ING Bank Annual Report 2015

A step ahead

ING

ING Bank
Annual Report 2015

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Composition of the Management Board and Supervisory Board

Composition of the boards

ING Bank N.V. ('ING Bank') has a two-tier board system, consisting of a Management Board Banking ('MBB') as its management body and a Supervisory Board which advises and supervises the MBB. In general, members of the Management Board Banking are employees of the company while members of the Supervisory Board are not. The latter are often former state or business leaders.

The composition of the Management Board Banking and the Supervisory Board of ING Bank was as follows:

Management Board Banking

Composition on 31 December 2015

- R.A.J.G. (Ralph) Hamers (49)
  CEO, chairman of Management Board Banking

- J.V. (Koos) Timmermans (55)
  Vice-chairman and head of Market Leaders

- P.G. (Patrick) Flynn (55)
  CFO

- W.F. (Wilfred) Nagel (59)
  CRO

- A. (Aris) Bogdaneris (52)
  Head of Challengers & Growth Markets

- W.L.A. (Bill) Connelly (58)
  Head of Wholesale Banking

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

Supervisory Board

Composition on 31 December 2015

- J. (Jeroen) van der Veer (68),
  Chairman
- H.J.M. (Hermann-Josef) Lamberti (59),
  Vice-chairman
- E.F.C.B. (Eric) Boyer de la Giroday (63)
- H.W. (Henk) Breukink (65)
- M. (Mariana) Gheorghe (59)
- J.C.L. (Joost) Kuiper (68)
- (Isabel) Martín Castellá (68)
- R.W.P. (Robert) Reibestein (59)

Committees of the Supervisory Board[1]

Composition on 31 December 2015

Audit Committee

- H.J.M. (Hermann-Josef) Lamberti,
  Chairman
- E.F.C.B. (Eric) Boyer de la Giroday
- I. (Isabel) Martín Castellá
- R.W.P. (Robert) Reibestein

Risk Committee

- R.W.P. (Robert) Reibestein,
  Chairman
- E.F.C.B. (Eric) Boyer de la Giroday
- H.J.M. (Hermann-Josef) Lamberti
- J. (Jeroen) van der Veer

Remuneration Committee

- H.W. (Henk) Breukink,
  Chairman
- J.C.L. (Joost) Kuiper
- J. (Jeroen) van der Veer

Nomination Committee

- J. (Jeroen) van der Veer,
  Chairman
- H.W. (Henk) Breukink
- I. (Isabel) Martín Castellá
- J.C.L. (Joost) Kuiper

Corporate Governance Committee

- H.W. (Henk) Breukink,
  Chairman
- J. (Jeroen) van der Veer

1 The current composition of the Supervisory Board Committees can be found on the website (www.ing.com).

About ING

Our strategy and progress

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 Net Promoter 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. And through our partnership with UNICEF we support life skills training including financial literacy training for adolescents in less developed countries.

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 to 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 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 means it is 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.

Elements of our strategy

Our Think Forward strategy was launched in March 2014 and guides everything we do.

Our strategic priorities

We have identified four strategic priorities that serve to create a differentiating customer experience.

Our enablers

Our enablers help us in simplifying and streamlining our organisation, further striving for operational excellence, enhancing the performance culture within our company and diversifying our lending capabilities .

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.

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 financial roadmap

We have published financial targets for 2017 reflecting our ambitions. These include a Common Equity Tier 1 ratio above 10 percent, a leverage ratio at around 4 percent, 50-53 percent cost/income ratio and a 10-13 percent return on equity.

As of year-end 2015, we already met many Ambition 2017 targets, including in the areas of return on equity and leverage ratio. We exceeded our Ambition 2017 fully loaded CET 1 ratio target for the Bank of 10 percent. We will grow into a comfortable buffer over time above the prevailing fully-loaded requirements.

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, digitisation and changing customer behaviour are reframing our markets. In combination, these trends are altering the competitive context in which we operate.

Financial developments ING Bank

ING Bank posted a strong performance in 2015, resulting in a net profit of EUR 4,659 million, up from EUR 2,744 million in 2014. Results on divestments and special items contributed EUR 309 million to the net profit in 2015 versus EUR -818 million in 2014. Divestments and special items in 2015 included a EUR 367 million net gain resulting from the merger between ING Vysya Bank and Kotak Mahindra Bank and EUR -58 million of special items after tax related to restructuring programmes in Retail Netherlands that were announced before 2013. Divestments and special items in 2014 related to a EUR 653 million net charge to make the Dutch closed defined benefit pension fund financially independent, EUR 304 million of bank tax related to the nationalisation of SNS in the Netherlands and EUR -63 million of special items after tax related to restructuring programmes in Retail Netherlands. This was partly offset by a EUR 202 million net gain on the deconsolidation of ING Vysya Bank following its reclassification as an investment in an associate under equity accounting at the end of the first quarter of 2014.

The underlying net result of ING Bank increased 22.1 percent to EUR 4,350 million, from EUR 3,562 million in 2014. Underlying net result is derived from total net result by excluding the impact from divestments and special items.

The underlying result before tax rose 24.7 percent to EUR 6,125 million in 2015 from EUR 4,912 million in 2014, mainly reflecting higher interest results and lower risk costs. This was realised despite a sharp increase in regulatory costs during 2015. Commercial performance was robust in 2015: ING Bank grew net core lending (excluding currency impacts) by EUR 21.7 billion, or 4.2 percent, and attracted EUR 25.1 billion of net customer deposits (excluding currency impacts and Bank Treasury).

Total underlying income rose 8.0 percent to EUR 16,703 million in 2015, from EUR 15,471 million in 2014, supported by a positive swing in CVA/DVA adjustments in Wholesale Banking and Corporate Line. The underlying interest result increased 1.1 percent to EUR 12,744 million driven by a higher average balance sheet, whereas the interest margin declined to 1.47 percent from 1.53 percent in 2014. The interest margin on lending and savings products improved slightly, supported by repricing in the loan book and further reduction of client savings rates in several countries. This was more than offset by lower margins on current accounts due to the low interest environment and lower interest results at Financial Markets. Customer lending and deposits volumes increased except for residential mortgages due to the continued transfer of WestlandUtrecht Bank (WUB) assets to NN Group, the run-off in the WUB portfolio and the sale of white-labelled mortgage portfolios in Australia. Commission income rose 1.3 percent to EUR 2,320 million. Investment and other income jumped to EUR 1,639 million, from EUR 574 million in 2014. This increase was mainly explained by the positive swing in CVA/DVA adjustments in Wholesale Banking and the Corporate Line (which were EUR 224 million in 2015, compared with EUR -273 million in 2014) and higher other revenues at Financial Markets.

Underlying operating expenses increased 3.0 percent to EUR 9,231 million, compared with EUR 8,965 million in 2014. In 2015, expenses included EUR 620 million of regulatory expenses (including contributions to the new national resolution funds and a one-off charge in Poland related to the bankruptcy of SK Bank) compared with EUR 408 million of regulatory expenses in 2014. The fourth quarter 2015 also included a number of smaller restructuring provisions in Retail Benelux and Wholesale Banking which in aggregate amounted to EUR 120 million, whereas 2014 included EUR 399 million of redundancy provisions. Excluding both items, expenses increased by EUR 333 million, or 4.1 percent. This increase was partly visible in the Corporate Line, where expenses were EUR 121 million higher year-on-year, mainly due to large releases from DGS-related provisions and high value-added tax refunds in 2014. The remaining increase was mainly caused by investments to support business growth in Retail Challengers & Growth Markets and Wholesale Banking, IT investments in the Netherlands and a provision for potential compensation related to certain floating interest rate loans and interest rate derivatives that were sold in the Netherlands, partly offset by the benefits from the ongoing cost-saving programmes. The cost/income ratio improved to 55.3 percent from 57.9 percent in 2014.

The net addition to the provision for loan losses declined 15.5 percent to EUR 1,347 million, from EUR 1,594 million in 2014. Risk costs were 44 basis points of average risk-weighted assets, which is within the range of the expected loss of 40-45 basis points through the cycle.

The underlying return on IFRS-EU equity was 11.1 percent in 2015, up from 10.3 percent in 2014.

Retail Banking

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 omni-channel 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 which 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.

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 to 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, underlying result before tax rose 16.2 percent.

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 realizing 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 and 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.

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 positions. 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 the affected 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

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.

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 and stimulate 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.

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 percent from 2014. Excluding CVA/DVA impacts, the increase was 8.0 percent.

Industry Lending posted an underlying result before tax of EUR 1,464 million, up 11.0 percent 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 percent 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 percent 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 percent 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.

Regulatory context

Progress on regulatory initiatives that are most relevant

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 the 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. The final pillar, mutualisation of deposit guarantee schemes is the last remaining pillar, which 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 DGS 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 International CSR Covenant process initiated by the Dutch Government, and in which ING actively participates, builds 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.

Corporate Governance

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 provisions requires companies, subject to the BRRD, 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.

On 16 October 2014, the Dutch Banking Association published a revised version of the Dutch Banking Code. Just like its predecessor, the revised version ("Banking Code"), is applicable to ING Bank N.V. The Banking Code will apply to the financial year 2015 and subsequent years, and as of the financial year 2015, ING Bank N.V. will explain how it applied the Banking Code.

Financial reporting process

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

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

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.

As ING Group is subject to the US Sarbanes-Oxley Act, its Executive Board assessed the effectiveness of its internal control over financial reporting as of 31 December 2015 which was audited by ING Group's external auditor. For more information, please refer to the 2015 Annual Report of ING Group which is available on its website (www.ing.com).

Board composition

ING Bank aims to have an adequate and balanced composition of its Management Board. Thereto, annually, the Supervisory Board assesses the composition of the Management Board. In the context of such assessment, ING Bank aims to have a gender balance by having at least 30% men and at least 30% women amongst its Management Board members. However, because of the fact that ING Bank needs to balance several relevant selection criteria when composing its Management Board, the composition of the Management Board did not meet the abovementioned gender balance in 2015 (no women). ING Bank will continue to strive for an adequate and balanced composition of its Management 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.

Information on members of the Management Board

R.A.J.G. (Ralph) Hamers member and chairman Management Board

(Born 1966, Dutch nationality, male; appointed in 2013)
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.

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

Other relevant ancillary position:
Member of the Management Board of the Nederlandse Vereniging van Banken (NVB).

J.V. (Koos) Timmermans, member and vice-chairman Management Board

(Born 1960, Dutch nationality, male, appointed in 2011)
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.

Ancillary positions pursuant to CRD IV:
Member of the Management Board of ING Bank N.V. and of ING Support Holding B.V. and member of the Supervisory Board of ING Belgium N.V./S.A.

Other relevant ancillary positions:
Member of Management Board of VNO-NCW.
Member of the Management Board of the Nederlandse Vereniging van Banken (NVB).
Member of the Supervisory Board Stadsherstel Amsterdam N.V.

P.G. (Patrick) Flynn, member and CFO Management Board

(Born 1960, Irish nationality, male; appointed in 2009)
Patrick Flynn was appointed a member and CFO of the Executive Board of ING Group and a member and CFO of the Management Board Banking on 27 April 2009. He is responsible for all of ING's finance departments, including ING Tax, Capital Management, Investor Relations and Group Acquisitions & Divestments. Before joining ING he was Chief Financial Officer Insurance, HSBC Insurance Holdings Ltd.

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

W.F. (Wilfred) Nagel, member and CRO Management Board

(*Born 1956, Dutch nationality, male; appointed in 2012*)
Wilfred Nagel became a member and CRO of the Management Board Banking on 5 October 2011. 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, including Compliance Risk Management.

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

A. (Aris) Bogdaneris, member and head of Challengers & Growth Markets

(Born 1963, Canadian nationality, male, appointed in 2015)
Aris Bogdaneris was appointed a member of to the Management Board Banking on 1 June 2015. He is also head of Challengers & Growth Markets, responsible for all markets where ING is active in both retail 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 Centers.

Ancillary positions pursuant to CRD IV:
Member of the Management Board of ING Bank N.V. and of ING Bank (Australia) Ltd.

W.L.A. (Bill) Connelly, member and head of Wholesale Banking

(*Born 1958, French nationality, male, appointed in 2011*)
Bill Connelly was appointed to the Management Board Banking as from 1 January 2011. He is also head of Wholesale Banking. Prior to this appointment, Bill Connelly combined the roles of global head of Wholesale Banking Services and CEO of ING Real Estate Investment Management.

Ancillary position pursuant to CRD IV:
Member of the Management Board of ING Bank N.V.

R.M.M. (Roel) Louwhoff, member and COO Management Board

(Born 1965, Dutch nationality, male, appointed in 2014)
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.

Ancillary position pursuant to CRD IV:
Member and COO of the Management Board of ING Bank N.V.

Other relevant ancillary positions:
Member of the Advisory Board of Rijksuniversiteit Groningen.
Member of the Advisory Board of Fanfiber.
Member of the Advisory Board of Quitop.

Supervisory Board

ING Group needs to balance several relevant selection criteria when composing its Supervisory Board but strives for an adequate and balanced composition thereof, 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, this gender balance was no longer met.

Ancillary positions
Member 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 Bank N.V. It is the responsibility of the individual member of the Supervisory Board to ensure that the directorship duties are performed properly and are not affected by any other positions that the individual may hold outside ING Bank N.V.

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 Bank N.V. and of ING Groep 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 Bank N.V. and of ING Groep 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 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 Bank N.V. and ING Groep N.V.

Ancillary positions pursuant to CRD IV:
Member of the Supervisory Board of ING Bank N.V. and of ING Groep N.V and Chairman of the Supervisory Board 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 Bank N.V and of ING Groep 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.
Honary Vice-President of the European Investment Bank.

Ancillary positions pursuant to CRD IV:
Member of the Supervisory Board of ING Bank N.V. and of ING Groep 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 of OMV Petrom S.A.

Ancillary positions pursuant to CRD IV:
Member of the Supervisory Board of ING Bank N.V. and of ING Groep N.V.
Chief Executive Officer of OMV Petrom S.A. and chairwoman of the Supervisory Board of OMV Petrom Marketing SRL and of OMV Petrom Gas SRL and 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 2019*)
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 Bank N.V. and of ING Groep 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 positions pursuant to CRD IV:
Member of the Supervisory Board of ING Bank N.V. and of ING Groep 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).

Dutch Banking Code

The Dutch 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 Management Board and considers these principles as a reference for its own corporate governance. ING Group's remuneration policy for the Management Board and senior management is compliant with these principles.

Amsterdam, 29 February 2016
the Management Board Banking

Conformity statement

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

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

The Management Board Banking is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities. It is responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgements and estimates that are prudent and reasonable. It is also responsible for establishing and maintaining internal procedures 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 Bank N.V. 2015 Annual Accounts give a true and fair view of the assets, liabilities, financial position and profit or loss of ING Bank N.V. and the enterprises included in the consolidation taken as a whole; and
- the ING Bank N.V. 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 Bank N.V. and the enterprises included in the consolidation taken as a whole, together with a description of the principal risks ING Bank N.V. is being confronted with.

Amsterdam, 29 February 2016
the Management Board Banking

R.A.J.G. (Ralph) Hamers
CEO, chairman of Management Board Banking

J.V. (Koos) Timmermans
Vice-chairman and head of Market Leaders

P.G. (Patrick) Flynn
CFO

W.F. (Wilfred) Nagel
CRO

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

W.L.A. (Bill) Connelly
Head of Wholesale Banking

R.M.M. (Roel) Louwhoff
COO

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 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 Management Board Banking was 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 Management Board Banking has prepared the annual accounts for ING Bank N.V. and discussed these with the Supervisory Board.

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 and the developments in the regulatory and external supervision landscape.

Permanent education

The key themes of this year's 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.

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 Bank as a whole. 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. The Supervisory Board approved the MTP.

The main objectives for the Bank was to maintain a strong capital position. During the year, the Supervisory Board was updated on the progress in this area.

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 Management Board Banking's assessment of the adequacy and effectiveness of the risk management and control systems was also discussed.

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.The publication on the 2014 application of the Dutch Banking Code was also discussed and approved.

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 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 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 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 last year, 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 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 in 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 as 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 and the Annual Report.

Specific attention was paid to a variety of other, related topics as well, such as 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 advance the publication dates for the ING Bank 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.

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 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 one 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 to 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 among others resulting in increased transparency. Improving diversity at the higher management levels, senior management succession planning and accelerating 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 Management Board Banking and a variable remuneration cap for select global staff were on the agenda. These were approved during ING Group'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 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 Financiele 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.

Corporate Governance Committee meetings

The Corporate Governance Committee met five times with no absentees.

In 2015, 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 of ING Group, the Committee had extensive discussions on the future corporate governance of ING Groep N.V. in preparation for the 2016 Annual General Meeting.

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 Management Board Banking

Aris Bogdaneris 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.

Composition of the Supervisory Board

At the Annual General Shareholders' Meeting of ING Groep N.V. on 11 May 2015, Mariana Georghe was appointed a member of the Supervisory Board and Henk Breukink and Joost Kuiper were re-appointed. 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 Martin Castella 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.

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 this code it is allowed to have not more than one person being non-independent. 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 Management Board Banking and ING employees

The Supervisory Board would like to thank the members of the Management Board Banking for their hard work in 2015. 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

For more information, reference is made to the Corporate governance chapter, pages 14 to 22, which is deemed to be incorporated by reference here.

Amsterdam, 29 February 2016
The Supervisory Board

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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	12,222
Amounts due from banks 3	29,966	37,122
Financial assets at fair value through profit and loss 4		
– trading assets	131,485	136,964
– non-trading derivatives	3,216	4,303
– designated as at fair value through profit and loss	3,234	2,756
Investments 5		
– available-for-sale	87,000	95,401
– held-to-maturity	7,826	2,239
Loans and advances to customers 6	536,543	518,119
Investments in associates and joint ventures 7	842	861
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		729
Other assets 12	13,287	14,051
Total assets	**838,528**	**828,602**
Equity 13		
Shareholders' equity (parent)	40,857	38,064
Minority interests	638	622
Total equity	**41,495**	**38,686**
Liabilities		
Subordinated loans 14	15,920	16,599
Debt securities in issue 15	117,556	120,959
Amounts due to banks 16	33,808	30,003
Customer deposits and other funds on deposit 17	508,740	489,281
Financial liabilities at fair value through profit and loss 18		
– trading liabilities	88,807	97,091
– non-trading derivatives	4,364	6,357
– designated as at fair value through profit and loss	12,616	13,551
Other liabilities 19	15,222	16,075
Total liabilities	**797,033**	**789,916**
Total equity and liabilities	**838,528**	**828,602**

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.

Consolidated profit and loss account

for the years ended 31 December

in EUR million	2015	2015	2014	2014	2013	2013
Interest income	46,397		48,376		51,574	
Interest expense	–33,653		–35,770		–39,610	
Interest result 20		12,744		12,606		11,964
Investment income 21		127		213		305
Result on disposal of group companies 22		2		195		26
Gross commission income	3,420		3,314		3,345	
Commission expense	–1,100		–1,023		–1,105	
Commission income 23		2,320		2,291		2,240
Valuation results on non-trading derivatives 24		174		–370		281
Net trading income 25		1,159		561		485
Share of result from associates and joint ventures 7		493		76		22
Other income 26		51		102		4
Total income		**17,070**		**15,674**		**15,327**
Addition to loan loss provisions 6		1,347		1,594		2,289
Staff expenses 27		4,962		5,783		4,914
Other operating expenses 28		4,346		4,442		3,891
Total expenses		**10,655**		**11,819**		**11,094**
Result before tax		**6,415**		**3,855**		**4,233**
Taxation 35		1,684		1,032		1,080
Net result (before minority interests)		**4,731**		**2,823**		**3,153**
Net result attributable to Minority interests		72		79		90
Net result attributable to shareholder of the parent		**4,659**		**2,744**		**3,063**
Dividend per ordinary share (in euros)		4.73		2.63		6.35
Total amount of dividend paid (in millions of euros)		2,200		1,225		2,955

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)	**4,731**	**2,823**	**3,153**
Other comprehensive income			
Items that will not be reclassified to the profit and loss account:			
Remeasurement of the net defined benefit asset/liability 34	64	–88	–811
Unrealised revaluations property in own use	35	–29	–7
Items that may subsequently be reclassified to the profit and loss account:			
Unrealised revaluations available-for-sale investments and other	288	1,878	–363
Realised gains/losses transferred to the profit and loss account	–17	–121	–145
Changes in cash flow hedge reserve	–218	1,714	–25
Share of other comprehensive income of associates and joint ventures	–9	35	–35
Exchange rate differences and other	95	369	–1,038
Total comprehensive income	**4,969**	**6,581**	**729**
Comprehensive income attributable to:			
Minority interests	46	152	–9
Shareholder of the parent	4,923	6,429	738
	4,969	**6,581**	**729**

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.

Reference is made to Note 35 '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		6,415	3,855	4,233
Adjusted for:	– depreciation	614	594	624
	– addition to loan loss provisions	1,347	1,594	2,289
	– other	97	2,249	734
Taxation paid		–1,306	–887	–1,487
Changes in:	– amounts due from banks, not available on demand	6,760	3,361	–9,400
	– trading assets	5,485	–23,802	783
	– non-trading derivatives	–742	–2,260	–1,421
	– other financial assets at fair value through profit and loss	–282	–614	–225
	– loans and advances to customers	–21,143	–12,935	8,514
	– other assets	1,106	–366	1,362
	– amounts due to banks, not payable on demand	5,175	3,353	–10,266
	– customer deposits and other funds on deposit	19,600	17,803	24,387
	– trading liabilities	–8,276	23,855	–10,172
	– other financial liabilities at fair value through profit and loss	–1,254	–524	646
	– other liabilities	1,365	1,337	–6,817
Net cash flow from/(used in) operating activities		**14,961**	**16,613**	**3,784**
Cash flows from investing activities				
Investments and advances:	– associates and joint ventures	–24	–31	–20
	– available-for-sale investments	–43,092	–73,348	–78,654
	– held-to-maturity investments	–3,457	–315	
	– property and equipment	–326	–355	–353
	– assets subject to operating leases	–37	–34	–82
	– other investments	–256	–257	–271
Disposals and redemptions:	– group companies (including cash in company disposed)		–398	–7,163
	– associates and joint ventures	119	187	139
	– available-for-sale investments	48,232	60,098	72,221
	– held-to-maturity investments	1,219	1,172	3,439
	– real estate investments	2		36
	– property and equipment	73	54	58
	– assets subject to operating leases	17	3	
	– loans	3,590	2,382	8,810
	– other investments	1	2	–1
Net cash flow from/(used in) investing activities 29		**6,061**	**–10,840**	**–1,841**

Consolidated statement of cash flows of ING Bank - continued

in EUR million	2015	2014	2013
Net cash flow from/(used in) operating activities	**14,961**	**16,613**	**3,784**
Net cash flow from/(used in) investing activities 29	**6,061**	**–10,840**	**–1,841**
Cash flows from financing activities			
Proceeds from issuance of subordinated loans	2,085	3,266	4,212
Repayments of subordinated loans	–4,244	–2,788	–4,936
Proceeds from borrowed funds and debt securities	133,290	135,318	138,883
Repayments of borrowed funds and debt securities	–140,120	–142,996	–144,958
Dividends paid 30	–2,200	–1,225	–2,955
Net cash flow from/(used in) financing activities	**–11,189**	**–8,425**	**–9,754**
Net cash flow	**9,833**	**–2,652**	**–7,811**
Cash and cash equivalents at beginning of year	10,863	13,509	20,612
Effect of exchange rate changes on cash and cash equivalents	–342	6	708
Cash and cash equivalents at end of year 31	**20,354**	**10,863**	**13,509**

As at 31 December 2015 Cash and cash equivalents includes cash and balances with central banks of EUR 21,458 million (2014: EUR 12,222 million; 2013: EUR 11,920 million). Reference is made to Note 31 'Cash and cash equivalents'.

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.

Consolidated statement of changes in equity

in EUR million	Share capital	Share premium	Reserves	Total shareholders' equity (parent)	Minority interests	Total equity
Balance as at 1 January 2015	525	16,542	20,997	38,064	622	38,686
Remeasurement of the net defined benefit asset/liability 34			64	64		64
Unrealised revaluations property in own use			35	35		35
Unrealised revaluations available-for-sale investments and other			298	298	–10	288
Realised gains/losses transferred to the profit and loss account			–17	–17		–17
Changes in cash flow hedge reserve			–200	–200	–18	–218
Share of other comprehensive income of associates and joint ventures			–11	–11		–11
Exchange rate differences and other			95	95	2	97
Total amount recognised directly in equity (other comprehensive income)			**264**	**264**	**–26**	**238**
Net result			4,659	4,659	72	4,731
Total comprehensive income			**4,923**	**4,923**	**46**	**4,969**
Dividends			–2,200	–2,200	–31	–2,231
Employee stock option and share plans			70	70		70
Changes in the composition of the group and other changes					1	1
Balance as at 31 December 2015	**525**	**16,542**	**23,790**	**40,857**	**638**	**41,495**

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.

Changes in individual components are presented in Note 13 'Equity'.

Consolidated statement of changes in equity of ING Bank - continued

in EUR million	Share capital	Share premium	Reserves	Total share-holders' equity (parent)	Minority interests	Total equity
Balance as at 1 January 2014	525	16,542	15,738	32,805	955	33,760
Remeasurement of the net defined benefit asset/liability 34			–88	–88		–88
Unrealised revaluations property in own use			–29	–29		–29
Unrealised revaluations available-for-sale investments and other			1,866	1,866	12	1,878
Realised gains/losses transferred to the profit and loss account			–121	–121		–121
Changes in cash flow hedge reserve			1,651	1,651	63	1,714
Share of other comprehensive income of associates and joint ventures			35	35		35
Exchange rate differences and other			371	371	–2	369
Total amount recognised directly in equity (other comprehensive income)			**3,685**	**3,685**	**73**	**3,758**
Net result			2,744	2,744	79	2,823
Total comprehensive income			**6,429**	**6,429**	**152**	**6,581**
Dividends			–1,225	–1,225	–34	–1,259
Employee stock option and share plans			55	55		55
Changes in the composition of the group and other changes					–451	–451
Balance as at 31 December 2014	**525**	**16,542**	**20,997**	**38,064**	**622**	**38,686**

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.

in EUR million	Share capital	Share premium	Reserves	Total share-holders' equity (parent)	Minority interests	Total equity
Balance as at 1 January 2013	525	16,542	17,897	34,964	843	35,807
Remeasurement of the net defined benefit asset/liability 34			–811	–811		–811
Unrealised revaluations property in own use			–7	–7		–7
Unrealised revaluations available-for-sale investments and other			–333	–333	–30	–363
Realised gains/losses transferred to the profit and loss account			–145	–145		–145
Changes in cash flow hedge reserve			–15	–15	–10	–25
Share of other comprehensive income of associates and joint ventures			–35	–35		–35
Exchange rate differences and other			–979	–979	–59	–1,038
Total amount recognised directly in equity (other comprehensive income)			**–2,325**	**–2,325**	**–99**	**–2,424**
Net result			3,063	3,063	90	3,153
Total comprehensive income			**738**	**738**	**–9**	**729**
Dividends			–2,955	–2,955	–7	–2,962
Employee stock option and share plans			58	58		58
Changes in the composition of the group and other changes					128	128
Balance as at 31 December 2013	**525**	**16,542**	**15,738**	**32,805**	**955**	**33,760**

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.

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 Bank N.V. ('ING Bank') for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Management Board on 29 February 2016. The Management 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 Bank N.V. is incorporated and domiciled in Amsterdam, the Netherlands. The principal activities of ING Bank are described in 'About ING'.

1 Accounting policies

ING Bank 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 Bank 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 37 'Derivatives and hedge accounting' ING Bank pplies 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 Bank'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 Bank. The implementation of these amendments had no or no material effect on the Consolidated annual accounts of ING Bank.

c) Changes in presentation of the Consolidated annual accounts and related notes

In 2015, ING Bank made changes to the presentation of the Consolidated annual accounts and related notes. The changes include changes in layout to more clearly present the results of ING Bank 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';
- 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 28 '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';
- 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 28 '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

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 Bank. 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 5 'Investments', Note 7 'Investments in associates and joint ventures', Note 11 'Assets held for sale' and Note 50 '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 Bank's results or financial position.

The list of upcoming changes to IFRS which are applicable for ING Bank:

- 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 Bank 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 Bank 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. ING Bank's implementation plan and key timelines are stated below.

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 Bank to connect all countries with the central project team to ensure consistency, awareness and training.

Classification and measurement
ING Bank 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 Bank has started the Business Model test and identified and described homogeneous portfolios across the business of ING Bank. 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 Bank 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 Bank started with the financial impact analysis on the level of impairment allowances under the new ECL approach.

Three stage approach
ING Bank 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 Bank 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 Bank'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 Bank 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 Bank 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 Janaury 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 IFRIC 4 'Determining whether an Arrangment 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 Bank is currently assessing the impact of this standard.

f) Critical accounting policies

ING Bank 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 Bank'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 36 '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 Bank ('the Bank') comprises ING Bank N.V. ('the Company') and all its subsidiaries. The consolidated financial statements of ING Bank comprise the accounts of ING Bank 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 Bank 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 46 'Principal subsidiaries'.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether ING Bank controls another entity.

For interests in investment vehicles, the existence of control is determined taking into account both ING Bank'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 Bank has agreed to sell but is still legally owned by ING Bank may still be controlled by ING Bank 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 Bank companies are eliminated. Where necessary, the accounting policies used by subsidiaries are changed to ensure consistency with ING Bank's policies. In general, the reporting dates of subsidiaries are the same as the reporting date of ING Bank N.V.

ING Bank N.V. and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company's own funds over the sum of the paid-up capital and reserves required by law. Additionally, certain Bank companies are subject to restrictions on the amount of funds they may transfer in the form of dividends, or otherwise, to the parent company.

Furthermore, in addition to the restrictions in respect of minimum capital requirements that are imposed by industry regulators in the countries in which 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.

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 ING Bank, 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 ING Bank 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 ING Bank's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euros, which is ING Bank's 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 25 '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 Bank 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. ING Bank 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 36 '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 ING Bank commits to purchase or sell the asset. Loans and receivables are recognised at settlement date, which is the date on which the bank 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 Bank has transferred substantially all risks and rewards of ownership. If ING Bank neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset.

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 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 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank'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 Bank 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 43 '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 Bank 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 ING Bank 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. ING Bank designates certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge), hedges of highly probable future cash flows attributable to a recognised asset or liability or a forecast transaction (cash flow hedge), or hedges of a net investment in a foreign operation. Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction ING Bank documents the relationship between hedging instruments and hedged items, its risk management objective, together with the methods selected to assess hedge effectiveness. ING Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

ING Bank 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 Bank 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 ING Bank as part of its risk management strategies, but which do not qualify for hedge accounting under the Bank's accounting policies, are presented as non-trading derivatives. Non-trading derivatives are measured at fair value with changes in the fair value taken to the 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 ING Bank has a current legally enforceable right to set off the recognised amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously. Offsetting is applied to certain 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 Bank 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 Bank 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 ING Bank'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.

ING Bank 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.

ING Bank 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 ING Bank 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 ING Bank'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 ING Bank's loan loss provision. Although the loss confirmation periods are inherently uncertain, ING Bank 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 ING Bank'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, ING Bank 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 ING Bank has significant influence but not control. Significant influence generally results from a shareholding of between 20% and 50% of the voting rights, but also 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 ING Bank 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.

ING Bank's investment in associates and joint ventures (net of any accumulated impairment loss) includes goodwill identified on acquisition. ING Bank's share of its associates and joint ventures post-acquisition profits or losses is recognised in the 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 ING Bank's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, ING Bank does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains on transactions between ING Bank and its associates and joint ventures are eliminated to the extent of ING Bank's interest in the associates and joint ventures. Unrealised losses are also eliminated unless they provide evidence of an impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by ING Bank. The reporting dates of all significant associates and joint ventures are consistent with the reporting date of ING Bank.

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 Bank 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 36 '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 Bank 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 Bank 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 ING Bank 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 Bank 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 Bank 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 Bank'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 Bank 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 Bank 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 Bank 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 Bank as the lessee
The leases entered into by ING Bank 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 Bank 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 Bank'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 Bank'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 Bank'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 Bank 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 ING Bank and it is probable that the difference will not reverse in the foreseeable future. The tax effects of income tax losses available for carry forward are recognised as an asset where it is probable that future taxable profits will be available against which these losses can be utilised.

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 Bank 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.

Preference shares, which carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholder, are classified as financial liabilities. The dividends on these preference shares are recognised in the profit and loss account as Interest expense using the effective interest method.

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 ING Bank 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 Bank 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, ING Bank pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. ING Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as staff expenses in the profit 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 ING Bank 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 ING Bank 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, ING Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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 ING Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts as the service is provided. Asset management fees related to investment funds and investment contract fees are recognised on a pro-rata basis over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Fees received and paid between banks for payment services are classified as commission income and expenses.

Lease income

The proceeds from leasing out assets under operating leases are recognised on a straight-line basis over the life of the lease agreement. Lease payments received in respect of finance leases when ING Bank is the lessor are divided into an interest component (recognised as interest income) and a repayment component.

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. The fair value of equity-settled share-based payment transactions is measured at the grant 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.

Fiduciary activities

ING Bank 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 ING Bank.

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 Bank 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	10,548
Cash and bank balances	1,705	1,674
	21,458	**12,222**

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 40 '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	11,542	11,833	17,472	24,183	29,014	36,016
Cash advances, overdrafts and other balances	541	617	425	495	966	1,112
	12,083	**12,450**	**17,897**	**24,678**	**29,980**	**37,128**
Loan loss provisions			–14	–6	–14	–6
	12,083	**12,450**	**17,883**	**24,672**	**29,966**	**37,122**

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 41 'Transfer of financial assets' for information on securities lending as well as sale and repurchase transactions.

As at 31 December 2015, the non-subordinated receivables amount to EUR 29,902 million (2014: EUR 37,062 million) and the subordinated receivables amount to EUR 64 million (2014: EUR 60 million).

Reference is made to Note 40 '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 ING Bank. 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	131,485	136,964
Non-trading derivatives	3,216	4,303
Designated as at fair value through profit and loss	3,234	2,756
	137,935	**144,023**

Reference is made to Note 41 '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	14,817	17,193
Debt securities	14,316	21,584
Derivatives	39,012	46,613
Loans and receivables	63,340	51,574
	131,485	**136,964**

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 Loands 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 Bank. 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 18 '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	1,255
– hedges of net investments in foreign operations	72	111
Other non-trading derivatives	1,217	1,714
	3,216	**4,303**

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	92,683
	87,000	**95,401**
Held-to-maturity		
– debt securities	7,826	2,239
	7,826	**2,239**
	94,826	**97,640**

In 2015, the merger between ING Vysya and Kotak was completed. As a result of this transaction, ING Bank 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 held for sale’ and Note 50 ‘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 36 ‘Fair value of assets and liabilities’ and Note 50 ‘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.

Exposure to debt securities

ING Bank's exposure to debt securities is included in the following balance sheet lines:

Debt securities[1]	2015	2014
Available-for-sale investments	82,566	92,683
Held-to-maturity investments	7,826	2,239
Loans and advances to customers	9,625	10,579
Amounts due from banks	1,857	2,584
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 exposures to debt securities classified as held for sale.

ING Bank'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	10,828	350	1,567	2,119	2,810	1,787	2,526	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**	**92,683**	**7,826**	**2,239**	**9,625**	**10,579**	**1,857**	**2,584**	**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 41 '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	1,645	92,683	75,238	2,239	3,098	97,640	79,981
Additions	1,279	176	42,976	73,275	3,457	315	47,712	73,766
Amortisation			–106	–238	–67	1	–173	–237
Transfers and reclassifications		3	–3,499		3,499			3
Changes in unrealised revaluations	743	1,020	–1,595	5,581	–72	–2	–924	6,599
Impairments	–117	–14	–17				–134	–14
Reversals of impairments				1				1
Disposals and redemptions	–216	–129	–48,331	–59,968	–1,219	–1,173	–49,766	–61,270
Exchange rate differences	27	19	469	438	–11		485	457
Changes in the composition of the group and other changes		–2	–14	–1,644			–14	–1,646
Closing balance	**4,434**	**2,718**	**82,566**	**92,683**	**7,826**	**2,239**	**94,826**	**97,640**

Reference is made to Note 21 '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		3					0	3
	–	**3**	**–3,499**	**–**	**3,499**	**–**	**0**	**3**

In 2015, EUR 3.5 billion of mainly Government bonds previously classified as Available-for sale debt securities are classified as Held-to-maturity.

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 Bank reclassified certain financial assets from Investments available-for-sale to Loans and advances to customers and Amounts due from banks. ING Bank 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.

Notes to the Consolidated annual accounts of ING Bank - continued

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 analysed 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	156	2	191	1,995	347	1,997
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]	41,848	39,655	127,507	111,347	169,355	151,002
	202,833	**209,451**	**339,482**	**314,657**	**542,315**	**524,108**
Loan loss provisions	–2,900	–3,058	–2,872	–2,931	–5,772	–5,989
	199,933	**206,393**	**336,610**	**311,726**	**536,543**	**518,119**

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 a 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 41 'Transfer of financial assets' for information on securities lending as well as sale and repurchase transactions.

Loans and advances to customers analysed by subordination

	2015	2014
Non-subordinated	536,069	517,590
Subordinated	474	529
	536,543	**518,119**

No individual loan or advance has terms and conditions that significantly affect the amount, timing or certainty of the consolidated cash flows of ING Bank. 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 ING Bank.

Loan loss provisions analysed 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	2015	2014
Opening balance	5,995	6,154
Write-offs	–1,718	–1,729
Recoveries	91	104
Increase in loan loss provisions	1,347	1,594
Exchange rate differences	38	37
Changes in the composition of the group and other changes	33	–165
Closing balance	**5,786**	**5,995**

In 2014, Changes in the composition of the group and other changes included EUR –170 million related to the deconsolidation of ING Vysya. Reference is made to Note 50 'Other events'.

The adjustments to Loans and advances by type, as at 31 December 2014, has 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	25	670	612	20,956	19,074	630	419
Appia Group	30		45	812	650		
Other investments in associates and joint ventures			185				
			842				

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	25	801	558	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			199				
			861				

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 Bank does not hold any interests in Investments in Associates and joint ventures that are individually significant to ING Bank. 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 Bank'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 ING Bank. However, the reporting dates of certain associates and joint ventures can differ from the reporting date of ING Bank, 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 Banks'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	861	937
Additions	24	31
Transfers to and from Investments/Other assets and liabilities		–3
Revaluations	5	15
Share of results	100	76
Dividends received	–31	–37
Disposals	–125	–178
Exchange rate differences	18	122
Changes in the composition of the group and other changes	–10	–102
Closing balance	**842**	**861**

Revaluations

In 2014, Revaluations included 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 493 million (2014: EUR 76 million) includes mainly:

- Share of results, as presented in the table above, of EUR 100 million mainly attributable to results of TMB amounting to EUR 63 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 gain on Investments in associates held for sale of EUR 392 million, comprising EUR 367 million from the merger of ING Vysya with Kotak and EUR 25 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 held for sale' and Note 50 '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 and EUR 47 million related to TMB.

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.

Exchange rate differences

In 2015, Exchange rate differences includes EUR 9 million relating to TMB (2014: EUR 63 million). In 2014, Exchange rate differences also included EUR 47 million related to ING Vysya.

Changes in the composition of the group and other changes

In 2014, Changes in the composition of the group and other changes included EUR –67 million related to the recognition as associate and transfer of ING Vysya to held for sale. Reference is made to Note 50 'Other events'.

8 Real estate investments

Changes in real estate investments	2015	2014
Opening balance	80	55
Transfers to and from Property in own use	–1	26
Transfers to and from Other assets		–4
Fair value gains/(losses)		3
Disposals	–2	
Closing balance	**77**	**80**

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 Bank'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	177
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	**1,781**

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	1,143
Additions	10	63
Transfers to and from Real estate investments	1	–26
Transfers to and from Other assets	4	
Depreciation	–16	–18
Revaluations	32	–44
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		–40
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	366	440
Revaluation in the year	54	–74
Closing balance	**420**	**366**

In 2014, Changes in the composition of the group and other changes included EUR –40 million related to the deconsolidation of ING Vysya. Reference is made to Note 50 'Other events'.

The cost or the purchase price amounted to EUR 1,404 million (2014: EUR 1,474 million). Cost or the purchase price less accumulated depreciation and impairments would have been EUR 563 million (2014: EUR 654 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	289	733	781	998	1,070
Additions	140	124	176	168	316	292
Disposals	–6	–13	–7	–13	–13	–26
Depreciation	–125	–122	–186	–185	–311	–307
Impairments		–4		–3		–7
Exchange rate differences	–4	1	–1	1	–5	2
Changes in the composition of the group and other changes	–7	–10	–7	–16	–14	–26
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

	Goodwill		Software		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Opening balance	1,061	1,035	574	538	20	33	1,655	1,606
Additions			134	130			134	130
Capitalised expenses			122	127			122	127
Amortisation			–265	–237	–5	–13	–270	–250
Impairments			–15	–1			–15	–1
Exchange rate differences	–70	26		–1	–1		–71	25
Disposals			–1	–2			–1	–2
Changes in the composition of the group and other changes	–6		18	20	1		13	20
Closing balance	**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**

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 related to impairments and changes in composition of the group.

2015 – Changes in the 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 22 'Result on disposal of group companies'.

Goodwill is allocated to goodwill reporting units as follows:

Goodwill allocation to reporting unit

	2015	2014
Retail Netherlands		
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 (2014: nil). Changes in the goodwill per reporting unit in 2015 are 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 32 '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.

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 held for sale

Assets 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 2014, Assets held for sale related mainly to the associate ING Vysya Bank and to ING Nationale Nederlanden PTE Polska, SA. As at 31 December 2014, the Investment in associate of 43% in ING Vysya amounted to EUR 704 million.

Assets held for sale	2015	2014
Investments in associates and joint ventures		729
	–	**729**

Included in Shareholders' equity is cumulative other comprehensive income of nil (2014: nil) related to Assets and liabilities held for sale.

In 2015, Assets held for sale decreased by EUR 729 million and is attributable to:
- 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
- the sale of ING Nationale Nederlanden PTE Polska, S.A.

Reference is made to Note 5 'Investments', Note 7 'Investments in associates and joint ventures' and Note 50 'Other events'.

12 Other assets

Other assets by type	2015	2014
Net defined benefit assets	643	589
Deferred tax assets	813	1,126
Property development and obtained from foreclosures	212	405
Income tax receivable	279	289
Accrued interest and rents	6,256	6,887
Other accrued assets	717	590
Other	4,367	4,165
	13,287	**14,051**

Disclosures in respect of Net defined benefit assets are provided in Note 34 'Pension and other post-employment benefits' and deferred tax assets are provided in Note 35 '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 2,892 million (2014: EUR 3,191 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	525	525	525
Share premium	16,542	16,542	16,542
Revaluation reserves	4,897	4,781	1,414
Currency translation reserve	–540	–609	–989
Net defined benefit asset/liability remeasurement reserve	–306	–370	–2,671
Other reserves	19,739	17,195	17,984
Shareholders' equity (parent)	**40,857**	**38,064**	**32,805**
Minority interests	638	622	955
Total equity	**41,495**	**38,686**	**33,760**

The following equity components cannot be freely distributed: Revaluation reserve, Share of associates reserve (included in Other reserves), Currency translation reserve, Net defined benefit asset/liability remeasurement reserve and the part of the Other reserves that relate to the former Stichting Regio Bank and the former Stichting Vakbondsspaarbank SPN.

Share capital and share premium

Share capital - prefence shares

	Preference shares (par value EUR 1.13)					
	Number x1			Amount in euros		
	2015	2014	2013	2015	2014	2013
Authorised share capital	50	50	50	57	57	57
Unissued share capital	43	43	43	49	49	49
Issued share capital	**7**	**7**	**7**	**8**	**8**	**8**

Share capital - ordinary shares

	Ordinary shares (par value EUR 1.13					
	Number x1,000			Amounts in millions of euros		
	2015	2014	2013	2015	2014	2013
Authorised share capital	1,600,000	1,600,000	1,600,000	1,808	1,808	1,808
Unissued share capital	1,134,965	1,134,965	1,134,965	1,283	1,283	1,283
Issued share capital	**465,035**	**465,035**	**465,035**	**525**	**525**	**525**

No changes occurred in the issued share capital and share premium in 2015, 2014 and 2013.

Preference shares are presented in the balance sheet under liabilities. Reference is made to Note 19 'Other liabilities'.

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, subject to the approval of the general meeting of ING Bank. The par value of ordinary shares is EUR 1.13.

The authorised ordinary share capital of ING Bank N.V. consists of 1,808 million shares of which as at 31 December 2015 465 million shares have been issued and fully paid.

Dividend restrictions
ING Bank N.V. and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company's own funds over the sum of the paid-up capital, and reserves required by law. Additionally, certain Bank companies are subject to restrictions on the amount of funds they may transfer in the form of dividends or otherwise to the parent company.

Furthermore, in addition to the restrictions in respect of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, other limitations exist in certain countries.

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	291	3,615	875	4,781
Unrealised revaluations	35	298		333
Realised gains/losses transferred to profit and loss		–17		–17
Changes in cash flow hedge reserve			–200	–200
Closing balance	**326**	**3,896**	**675**	**4,897**

Included in Unrealised revaluations is a revalution 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 36 'Fair value of assets and liabilities' and Note 50 '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	320	1,870	–776	1,414
Unrealised revaluations	–29	1,866		1,837
Realised gains/losses transferred to profit and loss		–121		–121
Changes in cash flow hedge reserve			1,651	1,651
Closing balance	**291**	**3,615**	**875**	**4,781**

Changes in revaluation reserves

2013	Property in own use reserve	Available-for-sale reserve and other	Cash flow hedge reserve	Total
Opening balance	327	2,650	–761	2,216
Unrealised revaluations	–7	635		–642
Realised gains/losses transferred to profit and loss		–145		–145
Changes in cash flow hedge reserve			–15	–15
Closing balance	**320**	**1,870**	**–776**	**1,414**

Currency translation reserve

Changes in currency translation reserve

	2015	2014	2013
Opening balance	–609	–989	–263
Unrealised revaluations	–231	–6	302
Exchange rate differences	300	386	–1,028
Closing balance	**–540**	**–609**	**–989**

Unrealised revaluations relates to changes in the value of hedging instruments that are designated as net investment hedges.

Net defined benefit asset/liability remeasurement reserve

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 34 'Pension and other post-employment benefits'.

Other reserves

Changes in other reserves

2015	Retained earnings	Share of associates and joint ventures reserve	Other reserves	Total
Opening balance	15,518	363	1,314	17,195
Result for the year	4,528		131	4,659
Employee stock options and share plans	70			70
Dividend	–2,200			–2,200
Changes in composition of the group and other changes	90	–11	–64	15
Closing balance	**18,006**	**352**	**1,381**	**19,739**

In 2015, a dividend of EUR 2,200 million was paid to ING Group.

Changes in other reserves

2014	Retained earnings	Share of associates and joint ventures reserve	Other reserves	Total
Opening balance	16,416	328	1,240	17,984
Result for the year	2,661		83	2,744
Employee stock options and share plans	55			55
Dividend	–1,225			–1,225
Changes in composition of the group and other changes	–2,389	35	–9	–2,363
Closing balance	**15,518**	**363**	**1,314**	**17,195**

Changes in composition of the group and other changes includes a decrease of EUR 2,235 million in Retained earnings as a result of the realisation of part of the Net defined benefit asset/liability remeasurement reserve due to the financial independence of the Dutch ING Pension Fund.

Changes in other reserves

2013	Retained earnings	Share of associates and joint ventures reserve	Other reserves	Total
Opening balance	16,288	363	1,153	17,804
Result for the year	2,987		76	3,063
Employee stock options and share plans	58			58
Dividend	–2,955			–2,955
Changes in composition of the group and other changes	38	–35	11	14
Closing balance	**16,416**	**328**	**1,240**	**17,984**

Minority interest

In 2014, the decrease of EUR 333 million in minority interest is mainly due to the deconsolidation of Vysya Bank (EUR –432 million). Reference is made to Note 50 'Other events'.

Following the deconsolidation of ING Vysya in 2014 there are no remaining minority interest relating to ING Vysya. These and other equity movements are disclosed in the consolidated statement of changes in equity.

Liabilities

14 Subordinated loans

Subordinated loans relate subordinated capital debenture and private loans which may be included in the calculation of the capital ratio.

Subordinated liabilities include EUR 7,248 million (2014: EUR 5,727 million) of loans that qualify as Tier 1 capital. These loans have been placed with ING Bank N.V. by ING Group.

The average interest rate on the subordinated loans is 4.8% (2014: 4.5%). The interest expense during the year 2015 was EUR 820 million (2014: EUR 716 million).

The decrease in 2015 of EUR 0.7 billion, primarily reflects a decrease of Tier 2 funding, offset by an increase in capital as ING Group issued USD 2.25 billion securities that qualify as Additional Tier 1 under CRR/CRD IV. The issuance on 16 April 2015 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 Bank in the event that ING Bank's phased-in CET1 ratio would fall below 7.0%. These securities were on-lent to ING Bank partially replacing internal securities.

2014 - ING Perpetual Hybrid Capital Securities

ING Bank redeemed the EUR 1.1 billion 8% ING Perpetual Hybrid Capital Securities per the call date of 18 April 2014. The Tier 1 hybrid 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.

The subordinated loans increased in 2014 with USD 1.3 billion for CRD IV compliancy purposes. A new subordinated loan of USD 1.5 billion was obtained from ING Group.

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 Bank, 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 Bank 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	39,979	42,621
More than 1 year but less than 2 years	6,057	9,164
More than 2 years but less than 3 years	11,192	5,793
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	20,181	23,153
Total fixed rate debt securities	**91,322**	**94,555**
Floating rate debt securities		
Within 1 year	9,483	9,330
More than 1 year but less than 2 years	6,056	6,169
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	**26,234**	**26,404**
Total debt securities	**117,556**	**120,959**

In 2015, the decrease in Debt securities in issue of EUR 3.4 billion is mainly attributable to a decrease in certificates of deposits of EUR 3.7 billion and a decrease in covered bonds, commercial paper and savings certificates due to reduced funding requirements. These were partly offset by the issuance of long term bonds of EUR 1.8 billion.

As at 31 December 2015, ING Bank 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 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	1,299	205	1,063	691	2,362	896
Interest bearing	12,331	9,572	19,115	19,535	31,446	29,107
	13,630	**9,777**	**20,178**	**20,226**	**33,808**	**30,003**

In 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 41 'Transfer of financial assets' for information on securities lending as well as sale and repurchase transactions.

17 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	153,323	140,707
Corporate deposits	48,137	51,501
Other	1,339	1,541
	508,740	**489,281**

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	10,417	25,727	23,476
Interest bearing	155,450	149,706	327,563	316,099	483,013	465,805
	167,810	**162,765**	**340,930**	**326,516**	**508,740**	**489,281**

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 ING Bank by customers on terms other than those prevailing in the normal course of business.

Reference is made to Note 41 'Transfer of financial assets' for information on securities lending as well as sale and repurchase transactions.

18 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	4,364	6,357
Designated as at fair value through profit and loss	12,616	13,551
	105,787	**116,999**

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 41 '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	734	1,384
	4,364	**6,357**

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 Bank 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).

19 Other liabilities

Other liabilities by type	2015	2014
Deferred tax liabilities	645	872
Income tax payable	590	442
Net defined benefit liability	498	607
Other post-employment benefits	98	101
Other staff-related liabilities	349	408
Other taxation and social security contributions	565	584
Accrued interest	5,090	5,652
Costs payable	1,874	1,713
Reorganisation provisions	670	728
Other provisions	294	289
Amounts to be settled	2,390	2,475
Other	2,159	2,204
	15,222	**16,075**

Disclosures in respect of deferred tax liabilities are provided in Note 35 ‘Taxation’ and Net defined benefit liabilities are provided in Note 34 ‘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	420
Additions	180	487
Releases	–15	–18
Utilised	–226	–161
Exchange rate differences	5	5
Changes in the composition of the group and other changes	–2	–5
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.

Other provisions

Changes in other provisions

	Litigation		Other		Total	
	2015	2014	2015	2014	2015	2014
Opening balance	190	175	99	139	289	314
Additions	105	30	14	5	119	35
Releases	–81	–16	–27	–51	–108	–67
Utilised	–17	–11	–2	–1	–19	–12
Exchange rate differences	–2	1	–1	1	–3	2
Changes in the composition of the group and other changes	–8	11	24	6	16	17
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 28 ‘Other operating expenses’ and Note 44 ‘Legal proceedings’.

Other

Other liabilities – Other relates mainly to year-end accruals in the normal course of business.

Notes to the Consolidated profit and loss account

20 Interest result

Interest result	2015	2014	2013
Interest income on loans	19,177	20,136	21,534
Interest income on impaired loans	42	56	15
Negative interest on liabilities	66	6	
Total interest income on loans	**19,285**	**20,198**	**21,549**
Interest income on available-for-sale securities	1,785	2,009	2,071
Interest income on held-to-maturity securities	101	83	158
Interest income on trading portfolio	17,828	18,327	19,882
Interest income on non-trading derivatives (no hedge accounting)	849	1,684	1,175
Interest income on non-trading derivatives (hedge accounting)	6,394	5,977	6,675
Other interest income	155	98	64
Total interest income	**46,397**	**48,376**	**51,574**
Interest expense on deposits by banks	302	338	440
Interest expense on customer deposits and other funds on deposit	4,180	5,361	6,618
Interest expense on debt securities	2,390	2,593	3,009
Interest expense on subordinated loans	820	716	707
Interest expense on trading liabilities	17,615	17,717	19,368
Interest expense on non-trading derivatives (no hedge accounting)	781	1,512	1,205
Interest expense on non-trading derivatives (hedge accounting)	7,181	7,123	7,874
Other interest expense	344	410	389
Negative interest on assets	40		
Total interest expense	**33,653**	**35,770**	**39,610**
Interest result	**12,744**	**12,606**	**11,964**

Interest margin in percentages	2015	2014	2013
Interest margin	1.47	1.53	1.44

In 2015, the increase in total average assets, partly attributable to an increase in customer lending lead to an increase of EUR 627 million in the interest result. In addition, a decline of the interest margin of 6 basis points led to a EUR 489 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 27,615 million and EUR 14,929 million respectively (2014: EUR 28,307 million and EUR 16,204 million; 2013: EUR 30,438 million and EUR 18,726 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 154 million in the interest result. In addition, an improvement of the interest margin of 9 basis points led to a EUR 797 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 1,103 million in the interest result. In addition, an improvement of the interest margin of 10 basis points led to a EUR 819 million increase in the interest result.

21 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	127	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	**110**	**143**	**130**
Realised gains/losses on disposal of equity securities	67	39	61
Impairments of available-for-sale equity securities	–117	–14	–3
Realised gains/losses and impairments of equity securities	**–50**	**25**	**58**
Change in fair value of real estate investments		3	
Investment income	**127**	**213**	**305**

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 (2014: EUR –14 million; 2013: EUR –3 million) related to segments Wholesale Banking, EUR –5 million to Retail Belgium (nil in 2014 and 2013) and nil to Corporate Line Banking (2014: nil; 2013: EUR –1 million). In 2013, 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.

22 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	10
	2	**195**	**26**

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 2014, Result on disposal of group companies included EUR 202 million profit on the deconsolidation of ING Vysya. Reference is made to Note 50 ‘Other events’.

23 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	77	163	155
Brokerage and advisory fees	436	370	334
Other	1,138	1,065	1,193
	3,420	**3,314**	**3,345**

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	8
Asset management fees	8	6	29
Brokerage and advisory fees	140	87	82
Other	391	410	510
	1,100	**1,023**	**1,105**

24 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	1,180
– cash flow hedges (ineffective portion)	31	35	4
– other non-trading derivatives	–164	128	422
Net result on non-trading derivatives	**1,110**	**–323**	**1,606**
Change in fair value of assets and liabilities (hedged items)	–1,308	536	–1,272
Valuation results on assets and liabilities designated as at fair value through profit and loss (excluding trading)	372	–583	–53
Net valuation results	**174**	**–370**	**281**

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 18 '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).

25 Net trading income

Net trading income

	2015	2014	2013
Securities trading results	1,352	673	129
Derivatives trading results	600	425	412
Foreign exchange transactions results	–859	–521	–137
Other	66	–16	81
	1,159	**561**	**485**

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 18 '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 20 'Interest result'.

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).

26 Other income

Other income

	2015	2014	2013
Net operating lease income	2	5	1
Income from real estate development projects	8		32
Other	41	97	–29
	51	**102**	**4**

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 –71 million net result on the unwinding of the Illiquid Assets Back-up Facility. Reference is made to Note 49 'Transactions with the Dutch State and the European Commission Restructuring plan'.

27 Staff expenses

Staff expenses

	2015	2014	2013
Salaries	3,221	3,149	3,248
Pension and other staff related benefit costs	275	1,218	231
Social security costs	514	514	512
Share-based compensation arrangements	70	55	58
External employees	634	623	636
Education	68	57	60
Other staff costs	180	167	169
	4,962	**5,783**	**4,914**

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 benefit 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 34 '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	2014	2013	2015	2014	2013	2015	2014	2013
Average number of employees at full time equivalent basis[1]	14,586	15,209	16,155	38,134	40,736	48,218	52,720	55,945	64,373

1 The average number of employees comprises, on an average basis, employees of entities that were sold or classified as held for sale during the year.

Share-based compensation arrangements include EUR 70 million (2014: EUR 55 million; 2013: EUR 58 million) relating to equity-settled share-based payment arrangements and nil (2014: nil; 2013: nil) relating to cash-settled share-based payment arrangements.

Remuneration of senior management, Executive Board and Supervisory Board
Reference is made to Note 48 '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 of the Bank (members of the Management Board, general managers and other officers nominated by the Management Board), to a considerable number of employees of ING Bank. The purpose of the option and share schemes, 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 as well as identified staff. ING has the authority to apply an hold back to awarded but unvested shares and a claw-back to vested shares.

The informationpresented 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.

In 2015, no 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: 125,383; 2013: 159,988) were granted to the Management Board of ING Bank. To senior management and other employees of ING Bank 6,088,240 share awards (2014: 5,342,269; 2013: 8,089,093) were granted.

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	32,146,647	41,354,477	51,371,539	16.84	15.98	14.82
Exercised	–2,400,791	–2,765,824	–2,924,484	6.97	4.83	3.65
Forfeited	–210,860	–350,831	–625,828	16.34	15.98	11.32
Expired	–6,595,947	–6,091,175	–6,466,750	18.08	16.54	12.80
Closing balance	**22,939,049**	**32,146,647**	**41,354,477**	**17.52**	**16.84**	**15.98**

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			9,535,407			3.26
Vested			–9,230,828			3.26
Forfeited			–304,579			3.21
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	2,146,930	3.22	2.88	2,146,930	3.22	2.88
5.00 – 10.00	4,001,835	4.21	7.38	4,001,835	4.21	7.38
10.00 – 15.00	99,973	2.72	14.35	99,973	2.72	14.35
15.00 – 20.00	6,446,077	2.22	16.98	6,446,077	2.22	16.98
20.00 – 25.00	4,476,049	1.24	24.58	4,476,049	1.24	24.58
25.00 – 30.00	5,768,185	0.34	25.18	5,768,185	0.34	25.18
	22,939,049			**22,939,049**		

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	2,874,797	3.46	2.87	2,874,797	3.46	2.87
5.00 – 10.00	5,595,047	5.20	7.39	5,595,047	5.20	7.39
10.00 – 15.00	103,135	3.71	14.35	103,135	3.71	14.35
15.00 – 20.00	12,838,282	1.46	17.35	12,838,282	1.46	17.35
20.00 – 25.00	4,733,530	1.51	24.57	4,733,530	1.51	24.57
25.00 – 30.00	6,001,856	1.33	25.19	6,001,856	1.33	25.19
	32,146,647			**32,146,647**		

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	3,869,133	4.25	2.87	3,869,133	4.25	2.87
5.00 – 10.00	7,870,182	6.21	7.38	7,870,182	6.21	7.38
10.00 – 15.00	3,674,375	0.36	14.31	3,674,375	0.36	14.31
15.00 – 20.00	14,119,139	2.48	17.34	14,119,139	2.48	17.34
20.00 – 25.00	5,269,423	2.55	24.56	5,269,423	2.55	24.56
25.00 – 30.00	6,552,225	2.32	25.19	6,552,225	2.32	25.19
	41,354,477			**41,354,477**		

As at 31 December 2015, the aggregate intrinsic values of options outstanding and exercisable are EUR 41 million (2014: EUR 42 million; 2013: EUR 49 million) and EUR 41 million (2014: EUR 42 million; 2013: EUR 49 million), respectively.

As at 31 December 2015, total unrecognised compensation costs related to stock options amounted to nil (2014: nil; 2013: nil).

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 (2.02% to 4.62%), 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 (25.00% – 84.00%) 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

2015	Share awards (in numbers)	Weighted average grant date fair value (in euros)
Opening balance	10,751,796	7.52
Granted	6,194,253	13.00
Performance effect	533	8.50
Vested	–8,070,866	8.94
Forfeited	–226,935	9.07
Closing balance	**8,648,781**	**10.07**

As at 31 December 2015, the share awards consist of 7,397,401 share awards related to equity 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 stok 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. These costs are expected to be recognised over a weighted average period of 1.4 years.

28 Other operating expenses

Other operating expenses

	2015	2014	2013
Depreciation of property and equipment	327	325	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	258	225	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	667	457	384
	4,346	**4,442**	**3,891**

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 Bank 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 ING Bank.

The External advisory fees include fees for audit services and non-audit services provided by ING Bank's auditors.

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 are 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 19 '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	30	–14	–5	–6	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**	**121**	**–14**	**–5**	**–12**	**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 the segments Retail Netherlands and Retail Other and amounts 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 19 'Other liabilities' and Note 44 'Legal proceedings'.

Notes to the consolidated statement of cash flows

29 Net cash flow from investing activities

Information on the impact of companies acquired or disposed is presented in Note 45 ‘Companies and businesses acquired and divested’.

30 Interest and dividend included in net cash flow

Interest and dividend received and paid

	2015	2014	2013
Interest received	47,029	49,537	53,186
Interest paid	–33,092	–37,174	–42,171
	13,937	**12,363**	**11,015**
Dividend received	113	70	111
Dividend paid	–2,200	–1,225	–2,955

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.

31 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	–1,467	–2,036	1,015
Cash and balances with central banks	21,458	12,222	11,920
Cash and cash equivalents at end of year	**20,354**	**10,863**	**13,509**

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	–10,306	–11,825	–11,451
– amounts due from banks	8,839	9,789	12,466
	–1,467	**–2,036**	**1,015**
Not included in cash and cash equivalents:			
– amounts due to banks	–23,502	–18,178	–15,749
– amounts due from banks	21,127	27,333	30,530
	–2,375	**9,155**	**14,781**
Total as included in balance sheet:			
– amounts due to banks	–33,808	–30,003	–27,200
– amounts due from banks	29,966	37,122	42,996
	–3,842	**7,119**	**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 40 'Assets not freely disposable' for restrictions on Cash and balances with central banks.

ING Bank's risk management (including liquidity) is explained in the section 'Risk management – Funding and liquidity risk'.

Segment reporting

32 Segments

ING Bank'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 ING Bank 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 ING Bank results are presented on page 89.

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 Management Board Banking sets 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 Management Board.

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 Bank evaluates the results of its segments using a financial performance measure called underlying result. Underlying result is derived by excluding from IFRS-EU special items and the impact of divestments.

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.

In addition to these segments, ING Bank reconciles the total segment results to the total result of ING Bank 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 Management Board.

This note does not provide information on the revenue specified to each product or service as this is not reported internally and is therefore not readily available.

Segments by line of business

2015	Retail Netherlands	Retail Belgium	Retail Germany	Retail Other	Wholesale Banking	Corporate Line Banking	Total
Underlying income							
– Net interest result	3,683	1,953	1,634	1,906	3,567	1	12,744
– Commission income	515	397	172	276	964	–4	2,320
– Total investment and other income	205	195	104	186	1,078	–131	1,639
Total underlying income	**4,403**	**2,546**	**1,910**	**2,369**	**5,609**	**–133**	**16,703**
Underlying expenditure							
– Operating expenses	2,475	1,532	842	1,582	2,571	230	9,231
– Additions to loan loss provision	433	169	57	210	478		1,347
Total underlying expenses	**2,908**	**1,701**	**899**	**1,792**	**3,048**	**230**	**10,578**
Underlying result before taxation	**1,495**	**845**	**1,012**	**577**	**2,560**	**–364**	**6,125**
Taxation	391	255	328	142	676	–91	1,703
Minority interests		6	2	48	16		72
Underlying net result	**1,104**	**583**	**681**	**387**	**1,868**	**–273**	**4,350**
Divestments				367			367
Special items	–58						–58
Net result IFRS-EU	**1,046**	**583**	**681**	**754**	**1,868**	**–273**	**4,659**

Reconciliation between Underlying and IFRS-EU income, expenses and net result

2015	Income	Expenses	Net result
Underlying	16,703	10,578	4,350
Divestments	367		367
Special items		77	–58
IFRS-EU	**17,070**	**10,655**	**4,659**

Divestments in 2015 reflect the result from the merger between ING Vysya Bank and Kotak Mahindra Bank.

Special items in 2015 comprise additional charges related to previously announced restructuring programmes in Retail Netherlands.

Segments by line of business

2014	Retail Netherlands	Retail Belgium	Retail Germany	Retail Other	Wholesale Banking	Corporate Line Banking	Total
Underlying income							
– Net interest result	3,778	1,998	1,500	1,806	3,534	–10	12,606
– Commission income	464	376	143	329	980	–2	2,290
– Total investment and other income	87	243	–27	201	379	–309	574
Total underlying income	**4,330**	**2,617**	**1,615**	**2,336**	**4,893**	**–321**	**15,471**
Underlying expenditure							
– Operating expenses	2,678	1,524	773	1,481	2,407	102	8,965
– Additions to loan loss provision	714	142	72	165	500		1,594
Total underlying expenses	**3,392**	**1,667**	**845**	**1,646**	**2,907**	**102**	**10,559**
Underlying result before taxation	**938**	**951**	**771**	**690**	**1,986**	**–423**	**4,912**
Taxation	243	256	230	139	470	–67	1,271
Minority interests		1	1	51	26		79
Underlying net result	**694**	**693**	**540**	**500**	**1,491**	**–356**	**3,562**
Divestments				202			202
Special items	–63					–957	–1,021
Net result IFRS-EU	**631**	**693**	**540**	**702**	**1,491**	**–1,313**	**2,744**

Reconciliation between Underlying and IFRS-EU income, expenses and net result

2014	Income	Expenses	Net result
Underlying	15,471	10,559	3,562
Divestments	202		202
Special items		1,259	–1,021
IFRS-EU	**15,674**	**11,818**	**2,744**

Divestments in 2014 reflected the result on the deconsolidation of ING Vysya Bank 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.

Notes to the Consolidated annual accounts of ING Bank - continued

Segments by line of business

2013	Retail Netherlands	Retail Belgium	Retail Germany	Retail Other	Wholesale Banking	Corporate Line Banking	Total
Underlying income							
– Net interest result	3,610	1,860	1,303	1,804	3,250	153	11,980
– Commission income	460	343	114	342	989	–9	2,239
– Total investment and other income	128	194	–30	259	1,058	–492	1,117
Total underlying income	**4,198**	**2,397**	**1,387**	**2,405**	**5,297**	**–349**	**15,337**
Underlying expenditure							
– Operating expenses	2,409	1,500	709	1,600	2,352	114	8,683
– Additions to loan loss provision	877	183	82	279	868		2,288
Total underlying expenses	**3,286**	**1,683**	**790**	**1,878**	**3,220**	**114**	**10,971**
Underlying result before taxation	**912**	**715**	**597**	**527**	**2,077**	**–463**	**4,365**
Taxation	241	213	185	120	504	–173	1,088
Minority interests		–4	1	66	27		90
Underlying net result	**672**	**506**	**412**	**342**	**1,546**	**–289**	**3,187**
Divestments				–42			–42
Special items	–107					25	–82
Net result IFRS-EU	**564**	**506**	**412**	**299**	**1,546**	**–264**	**3,063**

Reconciliation between Underlying and IFRS-EU income, expenses and net result

2013	Income	Expenses	Net result
Underlying	15,337	10,971	3,187
Divestments	–9	14	–42
Special items		109	–82
IFRS-EU	**15,327**	**11,094**	**3,063**

Divestments in 2013 related to 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.

Geographical segments

2015	Netherlands	Belgium	Germany	Other Challengers	Growth Markets	Wholesale Banking Rest of World	Other	Total
Underlying income								
– Net interest result	4,677	2,287	1,812	1,219	1,147	1,600	2	12,744
– Commission income	754	497	215	149	267	442	–3	2,320
– Total investment and other income	187	434	120	5	330	600	–36	1,639
Total underlying income	**5,619**	**3,217**	**2,146**	**1,373**	**1,743**	**2,643**	**–38**	**16,703**
Underlying expenditure								
– Operating expenses	3,220	1,943	917	805	1,061	1,038	247	9,231
– Additions to loan loss provision	654	166	77	98	176	175		1,347
Total underlying expenses	**3,874**	**2,109**	**994**	**903**	**1,237**	**1,213**	**247**	**10,578**
Underlying result before taxation	**1,744**	**1,108**	**1,152**	**469**	**506**	**1,430**	**–285**	**6,125**
Taxation	469	315	382	166	79	374	–83	1,703
Minority interests		6	2		64			72
Underlying net result	**1,276**	**787**	**768**	**303**	**363**	**1,056**	**–203**	**4,350**
Divestments					367			367
Special items	–58							–58
Net result IFRS-EU	**1,218**	**787**	**768**	**303**	**730**	**1,056**	**–203**	**4,659**

Geographical segments

2014	Netherlands	Belgium	Germany	Other Challengers	Growth Markets	Wholesale Banking Rest of World	Other	Total
Underlying income								
– Net interest result	4,699	2,447	1,616	1,158	1,072	1,625	–10	12,606
– Commission income	730	464	171	147	333	447	–1	2,290
– Total investment and other income	164	288	–17	44	266	123	–293	574
Total underlying income	**5,593**	**3,198**	**1,770**	**1,349**	**1,671**	**2,194**	**–305**	**15,471**
Underlying expenditure								
– Operating expenses	3,403	1,931	837	723	1,018	905	147	8,965
– 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**	**147**	**10,559**
Underlying result before taxation	**1,243**	**1,120**	**866**	**441**	**528**	**1,166**	**–452**	**4,912**
Taxation	308	277	266	131	96	275	–83	1,271
Minority interests		2	1		77			79
Underlying net result	**935**	**841**	**599**	**310**	**356**	**891**	**–369**	**3,562**
Divestments				–2	204			202
Special items	–63						–957	–1,021
Net result IFRS-EU	**872**	**841**	**599**	**308**	**560**	**891**	**–1,327**	**2,744**

Geographical segments

2013	Netherlands	Belgium	Germany	Other Challengers	Growth Markets	Wholesale Banking Rest of World	Other	Total
Underlying income								
– Net interest result	4,554	2,256	1,388	1,050	1,186	1,411	133	11,980
– Commission income	706	436	145	127	354	479	–6	2,239
– Total investment and other income	400	373	–24	58	320	437	–447	1,117
Total underlying income	**5,660**	**3,065**	**1,509**	**1,235**	**1,861**	**2,327**	**–320**	**15,337**
Underlying expenditure								
– Operating expenses	3,064	1,913	765	708	1,146	873	214	8,683
– 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**	**214**	**10,971**
Underlying result before taxation	**1,374**	**947**	**634**	**97**	**517**	**1,331**	**–535**	**4,365**
Taxation	357	248	217	97	60	295	–186	1,088
Minority interests		–4	1		93			90
Underlying net result	**1,017**	**703**	**416**	**0**	**363**	**1,036**	**–349**	**3,187**
Divestments				–42				–42
Special items	–107						25	–82
Net result IFRS-EU	**910**	**703**	**416**	**–42**	**363**	**1,036**	**–324**	**3,063**

IFRS-EU balance sheets by segment are not reported internally to, and not managed by, the chief operating decision maker.

33 Information on geographical areas

ING Bank'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 Bank 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 Bank's country of domicile.

Geographical areas

2015	Netherlands[1]	Belgium	Rest of Europe	North America	Latin America	Asia	Australia	Other	Eliminations	Total
Total income	5,375	3,123	6,259	720	48	639	490	380	36	17,070
Total assets	503,471	164,770	371,648	69,719	1,499	45,979	34,701	1,186	–354,444	838,528

1 Geographical area Netherlands includes Corporate Line Banking.

Geographical areas

2014	Netherland[1]	Belgium	Rest of Europe	North America	Latin America	Asia	Australia	Other	Eliminations	Total
Total income	4,889	3,191	5,623	531	45	634	512	241	9	15,674
Total assets	479,145	170,113	358,269	60,243	1,342	45,008	35,607	711	–321,836	828,602

1 Geographical area Netherlands includes Corporate Line Banking.

Geographical areas

2013	Netherlands[1]	Belgium	Rest of Europe	North America	Latin America	Asia	Australia	Other	Eliminations	Total
Total income	4,815	3,297	5,287	575	60	836	449		9	15,327
Total assets	444,134	153,016	327,688	55,430	1,966	42,651	34,420	301	–272,040	787,566

1 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.

Notes to the Consolidated annual accounts of ING Bank - continued

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	Result before tax	Taxation
Netherlands	Netherlands	ING Bank N.V.	Wholesale banking/ Retail banking	14,586	5,410	304,842	1,059	413
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	15,826	–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**	**17,070**	**838,528**	**6,415**	**1,684**

1 Public subsidies, as defined in article 89 of the CRD IV, amounts to EUR 3 million (2014: EUR 2 million received in France).

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.

The table on the next page provides additional information for the year 2014 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

2014

Geographical area	Country	Name of principal subsidiary	Main activity	Average number of employees at full time equivalent basis[1]	Total Income	Total assets	Result before tax	Taxation
Netherlands	Netherlands	ING Bank N.V.	Wholesale banking/ Retail banking	15,209	4,889	299,259	–1,137	–124
Belgium	Belgium	ING België N.V.	Wholesale banking/ Retail banking	9,906	3,191	132,103	1,253	345
	Luxemburg	ING Luxembourg S.A.	Wholesale banking/ Retail banking	762	219	6,894	99	8
Rest of Europe	Poland	ING Bank Slaski S.A.	Wholesale banking/ Retail banking	8,644	842	23,161	328	71
	Turkey	ING Bank A.S.	Retail banking	6,033	567	14,724	150	32
	Germany	ING-DiBa A.G.	Retail banking	3,845	1,752	125,944	891	280
	Romania	Branch of ING Bank N.V.	Retail banking	1,447	203	3,943	71	14
	Spain	Branch of ING Bank N.V.	Retail banking	993	417	23,902	155	50
	Italy	Branch of ING Bank N.V.	Wholesale banking/ Retail banking	786	272	15,679	0	6
	UK	Branch of ING Bank N.V.	Wholesale banking	659	496	40,704	310	7
	France[2]	Branch of ING Bank N.V.	Wholesale banking/ Retail banking	621	238	5,597	82	1
	Russia	ING Bank (Eurasia) Z.A.O.	Wholesale banking	320	85	3,370	24	4
	Czech Republic	Branch of ING Bank N.V.	Wholesale banking	226	54	2,351	20	4
	Hungary	Branch of ING Bank N.V.	Wholesale banking	174	45	1,809	15	6
	Slovakia	Branch of ING Bank N.V.	Wholesale banking	159	13	482	4	1
	Ukraine	PJSC ING Bank Ukraine	Wholesale banking	138	52	696	30	6
	Austria	Branch of ING-DiBa A.G.	Retail banking	150	96	267	50	14
	Bulgaria	Branch of ING Bank N.V.	Wholesale banking	71	9	292	1	
	Ireland	Branch of ING Bank N.V.	Wholesale banking	36	56	1,614	39	5
	Portugal	Branch of ING België N.V.	Wholesale banking	12	7	1,418	6	2
	Switzerland	Branch of ING België N.V.	Wholesale banking	155	201	8,627	147	38
North America	USA	ING Financial Holdings	Wholesale banking	486	531	42,384	326	82
Latin America	Brazil	Branch of ING Bank N.V.	Wholesale banking	49	41	1,329	24	6
	Mexico	Negociaciones Mercantiles Especializidas, S.A. de C.V.	Wholesale banking	8	4	9	1	
Asia	China	Branch of ING Bank N.V.	Wholesale banking	50	56	2,329	41	8
	Japan	Branch of ING Bank N.V.	Wholesale banking	28	18	2,830	9	5
	Singapore	Branch of ING Bank N.V.	Wholesale banking	468	263	16,780	143	16
	Hong Kong	Branch of ING Bank N.V.	Wholesale banking	100	133	6,969	113	19
	Philippines	Branch of ING Bank N.V.	Wholesale banking	122	20	648	6	
	South Korea	Branch of ING Bank N.V.	Wholesale banking	66	47	5,000	19	5
	Taiwan	Branch of ING Bank N.V.	Wholesale banking	31	29	2,478	21	4
	Indonesia	PT ING Securities Indonesia	Wholesale banking	6	1	6		
	Malaysia	Branch of ING Bank N.V.	Wholesale banking	5	1	4		
	India	ING Vysya Bank Limited	Retail banking	3,209	67		28	10
	United Arabic Emirates	Branch of ING Bank N.V.	Wholesale banking	6			–1	
Australia	Australia	ING Bank (Australia) Ltd.	Retail banking	970	512	34,314	355	106
Other	Mauritius	ING Mauritius	Investment management		252	682	233	3
Total				**55,945**	**15,674**	**828,602**	**3,855**	**1,032**

1 The average number of employees includes, on an average basis, employees of entities that were sold or classified as held for sale during the year.
2 Public subsidies, as defined in article 89 of the CRD IV, amounts to EUR 2 million, received in France.

In 2014, the Netherlands had a low tax benefit on the loss, mainly due to non-deductible bank taxes.

The UK and France had a low tax amount due to the use of previously unrecognised tax losses carried forward.

Mauritius had a lower tax amount, mainly due to an unrealised tax exempt result, following the deconsolidation of ING Vysya.

Additional notes to the Consolidated annual accounts

34 Pension and other post-employment benefits

ING Bank maintains defined contribution and defined benefit plans. In 2015, the remaining defined benefit plans of the Bank 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	3,108
Defined benefit obligation	2,996	3,126
Funded status (Net defined benefit asset/(liability))	**145**	**–18**
Presented as:		
– Other assets	643	589
– Other liabilities	–498	–607
	145	**–18**

ING Bank maintains defined benefit retirement plans in some countries. These plans provide benefits that are related to the remuneration and service of employees upon retirement. The benefits in some of these plans are subject to various forms of indexation. The indexation is, in some cases, at the discretion of management; in other cases it is dependent upon the sufficiency of plan assets.

Annual contributions are paid to the funds at a rate necessary to adequately finance the accrued liabilities of the plans calculated in accordance with local legal requirements. Plans in all countries comply with applicable local regulations governing investments and funding levels.

ING Bank 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	3,108	15,164
Interest income	93	172
Remeasurements: Return on plan assets excluding amounts included in interest income	–72	1,009
Employer's contribution	34	643
Participants contributions	13	7
Benefits paid	–170	–178
Effect of curtailment or settlement		–13,788
Exchange rate differences	135	120
Changes in the composition of the group and other changes		–41
Closing balance	**3,141**	**3,108**

Effect of curtailment or settlement

In 2014, EUR –13,788 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. Reference is made to Note 50 'Other events'.

Other

The actual return on the plan assets amounts to EUR 21 million (2014: EUR 1,181 million).

No plan assets are expected to be returned to ING Bank 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	3,126	14,825	101	96
Current service cost	34	35	–7	–6
Interest cost	84	173	1	3
Remeasurements: Actuarial gains and losses arising from changes in demographic assumptions	–55	7	8	6
Remeasurements: Actuarial gains and losses arising from changes in financial assumptions	–118	1,198		
Participants' contributions	1	1	2	
Benefits paid	–175	–181	–2	–2
Past service cost	–11	–3		
Effect of curtailment or settlement	–3	–12,983	–9	
Exchange rate differences	111	101	4	4
Changes in the composition of the group and other changes	2	–47		
Closing balance	**2,996**	**3,126**	**98**	**101**

Effect of curtailment or settlement

In 2014, EUR –12,983 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. Reference is made to note 50 '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	–370	–2,671
Remeasurement of plan assets	–72	1,009
Actuarial gains and losses arising from changes in demographic assumptions	55	–7
Actuarial gains and losses arising from changes in financial assumptions	119	–1,198
Taxation	–38	108
Total Other comprehensive income movement for the year	**64**	**–88**
Transfer to Other reserves (pension settlement)		2,389
Closing balance	**–306**	**–370**

The weighted average discount rate as at 31 December 2015 was 3.0 % (31 December 2014: 2.6%). 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 –583 million, EUR –370 million after tax).

The amount of the remeasurement of the net defined asset/liability in 2014 was mainly a result of the change in the high quality corporate bond rate.

In 2014, EUR 2,235 million was recognised in Transfer to Other reserves (pension settlement) related to the Dutch defined benefit plan settlement.

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 is 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.

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	405	516	579
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	**3,108**	**2,996**	**3,126**

As at 31 December 2015 the various defined benefit plans did not hold any investments in ING Groep N.V. (2014: nil).

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	2.60	3.20	2.30
Mortality rates	0.80	0.70	0.80	1.00
Expected rates of salary increases (excluding promotion increases)	3.70	3.40		
Indexation	2.60	2.60	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 Bank 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: 2.6%). 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: 2.6%). 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 Bank'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-employment 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	37	268	–7	–6	–18	–8	20	–11	19	51	239
Past service cost	–11	–3	3						–16	–11	–3	–13
Net Interest cost	–9	2	–41	1	3	2	2	4	6	–6	9	–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 Bank'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.

Notes to the Consolidated annual accounts of ING Bank - continued

35 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 Bank is subject to taxation.

Changes in deferred tax

	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	22		16		–195
Pension and post-employment benefits	213	–14	–5	7		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	–220	10	113	1	–1	–97
	254	**129**	**–266**	**34**	**17**	**168**
Presented in the balance sheet as:						
– deferred tax liabilities	–872					–645
– deferred tax assets	1,126					813
	254					**168**

Changes in deferred tax

	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	–445	–293	–316	10	–20	–1,064
Real estate investments	–2					–2
Financial assets and liabilities at fair value through profit and loss	795		321	–12	8	1,112
Depreciation	–38		–5	–5	2	–46
Cash flow hedges	316	–554		5		–233
Pension and post-employment benefits	50	103	54	6		213
Other provisions	43		–11	4	6	42
Receivables	49		205	4		258
Loans and advances to customers	244	–5	–334		–41	–136
Unused tax losses carried forward	103		224	8	–5	330
Other	–144	6	–68	–12	–2	–220
	971	**–743**	**70**	**8**	**–52**	**254**
Presented in the balance sheet as:						
– deferred tax liabilities	–334					–872
– deferred tax assets	1,305					1,126
	971					**254**

Notes to the Consolidated annual accounts of ING Bank - continued

In 2014, Changes in the composition of the group and other changes included EUR 61 million as a result of the deconsolidation of ING Vysya. Reference is made to Note 50 '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 Bank 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	6	3	3	1,412	1,099	1,032	1,418	1,102	1,035
Deferred taxation	407	–127	73	–141	57	–28	266	–70	45
	413	**–124**	**76**	**1,271**	**1,156**	**1,004**	**1,684**	**1,032**	**1,080**

For the year 2015 the tax charge in the Netherlands increased with EUR 537 million (2014: decreased with EUR 200 million) to EUR 413 million (2014: negative EUR 124 million) caused by higher results (2014: lower results).

Reconciliation of the weighted average statutory income tax rate to ING Bank's effective income tax rate

	2015	2014	2013
Result before tax from continuing operations	6,415	3,855	4,233
Weighted average statutory tax rate	27.3%	29.4%	29.8%
Weighted average statutory tax amount	**1,748**	**1,132**	**1,263**
Participation exemption	–46	–44	–36
Other income not subject to tax	–160	–169	–165
Expenses not deductible for tax purposes	151	185	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	–90
Effective tax amount	**1,684**	**1,032**	**1,080**
Effective tax rate	**26.2%**	**26.8%**	**25.5%**

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 26.2%.

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	–14	103	278
Unrealised revaluations available-for-sale investments and other	111	–293	185
Realised gains/losses transferred to profit and loss (reclassifications from equity to profit and loss)	39	49	40
Changes in cash flow hedge reserve	22	–554	30
Exchange rate differences and other	–29	–48	–25
Total income tax related to components of other comprehensive income	**129**	**–743**	**508**

36 Fair value of assets and liabilities

a) Financial assets and liabilities

The following table presents the estimated fair values of ING Bank'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 Bank.

Fair value of financial assets and liabilities	Estimated fair value		Balance sheet value	
	2015	2014	2015	2014
Financial assets				
Cash and balances with central banks	21,458	12,222	21,458	12,222
Amounts due from banks	30,101	37,223	29,966	37,122
Financial assets at fair value through profit and loss				
– trading assets	131,485	136,964	131,485	136,964
– non-trading derivatives	3,216	4,303	3,216	4,303
– designated as at fair value through profit and loss	3,234	2,756	3,234	2,756
Investments				
– available-for-sale	87,000	95,401	87,000	95,401
– held-to-maturity	7,855	2,277	7,826	2,239
Loans and advances to customers	547,493	529,342	536,543	518,119
Other assets[1]	11,340	11,641	11,340	11,641
	843,182	**832,129**	**832,068**	**820,767**
Financial liabilities				
Subordinated loans	16,053	17,111	15,920	16,599
Debt securities in issue	117,860	121,928	117,556	120,959
Amounts due to banks	34,329	30,688	33,808	30,003
Customer deposits and other funds on deposit	509,334	490,329	508,740	489,281
Financial liabilities at fair value through profit and loss				
– trading liabilities	88,807	97,091	88,807	97,091
– non-trading derivatives	4,364	6,357	4,364	6,357
– designated as at fair value through profit and loss	12,616	13,551	12,616	13,551
Other liabilities[2]	11,513	12,043	11,513	12,043
	794,876	**789,098**	**793,324**	**785,884**

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.

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 Bank 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 subsordinated 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 Bank 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 Bank'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 Bank 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 Bank establishes that markets are no longer active and therefore (unadjusted) quoted prices no longer provide reliable pricing information.

Level 2 – Valuation technique supported by observable inputs

This category includes financial instruments whose fair value is 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	27,144	103,195	1,146	131,485
Non-trading derivatives	4	3,205	7	3,216
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
	109,030	**113,721**	**2,184**	**224,935**
Financial liabilities				
Trading liabilities	9,037	78,531	1,239	88,807
Non-trading derivatives		4,363	1	4,364
Financial liabilities designated as at fair value through profit and loss	1,578	10,840	198	12,616
	10,615	**93,734**	**1,438**	**105,787**

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	100,189	810	136,964
Non-trading derivatives		4,173	130	4,303
Financial assets designated as at fair value through profit and loss	346	2,320	90	2,756
Available-for-sale investments	89,101	5,727	573	95,401
	125,412	**112,409**	**1,603**	**239,424**
Financial liabilities				
Trading liabilities	11,204	84,890	997	97,091
Non-trading derivatives		6,341	16	6,357
Financial liabilities designated as at fair value through profit and loss	1,719	11,509	323	13,551
	12,923	**102,740**	**1,336**	**116,999**

Main changes in fair value hierarchy in 2014

In 2014, the change in Available-for-sale investments (Level 1) is due to an increase in Government bonds to strengthen the liquidity of the Bank. 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 investments	Total
Opening balance	810	130	90	573	1,603
Amounts recognised in the profit and loss account during the year	146	–127	–55	30	–6
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		–16	–5	–67
Transfers into Level 3	11				11
Transfers out of Level 3	–61				–61
Exchange rate differences	6			23	29
Changes in the composition of the group and other changes				–15	–15
Closing balance	**1,146**	**7**	**338**	**693**	**2,184**

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. Reference is made to Note 5 'Investments', Note 13 'Equity' and Note 50 'Other events'.

Changes in Level 3 Financial assets

2014	Trading assets	Non-trading derivatives	Financial assets designated as at fair value through profit and loss	Available-for-sale investments	Total
Opening balance	1,299	62	198	1,042	2,601
Amounts recognised in the profit and loss account during the year	–368	68	–67	20	–347
Revaluation recognised in equity during the year				7	7
Purchase of assets	270		49	97	416
Sale of assets	–219		–45	–143	–407
Maturity/settlement	–76		–45	–448	–569
Transfers into Level 3	69		48	3	120
Transfers out of Level 3	–174		–48		–222
Exchange rate differences	9			14	23
Changes in the composition of the group and other changes				–19	–19
Closing balance	**810**	**130**	**90**	**573**	**1,603**

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	1	343	1,449
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
Exchange rate differences	7			7
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	Derecognised during the year	Total
Financial assets			
Trading assets	146		146
Non-trading derivatives	–127		–127
Financial assets designated as at fair value through profit and loss	–55		–55
Available-for-sale investments	–34	64	30
	–70	**64**	**–6**
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	–368		–368
Non-trading derivatives	68		68
Financial assets designated as at fair value through profit and loss	–67		–67
Available-for-sale investments	–11	31	20
	–378	**31**	**–347**
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 2.2 billion (1.0%) which is classified as Level 3 (31 December 2014: EUR 1.6 billion, being 0.7%). 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 (1.4%) 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 2.2 billion (31 December 2014: EUR 1.6 billion), an amount of EUR 0.9 billion (42%) (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 0.4 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 0.9 billion (31 December 2014: EUR 0.7 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	128	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
				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	**2,184**	**1,438**				

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	84	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	**1,603**	**1,336**				

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)	129	
Interest rates (Rates derivatives, FX derivatives)	83	
Credit (Debt securities, Loans, structured notes, credit derivatives)	39	
Available-for-sale		
Equity	9	14
Debt	15	
	275	**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)	106	
Interest rates (Rates derivatives, FX derivatives)	115	
Credit (Debt securities, Loans, structured notes, credit derivatives)	21	
Available-for-sale		
Equity	19	28
Debt	11	
	272	**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	12,332	30,101
Held-to-maturity investments	5,739	1,951	165	7,855
Loans and advances to customers	4,815	16,703	525,975	547,493
	37,209	**31,226**	**538,472**	**606,907**
Financial liabilities				
Subordinated loans	8,633	7,420		16,053
Debt securities in issue	53,145	21,316	43,399	117,860
Amounts due to banks	7,194	19,097	8,038	34,329
Customer deposits and other funds on deposit	405,860	47,527	55,947	509,334
	474,832	**95,360**	**107,384**	**677,576**

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	12,222			12,222
Amounts due from banks	4,605	22,747	9,871	37,223
Held-to-maturity investments	580	1,615	82	2,277
Loans and advances to customers	4,060	29,278	496,004	529,342
	21,467	**53,640**	**505,957**	**581,064**
Financial liabilities				
Subordinated loans	11,114	5,915	82	17,111
Debt securities in issue	49,645	31,567	40,716	121,928
Amounts due to banks	4,643	17,781	8,264	30,688
Customer deposits and other funds on deposit	387,482	47,162	55,685	490,329
	452,884	**102,425**	**104,747**	**660,056**

b) Non-financial assets and liabilities
In addition to financial assets and liabilities, the following table presents the estimated fair values of ING Bank'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 Bank 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 investments	Property in own use	Total non-financial assets
Opening balance	55	1,143	1,198
Amounts recognised in the profit and loss account during the year	3	–80	–77
Revaluation recognised in equity during the year		–13	–13
Purchase of assets		63	63
Sale of assets		–28	–28
Reclassifications	22	–26	–4
Exchange rate differences		1	1
Changes in the composition of the group and other changes		–40	–40
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	Derecognised during the year	Total
Non-financial assets			
Real estate investments			
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	Derecognised during the year	Total
Non-financial assets			
Real estate investments	3		3
Property in own use	–58	–22	–80
	–55	**–22**	**–77**

37 Derivatives and hedge accounting

Use of derivatives and hedge accounting

As described in the sections 'Risk management – Credit risk and Market risk', ING Bank 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 Bank's hedging activities is to optimise the overall cost to the Bank 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 Bank 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 Bank 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 Bank'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 Bank 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 –1,308 million (2014: EUR 536 million) fair value changes recognised on hedged items. This resulted in EUR 65 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 Bank 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 Bank 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 Bank'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 Bank recognised EUR –200 million (2014: EUR 1,651 million) after tax in equity as effective fair value changes on derivatives under cash flow hedge accounting. As a consequence, the balance of the cash flow hedge reserve in equity as at 31 December 2015 was EUR 870 million (2014: EUR 1,108 million) gross and EUR 675million (2014: EUR 875 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 31million (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 –408 million), presented in the balance sheet as EUR 917 million (2014: EUR 1,255 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 2,876million (2014: EUR 2,644 million) and EUR 2,435 million (2014: EUR 2,261 million), respectively, relating to derivatives used in cash flow hedges.

Hedges of net investments in foreign operations

ING Bank'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).

38 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	16,206	4,141	5,152	3,502	965		29,966
Financial assets at fair value through profit and loss							
– trading assets	53,181	19,060	17,244	19,845	22,155		131,485
– non-trading derivatives	7	63	265	787	2,094		3,216
– 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	56,340	14,457	37,665	153,002	275,079		536,543
Intangible assets			189	378		1,000	1,567
Assets held for sale[2]							
Other assets	7,021	1,802	2,685	337	1,442		13,287
Remaining assets (for which maturities are not applicable)[3]						2,946	2,946
Total assets	**155,657**	**42,267**	**71,946**	**221,495**	**338,783**	**8,380**	**838,528**

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 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	12,222						12,222
Amounts due from banks	20,866	6,754	4,581	4,313	608		37,122
Financial assets at fair value through profit and loss							
– trading assets	47,925	17,676	21,458	22,836	27,069		136,964
– non-trading derivatives	222	137	198	1,142	2,604		4,303
– designated as at fair value through profit and loss	656	580	736	448	336		2,756
Investments							
– available-for-sale	1,246	3,501	6,394	38,482	43,060	2,718	95,401
– held-to-maturity	90	883	251	658	357		2,239
Loans and advances to customers	60,469	14,648	33,204	135,725	274,073		518,119
Intangible assets			191	383		1,081	1,655
Assets held for sale[2]			729				729
Other assets	7,008	1,551	3,108	951	1,433		14,051
Remaining assets (for which maturities are not applicable)[3]						3,041	3,041
Total assets	**150,704**	**45,730**	**70,850**	**204,938**	**349,540**	**6,840**	**828,602**

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 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.

39 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 appliciable	Adjust-ment[2]	Total
Subordinated loans				117	8,128	7,248	427	15,920
Debt securities in issue	8,772	25,308	15,383	42,478	22,772		2,843	117,556
Amounts due to banks	14,835	1,094	2,370	11,021	4,488			33,808
Customer deposits and other funds on deposit	444,492	28,646	24,221	8,892	2,462		27	508,740
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	2,235	157		604	4,364
– designated as at fair value through profit and loss	207	452	1,374	4,835	6,089		–341	12,616
Financial liabilities	**506,376**	**65,015**	**52,939**	**87,537**	**64,031**	**7,248**	**–1,335**	**781,811**
Other liabilities	6,820	1,944	4,576	719	1,163			15,222
Non-financial liabilities	**6,820**	**1,944**	**4,576**	**719**	**1,163**			**15,222**
Total liabilities	**513,196**	**66,959**	**57,515**	**88,256**	**65,194**	**7,248**	**–1,335**	**797,033**
Coupon interest due on financial liabilities[3]	3,078	1,602	4,947	16,413	8,278			34,318

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 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 appliciable	Adjust-ment[2]	Total
Subordinated loans			889	860	8,635	5,727	488	16,599
Debt securities in issue	3,304	26,487	22,161	40,343	25,180		3,484	120,959
Amounts due to banks	15,063	1,984	1,490	7,180	4,286			30,003
Customer deposits and other funds on deposit	425,841	27,995	23,806	9,195	2,406		38	489,281
Financial liabilities at fair value through profit and loss								
– other trading liabilities	33,363	6,746	2,503	1,789	3,490		1,181	49,072
– trading derivatives	3,330	3,300	8,119	18,897	18,796		–4,423	48,019
– non-trading derivatives	473	171	1,101	3,283	1,975		–646	6,357
– designated as at fair value through profit and loss	368	549	1,250	5,110	5,979		295	13,551
Financial liabilities	**481,742**	**67,232**	**61,319**	**86,657**	**70,747**	**5,727**	**417**	**773,841**
Other liabilities	6,915	1,960	4,365	1,393	1,442			16,075
Non-financial liabilities	**6,915**	**1,960**	**4,365**	**1,393**	**1,442**			**16,075**
Total liabilities	**488,657**	**69,192**	**65,684**	**88,050**	**72,189**	**5,727**	**417**	**789,916**
Coupon interest due on financial liabilities[3]	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 As of 2015, Coupon interest due on financial liabilities no longer includes coupon interest due on perpetual loans. Comparative amounts are adjusted accordingly.

40 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 (2014: 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 41 'Transfer of financial assets'.

41 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 47 '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).

42 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.

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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		Net amount
					Financial instruments	Cash and financial instruments received as collateral	
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					Related amounts not offset in the balance sheet		
		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	Financial instruments	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.

43 Contingent liabilities and commitments

In the normal course of business, ING Bank is party to activities where risks are not reflected in whole or in part in the consolidated financial statements. In response to the needs of its customers, the Bank offers financial products related to loans. These products include traditional off-balance sheet credit-related financial instruments.

Contingent liabilities and commitments

2015	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Contingent liabilities in respect of						
– discounted bills						
– guarantees	16,813	494	465	1,121	3,299	22,192
– 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**	**3,305**	**33,598**
Irrevocable facilities	49,133	1,458	6,407	36,255	5,125	98,378
	73,637	**4,017**	**8,265**	**37,627**	**8,430**	**131,976**

Contingent liabilities and commitments

2014[1]	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Contingent liabilities in respect of						
– guarantees	16,433	556	698	981	3,728	22,396
– irrevocable letters of credit	6,627	3,856	1,356	333	6	12,178
– other	364	13	40	8		425
	23,424	**4,425**	**2,094**	**1,322**	**3,734**	**34,999**
Irrevocable facilities	39,371	7,673	5,090	25,328	4,884	82,346
	62,795	**12,098**	**7,184**	**26,650**	**8,618**	**117,345**

1 Excludes commitments and contingent liabilities related to businesses classified as held for sale, being ING Vysya.

Guarantees relate both to credit and non-credit substitute guarantees. Credit substitute guarantees are guarantees given by ING Bank in respect of credit granted to customers by a third party. Many of them are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows. In addition to the items included in contingent liabilities, ING Bank 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 Bank'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.

Irrevocable facilities mainly constitute unused portions of irrevocable credit facilities granted to corporate clients. Many of these facilities are for a fixed duration and bear interest at a floating rate. ING Bank's credit risk and interest rate risk in these transactions is limited. The unused portion of irrevocable credit facilities is partly secured by customers' assets or counter-guarantees by the central governments and 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 Banks 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	513	304

1 Excludes future rental commitments related to businesses classified as held for sale. (2014: ING Vysya).

44 Legal proceedings

ING Bank 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 Bank 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.

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.

45 Companies and business acquired and divested

Acquisitions and Divestments effective in 2015

There were no significant acquisitions or divestments in 2015.

For details on the transactions in 2015 with regard to ING's interest in ING Vysya, reference is made to Note 11 'Assets held for sale', Note 7 'Investments in associates and joint ventures' and Note 50 'Other events'.

Acquisitions and Divestments effective in 2014

There were no significant acquisitions or divestments in 2014.

For details on the transactions in 2014 with regard to ING's interest in ING Vysya reference is made to Note 50 'Other events'.

Acquisitions effective in 2013

There were no significant acquisitions in 2013.

Divestments effective in 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, formerly named Retail Rest of World.

WestlandUtrecht Bank
The partial transfer of WestlandUtrecht Bank's assets and liabilities, in which the commercial operations of WestlandUtrecht Bank will be combined with the retail banking activities of Nationale-Nederlanden, was announced in November 2012. On 1 July 2013 EUR 3.8 billion of WestlandUtrecht Bank's Dutch mortgage portfolio, EUR 0.1 billion of consumer lending and EUR 3.7 billion of Dutch savings portfolio were transferred to Nationale-Nederlanden Bank. To service existing WestlandUtrecht Bank labelled mortgages, insurance policies and real estate finance agreements, part of WestlandUtrecht Bank became a separate entity within ING Retail Banking Netherlands. In addition approximately 400 of WestlandUtrecht Bank's employees were transferred to Nationale-Nederlanden Bank. All assets and liabilities were transferred at the existing carrying value as included in ING Bank's balance sheet. This transaction was completed on 1 July 2013.

In addition, during the second half of 2013 a further amount of EUR 4.2 billion of Dutch mortgages were transferred from WestlandUtrecht Bank to NN Group. The transfers were made at an arm's length pricing.

Most significant companies divested in 2013

	ING Direct UK	Total
Sales proceeds		
Cash proceeds[1]	–7,186	–7,186
Sales proceeds	–7,186	–7,186
Assets		
Cash and cash equivalents[1]	290	290
Loand and advances to customers	6,437	6,437
Miscellaneous other assets	24	24
Liabilities		
Customer deposits and other funds on deposits	13,701	13,701
Miscellaneos other liabilities	32	32
Net assets	–6,982	–6,982
% disposed	100	
Net assets disposed	–6,982	–6,982
Gain/loss on disposal[2]	–250	–250

1 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.
2 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.

46 Principal subsidiaries
For the majority of ING Bank'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 Bank is based on the majority of ownership.

The principal subsidiaries of ING Bank 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 Bank	
		2015	2014
Subsidiary	**Country**		
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%

47 Structured entities

ING Bank's activities involve transactions with various structured entities ('SE') in the normal course of its business. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. ING Bank's involvement in these entities varies and includes both debt financing and equity financing of these entities as well as other relationships. Based on its accounting policies, 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 Bank as all assets and liabilities of these entities are included and off-balance sheet commitments are disclosed.

ING's activities involving structured entities are explained below in the following categories:
1 Consolidated ING originated 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 Bank enters into liquidity management securitisation programmes in order to obtain funding and improve liquidity. Within the programme ING Bank sells ING originated assets to a structured entity. The underlying exposures include residential mortgages 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 Bank acts as investor of the securitised notes. As there are limited transfer of risks and rewards, ING Bank 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 Bank 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 Bank. ING Bank 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 Bank has entered into a covered bond programme. Under the covered bond programme ING issues bonds. The payment of interest and principal is guaranteed by 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 Bank.

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 Bank.

3. Consolidated ING sponsored Securitisation programme ('Mont Blanc')

In the normal course of business, ING Bank structures financing transactions for its clients by assisting them in obtaining sources of liquidity by selling (also referred to as 'factoring') the clients' receivables or other financial assets to an ING sponsored SPE.

The transactions are funded by the ING Bank 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 Bank. ING Bank 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 Bank 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 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, 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 Bank credit and liquidity risk analysis procedures. The fees received for services provided and for facilities are charged subject to market conditions.

4. Unconsolidated Securitisation programme

In 2013 ING transferred financial assets (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 Bank enters into transactions with structured entities as counterparty. Predominantly in its structured finance operations, ING can be instrumental in facilitating the creation of these structured entity counterparties. These entities are generally not included in the consolidated financial statements of ING Bank, as ING facilitates these transactions as administrative agent by providing structuring, accounting, funding, lending and operation services.

ING Bank offers various investment fund products to its clients. ING Bank does not invest in these investment funds for its own account nor acts as the fund manager.

48 Related parties

In the normal course of business, ING Bank enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of ING Bank include, 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.

Transactions between ING Bank N.V. and its subsidiaries are eliminated on consolidation. Reference is made to Note 46 'Principal subsidiaries' for a list of principal subsidiaries and their statutory place of incorporation. ING Bank together with NN Group forms the ING Group. ING Bank also enters into transactions with ING Group, NN Group and its subsidiaries. These transactions vary from financing activities to regular purchases and sales transactions. Disclosed in the table below, are transactions with ING Groep N.V. and NN Group N.V.

Transactions with ING Groep N.V. and NN Group N.V.

	ING Groep N.V.		NN Group N.V.	
	2015	2014	2015	2014
Assets	286	133		748
Liabilities	15,608	9,944		1,679
Off-balance sheet commitments				
Income received	–297	162	15	57
Expenses paid	0	507	8	49

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 by ING Group. For the year ended 2015, NN Group remained a related party of ING Bank N.V.

Liabilities to ING Groep N.V. mainly comprise long-term funding. Liabilities to NN Group N.V. mainly comprise short-term deposits and private loans made by NN Group N.V.

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 49 '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.

Associates and joint ventures

Transactions with ING Bank's main associates and joint ventures

	Associates		Joint ventures	
	2015	2014	2015	2014
Assets	1,803	2	5	0
Liabilities	616	38		4
Off-balance sheet commitments	66			
Income received	–213			
Expenses paid				

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.

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 now 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 held for sale' and Note 50 'Other events'.

Key management personnel compensation

Transactions with key management personnel (Executive Board, Management Board and Supervisory Board) and post-employment benefit plans are transactions with related parties. For post-employment benefit plans, reference is made to Note 34 'Pension and other post-employment benefits'.

In 2015 and 2014, three members of the Management Board of ING Bank were also members of the Executive Board of ING Groep N.V.

The total remuneration of the Executive Board of ING Groep N.V. and the Supervisory Board is borne by ING Groep N.V. The remuneration of the members and former members of the Executive Board and Supervisory Board are charged in full by ING Group to its subsidiaries, on the basis of a general allocation formula.

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 Board)

2014 in EUR thousands	Executive Board of ING Groep N.V.[1]	Management Board of ING Bank[1,2,3,4]	Total
Fixed Compensation			
– Base salary	2,814	3,480	6,294
– Pension costs	575	920	1,495
– Severance benefits		765	765
Variable compensation			
– Upfront cash		544	544
– Upfront shares		544	544
– Deferred cash		816	816
– Deferred shares		816	816
Total compensation	**3,389**	**7,885**	**11,274**

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, one new Management Board member received a 'sign on award' consisting of a cash amount and shares with a total value of EUR 250,000 at the grant date. The awards vest in the years 2014 - 2017, of which EUR 100,000 in 2014 and EUR 150,000 in the years 2015 - 2017.

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 N.V.	532	250	2.6%	3.4%	68	
Supervisory Board members	0	0				
Total	**3,531**	**3,429**			**68**	**348**

The disclosures relating to remuneration of the Supervisory Board reflect the amounts relating to ING Group as a whole.

In 2015, the total remuneration costs amounted to EUR 3.5 million (2014: EUR EUR 3.4 million) for members and former members of the Executive Board, of these remuneration costs EUR 3.5 million (2014: EUR 2.6 million) was allocated to ING Bank. The total remuneration costs amounted EUR 0.8 million (2014: EUR 1.0 million) for members and former members of the Supervisory Board, of these remuneration costs EUR 0.8 million (2014: EUR 0.7 million) was allocated to ING Bank.

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. 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.

49 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 36 '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.

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;
- 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;
- 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 held for sale', Note 45 'Companies and businesses acquired and divested' and Note 50 '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.

50 Other events
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 36 'Fair value of assets and liabilities'.

Regulatory costs
ING Bank 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-pots 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 Belgian and Polish law.

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 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'.

Poland Pension Fund

In 2015, the remaining stake in the Polish Pension Fund, was sold resulting in a gain on the investment in associate held for sale of EUR 25 million which is recognised in 'Share of results from associates and joint ventures' in the the profit and loss account. Reference is made to Note 7 'Investments in associates and joint ventures' and Note 11 'Assets held for sale'.

In 2014, NN Group reached an agreement with ING Bank Slaski to acquire the remaining 20% stake in the Polish Pension Fund, Powszechne Towarzystwo Emerytalne S.A (ING PTE) in which NN Group held 80% of the shares for a consideration of PLN 210 million (approximately EUR 48 million at prevailing exchange rates at that time). As previously announced, the parties entered into a non-binding agreement in May 2014, in line with the EC restructuring plan which requires ING Group to divest its insurance and investment management businesses. The purchase price was supported by a fairness opinion and was subject to adjustments for dividends paid before closing the transaction.

Risk management

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

Credit risk

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Market risk is the risk of potential loss due to adverse movements in market variables.	Governance	191	
	RWA comparison		278
	Economic capital	191	
	Market risk in banking books	192	
	Market risk in trading books	199	
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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	204	
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	Funding and Liquidity profile	208	
	Liquidity buffer		280
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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	208	
	Framework	209	
	Operational risk and main developments	210	
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	211	
	Non-financial risk awareness	213	

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	213	
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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

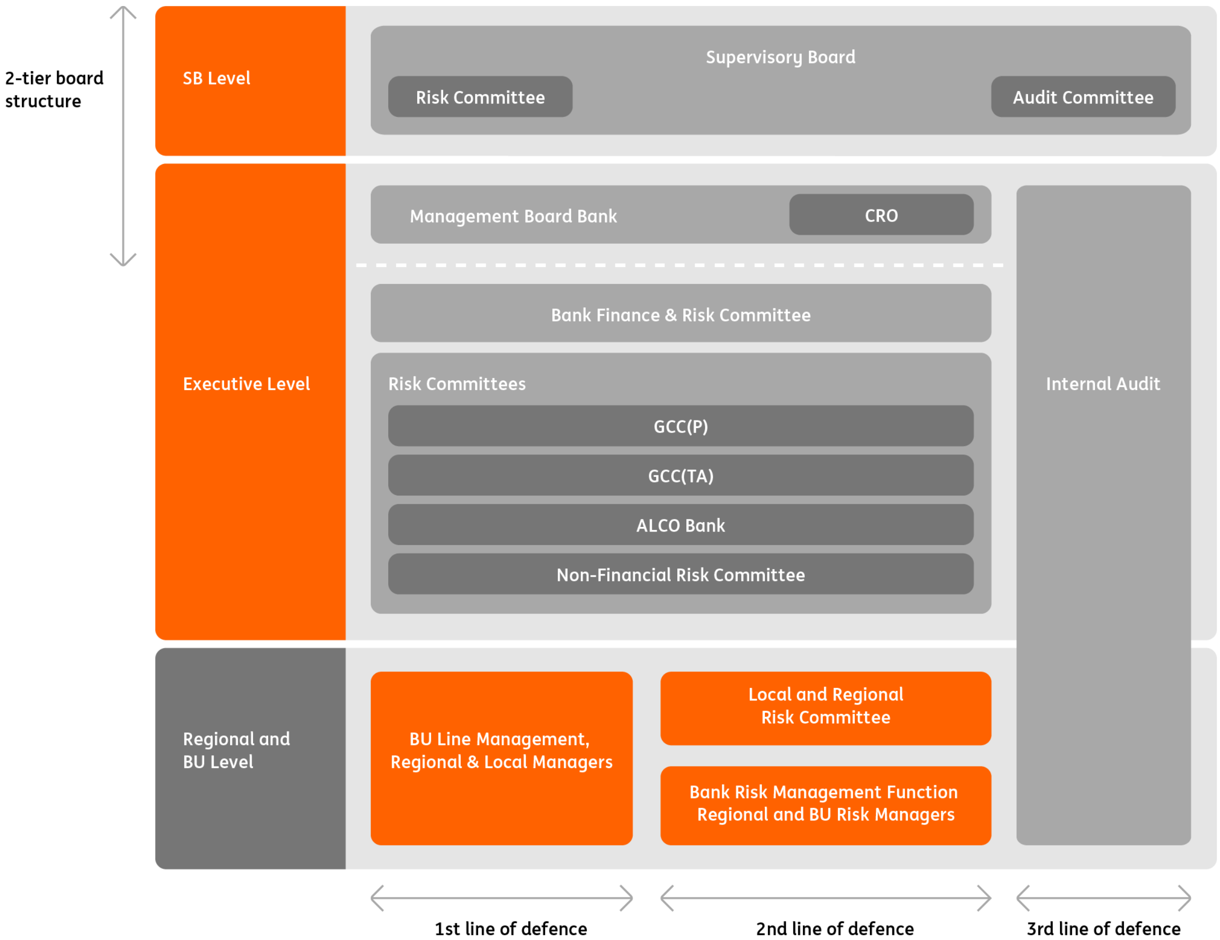
Governance model

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.

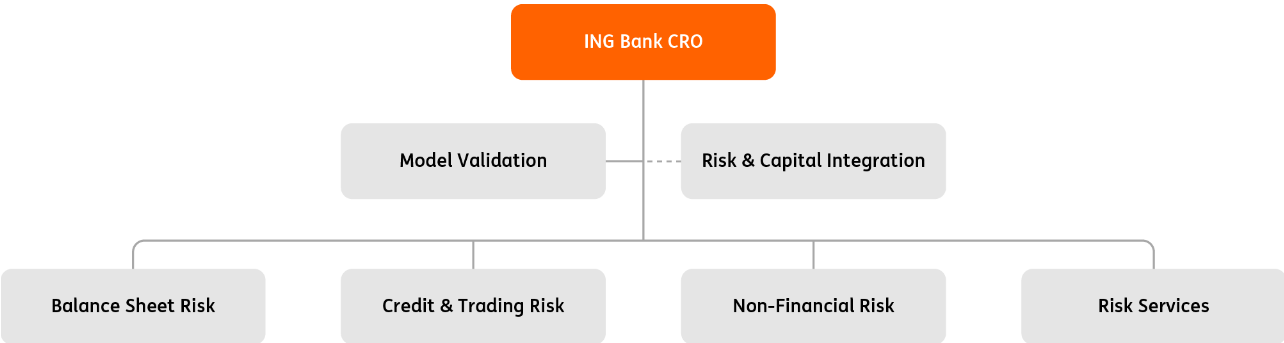
Regional and business unit level
ING Bank's regional and business unit management have primary responsibility for the management of risks (credit, market, funding and liquidity, operational, legal and compliance risks) that arise in their daily operations. They are accountable, together with their employees, 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;
- 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.

ING Bank

Business lines	**Retail Benelux**	**Retail Challengers & Growth Markets**	**Wholesale Banking**	**Corporate Line**
Business activities	• Savings • Residential mortgages • Payment accounts • Investment products • Consumer lending • SME/business lending	• Savings • Residential mortgages • Payment accounts • Investment products • Consumer lending • SME/business lending	• Lending • Debt markets • Payments and cash management • Structured Finance • Commercial Finance • Equity Markets • Financial Markets	• Capital management • Funding
Economic Capital	Total: EUR 9.2 Of which: Credit risk: EUR 5.9 Market risk: EUR 0.6 Business risk: EUR 1.2 Operational risk: EUR 1.5	Total: EUR 10.7 Of which: Credit risk: EUR 4.9 Market risk[1]: EUR 4.0 Business risk: EUR 1.0 Operational risk: EUR 0.8	Total: EUR 12.1 Of which: Credit risk: EUR 8.6 Market risk: EUR 0.9 Business risk: EUR 0.3 Operational risk: EUR 2.3	Total: EUR 3.9 Of which: Credit risk: EUR 0.7 Market risk[2]: EUR 3.1 Business risk: EUR 0.0 Operational risk: EUR 0.1
Risk-weighted assets (phased in)	Total: EUR 89.5 Of which: Credit: EUR 76.1 Market: EUR 0.1 Operational: EUR 13.3	Total: EUR 73.6 Of which: Credit: EUR 64.8 Market: EUR 1.0 Operational: EUR 7.8	Total: EUR 152.4 Of which: Credit: EUR 122.4 Market: EUR 8.5 Operational: EUR 21.5	Total: EUR 2.7 Of which: Credit: EUR 2.1 Market: EUR 0.1 Operational EUR 0.5
Risk profile	**Credit risk, market risk, funding & liquidity risk, non-financial risk (operational and compliance), business risk**			

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.

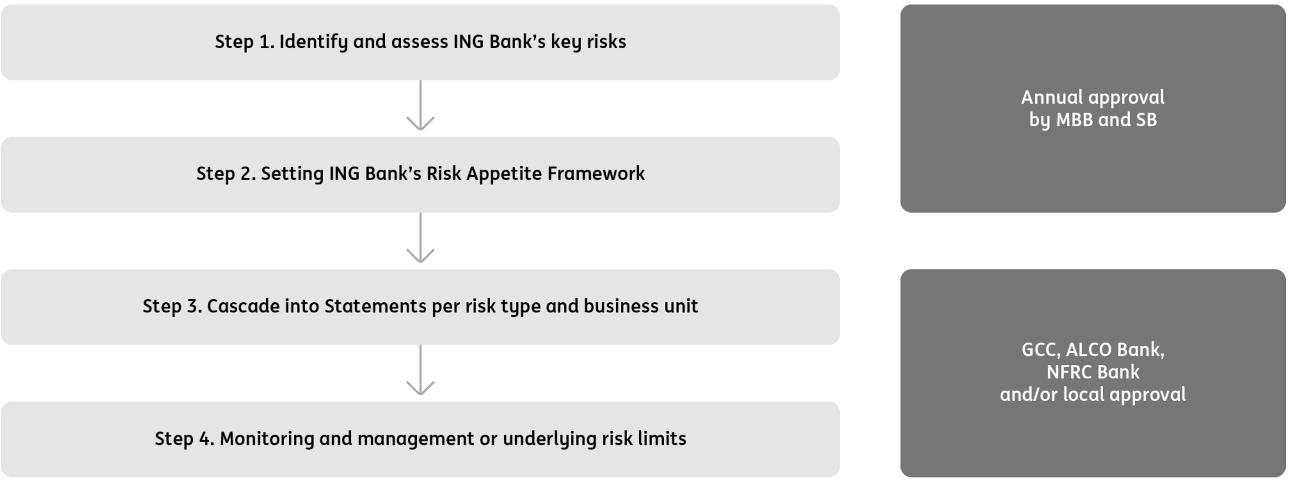
The importance of a risk is assessed based on the likelihood the risk materialises and the subsequent financial or reputational impact should the risk occur. Unlikely risks with a potentially high impact need to be controlled. For a risk that is likely to happen regularly, but is expected to have a modest 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,
- 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.

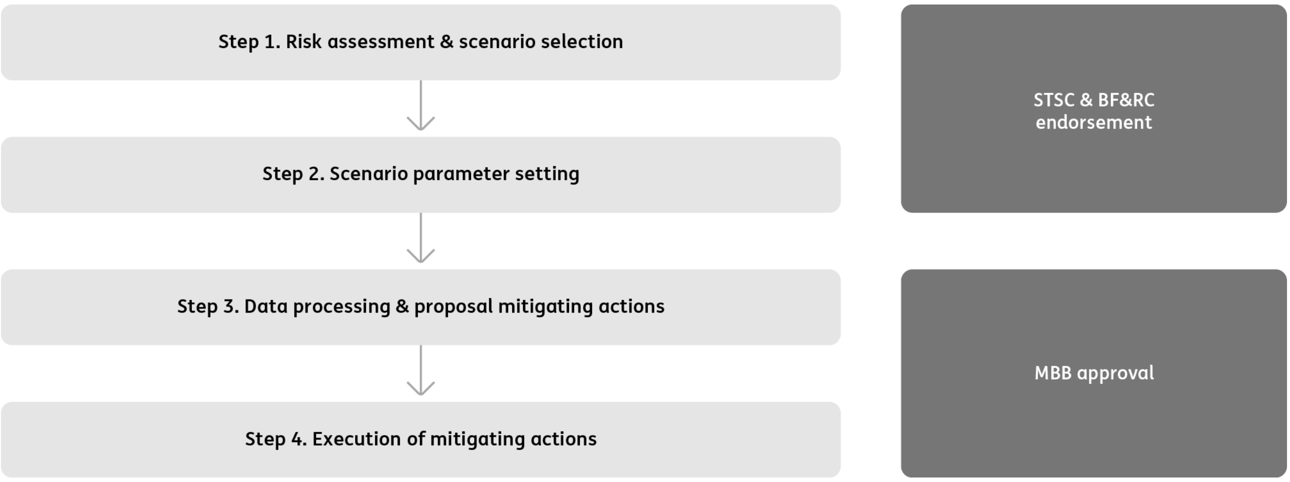
Stress testing
Stress testing is an important risk management tool that supports the MBB with respect to strategic and capital planning. The purpose of stress testing is to investigate whether ING Bank will be able to meet its solvency and liquidity requirements in severe but plausible stress scenarios. 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

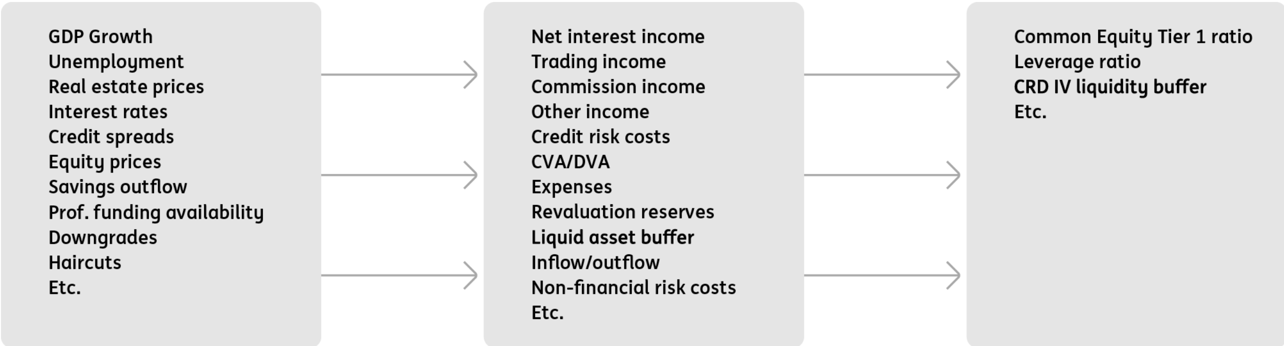
ING Bank formally determines its main risks on an annual basis based on the current economic situation, political and regulatory developments and developments in portfolios. Senior management, business representatives and risk specialists are involved in this process. Based on the risk assessment, relevant 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;
- 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:

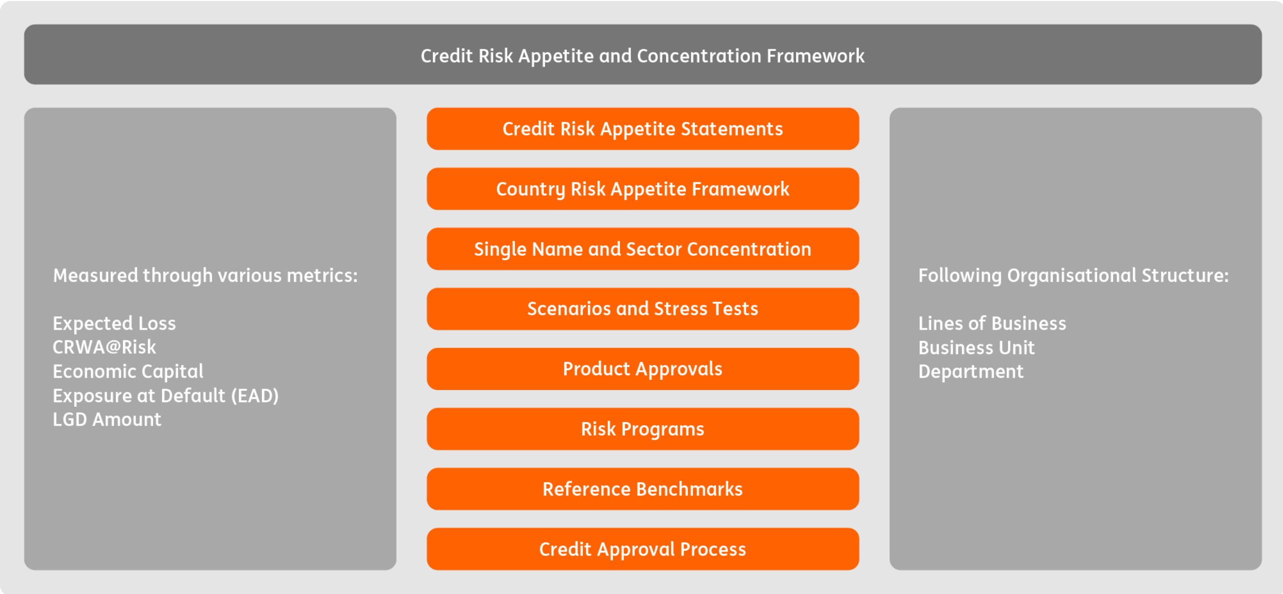
- **Pre-settlement risk (PS)**: arises when a counterparty defaults on a transaction before settlement and ING Bank has to replace the contract by a trade with another counterparty at the then prevailing (possibly unfavourable) market price. The pre-settlement risk (potential or expected risk) is the 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.

Notes to the Consolidated annual accounts of ING Bank - continued



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;
- 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);
- 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;
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;
- 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;
- **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.

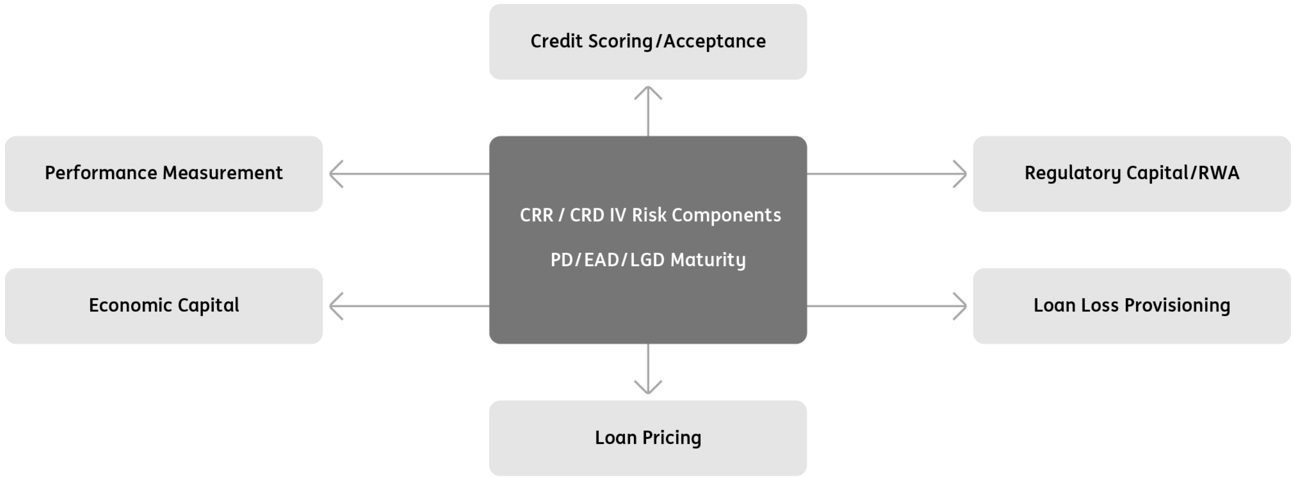
Pre-Settlement measurement models.

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;
- **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.

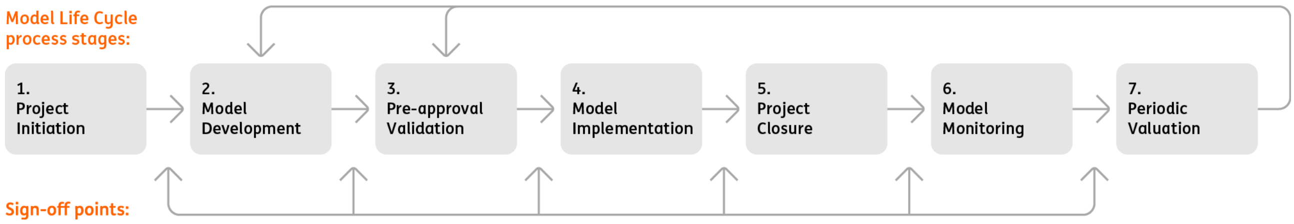
In addition to the two approaches, ING recognises that certain trading products that are outside of this scope may be deemed insufficiently accurate. For example, highly structured or exotic derivative transactions may differ significantly from the generic transactions used to calculate the add-ons. 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; and
- **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.
- **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.
- *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;
- 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;
  - 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;
  - the downgrading of a Borrower's external rating;
- 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;
  - restructuring the debt to a sustainable situation.
- **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).
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.
- 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;
- 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.
- 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;
- 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

Region		2015 Forborne assets	2015 Of which: Performing	2015 Of which: Non-Performing	2014 Forborne assets	2014 Of which: Performing	2014 Of which: Non-Performing
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 Forborne assets	2015 Of which: Performing	2015 Of which: Non-Performing	2014 Forborne assets	2014 Of which: Performing	2014 Of which: Non-Performing
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
	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
Europe	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-standings	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.

Notes to the Consolidated annual accounts of ING Bank - continued

Cover values including guarantees received - Business Lending portfolio – 2014[1,2]

		Cover type					Value to Loan					
Industry	Out-standings	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		Outstandings	Mortgages	Eligible Financial Collateral	Other CRR/CRD IV eligible	Guarantees	Non CRR/CRD IV eligible	No Cover	>0% - 25%	>25%-50%	>50% - 75%	>75% - <100%	≥ 100%
			Cover type					Value to Loan					
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		Outstandings	Mortgages	Eligible Financial Collateral	Other CRR/CRD IV eligible	Guarantees	Non CRR/CRD IV eligible	No Cover	>0% - 25%	>25%-50%	>50% - 75%	>75% - <100%	≥ 100%
			Cover type					Value to Loan					
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]

		2015	Cover type					2014	Cover type				
Investment and Money Market		Out-standings	Mort-gages	Eligible Financial Colla-teral	Other CRR/CRD IV eligible	Guaran-tees	Non CRR/CRD IV eligible	Out-standings	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					
Europe	Germany	20,914						25,730		0	0	614	0
Europe	Netherlands	11,295						10,723		6		0	0
Europe	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.
- 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
- 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

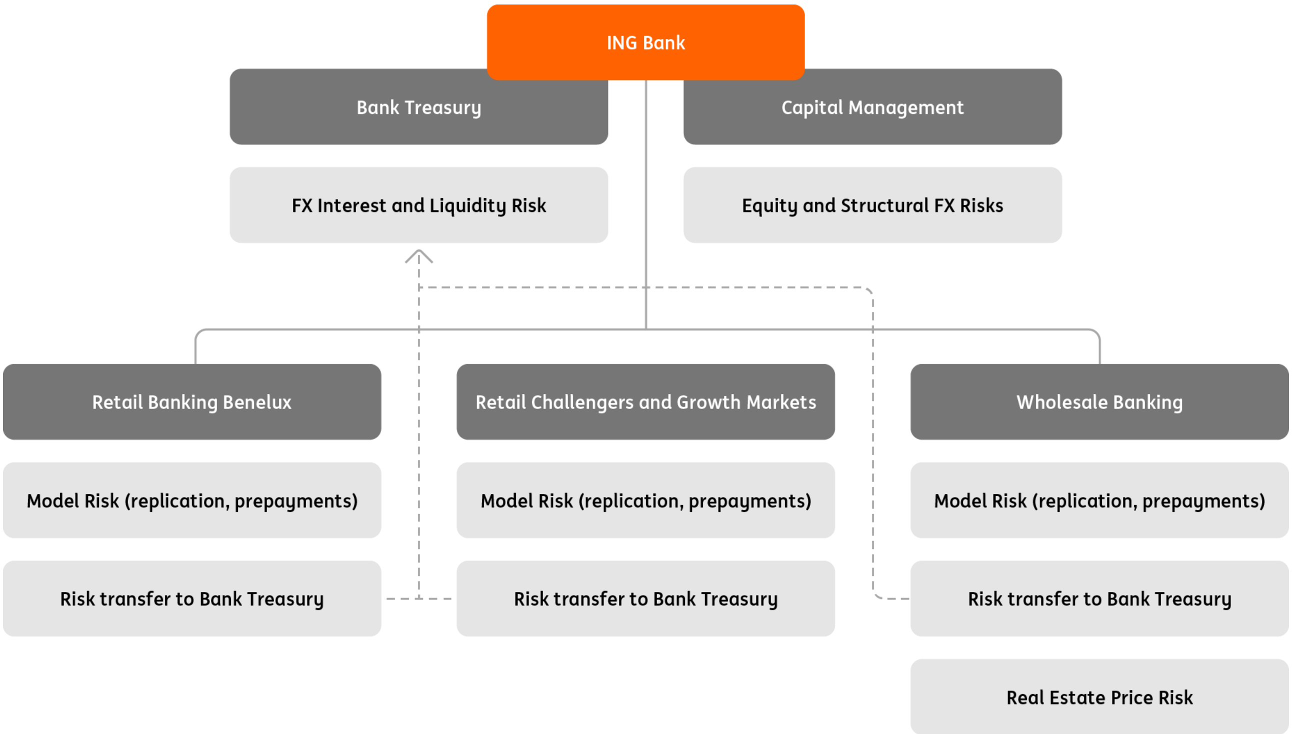
During 2015, market risk economic capital increased from EUR 7.4 billion to EUR 8.6 billion. The main driver of the increase is the increased value of the Bank of Beijing equity stake which increased both the Equity Investments exposure as well as increased FX risk due to the enlarged CNY mismatch position. 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);
- 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 36 '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 36 '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.

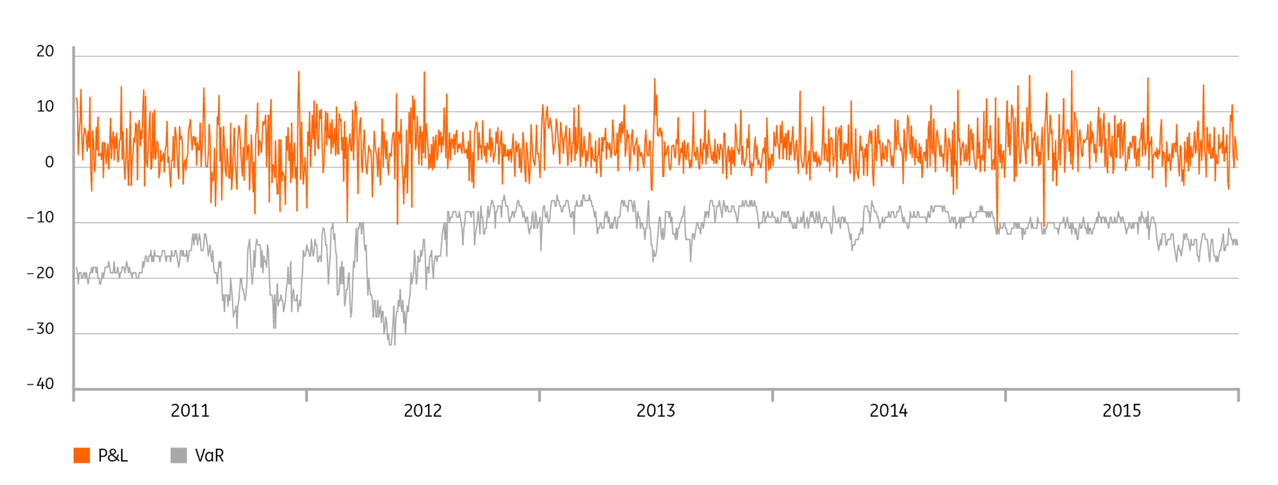
Event risk
Event risk is a valuable risk management tool. Event risk evaluates the bank's financial stability under severe but plausible stress scenarios and assists in decision-making that assures the bank to remain a financially healthy going concern institution after a severe event occurs. In addition 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]

amounts in millions of euros	Minimum		Maximum		Average		Year end	
	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

amounts in millions of euros			2015	2014
	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

amounts in thousands of euros		2015 Corporate	2015 Financial Institutions	2014 Corporate	2014 Financial Institutions
Credit Spread (CS01[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.
- *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;
- 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 38 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.
- 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.
- 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.
- 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.
- 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;
- *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).

- *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.
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;
- 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
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.

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 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.

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
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 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%.

Main credit ratings of ING at 31 December 2015

	Standard & Poor's		Moody's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
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 Management Board Banking

R.A.J.G. (Ralph) Hamers, CEO, chairman of the Management Board Banking
J.V. (Koos) Timmermans, vice-chairman and Head of Market Leaders
P.G. (Patrick) Flynn, CFO
W.F. (Wilfred) Nagel, CRO
R.M.M. (Roel) Louwhoff, COO
W.L. A. (Bill) Connelly, head of Wholesale Banking
A. (Aris) Bogdaneris, head of Challengers & Growth Markets

Parent company balance sheet

as at 31 December before appropriation of result

in EUR million	2015	2014
Assets		
Cash and balances with central banks 1	12,491	5,174
Short-dated government paper 2	2,969	4,527
Amounts due from banks 3	69,074	74,717
Loans and advances to customers 4	323,013	300,829
Debt securities 5		
– available-for-sale	25,481	25,445
– held-to-maturity	4,719	2,045
– trading	12,215	18,396
Equity securities 6		
– available-for-sale	2,784	2,269
– trading	5,874	6,956
Investments in group companies 7	32,609	32,488
Investments in associates and joint ventures 8	652	600
Intangible assets 9	886	1,020
Equipment 10	463	500
Other assets 11	56,580	72,626
Total assets	**549,810**	**547,592**
Liabilities		
Amounts due to banks 12	44,835	41,153
Customer deposits and other funds on deposit 13	262,111	253,457
Debt securities in issue	120,034	118,532
Other liabilities 14	64,964	78,482
General provisions 15	620	707
Subordinated loans 16	16,389	17,197
Total liabilities	**508,953**	**509,528**
Equity 17		
Share capital	525	525
Share premium	16,542	16,542
Revaluation reserves	3,477	3,144
Legal and statutory reserves	2,315	2,343
Other reserves	13,470	12,849
Unappropriated result	4,528	2,661
Total equity	**40,857**	**38,064**
Total liabilities and equity	**549,810**	**547,592**

References relate to the accompanying notes. These form an integral part of the parent 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	3,400	2,669
Other results after taxation	1,259	75
Net result	**4,659**	**2,744**

Parent company statement of changes in equity

in EUR million	Share capital	Share premium	Revaluation reserves	Legal and statutory reserves	Other reserves	Unappro-priated result	Total
Balance as at 1 January 2014	**525**	**16,542**	**491**	**–1,163**	**14,878**	**1,532**	**32,805**
Remeasurement of the net defined benefit asset/liability			213	–301			–88
Unrealised revaluations property in own use			–1	–28			–29
Unrealised revaluations available-for-sale and other			1,222	640			1,862
Realised gains/losses transferred to profit and loss account			–36	–85			–121
Changes in cash flow hedge reserve			1,255	396			1,651
Exchange rate differences and other				410			410
Total amount recognised directly in equity			**2,653**	**1,032**			**3,685**
Net result				83		2,661	2,744
			2,653	**1,115**		**2,661**	**6,429**
Transfer to retained earnings					1,532	–1,532	
Dividends					–1,225		–1,225
Employee stock options and share plans					55		55
Changes in composition of the group and other changes				2,391	–2,391		
Balance as at 31 December 2014	**525**	**16,542**	**3,144**	**2,343**	**12,849**	**2,661**	**38,064**
Remeasurement of the net defined benefit asset/liability			3	61			64
Unrealised revaluations property in own use			2	33			35
Unrealised revaluations available-for-sale and other			525	–227			298
Realised gains/losses transferred to profit and loss account			–32	15			–17
Changes in cash flow hedge reserve			–165	–35			–200
Exchange rate differences and other				84			84
Total amount recognised directly in equity			**333**	**–69**			**264**
Net result				131		4,528	4,659
			333	**62**		**4,528**	**4,923**
Transfer to retained earnings					2,661	–2,661	
Dividends					–2,200		–2,200
Employee stock options and share plans					70		70
Changes in composition of the group and other changes				–90	90		
Balance as at 31 December 2015	**525**	**16,542**	**3,477**	**2,315**	**13,470**	**4,528**	**40,857**

Changes in individual components are presented in Note 17 'Equity'.

Accounting policies for the parent company annual accounts

Basis of presentation

The parent company accounts of ING Bank N.V. are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Dutch Civil Code. In accordance with subsection 8 of section 362, Book 2 of the Dutch Civil Code, the recognition and measurement principles applied in 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 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 including those related to cash flow hedges 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;
- 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 Bank N.V. 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 venture reserve', the 'Currency translation reserve', 'Statutory reserves' and 'Capitalised software'. 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' and the part that relates to pension plans of ING Bank is included in the Revaluation reserve. The changed presentation improves transparency of disclosures on the legal reserves and the non-distributable reserves. The 2014 comparatives were restated accordingly.

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

Assets

1 Cash and balances with central banks

Amounts held at central banks amount to EUR 11,886 million (2014: EUR 4,586 million). In 2015, the increase in Amounts held at central banks is mainly as a result of excess liquidity resulting in higher placements with central banks mainly in the Netherlands and Japan.

2 Short-dated government paper

Short-dated government paper includes international government paper amounting to EUR 2,868 million (2014: EUR 3,837 million) for the company.

3 Amounts due from banks

Amounts due from banks

	2015	2014
Non-subordinated receivables from:		
Group companies	17,156	19,340
Third parties	51,823	55,317
	68,979	**74,657**
Subordinated receivables from:		
Group companies	31	
Third parties	64	60
	69,074	**74,717**

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 28,311 million (2014: EUR 27,652 million).

4 Loans and advances to customers

Loans and advances to customers

	2015	2014
Non-subordinated receivables from:		
ING Groep N.V.		
Group companies	54,608	51,826
Third parties	268,354	248,171
	322,962	**299,997**
Subordinated receivables from:		
Group companies	51	832
	323,013	**300,829**

As at 31 December 2015, assets held under finance lease contracts amounts to EUR 8 million (2014: EUR 11 million).

As at 31 December 2015, the receivables included in Loans and advances to customers that are part of the trading portfolio amounts to EUR 19,609 million (2014: EUR 14,224 million).

Loans and advances to customers includes receivables with regard to securities which have been acquired in reverse repurchase transactions amounting to EUR 19,073 million (2014: EUR 14,527 million) for the company.

5 Debt securities

Debt securities by issuer	2015	2014
Public sector	32,720	35,155
Other	9,695	10,731
	42,415	**45,886**

Debt securities analysed by listing	2015	2014
Listed	40,489	44,040
Unlisted	1,926	1,846
	42,415	**45,886**

Debt securities – subordinated and non-subordinated	2015	2014
Non-subordinated debt securities issued by:		
Group companies		179
Third parties	42,415	45,707
	42,415	**45,886**

Changes in debt securities (available-for-sale)	2015	2014
Opening balance	25,445	15,600
Additions	9,540	21,071
Amortisation	–18	–3
Transfers and reclassifications	–848	
Gains/(losses) from change in fair value	–315	2,266
Disposals and redemptions	–8,761	–15,504
Exchange rate differences	446	346
Changes in the composition of the group and other changes	–8	1,669
Closing balance	**25,481**	**25,445**

In 2015, included in Transfers and reclassifications is EUR –848 million related to transfers and reclassifications to Held-to-maturity investments.

As at 31 December 2015, the cost of the trading debt securities amounts to EUR 12,215 million (2014: EUR 18,396 million).

As at 31 December 2015, an amount of EUR 22,876 million (2014: EUR 21,608 million) is expected to be settled after more than one year from the balance sheet date.

Debt securities temporarily sold in repurchase transactions amounts to EUR 1,575 million as at 31 December 2015 (2014: EUR 5,569 million).

Borrowed debt securities are not recognised in the balance sheet and amounts to nil (2014: nil) as at 31 December 2015.

6 Equity securities

Equity securities analysed by listing

	2015	2014
Listed	8,480	9,072
Unlisted	178	153
	8,658	**9,225**

Changes in equity securities (available-for-sale)

	2015	2014
Opening balance	2,269	1,264
Additions	28	1
Changes in the composition of the group		1
Gains/(losses) from change in fair value	539	1,018
Provision for impairments	–1	–2
Disposals	–51	–14
Exchange rate differences		1
Closing balance	**2,784**	**2,269**

The cost or purchase price of the shares in the trading portfolio approximates their fair value. As at 31 December 2015 the cost or purchase price of shares in the available-for-sale portfolio is EUR 2,476 million lower (2014: EUR 1,987 million lower) than the carrying amount.

7 Investments in group companies

Investments in group companies

	2015		2014	
	Interest held (%)	Balance sheet value	Interest held (%)	Balance sheet value
ING België N.V.	100%	9,817	100%	10,018
ING Holding Deutschland GMBH	100%	8,382	100%	8,227
ING Bank (Australia) Limited	100%	2,350	100%	2,373
ING Financial Holdings Corporation	100%	2,359	100%	2,096
ING Bank Slaski S.A.	75%	1,844	75%	1,805
WestlandUtrecht Bank N.V. [1]			100%	1,071
ING Bank A.S.	100%	1,685	100%	1,405
ING Mauritius Investments I Limited	100%	1,181	100%	681
ING Vastgoed Management Holding B.V. [1]			100%	630
ING Real Estate B.V.	100%	499		
ING Australia Holdings Limited	100%	1,164	100%	1,148
ING Corporate Investments B.V.	100%	500	100%	446
ING Lease Holding N.V.[1]			100%	293
Other (including financing companies)		2,828		2,295
		32,609		**32,488**

1 WestlandUtrecht Bank N.V., ING Vastgoed Management Holding B.V. and ING Lease Holding N.V. were merged with ING Bank N.V.

As at 31 December 2015, Investments in group companies includes credit institutions of EUR 16,809 million (2014: EUR 17,631 million). As at 31 December 2015 listed investments in group companies amounts to EUR 1,844 million (2014: EUR 1,805 million).

Changes in investments in group companies

	2015	2014
Opening balance	32,488	29,422
Repayment of capital injection	–93	–4
Revaluations	–232	891
Results from group companies	3,400	2,669
Dividends received	–2,677	–2,561
Capital contribution	203	
Mergers and liquidations	–765	1,973
Exchange rate differences	256	271
Other changes	29	–173
Closing balance	**32,609**	**32,488**

8 Investments in associates and joint ventures

Investments in associates and joint ventures

	2015		2014	
	Interest held (%)	Balance sheet value	Interest held (%)	Balance sheet value
TMB Public Company Limited	25	612	25	558
Other		40		42
		652		**600**

Changes in investments in associates and joint ventures

	2015	2014
Opening balance	600	480
Additions	2	9
Share of results	50	53
Dividends received	–17	–10
Disposals	10	
Revaluations	–2	–3
Exchange rate differences	9	63
Other changes		8
Closing balance	**652**	**600**

9 Intangible assets

Changes in intangible assets

	Goodwill		Software		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Opening balance	656	631	362	338	2	11	1,020	980
Additions			119	176			119	176
Changes in the composition of the group	6			9		1	6	10
Depreciation			–186	–167		–10	–186	–177
Impairments			–6				–6	
Exchange rate differences	–71	25					–71	25
Other changes			4	6			4	6
Closing balance	**591**	**656**	**293**	**362**	**2**	**2**	**886**	**1,020**

10 Equipment

Changes in equipment

	2015	2014
Opening balance	500	472
Additions	145	145
Changes in the composition of the group	–2	55
Depreciation	–130	–122
Disposals	–50	–2
Exchange rate differences	1	1
Other changes	–1	–49
Closing balance	**463**	**500**
Gross carrying amount as at 31 December	1,558	1,484
Accumulated depreciation as at 31 December	–1,095	–984
Net carrying value	**463**	**500**

11 Other assets

Other assets by type

	2015	2014
Derivatives	47,868	56,861
Deferred tax assets	363	558
Accrued interests and rents	4,986	5,903
Other accrued assets	572	494
Pension asset	623	579
Other receivables	2,168	8,231
	56,580	**72,626**

Other receivables includes EUR 1,101 million (2014: EUR 7,033 million) related to transactions still to be settled at balance sheet date.

Derivatives includes transactions with group companies of EUR 15,896 million (2014: EUR 19,303 million).

As at 31 December 2015, an amount of EUR 811 million (2014: EUR 1,179 million) is expected to be settled after more than one year from the balance sheet date.

Liabilities and equity

12 Amounts due to banks

Amounts due to banks

	2015	2014
Group companies	16,127	17,455
Third parties	28,708	23,698
	44,835	**41,153**

13 Customer deposits and other funds on deposit

Customer deposits and other funds on deposit by group companies and third parties

	2015	2014
Group companies	28,148	22,928
Third parties	233,963	230,529
	262,111	**253,457**

Customer deposits and other funds on deposit by type

	2015	2014
Savings accounts	117,602	114,772
Credit balances on customer accounts	78,148	70,510
Corporate deposits	55,779	56,740
Other	10,582	11,435
	262,111	**253,457**

14 Other liabilities

Other liabilities

	2015	2014
Derivatives	47,678	57,079
Trading liabilities	6,666	9,461
Accrued interest	5,425	6,014
Costs payable	982	849
Income tax payable	94	107
Other taxation and social security contribution	91	55
Other amounts payable	4,028	4,917
	64,964	**78,482**

Other amounts payable includes EUR 959 million (2014: EUR 2,176 million) related to transactions still to be settled at balance sheet date.

Derivatives includes transactions with group companies of EUR 12,203 million (2014: EUR 13,994 million).

As at 31 December 2015, an amount of EUR 265 million (2014: EUR 1,100 million) is expected to be settled after more than one year from the balance sheet date.

15 General provisions

General provisions

	2015	2014
Pension liabilities and other staff-related liabilities	15	13
Reorganisations and relocations	547	604
Other	58	90
	620	**707**

As at 31 December 2015, an amount of EUR 404 million (2014: EUR 322 million) iss expected to be settled after more than one year from the balance sheet date.

16 Subordinated loans

Subordinated loans by group companies and third parties

	2015	2014
Group companies	7,322	5,856
Third parties	9,067	11,341
	16,389	**17,197**

Subordinated loans by type

	2015	2014
Capital debentures	8,481	10,521
Private loans	7,908	6,676
	16,389	**17,197**

The subordinated loans rank subordinated to the other liabilities in a winding-up of ING Bank.

17 Equity

Equity

	2015	2014
Share capital	525	525
Share premium	16,542	16,542
Revaluation reserves	3,477	3,144
Legal and statutory reserves	2,315	2,343
Other reserves	13,470	12,849
Unappropriated result	4,528	2,661
Total equity	**40,857**	**38,064**

Share capital

	Ordinary shares (par value EUR 1.13)			
	Number x 1,000		Amount	
	2015	2014	2015	2014
Authorised share capital	1,600,000	1,600,000	1,808	1,808
Unissued share capital	1,134,965	1,134,965	1,283	1,283
Issued share capital	**465,035**	**465,035**	**525**	**525**

No changes occurred in the issued share capital and share premium in 2015 and 2014.

Notes to the parent company annual accounts of ING Bank N.V. - continued

Changes in revaluation reserves

2015	Property in own use reserve	Available-for-sale reserve	Cash flow hedge reserve	Net defined benefit assets/ liability remea-surement reserve	Total
Opening balance	118	2,170	765	91	3,144
Unrealised revaluations	2	525			527
Realised gains/losses transferred to profit and loss account		–32			–32
Changes in cash flow hedge reserve			–165		–165
Change in net defined benefit assets/liability				3	3
Closing balance	**120**	**2,663**	**600**	**94**	**3,477**

Changes in revaluation reserves

2014	Property in own use reserve	Available-for-sale reserve	Cash flow hedge reserve	Net defined benefit assets/ liability remea-surement reserve	Total
Opening balance	119	984	–490	–122	491
Unrealised revaluations	–1	1,222			1,221
Realised gains/losses transferred to profit and loss account		–36			–36
Changes in cash flow hedge reserve			1,255		1,255
Change in net defined benefit assets/liability				213	213
Closing balance	**118**	**2,170**	**765**	**91**	**3,144**

Changes in legal and statutory reserves

2015	Share of associates and joint ventures reserve	Currency translation reserve	Statutory reserves	Capitalised software	Total
Opening balance	1,621	–592	1,070	244	2,343
Result for the year			131		131
Unrealised revaluations property in own use	33				33
Unrealised revaluations available-for-sale investments and other	–227				–227
Realised gains/losses transferred to profit and loss account	15				15
Changes in cash flow hedge reserve	–35				–35
Changes in net defined benefit asset/liability remeasurement reserve	61				61
Exchange rate differences and other	8	76			84
Changes in composition of the group and other changes	–26			–64	–90
Closing balance	**1,450**	**–516**	**1,201**	**180**	**2,315**

Notes to the parent company annual accounts of ING Bank N.V. - continued

Changes in legal and statutory reserves

2014	Share of associates and joint ventures reserve	Currency translation reserve	Statutory reserves	Capitalised software	Total
Opening balance	–1,558	–845	987	253	–1,163
Result for the year			83		83
Unrealised revaluations property in own use	–28				–28
Unrealised revaluations available-for-sale investments and other	640				640
Realised gains/losses transferred to profit and loss account	–85				–85
Changes in cash flow hedge reserve	396				396
Changes in net defined benefit asset/liability remeasurement reserve	–301				–301
Exchange rate differences and other	157	253			410
Changes in composition of the group and other changes	2,400			–9	2,391
Closing balance	**1,621**	**–592**	**1,070**	**244**	**2,343**

The Share of associates and joint ventures reserve includes the following components: Reserve for non-distributable retained earnings of associates of EUR 351 million (2014: EUR 363 million), Revaluation reserve of associates and joint ventures of EUR 1,523 million (2014: EUR 1,736 million), Currency translation reserve of EUR –24 million (2014: EUR –17 million) and Net defined benefit asset/liability remeasurement reserve of EUR –400 million (2014: EUR –461 million).

The Statutory reserves relate to non-distributable reserves of EUR 1,201 million (2014: EUR 1,070 million) related to the former Stichting Regio Bank and the former Stichting Vakbondspaarbank SPN that cannot be freely distributed in accordance with the article 23.1 of the articles of association.

Changes in the value of hedging instruments that are designated as net investment hedges, are included in the line Exchange rate differences and other.

Changes in other reserves

2015	Retained earnings	Total
Opening balance	12,849	12,849
Transfer from unappropriated result	2,661	2,661
Employee stock options and share plans	70	70
Dividends	–2,200	–2,200
Changes in the composition of the group and other	90	90
Closing balance	**13,470**	**13,470**

Changes in other reserves

2014	Retained earnings	Total
Opening balance	14,878	14,878
Transfer from unappropriated result	1,532	1,532
Employee stock options and share plans	55	55
Dividends	–1,225	–1,225
Changes in the composition of the group and other	–2,391	–2,391
Closing balance	**12,849**	**12,849**

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 6,824 million (2014: EUR 7,411 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.

Additional information

18 Maturity of certain assets and liabilities

Analysis of certain assets and liabilities by maturity

2015	Less than 1 month[1]	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Assets							
Amounts due from banks	14,349	4,677	6,847	9,869	3,758	29,574	69,074
Loans and advances to customers	28,073	5,299	18,285	78,744	173,003	19,609	323,013
Liabilities							
Amounts due to banks	17,232	628	2,759	10,816	1,020	12,380	44,835
Customer deposits and other funds on deposit	196,289	18,899	15,556	12,413	8,342	10,612	262,111
Debt securities in issue	7,528	20,158	13,440	39,720	22,954	16,234	120,034
Subordinated loans	9				8,114	8,266	16,389

Analysis of certain assets and liabilities by maturity

2014	Less than 1 month[1]	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Assets							
Amounts due from banks	16,422	5,878	6,905	12,826	4,954	27,732	74,717
Loans and advances to customers	8,649	6,945	19,629	85,165	166,217	14,224	300,829
Liabilities							
Amounts due to banks	13,285	1,237	2,111	9,471	3,460	11,589	41,153
Customer deposits and other funds on deposit	198,750	16,769	10,295	9,562	5,868	12,213	253,457
Debt securities in issue	2,465	21,810	22,484	35,959	22,989	12,825	118,532
Subordinated loans			889	745	8,635	6,928	17,197

19 Assets not freely disposable

Assets not freely disposable

	2015	2014
Investments	1,147	25
Lending	69,743	53,980
Banks	5,716	6,162
Other assets	10,515	1,059
	87,121	**61,226**

20 Contingent liabilities and other commitments

Contingent liabilities by type

	2015	2014
Discounted bills		
Guarantees	47,905	44,593
Irrevocable letters of credit	4,862	5,302
Other	209	331
Contingent debts	**52,976**	**50,226**
Irrevocable facilities	46,836	39,770
	99,812	**89,996**

Contingent debts

	2015	2014
Group companies	34,480	31,509
Third parties	18,496	18,717
	52,976	**50,226**

Irrevocable facilities

	2015	2014
Group companies	14	15
Third parties	46,822	39,755
	46,836	**39,770**

21 Other

Guarantees

ING Bank has issued guarantees as participant in collective arrangements of national banking funds and as a participant in required collective guarantee schemes. For example, ING Bank N.V. provided a guarantee to the German Deposit Guarantee Fund ('Einlagensicherundsfonds' or 'ESF') under section 5 (10) of the by-laws of this fund, where ING Bank N.V. indemnifies the Association of German Banks Berlin against any losses it might incur as result of actions taken with respect to ING Germany. The ESF is a voluntary collective guarantee scheme for retail savings and deposits in excess of EUR 100,000.

ING Bank N.V. has issued statements of liabilities in connection with Section 403 Book 2 of the Dutch Civil Code and other guarantees for a number of group companies.

Fiscal unity

ING Bank N.V. forms a fiscal unity with ING Groep N.V. and several Dutch banking entities for corporation tax purposes. ING Bank N.V. and ING Groep N.V. and its banking subsidiaries that form part of the fiscal unity are jointly and severally liable for taxation payable by the fiscal unity.

Remuneration of Senior management, Management board and Supervisory board

Reference is made to Note 48 'Related parties' (page 138 up to and including page 140) in the ING Bank Consolidated Annual Accounts.

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 Management Board Banking

R.A.J.G. (Ralph) Hamers, CEO, chairman of the Management Board Banking
J.V. (Koos) Timmermans, vice-chairman and head of Market Leaders
P.G. (Patrick) Flynn, CFO
W.F. (Wilfred) Nagel, CRO
R.M.M. (Roel) Louwhoff, COO
W.L.A (Bill) Connelly, head of Wholesale Banking
A. (Aris) Bogdaneris, head of Challengers & Growth Markets

Independent auditor's report

To: to the Shareholders of ING Bank N.V.

Report on the audit of the annual accounts

Our opinion

We have audited the accompanying annual accounts 2015 of ING Bank N.V., Amsterdam ('ING Bank') as set out on pages 24 to 234.

In our opinion:

- the consolidated annual accounts give a true and fair view of the financial position of ING Bank 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 Bank 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 Bank'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 Bank 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 Bank is head of a group of entities. The financial information of this group is included in the consolidated annual accounts of ING Bank. ING Bank 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 Bank's annual accounts, we have selected 31 reporting units which represent the principal business units within ING Bank's reportable segments and account for approximately 92% of ING Bank's total assets and approximately 95% of ING Bank's profit before tax. 14 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 17 reporting units. We have used the work of mostly other EY auditors when auditing these reporting units in and outside the Netherlands.

The ING Bank 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 Bank engagement team and the EY component team. This gave us appropriate audit evidence regarding the financial information of ING Bank 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.

Loan Loss Provisions (page 58)

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 Bank 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 (page 104)

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 (page 210)

ING Bank 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 Bank'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 Management Board and Supervisory Board for the annual accounts

The Management 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 Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management 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 Management Board is responsible for assessing ING Bank's ability to continue its activities. Based on the financial reporting frameworks mentioned, the Management Board should prepare the annual accounts using the going concern basis of accounting unless management either intends to liquidate ING Bank 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 Bank'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 Bank'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 Bank'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 Bank 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 Management 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 Management Board report and other information):
- We have no deficiencies to report as a result of our examination whether the Report of the Management 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 Management 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 Bank 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 Bank 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

The result is appropriated pursuant to Article 24 of the Articles of Association of ING Bank N.V., the relevant stipulations of which state that the result shall firstly be appropriated to the Stichting Regio Bank Reserve, respectively the Reserve Stichting Vakbondsspaarbank SPN or charged to that reserves in proportion to the ratio between the Stichting Regio Bank Reserve, respectively the Reserve Stichting Vakbondsspaarbank SPN and the company's equity at the end of the relevant financial year and that the remainder shall be at the disposal of the General Meeting.

For 2015, it is proposed that the result, insofar at the disposal of the General Meeting, will be appropriated as follows. The dividend will be equal to the interim dividend already paid and the remainder of the result will be appropriated to the Other Reserves, so that no final dividend will be paid.

Proposed appropriation of result

	2015
Net result	4,528
Addition to reserves pursuant to Article 24 of the Articles of Association	131
Proposed to be added to the Other Reserves pursuant to Article 24 of the Articles of Association	**4,659**

Additional Pillar III information

Introduction

Basis of disclosure

The information in this report relates to ING Bank N.V. and all of its subsidiaries (hereafter ING Bank) in its character as significant subsidiary of 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 46 'Principal subsidiaries'.

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 Bank'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 Bank 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 Bank'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 Bank'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 Bank 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.

Additional Pillar III information - continued

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 Bank Regulatory capital requirements

		2015		2014
	Regulatory Capital	Risk-Weighted Assets	Regulatory Capital	Risk-Weighted Assets
	CRR/CRDIV phased in – 2015 rules	CRR/CRDIV phased in - 2015 rules	CRR/CRDIV phased in – 2014 rules	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	1,027	12,839	768	9,599
Other Non-Credit Obligation Assets	1,677	20,964	1,248	15,594
Total Credit Risk	**21,234**	**265,430**	**20,148**	**251,848**
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	**25,456**	**318,202**	**23,706**	**296,319**
Basel I floor[1]	**29,271**	**365,891**	**27,501**	**343,767**

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 1,677 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 Bank Regulatory Capital flow statement

		2015
	CRR/CRD IV phased-in	CRR/CRD IV fully loaded
Common Equity Tier 1 capital		
Opening amount	33,256	33,668
Profit included in CET1 capital	2,459	2,459
Adjustment prudential filters own credit risk	–135	–129
Change in goodwill and intangibles	–296	88
Change in revaluation reserves	1,689	317
Change in third party interest	40	40
Change in deductions significant investments in Financial Institutions	17	41
Other	–277	350
Closing amount	**36,753**	**36,834**
Additional Tier 1 capital		
Opening amount	3,844	5,727
Change in AT 1 instruments	1,521	1,521
CRR/CRD IV phased-in adjustments (excl. significant investments in FIs)	569	
Change in deductions significant investments in Financial Institutions	34	
Closing amount	**5,968**	**7,249**
Tier 2 capital		
Opening amount	8,915	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	34	
Change minority interest	–1	–1
Closing amount	**8,331**	**8,671**
Total Regulatory Capital	**51,052**	**52,754**

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 (known as the BIS 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 Bank'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 Bank continues to maintain strong and high quality capital levels with a Common Equity Tier 1 ratio of 11.55% at end of 2015. This percentage is calculated on the basis of immediate and full implementation and disregarding the possible impact of future management actions.

Additional Pillar III information - continued

ING Bank 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	40,857	40,857	40,857	**38,064**	**38,064**	**38,064**
Regulatory adjustments:						
Minority interests, counting as Common equity Tier 1	305	305	305	265	265	265
Goodwill and Intangibles deductible from Tier 1	–627	–940	–1,567	–331	–662	–1,655
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		–2,018	–1,211	
Revaluation reserve real estate	–196	–130		–291	–175	
Revaluation reserve cash flow hedge	–675	–675	–675	–875	–875	–875
Position in own shares	–18	–18	–18	–46	–46	–46
Prudent valuation adjustment	–44	–44	–44	–35	–35	–35
Investments >10% FI, exceeding 10% threshold				–17	–5	–41
Prudential filters:						
Own credit risk	89	89	89	212	212	212
Defined benefit remeasurement (IAS19R)	244	183		370	296	
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
Other				–1	–1	–1
Available capital - Common equity Tier 1	**36,753**	**36,801**	**36,834**	**33,256**	**33,981**	**33,668**
Subordinated loans qualifying as Tier 1 capital[3]	7,248	7,248	7,248	5,727	5,727	5,727
Deduction of goodwill and other intangibles[1]	–940	–627		–1,324	–993	
Provision shortfall[2]	–340	–227		–525	–394	
Investments >10% FI, exceeding 10% threshold				–34	–4	
Minority interests, counting as Additional Tier 1 capital						
Available capital - Tier 1	**42,721**	**43,195**	**44,083**	**37,100**	**38,317**	**39,395**
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				–34	–4	
Minority interests, counting as Tier 2 capital	102	102	102	103	103	103
Available Tier 3 funds				0	0	0
BIS capital	**51,052**	**51,640**	**52,754**	**46,015**	**47,394**	**48,869**
Risk-weighted assets	**318,202**	**318,202**	**318,202**	**296,319**	**296,497**	**296,427**
Common Equity Tier 1 ratio	**11.55%**	**11.57%**	**11.58%**	**11.22%**	**11.46%**	**11.36%**
Tier 1 ratio	**13.43%**	**13.57%**	**13.85%**	**12.52%**	**12.92%**	**13.29%**
Total capital ratio	**16.04%**	**16.23%**	**16.58%**	**15.53%**	**15.98%**	**16.49%**
RWAs based on 80% Basel I floor	**365,891**	**365,891**	**365,891**	**343,767**	**343,767**	**343,767**
Total capital ratio based on Basel I floor	**13.95%**	**14.11%**	**14.42%**	**13.39%**	**13.79%**	**14.22%**

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.

Own funds

The CRR requires ING Bank 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 Bank 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 Bank based on the Delegated Act, and with notional cash pooling grossed is 4.1% at 31 December 2015.

ING Bank'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 4.5% 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	838,528	838,528
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]	6	6
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)	68,657	68,657
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]	146,708	148,102
8	**Total leverage ratio exposure**	**1,069,686**	**1,071,079**

1 The adjustment for Receivables for cash variation margin provided in derivatives transactions has been included in the line Other adjustments.

Additional Pillar III information - continued

Bank 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)	895,069	895,069
2	(Asset amounts deducted in determining Tier 1 capital)	–5,757	–4,364
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**889,312**	**890,705**
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)	25,590	25,590
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)**	**30,433**	**30,433**
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	210,420	210,420
18	(Adjustments for conversion to credit equivalent amounts)	–141,762	–141,762
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**68,657**	**68,657**
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[2]	42,721	44,083
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**1,069,686**	**1,071,079**
Leverage ratio			
22	**Leverage ratio**	**4.0%**	**4.1%**
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		

2 Please note that Tier 1 Capital includes grandfathered hybrids to an amount of EUR 3,718 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 leverage ratio improved as ING Bank's fully-loaded Tier 1 capital increased 12% (15% on a phased-in basis), while the Leverage exposure measure decreased slightly.

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).

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 (European Central Bank) 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.

Additional Pillar III information - continued

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;
- **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.

Additional Pillar III information - continued

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

Additional Pillar III information - continued

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.

Additional Pillar III information - continued

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.

Additional Pillar III information - continued

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.

Additional Pillar III information - continued

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).

Additional Pillar III information - continued

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. However, the coverage ratio, expressed as a percentage of READ NPL, is 67% for Germany while for ING Bank the average is 37%. This is mainly due to the use 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.

Additional Pillar III information - continued

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.

Additional Pillar III information - continued

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**

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.

Additional Pillar III information - continued

Risk profile

Capital Elements & Market Risk Impact on Capital

Market Risk Sensitivity (before tax)

			Interest Rate	Credit Spread	Equity Prices	Real Estate	Foreign Exchange
	IFRS-EU	CRR/CRD IV*	+100bp	+40bp	–10%	–10%	+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 Bank 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 Bank also monitors the existing asset encumbrance. Encumbered assets represent the on-balance sheet assets that are pledged or used as collateral for ING Bank's liabilities. The presented templates of ING Bank's encumbered and unencumbered assets are based on the CRR (Part Eight) and the related guidance from the European Banking Authority (EBA).

In 2015, the median asset encumbrance ratio for ING Bank 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 Bank

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 Bank	104,305		748.958	
Equity instruments	6,551	6,551	12,326	12,326
Debt securities	11,477	11,394	106,763	106,697
Other assets	660		69.784	

Asset encumbrance ING Bank

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 Bank	99,648	-	728,954	-
Equity instruments	8,666	8,666	11,254	11,254
Debt securities	7,620	7,511	123,143	123,351
Other assets	2,200	-	76,646	-

Additional Pillar III information - continued

Collateral received ING Bank

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 Bank	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 Bank

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 Bank	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 Bank

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 Bank

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 Bank

ING Bank manages its balance sheet prudently whereby a variety of funding sources is readily available. Given this situation, the level of encumbrance of ING Bank's balance sheet is relatively low.

Encumbered assets on ING Bank'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 Bank, 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 Bank. 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 Bank'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.

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 the 2015 ING Group 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 the 'Risk management' section of this Annual Report.

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