Glossary

Amortised costs
The amount at which the financial asset or liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

Application programme interface
A software device that allows for an application or data to be shared.

Asset-backed security (ABS)
A type of bond or note that is based on pools of assets, or collateralised by the cash flows from a specified pool of underlying assets.

Asset Liability Committee (ALCO)
ALCO manages the balance sheet of ING, especially regarding the strategic non-trading risk. These are interest rate risk, equity risk, real estate risk, liquidity, solvency and foreign exchange risk and fluctuations.

Asset & Liability Management (ALM)
The practice of managing a business such that decisions on assets and liabilities are coordinated. It involves the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities.

Assets under Management (AuM)
Refers to the total market value of assets a financial company invests on behalf of its customers.

Associate
An entity over which the Group has significant influence but not control. Significant influence generally results from a shareholding of between 20% and 50% of the voting rights, but also is the ability to participate in the financial and operating policies through situations including, but not limited to, one or more of the following:
- representation on the board of directors;
- participation in the policymaking process; and
- interchange of managerial personnel.

Audit Committee
The Audit Committee, consisting of members of the Supervisory Board, assists the Supervisory Board in monitoring the integrity of the financial statements of ING Group N.V. and ING Bank N.V., in monitoring the compliance with legal and regulatory requirements, and in monitoring the independence and performance of ING's internal and external auditors.

Authorised capital
The maximum amount of share capital that a public limited company or a private limited company can issue according to its Articles of Association. Part of the authorised capital can remain unissued.

Available Financial Resources (AFR)
The available financial resources equal the market value of assets minus the market value of liabilities, excluding hybrids issued by ING Group, which count as capital. ING's policy is that the available financial resources should exceed economic capital for Bank and Group.

Available-for-sale financial assets
Those non-derivative financial assets that are designated as available-for-sale or are not classified as:
- loans and receivables;
- held-to-maturity investments; and
- financial assets at fair value through profit and loss.

Bank for International Settlements (BIS)
The Bank for International Settlements is an international organisation fostering the cooperation of central banks and international monetary policy makers.

Basel I
Regulatory requirements issued by the Basel Committee on Banking Supervision for the solvency calculation, which were superseded by Basel II, and apply to ING from 2008 onwards.

Basel II
Regulatory requirements issued by the Basel Committee on Banking Supervision for the solvency calculation, which apply to ING from 2008. Basel II is an international standard for calculating the required capital, based on internal models that take into account financial and operational risks.

Basel III
Regulatory requirements issued by the Basel Committee on Banking Supervision for solvency calculation and liquidity requirements, which superseded Basel II. Basel III was adopted in 2010 and consequently translated by the EU into the Capital Requirement Regulation (CRR) and the Capital Requirement Directive IV (CRD IV). The CRR is binding for all EU member states and became effective as at 1 January 2014, with the full requirements to take effect from 1 January 2018. The CRD IV directs all EU member states to implement certain components of Basel III in their own law; in the Netherlands in the 'Wet Financieel Toezicht' (Act on Financial Supervision). Although not all definitions and parameters of the CRR/CRD IV have been finalised, the key principles of Basel III have been included in ING's solvency and liquidity risk appetite frameworks that are continuously monitored by senior management.

Basis Point Value (BPV)
The change in the net present value of a cash flow or a pool of cash flows due to a one basis-point change of the yield curve.

Business risk
The exposure to value loss due to fluctuations in volumes, margins and costs. These fluctuations can occur because of internal, industry, or wider market factors. It is the risk inherent to strategy decisions and internal efficiency.

Capital base
Capital plus minority interests plus subordinated loans.

Capital coverage ratio
Available capital divided by required capital.

Capital Requirements Directive (CRD IV)
For European banks, the Basel III requirements are implemented through the Capital Requirement Regulation (CRR) and the Capital Requirement Directive IV (CRD IV). The CRD IV directs all EU member states to implement certain components of Basel III in their own law, taking into account transitional arrangements, in the Netherlands through amendments to the 'Wet Financieel Toezicht' (Act on Financial Supervision).

Capital Requirements Regulation (CRR)
For European banks, the Basel III requirements are implemented through the Capital Requirement Regulation (CRR) and the Capital Requirement Directive IV (CRD IV). The CRR is binding for all EU member states and came into effect on 1 January 2014, taking into account transitional arrangements, with the full requirements to take effect on 1 January 2018.

Central Clearing Parties or Central Counterparties (CCP)
A legal entity between two trade counterparties in a bilateral transaction. The parties legally assign their trades to the CCP , and the CCP becomes the counterparty to each, assuming all rights and responsibilities. Thus, from the point of view of the original counterparties, the counterparty credit risk exposure is shifted from the other original counterparty to the CCP.

Collateralised debt obligation (CDO)
A type of asset-backed security that provides investors with exposure to the credit risk of a pool of fixed income assets.

Collateralised loan obligation (CLO)
A type of collateralised debt obligation (CDO) that is backed primarily by leveraged bank loans.

Commercial paper
Promissory note (issued by financial institutions or large firms) with a very-short to short maturity period (usually 2 to 30 days, and not more than 270 days), and unsecured.

Common equity Tier 1 capital
Capital definition specified in article 26 of the capital requirements regulation (CRR). Common equity Tier 1 items of institutions consist of the following:
a. capital instruments;
b. share premium accounts related to the instruments referred to in point (a);
c. retained earnings;
d. accumulated other comprehensive income;
e. other reserves; and
f. funds for general banking risk.

Compliance risk
Compliance risk is defined as the risk of impairment of ING Bank's integrity as a result of failure (or perceived failure) to comply with applicable laws, regulations, ING Bank policies and minimum standards, and the ING Values as part of the Orange Code.

Concentrations of credit risk
Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect groups of counterparties whose aggregate exposure is significant in relation to ING Group's total exposure.

Contingent liabilities
Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events, but is not recognised because:
- it's not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- the amount of the obligation cannot be measured with sufficient reliability.

Control
Situations in which ING owns, directly or indirectly, more than half of the voting power of a company, or when ING has control of a company's operating and financial policies through situations including, but not limited to:
- ability to appoint or remove the majority of the board of directors;
- power to govern such policies under statute or agreement; and
- power over more than half of the voting rights through an agreement with other investors.

Convexity
The non-linear relationship between changes in interest rates and changes in bond prices and their net present value. It is a very important market risk measure for portfolios containing embedded options.

Corporate governance
The way in which a company is governed and how it deals with the various interests of its customers, shareholders, employees, business partners and society at large.

Corporate Governance Committee
The Corporate Governance Committee, consisting of members of the Supervisory Board, assists the Supervisory Board in monitoring and evaluating the corporate governance of ING as a whole and the way it's reported on in the Annual Report and to the General Meeting of Shareholders. It advises the Supervisory Board on improvements.

Cost of capital
The costs related to owning capital. These can be split into the cost of equity, hybrids and debt, taking a target leverage into account.

Country of residence
From the perspective of a given country, a resident is an individual or legal entity that has its major operations in the given country. All of ING's customers and entities are said to be residents in one country only.

Country risk
The risk that a government will not fulfil its obligations or that it will obstruct the remittance of funds by debtors, either for financial reasons (transfer risk) or for other reasons (e.g. political risk).

Credit default swap (CDS)
A CDS is a financial derivative instrument that synthetically transfers the credit risk of a specific reference entity between two counterparties. The protection buyer pays a fixed periodic fee, usually expressed in basis points per annum, on the notional amount. The protection seller makes no payment unless some specified credit event relating to the reference entity occurs, in which case he/she is obliged to make a payment to compensate the loss incurred by the protection buyer.

Credit institutions
All institutions that are subject to banking supervision by public authorities, including mortgage banks, capital market institutions, multilateral development banks and the International Monetary Fund (IMF).

Credit rating
Credit ratings, as assigned by rating agencies (such as Standard & Poor's and Moody's), are indicators of the likelihood of timely and complete repayment of interest and instalments of fixed-income securities.

Credit risk
The risk of loss from default by borrowers (including bond issuers) or counterparties. Credit risks arise in ING's lending, pre-settlement and investment activities, as well as in its trading activities. Credit risk management is supported by dedicated credit risk information systems and internal rating methodologies for debtors and counterparties.

Credit risk exposure
Total amount of committed facilities to a designated borrower or an obligor group or, if higher, their outstanding balances, together with the outstanding balances of any related uncommitted facilities.

Credit support annex (CSA)
Supporting documentation for a collateral arrangement that accompanies a master agreement used in the execution of an over-the-counter derivative swap. The document clearly delineates the rules and procedures for the use of the collateral in the backing of the traded securities. A CSA may be executed as a separate document, or can be part of the master agreement.

Credit valuation adjustment (CVA)
An adjustment to the valuation of 'over-the-counter' (OTC) derivative contracts to reflect the creditworthiness of OTC derivative counterparties.

Cumulative preference shares
Shares that entitle the holder to a fixed annual dividend. In the case of a profit distribution, these shares take precedence over ordinary shares. If the profit available for distribution isn't enough to pay this dividend in full, the shortfall will be made up from the reserves as much as possible. If, and to the extent that, the dividend distribution can't be made from the reserves, the profits earned in subsequent years shall first be used to make up the shortfall before any distribution may be made on shares of any other category.

Debit valuation adjustment (DVA)
An adjustment made by ING to the valuation of 'over-the-counter' (OTC) derivative liabilities to reflect within fair value ING's own credit risk.

Deferred tax assets arising from carryforward of tax losses
The amount of income tax receivable in future periods arising from the utilisation of carryforward tax losses against future taxable profits.

Deferred tax assets/liabilities arising from temporary differences
The amounts of income tax receivable/payable in future periods in respect of taxable temporary differences between carrying amounts of assets or liabilities in the balance sheet and tax base, based on tax rates that are expected to apply in the period when the assets are realised or the liabilities are settled.

Defined benefit plan
Post-employment benefit plans other than defined contribution plans.

Defined contribution plan
Post-employment benefit plans under which ING pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Derivatives
A derivative is a financial instrument or other contract with all three of the following characteristics:

a. Its value changes in response to a change in any of the following: a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable (provided in the case of a non-financial variable that the variable is not specific to a party to the contract, sometimes called the 'underlying');
b. It requires no initial net investment, or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
c. It is settled at a future date.

Discontinued operations
A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

a. represents a separate major line of business or geographical area of operations;
b. is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
c. is a subsidiary acquired exclusively with a view to resale.

Discounted bills
Bills that are sold, less interest, giving the owner the right to receive an amount of money on a given date.

Earnings sensitivity (ES)
Measures the impact of changing interest rates on (before-tax) net interest income.

Economic capital (EC)
EC is defined as the amount of capital that a transaction or business unit requires in order to support the economic risks it takes. In general, EC is measured as the unexpected loss above the expected loss at a given confidence level. This economic capital definition is in line with the net market value (or surplus) definition.

Economic exposure
Total of outstandings plus undrawn committed portions calculated on the basis of economic risk principles.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Elimination
A process by which intercompany transactions are matched with each other and deducted, so that the assets, liabilities, income and expenses are not inflated.

Employee benefits
All forms of consideration given by a company in exchange for service rendered by employees or for the termination of employment.

Employee value proposition
Sets out the various rewards and benefits received by employees in return for their performance.

ESR framework
The Environmental and Social Risk (ESR) Framework is a set of policies and governance to identify, assess and manage ING's engagement with companies operating in sectors that are more vulnerable to environmental and social risks and impacts.

ESR policies
Our financing and investment policies, as well as our broader business ambitions, are structured around strongly embedded social, ethical and environmental criteria. Our Environmental and Social Risk (ESR) policies guide our decisions for customer engagement and assessing finance proposals.

Expected loss (EL)
The expected loss provides a measure of the value of the credit losses that ING Bank may reasonably expect to incur on its portfolio. ING Bank must hold a reserve (as part of its capital base) to cover the expected losses in its credit portfolio. EL is calculated as probability of default x loss given default x exposure at default. Collective provisions are taken to cover for expected losses.

Exposure at default (EaD)
The exposure at default uses models to estimate the outstanding amount or obligation at the moment of default in the future. Since the fact that a counterparty will go into default is not known, and the level of outstandings (see definition) that may occur on that date is also not known, ING Bank uses a combination of statistical, expert and hybrid models to estimate the exposure at default.

Fair value
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date ('exit price').

Final dividend
The final dividend is the total dividend for the year as proposed by the Board, less any interim dividend paid during the year. The dividend is subject to approval of shareholders at the Annual General Meeting.

Finance lease
A lease that transfers substantially all the risks and rewards associated with ownership of an asset to the lessee. Title may or may not eventually be transferred.

Financial asset
Any asset that is:
- cash;
- an equity instrument of another company; and
- a contractual right to:
  - receive cash or another financial asset from another company;
  - exchange financial instruments with another company under conditions that are potentially favourable; and
  - a certain contract that will or may be settled in ING's own equity instruments.

Financial instruments
Contracts that give rise to both a financial asset for one company and a financial liability or equity instrument for another company.

Financial liability
Any liability that is:

a. contractual obligation:
   - to deliver cash or another financial asset to another company; or
   - to exchange financial instruments with another company under conditions that are potentially unfavourable; or

b. contract that will or may be settled in the company's own equity instruments.

Fintech
This stands for 'financial technology'. It's used to describe companies (generally startups) that are using software and technology to disrupt current banking models and deliver innovative financial services.

First call date
Perpetual subordinated loans have no set maturity. The first call date is the date on which ING has the option to repay and cancel that particular subordinated loan.

Forbearance activities
Forbearance occurs when a client is considered unable to meet its financial commitments under the contract due to financial difficulties, and based on these difficulties, ING decides to grant concessions towards the client by either loan modification or refinancing. Modification is when the terms and conditions of the contract are adjusted to enable the client to service the debt. Refinancing relates to putting a new loan contract in place to ensure the total or partial repayment of an existing loan contract, which the debtor is unable to comply with. Examples of forbearance measures are: postponement and/or reduction of loan principal and/or interest payments, extended payment terms, debt consolidations and deferral of foreclosures.

Foreign exchange rate risk (FX risk)
Probability of loss occurring from an adverse movement in foreign exchange rates.

Forward contracts
Commitments to exchange currencies or to buy or sell other financial instruments at specified future dates.

Fully loaded CET 1 ratio
The CRR/CRD IV Common Equity Tier 1 ratio calculated according to the 2019 end-state rule. (See other definitions.)

Future contracts
Commitments to exchange currencies or to buy or sell other financial instruments at specified future dates. Exchanges act as intermediaries and require daily cash settlement and collateral deposits.

Group debt
Investments in ING Group subsidiaries minus the equity of the holding company, including hybrids.

Held for sale
A business or group of assets for which the carrying amount will be recovered principally through a sale transaction rather than through continuing use. When a business or a group of assets are to be sold together in a single transaction, and the sale is considered to be highly probable, these are classified separately in the balance sheet as 'assets held for sale'. A sale is highly probable when management is demonstrably committed to the sale, which is expected to occur within one year from the date of classification as held for sale. Liabilities directly associated with those assets, and that are included in the transaction, are included in the balance sheet as 'liabilities held for sale'.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity that ING Group has the positive intention and ability to hold to maturity other than:

a. those that ING Group upon initial recognition designates as at fair value through profit and loss;

b. those that ING Group designates as available-for-sale; and

c. those that meet the definition of loans and receivables.

Historical simulation
A model to calculate value at risk, assuming that future changes in risk factors will have the same distribution as they had in the past, taking into account the non-linear behaviour of financial products.

Human capital return on investment
The human capital return on investment (HCROI) provides a means of measuring a company's profitability in relation to total employee costs. It is calculated by removing non-employee costs from overall operating costs and deriving the resulting operating profitability.

Hybrid capital
Tier 1 instruments issued by ING Group (e.g. perpetual debt securities and preference shares). Hybrid capital securities are perpetual fixed income securities with an embedded call and coupon deferral feature. All hybrid capital securities rank senior to core Tier 1 securities and ordinary shares of ING Group and they are structurally subordinated to the senior debt instruments issued by ING Groep N.V.

Impairment loss
The amount by which the carrying amount of an asset exceeds its recoverable amount.

ING Continuity Foundation
The role of the ING Continuity Foundation is to safeguard to the best of its ability the interests of ING, its enterprises, and its stakeholders; and to resist influences that might conflict with these interests by affecting the independence, continuity or identity of ING. This foundation may for that purpose exercise its call option right for as many cumulative preference shares as are necessary in order to hold up to one-third of the issued share capital.

Integrated reporting
An integrated report is a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term. The report should tell the overall story of an organisation in a manner that allows all stakeholders to assess its ability to create value.

Interest-bearing instrument
A financial asset or liability for which a time-proportionate compensation is paid or received, in relation to a notional amount.

Interest margin
Difference between the average interest received on funds lent and the interest paid by the bank on capital raised.

Internal rate of return (IRR)
Internal rate of return is the calculated discount rate at which the present value of distributable earnings from new business equals the investment in new business (i.e. the projected return on the investment in new business).

Interest rate risk
Probability that the market interest rates will rise significantly higher than the interest rate earned on investments such as bonds, resulting in their lower market value.

Interim dividend
The interim dividend is an advance on the total dividend and distributed before the end of the fiscal year.

Internal assessment approach (IAA)
A method used to calculate credit risk capital requirements for securitisation exposures (including liquidity lines provided to asset-backed commercial paper programmes and sponsored securitisations).

In the money
A call option is said to be 'in the money' if the exercise price is lower than the price of the underlying value. A put option is said to be in the money if the exercise price is higher than the price of the underlying value.

Investment risk
Investment risk is the credit default and risk rating migration risk that is associated with ING Bank's investments in bonds, commercial paper, securitisations, and other similar publicly traded securities. This can be viewed as the worst-case loss that ING Bank may incur as a result of holding a position in underlying securities whose Issuer's credit quality deteriorates or defaults.

Initial public offering (IPO)
This is when a company publicly offers its shares for sale for the first time on a stock exchange. The most important goal of an IPO is to raise capital that the company can use to invest and expand.

Irrevocable facilities
This mainly constitutes unused portions of irrevocable credit facilities granted to corporate customers, and commitments made to purchase securities to be issued by governments and private issuers.

Irrevocable letters of credit
This represents an obligation on behalf of a customer to pay an amount of money upon submission of a specific letter or document, or to accept a bill of exchange, subject to certain conditions. An irrevocable letter of credit cannot be cancelled or adjusted by the bank that has granted it for the duration of the agreement unless all those concerned agree.

Issued share capital
The share capital that is issued by a public or private limited company.

Joint venture
A joint venture is an entity over which the Group has joint control. Joint control is the contractually agreed sharing of control over an arrangement or entity, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint control means that no party to the agreement is able to act unilaterally to control the activity of the entity. The parties to the agreement must act together to control the entity and therefore exercise the joint control.

Legal risk

Legal risk is the risk related to:
- A failure (or perceived failure) to adhere to applicable laws, regulations and standards;
- Contractual liabilities or obligations that are defaulted or cannot be enforced as intended, or are enforced in an unexpected or adverse way; and
- Liability (tort) towards third parties due to an act or omission attributable to ING (potentially) resulting in impairment of ING's integrity, leading to damage to ING's reputation, legal or regulatory sanctions, or financial loss.

Lending risk

Lending risk arises when ING Bank grants a loan to a counterparty, or issues guarantees on behalf of a counterparty. This includes term loans, mortgages, revolving credits, overdrafts, guarantees, letters of credit, etc. The risk is measured as the notional amount of the financial obligation that the counterparty has to repay to ING Bank, excluding any accrued and unpaid interest, discount/premium amortisations or impairments.

Leverage ratio

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator expressed as a percentage).

Liquidity coverage ratio (LCR)

Regulatory measure for the liquidity of banks, which compares the amount of high-quality liquid assets with a potential outflow over a one-month period. The measure is introduced under Basel III. LCR is defined as: stock of high quality liquid assets divided by assumed 30-day cash outflow.

Liquidity premium

In order to correct the value of liabilities for their illiquidity, a premium is added to the risk-free liability valuation curve. This premium reflects the price of illiquid long-term funding, which increases in stressed markets.

Liquidity risk

The risk that ING Group, or one of its subsidiaries, cannot meet its financial liabilities when they are due, at reasonable costs and in a timely manner.

Loan to deposit ratio (LtD ratio)

Measure for the liquidity of banks. The LtD ratio is defined as: own originated loans divided by own originated deposits.

Loan to value ratio (LtV ratio)

This is defined as the amount of the mortgage divided by the value of the property and is one way to measure the risk of a mortgage. Typically, assessments with higher LtV ratios are considered riskier mortgages. This also affects how the mortgage is weighed for regulatory capital purposes.

Loss given default (LGD)

Anticipated percentage loss in the event of a default of a customer or counterpart.

Management Board Banking

The Management Board Banking (MBB) consists of:
- the CEO, CFO and CRO of ING Group;
- the vice-chairman and head of Market Leaders of ING Bank;
- the head of Challengers & Growth Markets of ING Bank;
- the head of Wholesale Banking of ING Bank; and
- the chief operations officer of ING Bank.

The MBB reports to the Executive Board of ING Group.

Marked-to-market (MTM)

Valuing a security, portfolio or account against its market value instead of its carrying value.

Market risk

Market risk is the risk that movements in market variables, such as interest rates, equity prices, foreign exchange rates, credit spreads and real estate prices, negatively impact the bank's earnings, capital, market value or liquidity position.

Master agreement

Contract between parties in which agreements are reached for most of the terms and conditions of future transactions, so that negotiations only focus on deal-specific terms. Well-known master agreements include ISDA (for over-the-counter derivative transactions), GMRA (for repo or repurchase transactions) and GMSLA (for securities-lending transactions).

Minority interest

That part of the profit or loss and net assets of a subsidiary attributable to an interest that is not owned, directly or indirectly, by the parent company.

Minimum requirement of eligible liabilities (MREL)

The institution-specific loss absorption and recapitalisation requirement established in the EU Bank Recovery & Resolution Directive based on the resolvability assessment of the institution.

Monetary assets and liabilities

Assets and liabilities that are fixed in terms of units of currency by contract or otherwise. Examples are cash, short or long-term accounts, notes receivable in cash and notes payable in cash.

Money market risk

Money market risk arises when ING Bank places short-term deposits with a counterparty in order to manage excess liquidity. As such, money market deposits tend to be short-term in nature. In the event of a counterparty default, ING Bank may lose the deposit placed. Money market risk is measured as the notional value of the deposit, excluding any accrued and unpaid interest or the effect of any impairment

Monte Carlo simulation

A model to calculate value at risk, assuming that changes in risk factors are normally distributed together, taking into account non-linear behaviour of financial products.

Mortgage-backed securities (MBS)
A security with cash flows backed by typically the principal and/or the interest payments of a pool of mortgages.

Net asset value
Used in the equity method of accounting. The initial net asset value of the investment is determined by the fair value of the assets and liabilities of the investee. After the initial valuation of assets and liabilities of the investee at fair value, the assets and liabilities of the investee are valued in accordance with the accounting policies of the investor. The profit and loss account reflects the investor's share in the results of operations of the investee.

Net present value at risk (NPV at risk)
NPV at risk measures the impact of changing interest rates on value. As a full valuation approach is applied, the risk figures include convexity risk that results from embedded optionalities like mortgage prepayment options.

Net promoter score
Net promoter score (NPS) is a way of measuring customer loyalty and satisfaction. It's based on a direct question: 'How likely is it that you would recommend our company/product/service to a friend or colleague?' Promoters respond with a score of 9 or 10 (out of 10) and are considered 'loyal enthusiasts'. Detractors are those who respond with a score of 0 to 6 ('unhappy customers'). Scores of 7 and 8 are 'passives', and will only count towards the total number of respondents, but not directly affect the formula. NPS is calculated by subtracting the percentage of customers who are detractors from the percentage of customers who are promoters.

Nominal value of share
Dutch shares have a nominal value, which is mentioned on all issued share certificates. Shares must be issued against at least the nominal value. The nominal value remains fixed, as opposed to the market value, which fluctuates.

Nomination Committee
The Nomination Committee, consisting of members of the Supervisory Board, assists the Supervisory Board on aspects such as the composition of the Supervisory Board and Executive Board.

Notional amounts
Represent units of account, which in respect of derivatives, reflect the relationship with the underlying assets. They do not reflect, however, the credit risks assumed by entering into derivative transactions.

Obligor
This is a person or entity who's legally obliged to provide some benefit or payment to another. Financially, it usually refers to a bond issuer who's obligated to make payments on the principal and interest of the outstanding debt.

Operating lease
A contract that allows use of an asset, but not ownership of the asset. Different than a finance lease.

Operational risk
The risk of direct and indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

Orange Code
ING's framework for a common corporate culture to unite employees. Developed with input from employees, the code is based on the principle of 'integrity above all'. It comprises values and behaviours. Values are those non-negotiable promises we make to the world no matter what. These are: we are honest, we are responsible and we are prudent. Behaviours are the commitments we make to each other and the standards by which we measure each other's performance: You take it on and make it happen, you help others to be successful and you are a step ahead. The Orange Code underpins all of ING's people processes and tools including performance management.

Ordinary share
An equity instrument that is subordinated to all other classes of equity instruments. Ordinary shares participate in the net profit for the financial year after other types of shares such as preference shares.

Outstandings
Total amount of all drawn portions of a facility and thus the sum of all transactions of a specific facility.

Over-the-counter instrument
A non-standardised financial instrument not traded on a stock exchange, but directly between market participants.

Performing loans
Loans for which customers currently meet and are expected to meet their financial obligations in full and on time.

Plan assets
Comprise assets held by a long-term employee benefit fund and qualifying insurance policies. Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting enterprise) that:
- are held by an entity (a fund) that is legally separate from the reporting enterprise and exists solely to pay or fund employee benefits; and
- are available to be used only to pay or fund employee benefits, are not available to the reporting enterprise's own creditors (even in bankruptcy), and cannot be returned to the reporting enterprise, unless either the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting enterprise, or the assets are returned to the reporting enterprise to reimburse it for employee benefits already paid.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party of the reporting enterprise, if the proceeds of the policy:

- can be used only to pay or fund employee benefits under a defined benefit plan; and
- aren't available to the reporting enterprise's own creditors (even in bankruptcy) and can't be paid to the reporting enterprise, unless either the proceeds represent surplus assets that aren't needed for the policy to meet all the related employee benefit obligations, or the proceeds are returned to the reporting enterprise to reimburse it for employee benefits already paid.

Post-employment benefit plans

Formal or informal arrangements under which a company provides post-employment benefits for one or more employees. Post-employment benefits are employee benefits other than termination benefits and equity compensation benefits, which are payable after the completion of employment.

Pre-settlement risk

Pre-settlement risk arises when a counterparty defaults on a transaction before settlement and ING Group has to replace the contract by making a trade with another counterparty at the then prevailing (possibly unfavourable) market price. The pre-settlement risk (potential or expected risk) is the cost of ING Group replacing a trade in the market.

This credit risk category is associated with dealing room products, such as options, swaps, and securities financing transactions. Where there is a mutual exchange of value, the outstanding amount is generally based on the replacement value (mark-to-market) plus potential future volatility concept, using an historical seven-year time horizon and a 99% confidence level.

Private placement

A placement in which newly issued shares or debentures come into possession of a limited group of subscribers who are prepared to buy the new securities.

Projected unit credit method

This has to do with employee benefit plans, such as retirement plans. It's an actuarial valuation method that considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Probability of default (PD)

The likelihood that a customer or counterparty will default.

Problem loans

In line with IFRS, if a borrower defaults on payment for more than 90 days, or a customer is likely to default payment, the particular loan and all other positions will be regarded as problem or non-performing loans.

Qualifying asset (related to borrowing costs)

An asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Recognition

The process of incorporating in the balance sheet, or profit and loss account, an item that meets the definition of an element and satisfies the following criteria for recognition:

- It's probable that any future economic benefit associated with the item will flow to or from the enterprise; and
- The item has a cost or value that can be measured reliably.

Recoverable amount

The higher of an asset's fair value less costs of disposal and its value in use.

Recovery plan

As a consequence of the global financial crisis, ING Bank has set up an all-encompassing recovery planning process. It aims to improve the bank's readiness and decisiveness to tackle financial crises on its own.

Redemption value

With respect to investments in fixed-interest securities, the amount payable on the maturity date.

Regulatory capital (RC)

The minimum amount of capital that a bank is required to hold in order to absorb unexpected losses. RC is calculated using regulatory approved internal models.

Remuneration Committee

The Remuneration Committee, consisting of members of the Supervisory Board, advises the Supervisory Board on aspects such as the terms and conditions of employment of Executive Board members and senior managers of ING and its subsidiaries. This includes their remuneration, as well as the policies and principles that the employment terms and conditions are based on.

Repurchase agreement (Repo)

The sale of a financial instrument combined with an agreement to repurchase the same instrument at a future date.

Resolution plan

Resolution planning sets out which action needs to be taken if the bank is found to be failing in order to continue its critical functions and avoid significantly adverse effects on financial stability while minimising public financial support. The Single Resolution Board (SRB) and the National Resolution Authorities (NRAs) are responsible for resolution planning and resolution of a bank and to that end determine the strategy for ING, based on information that ING provided on critical functions, the financial, legal, operational, and organisational structure and internal and external interdependencies.

Return on equity (ROE)
The return on equity is the net result as a percentage of average equity. It's used as a measurement of a company's profitability and efficiency.

Reverse repurchase agreement (Reverse repo)
The purchase of a financial instrument with the agreement to sell it at a specific future date.

Risk Committee
The Risk Committee, consisting of members of the Supervisory Board, assists the Supervisory Board in monitoring the risk profile of the company, as well as the structure and operation of the internal risk management and control systems.

Risk-weighted assets (RWA) under Basel I
Assets that are weighted for credit risk according to a formula used by the Dutch Central Bank (De Nederlandsche Bank), which conforms to the capital adequacy guidelines of the BIS (Bank of International Settlements). On- and off-balance-sheet items are weighted for risk, with off-balance-sheet items converted to balance-sheet equivalents (using credit conversion factors) before being allocated a risk weight.

Risk-weighted assets (RWA) under Basel II
Assets that are weighted for credit and market risk in accordance with the Basel II methodology. The risk-weighted assets are calculated using internal models approved by the Dutch Central Bank (De Nederlandsche Bank). Regulatory capital requirements for operational risk are calculated without the use of risk-weighted assets, but are included in the total risk-weighted assets reported. In the CRR/CRD IV, the term RWA is replaced by 'Total Risk Exposure Amount', but for now we follow common usage.

Settlement risk
Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates or times, but the receipt won't be verified or expected until ING Group has paid or delivered its side of the trade. The risk is that ING Group delivers, but the counterparty doesn't.

Significant influence
The power to participate in the financial and operating policy decisions of an entity, but not to have control over these policies. Significant influence may be gained by share ownership, statute or agreement.

Stakeholder
A stakeholder is a person or group with an interest in ING. We distinguish the following groups: customers (individuals, families, small businesses, large corporations, financial institutions, governments, public-private entities and supranational agencies), capital providers, employees, supervisors, regulators, civil society organisations, citizens and society at large.

Stress testing
Stress testing examines the effect of exceptional but plausible scenarios on the capital position of ING. Stress testing can be initiated internally or be external parties such as the European Central Bank.

Structured entity
An entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Subsidiary
An entity that is controlled by another entity.

Sub-sovereign supranationals and agencies (SSA)
SSAs comprise, among others, multilateral development banks, regional governments, local authorities and US agencies. Under certain conditions, SSA bonds may qualify as 'Level 1 High Quality Liquid Assets' for LCR.

SSA categories are defined per:
a. The EU-regulation (EU) 575/2013 CRR, which defines exposure classes in Article 112 – Article 132 ('CRR');
b. The exemption list in Article 2 of the directive 2013/36/EU ('CRD IV'); and
c. Delegated act on Liquidity Covered Ratio (EU) 680/2014 (Directive on 'LCR').

Sustainable assets under management / socially responsible investments
Assets of customers registered at ING Bank that are defined as sustainable following an assessment of environmental, social and governance (ESG) parameters / criteria.

Sustainable engagement score
The extent to which employees are motivated, enabled and energised to perform at their best and help ING to succeed.

Sustainable transitions financed
Sustainable transitions financed describes the business that we do with clients who are environmental outperformers in their sectors as well as projects that provide sustainable solutions. The definition by which projects should be tagged as a sustainable solution or by which a client is tagged as an environmental outperformer is determined by ING sector strategies and consists of:
a. ING Groenbank: total assets on the balance sheet
b. Loans to Renewable energy: Renewable energy projects include biomass, geothermal, hydro, solar, offshore and onshore wind power generation.
c. Loans to Sustainable Real Estate: Sustainable Real Estate projects include the financing of sustainable buildings (certified with a BREEAM, LEED, HQE or DGNB, or with an EPC label of C or higher)
d. Loans to other sustainable projects: Other sustainable projects include energy efficiency, greenhouse gas reduction, climate change mitigation, waste management, water efficiency, public transport and social welfare.

e. Loans to environmental outperformers: Clients that are identified as environmental outperformer either by an independent reputable data provider or by ING client due diligence "Know Your Customer" process

Swap contracts
Commitments to settle in cash at a specified future date, based on differentials between specified financial indices as applied to a notional principal amount. Generally, no cash is exchanged at the outset of the contract and no principal payments are made by either party.

Tier 1 capital
The Tier 1 capital of an institution consists of the sum of the common equity Tier 1 capital and additional Tier 1 capital.

Tier 1 ratio
Reflecting the Tier 1 capital of ING Bank as a percentage of its total risk-weighted assets.

Tier 2 capital
Tier 2 capital shall consist of the following:

a. Capital instruments and subordinated loans where the conditions laid down in Article 63 (CRR) are met;
b. The share premium accounts related to instruments referred to in point (a.);
c. For institutions calculating risk-weighted exposure amounts in accordance with Chapter 2 of Title II of Part Three, general credit risk adjustments, gross of tax effects, of up to 1,25 % of risk-weighted exposure amounts calculated in accordance with Chapter 2 of Title II of Part Three of the CRR; and
d. For institutions calculating risk-weighted exposure amounts under Chapter 3 of Title II of Part Three, positive amounts, gross of tax effects, resulting from the calculation laid down in Articles 158 and 159 up to 0.6 % of risk-weighted exposure amounts calculated under Chapter 3 of Title II of Part Three of the CRR.

Total loss-absorbency capacity (TLAC)
The minimum loss-absorbing and recapitalisation standard that the Financial Stability Board (FSB) issued for Global Systemically Important Banks (G-SIBs). The TLAC standards aim to bolster G-SIBs' capital and leverage ratios, ensuring critical functions to continue without threatening financial market stability or requiring further public financial support.

Trading portfolio
Comprises financial instruments held to obtain short-term transaction results, to facilitate transactions on behalf of customers or to hedge other positions in the trading portfolio.

Transfer risk
Probability of loss due to currency conversion (exchange) restrictions imposed by a foreign government that make it impossible to move money out of the country.

Treasury bills
Generally, these are short-term debt certificates issued by a central government. Dutch Treasury Certificates are regarded as Dutch Treasury Bills.

Treasury shares
An entity's own equity instruments, held by the entity or other members of the consolidated group.

Underlying result
Underlying result is a financial performance measure used by ING Group to evaluate the results of its banking segments and is derived by excluding the following from IFRS-EU: special items, the impact of divestments and Legacy Insurance.

Value at risk (VaR)
Value at risk is a technique that uses the statistical analysis of historical market trends and volatilities to estimate the likelihood that a given portfolio's losses will exceed a certain amount.

The VaR for market risk quantifies, with a one-sided confidence level of 99%, the maximum overnight loss that could occur due to changes in risk factors (e.g. interest rates, equity prices, foreign exchange rates, credit spreads, implied volatilities) if positions remain unchanged for a time period of one day. Note that risk due to DVA and CVA sensitivities is not covered in this trading risk measure. Next to general market movements in these risk factors, VaR also takes into account market data movements for specific moves in e.g. the underlying issuer of securities.

The impact of historical market movements on today's portfolio is estimated, based on equally weighted observed market movements of the previous year. ING Bank uses VaR with a 1-day horizon for internal risk measurement, control and backtesting, and VaR with a 10-day horizon for determining regulatory capital.

Value in use
The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Variance-covariance
A model to calculate value at risk, assuming that changes in risk factors are normally distributed jointly and that the change in portfolio value is linearly dependent on all risk factor changes.

Warrant
A financial instrument that gives the holder the right to purchase ordinary shares.