Dated 30 March 2018

ING BANK N.V.
REGISTRATION DOCUMENT

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INTRODUCTION

This document constitutes a registration document ("Registration Document") for the purposes of Article 5 of Directive 2003/71/EC, as amended, to the extent that such amendments have been implemented in the relevant member state ("Member State") of the European Economic Area (the "EEA"), (the "Prospectus Directive") and has been prepared for the purpose of giving information with respect to ING Bank N.V. which, according to the particular nature of ING Bank N.V. and the securities which it may offer to the public within a Member State of the EEA or apply to have admitted to trading on a regulated market situated or operating within such a Member State, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of ING Bank N.V.

In this Registration Document, unless otherwise stated or the context otherwise requires, references to the "Issuer" are to ING Bank N.V., references to "ING Bank" are to ING Bank N.V. and its subsidiaries, references to "ING Group" are to ING Groep N.V. and references to "ING" or the "Group" are to ING Group and its subsidiaries.

The Issuer accepts responsibility for the information contained in this Registration Document. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Registration Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Registration Document was approved by the Netherlands Authority for the Financial Markets (the "AFM") for the purposes of the Prospectus Directive on 30 March 2018.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Registration Document and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.

This Registration Document should not be considered as a recommendation by the Issuer that any recipient of this Registration Document should purchase any securities of the Issuer. Each investor contemplating purchasing any securities of the Issuer should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. This Registration Document does not constitute an offer or invitation by or on behalf of the Issuer to any person to subscribe for or to purchase any securities of the Issuer.

The delivery of this Registration Document shall not in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof. Investors should carefully review and evaluate, *inter alia*, the most recent financial disclosure of the Issuer from time to time incorporated by reference herein when deciding whether or not to purchase any securities of the Issuer.

The distribution of this Registration Document and the offer or sale of any securities of the Issuer may be restricted by law in certain jurisdictions. Persons into whose possession this Registration Document or any securities of the Issuer come must inform themselves about, and observe, any such restrictions.

Any securities to be issued by the Issuer in connection with this Registration Document have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States ("U.S."). Accordingly, any such securities may not be offered, sold, pledged or otherwise transferred within the U.S. or to or for the account or benefit of U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act and any applicable state securities laws.

Any securities to be issued by the Issuer in connection with this Registration Document have not been approved or disapproved by the U.S. Securities and Exchange Commission ("SEC"), any state securities commission in the U.S. or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of any such securities or the accuracy or the adequacy of this Registration Document. Any representation to the contrary is a criminal offence in the U.S.

This Registration Document includes or incorporates by reference "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact included or incorporated by reference in this Registration Document, including, without limitation, those regarding the Issuer's financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer's present and future business strategies and the environment in which the Issuer will operate in the future. These forward-looking statements speak only as of the date of this Registration Document or as of such earlier date at which such statements are expressed to be given. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published or are published simultaneously with this Registration Document and have been approved by the AFM or filed with it, shall be deemed to be incorporated in, and to form part of, this Registration Document; this Registration Document should be read and construed in conjunction with such documents:

(a) the Articles of Association (*statuten*) of the Issuer;

(b) the publicly available annual report of the Issuer in respect of the year ended 31 December 2017, including the audited consolidated financial statements and auditors' report in respect of such year; and

(c) the publicly available audited consolidated financial statements of the Issuer in respect of the years ended 31 December 2016 and 2015 (in each case, together with the auditors' reports thereon and explanatory notes thereto).

Any statement contained in a document which is deemed to be incorporated by reference into this Registration Document shall be deemed to be modified or superseded for the purpose of this Registration Document to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Any information or other documents themselves incorporated by reference, either expressly or implicitly, in the documents incorporated by reference in this Registration Document shall not form part of this Registration Document, except where such information or other documents are specifically incorporated by reference into this Registration Document.

The Issuer will provide, without charge, to each person to whom a copy of this Registration Document has been delivered in accordance with applicable law, upon the oral or written request of such person, a copy of any or all of the documents which are incorporated herein by reference. Requests for such documents should be directed to the Issuer at Foppingadreef 7, 1102 BD Amsterdam, the Netherlands. In addition, this Registration Document and any document which is incorporated herein by reference will be made available on the website of ING (https://www.ing.com/Investor-relations/Fixed-income-information/Debt-securities-ING-Bank-N.V./Senior-bonds.htm (for this Registration Document), https://www.ing.com/Investor-relations/Annual-Reports.htm (for the annual reports) and https://www.ing.com/over-ons/corporate-governance/juridische-structuur-en-toezichthouders/statuten.htm (for the Articles of Association)).

RISK FACTORS

Set out below are certain risk factors which could affect the future financial performance of the Issuer and thereby potentially affect the Issuer's ability to fulfil its obligations in respect of securities issued or guaranteed by it. The factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties the Issuer's businesses face. The Issuer has described only those risks relating to its operations of which it is aware and that it considers to be material. There may be additional risks that the Issuer currently considers not to be material or of which it is not currently aware and any of these risks could have the effects set forth above. Investors should note that they bear the Issuer's solvency risk. The term Issuer, for the purpose of this section (but not others), also refers, where the context so permits, to the Issuer and its subsidiaries.

Risks Related to Financial Conditions, Market Environment and General Economic Trends

Because the Issuer is a financial services company conducting business on a global basis, its 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 it conducts business. The on-going turbulence and volatility of such factors have adversely affected, and may continue to adversely affect, the profitability, solvency and liquidity of the Issuer's 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, the Issuer's solvency, liquidity and the amount and profitability of business the Issuer conducts in a specific geographic region. The Issuer is particularly exposed to financial, economic, market and political conditions in Germany and the Benelux countries, from which the Issuer derives a significant portion of its revenues. 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 the Issuer'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. The Issuer also offers a number of financial products that expose it 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 the Issuer's profitability", "Continued risk of resurgence of turbulence and on-going volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, the Issuer's business, financial condition and results of operations", and "Market conditions observed over the past few years may increase the risk of loans being impaired. The Issuer is 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 the Issuer's 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 the Issuer's net result may be significantly impacted by turmoil and volatility in the worldwide financial markets. Negative developments in financial markets and/or economies and changes in the regulatory environment in which the Issuer operates have, in the past had, and may in the future have a material adverse impact on shareholders' equity and net result, including as a result of the potential consequences listed above. See "Continued risk of resurgence of turbulence and on-going volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, the Issuer and its business, financial condition and results of operations" and "The Issuer operates in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions, the application of such laws and/or regulations on the consequences of any non-compliance with such laws and/or regulations may reduce its profitability" below.

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, the Issuer and its business, financial condition and results of operations.

General

The Issuer's business and results of operations are materially affected by conditions in the global capital markets and the economy generally. In 2008 and through early 2009, the financial services industry and the securities markets generally were materially and adversely affected by significant declines in the values of nearly all asset classes and by a serious lack of liquidity. Concerns over the slow economic recovery, the European sovereign debt crisis, the outcome of the negotiations between the UK and the EU following the UK referendum on EU membership (Brexit), the potential exit of other countries from the Eurozone, increasing political instability in Europe, 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"), potential changes in U.S. laws, regulations and policies governing financial regulation, foreign trade and foreign investment following the inauguration of a new U.S. administration in January 2017, the level of U.S. national debt and the U.S. housing market, inflation/deflation levels, energy costs and geopolitical tensions around North Korea, all have contributed to increased volatility and diminished expectations for the economy and the markets in recent years.

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 Issuer operates, have also experienced budgetary and other financial difficulties, which have resulted in changes in economic policy including the implementation of 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 and the United Kingdom's withdrawal from the European Union" 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 the Issuer, 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 the Issuer's revenues and results of operations, in part because the Issuer has 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 the Issuer's or its 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 the Issuer's revenues and results of operations, including withdrawal of deposits. Because a significant percentage of the Issuer's customer deposit base is originated via Internet banking, a loss of customer confidence may result in a rapid withdrawal of deposits over the Internet.

The aforementioned impacts have arisen primarily as a result of valuation and impairment issues arising in connection with the Issuer's 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 judgement 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 the Issuer continues to monitor its exposures, there can be no assurance that it will not experience further negative impacts to its shareholders' equity, solvency position, liquidity, financial condition or profit and loss accounts in future periods.

European sovereign debt crisis and the United Kingdom's withdrawal from the European Union

Market concerns over the direct and indirect exposure of European banks and insurers to the sovereign debt of several EU Member States since 2010 have resulted in a widening of credit spreads and increased costs of funding for some European financial institutions. The sovereign debt crisis has also highlighted issues relating to the strength of the banking sector in Europe and the Euro. In addition, risks and ongoing concerns about the crisis in the Italian banking sector and its potential spill-over effect into other Member States, deterioration of the political situation in Turkey, as well as the possible default by one or more Member States could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in these countries and the financial condition of European and other financial institutions, including the Issuer. 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. The Issuer is exposed to the risk of downgrades of European sovereign ratings or corporate ratings, because they may affect its financial costs and, as a result its profitability. Market disruptions in Europe related to sovereign debt and the banking sector continue to be a threat to global capital markets and remain a challenge to global financial stability. 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, that may not be available. Market and economic disruptions stemming from the crisis in Europe also 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 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, the Issuer's business and results of operations could be significantly and adversely impacted. Additionally extreme prolonged market events, such as the recent global credit crisis, could cause the Issuer to incur significant losses and may lead to USD funding shortages for EU banks.

In addition, although the UK is not a member state of the Eurozone, the decision of the UK to leave the EU remains a major political and economic event and may further destabilise the Eurozone. The outcome of the negotiations between the UK and the EU remains highly uncertain as does its economic and operational impact on the Group and its counterparties. Concerns regarding other Member States' potential exit from the EU or the Eurozone also have emerged following the 'Brexit' referendum. The possible exit from the EU and/or 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 the Issuer (or its counterparties) is a party and thereby materially and adversely affect the Issuer and/or its 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 EU and/or 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 EU and/or the Eurozone) may not recognise and/or enforce claims denominated in Euros (and/or in any replacement currency). 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 the Issuer conducts its business. The Issuer's results of operations, liquidity position, capital position and investment portfolio are exposed to these risks and may be adversely affected as a result.

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 watch. 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., 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 financial 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 ING.

Adverse capital and credit market conditions as well as changes in regulations may impact the Issuer's ability to access liquidity and capital, as well as the cost of liquidity, credit and capital.

Adverse capital market conditions have in the past affected, and may in the future affect the cost of borrowed funds and the Issuer's ability to borrow on a secured and unsecured basis, thereby impacting the Issuer's ability to support and/or grow its businesses. Furthermore, although interest rates are at or near historically low levels, since the recent financial crisis, the Issuer has experienced increased funding costs due in part to the withdrawal of perceived government support of such institutions in the event of future financial crises. In addition, liquidity in the financial markets has also been negatively impacted as market participants and market practices and structures adjust to new regulations.

The Issuer needs liquidity to pay its operating expenses, interest on its debt and dividends on its capital stock, maintain its securities lending activities, and replace certain maturing liabilities. Without sufficient liquidity, the Issuer will be forced to curtail its operations and its business will suffer. The principal sources of the Issuer's 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 shareholders' equity.

In the event that the Issuer's current resources do not satisfy its needs, the Issuer 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, the Issuer's credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of its long- or short-term financial prospects. Similarly, the Issuer's access to funds may be limited if regulatory authorities or rating agencies take negative actions against it. If the Issuer's internal sources of liquidity prove to be insufficient, there is a risk that it may not be able to successfully obtain additional financing on favourable terms, or at all. Any actions the Issuer might take to access financing may, in turn, cause rating agencies to re-evaluate its ratings.

Disruptions, uncertainty or volatility in the capital and credit markets, may also limit the Issuer's access to capital. Such market conditions may in the future limit the Issuer's ability to raise additional capital to support business growth, or to counter-balance the consequences of losses or increased regulatory capital and rating agency capital requirements. This could force the Issuer to (i) delay raising capital, (ii) reduce, cancel or postpone payment of dividends on its shares, (iii) reduce, cancel or postpone interest payments on other securities, (iv) issue capital of different types or under different terms than the Issuer 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 the Issuer's profitability and its financial flexibility. The Issuer's 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.

The Issuer is 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 its ability to manage its liquidity in a centralised manner. Furthermore, regulatory liquidity requirements in certain jurisdictions in which the Issuer operates are generally becoming more stringent, including those forming part of the "Basel III" requirements discussed further below under "The Issuer operates 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 its business may reduce its profitability", undermining the Issuer's efforts to maintain this centralised management of its liquidity. These developments may cause trapped pools of liquidity and capital, resulting in inefficiencies in the cost of managing the Issuer's liquidity and solvency, and hinder its efforts to integrate its balance sheet.

Interest rate volatility and other interest rate changes may adversely affect the Issuer's profitability.

Changes in prevailing interest rates may negatively affect the Issuer's business, including the level of net interest revenue the Issuer earns, and the levels of deposits and the demand for loans. A sustained increase in the inflation rate in the Issuer's principal markets may also negatively affect its 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 the Issuer's product pricing assumptions may result in mispricing of its products, which could materially and adversely impact its results of operations. On the other hand, recent concerns regarding negative interest rates and the low level of interest rates generally may negatively impact the Issuer's net interest income, which may have an adverse impact on its profitability.

Declining interest rates or a prolonged period of low interest rates, as is currently the case, 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 the Issuer's 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, the Issuer 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 the Issuer's product risks;
- lower profitability, since the Issuer may not be able to fully track the decline in interest rates in its savings rates;
- lower profitability since the Issuer may not always be entitled to impose surcharges to customers to compensate for the decline in interest rates;
- lower profitability since the Issuer 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 the Issuer's 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 the Issuer's interest rate hedge programs, which could materially and adversely affect liquidity and its profitability.

All these effects may be amplified in a 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 comparable rate paid on the liabilities. This will reduce the Issuer's results of operations.

Rapidly increasing interest rates may result in:

- a decrease in the demand for loans;
- higher interest rates to be paid on debt securities that the Issuer has issued or may issue on the financial markets from time to time to finance its operations and on savings/, which would increase its interest expenses and reduce its 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 the Issuer's 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 the Issuer's interest rate hedge program.

Inflation and deflation may negatively affect the Issuer's business.

A sustained increase in the inflation rate in the Issuer's principal markets would have multiple impacts on it and may negatively affect its 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:

- decrease the estimated fair value of certain fixed income securities that the Issuer holds in its investment portfolios, resulting in:
- reduced levels of unrealised capital gains available to the Issuer, which could negatively impact its solvency position and net income; and/or
- a decrease in collateral values;
- result in increased withdrawal of certain savings products, particularly those with fixed rates below market rates;
- require the Issuer, as an issuer of securities, to pay higher interest rates on debt securities that it issues in the financial markets from time to time to finance its operations, which would increase its interest expenses and reduce its 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:

- result in impairment charges to equity securities that the Issuer holds in its investment portfolios and reduced levels of unrealised capital gains available to it which would reduce its net income, and
- lower the value of the Issuer's equity investments impacting its capital position.

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

- On the other hand, deflation experienced in the Issuer's principal markets may also adversely affect its financial performance. In recent years, the risk of low inflation and even deflation (i.e. a continued period with negative rates of inflation) in the Eurozone has materialised. Deflation may erode collateral values and diminish the quality of loans and cause a decrease in borrowing levels, which would negatively affect the Issuer's business and results of operations.

The Issuer operates 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 its business may reduce its profitability.

The Issuer is subject to detailed banking laws and government regulation in the jurisdictions in which it conducts business. Regulatory agencies and supervisors have broad administrative power and enforcement capabilities over many aspects of its business, which may include liquidity, capital adequacy, permitted investments, ethical issues, money laundering, anti-terrorism measures, privacy, record keeping, product and sale suitability, marketing and sales practices remuneration policies, personal conduct and the Issuer's 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, anti-terrorism financing, tax evasion, prohibited transactions with countries or persons subject to sanctions, and bribery or other anti-corruption measures.

The Issuer's revenues and profitability and those of its competitors have been and will continue to be impacted by requirements relating to capital, additional loss-absorbing capacity, leverage, minimum liquidity and long-term funding levels, requirements related to resolution and recovery planning, derivatives clearing and margin rules and levels of regulatory oversight, as well as limitations on which and, if permitted, how certain business activities may be carried out by financial institutions.

Regulators around the world have increased their focus on the regulation of the financial services industry. Most of the principal markets where the Issuer conducts its 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 and the U.S. as well as in a multitude of jurisdictions where the Issuer conducts its 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, the Issuer is subject to different tax regulations in each of the jurisdictions where it conducts business. Changes in tax laws (including case law) could increase the Issuer's taxes and its effective tax rates and could materially impact its tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities, which could have a material adverse effect on its business, results of operations and financial condition. Changes in tax laws could also make certain ING Bank products less attractive, which could have adverse consequences for the Issuer's businesses and results.

Compliance with applicable laws and regulations is resources-intensive, and changes in laws and regulations may materially increase costs. The Issuer expects the scope and extent of regulation in the jurisdictions in which it conducts its business, as well as regulatory oversight and supervision, to generally continue to increase. However, the Issuer 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 its business, results of operations and financial condition. Regulation is becoming increasingly more extensive and complex and the industries in which ING Bank operates are increasingly coming under the scrutiny of regulators, and affected companies, including ING Bank, are required to meet the demands, which often necessitate additional resources. These regulations can limit the Issuer's activities, among others, through stricter net capital, customer protection and market conduct requirements and restrictions on the businesses in which it can operate or invest.

Despite the Issuer's efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, it faces the risk of non-compliance with applicable laws and regulations. There are a number of risks in areas where applicable regulations may be unclear, subject to multiple interpretations or are 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 the Issuer's failure to meet applicable standards. Regulators and other authorities have the power to bring administrative or judicial proceedings against the Issuer, which could result, among other things, in suspension or revocation of the Issuer's licences, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action, which could materially harm its results of operations and financial condition. If the Issuer fails to address, or appears to fail to address, any of these matters appropriately, its reputation could be harmed and it could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages brought against it or subject it to enforcement actions, fines and penalties.

Basel III, CRD IV and CRD V

In December 2010, the Basel Committee on Banking Supervision ("BCBS") announced higher global minimum capital standards for banks and introduced a new global liquidity standard and a new leverage ratio. The BCBS's package of reforms, collectively referred to as the "Basel III" rules, among other requirements, increased 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 common equity Tier 1 ratio, when fully phased in on 1 January 2019, will rise to 7 per cent. 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 Issuer, 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 BCBS 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. The Issuer has been designated by the BCBS and the FSB as one of the global systemically important banks ("G-SIBs"), forming part of the G-SIFIs, since 2011, and by the Dutch Central Bank (De Nederlandsche Bank N.V., "DNB") and the Dutch Ministry of Finance as a domestic SIFI since November 2011. The Basel III proposals and their potential impact are monitored via semi-annual monitoring exercises in which the Issuer 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. In December 2017, the Basel III revisions were formally announced by the Basel Committee on Banking Supervision (BCBS). These new prudential rules for banks consist of a revision to the standardised approach to credit risk, the introduction of a capital floor based on standardised approaches, the use of internal models, limitation of options for modelling operating risks, and new rules for the establishment of risk-weighted items and unused credit lines at the banks. With a long implementation phase and the transposition into EU regulation still pending, some question marks remain on how this will shape up.

For European banks, the Basel III requirements were implemented through the Capital Requirements Regulation ("CRD IV Regulation") and Capital Requirements Directive IV ("CRD IV Directive" and together with the CRD IV Regulation, the "CRR"), 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. The full impact of these rules, and any additional requirements for SIFIs or G-SIFIs if and as applicable to the Issuer, will depend on how the CRD IV Directive is transposed into national laws in each Member State, including the extent to which national regulators and supervisors set more stringent limits and additional capital requirements or surcharges. In the Netherlands, the CRR has been implemented through amendments to the Financial Supervision Act. In the next phase for 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 BCBS released several consultative papers, containing proposals to change the methodologies for the calculation of capital requirements and is expected to issue further standards in this respect. Within these proposals the BCBS suggests methods to calculate risk-weighted assets ("RWA") using more standardised or simpler methods in order to achieve greater comparability, transparency and consistency. In November 2016, the EC proposed substantial amendments (commonly referred to as CRD V) to the CRR (including the CRD IV Directive), the BRRD (as defined below) and the Single Resolution Mechanism Regulation to, among other things, implement these revisions in the EU legislation. Legislation is expected to be finalised in 2018. 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. The proposals cover multiple areas, including the Pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of 'non-preferred' senior debt, the minimum requirement for own funds and eligible liabilities ("MREL") and the integration of the TLAC standard into EU legislation. The proposals are to be considered by the European Parliament and the Council of the European Union and therefore remain subject to change. The final and complete package of new legislation may not include all elements of the original proposals and new or amended elements may be introduced through the course of the legislative process. Until the legislative process has been finalised and the resulted in new law, it is uncertain how the proposals will affect the Issuer or holders of its securities. The proposals, as well as 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 Issuer 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 significant role in the supervision of the Issuer.

In its capacity as principal bank supervisor in the European Union, the ECB has extensive supervisory and investigatory powers, including the ability to issue requests for information, to conduct regulatory investigations and on-site inspections, and to impose monetary and other sanctions. For example, under the SSM, the regulators with jurisdiction over the Issuer, including the ECB, may conduct stress tests and have discretion to impose capital surcharges on financial institutions for risks that are not otherwise recognised in risk-weighted assets or other surcharges depending on the individual situation of the bank and take or require other measures, such as restrictions on or changes to the Issuer's business. Competent regulators may also, if the Issuer fails to comply with regulatory requirements, in particular with minimum capital requirements (including buffer requirements) or with liquidity requirements, or if there are shortcomings in its governance and risk management processes, prohibit the Issuer from making dividend payments to shareholders or distributions to holders of its regulatory capital instruments. Generally, a failure to comply with the new quantitative and qualitative regulatory requirements could have a material adverse effect on the Issuer's business, financial condition and results of operations.

In order to make capital levels more comparable and to reduce variability in banks' internal models, the European Central Bank (ECB) introduced the Targeted Review of Internal Models (TRIM) in June 2017 to assess reliability and comparability between banks' models. The TRIM aims to create a level playing field by harmonising the regulatory guidance around internal models, and the ultimate goal is to restore trust in the use of internal models by European banks. The operating consequences of the TRIM exercise have been significant. The TRIM is expected to finalise in 2019, and could impact ING through more stringent regulation on internal models. There is also heightened supervisory attention for the credit quality of loans to corporates and/or households. These exercises could impact the RWA ING recognises for certain assets.

Dodd-Frank Act

On 21 July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank" or the "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 Bank. Dodd-Frank directs existing and newly created government agencies and bodies to perform studies and promulgate a multitude of regulations implementing the law, most of which are in place. Because some of the regulations have only recently taken effect or are yet to be finalised, the Issuer cannot predict with certainty how such regulations will affect the financial markets generally and impact the Issuer's business, credit rating, results of operations, cash flows or financial condition or liquidity. Key aspects of Dodd-Frank that the Issuer has identified to date as possibly having an impact on the Issuer include the aspects set out below:

Title VII of Dodd-Frank creates a new framework for regulation of the over-the-counter derivatives markets and certain market participants which has affected and could continue to affect various activities of ING Bank. ING Capital Markets LLC, a wholly-owned indirect subsidiary of the Issuer, has registered with the U.S. Commodity Futures Trading Commission ("CFTC") as a swap dealer. The SEC is expected to adopt regulations establishing registration and margin and capital requirements for security-based swaps. Along with the still indeterminate effective date for SEC regulations on, among others, reporting, registration, and internal and external business conduct with respect to security-based swaps, these are likely to materially impact ING Bank. Additionally, the CFTC is expected to adopt capital requirements for swap dealers, although the specific requirements, and any available exemptions, have not been finalised. If these requirements are applicable to the Issuer, and no exemptions are available, it is possible that these requirements will be difficult for the Issuer to comply with and may, as a result, materially and adversely impact the Issuer's ability to operate as a swap dealer in the U.S. Other CFTC regulatory requirements, already implemented, include registration of swap dealers, business conduct rules imposed on swap dealers, requirements that some categories of swaps be centrally executed on regulated trading facilities and cleared through regulated clearing houses, and initial and variation margin requirements for uncleared swaps. In addition, new position limits requirements for market participants that have been proposed and may be contained in final regulations to be adopted by the CFTC could limit the Issuer's position sizes in swaps referencing specified commodities and similarly limit the ability of counterparties to utilise certain of its products by narrowing the scope of hedging activity that is permitted for commercial end users, and the trading activity of speculators. 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 the Issuer and its customers, which could expose the Issuer's business to greater risk and could reduce the size and profitability of its 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 required to consider 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 the Issuer's 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 2017 to comply with the prohibition on certain fund activities and until July 2015 to comply with the proprietary trading prohibitions. In the event that the Issuer or one of its affiliates becomes subject to the Volcker Rule, the Issuer's trading and investment activities could be so restricted. It is expected that the Issuer will experience significant additional compliance and operational costs and may be prohibited from engaging in certain activities it currently conducts if the Volcker Rule becomes applicable to it and its affiliates.

For instance, the Issuer may at some point in time consider whether to establish a branch office in the U.S. If the Issuer were to establish a U.S. branch, it would be subject to supervision and regulation by the Federal Reserve under various laws and various restrictions on its 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 the Issuer's 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 Issuer'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 Bank'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 may continue to have profound and/or adverse consequences for the financial services industry, including for the Issuer. Dodd-Frank, in its current form, could make it more expensive for the Issuer to conduct business, require it to make changes to its business model or satisfy increased capital requirements, subject it to greater regulatory scrutiny or to potential increases in whistle-blower claims in light of the increased awards available to whistle-blowers under Dodd-Frank and have a material effect on the Issuer's results of operations or financial condition.

In 2017, the U.S. Secretary of Treasury issued several reports, after consultation with other financial regulatory agencies to evaluate the current financial regulatory framework against core principles set out by the new U.S. administration. Such review may result in the revision, amendment or repeal, in all or in part, of Dodd-Frank and related rules and regulations. There can be no assurance that these or any other future reforms will not significantly impact the Issuer's business, financial condition and results of operations.

Foreign Account Tax Compliance Act and other U.S. withholding tax regulations

Under provisions of U.S. tax law commonly referred to as FATCA, non-U.S. financial institutions are required to provide certain information on their U.S. accountholders and/or certain U.S. investors to the U.S. Internal Revenue Service ("IRS"). A 30 per cent. withholding tax is imposed on 'withholdable payments' made to non-compliant non-U.S. financial institutions. In addition to FATCA, non-U.S. financial institutions are required to comply with other U.S. withholding and reporting requirements on certain payments. The Issuer intends to take all necessary steps to comply with FATCA and other U.S. withholding tax regulations. The Issuer is for example updating and strengthening its withholding compliance programme and reviewing, amending and filing the necessary tax returns and information reports.

Many countries, including the Netherlands, have entered into agreements ("intergovernmental agreements" or "IGAs") with the U.S. to facilitate the type of information reporting required under FATCA. While the existence of IGAs will not eliminate the risk of the FATCA 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. accountholders to the taxing authorities of those countries, who will then pass the information to the IRS.

If the Issuer is unable to comply with requirements imposed under IGAs or otherwise comply with FATCA (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 accountholders or other investors, or as a result of the failure of accountholders or other investors to provide requested information), certain payments to the Issuer may be subject to withholding under FATCA. Payments made with respect to certain products offered by members of the Group may also be or become subject to withholding under FATCA. The possibility of such withholding and the need for accountholders, policyholders, annuitants and investors to provide certain information may adversely affect the sales of certain of the Issuer's products. In addition, (i) compliance with the terms of IGAs and with FATCA, with any regulations or other guidance promulgated thereunder or any legislation promulgated under an IGA, and (ii) offering products subject to U.S. withholding, may substantially increase the Issuer's compliance costs. Because legislation and regulations implementing FATCA and the IGAs remain under development, the future impact of this law on the Issuer is uncertain. Failure to comply with FATCA and other U.S. withholding tax regulations could harm ING's reputation and could subject the Issuer to enforcement actions, fines and penalties, which could have a material adverse effect on the Issuer's business, reputation, revenues, results of operations, financial condition and prospects. For additional information with respect to specific proceedings, see "General Information – Litigation".

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 2 November 2016, more than 100 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) occurred in 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 amended the Dutch Financial Supervision Act and the Dutch Insolvency Act allowing Dutch authorities to take certain actions with respect to a failing bank or insurer that cannot be wound up under ordinary insolvency rules due to concerns regarding the stability of the overall financial system. It comprised two categories of measures. The first category of measures related to banks or insurers facing serious financial difficulties and included measures related to the timely and efficient liquidation of the failing institution. This set of measures gave the DNB the power to transfer customer deposits, assets and/or liabilities other than deposits and issued shares of an entity to third parties or to a bridge bank if the DNB deemed that, in respect of the relevant institution, there were signs of adverse developments with respect to its funds, solvency, liquidity or technical provisions and it could be reasonably foreseen that such developments would 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 triggered if the stability of the financial system is in serious and immediate danger as a result of the failure of a Dutch financial institution and includes measures intended to safeguard the stability of the financial system as a whole. This set of measures granted authority to the Dutch Minister of Finance to take immediate measures or proceed to expropriation of assets or liabilities, or shares in the capital, of failing financial institutions. 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, 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") and partly amending the Intervention Act. Certain measures introduced by the Intervention Act were replaced with respect to banking institutions with measures based on the BRRD and the SRM Regulation, as described below. 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 on 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 (whether at the point of non-viability or as taken together with a resolution action). The stated aim of the BRRD 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. In November 2016, the EC proposed amendments to the BRRD regarding the ranking of unsecured debt instruments in national insolvency proceedings (to include a new category of 'non-preferred' senior debt) and to enhance the stabilisation tools with the introduction of a moratorium tool. On 5 December 2017, a public consultation was launched by the Dutch Ministry of Finance for a draft legislative proposal on the Dutch implementation of Directive (EU) 2017/2399 on the ranking of unsecured debt instruments in insolvency hierarchy. The consultation closed on 9 January 2018. According to the draft legislative proposal and the draft explanatory notes thereto, it is contemplated that a new provision is added to the Dutch Bankruptcy Act (*Faillissementswet*) introducing a new category of "non-preferred" senior debt obligations. During the legislative process, the proposal may be amended. Until the proposal has become law, it is uncertain how this will affect the Issuer or holders of its securities.

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 resolution authority the power to, *inter alia*, (i) cancel existing shares and/or dilute existing shareholders by converting relevant capital instruments or eligible liabilities into shares of the surviving entity, (ii) 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 Bank) of a failing financial institution or group and/or (iii) convert certain debt claims (which could include certain securities that have been or will be issued by ING Bank) into another security, including ordinary shares of the surviving group entity, if any. None of these actions would be expected to constitute an event of default under those securities entitling holders to seek repayment.

In addition to a "write-down and conversion" power and a "bail-in" power, the powers 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 or alter the maturity date or interest payment date of debt instruments, including by suspending payment for a temporary period, or to amend the interest amount payable under such instruments. None of these actions would be expected to constitute an event of default under those debt instruments or other eligible liabilities entitling holders to seek repayment. 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 the Issuer and the securities that have been issued or will be issued by ING Bank. Accordingly, it is not possible to assess the full impact of the BRRD on ING Bank and on holders of any securities issued or to be issued by ING Bank, 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 resolution authority contemplated in the BRRD would not adversely affect the rights of holders of the securities issued or to be issued by ING Bank, the price or value of an investment in such securities and/or ING Bank'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 destabilising the financial system. The SRB is a key element of the SRM and is European resolution authority for the Banking Union and is fully operational, with a complete set of resolution powers, as of 1 January 2016. The SRB works in close cooperation with the national resolution authorities such as the Dutch national resolution authority. The SRB is also 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. Historically, the Issuer has contributed to the Dutch National Resolution Fund (the "NRF"). Beginning in 2016, contributions to the NRF will be phased out and will decrease steadily until they decrease to nil in 2023; during the same period, contributions to the SRF will commence and steadily increase, replacing the Issuer's contributions to the NRF. As the contributions for the NRF and the SRF are calculated on a different basis and by different authorities (DNB and SRB, respectively), the contributions to the SRF may deviate from the contributions to the NRF.

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. The Issuer is 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, its counterparties, holders of securities issued by, or to be issued by, the Issuer, or on the Issuer, its operations or its financial position.

ING has a recovery plan in place to enhance 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 recovery plan is assessed annually by ING's regulators. Since 2012, the Issuer has worked together with the different resolution authorities to determine a resolution strategy and to identify potential impediments to resolution. This resulted in a resolvability assessment that is shared every year with the FSB and the preparation of a transitional resolution plan by the SRB. In November 2016, ING concluded that ING Group should be the designated resolution entity. At the end of January 2017, the SRB has informed ING that it supports the designation of ING Group as the point of entry.

The Financial Stability Board (FSB)

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 risk culture, and a host of related issues associated with responses to the financial crisis.

In November 2015, the FSB published final standards on the adequacy of loss absorbing capacity held by G-SIBs. These comprise: (i) a set of principles on loss-absorbing and recapitalisation capacity of G-SIBs in resolution and (ii) a high level "termsheet" setting out an internationally agreed standard on the characteristics and adequacy of TLAC. 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 per cent. of risk weighted assets and at least 6 per cent. of the leverage ratio denominator from 1 January 2019, and at least 18 per cent. and 6.75 per cent. respectively from 1 January 2022 on. In November 2016, the EC proposed amendments to the CRR and BRRD to implement the FSB's minimum TLAC requirement for G-SIBs, that are intended to align the TLAC requirement with the minimum requirement for own funds and eligible liabilities ("MREL"). In October 2016, the BCBS issued a final standard regarding the regulatory capital treatments of TLAC holdings of other G-SIBs, confirming that G-SIBs must deduct from their own TLAC exposures, TLAC instruments and liabilities issued by other G-SIBs.

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 the Issuer and other institutions for which they were designed to additional restrictions, oversight or costs.

In February 2013, the EC adopted a proposal setting out the details of a financial transaction tax, ("FTT") under the enhanced cooperation procedure, to be levied on transactions in financial instruments by financial institutions if at least one of the parties to the transaction is established 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. Ten Member States have indicated they wish to participate in the FTT (Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain). The initial proposal contemplated that the FTT would enter into effect on 1 January 2014, which would have then required the Issuer to pay tax on transactions in financial instruments with parties (including Group affiliates) located in such FFT-zone. However, the FTT remains subject to negotiation between the participating Member States and currently it is uncertain whether and in what form and by which Member States the FTT will be adopted. The implementation date of any FTT will thus depend on the future approval by participating Member States in the 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 Bank's business and results.

As of 1 October 2012, banks that are active in the Netherlands are subject to a bank tax pursuant to a tax regulation that also includes measures to moderate bonuses awarded to executives at such banks. Increased bank taxes in countries where the Issuer is active result in increased taxes on the Issuer's banking operations, which could negatively impact its operations, financial condition and liquidity.

Because the Issuer operates in highly competitive markets, including its home market, it may not be able to increase or maintain its market share, which may have an adverse effect on its results of operations.

There is substantial competition in the Netherlands and the other countries in which the Issuer does business for the types of, wholesale banking, retail banking, investment banking and other products and services it provides. 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 existing or new competitors. A decline in the Issuer's competitive position as to one or more of these factors could adversely impact its ability to maintain or further increase its market share, which would adversely affect its results of operations. Such competition is most pronounced in the Issuer's 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 the Issuer's competitors. The Netherlands is its largest market. The Issuer's 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 and that are subject to reduced regulation. New entrants may rely on new technologies, advanced data and analytic tools, lower cost to serve, reduced regulatory burden and/or faster processes in order to challenge traditional banks. Developments in technology has also accelerated the use of new business models. For example, new business models have been observed in retail payments, consumer and commercial lending (such as peer-to-peer lending), foreign exchange and low-cost investment advisory services. In particular, the emergence of disintermediation in the financial sector resulting from new banking, lending and payment solutions offered by rapidly evolving incumbents, challengers and new entrants, in particular with respect to payment services and products, and the introduction of disruptive technology may impede the Issuer's ability to grow or retain its market share and impact its revenues and profitability.

Increasing competition in the markets in which the Issuer operates may significantly impact the Issuer's results if it is unable to match the products and services offered by its 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 the Issuer's competitors gaining greater access to capital and liquidity, expanding their ranges of products and services, or gaining geographic diversity. The Issuer may experience pricing pressures as a result of these factors in the event that some of its competitors seek to increase market share by reducing prices.

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 the Issuer 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 the Issuer interacts on a daily basis and financial instruments of sovereigns in which the Issuer invests. Systemic risk could have a material adverse effect on the Issuer's ability to raise new funding and on the Issuer's 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.

The inability of counterparties to meet their financial obligations could have a material adverse effect on the Issuer's results of operations.

Third parties that owe the Issuer money, securities or other assets may not pay or perform under their obligations. These parties include the issuers and guarantors (including sovereigns) of securities the Issuer holds, 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 the Issuer 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 the Issuer's results of operations, financial condition and liquidity. Given the high level of interdependence between financial institutions, the Issuer is 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 the Issuer's franchise as an important and large counterparty in equity, fixed-income and foreign exchange markets, including related derivatives.

The Issuer routinely executes 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 the Issuer's having significant credit exposure to one or more of such counterparties or customers. As a result, the Issuer faces concentration risk with respect to liabilities or amounts it expects to collect from specific counterparties and customers. The Issuer is 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 the Issuer's results of operations or liquidity.

With respect to secured transactions, the Issuer's credit risk may be exacerbated when the collateral held by it cannot be realised, or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to it. The Issuer also has exposure to a number of financial institutions in the form of unsecured debt instruments, derivative transactions and equity investments. For example, the Issuer holds 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, the Issuer expects that such instruments may experience ratings downgrades and/or a drop in value and it 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 the Issuer's business, results of operations or financial condition.

In addition, the Issuer is subject to the risk that its 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 the Issuer holds could result in losses and/or adversely affect its ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of the Issuer's counterparties could also have a negative impact on its income and risk weighting, leading to increased capital requirements. While in many cases the Issuer is permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral it is entitled to receive and the value of pledged assets. The Issuer's credit risk may also be exacerbated when the collateral it holds cannot liquidated at prices sufficient to recover the full amount of the loan or derivative exposure due to the Issuer, 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 the Issuer to claims. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral may also tend to increase in times of market stress and illiquidity. Any of these developments or losses could materially and adversely affect the Issuer's business, financial condition, results of operations, liquidity and/or prospects.

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

The Issuer is exposed to the risk that its 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. The Issuer may continue to see adverse changes in the credit quality of its 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 the Issuer's provision for loan losses could have a material adverse effect on its 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 certain corporate borrowers active in the oil and oil related services industries.

The Issuer 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 the Issuer operates, 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 2015, 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 its size ING Bank may incur significant compensation payments to be made under the Dutch Deposit Guarantee Scheme, which it may be unable to recover from the bankrupt estate. Such costs and the associated costs to be borne by ING Bank may have a material adverse effect on the Issuer's 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 has changed from an ex-post scheme, where ING Bank would have contributed after the failure of a firm, to an ex-ante scheme where ING Bank pays 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 per cent. 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.

The first ex-ante DGS contribution has been charged in respect of the first quarter of 2016. The build-up of the ex-ante fund will take place in 34 quarters. See also '- The Issuer operates 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 the Issuer's business may reduce the Issuer's profitability – Bank Recovery and Resolution Regimes".

Currently, the EU is discussing the introduction of a pan-European deposit guarantee scheme, (partly) replacing or complementing national compensation schemes in two or three phases. Proposals contain elements of (re)insurance, mutual lending and mutualisation of funds. The new model is intended to be 'overall cost-neutral'. A more definitive proposal is expected in 2018.

Risks Related to the Issuer's Business Operations and Regulatory Environment

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

Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. The Issuer's credit ratings are important to its 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 its net result. Certain institutional investors may also be obliged to withdraw their deposits from ING Bank following a downgrade, which could have an adverse effect on its liquidity. The Issuer has credit ratings from S&P, Moody's Investor Service Ltd. 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.

Furthermore, the Issuer'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 the Issuer's 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 the Issuer would have additional adverse ratings consequences, which could have a material adverse effect on the Issuer's results of operations, financial condition and liquidity. The Issuer may need to take actions in response to changing standards or capital requirements set by any of the rating agencies which could cause its business and operations to suffer. The Issuer cannot predict what additional actions rating agencies may take, or what actions it may take in response to the actions of rating agencies.

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

The Issuer uses assumptions in order to model client behaviour for the risk calculations in its 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 a material adverse effect on the calculated risk figures and, ultimately, future results.

The Issuer may be unable to manage its risks successfully through derivatives.

The Issuer employs various economic hedging strategies with the objective of mitigating the market risks that are inherent in its business and operations. These risks include currency fluctuations, changes in the fair value of its investments, the impact of interest rates, equity markets and credit spread changes, the occurrence of credit defaults and changes in client behaviour. The Issuer seeks 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 its business, either directly or 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 the Issuer from risks associated with those fluctuations. The Issuer's hedging strategies also rely on assumptions and projections regarding the Issuer's assets, liabilities, general market factors and the creditworthiness of the Issuer's counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, the Issuer's hedging activities may not have the desired beneficial impact on its results of operations or financial condition. Poorly designed strategies or improperly executed transactions could actually increase its risks and losses. Hedging strategies involve transaction costs and other costs, and, if the Issuer terminates a hedging arrangement, it 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 the Issuer has incurred or may incur losses on transactions, possibly significant, after taking into account its hedging strategies. Further, the nature and timing of the Issuer's hedging transactions could actually increase the Issuer's risk and losses. Hedging instruments the Issuer uses 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 profit and loss 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, the Issuer's hedging strategies and the derivatives that the Issuer uses or may use may not adequately mitigate or offset the risks they intend to cover, and the Issuer's hedging transactions may result in losses.

The Issuer's hedging strategy additionally relies on the assumption that hedging counterparties remain able and willing to provide the hedges required by its 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 the Issuer may reduce the ability and/or willingness of such counterparties to engage in hedging contracts with the Issuer and/or other parties, affecting its overall ability to hedge its risks and adversely affecting its business, operations, financial condition and liquidity.

The Issuer's risk management policies and guidelines may prove inadequate for the risks it faces.

The Issuer has developed risk management policies and procedures and will continue to review and develop these in the future. Nonetheless, its policies and procedures to identify, monitor and manage risks may not be fully effective, particularly during extremely turbulent times. The methods the Issuer uses 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 the Issuer. Such information may not always be accurate, complete, updated or properly evaluated. Management of operational, compliance, 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.

ING may be exposed to business, operational, regulatory, reputational and other risks in connection with climate change.

Climate change is a challenge which may expose ING to significant risks. The perception of climate change as a risk by civil society, shareholders, governments and other stakeholders continues to increase, including in relation to the financial sector's operations and strategy, and international actions, such as the Paris agreement on CO2 emissions, may also result in financial institutions coming under increased pressure from such stakeholders regarding the management and disclosure of their climate risks and related lending and investment activities. Additionally, rising climate change concerns may lead to additional regulation that could increase the Issuer's operating costs or negatively impact the profitability of its investments. There may be substantial costs in complying with current or future laws and regulations relating to climate change. Any of these risks may result in changes in the Issuer's business activities or other liabilities or costs, including exposure to reputational risks, any of which may have a material and adverse impact on its business, results of operation or financial condition.

Operational risks, such as systems disruptions or failures, breaches of security, cyber-attacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which the Issuer does business, may adversely impact the Issuer's business, results of operation and reputation.

The Issuer faces the risk that the design and operating effectiveness of its controls and procedures may prove to be inadequate. Operational risks are inherent to the Issuer's business. The Issuer's businesses depend on the ability to process a large number of transactions efficiently and accurately. In addition, the Issuer routinely transmits, receives and stores personal, confidential and proprietary information by email and other electronic means. Although the Issuer endeavours to safeguard its systems and processes, losses can result from inadequately trained or skilled personnel, IT failures (including due to a computer virus or a failure to anticipate or prevent cyber-attacks or other attempts to gain unauthorised access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or impairing operational performance, or security breaches by third parties), inadequate or failed internal control processes and systems, regulatory breaches, human errors, employee misconduct, including fraud, or from natural disasters or other external events that interrupt normal business operations. The Issuer depends on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. The equipment and software used in the Issuer's computer systems and networks may not always be capable of processing, storing or transmitting information as expected. Despite the Issuer's business continuity plans and procedures, certain of the Issuer's computer systems and networks may have insufficient recovery capabilities in the event of a malfunction or loss of data. The Issuer is currently in the process of replacing its IT/operational systems in some of its subsidiaries as contemplated by ING's Think Forward strategy and any failure or delay in implementation or integration of the new IT/operational systems on the anticipated time schedule or a failure of these systems to operate as anticipated could affect the Issuer's ability to efficiently serve its clients, process, store or transmit information as well as its ability to implement ING's Think Forward strategy in the manner and time frame currently contemplated. Like other financial institutions and global companies, the Issuer is regularly the target of attempted cyber-attacks, particularly threats from Distributed Denial of Service ("DDos"), targeted attacks (also called Advanced Persistent Threats) and Ransomware intensify worldwide, and attempts to gain unauthorised access, and the techniques used for such attacks are increasingly sophisticated. The Issuer has faced, and expect this trend to continue, an increasing number of attempted cyber-attacks as the Issuer has expanded its mobile- and other internet-based products and services, as well as its usage of mobile and cloud technologies. In addition, due to the Issuer's interconnectivity with third-party vendors, exchanges, clearing houses, financial institutions and other third parties, the Issuer could be adversely impacted if any of them is subject to a successful cyber-attack or other information security event. Whilst the Issuer has policies and processes to protect its systems and networks, and strives to continuously monitor and develop them to protect its technology infrastructure and data from misappropriation, 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 the Issuer's confidential information or that of its clients or its counterparties. These events can potentially result in financial loss and harm to the Issuer's reputation, hinder its operational effectiveness, result in regulatory censure, and could have a material adverse effect on its business, reputation, revenues, results of operations, financial condition and prospects.

Widespread outbreaks of communicable diseases may impact the health of the Issuer's employees, increasing absenteeism, or may cause a significant increase in the utilisation of health benefits offered to its employees, either or both of which could adversely impact its business. In addition, other events including unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, and the Issuer's 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 the Issuer's business continuity plans are not able to be implemented, are not effective or do not sufficiently take such events into account, losses may increase further.

The Issuer is subject to a variety of regulatory risks as a result of its operations in certain countries.

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

In addition, as a result of the Issuer's operations in certain countries, it is 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. Furthermore, the current economic environment in certain countries in which the Issuer operates 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 the Issuer's ability to protect its economic interest, for instance in the event of defaults on residential mortgages.

The Issuer may be unable to retain key personnel.

As a financial services enterprise with a decentralised management structure, the Issuer relies to a considerable extent on the quality of local management in the various countries in which it operates. The success of the Issuer's operations is dependent, among other things, on its ability to attract and retain highly qualified personnel. Competition for key personnel in most countries in which the Issuer operates is intense. The Issuer's ability to attract and retain key personnel, in particular in areas such as technology and operational management, client relationship management, finance, risk and product development, is dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent.

As 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 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 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"). Currently, implementation of the CRD IV rules varies significantly across the various Member States. The proportionality principle that allows for a minimum threshold for deferrals and pay-out in financial instruments to identified staff is applied differently in the various European countries. For instance, in the Netherlands a threshold of €10,000 is applied; in Germany €50,000; in Belgium €75,000 and in the UK £500,000. This creates a situation where there is no level playing field. In addition, the Wbfo has introduced a variable remuneration cap of 20 per cent. of base salary for employees working in the financial sector in yhe Netherlands. Employees can be exempted and receive variable remuneration up to the Wbfo individual cap of 100 per cent., provided that the average pay-out for the whole group does not exceed 20 per cent. of the collective base salaries. For this group, as well as for persons working outside yhe Netherlands exceptions are possible, in line with CRD IV, but only under strict conditions. In addition, the Wbfo limits exit compensation , retention compensation and guaranteed variable remuneration. The introduction of the Wbfo has created an 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 (i.e. that have their corporate seat in another EER country) are not limited to the 20 per cent. cap but can apply to the higher CRD IV caps (e.g. 100 per cent., or up to 200 per cent. with shareholder approval).

Since the financial crisis, the Issuer has adapted its remuneration policies to the new national and international standards. Since the full repayment of the state aid by ING in 2014, the total remuneration package for the Executive Board members has been slightly increased, however, it remains significantly below the median of its EURO Stoxx 50 benchmark, which is made up of similar European financial and non-financial institutions. The total direct compensation of the CEO is significantly below the median of the CEO benchmark.

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

The Issuer may incur further liabilities in respect of its 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.

The Issuer's group companies operate various defined benefit retirement plans covering a number of their employees. The liability recognised in the Issuer's consolidated balance sheet in respect of the Issuer's 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. The Issuer determines its 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 on discount rates, rates of increase in future salary and benefit levels, mortality rates, trend rates in healthcare 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 the Issuer's present and future liabilities to and costs associated with the Issuer's defined benefit retirement plans.

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

The Issuer is involved in governmental, regulatory, arbitration and legal proceedings and investigations involving claims by and against it which arise in the ordinary course its business, including in connection with its 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, tax evasion, prohibited transactions with countries or persons 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 the Issuer to comply with legal, regulatory, tax and compliance requirements, could result in adverse publicity and reputational harm, lead to increased regulatory supervision, affect the Issuer's 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 or other disciplinary action, or have other material adverse effects on the Issuer 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 "The Issuer is exposed to the risk of claims from customers who feel misled or treated unfairly because of advice or information received.". The Issuer's 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 the Issuer's 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 time-consuming and expensive. Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and/or prospects in any given period. For additional information with respect to specific proceedings, see "General Information – Litigation".

The Issuer may not be able to protect its intellectual property and may be subject to infringement claims by third parties, which may have a material adverse effect on the Issuer's business and results of operations.

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

The Issuer may also be subject to claims made by third parties for (1) patent, trade mark or copyright infringement, (2) breach of copyright, trade mark 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 the Issuer was found to have infringed or misappropriated a third-party patent or other intellectual property right, it could in some circumstances be enjoined from providing certain products or services to its customers or from utilising and benefiting from certain methods, processes, copyrights, trademarks, trade secrets or licences. Alternatively, it 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 the Issuer's business and results of operations.

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

The Issuer's, banking, products and advice services for third-party products are exposed to claims from customers who might 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, the Issuer engages in a multidisciplinary 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 the Issuer 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 the Issuer's business, reputation, revenues, results of operations, financial condition and prospects. For additional information with respect to specific proceedings, see "General Information – Litigation".

Changes in Dutch fiscal unity regime as a result of the recent judgement of the Court of Justice of the European Union.

On 22 February 2018, the Court of Justice of the European Union ruled in the joined cases X BV (Case C-398/16) and X NV (Case C-399/16) that certain elements of the Dutch fiscal unity regime for corporate income tax purposes are to be considered an unjustified violation of the freedom of establishment and are therefore contrary to European Union law.

As a result, previously announced emergency legislation, changing the Dutch fiscal unity regime, will most likely enter into force with retroactive effect as from 25 October 2017 at 11:00 a.m. (Central European Time). The wording of this reparatory legislation has not yet been made public. It is expected that a legislative proposal will be sent to Parliament in the second quarter of 2018. This reparatory legislation can have an impact on the tax position of the Issuer and the group companies included in its fiscal unity (headed by the Issuer).

DESCRIPTION OF ING BANK N.V.

General

ING Bank N.V. is part of ING Groep N.V. ING Groep N.V., also called "ING Group", is the holding company for a broad spectrum of companies (together, "ING"). ING Group holds all shares of ING Bank N.V., which is a non-listed 100 per cent. subsidiary of ING Group.

ING is a holding company incorporated in 1991 under the laws of the Netherlands. ING currently is a global financial institution with a strong European base, offering banking services. ING draws on its experience and expertise, its commitment to excellent service and its global scale to meet the needs of a broad customer base, comprising individuals, families, small businesses, large corporations, institutions and governments. ING serves more than 37 million customers in over 40 countries. ING has more than 54,000 employees.

ING Bank currently offers retail banking services to individuals, small and medium-sized enterprises ("SMEs") and mid-corporates in Europe, Asia and Australia and wholesale banking services to customers around the world, including multinational corporations, governments, financial institutions and supranational organisations. ING Bank currently serves more than 37 million customers through an extensive network in more than 40 countries. ING Bank has more than 54,000 employees.

ING Bank's purpose is to empower customers to stay a step ahead in life and in business. Its strengths include a well-known, strong brand with positive recognition from customers in many countries, a strong financial position, an omnichannel distribution strategy and an international network. Moreover, ING is currently among the leaders in the Dow Jones Sustainability Index "Banks industry" group.

ING Bank's reporting structure reflects the two main business lines through which it is active: Retail Banking and Wholesale Banking.

ING Bank has defined three categories of markets in which it intends to compete: Market Leaders, Challengers and Growth markets. ING Bank's aim is to become the primary bank for more customers in these markets through growing the share of payment accounts in Retail Banking and with anchor products, such as lending and transaction services, in Wholesale Banking.

Market Leaders are ING Bank's businesses in mature markets in the Benelux where it has strong market positions in retail and wholesale banking. ING Bank is implementing an operational integration of Belgium and the Netherlands as part of its strategy to provide a uniform customer experience based on a digital-first model, enhance operational excellence and create greater cost efficiency.

Challengers are ING Bank's businesses in markets where it aims to build a full banking relationship digitally distributed at low cost via platforms like Model Bank, which it is developing for several European banking markets, and Welcome, in Germany. ING Bank is also using its direct banking experience to grow the lending business at low cost in areas like consumer and SME lending. And it is using its strong savings franchises to fund expansion of Wholesale Banking in these markets.

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

Retail Banking

Retail Banking provides banking services to individuals, SMEs and mid-corporates in Europe, Asia and Australia. A full range of products and services is provided, albeit offerings may vary according to local demand.

Retail Banking operates in a variety of markets within the three market categories mentioned above: Market Leaders, Challengers and Growth Markets. In all markets ING pursues a digital-first approach, complemented by advice when needed, with omnichannel contact and distribution possibilities. In most of its markets Retail Banking offers a full range of retail banking products and services, covering payments, savings, investments and secured and unsecured lending.

Wholesale Banking

ING Wholesale Banking is a primary-relationship driven European wholesale bank with global reach. It has an extensive international network of offices in more than 40 countries across Europe, the Americas, Asia and Australia. ING Wholesale Banking's 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.

ING Wholesale Banking helps its clients to meet their ambitions, either in a specific area of expertise or geography. It aims to provide a differentiating and seamless client experience through new technologies and services across the globe. ING Bank's lending capabilities are at the heart of most client relationships. ING Wholesale Banking continues to grow Industry Lending by supporting clients with sector expertise and in-depth knowledge of their business. Transaction Services offers clients expertise in international payments and cash management, trade finance services and working capital solutions. Financial Markets, as the bank's gateway to global professional markets, serves ING Bank's clients from treasury through to capital markets, providing risk management and structured financial products.

In addition to the basic banking services of lending, payments and cash management, and treasury, ING Wholesale Banking provides tailored banking solutions in areas including corporate finance, commercial finance (factoring), equity markets and debt capital markets to help its clients achieve their business goals. ING Wholesale Banking supports clients in realising their sustainability ambitions.

Incorporation and History

ING Bank was incorporated under Dutch law in the Netherlands on 12 November 1927 for an indefinite duration in the form of a public limited company as Nederlandsche Middenstandsbank N.V. ("NMB Bank").

On 4 October 1989, NMB Bank merged with Postbank, the leading Dutch retail bank. The legal name of NMB Bank was changed into NMB Postbank Groep N.V. On 4 March 1991, NMB Postbank Groep N.V. merged with Nationale-Nederlanden N.V., the largest Dutch insurance group. On that date, the newly formed holding company Internationale Nederlanden Groep N.V. honoured its offer to exchange the shares of NMB Postbank Groep N.V. and of Nationale-Nederlanden N.V. NMB Postbank Groep N.V. and Nationale-Nederlanden N.V. continued as sub-holding companies of Internationale Nederlanden Groep N.V. An operational management structure ensured a close co-operation between the banking and insurance activities, strategically as well as commercially. The sub-holding companies remained legally separate. After interim changes of name, the statutory names of the above-mentioned companies were changed into ING Groep N.V., ING Bank N.V. and ING Verzekeringen N.V. on 1 December 1995.

On 26 October 2009, ING announced that it would move towards a separation of ING's banking and insurance operations, clarifying the strategic direction for the bank and the insurance company going forward. In April 2016, ING completed the divestment of its insurance business through the sale of its remaining stake in NN Group.

The registered office of ING Bank N.V. is at Bijlmerplein 888, 1102 MG Amsterdam, the Netherlands (telephone number: +31 20 563 9111). ING Bank N.V. is registered at the Dutch Trade Register of the Chamber of Commerce under no. 33031431 and its corporate seat is in Amsterdam, the Netherlands. The legal entity identifier (LEI) of ING Bank N.V. is 3TK20IVIUJ8J3ZU0QE75. The Articles of Association of ING Bank N.V. were last amended by notarial deed executed on 13 December 2013. According to Article 2 of its Articles of Association, the objects of ING Bank N.V. are to conduct the banking business in the widest sense, including insurance brokerage, to acquire, build and operate real estate, to participate in, manage, finance and furnish personal or real security for the obligations of and provide services to other enterprises and institutions of any kind, but in particular enterprises and institutions which engage in lending, investments and/or other financial services, and to engage in any activity which may be related or conducive to the foregoing.

As a non-listed company, ING Bank N.V. is not bound by the Dutch Corporate Governance Code (the "Code"). ING Group, as the listed holding company of ING Bank N.V., is in compliance with the Code. However, ING Bank is bound to the Dutch Banking Code. The Dutch Banking Code is a form of self-regulation that took effect on 1 January 2010 on a 'comply or explain' basis. On 16 October 2014, the Dutch Banking Association published a revised version of the Dutch Banking Code. Just like its predecessor, the revised version ("Banking Code"), is applicable to ING Bank. The Banking Code applies to the financial year 2015 and subsequent years, as of the financial year 2015, on 16 March 2017, ING Bank published its application of the Dutch Banking Code for the financial year 2016 on its corporate website www.ing.com.

Supervisory Board and Management Board Banking

ING Bank has a two-tier board system, consisting of a Supervisory Board and a Management Board Banking. All members of the Supervisory Board, with the exception of Eric Boyer de la Giroday, are independent within the meaning of the Code. Eric Boyer de la Giroday is not to be regarded as independent within the meaning of the Code because of his position as chairman of the Board of Directors of ING Belgium SA/NV and his former positions as a member of the Executive Board of ING Group and vice-chairman of Management Board Banking of ING Bank N.V. The task of the Supervisory Board is to supervise the policy of the Management Board Banking and the general course of events at ING Bank and to assist the Management Board Banking by providing advice. The Management Board Banking is responsible for the daily management of ING Bank.

The composition of the Supervisory Board and the Management Board Banking is as follows:

- Supervisory Board: J. (Jeroen) van der Veer (chairman), H.J.M. (Hermann-Josef) Lamberti (vice-chairman), J.P. (Jan Peter) Balkenende, E.F.C.B. (Eric) Boyer de la Giroday, H.W. (Henk) Breukink, M. (Mariana) Gheorghe, M. (Margarete) Haase*, Robert W.P. Reibestein and G.J. (Hans) Wijers.

- Management Board Banking: R.A.J.G. (Ralph) Hamers (chairman), J.V. (Koos) Timmermans (vice-chairman and CFO), S.J.A. (Steven) van Rijswijk (CRO), R.B. (Roland) Boekhout, R.M.M. (Roel) Louwhoff (COO), M.I. (Isabel) Fernandez Niemann and A. (Aris) Bogdaneris.

* Will become a member of the Supervisory Board as of 1 May 2018, as further described below

The business address of all members of the Supervisory Board and the Management Board Banking is: ING Bank N.V., Bijlmerplein 888 (Amsterdamse Poort), P.O. Box 1800, 1000 BV Amsterdam.

In order to avoid potential conflicts of interest, ING Bank N.V. has a policy that members of its Management Board Banking do not accept corporate directorships with listed companies outside ING.

Details of relationships that members of the Management Board Banking may have with ING Group subsidiaries as ordinary, private individuals are not reported.

There are no potential conflicts of interest between any duties owed by the members of the Supervisory Board or the Management Board Banking to ING Bank N.V. and any private interests or other duties which such persons may have.

Listed below are the most relevant ancillary positions performed by members of the Supervisory Board outside ING.

Veer, J. van der

Chairman of the Supervisory Board of Philips N.V.

Member of the Supervisory Board of Koninklijke Boskalis Westminster N.V.

Member of the Board of Directors of Statoil ASA

Chairman of Het Concertgebouw Fonds (foundation)

Chairman of the Supervisory Council of Nederlands Openluchtmuseum

Chairman of the Supervisory Council at the Delft University of Technology

Senior advisor at Mazarine Energy B.V.

Boyer de la Giroday, E.F.C.B.

Chairman of the Board of Directors ING Belgium S.A./N.V.

Non-Executive Director of the Board of the Directors of the Instituts Internationaux de Physique et de Chimie fondés par Ernest Solvay, asbl

Breukink, H.W.

Non-executive director of Brink Groep B.V.

Executive Director of Executive Development Dialogue B.V.

Gheorge, M.

Chief executive officer of OMV Petrom S.A., Romania

Chairman of the Supervisory Board of OMV Petrom Marketing

Chairman of the Supervisory Board of OMV Petrom Gas

Member of the Supervisory Board of OMV Petrom Global Solutions

Haase, M.

Chief financial officer and member of the Executive Board of Deutz AG

Member of the Supervisory Board and chairwoman of the Audit Committee of Fraport AG

Member of the Supervisory Board and chairwoman of the Audit Committee of ZF Friedrichshafen AG

Chairwoman of the employers association of Kölnmetall

Member of the German Corporate Governance Commission

Lamberti, H-J.M.

Non-Executive member of the Board of Directors Airbus Group N.V.

Chairman of the Supervisory Board of Addiko Bank

Director of Frankfurt Technology Management GmbH

Balkenende, J.P.

Professor of governance, institutions and internationalisation at Erasmus University Rotterdam (the Netherlands)

External senior adviser to Ernst & Young

Chairman of the Advisory Board of International Advisory Board (IAB) Rotterdam (the Netherlands)

Member of the Supervisory Board of Goldschmeding Foundation

Chairman of the Board Maatschappelijke Alliantie (the Netherlands)

Chairman of the Advisory Board of Noaber Foundation

Reibestein, R.W.P.

Member of the Supervisory Board of IMC B.V.

Member of the Supervisory Board of Stichting World Wildlife Fund (the Netherlands)

Wijers, G.J.

Chairman of the Supervisory Board and chairman of the preparatory committee and selection & appointment committee of Heineken N.V.

Non-executive director and deputy chairman of the Board of Directors and chairman of the corporate and social responsibility committee of Royal Dutch Shell Plc

Member of the Supervisory Board of Hal Investments Plc

Chairman of the Supervisory Board of Het Concertgebouw N.V.

Chairman of the Board of Vereniging Natuurmonumenten (the Netherlands)

As at 31 December 2017, Hermann-Josef Lamberti holds one executive and three non-executive positions. As per section 91 of CRD IV, this exceeds the maximum of (non-)executive positions allowed for (under Section 3:8 of the Dutch Financial Supervision Act), i.e. one non-executive position too many. In consultation with the ECB and based on the aforementioned article a request has been submitted to the ECB to authorise Hermann-Josef Lamberti to hold one additional non-executive position in order to comply with the board limitation rules.

Supervisory Board Committees

The Supervisory Board has four standing committees: the Audit Committee, the Risk Committee, the Remuneration Committee and the Nomination and Corporate Governance Committee (combined).

The organisation, powers and conduct of the Supervisory Board are detailed in the Supervisory Board Charter. Separate charters have been drawn up for the Audit Committee, the Risk Committee, the Remuneration Committee and the Nomination and Corporate Governance Committee. These charters are available on the website of ING Group (www.ing.com) (but are not incorporated by reference in, and do not form part of, this Registration Document). A short description of the duties for the four Committees follows below.

The Audit Committee consists of at least four members and meets at least four times a year. The Audit Committee 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.

The members of the Audit Committee are: Hermann Lamberti (chairman), Eric Boyer, Margarete Haase (as observer), Hans Wijers and Robert Reibestein.

Following the unforeseen departure in September 2015 of Carin Gorter, the Supervisory Board has determined that no member of the Audit Committee is an "audit committee financial expert" as defined by the SEC. The Supervisory Board subsequently sought to identify further members of the Audit Committee who would also qualify as an "audit committee financial expert" as defined by the SEC. This resulted in the proposed appointment of Margarete Haase; the Supervisory Board has determined that she is an "audit committee financial expert" as defined by the SEC. Margarete Haase was appointed as a member of the Supervisory Board at the General Meeting in May 2017.

In light of the planned reduction of the number of her directorships at other companies, the appointment of Margarete Haase will become effective as per 1 May 2018 (as decided by the Supervisory Board in January 2018). Following the effectiveness of her appointment, Margarete Haase will also be a member of the Audit Committee. Since 1 October 2017, Margarete Haase has been present as an observer at the meetings of the Audit Committee and the Supervisory Board. Eric Boyer de la Giroday is a financial expert as defined in the Dutch Corporate Governance Code considering his academic background as well as his knowledge and experience in his previous role as board member and vice-chairman of ING Groep N.V. and ING Bank N.V.

The Risk Committee consists of at least three members. The Risk Committee assists and advises 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. The members of the Risk Committee are: Robert Reibestein (chairman), Eric Boyer, Mariana Gheorghe, Hermann Lamberti, Jan Peter Balkenende and Jeroen van der Veer.

The Remuneration Committee is to comprise of at least three members and meets at least twice a year. The Remuneration Committee advises the Supervisory Board, among other things, on the terms and conditions of employment (including their remuneration) of Executive Board members and the policies and general principles on which the terms and conditions of employment of Executive Board members and of senior managers of ING and its subsidiaries are based. The members of the Remuneration Committee are: Henk Breukink (chairman), Robert Reibestein, Hans Wijers and Jeroen van der Veer.

The Nomination and Corporate Governance Committee convenes at least twice a year and consists of at least three members. The Nomination Committee advises the Supervisory Board, among other things, on the composition of the Supervisory Board and Executive Board, assists the Supervisory Board in monitoring and evaluating the corporate governance of ING as a whole and the reporting thereon in the Annual Report and to the General Meeting, and advises the Supervisory Board on improvements. The members of the Nomination and Corporate Governance Committee are: Jeroen van der Veer (chairman), Henk Breukink and Hans Wijers.

FIVE-YEAR KEY CONSOLIDATED FIGURES FOR ING BANK N.V.(1)

	2017	2016	2015	2014	2013
Balance sheet(2)					
Total assets	846,318	843,919	1,001,992	1,014,403	787,566
Total equity	44,377	44,146	41,495	38,686	33,760
Deposits and funds borrowed(3)	679,743	664,365	823,568	826,044	624,274
Loans and advances	574,899	562,873	700,007	703,920	508,329
Results(4)					

	2017	2016	2015	2014	2013
Total income	17,876	17,514	17,070	15,674	15,327
Operating expenses	9,795	10,603	9,308	10,225	8,805
Additions to loan loss provisions	676	974	1,347	1,594	2,289
Result before tax	7,404	5,937	6,415	3,855	4,233
Taxation	2,303	1,635	1,684	1,032	1,080
Net result (before non-controlling interests)	5,101	4,302	4,731	2,823	3,153
Attributable to Shareholders of the parent	5,019	4,227	4,659	2,744	3,063
Ratios (in per cent.)					
BIS ratio(5)	18.19	17.42	16.04	15.53	16.46
Tier 1 ratio(6)	14.62	14.41	13.43	12.52	13.53

Notes:

(1) These figures have been derived from the audited 2017 annual consolidated accounts of ING Bank N.V. in respect of the financial years ended 31 December 2013 to 2017.

(2) At 31 December.

(3) Figures including Banks and Debt securities.

(4) For the year ended 31 December.

(5) BIS ratio = BIS capital as a percentage of Risk Weighted Assets (as of the year 2014 based on Basel III phased-in) and until year-end 2013 based on Basel II. The year 2017 includes the interpretation of the EBA Q&A published on 3 November 2017.

(6) Tier 1 ratio = Available Tier 1 capital as a percentage of Risk Weighted Assets. Note: As of 2014, these Risk Weighted Assets are based on Basel III phased-in, until year-end 2013 based on Basel II.

Share Capital and Preference Shares

The authorised share capital of ING Bank N.V. amounted to EUR 1,808 million at 31 December 2017, consisting of 1,600 million ordinary shares with a nominal value of EUR 1.13 each and 50 preference shares, with a nominal value of EUR 1.13 each. The issued and paid-up capital amounted to EUR 525 million, consisting of 465 million ordinary shares and seven preference shares at 31 December 2017.

Significant Developments in 2017

On 25 October 2017, the Issuer announced that it had launched ING Ventures, a EUR 300 million fund aimed at investing in fintech companies.

On 21 December 2017, the Issuer announced that it had been notified of the ECB decision on the 2017 Supervisory Review and Evaluation Process (SREP), setting the common equity Tier 1 requirement for ING Group at 10.4 per cent. in 2018.

On 29 December 2017, the Issuer announced that it completed a participation in a Bank of Beijing share offering, maintaining its position as the largest shareholder in Bank of Beijing with a stake of 13.0 per cent., down from 13.6 per cent.

Significant Developments in 2018

On 13 March 2018, the Issuer announced it completed the acquisition of a 75 per cent. stake in Payvision for EUR 360 million.

On 13 March 2018, the Issuer announced that the ING Group Supervisory Board has taken notice of the reactions of many Dutch stakeholders following the proposal to amend the Executive Board remuneration policy as explained in the Annual Report 2017. In light of this, the Supervisory Board has reconsidered the proposal and has decided to not put it up for a vote at the Annual General Meeting.

ING Bank Strategy

ING's progress since launching the Think Forward strategy in 2014 confirms that it is heading in the right direction. With the trends it identified at that time continuing and even intensifying, it is accelerating the implementation of its strategy to remain relevant for customers in the future and to continue to provide them with a differentiating experience.

Since the launch of the Think Forward strategy in 2014, ING has achieved strong business growth, increasing customer numbers and robust financial performance. Its progress on these fronts confirms the relevance of its strategic direction.

At the heart of the Think Forward strategy is ING's purpose to empower people to stay a step ahead in life and in business and the Customer Promise to be clear and easy, available anytime and anywhere, to empower and to keep getting better.

A healthy increase in customer deposits and strong growth in core lending since the launch of the strategy show the appeal of its proposition to customers. This has also strengthened ING's business by providing more stable and attractive funding, better returns through own-generated assets and more diversified lending geographically and over segments.

The growth in overall customer numbers is being outpaced by even faster proportional growth in the important category of retail primary relationships, those customers with a current account and recurring income and at least one other product with ING. This growth has been spurred by continuous improvements to the customer experience, leading to more customer interaction, which in turn helps ING to know customers better and tailor offerings better to their needs. ING is on track to achieve its ambition to serve 14 million primary customers by 2020.

Accelerating the Think Forward strategy

ING developed the Think Forward strategy in response to trends that have not only continued to impact its world and the banking industry but which it now sees intensifying.

Digitalisation is increasing, changing how people interact with service providers and their expectations as customers. Fintechs and other new entrants to the market are taking advantage of new regulations and the easy access and low-cost delivery available through the internet to compete for key parts of banks' value chains. Tech giants like China's Alibaba and Tencent (owner of WeChat) now even have full banking licences, making them direct competitors of banks. And continued low interest rates and increasing regulation are pressuring banks' profitability. Banks need to look beyond traditional business models for new ways to offer value to customers.

ING Bank believes banking products and services are becoming commodities. The only way to differentiate in the future will be through the customer experience. Customers' expectations are being set by the personal, instant, relevant and seamless experience provided by digital platforms like Amazon, Apple, Facebook and

Google. These leaders offer access to platforms where customers connect to one another and to businesses and where they spend more and more of their time.

To remain relevant to customers ING Bank needs to create a similar experience, one that is uniform wherever and through whatever channel they do business with it. ING Bank aims to be the go-to and open platform for all its customers' financial needs, including providing relevant third-party offerings. And a platform that can integrate into other digital ecosystems so it is there for customers and other users wherever they need financial advice and services online.

To achieve this, ING is accelerating its Think Forward strategy and transforming its organisation. Key to this is working toward one global and scalable IT infrastructure with a modular approach for easy plug-and-play connections. ING is on course to implement one global approach to data management. And it will support this with one Way of Working. ING believes this will help it collaborate better across borders and innovate much faster and at lower cost. As a first step, it is converging businesses with similar customer propositions that can benefit from economies of scale and a more standardised approach.

Culture is crucial to achieving its ambitions. ING needs a culture that puts the customer at the centre of what it does. And also one that fosters innovation. It accelerates innovation through ING's own PACE methodology, which combines Lean Start-up, Agile Scrum and Design Thinking methods and encourages fast experimentation based on customer feedback. ING's annual Innovation Bootcamps also encourage employees to come up with initiatives to improve the customer experience and compete for seed funding. And ING partners with numerous fintechs to improve the customer experience and accelerate its own pace of innovation.

Elements of ING Bank's strategy

ING's Think Forward strategy was launched in 2014. This section describes the strategy and includes references to examples and additional information on how its strategy links to the material topics identified by ING's stakeholders.

Strategic priorities

To deliver on its Customer Promise and create a differentiating customer experience, ING Bank has identified four strategic priorities:

1. Earn the primary relationship

The better ING Bank knows its customers, the better it will be able to empower them to make smart financial decisions and continue to be relevant for them. ING Bank can do this best when they do a range of banking with it and when ING is the bank its customers go to for their daily transactions. ING Bank calls that the primary relationship. In Retail Banking, it defines the primary relationship as a payment account with recurrent income and at least one other product with ING Bank. In Wholesale Banking, it aims to increase primary relationships by increasing its so-called 'flow' relationships (e.g. Transaction Services, Working Capital Solutions and Financial Markets) and the percentage of relationships where it is the client's lead finance provider.

2. Develop data analytics

The relationship between banks and their customers is increasingly a digital one. Digitalisation challenges banks to maintain intimacy with a customer whom 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 they can use to provide the kind of experience customers now expect from businesses they interact with online. Analytic skills are essential for serving customers in a digital world and also for preventing fraud, improving operational processes, reducing risks and generating services that go beyond traditional banking. ING Bank recognises that excelling at data management is a core competency if it is to realise its ambition to create a personal digital experience for customers. ING Bank is on course to implement one global approach to data management to ensure it maximises the potential of this key resource. An international Advanced Analytics team based in Frankfurt and Amsterdam acts as a centre of excellence, and local advanced analytics teams operate in country and business units. ING Bank's chief data management officer oversees the implementation of global data management together with local data officers.

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

Evolving customer expectations, new technologies and new competitors are transforming banking. Through innovation, ING Bank can increase efficiency, improve the customer experience and gain competitive advantage. It does that, for example, through ING Bank's own PACE innovation methodology and employee driven Innovation Bootcamps. To speed up the pace of innovation it also partners with outside parties, including fintechs.

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. To be successful, banks need to expand the concept of what a bank is and what it means to customers. ING Bank's payments value chain is already under threat from many bank and non-bank players. It is responding by creating an open digital platform. It will include relevant offers from third parties and provide a complete financial overview for customers in one place, including of their holdings at other institutions so they are empowered to make better financial decisions. ING Bank also aims to find ways to be relevant to customers earlier in their purchasing decision-process, such as not only offering a mortgage, but also connecting customers via its platform to real estate listings and other things they need when buying a new house, like insurance, legal advice and even a removal company. ING Bank is developing and looking into initiatives in numerous beyond banking value spaces, including the circular economy, the 'silver' economy (ageing population), housing and mobility.

Regulation and Supervision

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 Bank. Now that the ECB has assumed responsibility for the supervision of the banking groups in the Eurozone, it has become 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.

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 DNB, while conduct-of-business supervision is performed by the 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 for laws and regulations that could impact ING Bank 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**.** 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' Association, which details 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 in the Netherlands 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 Bank entities, 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 (ECB/DNB/AFM) can decide to reassess their suitability. 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") came into force, 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 the Issuer and its holding company ING Group. ING expects to benefit from the harmonisation of supervision resulting from the SSM but at the same time does not expect such harmonisation to be fully in place in 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.

As a third pillar to the Banking Union, the EU has harmonised regulations for Deposit Guarantee Schemes ("DGS"). Main elements are the creation of ex-ante funded DGS funds, financed by risk-weighted contributions from banks. As a next step, the EU is discussing a pan-European (or pan-banking union) DGS, (partly) replacing or complementing national compensation schemes. A more definitive proposal is expected in 2018.

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 Bank 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 Dodd-Frank Act and regulations enacted thereunder 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 Act 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 on the sponsoring 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 organisations 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 organisation'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 non-bank 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, and being subject 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 or any part thereof (such as its U.S. operations) has not been designated a systemically significant non-bank financial company by the FSOC and such a designation is deemed unlikely.

The Dodd-Frank Act also imposes a number of other requirements, some of which may have a material impact on ING Bank's operations and results, as discussed further under "Risk Factors—The Issuer operates 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 its business may reduce its profitability". In 2017, the U.S. Secretary of Treasury issued several reports, after consultation with other financial regulatory agencies, evaluating, in part, the current financial regulatory framework against core principles set out by the new U.S. administration. The report has recommended some revisions to Dodd-Frank and related rules and regulations. The report's findings may result in the revision, amendment or repeal, in all or in part, of Dodd-Frank and related rules and regulations and other laws, rules and regulations.

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

DNB, ING Bank's home country supervisor until the ECB took over that position in November 2014, has given ING Bank 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 Bank must meet local implementation of Basel requirements as well. ING Bank uses the Advanced IRB Approach for credit risk, the Internal Model Approach for its trading book exposures and the Advanced Measurement Approach for operational risk. As of 2009, a Basel I regulatory floor of 80 per cent. of Basel I RWA has been applicable. A small number of portfolios are still reported under the Standardised 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, among other requirements, increases the amount of common equity required to be held by subject banking institutions, prescribes the amount of liquid assets and the long term funding a subject banking institution must hold at any given moment, and limits 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 the buffer is fully phased in on 1 January 2019, will rise to 7 per cent. 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 ING 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 Bank" ("G-SIB"), since 2011, and by DNB and the Dutch Ministry of Finance as a "domestic SIB" ("D-SIB") since 2011.

For European banks the 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 ING 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, ING Bank expects these rules to have a material impact on ING Bank's operations and financial condition and may require ING Group to seek additional capital. The DNB requires the largest Dutch banks, including ING Group, to build up a 3 per cent. 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 D-SIB buffers mentioned above.

Banks are also subject to Pillar 2 requirements. Pillar 2 refers to the capital that the supervisor requires a bank to hold depending on its risk profile, risk management and capital planning. Based on an internal capital adequacy assessment process ("ICAAP"), the ECB has examined ING's capital adequacy and set a Pillar 2 requirement of 1.75 per cent. for ING Group.

An agreement was reached on Basel 'IV' in December 2017. While some elements still require even more clarity, ING believes the fully loaded Basel 'IV' impact may lie in the range of 15–18 per cent. of risk-weighted assets (RWA) by 2027. This does not take into account possible management actions. TRIM (targeted review of internal models) may result in earlier impact on RWA via Pillar II. The implied impact on capital ratios does not take into account any potential changes to the systemic risk buffer or Pillar 2 requirements. Note this also assumes current portfolio to be the same in 2027, as well as RWA based on the current economic environment. With a long implementation phase and the transposition into EU regulation still pending, some question marks remain on how this will shape up. ING will meet the final requirements and as before it will continue executing its strategy for its clients and delivering growth at good returns.

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 the financial statements included in the annual reports on an annual basis.

United States

ING Bank has a limited direct presence in the United States through the ING Bank Representative Offices in New York and Dallas, Texas. Although the offices' activities are strictly limited to essentially that of a marketing agent of bank products and services and a facilitator (i.e. the offices 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 Texas Department of Banking, as well as 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.

Anti-Money Laundering Initiatives and countries subject to sanctions

In recent years, combating money laundering and terrorist financing has been a major focus of governmental policy towards financial institutions. Applicable bank regulatory authorities are imposing, and industry groups and participants are adopting, heightened standards, and law enforcement authorities have been taking a more active role in prosecuting potential violations. If a financial institution would fail to comply with relevant regulations or to maintain and implement adequate and appropriate programs to that end, this could have serious legal and reputational consequences for that institution.

The ING Bank Financial Economic Crime Policy and Minimum Standards ("FEC Policy") directly reflect relevant national and international laws, regulations and industry standards. All client engagements, products and services of all majority owned ING Bank businesses (or business entities) and businesses under ING Bank's management control are in scope of the ING Bank FEC Policy.

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.

Management of ING Bank entities also maintain local procedures designed to enable them to comply with both local laws and regulations and the ING Bank FEC Policy.

ING Bank's FEC policy takes into account risks presented by doing business in certain specified countries that are targeted by EU and/or U.S. sanctions regimes. ING's policy is not to enter into new relationships with clients from these countries, and processes remain in place to discontinue legacy relationships involving these countries. At present, these countries are North Korea, Sudan, Syria, Iran and Cuba. Each of these countries is subject to EU and/or U.S. sanctions regimes. Iran, Sudan, and Syria are identified by the U.S. as state sponsors of terrorism and are subject to U.S. economic sanctions and export controls.

With regard to Iran specifically, Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added subsection (r) to Section 13 of the Securities Exchange Act of 1934, as amended, which requires ING 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 connection to Iran. These positions remain on the books but certain accounts related thereto are 'frozen' where prescribed by applicable laws and procedures and in all cases subject to increased scrutiny within ING Bank. Specifically, ING Bank has controls in place to monitor transactions related to these accounts. ING Bank may receive loan repayments, duly authorised by the relevant competent authorities where prescribed by applicable laws. For the calendar year 2017, ING Group had revenues of approximately USD 0.5 million, which were principally related to legacy loans and ING Group estimates that it had a net profit of approximately USD 23,468. ING Bank maintains a policy not to enter into new relationships with clients from Iran and processes remain in place to discontinue existing relationships involving Iran.

In 2017, the Ukraine-related sanctions imposed by both the U.S. and the EU remained in force. New sanctions regarding Russia amongst others were added pursuant to the Countering America's Adversaries Through Sanctions Act ("CAATSA"). Those sanctions restrict, amongst others, the dealing in specific (financial) products with certain named parties.

Also in 2017, the U.S. imposed sanctions on Venezuela, similar to the sectoral sanctions on Russia and primarily targeting the Government of Venezuela and the Venezuelan oil industry.

The UN, EU and the U.S. have strengthened their sanctions regarding the Democratic People's Republic of Korea (North Korea) in 2017 resulting in an effective exclusion of North Korea from the global financial system. ING Bank has maintained a policy not to enter into new relationships with clients from North Korea, and not to participate in transactions that involve North Korean parties.

With a view to these ongoing developments ING continues to improve its sanctions compliance controls to respond to risks of new or expanding sanctions regimes.

Although the U.S. terminated economic sanctions with respect to Sudan and the Government of Sudan in 2017, Sudan remains designated by the United States as a state sponsor of terrorism and certain Sudanese persons remain targeted by sanctions. After assessment of the remaining risks following termination of the sanctions, ING has decided to maintain its policy not to enter into new relationships with clients from Sudan and processes remain in place to discontinue existing relationships involving Sudan.

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.

Australia

ING Bank's banking activities are undertaken in Australia by ING Bank (Australia) Limited (trading as ING Direct) and ING Bank N.V., 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 Bank 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 Australian Financial Services Licence ("AFSL") and Australian Credit Licence ("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.

SELECTED FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET OF ING BANK N.V.[1, 2]

	31 December		
	2017	2016	2015
		(EUR millions)	
Assets			
Cash and balances with central banks	21,989	18,144	21,458
Loans and advances to banks	28,746	28,872	29,966
Financial assets at fair value through profit or loss			
trading assets	116,763	114,512	131,485
non-trading derivatives	2,185	2,309	3,216
designated as at fair value through profit or loss	4,242	5,099	3,234
Investments			
available-for-sale	69,730	82,912	87,000
held-to-maturity	9,343	8,751	7,826
Loans and advances to customers	574,899	562,873	700,007
Investments in associates and joint ventures	947	1,003	842
Property and equipment	1,801	2,002	2,027
Intangible assets	1,469	1,484	1,567
Current tax assets	324	252	279
Deferred tax assets	818	1,000	813
Other assets	13,062	14,706	12,272
Total assets	846,318	843,919	1,001,992
Equity			
Shareholders' equity (parent)	43,662	43,540	40,857
Non-controlling interests	715	606	638
Total equity	44,377	44,146	41,495
Liabilities			
Subordinated loans	15,831	16,104	15,920
Debt securities in issue	90,231	101,305	117,556
Amounts due to banks	36,821	31,964	33,808
Customer deposits and other funds on deposit	552,690	531,096	672,204
Financial liabilities at fair value through profit or loss			
trading liabilities	73,596	83,167	88,807

	31 December		
	2017	**2016**	**2015**
		(EUR millions)	
non-trading derivatives	2,346	3,585	4,364
designated as at fair value through profit or loss	11,215	12,266	12,616
Current tax liabilities	774	546	590
Deferred tax liabilities	752	919	645
Provisions	1,713	2,028	964
Other liabilities	15,972	16,793	13,023
Total liabilities	801,941	799,773	960,497
Total equity and liabilities	846,318	843,919	1,001,992

Notes:

(1) These figures have been derived from the audited annual consolidated accounts of ING Groep N.V. in respect of the financial years ended 31 December 2017, 2016 and 2015, respectively.

(2) Loans and advances to customers and Customer deposits, as at 31 December 2015, are adjusted as a result of a change in accounting policies.

BREAKDOWN OF SHAREHOLDERS' EQUITY OF ING BANK N.V.[(1)]

	31 December		
	2017	**2016**	**2015**
		(EUR millions)	
Share capital	525	525	525
Share premium	16,542	16,542	16,542
Revaluation reserve	3,913	4,810	4,897
Currency translation reserve	(1,682)	(791)	(540)
Net defined benefit asset/liability remeasurement reserve	(400)	(371)	(306)
Other reserves	24,764	22,825	19,739
Shareholders' equity (parent)	43,662	43,540	40,857

Note:

(1) These figures have been derived from the audited annual consolidated accounts of the Issuer in respect of the financial years ended 31 December 2017, 2016 and 2015.

CONSOLIDATED PROFIT & LOSS ACCOUNT OF ING BANK N.V.[1]

	2017		2016		2015	
			(EUR millions)			
Continuing operations						
Interest income	43,988		44,221		46,397	
Interest expense	(30,206)		(30,904)		(33,653)	
Net interest income		13,782		13,317		12,744
Investment income		192		421		127
Result on disposals of group companies		1		1		2
Commission income	3,864		3,581		3,420	
Commission expense	(1,150)		(1,148)		(1,100)	
Net commission income		2,714		2,433		2,320
Valuation results and net-trading income		672		1,093		1,333
Share of profit from associates and joint ventures		166		77		493
Other income		349		172		51
Total income		17,876		17,514		17,070
Addition to loan loss provisions		676		974		1,347
Staff expenses		5,198		5,036		4,962
Other operating expenses		4,598		5,567		4,346
Total expenses		10,472		11,577		10,655
Result before tax from continuing operations		7,404		5,937		6,415
Taxation		2,303		1,635		1,684
Net result (before non-controlling interests)		5,101		4,302		4,731

Note:

(1) These figures have been derived from the audited annual consolidated accounts of ING Bank N.V. in respect of the financial years ended 31 December 2017 to 2015.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following review and prospects should be read in conjunction with the consolidated financial statements and the notes thereto of ING Bank incorporated by reference in this Registration Document. These consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU ("IFRS EU").

Factors Affecting Results of Operations

ING Bank's results of operations are affected by demographics and by a variety of market conditions, including economic cycles, banking industry cycles, fluctuations in stock markets, interest and foreign exchange rates, political developments and client behaviour changes. See the section "Risk Factors" in this Registration Document for more factors that can impact ING Bank's results of operations.

The Issuer'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 behaviour changes. See "Risk Factors" for more factors that can impact the Issuer's results of operations.

Financial environment

The following highlights several trends in the regulatory landscape and continuing uncertainty that have a major impact on ING's own operating environment, as well as on that of its competitors. This includes the economy and current low interest-rate environment; increasing regulatory scrutiny and costs; digitalisation and changing customer behaviour; and what ING's stakeholders expect of it.

Increased global economic momentum

Economic momentum picked up further in 2017, outpacing the global economic growth seen in 2016. In the United States, growth has remained strong. This is now the second-longest economic expansion since the end of World War II. At the same time inflation has stayed low, allowing the Federal Reserve to follow a very gradual path of interest rate increases.

In the euro area, all member states' economies are growing. The eurozone's economic performance was particularly positive, as the area recorded its lowest unemployment rate in nine years and economic confidence reached pre-crisis levels.

In the United Kingdom, economic growth has slowed, against a background of continued uncertainty about the future relationship with the European Union. The economy in Asia remained strong with growth rates of the advanced economies in that region generally accelerating. Growth in major emerging-market economies has improved overall, helped by a rebound in some commodity producers that experienced recessions in 2015–16.

Rates increase, but remain low

Longer-term government bond yields firmed somewhat compared to their 2016 lows on the back of a strengthening global economy, the Federal Reserve's U.S. rate increases and the anticipated end to exceptionally easy monetary policy elsewhere.

However, with inflation in most developed economies staying low, longer-term yields remained modest while equity markets in advanced economies performed well and corporate credit spreads were at, or close to, their tightest levels since the beginning of 2008. Volatility was subdued despite increased geopolitical tensions around North Korea.

Euro on the rise

The euro rose against the U.S. dollar in 2017, propelled by the strengthening economic outlook in the euro area, diminishing political uncertainty and expectations about the tapering of quantitative easing in the euro area.

Regulatory landscape and continuing uncertainty

Continued delays around the Basel 'IV' discussions (i.e. the revisions to Basel III) addressing the variability of banks' internal models, which were not finalised until December 2017, led to ongoing international uncertainty. This had an impact on strategic planning and business decisions for many banks. At a European level, the Single Supervisory Mechanism continued to strengthen its supervisory role through the ECB. This was reflected in the priorities it set for 2017: business models and profitability drivers; credit risk, with a focus on non-performing loans and risk concentrations; and risk management.

The Single Resolution Board adopted its first resolution decisions for banks from Italy and Spain. Meanwhile the resolvability of banks has been further improved by building up loss-absorption buffers. European global systemically important banks are advancing their bail-in issuances and will likely meet the internationally agreed total loss-absorbing capacity ("TLAC") standards per 2022. Resolution authorities have provided European banks with initial targets for minimum requirement for own funds and eligible liabilities ("MREL"). These targets will be reviewed once the ongoing discussions on the bank recovery and resolution directive ("BRRD") and the review of capital requirements regulations ("CRR") have been finalised.

The Single Resolution Fund is also showing a steady increase. The size of the fund is now almost EUR 18 billion, aiming to meet the target requirement of EUR 55 billion in 2023. Despite the fact that the discussion on the European Deposit Insurance Scheme ("EDIS") didn't show much progress throughout 2017, the completion of the Banking Union gained political momentum. In the course of 2018, further steps are expected to ensure its completion by 2019. ING would also welcome a deepening of the Economic and Monetary Union, which would help to enhance economic and financial stability in the eurozone.

The range and complexity of non-prudential regulation (regarding other things than financial strength) continues to increase. Regulation is becoming more stringent in areas like customer due diligence, and transaction monitoring to detect and report money laundering ("AML"), terrorist financing and fraud. Individual country laws and specific regulations often prevent cross-border information sharing, between public and private authorities and between private parties. This restricts the effectiveness of bank systems and is most evident when large financial institutions operate a global compliance model.

ING will participate in a public/private sector partnership initiated by Europol and the Institute of International Finance. This high-level forum aims to find better ways to share information within existing laws.

In general, ING continues to favour a more harmonised European approach to regulations. This would help to align the customer experience across borders and could accelerate the digitalisation of ING's banking services.

ING's regulatory costs increased to EUR 901 million from the already elevated level of EUR 845 million in 2016. This was due to ING's contribution to local deposit guarantee schemes, the European resolution fund and bank taxes.

2017 marked the kick-off of Brexit negotiations. ING is monitoring these closely to make Britain's exit from the EU as smooth as possible for its business and customers.

Competitive landscape

Technology is removing a number of the barriers to entry that once insulated ING's business. ING faces competition from many different directions, with relatively new players providing more segmented offers to its customers. Technology giants, payment specialists, retailers, telecommunication companies, crowd-funding initiatives and aggregators are all entering the market for traditional banking services. ING's customers, in turn, are more willing to consider these offers.

Safe banking requires specific knowledge of financial services, in-depth knowledge of customers, and rigorous risk-management systems. As competition from outside the banking sector continues to increase, ING has to become faster, more agile and more innovative.

With its long track record and strong brand, ING believes it is well placed to seize these opportunities and become a better company for all of its stakeholders. ING is a leader in digital banking, and it has scale combined with local market expertise. It is investing in building profitable, mutually beneficial relationships with its customers based on the quality of its service and the differentiating experience ING offers them. ING continues to work hard to win their hearts and minds, demonstrating its concern for them and all its stakeholders. ING aims to be even clearer about the strategic.

The following diagram shows what ING perceives to be its strengths, weaknesses, opportunities and threats based on assessments by management:

ING Banks's perceived strengths, weaknesses, opportunities and threats

Strengths	**Weaknesses**
Strong and trusted brand with positive recognition based on ING Bank's differentiating customer experience in many countries Leader in digital banking Among leaders in sustainability Balance sheet quality and stable funding base Global network provides competitive advantage Diversified business model Agile way of working	High interest-income dependency Lower efficiency compared to disrupters (e.g. tech giants) Diversity challenges
Opportunities	**Threats**
Leverage ING Banks's customer trust and reputation Improve the customer experience by accelerating innovation and becoming more agile Embed data-driven culture Create scalable cross-border banking platform Leverage expertise in digital delivery of advice and support aimed at improving customer decision- making Increasing market for Sustainable Finance	Cybercrime Potential competition from new entrants to the market Low interest-rate environment Expected Basel "IV" impact on ING Banks's lending franchise Increasingly complex regulatory environment leading to heightened execution and non-compliance risk Lack of international level playing field in many relevant areas, like equity buffers, bank taxation, data (PSD2), remuneration Financial sector continues to have an unfavourable

Preferred banking partner for fintechs	public image in many countries

Societal challenges

In ING Bank's view, both climate change and the so-called fourth industrial revolution can lead to societal changes.

The effects of climate change, including the growing scarcity of water, food, energy and other material resources, pose daunting social and environmental challenges. The causes and the solutions to these challenges are complex, but ING Bank already knows that they will change traditional business models.

Business models, but more importantly people's lives, will also be influenced by the so-called fourth industrial revolution – fast-changing technology such as artificial intelligence that will cause many jobs to change, be relocated or eliminated altogether.

ING Bank believes in taking the long view and in going beyond just mitigating the harm related to these challenges – it wants to drive sustainable progress. Banks can bring about change through their financing choices. ING Bank aims to use its position to help lead the global transition to a low-carbon and self-reliant society, tackling climate change and the fourth industrial revolution.

Fluctuations in equity markets

ING Bank is 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 ING Bank executes 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

ING Bank is exposed to fluctuations in interest rates. Mismatches in the interest re-pricing and maturity profile of assets and liabilities in its 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) behaviour of ING Bank's 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 in some cases 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 re-pricing customer assets and other investments in ING Bank's balance sheet is a key factor in the management of the bank's interest earnings.

Fluctuations in exchange rates

ING Bank is exposed to fluctuations in exchange rates. ING Bank's management of exchange rate sensitivity affects the results of its operations through the trading activities and because the Issuer prepares and publishes its consolidated financial statements in euros. Because a substantial portion of the Issuer's income, expenses and foreign investments 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, Japanese Yen, Polish Zloty, Korean Won, the Indian Rupee, Brazilian Real and Russian Ruble into euros will impact its reported results of operations, cash flows and reserves from year to year. Fluctuations in exchange rates will also impact the value (denominated in euro) of the Issuer's investments in its 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 the Issuer's non-euro reporting subsidiaries are generally denominated in the same currencies. FX translation risk is managed by taking into account the effect of translation results on the common Tier-1 ratio.

For the years 2017, 2016 and 2015, 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 2017**	**3Q 2017**	**2Q 2017**	**1Q 2017**
U.S. Dollar	1.182	1.170	1.106	1.065
Australian Dollar	1.531	1.491	1.462	1.414
Brazilian Real	3.849	3.737	3.568	3.358
Chinese Renminbi	7.799	7.823	7.575	7.344
Pound Sterling	0.882	0.894	0.864	0.857
Indian Rupee	76.362	75.538	71.449	71.165
Korean Won	1,307.241	1,326.929	1,250.125	1,229.362
Turkish Lira	4.453	4.112	3.935	3.877
Polish Zloty	4.234	4.262	4.209	4.320
Russian Rouble	68.682	68.846	63.415	62.727

Average	**4Q 2016**	**3Q 2016**	**2Q 2016**	**1Q 2016**
U.S. Dollar	1.083	1.114	1.127	1.102
Australian Dollar	1.449	1.480	1.501	1.509
Brazilian Real	3.542	3.630	3.915	4.298
Chinese Renminbi	7.380	7.421	7.375	7.184
Pound Sterling	0.868	0.845	0.790	0.768
Indian Rupee	73.007	74.716	75.369	74.036
Korean Won	1,250.197	1,249.993	1,303.320	1,308.371
Turkish Lira	3.530	3.303	3.228	3.213
Polish Zloty	4.375	4.369	4.373	4.329
Russian Rouble	68.135	72.309	73.620	80.409

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

Average	4Q 2015	3Q 2015	2Q 2015	1Q 2015
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

Year-end	2017	2016	2015
U.S. Dollar	1.199	1.055	1.089
Australian Dollar	1.534	1.460	1.490
Brazilian Real	3.971	3.434	4.313
Chinese Renminbi	7.809	7.333	7.069
Pound Sterling	0.887	0.857	0.734
Indian Rupee	76.634	71.696	72.085
Korean Won	1,283.417	1,274.184	1,276.681
Turkish Lira	4.541	3.723	3.182
Polish Zloty	4.175	4.417	4.265
Russian Rouble	69.365	64.485	79.963

Critical Accounting Policies

See Note 1 "Accounting policies" in the notes to the consolidated financial statements for the year ended 31 December 2017, which are incorporated by reference herein.

CONSOLIDATED RESULTS OF OPERATIONS

ING Bank's management evaluates the results of its segments using a non-IFRS financial performance measure called underlying result. To give an overview of the underlying result measure, ING Bank also presents consolidated underlying result before tax and underlying net result. Underlying figures are derived from figures determined in accordance with IFRS-EU by excluding the impact of divestments, special items, Legacy Insurance and result from discontinued operations. 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.

While items excluded from underlying result are significant components in understanding and assessing ING Bank's consolidated financial performance, ING Bank believes that the presentation of underlying net result is relevant and useful for investors because it allows investors to understand the primary method used by management to evaluate ING Bank's operating performance and make decisions about allocating resources. In addition, ING Bank believes that the presentation of underlying net result helps investors compare its segment performance on a meaningful basis by highlighting result before tax attributable to ongoing operations and the underlying profitability of the segment businesses. For example, ING Bank believes that trends in the underlying profitability of its segments can be more clearly identified by disregarding the effects of the big restructuring provisions and realised gains/losses on divestures as the timing of such events is largely subject to the company's discretion and influenced by market opportunities and ING Bank does not believe that they are indicative of future results. ING Bank believes that the most directly comparable GAAP financial measure to underlying net result is net result. However, underlying net result should not be regarded as a substitute for net result as determined in accordance with IFRS-EU. Because underlying net result is not determined in accordance with IFRS-EU, underlying net result as presented by ING Bank may not be comparable to other similarly titled measures of performance of other companies. In addition, ING Bank's definition of underlying net result may change over time.

The section Segment Reporting Banking Operations on the next pages presents the segment results on the basis of the performance measure underlying result.

For further information on underlying results for, as well as the reconciliation of ING Bank's underlying result before tax to ING Bank's net result, see Note 30 'Segments' of Note 2.1 in the notes to the consolidated financial statements for the year ended 31 December 2017, which are incorporated by reference herein.

The following table sets forth the consolidated results of operations of the Issuer for the years ended 31 December 2017, 2016 and 2015:

	2017	**2016**	**2015**
		(EUR millions)	
Underlying income			
Net interest income	13,782	13,317	12,744
Net commission income	2,714	2,434	2,320
Total investment and other income	1,259	1,763	1,639
Total underlying income	17,755	17,514	16,703
Underlying expenditure			
Operating expenses	9,795	9,445	9,231
Addition to loan loss provision	676	974	1,347
Total underlying expenditure	10,472	10,419	10,578
Underlying result before tax	7,283	7,095	6,125
Taxation	2,182	1,993	1,703
Non-controlling interests	82	75	72
Underlying net result	5,019	5,026	4,350
Divestments[(1)]			367
Special items[(2)]	0	(799)	(58)
Net result	5,019	4,227	4,659

Notes:

(1) Divestments include the net operating result of the divested units as well as the gains/losses on the divestments. Divestments Bank: net gain on merger between ING Vysya Bank and Kotak Mahindra Bank (EUR 367 million, 2015).

(2) Special items: Tax charge of EUR 121 million at ING Australia Holdings Ltd related to the years 2007-2013, for which a full reimbursement is expected to be received from NN Group (impact on net resut EUR 0 million, 2017), ING Group's digital transformation programmes (EUR -787 million, 2016), Retail Netherlands strategy (EUR -13 million, 2016, EUR -58 million, 2015).

Year ended 31 December 2017 compared to year ended 31 December 2016

The Issuer posted a strong set of results in 2017, driven by continued lending growth, increased fee income and lower risk costs. The net result rose to EUR 5,019 million from EUR 4,227 million in 2016, which included EUR -799 million of special items after tax (primarily comprising restructuring charges and impairments related to the digital transformation programmes as announced in October 2016). In 2017, there was one special item related to a EUR 121 million tax charge at ING Australia Holdings Ltd related to the years 2007-2013, for which a full reimbursement is expected to be received from NN Group. Although the impact on net result was nil, this special item affected both the 'taxation' and 'investment and other income' lines.

Underlying net result for 2017 was EUR 5,019 million, a decrease of 0.1 per cent. from EUR 5,026 million in 2016. Underlying net result is derived from total net result by excluding the impact from divestments and special items.

Year ended 31 December 2016 compared to year ended 31 December 2015

The Issuer posted strong results in 2016, driven by higher net interest income and lower risk costs. The Issuer's net profit, however, decreased to EUR 4,227 million from a net result of EUR 4,659 million in 2015, due to the impact from divestments and special items. The Issuer's 2016 net result includes special items after tax in a total amount of EUR -799 million (including EUR -787 million related to the Issuer's digital transformation programmes as announced in October 2016 and EUR -13 million related to Retail Netherlands strategy). In 2015, net result was supported by a EUR 309 million positive contribution from divestments and special items (including 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).

Underlying net result for 2016 was EUR 5,026 million, an increase of 15.5 per cent. from EUR 4,350 million in 2015. Underlying net result is derived from total net result by excluding the impact from divestments and special items.

CONSOLIDATED ASSETS AND LIABILITIES

The following table sets forth ING Bank's condensed consolidated assets and liabilities as of 31 December 2017, 2016 and 2015:

	2017	2016	2015
		(EUR billions)	
Cash and balances with central banks	22.0	18.1	21.4
Loans and advances to banks	28.7	28.9	30.0
Financial assets at fair value through profit or loss	123.2	121.9	137.9
Investments	79.1	91.7	94.8
Loans and advances to customers	574.9	562.9	536.5
Other assets	18.4	20.4	417.8
Total assets before change in accounting policy	846.3	843.9	838.5
Impact change in accounting policy on Loans and advances to customers[1]	-	-	163.5

	2017	2016	2015
		(EUR billions)	
Total assets	846.3	843.9	1,002.0
Deposits from banks	36.8	32.0	33.8
Customer deposits	552.7	531.1	508.7
Financial liabilities at fair value through profit or loss	87.2	99.0	105.8
Other liabilities	19.2	20.3	15.2
Debt securities in issue/subordinated loans	106.1	117.4	133.5
Total liabilities before change in accounting policy	801.9	799.8	797.0
Impact change in accounting policy on Customer deposits(1)	—	—	163.5
Total liabilities	801.9	799.8	960.5
Shareholders' equity	43.7	43.5	40.9
Non-controlling interests	0.7	0.6	0.6
Total equity	44.4	44.1	41.4
Total liabilities and equity	846.3	843.9	1,002.0

Note:

(1) ING has changed its accounting policy for the netting of cash pooling arrangements in the second quarter of 2016. In accordance with IFRS, the comparable amounts must be adjusted. In this table, however, the year-end 2015 cash pool balances in Loans and advances to customers and Customer deposits are still presented on a net basis in order to provide consistent information to its users.

Year ended 31 December 2017 compared to year ended 31 December 2016

ING Bank increased its total assets by EUR 2 billion, or 0.3 per cent., to EUR 846 billion at year-end 2017 from EUR 844 billion at year-end 2016. Excluding EUR 17 billion of negative currency impacts, the increase was EUR 19 billion.

Loans and advances to customers increased by EUR 12 billion, which was due to the growth of the net core customer lending base by EUR 27 billion, partly offset by a reduction in non-core customer lending (among others in the WUB and Lease run-off portfolios) and negative currency impacts. Cash and balances with central banks was EUR 4 billion higher. These increases were largely offset by EUR 13 billion lower investments.

ING Bank increased its customer deposits by EUR 22 billion, of which EUR 19 billion was driven by net growth, excluding currency impacts and Bank Treasury. Deposits from banks were EUR 5 billion higher. These increases were largely offset by EUR 12 billion lower financial liabilities at fair value through profit or loss (mainly lower trading derivatives) and EUR 11 billion lower debt securities in issue/subordinated loans (as maturities and redemptions were only partly offset by new issuances, among others, for TLAC purposes).

Shareholders' equity increased by EUR 0.1 billion, from EUR 43.5 billion at the end of 2016 to EUR 43.7 billion at the end of 2017. The increase was mainly due to the net result for the year 2017, partly offset by dividend payments and decreases in the currency translation reserve and cash flow hedge reserve.

Year ended 31 December 2016 compared to year ended 31 December 2015

ING Bank N.V.'s total assets decreased to EUR 844 billion at year-end 2016 compared to EUR 1,002 billion at year-end 2015. Excluding the impact of the accounting policy change for cash pooling arrangements, total assets increased by EUR 5 billion, or 0.6 per cent., to EUR 844 billion at year-end 2016, compared to EUR 839 billion at year-end 2015. Excluding EUR 1 billion of negative currency impacts, the increase was EUR 7 billion.

Loans and advances to customers increased by EUR 26 billion, which was due to the growth of the net core customer lending base by EUR 35 billion, partly offset by a reduction in non-core customer lending (among others in the WUB and Lease run-off portfolios). This increase was largely offset by lower financial assets at fair value through profit or loss (decreased trading securities and repo activity), lower cash and balances with central banks and lower investments (including a reduction of ING's stake in Kotak Mahindra Bank).

Customer deposits increased by EUR 22 billion, of which almost EUR 29 billion was driven by net growth, excluding currency impacts and Bank Treasury. Other liabilities increased by EUR 5 billion, which includes the redundancy provision recorded in the fourth quarter. These increases were largely offset by decreases of debt securities in issue (mainly lower long-term debt), financial liabilities at fair value through profit or loss (mirroring the asset side) and deposits from banks.

Shareholders' equity increased by EUR 2.7 billion, from EUR 40.9 billion at year-end 2015 to EUR 43.5 billion at year-end 2016. The increase was mainly due to the net result for the year 2016, partly offset by dividend payments.

SEGMENT REPORTING

ING Bank'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 Luxembourg), 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 (including Austria). 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.

The accounting policies of the segments are the same as those described in Note 1 "Accounting policies" to the consolidated financial statements for the financial year ended 31 December 2017, which are incorporated by reference herein. 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.

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.

ING Bank's operations

The following table sets forth the contribution of ING's banking business lines and the corporate line ("Corporate Line Banking") to the underlying net result for each of the years 2017, 2016 and 2015.

	1 January to 31 December 2017						
	Retail Banking Netherlands	**Retail Banking Belgium**	**Retail Banking Germany**	**Retail Other**	**Wholesale Banking**	**Corporate Line Banking**	**Total**
	(EUR millions)						
Underlying income:							
Net interest income	3,610	1,842	1,704	2,437	3,895	294	13,782
Net commission income	601	408	215	384	1,108	(3)	2,714
Total investment and other income	257	224	(28)	207	919	(318)	1,259
Total underlying income	4,468	2,473	1,891	3,028	5,922	(27)	17,755
Underlying expenditure:							
Underlying operating expenses	2,212	1,584	1,032	1,919	2,792	257	9,795
Additions to loan loss provision	13	104	(10)	284	284	1	676
Total underlying expenditure	2,224	1,688	1,022	2,203	3,076	258	10,472
Underlying result before taxation	2,243	785	869	825	2,846	(285)	7,283
Taxation	566	296	241	188	881	9	2,182
Non-controlling interests		(2)	2	67	15		82
Underlying net result	1,678	491	625	569	1,950	(293)	5,019
Divestments							
Special items						0	0
Net result	1,678	491	625	569	1,950	(293)	5,019

1 January to 31 December 2016

	Retail Banking Netherlands	Retail Banking Belgium	Retail Banking Germany	Retail Other	Wholesale Banking	Corporate Line Banking	Total
				(EUR millions)			
Underlying income:							
Net interest income	3,653	1,936	1,689	2,107	3,750	182	13,317
Net commission income	546	385	183	320	1,003	(2)	2,434
Total investment and other income	237	253	51	432	855	(65)	1,763
Total underlying income	4,436	2,573	1,923	2,859	5,608	115	17,514
Underlying expenditure:							
Underlying operating expenses	2,560	1,438	886	1,723	2,572	267	9,445
Additions to loan loss provision	171	175	(18)	278	368		974
Total underlying expenditure	2,731	1,613	868	2,001	2,940	267	10,419
Underlying result before taxation	1,705	961	1,055	858	2,668	(152)	7,095
Taxation	422	306	315	178	753	18	1,993
Non-controlling interests		1	2	60	11		75
Underlying net result	1,282	653	738	620	1,903	(171)	5,026
Divestments							
Special items	(192)	(418)		(12)	(149)	(27)	(799)
Net result Banking	1,090	235	738	608	1,754	(198)	4,227

1 January to 31 December 2015

	Retail Banking Netherlands	Retail Banking Belgium	Retail Banking Germany	Retail Other	Wholesale Banking	Corporate Line Banking	Total
				(EUR millions)			
Underlying income:							
Net interest income	3,683	1,953	1,634	1,935	3,538	1	12,744
Net commission income	515	397	172	278	962	(4)	2,320
Total investment and other income	205	195	104	195	1,070	(131)	1,639
Total underlying income	4,403	2,546	1,910	2,408	5,570	(133)	16,703
Underlying expenditure:							
Underlying operating expenses	2,475	1,532	842	1,594	2,559	230	9,231
Additions to loan loss provision	433	169	57	210	478		1,347
Total underlying expenditure	2,908	1,701	899	1,804	3,036	230	10,578
Underlying result before taxation	1,495	845	1,012	604	2,533	(364)	6,125

	1 January to 31 December 2015						
	Retail Banking Netherlands	**Retail Banking Belgium**	**Retail Banking Germany**	**Retail Other**	**Wholesale Banking**	**Corporate Line Banking**	**Total**
				(EUR millions)			
Taxation	391	255	328	142	676	(91)	1,703
Non-controlling interests		6	2	48	16		72
Underlying net result	1,104	583	681	414	1,841	(273)	4,350
Divestments				367			367
Special items	(58)						(58)
Net result	1,046	583	681	781	1,841	(273)	4,659

Year ended 31 December 2017 compared to year ended 31 December 2016

Net result of ING Bank (including the impact from divestments and special items) rose to EUR 5,019 million from EUR 4,227 million in 2016. In 2017, there was one special item related to a EUR 121 million tax charge at ING Australia Holdings Ltd, for which a full reimbursement is expected to be received from NN Group. Although the impact on net result was nil, this special item affected both the 'taxation' and 'total investment and other income' lines. Special items in 2016 included EUR -787 million after tax related to the digital transformation programmes announced in October 2016 and EUR -13 million after tax related to earlier announced restructuring programmes in Retail Netherlands.

ING Bank's underlying banking operations posted a strong set of results in 2017. The underlying result before tax (excluding the impact from divestments and special items) rose 2.6 per cent. to EUR 7,283 million in 2017 from EUR 7,095 million in 2016, primarily driven by continued business growth at resilient interest margins, higher commission income and lower risk costs. This was achieved despite lower one-off gains and volatile items, and despite an increase in operating expenses. Commercial performance was robust in 2017: ING grew net core lending (adjusted for currency impacts and excluding Bank Treasury and the WUB and Lease run-off portfolios) by EUR 26.9 billion, or 4.8 per cent., and net customer deposits rose by EUR 19.0 billion compared to year-end 2016. ING grew the retail customer base by 1.6 million to 37.4 million during 2017, including a 900,000 increase in the number of primary clients to 10.8 million.

Total underlying income increased 1.4 per cent. to EUR 17,755 million from EUR 17,514 million in 2016, despite lower one-off gains and volatile items in 2017. The underlying interest result rose 3.5 per cent. to EUR 13,782 million from EUR 13,317 million in 2016, due to an increase of the net interest margin to 1.55 per cent. from 1.53 per cent. in 2016, combined with a slightly higher average balance sheet total. The increase of the average balance sheet was limited as continued growth in net core lending and customer deposits was largely offset by declines in investments and debt securities in issue. The interest result on customer lending activities increased driven by higher volumes at resilient margins. The interest result on customer deposits declined, as the impact of volume growth was more than offset by margin pressure on both savings and current accounts due to lower reinvestment yields and despite a further lowering of client savings rates in several countries. The growth of the interest result was furthermore supported by improved interest results in Bank Treasury and the Corporate Line, with part of the increase being structural due to a gradual redemption of the isolated legacy funding costs. Commission income rose 11.5 per cent. to EUR 2,714 million. The increase was recorded in most segments and products, with the relatively strongest growth in the Retail Challengers & Growth Markets. Total investment and other income fell to EUR 1,259 million from EUR 1,763 million in 2016. The decline was mainly caused by lower one-off gains (2016 included among others a EUR 200 million gain on the sale of Visa shares in Retail Banking and releases from revaluation reserves at Corporate Line) and negative hedge ineffectiveness results.

Underlying operating expenses increased 3.7 per cent. to EUR 9,795 million from EUR 9,445 million in 2016. In 2017, expenses included EUR 901 million of regulatory expenses compared with EUR 845 million in 2016. Excluding regulatory costs, expenses were up 3.4 per cent. mainly due to strategic projects (including an acceleration in digital investments), higher costs to support business growth and some one-offs.

The net addition to the provision for loan losses declined 30.6 per cent. to EUR 676 million from EUR 974 million in 2016. Risk costs were 22 basis points of average risk-weighted assets, which is well below ING's through-the-cycle average of 40-45 basis points.

Year ended 31 December 2016 compared to year ended 31 December 2015

Net result from ING Bank's operations (including the impact of divestments and special items) fell to EUR 4,227 million from EUR 4,659 million in 2015. Special items contributed EUR -799 million to the net result in 2016 compared with a EUR 309 million positive contribution from divestments and special items in 2015. Special items in 2016 included EUR -787 million after tax related to the planned digital transformation programmes announced on ING's Investor Day on 3 October 2016 and EUR -13 million after tax related to the earlier announced restructuring programmes in Retail Netherlands. Divestments in 2015 consisted of a EUR 367 million net gain resulting from the merger between ING Vysya Bank and Kotak Mahindra Bank and special items after tax in 2015 were EUR -58 million related to restructuring programmes in Retail Netherlands.

ING Bank's underlying banking operations posted a strong performance in 2016. The underlying result before tax rose 15.8 per cent. to EUR 7,095 million in 2016 from EUR 6,125 million in 2015, driven by higher net interest income reflecting the continuously positive business momentum and lower risk costs. This was achieved despite a EUR 225 million increase in regulatory costs during 2016.

Total underlying income rose 4.9 per cent. to EUR 17,514 million in 2016, from EUR 16,703 million in 2015, in spite of a EUR 301 million negative swing in credit and debt valuation adjustment (CVA/DVA) in Wholesale Banking and Corporate Line. The underlying interest result increased 4.5 per cent. to EUR 13,317 million, driven by an increase of the net interest margin to 1.53 per cent. from 1.47 per cent. in 2015 combined with a slightly higher average balance sheet total. The increase of the average balance sheet was limited as strong growth in net core lending and customer deposits was largely offset by declines in among others financial assets at fair value through profit or loss and debt securities in issue. The interest result on customer lending activities increased driven by higher volumes at stable margins. The interest result on customer deposits was flat, as the impact of volume growth was offset by margin pressure on both savings and current accounts due to lower reinvestment yields and despite a further lowering of client savings rates in several countries. The growth of net interest income was furthermore supported by improved net interest income in the Corporate Line, with part of the increase being structural due to a gradual redemption of the isolated legacy funding costs. Net commission income rose 4.9 per cent. to EUR 2,434 million from EUR 2,320 million in 2015, particularly in the Challengers & Growth Markets. Total investment and other income rose to EUR 1,763 million from EUR 1,639 million in 2015. Excluding the negative swing in CVA/DVA adjustments in Wholesale Banking and the Corporate Line (which were EUR -77 million in 2016, compared with EUR 224 million in 2015), total investment and other income increased by EUR 426 million, mainly due to a EUR 200 million gain on Visa shares and positive hedge ineffectiveness results, whereas 2015 included non-recurring charges related to the mortgage portfolios in Italy and Belgium due to higher-than-expected repayments and renegotiations.

Underlying operating expenses increased 2.3 per cent. to EUR 9,445 million, compared with EUR 9,231 million in 2015. In 2016, underlying operating expenses included EUR 845 million of regulatory expenses (including contributions to the new Dutch deposit guarantee scheme and a new bank tax in Poland) compared with EUR 620 million in 2015. Excluding regulatory costs, underlying operating expenses were marginally lower than a year ago. Increases due to IT investments and selective business growth in the Retail Challengers & Growth Markets and Wholesale Banking's Industry Lending, as well as additional provisioning for Dutch SME clients with interest rate derivatives that were sold in the Netherlands were fully offset by the benefits from the running cost-saving programmes and some incidental items, including a one-off expense adjustment in Belgium and an adjustment in the capitalisation and amortisation of software.

The net addition to the provision for loan losses declined 27.7 per cent. to EUR 974 million from EUR 1,347 million in 2015. Risk costs were 31 basis points of average risk-weighted assets, which is below ING Bank's through-the-cycle guidance range for risk costs of 40-45 basis points.

RETAIL NETHERLANDS

	2017	2016	2015
		(EUR millions)	
Underlying income:			
Net interest income	3,610	3,653	3,683
Net commission income	601	546	515
Investment income and other income	257	237	205
Total underlying income	4,468	4,436	4,403
Underlying expenditure:			
Underlying operating expenses	2,212	2,560	2,475
Additions to the provision for loan losses	13	171	433
Total underlying expenditure	2,224	2,731	2,908
Underlying result before tax	2,243	1,705	1,495
Taxation	566	422	391
Underlying net result	1,678	1,282	1,104
Special items		(192)	(58)
Net result	1,678	1,090	1,046

Year ended 31 December 2017 compared to year ended 31 December 2016

Net result of Retail Netherlands rose to EUR 1,678 million from EUR 1,090 million in 2016. Underlying net result increased 30.9 per cent. to EUR 1,678 million from EUR 1,282 million in 2016. In 2017, there were no special items. In 2016, special items after tax excluded from underlying net result were EUR -192 million, of which EUR -180 million related to the digital transformation programmes announced in October 2016 and EUR -13 million to the restructuring programmes in Retail Netherlands announced before 2013.

The underlying result before tax of Retail Netherlands rose 31.6 per cent. to EUR 2,243 million from EUR 1,705 million in 2016, due to lower risk costs and the benefits from the cost-saving initiatives, while income was slightly up supported by higher commission income. Underlying income rose 0.7 per cent. to EUR 4,468 million. The interest result was 1.2 per cent. lower, mainly caused by a decline in lending volumes and margin pressure on current accounts, partly offset by higher margins on savings. The lower lending volumes were for more than half caused by a further decline in the WUB run-off portfolio, including the continued transfer of WUB mortgages to NN Group. Net core lending (excluding the WUB portfolio and

Bank Treasury-related products) declined by EUR 2.5 billion, primarily in mortgages, whereas the decline in other lending was limited. Net customer deposits (excluding Bank Treasury) grew by EUR 4.6 billion. Commission income rose by EUR 55 million, or 10.1 per cent., primarily in current account fees. Investment and other income was up EUR 20 million.

Underlying operating expenses declined 13.6 per cent. on 2016, mainly driven by the benefits from the cost-saving initiatives, while 2016 included additional provisioning for Dutch SME clients with interest rate derivatives and higher restructuring costs. Risk costs declined to EUR 13 million, or 3 basis points of average risk-weighted assets, from EUR 171 million in 2016, reflecting the positive economic conditions in the Netherlands and strong housing market.

Year ended 31 December 2016 compared to year ended 31 December 2015

Net result of Retail Netherlands rose to EUR 1,090 million from EUR 1,046 million in 2015. Underlying net result increased 16.1 per cent. to EUR 1,282 million from EUR 1,104 million in 2015. Special items after tax excluded from underlying net result were equal to EUR -192 million in 2016, of which EUR -180 million related to the planned digital transformation programmes announced on ING's Investor Day on 3 October 2016 and EUR -13 million to the restructuring programmes in Retail Netherlands announced before 2013. Special items after tax in 2015 were EUR -58 million and were fully related to the earlier announced restructuring programmes in Retail Netherlands.

Underlying result before tax of Retail Netherlands rose to EUR 1,705 million from EUR 1,495 million in 2015, due to lower risk costs while underlying income was resilient due to stable interest margins and higher revenues from Bank Treasury. Underlying income rose 0.7 per cent. to EUR 4,436 million. Net interest income slightly declined, mainly caused by a decline in lending volumes and margin pressure on current accounts, partly offset by higher margins on savings and lending. The lower lending volumes were partly caused by the continued transfer of WestlandUtrecht Bank ("WUB") mortgages to NN Group and the run-off in the WUB portfolio. Net core lending book (excluding the WUB portfolio, Bank Treasury products and movements in the mortgage hedge) declined by EUR 4.2 billion in 2016. The decline was both in mortgages and other lending; the latter reflecting subdued demand in business lending. Net customer deposits (excluding Bank Treasury) grew by EUR 7.1 billion. Net commission income rose by EUR 31 million, or 6.0 per cent., and investment and other income was up EUR 32 million, in part due to a gain on the sale of Visa shares.

Underlying operating expenses increased 3.4 per cent. to EUR 2,560 million from EUR 2,475 million in 2015, mainly due to higher regulatory costs and an additional provision for Dutch SME clients with interest-rate derivatives, whereas in 2015 underlying operating expenses included some smaller restructuring provisions. These factors were partly offset by the benefits from ongoing cost-saving initiatives. From the existing cost-saving programmes announced since 2011, which aim to realise EUR 675 million of annual cost savings by the end of 2017, an amount of EUR 562 million have already been realised. Risk costs declined to EUR 171 million, or 32 basis points of average risk-weighted assets, from EUR 433 million in 2015. The decline was both in business lending and residential mortgages, reflecting the improvements in the Dutch economy and housing market.

RETAIL BELGIUM

	2017	2016	2015
		(EUR millions)	
Underlying income:			
Net interest income	1,842	1,936	1,953

	2017	2016	2015
		(EUR millions)	
Net commission income	408	385	397
Investment income and other income	224	253	195
Total underlying income	2,473	2,573	2,546
Underlying expenditure:			
Underlying operating expenses	1,584	1,438	1,532
Additions to the provision for loan losses	104	175	169
Total underlying expenditure	1,688	1,613	1,701
Underlying result before tax	785	961	845
Taxation	296	306	255
Non-controlling interests	(2)	1	6
Underlying net result	491	653	583
Special items		(418)	—
Net result	491	235	583

Year ended 31 December 2017 compared to year ended 31 December 2016

Net result of Retail Belgium rose to EUR 491 million in 2017 compared with EUR 235 million in 2016, which included EUR -418 million of special items after tax and were fully related to the digital transformation programmes as announced in October 2016. Underlying net result, which excludes special items, decreased 24.8 per cent. to EUR 491 million from EUR 653 million in 2016. The decline was partly caused by a higher underlying effective tax rate, mainly driven by the impact of a tax reform in Belgium, which resulted in a tax charge to record a reduction in deferred tax assets.

The underlying result before tax of Retail Belgium fell 18.3 per cent. to EUR 785 million in 2017, compared with EUR 961 million in 2016. The decline mainly reflects lower net interest income and higher expenses, partly offset by lower risk costs and increased fee income. Underlying income decreased to EUR 2,473 million from EUR 2,573 million in 2016. The interest result declined 4.9 per cent. to EUR 1,842 million, mainly due to lower margins on savings and current accounts, and lower prepayment and renegotiation fees on mortgages; this was partly offset by volume growth in lending. The net production in customer lending (excluding Bank Treasury) was EUR 4.7 billion, of which EUR 3.2 billion was in mortgages and EUR 1.5 billion in other lending. The net inflow in customer deposits was EUR 1.4 billion compared with year-end 2016. Commission income rose 6.0 per cent., predominantly higher investment product fees. Investment and other income fell by EUR 29 million, as 2016 included a gain on the sale of Visa shares.

Operating expenses rose by EUR 146 million, or 10.2 per cent. to EUR 1,584 million, mainly due to higher external staff expenses related to the transformation programmes and the EUR -95 million one-off expense adjustment in 2016. Risk costs dropped by EUR 71 million to EUR 104 million, or 30 basis points of average risk-weighted assets. The decrease was fully in business lending, while risk costs for mortgages and consumer lending were broadly stable.

Year ended 31 December 2016 compared to year ended 31 December 2015

Net result of Retail Belgium declined to EUR 235 million in 2016 compared with EUR 583 million in 2015. Underlying net result increased 12.0 per cent. to EUR 653 million from EUR 583 million in 2015. Special items after tax excluded from underlying net result were equal to EUR -418 million in 2016, and were fully related to the intended digital transformation programmes as announced on ING's Investor Day on 3 October 2016.

The underlying result before tax of Retail Belgium rose 13.7 per cent. to EUR 961 million in 2016, compared with EUR 845 million in 2015, reflecting lower expenses and slightly higher income. Underlying income increased 1.1 per cent. to EUR 2,573 million, from EUR 2,546 million in 2015, supported by higher Bank Treasury revenues and a gain on the sale of Visa shares. Net interest income declined 0.9 per cent., mainly due to lower margins on savings and current accounts, as well as on mortgages due to lower prepayment and renegotiation fees, which was largely offset by increased volumes in most products. The net production in the customer lending portfolio (excluding Bank Treasury) was EUR 4.8 billion, of which EUR 1.7 billion in mortgages and EUR 3.2 billion in other lending. The net inflow in customer deposits was EUR 1.4 billion. Net commission income was 3.0 per cent. lower. Investment and other income rose by EUR 58 million, driven by the Visa gain. Underlying operating expenses declined by EUR 94 million, or 6.1 per cent. to EUR 1,438 million, due to a EUR -95 million one-off expense adjustment in 2016. Risk costs increased by EUR 6 million to EUR 175 million, or 54 basis points of average risk-weighted assets. The increase was mainly in business lending due to a few specific files, while risk costs for mortgages and consumer lending declined.

RETAIL GERMANY

	2017	2016	2015
		(EUR millions)	
Underlying income:			
Net interest income	1,704	1,689	1,634
Net commission income	215	183	172
Investment income and other income	(28)	51	104
Total underlying income	1,891	1,923	1,910
Underlying expenditure:			
Underlying operating expenses	1,032	886	842
Additions to the provision for loan losses	(10)	(18)	57
Total underlying expenditure	1,022	868	899
Underlying result before tax	869	1,055	1,012
Taxation	241	315	328
Non-controlling interests	2	2	2
Underlying net result	625	738	681
Net result	625	738	681

Year ended 31 December 2017 compared to year ended 31 December 2016

Both net result and underlying net result of Retail Germany decreased by EUR 113 million, or 15.3 per cent., to EUR 625 million in 2017 from EUR 738 million in 2016. There were no special items or divestments in 2017 and 2016.

Retail Germany's underlying result before tax decreased 17.6 per cent. to EUR 869 million, compared with EUR 1,055 million in 2016. The decrease was primarily caused by higher operating expenses; income was slightly lower, whereas risk costs resulted (again) in a net release. Underlying income decreased slightly to EUR 1,891 million in 2017 from EUR 1,923 million in 2016, when result was supported by a gain on the sale of Visa shares. Net interest income rose 0.9 per cent. following continued business growth, partly offset by lower interest margins on most products. The net production in customer lending (excluding Bank Treasury and movement in the mortgage hedge) was EUR 2.7 billion, of which EUR 1.7 billion was in mortgages and EUR 1.0 billion in consumer lending. Net inflow in customer deposits (excluding Bank Treasury) was EUR 3.8 billion in 2017. Commission income rose 17.5 per cent. to EUR 215 million, with investment products as one of the key drivers. Investment and other income was EUR 79 million lower, mainly due to negative hedge results and the EUR 44 million gain on the sale of Visa shares in 2016.

Operating expenses increased 16.5 per cent. to EUR 1,032 million, from EUR 886 million in 2016. The increase was next to EUR 30 million higher regulatory costs, mainly due to a higher headcount to support business growth, higher costs related to the acquisition of primary customers and investments in strategic projects (including project Welcome). Risk costs were EUR -10 million in 2017 (compared with EUR -18 million in 2016), reflecting a benign credit environment in the German market and model updates for consumer lending and overdrafts.

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

Both net result and underlying net result of Retail Germany increased by EUR 57 million, or 8.4 per cent., to EUR 738 million in 2016 from EUR 681 million in 2015. There were no special items or divestments in 2016 and 2015.

Retail Germany's underlying result before tax increased 4.2 per cent. to EUR 1,055 million, compared with EUR 1,012 million in 2015. This increase was supported by a net release in risk costs, partly offset higher expenses. Underlying income rose 0.7 per cent. to EUR 1,923 million, from EUR 1,910 million in 2015, supported by a gain on the sale of Visa shares. Net interest income increased 3.4 per cent. following continued business growth, partly offset by lower margins on most products. Net inflow in customer deposits (excluding Bank Treasury) was EUR 9.0 billion in 2016. The net production in customer lending (excluding Bank Treasury and movement in the mortgage hedge) was EUR 3.8 billion, of which EUR 3.0 billion was in mortgages and EUR 0.8 billion in consumer lending. Net commission income rose 6.4 per cent. to EUR 183 million. Investment and other income decreased by EUR 53 million, due to lower gains on the sale of bonds and less positive hedge ineffectiveness results, which was partly compensated by a EUR 44 million gain on the sale of Visa shares. Underlying operating expenses increased 5.2 per cent. to EUR 886 million, from EUR 842 million in 2015. The increase was mainly due to a higher headcount in order to support business growth and customer acquisition, as well as investments in strategic projects. This was partly offset by lower regulatory costs. The cost/income ratio was 46.1 per cent., compared with 44.1 per cent. in 2015. Risk costs turned to a net release of EUR 18 million from a net addition of EUR 57 million in 2015, reflecting a benign credit environment in the German market and model updates for mortgages.

RETAIL OTHER

	2017	2016	2015
		(EUR millions)	
Underlying income:			
Net interest income	2,437	2,107	1,935
Net commission income	384	320	278
Investment income and other income	207	432	195
Total underlying income	3,028	2,859	2,408
Underlying expenditure:			
Underlying operating expenses	1,919	1,723	1,594
Additions to the provision for loan losses	284	278	210
Total underlying expenditure	2,203	2,001	1,804
Underlying result before tax	825	858	604
Taxation	188	178	142
Non-controlling interests	67	60	48
Underlying net result	569	620	414
Divestments	—	—	367
Special items	—	(12)	—
Net result	569	608	781

Year ended 31 December 2017 compared to year ended 31 December 2016

Net result of Retail Other decreased to EUR 569 million in 2017 compared with EUR 608 million in 2016, when the net result included EUR -12 million in special items after tax related to the digital transformation programmes as announced on ING's Investor Day in October 2016. Underlying net result, which excludes special items, declined to EUR 569 million in 2017 compared with EUR 620 million in 2016.

Retail Other's underlying result before tax decreased 3.8 per cent. to EUR 825 million in 2017, from EUR 858 million in 2016, which was supported by a EUR 109 million gain on the sale of Visa shares. Total underlying income increased by EUR 169 million, or 5.9 per cent., to EUR 3,028 million. Excluding the gain on Visa shares in 2016, underlying income grew by 10.1 per cent. This increase was driven by strong commercial results across most countries. Net interest income rose 15.7 per cent. to EUR 2,437 million due to continued volume growth and higher margins on lending, partly offset by lower margins on savings and current accounts. The net production (excluding currency effects and Bank Treasury) in customer lending was EUR 9.3 billion, of which EUR 5.1 billion was in mortgages and EUR 4.2 billion in other lending (mainly consumer loans). The net production in customer deposits was EUR 8.1 billion. Commission income rose 20.0 per cent. driven by continued client and volume growth in most countries. Investment and other income was significantly lower, as the previous year included a EUR 109 million gain on Visa shares, but also a EUR 32 million gain from the reduction of ING's stake in Kotak Mahindra Bank.

Operating expenses increased by EUR 196 million, or 11.4 per cent., to EUR 1,919 million. This increase was mainly due to increased staff and marketing expenses in most countries to support business, as well as higher investments for strategic projects. The addition to the provision for loan losses was EUR 284 million, or 58 basis points of average risk-weighted assets, compared with EUR 278 million, or 57 basis points, in 2016. The slight increase was mainly attributable to higher risk costs in Poland, Spain and (to a lesser extent) Australia, partly offset by declines in Italy and Turkey.

Year ended 31 December 2016 compared to year ended 31 December 2015

Net result of Retail Other decreased to EUR 608 million in 2016 compared with EUR 781 million in 2015, when the net result included a EUR 367 million gain from divestments, reflecting the result from the merger between ING Vysya Bank and Kotak Mahindra Bank. In 2016, special items after tax were EUR -12 million, fully related to the digital transformation programmes as announced on ING's Investor Day on 3 October 2016. Underlying net result which excludes divestments and special items, rose to EUR 620 million in 2016 compared with EUR 414 million in 2015.

Retail Other's underlying result before tax rose to EUR 858 million, from EUR 604 million in 2015. The increase was largely attributable to a EUR 109 million gain on the sale of Visa shares in 2016, while 2015 included a EUR 97 million of non-recurring charges in Italy related to increased prepayments and renegotiations of fixed-term mortgages. Total underlying income increased by EUR 451 million, or 18.7 per cent., to EUR 2,859 million. Excluding the gain on Visa shares in 2016 and the one-off charge in Italy in 2015, underlying income grew by 9.8 per cent. This increase was mainly attributable to revenue growth in most businesses and was furthermore supported by a EUR 32 million one-time gain from the reduction of ING's stake in Kotak Mahindra Bank. Net interest income rose 8.9 per cent. due to volume growth in most countries and higher margins on lending, partly offset by lower margins on current accounts. Net production (excluding currency effects and Bank Treasury) in both customer lending and customer deposits was EUR 7.8 billion in 2016. Net commission income rose 15.1 per cent. due to continued client and volume growth in most countries. Underlying operating expenses increased by EUR 129 million, or 8.1 per cent., to EUR 1,723 million. This increase was mainly due to increased regulatory costs as well as higher IT and professional-services expenses related to strategic projects. The cost/income ratio improved to 60.3 per cent. from 66.2 per cent. in 2015. The addition to the provision for loan losses was EUR 278 million, or 57 basis points of average risk-weighted assets in 2016, up from EUR 210 million, or 45 basis points of average risk-weighted assets in 2015. The increase was mainly attributable to higher risk costs in Turkey.

WHOLESALE BANKING

	2017	2016	2015
		(EUR millions)	
Underlying income:			
Net interest income	3,895	3,750	3,538
Net commission income	1,108	1,003	962
Investment income and other income	919	855	1,070
Total underlying income	5,922	5,608	5,570
Underlying expenditure:			
Underlying operating expenses	2,792	2,572	2,559
Additions to the provision for loan losses	284	368	478
Total underlying expenditure	3,076	2,940	3,036

	2017	2016	2015
		(EUR millions)	
Underlying result before tax	2,846	2,668	2,533
Taxation	881	753	676
Non-controlling interests	15	11	16
Underlying net result	1,950	1,903	1,841
Special items		(149)	
Net result	1,950	1,754	1,841

Year ended 31 December 2017 compared to year ended 31 December 2016

Net result of Wholesale Banking rose to EUR 1,950 million in 2017 compared with EUR 1,754 million in 2016, when the net result included EUR -149 million in special items after tax related to the digital transformation programmes as announced in October 2016. Underlying net result, which excludes special items, increased to EUR 1,950 million compared with EUR 1,903 million in 2016. The underlying effective tax rate rose to 31.0 per cent. from 28.2 per cent. in 2016, partly caused by the impact of tax reforms in the U.S. and Belgium, which resulted in a tax charge to record a reduction in deferred tax assets.

Wholesale Banking's underlying result before tax was EUR 2,846 million, up 6.7 per cent. from 2016, driven by income growth in Industry Lending and General Lending & Transaction Services, and lower risk costs. This was in part offset by higher expenses.

Industry Lending posted an underlying result before tax of EUR 1,966 million, up 13.2 per cent. compared with 2016, due to continued business growth in Structured Finance and Real Estate Finance at attractive margins, higher fee income and lower risk costs. The underlying result before tax from General Lending & Transaction Services rose 22.5 per cent. to EUR 751 million, due to higher income and lower risk costs. Income was supported by volume growth in Working Capital Solutions and General Lending, partly offset by some pressure on margins. Financial Markets' underlying result before tax fell to EUR 82 million from EUR 134 million in 2016. This decline was mainly due to higher expenses, in part due to higher regulatory costs and investments in IT infrastructure. Income was stable, despite a very weak fourth quarter in 2017. Excluding CVA/DVA impacts (EUR -36 million in 2017 versus EUR -71 million in 2016) income declined by EUR 34 million. The underlying result before tax of Bank Treasury & Other fell to EUR 47 million from EUR 185 million in 2016. This decline was next to lower Bank Treasury results, mainly caused by higher risk costs (primarily related to the Italian lease run-off portfolio) and some litigation provisions. This was partly offset by higher sale results in the run-off businesses, including a EUR 97 million gain on the sale of an equity stake in the real estate run-off portfolio.

Underlying income of Wholesale Banking increased 5.6 per cent. to EUR 5,922 million, compared with 2016, driven by volume growth in lending and the aforementioned gain on the sale of an equity stake. Wholesale Banking's net core lending book (adjusted for currency impacts and excluding Bank Treasury and the Lease run-off portfolio) grew by EUR 12.7 billion in 2017. The net inflow in customer deposits (excluding currency impacts and Bank Treasury) was EUR 1.1 billion. The interest result rose 3.9 per cent. on 2016, whereas commission income increased by 10.5 per cent. Investment and other income was EUR 64 million higher, driven by the gain on the sale of an equity stake. Underlying operating expenses increased 8.6 per cent. to EUR 2,792 million, mainly due to higher headcount to support business growth, increased additions to litigation provisions and higher regulatory costs. Risk costs declined to EUR 284 million, or 19 basis points of average risk-weighted assets, from EUR 368 million, or 24 basis points in 2016. The relatively low risk costs in 2017 were supported by several larger net releases for clients and only a few larger new additions, and was realised despite higher risk costs for the Italian lease run-off portfolio.

Year ended 31 December 2016 compared to year ended 31 December 2015

Net result of Wholesale Banking declined to EUR 1,754 million in 2016 compared with EUR 1,841 million in 2015. Underlying net result increased to EUR 1,903 million from EUR 1,841 million in 2015. Special items after tax excluded from underlying net result were equal to EUR -149 million in 2016 and were fully related to the intended digital transformation programmes as announced on ING's Investor Day on 3 October 2016.

Wholesale Banking's underlying result before tax increased to EUR 2,668 million in 2016, from EUR 2,533 million in 2015. Credit and debt valuation adjustments (CVA/DVA), fully recorded in Financial Markets, were EUR -71 million in 2016 compared with EUR 181 million in 2015. Excluding CVA/DVA impacts, the increase in pre-tax result was 16.4 per cent., reflecting excellent performance in Industry Lending, steady volume growth across industries and products, and a lower level of risk costs.

Industry Lending posted an underlying result before tax of EUR 1,736 million, up 14.4 per cent. compared with 2015, driven by continued business growth in Structured Finance and Real Estate Finance at attractive margins. The underlying result before tax from General Lending & Transaction Services rose by 31.3 per cent. to EUR 613 million, due to lower expenses and risk costs. Income growth was limited as volume growth was largely offset by some pressure on margins. Financial Markets underlying result before tax fell to EUR 134 million from EUR 462 million in 2015, largely due to the aforementioned negative swing in CVA/DVA impacts. The underlying result before tax of Bank Treasury & Other was EUR 185 million, up from EUR 87 million in 2015, which was negatively impacted by a EUR 92 million impairment on an equity stake. Excluding this impairment, the pre-tax result increased by EUR 6 million as higher Bank Treasury results were offset by lower results in the run-off businesses, mainly due to lower sales results in the Real Estate Development portfolio.

Underlying income increased 0.7 per cent. to EUR 5,608 million compared with 2015. Excluding CVA/DVA impacts, income rose 5.4 per cent. driven by strong volume growth in lending and higher income in Bank Treasury. Net production of customer lending (excluding Bank Treasury and currency impacts) was EUR 21.8 billion in 2016. Wholesale Banking's net core lending book (also excluding Lease run-off) grew by EUR 22.6 billion, due to strong growth in Structured Finance and General Lending & Transaction Services. The net inflow in customer deposits (excluding Bank Treasury and currency impacts) was EUR 3.1 billion. Net interest income rose 6.0 per cent. on 2015, whereas net commission income increased by 4.3 per cent. Underlying operating expenses increased 0.5 per cent. to EUR 2,572 million, mainly due to higher regulatory costs and an increase in FTEs to support business growth. This increase was largely offset by benefits from cost saving initiatives and lower IT change costs. The previously announced restructuring programmes are on track to realise EUR 340 million of annual cost savings by the end of 2017. At the end of 2016, EUR 305 million of annual cost savings had already been realised. Risk costs declined to EUR 368 million, or 24 basis points of average risk-weighted assets, from EUR 478 million, or 33 basis points of average risk-weighted assets, in 2015. Lower risk costs were mainly visible in General Lending and to a lesser extent Industry Lending, in part due to larger releases on Ukraine clients.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The principal sources of funds for ING Bank's operations are growth in retail funding, which mainly consists of current accounts, savings and retail deposits as well as repayments of loans, disposals and redemptions of investment securities (mainly bonds), sales of trading portfolio securities, interest income and commission income. The major uses of funds are advances of loans and other credits, investments, purchases of investment securities, funding of trading portfolios, interest expense and administrative expenses.

ING Bank's Risk Management, including liquidity, is discussed in the section "Risk Management" of the ING Bank consolidated financial statements for the year ended 31 December 2017, which are incorporated by reference herein.

The following table sets forth the consolidated statement of cash flows for ING Bank for the years ended 31 December 2017, 2016 and 2015 (certain figures have been restated (please see the Annual Report for more information)).

	2017	**2016**	**2015**
		(EUR millions)	
Result before tax	7,404	5,937	6,415
Adjusted for:			
- depreciation	520	536	614
- addition to loan loss provisions	676	974	1,347
- other	708	1,580	-227
Taxation paid	(1,753)	(1,555)	(1,306)
Changes in:			
- amounts due from banks, not available on demand	(3,306)	(1,168)	6,760
- trading assets	(1,605)	16,976	5,485
- non-trading derivatives	(2,403)	1,725	(742)
- other financial assets at fair value through profit and loss	441	(3,400)	(282)
- loans and advances to customers	(21,397)	(29,668)	(21,143)
- other assets	(663)	(1,280)	1,106
- amounts due to banks, not payable on demand	6,320	(346)	5,175
- customer deposits and other funds on deposit	22,960	23,682	19,600
- trading liabilities	(9,575)	(5,634)	(8,276)
- other financial liabilities at fair value through profit and loss	(566)	(432)	(1,254)
- other liabilities	854	1,030	1,689
Net cash flow from operating activities	(1,385)	8,957	14,961
Investment and advances:			
- group companies			
- associates	(79)	(49)	(24)
- available-for-sale investments	(21,601)	(27,003)	-43,092
- held-to-maturity investments			
- real estate investments	(3,609)	1,731	-3,457

	2017	2016	2015
		(EUR millions)	
- property and equipment	(264)	351	-326
- assets subject to operating leases	(40)	64	-37
- loan portfolio			
- other investments	(264)	(288)	(256)
Disposals and redemptions:			
- group companies	—	—	—
- associates	245	54	119
- available-for-sale investments	32,788	31,165	48,232
- held-to-maturity investments	2,675	630	1,219
- property and equipment	65	63	73
- assets subject to operating leases	14	12	17
- loan portfolio	1,815	1,295	3,590
- other investments	9	9	3
Net cash flow from investing activities	11,754	3,742	6,061
Proceeds from issuance of subordinated loans	2,314	1,085	2,085
Repayments of subordinated loans	(1,246)	(961)	(4,244)
Proceeds from borrowed funds and debt securities	89,369	106,174	133,290
Repayments from borrowed funds and debt securities	(95,077)	(121,998)	(140,120)
Dividends paid	(3,176)	(1,345)	(2,200)
Net cash flow from financing activities	(7,816)	(17,045)	(11,189)
Net cash flow	2,553	(4,346)	9,833
Cash and cash equivalents at beginning of year	16,163	20,354	10,863
Effect of exchange rate changes on cash and cash equivalents	260	155	(342)
Cash and cash equivalents at end of year	18,976	16,163	20,354

At 31 December 2017, cash and cash equivalents include cash and balances with central banks of EUR 21,989 million (2016: EUR 18,144 million; 2015: EUR 21,458 million). See Note 29 "Cash and cash equivalents" in the notes to the consolidated financial statements for the year ended 31 December 2017, which are incorporated by reference herein.

Year ended 31 December 2017 compared to year ended 31 December 2016

Net cash flow from operating activities amounted to EUR –1,385 million for the year ended 31 December 2017, compared to EUR 8,957 million at year-end 2016. The decrease in cash flow from operating activities of EUR 10,342 million was due to higher cash outflows from net trading balances, EUR-22,522 million (2017; EUR –11,180 million, 2016 EUR 11,342 million), and higher cash outflows re non-trading derivatives of EUR -4,128 (2017 EUR -2,403 million, 2016 EUR 1,725 million). These higher cash outflows are partly offset by a decrease in cash outflows from loans and advances of EUR 8,271 (2017 EUR -21,397 million, 2016 EUR-29,668) and a cash inflow in 2017 from financial assets and liabilities at fair value through profit or loss of EUR 441 million compared to a cash outflow from financial assets and liabilities at fair value through profit or loss in 2016 of EUR 3,400 million. The total increase of cash outflows amounts to EUR 14,538 million.

Cash inflows increased due to a decrease of net positions with banks EUR 4,528 million (2017 EUR 3,014 million, 2016 EUR -1,514 million) and an increase in profit before tax EUR 1,467 million (2017 EUR 7,404 million, 2016 EUR 5,937 million). These increases of cash inflows were offset by decreases in cash inflows due to lower cash inflows from customer deposits EUR –722 million (2017 EUR 22,960 million, 2016 EUR 23,682 million) and other movements of EUR -1,077 million. The total increase of cash inflows amounts to EUR 4,196 million.

Net cash flow from operating activities was largely affected by the cash outflow from newly issued mortgage loans, corporate lending and personal lending. The cash outflow to trading assets was due to higher trading balances consisting of loans and receivables and equity shares. Cash inflows relate to increased customer deposits and are mainly due to increased savings individuals and credit balances on customer accounts, decreased net positions from and to other banks and net income results. In 2016 there was a large cash outflow from loans and advances to customers and a large cash inflow from trading assets. The strong cash inflow from trading assets in 2016 is related to a combination of fewer equity securities required to hedge equity swaps, fewer trading government bonds and a decrease in reverse repurchase activities.

Net cash flow from investing activities amounted EUR 11,754 million, from EUR 3,742 million in 2016. Investments in available-for-sale securities amounted EUR 21,601 million and EUR 27,003 million in 2017 and 2016, respectively. Disposals and redemptions of available-for-sale securities amounted to EUR 32,788 million and EUR 31,165 million in 2017 and 2016, respectively.

Net cash flow from financing activities amounted EUR -7,816 million in 2017, compared to EUR -17,045 million in 2016. The decrease of EUR 9,229 million in net cash flow is mainly due lower repayments of debt securities.

The operating, investing and financing activities described above resulted in an increase of EUR 2,553 million in cash and cash equivalents from EUR 16,163 million at year-end 2016 to EUR 18,976 million at year end 2017.

Specification of cash position:

	2017	2016
	(EUR millions)	
Treasury bills and other eligible bills	391	512
Amounts due from/to banks	(3,404)	(2,493)
Cash and balances with central banks	21,989	18,144
Cash and cash equivalents at end of year	18,976	16,163

Year ended 31 December 2016 compared to year ended 31 December 2015

Net cash flow from operating activities amounted to EUR 8,957 million for the year ended 31 December 2016, compared to EUR 14,961 million at year-end 2015. The decrease in cash flow from operating activities of EUR 6,004 million 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 flow from operating activities largely resulted from the cash outflow from loans to and deposits from banks and the large cash inflow from trading assets. In 2016, there was a small cash outflow from loans and deposits to and from banks compared to a strong cash inflow in 2015 mainly related to less (reverse) repurchase transaction. In 2016, the cash inflow from trading assets is related to a combination of fewer equity securities required to hedge equity swaps, fewer trading government bonds and a decrease in reverse repurchase activities.

Net cash flow from investing activities was EUR 3,742 million, from EUR 6,061 million in 2015. Investments in available-for-sale securities was EUR 27,003 million and EUR 43,092 million in 2016 and 2015, respectively. Disposals and redemptions of available-for-sale securities amounted to EUR 31,165 million and EUR 48,232 million in 2016 and 2015, respectively.

Net cash flow from financing activities was EUR -17,045 million in 2016, compared to EUR -11,189 million in 2015. The decrease of EUR 5,856 million in net cash flow is mainly due to the proceeds from debt securities and dividends paid compensated by an inflow from repayments on subordinated loans.

The operating, investing and financing activities described above resulted in a net cash and cash equivalents of EUR 16,163 million at year end 2016, compared to EUR 20,354 million at year-end 2015, a decrease of EUR 4,191 million.

Specification of cash position:

	2017	2016
	(EUR millions)	
Treasury bills and other eligible bills	512	363
Amounts due from/to banks	(2,493)	(1,467)
Cash and balances with central banks	18,144	21,458
Cash and cash equivalents classified as Assets held for sale		0
Cash and cash equivalents at end of year	16,163	20,354

OFF-BALANCE SHEET ARRANGEMENTS

For information regarding off-balance sheet arrangements, see Note 41 'Contingent liabilities and commitments' in the notes to the consolidated financial statements for the financial year ended 31 December 2017, which are incorporated by reference herein.

CONTRACTUAL OBLIGATIONS

For information about future payments in relation to pension benefit liabilities reference is made to Note 15 'Other liabilities' in the notes to the consolidated financial statements for the financial year ended 31 December 2017, which are incorporated by reference herein. For information about coupon interest due on financial liabilities by maturity bucket reference is made to Note 37 'Liabilities by maturity' in the notes to the consolidated financial statements for the financial year ended 31 December 2017, which are incorporated by reference herein. For information on future rental commitments reference is made to Note 41 'Contingent liabilities and commitments' in the notes to the consolidated financial statements for the financial year ended

31 December 2017, which are incorporated by reference herein. For information on securitization arrangements and structured entity details reference is made to Note 45 ‘Structured entities’ in the notes to the consolidated financial statements for the financial year ended 31 December 2017, which are incorporated by reference herein.

Contractual obligations

	Payment due by period			
	Total	**Less than one year**	**1-5 years**	**More than 5 years**
	(EUR millions)			
2017				
Operating lease obligations	1,252	—	780	472
Subordinated loans	15,678	44,387	—	15,678[(1)]
Debt securities in issue	88,469	44,387	34,215	9,867
Total	105,399	—	34,995	26,017
2016				
Operating lease obligations	1,242	86	898	344
Subordinated loans	15,840	38,735	34	15,720[1]
Debt securities in issue	103,188	38,821	44,089	20,364
Total	120,270	—	45,021	36,428

Note:

(1) The maturity bucket ‘more than 5 years’ includes subordinated loans of EUR 5,077 million (2016: EUR 6,603) with no maturity date (perpetual).

SELECTED STATISTICAL INFORMATION

The information in this section is unaudited and sets forth selected statistical information regarding the operations of ING Bank. Information for 2017, 2016 and 2015 is prepared on the basis of IFRS-EU and is calculated based on figures included in the ING Bank consolidated financial statements for the respective financial year. Unless otherwise indicated, average balances, when used, are calculated from monthly data and the distinction between domestic and foreign is based on the location of the office where the assets and liabilities are booked, as opposed to the domicile of the customer. However, ING Bank believes that the presentation of these amounts based upon the domicile of the customer would not result in material differences in the amounts presented below.

	Year ended 31 December		
	2017	**2016**	**2015**
Return on shareholders' equity of ING Bank	11.5%	10.0%	11.8%
Return on assets of ING Bank	0.6%	0.5%	0.6%
Shareholders' equity to assets of ING Bank	5.2%	5.2%	4.9%
Net interest margin of ING Bank	1.6%	1.5%	1.5%

Average Balances and Interest Rates

The following tables show the banking operations, average interest-earning assets and average interest-bearing liabilities, together with average rates, for the periods indicated. The interest income, interest expense and average yield figures do not reflect interest income and expense on derivatives and other interest income and expense not considered to be directly related to interest-bearing assets and liabilities. These items are reflected in the corresponding interest income, interest expense and net interest result figures in the consolidated financial statements. A reconciliation of the interest income, interest expense and net interest result figures to the corresponding line items in the consolidated financial statements is provided hereunder.

Assets(1)

	Interest-earning assets								
	2017			**2016**			**2015**		
	Average balance	**Interest income**	**Average yield**	**Average balance**	**Interest income**	**Average yield**	**Average balance**	**Interest income**	**Average yield**
	(EUR millions)		*(%)*	*(EUR millions)*		*(%)*	*(EUR millions)*		*(%)*
Time deposits with banks									
domestic	16,234	89	0.6	32,058	58	0.2	29,058	51	0.2
foreign	39,807	536	1.3	22,888	323	1.4	26,299	290	1.1
Loans and advances									
domestic	206,417	6,166	3.0	219,036	6,674	3.0	225,425	7,618	3.4
foreign	418,146	12,291	2.9	381,663	11,651	3.1	362,259	11,449	3.2
Interest-earning securities(1)									
domestic	28,856	400	1.4	35,842	472	1.3	34,637	537	1.6

	Interest-earning assets								
	2017			2016			2015		
	Average balance	**Interest income**	**Average yield**	**Average balance**	**Interest income**	**Average yield**	**Average balance**	**Interest income**	**Average yield**
	(EUR millions)		*(%)*	*(EUR millions)*		*(%)*	*(EUR millions)*		*(%)*
foreign	61,035	1,341	2.2	69,780	1,638	2.3	75,100	1,765	2.4
Other interest-earning assets									
domestic	22,526	24	0.1	14,762	31	0.2	8,353	38	0.5
foreign	30,215	75	0.2	20,907	77	0.4	17,194	87	0.5
Total	823,238	20,923	2.5	796,936	20,924	3.0	778,325	21,835	2.8
Non-interest earning assets	33,998			34,612			41,334		
Derivatives assets	33,572			44,818			49,363		
Total assets[2]	890,808			876,366			869,021		
Percentage of assets applicable to foreign operations		67.5%			63.6%			64.5%	
Interest income on derivatives		22,392			22,917			24,333	
Other		673			380			229	
Total interest income		43,988			44,221			46,397	

Notes:

(1) ING has changed its accounting policy for the netting of cash pooling arrangements in the second quarter of 2016. In accordance with IFRS, the comparable amounts must be adjusted. The comparable amounts are adjusted in the ING 2016 Annual Accounts. In the above table however, the year-end 2015 cash pool balances in Customer deposits are still presented on a net basis in order to provide consistent information to its users.

(2) Substantially all interest-earning securities held by ING Bank are taxable securities.

Liabilities[1]

	Interest-bearing liabilities								
	2017			2016			2015		
	Average balance	**Interest expense**	**Average yield**	**Average balance**	**Interest expense**	**Average yield**	**Average balance**	**Interest expense**	**Average yield**
	(EUR millions)		*(%)*	*(EUR millions)*		*(%)*	*(EUR millions)*		*(%)*
Time deposits from banks									
domestic	17,219	25	0.1	13,701	21	0.2	11,391	18	0.1
foreign	15,169	234	1.5	13,066	224	1.7	12,723	252	2.0
Demand deposits[2]									
domestic	59,207	164	0.3	51,119	100	0.2	45,065	88	0.2

	Interest-bearing liabilities								
	2017			**2016**			**2015**		
	Average balance	**Interest expense**	**Average yield**	**Average balance**	**Interest expense**	**Average yield**	**Average balance**	**Interest expense**	**Average yield**
	(EUR millions)		*(%)*	*(EUR millions)*		*(%)*	*(EUR millions)*		*(%)*
foreign	83,878	21	0.0	72,185	26	0.0	63,876	56	0.1
Time deposits(2)									
domestic	26,315	239	0.9	24,624	138	0.6	29,858	86	0.3
foreign	15,766	255	1.6	16,654	208	1.2	18,725	265	1.4
Savings deposits(2)									
domestic	92,818	246	0.3	92,814	531	0.6	90,549	883	1.0
foreign	263,311	1,503	0.6	256,240	1,924	0.8	249,318	2,513	1.0
Short-term debt									
domestic	6,958	47	0.7	11,271	54	0.5	15,630	44	0.3
foreign	23,479	260	1.1	23,012	192	0.8	21,535	142	0.7
Long-term debt									
domestic	60,915	1,520	2.5	69,253	1,821	2.6	78,557	2,077	2.6
foreign	14,424	435	3.0	14,992	445	3.0	16,917	455	2.7
Subordinated liabilities									
domestic	16,635	395	2.4	16,541	430	2.6	17,398	455	2.6
foreign	150	6	4.1	205	9	4.3	319	15	4.6
Other interest-bearing liabilities									
domestic	16,375	106	0.6	27,140	(87)	(0.3)	18,673	(10)	(0.1)
foreign	64,595	756	1.2	43,136	407	0.9	44,107	359	0.8
Total	777,216	6,212	0.8	745,955	6,442	0.9	734,640	7,698	1.1
Non-interest bearing liabilities	35,837			39,588			42,210		
Derivatives liabilities	33,297			47,358			52,009		
Total liabilities	846,350			832,900			828,858		
Group capital	44,458			43,465			40,163		
Total liabilities and capital	890,808			876,366			869,021		
Percentage of liabilities applicable to foreign operations		62.3%			59.8%			61.3%	
Other interest expense:									
interest expenses on derivatives		22,958			23,636			25,241	
other		1,036			826			714	
Total interest expense		30,206			30,904			33,653	
Total net interest result		13,782			13,317			12,744	

Notes:

(1) ING has changed its accounting policy for the netting of cash pooling arrangements in the second quarter of 2016. In accordance with IFRS, the comparable amounts must be adjusted. The comparable amounts are adjusted in the ING 2016 Annual Accounts. In the above table however, the year-end 2015 cash pool balances in Customer deposits are still presented on a net basis in order to provide consistent information to its users.

(2) These captions do not include deposits from banks.

Analysis of Changes in Net Interest Income

The following table allocates changes in ING Bank's interest income and expense and net interest result between changes in average balances and rates for the periods indicated. Changes due to a combination of volume and rate have been allocated to changes in average volume. The net changes in interest income, interest expense and net interest result, as calculated in this table, have been reconciled to the changes in interest income, interest expense and net interest result in the consolidated financial statements. See introduction to "Average Balances and Interest Rates" for a discussion of the differences between interest income, interest expense and net interest result as calculated in the following table and as set forth in ING Bank's consolidated financial statements (certain figures have been restated).

	2017 over 2016 Increase (decrease) due to changes in			2016 over 2015 Increase (decrease) due to changes in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
	(EUR millions)					
Interest-earning assets						
Time deposits to banks						
domestic	(29)	60	31	5	2	7
foreign	238	(25)	213	(38)	70	33
Loans and advances						
domestic	(384)	(124)	(508)	(216)	(727)	(943)
foreign	1,114	(473)	640	613	(411)	202
Interest-earning securities						
domestic	(92)	20	(72)	19	(84)	(65)
foreign	(205)	(92)	(297)	(125)	(2)	(127)
Other interest-earning assets						
domestic	16	(24)	(8)	29	(36)	(7)
foreign	34	(36)	(2)	19	(29)	(10)
Interest income						
domestic	(489)	(67)	(556)	(163)	(845)	(1,008)
foreign	1,181	(626)	555	469	(372)	97
Total	692	(694)	(2)	307	(1,217)	(911)
Other interest income			(231)			(1,265)
Total interest income			(233)			(2,176)

The following table shows the interest spread and net interest margin for the past two years.

	2017 Average rate	2016 Average rate
	(%)	
Interest spread		
domestic	1.5	1.6
foreign	1.9	1.8
Total	1.7	1.7
Net interest margin		
domestic	1.4	1.6
foreign	2.0	1.9
Total	1.8	1.8

	2017 over 2016 Increase (decrease) due to changes in			2016 over 2015 Increase (decrease) due to changes in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
			(EUR millions)			
Interest-bearing liabilities						
Time deposits from banks						
domestic	6	(2)	4	4	0	4
foreign	36	(27)	9	7	(35)	(28)
Demand deposits						
domestic	16	48	64	12	0	12
foreign	4	(10)	(5)	7	(37)	(30)
Time deposits						
domestic	9	92	102	(15)	67	52
foreign	(11)	58	47	(29)	(28)	(57)
Savings deposits						
domestic	0	(286)	(286)	22	(374)	(352)
foreign	53	(474)	(421)	70	(659)	(589)
Short-term debt						
domestic	(21)	13	(7)	(12)	23	10
foreign	4	65	69	10	40	50
Long-term debt						
domestic	(219)	(81)	(301)	(246)	(10)	(256)
foreign	(17)	7	(10)	(52)	42	(10)
Subordinated liabilities						
domestic	2	(37)	(34)	(21)	(4)	(25)

	2017 over 2016 Increase (decrease) due to changes in			2016 over 2015 Increase (decrease) due to changes in		
	Average volume	**Average rate**	**Net change**	**Average volume**	**Average rate**	**Net change**
			(EUR millions)			
foreign	(2)	0	(3)	(5)	(1)	(6)
Other interest-bearing liabilities						
domestic	35	159	193	(5)	(73)	(77)
foreign	202	147	349	(8)	56	48
Interest expense						
domestic	(172)	(93)	(265)	(261)	(371)	(632)
foreign	269	(234)	36	0	(622)	(622)
Total	97	(327)	(230)	(261)	(993)	(1,255)
Other interest expense			(468)			(1,494)
Total interest expense			(698)			(2,749)
Net interest						
domestic	(317)	26	(291)	98	(474)	(376)
foreign	911	(392)	519	470	250	720
Net Interest	595	(366)	228	468	(224)	344
Other net interest result			237			229
Net interest result			465			573

Investments of ING Bank

	Year ended 31 December		
	2017	**2016**	**2015**
		(EUR millions)	
Debt securities available for sale			
Dutch government	7,053	8,968	9,016
German government	10,682	12,617	13,033
Central banks	1,216	1,253	803
Belgian government	4,892	5,497	6,591
Other governments	19,804	24,010	27,204
Banks and financial institutions	15,356	20,154	20,080
Other corporate debt securities	1,493	1,577	1,512
U.S. Treasury and other U.S. Government agencies	3,034	2,713	2,868
Other debt securities	2,217	2,099	1,459
Total debt securities available for sale	65,747	78,888	82,566

	Year ended 31 December		
	2017	2016	2015
		(EUR millions)	
Debt securities held to maturity			
Dutch government	1,087	1,105	1,124
German government	238	0	529
Central Banks	310		
Belgian government	628	912	945
Other governments	2,240	4,671	3,431
Banks and financial institutions	908	1,498	1,219
Other corporate debt securities	209	215	221
U.S. Treasury and other U.S. Government agencies	3,507	0	0
Other debt securities	216	350	357
Total debt securities held to maturity	9,343	8,751	7,826
Shares and convertible debentures	3,983	4,024	4,434
Land and buildings(1)	839	946	1,060
Total	79,912	92,609	95,886

Note:

(1) Including commuted ground rents

Banking investment strategy

ING's investment strategy for its investment portfolio related to the banking activities is formulated by the Asset and Liability Committee ("ALCO"). The exposures of the investments to market rate movements are managed by modifying the asset and liability mix, either directly or through the use of derivative financial products including interest rate swaps, futures, forwards and purchased option positions such as interest rate caps, floors and collars.

Portfolio maturity description

Year ended 31 December 2017

	1 year or less	Between 1 and 5 years	Between 5 and 10 years	Over 10 years	Total
Debt securities available for sale					
Dutch government	36	4,067	2,950	0	7,053
German government	2,049	4,858	3,775	0	10,682
Belgian government	789	2,189	1,914	0	4,892
Central banks	1,216	0	0	0	1,216
Other governments	1,779	9,358	8,286	381	19,804
Banks and financial institutions	1,829	10,278	3,249	0	15,356

	1 year or less	Between 1 and 5 years	Between 5 and 10 years	Over 10 years	Total
Corporate debt securities	235	772	486	0	1,493
U.S. Treasury and other U.S. Government agencies	0	125	894	2,015	3,034
Other debt securities	0	205	1,514	496	2,217
Total debt securities available for sale	7,933	31,852	23,070	2,892	65,747
Yield[(1)]	1.7	2.5	1.8	3.1	

Note:

(1) Since substantially all investment securities held by the banking operations of the Company are taxable securities, the yields are on a tax-equivalent basis. The average yield on available for sale investments is based on amortised cost.

Year ended 31 December 2017

	1 year or less	Between 1 and 5 years	Between 5 and 10 years	Over 10 years	Total
Debt securities held to maturity					
Dutch government	0	488	599	0	1,087
German government	51	187	0	0	238
Belgian government	280	348	0	0	628
Central banks	310	0	0	0	310
Other governments	852	1,118	270	0	2,240
Banks and financial institutions	311	497	100	0	908
Corporate debt securities	0	209	0	0	209
U.S. Treasury and other U.S. Government agencies	0	0	3,507	0	3,507
Other debt securities	0	128	0	88	216
Total debt securities held to maturity	1,804	2,975	4,476	88	9,343
Yield[(1)]	3.2	2.5	2.1	0.2	

Note:

(1) Since substantially all investment securities held by the banking operations of the Company are taxable securities, the yields are on a tax-equivalent basis.

On 31 December 2017, ING Group also held the following securities for the banking operations that exceeded 10 per cent. of shareholders' equity:

	2017	
	Book value	Market value
	(EUR millions)	
German government	15,914	15,918
Dutch government	9,880	9,916
U.S. Treasury and other U.S. governments	8,037	7,999
Polish government	6,916	6,889
Belgian government	5,520	5,524
French government	4,917	4,926

LOAN PORTFOLIO

Loans and advances to banks and customers

Loans and advances to banks include all receivables from credit institutions, except for cash, current accounts and deposits with other banks (including central banks). Loans and advances to customers includes lending facilities to corporate and private customers encompass among others, loans, overdrafts and finance lease receivables.

The following table sets forth the gross loans and advances to banks and customers as of 31 December 2017, 2016, 2015, 2014 and 2013 under IFRS-EU.

IFRS-EU	Year ended December 31				
	2017	2016	2015	2014	2013
By domestic offices:					
Loans guaranteed by public authorities	26,975	27,746	30,912	27,665	29,132
Loans secured by mortgages	121,702	126,884	128,685	139,079	139,475
Loans to or guaranteed by credit institutions	8,113	10,621	16,343	17,307	11,686
Other private lending	3,162	4,376	5,636	6,635	4,857
Other corporate lending	38,550	37,707	196,248	217,070	43,907
Total domestic offices	198,502	207,335	378,645	407,756	229,057
By foreign offices:					
Loans guaranteed by public authorities	19,397	18,634	18,214	18,894	15,119
Loans secured by mortgages	204,883	191,744	179,938	161,007	152,450
Loans to or guaranteed by credit institutions	22,638	19,422	17,688	25,508	33,363
Other private lending	20,074	18,723	17,041	16,096	21,895
Asset backed securities excluding MBS	2,209	3,380	4,936	5,318	6,336
Other corporate lending	140,461	137,676	119,161	111,347	97,150
Total foreign offices	409,662	389,579	356,978	338,170	326,313
Total gross loans and advances to banks and customers	608,164	596,914	734,793	745,926	555,370

(*) ING has changed its accounting policy for the netting of cash pooling arrangements in the second quarter of 2016. In accordance with IFRS, the comparable amounts must be adjusted. The comparable amounts have been adjusted in the table above for 2015 and 2014 (but not earlier years).

Maturities and sensitivity of loans to changes in interest rates

The following table analyses loans and advances to banks and customers by time remaining until maturity as of 31 December 2017.

	1 year or less	1 year to 5 years	After 5 years	Total
		(EUR millions)		
By domestic offices:				
Loans guaranteed by public authorities	3,633	2,215	21,127	26,975
Loans secured by mortgages........................	8,040	17,106	96,556	121,702
Loans guaranteed by credit institutions	6,245	1,550	318	8,113
Other private lending	1,792	668	702	3,162
Other corporate lending	22,298	12,015	4,237	38,550
Total domestic offices.................................	41,008	33,554	122,940	198,502
By foreign offices:				
Loans guaranteed by public authorities	6,844	6,658	5,895	19,397
Loans secured by mortgages........................	18,711	52,737	133,435	204,883
Loans guaranteed by credit institutions	18,322	3,268	1,048	22,638
Other private lending	7,137	10,181	2,756	20,074
Asset backed securities excluding MBS	0	13	2,196	2,209
Other corporate lending	55,919	62,238	22,304	140,461
Total foreign offices	106,933	135,095	167,634	409,662
Total gross loans and advances to banks and customers	148,941	168,649	290,638	608,164

The following table analyses loans and advances to banks and customers by interest rate sensitivity by maturity as of 31 December 2017.

	1 Year or less	Over 1 Year	Total
Non-interest earning...	6,474	1,703	8,177
Fixed interest rates	67,628	85,872	153,500
Floating or adjustable interest rates[(1)]................................	74,839	371,648	446,487
Total..	148,941	459,223	608,164

Note:

(1) Loans that have an interest rate that remains fixed for more than one year and which can then be changed are classified as "adjustable interest rates"

Loan concentration

The following industry concentrations were in excess of 10 per cent. of total loans as of 31 December, 2017:

	Total outstanding
Private Individuals	40.1%

Risk elements

Loans Past Due 90 days and Still Accruing Interest

Loans past due 90 days and still accruing interest are loans that are contractually past due 90 days or more as to principal or interest on which the Issuer continues to recognise interest income on an accrual basis in accordance with IFRS-EU. Once a loan has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The following table sets forth the gross balance of the loans past due 90 days and still accruing interest and non-accrual loans for the years ended 31 December 2017, 2016, 2015, 2014 and 2013 under IFRS-EU.

IFRS-EU	**Year ended 31 December**				
	2017	**2016**	**2015**	**2014**	**2013**
			(EUR millions)		
Domestic	4,343	5,292	7,523	8,714	8,088
Foreign	3,861	3,338	4,055	5,528	4,767
Total loans past due 90 days and still accruing interest	8,024	8,630	11,578	14,242	12,855

As of 31 December 2017, EUR 8,024 million of the loans past due 90 days and still accruing interest have a loan loss provision. The total loans classified as non performing, including those loans classified as past due 90 days and still accruing interest, amounts EUR 12,481 million as of 31 December 2017.

For information on credit restructuring reference is made to "Note 2.2.1 "Risk Management" in the notes to the consolidated financial statements for the year ended 31 December 2017, which are incorporated by reference herein.

Troubled Debt Restructurings

Troubled debt restructurings are loans that the Issuer has restructured due to deterioration in the borrower's financial position and in relation to which, for economic or legal reasons related to the borrower's deteriorated financial position, the Issuer has granted a concession to the borrower that it would not have otherwise granted.

The following table sets forth the gross outstanding balances of the troubled debt restructurings as of December 31 2017, 2016, 2015, 2014 and 2013 under IFRS-EU.

IFRS-EU	Year ended 31 December				
	2017	2016	2015	2014	2013
			(EUR millions)		
Troubled debt restructurings:					
Domestic	675	325	86	112	813
Foreign	330	277	376	304	742
Total troubled debt restructurings	1,005	602	462	416	1,555

Relationship Between Forbearance and Troubled Debt Restructurings ("TDR")

Both forbearance and TDR refer to a situation in which a debtor is facing financial difficulties and the creditor grants concessions in respect of the terms of the loans, but the application of the respective guidance, specifically the entry criteria under both standards, results in differences between the total amount of reported forborne loans and the amount of forborne loans which are considered TDR.

This difference is due to ING's determination of forbearance being based on the criteria in the European Implementing Technical Standards on Supervisory reporting on forbearance and non-performing exposures under article 99(4) of Regulation (EU) No 575/2013 (the "EU Standard"), while ING's determination of Troubled Debt Restructurings (TDR) is based on FASB codification (ASC) 310-40 "Troubled Debt Restructurings by Creditors" (the "TDR Standard").

Under the EU Standard, all concessions that ING makes in respect of a loan given to a debtor in financial difficulty will result in a loan being considered forborne, including modification of payment terms (such as interest deferrals or extensions of maturity) as well as concessions that do not have any impact on cash flows, such as when ING waives covenant or other non payment-related loan terms. As a result, the "Total Forborne Loans" in the table below represents all loans where ING has made borrower concessions, regardless of the impact of such concessions on the timing or likelihood of repayment.

Under the TDR Standard, however, loans may only be classified as TDR if the creditor has granted a concession and as a result of such concession does not expect to collect all amounts due, including both interest and principal. For these purposes, the TDR Standard also provides that concessions that result in a delay in payment that is only considered "insignificant" will not result in the loan being considered TDR. This means that the loans reported by ING as TDR will not include loans for which covenant or other non-payment terms have been modified, as well as loans for which payment-related concessions would, in ING's judgment, result in only insignificant delays in repayment. Examples of concessions which result in only insignificant delays in payment would include temporary payment holidays for retail mortgage clients, or standstill arrangements with corporate borrowers. As ING will ordinarily receive compensation in connection with such concessions (generally through additional interest income), these concessions would typically result in a delay in payment that it would consider to be insignificant taking into account the remaining duration of the loan. Debt forgiveness, either through principal or interest reductions, is generally not granted as a concession by ING, but to the extent granted would result in the loan being classified as TDR.

As a result of the application of these two standards, ING reports a significantly larger amount of loans in the forborne category than in the TDR category. The following table sets forth total forborne loans and loans that are TDR as of December 31, 2017, as well as a reconciliation indicating the categories of forborne loans under the EU Standard which do not meet the criteria of the TDR Standard.

The following table sets forth total forborne loans and loans that are TDR as of December 31, 2017, as well as a reconciliation indicating the categories of forborne loans under the EU Standard which do not meet the criteria of the TDR Standard.

	2017
Total Forborne Loans (EU Standard)	11,819
Wholesale Banking: differences in entry criteria	
Concessions not reducing cash flows (e.g., covenant waiver)	(2,359)
Concessions that do not result in significant delay of payment	(2,817)
Retail Banking: differences in entry criteria	
Concessions that do not result in significant delay of payment	(5,317)
Other	(321)
Total Loans that are Troubled Debt Restructurings (TDR Standard)	1,005

Interest Income on Troubled Debt Restructurings

The following table sets forth the gross interest income that would have been recorded during the year ended 31 December 2017 on troubled debt restructurings had such loans been current in accordance with their original contractual terms and interest income on such loans that was actually included in interest income during the year ended 31 December 2017.

	Year ended 31 December 2017		
	Domestic Offices	Foreign Offices	Total
		(EUR millions)	
Interest income that would have been recognised under the original contractual terms	18	15	33
Interest income recognised in the profit and loss account.	10	6	16

Potential Problem Loans

Potential problem loans are loans that are not classified as loans past due 90 days and still accruing interest or troubled debt restructurings and amounted to EUR 5,921 million as of 31 December 2017. Of this total, EUR 2,211 million relates to domestic loans and EUR 3,710 million relates to foreign loans. These loans are considered potential problem loans as there is known information about possible credit problems causing ING to have serious doubts as to the ability of the borrower to comply with the present loan repayment terms and which may result in classifying the loans as loans past due 90 days and still accruing interest or as troubled debt restructurings. Appropriate provisions, following ING Group's credit risk rating system, have been established for these loans.

	Year ended 31 December 2017					
	Government & official institutions	Banks & other financial Institutions	Commercial & industrial	Other	Total	Cross-border Commitments
			(EUR millions)			
United States	6,665	7,165	65,444	2,727	82,001	82,001
France	2,564	24,353	15,333	1,230	43,479	43,479
United Kingdom	1,263	13,493	14,373	2,574	31,702	31,702
Switzerland	04	7,594	10,800	2,700	21,098	21,098
Ireland	0	574	19,686	161	20,421	20,421
Germany	4,404	5,873	3,897	3,267	17,441	17,441
Belgium	439	2,612	12,496	812	16,359	16,359
China	85	7,849	2,248	5,490	15,671	15,671
Singapore	0	1,601	9,175	550	11,326	11,326
Luxembourg	508	2,151	6,910	1,598	11,167	11,167
Turkey	1,274	3,710	5,312	234	10,530	10,530
Hong Kong	0	4,512	4,134	575	9,221	9,221

	Year ended 31 December 2016					
	Government & official institutions	Banks & other financial Institutions	Commercial & industrial	Other	Total	Cross-border Commitments
			(EUR millions)			
United States	3,962	7,871	12,665	2,309	26,808	17,624
France	6,110	11,823	3,081	1,028	22,042	7,585
United Kingdom	812	10,498	6,892	1,497	19,700	6,263
Germany	6,249	3,096	2,151	4,297	15,793	12,540
China	1,149	6,226	1,562	4,892	13,829	464
Turkey	1,653	3,272	6,760	468	12,152	1,401
Belgium	1,252	3,379	4,467	938	10,035	11,743
Luxembourg	195	1,574	5,817	1,435	9,022	2,744
Switzerland	177	770	5,807	2,094	8,848	2,432

Cross-border outstandings

Cross-border outstandings are defined as loans (including accrued interest), acceptances, interest-earning deposits with other banks, other interest-earning investments and any other monetary assets that are denominated in euro or other non-local currency. To the extent that material local currency outstandings are not hedged or are not funded by local currency borrowings, such amounts are included in cross-border outstandings.

Commitments such as irrevocable letters of credit are not considered as cross border outstanding. Total outstandings are in line with Dutch Central Bank requirements. On 31 December 2017, there were no outstandings exceeding 1 per cent. of total assets in any country where current conditions give rise to liquidity problems which are expected to have a material impact on the timely repayment of interest or principal.

The following tables analyse cross-border outstandings as of the end of 31 December 2017, 2016 and 2015 stating the name of the country and the aggregate amount of cross-border outstandings to borrowers in each foreign country where such outstandings exceed 1 per cent. of total assets, by the following categories.

	Year ended 31 December 2015					
	Government & official institutions	Banks & other financial Institutions	Commercial & industrial	Other	Total	Cross-border Commitments
			(EUR millions)			
United Kingdom	3,524	10,220	4,434	1,153	19,331	6,768
United States	2,895	7,239	7,361	1,610	19,105	16,530
France	7,875	11,505	2,504	1,186	23,070	7,380
Germany	5,307	3,172	2,040	3,145	13,664	10,215
China	612	6,443	1,975	3,372	12,403	386
Turkey	1,873	3,564	5,329	1,202	11,968	1,627
Belgium	1,618	2,532	4,055	1,961	10,166	14,582
Switzerland	1,435	230	3,753	3,641	9,059	2,292
Canada	539	6,082	1,386	452	8,459	739

The following table Discloses cross-border outstandings as of the end of 31 December 2017, 2016 and 2015 stating the name of the country and the aggregate amount of cross-border outstandings to borrowers in each foreign country where such outstandings are between 0.75 percent and 1.0 percent of total assets.

	Year ended 2017
	(EUR millions)
Japan	8,332
Canada	6,116
Cayman Island	6,062

	Year ended 2016
	(EUR millions)
Singapore	7,908
Hong Kong	6,716
Canada	6,679
Japan	6,472

	Year ended 2015
	(EUR millions)
Luxembourg	6,611
Cayman Island	6,437
Spain	6,291

IFRS-EU	Calendar period				
	2017	2016	2015	2014	2013
	(EUR millions)				
Balance on 1 January	5,308	5,786	5,995	6,154	5,505
Change in the composition of the Group	0	0	0	(170)	(20)
Charge-offs:					
Domestic:					
Loans guaranteed by public authorities	0	(207)	0	0	0
Loans secured by mortgages	(231)	(323)	(436)	(435)	(301)
Loans to or guaranteed by credit institutions	(5)			(12)	(5)
Other private lending	(48)	(93)	(121)	(50)	(34)
Other corporate lending	(410)	(234)	(447)	(483)	(569)
Foreign:					
Loans guaranteed by public authorities	0	0	0	0	0
Loans secured by mortgages	(66)	(129)	(154)	(90)	(54)
Loans to or guaranteed by credit institutions	0				(3)
Other private lending	(188)	(233)	(303)	(124)	(167)
Other corporate lending	(331)	(275)	(257)	(535)	(476)
Total charge-offs	(1,279)	(1,494)	(1,718)	(1,729)	(1,609)
Recoveries:					
Domestic:					
Loans guaranteed by public authorities	0	0	0	0	0
Loans secured by mortgages	24	14	23	36	34
Loans to or guaranteed by credit institutions	0	0	0	0	0
Other private lending	15	15	16	13	7
Other corporate lending	18	6	(5)	9	22
Foreign:					
Loans guaranteed by public authorities	0	0	0	0	0
Loans secured by mortgages	3	3	4	6	4
Loans to or guaranteed by credit institutions	0	0	0	0	0
Other private lending	7	8	37	31	31
Other corporate lending	(8)	48	16	9	18
Total recoveries	59	94	91	104	116
Net charge-offs	(1,220)	(1,400)	(1,627)	(1,625)	(1,493)
Additions and other adjustments (included in value Adjustments to receivables of the Banking operations)	540	922	1,418	1,636	2,162
Balance on 31 December	4,628	5,308	5,786	5,995	6,154
Ratio of net charge-offs to average loans and advances to banks and customers	0.20%	0.23%	0.28%	0.29%	0.26%

Summary of Loan Loss Experience

For further explanation on loan loss provision reference is made to Note 6 ' Loans and advances to customers' in Note 2.1 in the notes to the consolidated financial statements for the year ended 31 December 2017, which are incorporated by reference herein.

The application of the IFRS-EU methodology has reduced the amount of the unallocated provision for loan losses that ING Group provided in prior years to adequately capture various subjective and judgmental aspects of the credit risk assessment which were not considered on an individual basis.

The following table presents the movements in allocation of the provision for loan losses on loans accounted for as loans and advances to banks and customers for 2017, 2016, 2015, 2014 and 2013 under IFRS-EU.

Additions to the provision for loan losses presented in the table above were influenced by developments in general economic conditions as well as certain individual exposures. The following table shows the allocation of the provision for loan losses on loans accounted for as loans and advances to banks and customers for 2017, 2016, 2015, 2014 and 2013 under IFRS-EU.

IFRS-EU	**Year ended December 31**									
	2017		**2016**		**2015**		**2014**		**2013**	
	(EUR)	*(%)*(1)	*(EUR)*	*(%)*(1)	*(EUR)*	*(%)*(1)	*(EUR)*	*(%)*(1)	*(EUR)*	*(%)*(1)
	(EUR millions)									
Domestic:										
Loans guaranteed by public authorities	0	4	0	5	0	5	0	5	0	5
Loans secured by mortgages	347	20	550	21	819	22	1,069	24	1,265	25
Loans to or guaranteed by credit institutions	2	1	2	2	0	2	0	2	0	2
Other private lending...	118	1	122	1	177	1	169	1	139	1
Other corporate lending	1,268	6	1,738	6	1,904	7	1,820	7	1,566	8
Total domestic	1,735	32	2,412	34	2,900	37	3,058	39	2,970	42
Foreign:........................										
Loans guaranteed by public authorities	3	3	7	3	2	3	2	3	2	3
Loans secured by mortgages	526	34	638	32	717	30	793	27	631	27
Loans to or guaranteed by credit institutions	7	4	12	3	15	3	8	5	21	6
Other private lending...	746	3	620	3	712	3	701	4	672	4
Mortgage backed securities	9	0	2	1	2	1	2	1	142	1
Other corporate lending	1,602	23	1,617	23	1,438	22	1,431	21	1,716	18
Total foreign	2,893	67	2,896	66	2,886	63	2,937	61	3,184	59
Total	4,628	100	5,308	100	5,786	100	5,995	100	6,154	100

Note:

(1) The percentages represent the loans in each category as a percentage of the total loan portfolio for loans and advances to banks and customers.

DEPOSITS

For information on deposits reference is made to Note 11 'Deposits from banks' and Note 12 ' Customer deposits' in the notes to the consolidated financial statements for the year ended 31 December 2017, which are incorporated by reference herein.

On 31 December 2017, the maturity of domestic time certificates of deposit and other time deposits, exceeding EUR 20,000 was:

	Time certificates of deposit		**Other time deposits**	
	(EUR millions)	*(%)*	*(EUR millions)*	*(%)*
3 months or less	795	70.5	8,437	59.4
6 months or less but over 3 months	307	27.2	3,325	23.4
12 months or less but over 6 months	25	2.2	994	7.0
Over 12 months	0	0.0	1,455	10.2
Total	1,127		14,211	

The following table shows the amount outstanding for time certificates of deposit and other time deposits exceeding EUR 20,000 issued by foreign offices on December 31 2017.

	(EUR millions)
Time certificates of deposit	8,250
Other time deposits	32,672
Total	40,922

Short-term Borrowings

Short-term borrowings are borrowings with an original maturity of one year or less. Commercial paper and securities sold under repurchase agreements are the only significant categories of short-term borrowings within ING's banking operations.

The following table sets forth certain information relating to the categories of ING's short-term borrowings.

IFRS-EU	**Year ended 31 December**		
	2017	**2016**	**2015**
	(EUR millions, except % data)		
Commercial paper:			
Balance at the end of the year	20,506	13,920	11,361
Monthly average balance outstanding during the year	17,600	17,089	14,124
Maximum balance outstanding at any period end during the year	20,748	24,205	16,585
Weighted average interest rate during the year	1.19%	0.73%	0.30%
Weighted average interest rate on balance at the end of the year	1.02%	0.89%	0.37%

IFRS-EU	Year ended 31 December		
	2017	2016	2015
	(EUR millions, except % data)		
Securities sold under repurchase agreements:			
Balance at the end of the year	41,672	37,613	39,920
Monthly average balance outstanding during the year	65,465	56,803	47,802
Maximum balance outstanding at any period end during the year	89,225	68,527	55,212
Weighted average interest rate during the year	0.98%	0.23%	0.25%
Weighted average interest rate on balance at the end of the year	1.54%	0.35%	0.30%

GENERAL INFORMATION

Documents Available for Inspection or Collection

So long as this Registration Document is valid as described in Article 9 of the Prospectus Directive, copies of the following documents will, when published, be available free of charge from the Issuer and from the specified office of the Paying Agents and Certificate Agents and, if applicable, for Austrian investors from ING Bank N.V., Vienna Branch at Rennweg 33B/Top 101, A-1030 Vienna, Austria. Requests for such documents should be directed to the Issuer at Foppingadreef 7, 1102 BD Amsterdam, the Netherlands or at the address of ING Bank N.V., Vienna Branch indicated above.

(i) the Articles of Association (*statuten*) of the Issuer;

(ii) the publicly available annual report of the Issuer in respect of the year ended 31 December 2017, including the audited consolidated financial statements and auditors' report in respect of such year;

(iii) the publicly available audited consolidated financial statements of the Issuer in respect of the years ended 31 December 2016 and 2015 (in each case, together with the auditors' reports thereon and explanatory notes thereto);

(iv) the most recently publicly available annual report of the Issuer and the most recently publicly available interim financial statements of the Issuer and its consolidated subsidiaries (if any);

(v) a copy of this Registration Document; and

(vi) any future supplements to this Registration Document and any other documents incorporated herein or therein by reference.

Ratings

The Issuer has a senior debt rating from Standard & Poor's Rating Services of A+ (outlook stable), a senior debt rating from Moody's Investor Service Ltd. of A1 (outlook positive) and a senior debt rating from Fitch Ratings of A+ (outlook stable).

A credit rating is not a recommendation to buy, sell or hold securities. There is no assurance that a rating will remain for any given period of time or that a rating will not be suspended, lowered or withdrawn by the relevant rating agency if, in its judgement, circumstances in the future so warrant. The Issuer has from time to time been subject to its ratings being lowered.

Significant or Material Adverse Change

At the date hereof, there has been no significant change in the financial position of ING Bank N.V. and its consolidated subsidiaries since 31 December 2017.

At the date hereof, there has been no material adverse change in the prospects of ING Bank N.V. since 31 December 2017.

Litigation

The Issuer and its consolidated subsidiaries are involved in governmental, regulatory, arbitration and legal proceedings and investigations in the Netherlands and in a number of foreign jurisdictions, including the U.S., involving claims by and against them which arise in the ordinary course of their businesses, including in connection with their activities as lenders, broker-dealers, underwriters, issuers of securities and investors and their position as employers and taxpayers. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened governmental, regulatory, arbitration and legal proceedings and investigations, the Issuer is of the opinion that some of the proceedings and investigations set out below may have or have in the recent past had a significant effect on the financial position, profitability or reputation of the Issuer and/or the Issuer and its consolidated subsidiaries.

Criminal investigations: ING Bank is the subject of criminal investigations by Dutch authorities regarding various requirements related to client on-boarding, money laundering and corrupt practices. ING Group has also received related information requests from U.S. authorities. ING Group and ING Bank are cooperating with such ongoing investigations and requests. Management has concluded under IFRS that it is more likely than not that a present obligation per 31 December 2017 exists and that an outflow of resources is probable, but was not able to estimate reliably the possible timing, scope or amounts of any fines, penalties and/or other outcome, which could be significant. ING expects to receive more information from the Dutch authorities concerning the potential consequences of their investigation in the first half of 2018.

Tax cases: Because of the geographic spread of its business, the Issuer may be subject to tax audits, investigations and procedures in numerous jurisdictions at any point in time. Although the Issuer believes that it has adequately provided for all its tax positions, the ultimate resolution of these audits, investigations and procedures may result in liabilities which are different from the amounts recognised. ING has also identified issues in connection with its U.S. tax information reporting and withholding obligations in respect of prior periods. While a provision has been recorded, the review of such issues is ongoing.

SIBOR – SOR litigation: In July 2016, investors in derivatives tied to the Singapore Interbank Offer Rate ("SIBOR") filed a U.S. class action complaint in the New York District Court alleging that several banks, including ING, conspired to rig the prices of derivatives tied to SIBOR and the Singapore Swap Offer Rate ("SOR"). The lawsuit refers to investigations by the Monetary Authority of Singapore ("MAS") and other regulators, including the U.S. Commodity Futures Trading Commission ("CFTC"), in relation to rigging prices of SIBOR- and SOR based derivatives. In April 2017, the New York District Court issued an oral ruling dismissing all claims; a corresponding written ruling was issued in August 2017. In September 2017, plaintiffs filed an amended complaint. Defendants moved to dismiss the amended complaint. Currently, it is not possible to provide an estimate of the (potential) financial effect of this claim.

Claims regarding accounts with predecessors of ING Bank Turkey: ING Bank Turkey has received numerous claims from (former) customers of legal predecessors of ING Bank Turkey. The claims are based on offshore accounts held with these banks, which banks were seized by the Savings Deposit Insurance Fund ("SDIF") prior to the acquisition of ING Bank Turkey in 2007 from Oyak. SDIF has also filed various lawsuits against ING Bank Turkey to claim compensation from ING Bank Turkey, with respect to amounts paid out to offshore account holders so far. ING Bank had initiated an arbitration procedure against OYAK in which ING Bank sought to be held harmless for these claims. The arbitration court dismissed ING's prayers for relief. At this moment it is not possible to assess the outcome of these procedures nor to provide an estimate of the (potential) financial effect of these claims.

VEB Fortis claim: In January 2011, the Dutch Association of Stockholders (*Vereniging van Effectenbezitters*, "VEB") issued a writ alleging that investors were misled by the prospectus that was issued with respect to the September 2007 rights issue of Fortis N.V. (now Ageas N.V.) against Ageas N.V., the underwriters of such rights issue, including ING Bank, and former directors of Fortis N.V. According to the VEB the prospectus shows substantive incorrect and misleading information. The VEB stated that the impact and the risks of the sub-prime crisis for Fortis and Fortis' liquidity position were reflected incorrectly in the prospectus. The VEB requested a declaratory decision stating that the summoned parties acted wrongfully and are therefore responsible for the damages suffered by the investors in Fortis. In March 2016, Ageas, VEB and certain other claimants announced that the claim in relation to Fortis has been settled. Ageas has agreed to pay EUR 1.2 billion to investors as compensation, provided that the Amsterdam Court of Appeal declares the settlement to be binding. According to the settlement documentation, as filed by Ageas with the Court of Appeal in May 2016, the settlement agreement contains a third-party clause by which the banks will also be released from the claims made by VEB and certain other claimants, if the settlement becomes unconditional. In June 2017, the Amsterdam Court of Appeal has given an interim ruling that the proposed settlement agreement between Ageas and the VEB cannot be declared binding upon all investors in its current form. The Court of Appeal requested in particular changes in relation to the level of compensation awarded to investors who are a member of the VEB and those who are not. In December 2017, Ageas and the VEB filed a revised settlement agreement with the Court of Appeal making amendments to the settlement agreement. In February 2018, the Court of Appeal requested further information on the level of compensation awarded to the VEB itself. The VEB have to file their reply before 6 March 2018. A court hearing has been scheduled for 16 March 2018 to discuss the merits of the settlement agreement, in particular the level of compensation, in more detail.

Medical insurance coverage claim by (former) Belgian employees: A number of retired employees of ING Belgium have initiated legal proceedings against ASCEL (a non-profit organisation established by ING Belgium that provided medical insurance coverage to current and retired employees till the beginning of 2015 via a subdivision of ASCEL: FMC) and ING Belgium following the decision to externalise this medical insurance coverage which resulted in an increase of premium. In a decision of September 2016, the Court has considered that FMC has validly been closed but that, as the medical coverage qualifies as an insurance contract not linked with the professional activity of the claimants, ING could not unilaterally terminate the agreement between FMC and the pensioners. In October 2017, ING reached an agreement with the claimants to settle this case. In January 2018, this settlement has entered into force for all retired employees who are insured with the external provider. This settlement will be paid out of the existing provision.

Interest rate derivatives claims: ING is involved in several legal proceedings in the Netherlands with respect to interest rate derivatives that were sold to clients in connection with floating interest rate loans in order to hedge the interest rate risk of the loans. These proceedings are based on several legal grounds, depending on the facts and circumstances of each specific case, *inter alia* alleged breach of duty of care, insufficient information provided to the clients on the product and its risks and other elements related to the interest rate derivatives that were sold to clients. In some cases, the court has ruled in favour of the claimants and awarded damages, annulled the interest rate derivative or ordered repayment of certain amounts to the claimants. The total amounts that need to be repaid or compensated in some cases still need to be determined. ING may decide to appeal against adverse rulings. Although the outcome of the pending litigation and similar cases that may be brought in the future is uncertain, it is possible that the courts may ultimately rule in favour of the claimants in some or all of such cases. A provision has been taken. However, the aggregate financial impact of the current and future litigation could become material.

As requested by the AFM, ING has reviewed a significant part of the files of clients who bought interest rate derivatives. In December 2015, the AFM concluded that Dutch banks may have to re-assess certain client files, potentially including certain derivative contracts that were terminated prior to April 2014 or other client files. As advised by the AFM, the Minister of Finance appointed a Committee of independent experts (the "Committee") which has established a uniform recovery framework for Dutch SME clients with interest rate derivatives. ING has adopted this recovery framework and will reassess individual files against this framework. ING has taken an additional provision for the financial consequences of the recovery framework. In 2017, ING has informed the majority of the relevant clients whether they are in scope of the recovery framework, and thus eligible for compensation, or not. Due to the fact that the execution of the framework encountered delay, ING has offered advance payments to customers out of the existing provision.

Interest surcharges claims: ING received complaints and is involved in litigation with natural persons (*natuurlijke personen*) in the Netherlands regarding increases in interest surcharges with respect to several credit products, including but not limited to residential property (*eigenwoningfinanciering*). ING is reviewing the relevant product portfolio. Although the review is still ongoing, a provision has been taken for certain of these complaints.

Criminal proceedings regarding cash company financing: In June 2017, a Belgian criminal Court ruled that ING Luxembourg assisted third parties in 2000 to commit a tax fraud in the context of the purchase of the shares of a cash company. The Court condemned ING Luxembourg among others to a penal fine of EUR 120,000 (suspended for half of the total amount). The court also condemned ING Luxembourg jointly and severally with other parties, to pay EUR 31.48 million (to be increased with the legal interests) to the bankruptcy trustee of the cash company. A provision has been recorded. In July 2017, ING Luxembourg filed an appeal against this judgment, which is currently pending. In another case the Belgian authorities are also investigating ING Luxembourg for allegedly assisting third parties in 2001 to commit tax fraud in the context of the purchase of the shares of a cash company. For this case, a provision has been recorded by ING Luxembourg as well. The outcome of those cases is uncertain.

Mortgage expenses claims: ING Spain has received claims and is involved in procedures with customers regarding reimbursement of expenses associated with the formalisation of mortgages. In all but two court proceeding in first instance the expense clause of the mortgage contract has been declared null and all or part of the expenses were ordered to be reimbursed by ING Spain. The courts in first instance have applied in their rulings different criteria regarding the reimbursement of expenses. ING Spain has filed an appeal against a number of these court decisions. ING Spain has also been included, together with other Spanish banks, in a class action filed by a customer association. The outcome of the pending litigation and similar cases that may be brought in the future is uncertain. A provision has been taken. However, the aggregate financial impact of the current and future litigation could change and will depend on, amongst others, an expected future ruling by the Spanish Supreme Court regarding the expenses that should be reimbursed by the banks.

Imtech claim: In January 2018, ING Bank received a claim from Stichting ImtechClaim.nl and Imtech Shareholders Action Group B.V. on behalf of certain (former) shareholders of Imtech N.V. ("Imtech"). The claimants allege *inter alia* that shareholders were misled by the prospectus of the rights issues of Imtech in July 2013 and October 2014. ING Bank, being one of the underwriters of the rights issues, is held liable by the claimants for the damages that investors in Imtech would have suffered. ING Bank responded to the claimants denying any and all responsibility in relation to the allegations made in the letter.

Auditors

The financial statements of the Issuer for the financial year ended 31 December 2015 have been audited by Ernst & Young Accountants LLP. The auditors of Ernst & Young Accountants LLP are members of the Royal Dutch Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*), which is a member of the International Federation of Accountants (IFAC). Ernst & Young Accountants LLP has issued an unqualified auditors' report on the financial statements for the financial year ended 31 December 2015 dated 29 February 2016.

The auditors' report in respect of the financial year ended 31 December 2015 incorporated by reference herein are included in the form and context in which it appears with the consent of Ernst & Young Accountants LLP, who have authorised the contents of this auditors' report.

On the Issuer's 2015 Annual General Meeting of Shareholders held on 11 May 2015, KPMG Accountants N.V. was appointed as the Issuer's new auditor as of January 2016. Under Dutch legislation, the Issuer was required to change its auditor as of January 2016.

The financial statements of the Issuer for the financial years ended 31 December 2017 and 31 December 2016, respectively have been audited by KPMG Accountants N.V. The auditors of KPMG Accountants N.V. are members of the Royal Dutch Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*), which is a member of the International Federation of Accountants (IFAC). KPMG Accountants N.V. has issued an unqualified auditors' report on the financial statements for the financial year ended 31 December 2017 dated 5 March 2018 and an unqualified auditors' report on the financial statements for the financial year ended 31 December 2016 dated 13 March 2017.

The auditors' report in respect of the financial years ended 31 December 2017 and 31 December 2016, respectively, incorporated by reference herein are included in the form and context in which they appear with the consent of KPMG Accountants N.V., who have authorised the contents of these auditors' reports. As the securities to be issued have not been and will not be registered under the Securities Act, KPMG have not filed and will not file a consent under the Securities Act with respect to this auditors' report.

Dividend Information

The Issuer has paid the following cash dividends to ING Group in respect of each of the past five years: EUR 3,176 million in 2017, EUR 1,345 million in 2016, EUR 2,200 million in 2015, EUR 1,225 million in 2014 and EUR 2,955 million in 2013.

Market Information

This Registration Document cites market share information published by third parties. The Issuer has accurately reproduced such third-party information in this Registration Document and, as far as the Issuer is aware and is able to ascertain from information published by these third parties, no facts have been omitted which would render the information reproduced herein to be inaccurate or misleading. Nevertheless, investors should take into consideration that the Issuer has not verified the information published by third parties. Therefore, the Issuer does not guarantee or assume any responsibility for the accuracy of the data, estimates or other information taken from sources in the public domain. This Registration Document also contains assessments of market data and information derived therefrom which could not be obtained from any independent sources. Such information is based on the Issuer's own internal assessments and may therefore deviate from the assessments of competitors of ING or future statistics by independent sources.

THE ISSUER

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INDEPENDENT PUBLIC ACCOUNTANTS

To the Issuer

In respect of the year ended 31 December 2015

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1083 HP Amsterdam
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As from 1 January 2016

KPMG Accountants N.V.
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