ING Belgium
Annual Report
2015

think**forward**

ING

ING Belgium nv/sa
Annual Report
2015

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Brussels
18 March 2016
Financial Report 2015

2.1 Comments on Financial Statements

2.1.1 Changes in scope during 2015

In 2015 the activities from the Lisbon and Breda branches transferred from ING Belgium nv/sa to ING Bank NV (cfr infra: 2.2.6. "Information on branches").

2.1.2 Highlights

"Think forward" strategy leads to sustained performance in challenging conditions

- The 2015 profit after tax of ING Belgium nv/sa (consolidated) amounted to EUR **956 million** (close to our record profit of 2014);
- Customer deposits growth of **EUR 6 billion** (+5%);
- Customer loan growth of **EUR 4 billion** (+5%);
- **95,000** ING Lion Accounts opened;
- We welcomed **170,000 new clients**;
- **Modest cost growth** despite significant growth in regulatory costs (+21%).

Highlights of 2015		
	2015	**2014**
Profit after tax	EUR 956 million	EUR 1,066 million
Customer deposits	EUR 116 billion	EUR 110 billion
Customer loans	EUR 105 billion	EUR 101 billion
Tier 1 (Basel III)	14.5%	15.2%
Total capital ratio	16.9%	16.7%
Leverage ratio (fully phased)	4.9%	5.2%

Supporting the real economy

ING Belgium nv/sa maintains its strong performance year-on-year, with a solid profit after tax of EUR 956 million. As in previous years, ING Belgium continues to support significantly the economy.

Retail Banking revenue (including Private Banking, Midcorporates & Institutionals) decreased by 3% in 2015. The lending portfolio grew by EUR +1.4 billion driven by increased mortgages demand but the income on mortgages declined due to lower margin and lower pre-payment fees. Furthermore due to current low interest rates, savings margins are under pressure. However this is compensated by a significant increase in investment product assets.

In Private Banking, the assets under management in Belgium were up 7.5% or EUR 1.4 billion compared to end 2014 to EUR 20.6 billion.

The income of the Midcorporates & Institutional clients showed an increase of 3% driven by increased business lending.

In Wholesale Banking, revenue rose 16% versus 2014 thanks to good results recorded in Industry Lending (Energy, Transport & Infrastructure), Working Capital Solutions and Financial Markets.

Solvency

ING Belgium maintains a strong capital basis:

- the solvency ratio remains very solid with a Tier 1 ratio of 14.5% (Basel III definition) and a total capital ratio of 16.9%;
- a comfortable leverage ratio at 4.9%;
- a solid liquidity position, supported by a strong balance between assets and liabilities.

2.1.3 Consolidated balance sheet

ING Belgium nv/sa - Consolidated Assets			
In EUR millions	**2015**	**2014**	**%**
Cash and cash with central banks	4,267	1,995	+113.89%
Financial assets Held for Trading and at FV through P&L	14,614	19,944	-26.73%
Financial assets Available for Sale	18,809	19,653	-4.29%
Loans and receivables	105,194	101,175	+3.97%
Held-to-maturity investments	959		
Derivatives hedge accounting	4,405	5,397	-18.39%
Remaining assets	3,741	3,644	+2.67%
TOTAL CONSOLIDATED ASSETS	**151,989**	**151,809**	**+0.12%**

The total assets of ING Belgium nv/sa increased with EUR 180 million or 0,12% to EUR 152 billion.

The “Financial assets available for sale” (mainly the bond portfolio of the bank) decreased by 4% to amount EUR 18.8 billion mainly as a result of the reclassification of bonds to Held-to-maturity investments.

The portfolio “assets held for trading” and “assets valued at fair value via profit and loss” declined by 27% to EUR 14.6 billion mainly due to market evolutions and interest rate developments.

The derivatives used in hedge relations has been reduced by 18% to EUR 4.4 billion as result of interest rate developments impacting fair value.

ING Belgium nv/sa - Loans and receivables			
In EUR millions	**2015**	**2014**	**%**
Due from banks	8,641	8,685	-0.50%
Straight loans and rollover	44,582	42,200	+5.64%
Mortgage loans	34,048	32,145	+5.92%
Debt instruments	2,062	2,239	-7.92%
Remaining credits	15,862	15,906	-0.28%
TOTAL LOANS AND RECEIVABLES	**105,194**	**101,175**	**+3.97%**

The loan portfolio of the bank grew in 2015 with EUR 4 billion. This increase is mainly located in Belgium and shows the continued strong contribution of ING Belgium to the economy.

The increase in assets is mainly realised in the following portfolios:

- straight loans and roll-overs (EUR +2.4 billion or +6%) mainly given to corporate, midsize and institutional clients;
- mortgage loans (EUR +1.9 billion or +6%) given to retail clients.

The total liabilities and equity increased with EUR 180 million or 0,12% to EUR 152 billion.

ING Belgium nv/sa - Consolidated Liabilities and Equity			
In EUR millions	**2015**	**2014**	**%**
Deposits from central bank	1,615	1,622	-0.44%
Financial liabilities Held for Trading and at fair value through P&L	15,592	21,361	-27.01%
FInancial liabilities at amortised cost	115,844	108,862	+6.41%
Derivatives hedge accounting	5,978	6,986	-14.43%
Remaining liabilities	3,168	2,981	+6.25%
Shareholders' equity	9,792	9,996	-2.04%
TOTAL CONSOLIDATED LIABILITIES AND EQUITY	**151,989**	**151,809**	**+0.12%**

The shareholders equity amounts to EUR 9,7 billion and remained stable compared to end 2014.

The portfolio “liabilities held for trading” and “liabilities valued at fair value via profit & loss” decreased by 27.0% to EUR 15.6 billion mainly due to market evolutions and interest rate developments.

The derivatives used in hedge relations reduced by 14.4% to approximately EUR 1.0 billion as result of interest rate developments impacting fair value.

ING Belgium nv/sa - Financial liabilities at amortised cost			
In EUR millions	**2015**	**2014**	**%**
Deposits from credit institutions	7,162	8,013	-10.62%
Savings accounts	43,586	40,738	+6.99%
Current accounts	45,829	37,294	+22.89%
Term loans	9,337	10,183	-8.31%
Other deposits	4	5,116	-99.93%
Debt securities and subordinated liabilities	9,926	7,518	+32.03%
TOTAL FINANCIAL LIABILITIES AT AMORTISED COST	**115,844**	**108,862**	+6.41%

The savings and current accounts grew in 2015 with EUR 5.3 billion. Almost the entire increase in deposits is realized in the current accounts. All type of customers (retail, midsized and corporates) contributed to this increase.

Despite the declining interest rates on savings accounts, ING Belgium nv/sa still realized an increase in outstanding amounts of EUR 2.8 billion (+7%). On the other hand, the deposits with fixed and longer maturities decreased by EUR -0.8 billion.

2.1.4 Consolidated income statement

ING Belgium nv/sa - Consolidated income statement			
In EUR millions	**2015**	**2014**	**%**
Financial and operational income/expenses	**3,497**	**3,503**	***-0.16%***
of which: net interest income	*2,645*	*2,752*	*-3.89%*
of which: commissions and fees	*560*	*576*	*-2.80%*
of which: other income	*293*	*175*	*+67.68%*
Total expenses	**1,822**	**1,834**	***-0.64%***
of which: staff expenses	*1,094*	*1,139*	*-3.96%*
of which: administration expenses	*550*	*547*	*+0.46%*
of which: bank levies	*178*	*147*	*+21.03%*
Depreciations	**115**	**111**	***+3.42%***
Provisions and Impairments	**228**	**86**	***+164.54%***
Part of entities via equity method	**7**	**2**	***+246.92%***
Profit before taxes	**1,340**	**1,474**	**-9.11%**
Taxation	-384	-408	-6.00%
Profit after tax	**956**	**1,066**	**-10.30%**
Third-party interest	*-6*	*-2*	+206.26%
CONSOLIDATED NET PROFIT	**950**	**1,064**	**-10.69%**

ING Belgium posted in 2015 a profit after tax of EUR 956 million. This result represents a decrease year on year of -10.30%.

The total income in 2015 of EUR 3,497 million remained stable compared to last year. The interest result reduced by -3.96% compared to 2014 and this in an environment in which the market interest rates continued to decline, leading to a decreasing effect as well on interest income and expenses despite higher volume:

- The interest income from the investment portfolio lowered by EUR -75 million;
- The higher volumes in the loan portfolio limited the decrease in the interest income to EUR -186 million;
- Significantly lower rates on client deposits decreased the interest expenses by EUR -280 million despite higher volume.

The total expenses decreased by EUR -12 million (-0.64%) to EUR 1,822 million:

- Driven by a reduction in the staff numbers, the staff costs lowered by EUR -45 million;
- The administration expenses increased by EUR +3 million. The cost reductions made in several activities (e.g. accommodation expenses) were fully offset by the higher bank levies paid in Belgium (EUR +31 million);
- The depreciations increased by EUR +4 million;

Finally, the reducing in income taxes by EUR -24 million (-6%) is consistent with the decrease of the profit before taxes by EUR -134 million (-9%). The effective tax rate rose from 27.7% to 28.6%.

2.2 Profile: ING in Belgium

ING Group is a global financial institution of Dutch origin offering banking services through its operating company ING Bank. ING Bank's more than 52,000 employees offer retail and commercial banking services to customers in over 40 countries. ING ranks n° 9 in the Top 20 European Banks by market capitalisation. (Source: MSCI, Bloomberg 30 September 2015).

ING Belgium nv/sa is a financial institution focusing its core activities on Retail & Private Banking and Wholesale Banking. The bank services over 2.4 million clients in Belgium with a wide range of financial products and via the distribution channel of their choice. ING Belgium won the 2015 "Bank of the Year – Belgium" award from The Banker Magazine for a third year in a row. The jury praised ING Belgium for its focus on innovation to offer its customers an optimal range of products and services.

Record Bank -a fully owned subsidiary of ING Belgium nv/sa- focuses on mass retail (0.8 million clients). It offers basic financial products, safe, simple & transparent. Key products are savings, saving bonds, mortgages, consumer loans and investment funds. Record has a network of independent agents, credit brokers, vendors supported by online services.

ING Luxembourg -also a fully owned subsidiary of ING Belgium nv/sa- is an universal bank with more than 100,000 customers with retail agencies offering dedicated services for small, mid corps and fiduciary companies. It is a key challenger in mass markets (free online current account, Orange Account) and an international Wealth Management centre.

2.3 Staff evolution

In the course of 2015, the total number of staff (in full time equivalent, or FTE's) of ING Belgium nv/sa consolidated decreased by 3% from 10,736 to 10,434 FTE's.

While overall staffing members declined in 2015, the bank was able to continue to recruit new staff equal to 444 FTE's to meet its strategic goal.

2.4 Risk management

See the specific chapter in the information on the consolidated accounts (chapter 6.6.5).

2.5 Post-balance-sheet events

No material financial events occurred between the close of the financial year and the date of issue of this report.

2.6 Information on branches

ING Belgium nv/sa has a branch in Switzerland: Geneva, with a representative office in Zurich.

The Madrid Branch of ING Belgium nv/sa was sold to ING Bank NV as of 1 January 2015 and the Lisbon branch of ING Belgium nv/sa was transferred on 1 October 2015. As for the Breda branch: during the fourth quarter of 2015 the clearing and settlement part was transferred and the remaining part was liquidated.

2.7 Research and development

Not applicable.

2.8 Information concerning the use of financial instruments

See the specific chapter in the information on the consolidated accounts (chapter 6.6.4.2).

2.9 Outlook

ING Belgium nv/sa complied with the position adopted since 2004 by ING Group's Executive Board: the Board decided not to formulate any further results forecasts.

2.10 Legal stipulations regarding the composition of the Audit Committee

In compliance with article 526bis of the company Code, at least one member of the Audit Committee of ING Belgium should be an independent director (according to the definition in article 526ter).

This person is Mr Christian Jourquin. His curriculum vitae and active participation in ING Belgium's Board of Directors demonstrate his capabilities in accounting and audit.

3 ING Belgium nv/sa and the Rules of Corporate Governance

3.1 Current state of affairs

In Belgium, corporate governance is partly regulated by the law of 25 April 2014 (hereafter: the Banking Act) and partly by the Circular PPB-2007-6CPB-CPA. The Banking Act and this circular describe the prudential expectation of the supervisor regarding good governance of a financial institution.

In addition, ING Belgium respects the 'Belgian Corporate Governance Code', effective since 1 January 2005. In accordance with the 'comply or explain' approach adopted in the Anglo-Saxon world, the Code's recommendations lack binding force, though companies are urged to provide reasons if they refuse to comply.

3.2 ING Belgium's position regarding the Belgian Corporate Governance Code

The shares representing ING Belgium's share capital are no longer listed on the Brussels Stock Exchange since 1 July 1998. They have been held in their entirety by ING Group since 2004. However, ING Belgium continues to engage in all the activities permitted to Belgium-based financial institutions, including public debt issues. ING Belgium is also responsible for steering its Belgian and foreign subsidiaries. For these reasons, the bank continues to meet the requirements applicable for listed companies with regards to corporate communication and governance.

The Board of Directors approved the Governance memorandum and the charters of the Board of Directors, the Executive Committee, the Audit Committee, the Risk Committee, the Remuneration Committee and the Nomination Committee on 20 November 2015.

ING Belgium currently satisfies the main recommendations of the Belgian Corporate Governance Code. The bank diverges from the Code on the following points:

1. Its internal governance charter is mainly based on article 21 of the Banking Act and the Circular PPB-2007-6CPB-CPA of the former Banking, Financial and Insurance Commission (CBFA), role taken over by the National Bank of Belgium (NBB), related to the prudential expectations of NBB regarding good governance of a financial institution.
2. The term of mandates to the Board of Directors remains uniformly fixed at six years, including for independent directors. The bank believes it is essential to have external key members with enough distance from the bank to be able to obtain an overall picture of its activities.
3. The bank also believes it should not have to personalise information concerning the remuneration it pays to its leading managers. An analysis of the breakdown of remuneration paid to the executive and non-executive members of the Board of Directors, together with overall figures for each of the items in the budget, is provided in chapter 6.

3.3 Board of Directors

Composition

Under the terms of Article 12 of the Articles of Association, the ING Belgium Board of Directors must comprise at least 7 members. On 18 March 2016, the Board has 15 members.

Responsibilities

The main responsibility of the Board of Directors is to define the bank's general policy and supervise the Executive Committee. The Board of Directors appoints and dismisses the Chief Executive Officer and the members of the Executive Committee after having consulted the Executive Committee and obtained the approval of the National Bank of Belgium.

It delegates day-to-day management to the Executive Committee, ensures that this is carried out and oversees the general state of affairs. The Board of Directors convenes General Meetings and decides on their agenda. It sets the date for payment of dividends.

The Board may decide to pay interim dividends for the current period, subject to the conditions laid down by law. It also sets the amounts and dates of such payments.

Provisions in the Articles of Association relating to terms of office

The General Assembly of Shareholders appoints directors to sit on the Board and may dismiss them at any time. In accordance with Article 12 of the Articles of Association, the term of office of outgoing directors expires at the end of the Annual General Assembly. Outgoing directors are eligible to stand for re-election, unless the total term of office of a non-executive director would exceed 12 years due to his re-election[1].

The order of rotation of mandates is decided by the Board of Directors in order to ensure that no term exceeds six years and that at least one member of the Board is (re-)elected each year.

As stated in Article 14 of the Articles of Association, the Board of Directors chooses a chairman amongst its members who are not members of the Executive Committee (non–executive directors), after having consulted the supervisory body NBB.

Age limit

Article 12 of the Articles of Association stipulates that the term of office of a director expires at the end of the Annual General Meeting held the year following the year in which the director in question reaches the age of 70.

An ordinary or extraordinary General Assembly of Shareholders may, based on the proposal of the Chairman of the Board, extend or renew for one additional term the mandate of a director who has reached the age limit. The additional term may not exceed two years.

[1] This rule is only applicable to non–executive directors appointed since 30 March 2015.

Board decisions

The Board's decision-making powers are explained in Article 15 of the Articles of Association.

Except in case of force majeure, resulting from war, unrest or other disasters affecting public life, the Board may only deliberate and reach valid decisions if most of its members are present or represented, on the understanding that any director present may not exercise more than two mandates by delegation.

However, if the Board fails to reach a quorum at a meeting, it may duly deliberate at a follow-up meeting, to be held within 15 days at the latest, on the items on the agenda of the previous meeting, regardless of the number of members present or represented.

Board decisions are taken by simple majority vote.

Where there is a requirement, under Articles 523 of the Belgian Companies Code, for one or more members to abstain from voting, resolutions may be validly decided upon by a simple majority vote of all eligible members present or represented.

In the event of a tied vote, the presiding member has the casting vote.

Remuneration

Under Article 13 of the Articles of Association, the General Assembly of Shareholders determines the amount of the remuneration of the members of the Board of Directors until a new decision is taken by such a meeting[2].

Specific committees

The Board of Directors has four permanent committees: the Audit Committee, the Risk Committee, the Remuneration Committee and the Nomination Committee. Each Committee shall be comprised of at least three non-executive members of the Board of Directors, of which at least one member needs to be independent within the context of article 526ter of Company Law.

The ***Risk Committee*** assists and advises the Board of Directors in monitoring, among other things, the risk profile of the company as well as the structure and operation of the internal risk management and control systems. The risks of the bank must remain within the limits defined by its risk appetite framework.

A risk appetite framework must be defined for the following risk categories: market, operational, credit, compliance, strategic, reputational and liquidity risk.

The purpose of the Risk Committee is to advise the Board of Directors in matters related to the risk strategy and risk tolerance, as well for the current as for the future risks. The risks for the bank must remain within the risk limits. The Risk Committee met 4 times in 2015.

[2] For more information, refer to the chapter on Remuneration of the members of the Board of Directors and Executive Committee.

The ***Audit Committee*** assists the Board of Directors in monitoring, among other things, the integrity of the financial statements of ING Belgium, the compliance with legal and regulatory requirements, and the independence and performance of ING's internal and external auditors. The Audit Committee's responsibilities extend to ING Belgium and its Belgian and foreign subsidiaries. It met 4 times in 2015. Matters it dealt with included examination of the bank's financial statements for 2014 and the interim results for 2015.

The Committee also analysed the reports prepared by the bank's General Auditor and the Global Compliance Officer. It reviewed the loans placed under special surveillance as well as legal disputes. The Audit Committee reports to the Board of Directors at the Board meeting following each of its own meetings.

The ***Remuneration Committee*** advises the Board of Directors, among other things, on the terms and conditions of employment (including their remuneration) of Executive Board members and the policies and general principles on which the terms and conditions of employment of Executive Board members and of senior managers of ING and its subsidiaries are based. The Remuneration Committee met 3 times in 2015.

The ***Nomination Committee*** advises the Board of Directors, among other things, on the composition and functioning of the Board of Directors and Executive Board. The Committee also establishes a target regarding the representation of the underrepresented gender in the Board of Directors and develops the policy to increase the number of representatives of the underrepresented gender in order to achieve this target. The Nomination Committee met 3 times in 2015.

3.4 Executive Committee

Composition and responsibility

Currently comprising seven members, the Executive Committee is responsible for conducting the bank's day-to-day management in line with the general policy set by the Board of Directors. Its members are Executive Directors and its president is the bank's Chief Executive Officer.

Assignment of responsibilities & decision-making

Each member of the Executive Committee is directly in charge of a number of the bank's entities. These responsibilities are detailed in the section 'ING Belgium's Supervisory, Executive and External Audit bodies' in the next chapter. All decisions by the Executive Committee are taken on a collective basis; each decision is binding on all members of the Committee.

The Executive Committee, in turn, delegates the management of areas of the bank's business to a number of individuals whose rank, responsibilities, authority and remuneration are determined by the Committee.

As mentioned above, the activities of the Executive Committee have been governed by a charter since 9 March 2006 and reviewed on 20 November 2015.

Remuneration

Article 13 of the bank's Articles of Association stipulates that the Board of Directors determines, on the advice of the Remuneration Committee and in accordance with the remuneration policy of the bank, the remuneration of the Executive Committee members[3].

Activities

The Executive Committee generally meets once a week. Additional meetings are convened if there are a large number of items to be discussed, or if there is an urgent matter.

In addition to specific decisions relating to the day-to-day management of the bank, the Executive Committee reviews a detailed annual account of the performance and prospects of each of the bank's central units (profit centres and support services) and of all the main Belgian and foreign subsidiaries. The Executive Committee studies the bank's monthly results, broken down by segment[4].

It examines also the periodic report drawn up by the General Auditor every other month.

At the closing dates of 30 June and 31 December, the Executive Committee and the senior managers of the Credit Department review loan facilities requiring special attention.

The Executive Committee also regularly looks into issues affecting personnel management.

3.5 Special committees

Several special committees report directly to the Executive Committee. These are e.g. the Assets and Liabilities Management Committee (ALCO BeLux), the Bank Treasury Committee (BTC), the Non-Financial Risk Committee (NFRC), the Credit Risk Committee, the Product Committee and the Financial Market Committee.

The Executive Committee remains the bank’s sole decision-making body.

[3] For more information, refer to the chapter on remuneration of the members of the Board of Directors and Executive Committee.
[4] The results are examined in detail once a quarter.

4 ING Belgium's supervisory, executive and external audit bodies

4.1 Board of Directors

Composition of the Board of Directors (situation per December 31st 2015)[5]

Eric Boyer de la Giroday (2018)
Chairman of the Board of Directors

Rik Vandenberghe (2017)
Chief Executive Officer
Managing Director

Michael Jonker (2016)
Managing Director

Colette Dierick (2020)
Managing Director

Frank Stockx (2019)
Managing Director

Johan Kestens (2020)
Managing Director

Emmanuel Verhoosel (2020)
Managing Director

Tanate Phutrakul (2016)
Managing Director

Baron Luc Bertrand (2018)
Non-executing Director
Chairman of the Executive Board, Ackermans & van Haaren

Baron Philippe de Buck van Overstraeten (2018)
Non-executing Director
Company Director Member of the European Economic and Social Committee

Christian Jourquin (2018)
Independent Non-executing Director
Member of the Royal Academy of Belgium

Count Diego du Monceau de Bergendal (2017)
Non-executing Director
Managing Director, Rainyve

Michèle Sioen (2017)
Non-executing Director
CEO, Sioen Industries NV

Paul Mousel (2020)
Independent Non-executing Director
President Arendt & Medernach Lawyers

Koos Timmermans[6] (2017)
Non-executing Director
Vice Chairman Supervisory Board ING Bank NV

Audit Committee (per January 1st 2016)

Chairman
Count Diego du Monceau de Bergendal

Members
Baron Philippe de Buck van Overstraeten
Christian Jourquin[7]

Remuneration Committee (per January 1st 2016)

Chairman
Eric Boyer de la Giroday

Members
Paul Mousel
Koos Timmermans

Risk Committee (per January 1st 2016)

Chairman
Count Diego du Monceau de Bergendal

Members
Baron Philippe de Buck van Overstraeten
Christian Jourquin

Nomination Committee (per January 1st 2016)

Chairman
Eric Boyer de la Giroday

Members
Paul Mousel
Koos Timmermans

[5] Normal expiry dates are shown opposite each director's name
[6] Non-Executive Director who represents the sole shareholder
[7] Member of the Audit Committee independent of the legal organ of administration within the meaning of article 526ter of the Companies Code and independent in accounting and/or auditing

4.2 Statutory Auditor

- **Ernst & Young** **Company Auditors SCCRL/BCVBA (B160)**

Represented by **Jean-Francois Hubin**, partner
(until Statutory General Assembly in 2016)

- **KPMG** **Company Auditors SCRL civil**

Represented by **Olivier Macq,** Partner Financial Services
(subject to approval by Statutory General Assembly in 2016, from 1st January 2016)

4.3 Executive Committee (Areas of responsibilities in January 2016)

Rik Vandenberghe Managing Director	Chief Executive Officer
Tanate Phutrakul Managing Director	Chief Financial Officer
Michael Jonker Managing Director	Chief Risk Officer
Franck Stockx Managing Director	Head of Product Management & Client Services
Emmanuel Verhoosel Managing Director	Head of Wholesale Banking
Colette Dierick Managing Director	Head of Retail & Private Banking
Johan Kestens Managing Director	Head of Information Technology Services

5 Information about the Company on 31 December 2015

Registered name

In French, ING Belgique sa; in Dutch, ING België nv; in English, ING Belgium nv/sa; in German, ING Belgien Ag.

Registered office

Avenue Marnix/Marnixlaan 24

B-1000 Brussels, Belgium

Company registration

The bank is registered in the Register of legal persons no. 0403 200 393.

Form of incorporation, Articles of Association and their publication

ING Belgium nv/sa is incorporated under Belgian law as a public limited company (naamloze vennootschap - société anonyme) by notarial act drawn up on 30 January 1935, witnessed by Me Pierre De Doncker, Public Notary of Brussels, and published in the appendices to the Belgian Official Journal of 17 February 1935, under n° 1.459.

The Articles of Association of the company have been amended regularly, most recently by notarial act of 30 March 2015, witnessed by Mr Stijn Joye, associated Public Notary of Brussels, and published in the appendices to the Belgian Official Journal of 15 April 2015, under n° 0054382 and n° 0054383.

ING Belgium nv/sa is a credit institution within the scope of Article 1 of the Law of 25 April 2014 on the status and control of credit institutions.

Duration

The company has been established for an unlimited duration.

Corporate object

Under Article 3 of its Articles of Association, the company's business is to carry out, for itself or for third parties, in Belgium or overseas, all transactions coming under the banking activity, in the broadest sense, inter alia, all operations relating to cash and securities deposits, credit transactions of any kind, all financial, stock market, foreign exchange, issue, commission and brokerage transactions.

The company may also exercise all other activities which are or shall be authorised in respect of credit establishments in Belgium or overseas, such as, in particular, but not restricted to, any insurance brokerage and commission, any capital leasing and leasing in any form whatsoever of any real or movable property, any consultancy and research on behalf of third parties in the context of its activities.

Through contribution, transfer, merger, subscription, acquisition of holdings or any other form of investment in securities or personal property rights, through financial participation or any other participation, the company may participate in all businesses, undertakings, associations or companies with company business identical, analogous, similar or related to its own or likely to directly or indirectly favour realisation or development of that company business.

The company may carry out all commercial, industrial, financial and movable or real property transactions, which are directly or indirectly related to its company business or may contribute to realisation of that company business.

Issued share capital

The issued share capital of ING Belgium nv/sa is EUR 2,35 billion currently represented by 55.414.550 ordinary shares, without par value.

The bank has not issued any other class of shares.

The bank's shares have not been listed on the Brussels Stock Exchange since 1 July 1998.

Since 6 August 2004, they are all been held by the ING Group.

External functions exercised by directors and senior management of the bank

The exercise of external functions by directors and senior management of Belgium-based financial institutions is subject to rules set out in the Circular PPB-2006-13-CPB-CPA issued by the Belgian Banking, Finance & Insurance Commission on 13 November 2006.

Each institution is required to publish details of any such mandates by the means described in point I(4)(e) of the circular.

ING Belgium nv/sa has decided to make this information available to the public on its website.

6 Consolidated Annual Accounts

6.1 Statement of Financial Position (Balance Sheet)

For year ended 31 December 2015

Assets			
In EUR thousands	**Note**	**2015**	**2014**
Cash and balances with central banks	*1*	4,267,049	1,994,517
Financial assets held for trading (including "reverse repos")	*2*	14,519,256	19,872,700
Financial assets designated at fair value through profit or loss	*3*	94,541	71,389
Financial assets available for sale	*4*	18,809,052	19,652,854
Held-to-maturity investments	*4*	958,873	0
Loans and receivables (including reverse repos)	*5*	105,194,167	101,175,488
Derivatives used for hedging	*6*	4,404,693	5,397,150
Fair value changes of the hedged items in portfolio hedge of interest rate risk		274,639	304,625
Tangible assets		948,715	959,873
of which: property, plant and equipment	*7*	*900,903*	*912,184*
of which: investment property	*8*	*47,812*	*47,689*
Goodwill and other intangible assets	*9*	149,142	136,715
Tax assets		104,009	186,305
of which: current tax		*87,425*	*55,745*
of which: deferred tax	*10*	*16,583*	*130,560*
Investments in associates, subsidiaries and joint ventures accounted for under the equity method (incl goodwill)	*11*	78,211	76,484
Other assets	*12*	2,186,729	1,980,558
Assets held for sale		0	0
TOTAL ASSETS		**151,989,077**	**151,808,659**

Liabilities			
In EUR thousands	**Note**	**2015**	**2014**
Deposits from central banks		1,615,041	1,622,235
Financial liabilities held for trading	*13*	13,220,845	18,317,525
Financial liabilities designated at fair value through profit or loss	*14*	2,371,524	3,043,519
of which: subordinated liabilities		*0*	*12,350*
Financial liabilities measured at amortised cost	*15*	115,843,782	108,862,227
of which: subordinated liabilities		*1,424,494*	*866,428*
Financial liabilities linked to transferred assets		768	3,462
Derivatives used for hedging	*16*	5,978,127	6,986,202
Provisions	*17*	286,712	357,157
Tax liabilities		302,517	395,110
of which: current tax		*60,824*	*48,809*
of which: deferred tax	*18*	*241,693*	*346,301*
Other liabilities	*19*	2,478,668	2,120,814
Liabilities held for sale		0	0
Share capital repayable on demand	*20*	99,027	104,813
TOTAL LIABILITIES		**142,197,012**	**141,813,064**

Equity			
In EUR thousands	**Note**	**2015**	**2014**
Shareholder's equity	*21*	9,771,674	9,977,275
Minority interests		20,392	18,320
TOTAL EQUITY		**9,792,065**	**9,995,595**
TOTAL EQUITY AND LIABILITIES		**151,989,077**	**151,808,659**

6.2 Consolidated Income Statement

For year ended 31 December 2015

Consolidated Income Statement			
In EUR thousands	**Note**	**2015**	**2014**
Financial and operating income and expenses		**3,497,349**	**3,502,602**
Net interest income	22	2,644,749	2,752,498
Dividend income		246	2,184
Expenses on share capital repayable on demand (-)		-1,988	-2,103
Net fee and commission income	23	559,898	575,620
Realised gains and losses on financial assets & liabilities not measured at fair value through profit or loss	24	-3,025	142,868
Net gains and losses on financial assets and liabilities held for trading	25	62,076	47,027
Net gains and losses on financial assets and liabilities designated at fair value through profit or loss	26	62,094	-69,060
Fair value adjustments in hedge accounting	27	41,090	25,433
Exchange differences revaluations	28	24,737	24,482
Gains and losses on derecognition of assets other than held for sale	29	21,705	15,645
Other net operating income	30	85,769	-11,992
Administration costs		**1,822,085**	**1,833,761**
Staff expenses	31	1,094,347	1,139,495
General and administrative expenses	32	549,564	547,047
Bank levies	33	178,174	147,220
Depreciations	7-9	**114,802**	**111,129**
Provisions	17	**34,049**	**-93,823**
Impairments	34	**193,453**	**179,509**
Impairment losses on financial assets not measured at fair value through profit or loss		187,041	177,278
Other Impairments		6,412	2,231
Share of the profit and loss attributable to associates and joint ventures accounted for under the equity method		**6,938**	**1,966**
Income tax expenses related to profit and loss from continuing operations	35	**383,507**	**408,384**
Net profit (loss)		**956,392**	**1,065,608**
Attributable to minority interests		6,125	1,536
Attributable to equity holders of the parent		950,266	1,064,072

6.3 Consolidated Statement of Comprehensive Income

For year ended 31 December 2015

Consolidated Statement of Comprehensive Income		
In Eur thousands	**2015**	**2014**
Net profit or loss for the current year	956,392	1,065,608
Elements of comprehensive income:		
Currency translation reserve	106,274	18,079
Net change in hedge of net investments in foreign operations reserve	-107,745	-17,226
Net change in tangible fixed assets revaluation reserve	3,622	-17,355
Net change in the revaluation reserve available for sale	-38,960	68,406
Net change in cash flow hedges	-22,677	215,005
Net change in actuarial Gain/losses on pension Defined Benefit Plans	38,439	-47,634
TOTAL RESULT INCLUDING COMPREHENSIVE INCOME	**935,345**	**1,284,883**

PM: “Net change in actuarial Gain/losses on pension DBP” cannot be recycled to the Income statement.

The tax impact of elements in other comprehensive income can be found in Note 10 and Note 18.

6.4 Cash Flow Statement

For year ended 31 December 2015

Cash Flow from Operating Activities			
In EUR thousands	Note	2015	2014
Profit or loss attributable to equity holders of the parent		**950,266**	**1,064,072**
Adjustments to reconcile profit to net cash provided by operating activities		**590,893**	**692,927**
Minority interest included in group profit loss		6,125	1,536
(Current and deferred tax income, recognised in income statement)		-147,826	-547,213
Current and deferred tax expenses, recognised in income statement		531,333	955,597
Net unrealised gains		69,517	280,831
of which:			
unrealised foreign currency (gains) losses		*0*	*0*
net unrealised fair value (gains) losses via profit or loss		*131,154*	*-2,580*
net unrealised gains from cash flow hedges	*21*	*-22,676*	*215,005*
net unrealised gains from available-for-sale investments	*21*	*-38,960*	*68,406*
Net realised (gains) losses on sale of investments		-23,519	-32,299
Depreciations / amortisations		114,802	111,129
Impairments	34	6,412	2,231
Net provisions (recoveries)		34,049	-93,825
Other adjustments			14,940
Cash flow from operating activities before changes in working capital		**1,541,159**	**1,756,999**
Changes in operating assets (excluding cash and cash equivalents)		**-399,028**	**8,618,352**
Net Increase in:			
Balances with central banks	*1*	2,251,591	172,948
Loans and receivables	*5*	4,309,759	4,922,733
Financial assets available for sale	*4*	-843,802	-192,233
Financial assets held for trading	*2*	-5,353,443	1,452,463
Financial assets designated at fair value through profit or loss	*3*	23,152	-201,760
Asset-derivatives, used for hedging	*6*	-992,456	1,625,901
Accrued income for financial assets		0	0
Other assets	*12*	206,171	838,300
Changes in operating liabilities (excluding cash and cash equivalents)		**-752,737**	**8,130,466**
Net Increase in:			
Advances from central banks	*15*	-7,194	1,622,040
Deposits from credit institutions	*15*	1,664,897	-1,995,556
Deposits from other than credit institutions	*15*	2,904,962	5,459,943
Debt certificates	*15*	1,100,017	-39,510
Financial liabilities held for trading	*13*	-5,096,680	1,181,132
Financial liabilities designated at fair value through profit or loss	*14*	-671,995	-238
Liability-derivatives used for hedging	*16*	-1,008,075	2,187,888
Accrued expenses on financial instruments		0	0
Other financial liabilities	*15*	3,476	-4,263
Other liabilities	*19*	357,854	-280,971
Net increase in working capital		**353,709**	**487,886**
Cash flow from operating activities		**1,187,451**	**1,269,113**
Income tax (paid) refunded		-362,514	-349,808
NET CASH FLOW FROM OPERATING ACTIVITIES		**824,936**	**919,305**

Cash Flow from Investment Activities

In EUR thousands	Note	2015	2014
Acquisition of tangible assets	*7-8*	-74,180	-96,386
Disposal of tangible assets	*7-8*	15,904	43,809
Acquisition of intangible assets	*9*	-12,528	-6,236
Disposal of intangible assets	*9*	-15	0
Acquisition of joint ventures, associates, subsidiaries, net of cash acquired	*11*	-6,241	-4,114
Disposal of joint ventures, associates, subsidiaries, net of cash disposed	*11*	29,261	19,088
Other cash payments related to investing activities		0	0
Other cash receipts related to investing activities		58,718	58,798
NET CASH FLOW FROM INVESTMENT ACTIVITIES		**10,919**	**14,959**

Cash Flow from Financing Activities

In EUR thousands	Note	2015	2014
Dividends paid		-1,145,973	-1,192,521
Cash proceeds from the issuance of subordinated liabilities		0	0
Cash repayments of subordinated liabilities		-91,556	-118,552
Cash proceeds from the issuance of shares and other equity instruments		0	0
Cash payments to acquire treasury shares		0	0
Cash proceeds from the sale of treasury shares		0	0
Other cash proceeds related to financing activities		0	0
Other cash payments related to financing activities		0	0
NET CASH FLOW FROM FINANCING ACTIVITIES		**-1,237,529**	**-1,311,073**
Effect of exchange rate changes on cash and cash equivalents		0	0

Movement in Cash and Cash Equivalents

In EUR thousands	Note	2015	2014
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,949,260**	**-376,808**
Cash and cash equivalents at the beginning of the period		4,570,176	4,946,984
Cash and cash equivalents at the end of the period		7,519,436	4,570,176

Cash and Cash Equivalents include the following items

In EUR thousands	Note	2015	2014
Cash on hand	*1*	623,772	602,831
Balances with central banks	*1*	3,643,277	1,391,686
Loans and receivables		3,252,387	3,201,347
Government securities		0	0
Bank overdrafts		0	0
TOTAL CASH AND CASH EQUIVALENTS		**7,519,436**	**4,570,176**

Supplementary Disclosure of Operating Cash Flow

In EUR thousands	Note	2015	2014
Interest income received	*22*	6,608,207	7,202,522
Interest expense paid	*22*	3,963,458	4,450,024
Dividend income received		5,127	4,150

PM: abstraction of the impact of pro rata interest income/expenses as considered non-material

6.5 Consolidated Statement of Changes in Equity

For year ended 31 December 2015

Changes in Equity - 2015

In EUR thousands	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Net profit current year	Non-controlling interests	Total
Opening balance	2,350,000	451,511	313,979	0	5,797,713	1,064,072	18,320	9,995,595
Capital increase / decrease (-)								0
Purchases / sales of treasury shares								0
Share based payment					8,622			8,622
Net profit transferred to reserves					1,064,072	-1,064,072		0
Reclassification between reserves								0
Other changes								0
Dividends 2014								0
Interim dividend 2015					-1,145,973			-1,145,973
Net profit or loss for the current year						950,266	6,126	956,392
Other Comprehensive Income (net of related tax effects)								0
Currency translation reserve			106,274					106,274
Net change in hedge of net investments in foreign operations reserve			-107,745					-107,745
Net change in tangible fixed assets revaluation reserve			3,622					3,622
Net change in the revaluation reserve available for sale			-38,960					-38,960
Net change in cash flow hedges			-22,677					-22,677
Net change in actuarial gains/losses on pension defined benefit plans			38,439					38,439
Share of the other comprehensive income of associates and joint ventures accounted for using equity method								0
Other					2,530		-4,054	-1,524
Closing balance	2,350,000	451,511	292,932	0	5,726,964	950,266	20,392	9,792,065

For year ended 31 December 2014

Changes in Equity - 2014

In EUR thousands	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Net profit current year	Non-controlling interests	Total
Opening balance	2,350,000	451,511	94,704	0	5,983,957	977,679	16,919	9,874,770
Capital increase / decrease (-)								0
Purchases / sales of treasury shares								0
Share based payment					9,870			9,870
Net profit transferred to reserves					977,678	-977,679		-1
Reclassification between reserves								0
Other changes								0
Dividends 2013								0
Interim dividend 2014					-1,192,521			-1,192,521
Net profit or loss for the current year						1,064,072	1,536	1,065,608
Other Comprehensive Income (net of related tax effects)								0
Currency translation reserve			18,079					18,079
Net change in hedge of net investments in foreign operations reserve			-17,226					-17,226
Net change in tangible fixed assets revaluation reserve			-17,355					-17,355
Net change in the revaluation reserve available for sale			68,406					68,406
Net change in cash flow hedges			215,005					215,005
Net change in actuarial gains/losses on pension defined benefit plans			-47,634					-47,634
Share of the other comprehensive income of associates and joint ventures accounted for using equity method								0
Other					18,728		-135	18,593
Closing balance	2,350,000	451,511	313,979	0	5,797,712	1,064,072	18,320	9,995,595

6.6 Information on the Consolidated Accounts

6.6.1 Statement of compliance with IFRS

ING Belgium nv/sa has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). In this document the term 'IFRS' is used to refer to International Financial Reporting Standards as adopted by the EU, including the decisions ING Belgium has made with regard to the options available under IFRS and the supplementary disclosures required by Belgian law.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of contingent liabilities as at 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.

6.6.2 Corporate information

ING Belgium nv/sa is an international financial institution active in banking, insurance and asset management and a subsidiary of ING Bank NV. ING Belgium has organised its commercial network into two business lines: Retail & Private Banking and Wholesale Banking. Both report functionally to the equivalent business lines at ING Group. ING Belgium is a limited liability company employing 10,434 people. The address of its registered office is Marnix Avenue 24, 1000 Brussels.

These consolidated financial statements were approved for issue by the Board of Directors on 18 March 2016. Amounts in the notes to the financial statements are in thousands of euros unless otherwise stated.

6.6.3 Basis of presentation

The main measurement basis used in preparing these financial statements are fair value and amortised cost.

Fair value of financial assets and liabilities is determined by using quoted market prices. Market prices are obtained from traders, brokers and independent market vendors. In general, positions are valued by taking the bid price for a long position and the offer price for a short position. In some cases where positions are marked at mid-market prices, a fair value adjustment is calculated.

Furthermore, additional fair value adjustments may be necessary for liquidity or outdated data because transactions in a particular financial instrument do not take place on a regular basis.

For certain financial assets and liabilities, including Over-The-Counter (OTC) derivative instruments, no quoted market prices are available. For these financial assets and liabilities, fair value is determined using valuation techniques. These valuation techniques consider, amongst other factors, contractual and market prices, correlations, time value of money, credit spread, yield curve, volatility factors and/or prepayment rates of the underlying positions. All valuation techniques used are approved by the applicable internal authorities. In addition, market data used in these valuation techniques are validated on a daily basis[8].

Models are subjective in nature and significant opinion is involved in establishing fair values for financial assets and liabilities. Models involve various assumptions regarding the underlying price, yield curve, correlations and many other factors. The use of different valuation techniques and assumptions could produce materially different estimates of fair value.

Price testing is done 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 income statement. Price testing is performed to minimise the potential risks of economic losses due to materially incorrect or misused models. This applies to both exchange-traded positions as well as OTC positions.

The difference between the price based on the model used and the market data, the 'day one profit', is recorded in the income statement of the bank. However, when the bank uses internally developed models and/or data derived from observable prices, a valuation adjustment is made for model risk. This adjustment takes into account the different aspects of these models/data and the related degree of uncertainty.

In respect of the general rule for calculating the adjustment for model risk, the calculation takes into account:

- the internal classification of the model in accordance with its complexity;
- experience in using the model;
- and the remaining term of the operation.

The calculation is performed on a transaction-by-transaction basis. The first two points are subject to a regular review by Risk Management.

A specific adjustment is also made for correlation risk. This adjustment is calculated based on the sensitivity indicator for this risk factor.

A valuation adjustment is also recorded for credit risk. This adjustment is computed by MRM, and takes the model risk into account. Both Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA – own default risk of ING) are taken into account to determine the fair value.

[8] More information can be found under "6.7.3.1. Fair value of financial assets and liabilities".

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or non-collectability.

As of 2013, ING Belgium reports applying the 'dirty price' methodology. This means that from this date the accrued interests are booked with the underlying instrument, and no longer separately.

Financial statements are prepared on a going concern basis.

6.6.3.1 Change in IFRS-EU

New and/or amended IFRS-EU standards were adopted by ING Belgium. The implementation of these amendments had no or no material effect on the consolidated accounts of ING Belgium.

6.6.3.2 Significant upcoming changes in IFRS-EU after 2015

This section explains the impact on the financial statements of ING Belgium due to applied or future IFRS modifications.

New IFRS modifications		
IFRS	**Applicable to financial year**	**Endorsed by the EU**
IFRS **14** – Regulatory Deferral Accounts	01/01/2016	No
IFRS **15** – Revenue from Contracts with Customers	01/01/2018	No
IFRS **9** – Financial Instruments (replacement of IAS 39)	01/01/2018	No
IFRS **16** – Leases (replacement of IAS 17)	01/01/2019	No

IFRS 14 'Regulatory Deferral account' permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required.

IFRS 15 'Revenue from Contracts with Customers': In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers'. The standard is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. IFRS 15 is not yet endorsed by the EU. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognizing 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 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.

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 work stream consists of experts from Finance, Risk, Bank Treasury, Operations and the business lines. The work streams are supported by the Program Office. The Technical Board supports the Steering Committee by reviewing the interpretations of IFRS 9 as prepared by the work streams. 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 Amortized 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 amortized 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 work stream 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 finalized as allowed under IFRS 9. ING Bank will continue to implement the IFRS 7 hedge accounting disclosure requirements.

IFRS 16 'Leases': The IASB finalized a new standard on Leases accounting that will replace IAS 17. This new standard establishes new principles that companies have to apply to report useful information to investors and analysts about the amount, timing and uncertainty of cash flows arising from a lease. The main change brought is an increase in assets/liabilities for companies that currently have a large amount of leases off balance sheet. The new requirements become effective as of 1 January 2019. IFRS 16 is not yet endorsed by the European Commission.

6.6.3.3 Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including Variable Interest Entities) over which ING Belgium has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether ING Belgium controls another entity. Subsidiaries are fully consolidated from the date on which control is exercised by ING Belgium. They are deconsolidated from the date on which control ceases.

ING Belgium has also shareholding above 50% of the voting rights in companies which are not fully consolidated. Considering IFRS 10 requirements, the bank effectively exercises a control on those companies but given the low materiality for the bank, these companies have not been consolidated. Those participations are considered as investments. Further details can be found in note 11.

As regards fully consolidated subsidiaries, the bank ensures that, within the limits of percentages of equity controlled and with the exclusion of political risk, fully consolidated shareholdings are able to meet their commitments.

The purchase method of accounting is used to account for the acquisition of subsidiaries by ING Belgium. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed on the exchange date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair value on the acquisition date, irrespective of the extent of any minority interest. The excess of the acquisition cost over the fair value of the bank's share in the identifiable net assets acquired is recorded as goodwill. If the acquisition cost is less than the fair value of the bank's share in the net assets of the subsidiary acquired, the difference is directly recognised in the income statement. The badwill is only recognised in the income statement after reassessment that all assets acquired and liabilities assumed were correctly identified.

Balances and unrealised gains on transactions between ING Belgium companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. When necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by ING Belgium.

Consolidated subsidiaries - 2015								
In EUR thousands				Entity's Financial statement at the reporting date [1]				
Entity name	Registered office	Activity	Company code	Accumulated Equity interest (%)	Assets	Liabilities	Net result	Equity (without Income Statement)
CEL Data Services	Brussels	IT	BE 0435.463.880	100.0%	8,264	2,536	551	5,728
Immo Globe	Brussels	Real Estate	BE 0415.586.512	100.0%	14,194	1,083	176	13,111
ING Belgium International Finance Luxembourg	Luxembourg	Finance	-	100.0%	2,457,228	2,418,412	24,018	38,816
ING Contact center	Brussels	Finance	BE 0452.936.946	100.0%	10,607	6,922	-244	3,684
ING Luxembourg	Luxembourg	Finance	-	100.0%	15,179,895	14,044,361	106,991	1,135,534
ING Lease Luxembourg	Luxembourg	Leasing	-	100.0%	211,312	191,641	1,670	19,672
Société Immobilière ING Luxembourg	Luxembourg	Real Estate	-	100.0%	23,589	20,194	0	3,395
ING LUX Ré	Luxembourg	Insurance	-	100.0%		Dissolved		
ING Technology Services	Brussels	IT	BE 0846.738.437	99.5%	2,730	1,730	0	1,000
Lease Belgium	Brussels	Leasing	BE 0402.918.402	100.0%	4,006,373	3,862,439	27,735	143,934
ING Equipment Lease Belgium	Brussels	Leasing	BE 0427.980.034	100.0%	1,868,634	1,781,506	12,494	87,128
ING Asset Finance Belgium	Brussels	Leasing	BE 0429.070.986	100.0%	608,115	578,479	3,847	29,637
ING Truck Lease Belgium	Brussels	Leasing	BE 0440.360.895	100.0%	227,911	217,409	950	10,502
Commercial Finance	Brussels	Factoring	BE 0470.131.086	100.0%	886,693	880,663	6,030	6,030
D'Ieteren Vehicle Trading NV	Brussels	Leasing	BE 0428.138.994	51.0%	16,349	13,504	120	2,846
New Immo-Schuman	Brussels	Real Estate	BE 0428.361.797	100.0%	10,823	668	-680	10,155
Record Bank	Brussels	Banking	BE 0403.263.642	100.0%	19,823,845	18,925,022	48,728	898,823
Fiducré	Brussels	Finance	BE 0403.173.372	100.0%	119,619	117,846	10,925	1,774
Logipar	Brussels	Real Estate	BE 0439.526.103	100.0%	4,870	-257	-260	5,128
Record Credit Services	Liege	Finance	BE 0403.257.407	18.0%	1,568,844	1,532,114	1,878	36,730
Sogam	Brussels	Finance	BE 0402.688.075	100.0%	485	8	1	477
Soges-Fiducem	Brussels	Finance	BE 0403.238.304	100.0%	38,991	35,717	120	3,274
Belgian Overseas Agencies	Montreal	Finance	CA 0403.202.967	100.0%	22,762	22,565	-11	197
Belgian Overseas Issuing Corp	New York	Finance	CA 0403.203.066	100.0%	26,711	26,068	-121	643

[1] Amounts before intercompany eliminations. Assets are not equal to liabilities because equity is not included

Structured entities

ING Belgium'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.

The structured entities over which ING Belgium can exercise control are consolidated. ING may provide support to these consolidated structured entities as and when appropriate, and this is fully reflected in the consolidated financial statements of ING Belgium as all assets and liabilities of these entities are included and off-balance sheet commitments are disclosed.

ING Belgium's activities involving structured entities are explained below in the following categories:

1) Consolidated ING originated Liquidity management securitization programs (Belgian Lions);
2) Consolidated Record Bank originated Liquidity management securitization programs (Record Lions).

Associates

Associates are all entities over which ING Belgium has significant influence but no control, generally accompanying a shareholding of 20-50% of the voting rights. Investments in associates are accounted for under the equity method of accounting and are initially recognized at cost. They include goodwill (net of any accumulated impairment loss) identified upon acquisition.

The bank's share in the post-acquisition profits or losses of associates is recognized in the income statement. Its share in the post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When ING Belgium's share in the losses of an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between ING Belgium and its associates are eliminated to the extent of the bank's interest in the associates. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. When necessary, the accounting policies of associates have been changed to ensure consistency with the policies adopted by ING Belgium.

Amounts from the financial reports of these entities:

Associates accounted for under the equity method - 2015								
In EUR thousands				Entity's Financial statement at the reporting date [1]				
Entity name	Registered office	Activity	Company code	Accumulated Equity interest (%)	Assets	Liabilities	Net result	Equity (without Income Statement)
Isabel	Brussels	Finance	BE 0455.530.509	25.3%	32,949	22,673	5,138	10,277
Synapsia	Luxembourg	Finance		34.8%	43,374	43,295	-33	79
European Marketing Group Luxembourg (EMG)	Luxembourg	Leasing		40.0%	7,859	1,655	956	6,205

[1] Amounts before intercompany eliminations. Assets are not equal to liabilities because equity is not included.

6.6.4 Accounting policies

6.6.4.1 Foreign currency translation

Functional and presentation currency

Items included in the accounts of all ING Belgium entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are drawn up in thousands of euros, which is the presentation currency.

Translations

Foreign currency transactions are converted into the functional currency using the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, as well as gains and losses resulting from the conversion at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement, except when deferred in equity as part of qualifying cash flow or net investment hedges.

Conversion 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 reconverted on the date where their fair value is determined.

Conversion differences on non-monetary items measured at fair value through the revaluation reserve are included in the revaluation reserve in equity.

Results and financial position of group companies

The results and financial position of ING Belgium companies whose functional currency differs from the presentation currency are converted into the presentation currency:

- assets and liabilities included in their balance sheet are converted at the closing rate, on the date of the balance sheet concerned;
- income and expenses included in their income statement are converted at average exchange rates; however, when the average is not a reasonable approximation of the cumulated effect of the rates prevailing on the transaction dates, income and expenses are converted on the transaction dates;
- resulting exchange differences are recognised in a separate component of equity.

On consolidation, exchange differences arising from the conversion 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, such exchange differences are recognized in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and converted at the closing rate.

6.6.4.2 Recognition and derecognition of financial instruments

All purchases and sales of financial assets classified as available for sale and trading that require delivery within the timeframe established by regulation or market convention ('regular way' purchases and sales) are recognized on trade date, being the date when ING Belgium committed to purchase or sell the asset. Loans and deposits are recognized on settlement date.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or when ING Belgium has transferred all risks and rewards of ownership. If ING Belgium neither transfers nor retains all risks and rewards of ownership of a financial asset, it derecognizes the financial asset when it no longer has control over it. In case of transfers where control over the asset is retained, ING Belgium continues to recognize the asset to the extent of its continuing involvement. The extent of this continuing involvement is determined by the extent to which ING Belgium is exposed to changes in the value of the asset.

6.6.4.3 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when ING Belgium has a legally enforceable right to offset the recognized amounts and intends to either settle on a net basis or to simultaneously realize the asset and settle the liability.

6.6.4.4 Repurchase and reverse repurchase transactions

Securities sold subject to repurchase agreements ('repos') are retained in the consolidated financial statements. The counterparty liability is included in financial liabilities associated with the transferred assets.

Securities purchased under agreements to resell ('reverse repos') are recorded as collateral received. In addition, a receivable is recognised as 'loans and advances' or as 'financial assets held for trading'.

The difference between the sale and repurchase price is recorded as interest and accrued over the life of the agreement, using the effective interest method.

6.6.4.5 Financial assets

Cash and cash balances with central banks

Cash includes money held by ING Belgium, as well as money deposited with other financial institutions that can be withdrawn without notice.

Cash equivalents are defined as short-term, highly liquid investments which are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. The classification of a short-term investment as a cash equivalent not only requires the investment to meet the definition of a cash equivalent, but also depends on the purpose for which the investment is held.

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash on hand, balances with central banks, short-term loans and advances, short-term government securities, reverse repos and bank overdrafts.

Financial assets held for trading

Trading assets are assets that are acquired principally for the purpose of generating short-term gains or a dealer's margin. Financial assets held for trading are initially recognised at cost. Subsequently, they are premeasured to fair value, without deduction of transaction costs, on each balance sheet date until they are derecognised.

Gains and losses arising from changes in fair value are recorded in the income statement for the period in which they occur. They include realised gains and losses on the disposal of financial assets and unrealised gains and losses arising from changes in fair value.

Interest income and expenses are recorded separately in the income statement.

Financial assets designated at fair value through profit or loss

Management designates financial assets at fair value through profit or loss when one of the following conditions is met:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'accounting mismatch') that would arise from measuring assets or recognising gains/ losses on them on a different basis;

- a group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group of assets concerned is provided internally on that basis;
- the assets contain one or more embedded derivatives, unless the embedded derivative does not significantly modify the cash flows or if separation of the embedded derivative would be prohibited.

Gains and losses arising from changes in the fair value of such assets are recognised in the income statement for the period in which they occur. They include realised gains and losses on the disposal of financial assets and unrealised gains and losses arising from changes in the fair value of the assets.

Interest income and expenses are recorded separately in the income statement.

Designation is irrevocable: the marked-to-market valuation of such assets is maintained until derecognition.

Loans and receivables

Loans and receivables are non-derivative instruments with fixed or determinable payments. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, they are carried at amortised cost using the effective interest rate method, less any impairment losses.

Interest income is recognised on an accruals basis using the effective interest rate method.

Financial assets available for sale

Financial assets not classified in another category are recorded as available for sale.

Available-for-sale financial assets are measured at fair value. Unrealised gains and losses arising from changes in fair value are recognised in equity. When the assets are disposed of, the related accumulated fair value adjustments are recorded in the income statement as gains and losses from investments.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity which ING Belgium has the 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.

6.6.4.6 Impairment of financial assets

At each balance sheet date, ING Belgium assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. Objective evidence that a financial asset or group of assets is impaired includes, but is not limited to:

- the borrower has sought or has been placed in bankruptcy or similar protection, and this avoids or delays 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 given evidence of significant financial difficulty, which will have a negative impact on the future cash flows of the financial asset;
- the credit obligation has been restructured for non-commercial reasons. ING Belgium 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.

Impairment of financial assets designated as available for sale

With regard to equity investments classified as available for sale, a significant (25%) or prolonged decline (6 months) in the fair value of the assets linked to the quality of the debtor, below their acquisition cost, is considered in determining whether the assets are impaired.

If any such evidence exists, the cumulated 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 the income statement- is removed from equity and recognised in the income statement. Impairment losses on equity instruments recognised in the income statement are not reversed through the income statement until the items are derecognised.

Regarding debt securities, the same rule applies to record the impairment. If, however, 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 income statement, the impairment loss is reversed through the income statement.

Impairment of loans

ING Belgium first assesses whether objective evidence of impairment exists individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. Loans 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.

For loans that are not individually significant a collective provision is calculated.

A collective provision is calculated when ING Belgium determines that no objective evidence exists of the depreciation of a financial asset or a group of financial assets; this also referred to as 'Incurred But Not Reported' (IBNR). Collective provisions calculation is model based. When it appears with certainty that the result of the calculation materially over- or underestimate the expected loss, for example as a consequence of an upcoming model or regulatory change, operational change or process optimization, the expected impact of that change is incorporated to the provisions.

A loan is impaired when it is probable that the bank will not be able to collect all amounts due (principal and interest) according to the contractual terms. The collectability of loans includes the credit risk, when a loan may not be repaid due to the borrower's lack of capacity to repay. It also includes the transfer risk, when the loan is not repaid due to factors external to the borrower such as currency restrictions resulting from an economic crisis in his/her country of domicile. Emphasis should be placed on the timing of the contractual cash flows from interest payments and principal repayments. If the bank expects to collect all interest and principal due in full, but it is probable that those cash flows will be received later than the date agreed in the original contract, an impairment review must be performed. In addition, following the introduction of a new definition of non-performing loans and forbearance by EBA in 2014, forborne exposure showing past due for more than 30 days are considered like impaired and provisions are calculated accordingly. When a loan is defaulted, it is written off against the related provision account. This occurs after all required procedures have been undertaken and the final loan loss has been determined. Any amounts received in excess of expected cash flows are recognised in the income statement as reductions of the related provision.

When an impairment is recognised for a financial asset valued at amortised cost, the amount of the impairment is determined as being the difference between the asset's book value and the present value of the expected future cash flows (excluding future loan losses that have not yet occurred), discounted using the asset's original effective interest rate[9]. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. If the loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 allowance account. The amount of the reversal is recognised in the income statement. It is the bank's policy that write-offs should only be made when the loss is quasi certain e.g. after completion of a restructuring, in a bankruptcy situation, after divestment of a credit facility at a discount, after closure of all recovery attempts.

Both the loan and the impairment show up in the books. If the decision to (partially) write off the loan is taken, both the loan and the related provision are eliminated from the books and only the difference between the two is brought to the income statement.

[9] Currently, the future cash flows are discounted using the contractual rate.

The identification of the 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. Further developments after the balance sheet date may indicate that certain unrealized losses as of the balance sheet date will result in impairment in future periods, resulting in a negative impact on the income statement for future periods.

Considerable judgment is exercised in determining the extent of loan loss provisions. This judgment is based on the management's evaluation of the risk in the portfolio, current economic conditions, loss experience in recent years and credit and geographical concentration trends. Changes in such judgments and analyses may lead to changes in provisions over time.

6.6.4.7 Financial liabilities

Financial liabilities held for trading

A financial liability is held for trading when it is acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Financial liabilities held for trading include 'short' positions in securities. Financial liabilities held for trading are initially recognised at cost, and subsequently premeasured to fair value (without deduction for transaction costs) on each balance sheet date until the items are derecognised.

Gains and losses arising from changes in the fair value are recorded in the income statement for the period in which they occur. Gains and losses include realised gains and losses on the disposal of financial liabilities, and unrealised gains and losses arising from changes in the fair value.

Interest is recorded separately in the income statement.

Financial liabilities at fair value through profit or loss

Management designates financial liabilities at fair value through profit or loss when one of the following conditions is met:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'accounting mismatch') that would arise from measuring liabilities or recognising gains/ losses on them on a different basis;
- a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group of liabilities concerned is provided internally on that basis;
- the liabilities contain one or more embedded derivatives, unless the embedded derivative does not significantly modify the cash flows or when separation of the embedded derivative would be prohibited.

Financial liabilities at amortized cost

The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition (the fair value), minus principal repayments, plus or minus the cumulated amortisation, using the effective interest method of any difference between the initial amount and the maturity amount. This is the default classification.

6.6.4.8 Derivatives and hedging activities

Any derivative contract is initially recognised at fair value at the date on which it is entered into and is subsequently premeasured to its fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Embedded derivatives are bifurcated from their host contract provided the following conditions are met:

- 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 or loss;
- 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 income statement.

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, on the nature of the item being hedged.

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

At the inception of the transaction, ING Belgium documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The bank assesses, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items including the method for assessing the hedging instruments' effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

ING Belgium uses three types of hedge accounting, which are described below.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the income statement, 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 in the income statement over the remaining term of the original hedge or recognised directly when the hedged item is derecognised. Interest Rate Swaps are concluded in the ALM book as hedging instruments in order to manage the overall interest rate risk created by the commercial activity of the bank. Interest rate swaps and cap/floor (for mortgage loans) are used.

ING makes use of the 'carved-out' version of IAS39 as adopted by the European Commission in 2004.

In this version, certain aspects of portfolio fair value hedging of interest rate risk have been moderated to avoid operational complexity. Among other, the carved-out version allows the use of the 'bottom layer' approach for pre-payable assets.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is immediately recognized in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect the income statement.

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 recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that is reported in equity is immediately transferred to the income statement.

Interest Rate Swaps are concluded in the ALM book as hedging instruments in order to manage the overall interest rate risk created by the commercial activity of the bank.

Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

6.6.4.9 Tangible assets

Property, plant and equipment

Land and buildings held for own use are stated at fair value on the balance sheet date. The cost of an item of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes, after deducting trade discount and rebates. The fair value of land and buildings is their market value.

ING Belgium premeasures at fair value property at each reporting date and obtains a valuation from an independent, professionally qualified appraiser on a sufficiently regular basis, or at least every five years.

Increases in the carrying amount arising from a revaluation of land and buildings held for own use are credited to the revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly in equity. All other decreases are charged to the income statement. Increases that reverse a revaluation decrease on the same asset previously recognised in income statement are recognised in the income statement.

Depreciation on buildings is recognised, based on the fair value and the estimated useful life of the asset (in general 33 years). Depreciation is calculated pro rata temporis (or proportionally) on a straight-line basis. Residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Subsequent expenditures are included in the carrying amount of the asset when it is probable that future economic benefits associated with the item will flow to ING Belgium and its cost can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which these are incurred.

On disposal, the related revaluation reserve is transferred to retained earnings. Land is not depreciated.

Equipment is stated at cost, less accumulated depreciation and any impairment losses. The cost of such assets is depreciated on a straight-line basis over their estimated useful lives. Expenditures for maintenance and repairs are charged to the income statement as incurred. Expenditure incurred on major improvements is capitalised and depreciated.

The leases entered into by ING Belgium are operating leases. The total payments made under operating leases are charged to 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 payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Investment property

Investment property is stated at fair value on the balance sheet date. Changes in the carrying amount resulting from revaluations are recorded in the income statement. On disposal, the difference between the sale proceeds and book value is recognised in the income statement.

Fair value of investment property is based on regular appraisals by independent qualified appraisers. Investment properties are not depreciated.

6.6.4.10 Goodwill and intangible assets

Goodwill

ING Belgium's acquisitions are accounted for under the purchase method of accounting, whereby the cost of the acquisitions is allocated to the fair value of the assets, liabilities and contingent liabilities acquired. 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 on the acquisition date- is capitalised as an intangible asset. The results of the operations of the acquired companies are included in the income statement from the date control is obtained.

Goodwill is only capitalised on acquisitions after the date of implementing IFRS. Accounting for acquisitions before that date is not restated; goodwill and internally generated intangibles on those acquisitions are directly charged to shareholders' equity. Goodwill is allocated to cash-generating units for the purpose of impairment testing. These cash-generating units are the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

The impairment testing is performed annually or more frequently if there are indicators of impairment. Under the impairment tests, the carrying value of the cash-generating unit (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 of the date of acquisition of acquired assets and liabilities that are identified within one year after acquisition are recorded as an adjustment to goodwill. Any subsequent adjustment is recognised as income or expense. However, recognition of deferred tax assets after the acquisition date is recorded as an adjustment to goodwill, even after the first year.

On disposal of group companies, the difference between the sale proceeds and book value (including goodwill) and the amount recorded in the currency conversion reserve in equity is included in the income statement.

Goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise. Fair value of assets and liabilities acquired are based on discounted cash flow model.

Software

Computer software that has been purchased or internally generated for own use is stated at cost, less depreciation and any impairment losses. Depreciation is calculated on a straight-line basis over the useful life of the item. This period is a minimum of five years. Depreciation is included in other expenses.

Internally generated software should only be capitalised if all of the following requirements are met:

- ING Belgium has the feasibility of completing the intangible asset, so that it will be available for use or sale;
- ING Belgium has the intention to complete the intangible asset and use or sell it;
- ING Belgium has the ability to use or sell the intangible asset;

- the intangible asset will generate probable future economic benefits; among other things, the bank must be able to demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- ING Belgium has adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset;
- ING Belgium is able to reliably measure the expenditure attributable to the intangible asset during its development.

Projects with regard to internally generated software for own use are considered for capitalisation if they reach or exceed EUR 2.5 million in value.

Other intangible assets

Other intangible assets are capitalised and amortised over their expected economic lives. Intangible assets with an indefinite life are not amortised.

6.6.4.11 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, whereas the timing or the amount is uncertain. Unless otherwise stated, provisions are discounted using a pre-tax discount rate to reflect the time value of money. The determination of provisions is an inherently uncertain process, involving estimates of amounts and timing of cash flows. Reorganisation provisions include employee termination benefits, when ING Belgium 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.

As a general rule, a provision or a part thereof should be released only when:

- cash is received, which results in the present value of the expected future cash flows increasing compared to previous estimates (partial release) or exceeding the carrying amount (full release);
- liabilities are extinguished and no claims whatsoever may be expected, in the case of contingent exposures.

6.6.4.12 Employee benefits: pension obligations

Pension schemes

ING Belgium entities operate various pension schemes. These are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. ING Belgium has both defined-benefit and defined-contribution plans.

A defined-benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually depending on one or more factors such as age, seniority and compensation.

The liability (or asset) recognised in the balance sheet in respect of defined-benefit pension plans is the present value of the defined-benefit obligation on the balance sheet date, less the fair value of the plan assets.

Plan assets are measured at fair value at 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.

The defined-benefit obligation is calculated annually by internal and external actuaries, using the projected unit credit method.

Inherent in the actuarial models are assumptions including discount rates, rate of increase in future salary and benefit levels, mortality rates, health-care costs trends, consumer price index. The assumptions are based on available market data and the historical performance of plan assets. They are updated annually. 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 liabilities and future pension costs. The effects of changes in actuarial assumptions and experience adjustments are recognised through equity.

Any past service cost is recognized in the profit and loss account.

For defined-contribution plans, ING Belgium pays contributions to publicly or privately managed pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as an employee benefit expense 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-retirement obligations

ING Belgium provides post-retirement health care and other benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum period of service. 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.

6.6.4.13 Income tax expenses

Income tax on income for the year comprises current and deferred tax. Income tax is recognised in the income statement, except when it relates to items directly recognised in equity, in which case it is recognised in equity.

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 substantially enacted by the time of 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 are recognised when it is probable that future taxable profit will be available, against which the temporary differences can be utilised. Deferred tax liabilities are provided on temporary differences arising from investments in subsidiaries and associates, except when the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of income tax losses available for carrying forward are recognised as an asset when 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 that are directly charged or credited to shareholders' equity is also directly credited or charged to equity and subsequently recognised in the income statement, together with the deferred gain or loss.

6.6.4.14 Income recognition

Net interest income

Net interest income is recognised in the income statement 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 expenses 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 Belgium estimates cash flows considering all contractual terms of the financial instrument (e.g. prepayment options) but does not consider future credit losses. The calculation includes all fees and basis 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. Net interest income from trading positions and non-trading derivatives are classified in a separate line of the income statement. Movements in the fair value are included in net trading income.

Once an impaired loan or a portfolio of impaired loans has been written down to its estimated recoverable amount, interest income is thereafter recognised, based on the interest rate that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The rationale of this is that, as time passes, the value of expected future cash flows increases as the time to realisation decreases; this unwinding effect is recognised as interest income.

Underlying source systems may either (i) suspend interest income due on impaired loans or (ii) continue to recognise it in full. An adjustment to interest income is required in both cases in order to recognise the correct amount of interest: upward under (i) and downward under (ii).

Actual interest receipts on impaired loans ('late payments') should be applied against interest accruals/principal depending on the probability of bankruptcy of the borrower. Interest receipts are either applied first to principal (when bankruptcy is probable) or first to interest (when bankruptcy is not probable).

Net fee and commission income

Fees and commissions are generally recognised when a service has been 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. Fees and commissions 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 has been provided. Asset management fees related to investment funds and investment contract fees are recognised rateably over the period the service is provided. The same principle is applied for planning and custody services that are continuously provided over an extended period of time.

Dividend income

Revenue is recognised when ING Belgium's right to receive the payment is established.

6.6.4.15 Dividend policy description

The Board of Directors convenes general meetings and decides on their agenda. It sets the date for payment of dividends. The Board may decide to pay interim dividends for the current period, subject to the conditions laid down by law. It also sets the amount and date of the payment.

6.6.4.16 Fiduciary activities

The 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 Belgium.

6.6.4.17 Share-based payment transactions

Option rights and share plans on ING Group shares have been granted by ING Belgium to a number of senior executives and managers (equity settled transactions). The purpose of the option and share schemes, apart from promoting a lasting growth of ING Belgium, is to attract, retain and motivate senior executives.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, ING Belgium revises its estimates on the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

6.6.4.18 Financial guarantees

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 given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received, on the date the guarantee was given.

The premium received is recognised in the income statement in net fees and commission income on a straight-line basis over the life of the financial guarantees. Any increase in the liability relating to guarantees is recorded in the income statement under ‘other operating income’.

6.6.5 Risk management

The traditional role of a commercial bank is to attract deposits, which it then uses to grant loans. This role implies a two-fold transformation: in transaction value and duration. In addition to this conventional business, known as 'on-balance sheet' activities, commercial banks have introduced a growing number of new off-balance sheet instruments with the common aim of managing different types of risks: credit, liquidity, interest rate, exchange rate and equity risks. These transactions are known as 'derivatives' and generally no funds are exchanged upon their conclusion.

The interest rate risk, exchange risk and equity risk are usually grouped under the generic term 'market risk'.

The management of credit risk has been entrusted to the bank's Credit Risk Management Department, which is part of the credit policy and decision line. The Risk Management Department is responsible for the management of liquidity risk, market risk and operational risk. The Legal Department manages legal risk.

6.6.5.1 Credit risk

Credit risk is the risk of loss resulting from the default by debtors or counterparties. Credit risk arises in the bank's lending, pre-settlement and investment activities, as well as in its trading activities. Credit risk management is supported by dedicated credit risk information systems and internal rating methodologies for debtors and counterparties.

Policy

ING Belgium's credit policy is aimed at maintaining a diversified loan and bond portfolio while avoiding large risk concentrations.

The task of defining the risk policy applicable to credit transactions and the bank's investment portfolio lies with the Credit Policy Committee, chaired by the Managing Director responsible for risk management. This policy is in line with the general policy of ING Group. It is explained in a credit policy manual and translated into credit procedures, which are made available to all those responsible for credit applications, decisions and monitoring.

Decision-making structures

Depending on the type and size of loans, the granting and monitoring process is subject to a strictly supervised procedure, delegating powers to various approval authorities. A similar procedure applies to operational risks relating to loan and derivatives contracts, acceptance of collateral and overdraft monitoring, as well as pre-litigation and litigation. As already stated above, legal risk assessment is the responsibility of the Legal Department.

Credit decision-making powers are currently divided between three separate structures:

- Mandates: The decision authority that can be exercised is expressed in mandate levels. The mandates decide on the maximum credit lines granted to a client in the framework of the bank's commercial activity.

  All decisions are taken by a maximum of two mandates:
  - One advisory-level mandate, and
  - One decision-level mandate.

  A mandate level consists mostly of ('twins' principle):
  - One 'Approval Signatory' from Front and
  - One 'Approval Signatory' from Risk Management.

  Decisions beyond a certain level of commitments require the opinion of a credit analyst.

- Standardised loans: The bank has developed an automatic system to assist with the decision-making process for the granting of standardised loans. The system is based on the rating of the client, its reimbursement capacity, internal and/or external notoriety information, total amount of his commitments and some specific rules linked to the type of debtor and product.

- Securities committees: They decide on the bank's investment strategy for its own financial instruments portfolios. The Credit Risk Management Department compiles the analyses and documents for the Central Securities Committee.

Files with problems are closely monitored. When appropriate, specific mandates decide the rapid implementation of preventive measures. Problem cases are identified, among others, by a series of automated warning signs.

Diversification of risks

In accordance with the principles applied by the regulatory authorities for calculating major risks, no borrower (neither a corporate customer nor a financial institution or a group) represents a risk greater than 25% of the bank's own funds. Intercompany exposure is limited at 100% of own funds.

ING Group has developed a set of "Golden Rules", which determine at the level of the entire group the lending limits per consolidated borrower, expressed as notional amounts and economic capital. In addition ING Belgium has set a limit (Single Name Concentrations) expressed in maximum loss on a consolidated borrower. ING also aims to have its portfolio well diversified over economic sectors.

ING Belgium has set up limits on sector concentrations combining size and sensitivity to a negative migration of a sector (Systemic Risk).

ING Belgium credit portfolio: breakdown by economic sector [1]		
In % of outstanding	**2015**	**2014**
Automotive	1.05%	1.11%
Builders and Contractors	3.88%	3.82%
Central Banks	3.49%	1.08%
Central Governments	9.80%	10.55%
Chemicals, Health and Pharmaceuticals	2.93%	2.97%
Civic, Religious and Social Organizations	0.44%	0.47%
Commercial Banks	7.48%	8.41%
Food, Beverages and Personal Care	3.35%	3.28%
General Industries	5.80%	5.69%
Low er Public Administration	5.16%	5.53%
Media	0.79%	0.81%
Natural Resources	10.48%	10.68%
Non-Bank Financial Institutions	4.59%	4.36%
Private Individuals	15.95%	15.64%
Real Estate	6.09%	6.17%
Retail	2.29%	2.33%
Services	10.03%	9.66%
Technology	0.48%	0.43%
Telecom	0.40%	0.41%
Transportation and Logistics	2.94%	3.33%
Utilities	1.40%	1.28%
Other	1.18%	2.00%
TOTAL	**100.00%**	**100.00%**

[1] Consolidated scope. Based on lending, money market and investment activities.

Counterparty risks linked to derivative transactions

Derivative transactions concluded with customers are almost all covered by a transaction with as counterparty another entity of the ING Group. Moreover, the bank signs framework agreements with these institutions, based on the model provided by the International Swaps and Derivatives Association (ISDA).

In most developed countries, these contracts among others allow the debit and credit positions of a defaulting counterparty to be offset, which in many cases considerably reduces the risk. Certain contracts also require the deposit of a cover (collateralisation) if the net position exceeds a predetermined amount.

The bank applies a rigorous policy for monitoring the counterparty risk linked to such transactions:

- each derivative contract is associated with a real credit risk ('present value') and a potential credit risk ('potential future exposure', or 'PFE');
- the assessment of outstandings per counterparty takes account of existing offsetting and collateralisation agreements;
- each counterparty must have an adequate credit limit, granted by the appropriate decision-making level and managed globally in real time for all dealing rooms.

A computerised application monitors in real time the risks on the bank's counterparties and constantly updates the consolidated position of the use of credit limits in all the dealing rooms. This application is backed up by a legal database which enables automatic, real time recognition of new transactions which could be legally offset against other bank treasury transactions. With this instrument, the bank is able to efficiently calculate risk netting and thus make more productive use of credit limits.

ING Belgium follows and is compliant with the European Regulation on OTC derivative agreement, central counterparties and trade repositories (EU No. 648/2012), also known under the European Market Infrastructure Regulation name (EMIR). This text aims to reduce the risks of OTC derivative agreement or Over The Counter (OTC) by promoting transparency and standardization of such financial instruments.

Minimum capital adequacy requirements – Basel III/CRR

Different models for credit [Probability of Default (PD), Loss Given Default (LGD), Exposure At Default (EAD)] as well as market and operational risks have been elaborated in conformity with the European regulation implementing Basel III (CRR). They are used within the entire ING Group.

A reconciliation process has been worked out to obtain certitude on the completeness and accuracy of the reported figures. Moreover, the Internal Capital Adequacy Assessment Process (ICAAP) as required by the NBB (National Bank of Belgium) has been elaborated in close cooperation with ING Group.

Credit exposure

The credit exposure of ING Belgium mainly relates to traditional lending to individuals and businesses. Loans to individuals are mainly mortgage loans, secured by residential property. Loans to businesses are often collateralised, but can be unsecured based on internal analysis of the borrowers' creditworthiness. Pre-settlement credit exposure arises also from trading activities, for instance in derivatives, repurchase transactions and securities lending/borrowing.

The bank uses various market pricing and measurement techniques to determine the amount of credit risk on pre-settlement activities. These techniques estimate in particular ING Belgium's potential future exposure on individual and portfolios of trades. Master agreements and collateral agreements are frequently entered into with the aim of reducing these credit risks.

Credit exposure		
In EUR thousands	2015	2014
Equity	2,400,860	1,951,373
Debt instruments	18,790,403	21,989,007
Loans and advances	103,225,076	99,010,435
Derivatives	12,139,051	17,821,562
Other	0	0
TOTAL	**136,555,390**	**140,772,377**

Risk classes are defined based upon the credit quality of the client, varying from investment grade to problem grade. >In the table below they are expressed in Moody's and S&P equivalents.

ING Belgium credit portfolio: breakdown by risk classes [(1)]		
In % of outstanding	2015	2014
AAA	5.82%	3.96%
AA	19.53%	19.44%
A	13.40%	14.51%
BBB	25.05%	25.77%
Subtotal investment grade	***63.81%***	***63.68%***
BB	23.56%	22.69%
B	8.38%	9.06%
Watch/Problem grade	4.26%	4.57%
TOTAL	**100.00%**	**100.00%**

[(1)] Consolidated scope. Based on lending, money market and investment activities.

The ING Belgium credit portfolio is under constant review. Files above a certain amount are reviewed at least once a year. Moreover, portfolio committees per business with the participation of the management of risk and of front office are organized quarterly.

A formal analysis takes place quarterly to determine the provisions for possible bad debts, using a bottom-up approach. Conclusions are discussed by the ING Provisioning Committee, which advises the Executive Board on specific provisioning levels. ING Belgium identifies as 'impaired' 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.

Off-balance sheet exposures of ING Belgium include given guarantees, letters of credit and credit lines. Guarantees relate both to credit and non-credit substitute guarantees. Credit-substitute guarantees are guarantees given by ING Belgium 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. The guarantees are generally of a short-term nature.

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. The bank's credit risk in these transactions is limited since these transactions are collateralized by the commodity shipped and are of a short duration.

Irrevocable facilities mainly constitute irrevocable credit facilities granted to corporate clients. Many of these facilities are for a fixed duration and bear interest at a floating rate. Irrevocable facilities also include commitments made to purchase securities to be issued by governments and private issuers.

Country risk

Country risk is the risk which is specifically attributable to events in a given country or group of countries. Country risk is identified in lending (corporate and counterparty), trading and investment activities. All transactions and trading positions generated by ING Belgium include country risk.

Country risk is further divided into economic and transfer risk:

Economic risk is the risk resulting from any event in the country which may affect transactions and other exposure in that country, regardless of the currency.

Transfer risk is the risk that debtors in a country are unable to ensure timely payments of foreign currency debt service due to transfer of exchange restrictions, or a general lack of foreign currency liquidity.

In countries where the bank is active, the relevant country's risk profile is regularly evaluated, resulting in a country rating. Country limits are based on this rating. Exposures derived from lending and investment activities are then measured and reported against these country limits on a daily basis.

ING Belgium credit portfolio: breakdown by country (in outstanding) [1]

In EUR billions	2015	2014
Belgium	84.80	82.74
Netherlands	9.09	11.46
Luxembourg	7.64	5.32
Switzerland	6.10	6.25
France	4.56	4.55
Germany	2.99	2.43
United States	2.34	2.38
United Kingdom	1.67	1.43
Spain	1.15	2.25
Norway	0.98	0.78

[1] Consolidated scope. Based on lending, money market and investment activities: 10 largests.

Collateral policies

As with all financial institutions and banks in particular, ING Belgium is in the business of taking credit risks. As such, the creditworthiness of its customers, trading partners and investments is continually evaluated for their ability to meet their financial obligations to ING Belgium. During the assessment process of creating new loans, trading limits or investments, as well as reviewing existing loans, trading positions and investments, ING Belgium determines the amount and type of cover, if any, that a customer may be required to give in order to secure its position.

Generally, the lower the perceived creditworthiness of a borrower or financial counterparty, the more cover the customer or counterparty will have to provide. Covers received for ING Belgium's lending activity mainly consist of mortgages, movable assets, cash, financial instruments and guarantees.

Within counterparty trading activities, ING Belgium actively enters into various legal arrangements whereby counterparties (or ING Belgium) may have to post collateral to one another to cover market fluctuations of their relative positions. Laws in various jurisdictions also affect the type and amount of collateral that ING Belgium can receive or pledge. Additionally, the bank will sometimes enter into credit default swaps and other similar instruments in order to reduce the perceived credit risk on a given borrower or portfolio.

Covers for Performing Loans - 2015 (1)

In EUR thousands	Out-standings	Cover amount based on ING internal valuation methods								Outstandings with No Cover	
		Mortgages		Cash		Guarantees		Other			
Mortgage Loans	33,936,901	29,153,545	96.8%	6,737	0.0%	104,654	0.3%	858,443	2.8%	7,905	0.0%
Other Retail	7,013,635	0	0.0%	83,843	8.6%	256,902	26.4%	632,726	65.0%	1,969,426	28.1%
Corporate	47,208,393	3,923,308	13.4%	2,036,649	7.0%	8,307,453	28.5%	14,914,789	51.1%	9,102,244	19.3%
Institutions	8,411,083	47,680	2.2%	87,682	4.0%	1,255,904	56.9%	815,271	36.9%	5,035,334	59.9%
Central Governments and Central Banks	6,352,451	11,767	1.8%	1,119	0.2%	480,214	71.7%	176,718	26.4%	5,529,334	87.0%
TOTAL	**102,922,462**	**33,136,299**	**52.5%**	**2,216,030**	**3.5%**	**10,405,128**	**16.5%**	**17,397,946**	**27.6%**	**21,644,244**	**21.0%**

(1) *Lending and money market portfolio excluding intercompany.*

Covers for Problem Loans - 2015 (1)

In EUR thousands	Out-standings	Cover amount based on ING internal valuation methods								Outstandings with No Cover	
		Mortgages		Cash		Guarantees		Other			
Mortgage Loans	1,306,316	1,269,351	99.1%	319	0.0%	4,452	0.3%	6,763	0.5%	406	0.0%
Other Retail	354,202	0	0.0%	503	2.3%	7,721	34.6%	14,061	63.1%	72,942	20.6%
Corporate	1,220,043	689,376	62.0%	26,290	2.4%	68,041	6.1%	327,518	29.5%	93,729	7.7%
Institutions	706	436	89.5%	0	0.0%	18	3.6%	34	7.0%	199	28.1%
Central Governments and Central Banks	7	0	0.0%	0	0.0%	0	0.0%	0	0.0%	7	100.0%
TOTAL	**2,881,275**	**1,959,163**	**81.1%**	**27,112**	**1.1%**	**80,231**	**3.3%**	**348,376**	**14.4%**	**167,283**	**5.8%**

(1) *Lending and money market portfolio excluding intercompany.*

Notes:
1. *Cover type 'Mortgages' does not include mortgage mandates. Mortgage mandates are captured in category 'Other'.*
2. *Cover amounts are based on ING internal valuation methods before haircuts per cover type.*
3. *The cover amount of a particular cover is not capped at the outstanding amount of the loan i.e. surplus cover amounts for a particular loan are also captured in the total displayed cover amount*
4. *In case multiple covers are received for a particular loan, the sum of the different cover amounts is displayed (this sum can be higher than the loan amount).*

Allowances for credit losses

Allowance movements for credit losses				
In EUR thousands	Specific allowances for individually and collectively assessed financial assets		Allowances for incurred but not reported losses on financial assets	
	2015	2014	2015	2014
Opening balance	**-708,099**	**723,231**	**-94,320**	**101,090**
Changes in the group	0	0	0	0
Write-downs taken against the allowance	231,032	-84,285	1,043	0
Amounts set aside for estimated probable loan losses	-301,934	225,724	-16,715	23,923
Amounts reversed for estimated probable loan losses	117,344	-155,837	20,642	-30,986
Foreign exchange rate differences	0	0	0	0
Unwinding interests	0	0	0	0
Other adjustments	41,923	-3,577	52	-2,108
Transfers between items	-551	2,843	0	2,401
CLOSING BALANCE	**-620,286**	**708,099**	**-89,298**	**94,320**

Recoveries directly recognized in the income statement	31,821	28,338
Charge-offs directly recognized in the income statement	113,085	143,576

Past due obligations

ING Belgium continually measures its portfolio in terms of payment arrears. Particularly the retail portfolios are closely monitored on a monthly basis to determine if there are any significant changes in the level of arrears.

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 to 7 days are considered to be an operational risk.

After this period, letters will be sent to the obligor as a reminder of his/her (past due) payment obligations. If payment has not been made after 90 days, the obligation is considered impaired and is transferred to one of the ‘problem loan’ units. In order to reduce the number of arrears, most ING Belgium units encourage obligors to set up automatic debits from their accounts to ensure timely payments.

Loans with past due financial obligations of more than 90 days are automatically reclassified as impaired. However, there can also be other reasons for declaring a loan impaired prior to being 90 days past due. These include, but are not limited to, ING Belgium’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 impaired category.

Tables below provide information at year end on financial assets that are past due but not impaired.

Financial Assets past due but not yet impaired - 2015					
In EUR thousands	Up to 30 days	Over 30 days up to 90 days	Over 90 days up to 180 days	Over 180 days up to 1 year	Over 1 year
Debt instruments					
Loans and advances	2,476,394	741,787			
Other financial assets					
TOTAL	**2,476,394**	**741,787**	**0**	**0**	**0**

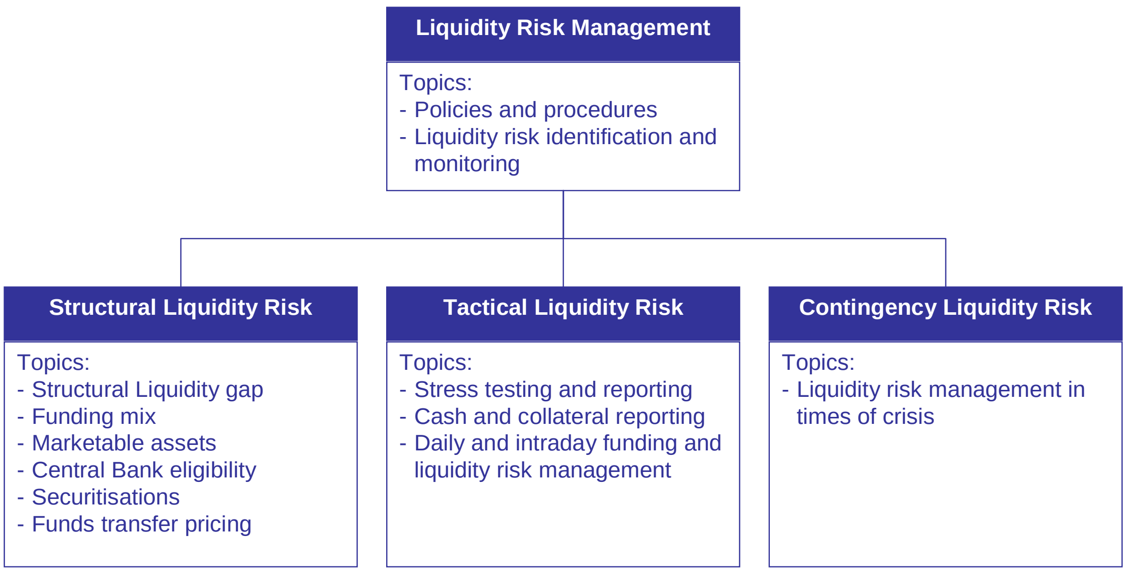
Financial Assets past due but not yet impaired - 2014					
In EUR thousands	Up to 30 days	Over 30 days up to 90 days	Over 90 days up to 180 days	Over 180 days up to 1 year	Over 1 year
Debt instruments					
Loans and advances	2,890,195	695			
Other financial assets					
TOTAL	**2,890,195**	**695**	**0**	**0**	**0**

6.6.5.2 Liquidity risk

Definition

Liquidity risk is the risk that ING Belgium or one of its subsidiaries cannot meet its financial liabilities when they come due, at reasonable costs and in a timely manner. Liquidity risk can materialise both through trading and non-trading positions. Within ING Belgium, the Assets and Liabilities Management Committee for ING Belgium Consolidated (ALCO Belux) bears overall responsibility for the liquidity risk. The main objective of ING's liquidity risk framework is to maintain sufficient liquidity in order to ensure safe and sound operations. For this purpose liquidity risk is considered from three different angles: from a structural, tactical and contingency point of view.

Liquidity risk framework



Structural liquidity risk

Structural liquidity risk is the risk that the structural, long-term balance sheet cannot be financed timely or at a reasonable cost. In this view of liquidity risk, the total on- and off-balance sheet positions are considered from a structural asset and liability management perspective. The main objective is to maintain a sound liquidity profile by:

- maintaining a well-diversified mix of funding sources in terms of instrument types, fund providers, geographic markets and currencies;
- holding a broad portfolio of highly marketable assets that can be used to obtain secured funding;
- maintaining an adequate structural liquidity gap, taking into account the asset mix and both the secured and unsecured funding possibilities of ING Belgium;
- maintaining a funds transfer pricing methodology in which the cost of liquidity is adequately reflected both under a going concern and a contingency perspective.

Tactical liquidity risk

Tactical liquidity risk means considering the liquidity risk from a short-term perspective, i.e., by considering the short-term cash and collateral positions. Day-to-day liquidity management has been delegated to Bank Treasury, which is responsible for managing the overall liquidity risk position of ING Belgium.

Within Bank Treasury, the focus is mainly on the daily and intraday cash and collateral positions and on sufficiently staggering day-to-day funding requirements. For this purpose the Treasury function monitors all maturing cash flows along with expected changes in core business funding requirements.

The liquidity risk management function is delegated to Market Risk Management (MRM), which bears the responsibility for liquidity risk stress testing and for the identification, measurement and monitoring of the liquidity risk position. For the measurement and monitoring of the actual liquidity position, the focus is on the daily cash and collateral position.

For stress testing purposes, the liquidity risk positions are calculated in line with the regulatory reporting requirements for liquidity risk of the Belgian National Bank. In addition to this, a framework is implemented within ING Belgium that sets limits on the overall weekly and monthly liquidity risk positions to ensure adequate buffers of liquidity.

The table below provides a maturity analysis for financial assets and liabilities and shows the remaining contractual maturities.

Maturity analysis for financial assets and liabilities - 2015								
In EUR thousands	**Up to 1 month**	**1-3 months**	**3-12 months**	**Total less than 12 months**	**1-5 years**	**Over 5 years**	**unknown**	**TOTAL**
				ASSETS				
Cash	4,267,049			4,267,049				**4,267,049**
Financial assets held for trading	257,100	938,626	2,137,627	3,333,353	4,175,215	4,694,839	2,315,849	**14,519,256**
Financial assets at fair value through profit or loss	43,192		50,074	93,266	1,275			**94,541**
Financial assets available for sale	11,034	469,872	1,830,665	2,311,571	7,702,231	8,717,185	78,065	**18,809,052**
Loans and receivables	23,479,706	5,031,416	8,791,306	37,302,428	28,957,694	38,934,045		**105,194,167**
of which: Loans and advances to banks	6,109,710	441,126	2,811,261	9,362,097	1,261,365	2,045,293		**12,668,755**
of which: Loans and advances to customers	17,369,996	4,590,290	5,980,045	27,940,331	27,696,329	36,888,752		**92,525,412**
Held-to-maturity investments		0	0	0	786,871	172,002		**958,873**
Derivatives used for hedging	134,960	130,331	448,627	713,918	1,462,343	2,221,972	6,460	**4,404,693**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-69	-28	-1,230	-1,327	35,639	240,327		**274,639**
Investments shares, tangible & intangible assets				0			1,176,068	**1,176,068**
Other assets	1,982,380	2,238	56,835	2,041,453	140,228	32,055	77,002	**2,290,738**
TOTAL ASSETS	**30,175,352**	**6,572,455**	**13,313,904**	**50,061,711**	**43,261,496**	**55,012,425**	**3,653,444**	**151,989,076**
				LIABILITIES				
Deposits from central banks	15,041			15,041	1,600,000			**1,615,041**
Financial liabilities held for trading	372,317	836,055	2,509,092	3,717,464	4,251,679	5,248,493	3,209	**13,220,845**
Financial liabilities at fair value through profit or loss	43,797	112,963	277,881	434,641	1,227,678	709,205		**2,371,524**
of which: Subordinated liabilities				*0*				***0***
Financial liabilities measured at amortised cost	95,435,575	6,221,806	2,625,587	104,282,968	6,486,825	5,074,196	562	**115,844,550**
of which: Funds entrusted by banks	*6,821,931*	*284,677*	*445,129*	*7,551,738*	*1,209,911*	*1,666,246*		***10,427,895***
of which: Funds entrusted by customers	*88,547,153*	*5,737,896*	*1,176,369*	*95,461,418*	*992,332*	*337,140*	*562*	***96,791,452***
of which: Subordinated liabilities				*0*				***0***
of which: Debt securities in issue	*62,692*	*199,232*	*1,004,089*	*1,266,013*	*4,284,582*	*3,070,810*		***8,621,405***
of which: Other financial liabilities	*3,798*			*3,798*				***3,798***
Derivatives used for hedging	194,227	148,593	455,339	798,159	1,210,597	3,969,371		**5,978,127**
Other liabilities	2,582,759	1,327	228,661	2,812,747	205,512	49,356	281	**3,067,897**
Share capital repayable on demand	99,027			99,027				**99,027**
TOTAL LIABILITIES	**98,742,743**	**7,320,744**	**6,096,560**	**112,160,047**	**14,982,291**	**15,050,622**	**4,052**	**142,197,011**

Remark Deposits from central banks includes loans received relating to Targeted Longer Term Refinancing Operations (TLTRO) of ECB: Eur 1.6 billions, maturity 26/09/2018.

Contingency liquidity risk

Contingency liquidity management relates to the organisation and planning for liquidity management in times of stress. ING Belgium has its own Contingency Funding Plan (CFP), which has been approved by the Assets and Liabilities Management Committee for ING Belgium Consolidated (ALCO Belux). The CFP is also aligned with that of the ING Group via the functional lines that exist between global treasurers and local treasurers, and between global risk management and local risk managers.

The main objective of ING Belgium's CFP is to enable senior management to act effectively and efficiently at times of crisis. The CFP has been established to address temporary and long-term liquidity disruptions caused by a general event in the market or an ING-specific event. It ensures that all roles and responsibilities are clearly defined and all necessary management information is in place.

A specific liquidity crisis team is responsible for the liquidity management in times of crisis. The crisis team of ING Belgium is composed among others of the CRO, the CFO, the Board members in charge of Commercial and Retail Banking, the head of MRM ALM, the General Manager of Bank Treasury and the Head of Bank Treasury.

6.6.5.3 Market risk

Market risk is the risk of losses due to fluctuations in market risk factors, which include share prices, interest rates, exchange rates and commodity and property prices.

Market risk arises from trading and non-trading activities. Trading market risks arise within ING Belgium Commercial Banking primarily through market-making and client facilitation in the fixed income, equities and foreign exchange markets, as well as in the directly related derivative markets. Non-trading market risk related to transactions over 1 year in euros is transferred to the Interest Rates Management (IRM) books. These are structural interest rate mismatch positions that result from commercial banking activities.

Decision-making structures and monitoring bodies

Twice a month, the Executive Committee meets in the Assets and Liabilities Management Committee (ALCO BeLux) to analyse among others the major gapping items relating to assets and liabilities (on- and off-balance sheet). Replicating models are used to set the theoretical maturities in respect of assets and liabilities for which maturities are not contractually known. The Strategic Liquidity and Interest Management Task Group (SLIM) meets each week. It advises the ALCO BeLux on interest rates, funding and balance sheet management issues. The responsibility for and the approval of the management of the interest and liquidity risks and balance sheet management remain with the ALCO BeLux.

Activities of Bank Treasury and their support departments are reviewed by a weekly Bank Treasury Committee, which is headed by the member of the Executive Committee in charge of all bank treasury operations.

The Market Risk Management Department coordinates the daily monitoring of market risks on a consolidated basis. It also compiles the analyses and documentation required for the smooth running of the ALCO BeLux and the Bank Treasury Committee.

Value at risk

Potential risks relating to exchange rate, interest rate, credit spread risk, share price fluctuations and related risk factors must be kept under control.

Dealing room transactions are recorded, per strategic category, in dealer books, which in turn are grouped into market books according to the type of activity. Accounting rules are applied at the level of market books. These are classified as banking or trading books, pursuant to the Capital Adequacy Directive (CAD).

Market book positions are monitored daily by the Market Risk Management Department. Different limits are applied:

1) an open position risk limit is fixed on the basis of Value at Risk (VaR). 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, foreign exchange rates, equity prices, credit spreads, implied volatilities) if positions remained unchanged for a time interval of one day;

2) the sensitivities of the important market risk parameters are held against limit per market book in Trading. A sensitivity describes the impact of a change in a market risk parameter on the P&L.

3) stop loss and trigger point limits (expressed in term of VaR) are applied to the overall result per market book since the beginning of the year. As regards the trigger point limit, it leads to the analysis and the close monitoring of the position. When the stop loss limit is reached, the position should be liquidated upon decision of the Bank Treasury Committee.

Precise requirements have been laid down as regards reporting to the Bank Treasury Committee. In this respect, the bank applies best market practices by calculating its consolidated VaR daily. The bank uses a consistent approach to all risks. In addition, operators in the dealing rooms are provided with risk management information relating to their individual positions. The bank also regularly estimates the possible repercussions of extraordinary market trends on VaR and on results ('stress testing'). These estimates supplement daily VaR and back-testing calculations.

The impact of historical market movements on today's portfolio is estimated based on equally-weighted, observed market movements of the previous 260 business days. The National Bank of Belgium (NBB) granted approval for the use of the Historical Value at Risk (HVaR) on 13 December 2011.

The approval of the NBB as regards the use of the Stressed Value at Risk (SVAR) and of the Incremental Risk Charge (IRC) was granted on 20 December 2011. The calculation of VaR through historical simulation is done by generating scenarios based on a sample of historical returns that are associated with each individual risk factor. These historical returns are applied to the current level of the risk factor in order to generate simulated scenarios.

The valuation of the portfolio under these various scenarios gives a distribution of possible portfolio values. The VaR is the loss figure at a predefined percentile. In the daily monitoring of the trading books, ING uses a VaR for a 1-day time horizon with a 99% confidence level.

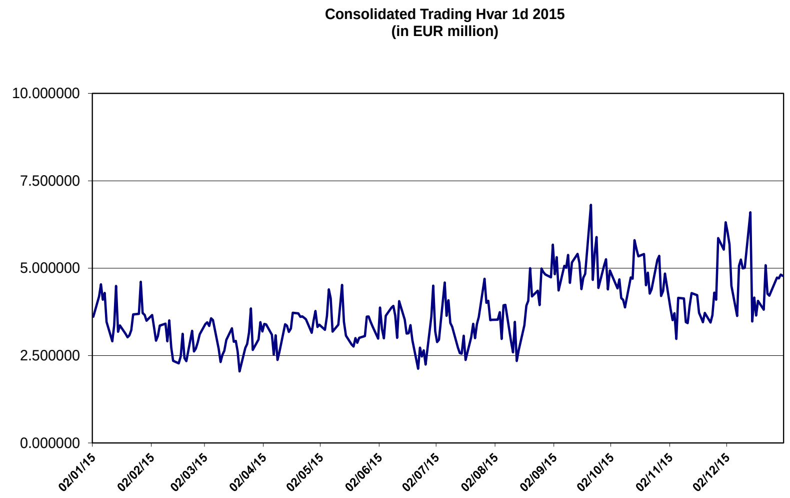
Stressed VaR is calculated with the exact same settings as 10-day 99% HVaR, except for the historical market data period used. The period 31st March 2008– 31st March 2009 has been chosen for this 1-year period as this period was a stress period for the Trading activity of the bank. This stressed period is regularly reviewed.

The Incremental Risk Charge (IRC) is defined as an estimate of default and migration risk of un-securitised credit products in the trading books over a one-year capital horizon at a 99.9% confidence level. Default risk is defined as the P&L impact due to an issuer defaulting. Migration risk is defined as the P&L impact due to a migration in credit rating of an issuer.

As per the recommendations of the Basel Committee, the calculation of the consumption in shareholders' funds (CAD), which was calculated for the first time for the situation date of as 31 December 2011, is based on the maximum either of the last day 10-day VaR or of the average 10-day VaR over the previous 60 days multiplied with a capital multiplication factor granted by the regulator (currently set to 3).

Furthermore, an additional charge for the Stressed VaR for a time interval of 10 days multiplied with a capital multiplication factor granted by the regulator (currently set to 3) and the Incremental Risk Charge must be taken into account.

The following chart shows the development of the overnight VaR for the bank's trading portfolio which was managed by trading risk management during 2015.



Consolidated trading VaR 1d		
In EUR millions	**2015**	**2014**
VaR as at 31 December		
Highest VaR	6.81	5.10
Lowest VaR	2.05	1.67
Average VaR	3.78	2.77
Backtest outliers	2.00	4.00

Although VaR models estimate potential future results, estimates are based on historical market data and the bank continuously monitors the plausibility and effectiveness of the VaR model in use. The technique for this purpose is generally known as back-testing, in which the actual daily result is compared with the daily VaR as calculated by the model. In addition to using actual results for back-testing, the 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 'occurrence' has taken place. Based on ING Belgium's one-sided confidence level of 99%, an occurrence is expected, on average, once every 100 business days.

Since VaR in general does not produce an estimate of the potential losses that can occur as a result of extreme market movements, the bank uses structured stress testing to monitor the market risk under these extreme conditions. Stress scenarios are based on historical and hypothetical extreme events. The result of the stress testing is an event-risk number, which is an estimate of the income statement effect caused by a potential event and its worldwide impact for ING Belgium Commercial Banking.

The event-risk policy (and its technical implementation) is specific for ING Belgium, as there is no event risk calculation method that is generally accepted by other banks and regulators (unlike the Value-at-Risk model). The bank's event-risk policy basically consists of defined stress parameters per country and per market (fixed income, equity, foreign exchange and related derivative markets). Changes are based on relative (%) changes for equity and foreign exchange markets. For interest rates and credit spread markets, absolute shifts are used.

Per region/market different unwinding periods are assumed. Depending on the liquidity of the market, an unwinding period of two, three or four weeks is used for estimating the largest shift historically seen in the market. The basis for the setting of parameters is ten years of history, effectively taking into account all events that occurred in the past ten years. The scenarios and stress parameters are back-tested against extreme market movements that actually occur in the markets.

Interest rate risk in the non-Trading portfolio

The interest rate (or mismatching) risk results from gaps between maturing assets and liabilities (final maturities or rate review maturities) both on- and off-balance sheet. Depending on their nature and the trend in rates, they may have a positive or negative impact on the interest margin: if the bank is regularly a net daily borrower in times of falling rates, this will benefit its interest margin; should rates rise before the bank reverses its position, the opposite will occur.

As it is not possible to correctly forecast the trend in rates at all times, the interest rate risk must be managed through absolute authorised amounts of gaps for pre-defined periods in the future. At this level, there is a direct link between the volume and the remaining duration of the positions. ING Belgium uses several methods to control interest rate risk. The most important ones are Value at Risk (VaR), basis point value (BPV), Earnings at Risk (EaR) and Net present value (NPV) at Risk. The bank constantly monitors its maturity profiles, interest rate sensitivity and VaR, per dealer book and/or per activity.

Foreign exchange risk

The bank takes on exposure to foreign exchange fluctuations on its financial position and cash flows. Currency exposures in the non-trading books are transferred by way of internal transactions to Bank Treasury, which performs the day-to-day management of all foreign currency positions.

6.6.5.4 Operational risk

The ING Belgium Operational & Compliance Risk Department is the second line of defense department within ING Belgium for the management of the non-financial risks (Operational and Compliance risks).

Scope of operational risks

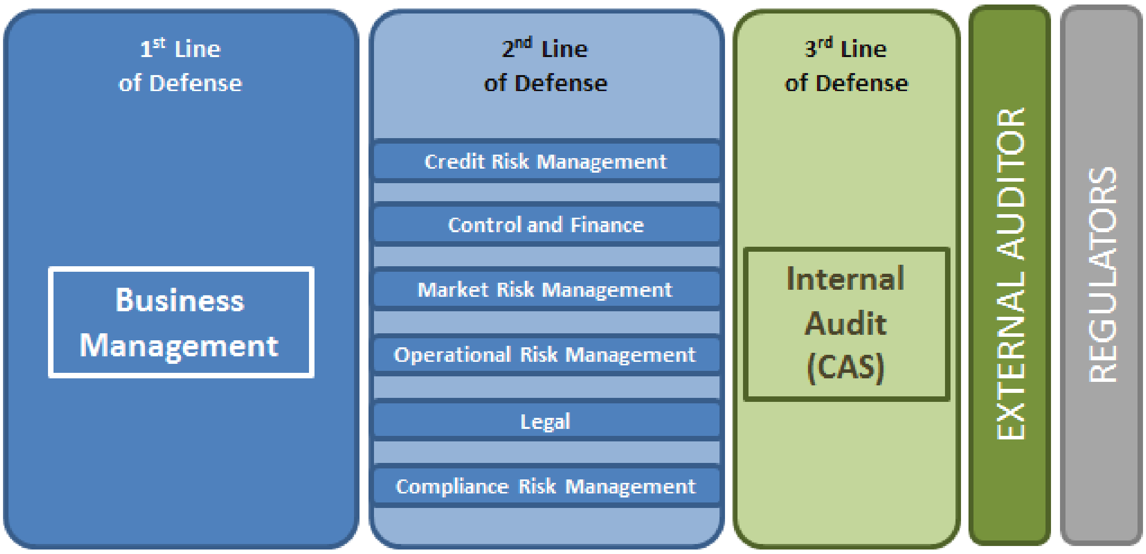
Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes also reputational and legal risk. Strategic risk is not part of operational risk. Operational risk in general is an umbrella category for a number of sub-risks derived from Basel II:

- Control risk
- Unauthorised Activity risk
- Processing risk
- Employment Practice risk
- Personal & Physical Security risk
- Information (Technology) risk
- Continuity risk
- Compliance risk
- Internal Fraud risk
- External Fraud risk

Note that Compliance Risk is part of the Basel II definition of operational risk. However, within the ING setup, compliance risks are mentioned separately as different functional reporting lines, separate from Operational Risk Management.

Lines of Defense

For managing risks the ING Executive Board has chosen the three lines of defense risk governance model.



- ***First line of defense***

Heads of ING businesses have primary responsibility and accountability for the effective control of risks affecting their business (the 'first line of defense'). The first line of defense is responsible for the implementation and execution of ING's risk policies, minimum standards and the framework set by the second line of defense. Examples of typical first-line-of-defense activities are:

- perform Integrated Risk Assessments and evaluate related responses to ensure that only business acceptable risks remain;
- implement and maintain the applicable mandatory controls of the CORM* & Compliance policies, minimum standards, local laws and regulations;
- ensure the operating effectiveness of the key controls.

* Corporate Operational Risk Management (CORM) is part of the Corporate Risk group and reports to the Chief Risk Officer who is a member of the Executive Board. CORM has the specific mandate to:

- advise the Executive Board on the implementation of the ORM organisation, processes and systems;
- develop the operational risk strategies and policies, and set the objectives and minimum standards for the management of the operational risks. The general manager of CORM approves the policies and minimum standards;
- provide functional leadership regarding the ORM function, framework and processes, and take functional decisions if and when required;
- oversee the ORM function and set the objectives for ORM;
- determine the regulatory and economic operational risk capital charge;
- monitor the key risks of ING Group and ensure that ING's risk policies and minimum standards are fully implemented.

- ***Second line of defense***

Risk management functions (the 'second line of defense') are partner of and support the first line of defense's risk management activities. Risk management functions are 'independent' of the management and personnel that originate the risk exposures. Examples of typical second-line-of-defense activities are:

- oversee and objectively challenge the execution of risk management activities;
- monitor the key risks of the business;
- exercise the authority to escalate risk management issues to the next higher level and/or veto high-risk business activity;
- assist the first line of defence to ensure compliance with ING's risk policies and minimum standards.

- ***Third line of defense***

Corporate Audit Services (CAS) operates as the 'third line of defense'. CAS's mission is to provide an independent assessment of the design and effectiveness of internal controls over the risks to ING's business performance. In carrying out this work, CAS provides specific recommendations for improving the governance, risk and control framework.

Hierarchical organization

The ING Belgium Operational & Compliance Risk Department is organized in four main divisions:

- MLRO;
- Compliance Advisory and Monitoring;
- ORM Advisory;
- Information Risk Management.

The 'MLRO' division consists of the Money Laundering team managed by a Head (also the MLR/ FEC officer of ING Belgium) who reports directly to the Head of Compliance.

The 'Compliance Advisory and Monitoring' division consists of following operational centralized activities as: the monitoring of some Compliance rules, the central reporting, the '2nd line customer screening' activities. The Head of the team reports directly to the Head of Compliance .

The 'ORM Advisory' division consists of some specialized activities: Capital & Governance, NFR Data Management, NFR Asset Functional Management & Support, Advisory/Challenging & Testing, Business Continuity Management, Sox Testing, Physical Security (functional reporting line). The Head of each team reports directly to the Head of ORM. The team 'Special Investigations' (including Anti-Fraud) is an expert center whose Head also directly reports to the Head of ORM.

The 'Information Risk Management' division ensures that the data of ING is secured against 'cybercrime' and that the correct management is in place. The Head reports directly to the CRO.

Functional organization

The ING Belgium Operational & Compliance Risk Department has a number of functional reporting lines.

The Money Laundering Reporting Officer (MLRO) has a functional reporting line to the MLRO of the group. The Head of Compliance has a functional reporting line to the Compliance Officer of the group and to the CEO of ING Belgium. The Head of ORM has a functional reporting line to the ORM Officer of the group and is also regional ORM Officer for all business units of ING BeLux. The Business Continuity Management Officer has a functional reporting line to the Information Security Officer of ING Group.

The Head of the 'Special Investigations' team has a functional reporting line to 'Corporate Security' division within the Corporate ORM department (group). The Anti-Fraud Officer has a functional reporting line to 'Corporate Security' division within the Corporate ORM department (group). The Head of Information Risk Management (IRM) has a functional reporting line to the Information Security Officer of the group and a functional reporting line to the Security Officers of the group.

6.6.6 Capital management

6.6.6.1 Objectives

The Capital Management department of ING Belgium is responsible for the sufficient capitalisation of ING Belgium and its subsidiaries at all times in order to manage the risk associated with ING Belgium's business activities. This involves the management, planning and allocation of capital within ING Belgium.

Capital Management monitors and plans capital adequacy on a consolidated and stand-alone levels. ING Belgium takes an integrated approach to assessing the adequacy of its capital position in relation to its risk profile and its operating environment.

ING applies the following main capital formulas:

- *Equity 'Tier-1'* is defined as: Common Equity Tier 1 securities, hybrid capital and reduced by prudential filters and deducted elements.
- *'Tier-1'* and *BIS capital divided by risk weighted assets* equal the Tier-1 and BIS ratio respectively.
- *Common Equity Tier-1 capital* is equal to Tier-1 capital excluding hybrid capital.

6.6.6.2 Developments

In March 2015, ING Belgium proceeded with the issue of USD 600mln subordinated Tier 2 capital. This CRD IV compliant instrument has an original tenor of 10 years, and was issued to ING Bank N.V. (parent company).

6.6.6.3 Policies

The activities of Capital Management are executed on basis of established policies, guidelines and procedures. The main documents that serve as guidelines for capital planning are the Capital Plan (comprising the approved targets and limits for capital), the Capital Planning Policy and the Local Capital Management Policy.

The above-mentioned capital definitions and policies have been approved by the ING Bank Executive Board or delegated authorities.

6.6.6.4 Processes for Managing Capital

Capital Management ING Belgium also ensures that sufficient capital is available by setting targets and limits relevant to the above-mentioned metrics for ING Belgium, in line with ING Bank NV targets and by ensuring adherence to the set limits and targets through planning and executing capital management transactions.

This process is supplemented by stress testing and scenario analysis. The ongoing assessment and monitoring of capital adequacy is embedded in Capital Management's capital planning process and results in a quarterly capital update report. The main objective of the assessment is to ensure that ING Belgium as a whole has sufficient capital relative to its risk profile for both the short and medium term.

6.6.6.5 Capital Adequacy Assessment

During 2015, the entities of ING Belgium were adequately capitalised in relation to their risk profile and strategic objectives.

On a yearly basis ING Belgium submits extensive documentation on the Internal Capital Adequacy Assessment Process (ICAAP) to its regulator (NBB) as prescribed in the Basel III framework. 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. It also provides an assessment of ING Belgium's capital position with regards to its Pillar I and Pillar II capital requirements.

With the introduction of the Single Supervisory Mechanism (SSM), ING Bank and its subsidiaries now file a single ICAAP to the European Central Bank (ECB).

6.6.6.6 Regulatory Requirements

Capital is required to support credit, market and operational risks. The introduction of Basel III has added a capital charge to cover the risk of mark-to-market losses on the expected counterparty risk known as Credit Value Adjustments (or CVA) losses.

The adequacy of ING Belgium's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ('BIS rules/ratios') and European Community Directives and Regulations as implemented by the NBB. The BIS ratios compare the amount of eligible capital (in total and Tier 1) with the total of risk-weighted assets (RWAs).

The revised capital adequacy directive (CRD IV) aims at strengthening the resilience of banks, in particular through the introduction of capital buffers. These buffers will be phased-in annually until they are fully implemented in 2019. The Capital Conservation buffer (2.5% of RWA) is designed to ensure that banks build capital buffer outside of periods of stress which can be drawn down as losses are incurred. This buffer will be phased in as of January 2016 (0.625%).

The Countercyclical buffer (ranges from 0% to 2.5% of RWA) aims to counter the adverse effects of a build-up of system-wide risk and its level and time of application is determined by national authorities (NBB in Belgium).

Banks may also be subject to a Systemic Bank buffer (currently 1% to 5%) determined to reflect their impact on the global economy (Global Systemically Important Banks – GSIB) or on the domestic economy (Domestic Systemically Important Banks – DSIB). The list of G-SIBs is published annually by the Financial Stability Board. ING Bank NV is considered a GSIB resulting in a 3% additional capital requirement. ING Belgium is subject to a D-SIB buffer of 1.5% to be phased in annually over 3 years starting January 2016.

Excluding the impact of the capital buffers, in 2015 the minimum capital requirements were as follows:

- Common Equity Tier 1 ratio: 4.5%,
- Tier 1 ratio: 6%
- Total Capital ratio: 8%.

ING Belgium's current capital levels are sufficient to withstand the increased levels of capital requirements (and they were sufficient throughout 2015). Basel III does not change the main Basel II principles for calculating Risk Weighted Assets (RWA). As a consequence for most assets the credit risk calculation would not be impacted.

Several changes however affect the calculation of counterparty credit risk:

- the increase of the correlation factor for exposures to most financial institutions results in a higher capital charge;
- the introduction of Credit Valuation Adjustment (CVA) capital charge; the risk weighting for exposures to central counterparties was set at 2%. Central counterparties are however only accessible to a limited number of counterparties. The impact of that measure is limited.
- The introduction of 0.7619 support factor applied to the weighted risks of some SMEs.

In addition, the National Bank of Belgium has taken special measures, which have the effect of increasing the total weighted risks:

- The gradual abolition (in 5 years) of the possibility of using a 0% weight for certain exposures to sovereigns who could benefit from this measure;
- The lump sum for Belgian banks representing a 5% add-on in risk weights for mortgage loans to retail.

Hereunder the calculation of the Capital Position and the Capital Ratio of ING Belgium:

Capital Position - Capital Ratio				
In EUR millions	2015		2014	
	2015 rules (CRR/CRD IV phased in)	2019 rules (CRR/CRD IV fully loaded)	2014 rules (CRR/CRD IV phased in)	2019 rules (CRR/CRD IV fully loaded)
Shareholders' equity (parent)	8,821	8,821	9,088	9,088
Regulatory adjustments:				
Minority interests, counting as Common equity Tier 1	78		99	
Goodwill and intangibles deducted from Tier 1 [1]	-149	-149	-137	-137
Provision shortfall [2]	-229	-229	-312	-312
Revaluation reserve debt securities	-375		-642	
Revaluation reserve equity securities				
Revaluation reserve real estate				
Revaluation reserve cash flow hedge	160	160	137	137
Prudent valuation adjustment	-21	-21	0	0
Investments >10% FI, exceeding 10% threshold				
Prudential filters:				
Own credit risk				
Defined benefit remeasurement (IAS19R)				
Net defined benefit pension fund assets				
Deferred tax assets	-1	-1	0	0
Own credit risk adjustments to derivatives (DVA)	41	41	41	41
Foreseeable dividend				
Available capital - Common equity Tier 1	8,327	8,624	8,275	8,819
Subordinated loans qualifying as Tier 1 capital [3]				
Deduction of goodwill and other intangibles [1]				
Provision shortfall [2]				
Investments >10% FI, exceeding 10% threshold				
CRD-IV eligible Tier 1 Hybrids				
Investments >10% FI, exceeding 10% threshold				
Excess deductions allocated to CET1 capital				
Minority interests, counting as Additional Tier 1 capital				
Available capital - Tier 1	8,327	8,624	8,275	8,819
Supplementary capital - Tier 2 [3]	1,337	1,337	810	810
Provision shortfall [2]				
IRB excess provision	22	22	0	0
Investments >10 FIs, exceeding 10% threshold	-3	-3	-3	-3
Minority interests, counting as Tier 2 capital				
Available Tier 3 funds				
BIS capital	9,684	9,981	9,082	9,626
Risk-weighted assets	57,335	58,339	54,305	55,718
Common Equity Tier 1 ratio	14.52%	14.78%	15.24%	15.83%
Tier 1 ratio	**14.52%**	14.78%	**15.24%**	15.83%
Total Capital Ratio	**16.89%**	17.11%	**16.72%**	17.28%

1 Intangibles: mainly capitalised software

2 In Basel III the provision shortfall is deducted fully from Common Equity Tier 1, while the significant investments in financial institutions, conditionally to certain thresholds, are 250% risk weighted. During the phase-in period (2014-2017) they are gradually shifting from 50% deduction from Additional Tier 1 capital and 50% from Tier 2 capital towards full deduction from Common Equity Tier 1.

6.6.6.7 *Basel III (Pillar 3 Disclosure)*

As a major subsidiary of ING Bank, ING Belgium is subject to mandatory through limited Pillar 3 disclosures (Market Discipline) by the local regulatory supervisor, whereas Pillar 3 is being implemented in full at the group level. Pillar 3 is a complement to Pillar 1 (Minimum Capital Requirements) and Pillar 2 (Supervisory Review Process) by allowing market participants to assess the capital adequacy of a bank by using key pieces of information.

Leverage Ratio

Leverage Ratio			
In EUR millions		2015	
		CRR leverage ratio exposures	
		CRR/CRD IV phased in	CRR/CRD IV fully loaded
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	135,287	135,287
2	(Asset amounts deducted in determining Tier 1 capital)	-712	-337
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**134,575**	**134,950**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	4,909	4,909
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	2,846	2,846
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)		
8	(Exempted CCP leg of client-cleared trade exposures)		
9	Adjusted effective notional amount of written credit derivatives		
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
11	**Total derivative exposures (sum of lines 4 to 10)**	**7,755**	**7,755**
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	642	642
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
14	Counterparty credit risk exposure for SFT assets		
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)**	**642**	**642**
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	26,509	26,509
18	(Adjustments for conversion to credit equivalent amounts)		
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**33,628**	**33,628**
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	8,327	8,624
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**176,601**	**176,976**
Leverage ratio			
22	**Leverage ratio**	**4.72%**	**4.87%**
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure		
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013		

Capital adequacy

- ***Credit and transfer risk***

Economic Capital for credit risk is the amount of capital that ING believes it needs to hold to withstand unexpected losses inherent in the credit portfolios related to (unexpected) changes in the underlying creditworthiness of debtors or the recovery value of underlying collateral (if any). Credit risk capital is calculated on all portfolios which contain credit or counterparty risk, including investment portfolios. Economic Capital for credit risk is calculated using internally developed models with a 99.95% confidence level and a time horizon of one year, which represents ING's desired credit rating.

ING uses a series of credit risk models which can be grouped into three principal categories:

- Probability of Default (PD) models, which measure the creditworthiness of individual debtors;
- Exposure at Default (EAD) models, which estimate the size of the financial obligation at the moment of default in the future;
- Loss Given Default (LGD) models, which estimate the recovery value of the underlying collateral or guarantees received (if any) and the unsecured part.

The various models can be grouped into three categories: statistical, expert and hybrid. Each model is individually reviewed and validated annually by the Model Validation (MV) department in order to determine the continued viability or need to adjust each individual model.

The underlying models that are used for determining Economic Capital for credit risk are based on a similar methodology as those used for determining the level of regulatory capital as required under Basel II (Pillar 1). Despite the fact that the same underlying models are used, (internal) Economic Capital and regulatory capital are not the same due to various specific rules imposed by Basel III/CRR. The methodology has been updated to take into account the changes that will be implemented in 2015 in the regulatory framework.

For Economic Capital as from 2014, the following amendments are made to the Basel II framework:

- non-floored economic PD are used;
- the confidence level is set to 99.95% (fitting ING's target rating of AA) rather than 99.9%;
- for performing loans, the scaling factor of 1.06 is removed from the Basel III equation;
- for maturities lower than 1 year, the effective PD (and not the 1 year PD) is used; however the 1 year PD is used for lending exposures to non-investment grade customers (rated 11 or worse);
- capital is calculated for all sovereigns;
- ING internal add-ons are used for Bank Treasury Products;
- economic EAD is employed instead of regulatory EAD for all exposures;
- securitisations are treated using a PD/LGD approach;
- standardised portfolios are treated with the AIRB approach;

- different add-ons are applied to take future model changes, concentration risk and Incap model shortcomings into account;
- correlations scaled up taking into account current concentrations;
- inclusion of CVA capital and credit risk related ONCOA;
- generally speaking, regulatory requirements (such as: floors, supporting factors, add-ons,...) are not included in the economic capital computations.

Roughly speaking, economic (ING internal) capital is the amount of capital that ING believes it needs to hold. Regulatory (Basel II) capital is the amount of capital an institution is required to hold by its regulator. The Basel III framework via Pillar 2 states that the minimum required capital of an institution is the greater of its regulatory capital and economic capital (subject to regulatory add-ons).

Transfer risk is the risk that debtors in a country are unable to ensure timely payments of foreign currency debt service due to transfer and/or convertibility restrictions or a general lack of foreign currency liquidity. Transfer risk capital is explicitly calculated as additional risk on top of credit risk capital.

The Economic Capital levels for credit and transfer risk were calculated on a daily basis for most of the Commercial Banking portfolios and for the SME portfolios within the Retail Banking operations. For consumer loans and residential mortgages, the calculations are made on a monthly basis. On a quarterly basis, the Economic Capital for credit risk and transfer risk figures are consolidated with the corresponding Economic Capital components from other disciplines.

Governance of Economic Capital for Credit and Transfer Risk: All PD, EAD and LGD models are approved by the Credit Risk Committee (CRC) after thorough review of documentation by the Model Development Committee (MDC) and the Model Validation department (MV). In addition, each model is validated on an annual basis by MV. 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 organization.

- ***Market risk***

In general:

Economic Capital for market risk is the economic capital necessary to withstand unexpected value movements due to changes in market variables, such as interest rates, equity prices, foreign exchange rates, real estate prices and volatility in these rates and prices. Economic Capital for market risk is calculated for exposures both in trading portfolios and non-trading portfolios.

Measurement:

Economic Capital for market risk is calculated using internally developed methodologies with a 99.95% confidence interval and a horizon of one year, which represent extreme events and ING's desired rating. The Economic Capital for market risk for non-trading portfolios is calculated for each risk type, while for trading portfolios it is calculated on a portfolio level. The calculations for Economic Capital market risk include foreign exchange rate risk, equity price risk, interest rate risk and real estate risk.

For the direct market risks, the actual VaR (measured at a 99% confidence interval and a one-day holding period) of the trading and non-trading portfolios is taken as a starting point for the Economic Capital calculations for market risk. 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 such as the occurrence of large market movements (events) and management interventions. Economic Capital for market risk for the large non-trading portfolios is calculated for embedded option risk (e.g. the prepayment option in mortgages).

The model risk is calculated by stressing the underlying assumptions in the models for behavioural assets and liabilities. For example, for the model applied to mortgage portfolios, the quality of the hedge depends on assumptions with respect to the prepayment behaviour. If these assumptions are wrong, the funding may be either too long or too short-term.

Similar to the above, the Economic Capital for model risk is based on the estimated 99% confidence interval for the prepayment model error and the 99% confidence interval for adverse interest rate movements. It is assumed that combining these two 99% confidence levels results in a 99.95% confidence level for the mortgage loan portfolio value change as a result of the prepayment modeling error. The prepayment model risk for mortgage loans and the model risk for on-demand client deposits are included in the Business Risk category.

Buildings owned by ING that are not managed by ING Real Estate are referred to as ‘Property In Own Use’. Economic Capital for Property in Own Use is included in the Economic Capital for market risk. While aggregating the different Economic Capital market risk figures for the different types of risks, diversification benefits are taken into account, as it is not expected that all extreme market movements will appear at the same moment. The nature of market risk Economic Capital, which evaluates the impact of extreme stress with a 99.95% confidence level, can sometimes be difficult to evidence in a statistically sound manner with the available historical data. The Economic Capital figures disclosed by ING Belgium are a best-effort estimate based on available data and expert opinions.

- ***Operational risk***

While operational risk can be limited through management controls and insurance, some incidents still have a substantial impact on the profit and loss account of financial institutions. As for the other risk domains, regulatory and economic capital for operational risk is calculated and maintained.

ING has chosen for the “Advanced Measurement Approach (AMA)” for the calculation of the regulatory and economic capital, called the AMA 2.0 model.

The goal of the modelling is to estimate appropriate risk parameters for a Unit of Measurement (UoM). A risk refers to a set of frequency and severity distributions. When modelling a risk, a distinction is made between body risk and tail risk. The point of the split between body and tail is denoted as tail threshold. Body risk describes the high frequency - low severity events. In contrast, the tail risk describes the low frequency - high severity events.

Lack of sufficient internal loss events makes the use of Internal Loss Data (ILD) for tail severity modelling difficult. Therefore, other sources of data more appropriate for tail are used. External data (ELD/ORX) and scenarios (SA) are two available alternatives. In the modelling approach both data sets will be used as complementary inputs.

Capital requirements				
In million EUR	2015		2014	
	Regulatory Capital	Risk-Weighted Assets	Regulatory Capital	Risk-Weighted Assets
	CRR/CRD IV phased in 2015 rules		CRR/CRD IV phased in 2014 rules	
Credit risk				
Total portfolios subject to standard approach	**94.7**	**1,184.1**	**85.3**	**1,066.3**
Portfolios subject to AIRB approach				
- Sovereigns	*39.7*	*496.1*	*47.4*	*592.0*
- Institutions	*384.5*	*4,806.6*	*449.4*	*5,618.0*
- Corporate	*1,743.8*	*21,797.5*	*1,700.9*	*21,261.0*
- Residential mortgages	*469.8*	*5,871.9*	*414.8*	*5,185.1*
- Other Retail	*219.6*	*2,745.0*	*293.3*	*3,665.9*
Total portfolios subject to AIRB approach	**2,857.4**	**35,717.1**	**2,905.8**	**36,322.5**
Credit Value Adjustment	162.7	2,034.3	183.0	2,287.6
Securitisation exposures	37.3	466.2	40.4	505.0
Equity portfolios in the banking book under the simple risk weight approach	27.7	346.8	22.5	281.3
Other non credit-obligation assets	494.9	6,185.8	367.2	4,590.0
Other own fund requirement	203.0	2,538.0	162.7	2,033.8
Total Credit Risk	**3,877.8**	**48,472.3**	**3,766.9**	**47,086.4**
Market Risk				
Internal models approach - trading book	175.2	2,190.3	92.9	1,161.3
Total Market risk	**175.2**	**2,190.3**	**92.9**	**1,161.3**
Operational risk				
Advanced measurement approach	533.8	6,672.7	484.6	6,057.5
Total Operational Risk	**533.8**	**6,672.7**	**484.6**	**6,057.5**
Total Basel III required Regulatory Capital	**4,586.8**	**57,335.3**	**4,344.4**	**54,305.1**
Basel I floor [1]	**6,262.1**	**78,276.7**	**5,983.7**	**74,796.1**

[1] The floor is 80% of Basel I required Regulatory Capital.

6.7 Notes to the Consolidated Accounts

6.7.1 Notes to the Consolidated Statement of Financial Position

6.7.1.1 Assets

Note 1: Cash and balances with central banks

Cash and balances with central banks		
In EUR thousands	**2015**	**2014**
Cash on hand	623,772	602,831
Cash balances at central banks	3,643,277	1,391,686
TOTAL	**4,267,049**	**1,994,517**

Note 2: Financial assets held for trading

Financial assets held for trading		
In EUR thousands	**2015**	**2014**
Derivatives	12,139,051	17,821,562
Equity securities	2,319,984	1,894,530
Debt securities	59,415	150,351
Loans and receivables	806	6,256
TOTAL	**14,519,256**	**19,872,699**

Note 3: Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss		
In EUR thousands	**2015**	**2014**
Equity securities	2,812	3,498
Debt securities	0	0
Loans and receivables	91,729	67,891
TOTAL	**94,541**	**71,389**

Note 4: Financial assets available for sale and Investments Held to maturity

Breakdown of financial assets available for sale and held to maturity		
In EUR thousands	**2015**	**2014**
Equity securities	78,065	53,345
Debt securities	19,689,861	19,599,510
of which: Debt securities available for sale	18,730,988	19,599,510
of which: Debt securities held to maturity	958,873	
TOTAL	**19,767,926**	**19,652,855**

Movements in financial assets available for sale								
In EUR thousands	**Equity securities**		**Debt securities - AFS**		**Debt securities - HTM**		**Total**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Opening balance	**53,345**	**65,309**	**19,599,510**	**19,779,779**	**0**	**0**	**19,652,855**	**19,845,088**
Additions	13,570	18,799	2,334,434	4,074,912	0	0	2,348,004	4,093,711
Changes in the composition of the group	0	0	0	0	0	0	0	0
Transfers of asset/liabilities	109	4,000	-969,795	389	969,795	0	109	4,389
Unrealised gains (losses) from changes in fair value *	27,974	-12,486	-509,305	1,470,420	0	0	-481,331	1,457,934
Provision for impairment	-6,372	-628	0	0	0	0	-6,372	-628
Disposals - sales price	-11,968	-38,307	-1,722,013	-5,839,807	0	0	-1,733,981	-5,878,114
Realised profits (losses)	1,407	16,656	-18,612	83,710	0	0	-17,205	100,366
Exchange differences	0	0	16,776	29,838	0	0	16,776	29,838
Other changes	0	2	-8	269	-10,922	0	-10,930	271
CLOSING BALANCE	**78,065**	**53,345**	**18,730,987**	**19,599,510**	**958,873**	**0**	**19,767,925**	**19,652,855**

* Unrealised gains related to VISA

➔ 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 recognized 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. Within ING Belgium, we have 3 different situations: ING Luxembourg is direct member of VISA Europe; Record Bank is indirect member of VISA Europe via VISA Belgium; ING Belgium is both direct member of VISA Europe and indirect member via VISA Belgium. 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 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 valuation for the participation in VISA Belgium has been performed considering the amount of voting rights used for revenue distribution. The shares are recognized as Investment in available-for-sale equity securities. The increase in fair value is recognized in Equity.

Note 5: Loans and receivables

Loans and receivables		
In EUR thousands	**2015**	**2014**
Central governments	3,633,480	4,289,648
Credit institutions	12,668,755	10,338,776
Non-credit institutions	5,476,390	5,734,475
Corporate	43,752,634	41,803,712
Retail	39,662,908	39,008,877
TOTAL	**105,194,167**	**101,175,488**

Note 6: Derivatives used for hedging Assets

Derivatives used for hedging (assets)		
In EUR thousands	**2015**	**2014**
Fair value hedge	**602,068**	**456,997**
IRS	569,008	396,679
Cross currency swaps		
Caps in relation with mortgage loans	33,060	60,318
Cash flow hedge	**3,802,625**	**4,940,153**
IRS	3,802,625	4,940,153
Cross currency swaps		
Other		
TOTAL	**4,404,693**	**5,397,150**

Note 7: Property, plant and equipment

Changes in property in own use - 2015					
In EUR thousands	Owner-occupied land and buildings	IT equipment	Office equipment	Other equipment (including cars)	TOTAL
Opening balance	**740,113**	**62,595**	**25,575**	**83,901**	**912,184**
Additions	29,896	27,715	5,996	10,535	**74,143**
Disposals	-11,823	-387	69	-3,725	**-15,866**
Acquisitions through business combinations					**0**
Increases from revaluations	-694				**-694**
Impairment losses directly recognised or reversed in equity					**0**
Depreciation	-28,822	-28,152	-9,165	-12,768	**-78,907**
Impairment losses recognised in the income statement	-197				**-197**
Impairment losses reversed in the income statement	3,669				**3,669**
Foreign currency conversion effects	88	-191	-63	25	**-141**
Transfers from (to) investment property	19				**19**
Other changes	6,522	217	-26	-20	**6,693**
CLOSING BALANCE	**738,772**	**61,797**	**22,387**	**77,948**	**900,903**
Accumulated depreciation	-685,855	-255,855	-142,527	-126,739	**-1,210,976**

Changes in the revaluation reserve - 2015		
In EUR thousands	2015	2014
Opening balance	**142,064**	**159,419**
Revaluation during the year	3,622	-17,355
CLOSING BALANCE	145,686	**142,064**

Breakdown of property and equipment by useful lives - 2015	
In years	2015
Owner-occupied land and buildings	33
IT equipment	5
Office equipment	10
Other equipment	7
Cars	4

Financial lease - 2015				
	< 1 year	> 1 year to 5 years	> 5 years	TOTAL
Minimal future lease payments	793			**793**
Net present value of minimal future lease payments	768			**768**

Net book value	**881**

ING Belgium nv/sa has financial leases for equipment and fittings. These leases have no purchase options; however, there is an exchange option. Indeed, ING Belgium is able to require the replacement of leased equipment with new ones for a predefined amount and at a predetermined date. ING Belgium does not sub-let any of the leased assets.

Note 8: Investment property

Investment property - 2015		
In EUR thousands	2015	2014
Opening balance	**47,689**	**12,259**
Acquisitions	37	1,800
Acquisitions through business combinations		
Subsequent expenditures		-5,008
Disposals	-38	-1,302
Depreciations		
Net gains (losses) from fair value adjustments	87	2,580
Transfers from (to) investment property	36	37,360
Foreign currency conversion effects		
Other changes		
CLOSING BALANCE	**47,812**	**47,689**

A part of the Marnix building has been transferred to investment property as it is rented to a third party.

Note 9: Goodwill and other intangible assets

Goodwill and Other Intangible Assets - 2015					
In EUR thousands	Goodwill	Internally-developed software	Acquired software	Other intangible assets	TOTAL
Opening balance	**2,558**	**112,760**	**21,397**	**0**	**136,715**
Additions from internal development		35,392			35,392
Additions from separate acquisitions			12,528		12,528
Adjustments from business combinations					0
Withdrawals & disposals			15		15
Adjustments resulting from subsequent recognition of deferred tax assets					0
Recognized amortisations		-27,083	-8,871		-35,954
Impairment recognised in the income statement		-9,692			-9,692
Impairment reversed in the income statement					0
Foreign currency conversion effects					0
Other movements		10,133	4		10,137
CLOSING BALANCE	**2,558**	**121,511**	**25,073**	**0**	**149,142**
Accumulated depreciations		-159,602	-56,240		-215,842
Accumulated impairments	-41,666	-20,163			-61,829
Gross carrying amount	44,224	301,276	81,313		426,813

Note 10: Deferred tax assets

Breakdown of deferred tax assets by origin		
In EUR thousands	**2015**	**2014**
Investments	-150	-389
Financial assets and liabilities at fair value through profit or loss	7,706	17,427
Depreciations		
Other provisions	6,808	36,838
Unused tax losses carried forward	584	584
Cash flow hedges		
Property and equipment	0	1,493
Other	1,634	74,608
TOTAL	**16,583**	**130,560**

See also note 18 about deferred tax liabilities.

Important changes are explained by the fact that the figures are presented on a net basis to be in line with the group reporting. Based on ING accounting principles, the net of deferred tax assets and liabilities is shown.

Net deferred tax assets (liabilities) - 2015						
In EUR thousands	**Opening 31/12/2014**	**Exchange differences**	**Deferred tax P&L**	**Deferred tax equity**	**Netting deferred taxes**	**Closing 31/12/2015**
Gross deferred tax assets	130,560		-71,366	-6,567	-36,044	16,583
Write-downs - deferred tax assets						0
Deferred tax liabilities	-346,301	-261	40,063	28,761	36,044	-241,693
Net deferred tax assets (liabilities)	**-215,740**	**-261**	**-31,303**	**22,194**	**0**	**-225,109**

Income tax: breakdown of tax losses carried forward/unused tax credits by expiry terms - 2015					
In EUR thousands	**TOTAL**	**Up to five years**	**Five to ten years**	**Ten to twenty years**	**Not expiring**
Total of unused tax losses carried forward	60,069	28,842		31,227	
Of which: unused tax losses carried forward					
not recognised as a deferred tax asset	*60,069*	*28,842*		*31,227*	
recognised as a deferred tax asset					
Tax rate applicable	***33.99%***				
Deferred tax asset recognised on unused tax losses carried forward	0				

Income tax relating to components of other comprehensive income - 2015			
In EUR thousands	**Tax assets**	**Tax liabilities**	**TOTAL**
Currency translation reserve			**0**
Hedge of net investments in foreign operations reserve			**0**
Tangible fixed assets revaluation reserve	3,848	-65,518	**-61,669**
Revaluation reserve available for sale	14,231	-209,637	**-195,406**
Cash flow hedges	0	-20,425	**-20,425**
Share of the other comprehensice income of associates and joint ventures accounted for using equity method			**0**
Actuarial gains/losses on pension defined plans	67,782	0	**67,782**
TOTAL	**85,861**	**-295,580**	**-209,719**

Note 11: Investments in associates, subsidiaries and joint ventures

Associates not consolidated - 2015							
In EUR thousands				Entity's Financial statement at the reporting date (1)			
Entity name	Registered office	Activity	Company code	Proportion of ownership (%)	Assets	Liabilities	Net result
A.E.D. RENT	Willebroek	Audiovision	BE 0451.899.343	29.6%	45,969	27,244	1,361
Ark Angels Activator Fund	Hasselt	Private equity fund	BE 0843.728.962	53.5%	2,218	7	-655
Ark Angels Activator Fund Beheer	Hasselt	Private equity fund	BE 0843.353.929	33.1%	342	6	86
AXISQL	Willebroek	Holding	BE 0848.687.939	41.7%	14,057	4,398	442
Belgian Mobile Wallet	Brussels	Finance	BE 0541.659.084	20.0%	9,552	2,137	-10,781
BIENCA Biotechnological Enzymatic Catalyse	Seneffe	Biotechnology	BE 0446.755.472	20.1%	607	534	-145
(Brand & Licence Company) Bancontact/Mistercas	Brussels	Finance	BE 0884.499.250	20.0%	9,501	3,866	464
Euresys (Walltech)	Angleur	Industry	BE 0437.408.137	Dissolved			
Europay Belgium	Brussels	Finance	BE 0434.197.536	18.6%	2,510	1,568	75
GDW Holding	Waregem	Holding	BE 0824.392.409	36.1%	21,443	12,693	-14,717
Innotec International	Houthulst	Commerce	BE 0462.030.992	37.1%	41	7	41
M Brussels Village	Brussels	Services	BE 0473.370.886	24.6%	348	212	-1
SAS Marnix Invest	Paris	Research	FR 490.246.246.0002	Dissolved			
SAS SODIR-Deux	Paris	Holding	FR 523.128.759.0001	Sold			
Sherpa Invest	Brussels	Holding	BE 0878.752.692	20.0%	1,423	748	-79
Sherpa Invest II	Brussels	Holding	BE 0878.752.692	25.0%	2,700	29	-94
Unibioscreen SA	Brussels	Biology	BE 0466.013.437	24.5%	209	361	43
Vesalius Biocapital Partners SARL	Luxembourg	Finance	-	20.0%	3,183	2,582	146
Vesalius Biocapital II Partners SARL	Luxembourg	Finance	-	20.0%	3,886	3,568	73
Vesalius Biocapital I SA SICAR	Luxembourg	Investments	-	20.0%	49,172	73	13,270

(1) Assets are not equal to liabilities because equity is not included

Subsidiaries not consolidated - 2015							
In EUR thousands				Entity's Financial statement at the reporting date (1)			
Entity name	Registered office	Activity	Company code	Proportion of ownership (%)	Assets	Liabilities	Net result
Immomanda	Brussels	Finance	BE 0417.331.315	100.0%	1,002	842	365
Aigle Aviation	Luxembourg	Finance	-	75.0%	48,373	45,673	-1
ING Activator	Brussels	Private equity fund	BE 0878.533.255	50.0%	2,816	344	63
ISIM (ING Solutions Investment Management)	Luxembourg	Holding	-	100.0%	1,120	765	74
QUSTOMER	Brussels	Holding	BE 0846.759.718	100.0%	99	64	8

(1) Assets are not equal to liabilities because equity is not included

Joint Ventures not consolidated - 2015							
In EUR thousands				Entity's Financial statement at the reporting date (1)			
Entity name	Registered office	Activity	Company code	Proportion of ownership (%)	Assets	Liabilities	Net result

(1) Assets are not equal to liabilities because equity is not included

Movements in not consolidated investments		
In Eur thousands	2015	2014
Opening Balance	**76,484**	**80,502**
Additions	6,241	4,114
Changes in the composition of the group		
Transfers	-342	-3,926
Gains (losses) from change in fair value	16,165	6,211
Provision for impairment	-192	-307
Disposals - sales price	-29,261	-19,088
Realised gains and loss through the income statement	17,417	9,065
Exchange differences	257	263
Other changes	-8,558	-350
CLOSING BALANCE	**78,211**	**76,484**

Note 12: Other assets

Other assets		
In EUR thousands	2015	2014
Employee benefits	76	202
Servicing assets for servicing rights		
Prepaid charges	102,206	46,169
Accrued income (other than interest income from financial assets)	68,842	65,640
Precious metals, goods and commodities		
Other advances	1,157,257	860,867
Others	858,347	1,007,680
TOTAL	**2,186,729**	**1,980,558**

6.7.1.2 Liabilities

Note 13: Financial liabilities held for trading

Financial liabilities held for trading		
In EUR thousands	2015	2014
Derivatives	13,137,111	18,241,613
Short positions in fixed-income securities	83,598	75,912
Short positions in equity instruments	136	
TOTAL	**13,220,845**	**18,317,525**

Note 14: Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss				
In EUR thousands	Carrying amount		Difference between the carrying amount and the amount contractually payable at maturity	
	2015	2014	2015	2014
Term deposits				
Certificates of deposit		2,849		
Non-convertible bonds – structured notes	2,371,524	3,028,320	-117,603	254,532
Of which: covered bonds	*101,770*	*51,818*	*-97*	*1,818*
Subordinated liabilities		12,350		2,015
Accruals				
TOTAL	**2,371,524**	**3,043,519**	**-117,700**	**258,364**

Note 15: Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost - 2015							
In EUR thousands	Central banks	Central governments	Credit institutions	Non-credit institutions	Corporate	Retail	Total
Current accounts/overnight deposits		1,155,842	2,942,086	9,133,756	18,515,297	14,082,279	**45,829,260**
Deposits with agreed maturity		807,153	6,180,604	1,914,946	5,053,949	2,367,907	**16,324,559**
Deposits redeemable at notice		173,696	590	898,414	4,324,441	38,363,003	**43,760,145**
Debt certificates including bonds					3,269,481	5,232,046	**8,501,527**
*Of which: covered bonds**					*2,672,236*		***2,672,236***
Subordinated liabilities			1,424,494				**1,424,494**
Other financial liabilities			3,798				**3,798**
TOTAL	**0**	**2,136,691**	**10,551,572**	**11,947,116**	**31,163,168**	**60,045,235**	**115,843,782**

Financial liabilities measured at amortised cost - 2014							
In EUR thousands	Central banks	Central governments	Credit institutions	Non-credit institutions	Corporate	Retail	Total
Current accounts/overnight deposits		674,921	3,812,704	7,154,682	16,919,149	14,040,424	**42,601,881**
Deposits with agreed maturity		639,175	2,183,217	2,973,287	4,547,402	2,324,149	**12,667,230**
Deposits redeemable at notice		265,252	2,019,803	628,756	4,200,792	38,960,389	**46,074,992**
Debt certificates including bonds					1,973,972	5,427,538	**7,401,510**
*Of which: covered bonds**					*-1,225,114*		***-1,225,114***
Subordinated liabilities			116,292				**116,292**
Other financial liabilities			322				**322**
TOTAL	**0**	**1,579,348**	**8,132,338**	**10,756,725**	**27,641,315**	**60,752,501**	**108,862,227**

* **Covered bonds:** the above caption includes a fair value hedge adjustment for -22,859,880 EUR associated with covered bonds.

Note 16: Derivatives used for hedging Liabilities

Derivatives used for hedging (liabilities)		
In EUR thousands	2015	2014
Fair value hedge	**2,042,598**	**2,116,352**
IRS	2,040,311	2,029,578
Cross currency swaps		
Caps on mortgage loans	2,287	86,774
Cash flow hedge	**3,935,529**	**4,869,850**
IRS	3,935,529	4,869,850
Cross currency swaps		
Other		
TOTAL	**5,978,127**	**6,986,202**

Note 17: Provisions

Provisions - 2015						
In EUR thousands	Termination benefits and other restructuring provisions	Pending legal issues	Pensions and other post retirement benefit obligations	Other long term employee benefits	Other provisions	TOTAL
Opening balance	**60,022**	**68,921**	**196,639**	**13,288**	**18,287**	**357,157**
Additions	45,034	3,237	28,876	-280	2,571	79,438
Amounts used	-32,604	-35			-2,828	-35,467
Unused amounts reversed during the period	-1,694	-7,166	-18,205		-7,933	-34,998
Acquisitions (disposals) through business combination						0
Increase in the discounted amount (passage of time) and effect of any change in the discount rate			-61,019	26	0	-60,994
Exchange differences						0
Other movements	-1,027		-17,647	-842	1,092	-18,424
CLOSING BALANCE	**69,730**	**64,958**	**128,644**	**12,192**	**11,188**	**286,712**

Provisions - 2014						
In EUR thousands	Termination benefits and other restructuring provisions	Pending legal issues	Pensions and other post retirement benefit obligations	Other long term employee benefits	Other provisions	TOTAL
Opening balance	**67,591**	**70,302**	**127,428**	**14,104**	**121,362**	**400,787**
Additions	17,921	10,564	40,435	1,414	6,327	76,662
Amounts used	-6,540	-297		-65	-188	-7,089
Unused amounts reversed during the period	-8,558	-11,593	-19,534	-259	-108,485	-148,429
Acquisitions (disposals) through business combination						0
Increase in the discounted amount (passage of time) and effect of any change in the discount rate			71,903	600		72,502
Exchange differences						0
Other movements	-10,393	-56	-23,593	-2,505	-729	-37,276
CLOSING BALANCE	**60,022**	**68,921**	**196,639**	**13,288**	**18,287**	**357,157**

The Tax part has been included in 'other provisions'.

Information on pension and other staff-related liabilities

ING Belgium sponsors defined-benefit retirement plans in the major countries in which it operates. These plans are all completely or partially funded by ING. They generally cover all employees and provide them with benefits, in particular upon retirement.

Annual contributions are paid to the funds at a rate that is necessary to adequately finance the accrued liabilities of the plans, calculated in accordance with local legal requirements. In all countries, the plans comply with applicable local regulations concerning investments and funding levels. During 2016, the expected contributions to be paid by ING Belgium to defined benefit retirement plans are estimated to be EUR 13.8 million.

The bank provides certain employees with other post-employment and post-retirement benefits. These are primarily post-retirement health-care benefits and post-employment defined-benefit early retirement plans provided to employees and former employees.

Certain group companies sponsor defined-contribution pension plans. The assets of all of ING Belgium's defined-contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of pay. As at 31 December 2015, all defined-contribution plans are funded according to the minimal return guarantee imposed by law in Belgium moreover, new defined contribution plan in force for new employees to ING Belgium as from January 2007, present an overfunding of about EUR 6.1 million (5% of individual account amount) that has been funded by ING Belgium as minimum guarantee reserve.

Evolution of defined benefit pension plans		
In EUR thousands	**2015**	**2014**
Present value of the defined benefit obligation	746,380	827,651
Fair value of plan asset	-617,813	-631,214
Surplus (deficit) in the defined benefit pension plan	**128,567**	**196,437**
Unrecognized gains/losses		
Pension assets	*76*	*-20*
Pension payable not included in the defined benefit pension plan (defined contribution)		*-194*
Total provision for pensions and other post retirement benefit obligations	**128,644**	**196,651**

Movements in defined benefit obligations		
In EUR thousands	**2015**	**2014**
Opening balance	**-827,651**	**-742,456**
Current service costs	-18,394	-18,714
Interest costs	-10,920	-21,689
Actuarial gains (losses) arising from changes in demographic assumptions	8,874	-1,459
Actuarial gains (losses) arising from changes in financial assumptions	43,600	-107,184
Employer's contribution		
Employee's contribution	-1,579	-1,048
Benefits paid	55,375	63,641
Past service costs	10,348	2,241
Changes in the composition of the group		
Effect of curtailment or settlement		
Exchange differences	-6,032	-983
CLOSING BALANCE	**-746,380**	**-827,651**

Movements in the fair value of plan assets		
In EUR thousands	2015	2014
Opening balance	631,214	615,229
Expected return on plan assets	7,728	17,294
Actuarial gains and losses on plan assets	8,545	36,769
Employer's contribution	19,736	23,264
Employee's contribution	1,453	1,616
Benefits paid	-55,375	-63,068
Changes in the composition of the group		
Effect of settlement		
Exchange differences	4,511	110
CLOSING BALANCE	617,813	631,214

Weighted averages of basic actuarial assumptions		
In percent at 31 December	2015	2014
Discount rates	1.8%	1.3%
Consumer price inflation	2.0%	2.0%
Expected rates of salary increases (excluding promotional increase)	age based salary scale	1.1%

Sensitivity analysis: impact of changes in significant actuarial assumptions on the defined benefit obligation - 2015		
In EUR thousands	Financial impact of increase	Financial impact of decrease
Discount rates - increase/decrease of 1%	-82,899	100,825
Mortality rates - increase/decrease of 1 year	10,503	-10,303
Expected rates of salary increase (excl promotional increase) - increase/decrase of 0.25%	21,071	-19,284
Consumer price inflation - increase/decrease of 0.25%	8,344	-8,040

Sensitivity analysis: impact of changes in significant actuarial assumptions on the defined benefit obligation - 2014		
In EUR thousands	Financial impact of increase	Financial impact of decrease
Discount rates - increase/decrease of 1%	-76,784	91,053
Mortality rates - increase/decrease of 1 year	11,920	-11,957
Expected rates of salary increase (excl promotional increase) - increase/decrase of 0.25%	22,628	-20,716
Consumer price inflation - increase/decrease of 0.25%	8,069	-7,830

Pension investment strategy

The primary financial objective of the ING Belgium employee benefit plan is to secure participant retirement benefits. As such, the key objective in the plan's financial management is to promote stability and, to the appropriate extent, growth in funded status (i.e. the ratio of market value of assets to liabilities). The investment strategy for the plan's portfolio of assets (the fund) balances the requirement to generate returns with the need to control risk, in particular to minimize the plan assets' volatility. This strategy is under the responsibility of each independent legal entity entitled to manage the different plans.

The asset mix is recognized as the primary mechanism to influence the reward and risk structure of the fund in an effort to accomplish the plan's funding objectives. Desirable target allocations among identified asset classes are set, and within each asset class, careful consideration is given to balancing the portfolio between industry sectors, geographies, interest rate sensitivity, dependence on economic growth, currency and other factors than can effect investment returns.

The assets are managed by professional investment firms. They are bound by precise mandates and measured against specific benchmarks. Among the managers, consideration is given among others to balancing security concentration, investment style and the reliance on particular active investment strategies. The fund's asset mix is reviewed on a regular basis and is under the responsibility of the entities entitled to manage their fund.

Plan assets		
In EUR thousands	**2015**	**2014**
Equity securities	218,889	220,193
Debt securities	297,143	306,595
Real estate	29,305	30,759
Other	72,475	73,667
TOTAL	**617,813**	**631,214**

'Other' includes amounts that are not invested in equity, debt securities or real estate. It essentially represents cash or insurance reserves..

The plan assets of ING Belgium do not include any property occupied by ING or any own financial instruments except for a small number of own actions held by an index fund or by an actively managed fund. The actual return of the main defined-benefit plan in Belgium for 2015 was 2.87% net. The return of the main defined-contribution plan in Belgium for 2015 was 2.49% net.

Determination of expected return on assets

As from 1 January 2013 and accordingly to new IAS 19 standard, expected return on assets will be considered as equal to the discount rate i.e. the interest rate on AA-corporate with a duration of 10 years. Nevertheless, future return on assets is one of the key elements in the risk appreciation. Considering the strategic allocation of the asset portfolio of main plans, and using defensive assumptions per asset class, future return on asset are estimated to

3.7% for the main defined benefit plan in Belgium (closed plan)

4.2% for the main defined contribution plan in Belgium

Other risks

Main other risks of current plans are related to discount rate evolution, inflation, salary increase and mortality. Sensitivity to those factors, for the main defined-benefit plan in Belgium (scope ING Belgium nv/sa), are showed here after

- **Discount rate evolution:**

  An increase of the discount rate with 1% would mean a reduction about 10% of the liabilities (65.9 million) while a decrease if the discount rate with 1% would results in an increase of the liabilities with about 11% (78.2 million)

- **Inflation:**

  An increase of the inflation with 0.25% p.a. would mean an increase of about 1% of the liabilities (7.6 million) while a decrease of the inflation with 0.25% p.a. would results in an decrease of the liabilities with about 1% (7.4 million)

- **Salary increase:**

  An increase of the salary growth (excluding inflation) with 0.25% p.a. would mean an increase with about 3% of the liabilities (17.8 million) while a decrease of salary growth with 0.25% p.a. would results decrease of the liabilities with about 2% (16.2 million)

- **Mortality:**

  Assuming current and future beneficiaries would be one year older than they are would results in a decrease of the liability with about 2% (10.2 million) while assuming they would be one year younger would increase the liability with 2% (10.4 million).

  This results comes mainly from the pensioners population for who the liability decrease with age.

Based on these results, one could conclude that assumption leading to the highest volatility is the discount rate. Salary growth and inflation are also sensible factors but in a lower way. Regarding the mortality assumption, as pensioners population is limited and decreasing, the risks related to mortality deviation is limited and will continue to decrease.

Note 18: Deferred tax liabilities

Deferred tax liabilities		
In EUR thousands	**2015**	**2014**
Investments	193,840	216,990
Financial assets and liabilities at fair value through profit or loss	-33,328	-46,130
Depreciation	-111	-243
Other provisions	24,475	24,303
Loans and advances to customers	50,697	99,319
Property and equipment	89,671	85,104
Cash flow hedges	-84,347	-79,679
Other	796	46,638
TOTAL	**241,693**	**346,301**

See also note 10 about deferred tax assets

Important changes are explained by the fact that the figures are presented on a net basis to be in line with our group reporting.

Note 19: Other liabilities

Other liabilities		
In EUR thousands	**2015**	**2014**
Social security charges	241,275	263,058
Payable on goods and services supplied	68,383	81,365
Accrued charges (other than from interest expenses on financial liabilities)	312,736	293,414
Income received in advance	103,652	114,083
Other debts	1,497,352	882,238
Other	255,270	486,656
TOTAL	**2,478,668**	**2,120,814**

'Other debts' mainly consists of immediately payable debts.

'Other' covers mainly transitory accounts.

Note 20: Share capital repayable on demand

Members' shares in co-operative entities have some characteristics of equity. They also give the holder the right to request redemption for cash, although that right may be subject to certain limitations. Under IFRIC 2, shares for which the member has the right to request redemption are normal liabilities. The total amount relates to the third-party members' shares in our co-operative entity Record Credit Services.

Note 21: Equity attributable to equity holders of the company

Equity attributable to equity holders of the company		
In EUR thousands	**2015**	**2014**
Issued capital	2,350,000	2,350,000
Share premium	451,511	451,511
Revaluation reserves	300,546	321,593
Of which:		
- tangible assets revaluation reserve	*145,686*	*142,064*
- hedge of net investments in foreign operations reserve (effective)	*-213,282*	*-105,537*
- foreign currency translation reserve	*212,826*	*106,552*
- cash flow hedge reserve (effective)	*-160,088*	*-137,412*
- fair value revaluation reserve on financial assets available for sale	*451,346*	*490,306*
- actuarial gains/losses	*-135,941*	*-174,380*
Reserves including retained earnings	5,719,350	5,790,098
Net profit or loss	950,266	1,064,072
TOTAL	**9,771,674**	**9,977,275**

The issued capital is represented by 55,414,550 shares without par value. All shares are fully paid.

The reserves including retained earnings mainly includes the reserves available for distribution, result brought forward, consolidation reserves and legal reserves.

The revaluation reserves consist of different types of reserves. Subsequent to initial recognition, property, and equipment is revalued to fair value. The revaluation surplus is recognised in equity, through the tangible assets revaluation reserve. A subsequent revaluation decrease must be charged against this reserve to the extent that the reserve is positive.

Gains and losses arising from the revaluation of a financial instrument designated as a hedge are deferred in the hedge revaluation reserve. Where a subsidiary is a foreign operation, foreign currency translation differences should be recognised in equity through the foreign currency translation reserve.

Unrealised gains/losses on investments classified as available-for-sale are also recognised in equity within the revaluation reserve. These gains/losses are recycled to the income statement on disposal or when the asset becomes impaired.

Share Capital

In EUR thousands	Ordinary shares	
	Number	Amount
Issued share capital	55,414,550	2,350,000
2015		
Authorised unissued share capital	-	-
Issued share capital	55,414,550	2,350,000
2014		
Authorised unissued share capital	-	-

6.7.2 Notes to the consolidated income statement

Note 22: Net interest income

Net interest income		
In EUR thousands	**2015**	**2014**
Interest income	**6,608,207**	**7,202,522**
Financial assets held for trading	1,850,439	2,461,211
Financial assets designated at fair value through profit or loss	2,052	15,949
Financial assets available for sale	447,472	522,509
Loans and receivables	2,815,833	3,001,660
Held-to-maturity investments	18,970	
Derivatives used for hedging	1,460,815	1,201,192
Other assets	12,627	
Interest expenses	**3,963,458**	**4,450,024**
Financial liabilities held for trading	1,867,114	2,322,412
Financial liabilities designated at fair value through profit or loss	6,681	23,426
Financial liabilities measured at amortised cost	572,997	852,576
Derivatives used for hedging	1,515,074	1,248,344
Other liabilities	1,592	3,265
Net interest income	**2,644,749**	**2,752,498**

Note 23: Net fee and commission income

Net fee and commission income		
In EUR thousands	**2015**	**2014**
Fee and commission income	**842,715**	**861,094**
Securities	165,727	169,791
Asset management	31,584	121,920
Credit commitments	51,086	89,599
Custody	22,309	23,063
Payment services	155,614	154,730
Other	416,395	301,991
Fee and commission expenses	**282,817**	**285,475**
Securities	17,731	29,615
Asset management	0	0
Commissions paid to intermediaries	0	0
Custody	2,120	2,341
Clearing and settlement	57	89
Other	262,908	253,430
Net fee and commission income	**559,898**	**575,619**

'Other fee and commission income' mainly includes revenues related to Life insurance, Non-life insurance and commissions received for the non-used part of credit lines granted. 'Other fee and commission expenses' mainly pertains to payment transfer and credit commitments.

Note 24: Realised gains/losses on fin. assets & liabilities not measured at FV through profit/loss

Realised gains and losses on financial assets & liabilities not measured at fair value through profit or loss		
In EUR thousands	**2015**	**2014**
Realised gains	**21,057**	**142,868**
Financial assets available for sale	21,057	129,889
Loans and receivables		12,979
Financial liabilities (excluding items held for trading)		
Other		
Realised losses	**-24,082**	**0**
Financial assets available for sale		
Loans and receivables	-24,082	
Financial liabilities (excluding items held for trading)		
Other		
Net realised gains (losses)	**-3,025**	**142,868**

Note 25: Net gains/losses on fin. assets and liabilities held for trading

Net gains and losses on financial assets and liabilities held for trading *		
In EUR thousands	**2015**	**2014**
Equity instruments and related derivatives	61,223	-158,355
Interest rate instruments and related derivatives	-91,421	-49,581
Foreign exchange trading	91,914	162,009
Commodities and related derivatives	223	-2,830
Credit derivatives	0	-462
Other	137	96,246
Net gains (losses)	**62,076**	**47,027**

* Excluding interest flows for all items

Note 26: Net gains/losses on fin. assets and liabilities designated at FV through profit/loss

Net gains and losses on financial assets and liabilities designated at fair value through profit or loss *		
In EUR thousands	**2015**	**2014**
Gains	**74,370**	**30,857**
Financial assets at fair value through profit or loss	0	445
Financial liabilities at fair value through profit or loss	74,370	30,412
Losses	**-12,276**	**-99,917**
Financial assets at fair value through profit or loss	-1,013	-1,167
Financial liabilities at fair value through profit or loss	-11,263	-98,750
Net gains (losses)	**62,094**	**-69,060**

* Excluding interest flows for all items

Note 27: FV adjustments in hedge accounting

Analysis of fair value adjustments in hedge accounting				
In EUR thousands	2015		2014	
	Gains	Losses	Gains	Losses
Fair value hedge	**218,081**	**-176,991**	**804,268**	**778,814**
Fair value changes of the hedged item		-176,991	939,123	1,573
Fair value changes of the hedging derivatives (Including discontinuation)	218,081		-134,856	777,241
Cash flow hedge	**-0**	**0**	**-20**	**0**
Fair value changes of the hedging instrument - ineffective portion	-0		-20	
Net investment hedge	**0**	**0**	**0**	**0**
Fair value changes of the hedging instrument - ineffective portion				
TOTAL	218,081	-176,991	804,248	778,814

Transfers from cash flow hedge reserve to profit and loss		
In EUR thousands	2015	2014
Up to one year	160,669	198,568
One to five years	61,362	158,664
Over five years	-494,498	-578,187

Note 28: Exchange differences revaluations

Exchange differences revaluations		
In EUR thousands	2015	2014
Foreign exchange	13,299	14,479
Currency & interest rate swaps	11,438	10,003
Currency options		
Forward exchange rate contracts		
Total exchange differences revaluations	**24,737**	**24,482**

Note 29: Gains/losses on derecognition of assets other than held for sale

Gains and losses on derecognition of assets other than held for sale		
In EUR thousands	2015	2014
Realised gains	**27,296**	**21,018**
Derecognition of tangible fixed assets	3,750	2,589
Derecognition of investments in associates, joint ventures and subsidiaries	30	50
Other	23,516	18,379
Realised losses	**5,591**	**5,372**
Derecognition of tangible fixed assets	5,591	5,353
Derecognition of investments in associates, joint ventures and subsidiaries		19
TOTAL	21,705	15,645

Note 30: Other net operating income

Other net operating income		
In EUR thousands	2015	2014
Income	**144,796**	**135,881**
Property, plant and equipment & investment property measured using the revaluation model	1,281	2,580
Rental income from investment property	2,988	229
Operational leases		1,053
Other	140,527	132,019
Expenses	**59,027**	**147,873**
Property, plant and equipment & investment property measured using the revaluation model	1,194	
Other	57,833	147,873
Net total other operating income	**85,769**	**-11,992**

Note 31: Staff expenses

Breakdown of staff expenses		
In EUR thousands	2015	2014
Wages and salaries	673,800	703,674
Social security charges	182,168	188,150
Pension and similar expenses (1)+(2)	50,570	52,138
Share based payments	8,636	9,870
Other	179,174	185,662
TOTAL	**1,094,347**	**1,139,494**

Pension costs analysis		
In EUR thousands	2015	2014
Defined benefit post-employment plans (1)	**11,239**	**20,863**
Current service costs	18,394	18,709
Past service costs	-10,348	-2,241
Interest expenses	10,920	21,689
Expected return on assets	-7,728	-17,294
Amortisation of unrecognised past service costs		
Amortisation of unrecognised actuarial gains/losses		
Effect of curtailment or settlement		
Defined contribution plans (2)	**39,331**	**31,274**
Of which: defined contributions for the senior management	*9,930*	*8,384*
TOTAL	**50,570**	**52,138**

(1)+(2) Defined-benefit plans are held by ING Belgium, ING Lease, Record Group, ING Contact Centre and ING Luxembourg.

Note 32: General and administrative expenses

General and administrative expenses		
In EUR thousands	**2015**	**2014**
Marketing expenses	38,615	36,222
Professional fees	30,148	26,597
IT expenses	95,691	99,094
Repair and maintenance	45,536	51,197
Accomodation expenses	48,401	54,040
Other taxes	58,644	95,735
Overhead costs charged by related parties	84,848	35,542
Other	147,682	148,619
TOTAL	**549,564**	**547,047**

Note 33: Bank Levies

Bank levies		
In EUR thousands	**2015**	**2014**
Operating Charges: Tax on Tax Exempted Liabilities	64,162	71,894
Financial Stability Contribution (FSC)	22,929	21,289
Contribution BRRD/SRF	26,033	
Premiums for deposit insurance	65,049	54,037
TOTAL	**178,174**	**147,220**

Note 34: Impairments

Breakdown by types of assets impaired		
In EUR thousands	**2015**	**2014**
Impairment losses on financial assets not measured at fair value through profit or loss	**187,041**	**177,278**
Financial assets available for sale	6,372	628
Loans and receivables	180,669	176,650
Other impairments	**6,412**	**2,231**
Property, plant and equipment	-3,472	1,387
Investment property		
Goodwill and other intangible assets	9,692	538
Other		
Investments in associates and joint ventures accounted for under the equity method	192	307
TOTAL	**193,453**	**179,509**

“Property, plant and equipment” includes write-back of impairment on occupied buildings.

Carrying amount of financial and other assets impaired		
In EUR thousands	**2015**	**2014**
Equity securities	14,259	7,501
Debt securities		
Loans & advances	2,220,304	2,257,809
Other financial assets	254,929	266,198
TOTAL	**2,489,493**	**2,531,508**

Note 35: Income tax expenses related to profit and loss from continuing operations

Breakdown of income tax expenses		
In EUR thousands	**2015**	**2014**
Current tax expenses	**347,524**	**364,472**
Current tax for the period	386,685	374,358
Adjustments for current tax of previous periods	-39,161	-9,886
Previously unrecognised tax losses, tax credits, temporary differences reducing current tax		
Deferred tax expenses	**35,983**	**43,911**
Deferred taxes arising from current period	35,983	43,911
Deferred taxes arising from changes in tax rates		
Deferred taxes arising from the reversal of deferred tax assets		
Previously unrecognised tax losses, tax credits, temporary differences reducing deferred tax		
Other tax expenses	**0**	**0**
Tax expense (income) relating to changes in accounting policies and errors in P&L		
Taxes relating to the gain or loss on discontinuance of an operation		
Income tax expense of discontinued operations		
Total income tax expenses	**383,507**	**408,383**

Income tax expenses related to investments in subsidiaries, associates and joint ventures		
In EUR thousands	**2015**	**2014**
Deferred tax liabilities recognised on temporary differences related to investments in subsidiaries, associates and joint ventures	**1,385**	**1,379**
Amount of dividend decided to be paid next year *	81,500	81,150
Portion of dividend subject to income tax	4,075	4,058
Parent company tax rate on distributed profits		
Income tax on dividend decided to be paid next year	1,385	1,379
Deferred tax liabilities not recognised on unremitted income of subsidiaries, associates and joint ventures	**16,685**	**17,963**
Parent company share of unremitted income at year-end	1,063,285	1,138,110
Unremitted income on which no tax liabilities have been recognised	981,785	1,056,959
Portion of dividend that would be subject to income tax if paid	49,089	52,848
Parent company tax rate used on undistributed profits	34%	34%
Income tax not recognised on unremitted income	16,685	17,963

* Estimation based on the current pay-out ratio.

Reconciliation of statutory tax rate to effective tax rate		
In EUR thousands	2015	2014
Result before taxation - Tax expense using statutory rate	1,339,899	1,473,992
Statutory tax rate	**33.99%**	**33.99%**
Statutory tax amount	**455,432**	**501,010**
Tax effect of rates in other jurisdictions	-7,895	-9,988
Tax effect of non taxable revenues	-13,779	-31,973
Tax effect of non tax deductible expenses	18,410	20,569
Tax effect of utilisation of previously unrecognised tax losses		
Tax effect on tax benefit not previously recognised in profit or loss		
Tax effect from reassessment of unrecognised deferred tax assets		
Tax effect of change in tax rates		
Tax effect from under or over provisions in prior periods	-36,708	-9,077
Tax effect from notional interest	-33,333	-61,209
Other increase (decrease) in statutory tax charge	1,380	-949
Effective tax amount	**383,507**	**408,383**
Effective tax rate	**28.62%**	**27.71%**

6.7.3 Additional information

6.7.3.1 Fair value of financial assets and liabilities

The estimated fair values correspond with the amounts at which the financial instruments could have been traded on a fair basis at the balance sheet date between knowledgeable, willing parties in arm's-length transactions. The fair value of financial assets and liabilities is based on quoted market prices, where available. Because substantial trading markets do not exist for all of these financial instruments, various techniques have been developed to estimate their approximate fair values.

These techniques are subjective in nature and involve various assumptions about the discount rate and the estimates of the amount and timing of the anticipated future cash flows. 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.

ING Belgium reports assets and liabilities that are measured at fair value in a three-level hierarchy:

- Level 1: published price quotations in an active market;
- Level 2: valuation technique supported by market inputs;
- Level 3: valuation technique not supported by market inputs.

Level 1: includes only assets and liabilities for which the fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities. An asset or liability 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 in an active market around the measurement date.

Level 2: Level 2 includes assets and liabilities for which the fair value is determined using inputs other than (level 1) quoted prices that are market observable, either directly or indirectly, i.e.:

- using a model, where all significant inputs into the model are market observable;
- using adjusted quoted prices in an active market where the adjustment is solely based on market observable data (e.g. because the quoted prices relate to similar, but not identical assets or liabilities);
- using quoted prices from an inactive market without adjustment or with adjustments that are solely based on market observable data; where several quotes are obtained for the same instrument, a narrow range between the prices obtained may be an indicator that the prices are based on market observable data.

Level 3: includes assets and liabilities for which the fair value is determined using (certain) inputs that are not based on observable market data (unobservable inputs), i.e.:

- using a model, where one or more significant inputs are not market observable;
- using adjusted quoted prices where the adjustment is based on non-market observable data;
- using quoted prices from an inactive market with one or more adjustments that are based on non-market observable data; where several quotes are obtained for the same item and the disparity within the range of prices obtained is significant, the item is classified in level 3.

Transfers out of Level 1 into Level 2 occur when ING Group establishes that markets are no longer active and therefore (unadjusted) quoted prices no longer provide reliable pricing information. Transfers out of Level 2 into Level 1 occur when ING Group establishes that markets have become active for identical assets and liabilities and therefore (unadjusted) quoted prices provide reliable pricing information.

With the introduction of IFRS 13 “Fair Value Measurement” additional disclosures are asked:

- Financial instruments that are measured in the balance sheet at amortised cost, but of which the fair value is disclosed in the notes; this mainly relates to loans; and
- Non-financial assets that are measured in the balance sheet at fair value; this mainly relates to real estate
- Customer deposits and other funds on deposit.

Classification of Loans

Valuation of loans is normally not based on market prices for the specific loan, and therefore is not a Level 1 measurement. The determination of the fair value of loans is normally based on a valuation technique that includes various inputs, such as market yields, expected credit losses and liquidity.

As such, the valuation includes non-observable inputs (such as expected credit loss and liquidity) that, especially in the current market environment, are expected to significantly impact the estimated fair value. Therefore, fair values of loans are normally classified in Level 3.

Only when all significant inputs are obtained from market data, the fair value may be classified in Level 2. This could be the case when specific market data are available (e.g. when expected credit losses are based on market CDS spreads for the specific exposure) or when unobservable inputs are insignificant (e.g. for liquid loans with insignificant credit risk).

Classification of Real estate

Valuation of real estate is normally not based on market prices for the specific property, and therefore is not a Level 1 measurement. Valuations are normally based on appraisals that take into account various inputs and assumptions, such as rental income and required yields. These include non-observable inputs that, especially in the current market environment, are expected to significantly impact the estimated fair value. Therefore, fair values of real estate are normally expected to be classified in Level 3. Only when sufficient observable market transactions have occurred for properties that are similar to the property being valued, and the fair value estimate is based (almost) fully on such market transaction data, the fair value may be classified in Level 2.

Classification of Customer Deposits and Other Funds on Deposit

Valuations of instruments where the carrying value equals both the fair value and the notional amount because they are on demand, are classified as Level 1 measurements.

For customer deposits and other funds on deposit not on demand, fair value is normally based on a valuation technique. If the valuation only includes observable inputs such as interest the valuation is classified as Level 2. If the valuation includes non-observable inputs such as own credit, and this non-observable input significantly impacts the estimated fair value the valuation would be expected to be classified in Level 3.

Description of the significant unobservable inputs

A yield curve is derived from a selection of instruments of different maturities. A **spot rate** curve or zero-coupon curve is arrived at by bootstrapping and interpolating the yield curve. A forward rate curve is calculated by applying a mathematical formula to the spot rate curve. A **forward rate** represents the yield for a certain period, starting at a certain point in the future. A **swap rate** is the fixed rate that sets the market value of a given swap at initiation at zero.

A repo (or repurchase agreement) is the sale of securities together with an agreement for the seller to buy back the securities at a later date. The repurchase price should be greater than the original sale price, the difference effectively representing interest, called the **repo rate**.

Credit spread is the yield spread, or difference in yield between different securities due to different credit quality. The credit spread reflects the additional net yield an investor can earn from a security with more credit risk relative to one with less credit risk.

Level 3 can concern observable inputs that require significant adjustments/judgment e.g. sole broker quote with uncertainty around bid/offer spread; obtained with proxy tool but not corroborated.

The **recovery rate** is the estimated level of recovery should a counterparty default.

Volatility is a measure for variation of price of a financial instrument over time. Historic volatility is derived from the series of past market prices. An implied volatility is derived from the market price of a market traded derivative (in particular an option). The implied volatility of an option contract is that value of the volatility of the underlying instrument which, when input in an option pricing model will return a theoretical value equal to the current market price of the option. Depending on the parameter being analyzed, one can distinguish **equity volatility, interest rate volatility and FX volatility**.

Correlation is the most familiar measure of dependence between two quantities. Stock-stock correlation measures the dependency between two stock prices, while IR-IR correlation measures the dependency between two interest rates.

Implied correlation is the market's price for the correlation between the return of assets. It can be backed out from the observed price of a derivative contract which relates two or more assets.

Fair value of financial instruments

In EUR thousands	2015		2014	
	Fair value	Carrying amount	Fair value	Carrying amount
ASSETS				
Cash and cash balances with central banks	4,267,049	4,267,049	1,994,517	1,994,517
Financial assets held for trading	14,519,256	14,519,256	19,872,700	19,872,700
Financial assets designated at fair value through profit or loss	94,541	94,541	71,389	71,389
Available-for-sale financial assets	18,809,052	18,809,052	19,652,854	19,652,854
Loans and receivables	106,485,860	105,194,167	102,022,492	101,175,488
Derivatives used for hedging Assets	4,404,693	4,404,693	5,397,150	5,397,150
Financial assets held to maturity	959,946	958,873	0	0
Other financial assets	4,679,332	4,679,332	5,701,775	5,701,775
LIABILITIES				
Financial liabilities held for trading	13,220,845	13,220,845	18,317,525	18,317,525
Financial liabilities designated at fair value through profit or loss	2,371,524	2,371,524	3,043,519	3,043,519
Financial liabilities measured at amortised cost	117,321,323	117,459,592	110,798,664	110,487,924
Derivatives used for hedging Liabilities	5,978,127	5,978,127	6,986,202	6,986,202

Assets: fair value of financial instruments - 2015					
In EUR thousands	Comparison		Fair value hierarchy		
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets at fair value	**39,129,109**	**39,129,109**	**20,523,125**	**17,355,618**	**1,250,366**
Financial assets held for trading	**14,519,256**	**14,519,256**	**2,383,137**	**11,993,490**	**142,630**
Equity securities, debt securities	2,379,399	**2,379,399**	2,379,373	26	
Derivatives	12,139,051	**12,139,051**	3,763	11,992,657	142,630
Loans and advances	806	**806**		806	
Financial assets designated at fair value through profit or loss	**94,541**	**94,541**		**91,729**	**2,812**
Equity securities and debt securities	2,812	**2,812**			2,812
Derivatives					
Loans and advances	91,729	**91,729**		91,729	
Financial assets available-for-sale	**18,809,052**	**18,809,052**	**18,139,988**	**591,066**	**77,998**
Debt securities	18,730,988	**18,730,988**	18,139,922	591,066	
Equity securities	78,065	**78,065**	67		77,998
Loans and advances					
Derivatives used for hedging	**4,404,693**	**4,404,693**		4,404,693	
Change in fair value of hedged items in a hedged portfolio for interest rate risk	**274,639**	**274,639**		274,639	
Tangible fixed assets	**900,903**	**900,903**			900,903
Investment properties	**47,812**	**47,812**			47,812
Investments in entities with a participation relationship but not consolidated	**78,211**	**78,211**			78,211
Assets at amortised cost	**110,420,089**	**111,712,855**	**10,378,963**	**1,393,579**	**99,940,313**
Cash and cash balances with central banks	**4,267,049**	**4,267,049**	**4,267,049**		
Loans and receivables	**105,194,167**	**106,485,860**	**5,151,968**	**1,393,579**	**99,940,313**
Financial assets held to maturity	**958,873**	**959,946**	**959,946**		

Assets: fair value of financial instruments - 2014					
In EUR thousands	Comparison		Fair value hierarchy		
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets at fair value	**46,335,076**	**46,335,076**	**21,062,501**	**24,099,550**	**1,173,025**
Financial assets held for trading	**19,872,700**	**19,872,700**	**2,030,980**	**17,773,752**	**67,968**
Equity securities, debt securities	2,044,882	**2,044,882**	2,030,658	14,224	
Derivatives	17,821,562	**17,821,562**	322	17,753,272	67,968
Loans and advances	6,256	**6,256**		6,256	
Financial assets designated at fair value through profit or loss	**71,389**	**71,389**		**67,890**	**3,498**
Equity securities and debt securities	3,498	**3,498**			3,498
Derivatives					
Loans and advances	67,890	**67,890**		67,890	
Financial assets available-for-sale	**19,652,854**	**19,652,854**	**19,031,521**	**556,132**	**65,201**
Debt securities	19,599,510	**19,599,510**	19,020,939	556,132	22,438
Equity securities	53,345	**53,345**	10,582		42,762
Loans and advances					
Derivatives used for hedging	**5,397,150**	**5,397,150**		5,397,150	
Change in fair value of hedged items in a hedged portfolio for interest rate risk	**304,625**	**304,625**		304,625	
Tangible fixed assets	**912,184**	**912,184**			912,184
Investment properties	**47,690**	**47,690**			47,690
Investments in entities with a participation relationship but not consolidated	**76,484**	**76,484**			76,484
Assets at amortised cost	**103,170,005**	**104,017,009**	**9,264,284**	**2,109,186**	**92,643,539**
Cash and cash balances with central banks	**1,994,517**	**1,994,517**	**1,994,517**		
Loans and receivables *	**101,175,488**	**102,022,492**	**7,269,767**	**2,109,186**	**92,643,539**
Financial assets held to maturity					

* Loans & receivables: Debt securities transferred from Level 3 to Level 2: Euro 2,1 billion and Loans & advances short term transferred from Level 3 to Level 1 : Euro 7,2 billions

Liabilities: Fair value of financial instruments - 2015					
In EUR thousands	Comparison		Fair value hierarchy		
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Liabilities at fair value	21,570,496	21,570,496	101,675	21,241,758	227,064
Financial liabilities held for trading	**13,220,845**	**13,220,845**	**1**	**12,993,780**	**227,064**
Short positions in fixed income securities	**83,734**	**83,734**	1	83,733	
Derivatives	**13,137,111**	**13,137,111**		12,910,047	227,064
Financial liabilities designated at fair value through profit or loss	**2,371,524**	**2,371,524**	**101,674**	**2,269,851**	
Term deposits, certificates of deposit, non-convertible bonds, structured notes and subordinated liabilities	**2,371,524**	**2,371,524**	101,674	2,269,851	
Derivatives					
Liabilities associated to transfered assets	**-**	**-**			
Derivatives used for hedging	**5,978,127**	**5,978,127**		5,978,127	
Change in fair value of hedged items in a hedged portfolio for interest rate risk					
Liabilities at amortised cost	**117,459,592**	**117,321,323**	**83,322,383**	**19,932,760**	**14,066,179**
Central banks	**1,615,041**	**1,615,041**		**1,615,041**	
Other financial liabilities	**115,844,551**	**115,706,282**	83,322,383	18,317,719	14,066,179

Liabilities: Fair value of financial instruments - 2014					
In EUR thousands	Comparison		Fair value hierarchy		
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Liabilities at fair value	28,260,708	28,260,708	52,147	27,997,795	210,765
Financial liabilities held for trading	**18,317,525**	**18,317,525**	**330**	**18,106,430**	**210,765**
Short positions in fixed income securities	**75,912**	**75,912**	25	75,886	
Derivatives	**18,241,613**	**18,241,613**	305	18,030,543	210,765
Financial liabilities designated at fair value through profit or loss	**3,043,519**	**3,043,519**	**51,818**	**2,991,701**	
Term deposits, certificates of deposit, non-convertible bonds, structured notes and subordinated liabilities	**3,043,519**	**3,043,519**	51,818	2,991,701	
Derivatives					
Liabilities associated to transfered assets					
Derivatives used for hedging	**6,986,202**	**6,986,202**		6,986,202	
Change in fair value of hedged items in a hedged portfolio for interest rate risk					
Liabilities at amortised cost	**110,487,924**	**110,798,732**	**82,186,362**	**27,912,527**	**699,843**
Central banks *	**1,622,235**	**1,622,235**	**69**	**1,622,166**	
Other financial liabilities	**108,865,689**	**109,176,497**	82,186,293	26,290,361	699,843

* "Central banks" includes loans received relating to Targeted Longer-Term Refinancing Operations (TLTRO) of ECB: 1,6 billions, maturity 26/09/2018

Significant transfers between level 1 and level 2 of fair value - 2015

Significant transfers between level 1 and level 2 of fair value - 2015				
In EUR thousands	2015			
	To level 1	From level 1	To level 2	From level 2
ASSETS				
Assets at fair value				
Financial assets held for trading				
Equity securities, debt securities, loans and advances				
Derivatives				
Loans and advances				
Financial assets designated at fair value through profit or loss				
Equity securities and debt securities				
Derivatives				
Loans and advances				
Financial assets available-for-sale	**373,250**			**-373,250**
Debt securities	373,250			-373,250
Equity securities				
Loans and advances				
Derivatives used for hedging				
Change in fair value of hedged items in a hedged portfolio for interest rate risk				
Tangible fixed assets (Lands and Buidings in own use)				
Investment properties				
Investments in entities with a participation relationship but not consolidated				
Assets at amortised cost				
Cash and cash balances with central banks				
Loans and receivables				
Financial assets held to maturity				
LIABILITIES				
Liabilities at fair value				
Financial liabilities held for trading				
Short positions in fixed income securities				
Derivatives				
Financial liabilities designated at fair value through profit or loss				
Term deposits, certificates of deposit, non-convertible bonds structured notes and subordinated liabilities				
Derivatives				
Liabilities associated to transfered assets				
Derivatives used for hedging				
Change in fair value of hedged items in a hedged portfolio for interest rate risk				
Liabilities at amortised cost				
Central banks				
Ohter financial liabilities				

Significant transfers between level 1 and level 2 of fair value - 2014

Significant transfers between level 1 and level 2 of fair value - 2014				
In EUR thousands	2014			
	To level 1	From level 1	To level 2	From level 2
ASSETS				
Assets at fair value				
Financial assets held for trading				
Equity securities, debt securities, loans and advances				
Derivatives				
Loans and advances				
Financial assets designated at fair value through profit or loss				
Equity securities and debt securities				
Derivatives				
Loans and advances				
Financial assets available-for-sale				
Debt securities		-9,030	9,030	
Equity securities				
Loans and advances				
Derivatives used for hedging				
Change in fair value of hedged items in a hedged portfolio for interest rate risk				
Tangible fixed assets (Lands and Buidings in own use)				
Investment properties				
Investments in entities with a participation relationship but not consolidated				
Assets at amortised cost				
Cash and cash balances with central banks				
Loans and receivables				
Financial assets held to maturity				
LIABILITIES				
Liabilities at fair value				
Financial liabilities held for trading				
Short positions in fixed income securities				
Derivatives				
Financial liabilities designated at fair value through profit or loss				
Term deposits, certificates of deposit, non-convertible bonds structured notes and subordinated liabilities				
Derivatives				
Liabilities associated to transfered assets				
Derivatives used for hedging				
Change in fair value of hedged items in a hedged portfolio for interest rate risk				
Liabilities at amortised cost				
Central banks				
Ohter financial liabilities				

Fair value level 3 - 2015

Fair value level 3 - 2015									
In EUR thousands	Opening balance	Purchases	Sales	Issues	Settle-ments	Transfers to level 3	Transfers from level 3	Reva-luations	Closing balance
ASSETS									
Assets at fair value									
Financial assets held for trading	**67,968**	**209,596**	**-102,982**			**1,644**	**-21,661**	**-11,935**	**142,630**
Equity securities, debt securities, loans and advances									
Derivatives	67,968	209,596	**-102,982**			1,644	-21,661	-11,935	**142,630**
Loans and advances									
Financial assets designated at fair value through profit or loss	**3,498**	**233**	**-313**					**-606**	**2,812**
Equity securities and debt securities	3,498	233	-313					-606	**2,812**
Derivatives									
Loans and advances									
Financial assets available-for-sale	**65,200**	**15,804**	**-24,215**					**21,209**	**77,998**
Debt securities	22,438	2,132	-24,172					-398	**0**
Equity securities	42,762	13,672	-43					21,607	**77,998**
Loans and advances									
Derivatives used for hedging									
Change in fair value of hedged items in a hedged portfolio for interest rate risk									
Tangible fixed assets (Lands and Buidings in own use)	912,184	310	-16,214			8,412	-1,170	-2,619	**900,903**
Investment properties	47,690					1,299	-1,177		**47,812**
Investments in entities with a participation relationship but not consolidated	76,485	6,241	-20,744					16,230	**78,211**
Assets at amortised cost									
Cash and cash balances with central banks									
Loans and receivables *	2,239,146	23,731	-15,013				-1,626,590	-76	**621,198**
Financial assets held to maturity									
LIABILITIES									
Liabilities at fair value									
Financial liabilities held for trading	**210,765**	**222,378**	**-188,408**			**450**	**-36,444**	**18,323**	**227,064**
Short positions in fixed income securities									
Derivatives	210,765	222,378	-188,408			450	-36,444	18,323	**227,064**
Financial liabilities designated at fair value through profit or loss									
Term deposits, certificates of deposit, non-convertible bonds, structured notes and subordinated liabilities									
Derivatives									
Liabilities associated to transfered assets									
Derivatives used for hedging									
Change in fair value of hedged items in a hedged portfolio for interest rate risk									
Liabilities at amortised cost									
Central banks									
Ohter financial liabilities *	699,843		-152,318			1,638		-2,239	**546,925**

Fair value level 3 - 2014

Fair value level 3 - 2014									
In EUR thousands	Opening balance	Purchases	Sales	Issues	Settle-ments	Transfers to level 3	Transfers from level 3	Reva-luations	Closing balance
ASSETS									
Assets at fair value									
Financial assets held for trading	**66,950**	**166,405**	**-167,451**					**2,064**	**67,968**
Equity securities, debt securities, loans and advances	4,750		-4,750						
Derivatives	62,200	166,405	**-162,701**					2,064	**67,968**
Loans and advances									
Financial assets designated at fair value through profit or loss	**3,053**							**445**	**3,498**
Equity securities and debt securities	3,053							445	**3,498**
Derivatives									
Loans and advances									
Financial assets available-for-sale	**517,847**	**8,769**	**-203,556**			**-245,365**		**-12,495**	**65,200**
Debt securities	454,623		-182,872			-249,365		52	**22,438**
Equity securities	63,224	8,769	-20,684			4,000		-12,547	**42,762**
Loans and advances									
Derivatives used for hedging									
Change in fair value of hedged items in a hedged portfolio for interest rate risk									
Tangible fixed assets (Lands and Buidings in own use)	636,826	13,056	-22,398			369,619	-66,688	-18,230	**912,184**
Investment properties	370					44,745		2,575	**47,690**
Investments in entities with a participation relationship but not consolidated	73,718	4,112	-19,436			6,786	-3,926	15,231	**76,485**
Assets at amortised cost									
Cash and cash balances with central banks									
Loans and receivables *	2,902,739	15,013	-926,990			249,365		-981	**2,239,146**
Financial assets held to maturity									
LIABILITIES									
Liabilities at fair value									
Financial liabilities held for trading	**161,900**	**370,805**	**-318,932**					**-3,008**	**210,765**
Short positions in fixed income securities									
Derivatives	161,900	370,805	-318,932					-3,008	**210,765**
Financial liabilities designated at fair value through profit or loss									
Term deposits, certificates of deposit, non-convertible bonds, structured notes and subordinated liabilities									
Derivatives									
Liabilities associated to transfered assets									
Derivatives used for hedging									
Change in fair value of hedged items in a hedged portfolio for interest rate risk									
Liabilities at amortised cost									
Central banks									
Ohter financial liabilities *	727,842		-29,861			3,301		-1,439	**699,843**

Total gains and losses for the period for fair value measurement in level 3 - 2015

Total gains or losses for the period for fair value measurements in level 3 - 2015			
In EUR thousands	Profits	Losses	Gains or losses relating to assets and liabilities held at the end of the period
Income statement			
Gains and losses on financial assets and liabilities held for trading		-30,258	**-30,258**
Gains and losses on financial assets and liabilities designated at fair value through profit or loss	534		**534**
Fair value adjustments in hedge accounting			**0**
Other comprehensive income			**0**
Revaluation reserve available for sale	35,596		**35,596**
Cash flow hedges			**0**
Impact of alternative assumptions reasonably possible that would change fair value significantly			**0**

Total gains and losses for the period for fair value measurement in level 3 - 2014

Total gains or losses for the period for fair value measurements in level 3 - 2014			
In EUR thousands	Profits	Losses	Gains or losses relating to assets and liabilities held at the end of the period
Income statement			
Gains and losses on financial assets and liabilities held for trading	47,027		**47,027**
Gains and losses on financial assets and liabilities designated at fair value through profit or loss	6,745	-75,805	**-69,060**
Fair value adjustments in hedge accounting			**0**
Other comprehensive income			**0**
Revaluation reserve available for sale	68,406		**68,406**
Cash flow hedges			**0**
Impact of alternative assumptions reasonably possible that would change fair value significantly			**0**

Fair value of financial assets

The following methods and assumptions were used by ING Belgium to estimate the fair value of the financial instruments.

- ***Cash and balances with central banks***

The carrying amount of cash equals its fair value.

- ***Financial assets at fair value through profit or loss and held for trading***

The fair values of securities in the trading portfolio and other assets at fair value through profit and loss are based on quoted market prices, where available. For those securities that are not actively traded, fair values are estimated based on internal discounted cash flow pricing models, taking into account current cash flow assumptions and the counterparties' credit standings.

- ***Financial assets available for sale***

The fair values of equity securities are based on quoted market prices or, if unquoted, on estimated market values generally based on quoted prices for similar securities. Fair values for fixed income securities are based on quoted market prices, where available.

For those securities that are not actively traded, fair values are estimated based on values obtained from private pricing services or by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment.

▪ *Loans and advances*

For loans and advances that are frequently re-priced and have had no significant changes in credit risk, carrying amounts represent a reasonable estimate of fair values. The fair values of retail mortgage loans are estimated by discounting expected future cash flows, using interest rates offered for similar loans to borrowers with similar credit ratings. The fair values of non-performing loans are estimated by discounting the expected cash flows of recoveries.

These assets are included under level 3 of the fair value classification

The fair values of mortgage loans are estimated by discounting future cash flows, using interest rates currently being offered for similar loans to borrowers with similar credit ratings. The fair values of fixed-rate policy loans are estimated by discounting cash flows at the interest rates charged on policy loans of similar policies currently being issued. Loans with similar characteristics are aggregated for purposes of the calculations. The fair values of variable-rate policy loans approximate their carrying values.

▪ *Other financial assets*

The carrying amount of other financial assets approximates their fair value.

Split by method for determining fair value - 2015

In percentage	Published price quotations	Valuation technique supported by market inputs	Valuation technique not supported by market inputs
ASSETS			
Assets at fair value	52.45%	44.35%	3.20%
Financial assets held for trading	16.41%	82.60%	0.98%
Financial assets designated at fair value through profit or loss	0.00%	97.03%	2.97%
Financial assets available-for-sale	96.44%	3.14%	0.41%
Derivatives used for hedging	0.00%	100.00%	0.00%
Change in fair value of hedged items in a hedged portfolio for interest rate risk	0.00%	0.00%	100.00%
Tangible fixed assets (Lands and Buidings in own use)	0.00%	0.00%	100.00%
Investment properties	0.00%	0.00%	100.00%
Investments in entities with a participation relationship but not consolidated	0.00%	0.00%	100.00%
Assets at amortised cost	9.29%	1.25%	89.46%

Fair value of financial liabilities

The following methods and assumptions were used by ING Belgium to estimate the fair value of the financial instruments.

▪ *Financial liabilities at amortized cost*

The fair value of the financial liabilities at amortised cost is estimated using discounted cash flows based on interest rates that apply to similar instruments.

▪ *Financial liabilities at fair value through profit or loss and held for trading*

The fair values of securities in the trading portfolio and other liabilities at fair value through profit or loss are based on quoted market prices, where available. For those securities that are not actively traded, fair values are estimated based on internal discounted cash flow pricing models, taking into account current cash flow assumptions and the banks' credit standings.

▪ *Other financial liabilities*

The carrying amount of other liabilities approximates their fair value.

Split by method for determining fair value - 2015			
In percentage	**Published price quotations**	**Valuation technique supported by market inputs**	**Valuation technique not supported by market inputs**
LIABILITIES			
Liabilities at fair value	0.47%	98.48%	1.05%
Financial liabilities held for trading	0.00%	98.28%	1.72%
Financial liabilities designated at fair value through profit or loss	4.29%	95.71%	0.00%
Liabilities associated to transfered assets	0.00%	0.00%	0.00%
Derivatives used for hedging	0.00%	100.00%	0.00%
Change in fair value of hedged items in a hedged portfolio for interest rate risk	0.00%	0.00%	0.00%
Liabilities at amortised cost	71.02%	16.99%	11.99%

* Reverse repurchase agreements have been included in this category. Since these are short-term transactions, notional value equals fair value.

▪ *Offsetting Financial assets and financial liabilities*

The IFRS 7 offsetting disclosure requires to provide quantitative information about the rights to set-off and related arrangements (such as collateral arrangements).

<u>Financial Instruments in scope</u>

The disclosure requirements apply to all financial instruments that are:

1. presented **net** in the balance sheet under the IFRS netting requirements (legal right to set-off and intention to net settle); and

2. presented **gross** in the balance sheet but subject to enforceable master netting arrangements or similar arrangement <u>except</u> when these arrangements apply to:

    - loans and customer deposits at the same institution; or

    - financial instruments subject <u>only</u> to a collateral agreement (such as loans secured by collateral).

Disclosure requirements

The disclosure is provided per type of financial instrument per balance sheet line item. It is not required to provide information on a more granular level. A table for assets and a table for liabilities is required. Each table will require the following information for the financial instruments in scope:

1. Gross amounts of recognized financial assets (or liability):

   This cell represents the gross carrying value of items in scope (positive in asset table, negative in liability table), without applying any netting.

2. Gross amounts of recognized financial liabilities (or assets) set off in the balance sheet:

   This cell represents the amount of netting that has been applied under IFRS in the IFRS balance sheet. The total amount should be equal in the asset table and the liability table as total netting on assets and liabilities must be the same.

3. Net amounts of financial assets (or liabilities) presented in the balance sheet:

   This cell is the sum of the two cells above. It represents the amounts as included in the IFRS balance sheet. However, the amounts in this cell do not have to reconcile with the total amount in the applicable balance sheet line item.

4. Related amounts not set of: financial Instruments:

   This cell includes the amount of netting under enforceable master netting agreements. The amounts are limited to the amounts that are subject to set off under the same master netting agreement or similar arrangement.

5. Related amounts not set off: financial collateral received/paid:

   This cell includes amounts of cash and fair value of financial instrument collateral that is not set-off in the balance sheet but is associated with netting arrangements.

6. Net amount:

   This cell shows the net position after all netting and collateral.

Netting agreement as well as the height of the collateral are specified in an ISDA contract (for derivatives) or CSA contract (for credit contracts).

Offsetting Financial Assets and Financial Liabilities

As per 31 December 2015	Financial Instrument	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statements of financial position	Related amounts not set off in the statement: Financial Instruments	Related amounts not set off in the statement: Cash and financial instruments received as collateral	Net amount
Amounts due from banks	Reverse repurchase securities borrowing and similar agreements						
	Other						
Financial assets at fair value through profit and loss - Trading assets	Derivatives	3,678,260	-154,439	3,523,821	3,150,043	104,000	269,778
	Reverse repurchase securities borrowing and similar agreements	925					
	Other						
Financial assets at fair value through profit and loss - Non trading derivatives	Derivatives	102,819	-976	101,843	101,843		
Available for sale	Reverse repurchase securities borrowing and similar agreements						
	Other						
Loans and advances to customers	Reverse repurchase securities borrowing and similar agreements						
	Other						
Other assets where netting is applied in the balance sheet	Other						
Impact of enforceable master netting arrangements or similar arrangements	Derivatives				-823,884		823,884
	Other						
Total Financial Assets		**3,782,004**	**-155,415**	**3,625,664**	**2,428,002**	**104,000**	**1,093,662**
Amounts due to banks	Repurchase securities lending and similar agreements						
	Other						
Customer deposits and other funds on deposit	Repurchase securities lending and similar agreements						
	Corporate deposit						
	Other						
Financial liabilities at fair value through profit and loss - Trading liabilities	Derivatives	3,896,638	-154,439	3,742,200	3,715,256	104,000	-77,056
	Repurchase securities lending and similar agreements	925					
	Other						
Financial liabilities at fair value through profit and loss – Non trading derivatives	Derivatives	529,665	-976	528,688	526,113		2,575
Other liabilities where netting is applied in the balance sheet	Other						
Impact of enforceable master netting arrangements or similar arrangements	Derivatives				-1,813,367		1,813,367
	Other						
Total Financial Liabilities		**4,427,228**	**-155,415**	**4,270,888**	**2,428,002**	**104,000**	**1,738,886**

6.7.3.2 Off-balance sheet commitments

In the normal course of business, ING Belgium is a party to activities whose risks are not reflected in whole or part in the consolidated financial statements.

Guarantees relate to both credit and non-credit substitute guarantees. Credit-substitute guarantees are guarantees given by ING Belgium with respect to credits 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.

The guarantees are generally of a short-term nature. In addition to the items included in contingent liabilities, ING Belgium 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 foreign and domestic trade transactions of a customer in order to finance a shipment of goods. ING Belgium's credit risk in these transactions is limited since they are collateralized by the commodity shipped and are of a short duration. Other contingent liabilities mainly relate to acceptances of bills and are of a short-term nature.

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 Belgium's credit risk in these transactions is limited. Most of the unused portion of irrevocable credit facilities is secured by customers' assets or as 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.

Breakdown of off-balance sheet commitments - Notional amounts

In EUR thousands	2015	2014 *
Loan commitments	**34,723,684**	**29,223,306**
Given	34,723,684	29,223,306
Received (-)		
Financial guarantees	**-23,441,361**	**-18,540,008**
Guarantees given	655,322	775,273
Guarantees received (-)	-24,096,684	-19,315,281
Credit derivatives given		
Credit derivatives received (-)		
Other commitments	**9,101,380**	**12,754,634**
Given	9,187,581	12,792,860
Received (-)	-86,200	-38,226

* Amounts issued in 2014 have been adapted based on correct input

ING Belgium nv/sa leases assets to third parties under operating leases as lessor. No individual operating lease has terms and conditions that materially affect the amount, timing or certainty of the consolidated cash flows of the ING Belgium. The future minimum lease payments to be received under non-cancellable operating leases are as follows:

Future minimum lease payments by maturity

In EUR thousands	2015	2014
Within 1 year	762,373	739,279
More than 1 year but less then 5 years	1,837,867	1,684,506
More than 5 years	1,024,956	961,157
TOTAL	**3,625,196**	**3,384,942**

6.7.3.3 Share-based payments

Through the Long-term Equity Ownership (Leo) plan, which has existed since 2004, ING Group NV offers stock options and performance shares to a number of staff members worldwide.

The main characteristics of Leo are as follows:

Stock options:

- gives the participant the right to buy a number of stock shares of ING Group NV equal to the number of options owned at a predefined exercise price;
- an exercise period of 10 years as from the date of receiving the option, which can be reduced to five years at the initiative of the participant;
- a vesting period of three years as from the date of receiving the option;
- exercise by means of delivering ING Group NV stock shares to the participant, immediately followed by the sale of them or by placing them in a brokerage account after payment of the exercise price.

Performance shares:

- offering of a number of performance shares on stock shares of ING Group NV, for which the final number of performance shares depends on the relative position of ING's Total Shareholder Return (TSR) within the TSR of ING Group's competitors;
- vested at the end of the three-year performance period;
- settlement made on the basis of a distribution election (sell all/retain all/sell some).

As of 2011, a new share-based payment plan has been introduced named 'Long-term Sustainable Performance Plan' (LSPP). This plan replaces the Leo plan. (Existing plans which are still running remain unchanged).

The main characteristics of the LSPP are as follows:

- a 100% share plan;
- vesting is dependent on the ING Group performance target;
- tiered vesting: 1/3 after first year, 1/3 after second year, 1/3 after third year.

Movements in stock options				
In EUR	Options outstanding		Weighted average exercise price (in EUR)	
	2015	2014	2015	2014
Opening balance	**5,262,463**	**7,404,968**	**16.40**	**14.78**
Transfer	-14,279	-335,504	12.28	12.45
Granted				
Exercised	555,909	-912,642	6.23	5.75
Forfeited	54,039	-164,878	16.53	15.93
Rights issue				
Expired	1,026,593	-729,481	18.15	15.27
CLOSING BALANCE	**6,884,725**	**5,262,463**	**17.50**	**16.40**

The weighted average share price at the date of exercise for options exercised during 2015 is EUR 13.62. (This is the ING Group average, as this is not available per business unit).

Summary of stock options outstanding and exercisable						
Range of exercise price in EUR	Options outstanding as at 31 December 2015	Weighted average remaining contractual life	Weighted average exercise price	Options excercisable as at 31 December 2015	Weighted average remaining contractual life	Weighted average exercise price
00.00 - 05.00	325,822	3.22	2.75	325,822	3.22	2.75
05.00 - 10.00	606,525	4.22	7.33	606,525	4.22	7.33
10.00 - 15.00	5,905	2.72	14.14	5,905	2.72	14.14
15.00 - 20.00	1,061,400	2.20	17.00	1,061,400	2.20	17.00
20.00 - 25.00	770,126	1.23	24.15	770,126	1.23	24.15
25.00 - 30.00	841,865	0.23	25.11	841,865	0.23	25.11
30.00 - 35.00	0	0.00	0.00	0	0.00	0.00
35.00 - 40.00	0	0.00	0.00	0	0.00	0.00

The fair value of options granted is recognized 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 by using a Monte Carlo simulation. This model takes the risk free interest rate into account (2.02% to 4.62%) as well as the expected life of the options granted (5 years to 9 years), the exercise price, the current share price (EUR 2.9 - EUR 26.05), the expected volatility of the certificates of ING Group shares (25% - 84%) and the expected dividends 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.

Share based payments		
In EUR thousands	**2015**	**2014**
Expense arising from share based payments	7,471	7,626
Expense arising from cash transactions	0	0
- total nominal amout at the end of the year	0	0
- total intrinsic value at the end of the year	0	0

6.7.3.4 Related party disclosures

Balance sheet 2015					
In EUR thousands	Parent	Subsidiaries	Associates	Joint ventures where the entity is a venturer	Other related parties
ASSETS	6,355,417	5,380,192	8,966	0	0
Loans and advances	6,355,417	5,380,192	8,966		
Current accounts	409,311	10,769			
Term loans	2,384,155	5,335,753	7,434		
Finance leases					
Consumer Credit					
Mortgage loans					
Other	3,561,951	33,671	1,532		
Equity instruments					
Trading securities					
Investment securities					
Other receivables					
LIABILITIES	3,781,956	7,623,007	6,946	0	11,446
Deposits	3,598,699	7,345,354	6,884		11,446
Deposits	3,598,699	7,345,354	6,884		11,446
Other borrowings					
Other financial liabilities					
Debt certificates					
Subordinated liabilities					
Share based payments					
Granted					
Exercised					
Other liabilities					
Guarantees issued by the group			62		
Guarantees received by the group	183,257	277,652			
Provisions for doubtful debts					

Income statement 2015		
In EUR thousands	2015	2014
Expenses	1,307,955	2,112,802
Interest expenses	1,294,388	1,251,106
Foreign exchange		
Fees and commissions	13,567	10,626
Rendering of services		
Purchase of goods, property and other assets		
Transfers		
Other		851,070
Income	1,217,252	1,592,425
Interest Income	1,158,646	985,775
Foreign exchange		127,377
Fees and commissions	58,606	62,285
Dividend income		
Receiving of services		
Sales of goods, property and other assets		
Transfers		
Other		416,988
Expenses for current year in respect of bad or doubtful debts	0	0

6.7.3.5 Legal proceedings

ING Belgium and its subsidiaries are involved in litigation proceedings in Belgium and in foreign jurisdictions involving claims by and against them which arise in the ordinary course of their business, including in connection with their activities as lenders, investors and taxpayers. In certain of such proceedings, large or indeterminate amounts are sought (even if the Bank reached an amicable settlement with the vast majority of the affected customers), including punitive and other damages.

While it is not feasible to predict or determine the ultimate outcome of all pending or threatened proceedings, management does not believe that their outcome will have a material adverse effect on ING Belgium's financial position or results of operation.

In Belgium, these legal proceedings include a pending dispute over an alleged responsibility of the bank in the framework of a third-party fraud early in the years 2000, relating to fraudulent use of funds collected by this third party. These proceedings also include several disputes over alleged responsibilities of the bank in the framework of so-called fraudulent cash company transaction schemes.

ING Belgium has been assigned to court by an IT services supplier with whom it had contracted for the outsourcing of the conservation and the execution of orders relating to financial instruments. The performance of this contract by the supplier being unsatisfactory, ING Belgium has ended this collaboration, in accordance with the provisions of contract between the parties, which is disputed by the supplier. A judgment, still capable of appeal, was rendered in which the demands of the supplier were rejected.

Record Bank, a subsidiary of ING Belgium, has received multiple summonses from clients of independent agents. These independent agents, without knowledge of Record Bank, have received funds from their clients to be invested with a third party with whom Record Bank has neither a link nor a business relationship. This third party has since gone bankrupt. Criminal proceedings have been opened, but Record Bank has been set out of that criminal proceeding.

In Luxembourg, ING Luxembourg is confronted with several disputes over an alleged responsibility of the bank in the framework of an ex-employee fraud in the area of fraudulent fund collection before 2005.

In Luxembourg, ING Luxembourg is involved in cases concerning so called fraudulent operations regarding cash companies before 2002. In the frame of those cases, the Bank (and an ex-employee) is (are) pursued before the criminal court in Belgium or summoned by the authorities before the civil court.

6.7.3.6 VAT reclaim

In 2015, ING Belgium reviewed its VAT refund calculation method. Based on this review, ING Belgium filed a VAT refund claim of EUR 35.8 million for which an asset has been recognized. For other years a similar type of exercise is envisaged. However, no detailed calculation has been performed and no claim has been submitted yet for these years. The estimated VAT refund amount for these years is EUR 95 million for which a contingent asset has been disclosed.

6.7.3.7 Country by country

Based on article 420 of the Belgian banking law of 25 April 2014, ING Belgium is required to disclose the following information as presented below on a consolidated basis. The country by country reporting includes all entities in the scope of consolidation of ING Belgium.

ING Belgium consolidated, country by country - 2015

	Nature of activities	Turnover * in thousands EUR	Number of employees in FTE	Profit/loss before tax in thousands EUR	Taxes on result in thousands EUR		Government grants received
					Current Tax	Deferred Tax	
Belgium	Banking, other financial services and real estate	3,017,436	9,472	1,055,173.2	325,947.8	4,680.4	
Luxembourg	Banking, other financial services and insurance	261,948	792	133,464.3	7,638	26,623	
Canada	Other financial services	154		-9.3	1.2		
USA	Other financial services	-61		-113.9	-0.05		
Switzerland	Banking and other financial services	217,872	170	151,384.6	18,706.4	-89.6	

* Turnover includes: fee and commission income/expenses, net exchange differences (gains or loss), other operating income/expenses.

SCOPE:

Belgium: ING Belgium nv/sa, CEL Data Services nv/sa, Immo Globe nv/sa, ING Contact Center nv/sa, ING Technology Services, ING Lease Belgium, New Immo-Schuman nv/sa, Record Bank nv/sa, Record Credit Services cvba/scrl, Sogam nv/sa, Sogès-Fiducem nv/sa

Luxemburg: ING Luxembourg, ING Belgium International Finance Luxembourg sa

Canada: Belgium Overseas Agencies Ltd.

USA: Belgian Overseas Issuing Corp

Switzerland: ING Belgium Genève (Subsidiary)

ING Belgium consolidated, country by country - 2014

	Nature of activities	Turnover * in thousands EUR	Number of employees in FTE	Profit/loss before tax in thousands EUR	Taxes on result in thousands EUR		Government grants received
					Current Tax	Deferred Tax	
Belgium	Banking, other financial services and real estate	3,239,327	9,698	1,439,163.8	316,265.4	43,050.1	
Luxembourg	Banking, other financial services and insurance	11,092	770	-108,163.0	7,424	907	
The Netherlands	Banking and other financial services	1,030	6	477.9	109.5		
Portugal	Banking and other financial services	7,087	11	6,011.3	1,648.1		
Spain	Banking and other financial services	44,539	87	-7,250.4	1,599		
Canada	Other financial services	17		-82.9	1.3		
USA	Other financial services	96		-3.9	1.21		
Switzerland	Banking and other financial services	199,414	164	143,839.1	37,426.4	-46.5	

* Turnover includes: fee and commission income/expenses, net exchange differences (gains or loss), other operating income/expenses.

SCOPE:

Belgium: ING Belgium nv/sa, CEL Data Services nv/sa, Immo Globe nv/sa, ING Contact Center nv/sa, ING Technology Services, ING Lease Belgium, New Immo-Schuman nv/sa, Record Bank nv/sa, Record Credit Services cvba/scrl, Sogam nv/sa, Sogès-Fiducem nv/sa

Luxemburg: ING Luxembourg, ING Belgium International Finance Luxembourg sa

The Netherlands: ING Belgium Breda (Subsidiary)

Portugal: ING Belgium Portugal (Subsidiary)

Spain: ING Belgium Espagne (Subsidiary)

Canada: Belgium Overseas Agencies Ltd.

USA: Belgian Overseas Issuing Corp

Switzerland: ING Belgium Genève (Subsidiary)

6.7.3.8 Auditor's remuneration

Ernst & Young Bedrijfsrevisoren BCVBA (Réviseurs d'entreprises SCCRL) is the auditor of ING Belgium. The table below shows audit and non-audit fees for the group for the year 2015.

Auditor's remuneration		
In EUR thousands	2015	2014
The auditors and related professional working partners		
1. Auditors' fees	**2,248**	**2,156**
1.1 Fees for the exercise of the audit mandate	1,945	1,864
1.2 Fees for extraordinary duties or special assignments executed for the group	303	292
a. Other control assignments	303	292
b. Tax advice assignments		
c. Other non-audit assignments		
2. Professional working partners' fees	**514**	**626**
2.1 Fees for the exercise of the audit mandate	446	343
2.2 Fees for extraordinary duties or special assignments executed for the group	68	283
a. Other control assignments	27	110
b. Tax advice assignments		130
c. Other non-audit assignments	41	43

All fees were expressly approved by the Audit Committee of ING Belgium SA/NV and the Audit Committee of ING Group NV (Amsterdam).

6.7.4 Remuneration of the members of the Board of Directors and Executive Committee

6.7.4.1 Breakdown of remuneration paid to members of the Board of Directors

The Annual General Meeting held on 25 April 2011 fixed the remuneration of each member of the Board of Directors at EUR 35,000.

Non-executive board members are not entitled to any termination indemnity.

The total remuneration allocated to the serving Directors of the Board for 2015 was EUR 602,500.

Total remuneration allocated as pension to honorary directors in 2015 amounted to EUR 57,819.

6.7.4.2 Loans and advances to members of the Board of Directors

Loans and advances to members of the Board of Directors		
In EUR thousands	2015	2014
Short term employee benefits	1,211	476

The loans and advances granted to the members of the Board of Directors are at market conditions.

6.7.4.3 Breakdown of remuneration paid to members of the Executive Committee

The recent changes to the rules in force in the financial sector have resulted in the adoption of new remuneration policies, applicable from 1 January 2011.

Total compensation for members of the Executive Committee has since then been reviewed and now consists of two main components:

- the base salary, which represents the total guaranteed annual income;
- variable remuneration, of which payment takes place in two portions: an upfront portion and a deferred portion.
    - the upfront portion is half cash and half ING Group shares or similar financial instruments. The latter half must be retained for period of one year;
    - the deferred portion with deferral period of three years applying a tiered vesting schedule. Each annual allocation is half cash and half ING Group shares or similar financial instruments. The latter half must, however, be held for a period of one year.

Variable remuneration is awarded under the condition precedent of the non-occurrence of any of the following circumstances: misbehaviour or serious error, malfeasance, fraud, significant failure of risk management, significant changes in the economic and regulatory Capital Base, specific conduct which has led to material re-statement of the Group's annual account or significant harm.

In addition to the base salary and incentive plans, the members of the Executive Committee also enjoy benefits similar to those granted to most other employees of ING Belgium, such as medical insurance, death insurance, use of company cars and representation allowances.

Breakdown of remuneration paid to members of the Executive Committee

In EUR thousands	2015	2014
Short term employee benefits	3,566	2,973
Post employment benefits	921	632
Other long term benefits	274	314
Termination benefits	0	0
Share based payments	655	753
TOTAL	**5,416**	**4,672**

6.7.4.4 Pension scheme for members of the Executive Committee

The pensions of the (non-expatriate) members of the Executive Committee are based on a defined-contribution group insurance plan, insured through a contract with AXA Belgium nv/sa.

6.7.4.5 Other principal contractual stipulations regarding remuneration of members of the Executive Committee

If an individual's function as a member of the Executive Committee is terminated otherwise than through retirement, dismissal or serious misconduct, remuneration will be paid to equal 12 months of the base salary In case of termination for other reason than performance, the Board of Directors can decide to extend the remuneration to maximum 18 months (base salary and variable).

In case of long-term illness, the Executive Committee member will receive 100% of his last base salary during the first 12 months, 90% during the next 12 months and 50% afterwards.

No termination allowance or long-term illness allowances were paid in 2015.

7 Statutory Auditor's report to the general meeting of shareholders of ING Belgium nv/sa on the Consolidated Financial Statements of the year ended 31 December 2015

The statutory Auditor's report relates to chapter 2 'Report of the Management Board on the Consolidated Accounts of ING Belgium nv/sa' and chapter 6 'Consolidated Annual Accounts'.

Hereafter you will find a free translation from the Dutch and French original versions.

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Statutory auditor's report to the general meeting of the company ING Belgium nv for the year ended 31 December 2015

In accordance with the legal requirements, we report to you in the context of our statutory auditor's mandate. This report includes our opinion on the consolidated statement of the financial position as at 31 December 2015, the consolidated statement of the realized and non-realized results, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2015 and the notes (all elements together "the Consolidated Financial Statements"), and includes as well our report on other legal and regulatory requirements.

Report on the Consolidated Financial Statements - Unqualified opinion

We have audited the Consolidated Financial Statements of ING Belgium nv ("the Company") and its subsidiaries (together "the Group") as of and for the year ended 31 December 2015, prepared in accordance with the *International Financial Reporting Standards* as adopted by the European Union, which show a consolidated balance sheet total of K€ 151.989.077 and of which the consolidated income statement shows a profit for the year of K€ 950.266 (part of the Group).

Responsibility of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with the *International Financial Reporting Standards* as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of Consolidated Financial Statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the given circumstances.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Group's preparation and presentation of the Consolidated Financial Statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We have obtained from the Board of Directors and the Company's officials the explanations and information necessary for performing our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the Consolidated Financial Statements of the Group as at 31 December 2015 give a true and fair view of the consolidated net equity and financial position, as well as its consolidated results and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and the content of the Board of Director's report on the Consolidated Financial Statements, in accordance with article 119 of the Belgian Company Code.

In the context of our mandate and in accordance with the additional standard issued by the 'Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises' as published in the Belgian Gazette on 28 August 2013 (the "Additional Standard"), it is our responsibility to perform certain procedures to verify, in all material respects, compliance with certain legal and regulatory requirements, as defined in the Additional Standard. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the Consolidated Financial Statements.

- The Board of Director's report to the Consolidated Financial Statements includes the information required by law, is consistent with the Consolidated Financial Statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels, 8 April 2016

Ernst & Young Bedrijfsrevisoren bcvba
Statutory auditor
represented by

Jean-François Hubin*
Partner
* Acting on behalf of a bvba/sprl

16JFH0205