2014

ING Belgium SA/NV

Annual Report

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2 Report of the Board of Directors on the Consolidated Accounts of ING Belgium SA/NV

Brussels
20 March 2015
Financial Report 2014

2.1 Comments on Financial Statements

2.1.1 Changes in scope during 2014

The transfer of Financial Markets activities from ING Belgium SA/NV to ING Bank NV Belgian Branch (a foreign branch of ING Bank NV in Belgium) continued. In 2014 the exotic interest rate derivatives were transferred.

2.1.2 Highlights

Highlights of 2014	
Profit after tax	**EUR 1,066 million (+ 9%)**
Total deposits	**EUR 110 billion (+ 5%)**
Total loans and receivables	**EUR 101 billion (+ 5%)**
Customers	**+55,000 active clients in 2014**
Tier 1 (Basel III)	**15.24%**
Total capital ratio	**16.72%**
Leverage ratio (fully phased)	**5.24%**

ING Belgium SA/NV strengthened its performance year-on-year by 9% and posted a profit after tax of EUR 1.066 million in 2014. This performance is the result of good commercial results as well as improved margins.

The customer basis increased with more than 55.000 active clients to reach 2,45 million clients in Belgium. The deposits increased by 5% to 110 billion outstandings. As previous years ING Belgium continues to support significantly the real economy : The loans portfolio granted to customers rose also by 5% to pass the EUR 101 billion in outstandings.

ING Group and ING Belgium performed strongly in the recent asset quality review and stress test of Eurozone banks carried out by the European Central Bank and European Banking Authority, which affirm the stability of the financial position. This was an unprecedented exercise. Unlike many peers, ING and its subsidiaries conducted the review almost entirely in house, relying on its own expertise.

ING Belgium maintains a strong capital basis :

- the solvency ratio remains very solid with a Tier 1 ratio of 15.2% (Basel III definition) and a total capital ratio of 16.7%
- a comfortable leverage ratio at 5.2% ;

- a solid liquidity position, supported by a strong balance between assets and liabilities.

In the next chapter we comment further on the financial position of ING Belgium SA/NV.

2.1.3 Consolidated balance sheet

ING Belgium SA/NV – Assets			
In EUR millions	**2014**	**2013**	**%**
Cash & cash with central banks	1,995	1,648	21%
Financial assets HFT + at fair value through P&L	19,944	18,692	7%
Financial assets AFS (available for sale)	19,653	19,845	-1%
Loans and receivables	101,175	96,609	5%
Derivatives hedge accounting	5,397	3,771	43%
Remaining assets	3,644	2,905	25%
Total Assets	**151,809**	**143,470**	6%

The total assets of ING Belgium SA/NV increased with EUR 8.3 billion or 6% to EUR 152 billion.

The assets available for sale (mainly the bond portfolio of the bank) remained quite stable. The portfolio assets held for trading and assets valued at fair value via P&L remained also stable in volume, the increase in value is the result of the decrease in interest rates over 2014. The derivatives used in hedge relations rose by EUR 1.6 billion to EUR 5.4 billion.

ING Belgium SA/NV - Loans and receivables			
In EUR millions	**2014**	**2013**	**%**
Due from banks	8,685	10,729	-19%
Straight loans + rollover	42,200	38,879	9%
Mortgage loans	32,145	30,577	5%
Overdrafts	8,924	7,879	13%
Debt instruments	2,239	2,902	-23%
Remaining credits	6,982	6,467	8%
Total Loans and Advances	**101,175**	**96,609**	5%

The loan portfolio of the bank grew in 2014 with EUR 4,6 billion.

The increase is mainly located in Belgium and shows the continued strong contribution of ING Belgium SA/NV to the Belgian economy.

The increase in assets is mainly realised in the portfolios :

- straight loans and rollovers (EUR + 3.3 billion ; +9%) mainly given to corporate, midsize and institutional clients
- mortgage loans (EUR +1.6 billion +5%) given to retail clients
- overdrafts credits (EUR +1 billion ; +13%) for which the increase is mainly realised in the segment of regional government clients

The outstandings that ING Belgium SA/NV held with other banks decreased by EUR 2 billion.

ING Belgium SA/NV - Liabilities & Equity			
In EUR millions	**2014**	**2013**	**%**
Deposits from central bank	1,622		
Financial liabilities HFT + at fair value through P&L	21,361	20,180	6%
Financial liabilities at amortised cost	108,862	105,411	3%
Derivatives hedge accounting	6,986	4,798	46%
Remaining liabilities	2,981	3,206	-7%
Shareholders' equity	9,996	9,875	1%
Total Liabilities & Equity	**151,809**	**143,470**	6%

The total liabilities and equity increased by EUR 8.3 billion or 6% to EUR 152 billion.

The shareholders equity amounts to EUR 10 billion and remained stable comparing to end 2013.

The portfolio liabilities held for trading and liabilities valued at fair value via P&L remained stable in volume, the increase in value (EUR +1.2 billion) is the result of the decrease in interest rates over 2014. The derivatives used in hedge relations rose by EUR 2.3 billion.

ING Belgium SA/NV - Financial liabilities at amortised cost + Deposits from central bank			
In EUR millions	**2014**	**2013**	**%**
Deposits from credit institutions	8,886	9,923	-10%
Savings accounts	40,738	39,460	3%
Deposits at sight	37,294	32,502	15%
Term loans	10,183	10,886	-6%
Other deposits	5,116	5,199	-2%
Debt securities + subordinated liabilities	8,267	7,441	11%
Total Financial liabilities at amortised cost	**110,484**	**105,411**	5%

The received deposits grew in 2014 with EUR 5,1 billion.

Almost the entire increase in deposits is realised in the current accounts. All type of customers (retail, midsized and corporates) contributed to this increase.

Despite the declining interest rates on savings accounts, ING Belgium SA/NV still realised an increase in outstanding amounts of EUR +1.2 billion (+3%).

At the opposite the deposits with fixed and longer maturities decreased by EUR -0.7 billion.

ING Belgium SA/NV participated in 2014 to the TLTRO-program of the ECB for EUR 1.6 billion. (Targeted Longer-Term Refinancing Operations, part of the measures taken by the ECB to strengthen the bank lending activity in the non-financial private sector in the euro area excluding housing loans)

ING Belgium SA/NV issued in the second quarter of 2014 a subordinated loan of EUR 750 million, subscribed by ING Bank, in order to increase the Tier II capital.

2.1.4 Consolidated income statement

ING Belgium SA/NV - Consolidated Income Statement			
In EUR millions	**2014**	**2013**	**%**
Financial and operational income/expenses	3,503	3,505	0%
of which: net interest income	*2,752*	*2,735*	*1%*
of which: commissions and fees	*576*	*564*	*2%*
of which: other income	*175*	*206*	*-15%*
Total expenses	-1,851	-1,951	-5%
of which: staff expenses	-1,139	*-1,158*	*-2%*
of which: administration expenses	-695	*-668*	*4%*
of which: depreciations	-111	*-106*	*5%*
of which: provisions	94	*-19*	*-595%*
Provision for loan losses	-180	-227	-21%
Part of entities via equity method	2	3	-33%
Profit before taxes	1,474	**1,330**	11%
Taxation	-408	-356	15%
Profit after tax	**1,066**	**974**	9%
Third-party interest	*-2*	*4*	-150%
Net profit	**1,064**	**978**	9%

ING Belgium SA/NV posted in 2014 a profit after tax of EUR 1,066 million. This result represents an increase year on year of + 9%.

The increase of the results is driven by a solid management of the cost base combined with a write back of provisions for other risks and charges and lower provisions on credits.

The total income in 2014 of EUR 3,503 billion stabilized versus last year.

The interest result rose by 1% compared to 2013 and this in an environment in which the market interest rates continued to decline :

- The interest income from the investment portfolio lowered by EUR -72 million,
- The higher volumes in the loan portfolio limited the decrease in the interest income to EUR -40 million
- Higher volumes and significantly lower rates on client deposits decreased the interest expenses by EUR -180 million.
- The interest result out of trading and hedging derivatives and other operations declined by EUR -46 million

The fee income increased by EUR +12 million, mainly due to increasing commissions on securities and payment services.

The other income decreased by EUR -32 million compared to 2013. The realized gains on the disposals of investment securities increased by EUR +62.4 million. The other income is negatively influenced by the payment of a hegative goodwill of 102 million linked to the transferred FM related activities to the ING Bank NV Belgian Branch. This badwill was fully provisioned in 2012. The write back of this provision is located in the expenses. The trading related results remained in line with previous year.

The total expenses decreased by EUR -100 million (-5%) to EUR 1,851 billion :

- Driven by a reduction in the staff numbers, the staff costs lowered by EUR -19 million
- The other costs increased by EUR +26 million. The cost reductions made in several activities (IT expenses, accommodation expenses) were fully offset by the higher bank levies paid in Belgium (EUR + 38 million).
- The depreciations increased by EUR +5 million
- The provisions were much lower in 2014 and include the write back of the provisioned negative goodwill linked with transferred FM activities to ING Bank NV Belgian Branch (EUR 102 million). In total provisions decreased by EUR -112 million.

The provisions for loan losses and impairments decreased year-on-year by EUR -47 million to EUR 180 million (-21%). In 2014 the models for the expected loss drivers were reviewed and explain for the major part the lower provisions compared to 2013. Correcting for the model updates, the provisions were stable.

Finally the increase in income taxes by EUR +52 million (+15%) is consistent with the increase of the profit before taxes.
The effective tax rate rose from 26.8% to 27.7%.

2.2 Profile: ING in Belgium

ING Group is a global financial institution of Dutch origin offering banking services through its operating company *ING Bank.* ING Bank's 52,898 employees offer retail and commercial banking services to customers in over 40 countries. ING ranks No. 9 in the Top 20 European Banks by market capitalisation. (Source: MSCI, Bloomberg 31 December 2014)

ING Belgium SA/NV is a financial institution focusing its core activities on Retail & Private Banking and Commercial Banking. The mother company services over 2.4 million clients in Belgium with a wide range of financial products and via the distribution channel of their choice. ING Belgium's leader position as a client-focused bank was evidenced by winning the 2014 "Bank of the Year – Belgium" award from *The Banker for the second successive year.*

2.3 Staff evolution

In the course of 2014, the total number of staff (in full time equivalent, or FTE's) of ING Belgium SA/NV consolidated decreased by 2% from 10,945 to 10,736 FTE's. While overall staffing members declines in 2014, the bank was able to continue to recruit new staff equal to 510 FTE's to meet its strategic goal.

2.4 AQR and stress test

In November 2014, the European Central Bank (ECB) took over supervisory powers for all banks in the Eurozone, establishing the Single Supervisory Mechanism (SSM). In preparation for this transition the ECB performed a yearlong and Europe wide Comprehensive Assessment, together with existing national regulators.

ING Belgium SA/NV underwent this health check as part of ING Group. The exercice was operationally lead by De Nederlandsche Bank (DNB), assisted by the National Bank of Belgium (NBB) for the activities of ING Belgium SA/NV.

The ECB objective was to foster transparency, to repair and to build confidence. The exercise ultimately aimed to provide details of any capital shortfalls and demand corrective measures. The ECB established quantitative benchmarks at various points in the process. Banks falling short of these benchmarks are required to raise additional capital in given time periods.

The Comprehensive Assessment, which included an **asset quality review (AQR)** and a stress test, commenced in November 2013 and concluded with the publication of results on 26th October 2014. ING Group, including ING Belgium SA/NV comfortably passed both the AQR and stress test reflecting the strong capital position and resilient balance sheet of ING Group and ING Belgium SA/NV.

The AQR phase had 10 blocks of activities and focused on three main streams covering a number of these blocks; Banking Book, Fair Value Exposure, and Process Policies and Accounting (PP&A) Review. The AQR looked at both Credit and Market risk - the overall scope providing coverage for at least 50% of the Bank's risk-weighted assets and 40% of the balance sheet.

The execution of the AQR review process was both qualitative and quantitative; including extensive data integrity validation, onsite file reviews, collateral valuation and the recalculation of loan loss provisions. The ECB and national regulators engaged specialist consultants such as accounting firms, real estate appraisers, and financial modelling firms to undertake various aspects of the process. These external consultants reviewed and challenged ING Bank figures and processes.

The **stress test** phase, conducted in conjunction with the European Banking Authority (EBA), aimed to test the resilience of the participating banks to adverse macro-economic developments. In this exercise, the impact of both a baseline and adverse scenario for 2014-2016 on amongst others impairments, Net Interest Income and RWA had to be calculated. ING Group, including ING Belgium SA/NV used internal models for these estimations, which were thoroughly checked and benchmarked by EBA and the ECB.

All entities of ING executed the work largely with internal staff as the required expertise is available in house. This strategy also assisted ING in building the knowledge required for a much more data-driven regulatory climate. Both the AQR and the stress test were unique training grounds for developing the skills needed to meet these future demands.

In December 2014, the ECB shared some qualitative and quantitative observations about ING Group and ING Belgium SA/NV that resulted from the Comprehensive Assessment process. To further strengthen controls within the bank some of these items have already been addressed in 2014 and the remaining ones have been analysed with an action plan, person to act, and clear deadline. This approach was confirmed to ECB in January 2015. ING has an internal tracking process for regulatory items and will continue working with ECB to address the observations.

The ECB Comprehensive assessment was an intensive and time consuming project in which all entities of ING Bank participated in an effort to improve transparency and restore trust in the banking industry as a whole.

The exact impact of the new supervisory system installed by ECB on ING Group and its subsidiaries is at this stage difficult to identify, but it is expected that the SSM will have a significant impact on the way ING's banking operations are supervised in Europe.

2.5 Risk management

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

2.6 Post-balance-sheet events

On 06/10/2014 a contract was signed between ING Belgium SA/NV and ING Bank NV for the disposal of the Madrid branch of ING Belgium SA/NV.

Information about the disposal of the Madrid branch is to see under note 13: Activities held for sale.

During 2015 it is the intention to transfer also the Lisbon branch of ING Belgium SA/NV.

No financially material events occurred between the close of the financial year and the date of going to press.

2.7 Information on branches

ING Belgium has branches in the Netherlands (Breda), Switzerland (Geneva, with a representative office in Zurich), Spain (Madrid) and Portugal (Lisbon).

2.8 Research and development

Not applicable.

2.9 Information concerning the use of financial instruments

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

2.10 Outlook

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

2.11 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 on ING Belgium's Board of Directors demonstrate his capabilities in accounting and audit.

3 ING Belgium SA and the Rules of Corporate Governance

3.1 Current state of affairs

In Belgium, corporate governance is partly regulated by the law of 22 March 1993 and partly by the Circular PPB-2007-6CPB-CPA. This circular describes the prudential expectation of the regulator, the National Bank of Belgium, regarding good governance of a financial institution. In addition, ING Belgium respects the 'Belgian Corporate Governance Code', in force since 1 January 2005. In accordance with the 'comply or explain' approach adopted in the English-speaking world, the Code's recommendations lack binding force, though companies are urged to provide reasons if they refuse to comply. In the case of banks, specific measures aimed at keeping major shareholders separate from the decision-making processes have been added.

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

The shares representing ING Belgium's share capital are no longer listed on the Brussels Stock Exchange since 1 July 1998. They have been held in their entirety by ING Group since 2004.

However, ING Belgium continues to engage in all the activities permitted to Belgium-based financial institutions, including public issues. ING Belgium is also responsible for steering its Belgian and foreign subsidiaries.

For these reasons, the bank continues to meet most of the requirements applicable for listed companies, notably as regards corporate communication and governance.

The bank therefore continued the action it started in 2005 to comply with the Belgian Corporate Governance Code. The Board of Directors approved the Governance memorandum and the charters of the Board of Directors, the Executive Committee, the Audit Committee and the Remuneration and Nomination Committee on 29 July 2011. A final version of the 'Charter of the Audit Committee' has been approved in the meeting of November 2012.

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 the Circular PPB-2007-6CPB-CPA of the former Banking, Financial and Insurance Commission (CBFA), role taken over by the 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 an external key figure with enough distance from the bank to be able to obtain an overall picture of its activities.
3. The bank also believes it should not have to personalise information concerning the remuneration it pays to its leading managers. An analysis of the breakdown of remuneration paid to the executive and non-executive members of the Board of Directors, together with overall figures for each of the items in the budget, is provided in chapter 6.

3.3 Board of Directors

Composition

Under the terms of Article 13 of the Articles of Association, the ING Belgium Board of Directors must comprise at least 12 members. As at 20 March 2015, the Board has 15 members. There are no corporate bodies on the Board.

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 Meeting of Shareholders appoints directors to sit on the Board and may dismiss them at any time. In accordance with Article 13 of the Articles of Association, the term of office of outgoing directors expires at the end of the Annual General Meeting. Outgoing directors are eligible to stand for re-election. The order of rotation of mandates is decided by the Board of Directors in order to ensure that no term of office exceeds six years and that at least one member of the Board is (re-)elected each year.

As stated in Article 15 of the Articles of Association, the Board of Directors chooses a chairman from among its members who are not members of the Executive Committee, after having consulted the National Bank of Belgium.

Age limit

Article 13 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 Meeting of Shareholders may, 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. Under Article 18 of the Articles of Association, the term of office of a Managing Director expires at the end of the calendar year in which the person concerned reaches the age of 65[1].

Board decisions

The Board's decision-making powers are laid down in Article 16 of the Articles of Association.

Except for in the 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 two weeks 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 and 529 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 14 of the Articles of Association, the General Meeting of Shareholders determines the amount of the remuneration of the members of the Board of Directors until a new decision is taken by such a meeting[2].

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[1] In practice, the individual contracts require Managing Directors to step down from the Board at the age of 60. Their mandate can, however, be extended.

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

Special committees

The Board of Directors has set up from among its members an Audit Committee, a Risk Committee, a Remuneration Committee and a Nomination Committee respecting as such the regulations foreseen in the new bank law of April 2014.

The governance and charters of these newly set up committees will be further worked out and finalized in 2015.

The purpose of the Risk Committee is to advise the Board of Directors in matters regarding the risk strategy and the risk tolerance, both for current as future risk. 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 1st Risk Committee was held on February 4th 2015. The governance and charter are being further worked out.

The Audit Committee's responsibilities extend to ING Belgium and its Belgian and foreign subsidiaries. It met four times in 2014. Matters it dealt with included examination of the bank's financial statements for 2013 and the interim results for 2014. The Committee also analysed the reports prepared by the bank's General Auditor and the Global Compliance Officer. It reviewed the loans placed under special surveillance as well as legal disputes. The Audit Committee reports to the Board of Directors at the Board meeting following each of its own meetings.

The Remuneration and Nomination Committees will be responsible for presenting the Board of Directors with proposals concerning the appointment of Board members, the Chief Executive Officer and the members of the Executive Committee, and the members of the Management Council. They are also responsible for making recommendations to the Board of Directors concerning:

- the principles regarding the remuneration policies (including budget) applicable within ING Belgium and its subsidiaries and their conformity with the rules imposed by the supervisory authorities.
- The proposals for remuneration of the Executive Committee and the Identified Staff, taking into account the evaluation of their performances.

The Remuneration and Appointment Committees hold at least two meetings a year, one of which preceeds the meeting during which the Board of Directors prepares the annual accounts and decides on the agenda for the Annual General Meeting of Shareholders.

3.4 Executive Committee

Composition and responsibility

Currently comprising seven members, the Executive Committee is responsible for conducting the bank's day-to-day management in line with the general policy set by the Board of Directors. Its members are Managing 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 29 July 2011. This also applies to the main committees, which report directly to the Executive Committee and whose powers are specified below.

Remuneration

Article 18 of the bank's Articles of Association stipulates that the Board of Directors determines, on the advice of the Chief Executive Officer, the remuneration of the Executive Committee members. The Board of Directors decides upon the recommendation submitted by the Remuneration and Nomination Committee[3].

Activities

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

In addition to specific decisions relating to the day-to-day management of the bank, the Executive Committee reviews a detailed annual account of the performance and prospects of each of the bank's central units (profit centres and support services) and of all the main Belgian and foreign subsidiaries. The Executive Committee studies the bank's monthly results, broken down by segment[4]. It studies the periodic report drawn up by the General Auditor every other month. At the closing dates of 30 June and 31 December, the Executive Committee and the senior managers of the Credit Department review loan facilities requiring special attention. The Executive Committee also regularly looks into issues affecting personnel management.

3.5 Special committees

Three special committees report directly to the Executive Committee. These are the Assets and Liabilities Management Committee (ALMAC), the Financial Markets Committee (FMC) and the Non Financial Risk Committee (NFRC). The Executive Committee remains the bank’s sole decision-making body.

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

[4] The results are scrutinised in detail once a quarter.

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

4.1 Board of Directors

Composition (situation per January 1st 2015)[5]

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

Rik Vandenberghe (2017)
Chief Executive Officer

Michael Jonker (2016)
Managing Director

Colette Dierick (2020)
Managing Director

Frank Stockx (2019)
Managing Director

Johan Kestens (2020)
Managing Director

Emmanuel Verhoosel (2020)
Managing Director

Tanate Phutrakul (2016)
Managing Director

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

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

Christian Jourquin (2018)
Member of the Royal Academy of Belgium

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

Michèle Sioen (2017)
CEO, Sioen Industries NV

Paul Mousel (2020)
President Arendt & Medernach Lawyers

Koos Timmermans[6] (2017)
Vice Chairman Supervisory Board ING Bank

Audit Committee (per January 1st 2015)

Chairman

Count Diego du Monceau de Bergendal

Members

Baron Philippe de Buck van Overstraeten

Christian Jourquin[7]

Risk Committee (per January 1st 2015)

Chairman

Count Diego du Monceau de Bergendal

Members

Baron Philippe de Buck van Overstraeten

Christian Jourquin

Remuneration Committee (per January 1st 2015)

Chairman

Eric Boyer de la Giroday

Members

Paul Mousel

Koos Timmermans

Nomination Committee (per January 1st 2015)

Chairman

Eric Boyer de la Giroday

Members

Paul Mousel

Koos Timmermans

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

Statutory Auditor

Ernst & Young: Company Auditors SCCRL/BCVBA (B160)

represented by **Jean-Francois Hubin, Partner (until next AGM in 2016)**

4.2 Executive Committee *(Areas of responsabilities in January 2015)*

Rik Vandenberghe **Chief Executive Officer**	Corporate Communication & Relations Corporate Audit Services Human Resources Financial Markets Brussels Transformation Office ING Luxembourg Continental Western Europe
Guy Beniada (until 31/12/2014) **Tanate Phutrakul (as from 1/1/2015)** **Managing Director**	Finance Facility Management Capital Management Procurement Tax Corporate Development
Michael Jonker **Managing Director**	Operational and Compliance Risk Market Risk Management (ALM) Market Risk management (Trading) Credit Risk Management Legal
Franck Stockx **Managing Director**	Product Management and Client Services Daily Banking Services Savings & Investments Services Lending & Insurance Services Commercial Banking Client Services ING Lease & ING Commercial Finance
Philippe Masset (until 31/05/2014) **Emmanuel Verhoosel (as from 1/11/2014)** **Managing Director**	Commercial Banking Belgium & Luxembourg Midcorps & Institutionals Corporate Clients Event Finance Corporate Finance Equity Markets Acquisition & Leveraged Finance Economic Research Local Structured Finance Working Capital Solutions
Colette Dierick **Managing Director**	Retail Sales Private Banking Direct Channels Marketing Record Group

Johan Kestens
Managing Director

Information technology services for:

Domestic applications
Transformation delivery services
Infrastructure Services
Shared Commercial Banking Services
Group Services
Continuous Improvement Services

5 Information about the Company on 31 December 2014

Registered name

In French, ING Belgique SA; in Dutch, ING België NV; in English, ING Belgium SA/NV; in German, ING Belgien AG

Registered office

Avenue Marnix/Marnixlaan 24

B-1000 Brussels

Company registration

Register of legal persons no. 0403 200 393.

Form of incorporation, Articles of Association and their publication

ING Belgium SA/NV is incorporated under Belgian law as a public limited company (société anonyme - naamloze vennootschap) by notarial act drawn up on 30 January 1935, witnessed by Me Pierre De Doncker, Notary Public of Brussels, and published in the appendices to the Belgian Official Journal of 17 February 1935, under no. 1459.

The Articles of Association of the company have been amended regularly, most recently by notarial act of 27 October 2006, witnessed by Me Sophie Maquet, associated Notary Public of Brussels, and published in the appendices to the Belgian Official Journal of 27 November 2006, under nos. 06176870 and 06176871.

ING Belgium SA/NV is a credit institution within the meaning of Article 1 of the Law of 22 March 1993 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 activity is to carry out, on its own behalf or on behalf of third parties, in Belgium or abroad, any business associated with a banking service, in the broadest sense of the term. This includes, but is not necessarily limited to, all transactions relating to deposits of cash and securities, credit transactions of any nature, financial business, stock market operations, foreign exchange, issuance, intermediation and brokerage.

The company is also authorised to conduct any other business activities that banks are, or may be, allowed to carry out in Belgium or abroad, such as, inter alia, those relating to the commission and brokerage of insurance services, finance leasing and other leasing services in any form of any movable or immovable property, as well as asset, property, advisory or consultancy services on behalf of third parties within the context of these activities.

The company is authorised to hold shares and interests in other companies within the limits laid down by law and regulatory authorities.

The company may acquire and own property and real estate rights for its own use, or in pursuit of its corporate object. It may also acquire property in connection with securing the repayment of loans and advances.

The company is further authorised to engage in any venture or commercial activity involving assets or property directly or indirectly related to its corporate object, or to facilitate the pursuit of this object.

Issued share capital

The issued share capital of ING Belgium SA/NV 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 have all been held by the ING Group.

Share issues reserved for employees, under preferential conditions

There is no share investment plan for the personnel or directors of the bank.

Company shares held by members of the bank's administrative and management bodies

The members of ING Belgium SA/NV Board of Directors do not hold any company shares.

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 SA/NV has decided to make this information available to the public on its website.

6 Consolidated Annual Accounts

6.1 Statement of Financial Position (Balance Sheet)

For year ended 31 December 2014

ASSETS			
In EUR thousands	**Note**	**2014**	**2013**
Cash and cash balances with central banks	*1*	1.994.517	1.648.292
Financial assets held for trading	*2*	19.872.700	18.419.397
Financial assets designated at fair value through profit or loss	*3*	71.389	273.149
Financial assets available for sale	*4*	19.652.854	19.845.088
Loans and receivables	*5*	101.175.488	96.608.892
Derivatives used for hedging	*6*	5.397.150	3.771.249
Fair value changes of the hedged items in portfolio hedge of interest rate risk		304.625	57.163
Tangible assets		959.873	989.500
of which property, plant and equipment	*7*	*912.184*	*977.241*
of which investment property	*8*	*47.689*	*12.259*
Goodwill and other intangible assets	*9*	136.715	126.680
Tax assets		186.305	260.554
of which current tax		*55.745*	*90.998*
of which deferred tax	*10*	*130.560*	*169.556*
Investments in associates, subsidiaries and joint ventures accounted for under the equity method (including goodwill)	*11*	76.484	80.502
Other assets	*12*	1.980.558	1.389.720
Assets held for sale	*13*	-	-
TOTAL ASSETS		**151.808.659**	**143.470.186**
LIABILITIES			
Deposits from central banks		1.622.235	195
Financial liabilities held for trading	*14*	18.317.525	17.136.393
Financial liabilities designated at fair value through profit or loss	*15*	3.043.519	3.043.757
of which subordinated liabilities		*12.350*	*41.706*
Financial liabilities measured at amortised cost	*16*	108.862.227	105.411.047
of which subordinated liabilities		*866.428*	*204.342*
Financial liabilities linked to transferred assets		3.462	34.028
Derivatives used for hedging	*17*	6.986.202	4.798.313
Provisions	*18*	357.157	387.164
Tax liabilities		395.110	277.921
of which current tax		*48.809*	*61.999*
of which deferred tax	*19*	*346.301*	*215.922*
Other liabilities	*20*	2.120.814	2.396.491
Liabilities held for sale			-
Share capital repayable on demand	*21*	104.813	110.107
TOTAL LIABILITIES		**141.813.064**	**133.595.416**
EQUITY			
Equity attributable to equity holders of the company	*22*	9.977.275	9.857.850
Minority interests		18.320	16.920
GROUP EQUITY		**9.995.595**	**9.874.770**
TOTAL EQUITY AND LIABILITIES		**151.808.659**	**143.470.186**

Restated for the presentation of the Madrid branch held for sale

ASSETS	restated	Consolidated
In EUR thousands	2014	2014
Cash and cash balances with central banks	1.994.467	1.994.517
Financial assets held for trading	19.872.700	19.872.700
Financial assets designated at fair value through profit or loss	71.389	71.389
Financial assets available for sale	19.652.849	19.652.854
Loans and receivables (including reverse repos)	100.067.736	101.175.488
Derivatives used for hedging	5.397.150	5.397.150
Fair value changes of the hedged items in portfolio hedge of interest rate risk	304.625	304.625
Tangible assets	959.837	959.873
Goodwill and other intangible assets	136.715	136.715
Tax assets	180.534	186.305
Investments in associates, subsidiaries and joint ventures accounted for under the equity method (including goodwill)	76.484	76.484
Other assets	1.975.905	1.980.558
Assets held for sale	1.118.267	
TOTAL ASSETS	**151.808.659**	**151.808.659**
LIABILITIES		
Deposits from central banks	1.622.235	1.622.235
Financial liabilities held for trading	18.317.525	18.317.525
Financial liabilities designated at fair value through profit or loss	3.043.519	3.043.519
Financial liabilities measured at amortised cost	107.750.213	108.862.227
Financial liabilities linked to transferred assets	3.462	3.462
Derivatives used for hedging	6.986.202	6.986.202
Provisions	357.157	357.157
Tax liabilities	395.110	395.110
Other liabilities	2.104.757	2.120.814
Liabilities held for sale	1.128.071	
Share capital repayable on demand	104.813	104.813
TOTAL LIABILITIES	**141.813.064**	**141.813.064**
EQUITY		
Equity attributable to equity holders of the company	9.977.275	9.974.275
of which ING Belgium Madrid's branch held for sale	*-9.805*	
Minority interests	18.320	18.320
GROUP EQUITY	**9.995.595**	9.995.595
of which ING Belgium Madrid's branch held for sale	***-9.805***	
TOTAL EQUITY AND LIABILITIES	**151.808.659**	**151.808.659**

6.2 *Consolidated Income Statement*

For year ended 31 December 2014

Consolidated income statement			
In EUR thousands	**Note**	**2014**	**2013**
Financial & operating income and expenses		**3.502.602**	**3.505.403**
Net interest income	*23*	2.752.498	2.735.313
Dividend income		82	53.284
Net fee and commission income	*24*	575.620	564.240
Realised gains and losses on financial assets & liabilities not measured at fair value through profit or loss	*25*	142.868	80.473
Net gains and losses on financial assets and liabilities held for trading	*26*	47.027	-58.132
Net gains and losses on financial assets and liabilities designated at fair value through profit or loss	*27*	-69.060	-3.666
Fair value adjustments in hedge accounting	*28*	25.433	-619
Exchange differences revaluations	*29*	24.482	101.766
Gains and losses on derecognition of assets other than held for sale	*30*	15.645	-4.092
Other net operating income	*31*	-11.992	36.836
Administration costs		**1.833.761**	**1.826.189**
Staff expenses	*32*	1.139.495	1.158.289
General and administrative expenses	*33*	694.266	667.900
Depreciation	*7-9*	**111.129**	**106.320**
Provisions	*18*	**-93.823**	**18.631**
Impairment	*34*	**179.509**	**227.255**
Impairment losses on financial assets not measured at fair value through profit or loss		177.278	220.647
Other Impairment		2.231	6.608
Share of the profit and loss attributable to associates and joint ventures accounted for under the equity method		**1.966**	**3.153**
Income tax expense related to profit and loss from continuing operations	*35*	**408.384**	**356.050**
Net profit (loss)		**1.065.608**	**974.112**
Attributable to minority interests		1.536	-3.567
Attributable to equity holders of the parent		1.064.072	977.679

Restated for the presentation of the Madrid branch held for sale

Consolidated income statement	Restated	Consolidated
In EUR thousands	**2014**	**2014**
Financial & operating income and expenses	**3.458.063**	**3.502.602**
Net interest income	2.737.553	2.752.498
Dividend income	82	82
Net fee and commission income	552.593	575.620
Realised gains and losses on financial assets & liabilities not measured at fair value through profit or loss	141.732	142.868
Net gains and losses on financial assets and liabilities held for trading	46.644	47.027
Net gains and losses on financial assets and liabilities designated at fair value through profit or loss	-69.060	-69.060
Fair value adjustments in hedge accounting	25.433	25.433
Exchange differences revaluations	24.482	24.482
Gains and losses on derecognition of assets other than held for sale	15.645	15.645
Other net operating income	-17.041	-11.992
Administration costs	**1.811.370**	**1.833.761**
Staff expenses	1.128.004	1.139.495
General and administrative expenses	683.366	694.266
Depreciation	**111.114**	**111.129**
Provisions	**-93.823**	**-93.823**
Impairment	**150.126**	**179.509**
Impairment losses on financial assets not measured at fair value through profit or loss	147.894	177.278
Other Impairment	2.231	2.231
Share of the profit and loss attributable to associates and joint ventures accounted for under the equity method	**1.966**	**1.966**
Income tax expense	**406.785**	**408.384**
Profit (loss) from Madrid branch	**-8.849**	
Net profit (loss)	**1.065.608**	**1.065.608**
Attributable to minority interests	1.536	1.536
Attributable to equity holders of the parent	1.064.072	1.064.072

6.3 Consolidated Statement of Comprehensive Income

Consolidated statement of comprehensive income			
In Eur thousands	**Note**	**2014**	**2013**
Net profit or loss for the current year	*23-35*	1.065.608	977.679
Other elements of comprehensive income:	*22*		
Other Comprehensive Income (net of related tax effects)			
Currency translation reserve		18.079	-10.232
Net change in hedge of net investments in foreign operations reserve		-17.226	10.327
Net change in tangible fixed assets revaluation reserve		-17.355	-1.882
Net change in the revaluation reserve available for sale		68.406	-43.425
Net change in cash flow hedges		215.005	-87.443
Net change in actuarial Gain/losses on pension Defined Benefit Plans		-47.634	-126.746
Share of the other comprehensive income of associates and joint ventures accounted for using equity method			
Other			
Total comprehensive income		**1.284.883**	**718.278**

The tax impact of elements in other comprehensive income can be found in Note 10 and note 19.

6.4 *Statement of cash flow*

For year ended 31 December 2014

Cash flow from operating activities			
In EUR thousands	**Note**	**2014**	**2013**
Profit or loss attributable to equity holders of the parent		**1.064.072**	**977.679**
Adjustments to reconcile profit to net cash provided by operating activities		**692.927**	**241.163**
Minority interest included in group profit loss		1.536	-3.567
(Current and deferred tax income, recognised in income statement)		-547.213	-225.283
Current and deferred tax expenses, recognised in income statement		955.597	581.333
Net unrealised gains		280.831	-130.869
of which:			
unrealised foreign currency (gains) losses		-	-
net unrealised fair value (gains) losses via profit or loss		*-2.580*	*-1*
net unrealised gains from cash flow hedges	*23*	*215.005*	*-87.443*
net unrealised gains from available-for-sale investments	*23*	*68.406*	*-43.425*
Net realised (gains) losses on sale of investments		-32.299	-13.733
Depreciation / amortization		111.129	106.320
Impairment	34	2.231	6.608
Net provisions (recoveries)		-93.825	18.631
Other adjustments		14.940	-98.277
Cash flow from operating activities before changes in working capital		**1.756.999**	**1.218.842**
Changes in operating assets (excluding cash & cash equivalents)		**8.618.352**	**-24.554.355**
Net increase in balances with central banks (monetary reserve)	*1*	172.948	24.321
Net increase in loans and receivables	*5*	4.922.733	-908.005
Net increase in financial assets available for sale	*4*	-192.233	-859.892
Net increase in financial assets held for trading	*2*	1.452.463	-21.426.850
Net increase in financial assets designated at fair value through profit or loss	*3*	-201.760	-4.859
Net increase in asset-derivatives, used for hedging	*6*	1.625.901	-1.489.353
Net increase in accrued income for financial assets		-	-
Net increase in other assets	*12*	838.300	110.283
Changes in operating liabilities (excluding cash & cash equivalents)		**8.130.466**	**-23.677.461**
Net increase in advances from central banks	*16*	1.622.040	-24.550
Net increase in deposits from credit institutions	*16*	-1.995.556	-5.228.684
Net increase in deposits from other than credit institutions	*16*	5.459.943	3.345.521
Net increase in debt certificates	*16*	-39.510	1.477.169
Net increase in financial liabilities held for trading	*14*	1.181.132	-21.342.831
Net increase in financial liabilities designated at fair value through profit or loss	*15*	-238	-298.999
Net increase in liability-derivatives used for hedging	*17*	2.187.888	-1.490.980
Net increase in accrued expenses on financial instruments		-	-
Net increase in other financial liabilities	*16*	-4.263	1.224
Net increase in other liabilities		-280.971	-115.331
Net increase in working capital		**-487.886**	**876.894**
Cash flow from operating activities		**1.269.113**	**2.095.735**
Income tax (paid) refunded		-349.808	-319.960
Net cash flow from operating activities		**919.305**	**1.775.775**

Cash flow from investment activities			
In EUR thousands		**2014**	**2013**
Acquisition of tangible assets	*7-8*	-96.386	-92.780
Disposal of tangible assets	*7-8*	43.809	26.843
Acquisition of intangible assets	*9*	-6.236	-8.487
Disposal of intangible assets	*9*	-	-
Acquisition of joint ventures, associates, subsidiaries, net of cash acquired	*11*	-4.114	-3.155
Disposal of joint ventures, associates, subsidiaries, net of cash disposed	*11*	19.088	2.718
Other cash payments related to investing activities		-	-
Other cash receipts related to investing activities		58.798	55.615
Net cash flow from investing activities		**14.959**	**-19.246**

Cash flow from financing activities		
In EUR thousands	**2014**	**2013**
Dividends paid	-1.192.521	-1.738.354
Cash proceeds from the issuance of subordinated liabilities	-	-
Cash repayments of subordinated liabilities	-118.552	-32.613
Cash proceeds from the issuance of shares and other equity instruments	-	-
Cash payments to acquire treasury shares	-	-
Cash proceeds from the sale of treasury shares	-	-
Other cash proceeds related to financing activities	-	-
Other cash payments related to financing activities	-	-
Net cash flow from financing activities	**-1.311.073**	**-1.770.967**
Effect of exchange rate changes on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	**-376.809**	**-14.439**
Cash and cash equivalents at the beginning of the period	**4.946.984**	**4.961.423**
Cash and cash equivalents at the end of the period	4.570.175	4.946.984

Cash and Cash Equivalents include the following items			
In EUR thousands		**2014**	**2013**
Cash on hand	*1*	602.831	535.671
Balances with central banks other than monetary reserve	*1*	765.997	659.885
Loans and receivables	5	3.201.347	3.751.428
Government securities		-	-
Bank overdrafts		-	-
Total		**4.570.175**	**4.946.984**

Supplementary disclosure of Operating Cash flow			
In EUR thousands		**2014**	**2013**
Interest income received	*24*	7.202.522	10.626.399
Interest expense paid	*24*	4.450.024	7.891.086
Dividend income received		40.421	53.284

6.5 *Consolidated Statement of Changes in Equity*

For year ended 31 December 2014

2014								
In EUR thousands	**Share capital**	**Share premium**	**Revaluation reserve**	**Other reserves**	**Retained earnings**	**Net profit current year**	**Non-controlling interests**	**Total**
Opening balance	**2.350.000**	**451.511**	**94.704**	**0**	**5.983.957**	**977.679**	**16.919**	**9.874.770**
Capital increase / decrease (-)								**0**
Purchases / sales of treasury shares								**0**
Share based payment					9.870			**9.870**
Net profit transferred to reserves					977.678	-977.679		**-1**
Reclassification between reserves				0				**0**
Other changes								**0**
Dividends 2013								**0**
Interim dividend 2014					-1.192.521			**-1.192.521**
Net profit or loss for the current year						1.064.072	1.536	**1.065.608**
Other Comprehensive Income (net of related tax effects)								**0**
Currency translation reserve			18.079					**18.079**
Net change in hedge of net investments in foreign operations reserve			-17.226					**-17.226**
Net change in tangible fixed assets revaluation reserve			-17.355					**-17.355**
Net change in the revaluation reserve available for sale			68.406					**68.406**
Net change in cash flow hedges			215.005					**215.005**
Net change in actuarial gains/losses on pension defined benefit plans			-47.634					**-47.634**
Share of the other comprehensive income of associates and joint ventures accounted for using equity method								**0**
Other					18.728		-135	**18.593**
Closing balance	**2.350.000**	**451.511**	**313.979**	**0**	**5.797.712**	**1.064.072**	**18.320**	**9.995.595**

For year ended 31 December 2013

2013								
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**	**354.105**	**0**	**6.932.622**	**771.798**	**20.715**	**10.880.751**
Capital increase / decrease (-)								**0**
Purchases / sales of treasury shares								**0**
Share based payment					9.092			**9.092**
Net profit transferred to reserves					771.798	-771.798		**0**
Reclassification between reserves			-8.800		8.800			**0**
Other changes								**0**
Dividends 2012								**0**
Interim dividend 2013					-1.738.354			**-1.738.354**
Net profit or loss for the current year						977.679	-3.567	**974.112**
Other Comprehensive Income (net of related tax effects)								**0**
Currency translation reserve			-10.232					**-10.232**
Net change in hedge of net investments in foreign operations reserve			10.327					**10.327**
Net change in tangible fixed assets revaluation reserve			6.978					**6.978**
Net change in the revaluation reserve available for sale			-43.425					**-43.425**
Net change in cash flow hedges			-87.443					**-87.443**
Net change in actuarial gains/losses on pension defined benefit plans *			-126.746					**-126.746**
Share of the other comprehensive income of associates and joint ventures accounted for using equity method								**0**
Other			-60		-1		-229	**-290**
Closing balance	**2.350.000**	**451.511**	**94.704**	**0**	**5.983.957**	**977.679**	**16.919**	**9.874.770**

* contains the unrecognised gains/losses transferred to OCI as of 01/01/2013 (EUR 190,9 mio) minus deferred taxes.

6.6 *Information on the Consolidated Accounts*

6.6.1 Statement of compliance with IFRS

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

The preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of contingent liabilities as at balance sheet date, as well as reported income and expenses for the year. The actual outcome may differ from these estimates.

The process of setting assumptions is subject to internal control procedures and approvals and takes into account internal and external studies, industry statistics, environmental factors and trends, and regulatory requirements.

6.6.2 Corporate information

ING Belgium SA/NV 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 Commercial Banking. Both report functionally to the equivalent business lines at ING Group.

ING Belgium is a limited liability company employing 10.736 people. The address of its registered office is: Avenue Marnix 24, 1000 Brussels.

These consolidated financial statements were approved for issue by the Board of Directors on 20 March 2015.

Amounts in the notes to the financial statements are in thousands of euros unless otherwise stated.

6.6.3 Basis of presentation

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

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

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

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

In addition, market data used in these valuation techniques are validated on a daily basis.

Models are subjective in nature and significant judgment is involved in establishing fair values for financial assets and liabilities. Models involve various assumptions regarding the underlying price, yield curve, correlations and many other factors.

The use of different valuation techniques and assumptions could produce materially different estimates of fair value.

Price testing is done to assess whether the process of valuation has led to an appropriate fair value of the position and to an appropriate reflection of these valuations in the income statement. Price testing is performed to minimise the potential risks of economic losses due to materially incorrect or misused models. This applies to both exchange-traded positions as well as OTC positions.

The difference between the price based on the model used and the market data, the 'day one profit', is recorded in the income statement of the bank.

However, when the bank uses internally developed models and/or data derived from observable prices, a valuation adjustment is made for model risk. This adjustment takes into account the different aspects of these models/data and the related degree of uncertainty.

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

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

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

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

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

Due to a change in market practices for pricing derivatives, ING Belgium applies since 2011 a discounting curve, that reflects the Overnight Indexed Swap ('OIS') instead of the previously used term EURIBOR rate.

In addition to the existing hedge accounting strategies, since 2011, a portfolio fair value hedge accounting for floating interest mortgage loans has been put in place using the Carved Out Version of IAS 39. This implies that the hedged embedded option (the cap included in the interest mortgages) is measured at fair value through P&L, which is similar the derivative used for hedging. As of 2012, ING Belgium has also implemented the fixed rate macro fair value hedge for fixed rate mortgages.

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 uncollectibility.

As of 2013, ING Belgium report applying the 'dirty price' methodology. This means that from this date the accrued interests are booked with the underlying instrument, and not longer separately.

Financial statements are prepared on a going concern basis.

6.6.3.1 Estimation of impacts of changes to IFRS

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

New IFRS modifications		
IFRS	**Applicable to annual periods beginning on or after...**	**Endorsed by the EU**
IFRS 10	01/01/2014	Yes
IFRS 11	01/01/2014	Yes
IFRS 12	01/01/2014	Yes
IAS 27 Revised	01/01/2014	Yes
IAS 28 Revised	01/01/2014	Yes
IFRIC 21	01/01/2014	Yes
IFRS 14	01/01/2016	No
IFRS 15	01/01/2017	No
IFRS 9	01/01/2018	No

IFRS 10 changes the definition of control. In order to have control an entity must have all of the following:

- power over the investee;
- exposure or rights to variable returns from its involvement;
- the ability to use its power to affect the furure amount of returns.

These changes might imply minor changes in the scope of control.

IFRS 11 contains the requirements for classifying a joint arrangement as either a joint venture or a joint operation. A joint operation is where the parties combine assets and operations to obtain rewards. A joint venture is an arrangement established in order to give the venturers a share in the net results of the arrangement. A joint operation recognises its own assets, liabilities, revenues and expenses. A joint venture must be accounted for under the equity method.

IFRS 12 integrates and requires consistent disclosures relating to subsidiaries, joint arrangements, associates and unconsolidated structured entities. The main new disclosures intend to identify the judgments made to determine whether control exists.

The revised IAS 27 contains only the accounting rules for subsidiaries, joint ventures and associates in the stand-alone financial statements of the investor. The requirements for consolidated financial statements are included in IFRS 10.

The revision of IAS 28 contains the requirements for accounting for investments in associates and joint ventures. Both are required to be accounted for under the equity method.

IFRIC 21 'Levies' provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 P*rovisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain.

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

IFRS 15 'Revenue from Contracts with Customers': In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers'. The standard is effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. IFRS 15 is not yet endorsed by the EU. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue as and when the agreed performance obligations are satisfied. The standard should in principle be applied retrospectively, with certain exceptions. ING is currently assessing the impact of this standard.

Furthermore, in 2010 IFRS 9 'Financial Instruments' was issued, which was initially effective as of 2013. However in July 2011 the International Accounting Standards Board tentatively decided to postpone the mandatory application of IFRS 9 until 2015. This standard is not yet endorsed by the EU and, therefore, not yet part of IFRS-EU.

In July 2014 the IASB issued a final version of the IFRS 9 with effectiveness fixed as at first of January 2018. Endorsement by the EU is expected before 2018. The implementation of IFRS 9 due through a new impairment model may have a significant impact on equity and/or result of ING Belgium SA/NV.

6.6.3.2 Principles of consolidation

6.6.3.2.1 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.

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

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

Balances and unrealised gains on transactions between ING Belgium companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

When necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by ING Belgium.

Consolidated subsidiaries 2014								
In EUR thousands		Entitie's Financial Statements at the reporting date						
Entity name	Registered office	Activity	Company code	Proportion of ownership	Assets [1]	Liabilities [1]	Income statement [1]	Equity (without Income statement)
CEL Data Services SA/NV	Brussels	IT	BE 0435.463.880	100,00%	7.412	1684	396	5.332
Immo Globe SA/NV	Brussels	Real Estate	BE 0415.586.512	100,00%	15.384	914	231	14.239
ING Belgium International Finance Luxembourg SA	Luxembourg	Finance	-	100,00%	3.156.666	3.194.112	-17.762	-19.684
ING Contact center SA/NV	Brussels	Finance	BE 0452.936.946	100,00%	10.974	7.553	-862	4.282
ING Luxembourg	Luxembourg	Finance	-	99,99%	14.004.171	12.575.209	106.465	1322.497
ING Lease Luxembourg	Luxembourg	Leasing	-	99,99%	211.291	191641	1648	18.002
Société Immobilière ING Luxembourg SARL	Luxembourg	Real Estate	-	99,99%	23.589	4.391	731	18.468
ING LUX Ré SA	Luxembourg	Insurance	-	99,99%	5.689	2.009	-	3.680
ING Technology Services	Brussels	IT	BE 0846.738.437	99,50%	1702	702	-	1000
Lease Belgium	Brussels	Leasing	BE 0402.918.402	100,00%	1452.752	1272.931	5.939	173.882
ING Equipment Lease Belgium	Brussels	Leasing	BE 0427.980.034	100,00%	1873.244	1769.313	13.942	89.989
ING Asset Finance Belgium	Brussels	Leasing	BE 0429.070.986	100,00%	612.584	576.455	4.340	31790
ING Truck Lease Belgium	Brussels	Leasing	BE 0440.360.895	100,00%	177.315	166.920	843	9.552
Commercial Finance	Brussels	Factoring	BE 0470.131086	100,00%	739.484	723.677	4.250	11557
D'Ieteren Vehicle Trading NV	Brussels	Leasing	BE 0428.138.994	51,00%	40.226	28.924	798	10.503
New Immo-Schuman SA/NV	Brussels	Real Estate	BE 0428.361797	100,00%	11.867	1712	152	10.003
Record Bank SA/NV	Brussels	Banking	BE 0403.263.642	100,00%	18.713.458	17.986.116	67.984	659.358
Fiducré SA/NV	Brussels	Finance	BE 0403.173.372	100,00%	113.911	103.694	8.735	1483
Logipar	Brussels	Real Estate	BE 0439.526.103	100,00%	7.381	2.523	-255	5.113
Record Credit Services SCRL/CVBA	Liege	Finance	BE 0403.257.407	16,42%	1707.723	1669.922	1796	36.006
Sogam SA/NV	Brussels	Finance	BE 0402.688.075	100,00%	465	3	17	445
Soges-Fiducem SA/NV	Brussels	Finance	BE 0403.238.304	100,00%	38.145	34.568	342	3.236
Belgian Overseas Agencies Ltd.	Montreal	Finance	CA 0403.202.967	100,00%	24.329	24.117	4	207
Belgian Overseas Issuing Corp.	New York	Finance	CA 0403.203.066	100,00%	24.287	23.661	25	602

[1] Amounts before inter-company eliminations

Note: Two more entities, Belgian Lion and Record Lion (Variable Interest Entities), are included in the consolidated figures of ING Belgium SA/NV. These are securitisation vehicules for which ING is keeping a significant part of risk which involves that the securitised loans are not derecognised.

6.6.3.2.2 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 recognised 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 recognised in the income statement. Its share in the post-acquisition movements in reserves is recognised 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 recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between ING Belgium and its associates are eliminated to the extent of the bank's interest in the associates. Unrealised 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.

Associates accounted for under the equity method 2014							
In EUR thousands					Entitie's Financial Statements		
Entity name	Registered office	Activity	Company code	Proportion of ownership	Assets (1)	Liabilities (1)	Income statement
Isabel SA/NV	Brussels	Finance	BE 0455.530.509	25,33%	24.923	7.783	4.981
Synapsia	Luxembourg	Finance		34,84%	43.374	43.340	-39
European Marketing Group Lu	Luxembourg	Leasing		100,00%	7.859	1655	956

* Assets are not equal to liabililties because equity is not included

6.6.4 Accounting policies

6.6.4.1 Foreign currency translation

6.6.4.1.1 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.

6.6.4.1.2 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 recognised 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.

6.6.4.1.3 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 recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and converted at the closing rate.

6.6.4.2 Recognition and derecognition of financial instruments

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

Financial assets are derecognised 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 derecognises 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 recognise the asset to the extent of its continuing involvement. The extent of this continuing involvement is determined by the extent to which ING Belgium is exposed to changes in the value of the asset.

6.6.4.3 Offsetting of financial assets and liabilities

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

6.6.4.4 Repurchase and reverse repurchase transactions

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

Securities purchased under agreements to resell ('reverse repos') are recorded as collateral received. In addition, a receivable is recognised as 'loans and advances' or as 'financial assets held for trading'. The difference between the sale and repurchase price is recorded as interest and accrued over the life of the agreement, using the effective interest method.

6.6.4.5 Financial assets

6.6.4.5.1 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.

6.6.4.5.2 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.

ING Belgium designates marketable equity securities and debt securities, derivatives and reverse repos as financial assets held for trading.

6.6.4.5.3 Financial assets designated at fair value through profit or loss

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

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

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

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

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

6.6.4.5.4 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.

6.6.4.5.5 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.

6.6.4.6 Impairment of financial assets

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

- the borrower has sought or has been placed in bankruptcy or similar protection, and this avoids or delays repayment of the financial asset;
- the borrower has failed in the repayment of principal, interest or fees, and the payment failure has remained unsolved for a certain period;
- the borrower has given evidence of significant financial difficulty, which will have a negative impact on the future cash flows of the financial asset;
- the credit obligation has been restructured for non-commercial reasons. ING Belgium has granted concessions, for economic or legal reasons relating to the borrower's financial difficulty, the effect of which is a reduction in the expected future cash flows of the financial asset.

6.6.4.6.1 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.

6.6.4.6.2 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 collectibility 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 impaired, 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[1]. 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.

It is the bank's policy that write-offs should only be made in a limited number of cases, including after completion of a restructuring, in a bankruptcy situation, and after divestment of a credit facility at a discount.

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

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

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

6.6.4.7 Financial liabilities

6.6.4.7.1 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.

6.6.4.7.2 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.

6.6.4.7.3 Financial liabilities at amortised cost

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

6.6.4.8 Derivatives and hedging activities

Any derivative contract is initially recognised at fair value at the date on which it is entered into and is subsequently 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.

6.6.4.8.1 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 relaxed to avoid operational complexity. Among other, the carved-out version allows the use of the 'bottom layer' approach for prepayable assets.

Within ING Belgium, two hedge relations benefit from the carve-out relaxation:

- Macro fair value hedging of fixed rate mortgage loans
- Macro fair value hedging of embedded caps in floating rate mortgage loans

6.6.4.8.2 Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised 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 recognised when the forecast transaction is ultimately recognised 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.

6.6.4.8.3 Hedge of a net investment in a foreign operation

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

6.6.4.9 Tangible assets

6.6.4.9.1 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 remeasures 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.

6.6.4.9.2 Investment property

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

Fair value of investment property is based on regular appraisals by independent qualified appraisers.

Investment properties are not depreciated.

6.6.4.10 Goodwill and intangible assets

6.6.4.10.1 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.

6.6.4.10.2 Computer 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.

6.6.4.10.3 Other intangible assets

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

6.6.4.11 Provisions

A provision involves a present obligation arising from past events, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits, whereas the timing or the amount is uncertain. Unless otherwise stated, provisions are discounted using a pre-tax discount rate to reflect the time value of money. The determination of provisions is an inherently uncertain process, involving estimates of amounts and timing of cash flows. Reorganisation provisions include employee termination benefits, when ING Belgium is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

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

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

6.6.4.12 Employee benefits : pension obligations

6.6.4.12.1 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.

6.6.4.12.2 Other post-retirement obligations

ING Belgium provides post-retirement health care and other benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum period of service. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined-benefit pension plans.

6.6.4.13 Income tax expenses

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been substantially enacted by the time of the balance sheet date, and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised when it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

Deferred tax liabilities are provided on temporary differences arising from investments in subsidiaries and associates, except when the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of income tax losses available for carrying forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

Deferred tax related to fair value remeasurement of available-for-sale investments and cash flow hedges that are directly charged or credited to shareholders' equity is also directly credited or charged to equity and subsequently recognised in the income statement, together with the deferred gain or loss.

6.6.4.14 Income recognition

6.6.4.14.1 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 basispoints 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).

6.6.4.14.2 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.

6.6.4.14.3 Dividend income

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

6.6.4.15 Dividend policy description

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

6.6.4.16 Fiduciary activities

The bank commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of ING Belgium.

6.6.4.17 Share-based payment transactions

Option rights and share plans on ING Group shares have been granted by ING Belgium to a number of senior executives and managers (equity settled transactions).

The purpose of the option and share schemes, apart from promoting a lasting growth of ING Belgium, is to attract, retain and motivate senior executives.

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

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

6.6.4.18 Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

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

Subsequent to initial recognition, the bank’s liabilities under such guarantees are measured at initial measurement, less amortisation.

The premium received is recognised in the income statement in net fees and commission income on a straight-line basis over the life of the financial guarantees.

Any increase in the liability relating to guarantees is recorded in the income statement under 'other operating income'.

6.6.5 Risk management

The traditional role of a commercial bank is to attract deposits, which it then uses to grant loans. This role implies a two-fold transformation: in transaction value and duration.

In addition to this conventional business, known as 'on-balance sheet' activities, commercial banks have introduced a growing number of new off-balance sheet instruments with the common aim of managing different types of risks: credit, liquidity, interest rate, exchange rate and equity risks. These transactions are known as 'derivatives' and generally no funds are exchanged upon their conclusion.

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

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

6.6.5.1 Credit risk

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

6.6.5.1.1 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 keeping with the general policy of ING Group. It is laid down in a credit policy manual and translated into credit procedures, which are made available to all those responsible for credit applications, decisions and monitoring.

6.6.5.1.2 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.

6.6.5.1.3 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 (Event Risk) 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 (% of outstanding).

In %	2014	2013
Automotive	1,11%	1,03%
Builders & Contractors	3,82%	4,06%
Central Banks	1,08%	0,89%
Central Governments	10,55%	11,95%
Chemicals, Health & Pharmaceuticals	2,97%	3,06%
Civic, Religious & Social Organizations	0,47%	0,26%
Commercial Banks	8,41%	9,41%
Food, Beverages & Personal Care	3,28%	3,09%
General Industries	5,69%	5,25%
Lower Public Administration	5,53%	4,10%
Media	0,81%	0,85%
Natural Resources	10,68%	11,42%
Non-Bank Financial Institutions	4,36%	4,69%
Private Individuals	15,64%	15,50%
Real Estate	6,17%	5,35%
Retail	2,33%	2,38%
Services	9,66%	9,45%
Technology	0,43%	0,50%
Telecom	0,41%	0,53%
Transportation & Logistics	3,33%	3,09%
Utilities	1,28%	1,21%
Other	2,00%	1,93%
Totals	**100,00%**	**100,00%**

6.6.5.1.4 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 financial markets 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.

6.6.5.1.5 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.

6.6.5.1.6 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. Presettlement 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 presettlement 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	2014	2013
Equity	1.951.373	1.278.216
Debt instruments	21.989.007	23.104.605
Loans & advances	99.010.435	93.809.236
Derivatives	17.821.562	16.954.469
Other	-	-
Total	**140.772.377**	**135.146.526**

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] (% of outstanding).		
In %	**2014**	**2013**
AAA	3,96%	2,03%
AA	19,44%	20,23%
A	14,51%	17,08%
BBB	25,77%	25,87%
Subtotal investment grade	***63,68%***	***65,21%***
BB	22,69%	20,88%
B	9,06%	8,90%
Watch/Problem grade	4,57%	5,00%
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 organised 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 collateralised 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.

6.6.5.1.7 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 outstanding)		
In EUR billions	**2014**	**2013**
Belgium	82,74	79,13
Netherlands	11,46	13,73
Switzerland	6,25	6,19
Luxembourg	5,32	4,39
France	4,55	3,94
Germany	2,43	2,46
United States	2,38	2,13
Spain	2,25	2,71
United Kingdom	1,43	1,09
Singapore	1,09	1,29

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

6.6.5.1.8 Collateral policies

As with all financial institutions and banks in particular, ING Belgium is in the business of taking credit risks. As such, the creditworthiness of its customers, trading partners and investments is continually evaluated for their ability to meet their financial obligations to ING Belgium. During the assessment process of creating new loans, trading limits or investments, as well as reviewing existing loans, trading positions and investments, ING Belgium determines the amount and type of cover, if any, that a customer may be required to give in order to secure its position. Generally, the lower the perceived creditworthiness of a borrower or financial counterparty, the more cover the customer or counterparty will have to provide. Covers received for ING Belgium's lending activity mainly consist of mortgages, movable assets, cash, financial instruments and guarantees.

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

Covers for Performing Loans - 2014*

	Outstandings	Cover amount based on ING internal valuation methods								Outstandings with No Cover	
In EUR thousands		Mortgages		Cash		Guarantees		Other			
Mortgage Loans	31.451.689	24.395.075	77,6%	145	0,0%	118	0,0%	4.653	0,0%	118.940	0,4%
Other Retail	8.865.968	2.384.458	26,9%	31.007	0,3%	513.826	5,8%	1.399.079	15,8%	1.977.278	22,3%
Corporate	46.151.662	4.201.975	9,1%	1.668.073	3,6%	13.821.055	29,9%	15.186.892	32,9%	7.826.643	17,0%
Institutions	7.877.879	49.655	0,6%	52.015	0,7%	1.163.502	14,8%	785.405	10,0%	4.964.117	63,0%
Central Governments & Central Banks	4.461.362	15.497	0,3%	1.016	0,0%	506.194	11,3%	121.383	2,7%	3.665.214	82,2%
Total	**98.808.560**	**31.046.661**	**31,4%**	**1.752.256**	**1,8%**	**16.004.695**	**16,2%**	**17.497.412**	**17,7%**	**18.552.193**	**18,8%**

Covers for Problem Loans - 2014*											
	Outstandings	Cover amount based on ING internal valuation methods								Outstandings with No Cover	
In EUR thousands		Mortgages		Cash		Guarantees		Other			
Mortgage Loans	914.392	801.767	87,7%	57	0,0%	0	0,0%	49	0,0%	8.798	1,0%
Other Retail	403.832	205.261	50,8%	519	0,1%	24.636	6,1%	19.123	4,7%	41.925	10,4%
Corporate	1.251.989	648.722	51,8%	94.031	7,5%	106.718	8,5%	269.478	21,5%	243.427	19,4%
Institutions	231	1.566	677,6%	0	0,0%	7	2,9%	3	1,1%	123	53,4%
Central Governments & Central Banks	18	0	0,0%	0	0,0%	0	0,0%	0	0,0%	6	35,7%
Total	**2.570.462**	**1.657.315**	**64,5%**	**94.607**	**3,7%**	**131.361**	**5,1%**	**288.652**	**11,2%**	**294.280**	**11,4%**

** Lending and money market portfolio excluding intercompany*

Notes:

1. Cover type 'Mortgages' does not include mortgage mandates. Mortgage mandates are captured in category 'Other'.

2. Cover amounts are based on ING internal valuation methods before haircuts per cover type.

3. The cover amount of a particular cover is not capped at the outstanding amount of the loan i.e. surplus cover amounts for a particular loan are also captured in the total displayed cover amount

4. In case multiple covers are received for a particular loan, the sum of the different cover amounts is displayed (this sum can be higher than the loan amount)

6.6.5.1.9 Allowances for credit policies

Allowance movements for credit losses				
	Specific allowances for individually and collectively assessed financial assets		Allowances for incurred but not reported losses on financial assets	
In EUR thousands	**2014**	**2013**	**2014**	**2013**
Opening balance	**723.231**	**658.025**	**101.090**	**95.374**
Changes in the group				
Write-downs taken against the allowance	-84.285	-96.694	0	
Amounts set aside for estimated probable loan losses	225.724	290.154	23.923	20.054
Amounts reversed for estimated probable loan losses	-155.837	-126.248	-30.986	-15.148
Foreign exchange rate differences		-645		-10
Unwinding interests		-306		2.473
Other adjustments	-3.577	-1.055	-2.108	-1.653
Transfers between items	2.843		2.401	
Closing balance	**708.099**	**723.231**	**94.321**	**101.090**

Recoveries directly recognised in the income statement	28.338	24.978
Charge-offs directly recognised in the income statement	143.576	76.011

6.6.5.1.10 Past due obligations

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

Generally, an obligation is considered 'past due' if a payment of interest or principal is more than one day late. In practice, the first 5 to 7 days are considered to be an operational risk.

After this period, letters will be sent to the obligor as a reminder of his/her (past due) payment obligations. If payment has not been made after 90 days, the obligation is considered impaired and is transferred to one of the 'problem loan' units. In order to reduce the number of arrears, most ING Belgium units encourage obligors to set up automatic debits from their accounts to ensure timely payments. Loans with past due financial obligations of more than 90 days are automatically reclassified as impaired. However, there can also be other reasons for declaring a loan impaired prior to being 90 days past due. These include, but are not limited to, ING Belgium's assessment of the customer's perceived inability to meet its financial obligations or the customer filing for bankruptcy or bankruptcy protection. In some cases, a material breach of financial covenants will also trigger a reclassification of a loan to the impaired category.

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

2014					
In EUR thousands	**Up to 30 days**	**Over 30 days up to 90 days**	**Over 90 days up to 180 days**	**Over 180 days up to 1year**	**Over 1 year**
Debt instruments					
Loans & advances	2.890.195	695.270	0	0	0
Other financial assets					
Total	**2.890.195**	**695.270**	**0**	**0**	**0**

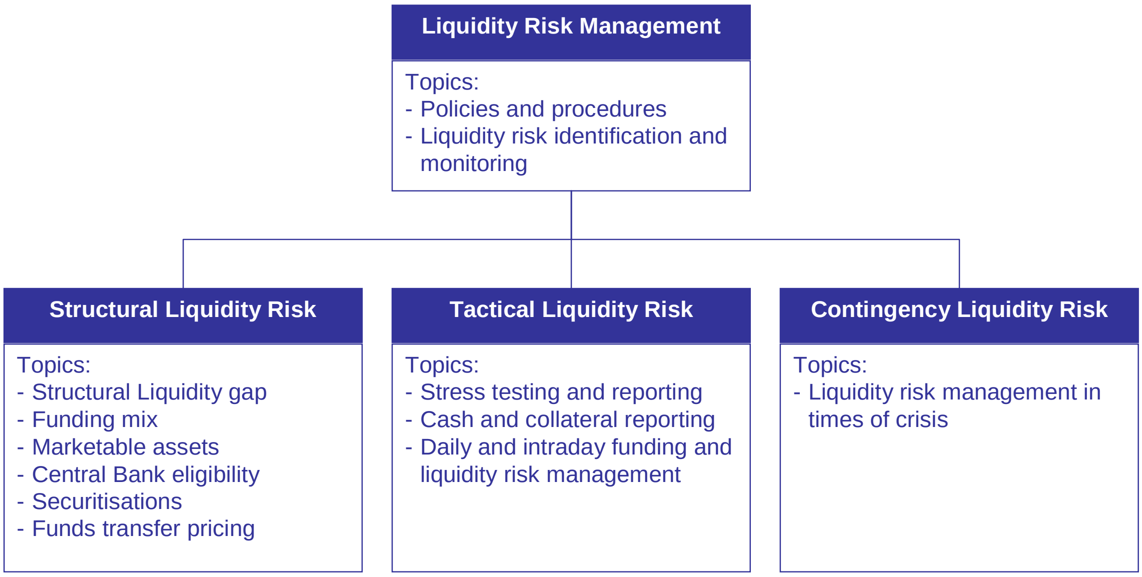
2013					
In EUR thousands	**Up to 30 days**	**Over 30 days up to 90 days**	**Over 90 days up to 180 days**	**Over 180 days up to 1year**	**Over 1 year**
Debt instruments					
Loans & advances	1.780.017	543.553	47.707	1.981	5.658
Other financial assets					
Total	**1.780.017**	**543.553**	**47.707**	**1.981**	**5.658**

6.6.5.2 Liquidity risk

6.6.5.2.1 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 (ALMAC) 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.

6.6.5.2.2 Liquidity risk framework



6.6.5.2.3 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.

6.6.5.2.4 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 Financial Markets, which is responsible for managing the overall liquidity risk position of ING Belgium.

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

The liquidity risk management function is delegated to Market Risk Management (MRM), which bears the responsibility for liquidity risk stress testing and for the identification, measurement and monitoring of the liquidity risk position. For the measurement and monitoring of the actual liquidity position, the focus is on the daily cash and collateral position. For stress testing purposes, the liquidity risk positions are calculated in line with the regulatory reporting requirements for liquidity risk of the Belgian National Bank. In addition to this, a framework is implemented within ING Belgium that sets limits on the overall weekly and monthly liquidity risk positions to ensure adequate buffers of liquidity.

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

Maturity analysis for financial assets and liabilities - 2014								
ASSETS								
In EUR thousands	**Up to 1 month**	**1-3 months**	**3-12 months**	**Total less than 12 months**	**1-5 years**	**over 5 years**	**unknown**	**Total**
Cash	1.994.517			**1.994.517**				**1.994.517**
Financial assets held for trading	370.403	922.426	3.405.294	**4.698.124**	7.419.398	7.752.289	2.889	**19.872.700**
Financial assets at fair value through profit or loss	46.249	18.951	3.812	**69.011**	1.847	530	0	**71.389**
Financial assets available for sale	56.698	510.832	743.808	**1.311.338**	8.580.804	9.510.742	249.970	**19.652.854**
Loans & receivables	22.281.248	5.074.054	8.184.512	**35.539.815**	28.374.146	37.261.528	0	**101.175.488**
- of which loans & advance to banks	*2.839.942*	*361.405*	*2.638.824*	***5.840.171***	*2.535.506*	*256.869*	*0*	***8.632.546***
- of which loans & advance to customers	*19.441.306*	*4.712.649*	*5.545.688*	**29.699.643**	*25.838.639*	*37.004.659*	*0*	***92.542.942***
Derivatives used for hedging	211.050	255.899	606.079	**1.073.029**	1.839.403	2.484.718	0	**5.397.150**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	198	19.860	**20.058**	35.636	248.932	0	**304.625**
Investments shares, tangible & intangible assets	0	0	0	**0**	0	0	1.173.073	**1.173.073**
Other assets	828.257	676.215	277.369	**1.781.841**	0	1.209	383.814	**2.166.863**
Total	**25.788.422**	**7.458.576**	**13.240.735**	**46.487.733**	**46.251.233**	**57.259.948**	**1.809.745**	**151.808.659**
LIABILITIES								
In EUR thousands	**Up to 1 month**	**1-3 months**	**3-12 months**	**Total less than 12 months**	**1-5 years**	**over 5 years**	**unknown**	**Total**
Deposits from central banks*	69			**69**	1.622.166			**1.622.235**
Financial liabilities held for trading	516.575	607.634	2.438.782	**3.562.991**	6.747.070	8.037.202	-29.738	**18.317.525**
Financial liabilities at fair value through profit or loss	34.809	99.164	282.329	**416.302**	1.635.903	991.314	0	**3.043.519**
- of which subordinated liabilities	*1.181*	*3.870*	*7.299*	***12.350***				***12.350***
Financial liabilities measured at amortised cost	91.151.944	4.571.102	2.499.535	**98.222.581**	6.111.503	4.521.554	10.051	**108.865.689**
- of which funds entrusted by banks	*5.857.124*	*157.218*	*157.601*	***6.171.943***	*635.186*	*471.718*	*6.757*	***7.285.604***
- of which funds entrusted by customers	*85.193.200*	*4.268.215*	*1.679.124*	***91.140.539***	*1.535.429*	*605.448*	*30.410*	***93.311.826***
- of which subordinated liabilities	*-13*	*0*	*2.114*	***2.101***	*114.688*	*750.136*	*-497*	***866.428***
- of which debt securities in issue	*101.311*	*145.669*	*660.696*	***907.676***	*3.826.200*	*2.694.252*	*-26.619*	***7.401.509***
- of which other financial liabilities	*322*	*0*	*0*	***322***	*0*	*0*	*0*	***322***
Derivatives used for hedging	167.317	139.271	588.025	**894.613**	1.281.857	4.886.587	-76.855	**6.986.202**
Other liabilities	1.952.821	243.378	309.481	**2.505.680**	174.634	192.767		**2.873.081**
Share capital repayable on demand				**-**			104.813	**104.813**
Total	**93.823.535**	**5.660.549**	**6.118.152**	**105.602.236**	**17.573.133**	**18.629.424**	**8.271**	**141.813.064**

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

Maturity analysis for financial assets and liabilities - 2013								
ASSETS **In EUR thousands**	Up to 1 month	1-3 months	3-12 months	Total less than 12 months	1-5 years	over 5years	unknown	Total
Cash & balance with central banks, loans and advances	1.648.292			**1.648.292**				**1.648.292**
Financial assets held for trading	68.867	727.358	2.706.998	**3.503.223**	7.721.610	7.194.564		**18.419.397**
Financial assets at fair value through profit or loss	12.704	0	238.933	**251.637**	21.512	0		**273.149**
Financial assets available for sale	62.949	482.629	1.979.540	**2.525.118**	8.666.245	8.600.436	53.289	**19.845.088**
Loans & receivables	21.287.300	5.432.253	6.919.023	**33.638.576**	26.659.142	36.306.464	4.710	**96.608.892**
- of which loans & advance to banks	*3.389.771*	*361.657*	*2.655.626*	***6.407.054***	*3.741.938*	*531.974*		***10.680.966***
- of which loans & advance to customers	*17.897.529*	*5.070.596*	*4.263.397*	***27.231.522***	*22.917.204*	*35.774.490*	*4.710*	***85.927.926***
Derivatives used for hedging	253.024	24.878	617.615	**895.517**	1.727.909	1.147.823		**3.771.249**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	26.455	9.461	8.164	**44.080**	0	13.083		**57.163**
Investments shares, tangible & intangible assets	0	0	0	**-**	0	0	1.196.682	**1.196.682**
Other assets	244.390	996.734	138.653	**1.379.777**	237	55.989	214.271	**1.650.274**
Total	**23.603.981**	**7.673.313**	**12.608.926**	**43.886.220**	**44.796.655**	**53.318.359**	**1.468.952**	**143.470.186**
LIABILITIES **In EUR thousands**	Up to 1 month	1-3 months	3-12 months	Total less than 12 months	1-5 years	over 5years	unknown	Total
Deposits from central banks	195			**195**				**195**
Financial liabilities held for trading	405.686	1.054.497	3.865.028	**5.325.211**	7.726.308	4.200.688	-115814	**17.136.393**
Financial liabilities at fair value through profit or loss	11.751	24.379	437.593	**473.723**	1.671.755	891.912	6.367	**3.043.757**
- of which subordinated liabilities	*2.353*	*3.047*	*23.717*	***29.117***	*12.589*	*0*	*0*	***41.706***
Financial liabilities measured at amortised cost *	87.880.850	5.677.577	2.307.362	**95.865.789**	6.859.544	2.765.204	-45.462	**105.445.075**
- of which funds entrusted by banks	*8.598.072*	*95.904*	*78.389*	***8.772.365***	*610.539*	*567.406*		***9.950.310***
- of which funds entrusted by customers	*79.073.007*	*5.143.220*	*1.388.015*	***85.604.242***	*1.559.645*	*681.067*		***87.844.954***
- of which subordinated liabilities	*339*	*164*	*92.301*	***92.804***	*112.355*	*0*	*-817*	***204.342***
- of which debt securities in issue	*204.847*	*438.289*	*748.657*	***1.391.793***	*4.577.005*	*1.516.731*	*-44.645*	***7.440.884***
- of which other financial liabilities	*4.585*	*0*	*0*	***4.585***	*0*	*0*	*0*	***4.585***
Derivatives used for hedging	287.306	288.934	1.142.430	**1.718.670**	2.781.251	819.427	-521.035	**4.798.313**
Other liabilities	1.594.444	176.646	553.830	**2.324.920**	474.207	134.540	127.909	**3.061.576**
Share capital repayable on demand				**-**			110.107	**110.107**
Total	**90.180.232**	**7.222.033**	**8.306.243**	**105.708.508**	**19.513.065**	**8.811.771**	**-437.928**	**133.595.416**

The maturity analysis of Liabilities is based on contractual cash flows as required by the March 2009 amendments to IFRS 7. The difference between the contractual cash flows and the balance sheet carrying amount has been reported in the column ‘unknown’.

6.6.5.2.5 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 (ALMAC) of ING Belgium. The CFP is also aligned with that of the ING Group via the functional lines that exist between global treasurers and local treasurers, and between global risk management and local risk managers.

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

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

6.6.5.3 Market risk

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

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

6.6.5.3.1 Decision-making structures and monitoring bodies

Twice a month, the Executive Committee meets in the Assets and Liabilities Management Committee (ALMAC) 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 ALMAC 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 ALMAC.

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 ALMAC and the Financial Markets Committee.

6.6.5.3.2 Value at risk

Potential risks relating to exchange rate, interest rate, 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 apply:

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.

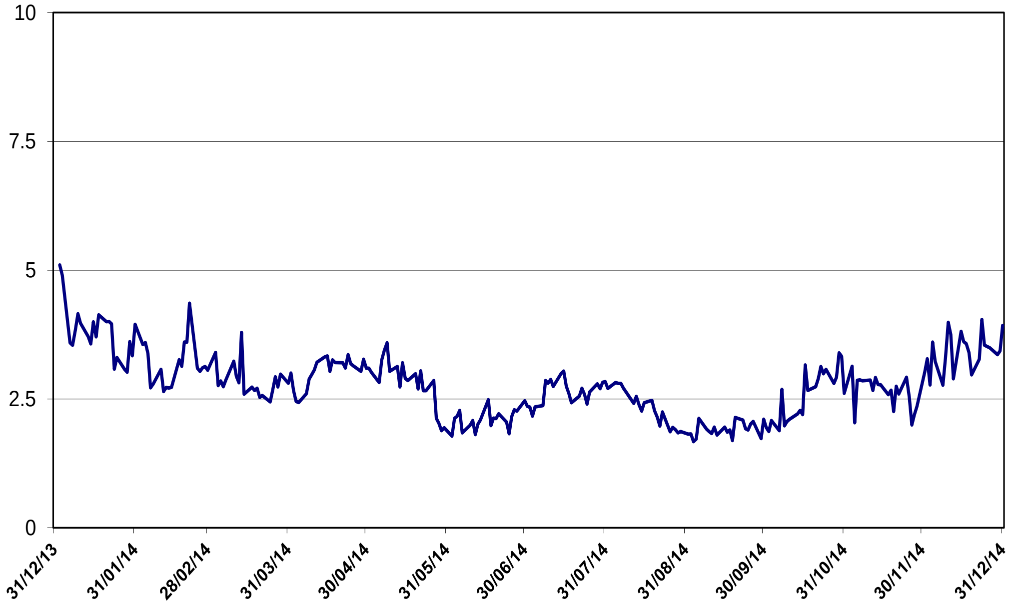
Stressed VaR is calculated with the exact same settings as 10-day 99% HVaR, except for the historical market data period used. The period 1 November 2007 – 31 October 2008 has been chosen for this 1-year period as this period was a stress period for the Trading activity of the bank. This stressed period is regularly reviewed.

The Incremental Risk Charge (IRC) is defined as an estimate of default and migration risk of unsecuritised 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 (which replaces the former specific market 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 2014.

Consolidated Trading Hvar 1d 2014
(in EUR million)



Consolidated trading VaR 1d		
In EUR millions VaR as at 31 December	**2014**	**2013**
Highest VaR	5,10	10,1
Lowest VaR	1,67	2,9
Average VaR	2,77	4,9
Backtest outliers	0	0

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.

6.6.5.3.3 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.

6.6.5.3.4 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 Treasury, which performs the day-to-day management of all foreign currency positions.

6.6.5.4 Operational risk

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

6.6.5.4.1 Scope of operational risks

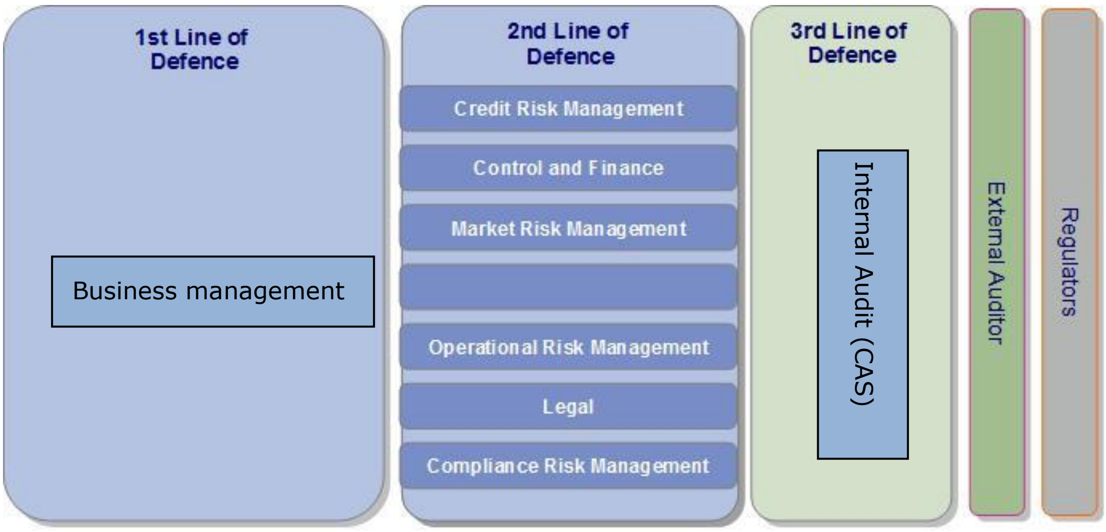
Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes also reputational and legal risk. Strategic risk is not part of operational risk. Operational risk in general is an umbrella category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

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

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

6.6.5.4.2

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



6.6.5.4.2.1 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* & Compliance policies, minimum standards, local laws and regulations;
- ensure the operating effectiveness of the key controls.

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

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

6.6.5.4.2.2 Second line of defence

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

6.6.5.4.2.3 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.

6.6.5.4.3 Hierarchical organisation

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

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

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

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

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

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

In order to ensure the coherence between the several divisions and in order to profit from potential synergy in terms of management, the Head of Compliance or the Head of ORM acts as "Primus inter pares". Currently, it is the responsibility of the Head of ORM.

6.6.5.4.4 Functional organisation

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

The Money Laundering Reporting Officer (MLRO) has a functional reporting line to the MLRO of the group (Bank).

The Head of Compliance has a functional reporting line to the Compliance Officer of the group (bank) and to the CEO of ING Belgium.

The Head of ORM has a functional reporting line to the ORM Officer of the group (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 (group).

The Anti-Fraud Officer has a functional reporting line to 'Corporate Security' division within the Corporate ORM department (group).

The Head of Information Risk Management (IRM) has a functional reporting line to the Information Security Officer of the group (group) and a functional reporting line to the Security Officers of the group (bank).

6.6.6 Capital management

6.6.6.1 Objectives

The Capital Management department of ING Belgium is responsible for the sufficient capitalisation of ING Belgium and its subsidiaries at all times in order to manage the risk associated with ING Belgium's business activities. This involves the management, planning and allocation of capital within ING Belgium. Capital Management monitors and plans capital adequacy on a consolidated and stand alone levels. ING Belgium takes an integrated approach to assessing the adequacy of its capital position in relation to its risk profile and its operating environment.

ING applies the following main capital definitions:

Equity 'Core Tier-1', equity 'Tier-1 and the total BIS capital for the bank – Equity 'Tier-1' is defined as core Tier 1 securities, hybrid capital and reduced by prudential filters and deducted elements. 'Tier-1' and BIS capital divided by risk weighted assets equal the Tier-1 and BIS ratio respectively. Core Tier-1 capital is equal to Tier-1 capital excluding hybrid capital.

6.6.6.2 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 (see table below).

In June 2014, ING Belgium proceeded with the issue of EUR 750mln subordinated Tier 2 capital. This CRD IV compliant instrument has an original tenor of 10 years, and was issued to ING Bank N.V. (parent company).

6.6.6.3 Policies

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

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

6.6.6.4 Processes for Managing Capital

Capital Management ING Belgium also ensures that sufficient capital is available by setting targets and limits relevant to the above-mentioned metrics for ING Belgium, in line with ING Bank N.V. targets and by ensuring adherence to the set limits and targets through planning and executing capital management transactions. This process is supplemented by stress testing and scenario analysis. The ongoing assessment and monitoring of capital adequacy is embedded in Capital Management's capital planning process and results in a quarterly capital update report. The main objective of the assessment is to ensure that ING Belgium as a whole has sufficient capital relative to its risk profile for both the short and medium term.

6.6.6.5 Capital Adequacy Assessment

During 2014, the entities of ING Belgium were adequately capitalised in relation to their risk profile and strategic objectives.

On a yearly basis ING Belgium submits extensive documentation on the Internal Capital Adequacy Assessment Process (ICAAP) to its regulator (NBB) as prescribed in the Basel III framework. This documentation includes a description of ING's internal capital models, its risk appetite framework, an asset quality analysis and a capital planning, both under normal circumstances and in certain stressed scenarios. It also provides an assessment of ING Belgium's capital position with regards to its Pillar I and Pillar II capital requirements.

6.6.6.6 Regulatory Requirements

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

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

The revised capital adequacy directive (CRD IV) aims at strengthening the resilience of banks, in particular through the introduction of capital buffers. These buffers will be phased-in annually until they are fully implemented in 2018.

The Capital Conservation buffer (2.5% of RWA) is designed to ensure that banks build capital buffer outside of periods of stress which can be drawn down as losses are incurred. This buffer will be phased in as of January 2016 (0.625%).

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

Banks may also be subject to a Systemic Bank buffer (currently 1% to 5%) determined to reflect their impact on the global economy (Global Systemically Important Banks – GSIB) or on the domestic economy (Domestic Systemically Important Banks – DSIB). The list of G-SIBs is published annually by the Financial Stability Board. ING Bank N.V. is considered a GSIB resulting in a 1% additional capital requirement.

Excluding the impact of the capital buffers, in 2014 the minimum capital requirements were as follows:

- Core Tier 1 ratio: 4.0%,
- Tier 1 ratio: 5.5%
- Total Capital ratio: 8%.

The Belgian regulator in its national options did not require the buffers in 2014. However, he decided to introduce the changes gradually (phase-in) during the transitional period which runs from 2014 to 2017.

ING Belgium's current capital levels are sufficient to withstand the increased levels of capital requirements.

Basel III does not change the main Basel II principles for calculating Risk Weighted Assets (RWA). As a consequence for most assets the credit risk calculation would not be impacted.

Several changes however affect the calculation of counterparty credit risk:

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

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

- The gradual abolition (in 5 years) the possibility of using a 0% weight for certain exposures to sovereigns who could benefit;
- The lump sum for Belgian banks than 5% of the weighted risks for mortgage loans to retail.

Solvency Ratios		
In EUR millions	**2014 Basel III**	**2013 Basel II**
Original Own Funds (Tier 1)	8.275,1	9.864,1
Additional Own Funds (Tier 2)	807,0	315,6
(Items to be deducted from Tier 1 and Tier 2)	0,0	-284,3
Total Eligible Capital (Tier 1 and Tier 2)	**9.082,1**	**9.895,4**
Risk Weighted Assets:		
Credit Risk	44.800,1	40.425,1
Credit Value Adjustment risk	2.287,6	
Settlement Risk		
Market Risk	1.161,8	1.410,0
Operational Risk	6.057,0	5.606,3
Total Risk Weighted Asset	**54.306,5**	**47.441,4**
Capital Requirements:		
Credit Risk	3.584,0	3.234,0
Credit Value Adjustment risk	183,0	
Settlement Risk		
Market Risk	92,9	112,8
Operational Risk	484,6	448,5
Total Capital Requirements	**4.344,5**	**3.795,3**
Solvency Ratios:		
Tier 1 Capital Ratio	15,24%	20,49%
Total Capital Ratio	16,72%	20,86%
After 2007: Tier 1 Capital Ratio with floor impact / Until 2007: Basel I	11,48%	13,72%
After 2007: Total Capital Ratio with floor impact / Until 2007: Basel I	12,56%	14,14%

Solvency Ratios		
In EUR millions	**2014 Basel III**	**2013 Basel II**
Total Eligible Capital	9.082,1	9.895,4
Total capital requirements	4.344,5	3.795,3
Surplus (+) / Deficit (-) of own funds	**4.737,6**	**6.100,1**
Total Eligible Capital	9.082,1	9.895,4
Solvency ratio	16,72%	20,86%

6.6.6.7 Basel III (Pillar 3 Disclosure)

As a major subsidiary of ING Bank, ING Belgium is subject to-mandatory through limited Pillar 3 disclosures (Market Discipline) by the local regulatory supervisor, whereas Pillar 3 is being implemented in full at the group level.

Pillar 3 is a complement to Pillar 1 (Minimum Capital Requirements) and Pillar 2 (Supervisory Review Process) by allowing market participants to assess the capital adequacy of a bank by using key pieces of information.

6.6.6.7.1 Capital structure

Capital requirements - components of own funds		
In EUR millions	**2014 Basle III**	**2013 Basle II**
Original Own Funds (Tier 1)	**8.275,1**	**9.864,1**
Share capital	2.900,0	2.911,6
Reserves and retained earnings	5.973,0	7.076,6
Accumulated other comprehensive income	313,9	
Adjustments to CET1 due to prudential filters	-911,8	-124,1
Additional Own Funds (Tier 2)	**807,0**	**315,6**
(-) Deductions from original and additions Own Funds		-284,3
Total original Own Funds for general solvency purposes	**9.082,1**	**9.895,4**

6.6.6.7.2 Capital adequacy

6.6.6.7.2.1 Credit and transfer risk

Economic Capital for credit risk is the amount of capital that ING believes it needs to hold to withstand unexpected losses inherent in the credit portfolios related to (unexpected) changes in the underlying creditworthiness of debtors or the recovery value of underlying collateral (if any). Credit risk capital is calculated on all portfolios which contain credit or counterparty risk, including investment portfolios.

Economic Capital for credit risk is calculated using internally developed models with a 99.95% confidence level and a time horizon of one year, which represents ING's desired credit rating.

ING uses a series of credit risk models which can be grouped into three principal categories: Probability of Default (PD) models, which measure the creditworthiness of individual debtors; Exposure at Default (EAD) models, which estimate the size of the financial obligation at the moment of default in the future; and Loss Given Default (LGD) models, which estimate the recovery value of the underlying collateral or guarantees received (if any) and the unsecured part. The various models can be grouped into three categories: statistical, expert and hybrid. Each model is individually reviewed and validated annually by the Model Validation (MV) department in order to determine the continued viability or need to adjust each individual model.

The underlying models that are used for determining Economic Capital for credit risk are based on a similar methodology as those used for determining the level of regulatory capital as required under Basel II (Pillar 1). Despite the fact that the same underlying models are used, (internal) Economic Capital and regulatory capital are not the same due to various specific rules imposed by Basel III/CRR. The methodology has been updated to take into account the changes that will be implemented in 2015 in the regulatory framework. For Economic Capital as from 2014, the following amendments are made to the Basel II framework:

- Non-floored economic PD are used.

  the confidence level is set to 99.95% (fitting ING's target rating of AA) rather than 99.9%.
- for performing loans, the scaling factor of 1.06 is removed from the Basel III equation.
- for maturities lower than 1 year, the effective PD (and not the 1 year PD) is used; however the 1 year PD is used for lending exposures to non-investment grade customers (rated 11 or worse).
- capital is calculated for all sovereigns
- ING internal add-ons are used for Financial Markets Products.
- economic EAD is employed instead of regulatory EAD for all exposures except for FM products
- 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
- CRR SME supporting factor and Belgian 5% add-on on mortgages are not applied.

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.

During 2011, 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 monthly 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 organisation.

6.6.6.7.2.2 Market risk

General:

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

Measurement:

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

For the direct market risks, the actual VaR (measured at a 99% confidence interval and a one-day holding period) of the trading and non-trading portfolios is taken as a starting point for the Economic Capital calculations for market risk. To arrive at the Economic Capital for market risk, a simulation-based model is used which includes scaling to the required confidence interval and holding period. In determining this scaling factor, several other factors are also taken into account such as the occurrence of large market movements (events) and management interventions.

Economic Capital for market risk for the large non-trading portfolios is calculated for embedded option risk (e.g. the prepayment option in mortgages).

The model risk is calculated by stressing the underlying assumptions in the models for behavioural assets and liabilities. For example, for the model applied to mortgage portfolios, the quality of the hedge depends on assumptions with respect to the prepayment behaviour. If these assumptions are wrong, the funding may be either too long or too short-term. Similar to the above, the Economic Capital for model risk is based on the estimated 99% confidence interval for the prepayment model error and the 99% confidence interval for adverse interest rate movements. It is assumed that combining these two 99% confidence levels results in a 99.95% confidence level for the mortgage loan portfolio value change as a result of the prepayment modeling error. The prepayment model risk for mortgage loans and the model risk for on-demand client deposits are included in the Business Risk category.

Buildings owned by ING that are not managed by ING Real Estate are referred to as 'Property In Own Use'. Economic Capital for Property in Own Use is included in the Economic Capital for market risk.

While aggregating the different Economic Capital market risk figures for the different types of risks, diversification benefits are taken into account, as it is not expected that all extreme market movements will appear at the same moment.

The nature of market risk Economic Capital, which evaluates the impact of extreme stress with a 99.95% confidence level, can sometimes be difficult to evidence in a statistically sound manner with the available historical data. The Economic Capital figures disclosed by ING Belgium are a best-effort estimate based on available data and expert opinions.

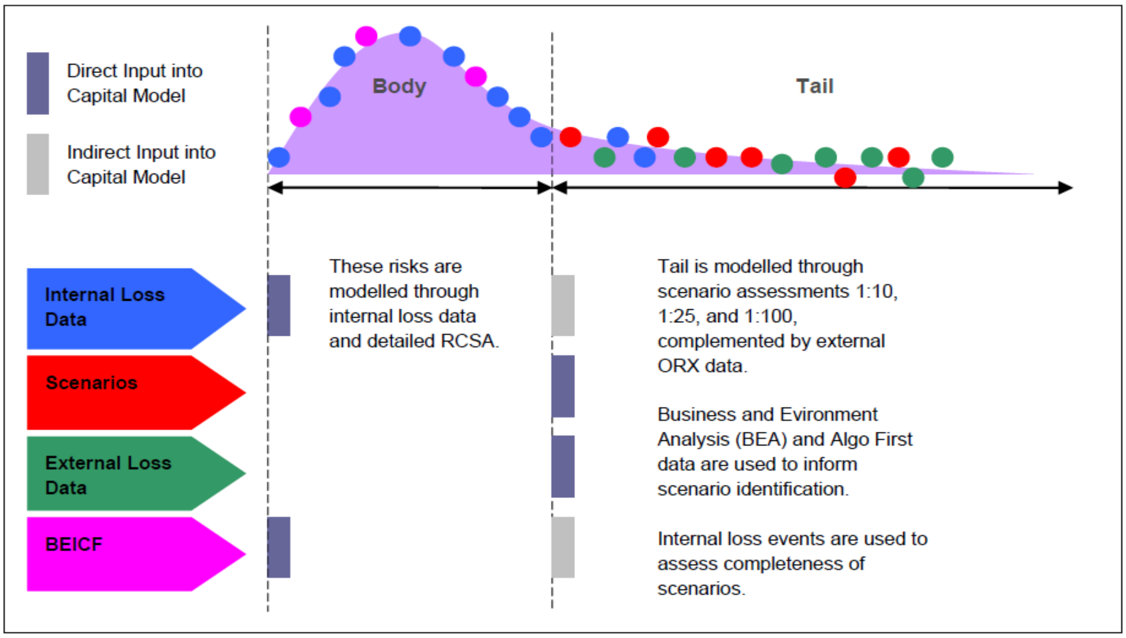
6.6.6.7.2.3 Operational risk

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

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

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

Lack of sufficient internal loss events makes the use of Internal Loss Data (ILD) for tail severity modelling difficult. Therefore, other sources of data more appropriate for tail are used. External data (ELD/ORX) and scenarios (SA) are two available alternatives. In the modelling approach both data sets will be used as complementary inputs. The picture below depict the risk segmentation in body and tail, and show how different data inputs are used either as direct or indirect input.



Total capital requirements for credit, counterparty credit and dilution risks and free deliveries		
In EUR millions	**2014 Basel III**	**2013 Basel II**
Standardised approach (SA)	85,3	65,6
SA exposure classes excluding securitization positions	85,3	65,6
Institutions	0,1	
Corporate	70,2	50,0
Retail	13,2	15,6
Exposures in default	1,8	
Internat Rating Based approaches when own estimates of Loss Given Default and/or Conversion Factors are used	2.905,8	2.756,2
Central governments and central banks	47,4	73,1
Institutions	449,4	429,5
Corporate	1.700,9	1.563,9
Retail	708,1	689,7
Equity Internal Rating Based	22,5	18,9
Securitizations positions Internal Rating Based	40,4	22,0
Other non credit-obligation assets	367,2	245,0
Other own fund requirement	162,7	126,3
Total capital for:		
Credit risk	3.584,0	3.234,0
Credit Value Adjustment risk	183,0	
Settlement/delivery risk	-	-
Position, foreign exchange and commodity risks	92,9	112,8
Operational risk	484,6	448,5
Total capital requirements	**4.344,5**	**3.795,3**

6.6.6.8 Impact of Basel III

The new Basel III rules took effect on 1.1.2014 are aimed at strengthening the capital framework and introduces a global liquidity standard. This is mainly done through raising the quality of the capital base, introducing the leverage ratio and new liquidity standards.

1. Leverage Ratio

The leverage ratio provides a non-risk based measure of ING Belgium's capital adequacy, based on the revised capital definitions mentioned above. It focuses on two main objectives:

- constrain the build-up of leverage in the banking sector, helping avoid destabilizing deleveraging processes which can damage the broader financial system and the economy;
- reinforce the risk based requirements with a simple, non-risk based "backstop" measure.

The reporting of the Leverage ratio also started in 2014 and will become mandatory as of 2018, thereby enabling banks and the regulators to monitor the impact of the minimum 3% requirement [Capital / (Assets + Off balance sheet)] currently imposed.

2. Liquidity Risk Reporting

The revised liquidity reporting framework aims at ensuring that banks implement sound liquidity risk management principles in order to reduce the likelihood of central bank intervention in the event of severe stressed market conditions as experienced in the recent crisis. It is focused on 2 minimum standards for funding liquidity:

- Liquidity Coverage Ratio (LCR)

The LCR aims at promoting short term resilience of a bank's liquidity risk profile by ensuring that it has sufficient high-quality liquid assets to survive a significant stress scenario lasting for one month. As compared to current liquidity reporting standards to which ING Belgium is subject, the LCR:

- reinforces the criteria for eligibility of assets as "high quality liquid assets";

- takes into account the going concern aspect in the run-off for client loans, i.e. that ING Belgium will continue to extend loans to non Financial clients, at a rate of 50%;
- reflects the stability of the client deposits through a wider range of run-off assumptions (5% to 100%), influenced by the client type (retail, SME, corporates, etc) and the existence of deposit protection schemes.

As the LCR standard will be mandatory as of October 2015, (with an observation period as of 2013) the report is already being prepared by ING Belgium with the aim of integrating the concepts in the internal Liquidity Risk management framework.

- Net Stable Funding Ratio (NSFR)

This ratio aims at promoting resilience over a longer time horizon by creating additional incentives for banks to fund their activities with more stable sources of funding on an ongoing basis. The Net Stable Funding Ratio (NSFR) has a time horizon of one year and has been developed to provide a sustainable maturity structure of assets and liabilities.

The NSFR will become mandatory as of January 2018, with an observation period beginning March 2014. Until then, the impact on the ratio is being monitored internally by ING Belgium.

6.7 *Notes to the Consolidated Accounts*

6.7.1 Notes to the Consolidated Statement of Financial Position

6.7.1.1 Assets

Note 1: Cash and balances with central banks

Cash and balances with central banks		
In EUR thousands	**2014**	**2013**
Cash and cash balances with central banks other than mandatory reserve deposits	1.368.833	1.195.556
Mandatory reserve deposits with central banks	625.684	452.736
Total	**1.994.517**	**1.648.292**

Note 2: Financial assets held for trading

Financial assets held for trading		
In EUR thousands	**2014**	**2013**
Derivative instruments	17.821.562	16.954.469
Equity securities	1.894.530	1.209.854
Debt securities	150.352	217.613
Loans & advances	6.256	37.461
Total	**19.872.700**	**18.419.397**

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

Financial assets designated at fair value through profit or loss		
In EUR thousands	**2014**	**2013**
Equity securities	3.498	3.053
Debt securities	-	204.762
Loans and advances	67.891	65.334
Total	**71.389**	**273.149**

Note 4: Financial assets available for sale

Breakdown of financial assets available for sale		
In EUR thousands	**2014**	**2013**
Equity securities	53.345	65.309
Debt securities	19.599.510	19.779.779
Total	**19.652.854**	**19.845.088**

Movements in financial assets available for sale						
In EUR thousands	Equity securities		Debt securities		Total	
	2014	2013	2014	2013	2014	2013
Opening balance	**65.309**	**75.918**	**19.779.779**	**20.629.062**	**19.845.088**	**20.704.980**
Additions	18.799	3.896	4.074.912	2.855.621	4.093.711	2.859.517
Changes in the composition of the group	0					-
Transfers of asset/liabilities	4.000	-73	389	-284.454	4.389	-284.527
Unrealised gains (losses) from changes in fair value	-12.486	-966	1.470.420	-116.922	1.457.934	-117.888
Provision for impairment	-628	-802	0	990	-628	188
Disposals - sales price	-38.307	-27.894	-5.839.807	-3.320.375	-5.878.114	-3.348.269
Realised profits (losses)	16.656	15.229	83.710	26.717	100.366	41.946
Exchange differences	0	0	29.838	-11.842	29.838	-11.842
Other changes	2	1	269	982	271	983
Closing balance	**53.345**	**65.309**	**19.599.510**	**19.779.779**	**19.652.855**	**19.845.088**

Note 5: Loans and receivables

Loans and receivables		
In EUR thousands	**2014**	**2013**
Central governments	4.289.648	69.626
Credit institutions	10.338.776	10.673.772
Non-credit institutions	5.734.475	9.314.960
Corporate	41.803.712	39.770.867
Retail	39.008.877	36.779.667
Total	**101.175.488**	**96.608.892**

Note 6: Derivatives used for hedging Assets

Derivatives used for hedging		
In EUR thousands	**2014**	**2013**
Fair value hedge		
IRS	396.679	97.835
Cross currency swaps		
Caps in relation with mortgage loans	60.318	9.516
Nominal amount		
Cash flow hedge		
IRS	4.940.153	3.663.898
Cross currency swaps		
Other		
Nominal amount		
Total	**5.397.150**	**3.771.249**

Note 7: Property, plant and equipment

Movements during 2014					
In EUR thousands	Owner-occupied land and buildings	IT equipment	Office equipment	Other equipment (including cars)	Total
Opening balance	**789.617**	**75.447**	**26.992**	**85.185**	**977.241**
Additions	56.684	18.921	5.030	13.952	94.586
Disposals	-40.403	-21	0	-2.083	-42.507
Acquisitions through business combinations					0
Increases from revaluations	2.240				2.240
Impairment losses directly recognised or reversed in equity					0
Depreciation	-31.151	-32.808	-6.523	-12.961	-83.443
Impairment losses recognised in the income statement	-2.420				-2.420
Impairment losses reversed in the income statement	1.033				1.033
Foreign currency conversion effects		-1	0	8	7
Transfers from (to) investment property	-37.360				-37.360
Other changes	1.874	1.057	77	-201	2.807
Closing balance	**740.114**	**62.595**	**25.576**	**83.900**	**912.184**
Accumulated depreciation	-674.248	-227.778	-134.127	-125.707	-1.161.860
Carrying amount under the cost model	553.380				

Changes in the revaluation reserve		
in EUR thousands	**2014**	**2013**
Opening balance	**159.419**	**161.300**
Changes in the revaluation reserve during the year	-17.355	-1.881
Closing balance	**142.064**	**159.419**

Breakdown of property and equipment by useful lives	
In years	**2014**
Owner-occupied land and buildings	33
IT equipment	5
Office equipment	10
Other equipment	7
Cars	4

Financial lease 2014				
	< 1 year	**> 1 year ≤ 5 years**	**> 5 years**	**Total**
Minimal future lease payments	2.805	792	-	**3.597**
Net present value of minimal future lease payments	2.694	768	-	**3.462**

Net book value	**3.212**

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

Note 8: Investment property

Investment property		
In EUR thousands	**2014**	**2013**
Opening balance	**12.259**	**11.821**
Acquisitions	1.800	3.155
Acquisitions through business combinations	0	
Subsequent expenditures	-5.008	
Disposals	-1.302	-2.718
Net gains (losses) from fair value adjustments	2.580	1
Transfers from (to) investment property	37.360	0
Foreign currency conversion effects	0	0
Other changes	0	0
Closing balance	**47.689**	**12.259**

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

Note 9: Goodwill and other intangible assets

Movements during 2014					
In EUR thousands	Goodwill	Internally-developed software	Acquired software	Other intangible assets	**Total**
Opening balance	**2.558**	**100.757**	**23.365**	**-**	**126.680**
Additions from internal development	-	32.139	-	-	32.139
Additions from separate acquisitions	-	-	6.236	-	6.236
Adjustments from business combinations	-	-	-	-	0
Withdrawals & disposals	-	-544	-	-	-544
Adjustments resulting from subsequent recognition of deferred tax assets	-	-	-	-	0
Amortisation recognised	-	-19.481	-8.204	-	-27.685
Impairment recognised in the income statement	-	-538	-	-	-538
Impairment reversed in the income statement	-	-	-	-	-
Foreign currency conversion effects	-	-	0	-	-
Other movements	-	427		-	427
Closing balance	**2.558**	**112.760**	**21.397**	**-**	**136.715**
Accumulated depreciation	-	-138.187	-47.627	-	-185.813
Accumulated impairment	-44.534	-10.471		-	-55.006
Gross carrying amount	47.093	261.419	69.023	-	377.534

Note 10: Deferred tax assets

Breakdown of deferred tax assets by origin		
In EUR thousands	**2014**	**2013**
Investments	-389	-126.278
Financial assets and liabilities at fair value through profit or loss	17.427	-4.481
Depreciation	0	458
Other provisions	36.838	103.730
Unused tax losses carried forward	584	1.003
Cash flow hedges	0	181.467
Property and equipment	1.493	-78.103
Actuarial gain/loss on pension defined benefit plan	74.608	91.760
Total	**130.560**	**169.556**

See also note 19 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.

Cashflow Hedge is now totally included in the deferred tax liabilities. This as also the case for (a part of) property & equipment.

Net deferred tax assets (liabilities) 2014						
In EUR thousands	**Opening 31/12/2013**	**Exchange differences**	**Deferred tax P&L**	**Deferred tax equity**	**Netting deferred taxes**	**Closing 31/12/2014**
Gross deferred tax assets	169.555		222.525	-78.068	-183.452	130.560
Write-downs - deferred tax assets	0					0
Deferred tax liabilities	-215.921		-266.436	-48.745	184.802	-346.300
Net deferred tax assets (liabilities)	**-46.366**	**0**	**-43.911**	**-126.813**	**1.350**	**-215.740**

Income tax: breakdown of tax losses carried forward/unused tax credits by expiry terms - 2014					
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	62.882	28.842	0	0	34.039
of which:					
Unused tax losses carried forward not recognised as a deferred tax asset	*62.882*	*28.842*	*0*	*0*	*34.039*
Unused tax losses carried forward recognised as a deferred tax asset	*0*	*0*	*0*	*0*	*0*
Tax rate applicable	*33,99%*				
Deferred tax asset recognised on unused tax losses carried forward					

Income tax relating to components of other comprehensive income - 2014			
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	-63.737	**-59.888**
Revaluation reserve available for sale	13.368	-242.653	**-230.286**
Cash flow hedges	79.679	-7.154	**72.009**
Share of the other comprehensive income of associates and joint ventures accounted for using equity method			**0**
Actuarial gains/losses on pension defined benefit plans	88.147		**88.045**
Total	**185.043**	**-313.431**	**-128.388**

Note 11: Investments in associates, subsidiaries and joint ventures

Associates not consolidated - 2014							
In EUR thousands					**Entitie's Financial Statements**		
Name	**Registered office**	**Activity**	**Company code**	**Proportion of ownership**	**Assets***	**Liabilities***	**Net income**
A.E.D. RENT	Willebroek	Audiovision	451899343	24,80%	43.404	26.515	-227
Ark Angels Activator Fund	Hasselt	Private equity fund	843728962	25,19%	2.873	6	-475
AXISQL	Willebroek	Holding de reprise	848687939	45,00%	13.605	3.946	2.584
BIENCA Biotechnological Enzymatic Catalyse sa	Seneffe	Biotechnologie	446755472	20,08%	780	560	-336
BNL Food Investments	Luxembourg	Technologie	880578965	23,73%	15.754	15.059	-1.647
(Brand & Licence Company) Bancontact	Brussels	Financing	884499250	20,00%	7.303	2.132	953
CMOSIS	Antwerpen	Telecommunication	893557169	23,26%		sold	
Euresys (Walltech SA)	Angleur	Manufacture	437408137	22,81%	5.102	1.468	314
Europay Belgium	Brussels	Services financiers	434197536	20,39%	1.926	547	94
GDW Holding	Waregem	Société à portefeuille	824392409	38,37%	36.253	12.786	-67
Innotec International	Houthulst	Commerce	462030992	37,08%	32	11	9
M Brussels Village	Brussels	Services & conseils	473370886	24,59%	348	212	-1
SAS Marnix Invest	Paris	Research & investing information	FR4902462460002	41,40%	41.796	19.021	1.717
SAS SODIR-Deux	Paris	Holding de reprise	FR5231287590001	40,69%	43.461	20.365	3.083
Sherpa Invest	Brussels	Société à portefeuille	878752692	20,00%	1.410	657	-40
Sherpa Invest II	Brussels	Société à portefeuille	878752692	24,90%	1.618	30	-37
Unibioscreen SA	Brussels	Biologie	466013437	25,53%	268	463	99
Vesalius Biocapital Partners SARL	Luxembourg	Services financiers		20,00%	3.209	2.753	143
Vesalius Biocapital II Partners SARL	Luxembourg	Services financiers		20,00%	3.021	2.859	73
Vesalius Biocapital II SA SICAR	Luxembourg	Investment in securities of life sciences & nutrition		12,67%	22.562	49	-2.201

* Assets are not equal to liabilities because equity is not included

Subsidiaries not fully consolidated 2014							
In EUR thousands					Entitie's Financial Statements		
Name	Registered office	Activity	Company code	Proportion of ownership	Assets*	Liabilities*	Net income
Immomanda	Brussels	Services financiers autres	417331315	100,00%	748	603	366
Aigle Aviation	Luxembourg	Financing		75,00%	54.458	51.748	16
ING Activator	Brussels	Private equity fund	878533255	50,04%	8.697	1.287	3.860
ISIM (ING Solutions Investment Management) (1)	Luxembourg	Société à portefeuille		51,01%	0	0	0
* Assets are not equal to liabilities because equity is not included							
(1) company created during year 2014							

Movements in not consolidated investments		
In Eur thousands	**2014**	**2013**
Opening Balance	**80.502**	**60.137**
Additions	4.114	8.456
Changes in the composition of the group	-	-
Transfer	-3.926	-457
Gains/(losses) from change in fair value	6.211	12.832
Provision for impairment	-307	-318
Disposals –sales price	-19.088	-6.018
Realised gains and loss through the income statement	9.065	5.957
Exchange differences	263	-87
Other changes	-350	
Closing balance	**76.484**	**80.502**

Note 12: Other assets

Other assets		
In EUR thousands	**2014**	**2013**
Employee benefits	202	202
Servicing assets for servicing rights	-	-
Prepaid charges	46.169	126.573
Accrued income (other than interest income from financial assets)	65.640	64.553
Precious metals, goods and commodities	-	-
Other advances	860.867	660
Others	1.007.680	1.197.733
Total	**1.980.558**	**1.389.721**

Note 13: Activities held for sale

On 06/10/2014 a contract was signed between ING Belgium SA/NV and ING Bank NV for the disposal of the Madrid branch of ING Belgium SA/NV.

Balance sheet of the Madrid Branch

ASSETS	
In EUR thousands	**2014**
Cash and cash balances with central banks	50
Of which Madrid	
Financial assets held for trading	0
Financial assets designated at fair value through profit or loss	0
Financial assets available for sale	5
Loans and receivables (including reverse repos)	1.107.752
Derivatives used for hedging	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	36
Goodwill and other intangible assets	0
Tax assets	5.771
Investments in associates, subsidiaries and joint ventures accounted for under the equity method (including goodwill)	0
Other assets	4.653
Assets held for sale	-
TOTAL ASSETS	**1.118.267**
LIABILITIES	
Deposits from central banks	0
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	1.112.015
Financial liabilities linked to transferred assets	0
Derivatives used for hedging	0
Provisions	0
Tax liabilities	0
Other liabilities	16.057
Liabilities held for sale	
Share capital repayable on demand	0
TOTAL LIABILITIES	**1.128.072**
EQUITY	
Retained earnings	-956
Profit or loss attributable to holder of the company	-8.849
Equity attributable to equity holders of the company	**-9.805**
TOTAL EQUITY AND LIABILITIES	**1.118.267**

Income statement of the Madrid branch

Income statement	
In EUR thousands	**2014**
Financial & operating income and expenses	**44.539**
Net interest income	14.945
Dividend income	
Net fee and commission income	23.027
Realised gains and losses on financial assets & liabilities not measured at fair value through profit or loss	1.136
Net gains and losses on financial assets and liabilities held for trading	383
Net gains and losses on financial assets and liabilities designated at fair value through profit or loss	
Fair value adjustments in hedge accounting	
Exchange differences revaluations	
Gains and losses on derecognition of assets other than held for sale	
Other net operating income	5.049
Administration costs	**22.391**
Staff expenses	11.490
General and administrative expenses	10.900
Depreciation	**15**
Provisions	
Impairment	**29.384**
Impairment losses on financial assets not measured at fair value through profit or loss	29.384
Other Impairment	
Badwill immediately recognised in the income statement	
Share of the profit and loss attributable to associates and joint ventures accounted for under the equity method	
Income tax expense	**1.599**
Net profit (loss)	**-8.849**
Attributable to minority interests	
Attributable to equity holders of the parent	**-8.849**

6.7.1.2 Liabilities

Note 14: Financial liabilities held for trading

Financial liabilities held for trading		
In EUR thousands	**2014**	**2013**
Derivatives	18.241.613	17.043.611
Short positions in fixed-income securities	75.912	92.125
Short positions in equity instruments	0	656
Accruals		
Total	**18.317.525**	**17.136.392**

Note 15: Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss				
	Carrying amount		Difference between the carrying amount and the amount contractually payable at maturity	
In EUR thousands	**2014**	**2013**	**2014**	**2013**
Term deposits		199.978		-78
Certificates of deposit	2.849	10.912	0	132
Non-convertible bonds – structured notes	3.028.320	2.790.109	254.532	115.419
- of which covered bonds	*51.818*	*49.610*	*1.818*	*-390*
Subordinated liabilities	12.350	42.757	2.015	793
Total	**3.043.519**	**3.093.366**	**258.364**	**115.876**

Note 16: Financial liabilities measured at amortised cost

2014							
In EUR thousands	**Central banks**	**Central governments**	**Credit institutions**	**Non-credit institutions**	**Corporate**	**Retail**	**Total**
Current accounts/overnight deposits		674.921	3.812.704	7.154.682	16.919.149	14.040.424	42.601.881
Deposits with agreed maturity		639.175	2.183.217	2.973.287	4.547.402	2.324.149	12.667.230
Deposits redeemable at notice		265.252	2.019.803	628.756	4.200.792	38.960.389	46.074.992
Debt certificates including bonds					1.973.972	5.427.538	7.401.510
- of which covered bonds					-1.225.114		-1.225.114
Subordinated liabilities			116.292				116.292
Other financial liabilities			322				322
Accrued interests							0
Total	**-**	**1.579.348**	**8.132.338**	**10.756.725**	**27.641.315**	**60.752.501**	**108.862.227**

2013							
In EUR thousands	**Central banks**	**Central governments**	**Credit institutions**	**Non-credit institutions**	**Corporate**	**Retail**	**Total**
Current accounts/overnight deposits	195	328.563	5.753.197	6.773.099	15.120.757	10.280.364	38.256.175
Deposits with agreed maturity		165.354	1.651.060	4.082.744	4.559.128	2.117.461	12.575.747
Deposits redeemable at notice		45.595	2.518.973	917.746	4.373.953	39.073.047	46.929.314
Debt certificates including bonds					2.022.321	5.418.563	7.440.884
- of which covered bonds					-1.188.697		
Subordinated liabilities			204.342				204.342
Other financial liabilities			4.585				4.585
Accrued interests							0
Total	**195**	**539.512**	**10.132.157**	**11.773.589**	**24.887.462**	**56.889.435**	**105.411.047**

Note 17: Derivatives used for hedging

Derivatives used for hedging (liabilities)		
In EUR thousands	**2014**	**2013**
Fair value hedge		
IRS	2.029.578	835.611
Cross currency swap		
Caps on mortgage loans	86.774	98.621
Accruals		
Notional amount		
Cash flow hedge		
IRS	4.869.850	3.962.702
Cross currency swap		
Other		
Accruals		
Notional amount		
Total	**6.986.202**	**4.896.934**

Note 18: Provisions

Provisions 2014	Restructuring						
In EUR thousands	**Termination Benefits**	**Other restructuring provisions**	Pending legal issues	Pensions and other post retirement benefit obligations	Other long term employee benefits	Other provisions	Total
Opening balance	**67.591**		**70.302**	**127.428**	**14.104**	**121.362**	**400.787**
Additions	17.921		10.564	40.435	1.414	6.327	76.662
Amounts used	-6.540		-297		-65	-188	-7.089
Unused amounts reversed during the period	-8.558		-11.593	-19.534	-259	-108.485	-148.429
Acquisitions (disposals) through business combination							0
Increase in the discounted amount (passage of time) and effect of any change in the discount rate				71.903	600		72.502
Exchange differences							0
Other movements	-10.393		-56	-23.593	-2.505	-729	-37.276
Closing balance	**60.022**		**68.921**	**196.639**	**13.288**	**18.287**	**357.157**

Tax part has been included in 'other provisions'

Provisions 2013	Restructuring						
In EUR thousands	**Termination Benefits**	**Other restructuring provisions**	Pending legal issues	Pensions and other post retirement benefit obligations	Other long term employee benefits	Other provisions	Total
Opening balance	**29.515**		**90.124**	**13.831**	**31.902**	**124.749**	**290.121**
Transfer pension asset to pension liability				-48.414			**-48.414**
Adjustment net liability (or asset) OB IAS19R through OCI				267.792			**267.792**
							0
Opening balance IAS19R				**233.209**			**233.209**
Additions	61.635		17.114		1.781	4.315	84.845
Amounts used	-1.683		-770		-6	-1.879	-4.338
Unused amounts reversed during the period	-20.676		-37.534		-15.503	-6.222	-79.935
Acquisitions (disposals) through business combination							0
Increase in the discounted amount (passage of time) and effect of any change in the discount rate				-76.900	-1.207		-78.107
Exchange differences				-249			-249
Other movements*	-1.200		1.368	-28.632	-2.863	298	-31.029
Closing balance	**67.591**		**70.302**	**127.428**	**14.104**	**121.362**	**400.787**

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 2015, the expected contributions to be paid by ING Belgium to defined benefit retirement plans are estimated to be EUR 13.6 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 31/12/2014, 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 01/2007, present an overfunding of about 5.6 million (5.4% of individual account amount) that has been funded by ING Belgium as minimum guarantee reserve.

Evolution of defined benefit pension plans		
In EUR thousands	**2014**	**2013**
Present value of the defined benefit obligation	- 827.651	-742.456
Fair value of plan asset	631.214	615.229
Surplus (deficted) in the defined benefit pension plan	- 196.437	-127.227
Unrecognized gains/losses	-	-
Pension asset	-20	*-202*
Pension payable not included in the defined benefit pension plan (defined contribution)	-194	*-481*
Total provision for pensions and other post retirement benefit obligations	**- 196.638**	**-127.910**

Movements in defined benefit obligations		
In EUR thousands	**2014**	**2013**
Opening balance	**-742.456**	**-838.942**
Current service costs	-18.714	-18.559
Interest costs	- 21.689	-18.758
Actuarial gains (losses) arising from changes in demographic assumptions	-1.459	-5.539
Actuarial gains (losses) arising from changes in financial assumptions	-107.184	64.003
Employer's contribution		0
Employee's contribution	- 1.048	-1.021
Benefits paid	63.641	78.933
Past service costs	2.241	-3.351
Changes in the composition of the group	0	0
Effect of curtailment or settlement	0	0
Exchange differences	-983	778
Closing balance	**-827.651**	**-742.456**

Movements in the fair value of plan assets		
In EUR thousands	**2014**	**2013**
Opening balance	**615.229**	**606.859**
Expected return on plan assets	17294	13.177
Actuarial gains and losses on plan assets	36.769	18.436
Employer's contribution	23.833	55.072
Employee's contribution	1.048	1.021
Benefits paid	-63.641	-78.933
Changes in the composition of the group		126
Effect of settlement		0
Exchange differences	682	-529
Closing balance	**631.214**	**615.229**

Weighted averages of basic actuarial assumptions		
In percent at 31 December	**2014**	**2013**
Discount rates	1,3	3,0
Consumer price inflation	2	2,0
Expected rates of salary increases (excluding promotional increase)	1,1	2,0

Sensitivity analysis - financial impact of changes in significant actuarial assumptions on the defined benefit obligation – 2014		
In EUR thousands	**Financial impact of increase**	**Financial impact of decrease**
Discount rates - increase/decrease of 1%	76.784	91.053
Mortality rates - increase/decrease of 1 year	-11.920	-11.957
Expected rates of salary increase (excluding promotional increase) - increase/decrase of 0.25%	-22.628	-20.716
Consumer price inflation - increase/decrease of 0.25%	-8.069	-7.830

Pension investment strategy

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

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

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

Plan assets		
In EUR thousands	**2014**	**2013**
Equity securities	220.193	190.319
Debt securities	306.595	313.944
Real estate	30.759	31.971
Other	73.667	78.995
Total	**631.214**	**615.229**

'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 2014 was 9.73%. The return of the main defined-contribution plan in Belgium for 2014 was 9.96%

Determination of expected return on assets

As from 01/01/2013 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)

4.3% 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, are showed here after

- discount rate evolution:

  An increase of the discount rate with 1% would mean a reduction about 10% of the liabilities (76.7 million) while a decrease if the discount rate with 1% would results in an increase of the liabilities with about 12% (91.1 million)

- inflation:

  An increase of the inflation with 0.25% p.a. would mean an increase of about 1% of the liabilities (8.1 million) while a decrease of the inflation with 0.25% p.a. would results in an decrease of the liabilities with about 1% (7.8 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 (22.6 million) while a decrease of salary growth with 0.25% p.a. would results decrease of the liabilities with about 3% (20.7 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% (12.0 million) while assuming they would be one year younger would increase the liability with 2% (11.9 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 19: Deferred tax liabilities

Deferred tax liabilities In EUR thousands	2014	2013
Investments	216.990	32.577
Financial assets and liabilities at fair value through profit or loss	-46.130	0
Depreciation	-243	0
Other provisions	24.303	73.669
Loans and advances to customers	99.319	67.013
Property and equipment	85.104	3.238
Cash flow hedges	-79.679	0
Other	46.638	39.426
Total	**346.301**	**215.922**

See also note 10 about deferred tax assets

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

Note 20: Other liabilities

Other liabilities In EUR thousands	2014	2013
Employee benefits	13.289	14.104
Social security charges	263.058	276.550
Payable on goods and services supplied	81.365	80.013
Accrued charges (other than from interest expenses on financial liabilities)	293.414	232.706
Income received in advance	114.083	119.610
Other debts	882.238	675.486
Other	473.367	998.022
Total	**2.120.814**	**2.396.491**

'Other debts' mainly consists of immediately payable debts. 'Other' covers mainly transitory accounts.

Note 21: 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 22: Equity attributable to equity holders of the company

Equity attributable to equity holders of the company		
In EUR thousands	**2014**	**2013**
Issued capital	2.350.000	2.350.000
Share premium	451.511	451.511
Revaluation reserves	313.980	94.704
of which:		
- tangible assets revaluation reserve	*142.064*	*159.419*
- hedge of net investments in foreign operations reserve (effective)	*-105.537*	*-88.311*
- foreign currency translation reserve	*98.938*	*80.859*
- cash flow hedge reserve (effective)	*-137.412*	*-352.417*
- fair value revaluation reserve on financial assets available for sale	*490.306*	*421.900*
- actuarial gains/losses	*-174.380*	*-126.746*
Reserves including retained earnings	5.797.712	5.983.956
Net profit or loss	1.064.072	977.679
Total	**9.977.275**	**9.857.850**

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		
	Ordinary shares	
in EUR thousands	**Number**	**Amount**
Issued share capital **2014**	55.414.550	2.350.000
Authorised unissued share capital	-	-
Issued share capital **2013**	55.414.550	2.350.000
Authorised unissued share capital	-	-

6.7.2 Notes to the consolidated income statement

Note 23: Net interest income

Net interest income In EUR thousands	2014	2013
Financial assets held for trading	2.461.211	4.928.657
Financial assets designated at fair value through profit or loss	15.949	38.502
Financial assets available for sale	522.509	594.590
Loans and receivables	3.001.660	3.041.794
Derivatives used for hedging	1.201.192	2.018.112
Interest income	**7.202.522**	**10.621.655**
Financial liabilities held for trading	2.322.412	4.793.240
Financial liabilities designated at fair value through profit or loss	23.426	22.505
Financial liabilities measured at amortised cost	852.576	1.032.596
Derivatives used for hedging	1.248.344	2.042.745
Other liabilities	3.265	
Interest expenses	**4.450.024**	**7.891.086**
Net interest income	**2.752.498**	**2.730.569**

The interest income and expenses from assets and liabilities held for trading were much lower mainly due to the transfer of the trading activities in exotic interest rate derivatives from ING Belgium SA/NV to ING bank NV Belgian branch. The interest result on derivatives used for hedging lowered due to the declining interest rates in 2014.

Note 24: Net fee and commission income

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

Net fee and commission income In EUR thousands	2014	2013
Fee and commission income	**861.094**	**842.956**
Securities	274.910	250.639
Asset management	16.801	14.594
Credit commitments	184.843	189.426
Custody	23.063	27.693
Payment services	132.742	127.850
Other	228.736	232.754
Fee and commission expenses	**285.475**	**278.715**
Securities	29.560	18.953
Asset management	197	222
Commissions paid to intermediaries	180.877	184.254
Custody	2.341	2.695
Clearing and settlement	89	82
Other	72.411	72.509
Net fee and commission income	**575.620**	**564.241**

Note 25: Realised gains and losses on financial assets & liabilities not measured at fair value through profit or loss

Realised gains and losses on financial assets & liabilities not measured at fair value through profit or loss		
In EUR thousands	**2014**	**2013**
Realised gains	**142.868**	**87.219**
Financial assets available for sale	129.889	66.599
Loans and receivables	12.979	20.620
Financial liabilities (excluding items held for trading)	-	-
Other	0	-
Realised losses	**0**	**-7.050**
Financial assets available for sale	0	-6.746
Loans and receivables	0	0
Financial liabilities (excluding items held for trading)	0	-304
Other	0	0
Net realised gains (losses)	**142.868**	**80.169**

Note 26: Net gains and losses on financial assets and liabilities held for trading

Net gains and losses on financial assets and liabilities held for trading*		
In EUR thousands	**2014**	**2013**
Equity instruments and related derivatives	-133.421	19.369
Interest rate instruments and related derivatives	98.922	-47.966
Foreign exchange trading	71.103	-900
Commodities and related derivatives	11.220	457
Credit derivatives	-798	-15.742
Other	0	-13.350
Net gains (losses)	**47.027**	**-58.132**

*Excluding interest flows for all items

Note 27: Net gains and losses on financial assets and liabilities designated at fair value through profit or loss

Net gains and losses on financial assets and liabilities designated at fair value through profit or loss*		
In EUR thousands	**2014**	**2013**
Gains	**30.857**	**40.874**
Financial assets at fair value through profit or loss	445	694
Financial liabilities at fair value through profit or loss	30.412	40.180
Losses	**-99.917**	**-44.540**
Financial assets at fair value through profit or loss	-1.167	-2.362
Financial liabilities at fair value through profit or loss	-98.750	-42.178
Net gains (losses)	**-69.060**	**-3.666**

Note 28: Fair value adjustments in hedge accounting

Analysis of fair value adjustments in hedge accounting				
	2014		2013	
In EUR thousands	**Gains**	**Losses**	**Gains**	**Losses**
Fair value hedge	**804.268**	**778.814**	**1.209.177**	**1.209.811**
Fair value changes of the hedged item	939.123	1.573	7.947	403.732
Fair value changes of the hedging derivatives (Including discontinuation)	-134.856	777.241	1.201.230	806.079
Cash flow hedge				**-13**
Fair value changes of the hedging instrument - ineffective portion	-20			-13
Net investment hedge				
Fair value changes of the hedging instrument - ineffective portion				
Total	**804.248**	**778.814**	**1.209.177**	**1.209.798**

Transfers from cash flow hedge reserve to profit and loss		
In EUR thousands	**2014**	**2013**
Up to one year	198.568	265.268
One to five years	158.664	-61.238
Over five years	-578.187	-556.447

Note 29: Exchange differences revaluations

Exchange differences revaluations		
In EUR thousands	**2014**	**2013**
Foreign exchange	14.479	113.813
Currency & interest rate swaps	10.003	1.636
Currency options	0	-13.490
Forward exchange rate contracts	0	-193
Total exchange differences revaluations	**24.482**	**101.766**

Note 30: Gains and losses on derecognition of assets other than held for sale

Gains and losses on derecognition of assets other than held for sale		
In EUR thousands	**2014**	**2013**
Realised gains	**21.018**	**157**
Derecognition of tangible fixed assets	2.589	157
Derecognition of investments in associates, joint ventures and subsidiaries	50	
Other financial fixed assets	18.379	
Realised losses	**5.372**	**-4.250**
Derecognition of tangible fixed assets	5.353	-4.250
Derecognition of investments in associates, joint ventures and subsidiaries	19	
Total	**15.645**	**-4.093**

Note 31: Other net operating income

Other net operating income		
In EUR thousands	**2014**	**2013**
Income	**135.881**	**120.284**
Property, plant and equipment & investment property measured using the revaluation model	2.580	1
Rental income from investment property	229	-1
Operational leases	1.053	1.082
Other	132.019	119.202
Expenses	**147.873**	**83.448**
Property, plant and equipment & investment property measured using the revaluation model	0	0
Other	147.873	83.448
Net total	**-11.992**	**36.836**

Note 32: Staff expenses

Breakdown of staff expenses		
In EUR thousands	**2014**	**2013**
Wages and salaries	703.674	723.379
Social security charges	188.150	199.791
Pension and similar expenses (1)+(2)	52.138	58.362
Share based payments	9.870	9.033
Other	185.662	167.724
Total	**1.139.494**	**1.158.289**

Pension costs analysis		
In EUR thousands	**2014**	**2013**
Current service costs	18.709	18.561
Past service costs	-2.241	3.351
Interest expenses	21.689	18.758
Expected return on assets	-17.294	-13.177
Amortisation of unrecognised past service costs	0	0
Amortisation of unrecognised actuarial gains/losses	0	0
Effect of curtailment or settlement	0	0
Defined benefit post-employment plans (1)	20.863	27.492
Defined contribution plans (2)	31.274	30.863
Of which defined contributions for the senior management	8.384	8.733

Defined-benefit plans are held by ING Belgium, ING Lease, Record Group, ING Contact Centre and ING Luxembourg.

Note 33: General and administrative expenses

General and administrative expenses In EUR thousands	2014	2013
Marketing expenses	49.541	37.277
Professional fees	26.597	28.258
IT expenses	99.094	120.931
Repair and maintenance	16.518	51.847
Accomodation expenses	67.804	44.013
Other taxes	185.210	116.059
Overhead costs charged by related parties	37.298	34.875
Other	212.203	234.640
Total	**694.266**	**667.900**

Note 34: Impairments

Breakdown by types of assets impaired In EUR thousands	2014	2013
Impairment losses on financial assets not measured at fair value through profit or loss	**177.278**	**220.647**
Financial assets available for sale	628	801
Loans and receivables	176.650	219.846
Other impairments	**2.231**	**6.607**
Property, plant and equipment	1.387	-213
Investment property		
Goodwill and other intangible assets	538	6.502
Other	-	-
Investments in associates and joint ventures accounted for under the equity method	307	318
Total	**179.509**	**227.254**

Carrying amount of financial and other assets impaired In EUR thousands	2014	2013
Equity securities	7.501	16.038
Debt securities	0	3.230
Loans & advances	2.257.809	2.006.294
Other financial assets	266.198	266.911
Total	**2.531.508**	**2.292.473**

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

Breakdown of income tax expenses		
In EUR thousands	**2014**	**2013**
Current tax expenses	**364.472**	**351.172**
Current tax for the period	374.358	364.613
Adjustments for current tax of previous periods	-9.886	-13.441
Previously unrecognised tax losses, tax credits, temporary differences reducing current tax		
Deferred tax expenses	**43.911**	**4.878**
Deferred taxes arising from current period	43.911	4.907
Deferred taxes arising from changes in tax rates	0	-29
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	**408.383**	**356.050**

Income tax expenses related to investments in subsidiaries, associates and joint ventures		
In EUR thousands	**2014**	**2013**
Deferred tax liabilities recognised on temporary differences related to investments in subsidiaries, associates and joint ventures	**1.379**	**1.453**
Amount of dividend decided to be paid next year*	81.150	85.491
Portion of dividend subject to income tax	4.058	4.275
Parent company tax rate on distributed profits	33,99%	33,99%
Income tax on dividend decided to be paid next year	1.379	1.453
Deferred tax liabilities not recognised on unremitted income of subsidiaries, associates and joint ventures	**17.963**	**16.186**
Parent company share of unremitted income at year-end	1.138.110	1.037.884
Unremitted income on which no tax liabilities have been recognised	1.056.959	952.394
Portion of dividend that would be subject to income tax if paid	52.848	47.620
Parent company tax rate used on undistributed profits	33,99%	33,99%
Income tax not recognised on unremitted income	17.963	16.186

* estimation based on the current payout ratio

Reconciliation of statutory tax rate to effective tax rate		
In EUR thousands	**2014**	**2013**
Result before taxation Tax expense using statutory rate	1.473.992	1.330.162
Statutory tax rate	**33,99%**	**33,99%**
Statutory tax amount	501.010	452.122
Tax effect of rates in other jurisdictions	-9.988	-19.494
Tax effect of non taxable revenues	-31.973	-26.323
Tax effect of non tax deductible expenses	20.569	26.496
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	0	-29
Tax effect from under or over provisions in prior periods	-9.077	-8.794
Tax effect from notional interest	-61.209	-69.419
Other increase (decrease) in statutory tax charge	-949	1.490
Effective tax amount	**408.383**	**356.049**
Effective tax rate	**27,71%**	**26,77%**

6.7.3 Additional information

6.7.3.1 Fair value of financial assets and liabilities

The estimated fair values correspond with the amounts at which the financial instruments could have been traded on a fair basis at the balance sheet date between knowledgeable, willing parties in arm's-length transactions. The fair value of financial assets and liabilities is based on quoted market prices, where available. Because substantial trading markets do not exist for all of these financial instruments, various techniques have been developed to estimate their approximate fair values. These techniques are subjective in nature and involve various assumptions about the discount rate and the estimates of the amount and timing of the anticipated future cash flows. Changes in these assumptions could significantly affect the estimated fair values. Consequently, the fair values presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of future fair values.

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

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

Level 1: includes only assets and liabilities for which the fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities. An asset or liability is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions in an active market around the measurement date.

Level 2: Level 2 includes assets and liabilities for which the fair value is determined using inputs other than (level 1) quoted prices that are market observable, either directly or indirectly, i.e.:
☐ using a model, where all significant inputs into the model are market observable;
☐ using adjusted quoted prices in an active market where the adjustment is solely based on market observable data (e.g. because the quoted prices relate to similar, but not identical assets or liabilities);
☐ using quoted prices from an inactive market without adjustment or with adjustments that are solely based on market observable data; where several quotes are obtained for the same instrument, a narrow range between the prices obtained may be an indicator that the prices are based on market observable data.

Level 3: includes assets and liabilities for which the fair value is determined using (certain) inputs that are not based on observable market data (unobservable inputs), i.e.:
☐ using a model, where one or more significant inputs are not market observable;
☐ using adjusted quoted prices where the adjustment is based on non-market observable data;
☐ using quoted prices from an inactive market with one or more adjustments that are based on non-market observable data; where several quotes are obtained for the same item and the disparity within the range of prices obtained is significant, the item is classified in level 3.

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

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

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

Classification of Loans

Valuation of loans is normally not based on market prices for the specific loan, and therefore is not a Level 1 measurement. The determination of the fair value of loans is normally based on a valuation technique that includes various inputs, such as market yields, expected credit losses and liquidity. As such, the valuation includes non-observable inputs (such as expected credit loss and liquidity) that, especially in the current market environment, are expected to significantly impact the estimated fair value. Therefore, fair values of loans are normally classified in Level 3. Only when all significant inputs are obtained from market data, the fair value may be classified in Level 2. This could be the case when specific market data are available (e.g. when expected credit losses are based on market CDS spreads for the specific exposure) or when unobservable inputs are insignificant (e.g. for liquid loans with insignificant credit risk).

Classification of Real estate

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

Classification of Customer Deposits and Other Funds on Deposit

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

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

Description of the significant unobservable inputs

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

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

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

Level 3 can concern observable inputs that require significant adjustments/judgement 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 dependeny between two interest rates.

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

Fair value of financial instruments

	2014		2013	
In EUR thousands	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Cash and cash balances with central banks	1.994.517	1.994.517	1.648.292	1.648.292
Financial assets held for trading	19.872.700	19.872.700	18.419.397	18.419.397
Financial assets designated at fair value through profit or loss	71.389	71.389	273.149	273.149
Available-for-sale financial assets	19.652.854	19.652.854	19.845.088	19.845.088
Loans and receivables	102.022.492	101.175.488	97.195.386	96.608.892
Other financial assets	5.701.775	5.701.775	3.828.412	3.828.412
Financial liabilities held for trading	18.317.525	18.317.525	17.136.393	17.136.393
Financial liabilities designated at fair value through profit or loss	3.043.519	3.043.519	3.043.757	3.043.757
Financial liabilities measured at amortised cost	110.798.664	110.487.924	105.007.090	105.411.047
Derivatives used for hedging	6.986.202	6.986.202	4.832.341	4.832.341

Assets : fair value of financial instruments 2014	Comparison		Fair value hierarchy		
In EUR thousands	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Assets at fair value	**46.335.076**	**46.335.076**	**21.062.501**	**24.099.550**	**1.173.025**
Financial assets held for trading	**19.872.700**	**19.872.700**	**2.030.980**	**17.773.752**	**67.968**
Equity securities, debt securities	2.044.882	2.044.882	2.030.658	14.224	
Derivatives	17.821.562	17.821.562	322	17.753.272	67.968
Loans and advances	6.256	6.256		6.256	
Financial assets designated at fair value through profit or loss	**71.389**	**71.389**	**-**	**67.890**	**3.498**
Equity securities and debt securities	3.498	3.498			3.498
Derivatives	-	-			
Loans and advances	67.890	67.890		67.890	
Financial assets available-for-sale	**19.652.854**	**19.652.854**	**19.031.521**	**556.132**	**65.201**
Debt securities	19.599.510	19.599.510	19.020.939	556.132	22.438
Equity securities	53.345	53.345	10.582		42.762
Loans and advances	-	-			
Derivatives used for hedging	**5.397.150**	**5.397.150**		5.397.150	
Change in fair value of hedged items in a hedged portfolio for interest rate risk	**304.625**	**304.625**		**304.625**	
Tangible fixed assets	**912.184**	**912.184**			912.184
Investment properties	**47.690**	**47.690**			47.690
Investments in entities with a participation relationship but not consolidated	**76.484**	**76.484**			76.484
Assets at amortised cost	**103.170.005**	**104.017.009**	**9.264.284**	**2.109.186**	**92.643.539**
Cash and cash balances with central banks	**1.994.517**	**1.994.517**	**1.994.517**		
Loans and receivables*	**101.175.488**	**102.022.492**	**7.269.767**	**2.109.186**	**92.643.539**
Financial assets held to maturity	**-**	**-**	**-**	**-**	**-**

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

Assets : fair value of financial instruments 2013	Comparison		Fair value hierarchy		
In EUR thousands	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Assets at fair value	**43.084.340**	**43.084.340**	**21.069.663**	**20.396.020**	**1.618.655**
Financial assets held for trading	**18.419.397**	**18.419.397**	**2.156.274**	**16.196.173**	**66.950**
Equity securities, debt securities, loans and advances	1.427.467	1.427.467	1.406.124	16.593	4.750
Derivatives	16.954.469	16.954.469	712.689	16.179.580	62.200
Loans and advances	37.461	37.461	37.461		
Financial assets designated at fair value through profit or loss	**273.149**	**273.149**	**-**	**270.095**	**3.053**
Equity securities and debt securities	207.815	207.815	-	204.761	3.053
Derivatives	-	-			
Loans and advances	65.334	65.334		65.334	-
Financial assets available-for-sale	**19.845.088**	**19.845.088**	**18.803.975**	**523.266**	**517.847**
Debt securities	19.779.779	19.779.779	18.801.890	523.266	454.623
Equity securities	65.309	65.309	2.085	-	63.224
Loans and advances	-	-	-	-	-
Derivatives used for hedging	**3.771.249**	**3.771.249**	**-**	**3.771.248**	**-**
Change in fair value of hedged items in a hedged portfolio for interest rate risk	**57.163**	**57.163**	**44.080**	**13.083**	**-**
Tangible fixed assets (Lands and Buidings in own use)	**636.826**	**636.826**	**-**	**-**	**636.826**
Investment properties	**7.750**	**7.750**	**-**	**7.380**	**370**
Investments in entities with a participation relationship but not consolidated	**73.718**	**73.718**	**-**	**-**	**73.718**
Assets at amortised cost	**98.257.184**	**98.843.678**	**1.648.294**	**4**	**97.195.380**
Cash and cash balances with central banks	**1.648.292**	**1.648.292**	**1.648.292**		
Loans and receivables	**96.608.892**	**97.195.386**	**2**	**4**	**97.195.380**
Financial assets held to maturity	**-**	**-**	**-**	**-**	**-**

Liabilities : Fair value of financial instruments 2014	Comparison		Fair value hierarchy		
In EUR thousands	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Liabilities at fair value	**28.260.708**	**28.260.708**	**52.147**	**27.997.795**	**210.765**
Financial liabilities held for trading	**18.317.525**	**18.317.525**			
Short positions in fixed income securities	75.912	75.912	25	75.886	
Derivatives	18.241.613	18.241.613	305	18.030.543	210.765
Financial liabilities designated at fair value through profit or loss	**3.043.519**	**3.043.519**			
Term deposits, certificates of deposit, non-convertible bonds - structured notes and subordinated liabilities	3.043.519	3.043.519	51.818	2.991.701	
Derivatives	-	-			
Liabilities associated to transfered assets	**3.462**	**3.462**		**3.462**	
Derivatives used for hedging	**6.986.202**	**6.986.202**		**6.986.202**	
Change in fair value of hedged items in a hedged portfolio for interest rate risk					
Liabilities at amortised cost	**110.487.924**	**110.798.732**	**82.186.362**	**27.912.527**	**699.843**
Central banks*	**1.622.235**	**1.622.235**	**69**	**1.622.166**	
Ohter financial liabilities	**108.865.689**	**109.176.497**	**82.186.293**	**26.290.361**	**699.843**

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

Liabilities : Fair value of financial instruments 2013	Comparison		Fair value hierarchy		
In EUR thousands	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Liabilities at fair value	**25.012.491**	**25.012.490**	**321.395**	**24.529.195**	**161.900**
Financial liabilities held for trading	**17.136.393**	**17.136.392**	**321.395**	**16.653.097**	**161.900**
Short positions in fixed income securities	92.781	92.781	92.781		
Derivatives	17.043.611	17.043.611	228.614	16.653.097	161.900
Financial liabilities designated at fair value through profit or loss	**3.043.757**	**3.043.757**	**-**	**3.043.757**	**-**
Term deposits, certificates of deposit, non-convertible bonds - structured notes and subordinated liabilities	3.043.757	3.043.757	-	3.043.757	-
Derivatives	-	-	-	-	-
Liabilities associated to transfered assets	**34.028**	**34.028**	**-**	**34.028**	**-**
Derivatives used for hedging	**4.798.313**	**4.798.313**	**-**	**4.798.313**	**-**
Change in fair value of hedged items in a hedged portfolio for interest rate risk	**-**	**-**	**-**	**-**	**-**
Liabilities at amortised cost	**105.411.242**	**105.007.090**	**81.522.258**	**22.756.990**	**727.842**
Central banks	**195**	**195**	**195**	**-**	**-**
Ohter financial liabilities	**105.411.047**	**105.006.895**	**81.522.063**	**22.756.990**	**727.842**

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

In EUR thousands **2014**

Assets	To level 1	From level 1	To level 2	From level 2
Assets at fair value				
Financial assets held for trading				
Equity securities, debt securities, loans and advances				
Derivatives				
Loans and advances				
Financial assets designated at fair value through profit or loss				
Equity securities and debt securities				
Derivatives				
Loans and advances				
Financial assets available-for-sale				
Debt securities		-9.030	9.030	
Equity securities				
Loans and advances				
Derivatives used for hedging				
Change in fair value of hedged items in a hedged portfolio for interest rate risk				
Tangible fixed assets (Lands and Buidings in own use)				
Investment properties				
Investments in entities with a participation relationship but not consolidated				
Assets at amortised cost				
Cash and cash balances with central banks				
Loans and receivables				
Financial assets held to maturity				
Liabilities				
Liabilities at fair value				
Financial liabilities held for trading				
Short positions in fixed income securities				
Derivatives				
Financial liabilities designated at fair value through profit or loss				
Term deposits, certificates of deposit, non-convertible bonds - structured notes and subordinated liabilities				
Derivatives				
Liabilities associated to transfered assets				
Derivatives used for hedging				
Change in fair value of hedged items in a hedged portfolio for interest rate risk				
Liabilities at amortised cost				
Central banks				
Ohter financial liabilities				

Significant transfers between level 1 and level 2 of fair value 2013

In EUR thousands — **2013**

Assets	To level 1	From level 1	To level 2	From level 2
Assets at fair value				
Financial assets held for trading				
Equity securities, debt securities, loans and advances	23.430	-1.658	1.658	-23.430
Derivatives				
Loans and advances				
Financial assets designated at fair value through profit or loss				
Equity securities and debt securities		-148.513	148.513	
Derivatives				
Loans and advances				
Financial assets available-for-sale				
Debt securities				
Equity securities				
Loans and advances				
Derivatives used for hedging				
Change in fair value of hedged items in a hedged portfolio for interest rate risk				
Tangible fixed assets (Lands and Buidings in own use)				
Investment properties				
Investments in entities with a participation relationship but not consolidated				
Assets at amortised cost				
Cash and cash balances with central banks				
Loans and receivables				
Financial assets held to maturity				
Liabilities				
Liabilities at fair value				
Financial liabilities held for trading				
Short positions in fixed income securities				
Derivatives				
Financial liabilities designated at fair value through profit or loss				
Term deposits, certificates of deposit, non-convertible bonds - structured notes and subordinated liabilities				
Derivatives				
Liabilities associated to transfered assets				
Derivatives used for hedging				
Change in fair value of hedged items in a hedged portfolio for interest rate risk				
Liabilities at amortised cost				
Central banks				
Ohter financial liabilities				

Fair value level 3 - 2014									
In EUR thousands	Opening balance	Purchases	Sales	Issues	Settlements	Transfers to level 3	Transfers from level 3	Revaluations	Closing balance
Assets									
Assets at fair value									
Financial assets held for trading	**66.950**	**166.405**	**-167.451**					**2.064**	**67.968**
Equity securities, debt securities, loans and	4.750		-4.750						0
Derivatives	62.200	166.405	-162.701					2.064	67.968
Loans and advances									
Financial assets designated at fair value through profit or loss	**3.053**							**445**	**3.498**
Equity securities and debt securities	3.053							445	3.498
Derivatives									
Loans and advances									
Financial assets available-for-sale	**517.847**	**8.769**	**-203.556**			**-245.365**		**-12.495**	**65.200**
Debt securities	454.623	0	-182.872			-249.365		52	22.438
Equity securities	63.224	8.769	-20.684			4.000		-12.547	42.762
Loans and advances									
Derivatives used for hedging									
Change in fair value of hedged items in a hedged portfolio for interest rate risk									0
Tangible fixed assets	636.826	13.056	-22.398			369.619	-66.688	-18.230	912.184
Investment properties	370					44.745		2.575	47.690
Investments in entities with a participation relationship but not consolidated	73.718	4.112	-19.436			6.786	-3.926	15.231	76.485
Assets at amortised cost									
Cash and cash balances with central banks									
Loans and receivables*	2.902.739	15.013	-926.990			249.365		-981	2.239.146
Financial assets held to maturity									
Liabilities									
Liabilities at fair value									
Financial liabilities held for trading	**161.900**	**370.805**	**-318.932**					**-3.008**	**210.765**
Short positions in fixed income securities									
Derivatives	161.900	370.805	-318.932					-3.008	210.765
Financial liabilities designated at fair value through profit or loss									
Term deposits, certificates of deposit, non-convertible bonds - structured notes and subordinated liabilities									
Derivatives									
Liabilities associated to transfered assets									
Derivatives used for hedging									
Change in fair value of hedged items in a hedged portfolio for interest rate risk									
Liabilities at amortised cost									
Central banks									
Ohter financial liabilities*	727.842		-29.861			3.301		-1.439	699.843

* Data unavailable except for Debt Securities

Transfer to level 3 includes a transfer of a private debt security from Financial assets available for sale to loans at amortised cost for EUR 249.4 million.

Fair value level 3 - 2013									
In EUR thousands	Opening balance	Purchases	Sales	Issues	Settlements	Transfers to level 3	Transfers from level 3	Revaluations	Closing balance
Assets									
Assets at fair value									
Financial assets held for trading	**308.099**	**67.897**	**-308.531**			**4.592**		**-5.107**	**66.950**
Equity securities, debt securities, loans and	0					4.592		158	4.750
Derivatives	308.099	67.897	**-308.531**					-5.265	62.200
Loans and advances									
Financial assets designated at fair value through profit or loss		**618**	**-91**			**1.849**		**677**	**3.053**
Equity securities and debt securities		618	-91			1.849		677	3.053
Derivatives									
Loans and advances									
Financial assets available-for-sale	**685.992**	**99.245**	**-322.496**			**53.633**		**1.473**	**517.847**
Debt securities	676.401	99.245	-322.496					1.473	454.623
Equity securities	9.591					53.633			63.224
Loans and advances									
Derivatives used for hedging									
Change in fair value of hedged items in a hedged portfolio for interest rate risk									
Tangible fixed assets (Lands and Buidings in own use)	625.629					3.080		8.117	636.826
Investment properties		370							370
Investments in entities with a participation relationship but not consolidated		8.230	-3.488			56.549		12.427	73.718
Assets at amortised cost									
Cash and cash balances with central banks									
Loans and receivables*	3.610.075	284.454	-956.798					-34.992	2.902.739
Financial assets held to maturity									
Liabilities									
Liabilities at fair value									
Financial liabilities held for trading	**280.219**	**357.182**	**-508.120**					**32.619**	**161.900**
Short positions in fixed income securities									
Derivatives	280.219	357.182	-508.120					32.619	161.900
Financial liabilities designated at fair value through profit or loss									
Term deposits, certificates of deposit, non-convertible bonds - structured notes and subordinated liabilities									
Derivatives									
Liabilities associated to transfered assets									
Derivatives used for hedging									
Change in fair value of hedged items in a hedged portfolio for interest rate risk									
Liabilities at amortised cost									
Central banks									
Ohter financial liabilities*	762.062		-37.097					2.877	727.842

* Data unavailable except for Debt Securities

Total gains or losses for the period for fair value measurements in level 3 - 2014			
In EUR thousands	Profits	Losses	Gains or losses relating to assets and liabilities held at the end of the period
Income statement			
Gains and losses on financial assets and liabilities held for trading	47.027		**47.027**
Gains and losses on financial assets and liabilities designated at fair value through profit or loss	6.745	-75.805	**-69.060**
Fair value adjustments in hedge accounting			
Other comprehensive income			
Revaluation reserve available for sale	68.406		**68.406**
Cash flow hedges	215.005		**215.005**
Impact of alternative assumptions reasonably possible that would change fair value significantly			

Total gains or losses for the period for fair value measurements in level 3 - 2013			
In EUR thousands	Profits	Losses	Gains or losses relating to assets and liabilities held at the end of the period
Income statement			
Gains and losses on financial assets and liabilities held for trading	15.307.039	-15.365.170	**-58.131**
Gains and losses on financial assets and liabilities designated at fair value through profit or loss	40.874	-44.541	**-3.666**
Fair value adjustments in hedge accounting			
Other comprehensive income			
Revaluation reserve available for sale		-43.425	**-43.425**
Cash flow hedges		-87.443	**-87.443**
Impact of alternative assumptions reasonably possible that would change fair value significantly			

6.7.3.1.1 Fair value of financial assets

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

6.7.3.1.1.1 Cash and balances with central banks

The carrying amount of cash equals its fair value.

6.7.3.1.1.2 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.

6.7.3.1.1.3 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.

6.7.3.1.1.4 Loans and advances

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

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

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

6.7.3.1.1.5 Other financial assets

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

6.7.3.1.2 Fair value of financial liabilities

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

6.7.3.1.2.1 Financial liabilities at amortised 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.

6.7.3.1.2.2 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.

6.7.3.1.2.3 *Other financial liabilities*

The carrying amount of other liabilities approximates their fair value.

Split by method for determining fair value - 2014

In percentage	Published price quotations	Valuation technique supported by market inputs	Valuation technique not supported by market inputs
ASSETS			
Assets at fair value	45,46%	52,01%	2,53%
Financial assets held for trading	10,22%	89,44%	0,34%
Financial assets designated at fair value through profit or loss	0,00%	95,10%	4,90%
Financial assets available-for-sale	96,84%	2,83%	0,33%
Derivatives used for hedging	0,00%	100,00%	0,00%
Change in fair value of hedged items in a hedged portfolio for interest rate risk	0,00%	100,00%	0,00%
Tangible fixed assets (Lands and Buidings in own use)	0,00%	0,00%	100,00%
Investment properties	0,00%	0,00%	100,00%
Investments in entities with a participation relationship but not consolidated	0,00%	0,00%	100,00%
Assets at amortised cost	8,91%	2,03%	89,06%
LIABILITIES			
Liabilities at fair value	0,18%	99,07%	0,75%
Financial liabilities held for trading	0,00%	98,85%	1,15%
Financial liabilities designated at fair value through profit or loss	1,70%	98,30%	0,00%
Liabilities associated to transfered assets	0,00%	100,00%	0,00%
Derivatives used for hedging	0,00%	100,00%	0,00%
Change in fair value of hedged items in a hedged portfolio for interest rate risk			
Liabilities at amortised cost	74,18%	25,19%	0,63%

6.7.3.1.2.4 *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:

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.
Gross amounts of recognised 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.
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
Related amounts not set off - 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.
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.
Net amount	This cell shows the net position after all netting and collateral.

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

Offsetting Financial Assets and financial liabilities							
					Related amounts not set off in the statement		
As at December 2014	Financial Instrument	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities set off in the statement of financial position**	**Net amounts of financial assets presented in the statements of financial position**	**Financial Instruments**	**Cash and financial instruments received as collateral**	**Net amount**
Amounts due from banks	Reverse repurchase securities borrowing and similar agreements	**0**	**0**	**0**	**0**	**0**	**0**
	Other	**0**	**0**	**0**	**0**	**0**	**0**
Financial assets at fair value through profit and loss - Trading assets	Derivatives	**5.971.613**	**-178.476**	**5.793.137**	**2.428.970**	**1.934.458**	**1.429.709**
	Reverse repurchase securities borrowing and similar agreements	**0**	**0**	**0**	**0**	**0**	**0**
	Other	**1.904.561**	**-2.717**	**1.901.844**	**0**	**0**	**1.901.844**
Financial assets at fair value through profit and loss - Non trading derivatives	Derivatives	**200.585**	**-35.639**	**164.946**	**164.946**	**0**	**0**
Available for sale	Reverse repurchase securities borrowing and similar agreements	**0**	**0**	**0**	**0**	**0**	**0**
	Other	**0**	**0**	**0**	**0**	**0**	**0**
Loans and advances to customers	Reverse repurchase securities borrowing and similar agreements	**0**	**0**	**0**	**0**	**0**	**0**
	Other	**501.525**	**0**	**501.525**	**0**	**487.366**	**14.159**
Other assets where netting is applied in the balance sheet							
Impact of enforceable master netting arrangements or similar arrangements	Derivatives	**0**	**0**	**0**	**0**	**0**	**0**
	other	**0**	**0**	**0**	**0**	**0**	**0**
Total financial assets		**8.578.284**	**-216.832**	**8.361.452**	**2.593.916**	**2.421.824**	**3.345.712**

Balance sheet line item					Related amounts not set off in the statement		
As at December 2014	Financial Instrument	**Gross amounts of recognised financial liabilities**	**Gross amounts of recognised financial liabilities set off in the statement of financial position**	**Net amounts of financial assets presented in the statements of financial position**	**Financial Instruments**	**Cash and financial instruments received as collateral**	**Net amount**
Amounts due to banks	Repurchase securities lending and similar agreements	**0**	**0**	**0**	**0**	**0**	**0**
	Other	0	0	0	0	0	0
Customer deposits and other funds on deposit	Repurchase securities lending and similar agreements	**0**	**0**	**0**	**0**	**0**	**0**
	Corporate deposit	**0**	**0**	**0**	**0**	**0**	**0**
	Other	104.094	0	104.094	0	104.094	0
Financial liabilities at fair value through profit and loss - Trading liabilities	Derivatives	**5.517.585**	**-178.479**	**5.339.106**	**2.134.928**	**1.655.064**	**1.549.114**
	Repurchase securities lending and similar agreements	**0**	**0**	**0**	**0**	**0**	**0**
	other	2.717	-2.717	0	0	0	0
Financial liabilities at fair value through profit and loss – Non trading derivatives	Derivatives	**590.829**	**-35.639**	**555.190**	**458.989**	**0**	**96.201**
Other liabilities where netting is applied in the balance sheet		0	0	0	0	0	0
Impact of enforceable master netting arrangements or similar arrangements	Derivatives	**0**	**0**	**0**	**0**	**0**	**0**
	Other	**0**	**0**	**0**	**0**	**0**	**0**
Total financial liabilities		**6.215.225**	**-216.835**	**5.998.390**	**2.593.917**	**1.759.158**	**1.645.315**

Offsetting Financial Assets and financial liabilities							
Balance sheet line item	Financial Instrument				Related amounts not set off in the statement		
As at December 2013		**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities set off in the statement of financial position**	**Net amounts of financial assets presented in the statements of financial position**	**Financial Instruments**	**Cash and financial instruments received as collateral**	**Net amount**
Amounts due from banks	Reverse repurchase securities borrowing and similar agreements	**0**	**0**	**0**	**0**	**0**	**0**
	Other	**7.093.218**	**0**	**7.093.218**	**3.464.566**	**1.178.319**	**2.450.333**
Financial assets at fair value through profit and loss - Trading assets	Derivatives	**21.686.124**	**-10.897.652**	**10.788.472**	**4.827.882**	**2.148.950**	**3.811.640**
	Reverse repurchase securities borrowing and similar agreements	**0**	**0**	**0**	**0**	**0**	**0**
	Other	**1.219.142**	**-5.071**	**1.214.071**	**0**	**0**	**1.214.071**
Financial assets at fair value through profit and loss - Non trading derivatives	Derivatives	**12.130.297**	**-8.436.554**	**3.693.743**	**2.920.167**	**0**	**773.576**
Available for sale	Reverse repurchase securities borrowing and similar agreements	**0**	**0**	**0**	**0**	**0**	**0**
	Other	**0**	**0**	**0**	**0**	**0**	**0**
Loans and advances to customers	Reverse repurchase securities borrowing and similar agreements	**0**	**0**	**0**	**0**	**0**	**0**
	Other	**259.066**	**0**	**259.066**	**0**	**246.540**	**12.526**
Other assets where netting is applied in the balance sheet							
Impact of enforceable master netting arrangements or similar arrangements	Derivatives	**0**	**0**	**0**	**0**	**0**	**0**
	other	**0**	**0**	**0**	**0**	**0**	**0**
Total financial assets		**42.387.847**	**-19.339.277**	**23.048.570**	**11.212.615**	**3.573.809**	**8.262.146**

Balance sheet line item	Financial Instrument				Related amounts not set off in the statement		
As at December 2013		**Gross amounts of recognised financial liabilities**	**Gross amounts of recognised financial liabilities set off in the statement of financial position**	**Net amounts of financial assets presented in the statements of financial position**	**Financial Instruments**	**Cash and financial instruments received as collateral**	**Net amount**
Amounts due to banks	Repurchase securities lending and similar agreements	**0**	**0**	**0**	**0**	**0**	**0**
	Other	6.526.207	0	6.526.207	3.464.566	2.042.689	1.018.952
Customer deposits and other funds on deposit	Repurchase securities lending and similar agreements	**0**	**0**	**0**	**0**	**0**	**0**
	Corporate deposit	**0**	**0**	**0**	**0**	**0**	**0**
	Other	41.661	0	41.661	0	41.661	0
Financial liabilities at fair value through profit and loss - Trading liabilities	Derivatives	**21.365.395**	**-10.897.652**	**10.467.743**	**4.825.811**	**1.489.459**	**4.152.473**
	Repurchase securities lending and similar agreements	**0**	**0**	**0**	**0**	**0**	**0**
	other	5.081	-5.071	10	0	0	10
Financial liabilities at fair value through profit and loss – Non trading derivatives	Derivatives	**13.126.411**	**-8.436.554**	**4.689.857**	**2.922.237**	**0**	**1.767.620**
Other liabilities where netting is applied in the balance sheet		0	0	0	0	0	0
Impact of enforceable master netting arrangements or similar arrangements	Derivatives	**0**	**0**	**0**	**0**	**0**	**0**
	Other	**0**	**0**	**0**	**0**	**0**	**0**
Total financial liabilities		**41.064.755**	**-19.339.277**	**21.725.478**	**11.212.614**	**3.573.809**	**6.939.055**

6.7.3.2 Off-balance sheet commitments

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

Guarantees relate to both credit and non-credit substitute guarantees. Credit-substitute guarantees are guarantees given by ING Belgium with respect to credits granted to customers by a third party. Many of them are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows.

The guarantees are generally of a short-term nature. In addition to the items included in contingent liabilities, ING Belgium has issued guarantees as a participant in collective arrangements of national industry bodies and as a participant in government-required collective guarantee schemes which apply in different countries.

Irrevocable letters of credit mainly secure payments to third parties for foreign and domestic trade transactions of a customer in order to finance a shipment of goods. ING Belgium's credit risk in these transactions is limited since they are collateralised 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		
In EUR thousands	**2014**	**2013**
Loan commitments		
given	29.296.229	28.869.200
received	3.338.032	-
Financial guarantees		
guarantees given	11.226.247	11.931.404
guarantees received	112.742.303	108.960.892
credit derivatives given		-
credit derivatives received		130.651
Other commitments		
given		-
received	38.226	55.399

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

Future minimum lease payments by maturity		
In EUR thousands	**2014**	**2013**
Within 1 year	739.279	739.569
More than 1 year but less then 5 years	1.684.506	1.661.943
More than 5 years	961.157	971.877
Total	**3.384.942**	**3.373.389**

6.7.3.3 *Share-based payments*

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

The main characteristics of Leo are as follows:

Stock options:

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

Performance shares:

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

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

The main characteristics of the LSPP are as follows:

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

Movements in stock options

in EUR	Options outstanding		Weighted average exercise price (in EUR)	
	2014	2013	2014	2013
Opening balance	**7.404.968**	**9.167.998**	**14,78**	**13,40**
Transfer	-335.504	-93.008	12,45	15,22
Granted	-	-	-	-
Exercised	-912.642	-796.692	5,75	2,90
Forfeited	-164.878	-120.186	15,93	11,03
Rights issue	-	-	-	-
Expired	-729.481	-753.144	15,27	11,07
Closing balance	**5.262.463**	**7.404.968**	**16,40**	**14,78**

Summary of stock options outstanding and exercisable						
Range of exercise price in EUR	Options outstanding as at 31 December 2014	Weighted average remaining contractual life	Weighted average exercise price	Options excercisable as at 31 December 2014	Weighted average remaining contractual life	Weighted average exercise price
00.00 - 05.00	479432	-0,16	2,75	479432	-0,16	2,75
05.00 - 10.00	1.029.752	5,2	7,32	1.029.752	5,2	7,32
10.00 - 15.00	7.602	3,72	14,19	7.602	3,72	14,19
15.00 - 20.00	2.077.989	-0,27	17,42	2.077.989	-0,27	17,42
20.00 - 25.00	803.532	-1,73	24,13	803.532	-1,73	24,13
25.00 - 30.00	864.156	1,23	25,17	864.156	1,23	25,17

Share based payments		
In EUR thousands	**2014**	**2013**
Expense arising from share based payments	7.626	7.141
Expense arising from cash transactions	-	-
- total nominal amout at the end of the year	-	-
- total intrinsic value at the end of the year	-	-

The fair value of granted options is recorded as a staff cost expense and is allocated over the vesting period of options. The fair value of those options is determined using a Monte Carlo simulation. This model takes into account the risk-free interest rate (2.02% - 4.62%), the estimated life of the options (5 to 9 years), the exercise price, the current price of the share (EUR 2.90 – EUR 26.05), the estimated volatility of the certificates of ING Group share (25.00% - 84.00%) and the estimated return on dividend (0.94% - 8.99%).

6.7.3.4 Related party disclosures

Balance sheet 2014					
In EUR thousands	Parent	Subsidiaries	Associates	Joint ventures where the entity is a venturer	Other related parties
ASSETS	**11.586.295**	**3.922**	**3.604**	**0**	**10.166**
Loans and advances	4.103.390	3.922	3.604	0	10.403
Current accounts	625.445	0	1.094	0	52
Term loans	3.037.468	3.922	2.510	0	10.114
Finance leases		0	0	0	0
Consumer Credit		0	0	0	0
Mortgage loans		0	0	0	0
Other	442.268	0	0	0	0
Equity instruments	6.256	0	0	0	0
Trading securities	6.256	0	0	0	0
Investment securities				0	0
Other receivables	7.468.602	0	0	0	0
LIABILITIES	**11.591.430**	**2.316**	**3.818**	**0**	**7.342**
Deposits	1.574.340	2.236	3.797	0	7.342
Deposits	1.124.495	2.236	3.797	0	7.342
Other borrowings	449.845	0	0	0	0
Other financial liabilities	200				
Debt certificates		0	0	0	0
Subordinated liabilities	0	0	0	0	0
Share based payments	0	0	0	0	0
Granted	0	0	0	0	0
Exercised	0	0	0	0	0
Other liabilities	10.016.890	80	21	0	0
Guarantees issued by the group	249.174	0	62	0	0
Guarantees received by the group	195.861	0	0	0	0
Provisions for doubtful debts	0	0	0	0	0

Income statement		
In EUR thousands	**2014**	**2013**
Expenses	**2.112.802**	**8.248.708**
Interest expenses	1.251.106	3.335.574
Foreign exchange		832.060
Fees and commissions	10.626	40.914
Rendering of services	0	0
Purchase of goods, property and other assets	0	0
Transfers	0	0
Other	851.070	4.040.160
Income	**1.592.426**	**9.181.444**
Interest Income	985.775	0
Foreign exchange	127.377	2.735.385
Fees and commissions	62.285	838.487
Dividend income	0	55.366
Receiving of services	0	0
Sales of goods, property and other assets	0	0
Transfers	0	0
Other	416.988	5.552.206
Expenses for current year in respect of bad or doubtful debts	0	**0**

6.7.3.5 Legal proceedings

ING Belgium and its subsidiaries are involved in litigation proceedings in Belgium and in foreign jurisdictions involving claims by and against them which arise in the ordinary course of their business, including in connection with their activities as lenders, investors and taxpayers. In certain of such proceedings, large or indeterminate amounts are sought (even if the Bank reached an amicable settlement with the vast majority of the affected customers), including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened proceedings, management does not believe that their outcome will have a material adverse effect on ING Belgium's financial position or results of operation.

In Belgium, these legal proceedings include a pending dispute over an alleged responsibility of the bank in the framework of a third-party fraud early in the years 2000, relating to fraudulent use of funds collected by this third party.

These proceedings also include several disputes over alleged responsibilities of the bank in the framework of so-called fraudulent cash company transaction schemes, some involving criminal court actions against some ING Belgium employees.

Judicial proceedings have also been instituted against ING Belgium by a group of investors led by a lawyer and a specialised company in this type of action regarding speculative investments in financial derivatives.

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

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. The Public Prosecution has opened criminal proceedings, 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.

In Luxembourg, ING Luxembourg is involved in cases concerning so called fraudulent operations regarding cash companies. 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 tax authorities before the civil court.

6.7.3.6 *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 Belgique consolidated 2014	Activities	Turnover in .000 euro	Number of employees in FTE	Profit/loss before tax in .000 Euro	Taxes on result in .000 Euro	Government grants received
Belgium	Banking, other financial services and real estate	3.239.327	9.698	1.439.163,8	359.315,5	0
Luxembourg	Banking, other financial services and insurance	11.092	770	-108.163,0	8.330,0	0
The Netherlands	Banking and other financial services	1.030	6	477,9	109,5	0
Portugal	Banking and other financial services	7.087	11	6.011,3	1.648,1	0
Spain	Banking and other financial services	44.539	87	-7.250,4	1.598,5	0
Canada	Other financial services	17	0	-82,9	1,3	0
USA	Other financial services	96	0	-3,9	1,2	0
Switzerland	Banking and other financial services	199.414	164	143.839,1	37.379,9	0

Belgium : ING Belgium SA/NV, CEL Data Services SA/NV, Immo Globe SA/NV, ING Contact Center SA/NV, ING Technology Services, ING Lease Belgium, New Immo-Schuman NV/SA, Record Bank SA/NV, Record Credit Services SCRL/CVBA, Sogam SA/NV, Sogès-Fiducem SA/NV

Luxemburg : ING Luxembourg, ING Belgium International Finance Luxembourg SA

Netherlands : ING Belgium Breda (Subsidiary)

Portugal : ING Belgium Portugal (Subsidiary)

Spain : ING Belgium Espagne (Subsidiary)

Canada : Belgium Overseas Agencies Ltd.

USA : Belgian Overseas Issuing Corp

Switzerland : ING Belgium Genève (Subsidiary)

ING Belgique consolidated 2013	Activities	Turnover in .000 euro	Number of employees in FTE	Profit/loss before tax in .000 Euro	Taxes on result in .000 Euro	Government grants received
Belgium	Banking, other financial services and real estate	3.076.974	9.943	1.111.656,1	291.658,9	0
Luxembourg	Banking, other financial services and insurance	135.217	755	25.272,9	6.710,4	0
The Netherlands	Banking and other financial services	1.272	6	504,1	121,4	0
Portugal	Banking and other financial services	8.712	11	7.242,1	2.043,9	0
Spain	Banking and other financial services	53.577	81	16.654,7	5.720,2	0
Canada	Other financial services	106	0	36,2	3,6	0
USA	Other financial services	563	0	446,6	14,1	0
Switzerland	Banking and other financial services	196.529	150	146.720,8	37.797,5	0
France	Banque et autres services financiers	32.453	0	21.628,5	11.979,7	0

Scope

Belgium : ING Belgium SA/NV, CEL Data Services SA/NV, Immo Globe SA/NV, ING Contact Center SA/NV, ING Technology Services, ING Lease Belgium, New Immo-Schuman NV/SA, Record Bank SA/NV, Record Credit Services SCRL/CVBA, Sogam SA/NV, Sogès-Fiducem SA/NV

France : ING Belgium France (subsidiary)

Luxemburg : ING Luxembourg, ING Belgium International Finance Luxembourg SA

Netherlands : ING Belgium Breda (Subsidiary)

Portugal : ING Belgium Portugal (Subsidiary)

Spain : ING Belgium Espagne (Subsidiary)

Canada : Belgium Overseas Agencies Ltd.

USA : Belgian Overseas Issuing Corp

Switzerland : ING Belgium Genève (Subsidiary)

6.7.3.7 Auditor's remuneration

Ernst & Young Bedrijfsrevisoren BCVBA (Réviseurs d'entreprises SCCRL) is the auditor of ING Belgium. The table below shows audit and non-audit fees for the group for the year 2014.

Auditor's remuneration	
In EUR thousands	**2014**
The auditors and related professional working partners	
1. Auditors' fees	2.156
1.1 Fees for the exercise of the audit mandate	1.864
1.2 Fees for extraordinary duties or special assignments executed for the group	292
a. Other control assignments	292
b. Tax advice assignments	
c. Other non-audit assignments	
2. Professional working partners' fees	626
2.1 Fees for the exercise of the audit mandate	343
2.2 Fees for extraordinary duties or special assignments executed for the group	283
a. Other control assignments	110
b. Tax advice assignments	130
c. Other non-audit assignments	43

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

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

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

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

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

The total remuneration allocated to the serving Directors of the Board for 2014 was EUR 579.167.

Total remuneration allocated as pension to honorary directors in 2014 amounted to EUR 68.800.

6.7.4.2 Loans and advances to members of the Board of Directors

Loans and advances to members of the Board of Directors		
In EUR thousands	**2014**	**2013**
Loans and advances	476	721

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

6.7.4.3 Breakdown of remuneration paid to members of the Executive Committee

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

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

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

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

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

Breakdown of remuneration paid to members of the Executive Committee		
In EUR thousands	**2014**	**2013**
Short term employee benefits	2.973	3.063
Post employment benefits	632	638
Other long term benefits	314	367
Termination benefits	0	0
Share based payments	753	868
	4.672	**4.936**

6.7.4.4 Pension scheme for members of the Executive Committee

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

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

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

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

No termination allowance or long-term illness allowances were paid in 2014.

7 Statutory Auditor's report to the general meeting of shareholders of ING Belgium NV/SA on the consolidated financial statements of the year ended 31 December 2014

The statutory Auditor's report relates to chapter 3 'Report of the Board of Directors on the Consolidated Accounts of ING Belgium SA/NV' and chapter 7 'Consolidated Annual Accounts'.

Free Translation from the Dutch and French originals.