ING Belgium
Annual Report
2016

Accelerating
think**forward**

ING

ING Belgium nv/sa
Annual Report
2016

Table of contents

Contents - continued

Information about the company on 31 December 2016

Registered name

In Dutch, ING België nv; in French, ING Belgique sa; 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 n° 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 Mr 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 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.

Supervisory and Executive bodies

Composition of the Board of Directors [1]

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

Rik Vandenberghe (until 28 February 2017)
Chief Executive Officer
Managing Director

Erik Van Den Eynden (as from 1 March 2017) (2023)
Chief Executive Officer
Managing Director

Michael Jonker (until 31 October 2016)
Managing Director

Krista Baetens (as from 1 October 2016) (2017)
Managing Director

Colette Dierick (until 15 July 2016)
Managing Director

Philippe Wallez (as from 15 October 2016) (2020)
Managing Director

Frank Stockx (2019)
Managing Director

Johan Kestens (2020)
Managing Director

Emmanuel Verhoosel (2020)
Managing Director

Tanate Phutrakul (2022)
Managing Director

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

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

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

Michèle Sioen (until 30 November 2016)
Non-executive Director
CEO, Sioen Industries nv

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

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

Koos Timmermans [2] (2017)
Non-executive Director
Vice Chairman Supervisory Board, ING Bank NV

Pinar Abay (as from 15 July 2016) (2017)
Non-executive Director
CEO, ING Bank Turkey

[1] Normal expiry dates are shown opposite each Director's name
[2] Non-Executive Director who represents the sole shareholder

Composition of the Audit Committee

Situation per 31 December 2016

Chairman Diego du Monceau de Bergendal

Members Philippe de Buck van Overstraeten
Christian Jourquin [3]

[3] 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

Composition of the Remuneration Committee

Situation per 31 December 2016

Chairman Eric Boyer de Giroday

Members Paul Mousel
Koos Timmermans

Composition of the Risk Committee

Situation per 31 December 2016

Chairman	Diego du Monceau de Bergendal	***Members***	Philippe de Buck van Overstraeten Christian Jourquin

Composition of the Nomination Committee

Situation per 31 December 2016

Chairman	Eric Boyer de Giroday	***Members***	Paul Mousel Koos Timmermans

Composition of the Executive Committee

Areas of responsibility per 31 December 2016

Rik Vandenberghe Managing Director	Chief Executive Officer (until 28 February 2017)
Erik Van Den Eynden Managing Director	Chief Executive Officer (as from 1 March 2017)
Tanate Phutrakul Managing Director	Chief Financial Officer
Krista Baetens Managing Director	Chief Risk Officer
Frank Stockx Managing Director	Head of Product Management & Client Services
Emmanuel Verhoosel Managing Director	Head of Wholesale Banking
Philippe Wallez Managing Director	Head of Retail & Private Banking
Johan Kestens Managing Director	Head of Information Technology Services

Registered auditor

KPMG, Bedrijfsrevisoren – Réviseurs d'Entreprises burg. CVBA/SCRL civile
Represented by **Olivier Macq**, company auditor / partner Financial Services

Brussels
24 March 2017
Financial Report 2016

Comments on Financial Statements

Changes in scope during 2016

In March 2016 part of the “Financial Markets” activity was transferred from ING Belgium nv/sa to ING Bank NV, FM Branch Brussels. As a result, these “Equity trading” activities are not performed in ING Belgium nv/sa since then.

Highlights

Good business performance in a challenging market environment

- The 2016 profit after tax of ING Belgium nv/sa consolidated amounted to **EUR 573 million** given challenging circumstances;
- Customer deposits remain **stable**;
- Customer loan growth of **EUR 9 billion** (+10%);
- More than **100,000 new ING Lion accounts** opened;
- We welcomed **158,000** new clients at ING in Belgium **and 42,000 new clients** at Record Bank;
- **Stable income** and **lower recurring costs** despite growth in regulatory costs.

Highlights	2016	2015
Profit after tax	EUR 573 million	EUR 956 million
Customer deposits	EUR 97 billion	EUR 97 billion
Customer loans	EUR 102 billion	EUR 93 billion
Tier 1 (Basel III)	14.3%	14.5%
Total capital ratio	16.6%	16.9%
Leverage ratio	4.8%	4.7%

Acceleration of Think Forward: from bank to banking

On 3 October 2016 ING Belgium announced its intention to undertake a fundamental transformation to enable the business to move from being a traditional bank institution to a banking platform at the cutting edge of the digital world and personalised customer service. ING Belgium intends to improve its customer experience by moving to an integrated banking platform, leveraging of the omni-channel capabilities of the Netherlands and rationalise its network by integrating ING and Record Bank branches. In addition to improving customer experience ING Belgium intends to eliminate the internal silo mentality and move away from a top-heavy management system towards multidisciplinary, agile, self-steering teams to deliver faster, at a lower cost.

The intended initiatives are expected to result in a reduction of ING´s workforce in Belgium by around 3,500 FTEs for the years 2016-2021. These numbers include the intended move to an integrated banking platform, with the remainder of functions affected spread over intended programmes in IT, operations, Wholesale Banking and various business support functions. At the same time, colleagues will be added in parts of the business where accelerated growth is expected, given the plans to continue to attract new customers and increase lending to support the economies ING is active in.

For the intended initiatives, a pre-tax redundancy provision and estimated early termination cost of contracts of around EUR 615 million was recognised in December 2016. These initiatives are implemented over the period 2017-2021 and the estimate of the reorganisation provisions is inherently uncertain. This pre-tax redundancy provision is based on the current state and content of the social negotiations and more specifically the different negotiated plans including early and voluntary leaves as well as the remaining residual forced exits needed to reach the intended fundamental transformation. Calculation of the provision has been done on available HR information on salary and age of the population and on several judgemental assumptions including actuarial ones based on the negotiated plans and on previous experience of the bank with such plans.

The provision at the balance sheet date represents the best estimate of the expected redundancy costs and are expected to be sufficient to cover these costs.

Resilient commercial results in a challenging market environment

ING Belgium delivered a good business performance, notwithstanding the many challenges during 2016:

Banking for private individuals: systematic improvement of the customer service offering, including a new online 'Investment Product' tool, 100% digital and easy on-boarding of new clients and continuous improvement of the digital channels in both the mobile and online banking environment.

Banking for professional clients and businesses: several initiatives were taken to strengthen ING's position as primary banker for business clients, such as a new on-boarding process ('ING Welcome Team'), a fully digital follow-up of the invoice payment flow ('ING invoice solutions') and the introduction of the 'personal business banker' supporting each business client and understanding the clients' business and aspirations.

Innovation, with multiple realized projects such as FinTech Village (start-up accelerator), Joyn (digital loyalty platform) and Payconiq (mobile payment solution).

Solvency

All of the above happens while maintaining a strong capital basis:
- the solvency ratio remains very solid with a Tier 1 ratio of 14.3% (Basel III definition) and a total capital ratio of 16.6%;
- a comfortable leverage ratio at 4.8%;
- a solid liquidity position, supported by a strong balance between assets and liabilities.

Consolidated balance sheet

Assets

ING Belgium nv/sa - Consolidated assets			
In EUR millions	**2016**	**2015**	**%**
Cash and balances with central banks	5,009	4,267	+17.39%
Amounts due from banks	9,885	12,669	-21.97%
Financial assets at fair value through profit and loss	13,176	19,018	-30.72%
Investments	17,949	19,768	-9.20%
Loans and advances to customers	101,633	92,800	*+9.52%*
Remaining assets	2,767	3,467	*-20.18%*
TOTAL CONSOLIDATED ASSETS	**150,419**	**151,989**	**-1.03%**

The total assets of ING Belgium nv/sa decreased with EUR 1,570 million or 1.03% to EUR 150.4 billion.

The "Financial assets at fair value through profit & loss" decreased by 31% to amount to EUR 13.2 billion mainly due to the transfer of the 'Equity trading' portfolio towards the ING Bank NV, FM Branch Brussels. Also the "Investments" decreased by 1.8 billion because of investments arriving at maturity date as well as a number of selected sales during the year.

The loan portfolio of the bank grew in 2016 with EUR 8.8 billion. This increase is located in several client segments and products:
- mortgage loans given to retail clients increased by EUR +1.7 billion;
- investment credits, straight loans and roll-overs mainly given to midsize and corporate clients increased by EUR 6.0 billion;
- credits to (local) authorities increased by EUR +1.0 billion.

Liabilities and equity

ING Belgium nv/sa - Consolidated Liabilities and Equity			
In EUR millions	**2016**	**2015**	**%**
Deposits from banks	13,334	10,738	+24.17%
Customer deposits	97,046	96,795	+0.26%
Financial liabilities at fair value through profit and loss	16,672	21,570	-22.71%
Remaining liabilities	13,077	13,093	-0.12%
Shareholder's equity	10,268	9,772	+5.08%
Non-controlling interests	21	20	+4.50%
TOTAL CONSOLIDATED LIABILITIES AND EQUITY	**150,419**	**151,989**	**-1.03%**

The shareholders equity amounts to EUR 10.3 billion and increased by approximately 5% compared to end 2015.

The "Financial liabilities at fair value through profit & loss" decreased by 22.7% to EUR 16.7 billion mainly due to the transfer of the 'Equity trading' portfolio towards the ING Bank NV, FM Branch Brussels.

The customer deposits remained stable in 2016 with EUR 97 billion in total. Given the declining interest rates, ING Belgium nv/sa saw its savings accounts decline with 3%. Also corporate deposits decreased by about 2 billion. The credit balances on customer accounts increased on the other hand, thus compensating the aforementioned decreases.

Consolidated income statement

ING Belgium nv/sa - Consolidated income statement				
In EUR millions		**2016**	**2015**	**%**
Financial and operational income/expenses		**3,455**	**3,497**	***-1.21%***
of which: net interest income		*2,547*	*2,645*	*-3.71%*
of which: commissions and fees		*560*	*560*	*+0.08%*
of which: other income		*348*	*293*	*+18.57%*
Total expenses	(-)	**-2,686**	**-2,157**	***+24.49%***
of which: staff expenses		*-1,053*	*-1,094*	*-3.81%*
of which: administration expenses		*-393*	*-533*	*-26.39%*
of which: bank levies		*-221*	*-188*	*+17.68%*
of which: depreciations		*-116*	*-115*	*+1.31%*
of which: provisions and impairments		*-904*	*-228*	*+297.16%*
Profit before taxes		**769**	**1,340**	**-42.58%**
Taxation	(-)	-196	-384	-48.91%
Profit after tax		**573**	**956**	**-40.04%**
Third-party interest	(-)	*-1*	*-6*	-77.06%
CONSOLIDATED NET PROFIT		**572**	**950**	**-39.80%**

ING Belgium posted in 2016 a profit after tax of EUR 573 million; taken into consideration a number of one-off income and costs. The major one-offs in ING Belgium nv/sa are:

- Less costs: Procured costs savings (115 million)
- More income: Gain on investment sale (30 million)
- More costs: Reorganisation provision (615 million)

The total income in 2016 of EUR 3.455 billion remained stable compared to previous years. The interest result reduced by 3.71% compared to 2015. The year 2016 was still an environment in which the market interest rates continued to decline, leading to a further decrease of interest margins despite higher volumes.

The administration expenses (-26%) as well as the salary expenses (-4%) decreased. On the other hand increased the Regulatory costs (bank levies) during 2016 with more than 17% to EUR 221 million. The provisions and impairments contain a reorganisation provision of EUR 615 million. This leads to a profit before tax amount of EUR 769 million (or almost 43% lower than last year).

Finally, the reduction in income taxes by EUR -188 million (-49%) is in line with the 43% decrease of the profit before taxes. The effective tax rate decreased from 28.6% to 25.5%.

Profile of the company

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 50,000 employees offer retail and wholesale banking services to customers in over 40 countries. ING ranks n° 7 in the Top 20 European Banks by market capitalisation.

ING Belgium nv/sa is a financial institution focusing its core activities on Retail & Private Banking and Wholesale Banking. The bank caters over 2.5 million clients in Belgium with a wide range of financial products via the distribution channel of their choice. ING Belgium won the 2016 "Bank of the Year – Belgium" award from The Banker Magazine for a fourth 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, 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 120,000 customers serviced in retail agencies and 13,000 wholesale clients. It is a key challenger in mass markets (free online current account, Orange Account), an international Wealth Management centre and a main actor in Wholesale Banking Services (cash facilities, lending, securities custody) for Large & Mid-size Corporate and Financial Institutions

Staff evolution

In the course of 2016, the total number of staff (in full time equivalent, or FTE's) of ING Belgium nv/sa consolidated decreased by 6% from 10,434 to 9,843 FTE's. In January 2016, 142 internal FTE were transferred from ING Belgium nv/sa to ING Bank NV, FM Branch Brussels.

While overall staffing members declined in 2016, the bank was able to continue to recruit new staff equal to 334 FTE's to meet its strategic goals.

Risk management

See the specific chapter "Information on the Consolidated accounts".

Post-balance-sheet events

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

Information on branches

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

Research and development

Not applicable.

Information concerning the use of financial instruments

See the specific chapter "Information on the Consolidated accounts".

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.

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.

The rules of Corporate Governance

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.

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 the chapter "Consolidated annual accounts".

Corporate Governance and the 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 24 March 2017 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 (This rule is only applicable to non–executive directors appointed since 30 March 2015).

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.

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. For more information, see also the paragraph on Remuneration of the members of the Board of Directors and the Executive Committee (in chapter “Consolidated annual accounts”).

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.

Risk committee

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 2016.

Audit 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 2016. Matters it dealt with included examination of the bank's financial statements for 2015 and the interim results for 2016.

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.

Remuneration committee

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 5 times in 2016.

Nomination committee

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 looks at the composition of the Board of Directors and develops the policy to increase the diversity in the Board (gender, age, cultural background…). The Nomination Committee met 4 times in 2016.

Corporate Governance and the 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. For more information, see also the paragraph on Remuneration of the members of the Board of Directors and the Executive Committee (in chapter "Consolidated annual accounts").

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. The results are examined in detail once a quarter.

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.

Corporate Governance and 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.

Consolidated Balance sheet

Assets

In EUR thousands	Note	2016	2015
Cash and balances with central banks	1	5,008,639	4,267,049
Loans and advances to banks	2	9,885,421	12,668,906
Financial assets at fair value through profit and loss	3	13,175,766	19,018,491
of which: trading assets		*8,674,772*	*14,504,727*
of which: non-trading derivatives		*4,413,044*	*4,419,223*
of which: designated as at fair value through profit and loss		*87,950*	*94,541*
Investments	4	17,948,820	19,767,926
of which: available-for-sale		*17,022,923*	*18,809,053*
of which: held-to-maturity		*925,897*	*958,873*
Loans and advances to customers	5	101,632,669	92,800,051
Investments in associates	6	67,431	78,211
Real estate investments	7	48,358	47,812
Property and equipment	8	801,750	900,903
Intangible assets	9	102,483	149,142
Current tax assets		59,643	87,425
Deferred tax assets	10	192,419	16,583
Other assets	11	1,495,319	2,186,578
Assets held for sale		0	0
TOTAL ASSETS		**150,418,720**	**151,989,077**

Liabilities

In EUR thousands	Note	2016	2015
Deposits from banks	12	13,333,629	10,741,946
Customer deposits	13	97,046,298	96,791,727
Financial liabilities at fair value through profit and loss	14	16,672,317	21,570,497
of which: trading liabilities		*8,808,874*	*13,129,450*
of which: non-trading derivatives		*6,074,113*	*6,069,523*
of which: designated as at fair value through profit and loss		*1,789,330*	*2,371,524*
Current tax liabilities		53,467	60,824
Deferred tax liabilities	15	177,090	241,693
Provisions	16	780,794	145,876
Other liabilities	17	2,787,720	2,619,503
Debt securities in issue	18	7,743,252	8,502,448
Subordinated loans	18	1,440,429	1,423,471
Liabilities held for sale		0	0
Share capital repayable on demand	19	94,002	99,027
TOTAL LIABILITIES		**140,128,998**	**142,197,013**

Equity

In EUR thousands	Note	2016	2015
Shareholder's equity	20	10,268,413	9,771,673
of which: Share capital and share premium		*2,801,511*	*2,801,511*
of which: Other reserves		*207,226*	*292,932*
of which: Retained earnings		*7,259,676*	*6,677,230*
Non-controlling interests		21,309	20,392
TOTAL EQUITY		**10,289,722**	**9,792,065**
TOTAL LIABILITIES AND EQUITY		**150,418,720**	**151,989,077**

Consolidated Income Statement

Consolidated profit and loss account			
In EUR thousands	**Note**	**2016**	**2015**
Interest income		5,720,674	6,621,309
Interest expenses		-3,173,888	-3,978,549
Interest result	*21*	***2,546,786***	***2,642,761***
Investment income	*22*	49,763	18,006
Commission income		839,760	842,715
Commission expenses		-279,408	-282,817
Commission result	*23*	***560,351***	***559,898***
Valuation results on non-trading derivatives	*24*	4,555	48,960
Net trading income	*25*	150,204	141,036
Share of profit from associates		29,230	30,292
Other income	*26*	114,169	56,770
Total income		**3,455,059**	**3,497,723**
Addition to loan loss provisions	*5*	208,584	180,669
Staff expenses	*27*	1,052,683	1,094,347
Other operating expenses	*28*	1,424,465	882,808
Total expenses		**2,685,732**	**2,157,824**
Result before tax from continuing operations		**769,327**	**1,339,899**
Taxation	*29*	**195,917**	383,507
Net result from continuing operations		**573,410**	**956,392**
PROFIT OR (-) LOSS FOR THE YEAR		**573,410**	**956,392**
Net result attributable to Non-controlling interest		**1,405**	**6,125**
Net result attributable to Equityholders of the parent		**572,005**	**950,266**

Dividend per ordinary share (in euros)	**0**	20.68
Total amount of dividend paid (in millions of euros)	**0**	1,146

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income		
In EUR thousands	**2016**	**2015**
Net result (before Non-controlling interests)	**573,410**	**956,391**
Other comprehensive income, net of tax	**-85,707**	**-21,047**
Items that will not be reclassified to the profit and loss account:	**-18,235**	**42,061.00**
Remeasurement of the net defined benefit asset/liability	-25,067	60,992
Unrealised revaluations property in own use	-2,748	5,515
Related tax	9,580	-24,446
Items that may subsequently be reclassified to the profit and loss account:	**-67,472**	**-63,108**
Unrealised revaluations available-for-sale investments and other	-55,475	-56,708
Realised gains/losses transferred to the profit and loss account	-58,719	-14,685
Changes in cash flow hedge reserve	29,728	-34,601
Share of other comprehensive income of associates and joint ventures	0	0
Exchange rate differences and other	2,423	-2,918
Related tax	14,571	45,804
TOTAL COMPREHENSIVE INCOME	**487,703**	**935,344**
Comprehensive income attributable to:	**487,703**	**935,344**
Non-controlling interests	1,405	6,125
Equityholders of the parent	486,298	929,219

Consolidated Cash Flow Statement

Consolidated cash flow statement		
In EUR thousands	**2016**	**2015**
Cash flows from operating activities		
Result before tax	**769,327**	**1,339,899**
Adjusted for:		
Depreciations	116,309	114,224
Addition to loan loss provisions	208,584	180,669
Other	730,212	8,236
Taxation paid	-377,283	-364,671
Changes in:		
Amounts due from banks, not available on demand	741,590	2,272,532
Trading assets	-5,829,955	-5,341,314
Non-trading derivatives	-6,179	-1,004,585
Other financial assets at fair value through profit and loss	-6,591	23,153
Loans and advances to customers	8,832,618	1,728,113
Other assets	-691,259	206,121
Amounts due to banks, not payable on demand	2,592,946	1,870,325
Customer deposits and other funds on deposit	251,048	3,463,089
Trading liabilities	-3,710,593	-4,958,110
Other financial liabilities at fair value through profit and loss	-582,195	-684,345
Other liabilities	168,217	288,762
Net cash flow used in/(from) operating activities	**3,206,796**	**-857,902**
Cash flows from investing activities		
Investments and advances:		
Associates	-14,414	-6,241
Available-for-sale investments	-1,677,231	-680,563
Real estate investments	0	-37
Property and equipment	-40,806	-74,143
Other investments	-33,119	-47,921
Disposals and redemptions:		
Associates	7,950	29,261
Available-for-sale investments	3,445,517	483,083
Property and equipment	21,468	15,866
Loans	0	694,945
Other investments	1,351	-15
Net cash flow used in/(from) investing activities	**1,710,716**	**414,235**
Cash flows from financing activities		
Proceeds from debt securities	505,636	1,552,462
Repayments of debt securities	-1,274,200	-962,690
Proceeds from issuance of subordinated loans	0	551,015
Repayments of subordinated loans	197	186
Dividends paid	0	1,145,973
Net cash flow used in/(from) financing activities	**-768,367**	**2,286,946**
NET CASH FLOW	**4,149,145**	**1,843,279**
Cash and cash equivalents		
Cash and cash equivalents at beginning of year	7,519,436	4,570,176
Effect of exchange rate changes on cash and cash equivalents	0	0
Cash and cash equivalents at end of year	**11,668,581**	**7,519,436**
Cash and cash equivalents at end of year		
Treasury bills and other eligible bills	874,779	0
Amounts due from/to banks	5,785,163	3,252,387
Cash and balances with central banks	5,008,639	4,267,049
Cash and cash equivalents at end of year	**11,668,581**	**7,519,436**

Consolidated Statement of Changes in Equity

Consolidated statement of changes in equity - 2016								
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**	**292,932**	**0**	**5,726,965**	**950,266**	**20,392**	**9,792,066**
Capital increase / decrease (-)								**0**
Purchases / sales of treasury shares								**0**
Share based payment					10,704			**10,704**
Net profit transferred to reserves					942,652	-950,266		**-7,614**
Reclassification between reserves					7,351		-488	**6,863**
Other changes								**0**
Dividend previous year								**0**
Interim dividend current year								**0**
Net profit or loss for the current year						572,005	1,405	**573,410**
Other Comprehensive Income (net of related tax effects)								**0**
Currency translation reserve			6,983					**6,983**
Net change in hedge of net investments in foreign operations reserve			3,314					**3,314**
Net change in tangible fixed assets revaluation reserve			-1,706					**-1,706**
Net change in the revaluation reserve available for sale			-97,771					**-97,771**
Net change in cash flow hedges			20,002					**20,002**
Net change in actuarial gains/losses on pension defined benefit plans			-16,529					**-16,529**
Share of the other comprehensive income of associates and joint ventures accounted for using equity method								**0**
CLOSING BALANCE	**2,350,000**	**451,511**	**207,225**	**0**	**6,687,673**	**572,005**	**21,309**	**10,289,723**

Consolidated statement of 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					2,530		-4,054	**-1,524**
Other changes								**0**
Dividend previous year								**0**
Interim dividend current year					-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**
CLOSING BALANCE	**2,350,000**	**451,511**	**292,932**	**0**	**5,726,964**	**950,266**	**20,392**	**9,792,065**

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.

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 and its registered office is Marnix Avenue 24, 1000 Brussels.

These consolidated financial statements were approved for issue by the Board of Directors on 24 March 2017. Amounts in the notes to the financial statements are in thousands of euros unless otherwise stated.

Basis of presentation

Preliminary remark: The format and layout of the 2016 Annual Report of ING Belgium nv/sa has been adapted to the format and layout of the Annual Report of ING Group NV and ING Bank NV, to increase comparability with the parent's financial statements.

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. More information can be found in the chapter under “Fair value of financial assets and liabilities”.

Models are subjective in nature and significant judgement 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 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.

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.

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.

Significant changes in IFRS-EU effective in 2016

In 2016, a number of changes to IFRS became effective under IFRS. ING Group applied, for the first time, these standards and amendments which are effective for annual periods beginning on or after 1 January 2016. The implementation of these amendments did not have a material impact on the consolidated financial position, net result, other comprehensive income and related disclosures of ING Group.

ING Group has not early adopted any other standard, interpretation or amendment which has been issued, but is not yet effective.

Significant upcoming changes in IFRS-EU after 2016

On 1 January 2017, amendments to IFRS become effective once endorsed by the EU. The implementation of these amendments will have no significant impact on ING Group's results or financial position.

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

- Amendments to IAS 12 'Income Taxes': Recognition of Deferred Tax Assets for Unrealised losses [not yet endorsed by the EU, 8 February 2017];
- Amendments to IAS 7 'Statement of Cash Flows: Disclosure Initiative' [not yet endorsed by the EU, as at 8 February 2017]
- Annual improvement cycle 2014 – 2016 [not yet endorsed by the EU, as at 8 February 2017]

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' was issued by the IASB in July 2014 and endorsed by the EU in November 2016. 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 hedge accounting. The new requirements become effective as of 1 January 2018. ING Group has decided to apply the classification, measurement and impairment requirements retrospectively by adjusting the opening balance sheet and opening equity at 1 January 2018, with no restatement of comparative periods. ING has also chosen not to early adopt changes introduced by IFRS 9 for financial liabilities where movements in own credit for financial liabilities designated at fair value through profit or loss will be presented in other comprehensive income.

IFRS 9 Program governance and status

The structure of the IFRS 9 Program has been set-up based on the three pillars of the IFRS 9 standard: Classification and Measurement, Impairment and Hedge Accounting. These central work streams consist of experts from Finance, Risk, Bank Treasury, Operations and the business. The IFRS 9 Technical Board, that consists of the Heads of various Finance and Risk functions, supports the IFRS 9 Steering Committee by reviewing the interpretations of IFRS 9 and the central guidance and instructions as prepared by the central work streams. ING Group's external auditor is an observer of the IFRS 9 Technical Board to ensure early communication of INGs approach and decisions. The IFRS 9 Steering Committee is the ultimate decision making body and consists of senior managers from Group Finance, Finance Operations, Retail Banking, Credit & Trading Risk, Risk Operations, Bank Treasury, Balance Sheet Risk Management and Wholesale Banking Lending Services. In addition, an international IFRS 9 network has been created within ING to connect all countries with the central team to ensure consistency in implementation. The Management Banking Board and the Audit Committee are periodically updated about IFRS 9.

In order to increase transparency and comparability across banks, the Enhanced Disclosure Task Force (EDTF) published a report in November 2015 on recommended disclosures on IFRS 9 that can help the market understand the upcoming changes as a result of using the Expected Credit Loss ('ECL') approach. Given that IFRS 9 is effective on 1 January 2018, the EDTF recommended disclosures for the periods prior to the 2018 financial statements aimed at promoting consistency and comparability across internationally active banks.

There has been an increased focus on IFRS 9 by the Internal and external auditors along with external parties such as European Banking Authority (EBA) and European Central Bank (ECB) as seen through their surveys, questionnaires, thematic reviews and impact assessments.

In 2016, ING Group's IFRS 9 Program continued to focus on the clarification of certain areas of judgement in IFRS 9 and based on the central teams' interpretations and discussions with the business, process, system, data and governance decisions have been made. The IFRS 9 Program is being implemented across functions, businesses and countries. The Group Accounting Manual is also being updated to align with changes that IFRS 9 will bring. In 2017, parallel runs will be performed to ensure IFRS 9 readiness on 1 January 2018.

Classification and measurement

IFRS 9 is built on a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Financial assets are therefore classified in their entirety rather than being subject to complex bifurcation requirements.

Two criteria are used to determine how financial assets should be classified and measured:

1. The Business Model assessment is performed to determine how a portfolio of financial instruments as a whole is managed in order to classify it as Hold to Collect, Hold to Collect & Sell or Other Business Model and
2. Contractual cash flow characteristics of financial instruments held in each Business Model are analysed to check if they consist of Solely Payments of Principal and Interest (SPPI) test in order to determine if the measurement will be at Amortised Cost, Fair Value through Other Comprehensive Income ('FVOCI') or Fair Value through Profit and Loss ('FVPL').

In 2016, the central team finalized a Business Model Blueprint based on the structure of the organization and all the entities across the Group and through discussions with various parties from the business, finance and risk functions. The central team identified and documented the Business Model templates that were later tailored by local project teams to fit the local organization as well as local business structure and product offering.

The central team also finalized an approach for performing the SPPI test and is in the process of performing a detailed analysis of our cash flow characteristics of our financial assets to detect whether they meet SPPI criteria. The SPPI test is performed on groups of assets that have a set of similar characteristics resulting in a homogenous population. Where testing is being performed at a local level, these local teams are trained and supported by the central team to ensure IFRS 9 is understood and implemented consistently across the Group.

The focus in 2017 will be finalizing SPPI testing and formalizing the governance to embed the changes brought by IFRS 9 into everyday business and financial reporting cycles to ensure ongoing compliance. ING Group will also finalize accounting policy choices around use of FVOCI presentation for equity investments and designations at FVPL. Furthermore, there will be increased emphasis on the impact of IFRS 9 on prudential ratios, especially capital ratios. While the classification and measurement of the majority of the Group's portfolio will remain consistent with IAS 39, there are some sub-portfolios where changes will occur. The classification and measurement of financial liabilities remains essentially the same as under IAS 39.

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 an incurred loss model. The ECL estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions and forecasts of future economic conditions. The ECL should reflect multiple macro-economic scenarios and include the time value of money. 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 guarantees and revolving credit facilities.

Three stage approach

ING Group will apply the IFRS 9 three stage approach to measure expected credit losses:

Stage 1: 12 month ECL - performing
Financial instruments that have not had a significant increase in credit risk since initial recognition require, at initial recognition, a provision for expected credit losses associated with the probability of default events occurring within the next 12 months ('12 month ECL').
Stage 2: Lifetime ECL – under-performing
In the event of a significant increase in credit risk since initial recognition, a provision is required for ECL resulting from all possible default events over the expected life of the financial instrument ('Lifetime ECL').
Stage 3: Lifetime ECL – non-performing
Financial instruments will move into Stage 3 once credit impaired and require a Lifetime ECL provision.

Key concepts

ING Group aims to align the definition of credit impaired under IFRS 9 with the definition of default for prudential purposes. ING Group considers a financial asset credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. ING Group's definition of modification that does not result in a derecognition event refers to any non-significant changes to contractual terms that impact the (timing of) contractual cash flows of that financial asset. In case the modification results in a significant change to the contractual terms, the asset is derecognized.

ING Group established a framework for whether an asset has a significant increase in credit risk. Each assets will be assessed at reporting date on the triggers for significant deterioration. ING Group intends to assess significant increase in credit risk using a delta in the lifetime default probability, forbearance status, watch list status, managing department, arrears and the more than 30 days past due backstop. The stage allocation will be implemented in the central credit risk systems. In 2017 stability analyses on the triggers will be performed.

Measurement
The calculation of ECL will be based on ING Group's expected loss models (PD, LGD, EAD) currently used for regulatory capital, economic capital and collective provisions in the current IAS 39 framework. The IFRS 9 ECL model leverage on existing IRB models, removing embedded prudential conservatism (such as PD floors) and including forward looking point in time information based on macro-economic indicators, such as unemployment rates and GDP growth. The expected loss parameters will be determined by using historical statistical relationships and macroeconomic predictions. For the portfolios outside the IRB approach, existing framework for loan loss provisions will be applied to set the parameters to measure credit risk. The lifetime risk assessment will be based on historical observations. The data series will be shorter compared to the assets under the IRB approach. To measure ECL, ING Group applies a PD x EAD x LGD approach. For stage 2 assets a lifetime view on the underlying parameters is taken. The Lifetime Expected Loss (LEL) is the discounted sum of the portions of lifetime losses related to default events within each time window of 12 months. For stage 3 the PD equals 100% and the LGD and EAD represent a lifetime view of the characteristics of facilities that are in default. The ECL is calculated in the central credit risk systems to ensure consistency.

In 2016, enhanced data was collected from all source systems around the world and progress has been made in the central implementation of IFRS 9 concepts in the central credit risk system. Furthermore, ING Group's asset portfolios are split into a number sub-portfolios based on asset class and jurisdiction (e.g. mortgages in the Netherlands) in order to more accurately measure ECL. For IFRS 9 purposes a number of portfolios are grouped. The models for the first portfolios are in the process of validation by an independent party.

Impact
Based on the IFRS 9 ECL model a more volatile impairment charge is expected on the back of macroeconomic predictions. Financial assets with high risk long maturity profiles are expected to be at subject to the biggest impact. All financial assets in scope of the ECL model will be assessed for at least 12-month ECL (though largely offset by current IBNR under IAS 39). IFRS 9 requires to calculate lifetime ECL for those assets with a significant increase in credit risk since initial recognition but are not credit impaired at the reporting date (i.e. Stage 2). This category did not exist under IAS 39. These factors combined will likely result in an increase in the total level of impairment allowances. ING Group expects that the negative effect that this might have on equity can be partly offset by the release of expected loss elements currently included in the calculation of regulatory capital (i.e. the regulatory shortfall).

Hedge accounting
The IFRS 9 hedge accounting requirements aim to simplify general hedge accounting requirements. Furthermore, IFRS 9 aims to aligns hedge accounting more closely with risk management. All micro hedge accounting strategies as well as the macro cash flow hedge accounting are in scope of IFRS 9. Macro fair value hedging is not in scope of IFRS 9. ING Group performed a technical assessment of the impact of the new hedge accounting requirements. Based on the outcome of this technical assessment, ING Group has made a decision to continue applying IAS 39 for hedge accounting including the application of the EU 'carve out'. ING Group will implement the revised hedge accounting disclosures as required by IFRS 7 'Financial Instruments: Disclosures' as per 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers'
IFRS 15 'Revenue from Contracts with Customers' is effective for annual periods beginning on or after 1 January 2018 and has been endorsed by the EU. IFRS 15 introduces a 5-step approach for recognizing revenue as and when the agreed performance obligations are satisfied. Agreed performance obligations are individual promises made to customer that delivers benefit from the customers perspective. Revenue should either be recognized at a point-in-time or over-time depending on the service being delivered to the customer. The standard may be applied retrospectively, although transitional relief is available. Commission income is a key revenue stream in scope of IFRS 15 being assessed. No accounting change is expected for 'straight-forward' type transaction based fees. Fees related to the effective yield of the loan which is presented in Interest income or bank guarantee fees are not in the scope of IFRS 15.

IFRS 16 'Leases'
In January 2016, the IASB issued IFRS 16 'Leases' the new accounting standard for leases. The new standard is effective for annual periods beginning on or after 1 January 2019 and will replace IAS 17 'Leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease'. IFRS 16 is not yet endorsed by the EU. The new standard removes for lessee accounting, the distinction between operating or finance leases, resulting in all leases being treated as finance leases. All leases will be recognized on the statement of financial position with the optional exceptions for short-term leases with a lease term of less than 12 months and leases of low-value assets (for example mobile phones or laptops). A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The main reason for this change is that this approach will result in a more comparable representation of a lessee's assets and liabilities in relation to other companies and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. The standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach. Furthermore the standard provides some practical options and exemptions to ease the costs of transition. Lessor accounting remains substantially unchanged. ING will adopt the standard at its effective date and is currently assessing the impact of this standard.

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 6.

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 non-controlling interest (or 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								
In EUR thousands				Entity's Financial statement at the reporting date				
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%	8,610	2,053	279	6,278
Immo Globe	Brussels	Real Estate	BE 0414.586.512	100.0%	15,333	956	163	14,214
ING Belgium International Finance Luxembourg	Luxembourg	Finance	-	100.0%	1,716,843	1,730,760	1,998	-15,915
ING Contact center	Brussels	Finance	BE 0452.936.946	100.0%	10,319	7,631	-237	2,925
ING Luxembourg	Luxembourg	Finance	-	100.0%	15,328,674	14,149,586	101,215	1,077,873
ING Lease Luxembourg	Luxembourg	Leasing	-	100.0%	261,813	243,811	1,670	16,332
Société Immobilière ING Luxembourg	Luxembourg	Real Estate	-	100.0%		Dissolved		
ING Technology Services	Brussels	IT	BE 0846.738.437	100.0%		Dissolved		
Lease Belgium	Brussels	Leasing	BE 0402.918.402	100.0%	4,221,896	4,016,974	34,747	170,175
ING Equipment Lease Belgium	Brussels	Leasing	BE 0427.980.034	100.0%	1,941,231	1,851,600	13,913	75,718
ING Asset Finance Belgium	Brussels	Leasing	BE 0429.070.986	100.0%	635,231	601,281	4,946	29,004
ING Truck Lease Belgium	Brussels	Leasing	BE 0440.360.895	100.0%	292,434	280,984	948	10,502
Commercial Finance	Brussels	Factoring	BE 0470.131.086	100.0%	1,098,548	1,081,582	7,177	9,789
D'Ieteren Vehicle Trading NV	Brussels	Leasing	BE 0428.138.994	51.0%	5,365	2,844	105	2,416
New Immo-Schuman	Brussels	Real Estate	BE 0428.361.797	100.0%	11,105	1,431	191	9,483
Record Bank	Brussels	Banking	BE 0403.263.642	100.0%	19,104,887	18,118,288	83,473	903,126
Fiducré	Brussels	Finance	BE 0403.173.372	100.0%	129,836	108,668	19,678	1,490
Logipar	Brussels	Real Estate	BE 0439.526.103	100.0%	4,601	2	-260	4,859
Record Credit Services	Liège	Finance	BE 0403.257.407	18.7%	1,479,341	1,433,118	2,009	44,214
Sogam	Brussels	Finance	BE 0402.688.075	100.0%	563	8	109	446
Soges-Fiducem	Brussels	Finance	BE 0403.238.304	100.0%	40,757	37,177	343	3,237
Belgian Overseas Agencies	Montreal	Finance	CA 0403.202.967	100.0%	23,975	23,763	10	202
Belgian Overseas Issuing Corp	New York	Finance	CA 0403.203.066	100.0%	27,682	27,139	57	486

PM: 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 latest published financial statements of these entities:

Subsidiaries and Associates accounted for under the equity method								
In EUR thousands				Entity's Financial statement at the reporting date				
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%	33,330	13,027	3,636	16,667
Synapsia	Luxembourg	Finance	LU	Dissolved				
European Marketing Group (LU) S.A.	Luxembourg	Leasing	LU	40.0%	7,859	2,610	956	4,293
Aigle aviation SA	Luxembourg	Finance	LU	75.0%	56,412	53,679	-1,914	4,647
A.E.D. Rent	Willebroek	Audiovision	BE 0451.899.343	31.3%	52,987	34,052	108	18,827
Ark Angels Activator Fund	Hasselt	Private equity fund	BE 0843.728.962	33.1%	3,145	6	-552	3,692
Ark Angels Activator Fund Beheer	Hasselt	Private equity fund	BE 0843.353.929	25.8%	408	0	72	336
AXISQL	Willebroek	Holding	BE 0848.687.939	41.7%	16,428	3,277	3,051	10,100
Belgian Mobile Wallet	Brussels	Finance	BE 0541.659.084	12.5%	Shares splitted by 3 so transfer to "Non associates"			
BIENCA Biotechnological Enzymatic Catalyse	Seneffe	Biotechnology	BE 0446.755.472	20.8%	1,177	630	476	71
(Brand & Licence Comp) Bancontact/Mistercash	Brussels	Finance	BE 0884.499.250	20.0%	9,237	3,173	625	5,439
Euresys (Walltech)	Angleur	Industry	BE 0437.408.137	Dissolved				
Europay Belgium	Brussels	Services	BE 0434.197.536	22.2%	2,025	1,050	34	941
GDW Holding	Waregem	Holding	BE 0824.392.409	38.4%	21,291	12,480	62	8,749
Immomanda	Brussels	Finance	BE 0417.331.315	100.0%	1,413	1,233	569	-389
Innotec International	Dessel	Commerce	BE 0534.724.475	40.0%	18,866	6,008	771	12,087
ING Activator	Brussels	Private equity fund	BE 0878.533.255	50.0%	1,858	190	-1,004	2,672
ISIM (ING Solutions Investment Management)	Luxembourg	Holding	LU	100.0%	1,997	1,016	185	796
M Brussels Village	Brussels	Services	BE 0473.370.886	24.6%	382	246	-2	138
QUSTOMER	Brussels	Holding	BE 0846.759.718	Sold				
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%	1,352	702	-45	695
Sherpa Invest II	Brussels	Holding	BE 0835.148.719	25.0%	2,545	27	-365	2,883
Stardekk	Bruges	IT	BE 0474.598.036	37.5%	3,281	1,221	572	1,488
Tasco	Antwerp	Consultancy	BE 0656.874.397	30.1%	n/a (created in June 2016)			
Unibioscreen SA	Brussels	Biology	BE 0466.013.437	25.5%	152	362	-59	-151
Vesalius Biocapital Partners sarl	Luxembourg	Finance	LU	20.0%	4,187	3,497	1,359	-669
Vesalius Biocapital II Partners sarl	Luxembourg	Finance	LU	20.0%	4,394	3,950	126	318
Vesalius Biocapital I SA SICAR	Luxembourg	Investments	LU	35.4%	49,172	73	13,270	35,829
Visa Belgium	Brussels	Finance	BE 0435.551.972	14.9%	114,942	74,699	113,984	325

PM: Amounts before intercompany eliminations. Assets are not equal to liabilities because equity is not included

Accounting policies

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.

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.

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.

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.

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 remeasured 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 market-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.

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

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.

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.

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 remeasured 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.

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 remeasured 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.

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 measures 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.

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 and tested for impairment annually.

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.

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.

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 re-measurement 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.

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.

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.

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.

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.

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’.

Notes to the Consolidated accounts

Assets

Note 1: Cash and balances with central banks

Cash and balances with central banks		
In EUR thousands	**2016**	**2015**
Amounts held at central banks	4,372,638	3,643,277
Cash and bank balances	636,001	623,772
TOTAL	**5,008,639**	**4,267,049**

Note 2: Loans and advances to banks

Loans and advances to banks		
In EUR thousands	**2016**	**2015**
Loans and advances to banks	9,886,580	12,560,870
Cash advances, overdrafts and other balances		110,201
Loan loss provisions	-1,159	-2,165
TOTAL	**9,885,421**	**12,668,906**

Note 3: Financial assets at fair value through profit and loss

Financial Assets at fair value through profit and loss		
In EUR thousands	**2016**	**2015**
Trading assets	8,674,772	14,504,727
Non-trading derivatives	4,413,044	4,419,223
Designated as at fair value through profit and loss	87,950	94,541
TOTAL	**13,175,766**	**19,018,491**

Trading assets

Trading assets by type		
In EUR thousands	**2016**	**2015**
Equity securities	8,026	2,319,984
Debt securities	22,935	59,415
Derivatives	8,643,306	12,124,522
Loans and receivables	505	806
TOTAL	**8,674,772**	**14,504,727**

Remark on the evolution of the "Trading Assets - Derivatives": In March 2016 part of the "Financial Markets" activity was transferred from ING Belgium nv/sa to ING Bank NV, FM Branch Brussels. As a result, these "Equity trading" activities are not performed in ING Belgium nv/sa since then.

Consolidated annual accounts - continued

Non-trading derivatives used for risk management purposes

Non-trading derivatives by type (in assets)		
In EUR thousands	**2016**	**2015**
Derivatives used in fair value hedges	770,334	602,068
Derivatives used in cash flow hedges	3,604,690	3,802,626
Other non-trading derivatives	38,021	14,529
TOTAL	**4,413,044**	**4,419,223**

Designated as at fair value through profit and loss

Designated as at fair value through profit and loss by type (in assets)		
In EUR thousands	**2016**	**2015**
Equity securities	2,615	2,812
Debt securities		
Loans and receivables	85,335	91,729
TOTAL	**87,950**	**94,541**

Note 4: Investments

Investments by type		
In EUR thousands	**2016**	**2015**
Available for sale	17,022,923	18,809,053
of which: equity securities	*55,414*	*78,065*
of which: debt securities	*16,967,509*	*18,730,988*
Held to maturity	925,897	958,873
of which: debt securities	*925,897*	*958,873*
TOTAL	**17,948,820**	**19,767,926**

Changes in available-for sale and held-to-maturity investments

Changes in available-for-sale and held-to-maturity investments								
In EUR thousands	**Equity securities - AFS**		**Debt securities - AFS**		**Debt securities - HTM**		**Total**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Opening balance	**78,065**	**53,345**	**18,730,988**	**19,599,510**	**958,873**		**19,767,926**	**19,652,855**
Additions	8,359	13,570	1,668,872	666,993			**1,677,231**	680,563
Amortisation			12,466	-5,388	-33,014	-24,817	**-20,548**	-30,205
Transfers and reclassifications	-5,478	109		-969,796		969,796	**-5,478**	109
Changes in unrealised revaluations	1,464	29,381	-25,952	-89,216	38	13,894	**-24,450**	-45,941
Impairments	-342	-6,372					**-342**	-6,372
Reversal of impairments								
Disposals and redemptions	-26,652	-11,968	-3,418,865	-471,115			**-3,445,517**	-483,083
Exchange rate differences								
Changes in the composition of the group and other changes								
CLOSING BALANCE	**55,414**	**78,065**	**16,967,509**	**18,730,988**	**925,897**	**958,873**	**17,948,820**	**19,767,926**

Note 5: Loans and advances to customers

Loans and advances to customers		
In EUR thousands	**2016**	**2015**
Loans to, or guaranteed by, public authorities	6,372,779	5,577,317
Loans secured by mortgages	48,492,134	46,883,059
Loans guaranteed by credit institutions	36,818	24,174
Personal lending	5,592,376	5,509,970
Asset backed securities		
Corporate loans	41,829,723	35,512,951
Loan loss provisions	-691,161	-707,420
TOTAL	**101,632,669**	**92,800,051**

In 2016, it became apparent that a portion of loans previously reported as “Corporate loans” should have been reported as “Loans secured by mortgages”. Loans secured by mortgages, as at 31 December 2015, is EUR 8.4 billion higher from EUR 38.52 billion to EUR 46.88 billion.

Changes in loan loss provisions

Changes in the loan loss provisions		
In EUR thousands	**2016**	**2015**
Opening balance	**-709,585**	**-802,421**
Write-offs	152,399	233,180
Recoveries	-4,324	-31,821
Increase in loan loss provisions	-208,591	-180,669
Exchange rate differences	-403	1,468
Changes in the composition of the group and other changes	51,118	70,678
CLOSING BALANCE	**-719,386**	**-709,585**
The closing balance is included in		
- Loans and advances to banks	-1,159	-2,165
- Loans and advances to customers	-691,161	-707,420
- Provisions other provisions	-27,066	

Remark on “Changes in the composition of the group and other changes”: Following an IFRS accounting policy change of Fiducre (ING's debt collection company). This change results in a different presentation in the P&L compared to previous year (between Loan Loss Provisioning, Other Income and Net interest). The impact is EUR 38 million. As from 2016 the income related to modified loans leading to derecognition, are presented as Net interest and Other income.

Corporate loans include finance lease receivables

Future minimum lease payments by maturity		
In EUR thousands	**2016**	**2015**
Within 1 year	819,721	762,373
More than 1 year but less then 5 years	1,999,028	1,837,867
More than 5 years	1,025,135	1,024,956
TOTAL	**3,843,884**	**3,625,196**

Note 6: Investments in associates

Associates					
In EUR thousands Entity name	2016	2015	Entity name	2016	2015
Isabel	4,602	4,222	ING Activator	628	1,237
Synapsia	0	39	ISIM (ING Solutions Investment Management)	1,076	366
European Marketing Group Luxembourg (LU) S.A.	333	272	M Brussels Village	0	0
Aigle aviation SA	1,550	1,471	QUSTOMER	0	5,229
A.E.D. Rent	13,701	17,905	SAS Marnix Invest	0	0
Ark Angels Activator Fund	1,898	1,222	SAS SODIR-Deux	0	0
Ark Angels Activator Fund Beheer	125	87	Sherpa Invest	8	155
AXISQL	3,970	9,562	Sherpa Invest II	761	667
Belgian Mobile Wallet	0	50	Stardekk	4,400	0
BIENCA Biotechnological Enzymatic Catalyse	0	781	Tasco nv	6,361	0
(Brand & Licence Comp) Bancontact/Mistercash	1,213	1,127	Unibioscreen SA	0	0
Euresys (Walltech)	0	0	Vesalius Biocapital Partners sarl	157	2,800
Europay Belgium	196	190	Vesalius Biocapital II Partners sarl	111	54
GDW Holding	4,034	1,987	Vesalius Biocapital I SA SICAR	7,246	17,419
Immomanda	179	160	Visa Belgium	10,082	0
Innotec International	4,799	11,208			
TOTAL				**67,431**	**78,211**

Changes in investments in associates		
In EUR thousands	**2016**	**2015**
Opening balance	**78,211**	**76,484**
Additions	14,414	6,241
Transfers to and from Investments	5,523	-342
Revaluations	-36,878	3,127
Share of results	32,217	30,455
Dividends received	-15,213	-8,558
Disposals	-7,950	-29,261
Impairments	-2,972	-192
Exchange rate differences	79	257
Changes in the composition of the group and other changes		
CLOSING BALANCE	**67,431**	**78,211**

Remark on “Revaluations”: As from December 2016 all equity investments reported as associates are accounted for using the net equity method. Before the investments with an interest between 20 and 50% were measured as available for sale equity securities revalued through Other Comprehensive Income.

Note 7: Real estate investments

Changes in real estate investments		
In EUR thousands	**2016**	**2015**
Opening balance	**47,812**	**47,689**
Additions		37
Transfers to and from Other assets	-2	17
Transfers to and from Property in own use		-18
Gains (losses) from fair value adjustments	547	87
Disposals		
Exchange rate differences		
Changes in the composition of the group and other changes		
CLOSING BALANCE	**48,358**	**47,812**

Note 8: Property and equipment

Changes in property and equipment - 2016				
In EUR thousands	**Property in own use**	**Data processing equipment**	**Fixtures and fittings and other equipment**	**Total**
Opening balance	**564,840**	**61,797**	**274,266**	**900,903**
Additions	1,455	16,082	23,269	**40,806**
Borrowing costs capitalised				
Depreciations	-7,246	-23,345	-44,792	**-75,383**
Revaluations	-2,748			**-2,748**
Impairments	-52,722			**-52,722**
Reversal of impairments	128			**128**
Disposals	-4,997	-61	-5,129	**-10,187**
Exchange rate differences		1	1	**2**
Changes in the composition of the group and other changes		77	1,549	**1,626**
Transfer to and from Other assets	-676			**-676**
Transfer to and from Real estate investments				
CLOSING BALANCE	**498,033**	**54,552**	**249,165**	**801,750**
Gross carrying amount per 31 December	**918,825**	**345,982**	**885,929**	**2,150,736**
Accumulated depreciations per 31 December	-327,668	-291,430	-636,764	**-1,255,862**
Accumulated impairments per 31 December	-93,124			**-93,124**
NET BOOK VALUE	**498,033**	**54,552**	**249,165**	**801,750**

Remark on “Impairments”: In the context of the intended restructuring plan the “Real estate in own use” have been reviewed for impairments triggered by the plan.

Remark on “Property in own use”: ING uses external valuers to value the property in own use. All properties are typically appraised by external valuers every five years. The latest valuation of the main properties is from December 2016.

Changes in revaluation reserve		
In EUR thousands	**2016**	**2015**
Opening balance	**145,686**	**142,064**
Revaluation during the year	-1,706	3,622
CLOSING BALANCE	**143,980**	**145,686**

Changes in property and equipment - 2015				
In EUR thousands	Property in own use	Data processing equipment	Fixtures and fittings and other equipment	Total
Opening balance	**569,356**	**62,595**	**280,233**	**912,184**
Additions	310	27,715	46,118	**74,143**
Borrowing costs capitalised				
Depreciations	-5,521	-27,686	-45,067	**-78,274**
Revaluations	5,515			**-694**
Impairments	-197			**-197**
Reversal of impairments	3,669			**3,669**
Disposals	-15,677	-387	-6,011	**-15,866**
Exchange rate differences	88	-191	-38	**-141**
Changes in the composition of the group and other changes		-249	-969	**-1,218**
Transfer to and from Other assets	7,279			**7,279**
Transfer to and from Real estate investments	18			**18**
CLOSING BALANCE	**564,840**	**61,797**	**274,266**	**900,903**
Gross carrying amount per 31 December	**929,843**	**317,577**	**904,378**	**2,151,798**
Accumulated depreciations per 31 December	-324,294	-255,780	-630,112	**-1,210,186**
Accumulated impairments per 31 December	-40,708			**-40,708**
NET BOOK VALUE	**564,840**	**61,797**	**274,266**	**900,903**

Note 9: Intangible assets

Changes in intangible assets - 2016				
In EUR thousands	Goodwill	Software	Other intangible assets	TOTAL
Opening balance	**2,558**	**146,584**		**149,142**
Additions		3,239		3,239
Capitalised expenses		29,880		29,880
Amortisations		-40,925		-40,925
Impairments		-37,692		-37,692
Effect of unrealised revaluations in equity				
Reversal of impairments				
Exchange rate differences				
Disposals		-1,351		-1,351
Changes in the composition of the group and other changes		191		191
CLOSING BALANCE	**2,558**	**99,925**		**102,483**
Gross carying amount as at 31 December	**1,438**	**364,069**		**365,507**
Accumulated amortisations as at 31 December		-226,452		-226,452
Accumulated impairments as at 31 December	1,120	-37,692		-36,572
NET BOOK VALUE	**2,558**	**99,925**		**102,483**

Remark on “Impairments”: In the context of the intended restructuring plan the “Capitalised software” have been reviewed for impairments triggered by the plan.

Remark on “Software”: The majority of the software is internally developed software.

Consolidated annual accounts - continued

Changes in intangible assets - 2015				
In EUR thousands	**Goodwill**	**Software**	**Other intangible assets**	**TOTAL**
Opening balance	**2,558**	**134,157**		**136,715**
Additions		12,528		12,528
Capitalised expenses		35,393		35,393
Amortisations		-35,950		-35,950
Impairments		-9,692		-9,692
Effect of unrealised revaluations in equity				
Reversal of impairments				
Exchange rate differences				
Disposals		15		15
Changes in the composition of the group and other changes		10,133		10,133
CLOSING BALANCE	**2,558**	**146,584**		**149,142**
Gross carying amount as at 31 December	**44,225**	**364,378**		**408,603**
Accumulated amortisations as at 31 December		-212,618		-212,618
Accumulated impairments as at 31 December	-41,666	-5,176		-46,842
NET BOOK VALUE	**2,558**	**146,584**		**149,142**

Remark on “Software”: The majority of the software is internally developed software.

Note 10: Deferred tax assets

Breakdown of deferred tax assets by origin		
In EUR thousands	**2016**	**2015**
Investments	-122,155	-150
Financial assets and liabilities at fair value through profit or loss	87,384	7,706
Depreciations	622	
Other provisions	261,369	6,808
Unused tax losses carried forward	0	584
Cash flow hedges	81,421	
Property and equipment	-77,372	0
Other	-38,850	1,634
TOTAL	**192,419**	**16,583**

See also note 15 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.

Net deferred tax assets (liabilities) - 2016				
In EUR thousands	**Gross deferred tax assets**	**Write-downs - deferred tax assets**	**Deferred tax liabilities**	**TOTAL**
Opening balance	**16,583**	**0**	**-241,693**	**-225,109**
Exchange differences	38		-0	38
Deferred tax Profit & Loss	252,847		-37,441	215,406
Deferred tax Equity	-9,805		33,956	24,151
Netting deferred taxes	-67,244		68,088	843
CLOSING BALANCE	**192,419**	**0**	**-177,090**	**15,328**

Income tax: breakdown of tax losses carried forward/unused tax credits by expiry terms - 2016					
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	45,352	14,115		31,237	
Of which: unused tax losses carried forward					
not recognised as a deferred tax asset	*45,352*	*14,115*		*31,237*	
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 - 2016			
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	-76,730	**-72,882**
Revaluation reserve available for sale	10,092	-177,585	**-167,494**
Cash flow hedges	81,421	-6,698	**74,723**
Share of the other comprehensice income of associates and joint ventures accounted for using equity method			**0**
Actuarial gains/losses on pension defined plans	76,953		**76,953**
TOTAL	**172,314**	**-261,014**	**-88,699**

Note 11: Other assets

Other assets by type		
In EUR thousands	**2016**	**2015**
Net defined benefit assets	468	76
Property development and obtained from foreclosures	238	2,336
Accrued interest and rents	3,358	5,911
Other accrued assets (other than interest income from financial assets)	179,567	165,137
Others	1,311,688	2,013,118
TOTAL	**1,495,319**	**2,186,578**

Remark on “Others”: this includes EUR 1.067 billion related to transactions still to be settled at balance sheet date.

Liabilities and Equity

Note 12: Deposits from banks

Amounts due to banks		
In EUR thousands	**2016**	**2015**
Non-Interest bearing		
Interest bearing	13,333,629	10,738,423
TOTAL	**13,333,629**	**10,738,423**

Note 13: Customer deposits

Customer deposits		
In EUR thousands	**2016**	**2015**
Savings accounts	39,501,111	40,730,910
Credit balances on customer accounts	51,773,448	48,288,293
Corporate deposits	5,690,560	7,686,489
Other	81,179	89,558
TOTAL	**97,046,298**	**96,795,250**

Note 14: Financial liabilities at fair value through profit and loss

Financial Liabilities at fair value through profit and loss		
In EUR thousands	**2016**	**2015**
Trading liabilities	8,808,874	13,129,450
Non-trading derivatives	6,074,113	6,069,523
Designated as at fair value through profit and loss	1,789,330	2,371,524
TOTAL	**16,672,317**	**21,570,497**

Trading liabilities

Trading liabilities by type		
In EUR thousands	**2016**	**2015**
Short positions in equity instruments	0	136
Short positions in fixed-income securities	73	83,598
Derivatives	8,808,801	13,045,715
TOTAL	**8,808,874**	**13,129,450**

Remark on the evolution of the “Derivatives”: In March 2016 part of the “Financial Markets” activity was transferred from ING Belgium nv/sa to ING Bank NV, FM Branch Brussels. As a result, these “Equity trading” activities are not performed in ING Belgium nv/sa since then.

Non-trading derivatives used for risk management purposes

Non-trading derivatives by type (in liabilities)		
In EUR thousands	**2016**	**2015**
Derivatives used in fair value hedges	2,246,539	2,042,598
Derivatives used in cash flow hedges	3,726,986	3,935,529
Other non-trading derivatives	100,588	91,395
TOTAL	**6,074,113**	**6,069,523**

Designated as at fair value through profit and loss

Designated as at fair value through profit and loss by type (in liabilities)				
In EUR thousands	**Carrying amount**		**Difference between the carrying amount and the amount contractually payable at maturity**	
	2016	**2015**	**2016**	**2015**
Debt securities	1,789,330	2,371,524	-282,597	-303,651
Funds entrusted				
Subordinated loans				
TOTAL	**1,789,330**	**2,371,524**	**-282,597**	**-303,651**

Remark on the evolution of the “Debt securities”: Structured notes which are economically hedged are designated at fair value through P&L to avoid asymmetrical P&L evolutions.

Note 15: Deferred tax liabilities

Deferred tax liabilities		
In EUR thousands	**2016**	**2015**
Investments	51,210	193,840
Financial assets and liabilities at fair value through profit or loss	-884	-33,328
Depreciation	54	-111
Other provisions	92,625	24,475
Loans and advances to customers	24,830	50,697
Property and equipment	944	89,671
Cash flow hedges	6,839	-84,347
Other	1,474	796
TOTAL	**177,090**	**241,693**

Note 16: Provisions

Provisions - 2016				
In EUR thousands	**Termination benefits and other restructuring provisions**	**Pending legal issues**	**Other provisions**	**TOTAL**
Opening balance	**69,731**	**64,958**	**11,188**	**145,877**
Additions	606,157	42,425	28,453	**677,035**
Amounts used	-20,952	-927	-1,254	**-23,133**
Unused amounts reversed during the period	-1,477	-18,422	-2,579	**-22,478**
Increase in the discounted amount (passage of time) and effect of any change in the discount rate				**0**
Exchange rate differences				**0**
Changes in the composition of the group and other changes	-6,285	5,523	4,255	**3,493**
CLOSING BALANCE	**647,174**	**93,557**	**40,063**	**780,794**

Remark on “Additions”: On 3 October 2016 ING Belgium announced its intention to undertake a fundamental transformation to enable the business to move from being a traditional bank institution to a banking platform at the cutting edge of the digital world and personalised customer service. ING Belgium intends to improve its customer experience by moving to an integrated banking platform, leveraging of the omni-channel capabilities of the Netherlands and rationalise its network by integrating ING and Record Bank branches. In addition to improving customer experience ING Belgium intends to eliminate the internal silo mentality and move away from a top-heavy management system towards multidisciplinary, agile, self-steering teams to deliver faster, at a lower cost.

The intended initiatives are expected to result in a reduction of ING´s workforce in Belgium by around 3,500 FTEs for the years 2016-2021. These numbers include the intended move to an integrated banking platform, with the remainder of functions affected spread over intended programmes in IT, operations, Wholesale Banking and various business support functions. At the same time, colleagues will be added in parts of the business where accelerated growth is expected, given the plans to continue to attract new customers and increase lending to support the economies ING is active in.

For the intended initiatives, a pre-tax redundancy provision and estimated early termination cost of contracts of around EUR 615 million was recognised in December 2016. These initiatives are implemented over the period 2017-2021 and the estimate of the reorganisation provisions is inherently uncertain. This pre-tax redundancy provision is based on the current state and content of the social negotiations and more specifically the different negotiated plans including early and voluntary leaves as well as the remaining residual forced exits needed to reach the intended fundamental transformation. Calculation of the provision has been done on available HR information on salary and age of the population and on several judgemental assumptions including actuarial ones based on the negotiated plans and on previous experience of the bank with such plans.

The provision at the balance sheet date represents the best estimate of the expected redundancy costs and are expected to be sufficient to cover these costs.

Remark on “Additions”: The “Other provisions” include amounts related to Letters of Credit / Guarantees of EUR 27 million (previously reported under Loan Loss Provisions).

Provisions - 2015				
In EUR thousands	**Termination benefits and other restructuring provisions**	**Pending legal issues**	**Other provisions**	**TOTAL**
Opening balance	**60,022**	**68,921**	**18,287**	**147,230**
Additions	45,033	3,237	2,571	**50,841**
Amounts used	-32,604	-35	-2,828	**-35,467**
Unused amounts reversed during the period	-1,694	-7,165	-7,934	**-16,793**
Increase in the discounted amount (passage of time) and effect of any change in the discount rate				**0**
Exchange rate differences				**0**
Changes in the composition of the group and other changes	-1,027	0	1,092	**65**
CLOSING BALANCE	**69,730**	**64,958**	**11,188**	**145,876**

Note 17: Other liabilities

Other liabilities		
In EUR thousands	**2016**	**2015**
Net defined benefit liability	134,478	128,644
Other staff-related liabilities	43,105	43,012
Other taxation and social security contributions	254,327	271,439
Income received in advance	106,653	103,652
Costs payable	370,449	381,119
Others	1,878,708	1,691,637
TOTAL	**2,787,720**	**2,619,503**

Remark on “Others”: this includes EUR 1.283 billion related to transactions still to be settled at balance sheet date.

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 2017, the expected contributions to be paid by ING Belgium to defined benefit retirement plans are estimated to be EUR 11.6 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 2016, 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 7.1 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	**2016**	**2015**
Present value of the defined benefit obligation	791,591	746,380
Fair value of plan asset	-657,581	-617,813
Surplus (deficit) in the defined benefit pension plan	**134,010**	**128,567**
Presented as:		
- Other assets	*-468*	*-76*
- Other liabilities	*134,478*	*128,644*

Movements in defined benefit obligations		
In EUR thousands	**2016**	**2015**
Opening balance	**746,380**	**827,651**
Current service costs	16,740	18,395
Interest costs	12,739	10,920
Actuarial losses/gains arising from changes in demographic assumptions	-12,196	-8,874
Actuarial losses/gains arising from changes in financial assumptions	65,495	-43,600
Employee's contribution	1,381	1,453
Benefits paid	-39,312	-55,375
Past service costs		-10,348
Effect of curtailment or settlement		
Exchange differences	364	6,032
Changes in the composition of the group and others		126
CLOSING BALANCE	**791,591**	**746,380**

PM: "Current service costs" and "Interest costs" are booked via Profit & Loss in current year's Pension costs (see also note 27) whereas "Actuarial losses/gains arising from changes in demographic assumptions" and "Actuarial losses/gains arising from changes in financial assumptions" are booked via Other comprehensive income.

Movements in the fair value of plan assets		
In EUR thousands	**2016**	**2015**
Opening balance	**617,813**	**631,214**
Expected return on plan assets	9,942	7,728
Actuarial gains and losses on plan assets	28,232	8,545
Employer's contribution	39,432	19,737
Employee's contribution	1,381	1,453
Benefits paid	-39,311	-55,374
Effect of settlement		
Exchange differences	93	4,510
Changes in the composition of the group and others		
CLOSING BALANCE	**657,581**	**617,813**

PM: "Expected return on plan assets" is booked via Profit & Loss in current year's Pension costs (see also note 27) whereas "Actuarial gains and losses on plan assets" are booked via Other comprehensive income.

Weighted averages of basic actuarial assumptions		
In EUR thousands	**2016**	**2015**
Discount rates	1,2%	1.8%
Consumer price inflation	2.0%	2.0%
Expected rates of salary increases (excluding promotional increase)	age based salary scale	age based salary scale

Sensitivity analysis: impact of changes in significant actuarial assumptions on the defined benefit obligation 2016		
In EUR thousands	**Financial impact of increase**	**Financial impact of decrease**
Discount rates - increase/decrease of 1%	-85,215	105,665
Mortality rates - increase/decrease of 1 year	11,057	-11,389
Expected rates of salary increase (excl promotional increase) - increase/decrease of 0.25%	20,745	-19,295
Consumer price inflation - increase/decrease of 0.25%	142	-2,052

As of 31 December 2016, it has been decided to perform also an IAS19 valuation of all Defined Contribution plans (considered as Defined Benefit plans under IAS19 rules with respect to the legal guaranteed interest rate).

According to the plan rules the valuation method (PUC) consists in the projection at retirement age of the minimum reserve vested for each employee with the minimum return as currently foreseen by law (1.75%). The net present value (using all actuarial assumption accordingly to the IAS19 rules such as discount rate, mortality and turnover) of the obtained minimum capital represent the defined benefit obligation.

In case of this defined benefit obligation would be higher than the individual account of the concerned person, a liability should be recognized. As result of the calculation made it appeared that the liability to be recognized is lower that the market value of the dedicated assets, the fund has built up in order to fund the minimum return obligation.

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	**2016**	**2015**
Equity securities	233,382	218,889
Debt securities	329,001	297,144
Real estate	790	29,305
Other	94,408	72,475
TOTAL	**657,581**	**617,813**

PM: '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 2016 was 4.60% net. The return of the main defined-contribution plan in Belgium for 2016 was 5.02% 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

3.6% for the main defined benefit plan in Belgium (closed plan)
4% 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 (69.8 million) while a decrease if the discount rate with 1% would results in an increase of the liabilities with about 12% (82.6 million)

- **Inflation:**
  An increase of the inflation with 0.25% p.a. would mean an increase of about 1% of the liabilities (7.8 million) while a decrease of the inflation with 0.25% p.a. would results in an decrease of the liabilities with about 1% (7.5 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 (18.2 million) while a decrease of salary growth with 0.25% p.a. would results decrease of the liabilities with about 2% (15.3 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% (11.2 million) while assuming they would be one year younger would increase the liability with 2% (11.1 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: Debt securities in issue and subordinated loans

Debt securities in issue includes as of 31 December 2016:

- Covered bonds issued by ING Belgium for a total of EUR 2.7bln (2015: EUR 2.7bln);
- Savings Certificates of Record Bank EUR 4.6bln (2015: EUR 5.3bln).

Subordinated loans may be included in the calculation of the total capital ratio and include EUR 1.3bln (2015: 1.3bln) of loans that qualify as Tier 2 capital. These loans have been placed with ING Belgium by ING Bank NV.

Note 19: 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 20: Shareholder's equity

Shareholder's equity		
In EUR thousands	**2016**	**2015**
Share capital	2,350,000	2,350,000
Share premium	451,511	451,511
Revaluation reserves	204,972	269,780
Of which:		
- tangible assets revaluation reserve	*143,980*	*145,686*
- cash flow hedge reserve (effective)	*-140,087*	*-160,088*
- fair value revaluation reserve on financial assets available for sale	*353,549*	*420,123*
- actuarial gains/losses	*-152,470*	*-135,941*
Currency translation reserves	2,227	-456
Of which:		
- hedge of net investments in foreign operations reserve (effective)	*-209,968*	*-213,282*
- foreign currency translation reserve	*212,195*	*212,826*
Other reserves	7,259,703	6,700,839
TOTAL	**10,268,413**	**9,771,674**

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				
	Number of shares		**Amounts in thousands of euros**	
	2016	**2015**	**2016**	**2015**
Authorised share capital				
Unissued share capital				
Issued share capital	55,414,550	55,414,550	2,350,000	2,350,000

Income statement

Note 21: Interest result

Interest result		
In EUR thousands	**2016**	**2015**
Interest income on loans	2,666,097	2,819,279
Interest income on impaired loans	13,071	3,347
Negative interest on liabilities	21,815	6,309
Total interest income on loans	**2,700,983**	**2,828,935**
Interest income on available-for-sale securities	410,831	447,472
Interest income on held-to-maturity securities	18,800	18,970
Interest income on trading portfolio	1,358,760	1,845,923
Interest income on non-trading derivatives (no hedge accounting)	749	4,515
Interest income on non-trading derivatives (hedge accounting)	1,222,871	1,460,815
Other interest income	7,679	14,679
Total interest income	**5,720,674**	**6,621,309**
Interest expense on deposits by banks	-35,518	-27,710
Interest expense on customer deposits and other funds on deposit	-157,437	-343,491
Interest expense on debt securities	-162,423	-177,900
Interest expense on subordinated loans	-34,213	-30,206
Interest on trading liabilities	-1,381,272	-1,853,060
Interest on non-trading derivatives (no hedge accounting)	-11,406	-14,054
Interest on non-trading derivatives (hedge accounting)	-1,294,483	-1,515,074
Other interest expense	-49,184	-10,261
Negative interest on assets	-47,952	-6,793
Total interest expense	**-3,173,888**	**-3,978,549**
INTEREST RESULT	**2,546,786**	**2,642,761**

Note 22: Investment income

Investment income		
In EUR thousands	**2016**	**2015**
Income from real estate investments	3,492	2,988
Dividend income	6,905	246
Total	**10,397**	**3,233**
Realised gains/losses on debt securities	29,360	19,650
Impairments of available-for-sale debt securities	0	0
Reversal of impairments of available-for-sale debt securities	0	0
Realised gains/losses and impairment on debt securities	**29,360**	**19,650**
Realised gains/losses on disposal of equity securities	9,801	1,407
Impairment of available-for-sale equity securities	-342	-6,372
Realised gains/losses and impairment on equity securities	**9,459**	**-4,965**
Change in fair value of real estate investments	547	87
TOTAL INVESTMENT INCOME	**49,763**	**18,006**

Remark on “Dividend income”: Contains a non-recurring dividend received from a non-associate.

PM: Exceptional income as result of the acquisition of VISA Europe by VISA Inc in 2016. The transaction resulted in a net profit of 10 mio in ‘Investment income’ and 20 mio in ‘Share of results of associates’.

Note 23: Commission result

Commission income		
In EUR thousands	**2016**	**2015**
Gross fee and commission income	**839,760**	**842,715**
Funds transfer	154,548	155,614
Securities business	133,773	165,727
Asset management fees	60,775	53,893
Brokerage and advisory fees	35,874	22,864
Insurance broking	99,318	103,710
Other	355,470	340,907
Fee and commission expenses	**279,408**	**282,817**
Funds transfer	30,375	45,340
Securities business	29,618	24,071
Management fees	262	223
Brokerage and advisory fees	159	320
Insurance broking	0	0
Other	218,995	212,864
TOTAL	**560,351**	**559,898**

Remark on "Other Gross fee and commission income": includes the commissions received on bank guarantees, factoring and leasing; the fee and commission income distribution and the commissions given on loans.

Remark on "Other Fee and commission expenses": includes the commissions paid on bank guarantees and leasing.

Note 24: Valuation results on non-trading derivatives

Valuation results on non-trading derivatives		
In EUR thousands	**2016**	**2015**
Change in fair value of derivatives relating to:		
- fair value hedges	-141,120	218,081
- cash flow hedges (ineffective portion)	0	-0
- other non-trading derivatives	275	-54,224
Net result on non-trading derivatives	**-140,845**	**163,857**
Change in fair value of assets and liabilities (hedged items)	140,743	-176,991
Valuation results on assets and liabilities designated as at fair value through profit and loss (excl trading)	4,656	62,094
NET VALUATION RESULTS	**4,555**	**48,960**

Note 25: Net trading income

Net trading income		
In EUR thousands	**2016**	**2015**
Securities trading results	-34,490	35,479
Foreign exchange transactions results	112,953	115,315
Derivatives trading results	71,096	-10,010
Other	646	253
TOTAL	**150,204**	**141,036**

Note 26: Other income

Other income		
In EUR thousands	**2016**	**2015**
Net operating lease income	0	0
Other	114,169	56,770
TOTAL	**114,169**	**56,770**

Remark on "Other": contains amongst others [1] The result on sale of property and equipment, and [2] Following an IFRS accounting policy change of Fiducre (ING's debt collection company). This change results in a different presentation in the P&L compared to previous year (between Loan Loss Provisioning, Other Income and Net interest). The impact is EUR 38 million. As from 2016 the income related to modified loans leading to derecognition, are presented as Net interest and Other income.

Note 27: Staff expenses

Staff expenses		
In EUR thousands	**2016**	**2015**
Salaries	691,874	707,319
Pension costs	60,719	50,570
Other staff-related benefit costs	733	0
Social security costs	164,778	182,168
Share-based compensation arrangements	10,690	8,636
External employees	82,739	102,595
Education	8,067	8,736
Other staff costs	33,083	34,323
TOTAL	**1,052,683**	**1,094,347**

Remark on "Pension costs": The amount includes EUR 19.5 million of Defined Benefit Contributions (see also note 16)

Note 28: Other operating expenses

Other operating expenses		
In EUR thousands	**2016**	**2015**
Depreciation of property and equipment	75,378	78,852
Amortisation of software	40,925	35,950
Computer costs	120,885	131,083
Office expenses	100,186	114,885
Travel and accommodation expenses	44,707	45,042
Advertising and public relations	40,599	38,605
External advisory fees	26,466	30,148
Postal charges	3,898	2,334
Regulatory costs (bank levies)	220,673	187,518
Addition/(release) of provision for reorganisations	604,680	43,340
Impairments	90,286	6,220
Other	55,782	168,831
TOTAL	**1,424,465**	**882,808**

Remark on "Addition/(release) of provision for reorganisations": On 3 October 2016 ING Belgium announced its intention to undertake a fundamental transformation to enable the business to move from being a traditional bank institution to a banking platform at the cutting edge of the digital world and personalised customer service. ING Belgium intends to improve its customer experience by moving to an integrated banking platform, leveraging of the omni-channel capabilities of the Netherlands and rationalise its network by integrating ING and Record Bank branches. In addition to improving customer experience ING Belgium intends to eliminate the internal silo mentality and move away from a top-heavy management system towards multidisciplinary, agile, self-steering teams to deliver faster, at a lower cost.

The intended initiatives are expected to result in a reduction of ING´s workforce in Belgium by around 3,500 FTEs for the years 2016-2021. These numbers include the intended move to an integrated banking platform, with the remainder of functions affected spread over intended programmes in IT, operations, Wholesale Banking and various business support functions. At the same time, colleagues will be added in parts of the business where accelerated growth is expected, given the plans to continue to attract new customers and increase lending to support the economies ING is active in.

For the intended initiatives, a pre-tax redundancy provision and estimated early termination cost of contracts of around EUR 615 million was recognised in December 2016. These initiatives are implemented over the period 2017-2021 and the estimate of the reorganisation provisions is inherently uncertain. This pre-tax redundancy provision is based on the current state and content of the social negotiations and more specifically the different negotiated plans including early and voluntary leaves as well as the remaining residual forced exits needed to reach the intended fundamental transformation. Calculation of the provision has been done on available HR information on salary and age of the population and on several judgemental assumptions including actuarial ones based on the negotiated plans and on previous experience of the bank with such plans.

The provision at the balance sheet date represents the best estimate of the expected redundancy costs and are expected to be sufficient to cover these costs.

Remark on "Other": includes one-off procured cost savings of EUR 115 million.

Regulatory costs

Regulatory costs (bank levies)		
In EUR thousands	**2016**	**2015**
Operating Charges: Tax on Tax Exempted Liabilities	8,957	9,344
Financial Stability Contribution (FSC)	112,939	87,091
Contribution BRRD/SRF	38,779	26,033
Premiums for deposit insurance	59,998	65,049
TOTAL	**220,673**	**187,518**

Consolidated annual accounts - continued

Impairment of tangible and intangible assets

Impairment of tangible and intangible assets			
In EUR thousands	2016		
	Impairment losses	Reversals of impairments	Total
Property and equipment	52,722	-128	52,594
Property development			0
Goodwill			0
Software and other intangible assets	37,692	0	37,692
(Reversals of) other impairments	**90,414**	**-128**	**90,286**
Amortisations of other intangible assets			0
TOTAL			**90,286**

Remark on "Impairments": In the context of the intended restructuring plan the "Real estate in own use" and "Capitalised software" have been reviewed for impairments triggered by the plan.

Note 29: Taxation

Breakdown of income tax expenses		
In EUR thousands	**2016**	**2015**
Current tax expenses	**411,323**	**347,524**
Current tax for the period	427,965	386,685
Adjustments for current tax of previous periods	-16,642	-39,161
Previously unrecognised tax losses, tax credits, temporary differences reducing current tax		
Deferred tax expenses	**-215,406**	**35,983**
Deferred taxes arising from current period	-215,406	35,983
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	**195,917**	**383,507**

Reconciliation of statutory tax rate to effective tax rate		
In EUR thousands	**2016**	**2015**
Result before taxation - Tax expense using statutory rate	769,327	1,339,899
Statutory tax rate	**33.99%**	**33.99%**
Statutory tax amount	**261,494**	**455,432**
Tax effect of rates in other jurisdictions	-20,069	-7,895
Tax effect of non taxable revenues	-20,303	-13,779
Tax effect of non tax deductible expenses	27,209	18,410
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	-21,088	-36,708
Tax effect from notional interest	-31,326	-33,333
Other increase (decrease) in statutory tax charge		1,380
Effective tax amount	**195,917**	**383,507**
Effective tax rate	**25.47%**	**28.62%**

Complementary information

Fair value of financial assets and liabilities

Fair value of financial assets and liabilities				
In EUR thousands	2016		2015	
	Fair value	Carrying amount	Fair value	Carrying amount
Financial assets				
Cash and balances with central banks	5,008,639	5,008,639	4,267,049	4,267,049
Loans and advances to banks	*9,853,826*	9,885,421	11,098,251	12,668,906
Financial assets at fair value through profit and loss				
of which: trading assets	*8,674,772*	*8,674,772*	*14,504,727*	*14,504,727*
of which: non-trading derivatives	*4,413,044*	*4,413,044*	*4,419,223*	*4,419,223*
of which: designated as at fair value through profit and loss	*87,950*	*87,950*	*94,541*	*94,541*
Investments				
of which: available-for-sale	*17,022,923*	*17,022,923*	*18,809,053*	*18,809,053*
of which: held-to-maturity	*936,353*	*925,897*	*959,946*	*958,873*
Loans and advances to customers	*103,699,630*	101,632,669	96,923,485	92,800,051
Other assets	1,495,319	1,495,319	2,186,578	2,186,578
Financial liabilities				
Deposits from banks	13,330,516	13,333,629	10,743,404	10,741,946
Customer deposits	97,174,313	97,046,298	96,928,659	96,791,727
Financial liabilities at fair value through profit and loss				
of which: trading liabilities	*8,808,874*	*8,808,874*	*13,129,450*	*13,129,450*
of which: non-trading derivatives	*6,074,113*	*6,074,113*	*6,069,523*	*6,069,523*
of which: designated as at fair value through profit and loss	*1,789,330*	*1,789,330*	*2,371,524*	*2,371,524*
Debt securities in issue	8,053,726	7,743,252	8,229,278	8,502,448
Subordinated loans	1,641,268	1,440,429	1,419,980	1,423,471

A three level hierarchy

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 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 analysed, 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 assets

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

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.

Fair value of financial liabilities

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

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).

Financial Instruments in scope

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 except when these arrangements apply to:
   - loans and customer deposits at the same institution; or
   - financial instruments subject only 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.

Methods applied in determining fair values of assets - 2016

In EUR thousands	Comparison		Fair value hierarchy		
	Fair value	Carrying amount	Level 1	Level 2	Level 3
Assets at fair value	**30,745,080**	**30,745,080**	**15,896,254**	**14,069,542**	**779,284**
Trading assets	8,674,772	8,674,772	22,935	8,476,904	174,933
Non-trading derivatives	4,413,044	4,413,044		4,413,044	
Financial assets designated as at fair value through P&L	87,950	87,950		85,335	2,615
Available-for-sale investments	17,022,923	17,022,923	15,873,319	1,094,259	55,345
Property in own use	498,033	498,033			498,033
Real estate investments	48,358	48,358			48,358
Assets at amortised cost	**119,498,449**	**117,452,626**	**9,128,055**	**281,969**	**110,088,425**
Cash and balances with central banks	5,008,639	5,008,639	5,008,639		
Loans and advances to banks	9,853,827	9,885,421	2,986,190		6,867,637
Held-to-maturity investments	936,353	925,897	936,353		
Loans and advances to customers	103,699,630	101,632,669	196,873	281,969	103,220,788

PM: As for 2016 significant transfers between Level 1 and Level 2 of fair value happened within “Available-for-sale investments”: EUR 155 million from Level 1 to Level 2 and EUR 5 million from Level 2 to Level 1.

Consolidated annual accounts - continued

Methods applied in determining fair values of assets - 2015

In EUR thousands	Comparison		Fair value hierarchy		
	Fair value	Carrying amount	Level 1	Level 2	Level 3
Assets at fair value	**38,440,196**	**38,440,196**	**20,523,126**	**17,080,976**	**836,092**
Trading assets	14,504,727	14,504,727	2,383,137	11,978,959	142,630
Non-trading derivatives	4,419,223	4,419,223		4,419,222	
Financial assets designated as at fair value through P&L	94,541	94,541		91,729	2,812
Available-for-sale investments	18,809,053	18,809,053	18,139,989	591,066	77,998
Property in own use	564,840	564,840			564,840
Real estate investments	47,812	47,812			47,812
Assets at amortised cost	**113,248,731**	**110,694,879**	**10,359,357**	**0**	**102,889,374**
Cash and balances with central banks	4,267,049	4,267,049	4,267,049		
Loans and advances to banks	11,098,251	12,668,906	4,312,580		6,785,671
Held-to-maturity investments	959,946	958,873	959,946		
Loans and advances to customers	96,923,485	92,800,051	819,782		96,103,703

Methods applied in determining fair values of liabilities - 2016

In EUR thousands	Comparison		Fair value hierarchy		
	Fair value	Carrying amount	Level 1	Level 2	Level 3
Liabilities at fair value	**16,672,317**	**16,672,317**	**102,621**	**16,429,060**	**140,635**
Trading liabilities	8,808,874	8,808,874		8,668,984	139,890
Non-trading derivatives	6,074,113	6,074,113		6,073,368	745
Financial liabilities designated as at fair value through P&L	1,789,330	1,789,330	102,621	1,686,708	
Liabilities at amortised cost	**120,199,823**	**119,563,608**	**99,425,858**	**19,749,383**	**1,024,582**
Deposits from banks	13,330,516	13,333,629	4,813,789	8,024,122	492,604
Customer deposits	97,174,313	97,046,298	90,406,081	6,684,238	83,994
Debt securities in issue	8,053,726	7,743,252	2,688,899	4,916,844	447,984
Subordinated loans	1,641,268	1,440,429	1,517,089	124,180	

Methods applied in determining fair values of liabilities - 2015

In EUR thousands	Comparison		Fair value hierarchy		
	Fair value	Carrying amount	Level 1	Level 2	Level 3
Liabilities at fair value	**21,570,497**	**21,570,497**	**101,674**	**21,241,760**	**227,064**
Trading liabilities	13,129,450	13,129,450		12,903,356	226,095
Non-trading derivatives	6,069,523	6,069,523		6,068,554	969
Financial liabilities designated as at fair value through P&L	2,371,524	2,371,524	101,674	2,269,851	
Liabilities at amortised cost	**117,321,321**	**117,459,592**			
Deposits from banks	10,743,404	10,741,946	5,045,143	5,698,261	
Customer deposits	96,928,659	96,791,727	75,036,684	8,372,726	13,519,250
Debt securities in issue	8,229,278	8,502,448	1,936,046	5,746,307	546,925
Subordinated loans	1,419,980	1,423,471	1,304,513	115,466	

Consolidated annual accounts - continued

Changes in Level 3 Financial assets - 2016

In EUR thousands	Trading assets	Non-trading derivatives	Financial assets designated at fair value through profit and loss	Available-for-sale investments	Total
Opening balance	**142,630**	**0**	**2,812**	**77,998**	**223,440**
Amounts recognised in profit and loss during the year	106,521		35	9,459	**116,015**
Revaluation recognised in equity during the year				-8,340	-8,340
Purchase of assets				8,359	8,359
Sale of assets			-232	-26,652	-26,884
Maturity/settlement					0
Reclassification					0
Transfers into Level 3					0
Transfers out of Level 3					0
Exchange rate differences					0
Changes in the composition of the group and other changes	-74,218			-5,478	-79,696
CLOSING BALANCE	**174,933**	**0**	**2,615**	**55,345**	**232,893**

Changes in Level 3 Financial assets - 2015

In EUR thousands	Trading assets	Non-trading derivatives	Financial assets designated at fair value through profit and loss	Available-for-sale investments	Total
Opening balance	**67,968**	**0**	**3,498**	**65,200**	**136,666**
Amounts recognised in profit and loss during the year	-11,935		-606		**-12,541**
Revaluation recognised in equity during the year			0	21,209	21,209
Purchase of assets	209,596		233	15,804	225,633
Sale of assets	-102,982		-313	-24,215	-127,510
Maturity/settlement					0
Reclassification					0
Transfers into Level 3	1,644				1,644
Transfers out of Level 3	-21,661				-21,661
Exchange rate differences					0
Changes in the composition of the group and other changes					0
CLOSING BALANCE	**142,630**	**0**	**2,812**	**77,998**	**223,440**

Changes in Level 3 Financial Liabilities - 2016

In EUR thousands	Trading liabilities	Non-trading liabilities	Financial liabilities designated at fair value through profit and loss	Total
Opening balance	**226,095**	**969**	**0**	**227,064**
Amounts recognised in profit and loss during the year	16,358	-11		16,347
Revaluation recognised in equity during the year				0
Issue of liabilities				0
Early repayment of liabilities		-213		-213
Maturity/settlement				0
Transfers into Level 3				0
Transfers out of Level 3				0
Exchange rate differences				0
Changes in the composition of the group and other changes	-102,563			-102,563
CLOSING BALANCE	**139,890**	**745**	**0**	**140,635**

Changes in Level 3 Financial Liabilities - 2015				
In EUR thousands	Trading liabilities	Non-trading liabilities	Financial liabilities designated at fair value through profit and loss	Total
Opening balance	**208,777**	**1,988**	**0**	**210,765**
Amounts recognised in profit and loss during the year	18,300	23		18,323
Revaluation recognised in equity during the year				0
Issue of liabilities	222,378			222,378
Early repayment of liabilities				0
Maturity/settlement	-187,365	-1,043		-188,408
Transfers into Level 3	450			450
Transfers out of Level 3	-36,444			-36,444
Exchange rate differences				0
Changes in the composition of the group and other changes				0
CLOSING BALANCE	**226,095**	**969**	**0**	**227,064**

Amounts recognised in profit and loss during the year - 2016			
In EUR thousands	Held at balance sheet date	Derecognised during the year	Total
Financial assets			
Trading assets	106,520		106,520
Non-trading derivatives			
Financial assets designated at fair value through profit and loss	-197		-197
Available-for-sale investments	-342	9,801	9,459
TOTAL	**105,981**	**9,801**	**115,782**
Financial liabilities			
Trading liabilities	-16,358		-16,358
Non-trading derivatives			
Financial liabilities designated at fair value through profit and loss			
TOTAL	**-16,358**	**0**	**-16,358**

Amounts recognised in profit and loss during the year - 2015			
In EUR thousands	Held at balance sheet date	Derecognised during the year	Total
Financial assets			
Trading assets	-11,935		-11,935
Non-trading derivatives			
Financial assets designated at fair value through profit and loss	-687		-687
Available-for-sale investments	-6,372	3	-6,369
TOTAL	**-18,994**	**3**	**-18,990**
Financial liabilities			
Trading liabilities	-19,342		-19,342
Non-trading derivatives	1,019		1,019
Financial liabilities designated at fair value through profit and loss			
TOTAL	**-18,323**	**0**	**-18,323**

Offsetting financial assets and liabilities

The following tables include information about rights to offset and the related arrangements. The amounts included consist of all recognised financial instruments that are presented net in the statement of financial position under the IFRS offsetting requirements (legal right to offset and intention to net settle) and amounts presented gross in the statement of financial position but subject to enforceable master netting arrangements or similar arrangement.

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

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

In EUR thousands		Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Related amounts not offset in the balance sheet: Cash and financial instruments received as collateral	Net amount
Amounts due from banks	Reverse repurchase, securities borrowing and similar agreements						
	Other						
Financial assets at fair value through profit and loss - Trading assets	Derivatives	5,160,403	-113,057	5,047,346	4,376,307	145,700	525,339
	Reverse repurchase, securities borrowing and similar agreements						
	Other						
Financial assets at fair value through profit and loss - Non-trading derivatives	Derivatives	38,002	-9,402	28,599	28,599		
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 offsetting is applied in the balance sheet	Other	36,483		36,483			
Impact of enforceable master netting arangements or similar arrangements	Derivatives				-1,511,213		1,511,213
	Other						
TOTAL FINANCIAL ASSETS		**5,234,888**	**-122,460**	**5,112,428**	**2,893,693**	**145,700**	**2,036,552**

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

In EUR thousands		Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Related amounts not offset in the balance sheet: Cash and financial instruments received as collateral	Net amount
Amounts due to banks	Reverse repurchase, securities borrowing and similar agreements						
	Other						
Customer deposits and other funds on deposit	Reverse repurchase, securities borrowing and similar agreements						
	Corporate deposits						
	Other						
Financial liabilities at fair value through profit and loss - Trading liabilities	Derivatives	2,152,774		2,152,774	2,152,774		
	Reverse repurchase, securities borrowing and similar agreements						
	Other						
Financial liabilities at fair value through profit and loss - Non-Trading derivatives	Derivatives	179,875		179,875	179,874		
Other liabilities where netting is applied in the balance sheet	Other	36,843		36,843			36,843
Impact of enforceable master netting arangements or similar arrangements	Derivatives						
	Other						
TOTAL FINANCIAL LIABILITIES		**2,369,492**	**0**	**2,369,492**	**2,332,648**	**0**	**36,843**

Assets not freely disposable

The assets not freely disposable consist primarily of Loans and advances to customers pledged to secure Debt securities in issue and serve to secure margin accounts and are used for other purposes required by law.

ING has an obligation to maintain a reserve with central banks. As at 31 December 2016, the minimum mandatory reserve deposits with central banks amount to EUR 1,008 million (2015: EUR 991 million).

Assets not freely disposable

In EUR thousands	2016	2015
Banks		
- Cash and balances with central banks	*870,765*	*968,520*
- Amounts due from banks	*3,124,129*	*5,132,536*
Financial assets at fair value through profit and loss	0	0
Investments	35,827	456,488
Loans and advances to customers	7,046,219	6,330,801
Other assets	0	0
TOTAL	**11,076,939**	**12,888,345**

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	2016	2015
Loan commitments	**33,380,757**	**34,723,684**
Given	33,377,256	34,723,684
Received (-)	-3,501	0
Financial guarantees	**26,726,297**	**24,752,006**
Given	711,249	655,322
Received (-)	-26,015,048	-24,096,684
Other commitments	**11,159,591**	**9,273,781**
Given	11,071,117	9,187,581
Received (-)	-88,474	-86,200

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.

Finally, hereunder the off-balance collaterals for ING Belgium:

Off-balance collaterals	
In EUR thousands	**2016**
Guarantees given or promised (own use)	
Liabilities	
TLTRO	1,600,000
Covered bonds	4,334,369
Off-balance	
Credit claims National Bank of Belgium	6,508,900
Investment portfolio	1,104
Assets under guarantee	12,116,511
Collateral	58,538
Others	8
Guarantees given or promised (third parties)	
Collateralized third party debt securities	16,546

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)**	
	2016	**2015**	**2016**	**2015**
Opening balance	**3,611,643**	**5,262,463**	**17.50**	**16.40**
Transfer	-392,139	-14,279	16.50	12.28
Granted				
Exercised	-119,756	-555,909	5.89	6.23
Forfeited	-29,496	-54,039	17.34	16.53
Rights issue				
Expired	-780,569	-1,026,593	24.98	18.15
CLOSING BALANCE	**2,289,683**	**3,611,643**	**15.73**	**17.50**

The weighted average share price at the date of exercise for options exercised during 2016 is EUR 10.43 (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 2016	Weighted average remaining contractual life	Weighted average exercise price	Options excercisable as at 31 December 2016	Weighted average remaining contractual life	Weighted average exercise price
00.00 - 05.00	255,537	2.21	2.73	255,537	2.21	2.73
05.00 - 10.00	425,889	3.22	7.31	425,889	3.22	7.31
10.00 - 15.00	5,905	1.71	14.14	5,905	1.71	14.14
15.00 - 20.00	919,992	1.20	17.04	919,992	1.20	17.04
20.00 - 25.00	682,360	0.23	24.10	682,360	0.23	24.10
25.00 - 30.00	0	0.00	0.00	0	0.00	0.00
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 using a European Black Scholes formula. This model takes the risk free interest rate into account (2.02% to 4.62 %), as well as the lifetime of the options granted (5 to 9 years), the exercise price, the current share price (EUR 2.90 – EUR 25.42), the expected volatility of the certificates of ING Group NV shares (25.00% – 84.00%) and the expected dividend yield (0.94% to 8.99%).

The source for implied volatilities used for the valuation of the stock options is ING's trading system. The implied volatilities in this system are determined by ING's traders and are based on market data implied volatilities not on historical volatilities.

Share based payments

In EUR thousands	2016	2015
Expense arising from share based payments	10,690	8,636
Expense arising from cash transactions		
- total nominal amout at the end of the year		
- total intrinsic value at the end of the year		

Related party disclosures

Related parties

In EUR thousands	Parent & its subsidiaries	Associates
Assets	6,458,473	2,643,882
Liabilities	10,914,343	882,761
Off-balance sheet commitments given	338,537	2,276
Off-balance sheet commitments received	203,733	0
Income received	584,001	19,986
Fees and commissions received	73	1,629
Expenses paid	935,441	16,497
Fees and commissions paid	4,167	0

In the normal course of business, ING Belgium enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of ING include, among others, its subsidiaries, associates, joint ventures, key management personnel, and various defined benefit and contribution plans (see also chapter "Remuneration of the members of the Board of Directors and Executive Committee" hereafter). Transactions between related parties include rendering or receiving of services, leases, transfers under finance arrangements and provisions of guarantees or collateral. There are no significant provisions for doubtful debts or individually significant bad debt expenses recognised on outstanding balances with related parties.

Transactions between ING and its subsidiaries are eliminated on consolidation. ING Belgium also enters into transactions with ING Bank NV and its subsidiaries. These transactions vary from financing activities to regular purchases and sales transactions.

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, 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 in particular several pending disputes over an alleged responsibility of the bank in the framework of allegedly fraudulent operations early in the years 2000, relating to third parties. The first instance body rendered two favourable decisions for the bank and one which was partially favourable for the Belgian state.

The bank has also been assigned by some customers who took out (intended to take out) a floating rate credit with ING or another bank and who signed in 2007-2008 an IRS contract ("Interest Rate Swap") with ING Belgium in order to hedge the increase of the interest rates which had been announced. The judgment in the first instance was in favour of ING in all the cases. The appeal procedure is still ongoing for some cases. Only one case resulted in a judgment of the Court of Appeal which was totally in favour of ING.

ING Belgium has also 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. ING won in the first instance. The IT services supplier lodged an appeal against the decision.

Finally, 81 retired ING employees assigned the bank after the disappearance of FMC-MHF («Fonds Médico Chirurgical – Medisch Heelkundig Fonds») (fund providing a medical coverage) as they were of the opinion that this disappearance (with proposed alternative solutions) caused a financial harm. The Court of First Instance ruled in favour of the complainants as far as the principle is concerned but did not yet take a decision on the extend of the damage allegedly caused. As there are still ongoing legal proceedings the amounts in scope cannot be disclosed.

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. ING Luxembourg is also 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.

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 2016, country by country

In thousands EUR	Nature of activities	Turnover (*)	Number of employees (in FTE)	Profit/loss before tax	Taxes on result	Government grants received
Belgium	Banking, other financial services and real estate	3.027.961	8.836	625.090	144.287	
Luxembourg	Banking, other financial services and insurance	209.246	790	74.685	32.182	
Canada	Other financial services	-29		-86		
USA	Other financial services	-30		-150		
Switzerland	Banking and other financial services	189.007	217	69.788	19.449	

(*) 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 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 Lease Luxembourg, ING Belgium International Finance Luxembourg sa

Canada:

Belgium Overseas Agencies Ltd

USA:

Belgian Overseas Issuing Corp

Switzerland:

ING Belgium Genève (branch)

Auditor's remuneration

KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises burg. CVBA/SCRL civile is the auditor of ING Belgium.
This was Ernst & Young Bedrijfsrevisoren / Réviseurs d'Entreprises burg. CVBA/SCRL civile in 2015.

The table below shows audit and non-audit fees for the group for the years 2015 and 2016.

Auditor's remuneration		
In EUR thousands	**2016**	**2015**
The auditors and related professional working partners		
1. Auditors' fees	**2,293**	**2,248**
1.1 Fees for the exercise of the audit mandate	2,293	1,945
1.2 Fees for extraordinary duties or special assignments executed for the group		303
a. Other control assignments		303
b. Tax advice assignments		
c. Other non-audit assignments		
2. Professional working partners' fees	**0**	**514**
2.1 Fees for the exercise of the audit mandate		446
2.2 Fees for extraordinary duties or special assignments executed for the group		68
a. Other control assignments		27
b. Tax advice assignments		
c. Other non-audit assignments		41

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

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

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 2016 was EUR 650,000.

Loans and advances to members of the Board of Directors

Loans and advances to members of the Board of Directors		
In EUR thousands	**2016**	**2015**
Loans and advances	2,670	1,211

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

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. 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 (or five) 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	**2016**	**2015**
Short term employee benefits	3,597	3,566
Post employment benefits	927	921
Other long term benefits	282	274
Termination benefits	0	0
Share based payments	629	655
TOTAL	**5,434**	**5,416**

Pension scheme for members of the Executive Committee

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

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 2016.

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.

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	2016	2015
Automotive	1.19%	1.05%
Builders and Contractors	3.72%	3.88%
Central Banks	4.02%	3.49%
Central Governments	7.77%	9.80%
Chemicals, Health and Pharmaceuticals	3.29%	2.93%
Civic, Religious and Social Organizations	0.26%	0.44%
Commercial Banks	7.32%	7.48%
Food, Beverages and Personal Care	3.57%	3.35%
General Industries	5.72%	5.80%
Lower Public Administration	5.56%	5.16%
Media	0.76%	0.79%
Natural Resources	12.44%	10.48%
Non-Bank Financial Institutions	3.69%	4.59%
Private Individuals	15.24%	15.95%
Real Estate	6.27%	6.09%
Retail	2.36%	2.29%
Services	10.41%	10.03%
Technology	0.52%	0.48%
Telecom	0.36%	0.40%
Transportation and Logistics	2.90%	2.94%
Utilities	1.22%	1.18%
Other	1.41%	1.40%
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	2016	2015
Cash and balances with central banks	5,008,639	4,267,049
Amounts due from banks		
of which: loans and advances to banks	9,885,421	12,558,705
of which: cash advances, overdrafts and other balances	0	110,201
Trading assets		
of which: equity securities	8,026	2,319,984
of which: debt securities	22,935	59,415
of which: derivatives	8,643,306	12,124,522
of which: loans and receivables	505	806
Non-trading derivatives	4,413,044	4,419,223
Designated at fair value through profit and loss	87,950	94,541
Available for sale debt securities	16,967,509	18,730,988
Held to maturity debt securities	925,897	958,873
Available for sale equity securities	55,414	78,065
Loans and advances to customers	101,632,669	92,800,051
TOTAL	**147,651,315**	**148,522,423**

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	**2016**	**2015**
AAA	5.44%	5.82%
AA	18.97%	19.53%
A	13.24%	13.40%
BBB	24.15%	25.05%
Subtotal investment grade	***61.81%***	***63.81%***
BB	25.19%	23.56%
B	8.91%	8.38%
Watch/Problem grade	4.09%	4.26%
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 [1]		
In EUR billions (in outstanding)	**2016**	**2015**
Belgium	89.51	84.80
Luxembourg	8.90	7.64
Switzerland	7.64	6.10
The Netherlands	7.42	9.09
France	4.32	4.56
Germany	4.11	2.99
United States	3.02	2.34
United Kingdom	2.48	1.67
Singapore	1.29	0.87
Spain	1.12	1.15

[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.

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.

Cover values

This section provides insight on the type of covers and to which extent a loan is collateralised. The cover disclosures are presented by risk category: Lending, Investment, Money-Market and Pre-settlement. The cover amounts are presented by the most relevant collateral forms, being mortgages and financial collateral (cash and securities), and the most relevant third party obligation being guarantees. ING obtains covers which are eligible for credit risk mitigation under CRR/CRDIV, as well as those that are not eligible.

The LTV for the mortgage book of ING Belgium nv/sa (standalone) is 64.4% and for Record Bank nv/sa (standalone) is 64.0 %.

Cover values including guarantees received - 2016						
		Cover type				
In EUR thousands	**Outstandings**	**Mortgages**	**Eligible Financial Collateral**	**Other CRR/CRDIV eligible**	**Guarantees**	**Non CRR/CRDIV eligible**
Consumer Lending	40,247,787	56,378,472	912,557	316,215	853,986	24,453,684
Business Lending	74,627,778	33,064,815	3,616,506	14,219,078	27,104,068	40,252,386
Money Markets and Investment	25,864,070	0	0	0	19,700	58,419
Pre-Settlement	6,629,952	0	19,683	0	0	244,186
TOTAL	**147,369,587**	**89,443,287**	**4,548,746**	**14,535,293**	**27,977,753**	**65,008,676**

Notes:

1. *Cover type 'Mortgages' includes mortgage mandates.*
2. *Cover amounts are based on ING internal valuation methods before haircuts per cover type.*
3. *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).*

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

Financial Assets past due but not yet impaired - 2016

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	1,740,628	342,805			
Other financial assets					
TOTAL	**1,740,628**	**342,805**	**0**	**0**	**0**

Forbearance

Forbearance occurs when a client is considered to be unable to meet its financial commitments under the contract due to financial difficulties and ING decides to grant concessions towards the client. Forborne exposures are exposures in respect of which forbearance measures have been granted. Forbearance measures can be either modifications to existing contractual terms and conditions or total or partial refinancing. Examples include reduction of loan principal and/or interest payments, extended payment terms, debt consolidations and deferral of foreclosures. To identify forbearance, ING assesses clients with performing and non-performing outstanding amounts with one of following triggers: Early Warning Signals; Watch List; Regularization; Restructuring; Recovery; Risk Class 18, 19; Days past due ≥ 30 days.

For corporate customers, ING applies forbearance measures to support clients with fundamentally sound business models that are experiencing temporary difficulties. The aim is to maximise the repayment ability of the clients. For ING retail customers, clear criteria have been established to determine whether a client is eligible for forbearance, generally as part of an automated process. Specific approval mandates are in place to approve the measures, as well as procedures to manage, monitor and report the forbearance activities.

Exposures with forbearance measures can be either performing (Risk Ratings 1-19) or non-performing (Risk Ratings 20-22). ING applies criteria to move forborne exposures from non-performing to performing as well as criteria to remove the forbearance status that are consistent with the corresponding EBA standards. An exposure is reported as forborne for a minimum of two years, plus a probation period observed for forborne exposures to move from non-performing back to performing.

ING implemented its forbearance policy in 2014. In the course of 2016 based on a detailed re-assessment of the relevant standards set by EBA and subsequent regulatory guidance, ING Bank tightened the definitions under its forbearance policy. Key policy revisions that led to an increase in the scope of forbearance relate to the inclusion of concessions where the risk is significantly mitigated by the client and waivers or modifications of key financial covenants. As a result of these revisions in definition and scope, performing forborne exposure recognised by ING increased significantly as measures taken (in previous periods) were now recognised as forbearance.

Foreborne assets

In EUR thousands	2016			2015		
	Foreborne assets	of which: Performing	of which: Non-performing	Foreborne assets	of which: Performing	of which: Non-performing
TOTAL	**1,323,122**	**550,378**	**772,743**	**1,317,953**	**440,877**	**877,076**

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 tables below provide a maturity analysis for financial assets and liabilities and show the remaining contractual maturities.

Assets

In EUR thousands	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Cash and balances with central banks	5,008,639						**5,008,639**
Amounts due from banks	6,754,934	246,383	1,237,499	925,300	721,305		**9,885,421**
Financials assets at fair value through profit and loss							**0**
- trading assets	741,729	418,148	921,769	2,711,155	3,881,971		**8,674,772**
- non-trading derivatives	148,956	132,494	367,373	1,520,462	2,243,759		**4,413,044**
- designated as at fair value through profit and loss	33,614	22,068	29,994	2,274			**87,950**
Investments:							**0**
- available-for-sale	355,780	194,569	1,739,097	8,199,040	6,479,024	55,414	**17,022,923**
- held-to-maturity		45,440	218,532	575,109	86,817		**925,897**
Loans and advances to customers	16,503,099	6,782,661	6,887,692	28,457,333	43,001,884		**101,632,669**
Intangible assets			33,308	66,617		2,557	**102,483**
Assets held for sale							**0**
Other assets	1,234,921	28,114	64,338	210,434	209,574		**1,747,381**
Remaining assets (where maturities are not applicable)						917,541	**917,541**
TOTAL ASSETS	**30,781,672**	**7,869,877**	**11,499,602**	**42,667,723**	**56,624,334**	**975,512**	**150,418,720**

Liabilities

In EUR thousands	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Subordinated loans			87,961	33,889	1,318,579		**1,440,429**
Debt securities in issue	214,016	270,278	789,536	4,652,614	1,816,807		**7,743,252**
Other borrowed funds							**0**
Amounts due to banks	9,579,213	778,285	70,781	2,182,714	722,636		**13,333,629**
Customer deposits and other funds on deposit	91,162,586	4,072,133	849,298	660,815	301,466		**97,046,298**
Financial liabilities at fair value through profit and loss							**0**
- other trading liabilities				73			**73**
- trading liabilities	633,535	444,450	1,004,082	2,635,469	4,091,265		**8,808,801**
- non trading derivatives	230,886	118,016	366,418	1,401,802	3,956,990		**6,074,112**
- designated as at fair value through profit and loss	19,100	102,683	272,029	1,206,482	189,036		**1,789,330**
Liabilities held for sale							**0**
Other liabilities	2,274,801	2,616	469,109	811,302	241,243		**3,799,071**
Remaining liabilities (where maturities are not applicable)						94,002	**94,002**
Non-financial liabilities							**0**
TOTAL LIABILITIES	**104,114,137**	**5,788,460**	**3,909,214**	**13,585,161**	**12,638,022**	**94,002**	**140,128,997**

Contingent liabilities and commitments - 2016

In EUR thousands	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Contingent liabilities in respect of:						
- Discounted bills						0
- Guarantees	464,229	510,517	834,185	1,039,847	2,996,185	5,844,963
- Irrevocable letters of credit	1,206,871	3,865,584	767,640	96,240	1,068	5,937,402
- Other						0
Subtotal	**1,671,100**	**4,376,101**	**1,601,824**	**1,136,087**	**2,997,253**	**11,782,365**
- Irrevocable facilities	2,809,627	386,621	2,282,216	12,753,372	4,784,421	23,016,256
TOTAL	**4,480,727**	**4,762,722**	**3,884,040**	**13,889,459**	**7,781,673**	**34,798,620**

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 Head of Bank Treasury and the Head of Communications.

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 Financial Markets and their support departments are reviewed by a weekly Financial Markets Committee, which is headed by the member of the Executive Committee in charge of all financial markets 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 Financial Markets 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 Financial Markets Committee.

Precise requirements have been laid down as regards reporting to the Financial Markets 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.

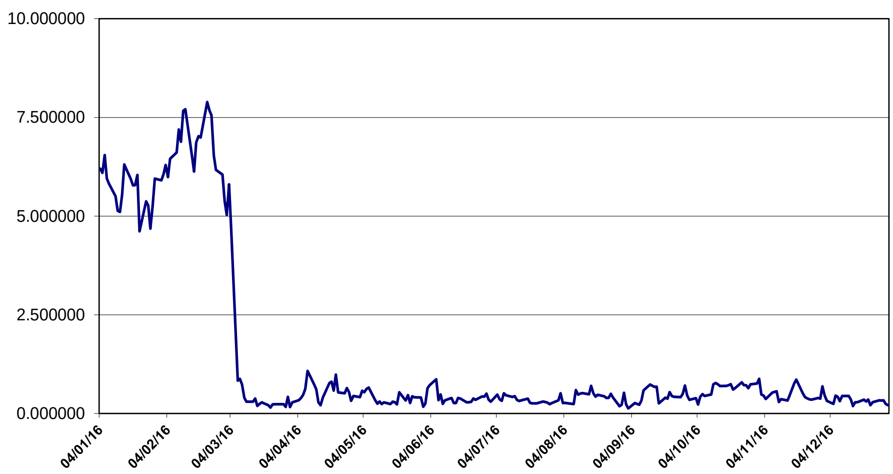
The Incremental Risk Charge (IRC) is defined as an estimate of default and migration risk of un-securitised credit products in the trading books over a one-year capital horizon at a 99.9% confidence level. Default risk is defined as the P&L impact due to an issuer defaulting. Migration risk is defined 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 2016.

Consolidated Trading Hvar 1d 2016
(in EUR million)



The large fall appearing end of March 2016 is due to the move of the activity on equities from ING Belgium to the ING NV Belgian Branch.

Consolidated trading VaR 1d		
In EUR millions	**2016**	**2015**
VaR as at 31 December	0.21	4.78
Highest VaR	7.89	6.81
Lowest VaR	0.13	2.05
Average VaR	1.42	3.78
Backtest outliers	2.00	2.00

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.

P&L and equity sensitivity for interest rate shocks
In case of a 100 bps parallel downward interest rate shock, the impact on the earnings would remain stable mainly due to the fact that mortgage rates and non-maturing deposit rates are at historically low levels and will not further decrease in a scenario of decreasing interest rates. A parallel upward shock of 100 bps would increase the earnings by 50 mln.

The NPV impact for a 100 bps parallel downward and upward shock will be respectively -80 mln or -88 mln. This impact is almost fully linked to the mortgage portfolio.

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 Financial Markets, which performs the day-to-day management of all foreign currency positions.

ING Belgium is mainly a EUR driven bank, but has also originated assets and liabilities in USD and to a lesser extend in other currencies such as GBP and CHF. The USD risks are under control via a Funding & Liquidity USD Risk Appetite Statement and hence the FX exposure is very limited.

Operational risk

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

Scope of operational risks

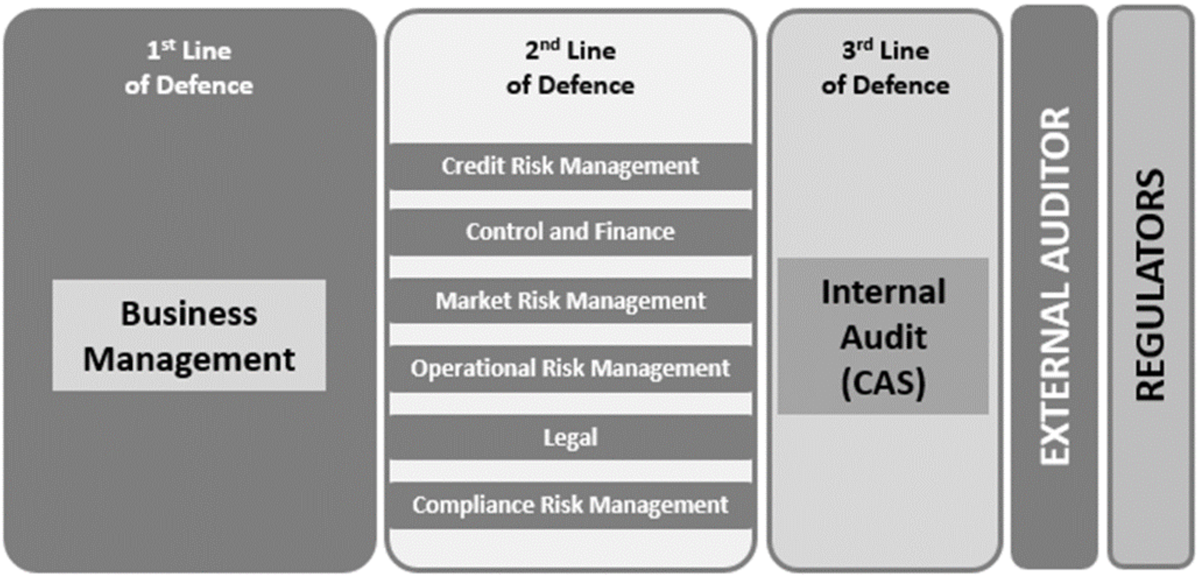
Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes also reputational and legal risk. Strategic risk is not part of operational risk. Operational risk in general is an umbrella category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

- Control risk
- Unauthorized 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 Defence

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



First line of defence

Heads of ING businesses have primary responsibility and accountability for the effective control of risks affecting their business (the 'first line of defence').

The first line of defence is responsible for the implementation and execution of ING's risk policies, minimum standards and the framework set by the second line of defence. Examples of typical first-line-of-defence 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 (*) and Compliance policies, minimum standards, taking into account local laws and regulations;
- ensure the operating effectiveness of the key controls.

(*) Corporate Operational Risk Management (CORM) is part of the Corporate Risk Bank 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 defence

Risk management functions (the 'second line of defence') are an independent partner of and support the first line of defence's risk management activities. Examples of typical second-line-of-defence 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 defence

Corporate Audit Services (CAS) operates as the 'third line of defence'. 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:

1) Money Laundering Reporting (Officer) (MLRO);
2) Compliance Advisory and Monitoring;
3) ORM Advisory;
4) 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 who reports directly to the CRO.

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 each team reports directly to the Head of Compliance who reports directly to the CRO.

The 'ORM Advisory' division consists of some specialized activities: Capital & Governance, NFR Data Management, NFR Asset Functional Management & Support, Advisory/Challenging & 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 centre whose Head also directly reports to the Head of ORM who reports directly to the CRO.

The 'Information Risk Management' division consists of two teams that ensure that the data of ING is secured against cybercrime and that the correct policy is in place and applied. This division also includes the Business Continuity Management. The Head of each team reports to the Head of ORM (IRM) who reports directly to the CRO.

Functional organization

The ING Belgium Operational & Compliance Risk Department has a number of functional reporting lines. The MLRO has a functional reporting line to the MLRO of the bank. The Head of Compliance has a functional reporting line to the Compliance Officer of the bank. The Head of ORM has a functional reporting line to the ORM Officer of the bank and is also regional ORM Officer for all business units of ING BeLux. The Head of the 'Special Investigations' team has a functional reporting line to 'Corporate Security' division within the Corporate ORM department (bank). The Head of Information Risk Management (IRM) has a functional reporting line to the Information Security Officer of the bank.

Capital management

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 risks 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, including regulatory requirements.

ING applies the following main capital definitions:

- Common Equity Tier 1 (CET1): mainly composed of common stock and retained earnings, reduced by prudential filters and deductible elements;
- Tier 1 capital: composed of Common Equity Tier 1 and hybrid capital;
- Total capital: composed of Tier 1 and Tier 2 capital (subordinated term debt);
- CET1, Tier 1 and Total capital divided by Risk Weighted Assets equal the CET1, Tier 1 and Total capital ratios, respectively.

Developments

In January 2014, ING Belgium officially began reporting capital requirements and available capital as per the CRDIV and CRR1 (commonly referred to as Basel III). ING Belgium maintains healthy solvency ratios following the change.

In March 2015, ING Belgium proceeded with the issue of USD 600 mln subordinated Tier 2 capital. This CRD IV compliant instrument has an original tenor of 10 years, and was issued to parent company ING Bank NV. This issue, in addition to the previous issue of EUR 750 mln in June 2014, brings total Tier 2 to EUR 1.3 bln since 31 March 2015.

Policies

The activities of Capital Management are executed on basis of established policies, guidelines and procedures. The main documents that serve as guidelines for managing capital are the Capital Plan (comprising the approved internal targets and regulatory requirements for capital), the ING Bank Capital Investment 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.

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, and by ensuring adherence to the set limits and targets through planning and executing capital management transactions.

This process is supplemented by solvency 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, in compliance with regulatory requirements.

Capital Adequacy Assessment

During 2016, the entities of ING Belgium were adequately capitalised in relation to their risk profile and strategic objectives.

Following the introduction of the Single Supervisory Mechanism (SSM) at the end of 2014, ING Bank and its subsidiaries file a single Internal Capital Adequacy Assessment Process (ICAAP) report to the European Central Bank (ECB).

On a yearly basis ING Belgium provides extensive documentation on the ICAAP to the ECB Joint Supervisory Team as prescribed in the Basel III framework. This documentation includes a description of ING's operating environment, banking operations, current and forward-looking capital position, risk appetite, stress testing and Economic Capital analysis.

Regulatory capital requirements

Capital is required to support credit, market and operational risks. 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 solvency ratios compare the amount of eligible capital (CET1, Tier 1 and Total capital) 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 are phasing-in annually until they are fully implemented in 2019.

The Capital Conservation buffer (2.5% of RWA, fully loaded) is designed to ensure that banks build up capital buffers outside periods of stress, which can be drawn down as losses are incurred. This buffer has been phasing in since 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. The level of countercyclical buffer requirement per country of exposure and its time of application are determined by national authorities (NBB in Belgium), based on macroeconomic developments.

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 GSIBs 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 DSIB buffer of 1.5%, phasing in annually over 3 years since January 2016.

Excluding the impact of the capital buffers, in 2016 the minimum Pillar I capital requirements were as follows:

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

These ratios need to be augmented with the combined buffer requirements, i.e. for ING Belgium, on a fully loaded basis: 2.5% Capital Conservation Buffer, 1.5% (DSIB) systemic buffer and 0.02% counter-cyclical buffer. This results in the following ratios:

- Core Tier 1 ratio: 8.52%
- Tier 1 ratio: 10.02%
- Total Capital ratio: 12.02%.

Consolidated annual accounts - continued

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

Capital Position - Capital Ratio				
	2016		2015	
In EUR millions	2016 rules (CRR/CRD IV phased in)	2019 rules (CRR/CRD IV fully loaded)	2015 rules (CRR/CRD IV phased in)	2019 rules (CRR/CRD IV fully loaded)
Shareholders' equity (parent)	10,290	10,290	9,792	9,792
Regulatory adjustments:				
Minority interests, counting as Common equity Tier 1	43	-21	57	-85
Goodwill and intangibles deducted from Tier 1 [1]	-102	-102	-149	-149
Provision shortfall [2]	-242	-242	-229	-229
Revaluation reserve debt securities	-316		-375	
Revaluation reserve equity securities				
Revaluation reserve real estate				
Revaluation reserve cash flow hedge	140	140	160	160
Prudent valuation adjustment	-19	-19	-21	-21
Investments >10% FI, exceeding 10% threshold				
Prudential filters:				
Profit of the year	-572	-572	-950	-950
Defined benefit remeasurement (IAS19R)				
Net defined benefit pension fund assets				
Deferred tax assets	-1	-1	-1	-1
Own credit risk adjustments to derivatives (DVA)	19	19	41	41
Foreseeable dividend	-858	-858	0	0
Available capital - Common equity Tier 1	8,381	8,633	8,327	8,559
Subordinated loans qualifying as Tier 1 capital				
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	8,381	8,633	8,327	8,559
Supplementary capital - Tier 2	1,332	1,332	1,338	1,338
Provision shortfall [2]				
IRB excess provision	14	14	22	22
Investments >10 FIs, exceeding 10% threshold	-1	-1	-3	-3
Minority interests, counting as Tier 2 capital				
Available Tier 3 funds				
BIS capital	9,727	9,979	9,684	9,916
Risk-weighted assets	58,744	59,359	57,335	58,339
Common Equity Tier 1 ratio	14.27%	14.54%	14.52%	14.67%
Tier 1 ratio	**14.27%**	14.54%	**14.52%**	14.67%
Total Capital Ratio	**16.56%**	16.81%	**16.89%**	17.00%

[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.

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 2016

The Auditor's report relates to the chapters up to 'Consolidated annual accounts'.

KPMG

Statutory auditor's report to the general meeting of ING Belgium NV/SA as of and for the year ended 31 December 2016

In accordance with the legal requirements, we report to you in the context of our statutory auditor's mandate. This report includes our report on the consolidated financial statements as of and for the year ended 31 December 2016, as defined below, as well as 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/SA ("the Company") and its subsidiaries (jointly "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2016, the consolidated income statement, consolidated statement of comprehensive Income, consolidated statement of changes in equity and consolidated cash flow statement for the year, and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated balance sheet amounts to EUR 150,418,720 thousand, the consolidated Income statement shows a profit of the year of EUR 573,410 thousand, and the consolidated statement of comprehensive income shows a profit for the year of EUR 487,703 thousand.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

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) as adopted in Belgium. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Maatschappelijke zetel - Siège social:
Bourgetlaan - Avenue du Bourget 40
1130 Brussel - Bruxelles
België - Belgique

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises
CVBA/SCRL
Burgerlijke vennootschap met handelsvorm en met beperkte aansprakelijkheid - Société civile à forme commerciale et à responsabilité limitée
BTW - TVA BE 0419.122.548
RPR Brussel - RPM Bruxelles

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 Company's preparation and fair presentation of the consolidated financial statements 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 and 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 Company's officials and the board of directors the explanations and information necessary for performing our audit.

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

Unqualified opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and consolidated financial position as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Other matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2015 were audited by another auditor who expressed an unqualified opinion on those statements on 8 April 2016.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the Report of the Management Board on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not modify the scope of our opinion on the consolidated financial statements:

— The Report of the Management Board on 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, 12 April 2017

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by

Olivier Macq
Réviseur d'Entreprises / Bedrijfsrevisor

Document Classification: KPMG Public 3

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		2016	
		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)	133,387	133,387
2	(Asset amounts deducted in determining Tier 1 capital)	-503	-187
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**132,884**	**133,200**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	2,761	2,761
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	2,077	2,077
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)**	**4,838**	**4,838**
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	1	1
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)**	**1**	**1**
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	37,127	37,127
18	(Adjustments for conversion to credit equivalent amounts)		
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**37,127**	**37,127**
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	8,381	8,633
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**174,850**	**175,166**
Leverage ratio			
22	**Leverage ratio**	**4.79%**	**4.93%**
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

Introduction

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 in 2015 to take into account a downturn LGD and ING specific concentration factors.

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.

Basis and scope of credit risk presentation

In the credit risk section of Pillar III, data included in tables are related to ING Belgium's core credit risk activities in the areas of: Lending (both on- and off-balance); Securities Financing, Derivatives (collectively Pre-Settlement Risk), Money Market activities (including reserve deposits at Central Banks) and Investment Risks. Credit Risk in the trading book is excluded and covered in the Market Risk section of the Annual Accounts.

The amounts presented in this section relate to amounts used for Credit Risk Management purposes, which follow ING's interpretation of the definitions as prescribed under the CRR/CRD IV accords. Therefore, the numbers can be different from the accounting numbers as reported in the annual accounts under IFRS-EU. An example is the treatment of ONCOA items – while the accounting numbers include ONCOA, they are excluded from Pillar III overviews.

Unless stated otherwise, the tables included in this section focus on the measurement of Regulatory Exposure at Default (READ) and Credit Risk Weighted Assets (RWA) under the CRR/CRD IV definitions. READ is generally the sum of the on-balance and off-balance sheet: Lending, Investment, Money Market and Pre-Settlement activities plus an estimated portion of the unused credit facilities extended to the obligor. The amounts associated with Investment and Lending activities are based on the original amount invested less repayments. Additionally, the risk weighting amounts (plus add-ons) are included. RWA include e.g. macro-prudential 5% add-on on Belgian residential mortgages and RWA on central governments and central banks that would have been exempted under the Standardized Approach. Multiplying RWA by 8% will result in the level of Regulatory Capital (RC) that is required to be held against these portfolios (for the Credit Risk portion of the activities).

Figures for Derivatives and Securities Financing are based on 'risk weighted amounts', which generally is equal to the market-to-market value of the underlying trades plus a (regulatory defined) 'add-on' which represents estimated potential future exposure. The amounts are then further modified by an adjustment that is related to the underlying collateral (market) values (after a haircut is applied) and any legal netting or compensation that may be permitted under various master agreement arrangements such as ISDA master agreements and Credit Support Annexes (CSAs).

Off-balance sheet exposures include letters of credit and guarantees, which are associated with the Lending Risk category. Additionally, off-balance sheet exposures include a portion of the unused limits, associated with the expected use of the unused portion of the limit between the moment of measurement and the theoretical moment of statistical default. Collectively, these amounts are called 'Credit Risk outstandings'.

Exposures associated with Securitisations (Asset Backed Financing, Commercial / Residential Mortgage Backed Securities) are included in 'Credit Risk outstandings'.

Approaches applied

On 1 January 2008, ING Belgium adopted the Advanced Internal Ratings Based (AIRB) approach for the majority of its significant portfolios that contain credit risk in accordance with the approvals granted by NBB (Belgian Central Bank), as required. However, there remains a small portion of the portfolio that is subject to the Standardised Approach (SA). Depending on the regulatory landscape, ING will continue to explore opportunities to transition additional portfolios from SA to AIRB. ING Belgium does not have any portfolios that use the Foundation Internal Ratings Based (FIRB) Approach.

Basel III introduced an additional regulatory capital charge for material increases in the CVA, the market price of the credit risk of derivatives. In particular, as credit spreads of ING Belgium's counterparties increase, CVA will increase as well and ING Belgium will incur a loss. ING Belgium follows the standardised approach for calculation of the capital charge to cover CVA Risk (CVA Capital) in accordance with the CRR/CRD IV. The scope of the products and counterparties that the CVA Capital charge is applied to also follows those regulations. In order to make CVA comparable to credit RWA, we use in some of the tables below the concept of "CVA RWA", which is the product of CVA capital requirement by 12.5.

ING Belgium uses the AIRB and the Internal Assessment Approach (IAA) for liquidity lines provided to Asset Back Commercial Paper programmes.

Additional information - continued

Credit Risk Weighted Assets Migration Analysis

The table below explains the changes in Credit RWA during the reporting period and provides additional information by linking the impact on Credit RWA of changes in portfolio composition, model changes and shifts in the risk environment. The table reconciles movements in Credit RWA for the period for each Credit RWA risk type of ING Belgium for the SA and AIRB portfolio including securitisations.

Flow statement for Credit RWA

In EUR billions	2016	2015
Opening Amount	**40.0**	**40.5**
Regulatory Requirements [1]	5.9	0.2
Portfolio Change		-1.0
Model Change [2]	0.8	-0.6
Volume Change	3.0	1.0
Currency impact	0.2	0.7
Other	-0.5	-0.5
Total Credit RWA movement excluding CVA RWA	**9.4**	**-0.2**
CVA RWA movement [3]	-0.3	-0.3
Total Credit RWA movement	**9.1**	**-0.5**
CLOSING AMOUNT	**49.1**	**40.0**

Excluding equities and ONCOA.

1 Regulatory Requirements: the increase of € +5.7 billion in 2016 is due to the fact that the add-on for Mortgages and the 35% penalty for the local SME and SBF LGD models are no longer reported in ONCOA, as they were in 2015, but are included in these figures.
2 Model Change: model implementation, change in model scope or any change to address model malfunctions including changes through model calibrations / realignments.
3. CVA RWA is the CVA capital requirement multiplied by 12,5

Overall, RWA management has a very high priority throughout ING Belgium in all aspects of our business. From product design, to pricing, to divestment decisions, RWA management is extensively monitored, reported, and managed at all levels of the organisation.

Advanced IRB and Standardised Approach

ING Belgium uses two methods to calculate Regulatory Capital for Credit Risk within its portfolio: the Advanced Internal Rating Based (AIRB) approach and the Standardised Approach (SA). The AIRB approach is permitted by the Regulator if there are regulatory approved rating models (PD, EAD and LGD) in place, if the Legal Entity is AIRB compliant and if the (local) management understands and uses these rating models (Basel Use Test) in their credit decision making processes. ING Belgium does not use the Basel Foundation IRB Approach (FIRB) for any of its portfolios. This section is to be read in conjunction with the Risk Management paragraph.

Exposure classes

The Basel Accord has developed the concept of 'Exposure Classes'. These are essentially groupings of credit risks associated with a common obligor type or product type. For the AIRB and Standardised Approach, most of the exposure classes have subcategories. ING has applied the following definitions to determine Exposure Classes:

- C***entral Governments and Central Banks*** (hereafter ***Sovereigns***) include Sovereign Government entities, Central Banks, CRR/CRD IV recognized Local / Regional Authorities and Public Sector entities as well as Supranational Organisations;
- ***Institutions*** include all Commercial Banks and non-Bank Financial Institutions;
- ***Corporates*** include all legal entities, that are not considered to be Governments, Institutions or Retail;
- ***Retail*** includes the following classes:
  - o ***Residential Mortgages*** include loans secured by mortgages on residential properties that are not part of a securitisation investment; and
  - o ***Retail Other*** includes all other credit obligations related to Retail SMEs (such as partnerships and one-man businesses) and private individuals (such as consumer loans, car loans and credit cards). Under these exposure class definitions, it is possible for a private individual to be included under both Residential Mortgages and Retail Other.

In the tables below, the official Basel subcategories for the AIRB and SA approach are given, together with their mappings to the ING exposure classes.

Additional information - continued

Basel AIRB exposure classes	ING Bank exposure class
Central governments and central banks	Sovereigns
Institutions	Institutions
Corporates - Specialised Lending	Corporates
Corporates - SME	Corporates
Corporates - Other	Corporates
Retail - Secured by immovable property SME	Retail (Other)
Retail - Secured by immovable property non-SME	Retail (Residential Mortgages)
Retail - Qualifying revolving	N/A
Retail - Other SME	Retail (Other)
Retail - Other non-SME	Retail (Other)
Securitisations	SEC AIRB

Basel SA exposure classes	ING Bank exposure class
Central governments or central banks	N/A
Regional governments or local authorities	Sovereigns
Public sector entities	N/A
Multilateral developments banks	N/A
International organisations	N/A
Institutions	Institutions
Corporates	Corporates
Retail	Retail (Other)
Secured by mortgages on immovable property	Retail (Residential Mortgages)
Exposures in default	All
High risk items	N/A
Covered bonds	N/A
Claims on institutions and corporate with a short-term credit assessment	N/A
Claims in the form of CIU	N/A
Equity Exposures	N/A
Other items	N/A

The SA exposure class 'Exposures in default' is mapped to the ING exposure class in which the exposure would have been if performing.

Credit risk per exposure type and exposure class

The table below shows the total READ and RWA for ING Belgium by Basel defined exposure types for both the SA and AIRB portfolio per exposure class. CVA has been reported separately.

Model approaches per exposure class

In EUR millions		Sovereigns		Institutions		Corporates		Residential Mortgages		Other Retail		Total 2016		Total 2015	
Model approach	Exposure type	READ	RWA	READ	RWA	READ	RWA	READ	RWA	READ	RWA	READ	RWA	READ	RWA
SA approach	On-balance	4	1	30	6	1,084	1,073	0	0	236	253	1,353	1,332	1,103	1,031
	Off-balance	0	0	0	0	73	72	0	0	0	0	74	72	155	153
Total SA		**4**	**1**	**30**	**6**	**1,158**	**1,145**	**0**	**0**	**236**	**253**	**1,428**	**1,405**	**1,257**	**1,184**
AIRB approach	On-balance	19,377	1,120	16,283	2,640	46,894	21,848	31,226	5,918	11,963	3,784	125,743	35,310	117,807	27,199
	Off-balance	2,322	94	1,988	357	18,090	7,211	1,169	205	1,683	575	25,252	8,441	23,786	6,803
	Securities Financing	0	0	1	0	0	0	0	0	0	0	1	0	485	3
	Derivatives	368	57	2,836	891	1,624	939	0	0	11	4	4,838	1,891	7,755	2,359
Total AIRB		**22,067**	**1,271**	**21,107**	**3,887**	**66,608**	**29,998**	**32,395**	**6,124**	**13,657**	**4,363**	**155,833**	**45,642**	**149,833**	**36,364**
SEC AIRB	On-balance											2,254	317	2,651	426
	Off-balance											417	35	475	40
Total SEC AIRB		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,671**	**353**	**3,125**	**466**
Total Bank		**22,071**	**1,272**	**21,136**	**3,893**	**67,765**	**31,143**	**32,395**	**6,124**	**13,894**	**4,616**	**159,932**	**47,400**	**154,215**	**38,015**
CVA	SA Portfolio											0	0		
	AIRB Portfolio		1		1,689		11					0	1,702		2,034
Total CVA		**0**	**1**	**0**	**1,689**	**0**	**11**	**0**	**0**	**0**	**0**	**0**	**1,702**	**0**	**2,034**
TOTAL BANK INCLUDING CVA		**22,071**	**1,273**	**21,136**	**5,582**	**67,765**	**31,154**	**32,395**	**6,124**	**13,894**	**4,616**	**159,932**	**49,101**	**154,215**	**40,049**

Includes both AIRB and SA portfolios; excludes equities and ONCOA.
Default Fund Contribution to Central Clearing Parties is included under exposure class Institutions.

Additional information - continued

Sovereign credit risk disclosure

The table below presents the READ and RWA (excl. CVA RWA), segmented by relevant factors for the exposure class 'Sovereigns'. According to article 10 of NBB regulation implementing the CRR, which removes the RWA exemption for sovereigns exempted under the Standardized Approach, RWA are calculated under the IRB approach and included for 40% in 2015 and for 60% in 2016.

The figures per geography for each exposure class are based on the country of residence of the obligor. The definitions associated with ING Belgium's transfer risk positions and economic country risk exposure can be found in the Risk Management paragraph.

Sovereigns - credit risk disclosure in READ and RRWA

In EUR millions		READ			RRWA		
		2016	2015	Delta %	2016	2015	Delta %
Sovereigns	**Total per rating**	22,071	22,597	-2.3%	1,272	1,166	9.1%
	01. Performing	22,071	22,597	-2.3%	1,272	1,166	9.1%
	02. Non-performing	0	0	13.4%	0	0	13.4%
Sovereigns	**Geography/business units**	22,071	22,597	-2.3%	1,272	1,166	9.1%
	Africa	20	1	3,843.9%	2	0	1,598.5%
	Asia	39	0	17,026.3%	21	0	4,124.2%
	Europe	22,012	22,596	-2.6%	1,249	1,165	7.2%
Sovereigns	**Europe** *	22,012	22,596	-2.6%	1,249	1,165	7.2%
	1. Belgium	13,480	13,267	1.6%	805	591	36.2%
	2. Germany	2,108	2,137	-1.4%	81	63	28.2%
	3. Luxembourg	2,025	2,008	0.8%	13	11	17.6%
	X. Other Europe	4,400	5,184	-15.1%	350	500	-30.0%
Sovereigns	**Product type** *	22,071	22,597	-2.3%	1,272	1,166	9.1%
	1. Bond Investments	11,200	13,141	-14.8%	836	878	-4.8%
	2. Money Market	4,955	3,884	27.6%	54	27	97.8%
	3. Revolving	3,704	3,244	14.2%	88	53	68.1%
	4. Term Loans	1,792	1,456	23.1%	215	165	30.5%
	5. Derivatives	368	385	-4.6%	57	40	43.7%
	X. Other	53	486	-89.2%	22	4	436.8%
Sovereigns	**PD bands**	22,071	22,597	-2.3%	1,272	1,166	9.1%
	01. <0.05%	21,591	21,850	-1.2%	1,091	809	34.9%
	02. 0.05% to 0.5%	420	744	-43.5%	157	354	-55.5%
	03. 0.5% to 5%	31	1	2,993.0%	2	1	340.9%
	04. 5% to 10%	28	0	8,811.8%	21	1	1,834.8%
	05. 10% to 20%	0	1	-93.4%	0	2	-93.9%
	06. 20% to 50%	0	0	-100.0%	0	0	-100.0%
	07. more than 50%	0	0	13.4%	0	0	13.4%
Sovereigns	**LGD bands**	22,071	22,597	-2.3%	1,272	1,166	9.1%
	01. <10%	98	49	102.2%	4	1	359.0%
	02. 10% to 20%	383	508	-24.6%	33	26	25.0%
	03. 20% to 30%	398	439	-9.3%	7	13	-40.7%
	04. 30% to 40%	21,084	21,167	-0.4%	1,173	891	31.6%
	05. 40% to 50%	99	434	-77.1%	35	234	-85.0%
	06. 50% to 60%	0	0	-	0	0	-
	07. more than 60%	9	0	2,168.3%	20	1	1,456.6%

Includes both AIRB and SA portfolios; excludes equities, CVA RWA and ONCOA.
* Top 3/top 5 countries/product types determined with 2016 data as reference.

Additional information - continued

Financial institutions credit risk disclosure

This table presents the READ and RWA (excluding CVA RW), segmented by relevant factors for the exposure class 'Institutions'.

Institutions - credit risk disclosure in READ and RRWA

In EUR millions		READ			RRWA		
		2016	2015	Delta %	2016	2015	Delta %
Institutions	**Total per rating**	21,136	24,404	-13.4%	3,893	4,798	-18.9%
	01. Performing	21,135	24,402	-13.4%	3,891	4,797	-18.9%
	02. Non-performing	1	2	-29.7%	2	1	82.8%
Institutions	**Geography/business units**	21,136	24,404	-13.4%	3,893	4,798	-18.9%
	Africa	1	193	-99.3%	1	255	-99.7%
	America	1,196	1,365	-12.4%	112	174	-35.4%
	Asia	379	317	19.5%	78	89	-12.4%
	Australia	41	40	2.6%	1	3	-55.4%
	Europe	19,519	22,488	-13.2%	3,700	4,276	-13.5%
Institutions	**Europe**	19,519	22,488	-13.2%	3,700	4,276	-13.5%
	1. Belgium	8,678	8,009	8.4%	1,726	1,571	9.8%
	2. Netherlands	5,461	6,923	-21.1%	1,264	1,320	-4.2%
	3. France	1,383	1,605	-13.8%	151	246	-38.5%
	X. Other Europe	3,997	5,952	-32.9%	560	1,140	-50.9%
Institutions	**Product type**	21,136	24,404	-13.4%	3,893	4,798	-18.9%
	1. Term Loans	7,773	7,597	2.3%	1,534	1,475	4.0%
	2. Bond Investments	3,968	4,309	-7.9%	324	393	-17.6%
	3. Money Market	4,421	4,596	-3.8%	770	658	17.0%
	4. Derivatives	2,836	5,342	-46.9%	891	1,378	-35.4%
	5. Revolving	1,492	1,984	-24.8%	259	717	-63.9%
	X. Other	648	576	12.4%	116	177	-34.3%
Institutions	**PD bands**	21,136	24,404	-13.4%	3,893	4,798	-18.9%
	01. < 0.05%	8,734	7,971	9.6%	1,458	1,314	11.0%
	02. 0.05% to 0.5%	12,195	15,729	-22.5%	2,253	2,951	-23.6%
	03. 0.5% to 5%	177	637	-72.2%	142	448	-68.2%
	04. 5% to 10%	8	20	-57.0%	8	11	-29.0%
	05. 10% to 20%	19	42	-55.3%	28	64	-56.7%
	06. 20% to 50%	1	3	-49.0%	2	9	-80.8%
	07. more than 50%	1	2	-29.7%	2	1	82.8%
Institutions	**LGD bands**	21,136	24,404	-13.4%	3,893	4,798	-18.9%
	01. < 10%	4,064	4,128	-1.5%	175	236	-25.9%
	02. 10% to 20%	1,561	2,464	-36.7%	167	308	-45.7%
	03. 20% to 30%	198	857	-76.9%	39	211	-81.5%
	04. 30% to 40%	15,051	15,891	-5.3%	3,277	3,230	1.5%
	05. 40% to 50%	3	30	-88.9%	4	30	-86.6%
	06. 50% to 60%	125	631	-80.2%	84	384	-78.0%
	07. more than 60%	134	402	-66.7%	146	398	-63.4%

Includes both AIRB and SA portfolios; excludes equities, CVA RWA and ONCOA.
* Top 3/top 5 countries/product types determined with 2016 data as reference.

Additional information - continued

Corporate credit risk disclosure

This table presents the READ and RWA (excluding CVA RWA), segmented by relevant factors for the exposure class 'Corporates'. The Industry breakdown for this table is based on the NAICS system (North American Industry Classification System).

Corporates - credit risk disclosure in READ and RRWA

In EUR millions		READ			RRWA		
		2016	2015	Delta %	2016	2015	Delta %
Corporates	**Total per rating**	67,765	58,910	15.0%	31,143	22,765	36.8%
	01. Performing	66,443	57,608	15.3%	29,865	21,786	37.1%
	02. Non-performing	1,322	1,302	1.6%	1,278	979	30.6%
Corporates	**Geography/business units**	67,765	58,910	15.0%	31,143	22,765	36.8%
	Africa	939	613	53.3%	688	284	142.1%
	America	4,412	3,344	31.9%	1,225	1,058	15.8%
	Asia	3,001	2,486	20.7%	1,049	702	49.6%
	Australia	83	130	-35.9%	47	102	-53.8%
	Europe	59,330	52,338	13.4%	28,133	20,620	36.4%
Corporates	**Europe**	59,330	52,338	13.4%	28,133	20,620	36.4%
	1. Belgium	36,118	33,701	7.2%	19,549	14,485	35.0%
	2. Switzerland	6,286	4,903	28.2%	1,878	1,326	41.6%
	3. Luxembourg	4,848	4,639	4.5%	1,630	1,298	25.6%
	X. Other Europe	12,077	9,096	32.8%	5,076	3,511	44.6%
Corporates	**Industry type**	67,765	58,910	15.0%	31,143	22,765	36.8%
	1. Natural Resources	17,190	13,930	23.4%	6,325	4,500	40.6%
	2. Real Estate	9,448	8,273	14.2%	4,875	3,365	44.8%
	3. Services	7,580	6,076	24.8%	4,408	2,544	73.3%
	4. Food, Beverages & Personal Care	5,429	6,247	-13.1%	2,514	2,426	3.6%
	5. General Industries	4,515	4,104	10.0%	2,085	1,644	26.8%
	X. Other	23,603	20,280	16.4%	10,936	8,285	32.0%
Corporates	**PD bands**	67,765	58,910	15.0%	31,143	22,765	36.8%
	01. < 0.05%	4,797	4,013	19.5%	540	467	15.8%
	02. 0.05% to 0.5%	38,238	34,701	10.2%	12,702	10,536	20.6%
	03. 0.5% to 5%	20,442	16,587	23.2%	13,298	8,655	53.6%
	04. 5% to 10%	1,400	1,139	22.9%	1,416	850	66.7%
	05. 10% to 20%	1,110	891	24.6%	1,334	1,014	31.5%
	06. 20% to 50%	456	278	64.0%	573	264	117.4%
	07. more than 50%	1,322	1,302	1.6%	1,278	979	30.6%
Corporates	**LGD bands**	67,765	58,910	15.0%	31,143	22,765	36.8%
	01. < 10%	12,937	11,042	17.2%	1,500	1,142	31.3%
	02. 10% to 20%	9,783	10,156	-3.7%	3,405	2,970	14.6%
	03. 20% to 30%	10,812	10,393	4.0%	4,710	3,458	36.2%
	04. 30% to 40%	21,607	17,268	25.1%	13,319	9,146	45.6%
	05. 40% to 50%	9,218	8,410	9.6%	5,019	4,367	14.9%
	06. 50% to 60%	1,494	499	199.7%	1,228	402	205.7%
	07. more than 60%	1,915	1,144	67.5%	1,962	1,280	53.2%

Includes both AIRB and SA portfolios; excludes equities, CVA RWA and ONCOA.
* Top 3/top 5 countries/industry types determined with 2016 data as reference.

Additional information - continued

Retail credit risk disclosure

This table presents the READ and RWA, segmented by relevant factors, and the analysis for the exposure class 'Retail'.

Retail * - credit risk disclosure in READ and RRWA

In EUR millions		READ			RRWA		
		2016	2015	Delta %	2016	2015	Delta %
Retail	**Total per rating**	46,289	45,179	2.5%	10,739	8,820	21.8%
	01. Performing	44,745	43,509	2.8%	8,467	6,562	29.0%
	02. Non-performing	1,543	1,670	-7.6%	2,273	2,257	0.7%
Retail	**Geography/business units**	46,289	45,179	2.5%	10,739	8,820	21.8%
	Africa	41	45	-10.2%	8	10	-16.2%
	America	45	37	21.1%	20	17	20.3%
	Asia	49	41	17.5%	9	10	-6.4%
	Australia	4	4	3.7%	1	1	5.6%
	Europe	46,151	45,052	2.4%	10,701	8,783	21.8%
Retail	**Europe ** **	46,151	45,052	2.4%	10,701	8,783	21.8%
	1. Belgium	42,922	42,061	2.0%	9,975	8,044	24.0%
	2. Luxembourg	2,447	2,223	10.1%	442	456	-3.1%
	3. France	377	355	6.4%	162	166	-2.3%
	X. Other Europe	405	414	-2.0%	122	116	5.0%
Retail	**Customer Segment ** **	46,289	45,179	2.5%	10,739	8,820	21.8%
	1. Private Persons	35,535	34,123	4.1%	7,539	5,996	25.7%
	2. Small Mid-sized Enterprises	9,222	9,495	-2.9%	2,872	2,474	16.1%
	3. Private Banking	1,365	1,362	0.2%	253	264	-4.2%
	X. Other	167	200	-16.5%	75	85	-12.5%
Retail	**PD bands**	46,289	45,179	2.5%	10,739	8,820	21.8%
	01. < 0.05%	2,784	2,607	6.8%	161	45	254.3%
	02. 0.05% to 0.5%	25,757	25,284	1.9%	2,610	1,565	66.8%
	03. 0.5% to 5%	12,789	12,098	5.7%	3,622	2,973	21.9%
	04. 5% to 10%	1,148	1,300	-11.7%	589	637	-7.6%
	05. 10% to 20%	1,453	1,307	11.1%	924	761	21.3%
	06. 20% to 50%	753	693	8.7%	524	463	13.2%
	07. more than 50%	1,605	1,890	-15.1%	2,309	2,375	-2.8%
Retail	**LGD bands**	46,289	45,179	2.5%	10,739	8,820	21.8%
	01. < 10%	22,540	21,293	5.9%	2,966	1,779	66.8%
	02. 10% to 20%	16,717	16,163	3.4%	3,827	3,018	26.8%
	03. 20% to 30%	1,461	1,649	-11.4%	752	870	-13.5%
	04. 30% to 40%	511	575	-11.2%	263	272	-3.3%
	05. 40% to 50%	1,438	1,536	-6.4%	600	567	5.8%
	06. 50% to 60%	3,447	3,780	-8.8%	2,081	2,078	0.1%
	07. more than 60%	175	182	-4.0%	250	236	5.9%

Includes both AIRB and SA portfolios; excludes equities, CVA RWA and ONCOA.
* Retail class = Residential Mortgages + Other Retail classes
** Top 3 countries/customer segments determined with 2016 data as reference.

The Advanced Internal Rating Based approach (AIRB)

The AIRB approach has five elements that drive the CRR/CRD IV 'risk-based approach' for the determination of RWA. RWA times the BIS ratio of 8% leads to Regulatory Capital. The elements are: the CRR/CRD IV exposure class, Probability of Default (PD), Exposure at Default (EAD), Loss Given Default (LGD) and Maturity (M).

Probability of Default (PD): The first element is the counterparty's probability of default, which measures a counterparty's creditworthiness in terms of likelihood to go into default. The result of this calculation attempts to measure the senior, unsecured standalone creditworthiness of an organisation without consideration of structural elements of the underlying transactions, such as collateral, pricing or maturity. Each borrower should have a rating which translates into a PD.

Exposure at Default (EAD): The second element is the counterparty's exposure at default. These models are intended to estimate the outstanding amount or obligation at the moment of default in the future. Since the fact that a counterparty will go into default is not known, and the level of outstanding that may occur on that date is also not known, ING uses a combination of statistical, expert and hybrid models to estimate the Exposure at Default. With the exception of guarantees and letters of credit, the EAD is always equal to or higher than the associated credit risk outstanding, under the assumption that counterparties tend to absorb liquidity from available credit resources before financial problems become apparent to the counterparty's creditors. The EAD is largely a function of the type of credit facility (revolving, overdraft, term) offered to the borrower.

Loss Given Default (LGD): The third element is the loss given default. These models are intended to estimate the amount ING will lose when liquidating collateral pledged in association with a given loan or financial obligation, or alternatively, liquidating the company as a whole, as part of a workout process. LGD models are based on cover types, estimated recovery rates given orderly liquidation, and (in) direct cost of liquidation. For financial collateral, ING uses the Financial Collateral Comprehensive Method to allow for mitigation effects.

Maturity (M): The fourth element is the time to the maturity of the underlying financial obligation. Regulations (CRR/CRD IV) cap the maturity element at five years, despite the fact that many obligations extend their facilities for longer than five years.

Expected Loss (EL): The expected loss provides a measure of the value of the credit losses that ING may reasonably expect to incur on its portfolio. In its basic form, the expected loss can be represented as:

$$EL = PD \times EAD \times LGD$$

ING Belgium must maintain a capital buffer against unexpected losses in order to protect itself against credit losses associated with unusual market events outside of the statistical norms.

AIRB models per exposure class

Within ING internal Basel models are used to determine the PD, EAD and LGD for regulatory and economic capital. Bank wide, ING Bank has implemented around 90 models, including various sub models for specific portfolios. A model may be applicable for various exposure classes. In the table below, the number of PD, EAD, and LGD models per exposure class are shown.

Number of AIRB rating models per exposure class

	2016		
	PD models	EAD models	LGD models
Sovereigns	4	4	4
Institutions	6	9	9
Corporate	11	14	22
Residential mortgages	1	3	8
Other retail	8	10	17
Securitisation	2	4	3
TOTAL *	**12**	**23**	**30**

* As the same model can be used in different exposure classes, the total doesn't equal the sum of the individual exposure classes

Number of AIRB rating models per exposure class			
	2015		
	PD models	EAD models	LGD models
Sovereigns	4	4	4
Institutions	8	9	9
Corporate	9	10	18
Residential mortgages	1	3	8
Other retail	8	10	17
Securitisation	2	4	3
TOTAL *	**13**	**23**	**30**

* As the same model can be used in different exposure classes, the total doesn't equal the sum of the individual exposure classes

AIRB credit exposures by rating model

The table below shows the AIRB portfolio per exposure class and the underlying rating models.

Exposures (READ) per AIRB rating model per exposure class [1]			
		2016	2015
Sovereigns	Government Central	10,206	12,161
	Government Implied	7,684	7,271
	Government Local	3,789	2,773
	Other	389	390
Institutions	Bank Commercial	8,142	11,358
	Government Local	8,544	8,038
	Bank Implied	3,522	3,442
	Other	898	1,553
Corporate	SME Belgium	24,985	22,368
	Corporates Large	17,846	15,438
	Corporate TCF	10,026	8,204
	Other	13,751	11,914
Residential mortgages	Private Individuals Belgium	18,183	17,510
	Record Bank Consumer	12,182	11,523
	Private Individuals Luxembourg	2,014	1,713
	Other	16	13
Other retail	Private Individuals Belgium	7,396	7,426
	SME Belgium	3,455	3,891
	Record Bank Consumer	2,081	2,101
	Other	725	745
Securitisation	Securitisation Combined	813	1,017
	Finance Companies	421	627
	Securitisation (Standard & Poor's leading)	567	408
	Other	870	1,074
TOTAL *		**158,504**	**152,958**

[1] Implied ratings are Risk Ratings derived from another organisation (usually from the same Legal or Economic One Obligor Group, but not always, for which the appropriate Rating Model has been used) but not directly given.

AIRB credit exposures by internal rating grade

The table below shows the AIRB portfolio per internal rating grade. Under CRR/CRD IV rules, the nominal exposures are weighted to determine the RWA (and regulatory capital) of a portfolio, under a 'risk-based approach'. This approach dictates that less capital is required for credit exposures which are well-rated, while progressively more capital is required as an obligor's risk (rating) deteriorates. This effect can cause RWA to increase or decrease together with risk rating migration without a significant change in the size of the underlying financial assets, in terms of financial accounting. As such, rating migrations are closely monitored within ING.

Exposure (READ) per internal rating grade and corresponding PD, LGD and RWA - 2016

In EUR millions

Internal rating grade	PD min	PD max	READ	Average RPD	Number of obligors	Average RLGD	Average maturity	RRWA	Risk weight	REL	External rating equivalent
01. Performing											
1	0.01%	0.01%	6,106	0.01%	28	30.05%	24.63	124	0.02	0	AAA
2	0.02%	0.02%	956	0.03%	25	29.16%	50.33	130	0.14	0	AA+
3	0.03%	0.03%	18,485	0.03%	67,709	31.70%	26.59	1,216	0.07	1	AA
4	0.04%	0.04%	11,534	0.04%	71,901	23.98%	51.16	1,649	0.14	1	AA-
5	0.05%	0.06%	10,408	0.05%	31,202	30.50%	32.91	1,886	0.18	2	A+
6	0.06%	0.08%	3,105	0.06%	12,311	22.69%	32.76	401	0.13	0	A
7	0.09%	0.11%	10,129	0.10%	119,229	22.77%	47.49	1,662	0.16	2	A-
8	0.13%	0.16%	13,908	0.14%	134,599	19.94%	46.55	2,290	0.16	4	BBB+
9	0.18%	0.22%	10,647	0.21%	113,246	25.54%	34.73	2,722	0.26	6	BBB
10	0.29%	0.36%	14,455	0.31%	109,244	22.81%	38.42	3,712	0.26	10	BBB-
11	0.44%	0.56%	16,299	0.46%	137,818	21.93%	41.39	5,076	0.31	16	BB+
12	0.59%	0.95%	11,545	0.81%	98,502	24.01%	39.49	5,038	0.44	22	BB
13	1.09%	1.71%	9,304	1.41%	135,289	21.64%	36.94	4,288	0.46	28	BB-
14	1.90%	3.07%	5,918	2.54%	73,716	20.88%	40.66	3,427	0.58	31	B+
15	3.85%	5.38%	4,635	4.49%	50,109	24.73%	40.45	3,744	0.81	52	B
16	6.11%	11.04%	2,507	8.61%	42,567	20.72%	42.02	1,980	0.79	45	B-
17	15.12%	18.92%	1,883	15.98%	26,051	18.84%	41.04	1,804	0.96	56	CCC
18	23.86%	28.82%	672	25.09%	8,734	16.95%	47.49	632	0.94	28	CC
19	33.68%	52.61%	598	41.22%	10,059	16.70%	45.40	503	0.84	42	C
02. Non-performing											
20	100.00%	100.00%	1,834	100.00%	16,451	17.08%	44.48	2,397	1.31	248	Default
21	100.00%	100.00%	552	100.00%	6,855	26.67%	30.69	702	1.27	131	Default
22	100.00%	100.00%	352	100.00%	1,109	30.58%	20.99	262	0.74	191	Default
TOTAL			**155,833**	**2.86%**	**1,229,193**	**24.45%**	**38.69**	**45,642**	**0.29**	**916**	

Includes the AIRB portfolio only; excludes securitisations, CVA RWA, equities and ONCOA.

ING's Probability of Default (PD) rating models are based on a 1-22 scale, which corresponds to the same rating grades that are assigned by external rating agencies. Risk Ratings (PD) for performing loans (1-19) are calculated in ING with regulatory approved models. Risk Ratings for non-performing loans (20-22) are set on the basis of an approved discretionary methodology by the Global or Regional Restructuring unit. Overall the risk weights of the ING Belgium portfolio are a mixture of low risk weights for Sovereigns and Residential Mortgages combined with higher risk weights for Corporates and Securitisations. Mortgages generally benefit from large levels of (over) collateralisation.

As of October 2015, PD values of the ING Masterscale are adjusted using both internal and external default data, covering the period 1981 until 2013. External data from Standard & Poor's is used. Internal default experience is reflected for a better fit of ING's portfolios compared to the predominantly US based Standard & Poor´s data.

Disclosures of model outcomes

The table next, shows the PD, LGD, READ, RWA and RWA density per exposure class.

Model approaches per exposure class for the AIRB portfolio

In EUR millions	Sovereigns	Institutions	Corporate	Residential mortgages	Other retail	Total 2016	Total 2015
Average RPD	0.04%	0.10%	3.28%	4.49%	5.71%	2.86%	2.94%
Average RLGD	29.61%	27.13%	28.23%	10.48%	26.67%	24.45%	24.41%
READ	22,067	21,107	66,608	32,395	13,657	155,833	149,990
RRWA	1,271	3,887	29,998	6,124	4,363	45,642	35,707
RRWA density (RRWA/READ)	5.76%	18.42%	45.04%	18.90%	31.94%	29.29%	23.81%

Includes the AIRB portfolio only; excludes securitisations, CVA RWA, equities and ONCOA.

Standardised Approach

A subset of the ING Belgium portfolio is treated with the Standardised Approach. The SA approach applies fixed risk weights to each exposure class, split into credit quality steps (based on external ratings) as dictated by the Capital Requirement Directive (CRD). The SA Approach is the least sophisticated of the CRR/CRD IV methodologies and is not as risk sensitive as the risk-based AIRB Approach.

Exposures before and after risk mitigation for the SA portfolio

The table below shows how credit risk mitigation (CRM) in the SA portfolio is distributed over the exposure classes. There are two principal methods for reducing or mitigating Credit Risk: i) by reduction of Credit Risk through the acceptance of pledged financial assets as collateral or ii) mitigation or shifting of credit risks to a lower risk weighting group by accepting guarantees from unrelated third parties. ING uses both methods to take CRM effects into account. For financial collateral, ING uses the Financial Collateral Comprehensive Method to allow for mitigation effects.

Exposures and RWA before and after risk mitigation and conversion factors

In EUR millions	Exposures before CCF and CRM [a]		CRM and CCF effects on exposures [b]		RWA & RWA density	
SA exposure class	On balance sheet amount	Off balance sheet amount	On balance sheet amount	Off balance sheet amount	RWA [c]	RWA density [c/(a-b)]
Regional governments or local authorities	4	1	-0	-0	1	16.45%
Institutions	26	0	4	0	6	26.91%
Corporates	1,088	146	-5	-73	1,143	87.15%
Retail	109	1	-0	-0	63	57.06%
Secured by mortgages on immovable property	0	0	-0	0	0	41.69%
Exposures in default	142	1	-13	-0	192	122.99%
TOTAL 2016	**1,368**	**148**	**-15**	**-74**	**1,405**	**87.52%**
Total 2015	1,142	302	-40	-147	1,184	72.60%

Risk weights per exposure class

The table below gives more insight in how the SA portfolio per exposure class is broken down into the regulatory risk weight buckets.

Exposures per risk weight bucket per exposure class

SA exposure class	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total
Regional governments or local authorities			4							4
Institutions			30							30
Corporates							1,156			1,156
Retail						110				110
Secured by mortgages on immovable property				0			0			0
Exposures in default							2	127		129
TOTAL 2016			**34**	**0**		**110**	**1,158**	**127**		**1,428**
Total 2015			11		3	141	1,098	3		1,257

Note that the Bank of International Settlements (BIS) requires an exposure class breakdown in this table which differs from the ING Bank exposure classes shown in previous tables.

Additional information - continued

Exposure by industry and geographic area

ING uses a common industry classification methodology based on the NAICS system (North American Industry Classification System). This methodology has over 1,500 detailed industry descriptions, which are aggregated into 22 industry classes at the highest level.

The tables below show the non-performing exposure per NAICS industry and per main geographic area for the total portfolio, for portfolios and for defaulted portfolios.

Total portfolio

Total exposure (READ) by industry

In EUR millions	Sovereigns	Institutions	Corporate	Residential mortgages	Other retail	SEC	Total 2016	Total 2015
1. Private Individuals	0	0	113	19,878	2,753	0	22,744	21,923
2. Natural Resources	0	0	17,190	19	54	0	17,263	14,042
3. Services	104	424	7,580	5,501	2,767	0	16,375	14,504
4. Commercial Banks	399	11,456	815	58	8	0	12,736	14,298
5. Central Governments	10,653	45	0	305	43	0	11,047	13,029
6. Real Estate	44	186	9,448	46	589	0	10,313	9,283
7. Lower Public Administration	2,684	5,727	0	611	98	0	9,120	7,878
8. General Industries	0	2	4,515	3,485	908	0	8,911	8,468
9. Central Banks	7,490	0	0	2	0	0	7,492	6,863
10. Food, Beverages & Personal Care	0	1	5,429	355	971	0	6,755	7,586
11. Non-Bank Financial Institutions	0	1,035	2,506	111	171	2,671	6,493	8,123
12. Chemicals, Health & Pharmaceuticals	536	1,250	3,534	334	683	0	6,336	5,088
13. Builders & Contractors	25	105	4,470	310	1,019	0	5,929	5,547
14. Transportation & Logistics	0	3	4,112	206	261	0	4,582	4,609
X. Other	137	903	8,053	1,174	3,568	0	13,834	12,975
TOTAL	**22,071**	**21,136**	**67,765**	**32,395**	**13,894**	**2,671**	**159,932**	**154,215**

Includes both AIRB and SA portfolios; excludes equities and ONCOA.

Total exposure (READ) by geographic area

In EUR millions	Sovereigns	Institutions	Corporate	Residential mortgages	Other retail	SEC	Total 2016	Total 2015
1. Belgium	13,480	8,678	36,118	30,068	12,854	0	101,198	97,038
2. Luxembourg	2,025	657	4,848	1,755	692	36	10,013	9,351
3. Netherlands	793	5,461	2,404	65	24	1,382	10,128	11,583
X. Other Europe	5,714	4,722	15,959	414	280	815	27,906	27,122
1. America	0	1,196	4,412	26	18	438	6,090	5,252
2. Asia	39	379	3,001	40	9	0	3,468	2,844
Y. Rest of world	20	43	1,022	27	17	0	1,129	1,025
TOTAL	**22,071**	**21,136**	**67,765**	**32,395**	**13,894**	**2,671**	**159,932**	**154,215**

Includes both AIRB and SA portfolios; excludes equities and ONCOA.

SME exposure classes

SME exposure classes include companies, classified as Corporate or Retail, where the total annual sales for the consolidated group for which the firm is part is less than EUR 50 million.

SME Exposure (READ) by industry

In EUR millions	Corporate	Retail	Mortgages	Total 2016	Total 2015
1. Private Individuals	39	43	243	325	301
2. Natural Resources	438	24	25	488	610
3. Services	2,951	777	1,370	5,098	5,501
4. Commercial Banks	0	1	2	3	2
5. Central Governments	0	1	1	2	2
6. Real Estate	3,958	116	468	4,542	5,271
7. Lower Public Administration	0	1	2	3	3
8. General Industries	1,265	166	204	1,635	1,854
9. Central Banks	0	0	0	0	0
10. Food, Beverages & Personal Care	1,056	321	592	1,969	2,254
11. Non-Bank Financial Institutions	266	78	79	424	543
12. Chemicals, Health & Pharmaceuticals	715	232	410	1,357	1,650
13. Builders & Contractors	2,242	396	586	3,225	3,365
14. Transportation & Logistics	708	106	126	940	1,030
X. Other	2,543	860	2,573	5,976	6,261
TOTAL	**16,182**	**3,124**	**6,680**	**25,986**	**28,648**

Includes both AIRB and SA portfolios; excludes securitisations, equities and ONCOA.

SME Eposure (READ) by geographic area

In EUR millions	Corporate	Retail	Mortgages	Total 2016	Total 2015
1. Belgium	15,750	2,965	6,428	25,143	27,700
2. Luxembourg	110	129	149	388	382
3. Netherlands	75	6	6	86	70
X. Other Europe	180	19	82	281	357
1. America	1	2	12	14	14
2. Asia	40	0	1	42	29
Y. Rest of world	26	3	3	32	97
TOTAL	**16,182**	**3,124**	**6,680**	**25,986**	**28,648**

Includes both AIRB and SA portfolios; excludes securitisations, equities and ONCOA.

Non-performing

Non-performing exposure (READ) by industry							
In EUR millions	**Sovereigns**	**Institutions**	**Corporate**	**Residential mortgages**	**Other retail**	**Total 2016**	**Total 2015**
1. Private Individuals				424	185	609	635
2. Services			222	183	64	469	439
3. General Industries			128	185	33	346	367
4. Builders & Contractors			217	13	68	298	315
5. Real Estate			231	1	29	261	297
6. Retail			95	56	46	197	170
7. Food, Beverages & Personal Care			114	14	51	179	189
8. Natural Resources			128	0	2	130	127
9. Transportation & Logistics		0	45	15	24	84	95
10. Chemicals, Health & Pharmaceuticals			45	10	9	64	69
11. Unknown			8		50	58	69
12. Automotive			32	4	10	46	53
13. Media			25	3	9	37	44
14. Lower Public Administration		0		29	1	30	29
X. Other	0	1	32	11	16	60	75
TOTAL	**0**	**1**	**1,322**	**947**	**596**	**2,867**	**2,974**

Includes both AIRB and SA portfolios; excludes securitisations, equities and ONCOA.

Non-performing exposure (READ) by geographic area							
In EUR millions	**Sovereigns**	**Institutions**	**Corporate**	**Residential mortgages**	**Other retail**	**Total 2016**	**Total 2015**
1. Belgium	0	1	1,149	887	567	2,605	2,675
2. France		0	21	25	13	59	56
3. Luxembourg		0	23	8	10	40	59
X. Other Europe			6	25	4	35	55
1. Africa			88	1	1	89	86
2. America			36	1	1	38	41
Y. Rest of world				1	0	1	2
TOTAL	**0**	**1**	**1,322**	**947**	**596**	**2,867**	**2,974**

Includes both AIRB and SA portfolios; excludes securitisations, equities and ONCOA.

Past due loans

The calculation of days past due vary depending on the type of exposure. ING Belgium considers past due loans to be those loans where any payment of interest of principal is more than one day past due on the reporting date (usually monthly). The number of days past due is based on the number of payments overdue. A number of “months in arrears” for each loan, being the total arrear in principal amount (thus including capital and normal monthly interests, but excluding overdue interests and fees) divided by the amount of the current monthly instalment. For accounts and cards however the number of days past due is calculated as the real number of days in arrears. This methodology is currently being reviewed in anticipation of IFRS9.

The table below is based on the country of residence of the obligor and on credit risk outstandings. Credit Risk outstandings include amounts associated with both on- and off- balance sheet products, but exclude amounts related to unused limits.

Past due but not non-performing consumer loans by geographic area (based on outstandings)

In EUR millions	Sovereigns	Institutions	Corporate	Residential mortgages	Other retail	Total 2016	Total 2016
1. Belgium			2	901	546	1,449	1,729
2. Luxembourg				1	52	53	54
3. France				16	1	17	20
X. Other Europe				4	1	5	5
1. Asia				0	0	0	0
2. Africa				0	0	0	0
Y. Rest of world				1	0	1	1
TOTAL	**0**	**0**	**2**	**923**	**600**	**1,525**	**1,810**

Includes both AIRB and SA portfolios; excludes securitisations, equities and ONCOA.

Aging Analysis

The table below gives insight in the aging of the Consumer exposures and includes both the performing and non-performing portfolio. All exposures which are not past due have been excluded. The bucket 0-3 months comprises mainly of performing exposures.

Aging analysis of past due Consumers exposures

In EUR millions	0-3 months *	> 3-6 months	> 6-9 months	> 9-12 months	> 12-24 months	> 24 months
Residential Mortgages	1,300	89	37	25	44	183
Other Retail	702	29	17	12	21	51
Corporate	3	0	0	0	0	0
TOTAL 2016	**2,005**	**118**	**54**	**37**	**65**	**234**

Excludes the business portfolio, includes both AIRB and SA portfolios; excludes securitisations, equities and ONCOA.
* excl. 0 days

Counterparty credit risk

The main activities that qualify under counterparty credit risk are derivatives trading activities and securities financing. As part of these activities, ING Belgium enters into master agreements such as ISDA master agreements and Global Master Repurchase Agreements (GMRAs). Under the terms contained in sections related to Minimum Threshold Amounts and Minimum Transfer Amounts of Credit Support Annexes (CSA) or other similar clauses, both ING Belgium and it counterparties may agree to pledge additional collateral to each other in the event that either party is downgraded by one of the established rating agencies. ING has determined that under prevailing market conditions, a one notch downgrade would only have a limited effect on the amount of additional collateral that ING would be required to pledge under these agreements. However, the actual amount that ING Belgium may be required to pledge in the future may vary based on ING Belgium's portfolio composition of both derivatives and securities pledged in securities financing transactions, market circumstances, the number of downgrade notches as well as the terms and conditions of future CSAs or other similar agreements entered into.

CVA risk

Basel III introduced an additional regulatory capital charge for material increases in the CVA, the market price of the credit risk of derivatives. In particular, as credit spreads of ING Belgium’s counterparties increase, CVA will increase as well and ING Belgium will incur a loss. ING Belgium follows the standardised approach for calculation of the capital charge to cover CVA Risk (CVA Capital) in accordance with the CRR/CRD IV. The scope of the products and counterparties that the CVA Capital charge is applied to also follows those regulations. The most important factors in the calculation of CVA Capital according to the standardised approach are the CVA Exposure, the CVA Risk Weight and the Maturity. The CVA exposure is similar to the READ, but includes collateral held under collateral agreements. The CVA Risk Weight is prescribed in regulation and depends directly on the risk rating of the counterparty. The Maturity is similar to the Maturity used in the calculation of Counterparty Default Risk, but contrary to its use there not capped at 5 years.

In order to make CVA comparable to credit RWA, we use in the table below the concept of "CVA RWA", which is the product of CVA capital requirement by 12.5.

CVA Risk

In EUR millions	2016			
Derivatives Product Buckets	CVA Exposure	Average CVA Risk Weight	Average Maturity	CVA RWA
Interest Rate Derivatives	1,484	0.80%	5.7	1,304
Equity Derivative	381	0.93%	4.6	294
FX Derivative	116	0.82%	4.2	78
Commodity Derivative	25	0.80%	4.6	18
Inflation Linked Derivatives	6	0.81%	5.3	5
Fixed Income Derivative	2	0.80%	10.5	2
Credit Derivative	1	0.88%	6.0	1
TOTAL 2016	**2,014**	**0.83%**	**5.2**	**1,702**
Total 2015	2,985	0.83%	5.2	2,034

Includes both AIRB and SA portfolios; excludes securitisations, equities and ONCOA.

Derivatives by product type

The table below is based on the market-to-market (MtM) plus (regulatory) add-on methodology used for calculating CRR/CRD IV RWA for determining the gross exposures. This means that the READ figure listed hereunder is significantly below the notional amount. The market-to-market plus (regulatory) add-on is recalculated daily to reflect both changes in the markets as well as portfolio composition. The Current Exposure Method (the methodology to calculate the READ) together with the other building blocks (PD, LGD and Maturity), allow ING Belgium to classify a large part of its derivatives exposures under the AIRB approach.

Derivatives by product type in READ

In EUR millions	2016						Total 2015
Derivatives Product Buckets	Sovereigns	Institutions	Corporate	Residential mortgages	Other Retail	Total	
Interest Rate Derivatives	351	2,272	812		1	3,437	5,056
Equity Derivative	3	412	256		9	680	751
FX Derivative	9	122	336		1	468	1,021
Commodity Derivative	4	21	220		0	245	182
Inflation Linked Derivatives	0	6	0			6	5
Fixed Income Derivative		2				2	3
Credit Derivative		1				1	0
Exchange Traded						0	736
TOTAL	**368**	**2,836**	**1,624**	**0**	**11**	**4,838**	**7,755**

Includes both AIRB and SA portfolios; excludes securitisations, equities and ONCOA.

Capital adequacy - 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 modelling 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.

Capital adequacy - Operational risk

While operational risk can be limited through management controls 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.

Additional information - continued

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	2016		2015	
	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	**112.4**	**1,404.8**	**94.7**	**1,184.1**
Portfolios subject to AIRB approach				
- Sovereigns	*27.9*	*348.4*	*39.7*	*496.1*
- Institutions	*302.0*	*3,774.5*	*384.5*	*4,806.6*
- Corporate	*2,400.4*	*30,005.4*	*1,743.8*	*21,797.5*
- Residential mortgages	*626.4*	*7,829.7*	*469.8*	*5,871.9*
- Other Retail	*212.5*	*2,656.6*	*219.6*	*2,745.0*
Total portfolios subject to AIRB approach	**3,569.2**	**44,614.6**	**2,857.4**	**35,717.1**
Credit Value Adjustment	136.1	1,701.6	162.7	2,034.3
Securitisation exposures	28.2	352.5	37.3	466.2
Equity portfolios in the banking book under the simple risk weight approach	21.0	263.0	27.7	346.8
Other non credit-obligation assets	272.0	3,400.4	494.9	6,185.8
Other own fund requirement	73.8	922.5	203.0	2,538.0
Total Credit Risk	**4,212.8**	**52,659.4**	**3,877.8**	**48,472.3**
Market Risk				
Internal models approach - trading book	13.3	166.1	175.2	2,190.3
Total Market risk	**13.3**	**166.1**	**175.2**	**2,190.3**
Operational risk				
Advanced measurement approach	473.5	5,918.8	533.8	6,672.7
Total Operational Risk	**473.5**	**5,918.8**	**533.8**	**6,672.7**
Total Basel III required Regulatory Capital	**4,699.5**	**58,744.3**	**4,586.8**	**57,335.3**
Basel I floor [1]	**6,577.1**	**82,213.8**	**6,262.1**	**78,276.7**

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

ING Belgium nv/sa
Avenue Marnix / Marnixlaan 24
B-1000 Brussels
Belgium

www.ing.be

Register of legal persons n° 0403 200 393