ING Group Annual Report 2015

A step ahead

ING

You've just ordered and paid for your lunch. At the same time, you reserved tickets for the cinema that night. A few minutes later you place an order to buy shares in an investment fund. These are things you already do with your smartphone. But what will the technology of the future be? Every day ING works to improve the customer experience. In this annual report, we survey the innovations that are changing banking today and ones that could emerge in the future. At ING, we're always looking for the next step ahead.

Empowering people to stay a step ahead in life and in business

ING at a glance

Who we are

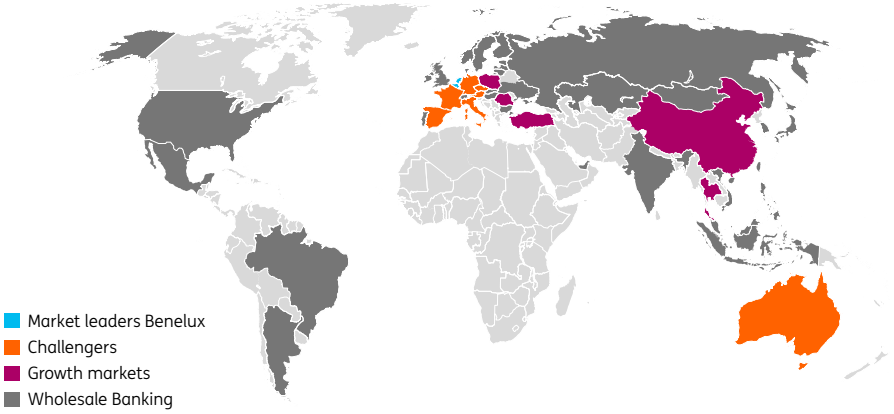
We are a global financial institution with a strong European base offering banking services. Our customers are at the heart of what we do.

2015 highlights

- Attracted over 1.4 million new retail customers; primary relationships increased by almost 7% to 8.9 million.
- On track to deliver on Ambition 2017 financial targets.
- Core lending recorded net growth of EUR 21.7 billion; robust net customer deposit inflow of EUR 25.1 billion.
- ING's sustainability ratings rose further in 2015. The Dow Jones Sustainability Indices named ING among world leaders in the category "Banks". Our score in the ratings from Sustainalytics, rose 14% (score of 88 out of 100) compared to 2014.
- ING is working to increase the pace of innovation, developing new services and business models. We do this by investing in and partnering with fintechs and by being the only Dutch bank to join R3, a consortium of more than 40 leading global banks collaboratively exploring ways to use blockchain technology in financial markets.
- The divestment of Voya was completed and our stake in NN was reduced to 14.1% in early 2016, bringing us closer to completing our restructuring and consolidating our position as one of Europe's leading banks.
- FY 2015 dividend at EUR 0.65 per ordinary share.

Where we operate

We operate in more than 40 countries in Europe, North America, South America, the Middle East, Asia and Australia



Our customers

34.4 million

(year-end 2015)

Top NPS ranking

Our customer-centric focus has resulted in seven countries achieving first place in NPS compared with two or more selected local peers. NPS surveys were held in 13 countries with retail banking activities.

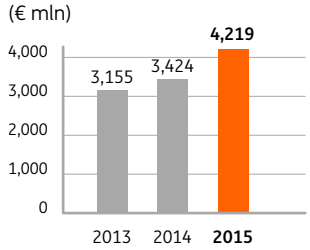
Our employees (by head count)

>54,000

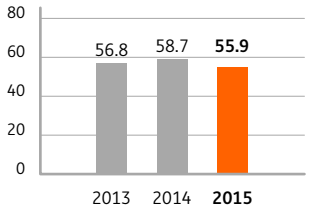
(year-end 2015)

Financial highlights Banking

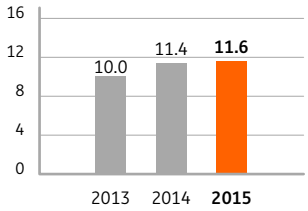
Underlying net result Banking (€ mln)



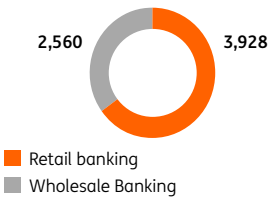
Underlying cost/income ratio (%)



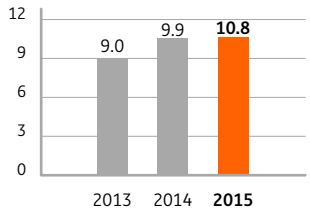
Common Equity Tier 1 ratio fully loaded (%)



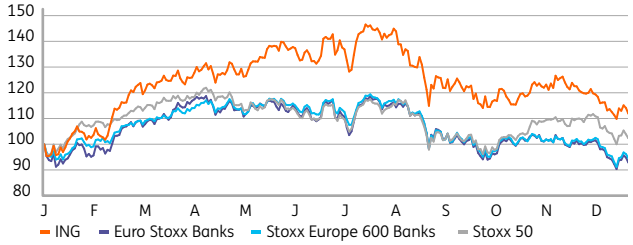
Underlying result before tax Banking excl. corporate line (€ mln)



Underlying return on equity (%)



One-year price development of ING depositary receipts for shares
Our share price increased by 15% in 2015, outperforming all three bank indices



Our brand value
Number 27 most valuable bank brand in the world (EUR 7.2 billion, 1 January 2016).[1]

Our size
Number four eurozone bank by market capitalisation (EUR 48 billion, year-end 2015).[2]

1 Source: Brand Finance plc, February 2016. The valuation date is each year on the 1st of January.
2 Source: MSCI, Bloomberg, January 2016.

Welcome to ING's Annual Report

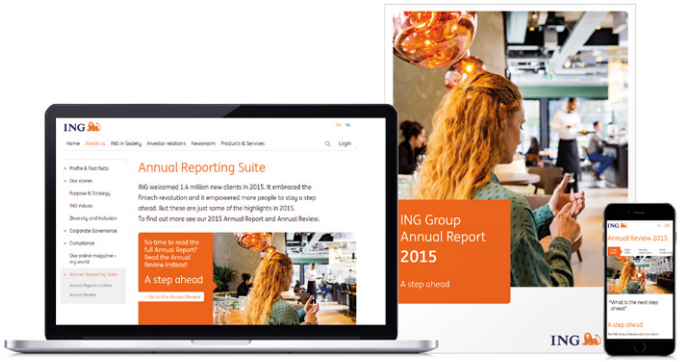
This report aims to inform stakeholders about our financial and non-financial performance in 2015. This includes a look at how we create value over time and how the Think Forward strategy address the challenges, risks and opportunities ING faces in a fast-changing world.

The main external developments in 2015 are described in the "Market and regulatory context" chapter. In the next chapter, the issues our stakeholders find most important are discussed. These issues are addressed throughout this report.

After the "Key figures" chapter, we explain how Retail and Wholesale Banking activities are furthering ING's strategy. The key resources we deploy to create value are the focus of the next two chapters: "People" and "Operational excellence and innovation".

The "Risk and capital management" chapter describes how we manage risks and ensure optimal use of capital for value creation. The "ING Shares" chapter contains key information for our shareholders. The integrated report which encompasses the "Report of the Executive Board" section concludes with the assurance report of our external auditor.

This is followed by the "Corporate Governance" section and the annual accounts. Additional information is included in the appendix.



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ING Group annual reports

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communication@ing.com

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CEO statement "A step ahead"

In 2015, ING delivered strong performance and we made progress implementing our Think Forward strategy. We continued to work to empower our customers with tools that give them better insight into their finances, and products and services that make banking easier. We are committed to the sustainable development of society through responsible financing and to supporting our clients with sustainable transitions.

Delivering for customers

2015 was a year of good progress for ING. I am pleased with the important steps we took to implement our Think Forward strategy with its purpose of empowering people to stay a step ahead in life and in business.

At the heart of that is our Customer Promise to be clear and easy, to excel in making financial services available anywhere and anytime, to empower with insights to make smarter financial decisions and to keep getting better for customers every day.

We welcomed 1.4 million new retail customers in 2015. And customers demonstrated that we are meeting their needs as seen in the growing number of retail primary relationships – customers with a salary account and at least one additional product – which rose almost seven percent to 8.9 million, on track to reach our goal of 10 million primary relationships by 2017. Our Net Promoter Scores showed that we continued to differentiate in our delivery, with number one positions in seven of our major markets.

We achieved this by building on our strong position in digital banking. In retail banking this included improvements to the mobile customer experience in the form of biometric access in a number of countries and voice recognition in the Netherlands. At ING Germany, video identification is being used in a growing number of account openings. In Wholesale Banking we launched InsideBusiness, an online and mobile platform for corporate clients. It simplifies how they do business with us by offering easy access to products and services together with tools that give them insight into their finances.

Our purpose of empowerment includes helping people improve their lives with tools to make better informed financial decisions. In Spain, a financial management service is a key part of our online and mobile banking solution, and highly appreciated by customers. The online Financially Fit Test in the Netherlands promotes financial awareness in an increasingly digital environment. Both are now rolling out to ING retail businesses in other countries.

To stay at the forefront, innovation is crucial. We are embedding that in our day-to-day business. Thousands of employees have now taken part in our internal Innovation Bootcamps where staff develop solutions that make a difference for customers. Three of these are being piloted and six more are in early development. We are also accelerating innovation at ING by going outside for specialised expertise. We did this in 2015 by partnering with fintechs, like US-based online lending experts Kabbage, with which we are piloting instant lending for SMEs in Spain. We have also appointed a Head of Fintech.

We continue to simplify and streamline our organisation so that we have the flexibility to respond to fast-changing customer needs and low-cost competitors. In the Netherlands we have introduced agile working based on end-to-end, multidisciplinary teams across the whole organisation. This delivers customer improvements from design to product delivery at lower cost and with shorter time to market than previously required.

Strong performance

Our strong customer relationships were reflected in ING's commercial and financial performance in 2015. Full-year 2015 underlying net profit of EUR 4,219 million was 23.2% higher than in 2014. Net growth in our core lending book was EUR 21.7 billion, or 4.2%, as we continued to support our clients' financing needs. Net customer deposits grew by EUR 25.1 billion, or 5.1%. We made good progress growing lending, particularly in Industry Lending and Transaction Services in Challenger & Growth Markets, which supported balanced growth in these countries with their strong savings franchises. We also further diversified lending to reduce dependency on mortgages, including in Germany where we booked strong growth in consumer lending. We experienced a further decline in risk costs in 2015 to normal levels. And we are already meeting many Ambition 2017 targets, including in the areas of capital, return on equity, leverage ratio and dividend.

I am pleased that we were able to resume regular dividend payments in 2015, supported by these strong results. We are committed to returning capital to our shareholders and aim to pay a progressive dividend over time, while maintaining healthy capital levels.

Faster pace of disruption

While we are making good progress commercially and in implementing our strategy, we also see that the pace of disruption in the banking industry is accelerating. More and more, our competition is coming not just from other banks but from non-bank newcomers to the market. Changes in regulations are opening up markets such as Europe's payments market to competition. New entrants are also competing in other areas like lending, online investment services and bank aggregation, putting a significant portion of bank revenues at risk.

These developments confirm the assumptions that underpin our Think Forward strategy. We aim to achieve a differentiating customer experience by pursuing four strategic priorities: earning the primary relationship, understanding customers better via data analytics, increasing the pace of innovation to serve changing customer needs and thinking beyond traditional banking.

We are on the right track. And we are supported by the strong digital and innovative culture in our DNA and our position as disruptors in many markets where we were pioneers with ING Direct. But we need to move faster to respond to the change happening around us. To do that we are focusing on key priorities that are crucial to our future success. These include growing consumer and SME lending, improving operational excellence in areas like straight-through processing and digital availability of services, increasing retail cross-buy and generating more fee income.

We also aim to increase standardisation so that we can innovate faster on the basis of shared platforms and build scale at lower cost. And we will work to direct our efforts through better prioritisation for more effectiveness.

Drive sustainable progress

We believe that our main role as a bank is to support the sustainable development of the communities and societies where we operate. Our sustainability efforts focus on two areas: promoting financial empowerment for retail customers and supporting sustainable transitions for companies.

We financially empower customers by striving to make banking clear and easy and available anytime-anywhere, and through our efforts to ensure they have the information and tools they need to make smart financial decisions. We also promote this in the communities where we operate through programmes to support the teaching of financial literacy in schools. And through our partnership with UNICEF we support life skills training, including financial literacy training, for adolescents in less developed countries.

ING's role in driving sustainable transitions for our corporate clients is ever more important. This includes financing for clients who contribute to a better and more sustainable world by developing solutions to broader social and environmental challenges. The value of sustainable transitions financed rose in 2015 to EUR 23.8 billion.

I am proud that our efforts in the area of sustainability have gained wide recognition. Our position in the Dow Jones Sustainability Indices places us among leaders in the banking industry. Responsible investment researchers Sustainalytics have also recognised us with a score of 88 out of 100, making us the third best performer among the more than 400 international banks reviewed.

Since becoming CEO of ING, I have become increasingly aware of the dangers of climate change and of the responsibility the private sector has to drive positive change in this area. In 2015, I signed a letter together with CEOs of international companies calling on the private sector to work actively with governments, policymakers and civil society to combat climate change. In the run-up to the COP21 UN climate conference in Paris in November and December, ING announced it would stop financing new coal-fired power plants and thermal coal mines worldwide, and not accept new clients whose businesses are more than 50 percent dependent on them.

Fostering a performance culture

How we act and behave is the basis of the relationship of trust we have with customers and of our responsible engagement in society. Following extensive consultation with thousands of staff members in the more than 40 countries where we operate, we clearly defined our values and behaviours in the Orange Code that we launched in 2015. That process ensured that the code is not abstract but a true reflection of who we are and what we believe. Inspired by the aim to put "integrity above all", it forms the basis of our culture and will also be reflected in our performance management for leaders and for all staff. The Orange Code builds on the Banker's Oath, a set of principles that reconfirms the Dutch banking industry's commitment to ethical behaviour. ING employees in the Netherlands took the Banker's Oath in 2015.

Committed people are key to delivering for our customers and for our future success. In 2015, ING conducted an Organisational Health Index survey (OHI) that measures an organisation's ability to adapt for future success. Employees' responses revealed that ING's organisational health is strong. ING was also named 2016 European Top Employer by the Top Employers Institute.

Finalising the restructuring

In 2015, we took additional important steps to finalise the restructuring mandated by the European Commission. This included the divestment of our remaining stake in Voya Financial Inc. We also reduced

our stake in insurer NN Group from 68.1% to 25.8% at year's end and have now deconsolidated NN Group. With this step the price leadership and acquisition bans mandated by the EC no longer apply. In early 2016, we further reduced our stake in NN Group to 14.1%. We are on track to meet the EC requirement to completely divest our insurance interests by the end of 2016.

Regulatory change

In 2015, the fast pace of regulatory change continued. We recognise the importance of the regulatory changes introduced in response to the financial crisis and support them. Much has been accomplished to increase the resiliency of the financial sector and ensure that it can continue to reliably play its role in supporting customers and the development of economies. However, we are concerned about the scale of regulatory change, the multiple regulatory initiatives being pursued and the lack of clarity and coordination regarding the combined impact in the future on the financial sector and on consumers and businesses that depend on it. A continuing concern for ING as an international player is the lack of a level playing field in Europe, with Dutch regulations for instance requiring higher regulatory capital than regulations in other European countries.

Committed to remaining a step ahead

I am pleased with ING's achievements in 2015, which position us well for the future. Our customer relationships, financial performance and strong capital rank us among the leaders in eurozone banking. This was confirmed by the many awards ING received in 2015. These included Euromoney's award as Best Bank in Western Europe and Best Bank in the Netherlands and Belgium and awards from the Banker as Best Bank in the Netherlands, Belgium and Poland.

Our strategic direction is clear and it is confirmed by the developments we see around us in customer behaviour and market trends. The disruption in the banking landscape is a major challenge for all banks. At ING, our past as pioneers in direct banking, our ambitions as a leading bank in terms of the digital customer experience and the growing number of customers who entrust their financial affairs to us make us confident we can help shape the future of financial services and lead change. To support this we are taking important steps to adapt our organisation and strengthen our internal performance culture.

With our commitment to sustainability we are making a positive contribution to the future development of society and at the same time creating exciting new opportunities for our customers and ourselves.

I am confident that at ING we have the vision and the strength to fulfil our purpose to empower customers to stay a step ahead in life and in business, now and in the future.

Ralph Hamers

Ralph Hamers
Chief Executive Officer ING Group

29 February 2016

How we create value

The role of a financial institution is to support and promote economic, social and environmental progress leading to a better quality of life for people in society, while generating adequate returns for shareholders. This is what the value we create for and with our stakeholders, such as customers and shareholders, should be about. This naturally fits with our purpose: "empowering people to stay a step ahead in life and in business".

What does a bank do?

Banks play an important role as an intermediary, or go-between, in the financial system. They have three main functions, around which they offer customer service and advice:

1. Banks are largely responsible for the payments system. Electronic payments are becoming more important as people use less cash. This means that banks are processing more card payments, transfers, direct debits, etc. every day.

2. Banks and other financial institutions are where people can deposit their savings. Without this function people would have to store and protect their savings themselves.

3. Banks issue loans to both people and companies and in so doing play a key role in helping people buy a home, start a business or invest to grow their companies.

In addition, banks support the economy by taking on risks. Without the bank as intermediary, savers run a big risk: if the borrower cannot repay, the saver can lose all their savings. A bank lends money to a lot of people and companies. If some are unable to repay their loans, the bank absorbs these losses so that savers are not affected. Banks also create value by making savings, which are of a short-term nature, available as loans, which are of a longer-term nature, and managing the associated risk.

Managing and monitoring risks is at the heart of banking. We have strict policies in place at various levels to address both financial and non-financial risk, including social and environmental risk.

How we create value for society

The value creation model below illustrates what we do and how we create value with our stakeholders through our unique Customer Promise to be clear and easy, to make financial services available anytime-anywhere, to empower and to keep getting better for customers. The framework of the International Integrated Reporting Council serves as a basis for this model.

Our services and products

We add value by delivering products and services that aim to empower people and fuel economic growth. Examples of that are payments services, which help companies run smoothly, and mortgages, which help people buy homes.

Human

We believe that in addition to assisting its customers, a bank should also give employees the means to shape and improve their own futures. We champion self-reliance. It is what we want to enable in our customers and in our over 54,000 colleagues. As an employee you can discover what motivates you, develop your talents and take charge of your career. We believe that investing in human capital will generate increased revenues, more satisfied colleagues and customers and enhanced economic performance.

Financial

As a bank, our value chain involves the inflow and outflow of money. We facilitate payments and transactions, and we take in savings and transform them by making them available in the form of loans. Our 2015 profitability was strong, enabling us to support economic development by paying wages, taxes and dividends.

Intellectual

The rapid pace of global technological developments is undeniable. We place a high priority on innovation within ING to keep pace with the change around us and meet changing customer needs. We are experimenting with agile working to increase the pace of innovation. We also create intellectual capital through the expertise we are developing in areas like environmental and social risk management, sustainable finance and data analytics. We aim to share knowledge via different networks and, for example, our ING Economics Department publications.

Social and network

We add value for our customers by making banking more accessible guided by our Customer Promise: Clear & Easy, Anytime-Anywhere, Empower, Keep Getting Better. Many consumers feel challenged when making financial decisions. We see an important role we can play in empowering customers with products, services and tools that make it easier for them to handle their money matters and make sounder financial decisions.

Environmental capital

Our activities impact the environment. This includes the direct impact we have from the operations of our buildings, from IT systems and from business travel. However, our indirect impact on the environment is much greater through our financing portfolio and our procurement supply chain. We are committed to reducing our own footprint by 20 percent in 2020 and to working closely with both customers and suppliers to help them adapt and take advantage of opportunities in the low-carbon economy of the future. This is demonstrated by our increased number of Sustainable Transitions financed and Sustainable Assets under Management in 2015.

Our value creation model

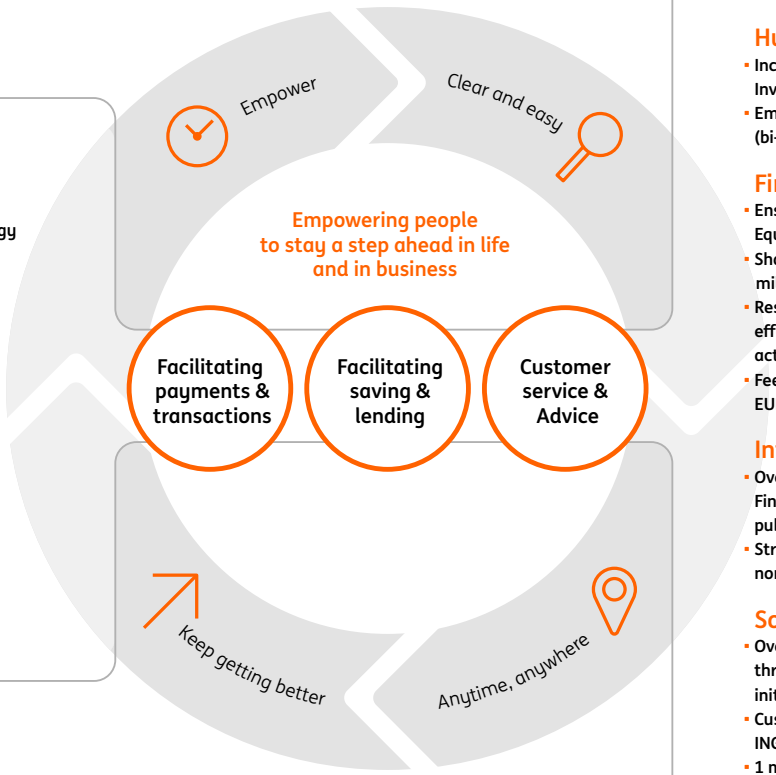
As a global bank we bring more to society than just our financial value. Our value creation model shows in a simplified way how we create value for and with our stakeholders. As a financial institution, our input is mainly in the areas of financial, intellectual and human capital, whereas we impact society across all the capital outputs defined in the International Integrated Reporting Council (IIRC) value creation framework. More information and context to the numbers below can be found throughout this report.

Value in

Human
- EUR 68 million invested in developing our employees
- Knowledge, capacity and energy of over 54,000 employees

Financial
- Over 34 million customers trust us with payments and deposits
- EUR 47.8 billion shareholders' equity and EUR 171.5 billion bonds, loans and other borrowed funds

Intellectual
- Employees submitted 3,000 ideas to our Innovation Fund
- Almost 3,000 employees work in an agile way



Value out

Our Services & Products
- Our number of primary customers increased by almost 7%
- EUR 279 billion outstanding in mortgages for our customers
- System reliability in Belgium and the Netherlands improved to 99.6% in the second half of 2015

Human
- Increase in Human Capital Return on Investment to 2.48
- Employee engagement score (bi-annual) of 75%

Financial
- Ensuring stability: 12.7% Common Equity Tier 1 ratio
- Shareholders value: EUR 2,515 million dividend
- Responsible tax principles: global effective tax rate for continuing activities of 26.5%
- Fees and interest results: EUR 14.9 billion

Intellectual
- Over 3,000 Economics and Financial Markets Research publications in 2015
- Strong knowledge of financial and non-financial risk management

Social and network
- Over 90 million interactions through our financial empowerment initiatives
- Customers in seven countries score ING as #1 bank
- 1 million children reached through UNICEF partnership since 2005

Environmental
- EUR 23.8 billion sustainable transitions financed
- EUR 2.6 billion sustainable assets under management
- ESR is applied to 100% of our corporate loans

Our strategy and progress

At ING we believe that our purpose as a financial institution is to contribute to the sustainable development of society by empowering people to stay a step ahead in life and in business. In 2015, we made good progress implementing our strategy and promoting the organisation and culture we need to deliver on our Customer Promise.

Purpose

In 2015, we continued to build on our Think Forward strategy to empower customers and provide them with a differentiating customer experience. That includes a focus on being leaders in the digital customer experience based on easy, 24/7 access, simple products and services, and tools to help customers make sound financial decisions.

Those goals are reflected in our Customer Promise to be clear and easy, make financial services available anytime-anywhere, empower, and to keep getting better for customers.

Our appeal to customers was demonstrated in 2015 by the growing number of primary relationships – customers with current accounts and at least one other product with us – and also in ING's high NPS scores, with customers rating us number one compared to peer banks in seven of our leading markets.

Contributing to the sustainable development of society is also an integral part of the Think Forward strategy. Our sustainability direction focuses on two areas: enhancing the financial capabilities of clients and non-clients, and supporting companies to make the transition to more sustainable business models.

We financially empower by making banking accessible and easier to understand in line with our Customer Promise. We serve communities where we operate through programmes to teach financial literacy in schools. Through our partnership with UNICEF we support life skills training, including financial literacy training for adolescents in less developed countries.

We see sustainability as a source of competitive advantage for companies. The sustainable transitions financed by ING amounted to EUR 23.8 billion at end-2015. We also broadened our sustainability approach in Industry Lending and in General Lending and extended it to other parts of Wholesale Banking.

Staying relevant for customers

The success of our strategy will ultimately depend on how well it enables us to adapt to change and continue to deliver a superior experience for our customers.

The pace of disruption affecting the banking industry further accelerated in 2015. There are an increasing number of new entrants in many areas traditionally serviced by banks, including payments, lending, investment services and foreign exchange. New business models based on easily accessible, digital services are challenging bank revenue streams. They are focusing not on price leadership but on offering a superior customer experience, confirming that this is the area banks will need to focus on to succeed.

Consumers are rapidly turning to digital services for an increasing number of needs. What they are experiencing with digital leaders is shaping their expectations. In ING's case, nearly 90 percent of retail customers now use digital channels to contact us, and just under 70 percent use them exclusively. This makes it more and more important for that digital contact to be clear and easy for them, with for example digital on-boarding and end-to-end mobile sales processes.

We continue to face a challenging economic environment. Economic growth has returned to the main markets where we are active, but it remains sluggish. Interest rates remain at historic lows, putting pressure on savings and lending margins, which make up a large portion of our revenues. As a response, we are increasing our focus on services to customers that generate fee income, such as investment services.

Regulation is another challenging area for financial services. Many regulations have been introduced since the financial crisis to increase the stability of the banking system. New regulatory initiatives in the pipeline could further increase capital requirements for banks, putting pressure on returns. This will require banks to look for new sources of income and to lower costs. At the same time, EU initiatives to create a Digital Single Market are increasing competition, but the slow pace of development of the European Banking Union makes it challenging to benefit from cross-border opportunities.

All these developments in the external environment confirm to us that we are on the right track with our strategy to create a differentiating customer experience based on digital leadership. We support that through the clear and easy approach embodied in our Customer Promise.

Financially Fit

The Financially Fit initiatives enable customers in the Netherlands to make decisions that improve their financial situation. These include an online tool to plan retirement income, and a partnership with an employment agency to help mortgage customers who have been made redundant. At ING, we're always looking for the next step ahead.

Our strategy on a page

With the launch of our Think Forward strategy in March 2014, a one-page overview was created to show our new strategy in a clear and visual way to all our stakeholders.

Purpose

Empowering people to stay a step ahead in life and in business

Customer Promise

- Clear and Easy
- Anytime, Anywhere
- Empower
- Keep Getting Better

Strategic Priorities

Creating a differentiating customer experience

1. Earn the primary relationship
2. Develop analytics skills to understand our customers better
3. Increase the pace of innovation to serve changing customer needs
4. Think beyond traditional banking to develop new services and business models

Enablers

- Simplify & Streamline
- Operational Excellence
- Performance Culture
- Lending Capabilities

Elements of our strategy

Our Think Forward strategy was launched in March 2014 and guides everything we do. In this section we give you an overview of the strategy illustrated with concrete examples of how we are putting it into practice.

Strategic priorities

To deliver on our Customer Promise and create a differentiating customer experience, we have identified four strategic priorities:

1. Earn the primary relationship

The better we know our customers, the better we will be able to empower them to make smart financial decisions and continue to be relevant for them. We can do this best if they do a range of banking with us – if we are the bank our customers go to for their daily transactions. We call that the primary relationship.

In Retail Banking, we define the retail primary relationship as a payment account with recurrent income and at least one other product with ING. In Wholesale Banking, we aim to increase primary relationships by increasing our so-called "flow" relationships (e.g. transaction services, working capital solutions) and the percentage of relationships where we are the client's lead finance provider.

In 2015, the number of retail primary relationships grew by almost 7% to 8.9 million, putting us well on track to reach our goal of 10 million primary retail customers in 2017.

New customer-bank relationship model – Spain

In Spain, an innovative omnichannel platform gives customers new ways to access banking services, with features like expense categorisation, simulators, peer comparison and an interactive financial dashboard. It is strengthening the customer relationship and boosting mobile adoption. Customer contact is rising by 10 percent a year and in 2015 reached an average of 12 per month, with 60 percent via the mobile app. One out of four loan applications is now submitted via the mobile app.

2. Develop data analytics

The relationship between banks and their customers, as in other industries, is increasingly a digital one. Digitalisation challenges banks to maintain intimacy with a customer who they rarely meet face to face. But the digital interface also provides a wealth of data on customers' preferences and needs that gives banks important insights to provide the kind of experience customers now expect from businesses they interact with online. Developing analytic skills is essential to serving customers in a digital world. This is not only important for improving customer services, but also for preventing fraud, improving operational processes, reducing risks and generating services that go beyond traditional banking so we can stay relevant for customers.

To make this happen, an international Advanced Analytics team based in Frankfurt and Amsterdam acts as a centre of excellence and supports all business units. At the same time, local advanced analytics teams have been established in the Netherlands, Belgium, Spain, Poland and in Wholesale Banking.

Our Chief Data Management Officer appointed in October 2015 will oversee the implementation of global data management together with local data officers.

Pre-approved loans - Poland

Starting in 2015, an advanced analytics project in Poland has been using data mining to offer retail and small business customers pre-approved loans. By the end of 2015, these included pre-approved loans for 94,000 entrepreneurs to help them grow their businesses.

3. Increase the pace of innovation to serve changing customer needs

Customer expectations, new technologies and new competitors are transforming the banking industry faster than anticipated. To address that, we need to increase the pace of innovation. We promote an internal culture of innovation and also partner with external parties with specialised knowledge to accelerate the pace of innovation.

Read more in the "Operational excellence and innovation" chapter.

Payconiq - Belgium

Payconiq is a mobile, contactless and card-free payment app being piloted in Belgium. The only thing a customer needs is a smartphone and an IBAN, which can be from any European bank. The app facilitates both online and offline payments and reduces charges for the small-business owners.

4. Think beyond traditional banking to develop new services and business models

Thinking beyond traditional banking is crucial given that disruption in the banking industry puts a significant portion of revenues at risk. Our payments value chain is already under threat from many bank and non-bank players. To be successful, banks need to expand the concept of what a bank is and what it means to customers, by for example finding ways to be relevant to customers earlier in their purchasing decision-process.

Bazar - Romania

The Bazar mobile app aims to revolutionise shopping. It is available to customers of ING Romania and provides users with tailored shopping promotional offers and allows them to collect and store loyalty cards, make mobile payments and save money. With merchants including adidas, Lego and MOL involved, 26,000 ING users redeemed 146,000 promotional offers, enrolled 17,000 loyalty cards and generated more than EUR 5 million in sales by the end of 2015.

Enablers

Four strategic enablers support the implementation of our strategy: simplifying and streamlining our organisation, further striving for operational excellence, enhancing the performance culture within our company and diversifying our lending capabilities.

1. Simplify & streamline

Simplify and streamline refers to ING's efforts to become a more effective and agile organisation with increased decision-making speed to enable innovation and collaboration, and to lower cost.

Read more in the "Operational excellence and innovation" chapter.

Agile working in the Netherlands and Spain

We have simplified and delayered the organisations in Spain and the Netherlands. Both introduced the agile methodology and now work in autonomous, multidisciplinary teams to deliver an omnichannel customer experience.

Read more in the "People" chapter on agile working.

2. Operational excellence

Operational excellence requires continuous focus to ensure that ING's operations deliver a seamless and flawless customer experience. Our operational excellence vision concentrates on delivering the Customer Promise. That means we need to upgrade and streamline our processes and IT systems, transforming ING into a next generation digital bank. We aim to bring best-in-class service to customers every day and at the right price. At the same time that we pursue our digital bank ambition, we are also making significant investments to provide stable IT systems and platforms to ensure we are there for our customers when they need us and to provide them with the highest standards of data security.

Read more in the "Operational excellence and innovation" chapter.

Wholesale Banking's Target Operating Model

Wholesale Banking's Target Operating Model transformation programme aims to simplify doing business with ING by creating an easier client experience based on a more uniform approach across countries, products and services, and providing easier digital access. InsideBusiness, the online and mobile platform introduced in 2015, is a digital gateway for corporate clients offering tools that provide financial insights and easy access to a range of products and services.

Read more in the "Wholesale Banking" chapter.

3. Performance culture

Performance culture is what ultimately makes a strategy work: our people make it work. That is why we introduced the Orange Code in 2015 – a new set of values and behaviours that sets out our way of working. At the same time we are also making improvements to the way in which we manage performance and will introduce a new leadership curriculum early in 2016, all as part of our efforts to enhance our performance culture and ensure we deliver on our Customer Promise.

Read more in the "People" chapter.

Orange Code

In 2015, we introduced the Orange Code. It comprises ING's new values and behaviours. Input from thousands of employees from more than 40 countries as to the values and behaviours needed to achieve our strategy went into developing the code. It was the basis for senior leaders' performance management from 1 January 2015 and for all employees from 1 January 2016.

4. Lending capabilities

Broadening our lending capabilities to match deposit franchises is our fourth strategic enabler. We need to diversify our lending capabilities in order to continue to grow our client franchises. To do so, we are seeking opportunities in Retail, SME and Consumer Lending, as well as focusing on Wholesale Banking lending growth in our Challengers & Growth Markets.

Read more in the "Retail Banking" and "Wholesale Banking" chapters.

Industry Lending

Wholesale Banking's lending growth, particularly in the area of Industry Lending, contributed to more sustainable balance sheets in Challengers & Growth Markets. In 2015, we expanded local expertise in some of our funding-rich countries to support balance sheet integration. In Germany our Wholesale Banking loans increased from EUR 7.5 billion in 2014 to EUR 13.5 billion at year-end 2015 as we continue to grow the franchise and optimise the balance sheet.

Strong performance in 2015

We made progress on many fronts during 2015 in building a bank able to support our customers and fulfil its obligations to other stakeholders in the future. We believe we are well positioned to continue to be successful.

Financial performance was strong in 2015. We achieved solid profitability and have already met most of our 2017 financial ambitions, including in the areas of capital, return on equity, leverage and dividend.

Our savings and lending franchises performed well. Net customer deposits grew by EUR 25.1 billion, or 5.1 percent. Our core lending grew by net 4.2 percent, or EUR 21.7 billion, in 2015, demonstrating the strength of our lending business. There was good growth in Industry Lending, which also supported lending growth in Challengers & Growth Markets. This is driving sustainable growth in the balance sheets of these countries where we have strong savings franchises.

We support our Wholesale Banking clients with a global network operating in over 40 countries. We added to this network in 2015, expanding our presence in the Americas, Asia and Europe.

Our strong balance sheet attests to the quality of our risk management. We are among the best-capitalised listed banks in the eurozone. We consistently demonstrate our ability to generate capital and now have a limited need for professional funding.

Our capital position was further strengthened in 2015 by the reduction of our stake in NN Group from 68.1% to 25.8% at year's end and the divestment of our remaining stake in Voya Financial Inc. These transactions improved ING Group's Common Equity Tier 1 ratio and also turned double leverage at the Group level into a cash surplus, providing us with ample financial flexibility. In early 2016, our total stake in NN Group was further reduced to 14.1%. We are well on track to sell our stake in NN Group by the end of 2016.

Our financial roadmap

We have published financial targets for 2017 reflecting our ambitions. These include a Common Equity Tier 1 ratio above 12.5 percent for ING Group, a leverage ratio at around 4 percent, 50-53 percent cost/income ratio and a 10-13 percent return on equity. As also stated in our Ambition 2017 programme, ING is committed to returning capital to shareholders through a sustainable dividend policy.

As of year-end 2015, we already met many Ambition 2017 targets, including in the areas of return on equity, leverage ratio and dividend. We exceeded our Ambition 2017 fully loaded CET1 ratio target for the Group of 12.5%. We will grow into a comfortable buffer over time above the prevailing fully-loaded requirements.

The Board proposes to pay a total 2015 dividend of EUR 2,515 million, or EUR 0.65 per (depositary receipt for an) ordinary share, subject to the approval of shareholders at the 2016 Annual General Meeting. This comprises the previously announced interim dividend of EUR 0.24 paid in August 2015 and a final dividend of EUR 0.41 per share. We are committed to maintaining a healthy Group CET1 ratio in excess of the prevailing 12.5% fully-loaded CET1 requirement and to returning capital to our shareholders. We aim to pay a progressive dividend over time.

Geographical presence and strategic approach

ING has a presence in over 40 countries. Though our local businesses vary in terms of their market positions all are guided by our purpose of empowerment and strategy to provide customers with a differentiating customer experience through digital leadership.

Market Leaders

These are our businesses in mature markets in the Benelux where we have leading positions in retail and wholesale banking. Our strategy is to grow in selected segments, continue to invest in digital leadership with a digital-first model, deliver on operational excellence programmes and create greater cost efficiency in order to fund business expansion in growth markets.

Challengers

These are markets where we offer both retail and wholesale banking services. Our retail activities are mainly direct-banking offered online with a significant cost advantage over traditional banks. Our strategy is to leverage our strong savings franchises in these markets to expand into payments accounts and increase the number of primary customer relationships. We are also using our direct banking experience to grow the lending business at low cost in areas like consumer and SME lending. And we are using our strong savings businesses to fund expansion of Wholesale Banking, particularly to support clients in Industry Lending and working capital solutions.

Growth Markets

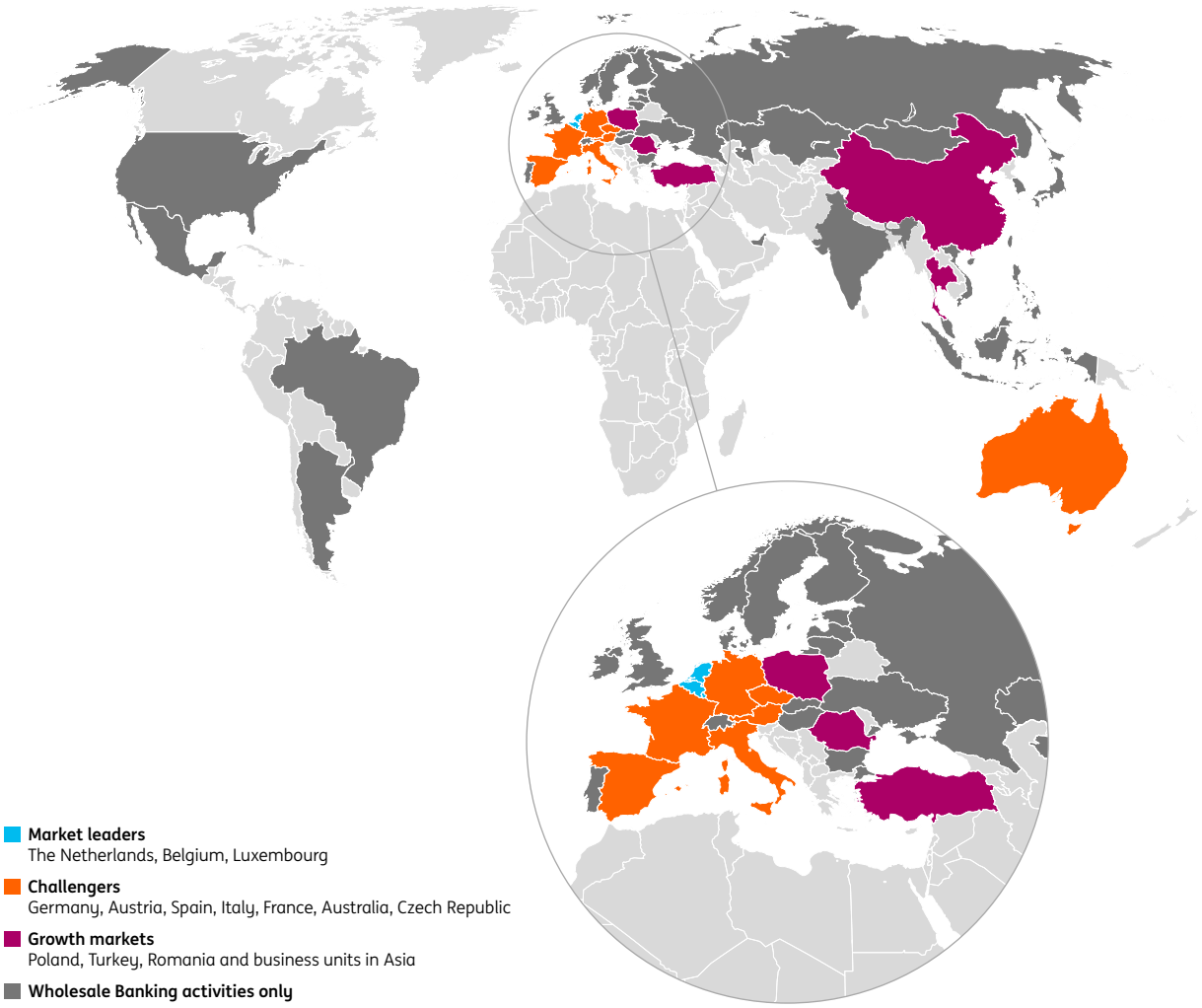
These are markets with a full range of retail and wholesale banking services in markets with expanding economies and strong growth potential. We are investing to achieve sustainable franchises and will focus on digital leadership by converging to the direct-first model and by prioritising innovation.

Wholesale Banking

We are a network bank for our clients across Europe with global reach and strong positions in a number of global franchises, including Industry Lending, Financial Markets and Transaction Services. We are investing in our business transformation programme Target Operating Model and are targeting growth in our corporate client base, Industry Lending and Transaction Services. In Challenger countries we are expanding our lending activities to build locally optimised balance sheets and sustainable franchises.

For information on the progress and performance of our banking businesses, please see the "Retail banking" and "Wholesale Banking" chapters.

Geographic areas in which we are active



Market and regulatory context

Three key trends are having a major impact on ING and its competitors. First, our financial performance is linked to the prevailing uncertain economic conditions and low interest rate environment. Second, the financial services sector is subject to increasing regulatory scrutiny and costs. Third, digitalisation and changing customer behaviour are reframing our markets. In combination, these trends are altering the competitive context in which we operate.

Macroeconomic developments

Several interrelated themes stood out in 2015: the price of oil and other commodities, the resilience of the Chinese economy, and the timing and content of monetary policy measures in the US and the eurozone. The oil price seemed to have reached a low early in the year and soon started to climb. But it resumed its slide in the second half of the year. This coincided with turmoil on Chinese stock markets and worldwide concerns about Chinese economic growth. These worries spread to other emerging markets. While several emerging markets did indeed see economic growth decelerate, a sharp growth slowdown in China did not materialise in 2015, thanks in part to government stimulus measures.

Meanwhile, the US economy continued to grow at a modest pace in 2015, despite headwinds from a stronger dollar and reduced investment in the oil industry because of low oil prices. The labour market in particular did well, with unemployment falling to levels well below the long-term average. The question of when the US Federal Reserve would start raising rates was therefore a dominant theme on financial markets throughout the year. Expectations began to be tempered at mid-year when the slowdown in emerging markets sparked fears this would also take a toll on the US economy. The US economy remained strong enough however for the Federal Reserve to embark on the first rate hike in more than nine years at its December meeting.

Eurozone developments

In the eurozone, 2015 saw a policy of further monetary expansion, helping to bring about a broadening of the recovery. Exports and low oil prices supported the eurozone economy in the first half of the year, although the global slowdown started to weigh on exports towards the end of the year. The combination of low inflation and increasing employment boosted household purchasing power, fuelling consumer confidence and accelerating consumption growth.

The Greek crisis has not materially influenced the eurozone recovery. Within the eurozone, Germany in particular was able to take advantage of the weaker euro by increasing its exports, offsetting deteriorating exports to emerging markets. Domestic demand in Germany developed favourably as well, helped by job creation and nominal wage growth. The French economy on the other hand appeared weaker, bogged down by falling house prices and rising unemployment. Italian domestic demand finally began to recover in 2015 – albeit cautiously, while Spain was an outperformer on both gross domestic product (GDP) and jobs growth, thanks in part to earlier structural reforms. In the Netherlands, the revival of the housing market was the most important driver behind the pick-up in both consumption and fixed capital formation.

The weak and fragile nature of the recovery and falling inflation expectations prompted the European Central Bank (ECB) to embark on quantitative easing early in 2015. This sent eurozone bond yields to unprecedented lows in the first half of the year. German government bond yields with a duration up to nine years turned negative for a short time. Important money market rates such as three-month Euribor and six-month Euribor sank below zero. As worries about a global slowdown mounted, the ECB announced in December that it will extend its quantitative easing until March 2017, and lowered the deposit rate a further 10 basis points to -0.3%.

Lower interest rates helped shore up eurozone credit demand. Bank lending to households accelerated modestly in 2015, while lending to businesses finally turned positive after three years of deleveraging. Marked differences between countries remain, with credit growth generally more positive in northern European countries, while still negative in southern ones.

Low interest rate environment

The current situation with persistent low interest rates may put banks' net interest income under pressure. On mortgages for instance, ING Bank could be confronted with higher than expected prepayment rates as the difference between rates on the existing mortgage portfolio and the prevailing market rate causes customers to refinance. On savings, the net interest income may decrease as possibilities for further reduction of client rates on savings deposits are limited. ING Bank actively manages its interest rate risk exposure and successfully maintained the net interest margin on its core lending franchise in 2015. To address the challenge of interest income erosion, containing costs remains an important goal. We are also putting more emphasis on generating fee-based income and are re-assessing our product characteristics.

Read more in the "Risk and capital management" chapter.

Progress on regulatory initiatives that are most relevant to us

November 2014 marked the start of the Single Supervisory Mechanism (SSM), with a central role for the ECB in the prudential supervision of eurozone banks. This was a decisive moment in the creation of the European Banking Union.

ING Bank has always been a strong supporter of the SSM. As a predominantly European cross-border universal bank, we have a clear interest in the proper functioning of European financial markets and in a harmonised approach to European supervision. We believe that it will contribute to a more efficient use of financial funds across Europe and as such should help to foster growth prospects of the European economy.

After the first full year of operating under the new supervisory framework, banks' experiences are generally positive. The SSM aims to create the institutional conditions for overcoming fragmentation in supervisory practices. It is important that common methodologies and a shared culture are created within the SSM. That takes time. Some banks may experience challenges in the short term as they come to terms with the SSM supervisory approach. We expect that the SSM will increase its transparency as the system gets embedded.

As well as the SSM, 2015 saw preparations for the Single Resolution Mechanism (SRM). The SRM came into force on 1 January 2016. This aims to ensure an orderly resolution process for failing banks.

With SSM and SRM, two of the three pillars of Banking Union have been established. Mutualisation of deposit guarantee schemes, the last remaining pillar, is progressing at a much slower pace. Lack of a common European deposit guarantee scheme leaves the eurozone potentially vulnerable to bank-sovereign interdependency, despite the existence of the SSM. For national sovereigns remain, explicitly or implicitly, a liquidity provider of last resort for the deposit insurance scheme. When sovereigns get into trouble, deposit holders will worry that the national deposit guarantee scheme will be unable to meet its commitments should domestic banks fail. Greece's experience in 2015 made this clear. Capital controls had to be imposed to contain a bank run, and a euro deposited at a Greek bank was no longer de facto equal to a euro deposited at a bank in another member state.

Payment Services Directive (PSD II)

The second EU Directive on Payment Services (PSD II) was adopted in October 2015. This aims to create an EU-wide single market for payments with a modern and comprehensive set of rules. The goal is to make cross-border payments as easy, efficient and secure as domestic payments within a member state. The PSD II also seeks to improve competition by opening up payment markets to new entrants, thus fostering greater efficiency and cost reduction. While implementation in national law could take several years, ING sees the PSD II as an opportunity to develop new ways of serving our customers.

Regulatory uncertainty

The large number of new regulatory initiatives and consultations concerning banks' capitalisation continued to be a source of uncertainty in 2015. Examples are the ongoing discussions on bail-in-able instruments (MREL/TLAC), but also discussions in the Basel Committee about the risk weighting methodology and the interest rate risk in the banking book. Our main concern is that there is insufficient overview of the combined impact of all initiatives. Moreover, it is unclear what regulatory end-state policymakers are aiming for. This regulatory uncertainty complicates multi-year strategic planning and pushes banks towards confining themselves to no-regret decisions. Also considering the competitive pressures and fast market developments outlined below, we believe this piecemeal approach to regulation is not in the best interest of banks and their stakeholders.

In addition to more traditional financial-sector regulation, we notice increasing regulatory interest in environmental and human rights impacts associated with our business activities. The Dutch Government initiative to come to a Banking Sector Agreement on international responsible business conduct, building on the OECD Guidelines for Multinational Enterprises. There is a call on the part of the public for increased transparency and continuous debate on the matter in the EU Parliament. Regulators are also looking at the potential link between sustainability and financial risk. An example is the Financial Stability Board looking into potential financial risks of climate change regulation.

Competitive landscape

Technology is removing a number of the barriers to entry that once insulated our business. We face competition from many different directions, with relatively new players providing more segmented offers to our customers and clients. Technology giants, payment specialists, retailers, telecommunication companies, crowd-funding initiatives and aggregators are all encroaching on traditional banking services. Our clients, in turn, are willing to consider these offers.

The banking industry is highly regulated. Banks strive to act in the interests of their customers. Safe banking requires specific knowledge of financial services and in-depth knowledge of customers as well as rigorous risk-management systems. As competition from outside the banking sector continues to increase, we have to become faster, more agile and more innovative. We believe that our long track record as a financial institution and a strong brand give us an excellent platform from which to face existing and future challenges and become a better company for all our stakeholders. We are a leader in digital banking, and we have scale combined with local market expertise. We are investing in building profitable, mutually beneficial relationships with our customers, based on the quality of our service and a differentiating customer experience. An example is our strategic partnership with Kabbage. Together, we have launched a pilot project in Spain, offering small and medium-sized enterprises (SMEs) loans up to EUR 100,000. Kabbage's automated loan application and approval process is both accelerated and simple for customers. It makes use of full credit scoring and real-time risk monitoring and allows SMEs with an existing business account to get a loan within ten minutes, based on real-time business data.

We intend to continue working hard to win customers' hearts and minds, demonstrating our concern for customers and all other stakeholders, and be even clearer about the strategic choices we make. The diagram below shows what we perceive to be our strengths, weaknesses, opportunities and threats.

Digitalisation and changing customer behaviour

Banking in future will be digital. This revolution is already well underway: customers are adopting digital channels en-masse, especially mobile. Nearly 90 percent of our retail customers use digital channels to contact us. And some 70 percent of those use digital channels exclusively. The shift to mobile in retail banking is starting to be mirrored in wholesale banking, albeit at a slower pace (and probably less far-reaching way).

This presents a huge opportunity for banks. Mobile users tend to check in much more often and banks are well placed to take advantage of this more frequent contact. The richness and sheer quantity of the data available to banks opens the door to more targeted, tailor-made services and to more relevant advice to help customers make smart financial decisions.

We believe we are currently one of the front-runners in digital innovation in the banking sector, but we are not complacent. Many of our retail customers are avid users of technological devices. Expectations keep rising: customers are well informed, they know what they want and they want it immediately. We are investing resources to ensure that we become faster and more agile, and increase our innovative capabilities. We do that to meet the ever-changing expectations of our customers, while respecting the fact that they are entrusting us with their banking matters which are personal and confidential in nature. At the same time we are maintaining options for face-to-face service, which remains a valuable channel when customers require advice about more complex products and services.

Our perceived strengths, weaknesses, opportunities and threats

Strengths

- Presence in Challengers & Growth Markets with moderate to strong economic growth.
- Well-known, strong brand with positive recognition from customers in many countries.
- Strong capital and liquidity position; solid financial and operating performance.
- Omnichannel distribution strategy.
- International network.
- Sustainability leader.
- Leader in digital banking.

Weaknesses

- High interest-income dependency.
- Some legacy IT/operational systems in Market Leader countries.
- Need for more agility.
- Efficiency and teamwork in work processes is suboptimal.
- Diversity challenges.

Opportunities

- Regain trust by demonstrating care, especially towards customers and by explaining better why strategic choices are made (transparency).
- Further improve the customer experience by accelerating innovation. Front-runner status in digital solutions gives ING Bank an edge.
- Further improve efficiency.
- Cultural change. Tap more into the talents of employees. Further develop a transparent and diverse no-nonsense culture.
- Grow faster than the market due to differentiating customer experience.
- Further utilise competitve advantage of Wholesale Banking global network.

Threats

- Currently low/subdued economic growth in markets where ING has significant market positions.
- Low interest rate environment.
- Ongoing uncertainty about regulatory changes,including capital requirements and national discretion.
- Lack of an international level playing field.
- Possibility of threats from new entrants from outside of the industry.
- Financial sector has an unfavourable public image in many countries.
- Cybercrime.

What matters most to our stakeholders

From customers to business partners, shareholders, employees, non-governmental organisations (NGOs), regulators, governments, and society at large – different groups expect different things from us. We continually listen to and engage with these groups in various ways, including through customer surveys and panels, roundtables, and one-on-one meetings.

We strive to respond to our stakeholders' views and concerns. Their input helps us balance competing expectations, address issues in an informed way and improve. Issues that are important to them are therefore a priority in our daily business and receive attention in this Annual Report.

Different stakeholders may have competing concerns. Sometimes these are even contradictory. In this chapter we also outline some of the dilemmas we face in balancing these different interests.

Finding out what matters most

To improve as an organisation, we need to identify and understand the most important issues for our stakeholders and how these relate to the actions and decisions that we take. Our regular materiality assessment results guide us in our strategic decision-making, stakeholder engagement agenda and reporting framework.

For the 2015 materiality assessment, ING reached out to senior management and six stakeholder groups (business and retail customers, investors, NGOs, regulators and employees) in five countries. All were asked to rank a range of topics by significance.

The topics were based on an extensive analysis of issues that either ING itself can have an impact on through our business and strategy, or that can impact ING's own business. These topics were checked against ING's own risk assessment as well as guidelines from international bodies such as GRI G4 and the Sustainability Accounting Standards Board (SASB).

In total, over 1,500 respondents from the Netherlands, Poland, Germany, Spain and Turkey provided us with insights into the issues that matter most to them, resulting in the materiality matrix in this chapter.

Materiality research is constantly evolving, and we updated our methodology in 2015. The way we compile the list of topics has not changed, but the way the matrix is made was adjusted slightly. In 2014, we worked with an external agency to create a preliminary matrix that we then fine-tuned based on the outcomes of the materiality survey. The 2015 matrix was completely based on the survey outcomes, which may have resulted in different outcomes than in the previous year.

More information on the process can be found on www.ing.com/15ar1

The results are presented in the matrix in this chapter. While all these items are material for ING, the top right shows the 15 issues with the highest priority for stakeholders and the biggest potential impact on our business.

Three topics that fell just outside the top 15 were also included because they were most important to ING or certain stakeholders: (C) Managing Risk, deemed important by ING; (N) Sustainable finance and investment policies, deemed important by NGOs; and (R) Remuneration, deemed important by society and government scrutiny."

We take a closer look at these issues in the table in this chapter and report on them in greater depth throughout this report.

Balancing financial and non-financial expectations

This is the second year that we are reporting on all of these material topics in an "integrated" report that includes both financial and non-financial information.

We have seen a shift in materiality results since 2014, with stakeholders rating financial performance less important. This reflects the more positive sentiment now that economic growth has returned. In 2015, topics such as IT systems and privacy were extremely important, and themes such as the prevention of corruption and anti-competitive behaviour have clearly grown more important.

These high-priority issues show that we need to balance financial and non-financial expectations if we want to effectively address stakeholders' concerns. Our purpose fits well with this, as empowering people to stay a step ahead in life and business encompasses both financial and non-financial components.

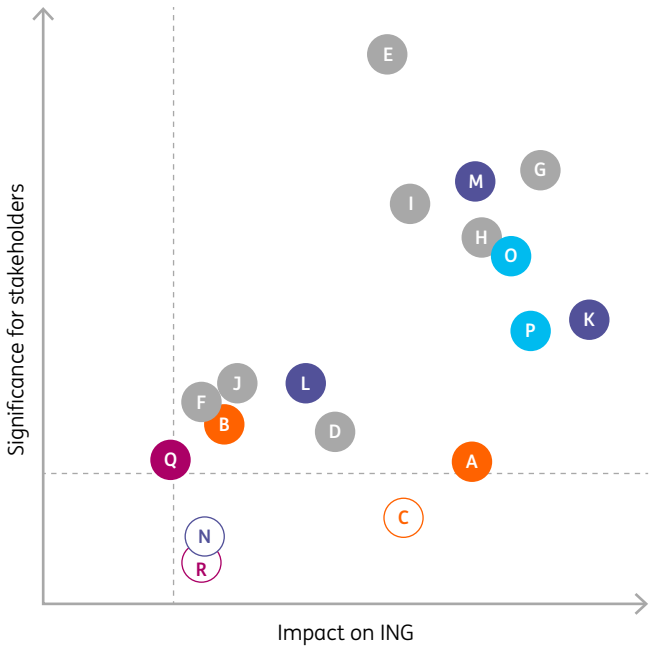
Customer centricity, transparency and openness are key

The materiality survey results show that customer centricity is the most important topic for stakeholders. This includes topics such as customer privacy, responsible lending, fair pricing and communications, and usability and accessibility of our products and services.

Transparency and openness were just as important as in 2014, and many stakeholders are increasingly expecting more in this area. Banks, entrusted with details of companies and private individuals, must continuously weigh pros and cons between transparency and privacy.

Within these boundaries, we continuously look for ways to provide more transparency. We were the first major bank in the Netherlands to disclose which sectors we finance in combination with how our environmental and social risk policies apply to those sectors.

Our materiality matrix 2015 - high-priority issues for our stakeholders and ING



Economic contribution
- A Financial performance
- B Pricing of products and services
- C Managing risks

Customer centricity
- D Innovative business developments
- E Customer privacy and data security
- F Enhancing customer financial capabilities
- G Stability of IT systems and platforms
- H Usability and accessibility of our products and services
- I Fair communication about our products and services
- J Responsible lending and debt prevention

Fair operating practices
- K Regulatory developments
- L Anti-competitive behaviour prevention
- M Corruption prevention
- N Sustainable finance and investment policies

Stakeholder engagement
- O Transparency and openness
- P Regaining trust

Labour practices
- Q Diversity and equal opportunities, preventing discrimination
- R Remuneration of ING employees

Another way we earn the trust of stakeholders is by being transparent about our policies and how we follow them. For example, the ING Tax Principles set out a responsible approach to managing tax-related issues.

More information on ING's tax principles can be found on www.ing.com/15ar2

Regulatory developments

Regulatory developments are important to stakeholders, as seen in the materiality survey results. Regulation around banks continues to develop quickly. For example, 2015 was the first full year of the Single Supervisory Mechanism, and preparations have begun for the Single Resolution Mechanism. You can read more about this in the "Market and regulatory context" chapter.

We actively follow all developments in financial supervision and regulation in all countries where we do business. Our goal is to comply with all financial regulation and be fully cooperative regarding financial supervision in a way that supports the interests of our stakeholders to the fullest possible extent.

There is a high volume of regulation that applies to banks. Therefore we expanded the scope of our Public and Government Affairs department, combining it with the Wholesale Banking International and Trade Affairs team as well as the Public Affairs team of ING Netherlands to form the new Regulatory and International Affairs department as of 1 January 2016. This better reflects its international scope and broader focus. The department helps analyse relevant proposed regulation and developments, research their potential effects, and support ING's businesses in formulating their standpoint and strategy.

Wherever possible, we are transparent about how we lobby and the positions we take. Still, we cannot always publish all details about our contacts with supervisors or other stakeholders, for instance when we believe that the information we share with them must be kept confidential for competitive reasons or as part of the supervisory relationship.

Environmental footprint less material to stakeholders

Stakeholders attached less importance to ING's direct environmental impact in the 2015 materiality assessment. This reflects the understanding that our impact is much greater in our financing choices, and that our efforts to restrict our environmental footprint are paying off and becoming a "normal" part of doing business rather than a focus point.

Even so, we feel it is our duty to manage and report on our own direct environmental impact, as climate change is one of the biggest global challenges of our time.

One step we took in 2015 was committing to procuring renewable energy for all ING buildings worldwide by 2020, as part of the RE100 initiative.

Read more in our Environmental Approach. www.ing.com/15ar3 (PDF - 453kb)

Keep moving forward

The key outcomes from our materiality assessment coincide with our purpose, Customer Promise and strategic priorities, as presented in March 2014. You can read more about this in the "Strategy" chapter. We are pleased that we share the concerns and views as our stakeholders, but we are not complacent. We will continue to consult regularly with them about their expectations and work to improve our performance on the issues they say are most important.

Balancing our responsibilities

Transparency and customer confidentiality

It is clear to us that our stakeholders want to know more about where, why and to whom we lend money, and how we see the future of certain clients or sectors. But there is sometimes a conflict of interest between greater portfolio transparency, commercial interests and customer confidentiality/privacy.

We try here to strike a balance between respecting the confidentiality of our customers and being transparent and responsive to what society and our stakeholders ask of us. The majority of the money that we lend goes to consumers (personal loans and mortgages). We generally do not publish their names nor those of the companies that we invest in or finance, which respects customer confidentiality and our "duty of care".

Data protection and innovation

Protecting our customers' financial information is a priority. Our customers expect it, and it is our legal duty.

Analysing data helps us innovate and serve our customers better. For instance, by studying the data from our mobile banking apps we can improve those apps and the services they provide. We can also use advanced analytics to offer customers products that are most relevant to them.

Data analysis also helps us protect customers. We use analysis of erratic or unusual activity to identify potential bank-card fraud. Improved insight into consumer payment patterns allows us to warn customers sooner if they risk defaulting on monthly mortgage obligations.

Advanced analytics supports our purpose of empowering customers. Through analysing their data, we help customers better understand their financial situation, anticipate their future needs, and make smarter decisions.

Still, there is controversy about the use of "big data". We strive to comply strictly with all data protection laws and regulations, both in the letter and spirit of the law. We aim to maintain strong safeguards around our customers' privacy and only analyse their payment data to provide better product offers and services where they give us explicit permission, allowing them to withdraw that permission at any time if they choose.

The internet places so much power in the hands of any technically proficient individual that there will continue to be risks online. We work to raise our customers' awareness of what they can do to safeguard their own information, such as using strong passwords, installing updates and not sharing personal information with others.

One of the steps ING took was to appoint a chief data management officer in October 2015. He reports directly to the Management Board Banking and his role is to guard ING's data and manage it in a way that supports our strategy of becoming a next-generation digital bank. Coordinating data management on an ING-wide level will help create transparency, align local and central capabilities, and facilitate best practice sharing and efficiency.

Innovation and competitive pricing

As a bank, we are subject to a regulatory framework that focuses on structural measures to reduce systemic risk. This stricter regulation constrains our ability to allocate capital. Read more about this in the "Regulatory developments" chapter.

We have increased the strength of our capital base to protect customers and contribute to a sustainable financial environment. At the same time, innovative business developments are also important to stakeholders. This is in line with our Customer Promise to "keep getting better". We aim to be a leader in transforming banking, staying at the forefront of digital developments.

These activities require capital. We can increase profitability by raising prices or lowering interest rates paid on savings accounts, but reasonable pricing of our products and services is also very important both to us and our clients, as we know we must remain competitive.

Balancing and reconciling these competing interests is an ongoing challenge.

Sustainability and financing sensitive sectors

Our comprehensive and detailed Environmental and Social Risk (ESR) framework sets out a clear checklist when deciding which companies or activities to finance.

ING is one of the most sustainable listed banks in the world. In September 2015, Sustainalytics named us the third best-performing bank in a group of 409 banks, and in November the non-profit CDP awarded us the highest possible score for our climate change reporting.

Still, we keep striving to do better. Examples in 2015 include strengthening our coal policy by deciding to end our financing of new coal-fired plants and thermal coal mines worldwide, and tightening our defence policy.

Read more in the "Risk and capital management" chapter on our Environmental and Social Risk framework.

We share the concerns that civil-society organisations have about climate change, human rights, animal welfare, and environmental damage, and we support their request for us to develop policies that take these concerns seriously.

Still, we cannot go as far as some would like. For example, withdrawing completely from financing activities such as oil, gas and uranium mining would affect important linked sectors: the transport industry including freight transport, shipping and aviation (oil); electricity production and heating (gas); cancer treatment with medical isotopes (uranium).

Another example is the aviation sector. The most prominent producers in France and the United States also share knowledge and technology with their governments for national nuclear weapons programmes. ING does not fund nuclear weapons, but we do want to be able to continue to finance regular aircraft manufacturing. We therefore still finance these parts of their businesses.

We choose to pursue a different way of addressing sustainability. One of the core objectives of our sustainability strategy is to facilitate more sustainable transitions. Sustainable transitions financed describes all the business that we do with clients that are environmental trendsetters in their sectors, and projects that supply sustainable solutions. At the end of 2015, this amounted to EUR 23.8 billion. Among other things, we invested in sustainable energy projects, CO_2 and waste reduction, sustainable real estate and public transport.

Read more in the "Wholesale Banking" chapter on sustainable transitions financed.

We will continue to look for effective ways to progressively tighten our ESR policies and will redouble our efforts to support customers in transitioning to more sustainable practices.

Remuneration and regaining trust

Remuneration of bank employees remains a sensitive topic as a result of the financial crisis and the support many banks received from taxpayers. New compensation legislation for banks has been introduced in the Netherlands. ING meanwhile repaid the Dutch State in full in 2014, plus EUR 3.5 billion in interest and premiums, and is now profitable and well capitalised.

In light of this, part of ING's remuneration policy was updated at the General Meeting of Shareholders in May 2015. The resulting increase in fixed salary for the Executive Board members was met with criticism in the Dutch media and society, which we recognise and understand. We need to reconcile competing stakeholder views: on the one hand, shareholders and the challenges we face both require us to secure the best talent for our organisation, including our Board. On the other hand, society at large generally finds compensation for senior leaders too high.

We have been continually reviewing and amending our remuneration policies since 2008 in response to the ongoing review of the financial system, public debate and applicable regulatory developments, and we will continue to do so. We also respect different national conventions and changing international standards on responsible remuneration.

We take a variety of factors into consideration when determining compensation plans, including functional complexity, the scope of responsibilities, aligning risk and reward, our ability to attract and retain the best talent possible and meeting the long-term objectives of the company and its stakeholders. These factors differ for each role, business line and country. Another factor is the context of the international labour market. ING, with 70 percent of our activities outside the Netherlands, cannot afford for its remuneration to differ significantly from similar companies for a long period. ING's Executive Board is, however, currently remunerated well below the standard for comparable international and Dutch companies.

Read more in the issue table in the "Non-financial Appendix" about some of the public dilemmas we faced in 2015 and how we responded to them.

Material topic	Our approach and performance	More information
Economic contribution		
A Financial performance	Being a financially healthy and stable company is important to us and our stakeholders.	*"Our strategy and progress" and "Key figures" chapters.*
B Pricing of products and services	A fair price for our products and services increases accessibility for our customers and is important for our competitiveness in the marketplace.	*Balancing our responsibilities: innovation vs. competitive pricing section in the "What matters most to stakeholders" chapter.*
C Managing risks	Managing risks is at the heart of what we do and can have a material impact on our business and society. Safe banking requires strong risk management, both financial and non-financial, which is part of our daily business.	*More information on both our financial and non-financial risks in the "Risk and capital management" chapter.*
Customer centricity		
D Innovative business developments	Fintechs are developing rapidly and our customers' expectations are evolving every day. It is up to us to adapt and innovate to remain relevant. We regularly add functionalities to our mobile services improving the digital experience. In 2015 we introduced a number of innovative products and services.	*"Operational excellence and innovation" chapter and Accelerating innovation section in "Retail Banking"chapter.*
E Customer privacy and data security	It is our duty to handle our customers' data with the utmost care. We strive to be transparent about ING's handling of customer data, and when customer consent is required for data handling, to allow them to withdraw such consent at any time.	*Data privacy and security section in the "Operational excellence and innovation" chapter.* *Balancing our responsibilities: Data protection vs. innovation section in "What matters most to stakeholders" chapter.*
F Enhancing customer financial capabilities	We want to help people make smarter financial decisions through transparent tools, tailored offers and expert advice. In 2015, more than 20 million people felt financially empowered by ING. We also had more than 90 million interactions with customers and non-customers through our financial empowerment initiatives.	*Financial empowerment section in "Retail Banking"chapter.*
G Stability of IT systems and platforms	Our services should be available for our customers anytime, anywhere. We have had challenging reliability issues in the Benelux, largely due to ageing and complex legacy systems. We are working hard to improve this. In the second half of 2015, our systems availability for our online payment channels in the Netherlands and Belgium was 99.6%.	*Excellent service delivery and Standardising to win sections in the "Operational excellence and innovation" chapter.*
H Usability and accessibility of our products and services	The rise in mobile and digital banking has changed the expectations and needs of our customers. We want to offer a differentiating experience and be available anytime, anywhere, by pursuing a digital-first approach complemented by advice when needed, with omnichannel contact and distribution possibilities.	*"Operational excellence and innovation" chapter – intro and Providing a differentiating customer experience section in "Retail Banking"chapter.*
I Fair communication about our products and services	We believe banking should be about clear products, plain language, fair prices and simple processes. In 2015 we introduced tone of voice initiatives to simplify communications with retail customers. In Wholesale Banking we worked on standardising our products and channels (TOM).	*Target operating model in the "Wholesale Banking" chapter.* *Tone of voice initiatives in the "Retail Banking" chapter.*
J Responsible lending and debt prevention	Having responsible lending activities and preventing customers from going into financial distress by for example helping customers to remain financially fit.	*Financial empowerment section in the "Retail Banking"chapter.*

Material topic	Our approach and performance	More information
Fair operating practices		
K Regulatory developments	We respect laws and regulations. We anticipate regulatory developments and aim to act in accordance with the expectations of society. In 2015, we established a Global Regulatory Affairs business unit to oversee adherence to laws and regulations.	*"Market and regulatory context" chapter.*
L Anti-competitive behaviour prevention	Anti-competitive behaviour undermines ING's values and vision to see customers empowered as it limits choices and restricts the market. Therefore, ING strives for strict adherence to the ING Global Competition Law Policy. It is ING's policy to fully comply with all competition laws applicable to its entire range of activities.	*"Corporate governance" chapter.*
M Corruption prevention	Bribery and corruption are criminal offences and are clear violations of the ING Values. ING has a zero tolerance policy on bribery and corruption. We expect all our employees to always do business in accordance with the highest standards of ethical behaviour and honesty.	*Statement on anti-bribery principles (www.ing.com/15ar4).* *"Risk and capital management" chapter and "Non-financial Appendix".*
N Sustainable finance and investment policies	Our Environmental and Social Risk (ESR) framework helps prevent us from causing harm through our financing activities. We aim to promote activities that have a positive impact on society through financing sustainable transitions. In 2015, we financed EUR 23.8 billion sustainable transitions and successfully issued our first green bond.	*ESR section in "Risk and capital management" chapter.* *Sustainable transitions in "Wholesale Banking" chapter.*
Stakeholder engagement		
O Transparency and openness	We aim to find the right balance between providing the transparency and openness that society and NGOs ask of us, while respecting our customers' privacy. Being transparent and open about our investments, products and services, and other topics is helping the business move forward and earning the trust of our stakeholders.	*Dilemma section in "What matters most to our stakeholders" chapter.* *Simplified balance sheet in the "Non-financial Appendix".* *Our stance (www.ing.com/15ar5).*
P Regaining trust	We aim to regain and retain the confidence of our stakeholders by acting with professionalism and integrity and placing the customer at the heart of everything we do via our Customer Promise.	*"Our strategy and progress" chapter and "People" chapter (Orange Code)*
Labour practices		
Q Diversity and equal opportunities, preventing discrimination	We aim to ensure that ING's employees are diverse and have equal career opportunities. We strive to create an inclusive corporate culture that welcomes, acknowledges, respects and benefits from each other's differences. Discrimination is against the law, which is reflected in ING's policies.	*Diversity section in "People" chapter.*
R Remuneration of ING employees	It is our intention to establish a responsible approach to the wages and benefits of employees and senior management. We strive for a sustainable balance between short-term and long-term value creation, building on our long-term responsibility towards our clients, society and all other stakeholders.	*"People" chapter* *"Remuneration report" chapter*

Key figures

Performance highlights

Our financial goals

	Ambition 2017	2015	2014	2013
Common Equity Tier 1 ratio fully loaded ING Group	>12.5%	12.7%	10.5%	n/a
Common Equity Tier 1 ratio fully loaded ING Bank	>10%	11.6%	11.4%	10.0%
Leverage ratio ING Bank [1]	~4%	4.5%	4.1%	3.9%
Underlying cost/income ratio ING Bank	50-53%	55.9%	58.7%	56.8%
Underlying return on equity ING Bank	10-13%	10.8%	9.9%	9.0%
Dividend per share (in euros)		0.65	0.12	n/a

Consolidated result

in EUR million	2015	2014	2013
Income	16,552	15,296	15,305
Operating expenses	9,246	8,979	8,694
Addition to loan loss provision	1,347	1,594	2,288
Underlying result before taxation	5,959	4,724	4,323
Underlying net result Banking	4,219	3,424	3,155
Divestments/special items	309	-819	-124
Net result Banking	4,528	2,606	3,031
Legacy insurance businesses	-518	-1,355	515
Net result attributable to ING Group's shareholders	4,010	1,251	3,545

Balance sheet

in EUR billion, year-end	2015	2014	2013
Total assets ING Groep N.V.	842	993	1,081
Shareholders' equity ING Groep N.V.	48	51	46
Customer lending ING Bank N.V. [2]	533	514	499
Customer deposits ING Bank N.V.	509	489	475

Other indicators

	2015	2014	2013
Effective underlying tax rate (in %) Banking	28.0	25.8	24.9
Risk-weighted assets ING Bank (EUR billion, year-end)	318	296	283
Underlying risk costs in bps of average RWA	44	55	83

Non-financial key figures

	2015	2014	2013
Net Promoter Score Retail Banking (number of countries with number one ranking) [3]	7	9	6
Total number of Retail Banking primary relationships (in million) [4]	8.9	8.4 [5]	7.8
Sustainable transitions financed (in EUR billion) [4]	23.8	19.5	n/a
Sustainable assets under management (in EUR million) [4]	2,573	1,538	886
Total extrapolated CO_2e emissions (in kilotonne)	96	102	127
Human Capital Return on Investment indicator	2.48	2.30	2.36

1 The leverage ratio is calculated using the published IFRS-EU balance sheet, in which notional cash pooling activities are netted, plus off balance-sheet commitments. The pro-forma leverage ratio of ING Bank, taking into account the combined impact of grossing up the notional cash pool activities and the alignment with the Delegated Act (which was adopted in January 2015) is 4.1%, an increase of 0.5 percentage point compared with year-end 2014.
2 Customer lending is defined as: loans & advances to customers -/- securities at amortised costs and IABF -/- provision for loan losses.
3 Our Net Promoter Score (NPS) rankings are based on a rolling average of NPS results calculated over the four quarters of 2015.
4 As at 31 December 2015.
5 2014 data has been restated to reflect improvements in data-gathering and measurement in Belgium, the Netherlands, Romania and Luxembourg during 2015, and to ensure accurate historical comparison.

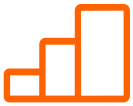
Financial review

Underlying net result Banking

+ 23%

The increase reflects higher net interest results and lower risk costs, despite a sharp increase in regulatory costs in 2015. Commercial performance was robust with 4.2% net growth in the core lending book.

Net result ING Group



+ 221%

The strong increase was, in addition to the higher net result of ING Bank, caused by lower losses from the discontinued Insurance operations in 2015 compared with 2014, when the net result was negatively impacted by the deconsolidation of Voya and the held for sale classification of NN Group.

ING Bank's underlying return on equity

10.8%

The RoE is within the Ambition 2017 target range of 10-13% and improved from 9.9% in 2014, reflecting a higher underlying net result, partly offset by a higher average equity base. ING Bank's equity rose due to retained earnings and higher revaluation reserves, and despite dividend payments to ING Group.

Addition to the loan loss provision

– 15%

Risk costs declined to 44 bps of average RWA (which is within the range of 40-45 bps through the cycle), as economic conditions gradually improved, especially in the Netherlands. Nevertheless uncertainties remain, the most obvious one being the very low oil prices.

Fully loaded CET 1 ratio ING Group

12.7%

The CET1 ratio improved strongly from 10.5% in 2014. Strong capital generation from net profit was largely offset by RWA growth and proposed dividend payment. CET1 capital mainly increased following the deconsolidation and further divestment of NN Group in 2015.

Underlying cost/income ratio ING Bank

55.9%

This includes CVA/DVA impacts and the redundancy costs in 2014 and 4Q2015. Excluding these, the cost/income ratio rose to 55.9% in 2015 from 55.1% in 2014, mainly due to higher regulatory costs.

Non-financial review

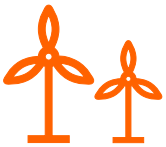
Net Promoter Score Retail Banking

Top Ranking

7 out of 13 countries

Our customer centric focus helped us achieve a first place ranking in seven countries, compared with two or more selected local peers. NPS surveys were held in 13 countries with retail banking activities.

Sustainable transitions financed and Sustainable assets under management



23.8 bln

Sustainable transitions financed

2.57 bln

Sustainable assets under management (SAuM)

Our focus on sustainability driven business resulted in EUR 23.8 billion Sustainable Transitions Financed at year-end 2015. SAuM increased to EUR 2.57 billion, which underlies our client's appetite for products and services that apply sustainability criteria.

CO_2e emissions

96 kilotonnes

The environmental performance of our own organisation improved as a result of an increase in renewable electricity consumption. The total extrapolated amount of carbon emissions decreased from 102 to 96 kilotonnes CO_2e.

Financial empowerment

20.5 mln

customers felt financially empowered

> 90 mln

interactions through our financial empowerment initiatives

We measure our performance in this area to be sure our efforts are really driving sustained improvements in the financial behaviour of our customers and society. In 2015, 20.5 million people felt financially empowered and we had more than 90 million interactions with customers and non-customers through our financial empowerment initiatives.

Effective employer Human Capital ROI

2.48

We measure and report on our human capital investments to ensure we do the right things to support our employees' performance. The Human Capital Return on Investment indicator helps us identify the influence of HR inputs on the organisation's productivity. This ratio of profitability divided by employee costs was 2.48 in 2015, up from 2.30 in 2014.

System availability

99.6%

in the Netherlands and Belgium

In early 2015, an initiative was launched to find a permanent solution for system reliability issues we experienced in the Netherlands and Belgium with our online payments channels. Six months after its launch, and with one additional channel measured, systems reliability improved to 99.6 percent 2015 from a low of 99.3 percent in 2014.

Retail Banking

Retail Banking performed well in 2015, despite difficult operating conditions in the eurozone. Our digital-first operating model continued to deliver a clear and easy, anytime-anywhere experience for our customers, supported by tools and advice that empower them to make smart financial decisions. Customers expressed their satisfaction by ranking us #1 for NPS in seven of our retail banking markets.

Who are we?

ING's Retail Banking business lines provide products and services to individuals, small and medium-sized enterprises (SMEs) and mid-corporates. Our purpose is to empower these customers to stay a step ahead in both their private and professional lives. We aim to do this by ensuring our products and services are clear and easy, fairly priced and available anytime, anywhere. Through transparent tools, tailored offers and expert advice, we strive to help customers make the right financial decisions at the important moments in their lives, be it buying a home, saving for retirement or expanding their business.

ING Retail Banking serves more than thirty-four million customers in a variety of markets that we have designated as Market Leaders, Challengers and Growth Markets. In all markets we pursue a digital-first approach, complemented by advice when needed, with omnichannel contact and distribution possibilities. Market Leaders are our businesses in the Netherlands, Belgium and Luxembourg. In our Challengers countries – Australia, Austria, the Czech Republic, France, Germany, Italy and Spain – we combine strong deposit-gathering capabilities with low-cost digital distribution. Growth Markets are expanding economies that offer good opportunities for achieving sustainable share: Poland, Romania and Turkey, our stakes in Bank of Beijing (China) and TMB (Thailand) and our investment in Kotak Mahindra Bank (India). In most of our markets we offer a full range of retail banking products and services, covering payments, savings, investments and secured and unsecured lending.

Read more in "Our strategy and progress" chapter on ING's geographic presence and strategy per market.

Regulation and the operating environment

New European Union (EU) legislation will have an impact on the retail banking operating environment in European countries where we are active. Proposals for additional regulation following on Basel III/CRD IV will likely impact capital requirements and therefore lending levels. The Payment Services Directive-II (PSD-II), to be implemented in 2017, will allow non-bank competitors to offer third-party payment services to consumers. The EU is also preparing legislation for a Digital Single Market enabling the free flow of digital products and services across Europe. This will help digital service providers to quickly achieve scale across borders.

The extended low interest-rate environment adversely affects our interest income-generating capability. Margins on customer deposits are coming under increasing pressure as rates approach zero. This underlines the need for ING to diversify and expand its revenue-generating capabilities with alternative sources of income from both within and beyond traditional banking.

Staying a step ahead

Financial empowerment

We believe that financially empowered people make smarter financial decisions that positively influence their day-to-day finances. This drives social progress and contributes to a healthy economy. We strive to empower people to make better financial decisions by providing the right information and tools at the right time, supported by clear and easy products and services that are available anytime, anywhere.

A good example of financially empowering our customers is our Financially Fit philosophy in the Netherlands. We aim to empower Dutch customers to make decisions that improve their financial situation. Many customers have answered one or more of the financial planning questions in the Financially Fit Guide, and a new question has recently been added to help increase customers' awareness of their income after retirement. In 2015, Financially Fit tools were used more than one million times in the Netherlands.

We also aim to have a positive impact in the communities where we are active and in society in general. We pay special attention to young people, because we are convinced that good financial habits are developed early on. We fund research, make donations and share our knowledge by, for example, volunteering as guest lecturers in the primary school programmes "Coltiva il tuo sogno" (Grow your dreams) in Italy and "Orange Drops" in Turkey. Our "Power for Youth" partnership with UNICEF aims to reach 335,000 adolescents in six less-developed countries by 2018, helping them to develop the social and financial knowledge and skills they need to build brighter futures for themselves, their families and their communities. In 2015, ING and UNICEF marked the tenth anniversary of our partnership with an important milestone: together we have now given a million children access to quality education.

We want to be sure our efforts are really driving sustained improvements in the financial behaviour of our customers and society. To know whether we are helping more people to stay a step ahead each year, we are measuring our performance in this area. In 2015, 20.5 million [1] people felt financially empowered. We also had more than 90 million [1] interactions with customers and non-customers through financial empowerment initiatives like the Financially Fit Test in the Netherlands, which we plan to roll out to all ING Retail Banking business units to extend our impact.

1 For an explanation on the measurement of these numbers, please refer to the non-financial data reporting protocol published on ing.com.

Based on this 2015 performance – which established our zero measurement – we aim to publish a Financial Empowerment ambition.

Thinking Forward to financial empowerment for all

Numerous studies show that behavioural and sociological factors often hinder smart financial decisions. Improved financial decision-making is an essential step towards financial empowerment. It is an urgent challenge and responsibility for all.

We have taken up this challenge by launching the Think Forward Initiative, in partnership with Microsoft, the Institute for New Economic Thinking and IT services company EMC. Our aim is to better understand the behaviour behind financial decision-making and, based on these insights, come up with improvements and practical solutions to support people in making financial decisions that are better for them, and ultimately better for society. The Think Forward Summit in February 2016 brought together academics, European and national policy-makers, consumer organisations and leaders from the financial and technology sectors to discuss the latest developments around financial behaviour. The lessons learned will be a springboard for further action during this multi-year initiative. Please visit www.thinkforwardinitiative.com for more information.

Our promise to deliver services anytime, anywhere also implies a commitment to make them accessible to all sections of society. As an example, all 631 branches in the Netherlands are wheelchair-accessible and all 2,608 ATMs are adapted for the visually and/or hearing-impaired, with braille keypads, large fonts and audio that increases in volume when a customer's card or money is not removed quickly enough.

Providing a differentiating customer experience

In this increasingly digitalised world, customer expectations are shaped by their interactions with digital service providers such as Google, Facebook, Apple and Amazon. These "tech giants", along with newer disruptors like Netflix, Airbnb and Uber, compete by offering a differentiating and superior customer experience. Customers now expect a similar experience from their bank. A significant segment of customers are self-directed, and expect to be able to choose from clear and easy products and services that are available to them when and where they want them. 69 percent of Retail Banking customers contact us exclusively via digital channels. We therefore pursue a digital-first approach, but continue to modernise our contact centres and branch networks.

ING's strategic priorities work together towards the goal of offering a differentiating customer experience. Underpinning that experience is our Customer Promise: to be clear and easy, with an anytime, anywhere service offering that empowers customers to make smart decisions. We also promise to keep getting better by striving for continuous improvement. We use the Net Promoter Score (NPS) to measure our progress in offering a differentiating customer experience, with the aim of achieving the number one NPS ranking compared to our main competitors in each of our retail banking markets. Based on a rolling average of NPS scores over the full year, we were ranked number one in seven of our markets: Australia, France, Germany, Italy, Poland, Romania and Spain.

We regularly add new functionality to our mobile apps to improve the digital experience. Belgian customers can now make mobile payments and open a pension account from the Smart Banking app, which has been downloaded more than 1.1 million times. The "Inge" digital voice assistant in the Netherlands can now also be used to manage savings accounts, and Dutch customers with compatible smartphones can make contactless mobile payments. In Australia, the Netherlands, Belgium and Poland, smartwatch apps offer extra convenience to customers using the latest wearable technology. Users of the Polish ING BankMobile app are now able to send money using only the recipient's phone number, and functionality has been added to Turkey's ParaMara digital wallet making it possible for a customer to convert credit cards into contactless cards for the convenience of making contactless payments with a suitable smartphone.

In support of our customer promise, we strive to communicate in a clear, easy and fair way. Fair communication is a material topic, especially for retail customers. Our corporate tone of voice guidelines reflect a brand personality that is clear and easy, empathetic, positive and no-nonsense. Several of our retail units launched initiatives in 2015 to simplify communication and ensure that products and services are explained in plain, easy-to-understand language. In Poland, for example, customer communications have been comprehensively reviewed and many different types of correspondence (letters, contracts, messages, alerts, advertisements, etc.) have been simplified. To make sure we meet Polish customer expectations for fair communication, we ask them to help with prototyping, testing and assessing communications. In the Netherlands, we use roadshows and workshops to train employees in the new tone of voice. In Germany, the "Klartext" initiative uses workshops and special "text experts" to coach customer-facing employees in clear and easy communication.

Earning the primary relationship

We aim to build "primary relationships" with customers, earning their loyalty so that they consider us as the first bank with which they conduct their financial business. We define a retail primary relationship as a customer who has recurrent income on their ING payment account and is active with at least one other ING product. Our stated goal is to earn ten million primary retail relationships by end-2017. In 2015, we added more than half a million net new primary relationships, for a year-end total of 8.9 million.

We prioritise increasing payment account customers in our Challengers & Growth Markets. Cross-buy and activation initiatives in Germany have improved the quality of the customer base, with more than 53 percent of payment account customers depositing their salary in the account. Australia introduced the Primary Bank Bonus for current account customers and mortgage customers, rewarding the loyalty of primary bank customers. In Romania, a redesign of the payments account to encourage customers to deposit their salaries with ING has led to a 24 percent volume increase compared to 2014.

Knowing our customers

To earn the primary relationship, we need to understand customers' needs and meet their expectations. Understanding customers and building a relationship with them in an increasingly digital world requires new skills in data collection and analysis. Once we have established a primary relationship, we can collect richer customer data which in turn allows us to provide more individually-tailored products and services. We understand the sensitivities around data collection and data privacy and comply with legal and regulatory requirements for data privacy. We strive to be transparent about ING's handling of customer data and when customer consent is required for data handling, to allow them to withdraw such consent at any time.

Read more in the "Operational excellence and innovation" chapter on how ING deals with data privacy and security.

A Centre of Excellence in Advanced Analytics has been set up in Frankfurt and Amsterdam to support all business units in developing predictive models and advanced algorithms that contribute to a differentiating customer experience, increased lending capabilities and improved practices in the areas of risk, fraud, marketing and operations. Local advanced analytics teams are now established in the Netherlands, Belgium, Germany, Spain and Poland, and all business units now have roadmaps in place for attaining an agreed minimum standard in customer intelligence capabilities. Starting in 2015, an advanced analytics project in Poland has been using data mining to offer retail and small business customers pre-approved loans. By the end of the year, these included pre-approved loans for 94,000 entrepreneurs to help them grow their businesses.

Accelerating innovation

Continuous innovation is necessary to keep up with changing customer expectations.

In 2015, we introduced a number of innovative products and services that support the different elements of our Customer Promise. Following the introduction of fingerprint authentication for the mobile app in Belgium at the end of 2014, we now also offer fingerprint-based security features in the Netherlands, Germany, Turkey, Poland and Thailand. This gives customers a secure and easy-to-use alternative to conventional password-based access and authentication methods. Germany's "video-identification" service enables new customers to identify themselves to the bank without having to present themselves at a physical location. Since the launch of the service in August 2014, more than 70,000 customers have identified themselves this way, representing 11 percent of all new accounts opened in 2015. Innovative payment initiatives Payconiq and Twyp ("The way you pay") are being piloted with the intention of launching new consumer-friendly ways to pay across Europe, available to customers of any bank.

Read more in the "Operational excellence and innovation" chapter on ING's approach to innovation.

Thinking beyond traditional banking

With new regulation opening up financial services to out-of-sector competition and low economic growth putting pressure on traditional sources of income, it is important that we develop new products and services beyond those traditionally offered by banks.

Banks usually play a role in the consumer's shopping experience only at the moment of payment. We aim to empower customers by also supporting them in the pre- and post-purchase phases of the shopping process. This can take the form of information and discount offers to help in the purchase decision-making process.

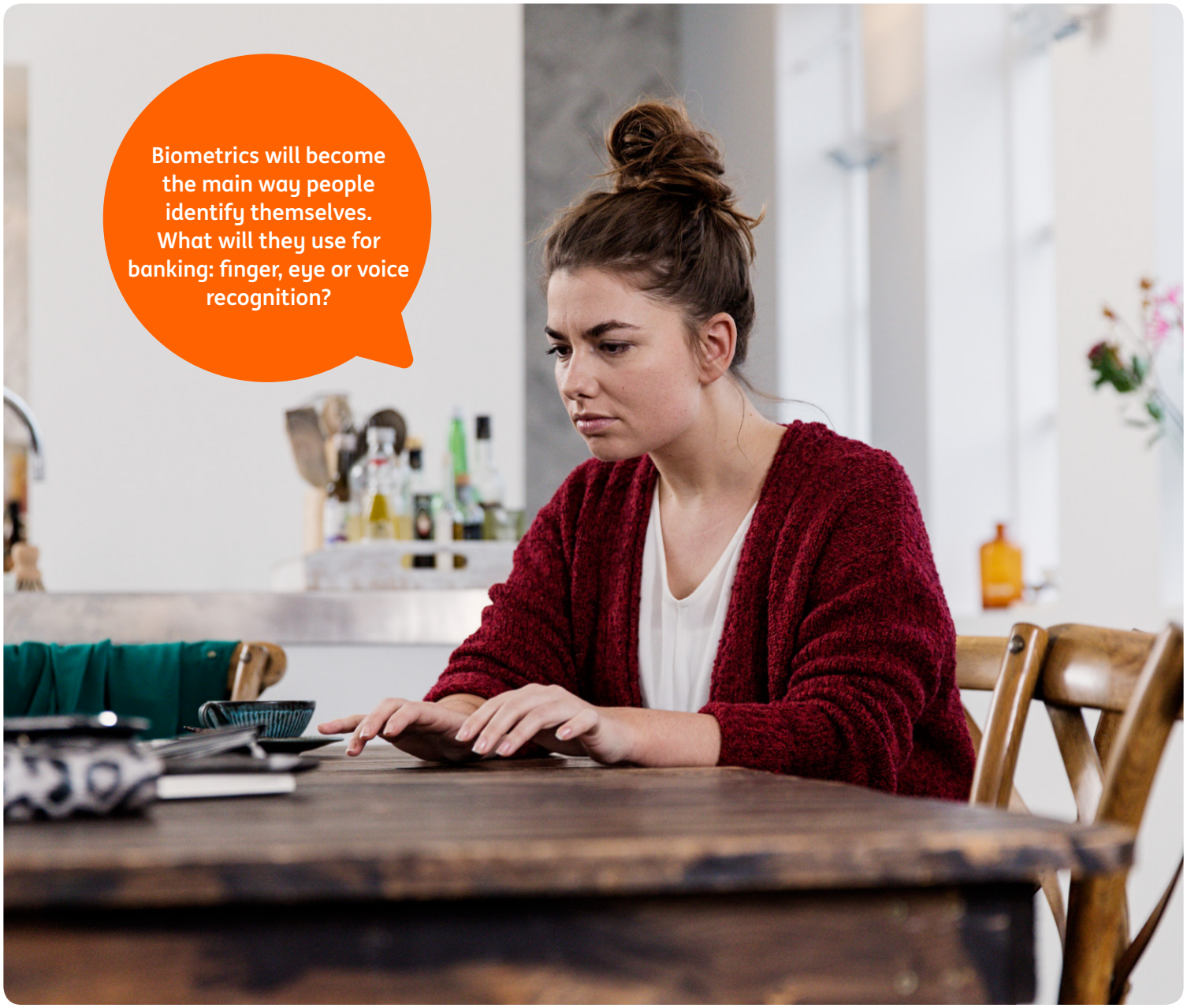
Romania's "Bazar" app was launched to customers following a successful pilot. Brands such as adidas, Lego and MOL offer special promotions to users paying with their ING card or Bazar's digital wallet. At the end of 2015 we had 26,000 ING users who had received 146,000 promotional offers, enrolled 17,000 loyalty cards and generated more than EUR 5 million in sales. In Belgium we purchased loyalty platform Qustomer, which we plan to combine with innovative new ways to pay so that users can easily collect and redeem loyalty points from shops.

Thinking beyond traditional banking also involves a fresh approach to customer care. In the Netherlands, we have partnered with the country's largest employment agency, Randstad, to offer job coaching to mortgage customers who have lost their jobs, helping them to find new employment and remain "financially fit".

Enabling Think Forward

Achieving our strategic goals depends on progress on several fronts. Our organisation requires further simplification and streamlining to be flexible enough to respond to fast-changing customer needs and expectations. (see box "Organising for Agility" for the case of ING Netherlands). Operational excellence is necessary to deliver a digital-first, omnichannel experience to customers. This encompasses processes, information technology, bank-wide data management and standardised systems and platforms.

Read more in the "Operational excellence and innovation" chapter on our operational excellence initiatives.



Video identification

With the video identification service, new customers in Germany can identify themselves to the bank without having to visit in person. Video identification is being used in a growing number of account openings. At ING, we're always looking for the next step ahead.

A performance culture based on collaboration and our Orange Code values and behaviours will help us recruit and retain the talented people we need to deliver on our purpose. And we wish to broaden our lending capabilities to achieve better-balanced growth.

Read more in the "People" chapter on how ING is building a performance culture.

Growing our lending capabilities is a key element of our retail banking strategy. To achieve sustainable share in our Challengers markets, we need to grow consumer lending and SME lending. By using our digital banking expertise and offering innovative customer propositions, we are making good progress in consumer lending, but further development of our SME lending proposition is required. In 2015, consumer lending assets increased by EUR 1.3 billion. German consumer lending grew by EUR 1.5 billion in just two years. In Poland, customers can access pre-approved consumer loan offers on mobile devices. Turkish customers can apply for consumer loans via direct channels without having to go to a branch, and prospects can apply for a car loan at point-of-sale using SMS. In October we announced a strategic investment and partnership with Kabbage, a fintech that offers loans to small businesses. Together with Kabbage, we are piloting instant digital lending for SME customers in Spain using more advanced credit scoring.

In line with ING's commitment to support entrepreneurs and the economy, we are also taking a fresh approach to lending in our Benelux markets. In Belgium we have partnered with crowdfunding platforms Seedrs and KissKissBankBank to offer a fast-track funding process to entrepreneurs for whom a classic bank loan is not necessarily the best or only solution. This partnership offers entrepreneurs with innovative ideas the opportunity to diversify their funding sources and test their projects with a broad audience.

Organising for agility

In November 2014, ING Netherlands launched the FWD NL programme. In what was likely a first for the banking industry, and inspired by successful "digital disruptors" like Netflix and Spotify, we have redesigned our organisational structure and introduced a new agile way of working in multidisciplinary teams. The goal is to create a more efficient and flexible organisation that delivers a seamless, real-time "omnichannel" experience that enables customers to do their daily banking when, where and how they want, and to switch between channels with no interruption to their data or service. The new organisation was launched in June, starting with the head-office of ING Netherlands, with "tribes" made up of "squads" which are multi-disciplinary teams responsible for the entire customer value chain from product design to delivery. We have restructured the complaints department to simplify handover procedures and first results show that new customer contact forms that integrate chat and social media functionality have significantly improved customer satisfaction.

Socially responsible investment

We have been including governance, environmental and social topics in our socially responsible investment (SRI) strategies for customers in the Netherlands since 1999. SRI strategies consist of dedicated portfolios of sustainable investment funds, as well as portfolios of bonds and equity of individual sustainable companies. In selecting sustainable investment opportunities, we apply best-in-class assessment and exclude companies in specific sectors, such as controversial weapons producers, and companies that exhibit controversial behaviour, such as violations of human rights.

Our SRI methodology covers all asset classes, including government bonds, corporate bonds, investment funds and index trackers. At year-end 2015, the sustainable assets under management (SAUM) for our customers totalled EUR 2,573 million, up from EUR 1,538 million at year-end 2014, underlining our customers' growing interest in products and services that meet specific sustainability criteria. In 2015, Belgium also began offering their clients SRI investment possibilities, including a sustainable portfolio made up of investment funds.

Sustainable assets under management

in EUR million at year-end	2015 [1]	2014	2013 [2]
Sustainable investment portfolios	2,011	1,517	903
Sustainable structured products (incl. ING Liric SRI top 50)	143	15	19
Sustainable investment funds (incl. CS ING SRI Index Fund)	419	92	38
Subtotal	2,573	1,624	960
Correction to eliminate double counting [3]	-	86	74
Total sustainable assets under management	2,573	1,538	886

1 The methodology for calculating sustainable assets in 2015 has been changed for the Netherlands. We decided to align the calculation methodology with that of Belgium and Luxembourg. We still calculate the assets in the sustainable strategies and in structured products, and we add to this all the assets in investment products labeled as sustainable outside our sustainable investment portfolios. This change added approximately € 190 million to sustainable investment funds this year and would have added almost € 180 million in 2014 for the Netherlands. As a result of this change, we no longer need to make a correction for double counting. The remaining asset growth comes from price changes and new invested capital. Besides the ING Liric SRI top 50, other sustainable guaranteed notes have been issued this year and are categorised under the heading Sustainable structured products.
2 The 2015 and 2014 figures include ING Belgium and ING Luxembourg. 2013 figures are based on ING Netherlands only.
3 There used to be an overlap with allocated assets in the sustainable investment funds and the managed sustainable investment portfolios. We therefore made a correction in 2014 and 2013.

ING Groenbank

ING Groenbank is a 100 percent subsidiary of ING Bank and finances sustainable investment by offering lending services at favourable rates to sectors such as organic farming, renewable energy generation, sustainable construction and the re-use of waste materials, all with a strong focus on the Netherlands. All assets underlying ING Groenbank loans must receive Dutch government

accreditation. This helps ING Groenbank accurately quantify the sustainable impact of its investments. In 2015, the volume of green loans increased for clients in both the small business and corporate clients market segments. This seems to indicate both a growing focus on sustainability when new investments are considered and the improving economic situation in the Netherlands. Over the next few years, a considerable number of sustainable projects are expected to materialise in the Netherlands as a result of various factors, such as the "SER Energieakkoord" (Energy agreement by the SER, the Dutch Social and Economic Council) and the continuation of the domestic economic recovery. ING Groenbank aims to play a role by providing an extra stimulus via its green loans.

Financial inclusion

ING Groenbank also directs up to ten percent of its balance sheet towards financial inclusion activities, with microfinance – focused on female entrepreneurs – as a main component. We have seen a shift from microfinance aimed at starting entrepreneurs towards the financing of small and medium-sized enterprises (SMEs), and are diversifying our activities to include SMEs as loan beneficiaries. The Turkish portfolio, initiated with EUR 30 million from ING Groenbank and paid back to ING Groenbank at the end of 2015, is a successful example with a total of 50,000 SME clients. To support our and the financial inclusion sector's move towards SME finance, our "A Billion to Gain 2016" research – to be published in the second half of 2016 – will focus on SME finance. The research is conducted in cooperation with the World Bank and the Global Partnership for Financial Inclusion (GPFI).

Key challenges and dilemmas

The challenges of the business, market and regulatory environment in which we operate are addressed at the beginning of this chapter ("Regulation and the operating environment"). In particular, European Union regulation and the extended low interest rate environment affect our retail banking activities.

Another ongoing challenge we face is the stability of IT systems, particularly in our Benelux markets. Meeting our customer promise to provide anytime, anywhere access requires our digital services to always be available and accessible. The Focused Reliability Initiative launched at the beginning of 2015 improved the reliability of online payment services in the Netherlands and Belgium to 99.6 percent in the second half of 2015.

Read more in the "Operational excellence and innovation" chapter about our approach to excellent service delivery.

Non-financial dilemmas

Data privacy is a material topic for customers and other stakeholders. We are faced with the dilemma of customers expecting us to know their needs and preferences so that they are provided with an individual, tailored service, while at the same time they do not want their personal data used for anything without their explicit consent. A related dilemma concerns fair pricing: the more we know about a particular customer, the more fairly we can price a loan, for example. We are governed by binding Global Data Protection Policies (GDPPs) that ensure we comply not just with legal and regulatory requirements for data privacy but also take customers' wishes into consideration.

Read more in the "Operational excellence and innovation" chapter on our approach to data privacy and security.

Financial results

Total Retail Banking

Retail Banking posted strong 2015 results. The underlying result before tax rose 17.3 percent to EUR 3,928 million, driven by higher income and lower risk costs.

Underlying income increased by 3.0 percent compared with 2014 to EUR 11,228 million, due to higher income in most of the Challengers & Growth Markets, while income growth in the Benelux was flat. Interest results increased as a result of volume growth and an improved interest margin on savings, while the margin on current accounts declined due to the low interest-rate environment. Lending margins remained stable. Income was negatively affected by EUR 127 million of non-recurring charges related to mortgage portfolios in Italy and Belgium where we experienced higher-than-expected repayments and renegotiations.

The net production of customer lending (excluding Bank Treasury, currency impacts, transfers of WestlandUtrecht Bank mortgages to NN Bank and the sale of mortgage portfolios in Australia) was EUR 6.8 billion in 2015. Net core lending, also excluding the run-off in the WestlandUtrecht Bank portfolio, increased by EUR 9.0 billion, driven by growth outside of the Netherlands. Net customer deposits (excluding Bank Treasury and currency impacts) grew by EUR 20.9 billion in 2015.

Operating expenses were slightly lower at EUR 6,430 million compared with EUR 6,456 million in 2014, which included EUR 349 million of redundancy provisions, mainly related to the further digitalisation of our banking services in the Netherlands. Excluding these provisions, expenses rose by EUR 323 million, or 5.3 percent, of which almost half was as a result of higher regulatory costs. The remaining increase was mainly due to business growth in the Challengers & Growth Markets, IT investments in the Netherlands, some smaller restructuring provisions in the Benelux and a provision for potential compensation related to certain floating interest-rate loans and interest-rate derivatives that were sold in the Netherlands. This was partly offset by cost savings from restructuring programmes. The underlying cost/income ratio improved to 57.3 percent from 59.2 percent in 2014.

Risk costs declined 20.4 percent to EUR 870 million in 2015, mainly due to lower risk costs in the Netherlands and Germany.

Market Leaders

Retail Netherlands

The underlying result before tax of Retail Netherlands rose to EUR 1,495 million from EUR 938 million in 2014, mainly due to lower risk costs and lower expenses. Operating expenses declined by EUR 203 million, predominantly due to EUR 349 million of redundancy provisions taken in 2014. Excluding these provisions, the underlying result before tax rose 16.2 percent year-on-year.

Underlying income increased 1.7 percent to EUR 4,403 million. The interest result was supported by higher margins on lending and savings, which largely compensated for a decline in lending volumes. Lower lending volumes were partly caused by the continued transfer of WestlandUtrecht Bank (WUB) mortgages to NN Group and the run-off in the WUB portfolio. Net core lending (excluding the WUB portfolio, Bank Treasury products and movements in the mortgage hedge) declined by EUR 2.9 billion due to higher repayments on mortgages and muted demand for business lending. The net production in customer deposits (excluding Bank Treasury) was EUR 3.5 billion, reflecting increases in both savings and current accounts. Commission income was up 11.0 percent and investment and other income rose by EUR 118 million, in part due to positive hedge ineffectiveness, while 2014 included a one-off loss on the sale of real estate in own use.

Excluding the redundancy provisions in 2014, operating expenses increased 6.3 percent, mainly due to higher regulatory costs, investments in IT, some smaller restructuring provisions and a provision for potential compensation related to certain floating interest-rate loans and interest-rate derivatives that were sold in the Netherlands. This increase was partly offset by the benefits from ongoing cost-saving programmes. The cost-saving programmes remain on track to realise EUR 675 million of annual cost savings by the end of 2017. Of this amount, EUR 438 million has been realised since 2011.

Risk costs declined 39.4 percent to EUR 433 million from EUR 714 million in 2014, both in residential mortgages and business lending, supported by a recovery in the Dutch economy.

Retail Belgium

Retail Belgium includes Record Bank and ING Luxembourg.

The underlying result before tax of Retail Belgium fell 11.1 percent to EUR 845 million in 2015 compared with EUR 951 million in 2014, mainly due to lower income and higher risk costs.

Underlying income declined 2.7 percent to EUR 2,546 million, from EUR 2,617 million in 2014. The interest result decreased 2.3 percent due to lower margins on lending products and current accounts, which was only partly compensated by higher volumes in most products. The net production in the customer lending portfolio (excluding Bank Treasury) was EUR 1.7 billion, of which EUR 1.1 billion in mortgages and EUR 0.6 billion in other lending. Net customer deposits grew by EUR 3.0 billion. Operating expenses increased 0.5 percent to EUR 1,532 million, as higher regulatory expenses and some additional restructuring costs were largely offset by a decrease in staff expenses and a value-added tax refund. The cost-savings programme announced by ING Belgium in early 2013, with the aim of realising EUR 160 million cost savings by the end of 2017, was successfully concluded by the end of 2015.

Risk costs increased by EUR 27 million to EUR 169 million, or 59 basis points of average risk-weighted assets. The increase was mainly in business lending and consumer lending, while risk costs for mortgages declined.

Challengers & Growth Markets

Retail Germany

Retail Germany includes ING-DiBa Germany, ING-DiBa Austria and Interhyp.

Retail Germany's underlying result before tax increased 31.3 percent to EUR 1,012 million compared with EUR 771 million in 2014, driven by strong income growth.

Underlying income rose 18.3 percent to EUR 1,910 million. This increase mainly reflects higher interest results following continued business growth and improved margins on savings. Margins on lending and current accounts were somewhat lower. Net inflow in customer deposits (excluding Bank Treasury) was EUR 6.4 billion in 2015. The net production in customer lending (excluding Bank Treasury and movement in the mortgage hedge) was EUR 2.5 billion, of which EUR 1.6 billion was in mortgages and EUR 0.9 billion in consumer lending. Investment and other income was EUR 104 million, compared with a loss of EUR 27 million in 2014, mainly due to higher realised gains on the sale of bonds and a positive swing in hedge ineffectiveness results.

Operating expenses increased 8.9 percent compared with 2014 to EUR 842 million. The increase mainly reflects higher regulatory costs, an increase in headcount at both ING-DiBa and Interhyp, as well as investments to support business growth and attract primary banking customers. The cost/income ratio improved to 44.1 percent from 47.8 percent in 2014.

The net addition to loan loss provisions declined to EUR 57 million, or 23 basis points of average risk-weighted assets, from EUR 72 million, or 29 basis points, in 2014, reflecting better performance in the German mortgage book.

Retail Other

Retail Other's underlying result before tax decreased to EUR 577 million, from EUR 690 million in 2014. The decline was primarily attributable to lower income in Italy due to EUR 97 million of non-recurring charges related to increased prepayments and renegotiations of fixed-term mortgages, and a EUR 31 million one-off charge in regulatory expenses related to the bankruptcy of SK Bank in Poland. Excluding both items, the result before tax increased by 2.2 percent.

Total underlying income rose by EUR 33 million, or 1.4 percent, to EUR 2,369 million. This increase is attributable to higher interest results stemming from higher volumes

in most countries, partly offset by the aforementioned non-recurring charges in Italy. The net inflow of customer deposits, adjusted for currency effects and Bank Treasury, was EUR 8.0 billion, with growth mainly in Spain, Poland, Turkey and Romania. Net customer lending (also adjusted for the sale of mortgage portfolios in Australia) rose by EUR 7.8 billion, mainly due to growth in Australia, Poland and Spain.

Operating expenses increased by EUR 101 million, or 6.8 percent, versus 2014, largely as a result of higher regulatory costs (including the one-off charge in Poland), investments to support business growth in most of the business units and inflation adjustments in the Growth Markets.

The addition to the provision for loan losses was EUR 210 million, or 45 basis points of average risk-weighted assets, up from EUR 165 million, or 40 basis points, in 2014. The increase was mainly visible in Turkey and Poland.

Trophy Cabinet

- *The Financial Times's "The Banker" magazine rated ING as the Best Bank of the Netherlands, Best Bank of Belgium and ING Bank Śląski as the Best Bank of Poland.*
- *ING-DiBa was awarded "Best Bank" (for the eighth time) and "Most Popular Bank" (for the ninth consecutive time) by €uro magazine. Also in Germany, Interhyp was rated Germany's "Best Mortgage Provider" for the tenth time in a row.*
- *ING Poland was crowned "Mobile Bank of the Year" at the annual Mobility Trends "Golden Bell" awards.*
- *ING Belgium was rated as Most Innovative Bank in Belgium by International Finance Magazine (IFM).*
- *Germany was rated "Best Online Broker" by Börse-Online for the sixth consecutive time.*
- *The Netherlands' "Financially Fit" initiative was rewarded with a National Contact Centre Award in the category Customer Experience. ING Netherlands also received a Banking Communication Award for the best communicating bank in the Netherlands, and an Annual Masters of Media Awards (AMMA) prize for the best media strategy of the year.*
- *The online banking website of ING Netherlands was voted "Most Popular Website" in the category "Banking & Investments" at the Dutch "Website of The Year 2015" awards. The website also won an "SEO Benchmark 2015" award as the most easy-to-find bank in the Netherlands.*
- *Superior customer service was rewarded in Romania (several Romanian Contact Centre Awards) and Turkey (Best Complaint Management).*

Conclusion

Retail Banking performed well in 2015, delivering strong results in a challenging economic environment. We welcomed more new customers, and empowered retail customers and small businesses by lending more. In addition to the many awards won by our Retail Banking businesses across the world, we were ranked number one for customer satisfaction (as measured by the Net Promoter Score) in seven of our markets.

Our focus on financially empowering people resulted in a number of new initiatives and tools to help customers make decisions that positively influence their financial situation. We also introduced innovative payment services and new functionality to our digital channels that contribute to a differentiating customer experience. In doing so, we build more primary relationships, which allows us to better understand customers and their needs, and provide them with a more-tailored service. Data gathered through our interactions with customers is treated as private, and is governed by binding Global Data Protection Policies.

We have made good progress in solving stability issues with our IT systems in the Benelux, and will continue to focus on this until we have reached our goal of ensuring "always on" online payment services in these countries.

Looking ahead to 2016, we will continue to focus on delivery of the Think Forward strategy through earning more primary relationships, using advanced analytics to better understand and service customers, innovating and pursuing new sources of revenue beyond traditional banking. Further standardisation of IT systems bankwide will be prioritised, as this will support increased collaboration and faster innovation.

Wholesale Banking

Wholesale Banking delivered good results in 2015, supported by healthy income growth, an improved cost/income ratio and lower risk costs. Our key business units performed well, contributing to ING's Think Forward strategy. We continued to deliver on our client promise to be clear and easy, anytime-anywhere and to invest in our client relationships. We expanded our network to better support our clients and to seize growth opportunities. Sustainability was further embedded in our business. We also sealed several landmark deals that helped our clients in their sustainable transitions.

Who are we?

We are a European wholesale bank with global reach. We have an extensive international network of offices in more than 40 countries across Europe, Asia and the Americas. Our global franchises in Industry Lending, General Lending, Transaction Services and Financial Markets serve a range of organisations, including corporates, multinational corporations, financial institutions, governments and supranational bodies.

Our purpose is to empower customers to stay a step ahead in life and in business. In Wholesale Banking we help our wholesale banking clients meet their ambitions, either in a specific area of expertise or geography. We aim to provide a differentiating and seamless client experience through new technologies and services across the globe.

Our lending capabilities are at the heart of most of our client relationships. We continue to grow Industry Lending by supporting clients with sector expertise and in-depth knowledge of their business. Transaction Services extends our client offering with international payments and cash management, trade finance services and working capital solutions. Financial Markets, as the bank's gateway to global professional markets, serves our clients from treasury through to capital markets, providing risk management and structured financial products.

Global Finance Awards

- *Best Global Bank in Emerging Markets*
- *Best Trade Finance Bank in the Netherlands*
- *Best Foreign Exchange Provider in the Netherlands*
- *Best Treasury & Cash Management Provider in Belgium and the Netherlands*

As of 2016, our commercial banking activities were renamed Wholesale Banking. The new name better reflects the mainly international, large corporate and institutional nature of our business. It clearly positions ING as a global wholesale bank and is more aligned with the consistent client experience we aim for across our markets.

Wholesale Banking plays a key role in the bank's Think Forward strategy. The development of our lending capabilities, in particular in our funding-rich countries, helps support ING's sustainable growth ambitions. Our investment in Transaction Services enhances this effort.

Integral to our Think Forward strategy is driving sustainable progress. We strongly believe that financial services play a significant role in creating a sustainable world. As part of our differentiating client experience, we support clients' sustainable transitions throughout our wholesale banking portfolio. We monitor and assess our transactions for sustainable features that are making these transitions possible. We also actively engage with our clients to generate new business opportunities in the field of sustainable financing. We believe that our focus on clients who adopt sustainable practices is helping to ensure a healthy and strong portfolio.

Dutch State

ING was selected in 2015 as the Dutch government's new "house bank" following a European tender conducted by the Dutch Ministry of Finance. Starting 1 May 2016, ING will perform payment transactions for nearly all ministries and agencies. The Dutch State organised an extensive European tender procedure, and set strict criteria with significant attention paid to its new bank's sustainability performance.

Our approach builds on the strong Environmental and Social Risk (ESR) framework that is applicable to ING's Wholesale Banking business. In addition to an ESR assessment, our lending clients and transactions are reviewed against externally recognised sustainability criteria, so we can measure and track how much of our portfolio is sustainable.

Read more in the "Our strategy and progress" chapter and for the Environmental and Social Risk framework read the "Risk and capital management" chapter.

Staying a step ahead

Our clients are at the heart of our strategy. Throughout 2015 we focused on improving the client experience. We aimed to broaden and deepen relationships in line with our capabilities, and have made progress in realising the bank's strategy.

Lending assets grew in all of our core lending businesses, and thereby contributed to the bank's growth, particularly in Challengers & Growth Markets and the Americas. Structured Finance (SF) again benefitted from strong volume growth across all segments and geographies. Our SF franchise has a long record of steady organic growth, thanks to our experienced teams and specialised industry knowledge. It is here we will focus our growth going forward.

Wholesale Banking's lending growth contributed to more sustainable balance sheets in our Challengers & Growth Markets. In 2015, we expanded local expertise in some of our funding-rich countries to support balance sheet integration. In Germany, Wholesale Banking loans increased from EUR 7.5 billion in 2014 to EUR 13.5 billion at year-end 2015 as we continued to grow the franchise and optimise the balance sheet.

At the same time, we are investing in our flow capabilities in Transaction Services and Financial Markets. In Transaction Services, Working Capital Solutions (WCS) is a growth area as treasurers seek ways to unlock funds trapped in their supply chains. We aim to increase both the number of clients and our share of their flow business. The exit of a major global competitor from transaction services in Europe in 2015 offered a unique chance to support those organisations seeking replacement services. To make this possible, we invested additional resources to speed up the introduction of new products and services.

Financial Markets (FM) remained profitable throughout the year despite the ongoing changes in the regulatory environment. In 2015, FM introduced its new strategic plan that adapts the business to challenging regulation, low interest rates and volatility by embedding it more in Wholesale Banking's client business. It will help strengthen our client relationships by concentrating on core clients in selected markets and product categories.

Read more in the "Market and regulatory context" chapter on the regulatory environment.

Delivering a differentiating customer experience

Underpinning improvements in client experience and our product offering is our overarching Target Operating Model (TOM) transformation programme. With this programme, we aim to enhance client experience across products and countries by standardising our products and channels, harmonising our client services and improving our mobile and online offering.

The rise in mobile and digital banking has changed the expectations and needs of our corporate customers. They expect the same experience across every channel, as well as 24/7 access to their most important products and services. Our InsideBusiness platform is our response. It empowers clients to conduct transactions online and get key information that affects their companies' financial position from any internet-enabled device, at any time.

The commercial launch of InsideBusiness in the Netherlands and Belgium was a key milestone in 2015. More countries will follow in 2016.

Our transformation programme supports a growing digital offering. In the area of payments and cash management, we also started rolling out our new common payments platform, beginning in Ireland. It offers consistency and simplicity – for example uniform billing and harmonised reporting for our clients – who are typically active in a number of countries.

Expanding our network

We not only strengthened our digital presence and offering, we also invested in our network to serve our clients better and to seize growth opportunities in different geographies.

In 2015, we added Chicago to our existing US locations in Los Angeles, Atlanta, New York, Houston and Dallas. And we initiated trade commodity finance services from our New York office – a business we have extensive experience in. We see exciting opportunities in the US and are growing our business there.

In addition to the US, we are expanding and strengthening our network and presence to support clients in China, Colombia, Sweden, Kazakhstan and India. In Seoul, South Korea, we are planning to open a securities branch to expand our product and client coverage into capital markets.

We also made progress in developing new businesses that support clients and add a valuable source of fee income. For example, we launched a High-Yield Bond initiative, aimed at European non-investment grade clients. It will help make us more resilient in the face of growing disintermediation in the European funding market, and allow us to tap into the growing high-yield business.

Accelerating sustainable transitions

At year-end 2015, our total sustainable transitions financed was EUR 23.8 billion, covering business areas such as renewable energy, sustainable real estate, public transport and other best practices relative to their sector. This is an increase of 22 percent on the previous year's performance, driven partly by new transactions and partly by better sustainability assessments of our business activities.

Sustainable transitions financed

in EUR million at year-end	2015	2014
ING Groenbank [1]	875	836
Loans to renewable energy projects [2]	3,187	1,730
Loans to sustainable real estate [3]	998	389
Loans to other projects [4]	1,274	379
Loans to environmental outperformers [5]	17,470	16,142
Total	**23,804**	**19,476**

1 ING Groenbank finances projects within and outside of the Netherlands. In line with Dutch Tax authority guidelines the amount of green loans on the Groenbank balance sheet is over 70 percent. For more details on ING Groenbank, please see the "Retail Banking" chapter.
2 Includes biomass, geothermal, hydro, solar, offshore and onshore wind power generation.
3 As of year-end 2015, ING reports separately on sustainable real estate, which used to be reported under Loans to other projects.
4 Includes projects involving energy efficiency, greenhouse gas reduction, climate change and mitigation, waste-to-energy, public transport, waste reduction, social welfare.
5 As of year-end 2014, ING reports on loans to clients who have been identified as environmental outperformers based on independent reputable data provider or internal client assessments.

The table demonstrates our inclusive approach to sustainability throughout our entire global lending portfolio. On the one hand, we finance projects in specific sustainable areas, including renewable energy, sustainable real estate, low carbon transport, water and waste management. At the same time, through our client and transaction assessments, we identify those clients with the best environmental record in their sector (outperformers). We focus on those outperformers in all our sectors. In this way, we choose not to exclude particular sectors from financing, outside those activities that we do not finance based on our ESR framework.

Galloper Wind Farm Ltd.

ING participated in a GBP 1.37 billion project finance for Galloper Wind Farm Ltd. for the construction of a 336 megawatt offshore wind farm in the UK. Once completed, the wind farm is expected to generate enough renewable energy per year to meet the electricity needs of around 330,000 homes. It will significantly contribute to meeting the UK's 2020 target to source 15 percent of its energy for heat, transport and power from renewable sources. ING acted as coordinating bookrunner, MLA and lender.

In 2015, our sustainability approach was deepened in our lending sectors, and broadened to other areas of Wholesale Banking. You can read more about this in the relevant areas in this chapter.

Through our activities in this area, we have developed extensive knowledge of a number of key sustainability issues. We published several reports in 2015 that share our thinking on sustainability, including "Rethinking finance in a circular economy" and "Too little, too much: the diverse sectoral challenges of water".

Read more in "Rethinking finance in a circular economy" (www.ing.com/15ar6).

Read more in "Too little, too much: the diverse sectoral challenges of water" (www.ing.com/15ar7).

Van Scherpenzeel Group

ING Corporate Investments made a 20 percent equity investment in Van Scherpenzeel, in line with ING's sustainability strategy. Van Scherpenzeel is a pioneer in the circular economy, and recycles waste for reuse as raw materials for sectors including the paper and plastics industries. Van Scherpenzeel is a good example of ING's commitment to work with clients to develop financial solutions that support the growth of the circular economy.

Putting our strategy into practice – our business activities in 2015

Industry Lending

Our Industry Lending teams provide financing to clients in selected markets based on specialist industry knowledge. Within Industry Lending, our activities are grouped into Structured Finance and Real Estate Finance.

Structured Finance

Structured Finance is a traditional lending business built up over more than 20 years and based on specialist industry knowledge. ING is a top-10 player globally. The loan portfolio is well diversified across geographies and sectors, which are split into three segments: the Energy, Transport and Infrastructure Group, International Trade and Export Finance and the Specialised Financing Group.

The Energy, Transport and Infrastructure Group (ETIG) specialises in capital-intensive industry sectors such as offshore services, shipping, aviation, utilities and power, infrastructure, mining, and oil and gas. ETIG showed strong growth in assets and income in 2015 – most notably in transportation, natural resources and infrastructure – while increasing profitability. In recent years of declining commodity prices, ING has aimed to de-risk its portfolio. We have applied a conservative and selective approach to new deals, renewals and refinancing, carefully selecting clients, and focusing on a variety of sub-sectors, geographies and markets that remain attractive.

International Trade and Export Finance (ITEF) supports international trade in basic commodities such as oil, oil products, metals, grain, sugar and cotton. In 2015, we extended our activity by creating a sector team to cover the food and agriculture sector. We also finance the export of capital goods and offer services to clients with long-term financing supported by export credit agencies. Our global team provides over 1,000 clients worldwide with highly competitive products. We are recognised

Sustainable transitions

We support clients to develop more sustainable business models. And we apply strict social, ethical and environmental criteria in our own financing and investment policies and practices. In 2015 we financed EUR 23.8 billion in sustainable transitions for our clients. At ING, we're always looking for the next step ahead.

worldwide as one of the top three banks in commodity finance by relationship penetration.

Trade & Forfaiting Review

- *Best Trade Bank in Metals and Mining (gold)*
- *Best Bank in Structured Commodity Trade Finance (silver)*

Both asset and income growth were positive in 2015, but the decrease in commodity prices slowed ITEF's asset growth. However, volumes grew, and this is expected to continue thanks to a number of new business initiatives. ITEF business units have also worked closely with Financial Markets to offer joint solutions to our customers. Despite the challenging market circumstances, the segment continues to show very healthy results.

The Specialised Finance Group (SFG) coordinates global teams that primarily arrange, underwrite and lend against business cash flows. They are active in sectors such as telecommunications, media and technology, and healthcare, and provide specialised support for the insurance industry. The business has a good presence in providing bank lending in the US mid-market. In 2015, SFG continued its growth path in terms of assets and income, while maintaining profitability at high levels.

AB InBev

In November 2015 Anheuser-Busch InBev (AB InBev) reached an agreement on the terms of a recommended acquisition of SABMiller. AB InBev is the leading global brewer and one of the world's top five consumer products companies. The proposed transaction will be financed by a record-breaking USD 75 billion syndicated loan. ING acted as a joint bookrunner and mandated lead arranger and provided USD 4 billion of the syndicated loan. The transaction will strengthen AB InBev's position in key emerging regions with strong growth prospects in Asia, Central and South America, and Africa.

Real Estate Finance

Real Estate Finance (REF) primarily lends to investors in income-producing real estate backed by first mortgages. In 2015, REF benefited from a continued recovery in the markets, with increased income, profitability and asset growth. In the Europe, Middle East and Africa region, we are a leading bookrunner in syndicated real estate finance loans.

Sustainable impact

In 2015, each sector in Industry Lending prepared a detailed strategy that aims to increase the proportion of lending to more sustainable projects. This sector approach also gave rise to initiatives such as the app created by the Dutch Real Estate Finance business together with an energy advisory company, which helps clients benchmark the environmental performance of ING-financed buildings. The app shows how clients can save money by taking specific measures to improve the environmental footprint of their building. Real estate is one of the sectors where such improvements can have a large impact on lowering CO_2 emissions. At year-end, Sustainable Real Estate Finance totalled EUR 998 million, up 157% compared with 2014.

General Lending and Transaction Services

General Lending

Many of our relationships with corporate clients are anchored through our General Lending capabilities. The challenge in this area is maintaining margins and volumes within our established risk appetite while competition intensifies. This is particularly true in markets where large domestic competitor banks are actively protecting their core franchises. Margins were under continued pressure in 2015 as a result of excess liquidity in loan markets, especially with regard to our corporate clients. Nevertheless, ING holds a position as market leader in the Benelux, number one bookrunner in the syndicated loan market in Central and Eastern Europe and a top-10 position in the overall European syndicated loan market.

Dufry

ING played a prominent role in Dufry's EUR 3.6 billion acquisition of World Duty Free, one of the world's leading airport retailers. ING was appointed as underwriter, bookrunner, MLA and agent in the financing package and also active bookrunner of the DCM takeout, based on our longstanding and trusting relationship with Dufry. In addition, ING was mandated as Financial Advisor in the issuance of a Fairness Opinion for Dufry's Board of Directors with respect to the acquisition. Following a number of acquisitions over the past 10 years, this deal helps Dufry to form an industry-leading business that will control almost a quarter of the world's airport retail market.

Transaction Services

Transaction Services is made up of Payments & Cash Management, Trade Finance Services, Working Capital Solutions and Bank Mendes Gans. We seek to support our clients' core processes and daily financial operations through tailor-made, integrated solutions and advice. These activities require a strong focus on operational processing. We are developing our business platforms by deploying new technologies and through increased standardisation across borders, products and services.

Treasury Management International

- *Best Bank CEE for Payments & Collections*
- *Best Bank Europe for Financial Supply Chain Management*
- *Global Bank of the Year for Financial Supply Chain Management*

Trade Finance Services (TFS) finances, settles and mitigates risks of international trade for clients in all markets globally, but primarily in Asia, Central and Eastern Europe, Latin America, Africa and the Middle East.

Working Capital Solutions (WCS) combines ING's Supply Chain Finance and Trade Receivables activities – it is a growth area for Wholesale Banking, offering substantial opportunities for our clients to achieve efficiency benefits. We believe the underlying short-term and capital-efficient nature of this asset class makes it an attractive area for us to expand our activities.

Bank Mendes Gans (BMG) is a specialist bank, providing global liquidity management services, including multi-currency, multi-bank cash-pooling and netting solutions, to multinational corporations.

Transaction Services (TS) income remained relatively stable in 2015, although financials were under pressure following a strong performance in the previous year. Trade financing volumes decreased and income headwinds were expected due to pressure on margins, in particular from clients in China. WCS continued to grow and to focus on innovation and product development. Meanwhile in Payments & Cash Management (PCM), the roll-out of our common payments platform in Ireland was a major milestone. We expect our investments and efforts to capture flow business to help us improve our position in the market. And the exit of a major global competitor from TS services in Europe offers a unique opportunity to accelerate this growth ambition.

Cetin

ING played a leading role in the CZK 32.2 billion financing for CETIN, the largest Czech telecommunication infrastructure provider. CETIN was spun off from O2 Czech Republic, an integrated telecommunications operator (formerly Telefonica Czech Republic a.s.), in the first ever voluntary structural separation in the world of a telecommunications infrastructure by an incumbent.

Financial Markets

Financial Markets (FM) is a well-diversified business targeting developed markets and fast-growing economies, focusing on rates and currencies in addition to credit products. FM is a client-driven business franchise. It aims to service ING's institutional, corporate and retail clients with relevant financial markets products.

Through FM we also provide our clients with a gateway to global institutional markets. We offer a full range of services, across four main business lines: Emerging Markets, Developed Markets, Global Equity Products and Global Capital Markets. We provide clients with hedging solutions to mitigate financial risk, be that currency, interest rate, equity, commodity or credit risk. We also provide investment solutions to meet specific investment objectives, as well as financing solutions through clients' public or private debt or equity issuance.

In 2015, FM began implementing the initiatives embedded in its new strategic plan. This will influence all three drivers of return on equity: revenue, cost and capital deployed. Implementation of the plan is expected to continue into 2016 and beyond. FM also continued to invest to satisfy the evolving EMIR (European Markets and Infrastructure Regulation) and MiFID2 (Markets in Financial Instruments Directive) requirements impacting the European derivative trading markets.

In support of Wholesale Banking's sustainable offerings, ING's FM issued a dual tranche EUR 500 million and USD 800 million green bond in 2015. The proceeds will be used to (re)finance existing loans to sustainable projects, with at least 20 percent of proceeds going to fund new projects. We also acted as joint bookrunner and arranger on a EUR 1 billion dual-tranche green bond issue by TenneT, a European electricity transmission system operator.

ING green bond

ING issued a dual tranche five-year EUR 500 million and three-year USD 800 million green bond. This is ING's first-ever green bond transaction. The money raised will go to projects in six categories eligible under ING's newly established green bond framework, including renewable energy, green buildings, public transport, waste, water and energy efficiency. We have chosen a broad selection of sectors, which reflects our ambition to support sustainability across all industries and sectors.

Real Estate & Other

Real Estate & Other (RE&O) focuses on a smooth divestment of the remaining real estate portfolio of the former Real Estate Development and Real Estate Investment Management operations. RE&O also includes General Lease activities outside the Benelux and Poland which have been discontinued. RE&O continued to successfully complete the divestments of various large real estate exposures, for example in the US and the Netherlands. With this further reduction, the divestment plan is nearly completed. For this reason, the remaining activities of RE&O will be transferred to ING Corporate Investments as per 2016.

Key challenges and dilemmas

The business, market and regulatory environment in which we operated remained challenging in 2015, with several interrelated themes: the declining oil price, monetary policy measures in the US and the eurozone, and concerns over China's economy.

Business, market and regulatory environment

Oil prices continued their downward trend in the second half of 2015 and early 2016. At the end of 2015, ING's lending credit outstandings to the broader oil and gas industry amounted to EUR 29 billion. The portfolio is well diversified and in general we structure transactions such that we do not face direct oil/gas price risk. Around 85 percent of our lending credit outstandings is not directly exposed to oil price risk. The remaining 15 percent, which includes reserve-based lending and offshore drilling companies, is exposed to oil price risk to some degree. Although there are many mitigants in place, the oil price risk in these segments has somewhat increased. If oil prices were to stay at around USD 30 per barrel or below and remain there for an extended period of time, risk costs may increase.

The ongoing low-interest rate environment continued to put pressure on margins. One of the ways we are responding to this is by emphasising growth in fee-generating flow capabilities, such as in Transaction Services.

In the US the economy continued to grow at a decent pace in 2015, while the eurozone recovery remained relatively weak. Lower interest rates in Europe helped shore up credit demand, and lending to businesses gradually picked up. The ECB embarked on quantitative easing early in the year, sending eurozone bond yields to unprecedented lows and putting pressure on the value of the euro against the dollar.

Cheniere Corpus Christi Holdings

ING acted as a joint lead arranger and bookrunner in the successful closing of one of the largest project finance transactions in the US: the USD 11.5 billion financing of Cheniere's Corpus Christi Gas Liquefaction Project. The project covers the development, construction and operation of the first large-scale greenfield liquefied natural gas export terminal in the United States. In addition to project financing, we helped the client to hedge their interest rate exposure prior to financial close of the transaction. This allowed them to benefit from the low interest rate environment at that time.

Regulatory changes and new capital rules continue to increase the capital required to support trading businesses and continue to dilute return on capital. As mentioned earlier, FM's new strategy aims to reposition the business to help ensure we achieve target levels of return.

Country portfolios

In China, turmoil on the stock markets and worldwide concerns about the sustainability of its economic growth did not lead to a sharp downturn, thanks in part to government stimulus. The quality of our portfolio in China is strong. This is because the majority of our exposure is short-term trade and commodity finance and the rest is to major state-owned companies, top-end corporates and financial institutions. Our exposure is relatively short-term with 70 percent maturing in less than a year.

Geopolitical unrest in Ukraine continued to strain relations between Russia, Europe and the US. The Ukraine lending portfolio continued to be under pressure, but was manageable. The quality of our Russian portfolio remained strong, with the non-performing loans ratio stable at 3 percent.

Non-financial dilemmas

In addition to the more traditional financial sector regulation, regulators are starting to show an interest in sustainability-based financial risk. One example is the potential financial risks of climate change regulation. Prior to the 2015 Paris Climate Change Conference, we committed to continue to reduce our global credit exposure to thermal coal-related businesses.

Finally, while we are committed to financing sustainable transactions, it remains challenging to strike a balance between supporting innovative technologies which are often in a start-up phase and lending our depositors' money wisely with acceptable levels of risk. New business models that aim to foster the circular economy are also challenging because they require completely new approaches to risk that need to be further developed. We are taking a prudent approach. We engage responsibly with these types of clients to understand new technologies and align with market developments, as well as help them make their business propositions more bankable.

Read more in the "Market and regulatory context" chapter.

Ajman Sewerage

Ajman Sewerage (Private) Company Limited (ASPCL) is a wastewater management company in the United Arab Emirates. ING acted as sole adviser and arranger in 2006 on a USD 100 million debt facility to fund the construction of the required infrastructure. Continued population growth has driven the need to expand the capacity of the waste-water treatment plant and sewer network. Following the end of the loan guarantee, ING assumed the role of controlling creditor in 2015 and structured an additional capex loan facility of USD 25 million to fund the required increase in capacity of the waste-water treatment infrastructure.

Financial results

Wholesale Banking posted a good set of results on the back of continued strong Industry Lending performance, good volume growth and improved Financial Markets results. The latter was supported by positive credit and debt valuation adjustments (CVA/DVA), which added EUR 181 million to the pre-tax result in 2015 compared with EUR -216 million in 2014. The underlying result before tax was EUR 2,560 million, up 28.9% from 2014. Excluding CVA/DVA impacts, the increase was 8.0%.

Industry Lending posted an underlying result before tax of EUR 1,464 million, up 11.0% compared with 2014. This increase was mainly caused by higher income in Structured Finance and Real Estate Finance due to strong volume growth, partly offset by a EUR 92 million impairment on an equity stake. The underlying result before tax from General Lending & Transaction Services declined 8.3% to EUR 467 million, due to higher expenses and risk costs, while income growth was limited due to some pressure on margins. Financial Markets recorded an underlying result before tax of EUR 483 million, up from EUR 133 million in 2014, mainly reflecting the aforementioned positive swing in CVA/DVA impacts. The underlying result of Bank Treasury, Real Estate & Other was EUR 146 million compared with EUR 25 million in 2014. The increase was mainly attributable to higher Bank Treasury income, while the results in the run-off businesses increased due to improved sales results in Real Estate Development and lower risk costs in Leasing.

Underlying income rose 14.6% on 2014, mainly in Financial Markets and Industry Lending. The net production of customer lending (excluding Bank Treasury and currency impacts) was EUR 11.6 billion in 2015. Wholesale Banking grew the net core lending book, also adjusted for the Lease run-off, by EUR 13.0 billion in 2015, due to strong growth in Structured Finance and – to a lesser extent – Real Estate Finance and Transaction Services. Customer deposits (excluding currency impacts and Bank Treasury) remained flat compared with a year ago. Operating expenses increased 6.8% to EUR 2,571 million, mainly due to higher FTEs to support business growth, increased regulatory expenses and positive currency impacts. The previously announced restructuring programmes are on track to realise EUR 340 million of annual cost savings by 2017; of this amount EUR 260 million of cost savings had been realised so far.

Risk costs declined to EUR 478 million, or 33 basis points of average risk-weighted assets (RWA), from EUR 500 million, or 37 basis points, in 2014. Lower risk costs were mainly visible in Real Estate Finance and the lease run-off business, while risk costs in Structured Finance and General Lending were up in absolute terms, but declined as a percentage of average RWA.

Conclusion

In 2015, we proved again to be a consistently profitable wholesale bank. We continued to show solid results on the back of a consistent strategy and client-focused franchise. We believe that our economic return sets us apart from many competitors and demonstrates the strength of our business model and strategic direction.

We have brought our strategic priorities a step ahead. We have made good progress in driving structural change and improving the client experience. With our InsideBusiness, for example, we aim to give clients clear and easy access to banking anytime, anywhere and deliver a seamless client experience. As our service model gets more usable and predictable across our network, our clients are better able to bank more easily with us across borders.

ING's approach and performance in sustainability were recognised by leading research firms and rating agencies.

Many challenges remain, but we can be proud of our achievements in 2015.

People

Employees play a key role in delivering on our purpose and Customer Promise. We believe in empowering employees to develop themselves and the competencies they need to succeed. In 2015, ING took steps to strengthen its performance culture, an important enabler of our strategy. Central to this was the introduction of the Orange Code – our ING set of values and behaviours.

Developing a performance culture

Achieving our purpose to empower customers to stay a step ahead in life and in business requires a strong culture to support it. In 2015, ING introduced the Orange Code. Inspired by the aim to put "integrity, above all", the code is a manifesto that sets out who we are, how we work and helps to strengthen our relationship of trust with our customers.

The Orange Code comprises:
Values that set the standard – the non-negotiable promises we make to the world and the principles we stick to no matter what.

- We are honest
- We are responsible
- We are prudent

ING Behaviours - the commitments we make to each other and the standards by which we will measure each other's performance.

- You take it on and make it happen
- You help others to be successful
- You are a step ahead

Top Employer awards

ING's attractiveness as an employer was widely recognised in 2015. Top Employer certification was given to ING's businesses in Belgium, France, Italy and Poland. The Top Employers Institute assesses employment policies on the criteria talent development, development and training, remuneration and benefits, diversity management, leadership development and corporate culture. For Belgium this was the 10th time they have received the recognition and for Poland the sixth time. In addition, ING Germany ranked third on Germany's Great Place to Work list of 100 top companies and Luxembourg and Austria were also recognised.

The Orange Code provides a framework for a common corporate culture uniting all our employees around the world. In a survey in mid-2015, 75 percent of employees said they were aware of the code and 71 percent said it was helpful to reach organisational goals. Local and global programmes to further embed the Orange Code in ING's work culture are ongoing. From 1 January 2016 it was included in the performance management of all employees globally.

Effective performance management is key to enabling employees to develop their full potential and to creating the company culture and skills we need to deliver on our strategy. In 2015, 97 percent of our employees engaged in performance management.

Supporting agile and flexible working

We aim to set up our teams so that we are best positioned to service clients in each of the markets that we operate in. ING Bank Netherlands recently transitioned to a new, agile way of working based on flexible teams that makes it possible to respond much more quickly to customer feedback and translate it into improvements in the customer experience. HR supported this with a new hiring process based on agile methodology. We set up hiring teams to select employees for the new organisation. They assessed 600 applicants in eight days. We also organised a large onboarding event in the Amsterdam Arena stadium for all 2,500 employees working in the new organisation. Inspiration, flexible working arrangements and the Orange Code values and behaviours were central to the programme.

To accelerate the development of a culture that is a true business enabler we are rolling out a new performance management approach. This will include informal performance conversations between manager and employee in addition to periodic performance review moments. This approach is based on the principle that continuous informal dialogues increase the effectiveness of the performance management process.

As part of this new approach we aim to strengthen managers' performance management skills so they are better equipped to carry out this core capability. The new approach comes into effect for senior leaders in 2016 and is planned be rolled out to all ING employees globally from 2017.

Our culture was furthered strengthened when 96 percent of employees in the Netherlands took the Banker's Oath in 2015. The Oath is a set of principles that reconfirms the industry's commitment to ethical behaviour and includes a disciplinary sanction mechanism for Netherlands-based employees. Oath taking has been a requirement for members of the Executive and Supervisory Boards in the Netherlands since 1 January 2013.

More information on the implementation of the Dutch Banking Code at ING can be found on www.ing.com/15ar8

HR Intelligence and Human Capital ROI

In order to support business performance and the wellbeing of our employees, we are developing our advanced analytics and HR intelligence capabilities. Advanced analytic techniques are helping us gain more value from our employee and workforce data. Our goal

Agile way of working

ING Bank Netherlands has switched to an agile way of working. A system with flexible teams that can respond more quickly to feedback from customers and so further improve the customer experience. At ING, we're always looking for the next step ahead.

is to make sure we really understand what matters most to our employees and how we can make a genuine difference in our human capital investments.

We are getting new insights on strategic priorities, trends and risks in our leadership and succession pipeline, the reasons for gender imbalance throughout our management pipeline, the efficiency of reward instruments and the right segments for an employee value proposition. With more fact-based insights at hand, we aim to make better human capital decisions, benefitting both employees and customers.

It is increasingly important for us as an organisation to measure and report on our human capital investments to ensure we are doing the right things to support our employees' performance. The Human Capital Return on Investment (HC ROI) indicator measures ING's profitability in relation to total employee costs by removing non-employee costs from overall operating costs. The indicator is a ratio of profitability divided by employee costs. This indicator helps us identify the influence of HR inputs, such as performance management, training and development, automation and organisational structures, on the organisation's productivity. The 2015, HC ROI Indicator was 2.48, up from 2.30 in 2014.

Attracting, retaining and motivating our employees

We take a long-term view when it comes to developing and improving the skills of our employees. This includes looking at our future requirements in terms of skills and resources based on trends in the market.

We are committed to a positive employee experience for our staff from the moment they apply to work at ING until the moment they leave. We aim to equip employees to make the most of their talents so they can make a valuable contribution inside or outside of ING.

The labour market has become a global marketplace. With recruitment challenges in specific areas of expertise, we need to be able to tap cross-border markets to locate talent. We are now developing a global Employer Value Proposition to attract and hire the right employees. This will be implemented in 2016.

Job rotation, international assignments and job swaps help us to optimise our talent management strategy and provide opportunities for staff to grow by being exposed to new challenges in different parts of our organisation.

Employees are encouraged to apply for any position or training that fits their skill and experience profile. We make all opportunities available via our internal job site, giving qualified internal employees preference over external candidates.

Changing organisational requirements will require periodic restructuring in our activities. This may result in changing roles or FTE reductions. This was the case in the Netherlands in 2015. We are fully committed to helping each of these employees find new roles and/or supporting them in learning new skills to better equip them for their next role, whether that be inside or outside ING. The ING Mobility Centre provides resources and guidance to employees that are made redundant.

Employability

The focus on sustainable employability continued in 2015. We organised several Steer your Career activities in the Netherlands, including a very successful campaign to create awareness for personal development. For those employees who unfortunately lost their jobs, the ING Mobility Centre created a range of activities, not only to prepare them to find new jobs, but also to deal with the emotional aspects of losing a job and helping them to find new energy in their personal lives. Employees who were made redundant highly appreciated the service and guidance of the Mobility Centre, rating it with an average score of 8 out of 10.

Development and training

We need our people to have the right skills so we can deliver on our business strategy, offer top-class customer service and make it possible for them to develop their full potential. We encourage employees to take the lead in their own personal and career development. We allocate a budget for employees for training, professional development and personal development. In 2015, we invested EUR 68 million in learning and development.

Globally, much of this training is offered through our online ING Learning Centre. Here we offer a variety of educational and business reading, inspirational videos and e-learning courses that are available for all. This includes our Promoting Integrity online training for all employees which is designed to strengthen our internal control environment. More than 65 percent of learning is now carried out via online channels such as e-learning. Online learning includes a global e-learning programme that supports our local onboarding programmes in welcoming new employees to our company, and introducing them to our strategy and way of working.

Developing our leaders

Creating stronger leaders and better managers is core to our HR strategy. We need effective leaders to engage our employees and empower them to deliver on our promises to customers. We manage the performance of senior managers centrally, ensuring that all performance management activities are fully coordinated and executed to the highest standards.

Development is an important part of this. In 2015, ING launched a new banking training platform for senior leaders, the Think Forward Simulation. The training simulates operations at a bank that is fully aligned with the priorities of our Think Forward strategy.

New leadership training

Additionally, a new leadership curriculum is currently under development. Its goal is to strengthen the overall adaptability of the organisation from the perspective of leadership, innovation and external orientation.

The programme seeks to build on participants' existing strengths. Using experiential learning we are bringing together leaders from different parts of our business to build new connections, share experiences, learn from each other and nurture broader external visions on our business.

Think Forward Simulation

ING's new Think Forward Simulation banking training for senior leaders is a bank simulation fully aligned with the priorities of our Think Forward strategy. The objective is to strengthen alignment, develop the mindset and capabilities needed to implement the Think Forward strategy and promote the application of the Orange Code.

The three-day journey with pre- and post-activities provides leaders with a holistic view of the bank. Topics include an in-depth look at our strategy, key value drivers for both Retail and Wholesale Banking, how collaboration across functions and business units drives performance, and living the values and behaviours of the Orange Code.

The target group is mainly the management layer reporting directly to the Management Board Banking and the two levels under that, with some senior talents also included. While the programme is aimed at this entire group, those who have not attended a senior banking programme before have priority. Around 380 delegates from 23 countries attended the training in 2015.

We recognise that being "fit to lead" Is about more than expertise and experience. The programme takes a holistic approach to developing leadership. It targets specific proficiencies, but it also encourages and equips participants to reflect on and develop their mental, spiritual and physical wellbeing.

Managing talent

To secure the development of our senior leaders and the continuity of key roles, ING runs an Annual Talent Review (ATR) process. The ATR process aims to ensure a healthy leadership pipeline with successors for key positions (Executive Board/Management Board Banking and the two hierarchical levels below). It introduces more consistency into our approach to career management for senior leaders. We track actions taken following the previous year's ATR and employ advanced data analytics to look strategically at the strengths and risk factors in our leadership pipeline. ATR is helping us to make objective, well-informed decisions on talent development and succession.

Our ING International Talent Programme (IITP) is designed to ensure we have the right talent in the right place to help meet ING's future leadership needs. The programme selects and develops ambitious, international top-graduates with high growth potential.

The IITP is made up of five tracks: Wholesale Banking, Retail Banking, Finance, Risk and IT and is primarily delivered by ING's own staff. In 2015, the IITP comprised 39% female and 61% male trainees, divided into 25% retail, 43% Wholesale Banking and 32% support function trainees. Since 2008 the programme has attracted a total of 863 trainees. It is our intention for 50 percent of IITP trainees to be female by 2016.

Compensation

The primary objective of our remuneration policy is to retain and recruit highly qualified employees and bring new talent into the organisation. In determining compensation, we consider scope of responsibilities, complexity, alignment of risk and rewards, legislation and the long-term objectives of the company. Besides remuneration, employees frequently cite culture, development opportunities and other benefits as factors influencing their decision to join or remain with ING.

Employee engagement

There is a direct link between employee engagement and business performance and our ability to service our customers. ING regularly measures employee engagement and is committed to taking the actions identified to improve engagement. Our Winning Performance Culture (WPC) survey focuses on employee engagement, looking at how engaged, enabled and energised our employees feel. We conducted a WPC in 2014 and the next survey will take place in 2016. Our target for this survey is a sustainable engagement score of 70 percent.

During 2015 we conducted an Organisational Health Index (OHI) survey. This assesses the ability of our organisation to adapt and renew itself to be successful in the long run. We asked all employees to answer questions about our company, our customers and their role. Over 29,400 responded, highlighting the importance for employees of their voices being heard.

The results reveal that ING has a solid organisational health when comparing our overall score in a global database of external companies. This score can be used to help predict an organisation's future performance.

Work-life balance

ING is an ambitious company. That can bring challenges for our employees as they seek to combine their personal and professional commitments. We encourage a positive work-life balance. We believe it helps employees to stay engaged and enhances performance. ING's business units have implemented a range of initiatives to support employee wellbeing and flexible working, including the Energy at ING programme in the Netherlands and FlexING in Turkey.

FlexING

ING Turkey's new flexible working programme, FlexING, is the first of its kind in the Turkish financial sector. All employees can make flexible arrangements for their working lives, including hours and their place of work. FlexING allows for new working arrangements in four areas: time, place, career and benefits. We believe flexible working methods will increase productivity, improve work/life balance, prevent business disruption and reduce costs.

Where countries have weaker labour laws we abide by our own human rights policy, developed in accordance with the International Labour Organisation convention, to protect working conditions.

As part of our focus on a healthy work-life balance, we also encourage our employees to contribute to positive change in society and the communities where they live. A wide of range of local programmes give employees opportunities to contribute their time or to make a financial contribution to worthy causes such as UNICEF.

Diversity and inclusion

Having a workforce that reflects the diversity of our customer base and a culture and working environment in which a diverse workforce can feel comfortable being themselves are important priorities for ING. There is a demonstrable link between more diverse leadership and better financial performance. More diverse companies are more successful in attracting and retaining talent, relate to customers more effectively, have higher employee engagement and are better at decision-making.

ING Germany: Chances Through Apprenticeship

This programme promotes diversity, self-determination and inclusion. It consists of four apprenticeship models targeting individuals who face difficulties when searching for a job and may therefore need assistance and support. This includes:

- *Apprenticeship 50+ offers new opportunities to people over 50 years old. It includes a fast-track apprenticeship to become a bank assistant.*
- *An apprenticeship for parents with young children to prepare them for part-time roles, particularly in the area of business communication.*
- *An apprenticeship for socially disadvantaged teenagers provides special development support so they can pursue careers in office management.*
- *An apprenticeship for people with disabilities. This provides tailored support as well as training to help them become bankers or qualified IT specialists.*

At ING, we aim to accelerate the development of diversity, including in areas such as social origin, gender, age, background, sexual orientation, physical ability and religious beliefs. In particular, we aim to achieve an increase in the number of women in leadership positions.

However, as with many financial organisations, achieving this is challenging. Of our managers of managers, 29% were women at end-2015. We are doing well in some countries, but in key markets, such as the Benelux, we need to do more to make the gender balance more representative.

Our top leaders fully support this objective. They have introduced a range of initiatives to help increase the number of women in leadership roles. These include diverse interview and decision panels in the recruitment process, inclusion of female candidates on succession lists, and tracking and analysing the number of female appointments, promotions and leavers to gain more insight into problems and potential solutions. We also promote the mentoring of female future leaders and actively support flexible working.

To keep diversity high on the agenda, early in 2016 we published a Diversity Manifesto (see www.ing.com). This sets out clear standards and ensures all managers understand what we expect and require of them.

We have a number of ING internal networks in place that foster diversity. These include:

- **Crossing** – a network focused on cultural diversity
- **Lioness** – a community of ING women who want to realise their personal ambitions.
- **Gala** – a community focusing on an inclusive workplace where LGBT employees are visible, accepted and valued.
- **Ring** – a community focusing on creating networking opportunities for young employees. Membership is open to employees up to 35 years of age.
- **Experience** – a community for senior ING employees.

Collective bargaining and employee consultation

We consider human rights as fundamental and universal for our workforce. We uphold the rights proclaimed in the Universal Declaration of Human Rights and aim to respect human rights in all our global operations.

We uphold freedom of association for all our employees and recognise the right to collective bargaining as laid down by International Labour Organisation convention Nos. 87 and 98. We aim to judge our employees only on their merit and skills and it is our policy not to discriminate in areas including social origin, gender, age, background, sexual orientation, physical ability and religious beliefs.

We always aim to treat employees with respect and communicate with them fairly and transparently. How we consult employees depends on local legislation and culture. In some countries, employee consultation is a legal requirement. In many European countries, employee consultation is arranged via works councils. At Group level, we aim to encourage local employee participation in countries where employee consultation is not already formally established.

Operational excellence and innovation

Operational Excellence throughout ING is necessary to consistently deliver on our Customer Promise in an efficient way. Similarly, we need to continuously innovate to deliver a differentiating experience that meets our customers' evolving needs and expectations.

Excellent service delivery

Staying true to our Customer Promise and delivering a differentiating customer experience requires that we are operationally excellent. We aim to be a next-generation digital bank by focusing on availability (anytime and anywhere), consistency and quality. Our approach to operational excellence encompasses processes, information technology, bank-wide data management and standardised systems and platforms, all underpinned by a collaborative performance culture. In 2015, we introduced the Operational Dashboard to provide a detailed view on how our processes are impacting the end-to-end customer journey. This dashboard allows us to consistently measure our progress in living up to the different elements of our Customer Promise and contributes to building a culture of continuous improvement.

Excellent delivery requires our services to be available to customers when and where they need them. In past years we have been addressing our system reliability issues in the Benelux, which have been mainly due to aging and complex legacy IT systems. To find a permanent solution, we launched the Focused Reliability Initiative at the beginning of 2015. Sixty operational development teams are working exclusively on improving the bank's systems reliability, with the goal of ensuring that ING's online payment services in the Netherlands and Belgium are always available, whenever and wherever our customers need them. Six months after launch, system reliability had improved to 99.6 percent from a low of 99.3 percent in the previous year. The 2015 data gathering process was slightly changed compared to 2014 and included measurement of an additional channel.

Standardising to win

The lack of standardisation across ING is hampering our efforts to achieve our strategic goals. Increased standardisation will allow us to adapt more quickly to the changing needs of our customers. Standardised systems, processes and IT architectures promote collaboration and co-creation, prevent "re-invention of the wheel" and support an increased pace of innovation through common programming interfaces and working methods. Increased standardisation will also allow us to more easily build scale and structurally lower our cost base. Our Wholesale Banking Target Operating Model transformation programme is bringing the benefits of standardisation to our corporate clients, but to make the necessary changes bank-wide we have prioritised the areas of cloud computing, a common API and data infrastructure. We are selecting specific process improvements and IT projects in these areas to focus on and execute flawlessly, thereby strengthening the case for further standardisation in the future.

We are also in the process of setting up a completely new infrastructure organisation ("Bank Infra"), which will, over time, provide standardised global infrastructure services to all ING business units. The Bank Infra organisation will function as a broker, offering the best and most modern infrastructure services, scalable on-demand, through carefully selected partners. Bank Infra will initially provide global data centre, cloud, security and workplace services. Build and engineering activities, as well as Operations, will be split and managed outside of the Netherlands.

Data privacy and security

Customers expect us to know their needs and preferences through the contacts we have and the data they provide us with. They trust us to store their data with the utmost care and safety. This trust is at the core of our relationship with our customers. We therefore comply not just with legal and regulatory requirements for data privacy but also take customers' wishes into consideration. We strive to be transparent about what we do with the personal data of customers, suppliers and business partners, and only to process personal data for specific business purposes. Our approach can be summarised as: the right people use the right data for the right purpose. If we would like to use a customer's data to provide personalised services and offers to them, we will always seek their consent. In such cases, the customer can withdraw their consent at any time.

ING is continuously investing in its security organisation and systems in order to protect the data of customers. Global Data Protection Policies (GDPPs), which qualify as Binding Corporate Rules, have been adopted by all business units. In each business unit, a data protection executive (DPE) is responsible for maintaining GDPP compliance. Local data protection officers (DPOs) provide practical and technical support. We take a holistic approach to counter the complex and constant threat of cybercrime by combining prevention with detection and rapid response. Our CyberCrime Resilience Programme, implemented in 2014, has increased our resilience against e-fraud, advanced persistent threats and distributed denial-of-service (DDoS) attacks. The advanced analytics capabilities that we are developing to better understand and service customers also play a key role in combatting criminal activity. Pattern recognition and advanced algorithms help in predicting and detecting, and therefore preventing, fraudulent activity.

Managing our and our customers' data

Data is essential for enhancing the customer experience and providing accurate internal and external reporting (for example, to regulators and other authorities).

Good management of data helps to lower costs and improve the way we manage credit, market and operational risk. As a bank, we collect and store vast amounts of data: customer profiles, ATM and payment transactions, interest accruals, customer complaints, systems availability data and much more. To add value to this data, it has to be sorted, harmonised, measured for quality and given context. During the first half of 2015, subject matter experts from ten business units, Wholesale Banking, Finance, Risk and HR worked together to develop a data management strategy to govern and manage data consistently across the bank. We have appointed a Chief Data Management Officer to oversee the implementation of global data management throughout the bank, in close collaboration with the local data officers, our IT organisation and our process improvement initiatives.

Data is an essential part of successfully enhancing the customer experience and providing accurate internal and external reporting (e.g. to regulators). Good management of data also helps lower costs and improves the way we manage credit, market and operational risk.

Accelerating the pace of innovation

Innovation at ING is focused on bringing better solutions to customers faster. It is about sourcing fresh ideas that improve the customer experience, selecting the best ones and then successfully implementing those ideas in new products and services. We do not innovate for the sake of it, nor for what we call "gadgetry", but instead focus all innovation efforts on customers and our Customer Promise.

Implementing our ideas

We source innovative ideas directly from our employees through regular "Innovation Bootcamps" and hackathons. In 2015, 3,000 ideas were submitted by engaged employees, with seed funding provided to the best ideas that emerged from a rigorous selection process. Winning ideas from the Innovation Bootcamp that concluded in late 2014 included Orange Assistant, a service that automates day-to-day banking based on customer-set rules and triggers, and Direct Lease, an online leasing platform for small and medium-sized enterprises. These are now available to customers in Turkey and the Netherlands respectively.

We also have an Innovation Fund in place that provides implementation funding for concepts developed in ING's various business units. Locally-developed innovations that can be shared and replicated in other countries are prioritised. To date, the fund has financed 12 implementation projects. These include innovative payment solutions that combine transactional capabilities with value-added services for shoppers in the pre- and post-purchase phases of their shopping experience. And it is not only financial support that is provided to these implementation projects: a centralised customer experience centre facilitates low-cost experimentation and manages key innovation projects on behalf of the business units.

Bringing in the best from outside

The emergence of financial technology (fintech) companies is seen by many as a disruptive competitive threat, but it also represents an opportunity. Fintechs often target the areas of financial services that are not subject to the same regulatory requirements and restrictions as full-service banks. Their agility and ability to move faster in developing new solutions that improve the customer experience is a source of inspiration for ING. Conversely, many fintechs do not have our strong and trusted brand, our large international customer base, our local market expertise nor our extensive cross-border distribution network. By partnering with selected fintechs, we can learn from each other, leverage each other's strengths, and bring new customer-centric solutions to market much faster than we could do on our own.

We have appointed a Head of Fintech to develop our approach towards these innovative financial technology companies, exploring possible partnerships, investments and acquisitions. In Belgium we are already doing a lot in this area (see box "Partnering for success in Belgium"), and in the Netherlands we support Startup Bootcamp and StartupDelta, a Dutch government initiative aimed at increasing the number and quality of start-ups in the country. We have invested in Orange Growth Capital, a financial technology investment firm, and two promising platforms: US-based Kabbage and China-based WeLab, both of which specialise in instant lending. We have also set up the ING Innovation Studio, where we match internal teams with start-ups from around the world to accelerate the development of ideas into minimum viable products.

Partnering for success in Belgium

ING Belgium is leading the way in partnering with and investing in innovative financial technology companies and platforms. In February 2015 we partnered with SmartFin Capital, a EUR 75 million investment vehicle, to invest in groundbreaking technologies. In July we became the first bank in Belgium to launch an accelerator specifically dedicated to fintech with the ING Fintech Village, where we support and foster existing start-ups with the aim that they develop solutions which further enhance our customer experience, products and services. In September we purchased Qustomer, a loyalty platform where users can collect and redeem loyalty points from shops. We plan to combine Qustomer's platform with the innovative payment services we are developing to provide our customers with an integrated shopping experience. We are also contributing financial and business coaching support to iMinds, a digital research and entrepreneurial hub that connects researchers at Flemish universities to promising start-ups.

Qustomer

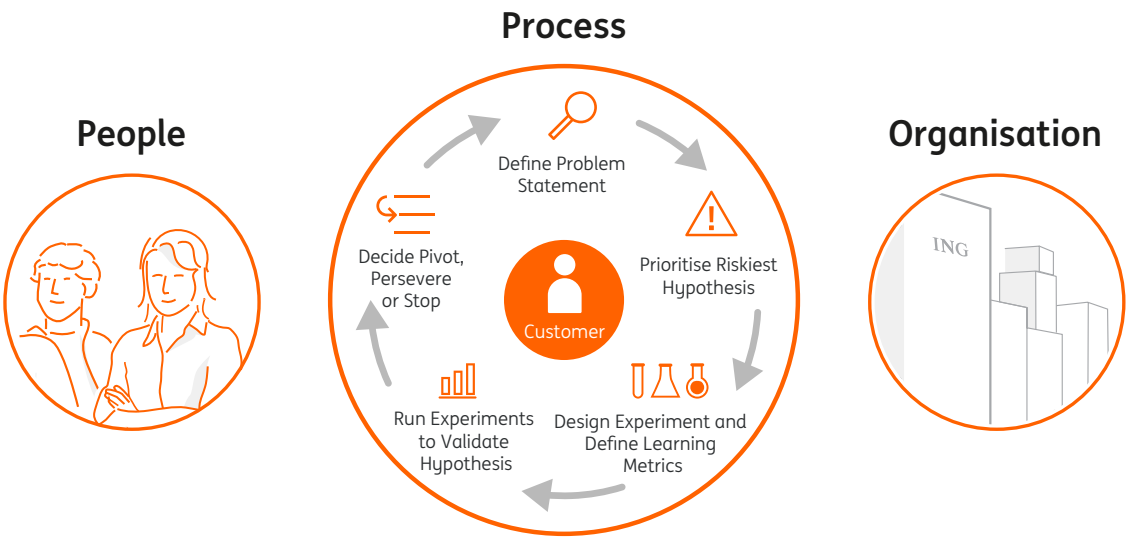
ING has acquired Qustomer, an innovative loyalty platform in Belgium. The aim is to combine Qustomer's features with ING's own innovations in the area of payments to create an integrated shopping experience. At ING, we're always looking for the next step ahead.

The ING way to innovate

We believe that innovation and entrepreneurship are part of ING's culture. Since the launch of ING's forerunner in the Netherlands more than 140 years ago, we have regularly pioneered new ways of making banking easier and more accessible. First via post offices, then by phone and later by personal computer, with ING Direct transforming the banking industry by being the first direct bank. We want to ensure that we retain and develop that innovative culture into the future. We are rolling out "PACE: the ING way to innovate", an innovation methodology based on concepts like design thinking and lean start-up. PACE aims to provide our people with a set of common processes, language and tools to encourage fast experimentation. The four phases of PACE – discover, problem fit, solution fit, market fit – take ideas and quickly turn them into new products and services for customers. In each phase we validate with customers to check that the new products and services meet their needs. We have also established dedicated innovation departments in several countries, including Spain and Belgium, and in our Wholesale Bank. And to ensure that innovative ideas and other best practices developed in one part of ING are shared throughout the bank, we have a structured knowledge-sharing approach in place called Orange Sharing.

What is PACE

PACE, ING's own innovation methodology, combines a set of common processes with the language and tools to encourage fast experimentation. Guiding principles and the right mindset support the PACE process.



Risk and capital management

Like all banks, ING is an organisation with both financial and non-financial objectives. Our risk and capital management frameworks and procedures are designed to help meet our strategic and financial objectives and to maintain financial stability for our customers, shareholders and other stakeholders. An integrated approach to these frameworks is key to meeting our strategic and financial objectives.

Identifying, monitoring and managing risks is at the heart of the risk management function. Strong and integrated risk management is essential for sustainable value creation in day-to-day business activities, as well as for longer-term strategic planning.

ING prioritises capital adequacy at all levels of the organisation. It is a key driver of sustainable value creation. Although the regulatory environment remains uncertain, we are confident that ING Group's strong capital base will allow us to deliver shareholder returns while investing in products and services that empower our customers to stay a step ahead.

In 2015, the divestment of our stake in Voya Financial Inc. further strengthened the capital base as did several transactions in NN Group shares, which resulted in the deconsolidation of NN Group as of the end of May 2015. These transactions not only improved ING Group's Common Equity Tier 1 ratio, they also converted the double leverage into a cash surplus. The reduction of our stake in NN Group also reduced ING's exposure to the insurance industry and corresponding insurance risks.

A comprehensive framework for risk management

Risk management is a vital business attribute. The key objective of risk management at ING is to make sure that all risks are managed in the best possible way for all stakeholders. Risk management is deeply embedded in our culture, people and behaviour.

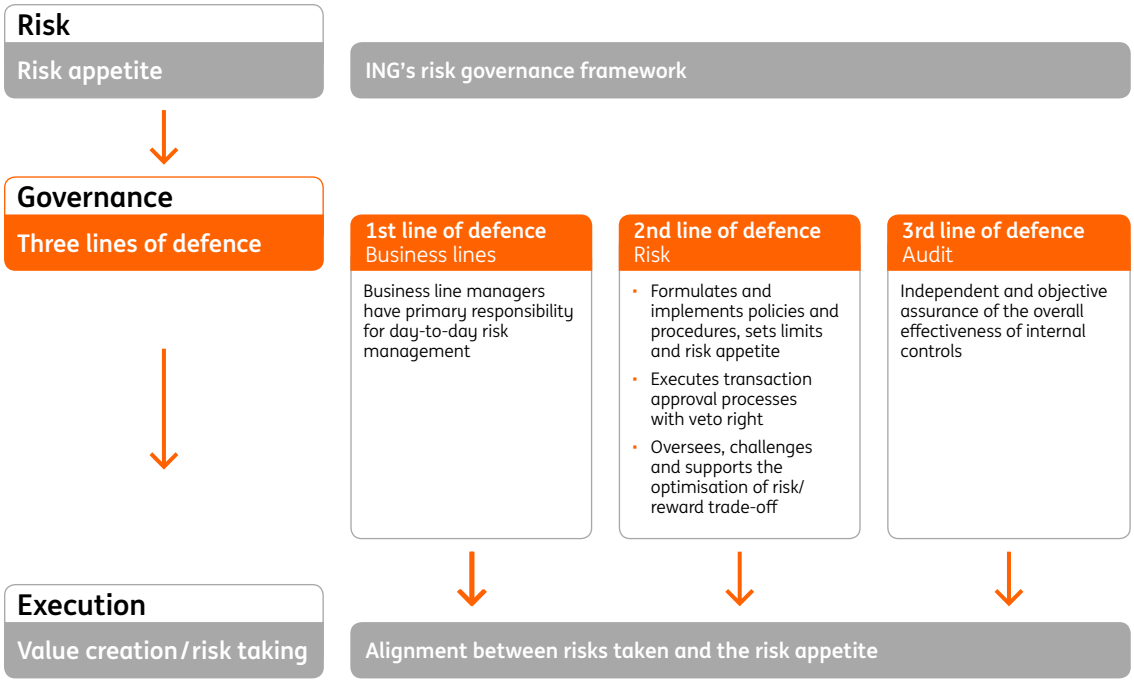
Thorough understanding of the relevant risks, our exposure to them and the effectiveness of our controls for mitigating those risks is essential for our success. We have built a strong risk culture, and our clearly defined risk appetite is supported by an effective risk governance framework. This endorses and enforces appropriate behaviours and enables the bank to operate in a safe and sound manner, with integrity and in compliance with applicable laws and regulations.

Three lines of defence

ING's governance framework establishes three lines of defence to manage risk effectively.

The commercial departments, which have primary responsibility for the day-to-day risk management, form the first line of defence. They originate loans, deposits and other products within applicable frameworks and limits. They know our customers well and are best placed to act in both the customers' and ING's best interest.

The risk departments act as the second line of defence. Their role is to ensure that risks are actively and appropriately managed. The Chief Risk Officer (CRO) coordinates risk management centrally to evaluate and manage exposure on a bank-wide basis. The CRO sits



on the Executive Board and the Management Board Banking, ensuring risk remains a continuing topic for the leadership team. The CRO steers a functional, independent risk organisation that supports commercial departments and acts where necessary to keep the risk profile within the defined risk appetite.

Corporate Audit is the bank's third line of defence. It provides an independent and objective assessment of the functional effectiveness of the first two lines.

For more information on the key risks, please refer to the section Risk profile of the risk management chapter, part of the consolidated annual accounts of this Annual Report.

Managing risks

Effective risk management continuously pursues the right balance between creating value and mitigating the potential impact of unexpected events. At ING we continually challenge our understanding, measurement and management of risk. We combine advanced technology and common sense to further strengthen our strategy while retaining the trust of our stakeholders. This is even more important in today's competitive environment.

Within ING's risk appetite framework, we monitor a range of risk metrics to minimise the impact of adverse markets and events on ING's capital and liquidity position. ING also conducts bank-wide and portfolio-specific stress tests to assess resilience in specific market conditions. Underlying assumptions and relevant metrics are regularly reviewed to ensure they stay relevant in a constantly changing environment.

For more information on the risk appetite and risk metrics, please refer to the section Risk Appetite Framework of the risk management chapter, part of the consolidated annual accounts of this Annual Report.

2015 developments

Despite some signs of recovery, the uncertainty in the macroeconomic environment persisted throughout 2015. Political and economic instability in Greece and slowing growth in the Chinese economy impacted markets worldwide and slowed down a recovery of the eurozone economy. At the same time, ING faced a persistent low interest rate environment that puts pressure on the net interest margin. The ongoing conflicts in the Middle East and Russia/Ukraine, as well as volatility in commodity prices further impacted the global macro-economic environment.

Against this backdrop, ING's balance sheet showed its resilience resulting from lending growth and active management of non-performing loans. ING Bank's non-performing loan ratio decreased to 2.5% at the end of 2015 from 3.0% at the end of 2014. ING Bank's provision coverage ratio amounted to 38.5% at the end of 2015, compared to 35.5% at year-end 2014.

After earlier improvement in the performance of our international loan books, 2015 saw the lagging Dutch economy begin to catch up, resulting in a further reduction of our overall NPL and risk cost. The performance of the Dutch mortgage lending book and Business Lending portfolio improved, particularly in terms of lower risk costs and lower non-performing loans. In Ukraine and Russia, ING Bank continues to actively manage exposures, while continuing to support clients with whom ING has longstanding relationships.

ING Bank continued to transform the debt securities portfolio into a liquidity book by investing in high-quality Liquidity Coverage Ratio (LCR)-eligible bonds as part of our strategy to optimise the balance sheet. We also maintained our liquidity position well above regulatory and internal targets. The funding profile improved in 2015, with EUR 25.1 billion growth in net customer deposits and EUR 19.4 billion long-term debt issuance. ING Bank's loan-to-deposit ratio, excluding securities that are recorded at amortised costs, remained stable at 1.04 compared to 2014 as the increase in customer deposits was completely offset by the growth in customer lending.

Managing non-financial risks

Non-financial risks can seriously impact the functioning of our different businesses and expose ING to significant reputational and financial damage. The issues differ for each business activity and require tailored approaches to counter them. ING, for example, monitors possible new fraud methods and money laundering practices that can emerge following the introduction of new retail payment methods and products, and continues to expand anti-fraud and sanction risk assessment programmes in our lending acceptance processes. The proper management of our exposure to corruption risk is receiving increased attention and is a material topic for our stakeholders. We are constantly strengthening our compliance-related methodologies and procedures to reflect regulatory developments and lessons learned, such as from the recent cases of manipulation of financial benchmarks.

We believe that technology and innovation will play a crucial role in the future of banking in general, and in ING's strategy in particular. The growth of digital distribution and communication channels has increased the speed and convenience for our customers in conducting their banking business with us. Customer demand for banking services anytime and anywhere changes the way customers interact with the bank. We are committed to meeting the demand for convenience without compromising security. As stability of our IT systems and data security are very material to our stakeholders, ING continues to implement and improve comprehensive prevention, detection and responsive measures to defend customers, information and systems against cyber-attacks.

A comprehensive chapter on ING's risk management practices is part of the consolidated annual accounts of this Annual Report.

Adapting to regulatory changes

CRR/CRD IV and upcoming regulations

As the next phase in regulatory requirements on banks' risk and capital management, the regulators are focusing on the required capital calculations across banks. Since the financial crisis, there has been much debate on the risk-weighted capitalisation of banks, and specifically on the internal models used to determine banks' capital requirements and the variation in the outcome of these models across banks.

The Basel Committee on Banking Supervision (BCBS) has released several consultative papers proposing new approaches to capital calculation requirements. As part of these proposals, BCBS suggests methods to calculate risk-weighted assets (RWA) using a simplified, less risk-sensitive approach. These proposals may substantially impact RWA for currently reported exposures through less risk sensitive simplified calculation which will be accompanied by a floor in the risk weights. It may also lead to new and possibly material capital requirements, for instance for interest rate risk in the banking book. ING participates in this process by providing to regulators both conceptual feedback on the proposals and data for their quantitative impact studies (QIS). ING Bank is of the opinion that internal models are very valuable since they better reflect the risks in a bank's business model, its customers and its credit quality than a standardised approach.

In addition, the increasing divergence of a level playing field in Europe remains a concern for ING. With the harmonization of supervision in Europe through the Single Supervisory Mechanism progressing, we see a convergence of capital requirements as reflected in the published SREP requirements by various banks. At the same time, this trend is being impeded by national competent authorities setting macro-prudential buffers that significantly increase common equity Tier 1 requirements. For example, ING as a global systemically important bank (G-SIB), is required to hold 1% additional common equity Tier 1 capital which is intended to address risks associated with systemically important financial institutions. For example, in some jurisdictions like the Netherlands, a 3% systemic risk buffer is imposed, which exceeds the G-SIB requirement. Since most countries within the SSM have not imposed any macro-prudential buffers beyond the G-SIB buffer, this undermines the level playing field between ING and its peers, particularly within the eurozone.

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 most EU countries after transposition into local law, including in the Netherlands. The BRRD aims to safeguard financial stability and prevent public funding of losses, and it provides rules on insolvency proceedings in the case of failing banks. To comply with the new rules, banks across the EU need to have recovery plans in place and to cooperate with resolution authorities to determine the preferred resolution strategy. To ensure the effectiveness of the resolution process, the BRRD requires banks to meet a minimum requirement for own funds and eligible liabilities (MREL). In addition, ING as a Global Systemically Important Bank (G-SIB) needs to comply with the total loss absorption capacity (TLAC) proposal published by the Financial Stability Board (FSB) in November 2015.

ING has set up an all-encompassing recovery plan to ensure the bank's readiness and decisiveness to tackle financial crises on its own. Effective since 2012, the plan is updated annually to make sure it stays fit for purpose. The completeness, quality and credibility of the updated plan is assessed annually by ING's regulators. Since 2012, ING has diligently worked together with the different resolution authorities to determine a resolution strategy and to identify potential impediments to resolution. This resulted in a first resolution assessment that was shared with the FSB and the preparation of a transitional resolution plan by the Single Resolution Board (SRB).

Environmental and social risk management

ING Bank makes a positive contribution to global economic growth and development by promoting responsible lending and investment practices. Transparency, openness and regaining trust are very material topics, both for ourselves and our stakeholders. We try to meet our stakeholders' expectations by offering insight into the various sectors we finance along with the environmental and social risk policies we apply in each case. ING's Environmental and Social Risk (ESR) policy framework underpins the choices we make in a consistent and transparent manner on how, where and with whom to do business.

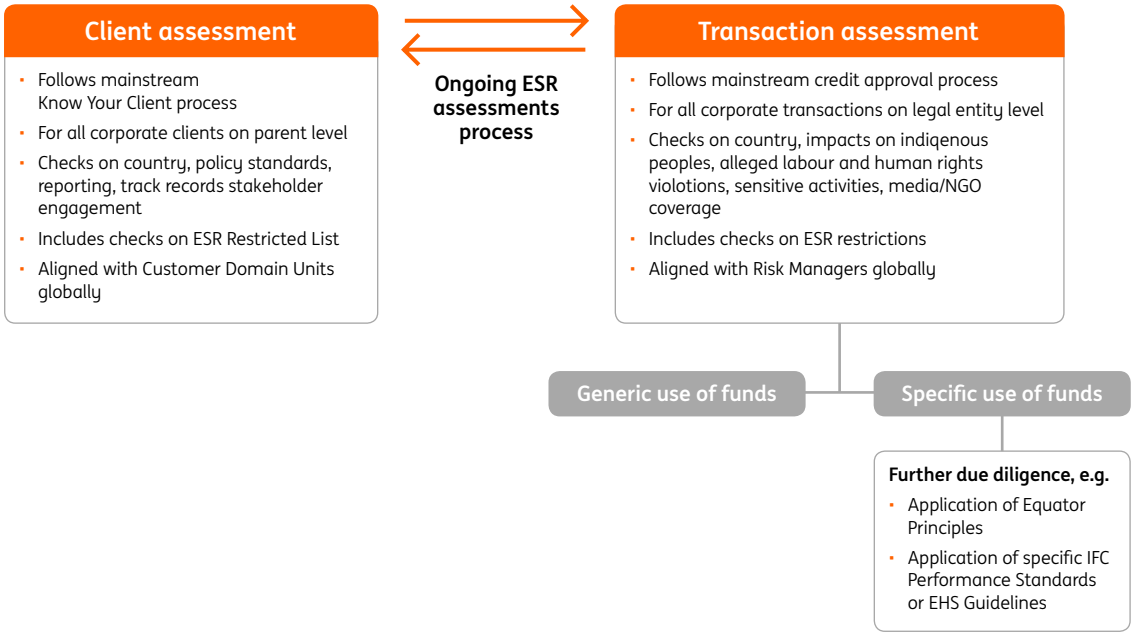
The framework applies globally, but based on ING's "simplified balance sheet", it is the corporate segment (approx. 32 percent of ING Bank's assets) where we focus our assessments and promote active ESR dialogue. For nearly 15 years we have been working with these corporate clients to support them in understanding and managing their environmental and social impacts.

For the "simplified balance sheet" see the Non-financial appendix.

The ESR Framework covers sectors such as mining and metals, chemicals, defence, energy, forestry and agro-commodities, and manufacturing. It also includes explicit restrictions for activities that are not in line with ING values (for example, companies involved in manufacturing cluster munitions). The ESR framework is regularly reviewed. The most recent update was in 2015.

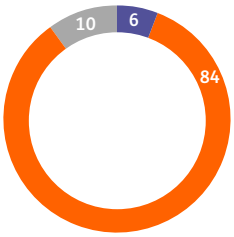
We continue to screen all ING corporate clients against our ESR Framework for the entirety of our relationship. The ESR Framework incorporates assessment tools that are used in ING's mainstream processes and systems. It is therefore fully integrated into regular client and transaction reviews. We review environmental and social risks for all lending transactions on a yearly basis following annual credit reviews. ESR transactions where funds will be used for project financings require enhanced ESR due diligence. Such enhanced ESR evaluation is also required for any high-risk transactions, such as those that impact indigenous people.

The snapshot of ING's ESR Framework is as follows:



In 2015, more than 3,326 corporate clients and 4,713 corporate lending transactions were assessed under the ESR Framework. Based on these figures, the overall ESR risk distribution of corporate client engagements is as follows:

Total ESR risk distribution in corporate portfolio (in %)



Under the ESR Framework, ESR high-risk engagements require a specific advice from the ESR Department. In 2015, it specified areas of attention and required improvements in 331 cases. These improvements play an important role in the transition towards a more sustainable economy.

To illustrate an example of such improvements we refer to our corporate client Gunvor. Gunvor is one of the world's largest commodities trading houses which operates in the trade, transport, storage and optimisation of petroleum and other energy products. In 2015, ING engaged with them to discuss their environmental and social performance in their commodity flows and potential areas of improvement. As a result of this engagement, Gunvor extended the scope of its environmental and social risk controls to encompass the complete commodity supply chain. Gunvor also developed specific training to monitor the environmental and social performance of all the relevant companies involved in its commodity flows.

The ESR Framework is applied by well-trained and empowered employees. In 2015, 479 risk, front office and compliance colleagues participated in quarterly global webinars and classroom sessions in Amsterdam, Bratislava, Brussels, London, Warsaw and New York. The ESR Framework also applies to ING's retail activities for mid-corporates and SMEs. The approach and scope of application differs based on the nature, location and risks identified in ING Retail portfolios. This approach is often more simplified than the one for corporate clients but follows the framework's rationale and principles.

Update of the ESR Framework

The framework is reviewed on a regular basis to assure we adequately identify and manage not only existing but also new environmental and social risks. In 2015, important changes were included in the framework:

ING announced its commitment to not finance new coal-fired power plants and thermal coal mines worldwide. ING will also not finance new clients whose business is more than 50 percent reliant on operating coal-fired power plants or thermal coal mines. Going forward, ING will continue engaging with coal-related clients to discuss their strategies to reduce CO_2 emissions.

We have also introduced a new policy to seek continuous improvement for financing the animal husbandry sector, including encouragement of internationally recognised best practices and principles such as the "Five Animal Freedoms". This includes restrictions on the trade and

use of endangered species. Other policies, such as those relating to defence and manufacturing, have also been refined to better reflect and manage the ESR challenges of corporate clients operating in these sectors. For more information on the ESR Framework visit the corporate website (ing.com).

Developing best practice

Beyond fostering a higher environmental and social performance of our portfolio, ING actively collaborates with other institutions and regulators to address environmental challenges that are specific to the sector and not just to a client.

ING is an Equator Principles (EP) financial institution. The Equator Principles are a risk management framework for assessing and managing environmental and social risks in project financing. ING is part of the EP Steering Committee and leads the newly formed EP Capacity Building and Training Working Group. The working group aims to offer a learning platform for the appropriate and consistent application of EP by the 81 adopting banks.

ING has also joined the Round Table on Responsible Sustainable Palm Oil to improve our understanding of the sector and support clients (traders, plantations or retailers) in facing the challenges and opportunities of dealing with palm oil commodities.

We continue our engagement in the Thun Group of Banks which specifically focuses on understanding and promoting good practices that apply the UN Guiding Principles on Business and Human Rights in the financial industry. In 2015, we were also invited to participate in the advisory group to the Organisation for Economic Co-operation and Development (OECD)-hosted project on Responsible Business Conduct in the Financial Sector. The Advisory Group includes representatives from OECD governments, industry players, market makers and NGOs among others. This project aims to develop guidance on how the OECD Guidelines for Multinational Enterprises (which includes chapters on human rights and environment) shall be applied in the financial industry. This project is expected to last throughout 2016.

Based on the Dow Jones Sustainability Index, ING has an acknowledged leadership role for our sector in the environmental and social risk arena. By participating in the above initiatives, we hope to be able to contribute expert, pragmatic feedback that reflects the views of our employees, clients, shareholders and other stakeholders.

A consistent approach to capital management

ING Group's overall approach to capital management is to make sure capital is adequate at all levels, but also to challenge these levels constantly to ensure optimal use of capital. ING Group optimises and manages capital at Group level as well as at Bank level. ING Bank manages its capital within its different entities to ensure all meet local capital requirements. ING's subsidiaries are well capitalised. As a matter of policy, targets above the minimum local capital requirements are set for the individual businesses. This process aims for an equal distribution of capital and to avoid trapped capital. The resulting transferability of capital provides room for loan growth and supports our strategy of developing local asset generating capabilities.

Capital Management serves strategic objectives

The continued strength of ING's capital position, the adequacy of our financial position and our risk management effectiveness allow us to empower people and businesses to realise their goals. They make it possible to increase our lending capabilities, pay dividend on common shares to shareholders and invest in new technologies and best practices. In this way, ING delivers shareholder returns while we invest in further innovation of products and services.

ING's Capital Management strategy is driven by its strategic aims and its risk appetite. Our policy is to retain sufficient financial flexibility to implement ING's strategy in all market conditions. ING's risk appetite statements form the basis of the capital plan. The capital plan sets targets above the minimum regulatory requirements.

The risk appetite statements and targets are developed and communicated to the different businesses in line with capital allocation. Regular stress tests provide important inputs for the capital planning and management process. These focus on specific scenarios and assess the sensitivity of the Group's capital position to the corresponding risks. These analyses also help to determine the Group's strategic direction. Policies for recovery planning and resolution are a natural extension of ING's capital management policies and are fully aligned with ING's risk management framework.

Dividend

The Executive Board proposes to pay a total dividend of EUR 2,515 million, or EUR 0.65 per (depositary receipt for an) ordinary share, over the financial year 2015. This is subject to the approval of shareholders at the Annual General Meeting in April 2016. Taking into account the interim dividend of EUR 0.24 per ordinary share paid in August 2015, the final dividend will amount to EUR 0.41 per ordinary share and be paid in cash. The total amount of EUR 1,586 million is covered by the remaining balance of "interim profits not included in CET1 capital" at year-end 2015.

ING is committed to maintaining a healthy Group CET1 ratio in excess of 12.5% and to returning capital to our shareholders. ING aims to pay a progressive dividend over time.

Capital developments at ING Group

2015 was an important year for ING Group, as it further strengthened its capitalisation. The further capital strengthening reflects significant progress on ING's restructuring programme as well as strong profitability. Although the regulatory environment remains uncertain, our strong capital position ensures we can continue to support our customers to realise their financial future.

In March 2015, ING completed the divestment of Voya Financial Inc. through the sale of 45.6 million shares. In February 2015, ING Group's stake in NN Group was

reduced from 68.1% to 54.6%. Subsequently in May, June and September ING continued to divest its shares in NN Group. These transactions reduced ING Group's stake in NN Group's outstanding capital in 2015 from 54.6% to 25.8%. In early 2016, ING Group sold a tranche of NN Group and exchanged another tranche for anchor investment notes, reducing ING Group's total stake to 14.1%. These transactions have had a strong positive impact on ING Group's fully-loaded CET1 ratio, reflecting the net profit on Voya and a reversal of capital deductions of significant investments in financial institutions (NN Group and Voya) under CRR/CRDIV capital rules. ING Group is well on track to sell NN Group by the end of 2016. This has unlocked significant flexibility. We will divest our remaining stake in NN Group while maintaining an orderly market.

ING Group's fully-loaded CET1 ratio was 12.7% at the end of 2015. The proposed dividend, to be paid in May 2016, has already been excluded from ING Group's capital base, in line with regulatory requirements.

The Group's phased-in CET1 ratio at the end of the year decreased by 0.6% from the previous year to 12.9%, largely due to the increase of risk-weighted assets. The fully loaded and phased-in capital ratios further converged. At the start of 2015, the regular (annual) adjustment to align the phased-in calculations towards the fully loaded approach took place. This is primarily reflected in the phasing-in of positive revaluation reserves for equity securities and investments.

ING Group's phased-in (transitional) common equity Tier 1 ratio is well in excess of the 10.25% common equity Tier 1 requirement for ING Group in 2016. The impact from countercyclical buffer requirements was insignificant at the start of 2016. This requirement is the sum of (i) 9.5%, being the ECB's decision on the 2015 Supervisory Review and Evaluation Process (SREP), including the capital conservation buffer, and (ii) 0.75% for the Systemic Risk Buffer (SRB) which has been set separately for Dutch systemic banks by the Dutch Central Bank. The fully-loaded SRB requirement is currently set at 3% for ING Group and phases in over four years, with a final implementation date of 1 January 2019. With a 12.7% Group CET1 ratio as at 31 December 2015, ING is already in compliance with the current fully-loaded requirement of 12.5%.

ING Group continued to optimise its capital structure by successfully issuing CRD IV eligible Additional Tier 1 securities (AT1 securities) in April 2015. In total, USD 2.25 billion of securities were issued in two tranches: USD 1 billion in a non-callable five-year tranche with a coupon of 6% and USD 1.25 billion in a non-callable 10-year tranche with a 6.5% coupon. These securities were on-lent to ING Bank NV as CRR/CRD IV compliant instruments, partially replacing internal securities. In June, EUR 169 million 4.176% Group Tier 1 securities were called. In July USD 1.5 billion 7.375% Group Tier 1 securities were called. In addition, ING redeemed the outstanding amount of USD 364 million of the 5.775% ING Tier 1 securities on its first date call date in December 2015.

Capital development at ING Bank

ING Bank's capital position is primarily managed through its published Common Equity Tier 1 ratio and leverage ratio. These are ING Bank's main constraining factors and the most widely used variables for assessing banks' capitalisation.

ING Bank has a capital target based on our risk appetite, which compares well with the peer group. ING Bank's 2017 Ambition is to have a fully loaded CET1 ratio of at least 10 percent with a comfortable buffer on top to absorb regulatory changes and potential volatility. The target for the leverage ratio based on the Delegated Act as adopted by the EC is approximately 4 percent.

When setting targets, ING Bank also takes other constraints into account, including:

- Additional regulatory capital requirements, including the amount of Tier 1 capital, total capital and the Basel I floor.
- Economic capital. Although it is currently not a constraining factor, economic capital is used to manage the Bank's risk profile and to set limits.
- Rating agency considerations. Each rating agency provides a different analysis and specific topics may need to be addressed.

A strong capital base

ING Bank continues to maintain a strong and high-quality capital level, with a fully-loaded Common Equity Tier 1 ratio of 11.6% and a similar phased-in Common Equity Tier 1 ratio, thereby complying with CRR/CRD IV solvency requirements. Dividends from ING Bank to ING Group of EUR 1.0 billion and EUR 1.2 billion, respectively, were paid in May and August 2015.

The Tier 1 ratio increased from 13.3% to 13.9%, primarily reflecting an increase in capital following the issuance by ING Group of USD 2.25 billion of CRD IV eligible AT1 securities in April 2015. These external securities were on-lent to ING Bank, partially replacing internal securities. ING Bank decreased Tier 2 capital by redeeming EUR 1.0 billion of non CRD IV eligible Tier 2 securities in September and EUR 20 million Tier 2 capital in December to align with earlier issued CRD IV securities. The merger between ING Vysya Bank and Kotak Mahindra Bank, which was completed on 7 April, had a positive impact of EUR 0.4 billion on ING Bank's Common Equity Tier 1 capital.

ING also demonstrated in 2015 the ability to generate capital consistently. This leaves us well positioned to execute further lending capabilities that serve customer needs. All regulatory capital requirements have been met. The strength of the balance sheet provides a firm foundation for growing the business and paying dividends. ING currently has a strong capital position, capable of withstanding market challenges and new regulations. This is a firm foundation for broadening lending opportunities, supporting our clients and helping to grow the economy.

A comprehensive chapter on ING's capital management practices is part of the consolidated annual accounts of this Annual Report.

ING shares

Listings

Depositary receipts for ING Group ordinary shares are listed on the stock exchanges of Amsterdam, Brussels and New York (NYSE). Options on ING Group ordinary shares (or the depositary receipts thereof) are traded on the Euronext Amsterdam Derivative Markets and the Chicago Board Options Exchange.

Shareholders and depositary-receipt holders with stakes of 3 percent or more

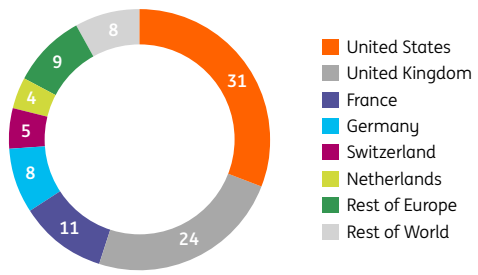
More than 99.9 percent of the ordinary shares issued by ING Groep N.V. are held by Stichting ING Aandelen (ING Trust Office). In exchange for these shares, ING Trust Office has issued depositary receipts in bearer form for these shares. The depositary receipts are listed on the stock exchanges of Amsterdam, Brussels and New York (NYSE).

Read more in the "Report of ING Trust Office".

Read more in the "Corporate governance" chapter on the share capital of ING Group.

Pursuant to the Dutch Financial Supervision Act, shareholders and holders of depositary receipts of ING Groep N.V. are required to provide updated information on their holdings once they cross threshold levels of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. As of the publication date of this report, ING Group is not aware of shareholders, potential shareholders or investors with an interest of three percent of more in ING Group other than the ING Trust Office, the ING Continuity Foundation, BlackRock Inc., and State Street Corporation as per year-end 2015.

Geographical distribution of ING depositary receipts for shares (in %)[1]



1 These figures are based on year-end 2015 estimates of institutional share ownership provided by IPREO

Authorised and issued capital

in EUR million	Year-end 2015	Year-end 2014
Ordinary shares		
– authorised	3,480	3,480
– issued	928	925
Cumulative preference shares		
– authorised	1,080	1,080
– issued	-	–

Number of shares in issue and shares outstanding in the market

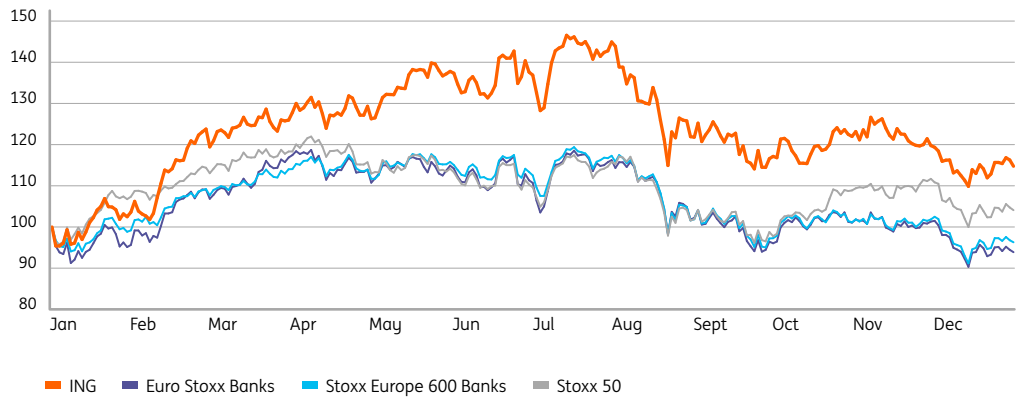
in millions	Year-end 2015	Year-end 2014
(Depositary receipts for) ordinary shares of EUR 0.24 nominal value	3,870.2	3,858.9
(Depositary receipts for) own ordinary shares held by ING Group and its subsidiaries	1.5	4.3
(Depositary receipts for) ordinary shares outstanding in the market	3,868.7	3,854.6

Prices of depositary receipts for ordinary shares

Euronext Amsterdam by NYSE Euronext in EUR	2015	2014	2013
Price – high	15.90	11.95	10.10
Price – low	10.35	9.50	5.54
Price – year-end	12.45	10.83	10.10
Price/earnings ratio[1]	12.0	33.8	10.9
Price/book value ratio	1.01	0.81	0.85

1 Based on the share price at year-end and the earnings per ordinary share for the financial year.

One-year price development of ING depositary receipts for shares



Credit ratings

ING's short- and long-term credit ratings are shown in the table below. Each of these ratings reflects only the view of the applicable rating agency at the time the rating was issued, and any explanation of the significance of a rating may be obtained only from the rating agency. A security rating is not a recommendation to buy, sell or hold securities and each rating should be evaluated independently of any other rating. There is no assurance that any credit rating will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the rating agency if, in the rating agency's judgement, circumstances so warrant. ING accepts no responsibility for the accuracy or reliability of the ratings.

Main credit ratings of ING at 31 December 2015

	Standard & Poor's		Moody's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
ING Groep N.V.	A-	Stable	Baa1	Stable	A	Stable
ING Bank N.V.	A	Stable	A1	Stable	A	Stable
– Short term	A-1		P-1		F1	

Sustainability ratings

ING Group's approach to sustainability is shaped by our specific skills and expertise as a financial company, our vision of the future and the expectations of our stakeholders. Reviews of our performance by sustainability research and rating agencies help us to improve our strategy and policies. ING's 2015 scores and rankings in key sustainability benchmarks show our progress and are as follows:

External reviews of our sustainability performance[1]

		2015	2014	2013	2012
Dow Jones Sustainability Indices (RobecoSAM)	▲	Score: 86 (out of 100) Included in World and Europe Index	Score: 82 (out of 100) Included in World and Europe Index	Score: 76 (out of 100) Included in World and Europe Index	Score: 69 (out of 100) Not included in World or Europe Index
Sustainalytics	▲	Score: 88 (out of 100) Position: 3 (out of 409 financial peers)	Score: 77 (out of 100) Position: 3 (out of 130 financial peers)	Score: 75 (out of 100) Position: 6 (out of 196 financial peers)	Score: 77 (out of 100) Position: 3 (out of 148 financial peers)
CDP (Carbon Disclosure Project)	▲	Score: 100 for disclosure (out of 100) and A for performance Position: Included	Score: 97 for disclosure (out of 100) and A for performance Position: Included	Score: 96 for disclosure (out of 100) and B for performance Position: Included	Score: 93 for disclosure (out of 100) and B for performance Position: Included
FTSE4Good Index Series	●	Position: Included	Position: Included	Position: Included	Position: Included
Transparantie Benchmark (NL)	▲	Score: 181 Position: 14 (out of 461)	Score: 172 Position: 18 (out of 409)	Score: 188 Position: 13 (out of 483)	Score: 185 Position: 13 (out of 472)
Euronext Vigeo Europe 120 Index (Vigeo)	▲	Score: 54 (out of 100) Position: Included	Score: 54 (out of 100) Position: Not included	Score: 53 (out of 100) Position: Included	Score: not disclosed Position: Included

1 Some benchmarks we reported on in previous years are not included as they are not relevant any more given our new status as a standalone bank.

Important dates in 2016 [1]

2016 Annual General Meeting
25 April 2016
Ex-date for final dividend 2015 (Euronext Amsterdam)
27 April 2016 [2]
Record date for final dividend 2015 entitlement (NYSE)
28 April 2016 [2]
Record date for final dividend 2015 entitlement (Euronext Amsterdam)
28 April 2016 [2]
Payment date final dividend 2015 (Euronext Amsterdam)
4 May 2016 [2]
Publication results 1Q2016
10 May 2016
Payment date final dividend 2015 (NYSE)
11 May 2016 [2]
Publication results 2Q2016
3 August 2016
Ex-date for interim dividend 2016 (Euronext Amsterdam)
5 August 2016 [2]
Record date for interim dividend 2016 entitlement (Euronext Amsterdam)
8 August 2016 [2]
Payment date interim dividend 2016 (Euronext Amsterdam)
15 August 2016 [2]
Record date for interim dividend 2016 entitlement (NYSE)
15 August 2016 [2]
Payment date interim dividend 2016 (NYSE)
22 August 2016 [2]
Publication results 3Q2016
3 November 2016

1 All dates are provisional.
2 Only if any dividend is paid.

For more information, see the calendar on www.ing.com/15ar9.

Investor Relations

To receive press releases and other ING news, you can subscribe to the email service at www.ing.com. You can also access the latest financial information and press releases on our website at www.ing.com/ir.

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Investor Relations (AMP C.03.049)
P.O. Box 1800 1000 BV Amsterdam
The Netherlands
Telephone: +31 20 576 6396
E-mail: investor.relations@ing.com

Composition of the Executive Board and Management Board Banking

Ralph Hamers

Bill Connelly

Roel Louwhoff

Aris Bogdaneris

Photos taken at ING's Strategy Event for senior leaders, October 2015

Patrick Flynn

Wilfred Nagel

Koos Timmermans

R.A.J.G. (Ralph) Hamers (49)

CEO and chairman Executive Board ING Group and chairman Management Board Banking

Ralph Hamers was appointed a member of the Executive Board of ING Group on 13 May 2013. On 1 October 2013, he was appointed CEO and chairman of this Board and of the Management Board Banking. Ralph Hamers joined ING in 1991. Before his appointment to the Executive Board, he was CEO of ING Belgium and Luxembourg.

P.G. (Patrick) Flynn (55)

member and CFO Executive Board ING Group and member and CFO Management Board Banking

Patrick Flynn was appointed a member of the Executive Board of ING Group on 27 April 2009. He is responsible for ING's finance departments, including ING Tax, Capital Management, Investor Relations and Group Acquisitions & Divestments.

W.F. (Wilfred) Nagel (59)

member and CRO Executive Board ING Group and member and CRO Management Board Banking

Wilfred Nagel was appointed a member of the Executive Board of ING Group on 14 May 2012. He is responsible for all of ING's risk management departments. Wilfred Nagel became a member and CRO of the Management Board Banking on 5 October 2011.

J.V. (Koos) Timmermans (55)

member and vice-chairman Management Board Banking

Koos Timmermans was appointed vice-chairman of the Management Board Banking as of 1 October 2011. From 1 October 2014, Koos Timmermans has, in addition to his current tasks which include aligning ING Bank's activities and balance sheet with new and upcoming regulation, also assumed responsibilities for the Bank's operations in the Benelux and ING's sustainability department.

W.L.A. (Bill) Connelly (58)

member Management Board Banking and head of Wholesale Banking

William Connelly was appointed to the Management Board Banking as from 1 January 2011. He is also head of Wholesale Banking. Prior to this appointment, William Connelly combined the roles of global head of Wholesale Banking Services and CEO of ING Real Estate Investment Management.

R.M.M. (Roel) Louwhoff (50)

member Management Board Banking and chief operations officer

Roel Louwhoff was appointed a member of the Management Board Banking on 1 May 2014. He is also chief operations officer (COO) and has global responsibility for Operations & IT, change management and procurement at ING Bank. Prior to this appointment, Roel Louwhoff was CEO of BT Operate.

A. (Aris) Bogdaneris (52)

member Management Board Banking and head of Challengers & Growth Markets

Aris Bogdaneris was appointed a member of the Management Board Banking on 1 June 2015. He is also head of Challengers & Growth Markets, responsible for all of the markets where ING is active in both retail banking and wholesale banking outside the Benelux. Prior to this appointment, Aris Bogdaneris was a member of the Management Board responsible for Retail Banking at Raiffeisen Bank International as well as Chief Operating Officer overseeing Information Technology and Operations/Shared Service centre.

About this report

Our stakeholders want to assess our ability to create and sustain value in the short, medium and long term. To do that, they need both financial and non-financial information. We believe that integrated reporting is a better way to meet the requirements and interests of all our stakeholders.

Our approach to integrated reporting

In our view a balanced integrated report contains information both on our economic performance and on the impact of our organisation on society and the environment. By disclosing and explaining our financial and non-financial results, strategy, governance, external developments and the risks and opportunities we face, we aim to enable our stakeholders to assess how we create value and how we earn our income.

How we defined content for this report and materiality

In drawing up content for this report we have taken into account the topics that can have a material impact on our business as well as risks and opportunities, applicable regulation and trends. We are continually listening to key constituencies, and as material issues change we adapt our reporting to fit developing stakeholder expectations. As part of our materiality analysis, we have consulted via a survey key stakeholder groups - retail and business clients, investors, employees, civil society organisations, NGOs and regulators. Our materiality analysis guides our reporting with the aim of providing a more balanced and complete picture of our performance over the reporting year. The report including materiality disclosure is reviewed by the Executive Board.

Read more in the "What matters most" chapter on the materiality analysis.

Audiences

This report is intended to serve the information needs of key stakeholder groups that affect, and are affected by our business: customers, employees, share- and bondholders, supervisors, regulators, civil society organisations, citizens and society at large. However, the information needs of stakeholders differ. Therefore we also publish a concise and accessible online overview of our results in 2015 in our Annual Review on ING.com. This aims to share our key results and impacts with customers and society in a clear and easy way. Sustainability rating agencies and analysts can find the content they need for an in-depth analysis of our performance on sustainability in this report and the accompanying Non-financial Appendix.

Guidelines

ING's integrated report, including the Non-financial Appendix, is prepared in accordance with the G4 Sustainability Reporting Guidelines and the Financial Services Sector Supplement (comprehensive level) and Dutch Accounting Standard 400. The content and quality criteria specified by the guidelines (for example: sustainability context, stakeholder inclusiveness, materiality, completeness, balance, comparability, accuracy and reliability) are integral to our reporting process. The Framework of the International Integrated Reporting Council served as a reference in drawing up the content for this report.

Data compilation and boundaries

All financial data in this integrated report is extracted or derived from, and in line with, our annual accounts. The non-financial performance data published in this report covers five topics: sustainable business, customers, HR, environment and community investment. We extract or derive data on sustainability-related business activities, customers and HR from our regular business systems, in line with the data in our annual accounts. Data on environment and community investment is gathered through a online data management system. The centralised data processing team at ING Group is assisted by an independent external agency that helps to validate and process the large amount of environmental data gathered from our operations worldwide.

Scope and boundaries

Through our materiality analysis we ensure that all material economic, social and environmental topics are addressed in this report. The report covers the period 1 January to 31 December 2015 and is published on 2 March 2016. The data and content in the integrated report and Non-finance Annex aim to provide a concise, accurate and balanced account of ING's economic, social and environmental performance in 2015. Depending on the topic, our approach and performance are explained either in text, by referring to our policies or by providing data and progress on targets.

For non-financial data, the detailed scope of the different performance indicators is highlighted in ING's sustainability reporting protocol. www.ing.com/15ar10

Assurance

We value the accuracy and reliability of all information and data in this report, both financial and non-financial. Therefore assurance for this integrated report, including the accompanying Non-financial Appendix, is provided by Ernst & Young Accountants LLP (EY).

EY has reviewed and provided a limited level of assurance on the sustainability information in the chapters "ING at a glance", "CEO statement", "How we create value", "Our strategy and progress", "Market and regulatory context", "What matters most to our stakeholders", "Key figures", "Retail Banking", "Wholesale Banking", "People", "Operational excellence and innovation", "ING Shares", "Composition of the Executive Board and Management Board Banking" , "About this report" and the Non-financial Appendix to the integrated annual report.

See the assurance report of the independent auditor on page 62. The chapters "Risk and capital management" and "Remuneration report" are an integral part of the audited consolidated annual accounts.

EY concluded that these accounts give a true and fair view of the financial position of ING Group as at 31 December 2015, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

See the independent auditor's report on page 349.

Furthermore, EY audited ING Group's internal control over financial reporting as of 31 December 2015, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria).

See the report of the independent registered public accounting firm on page 90.

Future-oriented statements

In this integrated annual report we also look forward and share our vision, ambitions, strategy, opinion and plans for the future. These forward-looking statements can be recognised by terms such as:

- expect
- anticipate
- intend
- plan
- believe
- seek
- see
- will
- would
- target
- forecast
- of the opinion
- or similar terms.

These forward-looking statements are based on management's current beliefs and assumptions about future activities and are subject to uncertainties. Therefore our assurance provider cannot assure these statements.

Feedback

This integrated report aims to give all our stakeholders a balanced and complete overview of our activities and ability to create and sustain value. We welcome stakeholder reactions and views. Please send us your feedback via communication@ing.com.

Report of the Executive Board

The Corporate Governance section starting on page 70 and the paragraphs of the Remuneration report "Remuneration policy for all staff" and "2015 Remuneration all staff" on page 101 are incorporated by reference in this Report of the Executive Board.

Amsterdam, 29 February 2016

The Executive Board

Assurance report of the independent auditor

To: the Stakeholders, the Supervisory Board and the Executive Board of ING Groep N.V.

We have reviewed the sustainability information in the chapters "ING at a glance", "CEO statement", "How we create value", "Our strategy and progress", "Market and regulatory context", "What matters most to our stakeholders", "Key figures", "Retail Banking", "Wholesale Banking", "People", "Operational excellence and innovation", "ING shares", "Composition of the Executive Board and Management Board Banking", "About this report" and the "Non-financial appendix" in the Annual Report for the year 2015 (hereafter: the Report) of ING Groep N.V., Amsterdam (hereafter: ING). The Report comprises a description of the policy, the activities, events and performance of ING relating to sustainability during the reporting year 2015.

Limitations in our scope

The Report contains prospective information, such as ambitions, strategy, targets, expectations and projections. Inherent to this information is that actual future results may be different from the prospective information and therefore may be uncertain. We do not provide any assurance on the assumptions and feasibility of this prospective information.

The GRI index 2015 as published on www.ing.com is an integral part of the Report and is within our engagement scope. Other references in the Report (to www.ing.com, external websites and other documents) are outside the scope of our assurance engagement.

Responsibilities of the Executive Board for the Report

The Executive Board of ING is responsible for the preparation of the Report in accordance with the "Sustainability Reporting Guidelines" G4 (option Comprehensive) of the Global Reporting Initiative (GRI) and the reporting criteria developed by ING as disclosed in the chapter "About this report" of the Report, including the identification of the stakeholders and the determination of material issues. The disclosures made by management with respect to the scope of the Report are included in the chapter "About this report" of the Report.

Furthermore the Executive Board is responsible for such internal control as it determines is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

Our responsibility for the review of the Report

Our responsibility is to express a conclusion on the Report based on our review. We conducted our review in accordance with Dutch law, including the Dutch Standard 3810N "Assurance engagements relating to sustainability reports". This Standard is based on the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This requires that we comply with ethical requirements and that we plan and perform the review to obtain limited assurance about whether the Report is free from material misstatement.

A review is focused on obtaining limited assurance. The procedures performed in obtaining limited assurance are aimed at the plausibility of information which does not require exhaustive gathering of evidence as in engagements focused on reasonable assurance. The performed procedures consisted primarily of making inquiries of management and others within the entity, as appropriate, applying analytical procedures and evaluating the evidence obtained. Consequently a review engagement provides less assurance than an audit.

Procedures performed

Our main procedures included the following:

- Performing an external environment analysis and obtaining an understanding of the sector, relevant social issues, relevant laws and regulations and the characteristics of the organization;
- Evaluating the acceptability of the reporting policies and their consistent application, such as assessment of the outcomes of the stakeholder dialogue and the reasonableness of assumptions made by management;
- Evaluating the in accordance option with the Sustainability Reporting Guidelines G4 (option Comprehensive) of GRI;
- Evaluating the design and implementation of the systems and processes for data gathering and processing of information as presented in the Report;
- Interviewing management (or relevant staff) at corporate and business division level responsible for the sustainability strategy and policies;
- Interviewing relevant staff responsible for providing the information in the Report, carrying out internal control procedures on the data and the consolidation of the data in the Report;
- Evaluating internal and external documentation, in addition to interviews, to determine whether the information in the Report is reliable;
- Analytical review of the data and trend explanations submitted for consolidation at group level.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our procedures performed, and with due consideration of the limitations described in the paragraph "Limitations in our scope", nothing has come to our attention that causes us to conclude that the sustainability information in the Report, in all material respects, does not provide a reliable and appropriate presentation of the policy of ING for sustainable development, or of the activities, events and performance of the organization relating to sustainability during 2015, in accordance with the "Sustainability Reporting Guidelines" G4 (option Comprehensive) of the Global Reporting Initiative (GRI) and the reporting criteria developed by ING as disclosed in the chapter "About this report" of the Report.

Amsterdam
29 February 2016

Ernst & Young Accountants LLP
M.A. van Loo **H. Hollander**

Chairman's statement

ING operates in a world that is moving faster and is less certain. A world with ever increasing challenges and growing competition. Against this background ING was able to deliver good results in 2015 and keep a consistent customer focus. ING is a strong bank and well positioned for the future. ING continued to serve all its stakeholders and at the same time invest in its future.

Uncertain external environment

ING performed well in 2015 despite the uncertainty in the external environment. Continued low interest rates put pressure on banks' income, the debt crisis in Greece caused concerns and the second half of the year was overshadowed by signs of faltering economic growth in China, which resulted in turbulence on global stock markets.

There were also signs of resilience in 2015, for instance in the eurozone, where economic recovery became broader and led to more upbeat sentiment. Consumer confidence picked up and households became more confident about their own financial situation and unemployment gradually declined in most countries. This was all encouraging news.

I am hopeful that we have entered more stable economic times, but we need to take a realistic view and remain vigilant.

Regulation

There were also many developments in the area of regulation. The financial services sector is subject to increasing scrutiny. ING supports steps to ensure the stability of the financial sector in the wake of the financial crisis. ING also supports steps to create a single financial services market across the eurozone. However, in my opinion there is an urgent need for more coordination among the many regulatory initiatives affecting the financial sector and for a vision for the longer term. Regarding financial services integration, we still have a long way to go before we have a level playing field in Europe. It is a concern for ING that we are disadvantaged as an international player by regulation in the Netherlands that for instance requires higher regulatory capital than is required by the national regulations of peers in other parts of Europe.

In line with the more stringent capital requirements of regulators, ING strengthened its capital position in 2015. Our solid financial position has allowed us to resume regular dividend payments to shareholders ahead of schedule. I want to express our gratitude for the ongoing support of our shareholders, and in particular for their support in the years when ING was not able to pay a dividend.

Topics

In 2015, the Supervisory Board focused on a range of subjects. Besides the progress of ING's strategy, the quarterly results and performance management, the Supervisory Board also looked at remuneration. Regarding the last point, I want to say that we hear the criticism regarding remuneration for top executives clearly. It is our role to apply a balanced remuneration policy taking into account the views and interests of all stakeholders of the company. The Supervisory Board therefore collected input on this topic from various stakeholders in the second half of 2015, including ING's Works Council, the Dutch parliament and unions. See for more information on our policy in the Remuneration chapter.

In the chapter "Report of the Supervisory Board" you can read more about the subjects we discussed and about the most important topics on our agenda in 2015.

Corporate governance review

In the Annual Report 2014 and also at the AGM in May 2015, ING announced that the Executive Board and Supervisory Board would conduct a review of ING Group's corporate governance, including the depositary-receipts structure, and put this item on the agenda of the Annual General Meeting in 2016.

In 2015, we also discussed whether we would continue with the current two-tier board structure or move to a one-tier structure. We have concluded that there are no compelling reasons to change the corporate structure. The Executive Board and Supervisory Board believe that the current two-tier board structure continues to serve ING well. We have had extensive discussions on the future corporate governance in preparation for the 2016 AGM. Another important focus area for the Supervisory Board is education. As Supervisory Board members, it is important that we have a good understanding of the latest developments in areas like the economy, regulation, technology and customer behaviour, and how these relate to ING. We do this through educational sessions and workshops and by visiting ING businesses to see how these developments affect us in practice.

Consistent customer focus

In 2015, ING moved a step ahead with its strategy. ING needs to evolve to stay relevant for customers. We know that change is all around us. And that competition is growing. It is essential that ING address these competitive challenges and seize opportunities.

ING is accelerating its innovation efforts. One way we are doing this is by establishing partnerships with financial technology companies. That helps ING develop new banking solutions to achieve its strategic goal to create a differentiating customer experience. Innovation is key to ING's future, and I am confident about ING's ability to deliver.

Sustainability

An important part of ING's strategy is driving sustainable progress. We on the Supervisory Board fully acknowledge the importance of sustainability and we recognise and support ING's responsibility as a financial institution to contribute to the sustainable development of society by empowering people to stay a step ahead in life and in business.

Companies are increasingly looking at the entire lifecycle of their products and the resources used in them in order to decouple growth from resource use. Supporting this "circular thinking", which promotes responsible use of scarce resources through zero-waste business models based on recycled inputs, is an important pillar of ING's sustainability approach. I see this as an opportunity for ING to serve its customers better and at the same time contribute to a more sustainable society.

ING's people

ING has come a long way in the past few years. Following a major restructuring and divestment process, ING is now one of Europe's leading banks. The Think Forward strategy guides its future direction.

ING's employees have put in a tremendous effort to position the bank well for the future. And they continue to work diligently to meet the needs of customers and stakeholders. I am sometimes disappointed when I hear comments about bankers not changing and claims that they still lack the right mindset for our changed times.

Although we can and have to be mindful of every opportunity to further improve our culture to put our customers at the centre of everything we do, I see a strong dedication among employees when it comes to putting customers first. This culture is at the heart of building a great bank for the future.

On behalf of the Supervisory Board, I want to acknowledge their hard work and commitment. ING's employees are the driving force behind the bank's achievements and the pillars for its future. A future in which ING aims to bring benefits to all its stakeholders.

Jeroen van der Veer
Chairman of the Supervisory Board of ING Group

29 February 2016

Report of the Supervisory Board

The Supervisory Board held nine meetings in 2015. Important topics on the agenda were the execution of the bank's Think Forward strategy, the further divestment of Voya Financial and NN Group and developments in the regulatory and external supervision landscape.

The committees of the Supervisory Board discussed a range of subjects, the main ones being the quarterly results, corporate governance, risk management and human resources.

Supervisory Board meetings

The Supervisory Board met nine times in 2015. On average, 99 percent of the Supervisory Board members were present at the meetings. This attendance rate illustrates that the members of the Supervisory Board are engaged with ING and are able to devote sufficient time and attention to ING's affairs. The Executive Board and Management Board Banking were present during each Supervisory Board meeting. For part of the meetings only the Chief Executive Officer was present; this was dependent on the nature of the topics addressed. Each Supervisory Board meeting was preceded by a session with only the Supervisory Board members present. The members of the Supervisory Board also interacted with senior management outside the regular Supervisory Board meetings for discussion and information sharing purposes.

The Executive Board has prepared the annual accounts and discussed these with the Supervisory Board. The annual accounts will be submitted for adoption at the 2016 Annual General Meeting as part of the Annual Report.

Apart from closely monitoring the financial results in 2015, the Supervisory Board's main focus points during 2015 were the execution of the bank's Think Forward strategy that was launched in 2014, the further divestment of Voya Financial and NN Group and the developments in the regulatory and external supervision landscape. In addition, ING's dividend policy with a resumption of regular dividend payments to its shareholders in 2015 was on the Supervisory Board's agenda.

Permanent education

The key themes of the annual recurring Supervisory Board Knowledge Day in January 2015 were operations & IT and sustainability. On the agenda were presentations about the COO vision, cloud computing, IT security in general, IT stability in the Netherlands and ING's sustainability direction. The Supervisory Board was also updated on ING's annual talent review achievements and developments including a trend analysis summary.

In September 2015, the Supervisory Board visited ING Bank's US offices in New York and Houston for three days, allowing the Supervisory Board to get a better understanding of the local business activities and how these relate and contribute to ING's strategy. Presentations included the ING US strategy and the business in general and the Structured Finance and Natural Resources businesses in particular. In addition to the opportunity to discuss the US business and challenges with the local ING US teams, the Supervisory Board members also met with various clients. A number of other educational sessions on specific topics were organised for the Supervisory Board throughout the year, including ones addressing various developments in the regulatory and external supervision landscape, IFRS 9, ING's interest rate hedging process, ING's three lines of defense model and non-financial risk management, and measurement.

Corporate strategy

In January 2015, the Supervisory Board held its meeting on ING's strategy as well as the Medium-Term Plan (MTP) 2015–2017. The MTP addresses the plans and the financial and non-financial targets for the Group as a whole and for the banking business specifically. The Supervisory Board specifically discussed the growth ambitions for ING Bank in combination with continued efficiency improvement initiatives, taking into account the compressed interest rate environment and margin pressure. Furthermore, ING's ambition to resume regular dividend payments to shareholders in 2015 was discussed taking into account regulatory developments and ING's capital position and risk appetite. The Supervisory Board approved the MTP.

Main objectives for the Group were to maintain a strong capital position for both Group and Bank, to complete the Voya Financial divestment and to continue further decreasing its stake in NN Group. During the year, the Supervisory Board was updated on the progress in these areas. ING successfully completed the Voya Financial Inc. divestment in March 2015. With regard to NN Group, the Supervisory Board approved several accelerated book-build offerings throughout the year resulting in a remaining stake of 25.8% at year-end 2015 with IFRS deconsolidation of NN Group being achieved in 2Q 2015.

The Supervisory Board received an in-depth update on the status of the bank's Think Forward strategy implementation in February and August 2015. During the other Supervisory Board meetings, specific elements of the strategy were discussed, ranging from potential future (in)organic growth opportunities to the introduction of innovative, digital solutions for ING's customers. Specific attention was also paid to the major themes and programmes in the COO and IT domains whose aim it is to introduce a globally standardised and agile way of working supported by a corresponding IT infrastructure and applications environment.

Financial and risk reporting

The fourth quarter and annual financial results for 2014 (and 2015) were discussed in February 2015 (and February 2016 respectively). This included the related

press release and reports from the external auditors. The Executive Board's assessment of the adequacy and effectiveness of the risk management and control systems was also discussed.

ING's Annual Report, for the first time in integrated form, was reviewed and the annual accounts and the SOX 404 sign-off were approved, including the proposal to pay a final 2014 dividend of EUR 470 million, which was approved by the Annual General Meeting of Shareholders on 11 May 2015. The quarterly results were reviewed and discussed in May, August and November 2015 with the external auditor being able to issue an unqualified review opinion on the financial results. On 5 August 2015, ING Group declared an interim 2015 dividend of EUR 922 million, equal to 40 percent of the underlying net result of ING Group realised in the first half of 2015.

The draft agenda for the 2015 Annual General Meeting was discussed and approved, including the publication on the 2014 application of the Dutch Banking Code.

The Supervisory Board approved the annual review of the risk appetite framework that was updated to reflect recent regulatory changes. Throughout the year, the Supervisory Board was informed in detail on the potential risks for ING relating to the political and economic situation in various countries such as Russia, Ukraine, Greece, Turkey and China.

In September and November 2015, updates were provided to the Supervisory Board with regard to the status of KPMG, ING's new external auditor as per the financial year 2016 in order to comply with the mandatory external auditor rotation. KPMG declared independence from ING per 1 October 2015 in its role as new auditor and it was confirmed that KPMG's independence is compliant with applicable rules and regulations. As of October 2015 EY is facilitating the auditor transition.

Throughout the year the Supervisory Board was updated on regulatory risk including the associated operational and anticipated financial impact. Since the start of ECB supervision the increase in regulatory reporting has been significant. Also reporting timelines shortened and requested data granularity has increased. ING aims to safeguard that all reporting processes and data quality continue to be up to standards. The aggregate impact of upcoming new regulatory requirements is also expected to be substantial, including in the form of additional capital requirements.

Internal Supervisory Board meetings

During the internal meetings of the Supervisory Board (which were joined by the CEO, except when the annual self-evaluation of the Supervisory Board or matters concerning the CEO were discussed), the Executive and Management Board Banking 2014 performance assessments were discussed and approved. Also the variable remuneration proposals for the employees in scope relating to 2014 were discussed and decided on. Furthermore the Executive and Management Board Banking 2015 performance targets were approved and the Supervisory Board agreed to increase transparency on these as from the 2015 Annual Report onwards.

Remuneration was a topic of discussion throughout the year following updated legislation (CRD IV and the 'Wet Beloningsbeleid Financiele Ondernemingen', WBFO). The Supervisory Board discussed the implementation of remuneration-related changes for all employees in scope in general and for the Executive and Management Board Banking specifically. As part of this peer benchmarking and stakeholder feedback were taken into account. The Supervisory Board also approved the accompanying update to ING's Remuneration Framework.

With regard to talent and succession planning in general, the outcome of the Annual Talent Review 2014 was discussed.

The future composition of the Supervisory Board, its committees and potential candidates were also a topic of discussion, including in connection with the departure of Carin Gorter in September 2015.

Furthermore the Supervisory Board self-assessment was on the agenda. The action points resulting from the 2014 self-assessment were acted upon during the year. As was the case in 2014, an independent external party facilitated the 2015 self-assessment process for the Supervisory Board, its committees and its members by drafting the questionnaires as well as the reports with the results. The questionnaires incorporated elements based on the renewed Dutch Banking Code that came into effect on 1 January 2015. For 2015, input was also requested from several executives that regularly interact with the Supervisory Board and attend Supervisory Board meetings. The questionnaires were completed in December 2015, after which bilateral meetings were held between the chairman of the Supervisory Board and each member (for the chairman, a bilateral meeting was held between the vice-chairman and the chairman). The respective committee results were subsequently discussed in each committee meeting, with the overall results and conclusions being discussed in the internal Supervisory Board meeting (without the Executive and Management Board Banking members present). In general, the performance of the Committees was rated highly overall and the performance of the Supervisory Board was considered to have improved since last year's review. A number of suggestions were made as priorities for improving the performance of the Supervisory Board over the coming year, among others including focusing on milestones on strategy, and the digital / IT strategy in particular. Also continuing close monitoring and assessing the developments in the regulatory and external supervision landscape as well as in ING's businesses were identified as key priorities , to be supported by educational sessions were deemed necessary .

Audit Committee meetings

In 2015, the Audit Committee met five times. On average, 95 percent of the members were present at the scheduled meetings.

The Audit Committee discussed the quarterly results, the interim accounts and the annual accounts. Key audit matters, as included in the auditors' reports, were also a topic of discussion. In addition to the financial results and accounts, the subjects of the Audit Committee's regular deliberations also included financial reporting, auditor's independence and fees, the overall internal control environment in general, the internal controls over financial reporting, the external auditor reports and management letters, and capital management related matters. The Audit Committee also reviewed the quarterly press releases related to the results, the Annual Report, the 20-F form and the SOX404 year-end sign-off report.

Specific attention was paid to a variety of other, related topics as well, such as the divestment of NN Group (including the accounting for the anchor investors), fair values and hedge accounting, IFRS 9, the outcome of and ING's follow-up to the ECB Comprehensive Assessment process and Asset Quality Review (AQR), IT risk, regulatory risk (including its operational and anticipated financial impact), loan loss provisioning, CDD, FATCA, the CRR remuneration disclosures and sector-wide reviews on market conduct.

The Audit Committee advised positively on the proposal to resume regular dividend payments to shareholders and to advance the publication dates for the ING Group 2015 Annual Report and the quarterly results from 2016 onwards.

Furthermore the Audit Committee was briefed on the process and status relating to the external auditor transition from EY to KPMG and concurred with ING's updated policy on external auditors' independence.

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

In addition to the Audit Committee meetings, the chairman of the Audit Committee regularly held separate sessions with the independent external auditor, the head of the Corporate Audit Services department and the CFO.

Risk Committee meetings

The Risk Committee met four times in 2015. On average, 94 percent of the Risk Committee members were present at the scheduled meetings. As with the meetings of the other committees, all relevant items discussed by the Risk Committee were reported to the Supervisory Board with the Supervisory Board approving those items as required from a governance perspective.

In each Risk Committee meeting both the financial and non-financial risk reports were discussed in detail including the status of ING's metrics with regard to solvency, liquidity, capital, credit risk, country risk and market risk.

In addition a wide range of other topics were discussed, such as the situation in Russia, Ukraine and Greece and the potential related risks for ING. Also other future risks and various stress test scenarios were looked into, ranging from regulatory uncertainty to continued low interest rates.

Other important topics on the agenda related to risk modelling and model validation, the regulatory risk aspect, ensuring compliance with the CRD IV / CRR requirements, the ECB's thematic review on risk governance and risk appetite as well as the ECB's on-site inspection on compliance.

As a standard practice, the annual risk appetite statements were reviewed and supported. The Risk Committee ratified the reviewed ING Bank Recovery Plan.

The Risk Committee examined how non-financial risk is measured, monitored and managed through the Non-Financial Risk Dashboard. The Committee was informed on the simplification of the hedging process.

Read more in the "Risk and capital management" chapter and the Risk section in the Annual Accounts.

Nomination Committee meetings

The Nomination Committee met four times in 2015 with no absentees.

In the first half of 2015 the Nomination Committee discussed the hiring of Aris Bogdaneris who was appointed Head of Challengers & Growth Markets and member of the Management Board Banking as per 1 June 2015 following the departure of Eli Leenaars and Hans van der Noordaa. In the second half of 2015, future succession scenarios in general for the Executive and Management Board composition were discussed. Also the future composition of the Supervisory Board was discussed after the resignation of Carin Gorter in September 2015.

Various aspects were taken into account, such as the minimum and optimal size of a Supervisory Board combined with a sound and reasonable balance in representation of geographies, gender, and financial and generalist expertise. A number of potential candidates were discussed. This resulted in a short list of potential candidates. It was decided to nominate a new candidate for appointment by the 2016 Annual General Meeting, for which ING is awaiting the regulator's final approval.

In addition, the outcomes and achievements following the Annual Talent Review 2014 were discussed. The approach for the 2015 process was shared with the Supervisory Board and the 2015 results were discussed in January 2016. Both the process and reporting had improved resulting in increased transparency.

Improving diversity at higher management levels, senior management succession planning and accelerated refreshment continued to be focus points.

The Nomination Committee also discussed the ECB request, stemming from the ECB's enhanced role as supervisor, for access to information on ING candidates for board positions in the context of discussions on succession and contingency planning.

Remuneration Committee meetings

In 2015, the Remuneration Committee met eight times with no absentees.

At the start of 2015 proposed amendments to the existing remuneration policy for the members of the Executive Board and a variable remuneration cap for select global staff were on the agenda. These were approved during ING's 2015 Annual General Meeting.

The Remuneration Committee reviewed the thresholds above which the pool for variable remuneration may be used for actually granting variable remuneration. It discussed the variable remuneration pool and reviewed the performance assessment for the Executive Board, Management Board Banking, as well as the variable remuneration proposals. The remuneration proposals for Identified Staff were also reviewed, including potential cases for holdback of deferred compensation by way of malus.

In addition, the proposed 2015 performance objectives for the CEO and the Management Board Banking members were approved.

The ING Bank remuneration framework and policies were reviewed and updated to reflect changes, including the new legislation on "Remuneration Policies of Financial Institutions" ("Wet Beloningsbeleid Financiële Ondernemingen", WBFO) with which ING complies. The Remuneration Committee discussed how to ensure that ING continues to be an attractive employer for talents and maintains a level playing field with peers given the new Dutch remuneration-related legislation. The Chairman of the Supervisory Board informed the Remuneration Committee of the meetings he had with various Dutch politicians and labour unions to discuss remuneration of Dutch companies in general.

The Identified Staff selection criteria and the list of Identified Staff were reviewed and approved. Throughout the year the Remuneration Committee approved Identified Staff related remuneration matters, based upon the governance framework.

Similar to the Nomination Committee, the Remuneration Committee discussed the ECB request for access to the names of ING employees referred to in Article 92 (2) CRD IV in the context of ING remuneration proposals and CRD IV application as discussed at board level.

Read more in the "Remuneration report" chapter.

Corporate Governance Committee meetings

In 2015, the Corporate Governance Committee met five times with no absentees.

The Committee discussed the agenda for the 2015 Annual General Meeting, including the publication on the application of the Dutch Banking Code 2014.

Following the 2015 Annual General Meeting, the Committee had extensive discussions on the future corporate governance of ING Groep N.V. in preparation for the 2016 Annual General Meeting. Elements that were considered were among others the depositary receipt structure as well as the cumulative preference share structure. External stakeholders were consulted on various aspects of the corporate governance of ING Groep N.V.

In the context of a dialogue with the ECB on ING's governance, an assessment was done on a one-tier versus two-tier board structure. Based on an external analysis the Committee concluded that there were no compelling reasons for ING to shift from a two-tier to a one-tier board. ING actively supports and promotes additional interaction between the Supervisory Board and the ING organisation. This is done to give further background to the formal agenda items to further strengthen current practice. Additional interaction focuses on discussion and information sharing and continues to be in line with Dutch legal requirements and already existing accompanying roles, responsibilities and mandates of the boards and is in addition to and without prejudice to statutory reporting lines.

Composition of the Executive and the Management Board

At the Annual General Meeting of Shareholders in May 2015, no changes to the Executive Board were proposed.

Composition of the Supervisory Board

At the Annual General Shareholders' Meeting on 11 May 2015, Mariana Georghe was appointed a member of the Supervisory Board and Henk Breukink and Joost Kuiper were re-appointed. In early 2015, Joost Kuiper decided to step down as chairman of the Remuneration Committee for health reasons. He was succeeded in this role by Henk Breukink. Isabel Martín Castellá became a member of the Nomination Committee. In September 2015, Carin Gorter resigned from the Supervisory Board in light of her prospective appointment with another financial institution. She was appointed to ING's Supervisory Board in May 2013 and was a member of the Audit Committee, the Risk Committee and the Corporate Governance Committee.

Read more in the "Corporate governance" chapter on the composition of the Supervisory Board committees at year-end 2015.

Robert Reibestein

Hermann-Josef Lamberti

Isabel Martín Castellá

Joost Kuiper

Jeroen van der Veer

Eric Boyer de la Giroday

Mariana Gheorghe

Henk Breukink

The Nomination Committee and the Supervisory Board will continue to strive for an adequate and balanced composition of the Supervisory Board when selecting and nominating new members for appointment.

Currently, only one Supervisory Board member, Eric Boyer de la Giroday qualifies as "non-independent" as defined in best practice provision III.2.2 of the Dutch Corporate Governance Code. According to the code the board can comprise no more than one "non-independent" member. He is considered not independent because of his position as Chairman of the Board of Directors of ING Belgium S.A./N.V. and his former positions as a member of the Executive Board of ING Group and Vice-chairman of Management Board Banking of ING Bank N.V.

Appreciation for the Executive Board and ING employees

The Supervisory Board would like to thank the members of the Executive Board and the Management Board Banking for their hard work in 2015. Important milestones were the successful completion of the Voya Financial Inc. divestment and the further controlled sell-down of ING's share in NN Group that led to deconsolidation and a remaining stake of 25.8% at year-end 2015. Also the delivery on ING's ambitions and purpose through the Think Forward strategy is something to be proud of. The Supervisory Board would like to thank all ING employees for their efforts in realising this and for continuing to serve the interests of customers, shareholders and other stakeholders of ING.

Additional information

"Corporate governance" chapter, pages 70-82 and the "Remuneration report" chapter, pages 91-101 for more information, which are deemed to be incorporated by reference here.

Amsterdam, 29 February 2016

The Supervisory Board

Corporate Governance

This section sets out the application of the Dutch Corporate Governance Code effective as from 1 January 2009 ("Corporate Governance Code"), at ING Groep N.V. ("ING Group"). It provides information on its share capital, control, Executive Board, Supervisory Board and external auditor.

This section, including the parts of this Annual Report incorporated by reference, together with the separate publication "ING's implementation of the Dutch Corporate Governance Code" dated April 2010, (see www.ing.com), together comprise the "corporate governance statement" as specified in section 2a of the Decree with respect to the contents of the annual report *(Besluit tot vaststelling van nadere voorschriften omtrent de inhoud van het jaarverslag)*[1].

Recent developments

Corporate governance review

As announced in the 2014 Annual Report, the Executive Board and Supervisory Board, assisted by its Corporate Governance Committee, have reviewed ING Group's corporate governance, including the depositary receipts structure, in 2015. An external law firm and a proxy advisory firm have advised ING in this review. As part of this review ING has also reached out to investors, proxy advisors and other stakeholders to seek their view on key elements of the corporate governance. The outcome of the review will be submitted to the 2016 Annual General Meeting. Also the board structure and the interaction between the Supervisory Board and the ING organisation were reviewed. For more information, please refer to the Supervisory Board Report on page 65.

Legislative and regulatory developments

The Bank Resolution and Recovery Directive ("BRRD") was implemented in Dutch law in 2015. Although banks in distress are the focal point of the BRRD, certain provisions must be applied outside situations of distress. One of these requires companies subject to the BRRD, including ING Group, at all times to maintain sufficient authorised share capital to permit the issue of as many ordinary shares as required for a potential future bail-in. The BRRD also permits, subject to certain conditions, a reduction in the convocation period for shareholders meetings from 42 days (the Dutch standard) to 10 days. Proposals related to the implementation of the foregoing will be included in the proxy materials for the 2016 Annual General Meeting.

Shareholder participation and position of ING Trust Office (Stichting ING Aandelen)

Between 2010 and 2015, participation of shareholders excluding the ING Trust Office, and holders of depositary receipts, in decision-making at the annual shareholders' meeting of ING Group ("General Meeting") consistently increased from 41.3 percent to 56.8 percent.

Corporate Governance Codes

Compliance with the Corporate Governance Code

ING Group uses the Corporate Governance Code as reference for its corporate governance structure and practices. The Corporate Governance Code can be downloaded from the website of the Dutch Corporate Governance Code Monitoring Committee (www.commissiecorporategovernance.nl).

The application of the Corporate Governance Code by ING is described in the 2010 publication "ING's implementation of the Dutch Corporate Governance Code", which is available on the website of ING Group (www.ing.com). This is to be read in conjunction with this section and is deemed to be incorporated into this section.

Dutch Banking Code

The Dutch Banking Code ("Banking Code"), a revised version of which was adopted by the Dutch Banking Associations in 2014, is applicable to ING Bank N.V. and not to ING Group. The Banking Code can be downloaded from the website of the Dutch Banking Association (www.nvb.nl). Its application to ING Bank is described in "Application of the Dutch Banking Code by ING Bank N.V.", available on the ING Group website (www.ing.com). This is to be read in conjunction with and deemed to be incorporated in the Annual Report of ING Bank N.V. ING Group voluntarily applies the principles of the Banking Code regarding remuneration to the members of its Executive Board and considers these principles as a reference for its own corporate governance. ING Group's remuneration policy for the Executive Board and senior management is compliant with these principles.

Differences between Dutch and US corporate governance practices

In accordance with the requirements of the US Securities and Exchange Commission, ING Group, as a foreign private issuer whose securities are listed on the New York Stock Exchange ("NYSE"), must disclose in its Annual Report on Form 20-F any significant differences between its corporate governance practices and those applicable to US domestic companies under NYSE listing standards.

1 Dutch Bulletin of Acts (Staatsblad) 2009, 154.

ING Group believes the following to be the significant differences between its corporate governance practices and NYSE corporate governance rules applicable to US companies:

- ING Group has a two-tier board structure, in contrast to the one-tier board structure used by most US companies. In the Netherlands, a public limited liability company (naamloze vennootschap) with a two-tier board structure has an executive board as its management body and a supervisory board that advises and supervises the executive board. In general, members of the executive board are employees of the company while members of the supervisory board are not. The latter are often former state or business leaders and sometimes former members of the executive board. A member of the executive board or other officer or employee of the company cannot simultaneously be a member of the supervisory board. The supervisory board must approve specified decisions of the executive board. Under the Corporate Governance Code, all members of the supervisory board, with the exception of not more than one person, should be independent. The definition of independence under the Corporate Governance Code, however, differs in its details from the definitions of independence under the NYSE listing standards. In some cases, Dutch requirements are stricter: in other cases the NYSE listing standards are the stricter of the two. The Audit Committee, Risk Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee of ING Group are comprised of members of the Supervisory Board.

- In contrast to the Sarbanes-Oxley Act of 2002, the Corporate Governance Code contains a "comply-or-explain" principle, offering the possibility of deviating from the Corporate Governance Code as long as any such deviations are explained. To the extent that such deviations are approved by the General Meeting, the company is deemed to be in full compliance with the Corporate Governance Code.

- Consistent with Dutch law, the board committees generally act only in an advisory capacity to the supervisory board and, for instance, ING's compensation committee may not directly set the compensation of the CEO.

- Dutch law requires that ING Group's external auditors be appointed at the General Meeting and not by the Audit Committee.

- The articles of association of ING Group ("Articles of Association") provide that there are no quorum requirements to hold a General Meeting, although certain shareholder actions and certain resolutions may require a quorum.

- The shareholder approval requirements for equity compensation plans under Dutch law and the Corporate Governance Code differ from those applicable to US companies that are subject to NYSE's listing rules that require a shareholder vote on all equity compensation plans applicable to any employee, director or other service provider of a company. The results of such votes are advisory in nature rather than binding. Under Dutch company law and the Corporate Governance Code, binding shareholder approval is only required for equity compensation plans (or changes thereto) for members of the executive board and supervisory board, and not for equity compensation plans for other groups of employees.

Capital and shares

Capital structure, shares

The authorised capital of ING Group consists of ordinary shares and cumulative preference shares. Currently, only ordinary shares are issued, while a call option to acquire cumulative preference shares has been granted to ING Continuity Foundation (Stichting Continuïteit ING). The acquisition of cumulative preference shares pursuant to the call option is subject to the restriction that, immediately after the issuance of cumulative preference shares, the total amount of cumulative preference shares outstanding may not exceed one-third of the total issued share capital of ING Group (see page 86). The purpose of this call option is to protect the independence, the continuity and the identity of ING Group against influences that are contrary to the interests of ING Group, its enterprise and the enterprises of its subsidiaries and all stakeholders (including, but not limited to, hostile takeovers).

The Board of ING Continuity Foundation currently comprises of four members who are independent of ING Group. No Executive Board member or former Executive Board member, Supervisory Board member or former Supervisory Board member, ING Group employee or former ING Group employee or permanent adviser or former permanent adviser to ING Group is on the Board of ING Continuity Foundation. The Board of ING Continuity Foundation appoints its own members, after consultation with the Supervisory Board of ING Group, but without any requirement for approval by ING Group.

Read more in the "ING Continuity Foundation" chapter. The ordinary shares are not used for protective purposes. The ordinary shares, which are all registered shares, are not listed on a stock exchange.

Depositary receipts

More than 99.9 percent of the issued ordinary shares are held by ING Trust Office (Stichting ING Aandelen). In exchange for these shares, ING Trust Office has issued depositary receipts. These depositary receipts are listed on various stock exchanges (see page 56 for an overview of the listings). Depositary receipts can be exchanged upon request of the holders of depositary receipts for non-listed ordinary shares, without any restriction, other than payment of an administrative fee of one eurocent (EUR 0.01) per depositary receipt with a minimum of 25 euros (EUR 25.00) per exchange transaction.

The holder of a depositary receipt is entitled to receive from ING Trust Office payment of dividends and other distributions corresponding to the dividends and other distributions received by ING Trust Office on an ordinary share.

The rights of a depositary receipt holder to participate in the discussions and decision-making of the General Meeting are described on page 84.

The Board of ING Trust Office currently comprises five members who are independent of ING Group. No Executive Board member or former Executive Board member, Supervisory Board member or former Supervisory Board member, ING Group employee or former ING Group employee or permanent adviser or former permanent adviser to ING Group is on the Board of ING Trust Office. The Board of ING Trust Office appoints its own members, without any requirement for approval by ING Group.

The Board of ING Trust Office reports on its activities through an annual report, which has been included on pages 83–85.

Issuance of shares

ING Group's authorised capital is the maximum amount of capital allowed to be issued under the terms of the Articles of Association. New shares in excess of this amount can only be issued if the Articles of Association are amended. For reasons of flexibility and to meet the requirement of the BRRD that the amount of authorised share capital should at all times be sufficient to permit the issue of as many ordinary shares as are required for a potential future bail-in, ING Group seeks to set the authorised capital in the Articles of Association at the highest level permitted by law, which is five times the actually issued share capital.

Share issuances are decided by the General Meeting, which may also delegate its authority. Each year, the General Meeting has been asked to delegate authority to the Executive Board to issue new ordinary shares or to grant rights to subscribe for new ordinary shares, both with and without pre-emptive rights to existing shareholders. The powers delegated to the Executive Board are limited:

- In time: powers are delegated for a maximum 18-month period.
- By number: insofar as a sufficient number of unissued ordinary shares is available in the authorised capital, ordinary shares may be issued up to a maximum of 10 percent of the issued share capital, or, in the event of a merger or takeover or to safeguard or conserve the capital position of ING Group, up to a maximum of 20 percent of the issued capital.
- In terms of control: resolutions by the Executive Board to issue shares require the approval of the Supervisory Board.

Specific approval by the General Meeting is required for any share issuances exceeding these limits.

This delegation of authority allows ING Group to respond promptly to developments in the financial markets.

- Without such delegation, should ING Group wish to issue new shares, there is an increased risk that conditions in the financial markets may change during the time needed to convene a General Meeting, especially given the 42-day statutory convocation period. In view of the importance of flexibility with respect to the issuance of shares, the Executive Board and the Supervisory Board will periodically evaluate the delegation of authority to issue shares and, if necessary, make adjusted proposals to the General Meeting.

The size and structure of this delegation were included in the corporate governance review, conducted in 2016. For more information please refer to the proxy materials for the 2016 Annual General Meeting.

Transfer of shares and depositary receipts and transfer restrictions

Shares are transferred by means of a deed of transfer between the transferor and the transferee. To become effective, ING Group has to acknowledge the transfer, unless ING Group itself is a party to the transfer. The Articles of Association do not restrict the transfer of ordinary shares, whereas the transfer of cumulative preference shares is subject to prior approval of the Executive Board. The Articles of Association and the trust conditions for registered shares in the share capital of ING Group ("Trust Conditions") do not restrict the transfer of depositary receipts for shares. ING Group is not aware of the existence of any agreement pursuant to which the transfer of ordinary shares or depositary receipts for such shares is restricted.

Repurchase of shares

ING Group may repurchase outstanding shares and depositary receipts for such shares. Although the power to repurchase shares and depositary receipts for shares is vested in the Executive Board subject to the approval of the Supervisory Board, prior authorisation from the General Meeting is required for these repurchases. Under Dutch law, this authorisation lapses after 18 months. Each year, the General Meeting has been asked to approve the repurchase of shares by the Executive Board by means of a bipartite authorisation.

Pursuant to the first part of this authorisation, no more than 10 per cent of ING Group's share capital may be held as treasury shares. Pursuant to the second part of this authorisation, ING Group may repurchase an additional 10 per cent of its issued share capital in the event of a major capital restructuring; a proposal to cancel the shares acquired under the second part of this authorisation must be submitted to the General Meeting at the first available opportunity.

When repurchasing shares, the Executive Board must observe the price ranges prescribed in the authorisation. For the ordinary shares and depositary receipts for such

shares, the authorisation currently in force stipulates a minimum price of one eurocent and a maximum price equal to the highest stock price on Euronext Amsterdam by NYSE Euronext on the date on which the purchase agreement is concluded or on the preceding day of stock market trading.

Special rights of control

No special rights of control referred to in Article 10 of the directive of the European Parliament and the Council on takeover bids (2004/25/EC) are attached to any share.

Shareholders' structure

Pursuant to the Dutch Financial Supervision Act *(Wet op het financieel toezicht)*, any person who, directly or indirectly, acquires or disposes of an interest in the voting rights and/or the capital of ING Group as a result of which acquisition or disposal the percentage of his voting rights or capital interest, whether through ownership of shares, depositary receipts, American depositary shares or any other financial instrument, whether stock-settled or cash-settled, such as call or put options, warrants, swaps or any other similar contract, reaches, exceeds or falls below certain thresholds, is required to notify in writing the Dutch Authority for the Financial Markets *(Autoriteit Financiële Markten)* immediately after the acquisition or disposal of the triggering interest in ING Group's share capital. These thresholds are 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95% of the issued share capital of ING Group. The notification will be recorded in a public register which is held by the AFM.

Details of investors, if any, who have reported their interest in ING Group pursuant to the Dutch Financial Supervision Act (or the predecessor of this legislation), are shown on page 56.

ING Group is not aware of any investors (or potential shareholders) with an interest of 3 percent or more in ING Group other than those shown on page 56 as per year-end 2015.

Pursuant to Regulation (EU) no. 236/2012 of the European Parliament and the Council on short selling and certain aspects of credit default swaps, any person who acquires or disposes of a net short position relating to the issued share capital of ING Group, whether by a transaction in shares, depositary receipts or American depositary receipts, or by a transaction creating or relating to any financial instrument where the effect or one of the effects of the transaction is to confer a financial advantage on the person entering into that transaction in the event of a change in the price of such shares, depositary receipts or American depositary receipts, is required to notify, in accordance with the provisions of the above-mentioned Regulation:

a. The Dutch Authority for the Financial Markets *(Autoriteit Financiële Markten)* if, as a result of which acquisition or disposal his net short position reaches, exceeds or falls below 0.2% of the issued share capital of ING Group and each 0.1% above that.

b. ING Group if, as a result of which acquisition or disposal his net short position reaches, exceeds or falls below 0.5% of the issued share capital of ING Group and each 0.1% above that.

Investor Relations and bilateral contacts with investors

ING Group encourages and recognises the importance of bilateral communication with the investment community. The Investor Relations department actively manages communications with current and potential shareholders, holders of depositary receipts, bondholders, and industry analysts.

ING Group strives to provide clear, accurate and timely financial information that is in strict compliance with applicable rules and regulations, in particular those concerning selective disclosure, price-sensitive information and equal treatment. In addition to the Annual General Meeting, ING Group communicates with its shareholders and the investment community through earnings announcements, presentations, and meetings with analysts or investors.

ING Group publishes a comprehensive quarterly disclosure package that includes extensive and detailed financial figures with relevant explanatory remarks. This information is discussed thoroughly on the day of the earnings release during media and analyst and investor conference calls. These are broadly accessible to interested parties. The publication dates of quarterly earnings releases are announced in advance on ING Group's website.

ING Group participates in several industry conferences and generally hosts one Investor Relations Day every two to three years. These events are announced in advance on ING Group's website, and presentation materials are made available in real time on the website. This is in accordance with the applicable regulatory requirements intended to ensure that all shareholders and other market participants have equal and simultaneous access to information that could potentially influence the price of the company's securities. ING Group's Investor Relations Days can be accessed by means of live webcasts or telephone conferencing. Investor Relations Days or conferences in which ING Group participates will not take place during the period immediately prior to the publication of quarterly financial information.

ING Group strives to maintain an open and constructive dialogue with current and potential investors, and with industry analysts. The scope of such bilateral communication may range from single investor queries via email, to more elaborate discussions with analysts or institutional investors that take place via telephone or face-to-face. ING Group's Investor Relations department is the main point of contact for these communications. Executive Board members or Management Board or divisional management members may also participate in investor meetings. These meetings are not announced in advance, nor can they be followed by webcast or any other means. Information provided during such occasions is limited to what is already in the public

domain. If bilateral communication between ING Group and investors is organised and/or facilitated through a broker, an analyst or specialist salesperson representing the broker may be present in the meeting. ING Group does not provide brokers with any form of compensation for organising and/or facilitating such meetings.

In the event that non-public, price-sensitive information is inadvertently disclosed during any bilateral contacts, ING Group will publicly announce such information as soon as possible.

ING Group may decide not to accommodate or accept any requests or invitations to enter into a dialogue with potential investors, or to accommodate or accept such request or invitation under specific conditions. ING does not initiate bilateral contacts during the period immediately prior to publication of regular quarterly results.

Approximately 25 analysts actively cover and frequently issue reports on ING Group. A list of these analysts can be found under "Analyst Coverage" in the Investor Relations section of ING Group's website. During 2015, ING Group did not provide any form of compensation to parties that are directly or indirectly involved in the production or publication of analysts' reports, with the exception of credit-rating agencies.

ING Group participated at 17 industry conferences during the course of 2015. In total, there were approximately 589 meetings (including conference calls) with institutional investors and/or analysts. Conference presentations and face-to-face meetings with investors and/or analysts took place in 33 different cities across the globe.

ING Group did not host an Investor Day in 2015.

The geographical distribution of ING Group's investor base is diverse – an estimated 31% of our shares are held in the US, 24% in the UK, 11% in France, 8% in Germany, 5% in Switzerland, 4% in the Netherlands, 9% in rest of Europe and 8% in the rest of the world.

These figures are based on year-end 2015 estimates of institutional share ownership provided by IPREO.

Read more in the "ING Shares" chapter.

General Meeting

Frequency, notice and agenda of General Meetings

General Meetings are normally held each year in April or May to discuss the course of business in the preceding financial year on the basis of the reports prepared by the Executive Board and the Supervisory Board, and to decide on:

- The distribution of dividends or other distributions;
- The appointment and/or reappointment of members of the Executive Board and the Supervisory Board;
- Any other items requiring shareholder approval under Dutch law; and
- Any other matters proposed by the Supervisory Board, the Executive Board or shareholders or holders of depositary receipts in accordance with the Articles of Association.

General Meetings are convened by public notice via the ING Group website (www.ing.com) at least 42 days before the day of the General Meeting. As of the date of convening a General Meeting, all information relevant for shareholders and holders of depositary receipts is made via the ING Group website and through its head office.

Such information includes the notice for the General Meeting, the agenda, the place and time of the meeting, the address of the website of ING Group, the verbatim text of the proposals with an explanation and instructions on how to participate in the meeting (either in person or by proxy), as well as the reports of the Executive Board and the Supervisory Board. More complex proposals, such as proposals to amend the Articles of Association, are normally not included in the notice, but are made available separately on the website of ING Group and at the ING Group head office.

Proposals by shareholders and holders of depositary receipts

Proposals to include items on the agenda for a General Meeting that have been adequately substantiated under applicable Dutch law can be made by shareholders and holders of depositary receipts representing a joint total of at least 0.1 percent of the issued share capital or representing together a share value of at least EUR 50 million, calculated on the basis of the closing prices on the date of signature of the proposal, as published by Euronext Amsterdam N.V. Given the periods of notice required for proxy voting, proposals have to be submitted in writing at least 60 days before the date of the meeting.

Dialogue with shareholders and holders of depositary receipts

Shareholders and holders of depositary receipts were given the opportunity to contact ING about the Annual General Meeting 2015, via the Annual General Meeting dedicated web page on the website of ING Group (www.ing.com).

Record date

Pursuant to Dutch law, the record date for attending a general meeting and voting on the proposals at that general meeting is the 28th day before the day of the general meeting. Shareholders and holders of depositary receipts who hold shares and/or depositary receipts for shares at the record date are entitled to attend the general meeting and to exercise other rights related to the general meeting in question on the basis of their holding at the record date, notwithstanding any

subsequent sale or purchase of shares or depositary receipts for shares. The record date is published in the notice for the general meeting. In accordance with US requirements, the depositary sets a record date for the American Depositary Shares ("ADSs"), which date determines which ADSs are entitled to give voting instructions. This record date can differ from the record date set by ING Group for shareholders and holders of depositary receipts.

Attending General Meetings

For logistical reasons, attendance at the General Meeting by shareholders and holders of depositary receipts, either in person or by proxy, is subject to the requirement that ING Group is notified in advance. Instructions to that effect are included in the notice for the General Meeting.

General Meetings are webcast via ING Group's website (www.ing.com), so that shareholders and holders of depositary receipts who do not attend the General Meeting in person may nevertheless follow the course of affairs in the meeting online.

Voting rights on shares

Each share entitles the holder to cast one vote at the General Meeting. The Articles of Association do not restrict the voting rights on any class of shares. ING Group is not aware of any agreement pursuant to which voting rights on any class of its shares are restricted.

Voting on the ordinary shares by holders of depositary receipts as proxy of ING Trust Office

Although the depositary receipts for shares do not formally carry any voting rights, holders of depositary receipts, in practice, rank equally with shareholders with regard to voting. ING Trust Office will, subject to certain restrictions, grant a proxy to a holder of depositary receipts allowing such holder, in the name of ING Trust Office, to exercise the voting rights attached to the number of ordinary shares that corresponds to the number of depositary receipts held by such holder of depositary receipts. On the basis of such a proxy, the holder of depositary receipts may vote such shares according to his or her own discretion.

The following restrictions apply to the granting of voting proxies to holders of depositary receipts by ING Trust Office:

- The relevant holder of depositary receipts must have announced his or her intention to attend the General Meeting observing the provisions laid down in the Articles of Association.
- The relevant holder of depositary receipts may delegate the powers conferred upon him or her by means of the voting proxy, provided that the relevant holder of depositary receipts has announced his or her intention to do so to ING Trust Office observing a term before the commencement of the General Meeting, which term will be determined by ING Trust Office.

Voting instructions of holders of depositary receipts to ING Trust Office

Holders of depositary receipts not attending a General Meeting are entitled to give binding instructions to ING Trust Office, concerning ING Trust Office's exercise of the voting rights attached to the ordinary shares. ING Trust Office will follow such instructions for such number of ordinary shares equal to the number of depositary receipts for shares held by the relevant holder of depositary receipts.

Voting on the ordinary shares by ING Trust Office

ING Trust Office has discretion to vote in respect of shares for which it has not issued voting proxies to holders of depositary receipts and has not received any voting instructions.

According to its articles of association and the Trust Conditions, ING Trust Office is guided primarily by the interests of the holders of depositary receipts, taking into account the interests of ING Group and its affiliated enterprises.

ING Trust Office promotes the solicitation of specific proxies or voting instructions by holders of depositary receipts. ING Trust Office encourages the greatest possible participation of holders of depositary receipts and promotes the execution of voting rights in a transparent way. At the same time it prevents a minority of shareholders and holders of depositary receipts from using a chance majority of votes to the disadvantage of the shareholders and holders of depositary receipts neither present nor represented at a General Meeting of ING Group.

Proxy voting facilities

ING Group provides proxy voting facilities to its investors via its website and solicits proxies from its ADS holders in line with common practice in the US.

Proxy voting forms for shareholders and voting instruction forms for holders of depositary receipts are made available on the website of ING Group (www.ing.com). The submission of these forms is subject to additional conditions specified on such forms.

In order to encourage the participation at the Annual General Meeting, ING introduced the EVO Platform for the first time in the Annual General Meeting of 2014. The EVO Platform provides holders of depositary receipts an online facility to register for the meeting, to appoint a proxy or to issue voting instructions to the ING Trust Office.

Main powers of the General Meeting

The main powers of the General Meeting are to decide on:

- The appointment, suspension and dismissal of members of the Executive Board and members of the Supervisory Board, subject to a binding nomination or a proposal of the Supervisory Board as set forth in the Articles of Association.
- The adoption of the annual accounts.
- The declaration of dividends, subject to the power of the Executive Board to allocate part or all of the profits to the reserves – with approval of the Supervisory Board – and the declaration of other distributions, subject to a proposal by the Executive Board which was approved by the Supervisory Board.
- The appointment of the external auditor.
- An amendment of the Articles of Association, a legal merger or division of ING Group, and winding-up of ING Group, all subject to a proposal made by the Executive Board upon approval by the Supervisory Board.
- The issuance of shares or rights to subscribe for shares, the restriction or exclusion of pre-emptive rights of shareholders, and delegation of these powers to the Executive Board, subject to a proposal by the Executive Board which was approved by the Supervisory Board.
- The authorisation of a repurchase of outstanding shares and/or a cancellation of shares.

Moreover, the approval of the General Meeting is required for Executive Board decisions that would be considered greatly to change the identity or nature of ING Group or its enterprise. This includes resolutions to transfer or otherwise assign all, or substantially all, of the enterprise of ING Group or its subsidiaries as a consequence of which such resolutions ING Group or the group of companies over which ING Group exercises control, would cease to engage in either insurance or banking activities.

Reporting

Resolutions adopted at a General Meeting are generally published on the website of ING Group (www.ing.com) following the meeting, within one week. The draft minutes of the General Meeting are, in accordance with the Corporate Governance Code, made available to shareholders and holders of depositary receipts on the website of ING Group (www.ing.com) no later than three months after the meeting. Shareholders and holders of depositary receipts may react to the draft minutes in the following three months, after which the final minutes will be adopted by the chairman of the meeting in question and by a shareholder or holder of depositary receipts appointed by that meeting. The final minutes are made available on the website of ING Group (www.ing.com). In a deviation from the provisions of the Corporate Governance Code, shareholders and holders of depositary receipts will not have the opportunity to react to the minutes of a General Meeting if a notarial report of the meeting is made, as this would be in conflict with the laws applicable to such notarial report.

Executive Board

Appointment and dismissal

Members of the Executive Board are appointed by the General Meeting from a binding list to be drawn up by the Supervisory Board. The list will be rendered non-binding if a resolution of the General Meeting to that effect is adopted by an absolute majority of the votes cast which majority represents more than one-third of the issued share capital. Candidates for appointment to the Executive Board must comply with the suitability and reliability requirements set out in the Dutch Financial Supervision Act and must continue to meet these while in office.

Members of the Executive Board may be suspended or dismissed at any time by a majority resolution of the General Meeting.

A resolution to suspend or dismiss members of the Executive Board that has not been proposed by the Supervisory Board may only be adopted by the General Meeting by an absolute majority of the votes cast, which majority represents more than one-third of the issued share capital.

Function of the Executive Board

The Executive Board is charged with the management of ING Group, which means, among other things, that it is responsible for setting and achieving ING Group's objectives, strategy and policies, as well as the ensuing delivery of results. It also includes the day-to-day management of ING Group. The Executive Board is accountable for the performance of these duties to the Supervisory Board and the General Meeting. The responsibility for the management of ING Group is vested in the Executive Board collectively. The organisation, powers and modus operandi of the Executive Board are detailed in the Executive Board Charter, which was approved by the Supervisory Board. The Executive Board Charter is available on the website of ING Group (www.ing.com).

According to the Banker's Oath that was taken by the members of the Executive Board, they must carefully consider the interests of all stakeholders of ING. In that consideration they must give paramount importance to client's interests.

ING Group indemnifies the members of the Executive Board against direct financial losses in connection with claims from third parties, as far as permitted by law, on the conditions laid down in their employment or commission contract. ING Group has taken out liability insurance for the members of the Executive Board.

Profile of members of the Executive Board

The Supervisory Board has drawn up a profile to be used as a basis for selecting members of the Executive Board. It is available on the website of ING Group (www.ing.com) and at the ING Group head office.

ING Group aims to have an adequate and balanced composition of its Executive Board. The Supervisory

Board annually assesses the composition of the Executive Board. In the context of such assessment, ING Group aims to have a gender balance by having at least 30% men and at least 30% women amongst its Executive Board members.

However, because of the fact that ING Group needs to balance several relevant selection criteria when composing its Executive Board, the composition of the Executive Board did not meet the above-mentioned gender balance in 2015 (no women). ING Group will continue to strive for an adequate and balanced composition of its Executive Board in future appointments, by taking into account all relevant selection criteria including, but not limited to, gender balance, executive experience, experience in corporate governance of large stock-listed companies and experience in the political and social environment.

Remuneration and share ownership

Members of the Executive Board are permitted to hold shares and depositary receipts for shares in the share capital of ING Group for long-term investment purposes. Transactions by members of the Executive Board in these shares and these depositary receipts for shares are subject to the ING regulations for insiders. These regulations are available on the website of ING Group (www.ing.com).

Details of the remuneration of members of the Executive Board, including shares granted to them, together with additional information, are provided in the "Remuneration report".

Ancillary positions/conflicting interests

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 Corporate Governance Code, transactions with members of the Executive Board in which there are significant conflicting interests will be disclosed in the Annual Report. In deviation from the Corporate Governance Code, however, this does not apply if (i) such disclosure would be against the law; (ii) the confidential, share-price sensitive or competition-sensitive character of the transaction prevents disclosure; and/or (iii) the information is so competition-sensitive that the disclosure could damage the competitive position of ING Group.

Significant conflicting interests are considered to be absent and are not reported 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 their business on terms that apply to all employees. In connection with the aforementioned, "loans" does not include financial products in which the granting of credit is of a subordinated nature, e.g. credit cards and overdrafts in current account, because of a lack of materiality.

For an overview of loans granted to members of the Executive Board, see page 97.

Information on members of the Executive Board

R.A.J.G. (Ralph) Hamers, chief executive officer

(Born 1966, Dutch nationality, male; appointed in 2013, term expires in 2017)

Ralph Hamers is a member of the Executive Board of ING Group since 13 May 2013 and was appointed CEO of the Executive Board on 1 October 2013. He also serves as a member and CEO on the Management Board Banking. He joined ING in 1991 and has held various positions including Global Head Wholesale Banking Network from 2007 to 2010, Head of Network Management for Retail Banking Direct & International from 2010 to 2011, and CEO of ING Belgium and Luxembourg from 2011 to 2013. He holds a Master of Science degree in Business Econometrics/Operations Research from Tilburg University, the Netherlands.

Ancillary positions pursuant to CRD IV:
Chairman of the Executive Board of ING Groep N.V.
Chairman of the Management Board of ING Bank N.V.
Other relevant ancillary position: Member of the Management Board of the Nederlandse Vereniging van Banken (NVB).

P.G. (Patrick) Flynn, chief financial officer

(Born 1960, Irish nationality, male; appointed in 2009, term expires in 2017)

Patrick Flynn is a member of the Executive Board of ING Group since 27 April 2009. He also serves as a member and CFO on the Management Board Banking. He is responsible for ING's finance departments, including ING Tax, Capital Management, Investor Relations and Group Acquisitions & Divestments. He is a Chartered Accountant, a member of the Institute of Chartered Accountants Ireland, and a member of the Association of Corporate Treasurers in the UK. He holds a Bachelor's degree in Business Studies from Trinity College Dublin.

Ancillary positions pursuant to CRD IV:
Member and CFO of the Executive Board of ING Groep N.V.
Member and CFO of the Management Board of ING Bank N.V.

W.F. (Wilfred) Nagel, chief risk officer

(Born 1956, Dutch nationality, male; appointed in 2012, term expires in 2016)

Wilfred Nagel is a member of the Executive Board of ING Group since 14 May 2012. He also serves as a member and CRO on the Management Board Banking. He is responsible for ING's risk management departments, including Compliance Risk Management. He was CEO of ING Bank Turkey until 5 October 2011, when he was appointed as a member of the Management Board Banking. He joined ING in 1991 and held various positions including Global Head Credit Risk Management from 2002 to 2005 and CEO Wholesale Banking in Asia from 2005 to 2010. He holds a Master's degree in Economics from VU University Amsterdam.

Ancillary positions pursuant to CRD IV:
Member and CRO of the Executive Board of ING Groep N.V. Member and CRO of the Management Board of ING Bank N.V.

Supervisory Board

Appointment and dismissal

Members of the Supervisory Board are appointed by the General Meeting from a binding list to be drawn up by the Supervisory Board. The list will be rendered non-binding if a resolution of the General Meeting to that effect is adopted by an absolute majority of the votes cast, which majority represents more than one-third of the issued share capital. Candidates for appointment to the Supervisory Board must comply with the suitability and reliability requirements set out in the Dutch Financial Supervision Act and must continue to meet these while in office.

Members of the Supervisory Board may be suspended or dismissed at any time by a majority resolution of the General Meeting.

A resolution to suspend or dismiss members of the Supervisory Board that has not been proposed by the Supervisory Board may only be adopted by the General Meeting by an absolute majority of the votes cast, which majority represents more than one-third of the issued share capital.

Function of the Supervisory Board

The function of the Supervisory Board is to supervise the policy of the Executive Board and the general course of events of ING Group and its business, as well as to provide advice to the Executive Board.
In line with Dutch company law, the Articles of Association, the Corporate Governance Code as well as the Supervisory Board Charter, all members of the Supervisory Board are required to:

- Act in accordance with the interests of ING Group and the business connected with it, taking into account the relevant interests of all stakeholders of ING Group;
- Perform their duties without mandate and independent of any interest in the business of ING Group; and
- Refrain from supporting one interest without regard to the other interests involved.

According to the Banker's Oath that was taken by the members of the Supervisory Board, they must carefully consider the interests of all stakeholders of ING. In that consideration they must give paramount importance to the interests of the clients.

Certain resolutions of the Executive Board, specified in the Articles of Association, the Executive Board Charter and in the Supervisory Board Charter, are subject to approval of the Supervisory Board.

ING Group indemnifies the members of the Supervisory Board against direct financial losses in connection with claims from third parties as far as permitted by law on the conditions laid down in an indemnity statement.

ING Group has taken out liability insurance for the members of the Supervisory Board.

Profile of members of the Supervisory Board

The Supervisory Board has drawn up a profile to be used as a basis for its composition. It is available on the website of ING Group (www.ing.com) and at the ING Group head office.

In view of their experience and the valuable contribution that former members of the Executive Board can make to the Supervisory Board, it has been decided, taking into account the size of the Supervisory Board and ING's wide range of activities that such individuals may become members of the Supervisory Board of ING Group. Former Executive Board members must wait at least one year before becoming eligible for appointment to the Supervisory Board.

Former members of the Executive Board are not eligible for appointment to the position of chairman or vice-chairman of the Supervisory Board.

After being appointed to the Supervisory Board, a former member of the Executive Board may also be appointed to one of the Supervisory Board's committees. However, appointment to the position of chairman of a committee is only possible if the individual in question resigned from the Executive Board at least four years prior to such appointment.

ING Group needs to balance several relevant selection criteria when composing its Supervisory Board but strives for an adequate and balanced composition of the board by taking into account all relevant selection criteria including, but not limited to, experience in retail and wholesale banking, gender balance, executive experience, experience in corporate governance and experience in the political and social environment.

Annually, the Nomination Committee assesses the composition of the Supervisory Board. In the context of such assessment, ING Group aims to have a gender balance by having at least 30% men and at least 30% women amongst its Supervisory Board members. After the appointment of Mariana Gheorghe at the Annual General Meeting in May 2015, the composition of the Supervisory Board met the above-mentioned gender balance (33% women). However, after Carin Gorter stepped down in September 2015, the gender balance was no longer met.

Term of appointment of members of the Supervisory Board

A member of the Supervisory Board retires no later than at the end of the first General Meeting held four years after his or her last appointment or reappointment.
In accordance with the Corporate Governance Code, members of the Supervisory Board may, as a general rule, be reappointed for two additional four-year terms.

Under special circumstances however, the Supervisory Board may deviate from this general rule, for instance in order to maintain a balanced composition of the Supervisory Board and/or to preserve valuable expertise and experience. As a general rule, members of the Supervisory Board shall also resign at the end of an Annual General Meeting in the year in which they attain the age of 70 and shall not be reappointed. However, the Supervisory Board may, at its discretion, decide to deviate from this age limit. The schedule for resignation by rotation is available on the website of ING Group (www.ing.com).

Ancillary positions/conflicting interests

Members of the Supervisory Board may hold various other directorships, paid positions and ancillary positions and are asked to provide details on these. The Dutch Financial Supervision Act, implementing the fourth EU Capital Requirements Directive (CRD IV), restricts the total number of supervisory board positions or non-executive directorships with commercial organisations that may be held by a Supervisory Board member to four, or to two, if the Supervisory Board member also has an executive board position. The European Central Bank may permit a Supervisory Board member to fulfil an additional supervisory board position or non-executive directorship. In the calculation of these maximums, positions with, inter alia, subsidiaries or qualified holdings are not taken into account. Such positions may not conflict with the interests of ING Group. It is the responsibility of the individual member of the Supervisory Board and the Corporate Governance Committee to ensure that the directorship duties are performed properly and are not affected by any other positions that the individual may hold outside ING Group.

Members of the Supervisory Board are to disclose material conflicts of interest and potential conflicts of interest and to provide all relevant information relating to them. The Supervisory Board – without the member concerned taking part – then decides whether a conflict of interest exists.

In case of a conflict of interest, the relevant member of the Supervisory Board abstains from discussions and decision-making on the topic or the transaction in relation to which he or she has a conflict of interest with ING Group.

Transactions involving actual or potential conflicts of interest

In accordance with the Corporate Governance Code, transactions with members of the Supervisory Board in which there are significant conflicting interests will be disclosed in the Annual Report. In deviation from the Corporate Governance Code, however, this does not apply if (i) such disclosure would be against the law; (ii) the confidential, share-price sensitive or competition-sensitive character of the transaction prevents such disclosure; and/or (iii) the information is so competition-sensitive that disclosure could damage the competitive position of ING Group.

Any relation that a member of the Supervisory Board may have with ING Group subsidiaries as an ordinary, private individual, is not considered a significant conflict of interest. Such relationships are not reported, with the exception of any loans that may have been granted.

For an overview of loans granted to members of the Supervisory Board, see page 99.

Independence

Annually, the members of the Supervisory Board are requested to assess whether the criteria of dependence set out in the Corporate Governance Code do not apply to them and to confirm this in writing. On the basis of these criteria, all members of the Supervisory Board, with the exception of Eric Boyer de la Giroday, are to be regarded as independent on 31 December 2015. Eric Boyer de la Giroday is not to be considered independent because of his position as Chairman of the Board of Directors of ING Belgium S.A./N.V. and his former positions as member of the Executive Board of ING Group and vice-chairman of the Management Board Banking of ING Bank N.V. On the basis of the NYSE listing standards, all members of the Supervisory Board are to be regarded as independent.

Committees of the Supervisory Board

On 31 December 2015, the Supervisory Board had five standing committees: the Audit Committee, the Risk Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. Below you will find an organisational chart of the five committees of the Supervisory Board.

The organisation, powers and conduct of the Supervisory Board are detailed in the Supervisory Board Charter.

Separate charters have been drawn up for the Audit Committee, the Risk Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. These charters are available on the website of ING Group (www.ing.com). A short description of the duties for the five Committees follows below.

The Audit Committee assists the Supervisory Board in monitoring the integrity of the financial statements of ING Group, and ING Bank N.V., in monitoring the compliance with legal and regulatory requirements and in monitoring the independence and performance of ING Group's internal and external auditors. On 31 December 2015, the members of the Audit Committee were: Hermann-Josef Lamberti (chairman), Eric Boyer de la Giroday, Isabel Martín Castellá, and Robert Reibestein. Following the unforeseen departure in September 2015 of Carin Gorter, no other member of the Audit Committee is considered a "financial expert" as defined by the SEC in its final rules implementing Section 407 of the Sarbanes-Oxley Act of 2002. Eric Boyer de la Giroday is a financial expert as defined in the Dutch Corporate Governance Code considering his academic background as well as his knowledge and experience in his previous role as board member and vice-chairman of ING Groep N.V. and ING Bank N.V.

The Risk Committee assists and advises the Supervisory Board in monitoring the risk profile of ING as a whole as well as the structure and operation of the internal risk management and control systems. On 31 December 2015, the members of the Risk Committee were: Robert Reibestein (chairman), Eric Boyer de la Giroday, Hermann-Josef Lamberti and Jeroen van der Veer.

The Remuneration Committee's tasks include advising the Supervisory Board on the terms and conditions of employment (including remuneration) of the members of the Executive Board and on the policies and general principles on which the terms and conditions of employment of the members of the Executive Board and of senior managers of ING Group and its subsidiaries are based. On 31 December 2015, the members of the Remuneration Committee were: Henk Breukink (chairman), Joost Kuiper and Jeroen van der Veer.

The Nomination Committee's tasks include advising the Supervisory Board on the composition of the Supervisory Board and Executive Board. On 31 December 2015, the members of the Nomination Committee were: Jeroen van der Veer (chairman), Henk Breukink, Isabel Martín Castellá and Joost Kuiper.

The Corporate Governance Committee assists the Supervisory Board in monitoring and evaluating the corporate governance of ING as a whole and reporting on this in the Annual Report and to the General Meeting. It also advises the Supervisory Board on improvements.

On 31 December 2015, the members of the Corporate Governance Committee were: Henk Breukink (chairman) and Jeroen van der Veer.

Composition of the Supervisory Board Committees can be found at ING Group's website (www.ing.com) which is updated on a regular basis.

Company secretary

The Supervisory Board is assisted by the company secretary Cindy van Eldert-Klep.

Remuneration and share ownership

Remuneration of the members of the Supervisory Board is determined by the General Meeting and is not dependent on the results of ING Group. Details of the remuneration are provided in the Remuneration report on page 98. Members of the Supervisory Board are permitted to hold shares and depositary receipts for shares in the share capital of ING Group for long-term investment purposes. Details are given on page 99. Transactions by members of the Supervisory Board in these shares and depositary receipts for shares are subject to the ING regulations regarding insiders.

ING regulations regarding insiders are available on the website of ING Group (www.ing.com).

Information on members of the Supervisory Board

J. (Jeroen) Van der Veer (chairman)

(Born 1947, Dutch nationality, male; appointed in 2009, term expires in 2017)
Former chief executive officer of Royal Dutch Shell plc.

Ancillary positions pursuant to CRD IV:
Chairman of the Supervisory Board of ING Groep N.V., Chairman of the Supervisory Board of ING Bank N.V., Chairman of the Supervisory Board of Koninklijke Philips Electronics N.V., member of the Supervisory Board of Koninklijke Boskalis Westminster N.V.

Other relevant ancillary positions:
Member of the Supervisory Board of Het Concertgebouw N.V., member of the Supervisory Council of Nederlands Openluchtmuseum, member of Supervisory Council of Nationale Toneel (theatre), Chairman of the Supervisory Council of Stichting Platform Bèta Techniek, Chairman of the Supervisory Council of the Technical University of Delft, Chairman of the Council of Rotterdam Climate Initiative, member of the Governing Board of the European Institute for Technology & Innovation (EIT), Vice-chairman of the Global Agenda Council "The future of oil and gas" of the World Economic Forum.

H.J.M. (Hermann-Josef) Lamberti (vice-chairman)

(Born 1956, German nationality, male; appointed in 2013, term expires in 2017)
Former chief operating officer of Deutsche Bank AG.

Ancillary positions pursuant to CRD IV:
Vice-chairman of the Supervisory Board of ING Groep N.V., Vice-chairman of the Supervisory Board of ING Bank N.V., non-executive member of the Board of Directors of Airbus Group N.V., (formerly European Aeronautic

Defense and Space Company N.V.), Chairman of the Supervisory Board of Hypo Group Alpe Adria (HAA), SEE (Austria), member of the Supervisory Board Open-Xchange AG, member of the Supervisory Board of Stonebranch. The number of positions held by Hermann-Josef Lamberti currently exceeds the maximum allowed under CRD IV. Steps are being taken to ensure that he will be fully compliant with the CRD requirements in the future.

E.F.C.B. (Eric) Boyer de la Giroday

(Born 1952, Belgian nationality, male: appointed in 2014, term expires in 2018)
Former Vice-Chairman Management Board Banking ING Groep N.V. and ING Bank N.V.

Ancillary positions pursuant to CRD IV:
member of the Supervisory Board of ING Groep N.V.
member of the Supervisory Board of ING Bank N.V.
Chairman of the Board of Directors of ING Belgium S.A./N.V.

Other relevant ancillary positions:
Member of the Finances Consultative Committee of the Fonds de la Recherche Scientifique (FNRS), member of the Finance Consultative Committee of the Fondation Universitaire.

H.W. (Henk) Breukink

(Born 1950, Dutch nationality, male; appointed in 2007, term expires in 2019)
Former managing director of F&C and country head for F&C Netherlands (asset management firm).

Ancillary positions pursuant to CRD IV:
member of the Supervisory Board of ING Groep N.V.,
member of the Supervisory Board of ING Bank N.V.,
Chairman of the Supervisory Board of NSI N.V. (real estate fund), non-executive director of Brink Groep B.V.

Other relevant ancillary positions:
Chairman of the Supervisory Board of Stichting Hoger Onderwijs Nederland, non-Executive Director of Gemeente Museum Den Haag.

I. (Isabel) Martín Castellá

(Born 1947, Spanish nationality, female; appointed in 2013, term expires in 2017)
Former Vice-President and member of the Management Committee of the European Investment Bank.

Ancillary positions pursuant to CRD IV:
member of the Supervisory Board of ING Groep N.V.,
member of the Supervisory Board of ING Bank N.V.,
member of the Supervisory Board of SACYR S.A.

Other relevant ancillary position: non-executive board member of Fundacíon Konecta.

M. (Mariana) Gheorghe

(Born 1956, Romanian nationality, female, appointed in 2015, term expires in 2019)
Current Chief Executive Officer OMV Petrom S.A.

Ancillary positions pursuant to CRD IV:
member of the Supervisory Board of ING Groep N.V.,
member of the Supervisory Board of ING Bank N.V.,
Chief Executive Officer of OMV Petrom S.A., Chairwoman of the Supervisory Board of OMV Petrom Marketing SRL, Chairwoman of the Supervisory Board of OMV Petrom Gas SRL, member of the Supervisory Board of OMV Petrom Global Solutions SRL.

Other relevant ancillary positions:
member of the Board of Directors in the Foreign Investors Council (FIC) (Romania), Vice-President Aspen Institute (Romania), President of the Institute for Corporate Governance (ICG) (Romania), board member of the World Energy Council (WEC) (Romania), member of the Romanian Association for the Club of Rome.

J.C.L. (Joost) Kuiper

(Born 1947, Dutch nationality, male; appointed in 2011, term expires in 2017)
Former member of the Executive Board of ABN AMRO Bank N.V.

Ancillary positions pursuant to CRD IV:
member of the Supervisory Board of ING Groep N.V.,
member of the Supervisory Board of ING Bank N.V.,
Chairman of the Supervisory Board of IMC B.V.

Other relevant ancillary positions:
member of the advisory Board Boelens & De Gruyter B.V., member of the Advisory Board of Boron, Chairman of the Supervisory Council of Stichting Stadsschouwburg Amsterdam, Chairman of the Board of Stichting Ooglijders Rotterdam, Chairman of Stichting Administratiekantoor Koninklijke Brill.

R.W.P. (Robert) Reibestein

(Born 1956, Dutch nationality, male; appointed in 2012 as an observer, full member as of 2013, term expires in 2017)
Former senior partner of McKinsey & Company.

Ancillary position pursuant to CRD IV:
member of the Supervisory Board of ING Groep N.V.,
member of the Supervisory Board of ING Bank N.V.,
member of the Supervisory Board of IMC B.V.

Other relevant ancillary positions: member of the Supervisory Board of Stichting World Wildlife Fund, member of the European Council on Foreign Relations (London).

Changes in the composition

In May 2015, the General Meeting appointed Mariana Gheorghe to the Supervisory Board, while Joost Kuiper and Henk Breukink were reappointed. Carin Gorter stepped down from the Supervisory Board on 3 September 2015.

Financial reporting

A description of the main features of ING Group's internal control and risk management systems in relation to the financial reporting process is included in the statement with respect to Section 404 of the Sarbanes- Oxley Act on pages 88–89, which is deemed to be incorporated by reference herein.

Change of control provisions

Legal provisions

Pursuant to the terms of the Dutch Financial Supervision Act, a declaration of no objection from the European Central Bank (ECB) must be obtained by anyone wishing to acquire or hold a participating interest of at least 10 percent in ING Group and to exercise control attached to such a participating interest. Similarly, on the basis of indirect change of control statutes in the various jurisdictions where subsidiaries of ING Group are operating, permission from, or notification to, local regulatory authorities may be required for the acquisition of a substantial interest in ING Group.

Change of control clauses in material agreements

ING Group is not a party to any material agreement that becomes effective or is required to be amended or terminated, in case of a change of control of ING Group following a public bid as defined in section 5:70 of the Dutch Financial Supervision Act. ING Group subsidiaries may have customary change of control arrangements included in agreements related to various business activities, such as joint-venture agreements, letters of credit and other credit facilities, ISDA-agreements, hybrid capital and debt instruments, reinsurance agreements and futures and option trading agreements. Following a change of control of ING Group (as the result of a public bid or otherwise) such agreements may be amended or terminated, leading, for example, to an obligatory transfer of the interest in the joint venture, early repayment of amounts due, loss of credit facilities or reinsurance cover, and liquidation of outstanding futures and option trading positions.

Severance payments to members of the Executive Board

The contracts entered into with the members of the Executive Board provide for severance payments, which become due upon termination of the applicable Executive Board member's contract in connection with a public bid as defined in section 5:70 of the Dutch Financial Supervision Act. For purposes of calculating the amounts due, it is not relevant whether or not termination of the employment or commission contract is related to a public bid. Severance payments to the members of the Executive Board are limited to a maximum of one year's fixed salary, in line with the Corporate Governance Code.

Amendment of the Articles of Association

The General Meeting may resolve to amend the Articles of Association, provided that the resolution is adopted on a proposal of the Executive Board, which has been approved by the Supervisory Board. Such a resolution of the General Meeting requires a majority of at least two-thirds of the votes cast at a General Meeting, whereby at least two-thirds of the issued share capital is represented. An amendment of the Articles of Association has to be passed by notarial deed.

External auditor

Ernst & Young Accountants LLP ("EY") was appointed to audit the financial statements of ING Group for the financial year 2015, to audit the effectiveness of internal control over financial reporting on 31 December 2015, to report on the outcome of these audits to the Executive Board and the Supervisory Board and to provide an audit opinion on the financial statements of ING Group. Additionally EY performs a review of the sustainability information in the annual report to obtain limited assurance about whether this information is free from material misstatement.

At the annual General Meeting held on 11 May 2015, KPMG Accountants ("KPMG") was appointed as the new external audit firm for ING Group for the audit of the annual accounts for the financial years 2016 through 2019. The appointment of KPMG was the result of a thorough tender process overseen by the Audit Committee of the Supervisory Board and in accordance with ING Group's policy on the Auditors' Independence.

The external auditor may be questioned at the Annual General Meeting in relation to its audit opinion on the financial statements. The external auditor will therefore attend and be entitled to address this meeting. The external auditor attended the meetings of the Audit Committee and of the Risk Committee and attended and addressed the 2015 Annual General Meeting, at which the external auditor was questioned on the audit opinion.

The external auditor may only provide services to ING Group and its subsidiaries with the permission of the Audit Committee.

ING Group provides the Audit Committee with a full overview of all services provided by the external auditor, including related fees, supported by sufficiently detailed information. This overview is periodically evaluated by the Audit Committee throughout the year.

More information on ING Group's policy on external auditor independence is available on the website of ING Group (www.ing.com).

Report Of ING Trust Office

The following report is issued in compliance with the provisions of article 14 of the trust conditions for registered shares in the share capital of ING Groep N.V. ("ING Group") and best-practice provision IV.2.6 of the Dutch Corporate Governance Code.

Object

The Stichting ING Aandelen ("ING Trust Office"), a foundation organised under the laws of the Netherlands, was incorporated on 22 January 1991. The articles of association were most recently amended on 7 October 2010 (the "Articles of Association"). The most recent amendments of the trust conditions for registered shares in the share capital of ING Groep N.V. ("Trust Conditions") date from 2 September 2011.
The object of the Trust Office, as described in the Articles of Association, is as follows:

a. to acquire and administer against assignment of depositary receipts, registered shares in the capital of ING Groep N.V., a public limited company with its registered office in Amsterdam and any bonus shares which may be distributed thereon or shares acquired as stock dividend or by the exercise of subscription rights and to issue exchangeable depositary receipts for these shares, to exercise voting rights and all other rights attaching to the shares, to exercise subscription rights and to receive dividends and other distributions, including proceeds of liquidation, subject to the obligation to distribute the income to the holders of depositary receipts, save that depositary receipts shall be issued for bonus shares, shares acquired as stock dividend and shares acquired on behalf of holders of depositary receipts by virtue of the exercise of subscription rights;
b. to foster the exchange of information between ING Group on the one hand and the holders of depositary receipts and shareholders in ING Group on the other;
c. to promote the solicitation of proxies of shareholders other than the foundation itself and of specific proxies and/or voting instructions of holders of depositary receipts, and further to engage in any activity which may be related to the foregoing in the widest sense, whereby all activities which entail commercial risk shall be excluded from the foundation's object.

Activities

Board meetings

During the 2015 reporting year, the board of ING Trust Office (the "Board") held six meetings.
The topics discussed in these meetings included:

- The Annual General Meeting of ING Group ("AGM") of 11 May 2015, the items on the agenda of the AGM, the proxy voting results and the voting by ING Trust Office during the AGM 2015;
- the annual report and the annual accounts of ING Trust Office, the results of the audit concerning the book year 2014 and the applicable accountancy rules;
- developments of corporate governance, more specific the recent developments for financial institutions;
- press releases of ING Group;
- the proposal of ING Group to appoint KPMG as auditor;
- the progress of the restructuring, more specifically the disinvestments of Voya and of NN Group N.V.;
- the corporate governance review;
- the functioning of ING Trust Office and the composition of the Board;
- the meeting and the preparation of the meeting of holders of depositary receipts of 18 November 2015;
- developments at ING Group on the basis of the quarterly reports, the annual report of ING Group and the presentations of ING Group to analysts;
- preparation of the meetings with the chairmen of the Executive Board and the Supervisory Board of ING Group on the basis of public information and press releases.

Meetings with ING Group

During the 2015 reporting year, the Board had three meetings with the chairmen of the Executive Board and the Supervisory Board of ING Group. In these meetings, among other things, the following topics were discussed:

- the results of ING Group based on the published figures of 2014 and the quarterly and half-year figures of 2015;
- the development of the surplus/buffer at parent company level due to disinvestments of Voya and NN Group N.V.;
- the ratio requirements imposed by the ECB, Basel and the Financial Stability Board (T-LAC);
- legal structure of ING and balance sheet optimisation;
- regulatory costs, such as the deposit guarantee scheme ("deposito garantie stelsel"), bank taxes, and the National Resolution Fund;
- the development of the cost/income ratio and of risk costs;
- several topics of the agenda of the AGM 2015;
- the progress of the restructuring of ING Group, among other things: (i) the transfer of the tranches in Voya; (ii) the conditions for deconsolidation of NN Group NV and (iii) the condition of a viable NN Bank;
- the dividend policy which was announced;
- IT strategy and IT security;
- risk related costs and exposure;
- contingent convertibles;
- the corporate governance review;
- impact of fintechs on financial industry;
- feedback from the depositary receipt holders meeting of 18 November 2015; and
- an update on the "Think Forward" strategy of ING Bank.

Annual General Meeting ING Group 2015, votes cast and voting behaviour

ING Trust Office attended the AGM 2015 and during this meeting ING Trust Office gave an explanation of voting with respect to the agenda item of the remuneration policy. The explanation of voting is included in the adopted minutes of the AGM 2015, available on the website of ING Group (www.ing.com).

Votes cast

During the AGM 2015, holders of around 57 percent of the outstanding depository receipts used their voting right, either by means of binding voting instructions to ING Trust Office (around 56 percent of the outstanding depository receipts) or by attending the meeting in person or represented by a third party (around 1 percent of the outstanding depository receipts). A more detailed overview of these voting results can be found on the website of ING Group (www.ing.com).

In accordance with the Articles of Association and the Trust Conditions, ING Trust Office voted at its own discretion on the shares for which it did not issue voting proxies and did not receive voting instructions, representing around 43 percent of the total votes that might be cast at the AGM 2015. In voting these shares, ING Trust Office was guided primarily by the interests of all holders of depositary receipts, taking into account the interests of ING Group and its affiliated enterprise in accordance with article 4 of the Trust Conditions and the best-practice and best-practice provision IV.2.6 of the Dutch Corporate Governance Code. ING Trust Office voted on these shares in favour of all voting items on the agenda of the AGM.

ING Trust Office promotes the solicitation of proxies of shareholders of ING Group other than ING Trust Office itself and of specific proxies or voting instructions of holders of depositary receipts. ING Trust Office encourages the greatest possible participation in the decision-making process in annual general meetings of shareholders and holders of depositary receipts and promotes the execution of voting rights in a transparent way. At the same time it aims to prevent a situation occurring where a minority of shareholders and holders of depositary receipts could use a chance majority of votes to the disadvantage of the shareholders and holders of depositary receipts nor present nor represented at a general meeting of ING Group.

Meeting of holders of depositary receipts on 18 November 2015

According to the Trust Conditions, ING Trust Office may consult holders of depositary receipts in a separate meeting if and when it considers this necessary or desirable. In addition, one or more holders of depositary receipts who jointly hold at least 10 percent of the total number of depositary receipts issued by ING Trust Office may request the Board in writing, setting out the matters to be considered in detail, to convene a meeting of holders of depositary receipts.

The Board convened a meeting of holders of depositary receipts, which was held on 18 November 2015. Holders of 0,009 percent of the total number of depositary receipts issued were present or were represented during this meeting. During the meeting a report was made on the activities of ING Trust Office. In addition, the Board answered various questions from holders of depositary receipts attending the meeting. The minutes of the aforementioned meeting are published on the website of ING Trust Office (www.ingtrustoffice.com).

Depositary-receipts structure

During the years 2010-2015, participation of shareholders, other than ING Trust Office, and holders of depositary receipts in the decision-making process in annual general meetings of ING Group continually increased from 41.3 percent to around 57 percent.

ING Trust Office was informed that the Executive Board and Supervisory Board reviewed ING Group's corporate governance, including the depositary receipts structure, in 2015. This was announced in the 2014 Annual Report. Moreover, ING Trust Office was informed that an external law firm and a proxy advisory firm have advised ING in this review. As part of this review, ING Trust Office discussed with ING key elements of the corporate governance.

Outstanding depositary receipts

On 31 December 2015, the nominal value of administered ordinary shares amounted to EUR 928,745,963.50 for which 3,869,774,848 depositary receipts were issued, each with a nominal value of EUR 0.24. During the reporting year, the net number of depositary receipts increased by 11,436,035.

The increase came about as follows:
add:
conversion of shares into depositary receipts
11,436,035.
less:
conversion of depositary receipts into shares
0

Composition and remuneration board

The members of the Board are appointed by the Board itself for a maximum term of four years and may be reappointed two times. Holders of depositary receipts may make recommendations to the Board on persons to be appointed as members of the Board. In connection with this, the Board informs them in a timely manner regarding the reason why, and according to which profile, a vacancy must be filled, and also in which manner a recommendation should take place.

The Board currently consists of Herman Hazewinkel, chairman, Mick den Boogert, Paul Frentrop, Harrie Noy and Jolanda Poots-Bijl.

There were no changes in the composition of the board, nor did any (re-) appointments take place during 2015. A profile and an overview of relevant positions held by the members of the Board can be found on the website of ING Trust Office (www.ingtrustoffice.com). All members of the Board stated that they meet the conditions regarding independence as referred to in the Articles of Association and in the Dutch Corporate Governance Code.

The annual remuneration for the chairman of the Board amounts EUR 25,000.00 and for the other members of the Board EUR 20,000.00.

Costs

In 2015, the costs of the activities of ING Trust Office amounted to EUR 460,508 (2014 EUR 523,311).
An amount of EUR 282,430 (2014 EUR 275,465) is related to the costs of administration of the depository receipts.

Other

The activities involved in the administration of shares are performed by Administratiekantoor van het Algemeen Administratie- en Trustkantoor B.V., Amsterdam.

No external expert advice was called in by the Trust Office in 2015.

Contact details

The contact details of ING Trust Office are:
Jet Rutgers
Telephone + 31 20 576 1226
Email: jet.rutgers@ing.nl
Website: www.ingtrustoffice.com

Amsterdam, 29 February 2016

Board Of Stichting ING Aandelen

Report of ING Continuity Foundation

Stichting Continuïteit ING ("ING Continuity Foundation"), a foundation organised under the laws of the Netherlands, established in Amsterdam, was founded on 22 January 1991.

A call-option agreement concluded between ING Continuity Foundation and ING Groep N.V. ("ING Group") vests ING Continuity Foundation with the right to acquire cumulative preference shares in the share capital of ING Group up to a maximum of 4.5 billion cumulative preference shares. The acquisition of cumulative preference shares by ING Continuity Foundation is subject to the restriction that, immediately after the issue of cumulative preference shares, the total amount of cumulative preference shares may not exceed one-third of the total issued share capital of ING Group. If new shares other than cumulative preference shares are subsequently issued, ING Continuity Foundation may again exercise its right, subject to the provisions of the preceding sentence. On acquisition of cumulative preference shares, at least 25 percent of the nominal value must be paid on said shares.

In 2015, the board of ING Continuity Foundation (the "Board") held two meetings, on 16 April and 26 November.

The composition of the Board is currently as follows: Sebastian Kortmann, chairman of the Board, Rob van den Bergh, Allard Metzelaar, and Wim van Vonno, who was reappointed as of 1 July 2015.

All members of the Board stated that they meet the conditions regarding independence as referred to in the Articles of Association of ING Continuity Foundation.

Amsterdam, 29 February 2016

Board of Stichting Continuiteit ING

Conformity statement

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

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

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

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

- the ING Groep N.V. 2015 Annual Accounts give a true and fair view of the assets, liabilities, financial position and profit or loss of ING Groep N.V. and the enterprises included in the consolidation taken as a whole; and
- the ING Groep N.V. 2015 Annual Report gives a true and fair view of the position at the balance sheet date, the development and performance of the business during the financial year 2015 of ING Groep N.V. and the enterprises included in the consolidation taken as a whole, together with a description of the principal risks ING Groep N.V. is being confronted with.

Amsterdam, 29 February 2016

R.A.J.G. (Ralph) Hamers
CEO, chairman of the Executive Board

P.G. (Patrick) Flynn
CFO, member of the Executive Board

W.F. (Wilfred) Nagel
CRO, member of the Executive Board

Section 404 Sarbanes-Oxley Act

Internal control over financial reporting

Management, under the supervision and with the participation of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), performed an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management identified a material weakness in our internal control over financial reporting as further described in the Report of the Executive Board on internal control over financial reporting below, and consequently concluded that our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the U.S. Securities Exchange Act of 1934, as amended, were not effective as of the end of the period covered by this Annual Report. As described in the Report of the Executive Board on internal controls over financial reporting, Management did not identify any other deficiencies that had a material adverse effect on the effectiveness of the Company's controls and procedures. There have been no significant changes in the Company's internal controls over financial reporting during the period covered by this Annual Report that has materially affected or is reasonably likely to materially affect, our internal controls over financial reporting.

Due to the listing of ING shares on the New York Stock Exchange, ING Group is required to comply with the SEC regulations adopted pursuant to Section 404 of the Sarbanes-Oxley Act, or SOX 404.

These regulations require that the CEO (the chairman of the Executive Board) and the CFO of ING Group report and certify on an annual basis on the effectiveness of ING Group's internal controls over financial reporting. ING Group has long-established Business Principles and a strong internal control culture, to which all staff must adhere to. SOX 404 activities are organised along the lines of the company´s governance structure, and involve the participation of senior management across ING.

Furthermore, the external auditors are required to provide an opinion on the effectiveness of ING Group's internal controls over financial reporting.

The SOX 404 statement by the Executive Board is included on this page, followed by the report of the external auditor as issued on Form 20-F.

Report of the Executive Board on internal control over financial reporting

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

Our internal control over financial reporting includes those policies and procedures that:

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Executive Board assessed the effectiveness of our internal control over financial reporting as of 31 December 2015. In making this assessment, the Executive Board performed tests based on the criteria of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013 framework). Based on the Executive Board's assessment of those criteria, the Executive Board has concluded that the Company's internal control over financial reporting was not effective as of 31 December 2015 due to the existence of a material weakness in the internal controls related to the determination of specific accounting policies for material transactions with a high degree of accounting complexity, including divestitures. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness identified relates to the accounting for certain aspects of the "anchor investment transaction" undertaken in connection with the July, 2014 IPO of NN Group, and arose in connection with the preparation of our 2014 financial statements. The amended accounting for this transaction is reflected in the consolidated financial statements, including comparative 2014 figures, as described in Note 1 to our Consolidated Financial Statements.

Remediation Plan

Management has made significant progress in the remediation of this material weakness by revising and clarifying its accounting policy controls related to complex divestiture transactions. With regards to future material transactions with a high degree of accounting complexity, including divestitures, the Company will enhance the identification, evaluation and documentation of alternative accounting considerations and policy judgements, including the communication and dialogue throughout the chain of management and with the Audit Committee. Furthermore, based upon self-assessment of in-house accounting skills against future transactions, management will apply additional technical skills or resources to such transactions, as appropriate.

Management believes the foregoing efforts will effectively remediate the material weakness. As the remediation is implemented, management may take additional measures or modify the remediation plan described above.

29 February 2016

R.A.J.G. (Ralph) Hamers
CEO, chairman of the Executive Board

P.G. (Patrick) Flynn
CFO, member of the Executive Board

Report of independent registered public accounting firm

To: the Shareholders, the Supervisory Board and Executive Board of ING Groep N.V.

We have audited ING Groep N.V.'s internal control over financial reporting as of 31 December 2015, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework)(the COSO criteria). ING Groep N.V.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on ING Groep N.V.'s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. Management has identified a material weakness in the Company's controls related to the determination of specific accounting policies for material transactions with a high degree of accounting complexity, including divestitures.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, ING Groep N.V. has not maintained effective internal control over financial reporting as of 31 December 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of ING Groep N.V. as of 31 December 2015 and 2014, and the related consolidated profit and loss accounts, consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity for each of the three years in the period ended 31 December 2015. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of those financial statements, and this report does not affect our report dated 29 February 2016, which expressed an unqualified opinion on those financial statements.

Amsterdam, the Netherlands
29 February 2016

Ernst & Young Accountants LLP

Remuneration report

This chapter sets out the ING remuneration policy and provides information on the remuneration levels of the Executive Board and the Supervisory Board for 2015.

Remuneration policy ING

ING is a European bank with a global presence. Its more than 54,000 employees are serving 34 million customers across the more than 40 countries in which ING operates. At least 70% of ING's employees work outside the Netherlands, approximately 70% of total income is earned outside of the Netherlands and more than 95% of the investor base is non-Dutch. This forms the backdrop against which ING needs to set its remuneration policy and practices for its Executive and Supervisory Board.

The primary objective of the remuneration policy is to enable ING to retain and recruit qualified and expert leaders, senior staff and other highly professional employees. The remuneration policy forms an integral part of ING's strategy and risk profile and maintains a sustainable balance between short-term and long-term value creation, building on ING's long-term responsibility towards clients, employees, society, providers of capital and other stakeholders.

In determining compensation of ING's leadership, a variety of factors are taken into consideration, such as the complexity of functions, the scope of responsibilities, the international character of the group, the alignment of risks and rewards, national and international legislation, the discussion in society about remuneration and the long-term objectives of ING and its stakeholders. These factors differ for each role, line of business and country. At the same time, national and international standards regarding responsible and sound remuneration have been continuously changing over the past years. As far as possible for a global financial institution of its size, ING takes into account all of the different standards applied within similar financial institutions in the various countries in which it operates.

Legal and regulatory developments in 2015

New Dutch legislation, the Dutch Act on Remuneration Policies of Financial Undertakings (Wet beloningsbeleid financiële ondernemingen, or Wbfo), was enacted with effect from 7 February 2015. The new legislation's provisions include caps on variable remuneration applicable to all staff globally. ING has taken all necessary measures to implement the legislation's requirements in its remuneration policies. Furthermore, new legislation has become effective as of 1 January 2015, pursuant to which pension premiums on salaries in excess of EUR 100,000 are no longer exempt or deductible from (wage) tax.

Remuneration policy for the Executive Board

The current remuneration policy for the Executive Board was adopted by the Annual General Meeting (AGM) on 27 April 2010. Amendments to this policy were adopted by the AGM on 9 May 2011 in response to new regulatory requirements, on 12 May 2014 with respect to pensions for the Executive Board and on 11 May 2015 in order to lower the maximum variable remuneration and to specify that variable remuneration for the Executive Board be paid fully in shares.

The Executive Board remuneration policy provides that remuneration of Executive Board members consists of a combination of fixed compensation (base salary) and variable remuneration (together "total direct compensation"), pension arrangements and benefits as described below.

Total direct compensation

The Executive Board remuneration policy aims to deliver total direct compensation slightly below the median of comparable positions in the chosen peer group (consisting of financial and non-financial companies) and provides for a balanced mix of fixed and variable remuneration. Total compensation will be determined in line with the relevant market environment and will be reviewed from time-to-time by the Supervisory Board. ING's Executive Board remuneration policy is in accordance with applicable laws and regulations, including the Wbfo, the Dutch Banking Code and the Dutch Corporate Governance Code.

Based on the above policy, total direct compensation is benchmarked against a peer group of companies that, in the opinion of the Supervisory Board, are comparable with ING in terms of size and scope. The Supervisory Board has determined that based on a combination of factors including international scope, complexity, revenue, assets and market capitalisation the companies in the Euro Stoxx 50 index are the appropriate peer group for ING. These are 50 companies, including ING, in a range of financial and non-financial industries from 12 countries within the eurozone, mainly operating in an international context.

Reduced emphasis on variable remuneration

Variable remuneration for the members of the Executive Board will not exceed 20% of base salary at the time of allocation. The policy provides for an at-target variable remuneration of 16% of base salary if performance criteria are met, paid fully in shares. Hence there is no cash bonus. If performance criteria are exceeded, the variable component can be increased by the Supervisory Board from target to maximum, but may not exceed 20% of base salary at the time of allocation. If performance is below target, the variable component will be decreased, potentially down to zero.

Increased focus on risk and non-financial performance

Variable remuneration is linked to performance and takes into consideration individual, business line and company performance criteria. The performance targets used for the allocation of variable remuneration are annually predetermined by the Supervisory Board.

Performance will be assessed on the basis of financial and non-financial targets, with variable remuneration being based for at least 50% on non-financial targets. Non-financial targets include f.i. economic, environmental, customer satisfaction and social criteria.

Performance measurement accounts for risk requirements, costs of capital and liquidity and timing of earnings.

Increased emphasis on long-term value creation

The Executive Board remuneration policy combines the short- and long-term variable components into one structure. This structure aims to support both long-term value creation and short-term company objectives. The emphasis on long-term performance indicators within the variable component of the compensation package is increased by means of deferral, retention, holdback and clawback mechanisms.

In line with applicable regulations, a maximum of 40% of total variable remuneration is awarded "upfront" in the year following the performance year. The remaining part of the total variable remuneration (a minimum of 60%), is deferred. It is subject to a tiered vesting on the first, second and third anniversary of the grant date (one-third per annum). The entire long-term component is subject to an ex-post performance assessment by the Supervisory Board. The ex-post performance assessment cannot lead to an upward adjustment of the deferred variable remuneration.

Both the upfront part of the variable remuneration and all deferred parts are fully awarded in shares. A retention period of five years from the date of grant applies to all share awards granted to Executive Board members in their capacity as Board member. However, they are allowed to sell part of their shares on the date of vesting to pay tax on the vested share award.

Pensions Executive Board members

In the AGM of 12 May 2014, it was decided that members of the Executive Board appointed after 1 January 2015 will be given the option to join the Dutch Collective Defined Contribution Pension Plan based on a fixed premium methodology or to receive a savings allowance. Members of the Executive Board appointed before 1 January 2015 were given the same option as from 1 July 2014. In addition, individual Executive Board members participating in the pension plan that existed before the introduction of the 2010 Dutch defined benefit plan, (approved by the 2006 AGM), were given the choice to keep their existing pension arrangement. Members of the Executive Board will be required to pay a contribution to their pension premium in line with the contributions under ING's Collective Labour Agreement (CLA) in the Netherlands.

As of 1 January 2015, all members of the Executive Board are participating in the Collective Defined Contribution (CDC) pension plan. Following the introduction of the new legislation, pursuant to which pension premiums on salaries in excess of EUR 100,000 are no longer exempt or deductible from wage tax, the Executive Board members are compensated for the resulting loss of pension accrual by means of a savings allowance to be annually determined (see Benefits on page 96).

Benefits

Executive Board members are eligible for additional benefits (e.g. the use of company cars, contributions to company savings plans and, if applicable, expatriate allowances). Executive Board members are eligible for banking and insurance services from ING in the ordinary course of their business and on the same terms as apply to other employees of ING in the Netherlands. In addition, tax and financial planning services will be provided to ensure compliance with the relevant legislative requirements.

Tenure

Members of the Executive Board who were appointed prior to 2013 have an employment agreement with ING Groep N.V.. Members who have been appointed as of 2013 have a commission contract. The employment agreement and the commission contract for Executive Board members provide for an appointment for a period of four years and allow reappointment by the Annual General Meeting of Shareholders (AGM). In the case of an involuntary exit, Executive Board members are eligible for an exit-arrangement limited to a maximum of one year base salary.

Supervisory Board discretion to review the policy and the remuneration paid

Within the Executive Board remuneration policy as adopted by the AGM and as described here, the Supervisory Board annually determines the actual remuneration for the Executive Board members based on the advice given by the Supervisory Board Remuneration Committee.

It is the responsibility of ING's Supervisory Board to take into account the interests of all stakeholders, including shareholders and employees, as well as business continuity and sustainable growth, when determining the Executive Board's remuneration.

The legal and regulatory environment is still undergoing changes and this may result in further impact on ING. In order to ensure that ING can adapt to these uncertain factors, the Supervisory Board will re-evaluate the Executive Board remuneration policy as and when required.

Other items for Supervisory Board discretion: holdback, clawback and adjustments

The Supervisory Board has the authority to impose holdback and/or clawback on variable remuneration awarded to a member of the Executive Board based on reasons that apply to all staff within ING (including inaccurate data and/or behaviour that led to significant harm to ING). The Supervisory Board also has the authority to adjust variable remuneration if application of the predetermined performance criteria results in undesired outcomes. The Supervisory Board has decision making authority in situations not addressed in the policy.

Special employment conditions

Special employment conditions, such as commitments made to secure the recruitment of new executives, may be used in exceptional circumstances subject to approval by the Supervisory Board.

2015 Remuneration Executive Board

The Executive Board remuneration for 2015 is in accordance with the Executive Board remuneration policy, with the exception of the alignment to the benchmark. The policy as approved by the AGM, specifies that total direct compensation should be slightly below the median of comparable positions in the chosen peer group. However, the actual total direct compensation for the Executive Board is significantly below the median.

2015 Executive Board base salary

In 2015 the Supervisory Board assessed that applying the 20% bonus cap as stated in the Wbfo to the then applicable Executive Board remuneration policy would further increase the pay gap with the median total direct compensation in ING's peer group. To partly mitigate this increased gap, the Supervisory Board decided to increase the base salary of all Executive Board members in 2015, whilst reducing the bonus cap from 100% to 20%.

2015 Performance Indicators Executive Board

As indicated in the remuneration policy, the performance of the Executive Board will be assessed based on financial and non-financial indicators. For 2015, performance indicators applied included the following.

Performance Indicators	
Non-financial performance indicators:	**Financial performance indicators:**
• Ensuring Think Forward Strategy is fully embedded in key financial and people processes of the bank	• Underlying net result bank
• Establishing the foundation of a high performance culture through developing a new, standardised global performance management approach and the implementation of the Orange Code	• Underlying return on IFRS equity ING Bank
• Delivering multiple, innovative products to create a differentiating customer experience	• Common equity Core Tier 1 ratio ING Bank
• Growing the number of primary retail customers	• Underlying cost/income ratio
• Strengthening lending capabilities in C&G countries	
• Enhancing Finance and Risk capabilities and optimising organisation	
• Divestment of Voya and deconsolidation of NN Group	

2015 Executive Board performance evaluation

ING's Think Forward strategy is on track as evidenced by the achievements in 2015. Financial performance across Retail and Wholesale Banking improved considerably and ING is able to achieve or exceed the (financial) ambitions it has formulated in the areas of return on equity, Core Tier 1 ratio, cost/income ratio and the number of primary customer relationships. In addition to this, ING's performance in 2015 in non-financial areas such as strategy implementation, capability development, innovation and sustainability is helping ING to create the conditions for future, long-term success of ING. Finally, ING has achieved the number one Net Promotor Score in seven retail countries, demonstrating our customer servicing approach is appreciated. At the same time, ING is being recognised for its innovation as evidenced by the awards it has won in several countries for being the most innovative bank.

On the next page, a table is included highlighting key achievements, collectively accomplished by the Executive Board in 2015 in the areas mentioned, against both the overall ambitions of ING and the specific performance targets agreed with the Supervisory Board at the beginning of 2015.

Strategy Implementation	▪ Completed a full review of underlying trends, which have led to the Think Forward strategy, and reconfirmed the overall direction, whilst identifying new priorities for innovation and operations. ▪ **Divested Voya** and significantly **reduced ING's stake in NN Group**, thereby ensuring ING edges closer to completing its restructuring process. ▪ **Strengthened** the role of **sustainable finance** as part of the Think Forward strategy. ▪ Ensured the Think Forward strategy was properly translated for the various business lines and in particular for the Wholesale Bank. ▪ The Think Forward strategy simulation was rolled out to senior management.
Capability development	▪ Launched the **Orange Code** and the requisite behaviours and rolled out to all staff. In addition fully embedded these in the performance management process of all Identified Staff. ▪ A new performance management programme called Step Up has been developed and is currently being implemented at the MBB-1 and -2 levels as well as in Spain, Belgium and Financial Markets, ahead of a global roll-out in 2017; this will lay the foundation for a high performance culture. ▪ Further investments have been made in leadership development through the development of our **Leadership that Matters** program, ready for roll-out in 2016. ▪ A **Strategic Recruitment Plan** was approved to ensure ING's Employer Brand is fully aligned with its commercial brand whilst enhancing the standards used in employee selection. ▪ Enhanced overall organisation of the **Finance and Risk functions** in part through targeted rotations and international assignments throughout the network. ▪ **Strengthened lending capabilities** in C&G countries, enabling diversification of loan portfolios.
Innovation	▪ Introduced **TWYP** (The Way You Pay), a pan-European peer-to-peer payment app, jointly developed by three countries. ▪ A payment solution called **Payconiq** was developed and piloted in Belgium, to leverage pending regulations (PSD II). ▪ Launched a pilot for instant lending for small business loans in Spain in partnership with **Kabbage**, with plans for further roll-out in other countries. ▪ A Digital Financial Advisor, co-developed by three countries to help savings customers assess whether or not they need to shift to investment products.
Sustainability	▪ EUR 23.8 bln in sustainable transitions financed. ▪ First ever, EUR 1 bln **green bond issue** launched with proceeds going to projects in renewable energy, green buildings and water/energy efficiency. ▪ Discontinued financing of new coal exploration and are actively reducing existing coal financing.
One Bank (Financial) Performance	▪ Number of new retail customers up by 1.4 mln with the number of primary relationships up by almost 7% to 8.9 mln. ▪ Underlying net profit of ING Bank is EUR 4,219 mln, up 23.2% from 2014, driven by higher interest results and lower risk costs, despite higher regulatory cost. ▪ ING Bank Return on equity has grown to a healthy 10.8%, up from 9.9% in 2014. ▪ CET1 ratio of ING Group and ING Bank has increased to 12.7% and 11.6% respectively. ▪ Cost/Income ratio improving to 55.9% from 58.7% in 2014. ▪ Core lending growth of EUR 21.7 bln; customer deposits increasing by EUR 25.1 bln.

2015 Executive Board variable remuneration

The performance of the Executive Board is evaluated against financial and non-financial performance indicators. Variable remuneration in 2015 of the CFO and CRO was based for 75% on non-financial performance indicators. The variable remuneration in 2015 for the CEO was based for 55% on non-financial performance indicators. As evidenced by the table above the collective performance of the Executive Board members was broadly on-target. There were minor differences in achievement of personal targets, this explains why variable remuneration for the CEO was set at 18% for the CFO at 13% and for the CRO at 16%.

The table below shows the remuneration awarded to the individual members of the Executive Board with respect to the performance years 2015, 2014 and 2013.

Total direct compensation of the individual members of the Executive Board

	2015		2014		2013	
amounts in thousands of euros	amount	number of shares	amount	number of shares	amount	number of shares
Ralph Hamers [1]						
Base salary	1,630		1,270		794	
Variable remuneration in cash	-		-		-	
Variable remuneration in shares [2]	293	28,404	-	-	-	-
Patrick Flynn						
Base salary	1,180		772		750	
Variable remuneration in cash	-		-		-	
Variable remuneration in shares [2]	153	14,850	-	-	-	-
Wilfred Nagel						
Base salary	1,180		772		750	
Variable remuneration in cash	-		-		-	
Variable remuneration in shares [2]	189	18,278	-	-	-	-

1 Ralph Hamers was appointed to the Executive Board on 13 May 2013. The amounts for him reflect compensation earned in the capacity as an Executive Board member. Thus the figure for 2013 reflects a partial year as an Executive Board member and CEO.
2 The number of shares is based on the average ING stock price on the day on which the 2015 year-end results were published. The shares will be awarded in May.

In 2015 no holdback or clawback was applied to paid or vested variable remuneration of any of the Executive Board members. The total direct compensation of former members of the Executive Board amounted to nil for 2015, nil for 2014 and EUR 1,015,000 for 2013.

Pension costs

In 2015, members of the Executive Board participated in the Collective Defined Contribution (CDC) pension plan as part of the Executive Board remuneration policy. In 2013 and 2014 the Executive Board participated in the Dutch Defined Contribution Pension Plan. The disclosed costs under this heading has gone down as a result of the loss of pension accrual for salary above EUR 100,000. Same as other employees in the Netherlands, the Executive Board members are compensated for this loss by means of a savings allowance (see Benefits on page 96).

The table below shows the pension costs of the individual members of the Executive Board in 2015, 2014 and 2013.

Pension costs of the individual members of the Executive Board

in thousands of euros	2015	2014	2013
Ralph Hamers [1]	25	230	161
Patrick Flynn	25	159	178
Wilfred Nagel	25	187	210

1 Ralph Hamers was appointed to the Executive Board on 13 May 2013. The 2013 pension costs for him reflect the partial year as an Executive Board member.

Benefits

The individual members of the Executive Board receive other emoluments apart from the compensation and pension benefit. These other emoluments include f.i. savings allowances for the loss of pension benefits for salary above EUR 100,000, employer contributions to savings schemes, reimbursement of cost related to home/work commuting and cost associated with housing (for expats). The significant increase in 2015 has two main reasons. The first one is the introduction of savings allowances introduced to compensate for the loss of pension accrual for salary above EUR 100,000. This savings allowance is an average flat rate contribution for all employees in the Netherlands, annually determined on the basis of the actual CDC pension premium. The level of the CDC pension premium is highly dependent on the actual interest rate and can, therefor, go up or down in future years. The second one is that 2015 base salaries for the Executive Board, and thus the basis for pension accrual, increased compared to 2014.

The other emoluments amounted in 2015, 2014 and 2013 to the following costs.

Other emoluments

in thousands of euros	2015	2014	2013
Ralph Hamers [1]	473	45	29
Patrick Flynn	433	178	181
Wilfred Nagel	322	34	25

1 Ralph Hamers was appointed to the Executive Board on 13 May 2013. The 2013 emoluments for him reflect the partial year as an Executive Board member.

Long-term incentives awarded in previous years

In 2015 no long-term incentives were awarded to the Executive Board members.

Options held by the members of the Executive Board

number of options	Outstanding as at 31 December 2014	Exercised in 2015	Waived or expired in 2015	Outstanding as at 31 December 2015	Exercise price in euros	Vesting date	Expiry date
Ralph Hamers	11,460	0	11,460	0	€17.88	30 Mar 2008	30 Mar 2015
	8,504	0	0	8,504	€25.16	23 Mar 2009	23 Mar 2016
	14,889	0	0	14,889	€24.72	22 Mar 2010	22 Mar 2017
	16,957	0	0	16,957	€16.66	13 Mar 2011	13 Mar 2018
	19,985	0	0	19,985	€2.90	19 Mar 2012	19 Mar 2019
	22,124	0	0	22,124	€7.35	17 Mar 2013	17 Mar 2020
Patrick Flynn		0	0	0			
Wilfred Nagel	8,595	0	8,595	0	€17.88	30 Mar 2008	30 Mar 2015
	11,721	0	0	11,721	€25.16	23 Mar 2009	23 Mar 2016
	9,530	0	0	9,530	€24.72	22 Mar 2010	22 Mar 2017
	12,436	0	0	12,436	€16.66	13 Mar 2011	13 Mar 2018
	12,490	12,490	0	0	€2.90	19 Mar 2012	19 Mar 2019
	16,815	16,815	0	0	€7.35	17 Mar 2013	17 Mar 2020

The long-term incentive plan (LTIP) in place at ING until 2010 included share options and performance shares. The ING share options have a total term of 10 years and a vesting period of three years, after which they can be exercised during the remaining seven years.

The table below contains information on the outstanding options and the movements during the financial year of options held by the members of the Executive Board as of 31 December 2015, which were all awarded to these board members in roles within ING prior to their appointment to the Executive Board.

Deferred shares are shares conditionally granted, with the final shares awarded in three years (tiered) of which the ultimate value of each deferred share will be based on ING Group's share price on the vesting date.

A retention period of five years from the grant date applies to all share and option awards granted to Executive Board members. During this five-year period, the Executive Board members are only allowed to sell part of their shares on the date of vesting to pay tax on the vested amount of the award.

For the Executive Board members the following shares vested during 2015:

Shares vested for the Executive Board during 2015

	Shares	Granting date	Vesting date	Number of shares granted	Number of shares vested	Vesting price
Ralph Hamers [1]	LSPP Upfront share units [2]	27 Mar 2014	27 Mar 2015	3,729	3,729	€ 13.50
	LSPP Deferred share units	27 Mar 2013	27 Mar 2015	3,441	3,441	€ 13.50
	LSPP Deferred share units	28 Mar 2012	28 Mar 2015	3,511	3,511	€ 13.46
Patrick Flynn	-	-	-	-	-	-
Wilfred Nagel [3]	LSPP Deferred shares	28 Mar 2012	28 Mar 2015	3,399	3,399	€ 13.46
	Deferred shares	15 May 2013	15 May 2015	2,489	2,489	€ 14.57
	Deferred shares	16 May 2012	16 May 2015	1,759	1,759	€ 14.50

1 Shares granted to Ralph Hamers in March 2013 and 2014 were awarded for his performance in position previous to his appointment to the Executive Board.
2 Upfront or deferred share units of Ralph Hamers are cash settled instruments of which the ultimate value will be based on ING Group's share price at the vesting date.
3 Shares granted to Wilfred Nagel in 2012 and 2013 were awarded for his performance in positions previous to his appointment to the Executive Board.

Loans and advances to Executive Board members

The table below presents the loans and advances provided to Executive Board members and outstanding on 31 December 2015, 2014 and 2013.

Loans and advances to the individual members of the Executive Board

	2015			2014					2013
amounts in thousands of euros	Amount outstanding 31 December	Average interest rate	Repay-ments	Amount outstanding 31 December	Average interest rate	Repay-ments	Amount outstanding 31 December	Average interest rate	Repay-ments
Ralph Hamers [1]	2,499	2.5%	0	2,499	2.5%	98	2,597	2.4%	500
Patrick Flynn	0	0	0	0	0	0	0	0	0
Wilfred Nagel	500	2.0%	0	500	2.2%	250	750	3.0%	0

1 Ralph Hamers was appointed to the Executive Board on 13 May 2013. The figures reflect the loans and advances received before his appointment to the Executive Board.

ING shares held by Executive Board members

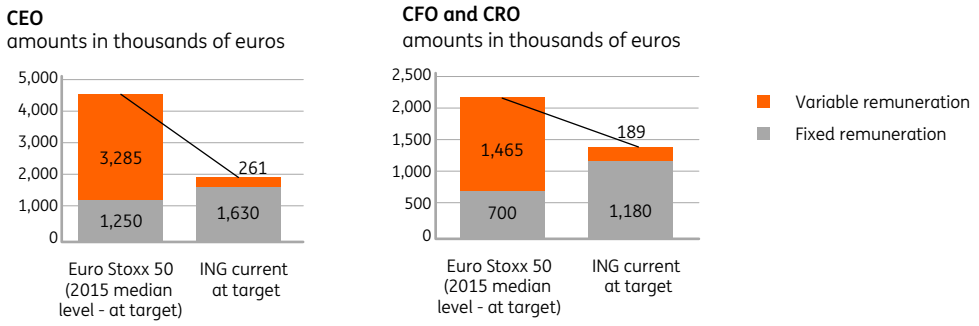
Executive Board members are permitted to hold ING shares as a long-term investment. The table below shows an overview of the shares held by members of the Executive Board at 31 December 2015, 2014 and 2013.

ING shares held by the members of the Executive Board

number of shares	2015	2014	2013
Ralph Hamers	44,182	44,182	38,497
Patrick Flynn	85,084	85,084	85,084
Wilfred Nagel	115,707	81,285	70,027

2016 Remuneration Executive Board

In the below diagrams, the median 2015 total (at target) remuneration is shown for the CEO and other Executive Board positions in the Euro Stoxx 50.



Current remuneration levels of the ING Executive Board are still below the median of the Euro Stoxx 50 benchmark, and in the case of the CEO position, even significantly below. This remains a concern. In order to ensure continued delivery on customer promises, strategic priorities and key financial and non-financial targets, ING needs to be able to attract the best (international) talent for its Executive Board.
It is ING's aim to further reduce the gap between the total direct compensation of ING's Executive Board and the median of the Euro Stoxx 50 peer group over time. In determining executive remuneration, the ING Supervisory Board is aware of the public debate surrounding this topic and strives to balance all stakeholder interests.

In this context, the Supervisory Board has decided to slightly increase the total (at target) remuneration of all Executive Board members by 2% with effect from 1 January 2016.

The Supervisory Board will continue to monitor the development of international remuneration policies and the benchmarks and will continue to support the Executive Board remuneration policy of compensating slightly below the median of the Euro Stoxx 50 benchmark. As such annual reviews will be held and trends will be looked at.

Remuneration Supervisory Board

Current Supervisory Board Remuneration policy

The annual remuneration of the Supervisory Board members as adopted by the General Meetings in 2006 and 2008 amounts to: chairman EUR 75,000, vice-chairman EUR 65,000, other members EUR 45,000. In addition to the remuneration, each member receives an expense allowance. For the chairman and vice-chairman the annual amount is EUR 6,810. For the other members the amount is EUR 2,270.

The remuneration for the membership of committees is as follows: chairman of the Audit Committee EUR 8,000, members of the Audit Committee EUR 6,000, chairmen of other Supervisory Board committees EUR 7,500 and members of other Supervisory Board committees EUR 5,000. In addition to the fixed remuneration, committee members receive a fee for each meeting they attend. For the Audit Committee chairman this fee is EUR 2,000 per meeting and for its members EUR 1,500. For the chairmen and members of other committees the attendance fee amounts to EUR 450 per meeting.

Supervisory Board members receive an additional fee of EUR 2,000 per attended Supervisory Board or committee meeting in the event the meeting is held outside the country of residence of the Supervisory Board member, or an additional amount of EUR 7,500 per attended Supervisory Board or committee meeting if intercontinental travel is required for attending the meeting.

2015 Remuneration Supervisory Board

The table below shows the remuneration, including expense allowances and attendance fees per Supervisory Board member.

2015 Remuneration Supervisory Board [1]

	2015		2014		2013	
amounts in thousands of euros	Remuneration	VAT	Remuneration	VAT	Remuneration	VAT
Jeroen van der Veer	122	26	118	25	114	24
Henk Breukink	83	17	76	16	72	15
Joost Kuiper	81	17	93	19	75	16
Mariana Gheorghe [2]	40					
Robert Reibestein	76	16	78	16	66	14
Carin Gorter [3]	51	11	73	16	42	9
Herman-Josef Lamberti	111		81		46	
Isabel Martin Castella	92		87		48	
Eric Boyer de la Giroday	92		53			

1 As per 1 January 2013 new VAT legislation was implemented based on which the Dutch Supervisory Board members qualify as VAT taxable persons and are obliged to charge 21% VAT to ING on their remuneration.
2 Mariana Gheorghe is a member of the Supervisory Board as of May 2015. The remuneration figures for 2015 reflect a partial year as a member of the Supervisory Board.
3 Carin Gorter stepped down in September 2015. The remuneration figures for 2015 reflect a partial year as a member of the Supervisory Board.

Compensation of former members of the Supervisory Board who are not included in the above table amounted to nil in 2015, EUR 220,000 in 2014 and EUR 90,000 in 2013.

Loans and advances to Supervisory Board members

Supervisory Board members may obtain banking and insurance services from ING Group subsidiaries in the ordinary course of their business and on terms that are customary in the sector. The Supervisory Board members do not receive privileged financial services. Currently there are no loans and advances outstanding to Supervisory Board members.

ING shares and options held by Supervisory Board members

Supervisory Board members are permitted to hold ING shares as a long-term investment. The table below shows the holdings by members of the Supervisory Board at 31 December 2015, 2014 and 2013.

ING shares held by the members of the Supervisory Board

number of shares	2015	2014	2013
Jeroen van der Veer	119,469	119,469	119,469
Hermann-Josef Lamberti [1]	5,700	5,700	5,700
Eric Boyer de la Giroday [2]	47,565	43,094	

1 Hermann-Josef Lamberti is a member of the Supervisory Board as of May 2013
2 Eric Boyer de la Giroday is a member of the Supervisory Board as of May 2014.

The following table contains information on the options outstanding by, and awards vested for, the members of the Supervisory Board.

Stock options on ING Groep N.V. shares held by members of the Supervisory Board at 31 December 2015

	Outstanding as at 31 December 2015	Expired in 2015	Outstanding as at 31 December 2014	Expired in 2014	Outstanding as at 31 December 2013	Expired in 2013
Eric Boyer de la Giroday [1]	319,848	69,542	389,390	23,181		

Shares vested for members of the Supervisory Board in 2015

	Performance or deferred shares	Granting date	Vesting date	Nr. Of shares granted	Nr. of shares vested	Vesting price
Eric Boyer de la Giroday [2]	Deferred shares	16 May 2012	16 May 2015	8,832	8,832	€ 14.50

1 Eric Boyer de la Giroday is a member of the Supervisory Board as of May 2014.
2 Shares granted to Eric Boyer de la Giroday in May 2012 were awarded for his performance in position previous to his appointment to the Supervisory Board.

Proposal adjustment Supervisory Board remuneration policy

The current remuneration policy of the Supervisory Board was adopted by the General Meeting in 2008. Since then, as a result of the changed economic conditions and increased regulation, the level of responsibility, the frequency and intensity of Supervisory Board meetings and meetings of Supervisory Board committees and the involvement of Supervisory Board members outside formal meetings have significantly increased.

As announced in the 2014 Annual Report, the remuneration policy and the respective levels for Supervisory Board members were reviewed in 2015. The starting points for the review were the following:

- Move to a simpler and more transparent structure
- Bring remuneration levels more in line with peers and with levels adequate to attract qualified (international) Supervisory Board members
- Further align remuneration with increased responsibilities and time spent

As part of the review, the remuneration levels of the members of the Supervisory Board were benchmarked against relevant peer groups, including companies in the Euro Stoxx 50 with a two-tier board structure. This exercise showed that the current compensation levels of the members of the Supervisory Board are below median level of the reviewed peer groups. In line with ING´s actual experience over the past years, the gap between this market level and ING's current Supervisory Board remuneration level has a negative influence on the ability of ING to attract candidates for the Supervisory Board with an appropriate level of experience, capability, competence and affinity, also in the context of increased regulatory scrutiny of Supervisory Board nominees. The Supervisory Board is appreciative of the negative feelings in society regarding any increase in remuneration but needs to strike a balance between the interests of various stakeholders.

As a consequence, the following amendments to the 2008 Supervisory Board remuneration policy are proposed:

amounts in euros	Current 2008 Policy	Proposed 2016 Policy
Annual remuneration		
Chairman Supervisory Board	75,000	125,000
Vice Chairman Supervisory Board	65,000	95,000
Supervisory Board Member	45,000	70,000
Committee fees (annual amounts)		
Chairman Audit Committee	8,000	20,000
Member Audit Committee	6,000	10,000
Chairman Corporate Governance Committee	7,500	7,500
Member Corporate Governance Committee	5,000	5,000
Chairman Other Committee	7,500	20,000
Member Other Committee	5,000	10,000
Attendance fees (per meeting)		
Attendance fee Audit Committee Chairman	2,000	0
Attendance fee Audit Committee members	1,500	0
Attendance fee other Committee Chairman	450	0
Attendance fee other Committee members	450	0
Attendance fee outside country of residence	2,000	2,000
Attendance fee outside continent of residence	7,500	7,500
Expense allowances (annual amounts)		
Fixed expense allowance Chairman and Vice-chairman	6,810	0
Fixed expense allowance Supervisory Board member	2,270	0

In addition, members of the Supervisory Board will be reimbursed for travel and business expenses.

These proposed amendments to the current remuneration policy for the Supervisory Board will be put forward for adoption by the ING Shareholders at the 2016 AGM. If adopted, the amended policy will become effective as per 1 January 2016.

Remuneration policy for all staff

As far as possible for a global financial institution of its size, ING aims to take account of all the differences and standards applied within similar financial institutions in the various countries in which it operates. The remuneration policies applicable to all staff are in line with the general principles of the remuneration structure for the Executive Board, taking into account international and local legislation and practices. Remuneration levels are determined taking into consideration a variety of factors including relevant market practices, the regulatory environment and the international context in which ING operates.

Focus on long-term value creation and non-financial performance

Variable remuneration is linked to long-term value creation and performance. It is based on individual, business line and company performance criteria. ING's performance management process is reflected in remuneration to prevent reward for failure and ensure that we are fully focused on the long term profitability of the organisation.

Essentially, it endorses a pay-for-performance culture. Performance is assessed against financial and non-financial indicators. Non-financial indicators aim to further improve sustainable business practices and include for example customer satisfaction, workforce diversity, stakeholder engagement and sustainable business practices. Any variable remuneration is based for at least 50% on non-financial performance.

Regulatory requirements variable remuneration

ING is compliant with the regulatory requirements relating to the pay-out of variable remuneration for different categories of staff. A distinction is made between Identified Staff (selected on the basis of the Regulatory Technical Standards issued by the EBA) and non-Identified Staff. For Identified Staff a maximum of 60% of total variable remuneration is awarded upfront. The remaining part of the total variable remuneration (a minimum of 40%) is deferred. It is subject to a tiered vesting schedule over a period of three years. Both the upfront part and the deferred part are delivered at a maximum of 50% in cash and a minimum of 50% in shares (or other equity-linked instruments). For non-Identified Staff the variable remuneration is paid fully upfront and entirely in cash. If the variable remuneration exceeds EUR 100,000 a deferral plan in shares is applicable. ING applies maximum ratios of variable remuneration in relation to fixed remuneration for different categories of staff in line with CRD IV and the Wbfo.

Risk mitigating measures

ING applies measures to mitigate risk relating to remuneration. ING's remuneration policy ensures that incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings. Measures include an ex-ante and ex-post assessment of variable remuneration prior to award respectively vesting.

The ex-ante assessment process aims to check, verify and consider the full range of any current and potential future risks. As part of this process, ING takes into account the company performance at bank level, business line performance and individual performance and applies a solvency test. A set of risk requirements is agreed for all Identified Staff holding risk taker roles. These risk requirements set the minimum standard to be obtained during the performance year. Deviation there from may lead to full or partial reduction of variable remuneration via a so called risk modifier.

The ex-post assessment process aims to perform an analysis, including as to whether the outcomes of the initial ex ante risk assessment process were correct. This is an explicit risk alignment measure for ING to adjust any variable remuneration downwards, e.g. by applying a holdback of any unpaid or unvested variable remuneration.

Compensation packages related to control functions (such as risk management functions) are structured such that they provide for a reduced emphasis on variable remuneration. To ensure the autonomy of the individual, financial performance metrics are dependent on objectives determined at the divisional level (i.e. not at the level of the relevant business). In addition, performance assessments are not only determined by business management, but also by the functional line.

2015 Remuneration all staff

The total amount of variable remuneration awarded to employees over 2015 was EUR 364 million. This includes both discretionary variable remuneration as well as collective variable remuneration such as profit sharing arrangements resulting from collective labour agreements negotiated with relevant unions. In 2015 there were 24 employees, working in the Corporate Staff, Wholesale Banking and Retail Banking business lines, to whom total annual remuneration (incl. employer pension contributions) of EUR 1 million or more was awarded. Most of these employees work outside the Netherlands.

Works councils

Central works council until June 2015

M.L.R. (Michel) Vonk, *chairman*
L.G. (Bert) Woltheus, *deputy-chairman*
J.R.H.M. (Job) van Luyken, *secretary*
H.P. (Hennie) Post, *deputy secretary*
J.H. (Hans) de Boer,
R. (Reinoud) Rijpkema,
J. (Yoap) Brugmann,
A. (Aad) Kant

after the deconsolidation NN:
L.G. (Bert) Woltheus, *chairman*
P.T.L. (Petra) Hartendorp, *deputy-chairman*
J.H. (Hans) de Boer, *secretary*
A. (Alex) Tigchelaar, *deputy secretary*
J.P.M. (Jaap) van Amsterdam
J. (Yoap) Brugmann
W. (Wim) van den Brink
J.R. (Jeroen) Dekker
G.F. (Gerard) Dekkers
P.A.T. (Peter) Don
R.P. (Rob) van Gelderen
P.E. (Egon) Gijsbers
C.J. (Cor) Groot
P. (Piet) Janse
J.R.H. (Job) van Luyken
M.A. (Margriet) Pel
L.F.F. (Leo) Teunissen
J. (Koos) Rodenburg
J.B. (Johan) Traets
G.J. (Gerard) Veldman
B.F.M. (Ben) Wesselink
F.E. (Ferry) van Wezel

European works council 2015

N. (Norbert) Lucas, *chairman*, Germany
J.P. (Jean Pierre) Lambert, *deputy-chairman*, Belgium
C.M. (Mihai) Ailincai, *secretary*, Romania
H. (Herman) van Eesbeek, W. (Walter) van Heetvelde,
F. (Franck) Goethals, Belgium
O. (Otmar) Haneder, Austria
A. (Andrew) Nitov, Bulgaria
P. (Petr) Ullmann, Czech Republic
M. (Mourad) Benzaaza, France
U. (Ulrich) Probst, Germany
G. (Géza) Bodor, Hungary
C (Claudio) Casazza, S. (Sami) Zambon, Italy
A. (Alain) Back, Luxembourg
G.J. (Gerard) Veldman, L.F.F. (Leo) Teunissen, L.S.A. (Lea) De Weerd,
J. (Jennifer) Wirjosemito, J.B. (Johan) Traets, the Netherlands
M. (Mieczyslaw) Bielawski, K. (Krzystov) Burnat,
M. (Mariusz) Cieslik, Poland
D. (Daniela) Plopsoreanu, Romania
M. (Miroslav) Filega, Slovakia
M.A. (Miguel) Hernandez Fernandez, N. (Nadia) Belajard Moya, Spain
J. (John) Tabares, M.R. (Mark Robert) Brown, United Kingdom

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Consolidated balance sheet

as at 31 December

in EUR million	2015	2014
Assets		
Cash and balances with central banks 2	21,458	12,233
Amounts due from banks 3	29,988	37,119
Financial assets at fair value through profit and loss 4		
– trading assets	131,467	136,959
– non-trading derivatives	3,347	4,384
– designated as at fair value through profit and loss	3,234	2,756
Investments 5		
– available-for-sale	87,000	95,402
– held-to-maturity	7,826	2,239
Loans and advances to customers 6	537,343	517,478
Investments in associates and joint ventures 7	962	953
Real estate investments 8	77	80
Property and equipment 9	2,027	2,100
Intangible assets 10	1,567	1,655
Assets held for sale 11	2,153	165,532
Other assets 12	13,320	13,966
Total assets	**841,769**	**992,856**
Equity 13		
Shareholders' equity (parent) [1]	47,832	51,344
Minority interests	638	8,072
Total equity	**48,470**	**59,416**
Liabilities		
Subordinated loans 14	7,265	6,861
Debt securities in issue 15	121,289	126,352
Other borrowed funds 16	9,146	11,297
Amounts due to banks 17	33,813	29,999
Customer deposits and other funds on deposit 18	500,777	483,871
Financial liabilities at fair value through profit and loss 19		
– trading liabilities	88,807	97,091
– non-trading derivatives	4,257	6,040
– designated as at fair value through profit and loss	12,616	13,551
Liabilities held for sale 11		142,132
Other liabilities[1] 20	15,329	16,246
Total liabilities	**793,299**	**933,440**
Total equity and liabilities	**841,769**	**992,856**

1 Shareholder's equity (parent) and Other liabilities, as at 31 December 2014, are adjusted as a result of the change in the accounting approach for the NN Group Anchor investment transaction. Reference is made to Note 1 'Accounting policies' – Change in accounting approach NN Group Anchor investment transaction.

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.

Reference is made to Note 1 'Accounting policies' for information on Changes in the composition of ING Group.

Consolidated profit and loss account

for the years ended 31 December

in EUR million	2015	2015	2014	2014	2013	2013
Continuing operations						
Interest income banking operations	46,321		48,169		51,394	
Interest expense banking operations	-33,760		-35,865		-39,693	
Interest result banking operations 21		12,561		12,304		11,701
Investment income 22		123		236		351
Result on disposal of group companies 23		2		195		27
Gross commission income	3,411		3,297		3,303	
Commission expense	-1,093		-1,004		-1,099	
Commission income 24		2,318		2,293		2,204
Valuation results on non-trading derivatives 25		85		-295		204
Net trading income 26		1,198		592		483
Share of result from associates and joint ventures 7		492		138		150
Other income 27		66		97		170
Total income		**16,845**		**15,560**		**15,290**
Addition to loan loss provisions 6		1,347		1,594		2,289
Staff expenses 28		4,972		5,788		4,920
Other operating expenses 29		4,354		4,471		3,914
Total expenses		**10,673**		**11,853**		**11,123**
Result before tax from continuing operations		**6,172**		**3,707**		**4,167**
Taxation 39		1,637		971		1,037
Net result from continuing operations		**4,535**		**2,736**		**3,130**
Discontinued operations 30						
Net result from discontinued operations		793		746		705
Net result from classification as discontinued operations		3		-470		-42
Net result from disposal of discontinued operations		-918		-1,572		17
Total net result from discontinued operations		**-122**		**-1,296**		**680**
Net result (before minority interests)		**4,413**		**1,440**		**3,810**
Net result attributable to Minority interests		403		189		265
Net result attributable to Equityholders of the parent		**4,010**		**1,251**		**3,545**

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.

Reference is made to Note 1 'Accounting policies' for information on Changes in presentation of the Consolidated annual accounts and related notes.

Consolidated profit and loss account of ING Group - continued

in EUR million	2015	2014	2013
Net result attributable to Minority interests			
– from continuing operations	69	79	80
– from discontinued operations	334	110	185
	403	**189**	**265**
Net result attributable to Equityholders of the parent			
– from continuing operations	4,466	2,657	3,050
– from discontinued operations	–456	–1,406	495
	4,010	**1,251**	**3,545**

in EUR	2015	2014	2013
Earnings per ordinary share 31			
Basic earnings per ordinary share	1.04	0.13	0.79
Diluted earnings per ordinary share	1.03	0.13	0.79
Earnings per ordinary share from continuing operations 31			
Basic earnings per ordinary share from continuing operations	1.16	0.50	0.66
Diluted earnings per ordinary share from continuing operations	1.15	0.49	0.66
Dividend per ordinary share 32	0.65	0.12	0.00

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.

Reference is made to Note 1 'Accounting policies' for information on Changes in presentation of the Consolidated annual accounts and related notes.

Consolidated statement of comprehensive income

for the years ended 31 December

in EUR million	2015	2014	2013
Net result (before minority interests)	4,413	1,440	3,810
Other comprehensive income			
Items that will not be reclassified to the profit and loss account:			
Remeasurement of the net defined benefit asset/liability 41	24	-289	-942
Unrealised revaluations property in own use	35	-30	-7
Items that may subsequently be reclassified to the profit and loss account:			
Unrealised revaluations available-for-sale investments and other	-414	6,981	-6,159
Realised gains/losses transferred to the profit and loss account	-92	-139	-79
Changes in cash flow hedge reserve	-724	2,394	-827
Transfer to insurance liabilities/DAC	601	-2,146	1,944
Share of other comprehensive income of associates and joint ventures	-5	43	6
Exchange rate differences and other	1,697	2,374	-1,468
Total comprehensive income	**5,535**	**10,628**	**-3,722**
Comprehensive income attributable to:			
Minority interests	529	1,291	28
Equityholders of the parent	5,006	9,337	-3,750
	5,535	**10,628**	**-3,722**

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.

Reference is made to Note 1 'Accounting policies' for information on Changes in the composition of ING Group.

Reference is made to Note 39 'Taxation' for the disclosure on the income tax effects on each component of the other comprehensive income.

Consolidated statement of cash flows

for the years ended 31 December

in EUR million		2015	2014	2013
Cash flows from operating activities				
Result before tax[1]		6,193	2,682	4,899
Adjusted for:	– depreciation	634	692	765
	– deferred acquisition costs and value of business acquired	–53	–53	1,282
	– change in provisions for insurance and investment contracts	–1,499	–3,527	–8,503
	– addition to loan loss provisions	1,347	1,594	2,289
	– other	277	2,267	2,929
Taxation paid		–1,450	–1,073	–1,656
Changes in:	– amounts due from banks, not available on demand	6,766	3,360	–9,400
	– trading assets	5,458	–23,676	651
	– non-trading derivatives	–303	–3,022	–2,151
	– other financial assets at fair value through profit and loss	–256	–553	1,899
	– loans and advances to customers	–23,030	–13,901	6,090
	– other assets	549	246	2,542
	– amounts due to banks, not payable on demand	5,179	3,353	–10,266
	– customer deposits and other funds on deposit	17,970	19,015	25,585
	– trading liabilities	–8,276	23,855	–10,172
	– other financial liabilities at fair value through profit and loss	–1,582	–1,018	–3,429
	– other liabilities	2,653	1,778	–11,772
Net cash flow from/(used in) operating activities		**10,577**	**12,019**	**–8,418**
Cash flows from investing activities				
Investments and advances:	– associates and joint ventures	–40	–528	–68
	– available-for-sale investments	–47,858	–85,799	–132,318
	– held-to-maturity investments	–3,457	–315	
	– real estate investments	–106	–483	–200
	– property and equipment	–353	–375	–388
	– assets subject to operating leases	–37	–34	–82
	– investments for risk of policyholders	–2,417	–20,598	–56,008
	– other investments	–542	–6,348	–343
Disposals and redemptions:	– group companies (including cash in company disposed)[2]	–6,926	–1,216	–4,638
	– associates and joint ventures[3]	1,175	2,505	462
	– available-for-sale investments	52,675	69,444	129,243
	– held-to-maturity investments	1,219	1,172	3,439
	– real estate investments	2	192	265
	– property and equipment	74	55	61
	– assets subject to operating leases	17	3	
	– investments for risk of policyholders	7,566	28,003	65,528
	– loans	3,201	1,167	4,309
	– other investments	3	5,736	7
Net cash flow from/(used in) investing activities 33		**4,196**	**–7,419**	**9,269**

Consolidated statement of cash flows of ING Group - continued

in EUR million	2015	2014	2013
Net cash flow from/(used in) operating activities	**10,577**	**12,019**	**–8,418**
Net cash flow from/(used in) investing activities 33	**4,196**	**–7,419**	**9,269**
Cash flows from financing activities			
Proceeds from issuance of subordinated loans	2,025	1,125	
Repayments of subordinated loans	–1,848	–1, 500	–1,470
Proceeds from borrowed funds and debt securities	140,558	146,714	156,663
Repayments of borrowed funds and debt securities	–151,581	–151,471	–164,738
Repayment of non-voting equity securities		–1,500	–750
Repurchase premium paid on non-voting equity securities		–750	–375
Purchase/sale of treasury shares	34	–14	119
Proceeds of IPO NN Group 30		1,747	
Proceeds of IPO Voya 30			1,848
Proceeds from partial divestment of NN Group[4]	1,040		
Proceeds from issuance of Undated subordinated notes		986	
Dividends paid 32	–1,393		
Net cash flow from/(used in) financing activities	**–11,165**	**–4,663**	**–8,703**
Net cash flow 34	**3,608**	**–63**	**–7,852**
Cash and cash equivalents at beginning of year	17,113	17,180	24,150
Effect of exchange rate changes on cash and cash equivalents	–342	–4	882
Cash and cash equivalents at end of year 35	**20,379**	**17,113**	**17,180**

1 Result before tax includes results from continuing operations of EUR 6,172 million (2014: EUR 3,707 million; 2013: EUR 4,167 million) as well as results from discontinued operations of EUR 21 million (2014: EUR –1,025 million; 2013: EUR 732 million).
2 Disposals and redemptions – group companies includes EUR -7,975 million and EUR 997 million related to cash and cash equivalents of NN Group and proceeds from the sale of shares of NN Group resulting in loss of control at the end of May 2015 respectively. (2014: EUR 950 million proceeds from the sale of shares of Voya which resulted in loss of control in the first quarter of 2014).
3 Disposals and redemptions – associates and joint ventures includes EUR 995 million proceeds on the further sale of NN Group shares in September 2015 (2014: EUR 1,940 million proceeds from the sale of Voya shares in September and November 2014).
4 Proceeds from partial divestment of NN Group includes EUR 1,040 million proceeds (excluding the repurchase by NN Group) from the sale of shares of NN Group in February 2015, prior to loss of control.

As at 31 December 2015 Cash and cash equivalents includes cash and balances with central banks of EUR 21,458 million (2014: EUR 12,233 million; 2013: EUR 13,316 million). Reference is made to Note 35 'Cash and cash equivalents'.

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.

Comparison of the Consolidated cash flow statements between 2015, 2014 and 2013 is impacted by NN Group. Included in the 2015 cash flow statement, are the cash flows of NN Group, for five months until deconsolidation at the end of May 2015. Comparative periods include NN Group for the years ended 31 December 2014 and 2013, respectively. Reference is made to Note 1 'Accounting policies' for information on Changes in the composition of ING Group.

Consolidated statement of changes in equity

in EUR million	Share capital	Share premium	Reserves	Total share-holders' equity (parent)	Minority interests	Total equity
Balance as at 1 January 2015	925	16,046	34,373	51,344	8,072	59,416
Remeasurement of the net defined benefit asset/liability 38			34	34	-10	24
Unrealised revaluations property in own use			35	35		35
Unrealised revaluations available-for-sale investments and other			-528	-528	114	-414
Realised gains/losses transferred to the profit and loss account			-94	-94	2	-92
Changes in cash flow hedge reserve			-715	-715	-9	-724
Transfer to insurance liabilities/DAC			609	609	-8	601
Share of other comprehensive income of associates and joint ventures			-7	-7	2	-5
Exchange rate differences and other[1]			1,662	1,662	35	1,697
Total amount recognised directly in equity (other comprehensive income)			**996**	**996**	**126**	**1,122**
Net result from continuing and discontinued operations			4,010	4,010	403	4,413
Total comprehensive income			**5,006**	**5,006**	**529**	**5,535**
Impact of partial divestment of NN Group			-1,769	-1,769	3,042	1,273
Impact of deconsolidation of NN Group			-5,345	-5,345	-10,801	-16,146
Coupon on Undated subordinated notes			-19	-19	-15	-34
Dividends			-1,393	-1,393	-118	-1,511
Changes in treasury shares			28	28		28
Employee stock option and share plans	3	8	105	116	1	117
Changes in the composition of the group and other changes			-136	-136	-72	-208
Balance as at 31 December 2015	**928**	**16,054**	**30,850**	**47,832**	**638**	**48,470**

1 Exchange rate difference and other include the transfer of Revaluation reserves to Other reserves due to the partial sale of NN Group in February 2015.

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.

Reference is made to Note 1 'Accounting policies' for information on Changes in the composition of ING Group.

Changes in individual components are presented in Note 13 'Equity'.

Consolidated statement of changes in equity of ING Group - continued

in EUR million	Share capital	Share premium	Reserves[1]	Total share-holders' equity (parent)	Non-voting equity securities	Minority interests	Total equity
Balance as at 1 January 2014	921	16,038	28,817	45,776	1,500	5,913	53,189
Remeasurement of the net defined benefit asset/liability 38			-254	-254		-35	-289
Unrealised revaluations property in own use			-30	-30			-30
Unrealised revaluations available-for-sale investments and other			5,503	5,503		1,478	6,981
Realised gains/losses transferred to the profit and loss account			-133	-133		-6	-139
Changes in cash flow hedge reserve			2,001	2,001		393	2,394
Transfer to insurance liabilities/DAC			-1,428	-1,428		-718	-2,146
Share of other comprehensive income of associates and joint ventures			43	43			43
Exchange rate differences and other			2,384	2,384		-10	2,374
Total amount recognised directly in equity (other comprehensive income)			**8,086**	**8,086**		**1,102**	**9,188**
Net result from continuing and discontinued operations			1,251	1,251		189	1,440
Total comprehensive income			**9,337**	**9,337**		**1,291**	**10,628**
Impact of issuance Undated subordinated notes						986	986
Repayment of non-voting equity securities					-1,500		-1,500
Repurchase premium			-750	-750			-750
Dividends						-44	-44
Impact of deconsolidation of Voya			87	87		-5,100	-5,013
Impact of IPO NN Group[1] 13			-3,251	-3,251		5,397	2,146
Changes in treasury shares			-14	-14			-14
Employee stock option and share plans	4	8	87	99		13	112
Changes in the composition of the group and other changes[1]			60	60		-384	-324
Balance as at 31 December 2014	**925**	**16,046**	**34,373**	**51,344**	**-**	**8,072**	**59,416**

1 Impact of IPO NN Group and Changes in composition of the group and other changes are adjusted as a result of the change in the accounting approach for the NN Group Anchor investment transaction. Reference is made to Note 1 'Accounting policies' – Change in accounting approach NN Group Anchor investment transaction.

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.

Reference is made to Note 1 'Accounting policies' for information on Changes in the composition of ING Group.

Consolidated statement of changes in equity of ING Group - continued

in EUR million	Share capital	Share premium	Reserves	Total share-holders' equity (parent)	Non-voting equity securities	Minority interests	Total equity
Balance as at 1 January 2013	919	16,034	34,350	51,303	2,250	1,643	55,196
Remeasurement of the net defined benefit asset/liability 38			-905	-905		-37	-942
Unrealised revaluations property in own use			-7	-7			-7
Unrealised revaluations available-for-sale investments and other			-6,421	-6,421		262	-6,159
Realised gains/losses transferred to the profit and loss account			-114	-114		35	-79
Changes in cash flow hedge reserve			-812	-812		-15	-827
Transfer to insurance liabilities/DAC			2,200	2,200		-256	1,944
Share of other comprehensive income of associates and joint ventures			6	6			6
Exchange rate differences and other			-1,242	-1,242		-226	-1,468
Total amount recognised directly in equity (other comprehensive income)			**-7,295**	**-7,295**		**-237**	**-7,532**
Net result from continuing and discontinued operations			3,545	3,545		265	3,810
Total comprehensive income			**-3,750**	**-3,750**		**28**	**-3,722**
Repayment of non-voting equity securities					-750		-750
Repurchase premium			-375	-375			-375
Dividends						-13	-13
Impact of IPO Voya 13			-2,526	-2,526		4,348	1,822
Changes in treasury shares			378	378			378
Employee stock option and share plans	2	4	-84	-78		19	-59
Changes in the composition of the group and other changes			824	824		-112	712
Balance as at 31 December 2013	**921**	**16,038**	**28,817**	**45,776**	**1,500**	**5,913**	**53,189**

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.

Reference is made to Note 1 'Accounting policies' for information on Changes in the composition of ING Group.

Notes to the Consolidated annual accounts

amounts in millions of euros, unless stated otherwise

Notes to the accounting policies

Authorisation of annual accounts

The Consolidated annual accounts of ING Groep N.V. ('ING Group') for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Executive Board on 29 February 2016. The Executive Board may decide to amend the annual accounts as long as these are not adopted by the General Meeting of Shareholders. The General Meeting of Shareholders may decide not to adopt the annual accounts, but may not amend these. ING Groep N.V. is incorporated and domiciled in Amsterdam, the Netherlands. The principal activities of ING Group are described in 'ING at a glance'.

1 Accounting policies

ING Group applies International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'). IFRS requires the consistent application of accounting policies. In the annual accounts, the terms 'IFRS' and 'IFRS-EU' is used to refer to International Financial Reporting Standards as adopted by the EU, including the decisions ING Group made with regard to the options available under IFRS-EU.

IFRS-EU provides several options in accounting policies. The key areas in which IFRS-EU allows accounting policy choices and the related ING accounting policy, are summarised as follows:

- As explained in the section 'Principles of valuation and determination of results' and in Note 41 'Derivatives and hedge accounting' ING Group applies fair value hedge accounting to portfolio hedges of interest rate risk (macro hedging) under the EU 'carve out' of IFRS-EU;
- ING's accounting policy for Real estate investments is fair value, with changes in fair value reflected immediately in the profit and loss account; and
- ING's accounting policy for Property for own use is fair value, with changes in fair value reflected in the revaluation reserve in equity ('Other comprehensive income'). A net negative revaluation on individual properties is reflected immediately in the profit and loss account.

ING Group's accounting policies under IFRS-EU and its decision on the options available are included in the section 'Principles of valuation and determination of results' below. Except for the options included above, the principles in section 'Principles of valuation and determination of results' are IFRS-EU and do not include other significant accounting policy choices made by ING. The accounting policies that are most significant to ING are included in section 'Critical accounting policies'.

a) Changes in accounting policies in 2015

There were no changes in accounting policies effective from 1 January 2015.

b) Changes in IFRS-EU

New and/or amended IFRS-EU standards under the Annual Improvements Cycle: 2011 – 2013, effective 1 January 2015, were adopted by ING Group. The implementation of these amendments had no or no material effect on the Consolidated annual accounts of ING Group.

c) Changes in presentation of the Consolidated annual accounts and related notes

In 2015, ING Group made changes to the presentation of the Consolidated annual accounts and related notes. The changes are largely driven by the further restructuring and deconsolidation of the NN Group insurance business, but also include changes in layout to more clearly present the results of ING Group and other minor improvements. Where relevant, the comparative amounts are adjusted accordingly.

The main changes in the presentation of the Consolidated annual accounts and related notes are as follows:

- The layout of the Consolidated profit and loss account is changed to more clearly present the 'Net result from continuing and discontinued operations attributable to Equityholders of the parent';
- The layout of the Consolidated profit and loss account is changed to present 'Earnings per ordinary share' and 'Earnings per ordinary share from continuing operations'. Reference is made to Note 31 for 'Earnings per ordinary share from discontinued operations';
- As of 2015, the line 'Intangible amortisation and other impairments' is included in 'Other operating expenses' and no longer as a separate line item in the Consolidated profit and loss account. Reference is made to Note 29 'Other operating expenses';
- As of 2015, the presentation of the table 'Debt securities by type and balance sheet lines' separately discloses the assets class Sub-sovereign Supranationals and Agencies' ('SSA'). Reference is made to Note 5 'Investments';
- Following the further restructuring of the insurance business in 2015, resulting in loss of control of NN Group and deconsolidation at the end of May 2015, insurance specific disclosures are condensed to those items relevant for purposes of current and comparative amounts and is mainly presented in Note 11 'Assets and liabilities held for sale' (i.e. Critical and other accounting policies, 'Proportional interest held and other key information' related to NN Group and Voya). Similarly, Net results recognised in relation to insurance businesses are presented in Note 30 'Discontinued operations' and Note 37 'Segments';
- As of 2015, the line Regulatory costs include contributions to the Deposit Guarantee Schemes ('DGS'), the National Resolution Fund ('NRF') and local bank taxes mainly in the Netherlands, Germany, Belgium and Poland. Regulatory costs are no longer included in 'Other operating expenses' – Other. Reference is made to Note 29 'Other operating expenses'; and
- In 2015, ING changed the presentation of the components of equity as presented in the Parent company annual accounts. The changed presentation improves transparency of disclosures on the legal reserves and the non-distributable reserves. Reference is made to the Parent company annual accounts.

d) Other significant changes in 2015

Changes in the composition of ING Group

During 2015 and 2014, the following changes in the composition of ING Group occurred:

- Voya was classified as held for sale and discontinued operations in September 2013. A number of divestment transactions resulted in Voya being deconsolidated as of 31 March 2014;
- Following changes to the governance structure of ING Vysya in 2014, ING Vysya was no longer consolidated as of 31 March 2014; and
- In September 2014, NN Group was classified as held for sale and discontinued operations. A number of divestment transactions resulted in NN Group being deconsolidated at the end of May 2015.

Reference is made to Note 54 'Other events' for further information on these transactions.

NN Group

In February 2015, ING Group sold 52 million ordinary shares of NN Group, reducing its ownership in NN Group from 68.14%, at 31 December 2014, to 54.58%. The transaction did not impact the profit and loss account of ING Group as NN Group continued to be fully consolidated. The transaction had a negative impact of EUR 1,769 million on the shareholder's equity of ING Group.

In May 2015, in order to fulfil its commitment to the European Commission ('EC'), ING Group injected capital in NN Group by subscribing for newly issued shares for an amount of EUR 57 million. The transaction increased the ownership of ING in NN Group to 54.77%.

In May 2015, ING Group sold 45 million ordinary shares in NN Group. This transaction reduced ING Group's interest in NN Group to 42.43%, resulting in ING Group losing control over NN Group. The share sale and deconsolidation of NN Group resulted in an after tax loss of EUR 1,224 million and is recognised in the profit and loss account in the line 'Net result from disposal of discontinued operations'. The transaction had a negative impact of EUR 6,569 million, including the aforementioned loss, on the shareholder's equity of ING Group. The profit and loss account of ING Group includes, in the line 'Net result from discontinued operations', the result of NN Group until deconsolidation at the end of May 2015.

With the injection of capital and deconsolidation of NN Group, ING Group fulfils its commitment to the EC, per the EC decision of 16 November 2012. The restrictions from this decision regarding acquisition and price leadership will no longer apply to ING Group.

In June 2015, ING exchanged the second tranche of mandatorily exchangeable subordinated notes of Anchor investors into NN Group ordinary shares. Accrued interest on these notes was settled in NN Group ordinary shares. The transaction resulted in a further decrease in the ownership of ING Group in NN Group to 38.23%. The transaction did not have a material impact on the profit and loss account of ING Group.

In June 2015, NN Group repurchased 2.1 million ordinary shares from ING Group. This transaction reduced ING's remaining interest in NN Group to 37.61%.

In September 2015, NN Group repurchased 1.7 million ordinary shares from ING Group. This transaction reduced ING's remaining interest in NN Group to 37.12%.

In September 2015, ING Group sold 40 million ordinary shares in NN Group. As part of the transaction, NN Group repurchased 6 million ordinary shares. The transaction reduced ING Group's interest in NN Group to 25.76%. The transaction resulted in a loss of EUR 17 million and is recognised in the profit and loss account in the line 'Net result from disposal of discontinued operations'. The transaction was settled on 5 October 2015.

As at 31 December 2015, the remaining interest in NN Group of 25.75% is recognised as an Investment in associate held for sale at EUR 2,153 million. ING Group holds warrants for 35 million shares in NN Group.

As at 31 December 2015, ING Group no longer has nominees in the Supervisory Board of NN Group.

In January 2016, ING Group sold a further 33 million ordinary shares of NN Group. As part of the transaction, NN Group repurchased 8 million ordinary shares. The transaction reduced the ownership of ING in NN Group from 25.75% (as at 31 December 2015) to 16.22%. As a result of the transaction, together with ING Group no longer having any nominees on NN Group's Supervisory Board as of 14 December 2015, ING Group no longer has significant influence over NN Group and accounts for its remaining stake in NN Group as an available-for-sale investment. The result from this transaction, amounting to a net profit of EUR 522 million, will be reflected in ING Group's first quarter 2016 profit and loss account. The result reflects the difference between the EUR 2.2 billion book value of ING's 25.75% investment (as fixed at deconsolidation at the end of May 2015) and the market value of this stake of EUR 2.7 billion at the closing of the January 2016 transaction. The transaction settled on 8 January 2016. The remaining shares held in NN Group is subject to a lock-up period of 60 days.

On 2 February 2016, ING settled the exchange of the third and final tranche of EUR 337.5 million mandatory exchangeable subordinated notes which were issued in 2014 as part of the anchor investment in NN Group. EUR 208 million of the notes were exchanged into 6.9 million NN Group ordinary shares with the three anchor investors. EUR 129.5 million of notes were settled in cash with RRJ Capital. This transaction reduced ING's remaining stake in NN Group from 16.22% to 14.09%. The transaction did not have a material impact on the shareholder's equity or the profit and loss account of ING Group.

Change in accounting approach NN Group Anchor investment transaction

During the second half of 2015, the Autoriteit Financiële Markten ('AFM'; The Netherlands Authority for the Financial Markets) performed a review of the 2014 ING Group Annual Report. This review resulted in a recommendation to change the accounting approach for the provision recognised as a direct reduction of ING Group's shareholders' equity in 2014 in relation to the Asian Anchor Investment transaction ('Anchor investment transaction').

Background information

In April 2014, ahead of the intended NN Group Initial Public Offering ('IPO'), ING Group secured investments from three Asian investors in NN Group by issuing subordinated notes, which were recognised on the balance sheet line 'Subordinated loans'. In July 2014, at the time of the NN Group IPO, all notes became mandatorily exchangeable for NN Group shares and the first tranche was settled in NN Group shares. ING Group's expected loss on the settlement of the two remaining tranches in NN Group shares was calculated as the difference between the carrying value of NN Group and the fair value of NN Group's shares. The expected loss of EUR 1.012 million was recognised in July 2014 as a provision on the balance sheet in 'Other liabilities' with the corresponding debit recognised directly in ING Group's shareholders' equity. As a result of a decrease of the carrying value of NN Group, the difference between the carrying value of NN Group and the fair value of NN Group's shares as at 31 December 2014 decreased by EUR 92 million to EUR 920 million.

In May 2015, ING Group reduced its stake in NN Group to 42.43% and deconsolidated NN Group. At the time of deconsolidation, the difference between the carrying value of NN Group (net of revaluation reserves) and the fair value of the entire remaining stake in NN Group was written off through the profit and loss account. For the shares expected to be delivered under the Anchor investment transaction, this difference had already been recognised as a provision in 2014, directly in shareholders' equity. Therefore, the provision recognised for the second and third tranche of the Anchor provision was utilised, decreasing the total deconsolidation loss in ING Group's profit and loss account, as reported in the second quarter of 2015, by EUR 1,001 [1] million.

[1] In 2015, until the date of deconsolidation at the end of May 2015, the carrying value of NN Group increased. As a result, the difference between the carrying value of NN Group and the fair value of NN Group's shares, increased by EUR 81 million to EUR 1,001 million.

Following discussions with the AFM, ING Group decided to adjust the accounting approach as described above. Based on IFRS 10 ('Consolidated Financial Statements'), IAS 1 ('Presentation of Financial Statements') and IAS 8 ('Accounting Policies, Changes in Accounting Estimates and Errors'), the accounting for the impact of the Anchor investment transaction and disclosure of the quantitative impact of the divestment of NN Group in the 2014 ING Group Annual Report was not in accordance with paragraphs IFRS 10.23, IFRS 10.B96 and IAS 1.17(c), nor can the accounting of the Anchor investment transaction be based on IAS 8.10 and IAS 8.11. IFRS 10.23 and IFRS 10.B96 do not allow for changes recognised directly in shareholders' equity without an actual change in ownership.

Impact on ING Group
The 2014 comparative amounts are adjusted by a reversal of the provision previously recognised in 2014 resulting in an increase of ING Group's equity by EUR 920 million as at 31 December 2014. The 2013 and 2012 amounts are not impacted. This adjustment is in line with the requirements of IAS 8 ('Accounting Policies, Changes in Accounting Estimates and Errors').

The financial impact on ING Group's 2015 amounts is disclosed in the press release dated 11 January 2016.

Impact on ING Group Balance sheet and Profit and loss account items:

			31 December 2014
in EUR million	Reported	Adjustment	Adjusted
Balance sheet			
Equity			
Shareholders' equity (parent)[1]	50,424	920	51,344
Liabilities			
Other liabilities[2]	17,166	-920	16,246
Total equity and liabilities	992,856	-	992,856
Profit and loss account			
Net result attributable to Equityholders of the parent	1,251		1,251
Earnings per ordinary share			
Basic earnings per ordinary share	0.13		0.13
Diluted earnings per ordinary share	0.13		0.13

1 Shareholder's equity (parent) is adjusted in 'Other reserves'.
2 Other liabilities is adjusted in the line item 'Other'.

This change has no consequences for the accounting approach of other transactions which were part of ING's divestment program.

For disclosure of the quantitative impact of the divestment of NN Group, as per 31 December 2014, reference is made to Note 54 'Other events'. Further reference is made to Note 13 'Equity', Note 20 'Other liabilities', Note 40 'Fair value of assets and liabilities' and Note 43 'Liabilities by maturity'.

Voya
In March 2015, ING Group sold its remaining interest in Voya, reducing its ownership from 18.9%, at 31 December 2014, to zero. The transaction resulted in a profit of EUR 323 million, which is recognised in the profit and loss account in the line 'Net result from disposal of discontinued operations'.

ING Group continues to hold warrants for 26 million shares in Voya.

ING Vysya Bank
In April 2015, the merger between ING Vysya Bank ('ING Vysya') and Kotak Mahindra Bank ('Kotak') was completed and the legal entity ING Vysya ceased to exist. As a result of this transaction, ING holds a stake of 6.5% in the combined company, which operates under the Kotak brand. The transaction resulted in a gain of EUR 367 million and is recognised in the line 'Share of result from associates and joint ventures'. The transaction did not materially impact the shareholders' equity of ING Group. As at 31 December 2015, ING accounts for the investment in Kotak as an Available-for-sale equity investment.

For further information on the above transactions, reference is made to Note 4 'Financial assets at fair value through profit and loss', Note 5 'Investments', Note 7 'Investments in associates and joint ventures', Note 11 'Assets and liabilities held for sale', Note 13 'Equity', Note 14 'Subordinated loans', Note 20 'Other liabilities', Note 30 'Discontinued operations' and Note 54 'Other events'.

e) Upcoming changes in IFRS-EU after 2015

Changes to IFRS effective in 2016

On 1 January 2016, a number of changes to IFRS become effective under IFRS-EU. The implementation of these amendments will have no significant impact on ING Group's results or financial position.

The list of upcoming changes to IFRS which are applicable for ING Group:

- Annual Improvements Cycle 2010 – 2012:
  - IFRS 2 Share-based Payment: Definitions of vesting conditions;
  - IFRS 3 Business Combinations: Accounting for contingent considerations in a business combination;
  - IFRS 8 Operating Segments: Aggregation of operating segments;
  - IFRS 8 Operating Segments: Reconciliation of the total of the reportable segments' assets to entity's assets;
  - IAS 16 Property, Plant and Equipment and IAS 38 Intangible assets: Revaluation method – proportionate restatement of accumulated depreciation/amortisation;
  - IAS 24 Related Party Disclosures: Key management personnel;
- Annual Improvement Cycle 2012 – 2014:
  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Changes in methods of disposal;
  - IFRS 7 Financial Instruments: Disclosures: Servicing contracts;
  - IFRS 7 Financial Instruments: Disclosures – Applicability of the offsetting disclosures to condensed interim financial statements;
  - IAS 19 Employee Benefits: Discount rate – Regional market issue;
  - IAS 34 Interim Financial Reporting: Disclosure of information 'elsewhere in the interim financial report';
- IFRS 11 Joint Arrangements: Accounting for acquisitions of interests in joint operations;
- IAS 1 Presentation of financial statements: Disclosure initiative – amendments to IAS 1;
- IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortisation;
- IAS 19 Employee Benefits: Defined benefit plans - Employee contributions; and
- IAS 27 Separate financial statements: Equity method

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' was issued by the IASB in July 2014. IFRS 9 will replace IAS 39 'Financial Instruments: Recognition and Measurement' and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and micro hedge accounting. The new requirements become effective as of 1 January 2018. The classification and measurement and impairment requirements will be applied retrospectively by adjusting the opening balance sheet and opening equity at 1 January 2018, with no restatement of comparative periods. IFRS 9 is not yet endorsed by the EU. When the actual endorsement will take place is not clear; the current expectation is in the second half of 2016. It is expected that the implementation of IFRS 9, if and when endorsed by the EU, will have a significant impact on Shareholders' equity, Net result and/or Other comprehensive income and disclosures.

Enhanced Disclosure Task Force ('EDTF')

In November 2015, the EDTF published a report on IFRS 9 recommended disclosures which may be useful to help the market understand the upcoming changes as a result of using the Expected Credit Loss ('ECL') approach. Given that full IFRS 9 disclosures are only required for the year ending 31 December 2018, the additional EDTF recommendations during the period before adoption aims at promoting consistency and comparability across internationally active banks. ING Group has adopted these recommendations as transitional disclosures with an initial focus on qualitative disclosures.

IFRS 9 Program

In 2015, ING focused on establishing the IFRS 9 program, the interpretation of key IFRS 9 concepts and the initiation of the impact assessment. In 2016, ING Group will start with the implementation of the IFRS 9 requirements in its models, systems, processes and governance and will prepare for the parallel run in 2017.

The governance structure of the IFRS 9 Program has been set-up based on the three phases of IFRS 9: Classification and Measurement, Impairments and Hedge Accounting. Each workstream consists of experts from Finance, Risk, Bank Treasury, Operations and the business lines. The workstreams are supported by the Program Office. The Technical Board supports the Steering Committee by reviewing the interpretations of IFRS 9 as prepared by the workstreams. The Steering Committee is the decision making body. Additionally, an international IFRS 9 network has been created within ING Group to connect all countries with the central project team to ensure consistency, awareness and training.

Classification and measurement
ING Group will apply a two-step approach to determine the classification and measurement of financial assets into one of the three categories, being Amortised cost, Fair Value through Other Comprehensive Income ('FVOCI') or Fair value through profit and loss:
1. The Business Model test will be applied to determine how a portfolio of financial instruments is managed as a whole; and
2. The Solely Payments of Principle and Interest ('SPPI') test will be applied to determine the contractual cash flow characteristics of financial assets in the Business Model.

In most instances, it is expected that the classification and measurement outcomes will be similar to IAS 39, although certain differences will arise. The classification and measurement of financial liabilities remains essentially the same as under IAS 39.

In 2015, ING Group has started the Business Model test and identified and described homogeneous portfolios across the business of ING Group. The implementation of the SPPI text will start in 2016.

Impairment
The recognition and measurement of impairment is intended to be more forward-looking, based on an expected credit loss ('ECL') model, than under IAS 39 which is of an incurred loss model. The ECL model applies to on-balance financial assets accounted for at amortised cost and FVOCI, such as loans, debt securities and trade receivables, and off-balance items such as lease receivables, and certain loan commitments financial guarantee.

In 2015, ING Group determined a number of key concepts and assumptions essential to the new impairment model, such as the definition of significant deterioration and the approach how to measure ECL. In addition, ING Group started with the financial impact analysis on the level of impairment allowances under the new ECL approach.

Three stage approach
ING Group will apply the IFRS 9 three stage approach to measure expected credit losses:
- *Stage 1: 12 month ECL - performing*
  Financial instruments that have not had a significant increase in credit risk since initial recognition require, at initial recognition, a provision for expected credit losses associated with the probability of default events occurring within the next 12 months ('12 month ECL').
- *Stage 2: Lifetime ECL – under-performing*
  In the event of a significant increase in credit risk since initial recognition, a provision is required for ECL resulting from all possible default events over the expected life of the financial instrument ('Lifetime ECL'). ING Group has defined triggers to move to Stage 2 depending on the type of asset/portfolio. Once the ECL models are available, further calibration of the triggers will be defined and tested.
- *Stage 3: Lifetime ECL – non-performing*
  Financial instruments will move into Stage 3 once defaulted. The aim is to align the default definition for IFRS 9 with the internal definition of default for risk management purposes. Stage 3 requires a Lifetime ECL provision.

The calculation of ECL will be based on ING Group's expected loss models (PD, LGD, EAD) currently used for regulatory capital, economic capital and IBNR and INSFA provisions in the current IAS 39 framework. The ECL models will follow the same model structure as applied for the current expected loss models. The stress test methodology is used as a basis for including forward looking macro-economic information in the expected loss parameters.

Hedge accounting
The IFRS 9 hedge accounting requirements aim to simplify general hedge accounting requirements. Furthermore, IFRS 9 aims to align financial hedge accounting more closely with risk management strategies. All micro hedge accounting strategies as well as the macro cash flow hedge are in scope of IFRS 9. Macro fair value hedging is currently outside the scope of IFRS 9.

In 2015, the Hedge accounting workstream performed a technical assessment of the impact of the new hedge accounting requirements. Based on the outcome of this technical assessment, ING Group has made a preliminary decision to continue applying IAS 39 in its entirety for hedge accounting until the guidance of Macro fair value hedge accounting is finalised as allowed under IFRS 9. ING Group will continue to implement the IFRS 7 hedge accounting disclosure requirements.

IFRS 15 'Revenue from Contracts with Customers'
In May 2014, the International Accounting Standards Board ('IASB') issued IFRS 15 'Revenue from Contracts with Customers'. The standard was originally effective for annual periods beginning on or after 1 January 2017. During 2015, the effective date was amended to 1 January 2018, with early adoption permitted. IFRS 15 is not yet endorsed by the EU. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue as and when the agreed performance obligations are satisfied. The standard should in principle be applied retrospectively, with certain exceptions. ING is currently assessing the impact of this standard.

IFRS 16 'Leases'

In January 2016, the IASB issued IFRS 16 'Leases' the new accounting standard for leases. The new standard is effective for annual periods beginning on or after 1 January 2019 and will replace IAS 17 'Leases' and IFRC 4 'Determining whether an Arrangement contains a Lease'. Early adoption is permitted for companies that also apply IFRS 15 'Revenue from Contracts with Customers'. IFRS 16 is not yet endorsed by the EU. The new standard removes the classification of leases as either operating leases or finance leases, resulting in all leases for lessees being treated comparable to finance leases. All leases will be recognised on the balance sheet with the exception of short-term leases with a lease term of less than 12 months and leases of low-value assets (for example tablets or personal computers. The main reason for this change is to increase comparability between companies and increase the visibility of these types of assets and liabilities. Lessor accounting remains largely unchanged. The standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach as well as some practical transitional relieves. ING Group is currently assessing the impact of this standard.

f) Critical accounting policies

ING Group has identified the accounting policies that are most critical to its business operations and to the understanding of its results. These critical accounting policies are those which involve the most complex or subjective decisions or assessments, and relate to loan loss provisions, other impairments and the determination of the fair values of financial assets and liabilities. In each case, the determination of these items is fundamental to the financial condition and results of operations, and requires management to make complex judgements based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgements as to future events and are subject to change, as the use of different assumptions or data could produce significantly different results. For a further discussion of the application of these accounting policies, reference is made to the applicable notes to the consolidated financial statements and the information below under 'Principles of valuation and determination of results'.

Loan loss provisions

Loan loss provisions are recognised based on an incurred loss model. Considerable judgement is exercised in determining the extent of the loan loss provision (impairment) and is based on management's evaluation of the risk in the portfolio, current economic conditions, loss experience in recent years and credit, industry, geographical and concentration trends. Changes in such judgements and analyses may lead to changes in the loan loss provisions over time.

The identification of impairment and the determination of the recoverable amount are an inherently uncertain processes involving various assumptions and factors including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices.

Future cash flows in a portfolio of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Current observable data may include changes in unemployment rates, property prices and commodity prices. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Other impairments

Impairment evaluation is a complex process that inherently involves significant judgements and uncertainties that may have a significant impact on ING Group's consolidated financial statements. Impairments are especially relevant in two areas: Available-for-sale debt and equity securities and Goodwill/Intangible assets.

All debt and equity securities (other than those carried at fair value through profit and loss) are subject to impairment testing every reporting period. The carrying value is reviewed in order to determine whether an impairment loss has been incurred. Evaluation for impairment includes both quantitative and qualitative considerations. For debt securities, such considerations include actual and estimated incurred credit losses indicated by payment default, market data on (estimated) incurred losses and other current evidence that the issuer may be unlikely to pay amounts when due. Equity securities are impaired when management believes that, based on a significant or prolonged decline of the fair value below the acquisition price, there is sufficient reason to believe that the acquisition cost may not be recovered. 'Significant' and 'prolonged' are interpreted on a case-by-case basis for specific equity securities. Generally 25% and 6 months are used as triggers. Upon impairment, the full difference between the (acquisition) cost and fair value is removed from equity and recognised in net result. Impairments on debt securities may be reversed if there is a decrease in the amount of the impairment which can be objectively related to an observable event. Impairments on equity securities cannot be reversed.

Impairments on other debt instruments (Loans and held-to-maturity investments) are part of the loan loss provision as described above.

Impairment reviews with respect to goodwill and intangible assets are performed at least annually and more frequently if events indicate that impairments may have occurred. Goodwill is tested for impairment by comparing the carrying value (including goodwill) of the reporting unit to the best estimate of the recoverable amount of that reporting unit. The carrying value is determined as the IFRS-EU net asset value including goodwill. The recoverable amount is estimated as the higher of fair value less cost to sell and value in use. Several methodologies are applied to arrive at the best estimate of the recoverable amount. A reporting unit is the lowest level at which goodwill is monitored. Intangible assets are tested for impairment by comparing the carrying value with the best estimate of the recoverable amount.

The identification of impairment is an inherently uncertain process involving various assumptions and factors, including financial condition of the counterparty, expected future cash flows, statistical loss data, discount rates, observable market prices, etc. Estimates and assumptions are based on management's judgement and other information available prior to the issuance of the financial statements. Significantly different results can occur as circumstances change and additional information becomes known.

Fair values of financial assets and liabilities

Fair values of financial assets and liabilities are based on unadjusted quoted market prices where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available, market prices may be obtained from independent market vendors, brokers or market makers. In general, positions are valued taking the bid price for a long position and the offer price for a short position or are valued at the price within the bid-offer spread that is most representative of fair value in the circumstances. In some cases where positions are marked at mid-market prices, a fair value adjustment is calculated.

When markets are less liquid there may be a range of prices for the same security from different price sources, selecting the most appropriate price requires judgement and could result in different estimates of fair value.

For certain financial assets and liabilities quoted market prices are not available. For these financial assets and liabilities, fair value is determined using valuation techniques. These valuation techniques range from discounting of cash flows to valuation models, where relevant pricing factors including the market price of underlying reference instruments, market parameters (volatilities, correlations and credit ratings) and customer behaviour are taken into account. All valuation techniques used are subject to internal review and approval. Most data used in these valuation techniques are validated on a daily basis.

To include credit risk in the fair valuation, ING applies both credit and debit valuation adjustments ('CVA', 'DVA'). Own issued debt and structured notes that are valued at fair value are adjusted for credit risk by means of a DVA. Additionally, derivatives valued at fair value are adjusted for credit risk by a CVA. The CVA is of a bilateral nature as both the credit risk on the counterparty as well as the credit risk on ING are included in the adjustment. All market data that is used in the determination of the CVA is based on market implied data. Additionally, wrong-way risk (when exposure to a counterparty is increasing and the credit quality of that counterparty decreases) and right-way risk (when exposure to a counterparty is increasing and the credit quality of that counterparty increases) are included in the adjustment. ING also applies CVA for pricing credit risk into new external trades with counterparties. To address the risk associated with the illiquid nature of the derivative portfolio, ING applies an additional 'liquidity valuation adjustment'. The adjustment is based on the market price of funding liquidity and is applied to the uncollateralised derivatives. This additional discounting is taken into account in both the credit and debit valuation adjustments.

Valuation techniques are subjective in nature and significant judgement is involved in establishing fair values for certain financial assets and liabilities. Valuation techniques involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value.

Price testing is performed to assess whether the process of valuation has led to an appropriate fair value of the position and to an appropriate reflection of these valuations in the profit and loss account. Price testing is performed to minimise the potential risks for economic losses due to incorrect or misused models.

Reference is made to Note 40 'Fair value of assets and liabilities' and the section 'Risk management – Market risk' for the basis of the determination of the fair value of financial instruments and related sensitivities.

g) Principles of valuation and determination of results

Consolidation

ING Group ('the Group') comprises ING Groep N.V. ('the Company'), ING Bank N.V., NN Group N.V. (until deconsolidation at the end of May 2015) and all other subsidiaries. The consolidated financial statements of ING Group comprise the accounts of ING Groep N.V. and all entities in which it either owns, directly or indirectly, more than half of the voting power or over which it has control of their operating and financial policies through situations including, but not limited to:

- Ability to appoint or remove the majority of the board of directors;
- Power to govern such policies under statute or agreement; and
- Power over more than half of the voting rights through an agreement with other investors.

Control exists if ING Group is exposed to variable returns and having the ability to affect those returns through power over the investee.

A list of principal subsidiaries is included in Note 50 'Principal subsidiaries'.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group controls another entity.

For interests in investment vehicles, the existence of control is determined taking into account both ING Group's financial interests for own risk and its role as investment manager.

The results of the operations and the net assets of subsidiaries are included in the profit and loss account and the balance sheet from the date control is obtained until the date control is lost. On disposal, the difference between the sales proceeds, net of directly attributable transaction costs, and the net assets is included in net result.

A subsidiary which ING Group has agreed to sell but is still legally owned by ING Group may still be controlled by ING Group at the balance sheet date and therefore, still be included in the consolidation. Such a subsidiary may be presented as a held for sale disposal group if certain conditions are met.

All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies are eliminated. Where necessary, the accounting policies used by subsidiaries are changed to ensure consistency with group policies. In general, the reporting dates of subsidiaries are the same as the reporting date of ING Groep N.V.

ING Groep N.V. and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company's own funds over the sum of the paid-up capital and reserves required by law. Additionally, certain Group companies are subject to restrictions on the amount of funds they may transfer in the form of dividends, or otherwise, to the parent company.

Furthermore, in addition to the restrictions in respect of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, other limitations exist in certain countries.

Disposal groups held for sale and discontinued operations

Disposal groups (and groups of non-current assets) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This is only the case when the sale is highly probable and the disposal group (or group of assets) is available for immediate sale in its present condition; management must be committed to the sale, which is expected to occur within one year from the date of classification as held for sale.

Upon classification as held for sale, the carrying amount of the disposal group (or group of assets) is compared to it's fair value less cost to sell. If the fair value less cost to sell is lower than the carrying value, this expected loss is recognised through a reduction of the carrying value of any goodwill related to the disposal group and the carrying value of certain other non-current non-financial assets. Any excess of the expected loss over the reduction of the carrying amount of these relevant assets is not recognised upon classification as held for sale, but is recognised as part of the result on disposal if and when a divestment transaction occurs.

When a group of assets that is classified as held for sale represents a major line of business or geographical area the disposal group classifies as discontinued operations. Upon classification of a business as held for sale and discontinued operations the individual income and expenses are classified to Total net result from discontinued operations instead of being presented in the usual Consolidated profit and loss account line items. All comparative years in the Consolidated profit and loss account are restated and presented as discontinued operations for all periods presented. Furthermore, the individual assets and liabilities are presented in the Consolidated balance sheet as 'Assets and liabilities held for sale' and are no longer included in the usual balance sheet line items. Changes in assets and liabilities as a result of classification as held for sale are included in the notes in the line 'Changes in composition of the group and other changes'.

Investments in associates held for sale

Associates held for sale are measured at the lower of the carrying value and fair value less costs to sell. Any subsequent decrease in fair value less costs to sell below this carrying amount will be recognised in the profit and loss account. Subsequent increases in fair value will only be recognised to the extent that these are a reversal of previously recognised decreases in fair value less costs to sell. Changes in fair value include both changes in market value of the listed shares and the related foreign currency impact. Any subsequent dividend received from the associate is recognised as income in the profit and loss account as and when declared.

Investments in associates held for sale and discontinued operations

Associates held for sale, which are classified as discontinued operations are measured at the lower of the carrying value and fair value less costs to sell. Any subsequent decrease in fair value less costs to sell below this carrying amount will be recognised in the profit and loss account as part of the 'Net result from disposal of discontinued operations'. Subsequent increases in fair value will only be recognised to the extent that these are a reversal of previously recognised decreases in fair value less costs to sell. Changes in fair value include both changes in market value of the listed shares and the related foreign currency impact. Any subsequent dividend received from the associate is recognised as income in the profit and loss account, in the line 'Net result from discontinued operations' as and when declared.

Use of estimates and assumptions

The preparation of the consolidated financial statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of the contingent liabilities at the balance sheet date, as well as reported income and expenses for the year. The actual outcome may differ from these estimates.

The process of setting assumptions is subject to internal control procedures and approvals, and takes into account internal and external studies, industry statistics, environmental factors and trends and regulatory requirements.

Segment reporting

A segment is a distinguishable component of the Group, engaged in providing products or services, subject to risks and returns that are different from those of other segments. A geographical area is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. The geographical analyses are based on the location of the office from which the transactions are originated.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euros, which is ING Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Exchange rate differences resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as part of qualifying cash flow hedges or qualifying net investment hedges.

Exchange rate differences on non-monetary items, measured at fair value through profit and loss, are reported as part of the fair value gain or loss. Non-monetary items are retranslated at the date fair value is determined. Exchange rate differences on non-monetary items measured at fair value through the revaluation reserve are included in the revaluation reserve in equity.

Exchange rate differences in the profit and loss account are generally included in Net trading income. Reference is made to Note 26 'Net trading income', which discloses the amounts included in the profit and loss account. Exchange rate differences relating to the disposal of available-for-sale debt and equity securities are considered to be an inherent part of the capital gains and losses recognised in Investment income. As mentioned below in Group companies relating to the disposals of group companies, any exchange rate difference deferred in equity is recognised in the profit and loss account in Result on disposal of group companies. Reference is also made to Note 13 'Equity', which discloses the amounts included in the profit and loss account.

Group companies

The results and financial positions of all group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities included in each balance sheet are translated at the closing rate at the date of that balance sheet;
- Income and expenses included in each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange rate differences are recognised in a separate component of equity.

On consolidation, exchange rate differences arising from the translation of a monetary item that forms part of the net investment in a foreign operation, and of borrowings and other instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, the corresponding exchange rate differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the balance sheet date.

Fair values of financial assets and liabilities

The fair values of financial instruments are based on quoted market prices at the balance sheet date where available. The quoted market price used for financial assets held by the Group is the current bid price; the quoted market price used for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

Reference is made to Note 40 'Fair value of assets and liabilities' and the section 'Risk management – Market risk' for the basis of the determination of the fair value of financial instruments and related sensitivities.

Recognition and derecognition of financial instruments

Recognition of financial assets

All purchases and sales of financial assets classified as fair value through profit and loss, held-to-maturity and available-for-sale that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, which is the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognised at settlement date, which is the date on which the Group receives or delivers the asset.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset.

Financial liabilities

Debt securities in issue are recognised and derecognised on trade date.

Realised gains and losses on investments

Realised gains and losses on investments are determined as the difference between the sale proceeds and (amortised) cost. For equity securities, the cost is determined using a weighted average per portfolio. For debt securities, the cost is determined by specific identification.

Classification of financial instruments

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss include equity securities, debt securities, derivatives, loans and receivables and other, and comprise the following sub-categories: trading assets, non-trading derivatives and financial assets designated at fair value through profit and loss by management.

A financial asset is classified as at fair value through profit and loss if acquired principally for the purpose of selling in the short term or if designated by management as such. Management will make this designation only if this eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis.

Transaction costs on initial recognition are expensed as incurred. Interest income from debt securities and loans and receivables classified as at fair value through profit and loss is recognised in Interest income banking operations and Investment income in the profit and loss account, using the effective interest method.

Dividend income from equity instruments classified as at fair value through profit and loss is generally recognised in Investment income in the profit and loss account when dividend has been declared. For derivatives reference is made to the 'Derivatives and hedge accounting' section. For all other financial assets classified as at fair value through profit and loss changes in fair value are recognised in Net trading income.

Investments

Investments (including loans quoted in active markets) are classified either as held-to-maturity or available-for-sale and are initially recognised at fair value plus transaction costs. Investment debt securities and loans quoted in active markets with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities and actively traded loans intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale.

Available-for-sale financial assets
Available-for-sale financial assets include available-for-sale debt securities and available-for-sale equity securities. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. For available-for-sale debt securities, the difference between cost and redemption value is amortised. Interest income is recognised using the effective interest method. Available-for-sale financial assets are subsequently measured at fair value. Interest income from debt securities classified as available-for-sale is recognised in Interest income banking operations and Investment income in the profit and loss account. Dividend income from equity instruments classified as available- for-sale is generally recognised in Investment income in the profit and loss account when the dividend has been declared. Unrealised gains and losses arising from changes in the fair value are recognised in equity. When the securities are disposed of, the related accumulated fair value adjustments are included in the profit and loss account as Investment income. For impairments of available-for-sale financial assets reference is made to the section 'Impairments of other financial assets'. Investments in prepayment sensitive securities such as Interest- Only and Principal-Only strips are generally classified as available-for-sale.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity for which the Group has the positive intent and ability to hold to maturity and which are designated by management as held-to-maturity assets are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest income from debt securities classified as held-to-maturity is recognised in Interest income in the profit and loss account using the effective interest method. Held-to-maturity investments include only debt securities.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Loans and receivables include Cash and balances with central banks, Amounts due from banks, Loans and advances to customers and Other assets and are reflected in these balance sheet lines. Interest income from loans and receivables is recognised in Interest income and Investment income in the profit and loss account using the effective interest method.

Credit risk management classification
Credit risk management disclosures are provided in the section 'Risk management – Credit risk'. The relationship between credit risk classifications in that section and the consolidated balance sheet classifications above is explained below:

- Pre-settlement risk arises when a counterparty defaults on a transaction before settlement and ING Group has to replace the contract by a trade with another counterparty at the then prevailing (possibly unfavourable) market price. The pre-settlement risk classification mainly relates to the balance sheet classification Financial assets at fair value through profit and loss (trading assets and non-trading derivatives) and to securities financing;
- Money market risk arises when ING Group places short term deposits with a counterparty in order to manage excess liquidity and among others relates to the balance sheet classifications Amounts due from banks and Loans and advances to customers;
- Lending risk arises when ING Group grants a loan to a customer, or issues guarantees on behalf of a customer and mainly relates to the balance sheet classification Loans and advances to customers and off balance sheet items e.g. obligations under financial guarantees and letters of credit;
- Investment risk comprises the credit default and migration risk that is associated with ING Group's investment portfolio and mainly relates to the balance sheet classification Investments (available-for-sale and held-to-maturity); and
- Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates and receipt is not verified or expected until ING Group has paid or delivered its side of the trade. Settlement risk mainly relates to the risk arising on disposal of financial instruments that are classified in the balance sheet as Financial assets at fair value through profit and loss (trading assets and non-trading derivatives) and Investments (available-for-sale and held-to-maturity).

Maximum credit risk exposure
The maximum credit risk exposure for items on the balance sheet is generally the carrying value for the relevant financial assets. For the off-balance sheet items the maximum credit exposure is the maximum amount that could be required to be paid. Reference is made to Note 47 'Contingent liabilities and commitments' for these off-balance sheet items. Collateral received is not taken into account when determining the maximum credit risk exposure.

The manner in which ING Group manages credit risk and determines credit risk exposures for that purpose is explained in the section 'Risk management – Credit risk'.

Derivatives and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques (such as discounted cash flow models and option pricing models), as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair values are negative.

Certain derivatives embedded in other contracts are measured as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the host contract is not carried at fair value through profit and loss, and if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. These embedded derivatives are measured at fair value with changes in fair value recognised in the profit and loss account. An assessment is carried out when the Group first becomes party to the contract. A reassessment is carried out only when there is a change in the terms of the contract that significantly modifies the expected cash flows.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge), hedges of highly probable future cash flows attributable to a recognised asset or liability or a forecast transaction (cash flow hedge), or hedges of a net investment in a foreign operation. Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction ING Group documents the relationship between hedging instruments and hedged items, its risk management objective, together with the methods selected to assess hedge effectiveness. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

ING Group applies fair value hedge accounting to portfolio hedges of interest rate risk (macro hedging) under the EU 'carve out' of IFRS-EU. The EU 'carve-out' macro hedging enables a group of derivatives (or proportions) to be viewed in combination and jointly designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies. Under the IFRS-EU 'carve-out', hedge accounting may be applied to core deposits and ineffectiveness only arises when the revised estimate of the amount of cash flows in scheduled time buckets falls below the designated amount of that bucket.

ING Group applies fair value hedge accounting for portfolio hedges of interest rate risk (macro hedging) under the EU 'carve-out' to its retail operations. The net exposures of retail funding (savings and current accounts) and retail lending (mortgages) are hedged. The hedging activities are designated under a portfolio fair value hedge on the mortgages. Changes in the fair value of the derivatives are recognised in the profit and loss account, together with the fair value adjustment on the mortgages (hedged items) insofar as attributable to interest rate risk (the hedged risk).

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the profit and loss account, together with fair value adjustments to the hedged item attributable to the hedged risk. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative adjustment of the hedged item is, in the case of interest bearing instruments, amortised through the profit and loss account over the remaining term of the original hedge or recognised directly when the hedged item is derecognised. For non-interest bearing instruments, the cumulative adjustment of the hedged item is recognised in the profit and loss account only when the hedged item is derecognised.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Amounts accumulated in equity are recycled to the profit and loss account in the periods in which the hedged item affects net result. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred immediately to the profit and loss account.

Net investment hedges

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity and the gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Gains and losses accumulated in equity are included in the profit and loss account when the foreign operation is disposed.

Non-trading derivatives that do not qualify for hedge accounting
Derivative instruments that are used by the Group as part of its risk management strategies, but which do not qualify for hedge accounting under ING Group's accounting policies, are presented as non-trading derivatives. Non-trading derivatives are measured at fair value with changes in the fair value taken to the profit and loss account.

Offsetting of financial assets and financial liabilities
Financial assets and financial liabilities are offset, and the net amount reported, in the balance sheet when the Group has a current legally enforceable right to set off the recognised amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously. Offsetting is applied to certain interest rate swaps for which the services of a central clearing house are used. Furthermore, offsetting is also applied to certain current accounts for which the product features and internal procedures allow net presentation under IFRS-EU.

Repurchase transactions and reverse repurchase transactions
Securities sold subject to repurchase agreements ('repos') are retained in the consolidated financial statements. The counterparty liability is included in Amounts due to banks, Other borrowed funds, Customer deposits and other funds on deposit or Trading, as appropriate.

Securities purchased under agreements to resell ('reverse repos') are recognised as Loans and advances to customers, Amounts due from banks, or Financial assets at fair value through profit and loss - Trading assets, as appropriate. The difference between the sale and repurchase price is treated as interest and amortised over the life of the agreement using the effective interest method.

Impairments of loans and advances to customers (loan loss provisions)
ING Group assesses periodically and at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, but before the balance sheet date, (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The following circumstances, among others, are considered objective evidence that a financial asset or group of assets is impaired:

- The borrower has sought or has been placed in bankruptcy or similar protection and this leads to the avoidance of or delays in repayment of the financial asset;
- The borrower has failed in the repayment of principal, interest or fees and the payment failure has remained unsolved for a certain period;
- The borrower has demonstrated significant financial difficulty, to the extent that it will have a negative impact on the expected future cash flows of the financial asset;
- The credit obligation has been restructured for non-commercial reasons. ING Group has granted concessions, for economic or legal reasons relating to the borrower's financial difficulty, the effect of which is a reduction in the expected future cash flows of the financial asset; and
- Historical experience, updated for current events where necessary, provides evidence that a proportion of a group of assets is impaired although the related events that represent impairment triggers are not yet captured by the Group's credit risk systems.

In certain circumstances ING grants borrowers postponement and/or reduction of loan principal and/or interest payments for a temporary period of time to maximise collection opportunities and, if possible, avoid default, foreclosure or repossession. When such postponement and/or reduction of loan principal and/or interest payments is executed based on credit concerns it is also referred to as 'forbearance'. In general, forbearance represents an impairment trigger under IFRS-EU. In such cases, the net present value of the postponement and/or reduction of loan and/or interest payments is taken into account in the determination of the appropriate level of Loan loss provisioning as described below. If the forbearance results in a substantial modification of the terms of the loan, the original loan is derecognised and a new loan is recognised at its fair value at the modification date.

The Group does not consider events that may be expected to occur in the future as objective evidence, and consequently they are not used as a basis for concluding that a financial asset or group of assets is impaired.

In determining the impairment, expected future cash flows are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. Losses expected as a result of future events, no matter how likely, are not recognised.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and then individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on an asset carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account ('Loan loss provision') and the amount of the loss is recognised in the profit and loss account under 'Addition to loan loss provision'. If the asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. The collective evaluation of impairment includes the application of a 'loss confirmation period' to default probabilities. The loss confirmation period is a concept which recognises that there is a period of time between the emergence of impairment triggers and the point in time at which those events are captured by the Group's credit risk systems. Accordingly, the application of the loss confirmation period ensures that impairments that are incurred but not yet identified are adequately reflected in the Group's loan loss provision. Although the loss confirmation periods are inherently uncertain, the Group applies estimates to sub-portfolios (e.g. large corporations, small and medium size enterprises and retail portfolios) that reflect factors such as the frequency with which customers in the sub-portfolio disclose credit risk sensitive information and the frequency with which they are subject to review by the Group's account managers. Generally, the frequency increases in relation to the size of the borrower. Loss confirmation periods are based on historical experience and are validated, and revised where necessary, through regular back-testing to ensure that they reflect recent experience and current events.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the provision. The amount of the reversal is recognised in the profit and loss account.

When a loan is uncollectable, it is written off against the related loan loss provision. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the profit and loss account.

In most Retail portfolios, ING Bank has a write-off policy that requires 100% provision for all retail exposure after 2 years (3 years for mortgages) following the last default date.

Impairment of other financial assets

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the specific case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. 'Significant' and 'prolonged' are interpreted on a case-by-case basis for specific equity securities; generally 25% and 6 months are used as triggers. If any objective evidence exists for available-for-sale debt and equity investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in net result – is removed from equity and recognised in the profit and loss account. Impairment losses recognised on equity instruments can never be reversed. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the profit and loss account.

Investments in associates and joint ventures

Associates are all entities over which the Group has significant influence but not control. Significant influence generally results from a shareholding of between 20% and 50% of the voting rights, but also is the ability to participate in the financial and operating policies through situations including, but not limited to one or more of the following:

- Representation on the board of directors;
- Participation in the policymaking process; and
- Interchange of managerial personnel.

Joint ventures are entities over which the Group has joint control. Joint control is the contractually agreed sharing of control over an arrangement or entity, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint control means that no party to the agreement is able to act unilaterally to control the activity of the entity. The parties to the agreement must act together to control the entity and therefore exercise the joint control.

Investments in associates and joint ventures are initially recognised at cost and subsequently accounted for using the equity method of accounting.

The Group's investment in associates and joint ventures (net of any accumulated impairment loss) includes goodwill identified on acquisition. The Group's share of its associates and joint ventures post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition changes in reserves is recognised in equity. The cumulative post-acquisition changes are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Unrealised losses are also eliminated unless they provide evidence of an impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. The reporting dates of all significant associates and joint ventures are consistent with the reporting date of the Group.

Real estate investments

Real estate investments are recognised at fair value at the balance sheet date. Changes in the carrying amount resulting from revaluations are recognised in the profit and loss account. On disposal the difference between the sale proceeds and carrying value is recognised in the profit and loss account.

The fair value of real estate investments is based on regular appraisals by independent qualified valuers. For each reporting period every property is valued either by an independent valuer or internally. Indexation is used when a property is valued internally. The index is based on the results of the independent valuations carried out in that period. Market transactions and disposals made by ING Group are monitored as part of the validation procedures to test the indexation methodology. Valuations performed earlier in the year are updated if necessary to reflect the situation at the year-end. All properties are valued independently at least every five years and more frequently if necessary.

The fair values represent the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and willing seller in an at-arm's-length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion. Fair values are based on appraisals using valuation methods such as: comparable market transactions, capitalisation of income methods or discounted cash flow calculations. The underlying assumption used in the valuation is that the properties are let or sold to third parties based on the actual letting status. The discounted cash flow analyses and capitalisation of income method are based on calculations of the future rental income in accordance with the terms in existing leases and estimations of the rental values for new leases when leases expire and incentives like rent free periods. The cash flows are discounted using market based interest rates that reflect appropriately the risk characteristics of real estate.

Market conditions in recent years have led to a reduced level of real estate transactions. Transaction values were impacted by low volumes of actual transactions. As a result comparable market transactions have been used less in valuing ING's real estate investments by independent qualified valuers. More emphasis has been placed on discounted cash flow analysis and capitalisation of income method.

Reference is made to Note 40 'Fair value of assets and liabilities' for more disclosure on fair values of real estate investments.

The valuation of real estate involves various assumptions and techniques. The use of different assumptions and techniques could produce significantly different valuations. Consequently, the fair values presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of future fair values. To illustrate the uncertainty of our real estate investments valuation, a sensitivity analysis on the changes in fair value of real estate is provided in the section 'Risk management – Market risk'.

ING Group owns a real estate portfolio, diversified by region, by investment segment (Office, Retail and Residential) and by investment type. The valuation of different investments is performed using different discount rates ('yields'), dependent on specific characteristics of each property, including occupancy, quality of rent payments and specific local market circumstances.

The valuation of real estate investments takes (expected) vacancies into account. Occupancy rates differ significantly from investment to investment.

For real estate investments held through (minority shares in) real estate investment funds, the valuations are performed under the responsibility of the funds' asset manager.

Subsequent expenditures are recognised as part of the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to ING Group and the cost can be measured reliably. All other repairs and maintenance costs are recognised in the profit and loss account.

Property and equipment

Property in own use

Land and buildings held for own use are stated at fair value at the balance sheet date. Increases in the carrying amount arising on revaluation of land and buildings held for own use are credited to the revaluation reserve in shareholders' equity. Decreases in the carrying amount that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the profit and loss account. Increases that reverse a revaluation decrease on the same asset previously recognised in net result are recognised in the profit and loss account. Depreciation is recognised based on the fair value and the estimated useful life (in general 20–50 years). Depreciation is calculated on a straight-line basis. On disposal the related revaluation reserve is transferred to retained earnings.

The fair values of land and buildings are based on regular appraisals by independent qualified valuers or internally, similar to appraisals of real estate investments. Subsequent expenditure is included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Property obtained from foreclosures

Property obtained from foreclosures is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Property obtained from foreclosures is included in Other assets - Property development and obtained from foreclosures.

Property development

Property developed and under development for which ING Group has the intention to sell the property after its completion is included in Other assets – Property development and obtained from foreclosures.

Property developed and under development for which ING Group has the intention to sell the property under development after its completion and where there is not yet a specifically negotiated contract is measured at direct construction cost incurred up to the balance sheet date, including borrowing costs incurred during construction and ING Group's own directly attributable development and supervision expenses less any impairment losses. Profit is recognised using the completed contract method (on sale date of the property). Impairment is recognised if the estimated selling price in the ordinary course of business, less applicable variable selling expenses is lower than carrying value.

Property under development for which ING Group has the intention to sell the property under development after its completion and where there is a specifically negotiated contract is valued using the percentage of completion method (pro rata profit recognition). The stage of completion is measured by reference to costs incurred to date as percentage of total estimated costs for each contract.

Property under development is stated at fair value (with changes in fair value recognised in the profit and loss account) if ING Group has the intention to recognise the property under development after completion as real estate investments.

Equipment

Equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of the assets is depreciated on a straight line basis over their estimated useful lives, which are generally as follows: for data processing equipment two to five years, and four to ten years for fixtures and fittings. Expenditure incurred on maintenance and repairs is recognised in the profit and loss account as incurred. Expenditure incurred on major improvements is capitalised and depreciated.

Assets under operating leases

Assets leased out under operating leases in which ING Group is the lessor are stated at cost less accumulated depreciation and any impairment losses. The cost of the assets is depreciated on a straight-line basis over the lease term.

Disposals

The difference between the proceeds on disposal and net carrying value is recognised in the profit and loss account under Other income.

Borrowing costs
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Borrowing costs are determined at the weighted average cost of capital of the project.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date.

ING Group as the lessee
The leases entered into by ING Group are primarily operating leases. The total payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any penalty payment to be made to the lessor is recognised as an expense in the period in which termination takes place.

ING Group as the lessor
When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable under Loans and advances to customers or Amounts due from banks. The difference between the gross receivable and the present value of the receivable is unearned lease finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. When assets are held subject to an operating lease, the assets are included under Assets under operating leases.

Acquisitions, goodwill and other intangible assets
Acquisitions and goodwill
ING Group's acquisitions are accounted for using the acquisition method of accounting. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. Goodwill, being the difference between the cost of the acquisition (including assumed debt) and the Group's interest in the fair value of the acquired assets, liabilities and contingent liabilities as at the date of acquisition, is capitalised as an intangible asset. The results of the operations of the acquired companies are included in the profit and loss account from the date control is obtained.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs, taking into account the initial accounting period below. Changes in the fair value of the contingent consideration classified as equity, are not recognised.

Where a business combination is achieved in stages, ING Group's previously held interests in the assets and liabilities of the acquired entity are remeasured to fair value at the acquisition date (i.e. the date ING Group obtains control) and the resulting gain or loss, if any, is recognised in the profit and loss account. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the profit and loss account, where such treatment would be appropriate if that interest were disposed of. Acquisition-related costs are recognised in the profit and loss account as incurred and presented in the profit and loss account as Other operating expenses.

Until 2009, before IFRS 3 'Business Combinations' was revised, the accounting of previously held interests in the assets and liabilities of the acquired entity were not remeasured at the acquisition date and the acquisition-related costs were considered to be part of the total consideration.

The initial accounting for the fair value of the net assets of the companies acquired during the year may be determined only provisionally as the determination of the fair value can be complex and the time between the acquisition and the preparation of the Annual Accounts can be limited. The initial accounting shall be completed within a year after acquisition.

Goodwill is only capitalised on acquisitions. Goodwill is allocated to reporting units for the purpose of impairment testing. These reporting units represent the lowest level at which goodwill is monitored for internal management purposes. This test is performed annually or more frequently if there are indicators of impairment. Under the impairment tests, the carrying value of the reporting units (including goodwill) is compared to its recoverable amount which is the higher of its fair value less costs to sell and its value in use.

Adjustments to the fair value as at the date of acquisition of acquired assets and liabilities, that are identified within one year after acquisition are recognised as an adjustment to goodwill; any subsequent adjustment is recognised as income or expense. On disposal of group companies, the difference between the sale proceeds and carrying value (including goodwill) and the unrealised results (including the currency translation reserve in equity) is included in the profit and loss account.

Computer software
Computer software that has been purchased or generated internally for own use is stated at cost less amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over its useful life. This period will generally not exceed three years. Amortisation is included in Other operating expenses.

Other intangible assets
Other intangible assets are capitalised and amortised over their expected economic life, which is generally between three and ten years. Intangible assets with an indefinite life are not amortised.

Taxation
Income tax on the result for the year comprises current and deferred tax. Income tax is recognised in the profit and loss account but it is recognised directly in equity if the tax relates to items that are recognised directly in equity.

Deferred income tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future. The tax effects of income tax losses available for carry forward are recognised as an asset where it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value remeasurement of available-for-sale investments and cash flow hedges, which are recognised directly in equity, is also recognised directly in equity and is subsequently recognised in the profit and loss account together with the deferred gain or loss.

Uncertain tax positions are assessed continually by ING Group and in case it is probable that there will be a cash outflow; a current tax liability is recognised.

Financial liabilities
Financial liabilities at amortised cost
Financial liabilities at amortised cost include the following sub-categories: preference shares, other borrowed funds, debt securities in issue, subordinated loans, amounts due to banks and customer deposits and other funds on deposit.

Borrowings are recognised initially at their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds, net of transaction costs, and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

If the Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of the liability and the consideration paid is included in the profit and loss account.

Financial liabilities at fair value through profit and loss
Financial liabilities at fair value through profit and loss comprise the following sub-categories: trading liabilities, non-trading derivatives and other financial liabilities designated at fair value through profit and loss by management. Trading liabilities include equity securities, debt securities, funds on deposit and derivatives. Designation by management will take place only if it eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis. ING Group has designated an insignificant part of the issued debt, related to market-making activities, at fair value through profit and loss. This issued debt consists mainly of own bonds. The designation as fair value through profit and loss eliminates the inconsistency in the timing of the recognition of gains and losses. All other financial liabilities are measured at amortised cost.

Financial guarantee contracts
Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are initially recognised at fair value and subsequently measured at the higher of the discounted best estimate of the obligation under the guarantee and the amount initially recognised less cumulative amortisation to reflect revenue recognition principles.

Other liabilities

Defined benefit plans
The net defined benefit asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date.

Plan assets are measured at fair value at the balance sheet date. For determining the pension expense, the return on plan assets is determined using a high quality corporate bond rate identical to the discount rate used in determining the defined benefit obligation.

Changes in plan assets that effect Shareholders' equity and/or Net result, include mainly:
- return on plan assets using a high quality corporate bond rate at the start of the reporting period which are recognised as staff costs in the profit and loss account; and
- remeasurements which are recognised in Other comprehensive income (equity).

The defined benefit obligation is calculated by internal and external actuaries through actuarial models and calculations using the projected unit credit method. This method considers expected future payments required to settle the obligation resulting from employee service in the current and prior periods, discounted using a high quality corporate bond rate. Inherent in these actuarial models are assumptions including discount rates, rates of increase in future salary and benefit levels, mortality rates, trend rates in health care costs, consumer price index and the expected level of indexation. The assumptions are based on available market data as well as management expectations and are updated regularly. The actuarial assumptions may differ significantly from the 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 the defined benefit plan obligation and future pension costs.

Changes in the defined benefit obligation that effects Shareholders' equity and/or Net result, include mainly:
- service cost which are recognised as staff costs in the profit and loss account;
- interest expenses using a high quality corporate bond rate at the start of the period which are recognised as staff costs in the profit and loss account; and
- remeasurements which are recognised in Other comprehensive income (equity).

Remeasurements recognised in other comprehensive income are not recycled to profit and loss. Any past service cost relating to a plan amendment is recognised in profit or loss in the period of the plan amendment. Gains and losses on curtailments and settlements are recognised in the profit and loss account when the curtailment or settlement occurs.

The recognition of a net defined benefit asset in the consolidated balance sheet is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Defined contribution plans
For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as staff expenses in the profit and loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations
Some group companies provide post-employment healthcare and other benefits to certain employees and former employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

Other provisions
A provision involves a present obligation arising from past events, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits, however the timing or the amount is uncertain. Provisions are discounted when the effect of the time value of money is significant using a before tax discount rate. The determination of provisions is an inherently uncertain process involving estimates regarding amounts and timing of cash flows.

Reorganisation provisions include employee termination benefits when the Group is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

A liability is recognised for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the liability is recognised only upon reaching the specified minimum threshold.

Income recognition

Interest

Interest income and expense are recognised in the profit and loss account using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

All interest income and expenses from trading positions and non-trading derivatives are classified as interest income and interest expenses in the profit and loss account. Changes in the 'clean fair value' are included in Net trading income and Valuation results on non-trading derivatives.

Fees and commissions

Fees and commissions are generally recognised as the service is provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as income when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts as the service is provided. Asset management fees related to investment funds and investment contract fees are recognised on a pro-rata basis over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Fees received and paid between banks for payment services are classified as commission income and expenses.

Lease income

The proceeds from leasing out assets under operating leases are recognised on a straight-line basis over the life of the lease agreement. Lease payments received in respect of finance leases when ING Group is the lessor are divided into an interest component (recognised as interest income) and a repayment component.

Expense recognition

Expenses are recognised in the profit and loss account as incurred or when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Share-based payments

Share-based payment expenses are recognised as a staff expense over the vesting period. A corresponding increase in equity is recognised for equity-settled share-based payment transactions. A liability is recognised for cash-settled share-based payment transactions. The fair value of equity-settled share-based payment transactions is measured at the grant date and the fair value of cash-settled share-based payment transactions is measured at each balance sheet date. Rights granted will remain valid until the expiry date, even if the share based payment scheme is discontinued. The rights are subject to certain conditions, including a pre-determined continuous period of service.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, the grant is recognised over the period necessary to match the grant on a systematic basis to the expense that it is intended to compensate. In such case, the grant is deducted from the related expense in the profit and loss account.

Earnings per ordinary share

Earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares outstanding. In calculating the weighted average number of ordinary shares outstanding:

- Own shares held by group companies are deducted from the total number of ordinary shares in issue;
- The computation is based on daily averages; and
- In case of exercised warrants, the exercise date is taken into consideration.

The non-voting equity securities are not ordinary shares, because their terms and conditions (especially with regard to coupons and voting rights) are significantly different. Therefore, the weighted average number of ordinary shares outstanding during the period is not impacted by the non-voting equity securities.

Diluted earnings per share data are computed as if all convertible instruments outstanding at year-end were exercised at the beginning of the period. It is also assumed that ING Group uses the assumed proceeds thus received to buy its own shares against the average market price in the financial year. The net increase in the number of shares resulting from the exercise is added to the average number of shares used to calculate diluted earnings per share.

Share options with fixed or determinable terms are treated as options in the calculation of diluted earnings per share, even though they may be contingent on vesting. They are treated as outstanding on the grant date. Performance-based employee share options are treated as contingently issuable shares because their issue is contingent upon satisfying specified conditions in addition to the passage of time.

Fiduciary activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

Statement of cash flows

The statement of cash flows is prepared in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. In the net cash flow from operating activities, the result before tax is adjusted for those items in the profit and loss account and changes in balance sheet items, which do not result in actual cash flows during the year.

For the purposes of the statement of cash flows, Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and balances with central banks, treasury bills and other eligible bills, amounts due from other banks and amounts due to banks. Investments qualify as a cash equivalent if they are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash flows arising from foreign currency transactions are translated into the functional currency using the exchange rates at the date of the cash flows.

The net cash flow shown in respect of Loans and advances to customers relates only to transactions involving actual payments or receipts. The Addition to loan loss provision which is deducted from the item Loans and advances to customers in the balance sheet has been adjusted accordingly from the result before tax and is shown separately in the statement of cash flows.

The difference between the net cash flow in accordance with the statement of cash flows and the change in Cash and cash equivalents in the balance sheet is due to exchange rate differences and is accounted for separately as part of the reconciliation of the net cash flow and the balance sheet change in Cash and cash equivalents.

h) Parent company accounts

The parent company accounts of ING Groep N.V. are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

Notes to the Consolidated balance sheet

Assets

2 Cash and balances with central banks

Cash and balances with central banks

	2015	2014
Amounts held at central banks	19,753	10,549
Cash and bank balances	1,705	1,684
	21,458	**12,233**

In 2015, the increase in Cash and balances with central banks is mainly as a result of excess liquidity resulting in higher placements with central banks mainly in the Netherlands, UK, Japan, Switzerland and Belgium.

Amounts held at central banks reflect on demand balances.

Reference is made to Note 44 'Assets not freely disposable' for restrictions on Cash balances with central banks.

3 Amounts due from banks

Amounts due from banks

	Netherlands		International		Total	
	2015	2014	2015	2014	2015	2014
Loans and advances to banks	11,549	11,833	17,497	24,183	29,046	36,016
Cash advances, overdrafts and other balances	531	614	425	495	956	1,109
	12,080	**12,447**	**17,922**	**24,678**	**30,002**	**37,125**
Loan loss provisions			-14	-6	-14	-6
	12,080	**12,447**	**17,908**	**24,672**	**29,988**	**37,119**

In 2015, the decrease in Amounts due from Banks is attributable mainly to a decrease of EUR 3,070 million related to reverse repurchase transactions and a decrease of EUR 2,001 million related to short term deposits with central banks.

Loans and advances to banks include balances (mainly short-term deposits) with central banks amounting to EUR 1,104 million (2014: EUR 3,105 million).

As at 31 December 2015, Amounts due from banks includes receivables with regard to securities which have been acquired in reverse repurchase transactions amounting to EUR 1,092 million (2014: EUR 4,162 million) and receivables related to finance lease contracts amounting to EUR 114 million (2014: EUR 59 million). Reference is made to Note 45 'Transfer of financial assets' for information on securities lending as well as sale and repurchase transactions. Reference is made to Note 6 'Loans and advances to customers' for information on finance lease receivables.

As at 31 December 2015, the non-subordinated receivables amount to EUR 29,924 million (2014: EUR 37,059 million) and the subordinated receivables amount to EUR 64 million (2014: EUR 60 million).

Reference is made to Note 44 'Assets not freely disposable' for restrictions on Amounts due from banks.

No individual amount due from banks has terms and conditions that significantly affect the amount, timing or certainty of consolidated cash flows of the Group. For details on significant concentrations, refer to the section 'Risk management – Credit risk'.

4 Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss	2015	2014
Trading assets	131,467	136,959
Non-trading derivatives	3,347	4,384
Designated as at fair value through profit and loss	3,234	2,756
	138,048	**144,099**

Reference is made to Note 45 'Transfer of financial assets' for information on securities lending as well as sale and repurchase transactions.

Trading assets

Trading assets by type	2015	2014
Equity securities	14,799	17,193
Debt securities	14,316	21,584
Derivatives	39,012	46,608
Loans and receivables	63,340	51,574
	131,467	**136,959**

In 2015, the decrease in trading debt securities is mainly due to a decrease in government bonds. The decrease in the trading derivatives is mainly due to changes in fair value resulting from market interest rates. These decreases are partly mitigated by an increase in Loans and receivables driven by increased reverse repurchase activities.

As at 31 December 2015, Trading assets include receivables of EUR 62,221 million (2014: EUR 50,692 million) with regard to reverse repurchase transactions.

Trading assets and trading liabilities include assets and liabilities that are classified under IFRS-EU as 'Trading' but are closely related to servicing the needs of the clients of ING Group. ING offers institutional and corporate clients and governments products that are traded on the financial markets. A significant part of the derivatives in the trading portfolio are related to servicing corporate clients in their risk management to hedge for example currency or interest rate exposures. In addition, ING provides its customers access to equity and debt markets for issuing their own equity or debt securities ('securities underwriting'). Although these are presented as 'Trading' under IFRS-EU, these are directly related to services to ING's customers. Loans and receivables in the trading portfolio mainly relate to (reverse) repurchase agreements, which are comparable to collateralised lending. These products are used by ING as part of its own regular treasury activities, but also relate to the role that ING plays as intermediary between different professional customers. Trading assets and liabilities held for ING's own risk are very limited. From a risk perspective, the gross amount of trading assets must be considered together with the gross amount of trading liabilities, which are presented separately on the balance sheet. However, IFRS-EU does not allow netting of these positions in the balance sheet. Reference is made to Note 19 'Financial liabilities at fair value through profit and loss' for information on trading liabilities.

Non-trading derivatives

Non-trading derivatives by type	2015	2014
Derivatives used in		
– fair value hedges	1,010	1,223
– cash flow hedges	917	1,254
– hedges of net investments in foreign operations	72	111
Other non-trading derivatives	1,348	1,796
	3,347	**4,384**

As at 31 December 2015, Non-trading derivatives includes EUR 103 million (2014: EUR 180 million) and EUR 58 million (2014: nil) related to warrants on the shares of Voya and NN Group respectively. Reference is made to Note 11 'Assets and liabilities held for sale', Note 25 'Valuation results on non-trading derivatives' and Note 54 'Other events'.

Other non-trading derivatives mainly includes interest rate swaps for which no hedge accounting is applied.

Designated as at fair value through profit and loss

Designated as at fair value through profit and loss by type

	2015	2014
Equity securities	7	9
Debt securities	1,080	1,124
Loans and receivables	2,147	1,623
	3,234	**2,756**

Included in the Financial assets designated as at fair value through profit and loss is a portfolio of loans and receivables which is economically hedged by credit derivatives. The hedges do not meet the criteria for hedge accounting and the loans are recorded at fair value to avoid an accounting mismatch. The maximum credit exposure of the loans and receivables included in Financial assets designated as at fair value through profit and loss approximates its carrying value. The cumulative change in fair value of the loans attributable to changes in credit risk is not significant.

The notional value of the related credit derivatives is EUR 215 million (2014: EUR 83 million). The change in fair value of the credit derivatives attributable to changes in credit risk since the loans were first designated, amounts to EUR –9 million (2014: EUR –10 million) and the change for the current year amounts to nil (2014: EUR –6 million).

The changes in fair value of the (designated) loans attributable to changes in credit risk have been calculated by determining the changes in credit spread implicit in the fair value of bonds issued by entities with similar credit characteristics.

As at 31 December 2015, Loans and receivables designated as at fair value through profit and loss includes EUR 1,766 million (2014: EUR 1,112 million) with regard to reverse repurchase transactions.

5 Investments

Investments by type

	2015	2014
Available-for-sale		
– equity securities - shares in third party managed structured entities	169	210
– equity securities - other	4,265	2,508
	4,434	**2,718**
– debt securities	82,566	92,684
	87,000	**95,402**
Held-to-maturity		
– debt securities	7,826	2,239
	7,826	**2,239**
	94,826	**97,641**

In 2015, the merger between ING Vysya and Kotak was completed. As a result of this transaction, ING Group holds 6.5% in Kotak, recognised as an Available-for-sale equity investment at EUR 1.2 billion as at 31 December 2015. Reference is made to Note 7 'Investments in associates and joint ventures', Note 11 'Assets and liabilities held for sale' and Note 54 'Other events'.

Included in Available-for sale equity securities, as at 31 December 2015, are shares held in VISA Europe Limited amounting to EUR 154 million (2014: nil). Reference is made to Note 13 'Equity', Note 40 'Fair value of assets and liabilities' and Note 54 'Other events'.

In 2015, EUR 3.5 billion of mainly Government bonds previously classified as Investments Available-for-sale are classified as Investments Held-to-maturity. These Government bonds are now expected to be held until their redemption dates. The remainder of the decrease in 2015 relates mainly to lower positions in Government bonds held in Germany, Australia and Belgium.

Investments held-to-maturity increased by EUR 5.6 billion. The increase is attributable to the reclassification from Investments Available-for-sale as mentioned above and additional investments in Government bonds.

In 2014, the remaining stake of 10.3% in SulAmérica S.A. was divested for EUR 170 million. The profit of EUR 31 million was recognised as Investment income in the profit and loss account. For the earlier divestments in SulAmérica S.A. reference is made to Note 7 'Investments in associates and joint ventures'.

Exposure to debt securities

ING Group's exposure to debt securities is included in the following balance sheet lines:

Debt securities[1]

	2015	2014
Available-for-sale investments	82,566	92,684
Held-to-maturity investments	7,826	2,239
Loans and advances to customers	9,625	10,579
Amounts due from banks	1,857	2,583
Available-for-sale investments and Assets at amortised cost	**101,874**	**108,085**
Trading assets	14,316	21,584
Designated as at fair value through profit and loss	1,080	1,124
Financial assets at fair value through profit and loss	**15,396**	**22,708**
	117,270	**130,793**

1 Excludes exposure to debt securities classified as held for sale.

ING Group's total exposure to debt securities included in available-for-sale investments and assets at amortised cost of EUR 101,874 million (2014: EUR 108,085 million) is specified as follows by type of exposure:

Debt securities by type and balance sheet lines - Available-for-sale investments and Assets at amortised cost

	Available-for-sale investments		Held-to-maturity investments		Loans and advances to customers		Amounts due from banks		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Government bonds	46,104	54,860	5,500	315	874	889			52,478	56,064
Sub-sovereign, Supranationals and Agencies	20,337	22,893	1,619		297	257			22,253	23,150
Covered bonds	11,949	10,829	350	1,567	2,119	2,810	1,787	2,525	16,205	17,731
Corporate bonds	1,177	802			1,036	919			2,213	1,721
Financial institutions' bonds	1,865	2,902			363	386	64	58	2,292	3,346
ABS portfolio	1,134	398	357	357	4,936	5,318	6		6,433	6,073
Bond portfolio	**82,566**	**92,684**	**7,826**	**2,239**	**9,625**	**10,579**	**1,857**	**2,583**	**101,874**	**108,085**

As of 2015, the asset class Sub-sovereign Supranationals and Agencies ('SSA') is disclosed separately in order to align with ING's Investment Portfolio Management approach. SSA comprise amongst others, multilateral development banks, regional governments, local authorities and US agencies. Under certain conditions, SSA bonds may qualify as 'Level 1 High Quality Liquid Assets' for LCR and were previously largely disclosed as financial institutions or government bonds. The comparative amounts were adjusted accordingly.

Approximately 91% (2014: 90%) of the exposure in the ABS portfolio is externally rated AAA, AA or A.

Borrowed debt securities are not recognised in the balance sheet and amount to nil (2014: nil).

Reference is made to Note 45 'Transfer of financial assets' for information on securities lending as well as sale and repurchase transactions.

Changes in available-for-sale and held-to-maturity investments

Changes in available-for-sale and held-to-maturity investments

	Available-for-sale equity securities		Available-for-sale debt securities		Held-to-maturity		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Opening balance	2,718	7,265	92,684	130,632	2,239	3,098	97,641	140,995
Additions	1,279	1,313	42,976	78,864	3,457	315	47,712	80,492
Amortisation			-106	-317	-67	1	-173	-316
Transfers and reclassifications		-167	-3,499		3,499			-167
Changes in unrealised revaluations	743	995	-1,595	11,326	-72	-2	-924	12,319
Impairments	-117	-117	-17	3			-134	-114
Reversals of impairments				1				1
Disposals and redemptions	-216	-656	-48,331	-63,883	-1,219	-1,173	-49,766	-65,712
Exchange rate differences	27	47	469	1,001	-11		485	1,048
Changes in the composition of the group and other changes		-5,962	-15	-64,943			-15	-70,905
Closing balance	**4,434**	**2,718**	**82,566**	**92,684**	**7,826**	**2,239**	**94,826**	**97,641**

The comparison of movement tables between 2015 and 2014 is impacted by NN Group, for which movements in 2014 are included in the respective line items until classification as held for sale at 30 September 2014.

In 2014, Changes in the composition of the group and other changes included EUR -69,249 million as a result of the classification of NN Group as held for sale. Reference is made to Note 54 'Other events'.

Reference is made to Note 22 'Investment income' for details on Impairments.

Transfers and reclassifications of available-for-sale and held-to-maturity investments

Transfers and reclassifications of available-for-sale and held-to-maturity investments

	Available-for-sale equity securities		Available-for-sale debt securities		Held-to-maturity		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
To/from held-to-maturity			-3,499				-3,499	
To/from available-for-sale					3,499		3,499	
To/from investment in associates and joint ventures		-167						-167
	-	**-167**	**-3,499**	**-**	**3,499**	**-**	**-**	**-167**

In 2015, EUR 3.5 billion of mainly Government bonds previously classified as Available-for-sale debt securities are classified as Held-to-maturity.

In 2014, Transfers and reclassifications included transfers of investments in real estate funds from Available-for-sale investments to Associates and joint ventures and the transfer of the investment in SulAmérica S.A. from Associates and joint ventures to Available-for-sale investments, both following changes in ownership interests.

Available-for-sale equity securities - Listed and Unlisted

	2015	2014
Listed	3,804	2,224
Unlisted	630	494
	4,434	**2,718**

Reclassifications to Loans and advances to customers and Amounts due from banks (2009 and 2008)

Reclassifications out of available-for-sale investments to loans and receivables are allowed under IFRS-EU as of the third quarter of 2008. In the first quarter of 2009 and in the fourth quarter of 2008 ING Group reclassified certain financial assets from Investments available-for-sale to Loans and advances to customers and Amounts due from banks. The Group identified assets, eligible for reclassification, for which at the reclassification date it had the intention to hold for the foreseeable future. The table below provides information on the two reclassifications made in the fourth quarter of 2008 and the first quarter of 2009. Information is provided for each of the two reclassifications as at the date of reclassification and as at the end of the subsequent reporting periods. This information is disclosed under IFRS-EU as long as the reclassified assets continue to be recognised in the balance sheet.

Reclassifications to Loans and advances to customers and Amounts due from banks

	Q1 2009	Q4 2008
As per reclassification date		
Fair value	22,828	1,594
Range of effective interest rates (weighted average)	2.1%-11.7%	4.1%-21%
Expected recoverable cash flows	24,052	1,646
Unrealised fair value gains/losses in shareholders' equity (before tax)	-1,224	-69
Recognised fair value gains (losses) in shareholders' equity (before tax) between the beginning of the year in which the reclassification took place and the reclassification date	nil	-79
Recognised fair value gains (losses) in shareholders' equity (before tax) in the year prior to reclassification	-192	-20
Recognised impairment (before tax) between the beginning of the year in which the reclassification took place and the reclassification	nil	nil
Recognised impairment (before tax) in the year prior to reclassification	nil	nil

Reclassifications to Loans and advances to customers and Amounts due from banks - Q1 2009

	2015	2014	2013	2012	2011	2010	2009
Impact on the period/years after reclassification							
Carrying value as at	4,010	5,936	7,461	8,707	14,419	16,906	20,551
Fair value as at	3,906	5,982	7,215	8,379	13,250	16,099	20,175
Unrealised fair value gains/losses recognised in shareholders' equity (before tax) as at	-70	-98	-137	-221	-446	-633	-902
Effect on shareholders' equity (before tax) if reclassification had not been made	-104	46	-246	-328	-1,169	-807	-376
Effect on result (before tax) for the period/year if reclassification had not been made	nil	nil	nil	nil	nil	nil	nil
Effect on result (before tax) for the period/year (mainly interest income)	124	182	188	219	390	467	629
Effect on result (before tax) for the period/year (mainly sales results)	n.a	n.a	n.a	-383	n.a	n.a	n.a
Recognised impairments (before tax) for the period/year	nil	nil	nil	nil	nil	nil	nil
Recognised provision for credit losses (before tax) for the period/year	nil	nil	nil	nil	nil	nil	nil

The decrease in the carrying value of the reclassified Loans and advances in 2012 compared to 2011 was mainly due to disposals.

Reclassifications to Loans and advances to customers and Amounts due from banks - Q4 2008

	2015	2014	2013	2012	2011	2010	2009	2008
Impact on the period/years after reclassification								
Carrying value as at	363	361	366	443	633	857	1,189	1,592
Fair value as at	417	426	422	512	648	889	1,184	1,565
Unrealised fair value gains/losses recognised in shareholders' equity (before tax) as at	nil	nil	nil	-2	-8	-65	-67	-79
Effect on shareholders' equity (before tax) if reclassification had not been made	54	65	56	69	15	32	-5	-27
Effect on result (before tax) for the period/year if reclassification had not been made	nil	nil	nil	nil	nil	nil	nil	nil
Effect on result (before tax) for the period/year (mainly interest income)	19	19	20	22	28	34	47	9
Effect on result (before tax) for the period/year (mainly sales results)	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Recognised impairments (before tax) for the period/year	nil	nil	nil	nil	nil	nil	nil	nil
Recognised provision for credit losses (before tax) for the period/year	nil	nil	nil	nil	nil	nil	nil	nil

6 Loans and advances to customers

Loans and advances to customers by type

	Netherlands		International		Total	
	2015	2014	2015	2014[1]	2015	2014
Loans to, or guaranteed by, public authorities	30,246	26,504	18,214	18,894	48,460	45,398
Loans secured by mortgages[1]	125,513	138,438	171,593	161,007	297,106	299,445
Loans guaranteed by credit institutions	134	2	191	1,325	325	1,327
Personal lending[1]	5,070	4,852	17,041	16,096	22,111	20,948
Asset backed securities			4,936	5,318	4,936	5,318
Corporate loans[1]	42,670	39,684	127,507	111,347	170,177	151,031
	203,633	**209,480**	**339,482**	**313,987**	**543,115**	**523,467**
Loan loss provisions	-2,900	-3,058	-2,872	-2,931	-5,772	-5,989
	200,733	**206,422**	**336,610**	**311,056**	**537,343**	**517,478**

1 In 2015, Loans and advances to customers by type – International, as at 31 December 2014, are adjusted. In 2015, it became apparent that a portion of loans previously reported as Personal lending and Corporate loans of EUR 7.4 billion and EUR 4.2 billion respectively should have been reported as Loans secured by mortgages. Loans secured by mortgages, as at 31 December 2014, is EUR 11.6 billion higher from EUR 287.8 billion to EUR 299.4 billion.

As at 31 December 2015, Loans and advances to customers includes receivables with regard to securities which have been acquired in reverse repurchase transactions amounting to EUR 418 million (2014: EUR 1,779 million).

Reference is made to Note 45 'Transfer of financial assets' for information on securities lending as well as sale and repurchase transactions.

Loans and advances to customers by subordination

	2015	2014
Non-subordinated	536,046	516,949
Subordinated	1,297	529
	537,343	**517,478**

No individual loan or advance has terms and conditions that significantly affect the amount, timing or certainty of the consolidated cash flows of the Group. For details on significant concentrations, refer to the section 'Risk management – Credit risk'.

Loans and advances to customers and Amounts due from banks include finance lease receivables and are detailed as follows:

Finance lease receivables

	2015	2014
Maturities of gross investment in finance lease receivables		
– within 1 year	2,690	3,108
– more than 1 year but less than 5 years	6,004	6,147
– more than 5 years	3,672	4,337
	12,366	**13,592**
Unearned future finance income on finance leases	–1,507	–1,748
Net investment in finance leases	**10,859**	**11,844**
Maturities of net investment in finance lease receivables		
– within 1 year	2,368	2,741
– more than 1 year but less than 5 years	5,246	5,299
– more than 5 years	3,245	3,804
	10,859	**11,844**
Included in Amounts due from banks	114	59
Included in Loans and advances to customers	10,745	11,785
	10,859	**11,844**

The allowance for uncollectable finance lease receivables includes in the loan loss provisions an amount of EUR 271 million as at 31 December 2015 (2014: EUR 269 million).

No individual finance lease receivable has terms and conditions that significantly affect the amount, timing or certainty of the consolidated cash flows of the Group.

Loan loss provisions by type

	Netherlands		International		Total	
	2015	2014	2015	2014	2015	2014
Loans to, or guaranteed by, public authorities			2	2	2	2
Loans secured by mortgages	819	1,069	717	793	1,536	1,862
Loans guaranteed by credit institutions	1		15	8	16	8
Personal lending	177	169	712	701	889	870
Asset backed securities			2	2	2	2
Corporate loans	1,903	1,820	1,438	1,431	3,341	3,251
	2,900	**3,058**	**2,886**	**2,937**	**5,786**	**5,995**
The closing balance is included in						
– Amounts due from banks			14	6	14	6
– Loans and advances to customers	2,900	3,058	2,872	2,931	5,772	5,989
	2,900	**3,058**	**2,886**	**2,937**	**5,786**	**5,995**

Changes in loan loss provisions

	Banking operations		Insurance operations		Total	
	2015	2014	2015	2014	2015	2014
Opening balance	5,995	6,154		88	5,995	6,242
Write-offs	-1,718	-1,729		-25	-1,718	-1,754
Recoveries	91	105			91	105
Increase in loan loss provisions	1,347	1,594			1,347	1,594
Exchange rate differences	38	36			38	36
Changes in the composition of the group and other changes	33	-165		-63	33	-228
Closing balance	**5,786**	**5,995**	**-**	**0**	**5,786**	**5,995**

In 2014, Changes in the composition of the group and other changes included EUR -73 million as a result of the classification of NN Group as held for sale and EUR -170 million due to the deconsolidation of ING Vysya. Reference is made to Note 54 'Other events'.

The adjustment to Loans and advances to customers by type, as at 31 December 2014, had no impact on the Loan loss provisions by type.

The 'Increase in loan loss provisions' is presented as 'Addition to loan loss provisions' in the Consolidated profit and loss account.

7 Investments in associates and joint ventures

Investments in associates and joint ventures

2015	Interest held (%)	Fair value of listed invest-ment	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
TMB Public Company Limited	30	801	732	20,956	19,074	630	419
Appia Group	30		45	812	650		
Other investments in associates and joint ventures			185				
			962				

Investments in associates and joint ventures

2014	Interest held (%)	Fair value of listed invest-ment	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
TMB Public Company Limited	30	961	670	19,208	17,564	545	341
Appia Group	30		35	626	497		
Ontwikkelingscombinatie Overhoeks C.V. [1]	70		36	53	2	10	9
Ivy Retail SRL [1]	50		33	122	57	2	2
Other investments in associates and joint ventures			179				
			953				

1 Disposed in 2015.

TMB Public Company Limited

TMB Public Company Limited ('TMB'), is a public listed retail bank in Thailand.

Other

The other associates and joint ventures are mainly real estate investment funds or vehicles operating predominantly in Europe.

ING Group does not hold any interests in Investments in Associates and joint ventures that are individually significant to ING Group. Other investments in associates and joint ventures represents a large number of associates and joint ventures with an individual balance sheet value of less than EUR 25 million.

Significant influence for associates in which the interest held is below 20%, is based on the combination on ING Group's financial interest and other arrangements, such as participation in the Board of Directors.

In general, the reporting dates of all significant associates and joint ventures are consistent with the reporting date of the Group. However, the reporting dates of certain associates and joint ventures can differ from the reporting date of the Group, but by no more than three months.

Accumulated impairments of EUR 24 million (2014: EUR 24 million) have been recognised. The values presented in the tables above could differ from the values presented in the individual annual accounts of the associates and joint ventures, due to the fact that the individual values have been brought in line with ING Group's accounting principles. Where the listed fair value is lower than the balance sheet value, an impairment review and an evaluation of the going concern basis has been performed.

The associates and joint ventures of ING are subject to legal and regulatory restrictions regarding the amount of dividends it can pay to ING. These restrictions are for example dependant on the laws in the country of incorporation for declaring dividends or as a result of minimum capital requirements that are imposed by industry regulators in the countries in which the associates and joint ventures operate. In addition, the associates and joint ventures also consider other factors in determining the appropriate levels of equity needed. These factors and limitations include, but are not limited to, rating agency and regulatory views, which can change over time.

Changes in Investments in associates and joint ventures

	2015	2014
Opening balance	953	2,022
Additions	24	480
Transfers to and from Investments/Other assets and liabilities	-10	167
Revaluations	5	69
Share of results	110	138
Dividends received	-33	-53
Disposals	-125	-487
Exchange rate differences	20	181
Changes in the composition of the group and other changes	18	-1,564
Closing balance	**962**	**953**

The comparison of movement tables between 2015 and 2014 is impacted by NN Group, for which movements in 2014 are included in the respective line items until classification as held for sale at 30 September 2014.

Revaluations
In 2014, Revaluations included EUR 53 million related to associates of NN Group before classification of NN Group as held for sale and EUR 10 million related to ING Vysya.

Share of results
In 2015, Share of results from associates and joint ventures, as presented in the profit and loss account, of EUR 492 million (2014: EUR 138 million) includes:

- Share of results, as presented in the table above, of EUR 110 million mainly attributable to results of TMB amounting to EUR 75 million and gain on disposal of Ivy Retail SRL and Ontwikkelingscombinatie Overhoeks C.V. amounting to EUR 10 million and EUR 5 million respectively;
- A net gain on Investments in associates held for sale of EUR 382 million, comprising EUR 367 million from the merger of ING Vysya with Kotak and EUR 15 million on the sale of ING Nationale Nederlanden PTE Polska, S.A. For further information on ING Vysya, reference is made to Note 5 'Investments', Note 11 'Assets and liabilities held for sale' and Note 54 'Other events'; and
- Impairments on Investments in associates and joint ventures of nil.

In 2014, Share of results included EUR 17 million related to ING Vysya, EUR 56 million related to TMB and EUR 56 million related to a gain on further sale of SulAmérica S.A. for Insurance operations.

Disposals
In 2015, Disposals of EUR 125 million is mainly attributable to sale of Ivy Retail SRL and Ontwikkelingscombinatie Overhoeks C.V. as referred to above.

In the first quarter of 2014, ING completed the sale to Swiss Re Group of 37.7 million units in SulAmérica S.A. The transaction further reduced ING's stake in the Brazilian insurance holding to approximately 10.3%. ING received a total cash consideration of EUR 176 million. The transaction resulted in a net gain to ING of EUR 56 million which represented the difference between the carrying value and the fair value for both the 11.3% stake in scope of the transaction with Swiss Re and the 10% stake retained by ING which was recognised in 2014 in the profit and loss account in the line Share of result from associates and joint ventures. The remaining investment in SulAmérica S.A. was accounted for as an available-for-sale investment until the final divestment in 2014. Reference is made to Note 5 'Investments' and Note 22 'Investment income'.

Exchange rate differences
In 2015, Exchange rate differences includes EUR 11 million relating to TMB (2014: EUR 76 million). In 2014, Exchange rate differences also included EUR 47 million related to ING Vysya and EUR 31 million related to SulAmérica S.A.

Changes in the composition of the group and other changes
In 2014, Changes in the composition of the group and other changes included EUR –1,602 million related to the classification of NN Group as held for sale as well as the recognition as associate and transfer of ING Vysya to held for sale. Reference is made to Note 54 'Other events'.

8 Real estate investments

Changes in real estate investments

	2015	2014
Opening balance	80	1,046
Additions		322
Transfers to and from Property in own use	–1	26
Transfers to and from Other assets		–6
Fair value gains/(losses)		3
Disposals	–2	–192
Changes in the composition of the group and other changes		–1,119
Closing balance	**77**	**80**

In 2014, Changes in the composition of the group and other changes included EUR –1,022 million related to the classification of NN Group as held for sale. Reference is made to Note 54 'Other events'.

The total amount of rental income recognised in the profit and loss account for the year ended 31 December 2015 is EUR 6 million (2014: EUR 9 million). The total amount of contingent rent recognised in the profit and loss account for the year ended 31 December 2015 is nil (2014: nil).

The total amount of direct operating expenses (including repairs and maintenance) in relation to Real estate investments that generated rental income for the year ended 31 December 2015 is EUR 1 million (2014: EUR 4 million). The total amount of direct operating expenses (including repairs and maintenance) incurred on Real estate investments that did not generate rental income for the year ended 31 December 2015 is nil (2014: nil).

Real estate investments by year of most recent appraisal by independent qualified valuers

in percentages	2015	2014
Most recent appraisal in the current year	79	84
Most recent appraisal one year ago	5	16
Most recent appraisal two years ago	16	
	100	**100**

ING Group's exposure to real estate is included in the following balance sheet lines:

Real estate exposure[1]	2015	2014
Real estate investments	77	80
Investments in associates and joint ventures	105	159
Other assets – property development and obtained from foreclosures	212	405
Property and equipment – property in own use	982	1,020
Investments – available-for-sale	51	99
	1,427	**1,763**

1 Excludes exposure to real estate classified as held for sale.

Furthermore, the exposure is impacted by third party interests, leverage in funds and off-balance sheet commitments, resulting in an overall exposure of EUR 1.3 billion (2014: EUR 1.7 billion). Reference is made to the section 'Risk management – Market risk'.

9 Property and equipment

Property and equipment by type	2015	2014
Property in own use	982	1,020
Equipment	971	998
Assets under operating leases	74	82
	2,027	**2,100**

Changes in property in own use	2015	2014
Opening balance	1,020	1,243
Additions	10	64
Transfers to and from Real estate investments	1	-26
Transfers to and from Other assets	4	
Depreciation	-16	-19
Revaluations	32	-56
Impairments	-17	-36
Reversal of impairments	14	5
Disposals	-60	-28
Exchange rate differences	-6	1
Changes in the composition of the group and other changes		-128
Closing balance	**982**	**1,020**
Gross carrying amount as at 31 December	1,823	1,840
Accumulated depreciation as at 31 December	-635	-612
Accumulated impairments as at 31 December	-206	-208
Net carrying value as at 31 December	**982**	**1,020**
Revaluation surplus		
Opening balance	376	449
Revaluation in the year	44	-73
Closing balance	**420**	**376**

In 2014, Changes in the composition of the group and other changes included EUR -88 million related to the classification of NN Group as held for sale and EUR -40 million related to the deconsolidation of ING Vysya. Reference is made to Note 54 'Other events'.

The cost or the purchase price amounted to EUR 1,404 million (2014: EUR 1,475 million). Cost or the purchase price less accumulated depreciation and impairments would have been EUR 563 million (2014: EUR 655 million) had property in own use been valued at cost instead of at fair value.

Property in own use by year of most recent appraisal by independent qualified valuers

in percentages	2015	2014
Most recent appraisal in the current year	63	57
Most recent appraisal one year ago	10	14
Most recent appraisal two years ago	12	18
Most recent appraisal three years ago	9	4
Most recent appraisal four years ago	6	7
	100	**100**

Changes in equipment

	Data processing equipment		Fixtures and fittings and other equipment		Total	
	2015	2014	2015	2014	2015	2014
Opening balance	265	314	733	820	998	1,134
Additions	140	131	176	173	316	304
Disposals	-6	-13	-7	-14	-13	-27
Depreciation	-125	-133	-186	-193	-311	-326
Impairments		-4		-3		-7
Exchange rate differences	-4	1	-1	1	-5	2
Changes in the composition of the group and other changes	-7	-31	-7	-51	-14	-82
Closing balance	**263**	**265**	**708**	**733**	**971**	**998**
Gross carrying amount as at 31 December	1,092	1,052	2,482	2,368	3,574	3,420
Accumulated depreciation as at 31 December	-828	-786	-1,774	-1,635	-2,602	-2,421
Accumulated impairments as at 31 December	-1	-1			-1	-1
Net carrying value as at 31 December	**263**	**265**	**708**	**733**	**971**	**998**

10 Intangible assets

Changes in intangible assets

	Value of business acquired		Goodwill		Software		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Opening balance		20	1,061	1,137	574	614	20	70	1,655	1,841
Additions					134	141			134	141
Capitalised expenses					122	146			122	146
Amortisation		-2			-265	-281	-5	-19	-270	-302
Impairments					-15	-1			-15	-1
Exchange rate differences			-70	27		-1	-1		-71	26
Disposals					-1	-4			-1	-4
Changes in the composition of the group and other changes		-18	-6	-103	18	-40	1	-31	13	-192
Closing balance	**–**	**0**	**985**	**1,061**	**567**	**574**	**15**	**20**	**1,567**	**1,655**
Gross carrying amount as at 31 December			985	1,061	1,706	1,579	29	24	2,720	2,664
Accumulated amortisation as at 31 December					-1,128	-1,002	-12	-2	-1,140	-1,004
Accumulated impairments as at 31 December					-11	-3	-2	-2	-13	-5
Net carrying value as at 31 December	**–**	**–**	**985**	**1,061**	**567**	**574**	**15**	**20**	**1,567**	**1,655**

In 2014, Changes in the composition of the group and other changes included EUR -198 million related to the classification of NN Group as held for sale. Reference is made to Note 30 'Discontinued operations' and Note 54 'Other events'.

Amortisation of software and other intangible assets is included in the profit and loss account in Other operating expenses.

Goodwill

Changes in Goodwill

In addition to exchange rate differences, changes in goodwill relate to impairments and changes in composition of the group.

2015 – Changes in composition of the group and other changes

In 2015, 'Changes in composition of the group and other changes' of EUR -6 million mainly represents goodwill on ING Lease (UK), released during the year due to disposal of the remaining portfolios to which it related. Reference is made to Note 23 'Result on disposal of group companies'.

2014 – Changes in composition of the group and other changes

In 2014, 'Changes in composition of the group and other changes' represented the reclassification of goodwill to 'Assets held for sale'. This included all goodwill that related to businesses classified as held for sale. For 2014, the amount was EUR 103 million and related to NN Group. As businesses to which these goodwill amounts related are classified as held for sale, the related goodwill was not evaluated at the level of the reporting unit to which it was allocated in the regular goodwill impairment test. Instead, it was reviewed as part of the valuation of the disposal group that was presented as held for sale as at 31 December 2014.

Goodwill is allocated to goodwill reporting units as follows:

Goodwill allocation to reporting unit

	2015	2014
Retail Belgium	50	50
Retail Germany	349	349
Retail Central Europe[1]	427	480
Wholesale Banking[1]	159	182
	985	**1,061**

1 In 2015, Goodwill allocation to reporting units Retail Central Europe and Wholesale Banking, as at 31 December 2014, are adjusted as a result of changes in reportable segments. Goodwill allocated to Retail Central Europe, as at 31 December 2014, is decreased by EUR 158 million from EUR 638 million to EUR 480 million, with the corresponding increase in Wholesale Banking.

No goodwill impairment was recognised in 2015. Changes in the goodwill per reporting unit in 2015 are mainly due to changes in currency exchange rates.

In 2015, the allocation of goodwill to reporting units changed as a result of the changes in reportable segments as disclosed in Note 36 'Segments'. Comparative amounts have been adjusted accordingly. The change did not impact the outcome of the impairment test. Additionally, ING's Commercial Banking activities are renamed to Wholesale Banking, as of 1 January 2016.

In 2014, goodwill of EUR 103 million was written-off, as NN Group was expected to be sold below its carrying value. Reference is made to Note 30 'Discontinued operations' and Note 54 'Other events'. Other changes in 2014 were mainly due to changes in currency exchange rates.

Goodwill impairment testing

Goodwill is tested for impairment at the lowest level at which it is monitored for internal management purposes. This level is defined as the so called 'reporting units' as set out above. Goodwill is tested for impairment by comparing the carrying value of the reporting unit to the best estimate of the recoverable amount of that reporting unit. The carrying value is determined as the IFRS-EU net asset value including goodwill. The recoverable amount is estimated as the higher of fair value less cost to sell and value in use. Several methodologies are applied to arrive at the best estimate of the recoverable amount.

As a first step of the impairment test, the best estimate of the recoverable amount of reporting units to which goodwill is allocated is determined separately for each relevant reporting unit based on Price to Earnings, Price to Book, and Price to Assets under management ratios. The main assumptions in this valuation are the multiples for Price to Earnings, Price to Book and Price to Assets under management; these are developed internally but are either derived from or corroborated against market information that is related to observable transactions in the market for comparable businesses. Earnings and carrying values are equal to or derived from the relevant measure under IFRS-EU where available the test includes the use of market prices for listed business units.

If the outcome of this first step indicates that the difference between recoverable amount and carrying value may not be sufficient to support the amount of goodwill allocated to the reporting unit, an additional analysis is performed in order to determine a recoverable amount in a manner that better addresses the specific characteristics of the relevant reporting unit.

In 2015, for all reporting units, the first step as described above indicates that there is an excess of recoverable amount over book value to which goodwill is allocated. A sensitivity analysis on the underlying assumptions did not trigger additional impairment considerations.

11 Assets and liabilities held for sale

Assets and liabilities held for sale includes disposal groups whose carrying amount will be recovered principally through a sale transaction rather than through continuing operations. This relates to businesses and other significant investments for which a sale is agreed upon but for which the transaction has not yet closed or a sale is highly probable at the balance sheet date but for which no sale has yet been agreed.

As at 31 December 2015, Assets held for sale relates to the investment of 25.75% in the associate NN Group which amounts to EUR 2,153 million. The investment in associate is presented as Assets held for sale and discontinued operations, because it is assessed highly probable that ING will dispose of NN Group within a year.

As at 31 December 2014, Assets and liabilities held for sale related mainly to the subsidiary NN Group, the associate ING Vysya and the available-for-sale investment Voya . As at 31 December 2014, the Investment in associate of 43% in ING Vysya amounted to EUR 704 million. As at 31 December 2014, the available-for-sale equity investment of 18.9% in Voya amounted to EUR 1,591 million.

Assets held for sale	2015	2014
Cash and balances with central banks		6,239
Financial assets at fair value through profit and loss		49,438
Investments		73,868
Loans and advances to customers		27,530
Reinsurance contracts		241
Investments in associates and joint ventures	2,153	2,244
Real estate investments		1,104
Intangible assets		17
Deferred acquisition costs		1,403
Other assets		3,448
	2,153	**165,532**

Liabilities held for sale	2015	2014
Other borrowed funds		7,341
Insurance and investments contracts		119,237
Amounts due to banks		56
Customer deposits and other funds on deposit		5,911
Financial liabilities at fair value through profit and loss		3,100
Other liabilities		6,487
	–	**142,132**

Included in Shareholders' equity is cumulative other comprehensive income of nil (2014: EUR 5,987 million related to NN Group) related to Assets and liabilities held for sale.

In 2015, Assets and liabilities held for sale decreased by EUR 163.4 billion and EUR 142.1 billion respectively.

The decrease is attributable to:
- divestment of Voya in March 2015, reducing ING Group's stake from 18.9% at 31 December 2014 to zero;
- completion of the merger of ING Vysya and Kotak in April 2015, resulting in derecognition of the share held in ING Vysya and recognition of the investment in Kotak as an available-for-sale equity investment; and
- further divestment of ING Group's stake in NN Group, resulting in loss of control of and deconsolidation of NN Group in May 2015, after which the retained stake in NN Group is accounted for as an Investment in associate held for sale and measured at the lower of the carrying amount and the fair value less cost to sell.

Reference is made to Note 5 'Investments', Note 7 'Investments in associates and joint ventures', Note 30 'Discontinued operations', and Note 54 'Other events'.

a) NN Group

Proportional interest held and key information

The proportional interest held and key information on NN Group are included in the tables below.

NN Group N.V. - Profit and loss account

2015	Interest held (%)	Total income from continuing operations	Total expenses from continuing operations	Net result from dis-continued operations	Net result[3]	Minority interests
NN Group - total[1]	100.00	6,764	6,041	–	723	–
ING Group's share[2]	54.77				390	333

1 NN Group profit and loss account, until deconsolidation at the end of May 2015.
2 ING Group's share of NN Group profit and loss account, until deconsolidation at the end of May 2015.
3 Net result, excluding NN Group's minority interest.

NN Group N.V. - Comprehensive income

2015	Interest held (%)	Compre-hensive income	Minority interests
NN Group - total[1]	100.00	1,718	–
ING Group's share[2]	54.77	941	777

1 NN Group's comprehensive income, until deconsolidation at the end of May 2015.
2 ING Group's share of NN Group comprehensive income, until deconsolidation at the end of May 2015.

NN Group N.V. - Balance sheet

2014	Interest held (%)	Total assets	Total liabilities	Total equity	Minority interests
NN Group - total	100.00	165,481	144,064	21,417	–
ING Group's share	68.14			13,870	7,547

NN Group N.V. - Profit and loss account

2014	Interest held (%)	Total income from continuing operations	Total expenses from continuing operations	Net result from dis-continued operations	Net result[1]	Minority interests
NN Group - total	100.00	13,545	12,918	-16	611	–
ING Group's share	68.14				416	195

1 Net result, excluding NN Group's minority interest.

NN Group N.V. - Comprehensive income

2014	Interest held (%)	Compre-hensive income	Minority interests
NN Group - total	100.00	5,698	–
ING Group's share	68.14	3,883	1,815

In 2015, Total income and Total expenses of NN Group, to which the minority interest in NN Group related, are all presented in the Consolidated profit and loss account in the line 'Net result from discontinued operations'.

As per 31 December 2014, Total assets and Total liabilities of NN Group as presented above, to which the minority interest in NN Group related, are all presented in the Consolidated balance sheet in Assets held for sale and Liabilities held for sale respectively. Total income and Total expenses of NN Group, to which the minority interest in NN Group related, are all presented in the Consolidated profit and loss account in 'Net result from discontinued operations'.

Undated subordinated notes issued by NN Group
In 2014, NN Group N.V. issued Fixed to Floating Rate Undated Subordinated Notes with a par value of EUR 1 billion. The notes are undated, but are callable after 11.5 years and every quarter thereafter (subject to regulatory approval). The coupon is fixed at 4.50% per annum for the first 11.5 years and will be floating thereafter. As these notes are undated and include optional deferral of interest at the discretion of NN Group, these are classified under IFRS-EU as equity. Coupon payments are deducted from equity if and when paid or contractually due. The discount to the par value and certain issue costs were deducted from equity at issue, resulting in a balance sheet value equal to the net proceeds of EUR 986 million. These notes were included as part of minority interest as ING Group did not hold any of these notes.

In light of the further restructuring and deconsolidation of the NN Group insurance business, key accounting policies, specific insurance related disclosures, fair value measurement disclosures and loan reclassifications are presented below for comparative periods only:

Key accounting policies

Insurance, investment and reinsurance contracts
Provisions for liabilities under insurance contracts are established in accordance with IFRS 4 'Insurance Contracts'. Under IFRS 4, an insurer may continue its existing pre-IFRS-EU accounting policies for insurance contracts, provided that certain minimum requirements are met. Upon adoption of IFRS in 2005, ING Group decided to continue the then existing accounting principles for insurance contracts under IFRS-EU. ING Group operates in many different countries and the accounting principles for insurance contracts follow local practice in these countries. ING's businesses in the Netherlands apply accounting standards generally accepted in the Netherlands (Dutch GAAP) for its provisions for liabilities under insurance contracts; similarly, ING's businesses in the United States apply accounting standards generally accepted in the United States (US GAAP).

Changes in those local accounting standards (including Dutch GAAP and US GAAP) subsequent to the adoption of IFRS-EU are considered for adoption on a case-by-case basis. If adopted, the impact thereof is accounted for as a change in accounting policy under IFRS-EU.

In addition, for certain specific products or components thereof, ING applies the option in IFRS 4 to measure (components of) the provisions for liabilities under insurance contracts using market consistent interest rates and other current estimates and assumptions. This relates mainly to Guaranteed Minimum Withdrawal Benefits for Life on the Insurance US Closed Block VA book and certain guarantees embedded in insurance contracts in Japan.

Value of business acquired (VOBA)
VOBA is an asset that reflects the present value of estimated net cash flows embedded in the insurance contracts of an acquired company, which existed at the time the company was acquired. It represents the difference between the fair value of insurance liabilities and their carrying value. VOBA is amortised in a similar manner to the amortisation of deferred acquisition costs as described in the section 'Deferred acquisition costs'.

Deferred acquisition costs
Deferred acquisition costs (DAC) are an asset and represent costs of acquiring insurance and investment contracts that are deferred and amortised. The deferred costs, all of which vary with (and are primarily related to) the production of new and renewal business, consist principally of commissions, certain underwriting and contract issuance expenses, and certain agency expenses.

For traditional life insurance contracts, certain types of flexible life insurance contracts, and non-life contracts, DAC is amortised over the premium payment period in proportion to the premium revenue recognised.

For other types of flexible life insurance contracts DAC is amortised over the lives of the policies in relation to the emergence of estimated gross profits. Amortisation is adjusted when estimates of current or future gross profits, to be realised from a group of products, are revised. The estimates and the assumptions are reassessed at the end of each reporting period. Higher/lower expected profits (e.g. reflecting stock market performance or a change in the level of assets under management) may cause a lower/higher balance of DAC due to the catch-up of amortisation in previous and future years. This process is known as DAC unlocking. The impact of the DAC unlocking is recognised in the profit and loss account of the period in which the unlocking occurs.

DAC is evaluated for recoverability at issue. Subsequently it is tested on a regular basis together with the provision for life insurance liabilities and VOBA. The test for recoverability is described in the section 'Insurance, Investment and Reinsurance Contracts'.

For certain products DAC is adjusted for the impact of unrealised results on allocated investments through equity.

Deferred profit sharing
For insurance contracts with discretionary participation features a deferred profit sharing amount is recognised for the full amount of the unrealised revaluation on allocated investments. Upon realisation, the profit sharing on unrealised revaluation is reversed and a deferred profit sharing amount is recognised for the share of realised results on allocated investments that is expected to be shared with policyholders. The deferred profit sharing amount is reduced by the actual allocation of profit sharing to individual policyholders. The change in the deferred profit sharing amount on unrealised revaluation (net of deferred tax) is recognised in equity in the Revaluation reserve.

Adequacy test
The adequacy of the provision for life insurance, net of unamortised interest rate rebates, DAC and VOBA (the net insurance liabilities), is evaluated regularly by each business unit for the business originated in that business unit. The test considers current estimates of all contractual and related cash flows, and future developments. It includes investment income on the same basis as it is included in the profit and loss account.

If, for any business unit, it is determined, using a best estimate (50%) confidence level, that a shortfall exists, and there are no offsetting amounts within other business units in the same segment (Business Line), the shortfall is recognised immediately in the profit and loss account.

If, for any business unit, the net insurance liabilities are not adequate using a prudent (90%) confidence level, but there are offsetting amounts within other Group business units, then the business unit is allowed to take measures to strengthen the net insurance liabilities over a period no longer than the expected life of the policies. To the extent that there are no offsetting amounts within other Group business units, any shortfall at the 90% confidence level is recognised immediately in the profit and loss account.

If the net insurance liabilities are determined to be adequate at above the 90% confidence level, no reduction in the net insurance liabilities is recognised.

The adequacy test continues to be applied to businesses that are presented as discontinued operations; the relevant businesses continue to be evaluated as part of the adequacy test of the business line in which these were included before classification as discontinued operations.

Gross premium income
Premiums from life insurance policies are recognised as income when due from the policyholder. For non-life insurance policies, gross premium income is recognised on a pro-rata basis over the term of the related policy coverage. Receipts under investment contracts are not recognised as gross premium income.

Insurance and investment contracts, reinsurance contracts of NN Group
In 2014, following the classification as held for sale of NN Group both the Insurance and investment contracts and Reinsurance contracts were presented as Assets and liabilities held for sale.

Insurance and investment contracts, reinsurance contracts - Held for sale - NN Group

2014	Provision net of reinsu-rance	Reinsu-rance contracts	Insurance and investment contracts
Provision for non-participating life policy liabilities	18,152	27	18,179
Provision for participating life policy liabilities	47,661	87	47,748
Provision for (deferred) profit sharing and rebates	7,712		7,712
Life insurance provisions excluding provisions for risk of policyholders	**73,525**	**114**	**73,639**
Provision for life insurance for risk of policyholders	39,671	46	39,717
Life insurance provisions	**113,196**	**160**	**113,356**
Provision for unearned premiums and unexpired risks	264	3	267
Reported claims provision	2,583	77	2,660
Claims incurred but not reported (IBNR)	612	1	613
Claims provisions	**3,195**	**78**	**3,273**
Total provisions for insurance contracts	**116,655**	**241**	**116,896**
Investment contracts for risk of company	772		772
Investment contracts for risk of policyholders	1,569		1,569
Total provisions for investment contracts	**2,341**	**0**	**2,341**
Total	**118,996**	**241**	**119,237**

To the extent that the assuming reinsurers were unable to meet their obligations, the Group was liable to its policyholders for the portion reinsured. Consequently, provisions were made for receivables on reinsurance contracts which were deemed uncollectable. The life reinsurance market is highly concentrated and, therefore, diversification of exposure is inherently difficult. To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluated the financial condition of its reinsurers, monitored concentrations of credit risk arising from similar geographical regions, activities or economic characteristics of the reinsurer and maintained collateral.

Where discounting was used in the calculation of Life insurance provisions, the rate was within the range 2.0% to 3.7% in 2014 based on weighted averages.

Where discounting was used in the calculation of the Claims provision the rate was within the range 2.3% to 4.0% in 2014 based on weighted averages.

Deferred acquisition costs
For flexible life insurance contracts the growth rate assumption used to calculate the amortisation of the deferred acquisition costs for 2014 was 6.4% gross and 4.8% net of investment management fees.

Reserve adequacy
As at 31 December 2014, the provisions for insurance contracts were adequate at both the 90% and 50% confidence levels, both in aggregate for NN Group and in each of the NN Group segments. The provisions for insurance contracts in the segment Netherlands Life were approximately at the 90% confidence level.

Legal proceedings
As at 31 December 2014, insurance provisions included a provision for the estimated cost of the agreement with regard to unit-linked policies.

Fair value measurement

The fair value hierarchy of financial assets and liabilities (measured at fair value), which were presented as held for sale as at 31 December 2014, is included below. The fair value hierarchy consists of three levels, depending upon whether fair values were determined based on (unadjusted) quoted prices in active markets (Level 1), valuation techniques supported by observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument (Level 3). Reference is made to Note 40 'Fair value of assets and liabilities' for more details on the fair value hierarchy.

The fair values of the financial instruments carried at fair value were determined as follows:

Methods applied in determining fair values of financial assets and liabilities - Held for sale - NN Group

2014	Level 1	Level 2	Level 3	Total
Financial assets				
Trading assets	10	14	604	628
Investments for risk of policyholders	36,997	3,985	240	41,222
Non-trading derivatives	152	6,944		7,096
Financial assets designated as at fair value through profit and loss	454	38		492
Available-for-sale investments	51,445	18,981	1,851	72,277
	89,058	**29,962**	**2,695**	**121,715**
Financial liabilities				
Non-trading derivatives	30	3,069		3,099
Investment contracts (for contracts at fair value)	1,515	54		1,569
	1,545	**3,123**		**4,668**

Level 3 Financial assets at fair value

Financial assets measured at fair value in the balance sheet as at 31 December 2014 of EUR 121.8 billion included an amount of EUR 2.7 billion (2.2%) that was classified as Level 3.

Financial assets in Level 3 included both assets for which the fair value was determined using valuation techniques that incorporate unobservable inputs and assets for which the fair value was determined using quoted prices, but for which the market was not actively trading at or around the balance sheet date. Unobservable inputs are inputs which were based on NN Group's own assumptions about the factors that market participants would have used in pricing an asset, developed based on the best information available in the circumstances. Unobservable inputs may have included volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads. Fair values that were determined using valuation techniques using unobservable inputs were sensitive to the inputs used. Fair values that were determined using quoted prices were not sensitive to unobservable inputs, as the valuation was based on unadjusted external price quotes. These were classified in Level 3 as a result of the illiquidity in the relevant market, but were not significantly sensitive to NN Group's own unobservable inputs.

Trading assets

Of the total amount of financial assets classified as Level 3 as at 31 December 2014 of EUR 2.7 billion, an amount of EUR 0.6 billion related to trading assets (private equity investments) that were recognised at fair value through profit and loss.

Valuation methodology
The fair value of private equity investments was generally based on a forward looking market approach. This approach used a combination of company financials and quoted market multiples. In the absence of quoted prices in an active market, fair value was estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects, price, earnings comparisons and by reference to market valuations for similar entities quoted in an active market. Valuations of private equity investments were mainly based on an 'adjusted multiple of earnings' methodology on the following basis:

- Earnings: Reported earnings adjusted for non-recurring items, such as restructuring expenses, for significant corporate actions and, in exceptional cases, for run-rate adjustments to arrive at maintainable earnings. The most common measure was earnings before interest, tax, depreciation and amortisation ('EBITDA'). Earnings used were usually management forecasts for the current year, unless data from management accounts for the 12 months preceding the reporting period or the latest audited annual accounts provided a more reliable estimate of maintainable earnings.
- Earnings multiples: Earnings multiples were derived from comparable listed companies or relevant market transaction multiples for companies in the same industry and, where possible, with a similar business model and profile in terms of size, products, services and customers, growth rates and geographic focus. Adjustments were made for differences in the relative performance in the group of comparable companies.
- Adjustments: A marketability or liquidity discount was applied based on factors such as alignment with management and other investors and NN Group's investment rights in the deal structure.

Key assumptions
Key assumptions in the valuation of private equity investments were the Earnings multiples and the Marketability/liquidity adjustments. The marketability/liquidity adjustment is typically in the range of 10% to 20%. Earnings multiples used ranges from 2.8x to 8.8x after Marketability/liquidity adjustment (net).

Sensitivities
If the net multiples (Earnings multiple adjusted for marketability/liquidity) would have been increased or decreased by 10%, this would have had an impact on the on the directly held unquoted private equity investment portfolio of +12% and –12% respectively.

Investments for risk of policyholders
Of the EUR 2.7 billion Level 3 investments EUR 0.2 billion related to investments for risk of policyholders. Therefore Net result was unaffected by reasonable changes in fair value of these investments.

Available-for-sale
The remaining EUR 1.9 billion related to Available-for-sale investments whose fair value was generally based on unadjusted quoted prices in inactive markets. This included for example debt securities and shares in real estate investment funds and private equity investment funds for which the fair value was determined using quoted prices for the securities or quoted prices obtained from the asset managers of the funds. It was estimated that a 10% change in valuation of these investments would have had no impact on Net result but would have increased or reduced Shareholders' equity of NN Group by EUR 190 million being approximately 0.9% (before tax) of Total equity.

The fair values of the non-financial assets carried at fair value were determined as follows:

Methods applied in determining fair values of non-financial assets - Held for sale - NN Group

2014	Level 1	Level 2	Level 3	Total
Real estate investments			1,104	1,104
Property in own use			88	88
	–	–	**1,192**	**1,192**

Reclassifications to Loans and advances to customers in 2009
In the second quarter of 2009 NN Group reclassified certain financial assets from Investments available-for-sale to Loans and advances to customers. NN Group identified assets, eligible for reclassification, for which at the reclassification date it had the intention to hold for the foreseeable future. The table below provides information on this reclassification. Information is provided for this reclassification as at the date of reclassification and as at the end of the subsequent reporting periods. This information is disclosed under IFRS-EU as long as the reclassified assets continue to be recognised in the balance sheet.

Reclassifications to Loans and advances to customers	
	Q2 2009
As per reclassification date	
Fair value	6,135
Range of effective interest rates (weighted average)	1.4%-24.8%
Expected recoverable cash flows	7,118
Unrealised fair value gains/losses in shareholders' equity (before tax)	-896
Recognised fair value gains (losses) in shareholders' equity (before tax) between the beginning of the year in which the reclassification took place and the reclassification date	173
Recognised fair value gains (losses) in shareholders' equity (before tax) in the year prior to reclassification	-971
Recognised impairment (before tax) between the beginning of the year in which the reclassification took place and the reclassification	nil
Recognised impairment (before tax) in the year prior to reclassification	nil

Reclassifications to Loans and advances to customers						
	2014	2013	2012	2011	2010	2009
Years after reclassification						
Carrying value	809	1,098	1,694	3,057	4,465	5,550
Fair value	984	1,108	1,667	2,883	4,594	5,871
Unrealised fair value gains/losses recognised in shareholders' equity (before tax)	-213	-111	-186	-307	-491	-734
Effect on shareholders' equity (before tax) if reclassification had not been made	175	10	-27	-174	129	321
Effect on result (before tax) if reclassification had not been made	nil	nil	nil	nil	nil	nil
Effect on result (before tax) after the reclassification (mainly interest income)	n.a	n.a	n.a	n.a	n.a	121
Effect on result (before tax) for the year (interest income and sales results))	-2	-10	-47	90	89	n.a
Recognised impairments (before tax)	nil	nil	nil	nil	nil	nil
Recognised provision for credit losses (before tax)	nil	nil	nil	nil	nil	nil

b) Voya

Proportional interest held and key information

In light of the further restructuring and deconsolidation of Voya in 2014, specific disclosures are presented for comparative periods only. Reference is made to Note 47 'Contingent liabilities and commitments' and the Parent company annual accounts, Note 7 'Other' for further information on Guarantees issued by ING Groep N.V.

The proportional interests held and key information on Voya are included in the tables below.

Voya - Balance sheet					
2013	Interest held (%)	Total assets	Total liabilities	Total equity	Minority interests
Voya - total	100	155,499	145,609	9,890	
ING Group's share[1]	56.5			5,532	4,358

1 ING Group's share after intercompany eliminations.

Voya - Profit and loss account					
2013	Interest held (%)	Total income	Total expenses	Net result	Minority interests
Voya - total	100	13,232	13,082	150	
ING Group's share[1]	56.5			39	111

1 ING Group's share after intercompany eliminations.

Voya - Statement of Comprehensive income

2013	Interest held (%)	Compre-hensive income	Minority interests
Voya - total	100	-1,187	
ING Group's share[1]	56.5	-1,124	-63

1 ING Group's share after intercompany eliminations.

Total assets and Total liabilities as presented above, to which the minority interest in Voya related, were all presented in the Consolidated balance sheet in Assets held for sale and Liabilities held for sale in 2013. Total income and Total expenses as presented above, to which the minority interest in Voya related, were all presented in the Consolidated profit and loss account in Net result from discontinued operations in 2013.

12 Other assets

Other assets by type

	2015	2014
Net defined benefit assets	643	589
Deferred tax assets	814	1,145
Property development and obtained from foreclosures	212	405
Income tax receivable	322	289
Accrued interest and rents	6,228	6,848
Other accrued assets	717	555
Other	4,384	4,135
	13,320	**13,966**

Disclosures in respect of Net defined benefit assets are provided in Note 38 'Pension and other post-employment benefits' and deferred tax assets are provided in Note 39 'Taxation'.

Property development and obtained from foreclosures

Property development and obtained from foreclosures

	2015	2014
Property under development		1
Property developed	141	319
Property obtained from foreclosures	71	85
	212	**405**
Gross carrying amount as at 31 December	531	887
Accumulated impairments as at 31 December	-319	-482
Net carrying value	**212**	**405**

In 2015, the decrease in Property development and obtained from foreclosures relates mainly to the sale of developed property.

The total amount of borrowing costs relating to Property development and obtained from foreclosures, capitalised in 2015 is nil (2014: nil).

Accrued interest and rents

Accrued interest and rents includes EUR 2,895 million (2014: EUR 3,152 million) accrued interest on assets measured at amortised cost under the IAS 39 classification Loans and receivables.

Other

Other includes EUR 2,087 million (2014: EUR 2,144 million) related to transactions still to be settled at balance sheet date.

Equity

13 Equity

Total equity

	2015	2014	2013
Share capital	928	925	921
Share premium	16,054	16,046	16,038
Revaluation reserves	4,888	11,021	5,557
Currency translation reserve	-538	-741	-2,161
Net defined benefit asset/liability remeasurement reserve	-306	-504	-3,766
Other reserves[1]	26,806	24,597	29,187
Shareholders' equity (parent)	**47,832**	**51,344**	**45,776**
Non-voting equity securities			1,500
	47,832	**51,344**	**47,276**
Minority interests	638	8,072	5,913
Total equity	**48,470**	**59,416**	**53,189**

1 Other reserves, as at 31 December 2014, is adjusted as a result of the change in the accounting approach for the NN Group Anchor investment transaction (page 116).

In 2015, Shareholder's equity attributable to the parent decreased by EUR 3,512 million to EUR 47,832 million, as at 31 December 2015. The decrease is mainly attributable to the partial sale and deconsolidation of NN Group in 2015, partly offset by Net result from continuing and discontinued operations.

In 2015, ING Group changed its accounting approach in relation to the NN Group Anchor investment transaction. Shareholders' equity (parent), as at 31 December 2014, was adjusted by EUR 920 million from EUR 50,424 million to EUR 51,344 million in the line item Other reserves. Reference is made to Note 1 'Accounting policies' - Change in accounting approach NN Group Anchor investment transaction, the section Other reserves in this note, Note 20 'Other liabilities' and Note 54 'Other events'.

Share capital

Share capital

	Ordinary shares (par value EUR 0.24)					
	Number x 1,000			Amount		
	2015	2014	2013	2015	2014	2013
Authorised share capital	14,500,000	14,500,000	14,500,000	3,480	3,480	3,480
Unissued share capital	10,629,817	10,641,138	10,659,106	2,552	2,555	2,559
Issued share capital	**3,870,183**	**3,858,862**	**3,840,894**	**928**	**925**	**921**

Changes in issued share capital

	Ordinary shares (par value EUR 0.24)	
	Number x 1,000	Amount
Issued share capital as at 1 January 2013	3,831,561	919
Issue of shares	9,333	2
Issued share capital as at 31 December 2013	**3,840,894**	**921**
Issue of shares	17,968	4
Issued share capital as at 31 December 2014	**3,858,862**	**925**
Issue of shares	11,321	3
Issued share capital as at 31 December 2015	**3,870,183**	**928**

In 2015, ING Groep N.V. issued 11.3 million (depositary receipts for) ordinary shares at par value (2014: 18.0 million; 2013: 9.3 million) in order to fund obligations arising from share-based employee incentive programmes.

In 2015, ING Groep N.V. issued USD 2,250 million Perpetual Additional Tier 1 Contingent Convertible Capital Securities, which can in accordance with their terms and conditions, convert by operation of law into ordinary shares if the conditions to such conversion are fulfilled. As a result of this conversion, the issued share capital can increase by no more than 250 million ordinary shares. Reference is made to Note 14 'Subordinated loans'.

Ordinary shares
All ordinary shares are in registered form. No share certificates have been issued. Ordinary shares may be transferred by means of a deed of transfer. A transfer of ordinary shares requires written acknowledgement by ING Groep N.V. The par value of ordinary shares is EUR 0.24. The authorised ordinary share capital of ING Groep N.V. currently consists of 14,500 million ordinary shares. As at 31 December 2015, 3,870 million of ordinary shares were issued and fully paid.

Depositary receipts for ordinary shares
More than 99.9% of the ordinary shares issued by ING Groep N.V. is held by Stichting ING Aandelen (ING Trust Office). In exchange for these shares, ING Trust Office has issued depositary receipts in bearer form for these shares. The depositary receipts are listed on various stock exchanges. Depositary receipts can be exchanged upon request of the holders of depositary receipts for (non-listed) ordinary shares without any restriction, other than payment of an administrative fee of EUR 0.01 per depositary receipt with a minimum of EUR 25 per exchange transaction.

The holder of a depositary receipt is entitled to receive from ING Trust Office payment of dividends and distributions corresponding to the dividends and distributions received by ING Trust Office on an ordinary share.

In addition, the holder of a depositary receipt is entitled to attend and to speak at the General Meeting of Shareholders of ING Groep N.V. either in person or by proxy. A holder of a depositary receipt, who thus attends the General Meeting of Shareholders, is entitled to vote as a proxy of the ING Trust Office but entirely at his own discretion for a number of shares equal to the number of his depositary receipts.

A holder of depositary receipts who does not attend the General Meeting of Shareholders in person or by proxy is entitled to give a binding voting instruction to the Trust Office for a number of shares equal to the number of his depositary receipts.

Depositary receipts for ordinary shares held by ING Group (Treasury shares)
As at 31 December 2015, 1.5 million (2014: 4.3 million; 2013: 4.0 million) depositary receipts for ordinary shares ING Groep N.V. with a par value of EUR 0.24 are held by ING Groep N.V. or its subsidiaries. The obligations with regard to the existing stock option plan and the share plans will be funded either by cash or by newly issued shares at the discretion of ING Group.

Share premium
In 2015, 2014 and in 2013, share premium increased with EUR 8 million, EUR 8 million and EUR 4 million respectively as a result of issuance of ordinary shares for share-based employee incentive programmes.

Revaluation reserves

Changes in revaluation reserves

2015	Property in own use reserve	Available-for-sale reserve and other	Cash flow hedge reserve	Total
Opening balance	306	6,838	3,877	11,021
Unrealised revaluations	38	1,188		1,226
Realised gains/losses transferred to profit and loss		-94		-94
Changes in cash flow hedge reserve			-65	-65
Transfer to insurance liabilities/DAC		-254		-254
Impact of partial divestment of NN Group	-3	-855	-649	-1,507
Impact of deconsolidation of NN Group	-9	-2,940	-2,507	-5,456
Changes in composition of the group and other changes	-6	13	10	17
Closing balance	**326**	**3,896**	**666**	**4,888**

Transfer to insurance liabilities/DAC comprises the change in insurance liabilities related to NN Group, until deconsolidation at the end of May 2015.

Impact of partial divestment of NN Group relates to the further divestment of NN Group in February 2015.

Impact of deconsolidation of NN Group relates to the release of revaluation reserves upon deconsolidation of NN Group at the end of May 2015.

Reference is made to Note 54 'Other events', for further information on NN Group divestment transactions.

Included in Unrealised revaluations is a revaluation of EUR 154 million on Available-for-sale equity securities, related to shares held in VISA Europe Limited. Reference is made to Note 5 'Investments', Note 40 'Fair value of assets and liabilities' and Note 54 'Other events.

Changes in revaluation reserves

2014	Property in own use reserve	Available-for-sale reserve and other	Cash flow hedge reserve	Total
Opening balance	334	3,344	1,879	5,557
Unrealised revaluations	-28	7,656		7,628
Realised gains/losses transferred to profit and loss		-133	-4	-137
Changes in cash flow hedge reserve			3,105	3,105
Transfer to insurance liabilities/DAC		-2,658		-2,658
Impact of IPO NN Group	-2	-874	-1,100	-1,976
Changes in composition of the group and other changes	2	-497	-3	-498
Closing balance	**306**	**6,838**	**3,877**	**11,021**

Transfer to insurance liabilities/DAC comprises the change in insurance liabilities related to NN Group and Voya (until deconsolidation at the end of March 2014).

Impact of IPO NN Group relates to the IPO of NN Group as explained in Note 54 'Other events'.

Changes in composition of the group and other changes included EUR -502 million related to the deconsolidation of Voya. Reference is made to Note 54 'Other events'.

Changes in revaluation reserves

2013	Property in own use reserve	Available-for-sale reserve and other	Cash flow hedge reserve	Total
Opening balance	345	7,442	2,689	10,476
Unrealised revaluations	-7	-5,527		-5,534
Realised gains/losses transferred to profit and loss		-327		-327
Changes in cash flow hedge reserve			-812	-812
Transfer to insurance liabilities/DAC		2,200		2,200
Impact of Voya	-4	-444	2	-446
Closing balance	**334**	**3,344**	**1,879**	**5,557**

Transfer to insurance liabilities/DAC comprises the change in insurance liabilities related to NN Group and Voya.

Impact of Voya relates to the IPO and second tranche sale of Voya. Reference is made to Note 54 'Other events'.

Currency translation reserve

Changes in currency translation reserve

	2015	2014	2013
Opening balance	-741	-2,161	-841
Unrealised revaluations	-263	-53	335
Realised gains/losses transferred to profit and loss		481	213
Exchange rate differences	432	940	-1,868
Impact of partial divestment of NN Group	8		
Impact of deconsolidation of NN Group	26		
Impact of IPO NN Group		52	
Closing balance	**-538**	**-741**	**-2,161**

Unrealised revaluations relates to changes in the value of hedging instruments that are designated as net investment hedges.

Impact of partial divestment of NN Group relates to the further divestment of NN Group in February 2015.

Impact of deconsolidation of NN Group relates to the release of currency translation reserves upon deconsolidation of NN Group at the end of May 2015.

Reference is made to Note 54 'Other events'.

Net defined benefit asset/liability remeasurement reserve

In 2015, the change in the Net defined benefit asset/liability remeasurement reserve relates mainly to the deconsolidation of NN Group.

In 2014, the change in the Net defined benefit asset/liability remeasurement reserve related mainly to the transfer of all future funding and indexation obligations under ING's closed defined benefit plan in the Netherlands to the Dutch ING Pension Fund.

Reference is made to Note 38 'Pension and other post-employment benefits'.

Other reserves

Changes in other reserves

2015	Retained earnings	Share of associates, joint ventures and other reserves	Treasury shares	Total
Opening balance	23,160	1,483	-46	24,597
Result for the year	3,879	131		4,010
Changes in treasury shares			28	28
Employee stock options and share plans	105			105
Dividend	-1,393			-1,393
Impact of partial divestment of NN Group	-270			-270
Coupon on Undated subordinated notes	-19			-19
Changes in composition of the group and other changes	-371	119		-252
Closing balance	**25,091**	**1,733**	**-18**	**26,806**

In 2015, a cash dividend of EUR 1,393 million was paid to the shareholders of ING Group.

Impact of partial divestment of NN Group relates to the further divestment of NN Group in February 2015.

The coupon on Undated subordinated notes comprises coupon payments for the five months, until deconsolidation of NN Group at the end of May 2015.

Reference is made to Note 32 'Dividends per ordinary share' and Note 54 'Other events'.

Changes in other reserves

2014	Retained earnings[1]	Share of associates, joint ventures and other reserves	Treasury shares	Total
Opening balance	27,575	1,644	-32	29,187
Result for the year	1,168	83		1,251
Changes in treasury shares			-14	-14
Transfer to share of associates and joint ventures reserve	161	-161		
Employee stock options and share plans	87			87
Repurchase premium	-750			-750
Impact of IPO NN Group[1]	-1,327			-1,327
Changes in composition of the group and other changes[1]	-3,754	-83		-3,837
Closing balance	**23,160**	**1,483**	**-46**	**24,597**

1 Impact of IPO NN Group and Changes in the composition of the group and other changes are adjusted as a result of the change in the accounting approach for the NN Group Anchor investment transaction (page 116).

Impact of IPO NN Group related to the IPO of NN Group in July 2014. In 2015, ING Group changed its accounting approach in relation to the NN Group Anchor investment transaction. The line item Impact of IPO NN Group was adjusted by EUR 1,012 from EUR -2,339 million to EUR -1,327 million as a result of the reversal of the provision previously recognised directly in equity. The amount comprised the expected loss, at the time of the IPO of NN Group, on settlement of the two remaining tranches of mandatorily exchangeable notes in NN Group shares. As at 31 December 2014, the expected loss had decreased by EUR 92 million. The reversal of this decrease was adjusted in the line item Changes in composition of the group and other changes, resulting in a net adjustment to Other reserves of EUR 920 million, from EUR 23,677 million. Reference is made to Note 1 'Accounting policies' - Change in accounting approach NN Group Anchor investment transaction, Note 20 'Other liabilities' and Note 54 'Other events'.

The repurchase premium of EUR 750 million was paid in relation to the repayment of the EUR 1,500 million non-voting equity securities to the Dutch State. Reference is made to Note 53 'Transactions with the Dutch State and the European Commission Restructuring Plan'.

Changes in composition of the group and other changes included a decrease of EUR 3,279 million in Retained earnings as result of the transfer of part of the Net defined benefit asset/liability remeasurement reserve due to the financial independence of the Dutch ING Pension Fund. Furthermore, Changes in composition of the group and other changes also included EUR 87 million related to the deconsolidation of Voya. Reference is made to Note 38 'Pension and other post- employment benefits' and Note 54 'Other events'.

Changes in other reserves

2013	Retained earnings	Share of associates, joint ventures and other reserves	Treasury shares	Total
Opening balance	26,460	1,526	-410	27,576
Result for the year	3,469	76		3,545
Changes in treasury shares			378	378
Transfer to share of associates and joint ventures reserve	-118	118		
Employee stock options and share plans	-84			-84
Repurchase premium	-375			-375
Impact of Voya	-2,080			-2,080
Changes in composition of the group and other changes	303	-76		227
Closing balance	**27,575**	**1,644**	**-32**	**29,187**

Impact of Voya relates to the IPO and second tranche sale of Voya. Reference is made to Note 54 'Other events'.

The repurchase premium of EUR 375 million was paid in relation to the repayment of the EUR 750 million non-voting equity securities. Reference is made to Note 53 'Transactions with the Dutch State and the European Commission Restructuring Plan'.

Changes in treasury shares

	Amount			Number		
	2015	2014	2013	2015	2014	2013
Opening balance	46	32	410	4,302,122	3,994,055	30,112,671
Purchased/sold	-28	6	14	-2,810,775	351,252	976,907
Share-based payments			-100	-27,322	-43,185	-6,698,947
Other		8	-292			-20,396,576
Closing balance	**18**	**46**	**32**	**1,464,025**	**4,302,122**	**3,994,055**

Non-voting equity securities (core Tier 1 securities)

In 2014, ING Group made the final repayment on the core Tier 1 securities of EUR 1.025 billion to the Dutch State. Including the final payment, the total amount paid to the Dutch State was EUR 13.5 billion, which contained EUR 10 billion in principal and EUR 3.5 billion in interest and premiums and resulted in an annualised return of 12.7% for the Dutch State. For information on the non-voting equity securities and the repayments made, reference is made to Note 53 'Transactions with the Dutch State and the European Commission Restructuring Plan'.

Minority interest

In 2015, Minority interest decreased with EUR 7,434 million and is mainly related to the deconsolidation of NN Group. Reference is made to Note 54 'Other events'.

In 2014, Minority interest increased with EUR 2,159 million, mainly due to the impact of the IPO of NN Group of EUR 5,397 million, the issuance of Undated subordinated notes by NN Group of EUR 986 million (net of transaction costs) as well as an increase in the Other comprehensive income of NN Group attributable to minority interest of EUR 1,089 million since the IPO. These increases were partially offset by the deconsolidation of Voya of EUR -5,100 million and the deconsolidation of ING Vysya of EUR -451 million. Reference is made to Note 54 'Other events'.

Ordinary shares - Restrictions with respect to dividend and repayment of capital

The following equity components cannot be freely distributed: Revaluation reserves, Share of associates and joint ventures reserve (included in Other reserves), Currency translation reserve and the part of the Other reserves that relate to the former Stichting Regio Bank and the former Stichting Vakbondsspaarbank SPN.

As at 31 December 2015, an amount of EUR 1,201 million (2014: EUR 1,070 million; 2013: EUR 987 million) related to the former Stichting Regio Bank and the former Stichting Vakbondsspaarbank SPN is included.

ING Groep N.V. is subject to legal restrictions regarding the amount of dividends it can pay to the holders of its ordinary shares. Pursuant to the Dutch Civil Code, dividends can only be paid up to an amount equal to the excess of the company's own funds over the sum of the paid-up capital, and reserves required by law.

Moreover, ING Groep N.V.'s ability to pay dividends is dependent on the dividend payment ability of its subsidiaries, associates and joint ventures. ING Groep N.V. is legally required to create a non-distributable reserve insofar profits of its subsidiaries, associates and joint ventures are subject to dividend payment restrictions which apply to those subsidiaries, associates and joint ventures themselves. Such restrictions may among others be of a similar nature as the restrictions which apply to ING Groep N.V.

Legally distributable reserves, determined in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code, from ING Group's subsidiaries, associates and joint ventures are as follows:

Legally distributable reserves

2015	ING Bank	NN Group	Other	Total
Equity invested	40,857		160	41,017
Non-distributable reserves	6,824			6,824
Legally distributable reserves	**34,033**	**-**	**160**	**34,193**

Legally distributable reserves				
2014	ING Bank	NN Group	Other	Total
Equity invested	38,064	13,549	122	51,735
Non-distributable reserves	7,411	6,134		13,545
Legally distributable reserves	**30,653**	**7,415**	**122**	**38,190**

Legally distributable reserves				
2013	ING Bank	NN Group	Other	Total
Equity invested	32,805	14,062	5,628	52,495
Non-distributable reserves	7,340	3,105	239	10,684
Legally distributable reserves	**25,465**	**10,957**	**5,389**	**41,811**

Furthermore there are restrictions to the ability of subsidiaries, associates and joint ventures to distribute reserves to ING Groep N.V. as a result of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate.

Minimum capital requirements for ING Group's subsidiaries, associates and joint ventures are as follows:

Minimum capital requirements – subsidiaries, associates and joint ventures				
2015	ING Bank	NN Group	Other	Total
Equity invested	40,857		160	41,017
Regulatory capital	51,052			
Required minimum regulatory capital	29,243			
	21,809	**–**	**–**	**–**

Minimum capital requirements – subsidiaries, associates and joint ventures				
2014	ING Bank	NN Group	Other	Total
Equity invested	38,064	13,549	122	51,735
Regulatory capital	46,015	14,173		
Required minimum regulatory capital	27,501	4,683		
	18,514	**9,490**	–	–

Equity invested represents the actual stake held by ING Group, which is 100% in ING Bank and 68% in NN Group, as per 31 December 2014.

Minimum capital requirements – subsidiaries, associates and joint ventures				
2013	ING Bank	NN Group	Other	Total
Equity invested	32,805	14,062	5,628	52,495
Regulatory capital	45,287	10,955	9,828	
Required minimum regulatory capital	26,913	4,385	3,761	
	18,374	**6,570**	**6,067**	–

Other in 2013 included Voya.

In addition to the legal and regulatory restrictions on distributing dividends from subsidiaries, associates and joint ventures to ING Groep N.V. there are various other considerations and limitations that are taken into account in determining the appropriate levels of equity in the Group's subsidiaries, associates and joint ventures. These considerations and limitations include, but are not restricted to, rating agency and regulatory views, which can change over time; it is not possible to disclose a reliable quantification of these limitations. Reference is also made to the 'Capital Management' section.

Without prejudice to the authority of the Executive Board to allocate profits to reserves and to the fact that the ordinary shares are the most junior securities issued by ING Groep N.V., no specific dividend payment restrictions with respect to ordinary shares exist.

Furthermore, ING Groep N.V. is subject to legal restrictions with respect to repayment of capital to holders of ordinary shares. Capital may be repaid to the holders of ordinary shares pursuant to an amendment of ING Groep N.V.'s Articles of Association whereby the ordinary shares are written down.

Pursuant to the Dutch Civil Code, capital may only be repaid if none of ING Groep N.V.'s creditors opposes such a repayment within two months following the announcement of a resolution to that effect.

Cumulative preference shares (not issued)

Pursuant to the Articles of Association of ING Groep N.V. the authorised cumulative preference share capital consists of 4.5 billion cumulative preference shares, of which none have been issued. The par value of these cumulative preference shares is EUR 0.24.

The cumulative preference shares rank before the ordinary shares in entitlement to dividend and to distributions upon liquidation of ING Groep N.V.

The dividend on the cumulative preference shares will be equal to a percentage, calculated on the amount compulsorily paid up or yet to be paid up. This percentage shall be equal to the average of the Euro OverNight Index Average (EONIA) as calculated by the European Central Bank during the financial year for which the distribution is made; this percentage being weighted on the basis of the number of days for which it applies, and increased by 2.5 percentage points.

If and to the extent that the profit available for distribution is not sufficient to pay the dividend referred to above in full, the shortfall will be made up from the reserves insofar as possible. If, and to the extent that, the dividend distribution cannot be made from the reserves, the profits earned in subsequent years shall first be used to make up the shortfall before any distribution may be made on shares of any other category.

ING Groep N.V.'s Articles of Association make provision for the cancellation of cumulative preference shares. Upon cancellation of cumulative preference shares and upon liquidation of ING Groep N.V., the amount paid up on the cumulative preference shares will be repaid together with the accrued dividend as well as any dividend shortfall in preceding years, insofar as this shortfall has not yet been made up.

Cumulative preference shares - Restrictions with respect to dividend and repayment of capital

ING Groep N.V. is subject to legal restrictions regarding the amount of dividends it can pay to the holders of its cumulative preference shares, when issued. Pursuant to the Dutch Civil Code, dividends can only be paid up to an amount equal to the excess of the company's own funds over the sum of the paid-up capital, and reserves required by law.

Moreover, ING Groep N.V.'s ability to pay dividends is dependent on the dividend payment ability of its subsidiaries. ING Groep N.V. is legally required to create a non-distributable reserve insofar profits of its subsidiaries are subject to dividend payment restrictions which apply to those subsidiaries themselves. Such restrictions may among others be of a similar nature as the restrictions which apply to ING Groep N.V. or may be the result of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, or other limitations which may exist in certain countries.

No specific dividend payment restrictions with respect to the cumulative preference shares exist.

Furthermore, ING Groep N.V. is subject to legal restrictions with respect to repayment of capital to holders of cumulative preference shares. Capital may be repaid to the holders of cumulative preference shares pursuant to (i) an amendment of ING Groep N.V.'s Articles of Association whereby the cumulative preference shares are written-down or (ii) a resolution to redeem and cancel the cumulative preference shares.

Pursuant to the Dutch Civil Code, capital may only be repaid if none of ING Groep N.V.'s creditors opposes such a repayment within two months following the announcement of a resolution to that effect.

Liabilities

14 Subordinated loans

Subordinated loans

				Principal notional amount in original currency				Balance sheet value	
Interest rate	Year of issue	First call date	Step-up		Total	Lent on to ING Bank	Lent on to NN Group[1]	2015	2014
6.500%	2015	16 April 2025	No	USD	1,250	1,250		1,139	
6.000%	2015	16 April 2020	No	USD	1,000	1,000		912	
4.000%	2014	Anchor investors		EUR	1,125			338	675
9.000%	2008	None		EUR	10			10	10
7.375%	2007	15 October 2012	No	USD	1,500	816	684[2]		1,232
6.375%	2007	15 June 2012	No	USD	1,045	1,045		960	860
5.140%	2006	17 March 2016	Yes	GBP	66	66		90	85
5.775%	2005	8 December 2015	Yes	USD	364	364			301
6.125%	2005	15 January 2011	No	USD	700	500	200[2]	635	574
4.176%	2005	8 June 2015	Yes	EUR	169		169		169
Variable	2004	30 June 2014	No	EUR	555	555		568	559
6.200%	2003	15 January 2009	No	USD	500	500		454	409
Variable	2003	30 June 2013	No	EUR	430	430		428	429
7.200%	2002	15 December 2007	No	USD	1,100	1,100		1,004	899
7.050%	2002	15 September 2007	No	USD	800	800		727	659
								7,265	**6,861**

1 NN Group is no longer consolidated by ING Group, with effect end of May 2015.
2 These USD loans to NN Group were converted into EUR loans from 30 September 2013.

Subordinated loans consist of perpetual subordinated bonds issued by ING Groep N.V. These bonds have been issued to raise Tier 1 capital for ING Bank N.V. and previously, until deconsolidation in May 2015, hybrid capital for NN Group (originally issued by ING Verzekeringen N.V.). Under IFRS-EU these bonds are classified as liabilities. They are considered capital for regulatory purposes.

In April 2015, ING Group issued USD 2.25 billion securities that qualify as Additional Tier 1 under CRR /CRD IV. The issuance was in the form of USD denominated Perpetual Additional Tier 1 Contingent Convertible Capital Securities and comprised two separate tranches: a USD 1 billion Perpetual Non-Callable 5 Year with coupon 6.0%; and a USD 1.25 billion Perpetual Non-Callable 10 Year with coupon 6.5%. The securities are subject to full conversion into ordinary shares of ING Group in the event that ING Group's phased-in CET1 ratio would fall below 7.0%.

In June 2015, EUR 169 million 4.176% Tier 1 securities were called. In July 2015, USD 1.5 billion 7.375% Perpetual Hybrid Capital Tier 1 Securities were called. In addition, ING Group redeemed the outstanding amount of USD 364 million of the 5.775% ING Fixed/Floating Tier 1 securities, on its first call date in December 2015.

Subordinated notes - Anchor investors

In 2014, EUR 1,125 million was received from three external investors (Asian-based investment firms RRJ Capital, Temasek and Sea Town Holdings International) in relation to the IPO of NN Group. This funding, which bears a 4% interest rate, was to be repaid in three tranches of NN Group shares. The number of shares in the repayment is variable, such that the fair value of the shares at repayment date equals the notional repayment amount, taking into account a discount in the range of 1.5% to 3% of the market price.

In July 2014, a first tranche of EUR 450 million of the mandatorily exchangeable subordinated notes was exchanged into NN Group shares.

In June 2015, a second tranche of EUR 337.5 million of the mandatorily exchangeable subordinated notes was exchanged into 13.6 million NN Group ordinary shares. The remaining tranche has been mandatorily exchanged in 2016. Reference is made to Note 20 'Other liabilities' and Note 54 'Other events'.

Subordinated loans provided by ING Groep N.V. to ING Bank N.V. and NN Group N.V.	2015	2014
ING Bank N.V.	6,769	5,287
NN Group N.V.[1]	148	823
	6,917	**6,110**

1 NN Group N.V. is no longer consolidated by ING Group, with effect end of May 2015.

15 Debt securities in issue

Debt securities in issue relate to debentures and other issued debt securities with either fixed interest rates or interest rates based on floating interest rate levels, such as certificates of deposit and accepted bills issued by ING Group, except for subordinated items. Debt securities in issue do not include debt securities presented as Financial liabilities at fair value through profit and loss. ING Group does not have debt securities that are issued on terms other than those available in the normal course of business. The maturities of the debt securities are as follows:

Debt securities in issue – maturities	2015	2014
Fixed rate debt securities		
Within 1 year	40,728	43,270
More than 1 year but less than 2 years	7,807	9,912
More than 2 years but less than 3 years	11,192	7,674
More than 3 years but less than 4 years	6,068	7,872
More than 4 years but less than 5 years	7,845	5,952
More than 5 years	20,415	23,270
Total fixed rate debt securities	**94,055**	**97,950**
Floating rate debt securities		
Within 1 year	10,483	10,329
More than 1 year but less than 2 years	6,056	7,168
More than 2 years but less than 3 years	1,958	3,220
More than 3 years but less than 4 years	2,827	380
More than 4 years but less than 5 years	476	1,793
More than 5 years	5,434	5,512
Total floating rate debt securities	**27,234**	**28,402**
Total debt securities	**121,289**	**126,352**

In 2015, the decrease in Debt securities in issue of EUR 5.1 billion is mainly attributable to a decrease in certificates of deposits of EUR 3.7 billion, a decrease of EUR 0.8 billion in covered bonds, a decrease of EUR 0.4 billion in commercial paper and a decrease of EUR 0.2 billion in savings certificates due to reduced funding requirements.

As at 31 December 2015, ING Group has unused lines of credit available including the payment of commercial paper borrowings relating to debt securities in issue of EUR 14,646 million (2014: EUR 11,532 million).

16 Other borrowed funds

Other borrowed funds by remaining term							
2015	2016	2017	2018	2019	2020	Years after 2020	Total
Subordinated loans of group companies		117				8,549	8,666
Preference shares of group companies						480	480
	–	**117**	–	–	–	**9,029**	**9,146**

Other borrowed funds by remaining term

2014	2015	2016	2017	2018	2019	Years after 2019	Total
Subordinated loans of group companies	889	158	702			9,118	10,867
Preference shares of group companies						430	430
	889	**158**	**702**	**–**	**–**	**9,548**	**11,297**

In 2015, Other borrowed funds decreased by EUR 2,150 million mainly due to matured loans.

In 2014, the Tier 1 hybrid as mentioned in Note 14 'Subordinated loans' was replaced by the EUR 1.5 billion 3.625% CRD-IV eligible Tier 2 securities that were successfully issued by ING Bank in February 2014 and were recognised in Other borrowed funds.

Subordinated loans of group companies relates to capital debentures and private loans which are subordinated to all current and future liabilities of ING Bank N.V.

Preference shares of group companies comprise non-cumulative guaranteed Trust Preference Securities which are issued by wholly owned subsidiaries of ING Groep N.V. These preference shares are on-lent to ING Bank for regulatory reporting purposes. The securities have a liquidation preference of a certain amount plus any accrued interest and unpaid dividend. Dividends with regard to the preference securities are presented as an interest expense in the profit and loss account. The Trust Preference Securities have no voting rights.

17 Amounts due to banks

Amounts due to banks include non-subordinated debt due to banks, other than amounts in the form of debt securities.

Amounts due to banks by type

	Netherlands		International		Total	
	2015	2014	2015	2014	2015	2014
Non-interest bearing	1,304	205	1,063	692	2,367	897
Interest bearing	12,331	9,563	19,115	19,539	31,446	29,102
	13,635	**9,768**	**20,178**	**20,231**	**33,813**	**29,999**

In June 2015, ING increased its participation in the targeted longer-term refinancing operations ('TLTRO') with EUR 3 billion (2014: EUR 5.7 billion).

ING participates in the TLTRO of the European central bank. The TLTRO aims to stimulate lending to the real economy in the Eurozone. The interest rate on the TLTRO's is fixed over the life of each operation at 15 bps (i.e. MRO level prevailing at the time of allotment of 5 bps plus a fixed spread of 10 basis points). Starting 24 months after each TLTRO, ING has the option to repay any part of the amounts allotted in that TLTRO at a semi-annual frequency. Parties that utilised the TLTRO's, but whose eligible net lending in the period from 1 May 2014 to 30 April 2016 is below the benchmark, will be required to repay the TLTRO's in September 2016.

Reference is made to Note 45 'Transfer of financial assets' for information on securities lending as well as sale and repurchase transactions.

18 Customer deposits and other funds on deposit

Customer deposits and other funds on deposit

	2015	2014
Savings accounts	305,941	295,532
Credit balances on customer accounts	153,253	140,707
Corporate deposits	40,244	46,203
Other	1,339	1,429
	500,777	**483,871**

Customer deposits and other funds on deposit by type

	Netherlands		International		Total	
	2015	2014	2015	2014	2015	2014
Non-interest bearing	12,360	13,059	13,367	10,418	25,727	23,477
Interest bearing	147,486	144,295	327,564	316,099	475,050	460,394
	159,846	**157,354**	**340,931**	**326,517**	**500,777**	**483,871**

Savings accounts relate to the balances on savings accounts, savings books, savings deposits and time deposits of personal customers. The interest payable on savings accounts, which is contractually added to the accounts, is also included.

No funds have been entrusted to the Group by customers on terms other than those prevailing in the normal course of business.

Reference is made to Note 45 'Transfer of financial assets' for information on securities lending as well as sale and repurchase transactions.

19 Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss

	2015	2014
Trading liabilities	88,807	97,091
Non-trading derivatives	4,257	6,040
Designated as at fair value through profit and loss	12,616	13,551
	105,680	**116,682**

Trading liabilities

Trading liabilities by type

	2015	2014
Equity securities	3,773	4,658
Debt securities	5,342	6,661
Funds on deposit	38,789	37,753
Derivatives	40,903	48,019
	88,807	**97,091**

The decrease in the trading derivatives is mainly due to expiring contracts and changes in fair value resulting from market interest rates and exchange rates. The decrease is substantially mitigated by a similar decrease in Trading derivative assets. Reference is made to Note 4 'Financial assets at fair value through profit and loss' for information on trading assets.

Reference is made to Note 45 'Transfer of financial assets' for information on securities lending as well as sale and repurchase transactions.

Non-trading derivatives

Non-trading derivatives by type

	2015	2014
Derivatives used in:		
– fair value hedges	2,411	3,210
– cash flow hedges	1,167	1,663
– hedges of net investments in foreign operations	52	100
Other non-trading derivatives	627	1,067
	4,257	**6,040**

Other non-trading derivatives mainly includes interest rate swaps for which no hedge accounting is applied.

Designated as at fair value through profit and loss

Designated as at fair value through profit and loss by type	2015	2014
Debt securities	11,623	12,417
Funds entrusted	407	409
Subordinated liabilities	586	725
	12,616	**13,551**

In 2015, the change in the fair value of financial liabilities designated as at fair value through profit and loss attributable to changes in credit risk is EUR 163 million (2014: EUR –98 million) and EUR –119 million (2014: EUR –282 million) on a cumulative basis. This change has been determined as the amount of change in fair value of the financial liability that is not attributable to changes in market conditions that gave rise to market risk (i.e. mainly interest rate risk based on yield curves).

The amount that ING Group is contractually required to pay at maturity to the holders of financial liabilities designated as at fair value through profit and loss is EUR 12,220 million (2014: EUR 12,568 million).

20 Other liabilities

Other liabilities by type	2015	2014
Deferred tax liabilities	643	860
Income tax payable	590	450
Net defined benefit liability	498	676
Other post-employment benefits	98	101
Other staff-related liabilities	349	408
Other taxation and social security contributions	565	584
Accrued interest	5,156	5,742
Costs payable	1,874	1,645
Reorganisation provisions	670	728
Other provisions	294	289
Share-based payment plan liabilities	26	26
Amounts to be settled	2,390	2,475
Other[1]	2,176	2,262
	15,329	**16,246**

1 Other liabilities – Other, as at 31 December 2014, is adjusted as a result of the change in the accounting approach for the NN Group Anchor investment transaction (page 116).

Disclosures in respect of deferred tax liabilities are provided in Note 39 'Taxation' and Net defined benefit liabilities are provided in Note 38 'Pension and other post-employment benefits'.

Other staff-related liabilities includes vacation leave provisions, variable compensation provisions, jubilee provisions and disability/illness provisions.

Reorganisation provisions

Changes in reorganisation provisions

	2015	2014
Opening balance	728	575
Additions	180	487
Releases	-15	-18
Utilised	-226	-212
Exchange rate differences	5	5
Changes in the composition of the group and other changes	-2	-109
Closing balance	**670**	**728**

In 2015, Additions to reorganisation provisions is mainly attributable to existing reorganisation initiatives in Retail Netherlands and Belgium.

In 2014, the increase in Reorganisation provisions mainly included a reorganisation provision of EUR 349 million which was recognised in the segment Retail Netherlands related to an expected reduction of the workforce of around 1,700 FTE's over a three year period. In addition, ING will reduce the number of positions employed by external suppliers by 1,075.

These initiatives are implemented over a period of several years and the estimate of the reorganisation provisions is inherently uncertain. The provision at balance sheet date represents the best estimate of the expected redundancy costs and are expected to be sufficient to cover these costs.

In 2014, Changes in the composition of the group and other changes included EUR -101 million as a result of the classification of NN Group as held for sale. Reference is made to Note 54 'Other events'.

Other provisions

Changes in other provisions

	Litigation		Other		Total	
	2015	2014	2015	2014	2015	2014
Opening balance	190	178	99	207	289	385
Additions	105	30	14	5	119	35
Releases	-81	-16	-27	-51	-108	-67
Utilised	-17	-11	-2	-13	-19	-24
Exchange rate differences	-2	1	-1	1	-3	2
Changes in the composition of the group and other changes	-8	8	24	-50	16	-42
Closing balance	**187**	**190**	**107**	**99**	**294**	**289**

In general, Other provisions are of a short-term nature. The amounts included in other provisions are based on best estimates with regard to amounts and timing of cash flows required to settle the obligation.

In 2015, included in Other provisions - Litigation, is a provision related to floating interest rate derivatives that were sold in the Netherlands. Reference is made to Note 29 'Other operating expenses' and Note 48 'Legal proceedings'.

Other

In 2015, ING Group changed its accounting approach in relation to the NN Group Anchor investment transaction which resulted in an adjustment of EUR 920 million to Other liabilities – Other, as at 31 December 2014 from EUR 3,182 million to EUR 2,262 million. The adjustment comprised the reversal of the provision previously recognised for expected losses on settlement of the two remaining tranches of mandatorily exchangeable notes into NN Group shares. Reference is made to Note 1 'Accounting policies' - Change in accounting approach NN Group Anchor investment transaction, Note 13 'Equity' and Note 54 'Other events'.

Other liabilities – Other relates mainly to year-end accruals in the normal course of business.

Notes to the Consolidated profit and loss account

21 Interest result banking operations

Interest result banking operations	2015	2014	2013
Interest income on loans	19,185	20,131	21,519
Interest income on impaired loans	42	56	66
Negative interest on liabilities	64	6	
Total interest income on loans	**19,291**	**20,193**	**21,585**
Interest income on available-for-sale securities	1,785	2,008	2,070
Interest income on held-to-maturity securities	101	83	158
Interest income on trading portfolio	17,807	18,327	19,882
Interest income on non-trading derivatives (no hedge accounting)	788	1,520	1,175
Interest income on non-trading derivatives (hedge accounting)	6,394	5,977	6,675
Other interest income	155	61	-151
Interest income banking operations	**46,321**	**48,169**	**51,394**
Interest expense on deposits by banks	302	338	440
Interest expense on customer deposits and other funds on deposit	4,177	5,361	6,618
Interest expense on debt securities	2,535	2,503	3,197
Interest expense on subordinated loans	901	1,185	1,347
Interest expense on trading liabilities	17,612	17,710	19,369
Interest expense on non-trading derivatives (no hedge accounting)	652	1,255	1,205
Interest expense on non-trading derivatives (hedge accounting)	7,181	7,123	7,873
Other interest expense	360	390	-356
Negative interest on assets	40		
Interest expense banking operations	**33,760**	**35,865**	**39,693**
Interest result banking operations	**12,561**	**12,304**	**11,701**

Interest margin			
in percentages	2015	2014	2013
Interest margin	1.45	1.50	1.41

In 2015, the increase in total average assets (excluding Assets held for sale), partly attributable to an increase is customer lending, lead to an increase of EUR 618 million in the interest result. In addition, a decline of the interest margin of 5 basis points led to a EUR 361 million decrease in the interest result.

In 2015, total interest income and total interest expense for items not valued at fair value through profit and loss amounts to EUR 27,628 million and EUR 15,167 million respectively (2014: EUR 28,270 million and EUR 16,569 million; 2013: EUR 30,268 million and EUR 18,810 million).

As of 2015, ING presents interest resulting from a negative effective interest rate on a financial asset as interest expense, rather than a decrease against interest income. Similarly, negative interest in relation to a financial liability is presented as interest income. Negative interest on financial assets and liabilities are not material to ING Group. Comparative amounts are adjusted accordingly.

In 2014, the decrease in total average assets, partly attributable to the deconsolidation of ING Vysya and the additional transfers of assets of WestlandUtrecht Bank to NN Group, led to a decrease of EUR 152 million in the interest result. In addition, an improvement of the interest margin of 9 basis points led to a EUR 755 million increase in the interest result.

In 2013, the decrease in total average assets, partly attributable to the disposal of ING Direct Canada and ING Direct UK, and the sale and transfer of assets of WestlandUtrecht Bank to NN Group, led to a decrease of EUR 1,070 million in the interest result. In addition, an improvement of the interest margin of 11 basis points led to a EUR 888 million increase in the interest result.

22 Investment income

Investment income	2015	2014	2013
Income from real estate investments	4	6	23
Dividend income	63	36	94
	67	**42**	**117**
Realised gains/losses on disposal of debt securities	123	142	129
Impairments of available-for-sale debt securities	-17		-1
Reversal of impairments of available-for-sale debt securities		1	2
Realised gains/losses and impairments of debt securities	**106**	**143**	**130**
Realised gains/losses on disposal of equity securities	67	62	120
Impairments of available-for-sale equity securities	-117	-14	-3
Realised gains/losses and impairments of equity securities	**-50**	**48**	**117**
Interest on non-trading derivatives			-13
Change in fair value of real estate investments		3	
Investment income	**123**	**236**	**351**

Impairments and reversals of impairments on investments are presented within Investment income, which is part of Total income.

In 2015, investment income includes impairments of EUR -134 million, of which EUR -129 million related to segment Wholesale Banking (2014: EUR -14 million; 2013: EUR -3 million), EUR -5 million to Retail Belgium (2014 and 2013: nil) and nil to Corporate Line Banking (2014: nil; 2013: EUR -1 million). In 2015, Reversals of impairments comprise nil (2014: EUR 1 million; 2013: EUR 2 million). The Reversal of impairments in 2014 and 2013 related to Wholesale Banking.

In 2014, Realised gains/losses on disposal of equity securities included EUR 29 million related to Legacy insurance and was mainly attributable to the divestment of the remaining stake of 10.3% in SulAmérica S.A. Reference is made to Note 5 'Investments'.

23 Result on disposal of group companies

Result on disposal of group companies	2015	2014	2013
Baring Private Equity Partners	7		
ING Lease UK	-5		
ING Vysya		202	
ING Direct USA			5
ING Direct Canada			1
ING Direct UK			10
Other		-7	11
	2	**195**	**27**

In 2015, the Result on disposal of group companies includes EUR 7 million realised deferred profits on divestments in prior periods related to Baring Private Equity Partners and a release of goodwill related to the disposal of the remaining portfolios of ING Lease (UK). Reference is made to Note 10 'Intangible assets'.

In 2015, the result on further divestments of NN Group and the final divestment of Voya (2014: partial divestment of NN Group and the disposal of Voya; 2013: Insurance and investment management business in Hong Kong, Macau and Thailand and ING Life Korea) is not included above but included in Net result from disposal of discontinued operations. Reference is made to Note 30 'Discontinued operations' and Note 49 'Companies and businesses acquired and divested'.

In 2014, Result on disposal of group companies included EUR 202 million profit on the deconsolidation of ING Vysya. Reference is made to Note 54 'Other events'.

24 Commission income

Gross fee and commission income	2015	2014	2013
Funds transfer	1,014	1,006	982
Securities business	570	538	529
Insurance broking	185	172	152
Asset management fees	74	158	113
Brokerage and advisory fees	436	370	334
Other	1,132	1,053	1,193
	3,411	**3,297**	**3,303**

Other includes commission fees of EUR 171 million (2014: EUR 163 million; 2013: EUR 215 million) in respect of bank guarantees and commission fees of EUR 30 million (2014: EUR 23 million; 2013: EUR 27 million) in respect of underwriting syndication loans.

Fee and commission expenses	2015	2014	2013
Funds transfer	385	355	365
Securities business	158	151	111
Insurance broking	18	14	
Asset management fees	2	-10	28
Brokerage and advisory fees	140	87	81
Other	390	407	514
	1,093	**1,004**	**1,099**

25 Valuation results on non-trading derivatives

Valuation results on non-trading derivatives includes the fair value movements on derivatives (used for both hedge accounting and economically hedging exposures) as well as the changes in the fair value of assets and liabilities included in hedging relationships as hedged items. In addition, Valuation results on non-trading derivatives includes the results on assets and liabilities designated as at fair value through profit and loss.

Valuation results on non-trading derivatives	2015	2014	2013
Change in fair value of derivatives relating to			
- fair value hedges	1,243	-486	871
- cash flow hedges (ineffective portion)	31	35	4
- other non-trading derivatives	-332	203	345
Net result on non-trading derivatives	**942**	**-248**	**1,220**
Change in fair value of assets and liabilities (hedged items)	-1,229	536	-963
Valuation results on assets and liabilities designated as at fair value through profit and loss (excluding trading)	372	-583	-53
Net valuation results	**85**	**-295**	**204**

Included in the Valuation results on non-trading derivatives are the fair value movements on derivatives used to economically hedge exposures, but for which no hedge accounting is applied. The fair value movements on the derivatives are influenced by changes in the market conditions, such as stock prices, interest rates and currency exchange rates.

Valuation results on non-trading derivatives are reflected in the Consolidated statement of cash flows in the line 'Result before tax - Adjusted for: other'.

The Valuation results on assets and liabilities designated as at fair value through profit and loss includes fair value changes on certain issued debt securities. Valuation results on assets and liabilities designated as at fair value through profit and loss were mainly due to changes in the fair value of financial liabilities driven by changes in market conditions and changes in own credit risk as disclosed in Note 19 'Financial liabilities at fair value through profit and loss'. Market conditions include in particular credit spread developments.

In 2015, Valuation results on assets and liabilities designated as at fair value through profit and loss (excluding trading) includes fair value adjustments on own issued notes amounting to EUR 404 million (2014: EUR –632 million; 2013: EUR –136 million), of which DVA adjustment on own issued notes in 2015 amounted to EUR 163 million (2014: EUR –98 million; 2013: EUR –129 million).

In 2015, Valuation results on non-trading derivatives includes EUR –63 million related to warrants on the shares of Voya and NN Group (2014: EUR 98 million on Voya; 2013: nil). Reference is made to Note 4 'Financial assets at fair value through profit and loss' and Note 54 'Other events'.

26 Net trading income

Net trading income

	2015	2014	2013
Securities trading results	1,352	673	129
Derivatives trading results	600	386	411
Foreign exchange transactions results	–820	–452	–138
Other	66	–15	81
	1,198	**592**	**483**

Securities trading results includes the results of market making in instruments such as government securities, equity securities, corporate debt securities, money-market instruments, and interest rate derivatives such as swaps, options, futures and forward contracts. Foreign exchange transactions results includes gains and losses from spot and forward contracts, options, futures, and translated foreign currency assets and liabilities.

The portion of trading gains and losses relating to trading securities still held as at 31 December 2015 amounts to EUR 147 million (2014: EUR –18 million; 2013: EUR –105 million).

Net trading income relates to trading assets and trading liabilities which include assets and liabilities that are classified under IFRS-EU as 'Trading' but are closely related to servicing the needs of the clients of ING. ING offers institutional and corporate clients and governments products that are traded on the financial markets. A significant part of the derivatives in the trading portfolio are related to servicing corporate clients in their risk management to hedge for example currency or interest rate exposures. In addition, ING provides its customers access to equity and debt markets for issuing their own equity or debt securities ('securities underwriting'). Although these are presented as 'Trading' under IFRS-EU, these are directly related to services to ING's customers. Loans and receivables in the trading portfolio mainly relate to (reverse) repurchase agreements, which are comparable to collateralised borrowing (lending). These products are used by ING as part of its own regular treasury activities, but also relate to the role that ING plays as intermediary between different professional customers. Trading assets and liabilities held for ING's own risk are very limited. From a risk perspective, the gross amount of trading assets must be considered together with the gross amount of trading liabilities, which are presented separately on the balance sheet. However, IFRS-EU does not allow netting of these positions in the balance sheet. Reference is made to Note 4 'Financial assets at fair value through profit and loss' and Note 19 'Financial liabilities at fair value through profit and loss' for information on trading liabilities.

The majority of the risks involved in security and currency trading is economically hedged with derivatives. The securities trading results are partly offset by results on these derivatives. The result of these derivatives is included in Derivatives trading results.

ING Group's trading books are managed based on internal limits and comprise a mix of products with results which could be offset. The results are presented in various lines within the profit and loss account. Reference is made to Note 21 'Interest result banking operations' and Note 25 'Valuation results on non-trading derivatives'.

In 2015, Net trading income - Derivatives trading results includes EUR 98 million CVA/DVA adjustments on trading derivatives, compared with EUR –205 million CVA/DVA adjustment in 2014 (2013: EUR 243 million).

27 Other income

Other income	2015	2014	2013
Net operating lease income	2	5	1
Income from real estate development projects	8		32
Other	56	92	137
	66	**97**	**170**

Net operating lease income comprises income of EUR 19 million (2014: EUR 23 million; 2013: EUR 18 million) and depreciation of EUR 17 million (2014: EUR 18 million; 2013: EUR 17 million).

In 2015, Other income – Other is mainly impacted by positive results on the sale of loans and property, partly offset by non-recurring charges related to increased prepayments and renegotiations of mortgages.

In 2013, Other income - Other included EUR 100 million result (before tax) on the unwinding of the Illiquid Assets Back-up Facility. Reference is made to Note 53 'Transactions with the Dutch State and the European Commission Restructuring plan'.

28 Staff expenses

Staff expenses	2015	2014	2013
Salaries	3,221	3,149	3,247
Pension costs and other staff-related benefit costs	275	1,218	231
Social security costs	514	514	512
Share-based compensation arrangements	76	60	67
External employees	634	623	636
Education	68	57	60
Other staff costs	184	167	167
	4,972	**5,788**	**4,920**

In 2015, there is a new collective labour agreement in the Netherlands resulting in reduced rights to future benefits. The impact of this is included in Pension and other staff-related benefits costs.

In 2014, a charge of EUR 871 million was recognised in Pensions costs related to the Dutch defined benefit plan settlement. Reference is made to Note 38 'Pension and other post-employment benefits' for information on pensions.

In 2013, the Dutch Government imposed an additional tax charge of 16% on the income in excess of EUR 150,000 of each employee who is subject to Dutch income tax. The tax was charged to the company and did not affect the remuneration of involved staff. The tax imposed on ING for relevant employees amounts to nil in 2015 (2014: nil; 2013: EUR 15.7 million), which is included in the table above.

Number of employees

	Netherlands			International			Total		
	2015[1]	2014	2013	2015[1]	2014	2013	2015[1]	2014	2013
Continuing operations - average number of employees at full time equivalent basis	14,586	15,209	16,155	38,134	40,736	48,218	52,720	55,945	64,373
Discontinued operations - average number of employees at full time equivalent basis	2,652	6,851	7,202	2,181	5,635	12,309	4,833	12,486	19,511
Total average number of employees at full time equivalent basis	**17,238**	**22,060**	**23,357**	**40,315**	**46,371**	**60,527**	**57,553**	**68,431**	**83,884**

1 The average number of employees comprises, on an average basis, employees of the discontinued operations of NN Group. NN Group is deconsolidated from ING Group at the end of May 2015. Staff expenses, for the five months ended May 2015 is included in the Consolidated profit and loss account of ING Group in the line item Net result from discontinued operations. Reference is made to Note 30 'Discontinued operations'.

Share-based compensation arrangements include EUR 63 million (2014: EUR 57 million; 2013: EUR 61 million) relating to equity-settled share-based payment arrangements and EUR 13 million (2014: EUR 3 million; 2013: EUR 17 million) relating to cash-settled share-based payment arrangements.

Remuneration of senior management, Executive Board and Supervisory Board

Reference is made to Note 52 'Related parties'.

Stock option and share plans

ING Groep N.V. has granted option rights on ING Groep N.V. shares and conditional rights on depositary receipts (share awards) for ING shares to a number of senior executives (members of the Executive Board, general managers and other officers nominated by the Executive Board), and to a considerable number of employees of ING Group. The purpose of the option and share schemes, apart from promoting a lasting growth of ING Group, is to attract, retain and motivate senior executives and staff.

ING grants three types of share awards, deferred shares, performance shares and upfront shares. The entitlement to the share awards is granted conditionally. If the participant remains in employment for an uninterrupted period between the grant date and the vesting date, the entitlement becomes unconditional. In addition to the employment condition, the performance shares contain a performance condition. The number of ING depositary receipts that would ultimately be granted at the end of a performance period is dependent on ING's performance over that period. Upfront and deferred shares, with retention periods as soon as it becomes unconditional, were awarded to the Management Board members of ING Bank and NN Group (in periods prior to 2015), as well as Identified staff. ING has the authority to apply a hold back to awarded but unvested shares and a claw-back to vested shares.

The information presented below on stock options and share plans on ING Groep N.V. shares includes personnel employed by entities that are presented as continuing operations as well as held for sale and discontinued operations.

In 2015, 0 share awards (2014: nil; 2013: nil) were granted to the members of the Executive Board of ING Groep N.V., 106,013 share awards (2014: 206,650 including NN Group; 2013: 553,600 including NN Group) were granted to the Management Boards of ING Bank. To senior management and other employees 6,088,240 share awards (2014: 6,814,308 including NN Group; 2013: 10,403,613 including NN Group) were granted. In 2014, all outstanding ING Groep N.V. share awards held by the Management Board, senior management and other employees of NN Group N.V. were converted into awards on NN Group N.V. shares. The conversion was performed at an exchange factor such that the fair value of the outstanding awards was unchanged. The outstanding option awards on ING Groep N.V. shares which are fully vested, remained unchanged. As of 2014, new awards to the Management Board, senior management and other employees of NN Group are all based on NN Group N.V. shares. In 2013, members of the Management Board, senior management and other employees of Voya received Voya shares instead of the share awards of ING Groep N.V. they received previously.

Every year, the ING Group Executive Board decides whether the option and share schemes are to be continued and, if so, to what extent. In 2010, the Group Executive Board decided not to continue the option scheme as from 2011. The existing option schemes up and until 2010 will be run off in the coming years.

The option rights are valid for a period of five or ten years. Option rights that are not exercised within this period lapse. Option rights granted will remain valid until the expiry date, even if the option scheme is discontinued. The option rights are subject to certain conditions, including a pre-determined continuous period of service. The exercise prices of the options are the same as the quoted prices of ING Groep N.V. shares at the date on which the options are granted.

As at 31 December 2015, ING Group holds no own shares (2014: nil; 2013: nil) in order to fulfil its obligations with regard to the existing stock option plan.

The obligations with regard to the existing stock option plan and the share plans will be funded either by cash or by newly issued shares at the discretion of ING Group.

Changes in option rights outstanding

	Options outstanding (in numbers)			Weighted average exercise price (in euros)		
	2015	2014	2013	2015	2014	2013
Opening balance	52,559,607	68,292,442	85,193,177	16.95	16.02	14.77
Exercised	-3,251,420	-4,796,012	-5,776,911	5.97	5.97	4.53
Forfeited	-410,847	-610,095	-1,179,734	18.05	15.91	12.78
Expired	-11,586,209	-10,326,728	-9,944,090	18.13	16.35	12.34
Closing balance	**37,311,131**	**52,559,607**	**68,292,442**	17.54	16.95	16.02

As per 31 December 2015 total options outstanding consists of 27,657,794 options (2014: 41,685,852; 2013: 55,321,834) relating to equity-settled share-based payment arrangements and 9,653,337 options (2014: 10,873,755; 2013: 12,970,608) relating to cash-settled share-based payment arrangements.

The weighted average share price at the date of exercise for options exercised during 2015 is EUR 13.62 (2014: 10.60; 2013: EUR 8.24).

Changes in option rights non-vested

	Options non-vested (in numbers)			Weighted average grant date fair value (in euros)		
	2015	2014	2013	2015	2014	2013
Opening balance			15,716,032			3.26
Vested			-15,243,423			3.27
Forfeited			-472,609			3.23
Closing balance	–	–	**0**	–	–	0.00

Summary of stock options outstanding and exercisable

2015 Range of exercise price in euros	Options outstanding as at 31 December 2015	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at 31 December 2015	Weighted average remaining contractual life	Weighted average exercise price
0.00 – 5.00	3,817,765	3.22	2.89	3,817,765	3.22	2.89
5.00 – 10.00	6,213,999	4.21	7.37	6,213,999	4.21	7.37
10.00 – 15.00	139,841	2.72	14.35	139,841	2.72	14.35
15.00 – 20.00	10,061,265	2.21	16.87	10,061,265	2.21	16.87
20.00 – 25.00	7,608,639	1.24	24.62	7,608,639	1.24	24.62
25.00 – 30.00	9,469,622	0.30	25.17	9,469,622	0.30	25.17
	37,311,131			**37,311,131**		

Summary of stock options outstanding and exercisable

2014 Range of exercise price in euros	Options outstanding as at 31 December 2014	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at 31 December 2014	Weighted average remaining contractual life	Weighted average exercise price
0.00 – 5.00	4,893,647	3.76	2.88	4,893,647	3.76	2.88
5.00 – 10.00	8,527,415	5.21	7.38	8,527,415	5.21	7.38
10.00 – 15.00	145,974	3.71	14.35	145,974	3.71	14.35
15.00 – 20.00	21,003,814	1.54	17.33	21,003,814	1.54	17.33
20.00 – 25.00	8,117,391	1.79	24.57	8,117,391	1.79	24.57
25.00 – 30.00	9,871,366	1.29	25.18	9,871,366	1.29	25.18
	52,559,607			**52,559,607**		

Summary of stock options outstanding and exercisable

2013 Range of exercise price in euros	Options outstanding as at 31 December 2013	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at 31 December 2013	Weighted average remaining contractual life	Weighted average exercise price
0.00 – 5.00	6,646,603	4.63	2.88	6,646,603	4.63	2.88
5.00 – 10.00	12,487,960	6.21	7.37	12,487,960	6.21	7.37
10.00 – 15.00	6,249,261	0.33	14.33	6,249,261	0.33	14.33
15.00 – 20.00	23,127,059	2.56	17.31	23,127,059	2.56	17.31
20.00 – 25.00	9,010,163	2.80	24.57	9,010,163	2.80	24.57
25.00 – 30.00	10,771,396	2.29	25.18	10,771,396	2.29	25.18
	68,292,442			**68,292,442**		

As at 31 December 2015, the aggregate intrinsic values of options outstanding and exercisable are EUR 68 million (2014: EUR 68 million; 2013: EUR 82 million) and EUR 68 million (2014: EUR 68 million; 2013: EUR 82 million), respectively.

As at 31 December 2015, total unrecognised compensation costs related to stock options amounted to nil (2014: nil; 2013: nil). Cash received from stock option exercises for the year ended 31 December 2015 is EUR 16 million (2014: EUR 24 million; 2013: EUR 22 million).

The fair value of options granted is recognised as an expense under staff expenses and is allocated over the vesting period of the options. The fair values of the option awards have been determined using a European Black Scholes formula. This model takes the risk free interest rate into account (2.0% to 4.6%), as well as the lifetime of the options granted (5 to 9 years), the exercise price, the current share price (EUR 2.90 – EUR 26.05), the expected volatility of the certificates of ING Groep N.V. shares (25% – 84%) and the expected dividend yield (0.94% to 8.99%). The source for implied volatilities used for the valuation of the stock options is ING's trading system. The implied volatilities in this system are determined by ING's traders and are based on market data implied volatilities not on historical volatilities.

Changes in share awards

	Share awards (in numbers)			Weighted average grant date fair value (in euros)		
	2015	2014	2013	2015	2014	2013
Opening balance	12,706,264	25,059,992	49,416,632	7.37	7.23	7.78
Granted	6,194,253	7,020,958	10,957,213	13.00	9.78	5.80
Performance effect	453,699	1,003,576	788,196	6.40	6.02	10.25
Vested	–10,374,131	–19,444,374	–33,757,098	8.38	8.01	7.61
Forfeited	–243,071	–933,888	–2,344,951	8.91	6.83	7.80
Closing balance	**8,737,014**	**12,706,264**	**25,059,992**	10.04	7.37	7.23

In July 2014, 2,8 million share awards of ING Group were converted in NN Group share awards, these are presented in the line Vested.

As at 31 December 2015 the share awards consists of 7,485,634 share awards (2014: 11,282,373; 2013: 21,993,875) relating to equity-settled share-based payment arrangements and 1,251,380 share awards (2014: 1,423,891; 2013: 3,066,117) relating to cash-settled share-based payment arrangements.

The fair value of share awards granted is recognised as an expense under staff expenses and is allocated over the vesting period of the share awards. As of 2015, ING Group no longer has share awards containing a market based performance condition. Previously, the fair values of share awards containing a market based performance condition have been determined using a Monte Carlo simulation based valuation model. The model takes into account the risk free interest rate, the current stock prices, expected volatilities and current dividend yields of the performance peer group used to determine ING's Total Shareholder Return (TSR) ranking.

As at 31 December 2015 total unrecognised compensation costs related to share awards amount to EUR 45 million (2014: EUR 36 million; 2013: EUR 53 million). These costs are expected to be recognised over a weighted average period of 1.4 years (2014: 1.3 years; 2013: 1.5 years).

29 Other operating expenses

Other operating expenses

	2015	2014	2013
Depreciation of property and equipment	327	326	345
Amortisation of software	265	237	234
Computer costs	753	705	695
Office expenses	618	620	649
Travel and accommodation expenses	166	140	146
Advertising and public relations	418	405	404
External advisory fees	264	230	223
Postal charges	56	59	79
Regulatory costs	620	712	374
Addition/(releases) of provision for reorganisations and relocations	165	469	222
Intangible amortisation and (reversals of) impairments	33	88	136
Other	669	480	407
	4,354	**4,471**	**3,914**

As of 2015, the line 'Intangible amortisation and other impairments' is included in 'Other operating expenses' and no longer as a separate line item in the Consolidated profit and loss account. The comparative amounts were adjusted accordingly.

Other operating expenses include lease and sublease payments in respect of operating leases of EUR 281 million (2014: EUR 239 million; 2013: EUR 206 million) in which ING Group is the lessee. No individual operating lease has terms and conditions that significantly affect the amount, timing and certainty of the consolidated cash flows of the Group.

The External advisory fees include fees for audit services and non-audit services provided by the Group's auditors.

Fees of Group's auditors[1]

	2015	2014	2013
Audit fees	16	16	16
Audit related fees	1	1	1
Tax fees	1	1	2
Total	**18**	**18**	**19**

1 These amounts exclude Group's auditors fees for entities presented as held for sale and discontinued operations. Total Group's auditors fees for 2015, including charges related to NN Group until deconsolidation at the end of May 2015, amounted to EUR 24 million (2014: EUR 32 million; 2013: EUR 40 million).

Fees as disclosed above relate to the network of the Group's auditors and are the amounts related to the respective years, i.e. on an accrual basis.

Regulatory costs

As of 2015, the line Regulatory costs represents contributions to the Deposit Guarantee Schemes ('DGS') and the National Resolution Fund ('NRF') and local bank taxes mainly in the Netherlands, Germany, Belgium and Poland. Regulatory costs were previously included in Other operating expenses - Other. The comparative amounts were adjusted accordingly.

The nationalisation of SNS Reaal in 2013 had as a consequence, a one-time bank tax of EUR 1 billion to be paid by ING Bank and other Dutch banks. In accordance with the relevant legislation, the bank tax was charged in three equal instalments. For ING, this resulted in a charge of EUR 304 million in 2014. Also included in this line in 2014, was EUR 138 million (2013: EUR 149 million) related to the Dutch bank tax.

For Addition/(releases) of provision for reorganisations and relocations reference is made to the disclosure on the reorganisation provision in Note 20 'Other liabilities'.

Intangible amortisation and (reversals of) impairments

Intangible amortisation and (reversals of) impairments

	Impairment losses			Reversals of impairments			Total		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Property and equipment	17	43	29	–14	–5	–5	3	38	24
Property development	9	36	84			–6	9	36	78
Software and other intangible assets	15	1	7				15	1	7
(Reversals of) other impairments	**41**	**80**	**120**	**–14**	**–5**	**–11**	**27**	**75**	**109**
Amortisation of other intangible assets							6	13	27
							33	**88**	**136**

In 2015, EUR 17 million (2014: EUR 43 million) impairments are recognised on Property and equipment in segments Retail Netherlands and Retail Other and amounted to EUR 15 million and EUR 2 million respectively. The impairments are attributable to unfavourable market conditions.

In 2015, reversal of impairment on property in own use amounts to EUR –14 million (2014: EUR –5 million) and is recognised in Retail Netherlands.

In 2015, EUR 9 million (2014: EUR 36 million) impairments are recognised on Property development in the Wholesale Banking segment relating to real estate development projects and properties obtained from foreclosures, due to unfavourable market conditions.

Software and other intangible assets were impaired in 2015 for an amount of EUR 15 million. EUR 9 million is recognised in the segment Retail Belgium, EUR 3 million in the segment Retail Other and EUR 3 million in the segment Wholesale Banking. The impairment relates to internally developed software.

In 2013, EUR 78 million impairments are recognised on Property development (Wholesale Banking segment) relating to various real estate development projects (especially Europe and Australia). The unfavourable economic circumstances in these regions and projects resulted in lower expected sales prices.

Other

Included in Other operating expenses – Other in 2015, is a charge for a provision recognised in relation to floating interest rate derivatives that were sold in the Netherlands. Reference is made to Note 20 'Other liabilities' and Note 48 'Legal proceedings'.

30 Discontinued operations

Total net result from discontinued operations comprises the results from NN Group and Voya.

Total net result from discontinued operations	2015	2014	2013
NN Group	793	608	497
Voya		138	208
Net result from discontinued operations	**793**	**746**	**705**
NN Group	3	-470	-42
Net result from classification as discontinued operations	**3**	**-470**	**-42**
NN Group	-1,241	-26	17
Voya	323	-1,546	
Net result from disposal of discontinued operations[1]	**-918**	**-1,572**	**17**
NN Group	-445	112	472
Voya	323	-1,408	208
Total net result from discontinued operations	**-122**	**-1,296**	**680**

1 The tax effect on the result on disposal of discontinued operations in 2015 is nil (2014: EUR 114 million; 2013: nil).

Net result from discontinued operations

Net result from discontinued operations comprises the total net result (after tax) of the businesses classified as discontinued operations and is presented separately in the profit and loss account.

In May 2015, ING Group sold a further 45 million ordinary shares of NN Group. The transaction reduced the ownership of ING Group in NN Group to 42.43%, resulting in ING Group losing control over NN Group. The profit and loss of ING Group includes, in the line 'Net result from discontinued operations', the net result of NN Group until deconsolidation at the end of May 2015. Included in Net result from discontinued operations, is a dividend of EUR 59 million received from NN Group.

In March 2014, a further sale of Voya shares reduced ING Group's interest in Voya to 43.2%. This share sale resulted in loss of control and deconsolidation of Voya by ING Group. The profit and loss account of 2014 included the result of Voya until the deconsolidation at the end of March 2014.

Reference is made to Note 54 'Other events'.

Net result from discontinued operations is as follows:

Net result from discontinued operations	2015[1]	2014[2]	2013[2]
Total income	6,815	14,359	28,057
Total expenses	5,879	13,456	27,300
Result before tax from discontinued operations	**936**	**903**	**757**
Taxation	143	157	52
Net result from discontinued operations	**793**	**746**	**705**

1 NN Group.
2 NN Group and Voya.

Net result from classification as discontinued operations

In 2015, Net result from classification as discontinued operations comprises the impact on the profit and loss account of the change in non-current non-financial assets of NN Group presented as assets and liabilities held for sale, prior to deconsolidation at the end of May 2015.

In 2014, goodwill and certain other non-current non-financial assets of EUR 103 million and EUR 367 million respectively were written-off as the sale of NN Group was expected to be below the carrying value.

In 2013, Net result from classification as discontinued operations Asia included a goodwill write-off of EUR 42 million in IIM Taiwan.

Reference is made to Note 54 'Other events'.

Net result from disposal of discontinued operations

In 2015, Net result from disposal of discontinued operations includes mainly a profit of EUR 323 million on the sale of the last Voya shares in March 2015 to reduce ING Group's stake in Voya from 18.9% (at 31 December 2014) to zero, a loss of EUR 1,224 million as a result of the further sale and deconsolidation of NN Group at the end of May 2015 and a loss of EUR 15 million on the further divestments of ING Group's interest in NN Group in September 2015.

In 2014, Net result from disposal of discontinued operations mainly includes the total net divestment loss of EUR –1,546 million on the further sale of Voya.

In 2013, Net result from disposal of discontinued operations included mainly the tax exempt divestment gain on the sale of the Insurance businesses in Hong Kong, Macau and Thailand of EUR 945 million and the divestment loss of EUR 989 million on the sale of ING Life Korea.

Reference is made to Note 49 'Companies and businesses acquired and divested' and Note 54 'Other events'.

Net cash flows from discontinued operations

The net cash flow from discontinued operations was as follows:

Net cash flow from discontinued operations

	2015[1]	2014[2]	2013[2]
Operating cash flow	–1,409	–4,006	–7,906
Investing cash flow	2,619	1,295	11,110
Financing cash flow	526	3,834	–1,780
Net cash flow	**1,736**	**1,123**	**1,424**

1 NN Group.
2 NN Group and Voya.

Sales proceeds of 2015 are not included in the table above, but are included in the Consolidated statement of cash flows as follows:
- Sales proceeds of EUR 1,040 million from the sale of NN Group shares in February 2015 is included in 'Net cash flow from financing activities – Proceeds from partial divestment of NN Group';
- Sales proceeds of EUR 1,802 million from the divestment of Voya in March 2015 is included in 'Net cash flow from investing activities – Disposals and redemptions: available-for-sale investments';
- Sales proceeds of EUR 997 million from the sale of shares of NN Group resulting in loss of control at the end of May 2015 is included in 'Net cash flow from investing activities – Disposals and redemptions: Group companies'; and
- Sales proceeds of EUR 995 million from the further sale of NN Group shares on 30 September 2015 is included in 'Net cash flow from investing activities – Disposals and redemptions: investments in associates and joint ventures'.

The exchange of the second tranche of EUR 337.5 million mandatorily exchangeable subordinated notes from the Anchor investors into NN Group ordinary shares in June 2015 comprised a non-cash transaction.

Sales proceeds of 2014 were not included in the table above, but were included in the Consolidated statement of cash flows as follows:
- EUR 950 million from the sale of Voya shares which resulted in the loss of control in March 2014 was included in 'Net cash flow from investing activities – Disposals and redemptions: group companies';
- EUR 1,747 million related to the IPO of NN Group in July 2014 was included in 'Net cash flow from financing activities – Proceeds of IPO NN Group'; and
- EUR 1,940 million related to the decrease in ING's interest in the associate Voya in September 2014 and November 2014 was included in 'Net cash flow from investing activities – Disposals and redemptions: associates and joint ventures'.

In 2013, sales proceeds in cash of EUR 1.4 billion is presented in the consolidated statement of cash flows under 'Net cash flow from investment activities – Disposals and redemptions: group companies' and is not included in the table above.

Segments prior to classification as discontinued operations

NN Group

The activities of NN Group were previously included in the segments Netherlands Life, Netherlands Non-Life, Insurance Europe, Japan Life, Investment Management, Other and Japan Closed Block VA before they were classified as discontinued operations and held for sale in 2014. These segments ceased to exist, following the classification of NN Group as discontinued operations, as all activities previously included in these segments are now discontinued operations.

Voya

The activities of Voya were previously included in the segments Insurance United States (US), Investment Management US, Insurance US Closed Block VA and in the Corporate Line US before they were classified as discontinued operations and held for sale in 2013. These segments ceased to exist, following the classification of Voya as discontinued operations.

Reference is made to Note 54 'Other events'.

31 Earnings per ordinary share

Earnings per ordinary share

	Amount (in EUR million)			Weighted average number of ordinary shares outstanding during the period (in millions)			Per ordinary share (in EUR)		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Net result	4,010	1,251	3,545	3,864.8	3,849.7	3,825.0			
Attribution to non-voting equity securities		–750	–526						
Basic earnings	**4,010**	**501**	**3,019**	**3,864.8**	**3,849.7**	**3,825.0**	**1.04**	**0.13**	**0.79**
Effect of dilutive instruments:									
Stock option and share plans				5.5	6.3	8.5			
				5.5	**6.3**	**8.5**			
Diluted earnings	**4,010**	**501**	**3,019**	**3,870.3**	**3,856.0**	**3,833.5**	**1.03**	**0.13**	**0.79**

Attribution to non-voting equity securities

ING Group made the final repayment on the core Tier 1 non-voting equity securities to the Dutch State in 2014. Reference is made to Note 53 'Transactions with the Dutch State and the European Commission Restructuring Plan'.

Attribution to non-voting equity securities included premiums of EUR 750 million and EUR 375 million in 2014 and 2013 respectively, paid in relation to the repayment of non-voting equity securities of EUR 1,500 million in 2014 and EUR 750 million in 2013.

Until the repayment of the final tranche in November 2014, the attribution to non-voting equity securities also represented the amount that would be payable on the non-voting equity securities if and when the entire net result for the period would be distributed as dividend. This amount was only included for the purpose of determining earnings per share under IFRS-EU and did not represent a payment (neither actual nor proposed) to the holders of the non-voting equity securities.

Dilutive instruments

Diluted earnings per share is calculated as if the stock options and share plans outstanding at the end of the period had been exercised at the beginning of the period and assuming that the cash received from exercised stock options and share plans is used to buy own shares against the average market price during the period. The net increase in the number of shares resulting from exercising stock options and share plans is added to the average number of shares used for the calculation of diluted earnings per share.

The potential conversion of the non-voting equity securities had an anti-dilutive effect on the earnings per share calculation in 2015, 2014 and 2013 (the diluted earnings per share becoming higher or less negative than the basic earnings per share). Therefore, the potential conversion was not taken into account in the calculation of diluted earnings per share for these years.

Reference is made to Note 53 'Transactions with the Dutch State and the European Commission Restructuring Plan'.

Earnings per ordinary share from continuing operations

	Amount (in EUR million)			Weighted average number of ordinary shares outstanding during the period (in millions)			Per ordinary share (in EUR)		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Basic earnings	4,010	501	3,019	3,864.8	3,849.7	3,825.0			
Less: Total net result from discontinued operations	-456	-1,406	495						
Basic earnings from continuing operations	**4,466**	**1,907**	**2,524**	**3,864.8**	**3,849.7**	**3,825.0**	**1.16**	**0.50**	**0.66**
Effect of dilutive instruments:									
Stock option and share plans				5.5	6.3	8.5			
				5.5	**6.3**	**8.5**			
Diluted earnings from continuing operations	**4,466**	**1,907**	**2,524**	**3,870.3**	**3,856.0**	**3,833.5**	**1.15**	**0.49**	**0.66**

Earnings per ordinary share from discontinued operations

	Amount (in EUR million)			Weighted average number of ordinary shares outstanding during the period (in millions)			Per ordinary share (in EUR)		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Net result from discontinued operations	460	478	520						
Net result from classification as discontinued operations	2	-320	-42						
Net result from disposal of discontinued operations	-918	-1,564	17						
Total net result from discontinued operations	**-456**	**-1,406**	**495**	3,864.8	3,849.7	3,825.0			
Basic earnings from discontinued operations	**-456**	**-1,406**	**495**	**3,864.8**	**3,849.7**	**3,825.0**	**-0.12**	**-0.37**	**0.13**
Effect of dilutive instruments:									
Stock option and share plans				5.5	6.3	8.5			
				5.5	**6.3**	**8.5**			
Diluted earnings from discontinued operations	**-456**	**-1,406**	**495**	**3,870.3**	**3,856.0**	**3,833.5**	**-0.12**	**-0.36**	**0.13**

32 Dividend per ordinary share

Dividends to shareholders of the parent	Per ordinary share (in EUR)	Total (in EUR million)
Dividends on ordinary shares:		
In respect of 2014		
– Final dividend, paid in cash in May 2015	0.12	464
In respect of 2015		
– Interim dividend, paid in cash in August 2015	0.24	929
– Final dividend	0.41	1,586
Total dividend in respect of 2015	**0.65**	**2,515**

ING Groep N.V. is required to withhold tax of 15% on dividends paid.

No dividend was paid in 2014 and 2013.

Notes to the consolidated statement of cash flows

33 Net cash flow from investing activities

Information on the impact of companies acquired or disposed is presented in Note 49 'Companies and businesses acquired and divested'.

34 Interest and dividend included in net cash flow

Interest and dividend received and paid	2015	2014	2013
Interest received	46,884	51,301	53,069
Interest paid	-34,306	-38,001	-42,137
	12,578	**13,300**	**10,932**
Dividend received	116	61	108
Dividend paid	-1,393	-	-

Interest received, interest paid and dividends received are included in operating activities in the cash flow statement. Dividend paid is included in financing activities in the cash flow statement.

35 Cash and cash equivalents

Cash and cash equivalents	2015	2014	2013
Treasury bills and other eligible bills	363	677	574
Amounts due from/to banks	-1,442	-2,036	1,015
Cash and balances with central banks	21,458	12,233	13,316
Cash and cash equivalents classified as Assets held for sale		6,239	2,275
Cash and cash equivalents at end of year	**20,379**	**17,113**	**17,180**

Treasury bills and other eligible bills included in cash and cash equivalents	2015	2014	2013
Treasury bills and other eligible bills included in trading assets	228	457	489
Treasury bills and other eligible bills included in available-for-sale investments	135	220	85
	363	**677**	**574**

Amounts due to/from banks	2015	2014	2013
Included in cash and cash equivalents:			
– amounts due to banks	–10,312	–11,825	–11,451
– amounts due from banks	8,870	9,789	12,466
	–1,442	**–2,036**	**1,015**
Not included in cash and cash equivalents:			
– amounts due to banks	–23,501	–18,174	–15,749
– amounts due from banks	21,118	27,330	30,530
	–2,383	**9,156**	**14,781**
Total as included in balance sheet:			
– amounts due to banks	–33,813	–29,999	–27,200
– amounts due from banks	29,988	37,119	42,996
	–3,825	**7,120**	**15,796**

Cash and cash equivalents includes amounts due to/from banks with a term of less than three months from the date on which they were acquired.

Included in Cash and cash equivalents, are minimum mandatory reserve deposits to be held with various central banks. Reference is made to Note 44 'Assets not freely disposable' for restrictions on Cash and balances with central banks.

ING Group's risk management (including liquidity) is explained in the section 'Risk management – Funding and liquidity risk'.

Segment reporting

36 Segments

a. General

ING Group's segments are based on the internal reporting structures.

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

Specification of the main sources of income of each of the segments by line of business	
Segments of the Banking results by line of business	**Main source of income**
Retail Netherlands *(Market Leaders)*	Income from retail and private banking activities in the Netherlands, including the SME and mid-corporate segments. 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 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. 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[1]	Income from wholesale banking activities (a full range of products is offered from cash management to corporate finance), real estate and lease.

1 As of January 2016, ING's Commercial Banking activities are renamed to Wholesale Banking.

The geographical segments for the Banking results are presented on page 195.

Specification of geographical segments

Geographical segments	Main countries
Netherlands	
Belgium	Including Luxembourg
Germany	Including Austria
Other Challengers	Australia, France, Italy, Spain and UK Legacy run-off portfolio
Growth Markets	Poland, Romania, Turkey and Asian bank stakes
Wholesale Banking Rest of World[1]	UK, Americas, Asia and other countries in Central and Eastern Europe
Other	Corporate Line Banking and the run-off portfolio of Real Estate

1 As of January 2016, ING's Commercial Banking activities are renamed to Wholesale Banking.

The Executive Board of ING Group and the Management Board of ING Bank set the performance targets, approve and monitor the budgets prepared by the business lines. Business lines formulate strategic, commercial and financial policy in conformity with the strategy and performance targets set by the Executive Board of ING Group and the Management Board of ING Bank.

The accounting policies of the segments are the same as those described in Note 1 'Accounting policies'. 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.

As of 1 January 2015, the segment Retail Rest of the World is renamed to Retail Other. In addition to this, the attribution of 'Underlying result' to segments is changed as follows:

- 'Interest benefit on economic capital' is replaced by 'Interest benefit on total capital' resulting in a reallocation between Retail Banking, Wholesale Banking and Corporate Line Banking in the line 'Interest result Banking operations';
- ING Turkey, previously fully reported within Retail Banking, is now segmented to both Retail Banking and Wholesale Banking; and
- Bank Treasury (excluding isolated legacy costs recorded within Corporate Line) is now allocated to both Retail Banking and Wholesale Banking. Previously, Bank Treasury was allocated to Retail and/or Wholesale Banking on a country-by-country basis.

The presentation of previously reported underlying profit and loss amounts has been adjusted to reflect the above changes.

ING Group evaluates the results of its banking segments using a financial performance measure called underlying result. Underlying result is derived by excluding from IFRS-EU the following: special items; the impact of divestments and Legacy Insurance.

Special items include items of income or expense that are significant and arise from events or transactions that are clearly distinct from the ordinary operating activities. Disclosures on comparative periods also reflect the impact of current period's divestments. Legacy Insurance consists of the intercompany eliminations between ING Bank and NN Group until deconsolidation at the end of May 2015, the results from Insurance Other and the results from discontinued operations. Insurance Other reflects (former) insurance related activities that are not part of the discontinued operations.

In 2014, ING Group's underlying result was adjusted in order to better reflect the performance of the Total banking business. Therefore, the remaining insurance activities (included in 'Insurance Other') as well as the intercompany eliminations between ING Bank and NN Group is no longer included as part of ING Group's underlying result.

Following the classification of NN Group as discontinued operations in 2014, the Insurance segments (Netherlands Life, Netherlands Non-Life, Insurance Europe, Japan Life, Investment Management, Other and Japan Closed Block VA) ceased to exist.

In addition to these segments, ING Group reconciles the total segment results to the total result of Banking using Corporate Line Banking. The Corporate Line Banking is a reflection of capital management activities and certain expenses that are not allocated to the banking businesses. 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.

Underlying result as presented below is a non-GAAP financial measure and is not a measure of financial performance under IFRS-EU. Because underlying result is not determined in accordance with IFRS-EU, underlying result as presented by ING may not be comparable to other similarly titled measures of performance of other companies. The underlying result of ING's segments is reconciled to the Net result as reported in the IFRS-EU Consolidated profit and loss account below. The information presented in this note is in line with the information presented to the Executive and Management Boards.

This note does not provide information on the revenue specified to each product or service as this is not reported internally and is therefore not readily available.

b. ING Group

ING Group Total

2015	ING Bank N.V.	Other Banking[1]	Total Banking	Legacy Insurance	Total
Underlying income					
– Net interest result - banking operations	12,744	–154	12,590		12,590
– Commission income	2,320		2,320		2,320
– Total investment and other income	1,639	3	1,642		1,642
Total underlying income	**16,703**	**–151**	**16,552**		**16,552**
Underlying expenditure					
– Operating expenses	9,231	15	9,246		9,246
– Additions to loan loss provision	1,347		1,347		1,347
Total underlying expenses	**10,578**	**15**	**10,593**		**10,593**
Underlying result before taxation	**6,125**	**–166**	**5,959**		**5,959**
Taxation	1,703	–35	1,668		1,668
Minority interests	72		72		72
Underlying net result	**4,350**	**–131**	**4,219**		**4,219**
Divestments	367		367		367
Special items	–58		–58		–58
Intercompany eliminations between ING Bank and NN Group[2]				–20	–20
Insurance Other[3]				–42	–42
Net result IFRS-EU (continuing operations)	**4,659**	**–131**	**4,528**	**–63**	**4,466**
Total net result from discontinued operations NN Group				–779	–779
Total net result from discontinued operations Voya				323	323
Net result IFRS-EU attributable to equity holder of the parent	**4,659**	**–131**	**4,528**	**–518**	**4,010**

1 Comprises for the most part the funding charges of ING Groep N.V. (Holding).
2 Intercompany eliminations between ING Bank and NN Group until deconsolidation at the end of May 2015.
3 Insurance Other comprises mainly the net result relating to warrants on the shares of Voya Financial and NN Group.

Reconciliation between Underlying and IFRS-EU income, expenses and net result

2015	Income	Expenses	Net result[1]
Underlying	16,552	10,593	4,219
Divestments	367		367
Special items		77	–58
Intercompany eliminations between ING Bank and NN Group	–28	–1	–20
Insurance Other	–45	3	–42
IFRS-EU (continuing operations)	**16,845**	**10,673**	**4,466**
Total net result from discontinued operations			–456
Net result IFRS-EU attributable to equity holder of the parent			**4,010**

1 Net result, after tax and minority interests.

Divestments in 2015 reflect the result from the merger between ING Vysya and Kotak. Reference is made to Note 54 'Other events.

Special items in 2015 comprise additional charges related to previously announced restructuring programmes in Retail Netherlands announced before 2013.

For information on discontinued operations, reference is made to Note 30 'Discontinued operations'.

ING Group Total

2014	ING Bank N.V.	Other Banking[1]	Total Banking	Legacy Insurance	Total
Underlying income					
– Net interest result - banking operations	12,606	–230	12,376		12,376
– Commission income	2,290		2,290		2,290
– Total investment and other income	574	56	630		630
Total underlying income	**15,471**	**–175**	**15,296**		**15,296**
Underlying expenditure					
– Operating expenses	8,965	14	8,979		8,979
– Additions to loan loss provision	1,594		1,594		1,594
Total underlying expenses	**10,559**	**14**	**10,573**		**10,573**
Underlying result before taxation	**4,912**	**–189**	**4,724**		**4,724**
Taxation	1,271	–50	1,221		1,221
Minority interests	79		79		79
Underlying net result	**3,562**	**–138**	**3,424**		**3,424**
Divestments	202		202		202
Special items	–1,021		–1,021		–1,021
Intercompany eliminations between ING Bank and NN Group				–55	–55
Insurance Other[2]				107	107
Net result IFRS-EU (continuing operations)	**2,744**	**–138**	**2,606**	**52**	**2,657**
Total net result from discontinued operations NN Group				65	65
Total net result from discontinued operations Voya				–1,471	–1,471
Net result IFRS-EU attributable to equity holder of the parent	**2,744**	**–138**	**2,606**	**–1,354**	**1,251**

1 Comprised for the most part the funding charges of ING Groep N.V. (Holding).
2 Insurance Other comprised mainly the net result relating to warrants on the shares of Voya Financial and the net result on the sale of SulAmérica S.A.

Reconciliation between Underlying and IFRS-EU income, expenses and net result

2014	Income	Expenses	Net result[1]
Underlying	15,296	10,573	3,424
Divestments	202		202
Special items		1,259	–1,021
Intercompany eliminations between ING Bank and NN Group	–70		–55
Insurance Other	132	21	107
IFRS-EU (continuing operations)	**15,560**	**11,853**	**2,657**
Total net result from discontinued operations			–1,406
Net result IFRS-EU attributable to equity holder of the parent			**1,251**

1 Net result, after tax and minority interests.

Divestments in 2014 reflected the result on the deconsolidation of ING Vysya following changes to the governance structure.

Special items in 2014 included the impact (after tax) of the charges for making the Dutch Defined Benefit pension fund financially independent, the bank tax related to the SNS Reaal nationalisation and additional charges related to the restructuring programmes in Retail Netherlands announced before 2013.

For information on discontinued operations, reference is made to Note 30 'Discontinued operations'.

ING Group Total

2013	ING Bank N.V.	Other Banking[1]	Total Banking	Legacy Insurance	Total
Underlying income					
– Net interest result - banking operations	11,980	–176	11,804		11,804
– Commission income	2,239	5	2,244		2,244
– Total investment and other income	1,117	140	1,257		1,257
Total underlying income	**15,337**	**–31**	**15,305**		**15,305**
Underlying expenditure					
– Operating expenses	8,683	11	8,694		8,694
– Additions to loan loss provision	2,288		2,288		2,288
Total underlying expenses	**10,971**	**11**	**10,982**		**10,982**
Underlying result before taxation	**4,365**	**–42**	**4,323**		**4,323**
Taxation	1,088	–10	1,078		1,078
Minority interests	90		90		90
Underlying net result	**3,187**	**–32**	**3,155**		**3,155**
Divestments	-42		–42		–42
Special items	–82		–82		–82
Intercompany eliminations between ING Bank and NN Group				–97	–97
Insurance Other[2]				117	117
Net result IFRS-EU (continuing operations)	**3,063**	**–32**	**3,031**	**20**	**3,050**
Total net result from discontinued operations NN Group				455	455
Total net result from discontinued operations Voya				40	40
Net result IFRS-EU attributable to equity holder of the parent	**3,063**	**–32**	**3,031**	**515**	**3,545**

1 Comprised for the most part the funding charges of ING Groep N.V. (Holding).
2 Insurance Other comprised mainly the net result from ING's associate SulAmérica S.A., partly offset by certain expenses that are not allocated to the business units.

Reconciliation between Underlying and IFRS-EU income, expenses and net result

2013	Income	Expenses	Net result[1]
Underlying	15,305	10,982	3,155
Divestments	–9	14	–42
Special items		109	–82
Intercompany eliminations between ING Bank and NN Group	–129		–97
Insurance Other	123	17	117
IFRS-EU (continuing operations)	**15,290**	**11,123**	**3,050**
Total net result from discontinued operations			495
Net result IFRS-EU attributable to equity holder of the parent			**3,545**

1 Net result, after tax and minority interests.

Divestments in 2013 included the sale of ING Direct UK.

Special items in 2013 was primarily related to the previously announced restructuring programmes in ING Bank which is partly offset by pension curtailments in the Netherlands.

For information on discontinued operations, reference is made to Note 30 'Discontinued operations'.

c. Banking activities

Segments Banking by line of business

2015	Retail Nether-lands	Retail Belgium	Retail Germany	Retail Other	Wholesale Banking	Corporate Line Banking	Total Banking
Underlying income							
– Net interest result	3,683	1,953	1,634	1,906	3,567	–153	12,590
– Commission income	515	397	172	276	964	–4	2,320
– Total investment and other income	205	195	104	186	1,078	–127	1,642
Total underlying income	**4,403**	**2,546**	**1,910**	**2,369**	**5,609**	**–285**	**16,552**
Underlying expenditure							
– Operating expenses	2,475	1,532	842	1,582	2,571	245	9,246
– Additions to loan loss provision	433	169	57	210	478		1,347
Total underlying expenses	**2,908**	**1,701**	**899**	**1,792**	**3,048**	**245**	**10,593**
Underlying result before taxation	**1,495**	**845**	**1,012**	**577**	**2,560**	**–530**	**5,959**
Taxation	391	255	328	142	676	–125	1,668
Minority interests		6	2	48	16		72
Underlying net result	**1,104**	**583**	**681**	**387**	**1,868**	**–404**	**4,219**
Divestments				367			367
Special items	–58						–58
Net result IFRS-EU	**1,046**	**583**	**681**	**754**	**1,868**	**–404**	**4,528**

Segments Banking by line of business

2014	Retail Nether-lands	Retail Belgium	Retail Germany	Retail Other	Wholesale Banking	Corporate Line Banking	Total Banking
Underlying income							
– Net interest result	3,778	1,998	1,500	1,806	3,534	–240	12,376
– Commission income	464	376	143	329	980	–2	2,290
– Total investment and other income	87	243	–27	201	379	–253	630
Total underlying income	**4,330**	**2,617**	**1,615**	**2,336**	**4,893**	**–496**	**15,296**
Underlying expenditure							
– Operating expenses	2,678	1,524	773	1,481	2,407	116	8,979
– Additions to loan loss provision	714	142	72	165	500		1,594
Total underlying expenses	**3,392**	**1,667**	**845**	**1,646**	**2,907**	**116**	**10,573**
Underlying result before taxation	**938**	**951**	**771**	**690**	**1,986**	**–611**	**4,724**
Taxation	243	256	230	139	470	–117	1,221
Minority interests		1	1	51	26		79
Underlying net result	**694**	**693**	**540**	**500**	**1,491**	**–494**	**3,424**
Divestments				202			202
Special items	–63					–957	–1,021
Net result IFRS-EU	**631**	**693**	**540**	**702**	**1,491**	**–1,451**	**2,606**

Segments Banking by line of business

2013	Retail Nether-lands	Retail Belgium	Retail Germany	Retail Other	Wholesale Banking	Corporate Line Banking	Total Banking
Underlying income							
– Net interest result	3,610	1,860	1,303	1,804	3,250	–23	11,804
– Commission income	460	343	114	342	989	–5	2,244
– Total investment and other income	128	194	–30	259	1,058	–352	1,257
Total underlying income	**4,198**	**2,397**	**1,387**	**2,405**	**5,297**	**–380**	**15,305**
Underlying expenditure							
– Operating expenses	2,409	1,500	709	1,600	2,352	125	8,694
– Additions to loan loss provision	877	183	82	279	868		2,288
Total underlying expenses	**3,286**	**1,683**	**791**	**1,878**	**3,220**	**125**	**10,982**
Underlying result before taxation	**912**	**715**	**597**	**527**	**2,077**	**–505**	**4,323**
Taxation	241	213	185	120	504	–184	1,078
Minority interests		–4	1	66	27		90
Underlying net result	**672**	**506**	**412**	**342**	**1,546**	**–322**	**3,155**
Divestments				–42			–42
Special items	–107					25	–82
Net result IFRS-EU	**564**	**506**	**412**	**299**	**1,546**	**–297**	**3,031**

Geographical segments Banking

2015	Nether-lands	Belgium	Germany	Other Challen-gers	Growth Markets	Wholesale Banking Rest of World	Other	Total Banking
Underlying income								
– Net interest result	4,677	2,287	1,812	1,219	1,147	1,600	–153	12,590
– Commission income	754	497	215	149	267	442	–4	2,320
– Total investment and other income	187	434	120	5	330	600	–33	1,642
Total underlying income	**5,619**	**3,217**	**2,146**	**1,373**	**1,743**	**2,643**	**–189**	**16,552**
Underlying expenditure								
– Operating expenses	3,220	1,943	917	805	1,061	1,038	262	9,246
– Additions to loan loss provision	654	166	77	98	176	175		1,347
Total underlying expenses	**3,875**	**2,109**	**994**	**903**	**1,237**	**1,213**	**262**	**10,593**
Underlying result before taxation	**1,744**	**1,108**	**1,152**	**469**	**506**	**1,430**	**–451**	**5,959**
Taxation	469	315	382	166	79	374	–117	1,668
Minority interests		6	2		64			72
Underlying net result	**1,276**	**787**	**768**	**303**	**363**	**1,056**	**–334**	**4,219**
Divestments					367			367
Special items	–58							–58
Net result IFRS-EU	**1,218**	**787**	**768**	**303**	**730**	**1,056**	**–334**	**4,528**

Geographical segments Banking

2014	Nether-lands	Belgium	Germany	Other Challen-gers	Growth Markets	Wholesale Banking Rest of World	Other	Total Banking
Underlying income								
– Net interest result	4,699	2,447	1,616	1,158	1,072	1,625	–241	12,376
– Commission income	730	464	171	147	333	447	–1	2,290
– Total investment and other income	164	288	–17	44	266	123	–238	630
Total underlying income	**5,593**	**3,198**	**1,770**	**1,349**	**1,671**	**2,194**	**–479**	**15,296**
Underlying expenditure								
– Operating expenses	3,403	1,931	837	723	1,018	905	161	8,979
– Additions to loan loss provision	947	146	67	185	125	123		1,594
Total underlying expenses	**4,350**	**2,078**	**904**	**908**	**1,143**	**1,028**	**161**	**10,573**
Underlying result before taxation	**1,243**	**1,120**	**866**	**441**	**528**	**1,166**	**–641**	**4,724**
Taxation	308	277	266	131	96	275	–133	1,221
Minority interests		2	1		77			79
Underlying net result	**935**	**841**	**599**	**310**	**356**	**891**	**–508**	**3,424**
Divestments				–2	204			202
Special items	–63						–957	–1,021
Net result IFRS-EU	**872**	**841**	**599**	**308**	**560**	**891**	**–1,465**	**2,606**

Geographical segments Banking

2013	Nether-lands	Belgium	Germany	Other Challen-gers	Growth Markets	Wholesale Banking Rest of World	Other	Total Banking
Underlying income								
– Net interest result	4,554	2,256	1,388	1,050	1,186	1,411	–42	11,804
– Commission income	706	436	145	127	354	479	–2	2,244
– Total investment and other income	400	373	–24	58	320	437	–307	1,257
Total underlying income	**5,660**	**3,065**	**1,509**	**1,235**	**1,861**	**2,327**	**–352**	**15,305**
Underlying expenditure								
– Operating expenses	3,064	1,913	765	708	1,146	873	226	8,694
– Additions to loan loss provision	1,222	205	110	430	197	123		2,288
Total underlying expenses	**4,286**	**2,118**	**875**	**1,138**	**1,344**	**996**	**226**	**10,982**
Underlying result before taxation	**1,374**	**947**	**634**	**97**	**517**	**1,331**	**–577**	**4,323**
Taxation	357	248	217	97	60	295	–196	1,078
Minority interests		–4	1		93			90
Underlying net result	**1,017**	**703**	**416**	**0**	**363**	**1,036**	**–381**	**3,155**
Divestments				–42				–42
Special items	–107						25	–82
Net result IFRS-EU	**910**	**703**	**416**	**–42**	**363**	**1,036**	**–356**	**3,031**

IFRS-EU balance sheets by segment are not reported internally to, and not managed by, the chief operating decision maker.

37 Information on geographical areas

ING Group's business lines operate in seven main geographical areas: the Netherlands, Belgium, Rest of Europe, North America, Latin America, Asia and Australia. The geographical analyses are based on the location of the office from which the transactions are originated. A geographical area is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of geographical areas operating in other economic environments. The Netherlands is ING Group's country of domicile.

Geographical areas

2015	Nether-lands[2]	Belgium	Rest of Europe	North America	Latin America	Asia	Australia	Other	Elimi-nations	Total
Total income[1]	5,185	3,123	6,259	720	48	639	490	380		16,845
Total assets	559,564	164,770	371,683	71,097	1,499	45,979	34,701	1,186	-408,710	841,769

1 Total income from continuing businesses only.
2 Geographical area Netherlands includes Corporate Line Banking.

Geographical areas

2014	Nether-lands[2]	Belgium	Rest of Europe	North America	Latin America	Asia	Australia	Other	Elimi-nations	Total
Total income[1]	4,786	3,191	5,623	531	45	634	512	241	-2	15,560
Total assets	664,365	177,712	373,608	60,243	1,342	73,146	35,607	738	-393,905	992,856

1 Total income from continuing businesses only.
2 Geographical area Netherlands includes Corporate Line Banking.

Geographical areas

2013	Nether-lands[2]	Belgium	Rest of Europe	North America	Latin America	Asia	Australia	Other	Elimi-nations	Total
Total income[1]	4,788	3,297	5,287	575	60	836	449		-1	15,290
Total assets	604,923	160,859	342,866	212,127	1,966	70,719	34,420	425	-346,988	1,081,317

1 Total income from continuing businesses only.
2 Geographical area Netherlands includes Corporate Line Banking.

The table below provides additional information for the year 2015 on names of principal subsidiaries and branches, nature of main activities and average number of employees on a full time equivalent basis by country.

Additional information by country

2015

Geographical area	Country	Name of principal subsidiary	Main activity	Average number of employees at full time equivalent basis	Total Income	Total assets[2]	Result before tax	Taxation
Netherlands	Netherlands[2]	ING Bank N.V.	Wholesale banking/ Retail banking	14,586	5,185	308,081	818	365
Belgium	Belgium	ING België N.V.	Wholesale banking/ Retail banking	9,645	3,123	130,916	1,142	341
	Luxemburg	ING Luxembourg S.A.	Wholesale banking/ Retail banking	774	298	9,331	166	35
Rest of Europe	Poland	ING Bank Slaski S.A.	Wholesale banking/ Retail banking	8,713	903	25,666	317	60
	Turkey	ING Bank A.S.	Wholesale banking/ Retail banking	6,070	641	17,544	155	34
	Germany	ING DiBa A.G.	Retail banking	4,052	2,037	126,171	1,081	363
	Romania	Branch of ING Bank N.V.	Wholesale banking/ Retail banking	1,596	221	4,685	78	13
	Spain	Branch of ING Bank N.V.	Retail banking	1,076	423	24,457	144	52
	Italy	Branch of ING Bank N.V.	Wholesale banking/ Retail banking	824	202	15,828	-87	-15
	UK	Branch of ING Bank N.V.	Wholesale banking	642	556	32,156	362	-19
	France[1]	Branch of ING Bank N.V.	Wholesale banking/ Retail banking	625	256	7,489	67	23
	Russia	ING Bank (Eurasia) Z.A.O.	Wholesale banking	288	185	2,520	131	32
	Czech Republic	Branch of ING Bank N.V.	Wholesale banking	211	75	2,519	41	8
	Hungary	Branch of ING Bank N.V.	Wholesale banking	162	46	1,129	13	5
	Slovakia	Branch of ING Bank N.V.	Wholesale banking	265	13	573	8	2
	Ukraine	PJSC ING Bank Ukraine	Wholesale banking	120	46	616	27	5
	Austria	Branch of ING DiBa A.G.	Retail banking	169	93	321	51	9
	Bulgaria	Branch of ING Bank N.V.	Wholesale banking	76	10	267	-2	
	Ireland	Branch of ING Bank N.V.	Wholesale banking	39	64	1,662	36	5
	Portugal	Branch of ING Bank N.V.	Wholesale banking	2	3	616	3	1
	Switzerland	Branch of ING België N.V.	Wholesale banking	177	187	6,927	105	30
North America	USA	ING Financial Holdings	Wholesale banking	492	720	47,784	423	122
Latin America	Brazil	Branch of ING Bank N.V.	Wholesale banking	56	48	1,496	32	12
	Mexico	Negociaciones Mercantiles Especializidas, S.A. de C.V.	Wholesale banking	8		1		
Asia	China	Branch of ING Bank N.V.	Wholesale banking	59	39	1,551	16	10
	Japan	Branch of ING Bank N.V.	Wholesale banking	30	31	6,772	20	9
	Singapore	Branch of ING Bank N.V.	Wholesale banking	472	386	19,111	230	30
	Hong Kong	Branch of ING Bank N.V.	Wholesale banking	103	85	5,052	49	1
	Philippines	Branch of ING Bank N.V.	Wholesale banking	249	22	436	5	3
	South Korea	Branch of ING Bank N.V.	Wholesale banking	68	53	3,642	23	6
	Taiwan	Branch of ING Bank N.V.	Wholesale banking	34	23	1,744	12	1
	Indonesia	PT ING Securities Indonesia	Wholesale banking	5	1	7		
	Malaysia	Branch of ING Bank N.V.	Wholesale banking	4		4		
	India	Branch of ING Bank N.V.	Wholesale banking			2		
	United Arabic Emirates	Branch of ING Bank N.V.	Wholesale banking	7			-1	
Australia	Australia	ING Bank (Australia) Ltd.	Retail banking	1,021	490	33,507	328	92
Other	Mauritius	ING Mauritius	Investment management		380	1,186	380	
Total				**52,720**	**16,845**	**841,769**	**6,172**	**1,637**

1 Public subsidies, as defined in article 89 of the CRD IV, amounts to EUR 3 million (2014: EUR 2 million received in France).
2 Included in Total assets – Netherlands, is EUR 2,153 million related to the Investment in associate held for sale, NN Group.

The table above does not include the results from discontinued operations comprising Total income of EUR 6,815 million, Results before tax of EUR 936 million and Taxation of EUR 143 million.

The Netherlands has a high tax charge, partly due to the non-deductible Dutch bank tax and partly due to the recognition of a deferred tax liability regarding previously deducted (UK) branch losses.

The UK has a low tax charge due to the recognition of previously unrecognised tax losses carried forward.

Mauritius has no tax charge, due to an unrealised tax exempt result, following the merger of ING Vysya with Kotak in April 2015.

Additional notes to the Consolidated annual accounts

38 Pension and other post-employment benefits

ING Group maintains defined contribution and defined benefit plans. In 2015, the remaining defined benefit plans of the Group are mainly within the United Kingdom and Belgium.

In 2014, ING reached final agreement with the trade unions, the ING Pension Fund, the Central Works Council and the Association of Retired ING Employees to transfer all future funding and indexation obligations under ING's closed defined benefit plan in the Netherlands to the Dutch ING Pension Fund. The agreement made the ING Pension Fund financially independent from ING.

Balance sheet - Net defined benefit asset/liability

Summary of net defined benefit asset/liability

	2015	2014
Fair value of plan assets	3,141	2,703
Defined benefit obligation	2,996	2,790
Funded status (Net defined benefit asset/(liability))	**145**	**–87**
Presented as:		
– Other assets	643	589
– Other liabilities	–498	–676
	145	**–87**

ING Group maintains defined benefit retirement plans in some countries. These plans provide benefits that are related to the remuneration and service of employees upon retirement. The benefits in some of these plans are subject to various forms of indexation. The indexation is, in some cases, at the discretion of management; in other cases it is dependent upon the sufficiency of plan assets.

Annual contributions are paid to the funds at a rate necessary to adequately finance the accrued liabilities of the plans calculated in accordance with local legal requirements. Plans in all countries comply with applicable local regulations governing investments and funding levels.

ING Group provides other post-employment employee benefits to certain employees and former employees. These are primarily post-employment healthcare benefits and discounts on ING products provided to employees and former employees.

The most recent (actuarial) valuations of the plan assets and the present value of the defined benefit obligation were carried out as at 31 December 2015. The present value of the defined benefit obligation, and the related current service cost and past service cost, were determined using the projected unit credit method.

Changes in the fair value of plan assets for the period were as follows:

Changes in fair value of plan assets

	2015	2014
Opening balance	2,703	21,621
Interest income	93	203
Remeasurements: Return on plan assets excluding amounts included in interest income	333	1,201
Employer's contribution	34	861
Participants contributions	13	6
Benefits paid	–170	–197
Effect of curtailment or settlement		–21,050
Exchange rate differences	135	120
Changes in the composition of the group and other changes		–62
Closing balance	**3,141**	**2,703**

Effect of curtailment or settlement

In 2014, EUR –20,403 million was recognised in Effect of curtailment or settlement related to the Dutch defined benefit plan settlement as a result of the agreement that made the ING Pension Fund financially independent from ING.

Changes in composition of the group and other changes

In 2014, Changes in the composition of the group and other changes included EUR –47 million as a result of the deconsolidation of ING Vysya and EUR –22 million as a result of the classification of NN Group as held for sale. Reference is made to Note 54 'Other events'.

Other

The actual return on the plan assets amounts to EUR 426 million (2014: EUR 1,410 million).

No plan assets are expected to be returned to ING Group during 2016.

Changes in the present value of the defined benefit obligation and other post-employment benefits for the period were as follows:

Changes in defined benefit obligation and other post-employment benefits

	Defined benefit obligation		Other post-employment benefits	
	2015	2014	2015	2014
Opening balance	2,790	20,951	101	137
Current service cost	34	39	–7	–6
Interest cost	84	206	1	3
Remeasurements: Actuarial gains and losses arising from changes in demographic assumptions	–55	4	8	6
Remeasurements: Actuarial gains and losses arising from changes in financial assumptions	218	1,595		
Participants' contributions	1	1	2	
Benefits paid	–175	–204	–2	–2
Past service cost	–11	–12		
Effect of curtailment or settlement	–3	–19,725	–9	
Exchange rate differences	111	103	4	4
Changes in the composition of the group and other changes	2	–168		–41
Closing balance	**2,996**	**2,790**	**98**	**101**

Effect of curtailment or settlement

In 2014, EUR –19,079 million was recognised in Effect of curtailment or settlement related to the Dutch defined benefit plan settlement as a result of the agreement that made the ING Pension Fund financially independent from ING.

Changes in composition of the group and other changes

In 2014, Changes in the composition of the group and other changes of the Defined benefit obligation included EUR –53 million related to the deconsolidation of ING Vysya and EUR –119 million related to the classification of NN Group as held for sale. Changes in the composition of the group and other changes of Other post-employment benefits included EUR –41 million as a result of the classification of NN Group as held for sale. Reference is made to Note 54 'Other events'.

Amounts recognised directly in Other comprehensive income (equity) were as follows:

Changes in the net defined benefit assets/liability remeasurement reserve		
	2015	2014
Opening balance	–515	–3,802
Remeasurement of plan assets	–119	1,207
Actuarial gains and losses arising from changes in demographic assumptions	59	–4
Actuarial gains and losses arising from changes in financial assumptions	86	–1,682
Transfer to Other reserves	16	27
Taxation	–18	163
Total Other comprehensive income movement for the year	**24**	**–289**
Transfer to Other reserves (pension settlement)		3,434
Changes in the composition of the group and other changes	185	142
Closing balance	**–306**	**–515**

The change in the remeasurement of the net defined benefit asset/liability in 2015 is mainly as a result of deconsolidation of NN Group and an increase in discount rates. The weighted average discount rate as at 31 December 2015 was 3.0% (31 December 2014: 2.5%). The change in this rate impacts both the Remeasurement of plan assets and Actuarial gains and losses arising from changes in financial assumptions.

The accumulated amount of remeasurements recognised directly in Other comprehensive income (equity) is EUR –507 million (EUR –306 million after tax) as at 31 December 2015 (2014: EUR –753 million, EUR –515 million after tax).

The amount of the remeasurement of the net defined benefit asset/liability in 2014 was mainly a result of the change in the high quality corporate bond rate.

In 2014, EUR 3,279 million was recognised in Transfer to Other reserves (pension settlement) related to the Dutch defined benefit plan settlement.

In 2014, Changes in composition of the group and other changes included EUR 143 million as a result of deconsolidation of Voya and nil as a result of classification of NN Group as held for sale. Reference is made to Note 54 'Other events'.

Changes in the defined benefit plans in 2014

In 2014, ING reached final agreement with the trade unions, the ING Pension Fund, the Central Works Council and the Association of Retired ING Employees to transfer all future funding and indexation obligations under ING's closed defined benefit plan in the Netherlands to the Dutch ING Pension Fund. The agreement made the ING Pension Fund financially independent from ING.

The key elements of the agreement are:

- Responsibility for future indexation and funding thereof is transferred to the Dutch ING Pension Fund;
- ING's obligation to restore the coverage ratio of the Dutch ING Pension Fund ceased;
- The cross guarantees between ING Bank and NN Group to jointly and severally fund the obligations of the Dutch ING Pension Fund are terminated;
- ING paid EUR 549 million (before tax) to the Dutch ING Pension Fund for the removal of these obligations; and
- ING will reduce the employees' own contribution to the pension premium under the new defined contribution plan by approximately EUR 80 million over a 6 year period.

As part of the agreement, ING Bank and NN Group are released from all financial obligations arising out of the Dutch defined benefit plan. Accordingly, this plan is no longer accounted for as a defined benefit plan and consequently, it has been removed from ING's balance sheet in 2014. In 2014, the removal of the net pension asset related to the Dutch defined benefit pension fund from ING's balance sheet of EUR 770 million (EUR 578 million after tax), the payment to the Dutch ING Pension Fund of EUR 549 million (EUR 412 million after tax), the compensation for lower employee contribution of EUR 80 million (EUR 60 million after tax) and other impacts resulted in a charge of EUR 1,413 million (EUR 1,059 million after tax). EUR 871 million (EUR 653 million after tax) of this charge was allocated to ING Bank and EUR 542 million (EUR 406 million after tax) was allocated to NN Group.

Information on plan assets and defined benefit obligation per country

The defined benefit obligation per country and the plan assets per country can be specified as follows:

Plan assets and defined benefit obligation per country

	Plan assets		Defined benefit obligation	
	2015	2014	2015	2014
The Netherlands	373		516	243
United States	132	132	212	218
United Kingdom	1,906	1,822	1,265	1,236
Belgium	601	614	731	811
Other countries	129	135	272	282
	3,141	**2,703**	**2,996**	**2,790**

As at 31 December 2015 the various defined benefit plans did not hold any investments in ING Groep N.V. (2014: nil).

The defined benefit plans in the United Kingdom and Belgium are not considered to be significant to the Group. Therefore, no additional detailed information is disclosed.

Determination of the net defined benefit asset/liability

The table provides the key assumptions used in the determination of the Net defined benefit asset/liability and the Other post-employment benefits.

Weighted averages of basic actuarial assumptions in annual % as at 31 December

	Net defined benefit asset/liability		Other post-employment benefits	
	2015	2014	2015	2014
Discount rates	3.00	2.50	3.20	2.30
Mortality rates	0.80	0.90	0.80	1.10
Expected rates of salary increases (excluding promotion increases)	3.70	3.10		
Indexation	2.60	2.50	2.00	2.00

The assumptions above are weighted by defined benefit obligations. The rates used for salary developments, interest discount factors and other adjustments reflect country-specific conditions.

The discount rate is the weighted average of the discount rates that are applied in different regions where the Group has defined benefit pension plans. The discount rate is based on a methodology that uses market yields on high quality corporate bonds of the specific regions with durations matching the pension liabilities as key input. Market yields of high quality corporate bonds reflect the yield on corporate bonds with an AA rating for durations where such yields are available. An extrapolation is applied in order to determine the yield to the longer durations for which no AA-rated corporate bonds are available. As a result of the limited availability of long-duration AA-rated corporate bonds, extrapolation is an important element of the determination of the discount rate.

The discount rate is approximately 3.0% on 31 December 2015 (2014: 2.5%). The discount rate used by ING is based on AA-rated corporate bonds. Discussions were ongoing, both in the industry and at the IASB, on the definition of the discount rate for defined benefit pension liabilities and ING would reconsider the methodology for setting the discount rate if and when appropriate.

As at 31 December 2015, the actuarial assumption for Indexation for inflation is 2.6% (2014: 2.5%). The percentage for 2015 was mainly based on the expected inflation and the best estimate assumption for future indexation in the pension plans in the United Kingdom and Belgium (2014: United Kingdom, Belgium and the Netherlands; before 2014 the percentage was based on the plan in the Netherlands).

Sensitivity analysis of key assumptions

The sensitivity analysis of the most significant assumptions has been determined based on changes of the assumptions occurring at the end of the reporting period that are deemed reasonably possible.

The table discloses the financial impact on the defined benefit obligation if the weighted averages of each significant actuarial assumption would increase or decrease if all other assumptions were held constant. In practice, this is unlikely to occur, and some changes of the assumptions may be correlated.

Sensitivity analysis – financial impact of changes in significant actuarial assumptions on the defined benefit obligation

	Financial impact of increase		Financial impact of decrease	
	2015	2014	2015	2014
Discount rates – increase/decrease of 1%	-451	-403	554	500
Mortality – increase/decrease of 1 year	82	93	-82	-93
Expected rates of salary increases (excluding promotion increases) – increase/decrease of 0.25%	25	29	-23	-27
Indexation – increase/decrease 0.25%	75	93	-74	-84

Expected cash flows

Annual contributions are paid to the funds at a rate necessary to adequately finance the accrued liabilities of the plans calculated in accordance with local legal requirements. Plans in all countries comply with applicable local regulations governing investments and funding levels. ING Group's subsidiaries should fund the cost of the entitlements expected to be earned on a yearly basis.

For 2016 the expected contributions to pension plans are EUR 50 million.

The following benefit payments, which reflect expected future service as appropriate, are expected to be made by the plan:

Benefit payments

	Defined benefit obligation	Other post-employ-ment benefits
2016	97	2
2017	96	2
2018	95	2
2019	126	2
2020	132	2
Years 2021 – 2025	455	24

The average duration of the benefit obligation at the end of the reporting period is 17 years (2014: 17 years). This number can be subdivided into the duration related to:

- active members: 15 years (2014: 12 years);
- inactive members: 23 years (2014: 24 years); and
- retired members: 13 years (2014: 13 years).

Profit and loss account – Pension and other staff-related benefit costs

Pension and other staff-related benefit costs

	Net defined benefit asset/liability			Other post-employment benefits			Other			Total		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
Current service cost	34	36	268	-7	-6	-18	-8	20	-11	19	50	239
Past service cost	-11	-3	3						-16	-11	-3	-13
Net Interest cost	-9	3	-41	1	3	2	2	4	6	-6	10	-33
Effect of curtailment or settlement	-3	871	-37	-9			-52			-64	871	-37
Other							13	-12	13	13	-12	13
Defined benefit plans	**11**	**907**	**193**	**-15**	**-3**	**-16**	**-45**	**12**	**-8**	**-49**	**916**	**169**
Defined contribution plans										324	302	62
										275	**1,218**	**231**

Defined benefit plans

In 2014, a charge of EUR 871 million was recognised in Effect of curtailment or settlement related to the Dutch defined benefit plan settlement.

Defined contribution plans

The increase in Pension costs for Defined contribution plans in 2014 is as a result of the new defined contribution pension scheme for employees in the Netherlands which took effect on 1 January 2014.

Most group companies sponsor defined contribution pension plans. The assets of all ING Group's defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of remuneration. For the defined contribution scheme in the Netherlands, the premium paid is also dependant on the interest rate developments and DNB's methodology for determining the ultimate forward rate. These plans do not give rise to balance sheet provisions, other than relating to short-term timing differences included in other assets/liabilities.

39 Taxation

Balance sheet – Deferred tax

Deferred taxes are recognised on all temporary differences under the liability method using tax rates applicable in the jurisdictions in which ING Group is subject to taxation.

Changes in deferred tax

2015	Net liability (-) Net asset (+) 2014	Change through equity	Change through net result	Exchange rate differences	Changes in the composition of the group and other changes	Net liability (-) Net asset (+) 2015
Investments	-1,064	111	152	3	18	-780
Real estate investments	-2					-2
Financial assets and liabilities at fair value through profit and loss	1,112		-373			739
Depreciation	-46		4	-4		-46
Cash flow hedges	-233	24		17		-192
Pension and post-employment benefits	213	-13	-5	6		201
Other provisions	42		-22	4		24
Receivables	258		180	3		441
Loans and advances to customers	-136		-100	1		-235
Unused tax losses carried forward	330		-215	3		118
Other	-189	-7	113	-2	-12	-97
	285	**115**	**-266**	**31**	**6**	**171**
Presented in the balance sheet as:						
- deferred tax liabilities	-860					-643
- deferred tax assets	1,145					814
	285					**171**

Changes in deferred tax

2014	Net liability (-) Net asset (+) 2013	Change through equity	Change through net result	Exchange rate differences	Changes in the composition of the group and other changes	Net liability (-) Net asset (+) 2014
Investments	-1,382	-1,719	-314	5	2,346	-1,064
Real estate investments	-285		2		281	-2
Financial assets and liabilities at fair value through profit and loss	812		315	-12	-3	1,112
Deferred acquisition costs and VOBA	-312		-20	-10	342	
Depreciation	-33		-5	-5	-3	-46
Insurance provisions	1,369	685	-39	-1	-2,014	
Cash flow hedges	-603	-910		5	1,275	-233
Pension and post-employment benefits	-75	137	128	7	16	213
Other provisions	1	1	-28	4	64	42
Receivables	79		201	3	-25	258
Loans and advances to customers	243	-5	-333		-41	-136
Unused tax losses carried forward	637		325	9	-641	330
Other	-69	12	-142	-9	19	-189
	382	**-1,799**	**90**	**-4**	**1,616**	**285**
Presented in the balance sheet as:						
- deferred tax liabilities	-998					-860
- deferred tax assets	1,380					1,145
	382					**285**

In 2014, Changes in the composition of the group and other changes included EUR 1,647 million as a result of the classification of NN Group as held for sale and EUR -61 million as a result of the deconsolidation of ING Vysya. Reference is made to Note 54 'Other events'.

Deferred tax in connection with unused tax losses carried forward

	2015	2014
Total unused tax losses carried forward	1,560	2,456
Unused tax losses carried forward not recognised as a deferred tax asset	969	1,127
Unused tax losses carried forward recognised as a deferred tax asset	**591**	**1,329**
Average tax rate	20.0%	24.8%
Deferred tax asset	118	330

The following tax losses carried forward and tax credits will expire as follows as at 31 December:

Total unused tax losses carried forward analysed by expiry terms

	No deferred tax asset recognised		Deferred tax asset recognised	
	2015	2014	2015	2014
Within 1 year	41			
More than 1 year but less than 5 years	190	145	7	4
More than 5 years but less than 10 years	118	48	1	
More than 10 years but less than 20 years	34	347		6
Unlimited	586	587	583	1,319
	969	**1,127**	**591**	**1,329**

Deferred tax assets are recognised for temporary deductible differences, for tax losses carried forward and unused tax credits only to the extent that realisation of the related tax benefit is probable.

Breakdown of certain net deferred tax asset positions by jurisdiction

	2015	2014
Netherlands	132	358
Belgium		1
Slovakia		2
Luxembourg	8	17
Italy	129	62
	269	**440**

The table above includes a breakdown of certain net deferred tax asset positions by jurisdiction for which the utilisation is dependent on future taxable profits whilst the related entities have incurred losses in either the current or the preceding year. In 2015, the aggregate amount for the most significant entities is EUR 269 million (2014: EUR 440 million).

In 2015, the deferred tax asset in the Netherlands decreased compared to 2014 mainly due to the positive result for the year.

In 2014, the Netherlands is included in the table above mainly due to the impact of the pension settlement and restructuring charges on the result. The three year medium term plan was used to substantiate the deferred tax assets in the Netherlands.

Recognition is based on the fact that it is probable that the entity will have taxable profits and/or can utilise tax planning opportunities before expiration of the deferred tax assets. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred tax assets.

As at 31 December 2015 and 31 December 2014, ING Group had no significant temporary differences associated with the parent company's investments in subsidiaries as any economic benefit from those investments will not be taxable at parent company level.

Profit and loss account – Taxation

Taxation by type

	Netherlands			International			Total		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Current taxation	-42	-58	-40	1,413	1,099	1,032	1,371	1,041	992
Deferred taxation	407	-127	73	-141	57	-28	266	-70	45
	365	**-185**	**33**	**1,272**	**1,156**	**1,004**	**1,637**	**971**	**1,037**

For the year 2015 the tax charge in the Netherlands increased with EUR 550 million (2014: decreased with EUR 218 million) to EUR 365 million (2014: negative EUR 185 million) caused by higher results (2014: lower results).

Reconciliation of the weighted average statutory income tax rate to ING Group's effective income tax rate

	2015	2014	2013
Result before tax from continuing operations	6,172	3,707	4,167
Weighted average statutory tax rate	27.3%	29.5%	29.0%
Weighted average statutory tax amount	**1,688**	**1,095**	**1,211**
Participation exemption	-34	-70	-29
Other income not subject to tax	-162	-169	-165
Expenses not deductible for tax purposes	154	187	114
Impact on deferred tax from change in tax rates	12	-2	
Deferred tax benefit from previously unrecognised amounts	54	38	-22
Current tax benefit from previously unrecognised amounts	-63	-58	-24
Write-off/reversal of deferred tax assets	18	1	40
Adjustment to prior periods	-30	-51	-88
Effective tax amount	**1,637**	**971**	**1,037**
Effective tax rate	**26.5%**	**26.2%**	**24.9%**

The weighted average statutory tax rate in 2015 is lower compared to 2014. This is mainly caused by the increase in the result in 2015 in the Netherlands.

The weighted average statutory tax rate in 2014 compared to 2013 does not differ significantly.

The effective tax rate in 2015 is 26.5%.

The effective tax rate in 2015 is lower than the weighted average statutory tax rate. This is mainly caused by non-taxable income, the recognition of tax benefits from previously unrecognised amounts and prior year adjustments which are only partly offset by non-deductible items.

The effective tax rate in 2014 is lower than the weighted average statutory tax rate. This is mainly caused by non-taxable income, the recognition of tax benefits from previously unrecognised amounts and prior year adjustments which are only partly offset by non-deductible items.

The effective tax rate in 2013 was lower than the weighted average statutory tax rate. This was mainly caused by non-taxable income and prior year adjustments which are only partly offset by non-deductible expenses and write-off of deferred tax assets.

Tax exempt income (participation exemption) mainly includes non-taxable income on divestments, tax exempt share in result from associates and joint ventures and tax exempt gains on financial assets.

Adjustment to prior periods in 2013 related to a true-up of tax positions.

Equity – Other comprehensive income

Income tax related to components of other comprehensive income

	2015	2014	2013
Remeasurement of the net defined benefit asset/liability	–13	137	230
Unrealised revaluations available-for-sale investments and other	111	–1,719	1,841
Realised gains/losses transferred to profit and loss (reclassifications from equity to profit and loss)	39	49	57
Changes in cash flow hedge reserve	24	–910	305
Transfer to insurance liabilities/DAC			–879
Exchange rate differences and other	–46	644	–25
Total income tax related to components of other comprehensive income	**115**	**–1,799**	**1,529**

40 Fair value of assets and liabilities

a) Financial assets and liabilities

The following table presents the estimated fair values of ING Group's financial assets and liabilities. Certain balance sheet items are not included in the table, as they do not meet the definition of a financial asset or liability. The aggregation of the fair values presented below does not represent, and should not be construed as representing, the underlying value of ING Group.

Fair value of financial assets and liabilities

	Estimated fair value		Balance sheet value	
	2015	2014[3]	2015	2014[3]
Financial assets				
Cash and balances with central banks	21,458	12,233	21,458	12,233
Amounts due from banks	30,132	37,220	29,988	37,119
Financial assets at fair value through profit and loss				
– trading assets	131,467	136,959	131,467	136,959
– non-trading derivatives	3,347	4,384	3,347	4,384
– designated as at fair value through profit and loss	3,234	2,756	3,234	2,756
Investments				
– available-for-sale	87,000	95,402	87,000	95,402
– held-to-maturity	7,855	2,277	7,826	2,239
Loans and advances to customers	548,307	529,191	537,343	517,478
Other assets[1]	11,329	11,538	11,329	11,538
	844,129	**831,960**	**832,992**	**820,108**
Financial liabilities				
Subordinated loans	7,044	6,693	7,265	6,861
Debt securities in issue	121,770	127,321	121,289	126,352
Other borrowed funds	9,223	11,297	9,146	11,297
Amounts due to banks	34,334	30,684	33,813	29,999
Customer deposits and other funds on deposit	501,369	484,918	500,777	483,871
Financial liabilities at fair value through profit and loss				
– trading liabilities	88,807	97,091	88,807	97,091
– non-trading derivatives	4,257	6,040	4,257	6,040
– designated as at fair value through profit and loss	12,616	13,551	12,616	13,551
Other liabilities[2,3]	11,622	12,150	11,622	12,150
	791,042	**789,745**	**789,592**	**787,212**

1 Other assets do not include (deferred) tax assets, net defined benefit asset and property development and obtained from foreclosures.
2 Other liabilities do not include (deferred) tax liabilities, net defined benefit liability, prepayments received under property under development, other provisions and other taxation and social security contributions.
3 Other liabilities, as at 31 December 2014, is adjusted by EUR 920 million as a result of the change in the accounting approach for the NN Group Anchor investment transaction. Reference is made to Note 1 'Accounting policies' – Change in accounting approach NN Group Anchor investment transaction.

The estimated fair values represent the price at which an orderly transaction to sell the financial asset or to transfer the financial liability would take place between market participants at the balance sheet date ('exit price'). The fair value of financial assets and liabilities is based on quoted market prices, where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available, market prices are obtained from independent vendors, brokers or market makers. Because substantial trading markets do not exist for all financial instruments, various techniques have been developed to estimate the approximate fair values of financial assets and liabilities that are not actively traded. These techniques are subjective in nature and involve various assumptions about the relevant pricing factors, especially for inputs that are not readily available in the market (such as credit spreads for own-originated loans and advances to customers). Changes in these assumptions could significantly affect the estimated fair values. Consequently, the fair values presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of future fair values. Where exposures of a group of financial assets and financial liabilities are managed on a net basis ING applies the IFRS-EU exception that allows ING to measure the fair value of the group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or settle a net short position.

To include credit risk in the fair valuation, ING applies both credit and debit valuation adjustments (CVA, DVA). Own issued debt and structured notes that are valued at fair value are adjusted for credit risk by means of a DVA. Additionally, derivatives valued at fair value are adjusted for credit risk by a CVA. The CVA is of a bilateral nature as both the credit risk on the counterparty as well as the credit risk on ING are included in the adjustment. All market data that is used in the determination of the CVA is based on market implied data.

Additionally, wrong-way risk (when exposure to a counterparty is increasing and the credit quality of that counterparty decreases) and right-way risk (when exposure to a counterparty is increasing and the credit quality of that counterparty increases) are included in the adjustment. ING also applies CVA for pricing credit risk into new external trades with counterparties.

The following methods and assumptions were used by ING Group to estimate the fair value of the financial instruments:

a.1) Financial assets

Cash and balances with central banks

The carrying amount of cash approximates its fair value.

Amounts due from banks

The fair values of receivables from banks are generally based on quoted market prices or, if unquoted, on estimates based on discounting future cash flows using available market interest rates offered for receivables with similar characteristics, similar to Loans and advances to customers described below.

Financial assets at fair value through profit and loss and Investments

Derivatives

Derivatives contracts can either be exchange-traded or over the counter (OTC). The fair value of exchange-traded derivatives is determined using quoted market prices in an active market and those derivatives are classified in Level 1 of the fair value hierarchy. For those instruments not actively traded, fair values are estimated based on valuation techniques. OTC derivatives and derivatives trading in an inactive market are valued using valuation techniques because quoted market prices in an active market are not available for such instruments. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instruments. The principal techniques used to value these instruments are based on discounted cash flows, Black-Scholes option models and Monte Carlo simulation. These valuation models calculate the present value of expected future cash flows, based on 'no-arbitrage' principles. These models are commonly used in the financial industry. Inputs to valuation models are determined from observable market data where possible. Certain inputs may not be observable in the market directly, but can be determined from observable prices via valuation model calibration procedures. The inputs used include prices available from exchanges, dealers, brokers or providers of pricing, yield curves, credit spreads, default rates, recovery rates, dividend rates, volatility of underlying interest rates, equity prices and foreign currency exchange rates. These inputs are determined with reference to quoted prices, recently executed trades, independent market quotes and consensus data, where available.

Equity securities

The fair values of publicly traded equity securities are based on quoted market prices when available. Where no quoted market prices are available, fair value is determined based on quoted prices for similar securities or other valuation techniques.

The fair value of private equity is based on quoted market prices, if available. In the absence of quoted prices in an active market, fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects, price, earnings comparisons and revenue multiples and by reference to market valuations for similar entities quoted in an active market.

Debt securities
Fair values for debt securities are based on quoted market prices, where available. Quoted market prices may be obtained from an exchange, dealer, broker, industry group, pricing service or regulatory service. If quoted prices in an active market are not available, fair value is based on an analysis of available market inputs, which may include values obtained from one or more pricing services or by a valuation technique that discounts expected future cash flows using a market interest rate curves, referenced credit spreads, maturity of the investment and estimated prepayment rates where applicable.

Loans and receivables
Reference is made to Loans and advances to customers below.

Loans and advances to customers
For loans and advances that are repriced frequently and have had no significant changes in credit risk, carrying amounts represent a reasonable estimate of the fair value. The fair value of other loans is estimated by discounting expected future cash flows using a discount rate that reflects credit risk, liquidity and other current market conditions. The fair value of mortgage loans is estimated by taking into account prepayment behaviour. Loans with similar characteristics are aggregated for calculation purposes.

Other assets
The other assets are stated at their carrying value which is not significantly different from their fair value.

a.2) Financial liabilities
Subordinated loans
The fair value of publicly traded subordinated loans are based on quoted market prices when available. Where no quoted market prices are available, fair value of the subordinated loans is estimated using discounted cash flows based on interest rates and credit spreads that apply to similar instruments.

Amounts due to banks
The fair values of payables to banks are generally based on quoted market prices or, if not available, on estimates based on discounting future cash flows using available market interest rates and credit spreads for payables to banks with similar characteristics.

Customer deposits and other funds on deposit
The carrying values of customer deposits and other funds on deposit with no stated maturity approximate their fair values. The fair values of deposits with stated maturities have been estimated based on discounting future cash flows using the interest rates currently applicable to deposits of similar maturities.

Financial liabilities at fair value through profit and loss
The fair values of securities in the trading portfolio and other liabilities at fair value through profit and loss are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated based on internal discounted cash flow valuation techniques using interest rates and credit spreads that apply to similar instruments. Reference is made to Financial assets at fair value through profit and loss above.

Debt securities in issue and other borrowed funds
The fair value of debt securities in issue and other borrowed funds is generally based on quoted market prices or, if not available, on estimated prices by discounting expected future cash flows using a current market interest rate and credit spreads applicable to the yield, credit quality and maturity.

Other liabilities
The other liabilities are stated at their carrying value which is not significantly different from their fair value.

a.3) Fair value hierarchy

ING Group has categorised its financial instruments that are either measured in the balance sheet at fair value or of which the fair value is disclosed, into a three level hierarchy based on the priority of the inputs to the valuation. The fair value hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to valuation techniques supported by unobservable inputs. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide reliable pricing information on an ongoing basis. The fair value hierarchy consists of three levels, depending upon whether fair values were determined based on (unadjusted) quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument (Level 3). Financial assets in Level 3 include for example illiquid debt securities, complex OTC and credit derivatives, certain complex loans (for which current market information about similar assets to use as observable, corroborated data for all significant inputs into a valuation model is not available) and asset backed securities for which there is no active market and a wide dispersion in quoted prices.

Observable inputs reflect market data obtained from independent sources. Unobservable inputs are inputs which are based on the Group's own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads. Transfers into and transfers out of fair value hierarchy levels are recognised as of the date of the event or change in circumstances that caused the transfer.

Level 1 – (Unadjusted) quoted prices in active markets

This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market that ING Group can access. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions with sufficient frequency and volume to provide pricing information on an ongoing basis. Transfers out of Level 1 into Level 2 occur when ING Group establishes that markets are no longer active and therefore (unadjusted) quoted prices no longer provide reliable pricing information.

Level 2 – Valuation technique supported by observable inputs

This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model), where inputs in the model are taken from an active market or are observable. If certain inputs in the model are unobservable, the instrument is still classified in this category, provided that the impact of those unobservable inputs on the overall valuation is insignificant. Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are modified based on other market observable external data and items whose value is derived from quoted prices but for which there was insufficient evidence of an active market. This category also includes financial assets and liabilities whose fair value is determined by reference to price quotes but for which the market is considered inactive.

Level 3 – Valuation technique supported by unobservable inputs

This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model) for which more than an insignificant part of the inputs in terms of the overall valuation are not market observable. This category also includes financial assets and liabilities whose fair value is determined by reference to price quotes but for which the market is considered inactive. Level 3 Trading assets, Non-trading derivatives and Assets designated at fair value through profit and loss and Level 3 Financial liabilities at fair value through profit and loss include financial instruments with different characteristics and nature, which are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable. An instrument in its entirety is classified as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived. More details on the determination of the fair value of these instruments is included above under 'Derivatives', 'Debt securities' and 'Loans and advances to customers'.

Financial instruments at fair value

The fair values of the financial instruments were determined as follows:

Methods applied in determining fair values of financial assets and liabilities (carried at fair value)				
2015	Level 1	Level 2	Level 3	Total
Financial Assets				
Trading assets	27,126	103,195	1,146	131,467
Non-trading derivatives	4	3,175	168	3,347
Financial assets designated as at fair value through profit and loss	242	2,654	338	3,234
Available-for-sale investments	81,640	4,667	693	87,000
	109,012	**113,691**	**2,345**	**225,048**
Financial liabilities				
Trading liabilities	9,037	78,531	1,239	88,807
Non-trading derivatives		4,256	1	4,257
Financial liabilities designated as at fair value through profit and loss	1,578	10,840	198	12,616
	10,615	**93,627**	**1,438**	**105,680**

Main changes in fair value hierarchy in 2015

In 2015, the decrease in Available-for-sale investments (Level 1) is mainly as a result of the reclassification of Government bonds (EUR 3.5 billion) to Investments–Held-to-maturity. Reference is made to Note 5 'Investments'.

There were no significant transfers between Level 1 and Level 2.

In 2015, there were changes in the valuation techniques driven by current market conditions, with LIBOR being negative.

Methods applied in determining fair values of financial assets and liabilities (carried at fair value)				
2014	Level 1	Level 2	Level 3	Total
Financial Assets				
Trading assets	35,965	100,184	810	136,959
Non-trading derivatives		4,074	310	4,384
Financial assets designated as at fair value through profit and loss	346	2,320	90	2,756
Available-for-sale investments	89,101	5,728	573	95,402
	125,412	**112,306**	**1,783**	**239,501**
Financial liabilities				
Trading liabilities	11,204	84,890	997	97,091
Non-trading derivatives		6,024	16	6,040
Financial liabilities designated as at fair value through profit and loss	1,719	11,509	323	13,551
	12,923	**102,423**	**1,336**	**116,682**

Main changes in fair value hierarchy in 2014

In 2014, the change in Available-for-sale investments (Level 1) mainly reflected the presentation of NN Group as held for sale. This change was offset by an increase in Government bonds to strengthen the liquidity of the Group. Ahead of the introduction of the liquidity coverage ratio in 2015 matured bonds (Level 2 in 2013) were re-invested in Government bonds (Level 1).

As at 31 December 2014, ING Direct Australia reclassified EUR 2.6 billion Government and Semi-Government debt securities from Level 2 to Level 1 as the input was based on quoted prices in an active market.

Changes in Level 3 Financial assets

2015	Trading assets	Non-trading derivatives	Financial assets designated as at fair value through profit and loss	Available-for-sale invest-ments	Total
Opening balance	810	310	90	573	1,783
Amounts recognised in the profit and loss account during the year	146	-163	-55	30	-42
Revaluation recognised in equity during the year				171	171
Purchase of assets	356	4	467	125	952
Sale of assets	-76		-148	-209	-433
Maturity/settlement	-46	-1	-16	-5	-68
Transfers into Level 3	11				11
Transfers out of Level 3	-61				-61
Exchange rate differences	6	18		23	47
Changes in the composition of the group and other changes				-15	-15
Closing balance	**1,146**	**168**	**338**	**693**	**2,345**

In 2015, there were no significant transfers into or out of Level 3.

Included in 'Revaluation recognised in equity during the year', is an amount of EUR 154 million related to available-for-sale equity securities held in VISA Europe Limited. References is made to Note 5 'Investments', Note 13 'Equity and Note 54 'Other events'.

Changes in Level 3 Financial assets

2014	Trading assets	Invest-ments for risk of policy-holders	Non-trading derivatives	Financial assets designated as at fair value through profit and loss	Available-for-sale invest-ments	Total
Opening balance	2,019	248	179	198	3,151	5,795
Amounts recognised in the profit and loss account during the year	-264		131	-67	-39	-239
Revaluation recognised in equity during the year					81	81
Purchase of assets	287			49	218	554
Sale of assets	-334			-45	-278	-657
Maturity/settlement	-76			-45	-500	-621
Transfers into Level 3	71			48	5	124
Transfers out of Level 3	-293			-48	-3	-344
Exchange rate differences	9	-2			28	35
Changes in the composition of the group and other changes	-609	-246			-2,090	-2,945
Closing balance	**810**	**0**	**310**	**90**	**573**	**1,783**

In 2014, Changes in composition of the group and other changes included EUR -2,600 million as a result of the classification of NN Group as held for sale. Reference is made to Note 54 'Other events'.

Changes in Level 3 Financial liabilities

2015	Trading liabilities	Non-trading derivatives	Financial liabilities designated as at fair value through profit and loss	Total
Opening balance	997	16	323	1,336
Amounts recognised in the profit and loss account during the year	120	-15	-83	22
Issue of liabilities	244		121	365
Early repayment of liabilities	-54		-31	-85
Maturity/settlement	-24		-15	-39
Transfers into Level 3	12			12
Transfers out of Level 3	-65		-117	-182
Exchange rate differences	9			9
Closing balance	**1,239**	**1**	**198**	**1,438**

In 2015, financial liabilities of EUR 182 million were transferred out of Level 3 mainly due to the valuation not being significantly impacted by unobservable inputs.

Changes in Level 3 Financial liabilities

2014	Trading liabilities	Non-trading derivatives	Financial liabilities designated as at fair value through profit and loss	Total
Opening balance	1,105		343	1,448
Amounts recognised in the profit and loss account during the year	-54	14	-81	-121
Issue of liabilities	418	2	172	592
Early repayment of liabilities	-371		-78	-449
Maturity/settlement	-68	-1	-66	-135
Transfers into Level 3	42		88	130
Transfers out of Level 3	-82		-55	-137
Changes in the composition of the group and other changes	7	1		8
Closing balance	**997**	**16**	**323**	**1,336**

Amounts recognised in profit and loss account during the year (Level 3)

2015	Held at balance sheet date	Dere-cognised during the year	Total
Financial assets			
Trading assets	146		146
Non-trading derivatives	-163		-163
Financial assets designated as at fair value through profit and loss	-55		-55
Available-for-sale investments	-34	64	30
	-106	**64**	**-42**
Financial liabilities			
Trading liabilities	120		120
Non-trading derivatives	-15		-15
Financial liabilities designated as at fair value through profit and loss	-83		-83
	22	**-**	**22**

Amounts recognised in profit and loss account during the year (Level 3)

2014	Held at balance sheet date	Dere-cognised during the year	Total
Financial assets			
Trading assets	-286	22	-264
Non-trading derivatives	131		131
Financial assets designated as at fair value through profit and loss	-67		-67
Available-for-sale investments	-70	31	-39
	-292	**53**	**-239**
Financial liabilities			
Trading liabilities	-54		-54
Non-trading derivatives	14		14
Financial liabilities designated as at fair value through profit and loss	-81		-81
	-121	**-**	**-121**

Recognition of unrealised gains and losses in Level 3

Amounts recognised in the profit and loss account relating to unrealised gains and losses during the year that relates to Level 3 assets and liabilities are included in the profit and loss account as follows:

- Results on trading assets and trading liabilities are included in Net trading income;
- Non-trading derivatives are included in Valuation results on non-trading derivatives;
- Financial assets and liabilities designated as at fair value through profit and loss are included in Valuation results on non-trading derivatives - Valuation results on assets and liabilities designated as at fair value through profit and loss (excluding trading);
- Changes in the fair value of Real estate investments are included in Investment income; and
- Impairments on Property in own use are included in Other operating expenses - Intangible amortisation and (reversals) of impairments.

Unrealised gains and losses recognised in Other comprehensive income that relate to Available-for-sale investments are included in the Revaluation reserve – Available-for-sale reserve and other. Unrealised gains and losses on Property in own use are also included in the Revaluation reserve – Property in own use reserve.

Level 3 Financial assets and liabilities

Financial assets measured at fair value in the balance sheet as at 31 December 2015 of EUR 225 billion includes an amount of EUR 2.3 billion (1.0%) which is classified as Level 3 (31 December 2014: EUR 1.8 billion, being 0.8%). Changes in Level 3 from 31 December 2014 to 31 December 2015 are disclosed above in the table 'Changes in Level 3 Financial assets'.

Financial liabilities measured at fair value in the balance sheet as at 31 December 2015 of EUR 106 billion includes an amount of EUR 1.4 billion (1.3%) which is classified as Level 3 (31 December 2014: EUR 1.3 billion, being 1.1%). Changes in Level 3 from 31 December 2014 to 31 December 2015 are disclosed above in the table 'Changes in Level 3 Financial liabilities'.

Financial assets and liabilities in Level 3 include both assets and liabilities for which the fair value was determined using valuation techniques that incorporate unobservable inputs and assets and liabilities for which the fair value was determined using quoted prices, but for which the market was not actively trading at or around the balance sheet date. Unobservable inputs are inputs which are based on ING's own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads. Fair values that are determined using valuation techniques using unobservable inputs are sensitive to the inputs used. Fair values that are determined using quoted prices are not sensitive to unobservable inputs, as the valuation is based on unadjusted external price quotes. These are classified in Level 3 as a result of the illiquidity in the relevant market, but are not significantly sensitive to ING's own unobservable inputs.

Of the total amount of financial assets classified as Level 3 as at 31 December 2015 of EUR 2.3 billion (31 December 2014: EUR 1.8 billion), an amount of EUR 0.9 billion (39%) (31 December 2014: EUR 0.8 billion, being 50%) is based on unadjusted quoted prices in inactive markets. As ING does not generally adjust quoted prices using its own inputs, there is no significant sensitivity to ING's own unobservable inputs.

Furthermore, Level 3 financial assets includes approximately EUR 0.3 billion (31 December 2014: EUR 0.1 billion) which relates to financial assets that are part of structures that are designed to be fully neutral in terms of market risk. Such structures include various financial assets and liabilities for which the overall sensitivity to market risk is insignificant. Whereas the fair value of individual components of these structures may be determined using different techniques and the fair value of each of the components of these structures may be sensitive to unobservable inputs, the overall sensitivity is by design not significant.

The remaining EUR 1.1 billion (31 December 2014: EUR 0.9 billion) of the fair value classified in Level 3 financial assets is established using valuation techniques that incorporates certain inputs that are unobservable. This relates mainly to assets that are classified as Available-for-sale investments, for which changes in fair value are recognised in shareholders' equity and do not directly impact profit and loss.

Of the total amount of financial liabilities classified as Level 3 as at 31 December 2015 of EUR 1.4 billion (31 December 2014: EUR 1.3 billion), an amount of EUR 0.7 billion (50%) (31 December 2014: EUR 0.7 billion, being 54%) is based on unadjusted quoted prices in inactive markets. As ING does not generally adjust quoted prices using its own inputs, there is no significant sensitivity to ING's own unobservable inputs.

Furthermore, Level 3 financial liabilities includes approximately EUR 0.2 billion (31 December 2014: EUR 0.2 billion) which relates to financial liabilities that are part of structures that are designed to be fully neutral in terms of market risk. As explained above, the fair value of each of the components of these structures may be sensitive to unobservable inputs, but the overall sensitivity is by design not significant.

The remaining EUR 0.5 billion (31 December 2014: EUR 0.4 billion) of the fair value classified in Level 3 financial liabilities is established using valuation techniques that incorporates certain inputs that are unobservable.

The table below provides a summary of the valuation techniques, key unobservable inputs and the lower and upper range of such unobservable inputs, by type of Level 3 asset/liability. The lower and upper range mentioned in the overview represent the lowest and highest variance of the respective valuation input as actually used in the valuation of the different financial instruments. Amounts and percentages stated are unweighted. The range could change from period to period subject to market movements and change in Level 3 position. Lower and upper bounds reflect the variability of Level 3 positions and their underlying valuation inputs in the portfolio, but do not adequately reflect their level of valuation uncertainty. For valuation uncertainty assessment, please refer to section below 'Sensitivity analysis of unobservable inputs (Level 3)'.

Valuation techniques and range of unobservable inputs (Level 3)

2015	Assets	Liabilities	Valuation techniques	Significant unobservable inputs	Lower range	Upper range
At fair value through profit and loss						
Debt securities	72		Price based	Price (%)	1%	115%
			Net asset value	Price (%)	15%	33%
Loans and advances	356	7	Price based	Price (%)	0%	100%
			Present value techniques	Credit spread (bps)	130	135
Structured notes		198	Price based	Price (%)	0%	111%
			Net asset value	Price (%)	33%	33%
			Option pricing model	Equity volatility (%)	10%	109%
				Equity/Equity correlation	0.6	0.9
				Equity/FX correlation	-0.5	0.3
				Dividend yield (%)	1%	5%
				Interest rate volatility (%)	n.a	n.a
			Present value techniques	Implied correlation	0.7	0.9
Derivatives						
- Rates	480	602	Option pricing model	Interest rate volatility (%)	21%	93%
				Interest rate correlation	0.9	0.9
				IR/INF correlation	0.5	0.5
			Present value techniques	Reset spread (%)	3%	3%
				Prepayment rate (%)	5%	5%
				Inflation rate (%)	2%	4%
- FX	412	359	Present value techniques	Inflation rate (%)	1%	3%
- Credit	42	50	Present value techniques	Credit spread (bps)	3	16,704
				Implied correlation	0.6	1.0
				Jump rate (%)	12%	12%
- Equity	289	222	Option pricing model	Equity volatility (%)	0%	136%
				Equity/Equity correlation	-0.1	1.0
				Equity/FX correlation	-1.0	1.0
				Dividend yield (%)	0%	13%
- Other	1		Option pricing model	Commodity volatility	17.0	82.0
				Com/Com correlation	0.3	1.0
				Com/FX correlation	-0.8	0.6
Available for sale						
- Debt	63		Price based	Price (%)	0%	98%
			Present value techniques	Credit spread (bps)	204	400
				Weighted average life (yr)	1.6	3.3
- Equity	630		Discounted cash flow	Financial Statements	n.a	n.a
			Multiplier method	Observable market factors	n.a	n.a
			Comparable transactions		n.a	n.a
Total	**2,345**	**1,438**				

Included in the table above, are EUR 103 million Voya warrants and EUR 58 million NN Group warrants which are classified as Level 3 instruments. Reference is made to Note 4 'Financial assets at fair value through profit and loss'.

Valuation techniques and range of unobservable inputs (Level 3)

2014	Assets	Liabilities	Valuation techniques	Significant unobservable inputs	Lower range	Upper range
At fair value through profit and loss						
Debt securities	161	5	Price based	Price (%)	0%	114%
			Net asset value	Price (%)	59%	101%
Loans and advances	55	12	Price based	Price (%)	0%	100%
Structured notes		323	Price based	Price (%)	0%	115%
			Net asset value	Price (%)	100%	100%
			Option pricing model	Equity volatility (%)	17%	94%
				Equity/Equity correlation	0.0	0.8
				Equity/FX correlation	-0.8	0.2
				Dividend yield (%)	0%	9%
				Interest rate volatility (%)	18%	58%
			Present value techniques	Implied correlation	0.7	0.9
Derivatives						
- Rates	375	471	Option pricing model	Interest rate volatility (%)	18%	58%
				Interest rate correlation	0.9	0.9
				IR/INF correlation	0.5	0.5
			Present value techniques	Reset spread	3%	3%
				Inflation rate (%)	1%	3%
- FX	306	258	Present value techniques	Inflation rate (%)	0%	2%
- Credit	43	45	Present value techniques	Credit spread (bps)	1	1,362
				Implied correlation	0.6	1.0
- Equity	264	221	Option pricing model	Equity volatility (%)	0%	107%
				Equity/Equity correlation	-0.1	1.0
				Equity/FX correlation	-1.0	1.0
				Dividend yield (%)	0%	23%
- Other	6	1	Option pricing model	Commodity volatility	9%	75%
				Com/Com correlation	0.0	0.9
				Com/FX correlation	-0.8	0.7
Available for sale						
- Debt	78		Price based	Price (%)	3%	100%
			Present value techniques	Credit spread (bps)	97	300
- Equity	495		Discounted cash flow	Financial Statements	n.a	n.a
			Multiplier method	Observable market factors	n.a	n.a
			Comparable transactions		n.a	n.a
Total	**1,783**	**1,336**				

Included in the table above, are EUR 180 million Voya warrants which are classified as Level 3 instruments. Reference is made to Note 4 'Financial assets at fair value through profit and loss'.

Non-listed equity investments

Level 3 equity securities mainly include corporate investments, fund investments, real estate positions and other equity securities which are not traded in active markets. In the absence of an active market, fair values are estimated on the basis of the analysis of fund managers reports, company's financial position, future prospects and other factors, considering valuations of similar positions or by the reference to acquisition cost of the position. For equity securities best market practice will be applied using the most relevant valuation method.

All non-listed equity investments, including investments in private equity funds, are subject to a standard review framework which ensures that valuations reflect fair values.

Price
For securities where market prices are not available fair value is measured by comparison with observable pricing data from similar instruments. Prices of 0% are distressed to the point that no recovery is expected, while prices significantly in excess of 100% or par are expected to pay a good yield.

Credit spreads
Credit spread is the premium above a benchmark interest rate, typically LIBOR or relevant Treasury instrument, required by the market participant to accept a lower credit quality. Higher credit spreads indicate lower credit quality and a lower value of an asset.

Volatility
Volatility is a measure for variation of the price of a financial instrument or other valuation input over time. Volatility is one of the key inputs in option pricing models. Typically, the higher the volatility, the higher value of the option. Volatility varies by the underlying reference (equity, commodity, foreign currency and interest rates), by strike and maturity of the option. The minimum level of volatility is 0% and there is no theoretical maximum.

Correlation
Correlation is a measure of dependence between two underlying references which is relevant in derivatives and other instruments which have more than one underlying reference. For example, correlation between underlying equity names may be a relevant input parameter for basket equity option pricing models. High positive correlation (close to 1) indicates strong positive relationship between underlyings, implying they typically move in the same direction. High negative correlation, on the other hand, implies that underlyings typically move in opposite directions.

Interest rates
Prepayment rate and reset spread are key inputs to mortgage linked prepayments swaps valuation. Prepayment rate is the estimated rate at which mortgage borrowers will repay their mortgages early, e.g. 5% per year. Reset spread is the future spread at which mortgages will re-price at interest rate reset dates.

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

Dividend yield
Dividend yield is an important input for equity option pricing models showing how much dividends a company pays out each year relative to its share price. Dividend yields are generally expressed as an annualised percentage of share price.

Sensitivity analysis of unobservable inputs (Level 3)
Where the fair value of a financial instrument is determined using inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument the actual value of those inputs at the balance date may be drawn from a range of reasonably possible alternatives. In line with market practice the upper and lower bounds of the range of alternative input values reflect a 90% level of valuation certainty. The actual levels chosen for the unobservable inputs in preparing the financial statements are consistent with the valuation methodology used for fair valued financial instruments.

If ING had used input values from the upper and lower bound of this range of reasonable possible alternative input values when valuing these instruments as of 31 December 2015, then the impact would have been higher or lower as indicated below. The purpose of this disclosure is to present the possible impact of a change of unobservable inputs in the fair value of financial instruments where unobservable inputs are significant to the valuation.

As ING has chosen to apply a 90% confidence level already for its IFRS-EU valuation of fair valued financial instruments as of end of 2014, the downward valuation uncertainty has become immaterial, whereas the potential upward valuation uncertainty, reflecting a potential profit, has increased. Specifically for the AFS Equity positions the upward valuation uncertainty decreased.

For more detail on the valuation of fair valued instruments, refer to the section 'Risk Management – Market risk', paragraph Fair values of financial assets and liabilities in this document.

Valuation uncertainty in practice is measured and managed per exposure to individual valuation inputs (i.e. risk factors) at portfolio level across different product categories. Where the disclosure looks at individual Level 3 inputs the actual valuation adjustments may also reflect the benefits of portfolio offsets.

Because of the approach taken, the valuation uncertainty in the table below is broken down by related risk class rather than by product.

In reality some valuation inputs are interrelated and it would be unlikely that all unobservable inputs would ever be simultaneously at the limits of their respective ranges of reasonably possible alternatives. Therefore it can be assumed that the estimates in the table below show a greater fair value uncertainty than the realistic position at year end.

Also, this disclosure does not attempt to indicate or predict future fair value move. The numbers in isolation give limited information as in most cases these Level 3 assets and liabilities should be seen in combination with other instruments (for example as a hedge) that are classified as Level 2.

Sensitivity analysis of Level 3 instruments

2015	Positive fair value movements from using reasonable possible alternatives	Negative fair value movements from using reasonable possible alternatives
Fair value through profit and loss		
Equity (equity derivatives, structured notes)	246	
Interest rates (Rates derivatives, FX derivatives)	83	
Credit (Debt securities, Loans, structured notes, credit derivatives)	39	
Available-for-sale		
Equity	9	14
Debt	15	
	392	**14**

Sensitivity analysis of Level 3 instruments

2014	Positive fair value movements from using reasonable possible alternatives	Negative fair value movements from using reasonable possible alternatives
Fair value through profit and loss		
Equity (equity derivatives, structured notes)	160	
Interest rates (Rates derivatives, FX derivatives)	115	
Credit (Debt securities, Loans, structured notes, credit derivatives)	21	
Available-for-sale		
Equity	19	28
Debt	11	
	326	**28**

Asset backed security portfolio

Fair value hierarchy of certain ABS bonds

2015	Level 1	Level 2	Level 3	Total
US Subprime RMBS		4		4
US Alt-A RMBS		32		32
CDO/CLOs			5	5
CMBS		129		129
Total	**–**	**165**	**5**	**170**

Fair value hierarchy of certain ABS bonds				
2014	Level 1	Level 2	Level 3	Total
US Subprime RMBS		14		14
US Alt-A RMBS		45		45
CDO/CLOs			12	12
CMBS		12		12
Total	–	**71**	**12**	**83**

Other financial instruments

The fair values of the financial instruments carried at amortised cost in the balance sheet, but for which fair values are disclosed are determined as follows:

Methods applied in determining fair values of financial assets and liabilities (carried at amortised cost)				
2015	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and balances with central banks	21,458			21,458
Amounts due from banks	5,197	12,572	12,363	30,132
Held-to-maturity investments	5,739	1,951	165	7,855
Loans and advances to customers	4,793	16,703	526,811	548,307
	37,187	**31,226**	**539,339**	**607,752**
Financial liabilities				
Subordinated loans	6,697		347	7,044
Debt securities in issue	56,768	21,316	43,686	121,770
Other borrowed funds	9,040	183		9,223
Amounts due to banks	7,199	19,097	8,038	34,334
Customer deposits and other funds on deposit	405,789	39,633	55,947	501,369
	485,493	**80,229**	**108,018**	**673,740**

In 2015, the increase in Held-to-maturity investments (Level 1) is mainly as a result of the reclassification of Government bonds (EUR 3.5 billion from Available-for-sale investments.

Methods applied in determining fair values of financial assets and liabilities (carried at amortised cost)				
2014	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and balances with central banks	12,233			12,233
Amounts due from banks	4,605	22,744	9,871	37,220
Held-to-maturity investments	580	1,615	82	2,277
Loans and advances to customers	4,060	29,127	496,004	529,191
	21,478	**53,486**	**505,957**	**580,921**
Financial liabilities				
Subordinated loans	6,008		685	6,693
Debt securities in issue	55,042	31,563	40,716	127,321
Other borrowed funds	11,114	101	82	11,297
Amounts due to banks	4,643	17,777	8,264	30,684
Customer deposits and other funds on deposit	387,482	41,752	55,685	484,919
	464,289	**91,193**	**105,432**	**660,914**

b) Non-financial assets and liabilities

In addition to financial assets and liabilities, the following table presents the estimated fair values of ING Group's non-financial assets and liabilities that are measured at fair value in the balance sheet. Reference is made to Note 1 'Accounting policies' in the sections 'Real estate investments' and 'Property in own use' for the methods and assumptions used by ING Group to estimate the fair value of the non-financial assets.

Fair value of non-financial assets

2015	Estimated fair value	Balance sheet value
Real estate investments	77	77
Property in own use	982	982
	1,059	**1,059**

Fair value of non-financial assets

2014	Estimated fair value	Balance sheet value
Real estate investments	80	80
Property in own use	1,020	1,020
	1,100	**1,100**

The fair values of the non-financial assets carried at fair value were determined as follows:

Methods applied in determining fair values of non-financial assets

2015	Level 1	Level 2	Level 3	Total
Real estate investments			77	77
Property in own use			982	982
	–	**–**	**1,059**	**1,059**

Methods applied in determining fair values of non-financial assets

2014	Level 1	Level 2	Level 3	Total
Real estate investments			80	80
Property in own use			1,020	1,020
	–	**–**	**1,100**	**1,100**

Changes in Level 3 non-financial assets

2015	Real estate invest-ments	Property in own use	Total non-financial assets
Opening balance	80	1,020	1,100
Amounts recognised in the profit and loss account during the year		–19	–19
Revaluation recognised in equity during the year		32	32
Purchase of assets		10	10
Sale of assets	–2	–60	–62
Reclassifications	–1	5	4
Exchange rate differences		–6	–6
Closing balance	**77**	**982**	**1,059**

Changes in Level 3 non-financial assets

2014	Real estate invest-ments	Property in own use	Total non-financial assets
Opening balance	1,046	1,243	2,289
Amounts recognised in the profit and loss account during the year	3	-80	-77
Revaluation recognised in equity during the year		-27	-27
Purchase of assets	322	64	386
Sale of assets	-192	-27	-219
Reclassifications	20	-26	-6
Exchange rate differences		1	1
Changes in the composition of the group and other changes	-1,119	-128	-1,247
Closing balance	**80**	**1,020**	**1,100**

Amounts recognised in the profit and loss account during the year (Level 3)

2015	Held at balance sheet date	Dere-cognised during the year	Total
Non-financial assets			
Property in own use	-19		-19
	-19	**-**	**-19**

Amounts recognised in the profit and loss account during the year (Level 3)

2014	Held at balance sheet date	Dere-cognised during the year	Total
Non-financial assets			
Real estate investments	3		3
Property in own use	-58	-22	-80
	-55	**-22**	**-77**

41 Derivatives and hedge accounting

Use of derivatives and hedge accounting

As described in the sections 'Risk management – Credit risk and Market risk', ING Group uses derivatives (principally interest rate swaps and cross currency interest rate swaps) for economic hedging purposes in the management of its asset and liability portfolios and structural positions. The objective of economic hedging is to enter into positions with an opposite risk profile to an identified exposure to reduce that exposure. The impact of ING Group's hedging activities is to optimise the overall cost to the Group of accessing debt capital markets and to mitigate the market risk which would otherwise arise from structural imbalances in the duration and other profiles of its assets and liabilities. In addition, hedging activities are undertaken to hedge against the interest rate risk in the mortgage offer period in relation to retail mortgages and to lock in the interest margin in relation to interest bearing assets and the related funding.

The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and whether the hedge qualifies under the IFRS-EU hedge accounting rules. Derivatives that qualify for hedge accounting under IFRS-EU are classified and accounted for in accordance with the nature of the instrument hedged and the type of IFRS-EU hedge model that is applicable. The three models applicable under IFRS-EU are: fair value hedge accounting, cash flow hedge accounting and net investment hedge accounting. These are described under the relevant headings below. The company's detailed accounting policies for these three hedge models are set out in Note 1 'Accounting policies' in the section 'Principles of valuation and determination of results'.

To qualify for hedge accounting under IFRS-EU, strict criteria must be met. Certain hedges that are economically effective from a risk management perspective do not qualify for hedge accounting under IFRS-EU. The fair value changes of derivatives relating to such non-qualifying hedges are taken to the profit and loss account. However, in certain cases, the Group mitigates the profit and loss account volatility by designating hedged assets and liabilities at fair value through profit and loss. If hedge accounting is applied under IFRS-EU, it is possible that during the hedge a hedge relationship no longer qualifies for hedge accounting and hedge accounting cannot be continued, even if the hedge remains economically effective. As a result, the volatility arising from undertaking economic hedging in the profit and loss account may be higher than would be expected from an economic point of view.

With respect to exchange rate and interest rate derivative contracts, the notional or contractual amount of these instruments is indicative of the nominal value of transactions outstanding at the balance sheet date; however they do not represent amounts at risk. ING Group uses credit derivatives to manage its exposure to credit risk, including total return swaps and credit default swaps, to sell or buy protection for credit risk exposures in the loan, investment and trading portfolios. Hedge accounting is not applied in relation to credit derivatives.

Fair value hedge accounting

ING Group's fair value hedges principally consist of interest rate swaps and cross-currency interest rate swaps that are used to protect against changes in the fair value of fixed-rate instruments due to movements in market interest rates.

Gains and losses on derivatives designated under fair value hedge accounting are recognised in the profit and loss account. The effective portion of the fair value change on the hedged item is also recognised in the profit and loss account. As a result, only the net accounting ineffectiveness has an impact on the net result.

For the year ended 31 December 2015, ING Group recognised EUR 1,243 million (2014: EUR –486 million) of fair value changes on derivatives designated under fair value hedge accounting in the profit and loss account. This amount was partly offset by EUR –1,229 million (2014: EUR 536 million) fair value changes recognised on hedged items. This resulted in EUR 14 million (2014: EUR 50 million) net accounting ineffectiveness recognised in the profit and loss account. As at 31 December 2015, the fair values of outstanding derivatives designated under fair value hedge accounting was EUR –1,401 million (2014: EUR –1,987 million), presented in the balance sheet as EUR 1,010 million (2014: EUR 1,223 million) positive fair values under assets and EUR 2,411 million (2014: EUR 3,210 million) negative fair values under liabilities.

ING Group applies fair value hedge accounting for portfolio hedges of interest rate risk (macro hedging) under the EU 'carve out' of IFRS-EU. The EU 'carve-out' for macro hedging enables a group of derivatives (or proportions) to be viewed in combination and jointly designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies. Under the IFRS-EU 'carve-out', hedge accounting may be applied to core deposits and ineffectiveness only arises when the revised estimate of the amount of cash flows in scheduled time buckets falls below the designated amount of that bucket. ING Group applies the IFRS-EU 'carve-out' to its retail operations in which the net exposure of retail funding (savings and current accounts) and retail lending (mortgages) is hedged. The hedging activities are designated under a portfolio fair value hedge on the mortgages, using the IFRS-EU provisions.

Cash flow hedge accounting

ING Group's cash flow hedges principally consist of (forward) interest rate swaps and cross-currency interest rate swaps that are used to protect against its exposure to variability in future interest cash flows on non-trading assets and liabilities that bear interest at variable rates or are expected to be refunded or reinvested in the future. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities, based on contractual terms and other relevant factors including estimates of prepayments and defaults. The aggregate principal balances and interest cash flows for the respective portfolios form the basis for identifying the notional amount subject to interest rate risk that is designated under cash flow hedge accounting.

Gains and losses on the effective portions of derivatives designated under cash flow hedge accounting are recognised in Shareholders' equity. Interest cash flows on these derivatives are recognised in the profit and loss account in interest result consistent with the manner in which the forecast cash flows affect net result. The gains and losses on ineffective portions of such derivatives are recognised immediately in the profit and loss account.

For the year ended 31 December 2015, ING Group recognised EUR –65 million (2014: EUR 2,001 million) after tax in equity as effective fair value changes on derivatives under cash flow hedge accounting. The balance of the cash flow hedge reserve in equity as at 31 December 2015 was EUR 859 million (2014: EUR 5,469 million) gross and EUR 666 million (2014: EUR 3,877 million) after deferred tax. This cash flow hedge reserve will fluctuate with the fair value changes of the underlying derivatives and will be reflected in the profit and loss account under Interest income/expense over the remaining term of the underlying hedged items. The cash flow hedge reserve relates to a large number of derivatives and hedged items with varying maturities, up to 29 years, with the largest concentrations in the range of 4 to 5 years. Accounting ineffectiveness on derivatives designated under cash flow hedge accounting resulted in a gain of EUR 31 million (2014: EUR 35 million gain) which was recognised in the profit and loss account.

As at 31 December 2015, the fair value of outstanding derivatives designated under cash flow hedge accounting was EUR –250 million (2014: EUR –409 million), presented in the balance sheet as EUR 917 million (2014: EUR 1,254 million) positive fair values under assets and EUR 1,167 million (2014: EUR 1,663 million) negative fair values under liabilities.

As at 31 December 2015, the fair value of outstanding non-derivatives designated as hedging instruments for cash flow hedge accounting purposes was nil (2014: nil).

Included in Interest income and interest expense on non-trading derivatives is EUR 2,876 million (2014: EUR 2,644 million) and EUR 2,475 million (2014: EUR 2,261 million), respectively, relating to derivatives used in cash flow hedges.

Hedges of net investments in foreign operations

ING Group's net investment hedges principally consist of derivatives (including currency forwards and swaps) and non-derivative financial instruments such as foreign currency denominated funding that are used to protect against foreign currency exposures on foreign subsidiaries.

Gains and losses on the effective portions of derivatives designated under net investment hedge accounting are recognised in Shareholders' equity. The balance in equity is recognised in the profit and loss account when the related foreign subsidiary is disposed. The gains and losses on ineffective portions are recognised immediately in the profit and loss account.

As at 31 December 2015, the fair value of outstanding derivatives designated under net investment hedge accounting was EUR 20 million (2014: EUR 11 million), presented in the balance sheet as EUR 72 million (2014: EUR 111 million) positive fair values under assets and EUR 52 million (2014: EUR 100 million) negative fair values under liabilities.

As at 31 December 2015, the fair value of outstanding non-derivatives designated under net investment hedge accounting was EUR 1,288 million (2014: EUR 1,306 million).

Accounting ineffectiveness recognised in the profit and loss account for the year ended 31 December 2015 on derivatives and non-derivatives designated under net investment hedge accounting was nil (2014: nil).

42 Assets by contractual maturity

Amounts presented in these tables by contractual maturity are the amounts as presented in the balance sheet. Reference is made to the section 'Risk Management – Funding and liquidity risk'.

Assets by contractual maturity

2015	Less than 1 month[1]	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Cash and balances with central banks	21,458						21,458
Amounts due from banks	16,228	4,141	5,152	3,502	965		29,988
Financial assets at fair value through profit and loss							
– trading assets	53,181	19,042	17,244	19,845	22,155		131,467
– non-trading derivatives	7	63	253	787	2,237		3,347
– designated as at fair value through profit and loss	256	963	1,112	540	363		3,234
Investments							
– available-for-sale	1,187	1,532	7,622	37,648	34,577	4,434	87,000
– held-to-maturity	1	249	12	5,456	2,108		7,826
Loans and advances to customers	56,318	14,457	37,665	153,002	275,901		537,343
Intangible assets			189	378		1,000	1,567
Assets held for sale[2]						2,153	2,153
Other assets	7,025	1,802	2,714	337	1,442		13,320
Remaining assets (for which maturities are not applicable)[3]						3,066	3,066
Total assets	**155,661**	**42,249**	**71,963**	**221,495**	**339,748**	**10,653**	**841,769**

1 Includes assets on demand.

2 Assets held for sale consist of the assets of the disposal groups classified as held for sale as disclosed in Note 11 'Assets and liabilities held for sale'. For these assets and liabilities, the underlying contractual maturities are no longer relevant for ING. For businesses for which a binding sale agreement exists, all related assets and liabilities held for sale are classified in accordance with the agreed or expected closing date. For other businesses, for which no sale agreement exists, assets and liabilities held for sale are included in 'Maturity not applicable'.

3 Included in remaining assets for which maturities are not applicable are property and equipment, real estate investments and investments in associates. Due to their nature remaining assets consist mainly of assets expected to be recovered after more than 12 months.

Assets by contractual maturity

2014	Less than 1 month[1]	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Cash and balances with central banks	12,233						12,233
Amounts due from banks	20,863	6,754	4,581	4,313	608		37,119
Financial assets at fair value through profit and loss							
– trading assets	47,925	17,676	21,458	22,836	27,064		136,959
– non-trading derivatives	124	137	198	1,142	2,783		4,384
– designated as at fair value through profit and loss	655	580	736	449	336		2,756
Investments							
– available-for-sale	1,246	3,501	6,394	38,482	43,060	2,719	95,402
– held-to-maturity	90	883	251	658	357		2,239
Loans and advances to customers	60,470	14,648	33,204	135,054	274,102		517,478
Intangible assets			191	383		1,081	1,655
Assets held for sale[2]						165,532	165,532
Other assets	6,923	1,551	3,108	951	1,433		13,966
Remaining assets (for which maturities are not applicable)[3]						3,133	3,133
Total assets	**150,529**	**45,730**	**70,121**	**204,268**	**349,743**	**172,465**	**992,856**

1 Includes assets on demand.
2 Assets held for sale consist of the assets of the disposal groups classified as held for sale as disclosed in Note 11 'Assets and liabilities held for sale'. For these assets and liabilities, the underlying contractual maturities are no longer relevant for ING. For businesses for which a binding sale agreement exists, all related assets and liabilities held for sale are classified in accordance with the agreed or expected closing date. For other businesses, for which no sale agreement exists, assets and liabilities held for sale are included in 'Maturity not applicable'.
3 Included in remaining assets for which maturities are not applicable are property and equipment, real estate investments and investments in associates. Due to their nature remaining assets consist mainly of assets expected to be recovered after more than 12 months.

43 Liabilities by maturity

The tables below include all financial liabilities by maturity based on contractual, undiscounted cash flows. Furthermore, the undiscounted future coupon interest on financial liabilities payable is included in a separate line and in the relevant maturity bucket. Derivative liabilities are included on a net basis if cash flows are settled net. For other derivative liabilities the contractual gross cash flow payable is included.

Non-financial liabilities are included based on a breakdown of the balance sheet amounts by expected maturity. Reference is made to the liquidity risk paragraph in the section 'Risk Management – Funding and liquidity risk' for a description on how liquidity risk is managed.

Liabilities by maturity

2015	Less than 1 month[1]	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Adjust-ment[2]	Total
Subordinated loans			338			6,927		7,265
Debt securities in issue	8,772	25,308	17,133	44,228	22,927		2,921	121,289
Other borrowed funds				117	8,602		427	9,146
Amounts due to banks	14,840	1,094	2,370	11,021	4,488			33,813
Customer deposits and other funds on deposit	444,421	23,375	21,600	8,892	2,462		27	500,777
Financial liabilities at fair value through profit and loss								
- other trading liabilities	35,168	6,806	800	1,645	2,703		782	47,904
- trading derivatives	2,471	2,580	7,983	16,314	17,232		-5,677	40,903
- non-trading derivatives	431	129	808	2,151	134		604	4,257
- designated as at fair value through profit and loss	207	452	1,374	4,835	6,089		-341	12,616
Financial liabilities	**506,310**	**59,744**	**52,406**	**89,203**	**64,637**	**6,927**	**-1,257**	**777,970**
Liabilities held for sale[3]								
Other liabilities	6,815	2,030	4,591	730	1,163			15,329
Non-financial liabilities	**6,815**	**2,030**	**4,591**	**730**	**1,163**	**-**	**-**	**15,329**
Total liabilities	**513,125**	**61,774**	**56,997**	**89,933**	**65,800**	**6,927**	**-1,257**	**793,299**
Coupon interest due on financial liabilities[4]	3,033	1,482	4,595	13,892	8,798			31,800

1 Includes liabilities on demand.
2 This column reconciles the contractual undiscounted cash flows on financial liabilities to the balance sheet values. The adjustments mainly relate to the impact of discounting, and for derivatives, to the fact the contractual cash flows are presented on a gross basis (unless the cash flows are actually settled net).
3 Liabilities held for sale consist of the liabilities of the disposal groups classified as held for sale as disclosed in Note 11 'Assets and liabilities held for sale'. For these assets and liabilities, the underlying contractual maturities are no longer relevant for ING. For businesses for which a binding sale agreement exists, all related assets and liabilities held for sale are classified in accordance with the agreed or expected closing date. For other businesses, for which no sale agreement exists, assets and liabilities held for sale are included in 'Maturity not applicable'.
4 As of 2015, Coupon interest due on financial liabilities no longer includes coupon interest due on perpetual loans.

Liabilities by maturity

2014	Less than 1 month[1]	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable[4]	Adjust-ment[2]	Total
Subordinated loans			338	338		6,185		6,861
Debt securities in issue	3,304	26,487	23,809	43,971	25,297		3,484	126,352
Other borrowed funds			889	860	9,060		488	11,297
Amounts due to banks	15,058	1,984	1,490	7,180	4,287			29,999
Customer deposits and other funds on deposit	424,283	27,995	23,806	5,344	2,405		38	483,871
Financial liabilities at fair value through profit and loss								
- other trading liabilities	33,361	6,746	2,503	1,789	3,492		1,181	49,072
- trading derivatives	3,330	3,300	8,119	18,897	18,796		-4,423	48,019
- non-trading derivatives	156	171	1,101	3,283	1,975		-646	6,040
- designated as at fair value through profit and loss	368	549	1,250	5,110	5,979		295	13,551
Financial liabilities	**479,860**	**67,232**	**63,305**	**86,772**	**71,291**	**6,185**	**417**	**775,062**
Liabilities held for sale[3]						142,132		142,132
Other liabilities[4]	6,825	1,960	4,365	1,393	1,442	261		16,246
Non-financial liabilities	**6,825**	**1,960**	**4,365**	**1,393**	**1,442**	**142,393**	**-**	**158,378**
Total liabilities	**486,685**	**69,192**	**67,670**	**88,165**	**72,733**	**148,578**	**417**	**933,440**
Coupon interest due on financial liabilities[5]	976	1,139	4,155	11,874	7,917			26,061

1 Includes liabilities on demand.
2 This column reconciles the contractual undiscounted cash flows on financial liabilities to the balance sheet values. The adjustments mainly relate to the impact of discounting, and for derivatives, to the fact the contractual cash flows are presented on a gross basis (unless the cash flows are actually settled net).
3 Liabilities held for sale consist of the liabilities of the disposal groups classified as held for sale as disclosed in Note 11 'Assets and liabilities held for sale'. For these assets and liabilities, the underlying contractual maturities are no longer relevant for ING. For businesses for which a binding sale agreement exists, all related assets and liabilities held for sale are classified in accordance with the agreed or expected closing date. For other businesses, for which no sale agreement exists, assets and liabilities held for sale are included in 'Maturity not applicable'.
4 Other liabilities is adjusted by EUR 920 million as a result of the change in the accounting approach for the NN Group Anchor investment transaction. Reference is made to Note 1 'Accounting policies' - Change in accounting approach NN Group Anchor investment transaction.
5 As of 2015, Coupon interest due on financial liabilities no longer includes coupon interest due on perpetual loans. Comparative amounts are adjusted accordingly.

44 Assets not freely disposable

The assets not freely disposable consist primarily of Loans and advances to customers pledged to secure Debt securities in issue, deposits from De Nederlandsche Bank (the Dutch Central Bank) and other banks and serve to secure margin accounts and are used for other purposes required by law. The assets not freely disposable are as follows:

Assets not freely disposable[1]

	2015	2014
Investments	726	723
Financial assets at fair value through profit and loss	550	
Loans and advances to customers	74,506	71,637
Banks		
- Cash and balances with central banks	1,899	3,588
- Amounts due from banks	7,806	6,967
Other assets	675	767
	86,162	**83,682**

1 Excludes assets classified as held for sale (2015: NN Group; 2014: mainly NN Group with remainder Voya and ING Vysya)

In some jurisdictions ING Bank N.V. has an obligation to maintain a reserve with central banks. As at 31 December 2015, the minimum mandatory reserve deposits with various central banks amount to EUR 8,922 million (2014: EUR 8,185 million).

Loans and advances to customers that have been pledged as collateral for Debt securities in issue and for liquidity purposes, amount in the Netherlands to EUR 53 billion (2014: EUR 52 billion), in Germany to EUR 13 billion (2014: EUR 13 billion), in Belgium EUR 5 billion (2014: EUR 4 billion) and in Australia to EUR 3 billion (2014: EUR 3 billion).

The table does not include assets relating to securities lending as well as sale and repurchase transactions. Reference is made to Note 45 'Transfer of financial assets'.

45 Transfer of financial assets

The majority of ING's financial assets that have been transferred, but do not qualify for derecognition are debt instruments used in securities lending or sale and repurchase transactions. Reference is made to Note 51 'Structured entities'.

Transfer of financial assets not qualifying for derecognition

	Securities lending		Sale and repurchase	
2015	Equity	Debt	Equity	Debt
Transferred assets at carrying amount				
Amounts due from banks				18
Financial assets at fair value through profit and loss			4,339	7,892
Investments				2,502
Associated liabilities at carrying amount				
Amounts due to banks	n.a	n.a		
Customer deposits and other funds on deposit	n.a	n.a		
Financial liabilities at fair value through profit and loss			4,384	3,966

The table above includes the associated liabilities which are reported after offsetting, compared to the gross positions of the encumbered assets.

Transfer of financial assets not qualifying for derecognition

	Securities lending		Sale and repurchase	
2014	Equity	Debt	Equity	Debt
Transferred assets at carrying amount				
Financial assets at fair value through profit and loss	2,202	22	6,465	3,684
Investments				3,594
Associated liabilities at carrying amount				
Amounts due to banks	n.a	n.a		
Customer deposits and other funds on deposit	n.a	n.a		
Financial liabilities at fair value through profit and loss	2,202	22	6,414	6,422

Included in the tables above, are the carrying amounts of transferred assets under repurchase agreements and securities lending that do not qualify for derecognition.

The tables above do not include assets transferred to consolidated securitisation entities as the related assets remain recognised in the consolidated balance sheet.

Transfer of financial assets that qualified for derecognition

In 2014, ING sold financial assets (mortgages) for an amount of approximately EUR 990 million in the Australian market. The transaction resulted in full derecognition of the financial assets from ING's balance sheet. This equated to a profit of EUR 17.5 million. Following this transfer, ING continues to have an on-going involvement in the transferred assets as servicer of the transferred assets for a term of four years.

In 2013, ING transferred financial assets (mortgages loans) for an amount of approximately EUR 2 billion to a newly established special purpose entity (SPE). The transaction resulted in full derecognition of the financial assets from ING's balance sheet. The derecognition did not have a significant impact on net result. Following this transfer ING continues to have two types of ongoing involvement in the transferred assets: as counterparty to the SPE of a non-standard interest rate swap and as servicer of the transferred assets. ING has an option to unwind the transaction by redeeming all notes at their principal outstanding amount, in the unlikely event of changes in accounting and/or regulatory requirements that significantly impact the transaction. The fair value of the swap as at 31 December 2015 amounted to EUR 1.3 million (2014: EUR 33.7 million); fair value changes on this swap recognised in the profit and loss account in 2015 were EUR –32.4 million (2014: EUR 28.6 million). Fee income recognised in the profit and loss account in 2015 amounted to nil (2014: EUR 0.5 million).

46 Offsetting financial assets and liabilities

The following tables include information about rights to offset and the related arrangements. The amounts included consist of all recognised financial instruments that are presented net in the balance sheet under the IFRS-EU offsetting requirements (legal right to offset and intention to net settle) and amounts presented gross in the balance sheet but subject to enforceable master netting arrangements or similar arrangement.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

2015		Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Related amounts not offset in the balance sheet: Cash and financial instruments received as collateral	Net amount
Balance sheet line item	**Financial instrument**						
Amounts due from banks	Reverse repurchase, securities borrowing and similar agreements	151		151		151	
	Other	3	-3				
		154	**-3**	**151**	**-**	**151**	**-**
Financial assets at fair value through profit and loss							
Trading assets	Derivatives	28,362	-815	27,547	25,204	104	2,239
	Reverse repurchase, securities borrowing and similar agreements	65,854	-22,569	43,285	242	31,260	11,783
		94,216	**-23,384**	**70,832**	**25,446**	**31,364**	**14,022**
Non-trading derivatives	Derivatives	70,226	-67,843	2,383	2,138	-3	248
		70,226	**-67,843**	**2,383**	**2,138**	**-3**	**248**
Loans and advances to customers	Reverse repurchase, securities borrowing and similar agreements	74		74	74		
	Other	172,530	-166,337	6,193		397	5,796
		172,604	**-166,337**	**6,267**	**74**	**397**	**5,796**
Other items where offsetting is applied in the balance sheet		3,576	-3,477	99	4		95
Impact of enforceable master netting arrangements or similar arrangements[1]	Derivatives				-7,104	3,791	3,313
		-	**-**	**-**	**-7,104**	**3,791**	**3,313**
Total financial assets		**340,776**	**-261,044**	**79,732**	**20,558**	**35,700**	**23,474**

1 The line 'Impact of enforceable master netting agreements or similar arrangements' contains derivative positions under the same master netting arrangements being presented in different balance sheet line items.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

2014		Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Related amounts not offset in the balance sheet: Cash and financial instruments received as collateral	Net amount
Balance sheet line item	**Financial instrument**						
Amounts due from banks	Reverse repurchase, securities borrowing and similar agreements	3,061		3,061	313	2,733	15
	Other	4	-3	1			1
		3,065	**-3**	**3,062**	**313**	**2,733**	**16**
Financial assets at fair value through profit and loss							
Trading assets	Derivatives	31,459	-907	30,552	26,359	1,644	2,549
	Reverse repurchase, securities borrowing and similar agreements	58,676	-18,860	39,816	543	30,395	8,878
	Other	1,905	-3	1,902			1,902
		92,040	**-19,770**	**72,270**	**26,902**	**32,039**	**13,329**
Non-trading derivatives	Derivatives	87,457	-85,024	2,433	2,159		274
		87,457	**-85,024**	**2,433**	**2,159**	**-**	**274**
Loans and advances to customers	Reverse repurchase, securities borrowing and similar agreements	925		925	300	625	
	Other	195,489	-188,629	6,860	1	657	6,202
		196,414	**-188,629**	**7,785**	**301**	**1,282**	**6,202**
Other items where offsetting is applied in the balance sheet		4,230	-4,002	228	52		176
Impact of enforceable master netting arrangements or similar arrangements[1]	Derivatives				-7,656	2,838	4,818
	Other				-15		15
		-	**-**	**-**	**-7,671**	**2,838**	**4,833**
Total financial assets		**383,206**	**-297,428**	**85,778**	**22,056**	**38,892**	**24,830**

1 The line 'Impact of enforceable master netting agreements or similar arrangements' contains derivative positions under the same master netting arrangements being presented in different balance sheet line items.

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

2015		Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Related amounts not offset in the balance sheet: Cash and financial instruments pledged as collateral	Net amount
Balance sheet line item	**Financial instrument**						
Amounts due to banks	Repurchase, securities lending and similar agreements	678		678		677	1
	Other	3	–3				
		681	**–3**	**678**	**–**	**677**	**1**
Customer deposits and other funds on deposit	Repurchase, securities lending and similar agreements	301		301	74	227	
	Corporate deposits	14,761	–10,486	4,275			4,275
	Other	166,768	–155,851	10,917			10,917
		181,830	**–166,337**	**15,493**	**74**	**227**	**15,192**
Financial liabilities at fair value through profit and loss							
Trading liabilities	Derivatives	31,317	–930	30,387	30,153	104	130
	Repurchase, securities lending and similar agreements	53,508	–22,569	30,939	242	18,436	12,261
		84,825	**–23,499**	**61,326**	**30,395**	**18,540**	**12,391**
Non-trading derivatives	Derivatives	72,562	–69,031	3,531	3,307	–236	460
Other items where offsetting is applied in the balance sheet		2,201	–2,174	27	25		2
Impact of enforceable master netting arrangements or similar arrangements[1]	Derivatives				–13,231	7,457	5,774
	Other				–12		12
		–	**–**	**–**	**–13,243**	**7,457**	**5,786**
Total financial liabilities		**342,099**	**–261,044**	**81,055**	**20,558**	**26,665**	**33,832**

1 The line 'Impact of enforceable master netting agreements or similar arrangements' contains derivative positions under the same master netting arrangements being presented in different balance sheet line items.

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

2014		Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Related amounts not offset in the balance sheet: Cash and financial instruments pledged as collateral	Net amount
Balance sheet line item	**Financial instrument**						
Amounts due to banks	Repurchase, securities lending and similar agreements	676		676	313	363	
	Other	4	-3	1			1
		680	**-3**	**677**	**313**	**363**	**1**
Customer deposits and other funds on deposit	Repurchase, securities lending and similar agreements	326		326	300	26	
	Corporate deposits	24,242	-20,450	3,792			3,792
	Other	180,250	-168,179	12,071		104	11,967
		204,818	**-188,629**	**16,189**	**300**	**130**	**15,759**
Financial liabilities at fair value through profit and loss							
Trading liabilities	Derivatives	33,568	-1,429	32,139	30,927	1,078	134
	Repurchase, securities lending and similar agreements	50,543	-18,860	31,683	543	20,374	10,766
	Other	3	-3				
		84,114	**-20,292**	**63,822**	**31,470**	**21,452**	**10,900**
Non-trading derivatives	Derivatives	90,593	-87,154	3,439	3,013	249	177
Other items where offsetting is applied in the balance sheet		1,501	-1,350	151	113		38
Impact of enforceable master netting arrangements or similar arrangements[1]	Derivatives				-13,146	6,335	6,811
	Other				-7		7
		-	**-**	**-**	**-13,153**	**6,335**	**6,818**
Total financial liabilities		**381,706**	**-297,428**	**84,278**	**22,056**	**28,529**	**33,693**

1 The line 'Impact of enforceable master netting agreements or similar arrangements' contains derivative positions under the same master netting arrangements being presented in different balance sheet line items.

47 Contingent liabilities and commitments

In the normal course of business, ING Group is party to activities where risks are not reflected in whole or in part in the consolidated financial statements. In response to the needs of its customers, the Group offers financial products related to loans. These products include traditional off-balance sheet credit-related financial instruments.

Contingent liabilities and commitments

2015[1]	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Banking operations							
Contingent liabilities in respect of							
– guarantees	16,813	494	465	1,121	3,736		22,629
– irrevocable letters of credit	7,447	2,065	1,393	251	6		11,162
– other	244						244
	24,504	**2,559**	**1,858**	**1,372**	**3,742**	**–**	**34,035**
Guarantees issued by ING Groep N.V.					436		436
Irrevocable facilities	49,133	1,458	6,407	36,255	5,125		98,378
	73,637	**4,017**	**8,265**	**37,627**	**9,303**	**–**	**132,849**

1 Excludes commitments and contingent liabilities related to assets classified as held for sale, being NN Group.

Contingent liabilities and commitments

2014[1]	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Banking operations							
Contingent liabilities in respect of							
– guarantees	16,433	557	698	981	3,728		22,397
– irrevocable letters of credit	6,627	3,856	1,356	333	6		12,178
– other	364	12	40	8			424
	23,424	**4,425**	**2,094**	**1,322**	**3,734**	**–**	**34,999**
Guarantees issued by ING Groep N.V.					417		417
Irrevocable facilities	39,370	7,673	5,090	25,328	4,884		82,345
	62,794	**12,098**	**7,184**	**26,650**	**9,035**	**–**	**117,761**

1 Excludes commitments and contingent liabilities related to businesses classified as held for sale, mainly NN Group with remainder related to Voya and ING Vysya.

Guarantees relate both to credit and non-credit substitute guarantees. Credit substitute guarantees are guarantees given by ING Group in respect of credit granted to customers by a third party. Many of them are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows. In addition to the items included in contingent liabilities, ING Group has issued guarantees as a participant in collective arrangements of national industry bodies and as a participant in government required collective guarantee schemes which apply in different countries.

Irrevocable letters of credit mainly secure payments to third parties for a customer's foreign and domestic trade transactions in order to finance a shipment of goods. ING Group's credit risk in these transactions is limited since these transactions are collateralised by the commodity shipped and are of a short duration.

Other contingent liabilities include acceptances of bills and are of a short-term nature. Other contingent liabilities also include contingent liabilities resulting from the normal operations of the Real Estate business including obligations under development and construction contracts. None of the items included in Other contingent liabilities are individually significant.

Reference is made to Parent company annual accounts – Notes to the parent company annual accounts, Note 7 'Other' for further information on Guarantees issued by ING Groep N.V.

Irrevocable facilities mainly constitute unused portions of irrevocable credit facilities granted to corporate clients. Many of these facilities are for a fixed duration and bear interest at a floating rate. ING Group's credit risk and interest rate risk in these transactions is limited. The unused portion of irrevocable credit facilities is partly secured by customers' assets or counter-guarantees by the central governments and exempted bodies under the regulatory requirements. Irrevocable facilities also include commitments made to purchase securities to be issued by governments and private issuers.

Furthermore, ING Group leases assets from third parties under operating leases as lessee. The future rental commitments to be paid under non-cancellable operating leases are as follows:

Future rental commitments for operating lease contracts[1]

	2015	2014
2015		281
2016	310	169
2017	160	117
2018	143	94
2019	122	80
Years after 2019 and 2018 respectively	513	304

1 Excludes future rental commitments related to businesses classified as held for sale. In 2015, NN Group (2014: mainly NN Group with remainder related to Voya and ING Vysya).

48 Legal proceedings

ING Group companies are involved in litigation and arbitration proceedings in the Netherlands and in a number of foreign jurisdictions, including the U.S., involving claims by and against them which arise in the ordinary course of their businesses, including in connection with their activities as lenders, broker-dealers, underwriters, issuers of securities and investors and their position as employers and taxpayers. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, the Company's management is of the opinion that some of the proceedings set out below may have or have in the recent past had a significant effect on the financial position, profitability or reputation of the Company.

Because of the geographic spread of its business, ING may be subject to tax audits in numerous jurisdictions at any point in time. Although ING believes that it has adequately provided for all its tax positions, the ultimate resolution of these audits may result in liabilities which are different from the amounts recognised.

Proceedings in which ING is involved include complaints and lawsuits concerning the performance of certain interest sensitive products that were sold by a former subsidiary of ING in Mexico. Further, purported class litigation was filed in the United States District Court for the Southern District of New York alleging violations of the federal securities laws with respect to disclosures made in connection with the 2007 and 2008 offerings of ING's Perpetual Hybrid Capital Securities. The District Court has dismissed all claims related to the 2007 and 2008 offerings. The plaintiffs appealed that decision relating to the 2008 offering. The appellate court affirmed the District Court's decision dismissing all claims. The plaintiffs then filed an appeal with the U.S. Supreme Court. The U.S. Supreme Court in March 2015 vacated the judgement of the Second Circuit; the case was remanded back to the District Court. In August 2015, the District Court dismissed all remaining claims. No appeal has been filed, therefore the District Court decision has become final.

A complaint has been filed against ING Bank in January 2015 in the New York District Court by Alfredo and Gustavo Villoldo and the executor of their father's estate ('Villoldo'). Villoldo holds two judgements against the Cuban government and other Cuban entities in the aggregate amount of USD 2.9 billion. Those judgements remain outstanding and uncollected. The complaint against ING Bank alleges that if ING Bank had complied with the applicable US sanction laws, Cuba assets would have been frozen by OFAC and available for execution and seizure by Villoldo. The complaint alleges that the acts set out in ING's settlement with OFAC in 2012 constitute wire fraud, money laundering and fraudulent transfer and that Villoldo is therefore entitled to actual damages in the amount to be believed no less than USD 1.654 billion and treble damages of not less than USD 4.962 billion. In July 2015 the New York District Court dismissed all claims with prejudice. Villoldo has filed a notice of appeal, indicating that they are challenging the New York District Court's order dismissing the case. At this moment it is not practicable to provide an estimate of the (potential) financial effect.

ING Bank Turkey has received various claims from (former) customers of legal predecessors of ING Bank Turkey. The claims are based on offshore accounts held with these banks, which banks were seized by the Savings Deposit Insurance Fund (SDIF) prior to the acquisition of ING Bank Turkey in 2007 from Oyak. SDIF has also filed various lawsuits against ING Bank Turkey to claim compensation from ING Bank Turkey, with respect to amounts paid out to offshore account holders so far. ING Bank N.V. has initiated an arbitration procedure against OYAK in which ING Bank seeks to be held harmless for these claims. At this moment it is not possible to assess the outcome of these procedures nor to provide an estimate of the (potential) financial effect of these claims.

In the state aid related proceedings between the EC, the Dutch State and ING before the European Union Courts, the Court of Justice rendered a final judgement on 3 April 2014 and dismissed the EC's appeal against the General Court ruling of March 2012. As earlier agreed in November 2012 between ING, the Dutch State and the EC, the outcome of this appeal will not affect the EC approval of ING's Amended Restructuring Plan. However, if ING does not fulfill any divestment commitment or does not meet any of the so called '2015 NN Bank-related commitments', or in case of other material non-compliance with the Restructuring Plan, the Dutch State will re-notify the recapitalisation measure to the EC. In such event the EC may open a (legal) procedure against ING, require additional restructuring measures and/or take enforcement actions.

In January 2011, the Dutch Association of Stockholders (Vereniging van Effectenbezitters, 'VEB') issued a writ alleging that investors were misled by the prospectus that was issued with respect to the September 2007 rights issue of Fortis N.V. (now Ageas N.V.) against Ageas N.V., the underwriters of such rights issue, including ING Bank N.V., and former directors of Fortis N.V. According to the VEB the prospectus shows substantive incorrect and misleading information. The VEB states that the impact and the risks of the sub-prime crisis for Fortis and Fortis' liquidity position were reflected incorrectly in the prospectus. The VEB requests a declaratory decision stating that the summoned parties acted wrongfully and are therefore responsible for the damages suffered by the investors in Fortis. The amount of damages of EUR 18 billion has yet to be substantiated. ING is defending itself against this claim; at this time ING is not able to assess the outcome of the court proceeding. Therefore, at this moment it is not practicable to provide an estimate of the (potential) financial effect of such action.

In July 2011, the Interest Group ING General Managers' Pensions (Belangenvereniging ING Directiepensioenen), together with a number of individual retired Dutch General Managers of ING, instituted legal proceedings against ING's decision not to provide funding for indexing Dutch General Managers' pensions directly insured with Nationale-Nederlanden in 2010 and 2011. This claim was rejected by the District Court of Amsterdam on 22 October 2012. Appeal against this District Court decision was rejected by the Amsterdam Court of Appeal on 28 July 2015 which became final on 28 October 2015.

A number of retired employees of ING Belgium have initiated legal proceedings against ASCEL (a non-profit organisation established by ING Belgium that provided, amongst others, medical insurance coverage to current and retired employees till the beginning of 2015) and ING Belgium following the decision to externalise this medical insurance coverage which resulted in an increase of premium. Following a summary proceedings in which the initial claim of the retired employees was rejected, proceedings at the Court of first instance has been initiated aiming to either uphold the former insurance coverage or reimburse the increase of premium. At this moment it is not practicable to provide an estimate of the (potential) financial impact of such proceedings.

ING is involved in several legal proceedings in the Netherlands with respect to interest rate derivatives that were sold to clients in connection with floating interest rate loans in order to hedge the interest rate risk of the loans. These proceedings are based on several legal grounds, depending on the facts and circumstances of each specific case, a.o. alleged breach of duty of care, insufficient information provided to the clients on the product and its risks and other elements related to the interest rate derivatives that were sold to clients. In some cases, the court has ruled in favour of the claimants and awarded damages, annulled the interest rate derivative or ordered repayment of certain amounts to the claimants. The total amounts that need to be repaid or compensated in some cases still need to be determined. ING may decide to appeal against adverse rulings. As requested by the Netherlands Authority for the Financial Markets ('AFM') ING has reviewed a significant part of the files of clients who bought interest rate derivatives. In December 2015, the AFM concluded that Dutch banks may have to re-assess certain client files, potentially including derivative contracts that were terminated prior to April 2014 or other client files. Discussions with the AFM on the re-assessment are ongoing. Although the outcome of the pending litigation and similar cases that may be brought in the future, is uncertain, it is possible that the courts may ultimately rule in favour of the claimants in some or all of such cases. A provision has been taken on a best estimate basis. However, the aggregate financial impact of the current and future litigation as well as the potential (re-)assessment of files following discussion with the AFM could become material.

49 Companies and business acquired and divested

Acquisitions effective in 2015

There were no significant acquisitions in 2015.

Divestments effective in 2015

NN Group

A number of divestment transactions resulted in a further decrease in the ownership of ING Group in NN Group to 25.75% from 68.14% at 31 December 2014. NN Group was deconsolidated and accounted for as an Investment in associate held for sale. Reference is made to Note 11 'Assets and liabilities held for sale', Note 30 'Discontinued operations and Note 54 'Other events'.

Other

For details on the transactions in 2015 with regard to ING's interest in ING Vysya, reference is made to Note 11 'Assets and liabilities held for sale', Note 7 'Investments in associates and joint ventures', Note 52 'Related parties' and Note 54 'Other events'.

Acquisitions effective in 2014

There were no significant acquisitions in 2014.

Divestments effective in 2014

Asia - ING's Taiwanese investment management business

In January 2014, ING agreed to sell ING Investment Management (IM) Taiwan, its Taiwanese asset management business, to Japan-based Nomura Asset Management in partnership with a group of investors. The transaction did not have a significant impact on ING Group results. The transaction closed on 18 April 2014.

Asia - Joint venture ING-BOB Life

In July 2013, the 50% interest in the Chinese insurance joint venture ING-BOB Life Insurance Company was agreed to be sold to BNP Paribas Cardif, the insurance arm of BNP Paribas. The transaction closed on 30 December 2014 and did not have a significant impact on the NN Group or ING Group results.

Voya

In 2014, ING Group reduced its' stake in Voya from 56.5% at 31 December 2013 to 18.9% at 31 December 2014 through a number of transactions during the year. Voya was deconsolidated at the end of March 2014 and was accounted for as an available-for-sale investment held for sale as at 31 December 2014. Reference is made to Note 54 'Other events'.

NN Group

Following the IPO of NN Group in July 2014, ING Group's stake reduced to 68.14% . As from 30 September 2014, NN Group was presented as Assets and liabilities held for sale and discontinued operations. Reference is made to Note 54 'Other events'.

In addition to the above mentioned transactions, the interest in the joint venture ING Financial Services Private Limited was sold to Hathaway investments.

Other

For details on the transactions in 2014 with regard to ING's interest in ING Vysya reference is made to Note 54 'Other events'.

For details on transactions with regard to ING's divestments in SulAmérica S.A., reference is made to Note 5 'Investments' and Note 7 'Investments in associates and joint ventures'.

Most significant companies divested in 2015 and 2014[1]

	2015	2014
	NN Group	Voya
General		
Primary line of business	Insurance	Insurance
Sales proceeds		
Cash proceeds[2]	1,148	950
Investment retained in NN Group and Voya respectively[3]	3,612	2,914
Sales proceeds	**4,760**	**3,864**
Assets		
Cash and cash equivalents	9,238	1,901
Financial assets at fair value through profit and loss	46,425	79,339
Available-for-sale investments	76,529	54,250
Loans and advances to customers	28,713	8,245
Reinsurance contracts	266	4,359
Intangible assets	177	727
Deferred acquisition costs	1,509	4,211
Miscellaneous other assets	6,204	2,667
Liabilities		
Insurance and investment contracts	121,721	135,971
Financial liabilities at fair value through profit and loss	2,105	2,280
Miscellaneous other liabilities	24,159	7,288
Net assets	**21,076**	**10,160**
% disposed[3]	54.8%	56.5%
Net assets disposed	**11,543**	**5,740**
Loss on disposal[4,5]	-1,224	-2,005

1 This table includes the disposal transactions that resulted in the loss of control of NN Group and Voya which took place in May 2015 and March 2014 respectively. Reference is made to Note 54 'Other events' for the earlier and subsequent transactions related to NN Group and Voya.
2 Cash outflow/inflow on group companies in the cash flow statement includes, in addition to the cash amounts in this table, also cash outflows/inflows on individually insignificant disposals.
3 IFRS-EU requires the derecognition of the subsidiary and the recognition of the respective retained investments in NN Group of 42.43% and Voya of 43.2% at the fair value on the date of disposal.
4 The gain/loss on disposal comprises the sales proceeds, the net assets disposed, the expenses directly related to the disposal and the realisation of unrealised reserves.
5 The portion of the loss attributable to measuring the retained investment in NN Group and Voya at its fair value amounted to EUR -5,412 million and EUR -1,467 million respectively.

Acquisitions effective in 2013

There were no significant acquisitions in 2013.

Divestments effective in 2013

Voya

In May 2013, Voya was successfully listed on the NYSE reducing ING's ownership interest from 100% to approximately 71.2%. In October 2013, the sale of a second tranche further reduced ING Group's interest in Voya to approximately 56.5%. Reference is made to Note 54 'Other events'.

Asia - Joint venture China Merchants Fund
In October 2012, ING reached an agreement to sell its 33.3% stake in China Merchants Fund, an investment management joint venture, to its joint venture partners China Merchants Bank Co. Ltd. and China Merchants Securities Co. Ltd. Under the terms agreed, ING received a total cash consideration of EUR 98 million. The transaction realised a net gain of EUR 59 million which was recognised in 2013. The transaction closed on 3 December 2013.

Asia - Insurance in Hong Kong, Macau, Thailand
In October 2012, ING reached an agreement to sell its life insurance, general insurance, pension and financial planning units in Hong Kong and Macau, and its life insurance operation in Thailand to Pacific Century Group for a combined consideration of EUR 1.6 billion (USD 2.1 billion) in cash. The transaction closed on 28 February 2013 and resulted in a net gain of EUR 945 million.

Asia - ING's investment management business in Thailand
In November 2012, ING reached an agreement to sell its investment management business in Thailand to UOB Asset Management Ltd. ING received a total cash consideration of EUR 10 million for the investment management business in Thailand. The transaction closed on 3 May 2013.

Asia - ING's investment management business in Malaysia
In December 2012, ING reached an agreement to sell its 70%-stake in ING Funds Berhad (IFB), ING's investment management business in Malaysia, to Kenanga Investors Berhad (Kenanga Investors), a wholly owned subsidiary of K & N Kenanga Holdings Berhad (Kenanga). Tab Inter-Asia Services Sdn Berhad has also agreed to sell its 30% stake in IFB to Kenanga Investors. The transaction closed on 19 April 2013.

Asia - Joint venture ING Vysya Life
In January 2013, ING agreed to sell its full interest in ING Vysya Life Insurance Company Ltd. to its joint venture partner Exide Industries Ltd. The transaction resulted in a net loss of EUR 15 million which was recognised in 2012. The transaction closed on 22 March 2013.

Asia - Joint venture KB Life
In April 2013, ING agreed to sell its 49% stake in Korean insurance venture KB Life Insurance Company Ltd. (KB Life) to joint venture partner KB Financial Group. ING received a total cash consideration of EUR 115 million (KRW 166.5 billion) for its 49% stake in KB Life. The transaction closed 20 June 2013.

Asia - ING's investment management business in South Korea
In July 2013, ING reached an agreement to sell its investment management business in South Korea to Macquarie Group, an Australia-based, global provider of financial services. The transaction did not have a significant impact on ING Group results. The transaction closed on 2 December 2013.

Asia - ING Life Korea
In August 2013, ING announced that it had reached an agreement to sell ING Life Korea, its wholly owned life insurance business in South Korea, to MBK Partners for a total purchase price of EUR 1.24 billion (KRW 1.84 trillion). Under the terms of the agreement, ING will hold an indirect stake of approximately 10% in ING Life Korea for an amount of EUR 80 million (KRW 120 billion). ING has also reached a licensing agreement that will allow ING Life Korea to continue to operate under the ING brand for a maximum period of five years. In addition, over the course of one year, ING will continue to provide technical support and advice to ING Life Korea. The transaction resulted in an after tax loss for ING Group of EUR 1.0 billion. This transaction closed on 24 December 2013.

ING's mortgage business in Mexico
In June 2013, ING reached an agreement to sell ING Hipotecaria, its mortgage business in Mexico, to Banco Santander (México) S.A. This announcement did not affect ING's Wholesale (formerly named Commercial) Banking activities in Mexico. This transaction resulted in a net loss of EUR 64 million which was recognised in 2013. The transaction closed on 29 November 2013.

ING Direct UK
In October 2012, ING reached an agreement to sell ING Direct UK to Barclays. Under the terms of the agreement, the approximately EUR 13.4 billion (GBP 11.6 billion) of savings deposits and approximately EUR 6.4 billion (GBP 5.5 billion) of mortgages of ING Direct UK were transferred to Barclays. The agreement resulted in an after tax loss of EUR 260 million which was recognised in 2012. The transaction closed on 6 March 2013 and a gain of EUR 10 million was recognised on the final settlement. In 2012, ING Direct UK was classified as held for sale. ING Direct UK was included in the segment Retail Rest of World.

Most significant companies divested in 2013

	ING Direct UK	Hong Kong Macau and Thailand	ING Life Korea	Total
General				
Primary line of business	Bank	Insurance	Insurance	
Sales proceeds				
Cash proceeds[1]	-7,186	1,630	1,235	-4,321
Sales proceeds	**-7,186**	**1,630**	**1,235**	**-4,321**
Assets				
Cash and cash equivalents	290	103	171	564
Financial assets at fair value through profit and loss		763	4,292	5,055
Available-for-sale investments		3,503	9,874	13,377
Loans and advances to customers	6,437	163	1,523	8,123
Reinsurance contracts		70	17	87
Intangible assets		66	32	98
Deferred acquisition costs		601	1,848	2,449
Miscellaneous other assets	24	162	396	582
Liabilities				
Insurance and investment contracts		4,329	15,034	19,363
Financial liabilities at fair value through profit and loss		1	7	8
Customer deposits and other funds on deposit	13,701			13,701
Miscellaneous other liabilities	32	230	729	991
Net assets	**-6,982**	**871**	**2,383**	**-3,728**
% disposed	100%	100%	100%	
Net assets disposed	**-6,982**	**871**	**2,383**	**-3,728**
Gain/loss on disposal[2]	-250	944	-989	-295

1 Cash outflow/inflow on group companies in the cash flow statement included, in addition to the cash amounts in this table, also cash outflows/inflows on individually insignificant disposals.
2 The gain/loss on disposal comprised the sales proceeds, the net assets disposed, the expenses directly related to the disposal and the realisation of unrealised reserves.

50 Principal subsidiaries

For the majority of ING's principal subsidiaries, ING Bank N.V. has control because it either directly or indirectly owns more than half of the voting power. For subsidiaries in which the interest held is below 50%, control exists based on the combination of ING Bank's financial interest and its rights from other contractual arrangements which result in control over the operating and financial policies of the entity.

For each of the subsidiaries listed, the voting rights held equal the proportion of ownership interest and consolidation by ING is based on the majority of ownership.

The principal subsidiaries of ING Groep N.V. and their statutory place of incorporation or primary place of business are as follows:

Companies

		Proportion of ownership and interest held by the Group	
		2015	2014
Subsidiary	**Country**		
ING Bank N.V.	The Netherlands	100%	100%
Bank Mendes Gans N.V.	The Netherlands	100%	100%
ING Lease (Nederland) B.V.	The Netherlands	100%	100%
ING Corporate Investments B.V.	The Netherlands	100%	100%
ING Real Estate B.V.	The Netherlands	100%	100%
ING België N.V.	Belgium	100%	100%
ING Luxembourg S.A.	Luxembourg	100%	100%
ING-DiBa A.G.	Germany	100%	100%
ING Bank Slaski S.A.	Poland	75%	75%
ING Financial Holdings Corporation	United States of America	100%	100%
ING Bank A.S.	Turkey	100%	100%
ING Bank (Australia) Ltd	Australia	100%	100%
ING Bank (Eurasia) Joint stock company	Russia	100%	100%

NN Group N.V.

In 2014, NN Group was classified as held for sale and discontinued operations. In 2015, a number of divestment transactions reduced ING Group's interest in NN Group from 68.14% (as at 31 December 2014) to 25.75% as at 31 December 2015, resulting in ING Group losing control over NN Group. NN Group was deconsolidated at the end of May 2015. NN Group N.V. has its statutory place of incorporation in the Netherlands and is the holding company of a number of subsidiaries in various jurisdictions. Reference is made to Note 11 'Assets and liabilities held for sale', Note 30 'Discontinued operations' and Note 54 'Other events'.

51 Structured entities

ING Group's activities involve transactions with various structured entities ('SE') in the normal course of its business. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. ING Group's involvement in these entities varies and includes both debt financing and equity financing of these entities as well as other relationships. Based on its accounting policies, as disclosed in the section 'Principles of valuation and determination of results' of these financial statements, ING establishes whether these involvements result in no significant influence, significant influence, joint control or control over the structured entity.

The structured entities over which ING can exercise control are consolidated. ING may provide support to these consolidated structured entities as and when appropriate. However, this is fully reflected in the consolidated financial statements of ING Group as all assets and liabilities of these entities are included and off-balance sheet commitments are disclosed.

ING's activities involving structured entities are explained below in the following categories:
1 Consolidated ING originated Liquidity management securitisation programmes ('Lions');
2 Consolidated ING originated Covered bond programme ('CBC');
3 Consolidated ING sponsored Securitisation programme ('Mont Blanc');
4 Unconsolidated Securitisation programme;
5 Other structured entities.

Credit management securitisation programmes, previously entered into by ING Group, were unwound between 2012 and 2014. The last programme ended in 2014 on the scheduled termination date. As at 31 December 2014, there were no remaining Credit management securitisation programmes.

1. Consolidated ING originated Liquidity management securitisation programmes (Lions)

ING Group enters into liquidity management securitisation programmes in order to obtain funding and improve liquidity. Within the programme ING Group sells ING originated assets to a structured entity. The underlying exposures include residential mortgages in the Netherlands, Germany, Belgium, Spain, Italy and Australia.

The structured entity issues securitised notes ('traditional securitisations') which are eligible collateral for central bank liquidity purposes. In most programmes ING Group acts as investor of the securitised notes. As there are limited transfer of risks and rewards, ING Group continues to consolidate these structured entities.

The structured entity issues securitisation notes in two tranches, one subordinated tranche and one senior tranche, rated AAA by a rating agency. The AAA tranche can subsequently be used by ING Group as collateral in the money market for secured borrowings.

ING Bank originated various securitisations with, at 31 December 2015 approximately EUR 78.5 billion (2014: EUR 74 billion) of AAA rated notes and subordinated notes, of which approximately EUR 7.4 billion (2014: EUR 5.6 billion) are held by third parties. The underlying exposures are residential mortgages and SME loans. Apart from the third party funding, these securitisations did not impact ING Bank's consolidated balance sheet and profit and loss.

In 2015, there are no minority interests as part of the securitisation structured entities that are significant to ING Group. ING Group for the majority of the securitisation vehicles provides the funding for the entity except for EUR 7.4 billion (2014: EUR 4.8 billion) which are funded by third parties.

2. Consolidated ING originated Covered bond programme ('CBC')

ING Group has entered into a covered bond programme. Under the covered bond programme ING issues bonds. The payment of interest and principal is guaranteed by an ING administered structured entity, Covered Bond Company B.V. ('CBC'). In order for CBC to fulfil its guarantee, ING legally transfers mainly Dutch mortgage loans originated by ING to CBC. Furthermore ING offers CBC protection against deterioration of the mortgage loans. CBC is consolidated by ING Group.

Covered bond programme

	Fair value pledged mortgage loans		Cash balance structured entity	
	2015	2014	2015	2014
ING Covered Bond Company B.V. ('CBC')	43,684	42,157	754	
	43,684	**42,157**	**754**	**–**

In general, the third-party investors in securities issued by the structured entity have recourse only to the assets of the entity and not to the assets of ING Group.

3. Consolidated ING sponsored Securitisation programme ('Mont Blanc')

In the normal course of business, ING Group structures financing transactions for its clients by assisting them in obtaining sources of liquidity by selling (also referred to as 'factoring') the clients' receivables or other financial assets to an ING sponsored SPE.

The transactions are funded by the ING Group administered multi seller Asset Backed Commercial Paper ('ABCP') conduit Mont Blanc Capital Corporation ('Mont Blanc'), which funds itself in the ABCP market. Mont Blanc does not have minority interests that are significant to ING Group. ING Group facilitates these transactions by providing structuring, accounting, funding and operations services.

The types of assets currently in Mont Blanc include trade receivables, consumer finance receivables, credit card receivables, motor vehicle loans and residential mortgage backed securities ('RMBS').

ING Group supports the commercial paper programmes by providing the SPE with short-term liquidity facilities. These liquidity facilities primarily cover temporary disruptions in the commercial paper market. Once drawn these facilities bear normal credit risk. A number of programmes are supported by granting structured liquidity facilities to the SPE, in which ING Group covers at least some of the credit risk incorporated in these programmes itself (in addition to normal liquidity facilities), and might suffer credit losses as a consequence. Furthermore, under a Programme Wide Credit Enhancement ING Group guarantees to a limited amount all remaining losses incorporated in the SPE to the commercial paper investors.

The liquidity facilities, including programme wide enhancements, provided to Mont Blanc are EUR 1,072 million (2014: EUR 1,143 million). The drawn liquidity amount is EUR 276 million as at 31 December 2015 (2014: nil).

The normal non-structured standby liquidity facilities and the structured facilities are reported under irrevocable facilities. All facilities, which vary in risk profile, are granted to the SPE subject to normal ING Group credit and liquidity risk analysis procedures. The fees received for services provided and for facilities are charged subject to market conditions.

4. Unconsolidated Securitisation programme

In 2013 ING transferred financial assets (mortgages loans) for an amount of approximately EUR 2 billion to a newly established special purpose entity (SPE). The transaction resulted in full derecognition of the financial assets from ING's balance sheet. The derecognition did not have a significant impact on net result. Following this transfer ING continues to have two types of on-going involvement in the transferred assets: as counterparty to the SPE of a non-standard interest rate swap and as servicer of the transferred assets. ING has an option to unwind the transaction by redeeming all notes at their principal outstanding amount, in the unlikely event of changes in accounting and/or regulatory requirements that significantly impact the transaction. The fair value of the swap as at 31 December 2015 amounted to EUR 1.3 million (2014: EUR 33.7 million); fair value changes on this swap recognised in the profit and loss account in 2015 were EUR –32.4 million (2014: EUR 28.6 million). Fee income recognised in the profit and loss account in 2015 amounted to nil (2014: EUR 0.5 million).

5. Other structured entities

In the normal course of business, ING Group enters into transactions with structured entities as counterparty. Predominantly in its structured finance operations, ING can be instrumental in facilitating the creation of these structured entity counterparties. These entities are generally not included in the consolidated financial statements of ING Group, as ING facilitates these transactions as administrative agent by providing structuring, accounting, funding, lending and operation services.

ING Bank offers various investment fund products to its clients. ING Bank does not invest in these investment funds for its own account nor acts as the fund manager.

52 Related parties

In the normal course of business, ING Group enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of ING Group include, amongst others, its subsidiaries, associates, joint ventures, key management personnel and various defined benefit and contribution plans. Transactions between related parties include rendering or receiving of services, leases, transfers under finance arrangements and provisions of guarantees or collateral. There are no significant provisions for doubtful debts or individually significant bad debt expenses recognised on outstanding balances with related parties.

Subsidiaries

Transactions with ING Group's main subsidiaries

	ING Bank N.V.		NN Group N.V.	
	2015	2014	2015[1]	2014
Assets	15,608	9,944		1,223
Liabilities	286	133		17
Income received	297	507	28	57
Expenses paid		162	8	

1 Transactions with NN Group until deconsolidation at the end of May 2015.

Transactions between ING Groep N.V. and its subsidiaries are eliminated on consolidation. Reference is made to Note 50 'Principal subsidiaries' for a list of principal subsidiaries and their statutory place of incorporation. Disclosed in the table above, are transactions with ING's main subsidiaries, ING Bank N.V. and NN Group N.V.

In 2015, a number of divestment transactions reduced ING Group's interest in NN Group, resulting in ING Group losing control over NN Group. NN Group was deconsolidated at the end of May 2015 and accounted for as an Investment in associate held for sale. For further information on transactions with NN Group, reference is made to Associates and joint ventures below and Note 54 'Other events'.

Assets from ING Bank N.V. and NN Group N.V. mainly comprise long-term funding. Liabilities to ING Bank N.V. mainly comprise short-term deposits.

Associates and joint ventures

Transactions with ING Group's main associates and joint ventures

	Associates		Joint ventures	
	2015	2014	2015	2014
Assets	2,629	2	5	
Liabilities	616	38		4
Off-balance sheet commitments	66			
Income received	–199			

Assets to Associates include Subordinated loans receivable from NN Group N.V. amounting to EUR 823 million (2014: EUR 823 million). Assets, liabilities, commitments and income related to Associates and joint ventures result from transactions which are executed as part of the normal Banking business except for the following transactions.

NN Group was deconsolidated from ING Group at the end of May 2015 and accounted for as an Investment in associate held for sale. Included in off-balance sheet commitments, is a EUR 63 million facility to NN Bank which allows NN Bank an unconditional right to draw down additional Tier 1 capital at prevailing market terms, until 31 December 2018. Reference is made to Note 54 'Other events'.

In April 2015, the merger between ING Vysya and Kotak was completed and the legal entity ING Vysya Bank ceased to exist. As a result of this transaction, ING holds a stake of 6.5% in the combined company, which operates under the Kotak brand. ING Vysya is no longer a related party of ING Group. Reference is made Note 5 'Investments', Note 7 'Investments in associates and joint ventures', Note 11 'Assets and liabilities held for sale' and Note 54 'Other events'.

During 2013, due to the partial transfer of WestlandUtrecht Bank, certain assets and liabilities were transferred from ING Bank to NN Group. Reference is made to Note 53 'Transaction with the Dutch State and the European Commission Restructuring Plan'. In addition, during 2015, 2014 and 2013 a further EUR 1.7 billion, EUR 1.2 billion and EUR 4.2 billion respectively Dutch mortgages were transferred from WestlandUtrecht Bank to NN Group. The transfers were made at an arm's length price.

On 20 December 2012, NN Group entered into a Financial Collateral Pledge Agreement with ING Bank (all obligations expired on 20 March 2014), by which a right of pledge was created in favour of NN Group on certain securities of ING Bank. The pledge served as security for the duly repayment of the cash deposits that NN Group placed with ING Bank.

Nationale-Nederlanden Bank entered into a service agreement with WestlandUtrecht Bank and RVS Hypotheekbank N.V. on 1 July 2013, for providing certain management services in relation to a housing mortgage loan portfolio of WestlandUtrecht Bank.

Key management personnel compensation

Transactions with key management personnel (Executive Board, Management Boards and Supervisory Board) and post-employment benefit plans are transactions with related parties. These transactions are disclosed in more detail as required by Part 9 Book 2 of the Dutch Civil Code in the remuneration report included in the annual report. The relevant sections of the remuneration report therefore form part of the annual accounts. For post-employment benefit plans, reference is made to Note 38 'Pension and other post-employment benefits'.

In 2015, 'Management Boards' includes the Management Board of ING Bank N.V. ('ING Bank'). In 2014, 'Management Boards' included the Management Boards of ING Bank N.V. ('ING Bank') and NN Group N.V. ('NN Group'). The members of these Management Boards are considered to be key management personnel and their compensation is therefore included in the tables below.

In 2015 and 2014, three members of the Executive Board of ING Groep N.V. were also members of the Management Board of ING Bank.

Following the IPO of NN Group N.V. in July 2014, three Members of the Executive Board of ING Groep N.V. became members of the Supervisory Board of NN Group N.V. and were no longer members of the Management Board of NN Group N.V. In 2015, following the divestment transactions in shares of NN Group, ING's nomination rights for the Supervisory Board of NN Group N.V. were terminated. As of 6 October 2015, Ralph Hamers and as of 14 December 2015, Wilfred Nagel and Patrick Flynn stepped down from the Supervisory Board of NN Group N.V. Reference is made to Note 54 'Other events'.

Key management personnel compensation (Executive Board and Management Board)

2015 in EUR thousands	Executive Board of ING Groep N.V.[1]	Management Board of ING Bank[1,2,3]	Total
Fixed Compensation			
– Base salary	3,990	3,505	7,495
– Collective fixed allowances[5]	1,115	1,045	2,160
– Pension costs	75	90	165
Variable compensation			
– Upfront cash		390	390
– Upfront shares	254	466	720
– Deferred cash		585	585
– Deferred shares	382	698	1,080
– Other[4]		830	830
Total compensation	**5,816**	**7,609**	**13,425**

1 Includes their compensation earned in the capacity as Board members.
2 Excluding members that are also members of the Executive Board of ING Groep N.V.
3 In 2015 one new member joined.
4 In addition to compensation in the capacity as Board member, the new Management Board member received a 'sign on award' with a total value of EUR 830,000 at the grant date, consisting for 50% of a cash amount and for 50% of shares. The award vests in the years 2015 - 2018, of which EUR 332,000 in 2015 and EUR 498,000 in the years 2016 - 2018.
5 The collective fixed allowances consist of two savings allowances applicable to employees in the Netherlands; an individual savings allowance of 3.5% and a collective savings allowance to compensate for loss of pension benefits with respect to salary in excess of EUR 100,000.

Key management personnel compensation (Executive Board and Management Boards)

2014 in EUR thousands	Executive Board of ING Groep N.V.[1]	Management Board of ING Bank[1,2,3,4]	Management Board of NN Group[1,2,4,5,6]	Total
Fixed Compensation				
– Base salary	2,814	3,480	3,529	9,823
– Pension costs	575	920	734	2,229
– Severance benefits		765		765
Variable compensation				
– Upfront cash		544	557	1,101
– Upfront shares		544	557	1,101
– Deferred cash		816	723	1,539
– Deferred shares		816	835	1,651
– Other			113	113
Total compensation	3,389	7,885	7,048	18,322

1 Includes their compensation earned in the capacity as Board members.
2 Excluding members that are also members of the Executive Board of ING Groep N.V.
3 In 2014, two members stepped down from the Management Board of ING Bank and one new member joined.
4 Next to compensation in the capacity as a Board member, two of the new Management Board members received a 'sign on award' which consisted of a cash amount and shares with a total value of EUR 525,000 (in total for both Board members) at the grant date. The awards vest in the years 2014 - 2017, of which EUR 100,000 in 2014 and EUR 425,000 in the years 2015 - 2017.
5 In 2014, the compensation of the Management Board NN Group reflected the extension of the Board by two members who were appointed following the IPO of NN Group and one new member who was appointed to the Management Board NN Group on 1 August 2014.
6 One of the Board members received an award in a deferred investment in funds that are managed by the respective business.

Key management personnel compensation (Supervisory Board)

in EUR thousands	2015	2014
Total compensation	835	971

The table above shows the fixed remuneration, expense allowances and attendance fees for the Supervisory Board for 2015 and 2014.

Loans and advances to key management personnel

	Amount outstanding 31 December		Average interest rate		Repayments	
in EUR thousands	2015	2014	2015	2014	2015	2014
Executive Board members	2,999	2,999	2.4%	2.4%	0	348
Management Board members of ING Bank and NN Group[1]	532	1,075	2.6%	4.1%	68	130
Supervisory Board members	0	0				
Total	**3,531**	**4,074**			**68**	**478**

1 2015: Includes Loans and advances to Management Board members of ING Bank only (2014: Includes Loans and advances to Management Board members of both ING Bank and NN Group).

The total number of stock options on ING Groep N.V. shares held by the Executive Board members of ING Groep N.V. amounted to 116,146 as at 31 December 2015 (2014: 165,506) and total number of stock options on ING Groep N.V. shares held by Management Board members of ING Bank amounted to 216,568 as at 31 December 2015 (2014: 587,786 held by Management Board members of ING Bank and NN Group). As at 31 December 2015, members of the Supervisory Board held 319,848 stock options on ING Groep N.V. shares (2014: 389,390). As at 31 December 2015, members of the Executive Board held 244,973 ING Groep N.V. shares (2014: 210,551) and members of the Management Boards of ING Bank held 216,211 ING Groep N.V. shares (2014: 442,906 held by Management Board members of ING Bank and NN Group). As at 31 December 2015, members of the Supervisory Board held 172,734 ING Groep N.V. shares (2014: 168,263).

Key management personnel compensation is generally included in Staff expenses in the profit and loss account, except for key management personnel employed by entities that are presented as held for sale and discontinued operations in which case their compensation is included in the Total net result from discontinued operations.

Remuneration of the Executive Board and Management Board Bank is recognised in the profit and loss account in Staff expenses as part of Total expenses. Remuneration in respect of NN Group is reflected in Net result from discontinued operations and does not impact the Total expenses. The total remuneration of the Executive Board and Management Board Bank as disclosed in the table above includes all variable remuneration related to the performance year 2015. Under IFRS-EU, certain components of variable remuneration are not recognised in the profit and loss account directly, but are allocated over the vesting period of the award. The comparable amount recognised in Staff expenses in 2015 and included in Total expenses in 2015, relating to the fixed expenses of 2015 and the vesting of variable remuneration of earlier performance years, is EUR 11.6 million. Total compensation of the Supervisory- and Management Boards of NN Group, for the period until deconsolidation at the end of May 2015, amounted to EUR 3.0 million. These amounts are included in the profit and loss account of ING Group in the line item 'Net result from discontinued operations'.

Relationship agreement and other agreements NN Group N.V.

In 2014, in connection with the initial public offering of NN Group N.V., ING Groep N.V. and NN Group N.V. entered into a Relationship Agreement. The Relationship Agreement contains certain arrangements regarding the continuing relationship between ING Groep N.V. and NN Group N.V. In addition, ING Groep N.V. entered into several other agreements with NN Group N.V. such as a transitional intellectual property license agreement, a joinder agreement, an equity administration agreement and an indemnification and allocation agreement.

Master claim agreement

In 2012, ING Groep N.V., Voya Financial Inc. (formerly ING U.S., Inc.) and ING Insurance Eurasia N.V. entered into a master claim agreement to (a) allocate existing claims between these three parties and (b) agree on criteria for how to allocate future claims between the three parties. The master claim agreement contains further details on claim handling, conduct of litigation and dispute resolution.

Indemnification and allocation agreement with NN Group N.V.

ING Groep N.V. and NN Group N.V. have entered into an indemnification and allocation agreement, in which ING Group has agreed to indemnify NN Group N.V. for certain liabilities that relate to the business of or control over certain (former) U.S. and Latin American subsidiaries of the Company in the period until 30 September 2013 or, if the relevant subsidiary was divested by NN Group N.V. after 30 September 2013, such later date of divestment. These liabilities mainly include contingent liabilities that may arise as a result of the initial public offering of Voya Financial Inc. (such as prospectus liability) and the sales of the Latin American businesses (such as claims under warranties and other buyer protection clauses).

Shareholder agreement and other agreements Voya Financial Inc.

In connection with the initial public offering of Voya Financial Inc., ING Groep N.V. entered into a shareholder agreement with Voya Financial Inc. that governs certain aspects of our continuing relationship. In particular, the shareholder agreement addresses the composition of the Voya Financial Inc. board of directors and its committees, other corporate governance matters, ING Groep N.V. approval and consent rights with respect to certain business and corporate actions Voya Financial Inc. may take, mutual rights that Voya Financial Inc. and ING Groep N.V. will have with respect to business and financial information and financial accounting matters and ING Groep N.V. rights with respect to subsequent sales of the common stock of Voya Financial Inc.

In addition, in connection with the initial public offering, of Voya Financial Inc., ING Groep N.V. entered into several other agreements with Voya Financial Inc. such as a transitional intellectual property license agreement, a joinder agreement and an equity administration agreement.

The Shareholder agreement has been terminated as of March 2015 (when ING Group first ceased to beneficially own 18.9% (45.6 million) of the outstanding Common Stock of Voya); some provisions thereof, have survived such termination.

The Transitional intellectual property license agreement has been terminated as of 31 October 2015, provided the extension granted to three Voya entities that are in the process of discontinuity and liquidation, the right to retain the 'ING' name in their respective names, for a maximum period of five years until 31 October 2020.

53 Transactions with the Dutch State and the European Commission Restructuring Plan

Following a number of transactions in 2008 and 2009, the Dutch State was a related party of ING Group. During 2014 these transactions were completed. As per 8 November 2014, the Dutch state is no longer a related party of ING Group. All other transactions between ING Group and the Dutch State are of a normal business nature and at arm's length.

In the framework of the transactions with the Dutch State disclosed in this note, certain arrangements with respect to corporate governance and executive remuneration were agreed with the Dutch State which and were in place until the Illiquid Assets Back-up Facility was unwound. The last State Nominee remained in office until 12 May 2014.

Illiquid Assets Back-up Facility

ING Group and the Dutch State reached an agreement on an Illiquid Assets Back-up Facility ('IABF') on 26 January 2009. The transaction closed on 31 March 2009. The IABF covered the Alt-A portfolios of both ING Direct USA and Voya (formerly ING Insurance US), with a par value of approximately EUR 30 billion. Under the IABF, ING transferred 80% of the economic ownership of its Alt-A portfolio to the Dutch State. As a result, an undivided 80% interest in the risk and rewards on the portfolio was transferred to the Dutch State. ING retained 100% of the legal ownership of its Alt-A portfolio. The transaction price was 90% of the par value with respect to the 80% proportion of the portfolio of which the Dutch State had become the economic owner. The transaction price remained payable by the Dutch State to ING and was redeemed over the remaining life. Furthermore, under the IABF ING paid a guarantee fee to the Dutch State and received a funding fee and a management fee. As a result of the transaction ING derecognised 80% of the Alt-A portfolio from its balance sheet and recognised a receivable from the Dutch State. The transferred Alt-A portfolio was previously included in Available-for-sale debt securities. The Dutch State also acquired certain consent rights with respect to the sale or transfer of the 20% proportion of the Alt-A portfolio that was retained by ING.

Under the terms of the transaction as agreed on 26 January 2009, the overall sales proceeds amounted to EUR 22.4 billion at the transaction date. The amortised cost (after prior impairments) at the transaction date was also approximately EUR 22.4 billion. The transaction resulted in a loss in 2009 of EUR 109 million after tax (the difference between the sales proceeds and the amortised cost). The fair value under IFRS-EU at the date of the transaction was EUR 15.2 billion.

In order to obtain approval from the European Commission ('EC') on ING Group's Restructuring Plan (see below), ING agreed to make additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the EC to the Dutch State corresponding to an adjustment of the fees for the Illiquid Assets Back-up Facility. In total, these additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission amounted to a net present value of EUR 1.3 billion before tax, which was recognised as a one-off charge in 2009.

The difference between the total sales proceeds of EUR 21.1 billion (EUR 22.4 billion -/- adjustment of EUR 1.3 billion) and the fair value under IFRS-EU of EUR 15.2 billion represents a 'Government grant' under IAS 20. This government grant is considered to be an integral part of the transaction and is therefore accounted for as part of the result on the transaction. The transaction resulted in a reduction of the negative revaluation and therefore an increase in equity of EUR 4.6 billion (after tax).

The valuation method of the 20% Alt-A securities in the IFRS-EU balance sheet is not impacted by the IABF. The methodology used to determine the fair value for these assets in the balance sheet under IFRS-EU is disclosed in Note 40 'Fair value of assets and liabilities'.

In connection with the sale of ING Direct USA, ING reached an agreement with the Dutch State to adjust the structure of the IABF. This adjustment served to de-link the IABF from ING Direct USA by putting ING Bank in its place as counterparty for the Dutch State and became effective at the closing of the sale in February 2012. Under the terms of the original transaction ING Direct USA held on its balance the remaining 20% of the Alt-A portfolio, ensuring an alignment of interests between ING and the Dutch State regarding the performance of the portfolio.

Upon closing of the sale ING provided a counter guarantee to the Dutch State covering 25% of the 80% part of the Dutch State. This guarantee covered realised cash losses if they would exceed the 35% that is implied by the market value of the portfolio in June 2011. This adjustment therefore lowered the risk exposure for the Dutch State. The impact on equity and result of the alignment for ING Bank was limited.

In November 2012, NN Group (formerly ING Insurance) restructured the IABF to effectively de-link Voya from the IABF. Voya transferred its Dutch State receivable of approximately EUR 1.1 billion (USD 1.4 billion) to ING Bank, and at the same time transferred legal title to 80% of the Alt-A portfolio to ING Bank. The securities were held in an ING Bank custody account for the benefit of the Dutch State (the portion for which the investment risk has been transferred to the Dutch State). Following the restructuring, Voya continued to own 20% of the Alt-A portfolio (the portion for which the economic ownership and investment risk remained for the risk of ING), but had the right to sell these securities, subject to a right of first refusal granted to ING Bank. ING committed to the Dutch State that it would not sell these securities to non-ING parties without the prior written consent of the Dutch State.

In 2013, ING reached a final agreement with the Dutch State on the unwinding of the IABF. The terms of the agreement were approved by the EC. Under the agreement, the IABF in its current form was terminated, the regular guarantee fee payments were settled for an amount of EUR 0.4 billion and the other restrictions as part of the IABF agreement were no longer applicable. Furthermore, under the agreement, the Dutch State committed to sell the Alt-A securities in the market. Unwinding the IABF also resulted in eliminating a counter-guarantee that ING extended to the Dutch State in connection with the divestment of ING Direct USA in 2012.

The first tranche of the divestment of securities was executed in December 2013. All the remaining securities held by the Dutch State as at 31 December 2013 were sold in January and early February 2014.

The Dutch State used all repayments and net fees received to repay the loan from ING. The loan was fully repaid in January 2014.

Non-voting equity securities (core Tier 1 securities)

On 12 November 2008, ING Groep N.V. issued one billion non-voting equity securities to the Dutch State at EUR 10 per non-voting equity security, resulting in an increase of ING Group's core Tier 1 capital of EUR 10 billion. The nominal value of each security was EUR 0.24. The non-voting equity securities do not form part of ING Groep N.V.'s share capital; accordingly they did not carry voting rights in the General Meeting of Shareholders.

These non-voting equity securities were deeply subordinated and ranked pari-passu with ordinary shares in a winding up of ING Groep N.V. On these non-voting equity securities a coupon was payable of the higher of EUR 0.85 per security and 125% of the dividend paid on each ordinary share over 2011 onwards (payable in 2012 onwards).

Further coupons were to be paid on 12 May of each year (the coupon date) in cash if dividend on ordinary shares was paid in cash or in scrip securities in the event of a scrip dividend on ordinary shares. Coupons were only due and payable, on a non-cumulative basis and if a dividend was paid on ordinary shares over the financial year preceding the coupon date, either on an interim or a final dividend basis, provided that ING Groep N.V.'s capital adequacy position was and remained satisfactory both before and immediately after payment in the opinion of the Dutch Central Bank ('DNB').

As of 12 November 2011, ING Groep N.V. had the right to repay all or some of the non-voting equity securities at EUR 15 per security at any time, together with the pro-rata coupon accrued to such date. ING Groep N.V. and the Dutch State agreed in October 2009 that up to EUR 5 billion of the EUR 10 billion core Tier 1 securities could have been repaid at any time until 31 January 2010 at the original issue price of EUR 10 per non-voting equity security, plus a repurchase premium and accrued interest.

ING Groep N.V. also had the right to convert all or some of the non-voting equity securities into ordinary shares on the basis of one non-voting equity security for 1.335 ordinary shares or bearer depositary receipts from three years after the issue date onwards, subject to certain conditions. This equated to an exchange price of EUR 7.49. The Dutch State in that case had the right to demand a redemption payment of EUR 10 per non-voting equity security, together with the pro-rata coupon, if due, accrued to such date. Both repayment and conversion of the securities had to be approved by the DNB.

Repayment non-voting equity shares
On 7 November 2014, ING Group made the final repayment on the core Tier 1 securities of EUR 1.025 billion to the Dutch State. Including this final payment, the total amount paid to the Dutch State was EUR 13.5 billion and resulted in an annualised return of 12.7% for the Dutch State. Information on the repayments is included in the table below.

Repayments of Non-voting equity securities

Date	Non-voting equity securities (core Tier 1 securities)	Repur-chase premium including interest	Total
December 2009	5,000	1,031	6,031
May 2011	2,000	1,000	3,000
November 2012	750	375	1,125
November 2013	750	375	1,125
March 2014	817	408	1,225
November 2014	683	342	1,025
Total repayment to the Dutch State	**10,000**	**3,531**	**13,531**

European Commission Restructuring Plan
In 2009, ING Groep N.V. submitted a Restructuring Plan to the European Commission as part of the process to receive approval for the government support measures. By decision of 18 November 2009, the European Commission, formally approved the Restructuring Plan. The main elements of the Restructuring Plan as announced on 26 October 2009, were as follows:
- Elimination of double leverage and significant reduction of ING's balance sheet (with 45%);
- Divestment of all Insurance and Investment Management activities;
- Divestment of ING Direct USA;
- Creation of a new company in the Dutch retail market composed of Interadvies (including Westland Utrecht and the mortgage activities of Nationale-Nederlanden) and the existing consumer lending portfolio of ING Retail in the Netherlands. This business, once separated, needed to be divested; and
- Restriction to be a price leader in any EU country for certain retail and SME banking products and restriction to acquire financial institutions or other businesses insofar this would delay the repayment of the non-voting equity securities.

It was agreed that these restrictions would apply for the shorter period of three years or until the non-voting equity securities have been repaid in full to the Dutch State:
- An agreement with the Dutch State to alter the repayment terms of 50% of the non-voting equity securities;
- Repayment of EUR 5 billion of the non-voting equity securities issued in November 2008 to the Dutch State;
- Additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission will have to be made to the Dutch State in the form of fee adjustments relating to the Illiquid Assets Back-Up Facility which resulted in a one-off pre-tax charge to ING of EUR 1.3 billion in the fourth quarter of 2009;
- Launch of a EUR 7.5 billion rights issue, in order to finance the repayment of 50% of the non-voting equity securities and a mitigation of the capital impact of the additional Illiquid Assets Back-up Facility payment as part of the overall agreement with the European Commission to the Dutch State of EUR 1.3 billion;
- Repayment of the non-voting equity securities (core Tier 1 securities) issued to the Dutch state with a return of at least 10% per annum. The EC could impose additional behavioural constraints in the event that the return was lower;
- Restrictions on the calling of Tier 2 capital and Tier 1 hybrids, for the shorter period of three years starting from the date of the Commission decision or up to the date on which ING had fully repaid the non-voting equity securities (core Tier 1 securities) to the Dutch State (including the relevant accrued interest of core Tier 1 coupons and exit premium fees); and
- Execution of the Restructuring Plan before the end of 2013;

Amendments to the Restructuring Plan in 2012
ING announced in November 2012 that, together with the Dutch State, it had submitted significant amendments to the 2009 Restructuring Plan to the EC. The EC approved these amendments by Decision of 16 November 2012.

The amendments to the 2009 Restructuring Plan as announced in November 2012 extended the time horizon and increased the flexibility for the completion of divestments and have adjusted other commitments in light of the market circumstances, economic climate and more stringent regulatory requirements.

Under the amendments announced in 2012, the ultimate dates for divesting the insurance and investment management businesses changed as follows:

- The divestment of more than 50% of ING's interest in its Asian insurance and investment management operations had to be completed by year-end 2013, with the remaining interest divested by year-end 2016;
- The divestment of at least 25% of ING's interest in Voya had to be completed by year-end 2013, more than 50% had to be divested by year-end 2014, with the remaining interest to be divested by year-end 2016; and
- The divestment of more than 50% of ING's interest in its European insurance and investment management activities had to be completed by year-end 2015, with the remaining interest divested by year-end 2018; and as ING has committed to eliminate double leverage, proceeds from the divestments were to be used to that end while ensuring adequate leverage ratios of the insurance holding companies.

A divestment of more than 50% of ING's interest as mentioned in this paragraph and furthermore below also meant that ING Group (a) no longer had a majority of representatives on the Boards of these operations and (b) had deconsolidated these operations from ING Group's financial statements in line with IFRS-EU accounting rules.

Under the terms of the original Restructuring Plan, ING was required to divest Interadvies (at that point in time named WestlandUtrecht Bank). However, due to market circumstances and changing regulatory requirements, a divestment of WestlandUtrecht had not occurred. Instead, under the amended Restructuring Plan, the commercial operations of WestlandUtrecht Bank were combined with the retail banking activities of Nationale-Nederlanden, which was to be divested as part of ING's insurance and investment management operations in Europe. The result had to be that Nationale-Nederlanden Bank is a viable and competitive business, which stands alone and is separate from the businesses retained by ING. To this end, ING already needed to ring-fence Nationale-Nederlanden Bank up to the divestment of more than 50% of NN Group. ING committed, amongst others, that Nationale-Nederlanden Bank would reach certain targets for mortgage production and consumer credit until year-end 2015. Furthermore, ING agreed to a maximum ratio for mortgage production at ING Retail Banking Netherlands in relation to mortgage production of Nationale-Nederlanden Bank until year-end 2015.

The 2009 Restructuring Plan included restrictions on acquisitions and price leadership for certain products in EU markets. These restrictions continued to apply until the date on which more than 50% of each of the Insurance/IM operations was divested. The price leadership restrictions in Europe were amended to reflect specific conditions in various local markets. Under the amendments, the constraint no longer applied in the Netherlands, and ING Direct in the EU needed to refrain from offering more favourable prices than its best priced direct competitor among the ten financial institutions having the largest market share in the respective countries.

The calling or buy-back of Tier 2 capital and Tier 1 Hybrid Securities continued to be proposed for authorisation to the European Commission on a case by case basis until the full repayment of the core Tier 1 securities to the Dutch State, but ultimately until 18 November 2014, whichever date came first. Notwithstanding this restriction, ING was allowed to call the EUR 1.25 billion Hybrid originally issued by ING Verzekeringen N.V. on 21 December 2012. With full repayment of the core Tier 1 securities to the Dutch State on 7 November 2014, these restrictions ended as of that date.

The 2012 amended Restructuring Plan included a repayment schedule for the remaining core Tier 1 securities to the Dutch State as described in the above-mentioned section 'Repayment non-voting equity shares'. As indicated, on 7 November 2014 the repayment of the core Tier 1 securities to the Dutch State was completed.

The implementation of the commitments and obligations set out in the (amended) Restructuring Plan was monitored by a monitoring trustee who is independent of ING until 31 December 2015.

The 2012 amended Restructuring Plan was formally approved by the European Commission, by decision of 16 November 2012. As a result, the Commission closed its formal investigations as announced on 11 May 2012 and ING also withdrew its appeal at the General Court of the European Union, filed in July 2012. For principal legal reasons the EC continued with its appeal against the General Court ruling of March 2012. However, as part of the agreement of 19 November 2012, ING, the Dutch State and the EC agreed that the outcome of this appeal would not affect the EC approval of the 2012 amended Restructuring Plan. The EU Court of Justice rendered a final judgement on 3 April 2014 and dismissed the EC's appeal against the General Court ruling of March 2012.

Amendments to the Restructuring Plan in 2013

In November 2013, ING announced further amendments to the Restructuring Plan. ING announced that it would expand the scope of the base case Initial Public Offering (IPO) of NN Group to include ING Life Japan. In that context, ING and the Dutch State reached an agreement with the EC on revised timelines for the divestment process of ING Life Japan and ING's European insurance and investment management activities.

As part of the previously announced amended restructuring agreement with the EC in 2012, ING planned to divest more than 50% of ING's Asian insurance and investment management businesses by the end of 2013. Under the revised timelines announced, ING committed to divest ING Life Japan in line with the divestment timeline for ING's European insurance and investment management activities. This meant that the timeline to divest more than 50% of ING Life Japan had effectively been extended to year-end 2015, which was also the unchanged timeline to divest more than 50% of ING's European insurance and investment management businesses. As part of the revised 2013 agreement, ING agreed to accelerate the timeline to complete the divestment of 100% of ING's European insurance and investment management activities by year-end 2016.

The amendments to the restructuring plan of 2013 were formally approved by the European Commission by decision of 5 November 2013.

Status of the European Commission Restructuring Plan
ING has completed most commitments of the restructuring plan. The following steps were taken in 2015:

In March 2015, ING Group sold its remaining 18.9% stake in Voya. As agreed, ING Group divested its remaining stake before year-end 2016. Reference is made to Note 54 'Other events'.

In May 2015, ING Group divested NN Group for more than 50% and deconsolidated NN Group in line with IFRS-EU. In September 2015, ING Group brought down its stake in NN Group to 25.8%; ING Group needs to divest 100% of NN Group by year-end 2016. With the deconsolidation of NN Group, the restrictions from the EC decision of November 2012 on acquisitions and on price leadership no longer applied. The deconsolidation on NN Group also ensured that ING Group completed two other commitments: the required 45% decrease of its balance sheet and the elimination of its double leverage.

ING Group committed to divest and create NN Bank – as part of NN Group – as a viable, stand-alone and competitive business with a broad product portfolio and a growth path to become a mid-sized player in the Dutch market. Several detailed commitments needed to be met, including targets for mortgage production and consumer credit production as well as the commitment that NN Bank should be sufficiently capitalised to execute its long-term growth plan and in any case to ensure growth to about 2016, which included a commitment to make available to NN Bank additional capital up to an amount of EUR 120 million if and when needed but ultimately just before the date on which ING Group has deconsolidated NN Group (if the Basel III leverage ratio becomes mandatory or when NN Bank needs capital to execute its business plan).

In May 2015, ING Group has made a capital injection into NN Group of EUR 57 million by subscribing for newly issued shares for an aggregate amount of EUR 57 million and ING has provided NN Bank a EUR 63 million facility which allows the bank to draw additional Tier 1 capital. With this provision of capital, ING Group fulfilled a commitment to the European Commission (EC) pertaining to the capitalisation of NN Bank, which is included in the EC decision of 16 November 2012. With the deconsolidation of NN Group, ING also fulfilled the commitment to divest NN Bank for more than 50% and deconsolidate NN Bank before year-end 2015. The NN Bank targets for mortgage production and consumer credit production needed to be met until year-end 2015. Also, the mortgage production restrictions at ING Retail Banking Netherlands in relation to mortgage production of Nationale-Nederlanden Bank applied until year-end 2015. At the end of 2015, ING and the Dutch State reported to the European Commission that the NN Bank related commitments have been fulfilled.

Reference is made to Note 11 'Assets and liabilities held for sale', Note 49 'Companies and businesses acquired and divested' and Note 54 'Other events'.

Credit Guarantee Scheme
As part of the measures adopted to protect the financial sector, the Dutch State introduced a EUR 200 billion credit guarantee scheme for the issuance of medium term debt instruments by banks (the Credit Guarantee Scheme). ING Bank N.V. issued government guaranteed debt instruments under this Credit Guarantee Scheme ('Government Guaranteed Bonds') as part of its regular medium-term funding operations. The relevant Rules of the Credit Guarantee Scheme set forth the rules applicable to any issues under the Credit Guarantee Scheme and include information such as scope, denomination, tenor and fees payable by the banks. ING Group paid a fee of 84 basis points over the issued bonds to the Dutch State to participate in the Credit Guarantee Scheme. In 2014, all these bonds were fully repaid.

54 Other events

NN Group

Summary of NN Group divestment transactions

Date	Interest % held before trans-action	Portion of interest (change)	Interest % held after trans-action	Price per share in EUR	Gross trans-action value[9] EUR millions	Impact on Share-holders' equity[10]	Impact on minority interest	Impact on Total equity	Impact on profit (+) and loss (-)[11]
July 2014	100.00%	-31.86%	68.14%	20.00	2,197	-3,251	5,397	2,146	-
February 2015	68.14%	-13.56%	54.58%	24.00	1,240	-1,769	3,042	1,273	-
May 2015[1]	54.58%	0.19%	54.77%	26.16	-57	-	-	-	-
May 2015[2]	54.77%	-12.34%	42.43%	25.46	1,148	-5,345	-10,801	-16,146	-1,224
June 2015[3]	42.43%	-4.20%	38.23%	24.78	352	-	-	-	1
June 2015[4]	38.23%	-0.62%	37.61%	24.95	53	-	-	-	-
September 2015[4]	37.61%	-0.49%	37.12%	26.78	45	-	-	-	2
September 2015[5]	37.12%	-11.36%	25.76%	25.00	1,000	-	-	-	-17
January 2016[6,7]	25.75%	-9.53%	16.22%	31.00	1,030	-	-	-	522
February 2016[8]	16.22%	-2.13%	14.09%	30.34	210	-	-	-	-8

1 Capital injection into NN Group.
2 Deconsolidation of NN Group; remaining investment in NN Group accounted for as an Investment in associate held for sale.
3 Second tranche exchange of subordinated notes: Anchor investors.
4 NN Group share repurchase.
5 Further divestment of NN Group in September 2015.
6 Loss of significant influence over NN Group.
7 The dilution of ING Group's ownership in NN Group from 25.76% to 25.75%, as at 31 December 2015, is as a result of shares issued by NN Group as part of its internal stock options and share plans.
8 Final tranche exchange of subordinated notes: Anchor investors.
9 Gross sales proceeds or Capital injection value.
10 Divestment transactions prior to deconsolidation did not impact the profit and loss account of ING Group, but had a negative impact on shareholder's equity (parent) of ING Group which reflected the difference between the net proceeds received and the IFRS-EU book value of ING Group's interest sold at the respective dates. The amounts were recognised in 'Other reserves'.
11 The amounts reflect the difference between the market value and the IFRS-EU book value of ING Group's interest sold at the respective transaction dates. Included in the amounts is the release of corresponding revaluation reserves, where applicable. The amounts are recognised in the profit and loss account in the line 'Net result from disposal of discontinued operations'.

July 2014 – Initial public offering ('IPO')

On 2 July 2014, ING sold 77 million existing ordinary shares in the initial public offering of NN Group at EUR 20.00 per share. On 10 July 2014, the joint global coordinators, on behalf of the underwriters, exercised an over-allotment option to purchase 11.55 million of additional existing shares in NN Group at the same price. At the time of the IPO, a first tranche of EUR 450 million of the mandatorily exchangeable subordinated notes (the pre-IPO investments from the three Asian-based investment firms RRJ Capital, Temasek and SeaTown Holdings International) was exchanged into NN Group shares. The remaining two tranches (each for an aggregate amount of EUR 337.5 million) were mandatorily exchangeable into NN Group shares from 2015 onwards.

Total gross proceeds from the NN Group IPO, including the exchange of the first tranche of subordinated notes into NN Group shares and the over-allotment option, amounted to EUR 2.2 billion.

As a result of the above, ING's ownership in NN Group declined from 100% to 68.14% in 2014. This transaction did not impact the profit and loss account of ING Group, as NN Group continued to be fully consolidated by ING Group. In 2014, the transactions had a negative impact on shareholders' equity of ING Group of EUR 3,251 million. This amount included:

- EUR 2,590 million, being the difference between the net proceeds of the IPO to ING and the IFRS-EU carrying value of the stake in NN Group divested in the IPO (including the exercise of the over-allotment option) and
- EUR 661 million, being the difference between the market value of the NN Group shares exchanged for the first tranche of the mandatorily exchangeable subordinated notes and the related IFRS-EU carrying value.

During the second half of 2015, the Autoriteit Financiële Markten ('AFM'; The Netherlands Authority for Financial Markets) performed a review of the 2014 ING Group Annual Report. This review resulted in a recommendation to change the accounting approach for the provision recognised as a direct reduction of ING Group's shareholder's equity in 2014 in relation to the Asian Anchor Investment transaction ('Anchor investment transaction'). Reference is made to Note 1 'Accounting policies' – Change in accounting approach NN Group Anchor investment transaction, Note 13 'Equity' and Note 20 'Other liabilities'.

In September 2014, NN Group was classified as held for sale and discontinued operations. Upon classification, the carrying amount of the disposal group (or group of assets) was compared to NN Group's fair value less cost to sell. The fair value less cost to sell was lower than the carrying value of the disposal group and as a result goodwill and certain other non-current non-financial assets totalling EUR 470 million were written-off in 2014 and recognised in the profit and loss account in the line 'Net result from classification as discontinued operations'. As at 31 December 2014, the subsidiary NN Group was presented as Assets and liabilities held for sale and discontinued operations.

As at 31 December 2014, the pro forma negative impact of the divestment of NN Group on ING Group shareholders' equity would have been EUR 7.6 billion, representing the difference between the market value of ING Group's 68.14% stake in NN Group, and the IFRS-EU carrying value of this stake. As at 31 December 2014, the pro forma negative impact of the divestment of NN Group on the profit and loss account of ING Group would have amounted to EUR 1.5 billion. This amount reflects the difference between the negative impact on equity and the release of ING's pro forma EUR 6.1 billion share in the positive revaluation reserves of NN Group.

February 2015 – Further divestment of NN Group
In February 2015, ING Group sold 52 million ordinary shares of NN Group. As part of the transaction, NN Group repurchased 8.3 million ordinary shares. The gross proceeds to ING Group from the offering, including the repurchase by NN Group, amounted to EUR 1.2 billion. The transaction reduced the ownership of ING in NN Group from 68.14% (at 31 December 2014) to 54.58%. The transaction did not impact the profit and loss account of ING Group as NN Group continued to be fully consolidated. The transaction had a negative impact of EUR 1,769 million on the shareholder's equity of ING Group, being the difference between the net proceeds of the transaction and the IFRS-EU carrying value per the transaction date of the equity stake sold.

May 2015 – Capital injection into NN Group
In May 2015, in order to fulfil its commitment to the European Commission ('EC'), ING Group made a capital injection into NN Group by subscribing for newly issued shares for an aggregate amount of EUR 57 million. The transaction increased the ownership of ING in NN Group from 54.58% to 54.77%. As part of this transaction, ING provided a EUR 63 million facility to NN Bank which allows NN Bank an unconditional right to draw down additional Tier 1 capital at prevailing market terms, until 31 December 2018. With this provision of capital, ING Group fulfils its commitment to the EC pertaining to the capitalisation of NN Bank, per the EC decision of 16 November 2012. These transactions have no material impact on the capital position of ING Group and no impact on the capital position of ING Bank.

May 2015 – Deconsolidation of NN Group
On 26 May 2015, ING Group announced a further sale of 45 million ordinary shares of NN Group. As part of the transaction, NN Group repurchased 5.9 million ordinary shares. The gross proceeds to ING Group from the offering, including the repurchase by NN Group, amounted to EUR 1.1 billion. This transaction reduced the ownership of ING in NN Group to 42.43%, resulting in ING Group losing control over NN Group. The share sale and deconsolidation of NN Group resulted in an after tax loss of EUR 1,224 million in 2015 and is recognised in the profit and loss account in the line 'Net result from disposal of discontinued operations'. The transaction had a negative impact of EUR 6,569 million, including the aforementioned loss, on the shareholder's equity of ING Group. The profit and loss account of ING Group includes, in the line 'Net result from discontinued operations', the result of NN Group until deconsolidation at the end of May 2015.

With deconsolidation of NN Group, ING Group fulfils its commitment to the EC pertaining to the divestment of NN Group, per the EC decision of 16 November 2012. The restrictions from this decision regarding acquisition and price leadership will no longer apply to ING Group.

June 2015 - Second tranche exchange of subordinated notes: Anchor investors
On 10 June 2015, ING announced the exchange of the second tranche of EUR 337.5 million mandatorily exchangeable subordinated notes into 13.6 million NN Group ordinary shares. The exchange price was set at a 3% discount to the NN Group closing price on 4 June 2015, resulting in an exchange price of EUR 24.78 per share. Accrued interest on these notes of approximately EUR 14.6 million were settled in an additional 0.6 million NN Group ordinary shares as per the terms of the investment. The transaction was settled on 15 June 2015 and resulted in a further decrease of the ownership of ING in NN Group from 42.43% to 38.23%. The transaction did not have a material impact on the profit and loss account of ING Group. Reference is made to Note 14 'Subordinated loans' and Note 20 'Other liabilities'.

June 2015 – NN Group share repurchase
On 30 June 2015, NN Group repurchased 2.1 million ordinary shares from ING Group. This transaction reduced ING Group's remaining interest in NN Group to 37.61%.

September 2015 – NN Group share repurchase
In September 2015, NN Group repurchased 1.7 million ordinary shares from ING Group. This transaction reduced ING's remaining interest in NN Group to 37.12%.

September 2015 – Further divestment of NN Group
On 30 September 2015, ING Group sold 40 million ordinary shares of NN Group. As part of the transaction, NN Group repurchased 6 million ordinary shares. The gross proceeds to ING Group, including the repurchase by NN Group, amounted to EUR 1 billion. The transaction reduced ING's interest in NN Group to 25.76%. The transaction resulted in a loss of EUR 17 million in 2015 and is recognised in the profit and loss account in the line 'Net result from disposal of discontinued operations'. The transaction was settled on 5 October 2015.

As at 31 December 2015, the remaining interest in NN Group of 25.75% is recognised as an Investment in associate held for sale at EUR 2,153 million. ING Group holds warrants for 35 million shares in NN Group.

As at 31 December 2015, ING Group no longer has nominees in the Supervisory Board of NN Group. Reference is made to Note 52 'Related parties'.

Reference is made to Note 11 'Assets and liabilities held for sale', Note 13 'Equity' and Note 30 'Discontinued operations'.

Reference is made to Note 53 'Transactions with the Dutch State and the European Commission Restructuring Plan' for the Status of the European Commission Restructuring Plan.

January 2016 – Loss of significant influence over NN Group
On 5 January 2016, ING sold a further 33 million ordinary shares of NN Group. As part of the transaction, NN Group repurchased 8 million ordinary shares. The gross proceeds to ING Group from the offering, including the repurchase by NN Group, amounted to EUR 1 billion. The transaction reduced the ownership of ING in NN Group from 25.75% (as at 31 December 2015) to 16.22%. As a result of the transaction, together with ING Group no longer having any nominees on NN Group's Supervisory Board as of 14 December 2015, ING Group no longer has significant influence over NN Group and accounts for its remaining stake in NN Group as an available-for-sale investment. The result from this transaction, amounting to a net profit of EUR 522 million, will be reflected in ING Group's first quarter 2016 profit and loss account. The result reflects the difference between the EUR 2.2 billion book value of ING's 25.75% investment (as fixed at deconsolidation at the end of May 2015) and the market value of this stake of EUR 2.7 billion at the closing of the January 2016 transaction. The transaction settled on 8 January 2016. The remaining shares held in NN Group are subject to a lock-up period of 60 days.

February 2016 – Final tranche exchange of subordinated notes: Anchor investors
On 2 February 2016, ING settled the exchange of the third and final tranche of EUR 337.5 million mandatory exchangeable subordinated notes which were issued in 2014 as part of the anchor investment in NN Group. EUR 208 million of the notes were exchanged into 6.9 million NN Group ordinary shares with the three anchor investors. EUR 129.5 million of notes were settled in cash with RRJ Capital. This transaction reduced ING's remaining stake in NN Group from 16.22% to 14.09%. The transaction did not have a material impact on the shareholder's equity or the profit and loss account of ING Group.

VISA
ING Bank and other subsidiaries within ING Group are principal members of VISA Europe and together hold 6 redeemable ordinary shares in VISA Europe Limited. These ordinary shares are recognised as available-for-sale equity securities and were valued at EUR 10 per share. In November 2015, VISA Inc. and VISA Europe announced a definitive agreement for VISA Inc.to acquire VISA Europe. The transaction is subject to regulatory approvals and is expected to close in the second quarter of 2016. In December 2015, the principal members of VISA Europe received letters informing them on the calculation of their share in the transfer proceeds.

The announcement and the letters received provided the basis for the reassessment of the fair value of the shares. The fair value of the shares, EUR 154 million as at 31 December 2015, is determined by taking into account the upfront consideration, consisting of cash and preferred shares, the earn-out consideration and any uncertain factors that could affect the upfront and earn-out consideration. It is considered unlikely that the fair value will materially differ from the value included in the letters received from VISA Europe in December 2015. The shares are recognised as Investment in available-for-sale equity securities. The increase in fair value of EUR 154 million is recognised in Equity. Reference is made to Note 5 'Investments', Note 13 'Equity' and Note 40 'Fair value of assets and liabilities'.

Regulatory costs

ING Group is required to contribute to the Deposit Guarantee Schemes ('DGS') and National Resolution Fund ('NRF') in all countries where it operates.

Dutch ex-ante DGS

Until 2015, the DGS system in the Netherlands was funded on an ex-post basis. The EU DGS Directive requires ex-ante funding as of 1 January 2015. In January 2016, the Dutch Central Bank informed the Dutch banks that it decided to postpone the first contribution date for the ex-ante DGS. The first ex-ante DGS contribution will be recognised in the profit and loss account in the first quarter of 2016. This delay does not affect the target size of the ex-ante DGS fund, nor the date at which the target size should be reached, being July 2024. As at 31 December 2015, ING Group did not have a present obligation for the Dutch ex-ante DGS and as a result, no provision has been recognised.

National Resolution Fund

The Bank recovery and Resolution Directive ('BRRD') 2014/59/EU regarding ex-ante contributions to resolution financing arrangements were enacted into Dutch, German and Belgian law during 2015. The directive has not yet been enacted into Polish law.

Voya

The table below provides a summary of the various Voya divestment transactions which occurred in 2013, 2014 and 2015:

Summary of Voya divestment transactions

Date	Interest % held before trans-action	Portion of interest sold	Interest % held after trans-action	Price per share in USD	Gross Sales proceeds EUR millions	Impact on Share-holders' equity[3]	Impact in minority interest	Impact on Total equity	Impact on profit (+) and loss (-)[4]
May 2013	100.0%	-28.8%	71.2%	19.50	1,061	-1,894	2,954	1,060	-
October 2013	71.2%	-14.6%	56.5%	29.50	786	-632	1,394	762	-
March 2014[1]	56.5%	-13.3%	43.2%	35.23	950	87	-5,100	-5,013	-2,005
September 2014	43.2%	-10.8%	32.5%	38.85	888	-	-	-	40
November 2014[2]	32.5%	-13.5%	18.9%	39.15	1,068	-	-	-	418
March 2015	18.9%	-18.9%	0%	44.20	1,802	-77	-	-77	323

1 Deconsolidation of Voya; remaining investment in Voya accounted for as an Investment in associate held for sale at fair value of EUR 2,914 million.
2 Loss of significant influence over Voya; remaining investment accounted for as an available-for-sale equity investment held for sale.
3 Divestment transactions prior to deconsolidation did not impact the profit and loss account of ING Group, but had a negative impact on shareholder's equity (parent) of ING Group which reflected the difference between the net proceeds received and the IFRS-EU book value of ING Group's interest sold at the respective transaction dates. The amounts were recognised in 'Other reserves'.
4 The amounts reflect the difference between the market value and the IFRS-EU book value of ING Group's interest sold at the respective transaction dates. Included in the amounts is the release of corresponding revaluation reserves, where applicable. The amounts are recognised in the profit and loss account in the line 'Net result from disposal of discontinued operations'.

In March 2015, ING Group sold 45.6 million ordinary shares of Voya. ING Group sold 32 million Voya shares in the public offering and in addition to this, ING Group sold 13.6 million shares to Voya. The gross proceeds to ING Group from the public offering and the concurrent repurchase by Voya amounted to EUR 1.8 billion (USD 2.0 billion).

The sale of the total 45.6 million shares from the combined transactions reduced ING Group's stake in Voya from 18.9% (at 31 December 2014) to zero. The transactions settled on 9 March 2015 and resulted in a profit of EUR 323 million which reflects the difference between the market value of our 18.9% stake in Voya at the date on which ING Group lost significant influence and the proceeds from these transactions. The profit is recognised in the profit and loss account in the line 'Net result from disposal of discontinued operations'. Reference is made to Note 4 'Financial assets at fair value through profit and loss', Note 11 Assets and liabilities held for sale' and Note 30 'Discontinued operations'.

ING Group holds warrants for 26 million shares in Voya.

ING Vysya Bank

2015

In 2014, ING Vysya Bank ('ING Vysya') and Kotak Mahindra Bank ('Kotak') announced their intention to merge their respective businesses. As at 31 December 2014, ING Vysya was presented as Assets held for sale. The shareholders of Kotak and ING Vysya approved this transaction in January 2015. On 31 March 2015, the Reserve Bank of India approved the transaction with an effective date of 1 April 2015.

On 7 April 2015, the merger between ING Vysya and Kotak was completed and the legal entity ING Vysya Bank ceased to exist. ING was the largest shareholder in ING Vysya, with 42.7% interest. ING Vysya was merged into Kotak. Shareholders of ING Vysya received 0.725 shares in Kotak for each ING Vysya share. As a result, ING holds a stake of 6.5% in the combined company, which operates under the Kotak brand. ING's holding in the combined company will be subject to a 1 year lock-up period from the closing of the transaction. The transaction resulted in a gain of EUR 367 million in 2015 and is recognised in 'Share of result from associates and joint ventures'. The transaction did not materially impact the shareholder's equity of ING Group. As at 31 December 2015, ING Group accounts for the investment in Kotak as an Available-for-sale equity investment. Reference is made to Note 5 'Investments', Note 7 'Investments in associates and joint ventures' and Note 11 'Assets and liabilities held for sale'.

2014

In the first quarter of 2014, changes to the governance structure of ING Vysya were implemented in order to better align with prevailing regulations. The regulatory requirements necessitated some governance changes. As part of that, ING reduced the number of directors appointed by ING in ING Vysya Bank's Board of Directors to be proportionate to its shareholding. Although ING Bank's economic interest of approximately 43% remained unchanged, as a result of these governance changes, ING Bank no longer had a majority representation in the Board of Directors and influence on ING Vysya's operations were aligned with its shareholding interest. As a result, ING Bank no longer had effective control over ING Vysya and therefore, as of 31 March 2014 ING Vysya was deconsolidated and accounted for as an associate under equity accounting. Before the changes in the governance structure ING Bank had substantial additional powers, including the majority in the Board of Directors and power over operational decision making; as a result, ING Vysya was consolidated by ING. After the deconsolidation, the investment in ING Vysya was recognised as an Investment in associates and joint ventures at its fair value at 31 March 2014 of EUR 617 million. The profit and loss account of 2014 included the consolidated result of ING Vysya until the deconsolidation and the result upon deconsolidation of EUR 202 million. The result upon deconsolidation was recognised in 'Result on disposal of group companies'.

55 Subsequent events

There are no subsequent events to report. In Note 54 'Other events', some events of 2016 are included for information purposes.

Risk management

ING Group Risk Management

Taking measured risks is the core of ING Group's business. As a global financial institution with a strong European base, offering banking services, ING Group is exposed to a variety of risks. ING Group operates through a comprehensive risk management framework and integrates risk management in its daily business activities and strategic planning. This ensures the identification, measurement and control of risks at all levels of the organisation so that ING Group's financial strength is safeguarded.

Risk management supports the various management boards in formulating the risk appetite, strategies, policies, limits and provides a review, oversight and support function throughout ING Group on risk-related items.

The main financial risks ING Group is exposed to are credit risk (including transfer risk), market risk (including interest rate, equity, real estate, credit spread, and foreign exchange risks), liquidity & funding risk and business risk. Furthermore, ING Group is also exposed to non-financial risks, e.g. operational and compliance risks. The way ING Group manages these risks on a day-to-day basis is described in this Risk Management section. The Risk and Capital Management section on page 50 – 55 of this Annual Report is an integral part of the audited consolidated annual accounts.

Purpose

The purpose of ING Group's risk management function is to support ING Group's ambition to be the primary bank for our customers by empowering the business through an integrated state of the art enterprise wide risk management platform. The following principles support this purpose:

- The risk management function is embedded in all levels of ING Group's organisation and is part of the daily business activities and strategic planning to have a sustainable competitive advantage;
- Products and portfolios are structured, underwritten, priced, approved and managed properly, and compliance with internal and external rules monitored;
- Delegated authorities are consistent with the overall Group strategy and risk appetite; and
- Transparent communication to internal and external stakeholders on risk management.

Risk management adds value to ING Group and its stakeholders by providing more efficient capitalisation and lower costs of risk and funding. The cost of capital is reduced by aligning capital requirements with risks. Risk Management helps business units to make use of the latest risk management tools and skills to reduce funding costs and strategic risk. This enables them to focus on their primary activities in order to maintain a loyal customer base and a leadership position in our key markets and product franchises.

Group risk management function

The ING Group Chief Risk Officer (CRO) is also the ING Bank CRO and therefore responsible for the day-to-day Risk Management of the Group and the Bank. As a result of the IPO of NN Group, the ING Group CRO has no direct responsibilities in the risk management of NN Group. The remaining risk functions that are specific for the Group function have been delegated to ING Bank.

NN Group risk management governance

ING Group was involved in the risk management of NN Group through the participation of the ING Group CRO in the NN Group Supervisory Board. On 14 December 2015, he stepped down in line with ING Group's strategy to divest the remaining shareholding in NN Group over time as part of the restructuring agreement with the European Commission, ultimately by the end of 2016.
The activities of NN Group are classified as an Associate held for sale. Therefore, they are not further discussed in the remainder of this section. For more information, please refer to the risk management section of NN Group's Annual Report.

ING Bank risk management

Introduction

ING Bank operates through a comprehensive risk management framework to ensure the risks are identified, well understood, accurately measured, controlled and pro-actively managed at all levels of the organisation so that ING Bank's financial strength is safeguarded.

The risk management section describes the key risks that arise from ING Bank's business model. It explains how the risk management function is embedded within the organisation based on the 'three lines of defence'. This includes front office as 'first line of defence', independent risk management as the 'second line of defence' and the internal audit function as the 'third line'. The key risks resulting from the bank's business model are managed by dedicated and specific risk management departments that each covers its own area of expertise. ING Bank's risk management disclosures provide qualitative and quantitative disclosures about credit, market, liquidity and funding, business and non-financial risks.

The risk management section is in line with the accounting standards relating to the nature and the extent of the risks as required by IFRS7 'Financial Instruments: Disclosures' as adopted by the European Union and covered by the opinion of the External Auditors as being part of the notes to the consolidated financial statements. Pillar III information is from a regulatory perspective largely based on internal modelled risk metrics under the Basel rules and not addressed for verification to the External Auditors.

Navigation map

The index below enables the readers to track the main risk items through the various risk disclosures.

Risk management

	Subjects	Risk Management	Pillar III
These sections show ING's approach to risk management.	Introduction to risk section	260	
	Introduction to Pillar III		374
	Purpose and business model	262	
	Risk governance	262	
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	Risk appetite framework and stress testing	268	
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	Risk developments in 2015	275	

Credit risk

	Subjects	Risk Management	Pillar III
Credit risk is the risk of potential loss due to default by ING Bank's debtors (including bond issuers) or trading counterparties.	Governance and credit risk definitions	276	
	Credit risk appetite and concentration risk framework	277	
	RWA comparison		380
	Credit risk capital and measurement (SA & AIRB)	280	382
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Market risk

	Subjects	Risk Management	Pillar III
Market risk is the risk of potential loss due to adverse movements in market variables.	Governance	305	
	RWA comparison		410
	Economic capital	305	
	Market risk in banking books	306	
	Market risk in trading books	313	
	Capital at Risk		410

Funding and liquidity risk

	Subjects	Risk Management	Pillar III
Funding and liquidity risk is the risk that ING Bank or one of its subsidiaries cannot meet the financial liabilities when they come due, at reasonable cost and in a timely manner.	Governance	319	
	Management framework	319	
	Funding and Liquidity profile	322	
	Liquidity buffer		412
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Non-financial risk			
	Subjects	Risk Management	Pillar III
Operational risk is the risk of direct or indirect loss returning from inadequate or failed internal processes, people and systems or from external events.	Governance	323	
	Framework	323	
	Operational risk and main developments	324	
Compliance risk is the risk of impairment of ING Bank's integrity as a result of failure (or perceived failure) to comply with applicable laws, regulations, ING Bank policies and minimum standards and the ING Values.	Compliance risk and main developments	325	
	Non-financial risk awareness	327	

Business risk			
	Subjects	Risk Management	Pillar III
Business risk is the exposure to value loss due to fluctuations in volumes, margins and costs, as well as customers' behaviour risk.	Analysis business risk	328	
	Governance	328	

Purpose and business model

The purpose of ING Bank's risk management function is to support the ambition of ING Bank to be the primary bank for our customers, by empowering the business by an integrated state of the art enterprise wide risk management platform. The following principles support this purpose:

- The risk management function is embedded in all levels of ING Bank's organisation and is part of the daily business activities and strategic planning to have a sustainable competitive advantage;
- Products and portfolios are structured, underwritten, priced, approved and managed properly and compliance with internal and external rules monitored;
- Delegated authorities are consistent with the overall Bank strategy and risk appetite; and
- Transparent communication to internal and external stakeholders on risk management.

Risk governance

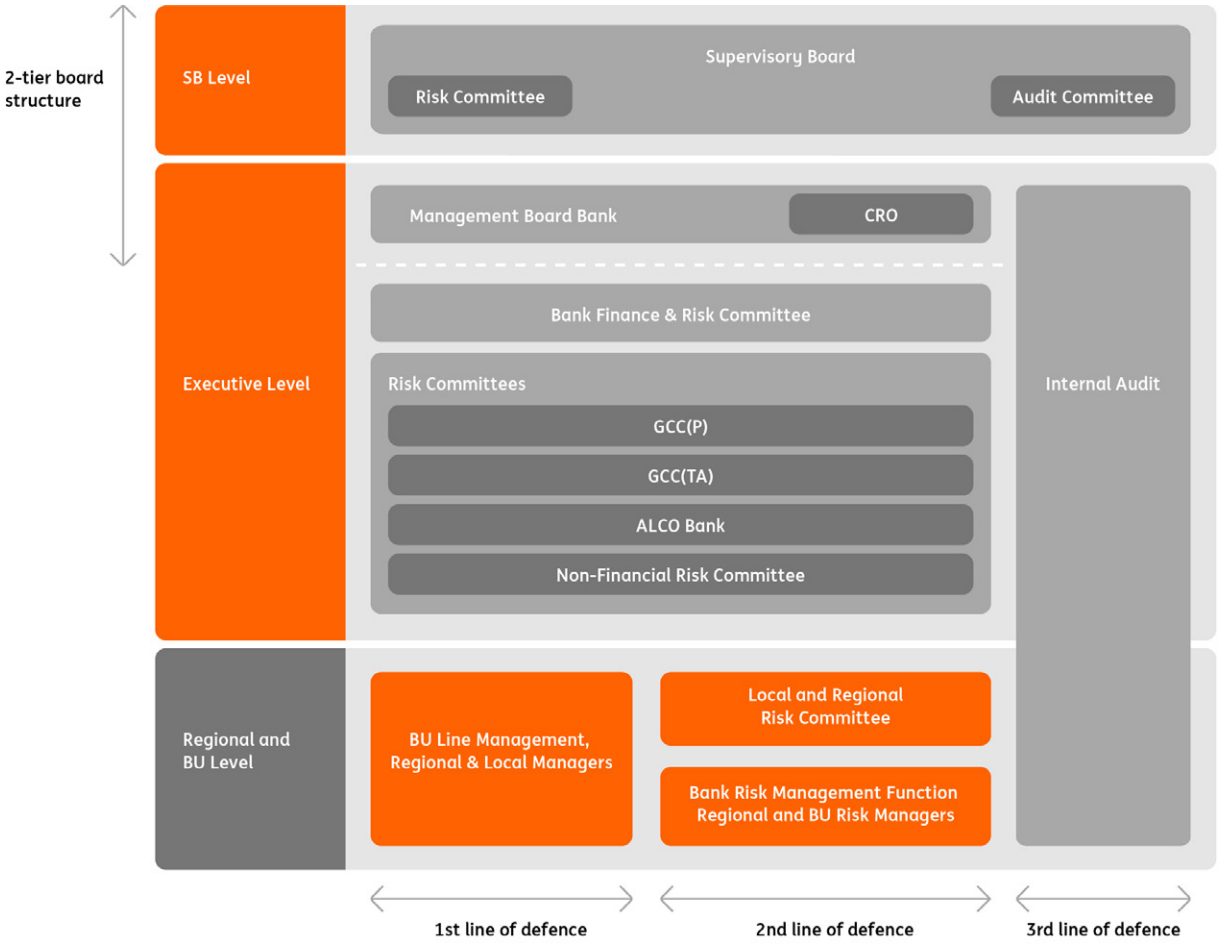
Governance model

ING Bank's risk management framework is based on a 'three lines of defence' governance model, whereby each line has a specific role and defined responsibilities in such a way that the execution of tasks is separated from the control of the same tasks. At the same time they have to work closely together to identify, assess and mitigate risks. This governance framework ensures that risk is managed in line with the risk appetite as approved by the Management Board Bank (MBB) and the Supervisory Board (SB), and is cascaded throughout ING Bank.

The commercial departments form the first line of defence and have primary responsibility for the day-to-day risk management. They originate loans, deposits and other products within applicable frameworks and limits, they know our customers well and are well-positioned to act in both the customers' and ING's best interest.

The second line of defence consists of oversight functions with a major role for the risk management organisation headed by the Chief Risk Officer (CRO), the ultimate responsible officer. As a member of the MBB, the CRO ensures that risk management issues are heard and discussed at the highest level, thus establishing the appropriate tone at the top. The CRO steers a functional, independent risk organisation both at head-office and business-unit level, which supports the commercial departments in their decision-making, but which also has sufficient countervailing power to keep the risk profile within the set risk appetite.

The internal audit function provides an on-going independent (i.e. outside of the risk organisation) and objective assessment of the effectiveness of internal controls of the first two lines, including financial and non-financial risk management and forms the third line of defence.



Board level risk oversight

ING Bank has a two-tier board structure consisting of the Management Board Bank and the Supervisory Board; both tiers play an important role in managing and monitoring the risk management framework.

- The SB is responsible for supervising the policy of the MBB, the general course of affairs of ING Bank and its business (including its financial policies and corporate structure). For risk management purposes the SB is assisted by two sub-committees:
  - The Audit Committee, which assists the SB in monitoring the integrity of the financial statements of ING Bank, in monitoring the compliance with legal and regulatory requirements, and in monitoring the independence and performance of ING's internal and external auditors; and
  - The Risk Committee, which assists the SB on matters related to risk governance, risk policies and risk appetite setting.
- The MBB is responsible for managing risks associated with all activities of ING Bank. The MBB's responsibilities include ensuring that internal risk management and control systems are effective and that ING Bank complies with relevant legislation and regulations. On a regular basis, the MBB reports on these issues and discusses the internal risk management and control systems with the SB. On a quarterly basis, the MBB reports on the Bank's risk profile versus its risk appetite to the Risk Committee, explaining changes in the risk profile.

The CRO ensures that the boards are well informed and understand ING Bank's risk position at all times. Every quarter, the CRO reports to the board committees on ING Bank's risk appetite levels and on ING Bank's risk profile. In addition, the CRO briefs the board committees on developments in internal and external risk related issues and ensures the board committees understand specific risk concepts.

As part of the integration of risk management into the annual strategic planning process, the MBB issues a Planning Letter which provides the corporate strategic direction, and addresses key risk issues. Based on the Planning Letter, the business lines and business units develop their business plans which align with the Bank's strategic direction. The process includes a qualitative and quantitative assessment of the risks involved. As part of the process, strategic limits and risk appetite levels are explicitly discussed. Based on the business plans, the MBB formulates the Strategic Plan which is submitted to the SB for approval.

Executive level
The ING Bank Finance and Risk Committee (BF&RC) is a platform for the CRO and the Chief Financial Officer (CFO), along with their respective direct reports, to coordinate issues that relate to both the finance and risk domains. On reporting level, BF&RC has the responsibility to co-ordinate, on a high level, the finance and risk decisions that have an impact on internal and/or external reporting.

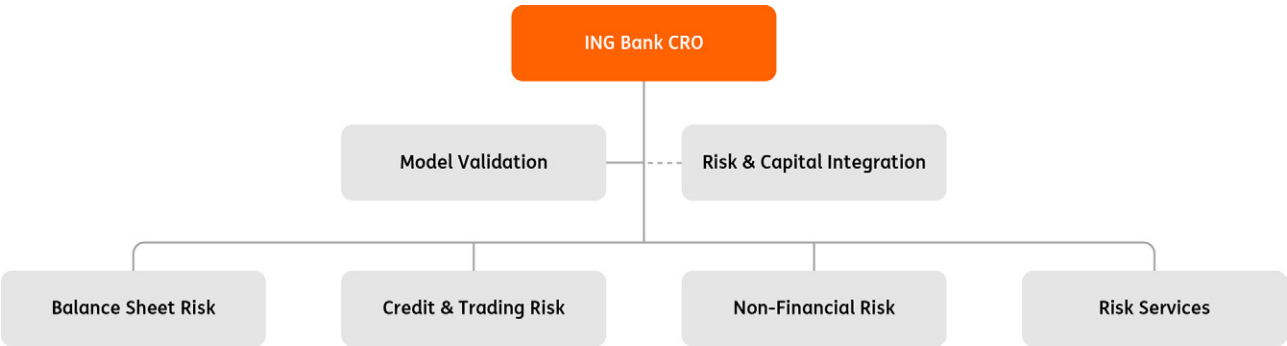
The risk committees described below act within the overall risk policy and delegated authorities granted by the Management Board Bank:
- ING Bank Credit Committee – Policy (GCC(P)): Discusses and approves policies, methodologies and procedures related to credit, country and reputation (ESR) risks for ING Bank. The GCC(P) meets on a monthly basis;
- ING Bank Credit Committee – Transaction Approval (GCC(TA)): Discusses and approves transactions which entail taking credit risk (including issuer investment risk). The GCC(TA) meets twice a week;
- Asset and Liability Committee ING Bank (ALCO Bank): Discusses and approves on a monthly basis the overall risk profile of all ING Bank's market risks that occur in its activities. ALCO Bank defines the policy regarding funding, liquidity, interest rate mismatch and solvency for ING Bank; and
- Non-Financial Risk Committee Bank (NFRC Bank): Accountable for the design and maintenance of the Non-Financial Risk Management Framework including Operational Risk Management, Compliance and Legal policies, minimum standards, procedures and guidelines; the NFRC structure; development of tools, methods and key parameters (incl. major changes) for risk identification, measurement and monitoring/ reporting. The minimum frequency of the NFRC Bank is at least quarterly.

Regional and business unit level
ING Bank's regional and business unit management have primary responsibility for the management of risks (credit, market, funding and liquidity, operational, legal and compliance risks) that arise in their daily operations. They are accountable, together with their employees, for the implementation and operation of appropriate risk frameworks affecting their businesses to ensure compliance with procedures and processes set by ING Bank. The local (regional and BU) risk manager is responsible for the analysis, control and management of risks across the whole value chain (from front to back office), based on which a robust control structure is maintained.

Risk management function
Based on the three lines of defence, an independent risk management function is embedded in all levels of ING Bank's organisation. The CRO, a MBB member, bears primary overall responsibility for the risk management function. The CRO is responsible for the management and control of risk on a consolidated level to ensure that ING Bank's risk profile is consistent with its financial resources and the risk appetite. The CRO is also responsible for establishing and maintaining a robust organisational basis for the management of risk throughout the organisation.

In 2015, the risk management organisation was redesigned to effectively address the internal and external (market and regulatory) developments and challenges that ING as a bank is facing. Over the past years, banks have been subject to increasing regulatory and public pressure with regard to their risk management policies, processes and systems. New requirements and regulations have been introduced and implemented. To be able to effectively address these developments and challenges, ING Bank changed the set-up of its risk-management organisation. Risk managers can focus on primary risk management processes and strategic priorities, while a separate 'Risk services' department enables and supports these tasks with information management, risk reporting and analytics. The main changes compared to the previous organisation are:
- The trading risk and credit risk management departments have been combined into a new department named 'Credit and Trading Risk'. This set-up ensures that topics that link traditionally to both credit risk and market risk (such as counterparty credit risk) are approached in an integral way and in line with the applicable regulations;
- A 'Balance Sheet Risk' department has been established that focuses on the management of different market risks that arise in the Banking Books and Bank Treasury as well as liquidity & funding risk; and
- A separate 'Risk Services' department has been created reporting directly to the CRO to service the core risk activities. Risk Services aims to create value for internal and external stakeholders by continuously optimizing the efficiency, transparency and effectiveness of the risk processes.

The organisation chart below illustrates the new reporting lines within ING Bank risk organisation:



The General Managers of these risk departments report to the CRO and bear direct responsibility for risk (mitigating) decisions at Bank level. The General Managers and the CRO are responsible for the harmonisation and standardisation of risk management practices. In addition, there are two staff departments in place:

- Model Validation (MV), a staff department that carries out periodic validations of all significant regulatory risk models used by ING Bank. To ensure independence from the business and other risk departments, the department head reports directly to the CRO; and
- Risk & Capital Integration: a staff department that reports functionally to the CRO and is responsible for overarching risk topics as risk appetite, disclosures, recovery and resolution planning and stress testing as well as capital planning.

The risk function is at all levels independent from the commercial departments which allow its criteria and opinions to be heard and taken into account. At the Bank level, it is represented by the CRO in the MBB, which ensures sufficient countervailing power in the decision-making processes to prevent excessive risks.

Despite these changes in the governance structure, the set-up of the Risk management paragraph hasn't changed since it is based on risk types instead.

Risk policies, procedures and standards

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

Risk model governance and validation

All risk models are built according to the internal risk modelling methodology standards and model life cycle, in line with regulatory requirements. After thorough review and documentation of the model by model development and MV departments, specific model risk committees for each risk type approve the models. After approval by the dedicated risk committee, and where necessary the regulator, a risk model is implemented and entitled for usage. In addition, MV validates each model on a regular basis. The validation results and its capital impact are reported on a quarterly basis to senior management and to the supervisor.

An independent Model Validation department is one of the cornerstones of ING Bank's risk model governance. It consists of the process of determining that a model is appropriate for its intended use. It is an on-going process whereby the reliability of the model is verified at different stages during its lifecycle: at conception, before approval, periodically after implementation, and when significant changes to the model are made. The validation process contains a mix of developmental evidence, process verification and outcome analysis.

The MV department undertakes backtesting of all existing risk models. In addition to (i) evaluating the underlying model parameters, (ii) ensuring continued applicability of the models for the relevant portfolios, and (iii) discussing the model performance with front office and risk users of the models, MV also (iv) tests the observed performance of a model (and its components) with the predicted level. A model where the observed results deviate from the predicted results is a candidate for either re-calibration or re-development.

Risk culture

The risk management framework based on the three lines of defence governance model is effective when a strong risk culture is present at all levels. The good reputation and integrity of ING Bank's organisation are considered key requirements to operate successfully in the financial world. It promotes awareness of collectively shared values, ideas and goals but also of potential threats and it ensures alignment of individual performance objectives with the short- and long-term strategy. By making ING's risk responsibilities transparent within the different levels of the organisation and holding every employee accountable for his acts, the risk culture and awareness are embedded in the organisation, which leads to effective risk management.

Definition

Risk culture and risk awareness are not only items for senior management during their strategy decisions, but also for employees to be aware of the risks in their daily work. This is about (i) promoting and being aware of collectively shared values, ideas and goals towards the organisational objectives, and (ii) mitigating opportunities for unfavourable events to occur that can impact the ability of the organisation to achieve its objectives.

Commonly seen as norms and traditions of behaviour of individuals and of groups within an organisation, risk culture determines the way in which employees identify, understand, discuss, and act on the risks the organisation is confronted with and the risks it takes. This is a continuous long-term commitment and journey. Therefore, ING Bank initiated different programmes and manuals have been issued within the organisation to support the embedding of risk culture. Risk awareness is to be alert on potential threats that can occur in day-to-day business, which can be specific to the sector, the region or the clients ING Bank is doing business with are.

Accountability

The Promoting Integrity Programme (PIP) is a long-term, global, educational and behavioural change programme supported by the Executive Board for all ING Bank employees.

With the programme, ING Bank gains a sound risk culture and ensures that every employee in every part of the organisation understands how his actions and behaviour can help earn and retain customer and stakeholder trust. Recently, additional modules with current topics, were added to the programme, among others on cybercrime and personal responsibility. To enhance risk awareness, these topics are discussed between managers and employees through dialogue sessions that managers organise within their teams to create clear and consistent understanding. The endorsement from the executive level and the emphasis in the communication strengthen the culture.

Compensation

Due to economic and financial turmoil, the link between risk taken and compensation policies was one of the major topics in the public and political domain. Several public institutions and initiatives advocated aligning risk and reward in risk-based compensation policies. For further information with regard to ING's compensation policies please refer to the corporate website ing.com.

Risk profile

Key risks

ING Bank recognises the following key risks (financial as well as non-financial risks) that are associated with its business activities.

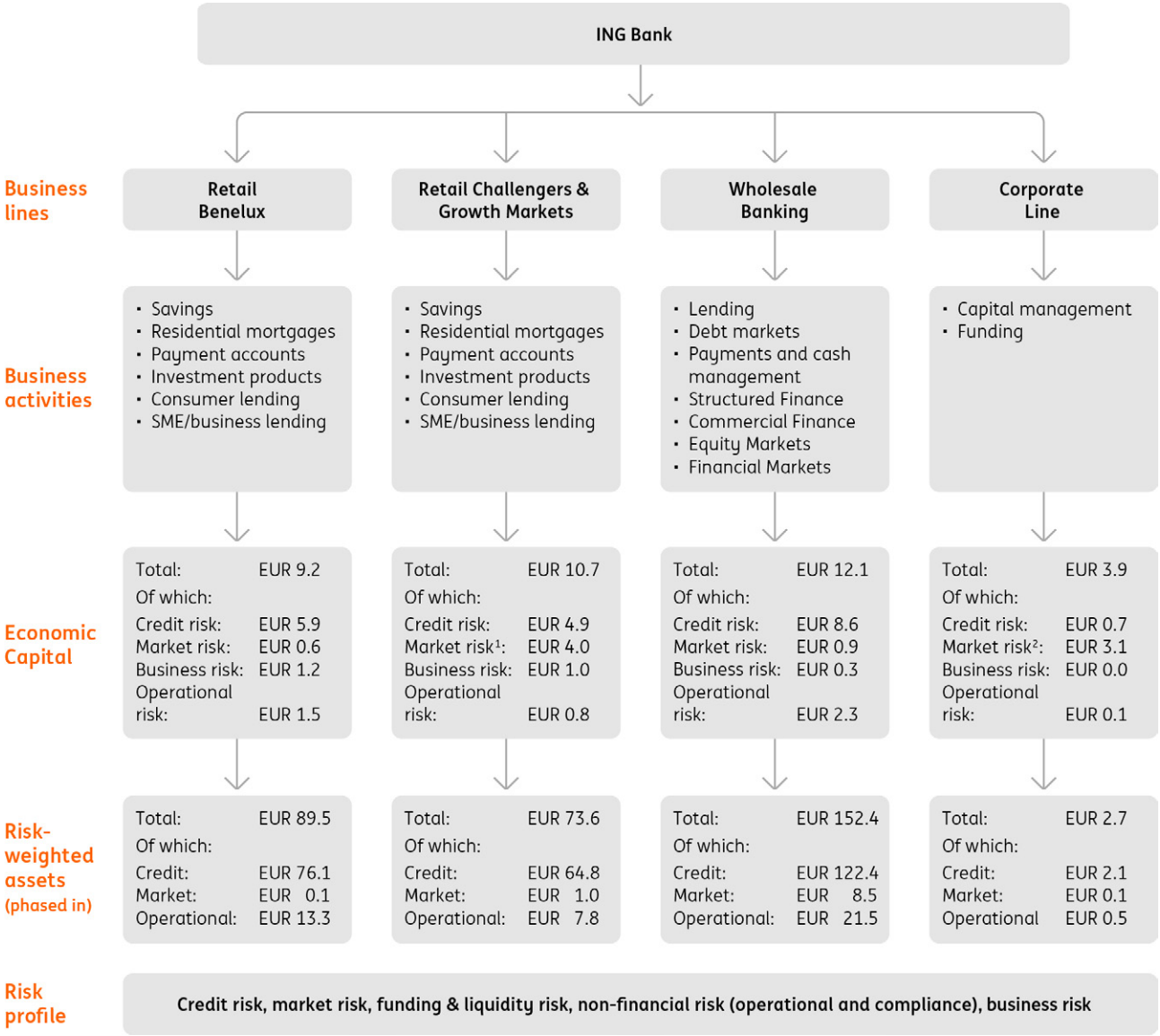
Financial risks:

- Credit risk: the risk of potential loss due to default and/or credit rating deterioration by ING Bank's debtors (including bond issuers) or trading counterparties;
- Market risk: the risk of potential loss due to adverse movements in market variables. Market risks include interest rate, credit spread, equity, real estate and foreign exchange risks;
- Funding and liquidity risk: the risk that ING Bank or one of its subsidiaries cannot meet its financial liabilities when they come due, at reasonable cost and in a timely manner. Liquidity risk can materialise both through trading and non-trading positions; and
- Business risk: the exposure to value loss due to fluctuations in volumes, margins and expenses, as well as customer behaviour risk. These fluctuations can occur because of internal, industry, or wider market factors. It is the risk inherent to strategy decisions and internal efficiency, and as such strategic risk is included in business risk.

Non-financial risks:

- Operational risk: the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes reputational risk, as well as legal risk; and
- Compliance risk: the risk of impairment of ING Bank's integrity as a result of failure (or perceived failure) to comply with applicable laws, regulations, ING Bank policies and minimum standards and the ING Values as part of the Orange Code.

The chart below provides, in EUR billions, high level information on the risks arising from the Bank's business activities.



1 EC market risk: Mainly held for the price risk embedded in equity investments;
2 EC market risk: Mainly held for the interest rate risk embedded in the long-term investment of ING's capital (investment of own funds). In this overview the replication of capital is presented in line with the regulatory prudential approach and therefore capital itself is classified as an overnight interest rate position.

Risk cycle process

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

The recurrence is twofold. One: identification, assessment and review, and update of mitigating measures are done periodically. Two: the periodical monitoring exercise may indicate that new risks are arising, known risks are changing, assessed risk levels are changing, or control measures are not effective enough. Further analyses of these findings may result in renewed and more frequent risk identification, and/or assessment, and/or change of mitigating measures.

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

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

Risk assessment and control
Each identified risk is assessed to determine the importance, or risk level, of the risk for the ING Bank entity in scope. This enables the entity to decide which of the identified risks need control measures and how strict or tolerant these measures must be. Known risks are re-assessed to either confirm the risk level or detect change.

The importance of a risk is assessed based on the likelihood the risk materialises and the subsequent financial or reputational impact should the risk occur. Unlikely risks with a potentially high impact need to be controlled. For a risk that is likely to happen regularly, but is expected to have a modest financial impact, business management may decide to not mitigate and accept the consequences when it happens.

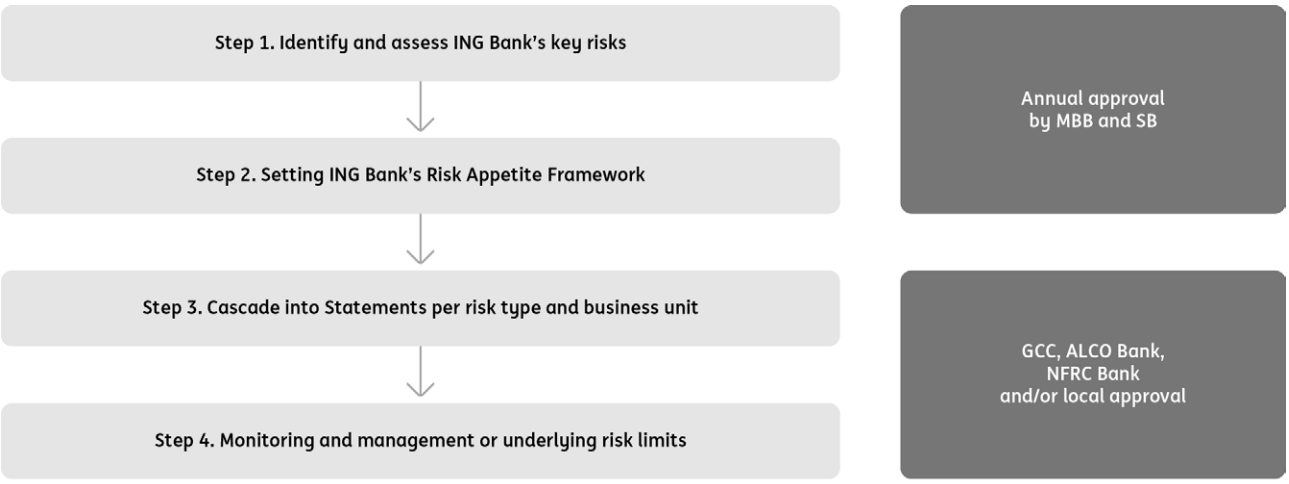
Risks can be controlled by mitigating measures that either lower the likelihood the risk occurs, or measures that lower the impact when they occur. The ultimate measure to lower risk is to stop the activity or service that causes the risk (risk avoidance). Risk controlling/mitigating measures are defined and maintained at both Bank wide and local level.

Monitoring and reporting
With the monitoring of the risk control measures, ING Bank continuously checks if they are executed, complied with, have the expected mitigating effects and follow the development of the risks and their risk levels. Adequate risk reporting provides senior and local management with the information they need to manage risk.

Risk appetite framework
ING Bank uses an integrated risk management approach for its banking activities. The Management Board Banking uses the bank risk appetite framework to set both boundaries for the Medium Term Plan (MTP) budget process and to monitor and manage the actual risk profile in relation to the risk appetite.

Process

The ING Bank risk appetite framework (RAF) consists of specific risk appetite statements. The RAF is approved by SB on an annual basis, or more frequently if necessary based on their quarterly review in MBB and SB. The bank risk appetite process is focused on setting the appetite at the consolidated Bank level and across the different risk categories. It is therefore essentially a top-down process, which bases itself on the ambition of the Bank in terms of its risk profile and is a function of the capital and liquidity levels and ambitions, the regulatory environment and the economic context. The process is set up according to the following steps:



Step 1. Identify & assess ING Bank's key risks

Setting the Risk Appetite Framework starts with a multi-dimensional step to identify & assess the risks ING Bank is facing when executing its strategy. This step includes the following actions that are performed on an annual basis:

- detect unidentified risks that are not yet controlled within ING Bank's risk management function & assess their potential impact;
- benchmark current risk framework versus regulatory developments;
- re-assess known risks to confirm risk level or detect potential changes; and
- reflect on the current set of Risk Appetite Statements.

This annual Risk Assessment serves as input when defining the global risk appetite which - in line with its business model and risk ambition - is currently formulated as follows:

ING Bank has the ambition to be and remain a strong bank, and able to address possible adverse events on its own strengths and resources.

In order to achieve this risk ambition, ING Bank has the following targets:

- Have a rating ambition which is in line with the strongest among its peer group;
- Be able to restore capital and liquidity position following a stress situation on its own strength;
- Be in a position to meet current and forthcoming regulatory constraints and targets; and
- Have a risk profile that compares favourably to its main banking peers.

Step 2. Set ING Bank Risk Appetite Framework

Based on ING Bank's risk assessment and risk ambition, specific targets are set for both financial and non-financial risks:

Financial risk

For financial risks, ING Bank expresses its risk appetite as a tolerance allowed to key ratios deviating from their target levels. Therefore, the high level risk ambition is translated into quantitative targets on ING Bank level for solvency risk, liquidity & funding risk and for concentration and event risk.

The solvency risk appetite is closely aligned with capital management activities and policies. ING Bank has expressed tolerances for its risk-weighted solvency position (CET1 ratio), for non-risk-weighted solvency (leverage ratio) and for a more economic value based solvency (economic capital utilisation expressed via the Overall Supervisory Review and Evaluation Process (SREP) Capital Requirement). The CET1 ratio and leverage solvency risk appetite statements are not only compared to the actual reported level, but also include the potential impact of a standardised and pre-determined 1-in-10-year stress event (i.e. at a 90% confidence level with a 1-year horizon). Based on this mild stress scenario, the impact on ING Bank's earnings, revaluation reserve and risk-weighted assets (RWA) is calculated (these are labelled earnings-at-risk, revaluation reserve-at-risk and RWA-at-risk). These stressed figures are used as input for a two-year simulation which depicts the developments of ING Bank's solvency level versus its risk appetite.

Funding and liquidity risk has two dimensions: liquidity risk focuses on having a sufficient buffer to cope with the short-term situation, funding risk ensures long-term compliance with both internal and external targets. Managing funding and liquidity risk focuses both on 'business as usual' (based on the run-off profile to show the stickiness of deposits combined with the run-off of assets without new production) and on a stressed situation. There, we define liquidity risk as the time to survive a specific scenario, while for funding risk we focus on the maximum funding gap allowed.

The concentration and event risk appetite set at ING Bank level are directly translated into corresponding limits in the underlying credit, market and liquidity & funding risk appetite statements.

Non-financial risk
ING Bank has set up an NFR Risk Appetite Statement (RAS) in which the MBB expresses the type and level of non-financial risk it is willing to tolerate in pursuit of the strategic objectives of the bank, to ensure that the organisation's actual risk exposure is commensurate with its strategic objectives and that exposure moving beyond the tolerance risk levels is timely identified and acted upon.

ING measures and monitors its exposure to non-financial risk on an ongoing basis by assessing risks, analysing scenarios and mitigating actions as a result of audit and risk assessment findings. The aggregation of the assessed risk levels is expressed in an expected loss figure on non-financial risk, which is compared to the tolerance levels as captured in the NFR RAS based on a percentage of the operational income. The overall non-financial risk levels and tolerance breaches are periodically reported through the Non-Financial Risk Dashboard (NFRD). The NFRD consists of comprehensive and integrated NFR information on a quarterly basis. Changes in capital are monitored and reported in the NFRD as well. In addition, changes outside the capital tolerance band are reported to the Operational Risk Measurement Committee (ORMC) and Bank NFRC. In case risk events cause ING to move towards or beyond the tolerance level, management is required to undertake action.

Step 3. Cascade into statements per risk type and per business
The Bank Risk Appetite is translated per risk type, which is further cascaded down into the organisation to the lowest level .The risk appetite statements are then translated into dedicated underlying risk limits which are used for day-to-day monitoring and management of ING Bank's risks.

For financial risks, a sequence of different risk appetite frameworks is implemented to address the most significant risks. This implies that a whole framework of credit risk limits is in place that monitors the overall quality of the ING Bank credit portfolio and that of all the underlying portfolios as well. In addition, specific concentration risk appetites are defined on product level, geographic level and (single name) counterparty level which are cascaded down into the organisation. The risk appetite for the trading book activities within Financial Markets is accompanied by a risk appetite framework for market risks in the banking books. For both types of market risk, limits at Bank level are translated into the organisation. The liquidity & funding risk appetite statements that are defined on ING Bank level are translated into the organisation, taking the liquidity & funding specific situation of each (solo) unit into account.

The NFR RAS is cascaded to the divisions and business units through a set of quantitative and qualitative statements.

Step 4. Monitor and manage underlying risk limits
In order to verify that it remains within the risk appetite framework as it is executing its budget, ING Bank reports its risk positions vis-à-vis its limits on a regular basis towards senior management committees. The Risk and Capital Management Report reflecting the exposure of ING Bank against the risk appetite targets is submitted quarterly to the MBB and to the (Risk Committee of the) SB.

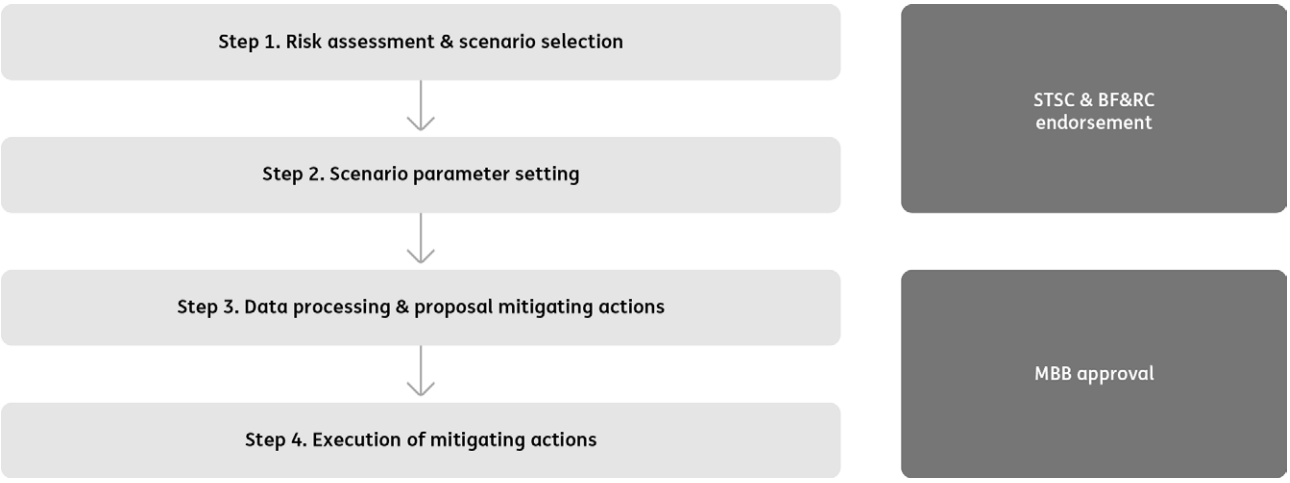
Stress testing
Stress testing is an important risk management tool that supports the MBB with respect to strategic and capital planning. The purpose of stress testing is to investigate whether ING Bank will be able to meet its solvency and liquidity requirements in severe but plausible stress scenarios. Stress tests provide insight into vulnerabilities of certain portfolios, given certain assumptions related to the economy, financial markets and the political climate. It is also used to assess whether the risk profile of ING Bank is in line with risk appetite.

Types of stress tests

Within ING Bank, different types of stress tests are performed. The most comprehensive type of stress tests are the firm-wide scenario analyses, which involve setting scenario assumptions for the relevant macro-economic and market variables in all countries where ING Bank is active. These assumptions are usually complemented by a narrative that provides background for the scenario. In addition to firm-wide scenario analyses, ING Bank also executes scenario analyses for a specific country or asset class. Furthermore, sensitivity analyses are performed, which focus on stressing one or more relevant risk drivers; usually without an underlying scenario narrative. The 1-in-10-year stress scenario used in the risk appetite framework is an example of a sensitivity analysis. Finally, ING Bank also performs reverse stress tests, which aim to determine the circumstances which would lead to a pre-defined severe adverse outcome.

Process

The stress testing process of ING Bank consists of several stages, which are summarised in below diagram.



Step 1. Risk assessment & scenario selection

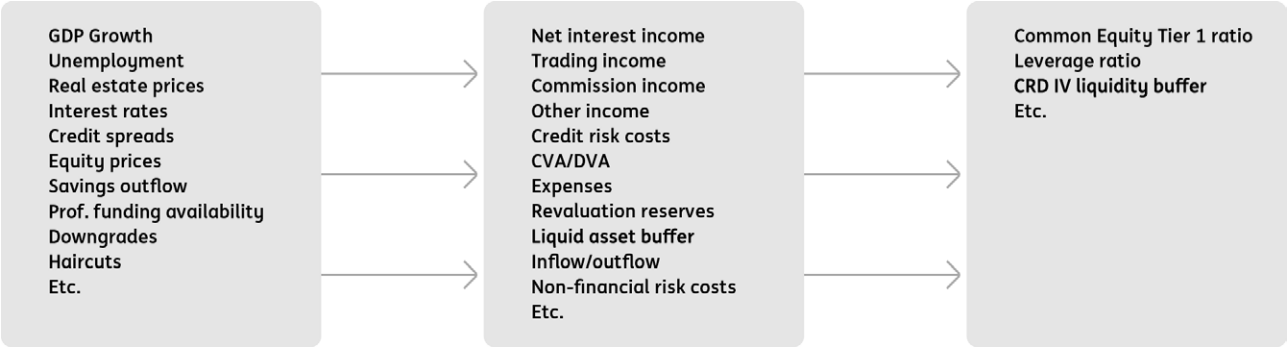
ING Bank formally determines its main risks on an annual basis based on the current economic situation, political and regulatory developments and developments in portfolios. Senior management, business representatives and risk specialists are involved in this process. Based on the risk assessment, relevant scenarios to be evaluated in the remainder of the year are selected. The results of the risk assessment and scenario selection are discussed and endorsed in the Stress Testing Steering Committee (STSC). All stakeholders are represented in the STSC, such as representatives of the different Corporate Risk departments, Capital Management, Finance and the Global Research organisation. The STSC submits the results of the risk assessment and scenario selection to the BF&RC for endorsement.

Step 2. Scenario parameter setting

After determination of the high level scenarios in the previous step, they need to be worked out in greater detail. Scope, assumptions and input parameters such as GDP growth, unemployment rates, interest rates and real estate price changes are defined for the countries involved in the exercise. The parameters are discussed and endorsed in the STSC and subsequently in the BF&RC.

Step 3. Data processing & proposal mitigating actions

When the scenario parameters have been finalised, the impact of the scenario on the solvency and liquidity position is determined. Based on the scenario values for the relevant macro-economic and market variables, the impact on amongst others P&L, revaluation reserves, RWA and liquidity buffers are calculated. These outcomes are subsequently used to calculate the evolution of relevant solvency and liquidity ratios, such as the CET1 ratio, the leverage ratio and the regulatory liquidity buffer.



As for the previous steps, the calculated impacts of the scenario are first discussed and endorsed in the STSC, and then in the BF&RC. Depending on the outcomes of the stress test, and the possibly identified vulnerabilities, mitigating actions may be proposed. Approval of these mitigating actions takes place in the MBB.

Step 4. Execution of mitigating actions
After the MBB has approved the mitigating actions, they need to be executed. Mitigating actions may include sales or transfers of assets, reductions of risk limits, start-up or strengthening of marketing campaigns and lobbying campaigns with regulators or other authorities.

Methodology
For the calculation of the impact of the scenarios on P&L, RWA, revaluation reserves, etc., detailed and comprehensive models are used. In these models, statistical analysis is combined with expert opinion to make sure that the results adequately reflect the scenario assumptions. The methodologies are granular and portfolio-specific and use different macro-economic and market variables as input variables. The stress testing models are subject to a thorough review by the Model Validation department.

Economic capital
Economic Capital (EC) is defined as the amount of capital that a transaction or business unit requires in order to support the economic risks it takes. In general, EC is measured as the unexpected loss above the expected loss at a given confidence level. This economic capital definition is in line with the net market value (or surplus) definition. The EC calculation is used as part of the CRR/CRD IV Pillar II Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP) that is performed regularly by the supervisor.

The following fundamental principles and definitions have been established for the model:
- ING Bank uses a one-sided confidence level of 99.95% and a one-year time horizon to calculate EC;
- It is assumed that all currently known measurable sources of risk are included;
- The best estimate risk assumptions are as objective as possible and based on proper analysis of statistical data.;
- The EC calculation is based on fair value principles. Where complete and efficient markets exist, fair value is equal to market value;
- The EC calculations reflect known embedded options and the influence of customer behaviour in banking products;
- The EC calculations are on a before tax basis and do not consider the effect of regulatory accounting and solvency requirements on capital levels; and
- The framework does not include any franchise value of the business, discretionary management intervention or future business volumes and margins.

Specific measurement by risk type is described in greater detail in the separate risk type sections.

Economic capital and regulatory capital
Economic capital and regulatory capital (RC) are the main sources of capital allocation within ING Bank. Both of these capital metrics are used to determine the amount of capital that a transaction or business unit requires to support the economic and regulatory-based risks it faces. The concept of EC differs from RC in the sense that RC is the mandatory amount of capital that is defined under Pillar I while EC is the best estimate of Pillar II capital that ING Bank uses internally to manage its own risk. EC is a non-accounting measure that is inherently subject to dynamic changes and updated as a result of ING Bank's portfolio mix and general market developments. ING Bank continuously recalibrates the underlying assumptions behind its economic capital model which may have an impact on the values of EC going forward.

The tables below provide ING Bank's EC and RC by risk type and business line. For 2015, both the total RC and EC increased compared to 2014. Both are well below the total amounts of available capital of EUR 51,052 million based on CRR/CRD IV phased-in rules. Details regarding the available capital can be found in the Capital Management paragraph, section 'Capital Adequacy Assessment'.

Economic and Regulatory Capital by risk type

	Economic capital		Regulatory capital	
	2015	2014	2015	2014
Credit risk	20,057	21,353	21,234	20,148
Market risk	8,581	7,369	771	858
Business risk	2,571	2,609		
Operational risk	4,748	3,781	3,451	2,700
Total banking operations	**35,957**	**35,112**	**25,456**	**23,706**

Economic and Regulatory Capital by business line combination

	Economic capital		Regulatory capital	
	2015	2014	2015	2014
Wholesale Banking	12,127	13,236	12,195	11,038
Retail Banking Benelux	9,237	8,459	7,159	6,907
Retail Challengers & Growth Markets	10,729	9,562	5,886	5,451
Corporate Line[1]	3,864	3,855	216	310
Total banking operations	**35,957**	**35,112**	**25,456**	**23,706**

1 Corporate Line includes funding activities at ING Bank level, internal transactions between business units and the Corporate Line, and is managed by Capital Management.

The main changes in and differences between ING Bank's economic capital and regulatory capital are:

- As of 2015, the final EBA guidelines on common procedures and methodologies for the SREP are taken into account. As a result, the capital adequacy assessment in this section disregards any inter-risk diversification in the EC calculation, although ING Bank is of the opinion that applying diversification across different risk types reflects economic reality. In case diversification was taken into account, the total EC would decrease with EUR 5.7 billion to EUR 30.3 billion. Note that for RC diversification was never taken into account;
- Apart from the below described risk specific differences, the EC numbers are based on a 99.95% confidence level, while the confidence level is 99.9% for RC. The EC figures include business risk, while there is no business risk defined for RC;
- The credit risk EC methodology includes internally calibrated asset correlations and excludes conservative floors otherwise present in the credit risk RC calculations. Furthermore, credit risk EC includes transfer risk while RC does not. Economic capital for credit risk decreased in 2015, mainly due to double counted CVA capital in December 2014, besides a decrease of CVA exposure and ONCOA. More information on the Credit Risk EC can be found in the 'Credit Risk Capital and Measurement' section;
- The market risk EC is higher than the RC primarily due to the inclusion of the interest rate risk in the banking books in EC. In RC, only market risk in trading books is in scope. Furthermore, for Equity Investments the EC figures are reported under market risk, while the RC figures are reported under credit risk. The reported EC numbers increased mainly due to an appreciation of the Bank of Beijing position, resulting in higher FX translation risk due to an increase in the CNY mismatch and increase in equity price risk. More information on the Market Risk EC, please refer to the 'Economic capital for market risk' section; and
- For operational risk, the EC calculations are done using the same methodology as for RC apart from the application of a 99.95% confidence level. The increase in 2015 in both RC and EC is due to a model recalibration to improve the accuracy in the tail of the loss distribution and the increased impact of external loss data. More information on the Operational Risk EC, please refer to the 'Advanced Measurement Approach' described in the Non-Financial Risk section.

EC and RC do not cover liquidity risk: the risk that ING Bank or one of its subsidiaries cannot meet its financial liabilities, at reasonable cost and in a timely manner, when they come due. ING Bank has a separate liquidity management framework in place to manage this risk, which is described in the funding and liquidity risk section.

Regulatory environment

After the turmoil in the financial markets and the subsequent need for governments to provide aid to financial institutions, financial institutions have been under more scrutiny from the public, supervisors and regulators. This has resulted in more stringent regulations intended to avoid future crises in the financial system and taxpayers' aid in the future.

CRR/CRD IV and upcoming regulations

To accomplish this, a new Basel accord (Basel III) was adopted in 2010 and consequently translated into regulation by the EU in the Capital Requirement Regulation (CRR) and a Capital Requirement Directive IV (CRD IV). The CRR is binding for all EU member states and became effective per 1 January 2014, while CRD IV has been implemented in local legislation – in the Netherlands in the 'Wet Financieel Toezicht' (WFT). The CRR/CRD IV requirements are further detailed out by European Banking Authority (EBA) in the form of Implementing Technical Standards (ITS), Regulatory Technical Standards (RTS), Implementing Acts and Delegated Acts (among others the Leverage Ratio and the Liquidity Coverage Ratio). Although not all definitions and parameters of the CRR/CRD IV have been finalised, the key principles have been included in both ING's risk appetite framework and daily risk management.

As next phase in regulatory requirements for banks' risk and capital management, the regulators are focusing on the required capital calculations across banks. Since the start of the financial crisis there has been much debate on the risk-weighted capitalisation of banks, and specifically on whether internal models are appropriate for such purposes. These developments have suggested that stricter rules may be applied by a later framework.

The Basel Committee on Banking Supervision (BCBS) released several consultative papers, containing proposals to change the methodologies for the calculation of capital requirements. Within these proposals BCBS suggests methods to calculate RWA using more standardised or simpler methods in order to achieve greater comparability, transparency and consistency. These proposals will likely impact RWA for currently reported exposures (e.g. credit risk via revised standardised RWA floor) but may also lead to new RWA requirements (e.g. Interest Rate Risk in Banking Book proposals).

ING Bank participates in this debate by providing to regulators both conceptual feedback on the proposals and data for their Quantitative Impact Studies (QIS). ING Bank is of the opinion that internal models better reflect the risks in its business model, its customers and its credit quality than a standardised approach.

Bank Recovery and Resolution Directive

Another important element of the regulatory reforms is the Bank Recovery and Resolution Directive (BRRD) that was adopted by the European Parliament in 2014. The BRRD provides rules on insolvency proceedings in the case of failing banks with the aim of safeguarding financial stability and preventing public funding of losses by making use of amongst other the bail-in tool. To comply with the new rules, banks across the EU need to have recovery plans in place and cooperate with resolution authorities to determine the preferred resolution strategy. To ensure the effectiveness of the bail-in tool, the BRRD requires banks to meet a Minimum Requirement for own funds and Eligible Liabilities (MREL). In addition, ING Bank being a global systemically important bank (G-SIB) needs to comply with the Total Loss Absorption Capacity (TLAC) proposal that was published by the Financial Stability Board (FSB) in November 2015. For further details regarding MREL and TLAC we refer to the Capital Management section.

ING supports the bail-in concepts as they are an important component of the new regulatory framework, aimed at reducing the possibility that tax payer money will be needed to bail-out institutions in the future. The bail-in concept has therefore also been at the heart of the preparatory discussions that ING has had with the resolution authorities since 2012. This resulted in a first resolution assessment that will serve as input for the transitional plan by Single Resolution Board (SRB) wherein SRB together with the local resolution authorities will define (i) the point of entry (either being a Single Point of Entry or a Multiple Point of Entry), (ii) the MREL bail-in requirements on a consolidated and a subsidiary level and (iii) the impediments to resolution that need to be addressed.

Further, ING Bank has set up an all-encompassing Recovery Plan to ensure the bank's readiness and decisiveness to tackle financial crises on its own strength. This plan is effective since 2012 and updated on an annual basis to make sure that it remains fit for purpose.

Principles for Effective Risk Data Aggregation and Risk Reporting

In January 2013, the Basel Committee published Principles for Effective Risk Data Aggregation and Risk Reporting (also referred to as PERDARR or BCBS239), following a recommendation made by the Financial Stability Board (FSB). The requirements aim to strengthen risk data aggregation and risk reporting practices at banks to improve their risk management practices. Banks indicated as G-SIBs – including ING Bank – are required to implement the principles by 2016. As a first step of the implementation, ING Bank performed a 'stocktaking' self-assessment survey in 2013 and another assessment in 2014 to monitor the progress made. The publication of the principles coincide with several projects and programs to strengthen risk data aggregation and risk reporting practices that were already underway before these new requirements were published. During 2015 a project was set-up to ensure compliancy with BCBS239 by addressing the items that are not part of the aforementioned projects and programs.

Risk developments in 2015

Risk developments listed below are defined as the risks that may have a potentially significant impact on our business and for which it is difficult to quantify the impact on the organisation. They are triggered in general by unexpected events, and they may introduce volatility in earnings or impact ING's long-term strategy. The topics have emerged either as part of the annual Risk Assessment that is performed as part of the Stress Testing Framework and the Risk Appetite Framework. The sequence in which the top risks are presented below is not indicative of their likelihood of occurrence or the potential magnitude of their financial consequences.

Impact of low interest rate environment

In 2015, interest rates in the Eurozone and other main home countries continued to decrease. Central banks held their rates at very low and even negative levels, thereby negatively impacting short-term as well as long-term market rates. The Eurozone crisis in combination with uncertainty on the growth potential of the world economy and the geopolitical tensions are the main reasons for this development.

The typical interest rate position for ING Bank is that the duration of the assets is slightly higher than the duration of the liabilities. Given this mismatch, decreasing interest rates are under normal circumstances favourable for the interest income of ING Bank: liabilities reprice more quickly than assets, and therefore the average interest rates paid on liabilities should adapt more quickly to lower market interest rates. This would then support ING Bank's net interest income.

However, given the current unusual situation with persistent low interest rates, the following may put the ING Bank's Net Interest Margin (NIM) and Net Interest Income (NII) under pressure:

- On mortgages, ING Bank could be confronted with higher than expected prepayment rates because of the difference between the rates of the existing mortgage portfolio and the prevailing market rates.
- On savings, NII and NIM may decrease due to a further decline in yields on assets, while possibilities for further reduction of client rates on savings deposits are limited.

Business lending Benelux

ING Bank's Business Lending portfolio, defined as lending to corporates in the business line Retail Banking, is concentrated within the Benelux. Due to its footprint, ING is an important lender to SME in the Benelux and exposed to risk in that sector. Following the gradual improvement of the economic environment, the risk costs decreased materially compared to last year. The Netherlands showed a decrease in the non-performing loan amounts, but still highly impacted by the sectors transportation & logistics - especially coastal and deep sea freight transport -, services and Food, beverage & personal care. The non-performing loan amounts in Belgium and Luxembourg increased over 2015. This increase is partly due to a deterioration of the credit quality and partly due to amended forbearance policies.

Macroeconomic developments

Several geopolitical and macroeconomic topics impacted ING Bank's operating environment in 2015, amongst others the ongoing conflict in Ukraine, the re-emerged Greek crisis and impact of the low oil and gas price.

In the light of the ongoing conflict in Ukraine, ING continued the intensified monitoring processes and tightened acceptance criteria that were already ignited in 2014. The economic outlook for both Russia and Ukraine is negative and reflects (i) the increasingly subdued medium-term outlook, exacerbated by the prolongation of the Ukraine crisis, including the impact of expanded international sanctions, (ii) the gradual but ongoing erosion of Russia's FX buffers, (iii) Russian borrower's restricted international market access and (iv) low oil prices. Our risk appetite will therefore remain limited and only new exposures with sufficient risk mitigation will be considered. We will focus on international business clients and export-oriented companies.

In the course of 2015 the uncertainties around Greece emerged with a peak in the summer where bailout terms were rejected by the Greek people via a referendum and the failure to make the IMF loan repayment in June 2015. In this situation, ING Bank closely monitored its Greek exposure. ING has no banking activities in Greece, but we have a limited direct exposure on Greece and a negligible sovereign exposure. Our Greek exposure consists of corporate lending, mainly to the shipping industry. Since the successful renegotiations and the Greek parliament elections the situation improved and the debate on a potential Grexit has muted.

The oil price seemed to have reached a low early in the year and soon started to climb but it fell back midyear and remained low in the second half of the year. ING has a well-diversified portfolio of clients active in the oil & gas markets and we service clients active in upstream, midstream and downstream sectors. The part of the portfolio that faces direct exposure to oil & gas price-risk is limited. Nevertheless, ING closely monitors the financial and operational performance of all its clients active in the oil & gas sector.

For additional information on macroeconomic developments in 2015 please see the 'Market & regulatory context' section in the report of the Executive Board.

Cybercrime

Cybercrime is a continuous threat to companies in general and to financial institutions specifically. Both the frequency and the intensity of attacks increase on a global scale. ING continued building on its Cybercrime Resilience Programme moving to further enhance the control environment to protect, detect and respond to e-banking fraud, Distributed Denial of Service (DDoS) and targeted attacks (also called Advanced Persistent Threats). Additional controls are being embedded in the organisation as part of the overall internal control framework and re-assessed against existing and new threats.

Credit risk

Introduction

The credit risk section provides information on how ING Bank manages, measures and monitors credit risk and gives an insight into the ING Bank portfolio from a credit risk perspective. Prior to providing insight into the portfolio, we will explain how ING Bank ensures that credit risk is properly addressed and managed within ING Bank.

Governance

Credit Risk (CR) within ING Bank is part of the second line of defence (the front office being the first, internal audit the third) and aligns the credit risk taking with the strategic planning of ING Bank. It is responsible for reviewing and managing credit risk including environmental and social risk for all types of counterparties. CR consists of line credit risk managers who are responsible for their business lines and manage specific portfolios and experts who support both the line credit risk manager as well as the business with tools like credit risk systems, policies, models and reporting. To ensure the independence of the risk function the CR General Manager is functionally responsible for the global network of credit risk staff.

ING Bank's credit policy is to maintain an internationally diversified loan and bond portfolio, while avoiding large risk concentrations. The emphasis is on managing business developments within the business lines by means of the top-down risk appetite framework, which sets concentration limits for countries, individual counterparties, counterparty groups and investment activities. The aim is to expand relationship-banking activities, while maintaining stringent internal risk/reward guidelines and controls which is also linked to the Medium Term Plan (MTP) process.

Credit analysis at portfolio level is a function of different concentration levels and various metrics like Economic Capital (EC), Regulatory Capital (RC), Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD). The risk/reward is monitored and managed at portfolio level by Risk and Finance together to ensure efficient use of ING Bank's capital. Credit analysis at facility level is also risk/reward-oriented in that the level of credit analysis is a function of the risk amount, tenor, structure (e.g. covers received) of the facility, and the risks entered into. Risk adjusted return on capital (RAROC)-based tools are used internally to ensure a proper balance of risk and reward within the portfolio and concentration parameters. ING Bank's credit analysts make use of publicly available information in combination with in-house analyses based on information provided by the counterparty, peer group comparisons, industry comparisons and other quantitative techniques and tools.

Within ING Bank, the ultimate authority to approve or decline credit proposals resides with the Management Board Banking (MBB). The MBB has further delegated authorities, based on amounts and tenors to lower levels in the organisation. Transactions are approved via a dual signatory approval system that requires an individual sign off from both front office and credit risk management. For larger and higher risk credits a committee structure exists whereby the credit risk chair takes the final decision with support of the respective committee members, thereby ensuring accountability. Retail business units have delegated authority to decide within policies and mandates approved by CR and any decisions outside those policies or above the delegated mandate require a specific credit risk approval.

The CR role encompasses the following activities:

- Measurement, monitoring and management of the credit risks in the Bank's portfolio;
- Challenging and approving new transactions or any changes to previously approved terms and conditions applicable to clients;
- Management of the levels of provisioning and risk costs, and advise on impairments; and
- Providing consistent policies and systems and tools to manage the credit lifecycle of all credit risk taking activities.

The following committees are in place to discuss and approve transactions and policies from a CR point of view. The Global Credit Committee for Transaction Approval (GCC(TA)) is mandated to discuss and approve transactions entailing taking of credit risks. Next to that is the Global Credit Committee Policy or 'GCC(P)' which is authorised to discuss and approve policies, methodologies and procedures related to Credit, Country and Reputation Risks for ING Bank. The Credit Risk Committee (CRC) is authorised to discuss and approve policies, methodologies and procedures related to Credit Risk (with the exception of issues which are mandated to GCC(P)) within ING Bank.

The Models Development Committee (MDC) serves as a technical advisor to CRC and is a planning body for future model development. The MDC has a delegated mandate to approve credit risk models which cover smaller portfolios. The ING Bank Provisioning Committee (IPC) is the sole Approval Authority that can approve Loan Loss Provisions (LLP) amounts for all ING Bank entities and can decide on the quarterly debt, equity and real estate impairments in Available for Sale (AfS) books.

Credit and Trading Risk is the combination of Market Risk Management Bank (MRMB) in Trading books and Credit Risk Management. This function integrates highly interdependent credit and market risk trading management activities. As such, it takes care of portfolio management for retail, corporate and Financial Institutions/Financial Markets (FI/FM) (including the Market Risk Product Control function), (transaction) approval, restructuring, ESR and policy and regulations within its area.

Credit risk definitions

Credit risk is the risk of loss from the default and/or credit rating deterioration of counterparties (including bond issuers). Credit risks arise in ING Bank's lending, financial market and investment activities.

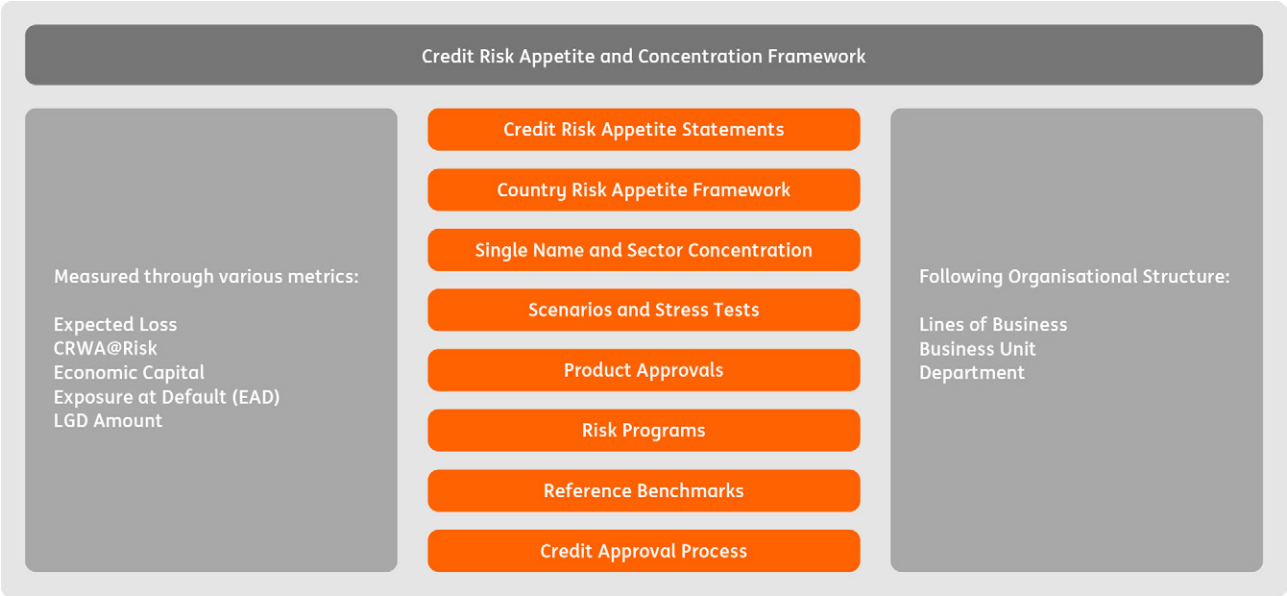
CR uses risk categories to differentiate between the different types of credit risk. All products within ING Bank are aggregated to one of the following risk categories:

- **Pre-settlement risk (PS)**: arises when a counterparty defaults on a transaction before settlement and ING Bank has to replace the contract by a trade with another counterparty at the then prevailing (possibly unfavourable) market price. The pre-settlement risk (potential or expected risk) is the cost of ING Bank replacing a trade in the market. This credit risk category is associated with dealing room products such as options, swaps, and securities financing transactions. Where there is a mutual exchange of value, the amount of credit risk outstanding is generally based on the replacement value (mark-to-market) plus a potential future volatility concept, using a 3-7 year historical time horizon and a 97.5% confidence level.
- **Money market risk (MM)**: arises when ING Bank places short-term deposits with a counterparty in order to manage excess liquidity. As such, money market deposits tend to be short-term in nature. In the event of a counterparty default, ING Bank may lose the deposit placed. Money market risk is measured as the notional value of the deposit, excluding any accrued and unpaid interest or the effect of any impairment.
- **Lending risk**: arises when ING Bank grants a loan to a counterparty, or issues guarantees on behalf of a counterparty. This includes term loans, mortgages, revolving credits, overdrafts, guarantees, letters of credit, etc. The risk is measured as the notional amount of the financial obligation that the counterparty has to repay to ING Bank, excluding any accrued and unpaid interest, discount/premium amortisations or impairments.
- **Investment risk**: is the credit default and risk rating migration risk that is associated with ING Bank's investments in bonds, commercial paper, securitisations, and other similar publicly traded securities. This can be viewed as the worst-case loss that ING Bank may incur as a result of holding a position in underlying securities whose Issuer's credit quality deteriorates or defaults. All investments in the banking book are classified in the investment risk category. The primary purpose of ING Bank's investments in the banking books is for liquidity management.
- **Settlement risk**: is the risk that a counterparty will fail to deliver on financial markets (PS or MM) transaction/contract at Settlement and ING Bank could lose up to 100% of the value expected to be delivered. Settlement Risk arises when there is an exchange of value (funds or instruments) for the same value date or different value dates and receipt is not verified or expected until after ING has given irrevocable instructions to pay or has paid or delivered its side of the trade. The risk is that ING Bank delivers but does not receive delivery from ING Bank's counterparty. ING manages Settlement Risk in the same way as other risks including a per borrower risk limit structure. However, because of the short term nature and per definition double count of Settlement Risk, ING Bank does not hold provisions or capital for specific Settlement Risk. Although a relatively low risk, ING increasingly uses DVP (Delivery versus Payment) and FITO (First In Then Out) payment techniques to reduce Settlement Risk.

For the reconciliation between credit risk outstanding categories and financial assets we refer to the section 'Credit risk management classification' as included in the chapter 'Accounting policies'.

Credit Risk Appetite and Concentration Risk Framework

The Credit Risk Appetite and Concentration Risk Framework enables ING to prevent undesired high levels of credit risk and credit concentrations within various levels of the ING portfolio. Concentration Risk is measured based on the Credit Risk Exposure Amount. Credit risk exposure is the total amount of outstanding plus the unused portion of commitments. It can be measured on various levels, such as customer, legal or economic one obligor group, product, portfolio, customer type, industry, and country. Each level is in turn broken down from the consolidated ING Bank NV level to a local branch/unit level.



Credit risk appetite

Credit risk appetite is the maximum level of credit risk ING Bank is willing to accept for growth and value creation. This credit risk appetite is linked to the overall Bank-wide risk appetite framework. Articulating the credit risk appetite is a complex task that requires balanced views. It can be expressed in quantitative and qualitative measures. Having a credit risk appetite achieves:

- Clarity over the credit risks that ING Bank can assume; focused execution in balancing ING Bank's credit risk exposures within the boundaries of ING's strategy, target setting and prudent risk management;
- Consistent communication to different stakeholders;
- Guidelines how to align reporting and monitoring tools with the organisational structure and strategy; and
- Alignment of business strategies and key performance indicators of business units with the overall ING Bank credit risk appetite by means of the MTP.

Credit risk appetite is present across different levels within ING Bank, at the portfolio level as well as transaction level. The various credit risk appetite components at the portfolio and transaction level together result in the credit risk appetite framework.

Credit risk appetite statements are defined top-down across the credit risk categories (pre-settlement, money market, lending, investment), and connected to ING Bank high-level risk appetite across all risk types (credit, market, business and non-financial risk). They consist of a set of high-level credit risk metrics: expected loss, economic capital, risk-weighted assets and exposure at default. For each credit risk metric a boundary is set that is cascaded down and monitored on a monthly basis. The adherence to the boundaries and the pro-active approach to manage the portfolio within the risk appetite boundaries are part of the key performance indicators of the business line managers and as such have a direct impact on their remuneration.

Concentration risk framework

Country risk framework

Country risk is the risk specifically attributable to events in a specific country (or group of countries). Country risk is the risk of loss that ING Bank faces associated with lending, pre-settlement, money market and investment transactions in any given country or group of countries, as a result of country risk events. A country risk event can be described as any event or crisis, which relates mostly to large domestic economic, financial and political shocks, as well as transfer or exchange restrictions, affecting all counterparties in a specific country in an indiscriminate way. The occurrence of a country risk event may cause all counterparties in a country to be unable to ensure timely payments, despite their willingness to meet their contractual debt obligations. As such, country risk is an additional factor to be taken into account in the credit approval process of individual customers, as the country risk event probability may impact the default probability of individual counterparties.

To manage country risk effectively, ING Bank uses two components, which together form the country risk framework: the first component is to set a maximum economic capital consumption and the second component is to assign country reference benchmarks, which define the maximum appetite for credit risk, that ING Bank has per country to ensure that exposures and potential future losses do not exceed a certain agreed level. The country reference benchmark is based on the country's GDP and the funds entrusted locally in that country. In countries where ING Bank is active, the relevant country's risk profile is regularly evaluated, resulting in a country rating, which is used to set the country reference benchmark. Based on these two components country limits are set and exposures derived from lending, investment, pre-settlement and money market activities are then measured and reported against these country limits on a daily basis.

Every country where ING has exposure has a country limit which is reviewed monthly and updated when needed. The country limit is a function of various factors including amount of capital consumption, GDP of the country, internal rating, and amount of funds entrusted generated. In case the utilisation is above 90%, the respective credit risk manager is expected to take action to bring the utilisation below 90% or to submit to the relevant approval mandate holders a country limit review requesting a higher limit to accommodate the increasing exposure. In case of countries with elevated levels of geo-political or severe economic cycle risk like Ukraine and Russia in 2014, the monitoring is performed on a more frequent basis with strict pipeline and exposure management to protect ING Bank from adverse impacts.

Single name and sector concentration
ING Bank has established the concentration risk framework in order to identify, measure and monitor concentrations at country, portfolio and/or counterparty level. It consists of single name concentration i.e. losses due to the unexpected default of a single counterparty. Sector concentration (systemic risk): substantial increase of the ING Bank risk profile (expressed in increased risk weighted assets) due to the joint deterioration of a group of correlated counterparty/transactions, sensitive to the same external (macro-economic) factor(s) related to their geographic location, exposure class or industry. The LGD of a single name concentration is measured against a maximum LGD amount.

Scenarios and stress tests
Stress testing is a valuable risk management tool. Stress testing evaluates the bank's financial stability under severe but plausible stress scenarios and assists in decision-making that assures the bank to remain a financially-healthy on-going concern after a severe event occurs. In addition to the bank-wide stress test framework as described in the risk profile section of ING Bank, CR performs stress tests on a monthly basis in order to continually assess the portfolio risks and concentrations. These monthly stress tests are consistent with the stress scenario as established in the ING Bank wide credit risk appetite framework. The monthly stress tests are reviewed in the Risk and Capital Integration team and potential management actions are proposed if necessary.

ING Bank performs periodical stress tests based on a standardised and pre-determined 1-in-10 year-stress event (i.e. at 90% confidence level and 1 year horizon) which is similar to the one applied in the solvency risk appetite. Based on this confidence level, a through the cycle rating migration for the entire portfolio is simulated. For this simulated portfolio, provisions, RWA and EC are recalculated to assess what the combined impact of such a year would be. The additional CRWA that ING should allocate in such an event is named CRWA-at-Risk. These stress test results are submitted to CPC on a periodical basis, in which the results are explained and discussed. If needed, actions are formulated.

Next to the periodical pre-determined stress test related to CRWA-at-Risk, CR performs ad-hoc stress tests based on severe but plausible scenarios. These stress tests can be for internal purposes or at the request of the regulators and are input for future Credit Risk Appetite setting. Stress testing is used as an additional safety net within CR. Through stress tests the impact of severe but plausible downturn scenarios are determined, which might not be captured in the regular rating models (Probability of Default, Loss Given Default and Exposure at Default). Therefore, next to the Pillar I and Pillar II capital calculations, based on the results of various stress test, ING Bank ensures that adequate levels of capital (and liquidity) are available to sustain such severe but plausible scenarios.

Product approvals
Across ING Bank the product approval and review process ensures effective management of risks associated with products. It ensures that sound due diligence is performed by relevant stakeholders to ensure that risks (credit, operational, legal, etc.) are mitigated.

Risk programs
Within ING we distinguish between risk programs for Retail Banking and risk programs for Wholesale Banking business.

The Retail risk portfolio program is defined as a set of policies and processes, which are laid down to manage a retail risk portfolio within a predefined risk appetite statement. A retail risk portfolio is defined as a group of sufficiently homogeneous credit assets, where:
- A consistent set of credit policies and processes for approving a high volume of counterparties and transactions could be applied;
- Exposures could be pooled and managed through a set of standard policies and procedures over its entire life cycle.

A risk appetite statement in the context of a retail risk portfolio program is a pre-defined set of minimum performance criteria.

The Wholesale Banking risk program is a detailed analysis of a defined product and/or industry that identifies the major risk drivers and mitigants, the internal business mandate, and proposes the minimum risk (including business) parameters – and potentially the maximum product and/or portfolio limit - to undertake that business. A risk program is always prepared by the Front Office responsible for the internal business mandate and requires an approval from the ING Bank Global Credit Committee (unless specifically delegated to a different approval mandate).

Reference benchmarks
A Reference Benchmark is the maximum appetite for Credit Risk per Legal One Obligor Group. It is expressed as a (Benchmark) Exposure at the Concentration Risk level, which corresponds to a (maximum) internal capital consumption for Credit Risk. It is used as a reference amount tool in the credit approval process and can be waived on the basis of proper arguments.

Credit approval process
The credit approval process ensures that individual transactions are assessed on a name-by-name basis. For each type of counterparty (corporate, banks/financial institution, structured products clients) there is a separate process. The line credit risk managers are organised along the business lines of ING Bank and are specialised in the relevant area of expertise. The credit approval process is supported by, amongst others, a credit approval system which ensures consistency and completeness; a risk rating system which contains all the risk rating models to ensure a proper rating is given to a counterparty and a limit and exposure monitoring system which subsequently feeds into the credit approval system. The rating model is used to indicate a counterparty's creditworthiness translated into a probability of default (PD), and to determine the maximum risk appetite that ING Bank may have for a given type of counterparty (reference benchmark). The determination of the delegated authority (the amount that can be approved at various levels of the organisation) also depends on the risk rating. ING Bank has a rating system with in total 22 grades (1=highest rating; 22=lowest rating) and are split in the following categories:

- Investment grade (Risk Rating 1-10);
- Non-investment grade (Risk Rating 11-17);
- Sub-standard (Risk Rating 18-19); and
- Non-performing (Risk Rating 20-22).

Credit risk capital and measurement

Credit risk capital

Regulatory Capital (RC) is a law based prudent measure defined by regulators and serves as the minimum amount of CET 1, Additional Tier 1 and Tier 2 capital required to absorb unexpected losses. RC is the minimum amount of capital (based on 99.90% confidence level) that ING Bank must hold from a regulatory perspective as a cushion to be able to survive large unexpected losses.

RWA comparison

Comparison of RWA and risk weights across institutions is inherently challenging. Differences in RWA among banks have been classified by the Bank for International Settlements (BIS) in 3 categories:

1. Risk based drivers that stem from the differences in underlying risk at the exposure/ portfolio level and in business models/ strategies including asset class mix;
2. Practice-based drivers including approaches to risk management and risk measurement; and
3. Regulating environment such as supervisory practices, implementing laws and regulations including national discretion and accounting standards.

Risk based drivers
ING Bank's portfolio is heavily dominated by secured lending especially in the areas of residential mortgages, leasing and commercial real estate. Secured lending tends to have a much lower LGD, given the collateral involved, which is a key driver of RWA calculation. Another important element of the ING business model is the focus on retail exposures collateralised by residential property. ING's retail portfolio is mainly comprised of residential mortgages. The regulatory formula for this exposure class tends to result in the lowest RWA, all other factors being equal.

Practice based drivers
ING Bank tries to have an 'early in early out' approach to troubled exposures. This means that ING has a conservative default definition. This will have a direct impact on the level of RWA. In addition to an impact on RWA, the conservative default definition implies that many of both corporate and retail customers classified as non-performing are not overdue for more than 90 days in either interest or principal. For most customers, ING uses a borrower rating which means that a customer will only have one PD regardless of the type(s) of transactions done with ING Bank. This means that if one facility is in default, usually all facilities of the client are in default. Once the customer is deemed performing, a non-default PD will be given to the borrower. Non-performing clients which were granted forbearance measures need to stay non-performing for a minimum of one year starting from the moment they are classified as forborne. Only after this probation period the clients may become eligible to be changed back to performing.

Regulatory environment

ING Bank is regulated by many host supervisors; however the primary supervising entity is ECB. ECB supervises that the regulatory rules (CRR/CRDIV/Technical Standards) are adhered to, including through a strict 'significant change' approach that requires all changes to the internal models (PD, LGD and EAD) above a threshold to be reviewed and approved by ECB.

Comparing capital levels across banks is a challenging exercise because of different risk profiles, differences in applied risk based drivers, practice based drivers and regulatory environment (e.g. Advanced Internal Rating Based approach or the Standardised Approach). These factors have a substantial impact on the regulatory capital / RWA of a financial institution. ING Bank continues to work with industry groups including Enhanced Disclosure Task Force (EDTF) and strives to adhere to the latest BCBS recommendations to improve the transparent reporting of our capital calculations.

Economic Capital (EC) reflects ING Bank's own view on credit risk, which allows it to be used in decision making processes at transaction level, counterparty level and (sub) portfolio levels. Credit risk and transfer risk capital are calculated on all portfolios which contain credit or transfer risk, including investment portfolios. EC is the minimum amount of capital required to cover for unexpected losses within a 99.95% confidence level and a 12 months' time horizon. It is used throughout ING Bank in the decision making process (mainly wholesale banking), in risk adjusted counterparty and portfolio profitability measurement tools (wholesale banking and retail), in investment and divestment decisions, in the country risk framework and in concentration risk management such as risk appetite statements (RAS), single name concentration and the systemic risk reports (sector concentration report).

An important characteristic of the CR infrastructure and framework is that models are built for several purposes, including EC, RC and Loan Loss Provision. These rating models are broadly used throughout the ING Bank organisation which is therefore compliant with the Basel Use Test requirement and ensures active feedback on the risk parameters by business units.

The short overview below shows the main differences between RC and EC, within ING Bank.

Conceptual differences between Regulatory Capital and Economic Capital

Regulatory Capital	Economic Capital
For portfolios which are reported on SA, the CRR/CRD IV compliant look-up tables are used to determine risk weights.	EC for SA portfolios is calculated by means of AIRB based unexpected loss formula which is based on the corresponding PD, Downturn LGD and EAD inputs.
The 1.06 regulatory scaling-factor is used.	No scaling-factor is used.
Regulatory LGD values including potential downturn adjustment are used.	Downturn LGD values which include potential downturn adjustments are employed.
For non-Sovereign exposures the PD values are floored at 3 BPS.	Non-floored economic PD values are used.
For Securitisations the risk weights are determined by applying the CRDIV complaint external rating based look-up tables. For securitisations where ING acts as sponsor the Internal Assessment Approach is used.	EC for securitisations is calculated by applying the Corporates formulae within the CRR framework (based on internal PD, EAD, DLGD values and remaining maturity).
For exposures from 1 year and longer: PD values represent the PD for 12 months. Shorter than 1 year: 1 year PD values are used. Next to the PD, there is the maturity adjustment: always set to 1 year (for tenors shorter than 1 year) unless, the product is placed on a list of self-liquidation and or trade related products that is CRC approved (in line with the CRR). These should be seen as 'not part of the institution's ongoing financing of the obligor' (CRR article 162).	For exposures from 1 year and longer: PD values represent the PD for 12 months. Shorter than 1 year: except for lending to clients rated 11 and worse (1 year PD floor), all PD's are floored at 1 month. So an exposure with a remaining tenor of 6 months will have a PD value based on 6 months.
Regulatory EAD is employed for all exposures.	Economic EAD is employed for all exposures.
The CRR/CRDIV based confidence level of 99.90% is used.	Linked to Risk Appetite, a confidence level of 99.95% is used.
CRR/CRDIV compliant correlations are used.	ING specific correlations are used, in order to capture the ING portfolio specifics including diversification benefits, concentration risk and single name risk.
Since 2014 CVA Capital Charge is added to Regulatory Capital for credit risk.	CVA risk is taken into account as calculated under Pillar I based on the CRR Standardised Approach.
In the Solvency Report other non-credit obligation assets (ONCOA) are included.	Credit risk related ONCOA items are included.

EC is calculated using the economic values of rating models (PD, EAD and LGD). In line with regulatory requirements, so-called 'significant changes' to these rating models are communicated to the regulator for approval. Significant changes relate to the impact on Credit RWA (Pillar I) or to the significance (size) of the model for the ING Bank portfolio.

Credit risk measurement

There are two ways to measure credit risk within ING Bank's portfolio, depending on whether the exposure is booked under an ING office which is permitted by the ECB to use the Advanced Internal Rating Based (AIRB) approach, or if it falls under the Standardised (SA) approach.

Standardised Approach (SA)

Unlike the AIRB approach, the standardised approach applies a fixed risk weight to each asset as dictated by the Financial Supervisory Authorities, and is based on the exposure class to which the exposure is assigned. As such, the Standardised Approach is the least sophisticated of the Regulatory Capital methodologies and is not as sensitive as the risk-based approach. Where external rating agency ratings are available, they may be used as a substitute to using the fixed risk weightings assigned by the Financial Supervisory Authorities. Because the underlying obligors are relatively small, the underlying obligors tend not to have external ratings.

Advanced Internal Rating Based Approach (AIRB)

There are five elements that drive the determination of risk weighted assets under the AIRB approach.

Probability of Default (PD): The first is the counterparty's probability of default, which measures a counterparty's creditworthiness in terms of likelihood to go into default. The result of this calculation attempts to measure the senior, unsecured standalone creditworthiness of an organisation without consideration of structural elements of the underlying transactions, such as collateral, pricing, or maturity. Each borrower should have a rating which translates into a PD.

Exposure at Default (EAD): The second element is the counterparty's exposure at default. These models are intended to estimate the outstanding amount or obligation at the moment of default in the future. Since the fact that a counterparty will go into default is not known, and the level of outstanding that may occur on that date is also not known, ING Bank uses a combination of statistical, expert and hybrid models to estimate the Exposure at Default. With the exception of guarantees and letters of credit, the EAD is always equal to or higher than the associated credit risk outstanding, under the assumption that counterparties tend to absorb liquidity from available credit resources before financial problems become apparent to the counterparty's creditors. The EAD is largely a function of the type of credit facility (revolving, overdraft, term) offered to the borrower.

Loss Given Default (LGD): The third element is the loss given default. These models are intended to estimate the amount ING Bank will lose when liquidating collateral pledged in association with a given loan or financial obligation, or alternatively, liquidating the company as a whole, as part of a workout process. LGD models are based on cover types, estimated recovery rates given orderly liquidation, and (in) direct cost of liquidation.

Maturity (M): The fourth element is the time to the maturity of the underlying financial obligation. Regulations (CRR/CRDIV) floor the maturity element at one year and cap it at five years, despite the fact that many obligations extend their facilities for longer than five years.

Exposure Class: The fifth element is the exposure class (a grouping of credit risks associated with a common obligor type or product type) which is a driver for the correlation factor. To calculate risk weighted assets the default correlation between a transaction and all other transactions in the portfolio are taken into account. The correlation factor determines which portion of the standalone risk of a transaction is retained when the transaction is included in the portfolio and the portfolio diversification benefits are taken into consideration.

Expected Loss (EL): The expected loss provides a measure of the value of the credit losses that ING Bank may reasonably expect to incur on its portfolio. ING Bank must hold a reserve (as part of its capital base) to cover the expected losses in its credit portfolio. In its basic form, the expected loss can be represented as:

EL = PD * EAD * LGD

Securitisations

ING Bank has implemented the AIRB approach for credit risk. As a consequence, ING Bank uses the Rating Based Approach (RBA) for investments in tranches of asset-backed securities (ABS) and mortgage-backed securities (MBS) which have been rated by external rating agencies. Rating agencies which are used by ING Bank under the RBA include: Standard & Poor's, Fitch, Moody's and DBRS.

Under the RBA, the RWA are determined by multiplying the amount of the exposure by the appropriate regulatory risk weights, which depend on:

- The external rating or an available inferred rating;
- The seniority of the position; and
- The granularity of the position.

ING Bank uses the Internal Assessment Approach for the support facilities it provides to Asset Backed Commercial Paper (ABCP) conduit Mont Blanc Capital Corp., based on externally published rating agency methodologies.

Credit risk models

Within ING Bank internal Basel compliant models are used to determine the PD, EAD and LGD for regulatory and economic capital. Bank wide, ING Bank has implemented around 80 models, including various sub models that may be applicable for a specific portfolio.

There are three types of modelling which form the foundation of these PD, EAD and LGD models used throughout the Bank:

- **Statistical models** are created where a large set of default or detailed loss data is available. They are characterised by a sufficient number of data points that facilitate meaningful statistical estimation of the model parameters. The model parameters are estimated with statistical techniques based on the data set available;
- **Expert models** are based on the knowledge and experience of experts from both risk management and front office staff and literature from rating agencies, supervisors and academics. These models are especially appropriate for 'Low Default Portfolios', where limited historical defaults exist; and
- **Hybrid models** contain characteristics of both expert and statistical models.

Next to the model choice, the definition of default is an important starting point for model building. ING Bank uses a framework that integrates elements of the regulatory definition of 'Default' and the loan loss provisioning indicators under IAS 39. The rationale is that several indicators are very close to the indications of an obligor's 'unlikeliness to pay' under European regulation (CRR/CRDIV) and similar regulations. Integration of both frameworks makes it possible to use the regulatory risk components PD, LGD and EAD in the collective provisioning process under IAS 39, further enhancing ING Bank's compliance with the CRR/CRDIV 'use test'. Key differences between the parameters used for Loan Loss Provisioning and Regulatory Capital calculations are that Regulatory Capital parameters are typically through the cycle while Loan Loss parameters tend to be more point in time. Additionally, the LGD for Regulatory Capital calculations is based on a down-turn LGD.

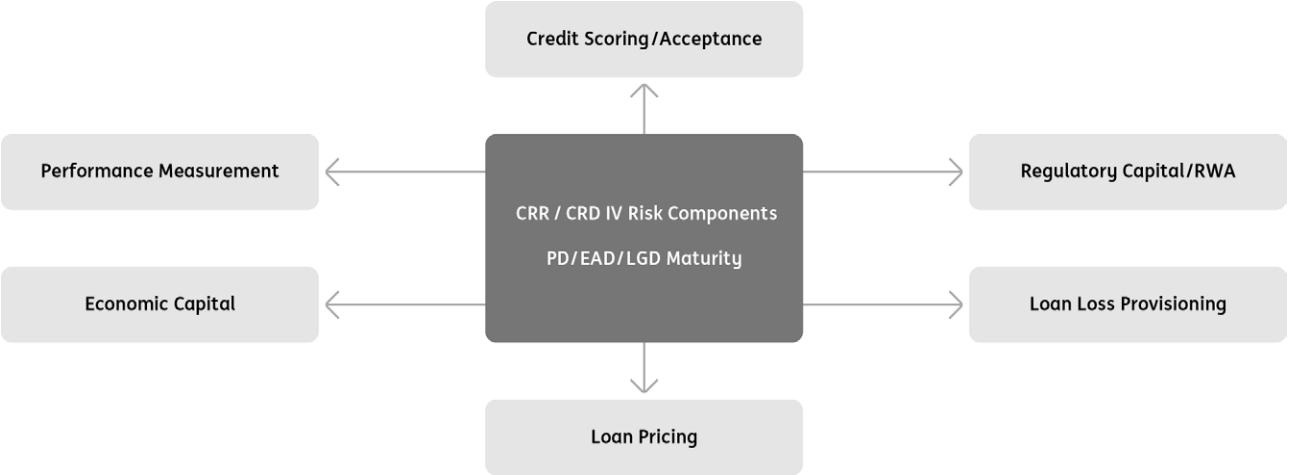
Pre-Settlement measurement models.

For regulatory capital the Pre-Settlement (PS) exposure is calculated using a Marked to Market (MtM) plus regulatory-based add-on. For internal capital purposes ING Bank uses two methodologies to calculate its PS exposures. Ideally, all parts of ING Bank would apply identical methodologies at all times. However, it is recognised that the ability to implement risk measurement methodologies is highly dependent on systems capabilities, and in certain cases the benefits of implementing a methodology may not be justified by the costs. Therefore more than one methodology is presently in use at ING Bank.

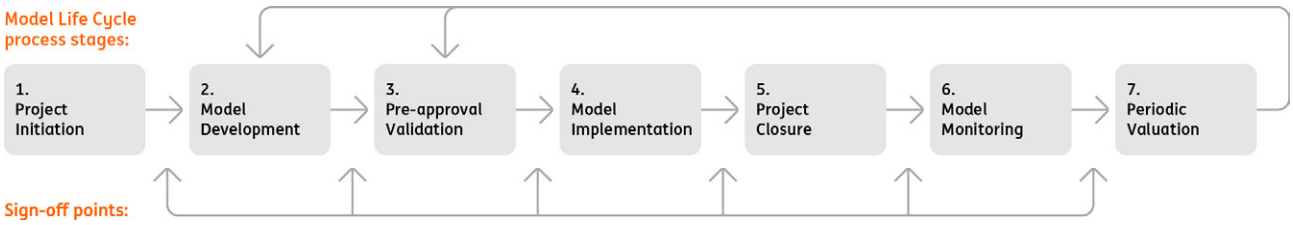
- **MtM plus model based add-on approach**: In this approach, the PS risk is calculated as the sum between the MtM of the trade and the model-based add-on. The MtM fluctuates through the life of the contract. The model-based add-on is product-specific, and takes into account remaining time to maturity, profiling per time-buckets etc. add-ons are updated with a frequency that takes into account the major market changes. This methodology is used for pre-deal exposure assessment of all ING Bank financial markets products and for post-deal risk calculations for financial markets portfolios for which computational efforts and costs associated with implementation of Scenario Simulation approach are not justifiable; and
- **Scenario Simulation approach (Monte Carlo approach)**: Scenario Simulation approach is the most complex of the methods for PS risk calculations. This approach is the only approach that fully takes into account the daily market conditions, including correlations between the risk factors and portfolio benefits. This approach is also referred to as Monte Carlo (MC) approach and is currently used for the largest volume of derivative products such as FX and interest rate derivatives. ING Bank is in the process of implementing this approach for more products. The monitoring of the PS exposures and the limit setting for the products within the scope of the MC approach are based on the exposures resulting from the MC approach, the pre-deal check exposure assessment is based on the MtM plus model add-on approach. In 2015 ING has transferred its Monte Carlo based measurement of pre-settlement exposure running on external systems, to an internal system which is also used for calculating accounting CVA.

In addition to the two approaches, ING recognises that certain trading products that are outside of this scope may be deemed insufficiently accurate. For example, highly structured or exotic derivative transactions may differ significantly from the generic transactions used to calculate the add-ons. For the assessment of risk exposures of such complex products a bespoke calculation is made.

The figure below provides a high level summary of the application of model outcomes (PD, EAD and LGD).



Credit risk model governance
All PD, EAD and LGD models are built according to the ING Bank internal credit risk modelling methodology standards and model life cycle. After thorough review of the documentation by the Model Development Committee (MDC) and Model Validation (MV), the Credit Risk Committee (CRC) approves the models. For certain local models, the approval authority is delegated by the CRC to the MDC. Each model has both a credit risk and a front office co-sponsor. Both the MDC and the CRC have participation from both credit risk officers as well as the front office to ensure maximum acceptance by the organisation. The capital impact from the implementation of approved models is reported to the ECB in a quarterly report. In addition, MV validates each model on an annual basis. During such periodical validation the model performance is analysed via amongst others backtesting. Most of the credit models reviewed by MV show a conservative observed performance compared to predicted levels.



Credit risk rating process
In principle all risk ratings are based on a Risk Rating (PD) Model that complies with the minimum requirements detailed in the CRDIV, the ECB Supervisory Rules and EBA guidelines. This concerns all counterparty types and segments, including countries.
ING Bank's PD rating models are based on a 1-22 scale (referred to as the 'Masterscale'), which roughly corresponds to the same rating grades that are assigned by external rating agencies, such as Standard & Poor's, Moody's and Fitch. For example, an ING Bank rating of 1 corresponds to an S&P/Fitch rating of AAA and a Moody's rating of Aaa; an ING Bank rating of 2 corresponds to an S&P/Fitch rating of AA+ and a Moody's rating of Aa1, and so on.

Risk ratings for performing loans (1-19) are calculated in ING Bank IT systems with internally developed models based on data either manually or automatically fed. Under certain conditions, the outcome of a manually fed model can be challenged through a clearly defined rating appeal process. Risk ratings for non-performing loans (20-22) are set on the basis of an approved subjective methodology by the global or regional restructuring unit. For securitisation portfolios, the external ratings of the tranche in which ING Bank has invested are leading.

Risk ratings assigned to counterparties are regularly, at least annually, reviewed, and the performance of the underlying models regularly monitored. Over 95% of ING Bank's credit risks have been rated using one of the in-house developed PD rating models. Within the AIRB Portfolio, the level of Regulatory compliant ratings exceeds 99% coverage by exposure. Some of these models are universal in nature, such as models for Large Corporates, Commercial Banks, Insurance Companies, Central Governments, Local Governments, Funds, Fund Managers, Project Finance and Leveraged Companies. While other models are more regional or country specific, such as PD models for Small Medium Enterprise (SME) companies in Central Europe, the Netherlands, Belgium, Luxembourg, as well as residential mortgage and consumer loan models in the various retail markets.

Rating Models for retail counterparties are predominantly statistically driven and automated, such that they can be updated on a monthly or bi-monthly basis. Models for SME companies, and larger corporates, institutions and banks are manually updated, and are individually monitored on at least an annual basis.

Exposure classes

BCBS (Basel Committee) and the European law (CRR/CRDIV) have developed the concept of 'Exposure Classes'. These are essentially groupings of credit risks associated with a common counterparty type or product type. For the AIRB Approach, most of the exposure classes have subcategories. ING Bank has applied the following definitions to determine Exposure Classes:

- **Sovereigns** include Sovereign Government entities, Central Banks and recognised Local / Regional Authorities as well as Supranational Organisations;
- **Institutions** include all Commercial Banks, non-Bank Financial Institutions, such as Funds and Fund Managers, and Insurance Companies, as well as local and regional government entities not classified as governments;
- **Corporates** includes all legal entities, that are not considered to be Governments, Institutions or Retail Other;
- **Residential Mortgages** include all mortgage loans for residential properties;
- **Other Retail** includes all other credit obligations related to Retail SMEs, such as partnerships, one-man businesses and private individuals, such as consumer loans, car loans and credit cards; and
- **Securitisations** include securitisation programs for which ING Bank acts as an investor, sponsor or originator.

Under these exposure class definitions, it is possible for a private individual to be included under both residential mortgages and retail other.

The Pillar III disclosure provides detail of the ING portfolio classified by these Exposure Classes. This should be helpful for comparison with other AIRB banks. However, ING Bank does not manage its portfolio according to these exposure classes but based more on geography, customer segment, industry, and product. Therefore, additional portfolio breakdowns are also provided in Pillar III that reflect these management classifications of the portfolio.

The portfolio breakdown of ING Bank per exposure class and per risk category, based on Exposure at Default is shown below. The figures shown in the Credit Risk section are including loans to Group (and also Insurance for 2014) being 'intercompany loans', unless stated otherwise:

Exposure classes ING Bank portfolio per risk category, as % of total EAD

	Lending		Investment		Money Market		Pre-Settlement		Total		Total (ALL)
2015	AIRB	SA	AIRB	SA	AIRB	SA	AIRB	SA	AIRB	SA	AIRB + SA
Sovereigns	3.5%	0.0%	8.3%	0.1%	1.6%	0.2%	0.3%	0.0%	13.7%	0.3%	14.1%
Institutions	4.1%	0.4%	2.2%	0.0%	0.3%	0.0%	5.6%	0.1%	12.3%	0.5%	12.8%
Corporate	29.5%	1.1%	0.2%	0.0%	0.1%	0.0%	1.3%	0.0%	31.1%	1.1%	32.2%
Residential mortgages	33.3%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	33.3%	0.8%	34.1%
Other retail	4.5%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%	1.3%	5.8%
Securitisation	0.2%	0.0%	0.8%	0.0%	0.0%	0.0%	0.1%	0.0%	1.0%	0.0%	1.0%
Total (ALL)	**75.1%**	**3.6%**	**11.5%**	**0.1%**	**2.0%**	**0.3%**	**7.3%**	**0.1%**	**95.9%**	**4.1%**	**100.0%**

Exposure classes ING Bank portfolio per risk category, as % of total EAD

	Lending		Investment		Money Market		Pre-Settlement		Total		Total (ALL)
2014	AIRB	SA	AIRB	SA	AIRB	SA	AIRB	SA	AIRB	SA	AIRB + SA
Sovereigns	2.2%	0.0%	9.1%	0.1%	1.0%	0.2%	0.5%	0.0%	12.8%	0.3%	13.1%
Institutions	4.3%	0.2%	2.6%	0.0%	1.1%	0.1%	6.0%	0.0%	14.0%	0.3%	14.3%
Corporate	27.2%	1.0%	0.2%	0.0%	0.1%	0.0%	1.3%	0.0%	28.7%	1.0%	29.7%
Residential mortgages	34.9%	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	34.9%	0.7%	35.6%
Other retail	5.0%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	1.3%	6.3%
Securitisation	0.2%	0.0%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	0.0%	1.0%
Total (ALL)	**73.8%**	**3.2%**	**12.7%**	**0.1%**	**2.1%**	**0.2%**	**7.8%**	**0.0%**	**96.4%**	**3.6%**	**100.0%**

The figures above display that compared to 2014 the proportion of residential mortgages in the bank's portfolio has reduced. This decrease was driven by the continued transfer of mortgages from WestlandUtrecht (WU) Bank to NN Bank and the run-off of the WU mortgage book. Excluding these transfers, residential mortgage witnessed a growth in DiBa Germany, Belgium and a slight growth in Australia after the sale of mortgages under Mortgage Management Funding.

Exposure to corporates has increased both in actual volume and as a proportion of the total portfolio with the depreciating Euro having a significant contribution. Excluding the FX impact, lending exposure witnessed growth in Structured Finance, Real Estate Finance and Corporate and FI Lending portfolios.

The investment portfolio decreased slightly in proportion as well as in absolute value and along with fulfilling liquidity requirements it remains a source of supporting assets in Challenger and Growth markets with exposure primarily to European central governments and central banks. Investor and sponsor securitisations comprise the shrinking portfolio of securitisations within ING Bank.

Models used for exposure classes

ING Bank has developed PD, EAD and LGD models for Wholesale Banking and Retail Banking portfolios. PD, EAD and LGD models are subject to CRC (or in some delegated cases: MDC) approval and changes which significantly impact the results require approval from the regulator before implementation. By nature, the above described exposure classes have different, specific characteristics. To capture these specific characteristics and to have suitable valuations and analyses in place, CR is continuously updating and developing models within each exposure class. In total, CR makes use of around 80 different internal models.

ING distinguishes four types of post default scenarios:

- *No Loss – Cure*: the Borrower pays all overdue amounts (to the extent ING Bank is legally entitled to) and the asset becomes non-defaulted again. ING Bank does not experience any loss in the process. The relationship is not terminated. The borrower returns back to performing;
- *No Loss – Exit without loss*: ING Bank (or the borrower) liquidates collaterals and calls guarantees in order to recover the exposure or the Borrower fully repays. Thereafter the relationship is terminated. ING Bank does not experience any loss in the process;
- *Loss – Exit with loss*: ING Bank (or the borrower) liquidates collaterals and calls guarantees in order to recover the exposure. Thereafter the relationship is terminated. ING Bank suffers loss in the process; and
- *Loss – Distressed Restructuring*: ING Bank restructures the loan agreement so as to recover the exposure after allowing some discount. The relationship with the borrower continues after the restructuring. ING Bank suffers some loss in the process.

Changes in 2015 to credit risk models

Introduction of the Single Supervisory Mechanism of the ECB has led to a change in the implementation timelines. Model updates driven by regulatory guidance were undertaken towards the end of the year and increased RWA by EUR 5.6 billion. The Leveraged Finance LGD model update was the main contributor increasing RWA by EUR 4.2 billion. The CPF LGD model update increased RWA by EUR 1.1 billion. For further details regarding model changes and the subsequent RWA migration in 2015 we refer to the chapter Risk Weighted Assets Migration Analysis in the Pillar III section.

Securitisations

ING Bank primarily plays three roles in its exposure to securitisations programs which are:

ING Bank as Investor

Retail Challengers & Growth Markets has been the primary investor in securitisation transactions within ING Bank. Its core strategy was gathering customer deposits and providing lending products to its retail customers. The savings product is typically the first product to be launched in a country followed by mortgages and other retail products (current accounts, unsecured loans, credit cards etc.). The difference between retail liabilities and own originated retail assets is invested in high quality bonds and when appropriate in certain internal assets originated by other ING Bank entities. The ING Bank strategy has evolved to create more universal banks from the retail operations. In addition, the regulatory requirements for liquidity have become clarified over the last couple of years which decreases the attractiveness of securitisations as a form of liquid buffer. Therefore, ING Bank has greatly reduced its securitisation portfolio over the last years.

ING Bank as Originator

ING Bank occasionally originated own securitisation transactions for economic and regulatory capital purposes, as well as liquidity and funding purposes. Securitisations originated by a company may only be considered for balance sheet de-recognition when the requirements for significant credit risk transfer have been fulfilled. However, for a securitisation transaction to be recognised as for RWA reduction, risk transfer alone may be insufficient due to the increasing impact of the maturity mismatch formula. As a consequence, the RWA of the retained tranches for one of the transactions would be higher than the total RWA of the underlying pool before securitisation. In such cases the RWA calculation for the transaction is performed as if it was not securitised. ING Bank has done a very limited number of external transactions as originator.

ING Bank as Sponsor

In the normal course of business, ING Bank structures financing transactions for its clients by assisting them in obtaining sources of liquidity by selling the clients' receivables or other financial assets to an Special Purpose Vehicle (SPV). The transactions are often funded by the ING Bank administered multi seller Asset Backed Commercial Paper (ABCP) conduit Mont Blanc Capital Corp. (rated A-1/P-1). Mont Blanc Capital Corp. continues to fund itself externally in the ABCP markets. In its role as administrative agent, ING Bank facilitates these transactions by providing structuring, accounting, funding and operations services. ING Bank also provides support facilities (liquidity and program wide enhancement) backing the transactions funded by the conduit. Mont Blanc is fully consolidated into the ING Bank financial accounts.

More information on securitisations is included in the Pillar III section.

Credit risk tools

Credit risk policies

ING credit risk policies provide for generic rules and roles and responsibilities that should always prevail within ING Bank. While allowance is given for discretionary variation to comply with local regulations, such variations must always comply with the content of a global ING Bank wide credit risk policy and approved by (local) credit risk. All credit risk policies are created according to the policy development standards and reviewed on a regular basis. Each policy has a credit risk sponsor and is created in close consultation with the various stakeholders within credit risk, front office and where applicable other corporate departments. All policies require approval by the Credit Risk Committee (CRC) and where applicable by the Global Credit Committee (GCC).

Credit risk systems and data standards

The acceptance, maintenance, measurement, management and reporting of credit risks at all levels of ING Bank is accomplished through promotion of single, common credit risk data standards and the integration into common credit risk tools that support standardised and transparent credit risk practices. ING has chosen to develop the credit risk tools centrally. The philosophy is to re-use the same data for all purposes, in an integrated approach that overlaps the three key areas of ING Bank policy, the regulatory environment in which we operate, and the daily processes which are active throughout the group. Overlapping these three areas is the essential requirement to ensure data quality standards and discipline remains high.

The customer-centric data model conforms strongly to the three core business needs of ING Bank:

- To transact efficiently with our counterparties;
- To be compliant with our internal and external obligations; and
- To monitor the risks we undertake.

The customer-centric approach ensures that ING Bank can react quickly to changing regulations, business needs and best practices in our dealings with our clients and prospects.

Guiding principles regarding data elements

The guiding principles are that each data element should only be input once, and should have a clear 'home' system or database which is leading throughout all uses of that data element. From the data 'home', the data may then be redistributed to other systems or databases that may require that data in an automated Straight through Processing (STP) method. Depending on the need, the data may be transferred in real time, near real time, daily, weekly or monthly. This frequency of underlying data transfer is independent from the data transfer that may take place for consolidation purposes.

Credit risk portfolio

ING Bank's credit exposure is mainly related to traditional lending to individuals and businesses followed by investments in bonds and other securitised assets. Loans to individuals are mainly mortgage loans secured by residential property. Loans (including guarantees issued) to businesses are often collateralised, but can be unsecured based on internal analysis of the borrowers' creditworthiness. Bonds in the investment portfolio are generally unsecured. Securitised assets such as Mortgage Backed Securities and Asset Backed Securities are secured by the pro rata portion of the underlying diversified pool of assets (commercial or residential mortgages, car loans and/or other assets) held by the security's issuer. The last major credit risk source involves pre-settlement exposures which arise from trading activities, including derivatives, repurchase transactions and securities lending/borrowing and foreign exchange transactions.

Risk rating buckets per line of business

Risk rating buckets are defined based upon the quality of the exposures in terms of creditworthiness, varying from investment grade to Non-performing loan expressed in S&P, Moody's and Fitch equivalents.

Risk classes ING Bank portfolio, as % of total outstandings[1]

	Wholesale Banking		Retail Banking Benelux		Retail Challengers & Growth Markets[2]		Corporate Line		Total ING Bank	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
1 (AAA)	9.4%	6.1%	0.1%	0.0%	7.6%	9.8%	40.2%	42.3%	6.5%	5.6%
2-4 (AA)	10.0%	10.2%	5.3%	5.7%	16.9%	17.0%	0.4%	0.5%	10.3%	10.5%
5-7 (A)	22.1%	23.3%	4.4%	4.1%	15.5%	15.9%	11.9%	11.6%	14.8%	14.8%
8-10 (BBB)	25.1%	27.2%	31.0%	27.7%	35.0%	33.1%	6.3%	14.9%	29.3%	28.9%
11-13 (BB)	24.6%	22.7%	46.0%	47.3%	17.5%	16.8%	38.0%	30.7%	29.4%	29.2%
14-16 (B)	5.4%	6.3%	7.7%	8.6%	5.8%	5.6%	0.0%	0.0%	6.1%	6.8%
17-22 (CCC & NPL)	3.4%	4.2%	5.5%	6.6%	1.7%	1.8%	3.2%	0.0%	3.6%	4.2%
	100.0%	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

1 Based on credit risk measurement contained in lending, pre-settlement, money market and investment activities.
2 Covered bonds are presented on the basis of the external credit rating of the issuer in question. Covered bond issues generally possess a better external credit rating than the issuer standalone, given structural features of such covered bonds.

The risk rating bucket distribution across business lines remained largely stable over the year. Increased regulatory reserve deposit at the De Nederlandsche Bank is the driver behind the increase observed in the proportion of AAA rated assets. An improvement in the ratings for residential mortgages in Retail Banking Benelux due to improved arrears management and more stricter screening rules led to an increased share for 8-10 (BBB) rated category. Similar improvement was also witnessed in the mortgage portfolios in Germany and Australia.

Credit risk types

Risk classes ING Bank portfolio per credit risk type, as % of total outstandings[1]

	Lending		Investment		Money Market		Pre-settlement		Total ING Bank	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
1 (AAA)	3.0%	1.5%	27.9%	30.0%	13.3%	4.8%	2.4%	1.2%	6.5%	5.6%
2-4 (AA)	4.9%	5.4%	36.6%	33.7%	50.9%	41.5%	11.4%	11.4%	10.3%	10.5%
5-7 (A)	11.1%	10.1%	17.8%	17.5%	5.1%	21.4%	52.7%	58.1%	14.8%	14.8%
8-10 (BBB)	33.1%	33.1%	10.5%	11.0%	24.1%	23.5%	23.8%	20.0%	29.3%	28.9%
11-13 (BB)	35.6%	35.9%	6.8%	6.9%	6.0%	7.7%	7.8%	7.2%	29.4%	29.2%
14-16 (B)	7.8%	8.6%	0.1%	0.6%	0.0%	0.5%	1.1%	1.5%	6.1%	6.8%
17-22 (CCC & NPL)	4.5%	5.4%	0.3%	0.3%	0.6%	0.6%	0.8%	0.6%	3.6%	4.2%
	100.0%	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

1 Based on credit risk measurement contained in lending, pre-settlement, money market and investment activities. The ratings reflect probabilities of default and do not take collateral into consideration.

Most notable was the increase witnessed in the share of 1 (AAA) rated Lending assets which was driven by an increase in regulatory reserve deposits at the Dutch and Belgian central banks. The Money Market category also displayed a positive risk rating migration due to a higher proportion of short term assets placed at central monetary authorities. The majority of the bank portfolio still reports in the BBB and BB rating buckets.

Risk industry concentration

ING Bank uses a common industry classification methodology based on the NAICS system (North American Industry Classification System). This methodology has over 1,500 detailed industry descriptions, which are aggregated into 22 industry classes at the highest level. Certain countries require ING Bank to report locally based on other industry classification methodologies, which are generally derived from the NAICS classifications presented here. Residential mortgages are generally only extended to private individuals.

Risk concentration: ING Bank portfolio, by economic sector[1]

	Wholesale Banking		Retail Banking Benelux		Retail Challengers & Growth Markets		Corporate Line		Total ING Bank	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Private Individuals	0.1%	0.0%	74.0%	73.6%	62.9%	59.6%	0.0%	0.0%	39.4%	40.9%
Commercial Banks	14.3%	15.4%	0.3%	0.3%	7.8%	8.1%	54.6%	45.1%	8.8%	8.8%
Central Governments	10.5%	11.9%	1.2%	1.2%	7.1%	8.0%	34.1%	35.0%	7.0%	7.5%
Non-Bank Financial Institutions	11.7%	12.2%	0.8%	0.8%	4.3%	5.0%	11.3%	19.9%	6.4%	6.5%
Real Estate	10.0%	10.3%	4.7%	4.9%	0.8%	0.7%	0.0%	0.0%	5.8%	5.7%
Natural Resources	13.0%	14.0%	0.4%	0.4%	0.7%	0.6%	0.0%	0.0%	5.7%	5.6%
Central Banks	8.4%	4.2%	0.1%	0.1%	1.6%	1.7%	0.0%	0.0%	4.0%	2.1%
Transportation & Logistics	7.6%	7.4%	1.1%	1.2%	0.4%	0.3%	0.0%	0.0%	3.6%	3.3%
Lower Public Administration	0.9%	0.9%	2.4%	2.7%	7.0%	8.0%	0.0%	0.0%	3.0%	3.5%
Food, Beverages & Personal Care	3.8%	3.4%	2.1%	2.1%	1.4%	1.2%	0.0%	0.0%	2.6%	2.3%
Services	3.1%	2.9%	3.6%	3.3%	0.7%	0.5%	0.0%	0.0%	2.5%	2.3%
General Industries	3.3%	3.8%	1.5%	1.5%	1.7%	1.3%	0.0%	0.0%	2.3%	2.3%
Other	13.3%	13.6%	7.8%	7.9%	3.6%	5.0%	0.0%	0.0%	9.0%	9.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

1 Based on the total amount of credit risk in the respective column using ING Bank's internal credit risk measurement methodologies. Economic sectors below 2% are not shown separately but grouped in Other.

During 2015, the overall portfolio continued to expand, which caused shifts in the concentration per economic sector. A prominent place is taken by Non-Bank Financial Institutions, due to increased positions at CCPs, and by Commercial Banks which are traditionally the largest concentrations. The Central Bank concentration increased mainly due to regulatory reserve deposits at the Central Banks in Europe and Japan. The concentration of mortgages continued to decrease, reflected in the decreased private individuals figure. The share of Real Estate in the bank's portfolio increased slightly due to increased exposure in the primary markets.

Country risk

Growth in the portfolio was mainly observed in Wholesale Banking, where Netherlands and Rest of Europe showed the largest increase in absolute figures. On the other hand there was a decrease in Retail Banking Benelux, mainly seen in the Netherlands, due to lower proportion of Dutch mortgages in the overall portfolio.

Largest economic exposures: ING Bank portfolio, by geographic area[1]

	Wholesale Banking		Retail Banking Benelux		Retail Challengers & Growth Markets		Corporate Line		Total ING Bank	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Netherlands	16.5%	15.2%	67.4%	68.5%	0.5%	0.8%	56.5%	49.2%	27.6%	28.2%
Belgium	7.1%	6.6%	30.4%	29.5%	0.6%	0.4%	0.0%	0.0%	12.0%	12.0%
Germany	4.9%	5.0%	0.2%	0.2%	43.7%	44.9%	4.4%	4.1%	13.2%	14.1%
Rest of Europe[2]	40.5%	41.8%	1.8%	1.6%	37.6%	35.9%	1.5%	2.1%	28.2%	27.4%
Americas	18.1%	17.2%	0.1%	0.1%	1.5%	1.4%	0.2%	7.2%	8.6%	7.6%
Australia	0.9%	1.0%			15.9%	16.3%	0.3%	0.3%	3.4%	3.5%
Asia/Pacific	11.2%	12.3%	0.1%	0.1%	0.2%	0.3%	37.1%	37.1%	6.6%	6.8%
Rest of World	0.8%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.4%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

1 Geographic areas are based on the primary country of risk and not based on country of residence for private individuals.
2 The top 5 exposures within Rest of Europe are to United Kingdom, Spain, France, Poland and Italy.

Credit quality

Upturn witnessed in key markets and a trend of improvement in risk costs signal an economic recovery in the operating environment for ING Bank. Since the beginning of the crisis, the quantity and the share of the total ING credit risk portfolio that required special risk management attention had increased. The number and average turnaround time of problematic files has continued to improve in 2015, however is not yet back to pre-crisis levels. Obviously, the length and intensity of the crisis warrants continuous attention for credit quality.

Credit risk categories

	Regular	Watch List	Restructuring	Non-performing
Possible ratings	1–19	1–19	11–20	20-22
Typical ratings	1–14	15–17	18–20	20-22
Deterioration in risk	Not significant	Significant	Significant	Significant
Significant intervention	Not required	Not required	Required	Required
Impaired	No	No	Yes	Yes
Account Ownership	Front Office	Front Office	Front Office	Front Office
Credit Risk Management	Regular	Regular	Credit Restructuring	Credit Restructuring
Primary Manager	Front Office	Front Office	Credit Restructuring	Credit Restructuring
Accounting provisioning	IBNR	IBNR	IBNR/INSFA/ISFA	INSFA/ISFA

Credit quality: ING Bank portfolio, outstandings

	2015	2014
Neither past due nor impaired	740,890	706,635
Consumer lending past due but not impaired (1–90 days)	4,328	5,143
Non-performing[1]	15,325	16,889
Total	**760,543**	**728,667**

1 Based on lending and investment activities.

The total ING Bank portfolio registered a robust growth which was driven by asset origination as well as FX movements. The total past due and impaired buckets declined, signalling an improvement in the bank's economic operating environment. The improvement in the past due but not impaired portfolio is due to the positive impact of better arrears management in the Dutch mortgages portfolio. The impaired loans volume declined with a large contribution coming from Real Estate Finance clients returning to performing status. The level of impaired residential mortgages also reduced in most geographies and especially in the Dutch mortgages portfolio.

Past-due obligations

Retail Banking continuously measures its portfolio in terms of payment arrears. The retail portfolios are closely monitored on a monthly basis to determine if there are any significant changes in the level of arrears. The methodology is principally extended to loans to private individuals, such as residential mortgage loans, car loans, and other consumer loans. Generally, an obligation is considered 'past-due' if a payment of interest or principal is more than one day late. In practice, the first 5-7 days after an obligation becomes past due are considered to be operational in nature for retail loans and small businesses portfolios. After this period, letters are sent to the obligor reminding the obligor of its (past due) payment obligations. If the arrears continue to exist, the obligor is transferred to a restructuring unit. The obligor is downgraded to risk rating 20 (non-performing) when the arrears exceed 90 days. In order to reduce the number of arrears, ING banking units encourage their obligors to set up automatic debits from their (current) accounts to ensure timely payments. The table below captures all past due exposures starting from day 1, without excluding the first 5-7 day operational time interval.

Aging analysis (past due but not non-performing): ING Bank consumer lending portfolio, outstandings[1]

	2015	2014
Past due for 1–30 days	3,593	4,185
Past due for 31–60 days	652	849
Past due for 61–90 days	83	109
Total	**4,328**	**5,143**

1 Based on consumer lending. The amount of past due but not non-performing financial assets in respect of non-lending activities was not significant.

The improvement in past due obligations was mainly seen in Netherlands Retail (also by far the largest share of the portfolio), where the improved economy and revival of the housing market were the big drivers. At the same time, local risk management actions targeted at lowering arrears and enhancing early warning methodology clearly helped to improve the overall portfolio quality.

Wholesale Banking: for business loans (governments, institutions, corporates); ING Bank has adopted a policy to classify the obligor as a non-performing loan as quickly as possible upon the occurrence of a payment default or even before. These are the default triggers:

- Bankruptcy or financial reorganisation: The Borrower has sought or has been placed (or is likely to seek or be placed) in bankruptcy or similar protection, where this would avoid or delay repayment of the financial asset;
- The Borrower has failed in the payment of principal or interest/fees and such payment failure has remained unresolved for the following period:
  - Corporates: more than 90 days; and
  - Financial Institutions and Governments: from day 1, however, a research period of 14 calendar days will be observed in order for ING Bank to establish whether the payment default was due to non-operational reasons (i.e. the deteriorated credit quality of the financial institution) or due to operational reasons. The latter does not trigger default.;
- ING Bank thinks the Borrower is unlikely to pay: The Borrower has evidenced significant financial difficulty, to the extent that it will have a negative impact on the future cash flows of the Financial Asset. The following events could be seen as examples of financial difficulty indicators, but not as default triggers per se:
  - a material breach of contract;
  - the disappearance of an active market for a certain financial asset; and
  - the downgrading of a Borrower's external rating.; and
- Restructuring of the credit obligation for non-commercial reasons: ING Bank has granted concessions, for economic or legal reasons relating to the Borrower's financial difficulty, the effect of which is a reduction in ING's expectation of future cash flows of the financial asset below current Carrying Amount.

As such, other than the arrear driven approach at Retail Banking, Wholesale Banking has a much more individual name approach, using Early Warnings indicators to signal probable, upcoming, redemption breaches. As a general rule, in line with the Regulatory definition (CRR/CRDIV), ING Bank considers all business loans as non-performing if they are 90 days past due.

Credit restructuring

Global Credit Restructuring (GCR) is the dedicated and independent corporate department that deals with non-performing loans and loans that hold a reasonable probability that ING will end up with a loss, if no specific action is taken. GCR deals with accounts or portfolios requiring an active approach, which may include renegotiation of terms & conditions and business or financial restructuring. The loans are managed by GCR or by the Regional Restructuring Units in the various regions and business units.

ING uses three distinct statuses in categorizing the management of clients with (perceived) deteriorating credit risk profile, i.e. there is doubt as to the performance and the collectability of the client's contractual obligations:

- **Watch List**: Usually, but not necessarily, a client is first classified as Watch List when there are concerns of any (potential or material) deterioration in the credit risk profile that is normally connected to the ability of the client to adhere to the repayment obligations or to refinance the existing loan. The grounds for concern are usually caused by indication of Early Warning Signals. Watch List status requires more than usual attention and increased monitoring by quarterly reviews. However at this stage, no specific intervention from ING is deemed necessary and no significant restructuring is expected. Certain clients with a Watch List status may develop into a Restructuring status or even a Recovery status.
- **Restructuring**: A client is classified as Restructuring when there are serious concerns of the client's financial stability, credit worthiness and/or its ability to repay, but where the situation does not call for recalling or acceleration of facilities or liquidating the collateral. ING's actions aim to maintain the going concern status of the client by:
  - restoring the client's financial stability;
  - supporting the client's turnaround in part or in whole;
  - restoring the tension between debt and equity; and
  - restructuring the debt to a sustainable situation.; and
- **Recovery:** A client is classified as Recovery when ING decides that the client's financial situation cannot be restored and wants to end the (credit) relationship. In principle, the exit has to be at lowest risk cost possible. ING will prefer an amicable exit, but will enforce and liquidate collateral or claim on the guarantees, when needed.

Additionally, ING uses three distinct reporting signs in identifying exposures for clients facing financial difficulties with the notion of:

Forbearance: For clients facing financial difficulties, ING might enter into a forbearance agreement with these clients in order to ease the contractual debt service obligation. All ING Business Units/Lines are required to review the clients with Early Warning Signals, Watch List, Restructuring and Recovery classification, to which extent Forbearance is applicable;
Default: For clients with non-performing loan(s) in accordance with the definition of the regulator (Basel/CRR/CRDIV); and
Impairment: For clients with impaired loan(s) in accordance with the definition of accounting (IFRS/IAS).

Watch list, Restructuring and Recovery are discussed at least on a quarterly basis between Front Office, respective Credit Risk Management executives and GCR, at which time it may be decided to change the status of an account from Watch list to Restructuring or Recovery or vice versa. Furthermore, all three categories Watch list, Restructuring and Recovery are in scope for forbearance. For further details on forbearance we refer to the Forbearance section.

Non-performing loans

The ING Bank loan portfolio is under constant review. Generally, all loans with past due financial obligations of more than 90 days are automatically reclassified as non-performing. For the commercial lending portfolios, there generally are reasons for declaring a loan non-performing prior to being 90 days past due. These include, but are not limited to, ING Bank's assessment of the customer's perceived inability to meet its financial obligations, or the customer filing for bankruptcy or bankruptcy protection. In some cases, a material breach of financial covenants will also trigger a reclassification of a loan to the non-performing category. ING Bank identifies non-performing loans as those loans for which it is probable, based on current information and events that the principal and interest amounts contractually due will not be collected in accordance with the contractual terms of the loan agreements.

The table below represents the economic sector breakdown of credit risk outstandings for loans and positions that have been classified as non-performing loans.

Non-performing Loans: ING Bank portfolio, outstandings by economic sector[1]

	2015	2014
Private Individuals	5,580	6,308
Real Estate	2,562	3,279
Natural Resources	1,352	929
Builders & Contractors	1,037	1,119
Services	796	694
Other	3,999	4,560
Total	**15,325**	**16,889**

1 Economic sectors not in the top 5 are not shown separately but grouped in Other.

The overall amount of NPLs decreased in 2015, mainly witnessed in the Private Individuals and Real Estate sectors. The decrease in NPLs for the Private Individuals segment is mainly due to the improved credit quality in the Dutch mortgage portfolio resulting from the improved economic conditions in the Netherlands. The decline in NPLs in the real estate sector was driven by both cures as well as write-offs. The most notable increase in NPLs was in the natural resources sector, where the global commodity prices and the ongoing conflict in the Ukraine are impacting client performance and ratings.

Provisions

Loan Loss provisions are calculated and accounted for in accordance with International Financial Reporting Standards (IFRS-EU). LLP are reported for financial assets that are measured against amortised costs (Loans and Receivables, Held-to-Maturity Investments). There are three types of LLP:

- Individually Significant Financial Asset (ISFA) Provisions: when there is objective evidence that a financial asset is defaulted as result of one or more prescribed events that trigger a default. In such case, ING assigns a risk rating 20, 21 or 22. Specific provisions are calculated if the exposure to a Borrower exceeds the threshold amount. The threshold amount varies per business unit, but generally is nil in Wholesale Banking, and a maximum of EUR 1 million in the Retail 'home markets'. A provision is calculated based on several scenarios and assumptions. Provisions level is up to date given the quarterly reviews; Discounted cash flow (DCF) is measured when this is a significant risk driver which can be calculated. The future cash flow is based on best estimate of when/if recoveries will occur. Recoveries can be from any source, such as the sale of collateral, on-going cash flows, sale of a business/subsidiary, etc.;
- Individually Not Significant Financial Asset (INSFA) Provisions: are made for acknowledged non-performing loans (ratings 20-22), if the exposure to a Borrower is below the threshold amount. Due to their small size, the IFRS-EU rules permit a collective approach to measuring these provisions; and
- Incurred But Not Recognised (IBNR) Provisions: are made for the 'performing' loan portfolio as an estimate or proxy for the losses/defaults that may have already occurred in the portfolio, but which ING Bank has not yet determined or recognised. The PD time horizon used in the calculation of IBNR provisions refers to the period during which an asset is impaired (in default), but not yet recognised as such - due to lack of objective evidence – and the moment that objective evidence of impairment occurs and becomes available to ING ('response time'). The primary modification is that the PD time horizon (12 months) is shortened to periods of 4,6,7,8,9 or 12 months, depending on the type of customer. The decision to differentiate the time horizon per customer segment was based on an assessment of the average response time for specific customer types and at least once a year, the PD time horizon is validated.

All ISFA, INSFA and IBNR provisions are reported and calculated by using a common tool across ING Bank. In case there is objective evidence that one of the default triggers is applicable, ISFA or INSFA provisions are calculated. An analysis takes place on a quarterly basis in order to determine the appropriate level of LLP and Risk Costs. The ING Bank Provisioning Committee (IPC) discusses and approves the LLP for ING Bank, on the basis of proposals originating from ING Business Units.

At the end of 2015, ING Bank held specific (ISFA) and collective provisions (INSFA) of EUR 3,331 million and EUR 1,686 million, respectively (2014: EUR 3,519 million and EUR 1,696 million respectively), representing the difference between the amortised cost of the portfolio and the estimated recoverable amount discounted at the effective rate of interest. In addition, there is EUR 769 million (2014: EUR 780 million) in provisions (IBNR) against the performing portfolio.

Provisions: ING Bank portfolio[1]

	Wholesale Banking		Retail Banking Benelux		Retail Challengers & Growth Markets		Total ING Bank	
	2015	2014	2015	2014	2015	2014	2015	2014
Opening Balance	2,259	2,459	2,529	2,264	1,207	1,431	5,995	6,154
Changes in the composition of the group	0	0	0	0	0	-170	0	-170
Write-offs	-520	-715	-956	-716	-242	-298	-1,718	-1,729
Recoveries	32	49	50	48	9	8	91	105
Increase/(decrease) in loan loss provision	478	500	602	857	267	237	1,347	1,594
Exchange rate or other movements	122	-34	-26	76	-25	-1	71	41
Closing Balance	**2,371**	**2,259**	**2,199**	**2,529**	**1,216**	**1,207**	**5,786**	**5,995**

1 At the end of 2015, the stock of provisions included provisions for amounts due from banks: EUR 14 million (2014: EUR 6 million).

The total risk costs in 2015 were just above EUR 1.3 billion confirming the downward trend since 2014. In 2015 the average risk costs were close to EUR 300 million per quarter, compared to almost EUR 400 average quarterly risk costs in 2014, displaying the improving risk cost trend on the back of economic recovery. In relation to the average RWA, total risk costs were approximately 44 basis points, within the range of the pre-crisis 40-45 basis point 'expected loss' benchmark. The total stock of provisions decreased to EUR 5.8 billion from EUR 6.0 billion. While these signs are encouraging, ING Bank remains vigilant for any potential impact that imbalances in emerging economies and financial markets could have on clients and business units.

Risk costs at Wholesale Banking increased in Q1 but have since then shown a declining trend due to lower risk costs in Structured Finance and Real Estate Finance compared to 2014. Risk costs declined in Retail Netherlands as well supported by the recovery of the Dutch economy and increase in house prices. Retail Belgium also witnessed a decline in risk costs, especially in business lending. Challengers and Growth markets have witnessed stable risk costs over the quarters.

There was an improvement in the bank coverage ratio to 38.5% (2014: 35.5%) mainly due to a faster outflow from the non-performing loan portfolio and a comparatively lesser decrease in stock provision level.

Large parts of the Investment portfolio are not accounted for at amortised costs (Loans & Receivables or Held-to-Maturity) and therefore out of scope for LLP. Instead, these assets are evaluated for impairment. The ING Bank Impairment Meeting held together with the IPC is a quarterly process that reviews all assets that are subject to an IFRS-EU impairment test.

Forbearance

In July 2014, EBA has provided a final draft definition on forbearance and non-performing exposures, which was a further refinement of the draft definition published in 2013. ING Bank has followed up on the EBA recommendations, by updating and implementing its forbearance policy in 2014.

The definition of forbearance is: 'Forbearance occurs when the client is considered to be unable to meet its financial commitments under the contract due to financial difficulties, and based on these difficulties ING decides to grant concessions towards the client by either loan modification or refinancing'. Modification is defined as changing the terms and conditions of the contract to enable the client to service the debt. Refinancing relates to putting in place a new loan contract to ensure the total or partial repayment of an existing loan contract, of which the debtor is unable to comply with. Examples of forbearance measures are: postponement and/or reduction of loan principal and/or interest payments, extended payment terms, debt consolidations and deferral of foreclosures.

In 2015 a minor adjustment was made to the forbearance policy. Previously the default triggers 'more than 30 days past due and re-forborne', were implemented conservatively for all forborne assets, while currently the policy states, in accordance with EBA, that it is only applicable for forborne assets which were non-performing forborne in the past.

To identify the notion of forbearance, ING typically assesses clients with Early Warning Signals, Watch List, Restructuring and Recovery status. ING Bank reviews the performance of clients which were granted forbearance measures on at least a quarterly basis.

For corporate customers, ING Bank applies forbearance measures only to support clients that are experiencing temporary difficulties with fundamentally sound business models. The aim is to maximise the repayment opportunities of the clients, while applying a very strict policy with respect to (partial) debt forgiveness.

For retail clients, clear criteria to determine whether a client is eligible for a modification or refinancing have been established for all ING Bank retail units that apply forbearance activities. Also, specific approval mandates are in place to approve the modifications and refinancing, as well as procedures to manage, monitor and report the forbearance activities. These criteria and mandates vary, based on the legal framework in place and market practices, but are in line with ING Bank policy.

Clients which are granted forbearance measures can have any risk rating (performing or non-performing), depending on their risk profile:

- Performing - If the contract is considered as performing prior to any forbearance measure, and also after granting the forbearance measure, the forbearance status for this client needs to be reported for a minimum of two years; and
- Non-performing - If the contract is considered as non-performing prior to any forbearance measure, the client will retain its non-performing status for a period of minimum one year.

The rating of clients with forbearance measures can also change during the forbearance reporting period:

- From performing to non-performing - If the performing forborne client, which exited the non-performing probation period, hits one of the general non-performing triggers defined by ING, becomes more than 30 days past due or receives additional forbearance measures during the reporting period, the client needs to be classified as non-performing; and
- From non-performing to performing - The non-performing client, after forbearance measures have been granted, may be upgraded to a performing rating, only when 1) one year has passed since the forbearance measures were granted, 2) the granting of forbearance does not lead to the recognition of impairment or default, and 3) there is not any past-due amount or no concerns regarding the full repayment of the exposure according to the post-forbearance conditions. The total minimum reporting period of forbearance for any 'cured' non-performing client will take three years: one year as non-performing and subsequently the 'regular' two years as performing.

The forbearance classification on a client shall be discontinued, when all of the following conditions (measured on a quarterly basis) are met:

- The contract is considered as performing and has been reported as 'performing forbearance' for a minimum of two years;
- Regular payments of significant aggregate amounts of principal or interest have been made during at least half of the forbearance reporting period; and
- None of the exposure to the client is more than 30 days past-due at the end of the forbearance reporting period.

Please note that the structure of the forborne assets tables is changed compared to previous years. Currently, the business portfolio is present in both Business Lines, while previously the entire business portfolio was reported in Wholesale Banking.

ING Bank: Summary Forborne assets

	2015				2014			
	Forborne assets	Of which: Perfor-ming	Of which: Non-Perfor-ming	% of total portfolio	Forborne assets	Of which: Perfor-ming	Of which: Non-Perfor-ming	% of total portfolio
Wholesale Banking	3,655	881	2,774	1.4%	3,657	1,437	2,221	1.6%
Retail Banking	6,982	3,241	3,741	1.6%	6,279	2,552	3,726	1.4%
Total	**10,637**	**4,122**	**6,516**	**1.5%**	**9,936**	**3,989**	**5,947**	**1.5%**

The total ING Bank forborne assets increased by EUR 0.7 billion (+7%) to EUR 10.6 billion at 31 December 2015. This increase was mainly driven by Retail Banking as the total Wholesale Banking forborne assets remained relatively stable.

Wholesale Banking

As per December 2015, Wholesale Banking forborne assets amounted to a total of EUR 3.7 billion, which represents 1.4% of the total Wholesale Banking portfolio.

Wholesale Banking: Forborne assets by Geographical Region

		2015			2014		
Region		Forborne assets	Of which: Perfor-ming	Of which: Non-Perfor-ming	Forborne assets	Of which: Perfor-ming	Of which: Non-Perfor-ming
Europe	Netherlands	1,229	406	823	1,690	762	928
	Belgium	63	17	46	129	34	94
	Germany	5	5	0	62	36	26
	Ukraine	641	0	640	217	38	180
	Italy	549	145	404	320	134	186
	Spain	263	101	162	227	149	78
	Rest of Europe	497	182	315	778	251	526
Africa		92	0	92	9	9	0
America		237	7	230	165	18	147
Asia		80	18	62	61	6	55
Australia		0	0	0	0	0	0
Total		**3,655**	**881**	**2,774**	**3,657**	**1,437**	**2,221**

Wholesale Banking: Forborne assets by Industry

	2015			2014		
	Forborne assets	Of which: Perfor-ming	Of which: Non-Perfor-ming	Forborne assets	Of which: Perfor-ming	Of which: Non-Perfor-ming
Real Estate	1,327	383	944	1,560	858	702
Natural Resources	960	26	934	390	85	305
General Industries	316	105	211	319	71	247
Services	213	125	88	170	54	116
Transportation & Logistics	208	55	153	194	57	137
Utilities	186	2	184	246	52	193
Builders & Contractors	182	113	70	429	165	264
Food, Beverages & Personal Care	68	37	32	71	24	47
Retail	42	3	38	53	2	51
Telecom	38	9	29	60	0	59
Non-Bank Financial Institutions	30	3	27	46	10	36
Automotive	27	3	24	22	16	6
Other	57	17	40	98	42	56
Total	**3,655**	**881**	**2,774**	**3,657**	**1,437**	**2,221**

The overall amount of Wholesale Banking forborne assets remained flat compared to 2014. The forborne assets are mainly concentrated in Real Estate and Natural Resources. Together they account for 63% (2014: 53%) of the total forborne assets portfolio and 68% (2014: 45%) of the total non-performing forborne assets portfolio.

Even though the Real Estate sector stabilized slightly compared to previous years, the impact of the prior deterioration is still visible in the forborne assets, due to its probation periods. The decrease in the performing Real Estate forborne assets was mainly driven by outflow in the Netherlands , due to sale and repayments. While on the other hand, the non-performing forborne assets increased mainly due to new inflow, coming from the Netherlands and Italy, for which the latter one was the result of expanding the forborne assets definition.

The increase in the non-performing forborne assets in Natural Resources was mostly attributable to Mining activities in the Ukraine which is caused by the negative political and economic situation in the region. The increase in Natural Resources was offset by outflow from the non-performing forborne assets, mainly seen in the United Kingdom, of which the largest contributor was a bankrupt client. Another bankruptcy in the Netherlands resulted in a decrease in forborne assets in Builders & Contractors.

Retail Banking

As per December 2015, Retail Banking forborne assets amounted to a total of EUR 7.0 billion, which represents 1.6% of the total Retail Banking portfolio.

Retail Banking: Forborne assets by Geographical Region

		2015			2014		
Region		Forborne assets	Of which: Perfor-ming	Of which: Non-Perfor-ming	Forborne assets	Of which: Perfor-ming	Of which: Non-Perfor-ming
Europe	Netherlands	4,262	1,719	2,543	3,659	1,040	2,619
	Belgium	1,096	412	684	1,061	473	588
	Germany	696	547	149	721	481	239
	Turkey	196	124	73	50	44	7
	Poland	135	48	88	154	86	68
	Spain	59	32	27	60	53	7
	Rest of Europe	137	56	81	99	49	51
Africa		1	0	1	1	0	1
America		2	0	1	1	0	1
Asia		1	0	1	1	1	1
Australia		397	304	94	471	326	144
Total		**6,982**	**3,241**	**3,741**	**6,279**	**2,552**	**3,726**

The main concentration of forborne assets is in the Netherlands with 61% of the total forborne assets (2014: 58%) and 68% of the non-performing forborne assets (2014: 70%). The increase in forborne assets was also mainly driven by the Netherlands, whereby a large part of the EUR 0.6 billion increase was seen in the consumer portfolio (EUR 0.4 billion). New inflow in the non-performing forborne assets, following a more active approach to help clients with payment difficulties, was the main driver for the increase. This increase was compensated by outflow from the non-performing to performing forborne assets, as the 1-year probation period was reached. The remaining EUR 0.2 billion increase was seen in the non-performing business portfolio and was mainly due to new inflow of forborne assets in Food, Beverages & Personal Care.

Next to the Netherlands, also Retail Banking in Germany, Australia and Belgium were impacted by the update on the forbearance policy, resulting in a partial shift of forborne assets from the non-performing to performing portfolio. The forborne assets in Turkey increased in the business as well as in the consumer portfolio and was mainly driven by new inflow.

Credit risk mitigation

ING Bank's lending and investment businesses are subject to credit risk. As such, the creditworthiness of our customers and investments is continually monitored for their ability to meet their financial obligations to ING Bank. In addition to determining the credit quality and creditworthiness of the customer, ING Bank uses various credit risk mitigation techniques and instruments to mitigate the credit risk associated with an exposure and to reduce the losses incurred subsequent to an event of default on an obligation a customer may have towards ING Bank. The most common terminology used in ING Bank for credit risk protection is 'a cover'. While a cover can be an important mitigant of credit risk and an alternative source of repayment, generally it is ING Bank's practice to lend on the basis of the customer's creditworthiness rather than exclusively relying on the value of the cover. Within ING Bank, there are two distinct forms of covers: assets and third party obligations.

Assets

The asset that has been pledged to ING Bank as collateral or security gives ING Bank the right to liquidate it in cases where the customer is unable to fulfil its financial obligation. As such, the proceeds can be applied towards full or partial compensation of the customer's outstanding exposure. An asset can be tangible (such as cash, securities, receivables, inventory, plant & machinery and mortgages on real estate properties) or intangible (such as patents, trademarks, contract rights and licenses).

Third party obligation

Third Party Obligation, indemnification or undertaking (either by contract and/or by law) is a legally binding declaration by a third party that gives ING Bank the right to expect and claim from that third party to pay an amount, if the customer fails on its obligations to ING Bank. The most common examples are guarantees (such as parent guarantees and export credit insurances) and letters of comfort.

General guidelines on cover valuation

General guidelines for cover valuation are established to ensure consistency of the application within ING Bank. These general guidelines also require that the value of the cover needs to be monitored on a regular basis, in principle at least annually. Covers shall be revalued accordingly and whenever there is reason to believe that the market is subject to significant changes in conditions. The frequency of monitoring and revaluation depends on the type of covers.

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

Cover values by risk category

This section provides insight on the type of covers and to which extent a loan is collateralised. The cover disclosures are presented by risk category: Lending, Investment, Money-Market and Pre-settlement. For each risk category, the cover amounts are presented by the most relevant collateral forms, being mortgages and financial collateral (cash and securities), and the most relevant third party obligation being guarantees. ING Bank obtains covers which are compliant to the Capital Requirements Directive IV (CRDIV) and the related Capital Requirements Regulation (CRR) requirements, as well as those that are not compliant.

The cover values are presented for the total portfolio of ING Bank. Covers of both AIRB and SA portfolios are presented in detail reflecting the complete ING Bank's portfolio. Next to that, detailed information is provided on the cover coverage for the performing and non-performing portfolio. The non-performing loan definition is explained in detail in the section 'Credit Restructuring'. To increase the understanding of the reader on the nature of the collateralised loans, insight is given in the industry and geography breakdown of the ING Bank portfolio as well. Another improvement is that in addition to the lending risk category, the cover valuation tables now also give insight in the risk categories of Investment, Money Market and Pre-settlement. For comparability reasons with previous tables, outstandings are used to show ING Bank's portfolio.

Exposures are categorised into different Value to Loan (VTL) buckets that give insight in the level of collateralisation of ING Bank's portfolio. VTL is calculated as the cover value divided by the outstandings at the balance sheet date. The cover values are pre-haircut and indexed values and exclude any cost of liquidation. Covers can either be valid for all limits, sub-limits or a particular outstanding of a borrower, the latter being the most common. To prevent erroneous inflation of the level of collateralisation, the coverage of all outstanding is capped at 100% if there is over-collateralisation on a certain outstanding. As a result, the coverage levels disclosed are conservative. Each limit is subsequently assigned to one of the six defined VTL buckets: no cover, >0% - 25%, >25% to 50%, >50% to 75%, >75% to <100%, and ≥ 100%. As the nature of the Pre-settlement portfolio determines that collateral is netted, these VTL buckets are not shown for the Pre-settlement portfolio.

The first two tables give an overview of the collateralisation of the total portfolio of ING Bank.

Cover values including guarantees received - Total ING Bank – 2015[1,2]

		Cover type					Value to Loan		
	Outstan-dings	Mortgages	Eligible Financial Collateral	Other CRR/CRDIV eligible	Guaran-tees	Non CRR/CRD IV eligible	No Cover	Partially covered	Fully covered
Consumer Lending	297,866	460,892	3,363	475	26,283	35,017	5.3%	18.0%	76.7%
Business Lending	295,987	119,583	16,736	81,729	90,158	130,344	36.8%	27.5%	35.7%
Investment and Money Market	114,116		6		3,113	35	97.5%	1.2%	1.3%
Total Lending, Investment and Money Market	**707,970**	**580,474**	**20,105**	**82,204**	**119,554**	**165,396**	**33.3%**	**19.3%**	**47.4%**
Pre-settlement[3]	52,574								
Total Bank	**760,543**	**580,474**	**20,105**	**82,204**	**119,554**	**165,396**	**33.3%**	**19.3%**	**47.4%**

1 Including loans to ING Group.
2 Excluding intercompany positions.
3 More information on the credit risk mitigants of the Pre-settlement exposure can be found in the Pre-settlement section.

Cover values including guarantees received - Total ING Bank – 2014[1,2]

		Cover type					Value to Loan		
	Outstan-dings	Mortgages	Eligible Financial Collateral	Other CRR/CRDIV eligible	Guaran-tees	Non CRR/CRD IV eligible	No Cover	Partially covered	Fully covered
Consumer Lending	296,451	445,855	2,976	512	30,240	31,628	5.0%	22.9%	72.1%
Business Lending	262,415	112,817	17,680	83,916	56,835	110,661	33.7%	30.5%	35.8%
Investment and Money Market	118,198		16	298	3,454	16	97.2%	1.1%	1.7%
Total Lending, Investment and Money Market	**677,065**	**558,673**	**20,673**	**84,726**	**90,529**	**142,305**	**32.2%**	**22.0%**	**45.7%**
Pre-settlement[3]	51,602								
Total Bank	**728,667**	**558,673**	**20,673**	**84,726**	**90,529**	**142,305**	**32.2%**	**22.0%**	**45.7%**

1 Including loans to ING Group and NN Group.
2 Excluding intercompany positions.
3 More information on the credit risk mitigants of the Pre-settlement exposure can be found in the Pre-settlement section.

Over the year, the collateralisation level of the total ING Bank portfolio improved. Excluding the pre-settlement portfolio for which covers are netted to derive the outstandings at risk, 47.4% of the total ING Bank's outstandings (from 45.7% as of 2014) are fully collateralised in 2015.

Investment outstandings remained stable over the year. Since investments traditionally do not require covers, the no covers ratio in this portfolio is close to 100%. However, 94% of the investment outstandings are investment grade.

In the Lending portfolio, coverage within consumer lending increased influenced by an improvement in the house price index in the Netherlands. Increase in Business Lending outstandings was also the reason for increase in the guarantees received on exposures in that portfolio.

Consumer lending portfolio

The Consumer Lending portfolio comprises of Residential Mortgage loans (92.4% in 2015 versus 93.7% in 2014) and Other Consumer Lending loans, which mainly comprise credit cards, term loans and revolvers to consumers. As a result, most of the collateral consists of mortgages. The mortgage values are maintained in the ING Bank's central database (Vortex) and in most cases external data is used to index the market value. On a quarterly or annual basis, the mortgages value is updated in Vortex using the relevant house price index (the NVM Index in the Netherlands, Level Housing Index in Australia, Crif Real Estate Appraisal Company in Italy, Ministerio de Fomento in Spain and Stadim in Belgium).

A significant part (45.8% in 2015 versus 49.3% in 2014) of the ING Bank's Residential Mortgage portfolio relates to mortgage loans provided in the Netherlands, followed by other main markets such as Germany (23.3%), and Belgium (11.5%). Given the size of the Dutch mortgages portfolio, below the valuation methodology employed to determine the cover values for the Dutch Residential Mortgages is provided.

Dutch mortgages valuation

When a mortgage loan is granted, the policy dictates maximum loan to market value (LTMV) for an existing property and for construction property financing of 104%. The cover values are captured in the local systems which are subsequently fed into a central data system (Vortex). All valuations are performed by certified valuators that are registered at one of the ING Bank-accepted organisations. In addition, the valuator must be a member of the NVM (Nederlandse Vereniging van Makelaars – Dutch Association of Real Estate Agents), VBO (Vereniging Bemiddeling Onroerend Goed – Association of Real Estate Brokers), VastgoedPRO (Association of Real Estate Professionals) or NVR (Nederlandse Vereniging van Rentmeesters).

The below tables show the values of different covers and the VTL split between performing and non-performing loans.

Cover values including guarantees received - Total ING Bank – 2015[1,2]

		Cover type					Value to Loan					
	Out-stan-dings	Mort-gages	Eligible Financial Colla-teral	Other CRR/CRD IV eligible	Guaran-tees	Non CRR/CRD IV eligible	No Cover	>0% - 25%	>25%-50%	>50% - 75%	>75% - <100%	≥ 100%
Performing												
Residential Mortgages (Private Individuals)	270,966	447,613	2,716	154	25,271	29,406	0.1%	0.1%	0.1%	1.5%	17.1%	81.1%
Residential Mortgages (SME)	4,230	6,522	49	98	164	752	0.0%	0.6%	0.6%	1.5%	8.5%	88.8%
Other Consumer Lending	17,357	1,332	554	202	417	4,111	84.8%	0.3%	0.2%	0.3%	1.0%	13.3%
Total Performing	**292,553**	**455,467**	**3,320**	**453**	**25,852**	**34,268**	**5.1%**	**0.1%**	**0.2%**	**1.4%**	**16.0%**	**77.1%**
Non-performing												
Residential Mortgages (Private Individuals)	4,323	5,148	40	5	403	649	0.9%	0.3%	0.9%	7.4%	33.9%	56.6%
Residential Mortgages (SME)	187	274	2	12	13	33	0.4%	0.2%	1.1%	1.5%	16.1%	80.7%
Other Consumer Lending	802	3	2	4	14	66	93.8%	0.3%	0.3%	0.4%	1.4%	3.8%
Total Non-performing	**5,313**	**5,425**	**44**	**22**	**430**	**749**	**14.9%**	**0.3%**	**0.8%**	**6.2%**	**28.4%**	**49.5%**
Total Consumer Lending	**297,866**	**460,892**	**3,363**	**475**	**26,283**	**35,017**	**5.3%**	**0.1%**	**0.2%**	**1.5%**	**16.2%**	**76.7%**

1 Including loans to ING Group.
2 Excluding intercompany positions.

Cover values including guarantees received - Total ING Bank – 2014[1,2]

		Cover type					Value to Loan					
	Out-stan-dings	Mort-gages	Eligible Financial Colla-teral	Other CRR/CRD IV eligible	Guaran-tees	Non CRR/CRD IV eligible	No Cover	>0% - 25%	>25%-50%	>50% - 75%	>75% - <100%	≥ 100%
Performing												
Residential Mortgages	269,974	430,794	2,593	207	29,266	24,900	0.3%	0.1%	0.2%	1.6%	21.9%	75.9%
Other Consumer Lending	20,282	8,879	337	276	371	6,153	65.4%	0.3%	0.2%	0.5%	2.7%	30.8%
Total Performing	**290,256**	**439,672**	**2,930**	**483**	**29,637**	**31,054**	**4.8%**	**0.1%**	**0.2%**	**1.5%**	**20.6%**	**72.7%**
Non-performing												
Residential Mortgages	5,307	5,849	43	9	583	457	2.9%	0.3%	1.0%	7.8%	40.0%	47.9%
Other Consumer Lending	887	334	3	20	21	118	70.9%	0.3%	0.4%	0.8%	4.8%	22.8%
Total Non-performing	**6,195**	**6,183**	**46**	**30**	**604**	**574**	**12.7%**	**0.3%**	**0.9%**	**6.8%**	**35.0%**	**44.3%**
Total Consumer Lending	**296,451**	**445,855**	**2,976**	**512**	**30,240**	**31,628**	**5.0%**	**0.1%**	**0.2%**	**1.6%**	**20.9%**	**72.1%**

1 Including loans to ING Group and NN Group.
2 Excluding intercompany positions.

The collateralization of the consumer lending portfolio continued to improve over the year 2015. The rise in collateralization levels is due to improved housing prices, seen all over ING Bank mortgage markets and also in the main market - Netherlands, and due to stringent policies due to which there has been a reduction in mortgages granted with low VTL's (high loan-to-value's).

House prices in the Netherlands continued to show an improvement in 2015. This helped to increase the total residential mortgages cover values whilst overall mortgage outstandings remained stable. As the Netherlands is the biggest market for mortgages for ING Bank, this had a significant impact on the coverage quality of the portfolio.

Other retail portfolio also saw an improvement, mainly in Belgium and Luxembourg. The numbers shown are conservative as the savings pledged to the mortgage product, 'Spaarhypotheek' (or Mortgage with external Saving account) present in the Dutch mortgage portfolio are not taken into account in the table above.

For the Residential Mortgages portfolio, the guarantees relate to mortgages covered by governmental insurers under the Nationale Hypotheek Garantie (NHG) in the Netherlands. The NHG guarantees the repayment of a loan in case of a forced property sale.

Business Lending portfolio

Business Lending is an important business of ING Bank, accounting for 38.9% of the total ING Bank's outstandings. In line with our objective to give stakeholders insight into the portfolio, we present the Business Lending portfolio per Industry breakdown in accordance with the NAICS definition and per Region and main market. Business Lending presented in this section does not include Pre-settlement and Investment & Money Market exposures, which are separately exhibited in the next sections.

Business Lending per economic sector

Cover values including guarantees received - Business Lending portfolio – 2015[1,2]

		Cover type					Value to Loan					
Industry	Out-stan-dings	Mort-gages	Eligible Financial Colla-teral	Other CRR/CRD IV eligible	Guaran-tees	Non CRR/CRD IV eligible	No Cover	>0% - 25%	>25%-50%	>50% - 75%	>75% - <100%	≥ 100%
Real Estate	43,129	66,819	1,602	1,080	7,072	6,550	6.80%	1.09%	1.96%	6.79%	17.78%	65.57%
Natural Resources	41,967	4,080	3,927	15,497	21,793	23,362	23.59%	9.43%	11.48%	13.50%	14.10%	27.90%
Transportation & Logistics	24,877	3,575	468	22,224	8,258	8,601	16.04%	5.21%	2.95%	6.16%	11.35%	58.29%
Commercial Banks	22,367	14	267	619	1,195	1,200	89.40%	3.69%	1.36%	0.57%	1.29%	3.69%
Central Banks	21,714	0	1	0	5	0	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Services	18,477	8,197	1,282	4,450	5,586	10,287	29.95%	4.59%	4.09%	9.40%	9.96%	42.01%
Non-Bank Financial Institutions	16,702	2,288	5,022	4,401	4,668	9,370	37.63%	7.57%	5.46%	8.70%	7.10%	33.55%
General Industries	16,661	4,673	671	6,211	5,432	11,913	31.54%	3.38%	8.07%	10.73%	10.16%	36.11%
Food, Beverages & Personal Care	16,458	6,239	550	6,909	7,177	18,213	26.87%	4.50%	7.04%	11.64%	11.51%	38.44%
Chemicals, Health & Pharmaceuticals	13,300	6,937	357	4,803	2,782	6,160	32.47%	4.29%	3.91%	11.81%	13.97%	33.56%
Others[3]	60,336	16,760	2,589	15,536	26,192	34,688	40.54%	5.84%	3.95%	6.61%	9.38%	33.68%
Total Business Lending	**295,987**	**119,583**	**16,736**	**81,729**	**90,158**	**130,344**	**36.76%**	**4.75%**	**4.65%**	**7.67%**	**10.41%**	**35.75%**
of which Total Non-performing	**9,841**	**5,171**	**287**	**2,993**	**3,521**	**4,180**	**24.24%**	**2.87%**	**8.07%**	**15.80%**	**16.24%**	**32.79%**

1 Including loans to ING Group.
2 Excluding intercompany positions.
3 'Others' comprises industries with outstandings below EUR 10 billion.

Cover values including guarantees received - Business Lending portfolio – 2014[1,2]

		Cover type					Value to Loan					
Industry	Out-stan-dings	Mort-gages	Eligible Financial Colla-teral	Other CRR/CRD IV eligible	Guaran-tees	Non CRR/CRD IV eligible	No Cover	>0% - 25%	>25%-50%	>50% - 75%	>75% - <100%	≥ 100%
Real Estate	40,592	60,158	1,218	1,084	5,659	6,120	7.0%	1.0%	1.9%	10.3%	19.2%	60.5%
Natural Resources	38,653	3,888	3,266	19,457	15,311	19,963	20.4%	9.1%	14.0%	13.8%	14.2%	28.5%
Transportation & Logistics	21,431	3,844	647	19,579	5,309	6,687	18.2%	3.4%	3.5%	7.1%	12.1%	55.8%
Commercial Banks	21,845	66	168	168	637	579	90.0%	3.4%	2.3%	0.8%	0.9%	2.6%
Services	15,744	7,851	1,036	4,306	3,941	7,635	30.8%	3.8%	5.5%	7.5%	10.6%	41.9%
Food, Beverages & Personal Care	15,376	6,114	954	7,983	3,067	15,524	28.1%	4.5%	7.5%	12.6%	14.7%	32.6%
General Industries	15,912	4,611	723	6,481	4,080	10,539	32.6%	4.8%	7.9%	10.2%	10.0%	34.5%
Non-Bank Financial Institutions	13,741	2,064	5,921	2,409	3,415	5,987	34.9%	7.6%	2.6%	12.2%	7.9%	34.8%
Builders & Contractors	12,394	6,641	306	4,271	2,878	9,401	29.6%	6.2%	5.6%	9.6%	10.2%	38.8%
Chemicals, Health & Pharmaceuticals	11,914	6,610	351	4,291	1,892	4,945	32.7%	5.0%	7.5%	10.6%	12.6%	31.7%
Others[3]	54,815	10,972	3,089	13,886	10,646	23,281	49.9%	3.5%	3.0%	6.5%	9.0%	28.0%
Total Business Lending	**262,415**	**112,817**	**17,680**	**83,916**	**56,835**	**110,661**	**33.7%**	**4.5%**	**5.5%**	**9.0%**	**11.6%**	**35.8%**
of which Total Non-performing	***10,584***	***6,067***	***446***	***3,120***	***3,216***	***3,852***	***25.2%***	***3.3%***	***8.2%***	***13.9%***	***15.5%***	***33.9%***

1 Including loans to ING Group and NN Group.
2 Excluding intercompany positions.
3 'Others' comprises industries with outstandings below EUR 10 billion.

Similar to the Retail Lending portfolio, the risk profile of the Business Lending portfolio continued to improve in 2015, which is displayed by lower NPLs as well as increased cover values. The percentage of non-covered loans also showed an increase driven by increased outstandings towards Central Banks for which no collateral is received.

The improved economic environment resulted in an increased demand for Real Estate lending, resulting in 6.3% increase in sector outstandings. In addition, the cover values of this traditionally well collateralized sector also increased over 2015. New transactions were done on more conservative collateral terms and improved real estate markets further helped to boost the total coverage in Real Estate.

The risk profile also improved due to an increase in outstandings for sectors such as Transportation & Logistics and Utilities which, traditionally, have higher coverage. This improvement was however partially negated by growth seen in outstandings to traditionally low collateralized sectors like Commercial Banks and General Industries. The coverage of the non-performing part improved and an overall decrease was seen in the non-performing outstandings.

Business Lending per region

Cover values including guarantees received - Business Lending Portfolio – 2015[1,2]

Region		Out-stan-dings	Cover type: Mort-gages	Eligible Financial Colla-teral	Other CRR/CRD IV eligible	Guaran-tees	Non CRR/CRD IV eligible	Value to Loan: No Cover	>0% - 25%	>25%-50%	>50% - 75%	>75% - <100%	≥ 100%
Africa		1,898	21	123	620	1,338	793	25.98%	6.63%	7.07%	14.65%	21.95%	23.73%
America		35,127	4,836	4,567	19,050	11,990	23,815	28.29%	5.92%	6.89%	9.76%	10.92%	38.24%
Asia		37,439	1,004	1,174	10,593	15,841	8,321	46.47%	5.92%	5.45%	8.67%	6.35%	27.13%
Australia		3,925	3,225	74	861	592	954	12.69%	18.84%	5.46%	3.62%	8.92%	50.46%
Europe	Belgium	41,378	29,161	1,405	6,348	17,227	30,063	29.62%	2.30%	2.58%	4.62%	6.95%	53.94%
	Germany	8,365	1,651	314	602	1,273	2,535	56.00%	1.65%	1.70%	4.31%	2.55%	33.80%
	Netherlands	71,146	45,085	3,092	24,330	6,865	14,251	35.82%	2.32%	3.31%	10.69%	17.86%	29.99%
	Rest of Europe	96,710	34,599	5,987	19,324	35,032	49,612	39.34%	6.38%	5.58%	5.93%	8.33%	34.44%
Total Business Lending		**295,987**	**119,583**	**16,736**	**81,729**	**90,158**	**130,344**	**36.76%**	**4.75%**	**4.65%**	**7.67%**	**10.41%**	**35.75%**
of which Non-performing		**9,841**	**5,171**	**287**	**2,993**	**3,521**	**4,180**	**24.24%**	**2.87%**	**8.07%**	**15.80%**	**16.24%**	**32.79%**

1 Including loans to ING Group.
2 Excluding intercompany positions.

Cover values including guarantees received - Business Lending Portfolio – 2014[1,2]

Region		Out-stan-dings	Cover type: Mort-gages	Eligible Financial Colla-teral	Other CRR/CRD IV eligible	Guaran-tees	Non CRR/CRD IV eligible	Value to Loan: No Cover	>0% - 25%	>25%-50%	>50% - 75%	>75% - <100%	≥ 100%
Africa		2,221	24	177	822	1,010	717	21.1%	2.8%	24.7%	6.4%	23.9%	21.0%
America		28,163	3,369	6,763	19,588	5,353	19,484	25.8%	3.8%	6.3%	9.2%	16.1%	38.8%
Asia		32,416	907	1,381	8,265	9,308	6,553	46.5%	8.1%	4.3%	10.0%	6.8%	24.3%
Australia		3,447	2,531	148	1,470	583	546	17.6%	15.6%	1.6%	2.5%	8.7%	54.1%
Europe	Belgium	41,189	28,369	1,249	6,513	10,882	22,251	33.5%	2.2%	3.1%	4.3%	6.5%	50.3%
	Germany	8,599	1,766	166	392	597	1,552	66.9%	2.5%	3.5%	2.8%	2.2%	22.1%
	Netherlands	62,063	46,710	2,681	24,917	6,820	14,695	23.6%	2.9%	5.6%	15.9%	20.7%	31.3%
	Rest of Europe	84,318	29,143	5,114	21,950	22,283	44,864	36.5%	5.4%	6.5%	6.8%	8.4%	36.4%
Total Business Lending		***262,415***	***112,817***	***17,680***	***83,916***	***56,835***	***110,661***	***33.7%***	***4.5%***	***5.5%***	***9.0%***	***11.6%***	***35.8%***
of which Non-performing		***10,584***	***6,067***	***446***	***3,120***	***3,216***	***3,852***	***25.2%***	***3.3%***	***8.2%***	***13.9%***	***15.5%***	***33.9%***

1 Including loans to ING Group and NN Group.
2 Excluding intercompany positions.

The two tables above provide the collateralisation of the ING Bank's Business Lending portfolio with a breakdown per geographical region or main market, which are defined based on the residence of the borrowers. The total increase in the business lending portfolio is in line with the increase in covers. The increase in collateralisation is observed in most regions and main countries. The largest increases in Rest of Europe were seen in Turkey, Luxembourg, France, Switzerland and Poland, where the increase in covers exceeded the increase in exposure. Although the exposure in Africa and Germany decreased the cover value showed an improvement.

Investment and Money Market portfolio

Investment and Money Market exposure per region

Cover values including guarantees received – Investment and Money Market Portfolio[1,2]

Investment and Money Market		2015 Out-stan-dings	Cover type: Mort-gages	Eligible Financial Colla-teral	Other CRR/CRD IV eligible	Guaran-tees	Non CRR/CRD IV eligible	2014 Out-stan-dings	Cover type: Mort-gages	Eligible Financial Colla-teral	Other CRR/CRD IV eligible	Guaran-tees	Non CRR/CRD IV eligible
Africa		0						0					
America		8,860		6		23	35	7,261		10		30	16
Asia		6,079						6,946					
Australia		3,865						5,576					
Europe	Belgium	9,677						8,252					
	Germany	20,914						25,730		0	0	614	0
	Netherlands	11,295						10,723		6		0	0
	Rest of Europe	53,427				3,090		53,710			298	2,810	
Total Investment and Money Market		**114,116**	**0**	**6**	**0**	**3,113**	**35**	**118,198**		**16**	**298**	**3,454**	**16**
of which Non-performing		**171**	***0***	***0***	***0***	***0***	***0***	***104***		***6***			

1 Including loans to ING Group (and NN Group in 2014).
2 Excluding intercompany positions.

A key characteristic of the Investment and Money Market business is that typically little cover is given to support these exposures. 100.0% of Money Market and 97.2% of Investment exposure receives no covers. During 2015 the percentages for Investment increased slightly, while Money Market increased one percentage point. The majority of ING's investment positions are of high quality rated between AAA to A-, based on external ratings. The guarantees listed under Rest of Europe are comprised of the Cedulas and were booked in Spain.

Pre-settlement portfolio

ING Bank uses various market pricing and measurement techniques to determine the amount of credit risk on pre-settlement activities. These techniques estimate ING Bank's potential future exposure on individual and portfolios of trades. Master agreements and collateral agreements are frequently entered into to reduce these credit risks.

ING Bank matches trades with similar characteristics to determine their eligibility for offsetting. This offsetting effect is called 'compensation'. Subsequently, ING Bank reduces the amount by any legal netting that may be permitted under various types of Master Agreements, such as ISDA Master Agreements, Global Master Repurchase Agreements (GMRA), Global Master Securities Lending Agreements (GMSLA), etc. Lastly, the amount is further reduced by any collateral that is held by ING Bank under Credit Support Annexes (CSAs) or other similar agreements.

The use of Central Clearing Parties (CCPs) is becoming more important for the derivatives business and as a consequence the credit risk is shifting from Counterparties to CCPs. In 2015, the notional Pre-Settlement exposure that was cleared via CCPs formed 51.2% of the total notional (49.1% in 2014). For more information on ING Bank's exposure to CCPs, please refer to the 'Counterparty Credit Risk' section in the Pillar III section.

As part of its securities financing business, ING Bank entities actively enter into agreements to sell and buy back marketable securities. These transactions can take many legal forms. Repurchase and reverse repurchase agreements, buy/sell-back and sell/buyback agreements, and securities borrowing and lending agreements are the most common. As a general rule, the marketable securities that have been received under these transactions are eligible to be resold or re-pledged in other (similar) transactions. ING Bank is obliged to return equivalent securities in such cases.

The next table represents the different types of outstandings in 2015 and 2014. The 'Gross MtM before netting and collateral' is the exposure calculated in accordance with the Current Exposure Method (CEM, which in the EU regulation is referred to as the Mark-to-Market method) without accounting for any netting or collateral benefit. The 'MtM after netting' is the exposure, according to the CEM, taking into account the benefit of legally enforceable netting agreements (e.g. ISDAs), but without considering the benefit of margin collateral (e.g. CSAs). The 'MtM after netting and collateral' is the exposure according to the CEM, taking into account both the benefit of netting and marginal collateral. In other words, the gap between the 'MtM after netting' and 'MtM after netting and collateral' is the liquid collateral (cash and securities). The Outstandings column represents CEM exposure (MtM after netting and collateral) plus the Potential Future Exposure (PFE) at a 97.5% confidence level for derivatives and securities.

Pre-settlement per region

Pre-settlement portfolio[1,2]

		2015				2014			
Region		Gross MtM before netting and collateral	MtM after netting	MtM after netting and collateral	Out-standings	Gross MtM before netting and collateral	MtM after netting	MtM after netting and collateral	Out-standings
Africa		71	48	46	55	108	85	85	103
America		18,648	10,237	7,127	8,734	18,871	10,224	7,350	8,720
Asia		6,598	3,455	2,823	3,242	6,761	3,629	2,782	3,742
Australia		470	259	236	344	450	245	232	195
Europe	Belgium	5,343	3,875	3,360	2,507	6,955	4,704	4,187	2,572
	Germany	7,216	3,783	2,486	5,038	8,589	4,673	2,468	3,639
	Netherlands	10,256	5,842	4,385	5,138	12,466	6,767	4,924	5,475
	Rest of Europe	118,919	34,762	28,211	27,504	129,451	31,986	26,818	27,146
Total Pre-settlement		**167,522**	**62,261**	**48,675**	**52,562**	**183,651**	**62,313**	**48,846**	**51,593**
of which Non-performing		**52**	**52**	**52**	**55**	***101***	***101***	***101***	***100***

1 Including transactions with ING Group (and NN Group in 2014).
2 Excluding intercompany positions.

During 2015 the Pre-Settlement portfolio increased slightly when expressed in outstandings, while the MtM before and after netting and collateral remained relatively stable. However, there was a decrease in gross MTM, especially in the Rest of Europe region, due to a 15% decrease from exposures to commercial banks and a 9% decrease from exposure to central clearing houses. The increase recorded in 2014 within interest rate derivatives, which now represent 67.1% of the total Pre-settlement portfolio, was partially reversed in 2015. Rest of Europe forms majority of the Pre-settlement portfolio mainly due to exposures in UK and US which are cleared through CCPs.

Market risk

Introduction

Market risk is the risk that movements in market variables, such as interest rates, equity prices, foreign exchange rates, credit spreads and real estate prices, negatively impact the bank's earnings, capital, market value or liquidity position. Market risk either arises through positions in banking books or trading books. The banking book positions are intended to be held in the long-term (or until maturity) or for the purpose of hedging other banking book positions, while the trading book positions are typically held with a short-term intent.

ING Bank recognises the importance of sound market risk management and follows the approach to identify, assess, control and manage market risks. The approach consists of a cycle of five recurrent activities: risk identification, risk assessment, risk control, risk monitoring and risk reporting.

- Risk identification is a joint effort of the 1st and 2nd line of defence (the 'three lines of defence governance' model is explained in the risk governance paragraph of the general risk management section). Its goal is to detect potential new risks and changes in known risks;
- Identified risks are assessed to determine the importance of the risk for ING Bank and subsequently to identify the control measures needed;
- Control measures used by ING Bank include policies, procedures, minimum standards, limit frameworks, buffers and stress tests;
- An important element of risk management is to continuously check if the implemented risk controls are executed and complied with and monitor that the controls are effective; and
- Results and findings are reported to the governing departments and approval bodies.

Governance

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

Within ING Bank, market risk falls under the supervision of the ALCO function with ALCO Bank as the highest approval authority. ALCO Bank determines the overall risk appetite for market risk. The ALCO function is organised in different levels, whereby the business lines Retail Market Leaders, Retail Challengers and Growth Countries, Wholesale Banking and Corporate Line are represented within the respective lower level ALCO's. The ALCO structure within ING Bank facilitates top-down risk management, limit setting and the monitoring and control of market risk. This ensures a correct implementation of the ING Bank risk appetite.

As of June 2015, ING Bank has introduced a new risk governance structure, as described earlier in the section of 'Risk governance', where it has decided to manage its trading and non-trading market risk exposures in separate risk departments. The former department of Market Risk Management, following its core activities, was split in a 'Balance Sheet Risk' department to manage the banking books (non-trading exposures), while trading book exposures merged with counterparty credit risk under 'Credit & Trading Risk' department.

Despite these changes in the governance structure, the set-up of the Risk management paragraph has not change since it is based on risk types instead.

The Balance Sheet Risk (BSR) department and the Credit & Trading Risk (C&TR) department are the designated independent departments that are responsible for the design and execution of the bank's market risk management functions in support of the ALCO function. Balance Sheet Risk focuses on the market risks in the banking books, Capital Management department and the Bank Treasury department, whereas Credit & Trading Risk is responsible for the market risks resulting from the Financial Market trading books. The organisational structure recognises that risk taking and risk management to a large extent occurs at the regional/local level. Bottom-up reporting allows each management level to fully assess the market risk relevant at the respective levels.

BSR and C&TR are responsible for determining adequate policies and procedures for managing market risk and for monitoring the compliance with these guidelines. An important element of the risk management function is the assessment of market risk in new products and businesses. Furthermore the two departments maintain an adequate limit framework in line with ING Bank's Risk Appetite Framework. The businesses are responsible for adhering to the limits that ultimately are approved by ALCO Bank. Limit excesses are reported to senior management on a timely basis and the business is required to take appropriate actions to reduce the risk position.

This market risk paragraph elaborates on the various elements of the risk management approach for:
- Market risk economic capital for trading and banking books;
- Market risks in the banking books; and
- Market risks in the trading books.

Economic capital for market risk

Economic capital for market risk is the economic capital necessary to withstand unexpected value movements due to changes in market variables and model risk.

Model disclosure

Economic Capital for market risk is calculated for exposures both in trading portfolios and banking portfolios and includes interest rate risk, equity price risk, foreign exchange rate risk, real estate risk and model risks. Economic capital for market risk is calculated using internally developed methodologies with a 99.95% confidence interval and a horizon of one year.

For the trading books, the linear interest rate risk in the banking books and equity investments, the Value at Risk (VaR) is taken as a starting point for the economic capital calculations for market risk. The VaR is measured at a 99% confidence interval, a one day holding period and under the assumption of an expected value of zero.

To arrive at the economic capital for market risk, a simulation based model is used which includes scaling to the required confidence interval and holding period. In determining this scaling factor, several other factors are also taken into account like the occurrence of large market movements (events) and management interventions.

Embedded options, e.g. the prepayment option and offered rate option in mortgages in the banking books, result in non-linear interest rate risk in the banking books. The embedded options are economically hedged using a delta-hedging methodology, leaving the mortgage portfolio exposed to convexity and volatility risk. For the calculation of economic capital for this non-linear interest rate risk ING Bank performs a Monte Carlo simulation.

Real estate price risk includes the market risks in both the real estate investment and the development portfolio of ING Wholesale Banking. The economic capital for real estate price risk is calculated by stressing the underlying market variables.

While aggregating the different economic capital market risk figures for the different portfolios, diversification benefits (based on stressed correlations) are taken into account as it is not expected that all extreme market movements will appear at the same moment.

Risk profile

The market risk Economic Capital is higher than the Regulatory Capital primarily due to the inclusion of the interest rate risk in banking books in Economic Capital. The main drivers of the Market Risk Economic Capital are the linear interest rate risk positions of Capital Investments and the strategic Equity Investments in the banking books.

Economic and Regulatory Capital by risk type

	Economic Capital		Regulatory Capital	
	2015	2014	2015	2014
Trading	307	371	665	745
Interest rate risk in the banking books	3,555	3,344		
Foreign exchange	894	490	106	113
Real Estate	369	539		
Equity Investments*	3,456	2,625		
Market risk	**8,581**	**7,369**	**771**	**858**

* Regulatory capital for equity investments are reported under credit risk regulatory capital.

Year-on-year variance analysis

During 2015, market risk economic capital increased from EUR 7.4 billion to EUR 8.6 billion. The main driver of the increase is the increased value of the Bank of Beijing equity stake which increased both the Equity Investments exposure as well as increased FX risk due to the enlarged CNY mismatch position. The decrease in Real Estate is mainly resulting from the run-off exposure of Real Estate Development. The reported risk figures for the other risk types remained stable.

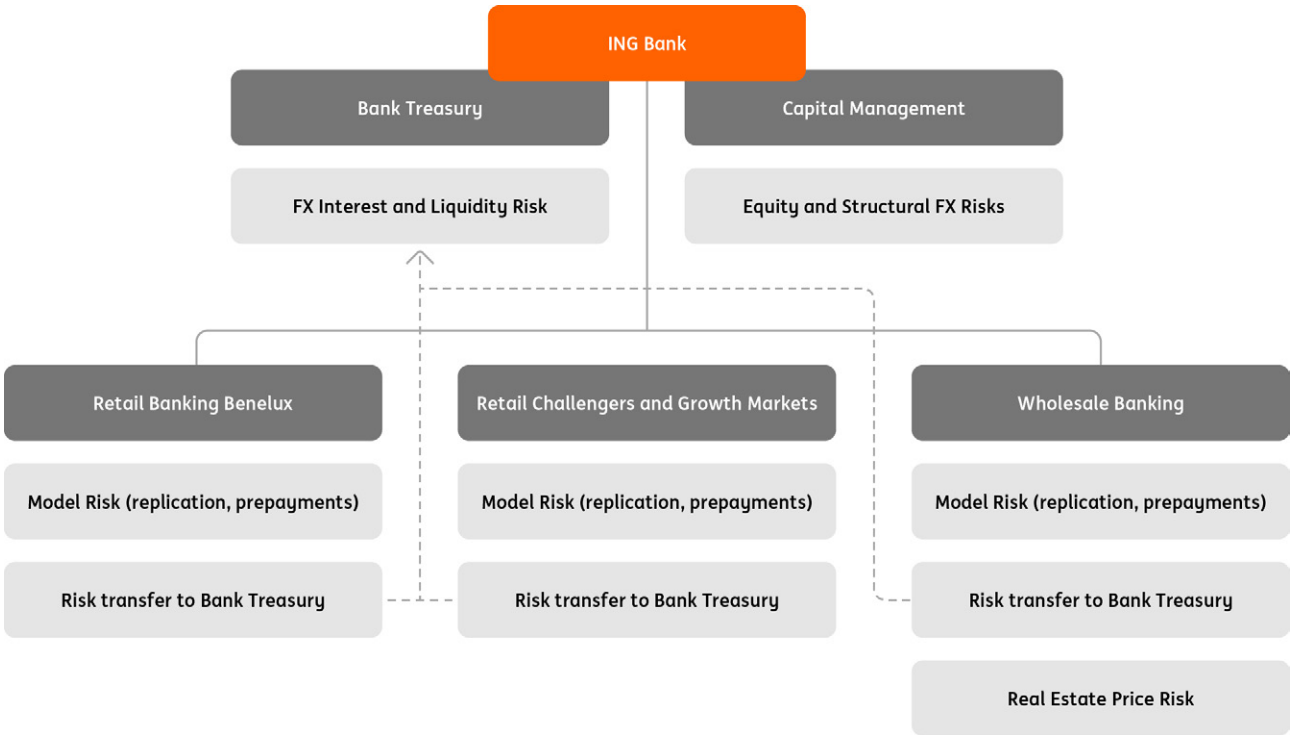
Market risk in banking books

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

- Interest Rate Risk, including customer behaviour risk;
- Credit Spread Risk;
- Foreign Exchange (FX) Risk;
- Equity Price Risk; and
- Real Estate Price Risk.

Risk transferring

An important element of the management of market risks in the banking books is the process of risk transfer. In this process the interest rate, FX, funding and liquidity risks are transferred from the commercial books through matched funding to Bank Treasury, where it is centrally managed. The scheme below presents the transfer and management process of market risks in the banking books:



Model disclosure of banking risk measures

See Risk model governance and model validation section.

Interest rate risk in banking book

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

Governance

The management of interest rate risk follows the interest rate risk in the banking book framework as approved by ALCO Bank. This framework describes roles and responsibilities, risk metrics, and it defines the policies and procedures related to interest rate risk management. Furthermore, on an overall level, ALCO Bank sets the risk appetite for interest rate risk, which is translated into limits for interest rate risk metrics.

The ING Bank approach to interest rate risk management, as set forth in this framework, is centralisation of risks from commercial books (that capture the products sold to clients) to central interest rate risk books. This enables a clear demarcation between commercial business results and results on unhedged interest rate positions.

ING Bank distinguishes three types of activities that generate interest rate risk in the banking books:

- Investment of own funds (by Capital Management);
- Commercial business (e.g. retail business); and
- The strategic interest rate position (Bank Treasury).

Below the three activities are described in more detail:

Capital Management is responsible for managing the investment of own funds (core capital), more information can be found in the Capital Management section. Capital is invested for longer periods, targeting to maximise return, while keeping earnings stable.

Commercial activities result in interest rate risk, as for example repricing tenors of assets differ from those of liabilities. Linear interest rate risk is transferred from the commercial business to the treasury books (Bank Treasury), if necessary also based on estimations of customer behaviour. The originating commercial business is ultimately responsible for estimating customer behaviour, leaving convexity risk and (unexpected) customer behaviour risk with the commercial business.

Risk measurement and the risk transfer process take place on a monthly basis, but more often if deemed necessary, for instance in volatile markets. The customer behaviour in relation to mortgages, loans, savings and demand deposits is modelled by BSR, based on extensive research. Model parameters are determined from historical data and expert opinion. Models are periodically validated by Model Validation. Models and parameters are back tested at least semi-annually and updated when deemed necessary. In the modelling of savings and current accounts different elements play a role: pricing strategies, volume developments and the level and shape of the yield curve. The analyses result in an estimated duration and an investment rule for the various portfolios. With respect to mortgages and loans, prepayment behaviour including interest rate dependent prepayment behaviour is modelled, as well as the interest sensitivity of embedded offered rate options.

Customer behaviour risk is defined as the potential future value loss due to uncertainty in the behaviour of clients towards embedded options in commercial products. Customer behaviour risk is reported as part of business risk Economic Capital. General sources of customer behaviour risk include the state of the economy, competition, changes in regulation, legislation and tax regime, and developments in the housing market. Since these risk factors cannot be (fully) mitigated, ING holds capital to be able to absorb possible losses as a result of changed customer behaviour.

Convexity risk is defined as the sensitivity towards interest rate movements and captures the second order changes in the interest rate. Convexity risk is a result of products that contain embedded options, like mortgages. In some cases, convexity risk is transferred from the commercial books to treasury books using swaption and cap/floor contracts.

Bank Treasury manages the strategic interest rate position excluding capital investments. The main objective is to maximise the economic value of the book and to generate adequate and stable annual earnings within the risk appetite boundaries set by ALCO Bank.

Risk profile

In the following sections, the interest rate risk exposures in the banking books are presented. ING Bank uses risk measures based on both an earnings and a value perspective. Earnings Sensitivity (ES) is used to provide the earnings perspective and the Net Present Value (NPV)-at-Risk and Basis Point Value (BPV) figures provide the value perspective. Note that the interest rate risk exposures do not include pension risks. Also corrective management actions are not taken into account in these figures.

Earnings Sensitivity (ES)

ES measures the impact of changing interest rates on (before tax) net interest income of the banking books. The ES figures in the tables below reflect an instantaneous shock of 1% and a time horizon of one year. For a downward shock it is assumed that interest rates will not be negative after the shock is applied.

Earnings Sensitivity banking book per currency (instantaneous parallel shock)

	2015		2014	
	–100 bps	+100 bps	–100 bps	+100 bps
By currency				
Euro	39	173	–107	68
US Dollar	–33	28	–5	5
Other	–28	39	–7	16
Total	**–22**	**240**	**–119**	**89**

Earnings Sensitivity banking books per business (instantaneous parallel shock)

	2015		2014	
	–100 bps	+100 bps	–100 bps	+100 bps
By business				
Wholesale Banking	-2	165	–19	7
Retail Banking Benelux	9	5	–39	101
Retail Challengers & Growth Markets	30	-10	–27	–86
Corporate Line Banking	–59	80	–34	67
Total	**–22**	**240**	**–119**	**89**

The ES is mainly influenced by the sensitivity of savings to interest rate movements and is partially offset by the sensitivity of mortgages. The investment of own funds only impacts the ES marginally, as only a relative small part has to be (re)invested within the 1-year horizon.

Year-on-year variance analysis
In line with previous year, the earnings with a one year horizon as per 2015 year end are relatively insensitive to rate changes, if compared to the net interest income. The earnings sensitivity for an upward shock has a positive impact. Positive earnings sensitivity implies that when rates increase, the positive impact on interest received on assets is larger than the negative impact of interest paid on liabilities. The change of the Earnings sensitivity of the +100 bps scenario within Wholesale Banking is mainly the result of investments done by the Bank Treasury function, which is reported under Wholesale Banking.

Net Present Value (NPV) at Risk
NPV-at-Risk measures the impact of changing interest rates on value. As a full valuation approach is applied, the risk figures include convexity risk that results from embedded optionalities like mortgage prepayment options. As for ES calculations, an instantaneous shock of 1% is applied.

The full value impact cannot be directly linked to the balance sheet or profit and loss account, as fair value movements in banking books are generally not reported through the profit and loss account or through equity. The value mutations are expected to materialise over time in the profit and loss account, if interest rates develop according to forward rates throughout the remaining maturity of the portfolio.

NPV-at-Risk banking books per currency (instantaneous parallel shock)

	2015		2014	
	–100 bps	+100 bps	–100 bps	+100 bps
By currency				
Euro	–583	-1,855	169	–1,749
US Dollar	–12	42	–4	26
Other	–58	36	1	5
Total	**–653**	**-1,777**	**166**	**–1,718**

NPV-at-Risk banking books per business (instantaneous parallel shock)

	2015		2014	
	–100 bps	+100 bps	–100 bps	+100 bps
By business				
Wholesale Banking	–76	53	183	–120
Retail Banking Benelux	–159	–270	–109	–130
Retail Challengers & Growth Markets	–640	–274	–285	–29
Corporate Line Banking	222	–1,286	377	–1,439
Total	**–653**	**–1,777**	**166**	**–1,718**

NPV-at-Risk banking books per accounting category (instantaneous parallel shock)

	2015		2014	
	–100 bps	+100 bps	–100 bps	+100 bps
By accounting category				
Amortised Cost	–1,019	210	–1,203	1,292
Fair value through equity	800	–2,248	1,234	–2,920
Fair value through profit and loss	–434	261	135	–90
Total	**–653**	**–1,777**	**166**	**–1,718**

The NPV-at-Risk is dominated by the interest rate sensitive long-term investments of own funds, as the equity itself is not modelled and hence is not presented as an offset for the investments of own funds. The value of these investments is impacted significantly if interest rates move up by 1%. Convexity risk in retail portfolios also contributes to the overall NPV-at-Risk. The asymmetry between the NPV-at-Risk for a –100 bps and a +100 bps shock is primarily caused by the flooring the interest rates to zero for the –100 bps scenario.

Year-on-year variance analysis
NPV-at-Risk for –100 bps shock changed by EUR 819 million during 2015. The sensitivity for a –100 bps shock has mainly changed as a result of lower rates and is additionally impacted by the regulatory requirement that interest rates have to be floored at zero. NPV-at-Risk for a +100 bps shock changed during 2015 showing a decrease of EUR 59 million. The NPV-at-risk for the +100 bps shock of the Corporate Line decreased due to a decreased duration of the long-term investments of own funds. Besides the change of the overall NPV-at-Risk exposure, there is change in the exposure per accounting category. The dynamics amongst the different accounting categories can be attributed to increased volumes of both savings and mortgages. As a result the exposure at amortised cost showed a downward move for the +100 bps shock. The impact of this move was mitigated by cash flow hedges, which revaluate through equity, and a decreased duration of investments. The convexity risk of the commercial business increased mainly due to lower interest rates.

Basis Point Value (BPV)
BPV measures the impact of a one basis point increase in interest rates on value. To a large extent the BPV and NPV-at-Risk reflect the same risk - the difference being that BPV does not reflect convexity risk, given the small shift in interest rates.

BPV banking books per currency

in EUR thousand	2015	2014
By currency		
Euro	–16,563	–15,890
US Dollar	424	261
Other	357	–21
Total	**–15,782**	**–15,650**

BPV banking books per business

in EUR thousand	2015	2014
By business		
Wholesale Banking	277	–1,773
Retail Banking Benelux	–448	–55
Retail Challengers & Growth Markets	–2,417	981
Corporate Line	–13,194	–14,803
Total	**–15,782**	**–15,650**

BPV banking books per accounting category

in EUR thousand	2015	2014
By accounting category		
Amortised Cost	4,691	16,311
Fair value through equity	-22,798	–30,205
Fair value through profit and loss	2,325	–1,756
Total	**–15,782**	**–15,650**

In line with NPV-at-Risk, the bank's overall BPV position is dominated by the long-term investment of own funds, as the present value of this position is significantly impacted if interest rates move up by one basis point.

Year-on-year variance analysis
The overall BPV decreased in 2015 with EUR 0.1 million. This mainly results from a change in the strategic position. The changes in BPV in Retail Banking Benelux and Retail Challengers and Growth Markets reflect volume and duration changes of originating assets and liabilities. Cash flow hedges were executed at the Bank Treasury function to mitigate these changes. The Bank Treasury function for Retail Challengers and Growth Markets is reported under Wholesale Banking business. Besides the change of the overall BPV exposure there is a change in the exposure per accounting category. This is mainly the result of increased volume of both savings and mortgages. As a result the BPV exposure at amortised cost showed a downward move. This move was mitigated by cash flow hedges, which revaluate through equity, and a decreased duration of investments.

Foreign exchange (FX) risk in banking books

FX exposures in banking books result from core banking business activities (business units doing business in other currencies than their base currency), foreign currency investments in subsidiaries (including realised net profit and loss) and strategic equity stakes in foreign currencies. The policy regarding these exposures is briefly explained below.

Governance – Core banking business

Every business unit hedges the FX risk resulting from core banking business activities into its base currency. Consequently, assets and liabilities are matched in terms of currency.

Governance – FX translation result

ING Bank's strategy is to protect the target common equity tier 1 ratio against FX rate fluctuations within a certain risk appetite, whilst limiting the volatility in the profit and loss account. Therefore, hedges are only done to the extent that they can be hedge accounted for against equity. Taking this into account, the common equity tier 1 ratio hedge can be achieved by deliberately taking foreign currency positions equal to certain target positions, such that the target common equity tier 1 capital and risk-weighted assets are equally sensitive in relative terms to changing FX rates. A selection of emerging market currencies that meet specific requirements do not have a target position, but are allowed to remain open under the policy.

Risk profile – FX translation result

The following table presents the currency exposures in the banking books for the most important currencies for FX translation result. Positive figures indicate long positions in the respective currency.

Net banking currency exposures banking books

	Foreign Investments		Hedges		Net exposures	
in EUR thousand	2015	2014	2015	2014	2015	2014
US Dollar	2,869	2,601	65	-189	2,935	2,412
Pound Sterling	992	635	-179	21	812	656
Polish Zloty	1,881	1,774	-854	-848	1,027	926
Australian Dollar	3,662	3,665	-3,329	-3,309	332	356
Turkish Lira	2,186	2,033	-3	-3	2,183	2,030
Chinese Yuan	2,817	2,289	-168	-166	2,649	2,123
Korean Won	838	800	-662	-635	176	165
Indian Rupee	1,172	701	-		1,172	701
Brazilian Real	211	277	-		211	277
Russian Rouble	429	502	-181	-311	248	191
Other currency	2,615	2,359	-1,385	-1,359	1,230	1,000
Total	**19,672**	**17,636**	**-6,696**	**-6,799**	**12,977**	**10,837**

In order to measure the remaining sensitivity of the target common equity tier 1 ratio against FX rate fluctuations, the common equity tier ratio at Risk (cTaR) measure is used. It measures the drop in the common equity tier 1 ratio from the target when stressing a certain FX rate. The stress scenario for a currency corresponds with the scenario that causes a drop in the common equity tier 1 ratio. A negative sign thus indicates that a depreciation of the corresponding currency against the Euro will result in a drop of the common equity tier 1 ratio.

Common Equity Tier 1 ratio sensitivity ING Bank

	cTaR		Stress Scenario	
	2015	2014	2015	2014
Currency				
US Dollar	0.13%	0.12%	15%	15%
Pound Sterling	0.01%	0.00%	-15%	15%
Polish Zloty	0.00%	0.00%	15%	-15%
Australian Dollar	0.00%	0.00%	20%	20%
Turkish Lira	0.07%	0.06%	-25%	-25%
Chinese Yuan	0.09%	0.08%	-15%	-15%
Korean Won	0.01%	0.01%	-15%	-15%
Indian Rupee	0.05%	0.04%	-20%	-20%
Brazilian Real	0.01%	0.02%	-25%	-25%
Russian Rouble	0.01%	0.01%	-20%	-20%

The US Dollar is the main currency in terms of Net Exposure as the risk-weighted assets position in US Dollar is most significant besides the Euro.

Year-on-year variance analysis
The foreign investments in Chinese Yuan increased due to an increase in share price. The USD position increased mainly due to an appreciation of USD against the EUR. The INR Foreign Investments increased due to different accounting treatment of the stake in Vysya after the merger with Kotak Mahindra, INR appreciation against the Euro, and Vysya share price increase.

Equity price risk in banking books

Governance
ING Bank maintains a strategic portfolio with substantial equity exposure in its banking books. Local offices are responsible for the management of the equity investments positions. Market risk is responsible for monitoring and reporting the regulatory capital for Equity Investments on a monthly basis. Market risk acts independently from the management of the equity investments in monitoring and reporting of the equity investments risk.

Risk Profile
Equity price risk arises from the possibility that equity security prices will fluctuate, affecting the value of equity securities and other instruments whose value reacts similarly to a particular security, a defined basket of securities, or a securities index. This equity exposure mainly consists of the investments in associates and joint ventures of EUR 842 million (2014: EUR 861 million) and equity securities held in the available-for-sale (AFS) portfolio of EUR 4,434 million (2014: EUR 2,718 million). The value of equity securities held in the available-for-sale portfolio is directly linked to equity security prices with increases/decreases being recognised in the revaluation reserve, except in the case of impairment. Investments in associates and joint ventures are measured in accordance with the equity method of accounting and the balance sheet value and therefore not directly linked to equity security prices.

Equities Unrealised Gains and Losses in the AFS portfolio

	2015	2014
Gross unrealised gains	2,662	2,019
Gross unrealised losses	-29	
Total	**2,633**	**2,019**

Year-on-year variance analysis
During the year ended 31 December 2015 the revaluation reserve relating to equity securities held in the available-for-sale portfolio fluctuated between a month-end low amount of EUR 1,931 million (2014: EUR 996 million) and a high amount of EUR 2,709 million (2014: EUR 2,019 million). The AFS portfolio increased from EUR 2.7 billion in 2014 to EUR 4.4 billion in 2015, mainly due to the increase in position value of Bank of Beijing (EUR 0.5 billion) and the merger of ING Vysya Bank with Kotak Mahindra Bank, as a result of which the ING stake in Kotak has been included in the AfS position (position value EUR 1.2 billion).

Real Estate price risk in banking books

Real estate price risk arises from the possibility that real estate prices fluctuate. This affects both the value of real estate assets and earnings related to real estate activities.

Governance
Real Estate is a run-off business consisting of Real Estate Development and Real Estate Investment Management activities which are being wound down by sale of assets, strict execution of contract maturity or through portfolio sales.

Risk profile
ING Bank has two main different categories of real estate exposure on its banking books: first, the own buildings ING Bank occupies, and second, development assets, which mostly consists of former Real Estate Development and Real Estate Investment Management activities. The total real estate exposure amounts to EUR 1.3 billion (excluding property from foreclosures and third party interest). ING Bank has EUR 0.2 billion recognised at fair value through profit and loss and EUR 1. 1 billion is recognised at cost or revalued through equity (with impairments going through profit and loss). A split on the real estate exposure per continent and sector based on the risk management view is shown below.

Real Estate market risk exposure in banking books (by geographic area and sector type)

	2015	2014		2015	2014
Continent			**Sector**		
Europe	1,136	1,352	Residential	115	270
Americas	45	142	Office	1,045	1,102
Australia	0	0	Retail	68	181
Asia	35	101	Industrial	16	22
Other	118	91	Other	91	111
Total	**1,334**	**1,686**	**Total**	**1,334**	**1,686**

Main exposure arises from office buildings in own use located in Netherlands and Belgium (EUR 0.8 billion), as well as retail and residential exposures in Europe (EUR 0.1 billion).

Year-on-year variance analysis
In total, real estate market risk exposure in the banking books decreased by EUR 0.3 billion mainly as a result of divestments. The remainder is due to impairments and negative fair value changes.

Market risk in trading books
Within the trading portfolios, positions are maintained in the professional financial markets. These positions are often a result of transactions with clients and may serve to benefit from short-term price movements. Market risk arises in the trading portfolios through exposure to various market risk factors, including interest rates, equity prices, foreign exchange rates and credit spreads.

Governance
The Financial Markets Risk Committee (FMRC) is the market risk committee that, within the risk appetite set by ALCO Bank, sets market risk limits both on an aggregated level and on a desk level, and approves new products. Credit & Trading Risk advises both the FMRC and ALCO Bank on the market risk appetite of trading activities.

With respect to the trading portfolios, Credit & Trading Risk focuses on the management of market risks of Wholesale Banking (mainly Financial Markets) as this is the only business line within ING Bank where trading activities take place. Trading activities include facilitation of client business and market making. Credit & Trading Risk is responsible for the development and implementation of trading risk policies and risk measurement methodologies, the reporting and monitoring of risk exposures against approved trading limits and the validation of pricing models. Credit & Trading Risk also reviews trading mandates and limits, and performs the gatekeeper role in the product review process. The management of trading market risk is performed at various organisational levels, from Credit & Trading Risk overall down to specific business areas and trading offices.

Fair values of financial assets and liabilities
Fair values of financial assets and liabilities that are quoted in active markets are determined by using quoted market prices. Where quoted prices are not available, other pricing sources and valuation techniques are used to determine fair value.

Other pricing sources can be independent market vendors, brokers or market makers, or recent transactions. The range of prices obtained from these pricing sources can diverge. The choice for one or the other pricing source can therefore result in different estimates of fair value. Selecting the most appropriate price within this range requires expertise and judgement. The selection of the pricing sources used is subject to internal approval and review.

Valuation techniques range from discounting of cash flows to valuation models. Such models are based on relevant risk factors such as the market price of underlying reference instruments, market parameters (volatilities, correlations and credit ratings) and customer behaviour. Some of these price factors require assumptions which imply that valuation models are subjective by nature. According to what valuation technique is used and what assumptions are made, the obtained fair value can be different, hence the implied downward and/or upward uncertainty of the accounting value may vary. For a classification of fair valued exposure to products in accordance with their degree of valuation uncertainty, refer to the section 'Financial instruments at fair value' of Note 40 'Fair value of assets and liabilities'.

All valuation models used are subject to a model governance framework. Model governance refers to a set of policies and procedures that have to be strictly followed and that cover the complete lifecycle of a model, i.e. its development, validation, approval, implementation and maintenance. The pillars of model governance are independent validation and periodic review. Such a review aims to determine whether a model is still appropriate for its intended use. Where models are used for valuation, there can be uncertainty on the assumptions of the underlying models and/or parameters. In those cases where significant uncertainty on assumptions arises, a model risk valuation adjustment is applied.

In general, positions are valued taking the bid price for a long position and the offer price for a short position. In cases where positions are marked at mid-market prices, a fair value adjustment is calculated.

ING Bank has aligned existing fair valuation adjustments with the regulatory standards for fair valued instruments issued by EBA, hence where possible it follows a unified valuation framework which meets both IFRS and CRR requirements. This approach is supported by a bank-wide valuation policy framework, which specifies detailed methodologies for fair valued instruments per product and degree of liquidity. Benefits of this framework and chosen approach are a significant increase in consistency and transparency of the fair valuation of financial instruments across different locations and books. For compliance with EBA regulatory standards an additional valuation adjustment through capital on the concentrated positions (the Concentration AVA) of EUR 44.1 million after tax is booked for ING Bank in 2015.

To include credit risk in the fair valuation, ING Bank applies both credit and debit valuation adjustments (hereafter referred to as respectively, CVA and DVA). Own issued debt and structured notes that are valued at fair value are adjusted for credit risk by means of an own credit adjustment. Additionally, derivatives valued at fair value are adjusted for credit risk by a credit valuation adjustment. This credit valuation adjustment is of a bilateral nature; both the credit risks on the counterparty as well as on ING Bank are included in the adjustment. All market data that is used in the determination of the CVA is based on market implied data. Additionally, wrong-way risk (when exposure to a counterparty is increasing and the credit quality of that counterparty decreases) and right way risk (when exposure to a counterparty is decreasing and the credit quality of that counterparty decreases) are included in the adjustment. ING Bank applies CVA also for pricing credit risk into new external trades with counterparties. Risk limits and controls are in place to monitor and anticipate CVA risk on a daily basis. The CVA is managed by global risk governance, where the risk limits and controls for CVA are managed and monitored on a global level. Our approach on CVA risk management is driven by increased control, cost efficiency and the global scope of CVA.

To address the risk associated with the illiquid nature of the derivative portfolio, ING Bank applies an additional 'liquidity valuation adjustment'. The adjustment is based on the market price of funding liquidity and is applied to the uncollateralised derivatives. This additional discounting is taken into account in both the credit and debit valuation adjustments.

Credit & Trading Risk has the role to identify and challenge market data and pricing sources that determine the parameters that will be used in the valuation models, and to calculate necessary value adjustments. The identified market data and sources used in the valuation models are independently challenged, reviewed and validated on a regular basis, most of it daily. Price testing and valuation results are reviewed and validated by local and global parameter committees.

To ensure segregation of duties between Front Office and Credit & Trading Risk, the systems for pricing and price testing are secured in order to prevent unauthorised access.

Reference is made to Note 40 'Fair value of assets and liabilities' for the basis of the determination of the fair values of the financial instruments and related sensitivities.

Model disclosure of trading risk measures

Value at Risk

Credit & Trading Risk uses the historical simulation Value at Risk (VaR) methodology as its primary risk measure. The VaR for market risk quantifies, with a one-sided confidence level of 99%, the maximum overnight loss that could occur due to changes in risk factors (e.g. interest rates, equity prices, foreign exchange rates, credit spreads, implied volatilities) if positions remain unchanged for a time period of one day. Next to general market movements in these risk factors, VaR also takes into account market data movements for specific moves in e.g. the underlying issuer of securities. The impact of historical market movements on today's portfolio is estimated, based on equally weighted observed market movements of the previous year. ING Bank uses VaR with a 1-day horizon for internal risk measurement, control and backtesting, and VaR with a 10-day horizon for determining regulatory capital.

Limitations

VaR has some limitations, such as the following: VaR uses historical data to forecast future price behaviour. Future price behaviour could differ substantially from past behaviour. Moreover, the use of a one-day holding period (or ten days for regulatory capital calculations) assumes that all positions in the portfolio can be liquidated or hedged in one day. In periods of illiquidity or market events, this assumption may not hold. Also, the use of 99% confidence level means that VaR does not take into account any losses that occur beyond this confidence level.

Backtesting

Backtesting is a technique for the on-going monitoring of the plausibility of the VaR model in use. Although VaR models estimate potential future results, estimates are based on historical market data. In a backtest, the actual daily result is compared with the 1-day VaR. In addition to using actual results for backtesting, ING Bank also uses hypothetical results, which measure results excluding the effect of intraday trading, fees and commissions. When the actual or hypothetical loss exceeds the VaR an 'outlier' occurs. Based on ING Bank's one-sided confidence level of 99% an outlier is expected once in every 100 business days. In 2015 there was no occurrence where a daily trading loss exceeded the daily consolidated VaR of ING Bank. ING Bank reports the backtesting results on a quarterly basis to ECB.

Basel Committee/CRD IV

ING Bank follows the regulatory framework set out in the Capital Requirements Regulation (CRR/CRD IV)for its regulatory capital calculations. The Basel Committee is performing a Fundamental Review of the Trading Book, which may have a significant impact on the Pillar I calculations. The final guidelines were published in January 2016 and full implementation is not expected before 2019.

Stressed VaR

The Stressed VaR (SVaR) is intended to replicate a VaR calculation that would be generated on the bank's current portfolio with inputs calibrated to the historical data from a continuous 12-month period of significant financial stress relevant to the bank's portfolio. To calculate SVaR, ING Bank uses the same model that is used for VaR (historical simulation). The historical data period used includes the height of the credit crisis around the fall of Lehman brothers, and is reviewed regularly.

Incremental Risk Charge

With the Incremental Risk Charge (IRC) ING Bank calculates an estimate of default and migration risk for unsecuritised credit products in the trading book over a one-year capital horizon at a 99.9% confidence level. For the calculation of IRC ING Bank performs a Monte Carlo simulation based on a Gaussian copula model. For all issuers the rating is simulated over the different liquidity horizons (time required to liquidate the position or hedge all significant risks) within one year. The financial impact is then determined based on the migration to default (based on LGD), or migration to a different rating category (based on credit spread changes).

The liquidity horizon has been set to the regulatory minimum of three months for all positions in scope. Given the types of products in ING Bank's trading portfolio ING Bank considers this horizon to be conservative. We have demonstrated that ING Bank could still actively trade its positions that are significant for IRC under stressed market circumstances, allowing ING Bank to fully redeem its positions within three months.

Event risk

Event risk is a valuable risk management tool. Event risk evaluates the bank's financial stability under severe but plausible stress scenarios and assists in decision-making that assures the bank to remain a financially healthy going concern institution after a severe event occurs. In addition to the bank-wide stress test framework as described in the ING Bank risk profile section, Credit & Trading Risk performs separate stressed scenario tests to monitor market risks under extreme market conditions. Since VaR in general does not produce an estimate of the potential losses that can occur as a result of extreme market movements, ING Bank uses structured stressed scenario tests for monitoring the market risk under these extreme conditions. Event risk is based on historical as well as hypothetical extreme scenarios. The result is an estimate of the profit and loss caused by a potential event and its world-wide impact for ING Bank. The event risk number for the ING Bank trading activity is generated on a weekly basis. Like VaR, event risk is limited by ALCO Bank.

ING Bank's event risk policy is based on a large set of possible stress scenarios per risk type (fixed income, equity, foreign exchange, credit and related derivative markets). For example, for equity products we assume both a crisis scenario (prices decreasing) as well as a bull scenario (prices increasing). Stress parameters are set per country. Scenarios are calculated based on events happening independently, jointly by region, or in all countries simultaneously. This way, for each risk type, a large set of scenarios is calculated. The worst scenarios per market are combined across markets by assessing both independent events per market, and worst events happening in all markets at the same time.

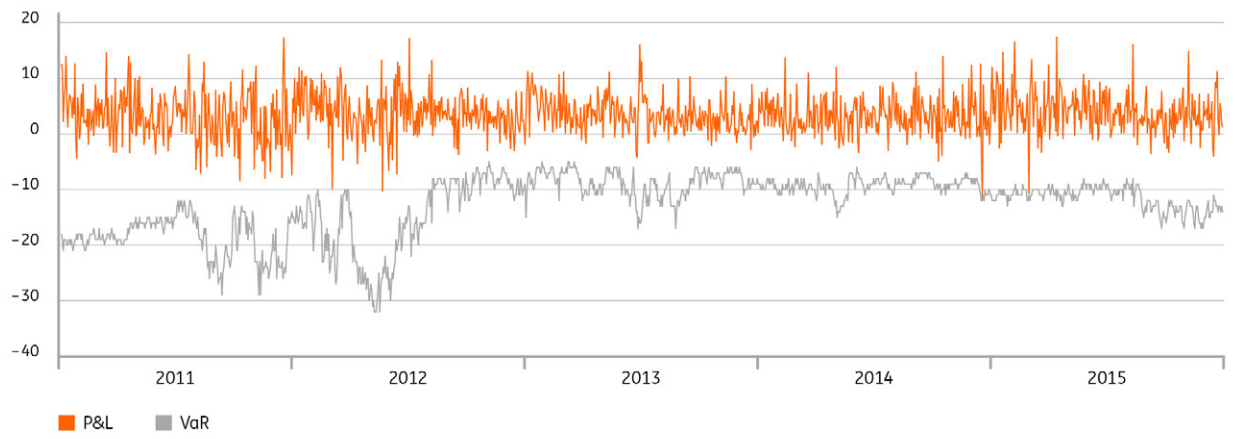
Other trading controls

VaR and Event Risk limits are the most important limits to control the trading portfolios. Additionally, limits have been set on SVaR and IRC. Furthermore, ING Bank uses a variety of other controls to supplement these limits. Position and sensitivity limits are used to prevent large concentrations in specific issuers, sectors or countries. In addition to this, other risk limits are set with respect to the activities in complex derivatives trading. The market risk of these products is controlled by product specific limits and constraints.

Risk profile

The following chart shows the development of the overnight VaR under a 99% confidence interval and a 1-day horizon versus daily trading profits and losses. The overnight VaR is presented for the ING Bank trading portfolio from 2011 to 2015.

Consolidated trading VaR ING Bank 2011 – 2015



The risk figures in the table below only relate to the CAD2 trading books for which the internal model approach is applied.

Risk Measures for Internal Model Approach Portfolios[1]

	Minimum		Maximum		Average		Year end	
amounts in millions of euros	2015	2014	2015	2014	2015	2014	2015	2014
Interest rate	3	3	8	11	5	5	4	6
Equity	4	2	10	7	6	3	6	6
Foreign exchange	1	1	4	6	2	2	1	2
Credit spread	7	3	10	9	8	5	9	9
Diversification[2]					–9	–6	–6	–12
Total VaR	**8**	**6**	**17**	**15**	**12**	**9**	**14**	**11**
Stressed VaR (10-day, 99%)	41	32	110	111	71	54	78	99
Incremental Risk Charge (1-year, 99.9%)	249	341	482	555	380	462	267	426

1 CVA risk is not included in VaR.
2 The total VaR for the columns Minimum and Maximum cannot be calculated by taking the sum of the individual components since the observations for both the individual markets as well as total VaR may occur on different dates.

In 2015 the average VaR was higher than the previous year. This increase is notable in different risk types and can be explained both by increased risk positions as well as increased market volatility. The decrease in average IRC was largely driven by decreased debt exposures to a number of sovereigns.

Regulatory capital

According to the Capital Requirements Regulation (CRR/CRD IV), regulatory capital for trading portfolios can be calculated using the standardised approach or an internal model approach. ING Bank received regulatory approval to use an internal model to determine the regulatory capital for the market risk in all trading books of ING Bank. Market risk capital of CAD2 trading books is calculated according to the CRR, using internal VaR, Stressed VaR and Incremental Risk Charge models, where diversification is taken into account. On the other hand, market risk capital of CAD1 books is calculated using Standardised Approach with fixed risk weights. In 2015, capital calculations for all trading books are made under the Internal Model Approach. Mismatches in FX risk from the banking books are incorporated under the Standardised Approach. ING Bank does not have a Correlation Trading Portfolio or any other securitisations in the trading book.

Regulatory Capital

			2015	2014
amounts in millions of euros	SVaR	VaR	Total	Total
Interest rate/Credit spread	154	102	256	193
Equity	58	30	88	93
Commodity[1]	6	4	10	0
Foreign exchange	17	8	25	33
Incremental Risk Charge			286	426
Total Internal Model Approach	**235**	**144**	**665**	**745**
Standardised model[2]			106	113
Total Regulatory Capital			**771**	**858**
Market Risk Weighted Assets, in EUR billions			**10**	**11**

1 As of 2015 the capital allocated to the equity portfolio was split into equity and commodity risk classes. Previously it was reported under equity risk class.
2 Standardised model is applied to FX positions in banking books.

The decrease in market risk Regulatory Capital for Trading as of 2015 is mainly due to decrease in exposures to sovereign issuers and as a result in IRC, partially offset by increases in VaR and SVaR that resulted from higher market volatility and position changes.

Sensitivities

As part of the risk monitoring framework, Credit & Trading Risk actively monitors the daily changes of sensitivities of our trading portfolios. The following tables show the five largest trading foreign exchange positions and interest rate and credit spread sensitivities. The credit spread sensitivities are furthermore split in different risk classes and sectors. Due to the nature of the trading portfolios, positions change from day to day.

Most important foreign exchange year-end trading positions

amounts in millions of euros	2015		2014
Foreign exchange		Foreign exchange	
US Dollar	160	Chinese Yuan	282
Romanian New Leu	57	US Dollar	-257
Chinese Yuan	-42	Swiss Franc	-65
South Korean Won	-46	Australian Dollar	40
Swiss Franc	18	South Korean Won	21

Most important interest rate and credit spread sensitivities at year-end

amounts in thousands of euros	2015		2014
Interest Rate (BPV[1])		**Interest Rate (BPV[1])**	
Euro	-414	Euro	231
South Korean Won	-52	Taiwan Dollar	75
British Pound	45	Chinese Yuan	-47
US Dollar	43	Polish Zloty	43
Japanese Yen	18	Japanese Yen	34
Credit Spread (CSO1[2])		**Credit Spread (CSO1[2])**	
Netherlands	-289	Netherlands	-702
Germany	-154	Germany	552
Norway	-110	United States	115
United States	99	Russia	97
Spain	-89	Italy	-94

1 Basis Point Value (BPV) measures the impact on value of a 1 basis point increase in interest rates.
2 Credit Spread Sensitivity (CS01) measures the impact on value of a 1 basis point increase in credit spreads.

Credit spread sensitivities per risk class and sector at year-end

		2015		2014	
amounts in thousands of euros		Corporate	Financial Institutions	Corporate	Financial Institutions
Credit Spread (CSO1[1])					
Risk classes					
1	(AAA)	0	-60	62	24
2-4	(AA)	13	-108	-21	-100
5-7	(A)	12	-207	21	-76
8-10	(BBB)	-61	-180	-52	-116
11-13	(BB)	-88	-64	-47	-45
14-16	(B)	-3	-2	-14	-18
17-22	(CCC and NPL)	-12	-11	-44	-6
Not rated		3	1	-1	-1
Total		**-136**	**-631**	**-96**	**-338**

1 Credit Spread Sensitivity (CS01) measures the impact on value of a 1 basis point increase in credit spreads.

Funding and liquidity risk

Introduction

Funding and liquidity risk is the risk that ING Bank or one of its subsidiaries cannot meet its financial liabilities when they come due, at reasonable cost and in a timely manner.

ING Bank incorporates funding and liquidity management in its business strategy. In order to optimise it's funding and liquidity risk management, ING Bank has developed a funding and liquidity risk framework aimed at maximising liquidity access and minimising funding risks and costs. The main objective of ING's funding and liquidity risk management is to maintain sufficient liquidity to ensure safe and sound operations under normal market circumstances and in times of stress.

Funding and liquidity risk includes three types of risk, two under normal, and one under stress conditions:

1. Business as usual situation:
   - *Structural funding & liquidity risk*: The potential negative impact on an organisation's income or cash position due to mismatches between expected liquidity tenors of assets and liabilities.
   - *Customer behaviour funding & liquidity risk*: The potential negative impact on an organisation's income or cash position due to liquidity options embedded in assets and liabilities that include a customer behaviour risk.
2. Stress situation:
   - *Stress funding & liquidity risk*: The risk an organisation may become unable to meet its financial obligations when due, because insufficient cash is *available* or cannot be generated in time at a reasonable costs by attracting new unsecured funding or rolling over existing funding, or selling / repo-ing assets, potentially resulting in default.

Liquidity risk can materialise both through trading and non-trading positions.

Governance

Within ING Bank, the Management Board Bank, staff (Risk and Finance) departments, Capital Management and the Bank Treasury function have oversight of and are responsible for managing funding and liquidity risk.

Liquidity risk management within ING Bank falls under the supervision of the ALCO function, with ALCO Bank as the highest approval authority overseeing the execution of the overall strategy set by the Board.

ALCO Bank determines the liquidity risk (limit) framework and appetite after which this is cascaded down in the organisation under the responsibility of the lower level ALCOs. ING Bank's liquidity risk framework is based on the three lines of defence concept, whereby risk principles are implemented, monitored and controlled in conjunction with both first and second line functions within the Bank.

The Management Board Bank defines the funding and liquidity strategy, target funding and liquidity position and the risk appetite based on recommendations from Bank Treasury, Capital Management, Balance Sheet Risk and Finance.

The identification of liquidity risks is primarily a responsibility of the 1st line commercial function.

Bank Treasury is a 1st line function. Its main funding and liquidity responsibilities are to manage ING's funding gap and ING's (regulatory) liquidity position. Bank Treasury is ING's primary contact to the market for long and short term funding, with exception of capital transactions which are under the responsibility of the Capital Management function and the execution of some specific structured funding products which are executed by Financial Markets under a mandate that provides strict guidance around pricing, volumes, optionalities and tenors.

The 2nd line Balance Sheet Risk function is responsible for defining the governance with regard to funding and liquidity management and facilitates the decision making processes for ALCO Bank regarding this topic. Next to this, Balance Sheet Risk sets the standards for the funding and liquidity risk approach (identify, assess, control, monitor and report) and determines adequate policies and procedures for managing and monitoring liquidity risk and checks compliance with guidelines and limits.

Management

Framework

ING's liquidity risk management framework incorporates all relevant risk principles with regard to the daily and on-going management of funding and liquidity risk. The framework contains the following key elements:

- *Liquidity risk appetite*: This is set by ALCO Bank in line with ING's complexity, business mix and liquidity risk profile. The risk appetite is reviewed on an annual basis and forms part of the input of business units in their medium term business plans. The defined risk appetite is allocated to the lower level ALCO's;
- *Funding*: The Bank Treasury function sets and updates the funding strategy and funding planning, taking into account diversification in sources and tenor of funding;
- *Intraday Liquidity Management*: Bank Treasury actively manages its short term liquidity positions and risks to meet payment and settlement obligations on a timely basis under both normal and stressed conditions;
- *Collateral Position Management*: Bank Treasury actively manages the liquidity risk of its collateral positions to meet ING's collateral needs, and resources, under both normal and stressed conditions and in accordance with all internal and regulatory rules;
- *Liquidity buffers*: ALCO Bank ensures that sufficient liquidity is maintained, in accordance with Bank- and regulatory rules and standards, including a buffer of unencumbered, high quality liquid assets, to withstand stress events, such as those involving the loss or impairment of both unsecured and secured funding sources;
- *Liquidity risk transfer and pricing*: ALCO Bank sets and maintains a Funds Transfer Pricing (FTP) framework that optimises Bank-wide funding and liquidity risk management, whereby all business units must transfer their structural funding and liquidity risks to Bank Treasury whilst managing their own customer behaviour liquidity risk costs;
- *Stress testing*: ALCO ensures that liquidity stress tests are planned, designed, conducted and reviewed, to identify sources of potential liquidity strain, to determine how these can and will be addressed and to ensure that current exposures remain within the established liquidity risk tolerance; and
- *Contingency Funding Plan*: ALCO ensures the design, regular test and maintenance of formal Contingency Funding planning, setting out the strategies for addressing liquidity shortfalls in emergency situations, outlining procedures to manage these situations, establishing clear lines of responsibility, and articulating clear implementation and escalation procedures.

Liquidity risk appetite

ING's liquidity risk appetite expresses the level of liquidity risk ING is willing to take in the pursuit of its strategic objectives. The Liquidity Risk Appetite Statements (RAS) are aligned with the ING strategy and are allocated to the ING entities by way of limits, where needed per ING entity. ING's Liquidity RAS is build up of three levels:

- RAS Level 1 should be considered in conjunction with each other for the purpose of steering the ING Bank liquidity positions as they differ in assumptions, horizon and scope. The level 1 risk appetite statements (i) sets limits on structural liquidity mismatches, (ii) assure compliance with regulatory requirements (CRD2 and LCR) and (iii) set adequate buffers related to internally defined stress scenarios;
- RAS Level 2 are additional principles that allow assessing different aspects of ING consolidated liquidity position and/or balance sheet (ratios). They can ultimately affect RAS Level 1, or they can be complementary to RAS Level 1 (where the differences lie in either the metrics, the assumption, the data source or both). The level 2 risk appetite statements focus on (i) ING Bank's cash & collateral position, (ii) defined target loan-to-deposit ratios and (iii) assure sufficient levels of funding diversification; and
- RAS Level 3 are additional principles that allow assessing aspects of the consolidated liquidity position that concern certain parts of on- and off- balance sheet items, or represent a further specification of RAS Level 1 or Level 2.

This RAS hierarchy is applied consistently per significant currency for the relevant entity scopes (ING consolidated and ING Bank N.V. Solo). Where relevant the Risk Appetite Statements are cascaded down to specific regional and local levels.

Based on the above, ING Bank has defined the following funding and liquidity risk management risk appetite statements:

- The structural mismatch in expected liquidity tenors of ING Bank's assets and liabilities per significant currency must be manageable. Also refer to Note 45 of the financial statements in which 'Assets by contractual maturity' are shown;
- Home/host regulatory liquidity limits must be pro-actively complied with;
- The time-to-survive in a funding stress situation must extend over defined period, also depending on the level of stress applied;
- Funding of all longer-term assets and investments must be done by stable and longer-term liabilities;
- Geographical dependencies with respect to intra-group funding are to be limited; and
- Diversification must be in place of funding profile, across funds providers, instrument types, geographic markets, tenors and currencies.

The risk appetite statements are also directly linked to liquidity stress testing.

Funding

In detailing the activities of the bank regarding utilisation of professional market funding sources, the following key principles apply:

- Maintaining adequate market access in both normal and stressed but operable market conditions;
- Managing risk by adhering to internally and externally imposed risk limits and balance sheet ratios; and
- Optimising the cost of funding under the principles above.

With respect to funding sources, ING Bank manages its balance sheet prudently, whereby short-term funding is primarily utilised for funding short-term assets. The bank aims to fund all longer term assets and investments by stable and longer term liabilities. Next to this, ING Bank monitors exposures in major currencies such as the USD. Monitoring and control of this funding is effectuated through a dedicated USD funding and liquidity risk framework.

ING Bank reviews its funding plan on at least a quarterly basis, assessing market developments and funding requirements.

Intraday liquidity management

The objective of managing intraday liquidity and its risks at ING is twofold: it is focused on preventing damage to the institution's own liquidity position, and, in light of its role in global financial markets, ING also takes into account the potential damage to other parties which can arise through chain effects in payment and securities transactions. Intraday liquidity management is managed through the intraday risk appetite statement, by setting amongst others monitoring metrics and triggers on daily net negative liquidity positions and levels of payments outflows.

Collateral position management

The objective of the Collateral Management is to ascertain that ING Bank can at all times meet collateral requirements for ING's collateral needs. ING Bank maintains a liquidity buffer existing of cash, cash equivalents and other highly liquid unencumbered assets to facilitate this. Tactical (short term) management of the liquidity buffer is performed, by increasing or decreasing the liquidity coverage with collateral transformation by execution of repos, in order to meet internal and regulatory requirements. Reporting and analysis is performed, providing availability of collateral for emergency financing, its eligibility and its route to cash in an efficient manner.

Liquidity buffers

The liquidity buffer ING Bank holds can be seen as the short-term part of the counterbalancing capacity, i.e. the total of available sources and measures within ING to generate liquidity, and serves as a cushion for liquidity needs under normal and stressed conditions.

The size and composition of the Liquidity buffer depends on ING Bank's Risk Appetite (risk tolerance) and regulatory liquidity standards. In the buffer, only assets that are included that are 'unencumbered' and freely available for liquidity purposes. Bank Treasury ensures functional management of all liquidity buffers within ING Bank, both buffers at Bank level and buffers at local business unit level.

The liquidity buffer is held as an insurance against a range of stress scenarios, covering the additional need for liquidity that may arise over a defined short period of time under stress conditions. ING's minimum standards for liquidity buffers are described below:

- When local regulatory rules require so, local liquidity buffers can be established. Although locally established, these buffers must be centrally functionally managed by the BT function;
- The buffer must be adequate in relation to the contractual and expected expiry calendars and other expected or planned developments;
- The size of the buffers is supported by estimates of liquidity needs performed under the Bank's or business entity's stress testing and be aligned with the liquidity risk appetite;
- The liquidity buffer is composed of cash and core assets that are eligible for the Liquidity Coverage Ratio (LCR) and/or highly marketable, which are not pledged to payment systems or clearing houses. For longer term buffer purposes, a broader set of liquid assets might be appropriate, subject to the Bank's or entity's ability to generate liquidity from them under stress, within the specified period of time; and
- The location and size of liquidity buffers reflects the Bank's or entity's structure (e.g. legal and geographical) and business activities.

As part of the liquidity buffer management, ING Bank also monitors the existing asset encumbrance. More information can be found in Pillar III.

Liquidity risk transfer and pricing

Funds Transfer Pricing (FTP) is an internal measurement and allocation system that assigns a profit contribution to funds raised, lent, or invested. FTP is the pricing mechanism used within ING to transfer interest rate risk, basis risk and liquidity risk positions from commercial units to Bank Treasury. The FTP framework enables local ALCOs to set their local FTP levels and manage these risks for all internal transfers at local level. This means that these risks are transferred from the business to a separate Bank Treasury book where they can be monitored and managed more efficiently and effectively. The liquidity costs, benefits and risks are considered in the product pricing, design and offering and in the Product Approval and Review Process (PARP) or deal approval and other related processes for commercial products by the business units.

Stress testing

Stress testing allows a bank to examine the effect of exceptional but plausible future events on the liquidity position of the bank and provides insight into which entities, business lines or portfolios are vulnerable to which type of risks and/or in which type of scenarios. Liquidity stress testing is an important tool in identifying, assessing, measuring and controlling funding and liquidity risks, providing a complementary and forward-looking perspective to other liquidity and funding risk management tools.

In accordance with Dutch Central Bank guidelines, ING Bank's liquidity positions are stress tested on a monthly basis under a scenario that is a mix between a market event and an ING Bank specific event. The outcome of stress tests are evaluated and provide input to any follow-up on additional contingency measures required.

In addition to the bank-wide stress test framework as described in the ING Bank risk profile section, ING Bank produces several stress test reports with respect to the funding and liquidity position on a regular basis. Some of these stress tests are regulatory driven, and others are based on internal scenarios:

- On a weekly basis ING reports an internal net liquidity position metric. This is reported on a consolidated (bank) level, for the main entities and split in Euro and US Dollar; and
- On a monthly basis ING Bank reports a number of stress scenarios, either based on regulatory requirements or internal requirements:
  - 1-month liquidity buffer, according to DNB regulation(CRD2);
  - Liquidity Coverage Ratio (LCR)
  - On own defined stress scenarios related to time-to-survive periods.

On ad-hoc basis ING Bank performs additional stress tests related to the funding and liquidity position. Overall, stress testing is an integral part of the liquidity and funding risk management framework and also serves as input for the contingency funding plan. From a currency perspective, stress tests are applied on Euro and US Dollar whilst other currencies are monitored. This aligns with the Basel III and CRR approach with regard to major currencies.

Contingency funding plan

In the contingency funding plan, contingency liquidity risk is addressed which specifically relates to the organisation and planning of liquidity management in time of stress. Within ING Bank, for contingency purposes, a specific crisis team – consisting of key Board Members, representatives from staff departments (e.g. Finance, Risk and Capital Management) and Bank Treasury – is responsible for liquidity management in times of crisis. Throughout the organisation contingency funding plans are in place to enable senior management to act effectively and efficiently in times of crisis. These contingency plans are tested on a regular basis, both centrally and at business unit level.

Funding and Liquidity profile

Funding sources

In 2015, ING Bank had readily access to a large variety of funding sources, both short term and long term. In the table below, the various funding sources are presented in the funding mix:

ING Bank Funding Mix

	2015	2014
Funding type		
Retail deposits	48%	47%
Corporate & other deposits	22%	22%
Interbank (incl. central bank)	5%	6%
Lending/repurchase agreement	5%	4%
Public debt	18%	19%
Subordinated debt	2%	2%
Total	**100%**	**100%**

The funding mix remained well diversified and according to targets set. Retail deposits remained ING Bank's primary sources of funds and remained relatively stable at 48% of the total funding mix per 2015 Q4. The Loan-to-Deposit ratio (excluding securities at amortised costs) remained constant at 1.04 per 2015 Q4, compared to 2014 year-end.

Asset encumbrance

For quantitative details reference is made to the Pillar III report.

Regulatory developments

Based on the final Delegated Act on the liquidity coverage ratio issued by the European Commission (EC) in October 2014, the European Banking Authority (EBA) issued Implementing Technical Standards with regard to the reporting of the LCR as per 1 October 2015. The LCR is calculated based on this Delegated Act Implementation Technical Standards.

In absence of the EC approval, the Dutch National Regulator (DNB) has issued guidance on the level and reporting dates of the LCR as of October 2015. DNB has defined minimum requirements for the LCR for ING Consolidated and ING Bank N.V. Solo scope at 100%. The DNB definition includes the netting of retail and wholesale cash pools, also referred to as the National LCR (NLCR). Per December 2015, ING Bank complies with these regulatory requirements.

The Basel Committee (BCBS) has finalised their NSFR policy document in October 2014, after which the EBA has started their review in 2015, with the aim to provide recommendations to the EC at the end of 2015. During 2016, the EC will study these recommendations in order to submit a legislative proposal on NSFR to the European Parliament and Council by the end of that year. The NSFR ratio is reported on a quarterly basis and will come in force as of 2018.

Next to the liquidity ratios, it is required to report additional monitoring metrics as defined by the EBA as of 2016.

Non-Financial Risk

Introduction

The Non-Financial Risk (NFR) department encompasses the operational and compliance risk management functions. It ensures appropriate risk controls in these functional areas by implementing clear policies and minimum standards which are embedded in ING Bank business processes in all divisions. The necessary infrastructure is in place to enable management to track events and non-financial risk issues. A comprehensive system of internal controls creates an environment of continuous improvement in managing non-financial risk.

ING Bank believes that fully embedding controls preserves and enhances the trust of its customers, staff and shareholders and is essential to build sustainable businesses. The Orange Code sets the foundation for the high ethical standards ING Bank expects from all its business activities. The Orange Code requires all staff to conduct themselves, not only within the spirit and letter of laws and regulations, but above all, with integrity, whilst being honest, prudent and responsible.

Governance

Non-Financial Risk Committees (NFRCs) and Management Teams (MTs) manage, measure and monitor operational and compliance risks. NFRCs exist at Bank level and at other relevant levels. They are chaired by the first line of defence and steer the risk management activities of the first and second lines of defence in their scope. Non-financial risk topics are an integral part of the agenda of regular MTs at all levels in the organisation. The Bank NFRC is the primary approval and oversight committee for non-financial risk matters.

The Head of NFR reports to the Chief Risk Officer (CRO) and is responsible for developing the framework of non-financial risk policies and standards within ING Bank and for monitoring the quality of non-financial risk management in the divisions. Whilst the Head of Corporate Operational Risk Management (CORM) reports to the Head of NFR, the Chief Compliance Officer reports functionally to the CRO and hierarchically to the Head of NFR.

The Head of CORM provides management on country, divisional and bank level through the NFR Dashboard with an overview of key risks within the non-financial risk areas including compliance risks, information security risks, continuity risks, control risks, fraud and unauthorised activities risks and personal and physical security risks, enabling management to focus and set priorities.

The Chief Compliance Officer (CCO) is the general manager of the Bank Compliance Risk Management department and the Head of the Compliance Risk Management function within the Bank. This is an independent function responsible for developing and establishing the Bank-wide Compliance Risk Management charter & framework which establishes the policies and minimum standards for managing compliance risks. The CCO assists and supports the Management Board Banking in managing ING Bank's compliance risks and control framework.

The NFR department uses a layered functional approach within divisions to ensure systematic and consistent implementation of the framework of policies and minimum standards within ING Bank. To avoid potential conflicts of interests, it is imperative that the staff working in the department is independent and objective when advising business management on non-financial risk matters in their business unit or business line. To facilitate this, a strong functional reporting line to the next higher level within Operational Risk Management (ORM) and Compliance is in place. The functional reporting line has clear accountabilities with regard to objectives setting, remuneration, performance management and appointment of new staff as well as obligations to veto and escalate.

Framework

ING Bank has a comprehensive framework for operational and compliance risks. This supports and governs the process of identifying, measuring, mitigating, monitoring and reporting non-financial risks thus reflecting the stages described in the Enterprise Risk Management model of COSO (Committee of Sponsoring Organisations of the Treadway Commission).

The risk appetite (defined as the acceptable and authorised maximum level of risk) is set by the Bank NFRC. Adherence to this risk appetite is monitored quarterly through the NFR Dashboard which reports the key non-financial risk exposures.

Processes are in place to identify key threats, vulnerabilities and the associated risks which might cause adverse events. Event identification is performed proactively and precedes a risk assessment. Different techniques for event identification exist within ING Bank, e.g. Risk & Control Self-Assessments, scenario analysis, external events inventories, internal events analyses (e.g. lessons learned based on information from event reporting), key risk indicators and threat scans.

Risk & Control Self-Assessment

Identification and assessment of non-financial risks inherent to ING Bank products, activities, people, processes and systems provide management with an understanding of the operational risk profile. Based on the identification and assessment, internal controls are designed to support mitigation of risks to remain within the risk appetite.

Business Environment Assessment
The Business Environment Assessment (BEA) assesses all internal control factors and external factors that could influence the internal and external operating environment and may lead to unacceptable operational risk exposure.

Scenario analysis
Scenario analysis is a process used to consider the impact of rare, significant, yet plausible future events, taking into consideration alternative possible outcomes for those events, their severity and frequency. Input for scenario analysis includes the results of various internal and external assessments such as the BEA. Scenario analysis is an important component in the calculation of operational risk capital.

Internal events analyses
Analysis of internal non-financial loss data assists in identifying, quantifying, mitigating and monitoring operational risk exposure. It provides insight into causes and effectiveness of associated controls.

External events inventories
External non-financial loss data provides valuable information about the losses experienced by other businesses, and assists ING Bank to quantify its exposure to risk events that have not been experienced internally.

Business units and departments perform regular BEAs and Risk & Control Self-Assessments (RCSAs) to identify and assess risks. These are conducted with involvement of the business and their ORM, Compliance and Legal departments. Based on the results of the risk assessment, response measures must be determined for the identified risks beyond the risk appetite. Risk response actions balance the expected cost for implementing these measures with the expected benefits regarding the risk reduction.

Risk response can be achieved through several combinations of mitigation strategies, for example reducing likelihood of occurrence, reducing impact, risk avoidance, risk acceptance or through the transfer of risk. Tracking takes place through ING Bank's central risk management system.

The yearly objective setting process for both business management and NFR professionals aims to keep improving the management of non-financial risk throughout ING Bank to ensure that ING Bank stays in control of its current and future non-financial risks.

Advanced Measurement Approach (AMA)
ING Bank has an Operational Risk Capital model in place in which the risk profile is closely tailored to the internal risk profile of ING Bank and its divisions, by using scenario data for capturing severe risks and internal loss and RCSA data for capturing day-to-day risks. The business has a strong role in assessing scenario severities and the ORM function in validating the results. The internal data are combined with external loss data (ORX) in the AMA capital calculation. In April 2013 ING Bank obtained accreditation for use of its enhanced AMA model for regulatory supervision purposes. ING Bank reports the regulatory capital numbers on a quarterly basis. The AMA capital for the fourth quarter of 2015 amounts to EUR 3,451 million. For the fourth quarter of 2014 the AMA capital amounted to EUR 2,700 million. The increase reflects higher operational RWA mainly caused by a model recalibration (EUR 277 million) and the increased impact of external loss data (EUR 317 million).

Risk mitigations
ING Bank is currently not using any insurance or risk transfer mechanisms for the mitigation of risk in the context of the AMA capital calculation.

Operational risk
Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

ING Bank categorises non-financial risks in a number of risk areas. In addition to compliance risk, other risk areas include Information (Technology) risk, continuity risk, control risk, internal and external fraud risk, unauthorised activity risk, personal and physical security risk, processing risk and employment practice risk.

- *Information (Technology) risk* is the risk of loss, including reputational risk due to inadequate information security resulting in a loss of information, confidentiality and/or integrity and/or availability;
- *Continuity risk* is the risk of loss due to events (e.g. natural disasters, power outages, terrorism) leading to a situation that threatens ING's business continuity;
- *Control risk* is the risk of loss due to not complying with (operational, legal, compliance) controls set through governance procedures and/or project management methods caused by improper or insufficient monitoring (testing) on entities, legal structures or activities;
- *Internal fraud risk* is the risk of loss due to deliberate abuse of procedures, systems, assets, products and/or services of ING by those employees who intend to deceitfully or unlawfully benefit themselves or others;

- *External fraud risk* is the risk of loss due to deliberate abuse of procedures, systems, assets, products and/or services of ING by external parties who intend to deceitfully or unlawfully benefit themselves or others;
- *Unauthorised activity risk* is the risk of loss due to unauthorised employee activities, approvals or overstepping of authority caused by intentional human behaviour;
- *Personal and physical security risk* is the risk of criminal and environmental threats that might endanger the security or safety of ING personnel at work, people in ING locations, ING assets, or assets entrusted to ING, or might have an impact on the ING organisation's confidentiality, integrity or availability;
- *Processing risk* is the risk of loss due to unintentional human error during (transaction) processing. Processing risk deals with the risk of losses due to failed transaction processing, process management, or contractual liabilities; and
- *Employment practice risk* is the risk of loss due to acts inconsistent with employment, health laws, or agreements, from payment of personal injury claims, or from diversity/discrimination events.

Operational risk includes the related risk of reputation loss, as well as legal risk but strategic risks are not included.
Reputational risk is defined as the potential that adverse publicity regarding ING Bank's business practices and associations, whether accurate or not, will cause a loss of confidence in the integrity of ING Bank. Reputational risk is multidimensional and reflects the perception of other market participants, like customers, counterparties, shareholders, investors or regulators that can adversely affect ING Bank's ability to maintain existing, or establish new, business relationships and continued access to sources of funding (e.g. through the interbank or securitisation markets).

Legal risk is defined as the risk related to (i) a failure (or perceived failure) to adhere to applicable laws, regulations and standards, (ii) contractual liabilities or contractual obligations that are defaulted or cannot be enforced as intended, or are enforced in an unexpected or adverse way, and (iii) liability (tort) towards third parties due to an act or omission contributable to ING Bank (potentially) resulting in impairment of ING Bank's integrity, leading to damage to ING Bank's reputation, legal or regulatory sanctions, or financial loss.

Given the heavy reliance on IT systems in financial institutions, controls that monitor the various aspects of IT risk, such as integrity and confidentiality, are embedded in ING Bank's risk and control framework.

Main developments in 2015
Internal and external fraud
ING Bank is continuously working on strengthening its global fraud resilience including enhanced collaboration against cybercrime. Exploring and combining existing data search tools that can be used for monitoring or early detection of fraudulent incoming and outgoing payments is becoming more and more important in fraud prevention. They are being further developed into an effective set of organisational controls.

The risk of clients and ING Bank staff being targeted by fraudsters using social engineering techniques to execute payments has increased. Efforts are undertaken to mitigate the risk of CEO impersonation fraud such as creating awareness for customers and staff about this type of fraud. ING Bank continues to strengthen its control environment as fraudsters are increasingly shifting their interest to the end-user. ING Bank continues to stringently monitor both this type of fraud and new emerging fraud methodologies.

Cybercrime
Cybercrime is a continuous threat to companies in general and to financial institutions specifically. Both the frequency and the intensity of attacks increase on a global scale. ING Bank continued building on its Cybercrime Resilience Programme moving to further enhance the control environment to protect, detect and respond to e-banking fraud, Distributed Denial of Service (DDoS) and targeted attacks (also called Advanced Persistent Threats). Additional controls are being embedded in the organisation as part of the overall internal control framework and re-assessed against existing and new threats.

ING Bank is continuously working on strengthening its global cybercrime resilience including strengthened collaboration against cybercrime with the financial industry, law enforcement authorities, government (e.g. National Cyber Security Center) and Internet Service Providers (ISPs).

Compliance risk
Compliance risk is defined as the risk of impairment of ING Bank's integrity as a result of failure (or perceived failure) to comply with applicable laws, regulations, ING Bank policies and minimum standards and the ING Values as part of the Orange Code. We aim to effectively manage compliance risks that could expose ING Bank to reputational damage, fines, civil and criminal penalties, payment of damages, court orders and suspension or revocation of licenses that would adversely impact our customers, staff, shareholders and other stakeholders.

Within NFR, the Bank Compliance Risk Management function established a compliance control framework in which controls are defined based on laws, regulations and standards that are part of the internal control framework of ING Bank. To support management in mitigating compliance risks, the Bank Compliance Risk Management function actively educates and supports the business in managing compliance risks related to e.g. money laundering, terrorist financing, sanction and export control compliance, conflicts of interests, mis-selling, corruption and protection of customers' interests.

ING Bank categorises compliance risk into four conduct-related integrity risk areas:
- *Client conduct related integrity risk* is the risk ING Bank is exposed to through our clients;
- *Personal conduct related integrity risk* is the risk of compromising ING Bank through non-compliant employee behaviour, aiming to promote individual integrity of all employees and to create an overall culture that is led by integrity;
- *Financial Services conduct related integrity risk* is the risk that business practices and systems compromise ING Bank as a participant in the financial services industry taking into account its high standards when carrying on business and at all times striving to observe the letter as well as the spirit of the law; and
- *Organisational conduct related integrity risk*, is the risk of compromising ING Bank or its businesses through deficiencies in management, supervision and/or the effectiveness of governance structures.

The controls to mitigate the compliance risks associated with the above mentioned risk areas are designed and embedded in day-to-day processes. The effectiveness of the controls as designed is tested periodically, and senior management is aware about their responsibility to ensure their processes are compliant with applicable laws and regulations, ING Bank's internal policies and the Orange Code.

In cases where an employee from ING Bank suspects a breach of external laws and regulations, internal policies and minimum standards and/or the Orange Code they are encouraged to (anonymously) speak up in line with the Whistleblower policy using the most appropriate channel, e.g. the (external) ethics line.

Financial Economic Crime ('FEC') policy
The ING Bank FEC Policy directly reflects relevant national and international laws, regulations and industry standards. The ING Bank FEC Policy is mandatory and applies to all ING banking entities, majority owned ING business, businesses under management control, staff departments, product lines and to all client engagements and transactions.

Management of ING Bank entities maintain appropriate local procedures that enable them to comply with local laws, regulations and the relevant ING Bank FEC Policy. Where local laws and regulations are more stringent, the local laws and regulations are applied. Likewise the FEC Policy prevails when the standards therein are stricter than stipulated in local laws and regulations and if not specifically forbidden (data privacy or bank secrecy).

The ING Bank FEC Policy provides a clear statement of what is required by all ING Bank entities in order to guard against any involvement in criminal activity, and to participate in international efforts to combat money laundering and the funding of terrorist and criminal activities. The requirements in the ING Bank FEC Policy cover minimum standards and controls related to: money laundering, terrorist financing, export trade controls, proliferation financing, sanctions (economic, financial and trade) and countries designated by ING Bank as Ultra High Risk Countries (UHRC). The effectiveness of those controls is reviewed periodically.

As a result of frequent evaluation of all businesses from economic, strategic and risk perspective ING Bank continues to believe that for business reasons doing business involving certain specified countries should be discontinued. In that respect, 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 North Korea, Sudan, Syria, Iran and Cuba. Each of these countries is subject to a variety of EU, US and/or other sanctions regimes. Iran, Sudan, and Syria are identified by the US as state sponsors of terrorism and are subject to U.S. economic sanctions and export controls.

ING Bank has a robust FEC control framework in place to mitigate the risks related to Financial Economic Crime, and the framework is embedded in the day-to-day processes. Amongst other controls the Sanctions Risk Assessment (SRA) procedure is a strong control to mitigate the risks related to sanctions.

Also in 2015, the Ukraine-related sanctions as imposed earlier by both the US and the EU remained in force. Those sanctions restrict amongst others the dealing in specific (financial) products with certain named parties. Management of ING Bank entities use their existing control framework to ensure compliance with these sanctions.

Main developments in 2015

Compliance Conduct Risk Monitoring

The Bank Compliance Risk Management function enhanced its control framework by assessing the operation of soft controls in relation to compliance risks in addition to hard controls. The aim of conduct risk monitoring is to assess the risks that might influence the conduct and risk culture, promoting the individual integrity of all employees and enhancing the overall culture that is led by integrity.

Bribery and/or corruption risk

ING Bank further enhanced its statutory framework in respect of sound and ethical operations, designed to prevent bribery and/or corruption in whatever way, e.g. in the form of conflicts of interest. Bad press related to client related corruption is an intrinsic part of ING Bank's Customer Due Diligence/Know Your Customer process.

Regulator relationships

The Bank Compliance Risk Management function continued its policy of investing in pro-active relationship building with regulators in the jurisdictions where ING Bank operates, by striving for an open two-way approach to communication and cooperation in identifying and mitigating compliance risks for ING Bank as well as seeking to contribute to the regulatory debate going forward.

Review processes for setting benchmark rates

In 2015 ING Bank has reviewed its internal processes for contributing to setting various benchmark rates. Possible irregularities have been investigated and remedial actions have been taken. ING Bank is cooperating with information requests and/or investigations of regulators and other authorities concerning ING Bank's contribution to setting various benchmark rates. It is at this moment not possible to assess whether ING Bank will be subject to monetary or other penalties, or the amount and nature thereof if they should arise.

Non-Financial Risk Awareness

Promoting Integrity Programme

The Promoting Integrity Programme was started in 2010 and is an innovative programme consisting of e-learning modules on key bank-wide topics and follow-up dialogue sessions in which managers discuss the issues raised with their teams. The programme is sponsored by board members and senior managers and is created to ensure that every employee in every part of ING Bank understands how their actions and behaviour can help earn and retain customer and stakeholder trust. The modules consist of several case studies and real life examples which require staff to think about various aspects of the issue. Each module also includes a statement from a senior manager. The topics covered in 2015 were:

- *Everything Matters*
  The module focuses on various everyday risks, stressing that even small, often overlooked items can lead to larger issues. It addresses topics such as clean desk, user access, information barriers, physical security, data tapping, conflicts of interest and Foreign Account Tax Compliance Act (FATCA); and
- *Integrity Above All*
  This module takes a closer look at integrity, the ING Values and what is expected from every employee to create the right culture to best service our customers and minimise risks. Real examples and dilemmas are used to ask staff to think about what they can do to make a difference. It emphasises the importance of creating a strong risk culture by doing the right things, where risk awareness is ingrained in everything we do.

Learning

Global education and awareness training in the form of e-learning modules was provided on topics such as Financial Economic Crime (FEC), Anti-Bribery and Anti-Corruption, Anti-Competitive Conduct (Competition Law) and Fraud and Security. Furthermore, there were end of year campaigns for anti-bribery and anti-corruption to strengthen awareness.

Classroom sessions were delivered on general non-financial risk awareness for all lines of defence. This included training in introduction programmes for new staff and talent programmes. The international Training on Operational Risk was held for staff in ING Bank worldwide who are new to the ORM function. Compliance Risk Management introduced a new advanced Compliance Officer Training for senior compliance officers in ING Bank worldwide. Classroom trainings and workshops were held on Scenario Analysis in both the Netherlands and Belgium as well as webinars at basic and advanced levels.

In addition, regular global calls and webcasts were organised on various subjects to provide advice and clarification to non-financial risk staff and provide the opportunity to ask questions.

Business Risk

Business Risk for ING Bank has been defined as the exposure to value loss due to fluctuations in volumes/margins, expenses as well as the impact of customer behaviour risk. It is the risk inherent to strategy decisions and internal efficiency. The calculation of business risk capital is done by calculation of two components that are combined to one business risk figure via the variance-covariance methodology:

1. Expense risk covers the risk that expenses will deviate from the expected expenses over the horizon of the relevant activities. This risk primarily relates to the (in)flexibility to adjust expenses, when that is needed. Expense risk only concerns non-financial expenses (e.g. staff and IT expenses); financial expenses are not in scope; and
2. Customer behaviour risk relates to clients behaving differently than expected and the effect that this behaviour can have on customer deposits and mortgage pre-payments. The customer behaviour risk is calculated by stressing the underlying assumptions in the models for behavioural assets and liabilities.

Governance

The governance and management of Business Risk differs from the risk types that have been describes in the sections before. ING Bank has not developed explicit risk appetite statement regarding business risk nor has it set-up a department that is responsible for managing this risk. The main reason is that the underlying risk types (expense risk, volume-margin risk, and customer behaviour risk) are mitigated and managed in a different way. Expense risk is monitored and managed via the financial performance of the bank and the local units whereby the reported expense numbers are compared on a quarterly basis with the 2017 Ambition of having a cost/income ratio between 50% and 53%. Deviations from this ambition are monitored as part of the financial projections that are discussed continuously within different parts of the organisation. For customer behaviour risk, the management and monitoring of this risk is part of the day-to-day business of the Balance Sheet Risk department. A more extensive explanation of the risk management practices for customer behaviour risk, please refer to the 'Market Risk in Banking Books' section.

Capital management

Objectives

ING Group Capital Management (Capital Management) is responsible for the adequate capitalisation of ING Group and ING Bank entities at all times in order to manage the risk associated with ING's business activities. This involves not only the management, planning and allocation of capital within ING Group and ING Bank, but also the necessary capital market transactions, term (capital) funding and risk management transactions. ING takes an integrated approach to assess the adequacy of its capital position in relation to its risk profile and its operating environment. This implies taking into account the interests of its various stakeholders. Capital Management takes into account the metrics and requirements of regulators, rating agencies and internal risk based metrics such as the Risk Appetite Framework.

ING applies the following main capital definitions:

- Common equity Tier 1 capital, Tier 1 capital and Total capital – Tier 1 capital is defined as shareholders' equity plus Additional Tier 1 (hybrid) capital less regulatory adjustments. Common equity Tier 1, Tier 1 and Total capital divided by risk-weighted assets equal the Common equity Tier 1, Tier 1 and Total capital ratios respectively. Common equity Tier 1 capital is equal to Tier 1 capital excluding Additional Tier 1 (hybrid) capital;
- Common equity Tier 1 Risk Appetite – the solvency risk appetite statement is not only compared to the actual reported level, but also includes the potential impact of a standardised and pre-determined 1-in-10-year stress event (i.e. at a 90% confidence level with a 1-year horizon) as described in the Risk Management section; and
- Overall Capital Requirement (OCR) that is introduced in the Supervisory Review and Evaluation Process (SREP) guidelines. The OCR means that ING Bank's own funds exceeds the sum of the total SREP capital requirement (wherein per risk type the maximum is taken of Regulatory and Economic Capital requirements), capital buffer requirements and macro-prudential requirements.

Developments

In 2015, ING Group further strengthened its capitalisation, reflecting significant progress on ING's restructuring programme as well as strong profitability. The strong capitalisation not only allows us to cope with severe unexpected losses but also to support the real economy by growing our client franchise and pay a healthy dividend to our shareholders.

In 2015, ING has almost completed the divestment of its Insurance activities through multiple transactions. The divestment of Voya Financial Inc. was completed in March 2015 through the sale of 45.6 million shares. INGs stake in NN Group was reduced from 68.1% at year-end 2014 to 25.8% at 31 December 2015 through multiple market transactions in February, May, June and September.

In January 2016 ING Group sold another tranche of NN Group shares, reducing ING Groups stake from 25.8 to 16.2%. In addition, ING settled the exchange of the third and final tranche of EUR 337.5 million mandatory exchangeable subordinated notes which were issued in 2014 as part of the anchor investment in NN Group. This transaction reduced ING's remaining stake in NN Group from 16.2% to 14.1%. ING Group is well on track to sell NN Group by the end of 2016. We will divest our remaining stake in NN Group while maintaining an orderly market.

All net capital flows in 2015 related to the sale of insurance related activities are disclosed in Note 54 'Other events'.

These transactions have had a strong positive impact on ING Group's fully-loaded common equity Tier 1 ratio, reflecting not only the net profit made on selling Voya Financial Inc. shares but also a reversal of capital deductions of significant investments in financial institutions under CRR/CRD IV capital rules. As a result of these transactions and the strong profitability, ING Groups fully-loaded common equity Tier 1 ratio increased to 12.7% at year-end 2015 from 10.5% at 31 December 2014.

ING Group continued to optimise its capital structure by successfully issuing CRD IV eligible Additional Tier 1 securities (AT1 securities) in April 2015. In total USD 2.25 billion of securities were issued in two tranches; USD 1 billion in a non-callable five-year tranche with a coupon of 6% and a USD 1.25 billion in a non-callable 10-year tranche with a coupon 6.5%. These securities were on-lent to ING Bank NV as CRR/CRD IV compliant instruments, partially replacing internal securities.

In June EUR 169 million 4.176% million Group Tier-1 securities were called. In July USD 1.5 bln 7.375% Group Tier 1 securities were called. In addition, ING Group redeemed the remaining outstanding amount of USD 364 million 5.775% Tier 1 securities on its first date call date in December 2015, which was fully on-lent to Bank. As a result, ING Groups fully-loaded total capital ratio (including grandfathered securities) increased from 15.5% at year-end 2014 to 17.4% at 31 December 2015.

At year-end 2015, ING Group received the ECBs decision on the 2015 Supervisory Review Evaluation Process (SREP). The transitional (phased-in) common equity Tier 1 requirement that ING Group has to meet on a consolidated basis in 2016 has been set at 10.25%. This requirement is the sum of (i) 9.5% being the ECB's decision on the 2015 SREP, including the capital conservation buffer, and (ii) 0.75% for the Systemic Risk Buffer (SRB) which has been set separately for Dutch systemic banks by the Dutch Central Bank. The fully-loaded SRB requirement is currently set at 3% for ING Group and phases in over four years, with a final implementation date of 1 January 2019. The impact from countercyclical buffer requirements was insignificant at the start of 2016. With a 12.7% Group common equity Tier 1 ratio as at 31 December 2015, ING is already in compliance with the current fully-loaded requirement of 12.5.

ING Bank's fully-loaded common equity Tier 1 ratio increased from 11.4% at 31 December 2014 to 11.6% at year-end 2015. The increase in capital was driven by EUR 4.7 billion of net profits, which was to a large extent off-set by EUR 2.2 billion dividend up streams from ING Bank to ING Group to support our dividend policy. The merger between ING Vysya Bank and Kotak Mahindra Bank, which was completed on 7 April, had a positive impact on ING Bank's common Equity Tier 1 capital. Over time we expect that the Banks capitalisation will gradually migrate towards Group capital levels. ING Bank decreased Tier 2 capital by redeeming EUR 1.0 billion of non-CRD IV eligible Tier 2 securities in September and EUR 20 million Tier 2 capital in December to align with earlier issued CRD IV securities. As a result, ING Banks fully-loaded total capital ratio (including grandfathered securities) increased from 16.5% at year-end 2014 to 16.6% at 31 December 2015.

Throughout 2015 the regulatory landscape continued to change at an even faster pace. Multiple initiatives were launched on risk-weighted asset harmonisation as well as initiatives to further increase the resilience of the financial sector. As such, the Financial Stability Board finalised its work on Total Loss Absorbing Capital (TLAC), which is a framework for global systemically important banks (G-SIBs). The TLAC standard has been designed so that failing G-SIBs will have sufficient loss-absorbing and recapitalisation capacity available in resolution for authorities to implement an orderly resolution that minimises impacts on financial stability, maintains the continuity of critical functions, and avoids exposing public funds to loss. The TLAC standard defines a minimum requirement for the instruments and liabilities that should be readily available for bail-in within resolution at G-SIBs, but does not limit authorities' powers under the applicable resolution law to expose other liabilities to loss through bail-in or the application of other resolution tools. G-SIBs will be required to meet the TLAC requirement alongside the minimum regulatory requirements set out in the Basel III framework. Specifically, they will be required to meet a Minimum TLAC requirement of at least 16% of the resolution group's risk-weighted assets (TLAC RWA Minimum) as from 1 January 2019 and at least 18% as from 1 January 2022. Minimum TLAC must also be at least 6% of the Basel III leverage ratio denominator (TLAC Leverage Ratio Exposure (LRE) Minimum) as from 1 January 2019, and at least 6.75% as from 1 January 2022. Buffer requirements will come on top of the RWA requirement but not on top of the leverage requirement. In addition, the Single Resolution Board has assumed full power as per 1 January 2016. The work plan for the SRB in 2016 will focus on determining the preferred resolution strategy, the resolution entity and the required amount of Minimum Required Eligble Liabilities (MREL).

Although ING welcomes how much has been accomplished to increase the resilience of the financial sector and ensure that it can continue to reliably play its role in supporting customers and economic developments, ING is also concerned about the scale of regulatory change, the multiple regulatory initiatives being pursued and the lack of clarity regarding the combined impact in the future on the financial sector, on customers and businesses that depend on it. In addition, the increasing divergence of a level playing field in Europe remains a concern for ING. With the harmonization of supervision in Europe through the Single Supervisory Mechanism progressing, we see a convergence of capital requirements as reflected in the published SREP requirements by various banks. At the same time, this trend is inhibited by national competent authorities setting macro-prudential buffers that significantly increase common equity Tier 1 requirements. For example, ING as a global systemically important bank (G-SIB), is required to hold 1% additional common equity Tier 1 capital which is intended to address risks associated with systemically important financial institutions. For example, in some jurisdictions like the Netherlands, a 3% systemic risk buffer is imposed, which exceeds the G-SIB requirement. Since most countries within the SSM have not imposed any macro-prudential buffers beyond the G-SIB buffer, this undermines the level playing field between ING and its peers, particularly within the Eurozone.

Dividend

The Executive Board proposes to pay a total dividend of EUR 2,515 million, or EUR 0.65 per (depositary receipt for an) ordinary share, over the financial year 2015. This is subject to the approval of shareholders at the Annual General Meeting in April 2016. Taking into account the interim dividend of EUR 0.24 per ordinary share that was paid in August 2015, the final dividend will amount to EUR 0.41 per ordinary share and be paid in cash. The total amount of EUR 1,586 million is covered by the remaining balance of 'interim profits not included in CET1 capital' at year-end 2015. ING is committed to maintaining a healthy Group CET1 ratio in excess of prevailing fully-loaded requirements, currently 12.5%, and to returning capital to our shareholders. ING aims to pay a progressive dividend over time.

Dividends from ING Bank to ING Group of EUR 1.0 billion and EUR 1.2 billion, respectively, were paid in May and August 2015 to support our external dividend policy.

Policies

The activities of Capital Management are executed on the basis of established policies, guidelines and procedures. For the Capital Treasury there are additional policies and limits that guide the management of the balance sheets and the execution of capital market transactions.

Processes for managing capital

In addition to measure capital adequacy, Capital Management also ensures that sufficient capital is available through setting targets and limits relevant to the above mentioned metrics for ING Group and ING Bank and ensuring adherence to the set limits and targets through planning and executing capital management transactions. The ongoing assessment and monitoring of capital adequacy is embedded in Capital Management's capital planning process. Following the annual budgeting process, each year a capital plan is prepared for the Group as a whole and each of its material businesses. This plan is updated on a quarterly basis and it is assessed to what extent additional management actions are required. At all times maintaining sufficient financial flexibility should be preserved to meet important financial objectives. At the foundation of the capital plan are ING's risk appetite statements that determine target setting. These constraints are being cascaded to the different businesses in line with our risk management strategy.

Important inputs to the capital planning and management process are provided by stress testing that is performed on a regular basis. These stress tests focus on topical issues and the sensitivity of the Group's capital position to certain risks. These analyses provide input that help to steer strategic direction. Setting policies for recovery planning and resolution are a natural extension of ING's capital management policies and follow ING's risk management framework seamlessly.

Capital adequacy assessment

As at 1 January 2014, the CRR/CRD IV capital rules entered into force. The capital position table reflects own funds according to the Basel III rules as specified in the CRR/CRD IV. As CRD IV will be phased-in gradually until 2019, the table shows the CRD IV positions according to the 2019 end-state rules and the 2015 rules. This makes clear which items phase in directly and which phase in gradually in 2015. ING reports these metrics for ING Group and ING Bank. During 2015, ING Group and ING Bank were adequately capitalised.

ING Group capital position

	(fully-loaded)		(phased-in)	
	2015	2014	2015	2014
Shareholders' equity[1]	47,832	50,424	47,832	50,424
– Deductions of significant investments in financial institutions	-1,389	-14,103	-558	-4,631
– Proposed dividend	-1,586	-470	-1,586	-470
– Other adjustments	-4,069	-4,339	-4,134	-4,780
Regulatory adjustments	-7,044	-18,912	-6,278	-9,881
Available common equity Tier 1 capital	**40,788**	**31,512**	**41,554**	**40,543**
Additional Tier 1 securities[2]	6,574	5,727	6,574	5,727
Regulatory adjustments additional Tier 1	0	0	-1,716	-5,727
Available Tier 1 capital	**47,362**	**37,239**	**46,412**	**40,543**
Supplementary capital Tier 2 bonds[3]	8,570	9,371	8,570	9,371
Regulatory adjustments Tier 2	102	103	-657	-6,081
Available Total capital	**56,034**	**46,713**	**54,325**	**43,834**
Risk weighted assets[4]	321,151	300,758	321,135	300,647
Common equity Tier 1 ratio	12.70%	10.48%	12.94%	13.49%
Tier 1 ratio	14.75%	12.38%	14.45%	13.49%
Total capital ratio	**17.45%**	**15.53%**	**16.92%**	**14.58%**

1 Shareholders' equity (parent), as at 31 December 2014, is not adjusted as a result of the change in the accounting approach for the NN Group Anchor investment transaction.
2 Including EUR 2,061 million is CRR/CRD IV compliant and EUR 5,187 million (2014: EUR 5,727 million) to be replaced as capital recognition is subject to CRR/CRD IV grandfathering rules. This amount is presented net of positions on-lent to Insurance.
3 Including EUR 6,229 million is CRR/CRD IV-compliant and EUR 2,341 million to be replaced as capital recognition is subject to CRR/CRD IV grandfathering rules.
4 The fully-loaded RWA deviated from the phased-in RWA as a result of a slightly higher threshold to which the significant Financial Institutions are risk weighted.

Group capital position: Deductions of significant investments in financial institutions according to CRR/CRD IV

	(fully-loaded)		(phased-in)	
	2015	2014	2015	2014
Shareholders' equity[1]	47,832	50,424	47,832	50,424
Deductions	-5,655	-4,809	-5,720	-5,250
Group's eligible common equity Tier 1 capital before FI deductions	**42,178**	**45,615**	**42,113**	**45,175**
NN Group equity	2,153	13,549	2,153	13,549
Voya equity		1,591		1,591
Bank of Beijing	2,575	2,090	2,575	2,090
Other significant investments	878	1,434	878	1,434
Total significant investments in FIs	**5,607**	**18,664**	**5,607**	**18,664**
10% of Group's common equity Tier 1	-4,218	-4,561	-4,211	-4,517
Total deduction	**1,389**	**14,103**	**1,396**	**14,147**
Deduction common equity Tier 1 capital	1,389	14,103	558	4,631
Deduction Tier 1 capital (cumulative)			977	8,488
Deduction Total capital (cumulative)			1,396	14,147

1 Shareholders' equity (parent), as at 31 December 2014, is not adjusted as a result of the change in the accounting approach for the NN Group Anchor investment transaction.

As per 31 December 2015 the total amount of available distributable items following the CRD IV definition is EUR 36,217 million, slightly higher compared with EUR 35,967 million in 2014.

ING Group available distributable items according to the CRR/CRD IV

	2015	2014[1]
Share premium	16,054	16,046
Other reserve	21,131	21,597
Share of associate reserve	5,715	11,853
Non distributable	-6,832	-13,719
Total	**36,068**	**35,777**
Accrued interest expenses on own fund instruments at year-end	149	190
Distributable items	**36,217**	**35,967**

1 Shareholders' equity (parent), as at 31 December 2014, is not adjusted as a result of the change in the accounting approach for the NN Group Anchor investment transaction.

ING Group's transitional common equity Tier 1 ratio was 12.94% per 31 December 2015, which compares favourably to the regulatory common equity Tier 1 requirement for ING Group of 10.25% as per 1 January 2016. The impact from countercyclical buffer requirements was insignificant at the start of 2016. ING Group had a buffer to maximum distributable amount of EUR 8,638 million or 269 basis points per year-end 2015 versus the 1 January 2016 requirement. This is based on risk-weighted assets of EUR 321,135 million per 31 December 2015.

ING Bank NV capital position according to CRR/CRD IV

	(fully-loaded)		(phased-in)	
	2015	2014	2015	2014
Shareholders' equity	40,857	38,064	40,857	38,064
Regulatory adjustments	-4,022	-4,395	-4,103	-4,808
Available common equity Tier 1 capital	**36,834**	**33,668**	**36,753**	**33,256**
Additional Tier 1 securities[1]	7,248	5,727	7,248	5,727
Regulatory adjustments additional Tier 1	0	0	-1,281	-1,883
Available Tier 1 capital	**44,083**	**39,395**	**42,721**	**37,100**
Supplementary capital Tier 2 bonds[2]	8,570	9,371	8,570	9,371
Regulatory adjustments Tier 2	102	103	-239	-456
Available Total capital	**52,754**	**48,869**	**51,052**	**46,015**
Risk weighted assets[3]	318,202	296,427	318,202	296,319
Common equity Tier 1 ratio	11.58%	11.36%	11.55%	11.22%
Tier 1 ratio	13.85%	13.29%	13.43%	12.52%
Total capital ratio	16.58%	16.49%	16.04%	15.53%

1 Of which EUR 3,531 million (2014: EUR 1,988 million) is CRR/CRD IV compliant and EUR 3,718 million (2014: EUR 3,739 million) to be replaced as capital recognition subject to CRR/CRDIV grandfathering rules. to be replaced as capital recognition is subject to CRR/CRD IV grandfathering rules.
2 Of which EUR 6,229 million (2014: EUR 5,778 million) is CRR/CRD IV-compliant and EUR 2,341 million (2014: EUR 3,593 million) to be replaced as capital recognition is subject to CRR/CRD IV grandfathering rules.
3 The fully-loaded RWA deviated from the phased-in RWA as a result of higher market values, the significant investments in Financial Institutions for the Bank exceeded 10% of CET1 capital. Only the amount up to this limit (which is lower phased-in than fully-loaded) is to be 250% risk weighted, while the excess is deducted.

Regulatory requirements

Capital adequacy and the use of regulatory required capital are based on the guidelines developed by the Basel Committee on Banking Supervision (The Basel Committee) and the European Union Directives, as implemented by the Dutch Central Bank (Dutch Central Bank until 3 November 2014, the ECB thereafter) for supervisory purposes. In 2010 the Basel Committee on Banking Supervision issued new solvency and liquidity requirements, which superseded Basel II. The minimum requirements, excluding buffers, for the common equity Tier 1 ratio is 4.5%, the minimum Tier 1 requirement is 6% and the total capital ratio) is 8% of all risk-weighted assets. Basel III requires Banks to hold a capital of at least 80% of the old Basel I requirements, which was 8% of the RWAs as calculated with the Basel I methodology. This Basel I floor has been extended until the end of 2017.

ICAAP/SREP process

On a yearly basis ING Bank N.V. submits extensive documentation on the Internal Capital Adequacy Assessment Process (ICAAP) to its regulator as prescribed in the CRD IV frameworks. This documentation includes a description of ING's internal capital models, its risk appetite framework, an asset quality analysis and a capital planning, both under normal circumstances and in certain stressed scenarios. This documentation is an important input for the regulator's Supervisory Review and Evaluation Process (SREP) resulting in a letter to ING Management. The SREP is conducted by the ECB and examines on a regular basis ING's internal models and processes. The regulatory 2015 guidance indicated that the minimum capital ratios ECB considers adequate for ING Bank consolidated, ING Group consolidated are sufficiently covered by ING's own capital standards. We understood that the regulatory guidance level for the Group for the phased-in common equity Tier 1 ratio was 10.5% in 2015. For 2016 this requirement is set 10.25%, which is the sum of (i) 9.5% being the ECB's decision on the 2015 Supervisory Review and Evaluation Process (SREP), including the capital conservation buffer, and (ii) 0.75% for the Systemic Risk Buffer (SRB) which has been set separately for Dutch systemic banks by the Dutch Central Bank. The impact from countercyclical buffer requirements was insignificant at the start of 2016. The fully-loaded SRB requirement is currently set at 3% for ING Group and phases in over four years to 2019. With a 12.7% Group CET1 ratio as at 31 December 2015, ING is already in compliance with the current fully-loaded requirement of 12.5%.

Capital adequacy Group

ING Group reports to the Dutch Central Bank as required under the Dutch implementation of the financial conglomerate directive (FICO). The directive covers risk concentrations in the group, intra-group transactions and an assessment of the capital adequacy of the Group. The Financial Conglomerates Directive aims at the supplementary supervision of regulated entities that form part of a financial conglomerate, i.e. groups with licenses in both the banking and the insurance sector, by focusing on potential risks of double gearing (multiple use of capital) and on 'group risks' (the risks of contagion, management complexity, risk concentration, and conflicts of interest). ING has been assigned the status of FICO since it was a group comprising of both Banking and Insurance activities. Through the divestment of our Insurance activities and the introduction of the CRR/CRDIV, the disclosure of the FICO ratio has become less relevant and to measure capital adequacy, we believe CRR/CRD IV is the more appropriate way to look at adequate capitalisation. Therefore, ING will no longer publish the FICO ratio externally.

Main credit ratings of ING at 31 December 2015

	Standard & Poor's		Moody's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
ING Groep N.V.						
– long-term	A-	Stable	Baa1	Stable	A	Stable
ING Bank N.V.						
– long-term	A	Stable	A1	Stable	A	Stable
– short-term	A-1		P-1		F1	

ING's key credit ratings and outlook are shown in the table above. Each of these ratings reflects only the view of the applicable rating agency at the time the rating was issued, and any explanation of the significance of a rating may be obtained only from the rating agency.

A security rating is not a recommendation to buy, sell or hold securities and each rating should be evaluated independently of any other rating. There is no assurance that any credit rating will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the rating agency if, in the rating agency's judgment, circumstances so warrant. ING accepts no responsibility for the accuracy or reliability of the ratings.

Authorisation of Annual Accounts

Amsterdam, 29 February 2016

The Supervisory Board

J. (Jeroen) van der Veer, *chairman*
H.J.M. (Hermann-Josef) Lamberti, *vice-chairman*
E.F.C.B. (Eric) Boyer de la Giroday
H.W. (Henk) Breukink
I. (Isabel) Martín Castellá
M. (Mariana) Gheorghe
J.C.L. (Joost) Kuiper
R.W.P. (Robert) Reibestein

The Executive Board

R.A.J.G. (Ralph) Hamers, *CEO and chairman*
P.G. (Patrick) Flynn, *CFO*
W.F. (Wilfred) Nagel, *CRO*

Parent company balance sheet

as at 31 December before appropriation of result

in EUR million	2015	2014
Assets		
Investments in group companies 1	41,017	51,735
Investments in associates and joint ventures 2	2,153	
Other assets 3	17,529	13,757
Total assets	**60,699**	**65,492**
Equity 4		
Share capital	928	925
Share premium	16,054	16,046
Revaluation reserves	-8	39
Legal and statutory reserves	5,717	11,351
Other reserves[1]	21,131	21,732
Unappropriated result	4,010	1,251
Total equity	**47,832**	**51,344**
Liabilities		
Subordinated loans 5	8,643	8,096
Other liabilities[1] 6	4,224	6,052
Total liabilities	**12,867**	**14,148**
Total equity and liabilities	**60,699**	**65,492**

1 Other reserves and Other liabilities, as at 31 December 2014, are adjusted as a result of the change in the accounting approach for the NN Group Anchor investment transaction. Reference is made to the ING Group Consolidated annual accounts, Note 1 'Accounting policies' for information on the Change in accounting approach NN Group Anchor investment transaction.

References relate to the accompanying notes. These form an integral part of the parent company annual accounts.

Parent company profit and loss account

for the years ended 31 December

in EUR million	2015	2014
Result of group companies, associates and joint ventures after taxation	5,185	3,380
Other results after taxation	-1,175	-2,129
Net result	**4,010**	**1,251**

Parent company statement of changes in equity

in EUR million	Share capital	Share premium	Revaluation reserves	Legal and Statutory reserves	Other reserves	Unap-propriated result	Total
Balance as at 1 January 2015	925	16,046	39	11,351	21,732	1,251	51,344
Remeasurement of the net defined benefit asset/liability				34			34
Unrealised revaluations property in own use				35			35
Unrealised revaluations available-for-sale investments and other				–528			–528
Realised gains/losses transferred to profit and loss account			–77	–17			–94
Changes in cash flow hedge reserve			30	–745			–715
Transfer to insurance liabilities/DAC				609			609
Exchange rate differences and other				1,662			1,662
Total amount recognised directly in equity			**–47**	**1,050**			**1,003**
Net result						4,010	4,010
			–47	**1,050**		**4,010**	**5,013**
Impact of partial divestment of NN Group				–1,484	–285		–1,769
Impact of deconsolidation of NN Group				–5,432	87		–5,345
Coupon on Undated subordinated notes					–19		–19
Dividends					–1,393		–1,393
Transfer from Unappropriated result					1,251	–1,251	
Purchases/sales of treasury shares				10	18		28
Employee stock option and share plans	3	8			23		34
Changes in the composition of the group and other changes				222	–283		–61
Balance as at 31 December 2015	**928**	**16,054**	**–8**	**5,717**	**21,131**	**4,010**	**47,832**

Changes in individual components are presented in Note 4 'Equity'.

Parent company statement of changes in equity - continued

in EUR million	Share capital	Share premium	Non-voting equity securities	Revaluation reserves	Legal and Statutory reserves	Other reserves[1]	Unap-propriated result	Total
Balance as at 1 January 2014	921	16,038	1,500	-62	1,977	23,357	3,545	47,276
Remeasurement of the net defined benefit asset/liability					-254			-254
Unrealised revaluations property in own use					-30			-30
Unrealised revaluations available-for-sale investments and other				77	5,450			5,527
Realised gains/losses transferred to profit and loss account					-133			-133
Changes in cash flow hedge reserve				24	1,977			2,001
Transfer to insurance liabilities/DAC					-1,428			-1,428
Exchange rate differences and other					486	1,897		2,383
Total amount recognised directly in equity				**101**	**6,068**	**1,897**		**8,066**
Net result							1,251	1,251
				101	**6,068**	**1,897**	**1,251**	**9,317**
Transfer to share of associates and joint ventures reserve					-180	180		
Transfer from Unappropriated result						3,545	-3,545	
Repayment of non-voting equity securities			-1,500					-1,500
Repurchase premium						-750		-750
Impact of deconsolidation of Voya					67	20		87
Impact of IPO NN Group[1]						-3,251		-3,251
Purchases/sales of treasury shares						-14		-14
Employee stock option and share plans	4	8				10		22
Changes in the composition of the group and other changes[1]					3,419	-3,262		157
Balance as at 31 December 2014	**925**	**16,046**	**-**	**39**	**11,351**	**21,732**	**1,251**	**51,344**

1 Impact of IPO NN Group and Changes in composition of the group and other changes are adjusted as a result of the change in the accounting approach for the NN Group Anchor investment transaction.

Reference is made to the ING Group Consolidated annual accounts, Note 1 'Accounting policies' for information on the Change in acccounting approach NN Group Anchor investment transaction.

Accounting policies for the parent company annual accounts

for the years ended 31 December

Basis of presentation

The parent company accounts of ING Groep N.V. are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. In accordance with subsection 8 of section 362, Book 2 of the Dutch Civil Code, the recognition and measurement principles applied in these Parent company accounts are the same as those applied in the Consolidated annual accounts, reference is made to Note 1 'Accounting policies' of the Consolidated annual accounts. Investments in group companies are accounted for in the Parent company accounts according to the equity method.

The profit and loss account is drawn up in accordance with Section 402, Book 2 of the Dutch Civil Code.

A list containing the information referred to in Section 379 (1), Book 2 of the Dutch Civil Code has been filed with the office of the Commercial Register of Amsterdam, in accordance with Section 379 (5), Book 2 of the Dutch Civil Code.

The total amount of equity in the parent company annual accounts equals Shareholders' equity (parent) in the consolidated annual accounts. Certain components within equity are different, as a result of the following presentation differences between the parent company accounts and consolidated accounts:

- Unrealised revaluations within consolidated group companies, presented in the Revaluation reserve in the consolidated accounts, are presented in the Share of associates and joint ventures reserve in the parent company accounts;
- Foreign currency translation on consolidated group companies, presented in the Currency translation reserve in the consolidated accounts, is presented in the Share of associates and joint ventures reserve in the parent company accounts; and
- Revaluations on investment property and certain participations recognised in income and consequently presented in Retained earnings in the consolidated accounts, is presented in the Share of associates and joint ventures reserve in the parent company accounts.

In 2015, ING changed the presentation of the components of equity. Revaluation reserves related to the parent company, previously presented as part of Other reserves, are now separately presented on the Parent company balance sheet and the Parent company statement of changes in equity. The line 'Legal reserves' is renamed to 'Legal and statutory reserves' and comprises the 'Share of associates and joint ventures reserve' and the 'Currency translation reserve'. The net defined benefit asset/liability remeasurement reserve related to pension plans of subsidiaries, previously presented as part of Other reserves, is now included in 'Legal and statutory reserves – Share of associates and joint ventures reserve'. The changed presentation improves transparency of disclosures on the legal reserves and the non-distributable reserves. The 2014 comparatives were adjusted accordingly.

Additionally in 2015, Total equity and Other liabilities, as at 31 December 2014, are adjusted. For further information, reference is made to the ING Group Consolidated annual accounts, Note 1 'Accounting policies' for information on the Change in accounting approach NN Group Anchor investment transaction and the Parent company annual accounts, Note 4 'Equity' and Note 6 'Other liabilities'.

A legal reserve is carried at an amount equal to the share in the results of associates and joint ventures since their first inclusion at net asset value less the amount of profit distributions to which rights have accrued in the interim. Profit distributions which can be repatriated to the Netherlands without restriction are likewise deducted from the Share of associates and joint ventures reserve.

Notes to the parent company annual accounts

amounts in millions of euros, unless stated otherwise

1 Investments in group companies

Investments in group companies

	2015		2014	
	Interest held (%)	Balance sheet value	Interest held (%)	Balance sheet value
ING Bank	100%	40,857	100%	38,064
NN Group			68%	13,549
Other		160		122
		41,017		**51,735**

Effective 1 March 2014, ING Topholding N.V. legally merged with its 100% subsidiary ING Verzekeringen N.V. The merged entity was renamed NN Group N.V.

Other includes certain intercompany eliminations.

Changes in investments in group companies

	2015	2014
Opening balance	51,735	52,495
(Partial) Disposals of group companies	-14,493	-11,163
Revaluations	818	7,714
Result of group companies	5,185	3,380
Capital contribution	82	850
Dividend	-2,282	-1,541
	41,045	**51,735**
Changes in ING Groep N.V. shares held by group companies	-28	
Closing balance	**41,017**	**51,735**

In 2015, Disposal of group companies includes the further divestment of ING's stake in NN Group, resulting in loss of control and deconsolidation of NN Group in May 2015. As at 31 December 2015, the remaining interest in NN Group is 25.75% and is included in 'Investments in associates and joint ventures'. Reference is made to Note 2 'Investments in associates and joint ventures'.

In 2014, Disposal of group companies included the further divestment in Voya resulting in the loss of control over Voya. The 18.9% remaining interest in Voya was included in 'Other assets' as an available-for-sale equity investment. Reference is made to Note 3 'Other assets'.

2 Investments in associates and joint ventures

Investments in associates and joint ventures

2015	Interest held (%)	Balance sheet value
NN Group	25.75%	2,153
		2,153

Changes in investments in associates and joint ventures

	2015	2014
Opening balance	-	
Additions	3,612	
Disposals	-1,459	
Closing balance	**2,153**	**–**

In 2015, Additions represent the fair value of the investment retained in NN Group at deconsolidation. Further divestments of ING Group's shareholding in NN Group, subsequent to deconsolidation, is included in Disposals. As at 31 December 2015, Investments in associates and joint ventures represents the remaining interest in NN Group of 25.75%. The investment is measured at the lower of the carrying value and the fair value less cost to sell. Reference is made to the Consolidated annual accounts, Note 54 'Other events'.

3 Other assets

Other assets

	2015	2014
Receivables from group companies	16,116	11,609
Available-for-sale equity investment in Voya Financial Inc.		1,591
Other receivables, prepayments and accruals	1,413	557
	17,529	**13,757**

In 2014, Voya was deconsolidated following the loss of control. ING's remaining interest in Voya of 18.9% is included as an available-for-sale equity investment in Other assets.

As at 31 December 2015 an amount of EUR 9,495 million (2014: EUR 7,153 million) is expected to be settled after more than one year from the balance sheet date.

4 Equity

Equity

	2015	2014
Share capital	928	925
Share premium	16,054	16,046
Revaluation reserves	-8	39
Legal and statutory reserves	5,717	11,351
Other reserves[1]	21,131	21,732
Unappropriated result	4,010	1,251
Total equity	**47,832**	**51,344**

1 Other reserves, as at 31 December 2014, is adjusted as a result of the change in accounting approach for the NN Group Anchor investment transaction (page 116).

In 2015, ING Group changed its accounting approach in relation to the NN Group Anchor investment transaction. Total equity, as at 31 December 2014, was adjusted by EUR 920 million from EUR 50,424 million to EUR 51,344 million in the line item Other reserves. Reference is made to the ING Group Consolidated annual accounts, Note 1 'Accounting policies' for information on the Change in accounting approach NN Group Anchor investment transaction and the Parent company annual accounts, Note 4 'Equity' – Other reserves and Note 6 'Other liabilities'.

Share capital

	Ordinary shares (par value EUR 0.24)			
	Number x 1,000		Amount	
	2015	2014	2015	2014
Authorised share capital	14,500,000	14,500,000	3,480	3,480
Unissued share capital	10,629,817	10,641,138	2,552	2,555
Issued share capital	**3,870,183**	**3,858,862**	**928**	**925**

Changes in issued share capital

	Ordinary shares (par value EUR 0.24)	
	Number x 1,000	Amount
Issued share capital as at 1 January 2014	3,840,894	921
Issue of shares	17,968	4
Issued share capital as at 31 December 2014	**3,858,862**	**925**
Issue of shares	11,321	3
Issued share capital as at 31 December 2015	**3,870,183**	**928**

In 2015, ING Groep N.V. issued 11.3 million (2014: 18.0 million) (depositary receipts for) ordinary shares at par value in order to fund obligations arising from share-based employee incentive programmes.

Changes in revaluation reserves

2015	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	77	-38	39
Realised gains/losses transferred to profit and loss account	-77		-77
Changes in cash flow hedge reserve		30	30
Closing balance	**–**	**–8**	**–8**

The decrease in the Available-for-sale reserve relates to the divestment of Voya in March 2015. Reference is made to the ING Group Consolidated annual accounts, Note 54 'Other events'.

Changes in revaluation reserves

2014	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance		-62	-62
Unrealised revaluations	77		77
Realised gains/losses transferred to profit and loss account			
Changes in cash flow hedge reserve		24	24
Closing balance	**77**	**–38**	**39**

Changes in legal and statutory reserves

2015	Share of associates and joint ventures reserve	Currency translation reserve	Total
Opening balance	11,348	3	11,351
Unrealised revaluations property in own use	38		38
Unrealised revaluations available-for-sale investments and other	1,190		1,190
Realised gains/losses transferred to profit and loss account	-17		-17
Changes in cash flow hedge reserve	-95		-95
Transfer to insurance liabilities/DAC	-254		-254
Changes in net defined benefit asset/liability remeasurement reserve	18		18
Impact of partial divestment of NN Group	-1,484		-1,484
Impact of deconsolidation of NN Group	-5,432		-5,432
Exchange rate differences and other	177	-1	176
Changes in composition of the group and other changes	226		226
Closing balance	**5,715**	**2**	**5,717**

Changes in legal and statutory reserves

2014	Share of associates and joint ventures reserve	Currency translation reserve	Total
Opening balance	3,407	-1,430	1,977
Unrealised revaluations property in own use	-28		-28
Unrealised revaluations available-for-sale investments and other	7,554		7,554
Realised gains/losses transferred to profit and loss account	-133		-133
Changes in cash flow hedge reserve	3,077		3,077
Transfer to insurance liabilities/DAC	-2,658		-2,658
Transfer to retained earnings	-180		-180
Changes in net defined benefit asset/liability remeasurement reserve	-281		-281
Impact of deconsolidation of Voya	-414	481	67
Impact of IPO NN Group	-1,897		-1,897
Exchange rate differences and other	450	-16	434
Changes in composition of the group and other changes	2,451	968	3,419
Closing balance	**11,348**	**3**	**11,351**

The Share of associates and joint ventures reserve includes the following components: Reserve for non-distributable retained earnings of associates and joint ventures of EUR 1,733 million (2014: EUR 1,483 million), Revaluation reserve of associates and joint ventures of EUR 4,288 million (2014: EUR 11,853 million) and Net defined benefit asset/liability remeasurement reserve of EUR -306 million (2014: EUR -504 million).

As at 31 December 2015, the Share of associates and joint ventures reserve includes an amount of EUR 1,201 million (2014: EUR 1,070 million) related to the former Stichting Regio Bank and the former Stichting Vakbondsspaarbank SPN that cannot be freely distributed.

Changes in the value of hedging instruments that are designated as net investment hedges, are included in the line Exchange rate differences and other.

Changes in other reserves

2015	Retained earnings	Treasury shares	Total
Opening balance	21,778	-46	21,732
Changes in treasury shares		18	18
Transfer from Unappropriated result	1,251		1,251
Employee stock option and share plans	23		23
Impact of partial divestments of NN Group	-285		-285
Dividends	-1,393		-1,393
Coupon on Undated subordinated notes	-19		-19
Changes in the composition of the group and other changes	-196		-196
Closing balance	**21,159**	**-28**	**21,131**

Changes in other reserves

2014	Retained earnings	Treasury shares	Total
Opening balance	23,389	-32	23,357
Changes in treasury shares		-14	-14
Transfer to share of associates and joint ventures reserve	180		180
Transfer from Unappropriated result	3,545		3,545
Employee stock option and share plans	10		10
Repurchase premium	-750		-750
Impact of IPO NN Group[1]	-3,251		-3,251
Impact of deconsolidation Voya	20		20
Changes in the composition of the group and other changes[1]	-1,365		-1,365
Closing balance	**21,778**	**-46**	**21,732**

1 Impact of IPO NN Group and Changes in composition of the group and other changes are adjusted, against Retained earnings, as a result of the change in accounting approach for the NN Group Anchor investment transaction (page 116).

Impact of IPO NN Group related to the IPO of NN Group in July 2014. In 2015, ING Group changed its accounting approach in relation to the NN Group Anchor investment transaction. The line item Impact of IPO NN Group was adjusted by EUR 1,012 to EUR -3,251 million as a result of the reversal of the provision previously recognised directly in equity. The amount comprised the expected loss, at the time of the IPO of NN Group, on settlement of the two remaining tranches of mandatorily exchangeable notes in NN Group shares. As at 31 December 2014, the expected loss had decreased by EUR 92 million. The reversal of this decrease was adjusted in the line item Changes in composition of the group and other changes, resulting in a net adjustment to Other reserves of EUR 920 million. Reference is made to the ING Group Consolidated annual accounts, Note 1 'Accounting policies' - Change in accounting approach NN Group Anchor investment transaction and the Parent company annual accounts Note 6 'Other liabilities'.

The reserve for cash flow hedges is included in the Share of associates and joint ventures reserve on a net basis. The Revaluation reserve, Share of associates and joint ventures reserve and Currency translation reserve cannot be freely distributed. Retained earnings can be freely distributed, except for an amount equal to the negative balance in each of the components of the Revaluation reserve, Share of associates and joint ventures reserve and the Currency translation reserve. Unrealised gains and losses on derivatives, other than those used in cash flow hedges, are presented in the profit and loss account and are therefore part of Retained earnings and are not included in Share of associates and joint ventures reserve.

The total amount of non-distributable reserves, in accordance with the financial reporting requirements per Part 9 of Book 2 of the Dutch Civil Code, is EUR 6,832 million (2014: EUR 13,719 million).

Reference is made to Note 13 'Equity' and the Capital Management section in the consolidated annual accounts for additional information, including restrictions with respect to dividend and repayment of capital

Change in treasury shares

	Amount		Number	
	2015	2014	2015	2014
Opening balance	46	32	4,302,122	3,994,055
Purchased/sold	-28	6	-2,810,775	351,252
Share-based payments			-27,322	-43,185
Other		8		
Closing balance	**18**	**46**	**1,464,025**	**4,302,122**

5 Subordinated loans

Subordinated loans

Interest rate	Year of issue	Due date	Notional amount in original currency		Balance sheet value 2015	Balance sheet value 2014
6.500%	2015	Perpetual	USD	1,250	1,139	
6.000%	2015	Perpetual	USD	1,000	912	
4.000%	2014	Anchor investors[1]	EUR	1,125	338	675
9.000%	2008	Perpetual	EUR	10	10	10
7.375%	2007	Perpetual	USD	1,500		1,232
6.375%	2007	Perpetual	USD	1,045	960	860
5.140%	2006	Perpetual	GBP	66	90	85
5.775%	2005	Perpetual	USD	364		301
6.125%	2005	Perpetual	USD	700	635	574
4.176%	2005	Perpetual	EUR	169		169
Variable	2004	Perpetual	EUR	555	568	559
6.200%	2003	Perpetual	USD	500	454	409
Variable	2003	Perpetual	EUR	430	428	429
7.200%	2002	Perpetual	USD	1,100	1,004	899
7.050%	2002	Perpetual	USD	800	727	659
Variable	2000	31 December 2030	USD	1,500	1,378	1,235
					8,643	**8,096**

1 Reference is made to the ING Group Consolidated annual accounts, Note 14 'Subordinated loans - Subordinated notes – Anchor investors'.

The Subordinated loans rank subordinated to the Other liabilities in a winding-up of ING Group.

6 Other liabilities

Other liabilities by type

	2015	2014
Debenture loans	3,733	5,397
Amounts owed to group companies	85	72
Other amounts owed and accrued liabilities[1]	186	527
Derivatives from group companies	220	56
	4,224	**6,052**

1 Other liabilities – Other amounts owed and accrued liabilities, as at 31 December 2014, is adjusted as a result of the changes in accounting approach for the NN Group Anchor investment transaction (page 116).

In 2015, ING Group changed its accounting approach in relation to the NN Group Anchor investment transaction which resulted in an adjustment of EUR 920 million to Other liabilities – Other amounts owed and accrued liabilities, as at 31 December 2014 from EUR 1,447 million to EUR 527 million. The adjustment comprised the reversal of the provision previously recognised for expected losses on settlement of the two remaining tranches of mandatorily exchangeable notes into NN Group shares. Reference is made to the ING Group Consolidated annual accounts Note 1 'Accounting policies' - Change in accounting approach NN Group Anchor investment transaction and the Parent company annual accounts, Note 4 'Equity'.

Debenture loans				
Interest rate	Year of issue	Due date	2015	2014
Variable	2013	27 February 2015		999
4.125%	2011	23 March 2015		653
4.699%	2007	1 June 2035	151	118
4.750%	2007	31 May 2017	1,833	1,880
Variable	2006	11 April 2016	1,000	999
4.125%	2006	11 April 2016	749	748
			3,733	**5,397**

The number of debentures held by group companies as at 31 December 2015 is 0 with a balance sheet value of nil (2014: 268,920 with a balance sheet value of EUR 28 million).

Amounts owed to group companies by remaining term		
	2015	2014
Within 1 year	85	72
	85	**72**

The interest rate on the Amounts owed to group companies as at 31 December 2015 is 0.0% (2014: 0.0%).

Other amounts owed and accrued liabilities are payable within one year.

Derivatives from group companies by remaining term		
	2015	2014
Within 1 year	12	56
More than 5 years	208	56
	220	**56**

7 Other

Fees for audit and non-audit services

Reference is made to the ING Group Consolidated annual accounts, Note 29 'Other operating expenses' for disclosures related to fees for audit and non-audit services.

Guarantees

ING Group has issued certain guarantees as participant in collective arrangements of national banking funds and as a participant in required collective guarantee schemes. For example, ING Groep N.V. provided a guarantee to the German Deposit Guarantee Fund ('Einlagensicherungsfonds' or 'ESF') under section 5 (10) of the by-laws of this fund, where ING Groep N.V. indemnifies the Association of German Banks Berlin against any losses it might incur as result of actions taken with respect to ING Germany. The ESF is a voluntary collective guarantee scheme for retail savings and deposits in excess of EUR 100,000.

As at 31 December 2015, ING Groep N.V. guarantees various US dollar debentures (that mature between 2023 and 2036) which were issued by a subsidiary of Voya Financial Inc. In the Shareholder's agreement between ING Groep N.V. and Voya Financial Inc. it is agreed that the aggregate outstanding principal amount of the debentures will be reduced from EUR 436 million as at 31 December 2015 (2014: EUR 417 million) to no more than EUR 276 million as at 31 December 2016, no more than EUR 184 million as at 31 December 2017, no more than EUR 92 million at 31 December 2018 and zero at 31 December 2019.

Per the Shareholder's agreement, the decrease in the aggregate outstanding principal shall be deemed to have been reduced to the extent of collateral deposited by Voya Financial Inc. As at 31 December 2015, USD 77 million was pledged to ING Groep N.V. as collateral.

Fiscal unity

ING Groep N.V. forms a fiscal unity with several Dutch banking entities for corporation tax purposes. ING Groep N.V. and its banking subsidiaries that form part of the fiscal unity are jointly and severally liable for taxation payable by the fiscal unity.

Remuneration of Senior Management, Executive Board and Supervisory Board

The information on share-based payment plans and remuneration of the members of the Executive Board and the Supervisory Board is included in the Consolidated annual accounts. Reference is made to Note 52 'Related parties' (page 247 up to and including page 249).

Authorisation of Parent Company Annual Accounts

Amsterdam, 29 February 2016

The Supervisory Board

J. (Jeroen) van der Veer, *chairman*
H.J.M. (Hermann-Josef) Lamberti, *vice-chairman*
E.F.C.B. (Eric) Boyer de la Giroday
H.W. (Henk) Breukink
I. (Isabel) Martín Castellá
M. (Mariana) Gheorghe
J.C.L. (Joost) Kuiper
R.W.P. (Robert) Reibestein

The Executive Board

R.A.J.G. (Ralph) Hamers, *CEO and chairman*
P.G. (Patrick) Flynn, *CFO*
W.F. (Wilfred) Nagel, *CRO*

Independent auditor's report

To: to the Shareholders of ING Groep N.V.

Report on the audit of the annual accounts

Our opinion

We have audited the accompanying annual accounts 2015 of ING Groep N.V., Amsterdam ('ING Group') as set out on pages 103 to 348.

In our opinion:

- the consolidated annual accounts give a true and fair view of the financial position of ING Group as at 31 December 2015, and of its result and its cash flows for 2015 in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.
- the company annual accounts give a true and fair view of the financial position of ING Group as at 31 December 2015, and of its result for 2015 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The annual accounts include ING Group's consolidated annual accounts and the parent company annual accounts. The consolidated annual accounts comprise the consolidated balance sheet as at 31 December 2015, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity for 2015 and the notes comprising a summary of the significant accounting policies and other explanatory information. The parent company annual accounts comprise the parent company balance sheet as at 31 December 2015, the parent company profit and loss account, the parent company statement of changes in equity for 2015 and the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the annual accounts' of our report.

We are independent of ING Group within the meaning of the relevant Dutch ethical requirements as included in the 'Verordening op de gedrags- en beroepsregels accountants' (VGBA) and the 'Verordening inzake de onafhankelijkheid van accountants' (ViO) and have fulfilled our other responsibilities under those ethical requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgement we determined materiality for the annual accounts as a whole at EUR 280 million. Materiality is based on 5% of the result before tax from continuing operations, adjusted for unusual items. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the annual accounts for qualitative reasons.

We agreed with the Supervisory Board that unadjusted misstatements in excess of EUR 10 million, which are identified during the audit, are reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

ING Group is head of a group of entities. The financial information of this group is included in the consolidated annual accounts of ING Group. ING Group is structured along the segments: Retail Netherlands, Retail Belgium, Retail Germany, Retail Other, Wholesale Banking and Corporate Line Banking, each comprising of multiple entities and covering different countries.

We are responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for the reporting units based on their size and / or the risk profile.

Following our assessment of the risk of material misstatement to ING Group's annual accounts, we have selected 33 reporting units which represent the principal business units within ING Group's reportable segments and account for approximately 92% of ING Group's total assets and approximately 95% of ING Group's profit before tax. 15 reporting units required an audit of the complete financial information, either due to their overall size or risk profile. Specific audit procedures on certain balances and transactions were performed for 18 reporting units. We have used the work of mostly other EY auditors when auditing these reporting units in and outside the Netherlands.

The ING Group engagement team executed a program of planned visits and regular communication that has been designed to ensure that the audit progress and findings for each of the in-scope locations were discussed between the ING Group engagement team and the EY component team. This gave us appropriate audit evidence regarding the financial information of ING Group as a whole to provide a basis for our opinion on the consolidated annual accounts.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the consolidated annual accounts as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Divestments NN Group *(see page 115)*

In 2015, ING Group further reduced its stake in NN Group NV ('NN Group') in multiple tranches to ultimately 25.8%. This led to the loss of control and deconsolidation of NN Group in May 2015. The deconsolidation resulted in an after tax loss of EUR 1.2 billion. As at 31 December 2015 the carrying value, after subsequent sales of shares in June and September 2015, was EUR 2.2 billion. The remaining investment is accounted for as an Held for Sale associate and Discontinued Operations.

The impact of the NN Group divestments on the annual accounts of ING Group is significant. In addition, judgement has been applied in determining when control of NN Group was lost. We have challenged ING's assessment of control over NN Group as per May 2015 and considered guidance included in IFRS 10 in this regard. Per year-end, the share price of NN Group was above the fair value upon deconsolidation (EUR 25.46 per share), and hence ING has concluded that no impairment is needed. We assessed and tested the impairment assessment through comparison with NN Group's listed stock price.

As further discussed in Note 1, ING has amended the accounting for certain aspects of the 'anchor investment transaction' undertaken in connection with the July, 2014 IPO of NN Group.

The impact of the amendment of the accounting for the 'anchor investment transaction' on the 2015 consolidated annual accounts of ING Group is significant. When assessing the materiality of the impact, judgement has been applied. ING concluded that the impact of the amendment was material to the 2015 result from discontinuing operations. The assessment resulted in the IAS 8 based conclusion to change the comparative 2014 figures as included in the 2015 consolidated annual accounts. We have tested management's assumptions in this regard and independently re-performed the materiality assessment. Finally we have assessed and verified the IFRS-EU accounting treatment of each divestment transaction as well as the amendment of the accounting for the 'anchor investment transaction' by involving IFRS-EU specialists. See Note 54 to the 2015 consolidated annual accounts for full details of the NN Group divestments including the amended accounting for the 'anchor investment transaction'.

ING also re-evaluated the effectiveness of its internal control over the financial reporting and concluded the accounting for specific transactions with a high degree of complexity will require enhanced documentation, review and dialogue regarding alternative considerations and policy judgements. We assessed and tested the design and operating effectiveness of the controls over the accounting and related disclosures for divestments and other complex transactions.

Loan Loss Provisions *(see page 143)*

The appropriateness of loan loss provisions is a key area of judgement for management. The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. The use of different modelling techniques and assumptions could produce significantly different estimates of loan loss provisions. Associated risk management disclosure is complex and dependent on high quality data. Specific ING Group portfolios of focus included the SME lending portfolios in Belgium and the Netherlands and the lending portfolios with loans to large corporates in Russia and Ukraine.

We assessed and tested the design and operating effectiveness of the controls over individual and collective impairment calculations including the quality of underlying data and systems. For loan loss provisions calculated on an individual basis we tested the assumptions underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default. This included taking into consideration the impact of forbearance. For loan loss provisions calculated on a collective basis we tested, supported by our specialists, the underlying models including the model approval and validation process. We also tested the appropriateness and accuracy of the inputs to those models, such as recovery and cure rates, and where available, compared data and assumptions made to external benchmarks. Finally we assessed and tested the design and operating effectiveness of the controls over related disclosures including forbearance and cover values.

Fair values of financial instruments and hedge accounting *(see page 209)*

Fair value measurement, hedge accounting and associated valuation adjustments can be a subjective area and more so for areas of the market reliant on model based valuation or with weak liquidity and price discovery. Also, considering the current low interest rate environment, existing prepayment models could lose their predictive value required for the hedge accounting applied. Valuation techniques and models used can be subjective in nature and involve various assumptions regarding pricing and pre-payment behaviour. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value and/or hedge effectiveness. Associated risk management disclosure is complex and dependent on high quality data. Specific areas of focus include the valuation of financial instruments with high estimation uncertainty for which observable market prices or market parameters are not available.

We assessed and tested the design and operating effectiveness of the controls over valuation, independent price verification, hedge accounting and model approval. We performed additional procedures for areas of higher risk and estimation with the assistance of our valuation specialists. This included a challenge of pre-payment assumptions made for hedge accounting and, where relevant, comparison of judgements made to current and emerging market practice and re-performance of valuations on a sample basis. We also assessed the impact of other sources of fair value information including collateral disputes and gains or losses on disposal. Finally we assessed and tested the design and operating effectiveness of the controls over related disclosures including valuation sensitivity and fair value hierarchy.

Reliability and continuity of electronic data processing *(see page 324)*

ING Group is dependent on the IT-infrastructure for the continuity of their business processes. In the last few years, investments were made in the improvement of IT- systems and processes. As part of our audit procedures we tested IT- security, change and application controls embedded in ING Group's key processes. In addition we assessed the impact of changes during the year either from ongoing internal restructuring initiatives or from external factors such as regulatory developments.

We assessed the reliability and continuity of electronic data processing only to the extent necessary within the scope of the audit of the annual accounts. Our work consisted of assessing the developments in the IT infrastructure and analysing the impact on the IT-organisation.

Responsibilities of the Executive Board and Supervisory Board for the annual accounts

The Executive Board is responsible for the preparation and fair presentation of these annual accounts in accordance with IFRS-EU and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as it determines is necessary to enable the preparation of the annual accounts that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the annual accounts, the Executive Board is responsible for assessing ING Group's ability to continue its activities. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the annual accounts using the going concern basis of accounting unless management either intends to liquidate ING Group or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on ING Group's ability to continue as a going concern in the annual accounts.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the annual accounts

Our responsibility is to plan and perform the audit assignment to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the annual accounts, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ING Group's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ING Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause ING Group ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the annual accounts, including the disclosures; and
- Evaluating whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Report on other legal and regulatory requirements

Report on the Report of the Executive Board and other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the Report of the Executive Board and other information):

- We have no deficiencies to report as a result of our examination whether the Report of the Executive Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the Report of the Executive Board, to the extent we can assess, is consistent with the annual accounts.

Engagement

We have been appointed as auditors for the audit of the 2015 annual accounts of ING Group at the annual meeting held on 12 May 2014 and have been the external auditor for a long time. The most recent rotation of the signing external auditor on the audit of the ING Group annual accounts was in 2012. Rotation of the signing external auditor is one of our safeguards to maintain our auditor independence.

Amsterdam, 29 February 2016

Ernst & Young Accountants LLP

M.A. van Loo

Proposed appropriation of result and Subsequent events

Proposed appropriation of result

The result is appropriated pursuant to Article 37 of the Articles of Association of ING Groep N.V., the relevant stipulations of which state that the Executive Board, subject to the approval of the Supervisory Board, determines what part of the result is to be appropriated to reserves and that the remaining part of the result shall be at the disposal of the General Meeting of Shareholders.

For 2015, the Executive Board, with the approval of the Supervisory Board, has proposed a cash dividend of EUR 0.65 per ordinary share of EUR 0.24. In August 2015, an interim dividend of EUR 0.24 per ordinary share of EUR 0.24 was paid. Therefore, a final dividend of EUR 0.41 per ordinary share remains. The final dividend will be paid entirely in cash after ratification of the proposal by the General Meeting of Shareholders.

Proposed appropriation of result

	2015
Net result	4,010
Addition to reserves pursuant to Article 37 (4) of the Articles of Association	1,495
At the disposal of the General Meeting of Shareholders pursuant to Article 37 (5) of the Articles of Association	**2,515**
Dividend of EUR 0.65 per ordinary share	2,515

Subsequent events

There are no subsequent events to report. In Note 54 'Other events' of the ING Group Consolidated annual accounts, some events of 2016 are included for information purposes.

Risk factors

Any of the risks described below could have a material adverse effect on the business activities, financial condition, results of operations and prospects of ING. The market price of ING shares could decline due to any of the following risks, and investors could lose all or part of their investments. Additional risks of which the Company is not presently aware could also affect the business operations of ING and have a material adverse effect on ING's business activities, financial condition, results of operations and prospects. In addition, the business of a multinational, broad-based financial services firm such as ING is inherently exposed to risks that only become apparent with the benefit of hindsight. The sequence in which the risk factors are presented below is not indicative of their likelihood of occurrence or the potential magnitude of their financial consequences.

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

Because we are a financial services company conducting business on a global basis, our revenues and earnings are affected by the volatility and strength of the economic, business, liquidity, funding and capital markets environments specific to the geographic regions in which we conduct business. The ongoing turbulence and volatility of such factors have adversely affected, and may continue to adversely affect, the profitability , solvency and liquidity of our business.
Factors such as interest rates, securities prices, credit spreads, liquidity spreads, exchange rates, consumer spending, changes in client behaviour, business investment, real estate values and private equity valuations, government spending, inflation or deflation, the volatility and strength of the capital markets, political events and trends, and terrorism 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. In an economic downturn characterised by higher unemployment, lower family income, lower corporate earnings, higher corporate and private debt defaults, lower business investments and lower consumer spending, the demand for banking products is usually adversely affected and ING's reserves and provisions typically would increase, resulting in overall lower earnings. Securities prices, real estate values and private equity valuations may also be adversely impacted, and any such losses would be realised through profit and loss and shareholders' equity. We also offer a number of financial products that expose us to risks associated with fluctuations in interest rates, securities prices, corporate and private default rates, the value of real estate assets, exchange rates and credit spreads. See also '—Interest rate volatility and other interest rate changes may adversely affect our profitability', '—Continued risk of resurgence of turbulence and ongoing volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, our business, financial condition and results of operations', and '—Market conditions observed over the past few years may increase the risk of loans being impaired. We are exposed to declining property values on the collateral supporting residential and commercial real estate lending' below.

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:
- reserve and provisions inadequacies, which 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 net results;
- movements in risk weighted assets for the determination of required capital;
- changes in credit valuation adjustments and debt valuation adjustments; and/or
- additional costs related to maintenance of higher liquidity buffers and/or collateral placements.

Shareholders' equity and our net result may be significantly impacted by turmoil and volatility in the worldwide financial markets. Negative developments in financial markets and/or economies may have a material adverse impact on shareholders' equity and net result in future periods, including as a result of the potential consequences listed above. See '—Continued risk of resurgence of turbulence and ongoing volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, our business, financial condition and results of operations' and '— 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' below.

Adverse capital and credit market conditions may impact our ability to access liquidity and capital, as well as the cost of liquidity, credit and capital.
The capital and credit markets have continued to experience substantial volatility and disruption over the past few years. Adverse capital market conditions may affect the availability and cost of borrowed funds, thereby impacting our ability to support and/or grow our businesses.

We need liquidity 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 stockholders' equity.

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. 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, including in relation to the ongoing European sovereign debt crisis, 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 of operations, financial condition, cash flows, regulatory capital and rating agency capital position could be materially adversely affected by disruptions in the financial markets.

In the course of 2008 and 2009, governments around the world, including the Dutch government, implemented unprecedented measures to provide assistance to financial institutions, in certain cases requiring (indirect) influence on or changes to governance and remuneration practices. In certain cases, governments nationalised companies or parts thereof. The measures adopted in the Netherlands include both emergency funding and capital reinforcement, and a Dutch Credit Guarantee Scheme. The liquidity and capital reinforcement measures expired on 10 October 2009, and the Credit Guarantee Scheme of the Netherlands expired on 31 December 2010. Our participation in certain of these measures has resulted in certain material restrictions on us, including those required by the European Commission ('EC') as part of our Restructuring Plan. See 'Risks Related to the Restructuring Plan — The implementation of the Restructuring Plan and the divestments in connection with that plan will alter and have already significantly altered the size and structure of the Group and involve significant costs and uncertainties that could materially impact the Group'. The Restructuring Plan, as well as any potential future transactions with the Dutch State or any other government, if any, or actions by such government regarding ING could adversely impact the position or rights of shareholders, bondholders, customers or creditors and our results, operations, solvency, liquidity and governance.

We are subject to the jurisdiction of a variety of banking regulatory bodies, some of which have proposed regulatory changes in recent years that, if implemented, would hinder our ability to manage our liquidity in a centralised manner. Furthermore, regulatory liquidity requirements in certain jurisdictions in which we operate are generally becoming more stringent, including those forming part of the 'Basel III' requirements discussed further below under '—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', undermining our efforts to maintain this 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, which is an essential element of our Restructuring Plan.

The default of a major market participant could disrupt the markets.

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. Such distress of, or default by, an influential financial institution could disrupt markets or clearance and settlement systems and lead to a chain of defaults by other financial institutions because the commercial and financial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of a sovereign or 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 have a material adverse effect on our ability to raise new funding and on our business, financial condition, results of operations, liquidity, solvency position and/or prospects. In addition, such distress or failure could impact future product sales as a potential result of reduced confidence in the financial services industry.

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.
We are subject to detailed banking laws and government regulation in the jurisdictions in which we conduct business. Regulatory agencies have broad administrative power 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 European Union ('EU'), the United States ('U.S.') 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, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures.

In light of current conditions in the global financial markets and the global economy, regulators around the world have increased their focus on the regulation of the financial services industry. Most of the principal markets where we conduct our business have adopted, or are currently in the implementation phase of, major legislative and/or regulatory initiatives in response to the financial crisis. Governmental and regulatory authorities in the Netherlands, Germany, Belgium, the United Kingdom, the EU, the U.S. and elsewhere have implemented, or are in the process of implementing measures to increase regulatory control in their respective financial markets and financial services sectors, including, among others, in the areas of prudential rules, liquidity and capital requirements, executive compensation, crisis and contingency management, bank taxes and financial reporting. Additionally, governmental and regulatory authorities in the Netherlands, in the EU as well as in a multitude of jurisdictions where we conduct our business continue to consider new mechanisms to limit the occurrence and/or severity of future economic crises (including proposals to restrict the size of financial institutions operating in their jurisdictions and/or the scope of operations of such institutions). Furthermore, we are subject to different tax regulations in each of the jurisdictions where we conduct business. Changes in tax laws could increase our taxes and our effective tax rates. Legislative changes 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 of operations and financial condition. One such change relates to the current debate in the U.S. over corporate tax reform for multinational corporations and corporate tax rates. Changes in tax laws could also make certain ING products less attractive, which could have adverse consequences for our businesses and results.

In addition, the International Accounting Standards Board ('IASB') has issued and proposed certain amendments to several International Financial Reporting Standards ('IFRS') standards during the course of 2012 and 2013, whose changes include a package of amendments to the accounting requirements for financial instruments announced in November 2013. These amendments introduced a new hedge accounting model addressing the so-called 'own credit' issue that was already included in IFRS 9 Financial Instruments. As of July 2014, IFRS 9 replaced IAS 39, the accounting standard heavily criticised in the wake of the financial crisis, for annual periods beginning on or after 1 January 2018, with early adoption permitted. Such changes could also have a material impact on our reported results and financial condition, as well as on how ING manages its business, internal controls and disclosure.

Compliance with applicable laws and regulations is time-consuming and personnel-intensive, and changes in laws and regulations may materially increase costs. We expect the scope and extent of regulation in the jurisdictions in which we conduct our business, as well as regulatory oversight and supervision, to generally continue to increase. However, we cannot predict whether or when future legislative or regulatory actions may be taken, or what impact, if any, actions taken to date or in the future could have on our business, results of operations and financial condition. Regulation is becoming increasingly more extensive and complex and the industries in which we operate are increasingly coming under the scrutiny of regulators, and affected companies, including ING, are required to meet the demands, which often necessitate additional resources. These regulations can limit our activities, among others, through stricter net capital, customer protection and market conduct requirements and restrictions on businesses in which we can operate or invest.

Despite our efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, 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 of operations 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.

Basel III and CRD IV

In December 2010, the Basel Committee on Banking Supervision ('Basel Committee') announced higher global minimum capital standards for banks and 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, will, among other requirements, increase the amount of common equity required to be held by subject banking institutions, prescribe the amount of liquid assets and the long-term funding a subject banking institution must hold at any given moment and limit leverage. Banks will be required to hold a 'capital conservation buffer' to withstand future periods of stress such that the total Tier 1 common equity ratio, when fully phased in on 1 January 2019, will rise to 7%. Basel III also introduced a 'countercyclical buffer' as an extension of the capital conservation buffer, which would allow 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 definition of capital that will have the effect of disqualifying many hybrid securities, including those issued by the Group, from inclusion in regulatory capital, as well as the higher capital requirements for trading, derivative and securitisation activities as part of a number of reforms to the Basel II framework. In addition, the Basel Committee and the Financial Stability Board ('FSB') published measures in October 2011 that would have 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') and so-called 'Global' SIFIs ('G-SIFIs'), in addition to the Basel III requirements otherwise applicable to most financial institutions. In particular in November 2015 the FSB published 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. The implementation of these measures began in 2012, and full implementation is targeted for 2019, with the TLAC requirements to apply from 2019 on. ING Bank was designated by the Basel Committee and the FSB as one of the global systemically important banks ('G-SIBs'), forming part of the G-SIFIs, in 2011, 2012, 2013, 2014 and 2015, and by the Dutch Central Bank (De Nederlandsche Bank N.V., 'DNB') and the Dutch Ministry of Finance as a domestic SIFI in November 2011. The Basel III proposals and their potential impact are monitored via semi-annual monitoring exercises in which ING Bank participates. As a result of such monitoring exercises and ongoing discussions within the regulatory environment, revisions have been made to the original Basel III proposals as was the case with the revised Liquidity Coverage Ratio in January 2013 and the revised Net Stable Funding Ratio and Leverage Ratio in January 2014. It remains to be seen whether further amendments to the 2010 framework and standards will be made by the Basel Committee in the coming years. For European banks, the Basel III requirements were implemented through the so-called Capital Requirements Regulation and Capital Requirements Directive IV ('CRD IV Regulation' and 'CRD IV Directive', respectively), which were adopted by the EC in June 2013 following approval by the European Parliament in April 2013. The CRD IV Regulation entered into force on 28 June 2013 and the CRD IV Directive on 17 July 2013, and all banks and investment firms in the EU (as opposed to the scope of the Basel III requirements, which apply to 'internationally active banks') were required to apply the new rules from 1 January 2014 in phases, with full implementation by 1 January 2019. While the full impact of these rules, and any additional requirements for SIFIs or G-SIFIs, if and as applicable to the Group, will depend on how the CRD IV Directive has been transposed into national laws in each Member State, including the extent to which national regulators and supervisors have set more stringent limits and additional capital requirements or surcharges. As next phase in regulatory requirements for banks' risk and capital management, the regulators are focusing on the required capital calculations across banks. Since the start of the financial crisis there has been much debate on the risk-weighted capitalisation of banks, and specifically on whether internal models are appropriate for such purposes. These developments have suggested that stricter rules may be applied by a later framework. The Basel Committee on Banking Supervision (BCBS) released several consultative papers, containing proposals to change the methodologies for the calculation of capital requirements. Within these proposals BCBS suggests methods to calculate RWA using more standardised or simpler methods in order to achieve greater comparability, transparency and consistency. These proposals will likely impact the capital requirements for currently reported exposures (e.g. credit risk via revised standardised RWA floor) but may also lead to new capital requirements (e.g. proposals to enhance Interest Rate Risk in Banking Book). The current proposals, as well as on the economic and financial environment at the time of implementation and beyond, can have a material impact on ING's operations and financial condition and they may require the Group to seek additional capital.

Single Supervisory Mechanism

In November 2014, the European Central Bank ('ECB') assumed responsibility for a significant part of the prudential supervision of banks in the Eurozone, including ING Bank, following a year-long preparatory phase which included an in-depth comprehensive assessment of the resilience and balance sheets of the biggest banks in the Eurozone. ING Bank was among the seven Dutch institutions covered by the assessment (out of 130 institutions overall). While the ECB has assumed the supervisory tasks conferred on it by the Single Supervisory Mechanism ('SSM') Regulation, the DNB will still continue to play a big role in the supervision of ING Group and ING Bank. The SSM has created a new system of financial supervision for countries within the Eurozone, with the possibility of non-Eurozone Member States participating by means of close cooperation. The SSM has caused a significant change for ING Bank and ING Group. For example, in its first year, the SSM caused an increase in quantitative supervision. Finally, although the SSM has brought improvement, banks in the Eurozone could benefit from further alignment on an operational level.

Dodd-Frank Act

On 21 July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act ('Dodd-Frank' or 'Dodd-Frank Act') was signed into law in the U.S. The Dodd-Frank Act effects comprehensive changes to the regulation of financial services in the U.S. and has implications for non-U.S. financial institutions with a U.S. presence or that transact with U.S. counterparties, such as ING. Dodd-Frank directs existing and newly created government agencies and bodies to perform studies and promulgate a multitude of regulations implementing the law, many of which are in place. Due to the extended period over which regulations are being implemented, we cannot predict with certainty how Dodd-Frank and such regulations will affect the financial markets generally and impact the Group's business, credit rating, results of operations, cash flows or financial condition or liquidity. Key aspects of Dodd- Frank that we have identified to date as possibly having an impact on the Group include:

Title VII of Dodd-Frank creates a new framework for regulation of the over-the-counter derivatives markets and certain market participants which could affect various activities of the Group and its subsidiaries. ING Capital Markets LLC, a wholly-owned indirect subsidiary of ING Bank N.V., has registered with the Commodity Futures Trading Commission ('CFTC') as a swap dealer. The CFTC and the Prudential Regulators recently adopted margin requirements on uncleared swaps, which will begin to come into effect later in 2016. The SEC will in the future adopt regulations establishing margin requirements for uncleared security-based swaps and the CFTC will adopt capital requirements for swap dealers. Other regulatory requirements include business conduct rules imposed on swap dealers and requirements that most swaps be centrally executed on regulated trading facilities and cleared through regulated clearing houses. In addition, new position limits requirements for market participants that may be contained in final regulations to be adopted by the CFTC could limit the scope of hedging activity that is permitted for commercial end users, as well as the trading activity of speculators, limiting their ability to utilize certain of our products. All of the foregoing areas of regulation of the derivative markets and market participants will likely result in increased cost 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. In addition, the imposition of these regulatory restrictions and requirements, could result in reduced market liquidity, which could in turn increase market volatility and the risks and costs of hedging and other trading activities.

Pursuant to requirements of the Dodd-Frank Act, the SEC and CFTC are currently considering whether stable value contracts should be regulated as 'swap' derivative contracts. In the event that stable value contracts become subject to such regulation, certain aspects of our business could be adversely impacted, including issuance of stable value contracts and management of assets pursuant to stable value mandates.

Dodd-Frank established the Consumer Financial Protection Bureau ('CFPB') as an independent agency within the Federal Reserve to regulate consumer financial products and services offered primarily for personal, family or household purposes. The CFPB has significant authority to implement and enforce federal consumer financial laws, including the new protections established under Dodd- Frank, as well as the authority to identify and prohibit unfair, deceptive and abusive acts and practices. In addition, the CFPB has broad supervisory, examination and enforcement authority over certain consumer products, such as mortgage lending. Insurance products and services are not within the CFPB's general jurisdiction, and broker-dealers and investment advisers are not subject to the CFPB's jurisdiction when acting in their registered capacity.

On 10 December 2013, various federal agencies approved a final rule implementing Section 619 of Dodd-Frank, commonly referred to as the 'Volcker Rule' and which places limitations and restrictions on the ability of U.S. FDIC insured depository institutions and non-U.S. banks with branches or agencies in the U.S. that become subject to the U.S. Bank Holding Company Act, as well as their affiliates, to engage in certain proprietary trading or sponsor and invest in private equity and hedge funds. As a general matter, such organisations have until July of 2017 to comply with the prohibition on certain fund activities and until July of 2015 to comply with the proprietary trading prohibitions. In the event that we or one of our affiliates becomes subject to the Volcker Rule, our investment activities could be so restricted. It is expected that we will experience significant additional compliance and operational costs and may be prohibited from engaging in certain activities we currently conduct if the Volcker Rule becomes applicable to us and our affiliates.

For instance, ING Group's wholly owned subsidiary, ING Bank, may from time to time consider whether to establish a branch office in the U.S. If ING Bank were to establish a U.S. branch, we would be subject to supervision and regulation by the Federal Reserve under various laws and various restrictions on our activities under those laws, including the Bank Holding Company Act of 1956, as amended, and the International Banking Act of 1978, and, as a consequence, such supervision and regulation, including such restrictions on activities could materially impact our operations. These would include, among others, the Volcker Rule and heightened supervisory requirements and prudential standards. Dodd-Frank also includes various securities law reforms that may affect the Group's business practices and the liabilities and/or exposures associated therewith, including a provision intended to authorise the SEC to impose on broker-dealers' fiduciary duties to their customers, as applied to investment advisers under existing law, which new standard could potentially expose certain of ING's U.S. broker-dealers to increased risk of SEC enforcement actions and liability. In 2011, the SEC staff released a study on this issue, and members of the SEC's Investor Advisory Committee voted in November 2013 to recommend the proposal implementing a uniform fiduciary standard for most brokers and registered investment advisers to the SEC.

Although the full impact of Dodd-Frank and its implementing regulations cannot be determined at this time, many of their requirements have had and will continue to have profound and/or adverse consequences for the financial services industry, including for us. Dodd-Frank could make it more expensive for us to conduct business, require us to make changes to our business model or satisfy increased capital requirements, subject us to greater regulatory scrutiny or to potential increases in whistleblower claims in light of the increased awards available to whistleblowers under Dodd-Frank and have a material effect on our results of operations or financial condition.

Foreign Account Tax Compliance Act

Under the Foreign Account Tax Compliance Act ('FATCA'), U.S. federal tax legislation passed in 2010, a 30% withholding tax will be imposed on 'withholdable payments' made to non-U.S. financial institutions (including non-U.S. investment funds and certain other non-U.S. financial entities) that fail (or, in some cases, that have 50% affiliates which are also non-U.S. financial institutions that fail) to provide certain information regarding their U.S. account holders and/or certain U.S. investors (such U.S. account holders and U.S. investors, 'U.S. account holders') to the U.S. Internal Revenue Service ('IRS'). For non-U.S. financial institutions that fail to comply, this withholding will generally apply without regard to whether the beneficial owner of a withholdable payment is a U.S. person or would otherwise be entitled to an exemption from U.S. federal withholding tax. 'Withholdable payments' generally include, among other items, payments of U.S.-source interest and dividends and the gross proceeds from the sale or other disposition of property that may produce U.S.-source interest and dividends. Furthermore, FATCA may also impose withholding on non-U.S. source payments by non-U.S. financial institutions that comply with FATCA to non-U.S. financial institutions that fail to comply with FATCA. Withholding pursuant to FATCA will take effect on a 'phased' schedule, which started in July 2014 with respect to U.S.-source payments and will start no earlier than January 2019 with respect to non-U.S. source payments by non-U.S. financial institutions. In general, non-publicly traded debt and equity interests in investment vehicles will be treated as 'accounts' and subject to these reporting requirements. In addition, certain insurance policies and annuities are considered accounts for these purposes.

Many countries, including the Netherlands, have entered into, and other countries are expected to enter into, agreements ('intergovernmental agreements' or 'IGAs') with the United States to facilitate the type of information reporting required under FATCA. While the existence of IGAs does not eliminate the risk of the withholding described above, these agreements are expected to reduce that risk for financial institutions and investors in countries that have entered into IGAs. IGAs will often require financial institutions in those countries to report information on their U.S. account holders to the taxing authorities of those countries, who will then pass the information to the IRS.

The Group closely monitors all present and new legislation that is or will be applicable for its organisation, and is currently investigating all implications of FATCA and legislation of countries that have entered into IGAs. While investigating these implications, the Group is and will be in close contact with all of its stakeholders, including its peers and financial industry representative organisations.

The Group intends to take all necessary steps to comply with FATCA (including entering into such agreements with the U.S. tax authorities as may be required), in accordance with the time frame set by the U.S. tax authorities. However, if the Group cannot enter into such agreements or satisfy the requirements thereunder (including as a result of local laws in non-IGA countries prohibiting information-sharing with the IRS, as a result of contracts or local laws prohibiting withholding on certain payments to account holders or other investors, or as a result of the failure of account holders or other investors to provide requested information), certain payments to the Group may be subject to withholding under FATCA. The possibility of such withholding and the need for account holders and investors to provide certain information may adversely affect the sales of certain of the Group's products. In addition, (i) entering into agreements with the IRS and (ii) compliance with the terms of such agreements and with FATCA any regulations or other guidance promulgated thereunder or any legislation promulgated under an IGA may substantially increase the Group's compliance costs. Because legislation and regulations implementing FATCA and the IGAs remain under development, the future impact of this law on the Group is uncertain.

Common Reporting Standard

Similarly, the Organisation for Economic Cooperation and Development ('OECD') has developed a Common Reporting Standard ('CRS') and model competent authority agreement to enable the multilateral and automatic exchange of financial account information. The CRS will require financial institutions to identify and report the tax residency and account details of non-resident customers to the relevant authorities in jurisdictions adhering to CRS. As of 21 December 2015, 78 jurisdictions, including the Netherlands, have signed a multilateral competent authority agreement to automatically exchange information pursuant to the CRS. The majority of countries where ING has a presence has committed to CRS. The EU has made CRS mandatory for all its member states. The first information exchange by the Netherlands (as for most of the signatories) will start in September 2017.

Bank Recovery and Resolution Regimes

In June 2012, the 'Intervention Act' (Wet bijzondere maatregelen financiële ondernemingen) came into force in the Netherlands, with retroactive effect from 20 January 2012. The Intervention Act mainly amends the Dutch Financial Supervision Act and the Dutch Insolvency Act and allows Dutch authorities to take certain actions when banks and insurers fail and cannot be wound up under ordinary insolvency rules due to concerns regarding the stability of the overall financial system. It is composed of two categories of measures. The first category of measures can be applied if a bank or insurer experiences serious financial problems and includes measures related to the timely and efficient liquidation of failing banks and insurers. This set gives the DNB the power to transfer customer deposits (only in the case of banks), assets and/or liabilities other than deposits and issued shares of an entity to third parties or to a bridge bank if the DNB deems that, in respect of the relevant bank or insurance company, there are signs of an adverse development with respect to its funds, solvency, liquidity or technical provisions and it can be reasonably foreseen that such development will not be sufficiently or timely reversed. The DNB was also granted the power to influence the internal decision-making of failing institutions through the appointment of an 'undisclosed administrator'. The second category of measures can be applied if the stability of the financial system is in serious and immediate danger as a result of the situation of a Dutch financial institution and includes measures intended to safeguard the stability of the financial system as a whole. This set of measures grants the authority to the Minister of Finance to take immediate measures or proceed to expropriation of assets of or shares in the capital of failing financial institutions.

The Intervention Act also includes measures that limit the ability of counterparties to exercise their rights after any of the measures mentioned above has been put into place, with certain exceptions. Within the context of the resolution tools provided in the Intervention Act, holders of debt securities of a bank subject to resolution could also be affected by issuer substitution or replacement, transfer of debt, expropriation, modification of terms and/or suspension or termination of listings.

In addition to the Intervention Act, and partly amending it, on 26 November 2015 the 'Act on implementing the European framework for the recovery and resolution of banks and Investment firms' (*Implementatiewet Europees kader voor herstel en afwikkeling van banken en beleggingsondernemingen*) came into force, implementing the 'Bank Recovery and Resolution Directive' ('BRRD'). The BRRD came into effect on 2 July 2014. It includes, among other things, the obligation for institutions to draw up a recovery plan and for resolution authorities in the Member States to draw up a resolution plan, the resolution authorities' power to take early intervention measures and the establishment of a European system of financing arrangements. The BRRD confers extensive resolution powers to the resolution authorities, including the power to require the sale of (part of a) business, to establish a bridge institution, to separate assets and to take bail-in measures. The stated aim of the Bank Recovery and Resolution Directive is to provide 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.

The powers granted to resolution authorities under the BRRD include, among others, the introduction of a statutory 'write-down and conversion' power and a 'bail-in' power, which gives the relevant Dutch resolution authority the power to (i) cancel existing shares and/or dilute existing shareholders by converting relevant capital instruments or eligible liabilities into shares of the surviving entity, (ii) amend or alter the maturity date and interest payment date and interest amount of debt-instrument, including by suspending payment for a temporary period and (iii) cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include certain securities that have been or will be issued by ING) of a failing financial institution and/or to convert certain debt claims (which could include certain securities that have been or will be issued by ING) into another security, including ordinary shares of the surviving group entity, if any.

In addition to a 'write-down and conversion' power and a 'bail-in' power, the powers currently proposed to be granted to the resolution authority under the BRRD include the two categories of measures introduced by the Intervention Act, as described above. In addition, the BRRD stipulates, among the broader powers to be granted to the relevant resolution authority, that it will confer powers to the relevant resolution authority to amend the maturity date and/or any interest payment date of debt instruments or other eligible liabilities of the relevant financial institution and/or impose a temporary suspension of payments.

Many of the rules implementing the BRRD are contained in detailed technical and implementing rules, the exact text of which is subject to agreement and adoption by the relevant EU legislative institutions. Therefore, for some rules, there remains, uncertainty regarding the ultimate nature and scope of these resolution powers and, when implemented, how they would affect us and the securities that have been issued or will be issued by us. Accordingly, it is not yet possible to assess the full impact of the BRRD on ING and on holders of any securities issued or to be issued by ING, and there can be no assurance that, once it is fully implemented, the manner in which it is applied or the taking of any actions by the relevant Dutch resolution authority contemplated in the BRRD would not adversely affect the rights of holders of the securities issued or to be issued by ING, the price or value of an investment in such securities and/or ING's ability to satisfy its obligations under such securities.

Finally, as part of the move towards a full banking union, on 19 August 2014, the Single Resolution Mechanism ('SRM') came into effect, with the aim to have a Single Resolution Board ('SRB') to be responsible for key decisions on how a bank subject to SSM supervision is to be resolved if a bank has irreversible financial difficulties and cannot be wound up under normal insolvency proceedings without destabilizing the financial system. The SRB is a key element of the SRM and will be the European resolution authority for the Banking Union and will be fully operational, with a complete set of resolution powers, from 1 January 2016 on. The SRB will work in close cooperation with the national resolution authorities such as the Dutch resolution authority. The SRB will also be in charge of the Single Resolution Fund, a pool of money financed by the banking sector which will be set up to ensure that medium-term funding support is available while a credit institution is being restructured.

There are certain differences between the provisions of the Intervention Act, the BRRD and the SRM Regulation, which may further bring future changes to the law. We are unable to predict what specific effects the Intervention Act and the implementation of the BRRD and the entry into force of the SRM Regulation may have on the financial system generally, our counterparties, holders of securities issued by or to be issued by us, or on us, our operations or our financial position.

ING has set up an all-encompassing recovery plan to ensure the bank's readiness and decisiveness to tackle financial crises on its own. Effective since 2012, the plan is updated annually to make sure it stays fit for purpose. The completeness, quality and credibility of the updated plan is assessed annually by ING's regulators. Since 2012, ING has diligently worked together with the different resolution authorities to determine a resolution strategy and to identify potential impediments to resolution. This resulted in a first resolution assessment that was shared with the FSB and the preparation of a transitional resolution plan by the Single Resolution Board (SRB).

Financial Stability Board

In addition to the adoption of the foregoing measures, regulators and lawmakers around the world are actively reviewing the causes of the financial crisis and exploring steps to avoid similar problems in the future. In many respects, this work is being led by the FSB, consisting of representatives of national financial authorities of the G20 nations. The G20 and the FSB have issued a series of papers and recommendations intended to produce significant changes in how financial companies, particularly companies that are members of large and complex financial groups, should be regulated. These proposals address such issues as financial group supervision, capital and solvency standards, systemic economic risk, corporate governance, including executive compensation, and a host of related issues associated with responses to the financial crisis. One of the proposals is a common international standard on Total Loss-Absorbing Capacity ('TLAC') for global systemically important banks ('G-SIBs'), and proposals were finalized in November 2015. The key requirement mandates G-SIBs to hold long-term debt that can be written down or converted into equity in the event that a G-SIB is put into liquidation, thereby providing a specific means of absorbing losses and recapitalising the G-SIB. The numbers are significant with the minimum standard requiring a G-SIB to hold TLAC of at least 16% of risk weighted assets and at least 6% of the leverage ratio denominator from 1 January 2019, and at least 18% and 6.75% respectively from 1 January 2022 on.

Additional Governmental Measures

Governments in the Netherlands and abroad have also intervened over the past few years on an unprecedented scale, responding to stresses experienced in the global financial markets. Some of the measures adopted subject us and other institutions for which they were designed to additional restrictions, oversight or costs. Restrictions related to the Core Tier 1 Securities and the Illiquid Asset Back-up Facility ('IABF') (together, the 'Dutch State Transactions') and the Restructuring Plan are further described in Note 53 'Transactions with the Dutch State and the European Commission Restructuring Plan' to the consolidated financial statements of ING Group.

In February 2013, the EC adopted a proposal setting out the details of a financial transaction tax ('FTT'), following an original proposal of September 2011, to be levied on transactions in financial instruments by financial institutions if at least one of the parties to the transaction is located 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 FFT-Zone. 11 Member States envisaged participating in the FTT but following Estonia's withdrawal in December 2015, only 10 wish to proceed (Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain). The initial proposal foresaw the FTT for the 11 participating Member States entering into effect on 1 January 2014, which would have then required us to pay a tax on transactions in financial instruments with parties (including Group affiliates) located in such FTT-zone. On 6 May 2014, the Economic and Financial Affairs Council noted that 10 out of the then 11 original participating Member States had proposed implementation of the FTT in two stages (Slovenia was not party to that declaration), the earliest stage to be implemented from 1 January 2016. However, agreement has not yet been reached on certain key issues, so implementation was not possible by this date, and in December 2015 a joint statement was issued by several participating Member States indicating an intention to make decisions on the remaining open issues by the end of June 2016. The FTT remains subject to negotiation between the participating Member States and the legality and scope of the proposal is uncertain. It may be further altered prior to implementation. Additional Member States may decide to participate and/or certain of the participating Member States may decide to withdraw (as Estonia did). The implementation date of any FTT will thus depend on the future approval by participating Member States and the European Council, consultation of other EU institutions, and the subsequent transposition into local law. Depending on its final form, the introduction of an FTT in the Netherlands or outside the Netherlands could have a substantial adverse effect on ING's business and results.

As of 1 October 2012, banks that are active in the Netherlands are subject to bank tax pursuant to a tax regulation that also includes measures to moderate bonuses awarded to executives at such banks. This tax results in increased taxes on ING's banking operations, which could negatively impact our operations, financial condition and liquidity.

Additional Tier 1 Securities
In April 2015, ING issued USD 2.25 billion of Additional Tier 1 securities ('AT1 Securities'). ING may issue additional AT1 Securities, or other instruments with similar terms (also known as contingent convertible bonds or 'cocos'), in the future. The Dutch parliament adopted Article 29a of the Dutch Corporate Income Tax Act of 1969 (Wet op de vennootschapsbelasting 1969) in 2015 to provide debt treatment of securities similar to the AT1 Securities for the purpose of Dutch corporate income tax (25% rate) and (indirectly) dividend withholding tax purposes (15% non-grossed up rate). The interest payment obligation for the year 2015 in respect of the AT1 Securities is EUR 90 million. For 2015, that amount was treated by ING as a deductible interest expense for Dutch corporate income tax purposes and as exempt for Dutch dividend withholding tax purposes. However, there is a risk that the European Commission will take the view, and that court would uphold such view if contested, that the tax deductibility of interest payments on the AT1 Securities is in contravention of the European Commission's temporary state aid rules for assessing public support to financial institutions during the crisis (the 'Revised State Aid Guidelines'). The Revised State Aid Guidelines provide for strengthened burden-sharing requirements, which require banks with capital needs to obtain shareholders' and subordinated debt holders' contributions before resorting to certain state aid measures. If a determination were made that deduction of interest payments on AT1 Securities and other similar securities, including those ING may issue in the future, is inconsistent with the Revised State Aid Guidelines, amounts ING would have to pay to the Dutch State with respect to interest payments that have previously been treated as an expense for Dutch corporate income tax purposes and that have been paid free of withholding taxes could be substantial, in particular if ING is unable to redeem the securities (e.g. for the year 2015, the total amount of payment in this respect could be EUR 38 million excluding interest). The terms of the AT1 Securities provide that ING can redeem the AT1 Securities only upon the occurrence of specific events (not including a determination that the tax treatment of the AT1 Securities is inconsistent with European rules against state aid) or after 5 years or 10 years (depending on the series) after their date of issuance.

Continued risk of resurgence of turbulence and ongoing volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, our business, financial condition and results of operations.
General
Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Concerns over the slow economic recovery, the European sovereign debt crisis, the potential exit of certain countries from the Eurozone, unemployment, the availability and cost of credit, credit spreads, quantitative easing within the Eurozone through bond repurchases, the ECB's targeted longer-term refinancing operation ('TLTRO'), the level of U.S. national debt and the U.S. housing market, inflation/deflation levels, energy costs and heightened geopolitical issues all have contributed to increased volatility and diminished expectations for the economy and the markets in recent years.

While certain of such conditions have improved during the period between 2011 and 2015, these conditions have generally resulted in greater volatility, widening of credit spreads and overall shortage of liquidity and tightening of financial markets throughout the world. These concerns have since expanded to include a broad range of fixed income securities, including those rated investment grade and especially the sovereign debt of some EEA countries and the U.S., the international credit and interbank money markets generally, and a wide range of financial institutions and markets, asset classes, such as public and private equity, and real estate sectors. As a result of these and other factors, sovereign governments across the globe, including in regions where the Group operates, have also experienced budgetary and other financial difficulties, which have resulted in austerity measures, downgrades in credit rating by credit agencies, planned or implemented bail-out measures and, on occasion, civil unrest (for further details regarding sovereign debt concerns, see ' —U.S. Sovereign Credit Rating' and ' —European Sovereign Debt Crisis' below). As a result, the market for fixed income instruments has experienced decreased liquidity, increased price volatility, credit downgrade events, and increased probability of default. In addition, the confluence of these and other factors has resulted in volatile foreign exchange markets. Securities that are less liquid are more difficult to value and may be hard to dispose of. 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 and market upheavals, including high levels of volatility, have had and may continue to have an adverse effect on our revenues and results of operations, in part because we have a large investment portfolio and extensive real estate activities around the world.

In addition, the confidence of customers in financial institutions is being tested. 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 revenues and results of operations, including withdrawal of deposits. 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.

As a result of the ongoing and unprecedented volatility in the global financial markets since 2007, we incurred in past years substantial negative revaluations and impairments on our investment portfolio, which have impacted our shareholders' equity and earnings.

The aforementioned impacts have arisen primarily as a result of valuation and impairment issues arising in connection with our investments in real estate (both in and outside the U.S.) and private equity, exposures to European sovereign debt and to U.S. mortgage-related structured investment products, including sub-prime and 'Alt-A' residential and commercial mortgage-backed securities, collateralised debt obligations and collateralised loan obligations, private equity and other investments. In many cases, the markets for investments and instruments have been and remain highly 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. Although we continue to monitor our exposures, there can be no assurance that we will not experience further negative impacts to our shareholders' equity, solvency position, liquidity, financial condition or profit and loss accounts in future periods.

U.S. Sovereign Credit Rating

In 2011, Standard & Poor's Ratings Services ('S&P') lowered its long-term sovereign credit rating on the U.S. from AAA to AA+. Although other ratings agencies have not similarly lowered the long-term sovereign credit rating of the U.S., they have put that credit rating on review. Amid the lingering uncertainty over the long-term outlook for the fiscal position and the future economic performance of the U.S. within the global economy and potential future budgetary restrictions in the U.S., as illustrated by the recent budget negotiations and partial shutdown of the U.S. government in October 2013, there continues to be a perceived risk of a future sovereign credit ratings downgrade of the U.S. government, including the rating of U.S. Treasury securities. On 15 October 2013, Fitch Ratings placed the U.S.'s AAA credit rating under 'rating watch negative' in response to the crisis, a step that would precede an actual downgrade, which was however upgraded again to 'stable' in March 2014. It is foreseeable that the ratings and perceived creditworthiness of instruments issued, insured or guaranteed by institutions, agencies or instrumentalities directly linked to the U.S. government could also be correspondingly affected by any such downgrade. Instruments of this nature are key assets on the balance sheets of 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 U.S. government or a default by the U.S. government to satisfy its debt obligations likely 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.

European Sovereign Debt Crisis

In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these EU 'peripheral' Member States to continue to service their sovereign debt obligations. Significant concerns regarding the sovereign debt of these countries, as well as certain other countries of the 'core' EU Member States are ongoing and, in some cases, have required countries to obtain emergency financing. These concerns impacted financial markets and resulted in high and volatile bond yields on the sovereign debt of many EU nations. If these or other countries require additional financial support or if sovereign credit ratings continue to decline, yields on the sovereign debt of certain countries may continue to increase, the cost of borrowing may increase and credit may become more limited. Despite assistance packages to Greece, Ireland, Portugal and Cyprus, the creation of a European Financial Stability Facility as a temporary rescue mechanism in May 2010, the approval of a further bail-out of Greece by the relevant government and monetary bodies of the Eurozone and the International Monetary Fund in March 2012, and the establishment of the European Stability Mechanism in October 2012 (which provided its first financial assistance in February 2013 for the recapitalisation of Spain's banking sector), uncertainty over the outcome of the EU governments' financial support programs and concerns regarding sovereign finances persisted during the course of 2014. Market concerns over the direct and indirect exposure of European banks and insurers to the EU sovereign debt further resulted in a widening of credit spreads and increased costs of funding for some European financial institutions. In December 2011, European leaders agreed to implement steps (and continue to meet regularly to review, amend and supplement such steps) to encourage greater long-term fiscal responsibility on the part of the individual Member States and bolster market confidence in the Euro and European sovereign debt, and the Treaty on Stability, Coordination and Governance ('Fiscal Treaty') was signed by 25 EU Member States in March 2012 and entered into force on 1 January 2014 and ratified by and entered into force for all signatory Member States in April 2014. However, the Fiscal Treaty needs to be implemented into national law of the relevant Member States within one year of the Fiscal Treaty entering into force and incorporated into the existing EU treaties, which is expected to take many years, and, even if such steps are implemented, there is no guarantee that they will ultimately and finally resolve uncertainties regarding the ability of Eurozone states to continue to service their sovereign debt obligations. Further, despite such long-term structural adjustments and improvements being proposed and implemented, the future of the Euro in its current form, and with its current membership, remains uncertain. The financial turmoil in Europe continues to be a threat to global capital markets and remains a challenge to global financial stability.

Risks and ongoing concerns about the debt crisis in Europe, as well as the possible default by, or exit from, the Eurozone of one or more Member States and/or the replacement of the Euro by one or more successor currencies, could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in these European countries and the financial condition of European and other financial institutions, including us. For example, concerns regarding Greece's potential exit from the Eurozone reached a peak in the summer of 2015 with the rejection of the bailout terms by the Greek people via a referendum and the failure to make the IMF loan repayment in June 2015. Additionally, the possibility of capital market volatility spreading through a highly integrated and interdependent banking system remains elevated. In the event of any default or similar event with respect to a sovereign issuer, some financial institutions may suffer significant losses, following which they would require additional capital, and such capital may not be available. Market and economic disruptions stemming from the crisis in Europe have affected, and may continue to affect, consumer confidence levels and spending, bankruptcy rates, levels of incurrence of, and default on, consumer debt and home prices, among other factors. There can be no assurance that the market disruptions in Europe, including the increased cost of funding for certain government and financial institutions, will not spread, nor can there be any assurance that future assistance packages will be available or, even if provided, will be sufficient to stabilise the affected countries and markets in Europe or elsewhere. To the extent uncertainty regarding the economic recovery continues to negatively impact consumer confidence and consumer credit factors, our business and results of operations could be significantly and adversely impacted. In addition, the possible exit from the Eurozone of one or more European states and/or the replacement of the Euro by one or more successor currencies could create significant uncertainties regarding the enforceability and valuation of Euro-denominated contracts to which we (or our counterparties) are a party and thereby materially and adversely affect our and/or our counterparties' liquidity, financial condition and operations. Such uncertainties may include the risk that (i) an obligation that was expected to be paid in Euros is redenominated into a new currency (which may not be easily converted into other currencies without incurring significant cost), (ii) currencies in some Member States may depreciate relative to others, (iii) former Eurozone Member States may impose capital controls that would make it complicated or illegal to move capital out of such countries, and/or (iv) some courts (in particular, courts in countries that have left the Eurozone) may not recognise and/or enforce claims denominated in Euros (and/or in any replacement currency). The possible exit from the Eurozone of one or more Member States and/or the replacement of the Euro by one or more successor currencies could also cause other significant market dislocations and lead to other adverse economic and operational impacts that are inherently difficult to predict or evaluate, and otherwise have potentially materially adverse impacts on us and our counterparties, including our depositors, lenders, borrowers and other customers. These factors, combined with volatile oil prices, reduced business and consumer confidence and/or continued high unemployment, have negatively affected the economy of main geographic regions where we conduct our business. Our results of operations, liquidity position, capital position and investment portfolio are exposed to these risks and may be adversely affected as a result. In addition, in the event of extreme prolonged market events, such as the recent global credit crisis, we could incur significant losses and may lead to USD funding shortage for EU Banks.

In addition, downgrades of European sovereign ratings and of corporate ratings generally are of high importance to the Group, because they may affect our financing costs and, as a result, our profitability.

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 of operations.

There is substantial competition in the Netherlands and the other countries in which we do business for the types of commercial 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 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 of operations. 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 Latin America, 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 in the markets that may have new operating models that are not burdened by potentially costly legacy operations. Increasing competition in these or any of our other markets 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. In addition, under the Restructuring Plan, we were required to agree to certain restrictions imposed by the EC, including with respect to our price leadership in EU banking markets and our ability to make acquisitions of financial institutions. These developments could have resulted in our competitors having a better competitive position vis-à-vis ING.

The inability of counterparties to meet their financial obligations could have a material adverse effect on our results of operations.

Third parties that owe us 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 of operations, 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 our having significant credit exposure to one or more of such counterparties or customers. As a result, we face concentration risk with respect to liabilities or amounts we expect to collect from specific counterparties and customers. We are exposed to increased counterparty risk as a result of recent financial institution failures and weakness and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. 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 of operations 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 of operations or financial condition.

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

Market conditions observed over the past few years may increase the risk of loans being impaired.

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 continue to 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 financial position and results of operations.

Economic and other factors could lead to contraction in the residential mortgage and commercial lending market and to decreases in residential and commercial property prices, which could generate substantial increases in impairment losses. Additionally, continuing low oil prices could have an influence on the repayment capacity of borrowers.

Interest rate volatility and other interest rate changes may adversely affect our profitability.
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, financial condition and results of operations. For example, a sustained increase in the inflation rate may result in an increase in nominal market 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 of operations. On the other hand, recent concerns regarding negative interest rates and the low level of interest rates generally may negatively impact our net interest income, which may have an adverse impact on our profitability.

Declining interest rates or a prolonged period of low interest rates may 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; and/or
- 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 DNB's methodology for determining the ultimate forward rate;
- lower interest rates may cause asset margins to decrease thereby lowering our results of operations. 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.

All these effects may be amplified in a (prolonged) negative rate environment. In such environment there may also be the risk that a rate is to be paid on assets, while there is no (partial) compensation on the liabilities. This will reduce our results of operations then.

Rapidly increasing interest rates may result in:
- a decrease in the demand for loans;
- higher interest rates to be paid on debt securities that we have issued or may issue on the financial markets from time to time to finance our operations and on savings, which would increase our interest expenses and reduce our results of operations;
- higher interest rates can lead to lower investments prices 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 of operations;
- 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;

We may incur losses due to failures of banks falling under the scope of state compensation schemes.
In the Netherlands and other jurisdictions, deposit guarantee schemes and similar funds ('Compensation Schemes') have been implemented from which compensation may become payable to customers of 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 is a participant in the Dutch Deposit Guarantee Scheme, which guarantees an amount of EUR 100,000 per person per bank (regardless of the number of accounts held). Until now, the costs involved with making compensation payments under the Dutch Deposit Guarantee Scheme had been allocated among the participating banks by the DNB, based on an allocation key related to their market shares with respect to the deposits protected by the Dutch Deposit Guarantee Scheme. Given our size, we may incur significant compensation payments to be made under the Dutch Deposit Guarantee Scheme, which we may be unable to recover from the bankrupt estate. Such costs and the associated costs to be borne by us may have a material adverse effect on our results of operations and financial condition. On 4 July 2015, the new EU Directive on deposit guarantee schemes, had to be implemented by EU member states. As a consequence, the Dutch Deposit Guarantee Scheme is to change from an ex-post scheme, where we would have contributed after the failure of a firm, to an ex-ante scheme where we will pay quarterly risk-weighted contributions into a fund for the Dutch Deposit Guarantee Scheme. The fund is to grow to a target size of 0.8% of all deposits guaranteed under the Dutch Deposit Guarantee Scheme, to be reached in July 2024. The Dutch decree implementing the Deposit Guarantee Scheme Directive entered into force on 26 November 2015.

In January 2016 the Dutch Central Bank informed the Dutch banks that it decided to postpone the first contribution date for the ex-ante Deposit Guarantee Scheme ('ex-ante DGS'). The first ex-ante DGS contribution will be charged over the first quarter of 2016. The delay does not affect the target size of the ex-ante DGS fund, nor the date the target size should be reached (July 2024). This implies that the build-up of the ex-ante fund will not take place in the originally planned 35 quarters, but in 34 quarters instead. See also '— 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 — Bank Recovery and Resolution Regimes'.

Inflation and deflation may negatively affect our business.
A sustained increase in the inflation rate in our principal markets would have multiple impacts on us and may negatively affect our business, solvency position and results of operations. For example, a sustained increase in the inflation rate may result in an increase in market interest rates, which may:

1 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,
2 result in increased withdrawal of certain savings products, particularly those with fixed rates below market rates,
3 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 of operations.

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:

1 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,
2 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 of operations.

On the other hand, deflation experienced in our principal markets may also adversely affect our financial performance. In recent years, the risk of low inflation (inflation continued be positive for the major part of 2014 but well below the 2% growth rate of harmonised indices of consumer prices. In December 2014, however, prices were 0.2% lower than the same month a year earlier) and even deflation (i.e., a continued period with negative rates of inflation) in the Eurozone has materialized. 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 of operations.

Risks related to the Group's business, operations and regulatory environment

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 of operations 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, operations, financial condition and liquidity.

ING Group may be unable to retain key personnel.
As a financial services enterprise with a decentralised management structure, ING Group relies to a considerable extent on the quality of local management in the various countries in which it operates. The success of ING Group's operations is dependent, among other things, on its ability to attract and retain highly qualified professional personnel. Competition for key personnel in most countries in which ING Group operates is intense. ING Group's ability to attract and retain key personnel, in particular senior officers, experienced portfolio managers and sales executives, is dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent.

As a part of their responses to the financial crisis of 2008, the EC and national governments throughout Europe have introduced and are expected to continue introducing various legislative initiatives that aim to ensure that financial institutions' remuneration policies and practices are consistent with and promote sound and effective risk management, and that impose restrictions on the remuneration of personnel, with a focus on risk alignment of performance-related remuneration. Such initiatives include, among others, measures set out in Directive 2010/76/EU (CRD III) and Directive 2013/36/EU (CRD IV), the Guidelines on Remuneration Policies and Practices published by (the predecessor of) the European Banking Authority, the Regulation of the DNB on Sound Remuneration Policies (Regeling beheerst beloningsbeleid Wft 2014), the Dutch law with respect to the limitation of liability of the DNB and AFM and the prohibition of the payment of variable remuneration to board members and day-to-day policy makers of financial institutions that receive state aid (Wet aansprakelijkheidsbeperking DNB en AFM en bonusverbod staatsgesteunde ondernemingen) and the Dutch Law on Remuneration Policies of Financial Undertakings (Wet beloningsbeleid financiële ondernemingen, Wbfo) effective as of 7 February 2015. The Wbfo introduces a variable remuneration cap at 20% of base salary for all persons working in the financial sector in the Netherlands. Persons fully covered by a collective labour agreement in the Netherlands are subject to an individual cap of 20%. Persons that are not (solely) remunerated on the basis of a CLA in the Netherlands are subject to the 20% cap based on an aggregate level. For this group, as well as for persons working outside the Netherlands, exceptions are possible, in line with CRD IV, but only under strict conditions. In addition, the proposal limits exit compensation and retention compensation and prohibits guaranteed variable remuneration. The introduction of the Wbfo will result in a unlevel playing field in the Netherlands for ING due to the fact that branch offices (in the Netherlands) of financial institutions that fall under CRD IV (EER countries) are not limited to the 20% cap but are limited to the CRD IV caps.

Since the financial crisis, ING has adapted its remuneration policies to the new national and international standards. For ING Group's Executive Board members no increase in base salary took place in 2014. This resulted in that, as of 2009, the remuneration package of ING Group's Executive Board members remained on the same level and is significantly below the median of our EURO Stoxx 50 benchmark, which is made up of similar European financial and non-financial institutions.

The (increasing) restrictions on remuneration will continue to have an impact on existing ING Group remuneration policies and individual remuneration packages for personnel. This may restrict our ability to offer competitive compensation compared with companies (financial and/or not financial) that are not subject to such restrictions and it could adversely affect ING Group's ability to retain or attract qualified employees.

We may not be able to protect our intellectual property and may be subject to infringement claims by third parties, which may have a material adverse effect on our business and results of operations.
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. Although we endeavour to protect our rights, 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 a material adverse effect on our business and our ability to compete.

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 of operations.

Because we use assumptions to model client behaviour for the purpose of our market risk calculations, the difference between the realisation and the assumptions may have an adverse impact on the risk figures and future results.
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. The realisation or use of different assumptions to determine client behaviour could have material adverse effect on the calculated risk figures and, ultimately, future 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 results and underlying actuarial assumptions and models.
ING Group companies operate various defined benefit retirement plans covering 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, trend rates in health care costs, consumer price index, and the expected return on plan assets. These assumptions are based on available market data and the historical performance of plan assets, 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 to and costs associated with our defined benefit retirement plans.

Our risk management policies and guidelines may prove inadequate for the risks we face.
We have developed risk management policies and procedures and will continue to review and develop these in the future. Nonetheless, our policies and procedures to identify, monitor and manage risks may not be fully effective, particularly during extremely turbulent times. The methods we use to manage, estimate and measure risk are partly based on historic market behaviour. The methods may, therefore, prove to be inadequate for predicting future risk exposure, which may be significantly greater than suggested by historical experience. For instance, these methods may not predict the losses seen in the stressed conditions in recent periods, and may also not adequately allow prediction of circumstances arising due to government interventions and stimulus packages, which increase the difficulty of evaluating risks. Other methods for risk management are based on evaluation of information regarding markets, customers, catastrophic occurrence or other information that is publicly known or otherwise available to us. Such information may not always be accurate, complete, updated or properly evaluated. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record and verify large numbers of transactions and events. These policies and procedures may not be fully effective.

We are subject to a variety of regulatory risks as a result of our operations in certain countries.
In certain countries in which we operate, judiciary and dispute resolution systems may be less developed. 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 addition, 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.

ING is exposed to the risk of claims from customers who feel misled or treated unfairly because of advice or information received.
Our banking products and advice services for third-party products are exposed to claims from customers who allege that they have received misleading advice or other information from advisers (both internal and external) as to which products were most appropriate for them, or that the terms and conditions of the products, the nature of the products or the circumstances under which the products were sold, were misrepresented to them. When new financial products are brought to the market, ING engages in a product approval process in connection with the development 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. 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 effective risk management, legal and compliance procedures to monitor current sales practices, there can be no assurance that all of the issues associated with current and historical sales practices have been or will be identified, nor that any issues already identified will not be more widespread than presently estimated.

The negative publicity associated with any sales practices, any compensation payable in respect of any such issues and regulatory changes resulting from such issues, has had and could have a material adverse effect on our business, reputation, revenues, results of operations, financial condition and prospects.

Ratings are important to our business for a number of reasons. A downgrade or a potential downgrade in our credit ratings could have an adverse impact on our operations 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 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. We have credit ratings from S&P, Moody's Investor Service and Fitch Ratings. Each of the rating agencies reviews its ratings and rating methodologies on a recurring basis and may decide on a downgrade at any time. For example, on 30 April 2014, S&P affirmed the long-term debt ratings of ING Groep N.V. to A- but revised the outlook from stable to negative.

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.

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 of operations, financial condition and liquidity. 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.

Operational risks, such as systems disruptions or failures, breaches of security, cyber attacks, human error, changes in operational practices or inadequate controls may adversely impact our business, results of operation and reputation.
Operational risks are inherent in our business. Our businesses depend on the ability to process a large number of transactions efficiently and accurately. Although we endeavour to safeguard our systems and processes, losses can result from inadequately trained or skilled personnel, IT failures (including failure to anticipate or prevent cyber attacks, which are deliberate attempts to gain unauthorised access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or impairing operational performance, or security breaks by third parties), inadequate or failed internal control processes and systems, regulatory breaches, human errors, employee misconduct, including fraud, or from external events that interrupt normal business operations. 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. In addition, whilst we have policies and processes to protect our systems and networks, they may be vulnerable to unauthorised access, computer viruses or other malicious code, cyber attacks and other external attacks or internal breaches that could have a security impact and jeopardise our confidential information or that of our clients or our counterparties. These events can potentially result in financial loss and harm to our reputation, and hinder our operational effectiveness.

We also face the risk that the design and operating effectiveness of our controls and procedures may prove to be inadequate. Widespread outbreaks of communicable diseases, such as the outbreak of the Ebola virus, 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. 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 or do not sufficiently take such events into account, losses may increase further. We have suffered losses from operational risk in the past and there can be no assurance that we will not suffer material losses from operational risk in the future.

Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on our business, revenues, results of operations, financial condition and/or prospects.
We are subject to litigation, arbitration and other claims and allegations in the ordinary course of business, including in connection with our activities as financial services provider, employer, investor and taxpayer. Financial reporting irregularities involving other large and well-known companies, possible findings of government authorities in various jurisdictions which are investigating several rate-setting processes, notifications made by whistleblowers, increasing regulatory and law enforcement scrutiny of 'know your customer' anti-money laundering, prohibited transactions with countries 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 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 material adverse effects on us in ways that are not predictable. 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. See '—ING is exposed to the risk of claims from customers who feel misled or treated unfairly because of advice or information received'. 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 timeconsuming and expensive. Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on our business, revenues, results of operations, financial condition and/or prospects in any given period. For additional information with respect to specific proceedings, see Note 48 'Legal proceedings' to the consolidated financial statements of ING Group and the 'Review processes for setting benchmark rates' in the 'Main developments in 2015' within the Compliance Risk section of the Risk Management section.

Risks related to the restructuring plan

We are required under the Restructuring Plan to divest our remaining stake in NN by the end of 2016 and there can be no assurance that we will be able to do so on favourable terms or at all and a failure to complete the divestments on favourable terms and in a timely manner could have a material adverse impact on our assets, profitability, capital adequacy and business operations.
As a result of having received state aid through the Dutch State Transactions, we were required to submit a restructuring plan to the EC in connection with obtaining final approval for the Dutch State Transactions under the EC state aid rules (as amended, the 'Restructuring Plan'). As a result of the Restructuring Plan, we were subject to certain behavioural restrictions and we were required among other things, to divest of a significant part of our operations including our insurance activities and our ING Direct operations in the United States. The behavioural restrictions ceased to apply on 29 May 2015 after ING divested NN for more than 50% and deconsolidated NN under IFRS. As of 31 December 2015, the Restructuring Plan had been fully implemented, except for our obligation to sell our remaining stake in NN Group. On 2 February 2016, ING further reduced its stake in NN Group from 25.8% to 14.1%.

There can be no assurance that we will be able to fully divest our remaining stake in NN Group, on favourable terms or at all, particularly in light of market developments in general as well as the fact that other financial institutions may place similar assets for sale during the same time period and may seek to dispose of assets in the same manner.

The further divestment of our stake in NN Group may also release less regulatory capital than we would otherwise expect. Any failure to complete the divestment on favourable terms and in a timely manner could have a material adverse impact on our assets, profitability, capital adequacy and business operations. If we are unable to fully complete the required divestment of NN Group in a timely manner, we would be required to find alternative ways to reduce our leverage, and we could be subject to enforcement actions or proceedings by the EC. Additionally, our stake in NN Group continues to be significant and although we no longer have any nominees on the NN Supervisory Board, we are exposed to the insurance market and changes in the results of NN Group may affect us negatively.

Our restructuring programs may not yield intended reductions in costs, risk and leverage.
Projected cost savings and impact on our risk profile and capital including those associated with the Restructuring Plan are subject to a variety of risks, including:

- actual costs to effect these initiatives may exceed estimates;
- divestments planned in connection with the Restructuring Plan may not yield the level of net proceeds expected, as described under 'Risks Related to the Restructuring Plan — We are required under the Restructuring Plan to divest our remaining stake in NN by the end of 2016 and there can be no assurance that we will be able to do so on favourable terms or at all and a failure to complete the divestments on favourable terms and in a timely manner could have a material adverse impact on our assets, profitability, capital adequacy and business operations';
- initiatives that we are contemplating may require consultation with various regulators as well as employees and labour representatives, and such consultations may influence the timing, costs and extent of expected savings;
- the loss of skilled employees in connection with the initiatives; and
- projected savings may fall short of targets.

While we continue to implement these strategies, there can be no assurance that we will be able to do so successfully or that we will realise the projected benefits of these and other restructuring and cost-saving initiatives. If we are unable to realise these anticipated cost reductions, our business may be adversely affected. Moreover, our continued implementation of restructuring and cost saving initiatives may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Additional risks relating to ownership of ING shares

Because we are a Dutch company and because Stichting ING Aandelen holds more than 99.9% of our Ordinary Shares, the rights of our depositary receiptholders may differ from the rights of shareholders in other jurisdictions or companies that do not use a similar trust structure, which could affect your rights as an equity investor.
While holders of our bearer depositary receipts are entitled to attend and speak at our General Meeting of Shareholders ('General Meeting'), voting rights are not attached to the bearer depositary receipts. Stichting ING Aandelen ('Trust') holds more than 99.9% of our Ordinary Shares, and exercises the voting rights attached to the Ordinary Shares (for which bearer depositary receipts have been issued). Holders of bearer depositary receipts who attend — in person or by proxy — the General Meeting must obtain and are entitled to voting rights by proxy from the Trust. Holders of bearer depositary receipts and holders of the American Depositary Shares ('ADSs') representing the bearer depositary receipts who do not attend the General Meeting may give binding voting instructions to the Trust. The Trust is entitled to vote on any Ordinary Shares underlying the bearer depositary receipts for which the Trust has not granted voting proxies, or voting instructions have not been given to the Trust. In exercising its voting discretion, the Trust is required to be guided primarily by the interests of the holders of bearer depositary receipts, while also taking into account:

- our interests, and
- the interests of our affiliates.

The Trust may, but has no obligation to, consult with the holders of bearer depositary receipts in exercising its voting rights in respect of any Ordinary Shares for which it is entitled to vote. These arrangements differ from practices in other jurisdictions, and accordingly may affect the rights of the holders of bearer depositary receipts and their power to affect ING's business and operations.

The share price of ING shares has been, and may continue to be, volatile.
The share price of our bearer depositary receipts has experienced periods of volatility in the past, and the share price and trading volume of our bearer depositary receipts may be subject to significant fluctuations in the future, due, in part, to changes in our actual or forecast operating results and the inability to fulfil the profit expectations of securities analysts, as well as to the high volatility in the securities markets generally and more particularly in shares of financial institutions.

Other factors, besides our financial results, that may impact our share price include, but are not limited to:

- market expectations of the performance and capital adequacy of financial institutions in general;
- investor perception of the success and impact of our strategies;
- investor perception of our positions and risks;
- a downgrade or review of our credit ratings;
- the implementation and outcome of our Restructuring Plan;
- potential litigation or regulatory action involving ING or sectors that we have exposure to;
- announcements concerning financial problems or any investigations into the accounting practices of other financial institutions; and
- general market circumstances.

There can be no assurance that we will pay dividends on our Ordinary Shares in the future.
It is ING's policy to pay dividends in relation to the long-term underlying development of cash earnings. Dividends can only be declared by shareholders when the Executive Board considers such dividends appropriate, taking into consideration the financial conditions then prevailing and the longer-term outlook. The Executive Board proposes to pay a total dividend of EUR 2,515 million, or EUR 0.65 per (depositary receipt for an) ordinary share, over the financial year 2015. This is subject to the approval of shareholders at the Annual General Meeting in April 2016. Taking into account the interim dividend of EUR 0.24 per ordinary share paid in August 2015, the final dividend will amount to EUR 0.41 per ordinary share and be paid in cash. However, there can be no assurance that we will pay dividends in the future.

Holders of ING shares may experience dilution of their holdings.
The issuance of equity securities resulting from the conversion of some or all of such instruments 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 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.

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 for you to enforce judgments against us 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 Annual Report, as well as many of our officers are persons who are not residents of the United States, and most of our and their assets, are located outside the United States. As a result, it may not be able to serve process on those persons within the United States or to enforce in the United States judgments obtained in U.S. courts against us or those persons based on the civil liability provisions of the U.S. securities laws.

It also may not be able to enforce judgments of U.S. courts under the U.S. 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, it will not be able to enforce in the Netherlands a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, even if the judgment is not based only on the U.S. federal securities laws, unless a competent court in the Netherlands gives binding effect to the judgment.

Additional Pillar III information

Introduction

Basis of disclosure

The information in this report relates to ING Group N.V. and all of its subsidiaries (hereafter ING Group). There are no differences between the scope of consolidation for prudential purposes compared to the accounting scope of consolidation as reported in the annual accounts in Note 50 'Principal subsidiaries'.

For both Regulatory Capital and Asset Encumbrance, the information in this Pillar III report has been provided on ING Group level. The information on Credit Risk, Market Risk, Securitisations and Operational Risk focuses on ING Bank.

Assurance/validity

The information in this section has not been audited by ING Group's external auditors. However, the Pillar III disclosures are subject to the ING Group's internal control assessments and validation mechanisms, to provide reasonable assurance over the information disclosed in this report as well as with regards to compliance with laws and regulations.

The Disclosure Committee (DC), responsible for all ING Group disclosures, considers the content and the accuracy before reporting its conclusions to the Audit Committee (AC) which provides the final review and approval. This process ensures that both Management Board and Supervisory Board are given sufficient opportunity to review and challenge the Group's financial statements and other significant disclosures before they are made public. In addition, if material is not published in the annual report, for instance in a stand-alone report or as a section on a website, then management (General Manager or Head of department involved) should ensure that appropriate verification and validation of the information takes place.

Regulatory framework

The Pillar III report is prepared in accordance with the Capital Requirements Regulation ('CRR') and Capital Requirements Directive IV ('CRD IV') as required by the supervisor authority. The purpose of this report is to meet the regulatory disclosure requirements in accordance with Part Eight of the CRR, especially the articles 431 to 455, which came into force on 1 January 2014.

Some of the required information has already been provided elsewhere in the Annual Report, e.g. in the Risk Management section and/or in the Capital Management paragraph. For CRR/CRD IV disclosure requirements a CRD IV reference guide to direct the readers through the different disclosures will be published on the corporate website ing.com. http://www.ing.com/About-us/Annual-Reporting-Suite.htm

The ING Group's 'additional Pillar III information' report contains Regulatory Capital requirements, Credit Risk, including securitisations and Other Non-Credit Obligation Assets (ONCOA), Market Risk and Liquidity Risk disclosures. The regulatory requirements provided in the first section of the report for credit risk, market risk and operational risk relates primarily to the first pillar, the minimum capital requirement. The second pillar concerns Economic Capital (EC) and the underlying models used internally by banks and reviewed by supervisors. Economic Capital, and consequently Pillar II, is disclosed extensively in the Risk Management section. Further in the report you will find additional information on regulatory exposures and risk weighted assets which are not in the risk management section. As such, the text of this Pillar III section should be read in conjunction with statements made in the Risk Management section and Capital Management section of the annual accounts, where there is a comprehensive discussion of Risk Management and Capital Management.

The Pillar III report is published on annual basis as part of the ING Group Annual Report. However, some capital requirements as laid down in Article 438 and information on risk exposure or other items prone to rapid change are disclosed on a quarterly basis.

Regulatory capital

Capital Adequacy Rules – CRR/CRD IV

The rules for required Regulatory Capital and Capital adequacy are based on the guidelines developed by the Basel Committee on Banking Supervision (The Basel Committee) and the European Union Regulation and Directives, as implemented by the Dutch Central Bank for supervisory purposes.

The rules express the regulators' and legislators' opinions of how much capital a bank and other regulated credit institutions must retain in relation to the size and the type of risk taking expressed in the form of risk-weighted assets. The most important part of the capital base is the shareholders' equity. In addition to equity, the institution may issue certain liabilities such as hybrid instruments to be included in the capital base. The legal minimum requirement stipulates that the capital base must correspond to at least 8% of the Risk-Weighted Assets (RWA).

In 2010, the Basel III Accord was adopted and consequently translated into regulation by the EU in the Capital Requirement Regulation (CRR) and a Capital Requirement Directive IV (CRD IV). The CRR is binding for all EU member states and became effective per 1 January 2014. For more information, please refer to the chapter 'Regulatory environment' in the Risk Management Paragraph.

ING Group Regulatory capital requirements

	2015		2014	
	Regulatory Capital CRR/CRDIV phased in – 2015 rules	Risk-Weighted Assets CRR/CRDIV phased in - 2015 rules	Regulatory Capital CRR/CRDIV phased in – 2014 rules	Risk-Weighted Assets CRR/CRDIV phased in - 2014 rules
Credit risk				
Portfolios subject to standardised approach	1,820	22,752	1,562	19,522
Portfolios subject to AIRB approach				
– Sovereigns	477	5,957	482	6,025
– Institutions	1,545	19,314	1,987	24,835
– Corporate	9,358	116,970	8,135	101,689
– Residential mortgages	3,422	42,776	3,939	49,233
– Other retail	1,356	16,949	1,347	16,838
Total portfolios subject to AIRB approach	**16,157**	**201,967**	**15,890**	**198,620**
Credit Value Adjustment	400	5,005	513	6,412
Securitisation exposures	152	1,904	168	2,101
Equity portfolios in the banking book under the simple risk weight approach	1,227	15,339	1,006	12,575
Other Non-Credit Obligation Assets	1,712	21,395	1,356	16,947
Total Credit Risk	**21,469**	**268,363**	**20,494**	**256,176**
Market risk				
Standardised approach	106	1,328	113	1,412
Internal models approach - trading book	665	8,307	745	9,311
Total Market risk	**771**	**9,635**	**858**	**10,723**
Operational risk				
Advanced measurement approach	3,451	43,137	2,700	33,749
Total Regulatory Capital	**25,691**	**321,135**	**24,052**	**300,647**
Basel I floor[1]	**29,299**	**366,237**	**27,590**	**344,869**

1 The floor is 80% of Basel I required Regulatory Capital.

The increase in CRR/CRDIV required regulatory capital was mainly caused by increased impact of external loss data and a model recalibration to improve the tail accuracy in Operational risk, and an increase in Credit risk where volume growth and equity investment were partially offset by reduction in CVA. ONCOA represents assets of non-credit obligation character that are not included in the SA or AIRB calculations. At 31 December 2015, the capital requirement for ONCOA was EUR 1,712 million. The CRR/CRDIV requires Banks to hold own funds of at least 80% of the old Basel I requirement, which was 8% of the RWAs as calculated using the Basel I methodology. This requirement remains at least until the end of 2017.

ING Group Regulatory Capital flow statement		
		2015
	CRR/CRD IV phased-in	CRR/CRD IV fully loaded
Common Equity Tier 1 capital		
Opening amount	40,543	31,511
Profit included in CET1 capital	1,495	1,495
Adjustment prudential filters own credit risk	-135	-129
Change in goodwill and intangibles	-302	88
Change in revaluation reserves	1,689	240
Change in third party interest	40	40
Change in deductions significant investments in Financial Institutions	4,073	12,714
Other	-5,849	-5,171
Closing amount	**41,554**	**40,788**
Additional Tier 1 capital		
Opening amount	0	5,727
Change in AT 1 instruments	847	847
CRR/CRD IV phased-in adjustments (excl. significant investments in FIs)	575	
Change in deductions significant investments in Financial Institutions	3,436	
Closing amount	**4,858**	**6,574**
Tier 2 capital		
Opening amount	3,291	9,474
Change in T 2 instruments	-801	-801
CRR/CRD IV phased-in adjustments (excl. significant investments in FIs)	184	
Change in deductions significant investments in Financial Institutions	5,239	
Change minority interest	-1	-1
Closing amount	**7,912**	**8,672**
Total Regulatory Capital	**54,324**	**56,034**

Capital adequacy assessment

As at 1 January 2014, the CRR/CRD IV capital rules entered into force. According to CRR/CRD IV capital adequacy rules, the minimum Common Equity Tier 1 ratio has to be 4.5%, the minimum Tier 1 requirement 6% and the total capital ratio 8% of all risk-weighted assets.

The capital position table reflects own funds according to the CRR/CRD IV rules. As CRD IV will be phased in gradually until 2019, the table shows the CRD IV positions according to the 2019 end-state rules and the 2015 rules. This makes clear which items phase in directly, which phase in gradually.

ING Group's capital consists of Tier 1 capital and Tier 2 capital net after deductions. Tier 1 capital consists of both Common Equity Tier 1 capital and other Tier 1 capital, also referred to as hybrid capital. Tier 2 capital consists mostly of subordinated loans.

ING Group's phased-in (transitional) common equity Tier 1 ratio at year-end 2015 of 12.94% is well in excess of the 10.25% common equity Tier 1 requirement for ING Group in 2016. This requirement is the sum of (i) 9.5% being the European Central Bank's (ECB) decision on the 2015 Supervisory Review and Evaluation Process (SREP), including the capital conservation buffer, and (ii) 0.75% for the Systemic Risk Buffer (SRB) which has been set separately for Dutch systemic banks by the Dutch Central Bank. The impact from countercyclical buffer requirements was insignificant at the start of 2016. The fully loaded SRB requirement is currently set at 3% for ING Group and phases in over four years, with a final implementation date of 1 January 2019. With a 12.70% Group CET1 ratio as at 31 December 2015, ING is already in compliance with the current fully-loaded requirement of 12.5%.

ING Group Capital position

	2015			2014		
	2015 rules (CRR/CRD IV phased in)	2016 rules (CRR/CRD IV phased in)	2019 rules (CRR/CRD IV fully loaded)	2014 rules (CRR/CRD IV phased in)	2015 rules (CRR/CRD IV phased in)	2019 rules (CRR/CRD IV fully loaded)
Shareholders' equity [4]	**47,832**	**47,832**	**47,832**	**50,424**	**50,424**	**50,424**
Regulatory adjustments:						
Minority interests, counting as Common equity Tier 1	305	305	305	265	265	265
Goodwill and intangibles deducted from Tier 1[1]	-638	-956	-1,594	-336	-673	-1,682
Provision shortfall[2]	-454	-681	-1,135	-263	-525	-1,313
Revaluation reserve debt securities	-758	-505		-1,597	-958	
Revaluation reserve equity securities	-1,580	-1,053		-2,095	-1,257	
Revaluation reserve real estate	-196	-130		-291	-175	
Revaluation reserve cash flow hedge	-666	-666	-666	-832	-832	-832
Prudent valuation adjustment	-91	-91	-91	-83	-83	-83
Investments >10% FI, exceeding 10% threshold	-558	-835	-1,389	-2,829	-5,629	-14,103
excess AT1 deductions over AT1				-1,802		
Prudential filters:						
Own credit risk	89	89	89	212	212	212
Defined benefit remeasurement (IAS19R)	244	184		422	338	
Net defined benefit pension fund assets	-257	-386	-643	-118	-236	-589
Deferred tax assets	-113	-169	-282	-54	-108	-271
Own credit risk adjustments to derivatives (DVA)	-21	-32	-53	-9	-19	-47
Foreseeable dividend	-1,586	-1,586	-1,586	-470	-470	-470
Available capital - Common equity Tier 1	**41,554**	**41,320**	**40,788**	**40,543**	**40,273**	**31,512**
Subordinated loans qualifying as Tier 1 capital[3]	6,574	6,574	6,574	5,727	5,727	5,727
Deduction of goodwill and other intangibles[1]	-956	-638		-1,346	-1,009	
Provision shortfall[2]	-340	-227		-525	-394	
CRD-IV eligible Tier 1 Hybrids						
Investments >10% FI, exceeding 10% threshold	-419	-278		-3,856	-4,222	
Minority interests, counting as Additional Tier 1 capital						
Available capital - Tier 1	**46,412**	**46,750**	**47,362**	**40,543**	**40,375**	**37,239**
Supplementary capital - Tier 2[3]	8,570	8,570	8,570	9,371	9,371	9,371
Provision shortfall[2]	-340	-227		-525	-394	
IRB excess provision						
Investments >10 FIs, exceeding 10% threshold	-419	-278		-5,659	-4,222	
Minority interests, counting as Tier 2 capital	102	102	102	103	103	103
Available Tier 3 funds						
BIS capital	**54,325**	**54,916**	**56,034**	**43,834**	**45,233**	**46,713**
Risk-weighted assets	**321,135**	**321,146**	**321,151**	**300,647**	**300,830**	**300,758**
Common Equity Tier 1 ratio	**12.94%**	**12.87%**	**12.70%**	**13.49%**	**13.39%**	**10.48%**
Tier 1 ratio	**14.45%**	**14.56%**	**14.75%**	**13.49%**	**13.42%**	**12.38%**
Total capital ratio	**16.92%**	**17.10%**	**17.45%**	**14.58%**	**15.04%**	**15.53%**

1 Intangibles: mainly capitalised software.
2 In CRR/CRD IV the provision shortfall is deducted fully from Common Equity Tier 1. During the phase-in period (until 2017), the part of the shortfall that is not deducted from CET1 Capital is substracted 50%/50% from additional Tier 1 and Tier 2 Capital.
3 Assuming that non CRR/CRD IV eligible Tier 1 and Tier 2 capital will be replaced by CRR/CRD IV eligible equivalents before they stop to meet the CRR/CRD IV grandfathering conditions.
4 Shareholders' equity, as at 31 December 2014, is not adjusted as a result of the change in the accounting approach for the NN Group Anchor investment transaction.

Own funds

The CRR requires ING Group to disclose information on own funds in a specific format that was provided in the EBA Implementation Technical Standards. The EBA templates Annex I, II and Annex VI are disclosed on the corporate website ing.com.

Leverage ratio

The Leverage ratio is a CRR/CRD IV measure indicating the level of the Tier 1 Capital compared to the total exposure. Its aim is to assess the risk of excessive leverage of the institution. In line with the regulatory requirements, ING Group will use the specific EBA templates as basis for the presentation of its Leverage ratio. These EBA templates reflect the Leverage ratio as calculated under the Leverage ratio Delegated Act which was introduced in October 2014. The Final Draft Implementing Technical Standards (ITS) of the leverage ratio has not yet been approved by the European Commission (nor published in the EU Official Journal), which could result in adjustments following clarification of certain rules. The pro-forma fully loaded in leverage ratio of ING Group based on the Delegated Act, and with notional cash pooling grossed is 4.4% at 31 December 2015.

ING Group's fully loaded leverage ratio using the published IFRS-EU balance sheet, in which notional cash pooling activities are netted, plus off-balance sheet commitments is 4.8% at 31 December 2015.

Summary reconciliation of accounting assets and leverage ratio exposures

		2015 CRR/CRD IV phased in Applicable amounts	2015 CRR/CRD IV fully loaded Applicable amounts
1	Total assets as per published financial statements	841,769	841,769
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation		
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 'CRR')		
4	Adjustments for derivative financial instruments[1]	-140	-140
5	Adjustments for securities financing transactions 'SFTs'	15,786	15,786
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	69,093	69,093
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)		
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)		
7	Other adjustments[1]	145,010	146,666
8	**Total leverage ratio exposure**	**1,071,518**	**1,073,174**

1 The adjustment for Receivables for cash variation margin provided in derivatives transactions has been included in the line Other adjustments.

Group leverage ratio common disclosure

		2015 CRR/CRD IV phased in CRR leverage ratio exposures	2015 CRR/CRD IV fully loaded CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	898,179	898,179
2	(Asset amounts deducted in determining Tier 1 capital)	–7,456	–5,800
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**890,723**	**892,379**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	13,439	13,439
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	25,575	25,575
EU-5a	Exposure determined under Original Exposure Method		
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework		
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–11,800	–11,800
8	(Exempted CCP leg of client-cleared trade exposures)	–156	–156
9	Adjusted effective notional amount of written credit derivatives	15,606	15,606
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–12,245	–12,245
11	**Total derivative exposures (sum of lines 4 to 10)**	**30,418**	**30,418**
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	88,067	88,067
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–22,569	–22,569
14	Counterparty credit risk exposure for SFT assets	15,786	15,786
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013		
15	Agent transaction exposures		
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)		
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**81,283**	**81,283**
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	210,856	210,856
18	(Adjustments for conversion to credit equivalent amounts)	–141,762	–141,762
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**69,093**	**69,093**
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)			
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))		
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))		
Capital and total exposures			
20	Tier 1 capital[1]	46,412	47,362
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**1,071,518**	**1,073,174**
Leverage ratio			
22	**Leverage ratio**	**4.3%**	**4.4%**
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional	Fully phased in
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013		

1 Please note that Tier 1 Capital includes grandfathered hybrids to an amount of EUR 5,187 million.

Disclosure on qualitative items

1	Description of the processes used to manage the risk of excessive leverage	ING follows the leverage ratio on a monthly basis and takes it into account when taking certain securitisation and/or Tier 1 issuance decisions.
2	Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	The change in leverage ratio was mainly due to the increase of qualifying Tier 1 capital as result of (a) the divestment of both Voya Financial and NN Group leading to less deductions for significant investments in financial institutions and (b) AT1 issuance.

Credit Risk

Basis and scope of credit risk presentation

In the credit risk section of Pillar III, data included in tables are related to ING Bank's core credit risk activities in the areas of: Lending (both on- and off-balance); Securities Financing, Derivatives (collectively Counterparty Credit Risk); Money Market activities, and Investment Risks. Equity Risk in the banking book is excluded and covered in the Market Risk section of the Annual Accounts.

The amounts presented in this section relate to amounts used for Credit Risk Management purposes, which follow ING Bank's interpretation of the definitions as prescribed under CRR/CRD IV. Therefore, the numbers can be different from the accounting numbers as reported in the annual accounts under IFRS-EU. An example is the treatment of ONCOA items – while the accounting numbers include ONCOA, they are excluded from the credit risk section of Pillar III.

Unless stated otherwise, the tables included in this section focus on the measurement of Regulatory Exposure at Default (READ) and Credit Risk Weighted Assets (RWA) under the CRR/CRD IV definitions. READ is generally the sum of the on-balance and off-balance sheet: Lending, Investment, Money Market and Counterparty activities plus an estimated portion of the unused credit facilities extended to the obligor. The amounts associated with Investment and Lending activities are based on the original amount invested less repayments. Multiplying RWA by 8% will result in the level of Regulatory Capital (RC) for these portfolios (for the Credit Risk portion of the activities). This excludes all additional buffers.

Figures for Derivatives and Securities Financing are based on the current exposure method, which generally is equal to the marked-to-market value of the underlying trades plus a (regulatory defined) 'add-on' which represents estimated potential future exposure. The amounts are then further modified by an adjustment that is related to the underlying collateral (market) values (after a haircut is applied) and any legal netting or compensation that may be permitted under various master agreement arrangements such as International Swaps and Derivatives Association (ISDA master agreements and Credit Support Annexes (CSAs).

Off-balance sheet exposures include letters of credit and guarantees, which are associated with the Lending Risk category. Additionally, off-balance sheet exposures include a portion of the unused limits, associated with the unused portion of the limit between the moment of measurement and the theoretical moment of statistical default. Collectively, these amounts are called 'Credit Risk outstandings'.

Exposures associated with Securitisations (Asset Backed Financing, Commercial / Residential Mortgage Backed Securities) are shown separately. These amounts also relate to the amount invested prior to any impairment activity or mark-to-market adjustments. These amounts are also considered to be 'Credit Risk outstandings'.

Approaches applied

On 1 January 2008, ING Bank adopted the Advanced Internal Ratings Based (AIRB) approach for the majority of its significant portfolios that contain credit risk in accordance with the approvals granted by ECB and various local regulators, as required. However, there remains a small portion of the portfolio that is subject to the Standardised Approach (SA). The majority of SA portfolios at ING Bank relate to subsidiaries where the home regulator does not have a robust AIRB framework or requirement. Depending on the regulatory landscape, ING will continue to explore opportunities to transition additional portfolios from SA to AIRB. ING Bank does not have any portfolios that use the Foundation Internal Ratings Based (FIRB) Approach. The AIRB and SA approaches are explained in more detail in the Credit Risk Measurement section of the Risk Management paragraph. An analysis on the AIRB and SA portfolios with their accompanying tables is provided in the SA and AIRB Approach sections of Pillar III.

CRR/CRD IV introduced an additional regulatory capital charge for material increases in the credit valuation adjustment (CVA), the market price of the counterparty credit risk of derivatives. In particular, as credit spreads of ING Bank's counterparties increase, CVA will increase as well and ING Bank will incur a loss. ING Bank follows the standardised approach for calculation of the capital charge to cover CVA Risk (CVA Capital) in accordance with the CRR/CRD IV. The scope of the products and counterparties that the CVA Capital charge is applied to also follows those regulations.

ING Bank uses the AIRB and the Internal Assessment Approach (IAA) for liquidity lines provided to Asset Backed Commercial Paper programmes and this is explained in more detail in the securitisation section.

Credit Risk Weighted Assets Migration Analysis

The table below explains the changes in Credit RWA during the reporting period and provides additional information by linking the impact of changes in portfolio composition, model changes and shifts in the risk environment on Credit RWA. The table reconciles movements in Credit RWA for the period for each Credit RWA risk type of ING Bank for the SA and AIRB portfolio including securitisations.

Flow statement for Credit RWA		
in EUR billion	2015	2014
Opening amount	**226.7**	**222.2**
Book size[1]	7.6	5.9
Divestments/De-consolidations	–1.5	–7.0
Book quality[2]	–8.4	0.8
Model updates[3]	5.6	–2.2
Methodology and policy[4]	–2.8	–3.2
Foreign exchange movements	5.5	5.1
Other	0.3	–1.6
Total Credit RWA movement excluding CVA RWA	**6.3**	**–2.1**
CVA RWA movement	–1.4	6.6
Total Credit RWA movement	**4.9**	**4.5**
Closing amount	**231.6**	**226.7**

Excluding equities and ONCOA.
1 Book size: organic changes in book size and composition (including new business and maturing loans).
2 Book quality: quality of book changes caused by experience such as underlying customer behaviour or demographics including changes to credit quality of portfolios.
3 Model updates: model implementation, change in model scope or any change to address model malfunctions including changes through model calibrations / realignments.
4 Methodology and policy: methodology changes to the calculations driven by internal changes in policy and regulatory policy changes.

Key changes

In 2015, Credit RWA increased by EUR 4.9 billion to EUR 231.6 billion at the end of the year, including a decline in CVA RWA of EUR 1.4 billon.

- *Book size:* The portfolio growth, excluding divestments/de-consolidations and FX fluctuations, led to a EUR 7.6 billion higher RWA, mainly driven by the Wholesale Banking and Challenger & Growth portfolios. Growth was seen in the Corporates and Structured Finance book, as well as in the mortgage portfolios in Belgium and DiBa Germany. In Australia, the white label mortgage portfolio was sold in Q2, decreasing the portfolio but this was partially compensated by growth in own label in the second half year of 2015. Growth was partially compensated by volume decline witnessed in the Dutch mortgage portfolio.
- *Divestments/ de-consolidations:* After the de-consolidation of NN Group, the internal guarantee for the funding of NN Bank has been released decreasing RWA by EUR 0.9 billion. In addition, the transfer of residential mortgages from WestlandUtrecht to NN Bank as part of the overall strategy for WestlandUtrecht, continued over 2015, further reducing RWA by EUR 0.6 billion.
- *Book quality:* As a result of the improving economies in most of our key retail countries, the book quality has improved over the year, decreasing RWA overall by EUR 8.4 billion. Primarily in the Dutch mortgage portfolio, where improved economic conditions especially with respect to house prices and employment in the Netherlands, accompanied with a more efficient arrears management has led to a significant RWA reduction of EUR 3.2 billion. In addition to this, the Real Estate book has shown signs of improvement which increased the cure rate of the portfolio and reduced risk costs. The remainder of the RWA reduction is visible throughout the portfolio as a result of restructuring and improved client ratings.However, deteriorating conditions in Russia and Ukraine have led to a downgrade in ING's rating of these countries and an increase in the non-performing loan book, increasing RWA by over EUR 2.0 billion.
- Model updates: driven by regulatory guidance were undertaken towards the end of the year and increased RWA by EUR 5.6 billion. The Leveraged Finance LGD model update was the main contributor increasing RWA by EUR 4.2 billion. The Commercial Property Finance LGD model update increased RWA by EUR 1.1 billion.
- *Methodology and policy*: The main drivers for the EUR 2.8 billion decrease were the LGD floor update for mortgages, which was previously determined on a facility level whereas now it is determined on a portfolio level and the periodical update of the regulatory c-factor (related to the hypothetical capital of the CCP) implemented to calculate capital for the Default Fund Contribution held by ING Bank at central clearing houses.
- *Foreign exchange movements*: The impact of FX movements was significant. The currency fluctuations caused RWA to increase by EUR 5.5 billion due to the appreciation of the US Dollar (11.34%) against the Euro which increased RWA by EUR 5.1 billion. The depreciating Turkish Lira (–10.83%) partially compensated for this increase reducing RWA by EUR 0.7 billion.
- *Other*: The remaining RWA increase of EUR 0.3 billion was the result of multiple small changes.
- *CVA RWA movement:* RWA attributable to CVA capital movements decreased during 2015 by EUR 1.4 billion to EUR 5 billion. The decrease is due to Securities Financing transactions being excluded from the scope of the calculation as the recently published EBA requirements for CVA RWA for Securities Financing transactions, do not apply for our portfolio .

Overall, RWA management has a very high priority throughout ING Bank in all aspects of our business. From product design, to pricing, to divestment decisions, RWA management is extensively monitored, reported, and managed at all levels of the organisation.

Advanced IRB and Standardised Approach

ING uses two methods to calculate Regulatory Capital for Credit Risk within its portfolio: the Advanced Internal Rating Based (AIRB) approach and the Standardised Approach (SA). The AIRB approach is permitted by the Regulator if there are regulatory approved rating models (PD, EAD and LGD) in place and if the (local) management understands and uses these rating models (Basel Use Test) in their credit decision making processes. ING Bank does not use the Basel Foundation IRB Approach (FIRB) for any of its portfolios. This section is to be read in conjunction with the Risk Management paragraph of the Annual Report.

Exposure classes

The Basel Accord has developed the concept of 'Exposure Classes'. These are essentially groupings of credit risks associated with a common obligor type or product type. For the AIRB and Standardised Approach, most of the exposure classes have subcategories.

- **Central Governments & Central Banks** (hereafter **Sovereigns**) include Sovereign Government entities, Central Banks, CRR/CRD IV recognized Local / Regional Authorities and Public Sector entities as well as Supranational Organisations;
- **Institutions** include all Commercial Banks and non-Bank Financial Institutions;
- **Corporates** include all legal entities, that are not considered to be Governments, Institutions or Retail; and
- **Retail** includes the following classes:
  - **Retail – Secured by immovable property non-SME** (hereafter **Secured by Res. Mortgage**) includes all retail loans which are covered by residential properties
  - **Retail - Secured by immovable property SME** (included in most tables with **Other Reta**il) includes all retail loans which are covered by commercial properties.
  - **Retail Other** includes all other retail credit obligations related to Retail SMEs (such as partnerships and one-man businesses) and private individuals (such as consumer loans, car loans and credit cards). Under these exposure class definitions, it is possible for a private individual to be included under both Secured by Res. Mortgage and Retail Other.

In the table below, the CRD categories for the AIRB and SA approach are given and are mapped to the ING Bank exposure classes.

Basel AIRB and SA exposure classes	ING Bank exposure class
AIRB	
Central governments and central banks	Sovereigns
Institutions	Institutions
Corporates – Specialised lending	Corporates
Corporates – SME	Corporates
Corporates – Other	Corporates
Retail – Secured by immovable property SME	Other Retail
Retail – Secured by immovable property non-SME	Secured by Res. Mortgage
Retail – Qualifying revolving	Not applicable
Retail – Other SME	Other Retail
Retail – Other non-SME	Other Retail
Securitisations	Securitisations
SA	
Central governments or central banks	Sovereigns
Regional governments or local authorities	Sovereigns
Public sector entities	Sovereigns
Multilateral development banks	Sovereigns
International organisations	Sovereigns
Institutions	Institutions
Corporates	Corporates
Retail	Other Retail
Exposures secured by mortgages on commercial immovable property	Secured by commercial real estate
Exposures secured by mortgages on residential property	Secured by residential property
Exposures in default	All
High risk items	Not applicable
Covered bonds	Not applicable
Claims to institutions and corporates with a short-term credit assessment	Not applicable
Claims in collective investment undertaking	Not applicable
Equity exposures	Not applicable
Other items	Not applicable

The SA exposure class 'Exposures in default' is mapped to the ING exposure class in which the exposure would have been if it was performing.

In the tables below an overall picture is given of the ING Bank portfolio per exposure class, after which a breakdown per exposure class is given segmented by relevant factors. The segmentation on Securitisations is provided in the Securitisation chapter.

Credit risk per exposure type and exposure class

The table below shows the total READ and RWA for ING Bank by CRD defined exposure types for both the SA and AIRB portfolio per exposure class. CVA is reported separately.

Model approaches per exposure class

	Sovereigns		Institutions		Corporate		Secured by Res. Mortgage		Other Retail		Total 2015		Total 2014	
	READ	RWA	READ	RWA	READ	RWA	READ	RWA	READ	RWA	READ	RWA	READ	RWA
AIRB approach														
On-balance	103,296	5,270	48,430	10,258	181,014	86,398	271,119	42,302	28,207	14,341	632,066	158,568	601,769	157,036
Off-balance	8,768	422	7,614	2,265	68,255	25,726	7,419	474	9,191	2,592	101,247	31,480	90,725	28,078
Securities Financing	591	3	13,308	1,408	1,842	92					15,741	1,503	15,590	2,085
Derivatives	2,229	262	33,509	5,383	9,317	4,753			39	16	45,094	10,415	46,041	11,421
Total AIRB	**114,884**	**5,957**	**102,861**	**19,314**	**260,429**	**116,970**	**278,538**	**42,776**	**37,436**	**16,949**	**794,148**	**201,967**	**754,125**	**198,620**
SA approach														
On-balance	2,866	2,302	3,750	1,015	8,123	7,178	6,901	3,125	8,819	6,204	30,460	19,824	24,891	16,833
Off-balance			113	36	986	923	71	50	2,100	1,535	3,270	2,544	3,210	2,528
Securities Financing	39	38	5	3							45	41	5	5
Derivatives			642	315	20	20			10	8	672	343	302	155
Total SA	**2,905**	**2,340**	**4,510**	**1,370**	**9,130**	**8,122**	**6,972**	**3,175**	**10,930**	**7,747**	**34,448**	**22,752**	**28,408**	**19,522**
SEC AIRB														
On-balance											6,854	1,780	6,756	1,991
Off balance											1,276	124	1,059	110
Total Sec IRB											**8,130**	**1,904**	**7,815**	**2,101**
Total Bank	**117,789**	**8,297**	**107,372**	**20,683**	**269,558**	**125,091**	**285,510**	**45,951**	**48,366**	**24,696**	**836,726**	**226,623**	**790,348**	**220,243**
CVA (SA portfolio)				20								20		42
CVA (AIRB portfolio)		74		4,899		13						4,985		6,369
Total CVA		**74**		**4,919**		**13**						**5,005**		**6,412**
Total Bank including CVA	**117,789**	**8,370**	**107,372**	**25,602**	**269,558**	**125,104**	**285,510**	**45,951**	**48,366**	**24,696**	**836,726**	**231,628**	**790,348**	**226,655**

Includes both AIRB and SA portfolios; excludes equities and ONCOA.
Default Fund Contribution to Central Clearing Parties is included under exposure class Institutions.

The ING Bank portfolio falls for 90% under the AIRB approach and for 10% under SA in terms of RWA (excl. CVA RWA). The total portfolio increased in 2015 by EUR 46.4 billion in READ to EUR 836.7 billion and by EUR 4.9 billion RWA to EUR 231.6 billion. The increase in READ as well as RWA is mainly a result of growth witnessed in the Wholesale Banking and Challenger & Growth portfolios but also as a result of the appreciation of the major currencies against the Euro.

The Credit RWA (+2.9%) of the portfolio did not increase as significantly as the READ (+5.9%), driven by an improved book quality of the portfolio. This is a result of the improving economies in most of the key retail market countries but also driven by the de-risking efforts especially in the Real Estate portfolio which also contributed to the improved risk profile. This improvement was offset by deterioration of the credit quality of some specific portfolios due to the international and political turmoil in Eastern Europe and the Middle-East, ongoing pressure on emerging markets and the direct and indirect negative effects of continued low oil and other commodity prices. Despite the imbalances in emerging economies and financial markets which continued in 2015, ING's risk profile overall improved during the year.

Sovereign credit risk disclosure

The table below presents the READ and RWA (excl. CVA RWA), segmented by relevant factors for the exposure class 'Sovereigns'. The figures per geography for each exposure class are based on the country of residence of the obligor.

Sovereigns – credit risk disclosure in READ and RWA

		READ			RWA		
		2015	2014	Delta %	2015	2014	Delta %
Sovereigns	**Total per rating**	117,789	103,137	14.2%	8,297	7,926	5%
	Performing	117,771	103,132	14.2%	8,229	7,926	4%
	Non-performing	18	6	221.4%	68	0	241,17%
Sovereigns	**Geography/business units**	117,789	103,137	14.2%	8,297	7,926	5%
	Africa	313	229	36.8%	180	30	503%
	America	3,490	3,254	7.2%	18	19	-3%
	Asia	6,868	3,818	79.9%	428	228	88%
	Australia	3,061	4,433	-31.0%			-
	Europe	104,057	91,402	13.8%	7,671	7,650	0%
Sovereigns	**Europe**	104,057	91,402	13.8%	7,671	7,650	0%
	Netherlands	25,205	15,308	64.7%	224	379	-41%
	Belgium	14,691	13,775	6.6%	147	141	4%
	Germany	24,364	26,661	-8.6%	64		-
	Other Europe	39,797	35,658	11.6%	7,236	7,129	1%
Sovereigns	**Product Type**	117,789	103,137	14.2%	8,297	7,926	5%
	Bond Investments	70,427	73,108	-3.7%	4,373	4,558	-4%
	Revolving	23,983	12,255	95.7%	776	693	12%
	Money Market	15,128	9,066	66.9%	2,270	1,973	15%
	Term Loans	4,414	4,558	-3.2%	390	348	12%
	Derivatives	2,229	2,695	-17.3%	262	288	-9%
	Other	1,608	1,455	10.5%	226	66	242%
Sovereigns	**PD Bands**	117,789	103,137	14.2%	8,297	7,926	5%
	<0.05%	91,754	82,105	11.8%	283	240	18%
	0.05% to 0.5%	25,532	20,584	24.0%	7,386	7,303	1%
	0.5% to 5%	276	251	10.0%	195	46	325%
	5% to 10%	63	77	-18.0%	10	20	-51%
	10% to 20%	43	111	-61.4%	30	316	-90%
	20% to 50%	103	3	2,995.3%	325	1	34,6%
	more than 50%	18	6	221.4%	68	0	241,1%
Sovereigns	**LGD Bands**	117,789	103,137	14.2%	8,297	7,926	5%
	<0.10%	1,107	1,388	-20.2%	41	50	-18%
	10% to 20%	715	792	-9.7%	42	76	-45%
	20% to 30%	3,436	3,086	11.4%	15	18	-17%
	30% to 40%	106,645	91,324	16.8%	5,241	4,611	14%
	40% to 50%	5,689	6,429	-11.5%	2,443	2,847	-14%
	50% to 60%		1	-100%		2	-100%
	more than 60%	197	116	69.3%	515	324	59%

Includes both AIRB and SA portfolios; excludes equities, CVA RWA and ONCOA.

The sovereigns portfolio increased by EUR 14.7 billion in READ and EUR 0.4 billion RWA. A large part of the READ increase was a result of increased regulatory deposits at DNB, which carries a 0% risk weight therefore not impacting the RWA. Increasing customer deposits in Japanese Yens and consequently higher placements with the Bank of Japan are driving the growth of Sovereign exposures in Asia. This, combined with the deteriorated country rating for Japan, was an important driver behind the RWA increase. The RWA increase in Other Europe was driven by increased regulatory deposits to the Turkish Central Bank, which carries a relatively high risk weight. In contrast to previous years, the Bond Investments decreased during the year due to the sale of bonds, especially seen in

Germany. The deterioration visible in the PD band 20 to 50% is related to the downgrade of Ukraine. Given that a major purpose of sovereign credit exposure is to support high quality liquid assets, it is consistent that most exposures are in the best quality risk bands.

Institutions credit risk disclosure

This table presents the READ and RWA (excluding CVA RW), segmented by relevant factors for the exposure class 'Institutions'.

Institutions – credit risk disclosure in READ and RWA

		READ			RWA		
		2015	2014	Delta %	2015	2014	Delta %
Institutions	**Total per rating**	107,372	113,407	-5.3%	20,683	25,743	-20%
	Performing	107,018	112,683	-5.0%	20,477	25,474	-20%
	Non-performing	354	724	-51.1%	206	270	-24%
Institutions	**Geography/business units**	107,372	113,407	-5.3%	20,683	25,743	-20%
	Africa	435	634	-31.3%	515	653	-21%
	America	17,701	16,562	6.9%	3,249	3,592	-10%
	Asia	12,274	14,418	-14.9%	2,878	3,950	-27%
	Australia	1,495	1,789	-16.5%	216	280	-23%
	Europe	75,467	80,003	-5.7%	13,825	17,269	-20%
Institutions	**Europe**	75,466	80,003	-5.7%	13,827	17,269	-20%
	Netherlands	7,845	8,214	-4.5%	1,775	2,489	-29%
	Belgium	8,601	8,907	-3.4%	1,667	1,570	6%
	Germany	3,259	8,737	-62.7%	430	743	-42%
	Other Europe	55,761	54,144	3.0%	9,955	12,467	-20%
Institutions	**Product Type**	107,372	113,407	-5.3%	20,683	25,743	-20%
	Derivatives	32,056	32,851	-2.4%	5,372	5,873	-9%
	Bond Investments	18,645	20,165	-7.5%	1,623	2,112	-23%
	Revolving	18,144	14,953	21.3%	4,575	4,724	-3%
	Money Market	13,113	12,637	3.8%	1,387	1,895	-27%
	Term Loans	13,794	12,476	10.6%	4,200	3,879	8%
	Other	11,620	20,325	-42.8%	3,526	7,261	-51%
Institutions	**PD Bands**	107,372	113,407	-5.3%	20,683	25,743	-20%
	<0.05%	17,386	19,681	-11.7%	2,346	2,422	-3%
	0.05% to 0.5%	84,313	86,446	-2.5%	15,366	19,459	-21%
	0.5% to 5%	4,987	6,236	-20.0%	2,393	2,948	-19%
	5% to 10%	91	69	32.6%	67	99	-32%
	10% to 20%	137	222	-38.2%	262	521	-50%
	20% to 50%	104	30	247.7%	43	25	73%
	more than 50%	354	724	-51.1%	206	270	-24%
Institutions	**LGD Bands**	107,372	113,407	-5.3%	20,683	25,743	-20%
	<0.10%	26,663	28,219	-5.5%	1,534	1,622	-5%
	10% to 20%	9,584	8,179	17.2%	1,346	1,132	19%
	20% to 30%	6,012	4,400	36.6%	1,372	1,148	19%
	30% to 40%	55,942	63,204	-11.5%	11,057	15,241	-27%
	40% to 50%	276	206	34.3%	195	170	15%
	50% to 60%	5,147	5,473	-6%	3,037	3,658	-17%
	more than 60%	3,748	3,727	0.6%	2,142	2,773	-23%

Includes both AIRB and SA portfolios; excludes equities, CVA RWA and ONCOA.

The Institutions portfolio decreased by EUR 6.0 billion and consequently declined RWA by EUR 5.1 billion. The RWA reduction was mainly the result of a released internal guarantee for the funding of NN Bank, the reduced exposure and risk weight of the Default Fund Contribution to Central Clearing Parties and decreased exposure to Greece and Russian banks. The Bond Investments portfolio declined as a result of maturing Cedula investments. The appreciation of the US Dollar against the Euro resulted in an increase in READ

and RWA of respectively EUR 3.9 billion and EUR 1.2 billion. The increase in the 'more than 60%' LGD bucket was driven by increased short-term nostro exposure.

Corporate credit risk disclosure

This table presents the READ and RWA (excluding CVA RWA), segmented by relevant factors for the exposure class 'Corporates'. The Industry breakdown for this table is based on the NAICS system (North American Industry Classification System).

Corporates – credit risk disclosure in READ and RWA

		READ			RWA		
		2015	2014	Delta %	2015	2014	Delta %
Corporate	**Total per rating**	269,558	234,493	15.0%	125,091	108,413	15%
	Performing	261,661	225,600	16.0%	114,457	97,801	17%
	Impaired/Non-performing	7,897	8,893	-11.2%	10,634	10,612	0%
Corporate	**Geography/business units**	269,558	234,493	15.0%	125,091	108,413	15%
	Africa	1,654	1,675	-1.2%	1,007	1,221	-18%
	America	39,936	31,679	26.1%	19,191	13,579	41%
	Asia	25,601	22,046	16.1%	8,044	7,354	9%
	Australia	4,083	3,511	16.3%	1,556	1,305	19%
	Europe	198,284	175,581	12.9%	95,293	84,953	12%
Corporate	**Europe**	198,284	175,581	12.9%	95,292	84,953	12%
	Netherlands	54,324	54,426	-0.2%	26,228	28,340	-7%
	Belgium	39,083	33,457	16.8%	15,476	13,564	14%
	Germany	8,284	6,601	25.5%	3,100	2,557	21%
	Rest of Europe	96,593	81,098	19.1%	50,488	40,493	25%
Corporate	**Industry**	269,558	234,493	15.0%	125,091	108,413	15%
	Natural Resources	48,089	44,128	9.0%	19,157	16,624	15%
	Real Estate	43,999	40,512	8.6%	17,676	17,544	1%
	Transportation & Logistics	30,377	25,996	16.8%	12,897	11,517	12%
	Food, Beverages & Personal Care	24,600	18,349	34.1%	11,509	9,284	24%
	Services	18,189	16,381	11.0%	10,435	9,052	15%
	Other	104,304	89,126	17.0%	53,417	44,392	20%
Corporate	**PD Bands**	269,558	234,493	15.0%	125,091	108,413	15%
	<0.05%	9,058	7,198	25.8%	1,239	983	26%
	0.05% to 0.5%	158,886	132,793	19.6%	49,792	41,577	20%
	0.5% to 5%	83,802	74,172	13.0%	50,992	41,474	23%
	5% to 10%	3,049	3,425	-11.0%	2,877	2,950	-2%
	10% to 20%	3,176	4,131	-23.1%	4,335	5,464	-21%
	20% to 50%	3,690	3,880	-4.9%	5,222	5,352	-2%
	more than 50%	7,897	8,893	-11.2%	10,634	10,612	0%
Corporate	**LGD Bands**	269,558	234,493	15.0%	125,091	108,413	15%
	<0.10%	66,795	59,118	13.0%	4,889	4,371	12%
	10% to 20%	38,908	34,011	14.4%	12,812	11,738	9%
	20% to 30%	43,457	37,498	15.9%	16,322	16,098	1%
	30% to 40%	59,761	57,687	3.6%	31,314	33,804	-7%
	40% to 50%	38,953	26,329	47.9%	33,286	16,927	97%
	50% to 60%	9,642	7,525	28%	10,039	8,551	17%
	more than 60%	12,042	12,325	-2.3%	16,429	16,924	-3%

Includes both AIRB and SA portfolios; excludes equities, CVA RWA and ONCOA.

The Corporates portfolio increased by EUR 35.1 billion READ and EUR 16.7 bio RWA. The increase in READ is mainly attributable to the Structured Finance portfolio which showed healthy growth. In light of the political and economic turmoil, exposures to Russia were reduced in 2015, mainly visible in Natural Resources industry. Even though exposure to Ukraine remained relatively stable in 2015, the economic recession had its impact on the portfolio resulting in an increased non-performing portfolio increasing the RWA.

Additionally, the update of the Leveraged Finance and the Commercial Property Finance LGD models has also increased RWA, EUR 4.2 billion and EUR 1.1 billion respectively. Cures were also noticeable in the portfolio, of which the largest in READ was driven by a change in the rating for a client which was assessed as performing by its super preferential character. The risk profile of the Real Estate portfolio has also improved, decreasing its share in the non-performing loan book.

Retail credit risk disclosure

This table presents the READ and RWA, segmented by relevant factors, and the analysis for the exposure class 'Retail'.

Retail – credit risk disclosure in READ and RWA

		READ			RWA		
		2015	2014	Delta %	2015	2014	Delta %
Retail	**Total per rating**	333,876	331,496	0.7%	70,647	76,060	-7%
	Performing	327,116	323,866	1.0%	62,296	66,791	-7%
	Impaired/Non-performing	6,760	7,630	-11.4%	8,351	9,268	-10%
Retail	**Customer Segment**	333,876	331,496	0.7%	70,647	76,060	-7%
	Private Persons	308,145	304,760	1.1%	59,982	65,909	-9%
	Small Mid-sized Enterprises	19,377	19,584	-1.1%	8,769	8,394	4%
	Private Banking	3,683	3,651	0.9%	910	847	7%
	Other	2,671	3,501	-23.7%	986	909	8%
Retail	**Geography/business units**	333,876	331,496	0.7%	70,647	76,060	-7%
	Africa	88	67	30.9%	16	10	64%
	America	249	187	33.5%	85	52	64%
	Asia	171	161	6.6%	26	27	-4%
	Australia	29,834	29,494	1.2%	2,011	2,476	-19%
	Europe	303,534	301,587	0.6%	68,509	73,495	-7%
Retail	**Europe**	303,534	301,587	0.6%	68,509	73,495	-7%
	Netherlands	142,607	147,940	-3.6%	26,242	32,127	-18%
	Belgium	42,660	41,961	1.7%	8,284	8,583	-3%
	Germany	77,107	72,806	5.9%	19,772	19,718	0%
	Rest of Europe	41,160	38,880	5.9%	14,211	13,067	9%
Retail	**PD Bands**	333,876	331,496	0.7%	70,647	76,060	-7%
	<0.05%	25,288	24,534	3.1%	1,521	1,443	5%
	0.05% to 0.5%	206,862	192,765	7.3%	20,853	21,605	-3%
	0.5% to 5%	85,664	93,642	-8.5%	30,734	32,823	-6%
	5% to 10%	3,215	4,431	-27.4%	2,796	3,321	-16%
	10% to 20%	3,599	4,759	-24.4%	3,679	4,059	-9%
	20% to 50%	2,084	3,052	-31.7%	2,480	3,141	-21%
	more than 50%	7,164	8,313	-13.8%	8,584	9,669	-11%
Retail	**LGD Bands**	333,876	331,496	0.7%	70,647	76,060	-7%
	<0.10%	108,381	109,340	-0.9%	5,362	8,775	-39%
	10% to 20%	109,392	100,239	9.1%	17,785	17,980	-1%
	20% to 30%	34,637	43,355	-20.1%	9,816	12,900	-24%
	30% to 40%	23,761	24,081	-1.3%	6,117	6,483	-6%
	40% to 50%	15,732	15,280	3.0%	6,319	6,260	1%
	50% to 60%	12,446	11,262	10.5%	6,745	6,250	8%
	more than 60%	29,527	27,939	5.7%	18,503	17,412	6%

Includes both AIRB and SA portfolios; excludes equities, CVA RWA and ONCOA.

Throughout 2015 the retail book showed solid business growth and lower risk costs. The decline in volumes within the Netherlands was, aside from lower demand, mainly caused by the progressing transfer of WestlandUtrecht Bank (WUB) mortgages to NN Group and the run-off in the WUB mortgage portfolio. The decreases were slightly offset by growth seen in Belgium, mainly driven by residential mortgages and exposure to (small) Corporates. The improving Dutch economy resulted in lower arrears for the Dutch portfolio which improved the PD's and subsequently the non-performing portfolio. Additionally, increased house prices impacted the LGD's positively, reducing RWA. The READ for the retail franchise in Germany increased, driven by both higher mortgages and consumer lending production. As a result of the improving economies in most of the key retail markets, the risk weights improved.

LTV Residential Mortgages per country

The table below shows the weighted average Loan-to-Value (LTV) ratio of the ING Bank Residential Mortgage portfolio per country. All LTV figures are based on market values. In most portfolios, ING uses house price developments to index these market values. In several markets, customers provide additional collateral or (government sponsored) mortgage insurance programs are used. None of these additional covers are included in the LTV figures.

Loan-to-Value Residential Mortgages per country

	2015		2014	
	LTV	READ	LTV	READ
Netherlands[1]	83%	129,814	87%	134,526
Germany	70%	69,967	71%	64,530
Belgium, Luxembourg	72%	30,760	74%	29,509
Australia	62%	29,875	61%	29,577
Spain	64%	10,453	65%	9,653
Italy	59%	7,673	57%	7,747
Poland	61%	4,626	59%	3,828
Turkey	57%	1,472	54%	1,264
Romania	68%	870	67%	693
Total	**74%**	**285,510**	**77%**	**281,328**

Includes both AIRB and SA portfolios.
1 Netherlands includes Domestic Bank NL and WestlandUtrecht Bank.

The economic environment and the housing market in the Netherlands continued to improve in 2015. The average Dutch house price increased from EUR 216k to EUR 227k from December 2014 to December 2015, which led to an improved LTV ratio through indexation.

The LTV for the Belux portfolio decreased mainly driven by the lower LTVs for new production at ING Belgium: around mid-year, decision rules were updated in order to limit new production with high LTVs.

In Italy the house price index continued to decrease in 2015 resulting in an increase of the LTV from 57% to 59%.

Although the average LTV for the Polish mortgages portfolio is still relatively low at 61%, the LTV increased due to new production which was targeted at younger customers. The current economic outlook is positive and the housing market is developing favourably, with increasing house prices and transaction rates. However, the political climate could have adverse effects on the economy in the longer run.

Although the LTV increased in 2015, Turkey still has a relatively low LTV. Increasing house prices, combined with the willingness of customers to take up higher loans caused a higher LTV in the mortgage origination translating in an increase of the portfolio LTV.

The ING policy is to index property values on a quarterly basis. In some markets only annual figures are available while for others it is more practical to index on an annual basis. Quarterly or annual indexing is done for the Netherlands, Belgium, Australia, Italy and Spain covering 62% of the portfolio.

The Advanced Internal Rating Based approach (AIRB)

The AIRB approach has five main elements that drive the CRR/CRD IV 'risk-based approach' for the determination of RWA. The elements are: the CRR/CRD IV Exposure Class, Probability of Default (PD), Exposure at Default (EAD), Loss Given Default (LGD) and Maturity (M).

Probability of Default (PD): The first element is the counterparty's probability of default, which measures counterparty's creditworthiness in terms of likelihood to go into default. The result of this calculation attempts to measure the senior, unsecured standalone creditworthiness of an organisation without consideration of structural elements of the underlying transactions, such as collateral, pricing or maturity. Each borrower should have a rating which translates into a PD.

Regulatory Exposure at Default (READ): The second element is the counterparty's exposure at default. These models are intended to estimate the outstanding amount or obligation at the moment of default in the future. Since the fact that a counterparty will go into default is not known, and the level of outstanding that may occur on that date is also not known, ING Bank uses a combination of statistical, expert and hybrid models to estimate the Exposure at Default. With the exception of guarantees and letters of credit, the EAD is always equal to or higher than the associated credit risk outstanding, under the assumption that counterparties tend to absorb liquidity from available credit resources before financial problems become apparent to the counterparty's creditors. The EAD is largely a function of the type of credit facility (revolving, overdraft, term) offered to the borrower.

Loss Given Default (LGD): The third element is the loss given default. These models are intended to estimate the amount ING Bank will lose when liquidating collateral pledged in association with a given loan or financial obligation, or alternatively, liquidating the company as a whole, as part of a workout process. LGD models are based on cover types, estimated recovery rates given orderly liquidation, and (in) direct cost of liquidation. For financial collateral for counterparty credit risk, ING Bank uses the Financial Collateral Comprehensive Method to allow for mitigation effects.

Maturity (M): The fourth element is the time to the maturity of the underlying financial obligation. Regulations (CRR/CRD IV) cap the maturity element at five years, despite the fact that many obligations extend their facilities for longer than five years.

Expected Loss (EL): The expected loss provides a measure of the value of the credit losses that ING Bank may reasonably expect to incur on its portfolio. In its basic form, the expected loss can be represented as: EL = PD * EAD * LGD. ING Bank must maintain a capital buffer against unexpected losses in order to protect itself against credit losses associated with unusual market events outside of the statistical norms.

Exposure Class: The exposure class (a grouping of credit risks associated with a common obligor type or product type) is a driver for the correlation factor. To calculate Capital the default correlation between a transaction and all other transactions in the portfolio are taken into account. The correlation factor determines which portion of the standalone risk of a transaction is retained when the transaction is included in the portfolio and the portfolio diversification benefits are taken into consideration.

AIRB models per exposure class

Within ING Bank internal Basel models are used to determine the PD, EAD and LGD for regulatory and economic capital. Bank wide, ING Bank has implemented around 90 models, including various sub models for specific portfolios. A model may be applicable for various exposure classes. In the table below, the number of significant PD, EAD, and LGD models per asset class are shown. Additionally a description of the model and methodology are provided per exposure class. The asset classes presented in this table do not align with the Basel Exposure classes as the scope has been redefined to better fit the scope of the model. SME exposure for example can be part of both Corporate exposures as Other Retail depending on the size of the SME.

AIRB models and methodology

Asset classes measured	READ for associated Asset class	% of Total EAD	RWAs for associated Asset class	% of Total RWA	Model Type	Number of significant models	Model description and methodology	Number of years of data
Sovereigns	107,835	13.6%	5,455	2.7%	PD	1	The Government Central PD model is a fully statistical model, containing only quantitative risk drivers.	>7 years
					LGD	1	The LGD model for Sovereigns and other governments is an unsecured recovery model built on assessment of structural factors that influence a country's performance.	>7 years
					EAD	1	The Low Default EAD model is a hybrid model that pools default information from multiple low default portfolios, including central governments and central banks.	>7 years
Government related entities	13,774	1.7%	2,356	1.2%	PD	1	The government related entities PD model is expert based and assigns ratings based on stand-alone credit fundamentals as well as degree of government support.	>7 years
					LGD	1	The LGD model for Government related entities is a secured/unsecured recovery model built on assessment of stand-alone fundamentals as well as geography.	>7 years
					EAD	1	The Low Default EAD model is a hybrid model that pools default information from multiple low default portfolios, including government related entities.	>7 years

AIRB models and methodology - continued								
Financial institutions	83,191	10.5%	17,091	8.5%	PD	3	The main PD model applied is Bank Commercial based upon financial, qualitative and country information. Other PD models for different types of financial institutions are built using a similar framework, but are more specialised for the specific characteristics of the financial institution.	>7 years
					LGD	1	This LGD model was developed based on expert judgement, supported by limited internal and external data. The developed LGD model is based on ultimate recovery rates.	>7 years
					EAD	1	The Low Default EAD model is a hybrid model used that pools default information from multiple low default portfolios, including financial institutions.	>7 years
Corporates - Specialized lending	72,911	9.2%	26,053	12.9%	PD	3	Expert based scorecards Models predict a rating for Commercial Property Finance, Project Finance, Trade and Commodity Finance.	>7 years
					LGD	3	Hybrid LGD Models predict loss given default for Commercial Property Finance, Project Finance, Trade and Commodity Finance.	>7 years
					EAD	1	There is a dedicated EAD model for commercial property finance due to the specificities of this portfolio.	>7 years
Large Corporates	135,286	17.0%	63,923	31.7%	PD	1	The Corporate Large model is a global hybrid model build on 13 years of data, including balance sheet and qualitative information as well as country risk and parent influence.	>7 years
					LGD	1	Loss Given Default for Large corporates are predicted by a dedicated hybrid LGD model using both no loss rates as well as secured/unsecured recovery rates.	>7 years
					EAD	1	The Low Default EAD model is a hybrid model used that pools default information from multiple low default portfolios, including large corporates.	>7 years
SME	64,151	8.1%	32,958	16.3%	PD	6	The SME PD models are estimated statistically and directly predict a PD. Most of these models are developed locally to reflect regional/jurisdiction circumstances.	>7 years
					LGD	6	Local statistical models or hybrid models use various data inputs on cure behaviour as well as cost and recovery.	>7 years
					EAD	6	Local statistical models that use various data inputs, including product type and geography.	>7 years
Secured by Res. Mortgage	278,565	35.1%	42,297	20.9%	PD	7[1]	The PD mortgages models are all developed statistically and include borrower specific information, payment behaviour and product related information. These are statistical models that directly predict a PD.	>7 years
					LGD	7	Local statistical models or hybrid models use various data inputs on cure behaviour as well as cost and recovery	>7 years
					EAD	7	Local statistical models that use various data inputs, including product type and geography.	>7 years
Private Individuals	22,236	2.8%	9,859	4.9%	PD	4[1]	The PD models for private individuals are all developed statistically and include borrower specific information, payment behaviour and product related information. These are statistical models that directly predict a PD.	>7 years
					LGD	4	Local statistical models use various data inputs on cure behaviour as well as cost and recovery.	>7 years
					EAD	4	Local statistical models that use various data inputs, including product type and geography.	>7 years
Other[1]	16,199	2.0%	1,975	1.0%	Other		(Covered Bonds, Structured assets)	
Total	**794,148**	**100%**	**201,967**	**100%**				

1 Belgian PD models provide a rating at a customer level, covering both secured and unsecured loans.
Includes the AIRB portfolio only; excludes securitisations, CVA RWA, equities and ONCOA.

AIRB credit exposures by exposure class

The table below gives an overview of the relevant parameters for determining the capital requirements for AIRB models. The Bank of International Settlements (BIS) requires an exposure class breakdown in this table which differs from the ING Bank exposure classes shown in previous tables.

AIRB credit exposures by exposure class

	Sovereigns	Institutions	Corporates (excl. specialised lending)	Specialised Lending	Secured by Res. Mortgage	Retail – SME	Retail other	Total 2015	Total 2014
On balance sheet pre CCF	103,297	48,268	109,700	71,843	270,907	16,260	11,618	**631,893**	600,937
Off balance sheet pre CCF	77,674	71,656	122,905	50,008	11,139	4,622	11,576	**349,580**	308,886
Counterparties[1]	2,820	46,816	8,276	2,884		24	15	**60,835**	61,631
Average CCF[2]	13.6%	23.0%	40.7%	40.3%	77.1%	84.2%	64.4%	**34.9%**	29.4%
READ	114,884	102,861	167,671	92,758	278,538	19,649	17,787	**794,148**	754,125
PD	0.1%	0.6%	4.5%	3.9%	2.4%	10.1%	4.5%	**2.7%**	3.3%
No. obligors[3]	1,485	9,638	134,205	7,368	1,676,070	350,281	6,088,278	**8,190,554**	8,133,472
LGD	30.3%	27.4%	29.0%	20.9%	16.7%	32.3%	67.1%	**24.7%**	25.2%
Maturity[4]	30	30	36	37	57	43	29	**42**	35
CVA RWA	73	4,899	13					**4,985**	6,369
RWA[5]	5,958	19,314	83,871	33,099	42,776	7,980	8,969	**201,967**	198,620
RWA density	5.2%	18.8%	50.0%	35.7%	15.4%	40.6%	50.4%	**25.4%**	26.3%
RECAP	477	1,545	6,710	2,648	3,421	638	718	**16,157**	15,890
EL	29	65	2,770	1,186	1,002	630	477	**6,159**	6,359
Provisions	8	21	2,344	997	759	521	389	**5,039**	5,487

1 Counterparties consists of Securities Financing and Derivative exposures.
2 CCF – Credit Conversion Factor.
3 No. of obligors are in absolute numbers, borrowers can be present in multiple exposure classes.
4 Maturity in number of months.
5 RWA excludes CVA RWA. CVA RWA is reported separately.

The READ increase in the AIRB portfolio comes mainly from increased volume in the Corporates and Sovereigns portfolio. The overall improving risk profile of the portfolio, especially noticed in the reported PD values, resulted in a limited RWA increase, decreasing the RWA density.

AIRB credit exposures by internal rating grade

The table below shows the AIRB portfolio per internal rating grade. Under CRR/CRD IV rules, the nominal exposures are weighted to determine the RWA (and regulatory capital) of a portfolio, under a 'risk-based approach'. This approach dictates that less capital is required for credit exposures which are well-rated, while progressively more capital is required as an obligor's risk (rating) deteriorates. This effect can cause RWA to increase or decrease together with risk rating migration without a significant change in the size of the underlying financial assets, in terms of financial accounting. As such, rating migrations are closely monitored within ING Bank.

Exposures (READ) per internal rating grade and corresponding PD, LGD and RWA 2015

Internal rating grade	PD range for each grade	READ in each grade	Average RPD	Average RLGD	Average maturity (in months)	RWAs in each grade (or band)	Risk Weight	EL	External Rating Equivalent
Performing									
1	0.00 - 0.01%	53,867	0.01	31.02	31.786	407	0.01	1	AAA
2	0.01 - 0.03%	28,117	0.02	27.73	40.57	570	0.02	1	AA+
3	0.03 - 0.04%	34,326	0.03	28.29	33.77	983	0.03	1	AA
4	0.04 - 0.05%	22,038	0.04	25.75	37.63	2,343	0.11	2	AA-
5	0.05 - 0.06%	37,457	0.05	31.03	36.31	3,326	0.09	6	A+
6	0.06 - 0.08%	45,407	0.06	24.90	35.33	5,281	0.12	7	A
7	0.08 - 0.11%	42,815	0.09	28.43	39.62	6,990	0.16	11	A-
8	0.11 - 0.17%	62,962	0.14	21.21	44.19	8,959	0.14	19	BBB+
9	0.17 - 0.26%	85,903	0.21	23.29	42.21	15,135	0.18	41	BBB
10	0.26 - 0.37%	90,839	0.32	21.53	45.54	19,764	0.22	62	BBB-
11	0.37 - 0.58%	99,388	0.45	20.22	47.88	24,781	0.25	90	BB+
12	0.58 - 1.00%	78,616	0.74	22.11	46.90	25,326	0.32	129	BB
13	1.00 - 1.77%	43,874	1.30	26.31	43.74	22,572	0.51	151	BB-
14	1.77 - 3.23%	21,737	2.47	28.35	39.21	15,433	0.71	152	B+
15	3.23 - 6.05%	14,120	4.29	24.69	44.71	10,092	0.71	150	B
16	6.05 - 11.67%	6,191	8.33	28.80	40.24	5,844	0.94	146	B-
17	11.67 - 20.20%	5,704	16.22	28.09	41.31	7,168	1.26	263	CCC
18	20.20 - 29.58%	3,774	24.86	25.53	35.36	5,375	1.42	239	CC
19	>29.58%-100%	2,392	41.98	26.81	43.92	2,778	1.16	257	C
Non-performing									
20	100%	8,297	100.00	31.34	36.42	12,933	1.56	2,202	Default
21	100%	3,353	100.00	22.64	52.61	3,909	1.17	484	Default
22	100%	2,971	100.00	37.84	28.01	1,998	0.67	1,745	Default
Total		**794,148**	**2.70**	**24.69**	**41.78**	**201,967**	**0.25**	**6,159**	

Includes the AIRB portfolio only and non-performing loans; excludes securitisations, CVA RWA, equities and ONCOA.

ING Bank's Probability of Default (PD) rating models are based on a 1-22 scale, which corresponds to the same rating grades that are assigned by external rating agencies. Risk Ratings (PD) for performing loans (1-19) are calculated in ING Bank with regulatory approved models. Risk Ratings for non-performing loans (20-22) are set on the basis of an approved discretionary methodology by the Global or Regional Restructuring unit. Overall the risk weights of the ING portfolio are a mixture of low risk weights for Sovereigns and Residential Mortgages combined with higher risk weights for Corporates. Many central governments exposure receive a zero risk weight due to the high quality rating (permanent partial use of the SA rules). Mortgages generally benefit from large levels of (over) collateralisation.

As of October 2015, PD values of the ING Bank Master scale as stated above are adjusted using both internal and external default data, covering the period 1981 until 2013. External data from Standard & Poor's is used. Internal default experience is reflected for a better fit of ING Bank's portfolios compared to the predominantly US based Standard & Poor´s data.

Disclosures of model outcomes

The table next, shows the PD, LGD, READ, RWA and RWA density per exposure class. This should be read in conjunction with the table in the following paragraph 'changes in risk parameters since last reporting date'.

Model approaches per exposure class for the AIRB portfolio

						2015	2014
	Sovereigns	Institutions	Corporate	Secured by Res. Mortgage	Other retail	Total	Total
Average PD	0.09%	0.56%	4.31%	2.43%	7.40%	**2.70%**	3.26%
Average LGD	30.33%	27.42%	26.16%	16.73%	48.84%	**24.69%**	25.17%
READ	114,884	102,861	260,429	278,538	37,436	**794,148**	754,125
RWA	5,958	19,314	116,970	42,776	16,949	**201,967**	198,620
RWA density (RWA/READ)	5.19%	18.78%	44.91%	15.36%	45.28%	**25.43%**	26.34%

Includes the AIRB portfolio only and non-performing loans; excludes securitisations, CVA RWA, equities and ONCOA.

The relatively low RWA density for Sovereigns and central banks is driven by certain sovereign entities, which are rated between 1-4 and whose exposures receive a regulatory risk weight of nil %.

Changes in risk parameters since last reporting date

The table below shows the changes in risk parameters since last reporting date in percentages. This should be read in conjunction with the table in the paragraph 'Disclosure of model outcomes', above.

Changes in AIRB risk parameters in %

						2015	2014
	Sovereigns	Institutions	Corporate	Secured by Res. Mortgage	Other retail	Total	Total
Average PD	13%	-36%	-20%	-16%	-12%	**-17%**	-10%
Average LGD	0%	-1%	2%	-11%	7%	**-2%**	-5%
READ	14%	-8%	15%	1%	-6%	**5%**	7%
RWA	-3%	-38%	15%	-13%	1%	**-1%**	6%
RWA density	-15%	-33%	0%	-14%	7%	**-6%**	-1%

Includes the AIRB portfolio only; excludes securitisations, equities and ONCOA.

Over the course of 2015 the risk profile of the AIRB portfolio improved with the average PD decreasing with 17%. The PD decrease seen in the Institutions exposure class was mainly driven by portfolio composition changes with most notable a strong reduction related to a Deposit Guarantee Scheme exposure.

The increase in the average PD of the Sovereigns portfolio of 13% is mainly a result of increasing customer deposits in Japanese Yens and consequently higher placements with the Bank of Japan for which the county rating has deteriorated, resulting in not being 0% risk weighted placement anymore. The LGD increase in the Corporates portfolio is mainly a result of the Commercial Property Finance LGD model update which now incorporates more conservatism. The improved PD values in the Corporates exposure class improved with 20% for which the main drivers were the restructuring of a few files within the Real Estate Finance portfolio and an improving risk profile of the Corporates segment within the Netherlands. This was partially offset by pressure on oil and commodity prices in combination with economic and political turmoil in Russia and Ukraine which resulted in an upward trend of PD values in mainly the Structured Finance portfolio partly offsetting the overall downward trend. The PD and LGD improvement in the Secured by Residential mortgage portfolio is primarily driven by the Dutch mortgage portfolio, where economic conditions improved especially with respect to house prices and employment in the Netherlands and was accompanied with a more efficient arrears management. On top of the improving economies in most of the key retail countries, the Residential Mortgage portfolio and the SME portfolio PDs have showed the most significant improvements.

Disclosure of estimated and actual loss parameters

ING has dedicated AIRB credit risk models per business unit, segment and country. An independent Model Validation department periodically reviews all AIRB models for compliance including back testing when possible. If a model is considered not to be robust or the back-testing indicates insufficient performance, than the model is either re-calibrated or re-developed. All model recommendations from Model Validation department are tracked via iRisk, the same internal database that management uses to track issues detected by the Internal Audit department, incidents and non-financial risk issues. All significant model changes are submitted to the ECB and implemented after regulatory approval. On average, 94% of the AIRB credit risk models in the validation cycle have had 'No to Remote' (57%) and 'Minor' (37%) model deficiencies.

The table below provides a back-testing of the PD models per exposure class. In order to better quantify the back-testing, ING has analysed the 31 December 2015 portfolio. The average PD of 31 December 2014 per portfolio is split per exposure class. The 31 December 2014 portfolio is followed through 2015 to determine the observed default rate. The models are based on long series of historical data. In the back-test the model based PD values are compared against the defaults observed in 2015. This back-test is only representative of the year end 2014 portfolio and can be influenced by small sample sizes or incidents. Nonetheless, the back-test gives a comparison of the predicted PD versus the observed default rate. In the table, the default rate is based on the weighted average READ of the defaulted portfolio whereas the models are developed on an obligor basis.

Average estimated PD under the Advanced AIRB approach versus the actual default rate per exposure class

2015	Sovereigns	Institutions	Corporate	Secured by Res. Mortgage	Other retail	Total
Average PD 2014*	0.08%	0.22%	1.57%	1.00%	3.09%	**1.02%**
Observed Default Rate 2015	0.00%	0.00%	1.29%	0.87%	2.35%	**0.82%**

Includes the AIRB portfolio only; excludes securitisations, equities and ONCOA.
* Average PD 2014 includes performing loans only.

The table below gives insight in the Expected Loss rate and the Observed Loss rate per exposure class. The expected loss as of 31 December 2014 for the performing portfolio is split per exposure class. The 31 December 2014 portfolio is followed through 2015 to determine the defaulted exposures. The models are based on long series of historical data. In the comparison, the expected loss rate is calculated by dividing the expected loss of the performing portfolio as of 31 December 2014 by the READ of the performing portfolio of the same period. The Observed Loss rate is a result of multiplying the observed defaulted exposures by its LGD. This back-test is only representative of the year end 2014 portfolio and can be influenced by small sample sizes or incidents. Nonetheless, the back-test gives a comparison of the Expected Loss rate PD versus the observed Loss rate.

Expected loss rate under the Advanced IRB approach versus the observed loss rate per exposure class

2015	Sovereigns	Institutions	Corporate	Secured by Res. Mortgage	Other retail	Total
Expected loss rate 2014*	0.02%	0.06%	0.39%	0.19%	1.08%	**0.25%**
Observed Loss Rate 2015	0.00%	0.00%	0.33%	0.17%	0.98%	**0.21%**

Includes the AIRB portfolio only; excludes securitisations, equities and ONCOA.
* Expected loss rate 2014 includes performing loans only.

Back-testing observed default rates and observed losses for 2015 show observed results that are below predicted levels for all exposure classes. This can be explained by the improved economic conditions that were experienced in 2015 as well as conservative risk management. In 2015, no defaults were recorded for Sovereigns and institutions while default rates of corporates, residential mortgages and other retail loans have continued to improve compared to the previous year.

Standardised Approach

A subset of the ING portfolio is treated with the Standardised Approach. The SA approach applies fixed risk weights to each exposure class, split into credit quality steps (based on external ratings) as dictated by the Capital Requirement Directive (CRD). The SA Approach is the least sophisticated of the CRR/CRD IV methodologies and is not as risk sensitive as the risk-based AIRB Approach.

In order to calculate the regulatory capital requirements under the SA approach, ING Bank uses eligible external ratings from Standard & Poor's, Moody's and Fitch Ratings. Ratings are applied to all relevant exposure classes in the Standardised Approach. For the mortgage portfolios, the fixed prescribed risk weights are used.

Exposures before and after risk mitigation for the SA portfolio

The table below shows how credit risk mitigation (CRM) in the SA portfolio is distributed over the exposure classes. ING Bank's exposure value is shown before and after credit risk mitigation. There are two principal methods for reducing or mitigating Credit Risk: i) by reduction of Credit Risk through the acceptance of pledged financial assets as collateral or ii) mitigation or shifting of credit risks to a lower risk weighting group by accepting guarantees from unrelated third parties. ING Bank uses both methods to take CRM effects into account. For financial markets collateral, ING Bank uses the Financial Collateral Comprehensive Method to allow for mitigation effects.

Exposures and RWA before and after risk mitigation and conversion factors 2015

	Exposures before CCF and CRM			Exposures aftter CCF and CRM	RWA and RWA density	
	On balance sheet amount	Off balance sheet amount	Counter-parties	Exposure value (a)	RWA (b)	RWA density (b/a)
Sovereigns and their central banks	2,866	946	39	2,905	2,340	80.5%
Non-central government public sector entities	121	107		121	60	49.3%
Banks	3,631	1,286	648	4,419	1,318	29.8%
Corporates	5,688	7,781	20	6,480	6,310	97.4%
Regulatory retail portfolios	7,668	6,954	10	9,564	6,809	71.2%
Secured by residential property	6,905	146		6,965	3,157	45.3%
Secured by commercial real estate	3,445	1,185		3,587	2,339	65.2%
Past due loans	787	28		407	419	102.8%
Total 2015	**31,111**	**18,433**	**717**	**34,448**	**22,752**	**66.1%**
Total 2014	25,400	17,755	307	28,408	19,522	68.7%

Note that the Bank of International Settlements (BIS) requires an exposure class breakdown in this table which differs from the ING Bank exposure classes shown in previous tables.

Risk weights per exposure class

The table below gives more insight in how the SA portfolio per exposure class is broken down into the regulatory risk weight buckets.

Exposure per risk weight bucket per exposure class

	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total
Sovereigns and their central banks	81				969		1,855			2,905
Non-central government public sector entities			3		118					121
Banks			3,292		936		192			4,420
Corporates							6,430	51		6,481
Regulatory retail portfolios						9,562				9,562
Secured by residential property				5,855			1,110			6,965
Secured by commercial real estate					2,155		1,432			3,587
Past due loans					19		347	41		407
Total 2015	**81**		**3,295**	**5,855**	**4,197**	**9,562**	**11,366**	**92**		**34,448**
Total 2014	1		1,069	4,832	3,805	9,184	9,424	93		28,408

Note that the Bank of International Settlements (BIS) requires an exposure class breakdown in this table which differs from the ING Bank exposure classes shown in previous tables.

The SA portfolio increased by 21.3% to EUR 34.4 billion in terms of READ, resulting in an RWA increase of EUR 3.2 billion. The majority of the increase is witnessed in Poland and in Turkey. In Poland the Residential Mortgage portfolio grew by EUR 0.8 billion READ while in Turkey the portfolio growth is mainly attributable to the Corporates portfolio which increased by EUR 1.3 billion (The FX impact is limited as the portfolio is denominated in both Turkish Lira's and US dollar for which the FX impacts offset each other). The remaining increase in the SA portfolio is mainly related to Nostro exposures which have a short term nature and fluctuate throughout the year.

Credit quality

This section focusses on non-performing loans, which are loans where there is a reasonable probability that ING Bank may end up with a loss, unless ING Bank intervenes with specific and significant actions. In other words, in this category an account or portfolio requires a more intensified approach, which may include renegotiations of terms and conditions and/or business/financial restructuring. This section should be read in conjunction with the Risk Management paragraph sections of the Annual Report on: Risk Appetite Framework and Credit Quality.

Credit quality of credit risk exposures

The table below provide a comprehensive picture of the credit quality of the banks' assets. On-balance sheet items include loans and debt securities. Off-balance sheet items include guarantees given and irrevocable loan commitments. More information on the definition of non-performing loans and allowances can be found in the Credit quality section of the risk management paragraph of the Annual report.

Credit quality of credit risk exposures

	Outstandings			
	Non-performing (a)	Performing (b)	Allowances/ impairments (c)	Net values (a+b+c)
Loans	14,891	557,115	-5,375	566,631
Debt securities	171	101,397	-59	101,509
Counterparties	29	61,953	0	61,982
Off-balance sheet exposure	263	33,624	-351	33,536
Total 2015	**15,355**	**754,089**	**-5,786**	**763,658**

The non-performing loans include all loan types whereas in the next table the non perfoming loans only include Lending and Debt Securities.

Reconciliation of non-performing loans disclosures

The table below shows the reconciliation of non-performing loans segmented by the lines of businesses used internally by ING Bank. A narrative explanation on these business lines is given in the Risk Management paragraph of the Annual report.

Reconciliation of non-performing loans disclosures[4]

	Wholesale Banking	Retail Banking Benelux	Retail Challengers & Growth Markets	Total ING Bank
Impaired loan book - movements				
Impaired loans at 1 January 2015[1]	6,245	8,593	2,051	16,889
Classified as impaired during the year[2]	1,529	2,838	802	5,169
Outflow from impaired excluding write-offs	-1,215	-3,305	-618	-5,138
Amounts written off	-520	-956	-242	-1,718
Changes in composition of the bank	0	0	0	0
Exchange rate and other movements[3]	152	2	-31	123
At 31 December 2015	**6,191**	**7,172**	**1,962**	**15,325**
Impairment allowances - movements				
Impairment allowances at 1 January 2015[1]	2,258	2,529	1,208	5,995
Changes in the composition of the Bank	0	0	0	0
Amounts written off	-520	-956	-242	-1,718
Recoveries of amounts written off in previous years	32	50	9	91
Addition to loan loss provisions (from income statement)	478	602	267	1,347
Exchange rate and other movements	123	-26	-26	71
At 31 December 2015	**2,371**	**2,199**	**1,216**	**5,786**

1 Equals the amount as of 31 December 2014.
2 Unadjusted for exchange rate fluctuations.
3 Based on start and end date of the outstanding positions, unadjusted for inflow and outflow.
4 At the end of 2015, the stock of provisions included provisions for amounts due from banks: EUR 14 million (2014: EUR 6 million).

In 2015 the risk costs have developed favourably and amounted to EUR 1.3 billion compared with EUR 1.6 billion in 2014. The total stock of provisions decreased by EUR 0.2 billion to EUR 5.8 billion. While these signs are encouraging, ING Bank remains vigilant for any potential impact that imbalances in emerging economies and financial markets could have on clients and business units.

Risk costs for Wholesale Banking amounted to EUR 0.5 billion, which is slightly lower compared to previous year. After increasing in Q1 2015, the risk costs have shown a declining trend for Wholesale Banking due to continued lower risk costs in Structured Finance and Real Estate Finance. The net risk costs for Retail Banking Benelux were EUR 0.3 billion lower than previous year due to lower reported risk costs within the Netherlands. Total risk costs for Retail Banking Challenger & Growth slightly increased to EUR 0.3 billion and is largely driven by Turkey due to the economic conditions.

Non-performing exposure by industry and geographic area

ING Bank uses a common industry classification methodology based on the NAICS system (North American Industry Classification System). This methodology has over 1,500 detailed industry descriptions, which are aggregated into 22 industry classes at the highest level. Certain countries require ING Bank to report locally based on other industry classification methodologies, which are generally derived from the NAICS classifications presented here. Residential mortgages are generally only extended to private individuals. The geographic area is based on the country of residence of the obligor. The Non-performing exposure table should be read in conjunction with the information and statements made in the Risk Management Paragraph of the annual report.

Non-performing exposure (READ) by industry

						2015	2014
	Sovereigns	Institutions	Corporate	Secured by Res. Mortgage	Other retail	Total	Total
Private Individuals				4,403	960	5,363	6,143
Real Estate			2,232	93	263	2,588	3,294
Natural Resources			1,344		12	1,356	952
Builders & Contractors			669		226	895	964
Services		1	580		228	809	716
Transportation & Logistics			721		75	796	790
Food, Beverages & Personal Care			584		110	694	686
General Industries			576		111	687	764
Retail			294		100	394	370
Utilities			314		8	322	343
Commercial Banks		319				319	1,253
Chemicals, Health & Pharmaceuticals			218		30	248	250
Automotive			157		44	201	205
Media			109		39	148	179
Other	18	34	100	3	55	210	281
Total	**18**	**354**	**7,898**	**4,499**	**2,261**	**15,030**	**17,190**

Includes both AIRB and SA portfolios; only Lending and Investment are included; excludes securitisations, equities and ONCOA.

Non-performing exposure (READ) by geographic area

						2015	2014
	Sovereigns	Institutions	Corporate	Secured by Res. Mortgage	Other retail	Total	Total
Netherlands		341	2,907	2,556	551	6,355	8,458
Belgium		1	1,127	990	623	2,741	2,472
Germany			81	534	243	858	973
Other Europe	17	9	3,102	287	832	4,247	4,577
Americas			356	4	2	362	341
Asia / Pacific		3	234	127	9	373	366
ROW	1		91	1	1	94	3
Total	**18**	**354**	**7,898**	**4,499**	**2,261**	**15,030**	**17,190**

Includes both AIRB and SA portfolios; excludes securitisations, equities and ONCOA.

The total non-performing exposure decreased from EUR 17.2 billion to EUR 15.0 billion year to date, bringing the NPL based on READ for all product categories down from 2.2% to 1.8%. The decrease in non-performing exposure is mainly in industry types Commercial Banks, Real Estate and Private Individuals and primarily visible in the Netherlands and Other Europe. For Commercial Banks a decrease in non-performing exposure of EUR 0.9 billion is mainly caused by a claim on assets under trusteeship that is now considered performing rating and a partial repayment of a loan by the curator which decreased the non-performing exposure. The non-performing Real Estate exposure decreased with EUR 0.7 billion years to date. This decrease is mainly due to the decrease in non-performing loans in the Spanish Real Estate portfolio. The decrease for Private Individuals is mainly due to an improvement in the Dutch non-performing Residential Mortgage portfolio which decreased by EUR 1.0 billion and improved the NPL ratio for this portfolio. The Belgium non-performing Residential Mortgage portfolio increased by EUR 0.2 billion, increasing this portfolio's NPL ratio. The main reason for this increase is a more conservative approach for the unlikely to pay trigger and a maturing Residential Mortgage portfolio in ING Belgium. In the Natural Resources and Services industry an increase in non-performing loans is observed as these sectors still struggle from the slow recovery of the global economy. The increase in non-performing loans for the Natural Resources industry is mainly seen in Ukraine and in Mining and can be explained from the geopolitical situation and the decline in commodity prices. The developments in this region and the industry are being closely monitored by management.

Cumulative provisions by industry and geographic area

The tables below show the provisions per NAICS industry and geography and should be read in conjunction with the information and statements made in the Risk Management section of the annual report.

Cumulative provisions by industry[2]

							2015	2014
	Sovereigns	Institutions	Corporate	Secured by Res. Mortgage	Other retail	Securitisation	Total	Total
Private Individuals			1	884	709		1,594	1,335
Real Estate			841	20	86		947	1,316
Natural Resources			420		7		427	304
Builders & Contractors			324		97		421	479
Services			307		102		409	399
General Industries			356		51		407	468
Food, Beverages & Personal Care			291		54		345	430
Transportation & Logistics			296		38		334	338
Utilities			204		3		207	118
Retail			107		59		166	211
Chemicals, Health & Pharmaceuticals			130		16		146	155
Automotive			103		24		127	117
Non-Bank Financial Institutions		6	25		15	44	90	65
Media			61		20		81	111
Other[1]	9	16	41	2	16		84	149
Total	**9**	**22**	**3,507**	**906**	**1,297**	**44**	**5,786**	**5,995**

Includes both AIRB and SA portfolios; excludes securitisations, equities and ONCOA.
Excludes revaluations made directly through the equity account.
1 Sectors with cumulative provisions of less than EUR 50 million are grouped under 'Other'.
2 At the end of 2015, the stock of provisions included provisions for amounts due from banks: EUR 14 million (2014: EUR 6 million).

Cumulative provisions by geographic area[1]

							2015	2014
	Sovereigns	Institutions	Corporate	Secured by Res. Mortgage	Other retail	Securitisation	Total	Total
Netherlands		3	1,431	418	314		2,166	2,328
Belgium		1	361	81	211		654	691
Germany			42	281	250		573	609
Other Europe	8	11	1,447	121	519	34	2,140	2,151
Americas		1	138		2	10	151	116
Asia / Pacific		4	85	5	1		95	97
Rest of World	1	2	3				6	3
Total	**9**	**22**	**3,507**	**906**	**1,297**	**44**	**5,786**	**5,995**

Includes both AIRB and SA portfolios; excludes securitisations, equities and ONCOA.
Excludes revaluations made directly through the equity account.
1 At the end of 2015, the stock of provisions included provisions for amounts due from banks: EUR 14 million (2014: EUR 6 million).

During the year the provisions decreased from EUR 6.0 billion to EUR 5.8 billion which is a decline of 5.4% year to date. The decrease in the level of provisions over the year reflects the improved economic climate in which ING operates, especially in the Netherlands. However, a significant increase in provisions is observed in the Utilities, Natural Resources and Private individuals due to the deterioration of the credit quality of some specific portfolios due to the international and political turmoil in Eastern Europe and the Middle-East, ongoing pressure on emerging markets and the direct and indirect negative effects of continued low oil and other commodity prices. For the second year in a row the Real Estate sector is showing a significant reduction in provisions due to an improved risk profile and write-offs mainly seen in other Europe. Furthermore, a decrease in provisions is seen in Private Individuals caused by the improved risk profile of the Dutch Residential Mortgage portfolio. The decrease of provisions in Germany is in line with the decrease in the non-performing Residential Mortgage loans. Despite this decrease, the coverage ratio for Germany is reported at 67% which is higher than the average coverage ratio for ING Bank. This is mainly due to the application of an in default LGD model in Germany.

Past due loans

ING Bank considers past due loans to be those loans where any payment of interest of principal is more than one day past due. The methodology is principally applied to loans to private individuals, such as residential mortgage loans, car loans and other consumer loans. For business loans (Sovereigns, Institutions, Corporates), ING Bank has adopted a policy to classify the obligor as a non-performing loan as quickly as possible upon the occurrence of a payment default. Therefore, the concept of past due loans does not exist for these types of obligors and hence the reason why the business exposure classes are not included.

The table below is based on the country of residence of the obligor and on credit risk outstandings. Credit Risk outstandings include amounts associated with both on- and off- balance sheet products, but exclude amounts related to unused limits.

Past due but not non-performing consumer loans by geographic area (based on outstandings)

			2015	2014
	Secured by Res. Mortgage	Other retail	Total	Total
Netherlands	1,065	8	1,073	1,594
Belgium	1,080	639	1,719	2,081
Germany	252	24	276	182
Other Europe	325	443	768	725
Americas	2		2	3
Asia / Pacific	490		490	556
Rest of World			0	1
Total	**3,214**	**1,114**	**4,328**	**5,143**

Includes both AIRB and SA portfolios; excludes securitisations, equities and ONCOA.

Total past due exposure for consumer loans decreased from EUR 5.1 billion to EUR 4.3 billion. The decrease is mainly caused by an improved residential mortgages portfolio in the Netherlands which is a result of the improved economic environment and improved arrears management. In the German Residential Mortgage portfolio an increase is observed in past due exposures payments between 1 to 90 days compared to end of 2014. This is a result of an improvement project in 2015 with stricter policy requirements.

Aging Analysis

The table below gives insight in the aging of the Consumer exposures and includes both the performing and non-performing portfolio, while the previous table only includes the past due performing exposures. The bucket 0-3 months comprises mainly of performing exposures.

Aging analysis of past due Consumers exposures

	0-3 months	> 3-6 months	> 6-9 months	> 9-12 months	> 12-24 months	> 24 months*
Secured by Res. Mortgage	4,639	599	300	206	501	500
Other Retail	1,327	158	42	35	91	309
Total 2015	**5,966**	**757**	**342**	**241**	**592**	**809**

Excludes the business portfolio, includes both AIRB and SA portfolios; excludes securitisations, equities and ONCOA.

Off-balance items

Undrawn commitments

The figures below represent the potential exposure that may be drawn by ING Bank's obligors under committed facilities. In most cases, the obligors have the right to make use of these facilities unless an event of default has occurred, or another defined event within the associated credit risk agreement has occurred. In most cases, the obligor pays a commitment fee to ING Bank on the unused portion of these facilities. Pre-Settlement, Money Market and Investment limits are generally not committed.

Undrawn commitments

						2015	2014
	Sovereigns	Institutions	Corporate	Secured by Res. Mortgage	Other retail	Total	Total
Under SA approach		1	487	142	3,888	4,518	4,237
Under AIRB Approach	386	5,712	78,715	11,085	9,789	105,687	91,184
– 0% risk weight	13	31	157	5		206	117
– >0% - ≤10% risk weight	233	1,594	12,171	8,785	5,269	28,052	26,065
– >10% - ≤20% risk weight	62	1,523	10,943	1,395	1,672	15,595	13,983
– >20% - ≤35% risk weight	70	1,295	22,102	597	814	24,878	19,702
– >35% - ≤50% risk weight		597	14,700	170	653	16,120	13,758
– >50% - ≤75% risk weight		225	10,033	78	625	10,961	10,141
– >75% - ≤100% risk weight	1	248	4,365	21	442	5,077	3,646
– >100% - ≤150% risk weight	4	144	2,909	19	233	3,309	2,784
– >150% - ≤200% risk weight	3	15	865	6	40	929	497
– >200% - <1250% risk weight		40	470	9	41	560	490
– 1250% risk weight							
Total	**386**	**5,713**	**79,202**	**11,227**	**13,677**	**110,205**	**95,421**

Includes both AIRB and SA portfolios; excludes securitisations, equities and ONCOA.

If all of the unused commitments were called upon at the same time, ING Bank's credit risks (in terms of outstandings) would increase by 14.6%. As part of its Regulatory EAD models, ING Bank makes an estimate of how much of these unused commitments would be drawn under normal circumstances. The effect is included in the calculation of the RWA, together with a similar effect applied to uncommitted facilities, albeit at a lower rate.

Counterparty credit risk

The main activities that qualify under counterparty credit risk are derivatives trading activities and securities financing. As part of these activities, ING Bank enters into master agreements such as ISDA master agreements and Global Master Repurchase Agreements (GMRAs). Under the terms contained in sections related to Minimum Threshold Amounts and Minimum Transfer Amounts of Credit Support Annexes (CSA) or other similar clauses, both ING Bank and it counterparties may agree to pledge additional collateral to each other in the event that either party is downgraded by one of the established rating agencies. ING Bank has determined that under prevailing market conditions, a one notch downgrade would only have a limited effect on the amount of additional collateral that ING Bank would be required to pledge under these agreements. However, the actual amount that ING Bank may be required to pledge in the future may vary based on ING Bank's portfolio composition of both derivatives and securities pledged in securities financing transactions, market circumstances, the number of downgrade notches as well as the terms and conditions of future CSAs or other similar agreements entered into.

CVA risk

CRR/CRD IV introduced an additional regulatory capital charge for material increases in the CVA, the market price of the credit risk of derivatives. In particular, as credit spreads of ING Bank's counterparties increase, CVA will increase as well and ING Bank will incur a loss. ING Bank follows the standardised approach for calculation of the capital charge to cover CVA Risk (CVA Capital) in accordance with the CRR/CRD IV. The scope of the products and counterparties that the CVA Capital charge is applied to also follows those regulations. The most important factors in the calculation of CVA Capital according to the standardised approach are the CVA Exposure, the CVA Risk Weight and the Maturity. The CVA exposure is similar to the READ, but includes collateral held under collateral agreements. The CVA Risk Weight is prescribed in regulation and depends directly on the risk rating of the counterparty. The Maturity is similar to the Maturity used in the calculation of Counterparty Default Risk, but contrary to its use there not capped at 5 years.

CVA risk

	CVA Exposure	Average CVA Risk Weight	Average Maturity	CVA RWA
Interest Rate Derivatives	7,192	0.009	4.5	3,502
FX Derivative	2,351	0.009	1.8	515
Equity Derivative	1,619	0.010	3.7	764
Commodity Derivative	118	0.009	2.1	31
Credit Derivative	318	0.009	3.7	150
Derivatives Other	82	0.008	5.2	30
Securities Financing				
Total 2015	**11,680**	**0.009**	**3.8**	**5,005**
Total 2014	**21,648**	**0.009**	**2.8**	**6,412**

Includes both AIRB and SA portfolios; excludes securitisations, equities and ONCOA.

The largest cause for the reduction of Capital for CVA over 2015 is that Securities Financing (repo-style) transactions were excluded from the scope of the calculation.

Derivatives by product type

The table below is based on the mark-to-market (MtM) plus (regulatory) add-on methodology used for calculating CRR/CRD IV RWA for determining the gross exposures. This means that the READ figure listed hereunder is significantly below the notional amount. The mark-to-market plus (regulatory) add-on is recalculated daily to reflect both changes in the markets as well as portfolio composition. The Current Exposure Method (the methodology to calculate the READ) together with the other building blocks (PD, LGD and Maturity), allow ING Bank to classify a large part of its derivatives exposures under the AIRB approach.

Derivatives by product type in READ

						2015	2014
	Sovereigns	Institutions	Corporate	Secured by Res. Mortgage	Other retail	Total	Total
Interest Rate Derivatives	1,922	26,611	5,375		22	33,930	33,993
Foreign Exchange Derivatives	286	2,732	2,933		21	5,972	5,649
Equity Derivatives		2,043	126		7	2,176	2,668
Exchange Traded Products		2,094				2,094	1,901
Commodity Derivatives	21	163	813			997	1,327
Credit Derivatives		409	1			410	430
Derivatives		98	89			187	375
Total	**2,229**	**34,150**	**9,337**		**50**	**45,766**	**46,343**

Includes both AIRB and SA portfolios; excludes securitisations, equities and ONCOA.

The derivative portfolio of ING Bank primarily facilitates hedging mortgage portfolio and Lending portfolio facilities. Approximately 78% of the derivatives portfolio is related to interest rate derivatives of which a large part is cleared via Central Clearing Parties (CCP) (see table Credit risk derivatives table below). A majority of these institutions are based the United Kingdom, Netherlands, France, Germany and the United States. The decrease in commodity derivatives is mainly caused by deteriorated market circumstances and maturing petroleum gas commodity derivative contracts. The increase in Equity derivatives is due to strong equity price fluctuations on the equity market this year.

Over-the-counter and exchange traded derivatives

This section provides a quantitative and qualitative analysis of ING's Credit Risk that arises from its derivatives transactions. This quantifies notional derivatives exposure, including whether derivatives are traded over-the-counter (OTC) or traded on recognised exchanges (ETD). Where the derivatives are OTC, the table shows how much is settled by central counterparties and how much is not, and provides a description of the collateral agreements in place.

Credit risk derivatives

	2015		2014	
	Notional	MtM	Notional	MtM
OTC derivatives				
– CCP	2,052,351	–2,190	1,824,940	–3,608
– Non-CCP	1,759,442	–1,353	1,723,101	–2,555
ETD derivatives	46,472	–28	53,800	–3
Total	**3,858,265**	**–3,571**	**3,601,841**	**–6,166**

Includes both AIRB and SA portfolios; excludes securitisations, equities and ONCOA.
ETD Derivatives settle price movements daily. Therefore there is no MtM build-up that generates exposure.

From the total notional value of OTC derivatives transactions that are not cleared by a CCP, 82% has been documented under bilateral (92%) and unilateral (8%) CSA agreement.

- The notional value of transactions that are done under bilateral CSA agreements relates for 69% to Interest Rate derivatives, for 25% to FX derivatives and for 6% to Credit, Equity and Commodity Derivatives.
- Unilateral CSA agreements relate mainly to agreements that are unilateral against ING and mainly consist of Interest Rate Derivatives.

The remaining 18% of the total notional value of OTC derivatives transactions that are not cleared by a CCP are not supported by a CSA agreement or a Clearing Agreement and mainly relate to Corporates with small credit limits and mainly comprises of Interest Rate Derivatives (47%) and FX Derivatives (49%).

Securities financing by product type

The table below is based on the mark-to-market plus (regulatory) add-on methodology used for calculating CRR/CRD IV RWA for determining the gross exposures. The methodology to calculate the READ is called the Current Exposure Method (CEM) and together with the other building blocks (PD, LGD and Maturity) it allows ING Bank to classify virtually all of its Securities Financing exposures under the AIRB approach.

Securities financing by product type in READ

						2015	2014
	Sovereigns	Institutions	Corporate	Secured by Res. Mortgage	Other retail	Total	Total
Bond Financing Given	543	6,306	134			6,983	5,335
Equity Financing Given		3,719	1,421			5,140	6,583
Bond Financing Taken	88	2,121	154			2,363	2,079
Equity Financing Taken		1,167	134			1,301	1,597
Total	**631**	**13,313**	**1,843**			**15,787**	**15,595**

Includes both AIRB and SA portfolios; excludes securitisations, equities and ONCOA.

The slight increase in the Bond financing given portfolio is mainly driven by increased business in Asia.

Credit risk mitigation

For the determination of the Credit Risk applicable amount for Pre-Settlement deals, ING Bank first matches the trades with similar characteristics to determine their eligibility for offsetting. This offsetting effect is called 'compensation'. Subsequently, ING Bank reduces the amount by any legal netting that may be permitted under various types of Master Agreements (such as ISDAs and GMRAs). Lastly, the amount is further reduced by any collateral that is held by ING Bank under CSAs or other similar agreements.

For the other risk types and especially lending, covers are received which is intended to reduce the losses incurred subsequent to an event of default on an obligation a customer may have towards ING Bank. These are subdivided into four groups called collateral values mortgages, cover values cash, cover value guarantees and other physical covers.

The table below presents the ING bank portfolio excluding equities per loan type. Exposures represent the outstandings and a loan is presented as secured by collateral or a guarantee if such a cover exists on a facility type. The secured amounts represent the part of the loan that is covered by the collateral. If a loan would have both collateral and a guarantee than these are both shown in the table below in the designated column.

Credit risk mitigation techniques per 31 December 2015

		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives of which: secured amount
Loans	Wholesale Banking	93,102	113,038	97,317	39,832	30,165	n.a	n.a
	Retail Banking	52,006	329,451	319,280	33,361	27,277	n.a	n.a
Debt securities		98,463	2,122	2,120	1,008	1,007	n.a	n.a
Counterparties		49,474	3,069	1,084	211	204	n.a	n.a
Total		**293,045**	**447,680**	**419,801**	**74,412**	**58,653**	n.a	n.a

Maximum exposure to credit risk

The following table present our maximum exposure to Credit Risk in the AIRB and SA portfolios and associated collateral held and other credit enhancements (netting and collateral) that do not qualify for offsetting in our financial statements for the periods specified. The netting credit enhancement component includes the effects of legally enforceable netting agreement as well as the offset of negative mark-to-markets from derivatives against pledged cash collateral. The collateral credit enhancement component which is referred to as Cover Values mainly includes real estate, guarantees and collateral in the form of cash.

ING records collateral value per facility. Those figures are based on original cover values although some business units attempt to update to current market values. This is inherently difficult in volatile markets. Some facilities will have multiple levels of collateral while others have no collateral. The total figures may not reflect the collateral value per facility.

Maximum Exposure to Credit Risk per 31 December 2015

	Pre-settlement					Cover Values	Cover Values	Cover Values	Cover Values
	Gross exposure before netting and collateral	Exposure after netting	Exposure after netting and collateral	Outstanding of which pre-settlement*	Total outstanding	Mortgages	Eligible Financial Collateral	Guarantees	Other CRR/CRD IV eligible
AIRB									
Sovereigns	7,052	2,870	2,526	2,333	105,724	668	37	2,022	214
Institutions	145,996	46,789	34,326	35,348	90,508	1,622	4,472	3,903	2,234
Corporates	13,235	11,425	11,145	14,090	220,214	97,193	11,091	50,712	75,131
Res. Mortgage secured					270,912	441,324	2,787	25,602	244
Other Retail	44	40	40	51	28,419	19,484	1,387	6,486	4,386
Securitisations	429	429	429	601	7,461				
Total AIRB	**166,756**	**61,553**	**48,466**	**52,423**	**723,238**	**560,291**	**19,774**	**88,725**	**82,209**
SA									
Sovereigns	39	39	39	15	2,882				
Institutions	694	649	149	84	4,061		2	31	
Corporates	32	20	20	36	9,686	3,784	123	134	4
Res. Mortgage secured					6,952	14,667	1		
Other Retail	10	10	10	16	9,674	1,732	232	2	1
Total SA	**775**	**718**	**218**	**151**	**33,255**	**20,183**	**358**	**167**	**5**
Total	**167,531**	**62,271**	**48,684**	**52,574**	**756,466**	**580,398**	**20,132**	**88,892**	**82,215**

Include both AIRB and SA portfolios; excludes equities and ONCOA.
AIRB collateral values are before haircut, SA collateral values used are values after haircut.

The ING Bank portfolio is characterised by significant amounts of secured lending especially in the key areas of residential and commercial mortgages, structured finance and leasing. Amount of collateral often has a significant impact on provisioning and LGD which directly affects risk density. The cover values are pre-haircut but indexed values and exclude any cost of liquidation. Covers can either be valid for all limits, sub-limits or a particular outstanding of a borrower, the latter being the most common. The guarantees for the same portfolio relate to mortgages covered by governmental insurers under the Nationale Hypotheek Garantie (NHG) in the Netherlands.

The Risk Management Paragraph of the Annual Report includes an extensive cover section where exposures are categorised into different Value-to-Loan (VLT) buckets which gives insight in the level of collateralisation of ING Bank's portfolio.

Credit default swaps

ING Bank participates in the credit risk derivative trading market, as a net purchaser of credit risk protection from other counterparties. ING Bank has purchased a small amount of credit risk protection for hedging purposes, usually in order to reduce concentration on certain 'legal one obligor groups' without having to reduce ING Bank's relationship banking activities. ING Bank does not actively sell Credit Default Swaps (CDS) for hedging or investment purposes. Although CRR/CRD IV rules permit a reduction of credit risk capital under certain circumstances where ING Bank has purchased CDS protection, ING Bank does not currently make use of this provision in determining its CRR/CRD IV capital base.

Credit risks from credit risk derivatives

	2015	2014
Credit derivatives used for hedging purposes		
– credit protection bought	n.a	70
– credit protection sold		

Includes both AIRB and SA portfolios; excludes securitisations, equities and ONCOA.

There were no credit derivatives bought for hedging purposes at the end of the year in 2015. The figures above represent the notional amount of credit risk default swaps that ING Bank has entered into for the purpose of hedging. The credit risk on the counterparties associated with credit default swap protection bought is included in the Pre-Settlement risk calculations for the given counterparty, and not in the figures above. In addition, ING engages in CDS trading both in credit protection bought and credit protection sold. These figures essentially cancel each other. However as they are part of the trading book, these figures are provided in the Market Risk section. For credit default protection sold, ING Bank incurs synthetic issuer risk, on which capital is calculated, depending on its purpose, either hedging under the banking book or trading.

Exposures secured by guarantees received

From time to time, ING Bank extends loans for which it receives a specific financial guarantee from a non-related counterparty or obligor. The figures in the table below represent the READ that has been guaranteed by these non-related parties. It does not include non-guaranteed amounts. For example, if a given credit risk is only partially guaranteed by a third party then only the portion of the amount which is guaranteed is included in the figures below. For the Residential Mortgages portfolio the guarantees relate to mortgages covered by governmental insurers under the Nationale Hypotheek Garantie (NHG) in the Netherlands. The NHG guarantees the repayment of a loan in case of a forced property sale.

Exposures secured by third party guarantees received

						2015	2014
	Sovereigns	Institutions	Corporate	Secured by Res. Mortgage	Other retail	Total	Total
Under AIRB Approach	1,944	4,194	48,659	25,605	6,424	**86,826**	85,622
Total	2.2%	4.8%	56.0%	29.5%	7.4%	**100.0%**	100.0%

Includes AIRB portfolio only; excludes securitisations, equities and ONCOA.

These figures exclude any guarantees which are received from a party related to the obligor, such as a parent or sister company. The figures also exclude any guarantees that may be implied as a result of credit default swap activities. The figures do include amounts that are guaranteed through an unfunded risk participation construction.

Maturity profile

Outstandings by tenor bucket

The table below shows the outstanding of ING Bank by run-off profile. The figures assume that no new credit risks are introduced into the portfolio and that there are no delays in repayments associated with non-performing loans, nor are there write offs associated with provisions. The portfolio tenor is implied by the difference in the figures between two periods.

The assumption is that loans, money market and investments in fixed income securities are fully repaid at their maturity dates and that limits are reduced in conjunction with repayment schedules contained in the associated loan documentation, without regard for potential renewal or extension, or portfolio sales or acquisitions. Pre-Settlement risks are assumed to reduce over the legal maturity of the underlying transactions. However, under mark-to-market plus add-on methodology, it is possible for exposures to increase in time, rather than decrease. This is a function of ING Bank's estimates of future interest rates and foreign exchange rates, as well as potential changes in future obligations that may be triggered by such events. Generally, credit risk outstandings are lower than READ.

Outstandings by tenor bucket (credit risk outstandings)

						2015	2014
	Sovereigns	Institutions	Corporate	Secured by Res. Mortgage	Other retail	Total	Total
Current Outstandings	108,588	94,235	222,125	273,342	35,590	**733,880**	701,484
1 month	92,776	69,587	213,664	272,370	34,743	**683,140**	661,616
3 months	90,030	62,298	202,521	271,464	34,237	**660,550**	636,955
6 months	88,320	58,232	191,647	269,981	33,397	**641,577**	615,537
1 year	72,449	48,882	156,338	267,038	28,032	**572,739**	558,349
2 years	65,139	38,635	126,804	261,821	23,677	**516,076**	508,671
3 years	60,529	32,634	102,326	256,900	20,373	**472,762**	466,142
5 years	47,030	18,110	55,571	242,669	14,787	**378,167**	385,457
7 years	35,743	11,161	30,422	226,761	10,030	**314,117**	322,096
10 years	12,047	6,894	15,015	199,591	6,765	**240,312**	250,196

Includes AIRB portfolio only; excludes securitisations, equities and ONCOA.
Non-performing loans (rating 20-22) are excluded in the figures above.

Securitisations

The following information is prepared taking into account the 'Industry Good Practice Guidelines on Pillar III disclosure requirements for securitisations' (the Guidelines) issued by the European Banking Federation and other industry associations on 31 January 2010 and the CRR/CRD IV disclosure requirements. It includes qualitative and quantitative disclosures addressing both the exposure securitised as well as securitisations positions held. While quantitative disclosures are limited to those securitisations that are used for the purpose of calculating the regulatory capital requirements under the CRR/CRD IV, qualitative information have a broader scope and give a view on ING Bank's entire securitisation activity.

Depending on ING Bank's role as investor, originator, or sponsor the objectives, the involvement and the rules applied may be different. ING Bank is primarily engaged in securitisation transactions in the role of investor (in securitisations arranged by others). To a lesser extent, ING Bank is also an originator or sponsor of securitisations that are usually traded in the public markets. ING does not re-securitise its securitisations exposure and even though ING bank hedges its securitisation positions, such instruments are not recognized as credit risk mitigants for regulatory capital purposes.

Valuation and accounting policies

ING Bank's activities regarding securitisations are described in Note 51 'Structured entities' in the annual accounts. The applicable accounting policies are included in the section 'Accounting policies for the consolidated annual accounts of ING Bank' in the annual accounts. The most relevant accounting policies for ING Bank's own originated securitisation programmes are 'Derecognition of financial assets' and 'Consolidation'. Where ING Bank acts as investor in securitisation positions, the most relevant accounting policy is 'Classification of financial instruments'.

Regulatory capital method used and Rating Agencies

ING Bank has implemented the AIRB approach for credit risk. As a consequence, ING Bank uses the Rating Based Approach (RBA) for investments in tranches of asset-backed securities (ABS) and mortgage-backed securities (MBS) which have been rated by external rating agencies. Rating agencies which are used by ING Bank under the RBA include Standard & Poor's, Fitch, Moody's. The securitisation exposure for which each rating agency is used is given in the following table.

Securitisation exposure per rating agency (READ)

	S&P	Fitch	Moody's	IAA approach	Other	2015 Total	2014 Total
Residential Mortgage Backed Securities	1,148	1,813	359	11		3,331	4,025
Asset Backed Securities	1,011	1,860	145		40	3,056	2,218
Securitisation Liquidity				846		846	947
Interest Rate Derivatives				423		423	106
Other	35	9	10	420		474	519
Total	**2,194**	**3,682**	**514**	**1,700**	**40**	**8,130**	**7,815**

Under the RBA, the risk-weighted assets (RWA) are determined by multiplying the amount of the exposure by the appropriate regulatory risk weights, which depend on: the external rating or an available inferred rating, the seniority of the position and the granularity of the position.

ING Bank uses the Internal Assessment Approach (IAA) for the support facilities it provides to Asset Backed Commercial Paper (ABCP) conduit Mont Blanc Capital Corp., based on externally published rating agency methodologies. Under the IAA approach, the unrated position is assigned by the institution to an internal rating grade, which is estimated using an ING developed model. The position is then attributed a derived rating by mapping the internal rating grade to an externally published credit assessments corresponding to that rating grade.

Securitisations – credit risk disclosure

		2015	2014	Delta %
Securitisations	**Geography**	8,130	7,815	4.0%
	America	3,388	3,483	-2.7%
	Asia	38	53	-28.2%
	Australia	13	32	-60.2%
	Europe	4,692	4,247	10.5%
	Europe	4,692	4,247	10.5%
	Spain	1,452	1,692	-14.2%
	United Kingdom	919	862	6.6%
	Germany	888	34	2,528.2%
	Netherlands	768	758	1.4%
	Rest of Europe	664	901	-26.3%
Securitisations	**Product Type**	8,130	7,815	4.0%
	Residential Mortgage Backed Securities	3,286	4,025	-18.3%
	Asset Backed Securities	2,897	2,218	30.6%
	Securitisation Liquidity[1]	846	947	-10.7%
	Interest Rate Derivatives	423	106	298.0%
	Other	678	519	30.6%
Securitisations	**Exposure Class[2]**	8,130	7,815	4.0%
	Securitisation Investor	6,442	6,357	1.3%
	Securitisation Sponsor	1,688	1,458	15.8%

Excludes equities and ONCOA.

1 These are structured financing transactions by ING for clients by assisting them in obtaining sources of liquidity by selling the clients' receivables or other financial assets to an SPV.

2 Securitisation benefits are excluded. Own originated securitisations are explained in a separate section.

During 2015 the exposure to securitisations increased from EUR 7.8 billion to EUR 8.1 billion, mainly due to the increased exposure in German assets. The overall increase is driven by asset backed securities and unsecured bonds while all other product groups demonstrate a decline.

Investor securitisations

ING Bank's goal is to maintain a portfolio of high quality liquid assets that meets the regulatory requirements of CRR/CRD IV and the Delegated Act of October 2014 regarding liquidity. ING invests in high quality Residential Mortgage Backed Securities (RMBS) and Asset Backed Securities (ABS) keeping close track of the securitisation investment positions via monthly monitoring reports and weekly update calls.

In the table below, the investor securitisations are given, broken down by underlying exposure.

Investor securitisation activities

			2015	2014
	Traditional	Synthetic	Total	Total
Retail	6,406		6,406	6,312
- Of which residential mortgage	3,272		3,272	4,025
- Of which credit card				
- Of which other retail exposures	3,134		3,134	2,287
- Of which re-securitisation				
Wholesale Banking	36		36	45
- Of which loans to corporates				
- Of which commercial mortgage	36		36	45
- Of which lease and receivables				
- Of which re-securitisation				
Total	**6,442**		**6,442**	**6,357**

In 2015 the securitisation activities with underlying retail exposure increased by EUR 0.8 billion to EUR 3.1 billion, while the securitisations with underlying Wholesale Banking exposure declined. During 2015 the liquidity portfolio in ABS grew moderately mainly in Auto-ABS from Western Europe and UK RMBS Master Trusts, the majority of Auto-ABS is based on German Assets, and thus there is a notable increase in Germany. ING aims to keep approximately 2% of its liquidity portfolio in LCR eligible Securitisations.

The following table provides the breakdown of current exposures by risk weight bands. The amount of securitisation positions is based on the regulatory exposure values calculated according to the CRR/CRD IV after consideration of credit conversion factors (CCFs) where applicable as used for the purpose of Pillar I, but prior to the application of credit risk mitigates on securitisation positions. Given the focus on high quality securitisations the portfolio composition is shifting to the lowers risk band.

Purchased exposures per risk weight band

	2015		2014	
	READ	RWA	READ	RWA
Risk weight band 1 ≤ 10%	5,493	421	4,037	325
Risk weight band 2 >10% and ≤ 18%	146	19	625	79
Risk weight band 3 >18% and ≤ 35%	419	116	992	216
Risk weight band 4 >35% and ≤ 75%	289	165	255	157
Risk weight band 5 >75% and <1250%	23	50	400	483
Risk weight 1250%	72	903	47	593
Total	**6,442**	**1,674**	**6,357**	**1,853**

Excludes equities and ONCOA.

Capital requirements for investment positions in securitisations

		Traditional securitisation			Total exposure 2015	Total exposure 2014
		Total traditional	Of which retail underlying	Of which non-retail underlying		
Exposure values (by RW bands)	<= 20% RW	5,835	5,639	196	5,835	5,605
	>20% to 50% RW	237	223	14	237	72
	>50% to 100% RW	288	236	52	288	604
	>100% to <1250% RW	10	10		10	29
	1250% RW	72	72	0	72	47
	Total	**6,442**	**6,180**	**262**	**6,442**	**6,357**
Exposure values (by regulatory approach)	IRB RBA (incl. IAA)	6,370	6,108	262	6,370	6,310
	12.50	72	72	0	72	47
	Total	**6,442**	**6,180**	**262**	**6,442**	**6,357**
RWA (by regulatory approach)	IRB RBA (incl. IAA)	772	712	60	772	1,259
	12.50 Risk Weight	902	901	1	902	593
	Total	**1,674**	**1,613**	**61**	**1,674**	**1,853**
Capital charge after cap	IRB RBA (incl. IAA)	62	57	5	62	101
	12.50 Risk Weight	72	72	0	72	47
	Total	**134**	**129**	**5**	**134**	**148**

Excludes equities and ONCOA. ING does not have any re-securitisation in its books.

In the table above an overview of Investor Securitization exposures and their respective capital requirements are shown. In line with ING's policy and Risk Appetite the vast majority of positions are rated AA- and above, and almost the entire portfolio remains within the investment grade. Positions that have deteriorated in credit quality have been adequately provisioned and have been reduced significantly. The RWA increase in the 12.50 risk weight bucket is related to an AAA rated investment for which a rating was unavailable on 31st of December 2015.

Sponsor securitisations

In the normal course of business, ING Bank structures financing transactions for its clients by assisting them in obtaining sources of liquidity by selling the clients' receivables or other financial assets to an ING originated Special Purpose Vehicle (SPV). The transactions are funded by the ING administered multi seller Asset Backed Commercial Paper (ABCP) conduit Mont Blanc Capital Corp. (rated A-1/P-1). Mont Blanc Capital Corp. funds itself externally in the ABCP markets.

In its role as administrative agent, ING Bank facilitates these transactions by acting as administrative agent, swap counterparty and liquidity provider to Mont Blanc. ING Bank also provides support facilities (liquidity and program wide enhancement) backing the transactions funded by the conduit. The types of asset currently in the Mont Blanc conduit include trade receivables, consumer finance receivables, car leases and residential mortgages..

ING Bank supports the commercial paper programmes by providing the Special Purpose Entity (SPE) with short-term liquidity facilities. These liquidity facilities primarily cover temporary disruptions in the commercial paper market. Once drawn these facilities bear normal credit risk. A number of programmes are supported by granting structured liquidity facilities to the SPE, in which ING Bank covers at least some of the credit risk incorporated in these programmes itself (in addition to normal liquidity facilities), and might suffer credit losses as a consequence. Furthermore, under a Programme Wide Credit Enhancement ING Bank guarantees to a limited amount all remaining losses incorporated in the SPE to the commercial paper investors.

The liquidity facilities, provided to Mont Blanc are EUR 796.3 million. There was no drawn liquidity amount at 31 December 2015. Mont Blanc has no investments in securitisation positions that ING Bank has securitised. Nor are there entities either managed or advised by ING Bank that invest in Mont Blanc.

The normal non-structured standby liquidity facilities and the structured facilities are reported under irrevocable facilities. All facilities, which vary in risk profile, are granted to the SPE subject to normal ING Bank credit and liquidity risk analysis procedures. The fees received for services provided and for facilities are charged subject to market conditions. Mont Blanc is consolidated by ING Bank. These transactions are therefore on-balance sheet arrangements.

Originator securitisations

ING Bank originates own securitisation transactions for economic and regulatory capital purposes, as well as liquidity and funding purposes. As of 31 December 2015, there were no synthetic transactions.

Liquidity and funding

Although the most senior tranches in securitisations are no longer efficient to release regulatory capital under CRR/CRD IV, they are used to obtain funding and improve liquidity. To be eligible as collateral for central banks securitised exposures must be sold to a Special Purpose Vehicle (SPV) which, in turn, issues securitisation notes ('traditional securitisations') in two tranches, one subordinated tranche and one senior tranche, rated AAA by a rating agency. The AAA tranche can then be used by ING Bank as (stand-by) collateral in the money market for secured borrowings.

ING Bank has created a number of these securitisations with a 31 December 2015 position of approximately EUR 78 billion of AAA rated notes and unrated subordinated notes. The underlying exposures are residential mortgages in the Netherlands, Germany, Belgium, Spain, Italy and Australia and SME Loans in the Netherlands and Belgium.

As long as the securitisation exposures created are not transferred to third parties, the regulatory capital remains unchanged. These are not detailed hereunder. Apart from the structuring and administration costs of these securitisations, these securitisations are profit / loss neutral.

Simple risk weight method

ING Bank N.V. does not use the simple risk weight method for specialised lending. It uses the PD, LGD and EAD approach instead. A small part of ING's portfolio – some of the equity exposure – is subject to the simple risk weight method for calculating the regulatory capital. The table below shows more details on the equity exposure for which this method is used.

Exposures (READ) per internal rating grade and corresponding PD, LGD and RWA 2015

	On balance sheet amount		Off balance sheet amount		Risk Weight	Exposure amount		RWA		Capital requirements	
	2015	2014	2015	2014		2015	2014	2015	2014	2015	2014
Exchange traded equity exposures	1,224	128			290%	1,224	128	3,548	371	283	30
Private equity exposures	556	479			190%	556	479	1,057	910	85	73
Other equity exposures					370%						
Total	**1,780**	**607**				**1,780**	**607**	**4,605**	**1,281**	**368**	**102**

In April 2015 the merger between ING Vysya Bank (Vysya) and Kotak Mahindra Bank (Kotak) was completed resulting in an increase in the exchanged traded equity position value of EUR 1 billion. Additionally, the merger increased the RWA due to a change in accounting treatment. Before the merger, the Vysya stake was an investment in associates larger than 10%, therefore the Simple Risk Weight Approach was not applied. Since the merger, ING holds a stake of 6.5% in Kotak and therefore this position is treated as a Financial Instruments less than 10% (Available for Sale, AfS) with 290% risk weight, resulting in an increase of CRWA of EUR 3.3 billion.

Market risk

Introduction

After the turmoil in the financial markets and the consequent need for governments to provide aid to financial institutions, financial institutions have been under more scrutiny from the public, supervisors and regulators. This has resulted in more stringent regulations intended to avoid future crises in the financial system and taxpayers' aid in the future. Reference is made to the section 'Market and Regulatory environment' in the Risk Management Paragraph.

Market Risk Weighted Assets movement by key driver

amounts in millions of euros	VaR	Stressed VaR	IRC	Standardi-sed Model	Total RWA
Opening amount	1,178	2,802	5,331	1,412	10,723
Movement in risk levels and market movement	619	129	-1,752	-84	-1,088
Model updates/changes	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-
Total movement	**619**	**129**	**-1,752**	**-84**	**-1,088**
Closing amount	**1,797**	**2,931**	**3,579**	**1,328**	**9,635**

Key changes

Over the year, the ING Bank Market Risk Weighted Assets (MRWA) decreased by EUR 1.1 billion to EUR 9.6 billion. The key changes are the following:

- MRWA decreased by EUR 1.1 billion mainly as a result of a decrease in exposures to sovereign issuers that decreased IRC.
- A model update comprising a change in Stressed VaR period used in Stressed VaR calculations did not result in material impact on MRWA.

Capital at Risk

Capital at Risk measures the impact of predefined instant shocks of market risk factors such as interest rates, credit spreads, foreign exchange rates, equity prices and real estate prices on the volatility of IFRS-EU and common equity tier 1.

Main Drivers

The main market risk sensitivities of capital are interest rate and credit spread driven, resulting from cash flow hedges and available for sale debt securities. Furthermore the sensitivity of the currency translation reserve is an intended open position to stabilise the common equity tier1 ratio for foreign exchange movements, as the RWA are impacted as well by these market movements.

Risk profile

Capital Elements & Market Risk Impact on Capital

Market Risk Sensitivity (before tax)	IFRS-EU	CRR/CRD IV*	Interest Rate +100bp	Credit Spread +40bp	Equity Prices -10%	Real Estate -10%	Foreign Exchange +10%
Capital elements							
Reserve							
Property revaluation reserve	●	●				-98	
Cash flow hedge reserve	●		-2,054				
Available-for-sale reserve							
- Debt securities	●	●	-553	-1,377			
- Equity securities	●	●			-429		-390
Currency translations reserve	●	●					-619
P&L							
All items impacting P&L, excluding DVA	●	●	-29	-137	-498	-39	-145
DVA own issued debt/structured notes	●			181			
DVA derivatives	●		3	40			-5
Impact on capital							
IFRS-EU Equity			-2,634	-1,294	-926	-137	-1,160
Common equity Tier 1 (CRR/CRD IV, fully loaded)			-582	-1,514	-926	-137	-1,154

* CRR/CRD IV on a fully loaded basis, no phase in assumed.
● Indicates the item has an impact on the capital as indicated in that column.

Revaluation Reserve Impact

The revaluation reserve for real estate, debt securities, equity securities and for currency translations will be part of CRR/CRD IV equity. The revaluation reserve for cash flow hedges will not be part of CRR/CRD IV equity. The interest rate sensitivity shown for debt securities is the unhedged interest rate sensitivity, i.e. debt securities in hedge accounting relations are excluded.

P&L Impact

Items on fair value which revalue through P&L, excluding debit valuation adjustments, impact IFRS-EU equity as well as CRR/CRD IV equity. Debit valuation adjustments of own issued debt only impacts IFRS-EU equity and not CRR/CRD IV equity. Debit valuation adjustments of derivatives will not be part of CRR/CRD IV equity.

Funding & liquidity risk

Funding and liquidity risk is the risk that ING Group or one of its subsidiaries cannot meet its financial liabilities when they come due, at reasonable cost and in a timely manner.

To protect ING Bank and its depositors against liquidity risks, ING Bank maintains a liquidity buffer, which is based on the liquidity needs across all entities under stressed conditions. ALCO Bank ensures that sufficient liquidity is maintained, in accordance with Bank and regulatory rules and standards, including a buffer of unencumbered, high quality liquid assets.

Liquidity Buffer ING Bank

	2015	2014
Cash and holdings at central bank	13,505	4,499
Securities issued or guaranteed by sovereigns, central banks and multilateral development bank	91,551	86,863
Liquid assets eligible at central banks (not included in above)	75,807	88,199
Other liquid assets	1,875	3,320
Total	**182,738**	**182,880**

The presented distribution of liquid assets over different classes represents the liquid assets across the whole bank. This includes also entities where restrictions may apply on transferability and convertibility due to regulatory constraints or other measures. The buffer slightly decreased in 2015 compared to 2014, mainly due to an increase of positions in central banks reserves and securities issued or guaranteed by sovereigns, central banks and multilateral development banks, which was more than offset by a decrease in liquid assets eligible at central banks and other liquid assets.

As part of the liquidity buffer management, ING Group also monitors the existing asset encumbrance. Encumbered assets represent the on-balance sheet assets that are pledged or used as collateral for ING Group's liabilities. The presented templates of ING Group's encumbered and unencumbered assets are based on the CRR (Part Eight) and the related guidance from the European Banking Authority (EBA). Within the Pillar III section of the ING Bank N.V. Annual Report, the ING Bank encumbered and unencumbered assets are disclosed based on the same CRR requirements and EBA guidance.

In 2015, the median asset encumbrance ratio for ING Group was 18%. The comparable figures for 2014 are not based on the median values but as per 31 December 2014. This is due to the fact that the median values for 2014 are not available and 31 December 2014 was the first data set based on the CRR requirements.

Asset encumbrance ING Group

2015 median in EUR million	Carrying amount of en-cumbered assets	Fair value of en-cumbered assets	Carrying amount of unen-cumbered assets	Fair value of unen-cumbered assets
Assets of ING Group	104,305		752,873	
Equity instruments	6,551	6,551	12,326	12,326
Debt securities	11,477	11,394	106,771	106,697
Other assets	660		70,536	

Asset encumbrance ING Group

2014 in EUR million	Carrying amount of en-cumbered assets	Fair value of en-cumbered assets	Carrying amount of unen-cumbered assets	Fair value of unen-cumbered assets
Assets of ING Group	99,648	-	745,199	-
Equity instruments	8,666	8,666	11,254	11,254
Debt securities	7,620	7,511	123,172	123,380
Other assets	2,200	-	91,642	-

Collateral received ING Group

2015 median in EUR million	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by ING Group	69,988	40,384
Equity instruments	16,076	5,891
Debt securities	53,911	34,033
Other collateral received		460
Own debt securities issued other than own covered bonds or ABSs	69,988	40,384

Collateral received ING Group

2014 in EUR million	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by ING Group	61,805	40,506
Equity instruments	3,721	15,787
Debt securities	57,876	24,432
Other collateral received		114
Own debt securities issued other than own covered bonds or ABSs		

Encumbered assets/collateral received and associated liabilities ING Group

2015 median in EUR million	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	108.536	146.697

Encumbered assets/collateral received and associated liabilities ING Group

2014 in EUR million	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs en-cumbered
Carrying amount of selected financial liabilities	100,935	141,156

Information on importance of encumbrance ING Group

ING Group manages it balance sheet prudently whereby a variety of funding sources is readily available. Given this situation, the level of encumbrance of ING Group's balance sheet is relatively low.

Encumbered assets on ING Group's balance sheet comprise to a large extent mortgages and other loans which are used as cover pool for covered bond programs issued by subsidiaries in the Netherlands, Belgium and Germany, as well as external securitisations and other types of collateralized deposits. Of the total encumbered assets of the Group, EUR 82 billion are loans and advances, mostly mortgages, that serve as collateral for these type of liabilities. The cover pool assets are not considered encumbered when the securities are retained within ING Group. The issued securitisations and especially the covered bonds have over collateralisation, meaning that the assets in the cover pool are higher than the issuance.

Furthermore, assets are encumbered as a result of the repo- and securities lending business and cash and securities collateral posted for derivative and clearing transactions in which pledging collateral is a requirement. As part of its normal securities financing and derivatives trading activities ING enters into standard master agreements such as ISDA and Global Master Repurchase Agreements (GMRA), which contain Credit Support Annexes (CSA) or other similar clauses. Under the terms of these contracts ING could be required to provide additional collateral in the event ING is downgraded by one of the established rating agencies. Refer to the paragraph Counterparty Credit Risk.

The main part of ING Group's repo- and reverse repo activities are short-term dated. Repo transactions are mostly conducted with securities which have been obtained as collateral in reverse repo transactions, which are not recognized on the balance sheet. Where securities recognized on the balance sheet have been used in a repo transaction, these remain recognized on the balance sheet and are reported as encumbered. Of the unencumbered other assets included in the table 'Assets', the vast majority of the assets is not available for encumbrance. This category comprises assets such as derivative receivables, tax assets, property and equipment, intangible assets and investments in associates and joint ventures.

Non-financial Appendix

Reporting principles

We aspire to present a balanced and comprehensive overview of our financial and non-financial performance. We disclose data on our financial performance as well as the impact of our organisation on society and the environment. We report performance data on areas of our business and operations where we can have a material impact both inside the organisation and externally. The Executive Board and the Supervisory Board are the highest bodies to review and approve our Annual Report including disclosure on all material topics.

The high-priority material issues identified and disclosed in our materiality analysis are reported on in the relevant sections of the Annual Report including this appendix. For a detailed description of data-gathering scope and process on specific datapoints, please refer to the Sustainability Data Reporting Protocol: http://www.ing.com/ING-in-Society/Sustainability/Reporting-on-Sustainability.htm This provides the definitions on performance indicators and describes the internal data-gathering process.

Progress report

Progress report

Our goals	Our performance in 2015
Accelerating financial empowerment	
We aim to achieve the highest net promoter scores in all retail banking businesses compared to our peers	We achieved 1st position in 7 out of 13 Retail markets
We will provide 1 million children with access to education by 2015 through our partnership with UNICEF	1 million children reached since 2005
Accelerating sustainable transitions	
Sustainable assets under management: we aim to increase our sustainable assets under management	Our sustainable assets under management increased from EUR 1.54 billion to EUR 2.57 billion
We aim to increase our sustainable transitions financed	Sustainable transitions financed rose by 22% from EUR 19.5 billion to EUR 23.8 billion
People	
Our employee engagement score is above 70% (bi-annual)	75% employee engagement score (bi-annual, 2014 score)
We aim to further invest in the personal and professional development of our employees	EUR 68 million spent on learning and development
Improving environmental performance	
We will reduce our total global CO_2e emissions by 18% by 2017 and 20% by 2020 (compared to 2014)	The total extrapolated amount of carbon emissions decreased by 6% from 102 to 96 kilotonne CO_2e

Sustainability governance

Our global head of Sustainability reports directly to the Vice-Chairman of the Management Board Banking of ING Bank. Via the global sustainability department, responsibilities are cascaded through various business units to subject-matter experts who help develop ING's policies and goals in response to sustainability-driven risks and opportunities, in line with our global sustainability direction. Progress on identified priorities is communicated regularly to the Management Board Banking and to external stakeholders through ING's Quarterly Report.

Economic value generated

ING contributes to the economies of more than 40 countries where we operate. In addition to this, we aim to align the disclosures with the Global Reporting Initiative (GRI) G4 guidelines.

Economic value generated and distributed from continuing operations

in EUR million		Economic value	
Stakeholder group	**Indicator**	**2015**	**2014**
Suppliers	Operating cost[1]	2,274	2,159
Employees	Staff expenses[2]	4,972	5,788
Shareholders	Net result from continuing operations[3]	4,466	2,657
Governments	Corporate income tax and bank taxes[4]	1,881	1,459
Community	Total donations	12.7	11.3

1 Refer to note 29 of the ING Group Consolidated Annual Accounts 2015. Includes: Computer costs, office expenses, travel and accommodation expenses, advertising and public relations, external advisory fees and postal charges.
2 Refer to note 28 of the ING Group Consolidated Annual Accounts 2015.
3 Refer to the P&L of the ING Group Consolidated Annual Accounts 2015 in the Annual Report 2015.
4 Refer to note 29 and 39 of the ING Group Consolidated Annual Accounts 2015.

Business

Most of ING Bank's activities serve the financing and investment needs of households and companies, other financial institutions and governments. We allocate 39.2% of the balance sheet to private individuals in the form of mortgages and other types of loans; this exposure has minimal environmental risk implications. Some 31.8% of our assets is allocated to meet the financing needs of corporates. In response to what stakeholders and society ask of us with regard to transparency, the tables on the next pages provide insight into the different sectors we finance and the applicability of our Environmental and Social Risk Framework.

Credit risk portfolio per client segment

in percentage	2015		2015		2015
ING Bank		**Governments**		**Financial institutions**	
Governments	10.5	Bonds - Germany	1.7	United Kingdom	2.4
Financial institutions	17.0	Bonds – Netherlands	1.2	Germany	1.2
Corporates	31.8	Bonds – ROW[1]	5.3	Spain	0.7
Consumer lending	39.2	Other[2]	2.3	China	0.9
Other	1.5			Netherlands	2.4
				United States	1.5
				ROW[1]	7.8
Total	100	**Total**	10.5	**Total**	17.0
Corporates		**Consumer lending**			
Netherlands	7.0	Residential mortgages – NL	16.8		
Belgium	4.4	Residential mortgages – ROW[1]	19.4		
United States	2.9	Other consumer lending	3.0		
Poland	1.4				
United Kingdom	1.2				
Turkey	1.5				
ROW[1]	13.4				
Total	31.8	**Total**	39.2		

1 Rest of the world.
2 Other financial instruments such as term loans and derivatives.

In response to what stakeholders and society ask of us with regard to transparency, the table below provides insight into the different sectors we finance and the applicability of our Environmental and Social Risk Framework.

ING Bank credit risk portfolio per economic sector and application of ESR framework[1] & SF strategies

in percentage	Exposure 2015 (%)	ING Values	Human rights	Environmental compliance	Animal testing	Defence	Equator principles	Forestry and Agrocommodities	Mining and Metals	Fur	Gambling	Generic engineering	Manufacturing	Chemicals	Energy (oil and gas, power generation)	Nuclear energy	Pornography	Ship breaking	Fisheries	Sustainable Finance Strategy
Consumer lending	39.2	•																		
Financial institutions	17.0	•																		
Governments	10.5	•																		
Other	1.5	•																		
Corporates	31.8	•	•	•																
– Real estate	5.5	•	•	•			•													•
– Natural resources	5.7	•	•	•			•		•						•					•
– Transportation & logistics	3.6	•	•	•		•	•						•					•		•
– Services	2.4	•	•	•		•	•				•		•							
– Food, beverages & personal care	2.6	•	•	•	•		•	•		•		•							•	
– General industries	2.3	•	•	•		•	•	•					•							
– Builders & contractors	1.8	•	•	•			•						•							
– Chemicals, health & pharmaceuticals	1.7	•	•	•	•		•					•		•						
– Other	1.2	•	•	•			•													
– Utilities	1.6	•	•	•			•								•	•				•
– Media + telecom	1.1	•	•	•		•	•				•						•			•
– Retail	1.0	•	•	•			•													
– Automotive	1.0	•	•	•		•	•						•							•
– Technology	0.5	•	•	•		•	•						•	•						•

1 The symbols above each column represent our different ESR framework policies.
2 A Sustainable Finance sector strategy identifies sustainability related developments in a specific sector. It outlines how best to pursue the opportunities that arise from them and provides solutions for best-in-class clients and best practices that are outstanding in their environmental performance relative to their sector.

Applying the Equator Principles (EP)

As an Equator Principles (EP) Financial Institution, we implement the EP in our internal environmental and social policies, procedures and standards. We do not provide project finance or project-related corporate loans to clients that are unable, or choose not, to comply with the principles. All EP transactions are reviewed at least annually, at which time covenant compliance is typically affirmed. The EP are embedded in ING's ESR Framework, and require involvement of the following three banking areas:

Front Office: departments originate transactions and have direct contact with the client or project sponsors.

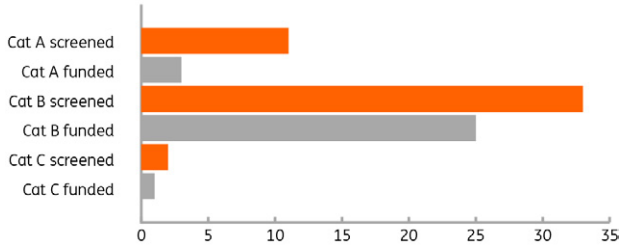
Risk Managers: departments that provide control over Front Office activities and generally sign off on the environmental and social impacts for 'Low Risk' or 'Medium Risk' EP deals, which generally refer to Category C projects or Category A and B in designated countries.

Environmental and Social Risk: department within risk management fully dedicated to assessing environmental and social impacts associated with 'High Risk' transactions, which in the context of EP generally refer to Category A and B projects in non-designated countries. Negative advice from the ESR Desk can only be waived by ING's highest Credit Committee or the Executive Board. In practice such waivers are exceptional.

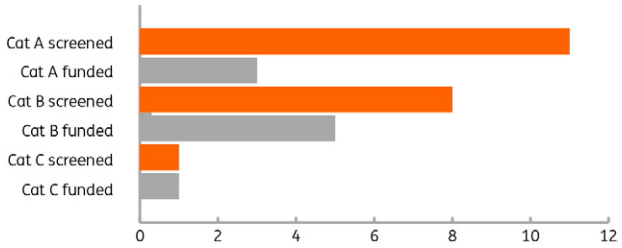
As our risk assessment processes are decentralised, each front-office team must be highly familiar with ING's Environmental and Social framework and in particular Equator Principles III (EPIII). Hence, ING makes significant investment in internal training programs to help front office and risk management staff in assessing the environmental and social risk under EPIII. In 2015, 479 colleagues have been specifically trained on the ESR Framework worldwide.

The graphs below show 2015 EP screened transactions versus those that reached financial close for Project Finance and Project Related Corporate Loans categories. The difference between these figures refers to transactions that have not reached financial close due to a number of reasons not necessarily linked to environmental and social matters. Also, some of the screened transactions may reach financial close in the future.

EP Project Finance Loans



EP Project Related Coporate Loans



The table below provides an overview of EP transaction in accordance with EPIII reporting requirements, which refer to funded deals or advisory roles that have been mandated to ING in 2015.

EP Application Table 2015

	Project Finance				Project Related Corporate Loans			
	EP risk category[1]				EP risk category			
Sector	**A**	**B**	**C**	**Total**	**A**	**B**	**C**	**Total**
Mining	1	1		**2**	1	1		**2**
Infrastructure		2		**2**			1	**1**
Oil & Gas	2	15		**17**	1	4		**5**
Power		6	1	**7**				**0**
Others		1		**1**	1			**1**
Total	**3**	**25**	**1**	**29**	**3**	**5**	**1**	**9**
Region	**A**	**B**	**C**	**Total**	**A**	**B**	**C**	**Total**
Americas	3	15	1	19	2	2		**4**
Europe Middle East & Africa		6		6	1	3	1	**5**
Asia Pacific		4		4				
Total	**3**	**25**	**1**	**29**	**3**	**5**	**1**	**9**
Country Designation	**A**	**B**	**C**	**Total**	**A**	**B**	**C**	**Total**
Designated Country	2	23	1	**26**		2		**2**
Non-Designated Country	1	2		**3**	3	3	1	**7**
Total	**3**	**25**	**1**	**29**	**3**	**5**	**1**	**9**
External Independent Review	**A**	**B**	**C**	**Total**	**A**	**B**	**C**	**Total**
Yes	3	7	1	**11**	3	3		**6**
No		18		**18**		2	1	**3**
Total	**3**	**25**	**1**	**29**	**3**	**5**	**1**	**9**
EP Reviews	**A**	**B**	**C**	**Total**				
EP Annual Reviews	20	90	9	**119**				
EP Reviews Escalated	*7*	*6*	*0*	*13*				

1 Category A – Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented; Category B – Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures; and Category C – Projects with minimal or no adverse environmental and social risks and/or impacts.

Project Finance Advisory

ING was mandated on one Project Finance Advisory service in the Sector 'Oil & Gas' for a project located in the 'Europe Middle East & Africa' region.

People

The tables below provide an overview of Human Resources related topics like training and development and diversity.

Budget training and development employees[1]

	2015		2014		2013	
	In EUR million	Per FTE	In EUR million	Per FTE	In EUR million	Per FTE
ING	68[1]	1,279	57	1,033	60	947

1 Refer to note 28 of the ING Group Consolidated Annual Accounts 2015.

Training

in numbers of trainings completed	2015 Number of trainings completed x 1,000	2014 Number of trainings completed x 1,000
Classroom	133.2	55.6
On the job training	5.4	11.6
Online	339.6	341.2
Program	33.3	10.0
Other	14.9	5.6
Total	**526.4**	**424.0**

Leavers and turnover rate[1] (headcount)

	2015	2014	2013
Leavers			
Voluntary	2,455	2,622	2,717
Involuntary	2,703	2,340	4,380
Not recorded	0	17	0
Total	**5,158**	**4,979**	**7,097**
Turnover rate %	**9**	**9**	**12**

1 Total leavers headcount in 2015 divided by headcount on 1 January 2015.

Percentage of employees covered by Collective Bargaining (headcount)

in percentage of employees	2015
ING Bank	59.5

Percentage of employees that have undergone a performance management process (headcount)

in percentage of employees	2015	2014	2013
ING Bank	97	92	n.a

Total workforce gender breakdown (headcount)

	2015		2014		2013	
in percentage of employees	Female	Male	Female	Male	Female	Male
ING Bank	49.7	50.3	50.0	50.0	50.2	49.8

Total workforce breakdown (headcount)

	2015	2014	2013		2015	2014	2013
Gender				**Age group**			
Female	27,266	27,600	27,722	16 – 25	3,207	3,394	3,319
Male	27,566	27,585	27,465	26 – 35	18,512	18,817	18,840
Not recorded	41	7	7	36 – 45	17,534	17,619	17,848
				46 – 55	11,724	11,520	11,561
				56+	3,886	3,781	3,613
				Not recorded	10	61	13
Total	**54,873**	**55,192**	**55,194**	**Total**	**54,873**	**55,192**	**55,194**
FT / PT Status				**Temp / Perm**			
Full-time	48,109	48,207	47,850	Permanent	53,454	54,172	54,291
Part-time	6,750	6,981	7,315	Temporary	1,419	1,020	903
Not recorded	14	4	29				
Total	**54,873**	**55,192**	**55,194**	**Total**	**54,873**	**55,192**	**55,194**
Geographical region							
Asia	6,842	7,217	6,726				
Australia	1,059	1,021	996				
Belgium	10,005	10,279	10,591				
Netherlands	15,080	15,643	16,058				
North America	500	484	491				
Rest of Europe	21,323	20,484	20,270				
South- and Mid-America	64	64	62				
Total	**54,873**	**55,192**	**55,194**				

Sickness and absenteeism (headcount)

in percentage of employees	2015	2014	2013
ING Bank	3.69	3.34	3.45

Community Investment

The tables give an overview of charitable donations and volunteering of ING employees.

Total donations ALL

in EUR thousands		2015	2014	2013
ING Bank				
Direct business donations	Donations business	10,325	9,501	8,619
	Donations business in-kind	615	142	919
Facilitated by ING	Donations customers	964	952	1,383
	Donations employees	806	733	1,290
Total		**12,710**	**11,328**	**12,211**

Total donations (incl. business, customer and employee) and volunteering hours

	Total donations incl. business, customer and employees (in EUR thousands)			Volunteering hours (in hours)		
	2015	2014	2013	2015	2014	2013
Arts & Culture	686	779	598	347	313	351
Children and education (incl. UNICEF)	5,235	5,538	6,513	14,614	26,289	27,331
Emergency relief	246	179	777	473	956	218
Environment	543	603	471	6,848	3,974	8,494
Financial education and entrepreneurship	1,777	785	559	6,129	1,851	6,832
Health	1,964	1,554	1,833	990	2,537	3,730
Social welfare	1,095	1,426	748	11,259	11,289	6,723
Other	1,164	464	712	552	1,713	1,374
Total	**12,710**	**11,328**	**12,211**	**41,212**	**48,922**[1]	**55,053**

Charitable donations to UNICEF

	2015		2014		2013	
	In EUR thousand	Children reached2	In EUR thousand	Children reached	In EUR thousand	Children reached
ING Group	3,059	18,040[1]	2,784	92,970[1]	3,154	105,121[1]
Total since 2005	**32,511**	**1,000,000**[1,2]	**29,452**	**981,960**[1]	**26,668**	**888,990**[1]

1 The methodology we used to calculate the number of children reached through UNICEF programmes has changed. For historical comparison the number presented in this table is in line with the former calculation method and only includes the number of children reached through UNICEF education programmes supported between 2005-2015. Due to the type of activities carried out by UNICEF from 2013 to 2015, we know the number of children reached is higher than reported here.

2 We achieved our target of reaching 1 million children through UNICEF education programmes in 2005-2015. We are now supporting a new UNICEF programme, Power for Youth, that aims to empower 335,000 adolescents by 2018. Progress on this is not included in this table and will be reported on our website.

Environment

Our activities impact the environment we operate in - both directly, through the operations of our buildings, IT systems and business travel, but also indirectly, through our lending portfolio and through our procurement supply chains. We are committed to reducing this impact and will work closely with customers and suppliers to take advantage of opportunities within the low-carbon economy of the future. Our Environmental Approach (http://www.ing.com/ING-in-Society/Sustainability/INGs-Sustainability-Direction/Sustainable-Transitions.htm) describes how we are managing our direct and indirect environmental impacts as well as how we mitigate risks and create and seize opportunities. Our approach also outlines our 2020 targets for improving our operational eco-efficiency, namely:

- We will reduce our CO_2e emissions by 20% by 2020 (base year 2014).
- We will reduce global residual waste by 20% by 2020 (base year 2014).
- We will reduce our water footprint by 20% by 2020 (base year 2014).
- We will remain carbon neutral by off-setting remaining carbon emissions.

Relative to our base year, our carbon footprint was reduced by 6% in 2015 as a result of increasing our renewable electricity consumption to 86% of total electricity consumption. Our residual waste was reduced by 5% and we remained carbon neutral by offsetting emissions caused by business travel and grey energy use. Our reported water footprint has increased by 22% due to broadened coverage. As water reporting is very new for our local entities, we expect our coverage to increase over time.

We offset 100% of our remaining carbon emissions through the purchase of Voluntary Carbon Units (VCUs) from wind power projects in China and a landfill gas capture project in Indonesia.

Sustainable procurement

We have a real opportunity to drive our sustainability agenda through our supply chain. By encouraging suppliers to share our standards and work towards continual improvement, we believe we can make a demonstrable impact while mitigating risks.

ING Bank's Procurement Policy defines sustainable procurement as taking into account the social and environmental aspects of the products we procure as well as the attitude of the supplier towards sustainability. We have implemented, globally, a supplier qualification (SQ) process that helps us determine the levels of social, environmental and financial risks associated with a supplier. Once suppliers pass the SQ process, they are qualified to become ING suppliers and the ING Procurement Sustainability Standards (IPSS) apply. Compliance is then monitored via our partnership with EcoVadis Sustainability Monitoring. For more information on our Sustainable Procurement Program, please see our Environmental Approach. In 2015, we made the following commitments:

- We will have global supplier coverage of the IPSS of 95% by 2020.
- We will procure 100% green electricity for all ING buildings worldwide by 2020.
- We will pilot 16 circular purchasing projects.
- We will engage 800 suppliers for sustainability performance assessments in 2015.

Breakdown of energy consumption

	2015		2014		2013	
Coverage (% of employees)	95		92		81	
In MWh and kilotonne CO_2e	MWh x 1.000	Kilotonne	MWh x 1.000	Kilotonne	MWh x 1.000	Kilotonne
Electricity	38	24	67	36	78	43
Renewable electricity	240	0	227	0	228	0
Natural gas	88	20	93	21	102	24
Fuel oil	4	1	5	1	7	2
District heating	15	3	17	4	23	5
Total energy	**385**	**48**	**409**	**62**	**438**	**74**
Total energy per FTE in MWh and in tonne	**7.3**	**0.9**	**7.9**	**1.2**	**8.5**	**1.4**

Energy consumption and carbon emissions through business travel

	2015		2014		2013	
Coverage (% of employees)		98		89		97
In kilometers and kilotonne CO_2e	KM x 1 million	Kilotonne	KM x 1 million	Kilotonne	KM x 1 million	Kilotonne
Total travel	**215**	**35**	**193**	**31**	**219**	**35**
Total travel carbon per FTE in tonne	**–**	**0.7**	**–**	**0.6**	**–**	**0.7**

Carbon emissions extrapolated			
in kilotonne CO_2e	2015	2014	2013
Coverage (% of employees)	95	90	89
Total carbon	84[1]	93	109
Total carbon per FTE in tonne	1.6	1.8	2.2
Total extrapolated carbon	96	102	127
Total carbon Scope 1[2]	21	23	25
Total carbon Scope 2[2]	27[3]	39[3]	48
Total carbon Scope 3[2]	35[4]	31	36

1 The total carbon amount of 84 tonnes is the sum of scope 1, 2 and 3 emissions. The total here is one kilotonne higher than the sum of the figures displayed due to the fact that we only display figures rounded to the nearest kilotonne.
2 Scope 1: comprises emissions from our use of natural gas and fuel oil;
Scope 2: comprises emissions from our use of electricity, renewable electricity and district heating;
Scope 3: comprises emissions from our business travel by air and car.
3 The total carbon figure for Scope 2 displayed here is calculated using the GHG Protocol Market-based calculation method outlined within the Scope 2 Guidance. This method takes into account the use of renewable electricity with an emissions factor of 0 g CO_2e/MWh. Using the Location-based method outlined within the Scope 2 Guidance, our scope 2 CO_2e emissions for our base-year (2014) is 116 kilotonnes and for 2015 is 111 kilotonnes. For more information on our calculation methodology and scope, please see our reporting protocol on ING.com.
4 A rise in scope 3 emissions is due to an increase in business travel resulting from intensified cross-border collaboration in an effort to further streamline our global processes and accelerate innovation as a part of our Think Forward strategy.

Paper consumption			
in tonnes	2015	2014	2013
Coverage (% of employees)	95	92	82
Eco-labelled paper	1,434	1,894	1,836
Non-eco-labelled paper	316	423	493
Total	**1,750**	**2,317**	**2,329**

Residual Waste[1]			
in tonnes	2015	2014	2013
Coverage (% of employees)	95	92	81
Total residual waste	2,714	2,870	3,705

1 Residual waste is total waste minus the waste that is recycled.

Water consumption		
in thousands of m^3	2015	2014
Coverage (% of employees)	93	57
Total water consumption	524	428

Other facts and figures Environmental Programme				
	Unit	2015	2014	2013
Business Travel				
Fully Electric Vehicles	# Vehicles	75	59	11
Hybrid Vehicles	# Vehicles	485	473	482
Sustainable Procurement				
Renewable Electricity	% of total electricity consumption	86	77	75
Supplier Sustainability Performance Assessments	# of Suppliers Engaged	596	243	127
Circular Purchasing Projects	# of Projects Initiated	21	2	0

Stakeholder engagement

We seek external direction and validation of our sustainability priorities by endorsing international standards such as the UN Global Compact. In 2015 ING was present at the launch of the Sustainable Development Goals, which we endorse and contribute to via our sustainability direction. A full overview of partnerships, memberships and endorsements can be found here: http://www.ing.com/ING-in-Society/Sustainability/Stakeholder-engagement.htm

On expert-, management - and Board level we actively engage with our customers and other stakeholders such as investors, governments officials and NGOs on relevant topics, issues and challenges. Throughout the year challenges and issues are discussed with and brought to our attention by different stakeholders. In the table below, we provide a snapshot of the key issues from 2015.

Issue table

Stakeholder	Topic of Discussion	ING's point of view
NGO - The Fair Finance Guide (FFG) Netherlands	**Electronics, mining and urban mining report:** In January FFG tried to measure to what extent a bank was involved with circular economy by comparing investments in recycling companies versus mining companies.	Like other banks ING felt the method of research was oversimplifying the complexity of the topic circular economy. As a result several banks did not participate in this investigation. Instead the three biggest Dutch banks worked on a joint initiative, which was launched in January 2016. Next to that, ING published an elaborate report on Rethinking finance in a circular economy: http://www.ing.com/web/file?uuid=94261282-eed1-40b4-9d98-b333009aeca0&owner=b03bc017-e0db-4b5d-abbf-003b12934429&contentid=34276 which provides a lot of insight for companies and banks on this topic.
NGO - The Fair Finance Guide (FFG) Netherlands	**Commitments and progress:** The report provides a recap from the perspective of the FFG on the progess made by banks as a result of 13 earlier published FFG reports.	Our sustainability performance steadily increased over the years. Doing so, we value the input of NGOs, which we take into account (as well as that of other stakeholders) when making decisions and re-assessing or formulating ESR policies. This year we issued a revised defence policy, a revised coal policy, a revised ship breaking policy and an animal husbandry policy. More information about our stance on various issues is shared on our webpage Our Stance: http://www.ing.com/ING-in-Society/Sustainability/Our-Stance.htm .
NGO - SOMO Netherlands	**Animal welfare:** Myronivsky Hliboproduct (MHP) owns the biggest chicken stable in the EU. Research was conducted by SOMO and published in a Dutch newspaper. Based on said research/publication, questions were raised about animal welfare and the financial institutions financing this company, such as ING bank.	The way our food is being produced is a subject of public debate. ING takes its responsibility seriously and participates in the debate. We advise clients on environmental and social best practices and demand compliance with laws and regulations. In response to the SOMO report, MHP confirmed that its production facilities adhere to EU animal welfare standards.
NGO - The Fair Finance Guide (FFG) Netherlands	**Update on Environmental & Social Risk policies of Banks:** In September the Fair Finance Guide (FFG) published its annual update in which it compared banks' policies with their own expectations. FFG concluded that ING was lagging behind.	ING shares many of the environmental and social concerns expressed by the FFG. However, we differ in our approach towards these issues. In difference to the FFG, we don't seek to totally exlude sectors like coal, oil, gas and uranium mining, hampering steel production (coal), the transport industry including freight transport, shipping and aviation (oil), electricity production and heating (gas), or cancer treatment with medical isotopes (uranium). We rather seek to support higher standards applied within sectors than exclusion.
NGO – PAX Netherlands	**Investments in nuclear weapons and cluster munitions:** In November, PAX issued a report on investments made in companies producing nuclear weapons. Overall, PAX was positive about the decrease of investments made in these companies by Dutch banks like ING. ING was again included in the runners-up category.	Our elaborate stance towards the defence industry and nuclear weapons in particular can be found on our webpage Our Stance: http://www.ing.com/ING-in-Society/Sustainability/Our-Stance.htm .

Issue table - continued

Stakeholder	Topic of Discussion	ING's point of view
NGO – Milieudefensie Netherlands	**Palm oil - burning of lands:** Milieudefensie issued its report 'Up in smoke', linking two major palm oil production companies to forest fires in Indonesia. Furthermore a link was made with their financiers.	Forest fires to clear land for agricultural purposes are a re-occurring annual event with large scale negative impacts on deforestation, biodiversity and air pollution. We have discussed the topic with Wilmar, a major palm oil company financed by ING. The company recognises that slash-and-burn practices remain rampant among small-scale farmers and local communities, which often leads to uncontrolled fires that may inevitably spread to their plantations or those of their suppliers. However, Wilmar confirmed they were not involved in these practices themselves. Earlier, the company publicly adopted a strict 'No burning' policy. It does not tolerate the use of fire in land preparation or development. This policy applies to all Wilmar operations worldwide, including those of its subsidiaries and third-party suppliers.
NGO – Society at large Netherlands / Belgium / Australia	**Fossil fuels:** Several NGO's in different countries where ING operates have shared their concerns about fossil fuels and the impact thereof on climate change. In the Netherlands and Belgium The Fair Finance Guide shared their opinion in a report about climate change. In Australia various NGO's campaigned to encourage their supporters to contact their banks about investments in fossil fuels and if necessary divest their funds from these banks.	In 2015, the world energy market remained dominated by fossil fuels, a fact represented in our portfolio as well. In order to obtain insight into our response to climate change, we would therefore suggest looking beyond this single fact. Prior to COP21, we called on the global community to come to a strong climate agreement, including a price on carbon, public disclosure of CO2- emissions, increased energy efficiency measures and an end to fossil fuel subsidies. We plan to take action ourselves too, increasing our lending portfolio to renewables and decreasing our thermal coal portfolio. As such we announced our intention to no longer finance new coal fired power plants or new thermal coal mines. Our elaborate response can be found on our webpage Our Stance: http://www.ing.com/ING-in-Society/Sustainability/Our-Stance.htm
Society at large Germany	**Low interest rates:** ING DiBa found itself in a public debate . Clients expressed concerns over decreasing interest rates in return for depositing their savings. This was picked up by the media and reported on.	Because of the lean cost structure at ING-DiBa (Germany), the rates it pays savers are among the most competitive in Germany. However, the prevailing low interest rates in the Eurozone mean that ING-DiBa has also needed to reduce rates. ING-DiBa is offering customers alternatives to traditional savings products. This included a new tool for securities 'newcomers' that helps them make investment decisions and select from more than 5,000 investment funds and ETFs that are offered free of fees. This resulted in the opening of one million investment accounts.
Society at large - Netherlands	**Dutch law 'Wet Werk en Zekerheid' (re. employment and job security):** Certain newspapers speculated that as a result of a change in the aforementioned law employers would prefer laying off temporary employees, to avoid having to offer them a long term/fixed contract. Furthermore, the change in law would i.e. mean higher costs for job agencies that set to work temporary employees at ING (as a result of the so-called transition payments).	ING had already announced a reorganisation in the previous year (2014) to address digitalisation and changing customer needs. The reorganisation also impacted temporary employees. This was, however, not related to the new law. In addition, ING took into consideration that the higher costs could lead to a burden for job agencies. To address this, ING has adjusted the way it compensates the agencies.

Glossary

Amortised costs
The amount at which the financial asset or liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

Application programme interface
A software device that allows for an application or data to be shared.

Asset-backed security (ABS)
A type of bond or note that is based on pools of assets, or collateralised by the cash flows from a specified pool of underlying assets.

Asset Liability Committee (ALCO)
ALCO manages the balance sheet of ING, especially regarding the strategic non-trading risk. These are interest rate risk, equity risk, real estate risk, liquidity, solvency and foreign exchange risk and fluctuations.

Asset & Liability Management (ALM)
The practice of managing a business such that decisions on assets and liabilities are coordinated. It involves the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities.

Assets under Management (AuM)
Refers to the total market value of assets a financial company invests on behalf of its customers.

Associate
An entity over which the Group has significant influence but not control. Significant influence generally results from a shareholding of between 20% and 50% of the voting rights, but also is the ability to participate in the financial and operating policies through situations including, but not limited to, one or more of the following:
- representation on the board of directors;
- participation in the policymaking process; and
- interchange of managerial personnel.

Audit Committee
The Audit Committee, consisting of members of the Supervisory Board, assists the Supervisory Board in monitoring the integrity of the financial statements of ING Group N.V. and ING Bank N.V., in monitoring the compliance with legal and regulatory requirements, and in monitoring the independence and performance of ING's internal and external auditors.

Authorised capital
The maximum amount of share capital that a public limited company or a private limited company can issue according to its Articles of Association. Part of the authorised capital can remain unissued.

Available Financial Resources (AFR)
The available financial resources equal the market value of assets minus the market value of liabilities, excluding hybrids issued by ING Group, which count as capital. ING's policy is that the available financial resources should exceed economic capital for Bank and Group.

Available-for-sale financial assets
Those non-derivative financial assets that are designated as available-for-sale or are not classified as:
- loans and receivables;
- held-to-maturity investments; and
- financial assets at fair value through profit and loss.

Bank for International Settlements (BIS)
The Bank for International Settlements is an international organisation fostering the cooperation of central banks and international monetary policy makers.

Basel I
Regulatory requirements issued by the Basel Committee on Banking Supervision for the solvency calculation, which were superseded by Basel II, and apply to ING from 2008 onwards.

Basel II
Regulatory requirements issued by the Basel Committee on Banking Supervision for the solvency calculation, which apply to ING from 2008. Basel II is an international standard for calculating the required capital, based on internal models that take into account financial and operational risks.

Basel III
Regulatory requirements issued by the Basel Committee on Banking Supervision for solvency calculation and liquidity requirements, which superseded Basel II. Basel III was adopted in 2010 and consequently translated by the EU into the Capital Requirement Regulation (CRR) and the Capital Requirement Directive IV (CRD IV). The CRR is binding for all EU member states and became effective as at 1 January 2014, with the full requirements to take effect from 1 January 2018. The CRD IV directs all EU member states to implement certain components of Basel III in their own law; in the Netherlands in the 'Wet Financieel Toezicht' (Act on Financial Supervision). Although not all definitions and parameters of the CRR/CRD IV have been finalised, the key principles of Basel III have been included in ING's solvency and liquidity risk appetite frameworks that are continuously monitored by senior management.

Basis Point Value (BPV)
The change in the net present value of a cash flow or a pool of cash flows due to a one basis-point change of the yield curve.

Business risk
The exposure to value loss due to fluctuations in volumes, margins and costs. These fluctuations can occur because of internal, industry, or wider market factors. It is the risk inherent to strategy decisions and internal efficiency.

Capital base
Capital plus minority interests plus subordinated loans.

Capital coverage ratio
Available capital divided by required capital.

Capital Requirements Directive (CRD IV)
For European banks, the Basel III requirements are implemented through the Capital Requirement Regulation (CRR) and the Capital Requirement Directive IV (CRD IV). The CRD IV directs all EU member states to implement certain components of Basel III in their own law, taking into account transitional arrangements, in the Netherlands through amendments to the 'Wet Financieel Toezicht' (Act on Financial Supervision).

Capital Requirements Regulation (CRR)
For European banks, the Basel III requirements are implemented through the Capital Requirement Regulation (CRR) and the Capital Requirement Directive IV (CRD IV). The CRR is binding for all EU member states and came into effect on 1 January 2014, taking into account transitional arrangements, with the full requirements to take effect on 1 January 2018.

Central Clearing Parties or Central Counterparties (CCP)
A legal entity between two trade counterparties in a bilateral transaction. The parties legally assign their trades to the CCP , and the CCP becomes the counterparty to each, assuming all rights and responsibilities. Thus, from the point of view of the original counterparties, the counterparty credit risk exposure is shifted from the other original counterparty to the CCP.

Collateralised debt obligation (CDO)
A type of asset-backed security that provides investors with exposure to the credit risk of a pool of fixed income assets.

Collateralised loan obligation (CLO)
A type of collateralised debt obligation (CDO) that is backed primarily by leveraged bank loans.

Commercial paper
Promissory note (issued by financial institutions or large firms) with a very-short to short maturity period (usually 2 to 30 days, and not more than 270 days), and unsecured.

Common equity Tier 1 capital
Capital definition specified in article 26 of the capital requirements regulation (CRR). Common equity Tier 1 items of institutions consist of the following:
a. capital instruments;
b. share premium accounts related to the instruments referred to in point (a);
c. retained earnings;
d. accumulated other comprehensive income;
e. other reserves; and
f. funds for general banking risk.

Compliance risk
Compliance risk is defined as the risk of impairment of ING Bank's integrity as a result of failure (or perceived failure) to comply with applicable laws, regulations, ING Bank policies and minimum standards, and the ING Values as part of the Orange Code.

Concentrations of credit risk
Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect groups of counterparties whose aggregate exposure is significant in relation to ING Group's total exposure.

Contingent liabilities
Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events, but is not recognised because:
- it's not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- the amount of the obligation cannot be measured with sufficient reliability.

Control
Situations in which ING owns, directly or indirectly, more than half of the voting power of a company, or when ING has control of a company's operating and financial policies through situations including, but not limited to:
- ability to appoint or remove the majority of the board of directors;
- power to govern such policies under statute or agreement; and
- power over more than half of the voting rights through an agreement with other investors.

Convexity
The non-linear relationship between changes in interest rates and changes in bond prices and their net present value. It is a very important market risk measure for portfolios containing embedded options.

Corporate governance
The way in which a company is governed and how it deals with the various interests of its customers, shareholders, employees, business partners and society at large.

Corporate Governance Committee
The Corporate Governance Committee, consisting of members of the Supervisory Board, assists the Supervisory Board in monitoring and evaluating the corporate governance of ING as a whole and the way it's reported on in the Annual Report and to the General Meeting of Shareholders. It advises the Supervisory Board on improvements.

Cost of capital
The costs related to owning capital. These can be split into the cost of equity, hybrids and debt, taking a target leverage into account.

Country of residence
From the perspective of a given country, a resident is an individual or legal entity that has its major operations in the given country. All of ING's customers and entities are said to be residents in one country only.

Country risk
The risk that a government will not fulfil its obligations or that it will obstruct the remittance of funds by debtors, either for financial reasons (transfer risk) or for other reasons (e.g. political risk).

Credit default swap (CDS)
A CDS is a financial derivative instrument that synthetically transfers the credit risk of a specific reference entity between two counterparties. The protection buyer pays a fixed periodic fee, usually expressed in basis points per annum, on the notional amount. The protection seller makes no payment unless some specified credit event relating to the reference entity occurs, in which case he/she is obliged to make a payment to compensate the loss incurred by the protection buyer.

Credit institutions
All institutions that are subject to banking supervision by public authorities, including mortgage banks, capital market institutions, multilateral development banks and the International Monetary Fund (IMF).

Credit rating
Credit ratings, as assigned by rating agencies (such as Standard & Poor's and Moody's), are indicators of the likelihood of timely and complete repayment of interest and instalments of fixed-income securities.

Credit risk
The risk of loss from default by borrowers (including bond issuers) or counterparties. Credit risks arise in ING's lending, pre-settlement and investment activities, as well as in its trading activities. Credit risk management is supported by dedicated credit risk information systems and internal rating methodologies for debtors and counterparties.

Credit risk exposure
Total amount of committed facilities to a designated borrower or an obligor group or, if higher, their outstanding balances, together with the outstanding balances of any related uncommitted facilities.

Credit support annex (CSA)
Supporting documentation for a collateral arrangement that accompanies a master agreement used in the execution of an over-the-counter derivative swap. The document clearly delineates the rules and procedures for the use of the collateral in the backing of the traded securities. A CSA may be executed as a separate document, or can be part of the master agreement.

Credit valuation adjustment (CVA)
An adjustment to the valuation of 'over-the-counter' (OTC) derivative contracts to reflect the creditworthiness of OTC derivative counterparties.

Cumulative preference shares
Shares that entitle the holder to a fixed annual dividend. In the case of a profit distribution, these shares take precedence over ordinary shares. If the profit available for distribution isn't enough to pay this dividend in full, the shortfall will be made up from the reserves as much as possible. If, and to the extent that, the dividend distribution can't be made from the reserves, the profits earned in subsequent years shall first be used to make up the shortfall before any distribution may be made on shares of any other category.

Debit valuation adjustment (DVA)
An adjustment made by ING to the valuation of 'over-the-counter' (OTC) derivative liabilities to reflect within fair value ING's own credit risk.

Deferred tax assets arising from carryforward of tax losses
The amount of income tax receivable in future periods arising from the utilisation of carryforward tax losses against future taxable profits.

Deferred tax assets/liabilities arising from temporary differences
The amounts of income tax receivable/payable in future periods in respect of taxable temporary differences between carrying amounts of assets or liabilities in the balance sheet and tax base, based on tax rates that are expected to apply in the period when the assets are realised or the liabilities are settled.

Defined benefit plan
Post-employment benefit plans other than defined contribution plans.

Defined contribution plan
Post-employment benefit plans under which ING pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depositary receipt of ordinary shares
More than 99.9% of the ordinary shares issued by ING Groep N.V. is held by Stichting ING Aandelen (ING Trust Office). In exchange for these shares, the ING Trust Office has issued depositary receipts in bearer form for these shares.

Derivatives
A derivative is a financial instrument or other contract with all three of the following characteristics:
a. Its value changes in response to a change in any of the following: a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable (provided in the case of a non-financial variable that the variable is not specific to a party to the contract, sometimes called the 'underlying');
b. It requires no initial net investment, or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
c. It is settled at a future date.

Discontinued operations
A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and
a. represents a separate major line of business or geographical area of operations;
b. is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
c. is a subsidiary acquired exclusively with a view to resale.

Discounted bills
Bills that are sold, less interest, giving the owner the right to receive an amount of money on a given date.

Earnings sensitivity (ES)
Measures the impact of changing interest rates on (before-tax) net interest income.

Economic capital (EC)
EC is defined as the amount of capital that a transaction or business unit requires in order to support the economic risks it takes. In general, EC is measured as the unexpected loss above the expected loss at a given confidence level. This economic capital definition is in line with the net market value (or surplus) definition.

Economic exposure
Total of outstandings plus undrawn committed portions calculated on the basis of economic risk principles.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Elimination
A process by which intercompany transactions are matched with each other and deducted, so that the assets, liabilities, income and expenses are not inflated.

Employee benefits
All forms of consideration given by a company in exchange for service rendered by employees or for the termination of employment.

ESR framework
The Environmental and Social Risk (ESR) Framework is a set of policies and governance to identify, assess and manage ING's engagement with companies operating in sectors that are more vulnerable to environmental and social risks and impacts.

ESR policies
Our financing and investment policies, as well as our broader business ambitions, are structured around strongly embedded social, ethical and environmental criteria. Our Environmental and Social Risk (ESR) policies guide our decisions for customer engagement and assessing finance proposals.

Expected loss (EL)
The expected loss provides a measure of the value of the credit losses that ING Bank may reasonably expect to incur on its portfolio. ING Bank must hold a reserve (as part of its capital base) to cover the expected losses in its credit portfolio. EL is calculated as probability of default x loss given default x exposure at default. Collective provisions are taken to cover for expected losses.

Exposure at default (EaD)
The exposure at default uses models to estimate the outstanding amount or obligation at the moment of default in the future. Since the fact that a counterparty will go into default is not known, and the level of outstandings (see definition) that may occur on that date is also not known, ING Bank uses a combination of statistical, expert and hybrid models to estimate the exposure at default.

Fair value
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date ('exit price').

Final dividend
The final dividend is the total dividend for the year as proposed by the Board, less any interim dividend paid during the year. The dividend is subject to approval of shareholders at the Annual General Meeting.

Finance lease
A lease that transfers substantially all the risks and rewards associated with ownership of an asset to the lessee. Title may or may not eventually be transferred.

Financial asset
Any asset that is:
- cash;
- an equity instrument of another company; and
- a contractual right to:
  - receive cash or another financial asset from another company;
  - exchange financial instruments with another company under conditions that are potentially favourable; and
  - a certain contract that will or may be settled in ING's own equity instruments.

Financial instruments
Contracts that give rise to both a financial asset for one company and a financial liability or equity instrument for another company.

Financial liability
Any liability that is:
a. contractual obligation:
   - to deliver cash or another financial asset to another company; or
   - to exchange financial instruments with another company under conditions that are potentially unfavourable; or
b. contract that will or may be settled in the company's own equity instruments.

Fintech
This stands for 'financial technology'. It's used to describe companies (generally startups) that are using software and technology to disrupt current banking models and deliver innovative financial services.

First call date
Perpetual subordinated loans have no set maturity. The first call date is the date on which ING has the option to repay and cancel that particular subordinated loan.

Forbearance activities
Forbearance occurs when a client is considered unable to meet its financial commitments under the contract due to financial difficulties, and based on these difficulties, ING decides to grant concessions towards the client by either loan modification or refinancing. Modification is when the terms and conditions of the contract are adjusted to enable the client to service the debt. Refinancing relates to putting a new loan contract in place to ensure the total or partial repayment of an existing loan contract, which the debtor is unable to comply with. Examples of forbearance measures are: postponement and/or reduction of loan principal and/or interest payments, extended payment terms, debt consolidations and deferral of foreclosures.

Foreign exchange rate risk (FX risk)
Probability of loss occurring from an adverse movement in foreign exchange rates.

Forward contracts
Commitments to exchange currencies or to buy or sell other financial instruments at specified future dates.

Fully loaded CET 1 ratio
The CRR/CRD IV Common Equity Tier 1 ratio calculated according to the 2019 end-state rule. (See other definitions.)

Future contracts
Commitments to exchange currencies or to buy or sell other financial instruments at specified future dates. Exchanges act as intermediaries and require daily cash settlement and collateral deposits.

Group debt
Investments in ING Group subsidiaries minus the equity of the holding company, including hybrids.

Held for sale
A business or group of assets for which the carrying amount will be recovered principally through a sale transaction rather than through continuing use. When a business or a group of assets are to be sold together in a single transaction, and the sale is considered to be highly probable, these are classified separately in the balance sheet as 'assets held for sale'. A sale is highly probable when management is demonstrably committed to the sale, which is expected to occur within one year from the date of classification as held for sale. Liabilities directly associated with those assets, and that are included in the transaction, are included in the balance sheet as 'liabilities held for sale'.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity that ING Group has the positive intention and ability to hold to maturity other than:
a. those that ING Group upon initial recognition designates as at fair value through profit and loss;
b. those that ING Group designates as available-for-sale; and
c. those that meet the definition of loans and receivables.

Historical simulation
A model to calculate value at risk, assuming that future changes in risk factors will have the same distribution as they had in the past, taking into account the non-linear behaviour of financial products.

Human capital return on investment
The human capital return on investment (HCROI) provides a means of measuring a company's profitability in relation to total employee costs. It is calculated by removing non-employee costs from overall operating costs and deriving the resulting operating profitability.

Hybrid capital
Tier 1 instruments issued by ING Group (e.g. perpetual debt securities and preference shares) . Hybrid capital securities are perpetual fixed income securities with an embedded call and coupon deferral feature. All hybrid capital securities rank senior to core tier 1 securities and ordinary shares of ING Group and they are structurally subordinated to the senior debt instruments issued by ING Groep N.V.

Impairment loss
The amount by which the carrying amount of an asset exceeds its recoverable amount.

ING Trust Office
The purpose of the ING Trust Office is to:
a. acquire and administer, for the purposes of management, registered shares in the capital of ING Groep N.V. and to issue depository receipts for these shares;
b. to promote the exchange of information between ING Group and the holders of depository receipts and shareholders in ING Group; and
c. to promote the solicitation of proxies.

ING Continuity Foundation
The role of the ING Continuity Foundation is to safeguard to the best of its ability the interests of ING, its enterprises, and its stakeholders; and to resist influences that might conflict with these interests by affecting the independence, continuity or identity of ING. This foundation may for that purpose exercise its call option right for as many cumulative preference shares as are necessary in order to hold up to one-third of the issued share capital.

Integrated reporting
An integrated report is a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term. The report should tell the overall story of an organisation in a manner that allows all stakeholders to assess its ability to create value.

Interest-bearing instrument
A financial asset or liability for which a time-proportionate compensation is paid or received, in relation to a notional amount.

Interest margin
Difference between the average interest received on funds lent and the interest paid by the bank on capital raised.

Internal rate of return (IRR)
Internal rate of return is the calculated discount rate at which the present value of distributable earnings from new business equals the investment in new business (i.e. the projected return on the investment in new business).

Interest rate risk
Probability that the market interest rates will rise significantly higher than the interest rate earned on investments such as bonds, resulting in their lower market value.

Interim dividend
The interim dividend is an advance on the total dividend and distributed before the end of the fiscal year.

Internal assessment approach (IAA)
A method used to calculate credit risk capital requirements for securitisation exposures (including liquidity lines provided to asset-backed commercial paper programmes and sponsored securitisations).

In the money
A call option is said to be 'in the money' if the exercise price is lower than the price of the underlying value. A put option is said to be in the money if the exercise price is higher than the price of the underlying value.

Investment risk
Investment risk is the credit default and risk rating migration risk that is associated with ING Bank's investments in bonds, commercial paper, securitisations, and other similar publicly traded securities. This can be viewed as the worst-case loss that ING Bank may incur as a result of holding a position in underlying securities whose Issuer's credit quality deteriorates or defaults.

Initial public offering (IPO)
This is when a company publicly offers its shares for sale for the first time on a stock exchange. The most important goal of an IPO is to raise capital that the company can use to invest and expand.

Irrevocable facilities
This mainly constitutes unused portions of irrevocable credit facilities granted to corporate customers, and commitments made to purchase securities to be issued by governments and private issuers.

Irrevocable letters of credit
This represents an obligation on behalf of a customer to pay an amount of money upon submission of a specific letter or document, or to accept a bill of exchange, subject to certain conditions. An irrevocable letter of credit cannot be cancelled or adjusted by the bank that has granted it for the duration of the agreement unless all those concerned agree.

Issued share capital
The share capital that is issued by a public or private limited company.

Joint venture
A joint venture is an entity over which the Group has joint control. Joint control is the contractually agreed sharing of control over an arrangement or entity, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint control means that no party to the agreement is able to act unilaterally to control the activity of the entity. The parties to the agreement must act together to control the entity and therefore exercise the joint control.

Legal risk
Legal risk is the risk related to:
- A failure (or perceived failure) to adhere to applicable laws, regulations and standards;
- Contractual liabilities or obligations that are defaulted or cannot be enforced as intended, or are enforced in an unexpected or adverse way; and
- Liability (tort) towards third parties due to an act or omission attributable to ING (potentially) resulting in impairment of ING's integrity, leading to damage to ING's reputation, legal or regulatory sanctions, or financial loss.

Lending risk
Lending risk arises when ING Bank grants a loan to a counterparty, or issues guarantees on behalf of a counterparty. This includes term loans, mortgages, revolving credits, overdrafts, guarantees, letters of credit, etc. The risk is measured as the notional amount of the financial obligation that the counterparty has to repay to ING Bank, excluding any accrued and unpaid interest, discount/premium amortisations or impairments.

Leverage ratio
The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator expressed as a percentage).

Liquidity coverage ratio (LCR)
Regulatory measure for the liquidity of banks, which compares the amount of high-quality liquid assets with a potential outflow over a one-month period. The measure is introduced under Basel III. LCR is defined as: stock of high quality liquid assets divided by assumed 30-day cash outflow.

Liquidity premium
In order to correct the value of liabilities for their illiquidity, a premium is added to the risk-free liability valuation curve. This premium reflects the price of illiquid long-term funding, which increases in stressed markets.

Liquidity risk
The risk that ING Group, or one of its subsidiaries, cannot meet its financial liabilities when they are due, at reasonable costs and in a timely manner.

Loan to deposit ratio (LtD ratio)
Measure for the liquidity of banks. The LtD ratio is defined as: own originated loans divided by own originated deposits.

Loan to value ratio (LtV ratio)
This is defined as the amount of the mortgage divided by the value of the property and is one way to measure the risk of a mortgage. Typically, assessments with higher LtV ratios are considered riskier mortgages. This also affects how the mortgage is weighed for regulatory capital purposes.

Loss given default (LGD)
Anticipated percentage loss in the event of a default of a customer or counterpart.

Management Board Banking
The Management Board Banking (MBB) consists of:
- the CEO, CFO and CRO of ING Group;
- the vice-chairman and head of Market Leaders of ING Bank;
- the head of Challengers & Growth Markets of ING Bank;
- the head of Wholesale Banking of ING Bank; and
- the chief operations officer of ING Bank.

The MBB reports to the Executive Board of ING Group.

Marked-to-market (MTM)
Valuing a security, portfolio or account against its market value instead of its carrying value.

Market risk
Market risk is the risk that movements in market variables, such as interest rates, equity prices, foreign exchange rates, credit spreads and real estate prices, negatively impact the bank's earnings, capital, market value or liquidity position.

Master agreement
Contract between parties in which agreements are reached for most of the terms and conditions of future transactions, so that negotiations only focus on deal-specific terms. Well-known master agreements include ISDA (for over-the-counter derivative transactions), GMRA (for repo or repurchase transactions) and GMSLA (for securities-lending transactions).

Minority interest
That part of the profit or loss and net assets of a subsidiary attributable to an interest that is not owned, directly or indirectly, by the parent company.

Monetary assets and liabilities
Assets and liabilities that are fixed in terms of units of currency by contract or otherwise. Examples are cash, short or long-term accounts, notes receivable in cash and notes payable in cash.

Money market risk
Money market risk arises when ING Bank places short-term deposits with a counterparty in order to manage excess liquidity. As such, money market deposits tend to be short-term in nature. In the event of a counterparty default, ING Bank may lose the deposit placed. Money market risk is measured as the notional value of the deposit, excluding any accrued and unpaid interest or the effect of any impairment

Monte Carlo simulation
A model to calculate value at risk, assuming that changes in risk factors are normally distributed together, taking into account non-linear behaviour of financial products.

Mortgage-backed securities (MBS)
A security with cash flows backed by typically the principal and/or the interest payments of a pool of mortgages.

Net asset value
Used in the equity method of accounting. The initial net asset value of the investment is determined by the fair value of the assets and liabilities of the investee. After the initial valuation of assets and liabilities of the investee at fair value, the assets and liabilities of the investee are valued in accordance with the accounting policies of the investor. The profit and loss account reflects the investor's share in the results of operations of the investee.

Net present value at risk (NPV at risk)
NPV at risk measures the impact of changing interest rates on value. As a full valuation approach is applied, the risk figures include convexity risk that results from embedded optionalities like mortgage prepayment options.

Net promoter score
Net promoter score (NPS) is a way of measuring customer loyalty and satisfaction. It's based on a direct question: 'How likely is it that you would recommend our company/product/service to a friend or colleague?' Promoters respond with a score of 9 or 10 (out of 10) and are considered 'loyal enthusiasts'. Detractors are those who respond with a score of 0 to 6 ('unhappy customers'). Scores of 7 and 8 are 'passives', and will only count towards the total number of respondents, but not directly affect the formula. NPS is calculated by subtracting the percentage of customers who are detractors from the percentage of customers who are promoters.

Nominal value of share
Dutch shares have a nominal value, which is mentioned on all issued share certificates. Shares must be issued against at least the nominal value. The nominal value remains fixed, as opposed to the market value, which fluctuates.

Nomination Committee
The Nomination Committee, consisting of members of the Supervisory Board, assists the Supervisory Board on aspects such as the composition of the Supervisory Board and Executive Board.

Non-voting equity securities
These refer to the core Tier 1 securities issued to the Dutch State in November 2008 for a total of EUR 10 billion. This capital injection qualified as core Tier 1 capital for regulatory purposes. It was repaid in tranches, with the final repayment made in November 2014. Ultimately, the total amount paid to the Dutch State was EUR 13.5 billion, which comprised EUR 10 billion in principal and EUR 3.5 billion in interest and premiums, and resulted in an annualised return of 12.7% for the Dutch State.

Notional amounts
Represent units of account, which in respect of derivatives, reflect the relationship with the underlying assets. They do not reflect, however, the credit risks assumed by entering into derivative transactions.

Obligor
This is a person or entity who's legally obliged to provide some benefit or payment to another. Financially, it usually refers to a bond issuer who's obligated to make payments on the principal and interest of the outstanding debt.

Operating lease
A contract that allows use of an asset, but not ownership of the asset. Different than a finance lease.

Operational risk
The risk of direct and indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

Ordinary share
An equity instrument that is subordinated to all other classes of equity instruments. Ordinary shares participate in the net profit for the financial year after other types of shares such as preference shares.

Outstandings
Total amount of all drawn portions of a facility and thus the sum of all transactions of a specific facility.

Over-the-counter instrument
A non-standardised financial instrument not traded on a stock exchange, but directly between market participants.

Performing loans
Loans for which customers currently meet and are expected to meet their financial obligations in full and on time.

Plan assets
Comprise assets held by a long-term employee benefit fund and qualifying insurance policies. Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting enterprise) that:
- are held by an entity (a fund) that is legally separate from the reporting enterprise and exists solely to pay or fund employee benefits; and
- are available to be used only to pay or fund employee benefits, are not available to the reporting enterprise's own creditors (even in bankruptcy), and cannot be returned to the reporting enterprise, unless either the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting enterprise, or the assets are returned to the reporting enterprise to reimburse it for employee benefits already paid.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party of the reporting enterprise, if the proceeds of the policy:
- can be used only to pay or fund employee benefits under a defined benefit plan; and
- aren't available to the reporting enterprise's own creditors (even in bankruptcy) and can't be paid to the reporting enterprise, unless either the proceeds represent surplus assets that aren't needed for the policy to meet all the related employee benefit obligations, or the proceeds are returned to the reporting enterprise to reimburse it for employee benefits already paid.

Post-employment benefit plans
Formal or informal arrangements under which a company provides post-employment benefits for one or more employees. Post-employment benefits are employee benefits other than termination benefits and equity compensation benefits, which are payable after the completion of employment.

Preference share
A preference share is similar to an ordinary share but carries certain preferential rights.
These rights usually concern the guarantee of a fixed (cumulative) return to the shareholder or a guaranteed return on the investment.

Pre-settlement risk
Pre-settlement risk arises when a counterparty defaults on a transaction before settlement and ING Group has to replace the contract by making a trade with another counterparty at the then prevailing (possibly unfavourable) market price. The pre-settlement risk (potential or expected risk) is the cost of ING Group replacing a trade in the market.

This credit risk category is associated with dealing room products, such as options, swaps, and securities financing transactions. Where there is a mutual exchange of value, the outstanding amount is generally based on the replacement value (mark-to-market) plus potential future volatility concept, using an historical seven-year time horizon and a 99% confidence level.

Private placement
A placement in which newly issued shares or debentures come into possession of a limited group of subscribers who are prepared to buy the new securities.

Projected unit credit method
This has to do with employee benefit plans, such as retirement plans. It's an actuarial valuation method that considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Probability of default (PD)
The likelihood that a customer or counterparty will default.

Problem loans
In line with IFRS, if a borrower defaults on payment for more than 90 days, or a customer is likely to default payment, the particular loan and all other positions will be regarded as problem or non-performing loans.

Qualifying asset (related to borrowing costs)
An asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Recognition
The process of incorporating in the balance sheet, or profit and loss account, an item that meets the definition of an element and satisfies the following criteria for recognition:
- It's probable that any future economic benefit associated with the item will flow to or from the enterprise; and
- The item has a cost or value that can be measured reliably.

Recoverable amount
The higher of an asset's fair value less costs of disposal and its value in use.

Recovery plan
As a consequence of the global financial crisis, ING Bank has set up an all-encompassing recovery planning process. It aims to improve the bank's readiness and decisiveness to tackle financial crises on its own.

Redemption value
With respect to investments in fixed-interest securities, the amount payable on the maturity date.

Regulatory capital (RC)
The minimum amount of capital that a bank is required to hold in order to absorb unexpected losses. RC is calculated using regulatory approved internal models.

Remuneration Committee
The Remuneration Committee, consisting of members of the Supervisory Board, advises the Supervisory Board on aspects such as the terms and conditions of employment of Executive Board members and senior managers of ING and its subsidiaries. This including their remuneration, as well as the policies and principles that the employment terms and conditions are based on.

Repurchase agreement (Repo)
The sale of a financial instrument combined with an agreement to repurchase the same instrument at a future date.

Residential Mortgage Backed Security (RMBS)
A residential mortgage backed security is when banks and financial institutions pool people's mortgages into debt securities that investors can buy and trade. These securities are divided into classes based on the risk associated with the mortgage. The least risky are 'prime' mortgages, followed by 'Alt-A' and then 'sub-prime', which is the most risky.

Parameters generally taken into account are borrower credit scores, residential property values and loan-to-value ratios. The use of RMBSs to finance sub-prime borrowing is considered to be a main factor in causing the 2007-2008 financial crisis.

Return on equity (ROE)
The return on equity is the net result as a percentage of average equity. It's used as a measurement of a company's profitability and efficiency.

Reverse repurchase agreement (Reverse repo)
The purchase of a financial instrument with the agreement to sell it at a specific future date.

Risk Committee
The Risk Committee, consisting of members of the Supervisory Board, assists the Supervisory Board in monitoring the risk profile of the company, as well as the structure and operation of the internal risk management and control systems.

Risk-weighted assets (RWA) under Basel I
Assets that are weighted for credit risk according to a formula used by the Dutch Central Bank (De Nederlandsche Bank), which conforms to the capital adequacy guidelines of the BIS (Bank of International Settlements). On- and off-balance-sheet items are weighted for risk, with off-balance-sheet items converted to balance-sheet equivalents (using credit conversion factors) before being allocated a risk weight.

Risk-weighted assets (RWA) under Basel II
Assets that are weighted for credit and market risk in accordance with the Basel II methodology. The risk-weighted assets are calculated using internal models approved by the Dutch Central Bank (De Nederlandsche Bank). Regulatory capital requirements for operational risk are calculated without the use of risk-weighted assets, but are included in the total risk-weighted assets reported. In the CRR/CRD IV, the term RWA is replaced by 'Total Risk Exposure Amount', but for now we follow common usage.

Settlement risk
Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates or times, but the receipt won't be verified or expected until ING Group has paid or delivered its side of the trade. The risk is that ING Group delivers, but the counterparty doesn't.

Significant influence
The power to participate in the financial and operating policy decisions of an entity, but not to have control over these policies. Significant influence may be gained by share ownership, statute or agreement.

Stakeholder
A stakeholder is a person or group with an interest in ING. We distinguish the following groups: customers (individuals, families, small businesses, large corporations, financial institutions, governments, public-private entities and supranational agencies), capital providers, employees, supervisors, regulators, civil society organisations, citizens and society at large.

Stress testing
Stress testing examines the effect of exceptional but plausible scenarios on the capital position of ING. Stress testing can be initiated internally or be external parties such as the European Central Bank.

Structured entity
An entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Sub-prime mortgage
Mortgage loans made to borrowers who can't get a regular mortgage because they have a bad credit history or limited income.

Subsidiary
An entity that is controlled by another entity.

Sub-sovereign supranationals and agencies (SSA)
SSAs comprise, among others, multilateral development banks, regional governments, local authorities and US agencies. Under certain conditions, SSA bonds may qualify as 'Level 1 High Quality Liquid Assets' for LCR.

SSA categories are defined per:
a. The EU-regulation (EU) 575/2013 CRR, which defines exposure classes in Article 112 – Article 132 ('CRR');
b. The exemption list in Article 2 of the directive 2013/36/EU ('CRD IV'); and
c. Delegated act on Liquidity Covered Ratio (EU) 680/2014 (Directive on 'LCR').

Sustainable assets under management / socially responsible investments
Assets of customers registered at ING Bank that are defined as sustainable following an assessment of environmental, social and governance (ESG) parameters / criteria.

Sustainable engagement score
The extent to which employees are motivated, enabled and energised to perform at their best and help ING to succeed.

Sustainable transitions financed
Sustainable transitions financed describes all the business that we do with clients who are environmental outperformers in their sectors and projects that provide sustainable solutions.

Swap contracts
Commitments to settle in cash at a specified future date, based on differentials between specified financial indices as applied to a notional principal amount. Generally, no cash is exchanged at the outset of the contract and no principal payments are made by either party.

Tier 1 capital
The Tier 1 capital of an institution consists of the sum of the common equity Tier 1 capital and additional Tier 1 capital.

Tier 1 ratio
Reflecting the Tier 1 capital of ING Bank as a percentage of its total risk-weighted assets.

Tier 2 capital
Tier 2 capital shall consist of the following:

a. Capital instruments and subordinated loans where the conditions laid down in Article 63 (CRR) are met;
b. The share premium accounts related to instruments referred to in point (a.);
c. For institutions calculating risk-weighted exposure amounts in accordance with Chapter 2 of Title II of Part Three, general credit risk adjustments, gross of tax effects, of up to 1,25 % of risk-weighted exposure amounts calculated in accordance with Chapter 2 of Title II of Part Three of the CRR; and
d. For institutions calculating risk-weighted exposure amounts under Chapter 3 of Title II of Part Three, positive amounts, gross of tax effects, resulting from the calculation laid down in Articles 158 and 159 up to 0.6 % of risk-weighted exposure amounts calculated under Chapter 3 of Title II of Part Three of the CRR.

Total loss-absorbency capacity (TLAC)
This is a concept proposed by the Financial Stability Board in November 2014 meant to ensure that globally systemically important banks, known as G-SIBs, have sufficient capacity to absorb losses both before and during resolution (the process of sorting out a failed bank) to continue critical functions without requiring taxpayer support or threatening financial stability.

Trading portfolio
Comprises financial instruments held to obtain short-term transaction results, to facilitate transactions on behalf of customers or to hedge other positions in the trading portfolio.

Transfer risk
Probability of loss due to currency conversion (exchange) restrictions imposed by a foreign government that make it impossible to move money out of the country.

Treasury bills
Generally, these are short-term debt certificates issued by a central government. Dutch Treasury Certificates are regarded as Dutch Treasury Bills.

Treasury shares
An entity's own equity instruments, held by the entity or other members of the consolidated group.

Underlying result
Underlying result is a financial performance measure used by ING Group to evaluate the results of its banking segments and is derived by excluding the following from IFRS-EU: special items, the impact of divestments and Legacy Insurance.

Value at risk (VaR)
Value at risk is a technique that uses the statistical analysis of historical market trends and volatilities to estimate the likelihood that a given portfolio's losses will exceed a certain amount.

The VaR for market risk quantifies, with a one-sided confidence level of 99%, the maximum overnight loss that could occur due to changes in risk factors (e.g. interest rates, equity prices, foreign exchange rates, credit spreads, implied volatilities) if positions remain unchanged for a time period of one day. Note that risk due to DVA and CVA sensitivities is not covered in this trading risk measure. Next to general market movements in these risk factors, VaR also takes into account market data movements for specific moves in e.g. the underlying issuer of securities.

The impact of historical market movements on today's portfolio is estimated, based on equally weighted observed market movements of the previous year. ING Bank uses VaR with a 1-day horizon for internal risk measurement, control and backtesting, and VaR with a 10-day horizon for determining regulatory capital.

Value in use
The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Variance-covariance
A model to calculate value at risk, assuming that changes in risk factors are normally distributed jointly and that the change in portfolio value is linearly dependent on all risk factor changes.

Warrant
A financial instrument that gives the holder the right to purchase ordinary shares.

General information

ING Publications

- ING Group Annual Report, in English
- Annual Review, online in Dutch and English
- ING Bank Annual Report
- Annual Report on Form 20-F, in English (in accordance with SEC guidelines)

These publications are available on www.ing.com.
The publications can be downloaded on the internet: www.ing.com, button "Publications". The printed version of the Annual Report on Form 20-F, in English, can be ordered here.

This Annual Report contains the Reports of the Executive Board and Supervisory Board as well as the Annual Accounts and other information for the financial year 2015 in their original language (English).

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Disclaimer

Certain of the statements contained in this Annual Report are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in ING's core markets, (2) changes in performance of financial markets, including developing markets, (3) consequences of a potential (partial) break-up of the euro, (4) ING's implementation of the restructuring plan as agreed with the European Commission, (5) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness, (6) changes affecting interest rate levels, (7) changes affecting currency exchange rates, (8) changes in investor and customer behaviour, (9) changes in general competitive factors, (10) changes in laws and regulations, (11) changes in the policies of governments and/or regulatory authorities, (12) conclusions with regard to purchase accounting assumptions and methodologies, (13) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (14) changes in credit ratings, (15) ING's ability to achieve projected operational synergies and (16) the other risks and uncertainties detailed in the Risk Factors section contained in this Annual Report.

Any forward-looking statements made by or on behalf of ING speak only as of the date they are made, and, ING assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason. Reference is made to 'Risk factors' and 'Risk management' sections of this Annual Report.
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