ING GROEP NV
Form 20-F
March 02, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended 31 December 2015

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-14642

ING GROEP N.V.

(Exact name of registrant as specified in its charter)

The Netherlands

(Jurisdiction of incorporation or organisation)

ING Groep N.V.

Bijlmerplein 888

1102 MG Amsterdam

P.O. Box 1800, 1000 BV Amsterdam

The Netherlands

(Address of principal executive offices)

Norman Tambach

Telephone: +31 20 576 6160

E-mail: Norman.Tambach@ing.com

Bijlmerplein 888

1102 MG Amsterdam

The Netherlands

(Name; Telephone, Email and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing one Ordinary Share	New York Stock Exchange
Ordinary Shares, nominal value EUR 0.24 per Ordinary Share and	
Bearer Depositary receipts in respect of Ordinary Shares*	New York Stock Exchange
7.05% ING Perpetual Debt Securities	New York Stock Exchange
7.20% ING Perpetual Debt Securities	New York Stock Exchange
6.20% ING Perpetual Debt Securities	New York Stock Exchange
6.125% ING Perpetual Debt Securities	New York Stock Exchange
6.375% ING Perpetual Debt Securities	New York Stock Exchange

* Listed, not for trading or quotation purposes, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares, nominal value EUR 0.24 per Ordinary Share	3,870,183,325
Bearer Depositary receipts in respect of Ordinary Shares	3,869,774,848

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yesþ ¨No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes¨ þNo

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yesþ ¨No

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web sites, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).* Yes¨ ¨No

* This requirement does not currently apply to the registrant.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filerþ Accelerated filer¨ Non-accelerated filer¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP¨ International Financial Reporting Standards as issued by the International Accounting Standards Board þ Other ¨

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ¨Item 17 Item 18¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes¨ þNo

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ING Group

Annual Report

on Form 20-F

2015

Filed with the United States Securities

and Exchange Commission for the year

ended December 31st, 2015

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PRESENTATION OF INFORMATION

In this Annual Report, and unless otherwise stated or the context otherwise dictates, references to ING Groep N.V. , ING Groep and ING Group refer to ING Groep N.V. and references to ING , the Company , the Group , we and to ING Groep N.V. and its consolidated subsidiaries. ING Groep N.V. s primary banking subsidiary is ING Bank N.V. (together with its consolidated subsidiaries, ING Bank), respectively. References to Executive Board or Supervisory Board refer to the Executive Board or Supervisory Board of ING Groep N.V.

ING presents its consolidated financial statements in euros, the currency of the European Economic and Monetary Union. Unless otherwise specified or the context otherwise requires, references to $, US$ and Dollars are to the United States dollars and references to EUR are to euros.

Solely for the convenience of the reader, this Annual Report contains translations of certain euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the translated amounts actually represent such dollar or euro amounts, as the case may be, or could be converted into U.S. dollars or euros, as the case may be, at the rates indicated or at any other rate. Therefore, unless otherwise stated, the translations of euros into U.S. dollars have been made at the rate of EUR 1.00 = U.S. $ 1.1235 , the noon buying rate in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on 12 February 2016.

ING prepares financial information in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB) for purposes of reporting with the U.S. Securities and Exchange Commission (SEC), including financial information contained in this Annual Report on Form 20-F. ING Group s accounting policies and its use of various options under IFRS-IASB are described under Principles of valuation and determination of results in the consolidated financial statements. In this document the term IFRS-IASB is used to refer to IFRS-IASB as applied by ING Group.

The published 2015 Annual Accounts of ING Group, however, are prepared in accordance with IFRS-EU. IFRS-EU refers to International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), including the decisions ING Group made with regard to the options available under IFRS as adopted by the EU (IFRS-EU).

IFRS-EU differs from IFRS-IASB, in respect of certain paragraphs in IAS 39 Financial Instruments: Recognition and Measurement regarding hedge accounting for portfolio hedges of interest rate risk. Under IFRS-EU, ING Group applies fair value hedge accounting for portfolio hedges of interest rate risk (fair value macro hedges) in accordance with the EU carve-out version of IAS 39. Under the EU IAS 39 carve-out , hedge accounting may be applied, in respect of fair value macro hedges, to core deposits and hedge ineffectiveness is only recognised when the revised estimate of the amount of cash flows in scheduled time buckets falls below the original designated amount of that bucket, and is not recognised when the revised amount of cash flows in scheduled time buckets is more than the original designated amount. Under IFRS-IASB, hedge accounting for fair value macro hedges cannot be applied to core deposits and ineffectiveness arises whenever the revised estimate of the amount of cash flows in scheduled time buckets is either more or less than the original designated amount of that bucket. This information is prepared by reversing the hedge accounting impacts that are applied under the EU carve-out version of IAS 39. Financial information under IFRS-IASB accordingly does not take account of the possibility that, had ING Group applied IFRS-IASB as its primary accounting framework, it might have applied alternative hedge strategies where those alternative hedge strategies could have qualified for IFRS-IASB compliant hedge accounting. These decisions could have resulted in different shareholders equity and net result amounts compared to those indicated in this Annual Report on Form 20-F.

Other than for SEC reporting, ING Group intends to continue to prepare its Annual Accounts under IFRS-EU. A reconciliation between IFRS-EU and IFRS-IASB is included in Note 2.1 to the consolidated financial statements.

In addition, in 2015 ING made certain changes to the way in which it reports its segment results. See Item 5. Operating and financial review and prospects segment reporting for more information.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was issued by the IASB in July 2014. IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and micro hedge accounting. The new requirements become effective as of 1 January 2018. The classification and measurement and impairment requirements will be applied retrospectively by adjusting the opening balance sheet and opening equity at 1 January 2018, with no restatement of comparative periods. It is expected that the implementation of IFRS 9, will have a significant impact on Shareholders equity, Net result and/or Other comprehensive income and disclosures.

Enhanced Disclosure Task Force (EDTF)

In November 2015, the EDTF published a report on IFRS 9 recommended disclosures which may be useful to help the market understand the upcoming changes as a result of using the Expected Credit Loss (ECL) approach. Given that full IFRS 9 disclosures are only required for the year ending 31 December 2018, the additional EDTF recommendations during the period before adoption aims at promoting consistency and comparability across internationally active banks. ING Group has adopted these recommendations as transitional disclosures with an initial focus on qualitative disclosures.

IFRS 9 Program

In 2015, ING focused on establishing the IFRS 9 program, the interpretation of key IFRS 9 concepts and the initiation of the impact assessment. In 2016, ING Group will start with the implementation of the IFRS 9 requirements in its models, systems, processes and governance and will prepare for the parallel run in 2017.

The governance structure of the IFRS 9 Program has been set-up based on the three phases of IFRS 9: Classification and Measurement, Impairments and Hedge Accounting. Each workstream consists of experts from Finance, Risk, Bank Treasury, Operations and the business lines. The workstreams are supported by the Program Office. The Technical Board supports the Steering Committee by reviewing the interpretations of IFRS 9 as prepared by the workstreams. The Steering Committee is the decision making body. Additionally, an international IFRS 9 network has been created within ING Group to connect all countries with the central project team to ensure consistency, awareness and training.

Classification and measurement

ING Group will apply a two-step approach to determine the classification and measurement of financial assets into one of the three categories, being Amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair value through profit and loss:

1. The Business Model test will be applied to determine how a portfolio of financial instruments is managed as a whole; and

2. The Solely Payments of Principle and Interest (SPPI) test will be applied to determine the contractual cash flow characteristics of financial assets in the Business Model.

In most instances, it is expected that the classification and measurement outcomes will be similar to IAS 39, although certain differences will arise. The classification and measurement of financial liabilities remains essentially the same as under IAS 39.

In 2015, ING Group has started the Business Model test and identified and described homogeneous portfolios across the business of ING Group. The implementation of the SPPI text will start in 2016.

Impairment

The recognition and measurement of impairment is intended to be more forward-looking, based on an expected credit loss (ECL) model, than under IAS 39 which is of an incurred loss model. The ECL model applies to on-balance financial assets accounted for at amortised cost and FVOCI, such as loans, debt securities and trade receivables, and off-balance items such as lease receivables, and certain loan commitments financial guarantee.

In 2015, ING Group determined a number of key concepts and assumptions essential to the new impairment model, such as the definition of significant deterioration and the approach how to measure ECL. In addition, ING Group started with the financial impact analysis on the level of impairment allowances under the new ECL approach.

Three stage approach

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

Stage 1: 12 month ECL performing

Financial instruments that have not had a significant increase in credit risk since initial recognition require, at initial recognition, a provision for expected credit losses associated with the probability of default events occurring within the next 12 months (12 month ECL).

Stage 2: Lifetime ECL under-performing

In the event of a significant increase in credit risk since initial recognition, a provision is required for ECL resulting from all possible default events over the expected life of the financial instrument (Lifetime ECL). ING Group has defined triggers to move to Stage 2 depending on the type of asset/portfolio. Once the ECL models are available, further calibration of the triggers will be defined and tested.

Stage 3: Lifetime ECL non-performing

Financial instruments will move into Stage 3 once defaulted. The aim is to align the default definition for IFRS 9 with the internal definition of default for risk management purposes. Stage 3 requires a Lifetime ECL provision.

The calculation of ECL will be based on ING Group s expected loss models (PD, LGD, EAD) currently used for regulatory capital, economic capital and IBNR and INSFA provisions in the current IAS 39 framework. The ECL models will follow the same model structure as applied for the current expected loss models. The stress test methodology is used as a basis for including forward looking macro-economic information in the expected loss parameters.

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Hedge accounting

The IFRS 9 hedge accounting requirements aim to simplify general hedge accounting requirements. Furthermore, IFRS 9 aims to align financial hedge accounting more closely with risk management strategies. All micro hedge accounting strategies as well as the macro cash flow hedge are in scope of IFRS 9. Macro fair value hedging is currently outside the scope of IFRS 9.

In 2015, the Hedge accounting workstream performed a technical assessment of the impact of the new hedge accounting requirements. Based on the outcome of this technical assessment, ING Group has made a preliminary decision to continue applying IAS 39 in its entirety for hedge accounting until the guidance of Macro fair value hedge accounting is finalised as allowed under IFRS 9. ING Group will continue to implement the IFRS 7 hedge accounting disclosure requirements.

Discontinued operations

NN Group and Voya were classified as discontinued operations in 2014 and 2013 respectively (for more information, see Item 4. Information on the Company Changes in the composition of the Group). The results of the discontinued operations for the year and for comparative years are presented separately from continuing operations in the profit and loss account and classified as held for sale on the balance sheet.

Certain amounts set forth herein may not sum due to rounding.

This document contains inactive textual addresses to internet websites operated by us and third parties. Reference to such websites is made for information purposes only, and information found at such websites is not incorporated by reference into this document.

NN Group

In February 2015, ING Group sold 52 million ordinary shares of NN Group, reducing its ownership in NN Group from 68.14%, at 31 December 2014, to 54.58%. The transaction did not impact the profit and loss account of ING Group as NN Group continued to be fully consolidated. The transaction had a negative impact of EUR 1,757 million on the shareholder s equity of ING Group.

In May 2015, in order to fulfil its commitment to the European Commission (EC), ING Group injected capital in NN Group by subscribing for newly issued shares for an amount of EUR 57 million. The transaction increased the ownership of ING in NN Group to 54.77%.

In May 2015, ING Group sold 45 million ordinary shares in NN Group. This transaction reduced ING Group s interest in NN Group to 42.43%, resulting in ING Group losing control over NN Group. The share sale and deconsolidation of NN Group resulted in an after tax loss of EUR 1,185 million and is recognised in the profit and loss account in the line Net result from disposal of discontinued operations . The transaction had a negative impact of EUR 6,530 million, including the aforementioned loss, on the shareholder s equity of ING Group. The profit and loss account of ING Group includes, in the line Net result from discontinued operations , the result of NN Group until deconsolidation at the end of May 2015.

With the injection of capital and deconsolidation of NN Group, ING Group fulfils its commitment to the EC, per the EC decision of 16 November 2012. The restrictions from this decision regarding acquisition and price leadership will no longer apply to ING Group.

In June 2015, ING exchanged the second tranche of mandatorily exchangeable subordinated notes of Anchor investors into NN Group ordinary shares. Accrued interest on these notes was settled in NN Group ordinary shares. The transaction resulted in a further decrease in the ownership of ING Group in NN Group to 38.23%. The transaction did not have a material impact on the profit and loss account of ING Group. In June 2015, NN Group repurchased 2.1 million ordinary shares from ING Group. This transaction reduced ING s remaining interest in NN Group to 37.61%.

In September 2015, NN Group repurchased 1.7 million ordinary shares from ING Group. This transaction reduced ING s remaining interest in NN Group to 37.12%. In September 2015, ING Group sold 40 million ordinary shares in NN Group. As part of the transaction, NN Group repurchased 6 million ordinary shares. The transaction reduced ING Group s interest in NN Group to 25.76%. The transaction resulted in a loss of EUR 17 million and is recognised in the profit and loss account in the line Net result from disposal of discontinued operations . The transaction was settled on 5 October 2015.

As at 31 December 2015 the remaining interest in NN Group is recognised as an Investment in associate held for sale at EUR 2,153 million. ING Group holds warrants for 35 million shares in NN Group.

January 2016 Loss of significant influence over NN Group

On 5 January 2016, ING sold a further 33 million ordinary shares of NN Group. As part of the transaction, NN Group repurchased 8 million ordinary shares. The gross proceeds to ING Group from the offering, including the repurchase by NN Group, amounted to EUR 1 billion. The transaction reduced the ownership of ING in NN Group from 25.75% (as at 31 December 2015) to 16.2322%. As a result of the transaction, together with ING Group no longer having any nominees on NN Group s Supervisory Board as of 14 December 2015, ING Group no longer has significant influence over NN Group and accounts for its remaining stake in NN Group as an available-for-sale investment. The result from this transaction, amounting to a net profit of EUR 522 million, will be reflected in ING Group s first quarter 2016 profit and loss account. The result

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broadly reflects the difference between the EUR 2.2 billion book value of ING s 25.75% investment (as fixed at deconsolidation at the end of May 2015) and the market value of this stake of EUR 2.7 billion at the closing of the January 2016 transaction. The transaction settled on 8 January 2016. The remaining shares held in NN Group are subject to a lock-up period of 60 days.

February 2016 Final tranche exchange of subordinated notes: Anchor investors

On 2 February 2016, ING settled the exchange of the third and final tranche of EUR 337.5 million mandatory exchangeable subordinated notes which were issued in 2014 as part of the anchor investment in NN Group. EUR 208 million of the notes were exchanged into 6.9 million NN Group ordinary shares with the three anchor investors. EUR 129.5 million of notes were settled in cash with RRJ Capital. This transaction reduced ING s remaining stake in NN Group from 16.2322% to 14.09%. The transaction did not have a material impact on the shareholder s equity or the profit and loss account of ING Group.

Change in accounting approach NN Group Anchor investment transaction

During the second half of 2015, the Autoriteit Financiële Markten (AFM ; The Netherlands Authority for the Financial Markets) performed a review of the 2014 ING Group Annual Report. This review resulted in a recommendation to change the accounting approach for the provision recognised as a direct reduction of ING Group s shareholders equity in 2014 in relation to the Asian Anchor Investment transaction (Anchor investment transaction).

Background information

In April 2014, ahead of the intended NN Group Initial Public Offering (IPO), ING Group secured investments from three Asian investors in NN Group by issuing subordinated notes, which were recognised on the balance sheet line Subordinated loans . In July 2014, at the time of the NN Group IPO, all notes became mandatorily exchangeable for NN Group shares and the first tranche was settled in NN Group shares. ING Group s expected loss on the settlement of the two remaining tranches in NN Group shares was calculated as the difference between the carrying value of NN Group and the fair value of NN Group s shares. The expected loss of EUR 1.012 million was recognised in July 2014 as a provision on the balance sheet in Other liabilities with the corresponding debit recognised directly in ING Group s shareholders equity. As a result of a decrease of the carrying value of NN Group, the difference between the carrying value of NN Group and the fair value of NN Group s shares as at 31 December 2014 decreased by EUR 92 million to EUR 920 million.

In May 2015, ING Group reduced its stake in NN Group to 42.43% and deconsolidated NN Group. At the time of deconsolidation, the difference between the carrying value of NN Group (net of revaluation reserves) and the fair value of the entire remaining stake in NN Group was written off through the profit and loss account. For the shares expected to be delivered under the Anchor investment transaction, this difference had already been recognised as a provision in 2014, directly in shareholders equity. Therefore, the provision recognised for the second and third tranche of the Anchor provision was utilised, decreasing the total deconsolidation loss in ING Group s profit and loss account, as reported in the second quarter of 2015, by EUR 1,001 [1] million.

Following discussions with the AFM, ING Group decided to adjust the accounting approach as described above. Based on IFRS 10 (Consolidated Financial Statements), IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the accounting for the impact of the Anchor investment transaction and disclosure of the quantitative impact of the divestment of NN Group in the 2014 ING Group Annual Report was not in accordance with paragraphs IFRS 10.23, IFRS 10.B96 and IAS 1.17(c), nor can the accounting of the Anchor investment transaction be based on IAS 8.10 and IAS 8.11. IFRS 10.23 and IFRS 10.B96 do not allow for changes recognised directly in shareholders equity without an actual change in ownership.

Impact on ING Group

The 2014 comparative figures are adjusted by a reversal of the provision previously recognised in 2014 resulting in an increase of ING Group s equity by EUR 920 million as at 31 December 2014. The 2013 and 2012 figures are not impacted. This adjustment is in line with the requirements of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors).

[1] In 2015, until the date of deconsolidation at the end of May 2015, the carrying value of NN Group increased. As a result, the difference between the carrying value of NN Group and the fair value of NN Group s shares, increased by EUR 81 million to EUR 1,001 million.

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Impact on ING Group Balance sheet and Profit and loss account lines:

Amounts in millions of euros	Reported	31 December 2014 Adjustment	Adjusted
Balance sheet			
Equity			
Shareholders equity (parent)[1]	46,634	920	47,554
Liabilities			
Other liabilities [2]	15,857	-920	14,937
Total equity and liabilities	**987,706**		**987,706**
Profit and loss account			
Net result attributable to Equityholders of the parent	963		963
Earnings per ordinary share			
Basic earnings per ordinary share	0.06		0.06
Diluted earnings per ordinary share	0.06		0.06

1 Shareholder s equity (parent) is adjusted in Other reserves .
2 Other liabilities is adjusted in the line item Other .

This change has no consequences for the accounting approach of other transactions which were part of ING s divestment program.

Reference is made to Notes 13 Equity , 20 Other liabilities and 54 Other events in Note 2.1 to the consolidated financial statements. See also Item 15 Controls and Procedures .

Subsequent events

There are no subsequent events to report. On page 7 some events for 2016 are included for information purposes.

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this Annual Report are not historical facts, including, without limitation, certain statements made in the sections hereof entitled Information on the Company , Dividends , Operating and Financial Review and Prospects , Selected Statistical Information on Banking Operations and Quantitative and Qualitative Disclosure of Market Risk are statements of future expectations and other forward-looking statements that are based on management s current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those in such statements. Actual results, performance or events may differ materially from those expressed or implied in such statements due to, without limitation, changes in general economic conditions, in particular economic conditions in ING s core markets,

changes in performance of financial markets, including developing markets,

consequences of a potential (partial) break-up of the euro

ING s implementation of the restructuring plan as agreed with the European Commission,

changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness,

changes affecting interest rate levels,

changes affecting currency exchange rates,

changes in investor and customer behaviour,

changes in general competitive factors,

changes in laws and regulations,

changes in the policies of governments and/or regulatory authorities,

conclusions with regard to purchase accounting assumptions and methodologies,

changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards,

changes in credit ratings,

ING s ability to achieve projected operational synergies

and

the other risks and uncertainties detailed in Item 3. Key Information Risk Factors in ING s Annual Report on Form 20-F for the year ended 31 December 2015.

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Any forward-looking statements made by or on behalf of ING speak only as of the date they are made, and ING assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason. See Item 3. Key Information Risk Factors and Item 5. Operating and financial review and prospects Factors Affecting Results of Operations .

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PART I

Item 1. Identity of Directors, Senior Management And Advisors

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

The selected consolidated financial information data is derived from the IFRS-IASB consolidated financial statements of ING Group.

The following information should be read in conjunction with, and is qualified by reference to the Group s consolidated financial statements and other financial information included elsewhere herein.

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IFRS-IASB Consolidated Income Statement Data

for the years ended 31 December In millions except amounts per share and ratios	2015 U.S.$	2015 EUR	2014 EUR	2013 EUR	2012 EUR	2011 EUR
Continuing operations						
Interest income	52,042	46,321	48,169	51,394	60,003	66,181
Interest expense	37,929	33,760	35,865	39,693	48,119	52,724
Net interest result	14,112	12,561	12,304	11,701	11,884	13,457
Commission income	2,604	2,318	2,293	2,204	2,047	2,496
Investment and Other income	3,514	3,128	617	3,191	1,223	155
Total income	**20,231**	**18,007**	**15,214**	**17,096**	**15,154**	**16,108**
Operating expenses	10,478	9,326	10,259	8,834	9,644	10,250
Addition to loan loss provision	1,513	1,347	1,594	2,289	2,125	1,670
Total expenditure	**11,991**	**10,673**	**11,853**	**11,123**	**11,769**	**11,920**
Result before tax	8,240	7,334	3,361	5,973	3,385	4,188
Taxation	2,162	1,924	859	1,498	856	947
Net result from continuing operations	**6,078**	**5,410**	**2,502**	**4,475**	**2,529**	**3,241**
Net result from discontinued operations	**-85**	**-76**	**-1,375**	**680**	**1,359**	**1,431**
Net result attributable to minority interests	458	408	164	265	161	78
Net result ING Group IFRS-IASB attributable to the equityholders of the parent	**5,534**	**4,926**	**963**	**4,890**	**3,727**	**4,594**
Addition to shareholders equity	2,709	2,411	493	4,890	3,727	4,594
Dividend	2,826	2,515	470			
Basic earnings per share	1.43	1.27	0.06	1.14	0.81	0.81
Diluted earnings per share	1.43	1.27	0.06	1.14	0.81	0.81
Dividend per share	0.73	0.65	0.12			
Number of Ordinary Shares outstanding (in millions)	3,868.7	3,868.7	3,854.6	3,836.9	3,801.4	3,782.3

Euro amounts have been translated into U.S. dollars at the exchange rate of $ 1.1235 to EUR 1.00, the noon buying rate in New York City on 12 February 2016 for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York.

Period 2011 is not restated for IFRS 10/11/12.

Total expenditure includes all non-interest expenses, including additions to the provision for loan losses. See Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources .

The results of NN Group and Voya have been transferred to Result from discontinued operations. For details on Discontinued operations, see Note 30 of Note 2.1 to the consolidated financial statements.

Basic earnings per share amounts have been calculated based on the weighted average number of Ordinary Shares outstanding during the relevant period and Shareholders equity per share amounts have been calculated based on the number of Ordinary Shares outstanding at the end of the respective periods. For purposes of this calculation, ING Groep N.V. shares held by Group companies are deducted from the total number of Ordinary Shares in issue. The effect of dilutive securities is also adjusted.

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IFRS-IASB Consolidated Balance Sheet Data

as at 31 December In billions except amounts per share and ratios	2015 U.S.$	2015 EUR	2014 EUR	2013 EUR	2012 EUR	2011 EUR
Total assets	941.4	837.9	987.7	1,076.6	1,158.1	1,274.2
Investments	106.5	94.8	97.6	141.0	200.1	217.4
Loans and advances to customers	599.3	533.4	512.4	527.0	556.9	5,986.9
Insurance and investment contracts:				111.8	230.0	278.8
Customer deposits and other funds on deposit:						
Savings accounts of the banking operations	343.7	305.9	295.5	289.8	277.8	291.5
Other deposits and bank funds	218.9	194.8	188.4	184.5	177.2	176.0
Total Customer deposits and other funds on deposit	562.5	500.7	483.9	474.3	455.0	467.5
Amounts due to banks	38.0	33.8	30.0	27.2	38.7	72.2
Shareholders equity	50.6	45.0	47.6	42.3	46.5	42.8
Non-voting equity securities	0.0	0.0	0.0	1.5	2.3	3.0
Shareholders equity per ordinary share	13.06	11.62	12.36	11.02	12.22	11.32
Share capital in number of shares (in millions)	3,870.2	3,870.2	3,858.9	3,840.9	3,831.6	3,831.6

As explained in Presentation of information under Change in accounting approach NN Group Anchor transaction , the shareholders equity and shareholders equity per ordinary share for the year 2014 have been amended.

Euro amounts have been translated into U.S. dollars at the exchange rate of $ 1.1235 to EUR 1.00, the noon buying rate in New York City on 12 February 2016 for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York.

Period 2011 is not restated for IFRS 10/11/12.

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EXCHANGE RATES

Fluctuations in the exchange rate between the euro and the U.S. dollar will affect the U.S. dollar amounts received by owners of shares or ADSs on conversion of dividends, if any, paid in euros on the shares and will affect the U.S. dollar price of the ADSs on the New York Stock Exchange.

The following table sets forth, for the periods and dates indicated, certain information concerning the exchange rate for U.S. dollars into euros based on the Noon Buying Rate.

U.S. dollars per euro

Calendar Period	Period End[1]	Average Rate[2]	High	Low
2011	1.2973	1.4002	1.4875	1.2926
2012	1.3186	1.2909	1.3463	1.2062
2013	1.3771	1.3303	1.3816	1.2774
2014	1.2101	1.3210	1.3927	1.2101
2015	1.0859	1.1032	1.2015	1.0524

1 The noon buying rate at such dates differ from the rates used in the preparation of ING s consolidated financial statements as of such date. See Note 1 of Note 2.1 to the consolidated financial statements.
2 The average of the noon buying rates on the last business day of each full calendar month during the period.

The table below shows the high and low exchange rate of the U.S. dollar per euro for the last six months.

	High	Low
August 2015	1.1580	1.0868
September 2015	1.1358	1.1104
October 2015	1.1437	1.0963
November 2015	1.1026	1.0562
December 2015	1.1025	1.0573
January 2016	1.0964	1.0743

The Noon Buying Rate for euros on 31 December 2015 was EUR 1.00 = U.S. $ 1.0859 and the Noon Buying Rate for euros on 12 February 2016 was EUR 1.00 = U.S. $ 1.1235.

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Risk Factors

Any of the risks described below could have a material adverse effect on the business activities, financial condition, results of operations and prospects of ING. The market price of ING shares could decline due to any of the following risks, and investors could lose all or part of their investments. Additional risks of which the Company is not presently aware could also affect the business operations of ING and have a material adverse effect on ING s business activities, financial condition, results of operations and prospects. In addition, the business of a multinational, broad-based financial services firm such as ING is inherently exposed to risks that only become apparent with the benefit of hindsight. The sequence in which the risk factors are presented below is not indicative of their likelihood of occurrence or the potential magnitude of their financial consequences.

Risks related to financial conditions, market environment and general economic trends

Because we are a financial services company conducting business on a global basis, our revenues and earnings are affected by the volatility and strength of the economic, business, liquidity, funding and capital markets environments specific to the geographic regions in which we conduct business. The ongoing turbulence and volatility of such factors have adversely affected, and may continue to adversely affect, the profitability , solvency and liquidity of our business.

Factors such as interest rates, securities prices, credit spreads, liquidity spreads, exchange rates, consumer spending, changes in client behaviour, business investment, real estate values and private equity valuations, government spending, inflation or deflation, the volatility and strength of the capital markets, political events and trends, and terrorism all impact the business and economic environment and, ultimately, our solvency, liquidity and the amount and profitability of business we conduct in a specific geographic region. In an economic downturn characterised by higher unemployment, lower family income, lower corporate earnings, higher corporate and private debt defaults, lower business investments and lower consumer spending, the demand for banking products is usually adversely affected and ING s reserves and provisions typically would increase, resulting in overall lower earnings. Securities prices, real estate values and private equity valuations may also be adversely impacted, and any such losses would be realised through profit and loss and shareholders equity. We also offer a number of financial products that expose us to risks associated with fluctuations in interest rates, securities prices, corporate and private default rates, the value of real estate assets, exchange rates and credit spreads. See also Interest rate volatility and other interest rate changes may adversely affect our profitability , Continued risk of resurgence of turbulence and ongoing volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, our business, financial condition and results of operations , and Market conditions observed over the past few years may increase the risk of loans being impaired. We are exposed to declining property values on the collateral supporting residential and commercial real estate lending below.

In case one or more of the factors mentioned above adversely affects the profitability of our business, this might also result, among other things, in the following:

- reserve and provisions inadequacies, which could ultimately be realised through profit and loss and shareholders equity;
- the write-down of tax assets impacting net results and/or equity;

- impairment expenses related to goodwill and other intangible assets, impacting net results;
- movements in risk weighted assets for the determination of required capital;
- changes in credit valuation adjustments and debt valuation adjustments; and/or
- additional costs related to maintenance of higher liquidity buffers and/or collateral placements.

Shareholders equity and our net result may be significantly impacted by turmoil and volatility in the worldwide financial markets. Negative developments in financial markets and/or economies may have a material adverse impact on shareholders equity and net result in future periods, including as a result of the potential consequences listed above. See Continued risk of resurgence of turbulence and ongoing volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, our business, financial condition and results of operations and We operate in highly regulated industries. Changes in laws and/ or regulations governing financial services or financial institutions or the application of such laws and/or regulations governing our business may reduce our profitability below.

Adverse capital and credit market conditions may impact our ability to access liquidity and capital, as well as the cost of liquidity, credit and capital.

The capital and credit markets have continued to experience substantial volatility and disruption over the past few years. Adverse capital market conditions may affect the availability and cost of borrowed funds, thereby impacting our ability to support and/or grow our businesses.

We need liquidity to pay our operating expenses, interest on our debt and dividends on our capital stock, maintain our securities lending activities and replace certain maturing liabilities. Without sufficient liquidity, we will be forced to curtail our operations and our business will suffer. The principal sources of our funding include a variety of short- and long-term instruments, including deposit fund, repurchase agreements, commercial paper, medium- and long-term debt, subordinated debt securities, capital securities and stockholders equity.

In the event that our current resources do not satisfy our needs, we may need to seek additional financing. The availability of additional financing will depend on a variety of factors, such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, our credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of our long- or short-term financial prospects. Similarly, our access to funds may be limited if regulatory authorities or rating agencies take negative actions against us. If our internal sources of liquidity prove to be insufficient, there is a risk that we may not be able to successfully obtain additional financing on favourable terms, or at all. Any actions we might take to access financing may, in turn, cause rating agencies to re-evaluate our ratings.

Disruptions, uncertainty or volatility in the capital and credit markets, including in relation to the ongoing European sovereign debt crisis, may also limit our access to capital. Such market conditions may in the future limit our ability to raise additional capital to support business growth, or to counterbalance the consequences of losses or increased regulatory capital and rating agency capital requirements. This could force us to (i) delay raising capital, (ii) reduce, cancel or postpone payment of dividends on our shares, (iii) reduce, cancel or postpone interest payments on our other securities, (iv) issue capital of different types or under different terms than we would otherwise, or (v) incur a higher cost of capital than in a more stable market environment. This would have the potential to decrease both our profitability and our financial flexibility. Our results of operations, financial condition, cash flows, regulatory capital and rating agency capital position could be materially adversely affected by disruptions in the financial markets.

In the course of 2008 and 2009, governments around the world, including the Dutch government, implemented unprecedented measures to provide assistance to financial institutions, in certain cases requiring (indirect) influence on or changes to governance and remuneration practices. In certain cases, governments nationalised companies or parts thereof. The measures adopted in the Netherlands include both emergency funding and capital reinforcement, and a Dutch Credit Guarantee Scheme. The liquidity and capital reinforcement measures expired on 10 October 2009, and the Credit Guarantee Scheme of the Netherlands expired on 31 December 2010. Our participation in certain of these measures has resulted in certain material restrictions on us, including those required by the European Commission (EC) as part of our Restructuring Plan. See Risks Related to the Restructuring Plan The implementation of the Restructuring Plan and the divestments in connection with that plan will alter and have already significantly altered the size and structure of the Group and involve significant costs and uncertainties that could materially impact the Group . The Restructuring Plan, as well as any potential future transactions with the Dutch State or any other government, if any, or actions by such government regarding ING could adversely impact the position or rights of shareholders, bondholders, customers or creditors and our results, operations, solvency, liquidity and governance.

We are subject to the jurisdiction of a variety of banking regulatory bodies, some of which have proposed regulatory changes in recent years that, if implemented, would hinder our ability to manage our liquidity in a centralised manner. Furthermore, regulatory liquidity requirements in certain jurisdictions in which we operate are generally becoming more stringent, including those forming part of the Basel III requirements discussed further below under We operate in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations governing our business may reduce our profitability , undermining our efforts to maintain this centralised management of our liquidity. These developments may cause trapped pools of liquidity and capital, resulting in inefficiencies in the cost of managing our liquidity and solvency, and hinder our efforts to integrate our balance sheet, which is an essential element of our Restructuring Plan.

The default of a major market participant could disrupt the markets.

Within the financial services industry, the severe distress or default of any one institution (including sovereigns and central counterparties (CCPs)) could lead to defaults by, or the severe distress of, other market participants. Such distress of, or default by, an influential financial institution could disrupt markets or clearance and settlement systems and lead to a chain of defaults by other financial institutions because the commercial and financial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of a sovereign or financial institution (or a default by any such entity) may lead to market-wide liquidity problems and losses or defaults by us or by other institutions. This risk is sometimes referred to as systemic risk and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom we interact on a daily basis and financial instruments of sovereigns in which we invest. Systemic risk could have a material adverse effect on our ability to raise new funding and on our business, financial condition, results of operations, liquidity, solvency position and/or prospects. In addition, such distress or failure could impact future product sales as a potential result of reduced confidence in the financial services industry.

We operate in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations governing our business may reduce our profitability.

We are subject to detailed banking laws and government regulation in the jurisdictions in which we conduct business. Regulatory agencies have broad administrative power over many aspects of our business, which may include liquidity, capital adequacy, permitted investments, ethical issues, money laundering, anti-terrorism measures, privacy, recordkeeping, product and sale suitability, marketing and sales practices, remuneration policies, personal conduct and our own internal governance practices. Also, regulators and other supervisory authorities in the

European Union (EU), the United States (U.S.) and elsewhere continue to scrutinise payment processing and other transactions and activities of the financial services industry through laws and regulations governing such matters as money laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures.

In light of current conditions in the global financial markets and the global economy, regulators around the world have increased their focus on the regulation of the financial services industry. Most of the principal markets where we conduct our business have adopted, or are currently in the implementation phase of, major legislative and/or regulatory initiatives in response to the financial crisis. Governmental and regulatory authorities in the Netherlands, Germany, Belgium, the United Kingdom, the EU, the U.S. and elsewhere have implemented, or are in the process of implementing measures to increase regulatory control in their respective financial markets and financial services sectors, including, among others, in the areas of prudential rules, liquidity and capital requirements, executive compensation, crisis and contingency management, bank taxes and financial reporting. Additionally, governmental and regulatory authorities in the Netherlands, in the EU as well as in a multitude of jurisdictions where we conduct our business continue to consider new mechanisms to limit the occurrence and/or severity of future economic crises (including proposals to restrict the size of financial institutions operating in their jurisdictions and/or the scope of operations of such institutions). Furthermore, we are subject to different tax regulations in each of the jurisdictions where we conduct business. Changes in tax laws could increase our taxes and our effective tax rates. Legislative changes could materially impact our tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities, which could have a material adverse effect on our business, results of operations and financial condition. One such change relates to the current debate in the U.S. over corporate tax reform for multinational corporations and corporate tax rates. Changes in tax laws could also make certain ING products less attractive, which could have adverse consequences for our businesses and results.

In addition, the International Accounting Standards Board (IASB) has issued and proposed certain amendments to several International Financial Reporting Standards (IFRS) standards during the course of 2012 and 2013, whose changes include a package of amendments to the accounting requirements for financial instruments announced in November 2013. These amendments introduced a new hedge accounting model addressing the so-called own credit issue that was already included in IFRS 9 Financial Instruments. As of July 2014, IFRS 9 replaced IAS 39, the accounting standard heavily criticised in the wake of the financial crisis, for annual periods beginning on or after 1 January 2018, with early adoption permitted. Such changes could also have a material impact on our reported results and financial condition, as well as on how ING manages its business, internal controls and disclosure.

Compliance with applicable laws and regulations is time-consuming and personnel-intensive, and changes in laws and regulations may materially increase costs. We expect the scope and extent of regulation in the jurisdictions in which we conduct our business, as well as regulatory oversight and supervision, to generally continue to increase. However, we cannot predict whether or when future legislative or regulatory actions may be taken, or what impact, if any, actions taken to date or in the future could have on our business, results of operations and financial condition. Regulation is becoming increasingly more extensive and complex and the industries in which we operate are increasingly coming under the scrutiny of regulators, and affected companies, including ING, are required to meet the demands, which often necessitate additional resources. These regulations can limit our activities, among others, through stricter net capital, customer protection and market conduct requirements and restrictions on businesses in which we can operate or invest.

Despite our efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, there are a number of risks in areas where applicable regulations may be unclear, subject to multiple interpretations or under development, or where regulations may conflict with one another, or where regulators revise their previous guidance or courts overturn previous rulings, which could result in our failure to meet applicable standards.

Regulators and other authorities have the power to bring administrative or judicial proceedings against us, which could result, among other things, in suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action, which could materially harm our results of operations and financial condition. If we fail to address, or appear to fail to address, any of these matters appropriately, our reputation could be harmed and we could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages brought against us or subject us to enforcement actions, fines and penalties.

Basel III and CRD IV

In December 2010, the Basel Committee on Banking Supervision (Basel Committee) announced higher global minimum capital standards for banks and introduced a new global liquidity standard and a new leverage ratio. The Basel Committee s package of reforms, collectively referred to as the Basel III rules, will, among other requirements, increase the amount of common equity required to be held by subject banking institutions, prescribe the amount of liquid assets and the long-term funding a subject banking institution must hold at any given moment and limit leverage. Banks will be required to hold a capital conservation buffer to withstand future periods of stress such that the total Tier 1 common equity ratio, when fully phased in on 1 January 2019, will rise to 7%. Basel III also introduced a countercyclical buffer as an extension of the capital conservation buffer, which would allow national regulators to require banks to hold more capital during periods of high credit growth (to strengthen capital reserves and moderate the debt markets). Further, Basel III has strengthened the definition of capital that will have the effect of disqualifying many hybrid securities, including those issued by the Group, from inclusion in regulatory capital, as well as the higher capital requirements for trading, derivative and securitisation activities as part of a number of reforms to the Basel II framework. In addition, the Basel Committee and the Financial Stability Board (FSB) published measures in October 2011 that would have the effect of requiring higher loss absorbency capacity, liquidity surcharges, exposure limits and special resolution regimes for, and instituting more intensive and effective supervision of, systemically important financial institutions (SIFIs) and so-called Global SIFIs (G-SIFIs), in addition to the Basel III requirements otherwise applicable to most financial institutions. In particular in November 2015 the FSB published the final Total Loss-Absorbing Capacity (TLAC) standard for G-SIFIs, which aims for G-SIFIs to have sufficient loss-absorbing and recapitalisation capacity available in resolution. The implementation of these measures began in 2012, and full implementation is targeted for 2019, with the TLAC requirements to apply from 2019 on. ING Bank was designated by the Basel Committee and the FSB as one of the global systemically important banks (G-SIBs), forming part of the G-SIFIs, in 2011, 2012, 2013, 2014 and 2015, and by the Dutch Central Bank (De Nederlandsche Bank N.V., DNB) and the Dutch Ministry of Finance as a domestic SIFI in November 2011. The Basel III proposals and their potential impact are monitored via semi-annual monitoring exercises in which ING Bank participates. As a result of such monitoring exercises and ongoing discussions within the regulatory environment, revisions have been made to the original Basel III proposals as was the case with the revised Liquidity Coverage Ratio in January 2013 and the revised Net Stable Funding Ratio and Leverage Ratio in January 2014. It remains to be seen whether further amendments to the 2010 framework and standards will be made by the Basel Committee in the coming years. For European banks, the Basel III requirements were implemented through the so-called Capital Requirements Regulation and Capital Requirements Directive IV (CRD IV Regulation and CRD IV Directive , respectively), which were adopted by the EC in June 2013 following approval by the European Parliament in April 2013. The CRD IV Regulation entered into force on 28 June 2013 and the CRD IV Directive on 17 July 2013, and all banks and investment firms in the EU (as opposed to the scope of the Basel III requirements, which apply to internationally active banks) were required to apply the new rules from 1 January 2014 in phases, with full implementation by 1 January 2019. While the full impact of these rules, and any additional requirements for SIFIs or G-SIFIs, if and as applicable to the Group, will depend on how the CRD IV Directive has been transposed into national laws in each Member State, including the extent to which national regulators and supervisors have set more stringent limits and additional capital requirements or surcharges. As next phase in regulatory requirements for banks risk and capital management, the regulators are focusing on the required capital calculations across banks. Since the start of the financial crisis there has been much debate on the risk-weighted capitalisation of banks, and specifically on whether internal models are appropriate for such purposes. These developments have suggested that stricter rules may be applied by a later framework. The Basel Committee on Banking Supervision (BCBS) released several consultative papers, containing proposals to change the methodologies for the calculation of capital requirements. Within these proposals BCBS suggests methods to calculate RWA using more standardised or simpler methods in order to achieve greater comparability, transparency and consistency. These proposals will likely impact the capital requirements for currently reported exposures (e.g. credit risk via revised standardised RWA floor) but may also lead to new capital requirements (e.g. proposals to enhance Interest Rate Risk in Banking Book). The current proposals, as well as on the economic and financial environment at the time of implementation and beyond, can have a material impact on ING s operations and financial condition and they may require the Group to seek additional capital.

Single Supervisory Mechanism

In November 2014, the European Central Bank (ECB) assumed responsibility for a significant part of the prudential supervision of banks in the Eurozone, including ING Bank, following a year-long preparatory phase which included an in-depth comprehensive assessment of the resilience and balance sheets of the biggest banks in the Eurozone. ING Bank was among the seven Dutch institutions covered by the assessment (out of 130 institutions overall). While the ECB has assumed the supervisory tasks conferred on it by the Single Supervisory Mechanism (SSM) Regulation, the DNB will still continue to play a big role in the supervision of ING Group and ING Bank. The SSM has created a new system of financial supervision for countries within the Eurozone, with the possibility of non-Eurozone Member States participating by means of close cooperation. The SSM has caused a significant change for ING Bank and ING Group. For example, in its first year, the SSM caused an increase in quantitative supervision. Finally, although the SSM has brought improvement, banks in the Eurozone could benefit from further alignment on an operational level.

Dodd-Frank Act

On 21 July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank or Dodd-Frank Act) was signed into law in the U.S. The Dodd-Frank Act effects comprehensive changes to the regulation of financial services in the U.S. and has implications for non-U.S. financial institutions with a U.S. presence or that transact with U.S. counterparties, such as ING. Dodd-Frank directs existing and newly created government agencies and bodies to perform studies and promulgate a multitude of regulations implementing the law, many of which are in place. Due to the extended period over which regulations are being implemented, we cannot predict with certainty how Dodd-Frank and such regulations will affect the financial markets generally and impact the Group s business, credit rating, results of operations, cash flows or financial condition or liquidity. Key aspects of Dodd- Frank that we have identified to date as possibly having an impact on the Group include:

Title VII of Dodd-Frank creates a new framework for regulation of the over-the-counter derivatives markets and certain market participants which could affect various activities of the Group and its subsidiaries. ING Capital Markets LLC, a wholly-owned indirect subsidiary of ING Bank N.V., has registered with the Commodity Futures Trading Commission (CFTC) as a swap dealer. The CFTC and the Prudential Regulators recently adopted margin requirements on uncleared swaps, which will begin to come into effect later in 2016. The SEC will in the future adopt regulations establishing margin requirements for uncleared security-based swaps and the CFTC will adopt capital requirements for swap dealers. Other regulatory requirements include business conduct rules imposed on swap dealers and requirements that most swaps be centrally executed on regulated trading facilities and cleared through regulated clearing houses. In addition, new position limits requirements for market participants that may be contained in final regulations to be adopted by the CFTC could limit the scope of hedging activity that is permitted for commercial end users, as well as the trading activity of speculators, limiting their ability to utilize certain of our products. All of the foregoing areas of regulation of the derivative markets and market participants will likely result in increased cost of hedging and other trading activities, both for ING and its customers, which could expose our business to greater risk and could reduce the size and profitability of our customer business. In addition, the imposition of these regulatory restrictions and requirements, could result in reduced market liquidity, which could in turn increase market volatility and the risks and costs of hedging and other trading activities.

Pursuant to requirements of the Dodd-Frank Act, the SEC and CFTC are currently considering whether stable value contracts should be regulated as swap derivative contracts. In the event that stable value contracts become subject to such regulation, certain aspects of our business could be adversely impacted, including issuance of stable value contracts and management of assets pursuant to stable value mandates.

Dodd-Frank established the Consumer Financial Protection Bureau (CFPB) as an independent agency within the Federal Reserve to regulate consumer financial products and services offered primarily for personal, family or household purposes. The CFPB has significant authority to implement and enforce federal consumer financial laws, including the new protections established under Dodd- Frank, as well as the authority to identify and prohibit unfair, deceptive and abusive acts and practices. In addition, the CFPB has broad supervisory, examination and enforcement authority over certain consumer products, such as mortgage lending. Insurance products and services are not within the CFPB s general jurisdiction, and broker-dealers and investment advisers are not subject to the CFPB s jurisdiction when acting in their registered capacity.

On 10 December 2013, various federal agencies approved a final rule implementing Section 619 of Dodd-Frank, commonly referred to as the Volcker Rule and which places limitations and restrictions on the ability of U.S. FDIC insured depository institutions and non-U.S. banks with branches or agencies in the U.S. that become subject to the U.S. Bank Holding Company Act, as well as their affiliates, to engage in certain proprietary trading or sponsor and invest in private equity and hedge funds. As a general matter, such organisations have until July of 2017 to comply with the prohibition on certain fund activities and until July of 2015 to comply with the proprietary trading prohibitions. In the event that we or one of our affiliates becomes subject to the Volcker Rule, our investment activities could be so restricted. It is expected that we will experience significant additional compliance and operational costs and may be prohibited from engaging in certain activities we currently conduct if the Volcker Rule becomes applicable to us and our affiliates.

For instance, ING Group s wholly owned subsidiary, ING Bank, may from time to time consider whether to establish a branch office in the U.S. If ING Bank were to establish a U.S. branch, we would be subject to supervision and regulation by the Federal Reserve under various laws and various restrictions on our activities under those laws, including the Bank Holding Company Act of 1956, as amended, and the International Banking Act of 1978, and, as a consequence, such supervision and regulation, including such restrictions on activities could materially impact our operations. These would include, among others, the Volcker Rule and heightened supervisory requirements and prudential standards. Dodd-Frank also includes various securities law reforms that may affect the Group s business practices and the liabilities and/or exposures associated therewith, including a provision intended to authorise the SEC to impose on broker-dealers fiduciary duties to their customers, as applied to investment advisers under existing law, which new standard could potentially expose certain of ING s U.S. broker-dealers to increased risk of SEC enforcement actions and liability. In 2011, the SEC staff released a study on this issue, and members of the SEC s Investor Advisory Committee voted in November 2013 to recommend the proposal implementing a uniform fiduciary standard for most brokers and registered investment advisers to the SEC.

Although the full impact of Dodd-Frank and its implementing regulations cannot be determined at this time, many of their requirements have had and will continue to have profound and/or adverse consequences for the financial services industry, including for us. Dodd-Frank could make it more expensive for us to conduct business, require us to make changes to our business model or satisfy increased capital requirements, subject us to greater regulatory scrutiny or to potential increases in whistleblower claims in light of the increased awards available to whistleblowers under Dodd-Frank and have a material effect on our results of operations or financial condition.

Foreign Account Tax Compliance Act

Under the Foreign Account Tax Compliance Act (FATCA), U.S. federal tax legislation passed in 2010, a 30% withholding tax will be imposed on withholdable payments made to non-U.S. financial institutions (including non-U.S. investment funds and certain other non-U.S. financial entities) that fail (or, in some cases, that have 50% affiliates which are also non-U.S. financial institutions that fail) to provide certain information regarding their U.S. account holders and/or certain U.S. investors (such U.S. account holders and U.S. investors, U.S. account holders) to the U.S. Internal Revenue Service (IRS). For non-U.S. financial institutions that fail to comply, this withholding will generally apply without regard to whether the beneficial owner of a withholdable payment is a U.S. person or would otherwise be entitled to an exemption from U.S. federal withholding tax. Withholdable payments generally include, among other items, payments of U.S.-source interest and dividends and the gross proceeds from the sale or other disposition of property that may produce U.S.-source interest and dividends. Furthermore, FATCA may also impose withholding on non-U.S. source payments by non-U.S. financial institutions that comply with FATCA to non-U.S. financial institutions that fail to comply with FATCA. Withholding pursuant to FATCA will take effect on a phased schedule, which started in July 2014 with respect to U.S.-source payments and will start no earlier than January 2019 with respect to non-U.S. source payments by non-U.S. financial institutions. In general, non-publicly traded debt and equity interests in investment vehicles will be treated as accounts and subject to these reporting requirements. In addition, certain insurance policies and annuities are considered accounts for these purposes.

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Many countries, including the Netherlands, have entered into, and other countries are expected to enter into, agreements (intergovernmental agreements or IGAs) with the United States to facilitate the type of information reporting required under FATCA. While the existence of IGAs does not eliminate the risk of the withholding described above, these agreements are expected to reduce that risk for financial institutions and investors in countries that have entered into IGAs. IGAs will often require financial institutions in those countries to report information on their U.S. account holders to the taxing authorities of those countries, who will then pass the information to the IRS.

The Group closely monitors all present and new legislation that is or will be applicable for its organisation, and is currently investigating all implications of FATCA and legislation of countries that have entered into IGAs. While investigating these implications, the Group is and will be in close contact with all of its stakeholders, including its peers and financial industry representative organisations.

The Group intends to take all necessary steps to comply with FATCA (including entering into such agreements with the U.S. tax authorities as may be required), in accordance with the time frame set by the U.S. tax authorities. However, if the Group cannot enter into such agreements or satisfy the requirements thereunder (including as a result of local laws in non-IGA countries prohibiting information-sharing with the IRS, as a result of contracts or local laws prohibiting withholding on certain payments to account holders or other investors, or as a result of the failure of account holders or other investors to provide requested information), certain payments to the Group may be subject to withholding under FATCA. The possibility of such withholding and the need for account holders and investors to provide certain information may adversely affect the sales of certain of the Group s products. In addition, (i) entering into agreements with the IRS and (ii) compliance with the terms of such agreements and with FATCA any regulations or other guidance promulgated thereunder or any legislation promulgated under an IGA may substantially increase the Group s compliance costs. Because legislation and regulations implementing FATCA and the IGAs remain under development, the future impact of this law on the Group is uncertain.

Common Reporting Standard

Similarly, the Organisation for Economic Cooperation and Development (OECD) has developed a Common Reporting Standard (CRS) and model competent authority agreement to enable the multilateral and automatic exchange of financial account information. The CRS will require financial institutions to identify and report the tax residency and account details of non-resident customers to the relevant authorities in jurisdictions adhering to CRS. As of 21 December 2015, 78 jurisdictions, including the Netherlands, have signed a multilateral competent authority agreement to automatically exchange information pursuant to the CRS. The majority of countries where ING has a presence has committed to CRS. The EU has made CRS mandatory for all its member states. The first information exchange by the Netherlands (as for most of the signatories) will start in September 2017.

Bank Recovery and Resolution Regimes

In June 2012, the Intervention Act (Wet bijzondere maatregelen financiële ondernemingen) came into force in the Netherlands, with retroactive effect from 20 January 2012. The Intervention Act mainly amends the Dutch Financial Supervision Act and the Dutch Insolvency Act and allows Dutch authorities to take certain actions when banks and insurers fail and cannot be wound up under ordinary insolvency rules due to concerns regarding the stability of the overall financial system. It is composed of two categories of measures. The first category of measures can be applied if a bank or insurer experiences serious financial problems and includes measures related to the timely and efficient liquidation of failing banks and insurers. This set gives the DNB the power to transfer customer deposits (only in the case of banks), assets and/or liabilities other than deposits and issued shares of an entity to third parties or to a bridge bank if the DNB deems that, in respect of the relevant bank or insurance company, there are signs of an adverse development with respect to its funds, solvency, liquidity or technical provisions and it can be reasonably foreseen that such development will not be sufficiently or timely reversed. The DNB was also granted the power to influence the internal decision-making of failing institutions through the appointment of an undisclosed administrator . The second category of measures can be applied if the stability of the financial system is in serious and immediate danger as a result of the situation of a Dutch financial institution and includes measures intended to safeguard the stability of the financial system as a whole. This set of measures grants the authority to the Minister of Finance to take immediate measures or proceed to expropriation of assets of or shares in the capital of failing financial institutions.

The Intervention Act also includes measures that limit the ability of counterparties to exercise their rights after any of the measures mentioned above has been put into place, with certain exceptions. Within the context of the resolution tools provided in the Intervention Act, holders of debt securities of a bank subject to resolution could also be affected by issuer substitution or replacement, transfer of debt, expropriation, modification of terms and/or suspension or termination of listings.

In addition to the Intervention Act, and partly amending it, on 26 November 2015 the Act on implementing the European framework for the recovery and resolution of banks and Investment firms (*Implementatiewet Europees kader voor herstel en afwikkeling van banken en beleggingsondernemingen*) came into force, implementing the Bank Recovery and Resolution Directive (BRRD). The BRRD came into effect on 2 July 2014. It includes, among other things, the obligation for institutions to draw up a recovery plan and for resolution authorities in the Member States to draw up a resolution plan, the resolution authorities power to take early intervention measures and the establishment of a European system of financing arrangements. The BRRD confers extensive resolution powers to the resolution authorities, including the power to require the sale of (part of a) business, to establish a bridge institution, to separate assets and to take bail-in measures. The stated aim of the Bank Recovery and Resolution Directive is to provide supervisory authorities and resolution authorities, with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers exposure to losses.

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The powers granted to resolution authorities under the BRRD include, among others, the introduction of a statutory write-down and conversion power and a bail-in power, which gives the relevant Dutch resolution authority the power to (i) cancel existing shares and/or dilute existing shareholders by converting relevant capital instruments or eligible liabilities into shares of the surviving entity, (ii) amend or alter the maturity date and interest payment date and interest amount of debt-instrument, including by suspending payment for a temporary period and (iii) cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include certain securities that have been or will be issued by ING) of a failing financial institution and/or to convert certain debt claims (which could include certain securities that have been or will be issued by ING) into another security, including ordinary shares of the surviving group entity, if any.

In addition to a write-down and conversion power and a bail-in power, the powers currently proposed to be granted to the resolution authority under the BRRD include the two categories of measures introduced by the Intervention Act, as described above. In addition, the BRRD stipulates, among the broader powers to be granted to the relevant resolution authority, that it will confer powers to the relevant resolution authority to amend the maturity date and/or any interest payment date of debt instruments or other eligible liabilities of the relevant financial institution and/or impose a temporary suspension of payments.

Many of the rules implementing the BRRD are contained in detailed technical and implementing rules, the exact text of which is subject to agreement and adoption by the relevant EU legislative institutions. Therefore, for some rules, there remains, uncertainty regarding the ultimate nature and scope of these resolution powers and, when implemented, how they would affect us and the securities that have been issued or will be issued by us. Accordingly, it is not yet possible to assess the full impact of the BRRD on ING and on holders of any securities issued or to be issued by ING, and there can be no assurance that, once it is fully implemented, the manner in which it is applied or the taking of any actions by the relevant Dutch resolution authority contemplated in the BRRD would not adversely affect the rights of holders of the securities issued or to be issued by ING, the price or value of an investment in such securities and/or ING s ability to satisfy its obligations under such securities.

Finally, as part of the move towards a full banking union, on 19 August 2014, the Single Resolution Mechanism (SRM) came into effect, with the aim to have a Single Resolution Board (SRB) to be responsible for key decisions on how a bank subject to SSM supervision is to be resolved if a bank has irreversible financial difficulties and cannot be wound up under normal insolvency proceedings without destabilizing the financial system. The SRB is a key element of the SRM and will be the European resolution authority for the Banking Union and will be fully operational, with a complete set of resolution powers, from 1 January 2016 on. The SRB will work in close cooperation with the national resolution authorities such as the Dutch resolution authority. The SRB will also be in charge of the Single Resolution Fund, a pool of money financed by the banking sector which will be set up to ensure that medium-term funding support is available while a credit institution is being restructured.

There are certain differences between the provisions of the Intervention Act, the BRRD and the SRM Regulation, which may further bring future changes to the law. We are unable to predict what specific effects the Intervention Act and the implementation of the BRRD and the entry into force of the SRM Regulation may have on the financial system generally, our counterparties, holders of securities issued by or to be issued by us, or on us, our operations or our financial position.

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

FSB and the preparation of a transitional resolution plan by the Single Resolution Board (SRB).

Financial Stability Board

In addition to the adoption of the foregoing measures, regulators and lawmakers around the world are actively reviewing the causes of the financial crisis and exploring steps to avoid similar problems in the future. In many respects, this work is being led by the FSB, consisting of representatives of national financial authorities of the G20 nations. The G20 and the FSB have issued a series of papers and recommendations intended to produce significant changes in how financial companies, particularly companies that are members of large and complex financial groups, should be regulated. These proposals address such issues as financial group supervision, capital and solvency standards, systemic economic risk, corporate governance, including executive compensation, and a host of related issues associated with responses to the financial crisis. One of the proposals is a common international standard on Total Loss-Absorbing Capacity (TLAC) for global systemically important banks (G-SIBs), and proposals were finalized in November 2015. The key requirement mandates G-SIBs to hold long-term debt that can be written down or converted into equity in the event that a G-SIB is put into liquidation, thereby providing a specific means of absorbing losses and recapitalising the G-SIB. The numbers are significant with the minimum standard requiring a G-SIB to hold TLAC of at least 16% of risk weighted assets and at least 6% of the leverage ratio denominator from 1 January 2019, and at least 18% and 6.75% respectively from 1 January 2022 on.

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Additional Governmental Measures

Governments in the Netherlands and abroad have also intervened over the past few years on an unprecedented scale, responding to stresses experienced in the global financial markets. Some of the measures adopted subject us and other institutions for which they were designed to additional restrictions, oversight or costs. Restrictions related to the Core Tier 1 Securities and the Illiquid Asset Back-up Facility (IABF) (together, the Dutch State Transactions) and the Restructuring Plan are further described in Note 53 Transactions with the Dutch State and the European Commission Restructuring Plan to the consolidated financial statements of ING Group.

In February 2013, the EC adopted a proposal setting out the details of a financial transaction tax (FTT), following an original proposal of September 2011, to be levied on transactions in financial instruments by financial institutions if at least one of the parties to the transaction is located in the financial transaction tax zone (FTT-zone) or if the instrument which is the subject of the transaction is issued within the territory of a Member State in the FFT-Zone. 11 Member States envisaged participating in the FTT but following Estonia s withdrawal in December 2015, only 10 wish to proceed (Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain). The initial proposal foresaw the FTT for the 11 participating Member States entering into effect on 1 January 2014, which would have then required us to pay a tax on transactions in financial instruments with parties (including Group affiliates) located in such FTT-zone. On 6 May 2014, the Economic and Financial Affairs Council noted that 10 out of the then 11 original participating Member States had proposed implementation of the FTT in two stages (Slovenia was not party to that declaration), the earliest stage to be implemented from 1 January 2016. However, agreement has not yet been reached on certain key issues, so implementation was not possible by this date, and in December 2015 a joint statement was issued by several participating Member States indicating an intention to make decisions on the remaining open issues by the end of June 2016. The FTT remains subject to negotiation between the participating Member States and the legality and scope of the proposal is uncertain. It may be further altered prior to implementation. Additional Member States may decide to participate and/or certain of the participating Member States may decide to withdraw (as Estonia did). The implementation date of any FTT will thus depend on the future approval by participating Member States and the European Council, consultation of other EU institutions, and the subsequent transposition into local law. Depending on its final form, the introduction of an FTT in the Netherlands or outside the Netherlands could have a substantial adverse effect on ING s business and results.

As of 1 October 2012, banks that are active in the Netherlands are subject to bank tax pursuant to a tax regulation that also includes measures to moderate bonuses awarded to executives at such banks. This tax results in increased taxes on ING s banking operations, which could negatively impact our operations, financial condition and liquidity.

Additional Tier 1 Securities

In April 2015, ING issued USD 2.25 billion of Additional Tier 1 securities (AT1 Securities). ING may issue additional AT1 Securities, or other instruments with similar terms (also known as contingent convertible bonds or cocos), in the future. The Dutch parliament adopted Article 29a of the Dutch Corporate Income Tax Act of 1969 (Wet op de vennootschapsbelasting 1969) in 2015 to provide debt treatment of securities similar to the AT1 Securities for the purpose of Dutch corporate income tax (25% rate) and (indirectly) dividend withholding tax purposes (15% non-grossed up rate). The interest payment obligation for the year 2015 in respect of the AT1 Securities is EUR 90 million. For 2015, that amount was treated by ING as a deductible interest expense for Dutch corporate income tax purposes and as exempt for Dutch dividend withholding tax purposes. However, there is a risk that the European Commission will take the view, and that court would uphold such view if contested, that the tax deductibility of interest payments on the AT1 Securities is in contravention of the European Commission s temporary state aid rules for assessing public support to financial institutions during the crisis (the Revised State Aid Guidelines). The Revised State Aid Guidelines provide for strengthened burden-sharing requirements, which require banks with capital needs to obtain shareholders and subordinated debt holders contributions before resorting to certain state aid measures. If a determination were made that deduction of interest payments on AT1 Securities and other similar securities, including those ING may issue in the future, is inconsistent with the Revised State Aid Guidelines, amounts ING would have to pay to the Dutch State with respect to interest payments that have previously been treated as an expense for Dutch corporate income tax purposes and that have been paid free of withholding taxes could be substantial, in particular if ING is unable to redeem the securities (e.g. for the year 2015, the total amount of payment in this respect could be EUR 38 million excluding interest). The terms of the AT1 Securities provide that ING can redeem the AT1 Securities only upon the occurrence of specific events (not including a determination that the tax treatment of the AT1 Securities is inconsistent with European rules against state aid) or after 5 years or 10 years (depending on the series) after their date of issuance.

Continued risk of resurgence of turbulence and ongoing volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, our business, financial condition and results of operations.

General

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Concerns over the slow economic recovery, the European sovereign debt crisis, the potential exit of certain countries from the Eurozone, unemployment, the availability and cost of credit, credit spreads, quantitative easing within the Eurozone through bond repurchases, the ECB s targeted longer-term refinancing operation (TLTRO), the level of U.S. national debt and the U.S. housing market, inflation/deflation levels, energy costs and heightened geopolitical issues all have contributed to increased volatility and diminished expectations for the economy and the markets in recent years.

While certain of such conditions have improved during the period between 2011 and 2015, these conditions have generally resulted in greater volatility, widening of credit spreads and overall shortage of liquidity and tightening of financial markets throughout the world. These concerns have since expanded to include a broad range of fixed income securities, including those rated investment grade and especially the sovereign debt of some EEA countries and the U.S., the international credit and interbank money markets generally, and a wide range of financial institutions and markets, asset classes, such as public and private equity, and real estate sectors. As a result of these and other factors, sovereign governments across the globe, including in regions where the Group operates, have also experienced budgetary and other financial difficulties, which have resulted in austerity measures, downgrades in credit rating by credit agencies, planned or implemented bail-out measures and, on occasion, civil unrest (for further details regarding sovereign debt concerns, see U.S. Sovereign Credit Rating and European Sovereign Debt Crisis below). As a result, the market for fixed income instruments has experienced decreased liquidity, increased price volatility, credit downgrade events, and increased probability of default. In addition, the confluence of these and other factors has resulted in volatile foreign exchange markets. Securities that are less liquid are more difficult to value and may be hard to dispose of. International equity markets have also continued to experience heightened volatility and turmoil, with issuers, including ourselves, that have exposure to the real estate, mortgage, private equity and credit markets particularly affected. These events and market upheavals, including high levels of volatility, have had and may continue to have an adverse effect on our revenues and results of operations, in part because we have a large investment portfolio and extensive real estate activities around the world.

In addition, the confidence of customers in financial institutions is being tested. Consumer confidence in financial institutions may, for example, decrease due to our or our competitors failure to communicate to customers the terms of, and the benefits to customers of, complex or high-fee financial products. Reduced confidence could have an adverse effect on our revenues and results of operations, including withdrawal of deposits. Because a significant percentage of our customer deposit base is originated via Internet banking, a loss of customer confidence may result in a rapid withdrawal of deposits over the Internet.

As a result of the ongoing and unprecedented volatility in the global financial markets since 2007, we incurred in past years substantial negative revaluations and impairments on our investment portfolio, which have impacted our shareholders equity and earnings.

The aforementioned impacts have arisen primarily as a result of valuation and impairment issues arising in connection with our investments in real estate (both in and outside the U.S.) and private equity, exposures to European sovereign debt and to U.S. mortgage-related structured investment products, including sub-prime and Alt-A residential and commercial mortgage-backed securities, collateralised debt obligations and collateralised loan obligations, private equity and other investments. In many cases, the markets for investments and instruments have been and remain highly illiquid, and issues relating to counterparty credit ratings and other factors have exacerbated pricing and valuation uncertainties. Valuation of such investments and instruments is a complex process involving the consideration of market transactions, pricing models, management judgment and other factors, and is also impacted by external factors, such as underlying mortgage default rates, interest rates, rating agency actions and property valuations. Although we continue to monitor our exposures, there can be no assurance that we will not experience further negative impacts to our shareholders equity, solvency position, liquidity, financial condition or profit and loss accounts in future periods.

U.S. Sovereign Credit Rating

In 2011, Standard & Poor s Ratings Services (S&P) lowered its long-term sovereign credit rating on the U.S. from AAA to AA+. Although other ratings agencies have not similarly lowered the long-term sovereign credit rating of the U.S., they have put that credit rating on review. Amid the lingering uncertainty over the long-term outlook for the fiscal position and the future economic performance of the U.S. within the global economy and potential future budgetary restrictions in the U.S., as illustrated by the recent budget negotiations and partial shutdown of the U.S. government in October 2013, there continues to be a perceived risk of a future sovereign credit ratings downgrade of the U.S. government, including the rating of U.S. Treasury securities. On 15 October 2013, Fitch Ratings placed the U.S. s AAA credit rating under rating watch negative in response to the crisis, a step that would precede an actual downgrade, which was however upgraded again to stable in March 2014. It is foreseeable that the ratings and perceived creditworthiness of instruments issued, insured or guaranteed by institutions, agencies or instrumentalities directly linked to the U.S. government could also be correspondingly affected by any such downgrade. Instruments of this nature are key assets on the balance sheets of financial institutions and are widely used as collateral by financial institutions to meet their day-to-day cash flows in the short-term debt market. The impact of any further downgrades to the sovereign credit rating of the U.S. government or a default by the U.S. government to satisfy its debt obligations likely would create broader financial turmoil and uncertainty, which would weigh heavily on the global financial system and could consequently result in a significant adverse impact to the Group.

European Sovereign Debt Crisis

In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these EU peripheral Member States to continue to service their sovereign debt obligations. Significant concerns regarding the sovereign debt of these countries, as well as certain other countries of the core EU Member States are ongoing and, in some cases, have required countries to obtain emergency financing. These concerns impacted financial markets and resulted in high and volatile bond yields on the sovereign debt of many EU nations. If these or other countries require additional financial support or if sovereign credit ratings continue to decline, yields on the sovereign debt of certain countries may continue to increase, the cost of borrowing may increase and credit may become more limited. Despite assistance packages to Greece, Ireland, Portugal and Cyprus, the creation of a European Financial Stability Facility as a temporary rescue mechanism in May 2010, the approval of a further bail-out of Greece by the relevant government and monetary bodies of the Eurozone and the International Monetary Fund in March 2012, and the establishment of the European Stability Mechanism in October 2012 (which provided its first financial assistance in February 2013 for the recapitalisation of Spain s banking sector), uncertainty over the outcome of the EU governments financial support programs and concerns regarding sovereign finances persisted during the course of 2014. Market concerns over the direct and indirect exposure of European banks and insurers to the EU sovereign debt further resulted in a widening of credit spreads and increased costs of funding for some European financial institutions. In December 2011, European leaders agreed to implement steps (and continue to meet regularly to review, amend and supplement such steps) to encourage greater long-term fiscal responsibility on the part of the individual Member States and bolster market confidence in the Euro and European sovereign debt, and the Treaty on Stability, Coordination and Governance (Fiscal Treaty) was signed by 25 EU Member States in March 2012 and entered into force on 1 January 2014 and ratified by and entered into force for all signatory Member States in April 2014. However, the Fiscal Treaty needs to be implemented into national law of the relevant Member States within one year of the Fiscal Treaty entering into force and incorporated into the existing EU treaties, which is expected to take many years, and, even if such steps are implemented, there is no guarantee that they will ultimately and finally resolve uncertainties regarding the ability of Eurozone states to continue to service their sovereign debt obligations. Further, despite such long-term structural adjustments and improvements being proposed and implemented, the future of the Euro in its current form, and with its current membership, remains uncertain. The financial turmoil in Europe continues to be a threat to global capital markets and remains a challenge to global financial stability.

Risks and ongoing concerns about the debt crisis in Europe, as well as the possible default by, or exit from, the Eurozone of one or more Member States and/or the replacement of the Euro by one or more successor currencies, could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in these European countries and the financial condition of European and other financial institutions, including us. For example, concerns regarding Greece s potential exit from the Eurozone reached a peak in the summer of 2015 with the rejection of the bailout terms by the Greek people via a referendum and the failure to make the IMF loan repayment in June 2015. Additionally, the possibility of capital market volatility spreading through a highly integrated and interdependent banking system remains elevated. In the event of any default or similar event with respect to a sovereign issuer, some financial institutions may suffer significant losses, following which they would require additional capital, and such capital may not be available. Market and economic disruptions stemming from the crisis in Europe have affected, and may continue to affect, consumer confidence levels and spending, bankruptcy rates, levels of incurrence of, and default on, consumer debt and home prices, among other factors. There can be no assurance that the market disruptions in Europe, including the increased cost of funding for certain government and financial institutions, will not spread, nor can there be any assurance that future assistance packages will be available or, even if provided, will be sufficient to stabilise the affected countries and markets in Europe or elsewhere. To the extent uncertainty regarding the economic recovery continues to negatively impact consumer confidence and consumer credit factors, our business and results of operations could be significantly and adversely impacted. In addition, the possible exit from the Eurozone of one or more European states and/or the replacement of the Euro by one or more successor currencies could create significant uncertainties regarding the enforceability and valuation of Euro-denominated contracts to which we (or our counterparties) are a party and thereby materially and adversely affect our and/or our counterparties liquidity, financial condition and operations. Such uncertainties may include the risk that (i) an obligation that was expected to be paid in Euros is redenominated into a new currency (which may not be easily converted into other currencies without incurring significant cost), (ii) currencies in some Member States may depreciate relative to others, (iii) former Eurozone Member States may impose capital controls that would make it complicated or illegal to move capital out of such countries, and/or (iv) some courts (in particular, courts in countries that have left the Eurozone) may not recognise and/or enforce claims denominated in Euros (and/or in any replacement currency). The possible exit from the Eurozone of one or more Member States and/or the replacement of the Euro by one or more successor currencies could also cause other significant market dislocations and lead to other adverse economic and operational impacts that are inherently difficult to predict or evaluate, and otherwise have potentially materially adverse impacts on us and our counterparties, including our depositors, lenders, borrowers and other customers. These factors, combined with volatile oil prices, reduced business and consumer confidence and/or continued high unemployment, have negatively affected the economy of main geographic regions where we conduct our business. Our results of operations, liquidity position, capital position and investment portfolio are exposed to these risks and may be adversely affected as a result. In addition, in the event of extreme prolonged market events, such as the recent global credit crisis, we could incur significant losses and may lead to USD funding shortage for EU Banks.

In addition, downgrades of European sovereign ratings and of corporate ratings generally are of high importance to the Group, because they may affect our financing costs and, as a result, our profitability.

Because we operate in highly competitive markets, including our home market, we may not be able to increase or maintain our market share, which may have an adverse effect on our results of operations.

There is substantial competition in the Netherlands and the other countries in which we do business for the types of commercial banking, retail banking, investment banking and other products and services we provide. Customer loyalty and retention can be influenced by a number of factors, including brand recognition, reputation, relative service levels, the prices and attributes of products and services, scope of distribution, credit ratings and actions taken by competitors. A decline in our competitive position as to one or more of these factors could adversely impact our ability to maintain or further increase our market share, which would adversely affect our results of operations. Such competition is most pronounced in our more mature markets of the Netherlands, Belgium, the rest of Western Europe and Australia. In recent years, however, competition in emerging markets, such as Latin America, Asia and Central and Eastern Europe, has also increased as large financial services companies from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and proceeded to form alliances, mergers or strategic relationships with our competitors. The Netherlands is our largest market. Our main competitors in the banking sector in the Netherlands are ABN AMRO Bank and Rabobank. Competition could also increase due to new entrants in the markets that may have new operating models that are not burdened by potentially costly legacy operations. Increasing competition in these or any of our other markets may significantly impact our results if we are unable to match the products and services offered by our competitors. Future economic turmoil may accelerate additional consolidation activity. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms or have declared bankruptcy. These developments could result in our competitors gaining greater access to capital and liquidity, expanding their ranges of products and services, or gaining geographic diversity. We may experience pricing pressures as a result of these factors in the event that some of our competitors seek to increase market share by reducing prices. In addition, under the Restructuring Plan, we were required to agree to certain restrictions imposed by the EC, including with respect to our price leadership in EU banking markets and our ability to make acquisitions of financial institutions. These developments could have resulted in our competitors having a better competitive position vis-à-vis ING.

The inability of counterparties to meet their financial obligations could have a material adverse effect on our results of operations.

Third parties that owe us money, securities or other assets may not pay or perform under their obligations. These parties include the issuers and guarantors (including sovereigns) of securities we hold, borrowers under loans originated, reinsurers, customers, trading counterparties, securities lending and repurchase counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. Defaults by one or more of these parties on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, continuing low oil or other commodity prices, operational failure or other factors, or even rumours about potential defaults by one or more of these parties or regarding a severe distress of the financial services industry generally, could have a material adverse effect on our results of operations, financial condition and liquidity. Given the high level of interdependence between financial institutions, we are and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of sovereigns and other financial services institutions. This is particularly relevant to our franchise as an important and large counterparty in equity, fixed income and foreign exchange markets, including related derivatives.

We routinely execute a high volume of transactions, such as unsecured debt instruments, derivative transactions and equity investments with counterparties and customers in the financial services industry, including brokers and dealers, commercial and investment banks, mutual and hedge funds, insurance companies, institutional clients, futures clearing merchants, swap dealers, and other institutions, resulting in large periodic settlement amounts, which may result in our having significant credit exposure to one or more of such counterparties or customers. As a result, we face concentration risk with respect to liabilities or amounts we expect to collect from specific counterparties and customers. We are exposed to increased counterparty risk as a result of recent financial institution failures and weakness and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. A default by, or even concerns about the creditworthiness of, one or more of these counterparties or customers or other financial services institutions could therefore have an adverse effect on our results of operations or liquidity.

With respect to secured transactions, our credit risk may be exacerbated when the collateral held by us cannot be or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to us. We also have exposure to a number of financial institutions in the form of unsecured debt instruments, derivative transactions and equity investments. For example, we hold certain hybrid regulatory capital instruments issued by financial institutions which permit the issuer to cancel coupon payments on the occurrence of certain events or at their option. The EC has indicated that, in certain circumstances, it may require these financial institutions to cancel payment. If this were to happen, we expect that such instruments may experience ratings downgrades and/or a drop in value and we may have to treat them as impaired, which could result in significant losses. There is no assurance that losses on, or impairments to the carrying value of, these assets would not materially and adversely affect our business, results of operations or financial condition.

In addition, we are subject to the risk that our rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations we hold could result in losses and/ or adversely affect our ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of our counterparties could also have a negative impact on our income and risk weighting, leading to increased capital requirements. While in many cases we are permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral we are entitled to receive and the value of pledged assets. Also in this case, our credit risk may also be exacerbated when the collateral we hold cannot be liquidated at prices sufficient to recover the full amount of the loan or derivative exposure due to us, which is most likely to occur during periods of illiquidity and depressed asset valuations, such as those experienced during the financial crisis of 2008. The termination of contracts and the foreclosure on collateral may subject us to claims. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity. Any of these developments or losses could materially and adversely affect our business, financial condition, results of operations, liquidity and/or prospects.

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Market conditions observed over the past few years may increase the risk of loans being impaired.

We are exposed to the risk that our borrowers (including sovereigns) may not repay their loans according to their contractual terms and that the collateral securing the payment of these loans may be insufficient. We may continue to see adverse changes in the credit quality of our borrowers and counterparties, for example, as a result of their inability to refinance their indebtedness, with increasing delinquencies, defaults and insolvencies across a range of sectors. This may lead to impairment charges on loans and other assets, higher costs and additions to loan loss provisions. A significant increase in the size of our provision for loan losses could have a material adverse effect on our financial position and results of operations.

Economic and other factors could lead to contraction in the residential mortgage and commercial lending market and to decreases in residential and commercial property prices, which could generate substantial increases in impairment losses. Additionally, continuing low oil prices could have an influence on the repayment capacity of borrowers.

Interest rate volatility and other interest rate changes may adversely affect our profitability.

Changes in prevailing interest rates may negatively affect our business, including the level of net interest revenue we earn, and the levels of deposits and the demand for loans. A sustained increase in the inflation rate in our principal markets may also negatively affect our business, financial condition and results of operations. For example, a sustained increase in the inflation rate may result in an increase in nominal market interest rates. A failure to accurately anticipate higher inflation and factor it into our product pricing assumptions may result in mispricing of our products, which could materially and adversely impact our results of operations. On the other hand, recent concerns regarding negative interest rates and the low level of interest rates generally may negatively impact our net interest income, which may have an adverse impact on our profitability.

Declining interest rates or a prolonged period of low interest rates may result in:

- lower earnings over time on investments, as reinvestments will earn lower rates;

- increased prepayment or redemption of mortgages and fixed maturity securities in our investment portfolios, as well as increased prepayments of corporate loans. This as borrowers seek to borrow at lower interest rates potentially combined with lower credit spreads. Consequently, we may be required to reinvest the proceeds into assets at lower interest rates;

- lower profitability as the result of a decrease in the spread between client rates earned on assets and client rates paid on savings, current account and other liabilities;

- higher costs for certain derivative instruments that may be used to hedge certain of our product risks; and/or

- lower profitability since we may not be able to fully track the decline in interest rates in our savings rates;

lower profitability since we may not always be entitled to impose surcharges to customers to compensate for the decline in interest rates;

lower profitability since we may have to pay a higher premium for the defined contribution scheme in the Netherlands for which the premium paid is dependent on interest rate developments and DNB s methodology for determining the ultimate forward rate;

lower interest rates may cause asset margins to decrease thereby lowering our results of operations. This may for example be the consequence of increased competition for investments as result of the low rates, thereby driving margins down; and/or

(depending on the position) a significant collateral posting requirement associated with our interest rate hedge programs, which could materially and adversely affect liquidity and our profitability.

All these effects may be amplified in a (prolonged) negative rate environment. In such environment there may also be the risk that a rate is to be paid on assets, while there is no (partial) compensation on the liabilities. This will reduce our results of operations then.

Rapidly increasing interest rates may result in:

a decrease in the demand for loans;

higher interest rates to be paid on debt securities that we have issued or may issue on the financial markets from time to time to finance our operations and on savings, which would increase our interest expenses and reduce our results of operations;

higher interest rates can lead to lower investments prices reduce the revaluation reserves, thereby lowering IFRS equity and the capital ratios. Also the lower securities value leads to a loss of liquidity generating capacity which needs to be compensated by attracting new liquidity generating capacity which reduces our results of operations;

prepayment losses if prepayment rates are lower than expected or if interest rates increase too rapidly to adjust the accompanying hedges; and/or

(depending on the position) a significant collateral posting requirement associated with our interest rate hedge Program;

We may incur losses due to failures of banks falling under the scope of state compensation schemes.

In the Netherlands and other jurisdictions, deposit guarantee schemes and similar funds (Compensation Schemes) have been implemented from which compensation may become payable to customers of financial services firms in the event the financial service firm is unable to pay, or unlikely to pay, claims against it. In many jurisdictions in which we operate, these Compensation Schemes are funded, directly or indirectly, by financial services firms which operate and/or are licensed in the relevant jurisdiction. ING Bank is a participant in the Dutch Deposit Guarantee Scheme, which guarantees an amount of EUR 100,000 per person per bank (regardless of the number of accounts held). Until now, the costs involved with making compensation payments under the Dutch Deposit Guarantee Scheme had been allocated among the participating banks by the DNB, based on an allocation key related to their market shares with respect to the deposits protected by the Dutch Deposit Guarantee Scheme. Given our size, we may incur significant compensation payments to be made under the Dutch Deposit Guarantee Scheme, which we may be unable to recover from the bankrupt estate. Such costs and the associated costs to be borne by us may have a material adverse effect on our results of operations and financial condition. On 4 July 2015, the new EU Directive on deposit guarantee schemes, had to be implemented by EU member states. As a consequence, the Dutch Deposit Guarantee Scheme is to change from an ex-post scheme, where we would have contributed after the failure of a firm, to an ex-ante scheme where we will pay quarterly risk-weighted contributions into a fund for the Dutch Deposit Guarantee Scheme. The fund is to grow to a target size of 0.8% of all deposits guaranteed under the Dutch Deposit Guarantee Scheme, to be reached in July 2024. The Dutch decree implementing the Deposit Guarantee Scheme Directive entered into force on 26 November 2015.

In January 2016 the Dutch Central Bank informed the Dutch banks that it decided to postpone the first contribution date for the ex-ante Deposit Guarantee Scheme (ex-ante DGS). The first ex-ante DGS contribution will be charged over the first quarter of 2016. The delay does not affect the target size of the ex-ante DGS fund, nor the date the target size should be reached (July 2024). This implies that the build-up of the ex-ante fund will not take place in the originally planned 35 quarters, but in 34 quarters instead. See also We operate in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations governing our business may reduce our profitability Bank Recovery and Resolution Regimes .

Inflation and deflation may negatively affect our business.

A sustained increase in the inflation rate in our principal markets would have multiple impacts on us and may negatively affect our business, solvency position and results of operations. For example, a sustained increase in the inflation rate may result in an increase in market interest rates, which may:

1. decrease the estimated fair value of certain fixed income securities that we hold in our investment portfolios, resulting in:

reduced levels of unrealised capital gains available to us, which could negatively impact our solvency position and net income, and/or

a decrease in collateral values,

2. result in increased withdrawal of certain savings products, particularly those with fixed rates below market rates,

3. require us, as an issuer of securities, to pay higher interest rates on debt securities that we issue in the financial markets from time to time to finance our operations, which would increase our interest expenses and reduce our results of operations.

A significant and sustained increase in inflation has historically also been associated with decreased prices for equity securities and sluggish performance of equity markets generally. A sustained decline in equity markets may:

4. result in impairment charges to equity securities that we hold in our investment portfolios and reduced levels of unrealised capital gains available to us which would reduce our net income,

5. lower the value of our equity investments impacting our capital position.

In addition, a failure to accurately anticipate higher inflation and factor it into our product pricing may result in a systemic mispricing of our products, which would negatively impact our results of operations.

On the other hand, deflation experienced in our principal markets may also adversely affect our financial performance. In recent years, the risk of low inflation (inflation continued be positive for the major part of 2014 but well below the 2% growth rate of harmonised indices of consumer prices. In December 2014, however, prices were 0.2% lower than the same month a year earlier) and even deflation (i.e., a continued period with negative rates of inflation) in the Eurozone has materialized. Deflation may erode collateral values and diminish the quality of loans and cause a decrease in borrowing levels, which would negatively affect our business and results of operations.

Risks related to the Group s business, operations and regulatory environment

We may be unable to manage our risks successfully through derivatives.

We employ various economic hedging strategies with the objective of mitigating the market risks that are inherent in our business and operations. These risks include currency fluctuations, changes in the fair value of our investments, the impact of interest rates, equity markets and credit spread changes, the occurrence of credit defaults and changes in client behaviour. We seek to control these risks by, among other things, entering into a number of derivative instruments, such as swaps, options, futures and forward contracts, including, from time to time, macro hedges for parts of our business, either directly as a counterparty or as a credit support provider to affiliate counterparties. Developing an effective strategy for dealing with these risks is complex, and no strategy can completely insulate us from risks associated with those fluctuations. Our hedging strategies also rely on assumptions and projections regarding our assets, liabilities, general market factors and the creditworthiness of our counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, our hedging activities may not have the desired beneficial impact on our results of operations or financial condition. Poorly designed strategies or improperly executed transactions could actually increase our risks and losses. Hedging strategies involve transaction costs and other costs, and if we terminate a hedging arrangement, we may also be required to pay additional costs, such as transaction fees or breakage costs. There have been periods in the past, and it is likely that there will be periods in the future, during which we have incurred or may incur losses on transactions, possibly significant, after taking into account our hedging strategies. Further, the nature and timing of our hedging transactions could actually increase our risk and losses. Hedging instruments we use to manage product and other risks might not perform as intended or expected, which could result in higher (un)realised losses, such as credit value adjustment risks or unexpected P&L effects, and unanticipated cash needs to collateralise or settle such transactions. Adverse market conditions can limit the availability and increase the costs of hedging instruments, and such costs may not be recovered in the pricing of the underlying products being hedged. In addition, hedging counterparties may fail to perform their obligations, resulting in unhedged exposures and losses on positions that are not collateralised. As such, our hedging strategies and the derivatives that we use or may use may not adequately mitigate or offset the risks they intend to cover, and our hedging transactions may result in losses.

Our hedging strategy additionally relies on the assumption that hedging counterparties remain able and willing to provide the hedges required by our strategy. Increased regulation, market shocks, worsening market conditions (whether due to the ongoing Euro crisis or otherwise), and/or other factors that affect or are perceived to affect the financial condition, liquidity and creditworthiness of ING may reduce the ability and/or willingness of such counterparties to engage in hedging contracts with us and/or other parties, affecting our overall ability to hedge our risks and adversely affecting our business, operations, financial condition and liquidity.

ING Group may be unable to retain key personnel.

As a financial services enterprise with a decentralised management structure, ING Group relies to a considerable extent on the quality of local management in the various countries in which it operates. The success of ING Group s operations is dependent, among other things, on its ability to attract and retain highly qualified professional personnel. Competition for key personnel in most countries in which ING Group operates is intense. ING Group s ability to attract and retain key personnel, in particular senior officers, experienced portfolio managers and sales executives, is dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent.

As a part of their responses to the financial crisis of 2008, the EC and national governments throughout Europe have introduced and are expected to continue introducing various legislative initiatives that aim to ensure that financial institutions remuneration policies and practices are consistent with and promote sound and effective risk management, and that impose restrictions on the remuneration of personnel, with a focus on risk alignment of performance-related remuneration. Such initiatives include, among others, measures set out in Directive 2010/76/EU (CRD III) and Directive 2013/36/EU (CRD IV), the Guidelines on Remuneration Policies and Practices published by (the predecessor of) the European Banking Authority, the Regulation of the DNB on Sound Remuneration Policies (Regeling beheerst beloningsbeleid Wft 2014), the Dutch law with respect to the limitation of liability of the DNB and AFM and the prohibition of the payment of variable remuneration to board members and day-to-day policy makers of financial institutions that receive state aid (Wet aansprakelijkheidsbeperking DNB en AFM en bonusverbod staatsgesteunde ondernemingen) and the Dutch Law on Remuneration Policies of Financial Undertakings (Wet beloningsbeleid financiële ondernemingen, Wbfo) effective as of 7 February 2015. The Wbfo introduces a variable remuneration cap at 20% of base salary for all persons working in the financial sector in the Netherlands. Persons fully covered by a collective labour agreement in the Netherlands are subject to an individual cap of 20%. Persons that are not (solely) remunerated on the basis of a CLA in the Netherlands are subject to the 20% cap based on an aggregate level. For this group, as well as for persons working outside the Netherlands, exceptions are possible, in line with CRD IV, but only under strict conditions. In addition, the proposal limits exit compensation and retention compensation and prohibits guaranteed variable remuneration. The introduction of the Wbfo will result in a unlevel playing field in the Netherlands for ING due to the fact that branch offices (in the Netherlands) of financial institutions that fall under CRD IV (EER countries) are not limited to the 20% cap but are limited to the CRD IV caps.

Since the financial crisis, ING has adapted its remuneration policies to the new national and international standards. For ING Group s Executive Board members no increase in base salary took place in 2014. This resulted in that, as of 2009, the remuneration package of ING Group s Executive Board members remained on the same level and is significantly below the median of our EURO Stoxx 50 benchmark, which is made up of similar European financial and non-financial institutions.

The (increasing) restrictions on remuneration will continue to have an impact on existing ING Group remuneration policies and individual remuneration packages for personnel. This may restrict our ability to offer competitive compensation compared with companies (financial and/or not financial) that are not subject to such restrictions and it could adversely affect ING Group s ability to retain or attract qualified employees.

We may not be able to protect our intellectual property and may be subject to infringement claims by third parties, which may have a material adverse effect on our business and results of operations.

In the conduct of our business, we rely on a combination of contractual rights with third parties and copyright, trademark, trade name, patent and trade secret laws to establish and protect our intellectual property. Although we endeavour to protect our rights, third parties may infringe or misappropriate our intellectual property. We may have to litigate to enforce and protect our copyrights, trademarks, trade names, patents, trade secrets and know-how or to determine their scope, validity or enforceability. In that event, we may be required to incur significant costs, and our efforts may not prove successful. The inability to secure or protect our intellectual property assets could have a material adverse effect on our business and our ability to compete.

We may also be subject to claims made by third parties for (1) patent, trademark or copyright infringement, (2) breach of copyright, trademark or licence usage rights, or (3) misappropriation of trade secrets. Any such claims and any resulting litigation could result in significant expense and liability for damages. If we were found to have infringed or misappropriated a third-party patent or other intellectual property right, we could in some circumstances be enjoined from providing certain products or services to our customers or from utilizing and benefiting from certain methods, processes, copyrights, trademarks, trade secrets or licences. Alternatively, we could be required to enter into costly licensing arrangements with third parties or to implement a costly workaround. Any of these scenarios could have a material adverse effect on our business and results of operations.

Because we use assumptions to model client behaviour for the purpose of our market risk calculations, the difference between the realisation and the assumptions may have an adverse impact on the risk figures and future results.

We use assumptions in order to model client behaviour for the risk calculations in our banking books. Assumptions are used to determine the interest rate risk profile of savings and current accounts and to estimate the embedded option risk in the mortgage and investment portfolios. The realisation or use of different assumptions to determine client behaviour could have material adverse effect on the calculated risk figures and, ultimately, future results.

We may incur further liabilities in respect of our defined benefit retirement plans if the value of plan assets is not sufficient to cover potential obligations, including as a result of differences between results and underlying actuarial assumptions and models.

ING Group companies operate various defined benefit retirement plans covering a number of our employees. The liability recognised in our consolidated balance sheet in respect of our defined benefit plans is the present value of the defined benefit obligations at the balance sheet date, less the fair value of each plan s assets, together with adjustments for unrecognised actuarial gains and losses and unrecognised past service costs. We determine our defined benefit plan obligations based on internal and external actuarial models and calculations using the projected unit credit method. Inherent in these actuarial models are assumptions, including discount rates, rates of increase in future salary and benefit levels, mortality rates, trend rates in health care costs, consumer price index, and the expected return on plan assets. These assumptions are based on available market data and the historical performance of plan assets, and are updated annually. Nevertheless, the actuarial assumptions may differ significantly from actual results due to changes in market conditions, economic and mortality trends and other assumptions. Any changes in these assumptions could have a significant impact on our present and future liabilities to and costs associated with our defined benefit retirement plans.

Our risk management policies and guidelines may prove inadequate for the risks we face.

We have developed risk management policies and procedures and will continue to review and develop these in the future. Nonetheless, our policies and procedures to identify, monitor and manage risks may not be fully effective, particularly during extremely turbulent times. The methods we use to manage, estimate and measure risk are partly based on historic market behaviour. The methods may, therefore, prove to be inadequate for predicting future risk exposure, which may be significantly greater than suggested by historical experience. For instance, these methods may not predict the losses seen in the stressed conditions in recent periods, and may also not adequately allow prediction of circumstances arising due to government interventions and stimulus packages, which increase the difficulty of evaluating risks. Other methods for risk management are based on evaluation of information regarding markets, customers, catastrophic occurrence or other information that is publicly known or otherwise available to us. Such information may not always be accurate, complete, updated or properly evaluated. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record and verify large numbers of transactions and events. These policies and procedures may not be fully effective.

We are subject to a variety of regulatory risks as a result of our operations in certain countries.

In certain countries in which we operate, judiciary and dispute resolution systems may be less developed. As a result, in case of a breach of contract, we may have difficulties in making and enforcing claims against contractual counterparties and, if claims are made against us, we might encounter difficulties in mounting a defence against such allegations. If we become party to legal proceedings in a market with an insufficiently developed judicial system, it could have an adverse effect on our operations and net results.

In addition, as a result of our operations in certain countries, we are subject to risks of possible nationalisation, expropriation, price controls, exchange controls and other restrictive government actions, as well as the outbreak of hostilities and or war, in these markets. In addition, the current economic environment in certain countries in which we operate may increase the likelihood for regulatory initiatives to enhance consumer protection or to protect homeowners from foreclosures. Any such regulatory initiative could have an adverse impact on our ability to protect our economic interest, for instance in the event of defaults on residential mortgages.

ING is exposed to the risk of claims from customers who feel misled or treated unfairly because of advice or information received.

Our banking products and advice services for third-party products are exposed to claims from customers who allege that they have received misleading advice or other information from advisers (both internal and external) as to which products were most appropriate for them, or that the terms and conditions of the products, the nature of the products or the circumstances under which the products were sold, were misrepresented to them. When new financial products are brought to the market, ING engages in a product approval process in connection with the development of such products, including production of appropriate marketing and communication materials. Notwithstanding these processes, customers may make claims against ING if the products do not meet their expectations. Customer protection regulations, as well as changes in interpretation and perception by both the public at large and governmental authorities of acceptable market practices, influence customer expectations.

Products distributed through person-to-person sales forces have a higher exposure to such claims as the sales forces provide face-to-face financial planning and advisory services. Complaints may also arise if customers feel that they have not been treated reasonably or fairly, or that the duty of care has not been complied with. While a considerable amount of time and resources have been invested in reviewing and assessing historical sales practices and products that were sold in the past, and in the maintenance of effective risk management, legal and compliance procedures to monitor current sales practices, there can be no assurance that all of the issues associated with current and historical sales practices have been or will be identified, nor that any issues already identified will not be more widespread than presently estimated.

The negative publicity associated with any sales practices, any compensation payable in respect of any such issues and regulatory changes resulting from such issues, has had and could have a material adverse effect on our business, reputation, revenues, results of operations, financial condition and prospects.

Ratings are important to our business for a number of reasons. A downgrade or a potential downgrade in our credit ratings could have an adverse impact on our operations and net results.

Credit ratings represent the opinions of rating agencies regarding an entity s ability to repay its indebtedness. Our credit ratings are important to our ability to raise capital and funding through the issuance of debt and to the cost of such financing. In the event of a downgrade, the cost of issuing debt will increase, having an adverse effect on net results. Certain institutional investors may also be obliged to withdraw their deposits from ING following a downgrade, which could have an adverse effect on our liquidity. We have credit ratings from S&P, Moody s Investor Service and Fitch Ratings. Each of the rating agencies reviews its ratings and rating methodologies on a recurring basis and may decide on a downgrade at any time. For example, on 30 April 2014, S&P affirmed the long-term debt ratings of ING Groep N.V. to A- but revised the outlook from stable to negative.

Furthermore, ING Bank s assets are risk-weighted. Downgrades of these assets could result in a higher risk-weighting, which may result in higher capital requirements. This may impact net earnings and the return on capital, and may have an adverse impact on our competitive position.

As rating agencies continue to evaluate the financial services industry, it is possible that rating agencies will heighten the level of scrutiny that they apply to financial institutions, increase the frequency and scope of their credit reviews, request additional information from the companies that they rate and potentially adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. It is possible that the outcome of any such review of us would have additional adverse ratings consequences, which could have a material adverse effect on our results of operations, financial condition and liquidity. We may need to take actions in response to changing standards or capital requirements set by any of the rating agencies, which could cause our business and operations to suffer. We cannot predict what additional actions rating agencies may take, or what actions we may take in response to the actions of rating agencies.

Operational risks, such as systems disruptions or failures, breaches of security, cyber attacks, human error, changes in operational practices or inadequate controls may adversely impact our business, results of operation and reputation.

Operational risks are inherent in our business. Our businesses depend on the ability to process a large number of transactions efficiently and accurately. Although we endeavour to safeguard our systems and processes, losses can result from inadequately trained or skilled personnel, IT failures (including failure to anticipate or prevent cyber attacks, which are deliberate attempts to gain unauthorised access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or impairing operational performance, or security breaks by third parties), inadequate or failed internal control processes and systems, regulatory breaches, human errors, employee misconduct, including fraud, or from external events that interrupt normal business operations. We depend on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. The equipment and software used in our computer systems and networks may not always be capable of processing, storing or transmitting information as expected. Despite our business continuity plans and procedures, certain of our computer systems and networks may have insufficient recovery capabilities in the event of a malfunction or loss of data. In addition, whilst we have policies and processes to protect our systems and networks, they may be vulnerable to unauthorised access, computer viruses or other malicious code, cyber attacks and other external attacks or internal breaches that could have a security impact and jeopardise our confidential information or that of our clients or our counterparties. These events can potentially result in financial loss and harm to our reputation, and hinder our operational effectiveness.

We also face the risk that the design and operating effectiveness of our controls and procedures may prove to be inadequate. Widespread outbreaks of communicable diseases, such as the outbreak of the Ebola virus, may impact the health of our employees, increasing absenteeism, or may cause a significant increase in the utilisation of health benefits offered to our employees, either or both of which could adversely impact our business. Unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, and our operations may be subject to losses resulting from such disruptions. Losses can result from destruction or impairment of property, financial assets, trading positions, and the loss of key personnel. If our business continuity plans are not able to be implemented or do not sufficiently take such events into account, losses may increase further. We have suffered losses from operational risk in the past and there can be no assurance that we will not suffer material losses from operational risk in the future.

Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on our business, revenues, results of operations, financial condition and/or prospects.

We are subject to litigation, arbitration and other claims and allegations in the ordinary course of business, including in connection with our activities as financial services provider, employer, investor and taxpayer. Financial reporting irregularities involving other large and well-known companies, possible findings of government authorities in various jurisdictions which are investigating several rate-setting processes, notifications made by whistleblowers, increasing regulatory and law enforcement scrutiny of know your customer anti-money laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures and anti-terrorist-financing procedures and their effectiveness, regulatory investigations of the banking industry, and litigation that arises from the failure or perceived failure by us to comply with legal, regulatory and compliance requirements could result in adverse publicity and reputational harm, lead to increased regulatory supervision, affect our ability to attract and retain customers and maintain access to the capital markets, result in cease and desist orders, claims, enforcement actions, fines and civil and criminal penalties, other disciplinary action or have other material adverse effects on us in ways that are not predictable. Some claims and allegations may be brought by or on behalf of a class and claimants may seek large or indeterminate amounts of damages, including compensatory, liquidated, treble and punitive damages. See ING is exposed to the risk of claims from customers who feel misled or treated unfairly because of advice or information received . Our reserves for litigation liabilities may prove to be inadequate. Claims and allegations, should they become public, need not be well founded, true or successful to have a negative impact on our reputation. In addition, press reports and other public statements that assert some form of wrongdoing could result in inquiries or investigations by regulators, legislators and law enforcement officials, and responding to these inquiries and investigations, regardless of their ultimate outcome, is timeconsuming and expensive. Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on our business, revenues, results of operations, financial condition and/or prospects in any given period. For additional information with respect to specific proceedings, see Note 48 Legal proceedings to the consolidated financial statements of ING Group and the Review processes for setting benchmark rates in the Main developments in 2015 within the Compliance Risk section of the Risk Management section.

Risks related to the restructuring plan

We are required under the Restructuring Plan to divest our remaining stake in NN by the end of 2016 and there can be no assurance that we will be able to do so on favourable terms or at all and a failure to complete the divestments on favourable terms and in a timely manner could have a material adverse impact on our assets, profitability, capital adequacy and business operations.

As a result of having received state aid through the Dutch State Transactions, we were required to submit a restructuring plan to the EC in connection with obtaining final approval for the Dutch State Transactions under the EC state aid rules (as amended, the Restructuring Plan). As a result of the Restructuring Plan, we were subject to certain behavioural restrictions and we were required among other things, to divest of a significant part of our operations including our insurance activities and our ING Direct operations in the United States. The behavioural restrictions ceased to apply on 29 May 2015 after ING divested NN for more than 50% and deconsolidated NN under IFRS. As of 31 December 2015, the Restructuring Plan had been fully implemented, except for our obligation to sell our remaining stake in NN Group. On 2 February 2016, ING further reduced its stake in NN Group from 25.8% to 14.1%.

There can be no assurance that we will be able to fully divest our remaining stake in NN Group, on favourable terms or at all, particularly in light of market developments in general as well as the fact that other financial institutions may place similar assets for sale during the same time period and may seek to dispose of assets in the same manner.

The further divestment of our stake in NN Group may also release less regulatory capital than we would otherwise expect. Any failure to complete the divestment on favourable terms and in a timely manner could have a material adverse impact on our assets, profitability, capital adequacy and business operations. If we are unable to fully complete the required divestment of NN Group in a timely manner, we would be required to find alternative ways to reduce our leverage, and we could be subject to enforcement actions or proceedings by the EC. Additionally, our stake in NN Group continues to be significant and although we no longer have any nominees on the NN Supervisory Board, we are exposed to the insurance market and changes in the results of NN Group may affect us negatively.

Our restructuring programs may not yield intended reductions in costs, risk and leverage.

Projected cost savings and impact on our risk profile and capital including those associated with the Restructuring Plan are subject to a variety of risks, including:

- actual costs to effect these initiatives may exceed estimates;

divestments planned in connection with the Restructuring Plan may not yield the level of net proceeds expected, as described under Risks Related to the Restructuring Plan We are required under the Restructuring Plan to divest our remaining stake in NN by the end of 2016 and there can be no assurance that we will be able to do so on favourable terms or at all and a failure to complete the divestments on favourable terms and in a timely manner could have a material adverse impact on our assets, profitability, capital adequacy and business operations ;

initiatives that we are contemplating may require consultation with various regulators as well as employees and labour representatives, and such consultations may influence the timing, costs and extent of expected savings;

the loss of skilled employees in connection with the initiatives; and

projected savings may fall short of targets.

While we continue to implement these strategies, there can be no assurance that we will be able to do so successfully or that we will realise the projected benefits of these and other restructuring and cost-saving initiatives. If we are unable to realise these anticipated cost reductions, our business may be adversely affected. Moreover, our continued implementation of restructuring and cost saving initiatives may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Additional risks relating to ownership of ING shares

Because we are a Dutch company and because Stichting ING Aandelen holds more than 99.9% of our Ordinary Shares, the rights of our depositary receiptholders may differ from the rights of shareholders in other jurisdictions or companies that do not use a similar trust structure, which could affect your rights as an equity investor.

While holders of our bearer depositary receipts are entitled to attend and speak at our General Meeting of Shareholders (General Meeting), voting rights are not attached to the bearer depositary receipts. Stichting ING Aandelen (Trust) holds more than 99.9% of our Ordinary Shares, and exercises the voting rights attached to the Ordinary Shares (for which bearer depositary receipts have been issued). Holders of bearer depositary receipts who attend in person or by proxy the General Meeting must obtain and are entitled to voting rights by proxy from the Trust. Holders of bearer depositary receipts and holders of the American Depositary Shares (ADSs) representing the bearer depositary receipts who do not attend the General Meeting may give binding voting instructions to the Trust. The Trust is entitled to vote on any Ordinary Shares underlying the bearer depositary receipts for which the Trust has not granted voting proxies, or voting instructions have not been given to the Trust. In exercising its voting discretion, the Trust is required to be guided primarily by the interests of the holders of bearer depositary receipts, while also taking into account:

our interests, and

the interests of our affiliates.

The Trust may, but has no obligation to, consult with the holders of bearer depositary receipts in exercising its voting rights in respect of any Ordinary Shares for which it is entitled to vote. These arrangements differ from practices in other jurisdictions, and accordingly may affect the rights of the holders of bearer depositary receipts and their power to affect ING s business and operations.

The share price of ING shares has been, and may continue to be, volatile.

The share price of our bearer depositary receipts has experienced periods of volatility in the past, and the share price and trading volume of our bearer depositary receipts may be subject to significant fluctuations in the future, due, in part, to changes in our actual or forecast operating results and the inability to fulfil the profit expectations of securities analysts, as well as to the high volatility in the securities markets generally and more particularly in shares of financial institutions.

Other factors, besides our financial results, that may impact our share price include, but are not limited to:

- market expectations of the performance and capital adequacy of financial institutions in general;
- investor perception of the success and impact of our strategies;
- investor perception of our positions and risks;
- a downgrade or review of our credit ratings;
- the implementation and outcome of our Restructuring Plan;
- potential litigation or regulatory action involving ING or sectors that we have exposure to;
- announcements concerning financial problems or any investigations into the accounting practices of other financial institutions; and
- general market circumstances.

There can be no assurance that we will pay dividends on our Ordinary Shares in the future.

It is ING s policy to pay dividends in relation to the long-term underlying development of cash earnings. Dividends can only be declared by shareholders when the Executive Board considers such dividends appropriate, taking into consideration the financial conditions then prevailing and the longer-term outlook. The Executive Board proposes to pay a total dividend of EUR 2,515 million, or EUR 0.65 per (depositary receipt for an) ordinary share, over the financial year 2015. This is subject to the approval of shareholders at the Annual General Meeting in April 2016. Taking into account the interim dividend of EUR 0.24 per ordinary share paid in August 2015, the final dividend will amount to EUR 0.41 per ordinary share and be paid in cash. However, there can be no assurance that we will pay dividends in the future.

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Holders of ING shares may experience dilution of their holdings.

The issuance of equity securities resulting from the conversion of some or all of such instruments would dilute the ownership interests of existing holders of ING shares and such dilution could be substantial. Additionally, any conversion, or the anticipation of the possibility of a conversion, could depress the market price of ING shares.

Furthermore, we may undertake future equity offerings with or without subscription rights. In case of equity offerings with subscription rights, holders of ING shares in certain jurisdictions, however, may not be entitled to exercise such rights unless the rights and the related shares are registered or qualified for sale under the relevant legislation or regulatory framework. Holders of ING shares in these jurisdictions may suffer dilution of their shareholding should they not be permitted to, or otherwise chose not to, participate in future equity offerings with subscription rights.

Because we are incorporated under the laws of the Netherlands and many of the members of our Supervisory and Executive Board and our officers reside outside of the United States, it may be difficult for you to enforce judgments against us or the members of our Supervisory and Executive Boards or our officers.

Most of our Supervisory Board members, our Executive Board members and some of the experts named in this Annual Report, as well as many of our officers are persons who are not residents of the United States, and most of our and their assets, are located outside the United States. As a result, it may not be able to serve process on those persons within the United States or to enforce in the United States judgments obtained in U.S. courts against us or those persons based on the civil liability provisions of the U.S. securities laws.

It also may not be able to enforce judgments of U.S. courts under the U.S. federal securities laws in courts outside the United States, including the Netherlands. The United States and the Netherlands do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, it will not be able to enforce in the Netherlands a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, even if the judgment is not based only on the U.S. federal securities laws, unless a competent court in the Netherlands gives binding effect to the judgment.

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Item 4. Information on the Company

GENERAL

Awaiting update

ING Groep N.V. was established as a Naamloze Vennootschap (a Dutch public limited liability company) on 4 March 1991. ING Groep N.V. is incorporated under the laws of the Netherlands.

The official address of ING Group is:

ING Groep N.V.
Bijlmerplein 888
1102 MG Amsterdam
P.O. Box 1800,
1000 BV Amsterdam

The Netherlands
Telephone +31 20 563 6710

The name and address of ING Groep N.V. s agent in the United States is:

ING Financial Holdings Corporation
1325 Avenue of the Americas
New York, NY 10019
United States of America

Telephone +1 646 424 6000

OUR STRATEGY AND PROGRESS

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

Purpose

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

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

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

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

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

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

Staying relevant for customers

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

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

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

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

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

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

Elements of our strategy

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

Strategic priorities

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

1. Earn the primary relationship

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

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

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

2. Develop data analytics

The relationship between banks and their customers, as in other industries, is increasingly a digital one. Digitalisation challenges banks to maintain intimacy with a customer who they rarely meet face to face. But the digital interface also provides a wealth of data on customers preferences and needs that gives banks important insights to provide the kind of experience customers now expect from businesses they interact with online. Developing analytic skills is essential to serving customers in a digital world. This is not only important for improving customer services, but also for preventing fraud, improving operational processes, reducing risks and generating services that go beyond traditional banking so we can stay relevant for customers. To make this happen, an international Advanced Analytics team based in Frankfurt and Amsterdam acts as a centre of excellence and supports all business units. At the same time, local advanced analytics teams have been established in the Netherlands, Belgium, Spain, Poland and in Wholesale Banking.

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

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

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

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

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

Enablers

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

1. Simplify & streamline

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

2. Operational excellence

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

3. Performance culture

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

4. Lending capabilities

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

Strong performance in 2015

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

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

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

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

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

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

Our financial roadmap

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

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

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

Geographical presence and strategic approach

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

Market Leaders

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

Challengers

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

Growth Markets

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

Wholesale Banking

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

MARKET AND REGULATORY CONTEXT

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

Macroeconomic developments

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

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

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Eurozone developments

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

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

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

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

Low interest rate environment

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

Progress on regulatory initiatives that are most relevant to us

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

ING Bank has always been a strong supporter of the SSM. As a predominantly European cross-border universal bank, we have a clear interest in the proper functioning of European financial markets and in a harmonised approach to

European supervision. We believe that it will contribute to a more efficient use of financial funds across Europe and as such should help to foster growth prospects of the European economy.

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

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

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

Payment Services Directive (PSD II)

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

Regulatory uncertainty

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

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

Competitive landscape

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

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

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

Digitalisation and changing customer behaviour

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

This presents a huge opportunity for banks. Mobile users tend to check in much more often and banks are well placed to take advantage of this more frequent contact. The richness and sheer quantity of the data available to banks opens the door to more targeted, tailor-made services and to more relevant advice to help customers make smart financial decisions. We believe we are currently one of the front-runners in digital innovation in the banking sector, but we are not complacent. Many of our retail customers are avid users of technological devices. Expectations keep rising: customers are well informed, they know what they want and they want it immediately. We are investing resources to ensure that we become faster and more agile, and increase our innovative capabilities. We do that to meet the ever-changing expectations of our customers, while respecting the fact that they are entrusting us with their banking matters which are personal and confidential in nature. At the same time we are maintaining options for face-to-face service, which remains a valuable channel when customers require advice about more complex products and services.

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Our perceived strengths, weaknesses, opportunities and threats

Strengths

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

Weaknesses

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

Diversity challenges.

Opportunities

Regain trust by demonstrating care, especially towards customers and by explaining better why strategic choices are made (transparency).

Further improve the customer experience by accelerating innovation. Front-runner status in digital solutions gives ING Bank an edge.

Further improve efficiency.

Cultural change. Tap more into the talents of employees. Further develop a transparent and diverse no-nonsense culture.

Grow faster than the market due to differentiating customer experience.

Further utilise competitve advantage of Wholesale Banking global network.

Threats

Currently low/subdued economic growth in markets where ING has significant market positions.

Low interest rate environment.

Ongoing uncertainty about regulatory changes, including capital requirements and national discretion.

Lack of an international level playing field.

Possibility of threats from new entrants from outside of the industry.

Financial sector has an unfavourable public image in many countries.

Cybercrime.

CHANGES IN THE COMPOSITION OF THE GROUP

Acquisitions effective in 2015

There were no significant acquisitions in 2015.

Divestments effective in 2015

NN Group

A number of divestment transactions resulted in a further decrease in the ownership of ING Group in NN Group to 25.75% from 68.14% at 31 December 2014. NN Group was deconsolidated and accounted for as an Investment in associate held for sale. Reference is made to Note 11 Assets and liabilities held for sale , Note 30 Discontinued operations and Note 54 Other events .

Other

For details on the transactions in 2015 with regard to ING s interest in ING Vysya, reference is made to Note 11 Assets and liabilities held for sale , Note 7 Investments in associates and joint ventures , Note 52 Related parties and Note 54 Other events .

Acquisitions effective in 2014

There were no significant acquisitions in 2014.

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Divestments effective in 2014

Asia - ING s Taiwanese investment management business

In January 2014, ING agreed to sell ING Investment Management (IM) Taiwan, its Taiwanese asset management business, to Japan-based Nomura Asset Management in partnership with a group of investors. The transaction did not have a significant impact on ING Group results. The transaction closed on 18 April 2014.

Asia - Joint venture ING-BOB Life

In July 2013, the 50% interest in the Chinese insurance joint venture ING-BOB Life Insurance Company was agreed to be sold to BNP Paribas Cardif, the insurance arm of BNP Paribas. The transaction closed on 30 December 2014 and did not have a significant impact on the NN Group or ING Group results.

Voya

In 2014, ING Group reduced its stake in Voya from 56.5% at 31 December 2013 to 18.9% at 31 December 2014 through a number of transactions during the year. Voya was deconsolidated at the end of March 2014 and was accounted for as an available-for-sale investment held for sale as at 31 December 2014. Reference is made to Note 54 Other events .

NN Group

Following the IPO of NN Group in July 2014, ING Group s stake reduced to 68.14% . As from 30 September 2014, NN Group was presented as Assets and liabilities held for sale and discontinued operations. Reference is made to Note 54 Other events .

In addition to the above mentioned transactions, the interest in the joint venture ING Financial Services Private Limited was sold to Hathaway investments.

Other

For details on the transactions in 2014 with regard to ING s interest in ING Vysya reference is made to Note 54 Other events .

For details on transactions with regard to ING s divestments in SulAmérica S.A., reference is made to Note 5 Investments and Note 7 Investments in associates and joint ventures .

Acquisitions effective in 2013

There were no significant acquisitions in 2013.

Divestments effective in 2013

Voya

In May 2013, Voya was successfully listed on the NYSE reducing ING s ownership interest from 100% to approximately 71.2%. In October 2013, the sale of a second tranche further reduced ING Group s interest in Voya to approximately 56.5%. Reference is made to Note 54 Other events .

Asia - Joint venture China Merchants Fund

In October 2012, ING reached an agreement to sell its 33.3% stake in China Merchants Fund, an investment management joint venture, to its joint venture partners China Merchants Bank Co. Ltd. and China Merchants Securities Co. Ltd. Under the terms agreed, ING received a total cash consideration of EUR 98 million. The transaction realised a net gain of EUR 59 million which was recognised in 2013. The transaction closed on 3 December 2013.

Asia - Insurance in Hong Kong, Macau, Thailand

In October 2012, ING reached an agreement to sell its life insurance, general insurance, pension and financial planning units in Hong Kong and Macau, and its life insurance operation in Thailand to Pacific Century Group for a combined consideration of EUR 1.6 billion (USD 2.1 billion) in cash. The transaction closed on 28 February 2013 and resulted in a net gain of EUR 945 million.

Asia - ING s investment management business in Thailand

In November 2012, ING reached an agreement to sell its investment management business in Thailand to UOB Asset Management Ltd. ING received a total cash consideration of EUR 10 million for the investment management business in Thailand. The transaction closed on 3 May 2013.

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Asia - ING s investment management business in Malaysia

In December 2012, ING reached an agreement to sell its 70%-stake in ING Funds Berhad (IFB), ING s investment management business in Malaysia, to Kenanga Investors Berhad (Kenanga Investors), a wholly owned subsidiary of K & N Kenanga Holdings Berhad (Kenanga). Tab Inter-Asia Services Sdn Berhad has also agreed to sell its 30% stake in IFB to Kenanga Investors. The transaction closed on 19 April 2013.

Asia - Joint venture ING Vysya Life

In January 2013, ING agreed to sell its full interest in ING Vysya Life Insurance Company Ltd. to its joint venture partner Exide Industries Ltd. The transaction resulted in a net loss of EUR 15 million which was recognised in 2012. The transaction closed on 22 March 2013.

Asia - Joint venture KB Life

In April 2013, ING agreed to sell its 49% stake in Korean insurance venture KB Life Insurance Company Ltd. (KB Life) to joint venture partner KB Financial Group. ING received a total cash consideration of EUR 115 million (KRW 166.5 billion) for its 49% stake in KB Life. The transaction closed 20 June 2013.

Asia - ING s investment management business in South Korea

In July 2013, ING reached an agreement to sell its investment management business in South Korea to Macquarie Group, an Australia-based, global provider of financial services. The transaction did not have a significant impact on ING Group results. The transaction closed on 2 December 2013.

Asia - ING Life Korea

In August 2013, ING announced that it had reached an agreement to sell ING Life Korea, its wholly owned life insurance business in South Korea, to MBK Partners for a total purchase price of EUR 1.24 billion (KRW 1.84 trillion). Under the terms of the agreement, ING will hold an indirect stake of approximately 10% in ING Life Korea for an amount of EUR 80 million (KRW 120 billion). ING has also reached a licensing agreement that will allow ING Life Korea to continue to operate under the ING brand for a maximum period of five years. In addition, over the course of one year, ING will continue to provide technical support and advice to ING Life Korea. The transaction resulted in an after tax loss for ING Group of EUR 1.0 billion. This transaction closed on 24 December 2013.

ING s mortgage business in Mexico

In June 2013, ING reached an agreement to sell ING Hipotecaria, its mortgage business in Mexico, to Banco Santander (México) S.A. This announcement did not affect ING s Wholesale (formerly named Commercial) Banking activities in Mexico. This transaction resulted in a net loss of EUR 64 million which was recognised in 2013. The transaction closed on 29 November 2013.

ING Direct UK

In October 2012, ING reached an agreement to sell ING Direct UK to Barclays. Under the terms of the agreement, the approximately EUR 13.4 billion (GBP 11.6 billion) of savings deposits and approximately EUR 6.4 billion (GBP 5.5 billion) of mortgages of ING Direct UK were transferred to Barclays. The agreement resulted in an after tax loss of EUR 260 million which was recognised in 2012. The transaction closed on 6 March 2013 and a gain of EUR 10 million was recognised on the final settlement. In 2012, ING Direct UK was classified as held for sale. ING Direct UK was included in the segment Retail Rest of World.

CORPORATE GOVERNANCE/CORPORATE GOVERNANCE CODES

Compliance with the Corporate Governance Code

ING Group uses the Corporate Governance Code as reference for its corporate governance structure and practices.

Dutch Banking Code

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

CORPORATE ORGANISATION

ING Group s segments are based on the internal reporting structure by lines of business. For more informmation see Item 5 Operating and Financial review and Prospects .

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The Executive Board of ING Group and the Management Board of ING Bank set the performance targets, approve and monitor the budgets prepared by the business lines. Business lines formulate strategic, commercial and financial policy in conformity with the strategy and performance targets set by the Executive Board of ING Group and the Management Board of ING Bank.

Retail Banking

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

Who are we?

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

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

Regulation and the operating environment

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

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

Staying a step ahead

Financial empowerment

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

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

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

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

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

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

Providing a differentiating customer experience

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

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

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

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

Earning the primary relationship

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

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

Knowing our customers

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

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

Accelerating innovation

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

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

Thinking beyond traditional banking

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

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

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

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

Enabling Think Forward

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

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

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

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

Socially responsible investment

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

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

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Sustainable assets under management

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

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

ING Groenbank

ING Groenbank is a 100 percent subsidiary of ING Bank and finances sustainable investment by offering lending services at favourable rates to sectors such as organic farming, renewable energy generation, sustainable construction and the re-use of waste materials, all with a strong focus on the Netherlands. All assets underlying ING Groenbank loans must receive Dutch government accreditation. This helps ING Groenbank accurately quantify the sustainable impact of its investments. In 2015, the volume of green loans increased for clients in both the small businesses and corporate clients market segments. This seems to indicate both a growing focus on sustainability when new investments are considered and the improving economic situation in the Netherlands. Over the next few years, a considerable number of sustainable projects are expected to materialise in the Netherlands as a result of various factors, such as the SER Energieakkoord (Energy agreement by the SER, the Dutch Social and Economic Council) and the continuation of the domestic economic recovery. ING Groenbank aims to play a role by providing an extra stimulus via its green loans.

Financial inclusion

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

Key challenges and dilemmas

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

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

Non-financial dilemmas

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

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Conclusion

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

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

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

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

Wholesale Banking

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

Who are we?

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

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

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

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

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

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

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

Staying a step ahead

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

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

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

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

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

Delivering a differentiating customer experience

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

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

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

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

Expanding our network

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

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

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

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

Accelerating sustainable transitions

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

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Sustainable transitions financed

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

1 ING Groenbank finances projects within and outside of the Netherlands. In line with Dutch Tax authority guidelines the amount of green loans on the Groenbank balance sheet is over 70 percent. For more details on ING Groenbank, please see the Retail Banking chapter.

2 Includes biomass, geothermal, hydro, solar, offshore and onshore wind power generation.

3 As of year-end 2015, ING reports separately on sustainable real estate, which used to be reported under Loans to other projects.

4 Includes projects involving energy efficiency, greenhouse gas reduction, climate change and mitigation, waste-to-energy, public transport, waste reduction, social welfare.

5 As of year-end 2014, ING reports on loans to clients who have been identified as environmental outperformers based on independent reputable data provider or internal client assessments.

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

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

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

Putting our strategy into practice our business activities in 2015

Industry Lending

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

Structured Finance

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

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

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

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

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

Real Estate Finance

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

Sustainable impact

In 2015, each sector in Industry Lending prepared a detailed strategy that aims to increase the proportion of lending to more sustainable projects. This sector approach also gave rise to initiatives such as the app created by the Dutch Real Estate Finance business together with an energy advisory company, which helps clients benchmark the environmental performance of ING-financed buildings. The app shows how clients can save money by taking specific measures to improve the environmental footprint of their building. Real estate is one of the sectors where such improvements can have a large impact on lowering CO2 emissions. At year-end Sustainable Real Estate Finance total was EUR 998 million, up 157% compared with 2014.

General Lending and Transaction Services

General Lending

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

Transaction Services

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

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

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

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

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

Financial Markets

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

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

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

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

Real Estate & Other

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

Key challenges and dilemmas

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

Business, market and regulatory environment

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

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

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

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

Country portfolios

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

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

Non-financial dilemmas

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

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

Conclusion

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

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

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

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

PRINCIPAL GROUP COMPANIES

Reference is made to Exhibit 8 List of subsidiaries of ING Groep N.V.

REGULATION AND SUPERVISION

The banking and broker-dealer businesses of ING are subject to detailed and comprehensive supervision in all of the jurisdictions in which ING conducts business. As discussed under Item 3. Key Information Risk Factors , as a large multinational financial institution we are subject to reputational and other risks in connection with regulatory and compliance matters involving these countries. Reference is made to Capital Management Note 2.2.2

European Regulatory framework

In November 2014 the European Central Bank (ECB) assumed responsibility for a significant part of the prudential supervision of euro area banking groups in the Eurozone, including ING Group and ING Bank. Now that the ECB assumed responsibility for the supervision of the banking groups in the Eurozone, it has become ING Group s and ING Bank s main supervisor. The ECB is amongst others responsible for tasks such as market access, compliance with capital and liquidity requirements and governance arrangements. National regulators remain responsible for supervision of tasks that have not been transferred to the ECB such as financial crime and payment supervision. See also Single Supervisory Mechanism .

Dutch Regulatory Framework

The Dutch regulatory system for financial supervision consists of prudential supervision monitoring the soundness of financial institutions and the financial sector, and conduct-of-business supervision regulating institutions conduct in the markets. As far as prudential supervision has not been transferred to the ECB, it is exercised by the Dutch Central

Bank (De Nederlandsche Bank DNB), while conduct-of-business supervision is performed by the Netherlands Authority for the Financial Markets, (Autoriteit Financiële Markten; AFM). DNB is in the lead with regard to macroprudential supervision. However, the ECB can set higher macroprudential obligations than proposed by DNB.

Global Regulatory Environment

There are a variety of proposals that could impact ING globally, in particular those made by the Financial Stability Board and the Basel Committee on Banking Supervision at the transnational level, Dodd-Frank in the United States and an expanding series of supranational directives and national legislation in the European Union (see Item 3. Key Information Risk Factors We operate in highly regulated industries. There could be an adverse change or increase in the financial services laws and/or regulations governing our business for details regarding some of these proposals). The aggregated impact and possible interaction of all of these proposals are hard to determine, and it may be difficult to reconcile them where they are not aligned. The financial industry has also taken initiatives by means of guidelines and self-regulatory initiatives. Examples of these initiatives are the Dutch Banking Code as established by the Dutch Bankers , which detail a set of principles on corporate governance, risk management, audit and remuneration that Dutch banks have to apply on a comply-or-explain basis. Elements of these initiatives may subsequently be incorporated into legislation, as was the case with the Banker s oath and remuneration principles from the Dutch Banking Code. The aforementioned Banker s oath is a mandatory oath for all employees of banks licensed in the Netherlands, which the Dutch government has introduced, effective per 1 April 2015. In this oath, the employees of the relevant ING entities licensed in the Netherlands, declare that they (i) will perform their duties with integrity and care (ii) will carefully consider all the interests involved in the company, i.e. those of the customers, the shareholders, the employees and the society in which the company operates, (iii) in that consideration, will give paramount importance to the client s interests and inform the customer to the best of their ability, (iv) will comply with the laws, regulations and codes of conduct applicable to them, (v) will observe secrecy in respect of matters entrusted to them, (vi) will not abuse their knowledge, (vii) will act in an open and assessable manner and know their responsibility towards society and (viii) will endeavour to maintain and promote confidence in the financial sector.. To enforce the oath, non-compliance can be sanctioned by a special disciplinary court. Moreover, if Executive or Supervisory Board members break the oath, the supervisory authority (DNB/AFM) can decide to reassess their suitability. Work has also been done on many other topics including deposit guarantee schemes and cross border crisis and resolution management.

As mentioned above, a significant change has been made to the supervisory structure within the Eurozone and in November 2014 the Single Supervisory Mechanism (SSM) took effect, a mechanism composed of national competent authorities and the ECB with the ECB assuming direct responsibility for a significant part of the prudential supervision of ING Bank and its holding company ING Group. ING expects to benefit from the harmonization of supervision resulting from the SSM but at the same time does not expect such harmonization to be fully in place on the short to mid term.

Another significant change in the regulatory environment is the setting up of the Single Resolution Mechanism (SRM), which comprises the Single Resolution Board (SRB) and the national resolution authorities and is fully responsible for the resolution of banks within the Eurozone as of 1 January 2016. ING has been engaging already with the Dutch national resolution authorities for a few years with the aim to draw up a resolution plan for ING. ING will continue to work with the SRB to set up a resolution plan for ING. The rules underpinning the SRM could have a significant impact on business models and capital structure of financial groups but at this stage it is not clear what the impact on ING s banking operations will be.

The ING Bank Financial Economic Crime Policy (FEC Policy) provides a clear statement of what is required by all ING Bank entities, in order to guard against any involvement in criminal activity, and to participate in international efforts to combat money laundering and the funding of terrorist and criminal activities. The requirements in the ING Bank FEC Policy cover minimum standards and controls related to: money laundering, terrorist financing, export trade controls, proliferation financing, sanctions (economic, financial and trade) and countries designated by ING Bank as Ultra High Risk Countries (UHRC). The effectiveness of those controls is reviewed periodically.

The ING Bank FEC Policy directly reflects relevant national and international laws, regulations and industry standards. The ING Bank FEC Policy is mandatory and applies to all ING banking entities, majority owned ING business, businesses under management control, staff departments, product lines and to all client engagements and transactions.

Management of ING Bank entities maintain appropriate local procedures that enable them to comply with local laws, regulations and the relevant ING Bank FEC Policy. Where local laws and regulations are more stringent, the local laws and regulations are applied. Likewise the FEC Policy prevails when the standards therein are stricter than stipulated in local laws and regulations.

As a result of frequent evaluation of all businesses from economic, strategic and risk perspectives ING Bank continues to believe that for business reasons doing business involving certain specified countries should be discontinued. In that respect, ING has a policy not to enter into new relationships with clients from these countries and processes remain in place to discontinue existing relationships involving these countries. At present these countries are North Korea, Sudan, Syria Iran and Cuba. Each of these countries is subject to a variety of EU, US and other sanctions regimes. Iran, Sudan, and Syria are identified by the US as state sponsors of terrorism and are subject to U.S. economic sanctions and export controls.

Within ING Bank the so-called Sanctions Risk Assessment (SRA) procedure has been developed and implemented within Lending Services. With this procedure all transactions within Lending Services go through a Transaction Due Diligence process in a standardized manner. The outcome of the SRA determines the level of contractual language that is being included in the deal documentation. The SRA takes into consideration the direct and indirect nexus a customer/deal has towards certain countries and sectors. A further roll-out into other business areas of ING is in progress.

In mid 2014 both the US and the EU announced Ukraine-related sanctions. Those sanctions restrict amongst others the dealing in specific (financial) products with certain named parties. Management of ING Bank entities use their existing control framework to ensure compliance with these sanctions.

Dodd-Frank Act

The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which became law on 21 July 2010, represented a significant overhaul in the regulation of U.S. financial institutions and markets. The primary impact on ING is through the establishment of a regulatory regime for the off-exchange derivatives market, pursuant to Title VII of the Dodd-Frank Act.

Among other things, the regulation of the U.S. derivatives market required swap dealers to register with the Commodity Futures Trading Commission (the CFTC , the primary swaps regulator in the U.S.) as swap dealers or major swap participants and be subject to CFTC regulation and oversight. The ING subsidiary, ING Capital Markets LLC, is registered as a swap dealer. As a registered entity, it is subject to business conduct, record-keeping and reporting requirements, as well as capital and margin requirements. In addition to the obligations imposed on registrants, such as swap dealers, reporting, clearing, and on-facility trading requirements have been imposed for much of the off-exchange derivatives market. It is possible that registration, execution, clearing and compliance requirements will increase the costs of and restrict participation in the derivative markets. These rules (as well as further regulations, some of which are not yet final) could therefore restrict trading activity, reducing trading opportunities and market liquidity, potentially increasing the cost of hedging transactions and the volatility of the relevant markets. This could adversely affect the business of ING in these markets.

The Dodd-Frank also impacts U.S. banks and non-U.S. banks with branches or agencies in the United States. The primary impacts are through the Volcker Rule and Section 165 of the Dodd-Frank Act.

The Volcker Rule, imposes limitation on U.S. banks, the U.S. branches of non-U.S. banks, and the affiliates of either, on proprietary trading and investing in hedge funds and private equity funds.

Among other things, Section 165 of the Dodd-Frank Act imposes capital, liquidity, stress-testing, and risk management requirements on most U.S. banking and non-banking operations of non-U.S. banking organizations with U.S. branches or agencies. Those with U.S. non-banking assets of $50 billion or more also must establish an intermediate holding company as the top-level holding company for the organization s U.S. non-banking entities. This intermediate holding company is regulated in a manner similar to a U.S. bank holding company.

The Dodd-Frank Act also created a new agency, the Financial Stability Oversight Council (FSOC), an inter-agency body that is responsible for monitoring the activities of the U.S. financial system, designating systemically significant financial services firms and recommending a framework for substantially increased regulation of such firms, including systemically important nonbank financial companies that could consist of securities firms, insurance companies and other providers of financial services, including non-U.S. companies. The consequences of being designated a systemically important non-bank financial company could be significant, including having subsidiaries supervised by the Federal Reserve Board, subjection to heightened prudential standards, including minimum capital requirements, liquidity standards, short-term debt limits, credit exposure requirements, management interlock prohibitions, maintenance of resolution plans, stress testing, and other restrictions. ING has not been designated a systemically significant non-bank financial company by FSOC and such a designation, particularly in after ING s sale of a majority equity interest in Voya, is deemed unlikely.

The Dodd-Frank Act also imposes a number of other requirements, some of which may have a material impact on our operations and results, as discussed further under Item 3. Key Information Risk Factors We operate in highly regulated industries. There could be an adverse change or increase in the financial services laws and/or regulations governing our business .

Basel III and European Union Standards as currently applied by ING Bank

DNB, our home country supervisor until the ECB took over that position in November 2014, has given ING permission to use the most sophisticated approaches for solvency reporting under the Financial Supervision Act, the Dutch legislation reflecting the Basel II and Basel III Frameworks. DNB has shared information with host regulators of relevant jurisdictions to come to a joint decision. In all jurisdictions where the bank operates through a separate legal entity, ING must meet local Basel requirements as well.

ING uses the Advanced IRB Approach for credit risk, an internal VaR model for its trading book exposures and the Advanced Measurement Approach for operational risk. As of 2009, a Basel I floor of 80% of Basel I RWA has been applicable. A small number of portfolios are still reported under the Standardized Approach.

In December 2010, the Basel Committee on Banking Supervision announced higher global minimum capital standards for banks, and has introduced a new global liquidity standard and a new leverage ratio to be phased in over 2014-2018. The Committee s package of reforms, collectively referred to as the Basel III rules, will, among other requirements, increase the amount of common equity required to be held by subject banking institutions, prescribe the amount of liquid assets and the long term funding a subject banking institution must hold at any given moment, and limit leverage. Banks will be required to hold a capital conservation buffer to withstand future periods of stress such that the required common equity Tier 1 ratio, when fully phased in on 1 January 2019, will rise to 7%. Basel III also introduces a countercyclical buffer as an extension of the capital conservation buffer, which permits national regulators to require banks to hold more capital during periods of high credit growth (to strengthen capital reserves and moderate the debt markets). Further, Basel III will strengthen the definition of capital that will have the effect of gradually disqualifying many hybrid securities during the years 2013-2022, including the hybrids that were issued by the Group, from inclusion in regulatory capital[, as well as the higher capital requirements (for example, for credit value adjustments (CVAs) and illiquid collateral) as part of a number of reforms to the Basel II framework]. In addition, the Basel Committee and Financial Stability Board (FSB) published measures that would have the effect of requiring higher loss absorbency capacity, liquidity surcharges, exposure limits and special resolution regimes for, and instituting more intensive and effective supervision of, systemically important financial institutions (SIFIs), in addition to the Basel III requirements otherwise applicable to most financial institutions. The implementation of these measures began in 2012 and full implementation is targeted for 2019. ING Bank has been designated by the Basel Committee and FSB as a so-called Global Systemically Important Banks (G-SIBs), most recently in November 2015, and by DNB and the Dutch Ministry of Finance as a domestic SIB (D-SIB) from November 2011 onward.

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For European banks these Basel III requirements have been implemented through the Capital Requirement Regulation (CRR) and the Capital Requirement Directive (CRD IV). The Dutch CRD IV Implementation Act has led to significant changes in the Dutch prudential law provisions, most notably with regard to higher capital and liquidity requirements for all banks. The CRD IV regime entered into effect in August 2014 in the Netherlands, but not all requirements are to be implemented all at once. Having started in 2014, the requirements will be gradually tightened, mostly before 2019, until the Basel III migration process is completed in 2022. While the full impact of the new Basel III rules, and any additional requirements for G-SIBs if and as applicable to the Group, will depend on how they are implemented by national regulators, including the extent to which such regulators and supervisors can set more stringent limits and additional capital requirements or surcharges, as well as on the economic and financial environment at the time of implementation and beyond, we expect these rules to have a material impact on ING s operations and financial condition and may require the Group to seek additional capital. The DNB requires the largest Dutch banks, including ING Group, to build up a 3% Systemic Risk Buffer during 2016-2019 in addition to the capital conservation buffer and the countercyclical buffer described above, but this buffer then includes both the G-SIB and domestic SIB buffers mentioned above.

Banks are also subject to Pillar 2 requirements. Based on an internal capital adequacy assessment process (ICAAP), the ECB has examined ING s capital adequacy and determined capital requirements for ING Group of 9.5%, which includes the capital conservation buffer (of 2.5% in 2018), but not the Systemic Risk Buffer (of 3% in 2018) nor the countercyclical buffer (in the current economic environment smaller than a few basis points).

ING Bank files consolidated quarterly and annual reports of its financial position and results with DNB in the Netherlands as well as with the ECB. ING Bank s independent auditors audit these reports on an annual basis.

United States

ING Bank has a limited direct presence in the United States through the facility of the ING Bank Representative Office in New York. Although the office s activities are strictly limited to essentially that of a marketing agent of bank products and services and a facilitator (i.e. the office may not take deposits or execute any transactions), the office is subject to the regulation of the State of New York Department of Financial Services and the Federal Reserve. ING Bank also has a subsidiary in the United States, ING Financial Holdings Corporation, which through several operating subsidiaries (one of which is registered with the U.S. Commodity Futures Trading Commission as a swap dealer and another of which is registered with the U.S. Securities and Exchange Commission as a securities broker-dealer) offers various financial products, including lending, and financial markets products. These entities do not accept deposits in the United States on their own behalf or on behalf of ING Bank N.V.

Anti-Money Laundering Initiatives and countries subject to sanctions

A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 (the USA PATRIOT Act) substantially broadened the scope of U.S. anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The U.S. Treasury Department has issued a number of implementing regulations, which apply various requirements of the USA PATRIOT Act to financial institutions such as our bank, broker-dealer and investment adviser subsidiaries and mutual funds advised or sponsored by our subsidiaries. Those regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. In addition, the bank regulatory agencies are imposing heightened standards, and law enforcement authorities have been taking a more active role. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious legal and reputational consequences for the institution.

For further information regarding compliance with relevant laws, regulations, standards and expectations by ING Bank and its business in certain specified countries, see Global Regulatory Environment above.

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 (ITRA), which was signed into law on 10 August 2012, added a new subsection (r) to Section 13 of the Securities Exchange Act of 1934, as amended, which requires us to disclose whether ING Group or any of its affiliates has engaged during the calendar year in certain Iran-related activities, including any transaction or dealing with the Government of Iran that is not conducted pursuant to a specific authorisation of the U.S. government.

ING Bank maintains a limited legacy portfolio of guarantees, accounts, and loans that involve various entities with a (perceived) Iranian nexus. These positions remain on the books, but accounts related thereto are frozen under applicable laws and procedures. Any interest or other payments ING Bank is legally required to make in connection with said positions are made into frozen accounts. Funds can only be withdrawn by relevant Iranian parties from these frozen accounts after due regulatory consent from the relevant competent authorities. ING Bank has strict controls in place to ensure that no unauthorised account activity takes place while the account is frozen . ING Bank may receive loan repayments, but all legacy loan repayments received by ING Bank have been duly authorised by the relevant competent authorities. For the relevant period, ING Group had gross revenues of approximately USD 10.2 million, which was principally related to legacy loan repayment, and ING Group estimates that it had net profit of approximately USD75,834. ING Bank intends to terminate each of the legacy positions as the nature thereof and applicable law permits.

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Australia

ING s banking activities are undertaken in Australia by ING Bank (Australia) Limited (trading as ING Direct) and ING Bank NV Sydney Branch. Banking activities, specifically licensing of an Authorised Deposit Taking Institution (ADI) in Australia are subject to regulation by the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC). In addition ING entities are required to comply with the requirements under the Anti-Money Laundering and Counter Terrorism Financing Act that is subject to regulatory compliance oversight by the Australian Transaction Reports and Analysis Centre (AUSTRAC).

APRA is responsible for the prudential regulation of banks and ADI s, life and general insurance companies, superannuation funds and Retirement Savings Account Providers. ASIC regulates corporate entities, markets, financial services and consumer credit activities. ASIC s aim is to protect markets and consumers from manipulation, deception and unfair practices and also promote confident participation in the financial system.

As an Australian incorporated subsidiary, ING Bank (Australia) Limited is required to comply with corporate requirements and in the event of listing of issued debt securities to comply with Australian Securities Exchange listing and disclosure requirements. ING Bank (Australia) Limited must demonstrate compliance with financial services laws as a condition to maintaining its AFSL and ACL. ING Bank N.V., Sydney Branch is not an Australian incorporated legal entity. ING Bank N.V., Sydney Branch holds its own banking ADI license and AFSL which is limited to the provision of financial services to wholesale clients.

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COMPETITION

ING is a global financial institution with a strong European base, offering banking services. We draw on our experience and expertise, our commitment to excellent service and our global scale to meet the needs of a broad customer base, comprising individuals, families, small businesses, large corporations, institutions and governments.

There is substantial competition in the Netherlands and the other countries in which we do business for the types of wholesale banking, retail banking, investment banking and other products and services we provide. Customer loyalty and retention can be influenced by a number of factors, including brand recognition, reputation, relative service levels, the prices and attributes of products and services, scope of distribution, credit ratings and actions taken by competitors. A decline in our competitive position as to one or more of these factors could adversely impact our ability to maintain or further increase our market share, which would adversely affect our results of operations. Such competition is most pronounced in our more mature markets of the Netherlands, Belgium, the rest of Western Europe and Australia. In recent years, however, competition in emerging markets, such as Latin America, Asia and Central and Eastern Europe, has also increased as large financial services companies from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and proceeded to form alliances, mergers or strategic relationships with our competitors.

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

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

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

As competition from outside the banking sector continues to increase, we have to become faster, more agile and more innovative. ING s solid foundations give us an excellent platform from which to face existing and future challenges and become a better company for all our stakeholders. We have a long track record as a financial institution and a strong brand. We are a leader in digital banking, and we have scale combined with local market expertise. We are investing in building profitable, mutually beneficial relationships with our customers, based on the quality of our service and a differentiating customer experience.

We place a high priority on innovation within ING to stay on top of the pace of change around us and meet changing customer needs. We promote an internal culture of innovation and also partner with external parties with specialised knowledge to accelerate the pace of innovation. We are experimenting with the agile way of working to increase the pace of innovation. We also strive to create intellectual capital through the expertise we are developing in areas like environmental and social risk management, sustainable finance and data analytics. We aim to share knowledge via different networks and for example our ING Economics Department publications.

We believe we are currently one of the front-runners in digital innovation in the banking sector, but we are not complacent. Many of our retail customers are avid users of technological devices. Expectations keep rising: customers are well informed, they know what they want and they want it immediately. We are investing resources to ensure that we become faster and more agile, and increase our innovative capabilities.

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

New European Union (EU) legislation will have an impact on the Retail Banking operating environment and increase competition in European countries where we are active. The Payment Services Directive- II (PSD-II), to be implemented in 2017, will allow non-bank competitors to offer third-party payment services to consumers. The EU is also preparing legislation for a Digital Single Market and enabling the free flow of digital products and services across Europe. This will help digital service providers to quickly achieve scale across borders.

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

Wholesale Banking plays a key role in the bank s Think Forward strategy. The development of our lending capabilities, in particular in our funding-rich countries, helps support ING s sustainable growth ambitions. Many of our relationships with corporate clients are anchored through our General Lending capabilities. The challenge in this area is maintaining margins and volumes within our established risk appetite while competition intensifies. This is particularly true in markets where large domestic competitor banks are actively protecting their core franchises. Nevertheless ING holds a position as market leader in the Benelux, number one bookrunner in the syndicated loan market in Central Eastern Europe and a top-10 position in the overall European syndicated loan market.

At the same time, we are investing in our flow capabilities in Transaction Services and Financial Markets. In Transaction Services, Working Capital Solutions (WCS) is a growth area as treasurers seek ways to unlock funds trapped in their supply chains. We aim to increase both the number of clients and our share of their flow business. The exit of a major global competitor from transaction services in Europe in 2015 offered a unique chance to support those organisations seeking replacement services. We expect our investments and efforts to capture flow business will help us improve our position in the market.

The rise in mobile and digital banking has changed the expectations and needs of our corporate customers. Our InsideBusiness online platform empowers clients to conduct transactions online and get key information that affects their companies financial position from any internet-enabled device, at any time.

We not only strengthened our digital presence and offering, we also invested in our network to serve our clients better and to seize growth opportunities in different geographies. In 2015, we added Chicago to our existing US locations in Los Angeles, Atlanta, New York, Houston and Dallas. And we initiated commodity trade finance services from our New York office a business we have extensive experience in. We also strengthened our network and presence to support clients in China, Colombia, Sweden, Kazakhstan and India. In Seoul, South Korea, we are planning to open a securities branch to expand our product and client coverage into capital markets.

The primary objective of the remuneration policy is to enable ING to retain and recruit qualified and expert leaders, senior staff and other highly qualified employees. The remuneration policy forms an integral part of ING s strategy and risk profile and maintains a sustainable balance between short-term and long-term value creation, building on ING s long-term responsibility towards clients, employees, society, providers of capital and other stakeholders.

November 2014 marked the start of the Single Supervisory Mechanism (SSM), with a central role for the ECB in the prudential supervision of eurozone banks.

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

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

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

With SSM and SRM, two of the three pillars of Banking Union have been established. The final pillar, mutualisation of deposit guarantee schemes is the last remaining pillar, which is progressing at a much slower pace. Lack of a common European deposit guarantee scheme leaves the eurozone potentially vulnerable to bank-sovereign interdependency, despite the existence of the SSM. For national sovereigns remain, explicitly or implicitly, a liquidity provider of last resort for the deposit insurance scheme.

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The laws and regulations that we are subject to are becoming increasingly extensive and complex. They also change frequently, and regulators are applying increased scrutiny to the industries in which we operate, and to ING itself. This is placing an increasing burden on our resources and expertise and requiring implementation and monitoring measures that are costly. In particular, the large number of new regulatory initiatives and consultations concerning banks capitalisation continued to be a source of uncertainty in 2015. Examples are the ongoing discussions on bail-in-able instruments (MREL/TLAC), but also discussions in the Basel Committee about the risk weighting methodology and the interest rate risk in the banking book. Our main concern is that there is insufficient overview of the combined impact of all initiatives. Moreover, it is unclear what regulatory end-state policymakers are aiming for. This regulatory uncertainty complicates multi-year strategic planning and pushes banks towards confining themselves to no-regret decisions. Also considering the competitive pressures and fast market developments outlined below, we believe this piecemeal approach to regulation is not in the best interest of banks and their stakeholders.

RATINGS

We rely upon the short-term and long-term debt capital markets for funding, and the cost and availability of debt financing can be influenced by our credit ratings. Credit ratings may also be important to customers and counterparties when we are competing in certain markets.

ING Groep N.V. s long-term senior debt is rated A- (with stable outlook) by Standard & Poor s Ratings Service (Standard & Poor s), a division of the McGraw-Hill Companies, Inc. ING Groep N.V. s long-term senior debt is rated Baa1 (with stable outlook) by Moody s Investors Service (Moody s). ING Groep N.V. s long term senior debt is rated (with stable outlook) by Fitch Ratings (Fitch).

ING Bank N.V. s long-term senior debt held an A (with stable outlook) rating by Standard & Poor s. Moody s rated ING Bank N.V. s long-term senior debt at A1 (with stable outlook). Finally, ING Bank N.V. s long-term senior debt was rated A (with stable outlook) by Fitch Ratings, Ltd.

ING Bank N.V. s short-term senior debt held a rating of A-1 by Standard & Poor s and Prime-1 (P-1) by Moody s. Fitch rated ING Bank N.V. s short-term senior debt F1 .

All ratings are provided as of 31 December 2015, and are still current at date of filing.

DESCRIPTION OF PROPERTY

ING predominantly leases the land and buildings used in the normal course of its business. In addition, ING has part of its investment portfolio invested in land and buildings. Management believes that ING s facilities are adequate for its present needs in all material respects.

Item 4A. Unresolved Staff comments

None.

Item 5. Operating and financial review and prospects

The following review and prospects should be read in conjunction with the consolidated financial statements and the related Notes thereto included elsewhere herein. The consolidated financial statements have been prepared in *accordance with IFRS-IASB. Unless otherwise indicated, financial information for ING Group included herein is presented on a consolidated basis under IFRS-IASB.*

FACTORS AFFECTING RESULTS OF OPERATIONS

ING Group s results of operations are affected by demographics and by a variety of market conditions, including economic cycles, banking industry cycles and fluctuations in stock markets, interest and foreign exchange rates, political developments and client behavior changes. See Item 3. Key information Risk Factors for more factors that can impact ING Group s results of operations.

Financial environment

See Item 4. Market and regulatory context for more information on the financial environment.

Fluctuations in equity markets

Our banking operations are exposed to fluctuations in equity markets. ING Bank maintains an internationally diversified and mainly client-related trading portfolio. Accordingly, market downturns are likely to lead to declines in securities trading and brokerage activities which we execute for customers and therefore to a decline in related commissions and trading results. In addition to this, ING Bank also maintains equity investments in its own non-trading books. Fluctuations in equity markets may affect the value of these investments.

Fluctuations in interest rates

Our banking operations are exposed to fluctuations in interest rates. Mismatches in the interest repricing and maturity profile of assets and liabilities in our balance sheet can affect the future interest earnings and economic value of the bank s underlying banking operations. In addition, changing interest rates may impact the (assumed) behavior of our customers, impacting the interest rate exposure, interest hedge positions and future interest earnings, solvency and economic value of the bank s underlying banking operations. In the current low (and potentially negative) interest rate environment in the Eurozone, the stability of future interest earnings and margin also depends on the ability to actively manage pricing of customer assets and liabilities. Especially, the pricing of customer savings portfolios in relation to repricing customer assets and other investments in our balance sheet is a key factor in the management of the bank s interest earnings.

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Fluctuations in exchange rates

ING Group is exposed to fluctuations in exchange rates. Our management of exchange rate sensitivity affects the results of our operations through the trading activities for our own account and because we prepare and publish our consolidated financial statements in euros. Because a substantial portion of our income and expenses is denominated in currencies other than euros, fluctuations in the exchange rates used to translate foreign currencies, particularly the U.S. Dollar, Pound Sterling, Turkish Lira, Chinese Renminbi, Australian Dollar, Polish Zloty, Korean Won, the Indian Rupee, Brazilian Real and Russian Ruble into euros will impact our reported results of operations and cash flows from year to year. This exposure is mitigated by the fact that realized results in non-euro currencies are translated into euro by monthly hedging. See Note 41 of Note 2.1 to the consolidated financial statements. Fluctuations in exchange rates will also impact the value (denominated in euro) of our investments in our non-euro reporting subsidiaries. The impact of these fluctuations in, exchange rates is mitigated to some extent by the fact that income and related expenses, as well as assets and liabilities, of each of our non-euro reporting subsidiaries are generally denominated in the same currencies. This translation risk is managed by taking into account the effect of translation results on the core Tier-1 ratio.

For the years 2015, 2014 and 2013, the year-end exchange rates (which are the rates ING uses in the preparation of the consolidated financial statements for balance sheet items not denominated in euros), and the average quarterly exchange rates (which are the rates ING uses in the preparation of the consolidated financial statements for income statement items and cash flows not denominated in euros) were as follows for the currencies specified below:

Average	**4Q 2015**	**3Q 2015**	**2Q 2015**	**1Q 2015**
U.S. Dollar	1.093	1.114	1.102	1.137
Australian Dollar	1.526	1.534	1.429	1.448
Brazilian Real	4.295	3.938	3.434	3.243
Chinese Renminbi	6.984	7.005	6.833	7.080
Pound Sterling	0.724	0.720	0.721	0.746
Indian Rupee	72.070	72.416	69.898	70.898
Korean Won	1,271.902	1,296.208	1,213.660	1,250.293
Turkish Lira	3.217	3.178	2.929	2.805
Polish Zloty	4.262	4.199	4.109	4.185
Russian Rouble	73.576	69.379	60.022	70.981

Average	**4Q 2014**	**3Q 2014**	**2Q 2014**	**1Q 2014**
U.S. Dollar	1.244	1.320	1.373	1.373
Australian Dollar	1.453	1.437	1.477	1.533
Brazilian Real	3.137	3.009	3.062	3.220
Chinese Renminbi	7.652	8.140	8.556	8.402
Pound Sterling	0.784	0.792	0.817	0.828
Indian Rupee	77.206	80.034	82.190	84.499
Korean Won	1,346.868	1,355.481	1,417.828	1,465.069
Turkish Lira	2.810	2.869	2.912	3.013
Polish Zloty	4.216	4.179	4.169	4.186
Russian Rouble	59.406	48.088	47.978	47.893

Average	4Q 2013	3Q 2013	2Q 2013	1Q 2013
U.S. Dollar	1.363	1.327	1.299	1.317
Australian Dollar	1.480	1.454	1.317	1.271
Brazilian Real	3.115	3.017	2.711	2.642
Chinese Renminbi	8.303	8.129	8.004	8.193
Pound Sterling	0.838	0.855	0.850	0.845
Indian Rupee	84.637	82.304	72.748	71.366
Korean Won	1,447.984	1,475.122	1,456.873	1,430.834
Turkish Lira	2.791	2.631	2.412	2.356
Polish Zloty	4.190	4.265	4.237	4.152
Russian Rouble	44.504	43.600	41.170	40.234

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Year-end	2015	2014	2013
U.S. Dollar	1.089	1.215	1.378
Australian Dollar	1.490	1.482	1.542
Brazilian Real	4.313	3.229	3.254
Chinese Renminbi	7.069	7.533	8.341
Pound Sterling	0.734	0.779	0.833
Indian Rupee	72.085	76.843	85.124
Korean Won	1,276.681	1,335.467	1,454.472
Turkish Lira	3.182	2.829	2.946
Polish Zloty	4.265	4.288	4.153
Russian Rouble	79.963	72.267	45.264

Sovereign Debt Exposures

For information regarding certain sovereign debt exposures, see Note 5 Investments of Note 2.1.2 and Note 2.2.1 Risk Management to the consolidated financial statements.

Critical Accounting Policies

See Note 1 Accounting policies of Note 2.1 to the consolidated financial statements.

CONSOLIDATED RESULTS OF OPERATIONS

ING Group evaluates the results of its banking segments using a financial performance measure called underlying result. As of 2015 the financial performance of the banking segments has been adjusted, including a restatement to reflect the segmentation of ING Turkey into Retail Banking and Wholesale Banking (previously fully in Retail Banking). Additionally, underlying results have been restated to reflect the bank-wide allocation of Bank Treasury (excluding the isolated legacy costs recorded on the Corporate Line) across both Retail and Wholesale Banking segments in all countries, whereas they were previously fully allocated in either Retail Banking or Wholesale Banking. Furthermore, underlying results have been restated to reflect the replacement of interest benefit on economic capital by interest benefit on total capital (based on total capital ratio of 15%). The presentation of previously reported underlying profit and loss figures has been adjusted accordingly. Special items include items of income or expense that are significant and arise from events or transactions that are clearly distinct from ordinary operating activities. Disclosures on comparative periods also reflect the impact of current period s divestments.

While items excluded from underlying result are significant components in understanding and assessing the Group s consolidated financial performance, ING Group believes that the presentation of underlying result before tax enhances the understanding and comparability of its segment performance by highlighting result before tax attributable to ongoing operations and the underlying profitability of the segment businesses. For example, ING believes that trends in the underlying profitability of its segments can be more clearly identified without the effects of the realized gains/losses on divestures as the timing is largely subject to the Company s discretion, influenced by market opportunities and ING Group does not believe that they are indicative of future results. Underlying result before tax is not a substitute for result before tax as determined in accordance with IFRS-IASB. ING Group s definition of underlying result before tax may differ from those used by other companies and may change over time.

The section Segment Reporting Banking Operations on next pages presents the segment results on the basis of the performance measure underlying result. For further information on underlying result for the banking activities, as well as the reconciliation of our segment underlying result before tax to our net result, see note 36 of Note 2.1 to the consolidated financial statements.

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Group Overview

The following table sets forth the consolidated results of ING Group in accordance with IFRS-IASB for the years ended 31 December 2015, 2014 and 2013:

IFRS-IASB Consolidated Income Statement

Amounts in millions of euros	**2015**	**2014**	**2013**
Continuing operations			
Interest income	46,321	48,163	51,394
Interest expense	33,760	35,859	39,693
Net interest result	12,561	12,304	11,701
Commission income	2,318	2,293	2,204
Investment and Other income	3,128	617	3,191
Total income	**18,007**	**15,214**	**17,096**
Operating expenses	9,326	10,259	8,834
Addition to loan loss provision	1,347	1,594	2,289
Total expenditure	**10,673**	**11,853**	**11,123**
Result before tax	**7,334**	**3,361**	**5,973**
Taxation	1,924	859	1,498
Net result from continuing operations	5,410	2,502	4,475
Net result from discontinued operations	-76	-1,375	680
Minority interests from continuing and discontinued operations	408	164	265
Net result IFRS-IASB	**4,926**	**963**	**4,890**
Underlying result before tax	7,120	4,378	6,128
Taxation	1,954	1,109	1,537
Minority interests continuing operations	72	79	90
Underlying net result	**5,095**	**3,191**	**4,501**
Divestments [1]	367	202	-42
Special items [2]	-58	-1,021	-82
Legacy Insurance	-63	52	20
Result from discontinued operations [3]	-415	-1,460	495
Net result IFRS-IASB	**4,926**	**963**	**4,890**

1. Divestments Bank: net gain on merger between ING Vysya Bank and Kotak Mahindra Bank (EUR 367 million, 2015), result on the deconsolidation of ING Vysya Bank (EUR 202 million, 2014), sale of ING Direct UK (EUR -42 million, 2013).
2. Special items Bank: Retail Netherlands strategy (EUR -58 million, 2015, EUR -63 million, 2014, EUR -92 million, 2013), impact of the changes for making the Dutch Defined Benefit pension fund financially independent (EUR -653 million, 2014), tax related to the SNS Reaal nationalization (EUR -304 million, 2014), new Dutch employee pension scheme (EUR 28 million, 2013), separation costs and other restructuring provisions (EUR -19 million, 2013).
3. Attributable to the equityholder of the parent, reference is made to Note 33 Discontinued operations for more information on discontinued business.

Year ended 31 December 2015 compared to year ended 31 December 2014

ING Group posted a strong set of full-year 2015 results, driven by higher net interest results and lower risk costs. This was realized despite a sharp increase in regulatory costs during 2015. ING Group s net profit increased to EUR 4,926 million from a net result of EUR 963 million in 2014. ING Group s 2015 net result includes EUR 367 million of divestments, EUR -415 million from discontinued operations, EUR -63 million from Legacy Insurance and EUR -58 million of special items.

Underlying net result for 2015 was EUR 5,095 million, an increase of 59.7% from EUR 3,191 million. Underlying net result is derived from total net result by excluding the impact from divestments, discontinued operations, legacy insurance and special items.

Year ended 31 December 2014 compared to year ended 31 December 2013

ING Group posted a strong set of full-year 2014 results. Higher interest results, strict costs control and lower risk costs drove the underlying net profit. ING Group s 2014 net result decreased to EUR 963 million from a net result of EUR 4,890 million in 2013. ING Group s 2014 net result includes EUR 202 million of divestments, EUR -1,460 million from discontinued operations, EUR 52 million from Legacy Insurance and EUR -1,021 million of special items.

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Underlying net result for 2014 was EUR 3,191 million, a decrease of 29.1% from EUR 4,501 million a year earlier. Underlying net result is derived from total net result by excluding the impact from divestments, discontinued operations, legacy insurance and special items.

SEGMENT REPORTING

ING Group s segments are based on the internal reporting structures. The following table specifies the segments by line of business and the main sources of income of each of the segments:

Retail Netherlands (Market Leaders)

Income from retail and private banking activities in the Netherlands, including the SME and mid-corporate segments. The main products offered are current and savings accounts, business lending, mortgages and other consumer lending in the Netherlands.

Retail Belgium (Market Leaders)

Income from retail and private banking activities in Belgium, including the SME and mid-corporate segments. The main products offered are similar to those in the Netherlands.

Retail Germany (Challengers and Growth Markets)

Income from retail and private banking activities in Germany. The main products offered are current and savings accounts, mortgages and other customer lending.

Retail Other (Challengers and Growth Markets)

Income from retail banking activities in the rest of the world, including the SME and mid-corporate segments in specific countries. The main products offered are similar to those in the Netherlands.

Wholesale Banking

Income from wholesale banking activities (a full range of products is offered from cash management to corporate finance), real estate and lease. As of January 2016, ING s Commercial Banking activities are renamed to Wholesale Banking.

The Executive Board of ING Group and the Management Board Banking set the performance targets, approve and monitor the budgets prepared by the business lines. Business lines formulate strategic, commercial and financial policy in conformity with the strategy and performance targets set by the Executive Board of ING Group and the Management Board Banking.

The accounting policies of the segments are the same as those described in Note 1 Accounting policies of Note 2.1 to the consolidated financial statements. Transfer prices for inter-segment transactions are set at arm s length. Corporate expenses are allocated to business lines based on time spent by head office personnel, the relative number of staff, or on the basis of income, expenses and/or assets of the segment.

As of 1 January 2015, the segment Retail Rest of the World is renamed to Retail Other. In addition to this, the attribution of Underlying result to segments is changed as follows:

- Interest benefit on economic capital is replaced by Interest benefit on total capital resulting in a reallocation between Retail Banking, Wholesale Banking and Corporate Line Banking in the line Interest result Banking operations

- ING Turkey, previously fully reported within Retail Banking, is now segmented to both Retail Banking and Wholesale Banking

- Bank Treasury (excluding isolated legacy costs recorded within Corporate Line) is now allocated to both Retail Banking and Wholesale Banking. Previously, Bank Treasury was allocated to Retail and/or Wholesale Banking on a country-by-country basis.

The presentation of previously reported underlying profit and loss figures has been restated to reflect the above changes.

ING Group evaluates the results of its banking segments using a financial performance measure called underlying result. Underlying result is derived by excluding from IFRS-IASB the following: special items; the impact of divestments and Legacy Insurance.

Special items include items of income or expense that are significant and arise from events or transactions that are clearly distinct from the ordinary operating activities. Disclosures on comparative periods also reflect the impact of current period s divestments. Legacy Insurance consists of the intercompany eliminations between ING Bank and NN Group until deconsolidation at the end of May 2015, the results from Insurance Other and the results from discontinued operations. Insurance Other reflects (former) insurance related activities that are not part of the discontinued operations.

In 2014, ING Group s underlying result was adjusted in order to better reflect the performance of the Total banking business. Therefore, the remaining insurance activities (included in Insurance Other) as well as the intercompany eliminations between ING Bank and NN Group is no longer included as part of ING Group s underlying result.

Following the classification of NN Group as discontinued operations in 2014, the Insurance segments (Netherlands Life, Netherlands Non-Life, Insurance Europe, Japan Life, Investment Management, Other and Japan Closed Block VA) ceased to exist.

Corporate Line Banking

In addition to these segments, ING Group reconciles the total segment results to the total result of Banking using Corporate Line Banking. The Corporate Line Banking is a reflection of capital management activities and certain expenses that are not allocated to the banking businesses. ING Group applies a system of capital charging for its banking operations in order to create a comparable basis for the results of business units globally, irrespective of the business units book equity and the currency they operate in.

Underlying result as presented below is a non-GAAP financial measure and is not a measure of financial performance under IFRS-IASB. Because underlying result is not determined in accordance with IFRS-IASB, underlying result as presented by ING may not be comparable to other similarly titled measures of performance of other companies. The underlying result of ING s segments is reconciled to the Net result as reported in the IFRS-IASB Consolidated profit and loss account below. The information presented in this note is in line with the information presented to the Executive and Management Boards.

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

For further information on underlying result for the banking activities, as well as the reconciliation of our segment underlying result before tax to our net result, see Note 36 of Note 2.1 to the consolidated financial statements.

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BANKING OPERATIONS

The following table sets forth the contribution of ING s banking business lines and the corporate line banking (CLB) to the underlying net result for each of the years 2015, 2014 and 2013.

1 January to 31 December 2015 Amounts in millions of euros	Retail Banking Netherlands	Retail Banking Belgium	Retail Banking Germany	Retail Other	Wholesale Banking	Corporate Line Banking	Total Banking
Underlying income:							
- Net interest result	3,683	1,953	1,634	1,906	3,567	-153	12,590
- Commission income	515	397	172	276	964	-4	2,320
- Total investment and other income	205	195	104	186	2,239	-127	2,803
Total underlying income	**4,403**	**2,546**	**1,910**	**2,369**	**6,770**	**-285**	**17,713**
Underlying expenditure:							
- Operating expenses	2,475	1,532	842	1,582	2,571	245	9,246
- Additions to loan loss provision	433	169	57	210	478	0	1,347
Total underlying expenses	**2,908**	**1,701**	**899**	**1,792**	**3,048**	**245**	**10,593**
Underlying result before taxation	**1,495**	**845**	**1,012**	**577**	**3,721**	**-530**	**7,120**
Taxation	391	255	328	142	962	-125	1,953
Minority interest	0	6	2	48	16	0	72
Underlying net result	**1,104**	**583**	**681**	**387**	**2,744**	**-404**	**5,095**
Divestments	0	0	0	367	0	0	367
Special items	-58	0	0	0	0	0	-58
Net result IFRS-IASB	**1,046**	**583**	**681**	**754**	**2,744**	**-404**	**5,404**

1 January to 31 December 2014 Amounts in millions of euros	Retail Banking Netherlands	Retail Banking Belgium	Retail Banking Germany	Retail Other	Wholesale Banking	Corporate Line Banking	Total Banking
Underlying income:							
- Net interest result	3,778	1,998	1,500	1,806	3,534	-240	12,376
- Commission income	464	376	143	329	980	-2	2,290
- Total investment and other income	87	243	-27	201	33	-253	285
Total underlying income	**4,330**	**2,617**	**1,615**	**2,336**	**4,548**	**-496**	**14,951**
Underlying expenditure:							
- Operating expenses	2,678	1,524	773	1,481	2,407	116	8,979
- Additions to loan loss provision	714	142	72	165	500	0	1,594

Total underlying expenses	**3,392**	**1,667**	**845**	**1,646**	**2,907**	**116**	**10,573**
Underlying result before taxation	**938**	**951**	**771**	**690**	**1,641**	**-611**	**4,378**
Taxation	243	256	230	139	357	-117	1,108
Minority interest	0	1	1	51	26	0	79
Underlying net result	**694**	**693**	**540**	**500**	**1,258**	**-494**	**3,191**
Divestments	0	0	0	202	0	0	202
Special items	-63	0	0	0	0	-957	-1,021
Net result IFRS-IASB	**631**	**693**	**540**	**702**	**1,258**	**-1,451**	**2,373**

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1 January to 31 December 2013 Amounts in millions of euros	Retail Banking Netherlands	Retail Banking Belgium	Retail Banking Germany	Retail Other	Wholesale Banking	Corporate Line Banking	Total Banking
Underlying income:							
- Net interest result	3,610	1,860	1,303	1,804	3,250	-23	11,804
- Commission income	460	343	114	342	989	-5	2,244
- Total investment and other income	128	194	-30	259	2,863	-352	3,062
Total underlying income	**4,198**	**2,397**	**1,387**	**2,405**	**7,102**	**-380**	**17,111**
Underlying expenditure:							
- Operating expenses	2,409	1,500	709	1,600	2,352	125	8,694
- Additions to loan loss provision	877	183	82	279	868	0	2,288
Total underlying expenses	**3,286**	**1,683**	**790**	**1,878**	**3,220**	**125**	**10,982**
Underlying result before taxation	**912**	**715**	**597**	**527**	**3,882**	**-505**	**6,128**
Taxation	241	213	185	120	963	-184	1,537
Minority interest	0	-4	1	66	27	0	90
Underlying net result	**672**	**506**	**412**	**342**	**2,892**	**-322**	**4,501**
Divestments	0	0	0	-42	0	0	-42
Special items	-107	0	0	0	0	25	-82
Net result IFRS-IASB	**564**	**506**	**412**	**299**	**2,892**	**-297**	**4,377**

Year ended 31 December 2015 compared to year ended 31 December 2014

ING s banking operations posted a strong performance in 2015 resulting in a underlying result before tax (excluding the impact of divestments and special items) of EUR 7,120 million compared with EUR 4,378 million in 2014. This increase in result was boosted by a EUR 1,507 million positive swing in fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios in the Benelux, Germany and the Czech Republic. These fair value changes are mainly caused by changes in market interest rates. As explained on page F-18, no hedge accounting is applied to these derivatives under IFRS-IASB. Excluding these fair value changes, the underlying result before tax rose 26.1% to EUR 5,959 million in 2015 from EUR 4,724 million in 2014, mainly reflecting higher interest results and lower risk costs. This strong performance was realised despite a sharp increase in regulatory costs during 2015.

Net result from banking operations (including the impact from divestments and special items) rose to EUR 5,404 million in 2015 from EUR 2,373 million in 2014. Results on divestments and special items contributed EUR 309 million to the net profit in 2015 versus EUR -818 million in 2014. Divestments and special items in 2015 included a EUR 367 million net gain resulting from the merger between ING Vysya Bank and Kotak Mahindra Bank and EUR -58 million of special items after tax related to restructuring programmes in Retail Netherlands that were announced before 2013. Divestment and special items in 2014 related to a EUR 653 million net charge to make the Dutch closed defined benefit pension fund financially independent, EUR 304 million of bank taxes related to the nationalisation of SNS in the Netherlands and EUR -63 million of special items after tax related to restructuring programmes in Retail Netherlands. This was partly offset by a EUR 202 million net gain on the deconsolidation of ING Vysya Bank following its reclassification as an investment in an associate under equity accounting at the end of the first quarter of

2014.

Total underlying income rose 18.5% to EUR 17,713 million, from 14,951 million in 2014. The underlying interest result increased 1.7% to EUR 12,590 million driven by a higher average balance sheet, whereas the interest margin declined to 1.46% from 1.51% in 2014. The interest margin on lending and savings products improved slightly, supported by repricing in the loan book and further reduction of client savings rates in several countries. This was more than offset by lower margins on current accounts due to the low interest environment and lower interest results at Financial Markets. Customer lending and deposits volumes increased except for residential mortgages due to the continued transfer of WestlandUtrecht Bank (WUB) assets to NN Group, the run-off in the WUB portfolio and the sale of white-labelled mortgage portfolios in Australia. Commission income rose 1.3% to EUR 2,320 million. Investment and other income jumped to EUR 2,803 million, from EUR 285 million in 2014. This increase was mainly explained by the aforementioned EUR 1,507 million positive swing in fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios, a positive swing in credit and debt valuation adjustments (CVA/DVA) in Wholesale Banking and the Corporate Line (which were EUR 224 million in 2015, compared with EUR -273 million in 2014) and higher other revenues at Financial Markets.

Underlying operating expenses increased 3.0% to EUR 9,246 million, compared with EUR 8,979 million in 2014. In 2015, expenses included EUR 620 million of regulatory expenses (including contributions to the new national resolution funds and a one-off charge in Poland related to the bankruptcy of SK Bank) compared with EUR 408 million of regulatory expenses in 2014. The fourth quarter of 2015 also included a number of smaller restructuring provisions in Retail Benelux and Wholesale Banking which in aggregate amounted to EUR 120 million, whereas 2014 included EUR 399 million of redundancy provisions. Excluding both items, expenses increased by EUR 334 million, or 4.1%. This increase was partly visible in the Corporate Line, where expenses were EUR 122 million higher year-on-year, mainly due to large releases from DGS-related provisions and high value-added tax refunds in 2014. The remaining increase was mainly caused by investments to support business growth in Retail Challengers & Growth Markets and Wholesale Banking, IT investments in the Netherlands and a provision for potential compensation related to certain floating interest rate loans and interest rate derivatives that were sold in the Netherlands, partly offset by the benefits from the ongoing cost-saving programmes.

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

Year ended 31 December 2014 compared to year ended 31 December 2013

ING s banking operations posted a strong performance in 2014 resulting in a underlying result before tax (excluding the impact of divestments and special items) of EUR 4,378 million. However, compared with 2013, the underlying result before tax declined by EUR 1,750 million or 28.6%. This decrease was due to a EUR 2,151 million negative swing in fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios in the Netherlands, Belgium and the Czech Republic. These fair value changes are mainly caused by changes in market interest rates. As explained on page F-18, no hedge accounting is applied to these derivatives under IFRS-IASB. Excluding these fair value changes, the underlying result before tax rose 9.3% to EUR 4,724 million in 2014 from EUR 4,323 million in 2013, mainly reflecting higher interest results, strict cost control and lower risk costs. This strong performance was achieved despite EUR 273 million on negative credit and debt valuation adjustments (CVA/DVA) in Wholesale Banking and the Corporate Line, and EUR 399 million of redundancy provisions recorded 2014, which related principally to the further digitalization of our banking services in the Netherlands.

Net result from banking operations (including the impact from divestments and special items) decreased to EUR 2,373 million in 2014 from EUR 4,377 million in 2013. In 2014, special items mainly related to a EUR 653 million net charge to make the Dutch closed defined benefit pension fund financially independent and EUR 304 million of bank taxes related to the nationalization of SNS. This was partly offset by a EUR 202 million gain on the deconsolidation of ING Vysya Bank following its reclassification as an investment in an associate under equity accounting at the end of the first quarter. In 2013, the net impact of the divested ING Direct UK activities was EUR -42 million, while special items after tax were EUR -82 million. These items primarily reflect after-tax charges for the earlier announced restructuring programmes in Retail Netherlands and an additional provision release related to the new Dutch employee pension scheme announced in 2012.

Total underlying income declined 12.6% to EUR 14,951 million in 2014, from EUR 17,111 million in 2013. The underlying interest result increased 4.8% to EUR 12,376 million driven by an improvement of the interest margin to 1.51% from 1.42% in 2013, whereas the average balance sheet slightly declined by 1.3%. The interest margin on lending and savings products improved, supported by repricing in the loan book and further reduction of client savings rates in several countries. This more than offset the impact of lower average lending volumes, mainly caused by the sale and transfers of WestlandUtrecht Bank (WUB) assets to NN Group and the deconsolidation of ING Vysya Bank, lower margins on current accounts due to the low interest environment, and lower interest results at Bank Treasury. Commission income rose 2.0% to EUR 2,290 million. Investment and other income fell to EUR 285 million, from EUR 3,062 million in 2013. This decline was mainly explained by the aforementioned EUR 2,151 million negative swing in fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios, as well as the negative swing in CVA/DVA adjustments in Wholesale Banking and the Corporate Line (which were EUR 273 million negative in 2014, compared with EUR 74 million of positive CVA/DVA impacts in 2013), while 2013 was furthermore supported by a EUR 99 million one-off gain on the unwinding of the IABF following the agreement with the Dutch state. Excluding these items, investment and other income was 16.6% lower, mainly due to lower dividend income.

Underlying operating expenses increased 3.3% to EUR 8,979 million, compared with EUR 8,694 million in 2013. The increase was mainly due to EUR 399 million of redundancy provisions recorded in 2014 versus EUR 132 million of additional restructuring and redundancy charges taken in 2013. Excluding these items, expenses remained flat, as higher regulatory costs, higher pension costs and investments in future growth were offset by the benefits from ongoing cost-saving initiatives, the deconsolidation of ING Vysya Bank and lower impairments on real estate development projects.

The net addition to the provision for loan losses declined to EUR 1,594 million, from EUR 2,288 million in 2013. Risk costs were 55 basis points of average risk-weighted assets compared with 83 basis points in 2013. Most businesses, with the exception of Retail Netherlands, are now operating at around a normalized level of risk costs as the overall economic environment gradually improves.

The Banking business lines are analyzed using underlying result before tax in a format that is similar to the IFRS-IASB profit and loss account.

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RETAIL NETHERLANDS

Amounts in millions of euros	**2015**	**2014**	**2013**
Underlying income:			
Interest result	3,683	3,778	3,610
Commission income	515	464	460
Investment income and other income	205	87	128
Total underlying income	**4,403**	**4,330**	**4,198**
Underlying expenditure:			
Operating expenses	2,475	2,678	2,409
Additions to the provision for loan losses	433	714	877
Total expenditure	**2,908**	**3,392**	**3,286**
Underlying result before tax	1,495	938	912
Taxation	391	243	241
Minority interests			
Underlying net result	**1,104**	**694**	**671**
Special items	-58	-63	-107
Net result	**1,046**	**631**	**564**

Year ended 31 December 2015 compared to year ended 31 December 2014

The underlying result before tax of Retail Netherlands rose to EUR 1,495 million from EUR 938 million in 2014, mainly due to lower risk costs and lower expenses. Operating expenses declined by EUR 203 million, predominantly due to EUR 349 million of redundancy provisions taken in 2014. Excluding these provisions, underlying result before tax rose 16.2%. Underlying income increased 1.7% to EUR 4,403 million. The interest result was supported by higher margins on lending and savings, which largely compensated for a decline in lending volumes. Lower lending volumes were partly caused by the continued transfer of Westland Utrecht (WUB) mortgages to NN Group and the run-off in the WUB portfolio. Net core lending (excluding the WUB portfolio, Bank Treasury products and movement in the mortgage hedge) declined by EUR 2.9 billion due to higher repayments on mortgages and muted demand for business lending. The net production in customer deposits (excluding Bank Treasury) was EUR 3.5 billion, reflecting increases in both savings and current accounts. Commission income was up 11.0% and investment and other income rose by EUR 118 million, in part due to positive hedge ineffectiveness, while 2014 included a one-off loss on the sale of real estate in own use. Excluding the redundancy provisions in 2014, operating expenses increased 6.3%, mainly due to higher regulatory costs, investments in IT, some smaller restructuring provisions and a provision for potential compensation related to certain floating interest-rate loans and interest-rate derivatives that were sold in the Netherlands. This increase was partly offset by the benefits from the ongoing cost-savings programmes. The cost-savings programmes remain on track to realise EUR 675 million of annual cost savings by the end of 2017. Of this amount, EUR 438 million has been realised since 2011. Risk costs declined 39.4% to EUR 433 million from EUR

714 million in 2014, both in residential mortgages and business lending, supported by a recovery in the Dutch economy.

Underlying net result rose to EUR 1,104 million in 2015 compared with EUR 694 million in 2014, while the net result increased to EUR 1,046 million in 2015 compared with EUR 631 million in 2014. Special items after tax in 2015 were EUR -58 million, while special items after tax in 2014 were EUR -63 million. Both were fully related to restructuring programmes in Retail Netherlands that were announced before 2013.

Year ended 31 December 2014 compared to year ended 31 December 2013

The underlying result before tax of Retail Netherlands rose to EUR 938 million from EUR 912 million in 2013, mainly due to higher income and lower risk costs, while operating expenses increased substantially predominantly due to EUR 314 million of redundancy provisions to take the next step in digital banking in the Netherlands (announced on 25 November 2014), EUR 11 million for further restructuring at WUB (related to outsourcing of activities) and EUR 24 million of additional redundancy provisions taken in the third quarter, while 2013 included EUR 97 million of additional restructuring provisions. Excluding these provisions, underlying result before tax rose 27.6%. Underlying income increased to EUR 4,330 million, up 3.1% compared with EUR 4,198 million in 2013, reflecting higher margins on lending and savings, which more than compensated for a decline in volumes due to transfer of mortgages of WestlandUtrecht Bank (WUB) to NN Group as of mid-2013, higher mortgage prepayments and lower results from Bank Treasury. In 2014, the total mortgage portfolio declined by EUR 3.2 billion, of which EUR 1.2 billion was due to additional transfers of WUB mortgages to NN Bank. The net production in other customer lending (excluding Bank Treasury) was EUR -2.8 billion. Net production in customer deposits (excluding Bank Treasury) was EUR 0.6 billion in 2014, reflecting increases in savings partly offset by current accounts. Investment and other income declined by EUR 41 million on last year, in part due to a EUR 23 million one-off loss on the sale of real estate in own use in the second quarter of 2014. Excluding the aforementioned redundancy provisions, operating expenses increased 0.7% on 2013, as higher pension costs and IT spending were only partly offset by the benefits from the ongoing cost-efficiency programmes and the transfer of part of the WUB organization to NN Bank as of mid-2013. Net additions to loan loss provisions declined to EUR 714 million from EUR 877 million in 2013, both in residential mortgages and business lending, reflecting a gradual economic recovery in the Netherlands.

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Underlying net result rose to EUR 694 million in 2014 compared with EUR 672 million in 2013, while the net result increased to EUR 631 million in 2013 compared with EUR 564 million in 2013. Special items after tax in 2014 were EUR -63 million, fully related to the previously announced restructuring programmes. Special items after tax in 2013 were EUR -107 million, mainly related to the previously announced restructuring programmes and the transfer of WUB activities to NN Group.

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RETAIL BELGIUM

Amounts in millions of euros	**2015**	**2014**	**2013**
Underlying income:			
Interest result	1,953	1,998	1,860
Commission income	397	376	343
Investment income and other income	195	243	194
Total underlying income	**2,546**	**2,617**	**2,397**
Underlying expenditure:			
Operating expenses	1,532	1,524	1,500
Additions to the provision for loan losses	169	142	183
Total expenditure	**1,701**	**1,667**	**1,683**
Underlying result before tax	845	951	715
Taxation	255	256	213
Minority interests	6	1	-4
Underlying net result	**583**	**693**	**506**
Net result	**583**	**693**	**506**

Year ended 31 December 2015 compared to year ended 31 December 2014

The underlying result before tax of Retail Belgium fell 11.1% to EUR 845 million in 2015 compared with EUR 951 million in 2014, mainly due to lower income and higher risk costs. Underlying income declined 2.7% to EUR 2,546 million, from EUR 2,617 million in 2014. The interest result decreased 2.3% due to lower margins on lending products and current accounts, which was only partly compensated by higher volumes in most products. The net production in the customer lending portfolio (excluding Bank Treasury) was EUR 1.7 billion in 2015, of which EUR 1.1 billion in mortgages and EUR 0.6 billion in other lending. Net customer deposits grew by EUR 3.0 billion. Operating expenses increased 0.5% to EUR 1,532 million, as higher regulatory expenses and some additional restructuring costs were largely offset by a decrease in staff expenses and a value-added tax refund. The cost-savings programme announced by ING Belgium in early 2013 with the aim of realising EUR 160 million cost savings by the end of 2017 was successfully concluded by the end of 2015. Risk costs increased by EUR 27 million to EUR 169 million, or 59 basis points of average risk-weighted assets. The increase was mainly in business lending and consumer lending, while risk costs for mortgages declined.

Both underlying net result and net result decreased by EUR 110 million, or 15.9%, to EUR 583 million in 2015 from EUR 693 million in 2014.

Year ended 31 December 2014 compared to year ended 31 December 2013

The underlying result before tax of Retail Belgium rose 33.0% to EUR 951 million in 2014 compared with EUR 715 million in 2013, mainly due to higher income. Total underlying income rose 9.2% to EUR 2,617 million, from EUR 2,397 million in 2013. The interest result increased 7.4% driven by higher volumes in almost all products and increased margins on mortgages and savings. The net production in the customer lending portfolio (excluding Bank Treasury) was EUR 5.0 billion in 2014, of which EUR 1.8 billion in mortgages and EUR 3.2 billion in other customer lending. Net customer deposits increased by EUR 4.0 billion, mainly in current accounts. Operating expenses increased to EUR 1,524 million, compared with EUR 1,500 million in 2013. The increase was mainly due to higher Belgium bank taxes and increased IT costs, partly offset by lower staff expenses as a result of lower headcount in the Retail branch network. The net addition to loan loss provisions declined by EUR 41 million to EUR 142 million, or 57 basis points of average risk-weighted assets, compared with 2013. The net addition for business lending and non-mortgage lending to private persons declined by EUR 58 million, while risk costs for mortgages were EUR 16 million higher.

Both underlying net result and net result increased by EUR 187 million, or 37.0%, to EUR 693 million in 2014 from EUR 506 million in 2013.

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RETAIL GERMANY

Amounts in millions of euros	**2015**	**2014**	**2013**
Underlying income:			
Interest result	1,634	1,500	1,303
Commission income	172	143	114
Investment income and other income	104	-27	-30
Total underlying income	**1,910**	**1,615**	**1,387**
Underlying expenditure:			
Operating expenses	842	773	709
Additions to the provision for loan losses	57	72	82
Total expenditure	**899**	**845**	**790**
Underlying result before tax	1,012	771	597
Taxation	328	230	185
Minority interests	2	1	1
Underlying net result	**681**	**540**	**412**
Net result	**681**	**540**	**412**

Year ended 31 December 2015 compared to year ended 31 December 2014

Retail Germany s underlying result before tax increased 31.3% to EUR 1,012 million compared with EUR 771 million in 2014, driven by strong income growth. Underlying income rose 18.3% to EUR 1,910 million. This increase mainly reflects higher interest results following continued business growth and improved margins on savings. Margins on lending and current accounts were somewhat lower. Net inflow in customer deposits (excluding Bank Treasury) was EUR 6.4 billion in 2015. The net production in customer lending (excluding Bank Treasury and movement in the mortgage hedge) was EUR 2.5 billion, of which EUR 1.6 billion was in mortgages and EUR 0.9 billion in consumer lending. Investment and other income was EUR 104 million in 2015, compared with a loss of EUR 27 million in 2014, mainly due to higher realised gains on the sale of bonds and a positive swing in hedge ineffectiveness results. Operating expenses increased 8.9% compared with 2014 to EUR 842 million. The increase mainly reflects higher regulatory costs, an increase in headcount at both ING-DiBa and Interhyp, as well as investments to support business growth and attract primary banking clients. The cost/income ratio improved to 44.1% from 47.8% in 2014. The net addition to loan loss provisions declined to EUR 57 million, or 23 basis points of average risk-weighted assets, from EUR 72 million, or 29 basis points, in 2014, reflecting the better performance in the German mortgage book.

Both underlying net result and net result increased by EUR 141 million, or 26.1%, to EUR 681 million in 2015 from EUR 540 million in 2014.

Year ended 31 December 2014 compared to year ended 31 December 2013

Retail Germany s underlying result before tax increased 29.1% to EUR 771 million in 2014, compared with EUR 597 million in 2013, driven by strong income growth. Underlying income rose 16.4% to EUR 1,615 million compared with EUR 1,387 million in 2013. This increase mainly reflects higher interest results following continued business growth and improved margins on savings; the margins on lending and current accounts were somewhat lower. Commission income was EUR 29 million higher, mainly in security brokerage and advisory fees. Customer deposits (excluding Bank Treasury) continued to grow with an increase of EUR 7.2 billion in 2014, despite a further reduction of client savings rates. The net production in customer lending (excluding Bank Treasury and movement in the mortgage hedge) was EUR 0.8 billion, of which EUR 1.1 billion was in residential mortgages and EUR -0.2 billion in other customer lending. Operating expenses increased 9.0% compared with 2013 to EUR 773 million. The increase primarily reflects an increase in headcount at both ING-DiBa and Interhyp, as well as investments to support business growth and attract primary banking clients. The net additions to loan loss provisions declined to EUR 72 million (or 29 basis points of average risk-weighted assets) from EUR 82 million (or 37 basis points of average risk-weighted assets) in 2013.

Both underlying net result and net result increased by EUR 128 million, or 31.1%, to EUR 540 million in 2014 from EUR 412 million in 2013.

RETAIL OTHER

Amounts in millions of euros	**2015**	**2014**	**2013**
Underlying income:			
Interest result	1,906	1,806	1,804
Commission income	276	329	342
Investment income and other income	186	201	259
Total underlying income	**2,369**	**2,336**	**2,405**
Underlying expenditure:			
Operating expenses	1,582	1,481	1,600
Additions to the provision for loan losses	210	165	279
Total expenditure	**1,792**	**1,646**	**1,879**
Underlying result before tax	577	690	527
Taxation	142	139	120
Minority interests	48	51	66
Underlying net result	**387**	**500**	**342**
Divestments	367	202	-42
Net result	**754**	**702**	**299**

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Year ended 31 December 2015 compared to year ended 31 December 2014

Retail Other s underlying result before tax decreased to EUR 577 million, from EUR 690 million in 2014. The decline was primarily attributable to lower income in Italy due to EUR 97 million of non-recurring charges related to increased prepayments and renegotiations of fixed-term mortgages and a EUR 31 million one-off charge in regulatory expenses related to the bankruptcy of SK Bank in Poland. Excluding both items result before tax increased 2.2%. Total underlying income rose by EUR 33 million, or 1.4%, to EUR 2,369 million. This increase is attributable to higher interest results stemming from higher volumes in most countries, partly offset by the aforementioned non-recurring charges in Italy. The net inflow of customer deposits, adjusted for currency effects and Bank Treasury, was EUR 8.0 billion, with growth mainly in Spain, Poland, Turkey and Romania. Net customer lending (also adjusted for the sale of mortgage portfolios in Australia) rose by EUR 7.8 billion, mainly due to growth in Australia, Poland and Spain. Operating expenses increased by EUR 101 million, or 6.8%, versus 2014, largely as a result of higher regulatory costs (including the one-off charge in Poland), investments to support business growth in most of the business units and inflation adjustments in the Growth Markets. The addition to the provision for loan losses was EUR 210 million, or 45 basis points of average risk weighted assets, up from EUR 165 million, or 40 basis points, in 2014. The increase was mainly visible in Turkey and Poland.

Underlying net result declined to EUR 387 million in 2015 compared with EUR 500 million in 2014, while the net result increased to EUR 754 million in 2015 compared with EUR 702 million in 2014. In 2015, the impact of divestments was EUR 367 million, reflecting the result from the merger between ING Vysya and Kotak. In 2014, the impact of divestments was EUR 202 million and related to the change in accounting of ING Vysya Bank.

Year ended 31 December 2014 compared to year ended 31 December 2013

The underlying result before tax of Retail Other increased to EUR 690 million, compared with EUR 527 million in 2013. The higher results mainly reflect better commercial results in Poland, Italy and Romania and lower losses in the UK Legacy run-off portfolio. This was in part offset by lower results from Turkey and a lower dividend from the Bank of Beijing. Underlying income decreased by EUR 69 million to EUR 2,336 million from EUR 2,405 million in 2013. This decline was caused by the deconsolidation of ING Vysya Bank at the end of March 2014, following changes in the company s governance. Adjusted for the deconsolidation of ING Vysya Bank, income increased 5.4% due to higher interest results supported by increased volumes. In 2014, net customer deposits, excluding currency effects, Bank Treasury and the deconsolidation of ING Vysya Bank, grew by EUR 5.5 billion with growth in most countries, notably Spain and Poland. Net production in customer lending (also adjusted for the sale of a mortgage portfolio in Australia) was EUR 4.6 billion, mainly in Turkey, Poland, Australia and Spain. Operating expenses declined by EUR 119 million compared with previous year, but were up 0.7% when excluding ING Vysya Bank. This increase was mainly due to strategic investments to support business growth, largely offset by favourable currency impacts. The net addition to the provision for loan losses was EUR 165 million, or 40 basis points of average risk-weighted assets, down from EUR 279 million, or 66 basis points of average risk-weighted assets, in 2013. This decline was predominantly caused by the deconsolidation of ING Vysya Bank and a small net release in the UK Legacy portfolio, whereas 2013 included an addition of EUR 60 million.

Underlying net result increased to EUR 500 million in 2014, from EUR 342 million in 2013. The net result jumped to EUR 702 million from EUR 299 million in 2013. In 2014, the change in accounting of ING Vysya Bank resulted in a net gain of EUR 202 million. The impact of divestments in 2013 was EUR -42 million, fully related to the closing of the sale of ING Direct UK in March 2013.

WHOLESALE BANKING

Amounts in millions of euros	**2015**	**2014**	**2013**
Underlying income:			
Interest result	3,567	3,534	3,250
Commission income	964	980	989
Investment income and other income	2,239	33	2,863
Total underlying income	**6,770**	**4,547**	**7,102**
Underlying expenditure:			
Operating expenses	2,571	2,407	2,352
Additions to the provision for loan losses	478	500	868
Total expenditure	**3,048**	**2,907**	**3,220**
Underlying result before tax	3,721	1,641	3,882
Taxation	962	357	963
Minority interests	16	26	27
Underlying net result	**2,744**	**1,258**	**2,892**
Net result	**2,744**	**1,258**	**2,892**

Year ended 31 December 2015 compared to year ended 31 December 2014

Wholesale Banking posted a good set of results on the back of continued strong Industry Lending performance, good volume growth and improved Financial Markets results. The underlying result before tax rose to EUR 3,721 million in 2015, from EUR 1,641 million in 2014. Fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios in the Benelux, Germany and Czech Republic were EUR 1,161 million in 2015 compared to EUR -346 million in 2014. These fair value changes are mainly a result of changes in market interest rates. As explained on page F-18, no hedge accounting is applied to these derivatives under IFRS-IASB. Credit and debt valuation adjustments (CVA/DVA) in Wholesale Banking, fully recorded in Financial Markets, were EUR 181 million positive in 2015 versus EUR 216 million of negative adjustments in 2014. Excluding the aforementioned fair value changes on derivatives related to asset-liability-management activities, underlying result before tax rose 28.9% from 2014. Also excluding CVA/DVA impacts, the increase was 8.0%.

Industry Lending posted an underlying result before tax of EUR 1,464 million, up 11.0% compared with 2014. This increase was mainly caused by higher income in Structured Finance and Real Estate Finance due to strong volume growth, partly offset by a EUR 92 million impairment on an equity stake. Underlying result before tax from General Lending & Transaction Services declined 8.3% to EUR 467 million, due to higher expenses and risk costs, while income growth was limited due to some pressure on margins. Financial Markets recorded an underlying result before tax of EUR 483 million, up from EUR 133 million in 2014, mainly reflecting the aforementioned positive swing in CVA/DVA impacts. The underlying result of Bank Treasury, Real Estate & Other turned to a profit of EUR 1,307 million versus a loss of EUR 321 million in 2014, mainly reflecting the aforementioned fair value changes on derivatives related to asset-liability-management activities. Furthermore, the result was supported by higher Bank Treasury income, while the results in the run-off businesses increased due to improved sales results in Real Estate Development and lower risk costs in Leasing.

Underlying income rose 48.9% on 2014, primarily driven by the aforementioned fair value changes on derivatives related to asset-liability-management-activities. Excluding this item, income rose 14.6% on 2014, mainly in Financial Markets and Industry Lending. The net production of customer lending (excluding Bank Treasury and currency impacts) was EUR 11.6 billion in 2015. Wholesale Banking grew the net core lending book, also adjusted for the Lease run-off, by EUR 13.0 billion in 2015, due to strong growth in Structured Finance and to a lesser extent Real Estate Finance and Transaction Services. Customer deposits (excluding currency impacts and Bank Treasury) remained flat compared with a year ago. Operating expenses increased 6.8% to EUR 2,571 million, mainly due to higher FTEs to support business growth, increased regulatory expenses and positive currency impacts. The previously announced restructuring programmes are on track to realise EUR 340 million of annual cost savings by 2017; of this amount EUR 260 million of cost savings had been realized so far. Risk costs declined to EUR 478 million, or 33 basis points of average risk-weighted assets (RWA), from EUR 500 million, or 37 basis points, in 2014. Lower risk costs were mainly visible in Real Estate Finance and the lease run-off business, while risk costs in Structured Finance and General Lending were up in absolute terms, but declined as a percentage of average RWA.

Both underlying net result and net result more than doubled to EUR 2,744 million in 2015 compared with EUR 1,258 million in 2014.

Year ended 31 December 2014 compared to year ended 31 December 2013

Wholesale Banking s underlying result before tax fell to EUR 1,641 million in 2014 from EUR 3,882 million in 2013. Fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios in the Netherlands, Belgium and Czech Republic were EUR -346 million in 2014 compared with EUR 1,805 million in 2013. These fair value changes are mainly a result of changes in market interest rates. As explained on page F-18, no hedge accounting is applied to these derivatives under IFRS-IASB. Credit and debt valuation adjustments (CVA/DVA), fully recorded in Financial Markets, were EUR 216 million negative in 2014 versus EUR 173 million of positive adjustments in 2013. Furthermore, 2014 included EUR 50 million of additional redundancy provisions taken for the next steps in digital banking in the Netherlands and the ongoing transformation programmes in Wholesale Banking versus EUR 17 million of additional redundancy provisions in 2013. Excluding these impacts, underlying result of Wholesale Banking was up 17.2% on 2013.

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Industry Lending posted an underlying result before tax of EUR 1,319 million, up 36.5% compared with 2013. This increase was mainly caused by lower risk costs in Real Estate Finance, and higher income in Structured Finance due to strong volume growth. This was partly offset by lower income from Real Estate Finance due to a downsizing of the portfolio. General Lending & Transaction Services underlying result before tax declined 3.6% to EUR 509 million, due to higher risk costs. Expenses were slightly lower, while income remained flat. Financial Markets recorded an underlying result before tax of EUR 133 million, down from EUR 596 million in 2013, mainly reflecting the aforementioned negative swing in CVA/DVA impacts. The underlying result of Bank Treasury, Real Estate & Other (which included the EUR 50 million of additional redundancy provisions taken in 2014) turned to a loss of EUR 321 million, compared with a profit of EUR 1,793 million in 2013, mainly reflecting the aforementioned fair value changes on derivatives related to asset-liability-management activities.

Underlying income declined 36.0% to EUR 4,548 million compared with EUR 7,102 million in 2013, primarily driven by the aforementioned fair value changes on derivatives related to asset-liability-management activities and the negative swing in CVA/DVA. Excluding these items, income declined 0.3% on 2013, mainly in Financial Markets and the run-off businesses, in part offset by higher income in Structured Finance. Net customer lending, adjusted for currency impacts and Bank Treasury products, increased by EUR 3.9 billion in 2014, mainly due to strong growth in Structured finance and Transaction Services, while the volumes in Real Estate Finance and the Lease run-off portfolio declined. Net customer deposits (excluding currency impacts and Bank Treasury) grew by EUR 6.2 billion in 2014, while the outflow in Bank Treasury products was EUR 6.0 billion. Operating expenses increased 2.3% to EUR 2,407 million, compared with EUR 2,352 million in 2013. Excluding the aforementioned redundancy provisions, operating expenses increased 0.9% on 2013. Risk costs fell to EUR 500 million, or 37 basis points of average risk-weighted assets, from EUR 868 million, or 68 basis points of average risk-weighted assets, in 2013. The decrease was mainly visible in Real Estate Finance and - to a lesser extent - the lease run-off business, while risk costs were up in General Lending.

Both underlying net result and net result decreased by EUR 1,634 million, or 56.5%, to EUR 1,258 million in 2014 compared with EUR 2,892 million in 2013.

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CONSOLIDATED ASSETS AND LIABILITIES

The following table sets forth ING Group s condensed consolidated assets and liabilities as of 31 December 2015, 2014 and 2013, reference is made to page F-3 for the complete consolidated balance sheet 2015 of ING Group.

Amounts in billions of euros	**2015**	**2014**	**2013**
Cash and balances with central banks	21.5	12.2	13.3
Amounts due from banks	30.0	37.1	43.0
Investments	94.8	97.6	141.0
Financial assets at fair value through the profit and loss account	138.0	144.1	165.2
Loans and advances to customers	533.4	512.4	527.0
Assets held for sale	2.2	165.4	156.9
Other assets	18.0	18.9	30.2
Total assets	**837.9**	**987.7**	**1,076.6**
Shareholders equity	45.0	47.6	42.3
Non-voting equity securities	0.0	0.0	1.5
	45.0	**47.6**	**43.8**
Minority interests	0.6	8.0	5.9
Total equity	**45.6**	**55.6**	**49.7**
Insurance and investment contracts	0.0	0.0	111.8
Amounts due to banks	33.8	30.0	27.2
Customer deposits and other funds on deposits	500.8	483.9	474.3
Financial liabilities at fair value through the profit and loss account	105.7	116.7	98.5
Debt securities in issue/other borrowed funds	130.4	137.6	141.4
Liabilities held for sale	0.0	142.1	146.4
Other liabilities	21.6	21.7	27.3
Total equity and liabilities	**837.9**	**987.6**	**1,076.6**
Shareholders equity per Ordinary Share (in EUR)	11.62	12.36	11.02

As explained in Presentation of information under Change in accounting approach NN Group Anchor transaction , the shareholders equity, other liabilities and shareholders equity per ordinary share for the year 2014 have been amended.

Customer deposits and other funds on deposits consists of savings accounts, other deposits, bank funds and debt securities privately issued by the banking operations of ING.

The comparison of the balance sheets is impacted by the classification of businesses as held for sale and discontinued operations. As of 2013, Voya was classified as held for sale and discontinued operations and ING Group s business in Japan was reclassified to continuing operations. In 2014, Voya was deconsolidated following the loss of control. ING s remaining interest in Voya is presented as an available-for-sale investment held for sale at 31 December 2014. As of 2014, NN Group, including ING Group s business in Japan, is classified as held for sale and discontinued operations.

In the first quarter of 2015, the remaining stake in Voya was sold. Following further divestments, NN Group was deconsolidated in May 2015.

Year ended 31 December 2015 compared to year ended 31 December 2014

ING Group decreased its total assets in 2015 by EUR 150 billion, or 15.2%, to EUR 838 billion at year-end 2015 compared to EUR 988 billion at year-end 2014. Total assets excluding assets held for sale (mainly NN Group), increased by EUR 13 billion, including EUR 11 billion of positive currency impacts. Excluding currency impacts, ING Group grew its core customer lending base by EUR 22 billion, and cash and balances at central banks were up by EUR 9 billion. These increases were largely offset by reductions in amounts due from banks, investments and financial assets at fair value through P&L (due to lower valuation of trading derivatives) and by a reduction in non-core customer lending (amongst others in the WUB and Lease run-off portfolios).

ING Group continued to improve its funding profile, as customer deposits and other funds on deposit increased by EUR 17 billion, with an EUR 11 billion increase in savings and EUR 12 billion increase in credit balances on customer accounts, partly offset by a decrease in deposits from asset managers and corporate treasurers, all excluding currency impacts. Debt securities in issue mainly decreased due to a reduction in short-term CD/CPs.

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Shareholders equity decreased by EUR 2.6 billion, from EUR 47.6 billion at the end of 2014 to EUR 45.0 billion at the end of 2015. The decrease was mainly due to the impact of the divestment of NN Group, partly offset by the net result for the year 2015.

Year ended 31 December 2014 compared to year ended 31 December 2013

Total assets decreased in 2014 by EUR 89 billion, or 8.2%, to EUR 988 billion at year-end 2014 compared to EUR 1,077 billion at year-end 2013. Total assets on a comparable basis, i.e., excluding the impact of NN Group s classification as Held for sale increased by EUR 42 billion, including EUR 14 billion of positive currency impacts. Excluding currency impacts, the remaining increase of EUR 28 billion was mainly due to EUR 18 billion in higher financial assets at fair value through P&L, EUR 17 billion of higher investments in order to build an eligible liquidity portfolio and EUR 9 billion in higher customer lending. The increase in customer lending was realised despite the deconsolidation of ING Vysya Bank, additional transfers of WUB mortgages to NN Bank, and the sale of a mortgage portfolio in Australia. These increases were partly offset by lower amounts due from banks and lower securities at amortised costs, including the unwinding of the last part of the IABF. On the liability side, ING Group improved its funding profile with an EUR 11 billion growth in savings accounts and EUR 13 billion of higher credit balances on customer accounts, all excluding currency impacts.

Shareholders equity increased by EUR 5.3 billion, from EUR 42.3 billion at the end of 2013 to EUR 47.6 billion at the end of 2014. The increase was mainly due to the net result for the year 2014 of EUR 1.0 billion and higher debt and equity revaluation reserves, net of deferred interest crediting to life policyholders, due to lower interest rates partly offset by the impact of the IPO of NN Group of EUR 3.3 billion.

Non-voting equity securities declined by EUR 1.5 billion to EUR 0 billion as the Dutch State was fully repaid in November 2014.

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LIQUIDITY AND CAPITAL RESOURCES

ING Groep N.V. is a holding company whose principal asset is its investments in the capital stock of its primary banking subsidiary. The liquidity and capital resource considerations for ING Groep N.V. and ING Bank vary in light of the business conducted by each, as well as the regulatory requirements applicable to the Group in the Netherlands and the other countries in which it does business. ING Groep N.V. has no employees and substantially all of ING Groep N.V. s operating expenses are allocated to and paid by its operating companies.

As a holding company, ING Groep N.V. s principal sources of funds are funds that may be raised from time to time from the issuance of debt or equity securities and bank or other borrowings, as well as cash dividends received from its subsidiaries. ING Groep N.V. s total debt and capital securities outstanding to third parties at 31 December 2015 was EUR 12,376, at 31 December 2014 EUR 13,493 million and at 31 December 2013 EUR 13,406 million. The EUR 12,376 million of debt and capital securities outstanding at 31 December 2015 consisted of subordinated loans of EUR 8,643 million and debenture loans of EUR 3,733 million, both specified below:

Subordinated loans

Amounts in millions of euros

Interest rate	**Year of issue**	**Due date**	**Balance sheet value**
6.500%	2015	Perpetual	1,139
6.000%	2015	Perpetual	912
4.000%	2014	Perpetual	338
9.000%	2008	Perpetual	10
6.375%	2007	Perpetual	960
5.140%	2006	Perpetual	90
6.125%	2005	Perpetual	635
Variable	2004	Perpetual	568
6.200%	2003	Perpetual	454
Variable	2003	Perpetual	428
7.200%	2002	Perpetual	1,004
7.050%	2002	Perpetual	727
Variable	2000	31 December 2030	1,378
			8,643

Debenture loans

Amounts in millions of euros

Interest rate	**Year of issue**	**Due date**	**Balance sheet value**
4.699%	2007	01 June 2035	151
4.750%	2007	31 May 2017	1,833

Variable	2006	11 April 2016	1,000
4.125%	2006	11 April 2016	749
			3,733

At 31 December 2015, 2014 and 2013, ING Groep N.V. also owed EUR 125 million, EUR 150 million and EUR 1,115 million, respectively, to ING Group companies pursuant to intercompany lending arrangements. The EUR 286 million owed by ING Groep N.V. to ING Group companies at 31 December 2015 was owed to ING Bank companies, as a result of normal intercompany transactions.

On the maturity profile of borrowings and a further description of the borrowings reference is made to Notes 14 Subordinated Loans , 15 Debt securities in issue and 16 Other borrowed funds in Note 2.1 to the consolidated financial statements. The use of financial instruments for hedging purposes is described in Note 41 Derivatives and hedge accounting in Note 2.1 to the consolidated financial statements, reference is made to that note.

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In October 2008, ING issued core Tier 1 Securities to the Dutch State for a total consideration of EUR 10 billion. This capital injection qualified as core Tier 1 capital for regulatory purposes.

All of such securities have been repaid in full to the Dutch State; the total amount repaid to the Dutch State on the core Tier 1 Securities was EUR 13.5 billion, including EUR 10 billion in principal and EUR 3.5 billion in interest and premiums. Repayments were completed half a year ahead of the repayment schedule agreed with the European Commission in 2012.

At 31 December 2015, 2014 and 2013, ING Groep N.V. had EUR 49 million, 116 million and EUR 1 million of cash, respectively. Dividends paid to the Company by its subsidiaries amounted to EUR 2,282 million, EUR 1,541 million and EUR 3,837 million in 2015, 2014 and 2013, respectively, in each case representing dividends declared and paid with respect to the reporting calendar year and the prior calendar year. The amounts paid to ING Groep N.V. were received from ING Bank, EUR 2,200 million in 2015, EUR 1,225 million in 2014 and EUR 2,955 million in 2013, and from NN Group EUR 82 million in 2015, EUR 315 million in 2014 and EUR 882 million in 2013, respectively. On the other hand, ING Groep N.V. injected EUR 57 million, EUR 850 million and EUR 1,000 million into its direct subsidiaries during the reporting year 2015, 2014 and 2013, respectively. All of these amounts were injected into NN Group. ING Groep N.V. and its Dutch subsidiaries are subject to legal restrictions on the amount of dividends they can pay to their shareholders. The Dutch Civil Code provides that dividends can only be paid by Dutch companies up to an amount equal to the excess of a company s shareholders equity over the sum of (1) paid-up capital and (2) shareholders reserves required by law. Further, certain of the Group companies are subject to restrictions on the amount of funds they may transfer in the form of cash dividends or otherwise to ING Groep N.V.

In addition to the restrictions in respect of minimum capital and capital base requirements that are imposed by banking and other regulators in the countries in which ING Groep N.V. s subsidiaries operate, other limitations exist in certain countries.

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ING Group Consolidated Cash Flows

ING s Risk Management, including liquidity, is discussed in Note 2.2.1 Risk Management of Note 2.1 to the consolidated financial statements.

Year ended 31 December 2015 compared to year ended 31 December 2014

Net cash flow from operating activities amounted to EUR 10,577 million for the year ended 31 December 2015, compared with EUR 12,019 million for the year ended 31 December 2014. The decrease in cash flow from operating activities of EUR 1,442 is due to an increased cash outflow re loans and advances partly due to increased corporate lending offset by an increased cash inflow from amounts due to and from banks.

Net cash inflow from investing activities was EUR 4,196 million (2014: EUR -7,419 million cash outflow). Investments in available-for-sale securities was EUR 47,858 million and EUR 85,799 million in 2015 and 2014, respectively. Disposals and redemptions of available-for-sale securities amounted to EUR 52,675 million and EUR 69,444 million in 2015 and 2014, respectively.

Net cash flow from financing activities was EUR -11,165 million in 2015, compared to EUR -4,663 million in 2014. The increase in cash outflow of EUR 6,502 million in net cash flow from financing activities is mainly due to the repayment of and proceeds from borrowed funds and debt securities.

The operating, investing and financing activities described above resulted in net cash and cash equivalents at year-end 2015 of EUR 20,379 million, compared with EUR 17,113 million at year-end 2014, an increase of EUR 3,266 million from 2014 levels.

Specification of cash position

Amounts in millions of euros	**2015**	**2014**
Treasury bills and other eligible bills	363	677
Amounts due from/to banks	-1,442	-2,036
Cash and balances with central banks	21,458	12,233
Cash and cash equivalents classified as Assets held for sale	0	6,239
Cash and cash equivalents at end of year	**20,379**	**17,113**

Year ended 31 December 2014 compared to year ended 31 December 2013

Net cash flow from operating activities amounted to EUR 10,725 million for the year ended 31 December 2014, compared with EUR -8,418 million for the year ended 31 December 2013. This increase was mainly due to trading assets/liabilities and amounts due to/from banks, partly offset by loans and advances to customers. The cash flow generated through the customer deposits and other funds on deposit was EUR 20,318 million and EUR 25,585 million for 2014 and 2013, respectively.

Net cash flow from investment activities in 2014 was EUR -6,564 million, compared to EUR 9,269 million in 2013. The decrease was mainly caused by available-for-sale investments and investments for risk of policyholders.

Net cash flow from financing activities was EUR -4,224 million in 2014, compared to EUR -8,703 million in 2013. The increase of EUR 4,479 million in net cash flow from financing activities is mainly due to the repayment of and proceeds from borrowed funds and debt securities.

The operating, investing and financing activities described above resulted in net cash and cash equivalents at year-end 2014 of EUR 17,113 million, compared with EUR -17,180 million at year-end 2013, a decrease of EUR 67 million from 2013 levels.

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Specification of cash position

Amounts in millions of euros	**2014**	**2013**
Treasury bills and other eligible bills	677	574
Amounts due from/to banks	-2,036	1,015
Cash and balances with central banks	12,233	13,316
Cash and cash equivalents classified as Assets held for sale	6,239	2,275
Cash and cash equivalents at end of year	**17,113**	**17,180**

Capital Adequacy ING Group

ING Group Capital position

	(fully-loaded)		**(phased-in)**	
Amounts in millions of euros	**2015**	**2014**	**2015**	**2014**
Shareholders equity[1]	44,972	46,634	44,972	46,634
Differences IFRS-IASB and IFRS-EU	2,860	3,790	2,860	3,790
- Deductions of significant investments in financial institutions	-1,389	-14,103	-558	-4,631
- Proposed dividend	-1,586	-470	-1,586	-470
- Other adjustments	-4,069	-4,339	-4,134	-4,780
Regulatory adjustments	-7,044	-18,912	-6,278	-9,881
Available common equity Tier 1 capital	40,788	31,512	41,554	40,543
Additional Tier 1 securities[2]	6,574	5,727	6,574	5,727
Regulatory adjustments additional Tier 1	0	0	-1,716	-5,727
Available Tier 1 capital	47,362	37,239	46,412	40,543
Supplementary capital Tier 2 bonds[3]	8,570	9,371	8,570	9,371