

ING GROEP NV  
Form 20-F  
March 21, 2014  
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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**

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

**For the fiscal year ended 31 December 2013**

**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**

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(Jurisdiction of incorporation or organisation)

**ING Groep N.V.**

**Bijlmerplein 888**

**1102 MG Amsterdam**

**P.O. Box 1800, 1000 BV Amsterdam**

**The Netherlands**

(Address of principal executive offices)

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**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:**

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
American Depositary Shares, each representing one Ordinary Share	New York Stock Exchange
Ordinary Shares, nominal value EUR 0.24 per Ordinary Share and Bearer	
Depository 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

\* 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

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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	3,840,893,539
Bearer Depository receipts in respect of Ordinary Shares	3,840,344,224

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. 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  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. 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  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  Other

by the International Accounting Standards Board

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  No



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In this Annual Report, and unless otherwise stated or the context otherwise dictates, references to ING Groep N.V. , ING Groep and ING Group refer to ING Groep N.V. and references to ING , the Company , the Group , we and us refer to ING Groep N.V. and its consolidated subsidiaries. ING Groep N.V.'s primary insurance and banking subsidiaries are NN Group N.V. (formerly ING Verzekeringen N.V. together with its consolidated subsidiaries, NN Group ) 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. \$ 1.3763, 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 3 March 2014.

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 2013 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. 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 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.

IFRS-EU also differs from IFRS-IASB with regard to the effective date of IFRS 10 Consolidated Financial Statements , IFRS 11 Joint Arrangements and IFRS 12 Disclosure of interests in Other Entities ; these standards are effective under IFRS-EU as of 1 January 2014, whereas they have been effective under IFRS-IASB as of 1 January 2013. The implementation of IFRS 10, 11 and 12 does not impact Total equity and Net result. Reference is made to Note 2.1 to the consolidated financial statements. The transition guidance for the adoption of IFRS 10, IFRS 11 and IFRS 12 provides a relief from full retrospective application whereby an entity need only make a retrospective adjustment for the annual period immediately preceding the date of initial application of these standards. Therefore, all information for 2011 is not adjusted for IFRS 10, IFRS 11 and IFRS 12 and is prepared on the same basis as in prior years.

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.

The revised IAS 19 for Employee Benefits came into effect on 1 January 2013. The most significant change relates to the accounting for defined benefit pension obligations and the corresponding plan assets, requiring unrealised

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actuarial gains and losses to be reflected immediately in equity. 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. The net impact on ING Group's shareholders' equity as at 1 January 2013 was EUR -2.6 billion. The changes in IAS 19 are implemented retrospectively; as a result comparative figures for the previous periods have been restated. Reference is made to Note 2.1 to the consolidated financial statements.

ING's Insurance and investment management businesses in the U.S., Latin America and Asia (excluding Japan) are classified as discontinued operations (for more information, see Item 4. Information on the Company Changes in the Composition of the Group). The results of the discontinued operations for the year and for comparative years are presented separately from continuing operations in the profit and loss account.

IFRS 9 Financial Instruments was originally issued in November 2009, reissued in October 2010, and then amended in November 2013. Further amendments are expected to be finalised in 2014. The current version of IFRS 9 does not include a mandatory effective date. An effective date will be added when all phases of the project are complete and a final version of IFRS 9 is issued. The mandatory effective date of IFRS 9 will be no earlier than 2017. Implementation of IFRS 9, if and when completed, may have a significant impact on Shareholders' equity, Net result and/or Other comprehensive income.

For Subsequent events reference is made to Note 60 of Note 2.1 to the consolidated financial statements.

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.



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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 2013.

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,					
	2013 U.S.\$ <sup>(1)</sup>	2013 EUR	2012 <sup>(7)</sup> EUR	2011 <sup>(4)(7)(8)</sup> EUR	2010 <sup>(4)(7)(8)</sup> EUR	2009 <sup>(4)(7)(8)</sup> EUR
	(in millions, except amounts per share and ratios)					
<b>IFRS-IASB Consolidated Income Statement Data</b>						
Continuing operations						
Income from banking operations:						
Interest income	72,263	52,505	61,297	66,181	69,687	79,850
Interest expense	56,039	40,717	49,329	52,724	56,271	67,475
Net interest result	16,224	11,788	11,968	13,457	13,417	12,375
Commission income	3,082	2,239	2,133	2,496	2,633	2,660
Investment and Other income	4,231	3,074	1,145	573	1,090	-3,546
<b>Total income from banking operations</b>	<b>23,536</b>	<b>17,101</b>	<b>15,246</b>	<b>16,526</b>	<b>17,139</b>	<b>11,489</b>
Income from insurance operations:						
Premium income	13,116	9,530	10,706	11,292	11,017	16,441
Commission income	862	626	550	637	596	673
Investment and Other income	1,349	980	1,690	4,661	4,287	2,737
<b>Total income from insurance operations</b>	<b>15,327</b>	<b>11,136</b>	<b>12,946</b>	<b>16,590</b>	<b>15,900</b>	<b>19,852</b>
<b>Total income <sup>(2)</sup></b>	<b>38,684</b>	<b>28,107</b>	<b>28,044</b>	<b>32,764</b>	<b>32,703</b>	<b>31,005</b>
Total expenditure from banking operations	15,284	11,105	11,756	11,892	11,916	13,154
Total expenditure from insurance operations	15,441	11,219	13,218	16,146	15,304	19,976
<b>Total expenditure <sup>(2)(3)</sup></b>	<b>30,456</b>	<b>22,194</b>	<b>24,826</b>	<b>27,688</b>	<b>26,884</b>	<b>32,794</b>
Result before tax from banking operations	8,252	5,996	3,491	4,634	5,223	-1,665
Result before tax from insurance operations	-114	-83	-272	443	596	-124
<b>Result before tax continuing operations</b>	<b>8,138</b>	<b>5,913</b>	<b>3,218</b>	<b>5,076</b>	<b>5,819</b>	<b>-1,789</b>
Taxation	2,029	1,474	780	1,050	1,296	-749
<b>Net result from continuing operations</b>	<b>6,107</b>	<b>4,439</b>	<b>2,438</b>	<b>4,026</b>	<b>4,523</b>	<b>-1,040</b>
Net result from discontinued operations	322	234	1,191	810	-2,067	-766
Minority interests	132	96	103	82	96	-126
<b>Net result from continuing and discontinued operations</b>	<b>6,299</b>	<b>4,577</b>	<b>3,526</b>	<b>4,754</b>	<b>2,360</b>	<b>-1,680</b>

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Addition to shareholders equity	6,299	4,577	3,526	4,754	2,360	-1,939
Coupon payable on non-voting equity securities <sup>(5)</sup>						259
Net result attributable to equity holders of the Company						-935
Basic earnings per share <sup>(6)</sup>	1.46	1.06	0.76	0.85	0.51	-0.85
Diluted earnings per share <sup>(6)</sup>	1.46	1.06	0.76	0.85	0.51	-0.85
Dividend per Ordinary Share <sup>(6)</sup>						
Number of Ordinary Shares outstanding (in millions)	3,836.9	3,836.9	3,801.4	3,782.3	3,780.3	3,784.5

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	Year ended 31 December,					
	2013 U.S.\$ <sup>(1)</sup>	2013 EUR	2012 <sup>(7)</sup> EUR	2011 <sup>(4)(7)(8)</sup> EUR	2010 <sup>(4)(7)(8)</sup> EUR	2009 <sup>(4)(7)(8)</sup> EUR
<b>(in billions, except amounts per share and ratios)</b>						
<b>IFRS-IASB Consolidated Balance Sheet Data</b>						
Total assets	1,481.7	1,076.6	1,157.9	1,274.2	1,239.3	1,156.9
Investments:						
Banking	110.1	80.0	80.8	83.8	110.9	105.5
Insurance	84.0	61.0	119.3	133.6	123.3	106.6
<b>Total</b>	<b>194.1</b>	<b>141.0</b>	<b>200.1</b>	<b>217.4</b>	<b>234.2</b>	<b>212.1</b>
Loans and advances to customers	725.3	527.0	556.9	596.9	608.9	575.3
Insurance and investment contracts:						
Life	145.3	105.6	213.8	262.1	255.5	226.2
Non-life	5.0	3.6	3.5	3.5	3.6	3.5
Investment contracts	3.3	2.4	12.6	13.2	12.0	11.3
<b>Total</b>	<b>153.6</b>	<b>111.6</b>	<b>230.0</b>	<b>278.8</b>	<b>271.1</b>	<b>241.0</b>
Customer deposits and other funds on deposit:						
Savings accounts of the banking operations	398.9	289.8	277.8	291.5	324.6	304.1
Other deposits and bank funds	253.9	184.5	177.2	176.0	186.8	165.4
<b>Total</b>	<b>652.8</b>	<b>474.3</b>	<b>455.0</b>	<b>467.5</b>	<b>511.4</b>	<b>469.5</b>
Amounts due to banks	37.6	27.3	38.7	72.2	72.9	84.2
Shareholders' equity	58.4	42.4	46.9	42.8	39.6	32.6
Non-voting equity securities	2.1	1.5	2.3	3.0	5.0	5.0
Shareholders' equity per Ordinary Share <sup>(6)</sup>	15.22	11.06	12.35	11.31	10.48	8.61
Share capital in number of shares (in millions)	3,840.9	3,840.9	3,831.6	3,831.6	3,831.6	3,831.6

- (1) Euro amounts have been translated into U.S. dollars at the exchange rate of \$ 1.3763 to EUR 1.00, the noon buying rate in New York City on 3 March 2014 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 ING. U.S., Insurance/IM Asia (excluding Japan) and Insurance Latin America have been transferred to Result from discontinued operations . The figures of this period have been restated to reflect the transfer of Life Japan and the Japanese Closed Block VA guarantees from discontinued to continuing operations of NN Group. For details on Discontinued operations, see Note 36 of Note 2.1 to the consolidated financial statements.
- (5) For details of the agreements with the Dutch State, see Note 58 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 finalised 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 37 of Note 2.1 to the consolidated financial statements. The effect of dilutive securities is adjusted as well.

- (7) The comparative figures of this period have been restated to reflect the new pension accounting requirements under IFRS which took effect on 1 January 2013, see Note 2.1 to the consolidated financial statements.
- (8) Periods prior to 2012 are not restated for IFRS 10/11/12.

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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.

<b>Calendar Period</b>	<b>U.S. dollars per euro</b>			
	<b>Period End<sup>(1)</sup></b>	<b>Average Rate<sup>(2)</sup></b>	<b>High</b>	<b>Low</b>
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
2013	1.3779	1.3303	1.3816	1.2774

(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.

	<b>High</b>	<b>Low</b>
September 2013	1.3537	1.3120
October 2013	1.3810	1.3490
November 2013	1.3606	1.3357
December 2013	1.3816	1.3552
January 2014	1.3682	1.3500
February 2014	1.3806	1.3507

The Noon Buying Rate for euros on 31 December 2013 was EUR 1.00 = U.S. \$ 1.3779 and the Noon Buying Rate for euros on 3 March 2014 was EUR 1.00 = U.S. \$ 1.3763.



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*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 values 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 risk of resurgence of turbulence and ongoing volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, our business, financial condition and results of operations, and Market conditions observed over the past few years may increase the risk of loans being impaired. We are exposed to declining property values on the collateral supporting residential and commercial real estate lending below.

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

- changes in the treatment of deferred acquisition costs ( DAC );
- reserve inadequacies, which could ultimately be realised through profit and loss and shareholders equity;
- the write-down of tax assets impacting net results and or equity;
- impairment expenses related to goodwill and other intangible assets, impacting net results;
- movements in risk weighted assets for the determination of required capital;
- changes in credit valuation adjustments and debt valuation adjustments; and/or
- additional costs related to maintenance of higher liquidity buffers.

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

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

The capital and credit markets have continued to experience substantial volatility and disruption over the past few years, after having reached unprecedented levels in the second half of 2008 through most of 2010. Adverse capital market conditions may affect the availability and cost of borrowed funds, thereby impacting our ability to support and/or grow our businesses.

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

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

In the course of 2008 and 2009, governments around the world, including the Dutch government, implemented unprecedented measures to provide assistance to financial institutions, in certain cases requiring (indirect) influence on or changes to governance and remuneration practices. In certain cases, governments nationalised companies or parts thereof. The measures adopted in the Netherlands include both emergency funding and capital reinforcement, and a Dutch Credit Guarantee Scheme. The liquidity and capital reinforcement measures expired on 10 October 2009, and the Credit Guarantee Scheme of the Netherlands expired on 31 December 2010. Our participation in certain of these measures has resulted in certain material restrictions on us, including those required by the European Commission ( EC ) as part of our Restructuring Plan. See Risks Related to the Restructuring Plan The implementation of the Restructuring Plan and the divestments 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 recent years that, if implemented, would hinder our ability to manage our liquidity in a centralised manner. Furthermore, regulatory liquidity requirements in certain jurisdictions in which we operate are generally becoming more stringent, including those forming part of the Basel III requirements discussed further below under . We operate in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations governing our business may reduce our profitability , undermining our efforts to maintain this centralised management of our liquidity. These developments may cause trapped pools of liquidity, 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.

***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 by, or the severe distress of, other market participants. Such distress of, or default by, an influential financial institution could disrupt securities markets or clearance and settlement systems and lead to a chain of defaults by other financial institutions because the commercial and financial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Even the perceived

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lack of creditworthiness of a sovereign or financial institution (or a default by any such entity) may lead to market-wide liquidity problems and losses or defaults by us or by other institutions. This risk is sometimes referred to as systemic risk and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom we interact on a daily basis and financial instruments of sovereigns in which we invest. Systemic risk could have a material adverse effect on our ability to raise new funding and on our business, financial condition, results of operations, liquidity and/or prospects. In addition, such distress or failure could impact future product sales as a potential result of reduced confidence in the financial services industry.

***We may incur losses as a result of unforeseen and/or catastrophic events, which are inherently unpredictable, and the actual claim amount in our life and non-life insurance and reinsurance businesses 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 financial condition and 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. The occurrence of such events could create economic and financial disruptions and lead to operational difficulties that could impair our ability to manage our business and may adversely affect our assets under management ( AUM ), results of operations and financial condition. Claims resulting from catastrophic events 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, we are subject to actuarial and underwriting risks such as 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 assurance that our actual claim amount will not exceed our estimated claim reserves. If actual claim amounts exceed the estimated claim reserves, our earnings may be reduced and our financial condition and net results may be adversely affected.

There can be no assurance that our business continuation and crisis management plan or insurance coverage would be effective in mitigating any negative effects on operations or profitability in the event of a disaster, nor can we provide assurance that the business continuation and crisis management plans of the independent distributors and outside vendors on whom we rely for certain services and products would be effective in mitigating any negative effects on the provision of such services and products in the event of a disaster.

See below under Risks Related to the Group's Business, Operations, and Regulatory Environment Operational risks, such as systems disruptions or failures, breaches of security, cyberattacks, human error, changes in operational practices or inadequate controls may adversely impact our business and reputation for more information on other operations risks we face.

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

*profitability.*

We are subject to detailed banking, 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 our business, which may include liquidity, capital adequacy, permitted investments, ethical issues, money laundering, anti-terrorism measures, privacy, recordkeeping, product and sale suitability, marketing and sales practices, remuneration policies and our own internal governance practices. Also, regulators and other supervisory authorities in the European Union ( EU ), the United States ( U.S. ) and elsewhere continue to scrutinise payment processing and other transactions and activities of the financial services industry through laws and regulations governing such matters as money laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures.

In light of current conditions in the global financial markets and the global economy, regulators around the world have increased their focus on the regulation of the financial services industry. Most of the principal markets where we conduct our business have adopted, or are currently in the implementation phase of, major legislative and/or regulatory initiatives in response to the financial crisis. Governmental and regulatory authorities in the Netherlands, the United Kingdom, the U.S. and elsewhere have implemented, or are in the process of implementing measures to increase regulatory control in their respective financial markets and financial services sectors, including, among

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others, in the areas of prudential rules, liquidity and capital requirements, executive compensation, crisis and contingency management, bank levies and financial reporting. Additionally, governmental and regulatory authorities in the Netherlands as well as in a multitude of jurisdictions where we conduct our business continue to consider new mechanisms to limit the occurrence and/or severity of future economic crises (including proposals to restrict the size of financial institutions operating in their jurisdictions and/or the scope of operations of such institutions).

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

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. However, we cannot predict whether or when future legislative or regulatory actions may be taken, or what impact, if any, actions taken to date or in the future could have on our business, results of operations and financial condition. Regulation is becoming increasingly more extensive and complex and the industries in which we operate are increasingly coming under the scrutiny of regulators, and affected companies, including ING, are required to meet the demands, which often necessitate additional resources. These regulations can limit our activities, among others, through stricter net capital, customer protection and market conduct requirements and restrictions on businesses in which we can operate or invest.

Despite our efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, there are a number of risks in areas where applicable regulations may be unclear, subject to multiple interpretations or under development, or where regulations may conflict with one another, or where regulators revise their previous guidance or courts overturn previous rulings, which could result in our failure to meet applicable standards. Regulators and other authorities have the power to bring administrative or judicial proceedings against us, which could result, among other things, in suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action, which could materially harm our results of operations and financial condition. If we fail to address, or appear to fail to address, any of these matters appropriately, our reputation could be harmed and we could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages brought against us or subject us to enforcement actions, fines and penalties. See Item 4. Information on the Company Important Developments in Regulation and Supervision and Item 4. Information on the Company Regulation and Supervision .

*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 introduced a countercyclical buffer as an extension of the capital conservation buffer, which would allow national

regulators to require banks to hold more capital during periods of high credit growth (to strengthen capital reserves and moderate the debt markets). Further, Basel III has strengthened the definition of capital that will have the effect of disqualifying many hybrid securities, including those issued by the Group, from inclusion in regulatory capital, as well as the higher capital requirements for trading, derivative and securitisation activities as part of a number of reforms to the Basel II framework. In addition, the Basel Committee and the Financial Stability Board ( FSB ) published measures in October 2011 that would have the effect of requiring higher loss absorbency capacity, liquidity surcharges, exposure limits and special resolution regimes for, and instituting more intensive and effective supervision of, systemically important financial institutions ( SIFIs ) and so-called Global SIFIs ( G-SIFIs ), in addition to the Basel III requirements otherwise applicable to most financial institutions. The implementation of these measures began in 2012, and full implementation is targeted for 2019. ING Bank was designated by the Basel Committee and the FSB as one of the global systemically important banks ( G-SIBs ), forming part of the G-SIFIs, in 2011, 2012 and 2013, and by the Dutch Central Bank (*De Nederlandsche Bank N.V.*, DNB ) and the Dutch Ministry of Finance as a domestic SIFI in November 2011. The Basel III proposals and their potential impact are monitored via semi-annual monitoring exercises in which ING Bank participates. As a result of such monitoring exercises and ongoing discussions within the regulatory environment, revisions have been made to the original Basel III proposals as was the case with the revised Liquidity Coverage Ratio in January 2013 and the revised Net Stable Funding Ratio and Leverage Ratio in January 2014. It remains to be seen whether further amendments to the 2010 framework and standards will be made by the Basel Committee in the coming years.



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For European banks, the Basel III requirements will be implemented through the so-called Capital Requirements Regulation and Capital Requirements Directive IV ( CRD IV Regulation and CRD IV Directive , respectively), which were adopted by the EC in June 2013 following approval by the European Parliament in April 2013. The CRD IV Regulation entered into force on 28 June 2013 and the CRD IV Directive on 17 July 2013, and all banks and investment firms in the EU (as opposed to the scope of the Basel III requirements, which apply to internationally active banks ) are required to apply the new rules from 1 January 2014 in phases, with full implementation by 1 January 2019. While the full impact of these rules, and any additional requirements for SIFIs or G-SIFIs, if and as applicable to the Group, will depend on how the CRD IV Directive will be transposed into national laws in each Member State, including the extent to which national regulators and supervisors can set more stringent limits and additional capital requirements or surcharges, as well as on the economic and financial environment at the time of implementation and beyond, we expect these rules to have a material impact on ING s operations and financial condition and they 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 and 2013, which changes include a package of amendments to the accounting requirements for financial instruments announced in November 2013, introducing a new hedge accounting model and allowing changes to address the so-called own credit issue that were already included in IFRS 9 Financial Instruments that would replace IAS 39, the accounting standard heavily criticized in the wake of the financial crisis. Such changes could also have a material impact on our reported results and financial condition, as well as on how we manage our business, internal controls and disclosure.

### *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/EC). 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 EC 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 Level I Framework Directive. Level 2 measures will be issued by the EC (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. On 14 November 2013, the EC announced that an agreement had been reached between the European Parliament, the EC and the European Council on the Omnibus II Directive , which, once adopted, will amend certain aspects of the original Solvency II Directive. Notably, the proposal for the Omnibus II Directive contains important provisions that would allow the insurance industry to continue offering long-term guaranteed products (typically life insurance policies being paid out in a lump sum when the policyholder reaches a certain age or in the form of annuities) and ensure that insurance companies in general and life assurance companies in particular can match these long-term liabilities with investments in long-term assets, such as infrastructure projects. The European Parliament and the EC further agreed that the new rules of Solvency II (including the amendments introduced by the Omnibus II Directive) should apply as of 1 January 2016. In addition, the EC 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. There continues to be 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. 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.

*Theoretical Solvency Criterion regulation in the Netherlands (also known as Solvency 1.5)*

In anticipation of the more risk-based approach under Solvency II, the Dutch legislator has, inter alia, subjected Dutch life insurance companies to the Theoretical Solvency Criterion ( TSC ) (also known as Solvency 1.5), which reflects a minimum solvency margin required in certain stress scenarios. The TSC is calculated on an annual basis, and the scenario analysis is based on specific risks, including interest rate risk, equity risk, spread risk, property risk, longevity risk and mortality risk. The TSC applies to NN's life insurance business in the Netherlands. If the solvency position of the relevant NN life insurance entity is below the TSC, DNB is entitled to require that a declaration of no objection be obtained from DNB before making any distributions of capital (including dividends) and reserves to the Company. In determining whether to give that approval, DNB must be satisfied that the life insurance company will have sufficient available regulatory capital for at least the following 12 months. Available regulatory capital is

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determined on a market-based basis under the Dutch Financial Supervision Act and is therefore subject to fluctuations. There is a risk that the entities that conduct NN's life insurance business may not meet the TSC and that DNB may not permit those entities to distribute dividends or reserves to the Company. This could affect the Company's ability to meet its obligations to its creditors. In addition, the TSC may make it more difficult for NN to attract capital than those of its peers that are not subject to such similar requirements under their local laws. DNB has used, and may use, its discretionary powers to give instructions on the application of the Company's funds to strengthen the capital position of its Dutch regulated subsidiaries to levels above minimum regulatory capital requirements, which has affected, and will affect, the ability of the Company to meet its obligations to its creditors. The TSC is also relatively new legislation and there is uncertainty as to how it will be interpreted and implemented by DNB, with the risk that DNB interprets and implements the requirements in a manner that is more onerous for NN Group than NN Group currently anticipates.

*EU Insurance Guarantee Scheme*

In July 2010, the EC 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 EU with which they do business were to become insolvent. Though the mechanisms for providing any such protections remain under review by the EC, the European Parliament and the Member States, the EC 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 2013, 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.

*Single Supervisory Mechanism*

In October 2013, the European Council adopted a single supervisory mechanism (SSM), to be composed of national competent authorities and the European Central Bank (ECB), as part of the prospective EU banking union. In the SSM, a significant part of the prudential regulatory powers will be transferred from national authorities of the participating Member States to the ECB and that the ECB will assume direct responsibility for a significant part of the prudential supervision of ING Bank and its holding company, ING Group. On 23 October 2013, the ECB announced details of a comprehensive assessment of large banks to be conducted in cooperation with national supervisory authorities of Member States participating in the SSM. The assessment, which consists of a risk assessment, an asset quality review and a stress test, started in November 2013 and is expected to be conducted over a twelve-month period in preparation of the ECB assuming full responsibility for supervision as part of the SSM in November 2014. ING Bank is among the seven Dutch institutions to be covered by the assessment (out of more than 120 institutions overall). The SSM will create a new system of financial supervision for countries within the Eurozone, with the possibility of non-Eurozone Member States participating by means of close cooperation. While it is at this stage difficult to identify what exact impact the SSM will have 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.

*Dodd-Frank Act*

On 21 July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank or Dodd-Frank Act) was signed into law in the U.S. The Dodd-Frank Act effects comprehensive changes to the regulation of financial services in the U.S. and has implications for non-U.S. financial institutions with a U.S. presence, such as ING.

Dodd-Frank directs existing and newly created government agencies and bodies to perform studies and promulgate a multitude of regulations implementing the law, 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 and impact the Group's business, credit or financial strength ratings, results of operations, cash flows or financial condition or liquidity. Key aspects of Dodd-Frank that we have identified to date as possibly having an impact on the Group include:

Title VII of Dodd-Frank creates a new framework for regulation of the over-the-counter derivatives markets and certain market participants which could affect various activities of the Group and its subsidiaries. New margin and capital requirements for market participants that will be contained in final regulations to be adopted by the SEC and U.S. Commodity Futures Trading Commission ( CFTC ) could substantially increase the 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 that we do not hedge. In addition, new position limits requirements for market participants that may be contained in final regulations to be adopted by the CFTC could limit the scope of hedging activity that is permitted for commercial end users, limiting their ability to utilize certain of our products, and could also limit the scope of our ability to provide derivatives products for our non-end user customers.

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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 U.S. 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, including participating in the FSOC s decisions regarding insurers (potentially including the Group and its subsidiaries) to be designated for stricter regulation by the Federal Reserve. The FIO may recommend enhanced regulations to states.

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.

On December 10, 2013, various federal agencies approved a final rule implementing Section 619 of Dodd-Frank, commonly referred to as the Volcker Rule and which places limitations and restrictions on the ability of U.S. FDIC insured depository institutions and non-U.S. banks with branches or agencies in the U.S. that become subject to the U.S. Bank Holding Company Act, as well as their affiliates, to engage in certain proprietary trading or sponsor and invest in private equity and hedge funds. Such organisations will have until 21 July 2015 to comply fully with most requirements of the Volcker Rule, with an important exception for organisations with significant trading activities, which will be required to report information on their trading activities beginning in July 2014. In the event that we or one of our affiliates becomes subject to the Volcker Rule, our investment activities could be so restricted. It is expected that we will experience significant additional compliance and operational costs and may be prohibited from engaging in certain activities we currently conduct if the Volcker Rule becomes applicable to us and our affiliates.

For instance, ING Group s wholly owned subsidiary, ING Bank, may from time to time consider whether to establish a branch office in the U.S. If ING Bank were to establish a U.S. branch, we would be subject to supervision and regulation by the Federal Reserve under various laws and various restrictions on our activities under those laws, including the Bank Holding Company Act of 1956, as amended, and the International Banking Act of 1978, and, as a consequence, such supervision and regulation, including such restrictions on activities could materially impact our operations. These would include, among others, the Volcker Rule and heightened supervisory requirements and prudential standards.

Dodd-Frank also includes various securities law reforms that may affect the Group s business practices and the liabilities and/or exposures associated therewith, including a provision intended to authorise the SEC to impose on broker-dealers fiduciary duties to their customers, as 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. In 2011, the SEC staff released a study on this issue, and members of the SEC s Investor Advisory Committee voted in November 2013 to recommend the proposal implementing a uniform fiduciary standard for most brokers and registered investment advisers to the SEC.

Although the full impact of Dodd-Frank cannot be determined until the various studies mandated by the law are conducted and regulations are adopted and implemented, 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

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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 July 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.

Some countries, including the Netherlands, have entered into, and other countries are expected to enter into, agreements ( intergovernmental agreements or IGAs ) with the United States to facilitate the type of information reporting required under FATCA. While the existence of IGAs 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 time frame set by the U.S. tax authorities. However, if the Group cannot enter into such agreements or satisfy the requirements thereunder (including as a result of local laws in non-IGA countries prohibiting information-sharing with the IRS, as a result of contracts or local laws prohibiting withholding on certain payments to 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 and 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.

*Bank Recovery and Resolution Regimes*

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

second category of measures can be applied if the stability of the financial system is in serious and immediate danger as a result of the situation of a Dutch financial institution and includes measures intended to safeguard the stability of the financial system as a whole. This set of measures grants the authority to the Minister of Finance to take immediate measures or proceed to expropriation of assets of or shares in the capital of failing financial institutions. 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. This resulted in a charge of EUR 304 million for ING Bank, to be paid in the first three quarters of 2014.

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

The Intervention Act will need to be amended following the implementation of the Recovery and Resolution Directive . This is a draft legislative proposal aimed at harmonising national rules on bank recovery and resolution and on which the European Council and the European Parliament reached a political agreement in December 2013.



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The Recovery and Resolution Directive 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, the resolution authorities' power to take early intervention measures and the establishment of a European system of financing arrangements. The Recovery and Resolution Directive confers extensive resolution powers to the resolution authorities, including the power to require the sale of (part of a) business, to establish a bridge institution, to separate assets and to take bail-in measures. The draft Recovery and Resolution Directive will need to be formally adopted by the European Council and the European Parliament and is expected to enter into force on 1 January 2015. The stated aim of the Recovery and Resolution Directive is to provide supervisory authorities, including the relevant Dutch resolution authority, with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

Among the powers proposed to be granted to supervisory authorities under the Recovery and Resolution Directive include, among others, the introduction of a statutory write-down and conversion power and a bail-in power, which would give the relevant Dutch resolution authority the power to (i) cancel existing shares and/or dilute existing shareholders by converting relevant capital instruments or eligible liabilities into shares of the surviving entity and (ii) cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include certain securities that have been or will be issued by ING) of a failing financial institution and/or to convert certain debt claims (which could include certain securities that have been or will be issued by ING) into another security, including ordinary shares of the surviving group entity, if any. It is currently contemplated that the majority of measures (including the write-down and conversion powers relating to Tier 1 capital instruments and Tier 2 capital instruments) set out in the draft Recovery and Resolution Directive will be implemented with effect from 1 January 2015, with the bail-in power for other eligible liabilities (which could include any securities that have been issued or will be issued by ING, that are not Tier 1 or Tier 2 capital instruments) expected to be introduced by 1 January 2016. However, the draft Recovery and Resolution Directive is not in final form, and changes could be made to it in the course of the final legislative process and anticipated implementation dates could change.

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

There remains uncertainty regarding the ultimate nature and scope of these powers and, when implemented, how they would affect us and the securities that have been issued or will be issued by us. Accordingly, it is not yet possible to assess the full impact of the draft Recovery and Resolution Directive on ING and on holders of any securities issued or to be issued by ING, and there can be no assurance that, once it is implemented, the manner in which it is implemented or the taking of any actions by the relevant Dutch resolution authority currently contemplated in the draft Recovery and Resolution Directive would not adversely affect the rights of holders of the securities issued or to be issued by ING, the price or value of an investment in such securities and/or ING's ability to satisfy its obligations under such securities.

Further, the CRD IV Regulation states that if the Recovery and Resolution Directive is not adopted by 31 December 2015, the EC should review and report whether the CRD IV Regulation should be amended so as to include write-down and conversion powers in order to ensure that relevant capital instruments fully absorb losses at the point of non-viability of the issuing institution and before any other resolution action is taken. There is a risk that such an amendment would result in any securities issued or to be issued by ING that constitute relevant capital instruments

being used to absorb losses on the occurrence of a non-viability event.

Finally, as part of the road towards a full banking union, on 10 July 2013, the EC published a draft Regulation for a Single Resolution Mechanism ( SRM ) with the aim to have a Single Resolution Board to be responsible for key decisions on how a bank subject to SSM supervision is to be resolved if a bank has irreversible financial difficulties and cannot be wound up under normal insolvency proceedings without destabilizing the financial system. The SRM is expected to enter into force in 2015.

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

ING 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 and is updated at least annually. Furthermore during 2013, ING Bank submitted information on the basis of which the Dutch Resolution Authorities will be able to develop a Resolution Plan.

**Table of Contents***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 operations 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. Restrictions related to the Core Tier 1 Securities and the IABF (together, the Dutch State Transactions ) and the Restructuring Plan are further described in Risks related to the Restructuring Plan .

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 2013, 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.

In February 2013, the EC 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 financial transaction tax zone ( FTT-zone ), currently limited to 11 participating Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain). The initial proposal foresaw the financial transaction tax for the 11 participating Member States entering into effect on 1 January 2014, which would have then required us to pay a tax on transactions in financial instruments with parties (including Group affiliates) located in such FTT-zone. However, in November 2013, it was agreed among the representatives of the 11 Member States that the tax would not come into force until 2015 as participating governments remain divided on key details of the levy. The actual implementation date would thus depend on the future approval by the European Council and consultation of other EU institutions, and the subsequent transposition into local law. Depending on its final form, the introduction of an FTT in the Netherlands or outside the Netherlands could have substantial adverse effect on ING's business and results.

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

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. The FSB published an initial list of G-SIIs in July 2013, which did not include NN Group. However, the group of G-SIIs is expected to be updated annually and published by the FSB each November based on new data, starting from November 2014, and there can be no assurance that we will be excluded from it in the future. The proposed policy measures, which are still under development and discussion and 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 in the future, compliance costs will increase and its competitive position relative to other life insurers that were not designated as G-SIIs may

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

*General*

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Concerns over the slow economic recovery, the European sovereign debt crisis, the ability of certain countries to remain in the Eurozone, unemployment, the availability and cost of credit, credit spreads, the recent shutdown of the U.S. government and its plan to phase out monetary asset purchases ( tapering ), 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 during the period between 2011 and 2013, 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 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 U.S., the international credit and interbank money markets generally, and a wide range of financial institutions and markets, asset classes, such as public and private equity, and real estate sectors. As a result of these and other factors, sovereign governments across the globe, including in regions where the Group operates, have also experienced budgetary and other financial difficulties, which have resulted in austerity measures, downgrades in credit rating by credit agencies, planned or implemented bail-out measures and, on occasion, civil unrest (for further details regarding sovereign debt concerns, see U.S. Sovereign Credit Rating and European Sovereign Debt Crisis below). As a result, the market for fixed income instruments has experienced decreased liquidity, increased price volatility, credit downgrade events, and increased probability of default. In addition, the confluence of these and other factors has resulted in volatile foreign exchange markets. Securities that are less liquid are more difficult to value and may be hard to dispose of. International equity markets have also continued to experience heightened volatility and turmoil, with issuers, including ourselves, that have exposure to the real estate, mortgage, private equity and credit markets particularly affected. These events and market upheavals, including high levels of volatility, have had and may continue to have an adverse effect on our revenues and results of operations, in part because we have a large investment portfolio and extensive real estate activities around the world.

In addition, the confidence of customers in financial institutions is being tested. Consumer confidence in financial institutions may, for example, decrease due to our or our competitors failure to communicate to customers the terms of, and the benefits to customers of, complex or high-fee financial products. Reduced confidence could have an adverse effect on our revenues and results of operations, including 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 2011, 2012 and 2013, the revaluation reserve position improved substantially, positively impacting shareholders equity. Although we believe that, as of December 31, 2013, reserves for insurance liabilities were generally adequate at the Group, inadequacies in certain product areas have developed.

The aforementioned developments in the global financial markets and, in particular, decreasing interest rates 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, collateralised debt obligations and collateralised loan obligations, 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. Although we continue to monitor our exposures, there can be no assurance that we will not experience further negative impacts to our shareholders' equity or profit and loss accounts in future periods.

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**Table of Contents***U.S. Sovereign Credit Rating*

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

*European Sovereign Debt Crisis*

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

Risks and ongoing concerns about the debt crisis in Europe, as well as the possible default by, or exit from, the Eurozone of one or more Member States and/or the replacement of the Euro by one or more successor currencies, could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in these European countries and the financial condition of European and other financial institutions, including us. Additionally, the possibility of capital market volatility spreading through a highly integrated and interdependent banking system remains elevated. In the event of any default or similar event with respect to a sovereign issuer, some financial institutions may suffer significant losses, following which they would require additional capital, and such capital may not be available. Market and economic disruptions stemming from the crisis in Europe have affected, and may continue to affect, consumer confidence levels and spending, bankruptcy rates, levels of incurrence of, and default on, consumer debt and home prices, among other factors. There can be no assurance that the market disruptions in Europe, including the increased cost of funding for certain government and financial institutions, will not spread, nor can there be any assurance that future assistance packages will be available or, even if provided, will be sufficient to stabilise the affected countries and markets in Europe or elsewhere. To the extent uncertainty regarding the economic recovery continues to negatively impact consumer confidence and consumer credit factors, our business and results of operations could be significantly and adversely impacted. In addition, the possible exit from the Eurozone of one or more European states and/or the replacement of the Euro by one or more successor currencies could create significant uncertainties regarding the enforceability and valuation of Euro-denominated contracts to which we (or our counterparties) are a party and thereby materially and adversely affect our and/or our



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counterparties liquidity, financial condition and operations. Such uncertainties may include the risk that (i) an obligation that was expected to be paid in Euros is redenominated into a new currency (which may not be easily converted into other currencies without incurring significant cost), (ii) currencies in some Member States may depreciate relative to others, (iii) former Eurozone Member States may impose capital controls that would make it complicated or illegal to move capital out of such countries, and/or (iv) some courts (in particular, courts in countries that have left the Eurozone) may not recognise and/or enforce claims denominated in Euros (and/or in any replacement currency). The possible exit from the Eurozone of one or more Member States and/or the replacement of the Euro by one or more successor currencies could also cause other significant market dislocations and lead to other adverse economic and operational impacts that are inherently difficult to predict or evaluate, and otherwise have potentially materially adverse impacts on us and our counterparties, including our depositors, lenders, borrowers and other customers. These factors, combined with volatile oil prices, reduced business and consumer confidence and continued high unemployment, have negatively affected the economy of main geographic regions where we conduct our business. Our results of operations, liquidity position, capital position, 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 recent downgrade of the Netherlands sovereign debt rating from AAA to AA+ by S&P on 29 November 2013. These announcements, as well as any future changes are of high importance to the Group, because they affect our financing costs and, as a result, our profitability.

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

There is substantial competition in the Netherlands and the other countries in which we do business for the types of 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 U.S. and Australia. In recent years, however, competition in emerging markets, such as Latin America, Asia and Central and Eastern Europe, has also increased as large financial services companies from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and proceeded to form alliances, mergers or strategic relationships with our competitors. The Netherlands and the U.S. 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. 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. Failure to effectively compete within the industry may thus have a material adverse impact on our business, results of operations and financial condition.

***The inability of 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, reinsurers, customers, trading counterparties, securities lending and repurchase counterparties,

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counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. Defaults by one or more of these parties on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other factors, or even rumours about potential defaults by one or more of these parties or regarding a severe distress of the financial services industry generally, could have a material adverse effect on our results of operations, financial condition and liquidity. In light of experiences with significant constraints on liquidity and the 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 would be then exposed to concentration risk.

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

With respect to secured transactions, our credit risk may be exacerbated when the collateral held by us cannot be 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, results of operations or financial condition.

In addition, we are subject to the risk that our rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations we hold could result in losses and/or adversely affect our ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of our counterparties could also have a negative impact on our income and risk weighting, leading to increased capital requirements. While in many cases we are permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral we are entitled to receive and the value of pledged assets. 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 policyholders first before collecting the amount from the reinsurer, we are subject to credit risk with respect to each reinsurer for all such amounts. 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 financial condition and results of operations.

***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

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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. 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 and capital. 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 operations. For example, a sustained increase in the inflation rate may result in an increase in nominal market interest rates. A failure to accurately anticipate higher inflation and factor it into our product pricing assumptions may result in mispricing of our products, which could materially and adversely impact our results of operations.

Declining interest rates or a prolonged period of low 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;
- 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 over time on existing investments, as premiums and reinvestments will earn lower rates;

- reserve strengthening by affecting the results of our reserve adequacy testing in extreme cases of low interest rates;
- potential impact on the solvency level under Solvency 1.5;
- 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 savings/other liabilities 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 or a prolonged period of low 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 or a prolonged period of low 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:

- a decrease in the demand for loans;
- an 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;

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- prepayment losses if prepayment rates are lower than expected or if interest rates increase too rapidly to adjust the accompanying hedges;
- higher interest rates to be paid on debt securities that we have issued or may issue on the financial markets from time to time to finance our operations and on savings/other liabilities, 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;
- (depending on the position) 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. ING Bank is a participant in the Dutch Deposit Guarantee Scheme, which guarantees an amount of EUR 100,000 per person per bank (regardless of the number of accounts held). 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 Scheme. Given our size, we may incur significant compensation payments to be made under the Dutch Deposit Guarantee Scheme, which we may be unable to recover from the bankrupt estate. Such costs and the associated costs to be borne by us may have a material adverse effect on our results of operations and financial condition. As of 1 July 2015, the Dutch Deposit Guarantee Scheme is to change from an ex-post scheme, where we would have contributed after the failure of a firm, to an ex-ante scheme where we will pay quarterly risk-weighted contributions into a fund for the Dutch Deposit Guarantee Scheme. The fund is to grow to a target size of 1% of all deposits guaranteed under the Dutch Deposit Guarantee Scheme. The target size would have to be reached in 15 years. However, in December 2013, EU Member States and the European Parliament agreed on reforms to the EU Directive on Deposit Guarantee Scheme. Main characteristics include an ex-ante funding of up to 0.8% of the banking sector's insured deposits for payouts, to be built up in 10 years, but ultimate contributions will be risk-based. It is yet unclear what this proposal will mean for the proposed Dutch changes.

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. Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations governing our business may reduce our profitability Bank Recovery and Resolution Regimes .

***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 that we hold in our investment portfolios, resulting in:

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

- a decrease in collateral values,

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

(3) actual claims payments significantly exceeding associated insurance reserves in the context of certain non-life risks, due to:

- claims inflation (which is an increase in the amount ultimately paid to settle claims several years after the policy coverage period or event giving rise to the claim), together with

- 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,

- actual claims payments significantly exceeding associated insurance reserves,



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

(5) 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 AUM, 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.

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

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

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

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

We employ various economic hedging strategies with the objective of mitigating the market risks that are inherent in our business and operations. These risks include currency fluctuations, changes in the fair value of our investments, the impact of interest rates, equity markets and credit spread changes, the occurrence of credit defaults and changes in 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 creditworthiness of our counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, our hedging activities may not have the desired beneficial impact on our results of operations or financial condition. Poorly designed strategies or improperly executed transactions could actually increase our risks and losses. Hedging strategies involve transaction costs and other costs, and if we terminate a hedging arrangement, we may also be required to pay additional costs, such as transaction fees

or breakage costs. There have been periods in the past, and it is likely that there will be periods in the future, during which we have incurred or may incur losses on transactions, possibly significant, after taking into account our hedging strategies. Further, the nature and timing of our hedging transactions could actually increase our risk and losses. Hedging instruments we use to manage product and other risks might not perform as intended or expected, which could result in higher (un)realised losses, such as credit value adjustment risks or unexpected P&L effects, and unanticipated cash needs to collateralise or settle such transactions. Adverse market conditions can limit the availability and increase the costs of hedging instruments, and such costs may not be recovered in the pricing of the underlying products being hedged. In addition, hedging counterparties may fail to perform their obligations, resulting in unhedged exposures and losses on positions that are not collateralised. As such, our hedging strategies and the derivatives that we use or may use may not adequately mitigate or offset the 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.

**Table of Contents*****ING Group may be unable to retain key personnel.***

As a financial services enterprise with a decentralised management structure, ING Group relies to a considerable extent on the quality of local management in the various countries in which it operates. The success of ING Group's operations is dependent, among other things, on its ability to attract and retain highly qualified professional personnel. Competition for key personnel in most countries in which ING Group operates is intense. ING Group's ability to attract and retain key personnel, in particular senior officers, experienced portfolio managers, 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 their responses to the financial crisis of 2008, the EC and national governments throughout Europe have introduced and are expected to continue introducing various legislative initiatives that aim to ensure that financial institutions' remuneration policies and practices are consistent with and promote sound and effective risk management, and that impose restrictions on the remuneration of personnel, in particular, senior management, with a focus on risk alignment of performance-related remuneration. Such initiatives include, among others, measures set out in Directive 2010/76/EU (CRD III) and Directive 2013/36/EU (CRD IV), the Guidelines on Remuneration Policies and Practices published by (the predecessor of) the European Banking Authority, the Regulation of the DNB on Sound Remuneration Policies (*Regeling beheerst belongingsbeleid Wft 2011*), the Dutch law with respect to the limitation of liability of the DNB and AFM and the prohibition of the payment of variable remuneration to board members and day-to-day policy makers of financial institutions that receive state aid (*Wet aansprakelijkheidsbeperking DNB en AFM en bonusverbod staatsgesteunde ondernemingen*) and the Dutch legislative proposal submitted to the Dutch Parliament in November 2013 on remuneration for employees of financial institutions. The legislative proposal would, if adopted, introduce a variable remuneration cap at 20% on an aggregated level for all persons working in the financial sector in the Netherlands. Persons covered by a collective labour agreement in the Netherlands are subject to an individual cap of 20%. Other persons in the Netherlands are subject to the aggregated cap of 20% cap based on an aggregate level. For this group, as well as for persons working outside the Netherlands, (in the EU or outside the EU), exceptions are possible, in line with CRD IV, but only under strict conditions. In addition, the proposal limits exit compensation and retention compensation and prohibits guaranteed variable remuneration. It is currently expected that the proposal will result in legislation being adopted in the course of 2014 and becoming effective as of 2015. Since the financial crisis, ING has adapted its remuneration policies to the new national and international standards. No base salary increase in relation to 2014 has been proposed and, as of 31 December 2013, the remuneration level of ING Group's Executive Board is far 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 remuneration policies and individual remuneration packages for personnel and may restrict our ability to offer competitive compensation compared with companies that are not subject to such restrictions.

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 by third parties, which may have a material adverse effect on our business and results of operations.***

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

material adverse effect on our business and our ability to compete.

We may also be subject to claims made by third parties for (i) patent, trademark or copyright infringement, (ii) breach of copyright, trademark or licence 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 licences. Alternatively, we could be required to enter into costly licensing arrangements with third parties or to implement a costly workaround. Any of these scenarios could have a material adverse effect on our business and results of operations.

***Because we use assumptions 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

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demographic trends, inflation, investment returns, policyholder behaviour (e.g., lapses, persistency, etc.) and other factors, and, in the 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 interest rate risk profile of savings and current accounts and to estimate the embedded option risk in the mortgage and investment portfolios. The realisation or use of different assumptions to determine client behaviour could have material adverse effect on the calculated risk figures and, ultimately, future results.

NN Group 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 may 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 will continue to review and develop these in the future. Nonetheless, our policies and procedures to identify, monitor and manage risks may not be fully effective, particularly during extremely turbulent times. The methods we use to manage, estimate and measure risk are partly based on historic market behaviour. The methods may, therefore, prove to be inadequate for predicting future risk exposure, which may be significantly greater than suggested by historical experience. For instance, these methods

may not predict the losses seen in the stressed conditions in recent periods, and may also not adequately allow prediction of circumstances arising due to government interventions and stimulus packages, which increase the difficulty of evaluating risks. Other methods for risk management are based on evaluation of information regarding markets, customers, catastrophic occurrence or other information that is publicly known or otherwise available to us. Such information may not always be accurate, complete, updated or properly evaluated. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record and verify large numbers of transactions and events. These policies and procedures may not be fully effective.

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

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

In addition, as a result of our operations in certain countries, we are subject to risks of possible nationalisation, expropriation, price controls, exchange controls and other restrictive government actions, as well as the outbreak of hostilities, in these markets. In addition, the current economic environment in certain countries in which we operate may increase the likelihood for regulatory initiatives to enhance consumer protection or to protect homeowners from

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foreclosures. Any such regulatory initiative could have an adverse impact on our ability to protect our economic interest, for instance in the event of defaults on residential mortgages.

***Holders of NN s products where the customer bears all or part of the investment risk, or consumer protection organisations on their behalf, have filed claims or proceedings against NN and may continue to do so. A negative outcome of such claims and proceedings brought by customers or organisations acting on their behalf, actions taken by regulators or governmental authorities against NN or other insurers in respect of unit-linked products, settlements or any other actions for the benefit of customers by other insurers and sector-wide measures could substantially affect NN s insurance business and, as a result, may have a material adverse effect on NN s and ING s business, reputation, revenues, results of operations, solvency and financial condition. In addition, claims and proceedings may be brought against NN in respect of other products with one or more similar product characteristics sold, issued or advised on by NN in and outside the Netherlands. In this risk factor NN means NN Group N.V. and its subsidiaries.***

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 Dutch insurers are in general being accused of being less transparent in their offering of such 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 two main consumer protection organisations to offer compensation to their unit-linked policyholders where individual unit-linked policies had a cost charge in excess of an agreed maximum and to offer similar compensation for certain hybrid insurance products. At 31 December 2008 costs of the settlements were valued at EUR 365 million for which adequate provisions have been established and of which a substantial portion has been paid out. The remaining unpaid part of the provision as per 31 December 2013 is solely available to cover costs relating to the settlements agreed in 2008. A full agreement on implementation was reached in 2010 with one of the two main consumer protection organisations, with the second main consumer protection organisation signing its agreement in June 2012. In addition, ING s Dutch insurance subsidiaries announced additional measures (*flankerend beleid*) 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 additional agreement on these measures with the two main consumer protection organisations. In 2012 almost all unit-linked policyholders were informed about the compensation. The agreements with the two consumer protection organisations are not binding on policyholders. Consequently, neither the implementation of the compensation schemes nor the additional measures offered by NN prevent individual policyholders from initiating legal proceedings against ING s Dutch insurance subsidiaries and making claims for damages.

ING s Dutch insurance subsidiaries have issued, sold or advised on approximately one million individual unit-linked policies. As noted above, there has been for some time and there continues to be political, regulatory and public attention focused on the unit-linked issue in general. Elements of unit-linked policies are being challenged or may be challenged on multiple legal grounds in current and future legal proceedings and there is a risk that one or more of these legal challenges will succeed. Customers of ING s Dutch insurance subsidiaries have claimed, among others, that (a) the investment risk, costs charged or the risk premium was not, or not sufficiently, made clear to the customer, (b) the product costs charged on initial sale and on an on-going basis were so high that the expected return on investment was not realistically achievable, (c) the product sold to the customer contained specific risks that were not, or not sufficiently, made clear to the customer (such as the leverage capital consumption risk) or was not suited to his personal circumstances, (d) NN owed the customer a duty of care which NN has breached, or (e) the insurer failed to warn of the risk of not realising the projected policy values. These claims may be based on general standards of contract or securities law, such as reasonableness and fairness, error, duty of care, or standards for proper customer treatment or due diligence and may be made by customers, or on behalf of customers, holding active policies or whose

policies have lapsed, matured or been surrendered. NN is currently subject to legal proceedings initiated by individual policyholders and is subject of a number of claims initiatives brought on behalf of policyholders by consumer protection organisations in which claims as set forth above or similar claims are being made. While to date less than 100 complaints are pending before the Dispute Committee of the Financial Services Complaints Board (the KiFiD), and less than 200 individual settlements were made, there is no assurance that further proceedings for damages will not be brought. As the current proceedings are only in early stages, the timing of reaching any finality on these legal claims and proceedings is uncertain and such uncertainty is likely to continue for some time. As a result, although the financial consequences of any of these factors or a combination thereof could be substantial for the Dutch insurance business of ING and, as a result, may have a material adverse effect on NN's and ING's reputation, results of operations, solvency and financial condition, it is not possible to reliably estimate or quantify NN's and ING's exposures at this time. See Note 54 Legal Proceedings .

Rulings or announcements made by courts, including the European Court of Justice and advisory opinions to be issued by the Attorney General to such Court on questions being considered by such Court, or decision-making bodies or actions taken by regulators or governmental authorities against NN or other Dutch insurance companies in respect of unit-linked products, or settlements or any other actions to the benefit of customers (including product improvements or repairs) by other Dutch insurance companies towards consumers, consumer protection organisations, regulatory or governmental authorities or other decision making bodies in respect of the unit-linked products may affect the (legal) position of NN and may force NN to take (financial) measures that could have a



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substantial impact on the financial condition, results of operations, solvency or reputation of NN and ING. As a result of the public and political attention the unit-linked issue has received, it is also possible that sector-wide measures may be imposed by governmental authorities or regulators in relation to unit-linked products in the Netherlands. The impact on NN of rulings made by courts or decision-making bodies, actions taken by regulators or governmental bodies against other Dutch insurance companies in respect of unit-linked products, or settlements or any other actions to the benefit of customers (including product improvements or repairs) may be determined not only by market share but also by product features, portfolio composition and other factors. Adverse decisions or the occurrence of any of the developments as described above could result in outcomes materially different than if NN or its products had been judged or negotiated solely on their own merits.

NN has in the past sold, issued or advised on unit-linked products in and outside the Netherlands, and in certain jurisdictions continues to do so. Moreover, NN has in the past, in the Netherlands and other countries, sold, issued or advised on large numbers of insurance or investment products of its own or of third parties (and in some jurisdictions continues to do so) that have one or more product characteristics similar to those unit-linked products that have been the subject of the scrutiny, adverse publicity and claims in the Netherlands. Given the continuous political, regulatory and public attention on the unit-linked issue in the Netherlands, the increase in legal proceedings and claim initiatives in the Netherlands or the legislative and regulatory developments in Europe to further increase and strengthen consumer protection in general, there is a risk that unit-linked products and other insurance and investment products sold, issued or advised on by NN, may become subject to the same or similar levels of regulatory or political scrutiny, publicity and claims or actions by consumers, consumer protection organisations, regulators or governmental authorities.

NN's book of policies dates back many years, and in some cases several decades. Over time, the regulatory requirements and expectations of various stakeholders, including customers, regulators and the public at large, as well as standards and market practice, have developed and changed, increasing customer protection. As a result policyholders and consumer protection organisations have initiated and may in the future initiate proceedings against NN alleging that products sold in the past fail to meet current requirements and expectations. In any such proceedings, it cannot be excluded that the relevant court, regulator, governmental authority or other decision-making body will apply current norms, requirements, expectations, standards and market practices on laws and regulations to products sold, issued or advised on by NN.

Any of the developments described above could be substantial for NN and ING and as a result may have a material adverse effect on ING's business, reputation, revenues, results of operations, solvency, financial condition and prospects.

***ING is exposed to the risk of mis-selling claims.***

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

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

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

***Ratings are important to our business for a number of reasons. A downgrade or a potential downgrade in our 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 S&P, Moody's Investor Service and Fitch

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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 2 December 2013, S&P downgraded the long-term debt ratings of ING Groep N.V. from A to A- and ING Bank from A+ to A with stable outlook for both. At the same time, S&P cut the rating of NN Group N.V. from A+ to A.

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, downgrades of assets will similarly affect the capital requirements for NN Group 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.

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

Operational risks are inherent in our business. Our businesses depend on the ability to process a large number of transactions efficiently and accurately. Although we endeavour to safeguard our systems and processes, losses can result from inadequately trained or skilled personnel, IT failures (including failure to anticipate or prevent cyberattacks, which are deliberate attempts to gain unauthorised access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or impairing operational performance, or security breaks by third parties), inadequate or failed internal control processes and systems, regulatory breaches, human errors, employee misconduct, including fraud, or from external events that interrupt normal business operations. We depend on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. The equipment and software used in our computer systems and networks may not always be capable of processing, storing or transmitting information as expected. Despite our business continuity plans and

procedures, certain of our computer systems and networks may have insufficient recovery capabilities in the event of a malfunction or loss of data. In addition, whilst we have policies and processes to protect our systems and networks, they may be vulnerable to unauthorised access, computer viruses or other malicious code, cyberattacks and other external attacks or internal breaches that could have a security impact and jeopardise our confidential information or that of our clients or our counterparties. These events can potentially result in financial loss and harm to our reputation, and hinder our operational effectiveness.

We also face the risk that the design and operating effectiveness of our controls and procedures 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.

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***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.

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

We are subject to litigation, arbitration and other claims and allegations in the ordinary course of business, including in connection with our activities as financial services provider, insurer, employer, investor and taxpayer. 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 reputational harm, lead to increased regulatory supervision, affect our ability to attract and retain customers and maintain access to the capital markets, result in cease and desist orders, claims, enforcement actions, fines and civil and criminal penalties, other disciplinary action or have other material adverse effects on us in ways that are not predictable. Some claims and allegations may be brought by or on behalf of a class and claimants may seek large or indeterminate amounts of damages, including compensatory, liquidated, treble and punitive damages. See [Item 8. Financial Information](#) [Legal Proceedings](#) . Our reserves for litigation liabilities may prove to be inadequate. Claims and allegations, should they become public, need not be well founded, true or successful to have a negative impact on our reputation. In addition, press reports and other public statements that assert some form of wrongdoing could result in inquiries or investigations by regulators, legislators and law enforcement officials, and responding to these inquiries and investigations, regardless of their ultimate outcome, is time-consuming and expensive. Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on our business, revenues, results of operations, financial condition and/or prospects in any given period. For additional information with respect to specific proceedings, see [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

terminated as of 1 November 2013.

As a result of having received state aid through the Dutch State Transactions, we were required to submit a restructuring plan to the EC in connection with obtaining final approval for the Dutch State Transactions under the EC state aid rules. 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 USA, which operated our direct banking business in the U.S., 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 EC on an amended and updated Restructuring Plan to be submitted to the EC. However, in order to safeguard its legal

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rights, ING filed an appeal with the General Court against the EC'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.

On 6 November 2013, ING and the Dutch State further announced the adoption of a revised timeline for certain required divestments. 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 the EC's appeal against the March 2012 ruling of the General Court continues, 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. It is expected that this judgment will be rendered in April 2014. See Note 58 of Note 2.1 to the consolidated financial statements of ING Group for more information on and implications of the Amended Restructuring Plan.

Pursuant to the agreement to unwind the IABF, the IABF in its current form was terminated, regular guarantee fee payments have been settled for an amount of EUR 0.4 billion, the other restrictions as part of the IABF agreement are no longer applicable and the Dutch State intends to sell the Alt-A securities in the market. A first tranche has been sold in December 2013 and the remainder has been sold in February 2014. Unwinding the IABF also resulted in eliminating a counter-guarantee that ING extended to the Dutch state in connection with the divestment of ING Direct USA in 2012.

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 remaining planned divestments on favourable terms or at all, particularly in light of market developments in general as well as the fact that other financial institutions may place similar assets for sale during the same time period and may seek to dispose of assets in the same manner. 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 labour 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 favourable 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 favourable 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 case of material non-compliance with the Amended Restructuring Plan, in particular, if we do not succeed in completing divestitures as described in the Amended Restructuring Plan within the timelines set out therein or subsequently agreed upon, do not repay the Core Tier 1 Securities according to the schedule as included in the Amended Restructuring Plan, and/or do not succeed in satisfying the commitments with respect to Nationale-Nederlanden Bank upon divestment of more than 50% of our interest in NN Group c.q in Nationale-Nederlanden Bank and/or by year-end 2015 as described in the Amended Restructuring Plan, the Dutch State will re-notify this to the EC, which may take enforcement actions against ING or require additional restructuring measures. A divestment of more than 50% of ING's interest as mentioned in this paragraph



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also means that ING Group (a) no longer has a majority of representatives on the boards of these businesses and (b) has deconsolidated these businesses from ING Group's financial statements in line with IFRS accounting rules.

The implementation of the divestments announced in connection with the Restructuring Plan, including the separation of our insurance and most of our investment management operations from our 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 divest and may cause an interruption or reduction of our business and the businesses to be sold or otherwise divested 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 pursuant to the current contractual obligations or at all. In addition, the announced divestments could be the subject of claims or litigation, and a court or regulator 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 redeem 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 EU and on our ability to acquire (i) financial institutions and (ii) businesses, insofar as 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 ING's interest in its insurance and investment management businesses has been divested. 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 favourable 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 ING has divested more than 50% of its interest in NN Group c.q. Nationale-Nederlanden Bank or until year-end 2015. A divestment of more than 50% of ING's interest as mentioned in this paragraph also means that ING Group (a) no longer has a majority of representatives on the boards of these businesses and (b) has deconsolidated these businesses from ING Group's financial statements in line with IFRS accounting rules. 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. For example, Nationale-Nederlanden Bank is already competing before its planned divestment with our retail banking business in the Netherlands, as Nationale-Nederlanden Bank has been ring-fenced from ING Bank's operations for this purpose. 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.

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***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:

- actual costs to effect these initiatives may exceed estimates;
- divestments planned in connection with the Restructuring Plan may not yield the level of net proceeds expected, as described under **Risks Related to the Restructuring Plan**. 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 that we are contemplating may require consultation with various regulators as well as employees and labour representatives, and such consultations may influence the timing, costs and extent of expected savings;
- the loss of skilled employees in connection with the initiatives; and
- projected savings may fall short of targets.

While we 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.

***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 EC as part of the Amended Restructuring Plan, the EC may consider the imposition of additional behavioural constraints.***

As stated in the decision of the EC 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 EC 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 EC 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. Pursuant to the Amended Restructuring Plan, we had to repay the then outstanding amount of EUR 3 billion in four equal tranches. On 26 November 2012 and 6 November 2013, ING repaid the first two tranches of EUR 1,125 million each to the Dutch State. Each tranche consisted of EUR 750 million in repayment of Core Tier 1 Securities and EUR 375 million in premiums and interest. After the EUR 1,125 million payment made by ING on 6 November 2013, the remaining two tranches of approximately EUR 1,125 million each are expected to be paid in

March 2014 and May 2015, respectively, translating into an overall internal rate of return of 12.5% p.a. Any repayment of the remaining Core Tier 1 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 EC, this could result in the EC 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 Stichting ING Aandelen holds more than 99.9% of our Ordinary Shares, the rights of our depositary receipt holders 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 )

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representing the bearer depositary receipts who do not attend the General Meeting may give binding voting instructions to the Trust. The Trust is entitled to vote on any Ordinary Shares underlying the bearer depositary receipts for which the Trust has not granted voting proxies, or voting instructions have not been given to the Trust. In exercising its voting discretion, the Trust is required to be guided primarily by the interests of the holders of bearer depositary receipts, while also taking into account:

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

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

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

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

- market expectations of the performance and capital adequacy of financial institutions in general;
  
- investor perception of the success and impact of our strategies;
  
- investor perception of our positions and risks;
  
- a downgrade or review of our credit ratings;
  
- the implementation and outcome of our Restructuring Plan;
  
- potential litigation or regulatory action involving ING or sectors that we have exposure to 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 did not pay an interim dividend in 2013 and intends to resume dividend payments when all remaining Core Tier 1 Securities have been repaid to the Dutch State and the regulatory capital requirements of Basel III have been met. However, 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 1.5 billion per 6 November 2013) 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:

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1102 MG Amsterdam  
P.O. Box 1800, 1000 BV Amsterdam  
The Netherlands  
Telephone +31 20 563 6710

**Our mission**

To set the standard in helping our customers manage their financial future. ING aims to deliver financial products and services in the way our customers want them: 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 draw on our experience and expertise, our commitment to excellent service and our global scale to meet the needs of a broad customer base, comprising individuals, families, small businesses, large corporations, institutions and governments. The strength of the Company is, among other things, based on its relatively high customer satisfaction levels, solid financial position, multi-channel distribution strategy and international network. Moreover, ING is a sustainability leader in its sector. ING currently serves more than 48 million customers in over 40 countries. ING has more than 75,000 employees.

**Our focus**

ING's focus is on increasing customer satisfaction, simplifying its organisation and product offering, strengthening its financial position and solidifying the sustainability of its business model.

**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. As required by Dutch law since 2013, ING's Supervisory and Executive Boards, but also a broad group of directors committed to a set of behavioural principles, known as the Banker's Oath.

**Our strategy**

ING has strategic priorities at the Group, Bank and Insurance (NN Group) levels. All are ultimately in line with our mission. ING Group's strategic priorities in 2013 were: strengthening our financial position, restructuring, repaying the remaining state aid and building both stronger and sustainable banking and insurance/investment management businesses. ING Bank's strategic aim is to be a strong, predominantly European bank for its customers. ING Bank wants to be a leading domestic full-service bank in attractive, stable home markets, as well as a leading commercial bank in the Benelux with a strong position in Central and Eastern Europe. A refined and sharpened Bank strategy for 2014 and onwards will be presented in the first half of 2014. NN Group's focus is on service to customers, generating capital, growing profitability and improving efficiency. Its strategy is about offering appealing and easy-to-understand products and services, multi-access distribution and efficient and effective operations in the 18 countries in which it is active.

### **Our corporate responsibility**

ING wants to build its future on sustainable profit based on sound business ethics and respect for its stakeholders. Our Business Principles prescribe the corporate values 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. ING managed to further solidify the sustainability of its business model in 2013, by taking steps towards greater transparency and by growing our sustainable products offerings across all our business lines.



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### **Our progress on restructuring**

ING has substantially completed the separation of its banking and insurance operations. This is required by the European Commission (EC), but ING also thinks it is in the interests of all stakeholders, especially of our customers. The main reason is that it simplifies the organisation, which makes it easier to manage it. We made significant progress with our restructuring programme in 2013. As a result, we have now reached the final stage of this process.

During 2013, ING reached several milestones, for example:

The unwinding of the illiquid assets back-up facility ( IABF ) was agreed upon in 2013. It was completed early 2014.

A successful initial public offering (IPO) of the US insurance business (ING U.S.).

Completion of the divestment of ING Insurance/IM Asia.

An agreement in November 2013 with the EC on revised timelines for the European and Japanese Insurance divestments, which together formed ING Insurance and were renamed NN Group on 1 March 2014.

In 2013, ING Insurance revealed its future brand name: NN.

The preparations for the base case IPO of NN Group are progressing well, which is expected to allow us to go to the market in 2014.

### **Our repayment to the Dutch State**

ING is grateful for the support the Dutch State extended during the financial crisis years 2008 and 2009. Milestones in 2013 were:

An agreement with the Dutch State on the unwinding of the IABF. The unwinding was completed early 2014 and resulted in a cash profit for the Dutch State of EUR 1.4 billion.

ING received EUR 10 billion in state aid in November 2008. Including the latest repayment in November 2013, ING has so far repaid EUR 11.3 billion, including EUR 8.5 billion in principal and EUR 2.8 billion in interest and premiums. The final tranches are scheduled to be paid by March 2014 and by May 2015. The total annualised return for the Dutch State is expected to be 12.5%. The total contribution to the Dutch State to date of EUR 4.9 billion includes premiums and interest on the repayment of core Tier 1 securities, the unwinding of the IABF, guarantee fees paid on the government guaranteed bonds issued in 2009 and bank levies.

### **Our financial position**

ING places great importance on strengthening its financial position in order to put itself in the best position to facilitate the economy. In 2013 we gained in financial strength. Our funding position improved, our capital and liquidity position remained strong and earnings remained resilient. However, risk costs went up slightly in a weak economic year in many of the markets in which we operate.

### **Our future**

The ING of tomorrow will definitely be different from the ING of today. With a refined and sharpened strategy for ING Bank to be presented in the first half of 2014 and a scheduled IPO for the insurance business, 2014 is set to be an important year for ING and all our stakeholders.

## **CHANGES IN THE COMPOSITION OF THE GROUP**

### **Acquisitions effective in 2013**

There were no significant acquisitions in 2013.

### **Divestments announced in 2014**

#### *ING's Taiwanese investment management business*

On 10 January 2014, ING announced that it has reached an agreement to sell ING Investment Management (IM) Taiwan, its Taiwanese asset management business, to Japan-based Nomura Asset Management in partnership with a group of investors. The transaction is not expected to have a significant impact on ING Group results. The transaction is subject to regulatory approval and expected to close in the second quarter of 2014.

### **Partial divestments effective in 2013 – ING U.S.**

In May 2013, ING U.S. was successfully listed on the NYSE reducing ING's ownership interest from 100% to approximately 71.25%. In October 2013, the sale of a second tranche further reduced ING Group's interest in ING U.S. to approximately 57%. Reference is made to Note 59 – Other events of Note 2.1 to the consolidated financial statements .

### **Divestments effective in 2013 and divestments announced in 2013 but not closed – Asia**

In 2012, ING's Insurance and investment management businesses in Asia and the (internally) reinsured Japan SPVA business in corporate reinsurance were classified as held for sale and discontinued operations. Various individual divestment transactions were agreed. The Asian Insurance and Investment Management businesses and the (internally) reinsured Japan SPVA businesses in Corporate Reinsurance were previously included respectively in the segments Insurance Asia/Pacific, Investment Management and Other before they were classified as discontinued

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operations. After carefully exploring and evaluating the options available for the divestment of ING Life Japan, it was concluded that a standalone divestment of ING Life Japan, including its Corporate Owned Life Insurance (COLI) and Closed Block VA businesses, is not feasible in a manner that would meet the demands of regulators and other interest holders. As a result, ING Life Japan and the Japanese Closed Block VA guarantees reinsured to ING Re ( ING Japan ) are no longer classified as held for sale and discontinued operations in 2013. Reference is made to Note 12 Assets and liabilities held for sale and Note 36 Discontinued operations and Note 59 Other events of Note 2.1 to the consolidated financial statements.

*Joint venture China Merchants Fund*

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

*Insurance in Hong Kong, Macau, Thailand*

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

*ING's investment management business in Thailand*

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

*ING's investment management business in Malaysia*

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

*Joint venture ING Vysya Life*

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

*Joint venture KB Life*

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

*Joint venture ING-BOB Life*

In July 2013, ING agreed to sell its 50% stake in its Chinese insurance joint venture ING-BOB Life Insurance Company to BNP Paribas Cardif, the insurance arm of BNP Paribas. The transaction, which is subject to regulatory approval, is not expected to have a significant impact on ING Group results. This announcement does not affect ING Bank's 13.7% stake in Bank of Beijing, nor does it affect ING's Commercial Banking activities in China.

*ING's investment management business in South Korea*

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

*ING Life Korea*

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

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

### **Divestments effective in 2013 ING s mortgage business in Mexico**

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

### **Divestments effective in 2013 ING Direct UK**

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

For the years 2012 and 2011, see Note 55 of Note 2.1 to the consolidated financial statements.

## **FINANCIAL AND REGULATORY ENVIRONMENT**

In 2013, the eurozone emerged from recession and embarked on a gradual and fragile recovery. Continuing weakness of domestic demand, combined with low inflation, prompted the European Central Bank to lower interest rates and consider further options. The Federal Reserve on the other hand had been considering the phase-out ( tapering ) of its monetary asset purchases, given the progress of the US recovery. Financial markets were resilient in 2013, although the prospect of tapering hurt emerging markets.

During 2013, progress was made on a wide range of regulatory initiatives that had been set in motion after the financial crisis. Important legislative proposals were already underway to strengthen banks capital and liquidity positions and to ensure the resolvability of banks. The decision in June 2012 to move towards a European banking union was followed up in 2013 by further work on the initiatives to create a Single Supervisory and Single Resolution Mechanism ( SSM and SRM ) for the eurozone. The SSM was agreed upon in 2013 and is expected to become operational by November 2014. Although progress on regulatory change was substantial in 2013, several agreements and compromises that were reached on some of the key issues may hamper the realisation in the short term of a true level playing field. ING is concerned that, as a consequence, the single European banking market will remain fragmented and that this will continue to limit the ability of cross border banks to support the recovery of the European economy.

## **SLOW ECONOMIC RECOVERY, BUOYANT FINANCIAL MARKETS**

### **Eurozone emerged from recession in 2013**

After six consecutive quarters of negative growth, the Eurozone emerged from recession in 2013. From the second quarter onward, the currency bloc embarked on a slow and gradual recovery. This revival was mostly export-led, as domestic demand in many European countries remained depressed by austerity measures and deleveraging. Eurozone inflation fell from 2% at the start of 2013 to around 1% at year-end. This was partly driven by declining contributions

of food and energy prices. But inflation of other goods and services also fell, as the slack in the European economy remained substantial and kept labour costs low. Low inflation also prompted talk about deflation, and the European Central Bank (ECB) reacted with a rate cut in November. With the ECB's main refinancing rate at 0.25% and the deposit facility at 0.0%, room for further conventional rate cuts was running out.

The US economy performed better, even despite fiscal headwinds in the form of sizeable tax increases and austerity measures, and a temporary government shutdown in October 2013. Negative effects on household income were offset by low interest rates that pushed debt service payments as a percentage of household income to their lowest levels in over 20 years. The US housing market also gathered steam, fuelled by record-low mortgage rates in early 2013. China recovered from the growth slowdown of late 2012, although growth seemed to be financed for a worryingly large part by credit. Economic and financial reforms are underway though.

### **Taper prospects reality check for otherwise buoyant Financial Markets**

Financial markets in developed economies had a good year, with stock indices up by double digits. It is difficult to overestimate the importance of the European Central Bank's Outright Monetary Transactions programme for the restoration of confidence in the eurozone. The gradual progress towards crisis resolution and banking union in Europe also helped to cement the positive sentiment. Financial markets shrugged off the Cyprus bank restructuring and political problems in various countries during 2013: spreads between European sovereigns continued to decline. In the second half of 2013, sentiment was also supported by the fact that the eurozone was emerging from recession.

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Financial markets did react when the Federal Reserve announced it was considering to phase out its monthly asset purchases ( tapering ) in May. While this did not bring forward a rate increase, emerging markets saw an outflow of capital and their equity, bond and currency markets experienced marked losses. This did not cause major problems though, as emerging markets shock absorbers are now far stronger than before, with more flexible exchange rate regimes, more abundant official reserves and less debt in foreign currency.

**Important developments in Regulation and supervision**

The most prominent development in 2013 was the agreement on the Single Supervisory Mechanism, which will result in a transfer of prudential regulatory powers from eurozone national authorities to the ECB. This will become effective in November 2014 and constitutes an important first step in creating a European banking union. In general, progress was made with a wide range of other regulatory initiatives. Nevertheless, ING is concerned that several agreements that were made in 2013 are compromises that hamper the realisation in the short term of a true level playing field. As a consequence, the single European banking market will remain fragmented, which will continue to limit the ability of cross-border banks to support the recovery of the European economy.

**Bank-wide regulation***Capital Requirements Regulation and Directive IV ( CRR/CRD IV )*

In 2013, the European Union adopted a legislative package to implement the Basel III agreement in the EU legal framework. This new package consists of the Capital Requirements Directive IV (CRD IV) and the Capital Requirements Regulation (CRR). CRR/CRD IV was officially agreed upon, allowing for the application of the Regulation on 1 January 2014. The Directive will have to be transposed into national law and because of this a few months delay is envisaged. ING is compliant with the requirements set in the CRR and is waiting for EBA (European Banking Authority) final technical standards to be approved to allow for full implementation. Other important key elements of the Basel III-package are still subject to further consideration and calibration such as the liquidity ratios and the leverage ratio.

*Banking Union: Single Supervisory Mechanism ( SSM )*

In 2013, the SSM was agreed upon, whereby prudential regulatory powers will be transferred from eurozone national authorities to the European Central Bank (ECB). As a result, approximately 130 of the eurozone s largest banks will be directly supervised by the ECB from November 2014. In the opinion of ING the SSM constitutes an important first step in creating a European banking union. It will help to reduce the current inter-dependency between national governments and national banking systems, and at the same time will help restoring confidence and growth in the eurozone and the wider European single market. Moreover, it will contribute to eliminating uncoordinated national supervisory practices, which are restricting cross-border banks such as ING from transferring funds within the company and from financing the economy in the most efficient way.

*Bank Recovery and Resolution Directive ( BRRD )*

In December 2013, the BRRD was agreed upon which needs to be transposed into national law by 1 January 2015. It requires banks to create recovery and resolution plans, and for an ex-ante ( before the event ) financed resolution mechanism to be set up. Moreover, the BRRD requires member states legislation to allow for resolution authorities to use the bail-in tool in case of bank failure. ING has had its recovery plan in place since November 2012 and work on resolution planning is in progress in cooperation with DNB and the Dutch Ministry of Finance. The bail-in tool is an important mechanism in any future resolution scheme as it gives resolution authorities the power to write down claims

of unsecured creditors of a failing institution and to convert these claims into equity. The instrument applies to unsecured liabilities with a number of exceptions, such as guaranteed deposits and secured liabilities (including covered bonds). The precise modalities of the bail-in rules are still under discussion. ING supports the bail-in rules as they are an important component of the new regulatory framework, aimed at reducing the possibility that tax payer money will be needed to bail-out institutions in future crises. Although it was originally foreseen that bail-in rules would apply from 2018, the EU agreed in December 2013 that they will take effect on 1 January 2016.

For more information, see Item 3. Risk factors We operate in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations governing our business may reduce our profitability .

*Contributions (Deposit Guarantee Scheme) and bank levies*

On 1 February 2013, the Dutch State nationalised SNS REAAL, the fourth-largest systemically important bank in the Netherlands. The nationalisation, carried out under the Netherlands 2012 law on bank intervention, resulted in shareholders subordinated debt (up to EUR 1 billion) holders being bailed-in. To reduce the amount of taxpayer money needed for the nationalisation, the government imposed a one-time levy of EUR 1 billion on Dutch banks as a contribution to the SNS nationalisation. This levy will need to be paid by the banks in 2014. To avoid a disproportionate financial burden for banks and in view of the ability of banks to lend to the economy, the introduction of the ex-ante Deposit Guarantee Scheme ( DGS ) was postponed to 1 July 2015. A number of countries in which ING operates have bank taxes in place. In 2013 the total amount of such taxes paid by ING amounted to approximately EUR 200 million.



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This included EUR 149 million of Dutch banking tax and approximately EUR 50 million of banking taxes in six other EU countries.

### *Remuneration*

On 26 November 2013, the Dutch Ministry of Finance opened up a consultation on draft legislation on remuneration within the financial sector. The anticipated effective date of the legislation is 1 January 2015. The legislation introduces a cap for variable remuneration of 20% of fixed remuneration for staff covered by a Collective Labour Agreement ( CLA ) in the Netherlands. The following exceptions are currently included:

For staff in the Netherlands who are not exclusively covered by the CLA, the 20% cap does not apply on an individual basis, but it applies to the average across ING in the Netherlands.

For staff that work predominantly outside of the Netherlands, but within the EU, there is an individual cap of 100% of variable remuneration for all staff.

For staff that work predominantly outside the EU, there is an individual cap of 200% of variable remuneration for all staff, subject to shareholder approval and notification to the regulator.

The proposal also covers a number of other topics, such as strict conditions on severance pay, prohibition on guaranteed bonuses, and tightening of claw-back options.

### *European and local efforts to improve customer protection*

In 2013, the European Commission ( EC ) continued its legislative efforts to improve consumer protection in financial services, particularly for mortgages, investment products and bank accounts. In addition to EU legislative proposals, various local initiatives to increase consumer protection took place. In the Netherlands, a general duty of care for financial services providers was introduced in the Financial Supervision Act on 1 January 2014. In addition, various regulators attempted to strengthen consumer protection by publishing regulations, guidance and best practices. The Financial Markets Authority ( AFM ) continued its efforts to enhance client centricity within banks in the Netherlands. The AFM is also investigating whether some of the consumer protection instruments should be extended to small business clients of banks.

## **Financial Markets regulation**

### *European Market Infrastructure Regulation ( EMIR )*

One of the most significant regulatory developments in the financial markets in 2013 was the commencement of the phasing in of EMIR. The main goal of EMIR is to better protect parties to over-the-counter ( OTC ) derivatives transactions, as well as the derivatives market as a whole. This EU regulation on OTC derivatives, central counterparties and trade repositories came into force in August 2012 and began to be phased in during 2013. Delegated acts for the Regulation entered into force in March 2013, requiring trade repositories to apply for recognition under EMIR and also requiring central counterparty clearinghouses to apply for authorisation under EMIR. ING has worked hard to comply with increased reporting requirements on outstanding derivative contracts. In addition, ING has helped clients meet EMIR 's requirements.

*Markets in Financial Instruments Directive ( MiFID )*

MiFiD is a European Union law that aims at harmonising regulation for investment services across the European Economic Area (EEA). MiFiD first became effective in November 2007 and is now being revised to create MiFiD II. Among the main objectives of the revision are the aim to strengthen investor protection and more robust and efficient market structures. At the end of 2013, the negotiations between European Commission, European Parliament (EP) and Council of the European Union were their final stages. In anticipation of the new rules, implementation of MiFiD within ING will gradually start in the course of 2014, with full implementation expected in 2016. As the Dutch government has developed national legislation that prohibits granting or receiving inducements for investment services from January 2014, the impact of MiFiD II will be limited in this area. The full impact on ING's financial markets business has yet to be determined, but it is expected to be meaningful.

*Benchmarks*

In 2013, financial benchmarks such as LIBOR were at the centre of attention due to manipulation by banks of the submissions to these benchmarks. In 2013, the International Organisation of Securities Commissions ( IOSCO ) and the European Securities and Markets Authority ( ESMA ) issued principles for the benchmark setting process that ING fully underwrites. ING has been compliant with the IOSCO and ESMA principles in its submissions to benchmark panels such as EURIBOR and EONIA . In September 2013, the EC published a legislative proposal for a Regulation on benchmarks which aims to address concerns about the integrity and accuracy of benchmarks by regulating administrators of benchmarks, contributors to benchmarks and benchmark users.

**Table of Contents***Bank structural reform*

Throughout 2013, discussions on further structural reforms to the EU's banking market continued. In the summer, the EC held a consultation on the main options under consideration as a followup to the Liikanen report. The focus of the consultation was on the structural separation of certain trading activities in case the size of these activities compared to a bank's total activities exceeded certain thresholds. The EC is expected to come up with a legislative proposal in early 2014. Based on the Liikanen report (October 2012), the separation proposal should not negatively affect ING's business model. 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 and consumer choice, while fulfilling the needs of long-term customer banking relationships. In June 2013, a Committee of Experts (Commissie Wijffels) advised the Dutch government on the future structure of Dutch banking sector. The Committee presented recommendations on how to make it more resilient and how to improve its ability to service the economy. Taking into account the Committee's recommendations, the Dutch government released a vision document on the Dutch banking industry in August 2013. The main features of this vision are the need for a higher leverage ratio of at least 4% in EU negotiations; a reduction in the maximum loan-to-value (i.e. mortgage loan to house value) to 100% in 2018, and 80% in the longer term; and further support, in principle, for a more co-ordinated EU approach towards regulating the industry.

**Banker's oath**

In 2013, members of ING's Supervisory and Executive Boards and a broad group of directors of various ING entities signed a financial institutions oath, commonly referred to as the Banker's Oath. Since 1 January 2013 Dutch law requires that Supervisory and Executive Board members of financial institutions in the Netherlands take this oath and thus commit to a set of behavioural principles that reconfirms the industry's commitment to ethical behaviour.

**Retail Bank regulation***Mortgage lending*

In early 2013, the Council of the European Union approved the Mortgage Credit Directive, which aims at preventing irresponsible lending and maintaining financial stability. The measure also standardises how loans are advertised to help borrowers compare them but allows member states to keep existing national regulation intact. The final text of the Directive was published in December 2013. The deadline for EU member states to transpose it into national law is expected to be mid-2015. ING offers mortgages in several European countries and will therefore have to comply with different regulations in each.

*Payment accounts*

In May 2013, the EC published a draft of the Basic Payment Accounts Directive. This Directive aims to increase the comparability of fees and services, and make it easier to switch accounts. The measure would also oblige banks to open a basic payment accounts for any EU resident who applies for one, irrespective of his or her financial condition. The legislative process is expected to be finalised before the European Parliamentary elections in May 2014, after which the Directive needs to be transposed into national law by mid-2015. Depending on the adoption of cross-border switching and account opening measures, the Directive will have limited impact on ING's payments account processes. ING already offers payment accounts at transparent low fees in several EU member states and facilitates easy switching.

**Insurance regulation**

*Solvency II*

Throughout 2013, the European Commission, European Parliament and the Council ( the trilogue partners ) continued their efforts to develop the capital adequacy framework for the insurance sector, Solvency II. In November 2013, the trilogue partners reached a milestone with an agreement on key elements of the framework, but several other important elements are not expected to be finalised until the second half of 2014. Solvency II s implementation date is planned for 1 January 2016.

The European supervisory authority for insurers, ( EIOPA ), published interim measures for member states, explaining to national supervisors how they can translate certain elements of Solvency II into their national laws in 2014. The measures include requirements on the system of governance, an annual assessment of own risks, extensive supervisory reporting requirements and guidelines for a formalised process for internal model applications. As the interim measures are generally aligned with Solvency II requirements, implementation of these measures is part of our broader efforts to become Solvency II compliant.

*ComFrame*

ComFrame, short for Common Framework for the Supervision of Internationally Active Insurance Groups ( IAIGs ), is a global initiative started by the International Association of Insurance Supervisors ( IAIS ) in 2010. It aims to develop methods for the group-wide supervision of internationally active insurance companies, established to create a comprehensive framework for supervisors to address group-wide activities and risks, and to foster global convergence. The IAIS continued its public consultation of ComFrame in 2013 and it is on schedule for adoption in 2018. In October 2013, the IAIS said it would develop a risk-based global Insurance Capital Standard ( ICS ), using ComFrame as the vehicle for its implementation. ICS development will start in 2016, with implementation by 2019. As ING is an IAIG, it is closely monitoring the development of ComFrame and ICS.

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### *Consumer protection package*

In July 2012, the European Commission published legislative proposals to improve consumer protection in financial services. With the package, the Commission aims to address lack of transparency, low awareness of risks and poor handling of conflicts of interest. The package is composed of three legislative proposals: a regulation on key information documents for Packaged Retail Investment Products ( PRIPS ), a revision of the Insurance Mediation Directive (IMD2), and better protection for buyers of Undertakings for Collective Investments in Transferable securities ( UCITS ) funds.

In 2013, the package was discussed in the European Parliament and the Council. The legislation may have a considerable impact on the distribution of insurance and retail investment products by setting higher standards for transparency and selling practices. ING will continue to monitor developments on the consumer package closely. Since we hold consumer protection in high regard, ING welcomes this initiative and will follow its further development closely.

### *Dutch solvency rules*

During 2013, the Dutch Ministry of Finance developed legislation which adapts local capital adequacy rules for life insurance companies. The legislation, the so-called Besluit Prudentiële Regels ( BPR ) 2014, became effective on 1 January 2014. BPR 2014 will leave the current calculation method of the Solvency I Wft ( Wet op het financieel toezicht ) with the Ultimate Forward Rate ( UFR ) ratio untouched, but introduces a new metric for discussion with the supervisor which will not be disclosed. This Theoretical Solvency Criterion ( TSC ) needs to be met by the insurer. If the solvency position of the relevant NN Group life insurance entity is below the TSC, DNB is entitled to require that a declaration of no objection be obtained from DNB before making any distributions of capital (including dividends) and reserves to the Issuer and DNB is also entitled to require that the relevant entity submit a recovery plan.

## **STRATEGY**

ING continues to focus on increasing customer satisfaction, simplifying its organisation and product offering, strengthening its financial position and solidifying the sustainability of its business model. This is taking place against the backdrop of fast-changing technology and customer expectations, subdued economic growth and an uncertain regulatory environment.

ING has substantially completed the separation of its banking and insurance operations. This is required by the European Commission, but ING also thinks it is in the interests of all stakeholders, especially of our customers. The main reason is that it simplifies the organisation. We made significant progress with our restructuring programme in 2013. As a result, we have now reached the final stage of this process. A refined and sharpened Bank strategy for 2014 and onwards will be presented in the first half of 2014.

## **STRATEGIC PRIORITIES AT THREE LEVELS**

ING has strategic priorities at the Group, Bank and Insurance levels. All are ultimately in line with our mission: To set the standard in helping our customers manage their financial future. ING aims to deliver financial products and services in the way our customers want them: with exemplary service, convenience and at competitive prices.

ING Group s strategic priorities in 2013 were: strengthening our financial position, restructuring, repaying the remaining state aid and building both stronger and sustainable banking and insurance/ investment management businesses.

ING Bank's strategic aim is to be a strong, predominantly European bank for its customers. ING Bank wants to be a leading domestic full-service bank in attractive, stable home markets, as well as a leading commercial bank in the Benelux with a strong position in Central and Eastern Europe.

On the insurance side, the focus is on service to customers, generating capital, growing profitability and improving efficiency. NN Group's strategy is therefore about offering appealing and easy to understand products and services, multi-access distribution and efficient and effective operations in the 18 countries in which it is active.

In the following, we will report on the progress that was made in 2013 on these strategic priorities.

## **STRATEGIC CONTEXT**

At ING we believe that a focus on our customers is a good basis for contributing to the creation of a healthy economy and stable society. It gives clear direction to our employees and we believe that it helps to provide good returns for our shareholders.

Our goals are to help people and businesses build their future, to realise their ambitions and to help them manage their financial 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. We put the customer first, offering her or him superior experiences at attractive costs and giving employees opportunities to grow and go the extra mile for customers.

The strength of the company is, among other things, based on its relatively high customer satisfaction levels, solid financial position, multi-channel distribution strategy and international network. ING is a sustainability leader in its

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sector. Bank-specific strengths are a strong brand awareness in countries where we are active, and the fact that we are a pioneer in digital banking.

ING invests in building solid relationships with its customers, based on the quality of service and sound financials. We believe opportunities can arise if we continue to work hard on regaining trust, demonstrating that we care, explaining better why certain strategic choices are made and also on getting more out of the wealth of talent we have within our workforce.

***Strengths***

Positive recognition from customers in many countries for its banking and insurance services.

Solid financial position.

Multi-channel distribution strategy.

International network.

Sustainability leader in its sector.

***Bank-specific***

Pioneer in digital banking.

Well-known, strong brand.

***Weaknesses***

Subdued economic growth in some of the core markets.

Financial sector has an unfavourable public image in many countries.

***Opportunities***

Regaining trust and demonstrating care, especially towards customers.

Transparency. Explaining better why strategic choices are made.

Cultural change. Tapping more into the talents of employees. Further developing a transparent no-nonsense culture.  
*Bank-specific*

Frontrunner position in digital solutions give the Bank an edge in innovation.  
**Threats**

Ongoing uncertainty about regulatory changes. Lack of an international level playing field.  
*Bank-specific*

Possibly from new entrants from outside of the industry.  
ING's solid foundations, based on a long legacy as a financial institution, give us an excellent starting position to face existing and future challenges, and to grasp opportunities to become a better company for all our stakeholders. Specifically on the banking side of the business, we strive to make optimal use of our leading position in digital banking.

## **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 economy. In 2013 we gained financial strength. Capital and funding improved, our liquidity position remained strong, earnings remained resilient. However, risk costs went up slightly in a weak economic year in many of the markets in which we operate.

In January 2012, the Bank unveiled Ambition 2015, a set of aspirations that included increasing our capital. Attaining a core Tier 1 capital ratio under Basel III of at least 10% by 2013 was a target we managed to sustain throughout 2013. At year-end, it stood at 11.7% under Basel II and 10.0% on a fully loaded pro-forma basis under Basel III. The leverage ratio under Basel III was 3.9%, which is also in line with Ambition 2015 (4.0%) and already complies with the CRD IV threshold of 3.0% by 2015.

ING Bank is making clear progress on meeting the other regulatory CRD IV-requirements, and other aspects of ambition 2015. For example, ING maintained a liquidity coverage ratio of more than 100% in 2013; a level we aimed at for 2015. Also, the targeted balance sheet optimisation at ING Bank is substantially complete.

ING Bank's underlying result before tax was mainly driven by a strengthening of the interest margin, less volatility in credit and debt valuation adjustments (CVA/DVA) in Commercial Banking and the Corporate Line, and the absence of de-risking losses in 2013. The profitability of ING Bank went up: the underlying return on IFRS-EU equity was 9.0% in 2013, which is higher than it was in 2012 (7.0%) and brings our 2015 target within reach (10 to 13%).

Our strong funding position enabled us to continue supporting our customers through lending in 2013.



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Strong cost control continues to be a priority at the Bank in order to remain competitive and to be able to face external factors, such as high regulatory costs and bank taxes. The underlying cost/income ratio improved from 60.3% in 2012 to 56.8% in 2013.

Results at NN Group showed significant improvement in 2013, on an operating basis. The improvement reflects a higher investment margin following the partial transfer of assets and liabilities from WestlandUtrecht Bank to Nationale-Nederlanden Bank, lower expenses resulting from the transformation programme in the Benelux, improved results in the non-life business and lower funding costs.

**STRONG PROGRESS ON RESTRUCTURING PLAN AND REVISION OF TIMELINES**

During 2013, ING made progress on its Restructuring Plan to fully separate its banking and insurance and investment management activities. We reached several milestones, for example:

A successful initial public offering (IPO) of the US insurance business (ING U.S.).

Completion of the divestment of ING Insurance/IM Asia.

An agreement in November 2013 with the EC on revised timelines for the European and Japanese Insurance divestments, which together formed ING Insurance and were renamed NN Group on 1 March 2014. The preparations for the base case IPO of NN Group are progressing well, which is expected to allow us to go to the market in 2014.

**Delevering on restructuring**

ING continued to make strong progress on its restructuring programme in 2013, entering the end-phase of its transformation.

To meet the agreement with the European Commission ( EC ) of November 2012, ING had to divest more than 50% of its Asian and 25% of its US insurance and investment management activities by 2013. Both requirements were met:

The divestment of the Asian insurance and investment management activities was effectively completed in 2013. ING Life Japan will be included in the scope of the NN Group base case IPO in 2014. In May 2013 ING U.S. started trading on the New York Stock Exchange under the ticker symbol VOYA. The successful sale of 38 million ING U.S. shares in October 2013 brought ING's stake down to 57%. The divested 43% was more than the required 25% and moved ING closer to meeting the required divestment of over 50% by the end of 2014. 100% has to be reached by year-end 2016.

ING was also able to reduce the core debt from EUR 7.1 billion at year-end 2012 to EUR 5.0 billion at year-end 2013. This was due to strong capital generation within ING Bank, allowing an upstream payment to the Group, as well as to proceeds from the US IPO and the sale of part of the direct stake in the Brazilian insurer Sul América S.A. (SulAmérica). As ING has committed to eliminate core debt, proceeds from the divestments will be used to that end,

provided they are not needed to maintain the leverage of the remaining insurance businesses. The value of the remaining 57% stake in ING U.S., the remaining stake in SulAmérica and the European Insurance business will be more than sufficient to cover the residual core debt of the Group.

Other divestments announced and/or completed in 2013 were:

ING's 26% interest in Vysya Life Insurance. Insurance units in Hong Kong, Macau and Thailand.

ING's investment management business in Taiwan.

ING's 49% stake in Korean insurance venture KB Life Insurance Company Ltd. (KB Life).

ING's investment management business in South Korea.

ING Life Korea, which was ING's wholly-owned life insurance business in South Korea.

ING's 70% stake in the Malaysian investment management business.

The Thai investment management units.

ING's 50% stake in its Chinese insurance joint venture ING-BOB Life Insurance Company.

ING's 33% stake in China Merchants Fund.

The Mexican mortgage business.

The divestments in 2013 made ING a simpler, smaller and stronger company.

### **Revision of timelines**

On 6 November 2013 ING announced that, together with the Dutch State, it had reached an agreement with the EC on revised timelines for the European and Japanese Insurance and Investment management divestments:

The timeline to divest more than 50% of these businesses remains unchanged at year-end 2015.

The deadline to divest 100% of these businesses was accelerated from year-end 2018 to year-end 2016.



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The entity for the base case IPO of ING's European insurance and investment management activities, will include ING Life Japan. ING Life Japan is therefore to be divested in line with timelines for the European Insurance and Investment management businesses.

The reason for the amendments was that a standalone sale of ING Life Japan was not considered feasible in a manner that meets the demands of ING's stakeholders. After carefully exploring and evaluating the options available for the divestment of ING Life Japan, the outcome was its inclusion in the entity for the base case IPO. As part of the revised agreement, ING will accelerate the timeline as described to year-end 2016. This provides further clarity on the base case IPO of NN Group. The preparations for this are progressing well, which is expected to allow us to go to the market in 2014.

## **REPAYING STATE AID**

ING is grateful for the support the Dutch State extended during the financial crisis years 2008 and 2009. In 2013 two major milestones were reached:

An agreement was reached with the Dutch State on the unwinding of the Illiquid Assets Back-Up Facility ( IABF ). The facility was established in 2009, at the depth of the financial crisis, in order to reduce the risk and uncertainty for ING from a portfolio of US Alt-A mortgage securities. Market developments allowed the unwinding of the facility, including the start of the sale of the securities, with an expected cash profit for the Dutch State of approximately EUR 0.4 billion. Unwinding the IABF also freed up EUR 2 billion of ING Bank's risk-weighted assets and is expected to add approximately 10 basis points to ING Bank's core Tier 1 ratio. As a result of the unwinding, the restrictions as part of the IABF-agreement will no longer be applicable, including the right of the Dutch State to nominate two members for appointment to the Supervisory Board. The current State nominated member of the Supervisory Board will no longer have special approval rights regarding certain decisions and will have a position equal to the other members of the Supervisory Board. The unwinding was completed early 2014 and resulted in a cash profit for the Dutch State of EUR 1.4 billion.

Strong capital generation at the Bank facilitated the payment of another tranche of core Tier 1 securities on 6 November 2013, reducing the principal amount of outstanding State aid to EUR 1.5 billion. ING received EUR 10 billion in state aid from the Dutch State in November 2008. Including the latest repayment in November 2013, ING has so far repaid EUR 11.3 billion to the Dutch State, including EUR 8.5 billion in principal and EUR 2.8 billion in interest and premiums. The final tranches of EUR 1.175 and EUR 1.075 billion are scheduled to be paid by March 2014 and by May 2015. The total annualised return for the Dutch State is expected to be 12.5%.

The total contribution to the Dutch State to date of EUR 4.9 billion includes premiums and interest on the repayment of core Tier 1 securities, the unwinding of the IABF, guarantee fees paid on the government guaranteed bonds issued in 2009 and bank levies.

ING also reduced the Dutch State guaranteed funding by EUR 3.6 billion to EUR 2.5 billion at year-end 2013. The remaining bonds matured in March 2014.

## **STRENGTHENING THE BUSINESSES**

On the surface, the business of a financial institution such as ING may seem to be principally about money. In reality, ING's business is centred on people and trust. Only by acting with professionalism and integrity can we maintain our stakeholders' confidence and build 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 at ING:

- We act with integrity.
- We are open and clear.
- We respect each other.
- We are environmentally and socially responsible.

Based on these Business Principles are the five ING Customer Golden Rules which form a key component in our approach towards customer suitability for our banking and insurance operations. ING has been using the Customer Golden Rules since 2009 and made them an integral part of our Product Approval and Review Process ( PARP ). Through this process, ING attempts to make sure that all newly developed and existing products and services meet the set requirements for doing business.

#### **ING s 5 Customer Golden Rules**

1. We strive to meet customers needs throughout their life cycle. Through the right products and proper advice, we will keep customers happy.
2. We offer fair value to customers. Depending upon the customer s motivation, offering appropriate risk coverage or monetary value will be the only way to achieve sustained success.

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3. We explain the risks, returns and costs of our products and services. Transparency and easy-to-understand language are crucial to our business.
4. We regularly assess products, services and sales practices. Only through constant checks and balances can we ensure that we are giving customers what they want and need most.
5. We work only with professional and licensed distributors. Our partners and distributors are a reflection of us. We will make sure that anyone selling our products is properly trained, qualified and licensed.

Two examples show how this translates into business practice:

In the first quarter of 2013, ING took another step towards greater transparency by publishing its Environmental and Social Risk (ESR) Framework online. ING has applied its ESR policies to its business activities since 2003. ING's ESR Framework is applied at both the client and transaction levels at ING Bank. For NN Group the framework includes two policies that specifically address responsible investing: the ING Voting Policy and the ING Defence Policy. This ensures informed decision-making that is compliant with ING's Business Principles.

In keeping with our clients' expectations, our sustainable products offerings grew across all our business lines in 2013.

There was growth in renewable energy project finance, green lending, charity related savings accounts and sustainable mandates in our investment services.

ING's efforts were publicly recognised in 2013. ING was included in the DJSI World Index and the DJSI Europe Index. The DJSI World Index lists the top 10% of companies within the ordinary Dow Jones Index in terms of best-in-class performance across economic, environmental and social criteria. ING's inclusion in these indexes underscores its standing as one of the leading sustainable companies within the diversified financial sector. ING's 2013 score of 76 is 32 points higher than the sector average of 44 points, placing ING in the 99th percentile for the sector. This implies that only 1% of diversified financials score higher than ING. The improvement demonstrates ING's increased performance in integrating sustainability into its business activities.

The strength of a company is also determined by the quality of its workforce. ING is a great place to work, as surveys have shown. Among other factors, remuneration needs to be well-balanced to retain and recruit highly qualified staff. Therefore, ING ensures that its remuneration policy in general, but especially for senior management, the Executive Board and the Supervisory Board maintains a balance between short-term and long-term value creation. ING also makes sure that the remuneration policy is properly correlated with our risk profile and the interests of all stakeholders.

## **Bank**

The essence of our strategy is built around the customer. In our view customers basically want a solid bank they can trust. ING Bank focuses on the safety of depositors' money. We believe that ING Bank has strong deposit gathering capabilities and a good funding mix. ING aims to maintain a solid capital base, smooth and low-cost deposit raising and a careful, environmentally and socially responsible investment selection.

The customer is also looking for ease of use and corporate responsibility. The Net Promoter Scores ( NPS ) methodology measures if customers recommend a company to their family and friends. ING Bank s NPS for 2013 shows that customer satisfaction with our services is quite high in the countries in which we are active. In 11 countries in which ING Bank operates with retail banking activities, it is number 1 or 2 in a peer group comparison.

ING Bank adapts to the changing needs of its customers, who increasingly want insight into their financial situation and future. Security of data is, of course, a prerequisite. Customers want to make more use of digital banking services and especially of mobile services. Therefore, ING has made mobile banking services available for retail customers in all countries where it is present. Now, millions of customers carry ING Bank in their pockets. This also contributes to a paperless delivery of our products and services, reducing our own and our customer s environmental footprint. The rapid shift to mobile is starting to move from the retail world into Commercial Banking as well.

To serve customers, ING Bank s strategy is also built around operational excellence and balance sheet optimisation. In 2013, we made progress towards operational excellence by improving our service and by streamlining our organisation and systems. In order to remain competitive and strong, cost control continues to be a priority at the Bank. ING Bank is used to operating in lean, competitive markets which has helped it become a leader in innovative distribution. It has a prominent 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. Nevertheless, there is room to further improve the efficiency of our processes. The mobile and digital revolution means customers now expect fast and simple solutions tailored to their individual needs and an offering that is constantly evolving.

In 2013, ING Bank further optimised its balance sheet, for example through balance sheet integration. This is to address the mismatch in the funding gap and surplus across all key countries within the Bank. The focus is on generating local lending assets for local funds entrusted, while growing global Commercial Banking assets.

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It is important to have motivated and engaged employees who are able to adapt quickly enough to the new demands of our customers and who can build and foster long-term relationships with them. ING Bank made progress in 2013 in being a top employer. A few examples demonstrate this:

ING Bank's annual engagement survey was conducted in September and October 2013, and had a high response rate of 81%. Compared with 2012, the results show an increased confidence in the long-term future of the company and the on-going commitment to customer focus. There were also improvements in career development and retention.

ING Bank received Great Place to Work awards in Luxembourg, Germany and Spain. Great Place to Work is the world's largest employee satisfaction study, surveying employees at about 5,500 companies and conducted by Great Place to Work. According to this survey, ING was the only financial institution in the top-25 of best multinational workplaces in Europe.

ING Bank also received external recognition as a top employer in France, Poland, Belgium and Italy. A refined and sharpened Bank strategy for 2014 and onwards will be presented in the first half of 2014.

## **Insurance/Investment Management**

In September 2013, NN Group presented an overview of its business, strategy, capital framework, executive team and how it is preparing for the base case IPO in 2014. NN Group is a leading insurance and investment management company with a strong, predominantly European presence in 18 countries. With more than 12,000 employees, it offers retirement services, insurance, investments and banking to retail, SME, corporate and institutional customers. In 2013, its future brand name was revealed: NN.

In November 2013, it was announced that the base case IPO of ING's European insurance and investment management activities, will include ING Life Japan.

NN Group N.V., formerly called ING Insurance Topholding N.V., merged with ING Verzekeringen N.V. effective as of 1 March 2014. As a result the legal entity ING Verzekeringen N.V. ceased to exist and NN Group N.V. became the legal successor of ING Verzekeringen N.V. as the holding company of the European and Japanese insurance and investment management operations.

NN Group's focus is on customers, on generating capital, on growing profitability and on improving efficiency. NN Group's strategy will therefore be about offering appealing and easy to understand products and services, multi-access distribution and efficient and effective operations in the 18 countries in which it is active.

In line with its ambition to be a leading, responsible and customercentric organisation NN Group introduced its new corporate values, which are connected to its roots, heritage and common purpose:

We care : We see our customers as the starting point of everything we do. We respect each other and believe working together leads to better results. We take our role in society seriously.



We are clear : We are easy to understand, transparent and accessible. We listen carefully and take action accordingly. We keep our promises.

We commit : We take responsibility for what we do. We act with integrity. We focus on our long-term objectives.

## **CONCLUSIONS AND AMBITIONS**

ING focuses on implementing strategic measures that are robust under all circumstances, and on being flexible in order to be able to adapt to change.

In 2013, ING was able to make good progress on the strategic priorities for ING Group: strengthening the financial position, restructuring, repaying state aid and building both stronger and sustainable banking and insurance and investment management businesses.

ING reached several milestones that demonstrate clear progress on its Restructuring Plan to fully separate its banking and insurance and investment management activities. Most marked were the successful IPO of the US insurance business, further divestments of Asian insurance and investment management businesses and the announcement of the agreement with the EC on revised, quicker timelines for the European and Japanese Insurance divestments.

The preparations for the base case IPO of NN Group are progressing well, which is expected to allow us to go to the market in 2014. In 2013, the future brand name was revealed: NN. We believe NN Group has a strong position as a provider of retirement services, insurance, investments and banking in 18 countries and is well-positioned to capitalise on socio-economic trends.

Once the restructuring of the Group is complete by the end of 2016 and the Bank is a stand-alone business, 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

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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 economy, even in a volatile economic and regulatory environment.

All in all, in 2013 ING became simpler, stronger and better positioned to serve its customers in a sustainable way.

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**CORPORATE GOVERNANCE/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](http://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 ING Group ([www.ing.com](http://www.ing.com)), which is to be read in conjunction with this section and is deemed to be incorporated into this section. An update of the aforementioned publication is forthcoming.

**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](http://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 ING Group ([www.ing.com](http://www.ing.com)). ING Group voluntarily applies the principles of the Banking Code 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.

**Dutch Insurers Code**

The Dutch Insurers Code ( *Insurers Code* ) is applicable to the Dutch subsidiaries of NN Group N.V. pursuing insurance business and not to ING Group, ING Verzekeringen N.V. or NN Group N.V. The Insurers Code can be downloaded from the website of the Dutch Association of Insurers ([www.verzekeraars.nl](http://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. The remuneration policy for the Management Board and senior management is compliant with the corporate governance-related principles of the Insurers Code and is voluntarily applied on group level. The application of the Insurers Code principles is described in the publication *Application of the Insurers Code* available on the website of ING Group ([www.ing.com](http://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](http://www.ing.com)).

**CORPORATE ORGANISATION**

ING Group's segments are based on the internal reporting structure by lines of business. The segments Insurance United States (US), Insurance US Closed Block VA, Investment Management US, and Corporate line US ceased to exist, due to the classification of Insurance ING U.S. as held for sale and discontinued operations. Furthermore during 2013, ING has adjusted its reporting structure for its insurance operations to better align its segmentation with the businesses that it comprises, their governance and internal management, and to reflect the decision to divest ING Japan with the intended base case IPO of NN Group. Reference is made to Note 59 *Other events* of Note 2.1 to the consolidated financial statements. The comparatives have been adjusted to reflect the new segment structure.

The new reporting segments for ING Group are as follows: Retail Netherlands, Retail Belgium, Retail Germany, Retail rest of the World, Commercial Banking, Netherlands Life, Netherlands Non-life, Insurance Europe, Japan Life, Investment Management, Other, Japan Closed Block VA.

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

For more information about the Supervisory and Executive Boards, see Item 6. Directors, Senior Management and Employees .

**Table of Contents****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 2013, 2012 and 2011.

**Retail Banking**

Retail Banking provides banking services to individuals and small and medium-sized enterprises in Europe, Asia and Australia. A full range of products and services is provided, albeit offerings may vary according to local demand. Retail Banking has leading positions in the Netherlands, Belgium, Luxembourg, Germany, Australia and Poland. It also has solid positions in its other markets Spain, France, Austria, Italy, Romania, Turkey and India where it challenges the established players. It has equity positions in TMB Bank (Thailand) and Bank of Beijing (China). Every country has the same strategic focus: to provide easy and fair banking, at low costs, according to the direct if possible, advice when needed principle.

*Retail Netherlands*

Retail NL has a top two market position in the Netherlands, serving almost eight million retail and private banking customers and nearly 700,000 SME and Mid-Corporate customers. Although customer demand for digital banking services continued to increase, ING maintained a substantial physical presence with 268 branches and 375 ING Service Points.

*Retail Belgium*

ING Belgium (ING BE), one of the largest retail banks in the country, provides its 2,400,000 (year-end 2013) private and business customers with a full range of banking products and services. It continued to carry out its direct if possible, advice when needed strategy. It maintained its leading position as a strongly customer focused bank. The Bank continually responds to the fast-changing customer behaviours and expectations and adopts new technologies to meet their needs. It improved its direct channels, both for private and business customers. Private Banking, which has a top three position in Belgium, was awarded Best Private Bank in Belgium by the magazine World Finance. The total amount of Private Banking funds entrusted and assets under management in Belgium were EUR 17.6 billion (+ 4.9% since 2012). Retail Belgium includes Record Bank, the fourth-largest retail savings institution in the country, with close to 730,000 customers (up from 700,000 in 2012). Record Bank serves retail, professional and small business customers with safe, simple and transparent savings and lending products. Its strength is the personal approach taken by its network of around 1,500 independent agents, credit brokers and vendors. Its funds entrusted volumes went up by 8% compared with 2012, with a strong increase in savings and deposits of EUR 1.3 billion, as a result of its excellent position in the Belgian savings market. The Bank continues to invest in online facilities to support its various distribution channels. ING Luxembourg a top five, full universal bank in the country delivered a solid performance. The Bank has a local as well as a wide international customer base, with 114,000 customers, of which 84,000 are retail, and 16 branches.

*Retail Germany*

Retail Germany consists of ING-DiBa Germany, ING-DiBa Austria and Interhyp. In Germany, ING-DiBa is the fastest growing bank, and the third largest by number of customers, with a continuous focus on the customer. Its customer satisfaction ratings remain high, which is contributing to strong business growth. An easy-to-understand product range, with only 10 different products, offered with the highest service, 24 hours a day, are the ingredients for meeting all main needs of a retail banking customer. ING-DiBa Austria, which is reported under Retail Germany, had

521,000 customers at the end of 2013, up slightly from 515,000 at the end of 2012. Total retail balances at year-end 2013 amounted to EUR 7.6 billion, an increase of EUR 0.3 billion, of which total funds entrusted were EUR 7.4 billion. Interhyp, Germany's biggest mortgage broker, was awarded Best Mortgage Financer by renowned Euro magazine, for the eighth year running, for best service, advice and price. Interhyp increased its local branch and tied-agent network to almost 70 in 2013.

#### *Retail Rest of World*

Retail Rest of World comprises ING Australia, ING France, ING Italy, ING Romania, ING Bank Slaski (Poland), ING Spain, ING Turkey and ING Vysya Bank (India), as well as TMB Bank (Thailand) and Bank of Beijing (China) in which ING has equity positions. ING Direct UK was sold in March 2013 but Retail Rest of World still includes a UK legacy portfolio which is in run-off. In India, Poland, Romania and Turkey, we offer products and services to all customer segments, whereas in Australia, Italy, France and Spain we focus on retail customers. However, in 2013, ING launched a pilot to serve small businesses in Spain.

#### **Commercial Banking**

Commercial Banking is a strong European bank with a market leading franchise in the Benelux and a good position in the rest of Europe, in particular in Central and Eastern Europe. We have a global franchise and market leading positions in selected areas in Industry Lending and in liquidity management, as well as focused and efficient global Trade Finance Services and Financial Markets businesses.

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We are a relationship bank for clients around the world and serve a range of organisations, including multinational corporations, governments, financial institutions and supranational organisations, through an extensive network of offices in more than 40 countries. We provide a range of products and services to support our clients' needs. Our lending capabilities anchor most of our client relationships. Transaction Services products, such as International Payments & Cash Management, Trade Banking and Working Capital Solutions are tailored, through integrated solutions and advice, to meet our clients' short- and long-term banking and liquidity requirements. Financial Markets, as the Bank's gateway to the professional markets of the world, services our clients' every day needs in treasury services through to capital markets, risk management and structured financial products.

Over many years, ING has built a high quality Industry Lending business, operating within sectors in which we add value. We provide specialised commercial lending, originating well-structured loans that strike the right balance between what clients want and achieving good risk adjusted returns. We are leaders in many different industries and are acknowledged for our commitment to clients and excellent quality of service.

We are simplifying our internal organisation, harmonising and streamlining the way in which we service clients across products and countries. We continue to invest in our operating platforms, upgrading our technology and strengthening our processing capabilities. This new operating model will lead to faster and better service, fewer points of contact, better tailored solutions and an enhanced experience for clients. It will improve our overall connectivity, by harmonising processes and practices throughout our business, enabling seamless service delivery and better collaboration with colleagues around the world. This integrated approach to services, better management information and a more efficient way of working, will create an enhanced One Bank client experience across our network.

Our continued balance sheet optimisation efforts in 2013 provided additional capacity for us to support clients. We progressed with building integrated domestic banks by combining Retail Banking's deposit gathering capabilities with Commercial Banking's origination capabilities, resulting in a further strengthening of our business model.

### *General Lending and Transaction Services*

Within our General Lending business, the challenge is to maintain margins and volumes within our established risk appetite while competition intensifies, in particular in markets where large domestic banks protect their core franchise. General Lending has maintained its position as market leader in the Benelux and Central and Eastern Europe as bookrunner in the syndicated loan market, and continued to support our corporate clients through our international network. We offer Transaction Services through integrated advice and solution selling. These activities require a strong emphasis on technology and operational processing. Included within Transaction Services is Bank Mendes Gans ( BMG ), Trade Finance Services ( TFS ) and Working Capital Solutions ( WCS ). BMG is a market-leading provider of specialist liquidity management solutions, including global cash-pooling and netting, to multi-national corporations. TFS finances, settles and mitigates risks of international trade for clients in all markets globally, but primarily in Asia, Central and Eastern Europe, Latin America, Africa and the Middle East. For corporate clients, our WCS team has established ING as a recognised provider of receivables and payables solutions.

### *Industry Lending*

We have Industry Lending teams specialising in different sectors and competing in selective markets across the world. These are grouped between Structured Finance and Real Estate Finance businesses. The Structured Finance division aims for a consistent top-10 position globally in the markets in which it competes. We have three structured commercial lending services groups. The Energy, Transport and Infrastructure Group specialises in capital-intensive industry sectors such as oil and gas, mining, offshore services, shipping, utilities and power, and infrastructure. The Specialised Financing Group comprises a number of global teams largely engaged in arranging, underwriting and

lending against business cash flows in sectors such as telecommunications, media and technology. International Trade and Export Finance supports international trade in basic commodities such as oil, oil products, metals, grain, sugar and cotton. We also finance the export of capital goods and offer services to clients with long-term financing supported by export credit agencies. Real Estate Finance's primary activity is lending to investors in income-producing real estate backed by first mortgages.

*Financial Markets*

Financial Markets is a well-diversified business exposed to developed markets and fast-growing economies and focused on rates and currencies more than credit. In this business unit we offer a broad range of global solutions to assist our clients in the management of their exposures to foreign exchange, interest rate, equity, commodity or credit movements.

*Bank Treasury, Real Estate and Other*

To adapt to new regulations and to execute ING's balance sheet optimisation strategy, ING has been coordinating treasury activities across all business lines within the Bank. This has been made possible through significant asset transfers across countries to guarantee an optimal use of our internal funding. The Real Estate & 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. It also includes General Lease operations outside ING's home markets which have been placed in run-off.



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**Table of Contents****NN Group***Netherlands Life*

Netherlands Life offers a range of group life and individual life insurance products. Its group life policies are primarily group pension products. Its individual life insurance business primarily consists of the closed-block operation of the individual life portfolios (comprising a range of discontinued products sold prior to 2012) of Nationale-Nederlanden, RVS and ING Verzekeringen Retail, formerly known as Postbank Insurance. Netherlands Life also provides pension administration and management services through its AZL brand. Netherlands Life was the largest life insurer in the Netherlands as measured by Gross Written Premiums (GWP) in 2012, the most recent year of official figures, collected by DNB.

*Netherlands Non-life*

Netherlands Non-life offers a broad range of non-life insurance products motor, transport, fire, liability, travel and disability and accident insurance to retail, self-employed, SME (small and medium-sized enterprise) and corporate customers. It does this through multi-channel distribution such as regular and mandated brokers, ING Bank and direct via the internet. Its Movir brand offers individual disability insurance to specific groups in the medical and business professions. In the Netherlands, Netherlands Non-Life was the third largest provider of non-life insurance products (excluding healthcare insurance) measured by Gross Written Premiums (GWP) in 2012, the most recent year of official figures, as collected by DNB. The economic downturn continued to affect the non-life business in 2013, most visibly in disability and accident insurance. Netherlands Non-life is gradually increasing the profitability of this product line having adjusted premiums and having made operational improvements in the claims process. Furthermore, by innovating products and processes it lowered run rate expenses. In the property and casualty business, it downsized the product portfolio in line with the focus on retail, SMEs and the self-employed.

*Insurance Europe*

Insurance Europe primarily offers life insurance, mainly to retail, self-employed, SME and corporate customers in 11 countries: Poland, Turkey, Czech Republic, Slovak Republic, Romania, Hungary, Bulgaria, Belgium, Spain, Greece and Luxembourg. It also offers pensions in some of these markets and non-life insurance in Belgium and Spain, and healthcare insurance in Greece. In Europe, Insurance Europe was in 2012 the largest provider of life insurance in Romania and Hungary, and had top-four positions in the Czech Republic and Greece in each case measured in GWP. It was the largest provider of mandatory pensions in Poland, Slovak Republic, Romania and Hungary, and voluntary pensions in Romania in each case measured by assets under management.

*Japan Life*

In Japan, NN Group primarily offers a range of COLI (Corporate Owned Life Insurance) products to SMEs and owners and employees of SMEs through independent agents and bancassurance. COLI products are traditional life insurance policies with an average maturity of nine years that a company, typically an SME, takes out on the lives of executives or employees, whereby the company is both the policyholder and the beneficiary of the policy. COLI products are designed to address the protection, savings, and retirement preparation needs of SMEs and owners and employees of SMEs in a tax-efficient manner. In 2012, Japan Life was Japan's third largest provider of COLI products measured by Annual Premium Equivalent (APE).

*Investment Management*

ING Investment management offers a wide variety of actively managed investment products and advisory services to retail and institutional customers in all major asset classes and investment styles. In addition, it manages the assets of NN Group's businesses. Investment Management offers its products and services globally through regional investment centres in several countries across Europe, the United States, the Middle East and Asia, with the Netherlands as its main investment hub. As at 31 December 2013, Investment Management had EUR 174 billion of AuM, of which EUR 104 billion was managed for third party retail and institutional customers and the remaining EUR 70 billion for the general account of NN Group's businesses.

*Other*

Other comprises the business of Nationale-Nederlanden Bank and ING Re (NN Group's internal reinsurer) and the holding results. Nationale-Nederlanden Bank offers a range of banking products, especially mortgages and savings, to retail customers in the Netherlands. In addition, it coordinates the distribution of Nationale-Nederlanden's individual life and retail non-life insurance products in the Netherlands to enable a comprehensive product offering to retail customers in the Netherlands. It distributes these products through intermediaries and Nationale-Nederlanden's direct channel and ING Bank. ING Re is NN Group's internal reinsurer located in the Netherlands. ING Re primarily offers reinsurance to NN Group's businesses. It manages its risks through ceding excess

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insurance risk to external reinsurers and hedging (a major part of) its market risks. ING Re also reinsures the minimum guarantee obligations of the Japan Closed Block VA. In the segment reporting, the results from this reinsurance agreement are reported by ING Re under the Japan Closed Block VA segment (whilst the rest of ING Re results are reported under the Other segment).

*Japan Closed Block VA*

Japan Closed Block VA primarily consists of single premium variable annuities (SPVA) sold from 2001 to 2009. In 2009, ING in Japan ceased the sale of SPVA products in Japan, placed the portfolio in run-off and classified it as closed-block business. Japan Closed Block VA comprises NN Group's closed-block single premium variable annuity (SPVA) individual life insurance portfolio in Japan. This portfolio consists of SPVA products with substantial minimum guarantee obligations sold predominantly from 2001 to 2009. In 2009 ING ceased the sale of these products and placed this portfolio in run-off. This portfolio has been classified as a closed-block and is managed as a separate segment. Over 90% of the portfolio is projected to run off by 2019, due to the short-term maturity profile of the SPVA products. The minimum guarantee obligations of Japan Life under the closed-block portfolio are fully reinsured by ING's internal reinsurer, ING Re. ING Re manages this risk through a sophisticated hedging programme. Japan Life is responsible for managing the policies, the relationships with customers, the distribution partners and the Japanese regulatory authority.

**PRINCIPAL GROUP COMPANIES**

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

**Table of Contents****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 the Dutch Central Bank (De Nederlandsche Bank DNB ), while conduct-of-business supervision is performed by the Netherlands Authority for the Financial Markets, (Autoriteit Financiële Markten; AFM ). In November 2012, the Financial Stability Committee (Financieel Stabiliteitscomité; FSC ) 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 are hard to determine, and it may be difficult to reconcile them where they are not aligned. The financial industry has also taken initiatives by means of guidelines and self-regulatory initiatives. Examples of these initiatives are the Dutch Banking Code as established by the Dutch Bankers Association 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 November 2014 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.

In response to the crisis ING Bank has set up an all-encompassing Recovery Plan to enhance the bank s readiness and decisiveness to tackle financial crises on its own strength. Furthermore, ING Bank is diligently working towards providing information on the basis of which the Dutch resolution authorities will be able to develop a resolution plan. The ING Bank FEC Policy provides a clear statement of what is required by all ING Bank entities, in order to guard against any involvement in criminal activity, and to participate in international efforts to combat money laundering and the funding of terrorist and criminal activities. The requirements in the ING Bank FEC Policy cover minimum standards and controls related to: money laundering, terrorist financing, export trade controls, proliferation financing, sanctions (economic, financial and trade) and countries designated by ING Bank as Ultra High Risk Countries (UHRC).

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

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

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

Also NN Group N.V. ( NN ) 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 target. Furthermore, NN 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. NN 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 NN's on-going efforts to run down the legacy portfolio of commitments.

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.

The Agreements have expired as of 12 December 2013 and the related proceedings against ING Bank N.V. have been dismissed by the US District Court of Columbia.

## **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 of 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. 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. 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.

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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.

*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.

*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

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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 authorisation 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 unauthorised account activity takes place while the account is frozen. ING Bank may receive loan repayments, but all legacy loan repayments received by ING Bank have been duly authorised by the relevant competent authorities. For the relevant period, ING Bank had gross revenues of approximately USD 13.5 million, which was principally related to legacy loan repayment, and ING Bank estimates that it had net profit of approximately USD 449,000. ING Bank intends to terminate each of the legacy positions as the nature thereof and applicable law permits.

*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.

As an Australian incorporated subsidiary, ING Bank (Australia) Limited is required to comply with corporate disclosure requirements and in the event of listing of issued debt securities to comply with Australian Securities

Exchange listing 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 in the event of listing of issued debt securities to comply with Australian 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

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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 authorisations 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. In July 2013, the Financial Stability Board designated nine global insurance companies as G-SIIs. As a result, these firms will be subject to enhanced supervision and increased regulatory requirements in the areas of recovery and resolution planning as well as capital. The implementation deadlines for these requirements start as early as July 2014 and, in the case of additional capital requirements, extend to 2019. Although neither NN nor any other Dutch insurer is included in this list, it cannot be ruled out that this supervision and regulation will be expanded to take in NN 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. The current expectation is that Solvency II will enter into force on 1 January 2016. On 19 January 2011, the EC presented a draft of a directive to amend the Solvency II Directive, the Omnibus II directive. The Omnibus II directive was proposed in order to take into account the new supervisory architecture for insurance; namely, the setting up of EIOPA and the entry into force of the Lisbon Treaty, which required the adjustment of the EC powers to take implementing measures to empowerments for the EC to adopt implementing and delegated acts according to Article 290 of the Treaty on the Functioning of the European Union. In the course of negotiations, the need emerged to introduce measures on the treatment of insurance products with long-term guarantees under the new Solvency II insurance regulatory regime (LTG package). Discussions have revolved around this issue for the past two years. However, on 13 November 2013, the EU Council and the European Parliament achieved a provisional political agreement on the Omnibus II Directive. Agreed new rules contain so-called long term guarantees (LTG) measures that adjust the current Solvency II framework to cope with artificial volatility and a low interest rate environment, and allow for the smooth transition from the Solvency I regime to the Solvency II regime. In addition, the Omnibus II directive contains enhanced requirements for risk management, supervisory review process, public disclosure and

allows the possibility to review LTG, in order to ensure prudence and transparency of the framework.

In 2013, 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 .

**Table of Contents****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 2013.

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 require the ultimate controlling person of an insurance holding company system to file an enterprise risk report that identifies activities, circumstances or events involving affiliates of an insurer that, if not remedied properly, are likely to have a material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system as a whole. 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. 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). 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. In addition, the Dodd-Frank Act established the Federal Insurance Office (FIO) within the Treasury Department. Although FIO is not expected to act as a federal domestic insurance regulator, it could nonetheless impact ING's U.S. insurance operations. The Dodd-Frank Act required the Director of FIO to conduct a study on how to modernize and improve the system of insurance regulation in the United States. The FIO director issued that report in December 2013, recommending, in part, increased federal involvement in certain areas of insurance regulation to improve uniformity. FIO has an ongoing charge to monitor all aspects of the U.S. insurance industry and will monitor state regulatory developments, including those called for by the report and present options for federal involvement if deemed necessary.

*Mexico*

On June 14, 2013, ING's Mexican subsidiary Conglomerado de Valores, S.A. de C.V. and Banco Santander (México) S.A. Institución de Banca Múltiple, Grupo Financiero Santander México, entered into a Stock Purchase Agreement by means of which ING sold 100% of its mortgage business in Mexico. The closing of the transaction was subject to certain regulatory approvals that were duly obtained on the fourth quarter of 2013. The transaction closed on November 29, 2013, with an acquisition price of approximately Ps.541.4 million (approximately US\$41.4 million) paid in cash. After this transaction, existing ING Mexico entities manage the pending legal matters in Mexico, do not have any business operations that need to be regulated or supervised.

*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 The Netherlands. In late 2004, ING sold the insurance portfolio of this company. The liquidation is expected to be completed in the middle of 2014.

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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 nationalisation of the Argentine pension fund system, ANSES has taken over control of the private 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*

On 26 August 2013, ING Insurance International II B.V. as seller and NN Group N.V. as seller 's guarantor entered into a share sale and purchase agreement with a subsidiary of MBK Partners, a Korean private equity firm, as purchaser providing for the sale of the seller 's shares in ING Life Insurance (Korea) Ltd., the Company 's indirect wholly-owned life insurance business in South Korea, for a total purchase price of approximately KRW 1.84 trillion (EUR 1.27 billion at the prevailing exchange rates). The sale was completed in December 2013. As part of the transaction, Korean Investment Fund B.V., a wholly owned indirect subsidiary of the Company, acquired an indirect stake of approximately 10% in ING Life Korea, equivalent to approximately EUR 80 million (at then prevailing exchange rates). ING Groep has entered into a brand licensing agreement that will allow ING Life Korea to continue to operate under the ING brand for a maximum period of five years. In addition, over the course of one year, ING Insurance International II B.V. will continue to provide technical support and advice to ING Life Korea. The transaction resulted in an after-tax loss for NN of approximately EUR 1.0 billion, of which EUR 950 million was recorded in the third quarter of 2013.





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**BROKER-DEALER AND INVESTMENT MANAGEMENT ACTIVITIES**

**Americas**

*United States*

Certain ING entities act in the capacity of registered investment advisors with the Securities and Exchange Commission (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, one of these ING entities acts as a sub-advisor to certain registered investment companies (such as mutual funds) and the Investment Company Act of 1940, as amended, regulates the governance and activities of those funds. Collectively, these laws impose, among other things, record-keeping and disclosure requirements on the advisors in the context of such activities. Moreover, applicable 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 and require the advisors to establish policies and procedures reasonably designed to identify and address potential violations of law and conflicts of interest and to establish and adhere to certain codes of conduct. In addition, ERISA imposes certain obligations on investment advisors managing employee plan assets as defined in the Act.

Other U.S. laws affect ING's U.S. advisory businesses in a variety of ways, including the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, 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 the rules of the Financial Industry Regulatory Authority, 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 SEC, 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 currently offering banking, investments, life insurance and retirement services. We draw on our experience and expertise, our commitment to excellent service and our global scale to meet the needs of a broad customer base, comprising individuals, families, small businesses, large corporations, institutions and governments.

The strength of the company is, among other things, based on its relatively high customer satisfaction levels, solid financial position, multi-channel distribution strategy and international network. Moreover, ING is a sustainability leader in its sector. We aim to deliver financial products and services in the way our customers want them: 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.

ING Bank's strategic aim is to be a strong, predominantly European bank for its customers. ING Bank wants to be a leading domestic full-service bank in attractive, stable home markets, as well as a leading commercial bank in the Benelux with a strong position in Central and Eastern Europe. A refined and sharpened Bank strategy for 2014 and onwards will be presented in 2014.

In anticipation of tougher capital requirements we have strengthened our capital position, but if these requirements are tightened further, our ability to lend to the economy may come under pressure and this will at the same time affect our global competitive position. Moreover, we are pushing for a European level playing field to guarantee a robust competitive position for banks.

Strong cost control continues to be a priority at the Bank in order to remain competitive and to be able to face external factors, such as high regulatory costs and bank taxes. The underlying cost/income ratio improved from 60.3% in 2012 to 56.8% in 2013.

The essence of ING Bank's strategy is built around the customer. To serve customers, ING Bank's strategy is also built around operational excellence and balance sheet optimisation. In 2013, we made progress towards operational excellence by improving our service and by streamlining our organisation and systems. In order to remain competitive and strong, cost control continues to be a priority at the Bank. ING Bank is used to operating in lean, competitive markets which has helped it become a leader in innovative distribution. It has a prominent 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. Nevertheless, there is room to further improve the efficiency of our processes. The mobile and digital revolution means customers now expect fast and simple solutions tailored to their individual needs and an offering that is constantly evolving.

Within ING's General Lending business, which is part of ING's Commercial Banking activities, the challenge is to maintain margins and volumes within our established risk appetite while competition intensifies, in particular in markets where large domestic banks protect their core franchises. General Lending has maintained its position as market leader in the Benelux and Central and Eastern Europe (CEE) as bookrunner in the syndicated loan market, and continued to support our corporate clients through our international network. We constantly strive to improve our corporate lending products to ensure these remain in alignment with changes in client needs, market developments and

regulation. To deal with these changes in an effective way, further standardisation of our product offering and streamlining of lending processes and documentation across countries is in progress.

ING offers Transaction Services, which is also part of ING's Commercial Banking activities, through integrated advice and solution selling. These activities require a strong emphasis on technology and operational processing. To remain competitive and to enhance our capabilities, we are continuing with our investment programme. Most notably, Payments & Cash Management is undertaking a multi-year programme to improve cost efficiency, improve client service across borders, implement market competitive new technology and comply with new regulatory obligations.

Nationale-Nederlanden Bank, which is still part of ING Group, accelerated efforts to become a one-stop shop for integrated financial solutions, supported by the integration with WestlandUtrecht Bank as well as the launch of new savings products. With its portfolio of integrated solutions, a strong brand and its extensive distribution base it aims to have a competitive presence in the financial sector.

Consumers nowadays define the rules for the banking industry. This shift from a supply-driven to a demand-driven industry, needs to be dealt with by banks. ING translates its vision to put the customer at the heart of everything we do into simpler products, direct channels and customer-driven processes. Technology is fundamentally changing

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consumer behaviour, consumer expectations and therefore the way in which we interact and need to interact with our customers. Increasingly, more and more services and transactions have gone mobile. The shift to mobile in banking has been massive in the past few years. For us as a bank this means that we have to be able to deliver all banking services available through a mobile phone; and this change has led to a redesign of our IT architecture and other processes. The most important shift is that the level of accessibility to banks is taken as a given. It is no longer a differentiator or even a competitive advantage in itself. And the shift to mobile banking is starting to move from the Retail Banking world into Commercial Banking as well.

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.

In the future, technology giants, payment players and telephone companies may become competent in managing financial data and translating it into attractive consumer propositions. The question remains, however, whether they will also be able to manage risks and have all requirements in place to act in the full interest of customers. We are confident about our future and see further opportunities for the banking industry in this field. Technological developments enable banks to increasingly become a relevant part in customers' everyday life; and a trusted partner.

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

NN Group N.V.'s long-term senior debt is rated BBB+ (with a stable outlook) by Standard & Poor's and Baa2 (with a negative outlook) by Moody's. Fitch rated NN Group 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+.

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

All ratings are provided as of 17 March 2014, and are still current at date of filing.

**DESCRIPTION OF PROPERTY**

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

**Item 4A. Unresolved Staff comments**

None.

**Table of Contents****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, political developments and client behavior changes. See Item 3. Key information Risk Factors for more factors that can impact ING Group's results of operations.

**Financial environment**

In 2013, the external environment continued to have an impact on ING as austerity measures prevailed in the Eurozone and GDP growth stagnated across the European Union. While the economic conditions in the Eurozone improved in the second quarter of 2013 with positive gross domestic product ( GDP ) growth and one major risk a catastrophic break-up of the Eurozone greatly diminished in 2013, the threat of a prolonged low interest rate environment increased when the ECB announced in November 2013 to cut interest rates to a record low (for more on the impact of low interest rates, reference is made to the section Risk Management and note 5 in Note 2.2 to the consolidated financial statements). While economic growth is recovering slowly, global equity markets performed strongly in 2013. However, in emerging market economies, equity indices were impacted by amongst others the reduction of the expansive monetary stimulus by the US Federal Reserve.

**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 markets retirement, medical and other social benefits previously provided by the government have been, or in the coming years are expected to be, curtailed. In particular, pension markets are currently undergoing reforms. In general, 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 NN Group 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 NN Group has insurance operations generally have lower gross domestic products per capita and gross insurance premiums per capita than more mature economies in which NN Group has insurance operations. Management believes that insurance operations in these emerging markets provide NN Group 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 NN Group 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 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 realised 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



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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. 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, Japanese Yen, Polish Zloty 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 realised results in non-euro currencies are hedged back to euro on a monthly basis. See Note 47 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. This translation risk is managed by taking into account the effect of translation results on the core Tier-1 ratio.

For the years 2013, 2012 and 2011, 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 2013	3Q 2013	2Q 2013	1Q 2013
U.S. dollar	1.363	1.327	1.299	1.317
Australian dollar	1.480	1.454	1.317	1.271
Canadian dollar	1.431	1.380	1.335	1.329
Pound sterling	0.838	0.855	0.850	0.845
Japanese yen	137.456	130.243	127.025	119.651
Turkish lira	2.791	2.631	2.412	2.356
Polish zloty	4.190	4.265	4.237	4.152
	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
Turkish lira	2.334	2.275	2.320	2.373

Polish zloty	4.107	4.160	4.243	4.243
	<b>4Q 2011</b>	<b>3Q 2011</b>	<b>2Q 2011</b>	<b>1Q 2011</b>
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
Turkish lira	2,464	2.437	2.275	2.168
Polish zloty	4.440	4.141	3.973	3.966

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	2013	Year-end 2012	2011
U.S. dollar	1.377	1.319	1.295
Australian dollar	1.542	1.272	1.273
Canadian dollar	1.466	1.313	1.320
Pound sterling	0.833	0.816	0.836
Japanese yen	144.659	113.634	100.196
Turkish lira	2.946	2.357	2.436
Polish zloty	4.153	4.083	4.468

**Sovereign Debt Exposures**

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

**Critical Accounting Policies**

See Note 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-IASB. ING Group evaluates the results of its banking segments using the financial performance measures called underlying result. As of 2013, ING Group evaluates the results of its insurance segments using a financial performance measure called operating result. Underlying result and operating result are non-GAAP measures. These are derived from figures according to IFRS-IASB by excluding the impact of divestments, discontinued operations and special items, and, for operating result only, excluding gains/losses and impairments on debt and equity securities, revaluations on assets marked to market and other non-operating market impacts. The section Segment Reporting on next pages presents the segment results on the basis of the performance measure underlying result and operating result. For further information on underlying result for the banking and operating result for the insurance activities, as well as the reconciliation of our segment underlying result before tax to our net result, see Note 42 of Note 2.1 to the consolidated financial statements.

**Table of Contents****Group Overview**

The following table sets forth the consolidated results of ING Group in accordance with IFRS-IASB for the years ended 31 December 2013, 2012 and 2011:

<b>IFRS-IASB Consolidated Income Statement</b>	<b>2013</b>	<b>2012 <sup>(6)</sup></b>	<b>2011 <sup>(5)(6)</sup></b>
	<b>(in EUR millions)</b>		
<b>Continuing operations</b>			
Income from banking operations:			
Interest income	52,505	61,297	66,181
Interest expense	40,717	49,329	52,724
<b>Net interest result</b>	<b>11,788</b>	<b>11,968</b>	<b>13,457</b>
Commission income	2,239	2,133	2,496
Investment and Other income	3,074	1,145	573
<b>Total income from banking operations</b>	<b>17,101</b>	<b>15,246</b>	<b>16,526</b>
Income from insurance operations:			
Premium income	9,530	10,706	11,292
Commission income	626	550	637
Investment and Other income	980	1,690	4,661
<b>Total income from insurance operations</b>	<b>11,136</b>	<b>12,946</b>	<b>16,590</b>
<b>Total income <sup>(1)</sup></b>	<b>28,107</b>	<b>28,044</b>	<b>32,764</b>
Total expenditure from banking operations	11,105	11,756	11,892
Total expenditure from insurance operations	11,219	13,218	16,146
<b>Total expenditure <sup>(1)</sup></b>	<b>22,194</b>	<b>24,826</b>	<b>27,688</b>
Result before tax from banking operations	5,996	3,491	4,634
Result before tax from insurance operations	-83	-272	442
<b>Result before tax</b>	<b>5,913</b>	<b>3,218</b>	<b>5,076</b>
Taxation	1,474	780	1,050
<b>Net result from continuing operations</b>	<b>4,439</b>	<b>2,438</b>	<b>4,026</b>
Net result from discontinued operations <sup>(2)</sup>	234	1,191	810
Minority interests	96	103	82
<b>Net result IFRS-IASB</b>	<b>4,577</b>	<b>3,526</b>	<b>4,754</b>
Underlying result before tax from banking operations	6,128	2,699	2,822
Operating result ongoing business NN Group	886	833	1,132
Non-operating result ongoing business NN Group	-229	-779	-660
Result before tax Japan Closed Block VA	-669	105	138

Insurance Other	89	43	56
Underlying result before tax NN Group	77	202	666
<b>Underlying result before tax ING Group</b>	<b>6,205</b>	<b>2,900</b>	<b>3,489</b>
Taxation	1,508	769	779
Minority interests	96	104	83
<b>Underlying net result ING Group</b>	<b>4,601</b>	<b>2,029</b>	<b>2,627</b>
Divestments <sup>(3)</sup>	-75	1,254	1,287
Result from discontinued operations <sup>(2)</sup>	234	1,191	810
Special items <sup>(4)</sup>	-182	-949	31
<b>Net result IFRS-IASB</b>	<b>4,577</b>	<b>3,526</b>	<b>4,754</b>

- 1) Including intercompany eliminations.
- 2) Reference is made to Note 36 Discontinued operations for more information on discontinued business.
- 3) Divestments Bank: sale ING Direct UK (EUR -42 million, 2013 EUR -430 million, 2012, EUR -72 million in 2011), Sale ING Direct Canada (EUR 1,219 million, 2012, EUR 76 million, 2011), sale ING Direct USA (EUR 489 million, 2012, EUR 332 million, 2011), sale REIM (EUR 453 million, 2011), sale Car Lease (EUR 405 million, 2011), sale Philippines (EUR 29 million, 2011). Divestments Insurance: sale of Mexico (EUR -64 million, 2013), sale IM Australia (EUR 26 million, 2011), sale PALIC China (EUR 29 million, 2011), sale Industry Pension Funds (EUR 5 million, 2013, EUR -19 million, 2012), sale Argentina (EUR 9 million, 2013, EUR 15 million, 2012, EUR -4 million, 2011), sale Other (EUR 20 million, 2013 EUR -16 million, 2012, sale EUR -5 million, 2011).
- 4) Special items Bank: new Dutch employee pension scheme (EUR 28 million, 2013, EUR 251 million, 2012), settlement with U.S. authorities (EUR -386 million, 2012), Liability Management transaction (EUR 647 million, 2011), separation and IPO preparation costs (EUR -16 million in 2013, EUR -37 million, 2012, EUR -48 million, 2011), Retail Netherlands strategy (EUR 18 million, 2013, EUR -33 million, 2012, EUR -106 million, 2011), restructuring provisions and other (EUR -77 million, 2013, EUR -390 million, 2012, EUR -212 million, 2011). Special items Insurance: new Dutch employee pension scheme (EUR 5 million, 2013, EUR 100 million, 2012), goodwill impairment Benelux (EUR -56 million, 2012), Liability Management transaction (EUR -30 million, 2012, EUR 71 million, 2011), separation and IPO preparation costs (EUR 23 million, 2013, EUR -116 million, 2012, EUR -153 million, 2011), restructuring provisions and other (EUR -104 million, 2013, EUR -423 million, 2012, EUR -145 million, 2011).
- 5) 2011 is not restated for IFRS 10/11/12.
- 6) The comparative figures of this period have been restated to reflect the new pension accounting requirements under IFRS which took effect on 1 January 2013, see Note 2.1 to the consolidated financial statements.

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**Year ended 31 December 2013 compared to year ended 31 December 2012**

ING Group had a successful year in 2013, delivering an improved underlying net result while making significant progress on our transformation. ING Group's 2013 net result increased to EUR 4,577 million from a net result of EUR 3,526 million in 2012, primarily due to a EUR 2,632 million decrease in total expenditure as ING U.S. was classified as Held for sale and reported under net result from discontinued operations. ING's 2013 net result includes EUR -75 million of divestments, EUR 234 million from discontinued operations and EUR -182 million of special items.

Underlying net result for 2013 was EUR 4,601 million, an increase of 127% from EUR 2,029 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 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 3,526 million from a net result of EUR 4,754 million in 2011. ING's 2012 net result includes EUR 1,254 million of divestments, EUR 1,191 million from discontinued operations and EUR -949 million of special items.

Underlying net result for 2012 was EUR 2,029 million, an decrease of 23% from EUR 2,627 million a year earlier. Underlying net result is derived from total net result by excluding the impact from divestment, discontinued operations and special items.

**Table of Contents****SEGMENT REPORTING**

ING Group's segments are based on the internal reporting structure by lines of business. The segments Insurance United States (US), Insurance US Closed Block VA, Investment Management US, and Corporate line US ceased to exist, due to the classification of ING U.S. as held for sale and discontinued operations. Furthermore during 2013, ING has adjusted its reporting structure for its insurance operations to better align its segmentation with the businesses that it comprises, their governance and internal management, and to reflect the decision to divest ING Japan with the base case IPO of NN Group. Reference is made to Note 59 Other events of Note 2.1 to the consolidated financial statements. The comparatives have been adjusted to reflect the new segment structure.

The new reporting segments for ING Group are as follows:

**Banking**

Retail Netherlands  
Retail Belgium  
Retail Germany  
Retail Rest of World  
Commercial Banking

**Insurance**

Netherlands Life  
Netherlands Non-life  
Insurance Europe  
Japan Life  
Investment Management  
Other  
Japan Closed Block VA

In addition to these segments, ING Group reconciles the total segment results to the total result of ING Banking and NN Group using the Corporate Lines Banking, and Insurance Other. The Corporate Line Banking is a reflection of capital management activities and certain expenses that are not allocated to the banking businesses. ING Group applies a system of capital charging for its banking operations in order to create a comparable basis for the results of business units globally, irrespective of the business units' book equity and the currency they operate in. Insurance Other reflects NN Group's remaining interest in the Brazilian insurer SulAmérica S.A. and overhead expenses of ING Group allocated to NN Group.

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

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

ING Group evaluates the results of its banking segments using a financial performance measure called underlying result. Underlying result is defined as result under IFRS-IASB excluding the impact of divestments and special items. Special items include items of income or expense that are significant and arise from events or transactions that are clearly distinct from the ordinary operating activities. Disclosures on comparative years also reflect the impact of current year's divestments.

As of 2013, ING Group evaluates the results of its insurance segments using a financial performance measure called operating result. Operating result is defined as result under IFRS-IASB excluding the impact of non-operating items,



divestments and special items. Non-operating items include realised capital gains/losses and impairments on debt and equity securities, revaluations on assets marked to market through the profit and loss account and other non-operating market impacts. The operating result for the life insurance business is analysed through the margin analysis, which includes the investment margin, fees and premium-based revenues and the technical margin. Until 2012, the main performance measure for the insurance segments was underlying result; this difference between underlying result and operating result are the non-operating items as specified above. The operating results of the insurance segments are reconciled to underlying result (as defined for the banking segments) for the purpose of combining bank and insurance segments in ING Group.

Underlying result and Operating result as presented on the next pages are non-GAAP financial measures and are not measures of financial performance under IFRS-EU. Because these are not determined in accordance with IFRS-EU, underlying result and operating result as presented by ING may not be comparable to other similarly titled measures of performance of other companies.

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For further information on underlying result for the banking and operating result for the insurance activities, as well as the reconciliation of our segment underlying result before tax to our net result, see Note 42 of Note 2.1 to the consolidated financial statements.

**BANKING OPERATIONS**

The following table sets forth the contribution of ING's banking business lines and the Corporate Line Banking (CLB) to the underlying net result for each of the years 2013, 2012 and 2011.

(EUR millions)	Retail			Rest of World	Commercial Banking	Corporate Line Banking	Total Banking
	Retail Netherlands	Retail Belgium	Retail Germany				
<b>2013</b>							
<b>Underlying income</b>							
- Net interest result	3,574	1,817	1,314	1,778	2,874	448	11,804
- Commission income	463	346	114	361	964	-4	2,244
- Total investment and other income	42	158	-40	235	2,961	-294	3,062
<b>Total underlying income</b>	<b>4,079</b>	<b>2,321</b>	<b>1,388</b>	<b>2,374</b>	<b>6,799</b>	<b>149</b>	<b>17,111</b>
<b>Underlying expenditure</b>							
- Operating expenses*	2,330	1,476	709	1,623	2,310	246	8,694
- Additions to loan loss provision	877	183	82	280	867		2,288
<b>Total underlying expenditure</b>	<b>3,207</b>	<b>1,658</b>	<b>791</b>	<b>1,903</b>	<b>3,177</b>	<b>246</b>	<b>10,982</b>
<b>Underlying result before taxation</b>	<b>872</b>	<b>663</b>	<b>598</b>	<b>471</b>	<b>3,622</b>	<b>-97</b>	<b>6,128</b>
Taxation	221	196	188	111	874	-52	1,537
Minority interests		-4	1	66	27		90
<b>Underlying net result</b>	<b>651</b>	<b>470</b>	<b>409</b>	<b>294</b>	<b>2,721</b>	<b>-45</b>	<b>4,501</b>
Divestments				-42			-42
Special items	-107					25	-82
<b>Net result</b>	<b>544</b>	<b>470</b>	<b>409</b>	<b>252</b>	<b>2,721</b>	<b>-20</b>	<b>4,377</b>
* including intangibles amortisation and other impairments							

(EUR millions)	Retail			Rest of World	Commercial Banking	Corporate Line Banking	Total Banking
	Retail Netherlands	Retail Belgium	Retail Germany				
<b>2012</b>							
<b>Underlying income</b>							
- Net interest result	3,377	1,723	1,141	1,740	3,422	260	11,664
- Commission income	485	335	87	339	907	19	2,173

- Total investment and other income	35	136	-36	-273	-222	-19	-379
<b>Total underlying income</b>	<b>3,897</b>	<b>2,194</b>	<b>1,193</b>	<b>1,807</b>	<b>4,107</b>	<b>260</b>	<b>13,458</b>
Underlying expenditure							
- Operating expenses*	2,249	1,425	669	1,618	2,372	304	8,638
- Additions to loan loss provision	665	168	83	250	955		2,121
<b>Total underlying expenditure</b>	<b>2,914</b>	<b>1,593</b>	<b>752</b>	<b>1,868</b>	<b>3,328</b>	<b>304</b>	<b>10,759</b>
<b>Underlying result before taxation</b>	<b>983</b>	<b>601</b>	<b>441</b>	<b>-62</b>	<b>779</b>	<b>-44</b>	<b>2,699</b>
Taxation	244	168	161	33	211	-25	792
Minority interests			1	66	23		91
<b>Underlying net result</b>	<b>739</b>	<b>433</b>	<b>278</b>	<b>-161</b>	<b>545</b>	<b>-19</b>	<b>1,816</b>
Divestments				1,278			1,278
Special items	-284	-22			-129	-160	-595
<b>Net result</b>	<b>456</b>	<b>411</b>	<b>278</b>	<b>1,117</b>	<b>416</b>	<b>-179</b>	<b>2,499</b>

\* including intangibles amortisation and other impairments

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(EUR millions)	Retail			Rest of World	Commercial Banking	Corporate Line Banking	Total Banking
	Retail Netherlands	Retail Belgium	Retail Germany				
<b>2011</b>							
Underlying income							
- Net interest result	3,612	1,606	1,247	1,788	3,739	-58	11,935
- Commission income	481	336	117	330	977	-13	2,228
- Total investment and other income	52	88	-230	-147	-1,075	50	-1,261
<b>Total underlying income</b>	<b>4,145</b>	<b>2,031</b>	<b>1,134</b>	<b>1,971</b>	<b>3,641</b>	<b>-20</b>	<b>12,903</b>
Underlying expenditure							
- Operating expenses*	2,426	1,435	648	1,559	2,524	152	8,745
- Additions to loan loss provision	457	145	91	166	477		1,335
<b>Total underlying expenditure</b>	<b>2,883</b>	<b>1,580</b>	<b>740</b>	<b>1,725</b>	<b>3,000</b>	<b>152</b>	<b>10,080</b>
<b>Underlying result before taxation</b>	<b>1,262</b>	<b>451</b>	<b>395</b>	<b>246</b>	<b>641</b>	<b>-172</b>	<b>2,822</b>
Taxation	317	107	134	54	129	-7	734
Minority interests			1	59	19		79
<b>Underlying net result</b>	<b>946</b>	<b>345</b>	<b>259</b>	<b>133</b>	<b>493</b>	<b>-165</b>	<b>2,010</b>
Divestments	12	2		337	873		1,224
Special items	-246	-12			-80	620	281
<b>Net result</b>	<b>711</b>	<b>335</b>	<b>259</b>	<b>470</b>	<b>1,286</b>	<b>454</b>	<b>3,515</b>

\* including intangibles amortisation and other impairments

**Year ended 31 December 2013 compared to year ended 31 December 2012**

Underlying result before tax (excluding the impact of divestments and special items) more than doubled to EUR 6,128 million in 2013, from EUR 2,699 million in 2012. This increase in result was boosted by a EUR 2,661 million positive swing in fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios in the Netherlands, Belgium and the Czech Republic. These fair value changes are mainly caused by changes in market interest rates. As explained on page 4, no hedge accounting is applied to these derivatives under IFRS-IASB. Excluding these fair value changes, the underlying result before tax increased 21.6% to EUR 4,323 million in 2013 from EUR 3,554 million in 2012. This increase mainly reflects a strengthening of the interest margin, less volatility in credit and debt valuation adjustments (CVA/DVA) in Commercial Banking and the Corporate Line Banking, and the absence of de-risking losses in 2013. This was partly offset by 7.9% higher risk costs, while expenses were almost flat despite higher pension costs and additional restructuring charges.

Net result from banking operations increased to EUR 4,377 million in 2013 from EUR 2,499 million in 2012. In 2013, the net impact of the divested ING Direct UK activities was EUR -42 million, including an additional net transaction loss on the sale of EUR 6 million. In 2013, special items after tax were EUR -82 million. These items primarily reflect after-tax charges for the earlier announced restructuring programmes in Retail Netherlands and an additional provision release related to the new Dutch employee pension scheme announced in 2012. Divestments in 2012, related to the sale of ING Direct USA and ING Direct Canada, and the loss taken prior to the sale of ING Direct UK, resulted in a

total net gain of EUR 1,365 million, while the operating net result from the divested units amounted to EUR -86 million. In 2012, special items after tax were EUR -595 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 EUR 251 million provision release from the new Dutch employee pension scheme.

Total underlying income rose 27.1% to EUR 17,111 million in 2013, from EUR 13,458 million in 2012. The underlying interest result increased 1.2% to EUR 11,804 million driven by an improvement of the interest margin to 1.42% from 1.32% in 2012, whereas the average balance sheet declined by 5.7%. The interest margin on lending and savings products improved, supported by repricing in the loan book and lowering of client savings rates. This more than offset the impact of lower lending volumes, partly caused by the transfer and sale of WestlandUtrecht Bank (WUB) assets to NN Group, and lower interest results in Bank Treasury following a lengthening of the Bank's funding profile. Commission income rose 3.3% to EUR 2,244 million. Investment and other income strongly improved to EUR 3,062 million, from EUR -379 million in 2012. This improvement was mainly explained by the aforementioned EUR 2,661 million positive swing in fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios, as well as the positive swing in CVA/DVA adjustments (which were EUR 74 million positive in 2013, compared with EUR 640 million of negative CVA/DVA impacts in 2012), while 2012 included EUR 478 million of selective de-risking losses in the European debt securities portfolio, against nil in 2013. Excluding these items, investment and other income declined by 25.8% mainly due to lower gains on the sale of equity and debt securities.

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Underlying operating expenses increased slightly by 0.6% to EUR 8,694 million, compared with EUR 8,638 million in 2012. The increase was mainly due to higher pension costs and additional restructuring charges taken in the second half of 2013, which were largely offset by the benefits from ongoing cost-saving initiatives, the partial transfer of WUB staff to Nationale-Nederlanden Bank and lower impairments on real estate development projects.

The net addition to the provision for loan losses increased to EUR 2,288 million, from EUR 2,121 million in 2012, reflecting the continued weak economic environment. Risk costs were 83 basis points of average risk-weighted assets compared with 74 basis points in 2012.

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

Underlying result before tax declined by 4.4% to EUR 2,699 million in 2012, from EUR 2,822 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 4, no hedge accounting is applied to these derivatives under IFRS-IASB. Excluding these fair value changes, the underlying result before tax dropped 15.5% to EUR 3,554 million in 2012 from EUR 4,205 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 478 million of losses from pro-active de-risking in the European debt securities portfolio, while the result in 2011 included EUR 139 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 640 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 9.2% lower, fully attributable to higher risk costs.

Net result from banking operations declined to EUR 2,499 million in 2012 from EUR 3,515 million in 2011. In 2012, the sale of ING Direct Canada and ING Direct USA as well as the loss taken prior to the sale of ING Direct UK, which was completed in March 2013, resulted in a total net gain of EUR 1,365 million, while the operating net results from the divested units amounted to EUR -86 million. In 2012, special items after tax were EUR -595 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 403 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 4.3% to EUR 13,458 million in 2012 from EUR 12,903 million. The underlying net interest result decreased by 2.3% to EUR 11,664 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 2.5% to EUR 2,173 million, mainly in Commercial Banking. Total investment and other income improved by EUR 882 million to EUR -379 million, from EUR -1,261 million in 2011. The improvement was caused 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 by the negative swing in CVA/DVA adjustments.

Underlying operating expenses decreased slightly, by 1.2% to EUR 8,638 million, compared with EUR 8,745 million in 2011. The decrease was mainly due to strong cost control and lower impairments on real estate development projects, partly offset by inflationary and regulatory pressure, including the EUR 175 million Dutch bank levy. The underlying net addition to the provision for loan losses increased to EUR 2,121 million, from EUR 1,335 million in 2011. Risk costs were 74 basis points of average risk-weighted assets compared with 48 basis points in 2011.

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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**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(EUR millions)</b>		
<b>Underlying income:</b>			
Interest result	3,574	3,377	3,612
Commission income	463	485	481
Investment income and other income	42	35	52
<b>Total underlying income</b>	<b>4,079</b>	<b>3,897</b>	<b>4,145</b>
<b>Underlying expenditure:</b>			
Operating expenses	2,330	2,249	2,426
Additions to the provision for loan losses	877	665	457
<b>Total expenditure</b>	<b>3,207</b>	<b>2,914</b>	<b>2,883</b>
<b>Underlying result before tax</b>	<b>872</b>	<b>983</b>	<b>1,262</b>
Taxation	221	244	317
Minority interests			
<b>Underlying net result</b>	<b>651</b>	<b>739</b>	<b>946</b>
Divestments			12
Special items	-107	-284	-246
<b>Net result</b>	<b>544</b>	<b>456</b>	<b>711</b>

**Year ended 31 December 2013 compared to year ended 31 December 2012**

The underlying result before tax of Retail Netherlands decreased 11.3% to EUR 872 million in 2013 compared with EUR 983 million in 2012, due to additional restructuring charges and an increase in risk costs. Underlying income rose 4.7% to EUR 4,079 million in 2013, reflecting higher interest results on lending and savings due to an improvement in margins, supported by a reduction in customer savings rates. These improvements were partly offset by lower volumes following the transfer and sale of EUR 8.3 billion of assets and EUR 3.7 billion of liabilities from WestlandUtrecht Bank (WUB) to NN Group together with the sale of another EUR 2.2 billion of mortgages. Excluding these sales and transfers, net production of mortgages was EUR -0.4 billion in 2013, while other lending, mainly business lending, decreased by EUR 2.2 billion. Net production in funds entrusted was nil, mainly caused by new legislation for local governments to place surplus cash at the National Treasury and an acceleration of redemptions on mortgages. Operating expenses increased 3.6% to EUR 2,330 million in 2013, including EUR 97 million of additional restructuring charges taken in the second half of the year, which were part of an extension of the efficiency programmes currently running. Excluding the restructuring charges, expenses decreased 0.7% from 2012, despite higher pension costs, reflecting the benefits of the efficiency programmes and the transfer of WUB staff to Nationale-Nederlanden Bank as from mid-2013. Net additions to loan loss provisions rose to EUR 877 million in 2013 from EUR 665 million in 2012, mainly due to higher risk costs on mortgages and to a lesser extent business lending, reflecting the continued weakness in the Dutch economy.



Underlying net result declined to EUR 651 million in 2013 compared with EUR 739 million in 2012, while the net result increased to EUR 544 million in 2013 compared with EUR 456 million in 2012. Special items after tax in 2013 were EUR -107 million, mainly related to the previously announced restructuring programmes and the transfer of WUB activities to Nationale-Nederlanden Bank. Special items after tax in 2012 were EUR -284 million, mainly related to the Case for Change initiative launched in 2011, 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 WUB.

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

Retail Netherlands, underlying result before tax dropped 22.1% to EUR 983 million in 2012 compared with EUR 1,262 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 from EUR 4,145 million in 2011, 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 7.3% to EUR 2,249 million in 2012 from EUR 2,426 million in 2011, mainly reflecting the implementation of the cost-reduction programme announced in November 2011 and lower pension costs. 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.

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Underlying net result declined to EUR 739 million in 2012 compared with EUR 946 million in 2011. The net result also decreased to EUR 456 million in 2012 from EUR 711 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 WUB. 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 WUB. Divestments in 2011 related to the operating net results of the divested ING Car Lease activities.

**RETAIL BELGIUM**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(EUR millions)</b>		
Underlying income:			
Interest result	1,817	1,723	1,606
Commission income	346	335	336
Investment income and other income	158	136	89
<b>Total underlying income</b>	<b>2,321</b>	<b>2,194</b>	<b>2,031</b>
Underlying expenditure:			
Operating expenses	1,476	1,425	1,435
Additions to the provision for loan losses	183	168	145
<b>Total expenditure</b>	<b>1,658</b>	<b>1,593</b>	<b>1,580</b>
<b>Underlying result before tax</b>	<b>663</b>	<b>601</b>	<b>451</b>
Taxation	196	168	107
Minority interests	-4		
<b>Underlying net result</b>	<b>470</b>	<b>433</b>	<b>345</b>
Divestments			2
Special items		-22	-12
<b>Net result</b>	<b>470</b>	<b>411</b>	<b>335</b>

**Year ended 31 December 2013 compared to year ended 31 December 2012**

The underlying result before tax of Retail Belgium increased 10.3% compared with 2012 to EUR 663 million, due to higher income supported by volume growth. Underlying income rose 5.8% to EUR 2,321 million, from EUR 2,194 million in 2012, mainly reflecting higher interest results driven by further growth in customer balances, while margins on current accounts declined. In 2013, net production in funds entrusted was EUR 3.7 billion. The net mortgage production was EUR 1.0 billion, while other lending grew slightly by EUR 0.1 billion. Operating expenses increased 3.6% compared with 2012 to EUR 1,476 million, mainly due to higher expenses for the deposit guarantee scheme and inflation-driven cost increases, which were partly offset by the benefits from the efficiency programmes. Risk costs were EUR 183 million, or 89 basis points of average risk-weighted assets. This is an increase of 8.9% on 2012, reflecting higher additions for business lending and mortgages, though the latter remained relatively low.

Underlying net result increased to EUR 470 million in 2013 from EUR 433 million in 2012. The net result improved to EUR 470 million in 2013 from EUR 411 million in 2012, which included EUR -22 million of special items after tax. The special items in 2012 were related to the Belgian domestic transformation programme and the separation of Bank and Insurance.

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

The underlying result before tax of Retail Belgium increased by 33.3% compared with 2011 to EUR 601 million, due to a strong increase in income supported by volume growth. Underlying 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. Income in 2011 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 1,425 million from EUR 1,435 million in 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 433 million in 2012 from EUR 345 million in 2011. The net result improved to EUR 411 million in 2012 from EUR 335 million in 2011. Special items after tax in both years related to the Belgian domestic transformation programme and the separation of Bank and Insurance.

**Table of Contents****RETAIL GERMANY**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(EUR millions)</b>		
<b>Underlying income:</b>			
Interest result	1,314	1,141	1,247
Commission income	114	87	117
Investment income and other income	-40	-36	-230
<b>Total underlying income</b>	<b>1,388</b>	<b>1,193</b>	<b>1,134</b>
<b>Underlying expenditure:</b>			
Operating expenses	709	669	648
Additions to the provision for loan losses	82	83	91
<b>Total expenditure</b>	<b>791</b>	<b>752</b>	<b>740</b>
<b>Underlying result before tax</b>	<b>598</b>	<b>441</b>	<b>395</b>
Taxation	188	161	134
Minority interests	1	1	1
<b>Underlying net result</b>	<b>409</b>	<b>278</b>	<b>259</b>
Special items			
<b>Net result</b>	<b>409</b>	<b>278</b>	<b>259</b>

**Year ended 31 December 2013 compared to year ended 31 December 2012**

Retail Germany's underlying result before tax rose 35.6% to EUR 598 million in 2013, compared with EUR 441 million in 2012, due to continued volume growth in most products and improved margins on savings. Underlying income increased by 16.3% to EUR 1,388 million compared with EUR 1,193 million in 2012. The increase reflects higher interest results stemming from higher lending and savings balances and increased margins on savings supported by a reduction of the core savings rate in the beginning of 2013. Commission income rose by EUR 27 million from 2012, reflecting higher income from security brokerage. Investment and other income was slightly down, as the absence of de-risking losses in 2013 was offset by increased negative hedge ineffectiveness. Funds entrusted grew by EUR 9.2 billion in 2013. Lending growth was EUR 2.7 billion, of which EUR 2.2 billion was in mortgages. Operating expenses increased 6.0% compared with 2012, due to higher personnel expenses reflecting an increase in headcount and increased expenses for the deposit guarantee scheme, in line with the growth of the business. The additions to the provision for loan losses slightly declined in 2013 to EUR 82 million (or 37 basis points of average risk-weighted assets) from EUR 83 million (or 38 basis points of average risk-weighted assets) in 2012.

Both underlying net result and net result increased by EUR 131 million, or 47.1%, to EUR 409 million in 2013 compared with EUR 278 million in 2012.

**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 against 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 by EUR 19 million, or 7.3%, to EUR 278 million in 2012 compared to EUR 259 million in 2011.

**Table of Contents****RETAIL REST OF WORLD**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(EUR millions)</b>		
<b>Underlying income:</b>			
Interest result	1,778	1,740	1,788
Commission income	361	339	330
Investment income and other income	235	-273	-147
<b>Total underlying income</b>	<b>2,374</b>	<b>1,807</b>	<b>1,971</b>
<b>Underlying expenditure:</b>			
Operating expenses	1,623	1,618	1,559
Additions to the provision for loan losses	280	250	166
<b>Total expenditure</b>	<b>1,903</b>	<b>1,868</b>	<b>1,725</b>
<b>Underlying result before tax</b>	<b>471</b>	<b>-62</b>	<b>246</b>
Taxation	111	33	54
Minority interests	66	66	59
<b>Underlying net result</b>	<b>294</b>	<b>-161</b>	<b>133</b>
Divestments	-42	1,278	337
<b>Net result</b>	<b>252</b>	<b>1,117</b>	<b>470</b>

**Year ended 31 December 2013 compared to year ended 31 December 2012**

The underlying result before tax of Retail Rest of World rose to EUR 471 million, compared with a loss of EUR 62 million in 2012, when results were impacted by EUR 441 million of losses related to selective de-risking of the investment portfolio. Underlying income increased to EUR 2,374 million from EUR 1,807 million in 2012. Excluding de-risking losses, income rose 5.6% mainly due to improved commercial results in most countries, and a higher dividend received from the Bank of Beijing. The interest result increased 2.2% due to higher margins, partly offset by currency impacts. Excluding currency effects and adjusted for divestments and the sale of a mortgage portfolio in Australia, net production in mortgages was EUR 1.4 billion, while the net growth in other lending was EUR 3.2 billion in 2013. Funds entrusted reported a net inflow of EUR 5.8 billion. Operating expenses increased slightly by 0.3% to EUR 1,623 million in 2013 from EUR 1,618 million in 2012, as higher expenses due to business growth were largely offset by favourable currency impacts. Risk costs rose to EUR 280 million, or 64 basis points of average risk-weighted assets, compared with EUR 250 million, or 50 basis points of average risk-weighted assets, in 2012. The increase in risk costs was mainly in India and Turkey reflecting the economic turmoil, partly offset by lower additions in Romania and the UK legacy portfolio.

Underlying net result turned to a profit of EUR 294 million in 2013, from a loss of EUR 161 million in 2012. The net result fell to EUR 252 million from EUR 1,117 million in 2012. The impact of divestments in 2013 was EUR -42 million, fully related to the closing of the sale of ING Direct UK in March 2013. In 2012, divestments added EUR 1,278 million to the net result, reflecting the net gains on the sale of ING Direct Canada and ING Direct USA, and the loss taken prior to the announced sale of ING Direct UK, as well as the operating net results of the divested units.

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

Retail Rest of World reported an underlying loss before tax of EUR 62 million in 2012 compared with an underlying profit before tax of EUR 246 million in 2011. This decrease was mainly due to EUR 441 million of losses from the selective de-risking in the investment portfolio in 2012, while 2011 included EUR 90 million of de-risking losses and EUR 210 million of impairments on Greek government bonds. Underlying income decreased by 8.3% due to the above-mentioned impairments and losses. Excluding these impacts, underlying income was almost flat, decreasing 1.0% to EUR 2,248 million in 2012, from EUR 2,271 million in 2011. The interest result declined by EUR 48 million, or 2.7%, 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 in 2012. Operating expenses increased by 3.8% 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 250 million, or 50 basis points of average risk-weighted assets, compared with EUR 166 million, or 34 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 Legacy portfolio.

Underlying net result turned to a loss of EUR 161 million in 2012, from a profit of EUR 133 million in 2011. The net result improved to EUR 1,117 million in 2012, from EUR 470 million in the previous year. Divestments added EUR 1,278 million to the 2012 net result and included the net gains on the sale of ING Direct Canada and ING Direct USA, the loss taken prior to the sale of ING Direct UK (which was completed in March 2013), as well as the operating net results from ING Direct Canada and ING Direct UK during the same period. In 2011, the impact of

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divestments was EUR 337 million, fully related to the operating net results of ING Direct USA, ING Direct Canada and ING Direct UK.

**COMMERCIAL BANKING**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(EUR millions)</b>		
<b>Underlying income:</b>			
Interest result	2,874	3,422	3,739
Commission income	964	907	977
Investment income and other income	2,961	-222	-1,075
<b>Total underlying income</b>	<b>6,799</b>	<b>4,107</b>	<b>3,641</b>
<b>Underlying expenditure:</b>			
Operating expenses	2,310	2,372	2,524
Additions to the provision for loan losses	867	955	477
<b>Total expenditure</b>	<b>3,177</b>	<b>3,328</b>	<b>3,000</b>
<b>Underlying result before tax</b>	<b>3,622</b>	<b>779</b>	<b>641</b>
Taxation	874	211	129
Minority interests	27	23	19
<b>Underlying net result</b>	<b>2,721</b>	<b>545</b>	<b>493</b>
Divestments			873
Special items		-129	-80
<b>Net result</b>	<b>2,721</b>	<b>416</b>	<b>1,286</b>

**Year ended 31 December 2013 compared to year ended 31 December 2012**

Commercial Banking's underlying result before tax strongly improved by EUR 2,843 million to EUR 3,622 million in 2013 from EUR 779 million in 2012. Fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios in the Netherlands, Belgium and Czech Republic were EUR 1,805 million in 2013 compared with EUR -856 million in 2012. These fair value changes are mainly a result of changes in market interest rates. As explained on page 4, no hedge accounting is applied to these derivatives under IFRS-IASB. Credit and debt valuation adjustments (CVA/DVA), fully recorded in Financial Markets, were EUR 173 million positive in 2013 versus EUR 457 million of negative adjustments in 2012. Excluding these impacts, underlying result of Commercial Banking was 21.4% lower than in 2012, mainly caused by lower income in Bank Treasury, Real Estate & Other, partly offset by good cost control and lower risk costs.

Industry Lending posted an underlying result before tax of EUR 934 million in 2013, up from EUR 848 million in 2012, primarily due to higher income in Structured Finance and Corporate Investments combined with lower risk costs, which more than offset lower results on Real Estate Finance due to a downsizing of the portfolio in line with ING Bank's strategy. The underlying result before tax of General Lending & Transaction Services decreased to EUR 518 million from EUR 632 million in 2012. The decline was mainly attributable to lower interest results reflecting lower volumes in General Lending and margin pressure in Payments & Cash Management, while expenses were up



due to investments in IT to enhance product capabilities. This was partly offset by lower risk costs. Financial Markets underlying result increased to EUR 618 million from EUR 20 million last year, reflecting the aforementioned positive swing in CVA/DVA impacts. Underlying result of Bank Treasury, Real Estate & Other improved to EUR 1,552 million in 2013, from EUR -721 million in 2012, mainly due to the impact of the aforementioned fair value changes on derivatives related to asset-liability-management activities and to a lesser extent lower impairments on real estate development projects. This was partly offset by lower income from Bank Treasury activities following the lengthening of the Bank's funding profile and the further wind-down of the Lease run-off business.

Commercial Banking's total underlying income rose 65.5% to EUR 6,799 million in 2013 compared with EUR 4,107 million in 2012, primarily driven by the aforementioned fair value changes on derivatives related to asset-liability-management activities and the positive swing in CVA/DVA. Excluding these items, income declined 11.1% on 2012, due to lower interest results, especially in Bank Treasury and Financial Markets, but also in General Lending. Adjusted for currency impacts and the sale of a US Real Estate Finance portfolio, net lending declined slightly by EUR 0.2 billion in 2013, as lower volumes in Real Estate Finance, General Lending and the Lease run-off portfolio was offset by growth in Structured Finance and Trade Finance Services. Net funds entrusted grew by EUR 8.5 billion. Underlying operating expenses decreased 2.6% to EUR 2,310 million, due to good cost control and lower impairments on real estate development projects. Risk costs decreased to EUR 867 million, or 68 basis points of average risk-weighted assets, from EUR 955 million, or 72 basis points, in 2012. The decrease was mainly visible in Industry Lending, although risk costs in Real Estate Finance slightly increased. In General Lending risk costs were also lower.

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Both the underlying net result and total net result were EUR 2,721 million in 2013. This represents an increase of EUR 2,176 million and EUR 2,305 million, respectively, compared with an underlying net result of EUR 545 million and a total net result of EUR 416 million in 2012. Special items after tax in 2012 were EUR -129 million, fully related to restructuring provisions.

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

Commercial Banking's underlying result before tax increased by 21.5% to EUR 779 million in 2012 compared with EUR 641 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 4, 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 0.4% lower than in 2011, as higher risk costs were almost fully offset by increased income and lower operating expenses.

Industry Lending posted an underlying result before tax of EUR 848 million in 2012, down from EUR 1,375 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 632 million in 2012, up from EUR 560 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 EUR 20 million from EUR 364 million previous 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 of the Greek impairments in 2011 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 6.0% to EUR 2,372 million, mainly due to lower impairments on real estate development projects, lower pension costs and 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 to EUR 545 million in 2012, from EUR 493 million in 2011. Net result dropped to EUR 416 million in 2012 compared with EUR 1,286 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.



**Table of Contents****INSURANCE OPERATIONS**

Operating result (before tax) is used by NN Group to evaluate the financial performance of its segments. Each segment's operating result is calculated by adjusting the reported net result for the following items:

- Non-operating items: related to (general account) investments that are held for risk of NN Group (net of policyholder profit sharing):
  - Capital gains/losses and impairments: realised gains and losses as well as impairments on financial assets that are classified as available for sale. These investments include debt and equity securities (including fixed income and equity funds), private equity (< 20% ownership), real estate funds as well as loans quoted in active markets.
  - Revaluations: revaluations on assets marked to market through the Consolidated profit and loss account. These investments include private equity (associates), real estate (property and associates), derivatives unrelated to product hedging programs (i.e. interest rate swaps, foreign exchange hedges) and direct equity hedges.
  - Market & other impacts: these impacts mainly comprise the change in the provision for guarantees on separate account pension contracts (net of hedging) in the Netherlands, the equity related and other deferred acquisition costs unlocking for Japan Closed-Block VA as well as the accounting volatility related to the reinsurance of minimum guaranteed benefits of Japan Closed-Block VA.

Result on divestments and discontinued operations: result before tax related to divested operations, including the net result from disposal groups classified as discontinued operations as well as the result from classification and disposal of discontinued operations.

Special items before tax: items of income or expense that are significant and arise from events or transactions that are clearly distinct from the ordinary business activities and therefore are not expected to recur frequently or regularly. This includes for instance restructuring expenses, goodwill impairments, results related to early retirement of debt and gains/losses from employee pension plan amendments or curtailments.

***Reserve adequacy test- Japan Closed Block VA***

The adequacy of the reserves held for the Japan Closed Block VA segment is evaluated on a quarterly basis. The test considers current estimates of all contractual and related cash flows (including projected performance of the hedge program). The test is conducted by comparing the present value of the cash flows to the reserves for the business line. If it is determined, using a best estimate (50%) confidence level, that reserves are insufficient to support the projected cash outflows, the shortfall is established as an additional reserve, which is in turn recognised immediately in the profit and loss account. There are no offsets considered from any other business line.

There are several key inputs to the reserve adequacy testing. The liability assumptions are based on management's best estimate of policyholder behaviour, which is reviewed periodically, but at least annually. Stochastic scenario simulations are incorporated based on management's long-term view of equity markets and interest rates. The hedging program is based on our current approach to managing the risk of the business. Finally, current market conditions impact the results of the test as both reserves and the present value of cash flows are sensitive to market interest rates. Any changes in the items above may have a potentially significant impact to the results of the reserve adequacy test.

In 2013, the separate reporting of the Japan Closed Block VA business line triggered a charge of EUR 575 million before tax to restore the reserve inadequacy of that business line to the 50% confidence level. This charge resulted in a write-off of all deferred acquisition costs (DAC) related to the Japan Closed Block VA business of EUR 1,405 million

partly compensated by a release of the Life insurance provision related to unearned revenues of EUR 867 million, and an increase in the life insurance provisions for the remaining amount.

Reference is made to Note 59 Other events of Note 2.1 to the consolidated financial statements .

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The following table sets forth the contribution of ING's Insurance business lines and Insurance Other to the net result for each of the years 2013, 2012 and 2011.

<b>Operating result per segment</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(EUR millions)</b>		
Operating result			
- Netherlands Life	686	604	750
- Netherlands Non-life	79	103	186
- Insurance Europe	199	219	266
- Japan Life	162	196	119
- Investment Management	130	109	124
- Other	-371	-398	-313
<b>Operating result ongoing business</b>	<b>886</b>	<b>833</b>	<b>1,132</b>
Non-operating items ongoing business	-229	-779	-660
- of which gains/losses and impairments	97	70	-433
- of which revaluations	3	-319	23
- of which market and other impacts	-329	-531	-250
Japan Closed Block VA	-669	105	138
Insurance Other	100	33	56
Special items before tax	-126	-451	-214
Result on divestments	-44	-12	-9
<b>Result before tax</b>	<b>-83</b>	<b>-272</b>	<b>443</b>
Taxation	-56	-123	9
Minority interests	6	12	4
<b>Net result from continuing operations</b>	<b>-32</b>	<b>-161</b>	<b>430</b>
Net result from discontinued operations ING U.S.	39	495	-613
Net result from discontinued operations Asia	195	696	314
Net result from discontinued operations Latin America			1,109
<b>Net result from continuing and discontinued operations</b>	<b>202</b>	<b>1,030</b>	<b>1,240</b>

The operating result ongoing business of NN Group was EUR 886 million in 2013, a 6.4% increase compared with EUR 833 million in 2012, mainly driven by higher operating results for Netherlands Life, Investment Management and the Other segment. This improvement was partially offset by lower operating results for Insurance Europe, Japan Life and Netherlands Non-life.

The loss from non-operating items related to ongoing business improved to EUR 229 million in 2013 from EUR 779 million in 2012. Revaluations, which amounted to a loss of EUR 319 million in 2012 due to the impact of negative revaluations of equity hedges and real estate investments of Netherlands Life, improved to a gain of EUR 3 million in 2013. The provision for guarantees on separate account pension contracts (net of hedging) in the Netherlands had a EUR 202 million lower adverse impact as reflected in market and other impacts.

The result before tax of Japan Closed Block VA was a loss of EUR 669 million in 2013, compared with a profit of EUR 105 million in 2012. This decrease was primarily due to a EUR 575 million charge in order to bring the reserve adequacy of the business line to the 50% confidence level as of 1 October 2013, due to a change in the segmentation of operations that was introduced in the fourth quarter of 2013.

Special items before tax improved to a loss of EUR 126 million in 2013 from a loss of EUR 451 million in 2012, as a result of the provisions set up for the restructuring programme in the Netherlands in 2012 and reduced costs for the operational separation from ING in 2013.

The EUR -44 million result on divestments in 2013 mainly regards the net result of divested units.

The result from discontinued operations ING U.S. was EUR 39 million in 2013 compared with EUR 495 million in 2012. This decrease is mainly due to lower results from ING U.S. reflecting the 2013 sale of 43% of ING U.S., a lower investment margin at ING U.S., lower revaluations and higher losses on guaranteed benefit hedges, net of reserve changes. The result from discontinued operations Asia was EUR 195 million in 2013 versus EUR 696 million in 2012. The gain on the sales of the insurance operations in Hong Kong, Macau and Thailand were offset by the loss on the sale of ING Life Korea. The result in 2012 reflected the gain on the sale of Insurance Malaysia, partly

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offset by goodwill write-offs on the insurance and investment management operations in Korea. Furthermore, the sale of a number of Asian entities in 2013 also contributed to the decrease.

The net result from continuing and discontinued operations decreased from EUR 1,030 million in 2012 to EUR 202 million in 2013.

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

The operating result ongoing business of NN Group was EUR 833 million in 2012, a 26.4% decrease from EUR 1,132 million in the previous year, as all ongoing business segments of NN saw a decline with the exception of Japan Life. The deterioration was primarily driven by lower operating income, especially in the Netherlands Life and Insurance Europe segments. The lower operating result of Netherlands Non-life was caused by higher claims in the D&A product line, whereas the higher operating loss of the Other segment stemmed from higher shareholder and interest expenses. These negative developments were partly offset by marginally lower administrative expenses (which decreased by 1.1%) in 2012, especially in Netherlands Life, Netherlands Non-life and Insurance Europe, and by higher fees and premium-based revenues, notably in Japan Life.

The loss from non-operating items of NN Group related to the ongoing business increased to EUR 779 million in 2012 from EUR 660 million in 2011. This increase was mainly due to market and other impacts, which deteriorated to a loss of EUR 531 million in 2012 from a loss of EUR 250 million in the prior year. Netherlands Life in particular experienced significant losses, due to additions to the provision for guarantees on separate account pension contracts (net of hedging) and negative results on interest rate hedges in place to protect regulatory capital. These higher levels of losses were partly offset by the significant improvement in gains/losses and impairments from a loss of EUR 433 million in 2011 to a gain of EUR 70 million in 2012, largely due to the EUR 378 million impairment on Greek government bonds in Insurance Europe in 2011. In addition, revaluations decreased from a gain of EUR 23 million in 2011 to a EUR 319 million loss in 2012, mainly driven by negative revaluations on equity hedges and real estate in Netherlands Life.

The result before tax of Japan Closed Block VA declined by 23.9% to EUR 105 million in 2012, from EUR 138 million in 2011, mainly due to a better result on the guaranteed VA benefits hedge at ING Re in the prior year.

Special items before tax more than doubled to a loss of EUR 451 million in 2012, fuelled by expenses for the transformation and restructuring programme in the Netherlands and expenses related to the preparations for the base case IPO.

The result from discontinued operations ING U.S. was EUR 495 million in 2012 compared with EUR -613 million in 2011. The result was impacted by the completion of a comprehensive policyholder behaviour assumption review for the US Closed Block VA, leading to a charge of EUR 1.1 billion before tax in the fourth quarter of 2011. The net result from discontinued operations Asia was EUR 675 million in 2012 versus EUR 314 million in 2011. This increase is mainly due to result on divestments of the Asia entities. Beside the operating result of the Asia entities, the result in 2012 also reflected the gain on the sale of Insurance Malaysia, partly offset by goodwill write-offs on the insurance and investment management operations in Korea. The net result of EUR 1,109 million from discontinued operations of Latin America in 2011 was mainly due to the sale of the insurance activities.

The net result from continuing and discontinued operations decreased from EUR 1,240 million in 2011 to EUR 1,030 million in 2012.





**Table of Contents****NETHERLANDS LIFE**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(EUR millions)</b>		
Investment margin	535	542	579
Fees and premium based revenues	461	508	499
Technical margin	237	141	278
Income non-modelled life business			36
<b>Operating income</b>	<b>1,233</b>	<b>1,191</b>	<b>1,392</b>
Administrative expenses	472	495	533
DAC amortisation and trail commissions	75	92	109
<b>Operating expenses</b>	<b>547</b>	<b>587</b>	<b>641</b>
<b>Operating result</b>	<b>686</b>	<b>604</b>	<b>750</b>
Gains/losses and impairments	-43	138	193
Revaluations	27	-296	72
Market & other impacts	-329	-530	-250
Special items before tax	-22	-225	-83
Divestments	6	-25	
<b>Result before taxation</b>	<b>325</b>	<b>-335</b>	<b>683</b>
Taxation	60	-168	100
Minority interest	6	12	4
<b>Net result from continuing operations</b>	<b>259</b>	<b>-178</b>	<b>578</b>

**Year ended 31 December 2013 compared to year ended 31 December 2012**

The operating result for Netherlands Life was EUR 686 million in 2013 compared with EUR 604 million in 2012, mainly due to a higher technical margin partly offset by lower fees and premium based revenues.

The investment margin decreased to EUR 535 million in 2013 from EUR 542 million in 2012, after a slight decline in investment income mainly due to lower dividends on equity securities.

Compared with 2012, fees and premium-based revenues in 2013 decreased by EUR 47 million to EUR 461 million, mainly due to the run-off of the individual life closed book portfolio as well as lower cost charges to clients within individual unit-linked insurance policies from 2013 onwards.

In 2013 the technical margin was EUR 237 million, a 68.1% increase from EUR 141 million in 2012, mainly driven by non-recurring movements in technical provisions in both years.

Administrative expenses decreased to EUR 472 million in 2013 compared with EUR 495 million in 2012, mainly due to the transformation programme partly offset by higher pension expenses.

DAC amortisation and trail commissions declined 18.5% to EUR 75 million in 2013, in line with the decline in new life sales and reduced acquisition costs, as a result of the commission ban on complex products in the Netherlands.

Revaluations in 2013 generated a loss of EUR 296 million, including a EUR 206 million loss on equity hedges and a EUR 149 million negative revaluation of real estate, partly offset by a EUR 20 million positive revaluation of private equity.

Gains/losses and impairments decreased to a EUR 43 million loss in 2013 from a gain of EUR 138 million in 2012. The loss in 2013 was mainly due to impairments on real estate, while the gain in 2012 was mainly driven by realised gains on equities.

The 2013 loss of EUR 329 million in market and other impacts was mainly a result of the change in the provision for guarantees on separate account pension contracts (net of hedging). This included a non-recurring loss of EUR 177 million from a refinement of the market interest rate assumption to further align the accounting and the hedging for the

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separate account pension business. In 2012, the loss from the change in the provision for guarantees on separate account pension contracts (net of hedging) was EUR 530 million.

Special items were a loss of EUR 22 million in 2013, primarily due to preparation costs for the base case IPO. This compared to a loss of EUR 225 million in 2012 which primarily reflected reorganisation provisions related to the transformation programme announced in late 2012 as well as expenses related to the operational separation from ING Group.

Result on divestment was a gain of EUR 6 million in 2013, compared with a loss of EUR 25 million in 2012. The loss in 2012 was related to the final settlement of the divestment of group pension contracts which were transferred to an industry wide pension fund.

The result before tax was a gain of EUR 325 million in 2013, compared with a loss of EUR 335 million in 2012, driven by an improvement in non-operating items and lower adverse impact from special items as well as the increase in operating result.

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

The operating result for Netherlands Life decreased to EUR 604 million in 2012 from EUR 750 million in 2011, mainly due to a lower investment margin and a lower technical margin, which was only partly offset by lower expenses.

The investment margin was EUR 542 million in 2012, a 6.4% decrease compared with EUR 579 million in 2011, as a result of de-risking actions within the bond and ABS portfolios, which resulted in lower fixed interest income and lower re-investment rates, as well as lower dividends on publicly traded equities and real estate funds.

Fees and premium-based revenues increased to EUR 508 million in 2012 compared with EUR 499 million in 2011 as fees on AuM showed a marked increase in 2012, as a result of higher asset balances and the inclusion of fee income from pension administration company AZL that was presented as non-modelled business through 2011. Premium-based revenues on traditional life and unit-linked insurance declined in line with lower new sales and lower gross premium income.

The technical margin was EUR 141 million in 2012, a 49.3% decrease compared with the EUR 278 million margin in 2011. This is attributable in part to additions to guarantee provisions for group and retail life contracts in 2012, triggered by lower interest rates. Furthermore, the 2011 technical margin was boosted by a EUR 70 million gain from the surrender of a contract with a large pension fund.

Administrative expenses were EUR 495 million in 2012, 7.1% lower than the EUR 533 million in administrative expenses in 2011, mainly as a result of cost containment measures and lower pension expenses.

DAC amortisation and trail commissions declined in line with lower new sales in 2012 and preceding years.

The positive result from gains/losses and impairments declined by EUR 55 million, or 25.5%, to EUR 138 million, driven by capital losses on the sale of mainly southern European government bonds and low-rated ABS as part of the de-risking process. This was partly offset by capital gains realised on publicly traded equities investments. However, 2011 also included significant capital gains on Dutch and German publicly traded equities.

Losses on revaluations were EUR 296 million in 2012, mainly caused by negative revaluations on equity options used to hedge the equity portfolio to protect local solvency, and negative revaluations on real estate.

Losses due to market and other impacts were EUR 530 million in 2012, mainly due to a change in the provision for guarantees on separate account pension contracts (net of hedging).

Special items were a loss of EUR 225 million in 2012, compared with a loss of EUR 83 million in 2011, mainly due to a reorganisation provision related to NN's transformation programme announced in late 2012 to improve processes and systems as well as expenses related to the preparation for the base case IPO.

Result on divestments decreased to a loss of EUR 25 million in 2012 from nil in 2011. This loss was related to the final settlement of the divestment of a group pension contract which was transferred to an industry wide pension fund.

The result before tax decreased to loss of EUR 335 million in 2012 from a profit of EUR 683 million in 2011. This decrease was mainly driven by the large decrease in non-operating items as well as a lower operating result and higher negative special items.

**Table of Contents****NETHERLANDS NON-LIFE**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(EUR millions)</b>		
Operating income	1,729	1,844	1,845
Expenditure	1,651	1,741	1,659
<b>Operating result</b>	<b>79</b>	<b>103</b>	<b>186</b>
Gains/losses and impairments	-1	1	-45
Revaluations	5	-15	5
Special items before tax	-16	-140	-53
Divestments			
<b>Result before taxation</b>	<b>66</b>	<b>-51</b>	<b>93</b>
Taxation	14	-16	19
<b>Net result from continuing operations</b>	<b>53</b>	<b>-35</b>	<b>75</b>

**Year ended 31 December 2013 compared to year ended 31 December 2012**

The operating result for Netherlands Non-life was EUR 79 million in 2013, a 23.3% decline compared with EUR 103 million in 2012, mainly due to a lower operating result in the Property & Casualty (P&C) segment partly offset by a higher operating result in the Disability & Accident (D&A) segment.

Operating income was EUR 1,729 million in 2013, a 6.2% decrease compared with EUR 1,844 million in 2012. This decrease was largely driven by a lower earned premiums in the SME P&C and D&A segments due to the challenging economic conditions and an underwriting focus on value and return over volume.

Other income comprising commission income earned by NN Group's wholly-owned insurance brokers, Mandema and Zicht, showed a decrease as a result of the new legislation prohibiting insurance companies to pay commissions to brokers, which became effective in 2013.

Expenditure improved to EUR 1,651 million in 2013 compared with EUR 1,741 million in 2012. This improvement was driven by a significant reduction in claims frequency for Income products following the implementation of a recovery programme in 2011 and 2012. The recovery was also strengthened by a significant improvement in the claims experience for short-term disability products. The restored profitability of the Income business was partly offset by a relatively high volume of significant claims in the fire product line and several large storms in the fourth quarter of 2013, which increased expenditures in the P&C market segment. Administrative expenses increased with EUR 19 million mainly as a result of higher pension expenses.

The result from non-operating items was a gain of EUR 4 million in 2013 compared with a loss of EUR 15 million in 2012. The positive result reflects improved revaluations of both real estate and private equity assets in 2013 and negative revaluations of the direct equity hedge in 2012.

Special items were a loss of EUR 16 million in 2013, primarily due to preparation costs for the base case IPO. This compared to a loss of EUR 140 million in 2012, which mainly reflected reorganisation provisions related to the transformation programme announced in late 2012 and expenses for the operational separation from ING Group.

The result before tax increased to a gain of EUR 66 million in 2013 from a loss of EUR 51 million in 2012. The decrease in operating result was more than offset by an improvement in non-operating items and special items.

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

The operating result for Netherlands Non-life declined to EUR 103 million in 2012 from EUR 186 million in 2011, mainly driven by a higher claims experience in the Income product line.

Operating income remained flat at EUR 1,844 million in 2012, compared with EUR 1,845 million in 2011. An increase in earned premiums, net of reinsurance, particularly in the fire product line, was partly offset by a slight decrease in other income, which comprises the commission income earned by NN's wholly-owned insurance brokers, Mandema and Zicht.

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Expenditure for Netherlands Non-life was EUR 1,741 million in 2012, 4.9% higher compared with EUR 1,659 million in 2011. Claims incurred (net of reinsurance) increased by 9.7% mainly caused by unfavourable claims experience in the Income product line. During several years preceding 2012, an industry-wide acceleration occurred in claims incurred for income protection products, driven by increased frequency and duration of reported illness and disability of both employees and the self-employed. This increase in claims incurred was partly offset by a decrease in administrative expenses in 2012 due to cost containment efforts.

The loss from non-operating items was EUR 15 million in 2012 compared with a loss of EUR 40 million in 2011, as capital losses on the sale of southern European government bonds (mainly Spanish and Portuguese bonds) were only partly offset by capital gains following the reduction in the public equity exposure.

Special items showed a loss of EUR 140 million in 2012 compared with a loss of EUR 53 million in 2011. The loss in 2012 mainly related to reorganisation expenses related to NN's transformation programme announced in late 2012 as well as expenses in connection with the preparation for the base case IPO.

The result before tax declined to a loss of EUR 51 million in 2012 from a gain of EUR 93 million in 2011 mainly due to a lower operating result as a result of higher claims combined with higher negative special items.

**INSURANCE EUROPE**

	2013	2012	2011
	(EUR millions)		
Investment margin	105	122	159
Fees and premium based revenues	507	514	548
Technical margin	191	210	206
Income non-modelled life business	20	20	9
<b>Operating income</b>	<b>824</b>	<b>866</b>	<b>921</b>
Administrative expenses	310	334	353
DAC amortisation and trail commissions	319	321	307
<b>Operating expenses</b>	<b>630</b>	<b>654</b>	<b>659</b>
<b>Life &amp; ING IM operating result</b>	<b>194</b>	<b>212</b>	<b>262</b>
Non-life operating results	5	7	4
<b>Operating result</b>	<b>199</b>	<b>219</b>	<b>266</b>
Gains/losses and impairments	55	-82	-599
Revaluations	-3	17	-16
Market & other impacts		-1	
Special items before tax	-9	-38	-90
<b>Result before taxation</b>	<b>243</b>	<b>115</b>	<b>-439</b>



Taxation	77	25	-49
Minority interest	9	9	10
<b>Net result from continuing operations</b>	<b>156</b>	<b>81</b>	<b>-400</b>

**Year ended 31 December 2013 compared to year ended 31 December 2012**

The operating result for Insurance Europe was EUR 199 million in 2013, a 9.1% decline compared with EUR 219 million in 2012.

Lower investment margin and a lower technical margin were partly offset by lower administrative expenses. The investment margin for 2013 was EUR 105 million, compared with EUR 122 million for 2012. This decline reflects lower re-investment yields and the impact of a regulatory change, both in the Czech Republic.

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Fees and premium-based revenues decreased slightly from EUR 514 million in 2012 to EUR 507 million in 2013, mainly due to lower unit-linked premiums in Belgium and Luxembourg.

The technical margin decreased to EUR 191 million in 2013 from EUR 210 million in 2012, mainly due to lower surrender results in Greece and lower morbidity margin in Romania and Greece. These declines were partly offset by a EUR 10 million reclassification of the Belgian crisis tax, booked in the technical margin in 2012, to DAC amortisation and trail commissions in 2013.

Administrative expenses were EUR 630 million in 2013, a 3.7% decrease compared with EUR 654 million in 2012. This decrease partly reflects the incurrence of a one-off financial institution tax in Hungary of EUR 15 million in 2012 and tight cost control throughout the region in 2013, the impact of the latter partly offset by investments in new business in Turkey.

DAC amortisation and trail commissions decreased slightly to EUR 319 million in 2013 from EUR 321 million in 2012. DAC amortisation and trail commissions in Belgium decreased due to a new commission agreement with distributor ING Bank Belgium as well as lower sales, offset by the reclassification of the Belgian crisis tax.

Non-operating items increased to a gain of EUR 53 million in 2013 from a loss of EUR 66 million in 2012. This increase reflects a EUR 48 million gain on the sale of Dutch and German government bonds in Belgium in 2013, as compared with capital losses and impairments on financial and government bonds in Belgium and Spain in 2012.

Special items were a loss of EUR 9 million in 2013, primarily related to expenses for a regional transformation programme. This compared with a loss of EUR 38 million in 2012 which included expenses related to the operational separation from ING, expenses for the transformation programme and expenses related to the base case IPO.

The result before tax increased to EUR 243 million in 2013 from EUR 115 million in 2012. The decrease in operating result was more than offset by an improvement in non-operating items and special items.

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

The operating result for Insurance Europe declined to EUR 219 million in 2012 from EUR 266 million in 2011, primarily as a result of a lower investment margin and a lower technical margin.

The investment margin decreased 23.3% to EUR 122 million in 2012, mainly as a result of lower investment yields in Belgium and Greece, reflecting de-risking actions within the fixed income investment portfolio.

Fees and premium-based revenues were EUR 514 million in 2012, a 6.2% decline compared with EUR 548 million in 2011. This decline was driven by lower fees in the life business, as high margin portfolios continued to mature and were replaced by lower margin products. The decline was also driven by regulatory changes affecting the pension funds in Poland and Hungary.

The technical margin increased slightly to EUR 210 million in 2012 from EUR 206 million in 2011, largely as a result of the release of a technical provision in Romania in the amount of EUR 4 million.

Income from non-modelled business, pertaining to Bulgaria and Turkey, more than doubled due to the growth of the Turkish life business.

Administrative expenses fell by 5.4% to EUR 334 million in 2012, reflecting strict cost control and provision releases in 2012, while 2011 was impacted by higher project costs related to building a regional IT organisation and by reorganisation expenses.

DAC amortisation and trail commissions increased in line with increasing new sales and policies in-force.

Non-operating items were a loss of EUR 66 million in 2012, as compared to a loss of EUR 615 million in 2011. In 2011 non-operating items included EUR 539 million of capital losses and impairments on southern European government bonds and hybrid debt issued by financial institutions.

Special items were a loss of EUR 38 million in 2012, compared with a loss of EUR 90 million in 2011, as expenses related to the regional transformation programme tapered off. Special items in both years also reflected expenses for the separation of the insurance and investment management businesses from ING. Furthermore, special items in 2012 incorporated EUR 8 million in expenses to prepare for the base case IPO.

The result before tax increased to a gain of EUR 115 million in 2012 from a loss of EUR 439 million in 2011. This increase is mainly due to the fact that 2011 included large capital losses and impairments on southern European government bonds and debt issued by financial institutions, as well as a lower operating result.

**Table of Contents****JAPAN LIFE**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(EUR millions)</b>		
Investment margin	7	10	2
Fees and premium based revenues	436	490	437
Technical margin	2	23	-4
<b>Operating income</b>	<b>445</b>	<b>523</b>	<b>434</b>
Administrative expenses	106	130	129
DAC amortisation and trail commissions	177	197	187
<b>Operating expenses</b>	<b>283</b>	<b>327</b>	<b>315</b>
<b>Operating result</b>	<b>162</b>	<b>196</b>	<b>119</b>
Gains/losses and impairments	42	4	7
Revaluations	-11	10	1
<b>Result before taxation</b>	<b>192</b>	<b>209</b>	<b>126</b>
Taxation	71	69	-29
<b>Net result from continuing operations</b>	<b>121</b>	<b>140</b>	<b>156</b>

**Year ended 31 December 2013 compared to year ended 31 December 2012**

The operating result for Japan Life was EUR 162 million in 2013, a 17.3% decline compared with EUR 196 million in 2012, due to the 27% depreciation of the Japanese yen against the euro in 2013.

Fees and premium based revenues were EUR 436 million in 2013, a 11.0% decrease compared with EUR 490 million in 2012, primarily due to the depreciation of the Japanese yen against the euro. Excluding this currency effect, fees and premium based revenues increased by 10.0% driven by strong COLI sales and favourable persistency.

The technical margin decreased to EUR 2 million in 2013 compared with EUR 23 million in 2012, as the 2012 technical margin included strong mortality and morbidity results, while surrender results declined in 2013 following improved persistency in the portfolio.

Administrative expenses were EUR 106 million in 2013, a 18.5% decrease compared with EUR 130 million in 2012, primarily due to the depreciation of the Japanese yen against the euro. Excluding currency effects, administrative expenses remained broadly stable, increasing by 1.0% compared to 2012.

DAC amortisation and trail commissions decreased to EUR 177 million in 2013 compared to EUR 197 million in 2012. Excluding currency effects, DAC amortisation and trail commissions increased by 11.7% due to higher in-force volume.

Gains/losses and impairments increased to EUR 42 million in 2013 from EUR 4 million in the prior year, mainly caused by asset rebalancing.

Revaluations decreased to a loss of EUR 11 million in 2013 from a gain of EUR 10 million in the previous year.

The result before tax decreased to EUR 192 million in 2013 from EUR 209 million in 2012, due to the decrease in operating result. This was partly offset by an improvement in non-operating items.

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

The operating result for Japan Life increased to EUR 196 million in 2012 from EUR 119 million in 2011, primarily due to higher fees and premium-based revenues and a higher technical margin, partly offset by higher expenses.

Fees and premium-based revenues were EUR 490 million in 2012, a 12.1% increase compared with EUR 437 in 2011, due to higher gross premiums and a slightly higher in-force portfolio size.

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The technical margin increased to a gain of EUR 23 million in 2012 as compared to a loss of EUR 4 million in 2011, mainly due to higher mortality and morbidity results.

Administrative expenses were relatively flat at EUR 130 million in 2012, compared with EUR 129 million in 2011.

DAC amortisation and trail commissions increased to EUR 197 million in 2012, as compared to EUR 187 million in 2011, as a result of higher in-force volume, partly offset by lower DAC write-off due to lower surrenders.

Taxation in 2011 was negative (i.e. a tax refund) because of a EUR 31 million release of deferred tax liabilities due to a corporate tax rate reduction in Japan from 36.2% to 30.8%.

**INVESTMENT MANAGEMENT**

	2013	2012	2011
	(EUR millions)		
Investment margin	1		3
Fees and premium based revenues	444	430	434
<b>Operating income</b>	<b>445</b>	<b>430</b>	<b>437</b>
Administrative expenses	314	321	313
<b>Operating expenses</b>	<b>314</b>	<b>321</b>	<b>313</b>
<b>Operating result</b>	<b>130</b>	<b>109</b>	<b>124</b>
Gains/losses and impairments		1	5
Special items before tax		-6	-10
<b>Result before taxation</b>	<b>130</b>	<b>105</b>	<b>118</b>
Taxation	34	27	34
<b>Net result from continuing operations</b>	<b>97</b>	<b>77</b>	<b>85</b>

**Year ended 31 December 2013 compared to year ended 31 December 2012**

The operating result for Investment Management was EUR 130 million in 2013, a 19.3% increase compared with EUR 109 million in 2012, driven by higher fees and lower administrative expenses.

Fees were EUR 444 million in 2013, a 3.5% increase compared with EUR 430 million in 2012, as outflows in lower yielding proprietary assets were offset by inflows in higher margin products. As a result, the ratio of fees to average Assets under Management (AuM) improved slightly from 24.5 basis points in 2012 to 24.8 basis points in 2013.

Administrative expenses were EUR 314 million in 2013, a 2.2% decrease compared with EUR 321 million in 2012, primarily due to non-recurring costs incurred at the end of 2012.

The result before tax increased to EUR 130 million in 2013 from EUR 105 million in 2012, as a result of the increase in operating result.

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

The operating result for Investment Management decreased to EUR 109 million in 2012 from EUR 124 million in 2011, mainly due to slightly lower fees as well as higher administrative expenses.

Fees and premium based revenues were EUR 430 million in 2012, a slight decrease compared with EUR 434 million in 2011, as shifting client preferences resulted in assets flowing from equity to lower margin fixed income assets. As a result, the ratio of fees to average AuM declined to 24.5 basis points from 25.8 basis points in 2011. In addition, regulatory pension changes in Hungary triggered AuM net outflows as from the third quarter of 2011, putting pressure on fees during 2012. This decrease was partly offset by the positive impact on fees from AuM growth of 9.5%.

Administrative expenses were EUR 321 million in 2012, a 2.5% increase compared with EUR 313 million in 2011, primarily due to investments in Investment Management's operations in the United States, the introduction of a crisis income tax for high earners in the Netherlands (borne by the employer) and a restructuring provision.

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The result before tax decreased to EUR 105 million in 2012 from EUR 118 million in 2011, as a result of the decrease in operating result.

**OTHER**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(EUR millions)</b>		
Holding result	-345	-409	-315
Operating result Reinsurance business	-15	22	4
Operating result NN Bank	-11	-14	-2
Other results	1	3	
<b>Operating result</b>	<b>-371</b>	<b>-398</b>	<b>-313</b>
Gains/losses and impairments	44	10	6
Revaluations	-14	-34	-39
Special items before tax	-79	-43	22
Divestments	-50	13	-9
<b>Result before taxation</b>	<b>-471</b>	<b>-452</b>	<b>-333</b>
Taxation	-93	-85	-95
<b>Net result from continuing operations</b>	<b>-378</b>	<b>-367</b>	<b>-238</b>

**Year ended 31 December 2013 compared to year ended 31 December 2012**

The operating result for the Other segment was a loss of EUR 371 million in 2013, compared with a loss of EUR 398 million in 2012. The improvement largely reflects lower funding costs offset by a lower result from the reinsurance business.

Holding result was a loss of EUR 345 million in 2013, an improvement of 15.6% compared with a loss of EUR 409 million in 2012, largely due to lower interest expense on hybrid and debt securities. Interest expense on hybrid and debt securities was EUR 167 million in 2013, a decrease of 23.0% compared with EUR 217 million in 2012, mainly reflecting a EUR 2 billion senior debt refinancing by ING Group in September 2013.

Operating result reinsurance business was a loss of EUR 15 million in 2013, compared with a gain of EUR 22 million in 2012. The 2013 result was negatively impacted by a EUR 31 million one-off loss on a specific reinsurance contract.

Operating result Nationale-Nederlanden Bank was a loss of EUR 11 million in 2013, compared with a loss of EUR 14 million in 2012, due to start-up and integration expenses.

Non-operating items was a gain of EUR 29 million in 2013, compared with a loss of EUR 24 million in 2012, due to improvements in gains/losses and impairments, reflecting the reallocation of the investment portfolio of ING Re in 2013, and lower losses from revaluations.

Special items amounted to a loss of EUR 79 million in 2013, compared with a loss of EUR 43 million in 2012. The loss in 2013 was primarily due to expenses related to the restructuring and integration of WestlandUtrecht Bank



operations at Nationale-Nederlanden Bank. The 2012 loss included EUR 94 million in expenses related to the operational separation from ING Group and preparation costs for the base case IPO, EUR 56 million in goodwill impairments, and a EUR 26 million reorganisation provision. These negative items were largely offset by a pension provision release of EUR 133 million.

Result on divestments was a loss of EUR 50 million in 2013, primarily reflecting a EUR 62 million loss on the sale of the Mexican mortgage business.

The result before tax was a loss of EUR 471 million in 2013, compared with a loss of EUR 452 million in 2012, as improvements in the operating result and non-operating items were more than offset by higher special items and a lower result on divestments.

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

The operating result for the Other segment decreased from a loss of EUR 313 million in 2011 to a loss of EUR 398 million in 2012. The decrease was mainly due to higher interest on hybrids and debt and higher holding expenses.

Holding result was a loss of EUR 409 million in 2012, a 29.8% increase compared with the loss of EUR 315 million in 2011, largely due to higher interest on hybrids and debt, lower investment income and fees and an increase in holding expenses. Investment income and fees was a loss of EUR 1 million in 2012, compared with a gain of EUR 24 million in 2011, mainly due to a EUR 19 million non-recurring investment income item in 2011. Holding expenses were EUR 179 million in 2012, an increase of 28.8% compared with EUR 139 million in 2011, mainly due to higher unallocated corporate expenses (shareholder expenses), including expenses for the Solvency II project.

Operating result reinsurance business was EUR 22 million, a EUR 18 million increase compared with EUR 4 million in 2011,

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primarily due to a negative result in 2011 on a hedge programme for the European VA portfolio that hedges the minimum guaranteed benefits of policyholders partly offset by lower reinsurance claims in 2012. Operating result Nationale-Nederlanden Bank was a EUR 14 million loss in 2012, as compared to a loss of EUR 2 million in 2011, largely as a result of start-up expenses as Nationale-Nederlanden Bank began operations in the second half of 2011.

Non-operating items was a loss of EUR 24 million in 2012, compared with a loss of EUR 34 million in 2011, mainly due to an improvement in gains/losses and impairments and revaluations.

Special items amounted to a loss of EUR 43 million in 2012 compared with a gain of EUR 22 million in 2011. The 2012 loss included EUR 94 million of expenses for the operational separation from ING Groep and preparation costs for the base case IPO, EUR 56 million of goodwill impairments in the Netherlands and a EUR 26 million reorganisation provision. These negative items were largely offset by a pension provision release of EUR 133 million. In 2011, non-recurring expenses of EUR 73 million for the restructuring pursuant to the EC Restructuring Plan were realised but were more than offset by a EUR 95 million gain on the repurchase of subordinated loans in December 2011.

The result before tax decreased to a loss of EUR 452 million in 2012 from a loss of EUR 333 million in 2011 mainly driven by the lower operating result as well as lower special items.

**JAPAN CLOSED BLOCK VA**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(EUR millions)</b>		
Fees and premium based revenues	136	148	149
<b>Operating income</b>	<b>136</b>	<b>148</b>	<b>149</b>
Administrative expenses	18	13	9
DAC amortisation and trail commissions	38	50	50
<b>Operating expenses</b>	<b>56</b>	<b>63</b>	<b>59</b>
<b>Operating result</b>	<b>80</b>	<b>85</b>	<b>91</b>
Gains/losses and impairments	1		
Market & other impacts	-750	21	47
<b>Result before taxation</b>	<b>-669</b>	<b>105</b>	<b>138</b>
Taxation	-214	33	57
<b>Net result from continuing operations</b>	<b>-454</b>	<b>72</b>	<b>81</b>

**Year ended 31 December 2013 compared to year ended 31 December 2012**

The operating result of Japan Closed Block VA was EUR 80 million in 2013, a 5.9% decrease compared with EUR 85 million in 2012. Excluding currency effects, the operating result increased by 19.1%, mainly driven by higher operating income.

Operating income of Japan Closed Block VA was EUR 136 million in 2013, a decrease of 8.1% compared with EUR 148 million in 2012, caused by a decrease in fees and premium-based revenues due to the 27% depreciation of the Japanese yen against the euro during 2013. Excluding currency effects, operating income increased by 15.0% due to the strong performance of the Japanese equity markets which boosted the account value of the closed-block annuity portfolio.

The increase in administrative expenses to EUR 18 million in 2013 from EUR 13 million in the prior year was due to the preparation for the business restructuring as a part of the ING Group divestment plan.

DAC amortization and trail commissions fell to EUR 38 million in 2013, compared with EUR 50 million in 2012, as DAC related to the annuity portfolio was written-down entirely on 1 October 2013, as part of the charge to restore the reserve adequacy of the business line to the 50% confidence level, due to the change in segmentation.

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Market and other impacts were a loss of EUR 749 million in 2013 compared with a gain of EUR 21 million in 2012. The loss in 2013 was primarily the result of the EUR 575 million charge taken to bring the reserve adequacy of the business line to the 50% confidence level as of 1 October 2013.

The result before tax was a loss of EUR 669 million in 2013, compared with a gain of EUR 105 million in 2012. This decrease was primarily due to the incurrence of the EUR 575 million charge to restore the reserve adequacy to the 50% confidence level.

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

The operating result of Japan Closed Block VA decreased slightly to EUR 85 million in 2012 from EUR 91 million in 2011, mainly as a result of higher administrative expenses.

Fees and premium based revenues were EUR 148 million in 2012, a decrease of 0.7% compared with EUR 149 million in 2011. Since Japan Closed Block VA is in run-off, the segment's operating income (fees) gradually declines over time as the SPVA contracts mature or are surrendered.

Administrative expenses increased to EUR 13 million in 2012 from EUR 9 million in 2011 mainly due to the 13% depreciation of the Japanese yen against the euro. Excluding currency effects, administrative expenses decreased with 12.7% compared to 2011.

Non-operating items were a gain of EUR 21 million in 2012, compared with a gain of EUR 47 million in 2011. This result reflects the market and other impacts recorded by ING Re on the reinsurance of the minimum guarantee obligations to contract owners of single premium variable annuities issued by Japan Life between 2001 and 2009. ING Re manages the risk on the Japan Closed Block VA portfolio through a hedging programme which seeks to (partially) offset market related movements in the IFRS provisions, while simultaneously mitigating market related effects on the capital position of ING Re.

The result before tax decreased to EUR 105 million in 2012 from EUR 138 million in 2011. This decrease was primarily the result of lower non-operating items as well as a slightly lower operating result.

**Table of Contents****CONSOLIDATED ASSETS AND LIABILITIES**

The following table sets forth ING Group's condensed consolidated assets and liabilities as of 31 December 2013, 2012 and 2011, reference is made to page F-3 for the complete consolidated balance sheet of ING Group.

	<b>2013</b>	<b>2012<sup>(3)</sup></b>	<b>2011<sup>(2)(3)</sup></b>
	<b>(EUR billions, except amounts per share)</b>		
Cash and balances with central banks	13.3	17.7	31.2
Amounts due to banks	43.0	39.1	45.3
Investments	141.0	200.1	217.4
Financial assets at fair value through the profit and loss account	165.2	232.4	262.7
Loans and advances to customers	527.0	556.9	596.9
Assets held for sale	156.9	66.9	62.5
Other assets	30.2	44.8	58.2
<b>Total assets</b>	<b>1,076.6</b>	<b>1,157.9</b>	<b>1,274.2</b>
Shareholders' equity	42.4	46.9	42.8
Non-voting equity securities	1.5	2.3	3.0
	43.9	49.2	45.8
Minority interests	5.9	1.6	0.8
<b>Total equity</b>	<b>49.9</b>	<b>50.8</b>	<b>46.6</b>
Insurance and investment contracts:			
Life	105.6	213.8	262.1
Non-life	3.6	3.5	3.5
Investment contracts	2.4	12.6	13.2
Total insurance and investment contracts	111.6	230.0	278.8
Amounts due to banks	27.3	38.7	72.2
Customer deposits and other funds on deposits <sup>(1)</sup>	474.3	455.0	467.5
Financial liabilities at fair value through the profit and loss account	98.5	115.8	142.9
Debt securities in issue/other borrowed funds	141.4	160.2	159.5
Liabilities held for sale	146.4	67.8	64.3
Other liabilities	27.3	39.6	42.4
<b>Total equity and liabilities</b>	<b>1,076.6</b>	<b>1,157.9</b>	<b>1,274.2</b>
Shareholders' equity per Ordinary Share (in EUR)	11.06	12.35	11.31

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

- (2) 2011 is not restated for IFRS 10/11/12.
- (3) The comparative figures of this period have been restated to reflect the new pension accounting requirements under IFRS which took effect on 1 January 2013, see Note 2.1 to the consolidated financial statements.

**Year ended 31 December 2013 compared to year ended 31 December 2012**

Total assets decreased in 2013 by EUR 81 billion, or 7.0%, to EUR 1,077 billion at year-end 2013 compared to EUR 1,158 billion at year-end 2012. Assets held for sale increased by EUR 90 billion, mainly due to transfers of Insurance ING U.S. to and Japan from the Held-for-sale status. Loans and advances to customers declined by EUR 30 billion, or 5.4% to EUR 527 billion at year-end 2013 compared to EUR 557 billion at year-end 2012, due to lower securities at amortised cost and IABF, the sale of Dutch and Australian mortgages and the sale of US Real Estate Finance loans. Investments decreased by EUR 59 billion, or 30.0%, to EUR 141 billion at year-end 2013 from EUR 200 billion at year-end 2012, mainly due to the transfer of investments of Insurance ING U.S. to assets held for sale. Financial assets at fair value through P&L decreased by EUR 67 billion mainly due to a lower revaluation of derivatives as long-term interest rates increased.

Shareholders' equity decreased by EUR 4.5 billion, from EUR 46.9 billion at the end of 2012 to EUR 42.4 billion at the end of 2013. Equity was negatively impacted by revaluations of debt securities, net of deferred interest crediting to life policyholders, due to the negative impact of higher interest rates of EUR 3.4 billion, exchange rate differences reflecting the appreciation of the euro against most currencies of EUR -1.7 billion, the impact of the sale of 43% ING U.S. of EUR -2.5 billion and the decrease in the net pension asset of EUR -0.9 billion. These negative impacts were

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partly offset by the addition of the net result of EUR 4.6 billion. Non-voting equity securities declined by EUR 0.8 billion due to the repayment to the Dutch State in November 2013.

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

Total assets decreased in 2012 by 9.1%, or EUR 116 billion, to EUR 1,158 billion at year-end 2012 from EUR 1,274 billion at year-end 2011, 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 at year-end 2012, compared with EUR 217 billion at year-end 2011, 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 4.1 billion from EUR 42.8 billion at the end of 2011 to EUR 46.9 billion at the end of 2012. This increase was mainly caused by EUR 3.5 billion net profit and EUR 6.9 billion of positive unrealised revaluations, offset by a of transfer of negative EUR 2.2 billion to insurance liabilities and the decrease in the net pension asset by EUR -2.6 billion. Non-voting equity securities declined by EUR 0.8 billion due to the repayment to the Dutch State in November 2012.

**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., NN Group 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 2013 was EUR 13,406 million, at 31 December 2012, EUR 16,760 million and at 31 December 2011, EUR 15,517. The EUR 13,406 million of debt and capital securities outstanding at 31 December 2013 consisted of subordinated loans of EUR 7,977 million and debenture loans of EUR 5,429 million, both specified below:

Interest rate (%)	Year of issue	Due date	Balance sheet value
(EUR millions)			
9.000	2008	Perpetual	10
8.000	2008	Perpetual	1,501
7.375	2007	Perpetual	1,025
6.375	2007	Perpetual	759
5.140	2006	Perpetual	79

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5.775	2005	Perpetual	272
6.125	2005	Perpetual	486
4.176	2005	Perpetual	168
Variable	2004	Perpetual	566
6.200	2003	Perpetual	353
Variable	2003	Perpetual	433
7.200	2002	Perpetual	715
7.050	2002	Perpetual	522
Variable	2000	31 December 2030	1,088
			<b>7,977</b>



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Interest rate (%)	Year of issue	Due date (EUR millions)	Balance sheet value
Variable	2013	27 February 2015	999
4.125	2011	23 March 2015	659
4.699	2007	1 June 2035	118
4.750	2007	31 May 2017	1,906
Variable	2006	11 April 2016	999
4.125	2006	11 April 2016	748
			<b>5,429</b>

At 31 December 2013, 2012 and 2011, ING Groep N.V. also owed EUR 1,114 million, EUR 2,372 million and EUR 2,869 million, respectively, to ING Group companies pursuant to intercompany lending arrangements. The EUR 1,114 million owed by ING Groep N.V. to ING Group companies at 31 December 2013 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, according to which ING intended 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 that followed. In accordance with this agreement, ING repaid EUR 0.75 billion of the remaining non-voting equity securities in November 2012. The total payment of November 2012 amounted to EUR 1,125 million including premiums and interest. In November 2013, ING repaid the second tranche amounting to EUR 1,125 million including premiums and interest. A third tranche will be paid 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 two 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 which may in principle require compensatory measures. All repayments are conditional upon the approval of the Dutch central bank (DNB).

At 31 December 2013, 2012 and 2011, ING Groep N.V. had EUR 1 million, EUR 9 million and EUR -1,400 million of cash, respectively. Dividends paid to the Company by its subsidiaries amounted to EUR 3,837 million, EUR 2,125 million and EUR 3,000 million in 2013, 2012 and 2011, respectively, in each case representing dividends declared and paid with respect to the reporting calendar year and the prior calendar year. The amounts paid to ING Groep N.V. were received from ING Bank in EUR 2,955 million in 2013, EUR 2,125 million in 2012 and EUR 3,000 million in 2011, and from NN Group EUR 882 million in 2013, EUR 0 million in 2012 and EUR 0 million in 2011, respectively. On the other hand, ING Groep N.V. injected EUR 1,000 million, EUR 0 million and EUR 1,500 million into its direct subsidiaries during the reporting year 2013, 2012 and 2011, respectively. All of these amounts were injected into NN Group. ING Groep N.V. and its Dutch subsidiaries are subject to legal restrictions on the amount of dividends they can pay to their shareholders. The Dutch Civil Code provides that dividends can only be paid by Dutch companies up to an amount equal to the excess of a company's shareholders' equity over the sum of (1) paid-up capital and (2) shareholders' reserves required by law. Further, certain of the Group companies are subject

to restrictions on the amount of funds they may transfer in the form of cash dividends or otherwise to ING Groep N.V.

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

In 2013, ING Bank repurchased certain EUR and USD denominated Dutch Government guaranteed notes. For more information see Note 16 of Note 2.1 to the consolidated financial statements.

**Table of Contents****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 2013 compared to year ended 31 December 2012**

Net cash flow from operating activities amounted to EUR -8,306 million for the year ended 31 December 2013, compared with EUR -9,260 million for the year ended 31 December 2012. 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 25,585 million and EUR 27,718 million for 2013 and 2012, respectively. The cash flow employed in lending increased from EUR 1,166 million in 2012 to a cash inflow of EUR 4,745 million in 2013.

Net cash flow from investment activities in 2013 was EUR 9,157 million, compared to EUR 576 million in 2012. The increase was mainly caused by investments for risk of policyholders and investments available for sale.

Net cash flow from financing activities was EUR -8,703 million in 2013, compared to EUR -1,665 million in 2012. The decrease of EUR 7,038 million in net cash flow from financing activities is mainly due to the repayment of and proceeds from borrowed funds and debt securities.

The operating, investing and financing activities described above resulted in net cash and cash equivalents at year-end 2013 of EUR 17,180 million, compared with EUR 24,150 million at year-end 2012, a decrease of EUR 6,970 million from 2012 levels.

	<b>2013</b>	<b>2012</b>
	<b>(EUR millions)</b>	
Treasury bills and other eligible bills	574	518
Amounts due from/to banks	1,015	4,633
Cash and balances with central banks	13,316	17,657
Cash and cash equivalents classified as Assets held for sale Held for sale	2,275	1,342
<b>Cash and cash equivalents at end of year</b>	<b>17,180</b>	<b>24,150</b>

**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.

	<b>2012</b>	<b>2011</b>
	<b>(EUR millions)</b>	
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 Held for sale	1,342	4,980
<b>Cash and cash equivalents at end of year</b>	<b>24,150</b>	<b>34,280</b>

### *Capital Adequacy*

The debt/equity ratio of ING Group as at year-end 2013 was 8.4% (2012: 11.3%).

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ING Group reports to the DNB 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 NN Group 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.

	<b>2013</b>	<b>2012</b>
	<b>(EUR millions)</b>	
BIS capital	46,496	47,270
IGD capital	20,903	22,447
Group leverage (core debt)	-4,910	-7,100
<b>Regulatory capital</b>	<b>62,490</b>	<b>62,619</b>
Required capital banking operations	26,913	28,774
Required capital insurance operations	8,153	9,523
<b>Total required capital</b>	<b>35,066</b>	<b>38,296</b>
FICO ratio	178%	164%

**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 2013 compared to year ended 31 December 2012**

At 31 December 2013 and 2012, ING Bank had EUR 13,509 million and EUR 20,612 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.

Specification of cash position (EUR millions):

	<b>2013</b>	<b>2012</b>
	<b>(EUR millions)</b>	
Cash	11,920	15,447
Short-dated government paper	574	518
Cash and cash equivalents classified as Assets held for sale		14
Banks on demand	1,015	4,633
<b>Cash balance and cash equivalents</b>	<b>13,509</b>	<b>20,612</b>

The EUR 15,307 million increase in ING Bank's operating activities, consists of EUR 3,784 million cash inflow for the year ended 31 December 2013, compared to EUR 11,523 million cash outflow for the year ended 31 December 2012.

The cash flow from operating activities was largely affected by the cash inflow from loans and advances caused by repayments of mortgages, matured corporate bonds and the repayments of the Illiquid Asset Back up Facility loan. The cash flow from operating activities was largely affected by cash inflows from Customer deposits and other funds on deposit (EUR 24,387 million compared to a cash inflow in 2012 of EUR 21,334 million), cash outflows from Amounts due to and from Banks (EUR 19,666 million compared to a cash outflow in 2012 of EUR 21,187 million), a cash inflow of loans and advances to customers (EUR 8,514 million compared to a cash inflow in 2012 of EUR 1,130 million) and a cash outflow of trading assets and liabilities (EUR 9,389 million compared to a cash outflow in 2012 of EUR 16,583 million).

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Net cash outflow from investing activities was EUR 1,841 million (2012: EUR 2,341 million cash inflow). Investments in available-for-sale securities was EUR 78,654 million and EUR 71,323 million in 2013 and 2012, respectively. Disposals and redemptions of available-for-sale securities amounted to EUR 72,221 million and EUR 73,441 million in 2013 and 2012, respectively.

Net cash flow from financing activities in 2013 amounted to a cash outflow of EUR 9,754 million compared to a cash outflow in 2012 of EUR 1,588 million. In 2013, repayments on subordinated loans and issued debt securities exceeded proceeds from new issuance of subordinated loans, borrowed funds and debt securities. In addition, dividend payment in 2013 amounted to EUR 2,955 million compared to a dividend paid to ING Group by its subsidiaries in 2012 of EUR 2,125 million.

The operating, investing and financing activities described above resulted in a negative cash flow of EUR 7,811 in 2012 compared to a negative net cash flow of EUR 10,770 million in 2012.

**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.

Specification of cash position (EUR millions):

	<b>2012</b>	<b>2011</b>
	<b>(EUR millions)</b>	
Cash	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
<b>Cash balance and cash equivalents</b>	<b>20,612</b>	<b>31,197</b>

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 30,569 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 of 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 less cash outflow from proceeds and repayments of subordinated loans and debt securities in issue and a lower dividend payment from subsidiaries 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.

***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 DNB 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.



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The following table sets forth the capital position of ING Bank N.V. as of 31 December 2013, 2012 and 2011.

**Capital position of ING Bank**

	2013	2012	2011
	(EUR millions)		
Shareholders' equity (parent)	29,304	30,118	30,594
Difference IFRS-IASB and IFRS-EU	3,501	4,846	4,211
Minority interests <sup>(1)</sup>	1,065	959	817
Subordinated loans qualifying as Tier 1 capital <sup>(2)</sup>	5,123	6,774	6,850
Goodwill and intangibles deductible from Tier 1 <sup>(1)</sup>	-1,057	-1,242	-1,390
Deductions Tier 1	-1,082	-991	-1,014
Defined benefit remeasurement <sup>(3)</sup>	2,671	1,860	-449
Revaluation reserve <sup>(4)</sup>	-1,293	-2,195	-1,008
<b>Available capital Tier 1</b>	<b>38,232</b>	<b>40,129</b>	<b>38,611</b>
Supplementary capital Tier 2 <sup>(5)</sup>	9,345	8,132	9,516
Deductions	-1,082	-991	-1,014
<b>BIS capital</b>	<b>46,496</b>	<b>47,270</b>	<b>47,124</b>
Risk-weighted assets	282,503	278,656	330,421
Tier 1 ratio	13.53%	14.40%	11.69%
BIS ratio	16.46%	16.96%	14.26%
Required capital based on Basel I floor <sup>(6)</sup>	26,913	28,767	31,107
BIS ratio based on Basel I floor <sup>(6)</sup>	13.82%	13.15%	12.12%

(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) As result of the revision of IAS 19, this number is EUR 154 million higher than was presented in the 2012 annual report, resulting in slightly higher capital ratios.

(4) 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.

(5) Includes eligible lower Tier 2 loans and revaluation reserves equity and real estate revaluations removed from Tier 1 capital.

(6) 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.

**NN Group Cash Flows**

The principal sources of funds for NN Group 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. NN Group 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 NN Group'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 2013 compared to year ended 31 December 2012**

NN Group'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. NN Group also has access to commercial paper, medium-term note and other credit facilities. NN Group's balance of cash and cash equivalents was EUR 7,235 million at 31 December 2013 and EUR 6,717 million at 31 December 2012.

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	<b>2013</b>	<b>2012</b>
	<b>(EUR millions)</b>	
Cash and bank balances	1,997	2,980
Short term deposits	5,518	2,409
Cash and cash equivalents classified as Assets held for sale	80	1,328
<b>Total</b>	<b>7.235</b>	<b>6,717</b>

Net cash provided by operating activities was EUR -5,547 million in 2013 and EUR 723 million in 2012. Net cash used by NN Group in investment activities was EUR 5,426 million in 2013 and EUR -2,882 million in 2012. The increase was caused by investments for the risk of policyholders and disposal of group companies. Cash provided by NN Group's financing activities amounted to EUR 457 million and EUR -2,737 million in 2012 and 2011, respectively. The increase was mainly due to proceeds from the IPO of ING U.S.

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

NN Group'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. NN Group also has access to commercial paper, medium-term note and other credit facilities. NN Group'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.

	<b>2012</b>	<b>2011</b>
	<b>(EUR millions)</b>	
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	0
<b>Total</b>	<b>6,717</b>	<b>11,577</b>

Net cash provided by operating activities was EUR 723 million in 2012 and EUR 2,068 million in 2011. Net cash used by NN Group in investment activities was EUR -2,881 million in 2012 and EUR 2,477 million in 2011. The decrease was caused by investments in equity securities available for sale mainly in the U.S. cash provided by NN Group's financing activities amounted to EUR -2,737 million and EUR -1,558 million in 2012 and 2011, respectively. The decrease was due to repayments of subordinated loans.

The table below shows the NN Group Directive, which represents the consolidated regulatory Solvency I position of NN Group's business. The Insurance companies complied with their respective local regulatory requirements.

	<b>2013</b>	<b>2012<sup>(4)</sup></b>
	<b>(EUR millions)</b>	
Shareholders' equity (parent)	14,227	26,423
Hybrids issued by ING Group <sup>(1)</sup>	2,394	2,438
Hybrids issued by NN Group <sup>(2)</sup>		476

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Required regulatory adjustments	-5,368	-6,891
<b>IGD capital</b>	<b>11,253</b>	<b>22,446</b>
EU required capital base	4,379	9,523
IGD Solvency ratio <sup>(3)</sup>	257%	236%

- (1) Hybrids issued by ING Group at notional value.
- (2) Hybrids issued by NN Group at notional value capped at 25% of EU required capital. As from 1 January, 2013 the hybrid issued by ING Verzekeringen N.V. with notional amount of EUR 476 million does not qualify anymore for IGD Capital based on regulations from DNB.
- (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.
- (4) The IGD Solvency I ratio reported in the 2012 Annual Report of 245% is restated due to the change in accounting policy for employee benefits as disclosed in the section Changes in accounting policies in 2013 in Note 2.1 to the consolidated financial statements.

**Table of Contents****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 unrealised 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 2013, 2012 and 2011 is reconciled to shareholders' equity as follows:

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(EUR millions)</b>		
Shareholders' equity	42,440	46,931	42,827
Difference between IFRS-IASB and IFRS-EU	3,501	4,846	4,211
Core Tier 1 Securities	1,500	2,250	3,000
Group hybrid capital	7,493	9,223	9,332
Revaluation reserves debt securities and other	-1,680	-7,104	-5,075
<b>Adjusted equity</b>	<b>53,254</b>	<b>56,146</b>	<b>54,295</b>

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 unrealised gains and losses on available-for-sale debt securities and revaluation reserve crediting to policyholders of EUR -1,313 million in 2013, EUR -4,843 million in 2012 and EUR -650 million in 2011, the cash flow hedge reserve of EUR -1,878 million in 2013, EUR -2,689 million in 2012 and EUR -1,970 million in 2011, capitalised goodwill of EUR -1,160 million in 2013, EUR -1,431 million in 2012 and EUR -2,006 million in 2011 and defined benefit remeasurement of EUR 2,671 million in 2013, EUR 1,860 million in 2012 and EUR -449 million in 2011.

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 S&P's to measure, compare and analyse 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 S&P'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 8.4% in 2013 from 11.3% in 2012. The debt/equity ratio of ING Group between 31 December 2002 and 31 December 2013 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, but management aims to reduce the Group debt/equity ratio to ultimately 0% in the coming years. In accordance with its Restructuring Plan as presented on 26 October 2009, as insurance units are divested, ING Groep N.V. wants to reduce its core debt to zero, thereby eliminating the double leverage.

**Table of Contents****Off-Balance-Sheet-Arrangements**

See Note 53 of Note 2.1 to the consolidated financial statements.

	<b>Total 2013</b>	<b>Less than one year</b>	<b>More than one year</b>	<b>Total 2012</b>	<b>Less than one year</b>	<b>More than one year</b>
	<b>(EUR millions)</b>					
<b>Banking operations</b>						
Contingent liabilities in respect of:						
- discount bills	1	1		1	1	
- guarantees	23,137	18,650	4,487	24,034	18,738	5,296
-irrevocable letters of credit	14,587	14,216	371	14,552	14,233	319
-other contingent liabilities	506	497	9	498	495	3
Irrevocable facilities	85,058	58,133	26,925	86,549	54,659	31,890
<b>Insurance operations</b>						
Commitments concerning investments in land and buildings						
	144	108	36	60	13	47
Commitments concerning fixed-interest securities						
	140	62	78	636	612	24
Guarantees	2	2		86	70	16
Other commitments	641	392	249	548	294	254
<b>Total</b>	<b>124,216</b>	<b>92,061</b>	<b>32,155</b>	<b>126,964</b>	<b>89,115</b>	<b>37,849</b>

**Contractual obligations**

The table below shows the cash payment requirements, due by period, from specified contractual obligations outstanding as of December 31, 2013 and 2012. Reference is made to Note 22. Other liabilities in Note 2.1 for information about future payments in relation to pension benefit liabilities. Reference is made to Note 49. 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.

<b>Payment due to period</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>More than 5 years</b>
	<b>(EUR millions)</b>				
<b>2013</b>					
Operating lease obligations	1,101	265	381	225	230
Subordinated loans of Group companies	9,107	105	1,570	1,139	6,293
Preference shares of Group companies	379				379
Debenture loans	127,727	49,890	27,705	17,082	33,050
Loans contracted	1,178	9	35	12	1,122
loans from credit institutions	3,042	2,762	60		220
Insurance provisions <sup>(1)</sup>	79,332	5,368	7,952	8,002	58,010

<b>Total</b>	<b>221,866</b>	<b>58,399</b>	<b>37,703</b>	<b>26,460</b>	<b>99,304</b>
<b>2012</b>					
Operating lease obligations	1,351	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 insitutions	4,845	4,052	57	56	680
Insurance provisions <sup>(1)</sup>	175,549	11,177	18,702	19,127	126,543
<b>Total</b>	<b>336,445</b>	<b>87,049</b>	<b>49,952</b>	<b>37,590</b>	<b>161,856</b>

- (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 2013. 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**  
**SUPERVISORY BOARD**

**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 could 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 could recommend a Supervisory Board member already in office.

The recommendation right of the Dutch State was subject to applicable law and to corporate governance practices, generally accepted under stock exchange listing regimes applicable to ING Group and continued as long as the IABF was in place. As a result of the agreement completed between ING Group and the Dutch State in December 2013 on the unwinding of the IABF, the recommendation right of the Dutch State expired. State Nominee Tineke Bahlmann was recommended for re-appointment by the Dutch State and reappointed by the annual General Meeting on 13 May 2013. State Nominee Lodewijk de Waal decided not to apply for re-appointment at the 2013 annual General Meeting and the Dutch state indicated not to use its right to recommend a second candidate for appointment as a member of the Supervisory Board at the time.

**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 business, 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 Nominee, to act in accordance with the interests of ING Group and the business connected with it, taking into account the relevant interests of all 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, the Executive Board Charter and in the Supervisory Board Charter, are subject to approval of the Supervisory Board.

Furthermore, as long as the IABF continued, certain resolutions of the Supervisory Board were subject to the condition that no State Nominee should have voted against the proposal. These rights became effective as from the 2009 annual General Meeting. These resolutions related 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

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### **I. appointment of the chief executive officer of the Executive Board.**

The voting rights of the State Nominee as described above no longer apply given the unwinding of the IABF as described above.

ING Group indemnifies the members of the Supervisory Board against direct financial losses in connection with claims from third parties as far as permitted by law on the conditions laid down in an indemnity statement. ING Group has also taken out a liability insurance for the members of the Supervisory 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](http://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 needs to balance several relevant selection criteria when composing its Supervisory Board but strives for an adequate and balanced composition thereof, by taking into account all relevant selection criteria including but not limited to experience in retail and wholesale banking, insurance, gender balance, executive experience, experience in corporate governance and experience in the political and social environment. 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. In 2013, the composition of the Supervisory Board met the above-mentioned gender balance (33.3% women).

### **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](http://www.ing.com)).

### **Ancillary positions /Conflicting interests**

Members of the Supervisory Board may hold various other directorships, paid positions and ancillary positions and are asked to provide details on these positions. 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 ING 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 from 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.

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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 2013. 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 2013, the Supervisory Board had five standing committees: the Audit Committee, the Risk Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. Furthermore, a temporarily committee, the NN Group Committee was established on 1 October 2013. This Committee assists the Supervisory Board with the performance of its duties in relation to the preparation and execution of the initial public offering process and/or spin-off of (part of) Insurance Europe.

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](http://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, NN Groep 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 Group's internal and external auditors. On 31 December 2013, the members of the Audit Committee were: Joost Kuiper (chairman), Tineke Bahlmann, Isabel Martín Castellá, Carin Gorter, Jan Holsboer, Robert Reibestein and Luc Vandewalle. The Supervisory Board has determined that Joost Kuiper is a financial expert as referred to in the Corporate Governance Code, due to his relevant knowledge and experience. Joost Kuiper was appointed as the chairman of the Audit Committee on 9 May 2011.

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 2013, the members of the Risk Committee were: Robert Reibestein (chairman), Tineke Bahlmann, Jan Holsboer, Joost Kuiper, Hermann-Josef Lamberti, 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 Group and its subsidiaries are based. On 31 December 2013, the members of the Remuneration

Committee were: Peter Elverding (chairman), Henk Breukink, Yvonne van Rooy and Jeroen van der Veer. The Nomination Committee advises the Supervisory Board, among other things, on the composition of the Supervisory Board and Executive Board. On 31 December 2013, the members of the Nomination Committee were: Jeroen van der Veer (chairman), Henk Breukink, Peter Elverding and Yvonne van Rooy.

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 2013, the members of the Corporate Governance Committee were: Henk Breukink (chairman), Carin Gorter and Jeroen van der Veer.

The current composition of the Supervisory Board Committees can be found on ING Group's website ([www.ing.com](http://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](http://www.ing.com)).

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**Information on members of the Supervisory Board**

**J. (JEROEN) VAN DER VEER (CHAIRMAN)**

(Born 1947, Dutch nationality, male; appointed in 2009, term expires in 2017)

Former chief executive officer of Royal Dutch Shell plc. Other business activities: chairman of the Supervisory Board of Koninklijke Philips Electronics N.V. (listed company). 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 Betatechniek. Chairman of the Supervisory Council of the Technical University of Delft.

**P.A.F.W. (PETER) 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. Member of the Supervisory Board of Koninklijke FrieslandCampina N.V. Chairman of the Supervisory Board Camille Oostwegel Holding.

**J.P. (TINEKE) BAHLMANN**

(Born 1950, Dutch nationality, female; appointed in 2009, term expires in 2017)

Professor in Business Administration, University of Utrecht. Other business activities: member of the Supervisory Board of Stedin Netbeheer B.V. Member of the Supervisory Board of Maatschappelijk Verantwoord Ondernemen Nederland (CSR). Chairman of the Supervisory Board of Maasstad Ziekenhuis (hospital).

**H.W. (HENK) 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: chairman of the Supervisory Board of NSI N.V. (real estate fund) (listed company). Non-executive director of Brink Groep B.V. and of Heembouw Holding B.V. Chairman of the Supervisory Board of Inholland University.

**I. (ISABEL) MARTÍN CASTELLÁ**

(Born 1947, Spanish nationality, female; appointed in 2013, term expires in 2017)

Former Vice-President and member of the Management Committee of the European Investment Bank. Other business activities: member of the Advisory Board of Madrid Network. Non-executive Board member of Foundation Konecta.

**C.W. (CARIN) GORTER**

(Born 1963, Dutch nationality, female; appointed in 2013, term expires in 2017)

Former member of the Monitoring Committee Dutch Banking Code and Senior Executive Vice-President Compliance, Legal and Security ABN AMRO Bank N.V. Other business activities: member of the Supervisory Board Cooperation of VGZ and Cooperation TVM. Member of the Supervisory Council of CBR (driving license agency).

**J.H. (JAN) 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) (listed company). Chairman of the Supervisory Board of TD Bank N.V. Member of the Supervisory Board of YAM Invest N.V. (listed company). Non-executive director of YAFA S.p.A. (Turin, Italy). Chairman of the Board of Foundation Imtech. Chairman of the Supervisory Board Vithèr Hyperthermia B.V.

**J.C.L. (JOOST) 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 Foundation Bewaarbedrijf Abete.

**H.J.M. (HERMANN-JOSEF) LAMBERTI**

(Born 1956, German nationality, male; appointed in 2013, term expires in 2017)

Former chief operating officer of Deutsche Bank AG. Other business activities: member of the Board of EADS. Member of the Advisory Board Barmenia Versicherungen. Member of the Supervisory Board Open-Xchange AG.

**R.W.P. (ROBERT) REIBESTEIN**

(Born 1956, Dutch nationality, male; appointed in 2012, as an observer, full member as of 2013, term expires in 2017)

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 Supervisory Board of Stichting World Wildlife Fund.



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### **Y.C.M.T. (YVONNE) 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 Royal Concertgebouw Orchestra.

### **L.A.C.P. (LUC) 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 Holding Maatschappij P. Bakker Hillegom B.V. Chairman of the Supervisory Board of Plu Holding.

### **Changes in the composition**

In May 2013 the General Meeting appointed Isabel Martín Castellá, Carin Gorter and Hermann-Josef Lamberti to the Supervisory Board. Furthermore, the General Meeting reappointed Jeroen van der Veer and Tineke Bahlmann to the Supervisory Board. Tineke Bahlmann was recommended as State Nominee. Piet Klaver and Sjoerd van Keulen retired from the Supervisory Board.

## **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 ING Group'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](http://www.ing.com)). ING Group indemnifies the members of the Executive Board against direct financial losses in connection with claims from third

parties as far as permitted by law on the conditions laid down in an indemnity statement. ING Group has also taken out a liability insurance for the members of the Executive Board.

### **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](http://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 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 2013 (0% women). 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](http://www.ing.com)).

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### **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 from 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 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.

### **Information on members of the Executive Board**

#### **R.A.J.G. (RALPH) HAMERS, CHIEF EXECUTIVE OFFICER**

(Born 1966, Dutch nationality, male; appointed in 2013, term expires in 2017)

Ralph Hamers has been a member of the Executive Board of ING Group since 13 May 2013, and was appointed chairman of the Executive Board on 1 October 2013. He joined ING in 1991 and has held various positions including Global Head Commercial Banking Network from 2007 to 2010, Head of Network Management for Retail Banking Direct & International from 2010 to 2011, and CEO of ING Belgium and Luxembourg from 2011 to 2013. He holds a Master of Science degree in Business Econometrics/Operations Research from Tilburg University, the Netherlands.

#### **P.G. (PATRICK) FLYNN, CHIEF FINANCIAL OFFICER**

(Born 1960, Irish nationality, male; appointed in 2009, term expires in 2017)

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. He is responsible for ING's finance departments and Investor Relations.

#### **W.F. (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. He 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. He is

responsible for ING's risk departments including compliance.

### **Changes in the composition**

Jan Hommen stepped down from the Executive Board on 1 October 2013. His role as chairman of the Executive Board was succeeded by Ralph Hamers, who was appointed to the Executive Board on 13 May 2013. Patrick Flynn was reappointed by the General Meeting on 13 May 2013.

### **REMUNERATION REPORT**

This section sets out the remuneration for the Executive Board and the Supervisory Board. The remuneration policy for the Executive Board was adopted by the annual General Meeting (AGM) on 27 April 2010; amendments 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 for 2013. The base salary level of the Executive Board remained at the 2010 level and for the fifth consecutive year no variable compensation was paid to the Executive Board.

### **REMUNERATION POLICY**

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. ING endeavours to match compensation of the Company's leadership appropriately against a variety of factors, such as the complexity of functions, the scope of responsibilities, the alignment of risks and rewards, local and international legislation and the long-term objectives of the company and its stakeholders, which is all the more important given the changing international standards regarding responsible remuneration. These factors differ for each role, line of business and country. 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.

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**REMUNERATION POLICY FOR THE EXECUTIVE BOARD**

According to the remuneration policy of the Executive Board as adopted by the AGM on 27 April 2010 and amended by the AGM on 9 May 2011, 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: 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. ING's remuneration policy for the Executive Board is in accordance with the Dutch Banking Code.

In addition, the remuneration policy provides for a balanced mix between fixed and variable remuneration. Variable remuneration may not exceed 100% of fixed salary at the time of allocation. Fixed compensation (i.e. the base salary levels) is 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.

**Increased 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 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 component is 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.

To all share awards granted to Executive Board members in their capacity as Board member, a retention period of five years from the grant date is applicable. However, they are allowed to sell part of their depositary receipts at the date of vesting to pay tax over the vested share award.

### **Increased focus on risk and non-financial performance**

Variable remuneration is linked to risk and non-financial performance and takes both individual and company performance criteria into consideration. Performance measurement accounts for estimated risks and costs of capital. In addition to financial indicators, performance is assessed based on non-financial drivers, by means of a number of targets regarding economic, environmental, customer satisfaction and social criteria.

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
4. Reduce leverage in ING U.S. in preparation for IPO base case
5. Reduce leverage in Insurance EurAsia to prepare for standalone future

Non-financial performance indicators include:

1. Reinforce Customer First / Suitability culture of transparency, honesty, integrity and societal awareness
2. Strengthen key stakeholder relationships
3. Improve employee engagement across the Banking and Insurance operations
4. Improve leadership capabilities and strengthen leadership pipeline

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5. On sustainability: improve sustainable business practices
6. Align operational excellence Group-wide

### **Pensions Executive Board members**

Members of the Executive Board who are employed on the basis of a Dutch employment contract, 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 are 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 are offered pensions in line with local practices.

### **Benefits**

Executive Board members continue to be eligible for additional benefits (e.g. the use of company cars, contributions to company savings plans and, if applicable, expatriate allowances) which apply to other comparable employees. Executive Board members may obtain banking and insurance services from ING Group subsidiaries in the ordinary course of their business and on comparable terms that apply to most other employees of ING in the Netherlands. In addition, tax and financial planning services are provided to ensure compliance with the relevant legislative requirements.

### **Tenure**

Members of the Executive Board who were appointed prior to 2013, have an employment agreement with ING Group N.V. Members who are appointed as of 2013 have a commission contract. The employment agreement and the commission contract for Executive Board members provide for an appointment for a period of four years and allow re-appointment by the General Meeting. In the case of an involuntary exit, Executive Board members are eligible for 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. Also, the regulatory environment is still in a state of flux (upcoming Capital Requirements Directive IV and local Dutch legislation on 20% cap on variable remuneration). In order to ensure that ING can adapt to these uncertain factors, the Supervisory Board indicated in the previous years that it may re-evaluate at a later stage whether the remuneration policy adopted in 2010 and amended on 9 May 2011 is in line with the long-term objectives of the Company, the relevant international context, as well as the societal perception of ING as a financial institution. However, since the internal restructuring has not been completed yet and the proposed legislation has not been fully developed, the Supervisory Board may re-evaluate the remuneration policy in 2015.

Should it become clear, after such evaluation, that the remuneration policy has led to an unintended or inequitable outcome, the Supervisory Board has the discretion to correct the previously allocated variable remuneration, in line with the Dutch Banking Code and the Capital Requirements Directive III.

### **2013 REMUNERATION**

The Executive Board remuneration for 2013 is based on the remuneration policy approved by the 2010 AGM and amended by the 2011 AGM. 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.



**Table of Contents****2013 REMUNERATION EXECUTIVE BOARD****2013 base salary Executive Board**

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 not to accept a base salary increase until ING has repaid outstanding core Tier 1 securities from the Dutch State along with the restrictions put in force by the new Dutch legislation in 2012. As a consequence the base salary level remained also in 2013 at the 2010 level.

**2013 variable remuneration Executive Board**

In 2011, the Executive Board decided that it would not accept variable remuneration for that year. Since 2012 it is also prohibited by Dutch Law applicable to financial institutions that have received state support such as ING, to grant variable remuneration (in cash or otherwise) to Executive Board Members and/ or to increase fixed salaries for Executive Board Members. As such the Executive Board did not receive any variable remuneration in relation to performance year 2013.

In 2013 there was no claw-back applied to paid or vested variable remuneration from any of the Executive Board members. The total direct compensation of former members of the Executive Board received in their capacity as Executive Board members amounted to nil for 2013, nil for 2012 and EUR 563,000 for 2011.

**One-off crisis levy of taxable income**

In 2012, the Dutch Government imposed an additional levy of 16% on the income in excess of EUR 150,000 of each employee who is subject to Dutch income tax. The levy is charged to the company and does not affect the remuneration of involved staff. This levy is also applicable for 2013. For members of the Executive Board this amounts to EUR 518,000, which is not included in the table below.

**Total direct compensation of the individual members of the Executive Board**

amounts in thousands of euros	2013		2012		2011	
	amount	number of shares	amount	number of shares	amount	number of shares
<b>Ralph Hamers <sup>(1)</sup></b>						
Base salary	794					
Variable remuneration in cash	0	0				
Variable remuneration in stock	0	0				
<b>Jan Hommen <sup>(2)</sup></b>						
Base salary	1,015		1,353		1,353	
Variable remuneration in cash	0	0	0	0	0	0
Variable remuneration in stock	0	0	0	0	0	0
<b>Patrick Flynn</b>						
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
<b>Wilfred Nagel</b> <sup>(3)</sup>						
Base salary	750		469			
Variable remuneration in cash	0	0	0	0		
Variable remuneration in stock	0	0	0	0		

- (1) Ralph Hamers was appointed to the Executive Board on 13 May 2013. The figures for him reflect compensation earned in the capacity as an Executive Board member. Thus the figure for 2013 reflects a partial year as an Executive Board member and CEO.
- (2) Jan Hommen retired on 1 October 2013.
- (3) Wilfred Nagel was appointed to the Executive Board on 14 May 2012. The figures for him 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.

**Table of Contents****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	2013	2012	2011
Ralph Hamers <sup>(1)</sup>	161		
Jan Hommen <sup>(2)</sup>	0	0	0
Patrick Flynn	178	179	180
Wilfred Nagel <sup>(3)</sup>	210	132	0

(1) Ralph Hamers was appointed to the Executive Board on 13 May 2013. The 2013 pension costs for him reflect the partial year as an Executive Board member.

(2) Jan Hommen retired on 1 October 2013 and did not participate in the pension plan.

(3) Wilfred Nagel was appointed to the Executive Board on 14 May 2012. The 2012 pension costs for him reflect the partial year as an Executive Board member.

Pension costs of former members of the Executive Board in their capacity as Executive Board members amounted to nil for 2013, nil for 2012 and EUR 135,000 for 2011. In 2013 it was ruled by Court to apply a 100% pension indexation for all former Dutch employees associated in the ING Pension Fund, including former Executive Board members. This did not result in additional costs.

**Long-term incentives awarded in previous years**

In 2013 no long-term incentives were awarded to the Executive Board members. Until 2010, the long-term incentive plan (LTIP) was in place at ING and includes 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 during the remaining seven years. Long-term Equity Ownership Performance shares were conditionally granted. The number of ING depositary receipts that would ultimately be granted at the end of a three-year performance period depended on ING's Total Shareholder Return (TSR) performance over three years (return in the form of capital gains and reinvested dividends that shareholders received in that period) relative to the TSR performance of a predefined peer group.

ING's TSR ranking within this group of companies determines the final number of performance shares that vest at the end of the three-year performance period. The performance shares granted in 2010 had a three-year performance period of 2010-2012 and vested in 2013. The actual results of 133% are based upon ING's TSR ranking of 7th within the designated peer group. The results were determined by an independent third party. ING's external auditor has reviewed the performed calculations.

Performance shares are shares conditionally granted, with the final shares awarded in three years (tiered) based on ING's performance at the end of each performance cycle. The ultimate value of the performance share is based on ING Group's stock price at the vesting date. 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.

**Information on the options outstanding and the movements during the financial year of options held by the members of the Executive Board as at December 31, 2013**

**Information on the options outstanding and the movements during the financial year of options held by the members of the Executive Board as at 31 December 2013**

	<b>Outstanding as at 31 December 2012</b>	<b>Exercised in 2013</b>	<b>Waived or expired in 2013</b>	<b>Outstanding as at 31 December 2013</b>	<b>Exercise price in euros</b>	<b>Vesting date</b>	<b>Expiry date</b>
Ralph Hamers	2,116	0	2,116	0	9.71	03 Mar 2006	03 Mar 2013
	6,837	0	0	6,837	14.37	15 Mar 2007	15 Mar 2014
	11,460	0	0	11,460	17.88	30 Mar 2008	30 Mar 2015
	8,504	0	0	8,504	25.16	23 Mar 2009	23 Mar 2016
	14,889	0	0	14,889	24.72	22 Mar 2010	22 Mar 2017
	16,957	0	0	16,957	16.66	13 Mar 2011	13 Mar 2018
	19,985	0	0	19,985	2.90	19 Mar 2012	19 Mar 2019
	22,124	0	0	22,124	7.35	17 Mar 2013	17 Mar 2020
Jan Hommen	0	0	0				
Patrick Flynn	0	0	0				
Wilfred Nagel	5,860	0	0	5,860	14.37	15 Mar 2007	15 Mar 2014
	8,595	0	0	8,595	17.88	30 Mar 2008	30 Mar 2015
	11,721	0	0	11,721	25.16	23 Mar 2009	23 Mar 2016
	9,530	0	0	9,530	24.72	22 Mar 2010	22 Mar 2017
	12,436	0	0	12,436	16.66	13 Mar 2011	13 Mar 2018
	12,490	0	0	12,490	2.90	19 Mar 2012	19 Mar 2019
	16,815	0	0	16,815	7.35	17 Mar 2013	17 Mar 2020

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To all share awards granted to Executive Board members in their capacity as Board member a retention period of five years is applicable. The Executive Board members are only allowed to sell part of their depositary receipts at the date of vesting to pay tax over the vested share award. For the Executive Board members the performance or deferred shares have vested during 2013 as indicated in the table. The Executive Board members are not allowed to sell depositary receipts obtained as member of the Executive Board within a period of five years from the grant date. They are only allowed to sell part of their depositary receipts at the date of vesting to pay tax over the vested performance-share award. Depositary receipts obtained as a member of the Executive Board ING Group 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.

**Performance or deferred shares vested for the Executive Board during 2013**

number of shares	Performance or deferred shares	Granting date	Vesting date	Nr. Of shares granted	Nr. of shares vested <sup>(1)</sup>	Vesting price
Ralph Hamers						
Jan Hommen						
Patrick Flynn						
Wilfred Nagel	Leo Performance shares	17 Mar 2010	17 Mar 2013	6,595	8,771	6.15
	LSPP Performance shares	30 Mar 2011	30 Mar 2013	5,612	2,806	5.55
	Deferred shares	12 May 2010	31 Mar 2013	32,381	32,381	5.55
	LSPP Deferred shares	30 Mar 2011	30 Mar 2013	3,367	3,367	5.55
	LSPP Deferred shares	28 Mar 2012	28 Mar 2013	3,398	3,398	5.63
	LSPP Deferred shares <sup>(2)</sup>	16 May 2012	16 May 2013	1,759	1,759	6.88
	LSPP Upfront shares <sup>(2)</sup>	15 May 2013	15 May 2013	4,978	4,978	6.74

- (1) Performance shares are shares conditionally granted with the final shares awarded based on ING's performance at the end of each performance cycle.
- (2) Shares granted to Wilfred Nagel in May 2012 and 2013 were awarded for his performance in positions previous to his appointment to the Executive Board.

**Benefits**

The individual members of the Executive Board receive other emoluments apart from the compensation and pension benefits. These other emoluments include employer contributions in lifecycle saving schemes or are related to long home/work distances and housing and amounted in 2013 to the following gross amounts:

**Other emoluments**

amounts in thousands of euros	2013	2012
Ralph Hamers <sup>(1)</sup>	29	
Jan Hommen <sup>(2)</sup>	1	1
Patrick Flynn	181	238
Wilfred Nagel <sup>(3)</sup>	25	12

- (1) Ralph Hamers was appointed to the Executive Board on 13 May 2013. The 2013 emoluments for him reflect the partial year as an Executive Board member.
- (2) Jan Hommen retired on 1 October 2013.
- (3) Wilfred Nagel was appointed to the Executive Board on 14 May 2012. The 2012 emoluments for him reflect the partial year as an Executive Board member.

**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 2013, 2012 and 2011.

**Loans and advances to the individual members of the Executive Board**

	2013			2012			2011		
	Amount outstanding December 31	Average interest rate	Repayments	Amount outstanding December 31	Average interest rate	Repayments	Amount outstanding December 31	Average interest rate	Repayments
amounts in thousands of euros									
Ralph Hamers (1)	2,597	2.4%	500	0	0	0	0	0	0
Patrick Flynn	0	0	0	0	0	0	0	0	0
Wilfred Nagel (2)	750	3.0%	0	750	3.3%	0	0	0	0

- (1) Ralph Hamers was appointed to the Executive Board on 13 May 2013. The figures reflect the loans and advances received well before his appointment to the Executive Board.
- (2) Wilfred Nagel was appointed to the Executive Board on 14 May 2012. The figures reflect the loans and advances received well before his appointment to the Executive Board.

**Table of Contents****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**

<b>number of depositary receipts</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Ralph Hamers	38,497		
Patrick Flynn	85,084	85,084	51,339
Wilfred Nagel	70,027	15,246	

**2014 REMUNERATION STRUCTURE EXECUTIVE BOARD****2014 Executive Board base salary**

In line with the Executive Board decision not to accept a base salary increase in 2011 as the repayment of core Tier 1 securities that were issued to the Dutch State has not been completed and the Dutch Bonus Prohibition Act applicable as per 2012, the base salary of the Executive Board will not increase with respect to performance year 2014.

**2014 Executive Board variable remuneration**

As long as the Dutch Bonus Prohibition is applicable for ING, the Executive Board will not receive variable remuneration.

**REMUNERATION POLICY FOR SENIOR MANAGEMENT**

As much as possible for a global financial institution of its 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 policies applicable to members of the Management Boards and senior management are in line with the general principles of the remuneration structure for the Executive Board, taking into account international and local legislation and 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 based on individual, business line and company performance criteria. Performance measurement will increasingly account for estimated risks and costs of capital. There is a clear emphasis on long-term value creation by means of long-term incentives, deferral and claw back mechanisms. Furthermore, and in addition to financial indicators, performance is also assessed on non-financial drivers. Non-financial indicators aim at further improving sustainable business practices. Non-financial indicators include customer satisfaction, workforce diversity, stakeholder engagement and sustainable business practices. It

should be noted that as the execution of our strategy progresses with stand-alone futures for our banking and insurance businesses, they will have different financial and non-financial performance drivers.

### **2013 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 2013 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 applies in full to members of the Management Board Banking. For senior management in banking, ING has gradually shifted to a more balanced mix of fixed and variable remuneration in line with the remuneration policy for the Executive Board and to put more emphasis on value creation.

For the Management Board Insurance and senior management in ING 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.

Exceptions (variable remuneration above 100% of base salary) may exist for high value specialists and senior management working in certain divisions and/or geographical areas. The remuneration policy for senior management is in line with the requirements of the Capital Requirements Directive III and the Capital Requirements Directive IV.



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ING has continued to review and amend the remuneration for a select group of ING Bank and ING Insurance 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.

Moreover, 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.

The regulatory environment is still in development. The structure as set out above is based on information currently available. If new legislation would come into force, ING will amend the structure as deemed appropriate.

**Table of Contents****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 chairmen 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.

**2013 remuneration Supervisory Board**

The table below shows the remuneration, expense allowances and attendance fees per Supervisory Board member for 2013 and previous years.

**2013 Remuneration Supervisory Board  
amounts in thousands of  
euros**

	2013 <sup>(1)</sup> Remu- neration	VAT	2012 <sup>(2)</sup>	2011 <sup>(2)</sup>
Jeroen van der Veer <sup>(2, 3, 4)</sup>	114	24	86	114
Peter Elverding <sup>(2, 4)</sup>	91	19	77	103
Tineke Bahlmann	68	14	70	70
Henk Breukink	72	15	71	71
Carin Gorter <sup>(5)</sup>	42			
Jan Holsboer	68	14	41	
Joost Kuiper	75	16	74	46
Hermann-Josef Lamberti <sup>(5)</sup>	46			
Isabel Martín Castellá <sup>(5)</sup>	48			
Robert Reibestein <sup>(5)</sup>	66	14		
Yvonne van Rooy	67	14	37	
Luc Vandewalle	88		86	58
Piet Klaver <sup>(6)</sup>	29	6	73	72
Lodewijk de Waal <sup>(6)</sup>	29	6	70	71
Sjoerd van Keulen <sup>(6)</sup>	20		62	49

- (1) As per 1 January 2013 new VAT legislation was implemented based on which the Dutch SB members qualify as VAT taxable persons and are obliged to charge 21% VAT to ING on their remuneration.
- (2) The remuneration amounts of 2012 are excluding VAT. In 2011 and 2012 compensation was voluntarily capped at EUR 100,000 and EUR 90,000 for the chairman and vice-chairman respectively. 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.
- (3) 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.
- (4) Peter Elverding was chairman of the Supervisory Board from April 2009 until May 2011. He has been vice-chairman since May 2011.
- (5) Robert Reibestein is a member of the Supervisory Board as of January 2013. Carin Gorter, Isabel Martín Castellá and Hermann-Josef Lamberti are members of the Supervisory Board as of May 2013. The compensation figures for 2013 reflect a partial year as a member of the Supervisory Board.
- (6) Piet Klaver, Lodewijk de Waal and Sjoerd van Keulen retired in May 2013. The compensation figure for 2013 reflects 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 EUR nil in 2013, EUR 59,000 in 2012 and EUR 203,000 in 2011.

#### **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 on the next page presents the loans and advances to Supervisory Board members outstanding on 31 December 2013, 2012 and 2011.

**Table of Contents****Loans and advances to members of the Supervisory Board**

	Amount outstanding 31 December	Average interest rate Repayments	Amount outstanding 31 December	Average interest rate Repayments	Amount outstanding 31 December	Average interest rate Repayments
amounts in thousands of euros	2013		2012		2011	
Jeroen van der Veer (1)	0		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 on 31 December 2013.

**ING shares and depositary receipts for shares held by members of the Supervisory Board <sup>(1)</sup>**

number of shares	2013	2012	2011
Jeroen van der Veer	119,469	119,469	119,469
Luc Vandewalle <sup>(2)</sup>	85,250	85,250	80,000
Jan Holsboer	74,738	74,738	
Hermann-Josef Lamberti <sup>(3)</sup>	5,700		

(1) The numbers of depositary receipt for shares reflect the shares held by the members of the Supervisory Board and their partners.

(2) The ING depositary receipts held by Luc Vandewalle are currently held in usufruct.

(3) Hermann-Josef Lamberti is a member of the Supervisory Board as of May 2013.

The following table contains information on the options outstanding and movements during the financial year by the members of the Supervisory Board.

**Stock options on ING Group N.V. shares held by members of the Supervisory Board**

	Outstanding as at 31 December	Expired in 2013	Outstanding as at 31 December	Expired in 2012	Outstanding as at 31 December	Expired in 2011 <sup>(2)</sup>
number of stock options		2013		2012		2011
Luc Vandewalle <sup>(1)</sup>	92,959	20,837	113,796	29,953	143,749	

(1) The options held by Mr. Vandewalle were granted during his position at ING Bank Belgium S.A. and are currently out of the money. Due to an omission these options were not reported in the Annual Report of earlier years.

(2) Luc Vandewalle was appointed to the Supervisory Board in May 2011. No options expired since his appointment to the Supervisory Board until 31 December 2011.

## EMPLOYEES

The average number of employees at a full time equivalent basis was 74,517 at the end of 2013, of which 22,372 or 30.0%, 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 2013, 2012 and 2011 were as follows:

### Average number of employees at full time equivalent basis <sup>(1)</sup>

	The Netherlands			International			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Continuing operations	22,372	24,940	26,332	52,145	54,450	57,944	74,517	79,390	84,276
Discontinued operations				9,173	13,182	20,143	9,173	13,182	20,143
<b>Total</b>	<b>22,372</b>	<b>24,940</b>	<b>26,332</b>	<b>61,318</b>	<b>67,632</b>	<b>78,0087</b>	<b>83,690</b>	<b>92,572</b>	<b>104,419</b>
of which:									
Banking operations	16,155	18,072	19,027	48,218	48,807	52,148	64,373	66,879	71,175
Insurance operations	6,217	6,868	7,305	13,100	18,825	25,939	19,317	25,693	33,244

<sup>(1)</sup> 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.

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.

**Table of Contents****Item 7. Major shareholders and related party transactions**

As of 31 December 2013, 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 2013, there were 106,751,920 American Depositary Shares ( ADSs ) outstanding, representing an equal number of bearer receipts. The ADSs were held by 715 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 Depository ( 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 authorised 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.;

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

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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 2010–2013, participation of shareholders, excluding the Trust, and holders of depositary receipts in the decision-making in annual General Meetings consistently increased from 41.3% to 51.4%.

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 by the 2009 extraordinary General Meeting. The outcome of the aforementioned evaluation was discussed in the 2010 annual General Meeting.

In the 2013 annual General Meeting, it was discussed that under the original agreement between ING Group and the European Commission, the restructuring was initially expected to be completed by the end of 2013, so that any reconsideration would be done in 2014. However, ING Group and the European Commission agreed on an amended restructuring plan, in November 2012, part of which was an extended deadline for the aforementioned divestments. As ING Group was still in the implementation phase of the amended restructuring plan, ING did not regard it as an opportune moment to reconsider its governance and depositary-receipts structure.

### **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 authorised 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.

### **Holders of bearer depositary receipts with a stake of 3% or more**

To the best of our knowledge, as of 31 December 2013, no holder of depositary receipts held more than 3% of all bearer depositary receipts outstanding other than Blackrock Inc.

On 31 December 2013, 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. 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.

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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 3%, 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.

The geographical distribution of ING Group's investor base is diverse – an estimated 38% of shares outstanding are held in the United States, 19% in the United Kingdom, 11% in France, 6% in the Netherlands, 5% in Germany, 12% in Rest of Europe and 9% in Rest of World.

On 31 December 2013, 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 2013, members of the Supervisory Board and their related third parties held 285,057 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 2013, 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 2013, 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 3.3 million at an average interest rate of 2.7%. The largest aggregate amount of loans and advances outstanding to the members of the Supervisory Board and the Executive Board during 2013 was EUR 4.9 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 all employees 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 58 of Note 2.1 to the consolidated annual accounts.

**Table of Contents****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, broker-dealers, underwriters, issuers of securities, and investors and their position as employers and taxpayers. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, the Company's management is of the opinion that some of the proceedings set out below may have or have in the recent past had a significant effect on the financial position, profitability or reputation 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. Litigation was filed by the purchaser of certain ING Mexican subsidiaries who claims that the financial condition of the subsidiaries was not accurately depicted. Parties have agreed to a settlement. The outcome of the settlement is reflected in the 2013 Annual Accounts. 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 District Court has dismissed all claims related to the 2007 and 2008 offerings. The plaintiffs appealed that decision relating to the 2008 offering. The appellate court affirmed the lower Court's decision dismissing all claims. The plaintiffs have petitioned the Court for an en banc review of that decision by the entire Court. 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. The Court has conducted a bench trial of the liability issues, which concluded on 3 October 2013 and the Court has taken the matter under advisement. 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.

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 Dutch insurers are in general being accused of being less transparent in their offering of such 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 two main consumer protection organisations to offer compensation to their unit-linked policyholders where individual unit-linked policies had a cost charge in excess of an agreed maximum and to offer similar compensation for certain hybrid insurance products. At 31 December 2008 costs of the settlements were valued at EUR 365 million for which adequate provisions have been established and of which a substantial portion has been paid out. The remaining unpaid part of the provision as per 31 December 2013 is solely available to cover costs relating to the settlements agreed in 2008. A full agreement on implementation was reached in 2010 with one of the two main consumer protection organisations, with the second main consumer protection organisation signing its agreement in June 2012. In addition, ING's Dutch insurance subsidiaries announced additional measures (*flankerend beleid*) 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 additional agreement on these measures with the two main consumer protection organisations. In 2012 almost all

unit-linked policyholders were informed about the compensation. The agreements with the two consumer protection organisations are not binding on policyholders. Consequently, neither the implementation of the compensation schemes nor the additional measures offered by ING's Dutch insurance subsidiaries prevent individual policyholders from initiating legal proceedings against ING's Dutch insurance subsidiaries and making claims for damages.

In November 2013, the so-called *Vereniging Woekerpolis.nl*, an association representing the interests of policyholders, initiated a so-called *collective action*, requesting the District Court in Rotterdam to declare that NN's Dutch insurance subsidiaries sold products in the market, which are defective in various respects (e.g. on transparency regarding cost charges and other product characteristics, and included risks for which the insurer failed to warn, such as considerable stock depreciations, the inability to realise the projected final policy value, unrealistic capital projections due to difference in geometric versus arithmetic returns). ING's Dutch insurance subsidiaries have rejected these claims and will defend themselves in these proceedings.

Apart from the aforementioned *collective action*, several other claim organisations and initiatives were established on behalf of policyholders, such as the organisation *Wakkerpolis*. This organisation primarily concentrates on the recovery of initial costs for policyholders, based on an interim ruling of the

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KiFiD issued on 13 May 2013 in an individual case. In this case, the KiFiD concluded that there is no contractual basis for charging initial costs (which are costs charged to the policy during a limited period of time). Apart from the initial costs, it can be derived from the interim ruling in accordance with past rulings of the KiFiD that an insurer is obliged to warn against the leverage and capital consumption effect (which is the effect caused by the dependency of life insurance premium on the value of the policy; the lower the value of the policy, the higher the life insurance premium). NN Group N.V. ( NN ) and ING believe that this interim ruling is incorrect on several legal grounds.

In proceedings pending before the District Court in Rotterdam, the Court has upon the request of the parties, including NN, submitted prejudicial questions to the European Court of Justice to obtain clarity on principal legal questions with respect to cost transparency related to unit-linked policies. The main prejudicial question is whether European law allows for the application of information requirements based on general principles of Dutch law that extend beyond information requirements as explicitly prescribed by laws and regulations in force at the time the policy was written. Although the European Court does not decide on the applicable standards in specific cases, NN and ING believe the ruling of the Court of Justice can give clarification on this question of legal principle which is subject of other legal proceedings in the Netherlands. It is expected that the European Court of Justice will render its judgment at the earliest in 2014.

ING's Dutch insurance subsidiaries have issued, sold or advised on approximately one million individual unit-linked policies. There has been for some time and there continues to be political, regulatory and public attention focused on the unit-linked issue in general. Elements of unit-linked policies are being challenged or may be challenged on multiple legal grounds in current and future legal proceedings. There is a risk that one or more of those legal challenges will succeed. The financial consequences of any of the aforementioned factors or a combination thereof can be substantial for the Dutch insurance business of ING and may affect ING, both financially and reputationally. However, these consequences cannot be reliably estimated or quantified at this point.

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. 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. It is expected that this judgment will be rendered in April 2014.

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 the Dutch ING Pension Fund (Stichting Pensioenfonds ING) in 2009, 2010 and 2011. This claim was rejected by the district court of Amsterdam 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 directly insured with Nationale-Nederlanden in 2010 and 2011. This claim was rejected by the district court of Amsterdam 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

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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 2013, the ING Pension Fund started arbitration proceedings to adjudicate a dispute with ING concerning the adjusted mortality tables used in the calculation of premiums and provisions. In 2013 ING decided to lower its contributions by 1.7% as a result of ING not accepting the adjustments made by the ING Pension Fund resulting from the mortality tables used. In February 2014 the ING Pension Fund and ING agreed that the ING Pension Fund will remain using a surcharge of 1.7% and the ING Pension Fund and ING will share the costs of the 1.7% surcharge over 2013. The payment of 50% of the surcharge 2013 by ING is included in the payment by ING of the one-time lump sum to the ING Pension Fund, which was closed for the accrual of new pension benefits as of 1 January 2014, of EUR 379 million to release ING from future financial obligations. More information is provided in Note 60 of Note 2.1 to the consolidated financial statements.

In July 2013, the ING Pension Fund started arbitration proceedings against ING's decision not to provide funding (for a total amount of EUR 197.5 million) for indexing pensions insured with the ING Pension Fund as of 1 January 2013. During the arbitration proceedings the ING Pension Fund added a claim in the amount of EUR 38.8 million for funding the indexation as of 1 August 2013. On 20 December 2013 the arbitrators ruled in favour of the ING Pension Fund and concluded that ING will have to provide full funding for both the indexation as of 1 January 2013 and the indexation as of 1 August 2013. The outcome of the arbitration is reflected in the 2013 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. The Agreements have expired as of 12 December 2013 and the motion against ING Bank N.V. has been dismissed by the US District Court of Columbia.

In addition, like many other companies in the insurance industry, several of ING's subsidiaries in the U.S. 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. On 6 June 2013, ING U.S. executed a Global Resolution Agreement, which became effective 26 July 2013, establishing a process to resolve an audit of compliance with unclaimed property laws being conducted by a majority of the states. On 13 August 2013, ING U.S. executed a Regulatory Settlement Agreement (RSA), which became effective on 14 September 2013, that settles with Departments of Insurance of forty seven states, two territories and the District of Columbia a multi-state market conduct examination regarding benefit payment practices, procedures and policy administration relating to claims, including efforts to identify owners and beneficiaries of unclaimed benefits.

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. In January 2014, Amodo has filed a new document to substantiate its claim. ING has until the end of March 2014 to file counter arguments, therefore a final judgment will probably not be given before the end of the second quarter of 2014. 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.

Following a recent broad industry review by the Dutch regulator DNB, Nationale-Nederlanden Schadeverzekering Maatschappij N.V. was instructed to strengthen its policies and procedures in respect of sanctions-related customer screening and related compliance matters. Nationale-Nederlanden Schadeverzekering Maatschappij N.V. is currently in the process of implementing DNB's recommendations.

### **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

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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 2013 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 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 .

**Significant changes**

Since 31 December 2013, 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.

**Table of Contents****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 2013, there were 106,751,920 ADSs outstanding, representing an equal number of bearer receipts. The ADSs were held by 715 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 2013, approximately 6% of the bearer receipts were held by Dutch investors, approximately 19% by investors in the U.K. and approximately 38% 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 2009 – 28 February 2014:

**Trading volume**

Calendar period	Euronext Amsterdam Stock Exchange (EUR)		in millions of bearer receipts	New York Stock Exchange (U.S. \$)		Trading volume in millions of ADS
	High	Low		High	Low	
<b>2009</b>	12.56	2.50	5,683.3	18.89	3.02	626.5
<b>2010</b>	8.28	5.34	6,807.4	11.45	6.80	813.1
<b>2011</b>	9.41	5.34	8,186.5	13.30	6.09	928.9
<b>2012</b>						
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
<b>2013</b>						

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First quarter	7.82	5.54	1,311.2	10.45	7.21	165.1
Second quarter	7.34	5.61	1,514.5	9.53	7.07	181.1
Third quarter	8.99	6.98	1,301.4	12.37	9.04	176.6
Fourth quarter	10.10	8.50	966.1	14.01	10.98	119.2
<b>2013 and 2014</b>						
September 2013	8.99	8.31	374.5	12.37	10.98	56.2
October 2013	9.45	8.50	336.6	12.99	11.46	51.4
November 2013	9.64	9.28	337.0	13.09	12.56	40.6
December 2013	10.10	8.95	292.6	14.01	12.27	27.1
January 2014	10.93	5.84	376.0	14.92	13.21	37.0
February 2014	10.61	9.63	320.5	14.60	12.88	30.9

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### **Item 10. Additional information**

#### **Articles of Association**

ING Groep N.V. is a holding company organised 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 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](http://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

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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](http://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 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95%. With respect to ING Groep N.V., the Major Holdings 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 of 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](http://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.

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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 proposals to amend 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 bearer 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 2013, 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 2014. Shareholders and holders of depositary receipts can visit the website of ING Group ([www.ing.com](http://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 ING Group's website ([www.ing.com](http://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.

### **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

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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.

### **Voting on the 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**

In 2013, ING Group was a participant in the Shareholder Communication Channel (Stichting Communicatiekanaal aandeelhouders), through which participating holders of depositary receipts could give voting instructions to ING Trust Office. Following the fact that the law on corporate governance (wijziging van de Wet op het financieel toezicht, de Wet giraal effectenverkeer en het Burgerlijk Wetboek naar aanleiding van het advies van de Monitoring Commissie Corporate Governance Code van 30 mei 2007) came into force, the Shareholder Communication Channel concluded that its function had ended. Therefore, it ceased to exist in 2013. ING Group continues to provide proxy voting facilities to its investors via its website and 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 are made available on the website of ING Group ([www.ing.com](http://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;

an amendment of the Articles of Association, a legal merger or division of ING Group, and winding-up of 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.

## **CAPITAL AND 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. 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

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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 .

### **Depository receipts**

More than 99.9% of the issued ordinary shares are held by ING Trust Office (Stichting ING Aandelen). In exchange for these shares, ING Trust Office has issued depository receipts in bearer form for these shares. The depository receipts are listed on various stock exchanges. Depository receipts can be exchanged upon request of the holders of depository receipts for non-listed ordinary shares, without any restriction, other than payment of an administrative fee of one eurocent (EUR 0.01) per depository receipt with a minimum of twenty-five euros (EUR 25.00) per exchange transaction.

The holder of a depository 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 six 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 a sufficient number of unissued ordinary shares is 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 ING Group, 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 ING Group to respond promptly to developments in the financial markets. Without such delegation, if ING Group 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

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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 must 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 directive of the European Parliament and the Council on takeover bids (2004/25/EC) are attached to any share.

## **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 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95% of the issued share capital of ING Group.

ING Group is not aware of shareholders, potential shareholders or investors with an interest of 3% or more in ING Group other than the INGTrust Office, the ING Continuity Foundation and Blackrock Inc.

Pursuant to the Regulation (EU) no. 236/2012 of the European Parliament and the Council on short selling and certain aspects of credit default swaps, 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 depositary 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).

## **CHANGE OF CONTROL PROVISIONS**



## **Legal provisions**

Pursuant to the terms of the Dutch Financial Supervision Act a declaration of no objection from the Dutch central bank ( DNB ) must be obtained by anyone wishing to obtain or hold a participating interest of at least 10% in ING Group and to exercise control attached to such a participating interest. Similarly, on the basis of indirect change of control statutes in the various jurisdictions where subsidiaries of ING Group are operating, permission from or notification to local regulatory authorities may be required for the acquisition of a substantial interest in ING Group.

## **Change of control measures in material agreements**

ING Group 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 Group following a public bid as defined in section 5:70 of the Dutch Financial Supervision Act. ING Group 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 agreements and futures and option trading agreements. Following a change of control of ING Group (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.

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**Severance payments to Members of the Executive Board**

The contracts entered into with the members of the Executive Board provide for severance payments, which become due upon termination of the applicable Executive Board member's contract in connection with a public bid as defined in section 5:70 of the Dutch Financial Supervision Act. For purposes of calculating the amounts due, it is not relevant whether or not termination of the employment contract is related to a public bid. Severance payments to the members of the Executive Board are limited to a maximum of one year's fixed salary, in line with the Corporate Governance Code. Dutch legislation (Law on the limitation of liability of supervisors of financial markets and rules on remuneration of persons who determine the day-to-day policy (dagelijks beleidsbepalers) of financial institutions receiving state aid) (Wet aansprakelijkheidsbeperking DNB en AFM en bonusverbod staatsgesteunde ondernemingen) prohibits financial institutions to grant severance payments to members of the Executive Board in case of state aid to such financial institution.

**AMENDMENT OF THE ARTICLES OF ASSOCIATION**

The General Meeting may resolve to amend the Articles of Association, provided that the resolution is adopted on a proposal of the Executive Board, which has been approved by the Supervisory Board. Such a resolution of the General Meeting requires a majority of at least two-thirds of the votes cast at a General Meeting, whereby at least two-thirds of the issued share capital is represented. An amendment of the Articles of Association has to be passed by notarial deed.

**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 organised 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 organisations, 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 a straddle or a hedging or conversion transaction, investors that acquired or dispose of bearer receipts or ADSs as part of a wash sale, 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

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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 recognised 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 organisations, 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.

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

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*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.

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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 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.

**Table of Contents****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 depository, 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. Such fees and charges shall be assessed on a proportionate basis against holders of the record date(s) set by the ADR depository and shall be payable at the sole discretion of the ADR depository by billing such holders or by deducting such charge from one or more cash dividends or other cash distribution.

The charges of the ADR depository payable by investors are as follows:

Type of Service	ADR Depository Actions	Fee
ADR depository 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	\$ 5.00 or less for each 100 ADSs (or portion thereof) evidenced by the ADSs surrendered
Transfer of ADRs	Registration of transfers in the ADR register and issuance of new ADRs for the number of ADSs as evidenced by the ADRs surrendered	\$ 1.50 per ADR
Selling or exercising rights	Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and	\$ 5.00 or less per each 100 ADSs (or portion thereof)

	delivery of ADSs which would have been charged as a result of the deposit of such securities	
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	\$ 5.00 or less for each 100 ADSs (or portion thereof) evidenced by the ADSs surrendered
Expenses of the ADR depositary	Expenses incurred on behalf of Holders in connection with: <ul style="list-style-type: none"> <li>Taxes and other governmental charges</li> <li>Cable, telex and facsimile transmission/delivery</li> <li>Transfer or registration fees, if applicable, for the registration of transfers or underlying Ordinary Shares</li> <li>Expenses of the Depositary in connection with the conversion of foreign currency into US dollars (which are paid out of such foreign currency)</li> <li>Any other charge payable by ADR depositary or its agents</li> </ul>	Payable by holders or persons depositing ADSs or in the case of conversion of foreign currencies into U.S. dollars, by deducting out of such foreign currency the fees and expenses charged by ADR depositary

**Table of Contents****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 2013, the ADR depositary reimbursed to ING, or paid amounts on its behalf to third parties, a total sum of \$ 2,027,803

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 2013:

Category of expense reimbursed to ING	Amount Reimbursed for the year ended 31 December 2013	
Investor relations, including upfront contribution	\$	2,027,803
Total	\$	2,027,803

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 17 March 2014 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 17 March 2014.

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 2013. 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**

The Executive Board 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. The Executive Board assessed the effectiveness of our internal control over financial reporting as of 31 December 2013. In making this assessment, the Executive Board performed tests based on the criteria of the Committee of Sponsoring Organisations of the Treadway Commission ( COSO ) in Internal Control – Integrated Framework (1992 framework). Based on the Executive Board’s assessment and those criteria, the Executive Board concluded that the Company’s internal control over financial reporting is effective as of 31 December 2013.

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**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 (ING Group or the Company) internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 December 31, 2013, 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 December 31, 2013 and 2012, 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 December 31, 2013 and our report dated March 17, 2014 expressed an unqualified opinion thereon.

Amsterdam, The Netherlands

March 17, 2014

Ernst & Young Accountants LLP



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**Item 16A. Audit Committee Financial Expert**

The Audit Committee assists the Supervisory Board in monitoring the integrity of the financial statements of ING Group, NN Groep 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 Group's internal and external auditors. On 31 December 2013, the members of the Audit Committee were: Joost Kuiper (chairman), Tineke Bahlmann, Isabel Martín Castellá, Carin Gorter, Jan Holsboer, Robert Reibestein and Luc Vandewalle. The Supervisory Board has determined that Joost Kuiper is a financial expert as referred to in the Corporate Governance Code, due to his relevant knowledge and experience. Joost Kuiper was appointed as the chairman of the Audit Committee on 9 May 2011.

**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](http://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. In the 2013 annual General Meeting, the appointment of Ernst & Young as auditor of ING Group was extended by two more years, i.e. for the financial years 2014 and 2015. ING Group started a project with the objective of changing its external audit firm as of the financial year 2016.

Furthermore, Ernst & Young also audited and reported on the effectiveness of internal control over financial reporting on 31 December 2013.

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 attended the meetings of the Audit Committee and of the Risk Committee and attended and addressed the 2013 annual General Meeting, wherein the external auditor was questioned on the audit opinion.

New legislation on the accountancy profession (Wet op het accountantsberoep) came into force as of 1 January 2013 which prohibits certain services from being conducted by an external audit firm. The ING Group's policy on external auditor independence has been updated to reflect the new legislation on the accountancy profession as of 1 January 2013.

The external auditor may only provide services to ING Group and its subsidiaries with the permission of the Audit Committee. ING Group provides the Audit Committee with a full overview of all services provided by the external auditor, including related fees, supported by sufficiently detailed information. This overview is periodically evaluated by the Audit Committee throughout the year.

More information on ING Group's policy on external auditor independence is available on the website of ING Group ([www.ing.com](http://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.

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*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 35 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](http://www.ing.com)).

Reference is made to Note 35 of Note 2.1 to the consolidated financial statements for audit, audit-related, tax and all other fees paid to the external auditors in 2013, 2012 and 2011.

**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 2013 and 2012.

**Item 16F. Changes in Registrant's Certifying Accountant**

Not applicable

**Item 16G. Corporate Governance**

In accordance with the requirements of 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 not. The latter 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. Furthermore, a temporary committee, the NN Group Committee, was established on 1 October 2013. This Committee is also comprised of members of the Supervisory Board and assists the supervisory Board with the performance of its duties in relation to the preparation and execution of the initial public offering process and/or spin-off of (part of) NN Group.

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 ING Group's external auditors be appointed at the General Meeting and not by the Audit

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Committee. In addition, new legislation on the accountancy profession (Wet op het accountantsberoep) will establish a system of mandatory audit firm rotation by 1 January 2016.

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 NYSE's listing rules that require a 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

**PART III.**

**Item 18. Consolidated Financial Statements**

Reference is made to the Annual Report 2013 of ING Group, pages F-1 to F-266 and the Schedules on F-275 to F-278.

**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

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- 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)

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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)
Exhibit 4.1	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 4.2	Annex I Catalogue of Commitments submitted to the European Commission and attached as an annex to the decision of the European Commission dated November 16, 2012 (redacted; incorporated by reference to ING Groep N.V. s report on Form 6-K furnished on 22 August 2013)
Exhibit 4.3	Annex II The Principles Applied to Internal Wind Down Units in the Insurance Sector submitted to the European Commission and attached as an annex to the decision of the European Commission dated November 16, 2012 (incorporated by reference to ING Groep N.V. s report on Form 6-K furnished on 22 August 2013)
Exhibit 4.4	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 4.5	Deferred Prosecution Agreement dated 12 June 2012, between ING Bank, N.V. and the District Attorney s Office of the County of New York (incorporated by reference to Exhibit 4.5 of ING Groep N.V. s Annual report on Form 20-F for the year ended 31 December 2012, File No. 1-14642 filed on 22 March 2013)
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 (incorporated by reference to Exhibit 4.6 of ING Groep N.V. s Annual Report on Form 20-F for the year ended 31 December 2012, File No. 1-14642 filed on 22 March 2013)
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 (incorporated by reference to Exhibit 4.7 of ING Groep N.V. s Annual Report on Form 20-F for the year ended 31 December 2012, File No. 1-14642 filed on 22 March 2013)
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	

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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 authorised 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: 17 March 2014

**Table of Contents****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 2013, 2012 and 2011 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.

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>Year ended 31 December</b>		
Return on equity of the banking operations*	14.3%	8.3%	11.5%
Return on equity of ING Group*	10.2%	7.9%	11.8%
Return on assets ING Group	0.4%	0.3%	0.4%
Equity to assets of ING Group	3.9%	4.1%	3.4%
Net interest margin of the banking operations	1.4%	1.3%	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.

The comparative 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 of the year ended 31 December 2012, ING Direct UK (2011: ING Direct USA) was presented as Assets and Liabilities held for sale.

**Table of Contents****ASSETS**

	Interest-earning assets								
	2013			2012			2011		
	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	11,996	48	0.4	11,885	100	0.8	11,749	230	2.0
foreign	25,859	264	1.0	22,750	352	1.6	27,186	603	2.2
Loans and advances									
domestic	242,929	9,241	3.7	257,168	10,117	3.9	246,518	10,160	4.1
foreign	328,497	12,087	3.7	358,548	14,240	4.0	396,057	15,410	3.9
Interest-earning securities <sup>(1)</sup>									
domestic	26,608	659	2.5	22,320	640	2.9	28,450	920	3.2
foreign	69,588	2,185	3.1	78,141	2,821	3.6	106,296	4,052	3.8
Other interest-earning assets									
domestic	19,060	96	0.5	34,571	163	0.5	22,649	363	1.6
foreign	19,284	125	0.7	20,831	158	0.8	21,463	229	1.1
<b>Total</b>	<b>743,821</b>	<b>24,705</b>	<b>3.3</b>	<b>806,214</b>	<b>28,591</b>	<b>3.6</b>	<b>860,368</b>	<b>31,967</b>	<b>3.7</b>
Non-interest earning assets	37,305			38,222			44,403		
<b>Derivatives assets</b>	<b>50,978</b>			<b>70,901</b>			<b>53,350</b>		
<b>Total assets<sup>(1)</sup></b>	<b>832,104</b>			<b>915,337</b>			<b>958,121</b>		
Percentage of assets applicable to foreign operations		62.5%			60.8%			65.9%	
Interest income on derivatives		26,871			31,617			33,132	
other		929			1,089			1,082	
<b>Total interest income</b>		<b>52,505</b>			<b>61,297</b>			<b>66,181</b>	

(1) Substantially all interest-earning securities held by the banking operations of the Company are taxable securities.



**Table of Contents****LIABILITIES**

	Interest-bearing liabilities								
	2013			2012			2011		
	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	4,450	39	0.9	18,252	166	0.9	33,135	415	1.3
foreign	10,017	356	3.6	13,144	391	3.0	16,306	399	2.5
Demand deposits <sup>(5)</sup>									
domestic	42,236	141	0.3	42,190	168	0.4	42,599	211	0.5
foreign	49,390	131	0.3	46,396	157	0.3	54,417	372	0.7
Time deposits <sup>(5)</sup>									
domestic	30,418	129	0.4	29,623	325	1.1	25,658	306	1.2
foreign	20,866	267	1.3	20,381	365	1.8	21,899	440	2.0
Savings deposits <sup>(5)</sup>									
domestic	87,418	1,457	1.7	79,677	1,834	2.3	74,044	1,594	2.2
foreign	233,016	4,157	1.8	248,637	5,686	2.3	283,367	5,761	2.0
Short term debt									
domestic	19,167	73	0.4	34,470	260	0.8	29,200	285	1.0
foreign	22,055	253	1.1	29,801	465	1.6	33,600	629	1.9
Long term debt									
domestic	78,864	2,530	3.2	73,306	2,432	3.3	59,603	2,236	3.8
foreign	18,938	740	3.9	27,840	1,150	4.1	27,093	1,174	4.3
Subordinated liabilities									
domestic	16,099	706	4.4	17,069	746	4.4	19,628	870	4.4
foreign	610	33	5.5	904	40	4.4	971	50	5.2
Other interest-bearing liabilities									
domestic	20,844	27	0.1	33,909	115	0.3	46,047	454	1.0
foreign	47,567	368	0.8	49,830	515	1.0	51,753	653	1.3
Total	701,955	11,407	1.6	765,429	14,815	1.9	819,320	15,849	1.9
Non-interest bearing liabilities	42,603			42,101			49,118		
Derivatives liabilities	54,694			75,343			58,447		
Total Liabilities	799,252			882,873			926,885		
Group Capital	32,852			32,464			31,236		
	<b>832,104</b>			<b>915,337</b>			<b>958,121</b>		

**Total liabilities and capital**

Percentage of liabilities applicable to foreign operations

60.3%

58.8%

61.5%

Other interest expense:

interest expenses on

derivatives

28,122

33,117

35,359

other

1,188

1,397

1,516

**Total interest expense**

**40,717****49,329****52,724**

**Total net interest result**

**11,788****11,968****13,457**

<sup>(5)</sup> These captions do not include deposits from banks.

**Table of Contents****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.

	2013 over 2012			2012 over 2011		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
	(EUR millions)			(EUR millions)		
<b>Interest-earning assets</b>						
Time deposits to banks						
domestic	1	-53	-52	3	-133	-130
foreign	48	-136	-88	-98	-153	-251
Loans and advances						
domestic	-606	-270	-876	695	-738	-43
foreign	-1,194	-959	-2,153	-1,459	289	-1,170
Interest-earning securities						
Domestic	123	-104	19	-198	-82	-280
foreign	-309	-327	-636	-1,073	-158	-1,231
Other interest-earning assets						
domestic	-73	6	-67	191	-391	-200
foreign	-12	-21	-33	-7	-64	-71
Interest income						
domestic	-555	-421	-976	691	-1,344	-653
foreign	-1,467	-1,443	-2,910	-2,637	-86	-2,723
<b>Total</b>	<b>-2,022</b>	<b>-1,864</b>	<b>-3,886</b>	<b>-1,946</b>	<b>-1,430</b>	<b>-3,376</b>
Other interest income			-4,906			-1,508
<b>Total interest income</b>			<b>-8,792</b>			<b>-4,884</b>

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

	2013	2012
	Average rate %	Average rate %
<b>Interest spread</b>		

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Domestic	1.6	1.5
Foreign	1.7	1.7
Total	1.7	1.6
<b>Net interest margin</b>		
Domestic	1.6	1.5
Foreign	1.9	1.8
Total	1.8	1.7



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	2013 over 2012 Increase (decrease) due to changes in			2012 over 2011 Increase (decrease) due to changes in		
	Average volume (EUR millions)	Average rate	Net change	Average volume (EUR millions)	Average rate	Net change
<b>Interest-bearing liabilities</b>						
Time deposits from banks						
domestic	-125	-2	-127	-186	-63	-249
foreign	-93	58	-35	-77	69	-8
Demand deposits						
domestic		-27	-27	-2	-41	-43
foreign	10	-36	-26	-55	-160	-215
Time deposits						
domestic	9	-205	-196	47	-28	19
foreign	9	-107	-98	-31	-44	-75
Savings deposits						
domestic	178	-555	-377	121	119	240
foreign	-357	-1,172	-1,529	-706	631	-75
Short term debt						
domestic	-116	-71	-187	51	-76	-25
foreign	-121	-91	-212	-71	-93	-164
Long term debt						
domestic	184	-86	98	514	-318	196
foreign	-368	-42	-410	32	-56	-24
Subordinated liabilities						
domestic	-42	2	-40	-113	-11	-124
foreign	-13	6	-7	-3	-7	-10
Other interest-bearing liabilities						
domestic	-44	-44	-88	-120	-219	-339
foreign	-23	-124	-147	-24	-114	-138
Interest expense						
domestic	44	-988	-944	312	-637	-325
foreign	-956	-1,508	-2,464	-935	226	-709
<b>Total</b>	<b>-912</b>	<b>-2,496</b>	<b>-3,408</b>	<b>-623</b>	<b>-411</b>	<b>1,034</b>
Other interest expense			-5,204			-2,361
<b>Total interest expense</b>			<b>-8,612</b>			<b>-3,395</b>
Net interest						
domestic	-599	567	-32	379	-707	-328
Foreign	-511	65	-446	-1,702	-312	-2,014
<b>Net interest</b>	<b>-1,110</b>	<b>632</b>	<b>-478</b>	<b>-1,323</b>	<b>-1,019</b>	<b>-2,342</b>
Other net interest result			298			853

<b>Net interest result</b>	<b>-180</b>	<b>-1,489</b>
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**Table of Contents****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.

	<b>Year ended 31 December</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(EUR millions)</b>		
<b>Debt securities available for sale</b>			
Dutch government	11,465	8,285	6,552
German government	11,240	10,889	10,423
Central banks	910	808	2,088
Belgian government	10,003	10,170	10,438
Other governments	19,919	18,660	19,593
<b>Corporate debt securities</b>			
Banks and financial institutions	19,160	20,649	19,641
Other corporate debt securities	1,576	900	1,075
U.S. Treasury and other U.S. Government agencies	3	3	249
Other debt securities	962	1,281	2,410
<b>Total debt securities available for sale</b>	<b>75,238</b>	<b>71,645</b>	<b>72,469</b>
<b>Debt securities held to maturity</b>			
Dutch government			
German government		100	531
Other governments	50	230	350
Banks and financial institutions	2,693	5,859	7,630
Other corporate debt securities			
U.S. Treasury and other U.S. Government agencies			
Other debt securities	355	356	357
<b>Total debt securities held to maturity</b>	<b>3,098</b>	<b>6,545</b>	<b>8,868</b>
Shares and convertible debentures	1,645	2,634	2,466
Land and buildings <sup>(1)</sup>	1,251	1,410	1,678
<b>Total</b>	<b>81,232</b>	<b>82,234</b>	<b>85,481</b>

<sup>(1)</sup> 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.

**Table of Contents****Portfolio maturity description**

	1 year or less		Between 1 and 5 years		Between 5 and 10 years	
	Book value (EUR millions)	Yield <sup>(1)</sup> %	Book value (EUR millions)	Yield <sup>(1)</sup> %	Book value (EUR millions)	Yield <sup>(1)</sup> %
<b>Debt securities available for sale</b>						
Dutch government	3,860		1,557		6,048	
German government	1,691		4,507		4,519	
Belgian government	1,568		4,879		3,286	
Central banks	910					
Other governments	2,905		9,113		6,007	
Banks and financial institutions	4,363		10,381		4,108	
Corporate debt securities	142		829		605	
U.S. Treasury and other U.S. Government agencies			1		1	
Other debt securities	104		95		77	
<b>Total debt securities available for sale</b>	<b>15,543</b>	<b>2.2</b>	<b>31,362</b>	<b>3.0</b>	<b>24,651</b>	<b>2.9</b>

	Over 10 years		Total Book value (EUR millions)
	Book value (EUR millions)	Yield <sup>(1)</sup> %	
<b>Debt securities available for sale</b>			
Dutch government			11,465
German government	523		11,240
Belgian government	270		10,003
Central banks			910
Other governments	1,894		19,919
Banks and financial institutions	308		19,160
Corporate debt securities			1,576
U.S. Treasury and other U.S. Government agencies	1		3
Other debt securities	686		962
<b>Total debt securities available for sale</b>	<b>3,682</b>	<b>4.4</b>	<b>75,238</b>

(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		Between 5 and 10	
	Book value (EUR millions)	Yield <sup>(1)</sup> %	Book value (EUR millions)	Yield <sup>(1)</sup> %	Book value (EUR millions)	Yield <sup>(1)</sup> %
<b>Debt securities held to maturity</b>						
Dutch government						
German government						
Belgian government						
Central banks						
Other governments	50					
Banks and financial institutions	953		1,639		101	
Corporate debt securities						
U.S. Treasury and other U.S. Government agencies						
Other debt securities	127				95	
<b>Total debt securities held to maturity</b>	<b>1,130</b>	<b>2.4</b>	<b>1,639</b>	<b>3.0</b>	<b>196</b>	<b>2.5</b>

	Over 10 years		Total Book value (EUR millions)
	Book value (EUR millions)	Yield <sup>(1)</sup> %	
<b>Debt securities held to maturity</b>			
Dutch government			
German government			
Belgian government			
Central banks			
Other governments			50
Banks and financial institutions			2,693
Corporate debt securities			
U.S. Treasury and other U.S. Government agencies			
Other debt securities	133		355
<b>Total debt securities held to maturity</b>	<b>133</b>	<b>-2.0</b>	<b>3,098</b>

(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 2013, ING Group also held the following securities for the banking operations that exceeded 10 % of shareholders' equity:

	<b>2013</b>	
	<b>Book value</b>	<b>Market value</b>
	<b>(EUR millions)</b>	
Dutch government	11,465	11,465
German government	11,240	11,240
Belgium government	10,003	10,003



**Table of Contents****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 6 of Note 2.1 to the consolidated financial statements.

<b>Loans and Loan loss provisions</b>	<b>2013</b>	<b>2012</b>
	<b>(EUR millions)</b>	
Loans past due 90 days	12,855	10,101
Other impaired loans	3,066	3,155
<b>Total impaired loans (loans with a loan loss provision)</b>	<b>15,921</b>	<b>13,256</b>
Potential problem loans	8,455	10,451
<b>Total Impaired loans and potential problem loans</b>	<b>24,376</b>	<b>23,707</b>
Loans neither impaired nor potential problem loans	529,046	555,672
<b>Total</b>	<b>553,422</b>	<b>579,379</b>
This amount is presented in the balance sheet as:		
Amounts due from Banks	40,922	37,302
Loans and advances to customers	512,500	542,077
<b>Total</b>	<b>553,422</b>	<b>579,379</b>
Loan loss provisions included in:		
Amounts due from Banks	19	28
Loans and advances to customers	6,135	5,477
<b>Total loan loss provisions</b>	<b>6,154</b>	<b>5,505</b>
<b>Loans and advances by customer type:</b>		
Loans secured by public authorities	44,251	50,774
Loans secured by mortgages	287,238	305,963
Loans guaranteed by credit institutions	4,142	6,163
Personal lending	26,761	24,598
Asset backed securities excluding MBS	6,336	7,044
Corporate loans	143,772	147,535

<b>Total</b>	<b>512,500</b>	<b>542,077</b>
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<b>Loan loss provisions by customer type:</b>	<b>2013</b>	<b>2012</b>
Loans secured by public authorities	2	2
Loans secured by mortgages	1,896	1,588
Loans guaranteed by credit institutions	21	30
Personal lending	811	794
Mortgage backed securities (MBS)		0
Asset backed securities excluding MBS	142	76
Corporate loans	3,282	3,015
<b>Total</b>	<b>6,154</b>	<b>5,505</b>

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<b>Increase in Loan loss provisions by customer type:</b>	<b>2013</b>	<b>2012</b>
	<b>(EUR millions)</b>	
Loans secured by public authorities		-1
Loans secured by mortgages	308	373
Loans guaranteed by credit institutions	-9	21
Personal lending	17	78
Mortgage backed securities (MBS)		0
Asset backed securities excluding MBS	-76	74
Corporate loans	409	10
<b>Total</b>	<b>649</b>	<b>555</b>
<b>The net decrease in Loan loss provision includes:</b>		
Increase in loan loss provision (P&L)	2,289	2,125
Write-offs and other	-1,640	-1,570
<b>Total</b>	<b>649</b>	<b>555</b>

The following table sets forth the gross loans and advances to banks and customers as of 31 December 2013, 2012, 2011, 2010 and 2009 under IFRS-IASB.

**IFRS-IASB**

	<b>Year ended December 31</b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>(EUR millions)</b>				
<b>By domestic offices:</b>					
Loans guaranteed by public authorities	29,132	35,857	29,281	28,671	28,149
Loans secured by mortgages	139,475	153,594	162,735	157,671	156,319
Loans to or guaranteed by credit institutions	11,686	14,641	14,130	14,704	9,569
Other private lending	4,857	5,048	5,012	5,125	4,972
Mortgage backed securities (MBS)		0	0	0	0
Asset backed securities excluding MBS		0	0	0	0
Other corporate lending	43,907	42,891	50,603	53,784	52,888
<b>Total domestic offices</b>	<b>229,057</b>	<b>252,031</b>	<b>261,761</b>	<b>259,955</b>	<b>251,897</b>
<b>By foreign offices:</b>					
Loans guaranteed by public authorities	15,119	14,917	25,867	27,282	22,933
Loans secured by mortgages	147,763	152,369	160,404	172,802	147,484
Loans to or guaranteed by credit institutions	33,378	28,824	37,817	43,016	36,869
Other private lending	21,904	19,550	19,389	16,618	14,988
Asset backed securities excluding MBS	6,336	7,044	13,328	18,605	21,831
Other corporate lending	99,865	104,644	103,706	100,724	99,104
<b>Total foreign offices</b>	<b>324,365</b>	<b>327,348</b>	<b>360,511</b>	<b>379,047</b>	<b>343,209</b>
	<b>553,422</b>	<b>579,379</b>	<b>622,272</b>	<b>639,002</b>	<b>595,106</b>

**Total gross loans and advances to banks and  
customers**

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**Table of Contents****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 2013.

	<b>1 year or less</b>	<b>1 year to 5 years</b>	<b>After 5 years</b>	<b>Total</b>
	<b>(EUR millions)</b>			
<b>By domestic offices:</b>				
Loans guaranteed by public authorities	3,386	1,177	24,569	29,132
Loans secured by mortgages	8,112	19,138	112,225	139,475
Loans guaranteed by credit institutions	8,675	2,763	248	11,686
Other private lending	2,621	669	1,567	4,857
Asset backed securities excluding MBS				
Other corporate lending	25,655	12,065	6,187	43,907
<b>Total domestic offices</b>	<b>48,449</b>	<b>35,812</b>	<b>144,796</b>	<b>229,057</b>
<b>By foreign offices:</b>				
Loans guaranteed by public authorities	7,038	4,890	3,191	15,119
Loans secured by mortgages	12,332	41,386	94,045	147,763
Loans guaranteed by credit institutions	29,293	3,582	503	33,378
Other private lending	10,375	7,687	3,842	21,904
Asset backed securities excluding MBS	496	992	4,848	6,336
Other corporate lending	44,749	33,597	21,519	99,865
<b>Total foreign offices</b>	<b>104,283</b>	<b>92,134</b>	<b>127,948</b>	<b>324,365</b>
<b>Total gross loans and advances to banks and customers</b>	<b>152,732</b>	<b>127,946</b>	<b>272,744</b>	<b>553,422</b>

The following table analyzes loans and advances to banks and customers by interest rate sensitivity by maturity as of 31 December 2013.

	<b>1 year or less</b>	<b>Over 1 year</b>	<b>Total</b>
	<b>(EUR millions)</b>		
Non-interest earning	3,258	1,795	5,053
Fixed interest rate	83,765	127,696	211,461
Semi-fixed interest rate <sup>(1)</sup>	5,619	154,318	159,937
Variable interest rate	60,090	116,881	176,971
<b>Total</b>	<b>152,732</b>	<b>400,690</b>	<b>553,422</b>

- (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, 2013:

	<b>Total outstanding</b>
Private Individuals	41.6%

**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 recognised 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 2013, 2012, 2011, 2010 and 2009 under IFRS-IASB.

IFRS-IASB	Year ended 31 December				
	2013	2012	2011	2010	2009
	(EUR millions)				
Loans past due 90 days and still accruing interest					
Domestic	8,088	6,367	5,292	5,758	3,865
Foreign	4,767	3,734	3,531	4,705	4,793
<b>Total loans past due 90 days and still accruing interest</b>	<b>12,855</b>	<b>10,101</b>	<b>8,823</b>	<b>10,463</b>	<b>8,658</b>

As of 31 December 2013, EUR 12,853 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 16,140 million as of 31 December 2013.

***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 2013, 2012, 2011, 2010 and 2009 under IFRS-IASB.

IFRS-IASB	Year ended 31 December				
	2013	2012	2011	2010	2009
	(EUR millions)				
Troubled debt restructurings:					
Domestic	813	781	276	366	782
Foreign	742	476	743	2,165	1,271
<b>Total troubled debt restructurings</b>	<b>1,555</b>	<b>1,257</b>	<b>1,019</b>	<b>2,531</b>	<b>2,053</b>

***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 2013 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 2013.

	<b>Year ended 31 December 2013 (EUR millions)</b>		
	Domestic	Foreign	
	Offices	Offices	Total
Interest income that would have been recognised under the original contractual terms	1	16	17
Interest income recognised in the profit and loss account	0	23	23



**Table of Contents****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 8,455 million as of 31 December 2013. Of this total, EUR 4,600 million relates to domestic loans and EUR 3,855 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 2013, 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 2013, 2012 and 2011 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 2013					Cross-border Commitments
	Government & official institutions	Banks & other financial Institutions	Commercial & industrial	Other	Total	
United Kingdom	44	22,158	2,109	752	25,063	4,072
United States	150	5,910	5,469	4,426	15,954	9,706
France	5,106	12,091	2,620	643	20,460	6,773
Germany	5,900	2,062	1,868	3,502	13,332	7,290

	Year ended 31 December 2012					Cross-border Commitments
	Government & official institutions	Banks & other financial Institutions	Commercial & industrial	Other	Total	
United Kingdom	6,160	9,522	15,946	715	32,343	3,817

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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

**Table of Contents****Year ended 31 December 2011**

	<b>Government &amp; official institutions</b>	<b>Banks &amp; other financial Institutions</b>	<b>Commercial &amp; industrial Other</b>	<b>Total</b>	<b>Cross-border Commitments</b>	
	<b>(EUR millions)</b>					
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

As of 31 December 2013 Belgium, China, Switzerland, Turkey, Russia and Luxembourg have 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 2012 Belgium, Spain and Italy have cross-border outstandings between 0.40% and 0.75% 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 2013, 2012, 2011, 2010 and 2009 under IFRS-IASB.

IFRS-IASB	Calendar period				
	2013	2012	2011	2010	2009
	(EUR millions)				
Balance on 1 January	5,505	4,950	5,195	4,399	2,611
Change in the composition of the Group	-20	-13	-3		-3
Charge-offs:					
Domestic:					
Loans guaranteed by public authorities					
Loans secured by mortgages	-301	-144	-129	-86	-79
Loans to or guaranteed by credit institutions	-5	-5	-14	-30	-55
Other private lending	-34	-47	-56	-65	-140
Other corporate lending	-569	-601	-343	-277	-229
Foreign:					
Loans guaranteed by public authorities		-18	-6	-8	-12
Loans secured by mortgages	-54	-64	-50	-56	-5
Loans to or guaranteed by credit institutions	-3		-3	-5	-1
Other private lending	-167	-133	-452	-404	-259
Other corporate lending	-476	-670	-251	-235	-437
Total charge-offs	-1,609	-1,682	-1,304	-1,166	-1,217
Recoveries:					
Domestic:					
Loans guaranteed by public authorities					
Loans secured by mortgages	34	35	36	23	2
Loans to or guaranteed by credit institutions					
Other private lending	7	12	11	29	101
Other corporate lending	22	37	28	9	4
Foreign:					
Loans guaranteed by public authorities					
Loans secured by mortgages	4	1	1	1	
Loans to or guaranteed by credit institutions				3	
Other private lending	31	30	29	29	24
Other corporate lending	18	27	7	11	17
Total recoveries	116	142	112	105	148
Net charge-offs	-1,493	-1,540	-1,192	-1,061	-1,069
Additions and other adjustments (included in value Adjustments to receivables of the Banking operations)	2,162	2,108	950	1,857	2,860
<b>Balance on 31 December</b>	<b>6,154</b>	<b>5,505</b>	<b>4,950</b>	<b>5,195</b>	<b>4,399</b>
	0.26%	0.25%	0.19%	0.17%	0.17%

Ratio of net charge-offs to average loans and advances  
to banks and customers

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 2013, 2012, 2011, 2010 and 2009 under IFRS-IASB.

IFRS-IASB	Year ended December 31									
	2013		2012		2011		2010		2009	
	EUR	% <sup>(1)</sup>	EUR	% <sup>(1)</sup>	EUR	% <sup>(1)</sup>	EUR	% <sup>(1)</sup>	EUR	% <sup>(1)</sup>
	(EUR millions)									
Domestic:										
Loans guaranteed by public authorities		5.26	0	6.20	1	4.68	0	4.47		4.72
Loans secured by mortgages	1,265	25.20	878	26.55	503	26.91	416	25.24	290	27.54
Loans to or guaranteed by credit institutions		2.11	0	2.94	4	2.25	17	2.29		1.61
Other private lending	139	0.88	144	0.87	119	0.80	131	0.80	254	0.83
Other corporate lending	1,566	7.93	1,423	7.62	1,375	7.75	1,385	8.13	917	7.70
<b>Total domestic</b>	<b>2,970</b>	<b>41.39</b>	<b>2,445</b>	<b>44.18</b>	<b>2,002</b>	<b>42.39</b>	<b>1,949</b>	<b>40.93</b>	<b>1,461</b>	<b>42.4</b>
Foreign:										
Loans guaranteed by public authorities	2	2.73	2	2.57	2	4.13	3	4.25	3	3.85
Loans secured by mortgages	631	26.70	710	26.28	712	25.63	1,183	26.93	1,066	23.90
Loans to or guaranteed by credit institutions	21	6.03	30	4.56	5	6.05	6	6.7	47	6.78
Other private lending	672	3.96	650	3.37	596	3.10	536	2.59	436	2.52
Mortgage backed securities	142	1.14	76	1.22	2	2.13	0	2.37	15	2.99
Other corporate lending	1,716	18.05	1,592	17.82	1,631	16.57	1,518	16.23	1,371	17.56
<b>Total foreign</b>	<b>3,184</b>	<b>58.61</b>	<b>3,060</b>	<b>55.82</b>	<b>2,948</b>	<b>57.61</b>	<b>3,246</b>	<b>59.07</b>	<b>2,938</b>	<b>57.60</b>
<b>Total</b>	<b>6,154</b>	<b>100.00</b>	<b>5,505</b>	<b>100.00</b>	<b>4,950</b>	<b>100.00</b>	<b>5,195</b>	<b>100.00</b>	<b>4,399</b>	<b>100.00</b>

- (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.

**Table of Contents****DEPOSITS**

The aggregate average balance of all the Group's interest-bearing deposits (from banks and customer accounts) decreased by 5.3% to EUR 499,873 million in 2013, compared to 2012 (EUR 527,740). 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 21% of the category Debt securities (27% at the end of 2012). 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.

	2013		2012		2011	
	Average deposit	Average rate	Average deposit	Average rate	Average deposit	Average rate
	(EUR millions)	%	(EUR millions)	%	(EUR millions)	%
<b>Deposits by banks</b>						
In domestic offices:						
Demand non-interest bearing	2,064		1,637		2,502	
interest bearing	583	1.4	2,367	0.9	5,930	1.0
Time	4,435	0.9	18,059	0.9	33,158	1.2
Other	3,850	0.9	8,556	2.8	10,546	1.9
Total domestic offices	10,932		30,619		52,136	
In foreign offices:						
Demand non-interest bearing	1,235		1,849		1,561	
interest bearing	4,951	1.4	6,034	1.2	5,851	1.6
Time	9,800	3.6	12,667	3.0	15,662	2.4
Other	7,347	1.1	11,559	1.3	9,981	1.6
Total foreign offices	23,333		32,109		33,055	
<b>Total deposits by banks</b>	<b>34,265</b>		<b>62,728</b>		<b>85,191</b>	
<b>Customer accounts</b>						
In domestic offices:						
Demand non-interest bearing	777		922		782	
interest bearing	44,406	0.3	45,226	0.4	47,157	0.5
Savings	87,370	1.3	79,612	2.3	73,964	2.2
Time	30,415	1.4	29,619	1.1	25,628	1.2
Other	1,483	3.6	3,032	1.0	6,545	0.9
Total domestic offices	164,451		158,411		154,076	
In foreign offices:						
Demand non-interest bearing	5,976		6,865		6,422	
interest bearing	53,455	0.4	48,118	0.5	50,197	0.9



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Savings	230,175	1.8	256,425	2.5	257,262	2.2
Time	20,407	1.5	20,102	1.8	21,716	2.0
Other	1,196	2.0	7,066	2.6	5,715	3.6
<b>Total foreign offices</b>	<b>311,209</b>		<b>338,576</b>		<b>341,312</b>	
<b>Total customer accounts</b>	<b>475,660</b>		<b>496,987</b>		<b>495,388</b>	
<b>Debt securities</b>						
In domestic offices:						
Debentures	76,418	2.7	68,554	3.1	53,963	3.1
Certificates of deposit	15,671	0.4	26,819	0.7	23,915	0.9
Other	3,239	0.4	7,676	0.8	5,320	1.4
<b>Total domestic offices</b>	<b>95,328</b>		<b>103,049</b>		<b>83,198</b>	
In foreign offices:						
Debentures	9,119	4.5	11,758	4.9	10,676	5.4
Certificates of deposit	10,637	1.9	13,885	2.4	17,195	2.5
Other	11,709	1.7	20,575	1.4	21,248	1.2
<b>Total foreign offices</b>	<b>31,465</b>		<b>46,218</b>		<b>49,119</b>	
<b>Total debt securities</b>	<b>126,793</b>		<b>149,267</b>		<b>132,317</b>	

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For the years ended 31 December 2013, 2012 and 2011 the aggregate amount of deposits by foreign depositors in domestic offices was EUR 42,463 million EUR 31,728 million and EUR 46,778 million, respectively.

On 31 December 2013, 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	8,184	62.0	27,263	83.4
6 months or less but over 3 months	2,055	15.6	3,927	12.0
12 months or less but over 6 months	2,967	22.4	1,203	3.7
Over 12 months	—		290	0.9
<b>Total</b>	<b>13,206</b>	<b>100.0</b>	<b>32,683</b>	<b>100.0</b>

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 2013.

	(EUR millions)
Time certificates of deposit	7,236
Other time deposits	42,423
<b>Total</b>	<b>49,659</b>

**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		
	2013	2012	2011
	(EUR millions, except % data)		
<b>Commercial paper:</b>			
Balance at the end of the year	13,405	14,323	21,967
Monthly average balance outstanding during the year	13,350	23,150	21,908

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Maximum balance outstanding at any period end during the year	17,022	27,715	22,921
Weighted average interest rate during the year	0.52%	0.82%	1.25%
Weighted average interest rate on balance at the end of the year	0.52%	1.32%	1.24%

**Securities sold under repurchase agreements:**

Balance at the end of the year	36,212	26,573	54,886
Monthly average balance outstanding during the year	45,600	55,365	59,865
Maximum balance outstanding at any period end during the year	56,758	72,901	79,547
Weighted average interest rate during the year	0.47%	0.72%	1.30%
Weighted average interest rate on balance at the end of the year	0.59%	1.50%	1.38%

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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 2013 and 2012, 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 2013. 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 2013 and 2012, and the consolidated results of its operations, and its cash flows for each of the three years in the period ended 31 December 2013, 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 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (1992 framework) and our report dated 17 March 2014 expressed an unqualified opinion thereon.

Amsterdam, the Netherlands

17 March 2014

Ernst & Young Accountants LLP

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Consolidated balance sheet of ING Group

as at 31 December

amounts in millions of euros	2013	2012	2011
<b>ASSETS</b>			
Cash and balances with central banks <b>2</b>	13,316	17,657	31,194
Amounts due from banks <b>3</b>	43,012	39,053	45,323
Financial assets at fair value through profit and loss <b>4</b>			
trading assets	114,247	114,895	123,688
investments for risk of policyholders	39,589	98,765	116,438
non-trading derivatives	8,546	13,951	17,159
designated as at fair value through profit and loss	2,790	4,760	5,437
Investments <b>5</b>			
available-for-sale	137,897	193,584	208,539
held-to-maturity	3,098	6,545	8,868
Loans and advances to customers <b>6</b>	526,965	556,900	596,877
Reinsurance contracts <b>18</b>	252	5,290	5,870
Investments in associates <b>7</b>	2,006	2,406	2,370
Real estate investments <b>8</b>	810	904	1,670
Property and equipment <b>9</b>	2,446	2,674	2,886
Intangible assets <b>10</b>	1,841	2,639	3,558
Deferred acquisition costs <b>11</b>	1,353	4,549	10,204
Assets held for sale <b>12</b>	156,885	66,946	62,483
Other assets <b>13</b>	21,549	26,423	31,675
<b>Total assets</b>	<b>1,076,602</b>	<b>1,157,941</b>	<b>1,274,239</b>
<b>EQUITY 14</b>			
Shareholders' equity (parent)	42,440	46,931	42,827
Non-voting equity securities	1,500	2,250	3,000
	43,940	49,181	45,827
Minority interests	5,913	1,643	777
<b>Total equity</b>	<b>49,853</b>	<b>50,824</b>	<b>46,604</b>
<b>LIABILITIES</b>			
Subordinated loans <b>15</b>	6,889	8,786	8,858
Debt securities in issue <b>16</b>	127,727	143,436	139,861
Other borrowed funds <b>17</b>	13,706	16,723	19,684
Insurance and investment contracts <b>18</b>	111,551	229,950	278,833
Amounts due to banks <b>19</b>	27,257	38,704	72,233
Customer deposits and other funds on deposit <b>20</b>	474,320	455,003	467,547

<b>Financial liabilities at fair value through profit and loss 21</b>			
trading liabilities	<b>73,491</b>	83,652	107,682
non-trading derivatives	<b>11,155</b>	18,752	22,165
designated as at fair value through profit and loss	<b>13,855</b>	13,399	13,021
<b>Liabilities held for sale 12</b>	<b>146,402</b>	67,811	64,265
<b>Other liabilities 22</b>	<b>20,396</b>	30,901	33,486
<b>Total liabilities</b>	<b>1,026,749</b>	1,107,117	1,227,635
<b>Total equity and liabilities</b>	<b>1,076,602</b>	1,157,941	1,274,239

Amounts for 2012 and 2011 have been restated to reflect the changes in accounting policies for defined benefit pension schemes as disclosed in the section [Changes in accounting policies in 2013](#) on page F-11.

The comparison of the balance sheets is impacted by the classification as held for sale of ING U.S. (as of 2013) and the insurance and investment management businesses in Asia (as of 2012) and the classification to continuing operations of ING Group's business in Japan (as of 2013) as disclosed in the section [Other significant changes in 2013](#) on page F-14.

References relate to the notes starting on page F-11. These form an integral part of the consolidated annual accounts.

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Consolidated profit and loss account of ING Group

**for the years ended 31 December**

amounts in millions of euros	2013	2013	2012	2012	2011	2011
<b>Continuing operations</b>						
Interest income banking operations	<b>51,394</b>		60,003		64,649	
Interest expense banking operations	<b>39,693</b>		48,119		51,200	
Interest result banking operations <b>23</b>		<b>11,701</b>		11,884		13,449
Gross premium income <b>24</b>		<b>9,530</b>		10,706		11,292
Investment income <b>25</b>		<b>3,918</b>		4,260		2,575
Result on disposals of group companies <b>26</b>		<b>18</b>		1,604		801
Gross commission income	<b>4,234</b>		3,941		4,763	
Commission expense	<b>1,369</b>		1,258		1,630	
Commission income <b>27</b>		<b>2,865</b>		2,683		3,133
Valuation results on non-trading derivatives <b>28</b>		<b>881</b>		4,411		137
Net trading income <b>29</b>		<b>670</b>		1,662		210
Share of result from associates <b>7</b>		<b>114</b>		54		216
Other income <b>30</b>		<b>208</b>		398		1,225
Total income		<b>28,107</b>		28,044		32,764
Gross underwriting expenditure	<b>13,585</b>		15,867		13,444	
Investment result for risk of policyholders	<b>4,930</b>		5,517		206	
Reinsurance recoveries	<b>70</b>		72		79	
Underwriting expenditure <b>31</b>		<b>8,585</b>		10,278		13,159
Addition to loan loss provisions <b>6</b>		<b>2,289</b>		2,125		1,670
Intangible amortisation and other impairments <b>32</b>		<b>146</b>		272		362
Staff expenses <b>33</b>		<b>6,101</b>		5,738		6,624
Other interest expenses <b>34</b>		<b>461</b>		464		380
Other operating expenses <b>35</b>		<b>4,612</b>		5,949		5,493
Total expenses		<b>22,194</b>		24,826		27,688
Result before tax from continuing operations		<b>5,913</b>		3,218		5,076
Taxation <b>45</b>		<b>1,474</b>		780		1,050
Net result from continuing operations		<b>4,439</b>		2,438		4,026
<b>Discontinued operations 36</b>						
Net result from discontinued operations		<b>428</b>		891		180



Net result from classification as discontinued operations	<b>42</b>	394	
Net result from disposal of discontinued operations	<b>17</b>	752	995
<b>Total net result from discontinued operations</b>	<b>403</b>	1,249	815
Net result from continuing and discontinued operations (before minority interests)	<b>4,842</b>	3,687	4,841

Amounts for 2012 and 2011 have been restated to reflect the changes in accounting policies for defined benefit pension schemes as disclosed in the section **Changes in accounting policies in 2013** on page F-11.

References relate to the notes starting on page F-11. These form an integral part of the consolidated annual accounts.

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Consolidated profit and loss account of ING Group continued

**for the years ended 31 December**

amounts in millions of euros	2013	2012	2011
Net result from continuing and discontinued operations attributable to:			
Equityholders of the parent	4,577	3,526	4,754
Minority interests	265	161	87
	4,842	3,687	4,841
Net result from continuing operations attributable to:			
Equityholders of the parent	4,343	2,335	3,944
Minority interests	96	103	82
	4,439	2,438	4,026
Net result from discontinued operations attributable to:			
Equityholders of the parent	234	1,191	810
Minority interests	169	58	5
	403	1,249	815
amounts in euros	2013	2012	2011
<b>Earnings per share 37</b>			
Basic earnings per ordinary share	1.06	0.76	0.85
Diluted earnings per ordinary share	1.06	0.76	0.85
<b>Earnings per share from continuing operations 37</b>			
Basic earnings per ordinary share from continuing operations	1.00	0.45	0.64
Diluted earnings per ordinary share from continuing operations	1.00	0.45	0.64
<b>Earnings per share from discontinued operations 37</b>			
Basic earnings per ordinary share from discontinued operations	0.06	0.31	0.21
Diluted earnings per ordinary share from discontinued operations	0.06	0.31	0.21
<b>Dividend per ordinary share 38</b>	0.00	0.00	0.00

Amounts for 2012 and 2011 have been restated to reflect the changes in accounting policies for defined benefit pension schemes as disclosed in the section 'Changes in accounting policies in 2013' on page F-11.

References relate to the notes starting on page F-11. 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	<b>2013</b>	2012	2011
Net result from continuing and discontinued operations	<b>4,842</b>	3,687	4,841
Items that will not be reclassified to the profit and loss account:			
Remeasurement of the net defined benefit asset/liability <b>44</b>	<b>942</b>	3,221	1,100
Unrealised revaluations property in own use	<b>7</b>	22	12
Items that may be reclassified subsequently to the profit and loss account:			
Unrealised revaluations available-for-sale investments and other	<b>4,824</b>	6,941	831
Realised gains/losses transferred to the profit and loss account	<b>79</b>	840	723
Changes in cash flow hedge reserve	<b>827</b>	737	1,124
Transfer to insurance liabilities/DAC	<b>1,944</b>	2,181	2,004
Share of other comprehensive income of associates	<b>6</b>	29	319
Exchange rate differences and other	<b>2,094</b>	670	158
<b>Total comprehensive income</b>	<b>1,981</b>	4,460	6,764
Comprehensive income attributable to:			
Equityholders of the parent	<b>2,009</b>	4,217	6,681
Minority interests	<b>28</b>	243	83
	<b>1,981</b>	4,460	6,764

Amounts for 2012 and 2011 have been restated to reflect the changes in accounting policies for defined benefit pension schemes as disclosed in the section "Changes in accounting policies in 2013" on page F-11.

Reference is made to Note 45 "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		2013	2012	2011
<b>Result before tax <sup>(1)</sup></b>		<b>6,289</b>	4,559	5,891
Adjusted for:	depreciation	765	777	1,514
	deferred acquisition costs and value of business acquired	1,282	484	277
	change in provisions for insurance and investment contracts	8,503	3,174	4,239
	addition to loan loss provisions	2,289	2,125	1,670
	other	3,345	4,842	1,523
Taxation paid		1,656	745	1,353
Changes in:	amounts due from banks, not available on demand	9,400	5,272	7,188
	trading assets	651	7,367	1,754
	non-trading derivatives	2,151	1,779	1,988
	other financial assets at fair value through profit and loss	1,899	2,417	474
	loans and advances to customers	4,284	1,387	23,702
	other assets	2,542	596	59
	amounts due to banks, not payable on demand	10,266	26,459	6,731
	customer deposits and other funds on deposit	25,585	27,718	27,019
	trading liabilities	10,172	24,031	369
	other financial liabilities at fair value through profit and loss	3,429	1,376	207
	other liabilities	11,772	2,246	3,931
<b>Net cash flow from operating activities</b>		<b>8,418</b>	9,260	14,139
Investments and advances:	associates	68	26	140
	available-for-sale investments	132,318	143,681	223,544
	real estate investments	200	60	32
	property and equipment	388	423	499
	assets subject to operating leases	82		1,188
	investments for risk of policyholders	56,008	67,986	57,130
	other investments	343	369	340
Disposals and redemptions:	group companies	4,638	6,536	4,120
	associates	462	92	383
	available-for-sale investments	129,243	137,418	219,442
	held-to-maturity investments	3,439	2,308	2,370
	real estate investments	265	290	118

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property and equipment	61	71	67
assets subject to operating leases			43
investments for risk of policyholders	65,528	72,201	61,898
loans	4,309	7,268	927
other investments	7	9	9
<b>Net cash flow from investing activities</b>	<b>39</b>	<b>9,269</b>	<b>576</b>
Repayments of subordinated loans	1,470	10	2,356
Proceeds from borrowed funds and debt securities	156,663	332,492	428,381
Repayments of borrowed funds and debt securities	164,738	333,165	429,997
Repayment of non-voting equity securities	750	750	2,000
Repurchase premium <sup>(2)</sup>	375	375	1,000
Payments to acquire treasury shares		17	
Sales of treasury shares	119	160	41
Proceeds of ING U.S.	14	1,848	
<b>Net cash flow from financing activities</b>	<b>8,703</b>	<b>1,665</b>	<b>6,931</b>
<b>Net cash flow</b>	<b>40</b>	<b>7,852</b>	<b>10,349</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>24,150</b>	<b>34,280</b>	<b>20,768</b>
Effect of exchange rate changes on cash and cash equivalents	882	219	200
<b>Cash and cash equivalents at end of year</b>	<b>41</b>	<b>17,180</b>	<b>24,150</b>

(1) Result before tax includes results from continuing operations of EUR 5,971 million (2012: EUR 3,270 million; 2011: EUR 5,076 million) as well as results from discontinued operations of EUR 318 million (after tax EUR 345 million), for 2012 EUR 1,289 million (after tax EUR 1,197 million) and for 2011 EUR 815 million (after tax EUR 815 million).

(2) 2013 includes the repurchase premium paid on the repayment of EUR 750 million (2012: 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 2013 Cash and cash equivalents includes cash and balances with central banks of EUR 13,316 million (2012: EUR 17,657 million; 2011: EUR 31,194 million). Reference is made to Note 41 Cash and Cash equivalents .

Amounts for 2012 and 2011 have been restated to reflect the changes in accounting policies for defined benefit pension schemes as disclosed in the section Changes in accounting policies in 2013 on page F-11.

References relate to the notes starting on page F-11. 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 2011 (before change in accounting policy)	919	16,034	20,767	37,720	5,000	729	43,449
Effect of change in accounting policy			739	739			739
Balance at 1 January 2011 (after change in accounting policy)	919	16,034	20,028	36,981	5,000	729	42,710
Remeasurement of the net defined benefit asset/liability			1,100	1,100			1,100
Unrealised revaluations property in own use			12	12			12
Unrealised revaluations available-for-sale investments and other			830	830		1	831
Realised gains/losses transferred to the profit and loss account			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
Share of other comprehensive income of associates			319	319			319
Exchange rate differences and other			153	153		5	158
Total amount recognised directly in equity (other comprehensive income)			1,927	1,927		4	1,923
Net result from continuing and discontinued operations			4,754	4,754		87	4,841
Total comprehensive income			6,681	6,681		83	6,764
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 and other						1	1
Dividend						34	34
Purchase/sale of treasury shares			50	50			50
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Balance as at 31 December 2011	919	16,034	25,874	42,827	3,000	777	46,604
Remeasurement of the net defined benefit asset/liability <b>44</b>			3,221	3,221			3,221
Unrealised revaluations property in own use			22	22			22
Unrealised revaluations available-for-sale investments and other			6,932	6,932		9	6,941
Realised gains/losses transferred to the profit and loss account			840	840			840
Changes in cash flow hedge reserve			718	718		19	737
Transfer to insurance liabilities/DAC			2,181	2,181			2,181
Share of other comprehensive income of associates			29	29			29
Exchange rate differences and other			724	724		54	670
Total amount recognised directly in equity (other comprehensive income)			691	691		82	773
Net result from continuing and discontinued operations			3,526	3,526		161	3,687
Total comprehensive income			4,217	4,217		243	4,460
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 and other						628	628
Dividend						6	6
Purchase/sale of treasury shares			255	255			255
Balance as at 31 December 2012	919	16,034	29,978	46,931	2,250	1,643	50,824

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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 2013	919	16,034	29,978	46,931	2,250	1,643	50,824
Remeasurement of the net defined benefit asset/liability 44			905	905		37	942
Unrealised revaluations property in own use			7	7			7
Unrealised revaluations available-for-sale investments and other			5,086	5,086		262	4,824
Realised gains/losses transferred to the profit and loss account			114	114		35	79
Changes in cash flow hedge reserve			812	812		15	827
Transfer to insurance liabilities/DAC			2,200	2,200		256	1,944
Share of other comprehensive income of associates			6	6			6
Exchange rate differences and other			1,868	1,868		226	2,094
Total amount recognised directly in equity (other comprehensive income)			6,586	6,586		237	6,823
Net result from continuing and discontinued operations			4,577	4,577		265	4,842
Total comprehensive income			2,009	2,009		28	1,981
Repayment of non-voting equity securities					750		750
Repurchase premium			375	375			375
Changes in the composition of the group and other			119	119		112	7
Dividend						13	13
Impact of ING U.S. 14			2,526	2,526		4,348	1,822
Purchase/sale of treasury shares			378	378			378
Exercise of warrants and options	2	4	84	78		19	59
Balance as at 31 December 2013	921	16,038	25,481	42,440	1,500	5,913	49,853

Changes in individual components are presented in Note 14 Equity .

Amounts for 2012 and 2011 have been restated to reflect the changes in accounting policies for defined benefit pension schemes as disclosed in the section Changes in accounting policies in 2013 on page F-11.

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Notes to the consolidated financial statements

**amounts in millions 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**

##### **NOTES TO THE ACCOUNTING POLICIES**

###### **AUTHORISATION OF ANNUAL ACCOUNTS**

The consolidated annual accounts of ING Groep N.V. for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Executive Board on 17 March 2014. 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 the section 'ING at a glance' in section 1.

###### **1 ACCOUNTING POLICIES**

ING Group prepares financial information in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board 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. The term 'IFRS-IASB' is used to refer to International Financial Reporting Standards as issued by the International Accounting Standards Board, including the decisions ING Group made with regard to the options available under IFRS-IASB.

IFRS-IASB provides several 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; and

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 ACCOUNTING POLICIES IN 2013**

The following new and/or amended IFRS-IASB standards were implemented by ING Group in 2013:

Amendments to IAS 19 Employee Benefits ;

Amendments to IAS 1 Presentation of Financial Statements ;

Amendments to IFRS 7 Financial instruments: Disclosures ; and

IFRS 13 Fair Value Measurement ;

IFRS 10 Consolidated Financial Statements ;

IFRS 11 Joint Arrangements and amendments to IAS 28 Investments in Associates and Joint Ventures ; and

IFRS 12 Disclosure of Interests in Other Entities .

#### **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 return on plan assets to be determined using a high-quality corporate bond rate, equal to the discount rate of the defined benefit obligation; until 2012 management's best estimate was applied. The amendments also introduce a number of other changes and extended disclosure requirements. The implementation of the amendments to IAS 19 resulted in the recognition of accumulated actuarial gains and losses in equity as at 1 January 2013; more information is provided in Note 44 Pension and other post-employment benefits . As a result, Shareholders' equity decreased with EUR 2.6 billion after tax (EUR 3.5 billion before tax) on 1 January 2013. The recognition of actuarial gains and losses in equity will create volatility in equity going forward. The changes in IAS 19 are implemented retrospectively; as a result, comparative figures for previous years have been restated and are presented as if the new requirements were always applied. The impact of changes in IAS 19 is included in the table

below.

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**Amendments to IAS 1 Presentation of Financial Statements**

The amendments to IAS 1 Presentation of Financial Statements resulted in changes to the presentation in the Consolidated 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 is 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 introduced additional disclosures on offsetting (netting) of financial instruments in the balance sheet and on the potential effect of netting arrangements. There is no impact on Shareholders' equity, Net result and/or Other comprehensive income. Reference is made to Note 52 Offsetting financial assets and liabilities .

**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 did 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 for non-financial assets and liabilities. Reference is made to Note 46 Fair value of assets and liabilities .

**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 2013, 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 requirements in IFRS 10 are generally similar to the policies and interpretations that ING Group applied. The implementation of IFRS 10 has no impact on Shareholders' equity, Net result and/or Other comprehensive income. The impact of IFRS 10 is included in the table below.

**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 has no impact on Shareholders

equity, Net result and/or Other comprehensive income. The impact of IFRS 11 is included in the table below.

**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. ING Group will implement the new requirements as of 2014. There is no impact on Shareholders equity, Net result and/or Other comprehensive income.



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**Changes in accounting policies in 2013: Impact on Total equity**

	31 December 2012	31 December 2011	1 January 2011
Total Shareholders' equity (before change in accounting policy)	49,511	42,452	37,720
IAS 19: Change in Other assets - net defined benefit asset	3,032	758	-979
IAS 19: Change in Other liabilities - net defined benefit liability	484	352	
IAS 19: Change in Liabilities held for sale	7		
IAS 19: Change in net defined benefit asset/liability before tax	3,523	406	-979
IAS 19: Tax effect	943	31	240
IAS 19: Shareholders' equity (after change in accounting policy)	46,931	42,827	36,981
IFRS 10: Assets held for sale	1,350		
IFRS 10: Liabilities held for sale	788		
IFRS 10: Minority interest	562		
IFRS 10 Impact on Shareholders' equity	0		
IFRS 11: Investment in associates	203		
IFRS 11: Real estate investments	384		
IFRS 11: Other investments	39		
IFRS 11: Assets held for sale	2,876		
IFRS 11: Other liabilities	220		
IFRS 11: Liabilities held for sale	2,876		
IFRS 11 Impact on Shareholders' equity	0		
Total Shareholders' equity (after change in accounting policy)	46,931	42,827	36,981

**Changes in accounting policies in 2013: Impact on Net result**

	2012	2011
Net result from continuing operations (before change in accounting policy)	2,171	4,011
Impact on staff expenses - Pension and other staff-related benefit costs	354	19
Tax effect	87	4
	1,249	815

Discontinued operations after tax (after change in accounting policy)

Net result from continuing and discontinued operations (after change in accounting policy)	3,687	4,841
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**Changes in accounting policies in 2013: Impact on Other comprehensive income**

	2012	2011
Total amount recognised directly in equity (before change in accounting policy)	3,995	824
Remeasurement of the net defined benefit asset/liability	3,577	452
Tax effect	716	91
Total amount recognised directly in equity (after change in accounting policy)	1,134	1,185

**Changes in accounting policies in 2013: Impact on basic earnings per ordinary share**

	Amount (in millions of euros)		Weighted average number of ordinary shares outstanding during the period (in millions)		Per ordinary share (in euros)	
	2012	2011	2012	2011	2012	2011
Basic earnings (before change in accounting policy)	2,617	3,219	3,796.1	3,783.1	0.69	0.85
Impact of change in accounting policy	319	15			0.08	
Basic earnings (after change in accounting policy)	2,936	3,234	3,796.1	3,783.1	0.77	0.85

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**Changes in accounting policies in 2013: Impact on diluted earnings per ordinary share**

	Amount (in millions of euros)		Weighted average number of ordinary shares outstanding during the period (in millions)		Per ordinary share (in euros)	
	2012	2011	2012	2011	2012	2011
Diluted earnings (before change in accounting policy)	2,617	3,219	3,796.1	3,783.1	0.69	0.85
Impact of change in accounting policy	319	15			0.08	
Diluted earnings (after change in accounting policy)	2,936	3,234	3,796.1	3,783.1	0.77	0.85

IAS 19 was implemented retrospectively with restatement of comparative periods. The transition guidance for the adoption of IFRS 10, IFRS 11 and IFRS 12 provides a relief from full retrospective application whereby an entity need only make a retrospective adjustment for the annual period immediately preceding the date of initial application of these standards. Therefore, all information for 2011 is not adjusted for IFRS 10, IFRS 11 and IFRS 12 and is prepared on the same basis as in prior years.

The impact of changes in IAS 19 on 2013 is mainly related to the recognition of the Net defined benefit asset/liability remeasurement in Equity. As disclosed in Note 14 Equity the amount of the Net defined benefit asset/liability remeasurement reserve was EUR 3,766 million at 31 December 2013 (31 December 2012: EUR 2,861 million). Without the changes in IAS 19, this negative reserve would not have been deducted from Equity.

As a result of the retrospective change in accounting policies set out above, the Consolidated balance sheet of ING Group includes an additional balance sheet as at 31 December 2011.

**OTHER SIGNIFICANT CHANGES IN 2013**

The comparison of balance sheet items between 31 December 2013 and 31 December 2012 is impacted by the Initial Public Offering ( IPO ) and second tranche sale of ING U.S. Inc, ING 's U.S.-based retirement, investment and insurance business ( ING U.S. ), the classification of ING U.S. as held for sale and discontinued operations, the classification to continuing operations of ING Life Japan and the Japanese Closed Block VA guarantees reinsured to ING Re ( ING Japan ), the divestment of companies as disclosed in Note 55 Companies and businesses acquired and divested and by the held for sale classification as disclosed in Note 12 Assets and liabilities held for sale and Note 36 Discontinued operations .

Changes in assets and liabilities due to the classification of ING U.S. as held for sale and discontinued operations, the classification to continuing operations of ING Japan and as a result of other disposal groups classification as held for sale are included in the notes in the line Changes in the composition of the group and other changes .

In February 2014, before the finalisation of the 2013 consolidated financial statements, ING Verzekeringen N.V. (ING Insurance) and ING Insurance Topholding N.V. legally merged. Through this merger, the legal entity ING Insurance ceased to exist. Subsequently, on 1 March 2014, the newly merged entity was renamed NN Group. The newly combined entity NN Group is in substance a continuation of ING Insurance.

### **ING U.S.**

In May 2013, ING U.S. was successfully listed on the NYSE. As a result of the IPO, ING's ownership interest in ING U.S. was reduced from 100% to 71.25%. In October 2013, the sale of a second tranche further reduced ING Group's interest in ING U.S. to approximately 57%. In light of ING's intention to divest its remaining interest in ING U.S. over time ING U.S. is classified as held for sale and discontinued operations. Reference is made to Note 59 Other events .

### **ING Japan**

After carefully exploring and evaluating the options available for the divestment of ING Life Japan, it was concluded that a standalone divestment of ING Life Japan, including its Corporate Owned Life Insurance (COLI) and Closed Block VA businesses, is not feasible in a manner that would appropriately meet the demands of regulators and other stakeholders in ING Group and ING Life Japan. Therefore, ING Life Japan will be included with ING's European insurance and investment management businesses in the base case IPO of ING Insurance in 2014. As a result, ING Life Japan and the Japanese Closed Block VA guarantees reinsured to ING Re ( ING Japan ) are no longer classified as held for sale and discontinued operations. Reference is made to Note 59 Other events .

Based on the above events, changes were made to the segment reporting as disclosed in Note 42 Segments .

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.

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**UPCOMING CHANGES IN IFRS-IASB AFTER 2013**

The following new or revised standards and interpretations will become effective for ING Group from 1 January 2014:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27);

Amendments to IAS 32 Presentation - Offsetting Financial Assets and Financial Liabilities ;

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting ;

IFRIC 21 Levies ; and

Amendments to IAS 36 Recoverable amount disclosures for non-financial assets .

None of these will have a significant impact on ING.

IFRS 9 Financial Instruments was originally issued in November 2009, reissued in October 2010, and then amended in November 2013. Further amendments are expected to be finalised in 2014. The current version of IFRS 9 does not include a mandatory effective date. An effective date will be added when all phases of the project are complete and a final version of IFRS 9 is issued. The mandatory effective date of IFRS 9 is expected to be 2018. IFRS 9 is also not yet endorsed by the EU. Implementation of IFRS 9, if and when finalised and endorsed by the EU, may have a significant impact on Shareholders' equity, Net result and/or Other comprehensive income.

**UPCOMING OTHER CHANGES IN ACCOUNTING POLICIES IN 2014**

**Accounting for GMDB in Japan Closed Block VA**

ING Insurance has moved towards fair value accounting on the reserves for Guaranteed Minimum Death Benefits (GMDB) of the Japan Closed Block VA as of 1 January 2014. Reference is made to Note 60 Subsequent events .

**RECONCILIATION BETWEEN IFRS-EU AND IFRS-IASB**

The published 2013 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.

In addition, IFRS-EU differs from IFRS-IASB in respect of IFRS 10, 11 and 12. These requirements, which are explained above, are effective under IFRS-IASB as of 2013. Under IFRS-EU, these are effective as of 2014.

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 below.

Both IFRS-EU and IFRS-IASB differ in several areas from accounting principles generally accepted in the United States of America ( US GAAP ).

#### Reconciliation shareholders equity and net result under IFRS-IASB and IFRS-EU

	Shareholders equity			Net result		
	2013	2012	2011	2013	2012	2011
In accordance with IFRS-IASB	42,440	46,931	42,827	4,842	3,687	4,841
Adjustment of the EU IAS 39 carve-out	4,698	6,504	5,648	-1,806	856	1,383
Tax effect of the adjustment	-1,197	1,658	1,437	461	-221	-356
<b>Effect of adjustment after tax</b>	<b>3,501</b>	<b>4,846</b>	<b>4,211</b>	<b>-1,345</b>	<b>635</b>	<b>1,027</b>
Adjustment IFRS 10/11/12	0	0	0	-58	-52	0
<b>In accordance with IFRS-EU</b>	<b>45,941</b>	<b>51,777</b>	<b>47,038</b>	<b>3,439</b>	<b>4,270</b>	<b>5,868</b>

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**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, loan loss provisions, 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 significantly 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, assumptions related to these items that could have a significant 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 significant 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 significant effect on insurance provisions and underwriting expenditure.

The process of defining methodologies and assumptions for insurance provisions, DAC and VOBA is governed by NN Group risk management as described in the Risk management section.

Reference is made to the Risk management section for a sensitivity analysis of net result 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



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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.

Reference is made to Note 46 Fair value of assets and liabilities for more disclosure on fair values of real estate investments.

The valuation of real estate involves various assumptions and techniques. The use of different assumptions and techniques could produce significantly different valuations. Consequently, the fair values presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of future fair values. 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 based on unadjusted 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.

To include credit risk in the fair valuation, ING applies both credit and debit valuation adjustments (CVA, DVA). Own issued debt and structured notes that are valued at fair value are adjusted for credit risk by means of a DVA.

Additionally, derivatives valued at fair value are adjusted for credit risk by a CVA. The CVA is of a bilateral nature as both the credit risk on the counterparty as well as the credit risk on ING are included in the adjustment. All market data that is used in the determination of the CVA is based on market implied data. Additionally, wrong-way risk (when exposure to a counterparty is increasing and the credit quality of that counterparty decreases) and right way risk (when exposure to a counterparty is decreasing and the credit quality of that counterparty increases) are included in the adjustment. ING also applies CVA for pricing credit risk into new external trades with counterparties.

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 46 Fair value of 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 a significant or

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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 net defined benefit asset/liability recognised in the balance sheet in respect of the defined benefit pension plans is the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date.

The determination of the defined benefit obligation 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 (in particular based on market yields on high quality corporate bonds), rates of increase in future salary and benefit levels, mortality rates, trend rates in health care costs and consumer price index and are updated on a quarterly basis.

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 net defined benefit asset/ liabilities and future pension costs. Reference is made to Note 44 Pension and other post-employment benefits for the weighted averages of basic actuarial assumptions in connection with pension and other post-employment benefits.

## **PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS**

### **Consolidation**

ING Group ( the Group ) comprises ING Groep N.V. ( the Company ), NN Group 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 56 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. Financial interests for risk of policyholders are not taken into account when the policyholders decide on the investment allocations of their insurance policies and assume all risks and benefits on these investments.

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.

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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 (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.

Upon classification as held for sale, the carrying amount of the disposal group (or group of assets) is compared to their fair value less cost to sell. If the fair value less cost to sell is lower than the carrying value, this expected loss is recognised through a reduction of the carrying value of any goodwill related to the disposal group or the carrying value of certain other non-current non-financial assets to the extent that the carrying value of those assets exceeds their fair value. Any excess of the expected loss over the reduction of the carrying amount of these relevant assets is not recognised upon classification as held for sale, but is recognised as part of the result on disposal if and when a divestment transaction occurs.

Classification into or out of held for sale does not result in restating comparative amounts in the balance sheet.

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.

### **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 .

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### **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 29 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 14 Equity, 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 46 Fair value of assets and liabilities for the basis of the determination of the fair value of financial instruments.

### **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 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.



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### ***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.

***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.

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***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 53 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.

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.

ING Group applies fair value hedge accounting to portfolio hedges of interest rate risk (macro hedging) under the EU carve out of IFRS-IASB. The EU carve-out macro hedging enables a group of derivatives (or proportions) to be viewed in combination and jointly designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies. Under the IFRS-IASB carve-out, hedge accounting may be applied to core deposits and ineffectiveness only arises when the revised estimate of the amount of cash flows in scheduled time buckets falls below the designated amount of that bucket.

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ING Group applies fair value hedge accounting for portfolio hedges of interest rate risk (macro hedging) under the EU carve-out to its retail operations. The net exposures of retail funding (savings and current accounts) and retail lending (mortgages) are hedged. The hedging activities are designated under a portfolio fair value hedge on the mortgages. Changes in the fair value of the derivatives are recognised in the profit and loss account, together with the fair value adjustment on the mortgages (hedged items) insofar as attributable to interest rate risk (the hedged risk).

***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, Amounts due from banks, or Financial assets at fair value through profit and loss - Trading assets, 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;

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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-IASB. 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.



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### **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, 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 significant 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. 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 direct properties in its main locations, the yields applied in the 2013 year-end valuation generally are in the range of 5% to 8%.

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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.

### ***Disposals***

The difference between the proceeds on disposal and net carrying value is recognised in the profit and loss account under Other income.

### ***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.

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Notes to the consolidated financial statements continued

### **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.

### ***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.

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### ***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

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.

### **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.



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***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-IASB 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-IASB. 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-IASB 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-IASB.

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 generally 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.

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.

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***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 same segment (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.

#### ***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**

##### ***Defined benefit plans***

The net defined benefit asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date.

Plan assets are measured at fair value at the balance sheet date. For determining the pension expense, the return on plan assets is determined using a high quality corporate bond rate identical to the discount rate used in determining the defined benefit obligation.

Changes in plan assets that effect Shareholders' equity and/or Net result, include mainly:

return on plan assets using a high quality corporate bond rate at the start of the reporting period which are recognised as staff costs in the profit and loss account; and

remeasurements which are recognised in Other comprehensive income (equity).

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The defined benefit obligation is calculated by internal and external actuaries through actuarial models and calculations using the projected unit credit method. This method considers expected future payments required to settle the obligation resulting from employee service in the current and prior periods, discounted using a high quality corporate bond rate. 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 level of indexation. The assumptions are based on available market data as well as management expectations and are updated regularly. 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 obligation and future pension costs.

Changes in the defined benefit obligation that effects Shareholders' equity and/or Net result, include mainly:

service cost which are recognised as staff costs in the profit and loss account;

interest expenses using a high quality corporate bond rate at the start of the period which are recognised as staff costs in the profit and loss account; and

remeasurements which are recognised in Other comprehensive income (equity).

Remeasurements recognised in other comprehensive income are not recycled to profit and loss. Any past service cost relating to a plan amendment is recognised in profit or loss in the period of the plan amendment. Gains and losses on curtailments and settlements are recognised in the profit and loss account when the curtailment or settlement occurs.

The recognition of a net defined benefit asset in the consolidated balance sheet is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

***Defined contribution plans***

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 in the profit and loss 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 significant using a before 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.

### **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.

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Notes to the consolidated financial statements continued

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.

### **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.



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**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 THE CONSOLIDATED ANNUAL ACCOUNTS****ASSETS****2 CASH AND BALANCES WITH CENTRAL BANKS****Cash and balances with central banks**

	<b>2013</b>	2012
Amounts held at central banks	<b>10,625</b>	13,847
Cash and bank balances	<b>2,471</b>	3,671
Short term deposits insurance operations	<b>220</b>	139
	<b>13,316</b>	17,657

Amounts held at central banks reflect on demand balances.

**3 AMOUNTS DUE FROM BANKS****Amounts due from banks**

	Netherlands		International		Total	
	<b>2013</b>	2012	<b>2013</b>	2012	<b>2013</b>	2012
Loans and advances to banks	<b>10,911</b>	14,527	<b>30,011</b>	22,775	<b>40,922</b>	37,302
Cash advances, overdrafts and other balances	<b>1,634</b>	1,227	<b>475</b>	552	<b>2,109</b>	1,779
	<b>12,545</b>	15,754	<b>30,486</b>	23,327	<b>43,031</b>	39,081
Loan loss provisions			<b>19</b>	28	<b>19</b>	28
	<b>12,545</b>	15,754	<b>30,467</b>	23,299	<b>43,012</b>	39,053

Loans and advances to banks include balances (mainly short-term deposits) with central banks amounting to EUR 5,393 million (2012: EUR 1,057 million).

As at 31 December 2013, Amounts due from banks includes receivables with regard to securities which have been acquired in reverse repurchase transactions amounting to EUR 5,137 million (2012: EUR 1,109 million) and receivables related to finance lease contracts amounting to EUR 73 million (2012: EUR 133 million).

Reference is made to Note 51 Transfer of financial assets for information on securities lending as well as sale and repurchase transactions.

As at 31 December 2013, the non-subordinated receivables amounts to EUR 43,011 million (2012: EUR 39,050 million) and the subordinated receivables amounts to EUR 1 million (2012: EUR 3 million).

No individual amount due from banks has terms and conditions that significantly affect the amount, timing or certainty of consolidated cash flows of the Group. For details on significant concentrations see Risk management section.

#### 4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

<b>Financial assets at fair value through profit and loss</b>	<b>2013</b>	<b>2012</b>
Trading assets	<b>114,247</b>	114,895
Investments for risk of policyholders	<b>39,589</b>	98,765
Non-trading derivatives	<b>8,546</b>	13,951
Designated as at fair value through profit and loss	<b>2,790</b>	4,760
	<b>165,172</b>	232,371

The change in Financial assets at fair value through profit and loss includes EUR 78,101 million as a result of the classification of ING U.S. as held for sale and EUR 16,357 million as a result of the classification to continuing operations of ING Japan. Reference is made to Note 59 Other events .

Reference is made to Note 51 Transfer of financial assets for information on securities lending as well as sale and repurchase transactions.

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**Trading assets****Trading assets by type**

	<b>2013</b>	2012
Equity securities	<b>13,619</b>	5,307
Debt securities	<b>18,890</b>	17,472
Derivatives	<b>31,433</b>	55,166
Loans and receivables	<b>50,305</b>	36,950
	<b>114,247</b>	114,895

Trading equity securities increased significantly in 2013 due to increased client facilitation. Most securities hedge accompanying swap transactions.

As at 31 December 2013, Trading assets includes receivables of EUR 48,690 million (2012: EUR 35,575 million) with regard to reverse repurchase transactions.

Trading assets and trading liabilities include assets and liabilities that are classified under IFRS-IASB as Trading but are closely related to servicing the needs of the clients of ING Group. 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-IASB, these are directly 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-IASB does not allow netting of these positions in the balance sheet. Reference is made to Note 21 Financial liabilities at fair value through profit and loss for information on trading liabilities.

**Investments for risk of policyholders****Investments for risk of policyholders by type**

<b>2013</b>	2012
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Equity securities	<b>36,919</b>	89,994
Debt securities	<b>1,821</b>	6,940
Loans and receivables	<b>849</b>	1,831
	<b>39,589</b>	98,765

Investments in investment funds (with underlying investments in debt, equity securities, real estate and derivatives) are included under equity securities.

### Non-trading derivatives

<b>Non-trading derivatives by type</b>	<b>2013</b>	<b>2012</b>
Derivatives used in		
fair value hedges	<b>1,383</b>	2,926
cash flow hedges	<b>4,630</b>	7,471
hedges of net investments in foreign operations	<b>138</b>	49
Other non-trading derivatives	<b>2,395</b>	3,505
	<b>8,546</b>	13,951

Other non-trading derivatives mainly includes interest rate swaps for which no hedge accounting is applied.

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**Designated as at fair value through profit and loss**

<b>Designated as at fair value through profit and loss by type</b>	<b>2013</b>	<b>2012</b>
Equity securities	437	13
Debt securities	1,289	2,682
Loans and receivables	1,052	1,169
Other	12	896
	<b>2,790</b>	<b>4,760</b>

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 111 million (2012: EUR 61 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 4 million (2012: EUR 6 million) and the change for the current year was EUR 2 million (2012: EUR 3 million).

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.

**5 INVESTMENTS**

<b>Investments by type</b>	<b>2013</b>	<b>2012</b>
<b>Available-for-sale</b>		
equity securities	7,265	7,707
debt securities	130,632	185,877

	<b>137,897</b>	193,584
<b>Held-to-maturity</b>		
debt securities	<b>3,098</b>	6,545
	<b>3,098</b>	6,545
	<b>140,995</b>	200,129

Equity securities in 2013 include EUR 1,832 million shares in ING managed investment funds and EUR 1,759 million shares in third party managed investment funds.

### Exposure to debt securities

ING Group's exposure to debt securities is included in the following balance sheet lines:

<b>Debt securities</b>	<b>2013</b>	2012
Available-for-sale investments	<b>130,632</b>	185,877
Held-to-maturity investments	<b>3,098</b>	6,545
Loans and advances to customers	<b>21,914</b>	26,945
Amounts due from banks	<b>3,059</b>	3,386
Available-for-sale investments and Assets at amortised cost	<b>158,703</b>	222,753
Trading assets	<b>18,890</b>	17,472
Investments for risk of policyholders	<b>1,821</b>	6,940
Designated as at fair value through profit and loss	<b>1,289</b>	2,682
Financial assets at fair value through profit and loss	<b>22,000</b>	27,094
	<b>180,703</b>	249,847

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ING Group's total exposure to debt securities included in available-for-sale investments and assets at amortised cost of EUR 158,703 million (2012: EUR 222,753 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	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Government bonds	<b>52,629</b>	48,007	<b>50</b>	330	<b>3,654</b>	7,641			<b>56,333</b>	55,978
Covered bonds	<b>8,216</b>	7,363	<b>2,563</b>	5,558	<b>4,559</b>	5,408	<b>3,059</b>	3,249	<b>18,397</b>	21,578
Corporate bonds	<b>1,576</b>	900			<b>805</b>	438			<b>2,381</b>	1,338
Financial institutions bonds	<b>11,855</b>	14,094	<b>130</b>	301	<b>81</b>	91		137	<b>12,066</b>	14,623
Bond portfolio (excluding ABS)	<b>74,276</b>	70,364	<b>2,743</b>	6,189	<b>9,099</b>	13,578	<b>3,059</b>	3,386	<b>89,177</b>	93,517
US agency RMBS	<b>334</b>	426							<b>334</b>	426
US prime RMBS	<b>12</b>	12							<b>12</b>	12
US Alt-A RMBS	<b>84</b>	156							<b>84</b>	156
US subprime RMBS	<b>13</b>	23							<b>13</b>	23
Non-US RMBS	<b>185</b>	286			<b>4,493</b>	4,970			<b>4,678</b>	5,256
CDO/CLO	<b>20</b>	162							<b>20</b>	162
Other ABS	<b>296</b>	107	<b>355</b>	356	<b>1,739</b>	1,789			<b>2,390</b>	2,252
CMBS	<b>18</b>	109			<b>104</b>	285			<b>122</b>	394



ABS portfolio	<b>962</b>	1,281	<b>355</b>	356	<b>6,336</b>	7,044		<b>7,653</b>	8,681	
	<b>75,238</b>	71,645	<b>3,098</b>	6,545	<b>15,435</b>	20,622	<b>3,059</b>	3,386	<b>96,830</b>	102,198

**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	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Government bonds	<b>43,307</b>	49,420							<b>43,307</b>	49,420
Covered bonds	<b>721</b>	996							<b>721</b>	996
Corporate bonds	<b>6,436</b>	43,072							<b>6,436</b>	43,072
Financial institutions bonds	<b>4,303</b>	9,037							<b>4,303</b>	9,037
<b>Bond portfolio (excluding ABS)</b>	<b>54,767</b>	102,525							<b>54,767</b>	102,525
US agency RMBS	<b>143</b>	4,216							<b>143</b>	4,216
US prime RMBS	<b>1</b>	1,025							<b>1</b>	1,025
US Alt-A RMBS	<b>5</b>	284							<b>5</b>	284
US subprime RMBS		733								733
Non-US RMBS	<b>210</b>	215			<b>3,410</b>	3,745			<b>3,620</b>	3,960
CDO/CLO	<b>39</b>	129			<b>197</b>	290			<b>236</b>	419
Other ABS	<b>218</b>	1,441			<b>2,531</b>	1,997			<b>2,749</b>	3,438
CMBS	<b>11</b>	3,664			<b>341</b>	291			<b>352</b>	3,955
<b>ABS portfolio</b>	<b>627</b>	11,707			<b>6,479</b>	6,323			<b>7,106</b>	18,030
	<b>55,394</b>	114,232			<b>6,479</b>	6,323			<b>61,873</b>	120,555

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**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	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Government bonds	<b>95,936</b>	97,427	<b>50</b>	330	<b>3,654</b>	7,641			<b>99,640</b>	105,398
Covered bonds	<b>8,937</b>	8,359	<b>2,563</b>	5,558	<b>4,559</b>	5,408	<b>3,059</b>	3,249	<b>19,118</b>	22,574
Corporate bonds	<b>8,012</b>	43,972			<b>805</b>	438			<b>8,817</b>	44,410
Financial institutions bonds	<b>16,158</b>	23,131	<b>130</b>	301	<b>81</b>	91		137	<b>16,369</b>	23,660
Bond portfolio (excluding ABS)	<b>129,043</b>	172,889	<b>2,743</b>	6,189	<b>9,099</b>	13,578	<b>3,059</b>	3,386	<b>143,944</b>	196,042
US agency RMBS	<b>477</b>	4,642							<b>477</b>	4,642
US prime RMBS	<b>13</b>	1,037							<b>13</b>	1,037
US Alt-A RMBS	<b>89</b>	440							<b>89</b>	440
US subprime RMBS	<b>13</b>	756							<b>13</b>	756
Non-US RMBS	<b>395</b>	501			<b>7,903</b>	8,715			<b>8,298</b>	9,216
CDO/CLO	<b>59</b>	291			<b>197</b>	290			<b>256</b>	581
Other ABS	<b>514</b>	1,548	<b>355</b>	356	<b>4,270</b>	3,786			<b>5,139</b>	5,690
CMBS	<b>29</b>	3,773			<b>445</b>	576			<b>474</b>	4,349
ABS portfolio	<b>1,589</b>	12,988	<b>355</b>	356	<b>12,815</b>	13,367			<b>14,759</b>	26,711
	<b>130,632</b>	185,877	<b>3,098</b>	6,545	<b>21,914</b>	26,945	<b>3,059</b>	3,386	<b>158,703</b>	222,753

Approximately 90% of the exposure in the ABS portfolio is externally rated AAA, AA or A.

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 2013 amounts to EUR 2.5 billion (USD 3.4 billion). Reference is made to Note 55 Companies and businesses acquired and divested and Note 58 Related parties .

### Debt securities - Exposure to certain Asset backed securities

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.

### Exposures, revaluations and losses on certain ABS bonds

	31 December 2013			Change in 2013		31 December 2012	
	Balance sheet value <sup>(1)</sup>	tax revaluation reserve	Changes through equity (before tax)	Changes through profit and loss (before tax)	Other changes	Balance sheet value <sup>(1)</sup>	tax revaluation reserve
US subprime RMBS	13		35		778	756	35
US Alt-A RMBS	96		59		303	457	59
CDO/CLO	376	8	29		399	804	21
CMBS	475	1	39		3,923	4,437	38
<b>Total</b>	<b>960</b>	<b>9</b>	<b>92</b>		<b>5,403</b>	<b>6,454</b>	<b>83</b>

<sup>(1)</sup> For assets classified as loans and advances to customers: amortised cost; otherwise: fair value.

Reference is made to Note 46 Fair value of assets and liabilities for disclosure by fair value hierarchy and Note 25 Investment income for impairments on available-for-sale debt securities.

### Debt securities - Exposure to Government bonds and Unsecured Financial institutions bonds on Greece, Italy, Ireland, Portugal, Spain and Cyprus

#### 2013

Since 2010 concerns arose regarding the creditworthiness of certain 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.



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As at 31 December 2013, 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 revaluation reserve (before tax) in equity is as follows:

**Greece, Italy, Ireland, Portugal, Spain and Cyprus - Government bonds and Unsecured Financial institutions bonds <sup>(1)</sup>**

<b>2013</b>	<b>Balance sheet value</b>	<b>Revaluation reserve (before tax)</b>	<b>Impairments (before tax)</b>	<b>Amortised cost value</b>	<b>Fair value of investments held-to-maturity</b>
<b>Greece</b>					
Government bonds available-for-sale	105	59		46	
<b>Italy</b>					
Government bonds available-for-sale	2,650	90		2,560	
Government bonds at amortised cost (loans)	102			102	
Financial institutions available-for-sale	233	1		234	
Financial institutions at amortised cost (held-to-maturity)	30			30	30
<b>Ireland</b>					
Government bonds available-for-sale	59	6		53	
Financial institutions available-for-sale	15			15	
<b>Portugal</b>					
Government bonds available-for-sale	497	3		494	
Financial institutions available-for-sale	35	1		34	
<b>Spain</b>					
Government bonds available-for-sale	1,323	49		1,372	
Government bonds at amortised cost (held-to-maturity)	50			50	51
Financial institutions available-for-sale	82	3		79	
<b>Cyprus</b>					
Government bonds available-for-sale	10			10	
<b>Total</b>	<b>5,191</b>	<b>112</b>		<b>5,079</b>	<b>81</b>

<sup>(1)</sup> Exposures are included based on the country of residence.

The revaluation reserve on debt securities includes EUR 4,354 million (before tax) related to Government bonds. This amount comprises EUR 109 million positive revaluation reserve for Government bonds from Greece, Italy, Ireland, Portugal, Spain and Cyprus and EUR 4,289 million positive revaluation reserves for Government bonds from other countries.

## 2012

As 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 revaluation reserve (before tax) in equity was as follows:

### Greece, Italy, Ireland, Portugal, Spain and Cyprus - Government bonds and Unsecured Financial institutions bonds <sup>(1)</sup>

	Balance sheet value	Revaluation reserve (before tax)	Impairments (before tax)	Amortised cost value	Fair value of investments held-to-maturity
<b>2012</b>					
<b>Greece</b>					
Government bonds available-for-sale	76	31		45	
<b>Italy</b>					
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
<b>Ireland</b>					
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
<b>Portugal</b>					
Government bonds available-for-sale	627	17		644	
Financial institutions available-for-sale	77	1		76	
<b>Spain</b>					
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	
<b>Cyprus</b>					
Government bonds available-for-sale	13	5		18	
<b>Total</b>	<b>5,181</b>	<b>261</b>	<b>11</b>	<b>5,452</b>	<b>117</b>

<sup>(1)</sup> Exposures are included based on the country of residence.

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The revaluation reserve on debt securities included EUR 7,977 million (before tax) related to Government bonds. This amount comprised EUR 255 million negative revaluation reserve for Government bonds from Greece, Italy, Ireland, Portugal, Spain and Cyprus, which was more than offset by EUR 8,232 million positive revaluation reserves for Government bonds from other countries.

On 21 July 2011, a Private Sector Involvement ( PSI ) to support Greece was announced. This initiative involved a voluntary exchange of existing Greek government bonds together with a Buyback Facility. In 2012, the agreement under the 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 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 was included in Investment income .

Reference is made to Note 46 Fair value of assets and liabilities for disclosure by fair value hierarchy and Note 25 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****Changes in available-for-sale and held-to-maturity investments**

	Available-for-sale equity securities		Available-for-sale debt securities		Held-to-maturity		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Opening balance	7,707	9,305	185,877	199,234	6,545	8,868	200,129	217,407
Additions	954	3,563	123,668	141,430			124,622	144,993
Amortisation			650	371	6	15	656	386
Transfers and reclassifications			282				282	
Changes in unrealised revaluations	23	1,082	7,470	10,345	1		7,448	11,427

Impairments	<b>177</b>	181	<b>11</b>	64			<b>188</b>	245
Reversals of impairments			<b>4</b>	8			<b>4</b>	8
Disposals and redemptions	<b>1,599</b>	4,737	<b>118,718</b>	132,681	<b>3,439</b>	2,308	<b>123,756</b>	139,726
Exchange rate differences	<b>48</b>	2	<b>4,365</b>	1,104			<b>4,413</b>	1,102
Changes in the composition of the group and other changes	<b>405</b>	1,327	<b>47,421</b>	30,920	<b>1</b>		<b>47,017</b>	32,247
Closing balance	<b>7,265</b>	7,707	<b>130,632</b>	185,877	<b>3,098</b>	6,545	<b>140,995</b>	200,129

In 2013, Changes in the composition of the group and other changes includes EUR 55,501 million as a result of the classification of ING U.S. as held for sale and EUR 9,674 million as a result of the classification to continuing operations of ING Japan. Reference is made to Note 59 Other events .

The decrease in Held-to-maturity debt securities is mainly due to redemptions.

In 2012, Changes in the composition of the group and other changes related 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 12 Assets and liabilities held for sale and Note 55 Companies and businesses acquired and divested .

Reference is made to Note 25 Investment income for details on Impairments.

#### Transfers and reclassifications of available-for-sale and held-to-maturity investments

#### 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	
	2013	2012	2013	2012	2013	2012	2013	2012
To/from loans and advances to customers/amounts due from banks			<b>282</b>				<b>282</b>	
			<b>282</b>				<b>282</b>	



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In 2013, To/from loans and advances to customers/amounts due from banks in relation to Available-for-sale debt securities relates to a debt security that was reclassified to Loans and advances to customers because there is no active market.

**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.

In 2012, the decrease in the carrying value of the reclassified Loans and advances compared to 2011 was mainly due to disposals.

**Reclassifications to Loans and advances to customers and Amounts due from banks**

	Q2 2009	Q1 2009	Q4 2008
<b>As per reclassification date</b>			
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:**

<b>2013</b>			
Carrying value as at 31 December	<b>1,098</b>	<b>7,461</b>	<b>366</b>
Fair value as at 31 December	<b>1,108</b>	<b>7,215</b>	<b>422</b>
Unrealised fair value losses recognised in shareholders equity (before tax) as at 31 December	<b>111</b>	<b>137</b>	<b>nil</b>
Effect on shareholders equity (before tax) as at 31 December if reclassification had not been made	<b>10</b>	<b>246</b>	<b>56</b>
Effect on result (before tax) if reclassification had not been made	<b>nil</b>	<b>nil</b>	<b>nil</b>
Effect on result (before tax) for the year (interest income and sales results)	<b>10</b>	<b>188</b>	<b>20</b>
Recognised impairments (before tax)	<b>nil</b>	<b>nil</b>	<b>nil</b>
Recognised provision for credit losses (before tax)	<b>nil</b>	<b>nil</b>	<b>nil</b>
<b>2012</b>			
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 results)	47	164	22
Recognised impairments (before tax)	nil	nil	nil
Recognised provision for credit losses (before tax)	nil	nil	nil
<b>2011</b>			
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

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**Reclassifications to Loans and advances to customers and Amounts due from banks  
(continued)**

	Q2 2009	Q1 2009	Q4 2008
<b>2010</b>			
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
<b>2009</b>			
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 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
<b>2008</b>			
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	
	2013	2012	2013	2012	2013	2012
Banking operations	<b>1,134</b>	1,944	<b>511</b>	690	<b>1,645</b>	2,634
Insurance operations	<b>2,688</b>	2,297	<b>2,932</b>	2,776	<b>5,620</b>	5,073
	<b>3,822</b>	4,241	<b>3,443</b>	3,466	<b>7,265</b>	7,707

**Debt securities by banking and insurance operations**

	Available-for-sale		Held-to-maturity		Total	
	2013	2012	2013	2012	2013	2012
Banking operations	<b>75,238</b>	71,645	<b>3,098</b>	6,545	<b>78,336</b>	78,190
Insurance operations	<b>55,394</b>	114,232			<b>55,394</b>	114,232
	<b>130,632</b>	185,877	<b>3,098</b>	6,545	<b>133,730</b>	192,422

Reference is made to Note 51 "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 (2012: nil).

Investments in connection with the insurance operations with a combined carrying value of nil (2012: nil) did not produce any income for the year ended 31 December 2013.

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**6 LOANS AND ADVANCES TO CUSTOMERS****Loans and advances to customers by banking and insurance operations**

	<b>2013</b>	2012
Banking operations	<b>506,355</b>	536,600
Insurance operations	<b>25,360</b>	25,866
	<b>531,715</b>	562,466
Eliminations	<b>4,750</b>	5,566
	<b>526,965</b>	556,900

**Loans and advances to customers by type banking operations**

	Netherlands		International		Total	
	<b>2013</b>	2012	<b>2013</b>	2012	<b>2013</b>	2012
Loans to, or guaranteed by, public authorities	<b>29,132</b>	35,857	<b>15,119</b>	14,917	<b>44,251</b>	50,774
Loans secured by mortgages	<b>139,463</b>	153,594	<b>147,764</b>	152,369	<b>287,227</b>	305,963
Loans guaranteed by credit institutions	<b>776</b>	114	<b>3,367</b>	6,049	<b>4,143</b>	6,163
Personal lending	<b>4,857</b>	5,048	<b>21,904</b>	19,550	<b>26,761</b>	24,598
Asset backed securities			<b>6,336</b>	7,044	<b>6,336</b>	7,044
Corporate loans	<b>43,868</b>	42,891	<b>99,904</b>	104,644	<b>143,772</b>	147,535
	<b>218,096</b>	237,504	<b>294,394</b>	304,573	<b>512,490</b>	542,077
Loan loss provisions	<b>2,970</b>	2,445	<b>3,165</b>	3,032	<b>6,135</b>	5,477
	<b>215,126</b>	235,059	<b>291,229</b>	301,541	<b>506,355</b>	536,600

**Loans and advances to customers analysed by subordination banking operations**

	<b>2013</b>	2012
Non-subordinated	<b>505,859</b>	536,390
Subordinated	<b>496</b>	210
	<b>506,355</b>	536,600

Reference is made to Note 51 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	
	2013	2012	2013	2012	2013	2012
Policy loans	33	38	146	1,704	179	1,742
Loans secured by mortgages	15,364	6,376	9	7,327	15,373	13,703
Unsecured loans	2,498	2,113	70	1,231	2,568	3,344
Asset backed securities	6,479	6,323			6,479	6,323
Other	835	338	14	527	849	865
	25,209	15,188	239	10,789	25,448	25,977
Loan loss provisions	83	68	5	43	88	111
	25,126	15,120	234	10,746	25,360	25,866

As at 31 December 2013, 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 810 million (2012: EUR 320 million).

No individual loan or advance has terms and conditions that significantly affect the amount, timing or certainty of the consolidated cash flows of the Group. For details on significant concentrations see Risk management section.

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Loans and advances to customers and Amounts due from banks include finance lease receivables, are detailed as follows:

<b>Finance lease receivables</b>	<b>2013</b>	<b>2012</b>
Maturities of gross investment in finance lease receivables		
within 1 year	<b>3,924</b>	4,969
more than 1 year but less than 5 years	<b>7,239</b>	8,926
more than 5 years	<b>4,949</b>	5,497
	<b>16,112</b>	19,392
Unearned future finance income on finance leases	<b>2,364</b>	2,996
Net investment in finance leases	<b>13,748</b>	16,396
Maturities of net investment in finance lease receivables		
within 1 year	<b>3,424</b>	4,310
more than 1 year but less than 5 years	<b>6,283</b>	7,673
more than 5 years	<b>4,041</b>	4,413
	<b>13,748</b>	16,396
Included in Amounts due from banks	<b>73</b>	133
Included in Loans and advances to customers	<b>13,675</b>	16,263
	<b>13,748</b>	16,396

The allowance for uncollectable finance lease receivables includes in the loan loss provisions amount to EUR 344 million as at 31 December 2013 (2012: EUR 322 million).

No individual finance lease receivable has terms and conditions that significantly affect the amount, timing or certainty of the consolidated cash flows of the Group.

**Loan loss provisions analysed by type banking operations**

	Netherlands		International		Total	
	<b>2013</b>	2012	<b>2013</b>	2012	<b>2013</b>	2012
Loans to, or guaranteed by, public authorities			<b>2</b>	2	<b>2</b>	2
Loans secured by mortgages	<b>1,265</b>	878	<b>630</b>	710	<b>1,895</b>	1,588

Loans guaranteed by credit institutions			<b>22</b>	30	<b>22</b>	30
Personal lending	<b>139</b>	144	<b>672</b>	650	<b>811</b>	794
Asset backed securities			<b>142</b>	76	<b>142</b>	76
Corporate loans	<b>1,566</b>	1,423	<b>1,716</b>	1,592	<b>3,282</b>	3,015
	<b>2,970</b>	2,445	<b>3,184</b>	3,060	<b>6,154</b>	5,505
The closing balance is included in						
Amounts due from banks			<b>19</b>	28	<b>19</b>	28
Loans and advances to customers	<b>2,970</b>	2,445	<b>3,165</b>	3,032	<b>6,135</b>	5,477
	<b>2,970</b>	2,445	<b>3,184</b>	3,060	<b>6,154</b>	5,505

### Changes in loan loss provisions

	Banking operations		Insurance operations		Total	
	2013	2012	2013	2012	2013	2012
Opening balance	<b>5,505</b>	4,950	<b>111</b>	124	<b>5,616</b>	5,074
Write-offs	<b>1,609</b>	1,682	<b>31</b>	39	<b>1,640</b>	1,721
Recoveries	<b>116</b>	142	<b>1</b>		<b>117</b>	142
Increase in loan loss provisions	<b>2,289</b>	2,125	<b>42</b>	29	<b>2,331</b>	2,154
Exchange rate differences	<b>109</b>	20	<b>2</b>	1	<b>111</b>	21
Changes in the composition of the group and other changes	<b>38</b>	50	<b>33</b>	4	<b>71</b>	54
Closing balance	<b>6,154</b>	5,505	<b>88</b>	111	<b>6,242</b>	5,616

In 2013, Changes in the composition of the group and other changes includes EUR 5 million as a result of the classification of ING U.S. as held for sale and nil as a result of the classification to continuing operations of ING Japan. Reference is made to Note 59 Other events . Furthermore Changes in the composition of the group and other changes relates to the sale of ING s mortgage business in Mexico. Reference is made to Note 55 Companies and businesses acquired and divested .



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In 2013, the decrease in Loans and advances to customers includes the repayments of EUR 6.1 billion by the Dutch State on the IABF loan.

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 .

**7 INVESTMENTS IN ASSOCIATES****Investments in associates**

<b>2013</b>	<b>Interest held (%)</b>	<b>Fair value of listed investment</b>	<b>Balance sheet value</b>	<b>Total assets</b>	<b>Total liabilities</b>	<b>Total income</b>	<b>Total expenses</b>
TMB Public Company Limited	30	601	556	16,397	15,068	464	358
SulAmérica S.A.	21	332	186	4,655	3,787	2,752	2,692
CBRE Lionbrook Property Partnership LP	29		146	567	55	79	27
CBRE Retail Property Fund Iberica LP	29		118	1,322	902		67
CBRE Property Fund Central Europe LP	25		100	850	450	45	39
CBRE Retail Property Fund France Belgium C.V.	15		77	1,336	822	71	78
CBRE French Residential Fund C.V.	42		76	240	58	12	10
CBRE Retail Property Fund Central and Eastern Europe	21		51	688	439	47	55
Other investments in associates			696				
				2,006			

TMB Public Company Limited ( TMB ), is a public listed retail bank in Thailand. SulAmérica S.A., is a public listed Insurance company in Brazil. The other associates are mainly real estate investments funds or vehicles operating predominately in Europe.

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 25 million (2012: EUR 39 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.

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.

The associates of ING are subject to legal and regulatory restrictions regarding the amount of dividends it can pay to ING. These restrictions are for example dependant on the laws in the country of incorporation for declaring dividends or as a result of minimum capital requirements that are imposed by industry regulators in the countries in which the associates operate. In addition, the associates also consider other factors in determining the appropriate levels of equity needed. These factors and limitations include, but are not limited to, rating agency and regulatory views, which can change over time.

#### 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
SulAmérica 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			803				
			2,406				

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**Changes in Investments in associates**

	<b>2013</b>	2012
Opening balance	<b>2,406</b>	2,370
Additions	<b>68</b>	26
Revaluations	<b>56</b>	10
Share of results	<b>114</b>	55
Dividends received	<b>51</b>	82
Disposals	<b>350</b>	92
Impairments		1
Exchange rate differences	<b>124</b>	22
Changes in the composition of the group and other changes	<b>113</b>	162
Closing balance	<b>2,006</b>	2,406

**Revaluations**

In 2013, Revaluations includes EUR 2 million (2012: nil) relating to TMB, EUR 2 million (2012: nil) relating to SulAmérica S.A. and the remainder to individually not significant associates.

**Share of results**

In 2013, Share of results of EUR 114 million (2012: EUR 55 million) and impairments of nil (2012: EUR 1 million) are presented in the profit and loss account in Share of result from associates for EUR 114 million (2012: EUR 54 million).

In 2013, Share of results includes EUR 24 million (2012: EUR 16 million) relating to TMB, EUR 128 million (2012: EUR 80 million) relating to SulAmérica S.A. and the remainder to individually not significant associates.

**Disposals**

In 2013, ING reduced its 36.5% stake in SulAmérica S.A. to approximately 21.5% through two separate transactions. Under the International Finance Corporation transaction, ING sold a stake of approximately 7.9% in SulAmérica S.A. for a total consideration of approximately EUR 140 million. Under the terms of the Larragoiti transaction, ING sold a stake in SulAmérica S.A. of approximately 7% to the Larragoiti family, swap its remaining indirect stake for tradable units, and unwind the existing shareholder's agreement. A net gain/loss of EUR 64 million (EUR 64 million after tax) is recognised in the Result on disposal of Group companies in the profit and loss account on these transactions.

On 7 January 2014, ING completed the sale to Swiss Re Group of 37.7 million units in SulAmérica S.A. The transaction further reduced ING's stake in the Brazilian insurance holding to approximately 10.3%. ING received a total cash consideration of EUR 176 million. The transaction resulted in a net gain to ING of EUR 56 million which

represents the difference between the book value and the fair value for both the 11.3% stake in scope of the transaction with Swiss Re and the 10% stake retained by ING. The net gain will be recognised in the first quarter of 2014 and the remaining stake will be accounted for as an available for sale investment from 2014.

### Exchange rate differences

In 2013, Exchange rate differences includes EUR 54 million (2012: EUR 7 million) relating to TMB, EUR 42 million (2012: EUR 42 million) relating to SulAmérica S.A. and the remainder to individually not significant associates.

### Changes in the composition of the group and other changes

In 2013, Changes in the composition of the group and other changes includes EUR 62 million as a result of the classification of ING U.S. as held for sale and EUR 17 million as a result of the classification to continuing operations of ING Japan. Reference is made to Note 59 Other events .

## 8 REAL ESTATE INVESTMENTS

### Changes in real estate investments

	2013	2012
Opening balance	904	1,670
Additions	200	60
Transfers to and from Other assets	61	8
Fair value gains/(losses)	5	59
Disposals	265	290
Exchange rate differences	2	7
Changes in the composition of the group and other changes	39	476
Closing balance	810	904

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In 2013, Changes in the composition of the group and other changes includes EUR 6 million as a result of the classification of ING U.S. as held for sale and nil as a result of the classification to continuing operations of ING Japan. Reference is made to Note 59 Other events .

<b>Real estate investments by banking and insurance operations</b>	<b>2013</b>	<b>2012</b>
Banking operations	91	151
Insurance operations	719	753
	<b>810</b>	<b>904</b>

The total amount of rental income recognised in the profit and loss account for the year ended 31 December 2013 is EUR 137 million (2012: EUR 162 million). The total amount of contingent rent recognised in the profit and loss account for the year ended 31 December 2013 is nil (2012: 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 2013 is EUR 58 million (2012: EUR 77 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 2013 is EUR 7 million (2012: EUR 15 million).

<b>Real estate investments by year of most recent appraisal by independent qualified valuers</b>	<b>2013</b>	<b>2012</b>
in percentages		
Most recent appraisal in the current year	100	99
Most recent appraisal two years ago		1
	<b>100</b>	<b>100</b>

ING Group s exposure to real estate is included in the following balance sheet lines:

<b>Real estate exposure</b>	<b>2013</b>	<b>2012</b>
Real estate investments	810	904

Investments in associates	<b>1,205</b>	1,437
Other assets – property development and obtained from foreclosures	<b>945</b>	1,220
Property and equipment – property in own use	<b>1,243</b>	1,423
Investments – available-for-sale	<b>1,495</b>	1,649
	<b>5,698</b>	6,633

Furthermore, the exposure is impacted by third party interests, leverage in funds and off-balance commitments, resulting in an overall exposure of EUR 7.4 billion (2012: EUR 8.7 billion) of which EUR 2.6 billion (2012: EUR 3.3 billion) relates to banking operations and EUR 4.8 billion (2012: EUR 5.4 billion) relates to insurance operations. Reference is made to the section Risk management .

## 9 PROPERTY AND EQUIPMENT

<b>Property and equipment by type</b>	<b>2013</b>	2012
Property in own use	<b>1,243</b>	1,423
Equipment	<b>1,134</b>	1,246
Assets under operating leases	<b>69</b>	5
	<b>2,446</b>	2,674

<b>Property in own use by banking and insurance operations</b>	<b>2013</b>	2012
Banking operations	<b>1,143</b>	1,203
Insurance operations	<b>100</b>	220
	<b>1,243</b>	1,423

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**Changes in property in own use**

	2013	2012
Opening balance	1,423	1,535
Additions	39	30
Transfers to and from Other assets	2	1
Depreciation	24	25
Revaluations	4	30
Impairments	30	24
Reversal of impairments	5	7
Disposals	34	49
Exchange rate differences	26	5
Changes in the composition of the group and other changes	104	25
Closing balance	1,243	1,423
Gross carrying amount as at 31 December	2,128	2,276
Accumulated depreciation as at 31 December	696	682
Accumulated impairments as at 31 December	189	171
Net carrying value as at 31 December	1,243	1,423
<b>Revaluation surplus</b>		
Opening balance	470	498
Revaluation in the year	5	27
Released in the year	16	1
Closing balance	449	470

In 2013, Changes in the composition of the group and other changes includes EUR 104 million as a result of the classification of ING U.S. as held for sale and nil as a result of the classification to continuing operations of ING Japan. Reference is made to Note 59 Other events .

The cost or the purchase price amounted to EUR 1,680 million (2012: EUR 1,806 million). Cost or the purchase price less accumulated depreciation and impairments would have been EUR 794 million (2012: EUR 953 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	2013	2012
Most recent appraisal in the current year	63	63

Most recent appraisal one year ago	17	11
Most recent appraisal two years ago	10	13
Most recent appraisal three years ago	4	8
Most recent appraisal four years ago	6	5
	100	100

**Changes in equipment**

	Data processing equipment and other equipment		Fixtures and fittings		Total	
	2013	2012	2013	2012	2013	2012
Opening balance	338	363	908	982	1,246	1,345
Additions	175	187	169	206	344	393
Disposals	18	7	9	15	27	22
Depreciation	161	181	215	226	376	407
Impairments		1		1		2
Exchange rate differences	10	4	14	6	24	10
Changes in the composition of the group and other changes	10	27	19	44	29	71
Closing balance	314	338	820	908	1,134	1,246
Gross carrying amount as at 31 December	1,347	1,623	2,498	2,579	3,845	4,202
Accumulated depreciation as at 31 December	1,032	1,284	1,678	1,671	2,710	2,955
Accumulated impairments as at 31 December	1	1			1	1
Net carrying value as at 31 December	314	338	820	908	1,134	1,246



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**10 INTANGIBLE ASSETS****Changes in intangible assets**

	Value of business acquired		Goodwill		Software		Other		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Opening balance	<b>513</b>	871	<b>1,304</b>	1,794	<b>633</b>	611	<b>189</b>	282	<b>2,639</b>	3,558
Additions					<b>171</b>	222			<b>171</b>	222
Capitalised expenses	<b>50</b>	83			<b>162</b>	146			<b>212</b>	229
Amortisation and unlocking	<b>25</b>	207			<b>289</b>	274	<b>40</b>	59	<b>354</b>	540
Impairments				48	<b>9</b>	4		3	<b>9</b>	55
Effect of unrealised revaluations in equity	<b>308</b>	140							<b>308</b>	140
Exchange rate differences	<b>7</b>	5	<b>167</b>	43	<b>6</b>	6	<b>7</b>	2	<b>187</b>	46
Disposals					<b>8</b>	9			<b>8</b>	9
Changes in the composition of the group and other changes	<b>819</b>	89		485	<b>40</b>	65	<b>72</b>	33	<b>931</b>	672
Closing balance	<b>20</b>	513	<b>1,137</b>	1,304	<b>614</b>	633	<b>70</b>	189	<b>1,841</b>	2,639
Gross carrying amount as at 31 December	<b>41</b>	1,977	<b>1,137</b>	1,966	<b>2,079</b>	2,144	<b>265</b>	493	<b>3,522</b>	6,580
Accumulated amortisation as at 31 December	<b>21</b>	1,464			<b>1,421</b>	1,476	<b>192</b>	256	<b>1,634</b>	3,196
Accumulated impairments as at 31 December				662	<b>44</b>	35	<b>3</b>	48	<b>47</b>	745
Net carrying value as at 31 December	<b>20</b>	513	<b>1,137</b>	1,304	<b>614</b>	633	<b>70</b>	189	<b>1,841</b>	2,639

In 2013, Changes in the composition of the group and other changes includes EUR 894 million as a result of the classification of ING U.S. as held for sale and EUR 5 million as a result of the classification to continuing operations of ING Japan. Reference is made to Note 59 Other events .

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 was recognised relating to the reporting unit Netherlands-Life (formerly Insurance Benelux). In the impairment test of Netherlands-Life, the IFRS book value (including goodwill) was 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 Netherlands-Life 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 Netherlands-Life 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 was 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 *Other*.

#### ***2012 Changes in composition of the group and other changes***

In 2012, *Changes in composition of the group and other changes* represented the reclassification of goodwill to *Assets held for sale* . This included all goodwill that related to businesses that were classified as held for sale. For 2012, the amount was EUR 485 million and related 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 related to were classified as held for sale, the related goodwill is no longer evaluated at the level of the reporting unit to which it is allocated in the regular goodwill impairment test. Instead, it is reviewed as part of the valuation of the disposal unit that was presented as held for sale. Reference is made to Note 12 *Assets and liabilities held for sale* .

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***Allocation of Goodwill to reporting units***

After the above changes, the remaining goodwill is allocated to goodwill reporting units as follows:

<b>Goodwill allocation to reporting units</b>	<b>2013</b>	<b>2012</b>
Retail Netherlands	<b>1</b>	1
Retail Belgium	<b>50</b>	50
Retail Germany	<b>349</b>	349
Retail Central Europe	<b>611</b>	764
Commercial Banking	<b>24</b>	24
Insurance Europe	<b>101</b>	114
	<b>1,137</b>	1,304

The changes in reportable segments as disclosed in Note 42 Segments resulted in the above reporting units but did not impact the outcome 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 where available the test includes the use of market prices for listed business units.

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.

## 11 DEFERRED ACQUISITION COSTS

### Changes in deferred acquisition costs

	Life insurance		Non-life insurance		Total	
	2013	2012	2013	2012	2013	2012
Opening balance	4,513	10,165	36	39	4,549	10,204
Capitalised	616	1,659	8	15	624	1,674
Amortisation and unlocking	1,885	1,051	7	15	1,892	1,066
Effect of unrealised revaluations in equity	660	251			660	251
Exchange rate differences	494	244			494	244
Changes in the composition of the group and other changes	2,094	5,765		3	2,094	5,768
Closing balance	1,316	4,513	37	36	1,353	4,549

For flexible life insurance contracts the growth rate assumption used to calculate the amortisation of the deferred acquisition costs for 2013 is 6.0% gross and 4.3% net of investment management fees (2012: 8.1% gross and 7.3% net of investment management fees). Percentages are based on the portfolios from continuing operations.

In 2013, Changes in the composition of the group and other changes includes EUR 4,416 million as a result of the classification of ING U.S. as held for sale and EUR 2,409 million as a result of the classification to continuing operations of ING Japan.

The separate reporting of the Japan Closed Block VA business line triggered a write-off of all deferred acquisition costs (DAC) related to the Japan Closed Block VA business of EUR 1,405 million, partly compensated by a release of the Life insurance provision related to

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unearned revenues of EUR 867 million. The write-off is included in Amortisation and unlocking for the year 2013. Reference is made to Note 59 Other events .

In 2012, Changes in the composition of the group related 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 12 Assets and liabilities held for sale .

**12 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 2013 Assets and liabilities held for sale relates to ING U.S., the remaining ING's Insurance and investment management businesses in Asia ( Asia ) excluding ING Japan.

As at 31 December 2012 Assets and liabilities held for sale related to ING's Insurance and investment management businesses in Asia ( Asia ) including ING Japan and ING Direct UK.

In light of ING's intention to divest its remaining interest in ING U.S. over time ING U.S. is classified as held for sale and discontinued operations.

After carefully exploring and evaluating the options available for the divestment of ING Life Japan, it was concluded that ING Life Japan will be included with ING's European insurance and investment management businesses in the base case IPO of NN Group in 2014. As a result, ING Life Japan and the Japanese Closed Block VA guarantees reinsured to ING Re ( ING Japan ) are no longer classified as held for sale as at 31 December 2013. Reference is made to Note 59 Other events .

During 2013, the divestments of the insurance businesses in Hong Kong, Macau and Thailand, the investment management business in Malaysia and Thailand, the Insurance joint ventures in South Korea and India and ING Direct UK closed. During 2012, the divestment of ING's insurance business in Malaysia was closed. As a result these businesses are no longer consolidated as at 31 December 2013. Furthermore, other divestments were agreed that are expected to close or closed in 2014, including ING Bob Life and the Taiwanese investment management businesses; these remain to be classified as held for sale as at 31 December 2013. Reference is made to Note 55 Companies and business acquired and divested . In addition, some other businesses remain in held for sale, for which no divestments have yet been concluded; this includes mainly ING U.S.

**Assets held for sale**

	<b>2013</b>	2012
Cash and balances with central banks	<b>2,275</b>	1,342
Amounts due from banks		123
Financial assets at fair value through profit and loss	<b>80,759</b>	28,038
Available-for-sale investments	<b>53,096</b>	24,805
Loans and advances to customers	<b>8,536</b>	8,705
Reinsurance contracts	<b>4,388</b>	98
Investments in associates	<b>147</b>	307
Real estate investments	<b>6</b>	
Property and equipment	<b>131</b>	56
Intangible assets	<b>875</b>	176
Deferred acquisition costs	<b>4,430</b>	5,124
Other assets	<b>2,242</b>	1,828
	<b>156,885</b>	66,946

**Liabilities held for sale**

	<b>2013</b>	2012
Debt securities in issue	<b>2,548</b>	
Other borrowed funds	<b>138</b>	
Insurance and investments contracts	<b>136,270</b>	51,198
Customer deposits and other funds on deposit		14,207
Financial liabilities at fair value through profit and loss	<b>2,554</b>	2,081
Other liabilities	<b>4,892</b>	325
	<b>146,402</b>	67,811

Included in Shareholders' equity is cumulative other comprehensive income of EUR 35 million (2012: EUR 1,957 million) related to Assets and liabilities held for sale.

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### **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 58 Related parties . However, none of these businesses qualify as held for sale as at 31 December 2013 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.

### **Goodwill**

Intangible assets under Assets held for sale includes goodwill that relates to businesses that are classified as held for sale (2013: nil; 2012: EUR 485 million). In 2012, EUR 485 million goodwill was reclassified to Assets held for sale. This related 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 related to ING Life Korea, EUR 15 million related to ING Vysya Life Insurance and EUR 16 million related to ING Direct UK was written off, as the related businesses were expected to be sold below carrying value. In 2013, goodwill of EUR 42 million related to Investment Management Taiwan was written off. The developments in the sales process of Investment Management Taiwan during 2013 (resulting in a sale in January 2014) indicated that the expected sales proceeds was no longer above the carrying value. The related charges are included in the profit and loss account in Net result from discontinued operations (for the Insurance and Investment Management businesses in Asia) and in Result on disposals of group companies (for ING Direct UK).

### **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 (unadjusted) quoted prices in active markets (Level 1), valuation techniques supported by 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 46 Fair value of assets and liabilities for more details on the fair value hierarchy.

The fair values of the financial instruments carried at fair value were determined as follows:

**Methods applied in determining fair values of financial assets and liabilities - Held for sale**

2013	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Investments for risk of policyholders	72,897	3,944	9	76,850
Non-trading derivatives	1	833	69	903
Financial assets designated as at fair value through profit and loss	1,250	943	813	3,006
Available-for-sale investments	4,605	47,878	613	53,096
	78,753	53,598	1,504	133,855
<b>Financial liabilities</b>				
Non-trading derivatives	231	1,015	1,308	2,554
Investment contracts (for contracts at fair value)	1,988	3,903	9	5,900
	2,219	4,918	1,317	8,454

**Methods applied in determining fair values of financial assets and liabilities - Held for sale**

2012	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
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	1,350	2,640	15	4,005
Available-for-sale investments	16,180	8,386	239	24,805
	40,000	12,473	370	52,843
<b>Financial liabilities</b>				
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 at fair value)	95			95
	382	1,794		2,176



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The fair values of the non-financial assets carried at fair value were determined as follows:

**Methods applied in determining fair values of non-financial assets - Held for sale**

<b>2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Real estate investments			<b>6</b>	<b>6</b>
Property in own use			<b>102</b>	<b>102</b>
			<b>108</b>	<b>108</b>

**13 OTHER ASSETS****Other assets by type**

	<b>2013</b>	2012	2011
Net defined benefit assets	<b>1,006</b>	1,590	4,520
Deferred tax assets	<b>1,380</b>	2,244	2,702
Reinsurance and insurance receivables	<b>635</b>	1,763	1,971
Property development and obtained from foreclosures	<b>945</b>	1,220	1,584
Income tax receivable	<b>597</b>	558	542
Accrued interest and rents	<b>9,988</b>	12,356	14,387
Other accrued assets	<b>961</b>	1,542	2,200
Other	<b>6,037</b>	5,150	3,769
	<b>21,549</b>	26,423	31,675

The change in Other assets includes EUR 2,495 million as a result of the classification of ING U.S. as held for sale and EUR 1,251 million as a result of the classification to continuing operations of ING Japan. Reference is made to Note 59 Other events .

Disclosures in respect of Net defined benefit assets are provided in Note 44 Pension and other post-employment benefits and deferred tax assets are provided in Note 45 Taxation .

**Reinsurance and insurance receivables****Reinsurance and insurance receivables**

	<b>2013</b>	2012
Receivables on account of direct insurance from		
policyholders	<b>500</b>	1,083
intermediaries	<b>51</b>	50
Reinsurance receivables	<b>84</b>	630
	<b>635</b>	1,763

The allowance for uncollectable reinsurance and insurance receivables amounts to EUR 62 million as at 31 December 2013 (2012: EUR 50 million). The allowance is deducted from this receivable.

### **Property development and obtained from foreclosures**

<b>Property development and obtained from foreclosures</b>		
	<b>2013</b>	2012
Property under development	<b>14</b>	163
Property developed	<b>857</b>	927
Property obtained from foreclosures	<b>74</b>	130
	<b>945</b>	1,220
Gross carrying amount as at 31 December	<b>1,800</b>	2,297
Accumulated impairments as at 31 December	<b>855</b>	1,077
Net carrying value	<b>945</b>	1,220

The total amount of borrowing costs relating to Property development and obtained from foreclosures, capitalised in 2013 is nil (2012: EUR 2 million).

### **Accrued interest and rents**

Accrued interest and rents includes EUR 4,541 million (2012: EUR 5,491 million) accrued interest on assets measured at amortised cost under the IAS 39 classification Loans and receivables.

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**Other**

Other includes EUR 3,400 million (2012: EUR 2,630 million) related to transactions still to be settled at balance sheet date.

**EQUITY****14 SHAREHOLDERS EQUITY (PARENT)/NON-VOTING EQUITY SECURITIES**

<b>Total equity</b>	<b>2013</b>	2012	2011
Share capital	<b>921</b>	919	919
Share premium	<b>16,038</b>	16,034	16,034
Revaluation reserve	<b>5,557</b>	10,476	5,550
Currency translation reserve	<b>2,161</b>	841	93
Net defined benefit asset/liability remeasurement reserve	<b>3,766</b>	2,861	361
Other reserves	<b>25,851</b>	23,204	19,870
Shareholders' equity (parent)	<b>42,440</b>	46,931	42,827
Non-voting equity securities	<b>1,500</b>	2,250	3,000
	<b>43,940</b>	49,181	45,827
Minority interests	<b>5,913</b>	1,643	777
<b>Total equity</b>	<b>49,853</b>	50,824	46,604

**Share capital****Share capital**

	<b>2013</b>	Ordinary shares (par value EUR 0.24)		<b>2013</b>	Amount	
		Number x1,000			2012	2011
Authorised share capital	<b>14,500,000</b>	14,500,000	14,500,000	<b>3,480</b>	3,480	3,480
Unissued share capital	<b>10,659,106</b>	10,668,439	10,668,439	<b>2,559</b>	2,561	2,561
<b>Issued share capital</b>	<b>3,840,894</b>	3,831,561	3,831,561	<b>921</b>	919	919

**Share capital**

	Ordinary shares (par value EUR 0.24)	
	Number x1,000	Amount
Issued share capital as at 1 January 2013	<b>3,831,561</b>	919
Issue of shares	<b>9,333</b>	2
<b>Issued share capital as at 31 December 2013</b>	<b>3,840,894</b>	921

In 2013, ING Groep N.V. issued 9.3 million (depository receipts for) ordinary shares at par value in order to fund obligations arising from share-based employee incentive programmes. No changes occurred in the issued share capital in 2012 and 2011.

***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 2013, 3,841 million of ordinary shares were issued and fully paid.

***Depository 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 depository receipts in bearer form for these shares. The depository receipts are listed on various stock exchanges. Depository receipts can be exchanged upon request of the holders of depository receipts for (non-listed) ordinary shares without any restriction, other than payment of an administrative fee of EUR 0.01 per depository receipt with a minimum of EUR 25 per exchange transaction.

The holder of a depository 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 depository 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 depository 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 depository receipts.

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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 2013, 4.0 million (2012: 30.1 million; 2011: 49.3 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. The obligations with regard to the existing stock option plan and the share plans will be funded either by cash or by newly issued shares at the discretion of ING Group.

**Share premium**

In 2013, share premium increased with EUR 4 million as a result of issuance of ordinary shares for share-based employee incentive programmes. No changes occurred in the share premium in 2012 and 2011.

**Revaluation reserve****Changes in revaluation reserve**

	Property in own use reserve	Available-for- sale reserve and other	Cash flow hedge reserve	Total
<b>2013</b>				
Opening balance	345	7,442	2,689	10,476
Unrealised revaluations	7	5,533		5,540
Realised gains/losses transferred to profit and loss		321		321
Changes in cash flow hedge reserve			812	812
Transfer to insurance liabilities/DAC		2,200		2,200
Impact of ING U.S.	4	444	2	446
Closing balance	334	3,344	1,879	5,557

Impact of ING U.S. relates to the IPO and second tranche sale of ING U.S. as explained in Note 59 Other events .

**Changes in revaluation reserve**

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2012	Property in own use reserve	Available-for- sale reserve and other	Cash flow hedge reserve	Total
Opening balance	367	3,212	1,971	5,550
Unrealised revaluations	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 in own use reserve	Available-for- sale reserve and other	Cash flow hedge reserve	Total
Opening balance	379	3,526	847	4,752
Unrealised revaluations	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

Transfer to insurance liabilities/DAC includes the change in the deferred profit sharing liability (net of deferred tax). Reference is made to Note 18 Insurance and investment contracts, reinsurance contracts .

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**Currency translation reserve****Changes in currency translation reserve**

	2013	2012	2011
Opening balance	841	93	79
Unrealised revaluations	335	142	167
Realised gains/losses transferred to profit and loss	213	68	
Exchange rate differences	1,868	724	153
Closing balance	2,161	841	93

Unrealised revaluations relates to changes in the value of hedging instruments that are designated as net investment hedges.

**Net defined benefit asset/liability remeasurement reserve**

Reference is made to Note 44 Pension and other post-employment benefits for information on the amounts recognised directly in equity (other comprehensive income) related to the net defined benefit asset/liability remeasurement.

**Other reserves****Changes in other reserves**

2013	Retained earnings	Share of associates reserve	Treasury shares	Other reserves	Total
Opening balance	27,168	1,526	410	5,080	23,204
Result for the year	4,577				4,577
Changes in treasury shares			378		378
Transfer to share of associates reserve	118	118			
Employee stock options and share plans	84				84
Repurchase premium	375				375
Impact of ING U.S.	2,041			39	2,080
Changes in composition of the group and other changes	231				231
Closing balance	29,358	1,644	32	5,119	25,851

Impact of ING U.S. relates to the IPO and second tranche sale of ING U.S. as explained in Note 59 Other events .

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**

2012	Retained earnings	Share of associates reserve	Treasury shares	Other reserves	Total
Opening balance	24,606	1,290	665	5,361	19,870
Result for the year	3,526				3,526
Unrealised revaluations	360			281	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	5,080	23,204

The repurchase premium of EUR 375 million is paid in relation to the repayment of the EUR 750 million non-voting equity securities.



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**Changes in other reserves**

2011	Retained earnings	Share of associates reserve	Treasury shares	Other reserves	Total
Opening balance	21,466	907	715	5,361	16,297
Result for the year	4,754				4,754
Unrealised revaluations	306	40			346
Changes in treasury shares			50		50
Transfer to share of associates reserve	423	423			
Employee stock options and share plans	115				115
Repurchase premium	1,000				1,000
Closing balance	24,606	1,290	665	5,361	19,870

The repurchase premium and interest of EUR 1 billion is paid in relation to the repayment of the EUR 2 billion non-voting equity securities.

**Changes in treasury shares**

	Amount			Number		
	2013	2012	2011	2013	2012	2011
Opening balance	<b>410</b>	665	715	<b>30,112,671</b>	49,305,917	51,300,101
Purchased/sold	<b>14</b>	86	17	<b>976,907</b>	14,554,460	625,803
Share-based payments	<b>100</b>	67	19	<b>6,698,947</b>	4,638,786	1,368,381
Other	<b>292</b>	102	14	<b>20,396,576</b>		
Closing balance	<b>32</b>	410	665	<b>3,994,055</b>	30,112,671	49,305,917

**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).

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 (DNB).

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 EUR 1.125 billion also including a 50% repurchase premium. On 6 November 2013, 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 1.500 billion non-voting equity securities (core Tier 1 securities) in two tranches over the next 2 years. While ING has committed to redeem these securities per the defined schedule, ING has the ability to accelerate payments if it is prudent under prevailing financial circumstance or defer a repayment in full or in part. In the latter 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 2.250 billion paid respectively in 2013 and 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 DNB. The terms for the remaining non-voting equity securities, remained unchanged. Reference is made to Note 58 Related parties .

#### **Ordinary shares - Restrictions with respect to dividend and repayment of capital**

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 2013, an amount of EUR 987 million (2012: EUR 911 million; 2011: EUR 836 million) related to the former Stichting Regio Bank and the former Stichting Vakbondsspaarbank SPN is included.

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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:

<b>2013</b>	<b>ING Bank</b>	<b>NN Group</b>	<b>Other</b>	<b>Total</b>
Equity invested	29,304	14,227	5,628	49,159
Non-distributable reserves	8,200	3,105	239	11,544
	<b>21,104</b>	<b>11,122</b>	<b>5,389</b>	<b>37,615</b>

Other in 2013 includes ING U.S.

<b>2012</b>	<b>ING Bank</b>	<b>NN Group</b>	<b>Other</b>	<b>Total</b>
Equity invested	30,117	26,423	151	56,691
Non-distributable reserves	4,007	7,253		11,260
	<b>26,110</b>	<b>19,170</b>	<b>151</b>	<b>45,431</b>

<b>2011</b>	<b>ING Bank</b>	<b>NN Group</b>	<b>Other</b>	<b>Total</b>
Equity invested	30,594	23,412	106	54,112
Non-distributable reserves	2,172	5,792		7,964
	<b>28,422</b>	<b>17,620</b>	<b>106</b>	<b>46,148</b>

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:

<b>2013</b>	<b>ING Bank</b>	<b>NN Group</b>	<b>Other</b>	<b>Total</b>
Equity invested	<b>29,304</b>	<b>14,227</b>	<b>5,628</b>	<b>49,159</b>
Regulatory capital invested	<b>46,496</b>	<b>11,074</b>	<b>9,897</b>	<b>67,467</b>
Required minimum regulatory capital	<b>26,913</b>	<b>4,393</b>	<b>3,760</b>	<b>35,066</b>
	<b>19,583</b>	<b>6,681</b>	<b>6,137</b>	<b>32,401</b>

Other in 2013 includes ING U.S.

2012	ING Bank	NN Group	Other	Total
Equity invested	30,117	26,423	151	56,691
Regulatory capital invested	47,116	22,448		69,564
Required minimum regulatory capital	28,767	9,523		38,290
	18,349	12,925		31,274

2011	ING Bank	NN Group	Other	Total
Equity invested	30,594	23,412	106	54,112
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

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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%.

**Minority interest**

In 2013, minority interests increased with EUR 4,358 million due to the IPO and second tranche sale of ING U.S., as explained in Note 59 "Other events". This amount represents approximately 43% of the net asset value under IFRS-IASB of ING U.S. The proportional interests held and key information on ING U.S. is included in the tables below.

**ING U.S., Inc - Balance sheet**

	<b>Interest held (%)</b>	<b>Total assets</b>	<b>Total liabilities</b>	<b>Total equity</b>	<b>Minority interests</b>
<b>2013</b>					
ING U.S. - total	<b>100</b>	<b>155,499</b>	<b>145,609</b>	<b>9,890</b>	
ING Group's share	<b>56.5</b>			<b>5,532</b>	<b>4,358</b>

**ING U.S., Inc - Profit and loss account**

	<b>Interest held (%)</b>	<b>Total income</b>	<b>Total expenses</b>	<b>Net result</b>	<b>Minority interests</b>
<b>2013</b>					
ING U.S. - total	<b>100</b>	<b>13,232</b>	<b>13,082</b>	<b>150</b>	

ING Group's share

56.5

39

111

**ING U.S., Inc - Statement of  
Comprehensive income**

<b>2013</b>	<b>Interest held (%)</b>	<b>Comprehensive income</b>	<b>Minority interests</b>
ING U.S. - total	<b>100</b>	<b>1,187</b>	
ING Group's share	<b>56.5</b>	<b>1,124</b>	<b>63</b>

Total assets and Total liabilities as presented above, to which the minority interest in ING U.S. relates, are all presented in the Consolidated balance sheet in Assets held-for-sale and Liabilities held-for-sale. Total income and Total expenses as presented above, to which the minority interest in ING U.S. relates, are all presented in the Consolidated profit and loss account in Net result from discontinued operations.

**Cumulative preference shares (not issued)**

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.

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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.

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.

**LIABILITIES****15 SUBORDINATED LOANS****Subordinated  
loans**

Interest rate	Year of issue	First call date	Step-up	Notional amount in original currency		Balance sheet value	
				Total	Lent on to ING	Lent on to NN	2013

					Bank	Group			
9.000%	2008	None		EUR	10			<b>10</b>	10
8.500%	2008	15 September 2013	No	USD	2,000	2,000			1,508
8.000%	2008	18 April 2013	No	EUR	1,500	1,050	450	<b>1,501</b>	1,502
7.375%	2007	15 October 2012	No	USD	1,500	500	1,000 <sup>(1)</sup>	<b>1,025</b>	1,137
6.375%	2007	15 June 2012	No	USD	1,045	1,045		<b>759</b>	792
5.140%	2006	17 March 2016	Yes	GBP	66	66		<b>79</b>	81
5.775%	2005	8 December 2015	Yes	USD	364	364		<b>272</b>	288
6.125%	2005	15 January 2011	No	USD	700	400	300 <sup>(1)</sup>	<b>486</b>	529
4.176%	2005	8 June 2015	Yes	EUR	169		169	<b>168</b>	168
Variable	2004	30 June 2014	No	EUR	555	555		<b>566</b>	558
6.200%	2003	15 January 2009	No	USD	500	500		<b>353</b>	369
Variable	2003	30 June 2013	No	EUR	430	430		<b>433</b>	427
7.200%	2002	15 December 2007	No	USD	1,100		1,100 <sup>(1)</sup>	<b>715</b>	820
7.050%	2002	15 September 2007	No	USD	800	800		<b>522</b>	597
								<b>6,889</b>	8,786

(1) These USD loans to NN Group were converted into EUR loans from 30 September 2013.

Subordinated loans consist of perpetual subordinated bonds issued by ING Groep N.V. These bonds have been issued to raise hybrid capital for NN Group (originally issued by ING Verzekeringen N.V.) and Tier 1 capital for ING Bank N.V. Under IFRS-IASB these bonds are classified as liabilities. They are considered capital for regulatory purposes.

### 2013 Call of perpetual subordinated loans

In December 2013, ING Group called the USD 2 billion 8.5% Tier 1 hybrid loan.

### 2011 Exchange offers

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. Of this amount, EUR 4.8 billion relates to securities issued by ING Groep N.V. and EUR 1.0 billion originally issued by ING Verzekeringen N.V. All tender and exchange offers announced on 12 December 2011 were successfully completed on 23 December 2011 with an average participation of approximately 60%. As part of this initiative, EUR 0.9 billion intercompany debt from ING Bank N.V. to



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ING Groep N.V. was repaid. In addition, ING Groep N.V. issued one new senior bond with a nominal value of EUR 0.7 billion and ING Bank issued two new senior bonds with a nominal value of GBP 0.4 billion and EUR 0.4 billion respectively. The overall transaction resulted in a total gain of EUR 955 million (EUR 716 million after tax), including related hedge results and transaction costs. This gain was recognised in Other income in 2011. From this amount, EUR 767 million (EUR 574 million after tax) related to ING Groep N.V., EUR 93 million (EUR 71 million after tax) to ING Bank and EUR 95 million (EUR 71 million after tax) to NN Group. This affects the subordinated securities as disclosed in this note and in Note 17 Other borrowed funds .

**Subordinated loans provided by ING Groep N.V. to ING Bank N.V. and NN Group N.V.**

	2013	2012
ING Bank N.V.	4,744	6,352
NN Group N.V.	2,401	2,424
	7,145	8,776

**16 DEBT SECURITIES IN ISSUE**

Debt securities in issue relate to debentures and other issued debt securities with either fixed interest rates or interest rates based on floating interest rate levels, such as certificates of deposit and accepted bills issued by ING Group, except for subordinated items. Debt securities in issue do not include debt securities presented as Financial liabilities at fair value through profit and loss. ING Group does not have debt securities that are issued on terms other than those available in the normal course of business. The maturities of the debt securities are as follows:

Debt securities in issue	maturities	
	2013	2012
Fixed rate debt securities		
Within 1 year	37,248	40,485
More than 1 year but less than 2 years	10,327	10,682
More than 2 years but less than 3 years	9,475	11,194
More than 3 years but less than 4 years	7,317	8,955
More than 4 years but less than 5 years	7,836	7,189
More than 5 years	23,899	29,191
Total fixed rate debt securities	96,102	107,696
<b>Floating rate debt securities</b>		

Within 1 year	<b>12,642</b>	19,954
More than 1 year but less than 2 years	<b>5,037</b>	5,766
More than 2 years but less than 3 years	<b>2,866</b>	1,845
More than 3 years but less than 4 years	<b>1,591</b>	1,374
More than 4 years but less than 5 years	<b>338</b>	1,548
More than 5 years	<b>9,151</b>	5,253
Total floating rate debt securities	<b>31,625</b>	35,740
<b>Total debt securities</b>	<b>127,727</b>	143,436

The change in Debt securities in issue includes EUR 2,600 million as a result of the classification of ING U.S. as held for sale. Reference is made to Note 59 Other events .

In 2013, the Debt securities in issue also decreased due to the repurchases of certain government guaranteed debt.

As at 31 December 2013, ING Group has unused lines of credit available including the payment of commercial paper borrowings relating to debt securities in issue of EUR 8,081 million (2012: EUR 13,129 million).

#### **Dutch government guaranteed notes**

The following bonds are all issued under the Credit Guarantee Scheme of the State of the Netherlands. ING Group pays a fee of 84 basis points over the issued bonds to the Dutch State to participate in the Credit Guarantee Scheme:

ING Bank issued a 5 year EUR 4 billion fixed rate government guaranteed senior unsecured bond in February 2009. The issue was priced at a fixed rate of 3.375%, 75 basis points over mid-swaps. After the repurchase in 2013 (see below) there is a remaining amount of approximately EUR 2.7 billion outstanding on these bonds;

ING Bank issued a 5 year USD 2.25 billion fixed rate government guaranteed senior unsecured bond in March 2009. The issue was priced at a fixed coupon of 3.90%, 145 basis points over USD mid-swaps. After the repurchase in 2013 (see below) there is a remaining amount of approximately USD 1.3 billion outstanding on these bonds; and

ING Bank issued a 5 year USD 0.4 billion privately placed government guarantee senior unsecured bond in March 2009 with a floating rate of 3 months USD LIBOR + 145 basis points. This issue has a due date on 27 March 2014.

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**2013 Repurchase of certain Dutch Government guaranteed notes**

In 2013, ING Bank repurchased certain EUR and USD denominated Dutch Government guaranteed notes. One offer was for the EUR-denominated notes with a total principal amount of EUR 4.0 billion (3.375% fixed rate notes due on 3 March 2014). The aggregate principal amount of the notes repurchased was approximately EUR 1.28 billion or 32%, leaving a remaining amount outstanding of approximately EUR 2.72 billion. ING Bank paid a purchase price of EUR 1,022.19 per EUR 1,000 principal amount for the EUR denominated notes. In 2013, a charge of EUR 14 million (EUR 11 million after tax) is recognised in Other income - Other on the EUR-denominated notes.

The second offer was for the USD-denominated notes with a principal amount of USD 2.25 billion (3.90% fixed rate notes due on 19 March 2014). The aggregate principal amount of the notes repurchased was approximately USD 990 million or 44%, leaving a remaining amount outstanding of approximately USD 1.26 billion. ING Bank paid a purchase price of USD 1,026.66 per USD 1,000 principal amount for the USD denominated notes. In 2013, a charge of EUR 11 million (EUR 8 million after tax) is recognised in Other income - Other on the USD-denominated notes. These transactions were settled on 3 July 2013.

Furthermore in 2013, ING Bank repurchased an additional EUR 1.1 billion and USD 500 million of Dutch government guaranteed notes. These repurchases resulted in an additional charge of EUR 11 million (EUR 8 million after tax) and is recognised in Other income - Other.

**2012 Exchanges of certain debt securities**

On 8 March 2012, ING launched three separate exchange offers and consent solicitations on a total of three series of senior debt securities originally issued by ING Verzekeringen N.V. with a total nominal value of EUR 2.6 billion. Holders had the possibility to exchange the original securities into new securities issued by ING Group and/or consent to a modification of existing terms. On average 64% of the holders have accepted the offer to exchange into new securities issued by ING Group. The total nominal amount of the new securities issued by ING Group in exchange for the existing securities originally issued by ING Verzekeringen N.V. securities is EUR 1,654 million. Approximately 6% of the holders, representing EUR 151 million, accepted a modification of the existing terms of the securities. The transactions were completed on 30 March 2012. A charge of EUR 39 million (EUR 30 million after tax) was recognised in 2012. The settlement date of the exchange offers and consent solicitations was on 4 April 2012.

**2012 Private debt offering**

On 16 July 2012, ING U.S., Inc. (ING U.S.) completed a private debt offering of USD 850 million principal amount of its 5.5% senior notes due in 2022.

**17 OTHER BORROWED FUNDS**

**Other borrowed funds by remaining term**

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Years after 2018</b>	<b>Total</b>
Subordinated loans of group companies	105	810	760	1,121	18	6,293	9,107
Preference shares of group companies						379	379
Loans contracted	9	20	15	12		1,122	1,178
Loans from credit institutions	2,762		60			220	3,042
	<b>2,876</b>	<b>830</b>	<b>835</b>	<b>1,133</b>	<b>18</b>	<b>8,014</b>	<b>13,706</b>

**Other borrowed funds by remaining term**

<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Years after 2017</b>	<b>Total</b>
Subordinated loans of group companies	678	88	872	2,055	2,062	3,249	9,004
Preference shares of group companies						396	396
Loans contracted	430	814			4	1,806	3,054
Loans from credit institutions	3,284	57		60		868	4,269
	<b>4,392</b>	<b>959</b>	<b>872</b>	<b>2,115</b>	<b>2,066</b>	<b>6,319</b>	<b>16,723</b>

Subordinated loans of group companies relates to capital debentures and private loans which are subordinated to all current and future liabilities of ING Bank N.V.

Preference shares of group companies comprises non-cumulative guaranteed Trust Preference Securities which are issued by wholly owned subsidiaries of ING Groep N.V. These securities have a liquidation preference of a certain amount plus any accrued interest and unpaid dividend. Dividends with regard to these preference securities are presented as an interest expense in the profit and loss account. These trust preference securities have no voting rights.

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**18 INSURANCE AND INVESTMENT CONTRACTS, REINSURANCE CONTRACTS**

The provision for Insurance and investment contracts, net of reinsurance (i.e. the provision for ING Group's own account) is presented gross in the balance sheet as Insurance and investment contracts. The related reinsurance is presented as Reinsurance contracts under Assets in the balance sheet.

**Insurance and investment contracts, reinsurance contracts**

	Provision net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	2013	2012	2013	2012	2013	2012
Provision for non-participating life policy liabilities	17,352	62,797	34	5,065	17,386	67,862
Provision for participating life policy liabilities	46,208	47,801	88	87	46,296	47,888
Provision for (deferred) profit sharing and rebates	3,799	7,236		3	3,799	7,239
Life insurance provisions excluding provisions for risk of policyholders	67,359	117,834	122	5,155	67,481	122,989
Provision for life insurance for risk of policyholders	38,038	90,754	49	49	38,087	90,803
Life insurance provisions	105,397	208,588	171	5,204	105,568	213,792
Provision for unearned premiums and unexpired risks	266	265	3	2	269	267
Reported claims provision	2,643	2,621	77	82	2,720	2,703
Claims incurred but not reported (IBNR)	595	558	1	2	596	560
Claims provisions	3,238	3,179	78	84	3,316	3,263
Total provisions for insurance contracts	108,901	212,032	252	5,290	109,153	217,322
Investment contracts for risk of company	810	4,561			810	4,561
Investment contracts for risk of policyholders	1,588	8,067			1,588	8,067
Total provisions for investment contracts	2,398	12,628			2,398	12,628
Total	111,299	224,660	252	5,290	111,551	229,950

The deferred profit sharing amount on unrealised revaluation is included in Provision for (deferred) profit sharing and rebates and amounts to EUR 3,488 million as at 31 December 2013 (2012: EUR 6,304 million).

### Changes in life insurance provisions

	Provision net of reinsurance (excluding provision for life insurance for risk of policyholders)		Provision for life insurance for risk of policyholders (net of reinsurance)		Reinsurance contracts		Life insurance provisions	
	2013	2012	2013	2012	2013	2012	2013	2012
Opening balance	<b>117,834</b>	146,868	<b>90,754</b>	109,487	<b>5,204</b>	5,774	<b>213,792</b>	262,129
Changes in the composition of the group and other changes	<b>41,848</b>	31,577	<b>54,915</b>	23,852	<b>4,770</b>	244	<b>101,533</b>	55,673
	<b>75,986</b>	115,291	<b>35,839</b>	85,635	<b>434</b>	5,530	<b>112,259</b>	206,456
Current year provisions	<b>9,973</b>	13,221	<b>8,459</b>	9,122	<b>490</b>	381	<b>18,922</b>	22,724
Change in deferred profit sharing liability	<b>2,309</b>	2,889					<b>2,309</b>	2,889
Prior year provisions								
benefit payments to policyholders	<b>17,361</b>	16,074	<b>15,466</b>	14,919	<b>756</b>	668	<b>33,583</b>	31,661
interest accrual and changes in fair value of liabilities	<b>3,932</b>	4,651			<b>35</b>	38	<b>3,967</b>	4,689
valuation changes for risk of policyholders			<b>13,519</b>	13,909			<b>13,519</b>	13,909
effect of changes in other assumptions	<b>151</b>	275		77	<b>2</b>	16	<b>149</b>	336
	<b>13,278</b>	11,698	<b>1,947</b>	1,087	<b>723</b>	614	<b>15,948</b>	13,399
Exchange rate differences	<b>3,013</b>	1,869	<b>4,313</b>	2,916	<b>30</b>	93	<b>7,356</b>	4,878
Closing balance	<b>67,359</b>	117,834	<b>38,038</b>	90,754	<b>171</b>	5,204	<b>105,568</b>	213,792

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Where discounting is used in the calculation of life insurance provisions, the rate is within the range 2.3% to 4.0% (2012: 3.0% to 5.1%) based on weighted averages. The change is mainly due to a change in the composition of the portfolio.

Insurance provisions include a provision for the estimated cost of the agreement with regard to unit-linked policies. For more information reference is made to Note 54 Legal proceedings .

In 2013, Changes in the composition of the group and other changes includes EUR 136,541 million as a result of the classification of ING U.S. as held for sale and EUR 29,445 million as a result of the classification to continuing operations of ING Japan. Reference is made to Note 59 Other events .

In 2012, Changes in the composition of the group and other changes related 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 12 Assets and liabilities held for sale .

To the extent that the assuming reinsurers are unable to meet their obligations, the Group is liable to its policyholders for the portion reinsured. Consequently, provisions are made for receivables on reinsurance contracts which are deemed uncollectable. The life reinsurance market is highly concentrated and, therefore, diversification of exposure is inherently difficult. To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers, monitors concentrations of credit risk arising from similar geographical regions, activities or economic characteristics of the reinsurer and maintains collateral. Reference is also made to the Risk management section.

Effect of changes in other assumptions relates mainly to the assumption refinement for the Insurance US Closed Block VA business. This effect has been included as part of Net result from discontinued operations in the Consolidated profit and loss account.

As at 31 December 2013, the total Reinsurance exposure, including Reinsurance contracts and Receivables from reinsurers (presented in Other assets) amounts to EUR 343 million (2012: EUR 5,920 million). There was no provision for uncollectable reinsurance in 2013 and 2012.

**Changes in provision for unearned premiums and unexpired risks**

	Provision net of reinsurance		Reinsurance contracts		Provision for unearned premiums and unexpired risks	
	2013	2012	2013	2012	2013	2012
Opening balance	265	297	2	4	267	301
	2	10	1	2	3	12

## Changes in the composition of the group and other changes

	<b>267</b>	287	<b>3</b>	2	<b>270</b>	289
Premiums written	<b>1,642</b>	1,693	<b>40</b>	40	<b>1,682</b>	1,733
Premiums earned during the year	<b>1,643</b>	1,715	<b>40</b>	40	<b>1,683</b>	1,755
Closing balance	<b>266</b>	265	<b>3</b>	2	<b>269</b>	267

## Changes in claims provisions

	Provision net of reinsurance		Reinsurance contracts		Claims provisions	
	2013	2012	2013	2012	2013	2012
Opening balance	<b>3,179</b>	3,113	<b>84</b>	92	<b>3,263</b>	3,205
Changes in the composition of the group and other changes	<b>1</b>	36	<b>1</b>	2		38
	<b>3,180</b>	3,077	<b>83</b>	90	<b>3,263</b>	3,167
Additions						
for the current year	<b>1,176</b>	1,213	<b>9</b>	6	<b>1,185</b>	1,219
for prior years	<b>86</b>	39		2	<b>86</b>	37
interest accrual of provision	<b>40</b>	45			<b>40</b>	45
	<b>1,130</b>	1,219	<b>9</b>	8	<b>1,139</b>	1,227
Claim settlements and claim settlement costs						
for the current year	<b>452</b>	473	<b>1</b>	1	<b>453</b>	474
for prior years	<b>618</b>	643	<b>13</b>	13	<b>631</b>	656
	<b>1,070</b>	1,116	<b>14</b>	14	<b>1,084</b>	1,130
Exchange rate differences	<b>2</b>	1			<b>2</b>	1
Closing balance	<b>3,238</b>	3,179	<b>78</b>	84	<b>3,316</b>	3,263



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ING Group has an outstanding balance of EUR 35 million as at 31 December 2013 (2012: EUR 36 million) relating to environmental and asbestos claims of the insurance operations. In establishing the liability for unpaid claims and claims adjustment expenses related to asbestos related illness and toxic waste clean-up, management of ING Group considers facts currently known including current legislation and coverage litigation. Liabilities are recognised for IBNR claims and for known claims (including the costs of related litigation) when sufficient information has been obtained to indicate the involvement of a specific insurance policy, and management can reasonably estimate its liability. In addition, liabilities are reviewed and updated regularly.

Where discounting is used in the calculation of the claims provisions, based on weighted averages, the rate is within the range of 3.0% to 4.0% (2012: 3.0% to 4.0%).

**Changes in investment contracts liabilities**

	2013	2012
Opening balance	12,628	13,198
Changes in the composition of the group and other changes	9,504	53
	3,124	13,251
Current year liabilities	3,773	8,865
Prior year provisions		
payments to contract holders	4,522	9,471
interest accrual	13	30
valuation changes investments	69	129
	4,440	9,312
Exchange rate differences	59	176
Closing balance	2,398	12,628

In 2013, Changes in the composition of the group and other changes includes EUR 9,402 million as a result of the classification of ING U.S. as held for sale and nil as a result of the classification to continuing operations of ING Japan. Reference is made to Note 59 Other events .

**Gross claims development table**

	Accident year										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total

Estimate of cumulative claims:											
At the end of accident year	1,096	1,109	1,100	1,020	1,078	1,200	1,169	1,217	1,232	1,217	
1 year later	979	1,041	1,057	923	1,060	1,213	1,198	1,244	1,182		
2 years later	856	940	978	859	1,033	1,153	1,159	1,191			
3 years later	840	911	965	861	1,032	1,146	1,157				
4 years later	843	896	974	842	1,024	1,129					
5 years later	836	893	960	837	1,041						
6 years later	834	875	965	849							
7 years later	834	875	970								
8 years later	828	875									
9 years later	835										
Estimate of cumulative claims	835	875	970	849	1,041	1,129	1,157	1,191	1,182	1,217	10,446
Cumulative payments	721	775	841	679	820	867	866	793	699	453	7,514
	114	100	129	170	221	262	291	398	483	764	2,932
Effect of discounting	6	13	15	24	30	32	39	54	50	34	297
Liability recognised	108	87	114	146	191	230	252	344	433	730	2,635
Liability relating to accident year prior to 2004											681
Total amount recognised in the balance sheet											3,316

The Group applies the exemption in IFRS-IASB not to present Gross claims development for annual periods beginning before 1 January 2004 (the date of transition to IFRS-IASB) as it is impracticable to obtain such information.

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**19 AMOUNTS DUE TO BANKS**

Amounts due to banks includes non-subordinated debt due to banks, other than amounts in the form of debt securities.

**Amounts due to banks by type**

	Netherlands		International		Total	
	2013	2012	2013	2012	2013	2012
Non-interest bearing	1,536	1,777	620	423	2,156	2,200
Interest bearing	5,807	11,967	19,294	24,537	25,101	36,504
	7,343	13,744	19,914	24,960	27,257	38,704

Reference is made to Note 51 Transfer of financial assets for information on securities lending as well as sale and repurchase transactions.

In 2013 excess cash in the banking operations was used to redeem short-term professional funding.

**20 CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSIT****Customer deposits and other funds on deposit**

	2013	2012
Savings accounts	289,838	277,766
Credit balances on customer accounts	127,073	120,708
Corporate deposits	56,528	55,268
Other	881	1,261
	474,320	455,003

**Customer deposits and other funds on deposit by type**

	Netherlands		International		Total	
	2013	2012	2013	2012	2013	2012
Non-interest bearing	12,277	12,938	9,589	8,888	21,866	21,826
Interest bearing	150,403	142,074	302,051	291,103	452,454	433,177

<b>162,680</b>	155,012	<b>311,640</b>	299,991	<b>474,320</b>	455,003
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No funds have been entrusted to the Group by customers on terms other than those prevailing in the normal course of business.

Reference is made to Note 51 Transfer of financial assets for information on securities lending as well as sale and repurchase transactions.

Savings accounts relate to the balances on savings accounts, savings books, savings deposits and time deposits of personal customers. The interest payable on savings accounts, which is contractually added to the accounts, is also included.

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**21 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS**

<b>Financial liabilities at fair value through profit and loss</b>	<b>2013</b>	<b>2012</b>
Trading liabilities	<b>73,491</b>	83,652
Non-trading derivatives	<b>11,155</b>	18,752
Designated as at fair value through profit and loss	<b>13,855</b>	13,399
	<b>98,501</b>	115,803

The change in Financial liabilities at fair value through profit and loss includes EUR 2,271 million as a result of the classification of ING U.S. as held for sale and EUR 1,232 million as a result of the classification to continuing operations of ING Japan. Reference is made to Note 59 Other events .

The decrease in Financial liabilities at fair value through profit and loss is mainly due to a decrease in the fair value of derivatives (as long-term interest rates increased) and by optimising the trading derivatives portfolio which is partly offset by increased repurchase funding.

<b>Trading liabilities by type</b>	<b>2013</b>	<b>2012</b>
Equity securities	<b>3,713</b>	3,262
Debt securities	<b>7,396</b>	7,594
Funds on deposit	<b>32,880</b>	20,661
Derivatives	<b>29,502</b>	52,135
	<b>73,491</b>	83,652

Reference is made to Note 4 Financial assets at fair value through profit and loss for information on trading assets.

Reference is made to Note 51 Transfer of financial assets for information on securities lending as well as sale and repurchase transactions.

<b>Non-trading derivatives by type</b>	<b>2013</b>	<b>2012</b>
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Derivatives used in:		
fair value hedges	<b>143</b>	2,533
cash flow hedges	<b>4,385</b>	6,439
hedges of net investments in foreign operations	<b>52</b>	71
Other non-trading derivatives	<b>6,861</b>	9,709
	<b>11,155</b>	18,752

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

	<b>2013</b>	2012
Debt securities	<b>12,415</b>	11,826
Funds entrusted	<b>536</b>	513
Subordinated liabilities	<b>904</b>	1,060
	<b>13,855</b>	13,399

In 2013, the change in the fair value of financial liabilities designated as at fair value through profit and loss attributable to changes in credit risk is EUR 129 million (2012: EUR 633 million) and EUR 167 million (2012: EUR 38 million) on a cumulative basis. This change has been determined as the amount of change in fair value of the financial liability that is not attributable to changes in market conditions that gave rise to market risk (i.e. mainly interest rate risk based on yield curves).

The amount that ING Group is contractually required to pay at maturity to the holders of financial liabilities designated as at fair value through profit and loss is EUR 13,427 million (2012: EUR 12,987 million).

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**22 OTHER LIABILITIES****Other liabilities by type**

	<b>2013</b>	2012	2011
Deferred tax liabilities	<b>141</b>	1,155	2,174
Income tax payable	<b>440</b>	956	858
Net defined benefit liability	<b>336</b>	799	654
Other post-employment benefits	<b>136</b>	220	255
Other staff-related liabilities	<b>558</b>	650	1,111
Other taxation and social security contributions	<b>833</b>	918	898
Deposits from reinsurers	<b>58</b>	869	1,015
Accrued interest	<b>7,876</b>	10,569	11,698
Costs payable	<b>1,749</b>	2,160	2,401
Amounts payable to brokers	<b>4</b>	50	72
Amounts payable to policyholders	<b>464</b>	2,139	2,171
Reorganisation provisions	<b>575</b>	919	600
Other provisions	<b>367</b>	622	634
Share-based payment plan liabilities	<b>44</b>	47	39
Prepayments received under property under development		21	83
Amounts to be settled	<b>4,258</b>	4,832	5,442
Other	<b>2,839</b>	3,975	3,381
	<b>20,396</b>	30,901	33,486

The change in Other liabilities includes is EUR 4,451 million as a result of the classification of ING U.S. as held for sale and is EUR 1,093 million as a result of the classification to continuing operations of ING Japan. Reference is made to Note 59 Other events .

Disclosures in respect of Net defined benefit liabilities are provided in Note 44 Pension and other post-employment benefits and deferred tax liabilities are provided in Note 45 Taxation .

The provision for the estimated cost of the agreement with regard to unit-linked policies is included in Note 18 Insurance and investment contracts, reinsurance contracts .

**Other staff-related liabilities**

Other staff-related liabilities includes vacation leave provisions, variable compensation provisions, jubilee provisions and disability/illness provisions.

**Reorganisation provisions**

<b>Changes in reorganisation provision</b>	<b>2013</b>	<b>2012</b>
Opening balance	<b>919</b>	600
Additions	<b>320</b>	837
Releases	<b>66</b>	23
Charges	<b>580</b>	485
Exchange rate differences	<b>4</b>	2
Changes in the composition of the group and other changes	<b>14</b>	12
Closing balance	<b>575</b>	919

In general, Reorganisation provisions are of a short-term nature.

In 2013, Changes in the composition of the group and other changes includes EUR 10 million as a result of the classification of ING U.S. as held for sale and nil as a result of the classification to continuing operations of ING Japan. Reference is made to Note 59 Other events . Additions to the reorganisation provision are mainly related to the restructurings for Retail banking in the Netherlands, Commercial banking.

In 2013, a reorganisation provision of EUR 167 million is recognised in the segment Retail Netherlands and Commercial Banking as a result of further measures that have been taken to accelerate the cost savings program. These measures are expected to result in a further reduction of the workforce of around 300 FTEs.



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In addition, in 2013, a reorganisation provision of EUR 61 million is recognised at ING Belgium (banking operations) related to an expected reduction of the workforce of around 1,100 FTE s over a period of two years.

In 2012, a reorganisation provision of EUR 233 million was recognised in the segment Retail Netherlands (Bank) mainly as a result of entering the second phase of the transformation program. The transformation program aims to streamline IT systems as well as the further development and integration of ING s mobile banking services. These measures are expected to result in a further reduction of the workforce of around 1,400 FTE s (of which 400 external FTE s) over a period of three years.

In 2012, a reorganisation provision of EUR 191 million was recognised in the segment Commercial Banking following a strategic review of the business portfolio through right-sizing of the equities business, run-off of certain leasing units and further operational improvements in several businesses. These measures are expected to result in a reduction of the workforce of around 1,000 FTE s over a period of three years.

In 2012, a reorganisation provision of EUR 172 million was recognised in the segment Insurance Benelux and EUR 27 million was recognised in the Corporate line Insurance following the initiative to accelerate the transformation program in preparation for the stand-alone future of NN Group. In response to changing customer preferences and market dynamics, NN Group is undertaking actions to increase its agility in the current operating environment by delayering the support staff structure in the Netherlands and sharpen the strategic focus of its business units, in particular Nationale-Nederlanden (NN). These measures are expected to result in a reduction of the workforce of around 1,350 FTE s over a period of two years.

In 2012, an additional reorganisation provision of EUR 55 million was recognised in the segment Insurance Benelux for the strategic initiatives announced in 2011. The main goals of the strategic initiative are to regain customer trust, diversify distribution channels, implement a new product range and increase efficiency. In 2012, the reorganisation measures resulted in a reduction of the workforce of 470 FTE s.

Each of these initiatives will be implemented over a period of several years and the estimate of the reorganisation provisions is inherently uncertain. The provision at balance sheet date represent the best estimate of the expected redundancy costs and are expected to be sufficient to cover these costs.

**Other provisions****Changes in other provisions**

	Litigation		Other		Total	
	2013	2012	2013	2012	2013	2012
Opening balance	219	296	403	338	622	634
Additions	20	9	22	248	42	257

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Releases	<b>40</b>	27	<b>26</b>	38	<b>66</b>	65
Charges	<b>6</b>	40	<b>254</b>	33	<b>260</b>	73
Exchange rate differences	<b>6</b>	1	<b>16</b>	7	<b>22</b>	8
Changes in the composition of the group and other changes	<b>9</b>	18	<b>60</b>	105	<b>51</b>	123
Closing balance	<b>178</b>	219	<b>189</b>	403	<b>367</b>	622

In general, Other provisions are of a short-term nature.

The amounts included in other provisions are based on best estimates with regard to amounts and timing of cash flows required to settle the obligation.

**Other**

Other mainly relates to year-end accruals in the normal course of business.

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**NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT****23 INTEREST RESULT BANKING OPERATIONS****Interest result banking operations**

	<b>2013</b>	2012	2011
Interest income on loans	<b>21,570</b>	24,798	26,415
Interest income on impaired loans	<b>15</b>	41	61
Total interest income on loans	<b>21,585</b>	24,839	26,476
Interest income on available-for-sale securities	<b>2,070</b>	2,507	3,463
Interest income on held-to-maturity securities	<b>158</b>	297	400
Interest income on trading portfolio	<b>19,882</b>	24,616	27,480
Interest income on non-trading derivatives (no hedge accounting)	<b>1,175</b>	1,578	1,536
Interest income on non-trading derivatives (hedge accounting)	<b>6,675</b>	6,297	5,652
Other interest income	<b>151</b>	131	358
Interest income banking operations	<b>51,394</b>	60,003	64,649
Interest expense on deposits by banks	<b>440</b>	623	902
Interest expense on customer deposits and other funds on deposit	<b>6,618</b>	9,140	9,383
Interest expense on debt securities	<b>3,197</b>	3,822	3,435
Interest expense on subordinated loans	<b>1,347</b>	1,422	1,625
Interest expense on trading liabilities	<b>19,369</b>	24,048	27,209
Interest expense on non-trading derivatives (no hedge accounting)	<b>1,205</b>	1,528	1,658
Interest expense on non-trading derivatives (hedge accounting)	<b>7,873</b>	7,905	7,513
Other interest expense	<b>356</b>	369	525
Interest expense banking operations	<b>39,693</b>	48,119	51,200
Interest result banking operations	<b>11,701</b>	11,884	13,449
<b>Interest margin</b>			
<u>in percentages</u>	<b>2013</b>	2012	2011
Interest margin	<b>1.41</b>	1.30	1.41

In 2013, the decrease in total average assets, partly attributable to the disposal of ING Direct Canada and ING Direct UK, and the sale and transfer of assets of WestlandUtrecht Bank to NN Group, leads to a decrease of EUR 1,070 million in the interest result. In addition, an improvement of the interest margin of 11 basis points led to an EUR 888 million increase in the interest result.

In 2012, the decrease in total average assets, partly attributable to the disposal of ING Direct USA and ING Direct Canada, led to a decrease of EUR 578 million in the interest result. In addition a decrease of 11 basis points of the interest margin led to a decrease in the interest result of EUR 988 million.

In 2011, the growth in average total assets led to an increase of the interest result of EUR 135 million and the decrease of the interest margin by 2 basis points led to a decrease of the interest result with EUR 139 million.

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**24 GROSS PREMIUM INCOME****Gross premium income**

	2013	2012	2011
Gross premium income from life insurance policies	7,848	8,973	9,597
Gross premium income from non-life insurance policies	1,682	1,733	1,695
	<b>9,530</b>	10,706	11,292

Gross premium income has been presented before deduction of reinsurance and retrocession premiums granted. Gross premium income excludes premium received for investment contracts, for which deposit accounting is applied.

**Effect of reinsurance on premiums written**

	Non-life			Life			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Direct gross premiums written	1,656	1,709	1,672	7,842	8,973	9,592	9,498	10,682	11,264
Reinsurance assumed gross premiums written	26	24	23	6	1	5	32	23	28
Total gross premiums written	1,682	1,733	1,695	7,848	8,972	9,597	9,530	10,705	11,292
Reinsurance ceded	40	40	39	103	100	103	143	140	142
	<b>1,642</b>	1,693	1,656	<b>7,745</b>	8,872	9,494	<b>9,387</b>	10,565	11,150

**Effect of reinsurance on non-life premiums earned**

	2013	2012	2011
Direct gross premiums earned	1,657	1,731	1,699
Reinsurance assumed gross premiums earned	26	24	23
Total gross premiums earned	1,683	1,755	1,722
Reinsurance ceded	40	40	39

<b>1,643</b>	1,715	1,683
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See Note 31 Underwriting expenditure for disclosure on reinsurance ceded.

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**25 INVESTMENT INCOME****Investment income by banking and insurance operations**

	Banking operations			Insurance operations			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Income from real estate investments	23	16	24	50	54	50	73	70	74
Dividend income	94	64	49	180	196	213	274	260	262
	117	80	73	230	250	263	347	330	336
Income from investments in debt securities				1,922	2,088	2,146	1,922	2,088	2,146
Income from loans									
unsecured loans				176	216	268	176	216	268
mortgage loans				410	417	422	410	417	422
policy loans				8	9	9	8	9	9
other				128	25	100	128	25	100
Income from investments in debt securities and loans				2,644	2,755	2,945	2,644	2,755	2,945
Realised gains/losses on disposal of debt securities	129	209	91	185	117	-35	314	92	56
Impairments of available-for-sale debt securities	1	16	734		15	-584	1	31	1,318
Reversal of impairments of available-for-sale debt securities	2		74				2		74
Realised gains/losses and impairments of debt securities	130	193	-569	185	132	-619	315	61	1,188
Realised gains/losses on disposal of equity securities	61	367	39	127	444	368	188	811	407
Impairments of available-for-sale equity securities	3	22	65	172	144	173	175	166	238
Realised gains/losses and impairments of equity securities	58	345	26	-45	300	195	13	645	169
Interest on non-trading derivatives				604	530	334	604	530	334
Change in fair value of real estate investments		11	22	5	50	1	5	61	21

Investment income	<b>305</b>	607	544	<b>3,613</b>	3,653	3,119	<b>3,918</b>	4,260	2,575
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In 2012, ING sold all of its shares in Capital One Financial Corporation. The transaction resulted in a gain of EUR 323 million (before and after tax) and was recognised in Realised gains/losses on disposal of equity securities. Reference is made to Note 55 Companies and businesses acquired and divested .

In 2011, an impairment of EUR 978 million was recognised on Greek government bonds and an impairment of EUR 189 million was recognised on subordinated debt from Irish banks. Both are included in Impairments of available-for-sale debt securities. Reference is made to the Risk management section for further information on these impairments.

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Impairments and reversals of impairments on investments are presented within Investment income, which is part of Total income. This can be specified for each segment as follows:

**Impairments/ reversals of impairments on investments per segment**

	Impairments			Reversal of impairments		
	2013	2012	2011	2013	2012	2011
Retail Belgium		1	22			
Retail Germany			135			
Retail Rest of World			328			30
Commercial Banking	3	26	301	2		44
Netherlands Life	156	131	281			
Netherlands Non-life	10	9	42			
Insurance Europe	3	16	425			
Japan Life		1				
Corporate Line Banking	1	11	13			
Insurance Other	3	2	9			
	<b>176</b>	197	1,556	<b>2</b>		74

**26 RESULT ON DISPOSALS OF GROUP COMPANIES****Result on disposals of group companies**

	2013	2012	2011
ING Hipotecaria	<b>64</b>		
ING Direct USA	<b>5</b>	743	
ING Direct Canada	<b>1</b>	1,124	
ING Direct UK	<b>10</b>	260	
Clarion Real Estate Securities			182
ING REIM Asia and Europe			245
ING Car Lease			347
Clarion Partners			39
Other	<b>30</b>	3	12
	<b>18</b>	1,604	801

In 2013, the result on the disposal of the insurance and investment management business in Hong Kong, Macau and Thailand and ING Life Korea (2012: Malaysian operations; 2011: Latin American operations) is not included above but included in the Result on disposal of discontinued operations. Reference is made to Note 36 Discontinued operations and Note 55 Companies and businesses acquired and divested .

## 27 COMMISSION INCOME

### Gross fee and commission income

	Banking operations			Insurance operations			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Funds transfer	982	956	916				982	956	916
Securities business	529	511	681				529	511	681
Insurance broking	152	164	161	89	97	99	241	261	260
Asset management fees	113	90	310	716	687	755	829	777	1,065
Brokerage and advisory fees	334	337	347	3	6	6	337	343	353
Other	1,193	1,009	1,012	123	84	476	1,316	1,093	1,488
	<b>3,303</b>	<b>3,067</b>	<b>3,427</b>	<b>931</b>	<b>874</b>	<b>1,336</b>	<b>4,234</b>	<b>3,941</b>	<b>4,763</b>

Asset management fees related to the management of investments held for the risk of policyholders of EUR 36 million (2012: EUR 7 million; 2011: EUR 7 million) are included in Commission income. The decrease in asset management fees in 2012 is explained by the sale of ING REIM in 2011.

Other includes commission fees of EUR 215 million (2012: EUR 230 million; 2011: EUR 183 million) in respect of bank guarantees and commission fees of EUR 27 million (2012: EUR 17 million; 2011: EUR 26 million) in respect of underwriting syndication loans.

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**Fee and commission expenses**

	Banking operations			Insurance operations			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Funds transfer	365	336	313				365	336	313
Securities business	111	98	126				111	98	126
Management fees	28	9	9	19	28	65	47	37	74
Brokerage and advisory fees	81	85	68			1	81	85	69
Other	514	441	460	251	261	588	765	702	1,048
	1,099	969	976	270	289	654	1,369	1,258	1,630

**28 VALUATION RESULTS ON NON-TRADING DERIVATIVES**

Valuation results on non-trading derivatives includes the fair value movements on derivatives (used for both hedge accounting and economically hedging exposures) as well as the changes in the fair value of assets and liabilities included in hedging relationships as hedged items. In addition, Valuation results on non-trading derivatives includes the results on assets and liabilities designated as at fair value through profit and loss.

**Valuation results on non-trading derivatives**

	Banking operations			Insurance operations			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Change in fair value of derivatives relating to									
fair value hedges	935	428	427	6	6	3	941	434	424
cash flow hedges (ineffective portion)	4	17	1	50	13	16	54	4	17
other non-trading derivatives	2,151	858	1,698	2,662	2,287	1,041	511	3,145	657
Net result on non-trading derivatives	1,220	413	1,272	2,618	2,294	1,022	1,398	2,707	250
Change in fair value of assets and liabilities (hedged items)	843	320	394	3	6	4	846	326	390
Valuation results on assets and liabilities designated as at fair value through profit and loss (excluding trading)	53	1,101	504	276	277	1	329	1,378	503
Net valuation results	2,010	1,834	1,162	2,891	2,577	1,025	881	4,411	137

Included in the Valuation results on non-trading derivatives are the fair value movements on derivatives used to economically hedge exposures, but for which no hedge accounting is applied. For insurance operations, these derivatives hedge exposures in Insurance contract liabilities. The fair value movements on the derivatives are influenced by changes in the market conditions, such as stock prices, interest rates and currency exchange rates. The change in fair value of the derivatives is largely offset by changes in Insurance contract liabilities, which are included in Underwriting expenditure. Reference is made to Note 31 Underwriting expenditure .

Valuation results on non-trading derivatives are reflected in the Consolidated statement of cash flows in the line Result before tax - Adjusted for: other .

The Valuation results on assets and liabilities designated as at fair value through profit and loss includes fair value changes on private equity funds and certain issued debt securities. Valuation results on assets and liabilities designated as at fair value through profit and loss were mainly due to changes in the fair value of financial liabilities driven by changes in market conditions and changes in own credit risk as disclosed in Note 21 Financial liabilities at fair value through profit and loss . Market conditions includes in particular credit spread developments.

In 2013, for the Banking operations, Valuation results on assets and liabilities designated as at fair value through profit and loss (excluding trading) includes fair value adjustments on own issued notes amounting to EUR 136 negative (2012: EUR 1,067 million negative), of which DVA adjustment on own issued notes in 2013 amounted to EUR 129 million negative (2012: EUR 633 million negative).

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**29 NET TRADING INCOME****Net trading income**

	Banking operations			Insurance operations			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Securities trading results	<b>129</b>	252	133	<b>109</b>	91	37	<b>238</b>	343	96
Foreign exchange transactions results	<b>138</b>	142	374	<b>108</b>	482	178	<b>30</b>	340	552
Derivatives trading results	<b>411</b>	899	882				<b>411</b>	899	882
Other	<b>81</b>	113	49	<b>30</b>	33	25	<b>51</b>	80	24
	<b>483</b>	1,122	326	<b>187</b>	540	116	<b>670</b>	1,662	210

Securities trading results includes the results of market making in instruments such as government securities, equity securities, corporate debt securities, money-market instruments, and interest rate derivatives such as swaps, options, futures and forward contracts. Foreign exchange transactions results include gains and losses from spot and forward contracts, options, futures, and translated foreign currency assets and liabilities.

The portion of trading gains and losses relating to trading securities still held as at 31 December 2013 amounts to EUR 105 million (2012: EUR 118 million; 2011: EUR 66 million).

The majority of the risks involved in security and currency trading is economically hedged with derivatives. The securities trading results are partly offset by results on these derivatives. The result of these derivatives is included in Derivatives trading results.

Net trading income relates to trading assets and trading liabilities which include assets and liabilities that are classified under IFRS-IASB 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-IASB, these are directly 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-IASB does not allow netting of these positions in the balance sheet. Reference is made to Note 4 Financial assets at fair value through profit and loss and Note 21 Financial liabilities at fair value through profit and loss for

information on trading liabilities.

In 2013, for the Banking operations, Net trading income - Derivatives trading results includes EUR 243 million positive CVA/DVA adjustments on trading derivatives, compared with EUR 64 million positive CVA/DVA adjustment in 2012.

### 30 OTHER INCOME

#### Other income

	Banking operations			Insurance operations			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Net operating lease income	1	1	176				1	1	176
Income from real estate development projects	32	22	31				32	22	31
Other	137	399	909	38	22	109	175	421	1,018
	170	376	1,116	38	22	109	208	398	1,225

Net operating lease income comprises income of EUR 18 million (2012: EUR 2 million; 2011: EUR 772 million) and depreciation of EUR 17 million (2012: EUR 1 million; 2011: EUR 596 million).

In 2013, Other income - Other includes EUR 100 million result (before tax) on the unwinding of the Illiquid Assets Back-up Facility. Reference is made to Note 58 Related parties .

In 2012, Other income - Other included losses on disposal of Loans and advances to customers of EUR 618 million.

In 2011, Other income - Other included a gain of EUR 955 million on the repurchase of subordinated loans as disclosed in Note 15 Subordinated loans .

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**31 UNDERWRITING EXPENDITURE**

<b>Underwriting expenditure</b>	<b>2013</b>	2012	2011
Gross underwriting expenditure			
before effect of investment result for risk of policyholders	<b>8,655</b>	10,350	13,238
effect of investment result risk of policyholders	<b>4,930</b>	5,517	206
	<b>13,585</b>	15,867	13,444
Investment result for risk of policyholders	<b>4,930</b>	5,517	206
Reinsurance recoveries	<b>70</b>	72	79
<b>Underwriting expenditure</b>	<b>8,585</b>	10,278	13,159

The investment income and valuation results regarding investments for risk of policyholders is EUR 4,930 million (2012: EUR 5,517 million; 2011: EUR 206 million). This amount is not recognised in Investment income and valuation results on assets and liabilities designated at fair value through profit and loss but in Underwriting expenditure. As a result it is shown together with the equal amount of change in insurance provisions for risk of policyholders.

<b>Underwriting expenditure by class</b>	<b>2013</b>	2012	2011
<b>Expenditure from life underwriting</b>			
Reinsurance and retrocession premiums	<b>103</b>	100	103
Gross benefits	<b>11,576</b>	10,861	9,250
Reinsurance recoveries	<b>58</b>	61	72
Change in life insurance provisions	<b>6,429</b>	2,592	1,830
Costs of acquiring insurance business	<b>1,863</b>	496	474
Other underwriting expenditure	<b>92</b>	75	84
Profit sharing and rebates	<b>51</b>	24	114
	<b>7,198</b>	8,903	11,783
<b>Expenditure from non-life underwriting</b>			
Reinsurance and retrocession premiums	<b>40</b>	40	39
Gross claims	<b>1,077</b>	1,103	1,086
Reinsurance recoveries	<b>12</b>	12	9

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Change in provision for unearned premiums	1	22	27
Change in claims provision	70	109	5
Costs of acquiring insurance business	258	263	261
Other underwriting expenditure	1		2
	1,433	1,481	1,353
<b>Expenditure from investment contracts</b>			
Costs of acquiring investment contracts	1	2	3
Other changes in investment contract liabilities	47	108	20
	46	106	23
	8,585	10,278	13,159
<b>Profit sharing and rebates</b>			
	2013	2012	2011
Distributions on account of interest or underwriting results	26	28	21
Bonuses added to policies	77	52	93
	51	24	114

The total Cost of acquiring insurance business (life and non-life) and investment contracts amounted to EUR 2,122 million (2012: EUR 761 million; 2011: EUR 738 million). This includes amortisation and unlocking of DAC of EUR 1,892 million (2012: EUR 1,066 million; 2011: EUR 1,702 million) and the net amount of commissions paid of EUR 854 million (2012: EUR 1,369 million; 2011: EUR 622 million) and commissions capitalised in DAC of EUR 624 million (2012: EUR 1,674 million; 2011: EUR 1,586 million). In 2013, Cost of acquiring insurance business includes the reduction of DAC of EUR 1,405 million for Japan Closed Block VA as explained below.



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The total amount of commission paid and commission payable with regard to the insurance operations amounted to EUR 841 million (2012: EUR 897 million; 2011: EUR 903 million). This includes the commissions recognised in Costs of acquiring insurance business of EUR 853 million (2012: EUR 1,369 million; 2011: EUR 623 million) referred to above and commissions recognised in Other underwriting expenditure of EUR 13 million (2012: EUR 472 million; 2011: EUR 280 million). Other underwriting expenditure also includes reinsurance commissions received of EUR 16 million (2012: EUR 23 million; 2011: EUR 26 million).

In Change in life insurance provisions in 2013 includes EUR 177 million as a result of the refined market interest rate assumption that is used in determining certain components of the insurance liabilities for the separate account pension business in the Netherlands.

As set out in the section Principles of valuation and determination of results Insurance, investment and reinsurance contracts, ING applies, for certain specific products or components thereof, 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 certain guarantees embedded in insurance contracts in Japan. The impact of these market-consistent assumptions is reflected in Underwriting expenditure Change in life insurance provisions.

This impact was largely offset by the impact of related hedging derivatives. As disclosed in Note 28 Valuation results on non-trading derivatives, the valuation results on non-trading derivatives include the fair value movements on derivatives used to economically hedge exposures, but for which no hedge accounting is applied. For insurance operations, these derivatives hedge exposures in Insurance contract liabilities. The fair value movements on the derivatives are influenced by changes in the market conditions, such as stock prices, interest rates and currency exchange rates. The change in fair value of the derivatives is largely offset by changes in Insurance contract liabilities, which are included in Underwriting expenditure.

The Change in life insurance provision in 2013 includes a larger release from Insurance provisions compared to 2012 following an increase in benefit payments and lower premium income. Underwriting expenditure Gross benefits increased by EUR 716 million in 2013 compared to 2012, which was largely offset by lower Changes in life insurance provisions. Gross premium income in 2013 was EUR 1,175 million lower compared to 2012. Furthermore, Change in life insurance provision in 2013 includes a release of EUR 867 million related to Japan Closed block VA as explained below.

In 2013, the separate reporting of the Japan Closed Block VA business line triggered a charge of EUR 575 million before tax to restore the reserve inadequacy of that business line to the 50% confidence level. This charge includes a reduction of DAC of EUR 1,405 million (included in Underwriting expenditure Costs of acquiring insurance business), which is partly offset by a release of the life insurance provision related to unearned revenues of EUR 867 million (included in Underwriting expenditure Change in life insurance provisions). Reference is made to Note 59 Other events.

**32 INTANGIBLE AMORTISATION AND OTHER IMPAIRMENTS****Intangible amortisation and (reversals of) impairments**

	Impairment losses			Reversals of impairments			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Property and equipment	30	24	30	5	7	11	25	17	19
Property development	84	161	216	6			78	161	216
Goodwill		48	32					48	32
Software and other intangible assets	9	7	50				9	7	50
(Reversals of) other impairments	123	240	328	11	7	11	112	233	317
Amortisation of other intangible assets							34	39	45
							146	272	362

In 2013, EUR 78 million impairments are recognised on Property development (Commercial Banking segment) relating to various real estate development projects (especially Europe and Australia). The unfavourable economic circumstances in these regions and projects resulted in lower expected sales prices.

In 2012, impairments on Property development relate to various real estate development projects (including mainly the United Kingdom, Belgium, Spain and Germany) due to worsening market conditions. In 2011, impairments on Property development were recognised due to the sale or termination of large projects in Germany, the Netherlands and on the reassessment of Dutch and Spanish real estate development projects.

In 2012, a goodwill impairment of EUR 48 million (2011: EUR 32 million) is recognised. Reference is made to Note 10 Intangible assets .

Impairments on Loans and advances to customers are presented under Addition to loan loss provision. Impairments on investments are presented under Investment income. Reference is made to the Risk management section for further information on impairments.

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**33 STAFF EXPENSES****Staff expenses**

	Banking operations			Insurance operations			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Salaries	3,247	3,418	3,705	747	759	799	3,994	4,177	4,504
Pension costs	255	249	185	67	145	35	322	394	220
Other staff-related benefit costs	24	9	2	8	34	5	32	43	3
Social security costs	512	532	525	101	105	95	613	637	620
Share-based compensation arrangements	67	106	119	11	16	15	78	122	134
External employees	636	625	683	206	207	139	842	832	822
Education	60	63	69	14	17	15	74	80	84
Other staff costs	167	199	219	43	42	18	210	241	237
	<b>4,920</b>	4,703	5,503	<b>1,181</b>	1,035	1,121	<b>6,101</b>	5,738	6,624

In 2013 and 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 relevant employees amounts to EUR 21.7 million (2012: EUR 21.9 million), which is included in the table above.

**Number of employees**

	Netherlands			International			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Continuing operations - average number of employees at full time equivalent basis <sup>(1)</sup>	22,372	24,940	26,332	52,145	54,450	57,944	74,517	79,390	84,276
Discontinued operations - average number of employees at full time equivalent basis				9,173	13,182	20,143	9,173	13,182	20,143
	<b>22,372</b>	24,940	26,332	<b>61,318</b>	67,632	78,087	<b>83,690</b>	92,572	104,419

Total average number  
of employees at full  
time equivalent basis

(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.

Share-based compensation arrangements includes EUR 61 million (2012: EUR 100 million; 2011: EUR 110 million) relating to equity-settled share-based payment arrangements and EUR 61 million (2012: EUR 22 million; 2011: EUR 24 million) relating to cash-settled share-based payment arrangements.

In 2012, Pension costs includes a release (curtailment) of EUR 351 million (EUR 468 million before tax) due to a change to a new pension scheme. Reference is made to Note 44 Pension and other post-employment benefits .

### **Remuneration of senior management, Executive Board and Supervisory Board**

Reference is made to Note 58 Related parties .

### **Stock option and share plans**

ING Groep N.V. has granted option rights on ING Groep N.V. shares and conditional rights on depositary receipts (share awards) for ING shares to a number of senior executives (members of the Executive Board, general managers and other officers nominated by the Executive Board), and to a considerable number of employees of ING Group. The purpose of the option and share schemes, apart from promoting a lasting growth of ING Group, is to attract, retain and motivate senior executives and staff.

ING grants three types of share awards, deferred shares, performance shares and upfront shares. The entitlement to the share awards is granted conditionally. If the participant remains in employment for an uninterrupted period between the grant date and the vesting date, the entitlement becomes unconditional. In addition to the employment condition, the performance shares contain a performance condition. The number of ING depositary receipts that would ultimately be granted at the end of a performance period is dependent on ING's performance over that period. Upfront and deferred shares, with retention periods as soon as it becomes unconditional, were awarded to the Management Board members of ING Bank and NN Group, as well as Identified staff. ING has the authority to apply a hold back to awarded but unvested shares and a claw-back to vested shares.

The information presented below on stock options and share plans includes personnel employed by entities that are presented as continuing operations as well as held for sale and discontinued operations.

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In 2013, no share awards (2012: nil; 2011: nil) were granted to the members of the Executive Board of ING Groep N.V., 553,600 share awards (2012: 643,644; 2011: 154,440) were granted to the Management Boards of ING Bank and NN Group. To senior management and other employees 10,403,613 share awards (2012: 19,802,692; 2011: 20,135,968) were granted. In 2013, members of the Management Board, senior management and other employees of ING U.S. received Voya shares instead of the share awards of ING Groep N.V. they received previously.

Every year, the ING Group Executive Board decides whether the option and share schemes are to be continued and, if so, to what extent. In 2010 the Group Executive Board decided not to continue the option scheme as from 2011. The existing option schemes up and until 2010 will be run off in the coming years.

The option rights are valid for a period of five or ten years. Option rights that are not exercised within this period lapse. Option rights granted will remain valid until the expiry date, even if the option scheme is discontinued. The option rights are subject to certain conditions, including a pre-determined continuous period of service. The exercise prices of the options are the same as the quoted prices of ING Groep N.V. shares at the date on which the options are granted.

As at 31 December 2013, ING Group holds no own shares in order to fulfil its obligations with regard to the existing stock option plan. As at 31 December 2012: 26,429,948 own shares (2011: 42,126,329) were held in connection with the option plan.

The obligations with regard to the existing stock option plan and the share plans will be funded either by cash or by newly issued shares at the discretion of ING Group.

**Changes in option rights outstanding**

	Options outstanding (in numbers)			Weighted average exercise price (in euros)		
	2013	2012	2011	2013	2012	2011
Opening balance	<b>85,193,177</b>	108,138,551	124,836,694	<b>14.77</b>	15.20	15.73
Exercised	<b>5,776,911</b>	3,490,981	1,111,930	<b>4.53</b>	2.90	3.97
Forfeited	<b>1,179,734</b>	1,480,805	2,698,596	<b>12.78</b>	11.05	12.78
Expired	<b>9,944,090</b>	17,973,588	12,887,617	<b>12.34</b>	19.92	22.03
Closing balance	<b>68,292,442</b>	85,193,177	108,138,551	<b>16.02</b>	14.77	15.20

As per 31 December 2013 total options outstanding consists of 55,321,834 options (2012: 70,135,050; 2011: 90,620,708) relating to equity-settled share-based payment arrangements and 12,970,608 options (2012: 15,058,127; 2011: 17,517,843) relating to cash-settled share-based payment arrangements.

The weighted average share price at the date of exercise for options exercised during 2013 is EUR 8.24 (2012: EUR 6.15; 2011: EUR 8.09).

**Changes in option rights non-vested**

	Options non-vested (in numbers)			Weighted average grant date fair value (in euros)		
	2013	2012	2011	2013	2012	2011
Opening balance	15,716,032	32,418,754	51,596,578	3.26	2.65	3.08
Vested	15,243,423	15,815,049	17,389,468	3.27	2.03	3.90
Forfeited	472,609	887,673	1,788,356	3.23	2.73	3.05
Closing balance	0	15,716,032	32,418,754	0.00	3.26	2.65

**Summary of stock options outstanding and exercisable**

2013	Range of exercise price in euros	Options outstanding as at 31 December 2013		Options exercisable as at 31 December 2013	
		Options outstanding as at 31 December 2013	Weighted average contractual exercise price remaining average	Options exercisable as at 31 December 2013	Weighted average contractual exercise price remaining average
	0.00 5.00	6,646,603	4.63	6,646,603	4.63
	5.00 10.00	12,487,960	6.21	12,487,960	6.21
	10.00 15.00	6,249,261	0.33	6,249,261	0.33
	15.00 20.00	23,127,059	2.56	23,127,059	2.56
	20.00 25.00	9,010,163	2.80	9,010,163	2.80
	25.00 30.00	10,771,396	2.29	10,771,396	2.29
		68,292,442		68,292,442	

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**Summary of stock options outstanding and exercisable**

		Options outstanding			Options exercisable		
		as at	Weighted	Weighted	as at	Weighted	Weighted
		31 December	average	average	31 December	average	average
Range of exercise price in euros		2012	remaining	exercise price	2012	remaining	exercise price
			contractual			contractual	
			life			life	
0.00	5.00	10,586,734	5.49	2.88	10,586,734	5.49	2.88
5.00	10.00	21,728,644	5.35	7.92	6,012,612	0.47	9.41
10.00	15.00	6,732,540	1.32	14.28	6,732,540	1.32	14.28
15.00	20.00	24,938,253	3.58	17.30	24,938,253	3.58	17.30
20.00	25.00	9,724,341	3.83	24.57	9,724,341	3.83	24.57
25.00	30.00	11,482,665	3.28	25.18	11,482,665	3.28	25.18
		85,193,177			69,477,145		

**Summary of stock options outstanding and exercisable**

		Options outstanding			Options exercisable		
		as at	Weighted	Weighted	as at	Weighted	Weighted
		31 December	average	average	31 December	average	average
Range of exercise price in euros		2011	remaining	exercise price	2011	remaining	exercise price
			contractual			contractual	
			life			life	
0.00	5.00	14,723,297	6.68	2.88		0.00	0.00
5.00	10.00	23,647,407	6.45	7.90	5,951,950	1.18	9.46
10.00	15.00	7,334,880	2.32	14.29	7,334,880	2.32	14.29
15.00	20.00	28,639,179	4.36	17.20	28,639,179	4.36	17.20
20.00	25.00	21,190,454	2.48	23.56	21,190,454	2.48	23.56
25.00	30.00	12,603,334	4.30	25.18	12,603,334	4.30	25.18
		108,138,551			75,719,797		

As at 31 December 2013, the aggregate intrinsic values of options outstanding and exercisable are EUR 82 million (2012: EUR 44 million) and EUR 82 million (2012: EUR 44 million), respectively.

As at 31 December 2013, total unrecognised compensation costs related to stock options amounted to nil (2012: EUR 3 million;

2011: EUR 24 million). Cash received from stock option exercises for the year ended 31 December 2013 EUR 22 million (2012: EUR 8 million; 2011: EUR 4 million).

The fair value of options granted is recognised as an expense under staff expenses and is allocated over the vesting period of the options. The fair values of the option awards have been determined using a Monte Carlo simulation. This model takes the risk free interest rate into account (2.0% to 4.6%), as well as the expected life of the options granted (5 to 9 years), the exercise price, the current share price (EUR 2.90 – EUR 26.05), the expected volatility of the certificates of ING Groep N.V. shares (25% – 84%) and the expected dividend yield (0.94% to 8.99%). The source for implied volatilities used for the valuation of the stock options is ING's trading system. The implied volatilities in this system are determined by ING's traders and are based on market data implied volatilities not on historical volatilities.

### Changes in share awards

	Share awards (in numbers)			Weighted average grant date fair value (in euros)		
	2013	2012	2011	2013	2012	2011
Opening balance	<b>49,416,632</b>	48,022,886	35,040,106	<b>7.78</b>	7.90	7.25
Granted	<b>10,957,213</b>	20,446,336	20,290,408	<b>5.80</b>	6.53	9.78
Performance effect	<b>788,196</b>	1,274,485	1,610,321	<b>10.25</b>	9.41	11.27
Vested	<b>33,757,098</b>	15,530,788	3,636,399	<b>7.61</b>	6.29	10.79
Forfeited	<b>2,344,951</b>	2,247,317	2,060,908	<b>7.80</b>	8.23	7.56
Closing balance	<b>25,059,992</b>	49,416,632	48,022,886	<b>7.23</b>	7.78	7.90

As at 31 December 2013 the share awards consists of 21,993,875 share awards (2012: 43,632,814; 2011: 41,150,790) relating to equity-settled share-based payment arrangements and 3,066,117 share awards (2012: 5,783,818; 2011: 6,872,096) relating to cash-settled share-based payment arrangements.

The fair value of share awards granted is recognised as an expense under staff expenses and is allocated over the vesting period of the share awards. The fair values of share awards containing a market based performance condition have been determined using a Monte Carlo simulation based valuation model. The model takes into account the risk free interest rate, the current stock prices, expected volatilities and current dividend yields of the performance peer group used to determine ING's Total Shareholder Return (TSR) ranking.

As at 31 December 2013 total unrecognised compensation costs related to share awards amount to EUR 53 million (2012: EUR 102 million; 2011: EUR 149 million). These costs are expected to be recognised over a weighted average period of 1.5 years (2012: 1.2 years; 2011: 1.5 years).



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**34 OTHER INTEREST EXPENSES**

Other interest expenses mainly consist of interest in connection with the insurance operations, including interest on the perpetual subordinated loans.

In 2013, total interest income and total interest expense for items not valued at fair value through profit and loss were EUR 33,526 million (2012: EUR 32,373 million; 2011: EUR 34,796 million) and EUR 18,658 million (2012: EUR 15,702 million; 2011: EUR 16,098 million) respectively. Net interest income of EUR 14,429 million is presented in the following lines in the profit and loss account.

**Total net interest income**

	<b>2013</b>	2012	2011
Interest result banking operations <b>23</b>	<b>11,701</b>	11,884	13,449
Investment income insurance operations <b>25</b>	<b>3,189</b>	3,283	3,279
Other interest expenses	<b>461</b>	464	380
	<b>14,429</b>	14,703	16,348

**35 OTHER OPERATING EXPENSES****Other operating expenses**

	Banking operations			Insurance operations			Total		
	<b>2013</b>	2012	2011	<b>2013</b>	2012	2011	<b>2013</b>	2012	2011
Depreciation of property and equipment	<b>345</b>	361	371	<b>37</b>	31	29	<b>382</b>	392	400
Amortisation of software	<b>234</b>	214	332	<b>55</b>	50	36	<b>289</b>	264	368
Computer costs	<b>695</b>	725	707	<b>219</b>	203	173	<b>914</b>	928	880
Office expenses	<b>649</b>	713	737	<b>134</b>	138	144	<b>783</b>	851	881
Travel and accommodation expenses	<b>146</b>	157	120	<b>17</b>	23	35	<b>163</b>	180	155
Advertising and public relations	<b>404</b>	496	594	<b>51</b>	51	49	<b>455</b>	547	643
External advisory fees	<b>223</b>	255	332	<b>116</b>	172	198	<b>339</b>	427	530
Postal charges	<b>79</b>	80	82	<b>9</b>	3	1	<b>88</b>	83	81
Addition/(releases) of provision for reorganisations and relocations	<b>222</b>	458	387	<b>33</b>	253	43	<b>255</b>	711	430

Other	<b>763</b>	1,257	736	<b>181</b>	309	389	<b>944</b>	1,566	1,125
	<b>3,760</b>	4,716	4,398	<b>852</b>	1,233	1,095	<b>4,612</b>	5,949	5,493

Other operating expenses include lease and sublease payments in respect of operating leases of EUR 219 million (2012: EUR 245 million; 2011: EUR 150 million) in which ING Group is the lessee. No individual operating lease has terms and conditions that significantly affect the amount, timing and certainty of the consolidated cash flows of the Group.

For Addition/(releases) of provision for reorganisations and relocations reference is made to the disclosure on the reorganisation provision in Note 22 Other liabilities .

The External advisory fees include fees for audit services and non-audit services provided by the Group s auditors.

In 2012, Other operating expenses Other included the settlement with US authorities of EUR 473 million as disclosed in Note 54 Legal proceedings and the Netherlands bank tax of EUR 175 million.

#### Fees of Group s auditors

	2013 <sup>(1)</sup>	2012 <sup>(1)</sup>	2011 <sup>(1)</sup>
Audit fees	<b>24</b>	26	31
Audit related fees	<b>2</b>	8	7
Tax fees	<b>2</b>	4	4
All other fees		1	1
<b>Total</b>	<b>28</b>	39	43

(1) These figures excludes audit fees for entities presented as held for sale and discontinued operations. Total audit fees for 2013 amounted to EUR 36 million (2012: EUR 52 million; 2011: EUR 51 million).

Fees as disclosed above relate to the network of the Group s auditors and are the amounts related to the respective years, i.e. on an accrual basis.

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**36 DISCONTINUED OPERATIONS**

As at 31 December 2013, ING U.S. and ING's remaining insurance and investment management businesses in Asia ( Asia ), excluding ING Japan are classified as discontinued operations.

**ING U.S.**

In light of ING's intention to divest its remaining interest in ING U.S. over time, ING U.S. is classified as held for sale and discontinued operations in 2013.

**ING Japan**

After carefully exploring and evaluating the options available for the divestment of ING Life Japan, it was concluded that ING Life Japan will be included with ING's European insurance and investment management businesses in the base case IPO of NN Group in 2014. As a result, ING Life Japan and the Japanese Closed Block VA guarantees reinsured to ING Re ( ING Japan ) are no longer classified as discontinued operations. All references to Asia in this disclosure therefore, refer to ING's Insurance and investment management businesses in Asia other than ING Japan. Reference is made to Note 59 Other events .

As at 31 December 2012, ING's Insurance and investment management businesses in Asia ( Asia ) were classified as discontinued operations.

As at 31 December 2011, ING's pension, life insurance and investment management activities in Latin America ( Latin America ) were classified as discontinued operations. The divestment of Latin America was completed in December 2011.

**Total net result from discontinued operations**

	2013	2012	2011
ING U.S.	208	553	613
Asia	220	338	319
Latin America			114
Net result from discontinued operations	428	891	180
Net result from classification as discontinued operations Asia	42	394	
Net result from disposal of discontinued operations <sup>(1)</sup>	17	752	995
<b>Total net result from discontinued operations</b>	<b>403</b>	<b>1,249</b>	<b>815</b>

(1) The tax effect on the result on disposal of discontinued operations is nil.

### Net result from discontinued operations

In 2013, 2012 and 2011, Net result from discontinued operations includes the net result (after tax) of the businesses classified as discontinued operations and is presented separately in the profit and loss account. Result from discontinued operations was as follows:

#### Result from discontinued operations

	2013	2012	2011
Total income	16,925	21,892	22,358
Total expenses	16,524	20,909	22,538
Result before tax from discontinued operations	401	983	180
Taxation	27	92	
Net result from discontinued operations	428	891	180

### Net result from classification as discontinued operations

In 2013, Net result from classification as discontinued operations Asia includes a goodwill write-off of EUR 42 million in IIM Taiwan. In 2012, Net result from classification as discontinued operations Asia included goodwill write-offs of EUR 200 million in ING Life Korea, EUR 180 million in Investment Management Korea and EUR 15 million in ING Vysya Life Insurance. Reference is made to Note 12 Assets and liabilities held for sale .

### Net result from disposal of discontinued operations

In 2013, Net result from disposal of discontinued operations includes the divestment gain on the sale of the Insurance businesses in Hong Kong, Macau and Thailand of EUR 944 million and the divestment loss of EUR 989 million on the sale of ING Life Korea. In 2012, Net result from disposal of discontinued operations included the divestment gain on the sale of the Insurance businesses in Malaysia. In 2011, Net result from disposal of discontinued operations included the divestment gain on the sale of Latin America. Reference is made to Note 55 Companies and businesses acquired and divested .

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**Cash flows from discontinued operations**

The net cash flow from discontinued operations was as follows:

**Net cash flow from discontinued operations**

	<b>2013</b>	2012	2011
Operating cash flow	<b>6,948</b>	3,181	2,038
Investing cash flow	<b>6,945</b>	3,022	2,156
Financing cash flow	<b>225</b>	142	200
Net cash flow	<b>228</b>	17	318

Sales proceeds in cash are presented in the consolidated statement of cash flows under Net cash flow from investment activities - Disposals and redemptions: group companies. The proceeds relating to the IPO and second tranche sale of ING U.S. are presented in the Consolidated statement of cash flows under Proceeds of ING U.S. These proceeds are not included in the table above.

**Segmentation prior to classification as discontinued operations**

The activities of ING U.S. were previously included respectively in the segments Insurance United States (US), Investment Management US, Insurance US Closed Block VA and in the Corporate Line US before they were classified as discontinued operations and held for sale. These segments ceased to exist, following the classification of ING U.S. business as discontinued operations, as all activities previously included in these segment are now discontinued operations.

ING's Insurance and investment management businesses in Asia were previously included respectively in the segments Insurance Asia/ Pacific, ING Investment Management EurAsia and in the Corporate Line EurAsia before they were classified as discontinued operations and held for sale. The segment Insurance Asia/Pacific ceased to exist, following the classification as discontinued operations, as all activities previously included in this segment are now discontinued operations.

**37 EARNINGS PER ORDINARY SHARE****Earnings per ordinary share**

Amount (in millions of euros)	Weighted average number of ordinary shares outstanding during the period	Per ordinary share (in euros)
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	(in millions)								
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Net result	4,577	3,526	4,754	3,825.0	3,796.1	3,783.7			
Attribution to non-voting equity securities	526	642	1,520						
Basic earnings	4,051	2,884	3,234	3,825.0	3,796.1	3,783.7	1.06	0.76	0.85
Effect of dilutive instruments:									
Stock option and share plans				8.5	6.3	5.4			
				8.5	6.3	5.4			
Diluted earnings	4,051	2,884	3,234	3,833.5	3,802.4	3,789.1	1.06	0.76	0.85

### Attribution to non-voting equity securities

The attribution to non-voting equity securities represents the amount that would be payable on the non-voting equity securities if and when the entire net result for the period would be distributed as dividend. This amount is only included for the purpose of determining earnings per share under IFRS-IASB and does not represent a payment (neither actual nor proposed) to the holders of the non-voting equity securities.

The attribution in 2013 includes the premium of EUR 375 million (2012: EUR 375 million; 2011: EUR 1,000 million) paid in relation to the repayment of the EUR 750 million (2012: EUR 750 million; 2011: EUR 2,000 million) non-voting equity securities.

### Dilutive instruments

Diluted earnings per share is calculated as if the stock options and share plans outstanding at the end of the period had been exercised at the beginning of the period and assuming that the cash received from exercised stock options and share plans is used to buy own shares against the average market price during the period. The net increase in the number of shares resulting from exercising stock options and share plans is added to the average number of shares used for the calculation of diluted earnings per share.

The potential conversion of the non-voting equity securities has an anti-dilutive effect on the earnings per share calculation in 2013, 2012 and 2011 (the diluted earnings per share becoming higher or less negative than the basic earnings per share). Therefore, the potential conversion is not taken into account in the calculation of diluted earnings per share for these years.

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**Earnings per ordinary share from continuing operations (in euros)**

	Amount (in millions of euros)			Weighted average number of ordinary shares outstanding during the period			Per ordinary share (in euros)		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Basic earnings	<b>4,051</b>	2,884	3,234	<b>3,825.0</b>	3,796.1	3,783.7			
Less: Net result from discontinued operations	<b>234</b>	1,191	810						
Basic earnings from continuing operations	<b>3,817</b>	1,693	2,424	<b>3,825.0</b>	3,796.1	3,783.7			