financial losses in connection with claims from third parties filed, or threatened to be filed, against them by virtue of their service on the Executive Board, as far as permitted by law, on the conditions laid down in the Articles of Association and their commission contract. ING Group has taken out liability insurance for the members of the Executive Board.

Composition and diversity

ING's Executive Board consists of the chief executive officer (CEO), the chief financial officer (CFO) and the chief risk officer (CRO). The Executive Board is composed to be adequate and balanced, with a diverse selection of persons with knowledge, skills and executive experience, preferably gained in the banking sector, experience in corporate governance of large stock-listed companies and experience in the political and social environment in which such companies operate. In addition, there should be a good balance in the experience of and affinity with the desired nature and culture of the business of ING. ING also takes account of factors such as nationality, gender, age and education for the composition of the Executive Board.

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

As part of this:

(i) bench strength and succession planning for Executive Board positions are points of continuous attention, as part of which the career development of potential internal candidates for such a role is complemented with potential talent from outside the bank.

(ii) a long-term view is taken including steps to improve the appointment of women in senior positions throughout the bank, in line with the adopted diversity and inclusion principle.

The above was also applied when looking at the Executive Board composition changes in 2021, when the CRO position became vacant with the position change of Steven van Rijswijk – from CRO to CEO – on 1 July 2020. The Supervisory Board initiated the succession planning for a new CRO, resulting in Ljiliana Čortan being appointed as the CRO of ING Bank and member of the Management Board Banking as of 1 January 2021. Furthermore, the Supervisory Board proposed to appoint her as member of the Executive Board at the General Meeting 2021. The General Meeting approved this proposal. In terms of the dimensions of diversity, Ljiliana Čortan added both nationality and gender diversity to the Executive Board and Management Board Banking.

The Gender Diversity Act, which entered into force in the Netherlands on 1 January 2022, requires ING to set appropriate and ambitious targets for gender diversity in its Executive Board and senior management. ING's target for gender diversity in the Executive Board is set at 30%.

Appointment, suspension and dismissal

(Proposed) members of the Executive Board are appointed, suspended and dismissed by the General Meeting. Candidates for appointment to the Executive Board are assessed by the Dutch Central Bank and European Central Bank (DNB and ECB) for suitability and reliability and must continue to meet these criteria while in function.

For the appointment of Executive Board members, the Supervisory Board may draw up a binding list of candidates, which may be rendered non-binding by the General Meeting. A resolution of the General Meeting to render this list non-binding, or to suspend or dismiss Executive Board members without this being proposed by the Supervisory Board, requires an absolute majority of the votes cast. Additionally, this majority must represent more than half of the issued share capital. The quorum requirement cannot be waived in a second General Meeting. This ensures that significant shareholder proposals cannot be adopted in a General Meeting with a low attendance rate and can only be adopted with substantial support of ING Group's shareholders.

Remuneration and share ownership

Details of the remuneration of members of the Executive Board, including shares granted to them, are set out in the 'Remuneration report'.

Members of the Executive Board are permitted to hold shares in the share capital of ING Group for long-term investment purposes. Transactions by members of the Executive Board in these shares need to comply with the ING regulations for insiders, which are available on ing.com.

Ancillary positions

Members of the Executive Board may hold other positions. No member of the Executive Board has corporate directorships at listed companies outside ING.

Transactions involving actual or potential conflicts of interest

In accordance with the DCGC, transactions with members of the Executive Board in which there are significant conflicts of interest are disclosed in the Annual Report.

If a member of the Executive Board obtains financial products and services, other than loans, which are provided by ING Group subsidiaries in the ordinary course of business on terms that apply to all employees, this is not considered a significant conflict of interest and is not reported. Banking and financial products in which the granting of credit is of a secondary nature, e.g., credit cards and overdrafts in current account, are not considered a loan for this purpose and therefore not reported.

For an overview of loans granted to members of the Executive Board, see the 'Remuneration report'.