ING GROEP NV
Form 20-F
March 22, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended 31 December 2012

OR

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

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Commission file number 1-14642

ING GROEP N.V.

(Exact name of registrant as specified in its charter)

The Netherlands

(Jurisdiction of incorporation or organization)

ING Groep N.V.

Bijlmerplein 888

1102 MG Amsterdam

P.O. Box 1800, 1000 BV Amsterdam

The Netherlands

(Address of principal executive offices)

Hans van Barneveld

Telephone: +31 20 541 8510

E-mail: Hans.van.Barneveld@ing.com

Bijlmerplein 888

1102 MG Amsterdam

The Netherlands

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

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

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing one Ordinary Share	New York Stock Exchange
Ordinary Shares, nominal value EUR 0.24 per Ordinary Share and Bearer Depositary receipts in respect of Ordinary Shares*	New York Stock Exchange
7.05% ING Perpetual Debt Securities	New York Stock Exchange
7.20% ING Perpetual Debt Securities	New York Stock Exchange
6.20% ING Perpetual Debt Securities	New York Stock Exchange
6.125% ING Perpetual Debt Securities	New York Stock Exchange
6.375% ING Perpetual Debt Securities	New York Stock Exchange
7.375% ING Perpetual Debt Securities	New York Stock Exchange
8.50% ING Perpetual Debt Securities	New York Stock Exchange

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

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

None

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

None

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

Ordinary Shares, nominal value EUR 0.24 per Ordinary Share	3,831,560,513
Bearer Depositary receipts in respect of Ordinary Shares	3,830,982,228

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

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ¨ Yes þ No

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

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

* This requirement does not currently apply to the registrant.

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

Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨

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

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

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

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes þ No

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PRESENTATION OF INFORMATION

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

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

Solely for the convenience of the reader, this Annual Report contains translations of certain euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the translated amounts actually represent such dollar or euro amounts, as the case may be, or could be converted into U.S. dollars or euros, as the case may be, at the rates indicated or at any other rate. Therefore, unless otherwise stated, the translations of euros into U.S. dollars have been made at the rate of EUR 1.00 = U.S. $ 1.2988, the noon buying rate in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on 1 March 2013.

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

The published 2012 Annual Accounts of ING Group, however, are prepared in accordance with IFRS-EU. IFRS-EU refers to International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), including the decisions ING Group made with regard to the options available under IFRS as adopted by the EU. IFRS-EU differs from IFRS-IASB, in respect of certain paragraphs in IAS 39 Financial Instruments: Recognition and Measurement regarding hedge accounting for portfolio hedges of interest rate risk. Furthermore, IFRS 9 Financial Instruments (issued in 2009) is not yet endorsed by the EU and, therefore, is not yet part of IFRS-EU. However, IFRS 9 is only effective as of 2015 and ING has not early adopted IFRS 9 under IFRS-IASB.

Under IFRS-EU, ING Group applies fair value hedge accounting for portfolio hedges of interest rate risk (fair value macro hedges) in accordance with the EU carve-out version of IAS 39. Under the EU IAS 39 carve-out , hedge accounting may be applied, in respect of fair value macro hedges, to core deposits and hedge ineffectiveness is only recognized when the revised estimate of the amount of cash flows in scheduled time buckets falls below the original designated amount of that bucket, and is not recognized when the revised amount of cash flows in scheduled time buckets is more than the original designated amount. Under IFRS-IASB, hedge accounting for fair value macro hedges cannot be applied to core deposits and ineffectiveness arises whenever the revised estimate of the amount of cash flows in scheduled time buckets is either more or less than the original designated amount of that bucket.

This information is prepared by reversing the hedge accounting impacts that are applied under the EU carve-out version of IAS 39. Financial information under IFRS-IASB accordingly does not take account of the possibility that had ING Group applied IFRS-IASB as its primary accounting framework it might have applied alternative hedge strategies where those alternative hedge strategies could have qualified for IFRS-IASB compliant hedge accounting. These decisions could have resulted in different shareholders equity and net result amounts compared to those indicated in this Annual Report on Form 20-F.

Other than for SEC reporting, ING Group intends to continue to prepare its Annual Accounts under IFRS-EU.

A reconciliation between IFRS-EU and IFRS-IASB is included in Note 2.1 to the consolidated financial statements entitled Basis of preparation.

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Effective 4 March 2008, amendments to Form 20-F permit Foreign Private Issuers to include financial statements prepared in accordance with IFRS-IASB without reconciliation to U.S. GAAP.

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

Although certain references are made to information available on ING s website, no materials from ING s website or any other source are incorporated by reference into this Annual Report, except as specifically stated herein.

ING s Insurance and investment management businesses in Asia and the reinsured Japan SPVA businesses in corporate reinsurance (Asia) and ING s pension life insurance and investment management activities in Latin America (Latin America), are classified as discontinued operations (for more information, see Item 4. Information on the Company Changes in the Composition of the Group). These transactions qualify under IFRS as a discontinued operations. The results of the discontinued operations for the year and for comparative years are presented separately from continuing operations in the profit and loss account.

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CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

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

changes in general economic conditions, in particular economic conditions in ING s core markets,

changes in performance of financial markets, including developing markets,

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

the implementation of ING s restructuring plan to separate banking and insurance operations,

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

the frequency and severity of insured loss events,

changes affecting mortality and morbidity levels and trends,

changes affecting persistency levels,

changes affecting interest rate levels,

changes affecting currency exchange rates,

changes in investor, customer and policyholder behaviour,

changes in general competitive factors,

changes in laws and regulations,

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

- conclusions with regard to purchase accounting assumptions and methodologies,
- changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards,
- changes in credit ratings,
- ING s ability to achieve projected operational synergies, and
- the other risks and uncertainties detailed in Item 3. Key Information Risk Factors in ING s Annual Report on Form 20-F for the year ended 31 December 2012.

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

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PART I

Item 1. Identity of Directors, Senior Management And Advisors

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

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

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

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	Year ended 31 December,					
	2012 U.S.$(1)	2012 EUR	2011(4) EUR	2010(4) EUR	2009(4) EUR	2008(4) EUR
	(in millions, except amounts per share and ratios)					
IFRS-IASB Consolidated Income Statement Data						
Income from banking operations:						
Interest income	79,613	61,297	66,181	69,687	79,850	98,201
Interest expense	64,069	49,329	52,724	56,271	67,475	87,118
Net interest result	15,544	11,968	13,457	13,417	12,375	11,082
Commission income	2,770	2,133	2,496	2,633	2,660	2,820
Investment and Other income	1,487	1,145	576	1,090	-3,546	-5,950
Total income from banking operations	**19,802**	**15,246**	**16,528**	**17,139**	**11,489**	**7,952**
Income from insurance operations:						
Premium income	26,336	20,277	20,279	21,280	23,595	31,631
Commission income	1,825	1,405	1,421	1,384	1,348	1,458
Investment and Other income	6,503	5,007	7,433	5,371	1,513	6,053
Total income from insurance operations	**34,664**	**26,689**	**29,133**	**28,035**	**26,456**	**39,142**
Total income (2)	**54,274**	**41,788**	**45,309**	**44,838**	**37,609**	**46,803**
Total expenditure from banking operations	15,545	11,969	11,881	11,904	13,134	11,556
Total expenditure from insurance operations	34,973	26,927	29,741	30,217	28,181	40,424
Total expenditure (2) (3)	**50,326**	**38,748**	**41,271**	**41,785**	**40,979**	**51,689**
Result before tax from banking operations	4,256	3,277	4,647	5,235	-1,645	-3,604
Result before tax from insurance operations	-309	-238	-608	-2,182	-1,386	-1,282
Result before tax	**3,948**	**3,040**	**4,038**	**3,053**	**-3,030**	**-4,886**
Taxation	751	578	890	994	-844	-1,608
Result from discontinued operations (4)	1,177	906	1,679	414	572	-406
Minority interests	142	109	87	106	-121	-52
Net result	**4,233**	**3,259**	**4,740**	**2,367**	**-1,494**	**-3,632**
Dividend on Ordinary Shares						1,500
Addition to shareholders equity	4,233	3,259	4,740	2,367	-1,755	-5,557
Coupon payable on non-voting equity securities (5)					259	425
Net result attributable to equity holders of the Company					-935	-729
Basic earnings per share (6)	0.90	0.69	0.85	0.51	-0.78	-1.36
Diluted earnings per share (6)	0.90	0.69	0.85	0.51	-0.78	-1.36
Dividend per Ordinary Share (6)						0.74
Interim Dividend						0.74
Final Dividend						
Number of Ordinary Shares outstanding (in millions)	3,801.4	3,801.4	3,782.3	3,780.3	3,784.5	2,059.5
Dividend pay-out ratio (7)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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	2012 U.S.$[1]	2012 EUR	2011[4] EUR	2010[4] EUR	2009[4] EUR	2008[4] EUR
	Year ended 31 December, (in billions, except amounts per share and ratios)					
IFRS-IASB Consolidated Balance Sheet Data						
Total assets	1,509.3	1,162.1	1,273.6	1,242.7	1,159.8	1,328,6
Investments:						
Banking	104.9	80.8	83.8	110.9	105.5	148.8
Insurance	154.9	119.3	133.6	123.3	106.6	109.5
Total	**259.9**	**200.1**	**217.4**	**234.2**	**212.1**	**258.3**
Loans and advances to customers	723.3	556.9	596.9	608.9	575.3	616.8
Insurance and investment contracts:						
Life	277.7	213.8	262.1	255.5	226.2	214.3
Non-life	4.5	3.5	3.5	3.6	3.5	6.8
Investment contracts	16.4	12.6	13.2	12.0	11.3	21.1
Total	**298.7**	**230.0**	**278.8**	**271.1**	**241.0**	**242.2**
Customer deposits and other funds on deposit:						
Savings accounts of the banking operations	360.8	277.8	291.5	324.6	304.1	274.3
Other deposits and bank funds	230.1	177.2	176.0	186.8	165.4	248.5
Total	**591.0**	**455.0**	**467.5**	**511.4**	**469.5**	**522.8**
Amounts due to banks	50.3	38.7	72.2	72.9	84.2	152.3
Shareholders equity	64.3	49.5	42.5	37.7	30.9	14.9
Non-voting equity securities	3.0	2.3	3.0	5.0	5.0	10.0
Shareholders equity per Ordinary Share[6]	16.91	13.02	11.22	9.98	8.17	7.37
Share capital in number of shares (in millions)	3,831.6	3,831.6	3,831.6	3,831.6	3,831.6	2,063.1

(1) Euro amounts have been translated into U.S. dollars at the exchange rate of $1.2988 to EUR 1.00, the noon buying rate in New York City on 1 March 2013 for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York.

(2) After elimination of certain intercompany transactions between the insurance operations and the banking operations. See Note 2.1 to the consolidated financial statements.

(3) Includes all non-interest expenses, including additions to the provision for loan losses. See Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources .

(4) The results of Insurance/IM Asia and Insurance Latin America have been transferred to Result from discontinued operations . For details on Discontinued operations, see Note 26 of Note 2.1 to the consolidated financial statements.

(5) For details of the agreements with the Dutch State, see Note 34 of Note 2.1 to the consolidated financial statements

(6) Basic earnings per share amounts have been calculated based on the weighted average number of Ordinary Shares outstanding and Shareholders equity per share amounts have been calculated based on the number of Ordinary Shares outstanding at the end of the respective periods. For purposes of this calculation ING Groep N.V. shares held by Group companies are deducted from the total number of Ordinary Shares in issue. The rights issue, which was finalized on 15 December 2009 has an effect on the basic earnings per share and the diluted earnings per share, as defined in IFRS IASB. All weighted average number of shares outstanding before the rights issue are restated with an adjustment factor that reflects the fact that the exercise price of the rights issue was less than the fair value of the shares, see Note 50 of Note 2.1 to the consolidated financial statements. The effect of dilutive securities is adjusted as well.

(7) The dividend pay-out ratio is based on net result attributed to equity holders of the Company.

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EXCHANGE RATES

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

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

	U.S. dollars per euro			
Calendar Period	**Period End(1)**	**Average Rate(2)**	**High**	**Low**
2008	1.3919	1.4695	1.6010	1.2446
2009	1.4332	1.3955	1.5100	1.2547
2010	1.3269	1.3218	1.4536	1.1959
2011	1.2973	1.4002	1.4875	1.2926
2012	1.3186	1.2909	1.3463	1.2062

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

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

	High	**Low**
September 2012	1.3142	1.2566
October 2012	1.3133	1.2876
November 2012	1.3010	1.2715
December 2012	1.3260	1.2930
January 2013	1.3584	1.3047
February 2013	1.3692	1.3054

The Noon Buying Rate for euros on 31 December 2012 was EUR 1.00 = U.S. $ 1.3186 and the Noon Buying Rate for euros on 1 March 2013 was EUR 1.00 = U.S. $ 1.2988.

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RISK FACTORS

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

RISKS RELATED TO FINANCIAL CONDITIONS, MARKET ENVIRONMENT AND GENERAL ECONOMIC TRENDS

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

Factors such as interest rates, securities prices, credit spreads, liquidity spreads, exchange rates, consumer spending, changes in client behaviour, business investment, real estate and private equity valuations, government spending, inflation, the volatility and strength of the capital markets, political events and trends, and terrorism all impact the business and economic environment and, ultimately, our solvency, liquidity and the amount and profitability of business we conduct in a specific geographic region. In an economic downturn characterised by higher unemployment, lower family income, lower corporate earnings, higher corporate and private debt defaults, lower business investments, and lower consumer spending, the demand for banking and insurance products is usually adversely affected and ING s reserves and provisions typically would increase, resulting in overall lower earnings. Securities prices, real estate values and private equity valuations may also be adversely impacted, and any such losses would be realised through profit and loss and shareholders equity. Some insurance products contain minimum return or accumulation guarantees. If returns do not meet or exceed the guarantee levels, we may need to set up additional reserves to fund these future guaranteed benefits. In addition, we may experience an elevated incidence of claims and lapses or surrenders of policies. Our policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. Similarly, a downturn in the equity markets causes a reduction in commission income we earn from managing portfolios for third parties, income generated from our own proprietary portfolios, asset-based fee income on certain insurance products, and our capital base. We also offer a number of insurance and financial products that expose us to risks associated with fluctuations in interest rates, securities prices, corporate and private default rates, the value of real estate assets, exchange rates and credit spreads. See also Interest rate volatility and other interest rate changes may adversely affect our profitability , Continued turbulence and volatility in the financial markets and the economy generally have adversely affected and may continue to affect our business and results of operations , and Market conditions observed over the past few years may increase the risk of loans being impaired. We are exposed to declining property values on the collateral supporting residential and commercial real estate lending below.

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

- the unlocking of deferred acquisition costs (DAC) impacting earnings;
- reserve inadequacies which could ultimately be realised through profit and loss and shareholders equity;
- the write-down of tax assets impacting net results;
- 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.

Shareholders equity and our net result may be significantly impacted by turmoil and volatility in the worldwide financial markets. Negative developments in financial markets and/or economies may have a material adverse impact on shareholders equity and net result in future periods, including as a result of the potential consequences listed above. See Continued turbulence and volatility in the financial markets and the economy generally have adversely affected and may continue to affect our business and results of operations below.

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

The capital and credit markets have been experiencing extreme volatility and disruption since the second half of 2008. Adverse capital market conditions may affect the availability and cost of borrowed funds, thereby impacting our ability to support or grow our businesses.

We need liquidity in our day-to-day business activities to pay our operating expenses, interest on our debt and dividends on our capital stock, maintain our securities lending activities and replace certain maturing liabilities. Without sufficient liquidity, we will be forced to curtail our operations and our business will suffer. The principal sources of our funding are deposit funds, insurance premiums, annuity considerations and cash flow from our investment portfolio and assets, consisting mainly of cash or assets that are readily convertible into cash. Sources of funding in normal markets may also include a variety of short- and long-term instruments, including repurchase agreements, commercial paper, medium-and long-term debt, subordinated debt securities, capital securities and stockholders equity.

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

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

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

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

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

Management believes that despite increased attention recently, systemic risk to the markets in which we operate continues to exist, and dislocations caused by the interdependency of financial market participants continues to be a potential source of material adverse changes to our business, results of operations and financial condition.

Because our life and non-life insurance and reinsurance businesses are subject to losses from unforeseeable and/or catastrophic events, which are inherently unpredictable, our actual claims amount may exceed our established reserves or we may experience an abrupt interruption of activities, each of which could result in lower net results and have an adverse effect on our results of operations.

In our life and non-life insurance and reinsurance businesses, we are subject to losses from natural and man-made catastrophic events. Such events include, without limitation, weather and other natural catastrophes such as hurricanes, floods, earthquakes and epidemics that may be more severe or difficult to predict as a result of variable climate conditions, as well as man-made disasters and core infrastructure failures such as acts of terrorism, military actions, power grid and telephone/internet infrastructure failures and political and social unrest. The frequency and severity of such events, and the losses associated with them, are inherently unpredictable and cannot always be adequately reserved for. Furthermore, we are subject to actuarial and underwriting risks such as, for instance, mortality, longevity, morbidity, and adverse claims development which result from the pricing and acceptance of insurance contracts. In accordance with industry practices, modelling of natural catastrophes is performed and risk mitigation measures are taken. In case claims occur, reserves are established based on estimates using actuarial projection techniques. The process of estimating is based on information available at the time the reserves are originally established and includes updates when more information becomes available. Although we continually review the adequacy of the established claim reserves, there can be no assurances that our actual claims experience will not exceed our estimated claim reserves. If actual claim amounts exceed the estimated claim reserves, our earnings may be reduced and our net results may be adversely affected. Furthermore, claims resulting from a catastrophic event could also materially harm the financial condition of our reinsurers, which would increase the probability of default on reinsurance recoveries. Our ability to write new business could also be adversely affected.

In addition, and as discussed further below under Risks Related to the Group s Business, Operations, and Regulatory Environment Operational risks are inherent in our business , because unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, our banking and insurance operations may be subject to losses resulting from such disruptions. Losses can relate to property, financial assets, trading positions, insurance and pension benefits to employees and also to key personnel. If our business continuity plans are not able to be put into action or do not take such events into account, our financial condition could be adversely affected.

We operate in highly regulated industries. There could be an adverse change or increase in the financial services laws and/or regulations governing our business.

We are subject to detailed banking, insurance, asset management and other financial services laws and government regulation in the jurisdictions in which we conduct business. Regulatory agencies have broad administrative power over many aspects of the financial services business, which may include liquidity, capital adequacy and permitted investments, ethical issues, anti-money laundering, anti-terrorism measures, privacy, recordkeeping, product and sale suitability, and marketing and sales practices, remuneration policies and our own internal governance practices. Banking, insurance and other financial services laws, regulations and policies currently governing us and our subsidiaries may also change at any time and in ways which have an adverse effect on our business, and it is difficult to predict the timing or form of any future regulatory or enforcement initiatives in respect thereof. Also, regulators and other supervisory authorities in the EU, the U.S. and elsewhere continue to scrutinise payment processing and other transactions and activities of the financial services industry under regulations governing such matters as money-laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures. Regulation is becoming increasingly more extensive and complex and regulators are focusing increased scrutiny on the industries in which we operate, often requiring additional Company resources. These regulations can serve to limit our activities, including through our net capital, customer protection and market conduct requirements, and restrictions on businesses in which we can operate or invest. If we fail to address, or appear to fail to address, appropriately any of these matters, our reputation could be harmed and we could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages asserted against us or subject us to enforcement actions, fines and penalties.

In light of current conditions in the global financial markets and the global economy, regulators have increased their focus on the regulation of the financial services industry. Most of the principal markets where we conduct our business have adopted, or are currently considering, major legislative and/or regulatory initiatives in response to the financial crisis. Governmental and regulatory authorities in the Netherlands, the United Kingdom, the United States and elsewhere are implementing measures to increase regulatory control in their respective financial markets and financial services sectors, including in the areas of prudential rules, capital requirements, executive compensation, crisis and contingency management, bank levies and financial reporting, among others. Additionally, governmental and regulatory authorities in the Netherlands as well as in a multitude of jurisdictions 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). In December 2012, EU leaders agreed on setting up a Single Supervisory Mechanism (SSM), a mechanism composed of national competent authorities and the European Central Bank (ECB), as part of the prospective EU banking union. In the SSM, it is expected that the ECB will assume direct responsibility for a significant part of the prudential supervision of ING Bank and its holding company ING Group. The SSM is envisaged to take effect by 1 March 2014 or one year after the Regulation has entered into force and is designed for countries within the Eurozone, with the possibility of non-Eurozone member states to participate by means of close cooperation. While it is at this stage difficult to identify what the exact impact will be on ING Bank and ING Group, it is expected that the SSM will have a significant impact on the way ING s banking operations are supervised in Europe.

Furthermore, we are subject to different tax regulations in each of the jurisdictions where we conduct business. Changes in tax laws could increase our taxes and our effective tax rates. Furthermore, legislative changes could materially impact our tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities which could have a material adverse effect on our business, results of operations and financial condition. One such change relates to the current debate in the U.S. over corporate tax reform and corporate tax rates.

We cannot predict whether or when future legislative or regulatory actions may be taken, or what impact, if any, actions taken to date or in the future could have on our business, results of operations and financial condition. Compliance with applicable laws and regulations is time-consuming and personnel-intensive, and changes in laws and regulations may materially increase the cost of compliance and other expenses of doing business.

We expect the scope and extent of regulation in the jurisdictions in which we conduct our business, as well as regulatory oversight and supervision, to generally continue to increase. Despite our efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, there are a number of risks in areas where applicable regulations may be unclear, either because they are subject to multiple interpretations or under development, or where they may conflict with one another, or where regulators revise their previous guidance or courts overturn previous rulings, resulting in our failure to meet applicable standards. Regulators and other authorities have the power to bring administrative or judicial proceedings against us, which could result, among other things, in the suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm our results of operations and financial condition.

Basel III

In December 2010, the Basel Committee on Banking Supervision (Basel Committee) announced higher global minimum capital standards for banks and introduced a new global liquidity standard and a new leverage ratio. The Basel Committee s package of reforms, collectively referred to as the Basel III rules, will, among other requirements, increase the amount of common equity required to be held by subject banking institutions, prescribe the amount of liquid assets and the long-term funding a subject banking institution must hold at any given moment, and limit leverage. Banks will be required to hold a capital conservation buffer to withstand future periods of stress such that the total Tier 1 common equity ratio, when fully phased in on 1 January 2019, will rise to 7%. Basel III also 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 has strengthened the definition of capital that will have the effect of disqualifying many hybrid securities, potentially including those issued by the Group, from inclusion in regulatory capital, as well as the higher capital requirements for trading, derivative and securitisation activities as part of a number of reforms to the Basel II framework. In addition, the Basel Committee and the Financial Stability Board (FSB) published measures in October 2011 that would have the effect of requiring higher loss absorbency capacity, liquidity surcharges, exposure limits and special resolution regimes for, and instituting more intensive and effective supervision of, systemically important financial institutions (SIFIs) and so-called Global SIFIs (G-SIFIs), in addition to the Basel III requirements otherwise applicable to most financial institutions. The implementation of these measures have begun in 2012 and full implementation is targeted for 2019. ING Bank was designated by the Basel Committee and FSB as one of the global systemically important banks (G-SIBs), forming part of the G-SIFIs, in November 2011 and November 2012, and by Dutch Central Bank (De Nederlandsche Bank N.V., DNB) and the Dutch Ministry of Finance as a domestic SIFI in November 2011. The Basel III proposals and their potential impact are monitored via semi-annual monitoring exercises in which ING Bank participates. As a result of such monitoring exercises and on-going 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. It remains to be seen whether further amendments to the 2010 framework and standards will be made by the Basel Committee in the coming years.

For European banks, these requirements will be implemented through the Capital Requirements Directive (CRD) IV, which might deviate in its final state from the original Basel III requirements. While the full impact of the Basel III rules, and any additional requirements for SIFIs or G-SIFIs, if and as applicable to the Group, will depend on how they are implemented by national regulators, including the extent to which such regulators and supervisors can set more stringent limits and additional capital requirements or surcharges, as well as on the economic and financial environment at the time of implementation and beyond, we expect these rules can have a material impact on ING s operations and financial condition and may require the Group to seek additional capital. Further, the International Accounting Standards Board (IASB) has issued and proposed certain amendments to several IFRS standards during the course of 2012, which changes could also have a material impact on our reported results and financial condition.

Solvency II

The European Council has agreed upon a full scale revision of the solvency framework and prudential regime applicable to insurance and reinsurance companies known as Solvency II , which was adopted on 25 November 2009 (Directive 2009/138/EG). A key aspect of Solvency II is the closer alignment of the assessment of risks and capital requirements with economic capital methodologies. Under the Solvency II regime, insurance companies may be permitted to make use of an internal economic capital model as a basis for calculation of their capital needs and solvency position (in the Netherlands, such a model (including ING s model) has to be approved by the DNB).

The final text of the Level I Framework Directive includes rules regarding, among other things, own funds, capital requirements, investments and group supervision. Following adoption of this Level I Framework Directive, the European Commission and European Insurance and Occupational Pensions Authority (EIOPA), formerly CEIOPS, have initiated the development of detailed rules following the Lamfalussy process. Under this process, Directives related to financial institutions are developed on the basis of a four level approach intended to complement the principles of the Directive Level 2 measures will be issued by the European Commission (delegated acts and/or implementing technical standards proposed by EIOPA) and Level 3 guidance will be issued by EIOPA.

Solvency II, if implemented, will effect a full revision of the insurance industry s solvency framework and prudential regime and will impose group level supervision mechanisms. Representatives from the European Parliament, the European Commission and the Council of the European Union are currently discussing the Omnibus II Directive proposal, which, once approved, will amend certain aspects of the original Solvency II Directive. In addition, the European Commission is continuing to develop the detailed rules that will complement the high-level principles of the Solvency II Directive, referred to as implementing measures . The implementing measures are not currently expected to be finalised until the Omnibus II Directive has entered into force and the implementation date of Solvency II by member states of the European Economic Area (EEA) has been postponed from 31 October 2012 to 30 June 2013, and the application date by companies to 1 January 2014. There is significant uncertainty regarding the timeline and final outcome of this process and we are unable to predict precisely how the regulations resulting from such initiatives and proposals could affect the insurance industry generally or our results of operations, financial condition and liquidity in particular.

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Significant efforts towards establishing a more cohesive and streamlined European supervisory framework, including the establishment of the European Systemic Risk Board and the EIOPA, may also affect the Group s operations.

EU Insurance Guarantee Scheme

In July 2010, the European Commission released a white paper detailing the need to establish minimum levels of protection for consumers of life and non-life insurance products in the event that insurance companies in the European Union with which they do business were to become insolvent. Though the mechanisms for providing any such protections remain under review by the European Commission, the European Parliament and the member states, the European Commission may currently be considering providing this protection by (i) mandating the creation of (or harmonisation of existing) national level insurance guarantee schemes and/or (ii) implementing an EU-wide insurance guarantee scheme, which such scheme(s) may require significant prefunding by insurance companies. As of 31 December 2012 no legislative proposal has been made at the EU level. However, the implementation of an insurance guarantee scheme requiring significant levels of prefunding (or, in the event that prefunding is not required, the occurrence of circumstances requiring the commencement of event-driven contributions) may have a material and adverse impact on the liquidity, financial condition and operations of companies engaged in the insurance business, including us.

Dodd-Frank Act

On 21 July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank or Dodd-Frank Act) was signed into law in the United States. The Dodd-Frank Act has imposed comprehensive changes to the regulation of financial services in the United States and has implications for non-U.S. financial institutions with a U.S. presence, such as ING. Dodd-Frank directs existing and newly-created government agencies and bodies to promulgate regulations implementing the law, a process that is underway and is expected to continue over the next few years. While some studies have already been completed and the rulemaking process is well underway, there continues to be significant uncertainty regarding the results of ongoing studies and the ultimate requirements of regulations that have not yet been adopted. We cannot predict with certainty how Dodd-Frank and such regulations will affect the financial markets generally, impact the Group s business, credit or financial strength ratings, results of operations, cash flows or financial condition or advise or require the Group to raise additional capital. Key aspects of Dodd-Frank that we have identified to date as possibly having an impact on the Group include:

The Financial Stability Oversight Council (FSOC) may designate the Group as a nonbank financial company whose material financial distress, or whose nature, scope, size, scale, concentration, interconnectedness or mix of activities, could pose a threat to the financial stability of the United States. In such an instance, the Group would become subject to the oversight of the Board of Governors of the Federal Reserve System (Federal Reserve). If the Group becomes subject to such examination, enforcement and supervisory authority of the Federal Reserve, the Federal Reserve would have authority to impose capital requirements on the Group and its subsidiaries. The Group cannot predict what capital regulations the Federal Reserve will promulgate under these authorisations, either generally or as applicable to organisations with the Group s operations, nor can management predict how the Federal Reserve will exercise potential general supervisory authority over the Group as to its business practices or those of its subsidiaries. If designated as systemically important by the FSOC, the Group would become subject to a comprehensive system of stricter prudential standards, including stricter requirements and limitations relating to risk-based capital, leverage, liquidity and credit exposure, as well as overall risk management requirements, management interlock prohibitions and a requirement to maintain a plan for rapid and orderly dissolution in the event of severe financial distress. The Group may become subject to stress tests to be promulgated by the Federal Reserve in consultation with the Federal Insurance Office (discussed below) to determine whether, on a consolidated basis, the Group has the capital necessary to absorb losses as a result of adverse economic conditions. We cannot predict how the stress tests will be designed or conducted or whether the results thereof will cause the Group to alter its business practices or affect the perceptions of regulators, rating agencies, customers, counterparties or investors about the Group s financial strength. The FSOC may also recommend that state insurance regulators or other regulators apply new or heightened standards and safeguards for activities or practices that the Group and other insurers or other financial services companies engage in.

Title II of Dodd-Frank provides that a financial company, such as us, may be subject to a special orderly liquidation process outside the federal bankruptcy code, administered by the Federal Deposit Insurance Corporation (FDIC) as receiver, upon a determination that the company is in default or in danger of default and presents a systemic risk to U.S. financial stability. We cannot predict how ratings agencies or creditors of us or our subsidiaries will evaluate this potential risk or whether it will impact our financing or hedging costs.

Title VII of Dodd-Frank creates a new framework for regulation of the over-the-counter derivatives markets and certain market participants which could affect various activities of the Group and its subsidiaries. New margin and capital requirements on market participants contained in final regulations adopted by the U.S. Commodity Futures Trading Commission (CFTC) could substantially increase the

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cost of hedging and related operations, affect the profitability of our products or their attractiveness to our customers, or cause us to alter our hedging strategy or change the composition of risks we do not hedge.

Under Title VII of the Dodd-Frank Act, the CFTC has promulgated requirements for recordkeeping and reporting of swap transactions to swap data repositories. The rules require swap counterparties and underlying reference entities to be identified by a legal entity identifier (LEI). Recognizing that the rules will come into effect prior to the availability of global LEIs, the CFTC has mandated the use of interim entity identifiers called CFTC Interim Compliant Identifier (CICI). In the event that we are unable to obtain a CICI and implement it into our system we may be limited in our ability to engage in hedging transactions.

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

Dodd-Frank established the Federal Insurance Office (FIO) within the United States Department of the Treasury (Treasury Department) to be headed by a director appointed by the Secretary of the Treasury Department. While not having a general supervisory or regulatory authority over the business of insurance, the director of this office would perform various functions with respect to insurance (other than health insurance), including participating in the FSOC s decisions regarding insurers (potentially including the Group and its subsidiaries), to be designated for stricter regulation. The FIO may recommend enhanced regulations to state insurance regulatory bodies.

Dodd-Frank also 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 will have 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 and deceptive acts and practices. In addition, the CFPB will have 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.

Dodd-Frank also includes various securities law reforms that may affect the Group s business practices and the liabilities and/or exposures associated therewith, including a provision intended to authorise the SEC to impose on broker-dealers fiduciary duties to their customers, as applies to investment advisers under existing law, which new standard could potentially expose certain of ING s U.S. broker-dealers to increased risk of SEC enforcement actions and liability. The SEC staff released a study on this issue.

Dodd-Frank could result in various ex-post assessments being imposed on us, the costs of which we are unable to estimate at this time. Although the full impact of Dodd-Frank cannot be determined until the various studies mandated by the law are conducted and implementing regulations are adopted, many of the legislation s requirements could have profound and/or adverse consequences for the financial services industry, including for us. Dodd-Frank could make it more expensive for us to conduct business, require us to make changes to our business model or satisfy increased capital requirements, subject us to greater regulatory scrutiny or to potential increases in whistleblower claims in light of the increased awards available to whistleblowers under Dodd-Frank and have a material effect on our results of operations or financial condition.

Foreign Account Tax Compliance Act

Under the Foreign Account Tax Compliance Act (FATCA), U.S. federal tax legislation passed in 2010, a 30% withholding tax will be imposed on withholdable payments made to non-U.S. financial institutions (including non-U.S. investment funds and certain other non-U.S. financial entities) that fail (or, in some cases, that have 50% affiliates which are also non-U.S. financial institutions that fail) to provide certain information regarding their U.S. accountholders and/or certain U.S. investors (such U.S. accountholders and U.S. investors, U.S. accountholders) to the U.S. Internal Revenue Service (IRS). For non-U.S. financial institutions that fail to comply, this withholding will generally apply without regard to whether the beneficial owner of a withholdable payment is a U.S. person or would otherwise be entitled to an exemption from U.S. federal withholding tax. Withholdable payments generally include, among other items, payments of U.S.-source interest and dividends and the gross proceeds from the sale or other disposition of property that may produce U.S.-source interest and dividends. Furthermore, FATCA may also impose withholding on non-U.S. source payments by non-U.S. financial institutions that comply with FATCA to non-U.S. financial institutions that fail to comply with FATCA. This withholding will take effect on a phased schedule, starting in January 2014 with withholding on non-U.S. source payments by non-U.S. financial institutions to start no earlier than January 2017. In general, non-publicly traded debt and equity interests in investment vehicles will be treated as accounts and subject to these reporting requirements. In addition, certain insurance policies and annuities are considered accounts for these purposes.

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

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

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

Dutch Intervention Act

In June 2012, the Intervention Act (Wet bijzondere maatregelen financiële ondernemingen) came into force in the Netherlands, with retroactive effect from 20 January 2012. The Intervention Act mainly amends the Dutch Financial Supervision Act and the Dutch Insolvency Act and allows Dutch authorities to take certain actions when banks and insurers fail and cannot be wound up under ordinary insolvency rules due to concerns regarding the stability of the overall financial system. It is composed of two categories of measures. The first category includes measures related to the timely and efficient liquidation of failing banks and insurers and would give the DNB the power to transfer customer deposits (only in the case of banks), assets and/or liabilities other than deposits and issued shares of an entity to third parties or to a bridge bank if the DNB deems that, in respect of the relevant bank or insurance company, there are signs of an adverse development with respect to its funds, solvency, liquidity or technical provisions and it can be reasonably foreseen that such development will not be sufficiently or timely reversed. The DNB would also be granted the power to influence the internal decision-making of failing institutions through the appointment of an undisclosed administrator . The second category includes measures intended to safeguard the stability of the financial system as a whole and grants the authority to the Minister of Finance to take immediate measures or proceed to expropriation of assets of or shares in the capital of failing financial institutions. For example, on 1 February 2013, the Dutch State nationalised the SNS Reaal bank and insurance group (SNS Reaal) by expropriating shares, core tier 1 securities and other subordinated debts issued by SNS Reaal. The Dutch Ministry of Finance has stated that it will impose in 2014 an aggregate EUR 1 billion one-time levy on Dutch banks, including ING Bank, to share the costs of the SNS Reaal nationalisation. Based on the currently available information, this is estimated to result in a charge of EUR 300-350 million for us. Currently, there is a debate in the Netherlands on the effectiveness of the legal regime, which may result in an implementation of more onerous legislation and/or regulations. The future form, amount and timing of the levy, and its future impact on us, our operations and our financial position, remain unclear.

The Intervention Act also includes measures that limit the ability of counterparties to exercise their rights after any of the measures mentioned above has been put into place, with certain exceptions. Also in June 2012, the European Commission published a proposal for a Directive establishing a framework for the recovery and resolution of credit institutions and investment firms (Recovery and Resolution Directive), which includes, among other things, the obligation for institutions to draw up a recovery plan and the obligation for resolution authorities in the member states to draw up a resolution plan, early intervention measures and a European System of financing arrangements.

A few provisions of the Intervention Act, including the provision with respect to the future financing of the deposit guarantee and the investor compensation scheme, have not yet come into force and there are certain differences between the provisions of the Intervention Act and the Recovery and Resolution Directive proposal, which may further bring out future changes in the law. We are unable to predict what specific effects the

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Intervention Act and the future adoption of the Recovery and Resolution Directive may have on the financial system generally, our counterparties, or on us, our operations or our financial position.

ING Bank has set up an all-encompassing recovery planning process to enhance its readiness and decisiveness to tackle financial crises on its own strength. ING Bank s recovery plan has been submitted to and approved by the DNB in November 2012. Furthermore in the course of 2012, DNB has requested ING Bank to prepare and submit information on the basis of which the Dutch resolution authorities will be able to develop a resolution plan. ING is diligently working towards providing this information and meeting the deadlines, end 2013, provided by DNB.

The Financial Stability Board In addition to the adoption of the foregoing measures, regulators and lawmakers around the world are actively reviewing the causes of the financial crisis and exploring steps to avoid similar problems in the future. In many respects, this work is being led by the FSB, consisting of representatives of national financial authorities of the G20 nations. The G20 and the FSB have issued a series of papers and recommendations intended to produce significant changes in how financial companies, particularly companies that are members of large and complex financial groups, should be regulated. These proposals address such issues as financial group supervision, capital and solvency standards, systemic economic risk, corporate governance including executive compensation, and a host of related issues associated with responses to the financial crisis. The lawmakers and regulatory authorities in a number of jurisdictions in which the Group s subsidiaries conduct business have already begun introducing legislative and regulatory changes consistent with G20 and FSB recommendations, and the potential impact of such changes on our business, results of operation and financial condition remains unclear.

Additional Governmental Measures

Governments in the Netherlands and abroad have also intervened over the past few years on an unprecedented scale, responding to stresses experienced in the global financial markets. Some of the measures adopted subject us and other institutions for which they were designed to additional restrictions, oversight or costs. For restrictions related to the Core Tier 1 Securities and the IABF, as further described in Item 4. Information on the Company Recent Developments (together, the Dutch State Transactions), see Risks related to the Restructuring Plan Our agreements with the Dutch State impose certain restrictions regarding the issuance or repurchase of our shares and the compensation of certain senior management positions . As a result of having received state aid through the Dutch State Transactions, we were required to submit our Restructuring Plan to the EC in connection with obtaining final approval for the Dutch State Transactions. See Risks related to the Restructuring Plan The implementation of the Restructuring Plan and the divestments anticipated in connection with that plan will significantly alter the size and structure of the Group and involve significant costs and uncertainties that could materially impact the Group .

Sections 382 and 383 of the U.S. Internal Revenue Code as amended, operate as anti-abuse rules, the general purpose of which is to prevent trafficking in tax losses and credits, but which can apply without regard to whether a loss trafficking transaction occurs or is intended. These rules are triggered when an ownership change generally defined as when the ownership of a company, or its parent, changes by more than 50% (measured by value) on a cumulative basis in any three year period occurs. If triggered, the amount of the taxable income for any post-change year which may be offset by a pre-change loss is subject to an annual limitation. As of 31 December 2012, we believe that our U.S. subsidiaries have not had an ownership change for purposes of Sections 382 and 383. However, this determination is subject to uncertainties and is based on various assumptions. Future increases of capital or other changes in ownership may adversely affect our cumulative ownership, and could trigger an ownership change , which could limit the ability of our U.S. subsidiaries to use tax attributes, and could correspondingly decrease the value of these attributes.

On 14 February 2013, the European Commission adopted a proposal setting out the details of the financial transaction tax, which mirrors the scope of its original proposal of September 2011, to be levied on transactions in financial instruments by financial institutions if at least one of the parties to the transaction is located in the FTT-zone , currently limited to 11 participating member states (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain). The adopted proposal foresees the financial transaction tax for the 11 participating member states entering into effect on 1 January 2014, which would then require us to pay a tax on transactions in financial instruments with parties (including Group affiliates) located in such FTT-zone. The actual implementation date would depend on the future approval by the European Council and consultation of other EU institutions, and the subsequent transposition into local law. Furthermore, the Dutch Parliament passed a bill on bank tax, which went into effect as of 1 October 2012. This tax results in increased taxes on ING s Banking operations, which could negatively impact our operations, financial condition and liquidity. [In addition, it is possible that the United States Congress may adopt a form of financial crisis responsibility fee and tax on banks and other financial firms to mitigate costs to taxpayers of various government programs established to address the financial crisis and to offset the costs of potential future crises. The Obama Administration s 2013 revenue proposals include such a fee. Any regulations resulting from these financial transaction tax initiatives and proposals could affect our operational results, financial condition and liquidity, and could negatively impact the costs and scope of our transactions, including transactions with other financial institutions.

In May 2012, the International Association of Insurance Supervisors (IAIS), of which the DNB is a member, published a proposed assessment methodology for designating global systemically important insurers (G-SIIs), as part of the global initiative to identify G-SIFIs. Insurers identified as G-SIIs would be subject to additional policy measures. IAIS stated that the proposed policy measures released in October 2012, as endorsed for consultation by the FSB will be finalised at the same time as the first group of G-SIIs is identified. The initial list of G-SIIs is expected to be published by the FSB in April 2013, with annual updates thereafter. The proposed policy measures, which would need to be implemented by legislation or regulation in relevant jurisdictions, include higher capital requirements (both for non-traditional and non-insurance activities and for G-SIIs overall), enhanced supervision (including more detailed and frequent reporting, removal of barriers to orderly resolution of the G-SII and reduction of the G-SII s systemic risk over time), as well as additional measures to improve the degree of self-sufficiency of a G-SII s different business segments (including separate legal structures for traditional insurance and non-traditional or non-insurance activities, and restrictions on intercompany subsidies). If ING were identified as a G-SII, compliance costs will increase and its competitive position relative to other life insurers that were not designated as G-SIIs may be adversely affected. See Item 4. Information on the Company Recent Developments Important changes in Regulation and Supervision Global systemically important insurers (G-SIIs).

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

General

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Concerns over the slow economic recovery, the European sovereign debt crisis, the ability of certain countries to remain in the Eurozone, unemployment, the availability and cost of credit, the level of U.S. national debt and the U.S. housing market, inflation levels, energy costs and geopolitical issues all have contributed to increased volatility and diminished expectations for the economy and the markets in recent years.

While certain of such conditions have improved over 2011 and 2012, 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. In addition, prices for many types of asset-backed securities (ABS) and other structured products have significantly deteriorated. 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 United States, the international credit and interbank money markets generally, and a wide range of financial institutions and markets, asset classes, such as public and private equity, and real estate sectors. As a result of these and other factors, sovereign governments across the globe, including in regions where the Group operates, have also experienced budgetary and other financial difficulties, which have resulted in austerity measures, downgrades in credit rating by credit agencies, planned or implemented bail-out measures and, on occasion, civil unrest (for further details regarding sovereign debt concerns, see U.S. Sovereign Credit Rating and European Sovereign Debt Crisis below). As a result, the market for fixed income instruments has experienced decreased liquidity, increased price volatility, credit downgrade events, and increased probability of default. In addition, the confluence of these and other factors has resulted in volatile foreign exchange markets. Securities that are less liquid are more difficult to value and may be hard to dispose of. International equity markets have also been experiencing heightened volatility and turmoil, with issuers, including ourselves, that have exposure to the real estate, mortgage, private equity and credit markets particularly affected. These events and market upheavals, including extreme levels of volatility, have had and may continue to have an adverse effect on our revenues and results of operations, in part because we have a large investment portfolio and extensive real estate activities around the world. In addition, the confidence of customers in financial institutions is being tested. Consumer confidence in financial institutions may, for example, decrease due to our or our competitors failure to communicate to customers the terms of, and the benefits to customers of, complex or high-fee financial products. Reduced confidence could have an adverse effect on our revenues and results of operations, including through an increase of lapses or surrenders of policies and withdrawal of deposits. Because a significant percentage of our customer deposit base is originated via Internet banking, a loss of customer confidence may result in a rapid withdrawal of deposits over the Internet.

As a result of the ongoing and unprecedented volatility in the global financial markets since 2007, we incurred in past years substantial negative revaluations and impairments on our investment portfolio, which have impacted our shareholders equity and earnings. During 2010, 2011 and 2012 the revaluation reserve position improved substantially, positively impacting shareholders equity. Although we believe that reserves for insurance liabilities are generally adequate at the Group, inadequacies in certain product areas have developed. The aforementioned developments in the global financial markets and in particular the decreasing interest rates

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resulted in a decrease in our overall reserves adequacy and may further continue to produce reserves inadequacies in the future, potentially leading to reserve strengthening.

The aforementioned impacts have arisen primarily as a result of valuation and impairment issues arising in connection with our investments in real estate (both in and outside the U.S.) and private equity, exposures to European sovereign debt and to U.S. mortgage-related structured investment products, including sub-prime and Alt-A Residential and Commercial Mortgage-Backed Securities (RMBS and CMBS , respectively), Collateralised Debt Obligations (CDOs) and Collateralised Loan Obligations (CLOs), monoline insurer guarantees, private equity and other investments. In many cases, the markets for investments and instruments have been and remain highly illiquid, and issues relating to counterparty credit ratings and other factors have exacerbated pricing and valuation uncertainties. Valuation of such investments and instruments is a complex process involving the consideration of market transactions, pricing models, management judgment and other factors, and is also impacted by external factors such as underlying mortgage default rates, interest rates, rating agency actions and property valuations. We continue to monitor our exposures, however there can be no assurances that we will not experience further negative impacts to our shareholders equity or profit and loss accounts in future periods.

U.S. Sovereign Credit Rating

After a period of uncertainty as to whether U.S. lawmakers would be able to reach the political consensus needed to raise the federal debt ceiling, and notwithstanding that U.S. lawmakers passed legislation to raise the federal debt ceiling before the U.S. actually defaulted on any of its obligations, in 2011, Standard & Poor s Ratings Group, Inc. (S&P) lowered its long-term sovereign credit rating on the United States of America from AAA to AA+. Although other ratings agencies have not similarly lowered the long term sovereign credit rating of the United States of America, they have put that credit rating on review. Amid the lingering uncertainty over 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. 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. A downgrade of the sovereign credit ratings of the U.S. government and the perceived creditworthiness of U.S. government-related obligations could impact our ability to obtain funding that is collateralised by affected instruments, as well as affecting the pricing of that funding when it is available. A downgrade may also adversely affect the market value of such instruments. We cannot predict if, when or how any changes to the credit ratings or perceived creditworthiness of these organisations will affect economic conditions. Such ratings actions could result in a significant adverse impact to the Group.

European Sovereign Debt Crisis

In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these EU peripheral states to continue to service their sovereign debt obligations. Significant concerns regarding the sovereign debt of these countries, as well as certain other countries, of the core European Union member rates are ongoing and in some cases have required countries to obtain emergency financing. These concerns impacted financial markets and resulted in high and volatile bond yields on the sovereign debt of many EU nations. If these or other countries require additional financial support or if sovereign credit ratings continue to decline, yields on the sovereign debt of certain countries may continue to increase, the cost of borrowing may increase and credit may become more limited. Despite assistance packages to Greece, Ireland and Portugal, the creation of a joint EU-IMF European Financial Stability Facility in May 2010, the approval of further bailout of Greece by the relevant government and monetary bodies of the Eurozone and the International Monetary Fund in March 2012, and the establishment of the European Stability Mechanism on 27 September 2012 (which provided its first financial assistance in February 2013 for the recapitalisation of Spain s banking sector), uncertainty over the outcome of the EU governments financial support programs and worries about sovereign finances persisted during the course of 2012. Market concerns over the direct and indirect exposure of European banks and insurers to the EU sovereign debt further resulted in a widening of credit spreads and increased costs of funding for some European financial institutions. In December 2011, European leaders agreed to implement steps (and continue to meet regularly to review, amend and supplement such steps) to encourage greater long-term fiscal responsibility on the part of the individual member states and bolster market confidence in the Euro and European sovereign debt, and the Treaty of Stability, Coordination and Governance (Fiscal Treaty) was signed by 25 EU member states on 2 March 2012; however, such proposed steps are subject to final agreement (and in some cases, ratification and/or other approvals) by the European Union member states that are party to such arrangements and thus the implementation of such steps in their currently-contemplated form remains uncertain, and even if such steps are implemented, there is no guarantee that they will ultimately and finally resolve uncertainties regarding the ability of Eurozone states to continue to service their sovereign debt obligations. Further, even if such long-term structural adjustments are ultimately

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implemented, the future of the Euro in its current form, and with its current membership, remains uncertain. The financial turmoil in Europe continues to be a threat to global capital markets and remains a challenge to global financial stability.

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

On 13 January 2012, S&P proceeded to downgrade the credit ratings of France, Austria, Italy, Spain, Portugal and a handful of other EEA states (while reaffirming the credit ratings of Germany, the Netherlands, Ireland and other EEA states and changed the outlook to negative for 15 Eurozone countries). Further related downgrades of European sovereign ratings and of corporate ratings have occurred since that date, including the downgrade of Greece s sovereign credit rating to selective default by S&P on 27 February 2012 as a result of a debt restructuring that is expected to impose significant losses on private creditors (including ING) and Fitch Ratings Ltd. s downgrade of Spain s sovereign credit rating from A to BBB on 7 June 2012. Moody s also followed S&P s steps in downgrading France s credit rating in November 2012. These announcements, as well as any further future downgrades, could negatively affect borrowing costs of the affected entities, increase overall economic volatility, and affect the operation of our businesses.

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

There is substantial competition in the Netherlands and the other countries in which we do business for the types of insurance, commercial banking, investment banking, asset management and other products and services we provide. Customer loyalty and retention can be influenced by a number of factors, including brand recognition, reputation, relative service levels, investment performance of our products, the prices and attributes of products and services, scope of distribution, perceived financial strength, credit ratings and actions taken by competitors. A decline in our competitive position as to one or more of these factors could adversely impact our ability to maintain or further increase our market share, which would adversely affect our results of operations. Such competition is most pronounced in our more mature markets of the Netherlands, Belgium, the rest of Western Europe, the United States 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 have sought alliances, mergers or strategic relationships with our competitors. The Netherlands and the United States are our largest markets. Our main competitors in the banking sector in the Netherlands are ABN AMRO Bank and Rabobank. Our main competitors in the insurance sector in the Netherlands are Achmea, ASR, Delta Lloyd and Aegon. Our main competitors in the United States are insurance companies such as Lincoln National, Hartford, Aegon Americas, AXA, Met Life, Prudential, Nationwide and Principal Financial. Competition could also increase due to new entrants in the markets that may have new operating models that are not burdened by potentially costly legacy operations. Increasing competition in these or any of our other markets may significantly impact our results if we are unable to match the products and services offered by our competitors. Future economic turmoil may accelerate additional consolidation activity. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms or have declared bankruptcy. These developments could result in our competitors gaining greater access to capital and liquidity, expanding their ranges of products and services, or gaining geographic diversity. We may experience pricing pressures as a result of these factors in the event that some of our competitors seek to increase market share by reducing prices. In addition, under the Restructuring Plan we were required to agree to certain restrictions imposed by the EC, including with respect to our price leadership in EU banking markets and our ability to make acquisitions of financial institutions and other businesses. See Risks related to the Restructuring Plan The limitations required by the EC on our ability to compete and to make acquisitions or call certain debt instruments could materially impact the Group . Furthermore, if our financial strength and credit ratings are lower than those of our competitors, we may experience increased surrenders and/or a significant decline in sales of insurance and annuities products. Due to the competitive nature of the financial services industry, there can be no assurance that we will continue to effectively compete within the industry or that competition will not have a material adverse impact on our business, results of operations and financial conditions.

Because we do business with many counterparties, the inability of these counterparties to meet their financial obligations could have a material adverse effect on our results of operations.

General

Third parties that owe us money, securities or other assets may not pay or perform under their obligations. These parties include the issuers and guarantors (including sovereigns) of securities we hold, borrowers under loans originated, customers, trading counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. Severe distress or defaults by one or more of these parties on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other factors, or even rumours about potential severe distress or defaults by one or more of these parties or regarding the financial services industry generally, could lead to losses for us, and defaults by other institutions. In light of experiences with significant constraints on liquidity and high cost of funds in the interbank lending market, and given the high level of interdependence between financial institutions, we are and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of sovereigns and other financial services institutions. This is particularly relevant to our franchise as an important and large counterparty in equity, fixed-income and foreign exchange markets, including related derivatives, which exposes it to concentration risk.

We routinely execute a high volume of transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, insurance companies and other institutional clients, resulting in large daily settlement amounts and significant credit exposure. As a result, we face concentration risk with respect to specific counterparties and customers. We are exposed to increased counterparty risk as a result of recent financial institution failures and weakness and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. A default by, or even concerns about the creditworthiness of, one or more financial services institutions could therefore lead to further significant systemic liquidity problems, or losses or defaults by other financial institutions.

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

In addition, we are subject to the risk that our rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities

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

Reinsurers

Our insurance operations have bought protection for risks that exceed certain risk tolerance levels set for both our life and non-life businesses. This protection is bought through reinsurance arrangements in order to reduce possible losses. However, we remain liable to the underlying policyholders, even if the reinsurer defaults on its obligations. Because in most cases we must pay the policyholders first, and then collect from the reinsurer, we are subject to credit risk with respect to each reinsurer for all such amounts. As a percentage of our net reinsurance exposure as of 31 December 2012, the greatest exposure after collateral to an individual external reinsurer was approximately 19%, approximately 46% related to four other external reinsurers and the remainder of the reinsurance exposure related to various other reinsurers. The inability or unwillingness of any one of these reinsurers to meet its financial obligations to us, or the insolvency of our reinsurers, could have a material adverse effect on our net results and our financial results.

Market conditions observed over the past few years may increase the risk of loans being impaired. We are exposed to declining property values on the collateral supporting residential and commercial real estate lending.

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

Economic and other factors could lead to further contraction in the residential mortgage and commercial lending market and to further decreases in residential and commercial property prices which could generate substantial increases in impairment losses.

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

Changes in prevailing interest rates may negatively affect our business including the level of net interest revenue we earn, and for our banking business the levels of deposits and the demand for loans. In a period of changing interest rates, interest expense may increase and interest credited to policyholders may change at different rates than the interest earned on assets. Accordingly, changes in interest rates could decrease net interest revenue. Central banks around the world, including the European Central Bank, the Bank of England, the Bank of Japan, the Bank of Australia, the Central Bank of Brazil and the Central Bank of China, followed the actions of the Federal Reserve to lower interest rate in 2012, in response to concerns about Europe s sovereign debt crisis and slowing global economic growth. Changes in the interest rates may negatively affect the value of our assets and our ability to realise gains or avoid losses from the sale of those assets, all of which also ultimately affect earnings. In addition, our insurance and annuity products and certain of our retirement and investment products are sensitive to inflation rate fluctuations. A sustained increase in the inflation rate in our principal markets may also negatively affect our business, financial condition and results of operation. For example, a sustained increase in the inflation rate may result in an increase in nominal market interest rates. A failure to accurately anticipate higher inflation and factor it into our product pricing assumptions may result in mispricing of our products, which could materially and adversely impact our results of operations.

Declining interest rates may result in:

- life insurance and annuity products being relatively more attractive to consumers due to minimum guarantees with respect to such products that are frequently mandated by regulators;

increased premium payments on products with flexible premium features;

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a higher percentage of insurance and annuity contracts remaining in force from year-to-year than we anticipated in our pricing, potentially resulting in greater claims costs than we expected and creating asset liability cash flow mismatches;

additional provisions for guarantees included in life insurance and annuity contracts, as the guarantees become more valuable to policyholders;

lower investment earnings because the interest earnings on our fixed income investments will likely have declined in parallel with market interest rates on our assets recorded at fair value;

reserve strengthening by affecting the results of our reserve adequacy testing;

higher prepayment or redemption of mortgages and fixed maturity securities in our investment portfolios as borrowers seek to borrow at lower interest rates. Consequently, we may be required to reinvest the proceeds in securities bearing lower interest rates;

lower profitability as the result of a decrease in the spread between interest rates charged to policyholders and returns on our investment portfolios;

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

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

Accordingly, during periods of declining interest rates, our profitability may suffer as the result of a decrease in the spread between interest rates credited to insurance policyholders and annuity contract owners. An extended period of declining interest rates may also cause us to change our long-term view of the interest rates that we can earn on our investments. In addition, certain statutory capital and reserve requirements are based on formulas and models that consider interest rates, and an extended period of low interest rates may increase the statutory capital we are required to hold and the amount of assets we must maintain to support statutory reserves.

Rapidly increasing interest rates may result in:

decrease the demand for loans;

increase in policy loans, and withdrawals from and/or surrenders of life insurance policies and fixed annuity contracts as policyholders choose to forego insurance protection and seek higher investment returns. Obtaining cash to satisfy these obligations may require us to liquidate fixed maturity investments at a time when market prices for those assets are depressed because of increases in interest rates. This may result in realised investment losses. Regardless of whether we realise an investment loss, these cash payments would result in a decrease in total invested assets, and may decrease our net income. Premature withdrawals may also cause us to accelerate amortisation of deferred policy acquisition costs, which would also reduce our net income;

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

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

a material adverse effect on the value of our investment portfolio by, for example, decreasing the estimated fair values of the fixed income securities within our investment portfolio;

a significant collateral posting requirement associated with our interest rate hedge programs, which could materially and adversely affect liquidity; and/or

decreased fee income associated with a decline in the value of variable annuity account balances invested in fixed income funds.

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

In the Netherlands and other jurisdictions, deposit guarantee schemes and similar funds (Compensation Schemes) have been implemented from which compensation may become payable to customers of financial services firms in the event the financial service firm is unable to pay, or unlikely to pay, claims against it. In many jurisdictions in which we operate, these Compensation Schemes are funded, directly or indirectly, by financial services firms which operate and/or are licensed in the relevant jurisdiction. As a result of the increased number of bank failures, in particular since the fall of 2008, we expect that levies in the industry will continue to rise as a result of the Compensation Schemes. In particular, we are 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). The costs involved with making compensation payments under the Dutch Deposit Guarantee Scheme are 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 Schemes. Given our size, we may incur significant compensation payments to be made under the Dutch Deposit Guarantee Scheme, which we may be unable to recover from the bankrupt estate. The ultimate costs to the industry of payments which may become due under the Compensation Schemes remains uncertain although they may be significant and these and the associated costs to us may have a material adverse effect on our

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results of operations and financial condition. As of 1 July 2015, the Dutch Deposit Guarantee Scheme will change from an ex-post scheme, where we contribute after the failure of a firm, to an ex-ante scheme where we will pay risk-weighted contributions to the Dutch Deposit Guarantee Scheme. The fund is to grown to a target size of 1% of all deposits guaranteed under the Dutch Deposit Guarantee Scheme, approximately EUR 4 billion at present. The target size has to be reached in 15 years. The costs associated with potential future ex-ante contributions are today unknown and will depend on the methodology used to calculate risk-weighting, but given our size may be significant. See also We operate in highly regulated industries. There could be an adverse change or increase in the financial services laws and/or regulations governing our business Dutch Intervention Act .

RISKS RELATED TO THE GROUP S BUSINESS, OPERATIONS, AND REGULATORY ENVIRONMENT

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

We employ various economic hedging strategies with the objective of mitigating the market risks that are inherent in our business and operations. These risks include currency fluctuations, changes in the fair value of our investments, the impact of interest rates, equity markets and credit spread changes, the occurrence of credit defaults and changes in mortality and longevity. We seek to control these risks by, among other things, entering into a number of derivative instruments, such as swaps, options, futures and forward contracts including from time to time macro hedges for parts of our business, either directly as a counterparty or as a credit support provider to affiliate counterparties.

Developing an effective strategy for dealing with these risks is complex, and no strategy can completely insulate us from risks associated with those fluctuations. Our hedging strategies also rely on assumptions and projections regarding our assets, liabilities, general market factors and the credit worthiness of our counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, our hedging activities may not have the desired beneficial impact on our results of operations or financial condition. Poorly designed strategies or improperly executed transactions could actually increase our risks and losses. Hedging strategies involve transaction costs and other costs, and if we terminate a hedging arrangement, we may also be required to pay additional costs, such as transaction fees or breakage costs. There have been periods in the past, and it is likely that there will be periods in the future, during which we have incurred or may incur losses on transactions, perhaps significant, after taking into account our hedging strategies. Further, the nature and timing of our hedging transactions could actually increase our risk and losses. Hedging instruments we use to manage product and other risks might not perform as intended or expected, which could result in higher (un)realised losses such as credit value adjustment (CVA) risks or unexpected P&L effects, and unanticipated cash needs to collateralise or settle such transactions. Adverse market conditions can limit the availability and increase the costs of hedging instruments, and such costs may not be recovered in the pricing of the underlying products being hedged. In addition, hedging counterparties may fail to perform their obligations resulting in unhedged exposures and losses on positions that are not collateralised. As such, our hedging strategies and the derivatives that we use and may use may not adequately mitigate or offset the risk of interest rate volatility, and our hedging transactions may result in losses.

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

ING Group may be unable to retain key personnel.

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

As a part of the responses of the European Commission and governments throughout Europe to the financial crisis in 2008, there have been and will be various legislative initiatives, including those set out in Directive 2010/76/EU (CRD III), the Guidelines on Remuneration Policies and Practices published by (the predecessor of) the European Banking Authority (EBA) and the Regulation of the DNB on Sound Remuneration Policies

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(Regeling beheerst beloningsbeleid Wft 2011) and 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), to ensure that financial institutions remuneration policies and practices are consistent with and promote sound and effective risk management, and that impose restrictions on the remuneration of personnel, in particular senior management, with a focus on risk alignment of performance-related remuneration. Since the financial crisis, ING has adopted its remuneration policies to the new national and international standards. In March 2011, ING Group s Executive Board had announced that it had decided not to accept the variable remuneration awarded to it until the remaining capital support from the Dutch state has been fully repaired. No base salary increase in relation to 2013 has been proposed and, as of 31 December 2012, the remuneration level of the Executive Board of ING Group was below the median of our EURO Stoxx 50 benchmark, which is made up of similar European financial and non-financial institutions. These restrictions will continue to have an impact on existing ING Group s remuneration policies and individual remuneration packages of personnel.

These restrictions, alone or in combination with the other factors described above, could adversely affect ING Group s ability to retain or attract qualified employees.

We may not be able to protect our intellectual property and may be subject to infringement claims.

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

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

Because we use assumptions about factors to calculate the amount of certain items, the use of different assumptions about these factors may have an adverse impact on our results of operations.

The establishment of insurance provisions, including the impact of minimum guarantees which are contained within certain variable annuity products, the adequacy test performed on the provisions for life policies and the establishment of Deferred Acquisition Costs (DAC) and Value of Business Acquired (VOBA) are inherently uncertain processes involving assumptions about factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns, policyholder behaviour (e.g., lapses, persistency, etc.) and other factors, and, in the life insurance business, assumptions concerning mortality, longevity and morbidity trends. The use of different assumptions about these factors could have a material effect on insurance provisions and underwriting expense. Changes in assumptions may lead to changes in the insurance provisions over time. Furthermore, some of these assumptions can be volatile.

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

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

ING Insurance has a significant exposure to the take-up of policy options by policyholders. The exposure is greatest for variable annuity business with guarantees deeply in-the-money, policyholder behaviour is difficult to predict and small changes in the proportion of policyholders taking up an option can have a significant financial impact. Furthermore, assumptions about policyholder behaviour are sometimes made for new insurance business without a substantial amount of experiential data. These assumptions may prove imperfect, which can

have a material impact on results. See Because we use assumptions about factors to calculate the amount of certain items, the use of different assumptions about these factors may have an adverse impact on our results of operations .

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

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

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

We have developed risk management policies and procedures and expect to continue to do so in the future. Nonetheless, our policies and procedures to identify, monitor and manage risks may not be fully effective, particularly during extremely turbulent times. The methods we use to manage, estimate and measure risk are partly based on historic market behaviour. The methods may, therefore, prove to be inadequate for predicting future risk exposure, which may be significantly greater than what is suggested by historic 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 the 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, catastrophe occurrence or other information that is publicly known or otherwise available to us. Such information may not always be accurate, complete, updated or properly evaluated. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record and verify large numbers of transactions and events. These policies and procedures may not be fully effective.

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

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

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

Because we are continually developing new financial products, we might be faced with claims that could have an adverse effect on our operations and net result if clients expectations are not met.

When new financial products are brought to the market, communication and marketing aims to present a balanced view of such products. Whilst we engage in a due diligence process when we develop products, if the products do not generate the expected profit, or result in a loss, or otherwise do not meet expectations, customers may file mis-selling claims against us. Mis-selling claims are claims from customers who allege that they have received misleading advice or other information from either ING internal or external advisors (even though ING does not always have full control over the external advisors). 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 money has been invested in reviewing and assessing historic sales practices, and in the maintenance of risk management, legal and compliance procedures to

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monitor current sales practices, there can be no assurance that all of the issues associated with current and historic 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/or regulatory changes resulting from such issues could have a material adverse effect on our reputation, operations and net result. Customer protection regulations, as well as changes in interpretation and perception by both the public at large and governmental authorities of acceptable market practices, might influence client expectations.

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

Credit ratings represent the opinions of rating agencies regarding an entity s ability to repay its indebtedness. Our credit ratings are important to our ability to raise capital through the issuance of debt and to the cost of such financing. In the event of a downgrade the cost of issuing debt will increase, having an adverse effect on net results. Certain institutional investors may also be obliged to withdraw their deposits from ING following a downgrade, which could have an adverse effect on our liquidity. We have credit ratings from Standard & Poor s Ratings Service, Moody s Investor Service and Fitch Ratings. Each of the rating agencies reviews its ratings and rating methodologies on a recurring basis and may decide on a downgrade at any time. For example, on 15 June 2012, Moody s downgraded the long-term debt ratings of ING Groep N.V. from A1 to A3 with negative outlook and ING Bank from Aa3 to A2 with negative outlook. At the same time, Moody s took negative ratings actions with respect to a number of European-based banking organisations.

Claims-paying ability, at the Group or subsidiary level, and financial strength ratings are factors in establishing the competitive position of insurers. A rating downgrade could elevate lapses or surrenders of policies requiring cash payments by current customers seeking companies with higher financial strength ratings, which might force us to sell assets at a price that may result in realised investment losses. Among others, total invested assets decreases and deferred acquisition costs might need to be accelerated, adversely impacting earnings. Furthermore, sales of assets to meet customer withdrawal demands could also result in losses, depending on market conditions. In addition, a downgrade in either our financial strength or credit ratings could potentially, among other things, increase our borrowing costs and make it more difficult to access financing; adversely affect access to the commercial paper market or the availability of letters of credit and other financial guarantees; result in additional collateral requirements, or other required payments or termination rights under derivative contracts or other agreements: and/or impair, or cause the termination of, our relationships with creditors, broker-dealers, distributors of our products and services and customers, reinsurers or trading counterparties, which could potentially negatively affect our profitability, new sales, liquidity, capital and/or our competitive position.

Furthermore, ING Bank s assets are risk-weighted. Downgrades of these assets could result in a higher risk-weighting, which may result in higher capital requirements. This may impact net earnings and the return on capital, and may have an adverse impact on our competitive position. For ING s insurance businesses in a number of jurisdictions, such as the U.S. and the EU, downgrades of assets will similarly affect the capital requirements for ING Insurance in those jurisdictions.

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

Our business may be negatively affected by a sustained increase in inflation.

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

(1) decrease the estimated fair value of certain fixed income securities we hold in our investment portfolios resulting in:

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

(2) result in increased surrenders of certain life & savings products, particularly, those with fixed rates below market rates,

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

(4) result in decreased fee income associated with a decline in the variable annuity balances invested in fixed income funds.

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:

(1) result in impairment charges to equity securities that we hold in our investment portfolios and reduced levels of unrealised capital gains available to us which would reduce our net income and negatively impact our solvency position,

(2) negatively impact performance, future sales and surrenders of certain products where underlying investments are often allocated to equity funds,

(3) negatively impact the ability of our asset management subsidiaries to retain and attract assets under management, as well as the value of assets they do manage, which may negatively impact their results of operations, and/or

(4) result in decreased fee income associated with a decline in the variable annuity balances invested in fixed income funds. In addition, in the context of certain property & casualty risks underwritten by our insurance subsidiaries (particularly long-tail risks), a sustained increase in inflation with a resulting increase in market interest rates may result in (i) claims inflation (i.e., an increase in the amount ultimately paid to settle claims several years after the policy coverage period or event giving rise to the claim), coupled with (ii) an underestimation of corresponding claims reserves at the time of establishment due to a failure to fully anticipate increased inflation and its effect on the amounts ultimately payable to policyholders, and, consequently, (iii) actual claims payments significantly exceeding associated insurance reserves which would negatively impact our results of operations. In addition, a failure to accurately anticipate higher inflation and factor it into our product pricing assumptions may result in a systemic mispricing of our products resulting in underwriting losses which would negatively impact our results of operations.

Operational risks are inherent in our business.

Our businesses depend on the ability to process a large number of transactions efficiently and accurately. Although we endeavour to safeguard our systems, losses can result from inadequately trained or skilled personnel, IT failures, inadequate or failed internal control processes and systems, regulatory breaches, human errors, employee misconduct including fraud, or from external events that interrupt normal business operations. We depend on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. The equipment and software used in our computer systems and networks may not always be capable of processing, storing or transmitting information as expected. Despite our business continuity plans and procedures, certain of our computer systems and networks, may have insufficient recovery capabilities in the event of a malfunction or loss of data. In addition, whilst we have polices and processes to protect our systems and networks they may be vulnerable to unauthorised access, computer viruses or other malicious code and other external attacks or internal breaches that could have a security impact and jeopardise our confidential information or that of our clients or our counterparts. These events can potentially result in financial loss, harm to our reputation and hinder our operational effectiveness.

We also face the risk that the design and operating effectiveness of our controls and procedures prove to be inadequate. Widespread outbreaks of communicable diseases, such as the outbreak of the H1N1 influenza virus, may impact the health of our employees, increasing absenteeism, or may cause a significant increase in the utilisation of health benefits offered to our employees, either or both of which could adversely impact our business. Unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, and our operations may be subject to losses resulting from such disruptions. Losses can result from destruction or impairment of property, financial assets, trading positions, and the loss of key personnel. If our business continuity plans are not able to be implemented or do not sufficiently take such events into account, losses may increase further. We have suffered losses from operational risk in the past and there can be no assurance that we will not suffer material losses from operational risk in the future.

Reinsurance may not be available, affordable or adequate to protect us against losses. We may also decide to reduce, eliminate or decline primary insurance or reinsurance coverage.

As part of our overall risk and capacity management strategy, we purchase reinsurance for certain risks underwritten by our various insurance business segments. Market conditions beyond our control determine the availability and cost of the reinsurance protection we purchase. Accordingly, we may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect our ability to write future business.

In addition, we determine the appropriate level of primary insurance and reinsurance coverage based on a number of factors and from time to time decide to reduce, eliminate or decline coverage based on our assessment of the costs and benefits involved. In such cases, the uninsured risk remains with us.

Our business may be negatively affected by adverse publicity, regulatory actions or litigation with respect to us, other well-known companies or the financial services industry in general.

Adverse publicity and damage to our reputation arising from our failure or perceived failure to comply with legal and regulatory requirements, 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, increasing regulatory and law enforcement scrutiny of know your customer anti-money laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures and anti-terrorist-financing procedures and their effectiveness, regulatory investigations of the mutual fund, banking and insurance industries, and litigation that arises from the failure or perceived failure by us to comply with legal, regulatory and compliance requirements, could result in adverse publicity and reputation harm, lead to increased regulatory supervision, affect our ability to attract and retain customers, maintain access to the capital markets, result in cease and desist orders, suits, enforcement actions, fines and civil and criminal penalties, other disciplinary action or have other material adverse effects on us in ways that are not predictable for our employees. Some of the legal proceedings may be brought on behalf of a class and plaintiffs may seek large or indeterminate amounts of damage, including compensatory, liquidated, treble and/or punitive damages. Our reserves for litigation may prove to be inadequate. It is possible that our results of operations or cash flow in a particular quarterly or annual period could be materially affected by an ultimate unfavourable resolution of pending litigation depending, in part, upon the results of operations or cash flow for such period. Given the large or indeterminate amounts sometimes sought, and the inherent unpredictability of litigation, it is also possible that in certain cases an ultimate unfavourable resolution of one or more pending litigation matters could have a material adverse effect on our financial condition. For additional information with respect to specific proceedings, see Item 8. Financial Information Legal Proceedings .

RISKS RELATED TO THE RESTRUCTURING PLAN

The implementation of the Restructuring Plan and the divestments anticipated in connection with that plan will significantly alter the size and structure of the Group and involve significant costs and uncertainties that could materially impact the Group.

In November 2008 the Dutch State purchased the Core Tier 1 Securities, and in the first quarter of 2009 we entered into the Illiquid Asset Back-up Facility (IABF) with the Dutch State, the structure of which has been since then modified as per the Amended and Restated Illiquid Assets Back-up Facility of 13 November 2012, in connection with the sale of ING Direct U.S. in February 2012. As a result of having received state aid through the Dutch State Transactions, we were required to submit a restructuring plan to the European Commission (EC) in connection with obtaining final approval for the Dutch State Transactions under the EC state aid rules. On 26 October 2009, we announced our restructuring plan (Initial Restructuring Plan), pursuant to which we were required to divest by the end of 2013 all of our insurance business, including the investment management business, as well as ING Direct U.S., which operated our direct banking business in the United States, and certain portions of our retail banking business in the Netherlands. The EC s approval of the Initial Restructuring Plan was issued on 18 November 2009. On 28 January 2010 ING lodged an appeal with the General Court of the European Union (General Court) against specific elements of the EC s decision regarding the Initial Restructuring Plan. On 2 March 2012, the General Court partially annulled the EC s decision of 18 November 2009. Subsequently, the EC filed an appeal against the General Court s judgment before the Court of Justice of the European Union. In parallel, the EC adopted a decision on 11 May 2012 that re-approved the state aid granted to ING Group as compatible with the internal market on the basis of the Initial Restructuring Plan. On the same date, the EC adopted an interim decision which opened an investigation concerning certain amendments and elements of the Initial Restructuring Plan. On 24 July 2012, ING announced that the Dutch State and ING were in dialogue with the European Commission on an amended and updated Restructuring Plan to be submitted to the European Commission. However, in order to safeguard its legal rights, ING filed an appeal with the General Court of the European Union against the European Commission s decision of 11 May 2012, which re-approved the Initial Restructuring Plan.

On 19 November 2012, ING and the Dutch State announced that they reached an agreement with the EC on significant amendments to the Initial Restructuring Plan (Amended Restructuring Plan , and together with the Initial Restructuring Plan, Restructuring Plan). The Amended Restructuring Plan extended the time horizon and increased the flexibility for the completion of divestments and adjusted other commitments set forth in the Initial Restructuring Plan.

As a result of the Amended Restructuring Plan, the EC has closed its formal investigations as announced on 11 May 2012, and ING has withdrawn its appeal with the General Court filed in July 2012. Although EC s appeal

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against the March 2012 ruling of the General Court is expected to continue, ING, the Dutch State and the EC have agreed that any outcome of this procedure will not affect the approval of the Amended Restructuring Plan. See Note 34 of the Notes to the consolidated annual accounts of ING Group in the 2012 Annual Report of ING Groep N.V for more information on and implications of the Amended Restructuring Plan.

The restrictions imposed by the Restructuring Plan could adversely affect our ability to maintain or grow market share in key markets as well as our results of operations. See Risks Related to the Restructuring Plan. See The limitations required by the EC on our ability to compete and to make acquisitions or call certain debt instruments could materially impact the Group .

There can be no assurance that we will be able to implement the Restructuring Plan successfully or complete the announced divestments on favorable terms or at all, particularly in light of the market developments in general as well as the fact that other financial institutions may place similar assets for sale during the same time period and may seek to dispose of assets in the same manner. Any failure to successfully implement the Restructuring Plan may result in EC enforcement actions or EC procedures and may have a material adverse impact on the assets, profitability, capital adequacy and business operations of the Group. Moreover, in connection with the implementation of the Restructuring Plan, including any proposed divestments, we or potential buyers may need to obtain various approvals, including of shareholders, works councils and regulatory and competition authorities, and we and potential buyers may face difficulties in obtaining these approvals in a timely manner or at all. In addition, the implementation of the Restructuring Plan may strain relations with our employees, and specific proposals in connection with the implementation may be opposed by labor unions or works councils. Furthermore, following the announcement of the Initial Restructuring Plan, for example, several of our subsidiaries were downgraded or put on credit watch by rating agencies. See Risks Related to the Group s Business, Operations, and Regulatory Environment Ratings are important to our business for a number of reasons. A downgrade or a potential downgrade in our financial strength or our credit ratings could have an adverse impact on our operations and net results .

Other factors that may impede our ability to implement the Restructuring Plan successfully include an inability of prospective purchasers to obtain funding due to the deterioration of the credit markets, insufficient access to equity capital markets, a general unwillingness of prospective purchasers to commit capital in the current market environment, antitrust concerns, any adverse changes in market interest rates or other borrowing costs and any declines in the value of the assets to be divested. Similarly, it may also be difficult to divest all or part of our insurance or investment management business through one or more initial public offerings. There can also be no assurance that we could obtain favorable pricing for a sale of all or part of our insurance or investment management business in the public markets or succeed in turning the relevant subsidiaries into viable stand-alone businesses. A divestment may also release less regulatory capital than we would otherwise expect.

Any failure to complete the divestments on favorable terms, could have a material adverse impact on our assets, profitability, capital adequacy and business operations. If we are unable to complete the announced divestments in a timely manner, we would be required to find alternative ways to reduce our leverage, and we could be subject to enforcement actions or proceedings by the EC. In particular, if we do not succeed in completing divestitures as described in the Amended Restructuring Plan within the timelines set out therein and/or do not succeed in satisfying the commitments with respect to Nationale Nederlanden Bank by year-end 2015 as described in the Amended Restructuring Plan, the Dutch State will re-notify this to the EC who may take any enforcement action, require additional restructuring measures and/or request the Dutch State to appoint a divestiture trustee with a mandate to complete the relevant divestiture with no minimum price.

The implementation of the divestments announced in connection with the Restructuring Plan, including the separation of the insurance and most of the investment management operations from the banking operations, will also give rise to additional costs related to the legal and financial assessment of potential transactions. The implementation may also result in increased operating and administrative costs. The process of completing the steps contemplated by the Restructuring Plan may be disruptive to our business and the businesses we are trying to sell and may cause an interruption or reduction of our business and the businesses to be sold as a result of, among other factors, the loss of key employees or customers and the diversion of management s attention from our day-to-day business as a result of the need to manage the divestment process as well as any disruptions or difficulties that arise during the course of the divestment process. We may face other difficulties in implementing the Restructuring Plan and completing the planned divestments. For instance, the divestments, individually or in the aggregate, may trigger provisions in various contractual obligations, including debt and capital instruments, which could require us to modify, restructure or refinance those or other related obligations. We may not be able to effect any such restructuring or refinancing on similar terms as the current contractual obligations or at all. In addition, the announced divestments could be the subject of challenges or litigation, and a court could delay any of the divestment transactions or prohibit them from occurring on their proposed terms, or from occurring at all, which could adversely affect our ability to use the funds of the divestments to repay the remaining amount of the Core Tier 1 Securities, reduce or eliminate our double leverage and strengthen our capital ratios as anticipated and eliminate the constraints on competition imposed by the EC.

The limitations required by the EC on our ability to compete and to make acquisitions or call certain debt instruments could materially impact the Group.

As part of our Restructuring Plan, we have undertaken with the EC to accept certain limitations on our ability to compete in certain retail, private and direct banking markets in the European Union and on our ability to acquire (i) financial institutions and (ii) businesses insofar this would delay our repayment of the remaining Core Tier 1 Securities held by the Dutch State. These restrictions in principle apply until the earlier of (1) 18 November 2015, and (2) the date upon which more than 50% of the required divestments has been made. We were also required to agree to limitations on our ability to call Tier-2 capital and Tier-1 hybrid debt instruments, which remain subject to authorisations by the EC on a case-by-case basis until the earlier of 18 November 2014 or the repayment of the remaining Core Tier 1 Securities (including the relevant accrued interest on Core Tier 1 coupons and exit premium fees). If the EC does not approve the calling of Tier-2 capital and Tier-1 hybrid debt instruments in the future, this may have adverse consequences for us, result in additional payments on these instruments and limit our ability to seek refinancing on more favorable terms. ING is furthermore restricted to a maximum ratio for mortgage production at ING Retail Banking Netherlands in relation to the mortgage production of Nationale-Nederlanden Bank until year-end 2015. The limitations described above will impose significant restrictions on our banking business operations and on our ability to take advantage of market conditions and growth opportunities. Such restrictions could adversely affect our ability to maintain or grow market share in key markets, as well as our results of operations.

Upon the implementation of the Restructuring Plan, we will be less diversified and may experience competitive and other disadvantages.

Following completion of the planned divestments under the Restructuring Plan, we expect to become a significantly smaller, regional financial institution focused on retail, direct and commercial banking in the Benelux region and certain other parts of Europe, as well as selected markets outside Europe. Although we will remain focused on banking operations, we may become a smaller bank than that represented by our current banking operations. In the highly competitive Benelux market and the other markets in which we operate, our competitors may be larger, more diversified and better capitalised and have greater geographical reach than us, which could have a material adverse effect on our ability to compete, as well as on our profitability. The divested businesses may also compete with the retained businesses, on their own or as part of the purchasers enlarged businesses. In addition, the restrictions on our ability to be a price leader and make acquisitions and on our compensation policies could further hinder our capacity to compete with competitors not burdened with such restrictions, which could have a material adverse effect on our results of operations. There can be no assurance that the implementation of the Restructuring Plan will not have a material adverse effect on the market share, business and growth opportunities and results of operations for our remaining core banking businesses.

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

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

- contemplated costs to effect these initiatives may exceed estimates;
- divestments planned in connection with the Restructuring Plan may not yield the level of net proceeds expected, as described under Risks Related to the Restructuring Plan The implementation of the Restructuring Plan and the divestments anticipated in connection with that plan will significantly alter the size and structure of the Group and involve significant costs and uncertainties that could materially impact the Group ;
- initiatives we are contemplating may require consultation with various regulators as well as employees and labor representatives, and such consultations may influence the timing, costs and extent of expected savings;
- the loss of skilled employees in connection with the initiatives; and
- projected savings may fall short of targets.

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

Our agreements with the Dutch State impose certain restrictions regarding the issuance or repurchase of our shares and the compensation of certain senior management positions.

In connection with the transactions with the Dutch State, the Dutch State was granted the right to nominate two candidates for appointment to the Supervisory Board (State Nominees). The Dutch State s nominees have veto rights over certain material transactions. For so long as the Dutch State holds at least 25% of the Core Tier

1 Securities, for so long as the IABF is in place or for so long as any of the government-guaranteed senior unsecured bonds issued by ING Bank N.V. under the Credit Guarantee Scheme of the Netherlands (Government Guaranteed Bonds) are outstanding, we are prohibited from issuing or repurchasing any of our own shares (other than as part of regular hedging operations and the issuance of shares according to employment schemes) without the consent of the State Nominees. In addition, under the terms of the Core Tier 1 Securities and IABF, we have agreed to institute certain restrictions on the compensation of the members of the Executive Board and senior management, including incentives or performance-based compensation. These restrictions could hinder or prevent us from attracting or retaining the most qualified management with the talent and experience to manage our business effectively. See Risks Related to the Group s Business, Operations, and Regulatory Environment ING Group may be unable to retain key personnel above. Our agreements with the Dutch State have also led to certain restrictions imposed by the EC as part of the Restructuring Plan, including with respect to our price leadership in EU banking markets and our ability to make acquisitions of financial institutions and other businesses. See The limitations required by the EC on our ability to compete and to make acquisitions or call certain debt instruments could materially impact the Group above.

Whenever the overall return on the (remaining) Core Tier 1 securities issued to the Dutch State is expected to be lower than 10% p.a and/or in the event that ING does not repay the remaining Core Tier 1 securities in accordance with the repayment schedule that was submitted to the European Commission as part of the Amended Restructuring Plan, the European Commission may consider the imposition of additional behavioural constraints.

As stated in the decision of the European Commission of 12 November 2008 (in State aid N 528/2008 The Netherlands), the Core Tier 1 state-aid measure must be (re)notified to the European Commission by the Dutch authorities if the overall return on the Core Tier 1 Securities of at least 10% p.a. is not expected to be achieved. In such a case, the European Commission may require additional (behavioural) constraints as a condition of the compatibility of the measure.

In 2011, ING reported to the Dutch authorities that ING has abstained from paying dividends on its shares for a period of two consecutive years (i.e. 2009 and 2010) as a result of which the EC opened an investigation into ING s restructuring process. Following the approval of the Amended Restructuring Plan, the EC closed its formal investigations, and on 26 November 2012 ING repaid its first tranche of EUR 1,125 million to the Dutch State. This tranche consisted of EUR 750 million in repayment of Core Tier 1 Securities and EUR 375 million in premiums and interest. The remaining three tranches of EUR 1,125 million each will have a similar composition and are expected to be paid in November 2013, March 2014 and May 2015, respectively, translating into an overall internal rate of return of 12.5%. Any repayment of the remaining Core Tier Securities is conditional on approval from the DNB. Upon reaching the agreement on the Amended Restructuring Plan, ING indicated that it aims to repay the remaining Core Tier 1 Securities as soon as possible and accelerate repayments to the extent it is deemed prudent under prevailing financial circumstances. If the repayment of a tranche cannot be made in full or in part, ING will be required to make it up by a corresponding increase of the subsequent tranche to be repaid.

The Netherlands committed to re-notify the recapitalisation measure in the event that ING does not repay in full two consecutive tranches. Moreover, if ING does not repay a total of EUR 4.5 billion by 15 May 2015, the Dutch State commits to re-notify the recapitalisation measure.

If ING is unable to repay the remaining Core Tier 1 Securities according to the above-mentioned deadlines and other terms agreed with the European Commission, this could result in the European Commission imposing additional (behavioural) constraints on us or taking any enforcement action against us.

ADDITIONAL RISKS RELATING TO OWNERSHIP OF ING SHARES

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

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

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been given to the Trust. In exercising its voting discretion, the Trust is required to be guided primarily by the interests of the holders of bearer depositary receipts, while also taking into account:

- our interests, and
- the interests of our affiliates.

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

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

The share price of our bearer depositary receipts has been volatile in the past, and the share price and trading volume of our bearer depositary receipts may continue to be subject to significant fluctuations due, in part, to changes in our actual or forecast operating results and the inability to fulfil the profit expectations of securities analysts, as well as to the high volatility in the securities markets generally and more particularly in shares of financial institutions. Other factors, besides our financial results, that may impact our share price include, but are not limited to:

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

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

It is ING s policy to pay dividends in relation to the long-term underlying development of cash earnings. Dividends can only be declared by shareholders when the Executive Board considers such dividends appropriate, taking into consideration the financial conditions then prevailing and the longer-term outlook. See Item 8. Financial Information Dividends . Given the uncertain financial environment, ING will not pay a dividend over 2012 and until all remaining Core Tier 1 Securities have been repaid to the Dutch State and the Basel III requirements have been met. Furthermore, there can be no assurance that we will pay dividends in the future.

The remaining Core Tier 1 Securities issued to the Dutch State may be converted into Ordinary Shares or bearer depositary receipts and dilute existing shareholders.

The terms of the Core Tier 1 Securities permit us, on or after 12 November 2011, to convert any or all of the remaining Core Tier 1 Securities (EUR 2.25 billion per 26 November 2012) into Ordinary Shares or bearer depositary receipts on the basis of one Core Tier 1 Security for 1,335 Ordinary Shares on a one for one basis (subject to customary adjustments as may be necessary to preserve economic equivalence) or bearer depositary receipts. Any such conversion would dilute existing shareholders. If we exercise our conversion right, the Dutch State may opt to require us to redeem the Core Tier 1 Securities on the conversion date at the original issue price of EUR 10 per Core Tier 1 Security, together with the pro rata coupon, if due, accrued to such date.

Certain holders of ING shares may not be able to participate in future equity offerings with subscription rights.

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

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Item 4. Information on the Company
GENERAL

ING was established as a Naamloze Vennootschap (a Dutch public limited liability company) on 4 March 1991, through the merger of Nationale-Nederlanden, which was the largest insurer in the Netherlands, and NMB Postbank Group, which was one of the largest banks in the Netherlands. ING Groep N.V. is incorporated under the laws of the Netherlands.

The official address of ING Group is:	The name and address of ING Groep N.V. s agent in the United States is:
ING Groep N.V. Bijlmerplein 888 1102 MG Amsterdam P.O. Box 1800, 1000 BV Amsterdam The Netherlands Telephone +31 20 563 6710	ING Financial Holdings Corporation 1325 Avenue of the Americas New York, NY 10019 United States of America Telephone +1 646 424 6000

Our mission

ING s mission is to set the standard in helping our customers manage their financial future. We aim to deliver financial products and services in the way our customers want them delivered: with exemplary service, convenience and at competitive prices.

Our profile

ING is a global financial institution of Dutch origin, currently offering banking, investments, life insurance and retirement services.

We are concentrating on our position as a strong European bank with attractive home market positions in Northern Europe and growth options in Central and Eastern Europe and Asia, while creating an optimal base for independent futures for our insurance operations (including investment management).

Our strategy

To serve the interests of all stakeholders, increase management focus and create value for shareholders, ING is moving towards full separation of its banking and insurance operations. The separation is part of the Restructuring Plan required by the European Commission in order to gain approval for the Dutch state aid received in 2008/2009.

ING Group s strategic priorities are: strengthening our financial position, restructuring, streamlining the portfolio, repaying state aid and building both stronger banking and insurance/investment management businesses, all based on sound business ethics and good corporate citizenship.

ING Bank intends to be a strong, predominantly European bank, with leading domestic full-service banking positions in attractive, stable home markets, as well as a leading commercial bank in the Benelux with a strong position in Central and Eastern Europe. We will also continue to evolve our various ING Direct units into more mature full-service banking models. These initiatives in Europe, coupled with our positions outside Europe, should give the Bank attractive growth potential in the long term. ING will build on its global presence and international network and capitalise on its leadership position in gathering savings, multi-channel distribution, simple propositions and marketing.

On the insurance side, the focus will be to optimise returns and value for the business as we prepare for separation. We will focus on earning our customers trust through transparent products, value for money and superior service. This reflects our universal customer ideal: saving and investing for the future should be easier.

ING Insurance/Investment Management (IM) is preparing its businesses for standalone futures. ING Insurance/IM Europe and ING Insurance/IM US are preparing for base case initial public offerings (IPOs) and the sale of ING Insurance/IM Asia is in full progress. ING Insurance/IM will continue to focus on its customers and distributors by providing exemplary products and service.

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Our customers

ING serves a broad customer base, comprising individuals, families, small businesses, large corporations, institutions and governments.

Our stakeholders

ING conducts business on the basis of clearly defined business principles. In all our activities, we carefully weigh the interests of our various stakeholders such as customers, employees, supervisors, shareholders, civil society organisations and regulators.

Our corporate responsibility

ING wants to build its future on sustainable profit based on sound business ethics and respect for its stakeholders and to be a good corporate citizen. Our Business Principles prescribe the corporate values we pursue and the responsibilities we have towards society and the environment: we act with integrity, we are open and clear, we respect each other and we are socially and environmentally responsible.

CHANGES IN THE COMPOSITION OF THE GROUP

Acquisitions effective in 2012

There were no significant acquisitions in 2012.

Disposals announced in 2013

ING Vysya Life Insurance

In January 2013, ING announced it has agreed to sell its full interest in ING Vysya Life Insurance Company Ltd. to its joint venture partner Exide Industries Ltd. ING s exit from the Indian life insurance joint venture is part of the previously announced intended divestment of ING s Insurance and investment management businesses in Asia. The transaction is expected to result in a loss and therefore, the related goodwill has been reduced by EUR 15 million in the fourth quarter of 2012. Subject to regulatory approvals, the transaction is expected to close in the first half of 2013.

Disposals effective in 2012

Insurance businesses in Malaysia

In October 2012, ING announced that it has reached an agreement with AIA Group Ltd. on the sale of ING s insurance operations in Malaysia, which include its life insurance business, its market-leading employee benefits business and its 60% stake in ING Public Takaful Ehsan Berhad. ING received a total cash consideration of EUR 1.3 billion. In December 2012, ING announced that it has completed the sale with a net transaction gain of EUR 745 million after tax.

ING Direct Canada

In August 2012, ING announced that it reached an agreement to sell ING Direct Canada for a total consideration of CAD 3.1 billion (approximately EUR 2.4 billion) to Scotiabank, a leading Canadian financial services company. ING Direct Canada had approximately CAD 40 billion in assets. The sale of ING Direct Canada lead to a transaction gain of EUR 1.1 billion after tax. Under the terms of the sale agreement, Scotiabank paid CAD 3.1 billion in cash for all of the shares in ING Bank of Canada, which is the formal name of ING Direct Canada. In addition to this, Scotiabank assumed the responsibility to redeem on 5 March 2013 (which is the first eligible call date after closing) a locally issued lower tier 2 bond (ISIN CA 456847AA01) with a total outstanding amount of CAD 321 million, which carries a guarantee from ING Bank. ING Direct Canada was included in the segment Retail Rest of World. In November 2012, ING announced that the transaction closed.

ING Direct USA

In June 2011, ING announced that it reached an agreement to sell ING Direct USA to Capital One Financial Corporation, a leading US- based financial holding company. In February 2012, ING announced that the transaction closed. Total proceeds of the transaction were approximately

USD 9.0 billion (or approximately EUR 6.9 billion), including USD 6.3 billion in cash and USD 2.7 billion in the form of 54.0 million shares in Capital One, based on the share price of USD 49.29 at closing on 16 February 2012. These shares represented a 9.7% stake in Capital One at closing. The transaction resulted in a positive result after tax of EUR 489 million and had a positive impact on ING Bank s core Tier 1 ratio of approximately 80 basis points at closing. This result included the release of the currency translation reserve and the available-for-sale reserve. The net negative cash proceeds from the divestment of ING Direct USA of EUR 10.3 billion (being the net amount of cash received of EUR 4.8 billion and cash included in the divestment of EUR 15.1 billion) is included in the cash flow statement in Disposals and redemptions group companies . ING Direct USA was previously included in the segment Retail Rest of World (ING Direct). In September 2012, ING sold all of its shares in Capital One

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Financial Corporation as disclosed in Note 38 Investment income of Note 2.1 to the consolidated financial statements.

In connection with the divestment of ING Direct USA, ING also completed the adjustment of the agreement with the Dutch State concerning the structure of the Illiquid Assets Back-up Facility (IABF) which was also announced on 16 June 2011. The amendment serves to de-link the IABF from ING Direct USA by putting ING Bank in its place as counterparty for the Dutch State. The IABF was further amended to ensure a continued alignment between ING and the State regarding exposure to the Alt-A portfolio. Reference is made to Note 34 Related parties of Note 2.1 to the consolidated financial statements for details on the original agreement and the amendments made.

Disposals announced in 2012 but not closed in 2012

ING s Insurance and investment management businesses in Asia

In 2012, ING s Insurance and investment management businesses in Asia (Asia) were classified as held for sale and discontinued operations. In 2012 various individual divestment transactions were agreed. The specifics of these transactions are included below. The Asian Insurance and Investment Management businesses and the reinsured Japan SPVA businesses in Corporate Reinsurance were previously included respectively in the segments Insurance Asia/Pacific and ING Investment Management and in the Corporate Line Insurance before they were classified as discontinued operations. Reference is made to Note 11 Assets and liabilities held for sale and Note 26 Discontinued operations .

ING s investment management business in Thailand

In November 2012, ING announced that it has reached an agreement to sell its investment management business in Thailand to UOB Asset Management Ltd. Under the terms agreed, ING will receive a total cash consideration of EUR 10 million for the investment management business in Thailand. The transaction is subject to regulatory approvals and is expected to close in the first half of 2013.

Insurance in Hong Kong, Macau, Thailand

In October 2012, ING announced that it has reached an agreement to sell its life insurance, general insurance, pension and financial planning units in Hong Kong and Macau, and its life insurance operation in Thailand to Pacific Century Group for a combined consideration of USD 2.1 billion (approximately EUR 1.6 billion) in cash. The transaction closed on 28 February 2013. A net gain of approximately EUR 950 million will be recognised in 2013. ING Investment Management s funds management businesses in Hong Kong and Thailand are outside the scope of this transaction.

China Merchants Fund

In October 2012, ING announced that it has reached an agreement for the sale of its 33.3% stake in China Merchants Fund, an investment management joint venture, to its joint venture partners China Merchants Bank Co., Ltd., and China Merchants Securities Co., Ltd. Under the terms agreed, ING will receive a total cash consideration of approximately EUR 98 million. At closing of the transaction, ING expects the transaction to realise a net gain of approximately EUR 64 million which will be recognised on closing of the transaction. This transaction is subject to regulatory approvals and is expected to close in the second quarter of 2013.

ING s Malaysian investment management business

In December 2012, ING announced that it has reached an agreement to sell its 70%-stake in ING Funds Berhad (IFB), ING s investment management business in Malaysia, to Kenanga Investors Berhad (Kenanga Investors), a wholly owned subsidiary of K & N Kenanga Holdings Berhad (Kenanga). Tab Inter-Asia Services Sdn Berhad has also agreed to sell its 30% stake in IFB to Kenanga Investors. This transaction will not have a material impact on ING s results and is subject to regulatory approvals. The transaction does not impact ING s other businesses in the region and is expected to close in the first quarter of 2013.

ING Direct UK

In October 2012, ING announced that it has reached an agreement to sell ING Direct UK to Barclays. Under the terms of the agreement, the GBP 11.6 billion (approximately EUR 13.4 billion) of savings deposits and GBP 5.5 billion of mortgages (approximately EUR 6.4 billion) of ING Direct UK will be transferred to Barclays. The transfer resulted in an after tax loss of EUR 260 million which was recognised in 2012. In 2012, ING Direct UK is classified as held for sale. ING Direct UK is included in the segment Retail Rest of World. On 6 March 2013, ING announced that the transaction closed.

For the years 2011 and 2010, see Note 31 of Note 2.1 to the consolidated financial statements

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RECENT DEVELOPMENTS

On 22 February 2013, ING announced that Jan Hommen will step down from his position as CEO of ING Group per 1 October 2013. He will be succeeded as CEO by Ralph Hamers (1966, Dutch) currently CEO of ING Belgium. Jan Hommen s current four-year term in the Executive Board will expire after the annual General Meeting (AGM) on 13 May 2013. The Supervisory Board will propose to the AGM to re-appoint him for the period until 1 October to ensure a smooth leadership transition. Ralph Hamers will be nominated as a member of the Executive Board per the AGM. As of 1 October 2013, he will succeed Jan Hommen and become the new CEO of ING Group. Following his appointment to the Executive Board Ralph Hamers will also become a member of the Management Board Banking (MBB), and Management Board Insurance EurAsia (MBE), and as of 1 October 2013 he will succeed Jan Hommen as CEO of the MBB and MBE. Decisions regarding the composition of the Board of ING U.S. are pending in light of its planned IPO. Jan Hommen was named a member of the Supervisory Board of ING Group in 2005 and its Chairman in 2008. In 2009, he became CEO of ING Group and Chairman of the Executive Board.

On 1 February 2013, the nationalisation of SNS Reaal, a Dutch financial institution, was announced. As a consequence of the arrangements made by the Dutch government, ING Bank and other Dutch banks will be required to pay an aggregate one-time levy of EUR 1 billion in 2014. For ING, based on current limited information, this is estimated to result in a charge of EUR 300-350 million. ING will carefully assess further details on the form, the amount and the timing of the levy as they become available. The Dutch Ministry of Finance has decided to postpone the introduction of the new Deposit Guarantee Scheme from 2013 to 2015.

As a consequence of the global financial crisis ING Bank has set up an all-encompassing recovery planning process to enhance the bank s readiness and decisiveness to tackle financial crises on its own strength. ING Bank s Recovery Plan has been submitted to and approved by DNB in 2012. Furthermore, in the course of 2012, DNB has requested ING Bank to prepare and submit information on the basis of which the Dutch Resolution Authorities will be able to develop a Resolution Plan. ING is diligently working towards providing this information and meeting the deadlines scheduled at end 2013 provided by DNB.

FINANCIAL AND REGULATORY ENVIRONMENT

Continuing challenges in the external environment had an impact on ING in 2012, the most prominent being the deepening of the eurozone sovereign debt crisis which created an extremely challenging financial market environment in the first half of 2012, until the European Central Bank (ECB) took action to relieve the immediate financial markets stress. The ECB s efforts were probably the main reason for financial market stability from the third quarter onwards.

The current regulatory reforms taking place in the financial sector are aimed at making it more resilient to external shocks, and they have an impact on ING. We support the need to make financial institutions more resilient and the system as a whole more stable. We support the overall majority of international, European and national measures being undertaken, such as the required strengthening of banks core capital base. However, ING is concerned about the cumulative impact of the many different measures, the uncertainty when and in what form they will be implemented, and how they will affect our role in financing the real economy.

Challenges in financial environment remain

The sovereign debt crisis continued in 2012 and its negative effect on the real economy escalated. Since the third quarter of 2012, the general financial market sentiment in the eurozone and in the US improved. By contrast, the real economy deteriorated in most of Europe during the second half of the year.

Eurozone sovereign debt crisis affected the credit and equity markets in 2012

The uncertainty about the future of the euro, combined with austerity measures taken in certain European Union member states, are among the reasons why the eurozone has been pushed back into recession. A modest recovery is only slowly taking hold in the US, while Chinese growth came off the boil in 2012. Globally, central banks have been providing additional support. Although this support probably has not been effective in curing the world s economic ills, it did stabilise financial markets.

Both in the eurozone and the US, credit spreads followed a similar pattern during the year. In the first quarter, they decreased as market sentiment improved, which was fuelled by the ECB s Long Term Refinancing Operation (of which ING made no use). However, market sentiment deteriorated again at the end of the second quarter due to concerns about a possible break-up of the eurozone. From the third quarter onwards credit

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market sentiment improved (and therefore credit spreads were down) again, mainly because of the ECB expressing its commitment to the euro. The ECB president s promise of unlimited, if conditional, sovereign bond buying the so called Outright Monetary Transactions in August and September 2012 eased immediate stress. Since then, there has been an uneasy market balance, despite no actual ECB intervention. During 2012, equity indices followed a pattern that mirrored credit spreads, with an overall improvement over the whole year.

Europe falls behind, signs of revival in US economy

Austerity measures started to weigh heavily on the eurozone economy in 2012. As unemployment increased, consumer spending remained weak and companies postponed investment decisions. Economic growth in the eurozone turned negative in the second quarter and remained negative for the rest of 2012. European financial markets remained under stress in the first half of the year.

Whilst Europe was mired in recession, the US economy showed some signs of revival in the second half of 2012. The US housing market slowly recovered, with prices stabilising and construction activity recovering. Unemployment was trending downward, reinforcing ING s view of a recovery slowly taking hold in the US.

The prolonged low growth period in the advanced economies had a negative impact on consumption, capital investment expenditures and job creation in the emerging countries. Governments in China, India, Brazil, Turkey and other emerging markets shifted their focus to reducing government deficits. Risk aversion by foreign investors around the world reduced non-debt capital flows to emerging markets, forcing them to increase domestic savings to finance new capital investments. China suffered a growth slowdown in 2012, but the economy showed signs of picking up again towards the end of the year.

The uncertain economic outlook and the turbulence on financial markets in 2012 were among the factors that made ING Bank put extra focus on funding, capital and liquidity.

IMPORTANT CHANGES IN REGULATION AND SUPERVISION

The most prominent development in 2012 was the agreement reached among the heads of European Union member states on the introduction of a European banking union. Agreement on the details and timetable is likely to take some time.

Banking union/single supervisory mechanism

ING supports the concept of a banking union based on four main pillars: a single supervisory mechanism (SSM), a single rulebook for prudential regulation, a common framework for recovery and resolution, and a harmonised deposit guarantee scheme. Such a union is likely to reduce fragmentation in the interbank and wholesale markets and increase the integrity of the European single market and European single currency.

The SSM, which will give strong powers to the ECB for the supervision of all banks in the euro area, with a mechanism for non-eurozone countries to join voluntarily, is an important first step in achieving a banking union. It is crucial that the ECB has exclusive responsibility to carry out specific prudential tasks. Furthermore, a consistent application of the single rulebook, a single set of rules for all banks in the euro area, is key as it will diminish discrepancies between national supervisory practices. Important tasks like the authorisation of credit institutions, assessment of acquisitions and disposals, the authority to ensure compliance for capital, liquidity regime and leverage ratios, and the imposition of additional capital buffers for prudential and countercyclical reasons should be the exclusive responsibility of the ECB for all banks in the participating member states.

Regulations drive up capital requirements

The Capital Requirements Directives (CRD III and CRD IV) have already affected and will continue to increase the capital requirements for all banks in Europe, including ING. ING recognises the importance of mitigating systemic risk. As expected, the G20 in 2012 included ING on its list of Global Systemically Important Banks (G-SIBs). G-SIBs will be required to hold an additional buffer above the 7% core Tier 1 buffer of Basel III, to be phased in between 2016 and 2019. ING is in one of the lower categories, and therefore subject to an additional requirement of 1%. In addition, the Dutch regulator indicated that the national capital requirements for systemically important banks in the Netherlands will be in the range of 1-3% including the G20 international requirement mentioned above. ING is expected to be in the highest category in the Netherlands. These requirements must be met by 2019. The Dutch Government agreed in October 2012 that the timetable for the additional buffers for Systemically Important Financial Institutions (SIFIs) will be brought forward in a responsible way, taking the international situation into account. As for macro-prudential tools, CRD IV will introduce a Systemic Risk Buffer which will apply to the whole or parts of the banking sector and will be covered by the core Tier 1 capital ratio. The systemic risk buffer is one of the most important deviations from the Basel III rules, as Basel does not recognise systemic risk. The details and impact of this buffer can only be assessed

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once CRD IV has been finalised. The delay in the implementation of CRD IV, which was scheduled for 1 January 2013, has created uncertainty about how the regulations will evolve and when they will be implemented. In particular, ING is concerned about the cumulative impact of all the various capital buffers, and the timing of their implementation.

Regulatory measures that impact liquidity

The liquidity position of European banks, including ING, is being shaped by CRD IV, and, in the case of ING, by regulations from DNB. The observation period of the Liquidity Coverage Ratio (LCR) was intended to start in the EU in January 2013, but this has not happened because CRD IV has been delayed. Based on input from various parties, the European Banking Authority (EBA) will incorporate reporting on a broader range of assets and will decide by 2015 on the final eligibility criteria for liquid assets. In January 2013, the Basel Committee on Banking Supervision (BCBS) announced a number of changes both in content and planning of implementation for the LCR. The proposed widening of the list of eligible assets for the LCR by the BCBS will be included in CRD IV.

EU crisis management framework

The draft Crisis Management Framework Directive was published in June 2012, and is still under discussion at the European Parliament and the European Council. The most important elements are: recovery and resolution planning, bail-in requirements and the financing of resolution arrangements. Bail-in requirements are planned to enter into force by 2018, the other parts in 2014.

ING favours the use of a designated bail-in liability class where the bail-in capital consists of subordinated instruments that may be written-down or converted in a resolution scenario with clear triggers attached to it. Banks should build up a sufficiently large layer of bail-inable debt that should be clearly defined, so that its position within the hierarchy of debt commitments in a bank s balance sheet is clear, and investors understand the eventual treatment in the event of resolution.

ING Bank submitted its recovery planning package to DNB in November 2012. These included detailed tasks and responsibilities for (i) recovery in case of financial crisis, (ii) monitoring of metrics, (iii) maintenance of the recovery planning package, and (iv) implementation of certain recovery planning activities. Except for responsibilities related to recovery these tasks and responsibilities are embedded in the regular, going-concern organisation and processes. ING has defined a crisis operational framework with several specific governance arrangements that will be initiated in case of recovery. Similarly, ING has set up a procedure to monitor the metrics and a decision-making process to determine whether or not the recovery plan should be activated.

Furthermore, in the course of 2012, DNB has requested the largest Dutch banks to prepare and submit information on the basis of which they will be able to develop a Resolution Plan. ING is diligently working towards providing this information and meeting the deadlines provided by DNB.

Bank structural reform

The European Commission s High-level Expert Group on Bank Structural Reform, better known as the Liikanen Committee, published its report on reforming the EU banking sector on 2 October 2012. If the size of certain trading activities compared to a bank s total activities exceeds certain thresholds, the Liikanen Committee recommends that it may be necessary to require legal separation of these activities into a separate trading entity. The shares of this trading entity could be held by a bank holding company that also holds the shares of the deposit bank. In addition, the Liikanen Committee made a number of other recommendations regarding bail-in instruments, capital requirements and governance and control. The impact of the Liikanen recommendations on ING s business model is unclear, not in the least because it is uncertain if and to what extent the European Commission will follow the Liikanen Committee separation recommendation in its legislative proposal, which is expected around the summer of 2013.

ING believes in the strength of the universal banking model, combining retail and commercial banking activities. The universal banking model brings major benefits in terms of risk diversification, capital and liquidity management, consumer choice and fulfilling the needs of long-term customer banking relationships. Commercial banking activities within ING provide key support in terms of debt capital markets, hedging, cash management, trade finance and project finance, which helps serve the growing demand for integrated services, from large corporations and small and medium-sized enterprises (SMEs). The synergies achieved by combining this wide range of services within a universal bank would be lost if parts of these activities were separated or ring-fenced. ING is of the opinion that moving activities not permitted in a deposit bank into a trading bank would be detrimental to the ability of banks to serve their customers.

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Trading activities account for only a small percentage of ING s overall activities. Many of the activities booked in the trading book are directly related to providing services to customers, such as hedging risks and securities underwriting. If trading activities had to be separated from the rest of the bank s activities, providing such customer services would no longer be possible within one bank, also due to the large exposure rules.

In the Netherlands, the Wijffels Committee, named after the Dutch representative in the Liikanen Committee, was established in October 2012. The task of the Wijffels Committee is to advise the Dutch government on a number of topics, including applying the recommendations of the Liikanen Committee to Dutch banks, or whether additional measures are needed. The Wijffels Committee has been asked to submit its report by 15 June 2013.

Solvency II

During 2012, ING Insurance/Investment Management devoted much attention to preparing to meet the Solvency II capital adequacy requirements. Both in the head office and in the business units, many measures have been taken to upgrade our existing risk measurement and risk reporting to the required levels.

During the course of 2012 it became increasingly likely that the Solvency II framework would not be transposed into national law by the official deadline 1 January 2014, giving the insurance industry more time. Although ING Insurance/Investment Management sees many potential advantages of Solvency II over the existing Solvency I framework, we recognise that the Solvency II framework may have severe consequences, particularly on business models in which long-term guarantees are offered to customers. ING will therefore continue to take part in discussions with the industry and regulators to develop a more workable framework.

In parallel with these preparations, further development of Solvency II continued. Some progress was made on the Omnibus II Directive the Directive that will amend the already-agreed level 1 Solvency II Directive yet the legislative process was delayed when the trilogue partners (European Commission, European Parliament and the Council) failed to come to an agreement. The main area of disagreement is the treatment of long-term guarantees under Solvency II. Ultimately, the deadlock was broken with their agreement on an impact assessment, to be executed early 2013. During the trilogue discussions, ING stressed the importance of appropriate long-term guarantee measures. A failure to put in place appropriate measures would diminish insurers ability to provide such long-term guarantees, and undermine the role of insurers as long-term investors and stabilisers of the economy. Together with other insurance companies ING proposed an appropriate balance, which will be tested in a forthcoming impact assessment.

ING recognises that the disagreements on the treatment of long-term guarantees have led to a significant delay in implementing Solvency II. We also recognise that the delay has prompted some member states to consider implementing elements of Solvency II ahead of the official date. As this would create an uneven playing field and impede standardised supervision, it is important for everyone to agree on a realistic timeline as soon as possible. ING will continue to play a part in industry discussions on Solvency II.

Comframe

On 2 July 2012, the International Association of Insurance Supervisors released a working draft on the Comframe Insurance core principles . Comframe, short for Common Framework for the Supervision of Internationally Active Insurance Groups (IAIGs) , has three main objectives: (i) develop methods of operating group-wide supervision of IAIGs, (ii) establish a comprehensive framework for supervisors to address group-wide activities and risks, and (iii) foster global convergence. The working draft received harsh criticism from supervisors and industry alike for being too detailed and too prescriptive. The IAIS will open Comframe up for a second round of consultation in 2013. Finalisation is not expected until 2018.

Global Systemically Important Insurers (G-SIIs)

In 2012, discussions on the methodology to identify Global Systemically Important Insurers, or G-SIIs in the terminology of the International Association of Insurance Supervisors (IAIS), continued. In those discussions, insurers have stressed that non-traditional, non-insurance activities should lie at the heart of G-SII identification. Regulators appear to prefer a much broader assessment also taking into account size and interconnectedness. A list of G-SIIs identified with this methodology is expected in the second quarter of 2013. In the meantime, the IAIS developed a policy on dealing with G-SIIs that was published for consultation. More discussions on this policy are expected in 2013.

EU unisex rule

In March 2011, the European Court of Justice ruled that insurers in Europe cannot differentiate in price or benefits for the same insurance products, based on gender. This gender-neutral pricing, commonly called the

unisex rule, states that as of 21 December 2012 life insurers must offer products that are identical for men and women. To comply with this new regulation, all product portfolios across the insurance business units were reviewed. More than 90 products were re-priced in ING Insurance Central and Rest of Europe. In the Benelux, all products available for sale were reviewed in the past two years to ensure they were compliant with the EU unisex rule. From 21 December 2012, all ING Insurance s products available for sale throughout the European Union have been compliant with the rule.

Alternative investment fund managers directive

During 2012, ING Investment Management spent considerable time and effort familiarising the organisation with the requirements of the Alternative Investment Fund Managers Directive (AIFMD), which was agreed in 2011 and comes into effect in July 2013. In July 2012, further details of the AIFMD became clear through a draft text publication. Since then the EC has missed its deadline of September 2012 for the publication of the final version of that text due to discussions on some of the detailed AIFMD measures. ING is awaiting publication of the final text and will continue to prepare the organisation for timely compliance with the AIFMD.

ING Bank reached agreement with the U.S. authorities

On 12 June 2012, ING Bank entered into a Settlement Agreement with U.S. Department of the Treasury s Office of Foreign Assets Control (OFAC) and Deferred Prosecution Agreements with the Department of Justice, the United States Attorney s Office for the District of Columbia and the District Attorney of the County of New York (together the U.S. Authorities) in relation to the investigation by those agencies into compliance with U.S. economic sanctions and U.S. dollar payment practices until 2007. Under the terms of the Deferred Prosecution Agreements, no further action will be taken against ING Bank if it meets the conditions set forth in the agreements during an 18-months period. As part of the settlement, ING Bank has paid a total penalty of EUR 473 million. As announced on 9 May 2012, ING Bank recognised a provision in the first quarter of 2012 by which this issue has been sufficiently covered. ING Bank has cooperated closely and constructively with regulators and other authorities throughout this process. The U.S. Authorities have recognized ING s substantial cooperation in the resolution and ING s efforts and commitment to continuously enhance compliance within the organization.

Dutch regulatory developments

Dutch Coalition Agreement

On 29 October 2012, the Dutch coalition government agreement was presented. It contained some far reaching policy intentions for the banking sector which have still to be translated into legislation and pass through the Dutch parliament and senate. They include:

- The implementation of the capital requirements for SIFIs (SIFIs buffer) to be brought forward in a responsible way, based on a risk assessment and taking into account the need for an international level playing field.

- Dutch government support for a possible financial transaction tax (FTT) for the financial sector and membership of the group of EU member states exploring the possibilities of imposing an FTT in parts of the EU. However, a condition for the Dutch Government s support of any form of FTT is the exemption of Dutch pension funds.

- Legally capping variable remuneration, such as annual bonuses, in the financial sector at 20% of fixed remuneration.

- Stricter screening of bank employees to reduce risks.

- Enshrining banks duty of care in law.

- Introducing proposals to better protect citizens savings against high-risk banking, to be based on the advice of the Wijffels Committee.

Moreover, the Dutch government has introduced a mandatory oath for Executive and Supervisory Board members of financial institutions licensed in the Netherlands, effective per 1 January 2013. In this oath, the Executive and Supervisory Board members of the relevant ING entities licensed in the Netherlands, declare that they (i) will perform their duties with integrity and care (ii) will carefully consider all the interests involved in the company, i.e. those of the customers, the shareholders, the employees and the society in which the company operates, (iii) in that consideration, will give paramount importance to the customer 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. If they break the oath, the supervisory authority (DNB/AFM) can decide to reassess their suitability.

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The coalition agreement also contains a number of measures affecting the Dutch housing market. One of these is the curtailment of mortgage interest deduction for income tax purposes: interest on new mortgages will only be tax deductible under specified repayment conditions.

The policy intentions for the insurance sector include:

- Measures to be taken in the area of second pillar pensions basically focus on reducing the tax-favoured treatment of second pillar pensions per 1 January 2015.
- The increase of the insurance premium tax from 9.7% to 21% per 1 April 2013, causing a significant increase in insurance policy premiums.
- Fees for advice on annuities and disability insurance will no longer be tax-deductible, causing the price for advice to rise.

Bank Levy

On 1 July 2011, the Dutch Ministry of Finance announced a temporary reduction of the real estate transfer tax from 6% to 2% (a tax on property transactions). In this announcement, several ways of funding the reduction were identified, the introduction of a bank tax being one of them. The levy entered into force in 2012. Dutch and non- Dutch entities with banking activities in the Netherlands come within its scope. The taxable base of the levy is the liability side of the global consolidated balance sheet, with exemptions for equity, for deposits that are covered by a deposit guarantee scheme, and for certain liabilities that relate to insurance business.

The levy on short-term funding liabilities (less than one year) is twice as high as the levy on long-term funding liabilities (more than one year). Of the total yearly tax proceeds of EUR 600 million, EUR 175 million is borne by ING. If a bank violates the 1:1 fixed remuneration-to-variable remuneration ratio for board members set out in the Dutch Banking Code, the levy percentage will be increased. For ING, the levy increase will not be triggered as long as no bonuses are paid to the Executive Board of ING Group. Moreover, banking taxes paid by ING in other countries amounts to EUR 55 million in 2012. We believe the timing and motivation for such a bank levy to be inopportune given the economic climate and conditions in financial markets. There is also a risk that banks such as ING will face double taxation, i.e. taxation by more than one country per bank activity.

Deposit Guarantee Scheme

In August 2011, the Ministry of Finance and DNB published their proposal to establish an ex-ante funded (i.e. pre-funded) Deposit Guarantee Scheme (DGS) in the Netherlands. The scheme was expected to be introduced on 1 July 2013. However, as a consequence of the arrangements made by the Dutch government related to the nationalisation of SNS REAAL, ING and the other Dutch banks will be required to pay a one-time levy of EUR 1 billion in 2014. For ING, based on current limited information, this is estimated to result in a charge of EUR 300-350 million. To avoid a disproportionate financial burden for banks and in view of the ability of banks to lend to the real economy the ex-ante DGS contribution has now been postponed by two years until 1 July 2015.

The target level of the fund will be 1% of total guaranteed deposits in the Netherlands. This is about EUR 4 billion now, to be built up, in principle, in 15 years. The main element of the proposal is that for each bank the individual target amount is defined as 1% of its guaranteed deposit base. To reach this individual target amount, every bank pays a base premium of 0.0167% per quarter of its guaranteed deposits. Additionally, a risk add-on of 0%, 25%, 50% or 100% of the base premium has to be paid by every bank, depending on its risk weighting. We expect the cost for ING to amount to EUR 100 to 150 million on a yearly basis as of the start date of the DGS contribution. The banking industry is in discussions with the Ministry of Finance on several aspects of the DGS, including banks individual contributions and the fund s target size.

The Banking Code Monitoring Committee

A committee to monitor banks compliance with the Dutch Banking Code was set up in 2010 and in December 2012 it presented its report. It concluded that Dutch banks had made good progress on implementing the Code, but that more could be done and that banks should put more effort into communicating their efforts to the general public.

Dutch Parliamentary Committee on the Financial System

The Dutch Parliamentary Committee on the Financial System (Commissie De Wit) held a Parliamentary Inquiry from November 2011 to January 2012. Its mandate was to analyse the acute problems that developed in the Dutch financial system between September 2008 and January 2009, to assess the measures taken to deal with those problems, and to draw lessons for the future. Key people from the Dutch financial sector were interviewed and the Committee presented its report to the Dutch Parliament in April 2012.

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The Commissie De Wit formulated 20 recommendations, of which 9 are relevant to banks. Recommendations include those on contributions to the Deposit Guarantee Scheme, investigating the possibility of ring-fencing bank activities outside the EU, and creating a strong European banking supervisor.

GROUP STRATEGY

Since the financial crisis of 2008/2009, ING has put more emphasis on its priorities to put the customer first, to better balance the interests of all stakeholders, and to have strong, financially sustainable, simpler businesses. In 2012, several important milestones were reached. First, we strengthened our capital, funding and liquidity positions to meet future regulatory requirements (Basel III), and continued to take a prudent approach to risk in a volatile external environment. Second, ING and the Dutch State reached an agreement with the European Commission (EC) in November 2012 on a amended Restructuring Plan. This has given us more flexibility in completing the divestments and making adjustments on other commitments in light of the market environment, economic climate and more stringent regulation. Third, ING s repayments (including premium payments) to the Dutch State exceeded the principal amount of capital support provided in 2008. Among all the European banks that received state aid following the crisis, ING is one of the furthest advanced in repaying it; above that with a significant premium.

Moreover, ING updated and streamlined its remuneration policy, and continued to reduce its risk profile. Sustainability has become more central to ING s strategy and we continue to foster dialogue with all existing and new stakeholders. ING sharpened its strategy for the Bank, and further reduced the size of the Bank s balance sheet and simplified its product range, making the company easier to manage. At the same time, we managed to increase service levels, which has won ING Bank several industry awards. On the Insurance and Investment Management side, we announced the first five sales of its Asian Insurance/IM units, and both ING U.S. (which is the new name for Insurance and IM activities in the US) and ING Insurance/IM Europe made strides in their initial public offering (IPO) preparations.

STRENGTHENING THE FINANCIAL POSITION

ING places great importance on strengthening its financial position in order to put itself in the best position to facilitate the real economy. Despite persistent market volatility and uncertain economic recovery in the eurozone and elsewhere, which caused ING Group s net result to decline to EUR 3,894 million, we gained in financial strength in 2012. We said that capital, funding and liquidity would come before profit in 2012 and we delivered in full on that promise. Capital and funding improved, our liquidity position remained strong, earnings remained resilient, and net exposure to riskier asset classes and activities declined.

In January 2012 the Bank unveiled Ambition 2015, a set of aspirations that included generating more capital and attaining a core Tier 1 capital ratio under Basel III of at least 10% by 2013. The core Tier 1 ratio strengthened to a solid 11.9% under Basel II and 10.4% under Basel III by the end of the fourth quarter 2012 (on a pro-forma basis, taking into account the impact of new accounting rules on pensions, IAS 19R, which came into effect on January 2013). ING was also able to achieve a liquidity coverage ratio of more than 100% in 2012; a level we aimed at for 2015. In line with Ambition 2015, ING Bank s balance sheet optimisation is on track. The balance sheet was reduced by EUR 137 billion since September 2011 of which EUR 85 billion was related to the sales of ING Direct Canada and ING Direct USA.

ING Bank s decrease of its underlying result before tax was mainly driven by higher loan losses, losses from active de-risking, negative credit and debt valuation adjustments and the Dutch bank levy. Our strong funding position enabled us to continue supporting our customers through lending in 2012, despite the challenging external circumstances. ING will strive to further strengthen its financial position by improving operating performance, boosting income and lowering risk and costs.

The Insurance/Investment Management operating profit decreased in 2012, mainly because of a lower technical margin, higher expenses and higher deferred acquisition costs in the life business and lower non-life results during the year. The underlying result was heavily affected by losses on hedges, as ING Insurance focused on protecting regulatory capital amid volatile financial markets.

GOOD PROGRESS ON AND RENEWAL OF RESTRUCTURING PLAN

During 2012, ING made progress on its restructuring plan to fully separate its banking and insurance and investment management activities in a challenging operating environment. We announced the first five sales of our Asian Insurance/IM units, and Insurance U.S. continued with its IPO preparations. Moreover, ING and the Dutch State, reached an agreement with the EC to significantly amend the 2009 Restructuring Plan.

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Delivering on restructuring

To obtain approval from the EC in November 2009 for the support received from the Dutch State during the financial crisis, ING had to divest WestlandUtrecht Bank by 2012, and ING Direct USA and all ING s insurance and investment management operations by the end of 2013.

During the past few years the following important milestones have been reached:

The operational separation of the insurance and banking activities, completed at the end of 2010.

The sale of almost all of the Latin-American Insurance/IM operations in 2011.

The sale of ING Direct USA, completed in February 2012.

The first three sales of the Asian Insurance/IM units, announced in October 2012. Two additional sales were announced in November and December 2012.

In November 2012, ING U.S. filed the registration statement for its IPO.

The first sale among the Asian Insurance/IM units, announced in October 2012, was ING s 33.3% stake in China Merchants Fund, an investment management joint venture, to the joint venture partners China Merchants Bank, and China Merchants Securities for EUR 98 million in cash and a net gain of EUR 64 million. The second sale announced in October 2012 and closed in December 2012, was that of the insurance businesses in Malaysia to AIA Group. ING received approximately EUR 1.3 billion in cash in this transaction, which delivered a net transaction gain at closing of EUR 745 million. The third sale was the sale of the life insurance, general insurance, pension and financial planning units in Hong Kong and Macau, and ING s life insurance operation unit in Thailand, to the Pacific Century Group (PCG). The sale proceeds of EUR 1.64 billion in cash for this combined transaction, result in a net gain of approximately EUR 1 billion. The fourth sale, announced in November 2012, was ING s investment management business in Thailand to UOB Asset Management for EUR 10 million in cash. The fifth sale, announced in December 2012, was ING s IM business in Malaysia to Kenanga. All divestments mentioned are expected to close at the latest in the first half of 2013. ING has incurred over EUR 500 million in expenses in executing the 2009 Restructuring Plan since it started.

Amendments to the Restructuring Plan

ING announced in November 2012 that, together with the Dutch State, it had reached an agreement with the EC on significant amendments to the Restructuring Plan.

The amendments extend the time horizon and increase the flexibility for the completion of divestments and adjust other commitments in light of the market conditions, economic climate and more stringent regulation.

Under the amendments, the final dates for divesting the insurance and investment management businesses have been extended as follows:

The divestment of more than 50% of the Asian Insurance/IM operations has to be completed by year-end 2013, with the remaining interest divested by year-end 2016. The divestment of at least 25% of ING U.S. has to be completed by year-end 2013, more than 50% has to be divested by year-end 2014, with the remaining interest divested by year-end 2016.

The divestment of more than 50% of Insurance/IM Europe has to be completed by year-end 2015, with the remaining interest divested by year-end 2018.

As ING has committed to eliminate double leverage, proceeds from the divestments will be used to that end, while ensuring adequate leverage ratios for the insurance holding companies.

The base case scenario for the divestment of Insurance Europe/IM and ING U.S. is through an IPO process. We are determined to maintain the momentum of the programme achieved over the past four years. We will continue our efforts to improve our performance, serving our customers, prudently managing risks and expenses to make sure that when the circumstances are right, we will be ready for the next phase in restructuring and realigning our businesses. The timing of divestments will depend on market conditions and readiness, including performance. The process of divesting the remaining Insurance and IM units in Asia continues. ING is committed to conduct these processes with the utmost diligence in the interest of all stakeholders, including customers, employees, distribution partners and shareholders.

Under the terms of the original Restructuring Plan, ING was required to divest WestlandUtrecht Bank by 2012. However, due to market circumstances and changing regulatory requirements, this has not been feasible.

Under the amended terms of the Restructuring Plan, the commercial operations of WestlandUtrecht Bank will be combined with the recently created Nationale-Nederlanden Bank, which is to be divested as part of Insurance/IM Europe. The retail banking businesses will be integrated in the course of 2013 and will operate under the Nationale-Nederlanden brand, with the goal of becoming a competitive retail bank in the Dutch market with its own funding capabilities and a broad distribution network. Nationale-Nederlanden Bank will offer a broad and coherent product line, with mortgages, savings, bank annuities (banksparen), investments and consumer credit products, combined with the core retail insurance products of Nationale- Nederlanden.

ING has committed itself to ensuring that NN Bank reaches certain targets for mortgage production and consumer credit until 31 December 2015 or until the date on which more than 50% of the Insurance/IM Europe operations has been sold, whichever date comes first. Furthermore, ING has agreed to a maximum ratio for mortgage production at Retail Banking Netherlands in relation to mortgage production of NN Bank until year-end 2015.

The 2009 Restructuring Plan included restrictions on acquisitions and restrictions on price leadership for certain products in EU markets. These restrictions will continue to apply until 18 November 2015 or until more than 50% of each of the Insurance/IM operations has been divested, whichever date comes first.

The price leadership restrictions in Europe will be amended to reflect specific conditions in various local markets. Under the amendments, the constraint no longer applies in the Netherlands, and ING Direct in the EU will refrain from offering more favourable prices than its best priced direct competitor among the 10 financial institutions having the largest market share in the respective countries.

The calling or buy-back of Tier 2 capital and Tier 1 hybrid securities will continue to be proposed for authorisation to the European Commission on a case by case basis until ING has fully repaid the core Tier 1 securities to the Dutch State, but ultimately until 18 November 2014, whichever date comes first. Notwithstanding this restriction, ING was allowed to call the EUR 1.25 billion ING Verzekeringen N.V. hybrid per 21 December 2012.

The amended Restructuring Plan was formally approved by an EC decision on 16 November 2012. As a result, the EC closed its formal investigations that were announced on 11 May 2012 and ING also withdrew its appeal at the General Court of the European Union, which was filed in July 2012. For principal legal reasons, the EC has continued with its appeal against the General Court ruling of March 2012. However, ING, the Dutch State and the European Commission agreed that any outcome of this procedure will not affect the agreement as announced in November 2012. We believe that the amended Restructuring Plan is in the interest of all stakeholders.

Repayment of state aid

ING received EUR 10 billion in state aid from the Dutch State in November 2008. Including the latest repayment in November 2012, ING has so far repaid EUR 10.2 billion, including EUR 2.4 billion in interest and premiums. As part of the amended Restructuring Plan, ING filed a schedule for repayment to the Dutch State of the remaining EUR 3 billion in core Tier 1 securities plus a 50% premium, in four equal tranches of EUR 1.125 billion in a period of two and a half years. These payments add up to EUR 4.5 billion (principal, premium and interest). A first tranche of EUR 1.125 billion was paid on 26 November 2012. That brought the total repaid (including premium and interest) above the EUR 10 billion of capital support provided by the Dutch State in 2008. The other tranches also of EUR 1.125 billion each, are due to be paid in November 2013, March 2014 and May 2015.

After the final payment, ING will have paid EUR 13.5 billion to the State, with a total annualised overall return for the State of 12.5%. However, ING has the option to accelerate repayments if possible and prudent under the prevailing economic circumstances. Repayments are conditional upon the approval of DNB, the Dutch central bank. The ultimate annualised overall return for the State will depend on when repayments are made (i.e. it will be higher if the repayment is accelerated) but under the envisaged timetable it would be 12.5%, well above the minimum 10% demanded by the EC.

ING Group and the Dutch State are also still linked via the Illiquid Assets Back-up Facility (IABF), as described in the Strategy chapter of ING Group Annual Report 2011. This situation remained unaltered in 2012. At year-end the mortgages portfolio held by the Dutch State was close to break-even or even exceeded that point.

Portfolio streamlined, more divestments made

Apart from the divestments required by the EC, ING also made a few divestments as a result of the continuous evaluation of its portfolio of businesses. This is in line with ING s strategic objectives of sharpening the focus of the Bank and further strengthening its capital position. In 2012, ING sold ING Direct Canada to Scotiabank for CAD 3.1 billion (EUR 2.4 billion at the then current exchange rate). The sale was completed in November 2012 and resulted in a total capital release for ING of EUR 1.3 billion, and a net transaction gain of EUR 1.1 billion after tax.

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On 9 October 2012, ING announced that it had reached an agreement to sell ING Direct UK to Barclays. This transaction was closed in the first quarter of 2013. The combined loss for the transfer of the business and the investment portfolio to Barclays of EUR 0.3 billion will be offset by an expected total capital release of EUR 0.3 billion due to risk-weighted asset release. The total transaction will therefore be capital neutral to ING Bank s core Tier 1 ratio.

The remaining ING Direct units in Australia, Austria, France, Germany, Italy and Spain were not affected by the divestments. ING continues to invest to evolve the ING Direct business model, increasing the product offering and extending distribution, while integrating the balance sheet with the rest of ING Bank.

In February 2012, the sale of ING Direct USA to Capital One Financial Corporation was closed. The transaction resulted in a positive result after tax of EUR 0.5 billion. The sale had a positive impact on ING Bank s core Tier 1 ratio of approximately 80 basis points at closing. As part of the sale of ING Direct USA to Capital One, ING obtained shares in Capital One, all 54 million of which we sold in September 2012 for a total value of USD 3.0 billion (EUR 2.4 billion at the then current exchange rate).

BUSINESSES STRENGTHENED

Bank

ING s goals are to help people and businesses build their future to realise their ambitions and to help them manage their risks. We want to be a financial institution our customers are comfortable with and are eager to refer to friends, colleagues, business partners and family.

Our vision is clear, and so are the strategic steps we need to take to execute it. First, we put the customer first, offering superior customer experiences at attractive costs and giving employees opportunities to grow and go the extra mile for customers. Second, ING Bank focuses on the safety of depositors money. Our capital base should be solid, our deposit raising smooth and low-cost and our investment selection careful. Third, every ING business has its own roadmap, to excel in its area. Finally, we make a positive contribution to society, allowing future generations to thrive within the resource limits of this planet.

In 2012, several factors continued to put pressure on margins and limit the Bank s ability to grow. These factors included regulation (more conservative requirements for funding, liquidity and leverage), societal drivers (e.g. households and governments need to reduce debt), and a weaker economic environment.

However, ING Bank was able to continue delivering on its priorities to strengthen its financial position, reduce risks, meet the restructuring measures as approved by the European Commission and to build a stronger bank. The Bank has made good progress on the ambitions for 2015, defined in January 2012. The main pillars on which the Bank s strategy is based are customer centricity, operational excellence and optimising the balance sheet. Customer centricity is about restoring trust through transparency and fair pricing, improving service and focusing on providing solutions for customers. Operational excellence goes beyond cost cutting and is about streamlining processes and improving efficiency (simplifying the organisation to reach a structural and sustainable new level of efficiency). This is an imperative competitive edge as regulatory costs rise. Optimising the balance sheet entails managing the balance sheet to optimise returns to help offset the impact of higher capital requirements.

Among the short-term and medium-term focus areas for ING Bank are strengthening the capital and liquidity position, optimising the balance sheet (including in each country), adjusting the governance structure of individual business units and countries (including the appointment of CEOs for each country), and creating a consolidated Bank Treasury function for the entire Bank which helps it better coordinate its programme of funding, liquidity and investment portfolio.

A longer-term ambition is to develop a mature banking model in each country where ING operates. ING Bank has a good starting position and a competitive edge, with leading banking positions in its home markets of the Netherlands, Belgium, Luxembourg, Germany and Poland. Furthermore, ING has key positions in other Western, Central and Eastern European countries and Turkey, along with growth potential outside of Europe.

ING Bank has strong deposit gathering capabilities and a good funding mix. It has a well-known brand and it uses the Net Promoter Score (NPS) methodology to increase customer loyalty. The Bank is used to operating in lean, competitive markets which has helped it become a leader in innovative distribution. It has a prominent

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position in internet banking with a direct first, advice when needed model and a relationship-driven commercial bank offering competitive products in terms of price, efficiency and effectiveness.

Since customer centricity remains crucial to all we do, we are converging our retail banking business models in terms of product offerings and distribution channels. We believe that operational excellence is crucial for meeting the demands of our customers, especially when regulatory costs and bank taxes increase costs. In order to remain competitive and to be able to face the challenging external environment, it has been necessary to cut costs. However, at the same time we focus on achieving true operational excellence, helping our customers obtain simple products through convenient and safe multi-channel access while at the same time streamlining our organisation and systems. These initiatives will offset some of the increasing regulatory costs and bank taxes, helping ING Bank to lower its current cost/income ratio of 62.5% in 2012 to 50-53% by 2015. Once the restructuring of the Group is complete and the Bank is a stand-alone business, the emphasis will be on increasing our deposit base and integrating the balance sheet by matching the deposits of ING Direct with loans from Commercial Banking. This will allow us to increase the size of the business without growing the balance sheet. ING Bank aims to produce a competitive return on (IFRS-EU) equity of 10% to 13% through low costs and with a low-risk balance sheet.

ING aims to build on its leading position as a predominantly European bank with a strong international network focused on providing customers with consistently high-quality services. ING s main priority is to finance the real economy, even in a volatile economic and regulatory environment.

Insurance/Investment Management

ING Insurance/IM will continue to focus on its customers and distributors by providing exemplary products and service as it continues to restructure in preparation for a stand-alone future.

In 2012, ING Insurance/IM as a whole further refined its sales processes and the process for the development of new products to ensure they continue to be fully compliant in terms of customer suitability. A five point gauge was developed in monitoring compliance. The five points include NPS, customer complaints, welcome call analysis, policy persistency rate and agent turnover rate.

ING Insurance/IM continued to use insights from its Net Promoter Score (NPS) programme in 17 countries used to make process improvements in 2012. Businesses in Europe and Asia revised written customer communications to ensure the language used was clear and free of jargon. ING s tied agency transformation programme reviewed agents in many countries, which improved agent productivity.

ING Insurance/IM s strategy of being a customer-driven business providing first-class products and services through multi- distribution channels was recognised in several awards and special mentions received during the year. Awards were won by the Insurance businesses in Romania, the Czech Republic, Slovakia, Hungary, Greece and at ING Investment Management.

The Insurance/IM businesses have made progress towards independent futures. The sale of a large part of the Asian insurance and asset management business was announced and ING U.S. took another step towards its planned IPO by filing an initial registration statement with the SEC on Form S-1 in connection with its proposed IPO. It also made progress towards a stand-alone capital structure by successfully raising USD 5 billion in a credit facility and a further USD 850 million in debt issuance.

Towards the end of 2012, ING announced a restructuring plan for its European Insurance/Investment Management operations. This involves the acceleration of a transformation programme at Nationale- Nederlanden to sharpen its strategic focus and improve processes and systems. These measures, together with reorganising support functions, are expected to further improve the efficiency of the businesses and to result in annual savings of approximately EUR 200 million by the end of 2014. Unfortunately, these initiatives will result in a reduction in the workforce of 1,350 full-time equivalents (FTEs) in 2013-2014. This reduction will be carried out with the utmost care.

ING IN SOCIETY

ING s business is centred on people and trust. Only by acting with professionalism and integrity can we maintain our stakeholders confidence and preserve the company s reputation. At the heart of our values are the ING Business Principles, which are the global standard for the behaviour expected of every employee.

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Our ambition to be a world-class and trustworthy financial institution includes being a company that takes its responsibilities towards people and the environment seriously. We leverage our unique resources, skills and expertise to contribute to economic growth, general well-being and positive change.

ING believes that customers, employees, shareholders and the rest of society no longer live in separate worlds that meet intermittently, but have become more integrated. This mutual interdependence of business and society means that organisations must follow the principle of shared value. It is our conviction that, to be a successful company, our business decisions must be in line with the expectations and interests of those to whom we owe our licence to operate our stakeholders. Therefore, we do not engage in activities that seriously damage the environment or violate human rights. We strive to achieve our business goals while making a positive and responsible contribution to society everywhere we do business.

We strengthened our commitment to minimising any potential unethical, illegal or harmful consequences of our business activities, investments or transactions by applying strict policies and principles. An example of integration into our business practice is that ING became one of the founding signatories to the United Nations Principles for Sustainable Insurance. These were launched at the UN Conference on Sustainable Development in Rio de Janeiro in 2012.

Our commitment to sustainable development is also clearly reflected in our sustainability key performance indicators (KPIs). In 2012, we began the process of sharpening our goals and KPIs to enhance our accountability. Our refined sustainability KPIs reflect our ambition to provide suitable products and services that enhance the financial capabilities of our customers and that help provide solutions to problems that stem from long-term social trends in such areas as climate change, education and health. They indicate that ING is committed to playing its part to stimulate economic development, a sustainable environment and a stable society.

The voices and views of our stakeholders are an essential compass in identifying the risks and opportunities for our business. We therefore seek feedback from stakeholders on various issues and try to engage them in a constructive dialogue. Such engagements range from conducting large studies among our customers about our brand values, and the co-creation of new products together with customers, to meeting employee representatives, shareholders or civil society organisations. We are also member or partner of a wide range of international organisations, which helps prioritise issues and take action where necessary.

CONCLUSIONS AND AMBITIONS

In a challenging environment ING s capital and funding improved, our liquidity position remained strong and earnings remained resilient. This enabled us to continue to support our customers. Beside strengthening our financial position, we were also able to make good progress on our other strategic priorities for ING Group: restructuring, streamlining the portfolio, repaying state aid and building stronger banking and insurance and investment management businesses. We continued to build our banking and our insurance businesses based on sound business ethics and good corporate citizenship. The Bank will continue to focus on restoring trust and customer centricity, on operational excellence and on optimising its balance sheet to meet its strategic goals.

Despite volatile markets, we have continued to work towards the full separation of our insurance and investment management companies with the goal of being ready to move ahead in time with the base case IPOs for ING U.S. and ING Insurance/IM Europe, as well as with the sale of the remaining insurance and investment management businesses in Asia. ING will make further efforts to simplify the structure of the company, to focus on core activities, to improve our risk profile and to bolster the capital base. In light of changing customer expectations and demands for more simplicity, easy access and sustainable entrepreneurship, ING has stepped up its efforts to take charge of these changes. We have been working hard to regain the trust of all of our stakeholders, but particularly of our customers, who are at the heart of our businesses; for example by simplifying the product range and making products more transparent, while ensuring suitability and a reasonable, attractive price. In spite of the challenging financial and regulatory environment, we are determined to stay true to our roots and keep helping customers build their future. We intend to remain ambitious in making further improvements to our businesses and in strengthening customer relationships.

CORPORATE GOVERNANCE

Legislative and regulatory developments

On 7 June 2012, a legislative proposal on the limitation of liability of supervisors of financial markets and rules on remuneration of persons who determine the day-to-day policy of financial institutions receiving state aid was enacted. On 18 June 2012, a legislative proposal regarding the revision of the corporate investigative procedure

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was enacted. On 27 September 2012, a legislative proposal to clarify the legislative proposal on Management and Supervision was enacted. The last two acts came into force on 1 January 2013. A legislative proposal on the accountancy profession was enacted on 13 December 2012. A legislative proposal on corporate governance was enacted on 15 November 2012. This act will come into force on 1 July 2013. In addition, several legislative proposals with corporate governance implications were under discussion, or were adopted, by the Lower House of the Dutch Parliament, or were under discussion in the Upper House of the Dutch Parliament in 2012. These proposals concern, among other things, a legislative proposal on revision and claw back of executive bonuses and profit-sharing of directors and persons determining the day-to-day policy

Transactions with the Dutch state

On 12 November 2008, ING Groep N.V. issued one billion core Tier 1 securities (Securities) for a total consideration of EUR 10 billion to the Dutch State. Following the repurchase of 500 million Securities on 21 December 2009, the repurchase of 200 million Securities on 13 May 2011, and the repurchase and/or redemption of a total number of 75 million Securities on 26 November 2012, another 225 million of Securities representing EUR 2.25 billion remain outstanding. The Securities do not form part of ING Group s share capital; accordingly they do not carry voting rights in the General Meeting. The financial entitlements of the Securities are described in note 34 to the consolidated financial statements. On 26 January 2009, ING Group reached an agreement with the Dutch State regarding the Illiquid Assets Back-up Facility (IABF), as amended on 13 November 2012 and as further described in note 34 to the consolidated financial statements. During 2009, ING Bank N.V. issued various series of debt instruments under the 2008 Credit Guarantee Scheme of the Dutch State, for the first time on 30 January 2009. As part of these transactions, certain arrangements with respect to corporate governance and remuneration were agreed with the Dutch State which will remain in place as long as the IABF remains in place. These arrangements entail among other things that the Dutch State may recommend two candidates (State Nominees) for appointment to the Supervisory Board. Certain decisions of the Supervisory Board require approval of the State Nominees. Furthermore, in line with these arrangements a sustainable remuneration policy for the Executive Board and senior management was introduced in 2010, which contains certain specific arrangements in relation to the remuneration of members of the Executive Board.

Shareholder participation and position of ING Trust Office

During the years 2009 2012, participation of shareholders, excluding ING Trust Office, and holders of depositary receipts in the decision-making in annual General Meetings consistently increased from 35.6% to 50.8%. Only the extraordinary General Meeting of 25 November 2009 showed a deviation from this trend with a markedly lower participation of 31.1%. ING Group s depositary-receipts structure was evaluated by the Executive Board and the Supervisory Board in 2010. On the basis of this evaluation, the Executive Board and the Supervisory Board concluded that it would be premature to change or abolish ING Group s depositary-receipts structure in 2010 and that it would be appropriate to reconsider this as part of a re-evaluation of ING Group s entire governance structure following the current restructuring of ING Group and the completion of the divestments approved in the 2009 extraordinary General Meeting. The outcome of the aforementioned evaluation was discussed in the 2010 annual General Meeting.

CORPORATE GOVERNANCE CODES

Compliance with the Corporate Governance Code

For its corporate governance structure and practices, ING Group uses the Corporate Governance Code as reference. The Corporate Governance Code can be downloaded from the website of the Dutch Corporate Governance Code Monitoring Committee (www.commissiecorporategovernance.nl). The application of the Corporate Governance Code by ING is described in the publication ING s implementation of the Dutch Corporate Governance Code , dated April 2010, on the website of the Company (www.ing.com), which is to be read in conjunction with this section and is deemed to be incorporated into this section.

Dutch banking code

The Dutch Banking Code (Banking Code) is applicable to ING Bank N.V. and not to ING Group. The Banking Code can be downloaded from the website of the Dutch Banking Association (www.nvb.nl). The principles of the Banking Code as a whole are considered as a reference by ING Bank N.V. and their application is described in the publication Application of the Dutch Banking Code by ING Bank N.V. , available on the website of the Company (www.ing.com). regarding remuneration with respect to the members of its Executive Board, and considers these principles as a reference for its own corporate governance. ING Group s remuneration policy for the Executive Board and Senior Management is compliant with these principles.

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Dutch Insurers Code

The Dutch Insurers Code (Insurers Code) is applicable to the Dutch subsidiaries of ING Insurance Eurasia N.V. pursuing insurance business and not to ING Group, ING Verzekeringen N.V. or ING Insurance Eurasia N.V. The Insurers Code can be downloaded from the website of the Dutch Association of Insurers (www.verzekeraars.nl). However, insurance companies that are part of a group (concern) can decide whether to apply all or parts of the Insurers Code at the group level. ING Insurance Eurasia N.V. voluntarily applies the corporate governance related principles of the Insurers Code. ING Insurance Eurasia N.V. s remuneration policy for its Management Board and Senior Management is compliant with these principles. The application of the Insurers Code principles is described in the publication Application of the Insurers Code by ING Insurance EurAsia available on the website of the Company (www.ing.com).

NYSE Requirements

For an overview of what we believe to be the significant differences between our corporate governance practices and NYSE corporate governance rules applicable to US companies, see Item 16G. Corporate Governance . The summary of such significant differences is also available on the website of ING Group (www.ing.com).

CORPORATE ORGANIZATION

ING Group s segments relate to the internal segmentation by business lines. As of 2012 the internal management reporting structure for the banking operations was changed in order to improve transparency and to reflect the impact of the divestments of ING Direct USA and ING Real Estate Investment Management. The segments have changed accordingly. The comparatives have been adjusted to reflect the new segment structure for the banking operations. ING Group identifies the following segments: Retail Netherlands, Retail Belgium, Retail Germany, Retail Rest of World, Commercial Banking, Insurance Benelux, Insurance Central and Rest of Europe, Insurance U.S., Insurance U.S. Closed Block VA and ING Investment Management. Retail Banking Germany (previously part of ING Direct) is now a separate segment. The remainder of ING Direct is combined with Retail Central Europe and Retail Asia into one new segment Retail Rest of World.

The Executive Board of ING Group, the Management Board of ING Bank N.V., the Management Board of Insurance Eurasia N.V. and the Board of ING U.S., Inc. set the performance targets and approve and monitor the budgets prepared by the business lines. Business lines formulate strategic, commercial and financial policy in conformity with the strategy and performance targets set by the Executive Board, the Management Board of ING Bank N.V., the Management Board Insurance Eurasia N.V. and the Board of ING U.S., Inc. For more information about the Supervisory and Executive Boards, see Item 6. Directors, Senior Management and Employees .

BUSINESS LINES

Please see Item 5. Operating and Financial Review and Prospects , Segment Reporting for the total income and result before tax by business line for the years ended 2012, 2011 and 2010.

Retail Netherlands

ING in the Netherlands services over 8.2 million retail and private banking clients and approximately 585,000 Small and Medium Enterprises (SME) and Mid Corporate clients. Retail Banking reaches its individual customers through internet banking, mobile banking, telephone, call centres, mailings and branches. Using direct marketing methods, it leverages its position as a leading provider of current account services and payments systems to provide other financial services such as savings accounts, mortgage loans, consumer loans, credit card services, investment and insurance products. Mortgages are offered through a tied agents sale force and direct and intermediary channels.

ING Bank Netherlands operates through a branch network of approximately 275 branches and over 200 ING Service Points. It offers a full range of commercial banking activities and also life and non-life insurance products.

Retail Belgium

ING Belgium services over 2.1 million retail and private banking clients and almost 170,000 SME, Mid Corporate and Institutional clients.

ING Belgium provides banking, insurance (life, non-life) and asset management products and services to meet the needs of individuals, families, companies and institutions through a network of local head offices, 773 branches and direct banking channels (fully automated branches, home banking services and call centres).

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ING Belgium also operates a second network, Record Bank, which provides a full range of banking products through independent banking agents and credit products through a multitude of channels (agents, brokers, vendors) to approximately 700,000 clients. ING Luxembourg, also part of ING Belgium, is well positioned as a universal bank and services over 100,000 clients.

Retail Germany

Retail Germany consists of ING-DiBa Germany, ING-DiBa Austria and Interhyp.

In Germany, one of our key markets in Europe, ING-DiBa is the third-largest bank in terms of number of customers and has been recognized as the country s most favoured banking brand. ING-DiBa offers an easy to understand, high-service product range, with only 10 different products, 24 hours a day the ingredients to meet all the main needs of its customers.

The German banking market is still very fragmented and offers ample room to expand ING-DiBa s market position. Consistent growth was achieved in 2012 in all core products. At year-end, ING-DiBa served 7.8 million customers (compared with 7.5 million in 2011). Total client balances increased by EUR 13.6 billion and exceed EUR 166 billion at year-end 2012. This amount includes total funds entrusted of EUR 96.7 billion.

ING-DiBa Austria, which is reported under Retail Germany, reached the milestone of 500,000 customers in March 2012, while Interhyp Germany s biggest mortgage broker was awarded Best Mortgage Financer , with best service, advice and price for the seventh time in a row. Interhyp expanded its local branches and tied-agents network by over 50 in 2012.

Retail Rest of World

Retail Rest of World (Row) comprises of the ING Direct business units in Australia, France, Italy and Spain. It also includes the ING banks in Turkey and India, and the retail activities of ING Bank Slaski (Poland) and ING Bank Romania, as well as the minority stakes in TMB Bank (Thailand) and Bank of Beijing (China).

In 2012, it was decided that ING Direct Canada and ING Direct UK would be divested as part of ING Group s strategic repositioning. The ING Direct Canada transaction was closed in 2012 and the ING Direct UK transaction is expected to close in 2013. The other ING Direct businesses were not affected by these sales. The sale announced in 2011 of ING Direct USA closed in February 2012.

In line with the overall Retail strategy, the RoW countries invested much time and effort in developing the integrated distribution channels. Internet platforms were upgraded in Italy and Poland. An innovative online platform for the SME segment in Poland was awarded the best in its category. New projects in the mobile banking area were undertaken at all business units. In 2012, 719,882 customers were added. At year-end 2012, RoW served a total number of 11.3 million customers, excluding Bank of Beijing and TMB Bank.

Commercial Banking

ING Commercial Banking has a market-leading franchise in the Benelux and has a strong position in Central and Eastern Europe. Internationally, it is a leader in selected areas within Industry Lending and Financial Markets. It serves its clients, ranging from mid-sized enterprises to multinationals, also including governments and supranational organisations, through an extensive global network of operations in more than 40 countries.

ING offers a range of basic commercial banking services, such as lending, payments and cash management, leasing, factoring, treasury and foreign exchange products. It also provides more tailored solutions, including specialised and trade finance, structured financial markets products, corporate finance, mergers and acquisitions, and debt and equity capital markets advice.

Industry Lending

Our Industry Lending activity includes Structured Finance and Real Estate Finance. These are specialised commercial lending activities in which ING originates well-structured loans with an emphasis on achieving good risk adjusted returns.

General Lending and Transaction Services

Lending is core to building and supporting client relationships in Commercial Banking s target markets, with both corporate and financial institution clients. ING established the Transaction Services business line within Commercial Banking in 2011, bringing together all the basic transaction banking products under one umbrella with the objective of providing a more integrated and effective product offering to clients across Europe. The products are Payments & Cash Management, Trade Finance Services, Working Capital Solutions, Securities Services, Bank Mendes Gans and Leasing and Factoring.

Financial Markets

Financial Markets (FM) is the global business unit that manages ING s financial markets trading and sales businesses within Commercial Banking. Through 2012, FM was managed as two business lines: Clients and Products as the primary customer facilitation business line, and the discontinued Strategic Trading Platform (STP). In line with other de-risking activities, the STP business has been wound down over the last few years and was formally closed at the end of 2012. The remaining Clients and Products business has been re-named Financial Markets.

Bank Treasury, Real Estate and Other

Following the announcement in January 2012 that ING would combine all its treasury activities across all business lines within the Bank to adapt to new regulations and to execute ING s balance sheet optimisation strategy, a central Bank Treasury business unit was established and became operational in June 2012. The Treasury and Asset and Liability Committee (ALCO) departments of Financial Markets were separated from the commercial (Clients and Products) business units to form a part of the new Bank Treasury business unit.

The Real Estate and Other division consists of the residual assets of the legacy businesses sold or discontinued within the former Real Estate Development and Real Estate Investment Management businesses, plus a number of General Lease operations which have been placed in run-off in 2011 and 2012.

Insurance Benelux

ING s life insurance products in the Benelux consist of a broad range of unit-linked, universal life, dedicated funds and variable annuity (VA) policies written for both individual and group customers. The VA product portfolio is managed by a dedicated team servicing business across Europe, servicing own and third-party distributors in Spain, Hungary, Italy, Belgium and Luxembourg.

ING is a prominent provider of (re-insured) company pension plans in the Netherlands. It also offers pension administration services under the AZL label and Defined Contribution company pension solution PPI in close cooperation with ING Investment Management and AZL.

In the Closed Book business, NN Services operates a standardized processing and IT system for several legacy lines of retail Life businesses. The business focus is on process rationalization, excellent customer service and lower policy costs.

NN Bank offers long-term savings and bank annuity products and introduced own mortgage origination under the Hypotheker brand in 2012.

ING Benelux non-life products, mainly in the Netherlands, include coverage for both individual and commercial/group clients for fire, motor, disability, transport and third party liability. Nationale-Nederlanden has also a central product manufacturing service for property & casualty insurance, which delivers products for ING Bank in Belgium and in the Netherlands. ING offers a broad range of disability insurance products and complementary services for employers and self-employed professionals (such as dentists and general practitioners).

Insurance Central and Rest of Europe

Insurance Central and Rest of Europe (CRE) has Life Insurance and pension operations in nine countries Poland, the Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Greece, Spain and Turkey. Together, these operations have about 3,600 employees, who serve over 9 million clients throughout the region.

CRE is operating in a region with long-term growth potential. Despite the challenging macro-economic environment in most countries as a result of the ongoing European sovereign debt crisis Insurance CRE recorded double digit sales growth in 2012 with lower expenses than in 2011. This was achieved through growth in most distribution channels, improved customer value propositions (new riders for health, cancer and critical illness) and improved service levels which were reflected in higher Net Promoter Scores.

CRE s distribution base is becoming more multichannel. The region s main distribution channel is still tied agents and CRE continues to enhance the effectiveness of this channel: giving customers professional advice and service. However, the majority of CRE s new sales nowadays come from other channels, especially from brokers and banks.

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CRE offers a wide array of customer value propositions and products, for example individual endowment, unit- linked, term and whole life insurance policies designed to meet specific customer needs. It also has employee benefits products as well as pension funds, that manage individual retirement accounts for individuals. The latter comprise both mandatory and voluntary retirement savings.
Remaining a market-leading Life Insurer and pension provider in the region is an important goal towards building a sustainable growth engine, which means an engine geared for long-term success in the market. This motivates CRE to further improve the customer experience, deliver good value for money to customers as well as meet today s and tomorrow s compliance and risk requirements.

Insurance United States (excluding U.S. Closed Block VA)

ING U.S. is a premier retirement, investment and insurance company serving the financial needs of approximately 13 million individual and institutional customers in the United States as of 31 December 2012. ING U.S. operates its principal businesses through three business lines: Retirement Solutions, Investment Management and Insurance Solutions. Through these businesses, ING U.S. helps customers save, grow, protect and enjoy their wealth to and through retirement.

To prepare for its separation from ING Group and operate as a stand-alone public company, ING U.S. has undertaken various recapitalization initiatives to more closely align its capital structure both at the ING U.S., Inc. holding company level and on a consolidated basis with other U.S. public companies. ING U.S. completed the following steps in 2012 in connection with the recapitalization: (1) on 20 April 2012, it entered into a U.S. $ 5 billion senior unsecured credit facility with a syndicate of banks, which replaced financing that was either internally funded or guaranteed by ING Verzekeringen N.V. The credit facility was established on the basis of the stand-alone credit profile of ING U.S.; (2) on 13 July 2012, it issued U.S. $ 850 million principal amount of senior notes due 2022 in a private placement to institutional investors. Like the aforementioned senior unsecured credit facility, these notes were not guaranteed by ING Group or ING Verzekeringen N.V.; and (3) on 9 November 2012, it filed the initial S-1 with the Securities and Exchange Commission with further amendments filed on 23 January 2013 and 19 March 2013.

Building on its core strengths, ING U.S. intends to pursue strategies to deliver consistent earnings growth with attractive risk-adjusted returns while maintaining a strong balance sheet. The immediate focus of ING U.S. s strategy is to improve the operating return on capital of its ongoing business, which comprises Retirement Solutions, Investment Management and Insurance Solutions. The results of the Investment Management business of ING U.S. are reported within the ING Investment Management segment of ING Insurance. As a result, the discussion below will focus on Retirement Solutions and Insurance Solutions.

ING U.S. s Retirement Solutions business includes two product lines comprises two financial reporting segments: Retirement and Annuities. It provides an extensive product range addressing both the accumulation and income distribution needs of customers, through a broad distribution footprint of nearly 2,500 affiliated representatives and thousands of non-affiliated agents and third-party administrators (TPAs).

Retirement provides tax-deferred, employer-sponsored retirement savings plans and administrative services to more than 48,000 plan sponsors covering approximately 5.1 million plan participants in corporate, education, healthcare and government markets. Retirement also provides rollover IRAs, and other retail financial products as well as comprehensive financial advisory services to individual customers. ING U.S. serves a broad spectrum of employers ranging from small companies to the very largest of corporations and government entities. ING U.S. ranked second in the U.S. defined contribution (DC) plan market by number of record kept plan sponsors and third based on number of plan participants served, and fifth by assets under management and administration at 30 September 2012. ING U.S. also ranked third in the K-12 education market, and fourth in the higher education market by assets at 30 September 2012.

Annuities provides fixed and indexed annuities, tax-qualified mutual fund custodial products and payout annuities for pre-retirement wealth accumulation and post-retirement income management sold through multiple channels.

ING U.S. s Insurance Solutions business includes two product lines: Individual Life and Employee Benefits. It is one of the top providers of life insurance in the U.S. In its focus individual products, term and universal life, As of 30 September 2012 ING U.S. ranked fourth and eleventh, respectively, based on premiums sold. ING U.S. was also the fifth-ranked provider of medical stop loss coverage in the U.S. based on in-force premiums.

Individual Life provides wealth protection and transfer opportunities through universal, variable and term products, distributed through independent channels to meet the needs of a broad range of customers from the middle-market through affluent market segments. The Individual Life distribution model is

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supported by independent life sales agents (over 2,200 independent general agents with access to over 93,000 producers), strategic distribution (over 30 independent managing directors supporting approximately 6,900 additional producers) and specialty markets (approximately 75 general agents with access to over 7,400 producers).

Employee Benefits provides stop loss, group life, voluntary employee-paid and disability products to mid-sized and large businesses. ING U.S. has 58 employee benefits sales representatives, across 19 sales offices, with average industry experience of 16 years.

Insurance U.S. Closed Block VA

In 2009, ING U.S. decided to cease sales of retail variable annuity products with substantial guarantee features (the last policies were issued in early 2010 and ING U.S. placed this portfolio in run-off). Subsequently, ING U.S. refined the hedging program to dynamically protect regulatory reserves and rating agency capital of the variable annuities block for adverse equity market movements. In addition, since 2010, ING U.S. has improved its balance sheet, added significant interest rate risk protection and has more closely aligned its policyholder behavior assumptions with recent experience, particularly regarding policy behavior for contracts that are in the money . ING U.S. s focus in managing its Closed Block VA segment is on protecting regulatory reserves and rating agency capital from equity market movements via hedging and judiciously looking for opportunities to accelerate the run-off of the block, where possible.

ING Investment Management

ING IM is the principal investment manager of ING Group with activities in Europe, the Americas, Asia Pacific and the Middle East.

In January 2012, ING announced an update on the restructuring of the insurance and investment management businesses whereby it decided to review strategic options for its Asian insurance and investment management businesses. During the course of the year, ING announced the sale of its 33.3% stake in China Merchant Fund as well as the sale of ING Funds Berhad in Malaysia and ING IM Thailand. It also stated its intention to keep an ING IM presence in Singapore and Japan as part of the Europe-based ING IM organisation in order to protect global investment capabilities and key client relationships.

ING IM International opened offices in New York and Atlanta in 2012 to retain and build up its investment capabilities in the fixed income sphere. Given its geographic presence and the inclusion of ING IM Singapore and Japan in its governance, ING IM Europe began externally to refer to its business as ING IM International at the end of the year to signify the global scope of the business both in terms of its investment offering and distribution capabilities. ING IM International and ING IM U.S. will continue to operate as a partnership on an arm s length basis. This arrangement began in 2011 to ensure continued commercial collaboration and cross-selling arrangements between the two businesses.

ING IM International and ING IM U.S. are preparing for separate futures with their respective Insurance counterparts, providing a wide variety of actively-managed strategies, investment vehicles and advisory services in all major asset classes and investment styles. Both businesses deliver a wide range of investment strategies and services to both ING Insurance U.S. and ING Insurance Europe as well to other retail and institutional clients including other ING affiliates.

PRINCIPAL GROUP COMPANIES

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

REGULATION AND SUPERVISION

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

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. Prudential supervision is exercised by De Nederlandsche Bank (DNB), while conduct-of-business supervision is performed by the Netherlands Authority for the Financial Markets, Autoriteit Financiële Markten (AFM). In November 2012, the Financial Stability Commission was established to monitor macro-economic developments and, where necessary, issue recommendations to address financial stability concerns that are not directly within the scope of DNB and AFM supervision.

Global Regulatory Environment

There are a variety of proposals that could impact ING globally, in particular those made by the Financial Stability Board and the Basel Committee on Banking Supervision at the transnational level, Dodd-Frank in the United States and an expanding series of supranational directives and national legislation in the European Union (see Item 3. Key Information Risk Factors We operate in highly regulated industries. There could be an adverse change or increase in the financial services laws and/or regulations governing our business for details regarding some of these proposals). The aggregated impact and possible interaction of all of these proposals is 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 and the Dutch Insurers Code established by the Association of Dutch Insurers, which detail a set of principles on corporate governance, risk management, audit and remuneration that Dutch banks and insurers 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 executive and supervisory board members of financial institutions licensed in the Netherlands, which the Dutch government has introduced, effective per 1 January 2013. In this oath, the Executive and Supervisory Board members of the relevant ING entities licensed in the Netherlands, declare that they (i) will perform their duties with integrity and care (ii) will carefully consider all the interests involved in the company, i.e. those of the customers, the shareholders, the employees and the society in which the company operates, (iii) in that consideration, will give paramount importance to the client s interests and inform the customer to the best of their ability, (iv) will comply with the laws, regulations and codes of conduct applicable to them, (v) will observe secrecy in respect of matters entrusted to them, (vi) will not abuse their knowledge, (vii) will act in an open and assessable manner and know their responsibility towards society and (viii) will endeavour to maintain and promote confidence in the financial sector. If they break the oath, the supervisory authority (DNB/AFM) can decide to reassess their suitability. Work has also been done on many other topics including deposit guarantee schemes and cross border crisis and resolution management. The latter discussion could have a significant impact on business models and capital structure of financial groups.

In recent years, significant changes have been made to the supervisory structure within the European Union and to various capital and liquidity standards. Also, regarding topics such as remuneration, various national and international bodies have issued guidelines that need implementation. In December 2012, EU leaders agreed on setting up a Single Supervisory Mechanism (SSM), a mechanism composed of national competent authorities and the European Central Bank (ECB), as part of the prospective EU banking union. In the SSM, it is expected that the ECB will assume direct responsibility for a significant part of the prudential supervision of ING Bank and its holding company ING Group. The SSM is envisaged to take effect by 1 March 2014 or one year after the Regulation has entered into force and is designed for countries within the Eurozone, with the possibility of non-Eurozone member states to participate by means of close cooperation. While it is at this stage difficult to identify what the exact impact will be on ING Bank and ING Group, it is expected that the SSM will have a significant impact on the way ING s banking operations are supervised in Europe.

ING Bank has set up an all-encompassing recovery planning process to enhance its readiness and decisiveness to tackle financial crises on its own strength. ING Bank s recovery plan has been submitted to and approved by the DNB in November 2012 2012. Furthermore, in the course of 2012, DNB has requested ING Bank to prepare and submit information on the basis of which the Dutch resolution authorities will be able to develop a resolution plan. ING is diligently working towards providing this information and meeting the deadlines, end 2013, provided by DNB.

Financial institutions continue to be closely scrutinised by regulatory authorities, governmental bodies, shareholders, rating agencies, customers and others to ensure they comply with the relevant laws, regulations and standards. Bank regulators and other supervisory authorities in Europe, the U.S. and elsewhere continue to oversee the activities of financial institutions to ensure that they operate with integrity and conduct business in an efficient, orderly and transparent manner.

ING is fully committed to complying with all applicable sanction legislation and with all obligations and requirements under those applicable laws including freezing and reporting obligations with regard to transactions involving a U.S., EU or UN Sanction Targets. In addition ING designates specific countries as Ultra High Risk and prohibits client engagements and transactions (including payments or facilitation) involving those countries. Certain exceptions on this policy are allowed after express and case-specific consent, and provided that the applicable sanctions laws and regulations are met. At present, the specified countries are Myanmar, North Korea, Sudan (North Sudan and South Sudan), Syria, Iran and Cuba. Each of these countries is subject to a variety of EU, U.S. and other sanctions regimes. Cuba, Iran, Sudan, and Syria are identified by the US as state sponsors of terrorism and are subject to U.S. economic sanctions and export controls.

ING Bank has had a sanctions policy in place since 2007 and has a mandate to run down any existing commitments. As such, remaining exposure and contacts arise solely in the context of the Bank s on-going efforts to run down the legacy portfolio of commitments.

ING Bank seeks to meet the standards and expectations of regulatory authorities and other interested parties (e.g. Governments / NGO bodies) through a number of initiatives and activities, including scrutinizing account holder information, payment processing and other transactions to support compliance with regulations governing money laundering, economic and trade sanctions, bribery and other corrupt practices.

ING continuously enhances its compliance risk management programme to ensure that ING complies with international standards and laws.

Furthermore ING has an on-going objective to continuously strengthen the Financial Economic Crime (FEC) controls related to: Managing Anti-Money Laundering (AML), Combat Terrorist Financing (CTF); and Export Trade and Sanction risks. Hence ING implemented Policies on FEC that provide a clear statement on FEC in order to guard against any involvement in criminal activity, and to participate in international efforts to combat money laundering and the funding of terrorist and criminal activities.

On 12 June 2012, ING Bank entered into a Settlement Agreement with U.S. Department of the Treasury s Office of Foreign Assets Control (OFAC) and Deferred Prosecution Agreements with the Department of Justice, the United States Attorney s Office for the District of Columbia and the District Attorney of the County of New York (together the U.S. Authorities) in relation to the investigation by those agencies into compliance with U.S. economic sanctions and U.S. dollar payment practices until 2007. Under the terms of the Deferred Prosecution Agreements, no further action will be taken against ING Bank if it meets the conditions set forth in the agreements during an 18 months period. As part of the settlement, ING Bank has paid a total penalty of EUR 473 million. As announced on 9 May 2012, ING Bank recognised a provision in the first quarter of 2012 by which this issue has been sufficiently covered. ING Bank has cooperated closely and constructively with regulators and other authorities throughout this process. The U.S. Authorities have recognized ING s substantial cooperation in the resolution and ING s efforts and commitment to continuously enhance compliance within the organization.

Enhancements implemented are designed with the aim to support the compliance culture and preventing practices of this nature occurring in the future.

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, represents an effort to comprehensively overhaul the regulation of U.S. financial institutions, and the structure certain U.S. financial markets, in response to the financial market crisis of 2008 and 2009. The Dodd-Frank Act includes a broad range of provisions with varying degrees of potential impact on ING s U.S. and non-U.S. operations. Many key details of these provisions were left to rulemaking by U.S. financial regulators.

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Those rules are still in the process of being promulgated, and the final shape of the rules and thus the ultimate impact on ING s U.S. and non-U.S. operations therefore cannot currently be predicted.

The Dodd-Frank Act created a new agency, the Financial Stability Oversight Council (FSOC), an inter-agency body that is responsible for monitoring the activities of the U.S. financial system, designating systemically significant financial services firms and recommending a framework for substantially increased regulation of such firms, including systemically important nonbank financial companies that could consist of securities firms, insurance companies and other providers of financial services, including non-U.S. companies. If ING or its U.S. operations, or any part thereof, were designated as a systemically significant non-bank financial company by FSOC, then ING and its subsidiaries would be supervised by the Federal Reserve Board and would be 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 restrictions on proprietary trading. Failure to meet the requisite measures of financial condition applicable to an entity designated by FSOC as a systemically significant non-bank financial company could result in requirements for a capital restoration plan or capital raising; management changes; asset sales; and limitations and restrictions on capital distributions, acquisitions, affiliate transactions and/or product offerings. As we have previously announced, we anticipate divesting ING U.S. (which comprises U.S. Insurance and IM U.S.) through a base case of an IPO. An amended initial registration statement on Form S-1 was filed in January 2013. This divestiture, when completed, will substantially reduce the level of activity conducted in the U.S. by ING and its controlled subsidiaries, and, as a result, we believe will substantially reduce the likelihood that ING or any of its U.S. operations, or any part thereof, being designated as a nonbank financial company subject to regulation by the Federal Reserve Board. The designation by FSOC of ING or any part thereof (such as its U.S. operations) as a systemically significant non-bank financial company could materially and adversely impact ING as a whole and/or the parts of ING so designated. We cannot currently predict whether ING or its U.S. operations will be designated as a systemically significant non-bank financial company by FSOC.

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

BANKING

Basel II and European Union Standards as currently applied by ING Bank and the introduction of Basel III

DNB, our home supervisor, has given ING permission to use the most sophisticated approaches for solvency reporting under the Financial Supervision Act, the Dutch legislation reflecting the Basel II Framework. DNB has shared information with host regulators of relevant jurisdictions to come to a joint decision. In all jurisdictions where the bank operates through a separate legal entity, ING must meet local Basel requirements as well.

ING uses the Advanced IRB Approach for credit risk, an internal VaR model for its trading book exposures and the Advanced Measurement Approach for operational risk. A Basel I regulatory floor of 90% has been applicable in 2008. As of 2009 the Basel I floor is based on 80% of Basel I RWA. A small number of portfolios are still reported under the Standardized Approach.

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

For European banks these Basel III requirements will be implemented through the Capital Requirement Directive (CRD) IV, which might deviate in its final state from the original Basel III requirements. While the full impact of the new Basel III rules, and any additional requirements for SIFIs or G-SIFIs if and as applicable to the Group, will depend on how they are implemented by national regulators, including the extent to which such regulators and supervisors can set more stringent limits and additional capital requirements or surcharges, as well as on the economic and financial environment at the time of implementation and beyond, we expect these rules can have a material impact on ING s operations and financial condition and may require the Group to seek additional capital.

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

Americas

United States

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

ING sold ING Direct USA to Capital One Financial Corporation, as further detailed in Item 4 Information on the Company Changes in the Composition of the Group Disposals occurred in 2012 . The transaction closed on 17 February 2012. ING no longer conducts retail banking in the United States.

Anti-Money Laundering Initiatives and countries subject to sanctions

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

For further information regarding compliance with relevant laws, regulations, standards and expectations by ING Bank and its business in certain specified countries, including the June 2012 settlements with certain U.S. authorities, see Global Regulatory Environment above.

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

ING Bank maintains a limited legacy portfolio of guarantees, accounts, and loans that involve various entities owned by the Government of Iran. These positions remain on the books, but accounts related thereto are frozen under applicable laws and procedures. Any interest or other payments ING Bank is legally required to make in connection with said positions are made into frozen accounts. Funds can only be withdrawn by relevant Iranian parties from these frozen accounts after due regulatory consent from the relevant competent authorities. ING Bank has strict controls in place to ensure that no unauthorized account activity takes place while the account is frozen . ING Bank may receive loan repayments, but all legacy loan repayments received by ING Bank have been duly authorized by the relevant competent authorities. For the relevant period, ING Bank had gross revenues of approximately EUR 58 million, which was principally related to legacy loan repayment, and ING Bank estimates that it had net profit of approximately EUR 395,000. ING Bank intends to terminate each of the legacy positions as the nature thereof and applicable law permits.

Canada

ING sold ING Direct Canada to Scotiabank, as further detailed in Item 4 Information on the Company Changes in the Composition of the Group Disposals occurred in 2012 . The transaction closed on 15 November, 2012. ING no longer conducts banking operations in Canada.

Asia/Pacific

Australia

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

APRA is responsible for the prudential regulation of banks and other deposit taking institutions, 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.

ING Bank (Australia) Limited (trading as ING Direct) is an Australian incorporated subsidiary which holds a Banking Licence, an Australian Financial Services licence (AFSL) and Australian Credit License (ACL). As ING Bank (Australia) Limited provides banking products and services to retail customers it is subject to stringent legislative and regulatory disclosure and conduct requirements. ING Bank (Australia) Limited must demonstrate compliance as a condition to maintaining its AFSL and ACL. As an Australian incorporated subsidiary, ING Bank (Australia) Limited is also required to comply with corporate disclosure requirements and securities exchange listing requirements.

ING Bank N.V., Sydney Branch is not an Australian incorporated legal entity. ING Bank N.V., Sydney Branch holds its own AFSL which is limited to the provision of financial services to wholesale clients.

INSURANCE

Europe

Insurance companies in the EU are subject to supervision by insurance supervisory authorities in their home country. This principle of home country control was established in a series of directives adopted by the EU, which we refer to as the 1992 Insurance Directives . In the Netherlands, DNB monitors compliance with applicable regulations, the capital base of the insurer and its actuarial reserves, as well as the assets of the insurer, which support such reserves. Pursuant to the 1992 EU Directives, ING may also conduct business directly, or through foreign branches, in all the other jurisdictions of the EU, without being subject to licensing requirements under the laws of the other EU member-states, though it has to deal with local legislation and regulation in all the European countries where it is active.

ING Insurance s life and non-life subsidiaries in the EU are required to file detailed audited annual reports with their home country insurance supervisory authority. These reports are audited by ING Insurance s independent auditors and include balance sheets, profit and loss statements, actuarial statements and other financial information. The authorizations granted by the insurance supervisory authorities stipulate the classes of business that an insurer may write an insurance policy for, and is required for every proposed new class of business. In addition, the home country insurance supervisory authority may require an insurer to submit any other information it requests and may conduct an audit at any time.

On the basis of the EU directives, European life insurance companies are required to maintain at least a shareholders equity level of generally 4% of insurance reserves (1% of separate account reserves), plus 0.3% of the amount at risk under insurance policies. The required shareholders equity level for Dutch non-life insurers is the greater of two calculations: one based on premiums and the other on claims.

In May 2012, the International Association of Insurance Supervisors (IAIS) published a proposed assessment methodology for designating global systemically important insurers (G-SIIs), as part of the global initiative to identify global systemically important financial institutions (G-SIFIs). The proposed methodology is intended to identify those insurers whose distress or disorderly failure, because of their size, complexity and interconnectedness, would cause significant disruption to the global financial system and economic activity. Based on the information obtained from the IAIS, the Financial Stability Board (FSB) will make final recommendations in consultation with national supervisory authorities. As one class of G-SIFIs, insurers identified as G-SIIs would be subject to additional policy measures, which are likely to include additional capital requirements, enhanced supervision and additional measures to improve the degree of self-sufficiency of G-SII s different business segments. An initial list of G-SIIs is expected to be published by the FSB in April 2013, with annual updates thereafter. The costs and impact on us may further increase if ING Insurance is identified as a G-SII in the future.

The European Commission, jointly with Member States and EIOPA (European Insurance and Occupational Pensions Authority), is carrying out a fundamental review of the regulatory regime of the insurance industry the Solvency II project. Solvency II will introduce economic risk-based solvency requirements across all EU Member States. These new solvency requirements will be more risk-sensitive and more sophisticated than in the past, thus enabling a better coverage of the real risks run by any particular insurer. Also, Solvency II will introduce new governance requirements and requirements relating to supervisory reporting and disclosure. The directive (level 1 text) was approved of by the Council in November 2009. As regards the level 2 text (delegated acts by the European Commission and/or implementing technical standards by EIOPA and the European Commission) and level 3 text (guidance by EIOPA), the work is advancing. In 2012, the initial implementation date of 31 October 2012 was delayed to 1 January 2014, but the current expectations are that this deadline will be delayed even further. It is not known yet what the new implementation date will be. This delay is caused inter alia by ongoing negotiations between the European Parliament, Council and Commission on the final level 2 text and the Omnibus II-Directive, which directive will amend certain provisions of the level 1 text. The negotiations inter alia concern finding appropriate solutions for the treatment of long term guarantees in the SII-framework. Hence, there is significant uncertainty regarding the timeline and final outcome of this process and we are unable to predict precisely how the regulations resulting from such initiatives and proposals could affect the insurance industry generally or our results of operations, financial condition and liquidity in particular. Nevertheless, in 2012, ING Insurance/Investment Management has invested much attention and effort in preparing itself to meet the Solvency II legal requirements. Both in the head office and in the business units, many activities have taken place in parallel to upgrade our existing practices of risk measurement, of risk management and of reporting to the level that meet the demands posed. In the coming period, ING will continue to take an active role in discussions with the industry and other stakeholders on the development of a European framework that is more robust. For more information, see Item 3. Key Information Risk Factors We operate in highly regulated industries. There could be an adverse change or increase in the financial services laws and/or regulations governing our business Solvency II .

Americas

United States

ING Group s United States insurance subsidiaries are subject to comprehensive and detailed regulation of their activities under U.S. state and federal laws. Supervisory agencies in various states have broad powers to grant or revoke licenses to conduct business, regulate trade practices, license agents, approve policy forms and certain premium rates, set standards for capital and reserve requirements, determine the form and content of required financial reports, examine insurance companies, require investment portfolio diversification and prescribe the type and amount of permitted investments. Insurance companies are subject to a mandatory annual audit of their statutory basis financial statements by an independent certified public accountant, and in addition, are subject to an insurance department financial condition examination by their state of domicile approximately every three to five years.

ING Insurance s U.S. operations are subject to Risk Based Capital (RBC) guidelines which provide a method to measure the adjusted capital (statutory capital and surplus plus other adjustments) that insurance companies should maintain, taking into account the risk characteristics of the company s investments and products. The RBC guidelines are used by state insurance regulators as an early warning regulatory tool to identify possibly inadequately capitalized insurers which may need additional regulatory oversight. Each of the companies comprising ING Insurance s U.S. operations was above its target and statutory minimum RBC ratios at year-end 2012**.**

Insurance holding company statutes and regulations of each insurer s state of domicile require periodic disclosure concerning the ultimate controlling person (i.e. the corporation or individual that controls the insurer). Such statutes also impose various limitations on investments in, or transactions with, affiliates and may require prior approval of the payment of certain dividends by the domestic insurer to its immediate parent company. ING is subject, by virtue of its ownership of U.S. insurance companies, to certain of these statutes and regulations.

Although the U.S. federal government generally does not directly regulate the insurance business, many federal laws affect the insurance business in a variety of ways, including federal privacy legislation which requires safeguarding and maintaining the confidentiality of customer information, federal tax laws relating to insurance and annuity product taxation, and the USA PATRIOT Act of 2001 requiring, among other things, the establishment of anti-money laundering monitoring programs. In addition, a number of the products issued by ING Group s U.S. insurance companies are regulated as securities under state and federal law. Finally, a variety of U.S. retirement savings products and services may be subject to Department of Labor regulation under the Employee Retirement Income Security Act of 1974, as amended (ERISA). Finally, the Dodd Frank Act (described above) and the regulations that are promulgated to implement it could have an impact on ING s U.S. insurance operations if they are deemed systematically significant . The newly created Federal Insurance Office within the Treasury Department is not expected to act as a federal domestic insurance regulator, but it could nonetheless impact ING s U.S. insurance operations if it negotiates binding international insurance agreements affecting U.S. carriers.

Mexico

ING s mortgage business in Mexico is subject to general rules and detailed regulations under Mexican federal law. In December 2012, our Mexican subsidiary in charge of the mortgage business, converted from a Non-Related Limited Purpose Financial Company (*Sociedad Financiera de Objeto Limitado No-Vinculada*) to a Non-Regulated Multi-Purpose Financial Company (*Sociedad Financiera de Objeto Múltiple No Regulada*). As a result of the conversion, this entity is governed by the General Law of Ancillary Credit Organizations and Activities (*Ley General de Organizaciones y Actividades Auxiliares de Crédito*) and General Law of Commercial Companies.

The Commerce Code, the Foreign Investment Law, Income Tax Laws and regulations issued by the Ministry of Finance, such as anti-money laundering provisions, are also applicable to this entity.

In addition, the National Banking Commission (CNBV) and the National Commission for the Protection and Defense of the Users of Financial Services (CONDUSEF) regulate ING as a Non-Regulated Multi-Purpose Financial Company in regards to anti-money laundering matters and the services provided to clients in Mexico. This entity is also subject to a mandatory annual audit of its financial statements and tax reports by independent auditors.

Argentina

In May 2009, ING sold 100% of its stake in the insurance annuities business in Argentina.

ING is in the final stage of the process of liquidating Nationale-Nederlanden Cía de Seguros de Vida (INGIA), a legacy company which is a branch of Nationale-Nederlanden Life in Holland. In late 2004, ING sold the insurance portfolio of this company. Currently INGIA is winding down the entire business, with the completion expected to occur in the middle of 2013.

Private pension fund businesses in Argentina were nationalized on 9 December 2008, pursuant to law 26.425. This law ordered all Private Pension Fund Managers (AFJP) to transfer the pension funds they then held to the ANSES (Administración Nacional de la Seguridad Social), the Argentine State social security system. As a result of the nationalization of the Argentine pension fund system, ANSES has taken over control of the private

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pension funds and ING s Argentine AFJP will ultimately be liquidated. During this liquidation process, the AFJP is regulated by the General Inspection of Justice (Inspección General de Justicia).

Asia/Pacific

While the insurance regulations in Asia Pacific vary from country to country, these regulations are designed to protect the interests of policyholders. Most jurisdictions in which ING operates have regulations governing solvency standards, capital and reserves level, permitted investments, business conduct, sales intermediaries licensing and sales practices, policy forms and, for certain lines of insurance, approval or filing of rates. In certain jurisdictions, regulations limit sales commissions and certain marketing expenses. In general, insurers are required to file detailed financial statements with their regulators. Regulators have power to conduct regular or specific examinations of the insurers operations and accounts and request for information from the insurers.

Japan

ING Group s life insurance subsidiary in Japan is subject to the supervision of the Financial Services Agency, the chief regulator in Japan, the rules and regulations as stipulated by the Insurance Law, Insurance Business Law and ordinances of the Cabinet Office. The affairs handled by the Financial Services Agency include, among others, planning and policymaking concerning financial systems and the inspection and supervision of private sector financial institutions including insurance companies.

New products, revision of existing products, etc. require approval by the Financial Services Agency. The Cabinet Office ordinances stipulate the types and proportions of assets in which an insurance company can invest. The Insurance Business Law further requires that an insurance company set aside a liability reserve to provide for the fulfillment of the level of expected mortality and other assumptions that are applied in calculating liability reserves for long-term contracts. In addition to the required audit by external auditors, insurance companies are required to appoint a corporate actuary and have such corporate actuary be involved in the method of calculating premiums and other actuarial, accounting and compliance matters.

South Korea

ING Group s South Korean insurance companies are subject to supervision by the Financial Services Commission (FSC) and its executive arm, the Financial Supervisory Service (FSS), the main financial regulator in Korea. In addition, insurance companies are as all companies doing business in Korea subject to the Korea Fair Trade Commission (KFTC) s authority on antitrust and unfair trade matters. Another body, the Korean Insurance Development Institute (KIDI) established under the Insurance Business Law (IBL), calculates net insurance premium rates that insurance companies can apply and reports such premium rates to the FSC. The KIDI also confirms insurance companies methods of calculating insurance premiums and the liability reserve in relation to new products and revisions of existing products. Since April 2007, the FSS adopted the Risk Assessment and Application System to strengthen insurance risk management system of insurance companies. The IBL has been amended comprehensively as of January 2011, to strengthen consumer protection while liberalizing regulation on asset management and product development process, among others.

BROKER-DEALER AND INVESTMENT MANAGEMENT ACTIVITIES

Americas

United States

ING s broker-dealer entities in the United States are regulated by the Securities and Exchange Commission, the states in which they operate, and the Financial Industry Regulatory Authority (FINRA), the self-regulatory organization that succeeded to the securities industry self-regulatory functions of the National Association of Securities Dealers and the New York Stock Exchange. The primary governing statutes for such entities are the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and state statutes and regulations, as applicable. These and other laws, and the regulations promulgated thereunder, impose requirements (among others) regarding minimum net capital, safeguarding of customer assets, protection and use of material, non-public (inside) information, record-keeping requirements, supervision of employee activities, credit to customers, suitability determinations in the context of recommending transactions to customers, clearance and settlement procedures and anti-money laundering standards and procedures. The rules of FINRA in some respects duplicate the above-mentioned legal requirements, but also impose requirements specific to the marketplaces that FINRA oversees. For example, FINRA imposes requirements relating to activities by market-makers in the over-the-counter market in equity securities and requirements regarding transactions effected in its listed securities market.

Certain ING entities in the United States (including certain of its broker-dealers) also act in the capacity of a federally registered investment advisor (i.e. providing investment advice to customers for a fee), and are governed in such activities by the Investment Advisers Act of 1940, as amended. Moreover, certain ING entities manage registered investment companies (such as mutual funds) and the Investment Company Act of 1940, as amended, regulates the governance and activities of those funds. These laws impose, among other things, record-keeping and disclosure requirements on ING in the context of such activities. Moreover, the laws impose restrictions on transactions or require disclosure of transactions involving advisory clients and the advisor or the advisors affiliates, as well as transactions between advisory clients. In addition, ERISA imposes certain obligations on investment advisors managing employee plan assets as defined in the Act.

Other federal laws affect ING s U.S. financial services businesses in a variety of ways, including federal and state privacy legislation that requires safeguarding and confidentiality of customer information, federal tax laws, and the USA PATRIOT Act of 2001 requiring, among other things, the establishment of anti-money laundering monitoring programs. Certain sales and solicitation practices are also subject to U.S. Department of Labor and state regulation and disclosure obligations as well.

The failure of ING to comply with these various requirements could result in civil and criminal sanctions and administrative penalties imposed by the U.S. federal or state governments or agencies, or civil sanctions and administrative penalties imposed by the Securities and Exchange Commission, the state securities regulators, or FINRA. Moreover, employees who are found to have participated in the violations, and the managers of these employees, also may be subject to penalties by governmental and self-regulatory agencies.

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COMPETITION

ING is a global financial institution of Dutch origin with presence in more than 40 countries, currently offering banking, investments, life insurance and retirement services to meet the needs of a broad customer base.

We are concentrating on our position as a strong European bank with attractive home market positions in Northern Europe and growth options in Central and Eastern Europe and Asia, while creating an optimal base for independent futures for our insurance operations (including investment management). We aim to deliver financial products and services in the way our customers want them delivered: with exemplary service, convenience and at competitive prices.

The mature markets of the Netherlands, Belgium, the Rest of Europe, North America and Australia are characterised by a high degree of competition. In emerging markets the degree of competition between companies from mature markets and local players has risen rapidly in the past few years. In both mature and emerging markets ING and its competitors have sought to form alliances and strategic relationships with local institutions, which are becoming more and more sophisticated and competitive.

As described under Group Strategy above, ING was required to develop and submit the Restructuring Plan to the EC following the Dutch state aid received in 2008/2009. This Restructuring Plan was amended significantly in 2012. The Restructuring Plan includes restrictions on acquisitions and price leadership for certain products in the EU markets, and ING is also required to carry out certain commitments, including repaying the state aid received from the Dutch State. Such measures could affect our ability to competitively price our products and to further compete with other industry players that are not subject to such restrictions.

In the long run, competition in the financial services industry in both mature and emerging markets will continue to be based on factors such as customer service, price, products offered, financial strength, brand recognition, scope of distribution systems and, in the case of investment-linked insurance products and asset management services, investment performance. Management believes that over the coming years ING s major competitors will be the leading global European, American and Asian commercial banks, insurance companies, asset management and other financial-services companies. However, competition has become less global and more regional. In the last few years financial services providers around the world have increasingly focused their efforts on certain home markets. ING is no exception to this

RATINGS

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

ING Groep N.V. s long-term senior debt is rated A (with a negative outlook) by Standard & Poor s Ratings Service (Standard & Poor s), a division of the McGraw-Hill Companies, Inc. ING Groep N.V. s long-term senior debt is rated A3 (with a negative outlook) by Moody s Investors Service (Moody s). ING Groep N.V. s long term senior debt is rated A (with a negative outlook) by Fitch Ratings (Fitch).

ING Bank N.V. s long-term senior debt held a A+ (with a negative outlook) rating by Standard & Poor s. Moody s rated ING Bank N.V. s long-term senior debt at A2 (with a negative outlook). Finally, ING Bank N.V. s long-term senior debt was rated A+ (with a negative outlook) by Fitch Ratings, Ltd.

ING Verzekeringen N.V. s long-term senior debt is rated A- (with a negative outlook) by Standard & Poor s and Baa2 (with a developing outlook) by Moody s. Fitch rated ING Verzekeringen N.V. s long-term senior debt A- (with a negative outlook).

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

ING Verzekeringen N.V. s short-term senior debt is rated A-2 by Standard & Poor s and Prime-2 (P-2) by Moody s. ING Verzekeringen held a F2 rating by Fitch.

All ratings are provided as of 18 March 2013, and are still current at date of filing.

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DESCRIPTION OF PROPERTY

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

Item 4A. Unresolved Staff comments

None.

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Item 5. Operating and financial review and prospects

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

FACTORS AFFECTING RESULTS OF OPERATIONS

ING Group s results of operations are affected by demographics (particularly with respect to life insurance) and by a variety of market conditions, including economic cycles, banking industry cycles and fluctuations in stock markets, interest and foreign exchange rates. See Item 3. Key information Risk Factors for more factors that can impact ING Group s results of operations.

Financial environment

In 2012 the external environment continued to have an impact on ING as the euro sovereign debt crisis in the Eurozone maintained a challenging economic and financial market environment for a major part of the year. This led to international capital and money markets not functioning in the manner they would in more normal circumstances. This had repercussions (for us, our industry and the broader economy) especially in Europe where funding for governments and financial institutions continues to be difficult in certain markets. For details regarding the impact of the credit and liquidity crisis on ING s assets and results reference is made to the section Risk Management and Note 4 in Note 2.1 to the consolidated financial statements, which also includes details on the sovereign debt crisis.

General market conditions

Demographic studies suggest that over the next decade there will be growth in the number of individuals who enter the age group that management believes is most likely to purchase retirement-oriented life insurance products in ING s principal life insurance markets. In addition, in a number of our European markets, including the Netherlands, retirement, medical and other social benefits previously provided by the government have been, or in the coming years are expected to be, curtailed. Management believes this will increase opportunities for private sector providers of life insurance, health, pension and other social benefits-related insurance products. Management believes that ING Insurance is, due to its distribution networks, the quality and diversity of its products and its investment management expertise well positioned to benefit from these developments. In addition, the emerging markets in which ING Insurance has insurance operations generally have lower gross domestic products per capita and gross insurance premiums per capita than the countries in Western Europe and North America in which ING Insurance has insurance operations. Management believes that insurance operations in these emerging markets provide ING Insurance with the market presence which will allow it to take advantage of anticipated growth in these regions. In addition, conditions in the non-life insurance markets in which ING Insurance operates are cyclical, and characterized by periods of price competition, fluctuations in underwriting results, and the occurrence of unpredictable weather-related and other losses.

Fluctuations in equity markets

Our insurance and asset management operations are exposed to fluctuations in equity markets. Our overall investment return and fee income from equity-linked products are influenced by equity markets. The fees we charge for managing portfolios are often based on the performance and value of the portfolio. In addition, fluctuations in equity markets may affect sales of life and pension products, unit-linked products, including variable business and may increase the amount of withdrawals which will reduce related management fees. Furthermore, equity markets have an impact on technical provisions related to our variable annuities portfolio. Our direct shareholdings that are classified as investments are exposed to fluctuations in equity markets. The securities we hold may become impaired in the case of a significant or prolonged decline in the fair value of the security below its cost. Our banking operations are exposed to fluctuations in equity markets. ING Bank maintains an internationally diversified and mainly client-related trading portfolio. Accordingly, market downturns are likely to lead to declines in securities trading and brokerage activities which we execute for customers and therefore to a decline in related commissions and trading results. In addition to this, ING Bank also maintains equity investments in its own non-trading books. Fluctuations in equity markets may affect the value of these investments.

Fluctuations in interest rates

Our insurance operations are exposed to fluctuations in interest rates through impacts on sales and surrenders of life insurance and annuity products. Declining interest rates may impact profitability as a result of a reduced spread between the guaranteed interest rates to policyholders and the investment returns on fixed interest

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investments. Declining interest rates may also affect the results of our reserve adequacy testing which may in turn result in reserve strengthening. Rising interest rates may increase the surrender of policies which may require liquidation of fixed interest investments at unfavorable market prices. This could result in realized investment losses. Our banking operations are exposed to fluctuations in interest rates. Our management of interest rate sensitivity affects the results of our banking operations. Interest rate sensitivity refers to the relationship between changes in market interest rates on the one hand and future interest earnings and economic value of the bank s underlying banking portfolios on the other hand. Both the composition of our banking assets and liabilities and the fact that interest rate changes may affect client behavior in a different way than assumed in our internal models result in a mismatch which causes the banking longer term operations net interest income and trading results to be affected by changes in interest rates.

Fluctuations in exchange rates

ING Group is exposed to fluctuations in exchange rates. Our management of exchange rate sensitivity affects the results of our operations through the trading activities for our own account and because we prepare and publish our consolidated financial statements in euros. Because a substantial portion of our income and expenses is denominated in currencies other than euros, fluctuations in the exchange rates used to translate foreign currencies, particularly the U.S. Dollar, Pound Sterling, Turkish Lira, Chinese Renminbi, Australian Dollar, Polish Zloty, Korean Won and the Indian Rupee into euros will impact our reported results of operations and cash flows from year to year. This exposure is mitigated by the fact that realized results in non-euro currencies are translated into euro by monthly hedging. See Note 25 of Note 2.1 to the consolidated financial statements for a description of our hedging activities with respect to foreign currencies. Fluctuations in exchange rates will also impact the value (denominated in euro) of our investments in our non-euro reporting subsidiaries. The impact of these fluctuations in exchange rates is mitigated to some extent by the fact that income and related expenses, as well as assets and liabilities, of each of our non-euro reporting subsidiaries are generally denominated in the same currencies. The translation risk is managed by taking into account the effect of translation results on the core Tier-1 ratio.

For the years 2012, 2011 and 2010, 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 2012	3Q 2012	2Q 2012	1Q 2012
U.S. dollar	1.303	1.260	1.289	1.323
Australian dollar	1.253	1.215	1.265	1.259
Canadian dollar	1.293	1.258	1.297	1.324
Pound sterling	0.808	0.795	0.813	0.837
Japanese yen	106.304	98.847	103.318	104.628
South Korean won	1,416.763	1,424.028	1,477.039	1,498.021
Turkish lira	2.334	2.275	2.320	2.373
Polish zloty	4.107	4.160	4.243	4.243

	4Q 2011	3Q 2011	2Q 2011	1Q 2011
U.S. dollar	1.343	1.417	1.449	1.378
Australian dollar	1.327	1.349	1.359	1.357
Canadian dollar	1.372	1.395	1.397	1.358
Pound sterling	0.857	0.883	0.888	0.865
Japanese yen	104.222	110.315	118.177	113.084
South Korean won	1,540.686	1,544.925	1,561.218	1,538.012
Turkish lira	2,464	2.437	2.275	2.168
Polish zloty	4.440	4.141	3.973	3.966

	4Q 2010	3Q 2010	2Q 2010	1Q 2010
U.S. dollar	1.347	1.290	1.285	1.386
Australian dollar	1.376	1.431	1.450	1.541
Canadian dollar	1.371	1.347	1.322	1.452
Pound sterling	0.857	0.834	0.856	0.884
Japanese yen	110.883	110.502	118.316	126.568
South Korean won	1,531.253	1,530.355	1,495.789	1,600.933
Turkish lira	2.000	1.957	1.976	2.097
Polish zloty	3.999	4.034	3.996	3.997

		Year-end	
	2012	2011	2010
U.S. dollar	1.319	1.295	1.338
Australian dollar	1.272	1.273	1.314
Canadian dollar	1.313	1.320	1.334
Pound sterling	0.816	0.836	0.862
Japanese yen	113.634	100.196	108.745
South Korean won	1,402.888	1,500.636	1,500.388
Turkish lira	2.357	2.436	2.067
Polish zloty	4.083	4.468	3.959

Sovereign Debt Exposures

For information regarding certain sovereign debt exposures, see Note 4 Investments of Note 2.1.2 and Note 2.2.1 Risk Management to the consolidated financial statements.

Critical Accounting Policies

See Note 2.1 to the consolidated financial statements.

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CONSOLIDATED RESULTS OF OPERATIONS

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

The section Group Overview on next page presents the consolidated results of ING Group in accordance with IFRS-ASB. ING Group evaluates the results of its segments using the financial performance measure called underlying result. Underlying result is defined as result under IFRS-IASB excluding the impact of divestments, discontinued operations and special items. The section Segment Reporting on next page presents the segment results on the basis of the performance measure underlying result. For further information on underlying result for the banking and insurance activities, as well as the reconciliation of our segment underlying result before tax to our net result, see Note 52 of Note 2.1 to the consolidated financial statements.

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GROUP OVERVIEW

The following table sets forth the consolidated results of ING Group in accordance with IFRS-IASB for the years ended 31 December 2012, 2011 and 2010:

IFRS-IASB Consolidated Income Statement	2012	2011	2010
		(in EUR millions)	
Income from banking operations:			
Interest income	61,297	66,181	69,687
Interest expense	49,329	52,724	56,271
Net interest result	11,968	13,457	13,417
Commission income	2,133	2,496	2,633
Investment and Other income	1,145	573	1,090
Total income from banking operations	**15,246**	**16,526**	**17,139**
Income from insurance operations:			
Premium income	20,277	20,279	21,280
Commission income	1,405	1,421	1,384
Investment and Other income	5,007	7,433	5,371
Total income from insurance operations	**26,689**	**29,133**	**28,035**
Total income (1)	**41,788**	**45,309**	**44,838**
Total expenditure from banking operations	11,969	11,881	11,904
Total expenditure from insurance operations	26,927	29,741	30,217
Total expenditure (1)	**38,748**	**41,271**	**41,785**
Result before tax from banking operations	3,277	4,647	5,235
Result before tax from insurance operations	-238	-608	-2,182
Result before tax	**3,040**	**4,038**	**3,053**
Taxation	578	890	994
Result from discontinued operations (2)	908	1,673	405
Minority interests	111	81	97
Net result IFRS-IASB	**3,259**	**4,740**	**2,367**
Underlying net result from banking operations	1,513	1,951	3,394
Underlying net result from insurance operations	456	-230	-1,252
Underlying net result	**1,969**	**1,720**	**2,141**
Divestments (3)	1,443	1,286	886
Result from discontinued operations (2)	550	678	405
Result from disposal of discontinued operations (2)	358	995	
Special items (4)	-1,060	60	-1,065

Net result IFRS-IASB	**3,259**	**4,740**	**2,367**

1) Including intercompany eliminations
2) Reference is made to Note 26 Discontinued operations for more information on discontinued business.
3) Divestments Bank: sale ING Direct USA (EUR 489 million, 2012, EUR 332 million, 2011, EUR 308 million, 2010), sale ING Direct UK (EUR -260 million, 2012), Sale ING Direct Canada (EUR 1,219 million, 2012, EUR 76 million, 2011, EUR 97 million, 2010), sale REIM (EUR 453 million, 2011, EUR 23 million, 2010), sale Car Lease (EUR 405 million, 2011, EUR 57 million, 2010), sale Philippines (EUR 29 million, 2011) sale Private Banking Swiss (EUR 73 million, 2010), sale Private Banking Asia (EUR 334 million, 2010), sale Summit Canada (EUR -6 million, 2010). Divestments Insurance: sale IM Australia (EUR 26 million, 2011), Sale PALIC China (EUR 29 million, 2011), Other (sale EUR -5 million, 2011), sale joint-venture Brasil (EUR 22 million, 2010) sale Industry Pension Funds (EUR -19 million, 2012, EUR 4 million, 2010), sale Greece Non-life (EUR -4 million, 2010), sale U.S. (EUR -12 million, 2010), sale Argentina (EUR 15 million, 2012, EUR -4 million, 2011, EUR -17 million, 2010).
4) Special items Bank: new Dutch employee pension scheme (EUR 218 million, 2012), settlement with U.S. authorities (EUR -386 million, 2012), Liability Management transaction (EUR 647 million, 2011), separation and IPO preparation costs (EUR -37 million, 2012, EUR -48 million, 2011, EUR -43 million, 2010), Retail Netherlands strategy (EUR -33 million, 2012, EUR -106 million, 2011, EUR -180 million, 2010), restructuring provisions and other (EUR -390 million, 2012, EUR -212 million, 2011, EUR -116 million, 2010). Special items Insurance: new Dutch employee pension scheme (EUR 87 million, 2012), goodwill impairment Benelux (EUR -48 million, 2012), Liability Management transaction (EUR -30 million, 2012, EUR 71 million, 2011), separation and IPO preparation costs (EUR -131 million, 2012, EUR -153 million, 2011, EUR -41 million, 2010), restructuring provisions and other (EUR -309 million, 2012, EUR -145 million, 2011, EUR -177 million, 2010), goodwill impairment U.S. (EUR -510 million, 2010).

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Year ended 31 December 2012 compared to year ended 31 December 2011

The operating environment remained challenging throughout 2012, with volatile financial markets and an uncertain macroeconomic environment. Against this backdrop, ING Group s 2012 net result declined to EUR 3,259 million from a net result of EUR 4,740 million 2011. ING s 2012 net result includes EUR 1,443 million of divestments, and EUR -1,060 million of special items.

Underlying net result for 2012 was EUR 1,969 million, an increase of 14.5% from EUR 1,720 million a year earlier. Underlying net result is derived from total net result by excluding the impact from divestment, discontinued operations and special items.

Year ended 31 December 2011 compared to year ended 31 December 2010

Operating conditions were challenging in 2011, as financial markets continued to be volatile and the macroeconomic environment deteriorated further in the second half of the year. The prolonged weakness of the economic recovery and its impact on local and capital markets were especially prominent in the fourth quarter. Despite this difficult context, ING Group s full-year results improved in 2011 compared with 2010. The full-year 2011 net result was EUR 4,740 million compared with a net result of EUR 2,367 million in 2010.

Underlying net result for 2011 was EUR 1,720 million, down 19.7% from EUR 2,141 million a year earlier. Underlying net result is derived from total net result by excluding the impact from divestments, discontinued operations and special items.

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SEGMENT REPORTING

ING Group s segments are based on the management structure of the Group, which is different from its legal structure. ING Group evaluates the results of its segments using the financial performance measure called underlying result. Underlying result is defined as result under IFRS-IASB excluding the impact of divestments, discontinued operation and special items.

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

For the banking activities underlying result is analysed in a format that is similar to the IFRS profit and loss account.

With regard to insurance activities, ING Group analyses the underlying result through a margin analysis, which includes the following components:

- Operating result
- Non-operating items

Both are analysed into various sub-components. The total of operating result and non-operating items (gains/ losses and impairments, revaluations and market & other impacts) equals underlying result before tax.

To determine the operating result the following non-operating items are adjusted in the reported underlying result before tax:

- Realised capital gains/losses and impairments on debt and equity securities;
- Revaluations on assets marked to market through the P&L; and
- Other non-operating impacts, e.g. provision for guarantees on separate account pension contracts, equity related and other DAC unlocking, Variable Annuities/Fixed Indexed Annuities (VA/FIA) Guaranteed Benefit Reserve Unlocking and DAC offset on gains/losses on debt securities.

The operating result for the life insurance business is also broken down in expenses and the following sources of income:

- Investment margin which includes the spread between investment income earned and interest credited to insurance liabilities (excluding market impacts, but including dividends and coupons);
- Fees and premium-based revenues which includes the portion of life insurance premiums available to cover expenses and profit, fees on deposits and fee income on assets under management (net of guaranteed benefit costs in the United States);

Technical margin which includes the margin between costs charged for benefits and incurred benefit costs it includes mortality, morbidity and surrender results; and

Non-modelled which is immaterial and includes parts of the business for which no margins are provided.

As of the fourth quarter of 2010, the Legacy Variable Annuity business in the U.S. has been reported and analysed separately from the other U.S. business in the internal management reporting. Therefore as of 1 October 2010 ING has reported the Insurance U.S. Legacy VA business as a separate business line to improve the transparency of the ongoing business. ING Group s accounting policy for reserve adequacy requires each segment to be adequate at the 50% confidence level. The separation of the Legacy VA business into a separate segment triggered a charge in the fourth quarter of 2010 to bring reserve adequacy on the new Insurance US Closed Block VA business line to the 50% level. This charge is reflected as a DAC write-down of EUR 975 million before tax. For 2011 the impact of the assumption adjustments includes a charge of EUR 177 million to restore the reserve adequacy of the Insurance U.S. Closed Block VA business line to the 50% level at 31 December 2011.

For further information on underlying result for the banking and insurance activities, as well as the reconciliation of our segment underlying result before tax to our net result, see Note 52 of Note 2.1 to the consolidated financial statements

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BANKING OPERATIONS

The following table sets forth the contribution of ING s banking business lines and the corporate line banking (CL) to the underlying net result for each of the years 2012, 2011 and 2010. As of 2012 the internal management reporting structure for the banking operations was changed in order to improve transparency and to reflect the impact of the divestments of ING Direct USA and ING Real Estate Investment Management. The segments have changed accordingly. The comparatives have been adjusted to reflect the new segment structure for the banking operations. In 2011, ING Group identified the following segments for banking operations: Retail Netherlands, Retail Belgium, ING Direct, Retail Central Europe, Retail Asia, Commercial Banking (excluding Real Estate) and ING Real Estate. Retail Banking Germany (previously part of ING Direct) is now a separate segment. The remainder of ING Direct is combined with Retail Central Europe and Retail Asia into one new segment Retail Rest of World. ING Real Estate is included in Commercial Banking. The results of the IABF state loan (part of ING Direct USA which was not sold) is reported in the underlying result of the Corporate Line.

(EUR millions) 2012	Retail Netherlands	Retail Belgium	Retail Germany	Retail Rest of World	Commercial Banking	Corporate Line	Total Banking
Underlying income							
Net interest result	3,377	1,723	1,141	1,788	3,422	260	11,712
Commission income	485	335	87	328	907	19	2,162
Total investment and other income	35	136	-36	-381	-222	-19	-488
Total underlying income	**3,897**	**2,194**	**1,193**	**1,735**	**4,107**	**260**	**13,386**
Underlying expenditure							
Operating expenses*	2,353	1,418	669	1,714	2,436	311	8,900
Additions to loan loss provision	665	168	83	251	955		2,122
Total underlying expenditure	**3,018**	**1,586**	**752**	**1,965**	**3,391**	**311**	**11,023**
Underlying result before taxation	**878**	**609**	**441**	**-230**	**716**	**-50**	**2,363**
Taxation	219	169	161	37	200	-26	760
Minority interests			1	66	23		91
Underlying net result	**660**	**439**	**278**	**-333**	**492**	**-24**	**1,513**
Divestments				1,449			1,449
Special items	-284	-22			-129	-193	-628
Net result	**376**	**417**	**278**	**1,116**	**363**	**-218**	**2,333**

* including intangibles amortization and other impairments

(EUR millions) 2011	Retail Netherlands	Retail Belgium	Retail Germany	Retail Rest of World	Commercial Banking	Corporate Line	Total Banking
Underlying income							
Net interest result	3,612	1,606	1,247	1,829	3,739	-58	11,975
Commission income	481	336	117	331	977	-13	2,230
Total investment and other income	52	88	-230	-185	-1,075	50	-1,298
Total underlying income	**4,145**	**2,031**	**1,134**	**1,975**	**3,641**	**-20**	**12,907**
Underlying expenditure							
Operating expenses*	2,428	1,432	648	1,636	2,527	153	8,824
Additions to loan loss provision	457	145	91	167	477		1,336

Total underlying expenditure	**2,885**	**1,577**	**740**	**1,803**	**3,004**	**153**	**10,161**
Underlying result before taxation	**1,261**	**455**	**395**	**172**	**637**	**-173**	**2,746**
Taxation	317	108	134	37	128	-7	717
Minority interests			1	59	19		79
Underlying net result	**944**	**347**	**259**	**76**	**490**	**-166**	**1,951**
Divestments	12	2		408	873		1,295
Special items	-246	-12			-80	620	281
Net result	**710**	**337**	**259**	**484**	**1,283**	**454**	**3,527**

* including intangibles amortization and other impairments

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(EUR millions) 2010	Retail Netherlands	Retail Belgium	Retail Germany	Retail Rest of World	Commercial Banking	Corporate Line	Total Banking
Underlying income							
Net interest result	3,816	1,608	1,070	1,818	3,672	-25	11,958
Commission income	498	345	118	342	939	-13	2,228
Total investment and other income	-4	95	-17	32	144	232	483
Total underlying income	**4,310**	**2,047**	**1,171**	**2,192**	**4,755**	**193**	**14,669**
Underlying expenditure							
Operating expenses*	2,376	1,345	609	1,548	2,643	145	8,666
Additions to loan loss provision	560	160	120	118	490		1,448
Total underlying expenditure	**2,936**	**1,505**	**729**	**1,666**	**3,133**	**145**	**10,114**
Underlying result before taxation	**1,374**	**542**	**442**	**526**	**1,622**	**49**	**4,555**
Taxation	361	91	139	143	359	-1	1,092
Minority interests		-6	1	42	33		70
Underlying net result	**1,013**	**458**	**302**	**340**	**1,231**	**50**	**3,394**
Divestments	16	75		739	56		886
Special items	-232	-13			-65	-30	-340
Net result	**797**	**520**	**302**	**1,079**	**1,221**	**20**	**3,940**

* including intangibles amortization and other impairments

Year ended 31 December 2012 compared to year ended 31 December 2011

Underlying result before tax declined by 13.9% to EUR 2,363 million in 2012, from EUR 2,746 million in 2011. This decline in result was partially mitigated by EUR 526 million less negative fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios in the Netherlands and Belgium. These fair value changes are mainly caused by changes in market interest rates. As explained on page 3, no hedge accounting is applied to these derivatives under IFRS-IASB. Excluding these fair value changes, the underlying result before tax dropped 22.0% to EUR 3,219 million in 2012 from EUR 4,128 million in 2011. This decline mainly reflects higher risk costs due to the weak economic and business fundamentals, negative credit and debt valuation adjustments (CVA/DVA), and the new Dutch Bank levy. In 2012, the result furthermore included EUR 601 million of losses from pro-active de-risking in the European debt securities portfolio, while the result in 2011 included EUR 181 million of de-risking losses and EUR 588 million of impairments on Greek government bonds. CVA/DVA adjustments in Commercial Banking and the Corporate Line had a negative impact of EUR 587 million in 2012, mainly reflecting a tightening of ING Bank s credit spread, compared with EUR 275 million of positive CVA/DVA impacts in 2011. Excluding these and other market-related items, underlying result before tax was 14.0% lower, fully attributable to higher risk costs.

Net result from banking operations declined to EUR 2,333 million in 2012 from EUR 3,527 million in 2011. In 2012, the sale of ING Direct Canada and ING Direct USA as well as the expected loss on the announced sale of ING Direct UK, resulted in a total net gain of EUR 1,365 million, while the operating net results from the divested units amounted to EUR 84 million. In 2012, special items after tax were EUR -628 million, mainly related to a settlement with authorities in the United States, various restructuring programs, including further restructuring in Retail Netherlands and Commercial Banking, and costs related to the separation of Bank and Insurance. These negative impacts were partly offset by a provision release following the announcement of the new Dutch employee pension scheme. In 2011, the divestment of ING Real Estate Investment Management, ING Car Lease and IIM Philippines resulted in a net gain of EUR 821 million, while the operating net results from the divested units amounted to EUR 474 million. Special items after tax were EUR 281 million positive in 2011, driven by the EUR 647 million net gain on the liability management transaction that was completed in December 2011. The gain was partly offset by special items from various restructuring programs, including the strategic measures taken in Retail Netherlands and Commercial Banking as well as additional costs for the merger of the Dutch retail banking activities, and costs related to the separation of Bank and Insurance.

Total underlying income improved by 3.7% to EUR 13,386 million in 2012 from EUR 12,907 million. The underlying net interest result decreased by 2.2% to EUR 11,712 million. The main reasons for this decrease were lower interest results on savings, reflecting the low interest rate environment, and the impact of de-risking, and higher liquidity costs as the Bank lengthened its funding profile. The underlying interest margin declined to 1.32%, from 1.38% in 2011. Commission income fell 3.0% to EUR 2,162 million, mainly in Commercial Banking. Total investment and other income improved to EUR -488 million, from EUR -1,298 million in 2011. The improvement by the aforementioned EUR

526 million lower negative fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios, a EUR 323 million gain on the sale of ING s equity stake in Capital One, lower combined losses from impairments and de-risking in the European

debt securities portfolio and improved performance at Bank Treasury, partly offset the negative swing in CVA/DVA adjustments.

Underlying operating expenses increased slightly, by 0.9% to EUR 8,900 million, compared with EUR 8,824 million in 2011. The increase was mainly due to inflationary and regulatory pressure, including the EUR 175 million Dutch Bank levy, partly offset by strong cost control and lower impairments on real estate development projects. The underlying net addition to the provision for loan losses increased to EUR 2,122 million, from EUR 1,336 million in 2011. Risk costs were 73 basis points of average risk-weighted assets compared with 48 basis points in 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010

Underlying result before tax declined to EUR 2,746 million in 2011 from EUR 4,555 million in 2010. This decline was partially caused by higher negative fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios in the Netherlands and Belgium of EUR 787 million. These fair value changes are mainly a result of changes in market interest rates. As explained on page 3, no hedge accounting is applied to these derivatives under IFRS-IASB. Excluding these fair value changes, underlying result before tax dropped 19.8% to EUR 4,128 million from EUR 5,150 million in 2010, mainly reflecting the impact of the sovereign debt crisis in Europe. The decline was mainly due to EUR 588 million of impairments on Greek government bonds and EUR 181 million of losses on selective de-risking at Retail Germany and Retail Rest of World, while the previous year included EUR 275 million of capital gains on the sale of two Asian equity stakes. Also excluding these items, underlying result before tax slightly rose by 0.5%.

Net result from banking operations declined to EUR 3,527 million in 2011 from EUR 3,940 million in 2010. In 2011, divestments of ING Real Estate Investment Management, ING Car Lease and IIM Philippines have resulted in a net gain of EUR 821 million, while the operating net results from divested units amounted to EUR 474 million. In 2011, special items after tax were EUR 281 million positive, driven by the EUR 647 million net gain on the liability management transaction that was completed in December 2011. The gain was partly offset by special items from various restructuring programs, including the strategic measures taken in Retail Netherlands and Commercial Banking as well as additional costs for the merger of the Dutch retail banking activities, and costs related to the separation of Banking and Insurance. In 2010, divestments included the gains on the sale of the Swiss and Asian Private Banking activities and the sale of Summit in Canada as well as the operating net results from divested units, while special items were related to the Bank s previous restructuring programs.

Total underlying income declined 12.0% to EUR 12,907 million in 2011 from EUR 14,669 million in 2010. The underlying net interest result was practically stable at EUR 11,975 million, despite a small increase in volumes. The underlying interest margin however declined slightly to 1.38% from 1.39% in 2010. Commission income remained flat on 2010, as increases in Commercial Banking (mainly Industry Lending) were offset by declines in Retail Banking. Total investment and other income was EUR -1,298 million compared with EUR 483 million in 2010, whereas EUR 787 million of the decline was caused by higher negative fair value changes on derivatives related to asset-liability-management activities as mentioned above. The remaining decline was entirely due to the above-mentioned impairments on Greek government bonds and losses on selective de-risking at Retail Germany and Retail Rest of World taken in 2011, while 2010 included the capital gains on the sale of two Asian equity stakes.

Underlying operating expenses, which includes intangibles amortization and other impairments, increased by 1.8% to EUR 8,824 million, mainly due to specific investments in the business and a modest year-on-year increase in staff costs. This was largely offset by stringent cost control and lower impairments on real estate development projects. The underlying net addition to the provision for loan losses declined 7.7% to EUR 1,336 million from EUR 1,448 million in 2010. Risk costs in 2011 were 48 basis points of average risk-weighted assets compared with 49 basis points in 2010.

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

RETAIL NETHERLANDS

	Retail Netherlands		
	2012	**2011**	**2010**
	(in EUR millions)		
Underlying income:			
Interest result	3,377	3,612	3,816
Commission income	485	481	498
Investment income and other income	35	52	-4
Total underlying income	**3,897**	**4,145**	**4,310**
Underlying expenditure:			
Operating expenses	2,353	2,428	2,376
Additions to the provision for loan losses	665	457	560
Total expenditure	**3,018**	**2,885**	**2,936**
Underlying result before tax	**878**	**1,261**	**1,374**
Taxation	219	317	361
Minority interests			
Underlying net result	**660**	**944**	**1,013**
Divestments		12	16
Special items	-284	-246	-232
Net result	**376**	**710**	**797**

Year ended 31 December 2012 compared to year ended 31 December 2011

Retail Netherlands underlying result before tax dropped 30.4% to EUR 878 million in 2012 compared with EUR 1,261 million in 2011, mainly due to lower income and higher additions to the provision for loan losses. The underlying income decreased by 6.0% to EUR 3,897 million in 2012, particularly due to a 6.5% decline in interest result. The interest margin on savings and current accounts declined as a reduction in client savings rates could not fully offset a lower return from the investment portfolio due to lower interest rates. Funds entrusted showed a strong net inflow of EUR 9.0 billion, supported by successful marketing campaigns. The net production in residential mortgages was EUR 1.8 billion, while interest margins improved slightly. Other lending, mainly business lending, declined by EUR 3.0 billion as demand for credit remained low. Operating expenses decreased by 3.1% to EUR 2,353 million in 2012, mainly reflecting the implementation of the cost-reduction programme announced in November 2011. Risk costs increased to EUR 665 million, or 133 basis points of average risk-weighted assets, mainly due to higher net additions in the mid-corporate and SME segments, and higher risk costs on mortgages reflecting lower house prices.

Underlying net result declined to EUR 660 million in 2012 compared with EUR 944 million in 2011. The net result also decreased to EUR 376 million in 2011 from EUR 710 million in 2011. Special items after tax in 2012 were EUR -284 million, mainly related to the Case for Change initiative, which was followed by a second phase of strategic initiatives in the fourth quarter of 2012, additional costs for the combining of ING Bank and Postbank, and restructuring at WestlandUtrecht Bank. Special items in 2011 were EUR -246 million, mainly related to the Case for Change initiative as well as additional costs for the combining of ING Bank and Postbank and the operational and legal separation of WestlandUtrecht Bank. Divestments in 2011 related to the operating net results of the divested ING Car Lease activities.

Year ended 31 December 2011 compared to year ended 31 December 2010

The underlying result before tax of Retail Netherlands decreased 8.2% to EUR 1,261 million in 2011 from EUR 1,374 million in 2010, principally driven by lower income and higher expenses, partly offset by a decrease in risk costs. Total underlying income decreased 3.8% to EUR 4,145 million in 2011. This decrease was mainly the result of a 5.3% decline in interest result, due to increased competition for savings putting pressure on margins. Net production in residential mortgages was EUR 3.6 billion, while volumes in other lending decreased EUR 0.2 billion and margins declined. Funds entrusted increased EUR 3.1 billion, mainly driven by a successful marketing campaign for a one-year deposit in the fourth quarter. Operating expenses rose 2.2% to EUR 2,428 million in 2011, mainly as a consequence of higher pension costs following updated mortality tables and an impairment on software in WestlandUtrecht Bank. The addition to loan loss provisions decreased 18.4% to EUR

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457 million, or 93 basis points of average risk-weighted assets, mainly due to lower additions for specific files in the mid-corporate and SME segments, although the level started to increase again in the last quarter of 2011.

Underlying net result decreased to EUR 944 million in 2011 from EUR 1,013 million in 2010. The net result declined to EUR 710 million in 2011 compared with EUR 797 million in 2010. In 2011, special items after tax amounted to EUR -246 million, mainly related to the Case for Change initiative as well as additional costs for the combining of ING Bank and Postbank and the operational and legal separation of WestlandUtrecht Bank. Special items in 2010 were EUR -232 million, mainly related to the Retail Netherlands Strategy (combining ING Bank and Postbank), other restructuring expenses and separation costs related to WestlandUtrecht Bank. Divestments in both years related to the operating net results of the in 2011 divested ING Car Lease activities.

RETAIL BELGIUM

		Retail Belgium	
	2012	**2011**	**2010**
		(EUR millions)	
Underlying income:			
Interest result	1,723	1,606	1,608
Commission income	335	336	345
Investment income and other income	136	88	95
Total underlying income	**2,194**	**2,031**	**2,047**
Underlying expenditure:			
Operating expenses	1,418	1,432	1,345
Additions to the provision for loan losses	168	145	160
Total expenditure	**1,586**	**1,577**	**1,505**
Underlying result before tax	**609**	**455**	**542**
Taxation	169	108	91
Minority interests			-6
Underlying net result	**439**	**347**	**458**
Divestments		2	75
Special items	-22	-12	-13
Net result	**417**	**337**	**520**

Year ended 31 December 2012 compared to year ended 31 December 2011

The underlying result before tax of Retail Belgium increased by 33.8% compared with 2011 to EUR 609 million, due to a strong increase in income supported by volume growth. Income rose 8.0% to EUR 2,194 million, from EUR 2,031 million in 2011, mainly due to higher interest results, as business growth was combined with higher margins. Last year s income was furthermore negatively affected by EUR 17 million of impairments on Greek government bonds. Net mortgage production was EUR 1.8 billion in 2012, while other lending grew by EUR 2.5 billion. The net production in funds entrusted was EUR 3.3 billion, mainly attributable to the successful introduction of a new retail savings product in the first half of 2012. Operating expenses declined slightly to EUR 1,418 million compared with 2011. The lower contribution to the deposit guarantee scheme and lower personnel expenses were largely offset by inflation-driven cost increases and a new bank levy. Risk costs increased by 15.9% on 2011 to EUR 168 million, or 83 basis points of average risk-weighted assets, mainly due to higher net additions in the mid-corporate segment.

Underlying net result increased to EUR 439 million in 2012 from EUR 347 million in the previous year. The net result improved to EUR 417 million in 2012 from EUR 337 million in 2011. Special items after tax in both years related to the Belgian domestic transformation programme and the separation of Bank and Insurance.

Year ended 31 December 2011 compared to year ended 31 December 2010

The underlying result before tax of Retail Belgium fell 16.1% on 2010, as a slight decline in income was accompanied by higher operating expenses. Income decreased 0.8% compared to 2010, mainly due to EUR 17 million of impairments on Greek government bonds. Interest result remained flat, as decline in margins was compensated by higher volumes, particularly in savings and lending. Net production in mortgages totaled EUR 3.0 billion in 2011, while production in other lending was EUR 3.2 billion. The net production in funds entrusted was EUR 3.0 billion, mainly driven by the success of the Orange Book savings product in the beginning of that ear. Operating expenses increased 6.5% on 2010 to EUR 1,432 million, mainly reflecting higher staff expenses, increased contribution to the deposit guarantee scheme and higher marketing expenses. The addition to the

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provision for loan losses declined 9.4%, to EUR 145 million, or 77 basis points of average risk weighted assets, mainly attributable to releases in the mid-corporate segment.

Underlying net result decreased to EUR 347 million in 2011 from EUR 458 million in 2010. The net result declined to EUR 337 million from EUR 520 million. In 2011, the impact of divestments was EUR 2 million, fully related to operating results of ING Car Lease sold in 2011. In 2010, divestments added EUR 75 million, and included next to the operating results of ING Car Lease, the gain on the sale of Swiss Private Banking activities. Special items after tax, in both 2010 and 2011, mainly related to the domestic transformation programme.

RETAIL GERMANY

	Retail Germany		
	2012	2011	2010
	(EUR millions)		
Underlying income:			
Interest result	1,141	1,247	1,070
Commission income	87	117	118
Investment income and other income	-36	-230	-17
Total underlying income	**1,193**	**1,134**	**1,171**
Underlying expenditure:			
Operating expenses	669	648	609
Additions to the provision for loan losses	83	91	120
Total expenditure	**752**	**740**	**729**
Underlying result before tax	**441**	**395**	**442**
Taxation	161	134	139
Minority interests	1	1	1
Underlying net result	**278**	**259**	**302**
Net result	**278**	**259**	**302**

Year ended 31 December 2012 compared to year ended 31 December 2011

Retail Germany s underlying result before tax rose 11.6% to EUR 441 million in 2012, compared with EUR 395 million in 2011, due to lower impairments and de-risking losses. Underlying income increased by 5.2% to EUR 1,193 million in 2012, as 2011 included EUR 136 million of impairments on Greek government bonds and EUR 48 million of losses on the selective sale of European bonds whereas EUR 21 million of de-risking losses in 2012. Excluding impairments and de-risking losses, underlying income decreased to EUR 1,214 million in 2012, from EUR 1,319 million in 2011. The interest result dropped 8.5% to EUR 1,141 million in 2012, from EUR 1,247 million in 2011, despite higher volumes, reflecting a lower interest margin on savings as the return on the investment portfolio declined following de-risking and higher excess cash positions. Commission income declined by EUR 30 million from 2011, mainly due to lower fees from securities business. In 2012 the total net production in funds entrusted was EUR 9.1 billion, while the net production in mortgages amounted to EUR 3.4 billion. Operating expenses increased by 3.2% compared with 2011, reflecting higher personnel expenses due to increased staff numbers and higher IT costs to support business growth. The additions to the provision for loan losses decreased in 2012 to EUR 83 million, or 38 basis points of average risk-weighted assets, from EUR 91 million in 2011 (or 46 basis points of average risk-weighted assets).

Both underlying net result and net result increased to EUR 278 million in 2012 compared to EUR 259 million in 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010

The underlying result before tax of Retail Germany declined 10.6% to EUR 395 million in 2011, from EUR 442 million in 2010. The decrease was mainly due to EUR 136 million of impairments on Greek government bonds and EUR 48 million of de-risking losses in the investment portfolio in 2011, partly offset by higher interest income. Underlying income decreased to EUR 1,134 million in 2011 from EUR 1,171 million in 2010, fully due to the abovementioned impairments and losses. The interest result increased by EUR 177 million, or 16.5%, driven by higher volumes, while the interest margin remained stable. In 2011, the total net production in mortgages was EUR 5.0 billion while net inflow of funds entrusted was EUR 5.8 billion. Operating expenses increased by 6.4% in 2011 compared with 2010, reflecting higher personnel expenses linked to the increase in staff numbers and higher marketing expenses. The addition to loan loss provisions decreased to EUR 91 million, or 46 basis points of average risk-weighted assets, from EUR 120 million in 2010 (or 60 basis points of average risk-weighted assets).

Both underlying net result and net result decreased to EUR 259 million in 2011 compared to EUR 302 million in 2010.

RETAIL REST OF WORLD

	Retail Rest of World		
	2012	**2011**	**2010**
	(EUR millions)		
Underlying income:			
Interest result	1,788	1,829	1,818
Commission income	328	331	342
Investment income and other income	-381	-185	32
Total underlying income	**1,735**	**1,975**	**2,192**
Underlying expenditure:			
Operating expenses	1,714	1,636	1,548
Additions to the provision for loan losses	251	167	118
Total expenditure	**1,965**	**1,803**	**1,666**
Underlying result before tax	**-230**	**172**	**526**
Taxation	37	37	143
Minority interests	66	59	42
Underlying net result	**-333**	**76**	**340**
Divestments	1,449	408	739
Net result	**1,116**	**484**	**1,079**

Year ended 31 December 2012 compared to year ended 31 December 2011

Retail Rest of World reported an underlying loss before tax of EUR 230 million in 2012 compared with an underlying profit before tax of EUR 172 million in 2011. This decrease was mainly due to EUR 563 million of losses from the selective de-risking in the investment portfolio in 2012, while 2011 included EUR 133 million of de-risking losses and EUR 210 million of impairments on Greek government bonds. Underlying income decreased by 12.2% due to the above-mentioned impairments and losses. Excluding these impacts, underlying income was almost flat, decreasing 0.9% to EUR 2,298 million in 2012, from EUR 2,318 million in 2011. The interest result declined by EUR 41 million, or 2.2% due to pressure on margins. The interest result decreased mainly in Italy, France and the United Kingdom, in part offset by increases in Turkey, Spain and India. The total net production in mortgages was EUR 2.2 billion, while the net growth in other lending was EUR 2.4 billion. Funds entrusted reported a net inflow of EUR 6.6 billion. Operating expenses increased by 4.8% in 2012 compared with 2011, mainly as a result of business growth and inflation in the emerging markets India, Turkey and Poland. Risk costs rose to EUR 251 million, or 47 basis points of average risk-weighted assets, compared with EUR 167 million, or 32 basis points of average risk-weighted assets, in 2011. The increase in risk costs was mainly caused by EUR 75 million of specific provisions taken for an impaired CMBS position in the UK.

Underlying net result turned to a loss of EUR 333 million in 2012, from a profit of EUR 76 million in 2011. The net result improved to EUR 1,116 million in 2012, from EUR 484 million previous year. Divestments added EUR 1,449 million to the 2012 net result and included the net gains on the sale of ING Direct Canada and ING Direct USA, and the expected loss on the announced sale of ING Direct UK as well as the operating net result from ING Direct Canada until closing of the sale. In 2011, the impact of divestments was EUR 408 million, fully related to the operating net results of ING Direct USA and ING Direct Canada.

Year ended 31 December 2011 compared to year ended 31 December 2010

The underlying result before tax of Retail Rest of World fell by 67.3% to EUR 172 million in 2011 from EUR 526 million in 2010. The decrease was mainly due to EUR 210 million of impairments on Greek government bonds and EUR 133 million of losses from the selective de-risking of the investment portfolio in 2011. Underlying income decreased 9.9% due to the above-mentioned impairments and losses. Excluding these items, underlying income rose by EUR 126 million to EUR 2,318 million in 2011 from EUR 2,192 million in 2010. Interest result increased by EUR 11 million, primarily due to Poland, Australia, Romania and Spain, but was partly offset by declines in Turkey and ING Vysya Bank. The total net production in mortgages was EUR 8.0

billion and in other lending EUR 4.1 billion, while net inflow of funds entrusted was EUR 10.6 billion. Operating expenses were up 5.7%, reflecting higher marketing expenses (particularly in Italy, France and Spain), higher costs to set up a limited number of branches in Spain, further roll-out of payment accounts in France and Italy, and business expansion in India. The addition to loan loss provisions in 2011 rose to EUR 167 million, or 32 basis points of average risk-weighted assets, compared with EUR 118 million, or 24 basis points of average risk-weighted assets, in 2010. Risk costs increased mainly in Turkey due to business growth and higher non-performing loans in India, as well as in Italy and Spain.

Underlying net result decreased to EUR 76 million in 2011 from EUR 340 million in 2010. The net result declined to EUR 484 million in 2011, from EUR 1,079 million in 2010. In 2011, the impact of divestments was EUR 408 million, fully related to the operating net results of ING Direct USA and ING Direct Canada which were sold in 2012. In 2010, divestments added EUR 739 million to the net result. This included, next to the operating net results of ING Direct USA and ING Direct Canada, a net result of EUR 334 million related to the sale of Private Banking Asia at the beginning of 2010.

COMMERCIAL BANKING

	Commercial Banking		
	2012	**2011**	**2010**
		(EUR millions)	
Underlying income:			
Interest result	3,422	3,739	3,672
Commission income	907	977	939
Investment income and other income	-222	-1,075	144
Total underlying income	**4,107**	**3,641**	**4,755**
Underlying expenditure:			
Operating expenses	2,436	2,527	2,643
Additions to the provision for loan losses	955	477	490
Total expenditure	**3,391**	**3,004**	**3,133**
Underlying result before tax	**716**	**637**	**1,622**
Taxation	200	128	359
Minority interests	23	19	33
Underlying net result	**492**	**490**	**1,231**
Divestments		873	56
Special items	-129	-80	-65
Net result	**363**	**1,283**	**1,221**

Year ended 31 December 2012 compared to year ended 31 December 2011

Commercial Banking s underlying result before tax increased by 12.2% to EUR 716 million in 2012 compared with EUR 637 million in 2011. Fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios in the Netherlands and Belgium were EUR -856 million in 2012 compared with EUR -1,382 million in 2011. These fair value changes are mainly a result of changes in market interest rates. As explained on page 3, no hedge accounting is applied to these derivatives under IFRS-IASB. Credit and debt valuation adjustments (CVA/DVA), fully recorded in Financial Markets, were made up of EUR 457 million of negative adjustments in 2012 versus EUR 130 million of positive adjustments in 2011. Furthermore, 2012 included EUR 17 million of de-risking losses in the debt securities portfolio, while 2011 included EUR 225 million of impairments on Greek government bonds. Excluding these impacts, underlying result of Commercial Banking in 2012 was 3.2% lower than in 2011, entirely caused by higher risk costs.

Industry Lending posted an underlying result before tax of EUR 832 million in 2012, down from EUR 1,374 million in 2011, primarily due to higher risk costs and lower commission income. Risk costs in Industry Lending almost tripled to EUR 674 million, compared with EUR 234 million last year, due to material increases in both Real Estate Finance and Structured Finance. General Lending & Transaction Services showed a solid underlying result before tax of EUR 606 million in 2012, up from EUR 559 million in 2011. This increase was mainly attributable to higher interest results, due to increased margins, partly offset by lower volumes, and higher commission income. Financial Markets underlying result dropped to nil from EUR 363 million last year, reflecting the aforementioned negative impact of CVA/DVA. The decrease was partly offset by higher income in the developed markets rates and credit business. Underlying result of Bank Treasury, Real Estate & Other improved to EUR -721 million in 2012, from EUR -1,658 million in 2011, mainly due to the impact of the aforementioned lower negative fair value changes on derivatives related to asset-liability-management activities, the impact prior year of the Greek impairments and lower losses from the Real Estate run-off business in 2012.

In 2012, Commercial Banking s total underlying income increased by 12.8% to EUR 4,107 million from the previous year, primarily driven by Bank Treasury, Real Estate & Other, partly offset by Financial Markets. Income from the core lending businesses held up well, as lower volumes were offset by higher margins. Net production in lending was a negative amount of EUR 11.3 billion, reflecting maturities and low demand for credit, while funds entrusted reported a net outflow of EUR 5.4 billion. Underlying operating expenses decreased by 3.6% to EUR 2,436 million, mainly due to lower impairments on real estate development projects as well as lower performance-related staff costs. Risk costs doubled to EUR 955 million in 2012, or 72 basis points of average risk-weighted assets, compared with EUR 477 million, or 35 basis points, in 2011. The increase is mainly due to higher risk costs in Industry Lending as well as for the lease run-off business.

The underlying net result improved slightly to EUR 492 million in 2012, from EUR 490 million in 2011. Net result dropped to EUR 363 million in 2012 compared to EUR 1,283 million a year ago. In 2011, divestments contributed EUR 873 million to the net result and included the gains on the sale of ING Real Estate Investment Management, ING Car Lease, and IIM Philippines as well as the operating results from the divested units. Special items after tax, mainly restructuring provisions, were EUR -129 million in 2012 and EUR -80 million in 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010

The underlying result before tax of Commercial Banking dropped by 60.7% to EUR 637 million in 2011 compared to EUR 1,622 million in 2010.

The decline in the underlying result before tax of Commercial Banking was largely attributable to Bank Treasury, Real Estate & Other, whose result declined by EUR 1,002 million to EUR -1,658 million in 2011 from EUR -656 million in 2010. Of this decline, EUR 787 million was caused by higher negative fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios in the Netherlands and Belgium. These fair value changes are mainly a result of changes in market interest rates. As explained on page 3, no hedge accounting is applied to these derivatives under IFRS-IASB. Furthermore, EUR 225 million was caused by impairments on Greek government bonds taken in 2011 of which EUR 220 million were recorded in Bank Treasury, Real Estate & Other. Excluding these impacts, underlying result of Bank Treasury, Real Estate & Other improved by EUR 5 million to EUR -56 million, from EUR -61 million in 2010. Underlying result of Financial Markets declined by 23.1% to EUR 363 million in 2011 from EUR 472 million in 2010, following adverse market circumstances as well as the winding down of the proprietary trading book in the U.S. The result of Industry Lending rose by 11.1% to EUR 1,374 million in 2011, driven by higher interest results and commission income, while risk costs were slightly lower. The result of General Lending & Transaction Services declined 1.6% to EUR 559 million mainly due to higher expenses following selective investments in Payments and Cash Management (PCM) partly offset by lower risk costs.

Total underlying income of Commercial Banking in 2011 was 23.4% lower than in 2010, declining to EUR 3,641 million, primarily driven by Bank Treasury, Real Estate & Other. Underlying operating expenses decreased by 4.4% to EUR 2,527 million in 2011, due to lower impairments on real estate development projects. Provisions for loan losses were EUR 13 million lower in 2011, reaching EUR 477 million or 35 basis points of average risk-weighted assets, compared to EUR 490 million in 2010.

Underlying net result declined to EUR 490 million in 2011 from EUR 1,231 million in 2010. Net result improved to EUR 1,283 million in 2011 from EUR 1,221 million in 2010. Divestments added EUR 873 million to the 2011 net result and included gains on the sale of ING Real Estate Investment Management, ING Car Lease and IIM Philippines as well as operating results from the divested units. In 2010, divestments added EUR 56 million, related to the operating result of divested units as well as a loss on the divestment of ING s 50% stake in ING Summit Industrial Fund and the manager of Summit, ING Real Estate Canada. Special items after tax, mainly restructuring provisions, were EUR -80 million in 2011 and EUR -65 million in 2010.

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INSURANCE OPERATIONS

The following table sets forth the contribution of ING s Insurance business lines and the corporate line Insurance (CL) to the net result for each of the years 2012, 2011, and 2010. With regard to insurance activities, ING Group analyses, as of 2011, the underlying result through a margin analysis, which includes the following components: Operating result and Non-operating items. Both are composed of various sub-components. The total of operating result and non-operating items (gains/ losses and impairments, revaluations and market & other impacts) equals underlying result before tax.

As of 2012, the segment Insurance Asia/Pacific was discontinued, following the classification on ING s Insurance and investment management businesses in Asia and the reinsured Japan SPVA businesses in corporate reinsurance as discontinued operation. The segment reports for the year 2011 and 2010 have been restated to reflect this classification.

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(EUR millions) **2012**	Insurance Benelux	Insurance CRE	Insurance U.S.	Insurance Closed Block VA	ING IM	Corporate line	Total Insurance
Investment margin	604	59	1,087	7	-1		1,757
Fees and premium based revenues	593	430	1,188	100	824		3,135
Technical margin	177	175	42	21			414
Income non-modeled business		20					20
Life & ING IM operating income	**1,374**	**684**	**2,316**	**128**	**823**		**5,325**
Administrative expenses	601	285	882	99	661		2,529
DAC amortisation and trail commissions	192	221	732	151	2		1,299
Life & ING IM expenses	**793**	**506**	**1,614**	**250**	**664**		**3,827**
Life & ING IM operating result	**581**	**178**	**702**	**-122**	**159**		**1,498**
Non-life operating result	82	6					89
Corporate line operating result						-491	-491
Operating result	**663**	**184**	**702**	**-122**	**159**	**-491**	**1,095**
Gains/losses and impairments	92	-35	36	16	1	9	119
Revaluations	-316	22	161		40	-34	-126
Market & other impacts	-530	-1	29	-274			-776
Underlying result before tax	**-91**	**170**	**928**	**-379**	**200**	**-516**	**311**
Taxation	-114	42	283	-267	56	-164	-165
Minority interests	12	9			8	-9	20
Underlying net result	**11**	**120**	**645**	**-112**	**136**	**-343**	**456**
Divestments	-19					13	-6
Special items	-279	-24	-65		-4	-60	-432
Net result continuing operations	**-287**	**96**	**580**	**-112**	**132**	**-390**	**18**
Net result discontinued operations							550
Net result classification as discontinued operations							-394
Net result disposal of discontinued operations							752
Net result							**927**

(EUR millions) **2011**	Insurance Benelux	Insurance CRE	Insurance U.S.	Insurance Closed Block VA	ING IM	Corporate line	Total Insurance
Investment margin	666	72	892	28	2		1,660
Fees and premium based revenues	584	462	1,064	168	783		3,061
Technical margin	315	169	77	28			589
Income non-modeled business	36	9					45
Life & ING IM operating income	**1,601**	**712**	**2,033**	**224**	**785**		**5,354**
Administrative expenses	593	308	742	81	594		2,319
DAC amortisation and trail commissions	213	202	625	123	3		1,167
Life & ING IM expenses	**807**	**510**	**1,367**	**205**	**597**		**3,485**

Life & ING IM operating result	**794**	**201**	**666**	**20**	**187**		**1,869**
Non-life operating result	179	5					184
Corporate line operating result						-394	-394
Operating result	**973**	**206**	**666**	**20**	**187**	**-394**	**1,658**
Gains/losses and impairments	-47	-404	-171	2	5	6	-609
Revaluations	62	-1	159	1	6	-21	206
Market & other impacts	-250		-36	-1,295			-1,581
Underlying result before tax	**739**	**-198**	**618**	**-1,273**	**198**	**-410**	**-325**
Taxation	69	20	-22	-221	71	-16	-99
Minority interests	4	10				-10	4
Underlying net result	**666**	**-229**	**641**	**-1,052**	**127**	**-384**	**-230**
Divestments						-9	-9
Special items	-104	-77	-44		-8	11	-222
Net result from continuing operations	**562**	**-306**	**597**	**-1,052**	**119**	**-381**	**-461**
Result discontinued operations							678
Result disposal of discontinued operations							995
Net result							**1,212**

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(EUR millions) 2010	Insurance Benelux	Insurance CRE	Insurance U.S.	Insurance Closed Block VA	ING IM	Corporate line	Total Insurance
Investment margin	456	77	827	-11	-1		1,348
Fees and premium based revenues	578	501	1,060	121	741		3,002
Technical margin	243	149	201	9			603
Income non-modeled business	40	16					56
Life & ING IM operating income	**1,318**	**744**	**2,089**	**119**	**740**		**5,009**
Administrative expenses	568	262	904	77	611		2,421
DAC amortisation and trail commissions	230	197	620	-7	3		1,043
Life & ING IM expenses	**798**	**459**	**1,524**	**70**	**614**		**3,464**
Life & ING IM operating result	**521**	**285**	**565**	**49**	**126**		**1,545**
Non-life operating result	156	7					163
Corporate line operating result						-631	-631
Operating result	**677**	**292**	**565**	**49**	**126**	**-631**	**1,077**
Gains/losses and impairments	14	-29	-568	22	3	-11	-568
Revaluations	60		490	3	-3	-106	444
Market & other impacts	24	-10	-177	-2,149			-2,311
Underlying result before tax	**775**	**254**	**310**	**-2,075**	**126**	**-748**	**-1,358**
Taxation	130	63	-155	-57	52	-156	-122
Minority interests	15	10				-9	16
Underlying net result	**630**	**180**	**465**	**-2,018**	**74**	**-583**	**-1,252**
Divestments	4	-4	-12			6	-7
Special items	-33	-46	-66		-34	-539	-719
Net result from continuing operations	**601**	**130**	**386**	**-2,018**	**40**	**-1,116**	**-1,977**
Result discontinued operations							405
Result disposal of discontinued operations							0
Net result							**-1,572**

Year ended 31 December 2012 compared to year ended 31 December 2011

The operating environment remained challenging throughout 2012 amid market volatility and macroeconomic uncertainties. The underlying result before tax of Insurance/IM amounted to EUR 311 million in 2012, up from a loss of EUR 325 million in 2011. Capital gains and impairments improved from EUR -609 million in 2011 to EUR 119 million in 2012, as a result of improved financial market sentiment in comparison to the previous year. Revaluations decreased from EUR 206 million in 2011 to EUR -126 million in 2012 and were mainly driven by negative revaluations of equity hedges and real estate in the Benelux. Market and other impacts improved to EUR -776 million from EUR -1,581 million in 2011, which was significantly impacted by a EUR 1,099 million charge related to a comprehensive policyholder behavior assumption review for the U.S. Closed Block VA business in that year. The positive result in 2012 was partly offset by a EUR 280 million decline in market and other impacts in the Benelux, mainly due to a change in hedging methodology.

The operating result of Insurance/IM decreased by 34% to EUR 1,095 million, from EUR 1,658 million in 2011, mostly driven by higher administrative expenses and DAC amortisation, which was largely attributable to the U.S. Insurance business. Administrative expenses increased by 9% EUR 2,319 million in 2011 to EUR 2,529 million due to a non-recurring reduction in pension plan liabilities in the previous year and higher DAC amortisation following higher operating income in the U.S.

The results of the Asia/Pacific insurance and investment management businesses (and the Corporate Line results attributable to them) are classified as net results from discontinued operations , pending the planned sale of ING s Insurance and Investment Management business in the region.

Expenses, especially in the U.S., were higher compared with last year as a result of the one-off impact of last year s pension plan changes.

Underlying net result increased by EUR 686 million, from EUR -230 million in 2011 to EUR 456 million in 2012. Net result from insurance operations decreased by 24% to EUR 927 million in 2012 compared with EUR 1,212 million in 2011. 2012 net result on disposal of discontinued operations included EUR 745 million realised gain on the sale of Insurance Malaysia. 2012 net result on classification as discontinued operations included the following goodwill write-offs: EUR -180 million for the Korean investment management business, EUR -200 million write-off for ING Life Korea and EUR -15 million for ING Vysya Life Insurance. Furthermore, the insurance and investment management businesses in Asia and the reinsured Japan SPVA businesses in corporate reinsurance, added a net result of EUR 550 million to the net result.

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Year ended 31 December 2011 compared to year ended 31 December 2010

Operating conditions were challenging in 2011, as financial markets continued to be volatile and the macroeconomic environment deteriorated. The underlying result before tax of Insurance/IM was a loss of EUR -325 million 2011, up from a loss of EUR -1,358 million in 2010. The increase was primarily driven by an improvement in market and other impacts as a result of lower DAC write downs in the U.S. Closed Block VA business. This increase was however partially offset by a charge of EUR 1.1 billion due to the completion of a comprehensive policyholder behaviour assumption review for the U.S. Closed Block VA. Capital losses, reflecting de-risking, and impairments were in line with the previous year. Further, revaluations were lower, largely related to Collateralised Mortgage Obligations (CMOs) in the U.S. Hence, underlying results per business line diverged in 2011, with strong recoveries in the U.S., compared with lower underlying results in the Benelux and Central and Rest of Europe.

The operating result of Insurance/IM increased to EUR 1,658 million from EUR 1,077 million in 2010, mostly driven by higher investment margins and higher fees and premium-based revenues in the life and the investment management business. The investment spread on life general account assets increased 22 basis points to 129 basis points in 2011 following cautious re-risking of the investment portfolios in the first half of 2011, which was partially offset by de-risking in the second half of 2011. The increase in operating income was partly offset by higher expenses as well as higher DAC amortisation following increased fees and premium based revenues. Operating results improved in nearly every business line, with the exception of Central and Rest of Europe given the harsh economic conditions in the region and in U.S. Closed Block VA.

Expenses especially in the US were lower as a result of cost savings and pension plan changes.

Underlying net result increased EUR 1,022 million from EUR -1,252 million in 2010 to EUR -230 million in 2011. Net result from insurance operations, including the net result of the Asian operations that are classified as discontinued operations, increased to EUR 1,212 million in 2011 compared with a loss of EUR -1,572 million in 2010. Net gains on divestments were realised mainly by the sale of the Latin American pension, life insurance and investment management operations. In 2011, the net result on discontinued operations included EUR 109 million for Latin American operations, which had amounted to EUR 209 million in the previous year. Furthermore the Asian investment and insurance business added a net result of EUR 570 million. Special items were EUR -222 million in 2011, mainly relating to restructuring costs and integration costs. In 2010 special items were EUR -719 million reflecting the EUR -513 million goodwill impairment in the Corporate Line, restructuring costs in the U.S. of EUR -64 million, the cost of integration of the Dutch insurance companies of EUR -29 million, a program to standardise regional IT-, procurement and finance processes in Central and Rest of Europe amounting to EUR -44 million and a program to integrate investment management into one global organization amounting to EUR -38 million.

In the U.S., the closed block variable annuity business was reported as a separate business line as of the fourth quarter of 2010. The split of the U.S. insurance business into two business lines, triggered a EUR 975 million write-down of deferred acquisition costs related to the closed variable annuity business, bringing the reserve adequacy on this block to well above 50%. See Note 44 of Note 2.1 to the consolidated financial statements.

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INSURANCE BENELUX

	Insurance Benelux		
	2012	2011	2010
	(EUR millions)		
Investment margin	604	666	456
Fees and premium based revenues	593	584	578
Technical margin	177	315	243
Income non-modeled life business		36	40
Life & ING IM operating income	**1,374**	**1,601**	**1,318**
Administrative expenses	601	593	568
DAC amortisation and trail commissions	192	213	230
Life & ING IM expenses	**793**	**807**	**798**
Life & ING IM operating result	581	794	521
Non-life operating result	82	179	156
Operating result	**663**	**973**	**677**
Gains/losses and impairments	92	-47	14
Revaluations	-316	62	60
Market & other impacts	-530	-250	24
Underlying result before tax	**-91**	**739**	**775**
Taxation	-114	69	130
Minority interests	12	4	15
Underlying net result	**11**	**666**	**630**
Divestments	-19		4
Special items	-279	-104	-33
Net result from continuing operations	**-287**	**562**	**601**

Year ended 31 December 2012 compared to year ended 31 December 2011

The underlying result before tax of Insurance Benelux decreased by 112.3% to EUR -91 million in 2012 compared to EUR 739 million in 2011, partly due to a 31.8% lower operating result, lower result on equity hedges and negative real estate revaluations, as well as lower results from a change in the provision for guarantees on separate account pension contracts (net of hedging) and macro interest rate hedges. This was partly offset by higher capital gains on loans, debt and public equity. The equity and macro interest rate hedges were in place to protect regulatory capital.

The operating result decreased by 31.8% in 2012 as a result of a lower investment margin, a lower technical margin and a lower non-life result. The investment margin declined by 9.3% during the same period as a result of lower fixed interest income from de-risking, low reinvestment yields, lower dividends on public equity and real estate funds, which decrease was partly offset by higher volume, partly offset by a EUR 51 million lower profit sharing to policyholders in the Netherlands in line with underlying results in 2012.

The technical margin decreased by 43.9% to EUR 177 million, from EUR 315 million in the previous year. This was mainly due to an increase of group life provisions for the Industry Pension Funds and unit-linked guarantee provisions in 2012 on the back of low interest rates, as well as a EUR 70 million gain from the surrender of a contract with a large pension fund in 2011. Life administrative expenses increased by 1.3% due to higher expenses related to Solvency II compliance costs.

Non-Life results decreased by 53.9% in 2012 compared to 2011, mainly due to higher claims in Income Protection as a result of the economic downturn in the Netherlands, partly offset by better results in Fire and Liability.

Underlying net result decreased by EUR 655 million to EUR 11 million in 2012, from EUR 666 million in 2011. Net result decreased by EUR 849 million to EUR -287 million, from EUR 562 million in 2011. In 2012 divestments losses reduced net profit by EUR 19 million due to the sale of Industry Pension Funds.

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Year ended 31 December 2011 compared to year ended 31 December 2010

The underlying result before tax of Insurance Benelux decreased in 2011 by 4.6% compared to 2010, despite a 43.8% higher operating result, reflecting the change in provision for guarantees on separate account pension contracts and capital losses and impairments on debt and public equity, mainly as a result of deteriorating financial markets and de-risking.

The operating result increased by 43.7% during this period, as a higher investment margin, higher technical margin and a higher non-life result more than offset higher administrative expenses. The 45.9% higher investment margin was mainly driven by lower interest rebates, lower profit sharing and higher non-recurring separate account pension contract results. In addition, the investment margin continued to benefit from the impact of reinvestments in the first half of 2011, higher dividends on public equity and real estate funds.

The technical margin increased by 29.3% to EUR 315 million in 2011 from EUR 243 million in the previous year, mainly due to a EUR 70 million positive impact from an early surrender of a contract with a large pension fund. Life administrative expenses increased 4.4% as a result of releases of incidental expenses in the previous year, incidental expenses in 2011 and the impact of organisational changes which were only partially offset by recurring cost savings.

Non-Life results increased 14.7% in 2011, due to lower claims and a non-recurring positive effect in the expense provisions, resulting from unifying provision methodologies in the Dutch non-life entities.

Underlying net result increased EUR 36 million to EUR 666 million in 2011 from EUR 630 million in 2010. Net result decreased EUR 39 million to EUR 562 million in 2011 from a EUR 601 million in 2010. In 2010 divestments contributed EUR 4 million to the net profit due to the sale of Industry Pension Funds. Special items in 2011 were EUR -104 million, relating to the integration of the Dutch insurance companies and the disentanglement of ING Bank, compared to EUR -33 million in 2010 also resulting from the integration of the Dutch insurance companies.

INSURANCE CENTRAL AND REST OF EUROPE

	Insurance CRE		
	2012	**2011**	**2010**
	(EUR millions)		
Investment margin	59	72	77
Fees and premium based revenues	430	462	501
Technical margin	175	169	149
Income non-modeled life business	20	9	16
Life & ING IM operating income	**684**	**712**	**744**
Administrative expenses	285	308	262
DAC amortisation and trail commissions	221	202	197
Life & ING IM expenses	**506**	**510**	**459**
Life & ING IM operating result	178	201	285
Non-life operating result	6	5	7
Operating result	**184**	**206**	**292**
Gains/losses and impairments	-35	-404	-29
Revaluations	22	-1	
Market & other impacts	-1		-10
Underlying result before tax	**170**	**-198**	**254**
Taxation	42	20	63
Minority interests	9	10	10

Underlying net result	**120**	**-229**	**180**
Divestments			-4
Special items	-24	-77	-46
Net result from continuing operations	**96**	**-306**	**130**

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Year ended 31 December 2012 compared to year ended 31 December 2011

The underlying result before tax of Insurance Central and Rest of Europe in 2012 was a profit of EUR 170 million compared with a EUR 198 million loss in 2011. Contrary to the lower operating result, the gains/losses and impairments impaired in 2012 at EUR -35 million compared with EUR -404 million in 2011. The latter amount reflects EUR 324 million in impairments of Greek governments bonds, EUR 34 million capital losses on the sales of Italian sovereign bonds and EUR 18 million capital losses on the sales of Portuguese bonds issued by financial institutions.

The operating result declined by 10.7% to EUR 184 million in 2012, from EUR 206 million the previous year. This decline was mainly driven by lower fees and premium-based revenues and a lower investment margin.

The investment margin of EUR 59 million in 2012 was 18.1% lower compared with a figure of EUR 72 million in 2011, in part due to lower investment yields in Greece, reflecting de-risking measures. Fees and premium-based revenues declined by 6.9% compared with 2011. This decline was driven by lower fees in the life business, as higher margin portfolios mature and are replaced by lower-margin products, and by regulatory changes to pension funds in Poland and Hungary. The technical margin increased by 3.6%, largely due to the result of the release of a technical provision in Romania. Life administrative expenses fell by 7.5% compared with last year, reflecting strict control and provision releases in the current year, while last year was impacted by higher project costs related to building a regional IT organisation and by reorganisation expenses.

Underlying net result rose EUR 349 million to EUR 120 million in 2012, from EUR -229 million in 2011. Net result rose EUR 402 million to EUR 96 million in 2012, from a EUR 306 million net loss in 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010

The underlying result before tax of Insurance Central and Rest of Europe was a loss of EUR -198 million in 2011 compared to a EUR 254 million profit in 2010. In addition to a lower operating result, the gains/losses and impairments were EUR -404 million in 2011 compared to EUR -29 million in 2010. This decrease was mainly caused by EUR 324 million impairments of Greek governments bonds, EUR 34 million capital losses on sales of Italian sovereign bonds and EUR 18 million capital losses on sales of Portuguese bonds of financial institutions.

The operating result declined 29.3% to EUR 206 million in 2011 from EUR 292 million the previous year. The decline was mainly driven by lower fees reflecting regulatory changes in the region s major pension markets (Poland, Hungary) and higher administrative expenses, mainly related to project costs.

The investment margin of EUR 72 million in 2011 was EUR 5 million lower compared with 2010 partly due to replacement of maturing investments in Greece by lower yielding securities. Fees and premium-based revenues declined 7.8% in 2011 compared with 2010, driven by regulatory changes affecting pension funds in Poland and Hungary. In addition the decline reflects a reallocation of health insurance premiums in Greece to the technical margin. The technical margin increased by 13.4% due to the reallocation of health insurance premiums in Greece from fees and premium-based revenues. Life administrative expenses rose by 17.7% compared with last year, mainly due to higher project-related costs such as the costs related to Solvency II compliance and building a regional IT organisation. The increase also reflects non-recurring restructuring expenses in Spain, Hungary and Greece.

Underlying net result decreased EUR -409 million to EUR -229 million in 2011 from EUR 180 million in 2010. Net result decreased EUR -436 million to EUR -306 million from a EUR 130 million net result in 2010. In 2010 divestments contributed EUR -4 million to the net profit due to the sale of Greece non-life. Special items in 2011 were EUR -77 million, relating to disentanglement of ING Group, and a program to standardise regional IT-, procurement and finance processes, compared to EUR -46 million in 2010 also related to the program to standardize regional IT-, procurement and finance processes.

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INSURANCE UNITED STATES

	Insurance United States		
	2012	2011	2010
	(EUR millions)		
Investment margin	1,087	892	827
Fees and premium based revenues	1,188	1,064	1,060
Technical margin	42	77	201
Life & ING IM operating income	**2,316**	**2,033**	**2,089**
Administrative expenses	882	742	904
DAC amortisation and trail commissions	732	625	620
Life & ING IM expenses	**1,614**	**1,367**	**1,524**
Life & ING IM operating result	702	666	565
Operating result	**702**	**666**	**565**
Gains/losses and impairments	36	-171	-568
Revaluations	161	159	490
Market & other impacts	29	-36	-177
Underlying result before tax	**928**	**618**	**310**
Taxation	283	-22	-155
Underlying net result	**645**	**641**	**465**
Divestments			-12
Special items	-65	-44	-66
Net result from continuing operations	**580**	**597**	**386**

Year ended 31 December 2012 compared to year ended 31 December 2011

The underlying result before tax of Insurance US increased by 50% to EUR 928 million in 2012, from EUR 618 million in 2011. The increase was driven by higher operating results, lower impairments/credit losses, gains on the sale of securities, and favourable DAC unlocking.

The operating result increased by 5.4% during this period, due to higher investment margins and fees and premium-based revenues which were partially offset by a lower technical margin and higher administrative expenses. The investment margin increased by 21.9% in 2012 compared with 2011, primarily due to higher general account assets in the Retirement Services business, partially due to customer transfers from equity accounts, and lower average crediting rates.

Fees and premium-based revenues increased by 11.7%, primarily higher fee income, due as a result of strong net flows in the full-service retirement business and higher equity market levels.

The technical margin decreased by 45.5% in 2012 compared with 2011. This decline was mainly attributable to lower results in Individual Life, partially offset by higher results in Employee Benefits and the closed block Group Reinsurance business.

Administrative expenses in 2012 were 18.9% higher than in 2011, primarily due to a non-recurring reduction in pension plan liabilities in the prior year.

Gains/losses and impairments improved to EUR 36 million in 2012, from EUR 171 million in 2011, primarily driven by lower impairments and credit losses as well as an increase in gains on securities sold.

Market and other impacts improved to EUR 29 million in 2012 from EUR 36 million in 2011, primarily due to net favourable DAC unlocking in the third quarter related to model refinements and assumption updates, largely in Annuities.

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Underlying net result increased by EUR 4 million to EUR 645 million in 2012, from EUR 641 million in 2011. Net result decreased by EUR 17 million to EUR 580 million in 2012, from a EUR 597 million positive net result in 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010

The underlying result before tax of Insurance U.S. almost doubled to EUR 618 million in 2011 from EUR 310 million in 2010. The increase was driven by higher operating results, lower impairments, and favourable DAC unlocking, partially offset by lower revaluations and a non-recurring increase in reserves related to the company s use of the U.S. Social Security Death Master File to identify potential claims.

The operating result for Insurance U.S. increased 17.9% in 2011 compared with 2010 as a higher investment margin and lower operating expenses were partially offset by a lower technical margin. The investment margin increased by 7.8% primarily due to a reduction in average interest credited. The technical margin decreased by 61.7% compared with 2010, in part due to lower amortisation of a gain related to the transfer of the U.S. group reinsurance business in the first quarter of 2010 as well as a non-recurring reserve reduction in the prior year. Administrative expenses were 17.9% lower than in 2010 due to changes in the company s pension plan as well as cost savings.

Underlying net result increased EUR 176 million to EUR 641 million in 2011 from EUR 465 million in 2010. Net result increased EUR 211 million to EUR 597 million in 2011 from a EUR 386 million net result in 2010. In 2010 divestments contributed EUR -12 million to the net profit due to the divestment of U.S. Group Re, U.S. Advisors Network and ING Canada. Special items in 2011 were EUR -44 million relating to separation of Insurance/IM U.S. from Group, the establishment of a new head office and the local activities for the IPO preparation, compared to EUR -66 million in 2010 relating to restructuring costs.

INSURANCE US CLOSED BLOCK VA

	Insurance U.S. Closed Block VA		
	2012	**2011**	**2010**
		(EUR millions)	
Investment margin	7	28	-11
Fees and premium based revenues	100	168	121
Technical margin	21	28	9
Life & ING IM operating income	**128**	**224**	**119**
Administrative expenses	99	81	77
DAC amortisation and trail commissions	151	123	-7
Life & ING IM expenses	**250**	**205**	**70**
Life & ING IM operating result	-122	20	49
Operating result	**-122**	**20**	**49**
Gains/losses and impairments	16	2	22
Revaluations		1	3
Market & other impacts	-274	-1,295	-2,149
Underlying result before tax	**-379**	**-1,273**	**-2,075**
Taxation	-267	-221	-57
Underlying net result	**-112**	**-1,052**	**-2,018**
Net result from continuing operations	**-112**	**-1,052**	**-2,018**

Year ended 31 December 2012 compared to year ended 31 December 2011

The underlying result before tax of the U.S. Closed Block VA improved to EUR -379 million in 2012, compared with EUR -1,273 million in 2011. The underlying result before tax in 2011 was impacted by the completion of a comprehensive policyholder behaviour assumption review for the U.S. Closed Block VA, leading to a charge of EUR 1.1 billion in the fourth quarter of 2011.

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The operating result decreased to EUR -122 million in 2012, from EUR 20 million in 2011. The decrease is mainly attributable to lower fees and premium-based revenues in addition to a lower investment margin.

The investment margin decreased to EUR 7 million compared with EUR 28 million in 2011, primarily due to lower yields on investments backing reserves due to higher liquidity balances and the low interest rate environment.

The fees and premium-based revenues decreased to EUR 100 million in 2012, from EUR 168 million in 2011. This decrease is mainly due to lower fee income and higher hedge and reserve costs.

Market and other impacts were EUR -274 million in 2012 compared with EUR -1,295 million in 2011. Excluding the EUR 1.1 billion charge in the fourth quarter of 2011, market and other impacts in 2012 decreased, mainly reflecting a higher loss on hedges, net of reserve changes, due to the rising equity markets. The hedge programme is focused on protecting regulatory capital rather than mitigating earnings volatility.

Year ended 31 December 2011 compared to year ended 31 December 2010

The completion of a comprehensive policyholder behaviour assumption review for the U.S. Closed Block VA led to a charge of EUR 1.1 billion in the fourth quarter of 2011, which resulted in a loss of EUR -1,273 million on an underlying result before tax basis in the year 2011. The assumptions were updated for lapses, mortality, annuitisation and utilisation rates, with the most significant revision coming from the adjustments of lapse assumptions. The impact of the assumption adjustments included a charge to restore the reserve adequacy to the 50% confidence level for the U.S. Closed Block VA. Since the decision to terminate sales of this product in early 2009, ING has taken actions to reduce risk for this legacy book. These actions include reducing deferred acquisition costs, strengthening reserves, expanding the hedging programmes and increasing transparency by reporting the U.S. Closed Block VA as a separate business alongside the ongoing ING Insurance U.S. businesses.

The operating result for the U.S. Closed Block VA was EUR 20 million in 2011 compared with EUR 49 million in 2010.

The investment margin was EUR 28 million in 2011 compared with EUR -11 million in 2010.

ING INVESTMENT MANAGEMENT

	ING Investment Management		
	2012	**2011**	**2010**
		(EUR millions)	
Investment margin	-1	2	-1
Fees and premium based revenues	824	783	741
Life & ING IM operating income	**823**	**785**	**740**
Administrative expenses	661	594	611
DAC amortisation and trail commissions	2	3	3
Life & ING IM expenses	**664**	**597**	**614**
Life & ING IM operating result	159	187	126
Operating result	**159**	**187**	**126**
Gains/losses and impairments	1	5	3
Revaluations	40	6	-3
Underlying result before tax	**200**	**198**	**126**
Taxation	56	71	52
Minority interests	8		

Underlying net result	**136**	**127**	**74**
Divestments			
Special items	-4	-8	-34
Net result from continuing operations	**132**	**119**	**40**

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Year ended 31 December 2012 compared to year ended 31 December 2011

The results of the Asian Investment Management business, with the exception of IM Japan and IM Singapore, have been transferred to net results from discontinued operations , pending the planned sale of ING s Insurance and Investment Management business in the region. All financials for the years 2010, 2011 and 2012 have been restated.

Assets under Management (AuM) at ING Investment Management (ING IM) increased by 9.5% to EUR 321.5 billion at year-end 2012, from EUR 293.5 billion at year-end 2011. This increase was the result of EUR 10.8 billion inflows, realised in all segments, and market appreciation of EUR 21.7 billion, partly offset by EUR 4.6 billion of currency and other impacts.

In 2012, the underlying result before tax increased by 1.0% to EUR 200 million, while the operating result decreased by 15.0% to EUR 159 million. The decline in operating result was caused by higher administrative expenses, due in part to non-recurring items, which were not fully offset by higher fees and premium-based revenues. The higher underlying result was attributable to EUR 34 million higher revaluations in IM U.S., including a non-recurring EUR 10 million favourable impact for performance fees, which more than offset the lower operating result.

Fees and premium-based revenues increased by 5.2% to EUR 824 million in 2012, from EUR 783 million in 2011, to a large extent as a result of currency effects and to a lesser extent as a result of the higher asset base. The annualised fourth quarter ratio of fees to average AuM remained flat at 27 basis points compared with the previous year. This ratio is calculated using an average of opening and closing AuM balances for the period. Administrative expenses were 11.2% higher than the previous year, for a large part attributable to currency effects. On a constant currency basis, expenses rose 5.7% during the same period, mainly as a result of a non-recurring expense reduction from a change to the IM U.S. pension plan in the prior year, and investments in Europe in the current year related to rebuilding its capabilities in the U.S.

Underlying net result increased by EUR 9 million to EUR 136 million in 2012, from EUR 127 million in 2011. Net result increased by EUR 13 million to EUR 132 million, from a EUR 119 million net result in 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010

The results of the Asian Investment Management business, with the exception of IM Japan and IM Singapore, have been transferred to net results from discontinued operations , pending the planned sale of ING s Insurance and Investment Management business in the region. All financials for the years of 2010 and 2011 have been restated.

Assets under management (AuM) at ING Investment Management (ING IM) increased 3.8% to EUR 293.5 billion at year-end 2011 from EUR 282.8 billion at year-end 2010. Inflows in the proprietary and institutional segments were partly offset by outflows in the retail segment.

The underlying result before tax increased 57.4% to EUR 198 million in 2011 compared with 2010, and the operating result increased 48.4% to EUR 187 million during the same period. Both increases were largely attributable to higher fee income in line with the increase in assets managed.

Fees and premium-based revenues increased 5.7% to EUR 783 million in 2011 from EUR 741 million in 2010 supported by an increase in assets managed. The annualised fourth quarter ratio of fees to average AuM decreased to 27 basis points compared with the previous year at 29 basis points partly due to a change in the underlying asset mix. This ratio is calculated using an average of opening and closing AuM balances for the period. Administrative expenses were 2.8% lower than the previous year mainly due to a staff reduction and a non-recurring expense reduction from a change in the IM U.S. pension plan.

Underlying net result increased EUR 53 million to EUR 127 million in 2011 from EUR 74 million in 2010. Net result increased by EUR 79 million to EUR 119 million in 2011 from a EUR 40 million net result in 2010. Special items in 2011 and 2010 were EUR -8 million and EUR -34 million, respectively, relating to the integration into one global investment management organisation.

CONSOLIDATED ASSETS AND LIABILITIES

The following table sets forth ING Group s condensed consolidated assets and liabilities for the years ended 31 December 2012, 2011 and 2010, reference is made to page F-3 for the complete consolidated balance sheet of ING Group.

	2012	2011	2010
	(EUR billions, except amounts per share)		
Cash and balances with central banks	17.7	31.2	13.1
Amounts due to banks	39.1	45.3	51.8
Investments	200.1	217.4	234.2
Financial assets at fair value through the profit and loss account	232.4	262.7	263.9
Loans and advances to customers	556.9	596.9	608.9
Assets held for sale	68.5	62.5	0.7
Other assets	47.5	57.6	70.1
Total assets	**1,162.1**	**1,273.6**	**1,242.7**
Shareholder equity	49.5	42.5	37.7
Non-voting equity securities	2.3	3.0	5.0
	51.8	45.5	42.7
Minority interests	1.1	0.8	0.7
Total equity	**52.8**	**46.2**	**43.4**
Insurance and investment contracts:			
Life	213.8	262.1	255.5
Non-life	3.5	3.5	3.6
Investment contracts	12.6	13.2	12.0
Total insurance and investment contracts	230.0	278.8	271.1
Amounts due to banks	38.7	72.2	72.9
Customer deposits and other funds on deposits	455.0	467.5	511.4
Financial liabilities at fair value through the profit and loss account	115.8	142.9	138.5
Debt securities in issue/other borrowed funds	160.2	159.5	157.9
Liabilities held for sale	69.9	64.3	0.4
Other liabilities	39.7	42.1	47.1
Total equity and liabilities	**1,162.1**	**1,273.6**	**1,242.7**
Shareholders equity per Ordinary Share (in EUR)	13.02	11.22	9.98

Year ended 31 December 2012 compared to year ended 31 December 2011

Total assets decreased in 2012 by 8.8%, or EUR 112 billion, to EUR 1,162 billion, mainly due to the divestments of ING Direct USA, ING Direct Canada and Insurance Malaysia. Cash and balances with central banks decreased to EUR 18 billion at year-end 2012 from EUR 31 billion at year-end 2011, as excess cash at the Bank was used to redeem short-term professional funding. Financial assets at fair value through the profit and loss account decreased by EUR 30 billion, due to lower activities at Financial Markets and de-risking. Investments decreased by EUR 17 billion to EUR 200 billion in 2012, mainly due to the transfer of investments of Insurance IM/Asia to assets held for sale. Loans and advances to customers decreased by EUR 40 billion to EUR 557 billion at year-end 2012 from EUR 597 billion at year-end 2011, due to de-risking, lower customer lending, the sale of ING Direct Canada and the transfer of loans of ING Direct UK to assets held for sale.

Shareholders equity increased EUR 7.0 billion from EUR 42.5 billion at the end of 2011 to EUR 49.5 billion at the end of 2012. This increase was mainly caused by EUR 3.3 billion net profit and EUR 6.9 billion of positive

unrealised revaluations, offset by EUR -2.2 million of transfer to insurance liabilities/DAC. Non-voting equity securities declined by EUR 0.8 billion due to the repayment to the Dutch State in November.

Year ended 31 December 2011 compared to year ended 31 December 2010

Total assets increased in 2011 over 2010 by 2.5%, or EUR 30.9 billion, to EUR 1,273.6 billion. Cash and balances with central banks increased to EUR 31.2 billion at year-end 2011 from EUR 13.1 billion at year-end 2010. This was mainly due to a further increase of overnight deposits with central banks, while amounts due from banks declined by EUR 6.5 billion during the same period. Investments decreased by EUR 16.8 billion to EUR 217.4 billion in 2011, due to the transfer of EUR 21.1 billion of assets of ING Direct USA to Assets held for sale. Loans and advances to customers decreased by EUR 12.0 billion to EUR 596.9 billion at year-end 2011 compared with EUR 608.9 billion at year-end 2010. Adjusted for the ING Direct USA sale, loans and advances to customers increased EUR 18 billion, due to positive currency effects, growth in short-term lending to mid-corporates, SMEs and other and mortgage growth at the other ING Direct locations and Retail Benelux partly offset by repayments, run-off and selective de-risking. Assets held for sale increased by EUR 61.8 billion to EUR 62.5 billion. At year-end 2011, assets held for sale entirely relate to ING Direct USA. Other assets decreased by EUR 5.5 billion, almost half of this was caused by the transfer of ING Direct USA to Assets held for sale.

Shareholders equity increased EUR 4.8 billion from EUR 37.7 billion at the end of 2010 to EUR 42.5 billion at the end of 2011. This increase was caused by the EUR 4.7 billion in net profit. Positive changes in reserves were offset by the EUR 1 billion repayment premium paid to the Dutch state in May 2011. This amount is the 50% premium paid on the repayment of EUR 2 billion core Tier 1 Securities issued in November 2008. This was an important step towards full repayment of the support ING received from the Dutch State.

LIQUIDITY AND CAPITAL RESOURCES

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

As a holding company, ING Groep N.V. s principal sources of funds are funds that may be raised from time to time from the issuance of debt or equity securities and bank or other borrowings, as well as cash dividends received from its subsidiaries. ING Groep N.V. s total debt and capital securities outstanding to third parties at 31 December 2012 was EUR 16,760 million, at 31 December 2011, EUR 15,517 million and at 31 December 2010, EUR 18,337. The EUR 16,760 million of debt and capital securities outstanding at 31 December 2012, consisted of subordinated loans of EUR 9,923 million and debenture loans of EUR 6,837 million, both specified below :

Interest rate (%)	Year of issue	Due date	Balance sheet value
		(EUR millions)	
9.000	2008	Perpetual	10
8.500	2008	Perpetual	1,508
8.000	2008	Perpetual	1,502
7.375	2007	Perpetual	1,137
6.375	2007	Perpetual	792
5.140	2006	Perpetual	81
5.775	2005	Perpetual	288
6.125	2005	Perpetual	529
4.176	2005	Perpetual	168
Variable	2004	Perpetual	558
6.200	2003	Perpetual	369
Variable	2003	Perpetual	427
7.200	2002	Perpetual	820
7.050	2002	Perpetual	597
Variable	2000	31 December 2030	1,137

9,923

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Interest rate (%)	Year of issue	Due date	Balance sheet value
		(EUR millions)	
Variable	2012	18 September 2013	726
4.000	2012	18 September 2013	584
4.125	2011	23 March 2015	666
5.625	2008	3 September 2013	1,028
4.699	2007	1 June 2035	118
4.750	2007	31 May 2017	1,970
Variable	2006	11 April 2016	998
4.125	2006	11 April 2016	747
			6,837

At 31 December 2012, 2011 and 2010, ING Groep N.V. also owed EUR 2,372 million, EUR 2,869 million and EUR 736 million, respectively, to ING Group companies pursuant to intercompany lending arrangements. The EUR 2,372 million owed by ING Groep N.V. to ING Group companies at 31 December 2012, was owed to ING Bank companies, as a result of normal intercompany transactions.

In October 2008 ING issued core Tier 1 Securities to the Dutch State for a total consideration of EUR 10,000 million. This capital injection qualifies as core Tier 1 capital for regulatory purposes. Such securities were not issued in the years before. In December 2009, ING repaid the first half of the non-voting equity securities (core Tier 1 securities) of EUR 5 billion plus a total premium of EUR 605 million. On 13 May 2011 ING exercised its option for early repayment of EUR 2 billion of the remaining non-voting equity securities. The total payment in May 2011 amounted to EUR 3 billion and included a 50% repurchase premium. ING funded this repayment from retained earnings. In November 2012 ING reached an agreement with the European Commission on amongst others the repayment of the remainder of the non-voting equity securities. ING intends to repay the remaining EUR 3 billion core Tier 1 securities at a total cost of EUR 4.5 billion in four equal tranches in the next three years. In accordance with this agreement ING repaid EUR 0.75 billion of the remaining non-voting equity securities in November 2012. The total payment in November amounted to EUR 1,125 billion including premiums and interest. ING intends to repay a second tranche in November 2013, a third in March 2014 and a final tranche ultimately in May 2015. While ING has committed to redeem these securities per the defined schedule, ING has the ability to defer a repayment in full or in part, in which case the subsequent tranche will be increased with a corresponding amount. In the event that ING does not repay in full 2 consecutive repayment tranches or does not pay in total EUR 4.5 billion by 15 May 2015, the Dutch State will re-notify to the Commission who may in principle require compensatory measures. All repayments are conditional upon the approval of the Dutch central bank (DNB).

At 31 December 2012, 2011 and 2010, ING Groep N.V. had EUR 9 million, EUR -1,400 million and EUR 72 million of cash, respectively. Dividends paid to the Company by its subsidiaries amounted to EUR 2,125 million, EUR 3,000 million and EUR 200 million in 2012, 2011 and 2010, respectively, in each case representing dividends declared and paid with respect to the reporting calendar year and the prior calendar year. All of the amounts paid to the Company were received from ING Bank in 2012, 2011 and 2010, respectively. On the other hand, the Company injected EUR 0 million, EUR 0 million and EUR 1,500 million into its direct subsidiaries during the reporting year 2012, 2011 and 2010, respectively. All of the amounts were injected into ING Insurance in 2012, 2011 and 2010, respectively. ING and its Dutch subsidiaries are subject to legal restrictions on the amount of dividends they can pay to their shareholders. The Dutch Civil Code provides that dividends can only be paid by Dutch companies up to an amount equal to the excess of a company s shareholders equity over the sum of (1) paid-up capital and (2) shareholders reserves required by law. Further, certain of the Group companies are subject to restrictions on the amount of funds they may transfer in the form of cash dividends or otherwise to ING Groep N.V.

In addition to the restrictions in respect of minimum capital and capital base requirements that are imposed by insurance, banking and other regulators in the countries in which the Group s subsidiaries operate, other limitations exist in certain countries. For example, the operations of the Group s insurance company subsidiaries located in the United States are subject to limitations on the payment of dividends to their parent company under applicable state insurance laws. Dividends paid in excess of these limitations generally require prior approval of the Insurance Commissioner of the state of domicile.

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On 12 December 2011 ING announced the launch of three separate exchange offers in Europe and tender offers in the United States of America, on a total of seven series of outstanding subordinated securities of ING entities with a total nominal value of approximately EUR 5.8 billion. As of 23 December 2011, all tender and exchange offers announced on 12 December 2011 were successfully completed. For more information see Note 15 of Note 2.1 to the consolidated financial statements.

ING Group Consolidated Cash Flows

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

Year ended 31 December 2012 compared to year ended 31 December 2011

Net cash flow from operating activities amounted to EUR -9,260 million for the year ended 31 December 2012, compared with EUR 14,139 million for the year ended 31 December 2011. This decrease was mainly due to amounts due to/from banks and trading assets/liabilities. The cash flow generated through the customer deposits and other funds on deposit was EUR 27,718 million and EUR 27,019 million for 2012 and 2011, respectively. The cash flow employed in lending increased from a cash outflow of EUR -23,713 million in 2011 to a cash inflow of EUR 1,166 million in 2012.

Net cash flow from investment activities in 2012 was EUR 576 million, compared to EUR 6,504 million in 2011. The decrease was mainly caused by higher disposals and redemptions of group companies.

Net cash flow from financing activities was EUR -1,665 million in 2012, compared to EUR -6,931 million in 2011. The increase of EUR 5,266 million in net cash flow from financing activities is mainly due to repayment of subordinated loans and net repayment of other borrowed funds.

The operating, investing and financing activities described above resulted in net cash and cash equivalents at year-end 2012 of EUR 24,150 million, compared with EUR 34,280 million at year-end 2011, a decrease of EUR 10,130 million from 2011 levels.

	2012	2011
	(EUR millions)	
Treasury bills and other eligible bills	518	2,611
Amounts due from/to banks	4,633	-4,505
Cash and balances with central banks	17,657	31,194
Cash and cash equivalents classified as Assets held for sale	1,342	4,9800
Cash and cash equivalents at end of year	**24,150**	**34,280**

Year ended 31 December 2011 compared to year ended 31 December 2010

Net cash flow from operating activities amounted to EUR 14,139 million for the year ended 31 December 2011, compared with EUR -4,747 million for the year ended 31 December 2010. This increase was mainly due to amounts due to/from banks and trading assets/liabilities. The cash flow generated through the customer deposits and other funds on deposit was EUR 27,019 million and EUR 21,202 million for 2011 and 2010, respectively. The cash flow employed in lending increased from a cash outflow of EUR -16,331 million in 2010 to a cash outflow of EUR -23,713 million in 2011.

Net cash flow from investment activities in 2011 was EUR 6,504 million, compared to EUR -3,349 million in 2010. The increase was mainly caused by higher disposals and redemptions of group companies and available-for-sale investments.

Net cash flow from financing activities was EUR -6,931 million in 2011, compared to EUR 7,640 million in 2010. The decrease of EUR 14,571 million in net cash flow from financing activities is mainly due to repayment of subordinated loans and net repayment of other borrowed funds.

The operating, investing and financing activities described above resulted in net cash and cash equivalents at year-end 2011 of EUR 34,280 million, compared with EUR 20,768 million at year-end 2010, an increase of EUR 13,512 million from 2010 levels.

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	2011	2010
	(EUR millions)	
Treasury bills and other eligible bills	2,611	4,441
Amounts due from/to banks	-4,505	3,227
Cash and balances with central banks	31,194	13,072
Cash and cash equivalents classified as Assets for sale	4,980	28
Cash and cash equivalents at end of year	**34,280**	**20,768**

Capital Adequacy

The debt/equity ratio of ING Group as at year-end 2012 was 11.10% (2011: 12.71%).

ING Group reports to the Dutch Central Bank as required under the Dutch implementation of the financial conglomerates directive (FICO). The directive mainly covers risk concentrations in the group, intra-group transactions and an assessment of the capital adequacy of the Group.

In the following table, we show the Group s FICO ratio on the following basis:

Insurance required capital from applying European Solvency I rules to all ING Insurance entities globally (regardless of local capital requirements);

Bank required capital based on applying Basel II with the Basel I floor (80% of Basel I Risk Weighted Assets);

Group FICO capital using an approach similar to that used for Bank BIS capital and Insurance IGD capital whereby Group leverage is deducted.

	2012	2011
	(EUR millions)	
BIS capital	47,116	47,124
IGD capital	23,322	21,406
Group leverage (core debt)	-7,100	-7,917
Regulatory capital	**63,339**	**60,612**
Required capital banking operations	28,774	31,107
Required capital insurance operations	9,523	9,515
Total required capital	**38,296**	**40,622**
FICO ratio	165%	149%

ING Bank Cash Flows

The principal sources of funds for ING Bank s operations are growth of the retail funding, which mainly consists of current accounts, savings and retail deposits, 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 (see Item 11 Quantitative and Qualitative Disclosure of Market Risk).

Year ended 31 December 2012 compared to year ended 31 December 2011

At 31 December 2012 and 2011, ING Bank had EUR 20,612 million and EUR 31,197 million, respectively, of cash and cash equivalents. The decrease in Cash and Cash Equivalents is mainly attributable to the cash and bank balance positions with Central banks.

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Specification of cash position (EUR millions):

	2012	2011
	(EUR millions)	
Cash and balances with central banks	15,447	28,112
Short dated government paper	518	2,611
Cash and cash equivalents classified as Assets held for sale	14	4,980
Banks on demand	4,633	-4,506
Cash balance and cash equivalents	**20,612**	**31,197**

The EUR 25,426 million decrease in ING Bank s operating activities, consist of EUR 11,523 million cash outflow for the year ended 31 December 2012, compared to EUR 13,903 million cash inflow for the year ended 31 December 2011.

The cash flow from operating activities was largely affected by cash inflows from Customer deposits and other funds on deposit (EUR 21,334 million compared to a cash inflow in 2011 of EUR 30,659 million), cash outflows from Amounts due to and from Banks (EUR 21,187 million compared to a cash inflow in 2011 of EUR 457 million), a cash inflow from loans and advances to customers (EUR 1,130 million compared to a cash outflow in 2011 of EUR 26,392 million) and a cash outflow of trading assets and liabilities (EUR 16,583 million compared to a cash inflow in 2011 of EUR 1,293 million).

Net cash inflow from investing activities was EUR 2,341 million (2011: EUR 4,027 million cash inflow). Investments in available-for-sale securities was EUR 71,323 million and EUR 155,004 million in 2012 and 2011, respectively. Disposals and redemptions of available-for-sale securities amounted to EUR 73,441 million and EUR 155,826 million in 2012 and 2011, respectively.

Net cash flow from financing activities in 2012 amounted to a cash outflow of EUR 1,588 million compared to a cash outflow in 2011 of EUR 3,778 million, and is mainly attributable to less cash outflow from proceeds and repayments of subordinated loans and debt securities in issue and a lower dividend payment in 2012.

The operating, investing and financing activities described above resulted in a negative cash flow of EUR 10,770 in 2012 compared to a positive net cash flow of EUR 14,152 million in 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010

At 31 December 2011 and 2010, ING Bank had EUR 31,197 million and EUR 17,188 million, respectively, of cash and cash equivalents. The increase in Cash and Cash Equivalents is mainly attributable to the cash and bank balance positions with Central banks.

Specification of cash position (EUR millions):

	2011	2010
	(EUR millions)	
Cash	28,112	9,519
Short dated government paper	2,611	4,442
Cash and cash equivalents classified as Assets held for sale	4,980	
Banks on demand	-4,506	3,227
Cash balance and cash equivalents	**31,197**	**17,188**

The EUR 24,989 million increase in ING Bank s operating activities, consist of EUR 13,903 million cash inflow for the year ended 31 December 2011, compared to EUR 11,086 million cash outflow for the year ended 31 December 2010.

The cash flow from operating activities was largely affected by cash inflows from Customer deposits and other funds on deposit (EUR 30,569 million compared to a cash inflow in 2010 of EUR 21,052 million), cash outflows from Amounts due to and from Banks (EUR 457 million compared to a cash outflow in 2010 of EUR 14,164 million) and a cash outflow of loans and advances to customers of EUR 26,392 million (compared to a cash outflow in 2010 of EUR 19,665).

Net cash inflow from investing activities was EUR 4,027 million (2010: EUR 1,303 million cash inflow). Investments in available-for-sale securities was EUR 155,004 million and EUR 89,614 million in 2011 and 2010, respectively. Disposals and redemptions of available-for-sale securities amounted to EUR 155,826 million and EUR 88,333 million in 2011 and 2010, respectively.

Net cash flow from financing activities in 2011 amounted to a cash outflow of EUR 3,778 million compared to a cash inflow in 2010 of EUR 8,224 million, and is mainly attributable to less balance cash inflow from debt securities in issue and a dividend payment of EUR 3,000 million.

The operating, investing and financing activities described above resulted in a positive cash flow of EUR 14,152 in 2011 compared to a negative net cash flow of EUR -1,559 million in 2010.

Capital Adequacy

Capital adequacy and the use of capital are monitored by ING Bank and its subsidiaries, employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision and implemented by the EU and the Dutch Central Bank for supervisory purposes. See Item 4 Information on the Company . Qualifying capital is based on IFRS-EU, as primary accounting basis, which is also the basis for statutory and regulatory reporting.

The following table sets forth the capital position of ING Bank N.V. as of 31 December 2012, 2011 and 2010.

Capital position of ING Bank

	2012	2011 (EUR millions)	2010
Shareholders equity (parent)	31,823	30,156	31,266
Difference IFRS-IASB and IFRS-EU	4,846	4,211	3,185
Minority interests (1)	959	817	749
Subordinated loans qualifying as Tier 1 capital (2)	6,774	6,850	8,438
Goodwill and intangibles deductible from Tier 1 (1)	-1,242	-1,390	-1,645
Deductions Tier 1	-991	-1,014	-1,069
Revaluation reserve (3)	-2,195	-1,008	-1,592
Available capital Tier 1	**39,975**	**38,622**	**39,332**
Supplementary capital Tier 2 (4)	8,132	9,516	10,882
Deductions	-991	-1,014	-1,069
BIS capital	**47,116**	**47,124**	**49,145**
Risk-weighted assets	278,656	330,421	321,103
Tier 1 ratio	14.35%	11.69%	12.25%
BIS ratio	16.91%	14.26%	15.30%
Required capital based on Basel I floor (5)	28,767	31,107	29,860
BIS ratio based on Basel I floor (5)	13.10%	12.12%	13.17%

(1) According to the regulatory definition.
(2) Subordinated loans qualifying as Tier 1 capital have been placed by ING Groep N.V. with ING Bank N.V.

(3) Includes revaluation debt securities, revaluation reserve cash flow hedge and the revaluation reserves excluded from Tier 1 as described in ING s Capital base table.
(4) Includes eligible lower Tier-2 loans and revaluation reserves equity and real estate revaluations removed from Tier 1 capital.
(5) Using 80% of Basel I Risk-Weighted Assets.

Capital measures in the table exclude the difference between IFRS-EU and IFRS-IASB as capital measures are based on IFRS-EU as primary accounting basis for statutory and regulatory reporting.

ING Group s management believes that working capital is sufficient to meet the current and reasonably foreseeable needs of the Company.

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ING Insurance Cash Flows

The principal sources of funds for ING Insurance are premiums, net investment income and proceeds from sales or maturity of investments, while the major uses of these funds are to provide life policy benefits, pay surrenders and profit sharing for life policyholders, pay non-life claims and related claims expenses, and pay other operating costs. ING Insurance generates a substantial cash flow from operations as a result of most premiums being received in advance of the time when claim payments or policy benefits are required. These positive operating cash flows, along with that portion of the investment portfolio that is held in cash and highly liquid securities, have historically met the liquidity requirements of ING Insurance s operations, as evidenced by the growth in investments. See Note 2.2.1 Risk Management to the consolidated financial statements.

Year ended 31 December 2012 compared to year ended 31 December 2011

ING Insurance s liquidity requirements are met on both a short- and long-term basis by funds provided from insurance premiums collected, investment income and collected reinsurance receivables, and from the sale and maturity of investments. ING Insurance also has access to commercial paper, medium-term note and other credit facilities. ING Insurance s balance of cash and cash equivalents was EUR 6,717 million at 31 December 2012 and EUR 11,577 million at 31 December 2011.

	2012	2011
	(EUR millions)	
Cash and bank balances	2,980	3,230
Short term deposits	2,409	8,347
Cash and cash equivalents classified as Assets held for sale	1,328	
Total	**6,717**	**11,577**

Net cash provided by operating activities was EUR 718 million in 2012 and EUR 2,041 million in 2011. Net cash used by ING Insurance in investment activities was EUR -2,882 million in 2012 and EUR 2,477 in 2011 million. The decrease was caused by investments in equity securities available for sale mainly in the U.S. Cash provided by ING Insurance s financing activities amounted to EUR -2,731 million and EUR -1,558 million in 2012 and 2011, respectively. The decrease was due to repayments of subordinated loans.

Year ended 31 December 2011 compared to year ended 31 December 2010

ING Insurance s liquidity requirements are met on both a short- and long-term basis by funds provided from

insurance premiums collected, investment income and collected reinsurance receivables, and from the sale and maturity of investments. ING Insurance also has access to commercial paper, medium-term note and other credit facilities. ING Insurance s balance of cash and cash equivalents was EUR 11,577 million at 31 December 2011 and EUR 8,674 million at 31 December 2010.

	2011	2010
	(EUR millions)	
Cash and bank balances	3,230	4,057
Short term deposits	8,347	4,589
Cash and cash equivalents classified as Assets held for sale		28
Total	**11,577**	**8,674**

Net cash provided by operating activities was EUR 2,041 million in 2011 and EUR 2,885 million in 2010.

Net cash used by ING Insurance in investment activities was EUR 2,477 million in 2011 and EUR -4,466 million in 2010. The increase was caused by group companies, available-for-sale- investments and investments for risk of policyholders.

Cash provided by ING Insurance s financing activities amounted to EUR -1,558 million and EUR 1,140 million in 2011 and 2010, respectively. The decrease was due to Proceeds/repayments of borrowed funds and debt securities.

The table below shows the Insurance Group Directive which represent the consolidated regulatory Solvency I position of ING Insurance business. The Insurance companies complied with their respective local regulatory requirements.

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	2012	2011
	(EUR millions)	
Shareholders equity (parent)	27,299	23,475
Hybrids issued by ING Group (1)	2,438	2,604
Hybrids issued by ING Insurance (2)	476	1,726
Required regulatory adjustments	-6,891	-6,399
IGD capital	**23,322**	**21,406**
EU required capital base	9,523	9,515
IGD Solvency ratio (3)	245%	225%

(1) Hybrids issued by ING Group at notional value

(2) Hybrids issued by ING Insurance at notional value capped at 25% of EU required capital

(3) The actual required regulatory adjustments for IGD capital and the EU required capital may be different from the estimate since the statutory results are not final until filed with the regulators.

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Adjusted Equity

ING calculates certain capital ratios on the basis of adjusted equity . Adjusted equity differs from Shareholders equity in the consolidated balance sheet. The main differences are that adjusted equity excludes unrealized gains and losses on debt securities, goodwill and the cash flow hedge reserve and includes hybrid capital and the Core Tier 1 Securities. Adjusted equity also excludes the difference between IFRS-EU and IFRS-IASB, as capital ratios are based on IFRS-EU as primary accounting basis, which is also the basis for statutory and regulatory reporting. Adjusted equity for 2012, 2011 and 2010 is reconciled to shareholders equity as follows:

	2012	2011	2010
		(EUR millions)	
Shareholders equity	49,511	42,452	37,719
Difference between IFRS-IASB and IFRS-EU	4,846	4,211	3,185
Core Tier 1 Securities	2,250	3,000	5,000
Group hybrid capital	9,223	9,332	12,039
Revaluation reserves debt securities and other	-8,963	-4,626	-3,469
Adjusted equity	**56,866**	**54,369**	**54,474**

Group hybrid capital comprises subordinated loans and preference shares issued by ING Group, which qualify as (Tier 1) capital for regulatory purposes, but are classified as liabilities in the consolidated balance sheet.

Revaluation reserves debt securities and other includes unrealized gains and losses on available-for-sale debt securities and revaluation reserve crediting to policyholders of EUR -4,843 million in 2012, EUR -650 million in 2011 and EUR 330 million in 2010, the cash flow hedge reserve of EUR -2,689 million in 2012, EUR -1,970 million in 2011 and EUR -847 million in 2010 and capitalized goodwill of EUR -1,431 million in 2012, EUR -2,006 million in 2011 and EUR -2,908 million in 2010.

ING uses adjusted equity in calculating its debt/equity ratio, which is a key measure in ING s Group capital management process. The debt/equity ratio based on adjusted equity is used to measure the leverage of ING Group The target and actual debt/equity ratio based on adjusted equity are communicated internally to key management and externally to investors, analysts and rating agencies on a quarterly basis. ING uses adjusted equity for these purposes instead of Shareholders equity presented in the balance sheet principally for the following reasons:

- adjusted equity is calculated using criteria that are similar to the capital model that is used by Standard and Poor s to measure, compare and analyze capital adequacy and leverage for insurance groups, and the level of our adjusted equity may thus have an impact on the S&P ratings for the Company and its operating insurance subsidiaries;

- ING believes its Standard and Poor s financial strength and other ratings are one of the most significant factors looked at by our clients and brokers, and accordingly are important to the operations and prospects of our insurance operating subsidiaries, and a major distinguishing factor vis-à-vis our competitors and peers.

To the extent our debt/equity ratio (based on adjusted equity) increases or the components thereof change significantly period over period, we believe that rating agencies and regulators would all view this as material information relevant to our financial health and solvency. On the basis of adjusted equity, the debt/equity ratio of ING decreased to 11.1% in 2012 from 12.7% in 2011. The debt/equity ratio of ING Group between 31 December 2002 and 31 December 2012 has been in the range of 19.9% to 9.0%. Although rating agencies take many factors into account in the ratings process and any of those factors alone or together with other factors may affect our rating, we believe that an increase of our debt/equity ratio in a significant way, and for an extended period of time, could result in actions from rating agencies including a possible downgrade of the financial strength ratings of our operating subsidiaries. Similarly, although regulatory authorities do not currently set any explicit leverage requirements for ING Group, such an increase of our debt/equity ratio could also likely result in greater scrutiny by regulatory authorities. Over the last year, ING has targeted a 15% debt/equity ratio for ING Group currently, but management aims to reduce the Group debt/equity ratio to 10% in the near term. In addition, ING stated in its Restructuring Plan as presented on 26 October 2009 that in the coming years, as insurance units are divested, ING Groep N.V. wants to reduce its core Debt to zero, thereby eliminating the double leverage. These targets are reviewed at least once a year and approved by the Executive Board. During the yearly review, many factors are taken into account to establish this target, such as rating agency guidance, regulatory guidance, peer review, risk profile and strategic objectives. During the year, the ratio is managed by regular reporting, forecasting and capital management actions. Management has full discretion to change the target ratio if circumstances change.

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Off-Balance-Sheet-Arrangements

See Note 28 of Note 2.1 to the consolidated financial statements.

	Total 2012	Less than one year	More than one year	Total 2011	Less than one year	More than one year
			(EUR millions)			
Insurance operations						
Commitments concerning investments in land and buildings	60	13	47	112	87	25
Commitments concerning fixed-interest securities	636	612	24	947	947	
Guarantees	86	70	16	24		24
Other commitments	548	294	254	766	560	206
Banking operations						
Contingent liabilities in respect of:						
- discounted bills	1	1		2	2	
- guarantees	24,034	18,738	5,296	25,617	20,301	5,316
- irrevocable letters of credit	14,552	14,233	319	17,206	16,996	210
- other contingent liabilities	498	495	3	570	562	8
Irrevocable facilities	86,549	54,659	31,890	86,188	56,041	30,147
Total	**126,964**	**89,115**	**37,849**	**131,432**	**95,496**	**35,935**

Contractual obligations

The table below shows the cash payment requirements, due by period, from specified contractual obligations outstanding as of December 31 2011 and 2010. Reference is made to Note 21 Other liabilities in Note 2.1 for information about future payments in relation to pension benefit liabilities. Reference is made to Note 23 Liabilities by contractual maturity in Note 2.1 to the consolidated financial statements for information about coupon interest due on financial liabilities by maturity bucket.

Payment due by period	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(EUR millions)		
2012					
Operating lease obligations	1,353	306	435	327	285
Subordinated loans of Group companies	12,148	2,907	1,262	3,227	4,752
Preference shares of Group companies	404				404
Debenture loans	139,861	68,179	29,420	14,853	27,409
Loans contracted	2,287	428	76		1,783
Loans from credit institutions	4,845	4,052	57	56	680
Insurance provisions [(1)]	182,440	11,363	19,079	19,611	132,387
Total	**343,338**	**87,235**	**50,329**	**38,074**	**167,700**
2011					
Operating lease obligations	1,353	306	435	327	285

Subordinated loans of Group companies	12,148	2,907	1,262	3,227	4,752
Preference shares of Group companies	404				404
Debenture loans	139,861	68,179	29,420	14,853	27,409
Loans contracted	2,287	428	76		1,783
Loans from credit institutions	4,845	4,052	57	56	680
Insurance provisions (1)	175,549	11,177	18,702	19,127	126,543
Total	**336,447**	**87,049**	**49,952**	**37,590**	**161,856**

(1) Amounts included in the table reflect best estimates of cash payments to be made to policyholders. Such best estimate cash outflows reflect mortality, retirement, and other appropriate factors, but are undiscounted with respect to interest. As a result, the sum of the cash outflows shown for all years in the table differs from the corresponding liability included in our consolidated financial statements at 31 December 2012. Furthermore, the table does not include insurance or investment contracts for risk of policyholders, as these are products where the policyholder bears the investment risk.

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Item 6. Directors, Senior Management and Employees
Appointment and dismissal Supervisory Board

Members of the Supervisory Board are appointed by the General Meeting from a binding list to be drawn up by the Supervisory Board. The list will be rendered non-binding if a resolution of the General Meeting to that effect is adopted by an absolute majority of the votes cast, which majority represents more than one-third of the issued share capital. Candidates for appointment to the Supervisory Board must comply with the suitability and reliability requirements set out in the Dutch Financial Supervision Act and must continue to meet these while in office. Members of the Supervisory Board may be suspended or dismissed at any time by a majority resolution of the General Meeting. A resolution to suspend or dismiss members of the Supervisory Board that has not been proposed by the Supervisory Board may only be adopted by the General Meeting by an absolute majority of the votes cast, which majority represents more than one-third of the issued share capital.

In connection with the issuance of the Securities to the Dutch State and the IABF, ING Group and the Dutch State agreed that the Dutch State may recommend candidates for appointment to the Supervisory Board in such a way that upon appointment of all recommended candidates by the General Meeting, the Supervisory Board would comprise two State Nominees among its members. The Dutch State may recommend a Supervisory Board member already in office.

The recommendation right of the Dutch State is subject to applicable law and to corporate governance practices, generally accepted under stock exchange listing regimes applicable to ING Group and continues as long as the IABF continues. Should the IABF be discontinued, the State Nominees will remain in office and complete their term of appointment.

Candidates recommended by the Dutch State will be nominated for appointment by way of a binding nomination, unless one or more specified situations occur. Such situations include when:

- the candidate is not fit and proper to discharge his duties as a Supervisory Board member;
- upon appointment the composition of the Supervisory Board would not be appropriate and/or not be in accordance with the Supervisory Board Profile;
- the appointment would be incompatible with any provision of the Articles of Association, the Supervisory Board Charter, any principle or best-practice provision of the Corporate Governance Code as applied by ING Group and/or any other generally accepted corporate governance practice or requirement which is applicable to ING Group as an internationally listed company;
- the relevant candidate has a structural conflict of interest with ING Group; and
- DNB, the Dutch central bank refuses to issue a statement of no objection for the appointment of the relevant candidate.

As a consequence of the transaction between ING Group and the Dutch State, the Dutch State recommended Lodewijk de Waal and Tineke Bahlmann for appointment to the Supervisory Board. Following such recommendation, Lodewijk de Waal and Tineke Bahlmann were appointed by the General Meeting on 27 April 2009. The current terms of appointment of Tineke Bahlmann and Lodewijk de Waal will expire at the end of the 2013 annual General Meeting. Tineke Bahlmann is recommended for reappointment by the Dutch State. Lodewijk de Waal has decided not to apply for reappointment. The Dutch State has indicated to not use its right to recommend a second candidate for appointment as a member of the Supervisory Board at this moment.

Function of the Supervisory Board

The function of the Supervisory Board is to supervise the policy of the Executive Board and the general course of events of ING Group and its businesses, as well as to provide advice to the Executive Board. In line with Dutch company law, the Corporate Governance Code and the Articles of Association, the Supervisory Board Charter requires all members of the Supervisory Board, including the State Nominees, to act in accordance with the interests of ING Group and the business connected with it, taking into account the relevant interests of all the stakeholders of ING Group, to perform their duties without mandate and independent of any interest in the business of ING Group, and to refrain from supporting one interest without regard to the other interests involved.

Certain resolutions of the Executive Board, specified in the Articles of Association of ING Group, the Executive Board Charter and in the Supervisory Board Charter, are subject to the approval of the Supervisory Board.

As long as the IABF continues, certain resolutions of the Supervisory Board are subject to the condition that no State Nominee shall have voted against the proposal. These rights became effective as from the 2009 annual General Meeting. These resolutions relate to the following matters:

a. the issuance or acquisition of its own shares by ING Group, other than related to the Securities issuance (including, for the avoidance of doubt, for the purpose of conversion or financing of a repurchase of Securities), as part of regular hedging operations or in connection with employment schemes;

b. the cooperation by ING Group in the issuance of depositary receipts for shares;

c. the application for listing on or removal from the price list of any stock exchange of the securities referred to in a. or b.;

d. the entry into or termination of a lasting cooperation between ING Group or a dependent company and another legal entity or partnership or a general partner in a limited partnership or general partnership where such cooperation or termination thereof has a material significance for ING Group, i.e. amounting to one-quarter or more of ING Group s issued capital and reserves as disclosed in its balance sheet and notes thereto;

e. the acquisition by ING Group or a dependent company of a participating interest in the capital of another company amounting to one-quarter or more of ING Group s issued capital and reserves as disclosed in its balance sheet and notes thereto or a material increase or decrease in the magnitude of such participating interest;

f. investments involving an amount equal to one-quarter or more of ING Group s issued capital and reserves as disclosed in its balance sheet and notes thereto;

g. a proposal to wind up ING Group;

h. filing of a petition for bankruptcy or moratorium of ING Group;

i. a proposal to reduce the issued capital of ING Group (other than related to the Securities issuance);

j. a proposal for merger, split-off or dissolution of ING Group;

k. a proposal to change ING Group s remuneration policy; and

l. appointment of the chief executive officer of the Executive Board.

Profile of members of the Supervisory Board

The Supervisory Board has drawn up a profile to be used as a basis for its composition. It is available on the website of ING Group (www.ing.com) and at the ING Group head office.

In view of their experience and the valuable contribution that former members of the Executive Board can make to the Supervisory Board, it has been decided, taking into account the size of the Supervisory Board and ING s wide range of activities that such individuals may become members of the Supervisory Board of ING Group. There is, however, a restriction in that only one in every five other members of the Supervisory Board may be a former member of the Executive Board. In addition, this member must wait at least one year after resigning from the Executive Board before becoming eligible for appointment to the Supervisory Board. Former members of the Executive Board are not eligible for appointment to the position of chairman or vice-chairman of the Supervisory Board.

After being appointed to the Supervisory Board, a former member of the Executive Board may also be appointed to one of the Supervisory Board s committees. However, appointment to the position of chairman of a committee is only possible if the individual in question resigned from the Executive Board at least four years prior to such appointment.

ING Group aims to have an adequate and balanced composition of its Supervisory Board. Thereto, annually, the Nomination Committee assesses the composition of the Supervisory Board. In the context of such assessment, ING Group aims to have a gender balance by having at least 30% men and at least 30% women amongst its Supervisory Board members. However, because of the fact that ING Group needs to balance several relevant selection criteria when composing its Supervisory Board, the composition of the Supervisory Board did not meet the above-mentioned gender balance in 2012. ING Group will continue to strive for an adequate and balanced composition of its Supervisory Board in future appointments, by taking into account all relevant selection criteria including but not limited to gender balance, executive experience, experience in corporate governance and experience in the political and social environment.

Term of appointment of members of the Supervisory Board

A member of the Supervisory Board retires no later than at the end of the first general meeting held four years after his or her last appointment or reappointment. In accordance with the Corporate Governance Code, members of the Supervisory Board may as a general rule be reappointed for two additional four-year terms. Under special circumstances however, the Supervisory Board may deviate from this general rule, among others in order to maintain a balanced composition of the Supervisory Board and/or to preserve valuable expertise and experience. As a general rule, members of the Supervisory Board shall also resign at the end of an annual general meeting in the year in which they attain the age of 70 and shall not be reappointed. The schedule for resignation by rotation is available on the website of ING Group (www.ing.com).

Ancillary positions /Conflicting interests

Members of the Supervisory Board are asked to provide details on any other directorships, paid positions and ancillary positions they may hold. Such positions may not conflict with the interests of ING Group. It is the responsibility of the individual member of the Supervisory Board and the Corporate Governance Committee to ensure that the directorship duties are performed properly and are not affected by any other positions that the individual may hold outside the Group.

Members of the Supervisory Board are to disclose material conflicts of interest and potential conflicts of interest and to provide all information relevant thereto. Thereupon the Supervisory Board without the member concerned taking part decides whether a conflict of interest exists. In case of a conflict of interest, the relevant member of the Supervisory Board abstains from discussions and decision-making on the topic or the transaction in relation to which he or she has a conflict of interest with ING Group.

Transactions involving actual or potential conflicts of interest

In accordance with the Corporate Governance Code, transactions with members of the Supervisory Board in which there are significant conflicting interests will be disclosed in the Annual Report. In deviation of the Corporate Governance Code however, this does not apply if (i) such disclosure would be against the law; (ii) the confidential, share-price sensitive or competition-sensitive character of the transaction prevents such disclosure; and/or (iii) the information is so competition-sensitive that disclosure could damage the competitive position of ING Group.

Significant conflicting interests are considered to be absent in case of a relationship that a member of the Supervisory Board may have with ING Group subsidiaries as an ordinary, private individual, with the exception of any loans that may have been granted.

Independence

Annually, the members of the Supervisory Board are requested to assess whether the criteria of dependence set out in the Corporate Governance Code do not apply to them and to confirm this in writing. On the basis of these criteria, all members of the Supervisory Board, with the exception of Luc Vandewalle, are to be regarded as independent on 31 December 2012. Luc Vandewalle is not to be considered independent because of his former position at ING Belgium. Members of the Supervisory Board to whom the independence criteria of the Corporate Governance Code do not apply, and members of the Supervisory Board to whom the criteria do apply but who can explain why this does not undermine their independence, are deemed to be independent.

Company secretary

ING Group s company secretary is Jan-Willem Vink, general counsel of ING Group.

Committees of the Supervisory Board

On 31 December 2012, the Supervisory Board had five standing committees: the Audit Committee, the Risk Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee.

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, the Nomination Committee and the Corporate Governance Committee. These charters are available on the website of ING Group (www.ing.com). A short description of the duties for the five Committees follows below.

The Audit Committee assists the Supervisory Board in monitoring the integrity of the financial statements of ING Group, ING Verzekeringen 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. On 31 December 2012, the members of the Audit Committee were: Joost Kuiper (chairman), Tineke Bahlmann, Henk Breukink, Jan Holsboer, Yvonne van Rooy and Luc Vandewalle.

The Supervisory Board has determined that Joost Kuiper is a financial expert as referred to in the Corporate Governance Code. Joost Kuiper was appointed as the chairman of the Audit Committee on 9 May 2011. Joost Kuiper is considered by the Supervisory Board as financial expert because of his relevant knowledge and experience.

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The Risk Committee assists and advises the Supervisory Board in monitoring the risk profile of ING as a whole as well as the structure and operation of the internal risk management and control systems. On 31 December 2012, the members of the Risk Committee were: Piet Klaver (chairman), Tineke Bahlmann, Joost Kuiper, Luc Vandewalle and Jeroen van der Veer.

The Remuneration Committee advises the Supervisory Board, among other things, on the terms and conditions of employment (including remuneration) of the members of the Executive Board and on the policies and general principles on which the terms and conditions of employment of the members of the Executive Board and of senior managers of ING and its subsidiaries are based. On 31 December 2012, the members of the Remuneration Committee were: Peter Elverding (chairman), Piet Klaver, Jeroen van der Veer and Lodewijk de Waal.

The Nomination Committee advises the Supervisory Board, among other things, on the composition of the Supervisory Board and Executive Board. On 31 December 2012, the members of the Nomination Committee were: Jeroen van der Veer (chairman), Peter Elverding, Piet Klaver and Lodewijk de Waal.

The Corporate Governance Committee 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. On 31 December 2012, the members of the Corporate Governance Committee were: Henk Breukink (chairman), Jeroen van der Veer and Lodewijk de Waal.

The current composition of the Supervisory Board Committees can be found on the Company s website (www.ing.com), which is updated on a regular basis.

Remuneration and share ownership

The remuneration of the members of the Supervisory Board is determined by the General Meeting and is not dependent on the results of ING Group. Members of the Supervisory Board are permitted to hold shares and depositary receipts for shares in the share capital of ING Group for long-term investment purposes. Transactions by members of the Supervisory Board in these shares and depositary receipts for shares are subject to the ING regulations regarding insiders. These regulations are available on the website of ING Group (www.ing.com).

INFORMATION ON MEMBERS OF THE SUPERVISORY BOARD

JEROEN VAN DER VEER (CHAIRMAN)

(Born 1947, Dutch nationality, male; appointed in 2009, term expires in 2013)

Former chief executive officer of Royal Dutch Shell plc. Other business activities: until the end of the AGM in May 2013, non-executive director of Royal Dutch Shell plc. Chairman of the Supervisory Board of Koninklijke Philips Electronics N.V. (listed companies). Member of the Supervisory Board of Het Concertgebouw N.V. Chairman of the Supervisory Council of Nederlands Openluchtmuseum. Member of the Board of Nationale Toneel (theatre). Chairman of the Supervisory Council of Platform Bèta Techniek. Chairman of the Advisory Council of Rotterdam Climate Initiative. Member of the Governing Board of European Institute of Innovation & Technology (EIT).

PETER A.F.W. ELVERDING (VICE-CHAIRMAN)

(Born 1948, Dutch nationality, male; appointed in 2007, term expires in 2015)

Former chairman of the Managing Board of Directors of Koninklijke DSM N.V. Former vice-chairman of the Supervisory Board of De Nederlandsche Bank N.V. (Dutch central bank). Other business activities: chairman of the Supervisory Board of Koninklijke BAM Groep N.V. (listed company). Vice-chairman of the Supervisory Board of SHV Holdings N.V. Chairman of the Supervisory Board of Q-Park N.V. Chairman of the Supervisory Board of Camille Oostwegel Holding B.V. Member of the Supervisory Board of Koninklijke FrieslandCampina N.V. Member of the Board of Stichting Instituut GAK.

J.P. (TINEKE) BAHLMANN

(Born 1950, Dutch nationality, female; appointed in 2009, term expires in 2013)

Professor in Business Administration, University of Utrecht. Other business activities: vice-chairman of the Supervisory Board of N.V. Nederlandsche Apparatenfabriek Nedap (listed company). Member of the Supervisory Board of Stedin Netbeheer B.V. Member of the Board of Maatschappelijk Verantwoord

Ondernemen Nederland (CSR). Chairman of the Supervisory Council of Maasstad Ziekenhuis (hospital). Chairman of Stichting Max Havelaar. Member of the Board of Toneelgroep Amsterdam (theatre).

HENK W. BREUKINK

(Born 1950, Dutch nationality, male; appointed in 2007, term expires in 2015)

Former managing director of F&C and country head for F&C Netherlands (asset management firm). Other business activities: member of the Supervisory Board of NSI N.V. (real estate fund) (listed company). Member of the Supervisory Board of Brink Groep BV. Chairman of the Supervisory Board of Heembouw Holding B.V. Chairman of the Supervisory Council of Omring (health care institution). Member of the Supervisory Board of HaagWonen (housing corporation). Chairman of the Supervisory Council of Inholland University.

JAN H. HOLSBOER

(Born 1946, Dutch nationality, male; appointed in 2012, term expires in 2016)

Former member of the Executive Board of Univar N.V. and former member of the Executive Boards of ING Group and Nationale- Nederlanden. Other business activities: non-executive (senior independent) director of PartnerRe Ltd. (Bermuda). Chairman of the Supervisory Board of TD Bank N.V. Non-executive director of YAFA S.p.A. (Turin, Italy). Member of the Supervisory Board of YAM Invest N.V. Chairman of the Supervisory Board of Vither Hyperthermia B.V. Chairman of the Executive Board of Panorama Mesdag B.V. Chairman of the Board of Foundation Imtech. Member of the Investment Committee of the Dutch Cancer Society.

SJOERD VAN KEULEN

(Born 1946, Dutch nationality, male; appointed in 2011, will resign in 2013)

Former chairman of the Executive Board of SNS Reaal N.V. Other business activities: member of the Supervisory Board of Heijmans N.V. (listed company). Member of the Supervisory Board of Vado Beheer B.V. Vice-chairman of the Supervisory Committee of World Wildlife Fund. Chairman of the Board of Investment Fund for Health in Africa. Member of the Board of Health Insurance Fund. Advisory member of the Supervisory Board of Stichting PharmAccess International. Member of the Supervisory Board of Stichting Natuur en Milieu.

PIET C. KLAVER

(Born 1945, Dutch nationality, male; appointed in 2006, will resign in 2013)

Former chairman of the Executive Board of SHV Holdings N.V. Other business activities: chairman of the Supervisory Board of PostNL N.V. (listed company). Chairman of the Supervisory Board of each of Koninklijke Dekker B.V., Credit Yard Group B.V., Dura Vermeer Groep N.V. and Blokker Holding B.V. Vice-chairman of the Supervisory Board of SHV Holdings N.V. Member of the Board of the African Parks Foundation.

JOOST CH.L. KUIPER

(Born 1947, Dutch nationality, male; appointed in 2011, term expires in 2015)

Former member of the Executive Board of ABN AMRO Bank N.V. Other business activities: chairman of the Supervisory Board of IMC B.V. Member of the Supervisory Board of Hespri Holding B.V. Member of the Supervisory Council of Nexus Institute. Board member of each of Stichting voor Ooglijders, Prins Bernhard Cultuurfonds and Aanwending Loterijgelden Nederland. Member of the Advisory Board of Boelens de Gruyter. Member of the Advisory Board of Boron.

ROBERT W.P. REIBESTEIN

(Born 1956, Dutch nationality, male; appointed in 2012, term expires in 2016)

Former senior partner of McKinsey & Company. Other business activities: member of the Supervisory Board of IMC B.V. Chairman of the Board of Royal Concertgebouw Orchestra. Member of the Board of Overseers Columbia University Business School. Member of the Supervisory Board of World Wildlife Fund. Member of the European Council on Foreign Relations. Vice-chairman of the Supervisory Board of Leiden University. Vice-chairman of the Board of VVD (political party).

YVONNE C.M.T. VAN ROOY

(Born 1951, Dutch nationality, female; appointed in 2012, term expires in 2016)

Former Minister of Foreign Trade, member of the Dutch Parliament and member of the European Parliament. Former president of Utrecht University. Other business activities: chairman of Nederlandse Vereniging van Ziekenhuizen (Dutch association of hospitals). Member of the Board of Trust Foundation Koninklijke Brill N.V. Member of the Board of Royal Concertgebouw Orchestra. Member of the Advisory Board of Nexus Institute. Member of the Board of Stichting Instituut GAK. Member of the Advisory Board of Stichting Nationaal Fonds Kunstbezit.

LUC A.C.P. VANDEWALLE

(Born 1944, Belgian nationality, male; appointed in 2011, term expires in 2014)

Former chairman and non-executive member of ING Belgium NV/SA. Other business activities: chairman of the Supervisory Board of each of Bakker Hillegom B.V., Domo Real Estate, Matexi Groep, Plu Holding, Transics International and Alinso N.V. Member of the Supervisory Board of each of Allia Insurance Brokers, Arseus, Besix Groep, Galloo, Masureel Veredeling, Sea-Invest, Sioen Industries, Vergroup, Veritas and Willy Naessens Industriebouw.

LODEWIJK J. DE WAAL

(Born 1950, Dutch nationality, male; appointed in 2009, term expires in 2013)

Former general manager of Humanitas. Other business activities: member of the Supervisory Board of PGGM N.V. Member of the Advisory Board of Zorgverzekeraars Nederland. Chairman of the Advisory Board of Stichting Nationaal Fonds Kunstbezit. Member of the Netherlands National Contact Point (NCP) of the OECD. Chairman of the Supervisory Council of Museum Volkenkunde. Chairman of the Platform Slim Werken Slim Reizen . Member of the Toetsingscommissie Beloningen Woningcorporaties.

Changes in the composition

At the 2012 annual General Meeting Jan Holsboer, Robert Reibestein and Yvonne van Rooy were appointed as members of the Supervisory Board. Aman Mehta retired at the end of the 2012 annual General Meeting.

Sjoerd van Keulen and Piet Klaver will resign at the end of the 2013 annual General Meeting. The current terms of appointment of Jeroen van der Veer, Tineke Bahlmann and Lodewijk de Waal will expire at the end of the 2013 annual General Meeting. Lodewijk de Waal has decided not to apply for reappointment. At this meeting, Jeroen van der Veer and Tineke Bahlmann will be nominated for reappointment. Tineke Bahlmann is recommended for reappointment by the Dutch State. The Nomination Committee and the Supervisory Board will continue to strive for an adequate and balanced composition of its Supervisory Board when selecting and nominating new members for appointment.

More information can be found in the convocation for the 2013 annual General Meeting, available on the website of ING Group (www.ing.com) from 28 March 2013.

EXECUTIVE BOARD

Appointment and dismissal

Members of the Executive Board are appointed by the General Meeting from a binding list to be drawn up by the Supervisory Board. The list will be rendered non-binding if a resolution of the General Meeting to that effect is adopted by an absolute majority of the votes cast which majority represents more than one-third of the issued share capital. Candidates for appointment to the Executive Board must comply with the suitability and reliability requirements set out in the Dutch Financial Supervision Act and must continue to meet these while in office.

Members of the Executive Board may be suspended or dismissed at any time by a majority resolution of the General Meeting. A resolution to suspend or dismiss members of the Executive Board that has not been proposed by the Supervisory Board may only be adopted by the General Meeting by an absolute majority of the votes cast, which majority represents more than one-third of the issued share capital.

Function of the Executive Board

The Executive Board is charged with the management of ING Group, which means, among other things, that it is responsible for the setting and achieving of the Company s objectives, strategy and policies, as well as the ensuing delivery of results. It also includes the day-to-day management of ING Group. The Executive Board is accountable for the performance of these duties to the Supervisory Board and the General Meeting. The responsibility for the management of ING Group is vested in the Executive Board collectively. The organisation, powers and modus operandi of the Executive Board are detailed in the Executive Board Charter, which was approved by the Supervisory Board. The Executive Board Charter is available on the website of ING Group (www.ing.com).

Profile of members of the Executive Board

The Supervisory Board has drawn up a profile to be used as a basis for selecting members of the Executive Board. It is available on the website of ING Group (www.ing.com) and at the ING Group head office. ING Group aims to have an adequate and balanced composition of its Executive Board. Thereto, annually, the Supervisory Board assesses the composition of the Executive Board. In the context of such assessment, ING Group aims to

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have a gender balance by having at least 30% men and at least 30% women amongst its Executive Board members.

However, because of the fact that ING Group needs to balance several relevant selection criteria when composing its Executive Board, the composition of the Executive Board did not meet the above-mentioned gender balance in 2012. ING Group will continue to strive for an adequate and balanced composition of its Executive Board in future appointments, by taking into account all relevant selection criteria including but not limited to gender balance, executive experience, experience in corporate governance of large stock-listed companies and experience in the political and social environment.

Remuneration and share ownership

Members of the Executive Board are permitted to hold shares and depositary receipts for shares in the share capital of ING Group for long-term investment purposes. Transactions by members of the Executive Board in these shares and these depositary receipts for shares are subject to the ING regulations for insiders. These regulations are available on the website of ING Group (www.ing.com).

Ancillary positions/Conflicting interests

No member of the Executive Board has corporate directorships at listed companies outside ING. This is in accordance with ING Group s policy to avoid conflicts of interest

Transactions involving actual or potential conflicts of interest

In accordance with the Corporate Governance Code, transactions with members of the Executive Board in which there are significant conflicting interests will be disclosed in the Annual Report. In deviation of the Corporate Governance Code however, this does not apply if (i) disclosure would be against the law; (ii) the confidential, share-price sensitive or competition-sensitive character of the transaction prevents disclosure; and/or (iii) the information is so competition-sensitive that the disclosure could damage the competitive position of ING Group.

Significant conflicting interests are considered to be absent and are not reported if a member of the Executive Board obtains financial products and services, other than loans, which are provided by ING Group subsidiaries in the ordinary course of their business on terms that apply to all employees. In connection with the foregoing, loans does not include financial products in which the granting of credit is of a subordinated nature, e.g. credit cards and overdrafts in current account, because of a lack of materiality.

In case of a conflict of interest, the relevant member of the Executive Board abstains from discussions and decision-making on the topic or the transaction in relation to which that Board member has a conflict of interest with ING Group. If all members of the Executive Board have a conflict of interest, the decision will be taken by the Supervisory Board.

INFORMATION ON MEMBERS OF THE EXECUTIVE BOARD

JAN H.M. HOMMEN, CHIEF EXECUTIVE OFFICER

(Born 1943, Dutch nationality, male; appointed in 2009, term expires in 2013)

Jan Hommen graduated with a master s degree in Business Economics from Tilburg University. He was appointed a member of the Executive Board on 27 April 2009. He is also CEO of ING Bank N.V. and CEO of ING Verzekeringen N.V. Jan Hommen was a member of the Supervisory Board of ING Group as of 1 June 2005 and became chairman of the Supervisory Board of ING Group in January 2008. Until 1 May 2005, he was vice-chairman and chief financial officer of Koninklijke Philips Electronics N.V. From 1975 to 1997, he worked for Alcoa Inc. From 1978, he worked at the Alcoa head office in the US, becoming chief financial officer in 1991. Jan Hommen is a member of the board of Royal Concertgebouw Orchestra and a member of the Supervisory Board of PSV (football club). Seven Group staff departments report directly to Jan Hommen: Legal Department Group, Corporate Human Resources, Corporate Development, Corporate Communications, Group Public & Government Affairs, Sustainability and Corporate Audit Services.

PATRICK G. FLYNN, CHIEF FINANCIAL OFFICER

(Born 1960, Irish nationality, male; appointed in 2009, term expires in 2013)

Patrick Flynn is a Chartered Accountant and a member of the Association of Corporate Treasurers in the UK. He also holds a bachelor s degree in Business Studies from Trinity College Dublin. He was appointed a member of the Executive Board of ING Group on 27 April 2009. From 2007 to 2009, he was the chief financial officer of HSBC Insurance Holdings Ltd. Patrick Flynn is responsible for ING s finance departments and Investor Relations.

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WILFRED NAGEL, CHIEF RISK OFFICER

(Born 1956, Dutch nationality, male; appointed in 2012, term expires in 2016)

Wilfred Nagel was chief executive officer of ING Bank Turkey until his appointment as a member of the Management Board Banking and the Management Board Insurance as of 5 October 2011. Wilfred Nagel joined ING in 1991 and has held various positions including Global Head Credit Risk Management from 2002 to 2005 and CEO Wholesale Banking in Asia from 2005 to 2010. He was appointed a member of the Executive Board of ING Group on 14 May 2012. Wilfred Nagel is responsible for ING s risk management departments including compliance.

Changes in the composition

The current terms of appointment of Jan Hommen and Patrick Flynn will expire at the end of the 2013 annual General Meeting. At this meeting, they will be nominated for reappointment. The Supervisory Board will propose to reappoint Patrick Flynn as a member of the Executive Board for a consecutive period of four years, ending after the annual General Meeting in 2017. The Supervisory Board will propose to reappoint Jan Hommen as a member of the Executive Board for the period until 1 October 2013. The Supervisory Board will propose to the annual General Meeting of 13 May 2013 to appoint Ralph Hamers (born 1966, Dutch nationality, male) as a member of the Executive Board for a consecutive period of four years, ending after the annual General Meeting in 2017. The Supervisory Board intends to appoint Ralph Hamers as chairman of the Executive Board and CEO as of 1 October 2013.

REMUNERATION REPORT

This section sets out the remuneration for the Executive Board and the Supervisory Board. The senior management remuneration policy and remuneration structure are also included.

The remuneration policy for the Executive Board was adopted by the annual General Meeting (AGM) on 27 April 2010, adjustments to the remuneration policy in line with new regulatory developments were adopted by the AGM on 9 May 2011. In addition, the Remuneration report provides information on the remuneration paid in 2012. ING realises that remuneration in the financial sector continued to be a topic of heated debate, also in 2012. Therefore, ING already implemented a new policy in 2010 with an increased emphasis on, among others, creating a moderate and balanced compensation mix, long-term value creation and non-financial targets.

The primary objective of the remuneration policy is to enable ING to retain and recruit qualified and expert leaders, senior staff and other highly qualified employees. In accordance with the Dutch Banking Code ING s remuneration policy for the Executive Board aims for total direct compensation levels slightly below market median levels for comparable positions in the relevant markets. In 2012 the Executive Board did not receive a salary increase and no variable compensation was paid as ING had not completely repaid all outstanding core Tier 1 securities that were issued to the Dutch State. The remuneration policy put in place by the Supervisory Board and adopted by the 2010 AGM has been superseded by legal requirements put in place by the Dutch Legislator that no variable compensation can be paid to the Executive Management as long as financial support from the Dutch State is still outstanding.

The base salary level of the Executive Board remained at the 2010 level and for the fourth consecutive year no variable compensation was paid to the Executive Board. Remuneration of the Executive Board of ING is now in the lowest decile of compensation for managerial positions of equivalent significance and complexity in Europe and the gap between market median levels and total compensation of the Executive Board has become very significant. This could have severe consequences for the ability to attract and retain qualified senior management.

REMUNERATION POLICY

ING s remuneration policy is an integral part of ING s corporate strategy and risk profile and maintains a sustainable balance between short-term and long-term value creation, building on our long-term responsibility towards society, our clients and all other stakeholders.

Remuneration at ING is appropriately set against a variety of factors, such as the complexity of functions, the scope of responsibilities, market practice and competitiveness, the alignment of risks and rewards, and the long-term objectives of the company and its stakeholders, which is all the more important given the continuously changing regulation and international standards for responsible remuneration. These factors differ for each role, line of business and country. This is especially the case for ING with its operations in more than 40 countries

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and 84,718 employees of whom around 58,200 are based outside the Netherlands (over 58% of senior management is non-Dutch). As much as possible for a global financial institution of this size, ING aims to take account of all these differences and also of the standards applied within similar financial institutions in the various countries in which it operates.

PERFORMANCE MANAGEMENT PRINCIPLES

Performance management is a core business process to align individual performance objectives with the long-term strategy of the business of ING Group and to ensure a sustainable and successful business for all its stakeholders. ING Group operates a performance management process linked to remuneration to prevent rewarding for failure and to address the long-term impact of the profitability of the organisation within the risk appetite framework approved by the Supervisory Board of ING Group.

Performance measurement, ex-ante and post risk adjustment

In determining the overall size of ING s variable remuneration pools, ex-ante measures are applied to adjust for current year and prior year changes in the risk profile, as well as for any known future potential risk profile changes. To determine whether to award any variable remuneration in a given performance year depending on the business activity, the following qualifiers will need to be satisfied: return on equity, core Tier 1 ratio and debt-to-equity ratio.

In 2012, ING fully implemented the required changes to its remuneration policies in order to comply with the Capital Requirements Directive III (CRD III). This includes arrangements to defer, hold back and where necessary claw back variable compensation.

The performance assessment of Identified Staff or the ING Group as a whole extends beyond the date that variable remuneration awards are made and continues as part of a multi-year framework. In this way a longer-term horizon is established that ensures that variable remuneration continues to remain at risk due to any issues or staff behaviours (including former staff) that were not apparent (or foreseen) at the time variable remuneration was awarded. In doing so, we have extended the performance assessment of all Identified Staff of ING Group beyond the date that variable awards are made.

REMUNERATION POLICY FOR THE EXECUTIVE BOARD

The remuneration of Executive Board members consists of a combination of fixed compensation (base salary) and variable remuneration (together, total direct compensation), pension arrangements and benefits as described below.

Total direct compensation: moderation and reduced emphasis on variable remuneration

Total direct compensation levels are based on market data that include peers both inside and outside the financial sector in the international context in which ING operates. Total direct compensation is benchmarked against a peer group of companies that, in the opinion of the Supervisory Board, are comparable with ING in terms of size and scope. In line with the foregoing, the Supervisory Board has determined that the peer group consists of the companies in the Dow Jones EURO STOXX 50 index. These are 50 companies, in a range of financial and non-financial industries, which are based in countries within the economic and monetary union of the European Union. In accordance with the Dutch Banking Code, ING s remuneration policy for the Executive Board aims for total direct compensation levels slightly below market median levels for comparable positions in the relevant markets.

In addition, the remuneration policy provides for a balanced mix between fixed and variable remuneration. Variable remuneration will not exceed 100% of fixed salary at the time of allocation. Fixed compensation (i.e. the base salary levels) will be determined in line with the relevant market environment as an integral part of total direct compensation, and will be reviewed from time to time by the Supervisory Board. The policy provides for an at target variable remuneration of 40% in cash and 40% in stock (in total 80%) of base salary if performance criteria are met. If performance criteria (as predetermined by the Supervisory Board) are exceeded, the variable component can be increased from target to maximum, not exceeding 100% of base salary at the time of allocation.

Emphasis on long-term value creation

The remuneration policy for the Executive Board combines the short and long-term variable components into one structure. This structure intends to support both long-term value creation and short-term company

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objectives. The emphasis on long-term performance indicators within the variable component of the compensation package is increased by means of deferral, a reasonableness test and claw back mechanisms.

The allocation of variable remuneration is conditional on the achievement of a number of performance objectives. The short- term component, at maximum 40% of total variable remuneration, is equally divided between cash and stock and awarded in the year following the performance year. The other 60% of the total variable remuneration is deferred and also equally divided between cash and stock. This long-term component is intended to serve the objective of retaining the members of the Executive Board for a longer period of time. The value of the stock award is set such that total variable remuneration at the time that the maximum number of shares to be granted is determined stays within the 100% limit.

The long-term component, consisting of two equal portions of cash and stock, will be subject to a tiered vesting on the first, second and third anniversary of the grant date (one-third per annum). The entire long-term component is subject to an ex-post performance assessment by the Supervisory Board. The ex-post performance assessment cannot lead to an upward adjustment of the value of the cash deferred portion or the number of deferred shares.

Executive Board members are not allowed to sell depositary receipts for shares, obtained as a member of the Executive Board ING Group, and within a period of five years from the grant date. However, they are allowed to sell part of their depositary receipts for shares at the date of vesting to pay tax over the vested share award.

Risk adjusted sustainable and responsible performance

Executive Board members remuneration is directly linked to the achievement of performance criteria critical to the execution of ING Group s strategy. In 2012, ING took significant steps to further complete the restructuring plans, rebuild customer trust and to deliver strong performance in the Bank and in Insurance. This is reflected in the individual performance criteria set for Executive Board members. The performance of the Executive Board is annually set and measured against different financial and non- financial performance drivers.

The financial targets are built around the priorities to strengthen the capital and funding positions for the Banking and Insurance entities as we execute on the restructuring of the Group and prepare the businesses for standalone futures. The financial targets related to the banking operations are aligned with the priorities presented in ING s Ambition 2015 priorities, which were communicated to the investor community in January 2012.

Financial performance indicators include:

1. Underlying net profit for ING Group

2. Reduce double leverage in ING Group

3. Reduce the loan-to-deposit ratio of ING Bank to strengthen liquidity position ahead of Basel III

4. Reduce leverage in Insurance US in preparation for IPO base case

5. Reduce leverage in Insurance EurAsia to prepare for standalone future

Non-financial performance indicators include:

The non-financial indicators depend on the specific responsibilities of the individual Executive Board member and typically include:

1. Improve customer centricity, including full implementation of Net Promoter Score measurement across the Bank and Insurance companies

2. Improve sustainable business practices and corporate responsibility based on the KPIs published annually in the ING Sustainability Report

3. Execute the restructuring and separation plans for the Group and continue repayment of Dutch State

4. Improve employee engagement across the Banking and Insurance operations

5. Improve leadership development, strengthen talent pipeline, retention and diversity

6. Improve operational excellence

ING values and leadership

ING leadership behaviours are also evaluated as part of each Executive Board member s annual performance appraisal. The overall appraisal along with performance on predefined indicators is part of ING s Remuneration Committee review in determining variable remuneration.

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Continued focus on risk

Variable remuneration is directly linked to risk and takes into consideration both individual and company performance criteria. Performance measurement accounts for estimated risks and costs of capital.

Pensions Executive Board members

Members of the Executive Board, who are employed on the basis of a Dutch employment contract, will participate in the defined contribution pension plans introduced in 2010 as part of the remuneration policy. Individual Board members participating in the pension plan that existed before the introduction of the 2010 plans were given the choice to keep their existing pension arrangement. This existing pension arrangement, approved by the 2006 AGM, is based on a defined contribution plan. Alternatively, they can switch to the 2010 arrangements.

Members of the Executive Board will be required to pay a contribution to their pension premium in line with the contributions under ING s Collective Labour Agreement (CLA) in the Netherlands.

Members of the Executive Board working on a non-Dutch employment contract will be offered pensions in line with local practices.

Benefits

Executive Board members will continue to be eligible for a range of additional benefits (e.g. the use of company cars, contributions to company savings plans and, if applicable, expatriate allowances). Executive Board members may obtain banking and insurance services from ING Group subsidiaries in the ordinary course of their business and on terms that apply to most other comparable employees of ING. In addition, tax and financial planning services will be provided to ensure compliance with the relevant legislative requirements.

Tenure

The contract of employment for Executive Board members provides for an appointment for a period of four years and allows for reappointment by the General Meeting. In the case of an involuntary exit, Executive Board members are eligible to an exit arrangement limited to one year base salary.

OTHER ITEMS FOR SUPERVISORY BOARD DISCRETION

Claw back and adjustments

The Supervisory Board has the authority to reclaim variable remuneration allocated to a member of the Executive Board based on inaccurate data and/or behaviour that led to significant harm to the company. The Supervisory Board also has the authority to adjust variable remuneration if application of the predetermined performance criteria results in undesired outcomes. Accordingly, the Supervisory Board has decision authority in situations not addressed in the policy.

Special employment conditions

Special employment conditions, such as commitments made to secure the recruitment of new executives, may be used in exceptional circumstances subject to strict control by the Supervisory Board.

Supervisory Board discretion to review the policy and the remuneration paid

ING is expected to undergo significant changes during the coming years. Moreover, the relevant international employment market is very much in flux. In order to ensure that ING can adapt to these two uncertain factors, the Supervisory Board indicated in 2010 and 2011 that it may re-evaluate in 2012 whether the remuneration policy adopted in 2010 and amended on 9 May 2011 will be in line with the long-term objectives of the company, the relevant international context, as well as society s perception of ING as a company. However, as the internal restructuring remains to be completed, as the regulatory environment is still in a state of flux, and as ING is subject to the legislation issued in 2012 by the Dutch Legislator related to variable remuneration for Executive Board members of financial institutions that receive financial government support, the Supervisory Board has decided to re-evaluate the remuneration policy at a later stage.

Should it become clear, after such re-evaluation, that the new remuneration policy has led to an unintended or inequitable outcome, the Supervisory Board will, in line with the Remuneration Policy agreed for its Executive Board members have the discretion to correct the previously allocated variable remuneration. However, it is understood that any such correction could not lead to a deviation from the requirement that variable remuneration cannot exceed 100% of base salary during any year, as required under the Dutch Banking Code or be in violation of the Capital Requirements Directive III.

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ING s remuneration policy is leading the way in moderating pay in the international financial markets. The Supervisory Board and the Executive Board also have an obligation to safeguard the continuity of the company. The Supervisory Board will therefore evaluate from time to time how these two responsibilities relate to each other. If and when appropriate, it can make adjustments.

2012 REMUNERATION

RESPONSIBLE REMUNERATION

It is the responsibility of ING s Remuneration Committee to take into account the interests of all stakeholders, including shareholders and employees, as well as business continuity and sustainable growth, when overseeing the company s remuneration policy.

2012 REMUNERATION EXECUTIVE BOARD

The Executive Board remuneration for 2012 is based on the remuneration policy approved by the 2010 AGM, amended by the 2011 AGM and the legislation of the Dutch Legislator for financial institutions that have received state support for reasons of financial stability such as ING. The legislation prevents these financial institutions from granting variable remuneration (in cash or otherwise) to their Executive Board members. In addition, the legislation contains certain restrictions with respect to the possibility to increase the fixed salary of Executive Board members. It is in accordance with the Dutch Corporate Governance Code, Sound Remuneration Policy and the CEBS guidelines.

2012 Executive Board base salary

The base salary of all Executive Board members was set at the time of the introduction of the remuneration policy in 2010. The base salary of the Executive Board has not been raised since 2010 as the Executive Board decided voluntarily to forego any increase until ING has repaid outstanding core Tier 1 securities from the Dutch State along with the restrictions put in force by the new Legislation in 2012. As a consequence the base salary level remained at the 2010 level.

2012 Executive Board variable remuneration

In 2011 the Executive Board decided that it will not accept variable remuneration. The Dutch legislation for financial institutions with Government support, which came into force in 2012, prohibits variable remuneration to the Executive Board. As such the Executive Board did not receive any variable remuneration in relation to performance year 2012. It is noted that the total direct compensation levels of the Executive Board, even if any variable remuneration had been allowed, continue to be significantly below the market median. The Executive Board base salary has remained unchanged and no variable remuneration has been granted since 2010. This puts the total direct compensation of the Executive Board in the lowest decile of the relevant benchmark and creates a significant gap between ING, the market and its peers in Europe. In the longer term this is not a tenable situation for ING and its market positioning. The Supervisory Board will continue to monitor the Executive Board s total direct compensation and consider initiatives within the agreed Executive Board Remuneration Policy. When appropriate, the Supervisory Board, with the consent of the shareholders at the AGM, may deviate from the agreed Policy, to address this very significant gap taking into account regulatory requirements, rules and respective Corporate Governance codes.

Compensation of the individual members of the Executive Board

	2012 (1)		2011 (1)		2010	
amounts in thousands of euros	**amount**	**number of shares**	amount	number of options/shares	amount	number of options/shares
Jan Hommen						
Base salary	**1,353**		1,353		1,353	
Variable remuneration in cash	**0**	**0**	0	0	0	0
Variable remuneration in stock	**0**	**0**	0	0	0	0
Patrick Flynn						
Base salary	**750**		750		750	
Variable remuneration in cash	**0**	**0**	0	0	0	0
Variable remuneration in stock	**0**	**0**	0	0	0	0
Wilfred Nagel (2)						
Base salary	**469**					
Variable remuneration in cash	**0**	**0**				

Variable remuneration in stock	**0**	**0**

(1) It is noted that while the 2010 Annual Report indicated that the Board members would receive a salary increase and variable remuneration, they decided to forego the proposed increase in 2011 as well as the variable remuneration in relation to performance year 2010. The above table outlines the actual situation.

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(2) Wilfred Nagel was appointed to the Executive Board on 14 May 2012. The figures for this member reflect compensation earned in the capacity as an Executive Board member. Thus the figure for 2012 reflects a partial year as an Executive Board member.

Compensation of former members of the Executive Board amounted to nil for 2012, EUR 563,000 for 2011 and EUR 750,000 for 2010.

One-off crisis levy of taxable income

In 2012, the Dutch Government imposed an additional tax charge of 16% on the income in excess of EUR 150,000 of each employee who is subject to Dutch income tax. The tax is charged to the company and does not affect the remuneration of involved staff. The tax imposed on ING for members of the Executive Board amounts to EUR 0.4 million, which is not included in the figures in the table above.

Pension costs

The table below shows the pension costs of the individual members of the Executive Board.

Pension costs of the individual members of the Executive Board

amounts in thousands of euros	**2012**	2011	2010
Jan Hommen (1)	**0**	0	0
Patrick Flynn	**179**	180	134
Wilfred Nagel (2)	**132**		

(1) Jan Hommen does not participate in the pension plan.

(2) Wilfred Nagel was appointed to the Executive Board on 14 May 2012. The 2012 pension costs for this member reflect the partial year as an Executive Board member.

Pension costs of former members of the Executive Board amounted to nil for 2012, EUR 135,000 for 2011, and EUR 158,000 for 2010.

Long-term incentives awarded in previous years

The long-term incentive plan (LTIP) at ING in place until 2010 includes both stock options and performance shares. The ING stock options have a total term of ten years and a vesting period of three years after which they can be exercised for the remaining seven years.

Performance shares are shares conditionally granted, with the final shares awarded in 3-years (tiered) based on ING s performance. The ultimate value of each performance share will be based on ING Group s stock price at the end of each performance cycle. Each one-third of the award will vest in accordance with its own performance measurement and cycle. Deferred shares are shares of which the ultimate value of each deferred share will be based on ING Group s stock price at the vesting date. For the Executive Board members no performance or deferred shares have vested in the period they were a member of the Executive Board ING Group.

Patrick Flynn received a conditional grant of restricted stock in 2009 to a maximum of 130,230 shares. The cumulative value of the conditional share award is capped at EUR 1.3 million. The first vesting in the amount of 39,069 shares occurred at the 2010 AGM. The value at vesting amounted to EUR 288,329. A second vesting of 39,069 shares occurred at the 2011 AGM, the value at vesting amounted to EUR 347,323. The remaining shares in the amount of 52,092 shares vested at the 2012 AGM. The value at vesting amounted to EUR 263,325. The number of shares reflects the number adjusted for the effects of the rights issue of December 2009.

The Executive Board members are not allowed to sell depositary receipts for shares obtained as a member of the Executive Board ING Group and within a period of five years from the grant date. They are only allowed to sell part of their depositary receipts for shares at the date of vesting to pay tax over the vested performance-share award. Depositary receipts for shares obtained as a member of the Executive Board ING Group and from exercised stock options may only be sold within a period of five years from the grant date of the options to pay tax over the exercised award.

Benefits

The individual members of the Executive Board receive other emoluments apart from the compensation and pension benefit. These other emoluments are mainly related to long home/work distances and amounted in 2012 (including employer contributions) to EUR 1 thousand, EUR 238 thousand and EUR 12 thousand for Jan Hommen, Patrick Flynn and Wilfred Nagel, respectively.

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Loans and advances to Executive Board members

The table below presents the loans and advances provided to Executive Board members and outstanding on 31 December 2012, 2011 and 2010.

Loans and advances to the individual members of the Executive Board

amounts in thousands of euros	**Amount outstanding 31 December 2012**	**Average interest rate 2012**	**Repayments 2012**	Amount outstanding 31 December 2011	Average interest rate 2011	Repayments 2011	Amount outstanding 31 December 2010	Average interest rate 2010	Repayments 2010
Jan Hommen	**1,588**	**3.4%**		1,588	3.4%		1,588	3.4%	
Wilfred Nagel [(1)]	**750**	**3.3%**							

(1) Wilfred Nagel was appointed to the Executive Board on 14 May 2012. The figures for this member reflect the loans and advances received well before his appointment to the Executive Board.

ING depositary receipts for shares held by Executive Board members

Executive Board members are permitted to hold ING depositary receipts for shares as a long-term investment. The table below shows the holdings by members of the Executive Board.

ING depositary receipts for shares held by members of the Executive Board

number of shares	**2012**	2011	2010
Jan Hommen	76,426	76,426	76,426
Patrick Flynn	85,084	51,339	25,793
Wilfred Nagel	15,246		

2013 REMUNERATION STRUCTURE EXECUTIVE BOARD

2013 EXECUTIVE BOARD TOTAL DIRECT COMPENSATION

The Supervisory Board will continue to monitor the remuneration of the Executive Board members relative to the external market and ING s internal practices to ensure ING sustains the ability to retain and attract highly skilled and experienced Executive Board members. It is in the interest of ING and its various stakeholders that ING pays its Executive Board members a total direct compensation package which is perceived balanced, fair, competitive and incorporates the right risk measurements in the delivery of such offering, to sustain and optimise the long-term value of its business. The Supervisory Board may decide to moderate at any time the remuneration structure of the Executive Board and rebalance fixed to variable when it feels that the total direct compensation packages of the Executive Board are no longer fair and equitable relative to its peers. Such moderation will be done within the agreed Executive Board Remuneration Policy or in consent with shareholders at the annual General Meeting when it deviates from the agreed Policy, underpinned by internal and external advice from remuneration matter experts.

The payment of variable remuneration to the Executive Board will be suspended for as long as the Legislation for financial institutions that have received state support for reasons of financial stability is in force for ING.

REMUNERATION POLICY FOR SENIOR MANAGEMENT

As much as possible for a global financial institution of this size, ING aims to take account of all the differences and standards applied within similar financial institutions in the various countries in which it operates. The remuneration of members of the Management Boards and senior management will be in line with the general principles of the amended remuneration structure for the Executive Board, taking into account international and local practices.

TOTAL DIRECT COMPENSATION

Total direct compensation levels will be based on benchmark data in the international context in which ING operates. ING aims for compensation levels to be set at market median levels. Total compensation levels will be determined in line with the relevant market.

FOCUS ON LONG-TERM VALUE CREATION, RISK AND NON-FINANCIAL PERFORMANCE

Variable remuneration is linked to long-term value creation and risk. It is determined/based on individual, business and company performance criteria. Performance measurement will increasingly account for estimated risks and costs of capital. There will be increased emphasis on long-term value creation by means of long-term incentives, deferral and claw back mechanisms.

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Furthermore, and in addition to financial indicators, performance is also assessed based on non-financial drivers. The incorporation of non-financial indicators in the overall assessment is particularly aimed at further improving sustainable business practices within ING. Therefore, a number of targets have been set for ING s performance in several areas, including customer satisfaction, workforce diversity, stakeholder engagement and sustainable business practices.

The 2013 performance management approach for ING Bank will be based on the same core principles of balancing financial and non-financial performance, leadership through living our ING values, responsibility for risk management and fair evaluation. However, the approach will significantly enhance the role of risk and strengthen the execution of the One Bank strategy. For the members of the Board of ING Bank and its senior management, variable remuneration will be determined by the One Bank Result, personal targets and Business Line Result.

It should be noted that as the execution of our strategy progresses, the banking and insurance businesses may have different financial and non-financial performance drivers.

2012 REMUNERATION STRUCTURE SENIOR MANAGEMENT

Given the differences in the regulatory requirements for banking and insurance and the separation of ING s banking and insurance activities, the remuneration structures for senior management in ING s banking and insurance operations were determined separately in 2012, based on internal strategy and external regulatory developments.

The remuneration policy for the Executive Board, which permits a combination of fixed compensation (base salary) and variable remuneration (together total direct compensation), pension arrangements and benefits will apply in full to members of the Management Board Banking. For senior management in banking, a gradual shift to a more balanced mix of fixed and variable remuneration, in line with the remuneration policy for the Executive Board, was initiated in 2010 and will continue during the coming year. During the year 2012, the remuneration structure of senior management in the Netherlands, employed by the Bank, has been further rebalanced with a reduced emphasis on variable remuneration. Exceptions may exist for high value specialists and senior management working in certain divisions and/or geographical areas. In addition, the remuneration policy for senior management has been amended in line with the requirements of the Capital Requirements Directive III.

Furthermore, ING and the Dutch labour unions agreed on a new CLA for ING Bank in the Netherlands. Under the new CLA, employees will no longer receive part of their compensation in the form of variable remuneration. In a number of cases and only if justified by market practice staff may still receive a discretionary variable award.

For the Management Board EurAsia and senior management in ING s EurAsia Insurance operations, remuneration is in line with the general principles of the remuneration policy for the Executive Board and the requirements under the Capital Requirements Directive III.

We have continued to review and amend the remuneration for a select group of ING Bank and Insurance EurAsia employees, in order to comply with the Capital Requirements Directive III. The amendments relate to the allocation of variable remuneration and the ratio between fixed and variable remuneration and are intended to mitigate risk relating to remuneration. Measures include an ex-ante and ex-post assessment of variable remuneration prior to award and vesting respectively, significant deferral of variable remuneration, an equal divide between variable remuneration in cash and in shares, as well as retention periods on all equity remuneration as soon as it becomes unconditional.

In light of the Capital Requirements Directive III compensation packages related to control functions (such as risk management functions) are structured such that they provide for a reduced emphasis on variable remuneration. To ensure the autonomy of the individual, financial performance metrics are dependent on objectives determined at the divisional level (i.e. not at the level of the relevant business). In addition, performance assessments are not only determined by business management, but also by the functional line.

For the Insurance US operations we have implemented a remuneration policy which fits the local market practise and requirements but also the Capital Requirements Directive III. It allows us to compete locally with our competitors to attract and retain talent, to meet the different regulatory requirements within the US insurance industry and to support the intended separation of these activities from ING.

The regulatory environment is still in development. The structure as set out above is based on information currently available. Should it become clear, after everything has been clarified, that amendments are necessary, ING will amend the structure as deemed appropriate.

REMUNERATION SUPERVISORY BOARD

The annual remuneration of the Supervisory Board members as adopted by the General Meetings in 2006 and 2008 amounts to: chairman EUR 75,000, vice-chairman EUR 65,000, other members EUR 45,000. In addition to the remuneration each member receives an expense allowance. For the chairman and vice-chairman the annual amount is EUR 6,810. For the other members the amount is EUR 2,270. The remuneration for the membership of committees is as follows: chairman of the Audit Committee EUR 8,000, members of the Audit Committee EUR 6,000, chairmen of other Supervisory Board committees EUR 7,500 and members of other Supervisory Board committees EUR 5,000. In addition to the fixed remuneration, committee members receive a fee for each meeting they attend. For the Audit Committee chairman this fee is EUR 2,000 per meeting and for its members EUR 1,500. For the chairman and members of other committees the attendance fee amounts to EUR 450 per meeting.

Supervisory Board members receive an additional fee of EUR 2,000 per attended Supervisory Board or Committee meeting in the event the meeting is held outside the country of residence of the Supervisory Board member, or an additional amount of EUR 7,500 per attended Supervisory Board or Committee meeting if intercontinental travel is required for attending the meeting.

2012 REMUNERATION SUPERVISORY BOARD

Jeroen van der Veer and Peter Elverding have voluntarily requested a lower level of compensation than their annual remuneration as adopted by the AGM and to cap their annual remuneration relating to 2011 inclusive attendance fees at EUR 100,000 and EUR 90,000 respectively. At their request, their compensation was also capped in 2012 at the aforementioned levels.

The table below shows the remuneration, expense allowances and attendance fees per Supervisory Board member for 2012 and previous years.

Compensation of the members of the Supervisory Board

amounts in thousands of euros	2012 (1)	2011 (1)	2010 (1)
Jeroen van der Veer (2,3,5)	86	114	74
Peter Elverding (3,4,5)	77	103	84
Tineke Bahlmann	70	70	69
Henk Breukink	71	71	69
Piet Klaver	73	72	68
Aman Mehta (6)	59	126	114
Lodewijk de Waal	70	71	66
Sjoerd van Keulen	62	49	
Joost Kuiper	74	46	
Luc Vandewalle	86	58	
Jan Holsboer (7)	41		
Yvonne van Rooy (7)	37		

(1) In 2010 the remuneration and attendance fees for the membership of a committee have not been paid to the chairman and vice-chairman of the Supervisory Board. Effective 2011 remuneration and attendance fees for the membership of a committee are paid to the chairman and vice-chairman of the Supervisory Board.

(2) Jeroen van der Veer has been chairman of the Supervisory Board since May 2011. From October 2009 until May 2011 he was vice-chairman of the Supervisory Board.

(3) In 2012 compensation was capped at EUR 100,000 and EUR 90,000 for the chairman and vice-chairman respectively. Please see the paragraph above the table.

(4) Peter Elverding was chairman of the Supervisory Board from April 2009 until May 2011. He has been vice-chairman since May 2011.

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(5) The amounts in excess of the aforementioned cap of 2011 amounting to EUR 13,000 for Peter Elverding and EUR 14,000 for Jeroen van der Veer are deducted from their remuneration relating to 2012.
(6) Aman Mehta retired in May 2012. The compensation figure for 2012 reflects a partial year as a member of the Supervisory Board.
(7) Jan Holsboer and Yvonne van Rooy are members of the Supervisory Board as of May 2012. The compensation figures for 2012 reflect a partial year as a member of the Supervisory Board.

Compensation of former members of the Supervisory Board who are not included in the above table amounted to nil in 2012, EUR 77,000 2011 and EUR 466,000 in 2010.

LOANS AND ADVANCES TO SUPERVISORY BOARD MEMBERS

Supervisory Board members may obtain banking and insurance services from ING Group subsidiaries in the ordinary course of their business and on terms that are customary in the sector. The table below presents the loans and advances to Supervisory Board members outstanding on 31 December 2012, 2011 and 2010.

Loans and advances to members of the Supervisory Board

amounts in thousands of euros	Amount outstanding 31 December	Average interest rate	Repayments	Amount outstanding 31 December	Average interest rate	Repayments	Amount outstanding 31 December	Average interest rate	Repayments
		2012			2011			2010	
Jeroen van der Veer [1]	0		282	282	8.6%		282	8.6%	

(1) The amount reflects a housing mortgage loan granted in 1992, well before Jeroen van der Veer s appointment to the Supervisory Board (effective as of 1 July 2009).

ING DEPOSITARY RECEIPTS FOR SHARES AND OPTIONS HELD BY SUPERVISORY BOARD MEMBERS

Supervisory Board members are permitted to hold ING depositary receipts for shares as a long-term investment. The table below shows the holdings by members of the Supervisory Board. Supervisory Board members did not hold ING options at year-end 2012.

ING shares and depositary receipts for shares held by members of the Supervisory Board (1)

number of shares	**2012**	**2011**	**2010**
Piet Klaver	43,796	43,796	43,796
Jeroen van der Veer	119,469	119,469	99,469
Sjoerd van Keulen [2]	1,703	1,703	
Luc Vandewalle [2] [3]	85,250	80,000	
Jan Holsboer [4]	74,738		

(1) The numbers of depositary receipts for shares reflect the shares held by the members of the Supervisory Board and their partners.
(2) Sjoerd van Keulen and Luc Vandewalle were newly appointed in May 2011.
(3) The ING depositary receipts for shares held by Luc Vandewalle are currently being held in usufruct.
(4) Jan Holsboer was newly appointed in May 2012.

EMPLOYEES

The average number of employees at a full time equivalent basis was 86,460 at the end of 2012, of which 24,940 or 29%, were employed in the Netherlands. The distribution of employees with respect to the Group s continuing and discontinued operations as well as the insurance operations and banking operations for the years 2012, 2011 and 2010 were as follows:

Average number of employees at full time equivalent basis [1]

	The Netherlands			International			Total		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Continuing operations	24,940	26,332	27,750	61,520	65,658	65,242	86,460	91,990	92,992
Discontinued operations				6,112	12,429	13,148	6,112	12,429	13,148
Total	**24,940**	**26,332**	**27,750**	**67,632**	**78,087**	**78,390**	**92,572**	**104,419**	**106,140**
of which:									
Banking operations	18,072	19,027	19,415	48,807	52,148	51,872	66,879	71,175	71,287
Insurance operations	6,868	7,305	8,335	18,825	25,939	26,518	25,693	33,244	34,853

(1) The average number of employees includes, on an average basis, employees of entities that were sold or classified as held for sale during the year.

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The Group does not employ significant numbers of temporary workers. Substantially all of the Group s Dutch employees are subject to collective labor agreements covering the banking and insurance industries. The Group believes that its employee relations are generally good.

Item 7. Major shareholders and related party transactions

As of 31 December 2012, Stichting ING Aandelen (the Trust) held 3,830,274,254 Ordinary Shares of ING Groep N.V., which represents over 99.9% of the Ordinary Shares outstanding, and ING Groep N.V. and its subsidiaries held 30,112,671 Ordinary Shares. These holdings give the Trust voting control of ING Groep N.V. subject to the right of holders of bearer depositary receipts to vote according to their own discretion on the basis of a proxy as set out below under Voting of the Ordinary Shares by holders of bearer receipts as a proxy of the Trust . The following is a description of the material provisions of the Articles of Association (*Statuten*) and the related Trust Conditions (*Administratievoorwaarden*) (together the Trust Agreement), which governs the Trust, and the applicable provisions of Netherlands law. This description does not purport to be complete and is qualified in its entirety by reference to the Trust Agreement and the applicable provisions of Netherlands law referred to in such description.

As of 31 December 2012, there were 112,862,165 American Depositary Shares (ADSs) outstanding, representing an equal number of bearer receipts. The ADSs were held by 757 record holders. Because certain of the ADSs were held by brokers or other nominees and the depositary receipts are held in bearer form and due to the impracticability of obtaining accurate residence information for all such holders, the number of holders of record or registered holders in the United States is not representative of the number of beneficial holders or of the residence of the beneficial holders.

Bearer depositary receipts, which are negotiable instruments under Netherlands law, are issuable by the Trust pursuant to the terms of the Trust Agreement. Each bearer depositary receipt represents financial interests in one Ordinary Share held by the Trust, as described herein. Holders of bearer depositary receipts (including those bearer depositary receipts for which ADSs have been issued) do not have any voting rights with respect to the Ordinary Shares underlying the bearer depositary receipts owned by the Trust. Such rights belong only to the Trust and will be exercised by the Trust pursuant to the terms of the Trust Agreement as described in more detail below.

All bearer depositary receipts are embodied in one or more global depositary receipts which are held in custody by Euroclear Nederland (the Central Securities Depositary (CSD) of the Netherlands, formerly known as NECIGEF) in exchange for which every bearer depositary receipt holder is credited in the books of the participants of Euroclear Nederland pursuant to the Netherlands Act on Book-Entry Transactions (*Wet giraal effectenverkeer*). Each holder of bearer depositary receipts shall nominate a Euroclear Nederland participant, through which the global depositary receipts are to be held in custody on his behalf. Surrender of the global depositary receipts shall only be permitted in the cases prescribed in the Netherlands Act on Book-Entry Transactions. Administration of the global depositary receipts is assigned to Euroclear Nederland which is authorized to perform any necessary act on behalf of the holder(s) of bearer receipts in respect of the relevant depositary receipt, including acceptance and transfer, and to cooperate in making additions to and deletions from the relevant global depositary receipt in accordance with the provisions of the Netherlands Act on Book-Entry Transactions.

Transfer of title in the bearer depositary receipts is affected by book-entry through the facilities of Euroclear Nederland and its participants pursuant to the Netherlands Act on Book-Entry Transactions. Holders of bearer depositary receipts participate in the Euroclear Nederland system by maintaining accounts with Euroclear Nederland participants. There is no limitation under Netherlands law on the ability of non-Dutch citizens or residents to maintain such accounts that are obtainable through Dutch banks.

Voting of the Ordinary Shares by holders of bearer depositary receipts as a proxy of the Trust

Holders of bearer depositary receipts are entitled to attend and speak at general meetings of ING Groep N.V. but do not have any voting rights. However, the Trust will, subject to certain restrictions, grant a proxy to a holder of bearer depositary receipts to the effect that such holder may, in the name of the Trust, exercise the voting rights attached to the number of its Ordinary Shares that corresponds to the number of bearer depositary receipts held by such holder of bearer depositary receipts.

Based on such a proxy, the holder of bearer depositary receipts may vote according to his or her own discretion. The requirements with respect to the use of the voting rights on the Ordinary Shares that apply for the Trust (set out below) do not apply for the holder of bearer depositary receipts voting on the basis of such a proxy.

The restrictions under which the Trust will grant a voting proxy to holders of bearer depositary receipts are:

the relevant holder of bearer depositary receipts must have announced his intention to attend the general meeting observing the provisions laid down in the Articles of Association of ING Groep N.V.;

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the relevant holder of bearer depositary receipts may delegate the powers conferred upon him or her by means of the voting proxy, provided that the relevant holder of bearer depositary receipts has announced his or her intention to do so to the Trust observing a term before the commencement of the general meeting, which term will be determined by the Trust.

Voting instructions of holders of bearer depositary receipts of Ordinary Shares to the Trust

Holders of bearer depositary receipts are entitled to give binding instructions to the Trust, concerning the Trust s exercise of the voting rights attached to the Ordinary Shares. The Trust will follow such instructions for a number of Ordinary Shares equal to the number of bearer depositary receipts held by the relevant holder of bearer depositary receipts.

Voting of the Ordinary Shares by the Trust

The Trust will only determine its vote with respect to the Ordinary Shares of ING Groep N.V., held by the Trust, that correspond with bearer depositary receipts:

the holder of which does not, either in person or by proxy, attend the general meeting;

the holder of which did not give a voting instruction to the Trust.

The Trust has discretion to vote in respect of shares for which it has not issued voting proxies to holders of bearer depositary receipts and has not received any voting instructions. Under the Trust Agreement, the Trust is required to be guided primarily by the interests of all holders of bearer depositary receipts, irrespective of whether they attend the General Meetings, also taking into account the interests of ING Groep N.V. and its affiliated enterprises.

Shareholder participation and position of the Trust

During the years 2009-2012, participation of shareholders, excluding the Trust, and depositary receipt holders in the decision-making in annual General Meetings consistently increased from 35.6% to 50.8%. Only the extraordinary General Meeting of 25 November 2009 showed a deviation from this trend with a markedly lower participation of 31.1%. ING Group s depositary-receipts structure was evaluated by the Executive Board and the Supervisory Board in 2010. On the basis of this evaluation, the Executive Board and the Supervisory Board concluded that it would be premature to change or abolish ING Group s depositary-receipts structure in 2010 and that it would be appropriate to reconsider this as part of a re-evaluation of ING Group s entire governance structure following the current restructuring of ING Group and the completion of the divestments approved in the 2009 extraordinary General Meeting. The outcome of the aforementioned evaluation was discussed in the 2010 annual General Meeting.

Administration of the Trust

The Board of the Trust will determine the number of its members itself, subject to the restriction that there may be no more than seven members and no less than three. Members of the Board of the Trust will be appointed by the Board of the Trust itself without any approval from ING Groep N.V. or any of its corporate bodies being required. Members of any corporate body of ING Groep N.V. are not eligible for appointment as a member of the Board of the Trust. Members of the Board of the Trust are appointed for a term of maximum four years and may be re-appointed for two terms without any requirement for approval by ING Groep N.V.

Valid resolutions may be passed only if all members of the Board of the Trust have been duly notified, except that in a case where there is no such notification valid resolutions may nevertheless be passed by unanimous consent at a meeting at which all members of the Board of the Trust are present or represented. Only a fellow Board member who is authorized in writing may represent a member of the Board of the Trust in such meeting. All resolutions of the Board of the Trust shall be passed by an absolute majority of the votes.

The legal relationship between holders of bearer depositary receipts and the Trust is governed entirely by Netherlands law.

Termination of the Trust

Should the Trust be dissolved or wish to terminate its function under the Trust Agreement, or should ING Groep N.V. wish to have such function terminated, ING Groep N.V. shall, in consultation with the Trust and with the approval of the meeting of holders of bearer depositary receipts, appoint a successor to whom the administration can be transferred. The successor shall have to take over all commitments under the Trust Agreement. Within two months of the decision to dissolve or terminate the Trust, the Trust shall have the shares, which it holds for administration transferred into its successor s name. For a period of two months following notification of succession of the administration, holders of bearer depositary receipts may elect to obtain, for a charge, shares. In no case shall the administration be terminated without ING Groep N.V. s approval.

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Holders of bearer depositary receipts with a stake of 5% or more

To the best of our knowledge, as of 31 December 2012, no holder of depositary receipts held more than 5% of all bearer depositary receipts outstanding.

On 31 December 2012, ING Groep N.V. and its subsidiaries held 30,112,671 bearer receipts, representing 0.79% of the bearer depositary receipts and underlying Ordinary Shares outstanding. These bearer depositary receipts were acquired, among others, pursuant to ING Groep N.V. s delta hedging activities in respect of its employee options, which activities are now terminated. ING Groep N.V. does not have voting rights in respect of shares and bearer depositary receipts it holds or which are held by its subsidiaries.

The voting rights of the majority of Ordinary Shares are held by the Trust. Pursuant to section 5.3 of the Dutch Financial Supervision Act, shareholders and holders of depositary receipts are only required to provide updated information on their holdings once they cross threshold levels of 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. As a result, other than information that may be ascertained from public filings available under the applicable laws of any other jurisdiction, ING Groep N.V. is not, nor would it likely to be, aware of any changes in the ownership of bearer depositary receipts between the thresholds levels mentioned in the previous sentence.

Information available to ING Groep N.V. showed that as of 31 December 2012, institutional holders in the Netherlands held approximately 162 million bearer depositary receipts, or 6% of the total number of bearer depositary receipts then outstanding and institutional holders in the United States held approximately 887 million bearer depositary receipts (including ADSs), or 34% of the total number of bearer depositary receipts then outstanding.

On 31 December 2012, other than the Trust, no other person is known to ING Groep N.V. to be the owner of more than 10% of the Ordinary Shares or bearer depositary receipts. As of 31 December 2012, members of the Supervisory Board and their related third parties held 324,856 bearer receipts and 100 Ordinary Shares. If members of the Supervisory Board hold ING options that were granted in their former capacity as member of the Executive Board, these options are part of the ING Stock option plan described in Note 2.1 to the consolidated financial statements.

On 31 December 2012, ING Groep N.V. is not a party to any material agreement that becomes effective, or is required to be amended or terminated in case of a change of control of ING Groep N.V. following a public bid as defined in the Dutch Financial Supervision Act (*Wet op het financieel toezicht*). ING Groep N.V. s subsidiaries may have customary change of control arrangements included in agreements related to various business activities, such as joint venture agreements, letters of credit and other credit facilities, ISDA-agreements, hybrid capital and debt instruments, reinsurance contracts and futures and option trading agreements. Following a change of control of ING Groep N.V. (as the result of a public bid or otherwise), such agreements may be amended or terminated, leading, for example, to an obligatory transfer of the interest in the joint venture, early repayment of amounts due, loss of credit facilities or reinsurance cover and liquidation of outstanding futures and option trading positions.

Related Party Transactions

As of 31 December 2012, there was no amount outstanding in respect of loans and advances, including mortgages, made to members of the Supervisory Board. The amount outstanding in respect of loans and advances, mostly mortgages, to members of the Executive Board was EUR 2.3 million at an average interest rate of 3.3%. The largest aggregate amount of loans and advances outstanding to the members of the Supervisory Board and the Executive Board during 2012 was EUR 2.3 million.

The loans and advances mentioned in the preceding paragraph (1) were made in the ordinary course of business, (2) were granted on conditions that are comparable to those of loans and advances granted to people in peer groups and (3) did not involve more than the normal risk of collectability or present other unfavorable features. Loans and advances to members of the Executive Board are compliant with the standards set out in the DNB guidelines for loans to officers and directors of a regulated entity, such as ING.

As described under Item 6. Directors, Senior Management and Employees , some members of the Supervisory Board are current or former senior executives of leading multi-national corporations based primarily in the Netherlands. ING Group may at any time have lending, investment banking or other financial relationships with one or more of these corporations in the ordinary course of business on terms which we believe are no less favorable to ING than those reached with unaffiliated parties of comparable creditworthiness.

In addition, ING Group has entered into transactions with the Dutch State. For more information, see Item 4. Information on the Company Recent Developments and Note 34 to the consolidated financial statements

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Item 8. Financial information
Legal Proceedings, Consolidated Statements and Other Financial Information

ING Group companies are involved in litigation and arbitration proceedings in the Netherlands and in a number of foreign jurisdictions, including the United States, involving claims by and against them which arise in the ordinary course of their businesses, including in connection with their activities as insurers, lenders, employers, investors 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 legal and regulatory proceedings, the Company s management is of the opinion that neither it nor any of its subsidiaries is aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have or have in the recent past had a significant effect on the financial position or profitability of the Company.

Because of the geographic spread of its business, ING may be subject to tax audits in numerous jurisdictions at any point in time. Although ING believes that it has adequately provided for all its tax positions, the ultimate resolution of these audits may result in liabilities which are different from the amounts recognised.

Proceedings in which ING is involved, include complaints and lawsuits concerning the performance of certain interest sensitive products that were sold by a former subsidiary of ING in Mexico. Proceedings also include lawsuits that have been filed by former employees of an Argentinean subsidiary, whose employment was terminated as a result of the Republic of Argentina s nationalisation of the pension fund system. Litigation has been filed by the purchaser of certain ING Mexican subsidiaries who claims that the financial condition of the subsidiaries was not accurately depicted. Further, purported class litigation has been filed in the United States District Court for the Southern District of New York alleging violations of the federal securities laws with respect to disclosures made in connection with the 2007 and 2008 offerings of ING s Perpetual Hybrid Capital Securities. The Court has determined that the claims relating to the 2007 offerings were without merit and has dismissed them. The challenged disclosures that survived the Court s ruling relate solely to the June 2008 offering, and primarily to ING Group s investments in certain residential mortgage-backed securities. The Court granted an ING motion to dismiss the remaining claims regarding the 2008 offerings. Plaintiffs filed a notice of appeal. An administrator of an ERISA plan has filed a lawsuit seeking to represent a class of ERISA plan administrators claiming that an ING subsidiary has breached certain of its ERISA duties. The District Court has granted the Administrator s motion for class certification. These matters are being defended vigorously; however, at this time, ING is unable to assess their final outcome. Therefore at this moment it is not practicable to provide an estimate of the (potential) financial effect. An additional purported class litigation challenges the operation of the ING Americas Savings Plan and ESOP and the ING 401(k) Plan for ILIAC Agents. The District Court dismissed the case and plaintiffs appealed. The parties have reached an agreement on the terms of settlement of all claims in this case on a class-wide basis. The District Court must approve the settlement before it becomes effective. The current expectation is that the outcome will not have a significant impact on the net result.

Since the end of 2006, unit-linked products (commonly referred to in Dutch as beleggingsverzekeringen) have received negative attention in the Dutch media, from the Dutch Parliament, the AFM and consumer protection organisations. Costs of unit-linked products sold in the past are perceived as too high and insurers are in general being accused of being less transparent in their offering of unit-linked products. The criticism on unit-linked products led to the introduction of compensation schemes by Dutch insurance companies that have offered unit-linked products. In 2008 ING s Dutch insurance subsidiaries reached an outline agreement with consumer protection organisations to offer compensation to their unit-linked policyholders where individual unit-linked policies have a cost charge in excess of an agreed maximum and to offer similar compensation for certain hybrid insurance products. At 31 December 2008 a provision was recognised for the costs of the settlement. The costs were valued at EUR 365 million. A full agreement on implementation was reached in 2010 with one of the two main consumer protection organisations while in June 2012 also the other main consumer protection organisation signed this agreement. In addition, ING s Dutch insurance subsidiaries announced additional (so-called flanking) measures that comply with the Best in Class criteria as formulated on 24 November 2011 by the Dutch Minister of Finance. In December 2011 this resulted in an agreement on these measures with the two main consumer protection organisations. In 2012 almost all unit-linked policyholders were informed about compensation. The agreements with the consumer protection organisations are not binding for policyholders. Consequently, neither the implementation of the compensation schemes nor the additional measures prevent individual policyholders from initiating legal proceedings against ING s Dutch insurance subsidiaries. Policyholders have initiated and may continue to initiate legal proceedings claiming further damages. In early 2013 a new association named Vereniging Woekerpolis.nl announced legal proceedings on behalf of policyholders against ING s Dutch life insurance subsidiaries and other Dutch life insurers. Because of the continuous public and political attention for the unit-linked issue in general and the uncertain outcome of pending and future legal proceedings, it is not feasible to predict or determine the ultimate financial consequences.

In January 2010, ING lodged an appeal with the General Court of the European Union against specific elements of the European Commission s decision regarding ING s restructuring plan. In its appeal, ING contested the way the Commission has calculated the amount of state aid ING received and the disproportionality of the price leadership restrictions specifically and the disproportionality of restructuring requirements in general. In July 2011, the appeal case was heard orally by the General Court of the European Union. On 2 March 2012, the General Court handed down its judgment in relation to ING Group s appeal and annulled part of the EC s state aid decision. Subsequently, the EC filed an appeal against the General Court s judgment before the Court of Justice of the European Union. In parallel, the EC adopted a decision on 11 May 2012 that re-approved the state aid granted to ING Group as compatible with the internal market on the basis of ING Group s 2009 Restructuring Plan. On the same date, the EC adopted an interim decision which opened an investigation concerning certain amendments and elements of the 2009 Restructuring Plan.

On 24 July 2012, ING announced that the Dutch State and ING were in dialogue with the European Commission on an amended and updated Restructuring Plan to be submitted to the European Commission. However, in order to safeguard its legal rights, ING filed an appeal with the General Court of the European Union against the European Commission s decision of 11 May 2012, which re-approved ING s Restructuring Plan that ING submitted in 2009.

On 19 November 2012, ING Group and the EC announced that the EC had approved amendments to the 2009 Restructuring Plan (the 2012 Amended Restructuring Plan). With the approval, the Commission has closed its Investigation as announced on 11 May 2012 and ING has withdrawn its appeal at the General Court of the European Union that it filed in July 2012. For principal legal reasons the European Commission will continue with its appeal against the General Court ruling of March 2012. However, the outcome of this Appeal will not affect the EC approval of the 2012 Amended Restructuring plan.

In January 2011 the Association of Stockholders (Vereniging van Effectenbezitters, VEB) has 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 states that the impact and the risks of the subprime crisis for Fortis and Fortis liquidity position have been reflected incorrectly in the prospectus. The VEB requests a declaratory decision stating that the summoned parties have acted wrongfully and are therefore responsible for the damages suffered by the investors in Fortis. The amount of damages of EUR 18 billion has not been substantiated yet. ING is defending itself against this claim; at this time ING is not able to assess the outcome of the court proceeding. Therefore at this moment it is not practicable to provide an estimate of the (potential) financial effect of such action.

In July 2011, the Dutch ING Pensioners Collective Action Foundation (Stichting Collectieve Actie Pensioengerechtigden ING Nederland), together with two trade unions (FNV Bondgenoten and CNV Dienstenbond) and a number of individual pensioners, instituted legal proceedings against ING s decision not to provide funding for indexing pensions insured with Stichting Pensioenfonds ING (the Dutch ING Pension Fund) per 1 January 2011. This claim was rejected by the Court on 9 November 2012. An appeal was lodged against this Court decision. In July 2011, also the Interest Group ING General Managers Pensions (Belangenvereniging ING-Directiepensioenen), together with a number of individual retired Dutch General Managers of ING, instituted legal proceedings against ING s decision not to provide funding for indexing Dutch General Managers pensions per 1 January 2011. This claim was rejected by the Court on 22 October 2012. An appeal was lodged against this Court decision. It is not feasible to predict the ultimate outcome of these legal proceedings. The ultimate outcome of these proceedings may result in liabilities and provisions for such liabilities which are different from the amounts recognised. At this moment it is not practicable to provide an estimate of the (potential) financial effect of such proceedings.

In April 2012, Stichting Pensioenfonds ING (the Dutch ING Pension Fund) formally announced to institute arbitration against ING s decision not to provide funding for indexing pensions insured with the Dutch ING Pension Fund per 1 January 2012. Arbitrators awarded 40% of this claim. As a result ING Group agreed to pay

EUR 68 million plus interest to the pension fund. The outcome of the arbitration is reflected in the 2012 Annual Accounts.

On 12 June 2012, ING Bank entered into a Settlement Agreement with U.S. Department of the Treasury s Office of Foreign Assets Control (OFAC) and Deferred Prosecution Agreements with the Department of Justice, the United States Attorney s Office for the District of Columbia and the District Attorney of the County of New York (together the U.S. Authorities) in relation to the investigation by those agencies into compliance with U.S. economic sanctions and U.S. dollar payment practices until 2007. Under the terms of the Deferred Prosecution Agreements, no further action will be taken against ING Bank if it meets the conditions set forth in the agreements during an 18 months period. As part of the settlement, ING Bank has paid a total penalty of EUR 473 million. As announced on 9 May 2012, ING Bank recognised a provision in the first quarter of 2012 by which this issue has been sufficiently covered. ING Bank has cooperated closely and constructively with regulators and other authorities throughout this process. The U.S. Authorities have recognised ING s substantial cooperation in the resolution and ING s efforts and commitment to continuously enhance compliance within the organisation.

In addition, like many other companies in the insurance industry, several of ING s U.S. companies have received formal requests for information from various governmental and regulatory agencies regarding whether and to what extent they proactively ascertain whether customers have deceased, pay benefits even where no claim has been made, and comply with state laws pertaining to unclaimed or abandoned property. Companies may have to make additional payments to beneficiaries and escheat additional funds deemed abandoned, and regulators may seek fines, penalties and interest. It is currently not practicable to estimate the (potential) financial effect of such information requests.

In December 2005, Interadvies N.V., at the time a subsidiary of ING Bank N.V. (together ING) sold Arenda Holding B.V. and five subsidiaries (together Arenda) to Amodo Europe N.V. (Amodo). In November 2006, Amodo instituted legal proceedings against ING. Amodo claimed that ING informed them incorrectly with respect to the current and future financial status of Arenda at the time of the sale. This claim was rejected by the Court on 1 September 2010 but Amodo lodged an appeal against that Court decision. On 6 November 2012, the Court of Appeal partly awarded the claim of Amodo in an interlocutory judgement. In the interlocutory judgement, the Court of Appeal also instructed both ING and Amodo to submit a calculation of the damages involved to the Court of Appeal. Based on both calculations the Court of Appeal will make a final judgement. ING has the possibility to appeal against the legal grounds on which the final judgement is based. At this moment it is not practicable to provide an estimate of the (potential) financial effect of this proceeding.

Dividends

ING Group s profit retention and distribution policy is determined by its internal financing requirements and its growth opportunities as well as the dividend expectations of capital providers. On the one hand, ING Group s internal funding needs are determined partly by statutory solvency requirements and capital ratios, compliance with which is essential to its existence. Credit ratings are similarly important to ING Group, because they directly affect the company s financing costs and as a result profitability. On the other hand, the capital providers expect a dividend, which reflects ING Group s financial results and is relatively predictable.

ING s policy is to pay dividends in relation to the long-term underlying development of cash earnings. Dividends will only be paid when the Executive Board considers such a dividend appropriate. Given the uncertain financial environment, increasing regulatory requirements and ING s priority to repay the remaining outstanding core Tier 1 Securities, the Executive Board will not propose to pay a dividend over 2012 at the annual General Meeting. ING intends to resume dividend payments on common shares when all remaining core Tier 1 Securities have been repaid to the Dutch State and capital requirements have been met.

The Executive Board decides, subject to the approval of the Supervisory Board of ING Groep N.V., which part of the annual results (after payment of dividends on Cumulative Preference shares) will be added to the reserves of ING Groep N.V. The part of the annual results that remains after this addition to the reserves and after payment of dividends on Cumulative Preference shares is at the disposal of the General Meeting, which may declare dividends there from and/or add additional amounts to the reserves of ING Groep N.V. A proposal of the Executive Board with respect thereto is submitted to the General Meeting.

Cash distributions on ING Groep N.V. s Ordinary Shares and bearer depositary receipts are generally paid in Euros. However, the Executive Board may decide, with the approval of the Supervisory Board, to declare dividends in the currency of a country other than the Netherlands in which the bearer depositary receipts are

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trading. Amounts payable to holders of ADSs that are paid to the Depositary in a currency other than dollars will be converted to dollars and subjected to a charge by the Depositary for any expenses incurred by it in such conversion. The right to cash dividends and distributions in respect of the Ordinary Shares will lapse if such dividends or distributions are not claimed within five years following the day after the date on which they were made available.

If a distribution by ING Groep N.V. consists of a dividend in Ordinary Shares, such Ordinary Shares will be held by the Trust, and the Trust will distribute to the holders of the outstanding bearer depositary receipts, in proportion to their holdings, additional bearer receipts issued for the Ordinary Shares received by the Trust as such dividend. In the event the Trust receives any distribution with respect to Ordinary Shares held by the Trust other than in the form of cash or additional shares, the Trust will adopt such method as it may deem legal, equitable and practicable to effect such distribution.

If ING Groep N.V. offers or causes to be offered to the holders of Ordinary Shares the right to subscribe for additional shares, the Trust, subject to applicable law, will offer to each holder of bearer depositary receipts the right to subscribe for additional bearer depositary receipts of such shares on the same basis.

If the Trust has the option to receive such distribution either in cash or in shares, the Trust will give notice of such option by advertisement and give holders of bearer depositary receipts the opportunity to choose between cash and shares until the fourth day before the day on which the Trust must have made such choice. In the absence of such choice by holders of depositary receipts, the Trust will make the choice as it sees fit in the interests of the holders of depositary receipts concerned. Holders of bearer receipts may receive an equal nominal amount in Ordinary Shares.

There are no legislative or other legal provisions currently in force in the Netherlands or arising under ING Groep N.V. s Articles of Association restricting the remittance of dividends to holders of Ordinary Shares, bearer depositary receipts or ADSs not resident in the Netherlands. Insofar as the laws of the Netherlands are concerned, cash dividends paid in Euro may be transferred from the Netherlands and converted into any other currency, except that for statistical purposes such payments and transactions must be reported by ING Groep N.V. to the Dutch Central Bank (De Nederlandsche Bank N.V., DNB) and, further, no payments, including dividend payments, may be made to jurisdictions or persons, that are subject to certain sanctions, adopted by the Government of the Netherlands, implementing resolutions of the Security Council of the United Nations, or adopted by the European Union. Dividends are subject to withholding taxes in the Netherlands as described under Item 10, Additional Information Taxation Netherlands Taxation .

Since 31 December 2012, until the filing of this report, no significant changes have occurred in the financial statements of the Group included in Item 18 Consolidated Financial Statements of this document.

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Item 9. The offer and listing

Bearer receipts representing Ordinary Shares (nominal value EUR 0.24 per share) are traded on Euronext Amsterdam by NYSE Euronext, the principal trading market for the bearer receipts. The bearer receipts are also listed on the stock exchange of Euronext Brussels. In February 2009, ING Group voluntarily delisted from the Paris, Frankfurt and Swiss stock exchanges. ING Bank is one of the principal market makers for the bearer receipts on Euronext Amsterdam by NYSE Euronext.

Since 13 June 1997, ADSs, each representing one bearer receipt in respect of one Ordinary Share, have traded on the New York Stock Exchange under the symbol ING , and are the principal form in which the bearer receipts are traded in the United States. Prior to 13 June 1997, there was no active trading market for the ADSs. The ADSs are issued by JP Morgan Chase Bank, as Depositary, pursuant to an Amended and Restated Deposit Agreement dated 6 March 2004, among the Company, The Trust (Stichting ING Aandelen), as trustee, such Depositary and the holders of ADSs from time to time. The Trust holds all voting rights over the Ordinary Shares, and pursuant to the Trust Agreement, the Trust will grant proxies to holders of the bearer receipts. See Item 7. Major shareholders and related party transactions . Under the Amended and Restated Deposit Agreement holders of ADSs may instruct the Depositary as to the exercise of proxy voting rights associated with the ADSs. As of 31 December 2012, there were 112,862,165 ADSs outstanding, representing an equal number of bearer receipts. The ADSs were held by 757 record holders. Because certain of the ADSs were held by brokers or other nominees and the bearer receipts are held in bearer form and due to the impracticability of obtaining accurate residence information for all such shareholders, the number of holders of record or registered holders in the United States is not representative of the number of beneficial holders or of the residence of the beneficial holders. As of 31 December 2012, approximately 6% of the bearer receipts were held by Dutch investors, approximately 20% by investors in the U.K. and approximately 34% by investors in the United States (including as represented by ADSs).

The following are the high and low sales prices of the bearer receipts on the Euronext Amsterdam Stock Exchange, and the ADSs on the New York Stock Exchange (not restated for the rights issue of December 2009), for the period 2008 28 February 2013:

	Euronext Amsterdam Stock Exchange (EUR)		Trading volume in millions of bearer receipts	New York Stock Exchange (U.S. $)		Trading volume in millions of ADS
Calendar period	**High**	**Low**		**High**	**Low**	
2008	26.21	5.21	4,904.8	40.67	6.37	436.3
2009	12.56	2.50	5,683.3	18.89	3.02	626.5
2010	8.28	5.34	6,807.4	11.45	6.80	813.1
2011						
First quarter	9.41	7.22	1,749.8	13.30	9.39	142.7
Second quarter	9.22	5.34	1,117.2	13.26	11.12	134.5
Third quarter	7.98	5.95	2,135.9	12.65	6.09	333.2
Fourth quarter	8.28	6.59	3,183.6	10.28	6.26	318.5
2012						
First quarter	7.49	5.46	1,860.4	9.84	6.91	243.4
Second quarter	6.30	4.53	1,015.4	8.41	5.56	290.0
Third quarter	6.89	4.78	1,745.0	8.98	6.10	176.7
Fourth quarter	7.25	6.35	1,064.7	9.54	8.11	124.9
2012 and 2013						
September 2012	6.89	6.01	559.7	8.98	7.53	62.8
October 2012	7.13	6.35	437.4	9.21	8.11	55.0
November 2012	6.99	6.51	361.9	9.06	8.31	32.2
December 2012	7.25	6.92	265.4	9.54	9.01	37.7
January 2013	7.82	7.26	360.0	10.45	9.48	42.5
February 2013	7.29	6.01	462.5	9.97	7.86	63.5

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Item 10. Additional information
Articles of Association

ING Groep N.V. is a holding company organized under the laws of the Netherlands. Its object and purpose, as set forth in article 3 of its Articles of Association, is to participate in, manage, finance, 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 are active in the field of insurance, lending, investment and/or other financial services, and to engage in any activity which may be related or conducive to the foregoing. ING Groep N.V. is registered under file number 33231073 with the Trade Register of the Chamber of Commerce and the Articles of Association are available there and on ING s website.

Certain Powers of Directors

The Supervisory Board determines the compensation of the members of the Executive Board within the framework of the remuneration policy adopted by the General Meeting and the compensation of members of the Supervisory Board is determined by the General Meeting. Without prejudice to their voting rights they may have if they are a shareholder of ING Groep N.V., neither members of the Executive Board nor members of the Supervisory Board will vote on compensation for themselves or any other member of their body.

During the term of their office, members of the Supervisory Board are not allowed to borrow or to accept guarantees from ING Groep N.V. or any of its subsidiaries. Loans that already exist upon appointment as a member of the Supervisory Board however, may be continued. Subsidiaries of ING Groep N.V. however, may in the normal course of their business and on terms that are customary in the sector, provide other banking and insurance services to members of the Supervisory Board. These services may include services in which the granting of credit is of a subordinate nature, e.g. credit cards and overdrafts in current accounts. Members of the Executive Board are empowered to exercise all the powers of ING Groep N.V. to borrow money on behalf of ING Groep N.V., subject to regulatory restrictions (if any) and, in the case of the issuance of debt securities, to the approval of the Supervisory Board.

The Articles of Association do not contain any age limits for retirement of the members of the Executive Board and members of the Supervisory Board. The retirement age for members of the Executive Board under the (Dutch) pension plan is the first day of the month that the individual reaches the age of 65.

Members of the Executive Board are appointed by the General Meeting for a term of four years and may be reappointed. Members of the Supervisory Board are appointed for a term of four years and may be reappointed for two additional terms subject to the requirement in the profile of the Supervisory Board that a member of the Supervisory Board shall retire from the Board in the year in which he or she turns 70 (provided that the Supervisory Board does not decide otherwise taking into account special circumstances at its discretion). Both members of the Executive Board and members of the Supervisory Board are appointed from a binding nomination by the Supervisory Board. The General Meeting may declare the nomination non-binding by a resolution passed by an absolute majority of the votes cast, which majority represents more than one-third of the issued share capital.

Members of the Executive Board and the Supervisory Board are not required to hold any shares of ING Groep N.V. to qualify as such.

Material contracts

There have been no material contracts outside the ordinary course of business to which ING Groep N.V. or any of its subsidiaries is a party in the last two years, except for:

- the core Tier 1 Securities transaction and the IABF (as amended on 13 November 2012) which ING Groep N.V. concluded with the Dutch State, as amended on 13 November 2012 and, as further described in Item 4. Information on the Company Corporate Governance Transactions with the Dutch State and as announced by ING Groep N.V. in its press releases dated 19 October 2008, 26 January 2009 and 26 October 2009 and the restructuring requirements pursuant to these transactions with the Dutch State as announced by ING Groep N.V. in its press release dated 18 November 2009 and 19 November 2012; and

- the Purchase and Sale Agreement, dated as of 16 June 2011, by and among ING Groep N.V., ING Bank N.V., ING Direct N.V. and ING Direct Bancorp, entered into in relation to the sale of ING Direct USA to

Capital One Financial Corporation, as further described in Item 4. Information on the Company Changes in the Composition of the Group Acquisitions and disposals expected and occurring or expected to occur in 2012 ING Direct USA and as announced by ING Groep N.V. in its press releases dated 16 June 2011 and 17 February 2012. A copy of the share purchase agreement related to the sale of ING Direct USA was filed by the Company on Form 6-K on 7 July 2011; and

the Deferred Prosecution Agreement dated 12 June 2012, between ING Bank, N.V. and the District Attorney s Office of the County of New York, the Deferred Prosecution Agreement dated 12 June 2012, between ING Bank, N.V., the United States Department of Justice and the United States Attorney s Office for the District of Columbia and the Settlement Agreement dated 12 June 2012, between ING Bank, N.V. and the Office of Foreign Assets Control of the U.S. Department of the Treasury, as further described in Item 4. Information on the Company Regulation and Supervision Global Regulatory Environment and as announced by ING Groep N.V. in its press release dated 12 June 2012.

Documents on Display

ING Groep N.V. is subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements, ING Groep N.V. files reports and other information with the Securities and Exchange Commission (SEC). These materials, including this Annual Report and its exhibits, may be inspected and copied at the SEC s public reference room located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549 or on the SEC s website at www.sec.gov. Please call the SEC at 1-800-SEC-0330 for more information about the public reference room and the copy charges. You may also inspect ING Groep N.V. s SEC reports and other information located at the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, or on the website of ING Groep N.V. (www.ing.com).

Exchange controls

Cash distributions, if any, payable in Euros on Ordinary Shares, bearer depositary receipts and ADSs may be officially transferred from the Netherlands and converted into any other currency without violating Dutch law, except that for statistical purposes such payments and transactions must be reported by ING Groep N.V. to the Dutch Central Bank and, further, no payments, including dividend payments, may be made to jurisdictions or persons subject to certain sanctions, adopted by the government of the Netherlands, implementing resolutions of the Security Council of the United Nations or adopted by the European Union.

Restrictions on voting

The ADSs represent interests in bearer depositary receipts for Ordinary Shares in the share capital of ING Groep N.V. issued by the Trust, which holds the Ordinary Shares for which such bearer depositary receipts are issued. See Item 7. Major shareholders and related party transactions . The Trust is the holder of all Ordinary Shares underlying the bearer depositary receipts. Only holders of shares (including the Trust) may vote at general meetings.

Although holders of bearer depositary receipts are entitled to attend and speak at general meetings of ING Groep N.V., holders of bearer depositary receipts (including the Depositary on behalf of the holders of ADSs) as such are not entitled to vote at such meetings. However, as set out in Item 7. Major shareholders and related party transactions , the Trust will grant a proxy to the effect that such holder of bearer depositary receipts may, in the name of the Trust, exercise the voting rights attached to a number of its Ordinary Shares that corresponds to the number of bearer depositary receipts held by him. Based on such a proxy the holder of bearer depositary receipts may vote according to its own discretion.

Holders of bearer depositary receipts may surrender the bearer depositary receipts in exchange for Ordinary Shares. The Trust charges a fee for exchanging bearer depositary receipts for Ordinary Shares of one eurocent (EUR 0.01) per bearer depositary receipt, with a minimum of twenty-five Euros (EUR 25.00) per exchange transaction.

Obligations of shareholders to disclose holdings

Section 5.3 of the Dutch Financial Supervision Act (Major Holdings Rules) applies to any person who, directly or indirectly, acquires or disposes of an interest in the voting rights and/or the capital of (in short) a public limited company incorporated under the laws of the Netherlands with an official listing on a stock exchange within the European Economic Area, as a result of which acquisition or disposal the percentage of voting rights or capital interest, whether through ownership of ordinary shares, bearer depositary receipts, ADSs or any other financial instrument whether stock settled or cash settled, such as call or put options, warrants, swaps or any other similar contract, reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95%. As of 1 July 2013, an additional threshold of 3% will be applied. With respect to ING Groep N.V., the Major Holdings

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Rules would require any person whose interest in the voting rights and/or capital of ING Groep N.V. reached, exceeded or fell below those percentage interests, whether through ownership of Ordinary Shares, bearer depositary receipts, ADSs or any other financial instrument whether stock settled or cash settled, such as call or put options, warrants, swaps or any other similar contract, to notify in writing the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) immediately after the acquisition or disposal of the triggering interest in ING Groep N.V. s share capital.

The notification will be recorded in the register, which is held by the Dutch Authority for the Financial Markets for that purpose, which register is available for public inspection.

Non-compliance with the obligations of the Major Holdings Rules can lead to criminal prosecution or administrative-law sanctions. In addition, a civil court can issue orders against any person who fails to notify or incorrectly notifies the Dutch Authority for the Financial Markets, in accordance with the Major Holdings Rules, including suspension of the voting right in respect of such person s ordinary shares.

GENERAL MEETING

Frequency, notice and agenda for general meetings

General meetings are normally held each year in April or May, to discuss the course of business in the preceding financial year on the basis of the reports prepared by the Executive Board and the Supervisory Board, and to decide on the distribution of dividends or other distributions, the appointment and/or reappointment of members of the Executive Board and the Supervisory Board, if any, other items requiring shareholder approval under Dutch law, and any other matters proposed by the Supervisory Board, the Executive Board or shareholders or holders of depositary receipts in accordance with the Articles of Association. General meetings are convened by public notice via the website of ING Group (www.ing.com) no later than on the forty-second day before the day of the general meeting. As of the date of convening a general meeting, all information relevant for shareholders and holders of depositary receipts is made available to them on this website and at the ING Group head office. Such information includes the notice for the general meeting, the agenda, the place and time of the meeting, the address of the website of ING Group, the verbatim text of the proposals with an explanation and instructions on how to participate in the meeting (either in person or by proxy), as well as the reports of the Executive Board and the Supervisory Board. More complex proposals such as amendments to the Articles of Association are normally not included in the notice but are made available separately on the website of ING Group and at the ING Group head office.

Proposals by shareholders and holders of depositary receipts

Proposals to include items on the agenda for a general meeting that have been adequately substantiated under applicable Dutch law can be made by shareholders and holders of depositary receipts representing a joint total of at least 0.1% of the issued share capital or representing together, on the basis of the stock prices on Euronext Amsterdam by NYSE Euronext, a share value of at least EUR 50 million. Given the periods of notice required for proxy voting, proposals have to be submitted in writing at least 60 days before the date of the meeting.

Dialogue with shareholders and holders of depositary receipts

In 2012, shareholders and holders of depositary receipts were allowed to ask questions about items on the agenda for the annual General Meeting and they will similarly be allowed to do so in 2013. Shareholders and holders of depositary receipts can visit the website of ING Group (www.ing.com) to submit their questions.

Record date

Pursuant to Dutch law, the record date for attending a general meeting and voting on the proposals at that general meeting is the twenty-eighth day before the day of the general meeting. Shareholders and holders of depositary receipts who hold shares and/or depositary receipts for shares at the record date are entitled to attend the general meeting and to exercise other rights related to the general meeting in question on the basis of their holding at the record date, notwithstanding a subsequent sale or purchase of shares or depositary receipts for shares. The record date is published in the notice for the general meeting. In accordance with US requirements, the depositary sets a record date for the American Depositary Shares (ADSs), which date determines which ADSs are entitled to give voting instructions. This record date can differ from the record date set by ING Group for shareholders and holders of depositary receipts.

Attending general meetings

For logistical reasons, attendance at a general meeting by shareholders and holders of depositary receipts, either in person or by proxy, is subject to the requirement that ING Group is notified in advance. Instructions to that effect are included in the notice for the general meeting. General meetings are webcasted via the Company s website (www.ing.com), so that shareholders and holders of depositary receipts who do not attend the general meeting in person, may nevertheless follow the course of affairs in the meeting by internet webcast.

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Voting rights on shares

Each share entitles the holder to cast one vote at the general meeting. The Articles of Association do not restrict the voting rights on any class of shares. ING Group is not aware of any agreement pursuant to which voting rights on any class of its shares are restricted.

Voting on the Ordinary shares by holders of depositary receipts as proxy of ING Trust Office

Although the depositary receipts for shares do not formally carry any voting rights, holders of depositary receipts, in practice, rank equally with shareholders with regard to voting. ING Trust Office will, subject to certain restrictions, grant a proxy to a holder of depositary receipts allowing such holder, in the name of ING Trust Office, to exercise the voting rights attached to the number of ordinary shares that corresponds to the number of depositary receipts held by such holder of depositary receipts. On the basis of such a proxy, the holder of depositary receipts may vote such shares according to his or her own discretion.

The following restrictions apply in respect of grants of voting proxies to holders of depositary receipts by ING Trust Office:

- the relevant holder of depositary receipts must have announced his or her intention to attend the general meeting observing the provisions laid down in the Articles of Association; and

- the relevant holder of depositary receipts may delegate the powers conferred upon him or her by means of the voting proxy, provided that the relevant holder of depositary receipts has announced his or her intention to do so to ING Trust Office observing a term before the commencement of the general meeting, which term will be determined by ING Trust Office.

Voting instructions of holders of depositary receipts to ING Trust Office

Holders of depositary receipts not attending a general meeting are entitled to give binding instructions to ING Trust Office, concerning ING Trust Office s exercise of the voting rights attached to the ordinary shares. ING Trust Office will follow such instructions for such number of ordinary shares equal to the number of depositary receipts for shares held by the relevant holder of depositary receipts. ING Trust Office has made it easier for votes to be cast this way by putting arrangements in place for proxy voting.

Voting on Ordinary shares by ING Trust Office

ING Trust Office has discretion to vote in respect of shares for which it has not issued voting proxies to holders of depositary receipts and has not received any voting instructions. According to its Articles of Association and the Trust Conditions, ING Trust Office is guided primarily by the interests of the holders of depositary receipts, taking into account the interests of ING Group and its affiliated enterprises. ING Trust Office promotes the solicitation of specific proxies or voting instructions of holders of depositary receipts. ING Trust Office encourages the greatest possible participation of holders of depositary receipts and promotes the execution of voting rights in a transparent way. At the same time it prevents that a minority of shareholders and holders of depositary receipts could use a chance majority of votes to the disadvantage of the shareholders and holders of depositary receipts present nor represented at a general meeting of ING Group.

Proxy voting facilities

ING Group is a participant in the Shareholder Communication Channel, through which participating holders of depositary receipts can give voting instructions to ING Trust Office. ING Group provides a similar proxy voting facility to international institutional investors. In addition, ING Group solicits proxies from its ADS holders in line with common practice in the US. Proxy voting forms for shareholders and voting instruction forms for holders of depositary receipts who do not participate in the Shareholder Communication Channel are made available on the website of ING Group (www.ing.com). The submission of these forms is subject to additional conditions specified on such forms.

Main powers of the general meeting

The main powers of the General Meeting are to decide on:

the appointment, suspension and dismissal of members of the Executive Board and members of the Supervisory Board, subject to a binding nomination or a proposal of the Supervisory Board as set forth in the Articles of Association;

the adoption of the annual accounts;

the declaration of dividends, subject to the power of the Executive Board to allocate part of or all of the profits to the reserves with approval of the Supervisory Board and the declaration of other distributions, subject to a proposal by the Executive Board which was approved by the Supervisory Board;

the appointment of the external auditor;

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an amendment of the Articles of Association, a legal merger or division of ING Group, and winding up ING Group, all subject to a proposal made by the Executive Board upon approval by the Supervisory Board;

the issuance of shares or rights to subscribe for shares, the restriction or exclusion of pre-emptive rights of shareholders, and delegation of these powers to the Executive Board, subject to a proposal by the Executive Board which was approved by the Supervisory Board; and

the authorisation of a repurchase of outstanding shares and/or a cancellation of shares.

Moreover, the approval of the General Meeting is required for Executive Board decisions that would be considered to greatly change the identity or nature of ING Group or its enterprise. This includes resolutions to transfer or otherwise assign all or substantially all of the enterprise of ING Group or its subsidiaries as a consequence of which such resolutions ING Group or the group of companies over which ING Group exercises control would cease to engage in either insurance or banking activities.

Reporting

Resolutions adopted at a general meeting are generally published on the website of ING Group (www.ing.com) within one week after the meeting. The draft minutes of the general meeting are, in accordance with the Corporate Governance Code, made available to shareholders and holders of depositary receipts on the website of ING Group (www.ing.com) no later than three months after the meeting. Shareholders and holders of depositary receipts may react to the draft minutes in the following three months, after which the final minutes will be adopted by the chairman of the meeting in question and by a shareholder or holder of depositary receipts appointed by that meeting. The final minutes are made available on the website of ING Group (www.ing.com). In a deviation from the default provisions of the Corporate Governance Code shareholders and holders of depositary receipts will not have the opportunity to react to the minutes of a general meeting if a notarial report of the meeting is made, as this would be in conflict with the laws applicable to such notarial report.

CAPITAL STRUCTURE, SHARES

The authorised capital of ING Group consists of ordinary shares and cumulative preference shares. Currently, only ordinary shares are issued, while a call option to acquire cumulative preference shares has been granted to ING Continuity Foundation (Stichting Continuïteit ING). The acquisition of cumulative preference shares pursuant to the call option is subject to the restriction that, immediately after the issuance of cumulative preference shares, the total amount of cumulative preference shares outstanding may not exceed one-third of the total issued share capital of ING Group (see page 9). The purpose of this call option is to protect the independence, the continuity and the identity of ING Group against influences which are contrary to the interests of ING Group, its enterprise and the enterprises of its subsidiaries and all stakeholders (including, but not limited to, hostile takeovers). The ordinary shares are not used for protective purposes. The ordinary shares, which are all registered shares, are not listed on a stock exchange.

The Board of ING Continuity Foundation currently comprises four members who are independent of ING Group. No Executive Board member or former Executive Board member, Supervisory Board member or former Supervisory Board member, ING Group employee or former ING Group employee or permanent advisor or former permanent advisor to ING Group is on the Board of ING Continuity Foundation. The Board of ING Continuity Foundation appoints its own members, after consultation with the Supervisory Board of ING Group, but without any requirement for approval by ING Group

Description of shares

A description of the Shares, and other information with respect to shareholders, annual General Meetings, changes in capital and limitations on changes in control can be found in our registration statements filed with the Commission on Form F-1 on June 12 1997 and in this Annual Report under the heading Item 7 Major shareholders and related party transactions .

Depositary receipts

More than 99.9% of the issued ordinary shares are held by ING Trust Office. In exchange for these shares, ING Trust Office has issued depositary receipts in bearer form for these shares. The depositary receipts are listed on various stock exchanges. Depositary receipts can be exchanged upon request of the holders of depositary receipts for non-listed ordinary shares, without any restriction, other than payment of an administrative fee of one eurocent (EUR 0.01) per depositary receipt with a minimum of twenty-five euros (EUR 25.00) per exchange transaction.

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The holder of a depositary receipt is entitled to receive from ING Trust Office payment of dividends and other distributions corresponding to the dividends and other distributions received by ING Trust Office on an ordinary share. The Board of ING Trust Office currently comprises five members who are independent from ING Group. No Executive Board member or former Executive Board member, Supervisory Board member or former Supervisory Board member, ING Group employee or former ING Group employee or permanent advisor or former permanent advisor to ING Group is on the Board of ING Trust Office. The Board of ING Trust Office appoints its own members, without any requirement for approval by ING Group.

Issuance of shares

ING Group s authorised capital is the maximum amount of capital allowed to be issued under the terms of the Articles of Association. New shares in excess of this amount can only be issued if the Articles of Association are amended. For reasons of flexibility, ING Group seeks to set the authorised capital in the Articles of Association at the highest level permitted by law.

Share issuances are to be decided by the General Meeting, which may also delegate its authority. Each year, the General Meeting is asked to delegate authority to the Executive Board to issue new ordinary shares or to grant rights to subscribe for new ordinary shares, both with and without pre-emptive rights to existing shareholders. The powers delegated to the Executive Board are limited:

- in time: powers are delegated for a period of 18 months;
- by number: insofar as sufficient unissued ordinary shares are available in the authorised capital, ordinary shares may be issued up to a maximum of 10% of the issued share capital, or, in the event of a merger or takeover or to safeguard or conserve the capital position of the Company, up to a maximum of 20% of the issued capital; and
- in terms of control: resolutions by the Executive Board to issue shares require the approval of the Supervisory Board.

Approval by the General Meeting would be required for any share issuances exceeding these limits.

The purpose of this delegation of authority is to allow the Company to respond promptly to developments in the financial markets. Without such delegation, if the Company wished to issue new shares, there would be an increased risk that conditions in the financial markets may have changed during the time needed for convening a general meeting, especially due to the 42-day statutory convocation period. In view of the importance of flexibility with respect to the issuance of shares, the Executive Board and the Supervisory Board will periodically evaluate the delegation of authority to issue shares and, if necessary, make adjusted proposals to the General Meeting.

Transfer of shares and depositary receipts and transfer restrictions

Shares are transferred by means of a deed of transfer between the transferor and the transferee. To become effective, ING Group has to acknowledge the transfer, unless ING Group itself is a party to the transfer. The Articles of Association do not restrict the transfer of ordinary shares, whereas the transfer of cumulative preference shares is subject to prior approval of the Executive Board. The Articles of Association and the trust conditions for registered shares in the share capital of ING Group (Trust Conditions) do not restrict the transfer of depositary receipts for shares. ING Group is not aware of the existence of any agreement pursuant to which the transfer of ordinary shares or depositary receipts for such shares is restricted.

Repurchase of shares

ING Group may repurchase outstanding shares and depositary receipts for such shares. Although the power to repurchase shares and depositary receipts for shares is vested in the Executive Board subject to the approval of the Supervisory Board, prior authorisation from the General Meeting is required for these repurchases. Under Dutch law, this authorisation lapses after 18 months. Each year, the General Meeting is asked to approve the Executive Board s authority to repurchase shares. When repurchasing shares, the Executive Board is to observe the price ranges prescribed in the authorisation. For the ordinary shares and depositary receipts for such shares, the authorisation currently in force stipulates a minimum price of one eurocent and a maximum price equal to the highest stock price on Euronext Amsterdam by NYSE Euronext on the date on which the purchase agreement is concluded or on the preceding day of stock market trading.

Special rights of control

No special rights of control referred to in Article 10 of the EU Directive on takeover bids are attached to any share.

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Shareholders structure

Pursuant to the Dutch Financial Supervision Act (Wet op het financieel toezicht), any person who, directly or indirectly acquires or disposes of an interest in the voting rights and/or the capital of ING Group as a result of which acquisition or disposal the percentage of his voting rights or capital interest, whether through ownership of shares, depositary receipts, American depositary shares or any other financial instrument whether stock settled or cash settled, such as call or put options, warrants, swaps or any other similar contract, reaches, exceeds or falls below certain thresholds, is required to notify in writing the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten) immediately after the acquisition or disposal of the triggering interest in ING Group s share capital. These thresholds are 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95% of the issued share capital of ING Group; as of 1 July 2013, there will be an additional threshold of 3%.

Details of investors, if any, who have reported their interest in ING Group pursuant to the Dutch Financial Supervision Act (or the predecessor of this legislation), are shown on page 9. ING Group is not aware of shareholders, potential shareholders or investors with an interest of 5% or more in ING Group other than the ING Trust Office and the ING Continuity Foundation.

Pursuant to the European Regulation on short selling any person who acquires or disposes of a net short position relating to the issued share capital of ING Group, whether by a transaction in shares, depositary receipts or American depositary receipts, or by a transaction creating or relating to any financial instrument where the effect or one of the effects of the transaction is to confer a financial advantage on the person entering into that transaction in the event of a change in the price of such shares, depositary receipts or American depositary receipts is required to notify, in accordance with the provisions of the above-mentioned Regulation: a. The Dutch Authority for the Financial Markets (Autoriteit Financiële Markten) if, as a result of which acquisition or disposal his net short position reaches, exceeds or falls below 0.2% of the issued share capital of ING Group and each 0.1% above that. b. ING Group if, as a result of which acquisition or disposal his net short position reaches, exceeds or falls below 0.5% of the issued share capital of ING Group and each 0.1% above that.

See Item 7. Major shareholders and related party transactions for a description of the bearer depository receipts held by ING Groep N.V. and for details of investors who have reported their interest in ING Groep N.V. pursuant to the Financial Supervision Act (or the predecessor of this legislation).

TAXATION

The following is a summary of certain Netherlands tax consequences, and the United States federal income tax consequences, of the ownership of our bearer receipts or American Depositary Shares (ADSs) by U.S. Shareholders (as defined below) who hold bearer receipts or ADSs as capital assets. For purposes of this summary, a U.S. Shareholder is a beneficial owner of bearer receipts or ADSs that is:

- an individual citizen or resident of the United States,
- a corporation organized under the laws of the United States or of any state of the United States,
- an estate, the income of which is subject to United States federal income tax without regard to its source, or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

This summary is based on the United States Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, the laws of the Netherlands, and the income tax treaty between the Netherlands and the United States (Treaty), all as of the date hereof. These laws are subject to change, possibly on a retroactive basis. The information provided below is neither intended as tax advice nor purports to describe all of the tax considerations that may be relevant to investors and prospective investors. It should not be read as extending to matters not specifically discussed, and investors should consult their own advisors as to the tax consequences of their ownership and disposal of bearer receipts or ADSs. In particular, the summary does not take into account the specific circumstances of particular investors (such as tax-exempt organizations, banks, insurance companies, dealers in securities, traders in securities that elect to mark-to-market their securities holdings, investors liable for alternative minimum tax, investors whose functional currency is not the U.S. dollar, investors that actually or constructively own 10% or more of the voting stock of ING Groep N.V., investors that hold bearer receipts or ADSs as part of

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a straddle or a hedging or conversion transaction, or investors that own bearer receipts or ADSs through a partnership), some of which may be subject to special rules.

Moreover, this summary does not discuss the Dutch tax treatment of a holder of bearer receipts or ADSs:

1. that holds a substantial interest in ING Groep N.V.; or

2. that is an individual who receives income or capital gains derived from the bearer receipts and ADSs and this income received or capital gains derived are attributable to the past, present or future employment activities of such holder.

Generally speaking, for Dutch tax purposes, an interest in the share capital of ING Groep N.V., should not be considered a substantial interest if the holder of such interest, and, in case of an individual, his or her spouse, registered partner, certain other relatives or certain persons sharing the holder s household, alone or together, does or do not hold, either directly or indirectly, the ownership of, or certain rights over, shares or rights resembling shares representing 5% or more of the total issued and outstanding capital, or the issued and outstanding capital of any class of shares, of ING Groep N.V.

The summary is based in part upon the representations of the Depositary and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms. In general, for United States federal income tax and Netherlands tax purposes, holders of bearer receipts or ADSs will be treated as the owners of the Ordinary Shares underlying the bearer receipts or ADSs, and exchanges of Ordinary Shares for bearer receipts and then for ADSs, and exchanges of ADSs for bearer receipts and then for Ordinary Shares, will not be subject to United States federal income tax or Netherlands income tax.

It is assumed, for purposes of this summary, that a U.S. Shareholder is eligible for the benefits of the Treaty and that a U.S. Shareholder s eligibility is not limited by the limitation on benefits provisions of the Treaty.

NETHERLANDS TAXATION

Withholding tax on dividends

The Netherlands imposes a withholding tax on a distribution of a dividend at the rate of 15%. Stock dividends paid out of ING Groep N.V. s paid-in share premium recognized for Netherlands tax purposes as such are not subject to the above withholding tax.

The Treaty provides for a complete exemption from withholding for dividends received by exempt pension trusts and other exempt organizations, as defined in the Treaty. Qualifying exempt pension trusts may claim the benefits of a reduced withholding tax rate pursuant to article 35 of the Treaty. Qualifying exempt pension trusts normally remain subject to withholding at the rate of 15% and are required to file for a refund of the tax withheld. Only if certain conditions are fulfilled, such pension trusts may be eligible for relief at source upon payment of the dividend. Qualifying exempt organizations (other than qualifying exempt pension trusts) are subject to withholding at the rate of 15% and can only file for a refund of the tax withheld.

On 29 August 2002 dividend-stripping rules were introduced in Netherlands tax law. These rules have retroactive effect as of 27 April 2001. The rules provide that in the case of dividend-stripping, the 15% dividend withholding tax cannot be reduced or refunded. Dividend-stripping is deemed to be present if the recipient of a dividend is, different from what has been assumed above, not the beneficial owner thereof and is entitled to a larger credit, reduction or refund of dividend withholding tax than the beneficial owner of the dividends. Under these rules, a recipient of dividends will not be considered the beneficial owner thereof if as a consequence of a combination of transactions a person other than the recipient wholly or partly benefits from the dividends, whereby such person retains, whether directly or indirectly, an interest in the share on which the dividends were paid.

Currently ING Groep N.V. may, with respect to certain dividends received from qualifying non-Netherlands subsidiaries, credit taxes withheld from those dividends against the Netherlands withholding tax imposed on certain qualifying dividends that are redistributed by ING Groep N.V., up to a maximum of the lesser of

3% of the amount of qualifying dividends redistributed by ING Groep N.V. and

3% of the gross amount of certain qualifying dividends received by ING Groep N.V.

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The reduction is applied to the Dutch dividend withholding tax that ING Groep N.V. must pay to the Dutch tax authorities and not to the Dutch dividend withholding tax that ING Groep N.V. must withhold.

Both the European Free Trade Association Court of Justice as well as the European Court of Justice (ECJ) issued judgments concerning outbound dividend payments to foreign shareholders. According to both courts, it could be in breach with the European freedom of capital and the freedom of establishment to treat outbound dividend payments less favorably than dividend payments to domestic shareholders. As of January 1 2007, in general, dividend payments to certain qualifying EU resident corporate shareholders are treated the same as dividend payments to certain qualifying Dutch resident corporate shareholders. Dividend payments to corporate shareholders residing outside the EU are treated still less favorably as opposed to dividend payments to certain qualifying Dutch resident corporate shareholders. Furthermore, subject to certain conditions, a legal entity resident in the Netherlands that is not subject to Dutch corporate income tax is entitled to a refund of the Dutch dividend withholding tax withheld. In addition, subject to certain conditions as well, an entity resident in a member state of the European Union or certain member states of the European Economic Area, that is not subject to a result based tax in that member state, and, should that entity be a resident in the Netherlands, would not be subject to Dutch corporate income tax, is also entitled to a refund of the Dutch dividend withholding tax withheld. Such entities that are not a resident of the Netherlands, the European Union or certain European Economic Area countries, are not entitled to a refund of Dutch dividend withholding tax. The above stated court cases may have significant implications for certain non-EU resident shareholders that receive dividends that are subject to Netherlands dividend withholding tax (i.e. the aforementioned different treatment may be a breach of the European freedom of capital).

Although the freedom of capital generally also applies to capital movements to and from third countries, such as the United States, it cannot be ruled out that the freedom of capital movements to and from third countries must be interpreted more stringent as opposed to the freedom of capital movements to EU member states. Furthermore, the freedom of capital movements to and from third countries is generally subject to grandfathering (stand-still) provisions in the EC-Treaty (i.e. the restriction of the freedom of capital movements is allowed if these stand-still provisions apply). However, based on case law of the ECJ it may be held that these stand-still provisions do not apply in the specific case of claiming a refund of the Netherlands dividend withholding tax by a shareholder who did *not* acquire the shares in ING Groep N.V. with a view to establishing or maintaining lasting and direct economic links between the shareholder and ING Groep N.V. which allow the shareholder to participate effectively in the management of the company or in its control.

Especially the following non-EU resident shareholders may be affected and may as a result be entitled to a (partial) refund of Netherlands dividend withholding tax.

- Legal entities that could have invoked the participation exemption with respect to the dividends received in case they would have been a resident of the Netherlands for tax purposes. In general, the participation exemption applies in case of shareholdings of 5% or more. In case of legal entities resident in the Netherlands, in effect no Dutch dividend withholding tax is due with respect to dividends on shareholdings that apply for the participation exemption.

- Individuals if the shares do not belong to the assets of a business enterprise or do not belong to a substantial interest. In case such a natural person would have been a resident of the Netherlands, the dividend as such would not be subject to individual income tax. Instead, the individual would be taxed on a deemed income, calculated at 4% of his net equity, whereas the dividend tax withheld would have been credited in full against the individual income tax due.

- Legal entities that, if they had been based in the Netherlands, would not have been subject to corporate income tax (such as a pension fund), or would have qualified as an investment institution for the purposes of this tax, and that would, because of this, be eligible for a refund of dividend withholding tax withheld at their expense.

Taxes on income and capital gains

A U.S. Shareholder will not be subject to Netherlands income tax or corporation tax, other than the withholding tax described above, or capital gains tax, provided that:

such shareholder is not a resident or deemed resident and, in the case of an individual, has not elected to be treated as a resident of the Netherlands;

such shareholder does not have an enterprise or an interest in an enterprise, which in its entirety or in part carries on business in the Netherlands through a permanent establishment or a permanent representative or deemed permanent establishment to which or to whom the bearer receipts or ADSs are attributable; and

such shareholder is an individual, and income from a bearer receipt or ADS is not attributable to certain activities in the Netherlands performed by such shareholder other than business activities (for example, by the use of that individual s special knowledge or activities performed by that individual with respect to the bearer receipts or ADSs as a result of which such individual can make a return on the bearer receipt or ADS that is in excess of the return on normal passive portfolio management).

Gift, estate or inheritance tax

No Netherlands gift, estate or inheritance tax will be imposed on the acquisition of bearer receipts or ADSs by gift or inheritance from a holder of bearer receipts or ADSs who is neither resident nor deemed resident in the Netherlands, provided that the ADSs or bearer receipts are not attributable to an enterprise which in its entirety or in part is carried on through a permanent establishment or a permanent representative in the Netherlands. Furthermore, Dutch gift and inheritance tax is due if the holder of bearer receipts or ADSs dies within 180 days of making the gift, and at the time of death is a resident or deemed resident of the Netherlands. A non-resident Netherlands citizen, however, is still treated as a resident of the Netherlands for gift and inheritance tax purposes for ten years after leaving the Netherlands. An individual with a non-Dutch nationality is deemed to be a resident of the Netherlands for the purposes of Dutch gift tax if he or she has been resident in the Netherlands at any time during the 12 months preceding the date of the gift.

UNITED STATES TAXATION

Taxes on dividends

Subject to the passive foreign investment company rules discussed below, for United States federal income tax purposes, a U.S. Shareholder will be required to include in gross income the full amount of a cash dividend (including any Netherlands withholding tax withheld) as ordinary income when the dividend is actually or constructively received by the Trust. For this purpose, a dividend will include any distribution paid by ING Groep N.V. with respect to the bearer receipts or ADSs, but only to the extent such distribution is not in excess of ING Groep N.V. s current and accumulated earnings and profits as determined for United States federal income tax purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of a U.S. Shareholder s basis in the bearer receipts or ADSs and thereafter as capital gain. Because ING Groep N.V. does not keep account of its earnings and profits, as determined for United States federal income tax purposes, any distribution should generally be treated as a dividend for U.S. federal income tax purposes.

For foreign tax credit purposes, dividends will generally be income from sources outside the United States and will, depending on the circumstances of the U.S. Shareholder, be either passive or general income for purposes of computing the foreign tax credit allowable to the shareholder. A dividend will not be eligible for the dividends received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. Dividends paid to a non-corporate U.S. Shareholder that are considered qualified dividend income will be taxable to the shareholder at preferential rates applicable to long-term capital gains provided that the shareholder holds the bearer receipts or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends paid by ING Groep N.V. with respect to the bearer receipts or ADSs generally will be qualified dividend income.

Subject to certain limitations, a U.S. Shareholder may generally deduct from income, or credit against its United States federal income tax liability, the amount of any Netherlands withholding taxes under the Treaty. The Netherlands withholding tax will likely not be creditable against the U.S. Shareholder s United States tax liability, however, to the extent that ING Groep N.V. is allowed to reduce the amount of dividend withholding tax paid over to the Netherlands Tax Administration by crediting withholding tax imposed on certain dividends paid to ING Groep N.V. In addition, special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to preferential rates.

Since payments of dividends with respect to bearer receipts and ADSs will be made in Euros, a U.S. Shareholder will generally be required to determine the amount of dividend income by translating the Euro into United States dollars at the spot rate on the date the dividend distribution is includable in the income of the U.S. Shareholder. Generally, any gain or loss resulting from currency exchange fluctuations during the period

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from the date the dividend distribution is includable in the income of the U.S. Shareholder to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. Such gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Taxes on capital gains

Subject to the passive foreign investment company rules discussed below, gain or loss on a sale or exchange of bearer receipts or ADSs by a U.S. Shareholder will generally be a capital gain or loss for United States federal income tax purposes. If such U.S. Shareholder has held the bearer receipts or ADSs for more than one year, such gain or loss will generally be long-term capital gain or loss. Long-term capital gain of a non-corporate U.S. Shareholder is generally taxed at preferential rates. In general, gain or loss from a sale or exchange of bearer receipts or ADSs by a U.S. Shareholder will be treated as income or loss from sources within the United States for foreign tax credit limitation purposes.

Passive foreign investment company

ING Groep N.V. believes it is not a passive foreign investment company (a PFIC) for United States federal income tax purposes. This is a factual determination that must be made annually and thus may change.

If ING Groep N.V. were to be treated as a PFIC, unless a U.S. Shareholder made an effective election to be taxed annually on a mark-to-market basis with respect to the bearer receipts or ADSs, any gain from the sale or disposition of bearer receipts or ADSs by a U.S. Shareholder would be allocated ratably to each year in the holder s holding period and would be treated as ordinary income. Tax would be imposed on the amount allocated to each year prior to the year of disposition at the highest rate in effect for that year, and interest would be charged at the rate applicable to underpayments on the tax payable in respect of the amount so allocated. The same rules would apply to excess distributions , defined generally as distributions in a single taxable year exceeding 125% of the average annual distribution made by ING Groep N.V. over the shorter of the holder s holding period or the three preceding years. Dividends received by a U.S. Shareholder will not be eligible for the special tax rates applicable to qualified dividend income if ING Groep N.V. were to be treated as a PFIC with respect to the shareholder either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.

A U.S. Shareholder who owns bearer receipts or ADSs during any year that ING Groep N.V. is a PFIC may be required to file Internal Revenue Service Form 8621 and, pursuant to recently enacted legislation, an annual report with the Internal Revenue Service.

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Item 11. Quantitative and Qualitative Disclosure of Market Risk

See Item 5. Operating and Financial Review and Prospects Factors Affecting Results of Operations and Risk Management of Note 2.1 to the consolidated financial statements for these disclosures, including disclosures relating to operational, compliance and other non market-related risks.

Item 12. Description of Securities Other Than Equity Securities

Fees and Charges Payable by a Holder of ADSs

JP Morgan Chase Bank, N.A., as ADR depositary, collects fees for delivery and surrender of ADSs directly from investors, or from intermediaries acting for them, depositing Ordinary Shares or surrendering ADSs for the purpose of withdrawal. The ADR depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of the distributable property to pay the fees.

The charges of the ADR depositary payable by investors are as follows:

Type of Service	ADR Depositary Actions	Fee
ADR depositary or substituting the underlying shares	Issuance of ADSs against the deposit of Ordinary Shares, including deposits and issuances in respect of: Share distributions, stock splits, rights, merger Exchange of securities or other transactions or event or other distribution affecting the ADSs or deposited securities	$ 5.00 or less per 100 ADSs (or portion thereof) evidenced by the new ADSs delivered
Receiving or distributing cash dividends	Distribution of cash dividends	No fee
Selling or exercising rights	Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities	$ 5.00 or less per each 100 ADSs (or portion thereof)
Withdrawing an underlying Ordinary Share	Acceptance of ADSs surrendered for withdrawal of deposited Ordinary Shares	$ 5.00 or less for each 100 ADSs (or portion thereof) evidenced by the ADSs surrendered
General depositary services, particularly those charged on an annual basis	Other services performed by the ADS depositary in administering the ADS program	No fee
Expenses of the ADR depositary	Expenses incurred on behalf of Holders in connection with: Taxes and other governmental charges Cable, telex and facsimile transmission/delivery	Expenses payable at the sole discretion of the ADR depositary by billing Holders or by deducting charges from one or more cash dividends or other cash distributions

Transfer or registration fees, if applicable, for the registration of transfers or underlying Ordinary Shares

Expenses of the Depositary in connection with the conversion of foreign currency into US dollars (which are paid out of such foreign currency)

Any other charge payable by ADR depositary or its agents

Fees and Payments made by the ADR depositary to ING

The ADR depositary has agreed to reimburse certain ING expenses related to ING s ADR program and incurred by ING in connection with the program. In the year ended 31 December 2012, the ADR depositary reimbursed to ING, or paid amounts on its behalf to third parties, a total sum of $ 1,900,000

The table below sets forth the types of expenses that the ADR depositary has agreed to reimburse and the amounts reimbursed in the year ended 31 December 2012:

Category of expense reimbursed to ING	Amount Reimbursed for the year ended 31 December 2012
Investor relations, including upfront contribution	$ 1,900,000
Total	$ 1,900,000

The ADR depositary has paid certain expenses directly to third parties on behalf of ING. The table below sets forth those expenses that the ADR depositary paid directly to third parties in the year ended 31 December 2012.

Category of expense paid directly to third parties	Amount paid in the year ended 31 December 2012
Third-party expenses paid directly	$ 0
Fees waived	$ 350,000
Total	$ 350,000

Under certain circumstances, including removal of the ADR depositary or termination of the ADR program by ING, ING is required to repay the ADR depositary certain amounts reimbursed and/or expenses paid to or on behalf of ING.

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PART II.

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

On 18 March 2013 an evaluation was performed under the supervision and with the participation of the Company s management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company s disclosure controls and procedures. Based on that evaluation, the Company s management, including the CEO and CFO, concluded that the Company s disclosure controls and procedures were effective as of the end of the period covered by this Annual Report. There have been no significant changes in the Company s internal controls or in other factors that could significantly affect internal controls over financial reporting subsequent to 18 March 2013.

Due to the listing of ING shares on the New York Stock Exchange, ING Group is required to comply with the SEC regulations adopted pursuant to Section 404 of the Sarbanes-Oxley Act, or SOX 404. These regulations require that the CEO (the chairman of the Executive Board) and the CFO of ING Group report and certify on an annual basis on the effectiveness of ING Group s internal controls over financial reporting. Furthermore, the external auditors are required to provide an opinion on the effectiveness of ING Group s internal controls over financial reporting. ING Group has long-established Business Principles and a strong internal control culture, which all staff must adhere to. SOX 404 activities are organised along the lines of the governance structure, and involve the participation of senior management across ING. Following the SOX 404 process, ING is in the position to publish an unqualified statement which denotes that the Company s internal control over financial reporting is effective as of 31 December 2012. The SOX 404 statement by the Executive Board is included on this page, followed by the report of the external auditor.

Management s report on Internal control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. ING s internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of ING;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorisations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of 31 December 2012. In making this assessment, the Executive Board performed tests based on the criteria of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control Integrated Framework.

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Based on the Management s assessment and those criteria, Management concluded that the Company s internal control over financial reporting is effective as of 31 December 2012.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders, the Supervisory Board and Executive Board of ING Groep N.V.

We have audited ING Groep N.V. s internal control over financial reporting as of 31 December 2012, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). ING Groep N.V. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, ING Groep N.V. maintained, in all material respects, effective internal control over financial reporting as of 31 December 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of ING Groep N.V. as of 31 December 2012 and 2011, and the related consolidated profit and loss accounts, consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity for each of the three years in the period ended 31 December 2012 and our report dated 18 March 2013 expressed an unqualified opinion thereon.

Amsterdam, the Netherlands

18 March 2013

Ernst & Young Accountants LLP

Item 16A. Audit Committee Financial Expert

The Audit Committee assists the Supervisory Board in monitoring the integrity of the financial statements of ING Group, ING Verzekeringen 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. On 31 December 2012, the members of the Audit Committee were: Joost Kuiper (chairman), Tineke Bahlmann, Henk Breukink, Jan Holsboer, Yvonne van Rooy and Luc Vandewalle.

The Supervisory Board has determined that Joost Kuiper is a financial expert as referred to in the Corporate Governance Code. Joost Kuiper was appointed as the chairman of the Audit Committee on 9 May 2011. Joost Kuiper is considered by the Supervisory Board as financial expert because of his relevant knowledge and experience.

Item 16B. Code of Ethics

ING Group has adopted a code of ethics, called the ING s Business Principles, which apply to all our employees, including our principal executive officer, principal financial officer and principal accounting officer. These Business Principles have undergone minor changes to adapt them to the requirements of the Sarbanes-Oxley Act of 2002 as a code of ethics for certain officers. The Business Principles are posted on ING Group s website at www.ing.com, under the heading Sustainability followed by ING Business Principles . During the most recently completed fiscal year no waivers, explicit or implicit, from these Business Principles have been granted to any of the officers described above.

Item 16C. Principal Accountant Fees and Services

At the annual General Meeting held on 14 May 2012, Ernst & Young was appointed to audit the financial statements of ING Group for the financial years 2012 and 2013, to report on the outcome of these audits to the Executive Board and the Supervisory Board and to provide an audit opinion on the financial statements of ING Group. Furthermore, Ernst & Young also audited and reported on the effectiveness of internal control over financial reporting on 31 December 2012. The external auditor attended the meetings of the Audit Committee and the 2012 annual General Meeting.

New legislation on the accountancy profession (Wet op het accountantsberoep) came into force as of 1 January 2013 and prohibits certain services to be conducted by an external audit firm and introduces compulsory audit firm rotation, not later than 1 January 2016. In the 2013 annual General Meeting it will be proposed to extend the appointment of Ernst & Young as auditor of the financial statements of ING Group by two more years, i.e. for the financial years 2014 and 2015. We will start a tender procedure with the objective to change our external audit firm as of the financial year 2016.

After a maximum period of five years of performing the financial audit of ING Group or ING Verzekeringen N.V. or ING Bank N.V., the lead audit partners of the external audit firm and the audit partners responsible for reviewing the audits, have to be replaced by other partners of the external audit firm. The Audit Committee provides recommendations to the Supervisory Board regarding these replacements based, on among other things, an annual evaluation of the provided services. In line with this requirement, the lead audit partner of Ernst & Young was succeeded after the year-end audit 2011. The rotation of other partners involved with the audit of the financial statements of ING is subject to applicable independence legislation.

The external auditor may be questioned at the annual General Meeting in relation to its audit opinion on the annual accounts. The external auditor will therefore attend and be entitled to address this meeting. The external auditor may only provide audit, audit- related, tax and other services to ING Group and its subsidiaries with the permission of the Audit Committee. The Audit Committee generally pre-approves certain types of audit and audit-related services to be provided by the external auditor on an annual basis. Services that have not been pre-approved by the Audit Committee should not be provided by the external auditor unless they are specifically pre-approved by the Audit Committee at the recommendation of local management.

The Audit Committee also sets the maximum annual amount that may be spent on pre-approved services. Throughout the year, the external auditor and ING monitor the amounts paid versus the pre-approved amounts.

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ING provides the Audit Committee with a full overview of all services provided to ING, including related fees, supported by sufficiently detailed information. This overview is periodically evaluated by the Audit Committee during the year. More information on ING Group s policy on external auditor independence is available on the website of ING Group (www.ing.com).

Audit fees

Audit fees were paid for professional services rendered by the auditors for the audit of the consolidated financial statements of ING Group and statutory financial statements of ING s subsidiaries or services provided in connection with the audit of Form 20-F and other filings for regulatory and supervisory purposes as well as the review on interim financial statements.

Audit-related fees

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the consolidated financial statements and are not reported under the audit fee item above. These services consisted primarily of IT audits, work performed relating to comfort letters issued in connection with prospectuses, reviews of SEC product filings and advice on accounting.

Tax fees

Tax fees were paid for tax compliance, tax advice and tax planning professional services. These services consisted of: tax compliance including the review of original and amended tax returns, assistance with questions regarding tax audits, the preparation of employee tax returns under the ING s expatriate tax services program and tax planning and advisory services relating to common forms of domestic and international taxation (i.e. income tax, capital tax and value added tax).

All other fees

Fees disclosed in Note 48 of Note 2.1 to the consolidated financial statements under all other fees were paid for products and services other than the audit fees, audit-related fees and tax fees described above, and consisted primarily of non-recurring support and advisory services.

More information on ING s policy regarding external auditor s independence are available on the website of ING Group (www.ing.com).

Reference is made to Note 48 of Note 2.1 to the consolidated financial statements for audit, audit-related, tax and all other fees paid to the external auditors in 2012, 2011 and 2010.

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Item 16D. Exemptions from the Listing Standards for Audit Committees
Not applicable

Item 16E. Purchases of Registered Equity Securities by the Issuer and Affiliated Purchasers
There were no purchases of Registered Equity Securities in 2012 and 2011.

Item 16F. Changes in Registrant s Certifying Accountant
Not applicable

Item 16G. Corporate Governance
In conformity with regulations from the US Securities and Exchange Commission, ING Group as a foreign private issuer whose securities are listed on the New York Stock Exchange (NYSE) must disclose in its Annual Report on Form 20-F any significant differences between its corporate governance practices and those applicable to US domestic companies under the NYSE listing standards.

ING Group believes the following to be the significant differences between its corporate governance practices and NYSE corporate governance rules applicable to US companies:

ING Group has a two-tier board structure, in contrast to the one-tier board structure used by most US companies. In the Netherlands, a public limited liability company (naamloze vennootschap) with a two-tier board structure has an Executive Board as its management body and a Supervisory Board which advises and supervises the Executive Board. In general, members of the Executive Board are employees of the company while members of the Supervisory Board are often former state or business leaders and sometimes former members of the Executive Board. Members of the Executive Board and other officers or employees of the company cannot simultaneously be a member of the Supervisory Board. The Supervisory Board must approve specified decisions of the Executive Board. Under the Corporate Governance Code, all members of the Supervisory Board with the exception of not more than one person, should be independent. All members of ING Group s Supervisory Board, with the exception of Luc Vandewalle, are independent within the meaning of the Corporate Governance Code. The definition of independence under the Corporate Governance Code, however, differs in its details from the definitions of independence under the NYSE listing standards. In some cases, the Dutch requirements are stricter and in other cases the NYSE listing standards are the stricter of the two. The Audit Committee, Risk Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee of ING Group are comprised of members of the Supervisory Board.

In contrast to the Sarbanes-Oxley Act of 2002, the Corporate Governance Code contains a comply-or-explain principle, offering the possibility to deviate from the Corporate Governance Code as long as any such deviations are explained. To the extent that such deviations are approved by the General Meeting, the company is deemed to be in full compliance with the Corporate Governance Code.

Dutch law requires that the company s external auditors be appointed at the general meeting and not by the audit committee.

The articles of association of ING Group (Articles of Association) provide that there are no quorum requirements to hold a general meeting, although certain shareholder actions and certain resolutions may require a quorum.

The shareholder approval requirements for equity compensation plans under Dutch law and the Corporate Governance Code differ from those applicable to US companies which are subject to the NYSE s listing rules that require the shareholder vote on all equity compensation plans applicable to any employee, director or other service provider of a company. The results of such votes are advisory in nature rather than binding. Under Dutch company law and the Corporate Governance Code, binding shareholder approval is only required for equity compensation plans (or changes thereto) for members of the Executive Board and Supervisory Board, and not for equity compensation plans for other groups of employees.

Item 16H. Mine Safety Disclosure

Not applicable

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PART III.

Item 18. Consolidated Financial Statements

See pages F-1 to F-235 and the Schedules on F-243 to F-246.

Item 19. Exhibits

The following exhibits are filed as part of this Annual Report:

Exhibit 1.1	Amended and Restated Articles of Association of ING Groep N.V., dated 14 June 2012 (incorporated by reference to ING Groep N.V. s Report on Form 6-K furnished on 8 August 2012)
Exhibit 1.2	Amended and Restated Trust Agreement (English Translation), dated 2 September 2011 (incorporated by reference to Exhibit 1.2 of ING Groep N.V. s Annual Report on Form 20-F for the year ended 31 December 2011, File No. 1-14642 filed on 21 March 2012)
Exhibit 2.1	Subordinated Indenture, dated 18 July 2002, between the Company and The Bank of New York, (incorporated by reference to Exhibit 2.1 of ING Groep N.V. s Annual Report on Form 20-F for the year ended 31 December 2002, File No. 1-14642 filed on 27 March 2003)
Exhibit 2.2	First Supplemental Indenture, dated 18 July 2002, between the Company and The Bank of New York (incorporated by reference to Exhibit 2.2 of ING Groep N.V. s Annual Report on Form 20-F for the year ended 31 December 2003, File No. 1-14642 filed on 30 March 2004)
Exhibit 2.3	Second Supplemental Indenture, dated 12 December 2002, between the Company and The Bank of New York (incorporated by reference to Exhibit 2.3 of ING Groep N.V. s Annual Report on Form 20-F for the year ended 31 December 2003, File No. 1-14642 filed on 30 March 2004)
Exhibit 2.4	Third Supplemental Indenture, dated 28 October 2003, between the Company and The Bank of New York (incorporated by reference to Exhibit 2.4 of ING Groep N.V. s Annual Report on Form 20-F for the year ended 31 December 2003, File No. 1-14642 filed on 30 March 2004)
Exhibit 2.5	Fourth Supplemental Indenture, dated 26 September 2005, between the Company and The Bank of New York (incorporated by reference to Exhibit 4.2 of ING Groep N.V. s Report on Form 6-K filed on 23 September 2005)
Exhibit 2.6	Fifth Supplemental Indenture, dated 8 December 2005, between the Company and The Bank of New York (incorporated by reference to Exhibit 4.1 of ING Groep N.V. s Report on Form 6-K filed on 7 December 2005)
Exhibit 2.7	Sixth Supplemental Indenture, dated 13 June 2007, between the Company and The Bank of New York (incorporated by reference to Exhibit 4.1 of ING Groep N.V. s Report on Form 6-K filed on 12 June 2007)
Exhibit 2.8	Seventh Supplemental Indenture, dated 4 October 2007, between the Company and The Bank of New York (incorporated by reference to Exhibit 4.1 of ING Groep N.V. s Report on Form 6-K filed on 3 October 2007)
Exhibit 2.9	Eight Supplemental Indenture, dated 17 June 2008, between the Company and The Bank of New York (incorporated by reference to Exhibit 4.1 of ING Groep N.V. s Report on Form 6-K filed on 17 June 2008)
Exhibit 2.10	Terms and Conditions of the core Tier 1 Securities Ranking Pari Passu with Ordinary Shares (incorporated by reference to Exhibit 2.10 of ING Groep N.V. s Annual Report on Form 20-F for the year ended 31 December 2008, File No. 1-14642 filed on 19 March 2009)
Exhibit 2.11	Term Sheet regarding core Tier 1 Securities Ranking Pari Passu with Ordinary Shares (incorporated by reference to ING Groep N.V. s Report on Form 6-K filed on 4 February 2009)

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Exhibit 4.1	Purchase and Sale Agreement, dated as of 16 June 2011, by and among ING Groep N.V., ING Bank N.V., ING Direct N.V., ING Direct Bancorp and Capital One Financial Corporation (incorporated by reference to ING Groep N.V. s Report on Form 6-K filed on 7 July 2011)
Exhibit 4.2	ING Restructuring Plan submitted to the Dutch State and subsequently provided to the European Commission on 22 October 2009 (incorporated by reference to Exhibit 2 of ING Groep N.V. s Report on Form 6-K filed on 4 November 2011)
Exhibit 4.3	2012 Amendment and Contract Transfer Agreement, dated 16 February 2012, among Staat der Nederlanden, ING Support Holding B.V., ING Bank N.V. and ING Groep N.V. attaching the Amended and Restated ING Bank, FSB Illiquid Assets Back-Up Facility Agreement, dated 16 February 2012, among ING Groep N.V., ING Bank N.V. and Staat der Nederlanden (incorporated by reference to Exhibit 4.3 of ING Groep N.V. s Annual Report on Form 20-F for the year ended 31 December 2011, File No. 1-14642 filed on 21 March 2012)
Exhibit 4.4	The Amended and Restated Illiquid Assets Back-Up Facility Agreement, dated 13 November 2012, among ING Groep N.V., ING Bank N.V. and Staat der Nederlanden
Exhibit 4.5	Deferred Prosecution Agreement dated 12 June 2012, between ING Bank, N.V. and the District Attorney s Office of the County of New York
Exhibit 4.6	Deferred Prosecution Agreement dated 12 June 2012, between ING Bank, N.V., the United States Department of Justice and the United States Attorney s Office for the District of Columbia
Exhibit 4.7	Settlement Agreement dated 12 June 2012, between ING Bank, N.V. and the Office of Foreign Assets Control of the U.S. Department of the Treasury
Exhibit 7	Statement regarding Computation of Ratio of Earnings to Fixed Charges
Exhibit 8	List of Subsidiaries of ING Groep N.V.
Exhibit 12.1	Certification of the Registrant s Chief Executive Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
Exhibit 12.2	Certification of the Registrant s Chief Financial Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
Exhibit 13.1	Certification of the Registrant s Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 13.2	Certification of the Registrant s Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 15.1	Consent of Ernst & Young Accountants

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SIGNATURES

The registrant hereby certifies that it meets all the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf

ING Groep N.V.
(Registrant)

By: /s/ P. Flynn
P. Flynn
Chief Financial Officer

Date: 18 March 2013

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ADDITIONAL INFORMATION

SELECTED STATISTICAL INFORMATION ON BANKING OPERATIONS

The information in this section sets forth selected statistical information regarding the Group s banking operations. Information for 2012, 2011 and 2010 is set forth under IFRS-IASB. 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, the Company believes that the presentation of these amounts based upon the domicile of the customer would not result in material differences in the amounts presented in this section.

	2012	2011	2010
	Year ended 31 December		
Return on equity of the banking operations*	7.5%	11.5%	13.4%
Return on equity of ING Group*	7.1%	11.8%	6.9%
Return on assets ING Group	0.3%	0.4%	0.2%
Equity to assets of ING Group	4.3%	3.6%	3.5%
Net interest margin of the banking operations	1.3%	1.4%	1.4%

* net profit divided by average equity

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. *(Amounts in this section for assets and liabilities include assets and liabilities of ING Direct USA, ING Direct Canada and ING Direct UK; in the IFRS balance sheet ING Direct UK is presented as Assets and Liabilities held for sale.)*

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ASSETS

	Interest-earning assets								
	2012			2011			2010		
	Average balance (EUR millions)	Interest income	Average yield %	Average balance (EUR millions)	Interest income	Average yield %	Average balance (EUR millions)	Interest income	Average yield %
Time deposits with banks									
domestic	11,885	100	0.8	11,749	230	2.0	13,814	110	0.8
foreign	22,750	352	1.6	27,186	603	2.2	27,318	833	3.1
Loans and advances									
domestic	257,168	10,117	3.9	246,518	10,160	4.1	237,122	9,608	4.1
foreign	358,548	14,240	4.0	396,057	15,410	3.9	385,423	14,375	3.7
Interest-earning securities (1)									
domestic	22,320	640	2.9	28,450	920	3.2	30,926	1,014	3.3
foreign	78,141	2,821	3.6	106,296	4,052	3.8	107,564	4,287	4.0
Other interest-earning assets									
domestic	34,571	163	0.5	22,649	363	1.6	12,191	182	1.5
foreign	20,831	158	0.8	21,463	229	1.1	20,535	183	0.9
Total	**806,214**	28,591	**3.6**	**860,368**	31,967	**3.7**	**834,893**	30,592	**3.6**
Non-interest earning assets	38,222			44,403			54,008		
Derivatives assets	**70,901**			**53,350**			**62,585**		
Total assets (1)	**915,337**			**958,121**			**951,486**		
Percentage of assets applicable to foreign operations		60.8%			65.9%			64.9%	
Interest income on									
derivatives		31,617			33,132			38,356	
other		1,089			1,082			740	
Total interest income		**61,297**			**66,181**			**69,688**	

(1) Substantially all interest-earning securities held by the banking operations of the Company are taxable securities.

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LIABILITIES

	Interest-bearing liabilities								
	2012			2011			2010		
	Average balance (EUR millions)	Interest expense	Average yield %	Average balance (EUR millions)	Interest expense	Average yield %	Average balance (EUR millions)	Interest expense	Average yield %
Time deposits from banks									
domestic	18,252	166	0.9	33,135	415	1.3	26,922	249	0.9
foreign	13,144	391	3.0	16,306	399	2.5	23,363	370	1.7
Demand deposits (5)									
domestic	42,190	168	0.4	42,599	211	0.5	40,100	125	0.3
foreign	46,396	157	0.3	54,417	372	0.7	55,505	383	0.7
Time deposits (5)									
domestic	29,623	325	1.1	25,658	306	1.2	24,897	221	0.9
foreign	20,381	365	1.8	21,899	440	2.0	20,064	364	1.8
Savings deposits (5)									
domestic	79,677	1,834	2.3	74,044	1,594	2.2	72,830	1,459	2.0
foreign	248,637	5,686	2.3	283,367	5,761	2.0	269,115	5,107	1.9
Short term debt									
domestic	34,470	260	0.8	29,200	285	1.0	16,233	135	0.8
foreign	29,801	465	1.6	33,600	629	1.9	50,221	699	1.4
Long term debt									
domestic	73,306	2,432	3.3	59,603	2,236	3.8	42,364	1,681	4.0
foreign	27,840	1,150	4.1	27,093	1,174	4.3	27,424	1,180	4.3
Subordinated liabilities									
domestic	17,069	746	4.4	19,628	870	4.4	22,287	1,031	4.6
foreign	904	40	4.4	971	50	5.2	1,114	61	5.5
Other interest-bearing liabilities									
domestic	33,909	115	0.3	46,047	454	1.0	47,047	279	0.6
foreign	49,830	515	1.0	51,753	653	1.3	57,419	514	0.9
Total	765,429	14,815	1.9	819,320	15,849	1.9	795,905	13,858	1.7
Non-interest bearing liabilities	42,101			49,118			55,417		
Derivatives liabilities	75,343			58,447			69,751		
Total Liabilities	882,873			926,885			921,073		
Group Capital	32,464			31,236			30,413		
Total liabilities and capital	**915,337**			**958,121**			**951,486**		
Percentage of liabilities applicable to foreign operations		58.8%			61.5%			63.3%	
Other interest expense:									
interest expenses on derivatives		33,117			35,359			41,333	
other		1,397			1,516			1,081	
Total interest expense		**49,329**			**52,724**			**56,272**	
Total net interest result		**11,968**			**13,457**			**13,416**	

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

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ANALYSIS OF CHANGES IN NET INTEREST INCOME

The following table allocates changes in the Group s banking operations 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 the consolidated financial statements.

	2012 over 2011 Increase (decrease)			2011 over 2010 Increase (decrease)		
	due to changes in			due to changes in		
	Average volume	Average rate (EUR millions)	Net change	Average volume	Average rate (EUR millions)	Net change
Interest-earning assets						
Time deposits to banks						
domestic	3	-133	-130	-16	136	120
foreign	-98	-153	-251	-4	-226	-230
Loans and advances						
domestic	695	-738	-43	179	373	552
foreign	-1,459	289	-1,170	397	638	1,035
Interest-earning securities						
Domestic	-198	-82	-280	-81	-13	-94
foreign	-1,073	-158	-1,231	-51	-184	-235
Other interest-earning assets						
domestic	191	-391	-200	156	25	181
foreign	-7	-64	-71	8	38	46
Interest income						
domestic	691	-1,344	-653	238	521	759
foreign	-2,637	-86	-2,723	350	266	616
Total	**-1,946**	**-1,430**	**-3,376**	**588**	**787**	**1,375**
Other interest income			-1,508			-4,882
Total interest income			**-4,884**			**-3,507**

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

	2012 Average rate %	2011 Average rate %
Interest spread		
Domestic	1.5	1.8
Foreign	1.7	1.7
Total	1.6	1.8
Net interest margin		
Domestic	1.5	1.7
Foreign	1.8	2.0
Total	1.7	1.9

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	2012 over 2011 Increase (decrease)			2011 over 2010 Increase (decrease)		
	due to changes in			due to changes in		
	Average volume	Average rate (EUR millions)	Net change	Average volume	Average rate (EUR millions)	Net change
Interest-bearing liabilities						
Time deposits from banks						
domestic	-186	-63	-249	58	108	166
foreign	-77	69	-8	-100	129	29
Demand deposits						
domestic	-2	-41	-43	8	78	86
foreign	-55	-160	-215	-8	-3	-11
Time deposits						
domestic	47	-28	19	7	78	85
foreign	-31	-44	-75	33	43	76
Savings deposits						
domestic	121	119	240	24	111	135
foreign	-706	631	-75	270	384	654
Short term debt						
domestic	51	-76	-25	108	42	150
foreign	-71	-93	-164	-231	161	-70
Long term debt						
domestic	514	-318	196	684	-129	555
foreign	32	-56	-24	-14	8	-6
Subordinated liabilities						
domestic	-113	-11	-124	-123	-38	-161
foreign	-3	-7	-10	-8	-3	-11
Other interest-bearing liabilities						
domestic	-120	-219	-339	-6	181	175
foreign	-24	-114	-138	-51	190	139
Interest expense						
domestic	312	-637	-325	760	431	1,191
foreign	-935	226	-709	-109	909	800
Total	**-623**	**-411**	**1,034**	**651**	**1,340**	**1,991**
Other interest expense			-2,361			-5,539
Total interest expense			**-3,395**			**-3,548**
Net interest						
domestic	379	-707	-328	-522	90	-432
Foreign	-1,702	-312	-2,014	459	-643	-184
Net interest	**-1,323**	**-1,019**	**-2,342**	**-63**	**-553**	**-616**
Other net interest result			853			657
Net interest result			**-1,489**			**41**

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INVESTMENTS OF THE GROUP S BANKING OPERATIONS

The following table shows the balance sheet value under IFRS-IASB of the investments of the Group s banking operations.

	Year ended 31 December		
	2012	2011	2010
	(EUR millions)		
Debt securities available for sale			
Dutch government	8,285	6,552	6,135
German government	10,889	10,423	6,929
Central banks	808	2,088	1,578
Belgian government	10,170	10,438	7,543
Other governments	18,660	19,593	27,861
Corporate debt securities			
Banks and financial institutions	20,649	19,641	27,411
Other corporate debt securities	900	1,075	891
U.S. Treasury and other U.S. Government agencies	3	249	1,505
Other debt securities	1,281	2,410	16,606
Total debt securities available for sale	71,645	72,469	96,459
Debt securities held to maturity			
Dutch government			
German government	100	531	583
Other governments	230	350	367
Banks and financial institutions	5,859	7,630	9,637
Other corporate debt securities			
U.S. Treasury and other U.S. Government agencies			
Other debt securities	356	357	1,106
Total debt securities held to maturity	6,545	8,868	11,693
Shares and convertible debentures	2,634	2,466	2,741
Land and buildings [1]	1,410	1,678	1,891
Total	**82,234**	**85,481**	**112,784**

(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. See Item 11. Quantitative and Qualitative Disclosure of Market Risk .

The investment portfolio related to the banking activities primarily consists of fixed-interest securities. Approximately 85% of the land and buildings owned by ING Bank are wholly or partially in use by Group companies.

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Portfolio maturity description

	1 year or less		Between 1 and 5 years		Between 5 and 10 years	
	Book value (EUR millions)	Yield [1] %	Book value (EUR millions)	Yield [1] %	Book value (EUR millions)	Yield [1] %
Debt securities available for sale						
Dutch government	1,516		1,815		4,954	
German government	1,810		3,745		4,774	
Belgian government	1,185		5,454		3,247	
Central banks	808					
Other governments	3,920		8,260		4,948	
Banks and financial institutions	6,350		11,008		3,204	
Corporate debt securities	56		549		13	
U.S. Treasury and other U.S. Government agencies			1		1	
Other debt securities	42		124		88	
Total debt securities available for sale	**15,687**	5.0	**30,956**	3.4	**21,229**	3.5

	Over 10 years		Total
	Book value (EUR millions)	Yield [1] %	Book value (EUR millions)
Debt securities available for sale			
Dutch government			8,285
German government	560		10,889
Belgian government	284		10,170
Central banks			808
Other governments	1,532		18,660
Banks and financial institutions	87		20,649
Corporate debt securities	282		900
U.S. Treasury and other U.S. Government agencies	1		3
Other debt securities	1,027		1,281
Total debt securities available for sale	**3,773**	5.4	**71,645**

(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.

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	1 year or less		Between 1 and 5 years		Between 5 and 10 years	
	Book value (EUR millions)	Yield (1) %	Book value (EUR millions)	Yield (1) %	Book value (EUR millions)	Yield (1) %
Debt securities held to maturity						
Dutch government						
German government	100					
Belgian government						
Central banks						
Other governments	180		50			
Banks and financial institutions	3,163		2,596		100	
Corporate debt securities						
U.S. Treasury and other U.S. Government agencies						
Other debt securities			128		140	
Total debt securities held to maturity	**3,443**	0.7	**2,774**	3.6	**240**	2.2

	Over 10 years		Total
	Book value (EUR millions)	Yield (1) %	Book value (EUR millions)
Debt securities held to maturity			
Dutch government			
German government			100
Belgian government			
Central banks			
Other governments			230
Banks and financial institutions			5,859
Corporate debt securities			
U.S. Treasury and other U.S. Government agencies			
Other debt securities	88		356
Total debt securities held to maturity	**88**	4.7	**6,545**

(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 2012, ING Group also held the following securities for the banking operations that exceeded 10 % of shareholders equity:

	2012	
	Book value (EUR millions)	Market value
Dutch government	8,285	8,285
German government	10,989	10,989
Belgium government	10,170	10,170

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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). Lending facilities to corporate and private customers encompass among others, loans, overdrafts and finance lease receivables.

Loans and Loan loss provisions

See Note 5 of Note 2.1 to the consolidated financial statements.

Loans and Loan loss provisions	2012	2011
	(EUR millions)	
Loans past due 90 days	10,101	8,823
Other impaired loans	3,155	2,498
Total impaired loans (loans with a loan loss provision)	13,256	11,321
Potential problem loans	10,451	8,641
Total Impaired loans and potential problem loans	23,707	19,962
Loans neither impaired nor potential problem loans	555,672	602,307
Total	**579,379**	**622,269**
This amount is presented in the balance sheet as:		
Amounts due from Banks	37,302	43,308
Loans and advances to customers	542,077	578,964
Total	**579,379**	**622,272**
Loan loss provisions included in:		
Amounts due from Banks	28	7
Loans and advances to customers	5,477	4,943
Total loan loss provisions	**5,505**	**4,950**

Loans and advances by customer type:	2012	2011
Loans secured by public authorities	50,774	55,148
Loans secured by mortgages	305,963	323,139
Loans guaranteed by credit institutions	6,163	8,639
Personal lending	24,598	24,401
Asset backed securities excluding MBS	7,044	13,328
Corporate loans	147,535	154,309
Total	**542,077**	**578,964**

Loan loss provisions by customer type:	2012	2011
Loans secured by public authorities	2	3
Loans secured by mortgages	1,588	1,215
Loans guaranteed by credit institutions	30	9
Personal lending	794	716
Mortgage backed securities (MBS)	0	0
Asset backed securities excluding MBS	76	2
Corporate loans	3,015	3,005
Total	**5,505**	**4,950**

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Increase in Loan loss provision by customer type:	**2012**	**2011**
Loans secured by public authorities	-1	0
Loans secured by mortgages	373	-384
Loans guaranteed by credit institutions	21	-14
Personal lending	78	49
Mortgage backed securities (MBS)	0	0
Asset backed securities excluding MBS	74	2
Corporate loans	10	102
Total	**555**	**-245**
The net decrease in Loan loss provision includes:		
Increase in loan loss provision (P&L)	2,125	1,670
Write-offs and other	-1,570	-1,915
Total	**555**	**-245**

The following table sets forth the gross loans and advances to banks and customers as of 31 December 2012, 2011, 2010, 2009 and 2008 under IFRS-IASB.

IFRS-IASB			**Year ended December 31**		
	2012	**2011**	**2010**	**2009**	**2008**
			(EUR millions)		
By domestic offices:					
Loans guaranteed by public authorities	35,857	29,281	28,671	28,149	16,288
Loans secured by mortgages	153,594	162,735	157,671	156,319	155,846
Loans to or guaranteed by credit institutions	14,641	14,130	14,704	9,569	15,528
Other private lending	5,048	5,012	5,125	4,972	7,158
Mortgage backed securities (MBS)	0	0	0	0	0
Asset backed securities excluding MBS	0	0	0	0	0
Other corporate lending	42,891	50,603	53,784	52,888	126,773
Total domestic offices	**252,031**	**261,761**	**259,955**	**251,897**	**321,593**
By foreign offices:					
Loans guaranteed by public authorities	14,917	25,867	27,282	22,933	10,099
Loans secured by mortgages	152,369	160,404	172,802	147,484	145,090
Loans to or guaranteed by credit institutions	28,824	37,817	43,016	36,869	23,099
Other private lending	19,550	19,389	16,618	14,988	20,389
Asset backed securities excluding MBS	7,044	13,328	18,605	21,831	11,766
Other corporate lending	104,644	103,706	100,724	99,104	109,903
Total foreign offices	**327,348**	**360,511**	**379,047**	**343,209**	**320,346**
Total gross loans and advances to banks and customers	**579,379**	**622,272**	**639,002**	**595,106**	**641,939**

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Maturities and sensitivity of loans to changes in interest rates

The following table analyzes loans and advances to banks and customers by time remaining until maturity as of 31 December 2012.

	1 year or less	1 year to 5 years	After 5 years	Total
		(EUR millions)		
By domestic offices:				
Loans guaranteed by public authorities	747	1,534	33,576	35,857
Loans secured by mortgages	10,417	15,947	127,230	153,594
Loans guaranteed by credit institutions	12,315	2,214	112	14,641
Other private lending	3,162	628	1,258	5,048
Asset backed securities excluding MBS				
Other corporate lending	25,554	11,389	5,948	42,891
Total domestic offices	**52,195**	**31,712**	**168,124**	**252,031**
By foreign offices:				
Loans guaranteed by public authorities	6,599	4,597	3,721	14,917
Loans secured by mortgages	9,934	38,093	104,342	152,369
Loans guaranteed by credit institutions	20,387	7,688	749	28,824
Other private lending	9,197	6,933	3,420	19,550
Asset backed securities excluding MBS	930	4,218	1,896	7,044
Other corporate lending	45,350	39,556	19,738	104,644
Total foreign offices	**92,397**	**101,085**	**133,866**	**327,348**
Total gross loans and advances to banks and customers	**144,592**	**132,797**	**301,990**	**579,379**

The following table analyzes loans and advances to banks and customers by interest rate sensitivity by maturity as of 31 December 2012.

	1 year or less	Over 1 year	Total
		(EUR millions)	
Non-interest earning	2,772	1,726	4,498
Fixed interest rate	73,161	138,292	211,453
Semi-fixed interest rate [1]	6,498	159,948	166,446
Variable interest rate	63,208	133,774	196,982
Total	**145,639**	**433,740**	**579,379**

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

Loan concentration

The following industry concentrations were in excess of 10% of total loans as of 31 December 2012:

	Total outstanding
Private Individuals	43.0%

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 we continue to recognize interest income on an accrual basis in accordance with IFRS-IASB. Once a loan has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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As all loans continue to accrue interest under IFRS-IASB, the non-accrual loan status is no longer used to identify ING Group s risk elements. No loans are reported as non-accrual and there is an increase in the amount of loans reported as Loans past due 90 days and still accruing interest, compared to the prior years reported, due to the interest accrual on impaired loans. The following table sets forth the outstanding balance of the loans past due 90 days and still accruing interest and non-accrual loans for the years ended 31 December 2012, 2011, 2010, 2009 and 2008 under IFRS-IASB.

IFRS-IASB	**Year ended 31 December**				
	2012	**2011**	**2010**	**2009**	**2008**
	(EUR millions)				
Loans past due 90 days and still accruing interest					
Domestic	6,367	5,292	5,758	3,865	2,799
Foreign	3,734	3,531	4,705	4,793	2,634
Total loans past due 90 days and still accruing interest	**10,101**	**8,823**	**10,463**	**8,658**	**5,433**

As of 31 December 2012, EUR 10,093 million of the loans past due 90 days and still accruing interest have a loan loss provision. Total loans with a loan loss provision, including those loans classified as past due 90 days and still accruing interest with a provision and troubled debt restructurings with a provision, amounts to EUR 13,249 million as of 31 December 2012.

Troubled Debt Restructurings

Troubled debt restructurings are loans that we have 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, we have granted a concession to the borrower that we would not have otherwise granted.

The following table sets forth the outstanding balances of the troubled debt restructurings as of 31 December 2012, 2011, 2010, 2009 and 2008 under IFRS-IASB.

IFRS-IASB	**Year ended 31 December**				
	2012	**2011**	**2010**	**2009**	**2008**
	(EUR millions)				
Troubled debt restructurings:					
Domestic	781	276	366	782	51
Foreign	476	743	2,165	1,271	354
Total troubled debt restructurings	**1,257**	**1,019**	**2,531**	**2,053**	**405**

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 2012 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 2012.

	Year ended 31 December 2012 (EUR millions)		
	Domestic Offices	Foreign Offices	Total
	1	19	20

Interest income that would have been recognized under the original contractual terms			
Interest income recognized in the profit and loss account	0	9	9

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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 10,451 million as of 31 December 2012. Of this total, EUR 7,453 million relates to domestic loans and EUR 2,998 million relates to foreign loans. These loans are considered potential problem loans as there is known information about possible credit problems causing us 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.

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 2012, there were no outstandings exceeding 1% 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 analyze cross-border outstandings as of the end of 31 December 2012, 2011 and 2010 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% of total assets, by the following categories.

	Year ended 31 December 2012					
	Government & official institutions	Banks & other financial Institutions	Commercial & industrial	Other	Total	Cross-border Commitments
	(EUR millions)					
United Kingdom	6,160	9,522	15,946	715	32,343	3,817
United States	5	3,361	5,581	4,808	13,756	10,853
France	5,197	7,842	2,933	886	16,858	2,733
Germany	7,580	2,261	2,453	3,244	15,838	6,724

	Year ended 31 December 2011					
	Government & official institutions	Banks & other financial Institutions	Commercial & industrial	Other	Total	Cross-border Commitments
	(EUR millions)					
United Kingdom	683	11,800	12,950	900	26,333	3,803
United States	271	4,416	6,270	4,067	15,024	11,654
France	7,327	9,152	2,697	1,223	20,399	4,457
Germany	7,642	3,028	3,668	3,164	17,502	7,017

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	Year ended 31 December 2010					
	Government & official institutions	Banks & other financial Institutions	Commercial & industrial	Other	Total	Cross-border Commitments
	(EUR millions)					
United Kingdom	188	12,398	19,347	1,042	32,975	4,046
United States	49	4,749	7,952	4,363	17,113	10,309
France	9,113	13,051	3,565	1,170	26,899	3,282
Germany	7,138	5,560	2,850	3,379	18,927	6,846

As of 31 December 2012 Belgium has cross-border outstandings between 0.50% and 0.75% of total assets and Italy and Spain both had cross-border outstandings between 0.40% and 0.50%. In 2011 Belgium, Spain and Italy have cross-border outstandings between 0.40% and 1% of total assets.

Summary of Loan Loss Experience

For further explanation on loan loss provision see Loan Loss Provisions in Note 2.1 to the consolidated financial statements.

The application of the IFRS-IASB 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.

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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 2012, 2011, 2010, 2009 and 2008 under IFRS-IASB.

IFRS-IASB			Calendar period		
	2012	2011	2010	2009	2008
			(EUR millions)		
Balance on 1 January	4,950	5,195	4,399	2,611	2,001
Change in the composition of the Group	-13	-3		-3	1
Charge-offs:					
Domestic:					
Loans guaranteed by public authorities					
Loans secured by mortgages	-144	-129	-86	-79	-34
Loans to or guaranteed by credit institutions	-5	-14	-30	-55	-36
Other private lending	-47	-56	-65	-140	-126
Other corporate lending	-601	-343	-277	-229	-133
Foreign:					
Loans guaranteed by public authorities	-18	-6	-8	-12	-16
Loans secured by mortgages	-64	-50	-56	-5	-6
Loans to or guaranteed by credit institutions		-3	-5	-1	
Other private lending	-133	-452	-404	-259	-114
Other corporate lending	-670	-251	-235	-437	-263
Total charge-offs	-1,682	-1,304	-1,166	-1,217	-728
Recoveries:					
Domestic:					
Loans guaranteed by public authorities					
Loans secured by mortgages	35	36	23	2	
Loans to or guaranteed by credit institutions					
Other private lending	12	11	29	101	36
Other corporate lending	37	28	9	4	
Foreign:					
Loans guaranteed by public authorities					
Loans secured by mortgages	1	1	1		
Loans to or guaranteed by credit institutions			3		
Other private lending	30	29	29	24	27
Other corporate lending	27	7	11	17	27
Total recoveries	142	112	105	148	90
Net charge-offs	-1,540	-1,192	-1,061	-1,069	-638
Additions and other adjustments (included in value Adjustments to receivables of the Banking operations)	2,108	950	1,857	2,860	1,247
Balance on 31 December	**5,505**	**4,950**	**5,195**	**4,399**	**2,611**
Ratio of net charge-offs to average loans and advances to banks and customers	0.25%	0.19%	0.17%	0.17%	0.10%

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.

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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 2012, 2011, 2010, 2009 and 2008 under IFRS-IASB.

IFRS-IASB	**Year ended December 31**									
	2012		**2011**		**2010**		**2009**		**2008**	
	EUR	**%(1)**	**EUR**	**%(1)**	**EUR**	**%(1)**	**EUR**	**%(1)**	**EUR**	**%(1)**
	(EUR millions)									
Domestic:										
Loans guaranteed by public authorities	0	6.20	1	4.68	0	4.47		4.72		2.54
Loans secured by mortgages	878	26.55	503	26.91	416	25.24	290	27.54	167	24.76
Loans to or guaranteed by credit institutions	0	2.94	4	2.25	17	2.29		1.61	68	2.42
Other private lending	144	0.87	119	0.80	131	0.80	254	0.83	120	1.12
Other corporate lending	1,423	7.62	1,375	7.75	1,385	8.13	917	7.70	474	19.24
Total domestic	2,445	44.18	2,002	42.39	1,949	40.93	1,461	42.4	829	50.08
Foreign:										
Loans guaranteed by public authorities	2	2.57	2	4.13	3	4.25	3	3.85	2	1.57
Loans secured by mortgages	710	26.28	712	25.63	1,183	26.93	1,066	23.90	425	22.61
Loans to or guaranteed by credit institutions	30	4.56	5	6.05	6	6.7	47	6.78	17	4.02
Other private lending	650	3.37	596	3.10	536	2.59	436	2.52	533	3.18
Mortgage backed securities	76	1.22	2	2.13	0	2.37	15	2.99		
Other corporate lending	1,592	17.82	1,631	16.57	1,518	16.23	1,371	17.56	805	18.54
Total foreign	3,060	55.82	2,948	57.61	3,246	59.07	2,938	57.60	1,782	49.92
Total	**5,505**	**100.00**	**4,950**	**100.00**	**5,195**	**100.00**	**4,399**	**100.00**	**2,611**	**100.00**

(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.

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DEPOSITS

The aggregate average balance of all the Group s interest-bearing deposits (from banks and customer accounts) decreased by 7.0% to EUR 527,740 million in 2012, compared to 2011 (EUR 569,312). Interest rates paid reflect market conditions. The effect on net interest income depends upon competitive pricing and the level of interest income that can be generated through the use of funds. Deposits by banks are primarily time deposits, the majority of which are raised by the Group s Amsterdam based money market operations in the world s major financial markets. Certificates of deposit represent 27% of the category Debt securities (31% at the end of 2011). These instruments are issued as part of liquidity management with maturities generally of less than three months. The following table includes the average deposit balance by category of deposit and the related average rate.

	2012		2011		2010	
	Average deposit (EUR millions)	Average rate %	Average deposit (EUR millions)	Average rate %	Average deposit (EUR millions)	Average rate %
Deposits by banks						
In domestic offices:						
Demand non-interest bearing	1,637		2,502		5,646	
interest bearing	2,367	0.9	5,930	1.0	4,646	1.0
Time	18,059	0.9	33,158	1.2	26,926	0.9
Other	8,556	2.8	10,546	1.9	9,681	1.5
Total domestic offices	30,619		52,136		46,899	
In foreign offices:						
Demand non-interest bearing	1,849		1,561		1,468	
interest bearing	6,034	1.2	5,851	1.6	5,932	1.0
Time	12,667	3.0	15,662	2.4	21,648	1.7
Other	11,559	1.3	9,981	1.6	14,832	3.8
Total foreign offices	32,109		33,055		43,880	
Total deposits by banks	**62,728**		**85,191**		**90,779**	
Customer accounts						
In domestic offices:						
Demand non-interest bearing	922		782		723	
interest bearing	45,226	0.4	47,157	0.5	43,536	0.3
Savings	79,612	2.3	73,964	2.2	72,717	2.0
Time	29,619	1.1	25,628	1.2	24,738	0.9
Other	3,032	1.0	6,545	0.9	8,614	0.5
Total domestic offices	158,411		154,076		150,328	
In foreign offices:						
Demand non-interest bearing	6,865		6,422		6,295	
interest bearing	48,118	0.5	50,197	0.9	56,865	0.8
Savings	256,425	2.5	257,262	2.2	269,115	1.9
Time	20,102	1.8	21,716	2.0	19,794	1.8
Other	7,066	2.6	5,715	3.6	6,296	3.9
Total foreign offices	338,576		341,312		358,365	
Total customer accounts	**496,987**		**495,388**		**508,693**	
Debt securities						

In domestic offices:						
Debentures	68,554	3.1	53,963	3.1	36,522	3.1
Certificates of deposit	26,819	0.7	23,915	0.9	11,546	0.8
Other	7,676	0.8	5,320	1.4	4,719	0.9
Total domestic offices	103,049		83,198		52,787	
In foreign offices:						
Debentures	11,758	4.9	10,676	5.4	10,886	4.9
Certificates of deposit	13,885	2.4	17,195	2.5	35,748	1.3
Other	20,575	1.4	21,248	1.2	19,111	1.3
Total foreign offices	46,218		49,119		65,745	
Total debt securities	**149,267**		**132,317**		**118,532**	

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For the years ended 31 December 2012, 2011 and 2010, the aggregate amount of deposits by foreign depositors in domestic offices was EUR 31,728 million EUR 46,778 million and EUR 47,019 million, respectively.

On 31 December 2012, 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	10,314	61.5	26,215	71.6
6 months or less but over 3 months	4,383	26.1	5,840	15.9
12 months or less but over 6 months	2,087	12.4	3,571	9.8
Over 12 months	0	0	994	2.7
Total	**16,784**	**100**	**36,620**	**100**

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 2012.

	(EUR millions)
Time certificates of deposit	7,757
Other time deposits	54,420
Total	**62,177**

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 our banking operations.

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

IFRS-IASB	Year ended 31 December		
	2012	2011	2010
	(EUR millions, except % data)		
Commercial paper:			
Balance at the end of the year	14,323	21,967	20,517
Monthly average balance outstanding during the year	23,150	21,908	19,176
Maximum balance outstanding at any period end during the year	27,715	22,921	21,370
Weighted average interest rate during the year	0.82%	1.25%	1.70%
Weighted average interest rate on balance at the end of the year	1.32%	1.24%	1.38%
Securities sold under repurchase agreements:			
Balance at the end of the year	26,573	54,886	61,468
Monthly average balance outstanding during the year	55,365	59,865	79,927
Maximum balance outstanding at any period end during the year	72,901	79,547	96,496
Weighted average interest rate during the year	0.72%	1.30%	0.73%
Weighted average interest rate on balance at the end of the year	1.50%	1.38%	0.94%

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Report of independent registered public accounting firm

To: the Shareholders, the Supervisory Board and the Executive Board of ING Groep N.V.

We have audited the accompanying consolidated balance sheets of ING Groep N.V. (ING Group), as of 31 December 2012 and 2011, and the related consolidated profit and loss accounts, consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity for each of the three years in the period ended 31 December 2012. Our audits also included the financial statement schedules listed in the Index at Item 18. These financial statements and schedules are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ING Groep N.V. as at 31 December 2012 and 2011, and the consolidated results of its operations, and its cash flows for each of the three years in the period ended 31 December 2012, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), ING Groep N.V. s internal control over financial reporting as of 31 December 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission and our report dated 18 March 2013 expressed an unqualified opinion thereon.

Amsterdam, the Netherlands

18 March 2013

Ernst & Young Accountants LLP

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Consolidated balance sheet of ING Group

as at 31 December

amounts in millions of euros	**2012**	2011
ASSETS		
Cash and balances with central banks **1**	**17,657**	31,194
Amounts due from banks **2**	**39,053**	45,323
Financial assets at fair value through profit and loss **3**		
trading assets	**114,895**	123,688
investments for risk of policyholders	**98,765**	116,438
non-trading derivatives	**13,951**	17,159
designated as at fair value through profit and loss	**4,760**	5,437
Investments **4**		
available-for-sale	**193,584**	208,539
held-to-maturity	**6,545**	8,868
Loans and advances to customers **5**	**556,900**	596,877
Reinsurance contracts **17**	**5,290**	5,870
Investments in associates **6**	**2,203**	2,370
Real estate investments **7**	**1,288**	1,670
Property and equipment **8**	**2,674**	2,886
Intangible assets **9**	**2,639**	3,558
Deferred acquisition costs **10**	**4,549**	10,204
Assets held for sale **11**	**68,472**	62,483
Other assets **12**	**28,903**	31,016
Total assets	**1,162,128**	1,273,580
EQUITY		
Shareholders equity (parent) **13**	**49,511**	42,452
Non-voting equity securities **13**	**2,250**	3,000
	51,761	45,452
Minority interests	**1,081**	777
Total equity	**52,842**	46,229
LIABILITIES		
Subordinated loans **14**	**8,786**	8,858
Debt securities in issue **15**	**143,436**	139,861
Other borrowed funds **16**	**16,723**	19,684
Insurance and investment contracts **17**	**229,950**	278,833
Amounts due to banks **18**	**38,704**	72,233
Customer deposits and other funds on deposit **19**	**455,003**	467,547
Financial liabilities at fair value through profit and loss **20**		
trading liabilities	**83,652**	107,682
non-trading derivatives	**18,752**	22,165
designated as at fair value through profit and loss	**13,399**	13,021
Liabilities held for sale **11**	**69,895**	64,265
Other liabilities **21**	**30,986**	33,202
Total liabilities	**1,109,286**	1,227,351

Total equity and liabilities	**1,162,128**	1,273,580

References relate to the notes starting on page F-32. These form an integral part of the consolidated annual accounts.

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Consolidated profit and loss account of ING Group

as at 31 December

amounts in millions of euros	**2012**	**2012**	2011	2011	2010	2010
Continuing operations						
Interest income banking operations	**60,002**		64,649		68,334	
Interest expense banking operations	**48,119**		51,200		55,011	
Interest result banking operations **36**		**11,883**		13,449		13,323
Gross premium income **37**		**20,277**		20,279		21,279
Investment income **38**		**7,335**		5,329		5,887
Result on disposals of group companies **39**		**1,604**		801		310
Gross commission income	**5,116**		5,830		5,682	
Commission expense	**1,578**		1,913		1,664	
Commission income **40**		**3,538**		3,917		4,018
Valuation results on non-trading derivatives **41**		**3,775**		382		1,835
Net trading income **42**		**1,202**		377		955
Share of result from associates **6**		**54**		221		313
Other income **43**		**330**		1,318		588
Total income		**41,788**		45,309		44,838
Gross underwriting expenditure	**35,711**		27,321		37,419	
Investment result for risk of policyholders	**11,246**		186		10,120	
Reinsurance recoveries	**1,833**		1,760		1,620	
Underwriting expenditure **44**		**22,632**		25,747		25,679
Addition to loan loss provisions **5**		**2,125**		1,670		1,751
Intangible amortisation and other impairments **45**		**281**		369		1,060
Staff expenses **46**		**6,803**		7,220		7,355
Other interest expenses **47**		**326**		149		183
Other operating expenses **48**		**6,581**		6,116		5,757
Total expenses		**38,748**		41,271		41,785
Result before tax from continuing operations		**3,040**		4,038		3,053
Taxation **49**		**578**		890		994
Net result from continuing operations		**2,462**		3,148		2,059
Discontinued operations 26						
Net result from discontinued operations		**548**		684		414
Net result from classification as discontinued operations		**394**				
Net result from disposal of discontinued operations		**752**		995		
Total net result from discontinued operations		**906**		1,679		414
Net result from continuing and discontinued operations (before minority interests)		**3,368**		4,827		2,473

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Consolidated profit and loss account of ING Group continued

as at 31 December

amounts in millions of euros	**2012**	2011	2010
Net result from continuing and discontinued operations attributable to:			
Equityholders of the parent	**3,259**	4,740	2,367
Minority interests	**109**	87	106
	3,368	4,827	2,473
Net result from continuing operations attributable to:			
Equityholders of the parent	**2,351**	3,067	1,962
Minority interests	**111**	81	97
	2,462	3,148	2,059
Net result from discontinued operations attributable to:			
Equityholders of the parent	**908**	1,673	405
Minority interests	**2**	6	9
	906	1,679	414

amounts in euros	**2012**	2011	2010
Earnings per share 50			
Basic earnings per ordinary share	**0.69**	0.85	0.51
Diluted earnings per ordinary share	**0.69**	0.85	0.51
			.
Earnings per share from continuing operations 50			
Basic earnings per ordinary share from continuing operations	**0.45**	0.41	0.40
Diluted earnings per ordinary share from continuing operations	**0.45**	0.41	0.40
Earnings per share from discontinued operations 50			
Basic earnings per ordinary share from discontinued operations	**0.24**	0.44	0.11
Diluted earnings per ordinary share from discontinued operations	**0.24**	0.44	0.11
Dividend per ordinary share 51	**0.00**	0.00	0.00

References relate to the notes starting on page F-32. These form an integral part of the consolidated annual accounts.

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Consolidated statement of comprehensive income of ING Group

for the years ended 31 December

amounts in millions of euros	**2012**	2011	2010
Net result from continuing and discontinued operations	**3,368**	4,827	2,473
Unrealised revaluations after taxation [(1)]	**6,949**	1,139	2,603
Realised gains/losses transferred to profit and loss [(1)]	**840**	723	86
Changes in cash flow hedge reserve	**737**	1,124	475
Transfer to insurance liabilities/DAC	**2,181**	2,004	1,644
Exchange rate differences	**709**	156	2,859
Other revaluations	**39**	2	1
Total amount recognised directly in equity (other comprehensive income)	**3,995**	824	4,378
Total comprehensive income	**7,363**	5,651	6,851
Comprehensive income attributable to:			
Equityholders of the parent	**7,172**	5,568	6,760
Minority interests	**191**	83	91
	7,363	5,651	6,851

[(1)] Reference is made to Note 13 Shareholders equity (parent)/non-voting equity securities for a breakdown of the individual components. Unrealised revaluations after taxation comprises EUR 10 million (2011: EUR 16 million; 2010: EUR 2 million) related to the share of other comprehensive income of associates.

Exchange rate differences comprises EUR 14 million (2011: EUR 35 million; 2010: EUR 251 million) related to the share of other comprehensive income of associates.

Reference is made to Note 49 Taxation for the disclosure on the income tax effects on each component of the other comprehensive income.

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Consolidated statement of cash flows of ING Group

for the years ended 31 December

amounts in millions of euros		**2012**	2011	2010
Result before tax		**4,154**	5,866	3,601
Adjusted for:	depreciation	**777**	1,514	1,723
	deferred acquisition costs and value of business acquired	**484**	277	1,159
	increase in provisions for insurance and investment contracts	**3,174**	4,239	4,278
	addition to loan loss provisions	**2,125**	1,670	1,751
	other	**5,247**	1,497	3,075
Taxation paid		**745**	1,353	503
Changes in:	amounts due from banks, not available on demand	**5,272**	7,188	4,333
	trading assets	**7,367**	1,754	14,782
	non-trading derivatives	**1,779**	1,988	1,590
	other financial assets at fair value through profit and loss	**2,417**	474	832
	loans and advances to customers	**1,387**	23,703	16,331
	other assets	**596**	59	2,003
	amounts due to banks, not payable on demand	**26,459**	6,731	9,831
	customer deposits and other funds on deposit	**27,718**	27,019	21,202
	trading liabilities	**24,031**	369	9,804
	other financial liabilities at fair value through profit and loss	**1,376**	207	1
	other liabilities	**2,246**	3,931	6,806
Net cash flow from operating activities		**9,260**	14,139	4,747
Investments and advances:	associates	**26**	140	165
	available-for-sale investments	**143,681**	223,544	163,038
	held-to-maturity investments			141
	real estate investments	**60**	32	73
	property and equipment	**423**	499	527
	assets subject to operating leases		1,188	1,284
	investments for risk of policyholders	**67,986**	57,130	52,370
	other investments	**369**	340	372
Disposals and redemptions:	group companies	**6,536**	4,120	1,757
	associates	**92**	383	232
	available-for-sale investments	**137,418**	219,442	154,640
	held-to-maturity investments	**2,308**	2,370	2,620
	real estate investments	**290**	118	295
	property and equipment	**71**	67	96
	assets subject to operating leases		43	53
	investments for risk of policyholders	**72,201**	61,898	54,817
	loans	**7,268**	927	105
	other investments	**9**	9	6
Net cash flow from investing activities **54**		**576**	6,504	3,349
Repayments of subordinated loans		**10**	2,356	
Proceeds from borrowed funds and debt securities		**332,492**	428,381	412,804
Repayments of borrowed funds and debt securities		**333,165**	429,997	405,120
Repayment of non-voting equity securities		**750**	2,000	
Repurchase premium (1)		**375**	1,000	
Payments to acquire treasury shares		**17**		136

Sales of treasury shares	**160**	41	92
Net cash flow from financing activities	**1,665**	6,931	7,640
Net cash flow **55**	**10,349**	13,712	456
Cash and cash equivalents at beginning of year	**34,280**	20,768	20,959
Effect of exchange rate changes on cash and cash equivalents	**219**	200	265
Cash and cash equivalents at end of year **56**	**24,150**	34,280	20,768

(1) 2012 includes the repurchase premium paid on the repayment of EUR 750 million (2011: EUR 2,000 million) non-voting equity securities.

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Consolidated statement of cash flows of ING Group continued

As at 31 December 2012 Cash and cash equivalents includes cash and balances with central banks of EUR 17,657 million (2011: EUR 31,194 million; 2010: EUR 13,072 million). Reference is made to Note 56 Cash and Cash equivalents .

References relate to the notes starting on page F-32. These form an integral part of the consolidated annual accounts.

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Consolidated statement of changes in equity of ING Group

amounts in millions of euros	Share capital	Share premium	Reserves	Total shareholders equity (parent)	Non-voting equity securities	Minority interests	Total equity
Balance as at 1 January 2010	919	16,034	13,948	30,901	5,000	915	36,816
Unrealised revaluations after taxation			2,607	2,607		4	2,603
Realised gains/losses transferred to profit and loss			86	86			86
Changes in cash flow hedge reserve			475	475			475
Transfer to insurance liabilities/DAC			1,644	1,644			1,644
Exchange rate differences			2,867	2,867		8	2,859
Other revaluations			2	2		3	1
Total amount recognised directly in equity (other comprehensive income)			4,393	4,393		15	4,378
Net result from continuing and discontinued operations			2,367	2,367		106	2,473
Total comprehensive income			6,760	6,760		91	6,851
Employee stock option and share plans			36	36			36
Changes in the composition of the group						271	271
Dividend						6	6
Purchase/sale of treasury shares			22	22			22
Balance as at 31 December 2010	919	16,034	20,766	37,719	5,000	729	43,448
Unrealised revaluations after taxation			1,138	1,138		1	1,139
Realised gains/losses transferred to profit and loss			723	723			723
Changes in cash flow hedge reserve			1,124	1,124			1,124
Transfer to insurance liabilities/DAC			2,004	2,004			2,004
Exchange rate differences			153	153		3	156
Other revaluations						2	2
Total amount recognised directly in equity (other comprehensive income)			828	828		4	824
Net result from continuing and discontinued operations			4,740	4,740		87	4,827
Total comprehensive income			5,568	5,568		83	5,651
Employee stock option and share plans			115	115			115
Repayment of non-voting equity securities					2,000		2,000
Repurchase premium			1,000	1,000			1,000
Changes in the composition of the group						1	1
Dividend						34	34
Purchase/sale of treasury shares			50	50			50
Balance as at 31 December 2011	919	16,034	25,499	42,452	3,000	777	46,229

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Consolidated statement of changes in equity of ING Group continued

amounts in millions of euros	Share capital	Share premium	Reserves	Total shareholders equity (parent)	Non-voting equity securities	Minority interests	Total equity
Balance as at 1 January 2012	**919**	**16,034**	**25,499**	**42,452**	**3,000**	**777**	**46,229**
Unrealised revaluations after taxation			**6,940**	**6,940**		**9**	**6,949**
Realised gains/losses transferred to profit and loss			**840**	**840**			**840**
Changes in cash flow hedge reserve			**718**	**718**		**19**	**737**
Transfer to insurance liabilities/DAC			**2,181**	**2,181**			**2,181**
Exchange rate differences			**724**	**724**		**15**	**709**
Other revaluations						**39**	**39**
Total amount recognised directly in equity (other comprehensive income)			**3,913**	**3,913**		**82**	**3,995**
Net result from continuing and discontinued operations			**3,259**	**3,259**		**109**	**3,368**
Total comprehensive income			**7,172**	**7,172**		**191**	**7,363**
Employee stock option and share plans			**7**	**7**		**1**	**8**
Repayment of non-voting equity securities					**750**		**750**
Repurchase premium			**375**	**375**			**375**
Changes in the composition of the group						**118**	**118**
Dividend						**6**	**6**
Purchase/sale of treasury shares			**255**	**255**			**255**
Balance as at 31 December 2012	**919**	**16,034**	**32,558**	**49,511**	**2,250**	**1,081**	**52,842**

Reserves includes Revaluation reserve of EUR 10,476 million (2011: EUR 5,550 million; 2010: EUR 4,752 million), Currency translation reserve of EUR 841 million (2011: EUR 93 million; 2010: EUR 79 million) and Other reserves of EUR 22,923 million (2011: EUR 19,856 million; 2010: EUR 15,935 million). Changes in individual components are presented in Note 13 Shareholders equity (parent) non-voting equity securities .

Notes to the consolidated financial statements

amounts in million of euros, unless stated otherwise

2.1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1.1. ACCOUNTING POLICIES FOR THE CONSOLIDATED ANNUAL ACCOUNTS OF ING GROUP

AUTHORISATION OF ANNUAL ACCOUNTS

The consolidated annual accounts of ING Groep N.V. for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Executive Board on 18 March 2013. The Executive Board may decide to amend the annual accounts as long as these are not adopted by the General Meeting of Shareholders. The General Meeting of Shareholders may decide not to adopt the annual accounts, but may not amend these. ING Groep N.V. is incorporated and domiciled in Amsterdam, the Netherlands. The principal activities of ING Group are described in Item 4 Information on the Company .

BASIS OF PRESENTATION

ING Group applies International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB) for purposes of reporting with U.S. Securities and Exchange Commission (SEC), including financial information contained in this Annual Report on Form 20-F. In the annual accounts the term IFRS-IASB is used to refer to International Financial Reporting Standards, including the decisions ING Group made with regard to the options available under IFRS-IASB.

IFRS-IASB provides a number of options in accounting policies. The key areas in which IFRS-IASB allows accounting policy choices, and the related ING accounting policy, are summarised as follows:

- Under IFRS 4, an insurer may continue its existing pre-IFRS accounting policies for insurance contracts, provided that certain minimum requirements are met. Upon adoption of IFRS in 2005, ING Group decided to continue the then existing accounting principles for insurance contracts under IFRS. ING Group operates in many different countries and the accounting principles for insurance contracts follow local practice in these countries. ING s businesses in the Netherlands apply accounting standards generally accepted in the Netherlands (Dutch GAAP) for its provisions for liabilities under insurance contracts; similarly, ING s businesses in the United States apply accounting standards generally accepted in the United States (US GAAP);

- ING s accounting policy for Real estate investments is fair value, with changes in fair value reflected immediately in the profit and loss account;

- ING s accounting policy for Property for own use is fair value, with changes in fair value reflected in the revaluation reserve in equity (Other comprehensive income). A net negative revaluation on individual properties is reflected immediately in the profit and loss account;

- For defined benefit pension plans, ING s accounting policy is to defer actuarial gains and losses through the so-called corridor; and

- ING s accounting policy for joint ventures is proportionate consolidation.

ING Group s accounting policies under IFRS-IASB and its decision on the options available are included in the section Principles of valuation and determination of results below. Except for the options included above, the principles in section Principles of valuation and determination of results are IFRS-IASB and do not include other significant accounting policy choices made by ING. The accounting policies that are most significant to ING are included in section Critical accounting policies .

CHANGES IN 2012

Amendments to IFRS 7 Disclosures Transfers of Financial Assets and Amendments to IAS 12 Deferred tax Recovery of Underlying Assets became effective for ING Group in 2012. Neither of these has a significant effect on ING Group.

In 2012, changes were made to the segment reporting as disclosed in Note 52 Segments . The presentation of Note 56 Cash and cash equivalents was changed to separately present the cash amount included in discontinued operations/businesses held for sale. This change resulted in an increase of Cash and cash equivalents at the beginning of the year of EUR 4,980 million due to inclusion of balances classified as Assets held for sale.

The comparison of balance sheet items between 31 December 2012 and 31 December 2011 is impacted by the disposal of companies as disclosed in Note 31 Companies acquired and companies disposed and by the held for sale classification as disclosed in Note 11 Assets and liabilities held for sale and Note 26 Discontinued operations . Changes in assets and liabilities as a result of classification as held for sale are included in the notes in the line Changes in the composition of the group . In 2012, this relates mainly to ING s Insurance and investment management businesses in Asia and the reinsured Japan SPVA business in corporate reinsurance (Asia) and ING Direct UK. In 2011, this related mainly to ING Direct USA.

The presentation of, and certain terms used in, the consolidated balance sheet, the consolidated profit and loss account, consolidated statement of cash flows, consolidated statement of changes in equity and certain notes has been changed to provide additional and more relevant information or (for changes in comparative information) to better align with the current period presentation. The impact of these changes is explained in the respective notes when significant.

Notes to the consolidated financial statements continued

UPCOMING CHANGES IN IFRS-IASB IN 2013

The following new and/or amended IFRS-IASB standards will be implemented by ING Group under IFRS-IASB in the Annual Report on Form 20-F as of 2013:

- Amendments to IAS 19 Employee Benefits ;
- Amendments to IAS 1 Presentation of Financial Statements ;
- Amendments to IFRS 7 Financial instruments: Disclosures ;
- IFRS 10 Consolidated Financial Statements ;
- IFRS 11 Joint Arrangements and amendments to IAS 28 Investments in Associates and Joint Ventures ;
- IFRS 12 Disclosure of Interests in Other Entities ; and
- IFRS 13 Fair Value Measurement .

Amendments to IAS 19 Employee Benefits

The most significant change of the revised IAS 19 Employee Benefits relates to the accounting for defined benefit pension obligations and the corresponding plan assets. The amendments require immediate recognition in Other comprehensive income (i.e. in equity) of changes in the defined benefit obligation and in the fair value of plan assets due to actuarial gains and losses. The deferral of actuarial gains and losses through the corridor approach , which was applied under the previous version of IAS 19 until the end of 2012, is no longer allowed. As a related consequence, deferred actuarial gains and losses are no longer released to the profit and loss account upon curtailment. Furthermore, the amendments require the expected return on plan assets to be determined using a high-quality corporate bond rate, equal to the discount rate of the defined benefit obligation; currently management s best estimate is applied. The amendments also introduce a number of other changes and extended disclosure requirements. The implementation of the amendments to IAS 19 results in the recognition of accumulated actuarial gains and losses in equity as at 1 January 2013. As a result, Shareholders equity will decrease with EUR 2.6 billion (after tax) at 1 January 2013; more information is provided in Note 21 Other liabilities . The recognition of actuarial gains and losses in equity will create volatility in equity going forward. In the 2013 consolidated annual accounts, the comparative figures for previous years will be restated to reflect the impact of the amendments to IAS 19.

The impact of changes in IAS 19 as at 1 January 2013 is as follows:

Impact of implementing amendments to IAS 19 as at 1 January 2013

amounts in millions of euros	IAS 19 Employee Benefits
Assets held for sale	
Assets other	2,440
Impact on Total assets	2,440
Liabilities held for sale	4
Liabilities other	136
Impact on Total liabilities	140
Shareholders equity	2,580
Impact on Total equity and liabilities	2,440

Amendments to IAS 1 Presentation of Financial Statements

The amendments to IAS 1 Presentation of Financial Statements introduce changes to the presentation in the Statement of Other Comprehensive income, including a split of Other comprehensive income into items that may be recognised in the profit and loss account in future periods and items that will never be recognised in the profit and loss account. There will be no impact on Shareholders equity, Net result and/or Other comprehensive income.

Amendments to IFRS 7 Financial instruments: Disclosures

The amendments to IFRS 7 Financial instruments: Disclosures introduce additional disclosures on offsetting (netting) of financial instruments in the balance sheet and on the potential effect of netting arrangements. There will be no impact on Shareholders equity, Net result and/or Other comprehensive income.

IFRS 10 Consolidated Financial Statements

IFRS 10 Consolidated Financial Statements introduces amendments to the criteria for consolidation. Similar to the requirements that were applicable until the end of 2012, all entities controlled by ING Group are included in the consolidated annual accounts. However, IFRS 10 redefines control as being exposed to variable returns and having the ability to affect those returns through power over the investee. The implementation of IFRS 10 is expected not to have significant impact on Shareholders equity, Net result and/or Other comprehensive income.

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Notes to the consolidated financial statements continued

IFRS 11 Joint Arrangements and amendments to IAS 28 Investments in Associates and Joint Ventures

IFRS 11 Joint Arrangements and the related amendments to IAS 28 Investments in Associates and Joint Ventures eliminate the proportionate consolidation method for joint ventures that was applied by ING. Under the new requirements, all joint ventures will be reported using the equity method of accounting (similar to the accounting that is already applied for Investments in associates). The implementation of IFRS 11 is expected not to have a significant impact on Shareholders equity, Net result and/or Other comprehensive income.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 Disclosure of Interests in Other Entities introduces extended disclosure requirements for subsidiaries, associates, joint ventures and structured entities. The implementation of IFRS 12 will not have an impact on Shareholders´ equity, Net result and/or Other comprehensive income.

IFRS 13 Fair Value Measurement

IFRS 13 Fair value measurement brings together in one standard all guidance on how to determine fair value. It does not change the scope of assets/liabilities that are measured at fair value. ING Group s interpretation of fair value measurement is not significantly different from the guidance in IFRS 13. Therefore, the implementation of IFRS 13 Fair Value Measurement at 1 January 2013 will not have a significant impact on Shareholders equity, Net result and/or Other comprehensive income. In addition, IFRS 13 introduces an extended scope for the disclosure of the fair value hierarchy by level of fair value. ING Group will implement the new requirements as of 2013.

UPCOMING CHANGES IN IFRS-IASB AFTER 2013

The following new standards will become effective for ING Group as at 1 January 2014:

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27); and
- Amendments to IAS 32 Presentation Offsetting Financial Assets and Financial Liabilities .

The adoption of these new or revised standards is expected not to have a significant impact on Shareholders equity, Net result and/or Other comprehensive income.

In 2009, IFRS 9 Financial Instruments was issued, which was initially effective as of 2013. However, in December 2011 the International Accounting Standards Board decided to amend this standard and to postpone the mandatory application of IFRS 9 until at least 2015. Implementation of IFRS 9 may have a significant impact on Shareholders equity, Net result and/or Other comprehensive income.

RECONCILIATION BETWEEN IFRS-EU AND IFRS-IASB

The published 2012 Annual Accounts of ING Group are prepared in accordance with IFRS-EU. IFRS-EU refers to International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), including the decisions ING Group made with regard to the options available under IFRS as adopted by the EU. IFRS-EU differs from IFRS-IASB in respect of certain paragraphs in IAS 39 Financial Instruments: Recognition and Measurement regarding hedge accounting for portfolio hedges of interest rate risk.

Under IFRS-EU, ING Group applies fair value hedge accounting for portfolio hedges of interest rate risk (fair value macro hedges) in accordance with the EU carve out version of IAS 39. Under the EU IAS 39 carve-out , hedge accounting may be applied, in respect of fair value macro hedges, to core deposits and hedge ineffectiveness is only recognised when the revised estimate of the amount of cash flows in scheduled time buckets falls below the original designated amount of that bucket and is not recognised when the revised amount of cash flows in scheduled time buckets is more than the original designated amount. Under IFRS-IASB, hedge accounting for fair value macro hedges can not be applied to core deposits and ineffectiveness arises whenever the revised estimate of the amount of cash flows in scheduled time buckets is either more or less than the original designated amount of that bucket.

This information is prepared by reversing the hedge accounting impacts that are applied under the EU carve out version of IAS 39. Financial information under IFRS-IASB accordingly does not take account of the possibility that had ING Group applied IFRS-IASB as its primary accounting framework it might have applied alternative hedge strategies where those alternative hedge strategies could have qualified for IFRS-IASB compliant hedge accounting. These decisions could have resulted in different shareholders equity and net result amounts compared to those indicated in this Annual Report on Form 20-F.

Other than for SEC reporting, ING Group intends to continue to prepare its Annual Accounts under IFRS-EU.

A reconciliation between IFRS-EU and IFRS-IASB is included on the next page.

Both IFRS-EU and IFRS-IASB differ in several areas from accounting principles generally accepted in the United States of America (US GAAP).

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Notes to the consolidated financial statements continued

Reconciliation shareholders equity and net result under IFRS-IASB and IFRS-EU

	Shareholders equity			Net result		
	2012	2011	2010	**2012**	2011	2010
In accordance with IFRS-IASB	**49,511**	42,452	37,719	**3,259**	4,740	2,367
Adjustment of the EU IAS 39 carve-out	**6,504**	5,648	4,265	**856**	1,383	595
Tax effect of the adjustment	**1,658**	1,437	1,080	**221**	357	152
Effect of adjustment after tax	**4,846**	4,211	3,185	**635**	1,026	443
In accordance with IFRS-EU	**54,357**	46,663	40,904	**3,894**	5,766	2,810

CRITICAL ACCOUNTING POLICIES

ING Group has identified the accounting policies that are most critical to its business operations and to the understanding of its results. These critical accounting policies are those which involve the most complex or subjective decisions or assessments, and relate to insurance provisions, deferred acquisition costs and value of business acquired, the loan loss provision, the determination of the fair values of real estate and financial assets and liabilities, impairments and employee benefits. In each case, the determination of these items is fundamental to the financial condition and results of operations, and requires management to make complex judgements based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgements as to future events and are subject to change, as the use of different assumptions or data could produce materially different results. For a further discussion of the application of these accounting policies, reference is made to the applicable notes to the consolidated financial statements and the information below under Principles of valuation and determination of results .

INSURANCE PROVISIONS, DEFERRED ACQUISITION COSTS (DAC) AND VALUE OF BUSINESS ACQUIRED (VOBA)

The establishment of insurance provisions, DAC and VOBA is an inherently uncertain process, involving assumptions about factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns, policyholder behaviour and other factors, and, in the life insurance business, assumptions concerning mortality and morbidity trends. Specifically, significant assumptions related to these items that could have a material impact on financial results include interest rates, mortality, morbidity, property and casualty claims, investment yields on equity and real estate, foreign currency exchange rates and reserve adequacy assumptions.

The use of different assumptions about these factors could have a material effect on insurance provisions and underwriting expenditure. Changes in assumptions may lead to changes in the insurance provisions over time. Furthermore, some of these assumptions can be volatile.

In addition, the adequacy of insurance provisions, net of DAC and VOBA, is evaluated regularly. The test involves comparing the established insurance provision with current best estimate assumptions about factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns, policyholder behaviour, mortality and morbidity trends and other factors. The use of different assumptions in this test could lead to a different outcome.

Insurance provisions also include the impact of minimum guarantees which are contained within certain variable annuity products. This impact is dependent upon the difference between the potential minimum benefits payable and the total account balance, expected mortality and surrender rates. The determination of the potential minimum benefits payable also involves the use of assumptions about factors such as inflation, investment returns, policyholder behaviour, and mortality morbidity trends and other factors. The use of different assumptions about these factors could have a material effect on insurance provisions and underwriting expenditure.

The process of defining methodologies and assumptions for insurance provisions, DAC and VOBA is governed by ING Insurance risk management as described in the Risk management section.

Reference is made to the Risk management section for a sensitivity analysis of net result and shareholders equity to insurance, interest rate, equity, foreign currency and real estate risks. These sensitivities are based on changes in assumptions that management considers reasonably likely at the balance sheet date.

LOAN LOSS PROVISIONS

Loan loss provisions are recognised based on an incurred loss model. Considerable judgement is exercised in determining the extent of the loan loss provision (impairment) and is based on the management s evaluation of the risk in the portfolio, current economic conditions, loss experience in recent years and credit, industry, geographical and concentration trends. Changes in such judgements and analyses may lead to changes in the loan loss provisions over time.

The identification of impairment and the determination of the recoverable amount are an inherently uncertain processes involving various assumptions and factors including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices.

Future cash flows in a portfolio of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Current observable data may include changes in unemployment rates, property prices and commodity prices. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

FAIR VALUES OF REAL ESTATE

Real estate investments are reported at fair value. The fair value of real estate investments is based on regular appraisals by independent qualified valuers. The fair values are established using valuation methods such as: comparable market transactions, capitalisation of income methods or discounted cash flow calculations. The underlying assumption used in the valuation is that the properties are let or sold to third parties based on the actual letting status. The discounted cash flow analyses and capitalisation of income method are based on calculations of the future rental income in accordance with the terms in existing leases and estimations of the rental values for new leases when leases expire and incentives like rental free periods. The cash flows are discounted using market based interest rates that reflect appropriately the risk characteristics of real estate.

Market conditions in recent years have led to a reduced level of real estate transactions. Transaction values were significantly impacted by low volumes of actual transactions. As a result comparable market transactions have been used less in valuing ING s real estate investments by independent qualified valuers. More emphasis has been placed on discounted cash flow analysis and capitalisation of income method.

The valuation of real estate involves various assumptions and techniques. The use of different assumptions and techniques could produce significantly different valuations. To illustrate the uncertainty of our real estate investments valuation, a sensitivity analysis on the changes in fair value of real estate is provided in the Risk management section.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair values of financial assets and liabilities are determined using quoted market prices where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available, market prices may be obtained from independent market vendors, brokers or market makers. In general, positions are valued taking the bid price for a long position and the offer price for a short position. In some cases where positions are marked at mid-market prices, a fair value adjustment is calculated.

When markets are less liquid there may be a range of prices for the same security from different price sources, selecting the most appropriate price requires judgement and could result in different estimates of fair value.

For certain financial assets and liabilities quoted market prices are not available. For these financial assets and liabilities, fair value is determined using valuation techniques. These valuation techniques range from discounting of cash flows to valuation models, where relevant pricing factors including the market price of underlying reference instruments, market parameters (volatilities, correlations and credit ratings) and customer behaviour are taken into account. All valuation techniques used are subject to internal review and approval. Most data used in these valuation techniques are validated on a daily basis.

Valuation techniques are subjective in nature and significant judgement is involved in establishing fair values for certain financial assets and liabilities. Valuation techniques involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value.

Price testing is performed to assess whether the process of valuation has led to an appropriate fair value of the position and to an appropriate reflection of these valuations in the profit and loss account. Price testing is performed to minimise the potential risks for economic losses due to incorrect or misused models.

Reference is made to Note 35 Fair value of financial assets and liabilities and the Risk management section for the basis of the determination of the fair value of financial instruments and related sensitivities.

IMPAIRMENTS

Impairment evaluation is a complex process that inherently involves significant judgements and uncertainties that may have a significant impact on ING Group s consolidated financial statements. Impairments are especially relevant in two areas: Available-for-sale debt and equity securities and Goodwill/Intangible assets.

All debt and equity securities (other than those carried at fair value through profit and loss) are subject to impairment testing every reporting period. The carrying value is reviewed in order to determine whether an impairment loss has been incurred. Evaluation for impairment includes both quantitative and qualitative considerations. For debt securities, such considerations include actual and estimated incurred credit losses indicated by payment default, market data on (estimated) incurred losses and other current evidence that the issuer may be unlikely to pay amounts when due. Equity securities are impaired when management believes that, based on (the combination of) a significant or prolonged decline of the fair value below the acquisition price, there is sufficient reason to believe that the acquisition cost may not be recovered. Significant and prolonged are interpreted on a case-by-case basis for specific equity securities. Generally 25% and 6 months are used as triggers. Upon impairment, the full difference between the (acquisition) cost and fair value is removed from equity and recognised in net result. Impairments on debt securities may be reversed if there is a decrease in the amount of the impairment which can be objectively related to an observable event. Impairments on equity securities cannot be reversed.

Impairments on other debt instruments (Loans and held-to-maturity investments) are part of the loan loss provision as described above.

Impairment reviews with respect to goodwill and intangible assets are performed at least annually and more frequently if events indicate that impairments may have occurred. Goodwill is tested for impairment by comparing the carrying value (including goodwill) of the reporting unit to the best estimate of the recoverable amount of that reporting unit. The carrying value is determined as the IFRS-IASB net asset value including goodwill. The recoverable amount is estimated as the higher of fair value less cost to sell and value in use. Several methodologies are applied to arrive at the best estimate of the recoverable amount. A reporting unit is the lowest level at which goodwill is monitored. Intangible assets are tested for impairment by comparing the carrying value with the best estimate of the recoverable amount.

The identification of impairment is an inherently uncertain process involving various assumptions and factors, including financial condition of the counterparty, expected future cash flows, statistical loss data, discount rates, observable market prices, etc. Estimates and assumptions are based on management s judgement and other information available prior to the issuance of the financial statements. Significantly different results can occur as circumstances change and additional information becomes known.

EMPLOYEE BENEFITS

Group companies operate various defined benefit retirement plans covering a significant number of ING s employees.

The liability recognised in the balance sheet in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognised actuarial gains and losses, and unrecognised past service costs.

The determination of the defined benefit plan liability is based on internal and external actuarial models and calculations. The defined benefit obligation is calculated using the projected unit credit method. Inherent in these actuarial models are assumptions including discount rates, rates of increase in future salary and benefit levels, mortality rates, trend rates in health care costs, consumer price index, and the expected return on plan assets. The assumptions are based on available market data and the historical performance of plan assets, and are updated annually.

The actuarial assumptions may differ significantly from the actual results due to changes in market conditions, economic and mortality trends, and other assumptions. Any changes in these assumptions could have a significant impact on the defined benefit plan liabilities and future pension costs. The effects of changes in actuarial assumptions and experience adjustments are not recognised in the profit and loss account unless the accumulated changes exceed 10% of the greater of the defined benefit obligation and the fair value of the plan assets. If such is the case the excess is then amortised over the employees expected average remaining working lives. Reference is made to Note 21 Other liabilities for the weighted averages of basic actuarial assumptions in connection with pension and other post-employment benefits.

Notes to the consolidated financial statements continued

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

CONSOLIDATION

ING Group (the Group) comprises ING Groep N.V. (the Company), ING Verzekeringen N.V., ING Bank N.V. and all other subsidiaries. The consolidated financial statements of ING Group comprise the accounts of ING Groep N.V. and all entities in which it either owns, directly or indirectly, more than half of the voting power or over which it has control of their operating and financial policies through situations including, but not limited to:

- Ability to appoint or remove the majority of the board of directors;
- Power to govern such policies under statute or agreement; and
- Power over more than half of the voting rights through an agreement with other investors.

A list of principal subsidiaries is included in Note 30 Principal subsidiaries .

The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group controls another entity. For interests in investment vehicles, the existence of control is determined taking into account both ING Group s financial interests for own risk and its role as investment manager.

The results of the operations and the net assets of subsidiaries are included in the profit and loss account and the balance sheet from the date control is obtained until the date control is lost. On disposal, the difference between the sales proceeds, net of directly attributable transaction costs, and the net assets is included in net result.

A subsidiary which ING Group has agreed to sell but is still legally owned by ING Group may still be controlled by ING Group at the balance sheet date and, therefore, still be included in the consolidation. Such a subsidiary may be presented as a held for sale disposal group if certain conditions are met.

All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies are eliminated. Where necessary, the accounting policies used by subsidiaries are changed to ensure consistency with group policies. In general, the reporting dates of subsidiaries are the same as the reporting date of ING Groep N.V.

ING Groep N.V. and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company s own funds over the sum of the paid-up capital and reserves required by law. Additionally, certain Group companies are subject to restrictions on the amount of funds they may transfer in the form of dividends, or otherwise, to the parent company.

Furthermore, in addition to the restrictions in respect of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, other limitations exist in certain countries.

ING Group s interests in jointly controlled entities are accounted for using proportionate consolidation. ING Group proportionately consolidates its share of the joint ventures individual income and expenses, assets and liabilities, and cash flows on a line-by-line basis with similar items in ING Group s financial statements. ING Group recognises the portion of gains or losses on the sale of assets to the joint venture that is attributable to the other venturers. ING Group does not recognise its share of profits or losses from the joint venture that results from the purchase of assets by ING Group from the joint venture until it resells the assets to a third party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

Disposal groups held for sale and discontinued operations

Disposal groups held for sale are measured at the lower of their carrying amount or fair value less cost to sell. Disposal groups (and groups of non-current assets) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This is only the case when the sale is highly probable and the disposal group (or group of assets) is available for immediate sale in its present condition; management must be committed to the sale, which is expected to occur within one year from the date of classification as held for sale. When a group of assets that is classified as held for sale represents a major line of business or geographical area the disposal group classifies as discontinued operations. In the consolidated profit and loss account, the income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of result after tax for both the current and for comparative years.

USE OF ESTIMATES AND ASSUMPTIONS

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

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

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Notes to the consolidated financial statements continued

SEGMENT REPORTING

A segment is a distinguishable component of the Group, engaged in providing products or services, subject to risks and returns that are different from those of other segments. A geographical area is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. The geographical analyses are based on the location of the office from which the transactions are originated.

ANALYSIS OF INSURANCE BUSINESS

Where amounts in respect of insurance business are analysed into life and non-life , health and disability insurance business which is similar in nature to life insurance business is included in life .

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group s entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euros, which is ING Group s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Exchange rate differences resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as part of qualifying cash flow hedges or qualifying net investment hedges.

Exchange rate differences on non-monetary items, measured at fair value through profit and loss, are reported as part of the fair value gain or loss. Non-monetary items are retranslated at the date fair value is determined. Exchange rate differences on non-monetary items measured at fair value through the revaluation reserve are included in the revaluation reserve in equity.

Exchange rate differences in the profit and loss account are generally included in Net trading income. Reference is made to Note 42 Net trading income , which discloses the amounts included in the profit and loss account. Exchange rate differences relating to the disposal of available-for-sale debt and equity securities are considered to be an inherent part of the capital gains and losses recognised in Investment income. As mentioned below in Group companies relating to the disposals of group companies, any exchange rate difference deferred in equity is recognised in the profit and loss account in Result on disposals of group companies. Reference is also made to Note 13 Shareholders equity (parent)/non-voting equity securities , which discloses the amounts included in the profit and loss account.

Group companies

The results and financial positions of all group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities included in each balance sheet are translated at the closing rate at the date of that balance sheet;

Income and expenses included in each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

All resulting exchange rate differences are recognised in a separate component of equity.

On consolidation, exchange rate differences arising from the translation of a monetary item that forms part of the net investment in a foreign operation, and of borrowings and other instruments designated as hedges of such investments, are taken to shareholders equity. When a foreign operation is sold, the corresponding exchange rate differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the balance sheet date.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial instruments are based on quoted market prices at the balance sheet date where available. The quoted market price used for financial assets held by the Group is the current bid price; the quoted market price used for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

Reference is made to Note 35 Fair value of financial assets and liabilities for the basis of the determination of the fair value of financial instruments.

Notes to the consolidated financial statements continued

RECOGNITION AND DERECOGNITION OF FINANCIAL INSTRUMENTS

Recognition of financial assets

All purchases and sales of financial assets classified as fair value through profit and loss (excluding investments for risk of policyholders), held-to-maturity and available-for-sale that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) are recognised at trade date, which is the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognised at settlement date, which is the date on which the Group receives and investments for risk of policyholders or delivers the asset.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset.

Financial liabilities

Debt securities in issue are recognised and derecognised at trade date.

Realised gains and losses on investments

Realised gains and losses on investments are determined as the difference between the sale proceeds and (amortised) cost. For equity securities, the cost is determined using a weighted average per portfolio. For debt securities, the cost is determined by specific identification.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss include equity securities, debt securities, derivatives, loans and receivables and other, and comprise the following sub-categories: trading assets, non-trading derivatives, financial assets designated at fair value through profit and loss by management and investments for risk of policyholders.

A financial asset is classified as at fair value through profit and loss if acquired principally for the purpose of selling in the short term or if designated by management as such. Management will make this designation only if this eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis.

Investments for risk of policyholders are investments against insurance liabilities for which all changes in fair value of invested assets are offset by similar changes in insurance liabilities.

Transaction costs on initial recognition are expensed as incurred. Interest income from debt securities and loans and receivables classified as at fair value through profit and loss is recognised in Interest income banking operations and Investment income in the profit and loss account, using the effective interest method.

Dividend income from equity instruments classified as at fair value through profit and loss is generally recognised in Investment income in the profit and loss account when dividend has been declared. Investment result from investments for risk of policyholders is recognised in investment result for risk of policyholders. For derivatives reference is made to the Derivatives and hedge accounting section. For all other financial assets classified as at fair value through profit and loss changes in fair value are recognised in Net trading income.

Investments

Investments (including loans quoted in active markets) are classified either as held-to-maturity or available-for-sale and are initially recognised at fair value plus transaction costs. Investment debt securities and loans quoted in active markets with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities and actively traded loans intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale.

Available-for-sale financial assets

Available-for-sale financial assets include available-for-sale debt securities and available-for-sale equity securities. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. For available-for-sale debt securities, the difference between cost and redemption value is amortised. Interest income is recognised using the effective interest method. Available-for-sale financial assets are subsequently measured at fair value. Interest income from debt securities classified as available-for-sale is recognised in Interest income banking operations and Investment income in the profit and loss account. Dividend income from equity instruments classified as available-for-sale is generally recognised in Investment income in the profit and loss account when the dividend has been declared. Unrealised gains and losses arising from changes in the fair value are recognised in equity. When the securities are disposed of, the related accumulated fair value adjustments are included in the profit and loss account as Investment income. For impairments of available-for-sale financial assets reference is made to the section Impairments of other financial assets . Investments in prepayment sensitive securities such as Interest-Only and Principal-Only strips are generally classified as available-for-sale.

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Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity for which the Group has the positive intent and ability to hold to maturity and which are designated by management as held-to-maturity assets are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest income from debt securities classified as held-to-maturity is recognised in Interest income in the profit and loss account using the effective interest method. Held-to-maturity investments include only debt securities.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Loans and receivables include Cash and balances with central banks, Amounts due from banks, Loans and advances to customers and Other assets and are reflected in these balance sheet lines. Interest income from loans and receivables is recognised in Interest income and Investment income in the profit and loss account using the effective interest method.

Credit risk management classification

Credit risk management disclosures are provided in the section Risk management . The relationship between credit risk classifications in that section and the consolidated balance sheet classifications above is explained below:

Lending risk arises when ING Group grants a loan to a customer, or issues guarantees on behalf of a customer and mainly relates to the balance sheet classification Loans and advances to customers and off balance sheet items e.g. obligations under financial guarantees and letters of credit;

Investment risk comprises the credit default and migration risk that is associated with ING Group s investment portfolio and mainly relates to the balance sheet classification Investments (available-for-sale and held-to-maturity);

Money market risk arises when ING Group places short term deposits with a counterparty in order to manage excess liquidity and among others relates to the balance sheet classifications Amounts due from banks and Loans and advances to customers;

Pre-settlement risk arises when a counterparty defaults on a transaction before settlement and ING Group has to replace the contract by a trade with another counterparty at the then prevailing (possibly unfavourable) market price. The pre-settlement risk classification mainly relates to the balance sheet classification Financial assets at fair value through profit and loss (trading assets and non-trading derivatives) and to securities financing; and

Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates and receipt is not verified or expected until ING Group has paid or delivered its side of the trade. Settlement risk mainly relates to the risk arising on disposal of financial instruments that are classified in the balance sheet as Financial assets at fair value through profit and loss (trading assets and non-trading derivatives) and Investments (available-for-sale and held-to-maturity).

Maximum credit risk exposure

The maximum credit risk exposure for items on the balance sheet is generally the carrying value for the relevant financial assets. For the off-balance sheet items the maximum credit exposure is the maximum amount that could be required to be paid. Reference is made to Note 28 Contingent liabilities and commitments for these off-balance sheet items. Collateral received is not taken into account when determining the maximum credit risk exposure.

The manner in which ING Group manages credit risk and determines credit risk exposures for that purpose is explained in the Risk management section.

DERIVATIVES AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques (such as discounted cash flow models and option pricing models), as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair values are negative.

Some credit protection contracts that take the legal form of a derivative, such as certain credit default swaps, are accounted for as financial guarantees.

Certain derivatives embedded in other contracts are measured as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the host contract is not carried at fair value through profit and loss, and if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. These embedded derivatives are measured at fair value with changes in fair value recognised in the profit and loss account. An assessment is carried out when the Group first becomes party to the contract. A reassessment is carried out only when there is a change in the terms of the contract that significantly modifies the expected cash flows.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge), hedges of highly probable future cash flows attributable to a recognised asset or liability or a forecast transaction (cash flow hedge), or hedges of a net investment in a foreign operation. Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

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At the inception of the transaction ING Group documents the relationship between hedging instruments and hedged items, its risk management objective, together with the methods selected to assess hedge effectiveness. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the profit and loss account, together with fair value adjustments to the hedged item attributable to the hedged risk. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative adjustment of the hedged item is, in the case of interest bearing instruments, amortised through the profit and loss account over the remaining term of the original hedge or recognised directly when the hedged item is derecognised. For non-interest bearing instruments, the cumulative adjustment of the hedged item is recognised in the profit and loss account only when the hedged item is derecognised.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Amounts accumulated in equity are recycled to the profit and loss account in the periods in which the hedged item affects net result. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred immediately to the profit and loss account.

Net investment hedges

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

Non-trading derivatives that do not qualify for hedge accounting

Derivative instruments that are used by the Group as part of its risk management strategies, but which do not qualify for hedge accounting under ING Group s accounting policies, are presented as non-trading derivatives. Non-trading derivatives are measured at fair value with changes in the fair value taken to the profit and loss account.

OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset, and the net amount reported, in the balance sheet when the Group has a current legally enforceable right to set off the recognised amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously. Offsetting is applied to certain interest rate swaps for which the services of a central clearing house are used. Furthermore, offsetting is also applied to certain current accounts for which the product features and internal procedures allow net presentation under IFRS-IASB.

REPURCHASE TRANSACTIONS AND REVERSE REPURCHASE TRANSACTIONS

Securities sold subject to repurchase agreements (repos) are retained in the consolidated financial statements. The counterparty liability is included in Amounts due to banks, Other borrowed funds, Customer deposits and other funds on deposit, or Trading as appropriate.

Securities purchased under agreements to resell (reverse repos) are recognised as Loans and advances to customers or Amounts due from banks, as appropriate. The difference between the sale and repurchase price is treated as interest and amortised over the life of the agreement using the effective interest method.

IMPAIRMENTS OF LOANS AND ADVANCES TO CUSTOMERS (LOAN LOSS PROVISIONS)

ING Group assesses periodically and at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, but before the balance sheet date, (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The following circumstances, among others, are considered objective evidence that a financial asset or group of assets is impaired:

- The borrower has sought or has been placed in bankruptcy or similar protection and this leads to the avoidance of or delays in repayment of the financial asset;

- The borrower has failed in the repayment of principal, interest or fees and the payment failure has remained unsolved for a certain period;

- The borrower has demonstrated significant financial difficulty, to the extent that it will have a negative impact on the expected future cash flows of the financial asset;

Notes to the consolidated financial statements continued

The credit obligation has been restructured for non-commercial reasons. ING Group has granted concessions, for economic or legal reasons relating to the borrower s financial difficulty, the effect of which is a reduction in the expected future cash flows of the financial asset; and

Historical experience, updated for current events where necessary, provides evidence that a proportion of a group of assets is impaired although the related events that represent impairment triggers are not yet captured by the Group s credit risk systems.

In certain circumstances ING grants borrowers postponement and/or reduction of loan principal and/or interest payments for a temporary period of time to maximise collection opportunities and, if possible, avoid default, foreclosure or repossession. When such postponement and/or reduction of loan principal and/or interest payments is executed based on credit concerns it is also referred to as forbearance . In general, forbearance represents an impairment trigger under IFRS. In such cases, the net present value of the postponement and/or reduction of loan and/or interest payments is taken into account in the determination of the appropriate level of Loan loss provisioning as described below. If the forbearance results in a substantial modification of the terms of the loan, the original loan is derecognised and a new loan is recognised at its fair value at the modification date.

The Group does not consider events that may be expected to occur in the future as objective evidence, and consequently they are not used as a basis for concluding that a financial asset or group of assets is impaired.

In determining the impairment, expected future cash flows are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. Losses expected as a result of future events, no matter how likely, are not recognised.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and then individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on an asset carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account (Loan loss provision) and the amount of the loss is recognised in the profit and loss account under Addition to loan loss provision . If the asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors ability to pay all amounts due according to the contractual terms of the assets being evaluated. The collective evaluation of impairment includes the application of a loss confirmation period to default probabilities. The loss confirmation period is a concept which recognises that there is a period of time between the emergence of impairment triggers and the point in time at which those events are captured by the Group s credit risk systems. Accordingly, the application of the loss confirmation period ensures that impairments that are incurred but not yet identified are adequately reflected in the Group s loan loss provision. Although the loss confirmation periods are inherently uncertain, the Group applies estimates to sub-portfolios (e.g. large corporations, small and medium size enterprises and retail portfolios) that reflect factors such as the frequency with which customers in the sub-portfolio disclose credit risk sensitive information and the frequency with which they are subject to review by the Group s account managers. Generally, the frequency increases in relation to the size of the borrower. Loss confirmation periods are based on historical experience and are validated, and revised where necessary, through regular back-testing to ensure that they reflect recent experience and current events.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor s credit rating), the previously recognised impairment loss is reversed by adjusting the provision. The amount of the reversal is recognised in the profit and loss account.

When a loan is uncollectable, it is written off against the related loan loss provision. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the profit and loss account.

In most Retail portfolios, ING Bank has a write-off policy that requires 100% provision for all retail exposure after 2 years (3 years for mortgages) following the last default date.

Notes to the consolidated financial statements continued

IMPAIRMENT OF OTHER FINANCIAL ASSETS

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the specific case of equity investments classified as available-for-sale, (the combination of) a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. Significant and prolonged are interpreted on a case-by-case basis for specific equity securities; generally 25% and 6 months are used as triggers. If any objective evidence exists for available-for-sale debt and equity investments, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in net result is removed from equity and recognised in the profit and loss account. Impairment losses recognised on equity instruments can never be reversed. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the profit and loss account.

INVESTMENTS IN ASSOCIATES

Associates are all entities over which the Group has significant influence but not control. Significant influence generally results from a shareholding of between 20% and 50% of the voting rights, but also is the ability to participate in the financial and operating policies through situations including, but not limited to one or more of the following:

- Representation on the board of directors;
- Participation in the policymaking process; and
- Interchange of managerial personnel.

Investments in associates are initially recognised at cost and subsequently accounted for using the equity method of accounting.

The Group s investment in associates (net of any accumulated impairment loss) includes goodwill identified on acquisition. The Group s share of its associates post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition changes in reserves is recognised in equity. The cumulative post-acquisition changes are adjusted against the carrying amount of the investment. When the Group s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group s interest in the associates. Unrealised losses are also eliminated unless they provide evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. The reporting dates of all material associates are consistent with the reporting date of the Group.

For interests in investment vehicles the existence of significant influence is determined taking into account both the Group s financial interests for own risk and its role as investment manager.

REAL ESTATE INVESTMENTS

Real estate investments are recognised at fair value at the balance sheet date. Changes in the carrying amount resulting from revaluations are recognised in the profit and loss account. On disposal the difference between the sale proceeds and carrying value is recognised in the profit and loss account.

The fair value of real estate investments is based on regular appraisals by independent qualified valuers. For each reporting period every property is valued either by an independent valuer or internally. Indexation is used when a property is valued internally. The index is based on the results of the independent valuations carried out in that period. Market transactions and disposals made by ING Group are monitored as part of the validation procedures to test the indexation methodology. Valuations performed earlier in the year are updated if necessary to reflect the situation at the year-end. All properties are valued independently at least every five years and more frequently if necessary.

The fair values represent the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and willing seller in an at-arm s-length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion. Fair values are based on appraisals using valuation methods such as: comparable market transactions, capitalisation of income methods or discounted cash flow calculations. The underlying assumption used in the valuation is that the properties are let or sold to third parties based on the actual letting status. The discounted cash flow analyses and capitalisation of income method are based on calculations of the future rental income in accordance with the terms in existing leases and estimations of the rental values for new leases when leases expire and incentives like rent free periods. The cash flows are discounted using market based interest rates that reflect appropriately the risk characteristics of real estate.

ING Group owns a real estate portfolio, diversified by region, by investment segment (Office, Retail and Residential) and by investment type (Core, Value Add and Opportunistic). The valuation of different investments is performed using different discount rates (yields), dependent on specific characteristics of each property, including occupancy, quality of rent payments and specific local market circumstances. For ING s main direct properties in its main locations, the yields applied in the 2012 year-end valuation generally are in the range of 6% to 9%.

Notes to the consolidated financial statements continued

The valuation of real estate investments takes (expected) vacancies into account. Occupancy rates differ significantly from investment to investment.

For real estate investments held through (minority shares in) real estate investment funds, the valuations are performed under the responsibility of the funds asset manager.

Subsequent expenditures are recognised as part of the asset s carrying amount only when it is probable that future economic benefits associated with the item will flow to ING Group and the cost can be measured reliably. All other repairs and maintenance costs are recognised in the profit and loss account.

PROPERTY AND EQUIPMENT

Property in own use

Land and buildings held for own use are stated at fair value at the balance sheet date. Increases in the carrying amount arising on revaluation of land and buildings held for own use are credited to the revaluation reserve in shareholders equity. Decreases in the carrying amount that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the profit and loss account. Increases that reverse a revaluation decrease on the same asset previously recognised in net result are recognised in the profit and loss account. Depreciation is recognised based on the fair value and the estimated useful life (in general 20-50 years). Depreciation is calculated on a straight-line basis. On disposal the related revaluation reserve is transferred to retained earnings.

The fair values of land and buildings are based on regular appraisals by independent qualified valuers or internally, similar to appraisals of real estate investments. Subsequent expenditure is included in the asset s carrying amount when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Property obtained from foreclosures

Property obtained from foreclosures is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Property obtained from foreclosures is included in Other assets Property development and obtained from foreclosures.

Property development

Property developed and under development for which ING Group has the intention to sell the property after its completion is included in Other assets Property development and obtained from foreclosures.

Property developed and under development for which ING Group has the intention to sell the property under development after its completion and where there is not yet a specifically negotiated contract is measured at direct construction cost incurred up to the balance sheet date, including borrowing costs incurred during construction and ING Group s own directly attributable development and supervision expenses less any impairment losses. Profit is recognised using the completed contract method (on sale date of the property). Impairment is recognised if the estimated selling price in the ordinary course of business, less applicable variable selling expenses is lower than carrying value.

Property under development for which ING Group has the intention to sell the property under development after its completion and where there is a specifically negotiated contract is valued using the percentage of completion method (pro rata profit recognition). The stage of completion is measured by reference to costs incurred to date as percentage of total estimated costs for each contract.

Property under development is stated at fair value (with changes in fair value recognised in the profit and loss account) if ING Group has the intention to recognise the property under development after completion as real estate investments.

Equipment

Equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of the assets is depreciated on a straight line basis over their estimated useful lives, which are generally as follows: for data processing equipment two to five years, and four to ten years for fixtures and fittings. Expenditure incurred on maintenance and repairs is recognised in the profit and loss account as incurred. Expenditure incurred on major improvements is capitalised and depreciated.

Assets under operating leases

Assets leased out under operating leases in which ING Group is the lessor are stated at cost less accumulated depreciation and any impairment losses. The cost of the assets is depreciated on a straight-line basis over the lease term. Reference is made to the section Leases .

Disposals

The difference between the proceeds on disposal and net carrying value is recognised in the profit and loss account under Other income.

Notes to the consolidated financial statements continued

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Borrowing costs are determined at the weighted average cost of capital of the project.

LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date.

ING Group as the lessee

The leases entered into by ING Group are primarily operating leases. The total payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any penalty payment to be made to the lessor is recognised as an expense in the period in which termination takes place.

ING Group as the lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable under Loans and advances to customers or Amounts due from banks. The difference between the gross receivable and the present value of the receivable is unearned lease finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. When assets are held subject to an operating lease, the assets are included under Assets under operating leases.

ACQUISITIONS, GOODWILL AND OTHER INTANGIBLE ASSETS

Acquisitions and goodwill

ING Group s acquisitions are accounted for using the acquisition method of accounting. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. Goodwill, being the difference between the cost of the acquisition (including assumed debt) and the Group s interest in the fair value of the acquired assets, liabilities and contingent liabilities as at the date of acquisition, is capitalised as an intangible asset. The results of the operations of the acquired companies are included in the profit and loss account from the date control is obtained.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs, taking into account the initial accounting period below. Changes in the fair value of the contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, ING Group s previously held interests in the assets and liabilities of the acquired entity are remeasured to fair value at the acquisition date (i.e. the date ING Group obtains control) and the resulting gain or loss, if any, is recognised in the profit and loss account. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the profit and loss account, where such treatment would be appropriate if that interest were disposed of. Acquisition-related costs are recognised in the profit and loss account as incurred and presented in the profit and loss account as Other operating expenses.

Until 2009, before IFRS 3 Business Combinations was revised, the accounting of previously held interests in the assets and liabilities of the acquired entity were not remeasured at the acquisition date and the acquisition-related costs were considered to be part of the total consideration.

The initial accounting for the fair value of the net assets of the companies acquired during the year may be determined only provisionally as the determination of the fair value can be complex and the time between the acquisition and the preparation of the Annual Accounts can be limited. The initial accounting shall be completed within a year after acquisition.

Goodwill is only capitalised on acquisitions after the implementation date of IFRS-IASB (1 January 2004). Accounting for acquisitions before that date has not been restated; goodwill and internally generated intangibles on these acquisitions were recognised directly in shareholders equity. Goodwill is allocated to reporting units for the purpose of impairment testing. These reporting units represent the lowest level at which goodwill is monitored for internal management purposes. This test is performed annually or more frequently if there are indicators of impairment. Under the impairment tests, the carrying value of the reporting units (including goodwill) is compared to its recoverable amount which is the higher of its fair value less costs to sell and its value in use.

Adjustments to the fair value as at the date of acquisition of acquired assets and liabilities that are identified within one year after acquisition are recognised as an adjustment to goodwill; any subsequent adjustment is recognised as income or expense. On disposal of group companies, the difference between the sale proceeds and carrying value (including goodwill) and the unrealised results (including the currency translation reserve in equity) is included in the profit and loss account.

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Notes to the consolidated financial statements continued

Computer software

Computer software that has been purchased or generated internally for own use is stated at cost less amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over its useful life. This period will generally not exceed three years. Amortisation is included in Other operating expenses.

Value of business acquired (VOBA)

VOBA is an asset that reflects the present value of estimated net cash flows embedded in the insurance contracts of an acquired company, which existed at the time the company was acquired. It represents the difference between the fair value of insurance liabilities and their carrying value. VOBA is amortised in a similar manner to the amortisation of deferred acquisition costs as described in the section Deferred acquisition costs .

Other intangible assets

Other intangible assets are capitalised and amortised over their expected economic life, which is generally between three and ten years. Intangible assets with an indefinite life are not amortised.

DEFERRED ACQUISITION COSTS

Deferred acquisition costs (DAC) are an asset and represent costs of acquiring insurance and investment contracts that are deferred and amortised. The deferred costs, all of which vary with (and are primarily related to) the production of new and renewal business, consist principally of commissions, certain underwriting and contract issuance expenses, and certain agency expenses.

For traditional life insurance contracts, certain types of flexible life insurance contracts, and non-life contracts, DAC is amortised over the premium payment period in proportion to the premium revenue recognised.

For other types of flexible life insurance contracts DAC is amortised over the lives of the policies in relation to the emergence of estimated gross profits. Amortisation is adjusted when estimates of current or future gross profits, to be realised from a group of products, are revised. The estimates and the assumptions are reassessed at the end of each reporting period. Higher/lower expected profits (e.g. reflecting stock market performance or a change in the level of assets under management) may cause a lower/higher balance of DAC due to the catch-up of amortisation in previous and future years. This process is known as DAC unlocking. The impact of the DAC unlocking is recognised in the profit and loss account of the period in which the unlocking occurs. Effective as of 2011, the estimate for the short-term equity growth assumption used to calculate the amortisation of DAC in the United States (Insurance US) was changed to a mean reversion assumption.

DAC is evaluated for recoverability at issue. Subsequently it is tested on a regular basis together with the provision for life insurance liabilities and VOBA. The test for recoverability is described in the section Insurance, Investment and Reinsurance Contracts .

For certain products DAC is adjusted for the impact of unrealised results on allocated investments through equity.

TAXATION

Income tax on the result for the year comprises current and deferred tax. Income tax is recognised in the profit and loss account but it is recognised directly in equity if the tax relates to items that are recognised directly in equity.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future. The tax effects of income tax losses available for carry forward are recognised as an asset where it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value remeasurement of available-for-sale investments and cash flow hedges, which are recognised directly in equity, is also recognised directly in equity and is subsequently recognised in the profit and loss account together with the deferred gain or loss.

Notes to the consolidated financial statements continued

FINANCIAL LIABILITIES

Financial liabilities at amortised cost

Financial liabilities at amortised cost include the following sub-categories: preference shares, other borrowed funds, debt securities in issue, subordinated loans, amounts due to banks and customer deposits and other funds on deposit.

Borrowings are recognised initially at their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds, net of transaction costs, and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

If the Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of the liability and the consideration paid is included in the profit and loss account.

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss comprise the following sub-categories: trading liabilities, non-trading derivatives and other financial liabilities designated at fair value through profit and loss by management. Trading liabilities include equity securities, debt securities, funds on deposit and derivatives. Designation by management will take place only if it eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis. ING Group has designated an insignificant part of the issued debt, related to market-making activities, at fair value through profit and loss. This issued debt consists mainly of own bonds. The designation as fair value through profit and loss eliminates the inconsistency in the timing of the recognition of gains and losses. All other financial liabilities are measured at amortised cost.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are initially recognised at fair value and subsequently measured at the higher of the discounted best estimate of the obligation under the guarantee and the amount initially recognised less cumulative amortisation to reflect revenue recognition principles.

INSURANCE, INVESTMENT AND REINSURANCE CONTRACTS

Provisions for liabilities under insurance contracts are established in accordance with IFRS 4 Insurance Contracts . Under IFRS 4, an insurer may continue its existing pre-IFRS accounting policies for insurance contracts, provided that certain minimum requirements are met. Upon adoption of IFRS in 2005, ING Group decided to continue the then existing accounting principles for insurance contracts under IFRS. ING Group operates in many different countries and the accounting principles for insurance contracts follow local practice in these countries. ING s businesses in the Netherlands apply accounting standards generally accepted in the Netherlands (Dutch GAAP) for its provisions for liabilities under insurance contracts; similarly, ING s businesses in the United States apply accounting standards generally accepted in the United States (US GAAP).

Changes in those local accounting standards (including Dutch GAAP and US GAAP) subsequent to the adoption of IFRS are considered for adoption on a case-by-case basis. If adopted, the impact thereof is accounted for as a change in accounting policy under IFRS.

In addition, for certain specific products or components thereof, ING applies the option in IFRS 4 to measure (components of) the provisions for liabilities under insurance contracts using market consistent interest rates and other current estimates and assumptions. This relates mainly to Guaranteed Minimum Withdrawal Benefits for Life on the Insurance US Closed Block VA book and certain guarantees embedded in insurance contracts in Japan.

Insurance contracts

Insurance policies which bear significant insurance risk and/or contain discretionary participation features are presented as insurance contracts. Provisions for liabilities under insurance contracts represent estimates of future payouts that will be required for life and non-life insurance claims, including expenses relating to such claims. For some insurance contracts the measurement reflects current market assumptions. Unless indicated otherwise below all changes in the insurance provisions are recognised in the profit and loss account.

Provision for life insurance

The Provision for life insurance is calculated on the basis of a prudent prospective actuarial method, taking into account the conditions for current insurance contracts. Specific methodologies may differ between business units as they may reflect local regulatory requirements and local practices for specific product features in the local markets.

Insurance provisions on traditional life policies are calculated using various assumptions, including assumptions on mortality, morbidity, expenses, investment returns and surrenders. Assumptions for insurance provisions on traditional life insurance contracts, including traditional whole life and term life insurance contracts, are based on best estimate assumptions including margins for adverse deviations. Generally, the assumptions are set initially at the policy issue date and remain constant throughout the life of the policy.

Notes to the consolidated financial statements continued

Insurance provisions for universal life, variable life and annuity contracts, unit-linked contracts, etc. are generally set equal to the balance that accrues to the benefit of the policyholders. Certain variable annuity products contain minimum guarantees on the amounts payable upon death and/or maturity. The insurance provisions include the impact of these minimum guarantees, taking into account the difference between the potential minimum benefit payable and the total account balance, expected mortality and surrender rates.

The as yet unamortised interest rate rebates on periodic and single premium contracts are deducted from the Provision for life insurance. Interest rate rebates granted during the year are capitalised and amortised in conformity with the anticipated recovery pattern and are recognised in the profit and loss account.

Provision for unearned premiums and unexpired insurance risks

The provision is calculated in proportion to the unexpired periods of risk. For insurance policies covering a risk increasing during the term of the policy at premium rates independent of age, this risk is taken into account when determining the provision. Further provisions are made to cover claims under unexpired insurance contracts, which may exceed the unearned premiums and the premiums due in respect of these contracts.

Claims provision

The claims provision is calculated on a case-by-case basis or by approximation on the basis of experience. Provisions have also been made for claims incurred but not reported (IBNR) and for future claims handling expenses. The adequacy of the Claims provision is evaluated each year using standard actuarial techniques. In addition, IBNR reserves are set to recognise the estimated cost of losses that have occurred but which have not yet been notified to the Group.

Deferred profit sharing

For insurance contracts with discretionary participation features a deferred profit sharing amount is recognised for the full amount of the unrealised revaluation on allocated investments. Upon realisation, the profit sharing on unrealised revaluation is reversed and a deferred profit sharing amount is recognised for the share of realised results on allocated investments that is expected to be shared with policyholders. The deferred profit sharing amount is reduced by the actual allocation of profit sharing to individual policyholders. The change in the deferred profit sharing amount on unrealised revaluation (net of deferred tax) is recognised in equity in the Revaluation reserve.

Provisions for life insurance for risk of policyholders

For insurance contracts for risk of policyholders the provisions are generally shown at the balance sheet value of the related investments.

Reinsurance contracts

Reinsurance premiums, commissions and claim settlements, as well as the reinsurance element of technical provisions are accounted for in the same way as the original contracts for which the reinsurance was concluded. If the reinsurers are unable to meet their obligations, the Group remains liable to its policyholders for the portion reinsured. Consequently, provisions are made for receivables on reinsurance contracts which are deemed uncollectable.

Adequacy test

The adequacy of the provision for life insurance, net of unamortised interest rate rebates, DAC and VOBA (the net insurance liabilities), is evaluated regularly by each business unit for the business originated in that business unit. The test considers current estimates of all contractual and related cash flows, and future developments. It includes investment income on the same basis as it is included in the profit and loss account.

If, for any business unit, it is determined, using a best estimate (50%) confidence level, that a shortfall exists, and there are no offsetting amounts within other business units in the Business Line, the shortfall is recognised immediately in the profit and loss account.

If, for any business unit, the net insurance liabilities are not adequate using a prudent (90%) confidence level, but there are offsetting amounts within other Group business units, then the business unit is allowed to take measures to strengthen the net insurance liabilities over a period no longer than the expected life of the policies. To the extent that there are no offsetting amounts within other Group business units, any shortfall at the 90% confidence level is recognised immediately in the profit and loss account.

If the net insurance liabilities are determined to be adequate at above the 90% confidence level, no reduction in the net insurance liabilities is recognised.

The adequacy test continues to be applied to businesses that are presented as discontinued operations; the relevant businesses continue to be evaluated as part of the adequacy test of the business line in which these were included before classification as discontinued operations.

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Since 2009, the Closed Block Variable Annuity business in the United States is inadequate at the 90% confidence level. As there are offsetting amounts within other Group business units, the Group remains adequate at the 90% confidence level. In line with the above policy, specific measures were defined to mitigate the inadequacy in the Closed Block Variable Annuity business in the United States. These specific measures are effective as of 2010 and result in a limitation of additions to DAC that would otherwise result from negative amortisation and unlocking. This limitation of DAC is applied on a quarterly basis and in any year if and when a reserve inadequacy existed at the start of the year. Net result in 2011 includes a charge to restore the adequacy of the Insurance US Closed Block VA segment to the 50% confidence level. Reference is made to Note 44 Underwriting expenditure .

Investment contracts

Insurance policies without discretionary participation features which do not bear significant insurance risk are presented as Investment contracts. Provisions for liabilities under investment contracts are determined either at amortised cost, using the effective interest method (including certain initial acquisition expenses) or at fair value.

OTHER LIABILITIES

Employee benefits pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses, and unrecognised past service costs. The defined benefit obligation is calculated annually by internal and external actuaries using the projected unit credit method.

The expected value of the assets is calculated using the expected rate of return on plan assets. Differences between the expected return and the actual return on these plan assets and actuarial changes in the deferred benefit obligation are not recognised in the profit and loss account, unless the accumulated differences and changes exceed 10% of the greater of the defined benefit obligation and the fair value of the plan assets. The excess is recognised in the profit and loss account over employees remaining working lives. The corridor was reset to nil at the date of transition to IFRS-IASB.

The value of any plan asset recognised is restricted to the sum of any past service costs not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as staff expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations

Some group companies provide post-employment healthcare and other benefits to certain employees and former employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

Other provisions

A provision involves a present obligation arising from past events, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits, however the timing or the amount is uncertain. Provisions are discounted when the effect of the time value of money is material using a pre-tax discount rate. The determination of provisions is an inherently uncertain process involving estimates regarding amounts and timing of cash flows.

Reorganisation provisions include employee termination benefits when the Group is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

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Notes to the consolidated financial statements continued

INCOME RECOGNITION

Gross premium income

Premiums from life insurance policies are recognised as income when due from the policyholder. For non-life insurance policies, gross premium income is recognised on a pro-rata basis over the term of the related policy coverage. Receipts under investment contracts are not recognised as gross premium income.

Interest

Interest income and expense are recognised in the profit and loss account using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets 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.

All interest income and expenses from trading positions and non-trading derivatives are classified as interest income and interest expenses in the profit and loss account. Changes in the clean fair value are included in Net trading income and Valuation results on non-trading derivatives.

Fees and commissions

Fees and commissions are generally recognised as the service is provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as income when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts as the service is provided. Asset management fees related to investment funds and investment contract fees are recognised on a pro-rata basis over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Fees received and paid between banks for payment services are classified as commission income and expenses.

Lease income

The proceeds from leasing out assets under operating leases are recognised on a straight-line basis over the life of the lease agreement. Lease payments received in respect of finance leases when ING Group is the lessor are divided into an interest component (recognised as interest income) and a repayment component.

EXPENSE RECOGNITION

Expenses are recognised in the profit and loss account as incurred or when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Share-based payments

Share-based payment expenses are recognised as a staff expense over the vesting period. A corresponding increase in equity is recognised for equity-settled share-based payment transactions. A liability is recognised for cash-settled share-based payment transactions. The fair value of equity-settled share-based payment transactions is measured at the grant date and the fair value of cash-settled share-based payment transactions is measured at each balance sheet date. Rights granted will remain valid until the expiry date, even if the share based payment scheme is discontinued. The rights are subject to certain conditions, including a pre-determined continuous period of service.

GOVERNMENT GRANTS

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, the grant is recognised over the period necessary to match the grant on a systematic basis to the expense that it is intended to compensate. In such case, the grant is deducted from the related expense in the profit and loss account.

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EARNINGS PER ORDINARY SHARE

Earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares outstanding. In calculating the weighted average number of ordinary shares outstanding:

- Own shares held by group companies are deducted from the total number of ordinary shares in issue;
- The computation is based on daily averages; and
- In case of exercised warrants, the exercise date is taken into consideration.

The non-voting equity securities are not ordinary shares, because their terms and conditions (especially with regard to coupons and voting rights) are significantly different. Therefore, the weighted average number of ordinary shares outstanding during the period is not impacted by the non-voting equity securities.

Diluted earnings per share data are computed as if all convertible instruments outstanding at year-end were exercised at the beginning of the period. It is also assumed that ING Group uses the assumed proceeds thus received to buy its own shares against the average market price in the financial year. The net increase in the number of shares resulting from the exercise is added to the average number of shares used to calculate diluted earnings per share.

Share options with fixed or determinable terms are treated as options in the calculation of diluted earnings per share, even though they may be contingent on vesting. They are treated as outstanding on the grant date. Performance-based employee share options are treated as contingently issuable shares because their issue is contingent upon satisfying specified conditions in addition to the passage of time.

FIDUCIARY ACTIVITIES

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

STATEMENT OF CASH FLOWS

The statement of cash flows is prepared in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. In the net cash flow from operating activities, the result before tax is adjusted for those items in the profit and loss account, and changes in balance sheet items, which do not result in actual cash flows during the year.

For the purposes of the statement of cash flows, Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, amounts due from other banks and amounts due to banks. Investments qualify as a cash equivalent if they are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash flows arising from foreign currency transactions are translated into the functional currency using the exchange rates at the date of the cash flows.

The net cash flow shown in respect of Loans and advances to customers relates only to transactions involving actual payments or receipts. The Addition to loan loss provision which is deducted from the item Loans and advances to customers in the balance sheet has been adjusted accordingly from the result before tax and is shown separately in the statement of cash flows.

The difference between the net cash flow in accordance with the statement of cash flows and the change in Cash and cash equivalents in the balance sheet is due to exchange rate differences and is accounted for separately as part of the reconciliation of the net cash flow and the balance sheet change in Cash and cash equivalents.

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2.1.2. NOTES TO CONSOLIDATED ANNUAL ACCOUNTS OF ING GROUP

ASSETS

1 CASH AND BALANCES WITH CENTRAL BANKS

Cash and balances with central banks

	2012	2011
Amounts held at central banks	**13,847**	26,481
Cash and bank balances	**3,671**	3,974
Short term deposits insurance operations	**139**	739
	17,657	31,194

Amounts held at central banks reflect on demand balances. In the last quarter of 2012, excess cash in the banking operations was used to redeem short-term professional funding.

2 AMOUNTS DUE FROM BANKS

Amounts due from banks

	Netherlands		International		Total	
	2012	2011	**2012**	2011	**2012**	2011
Loans and advances to banks	**14,527**	13,752	**22,775**	29,556	**37,302**	43,308
Cash advances, overdrafts and other balances	**1,227**	1,322	**552**	700	**1,779**	2,022
	15,754	15,074	**23,327**	30,256	**39,081**	45,330
Loan loss provisions			**28**	7	**28**	7
	15,754	15,074	**23,299**	30,249	**39,053**	45,323

Loans and advances to banks include balances (mainly short-term deposits) with central banks amounting to EUR 1,057 million (2011: EUR 2,704 million).

As at 31 December 2012, Amounts due from banks includes receivables with regard to securities which have been acquired in reverse repurchase transactions amounting to EUR 1,109 million (2011: EUR 2,925 million) and receivables related to finance lease contracts amounting to EUR 133 million (2011: EUR 76 million).

Reference is made to Note 24 Transfer of financial assets for information on securities lending as well as sale and repurchase transactions.

As at 31 December 2012, the non-subordinated receivables amounts to EUR 39,050 million (2011: EUR 45,304 million) and the subordinated receivables amounts to EUR 3 million (2011: EUR 19 million).

No individual amount due from banks has terms and conditions that materially affect the amount, timing or certainty of consolidated cash flows of the Group. For details on significant concentrations see Risk management section.

3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets at fair value through profit and loss

	2012	2011
Trading assets	**114,895**	123,688
Investment for risk of policyholders	**98,765**	116,438
Non-trading derivatives	**13,951**	17,159
Designated as at fair value through profit and loss	**4,760**	5,437
	232,371	262,722

Reference is made to Note 24 Transfer of financial assets for information on securities lending as well as sale and repurchase transactions.

Trading assets by type

	2012	2011
Equity securities	**5,307**	3,732
Debt securities	**17,472**	18,251
Derivatives	**55,166**	59,139
Loans and receivables	**36,950**	42,566
	114,895	123,688

Notes to the consolidated financial statements continued

As at 31 December 2012, Trading assets includes receivables of EUR 35,575 million (2011: EUR 40,904 million) with regard to reverse repurchase transactions.

Trading assets and trading liabilities include mainly assets and liabilities that are classified under IFRS as Trading but are closely related to servicing the needs of the clients of ING. ING Bank offers institutional and corporate clients and governments products that are traded on the financial markets. A significant part of the derivatives in the trading portfolio are related to servicing corporate clients in their risk management to hedge for example currency or interest rate exposures. In addition, ING Bank provides its customers access to equity and debt markets for issuing their own equity or debt securities (securities underwriting). Although these are presented as Trading under IFRS, these are related to services to ING s customers. Loans and receivables in the trading portfolio mainly relate to (reverse) repurchase agreements, which are comparable to collateralised borrowing (lending). These products are used by ING Bank as part of its own regular treasury activities, but also relate to the role that ING Bank plays as intermediary between different professional customers. Trading assets and liabilities held for ING s own risk are very limited. From a risk perspective, the gross amount of trading assets must be considered together with the gross amount of trading liabilities, which are presented separately on the balance sheet. However, IFRS does not allow netting of these positions in the balance sheet. Reference is made to Note 20 Financial liabilities at fair value through profit and loss for information on trading liabilities.

Investments for risk of policyholders by type

	2012	2011
Equity securities	**89,994**	105,580
Debt securities	**6,940**	9,612
Loans and receivables	**1,831**	1,246
	98,765	116,438

In 2012, the change in Investments for risk of policyholders is mainly the result of the income for the year as well as the classification as held for sale of ING s Insurance and investment management business in Asia. Reference is made to Note 11 Assets and liabilities held for sale .

Investments in investment funds (with underlying investments in debt, equity securities, real estate and derivatives) are included under equity securities.

Non-trading derivatives by type

	2012	2011
Derivatives used in:		
fair value hedges	**2,926**	3,192
cash flow hedges	**7,471**	6,641
hedges of net investments in foreign operations	**49**	141
Other non-trading derivatives	**3,505**	7,185
	13,951	17,159

Other non-trading derivatives mainly includes interest rate swaps for which no hedge accounting is applied.

Designated as at fair value through profit and loss by type

	2012	2011
Equity securities	**13**	45
Debt securities	**2,682**	2,967
Loans and receivables	**1,169**	1,000
Other	**896**	1,425
	4,760	5,437

Included in the Financial assets designated as at fair value through profit and loss is a portfolio of loans and receivables which is economically hedged by credit derivatives. The hedges do not meet the criteria for hedge accounting and the loans are recorded at fair value to avoid an accounting mismatch. The maximum credit exposure of the loans and receivables included in Financial assets designated as at fair value through profit and loss approximates its carrying value. The cumulative change in fair value of the loans attributable to changes in credit risk is not significant.

The notional value of the related credit derivatives is EUR 61 million (2011: EUR 64 million). The change in fair value of the credit derivatives attributable to changes in credit risk since the loans were first designated amounts was EUR 6 million (2011: EUR 1 million) and the change for the current year was EUR 3 million (2011: nil).

The changes in fair value of the (designated) loans attributable to changes in credit risk have been calculated by determining the changes in credit spread implicit in the fair value of bonds issued by entities with similar credit characteristics.

Other includes investments in private equity funds, hedge funds, other non-traditional investment vehicles and limited partnerships.

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4 INVESTMENTS

Investments by type

	2012	2011
Available-for-sale		
equity securities	**7,707**	9,305
debt securities	**185,877**	199,234
	193,584	208,539
Held-to-maturity		
debt securities	**6,545**	8,868
	6,545	8,868
	200,129	217,407

The fair value of the securities classified as held to maturity amounts to EUR 6,626 million as at 31 December 2012 (2011: EUR 8,835 million).

Exposure to debt securities

ING Group s exposure to debt securities is included in the following balance sheet lines:

Debt securities

	2012	2011
Available-for-sale investments	**185,877**	199,234
Held-to-maturity investments	**6,545**	8,868
Loans and advances to customers	**26,945**	29,117
Amounts due from banks	**3,386**	7,321
Available-for-sale investments and Assets at amortised cost	**222,753**	244,540
Trading assets	**17,472**	18,251
Investments for risk of policyholders	**6,940**	9,612
Designated as at fair value through profit and loss	**2,682**	2,967
Financial assets at fair value through profit and loss	**27,094**	30,830
	249,847	275,370

ING Group s total exposure to debt securities included in available-for-sale investments and assets at amortised cost of EUR 222,753 million (2011: EUR 244,540 million) is specified as follows by type of exposure and by banking and insurance operations:

Debt securities by type and balance sheet lines Available-for-sale investments and Assets at amortised cost (banking operations)

	Available-for-sale investments		Held-to-maturity investments		Loans and advances to customers		Amounts due from banks		Total Banking operations	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Government bonds	**48,007**	47,256	**330**	881	**7,641**	1,081			**55,978**	49,218
Covered bonds	**7,363**	6,537	**5,558**	7,209	**5,408**	7,468	**3,249**	6,591	**21,578**	27,805
Corporate bonds	**900**	1,088			**438**	425			**1,338**	1,513
Financial Institutions bonds	**14,094**	15,192	**301**	421	**91**	134	**137**	736	**14,623**	16,483
Bond portfolio (excluding ABS)	**70,364**	70,073	**6,189**	8,511	**13,578**	9,108	**3,386**	7,327	**93,517**	95,019
US agency RMBS	**426**	402							**426**	402
US prime RMBS	**12**	18							**12**	18
US Alt-A RMBS	**156**	156							**156**	156
US subprime RMBS	**23**	22							**23**	22
Non-US RMBS	**286**	1,127			**4,970**	9,551		6	**5,256**	10,672
CDO/CLO	**162**	55				416			**162**	471
Other ABS	**107**	441	**356**	357	**1,789**	2,190			**2,252**	2,988
CMBS	**109**	175			**285**	1,171			**394**	1,346
ABS portfolio	**1,281**	2,396	**356**	357	**7,044**	13,328		6	**8,681**	16,075
	71,645	72,469	**6,545**	8,868	**20,622**	22,436	**3,386**	7,321	**102,198**	111,094

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Debt securities by type and balance sheet lines Available-for-sale investments and Assets at amortised cost (insurance operations)

	Available-for-sale investments		Held-to-maturity investments		Loans and advances to customers		Amounts due from banks		Total Insurance operations	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Government bonds	**49,420**	54,732							**49,420**	54,732
Covered bonds	**996**	1,118							**996**	1,118
Corporate bonds	**43,072**	45,260							**43,072**	45,260
Financial Institutions bonds	**9,037**	11,700							**9,037**	11,700
Bond portfolio (excluding ABS)	**102,525**	112,810							**102,525**	112,810
US agency RMBS	**4,216**	5,228							**4,216**	5,228
US prime RMBS	**1,025**	1,380							**1,025**	1,380
US Alt-A RMBS	**284**	295							**284**	295
US subprime RMBS	**733**	752							**733**	752
Non-US RMBS	**215**	513			**3,745**	4,515			**3,960**	5,028
CDO/CLO	**129**	183			**290**	505			**419**	688
Other ABS	**1,441**	1,459			**1,997**	1,346			**3,438**	2,805
CMBS	**3,664**	4,145			**291**	315			**3,955**	4,460
ABS portfolio	**11,707**	13,955			**6,323**	6,681			**18,030**	20,636
	114,232	126,765			**6,323**	6,681			**120,555**	133,446

Debt securities by type and balance sheet lines Available-for-sale investments and Assets at amortised cost (total)

	Available-for-sale investments		Held-to-maturity investments		Loans and advances to customers		Amounts due from banks		Total Banking and Insurance operations	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Government bonds	**97,427**	101,988	**330**	881	**7,641**	1,081			**105,398**	103,950
Covered bonds	**8,359**	7,655	**5,558**	7,209	**5,408**	7,468	**3,249**	6,591	**22,574**	28,923
Corporate bonds	**43,972**	46,348			**438**	425			**44,410**	46,773
Financial Institutions bonds	**23,131**	26,892	**301**	421	**91**	134	**137**	736	**23,660**	28,183
Bond portfolio (excluding ABS)	**172,889**	182,883	**6,189**	8,511	**13,578**	9,108	**3,386**	7,327	**196,042**	207,829
US agency RMBS	**4,642**	5,630							**4,642**	5,630
US prime RMBS	**1,037**	1,398							**1,037**	1,398
US Alt-A RMBS	**440**	451							**440**	451
US subprime RMBS	**756**	774							**756**	774
Non-US RMBS	**501**	1,640			**8,715**	14,066		6	**9,216**	15,700
CDO/CLO	**291**	238			**290**	921			**581**	1,159
Other ABS	**1,548**	1,900	**356**	357	**3,786**	3,536			**5,690**	5,793
CMBS	**3,773**	4,320			**576**	1,486			**4,349**	5,806

ABS portfolio	**12,988**	16,351	**356**	357	**13,367**	20,009		6	**26,711**	36,711
	185,877	199,234	**6,545**	8,868	**26,945**	29,117	**3,386**	7,321	**222,753**	244,540

In connection with the divestment of ING Direct USA, ING completed in 2012 the restructuring of the agreement with the Dutch State concerning the Illiquid Assets Back-Up Facility (IABF). As a result of the restructuring, EUR 7.3 billion (USD 9.5 billion) of the loan due from the Dutch State was converted into Dutch Government Debt Securities. These debt securities are classified as Loans and advances to customers. The balance as at 31 December 2012 amounts to EUR 6.4 billion (USD 8.5 billion). Reference is made to Note 31 Companies acquired and companies disposed and Note 34 Related parties .

Asset backed security portfolio

The table below shows certain ABS (US Subprime RMBS, Alt-A RMBS, CMBS and CDO/CLOs). It includes exposures in all relevant balance sheet lines, including not only loans and advances and available-for-sale investments as disclosed above, but also financial assets designated as at fair value through profit and loss.

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Exposures, revaluations and losses on certain ABS bonds

	31 December 2012		Change in 2012			31 December 2011	
	Balance sheet value (1)	Pre-tax revaluation reserve	Changes through equity (pre-tax)	Changes through profit and loss (pre-tax)	Other changes	Balance sheet value (1)	Pre-tax revaluation reserve
US subprime RMBS	**756**	**35**	**155**		**173**	774	190
US Alt-A RMBS	**457**	**59**	**74**	**9**	**109**	501	15
CDO/CLO	**804**	**21**	**80**		**666**	1390	59
CMBS	**4,437**	**38**	**502**	**2**	**1,968**	5,901	464
Total	**6,454**	**83**	**811**	**7**	**2,916**	8,566	729

(1) For assets classified as loans and receivables: amortised cost; otherwise: fair value.
Other changes mainly relate to the de-risking program of ING and includes sales and redemptions of certain ABS bonds.

Reference is made to Note 35 Fair value of financial assets and liabilities for disclosure by fair value hierarchy and Note 38 Investment income for impairments on available-for-sale debt securities.

2012 Greece, Italy, Ireland, Portugal, Spain and Cyprus

In the first half of 2010 concerns arose regarding the creditworthiness of certain southern European countries, which later spread to a few other European countries. As a result of these concerns the value of sovereign debt decreased and exposures in those countries are being monitored closely. With regard to the sovereign debt crisis, ING Group s main focus is on Greece, Italy, Ireland, Portugal, Spain and Cyprus as these countries have either applied for support from the European Financial Stability Facility (EFSF) or receive support from the European Central Bank (ECB) via government bond purchases in the secondary market. For these countries, ING Group s main focus is on exposure to Government bonds and Unsecured Financial institutions bonds.

At 31 December 2012, ING Group s balance sheet value of Government bonds and Unsecured Financial institutions bonds to Greece, Italy, Ireland, Portugal, Spain and Cyprus and the related pre-tax revaluation reserve in equity was as follows:

Greece, Italy, Ireland, Portugal, Spain and Cyprus Government bonds and Unsecured Financial institutions bonds(1)

2012	**Balance sheet value**	**Pre-tax revaluation reserve**	**Pre-tax impairments (2)**	**Amortised cost value**	**Fair value of investments held-to-maturity**
Greece					
Government bonds available-for-sale	**76**	**31**		**45**	
Italy					
Government bonds available-for-sale	**2,337**	**63**		**2,400**	
Government bonds at amortised cost (loans)	**104**	**1**		**104**	

Financial institutions available-for-sale	**498**	**7**		**505**	
Financial institutions at amortised cost (held-to-maturity)	**30**			**30**	**31**
Ireland					
Government bonds available-for-sale	**55**	**1**		**54**	
Financial institutions available-for-sale	**30**			**30**	
Financial institutions at amortised cost (held-to-maturity)	**34**			**34**	**34**
Portugal					
Government bonds available-for-sale	**627**	**17**		**644**	
Financial institutions available-for-sale	**77**	**1**		**76**	
Spain					
Government bonds available-for-sale	**1,151**	**201**		**1,352**	
Government bonds at amortised cost (held-to-maturity)	**50**			**50**	**52**
Financial institutions available-for-sale	**99**		**11**	**110**	
Cyprus					
Government bonds available-for-sale	**13**	**5**		**18**	
Total	**5,181**	**261**	**11**	**5,452**	**117**

(1) Exposures are included based on the country of residence

Changes in the Balance sheet value are a result of sales and maturity of bonds and the PSI as explained below, which is offset by an increase in the Pre-tax revaluation reserve.

The revaluation reserve on debt securities includes EUR 7,977 million (pre-tax) related to Government bonds. This amount comprises EUR 255 million negative revaluation reserve for Government bonds from Greece, Italy, Ireland, Portugal, Spain and Cyprus, which is more than offset by EUR 8,232 million positive revaluation reserves for Government bonds from other countries.

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In the first quarter of 2012, the agreement under the Private Sector Involvement (PSI) to exchange Greek Government bonds into new instruments was executed. Under this exchange, ING received new listed Greek Government bonds (for a notional amount of 31.5% of the notional of the exchanged bonds, maturities between 2023 and 2042), listed European Financial Stability Facility (EFSF) notes (for a notional amount of 15% of the notional of the exchanged bonds, maturities of one to two years) and listed short-term EFSF notes (maturity of 6 months, in discharge of all unpaid interest accrued on the exchanged bonds). These new securities were recognised as available-for-sale instruments. Furthermore, ING received listed GDP-linked securities issued by Greece (notional equal to notional of the new Greek Government bonds, maturity 2042). The exchange was executed on 12 March 2012. The exchanged bonds were derecognised and the new instruments were recognised at fair value on the exchange date. The exchange resulted in a gain of EUR 15 million (Bank: EUR 22 million; Insurance: EUR 7 million) in the first quarter of 2012, being the difference between amortised cost (net of cumulative impairments) of the exchanged bonds and fair value of the new instruments at the date of exchange. This result is included in Investment income .

2011 Greece, Italy, Ireland, Portugal, Spain and Cyprus

At 31 December 2011, ING Group s balance sheet value of Government bonds and Unsecured Financial institutions bonds to Greece, Italy, Ireland, Portugal, Spain and Cyprus and the related pre-tax revaluation reserve in equity was as follows:

Greece, Italy, Ireland, Portugal, Spain and Cyprus Government bonds and Unsecured Financial institutions bonds[1]

2011	Balance sheet value	Pre-tax revaluation reserve	Pre-tax impairments (2)	Amortised cost value	Fair value of investments held-to-maturity
Greece					
Government bonds available-for-sale	255		940	1,195	
Italy					
Government bonds available-for-sale	2,033	443		2,476	
Government bonds at amortised cost (loans)	97			97	
Financial institutions available-for-sale	632	62		694	
Financial institutions at amortised cost (held-to-maturity)	30			30	28
Financial institutions at amortised cost (loans)	131			131	
Ireland					
Government bonds available-for-sale	43	10		53	
Financial institutions available-for-sale	59	1		60	
Financial institutions at amortised cost (held-to-maturity)	34			34	35
Financial institutions at amortised cost (loans)	122			122	
Portugal					
Government bonds available-for-sale	533	299		832	
Financial institutions available-for-sale	125	32		157	
Spain					
Government bonds available-for-sale	1,190	203		1,393	
Government bonds at amortised cost (held-to-maturity)	170			170	170
Financial institutions available-for-sale	258	35		293	
Financial institutions at amortised cost (loans)	85	1		86	
Cyprus					
Government bonds available-for-sale	12	7		19	
Total	5,809	1,093	940	7,842	233

(1) Exposures are included based on the country of residence.

(2) Pre-tax impairments relate to bonds held at 31 December 2011. In addition, EUR 38 million and EUR 189 million impairments were recognised in 2011 on Greek government bonds and Irish unsecured Financial institutions bonds that were no longer held at 31 December 2011. The total amount of impairments recognised on Greek Government bonds and Irish unsecured Financial institutions bonds in 2011 is therefore EUR 978 million and EUR 189 million as explained below.

The impact on ING Group s revaluation reserve in relation to sovereign and unsecured financial institutions debt was limited per 31 December 2011: the negative impact on countries most affected by the sovereign debt crisis is offset by opposite positive movements in bonds of financially stronger European countries and by the positive impact from lower interest rates in general. Furthermore, in the course of 2011, ING Group reduced its sovereign debt exposure to these countries.

On 21 July 2011 a Private Sector Involvement to support Greece was announced. This initiative involves a voluntary exchange of existing Greek government bonds together with a Buyback Facility. Based on this initiative, ING Group impaired its Greek government bonds maturing up to 2020 in the second quarter of 2011 (Bank: EUR 187 million, Insurance: EUR 123 million). The decrease in market value in the third quarter of 2011 of these impaired bonds was recognised as re-impairment (Bank: EUR 91 million, Insurance: EUR 70 million). Due to the outcome of the EC meeting on 26 October 2011, the Greek government bonds maturing from 2020 were impaired in the third quarter of 2011 (Bank: EUR 177 million, Insurance: EUR 130 million). ING Group impaired all its Greek Government bonds to market value at 31 December 2011. This resulted in a re-impairment in the fourth quarter of 2011 of EUR 200 million (Bank: EUR 133 million, Insurance:

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EUR 67 million), bringing the total impairments on Greek government bonds to EUR 978 million (Bank: EUR 588 million, Insurance: EUR 390 million). The total Greek government bond portfolio was written down by approximately 80%.

In 2011, ING Insurance recognised a total impairment of EUR 189 million on subordinated debt from Irish banks.

Reference is made to Note 35 Fair value of financial assets and liabilities for disclosure by fair value hierarchy and Note 38 Investment income for impairments on available-for-sale debt securities.

Further information on ING Group s risk exposure with regard to Greece, Italy, Ireland, Portugal, Spain and Cyprus is provided in the Risk management section.

Changes in available-for-sale and held-to-maturity investments

	Available-for-sale equity securities		Available-for-sale debt securities		Held-to-maturity		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Opening balance	**9,305**	9,754	**199,234**	212,793	**8,868**	11,693	**217,407**	234,240
Additions	**3,563**	1,525	**141,430**	222,020			**144,993**	223,545
Amortisation			**371**	226	**15**	14	**386**	240
Transfers and reclassifications		1,288						1,288
Changes in the composition of the group and other changes	**1,327**	188	**30,920**	23,232		444	**32,247**	23,864
Changes in unrealised revaluations	**1,082**	845	**10,346**	5,645			**11,428**	4,800
Impairments	**181**	253	**64**	1,485			**245**	1,738
Reversals of impairments			**8**	79			**8**	79
Disposals and redemptions	**4,737**	2,023	**132,681**	219,023	**2,308**	2,370	**139,726**	223,416
Exchange rate differences	**2**	47	**1,105**	2,663		3	**1,103**	2,713
Closing balance	**7,707**	9,305	**185,877**	199,234	**6,545**	8,868	**200,129**	217,407

In 2012, Changes in the composition of the group and other changes relates mainly to the classification of ING s Insurance and investment management businesses in Asia as a disposal group held for sale and the disposal of ING Direct Canada. Reference is made to Note 11 Assets and liabilities held for sale and Note 31 Companies acquired and companies disposed .

In 2011, Changes in the composition of the group and other changes relates mainly to the classification of ING Direct USA as a disposal group held for sale. Reference is made to Note 11 Assets and liabilities held for sale .

Reference is made to Note 38 Investment income for details on Impairments.

Transfers and reclassifications of available-for-sale and held-to-maturity investments

	Available-for-sale equity securities		Available-for-sale debt securities		Held-to-maturity		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011

To/from investment in associates	1,288	1,288
	1,288	1,288

In 2011, To/from investment in associates in relation to available-for-sale equity securities relates mainly to the real estate funds for which significant influence ceased to exist due to the sale of ING Real Estate Investment Management.

Reclassifications to Loans and advances to customers and Amounts due from banks (2009 and 2008)

Reclassifications out of available-for-sale investments to loans and receivables are allowed under IFRS-IASB as of the third quarter of 2008. In the second and first quarter of 2009 and in the fourth quarter of 2008 ING Group reclassified certain financial assets from Investments available-for-sale to Loans and advances to customers and Amounts due from banks. The Group identified assets, eligible for reclassification, for which at the reclassification date it had the intention to hold for the foreseeable future. The table below provides information on the three reclassifications made in the fourth quarter of 2008 and the first and second quarter of 2009. Information is provided for each of the three reclassifications (see columns) as at the date of reclassification and as at the end of the subsequent reporting periods (see rows). This information is disclosed under IFRS-IASB as long as the reclassified assets continue to be recognised in the balance sheet. Certain information on prior financial years was amended to reflect more detailed information that became available compared to previous years.

The decrease in the carrying value of the reclassified Loans and advances in 2012 compared to 2011 is mainly due to disposals as included in Note 38 Other Income .

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Reclassifications to Loans and advances to customers and Amounts due from banks

	Q2 2009	Q1 2009	Q4 2008
As per reclassification date			
Fair value	6,135	22,828	1,594
Range of effective interest rates (weighted average)	1.4% 24.8%	2.1% 11.7%	4.1% 21%
Expected recoverable cash flows	7,118	24,052	1,646
Unrealised fair value losses in shareholders equity (before tax)	896	1,224	69
Recognised fair value gains (losses) in shareholders equity (before tax) between the beginning of the year in which the reclassification took place and the reclassification date	173	nil	79
Recognised fair value gains (losses) in shareholders equity (before tax) in the year prior to reclassification	971	192	20
Recognised impairment (before tax) between the beginning of the year in which the reclassification took place and the reclassification date	nil	nil	nil
Recognised impairment (before tax) in the year prior to reclassification	nil	nil	nil
Impact on the financial years after reclassification:			
2012			
Carrying value as at 31 December	**1,694**	**8,707**	**443**
Fair value as at 31 December	**1,667**	**8,379**	**512**
Unrealised fair value losses recognised in shareholders equity (before tax) as at 31 December	**186**	**221**	**2**
Effect on shareholders equity (before tax) as at 31 December if reclassification had not been made	**27**	**328**	**69**
Effect on result (before tax) if reclassification had not been made	**nil**	**nil**	**nil**
Effect on result (before tax) for the year (interest income and sales result)	**47**	**164**	**22**
Recognised impairments (before tax)	**nil**	**nil**	**nil**
Recognised provision for credit losses (before tax)	**nil**	**nil**	**nil**
2011			
Carrying value as at 31 December	3,057	14,419	633
Fair value as at 31 December	2,883	13,250	648
Unrealised fair value losses recognised in shareholders equity (before tax) as at 31 December	307	446	8
Effect on shareholders equity (before tax) as at 31 December if reclassification had not been made	174	1,169	15
Effect on result (before tax) if reclassification had not been made	nil	nil	nil
Effect on result (before tax) for the year (mainly interest income)	90	390	28
Recognised impairments (before tax)	nil	nil	nil
Recognised provision for credit losses (before tax)	nil	nil	nil
2010			
Carrying value as at 31 December	4,465	16,906	857
Fair value as at 31 December	4,594	16,099	889
Unrealised fair value losses recognised in shareholders equity (before tax) as at 31 December	491	633	65
Effect on shareholders equity (before tax) as at 31 December if reclassification had not been made	129	807	32
Effect on result (before tax) if reclassification had not been made	nil	nil	nil
Effect on result (before tax) for the year (mainly interest income)	89	467	34

Recognised impairments (before tax)	nil	nil	nil
Recognised provision for credit losses (before tax)	nil	nil	nil
2009			
Carrying value as at 31 December	5,550	20,551	1,189
Fair value as at 31 December	5,871	20,175	1,184
Unrealised fair value losses recognised in shareholders equity (before tax) as at 31 December	734	902	67
Effect on shareholders equity (before tax) as at 31 December if reclassification had not been made	321	376	5
Effect on result (before tax) if reclassification had not been made	nil	nil	nil
Effect on result (before tax) after the reclassification until 31 December (mainly interest income)	121	629	n/a
Effect on result (before tax) for the year (mainly interest income)	n.a	n.a	47
Recognised impairments (before tax)	nil	nil	nil
Recognised provision for credit losses (before tax)	nil	nil	nil

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Reclassifications to Loans and advances to customers and Amounts due from banks (continued)

	Q2 2009	Q1 2009	Q4 2008
2008			
Carrying value as at 31 December			1,592
Fair value as at 31 December			1,565
Unrealised fair value losses recognised in shareholders equity (before tax) as at 31 December			79
Effect on shareholders equity (before tax) as at 31 December if reclassification had not been made			27
Effect on result (before tax) if reclassification had not been made			nil
Effect on result (before tax) after the reclassification until 31 December (mainly interest income)			9
Recognised impairments (before tax)			nil
Recognised provision for credit losses (before tax)			nil

Available-for-sale equity securities by banking and insurance operations

	Listed		Unlisted		Total	
	2012	2011	**2012**	2011	**2012**	2011
Banking operations	**1,944**	1,722	**690**	744	**2,634**	2,466
Insurance operations	**2,297**	3,807	**2,776**	3,032	**5,073**	6,839
	4,241	5,529	**3,466**	3,776	**7,707**	9,305

Debt securities by banking and insurance operations

	Available-for-sale		Held-to-maturity		Total	
	2012	2011	**2012**	2011	**2012**	2011
Banking operations	**71,645**	72,469	**6,545**	8,868	**78,190**	81,337
Insurance operations	**114,232**	126,765			**114,232**	126,765
	185,877	199,234	**6,545**	8,868	**192,422**	208,102

Reference is made to Note 24 Transfer of financial assets for information on securities lending as well as sale and repurchase transactions.

Borrowed debt securities are not recognised in the balance sheet and amount to nil (2011: EUR 466 million).

Investments in connection with the insurance operations with a combined carrying value of nil (2011: nil) did not produce any income for the year ended 31 December 2012.

5 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers by banking and insurance operations

	2012	2011
Banking operations	**536,600**	572,271
Insurance operations	**25,866**	32,972
	562,466	605,243
Eliminations	**5,566**	8,366
	556,900	596,877

Loans and advances to customers by type banking operations

	Netherlands		International		Total	
	2012	2011	**2012**	2011	**2012**	2011
Loans to, or guaranteed by, public authorities	**35,857**	29,281	**14,917**	25,867	**50,774**	55,148
Loans secured by mortgages	**153,594**	162,734	**152,369**	160,404	**305,963**	323,138
Loans guaranteed by credit institutions	**114**	379	**6,049**	8,260	**6,163**	8,639
Personal lending	**5,048**	5,012	**19,550**	19,389	**24,598**	24,401
Asset backed securities			**7,044**	13,328	**7,044**	13,328
Corporate loans	**42,891**	48,851	**104,644**	103,709	**147,535**	152,560
	237,504	246,257	**304,573**	330,957	**542,077**	577,214
Loan loss provisions	**2,445**	2,002	**3,032**	2,941	**5,477**	4,943
	235,059	244,255	**301,541**	328,016	**536,600**	572,271

The decrease in Loans and advances to customers, for the banking operations reflect the disposal of ING Direct Canada and the announced disposal of ING Direct UK (classified as held for sale).

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Notes to the consolidated financial statements continued

Loans and advances to customers analysed by subordination banking operations

	2012	2011
Non-subordinated	**536,390**	566,672
Subordinated	**210**	5,599
	536,600	572,271

Decrease in subordinated Loans and advances is due to the sale of ING Direct Canada.

Reference is made to Note 24 Transfer of financial assets for information on securities lending as well as sale and repurchase transactions.

Loans and advances to customers by type insurance operations

	Netherlands		International		Total	
	2012	2011	2012	2011	2012	2011
Policy loans	**38**	44	**1,704**	3,308	**1,742**	3,352
Loans secured by mortgages	**6,376**	6,450	**7,327**	7,692	**13,703**	14,142
Unsecured loans	**2,113**	2,187	**1,231**	5,135	**3,344**	7,322
Asset backed securities	**6,323**	6,681			**6,323**	6,681
Other	**338**	355	**527**	1,244	**865**	1,599
	15,188	15,717	**10,789**	17,379	**25,977**	33,096
Loan loss provisions	**68**	80	**43**	44	**111**	124
	15,120	15,637	**10,746**	17,335	**25,866**	32,972

As at 31 December 2012, Loans and advances to customers includes receivables with regard to securities which have been acquired in reverse repurchase transactions related to the banking operations amounting to EUR 320 million (2011: EUR 1,228 million).

No individual loan or advance has terms and conditions that materially affect the amount, timing or certainty of the consolidated cash flows of the Group. For details on significant concentrations see Risk management section.

Loans and advances to customers and Amounts due from banks include finance lease receivables, are detailed as follows:

Finance lease receivables

	2012	2011
Maturities of gross investment in finance lease receivables		
within 1 year	**4,969**	5,386
more than 1 year but less than 5 years	**8,926**	9,407

more than 5 years	**5,497**	5,875
	19,392	20,668
Unearned future finance income on finance leases	**2,996**	3,228
Net investment in finance leases	**16,396**	17,440
Maturities of net investment in finance lease receivables		
within 1 year	**4,310**	4,697
more than 1 year but less than 5 years	**7,673**	8,035
more than 5 years	**4,413**	4,708
	16,396	17,440
Included in Amounts due from banks	**133**	76
Included in Loans and advances to customers	**16,263**	17,364
	16,396	17,440

The allowance for uncollectable finance lease receivables includes in the loan loss provisions amounted to EUR 322 million as at 31 December 2012 (2011: EUR 223 million).

No individual finance lease receivable has terms and conditions that materially affect the amount, timing or certainty of the consolidated cash flows of the Group.

Notes to the consolidated financial statements continued

Loan loss provisions analysed by type banking operations

	Netherlands		International		Total	
	2012	2011	**2012**	2011	**2012**	2011
Loans to, or guaranteed by, public authorities		1	**2**	2	**2**	3
Loans secured by mortgages	**878**	503	**710**	712	**1,588**	1,215
Loans guaranteed by credit institutions		4	**30**	5	**30**	9
Personal lending	**144**	119	**650**	597	**794**	716
Asset backed securities			**76**	2	**76**	2
Corporate loans	**1,423**	1,375	**1,592**	1,630	**3,015**	3,005
	2,445	2,002	**3,060**	2,948	**5,505**	4,950
The closing balance is included in						
Amounts due from banks			**28**	7	**28**	7
Loans and advances to customers	**2,445**	2,002	**3,032**	2,941	**5,477**	4,943
	2,445	2,002	**3,060**	2,948	**5,505**	4,950

Changes in loan loss provisions

	Banking operations		Insurance operations		Total	
	2012	2011	**2012**	2011	**2012**	2011
Opening balance	**4,950**	5,195	**124**	117	**5,074**	5,312
Changes in the composition of the group	**13**	568	**4**	2	**17**	570
Write-offs	**1,682**	1,304	**39**	24	**1,721**	1,328
Recoveries	**142**	112		2	**142**	114
Increase in loan loss provisions	**2,125**	1,670	**29**	33	**2,154**	1,703
Exchange rate differences	**20**	83	**1**	2	**21**	85
Other changes	**37**	72			**37**	72
Closing balance	**5,505**	4,950	**111**	124	**5,616**	5,074

Increase in loan loss provisions relating to insurance operations is presented under Investment income. The Increase in the loan loss provisions relating to banking operations is presented under Addition to loan loss provisions on the face of the profit and loss account. Reference is made to the section Risk management .

In 2011, Changes in the composition of the group relates for EUR 565 million to the classification of ING Direct USA as a disposal group held for sale. Reference is made to Note 11 Assets and liabilities held for sale .

6 INVESTMENTS IN ASSOCIATES

Investments in associates

2012	Interest held (%)	Fair value of listed investment	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
TMB Public Company Limited	**30**	**607**	**595**	**16,474**	**15,118**	**433**	**339**
Sul America S.A.	**36**	**674**	**366**	**5,037**	**4,048**	**4,285**	**3,969**
CBRE Retail Property Fund Iberica LP	**29**		**129**	**1,423**	**964**	**22**	**75**
ING Real Estate Asia Retail Fund Ltd	**26**		**107**	**475**	**50**	**62**	**1**
CBRE Lionbrook Property Partnership LP	**20**		**102**	**577**	**77**	**31**	**23**
CBRE Property Fund Central Europe LP	**25**		**97**	**907**	**519**	**66**	**30**
CBRE French Residential Fund C.V.	**42**		**76**	**253**	**71**	**11**	**8**
CBRE Retail Property Fund France Belgium C.V.	**15**		**76**	**1,388**	**882**	**123**	**78**
CBRE Nordic Property Fund FGR	**14**		**55**	**1,057**	**674**	**19**	**68**
Other investments in associates			**600**				
			2,203				

Other investments in associates represents a large number of associates with an individual balance sheet value of less than EUR 50 million.

Accumulated impairments of EUR 39 million (2011: EUR 38 million) have been recognised.

The values presented in the table above could differ from the values presented in the individual annual accounts of the associates, due to the fact that the individual values have been brought in line with ING Group s accounting principles.

In general, the reporting dates of all significant associates are consistent with the reporting date of the Group. However, the reporting dates of certain associates can differ from the reporting date of the Group, but, no more than three months.

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Where the listed fair value is lower than the balance sheet value, an impairment review and an evaluation of the going concern basis has been performed.

Investments in associates

2011	Interest held (%)	Fair value of listed investment	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
TMB Public Company Limited	30	509	580	16,100	14,847	377	301
Sul America S.A.	36	641	394	5,353	4,292	3,941	3,662
CBRE Retail Property Fund Iberica LP	29		147	1,666	1,146	96	65
CBRE Lionbrook Property Partnership LP	20		102	604	92	50	17
CBRE Property Fund Central Europe LP	25		90	897	536	87	4
ING Real Estate Asia Retail Fund	26		87	868	512	81	37
CBRE French Residential Fund C.V.	42		78	249	65	24	8
The Capital (London) Fund	20		77	387	3	14	3
CBRE Retail Property Fund France Belgium C.V.	15		73	1,374	889	117	57
CBRE Nordic Property Fund FGR	14		60	1,079	662	92	67
CBRE Property Fund Central and Eastern Europe	21		51	747	509	122	57
Other investments in associates			631				
			2,370				

Changes in Investments in associates

	2012	2011
Opening balance	**2,370**	3,925
Additions	**26**	140
Changes in the composition of the group	**40**	16
Transfers to and from Investments		1,288
Revaluations	**10**	19
Share of results	**55**	241
Dividends received	**82**	174
Disposals	**92**	383
Impairments	**1**	20
Exchange rate differences	**23**	68
Closing balance	**2,203**	2,370

In 2011, Transfers to and from Investments relates mainly to the real estate funds for which significant influence ceased to exist due to the sale of ING Real Estate Investment Management, as disclosed in Note 31 Companies acquired and companies disposed .

In 2012, share of results of EUR 55 million (2011: EUR 241 million) and impairments of EUR 1 million (2011 EUR 20 million) are presented in the profit and loss account in Share of result from associates for EUR 54 million (2011 EUR 221 million).

7 REAL ESTATE INVESTMENTS

Changes in real estate investments

	2012	2011
Opening balance	**1,670**	1,900
Additions	**60**	32
Changes in the composition of the group	**92**	88
Transfers to and from Property in own use		31
Transfers to and from Other assets	**2**	
Fair value gains/(losses)	**59**	19
Disposals	**290**	118
Exchange rate differences	**1**	6
Closing balance	**1,288**	1,670

Real estate investments by banking and insurance operations

	2012	2011
Banking operations	**483**	716
Insurance operations	**805**	954
	1,288	1,670

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The total amount of rental income recognised in the profit and loss account for the year ended 31 December 2012 is EUR 162 million (2011: EUR 184 million). The total amount of contingent rent recognised in the profit and loss account for the year ended 31 December 2012 is nil (2011: nil).

The total amount of direct operating expenses (including repairs and maintenance) in relation to Real estate investments that generated rental income for the year ended 31 December 2012 is EUR 77 million (2011: EUR 101 million). The total amount of direct operating expenses (including repairs and maintenance) incurred on Real estate investments that did not generate rental income for the year ended 31 December 2012 is EUR 15 million (2011: EUR 3 million).

Real estate investments by year of most recent appraisal by independent qualified valuers

in percentages	**2012**	2011
Most recent appraisal in the current year	**99**	93
Most recent appraisal one year ago		7
Most recent appraisal two years ago	**1**	
	100	100

ING Group s exposure to real estate is included in the following balance sheet lines:

Real estate exposure

	2012	2011
Real estate investments	**1,288**	1,670
Investments in associates	**1,053**	1,193
Other assets property development and obtained from foreclosures	**1,220**	1,584
Property and equipment property in own use	**1,423**	1,535
Investments available-for-sale	**1,649**	1,773
	6,633	7,755

Furthermore, the exposure is impacted by third party interests, leverage in funds and off-balance commitments, resulting in an overall exposure of EUR 8.7 billion (2011: EUR 10.0 billion) of which EUR 3.3 billion (2011: EUR 4.1 billion) relates to banking operations and EUR 5.4 billion (2011: EUR 5.9 billion) relates to insurance operations. Reference is made to the section Risk management .

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8 PROPERTY AND EQUIPMENT

Property and equipment by type

	2012	2011
Property in own use	**1,423**	1,535
Equipment	**1,246**	1,345
Assets under operating leases	**5**	6
	2,674	2,886

Property in own use by banking and insurance operations

	2012	2011
Banking operations	**1,203**	1,244
Insurance operations	**220**	291
	1,423	1,535

Changes in property in own use

	2012	2011
Opening balance	**1,535**	1,642
Additions	**30**	41
Changes in the composition of the group	**25**	28
Transfers to and from Real estate investments		31
Transfers to and from Other assets	**1**	31
Depreciation	**25**	28
Revaluations	**30**	21
Impairments	**24**	29
Reversal of impairments	**7**	11
Disposals	**49**	27
Exchange rate differences	**5**	26
Closing balance	**1,423**	1,535
Gross carrying amount as at 31 December	**2,276**	2,366
Accumulated depreciation as at 31 December	**682**	674
Accumulated impairments as at 31 December	**171**	157
Net carrying value as at 31 December	**1,423**	1,535
Revaluation surplus		

Opening balance	**498**	528
Revaluation in year	**27**	28
Released in year	**1**	2
Closing balance	**470**	498

The cost or the purchase price amounted to EUR 1,806 million (2011: EUR 1,868 million). Cost or the purchase price less accumulated depreciation and impairments would have been EUR 953 million (2011: EUR 1,036 million) had property in own use been valued at cost instead of at fair value.

Property in own use by year of most recent appraisal by independent qualified valuers

in percentages	**2012**	2011
Most recent appraisal in the current year	**63**	54
Most recent appraisal one year ago	**11**	13
Most recent appraisal two years ago	**13**	10
Most recent appraisal three years ago	**8**	15
Most recent appraisal four years ago	**5**	8
	100	100

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Changes in equipment

	Data processing equipment		Fixtures and fittings and other equipment		Total	
	2012	2011	**2012**	2011	**2012**	2011
Opening balance	**363**	376	**982**	1,059	**1,345**	1,435
Additions	**187**	191	**206**	267	**393**	458
Changes in the composition of the group	**25**	11	**31**	29	**56**	40
Disposals	**7**	16	**15**	24	**22**	40
Depreciation	**181**	176	**226**	236	**407**	412
Impairments	**1**		**1**	1	**2**	1
Exchange rate differences	**4**	6	**6**	14	**10**	20
Other changes	**2**	5	**13**	40	**15**	35
Closing balance	**338**	363	**908**	982	**1,246**	1,345
Gross carrying amount as at 31 December	**1,623**	1,659	**2,579**	2,620	**4,202**	4,279
Accumulated depreciation as at 31 December	**1,284**	1,295	**1,671**	1,638	**2,955**	2,933
Accumulated impairments as at 31 December	**1**	1			**1**	1
Net carrying value as at 31 December	**338**	363	**908**	982	**1,246**	1,345

Changes in assets under operating leases

	Cars		Other leased-out assets		Total	
	2012	2011	**2012**	2011	**2012**	2011
Opening balance	**6**	3,053		2	**6**	3,055
Additions		1,188				1,188
Changes in the composition of the group		3,250				3,250
Disposals		43				43
Depreciation	**1**	594		2	**1**	596
Exchange rate differences		12				12
Transfer and other changes		336				336
Closing balance	**5**	6		0	**5**	6
Gross carrying amount as at 31 December	**9**	16			**9**	16
Accumulated depreciation as at 31 December	**4**	10			**4**	10
Net carrying value as at 31 December	**5**	6		0	**5**	6

In 2011, Changes in the composition of the group comprises the sale of ING Car Lease. Reference is made to Note 31 Companies acquired and companies disposed .

Transfer and other changes relates mainly to the transfer of cars under operating lease to Other assets due to the expiration of the lease contract.

Depreciation of assets under operating leases is included in the profit and loss account in Other income as a deduction from operating lease income.

No individual operating lease has terms and conditions that materially affect the amount, timing or certainty of the consolidated cash flows of the Group.

The Group leases assets to third parties under operating leases as lessor. The future minimum lease payments to be received under non-cancellable operating leases are as follows:

Future minimum lease payments by maturity

	2012	2011
Within 1 year	**1**	1
More than 1 year but less than 5 years	**2**	4
More than 5 years	**2**	1
	5	6

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9 INTANGIBLE ASSETS

Changes in intangible assets

	Value of business acquired		Goodwill		Software		Other		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Opening balance	**871**	1,320	**1,794**	2,765	**611**	754	**282**	533	**3,558**	5,372
Additions					**222**	207		2	**222**	209
Capitalised expenses	**83**	81			**146**	131			**229**	212
Amortisation and unlocking	**207**	244			**274**	391	**59**	87	**540**	722
Impairments			**48**	32	**4**	49	**3**	1	**55**	82
Effect of unrealised revaluations in equity	**140**	250							**140**	250
Changes in the composition of the group and other changes	**89**	43	**485**	727	**65**	24	**33**	139	**672**	933
Exchange rate differences	**5**	7	**43**	212	**6**	8	**2**	26	**46**	239
Disposals					**9**	9			**9**	9
Closing balance	**513**	871	**1,304**	1,794	**633**	611	**189**	282	**2,639**	3,558
Gross carrying amount as at 31 December	**1,977**	2,244	**1,966**	2,436	**2,144**	2,597	**493**	570	**6,580**	7,847
Accumulated amortisation as at 31 December	**1,464**	1,373			**1,476**	1,926	**256**	242	**3,196**	3,541
Accumulated impairments as at 31 December			**662**	642	**35**	60	**48**	46	**745**	748
Net carrying value as at 31 December	**513**	871	**1,304**	1,794	**633**	611	**189**	282	**2,639**	3,558

Amortisation of software and other intangible assets is included in the profit and loss account in Other operating expenses and Intangible amortisation and other impairments. Amortisation of VOBA is included in Underwriting expenditure.

Goodwill

Changes in Goodwill

In addition to exchange rate differences, changes in goodwill relate to impairments and changes in composition of the group.

2012 Impairment

In 2012, a goodwill impairment of EUR 48 million is recognised relating to the reporting unit Insurance Benelux. The reporting unit Insurance Benelux equals the segment Insurance Benelux. In the impairment test of Insurance Benelux, the IFRS book value (including goodwill) is compared to a valuation based on the surplus in the market consistent balance sheet and the market value of new business. These are commonly used metrics in the European insurance industry. During 2012, the book value of Insurance Benelux increased, mainly as a result of declining interest rates being reflected in the fair value of assets but with no corresponding increase in the IFRS book value of insurance liabilities. As the market value surplus (MVS) of Insurance Benelux did not increase similarly, the margin of MVS over IFRS book value, which supported the goodwill, became negative and, as a result, goodwill was fully impaired. This charge is included in the profit and loss account in the line Intangible amortisation and other impairments . Goodwill is recognised in the Corporate Line and, therefore, this charge is included in the segment reporting in Corporate Line Insurance.

2011 Impairment

In 2011, a goodwill impairment of EUR 32 million was recognised that related to the reporting unit Commercial Banking (ING Real Estate). During 2011, the ING Real Estate business changed significantly. The Real Estate Development business was reduced by selling/closing development projects and ING sold REIM (the ING Real Estate Investment Management business). As a consequence, there were indications in the fourth quarter of 2011 that the recoverable amount of the reporting unit ING Real Estate had fallen below book value. A full goodwill impairment review was performed for the reporting unit ING Real Estate in the fourth quarter of 2011. In 2011, the reporting unit Real Estate equals the segment Commercial Banking (ING Real Estate). However, as disclosed in Note 52 Segments , following the divestment of ING Real Estate Investment Management the remaining business was included in the segment Commercial Banking and the segment ING Real Estate ceased to exist. The 2010 impairment test for ING Real Estate showed that the recoverable amount based on fair value using market multiples for Price/Book was at least equal to book value. The outcome of the impairment test performed in the fourth quarter of 2011 indicated that the fair value had become less than book value by an amount that exceeded the goodwill of ING Real Estate, indicating that the full amount of goodwill relating to ING Real Estate was impaired. As a result, the goodwill of EUR 32 million (pre-tax) was impaired. The related charge was included in the profit and loss account in the line Intangibles amortisation and other impairments . Goodwill is recognised in the Corporate Line and, therefore, this charge was included in the segment reporting in Corporate Line Bank.

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2010 Impairment

Due to the unfavourable market circumstances for Insurance, including the low interest rate environment, there were indications in the third quarter of 2010 that the recoverable amount of the reporting unit Insurance US had fallen below carrying value. As a result, a full goodwill impairment review was performed for the reporting unit Insurance US in the third quarter of 2010. The reporting unit Insurance US equals the segment Insurance US as disclosed in Note 52 Segments . The 2009 impairment test for Insurance US showed that the recoverable amount based on fair value (using market multiples for Price/Book and Price/Earnings of listed peer companies) was at least equal to carrying value. The outcome of the impairment test performed in the third quarter of 2010 indicated that the fair value had become less than carrying value by an amount that exceeded the goodwill of Insurance US, indicating that the full amount of goodwill relating to Insurance US was impaired. Further analysis of the recoverable amount confirmed the impairment. As a result, the goodwill of EUR 540 million (pre-tax) was written down. The related charge was included in the profit and loss account in the line Intangibles amortisation and other impairments . Goodwill is recognised in the Corporate Line and, therefore, this charge was included in the segment reporting in Corporate Line Insurance.

2012 Changes in composition of the group and other changes

In 2012, Changes in composition of the group and other changes represents the reclassification of goodwill to Assets held for sale . This includes all goodwill that relates to businesses that were classified as held for sale. For 2012, the amount is EUR 485 million and relates to Insurance Korea (EUR 200 million), Investment Management Korea (EUR 180 million), Insurance India (EUR 41 million) and Investment Management Taiwan (EUR 48 million) for the insurance operations and ING Direct UK (EUR 16 million) for the banking operations. As businesses to which these goodwill amounts relate to are now classified as held for sale, the related goodwill is no longer evaluated at the level of the reporting unit to which it was allocated in the regular goodwill impairment test. Instead, it is reviewed as part of the valuation of the disposal unit that is presented as held for sale. Reference is made to Note 11 Assets and liabilities held for sale .

2011 Changes in composition of the group and other changes

In 2011, Changes in composition of the group and other changes related mainly to the disposal of ING Car Lease and the disposal of the Latin American operations. Furthermore, it includes EUR 97 million related to the classification of ING Direct USA as a disposal group held for sale.

Allocation of Goodwill to reporting units

After the above changes, the remaining goodwill is allocated to goodwill reporting units as follows:

Goodwill allocation to reporting units

	2012	2011
Retail Banking Netherlands	**1**	1
Retail Banking Belgium	**50**	50
Retail Banking Germany	**349**	349
Retail Banking Central Europe	**764**	739
Retail Banking International Other		48
Commercial Banking	**24**	15
Insurance Benelux		25
Insurance Central & Rest of Europe	**114**	112
Insurance Asia/Pacific South Korea		192
Insurance Asia/Pacific Rest of Asia		44
ING Investment Management		220

	1,304	1,794

The allocation of goodwill to reporting units was changed in 2012 as a consequence of the changes in segments as disclosed in Note 52 Segments . Comparatives for 2011 have been adjusted. This change did not impact the results of the impairment test.

Goodwill impairment testing

Goodwill is tested for impairment at the lowest level at which it is monitored for internal management purposes. This level is defined as the so called reporting units as set out above. Goodwill is tested for impairment by comparing the carrying value of the reporting unit to the best estimate of the recoverable amount of that reporting unit. The carrying value is determined as the IFRS-IASB net asset value including goodwill. The recoverable amount is estimated as the higher of fair value less cost to sell and value in use. Several methodologies are applied to arrive at the best estimate of the recoverable amount.

As a first step of the impairment test, the best estimate of the recoverable amount of reporting units to which goodwill is allocated is determined separately for each relevant reporting unit based on Price to Earnings, Price to Book, and Price to Assets under management ratios. The main assumptions in this valuation are the multiples for Price to Earnings, Price to Book and Price to Assets under management; these are developed internally but are either derived from or corroborated against market information that is related to observable transactions in the market for comparable businesses. Earnings and carrying values are equal to or derived from the relevant measure under IFRS-IASB.

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If the outcome of this first step indicates that the difference between recoverable amount and carrying value may not be sufficient to support the amount of goodwill allocated to the reporting unit, an additional analysis is performed in order to determine a recoverable amount in a manner that better addresses the specific characteristics of the relevant reporting unit.

Such additional analyses were performed for the goodwill that was concluded to be impaired as set out above. For other reporting units, the goodwill allocated to these reporting units was fully supported in the first step. For Retail Banking Central Europe, a second analysis was necessary in 2011. Although in 2012 the goodwill allocated to Retail Banking Central Europe was fully supported in the first step, the second test was performed in 2012 and confirmed the continued recognition of the related goodwill. In this second test for Retail Banking Central Europe, the recoverable amount is determined as the sum of the recoverable amounts of the most important components. For certain components, a market price is available based on listed equity securities. In such case, the listed market price is used to determine the recoverable amount. For certain other components, the recoverable amount is determined by a cash flow model taking into account recent market related developments. The most important assumptions in the model are the estimated expected profit based on internal financial budgets/forecasts (4 years medium term plan plus additional 6 years longer term forecast), the terminal growth rate thereafter (approximately 3.5%), the required capital level (ultimately migrating to approximately 12%) and the discount rate (between approximately 10% and 13%). It was concluded that the goodwill allocated to Retail Banking Central Europe is not impaired.

10 DEFERRED ACQUISITION COSTS

Changes in deferred acquisition costs

	Life insurance		Non-life insurance		Total	
	2012	2011	**2012**	2011	**2012**	2011
Opening balance	**10,165**	10,457	**39**	42	**10,204**	10,499
Capitalised	**1,659**	1,575	**15**	12	**1,674**	1,587
Amortisation and unlocking	**1,051**	1,689	**15**	13	**1,066**	1,702
Effect of unrealised revaluations in equity	**251**	526			**251**	526
Changes in the composition of the group	**5,765**	44	**3**	2	**5,768**	42
Exchange rate differences	**244**	304			**244**	304
Closing balance	**4,513**	10,165	**36**	39	**4,549**	10,204

For flexible life insurance contracts the growth rate assumption used to calculate the amortisation of the deferred acquisition costs for 2012 is 8.1% gross and 7.3% net of investment management fees (2011: 8.1% gross and 7.4% net of investment management fees). Percentages are based on the portfolios from continuing operations.

In 2012, Changes in the composition of the group relates mainly to the classification of ING s Insurance and investment management businesses in Asia as a disposal group held for sale. Reference is made to Note 11 Assets and liabilities held for sale .

In 2011, Amortisation and unlocking includes EUR 488 million relating to the assumption review for the Insurance US Closed Block Variable Annuity (VA) business. Reference is made to Note 44 Underwriting expenditure .

11 ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale includes disposal groups whose carrying amount will be recovered principally through a sale transaction rather than through continuing operations. This relates to businesses for which a sale is agreed upon but for which the transaction has not yet closed or a sale is highly probable at the balance sheet date but for which no sale has yet been agreed. As at 31 December 2012 this relates to ING s Insurance and investment management businesses in Asia and the reinsured Japan SPVA businesses in corporate reinsurance (Asia) and ING

Direct UK.

As at 31 December 2011 this related to ING Direct USA. The sale of ING Direct USA to Capital One was closed in February 2012. Reference is made to Note 31 Companies acquired and companies disposed .

The classification in 2012 of Asia as held for sale and discontinued operations relates to all of ING s Insurance and investment management businesses in Asia and the reinsured Japan SPVA businesses in corporate reinsurance. During 2012, the divestment of ING s insurance business in Malaysia was closed; as a result the insurance business in Malaysia is no longer consolidated as at 31 December 2012. Furthermore, several divestments were agreed that are expected to close or closed in 2013, including ING s insurance businesses in Hong Kong, Macau and Thailand and ING s investment management businesses in Thailand and Malaysia; these remain to be classified as held for sale as at 31 December 2012. Reference is made to Note 31 Companies acquired and companies disposed . In addition, several other businesses remain in held for sale, for which no divestments have yet been concluded; this includes mainly ING s Japanese, Korean and Taiwanese insurance and investment management businesses.

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ING continues to discuss various options for ING Life Japan, including its closed block VA business. However, the closing of sales of ING s other Asian insurance units may trigger a charge to strengthen reserves for the Japanese closed block VA under ING s reserve adequacy policy. ING measures reserve adequacy at the business line level, where excess reserves in other Asian business units currently offset a shortfall related to the Japanese closed block VA. As transactions close, if the aggregate reserves for the remaining businesses fall below a 50% confidence level, the shortfall must be recognised immediately in the profit and loss account. The reserve inadequacy for the Japanese insurance business, including the VA guarantees reinsured to ING Re, was approximately EUR 0.4 billion at the 50% confidence level at 31 December 2012. This is an inadequacy of approximately EUR 0.9 billion for the closed block VA, offset by a sufficiency of EUR 0.5 billion for the corporate-owned life insurance business. The nature and timing of any profit and loss charge from such reserve inadequacy depends on the closing of other divestments in Asia as well as various options currently under investigation for ING Life Japan. Further announcements will be made if and when appropriate. The above mentioned amounts refer to ING s reserve adequacy policy under IFRS which does not affect the local solvency positions of ING Life Japan nor ING Re.

Assets held for sale

	2012	2011
Cash and balances with central banks	**1,342**	4,980
Amounts due from banks	**123**	314
Financial assets at fair value through profit and loss	**26,688**	3
Available-for-sale investments	**24,805**	22,605
Held-to-maturity investments		444
Loans and advances to customers	**8,705**	31,805
Reinsurance contracts	**98**	
Investments in associates	**37**	
Property and equipment	**56**	75
Intangible assets	**176**	166
Deferred acquisition costs	**5,124**	
Other assets	**1,318**	2,091
	68,472	62,483

Liabilities held for sale

	2012	2011
Insurance and investments contracts	**51,198**	
Customer deposits and other funds on deposit	**14,207**	64,103
Financial liabilities at fair value through profit and loss	**2,081**	
Other liabilities	**2,409**	162
	69,895	64,265

Included in Shareholders equity is cumulative other comprehensive income of EUR 372 million (2011: EUR 244 million) related to Assets and liabilities held for sale.

Other potential divestments

In addition to the businesses presented as held for sale above, ING is considering potential divestments, including those that are listed under the European Commission Restructuring Plan in Note 34 Related parties . However, none of these businesses qualify as held for sale as at 31 December 2012 as the potential divestments are not yet available for immediate sale in their present condition and/or a sale is not yet highly probable to occur.

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Goodwill

Intangible assets under Assets held for sale includes goodwill that relates to businesses that are classified as held for sale. In 2012, EUR 485 million goodwill was reclassified to Assets held for sale. This relates to Insurance Korea (EUR 200 million), Investment Management Korea (EUR 180 million), Insurance India (EUR 41 million) and Investment Management Taiwan (EUR 48 million) for the insurance operations and ING Direct UK (EUR 16 million) for the banking operations.

For businesses classified as held for sale, the related goodwill is no longer evaluated at the level of the reporting unit to which it was allocated in the regular goodwill impairment test. Instead, it is reviewed as part of the valuation of the disposal unit that is presented as held for sale. In 2012, goodwill of EUR 180 million in Investment Management Korea, EUR 200 million in ING Life Korea, EUR 15 million in ING Vysya Life Insurance and EUR 16 million in ING Direct UK was written off, as the related businesses have been or are expected to be sold below IFRS book value. The related charge is included in the profit and loss account in Net result from classification as discontinued operation (for the Insurance and Investment Management businesses in Asia) and in Result on disposals of group companies (for ING Direct UK).

Remaining goodwill in Assets held for sale amounts to EUR 75 million and relates mainly to Investment Management Taiwan and ING Vysya Life Insurance. This goodwill is expected to be recovered through divestments at or above IFRS book value.

Fair value measurement

The fair value hierarchy of financial assets and liabilities (measured at fair value), which are presented as held for sale is included below. The fair value hierarchy consists of three levels, depending upon whether fair values were determined based on quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument (Level 3). Reference is made to Note 35 Fair value of financial assets and liabilities for more details on the fair value hierarchy.

Methods applied in determining fair values of financial assets and liabilities Held for sale

2012	Level 1	Level 2	Level 3	Total
Assets				
Trading assets	**18**			**18**
Investments for risk of policyholders	**22,452**		**116**	**22,568**
Non-trading derivatives		**1,447**		**1,447**
Financial assets designated as at fair value through profit and loss		**2,640**	**15**	**2,655**
Available-for-sale investments	**16,180**	**8,386**	**239**	**24,805**
	38,650	**12,473**	**370**	**51,493**
Liabilities				
Non-trading derivatives	**287**	**1,786**		**2,073**
Financial liabilities designated as at fair value through profit and loss		**8**		**8**
Investment contracts (for contracts carried at fair value)	**95**			**95**
	382	**1,794**		**2,176**

In 2012, there were no significant changes in Level 3 assets and liabilities.

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12 OTHER ASSETS

Other assets by type

	2012	2011
Reinsurance and insurance receivables	**1,763**	1,971
Deferred tax assets	**1,653**	2,801
Property development and obtained from foreclosures	**1,220**	1,584
Income tax receivable	**558**	542
Accrued interest and rents	**12,356**	14,387
Other accrued assets	**1,542**	2,200
Pension assets	**4,622**	3,762
Other	**5,189**	3,769
	28,903	31,016

Other includes EUR 2,630 million (2011: EUR 1,840 million) related to transactions still to be settled at balance sheet date.

Disclosures in respect of deferred tax assets and pension assets are provided in Note 21 Other liabilities .

Accrued interest and rents includes EUR 5,491 million (2011: EUR 6,388 million) accrued interest on assets measured at amortised cost under the IAS 39 classification Loans and receivables.

The total amount of borrowing costs relating to Property development and obtained from foreclosures, capitalised in 2012 is EUR 2 million (2011: EUR 7 million).

Reinsurance and insurance receivables

	2012	2011
Receivables on account of direct insurance from		
policyholders	**1,083**	1,238
intermediaries	**50**	67
Reinsurance receivables	**630**	666
	1,763	1,971

The allowance for uncollectable reinsurance and insurance receivables amounts to EUR 50 million as at 31 December 2012 (2011: EUR 66 million). The allowance is deducted from this receivable.

Property development and obtained from foreclosures

	2012	2011
Property under development	**163**	400
Property developed	**927**	1,055
Property obtained from foreclosures	**130**	129
	1,220	1,584
Gross carrying amount as at 31 December	**2,297**	2,720
Accumulated impairments as at 31 December	**1,077**	1,136
Net carrying value	**1,220**	1,584

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EQUITY

13 SHAREHOLDERS EQUITY (PARENT)/NON-VOTING EQUITY SECURITIES

Shareholders equity (parent)

	2012	2011	2010
Share capital	**919**	919	919
Share premium	**16,034**	16,034	16,034
Revaluation reserve	**10,476**	5,550	4,752
Currency translation reserve	**841**	93	79
Other reserves	**22,923**	19,856	15,935
Shareholders equity (parent)	**49,511**	42,452	37,719

The following equity components cannot be freely distributed: Revaluation reserve, Share of associates reserve (included in Other reserves), Currency translation reserve and the part of the Other reserves that relate to the former Stichting Regio Bank and the former Stichting Vakbondsspaarbank SPN.

As at 31 December 2012, Other reserves includes an amount of EUR 911 million (2011: EUR 836 million; 2010: EUR 741 million) related to the former Stichting Regio Bank and the former Stichting Vakbondsspaarbank SPN.

Share capital

	Ordinary shares (par value EUR 0.24)					
	Number x1,000			Amount		
	2012	2011	2010	2012	2011	2010
Authorised share capital	**14,500,000**	14,500,000	4,500,000	**3,480**	3,480	1,080
Unissued share capital	**10,668,439**	10,668,439	668,439	**2,561**	2,561	161
Issued share capital	**3,831,561**	3,831,561	3,831,561	**919**	919	919

No changes occurred in the issued share capital and share premium in 2012, 2011 and 2010.

Ordinary shares

All ordinary shares are in registered form. No share certificates have been issued. Ordinary shares may be transferred by means of a deed of transfer. A transfer of ordinary shares requires written acknowledgement by ING Groep N.V. The par value of ordinary shares is EUR 0.24. The authorised ordinary share capital of ING Groep N.V. currently consists of 14,500 million ordinary shares. It increased in 2011 from 4,500 million ordinary shares to 14,500 million ordinary shares as a result from an amendment made to the Articles of Association on 15 June 2011. As at 31 December 2012, 3,832 million of ordinary shares were issued and fully paid.

Depositary receipts for ordinary shares

More than 99.9% of the ordinary shares issued by ING Groep N.V. is held by Stichting ING Aandelen (ING Trust Office). In exchange for these shares, ING Trust Office has issued depositary receipts in bearer form for these shares. The depositary receipts are listed on various stock exchanges. Depositary receipts can be exchanged upon request of the holders of depositary receipts for (non-listed) ordinary shares without any restriction, other than payment of an administrative fee of EUR 0.01 per depositary receipt with a minimum of EUR 25 per exchange transaction.

The holder of a depositary receipt is entitled to receive from ING Trust Office payment of dividends and distributions corresponding to the dividends and distributions received by ING Trust Office on an ordinary share.

In addition, the holder of a depositary receipt is entitled to attend and to speak at the General Meeting of Shareholders of ING Groep N.V. either in person or by proxy. A holder of a depositary receipt, who thus attends the General Meeting of Shareholders, is entitled to vote as a proxy of the ING Trust Office but entirely at his own discretion for a number of shares equal to the number of his depositary receipts.

A holder of depositary receipts who does not attend the General Meeting of Shareholders in person or by proxy is entitled to give a binding voting instruction to the Trust Office for a number of shares equal to the number of his depositary receipts.

Depositary receipts for ordinary shares held by ING Group (Treasury shares)

As at 31 December 2012, 30.1 million (2011: 49.3 million; 2010: 51.3 million) depositary receipts for ordinary shares ING Groep N.V. with a par value of EUR 0.24 are held by ING Groep N.V. or its subsidiaries. These depositary receipts for ordinary shares were purchased to hedge option rights granted to the Executive Board members and other employees. In December 2010 ING Groep N.V. announced that it will no longer rebalance its hedge portfolio. This decision is an effort to simplify the management and administration of ING s various employee share and option programmes. The remaining shares in the hedge portfolio will be used to fund the obligations arising out of exercise and vesting. Once all shares in the hedge portfolio are used ING will fund these obligations by issuing new shares (subject to approval by Executive Board and Supervisory Board).

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Restrictions with respect to dividend and repayment of capital

ING Groep N.V. is subject to legal restrictions regarding the amount of dividends it can pay to the holders of its ordinary shares. Pursuant to the Dutch Civil Code, dividends can only be paid up to an amount equal to the excess of the company s own funds over the sum of the paid-up capital, and reserves required by law.

Moreover, ING Groep N.V. s ability to pay dividends is dependent on the dividend payment ability of its subsidiaries and associates. ING Groep N.V. is legally required to create a non-distributable reserve insofar profits of its subsidiaries and associates are subject to dividend payment restrictions which apply to those subsidiaries and associates themselves. Such restrictions may among others be of a similar nature as the restrictions which apply to ING Groep N.V.

Legally non-distributable reserves from ING Group s subsidiaries and associates are as follows:

2012	**ING Bank**	**ING Insurance**	**Other**	**Total**
Equity invested	**31,813**	**27,281**	**177**	**59,271**
Non-distributable reserves	**4,007**	**9,221**		**13,228**
	27,806	**18,060**	**177**	**46,043**

2011	ING Bank	ING Insurance	Other	Total
Equity invested	30,134	23,465	139	53,738
Non-distributable reserves	2,172	5,792		7,964
	27,962	17,673	139	45,774

2010	ING Bank	ING Insurance	Other	Total
Equity invested	31,266	20,134	9	51,409
Non-distributable reserves	2,756	4,004		6,760
	28,510	16,130	9	44,649

Furthermore there are restrictions to the ability of subsidiaries and associates to distribute reserves to ING Groep N.V. as a result of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate.

Minimum capital requirements for ING Group s subsidiaries and associates are as follows:

2012	**ING Bank**	**ING Insurance**	**Other**	**Total**
Equity invested	**31,813**	**27,281**	**177**	**59,271**
Regulatory capital invested	**47,116**	**23,322**		**70,438**

Required minimum regulatory capital	**28,767**	**9,523**		**38,290**
	18,349	**13,799**		**32,148**

2011	ING Bank	ING Insurance	Other	Total
Equity invested	30,134	23,465	139	53,738
Regulatory capital invested	47,123	21,406		68,529
Required minimum regulatory capital	31,107	9,515		40,622
	16,016	11,891		27,907

2010	ING Bank	ING Insurance	Other	Total
Equity invested	31,266	20,134	9	51,409
Regulatory capital invested	49,145	20,335		69,480
Required minimum regulatory capital	29,860	8,826		38,686
	19,285	11,509		30,794

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In addition to the legal and regulatory restrictions on distributing dividends from subsidiaries and associates to ING Groep N.V. there are various other considerations and limitations that are taken into account in determining the appropriate levels of equity in the Group s subsidiaries and associates. These considerations and limitations include, but are not restricted to, rating agency and regulatory views, which can change over time; it is not possible to disclose a reliable quantification of these limitations. Reference is also made to the Capital Management section.

Without prejudice to the authority of the Executive Board to allocate profits to reserves and to the fact that the ordinary shares are the most junior securities issued by ING Groep N.V., no specific dividend payment restrictions with respect to ordinary shares exist.

Furthermore, ING Groep N.V. is subject to legal restrictions with respect to repayment of capital to holders of ordinary shares. Capital may be repaid to the holders of ordinary shares pursuant to an amendment of ING Groep N.V. s Articles of Association whereby the ordinary shares are written down.

Pursuant to the Dutch Civil Code, capital may only be repaid if none of ING Groep N.V. s creditors opposes such a repayment within two months following the announcement of a resolution to that effect.

On a distribution of a dividend ING Groep N.V. is in principle required to withhold an income tax on dividends at a rate of 15%.

Changes in revaluation reserve

2012	**Property revaluation reserve**	**Available-for-sale reserve**	**Cash flow hedge reserve**	**Total**
Opening balance	**367**	**3,212**	**1,971**	**5,550**
Unrealised revaluations after taxation	**22**	**7,183**		**7,161**
Realised gains/losses transferred to profit and loss		**772**		**772**
Changes in cash flow hedge reserve			**718**	**718**
Transfer to insurance liabilities/DAC		**2,181**		**2,181**
Closing balance	**345**	**7,442**	**2,689**	**10,476**

Changes in revaluation reserve

2011	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	379	3,526	847	4,752
Unrealised revaluations after taxation	12	967		955
Realised gains/losses transferred to profit and loss		723		723
Changes in cash flow hedge reserve			1,124	1,124
Transfer to insurance liabilities/DAC		2,004		2,004
Closing balance	367	3,212	1,971	5,550

Changes in revaluation reserve

2010	Property revaluation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	411	1,683	372	2,466
Unrealised revaluations after taxation	32	3,401		3,369
Realised gains/losses transferred to profit and loss		86		86
Changes in cash flow hedge reserve			475	475
Transfer to insurance liabilities/DAC		1,644		1,644
Closing balance	379	3,526	847	4,752

Transfer to insurance liabilities/DAC includes the change in the deferred profit sharing liability (net of deferred tax). Reference is made to Note 17 Insurance and investment contracts, reinsurance contracts .

Changes in currency translation reserve

	2012	2011	2010
Opening balance	**93**	79	2,011
Unrealised revaluations after taxation	**142**	167	777
Realised gains/losses transferred to profit and loss	**68**		
Exchange rate differences	**724**	153	2,867
Closing balance	**841**	93	79

Unrealised revaluations after taxation relates to changes in the value of hedging instruments that are designated as net investment hedges.

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Changes in other reserves

2012	**Retained earnings**	**Share of associates reserve**	**Treasury shares**	**Other reserves**	**Total**
Opening balance	**24,592**	**1,290**	**665**	**5,361**	**19,856**
Result for the year	**3,259**				**3,259**
Unrealised revaluations after taxation	**79**				**79**
Changes in treasury shares			**255**		**255**
Transfer to share of associates reserve	**236**	**236**			
Employee stock options and share plans	**7**				**7**
Repurchase premium	**375**				**375**
Closing balance	**27,168**	**1,526**	**410**	**5,361**	**22,923**

The repurchase premium of EUR 375 million is paid in relation to the repayment of the EUR 750 million non-voting equity securities.

Changes in other reserves

2011	Retained earnings	Share of associates reserve	Treasury shares	Other reserves	Total
Opening balance	21,104	907	715	5,361	15,935
Result for the year	4,740				4,740
Unrealised revaluations after taxation	16				16
Changes in treasury shares			50		50
Transfer to share of associates reserve	383	383			
Employee stock options and share plans	115				115
Repurchase premium	1,000				1,000
Closing balance	24,592	1,290	665	5,361	19,856

The repurchase premium of EUR 1 billion is paid in relation to the repayment of the EUR 2 billion non-voting equity securities.

Changes in other reserves

2010	Retained earnings	Share of associates reserve	Treasury shares	Other reserves	Total
Opening balance	18,946	645	737	5,361	13,493
Result for the year	2,367				2,367
Unrealised revaluations after taxation	156	171			15
Changes in treasury shares			22		22

Transfer to share of associates reserve	91	91			
Employee stock options and share plans	36				36
Other	2				2
Closing balance	21,104	907	715	5,361	15,935

Changes in treasury shares

	Amount			Number		
	2012	2011	2010	**2012**	2011	2010
Opening balance	**665**	715	737	**49,305,917**	51,300,101	47,047,225
Purchased/sold	**86**	17	48	**14,554,460**	625,803	6,393,739
Share-based payments	**67**	19	23	**4,638,786**	1,368,381	2,140,863
Other	**102**	14	47			
Closing balance	**410**	665	715	**30,112,671**	49,305,917	51,300,101

Non-voting equity securities (Core Tier 1 securities)

On 12 November 2008, ING Groep N.V. issued one billion non-voting equity securities to the Dutch State at EUR 10 per non-voting equity security, resulting in an increase of ING Group s core Tier 1 capital of EUR 10 billion. The nominal value of each security is EUR 0.24. The non-voting equity securities do not form part of ING Groep N.V. s share capital; accordingly they do not carry voting rights in the General Meeting.

These non-voting equity securities are deeply subordinated and rank pari-passu with ordinary shares in a winding up of ING Groep N.V. On these non-voting equity securities a coupon was and is payable of the higher of EUR 0.85 per security and 125% of the dividend paid on each ordinary share over 2011 onwards (payable in 2012 onwards).

Notes to the consolidated financial statements continued

Further coupons are to be paid on 12 May of each year (the coupon date) in cash if the dividend on ordinary shares is paid in cash or to be paid in scrip securities in the event of a scrip dividend on ordinary shares. Coupons are only due and payable, on a non-cumulative basis and if a dividend is paid on ordinary shares over the financial year preceding the coupon date, either on an interim or a final dividend basis, provided that ING Group s capital adequacy position is and remains satisfactory both before and after payment in the opinion of the Dutch central bank.

In December 2009, ING repaid the first half of the non-voting equity securities (core Tier 1 securities) of EUR 5 billion plus a total premium of EUR 605 million. On 13 May 2011 ING exercised its option for early repayment of EUR 2 billion of the remaining non-voting equity securities (core Tier 1 securities). The total payment in May 2011 amounted EUR 3 billion and included a 50% repurchase premium. On 26 November 2012 ING repaid another EUR 1.125 billion also including a 50% repurchase premium. ING funded these repayments from retained earnings. ING intends to repay the remaining EUR 2.250 billion non-voting equity securities (core Tier 1 securities) in three equal tranches over the next 3 years. While ING has committed to redeem these securities per the defined schedule, ING has the ability to defer a repayment in full or in part, in which case the subsequent tranche will be increased with a corresponding amount. In the event that ING does not repay in full 2 consecutive repayment tranches or does not pay in total EUR 4.5 billion by 15 May 2015 (including the EUR 1.125 billion paid in 2012), the Dutch State will re-notify to the Commission who may in principle require compensatory measures. All repayments are conditional upon the approval of the Dutch central bank (DNB). The terms for the remaining non-voting equity securities, including restrictions on remuneration and corporate governance, remained unchanged. Reference is made to Note 34 Related parties .

Cumulative preference shares

Pursuant to the Articles of Association of ING Groep N.V. the authorised cumulative preference share capital consists of 4.5 billion cumulative preference shares, of which none have been issued. The par value of these cumulative preference shares is EUR 0.24.

The cumulative preference shares rank before the ordinary shares in entitlement to dividend and to distributions upon liquidation of ING Groep N.V.

The dividend on the cumulative preference shares will be equal to a percentage, calculated on the amount compulsorily paid up or yet to be paid up. This percentage shall be equal to the average of the Euro OverNight Index Average (EONIA) as calculated by the European Central Bank. During the financial year for which the distribution is made, this percentage is weighted on the basis of the number of days for which it applies, increased by 2.5 percentage points.

If and to the extent that the profit available for distribution is not sufficient to pay the dividend referred to above in full, the shortfall will be made up from the reserves insofar as possible. If, and to the extent that, the dividend distribution cannot be made from the reserves, the profits earned in subsequent years shall first be used to make up the shortfall before any distribution may be made on shares of any other category.

ING Groep N.V. s Articles of Association make provision for the cancellation of cumulative preference shares. Upon cancellation of cumulative preference shares and upon liquidation of ING Groep N.V., the amount paid up on the cumulative preference shares will be repaid together with the dividend shortfall in preceding years, insofar as this shortfall has not yet been made up.

Cumulative preference shares Restrictions with respect to dividend and repayment of capital

ING Groep N.V. is subject to legal restrictions regarding the amount of dividends it can pay to the holders of its cumulative preference shares, when issued. Pursuant to the Dutch Civil Code, dividends can only be paid up to an amount equal to the excess of the company s own funds over the sum of the paid-up capital, and reserves required by law.

Moreover, ING Groep N.V. s ability to pay dividends is dependent on the dividend payment ability of its subsidiaries. ING Groep N.V. is legally required to create a non-distributable reserve insofar profits of its subsidiaries are subject to dividend payment restrictions which apply to those subsidiaries themselves. Such restrictions may among others be of a similar nature as the restrictions which apply to ING Groep N.V. or may be the result of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, or other limitations which may exist in certain countries.

Without prejudice to the fact that the cumulative preference shares, when issued, will be junior securities of ING Groep N.V., no specific dividend payment restrictions with respect to the cumulative preference shares exist.

Furthermore, ING Groep N.V. is subject to legal restrictions with respect to repayment of capital to holders of cumulative preference shares. Capital may be repaid to the holders of cumulative preference shares pursuant to (i) an amendment of ING Groep N.V. s articles of association whereby the cumulative preference shares are written down or (ii) a resolution to redeem and cancel the cumulative preference shares.

Pursuant to the Dutch Civil Code, capital may only be repaid if none of ING Groep N.V. s creditors opposes such a repayment within two months following the announcement of a resolution to that effect.

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LIABILITIES

14 SUBORDINATED LOANS

Subordinated loans

				Notional amount in original currency				Balance sheet value	
Interest rate	Year of issue	First call date	Step-up	Total		Lent on to ING Bank	Lent on to ING Insurance	**2012**	2011
9.000%	2008	None		EUR	10			**10**	10
8.500%	2008	15 September 2013	No	USD	2,000	2,000		**1,508**	1,527
8.000%	2008	18 April 2013	No	EUR	1,500	1,050	450	**1,502**	1,500
7.375%	2007	15 October 2012	No	USD	1,500	500	1,000	**1,137**	1,176
6.375%	2007	15 June 2012	No	USD	1,045	1,045		**792**	804
5.140%	2006	17 March 2016	Yes	GBP	66	66		**81**	79
5.775%	2005	8 December 2015	Yes	USD	364	364		**288**	292
6.125%	2005	15 January 2011	No	USD	700	400	300	**529**	533
4.176%	2005	8 June 2015	Yes	EUR	169		169	**168**	168
Variable	2004	30 June 2014	No	EUR	555	555		**558**	527
6.200%	2003	15 January 2009	No	USD	500	500		**369**	376