ING BELGIUM INTERNATIONAL FINANCE
Société Anonyme
52 route d'Esch
L-1470 Luxembourg
R.C.S. Luxembourg B 049.080

Management report of the Board of Directors To the Ordinary General Meeting dated 10th March 2016

1. Main activities and business review

ING Belgium International Finance S.A. (the "Company") is held by ING Belgium (99.99%) and by ING Luxembourg (0.01%). The corporate purpose of the Company consists in granting loans to companies of the ING Belgium group, refinanced by financial means or instruments such as public issues, private borrowings or bank loans.

Until early 2015, the Company used to finance itself solely through the issuances of structured notes distributed mainly by the Retail and Private Banking network of ING Belgium S.A.

Nevertheless, as the Group decided to use another structure as from beginning of 2015 for the issuance of both structured products and warrants, the Company is now in run-off. The outstanding structured notes and warrants will stay in circulation up to their redemption.

2. Evolution of business and situation of the Company

The balance sheet amounts to 2,318,198,778 EUR as of 31st December 2015 against 2,956,863,659 EUR for the corresponding period in 2014.

The profit for the financial year amounts to 1,375,561 EUR.

In 2015, the new issuances amounted to 73,565,008 EUR while the liquidations amounted to 734,216,938 EUR. This global amount of liquidations includes partial liquidations, total liquidations and final redemptions.

3. Appropriation of profit

Profit available for distribution amounts to 1,384,726 EUR.

The Board of Directors is proposing the following distribution at the Shareholders' Meeting:

• Allocation to a special reserve « Reserves not available for distribution » (until 31.12.2020)	84,000 EUR
• Payment of a dividend of 125 EUR per share	1,250,000 EUR
• Profit brought forward	50,726 EUR

4. Events after the year end

There is no significant event to be reported.

5. Performance forecast of the Company

The change in policies of the main shareholder of the Company with respect to the distribution of structured notes will impact the issuance of new notes in the future. Hence the capacity of the Company to provide long term and stable funding to the companies belonging to the group of ING Belgium will decrease gradually upon redemption at maturity of the outstanding structured notes (or at an early redemption date as provided in the respective terms and conditions of the notes).

6. Own shares

The Company did not hold any own shares in its portfolio and did not repurchase any of its own shares during the financial year.

7. Research and development activity

The Company carried out no such activity during the financial year.

8. Branches

The Company does not have any foreign branch.

9. Significant direct or indirect shareholdings

The Company does not have any significant shareholding.

10. Holders of any securities with special control rights and description of those rights

The Company does not have any such holder.

11. Restrictions on voting rights

No restriction on voting rights has been mentioned in the amended statutes of the Company (dated 21^{st} December 2012).

12. Rules governing the appointment and replacement of board members and the amendment of the articles of association

According to Article 6 of the amended statutes (dated 21^{st} December 2012), board members are appointed by the General Meeting, for a period not exceeding six years. These appointments may always be revoked by the General Meeting.

In case of vacancy of a director's seat, the remaining directors shall be allowed to fill the vacant position on a temporary basis, i.e. until the General Meeting of the Company has formally agreed with the appointment through an election at the time of its next meeting.

Article 7 of the amended statutes stipulates that a Chairman be designated among the Board members. In his/her absence, the other members of the Board will designate another chairman who will replace him/her.

In relation to Article 16 of the aforementioned amended statutes, an Extraordinary General Meeting can be convened by the Board of Directors; it shall be convened following a written demand from one or more shareholders who are representing one fifth of the share capital.

13. Powers of board members and in particular the power to issue or buy back shares

According to Article 8 of the amended statutes (dated 21^{st} December 2012), all decisions of the Board of Directors are taken by absolute majority of the votes. In case of a tied vote, the Chairman of the meeting shall have a casting vote.

14. Corporate governance statement

According to Article 17 of the amended statutes (dated 21^{st} December 2012), each share carries one voting right.

The Company is committed to the highest standards of corporate governance in all its activities. The corporate governance rules and policies applicable to its main shareholder – ING Belgium S.A. – also apply to all subsidiaries, including the Company for the topics relating to its activity.

15. Description of the main characteristics of internal control and risk management systems of the Company

The policies and strategies are determined by ING Belgium and ING Luxembourg (shareholders of the Company) and are regularly communicated to the Company during its Board of Directors' meetings. Its members of the Board are representatives of both shareholders.

Twice a year, the Company's financial, legal, risk and tax situation is assessed by a multi-disciplinary team and is validated in a report addressed to ING Group.

The main inherent risks faced by the Company can be broken down into the following categories:

15.1. Risk factors of the notes

The following key risks may arise in relation to the notes issued by the Company: the value of the notes and any interest or principal repayment in relation to them may be affected by, but may not necessarily correlate to, movements and fluctuations in

- Market interest rate
- Performance of any inflation index
- Performance of any equity or basket of equities
- Performance of any index or basket of indexes
- Evolution of foreign exchange

Depending on the specific pay-off structure of the note, the movements and fluctuations in the above-mentioned asset classes may impact positively or negatively the market value of the note.

Most of the notes are issued with a capital guarantee upon redemption. Some notes without capital guarantee were issued by the Company meaning that the investor may lose all or part of its initial investment.

Finally, the notes of the Company being guaranteed by ING Belgium, the investor in the notes will run a risk of counterparty on ING Belgium, should the Company not be able to meet its payment obligations (either on the interest, the principal or both) under the notes.

The disclosure of the risks relating to each note can be found in the relevant base prospectuses and final terms.

15.2. Risk factors of the warrants

Investment in warrants involves a high degree of risk, which may include, among others, equity price of the underlying fund, the volatility of the underlying fund, the interest rate risk, the time value and the political risks but also the fund investment strategies and guidelines and the underlying fund investments. Prospective investors should recognise that their warrants may expire worthless.

Finally, the warrants of the Company being guaranteed by ING Belgium, the investor in the warrants will run a risk of counterparty on ING Belgium, should the Company not be able to meet its payment obligations under the warrants.

The disclosure of the risks relating to each warrant can be found in the base prospectus and in the applicable final terms.

15.3. Financial risk of the Company

It encompasses four types of risk: credit risk, market risk, currency risk and interest rate risk as defined below:

- Credit risk is the risk that a borrower or counterparty will no longer be able to repay its debt;
- Market risk refers to the potential result (profit or loss) resulting for the Company from market movements, which can arise from trading or holding positions in financial instruments;

- Currency risk refers to the potential result (profit or loss) resulting for the Company from a change in price of one currency against another, which can arise from trading or holding positions in financial instruments;
- Interest rate risk refers to the potential result (profit or loss) for the Company resulting from a change in the absolute level of interest rates, which can arise from trading or holding positions in financial instruments.

Within the framework of the funding operations, ING Belgium International Finance hedges with its parent company or ING Bank NV Belgian Branch its exposures to various types of risks by using common OTC/derivatives instruments such as swaps and options from the issue date or strike date of each funding operation or each warrant, for the whole duration of such funding operation or warrant, and for the full notional of the related funding operation or warrant.

The Company is currently only exposed to a counterparty risk (i) on ING Belgium (as hedging counterpart and as borrower under the loans granted by the Company), and (ii) on ING Bank NV Belgian Branch (as hedging counterpart). No exchange of collateral is performed between the Company and such entities. There are regular checks based on the accounts of the Company to ensure the Company has no other counterparty.

The foreign exchange exposure on the profit and loss account of the Company (i.e. the profit/losses made in foreign currencies) is managed by a sale on a monthly basis of the relevant currencies.

Any position resulting from the issue of notes or warrants is fully hedged with derivatives and swaps. For the avoidance of any doubt, it must be added that the Company does not hold a trading portfolio and is then not exposed to a trading risk, i.e. in case of changes in the market price of positions held in capital market instruments.

15.4. Operational risk of the Company

The operational risk is the risk of loss resulting from inadequate or failed internal processes of systems, human error, external events or changes in the competitive environment that damage the franchise or operating economics of a business. The tasks of the Company delegated to Belgian entities of ING group are regularly reviewed within such companies based on the relevant operational risk policies. The results of such reviews are discussed by the Board of Directors of the Company. Furthermore, the Company has established a procedure determining the responsibilities of each of the entities performing tasks on behalf of the Company. Such procedure is reviewed on an annual basis by the stakeholders.

The Company is part of the scope of the Non Financial Risk Committee of FM Brussels of ING Belgium. Issues and incidents are discussed and tracked in the monthly risk committee where a representative of the Company is present. The ING departments providing services to the Company also perform Risk and Control Self Assessments in order to spot potential operational issues. Furthermore, the Company is subject to regular internal audit missions. It falls in this regard within the scope of auditable activities of ING Luxembourg's internal audit team.

The Company also implemented a framework relating to the Minimum Standards of Delegation of External Authority as applicable in the ING Group in order to avoid the risk of loss caused by unauthorized employee activities, unauthorized approvals or overstepping of authority (based on intentional human behaviour, but not intended to deceitfully or unlawfully benefit themselves or others).

15.5. Liquidity risk of the Company

The liquidity risk is the risk that the Company, though solvent, either does not have sufficient financial resources available to meet its obligations when they fall due, or can secure or sell its assets only at excessive cost.

The risk is mitigated by the Board that follows the liquidity risk policy published by the parent company of the Company by applying it to the Company. Such policy explicitly mentions that the bank must maintain sufficient cash and liquid assets to meet its current and future financial obligations at all times, in normal and in stressed circumstances, for all its banking and financial activities, including special purpose vehicles and all legal entities.

15.6. Legal risk of the Company

In case of any potential legal risk (e.g. claim received from a note holder or an investor), the Company will request advices from the legal department of its parent company and, if need be, advices from an external legal advisor.

Furthermore, the Company follows the compliance rules defined by its parent company in terms of reputational risk and compliance with laws and regulations applicable to the Company.

15.7. Tax risk of the Company

In case of any potential tax risk, the Company requests advices from the tax specialists of its parent company and, if need be, advices from an external tax advisor.

15.8. Payment risk of the Company

The Company is responsible for its cash management on a daily basis by monitoring its cash balances. Furthermore, the Company has implemented a payment procedure approved by the Board of Directors, which can be summarised as follows:

- Each payment of coupons to investors requires in a first stage a four eyes-principle control. Afterwards, each payment of coupons is reconciled with the outstanding amount of notes;
- Each payment of margin of interests requires the signature of:
    - two proxy holders for payments up to 150,000 EUR;
    - beyond this amount, the signature of two members of the Board of Directors is required;
- Each payment of invoices relating to the Company requires the signature of two "B" mandatories for operations up to 150,000 EUR. Beyond this amount, the signature of two members of the Board of Directors is required.

16. Reporting obligations

The Company fulfils its reporting obligations towards the local authorities and, with regard to the Transparency Law of 11th January 2008 as amended on transparency requirements for issuers of securities, the Company has signed in 2009 a "Contract for the Provision of a storage mechanism of regulated information referred to in Directive 2004/109/EC of December 2004".

The Board of Directors has also given (under heading 15. above) a general overview, as of the date of the present report, of the main inherent risks faced by the Company and of the relevant mitigating factors. The risks applicable to the Company and the corresponding risk management methods can change from time to time.

It has to be noted that the Company does not provide post issuance information to the investors of its notes. In case of public or private offers of structures notes in Belgium, it is the relevant distributor of such notes that shall comply with the terms of the Moratorium on particularly complex products proposed by the Belgian FSMA. It includes the obligation to publish information on the value of the notes and of the underlying(s) during the life of the notes. Other post issuance reporting obligations may apply in other jurisdictions than Belgium.

17. Information to be sent to the parent company

The Company is a subsidiary of ING Belgium S.A.

The Board of Directors have examined the annual accounts of the Company as of end December 2015 on 1st March 2016 and have authorized their publication.

The Board of Directors declares that, to its knowledge, these annual accounts have been established in accordance with the body of applicable accounting standards, give a faithful and honest image of the assets and liabilities, financial position and profits or losses of the Company. The present management report presents the evolution accurately, the results and the situation of the Company and a description of the principal risks and uncertainties with which they are confronted.

No material subsequent events have occurred to the Company since 31st December 2015.

18. Strategy relating to the Company

The structured notes distributed by Retail and Private Banking of ING Belgium are a stable element of the funding of the Company as there is a limited secondary market for those notes. As mentioned above, a recent change in policy of ING Group has however impacted the issuance of new notes and, hence, the capacity of the Company to provide long term and stable funding to the companies belonging to the group of ING Belgium. Pursuant to this new policy, no new issuance has occurred since of the second half of 2015. It is not expected that new issuance of notes or warrants should take place in the future. The Company is now in run-off. The outstanding structured notes and warrants will stay in circulation up to their redemption..

19. Directors

The directors of the Company during the financial year 2015 were as follows:

- Luc Verbeken;
- Jean-Philippe Fohal;
- Benoît Van den Hove;
- Bernard Canivet.

20. Directors' indemnities

The Company benefits from ING Group's insurance to provide indemnity to its directors against liability in respect of the proceedings brought by third parties.

21. Auditors

Ernst & Young S.A. was appointed as external auditor of the company for the financial year 2015.

Luxembourg, 1st March 2016

The Board of Directors

L. VERBEKEN	B. CANIVET	B. VAN DEN HOVE	J.-P. FOHAL
Chairman	Director	Director	Director